



# 2009 Comprehensive Annual Financial Report

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CITY OF  
**ISSAQUAH**

*“A Special Place Where People Care”*

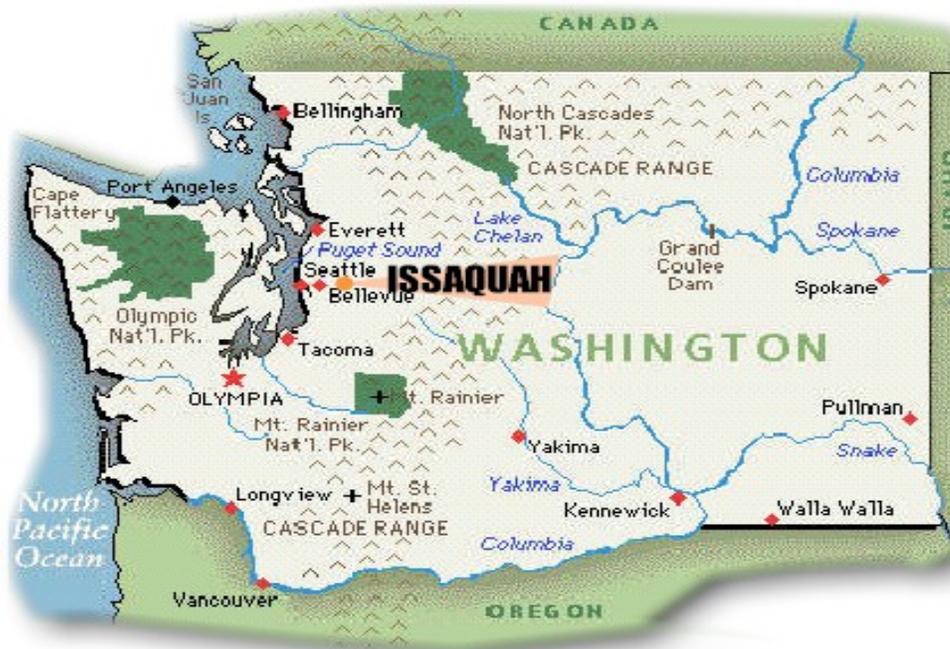
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For the fiscal year ended December 31, 2009

CITY OF  
**ISSAQUAH**  
City of Issaquah

# Comprehensive Annual Financial Report

For the fiscal year ended December 31, 2009



State of Washington

*Prepared by the Finance Department*

James R. Blake, Director

Patrisha S. Draycott, Deputy Director

# VISION STATEMENT

The City of Issaquah is committed to quality living through preservation and enhancement of the community's unique human and natural resources.

## GUIDING PRINCIPLES AND GOALS

### *Environmental Excellence*

- \* Establish and implement measures to preserve Issaquah's unique natural beauty.
- \* Prevent degradation of the environment while promoting responsible utilization of Issaquah's natural resources.
- \* Acknowledge the fact of development and work to ensure that impacts are properly mitigated.

### *Innovative and Integrated Planning*

- \* Utilize a regional approach.
- \* Encourage coordination of short- and long-range planning efforts.
- \* Incorporate financial implications into the planning and decision making process.

### *Community Involvement*

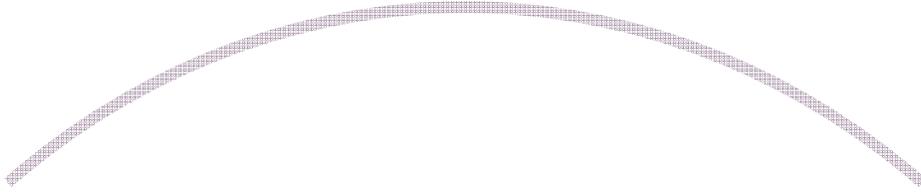
- \* Actively pursue opportunities for public involvement.
- \* Emphasize and promote two-way communication and understanding between the City and community.

### *A People Place*

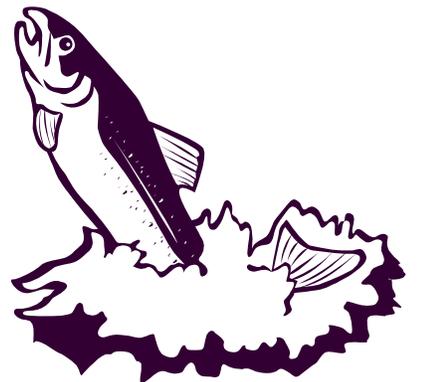
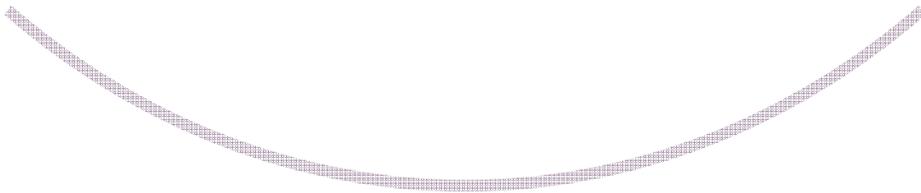
- \* Work toward preserving the hometown feeling of Issaquah.
- \* Promote Pedestrian-oriented facilities.
- \* Acknowledge the importance of cultural activities.
- \* Actively promote a sense of community pride.
- \* Support a wide variety of recreational opportunities consistent with Issaquah's natural setting.

### *A Balanced Community*

- \* Preserve and encourage viable neighborhoods.



# Introduction



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2009

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Honorable Mayor and City Council Members  
City of Issaquah  
Issaquah, WA 98027

The City of Issaquah Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2009 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. 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 Issaquah's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the City's organization chart, and a list of principal officials. The financial section includes the State Auditor's report on the financial statements and schedules, Management's Discussion and Analysis, Government-wide Financial Statements, Fund Financial Statements, Notes to the Financial Statements and Other Required Supplemental Information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. This report includes all funds and agencies of the City.

As an aid to the reader, the major sections of this report have been segregated by divider pages, which provide introductions for the sections. Similarly, divider pages have been used to separate the various components of the financial section. Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A immediately follows the report of the independent auditors.

## **Profile of the Government**

The City of Issaquah was incorporated in 1892 and operates as a Non-Charter Optional Code City with a Mayor-Council form of government. The Council is comprised of seven members, elected at large by the citizens of Issaquah, each serving a four-year term. They are part-time elected officials who exercise the legislative powers of the City and determine matters of policy. The Mayor, an elected official, is the Chief Executive Officer of the City. The Mayor is assisted by a full-time City Administrator. The City Administrator and other officers and department directors are appointed by the Mayor with Council confirmation.

The City of Issaquah provides a full range of municipal services, including parks and recreation facilities/activities, streets, planning, zoning, and general administrative services. The City also operates water, sewer, and stormwater utility systems. The City of Issaquah is experiencing intense growth and development.

## **FINANCIAL MANAGEMENT AND CONTROLS**

City of Issaquah 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.

## **Cash Management**

It is the City's policy to invest all temporary cash surpluses with maturities planned to coincide with cash needs. Cash was invested in demand deposits, time deposits, banker's acceptances, and with the State Treasurer's Investment Pool. Net investment earnings for the year were \$511 thousand.

## **OTHER INFORMATION**

### **Independent Audit**

Washington State law requires an annual audit by the State Auditor, an independently elected state official. The State Auditor has broad legal authority to inquire into all financial and legal compliance matters. The audits are made in conformance with generally accepted auditing standards, cover the financial statements of all City funds, and account groups. The City was given an unqualified opinion for 2009.

## **ACKNOWLEDGEMENTS**

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. The advice and support of the examiners from the Office of the State Auditor was very helpful. I would also like to express my appreciation to the Mayor and City Council for their interest and support in planning and conducting the financial operations for the City in a responsible and progressive manner.

Respectfully submitted,

James R Blake,  
Finance Director

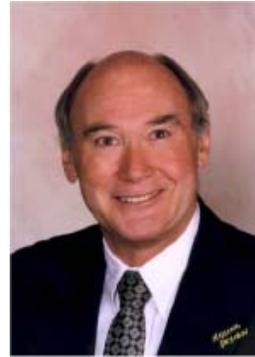
**CITY OFFICIALS  
ELECTED OFFICIALS**



Ava Frisinger,  
Mayor



John Rittenhouse,  
Position #1



Fred Butler,  
Deputy President  
Position #2



Eileen Barber,  
Position #3



Joshua Schaer,  
Position #4



Maureen McCarry,  
Council President,  
Position #5



John Traeger,  
Position #6



David Kappler,  
Position #7

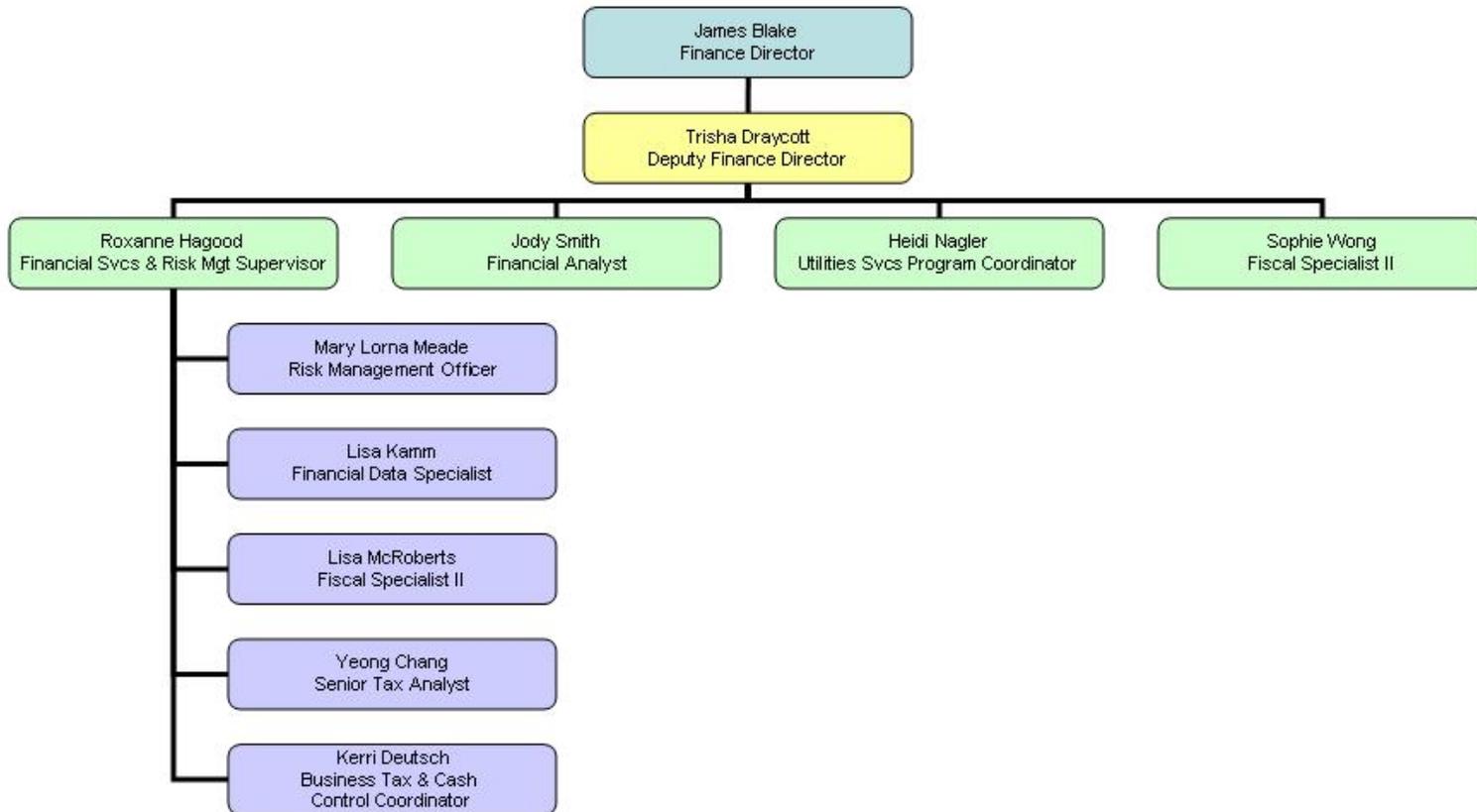
Photos © Hilling Design – used with permission

**EXECUTIVE STAFF**

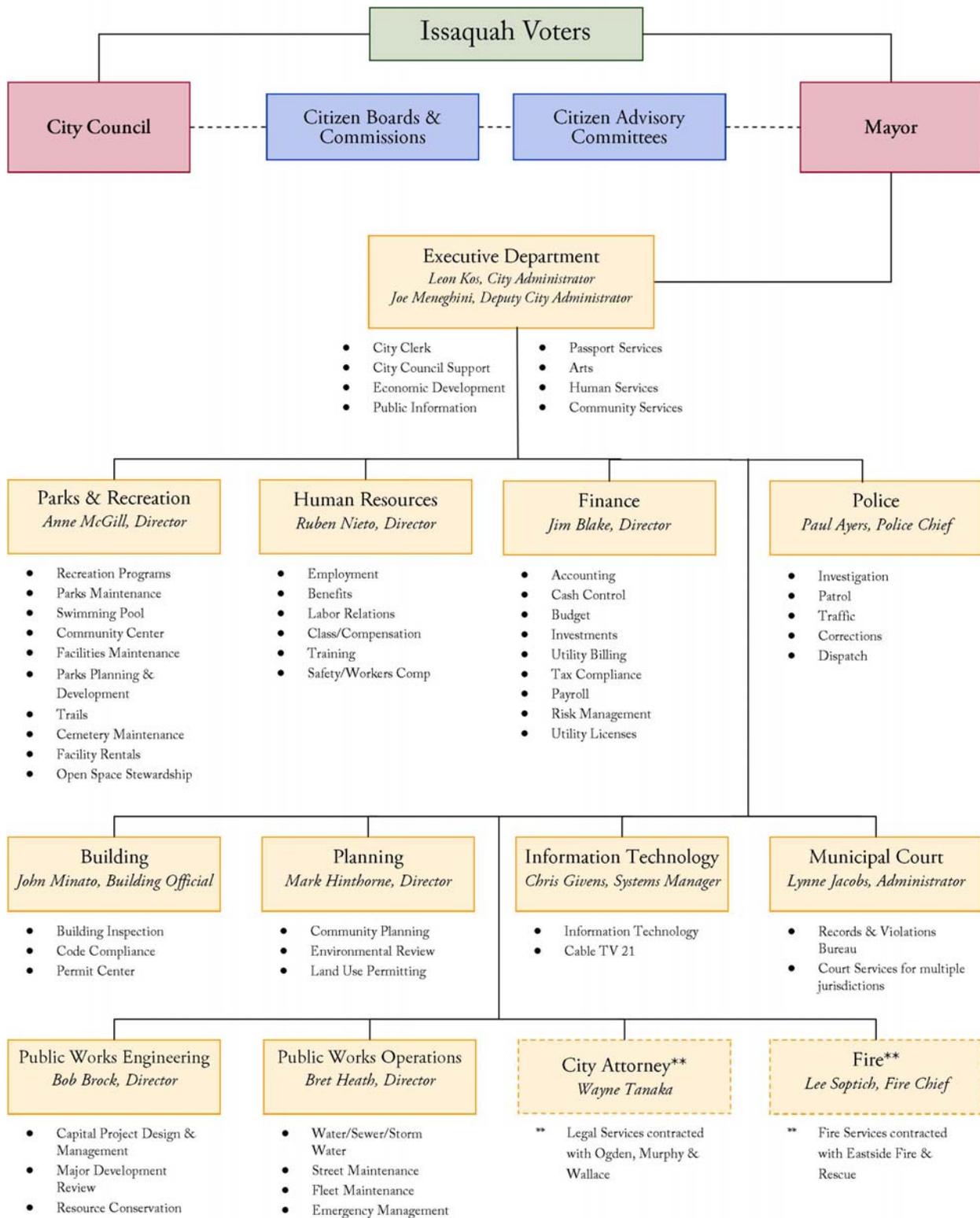
City Administrator .....	Leon Kos
Deputy City Administrator .....	Joe Meneghini
Chief of Police .....	Paul Ayers
Finance Director .....	James R. Blake
Parks & Recreation Director .....	Anne McGill
Planning Director .....	Mark Hinthorne
Building Official .....	John Minato
Human Resources Director .....	Ruben Nieto
Public Works Engineering Director .....	Bob Brock
Public Works Operations Director .....	Bret Heath

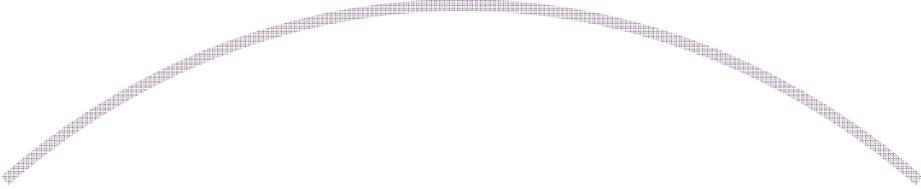
# City of Issaquah Finance Department

*as of 12/31/2009*

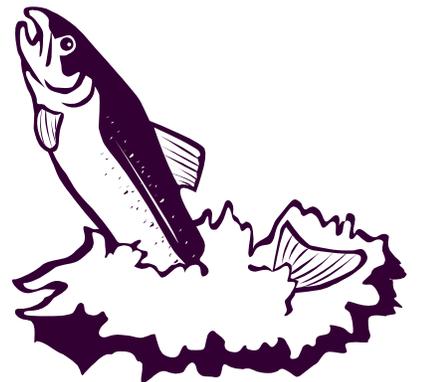
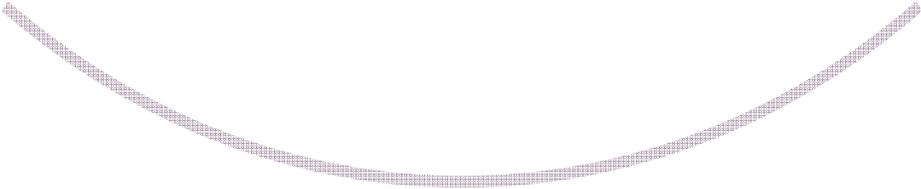


# City of Issaquah Organizational Structure





# Financial Section



## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management discussion and analysis section of the City of Issaquah's annual financial report provides a narrative overview of the City's financial activities for and financial position at the end of December 31, 2009. This information should be read in conjunction with the preceding letter of transmittal and the financial statements and notes to the financial statements that follow.

## FINANCIAL HIGHLIGHTS

At the end of 2009 the City of Issaquah had a fund balance in the general fund equal to 20% of 2010 budgeted expenditures. The 2010 Council budget goal was to not let this ratio level drop below 15%. With the final budget, the cash reserves through 2010 are expected to remain at current levels. The Administration will monitor this benchmark and, if needed, come back with additional expenditure reductions during the next fiscal year.

Net assets, the amount by which total assets exceeded total liabilities, equal \$586 million. A total of 96%, or \$541 million, of total net assets is invested in capital such as land, buildings, infrastructure and utilities. Of the net assets, \$21 million is restricted for debt service, capital projects, etc. \$24 million is available to meet the City's ongoing activities and obligations.

Governmental fund balances at year-end were \$29 million. Of this amount, a total of \$27 million or 95% of the governmental fund balance is unreserved and available to fund ongoing activities with \$15 million being earmarked for capital project activities.

Unreserved fund balance in the general fund was \$8.4 million, a decrease of \$1.2 million from the prior year.

In 2009 the City retired \$9.6 million in debt. Total debt at year-end was \$52 million, not including compensated absences or OPEB.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Issaquah's basic financial statements. The City of Issaquah's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Issaquah's financial condition, in a manner similar to a private-sector business.

The government-wide financial statements distinguish Governmental Activities that are primarily supported by taxes and intergovernmental revenues, 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 (finance, executive, and human resources), security (police and fire), physical and economic environment, transportation, mental/physical health, and culture and recreation. The City's business-type activities are limited to water, wastewater and stormwater utilities.

The *Statement of Net Assets* presents information on all of the City of Issaquah's assets and liabilities, highlighting the difference between the two reported as net assets. This statement is similar to the balance sheet of a private sector business. Over time, increases or decreases in net assets may be one indicator of improvement or deterioration in the City's overall financial health.

The *Statement of Activities* presents information designed to show how the City's net assets changed during the most recent fiscal year. This statement distinguishes revenue generated by specific functions from revenue provided by taxes and other sources not related to a specific function. The revenue generated by the specific functions (charges

for services, grants, and contributions) is compared to the expenses for those functions to show how much each function either supports itself or relies on taxes and other general funding sources for support.

All activity on the statement of activities is reported on the accrual basis of accounting, requiring that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of when cash is received or disbursed. Items such as taxes, unpaid vendor invoices for goods or services received during the year, and earned but unused vacation leave are included in the statement of activities as revenue and expenses even though no cash has changed hands.

**Fund Financial Statements.** A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. Funds are often set up in accordance with special regulations, restrictions or limitations. The City of Issaquah, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City of Issaquah can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

The annual financial report includes fund financial statements in addition to the government-wide financial statements. While the government-wide statements present the City's finances based on the type of activity, governmental versus business-type, the fund financial statements are presented by fund type such as the general fund, special revenue funds, and proprietary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Issaquah maintains 34 active individual governmental funds. The City's five major governmental funds, the general fund, capital improvement fund and the street fund are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Data from the remaining governmental funds are combined into a single column labeled Other Governmental Funds. Individual fund data for each of these non-major governmental funds can be found in the form of *combining statements* presented later in this report.

The City maintains budgetary control over its operating funds through the adoption of an annual budget. Budgets are adopted at the fund level and according to state law. A budgetary comparison statement has been provided for the general fund and major special revenue funds, if any, to demonstrate compliance with this budget.

**Proprietary funds.** Proprietary funds are used by governments to account for their business-type activities. Business-type activities provide specific goods or services to a group of customers that are paid for by fees charged to those customers. There is a direct relationship between the fees paid and the services received.

The City of Issaquah maintains 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 various City departments.

The City of Issaquah uses enterprise funds to report the same functions presented as business-type activities in the government-wide financial statements with the fund statements providing more detail than is reported in the government-wide statements. The enterprise fund statements provide separate information for the City's water, wastewater and stormwater utilities.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Issaquah uses internal service funds to account for its fleet of vehicles and equipment, unemployment insurance, insurance premiums, and Public Works Engineering operations fund.

Internal service funds benefit both governmental and business-type activities and are allocated accordingly in the government-wide statement of activities. Internal service fund assets and liabilities are predominantly governmental and have been included in the governmental activities column of the government-wide statement of net assets.

**Fiduciary funds.** Fiduciary funds account for resources 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 the sources of these funds are *not* available to support the City of Issaquah's own programs.

At year-end, the City maintains an agency/deposits fund. The agency/deposits fund is a clearing mechanism for cash resources that are collected by the City, held for a brief period, and then disbursed to authorized recipients.

**Notes to the Financial Statements.** The notes to the financial statements provide additional information that is essential to a full understanding of the data in the government-wide and fund financial statements. The notes are located immediately following the basic financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to the financial statements.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. The City of Issaquah's net assets at December 31, 2009 total \$586 million. The following is a condensed version of the government-wide statement of net assets.

### City of Issaquah's Net Assets (in thousands)

	Governmental Activities		Business Type Activities		Total	
	2008	2009	2008	2009	2008	2009
Current and other assets	\$ 38,905	\$ 43,091	\$ 8,899	\$ 10,395	\$ 47,804	\$ 53,486
Capital assets, net of depreciation	479,767	483,857	111,694	114,816	591,461	598,673
Total Assets	518,672	526,948	120,593	125,211	639,265	652,159
Current liabilities	5,799	5,919	372	299	6,171	6,218
Liabilities payable from restricted assets	3,109	3,863	-	-	3,109	3,863
Noncurrent liabilities	38,885	45,469	11,168	10,350	50,053	55,819
Total liabilities	47,793	55,251	11,540	10,649	59,333	65,900
Net Assets:						
Invested in capital assets net of debt	440,813	438,717	99,575	102,765	540,388	541,482
Restricted	12,418	17,185	3,607	3,532	16,025	20,717
Unrestricted	17,648	15,795	5,871	8,265	23,519	24,060
Total net assets	\$ 470,879	\$ 471,697	\$ 109,053	\$ 114,562	\$ 579,932	\$ 586,259

The largest component of the City's net assets, 93% or \$541 million is its investment in capital assets, net of related debt. These capital assets such as streets, trails, parks, utilities, and police vehicles are used to provide services to the citizens. Consequently, these assets are not available to sell and convert to cash for future spending.

At the end of the fiscal year, the City of Issaquah reported positive balances in all three categories of net assets, for the government as a whole, as well as for the separate governmental and business-type activities.

### Changes in Net Assets

The City of Issaquah's net assets increased approximately \$6 million in 2009. The change in governmental activities was an increase of \$818 thousand and an increase of \$5.5 million in the business-type activities. The following table shows the revenues, expenses and related changes in net assets for the governmental activities separate from the business-type activities.

#### City of Issaquah Statement of Activities (in thousands)

	Governmental Activities		Business Type Activities		Total	
	2008	2009	2008	2009	2008	2009
Revenues:						
Program Revenues						
Charges for services	\$ 10,426	\$ 10,752	\$ 15,386	\$ 17,102	\$ 25,812	\$ 27,854
Operating grants & contributions	794	1,525	139	438	933	1,963
Capital grants & contributions	5,087	5,896	4,562	4,605	9,649	10,501
General revenues:						
Property taxes	7,741	7,785	-	-	7,741	7,785
Sales taxes	10,691	9,395	-	-	10,691	9,395
Business taxes	6,215	6,654	-	-	6,215	6,654
Other taxes	2,897	1,820	-	-	2,897	1,820
Investment earnings	1,188	490	216	21	1,404	511
Total revenues	45,039	44,317	20,303	22,166	65,342	66,483
Expenses:						
Judicial	446	791	-	-	446	791
General government	7,663	7,836	-	-	7,663	7,836
Public safety	11,790	11,739	-	-	11,790	11,739
Physical environment	986	933	-	-	986	933
Transportation	14,039	12,538	-	-	14,039	12,538
Health and human services	118	9	-	-	118	9
Economic environment	3,495	3,458	-	-	3,495	3,458
Culture and recreation	5,725	5,463	-	-	5,725	5,463
Interest on long term debt	1,321	2,020	-	-	1,321	2,020
Water	-	-	6,053	5,834	6,053	5,834
Sewer	-	-	5,859	6,294	5,859	6,294
Storm Water	-	-	4,318	4,229	4,318	4,229
Total expenses	45,583	44,787	16,230	16,357	61,813	61,144
Increase (decrease) in net assets before transfers	(544)	(470)	4,073	5,809	3,529	5,339
Transfers, net	352	309	(352)	(309)	-	-
Miscellaneous Revenue/(expense)	1,159	979	10	9	1,169	988
Increase (decrease) in net assets	967	818	3,731	5,509	4,698	6,327
Net Assets - beginning	469,912	470,879	105,322	109,053	575,234	579,932
Net Assets - ending	\$ 470,879	\$ 471,697	\$ 109,053	\$ 114,562	\$ 579,932	\$ 586,259

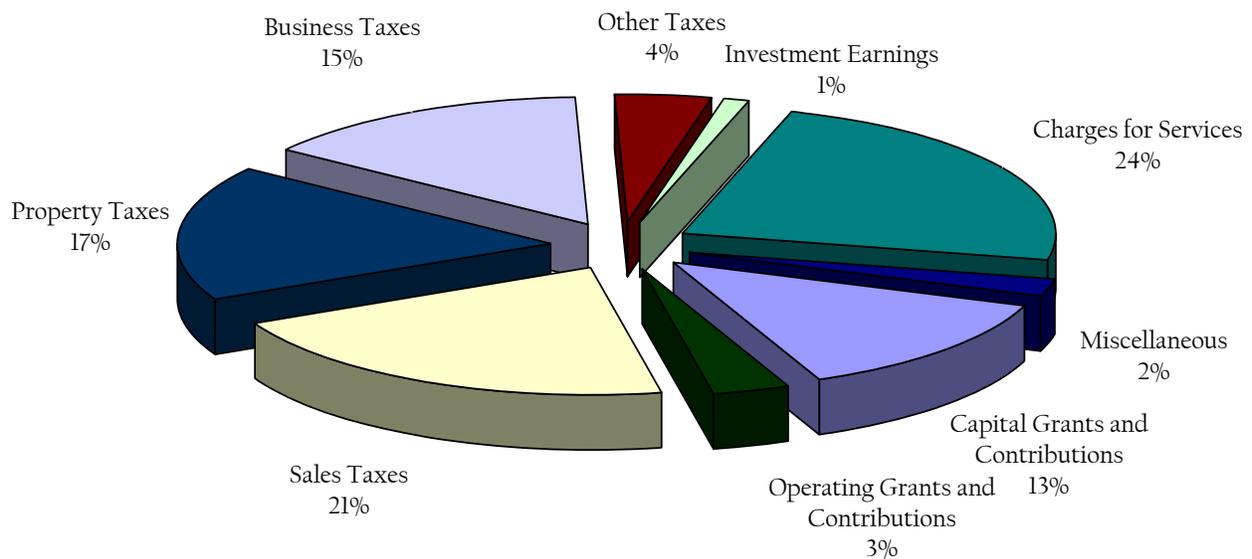
**Governmental activities.** Governmental activities contributed \$818 thousand of the total change in net assets of \$6.3 million. Key elements of the increase are as follows:

- Governmental revenues decreased \$722 thousand down from a decrease of \$15.4 million in 2008.
- Charges for services increased \$326 thousand.
- Operating grants and contributions increased \$731 thousand.
- Capital Grants and contributions increased \$809 thousand after a decrease of \$13.7 million in 2008.
- Overall tax revenue decreased \$1.9 million primarily in sales tax and real estate excise tax.

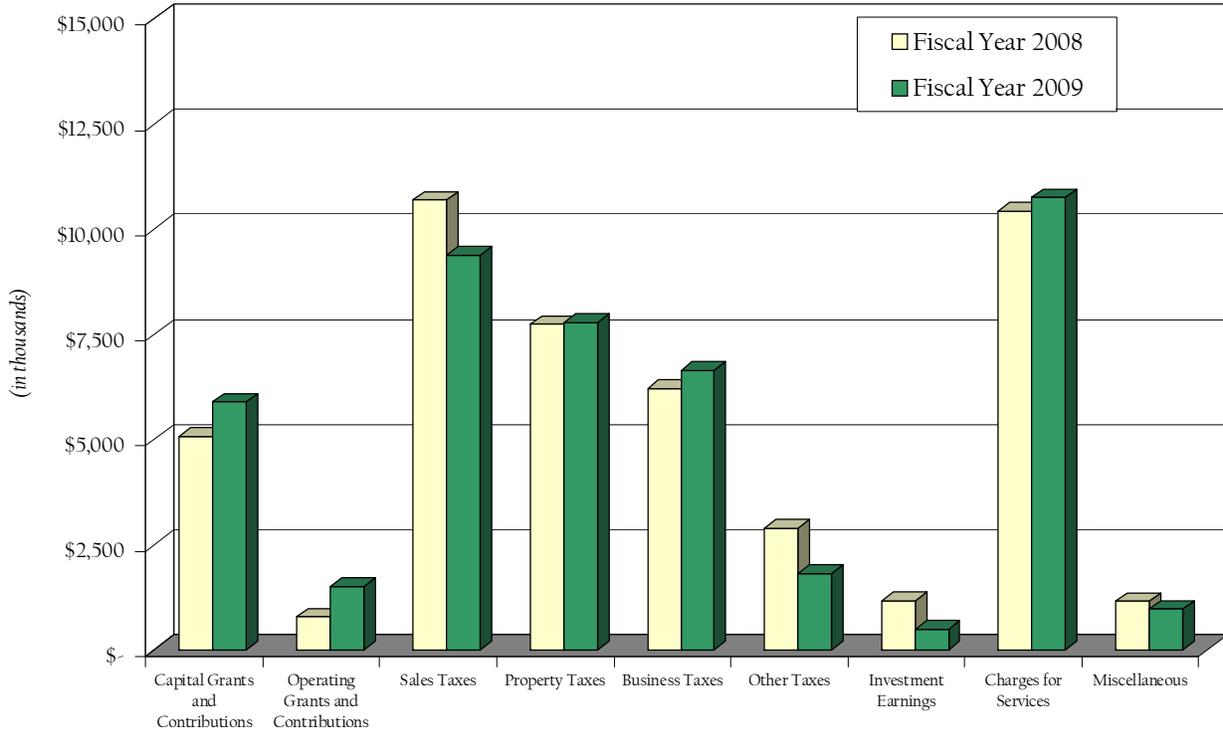
In 2009, the City of Issaquah continues its focus on sustainability forming the Sustainability Indicators Sounding Board charged with developing recommendations on how the City can measure the progress of sustainability within the community. In 2009 the City supported protecting the natural environment – including water quality, creeks and wildlife – while providing needed services to citizens through improved productivity.

The charts that follow compare program revenues to program expenses and illustrate the revenues by source separately for the governmental and business-type activities.

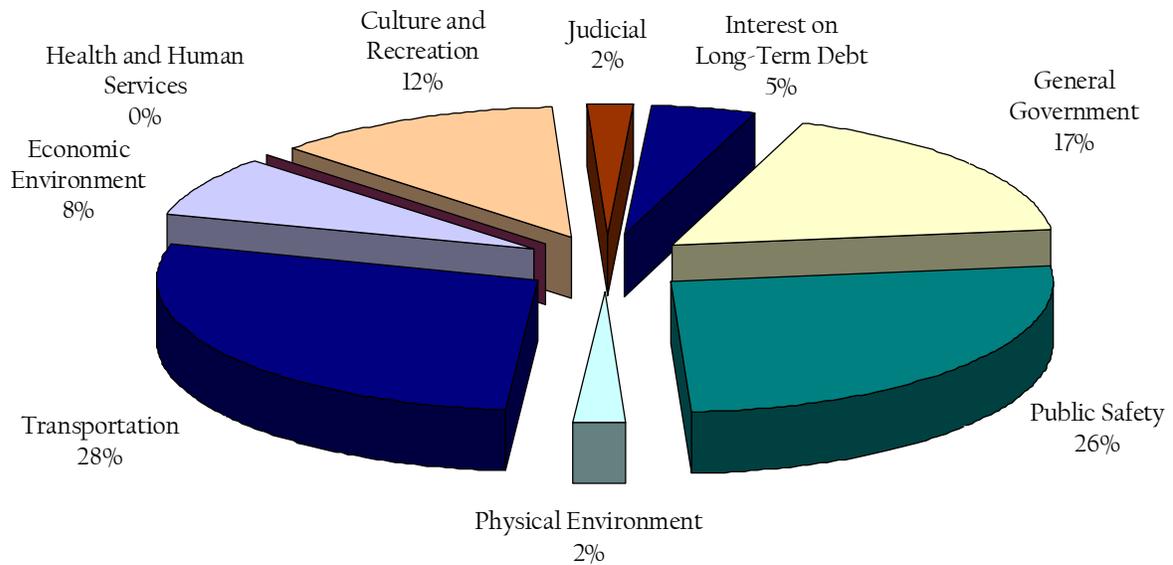
**Revenues by Source - Government Activities**



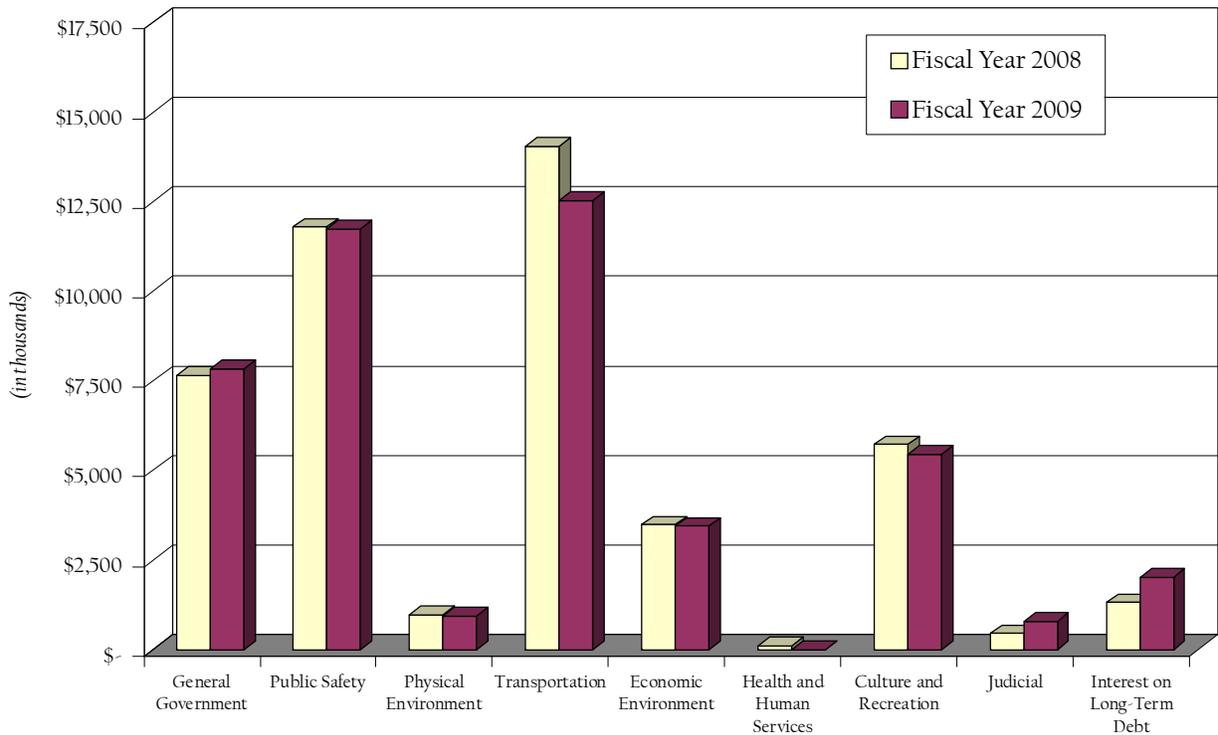
Revenues by Source Comparison - Governmental Activities



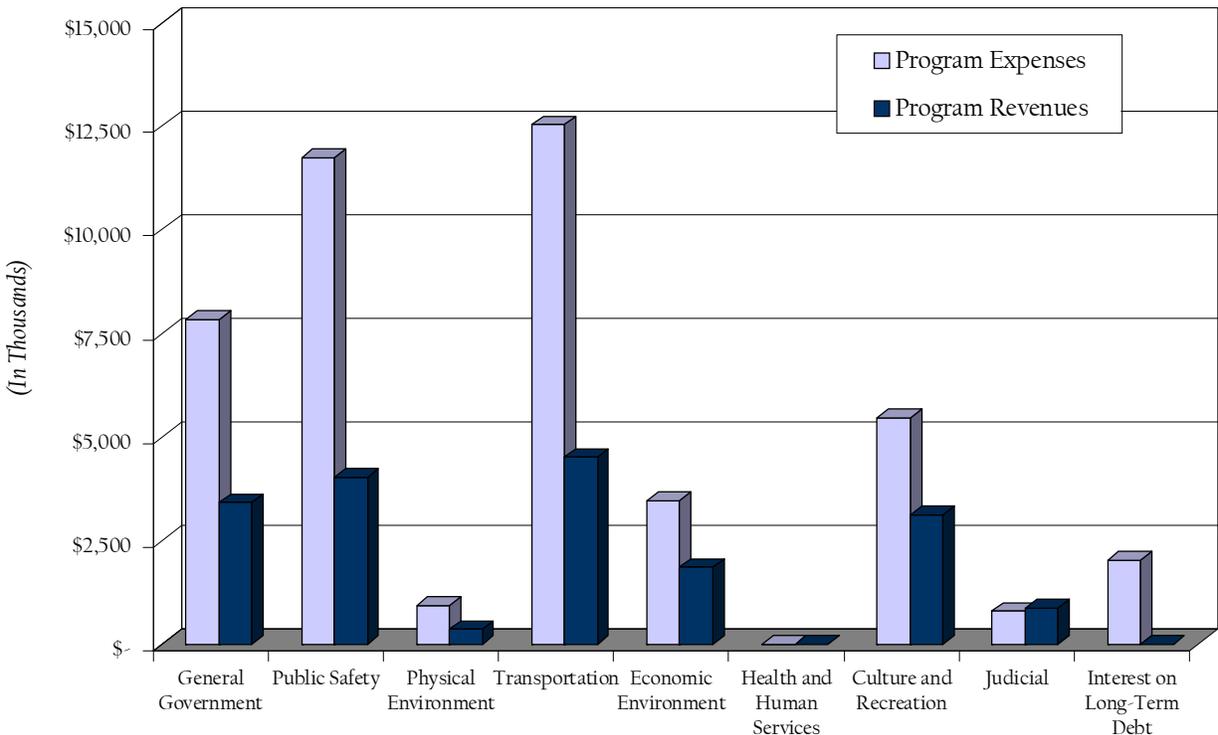
Program Expenses - Governmental Activities



Expenditure Comparison by Program - Governmental Activities

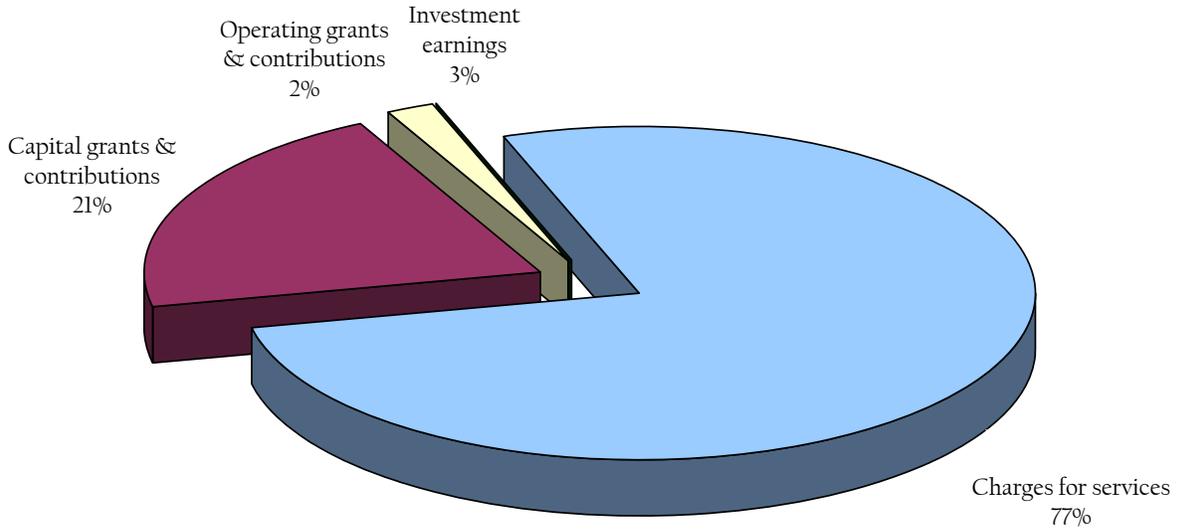


Program Expenses vs. Revenues - Governmental Activities

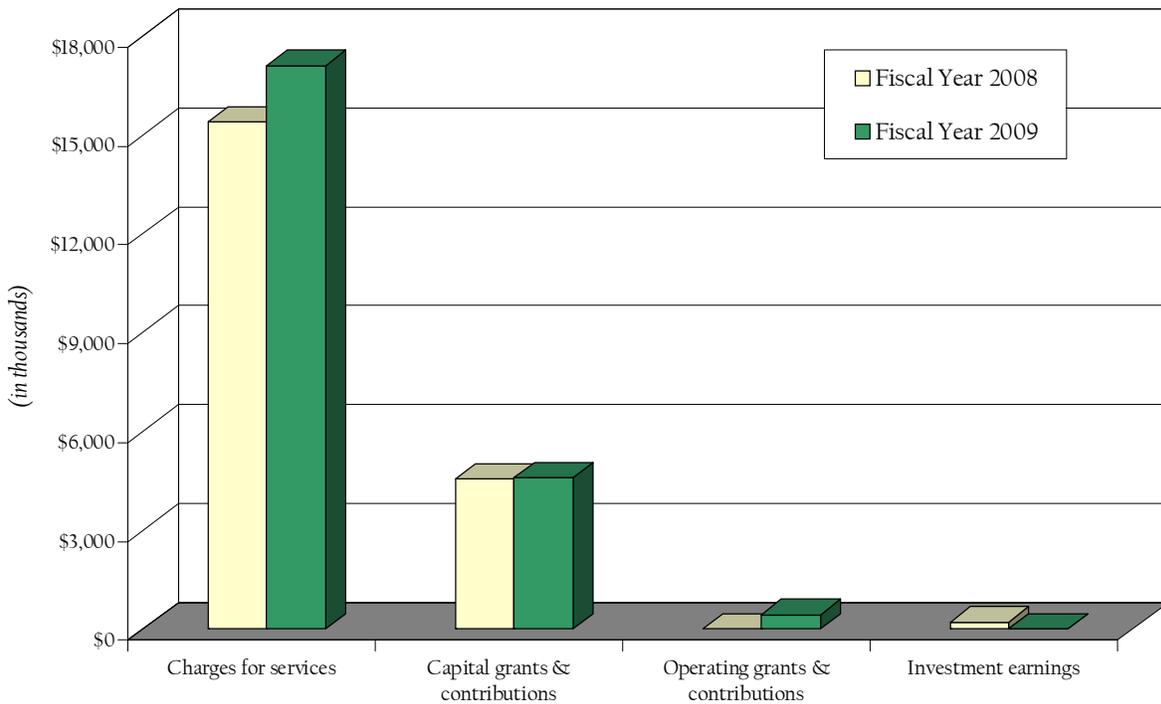


*Business-type activities* the City's utilities increased the City of Issaquah's net assets by \$5.5 million.

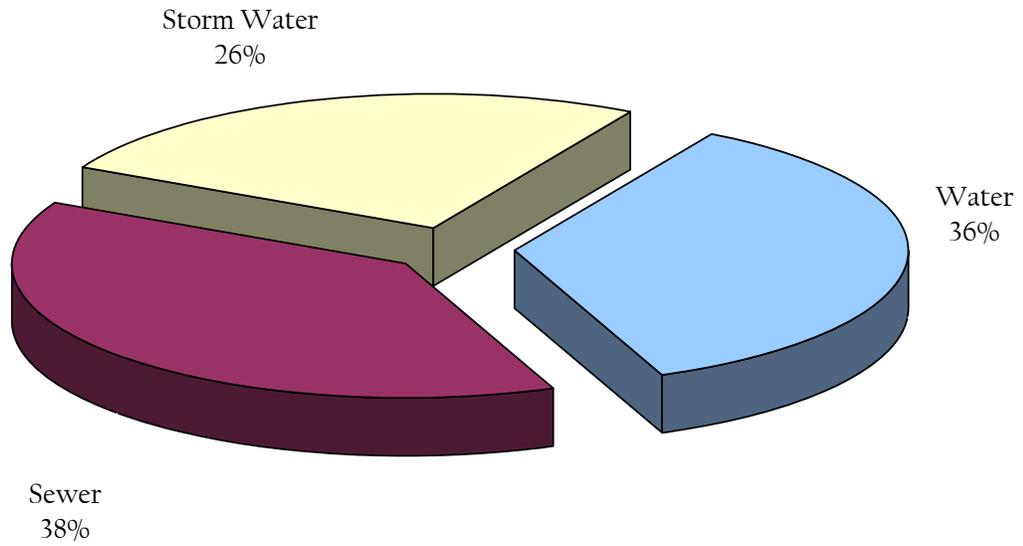
Revenues by Source - Business Type Activities



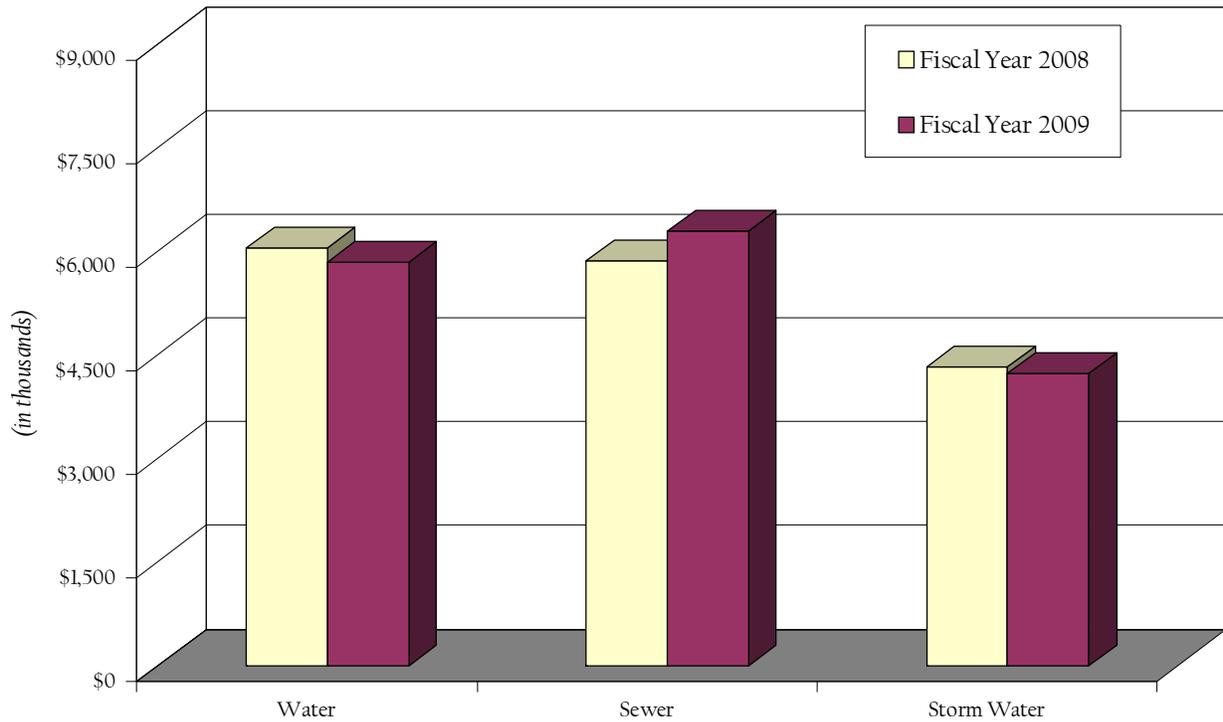
Revenues by Source Comparison - Business Type Activities



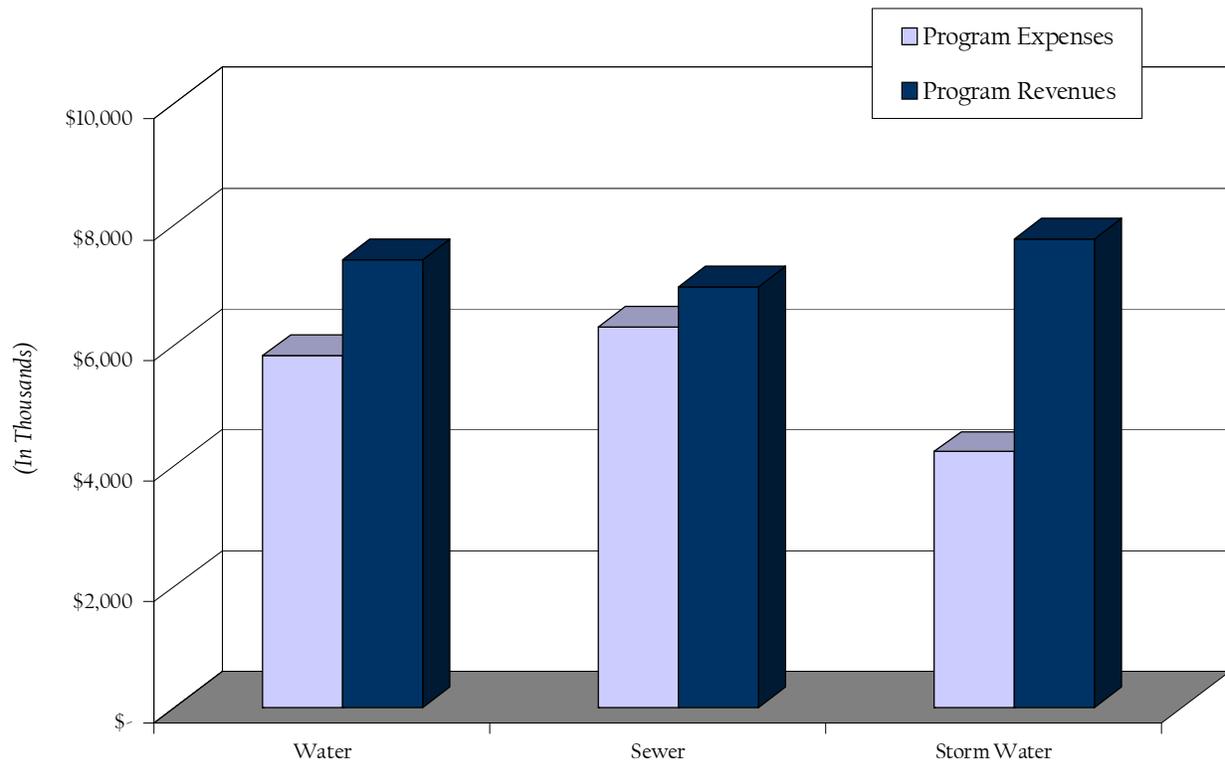
Program Expenses Including Depreciation - Business Type Activities



Expenditure Comparison by Program - Business Type Activities



### Program Expenses vs. Revenues - Business Type Activities



## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As discussed earlier, the City of Issaquah uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The purpose of the City of Issaquah's governmental funds is to report on 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 2009, the City's combined ending governmental fund balance was \$29 million. Of the total ending fund balance, \$1.5 million is reserved for debt service. Of the remaining fund balance, \$15.3 million is earmarked for capital construction projects and \$3.3 million resides with special revenue funds. Additionally, Internal Service Funds have \$11.2 million net assets with \$3.2 million invested in capital assets, net of depreciation.

The general fund is the primary operating fund of the City through which all receipts and payments of ordinary City operations are processed, unless they are required to be accounted for in another fund. Taxes are the major revenue source. The fund balance at the end of 2009 of the general fund was \$8.4 million. As a measure of the fund's liquidity, the ending fund balance is 31% of the fund's 2009 expenditures.

The general fund balance decreased \$1.2 million from the prior year. Revenues decreased from prior year by \$253 thousand, while expenditures increased by \$455 thousand. In the current year, revenues exceeded expenditures in the general fund by \$1.1 million. Net transfers out of the general fund totaled \$2.4 million, primarily to the street fund (\$2.3 million).

The street fund was created to provide for the movement of traffic through a street maintenance program and long range planning. Primary revenue sources are transfer from General Fund, grading permits, inspection fees, a share of

state gasoline tax money, and a portion of sales tax (5%). The street fund ending fund balance was \$2.2 million, a decrease of \$76 thousand from 2008.

The capital improvements fund was created to account for major city capital improvement projects not budgeted under specific funds. Primary revenue sources are the one-quarter percent excise tax on real estate sales and the portion of sales tax (25%) dedicated to capital improvements by Council policy. Excise tax proceeds are to be used solely for financing capital projects specified in a Capital Improvement Plan and such funds are intended to be in addition to other funds that may be reasonably available for such capital projects. Currently excise taxes are dedicated to paying off the debt incurred for councilmanic bonds.

**Proprietary Funds.** The City of Issaquah's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of the City's proprietary funds have already been addressed.

## BUDGETARY HIGHLIGHTS

The City of Issaquah budgets annually on a cash basis. A comparison of the actual performance of the general fund on a budgetary basis to the final budget indicates that total revenues were \$3 million (10%) less than budgeted and expenditures were \$2.4 million (8%) less than budgeted. The decrease in revenues resulted from the downturn in the economy including a \$2 million reduction in Sales Tax revenues. The decrease in expenditures resulted from a reduction in staffing and diligent cost controls implemented over the past several years.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** The City of Issaquah's investment in capital assets for its governmental and business-type activities as of December 31, 2009 amounts to over \$598 million (net of accumulated depreciation). This investment in capital assets includes land, building, improvements, machinery and equipment, construction in progress, infrastructure and utility transmission/distribution systems.

Major capital assets changes during 2009 included the following:

- At December 31, \$20 million construction was under way.
- Developers donated capital of over \$1.5 million in the governmental activities and over \$3.8 million in the utilities during 2009. As development slows so does the need for the infrastructure assets which developers typically donate to the City.

The following table shows the increases/decreases by category for governmental activities, business-type activities and the City as a whole:

**City of Issaquah's Capital Assets**  
(net of depreciation – in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
Land & other nondepreciables	\$ 283,156	\$ 288,071	\$ 12,104	\$ 12,104	\$ 295,260	\$ 300,175
Infrastructure	140,231	139,249	-	-	140,231	139,249
Intangible Property	-	1,384	-	46	-	1,430
Buildings & improvements	36,758	36,899	93,392	96,131	130,150	133,030
Machinery & equipment	3,796	4,256	245	424	4,041	4,680
Construction in progress	15,826	13,998	5,953	6,111	21,779	20,109
<b>Total</b>	<b>\$ 479,767</b>	<b>\$ 483,857</b>	<b>\$ 111,694</b>	<b>\$ 114,816</b>	<b>\$ 591,461</b>	<b>\$ 598,673</b>

Additional information on the City of Issaquah's capital assets can be found in Note 7.

**Long-Term Debt.** At the end of 2009, the City of Issaquah had total bonded debt outstanding of \$46 million and other long-term debt of \$6 million. The total bonded debt is distributed as follows.

**City of Issaquah's Outstanding Bonded Debt**  
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
General obligation bonds	\$ 31,205	\$ 36,440	\$ -	\$ -	\$ 31,205	\$ 36,440
Revenue bonds	-	-	10,375	9,595	10,375	9,595
Total	\$ 31,205	\$ 36,440	\$ 10,375	\$ 9,595	\$ 41,580	\$ 46,035

The City of Issaquah enjoys an AA rating from Standard and Poor's for both its limited and unlimited general obligation debt.

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

The City's assessed valuation as of December 31, 2009 was \$6,055,526,752 and the total amount of debt the City may issue is \$418,184,304. Remaining debt capacity is as follows:

**City of Issaquah's Debt Capacity**  
(in thousands)

	General Capacity		Special Purpose Capacity		Total Capacity
	Councilmanic (Non-Voted)	Excess Levy (Voted-In)	Parks & Open Space (Voted-In)	Utility Purpose (Voted-In)	
December 31, 2009 Assessed Value*:					\$ 6,055,527
2.50 % of Assessed Value	\$ -	\$ 151,388	\$ 151,388	\$ 151,338	\$ 454,115
1.50% of Assessed Value	90,833	(90,833)	-	-	-
Statutory Debt Limit	\$ 90,833	\$ 60,555	\$ 151,388	\$ 151,338	\$ 454,115
Less Debt Outstanding (General Obligation Bonds)	\$ (21,865)	\$ (9,000)	\$ (5,575)	\$ -	\$ (36,440)
Add Amount Available in Debt Service Fund	14	306	190	-	510
Remaining Debt Capacity	\$ 68,982	\$ 51,861	\$ 146,003	\$ 151,338	\$ 418,184

Additional information on the City of Issaquah's long-term debt can be found in *Note 13* in the Notes to the Basic Financial Statements section of this report.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

**Governmental Activities.** In 2010, General Fund budgeted expenditures total \$29,797,549, which represents a \$72 thousand decrease over year 2009 operating levels. This decrease is minimal.

The final budget does not contain any new positions or property tax increases

In 2009, the voted-in excess property tax rate was \$0.16 per \$1,000 of assessed valuation. The excess property tax rate is expected to increase \$0.09 per \$1,000 in 2010 to \$0.26 per \$1,000. This increase is attributed to issuance of the 2009 Fire Station bond.

A large portion of capital expenditures in this fund are prior commitments, including debt payments of \$2,645,993 for six Councilmanic bonds.

Major non-bond funded capital projects budgeted include:

- SR 900 Pedestrian Trail/Overpass ..... \$5,646,000
- I-90 Undercrossing Improvements ..... \$2,960,000
- Complete Streets Program.....\$574,000

**Business-Type Activities.** This budget also includes a number of water, sewer and stormwater improvement projects. During 2009 there were no utility rate increases.

Water Capital Projects budgeted in 2010 include:

- Annual Water Main Replacement..... \$600,000
- Water Blending Implementation ..... \$150,000
- Seismic Retrofits ..... \$100,000

Sewer. Capital projects budgeted in 2010 include:

- Annual Sewer Main Rehabilitation Program ..... \$350,000
- Annual Manhole Rehab Program ..... \$100,000

Major Stormwater projects budgeted in 2010 include:

- Fish Hatchery Intake Dam ..... \$2,255,000
- LRIG Advanced Treatment System..... \$800,000
- Squak Valley Park Stream Restoration ..... \$791,318
- FEMA Hazard Mitigation Grant – Flood .....\$605,000
- ELSP Drainage Pump Station..... \$420,000
- Annual Stormwater Rehab Program ..... \$250,000
- Issaquah Creek Bank Stabilization..... \$130,000

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Issaquah's finances for readers with an interest in the government's finances. Questions concerning any of the information provided in this report, or request for additional information, may be addressed to the Finance Director, City of Issaquah, P.O. Box 1307, Issaquah, WA 98027-1307.

Statement of Net Assets  
December 31, 2009  
(in thousands)

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets:			
Cash and cash equivalents	\$ 32,175	\$ 9,251	\$ 41,426
Restricted cash	3,863	-	3,863
Receivables	4,780	1,880	6,660
Internal balances	(553)	553	-
Internal loans	1,700	(1,700)	-
Inventory	126	411	537
Other current assets	1,000	-	1,000
Capital Assets not being depreciated:			
Land	287,866	12,104	299,970
Construction in progress	13,998	6,111	20,109
Other assets	205	-	205
Capital Assets (net of accumulated depreciation):			
Buildings	27,167	8,299	35,466
Improvements other than buildings	9,732	-	9,732
Infrastructure	139,249	-	139,249
Intangible assets	1,384	46	1,430
Plant in service	-	87,832	87,832
Machinery and equipment	4,256	424	4,680
Total assets	<u>526,948</u>	<u>125,211</u>	<u>652,159</u>
Liabilities:			
Accounts payable	1,960	259	2,219
Accrued interest	-	40	40
Unearned revenue	3,959	-	3,959
Liabilities payable from restricted assets	3,863	-	3,863
Noncurrent liabilities:			
Due within one year	3,007	880	3,887
Due in more than one year	42,062	9,470	51,532
Other deferred revenue	400	-	400
Total liabilities	<u>55,251</u>	<u>10,649</u>	<u>65,900</u>
Net assets:			
Invested in capital assets, net of related debt	438,717	102,765	541,482
Restricted for:			
Debt service	1,506	1,420	2,926
Capital projects	9,965	2,112	12,077
Other purposes	5,714	-	5,714
Unrestricted	15,795	8,265	24,060
Total net assets	<u>\$ 471,697</u>	<u>\$ 114,562</u>	<u>\$ 586,259</u>

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

**Statement of Activities**  
**For the Fiscal Year Ended December 31, 2009**  
*(in thousands)*

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
Judicial	\$ 791	\$ 875	\$ -	\$ -	\$ 84	\$ -	\$ 84
General government	7,836	2,104	311	1,000	(4,421)	-	(4,421)
Public safety	11,739	1,660	267	2,098	(7,714)	-	(7,714)
Physical environment	933	279	63	16	(575)	-	(575)
Transportation	12,538	2,198	651	1,671	(8,018)	-	(8,018)
Health and human services	9	-	-	-	(9)	-	(9)
Economic environment	3,458	1,834	65	(38)	(1,597)	-	(1,597)
Culture and recreation	5,463	1,802	168	1,149	(2,344)	-	(2,344)
Interest on long-term debt	2,020	-	-	-	(2,020)	-	(2,020)
Total governmental activities:	44,787	10,752	1,525	5,896	(26,614)	-	(26,614)
Business-type activities:							
Water	5,834	6,631	-	785	-	1,582	1,582
Sewer	6,294	6,380	14	573	-	673	673
Storm Water	4,229	4,091	424	3,247	-	3,533	3,533
Total business-type activities:	16,357	17,102	438	4,605	-	5,788	5,788
Total primary government	\$ 61,144	\$ 27,854	\$ 1,963	\$ 10,501	\$ (26,614)	\$ 5,788	\$ (20,826)
General revenues:							
Property taxes					\$ 7,785	\$ -	\$ 7,785
Sales taxes					9,395	-	9,395
B&O taxes					6,654	-	6,654
Other taxes					1,820	-	1,820
Investment earnings					490	21	511
Rents and leases					902	-	902
Miscellaneous Revenue					77	9	86
Transfers					309	(309)	-
Total general revenues and transfers					27,432	(279)	27,153
Change in net assets					818	5,509	6,327
Net assets - beginning					470,879	109,053	579,932
Net assets - ending					\$ 471,697	\$ 114,562	\$ 586,259

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

**Balance Sheet**  
**Governmental Funds**  
**As of December 31, 2009**  
*(in thousands)*

	General Fund	Street Fund	Capital Improve- ments Fund	2006 Park Bond Fund	LID #24 Con- struction Fund	Other Govern- mental Funds	Total Govern- mental Funds
<b>Assets:</b>							
Cash & cash equivalents	\$ 6,589	\$ 1,947	\$ 679	\$ 466	\$ 72	\$ 17,992	\$ 27,745
Investments	-	-	-	-	-	-	-
Receivables (net)	3,039	507	470	395	-	334	4,745
Interest receivable	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	1,000	1,000
Other noncurrent assets	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 9,628</b>	<b>\$ 2,454</b>	<b>\$ 1,149</b>	<b>\$ 861</b>	<b>\$ 72</b>	<b>\$ 19,326</b>	<b>\$ 33,490</b>
<b>Liabilities:</b>							
Accounts payable and accruals	\$ 1,064	\$ 213	\$ 61	\$ 106	\$ -	\$ 311	\$ 1,755
Due to other funds - short term	-	-	250	-	1,800	-	2,050
Due to other funds - long term	-	-	500	-	-	-	500
Deferred revenue	161	-	400	-	-	31	592
Other noncurrent liabilities	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>1,225</b>	<b>213</b>	<b>1,211</b>	<b>106</b>	<b>1,800</b>	<b>342</b>	<b>4,897</b>
<b>Fund balances:</b>							
<b>Reserved for:</b>							
Advances to other funds	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	1,506	1,506
<b>Unreserved, reported in:</b>							
General fund	8,403	-	-	-	-	-	8,403
Special revenue funds	-	2,241	-	-	-	1,106	3,347
Capital project funds	-	-	(62)	755	(1,728)	16,372	15,337
<b>Total fund balances</b>	<b>8,403</b>	<b>2,241</b>	<b>(62)</b>	<b>755</b>	<b>(1,728)</b>	<b>18,984</b>	<b>28,593</b>
<b>Total liabilities and fund balance</b>	<b>\$ 9,628</b>	<b>\$ 2,454</b>	<b>\$ 1,149</b>	<b>\$ 861</b>	<b>\$ 72</b>	<b>\$ 19,326</b>	<b>\$ 33,490</b>
<b>Total fund balances</b>							<b>\$ 28,593</b>
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 are not reported in the funds							480,684
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds							(44,545)
Permit fees collected; service not performed							(3,959)
Plus earned but not available revenue reported in Governmental Funds							192
Internal service funds - used by management to charge the costs of certain activities							11,285
Internal balance liability with asset in Enterprise Funds for services provided by Internal Service Funds							(553)
<b>Net assets of governmental activities</b>							<b>\$ 471,697</b>

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Twelve Months Ending December 31, 2009  
(in thousands)

	General Fund	Street Fund	Capital Improvement Fund	2006 Park Bond Fund	LID #24 Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes:							
Property	\$ 6,486	\$ -	\$ -	\$ -	\$ -	\$ 1,107	\$ 7,593
Sales	6,676	438	2,191	-	-	90	9,395
Business and occupation	6,508	-	-	-	-	146	6,654
Other	171	-	808	-	-	841	1,820
Licenses and permits	1,371	100	-	-	-	397	1,868
Intergovernmental	2,784	696	384	856	-	2,409	7,129
Charges for services	2,472	1,650	-	-	-	1,649	5,771
Fines and penalties	875	-	-	-	-	-	875
Investment earnings	282	2	4	4	-	16	308
Rents and leases	752	-	150	-	-	-	902
Contributions and donations	9	-	-	100	-	1,520	1,629
Miscellaneous revenues	51	3	3	-	-	10	67
Total revenues	<u>28,437</u>	<u>2,889</u>	<u>3,540</u>	<u>960</u>	<u>-</u>	<u>8,185</u>	<u>44,011</u>
Expenditures							
General government	6,855	-	300	-	-	365	7,520
Judicial	766	-	-	-	-	28	794
Public safety	11,481	-	73	-	-	151	11,705
Physical environment	208	-	-	-	-	699	907
Transportation	-	5,282	788	-	-	351	6,421
Economic environment	3,368	-	-	-	-	-	3,368
Health and human services	7	-	-	-	-	-	7
Culture and recreation	4,645	-	203	-	-	183	5,031
Debt service:							
Principal	-	-	-	-	-	2,585	2,585
Interest and other debt costs	-	-	-	-	-	1,487	1,487
Capital outlay:							
General government	-	-	161	-	-	-	161
Public safety	-	-	38	-	-	769	807
Transportation	-	-	481	-	1,728	1,541	3,750
Culture and recreation	-	-	8	5,075	-	30	5,113
Total expenditures	<u>27,330</u>	<u>5,282</u>	<u>2,052</u>	<u>5,075</u>	<u>1,728</u>	<u>8,189</u>	<u>49,656</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,107</u>	<u>(2,393)</u>	<u>1,488</u>	<u>(4,115)</u>	<u>(1,728)</u>	<u>(4)</u>	<u>(5,645)</u>
Other financing sources							
Transfers in	121	2,348	-	-	-	3,702	6,171
(Transfers out)	(2,438)	(31)	(2,516)	-	-	(1,047)	(6,032)
Refunding bonds issued	-	-	-	-	-	6,355	6,355
Special assessment bonds issued	-	-	-	-	-	978	978
Premium on bonds sold	-	-	-	23	-	515	538
Other bonds issued	-	-	-	2,780	-	4,500	7,280
Payment to refunded agent	-	-	-	-	-	(6,678)	(6,678)
Sale of capital assets	-	-	-	-	-	498	498
Total other financing sources and uses	<u>(2,317)</u>	<u>2,317</u>	<u>(2,516)</u>	<u>2,803</u>	<u>-</u>	<u>8,823</u>	<u>9,110</u>
Net change in fund balances	<u>(1,210)</u>	<u>(76)</u>	<u>(1,028)</u>	<u>(1,312)</u>	<u>(1,728)</u>	<u>8,819</u>	<u>3,465</u>
Fund balance - beginning	9,613	2,317	966	2,067	-	10,165	25,128
Fund balance - ending	<u>\$ 8,403</u>	<u>\$ 2,241</u>	<u>\$ (62)</u>	<u>\$ 755</u>	<u>\$ (1,728)</u>	<u>\$ 18,984</u>	<u>\$ 28,593</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, 2009  
(in thousands)**

Net changes in fund balances for governmental funds	\$	3,465
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is capitalized and depreciated over their estimated useful lives. This consists of:		
Capital assets	9,831	
Depreciation	(7,097)	2,734
Sale of major assets report receipts in governmental funds; whereas the statement of net assets reports Gain/Loss. Net receipt/loss		
		(503)
Developers construct and then donate infrastructure to the government. Infrastructure is not reported in the governmental funds.		
Developer donated infrastructure current year		1,531
The issuance of long-term debt (e.g., bonds) is a resource and the repayment of bond principal is an expenditure in governmental funds, but those transactions increase or reduce long-term liabilities in the statement of net assets. This consists of:		
Debt issued		(14,612)
Debt retired		8,750
Some revenue reported in the statement of activities is not yet available and therefore are not reported as revenues in the governmental funds. This consists of:		
Permit center collected for services not yet performed		(650)
Governmental funds reported modified accrual report taxes levied but not available in deferred revenue whereas in the statement of activities they are reported as revenue.		
Property taxes		192
Eliminate Transfers In		(140)
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 government funds. This consists of:		
Compensated absences		(466)
Post Employment Benefit Obligation		(79)
The City entered into an Interlocal Agreement whereby the City received unearned income. Each year the City amortizes the amount of revenue for that year which is not reported in the Modified Accrual Method.		
Metro park and ride lease agreement		20
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of most of these activities is reported with governmental activities. This consists of:		
Internal service fund allocation of profits and losses	214	
Non-operating revenues from outside sources	192	
Transfers in	170	
		576
Change in net assets of governmental activities	\$	818

**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**For the Fiscal Year Ended December 31, 2009**  
*(in thousands – Budget is Cash Basis)*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget</u>
Revenues:				
Taxes:				
Property	\$ 6,588	\$ 6,588	\$ 6,492	\$ (96)
Sales	8,780	8,780	6,726	(2,054)
Business	6,740	6,740	6,548	(192)
Other	230	230	171	(59)
Licenses and permits	2,582	2,582	1,505	(1,077)
Intergovernmental	606	606	1,216	610
Charges for services	3,644	3,644	3,880	236
Judicial (government wide)	1,092	1,092	953	(139)
Investment income	780	780	282	(498)
Miscellaneous	436	436	727	291
Total revenues	<u>31,478</u>	<u>31,478</u>	<u>28,500</u>	<u>(2,978)</u>
Expenditures:				
Current:				
General government services	7,450	7,450	6,877	573
Judicial	751	751	515	236
Security of persons and property	12,189	12,189	11,497	692
Economic environment	3,681	3,681	3,287	394
Health and human services	439	439	437	2
Culture and recreation	5,351	5,351	4,819	532
Total expenditures	<u>29,861</u>	<u>29,861</u>	<u>27,432</u>	<u>2,429</u>
Excess(deficiency) of revenues over (under) expenditures	<u>1,617</u>	<u>1,617</u>	<u>1,068</u>	<u>(549)</u>
Other financing sources (uses):				
Transfers in	821	821	121	(700)
Transfers out	<u>(2,438)</u>	<u>(2,438)</u>	<u>(2,438)</u>	<u>-</u>
Total other financing sources and uses	<u>(1,617)</u>	<u>(1,617)</u>	<u>(2,317)</u>	<u>(700)</u>
Net change in fund balances	-	-	(1,249)	(1,249)
Fund balances-beginning	7,431	7,431	7,086	(345)
Fund balances-ending	<u>\$ 7,431</u>	<u>\$ 7,431</u>	<u>\$ 5,837</u>	<u>\$ (1,594)</u>

**Street Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**For the Fiscal Year Ended December 31, 2009**  
*(in thousands – Budget is Cash Basis)*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget</u>
Revenues:				
Taxes:				
Sales Tax	\$ 584	\$ 584	\$ 442	\$ (142)
Licenses and permits	75	75	88	13
Intergovernmental	590	590	573	(17)
Charges for services	38	38	40	2
Investment income	15	15	2	(13)
Contributions and donations	2,423	2,423	2,079	(344)
Total revenues	<u>3,725</u>	<u>3,725</u>	<u>3,224</u>	<u>(501)</u>
Expenditures:				
Transportation (highways and streets)	6,364	6,364	5,524	840
Total expenditures	<u>6,364</u>	<u>6,364</u>	<u>5,524</u>	<u>840</u>
Excess(deficiency) of revenues over (under) expenditures	<u>(2,639)</u>	<u>(2,639)</u>	<u>(2,300)</u>	<u>339</u>
Other financing sources (uses):				
Transfers in	2,348	2,348	2,348	-
Transfers out	(31)	(31)	(31)	-
Total other financing sources and uses	<u>2,317</u>	<u>2,317</u>	<u>2,317</u>	<u>-</u>
Net change in fund balances	(322)	(322)	17	339
Fund balances - beginning	1,852	1,852	1,854	2
Fund balances - ending	<u>\$ 1,530</u>	<u>\$ 1,530</u>	<u>\$ 1,871</u>	<u>\$ 341</u>

Statement of Fund Net Assets  
Proprietary Funds  
As of December 31, 2009  
(in thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Water	Sewer	Storm	Totals	
Assets:					
Current assets:					
Cash and cash equivalents	\$ 3,612	\$ 3,464	\$ 2,175	\$ 9,251	\$ 4,430
Accounts receivable	423	429	495	1,347	31
Due from other funds	-	-	-	-	4,250
Other receivables	33	-	500	533	4
Inventory	347	10	54	411	126
Total current assets	<u>4,415</u>	<u>3,903</u>	<u>3,224</u>	<u>11,542</u>	<u>8,841</u>
Noncurrent assets:					
Capital assets:					
Land and land rights	9,186	-	2,918	12,104	-
Intangible property	46	-	-	46	-
Buildings and improvements	8,299	-	-	8,299	117
Plant in service	38,693	15,945	33,194	87,832	-
Machinery and equipment	196	228	-	424	3,039
Construction in progress	3,491	-	2,620	6,111	17
Total capital assets, net depreciation	<u>59,911</u>	<u>16,173</u>	<u>38,732</u>	<u>114,816</u>	<u>3,173</u>
Total noncurrent assets	<u>59,911</u>	<u>16,173</u>	<u>38,732</u>	<u>114,816</u>	<u>3,173</u>
Total net assets	<u>64,326</u>	<u>20,076</u>	<u>41,956</u>	<u>126,358</u>	<u>12,014</u>
Liabilities:					
Current liabilities:					
Accounts payable and accrued	140	27	92	259	205
Bonds payable	635	-	180	815	-
Special assessment debt with governmental commitment	-	4	-	4	-
Interfund Loan	300	-	200	500	-
Public works trust current payable	-	-	61	61	-
Matured interest	31	-	9	40	-
Total current liabilities	<u>1,106</u>	<u>31</u>	<u>542</u>	<u>1,679</u>	<u>205</u>
Noncurrent liabilities					
Compensated absences	91	36	72	199	524
Revenue bonds payable	6,770	-	2,010	8,780	-
Special assessment debt with governmental commitment	-	-	-	-	-
Interfund Loan	600	-	600	1,200	-
Public works trust fund debt	-	-	491	491	-
Total noncurrent liabilities	<u>7,461</u>	<u>36</u>	<u>3,173</u>	<u>10,670</u>	<u>524</u>
Total liabilities	<u>8,567</u>	<u>67</u>	<u>3,715</u>	<u>12,349</u>	<u>729</u>
Net assets:					
Invested in capital assets, net of related debt	51,515	16,132	35,118	102,765	3,173
Restricted for:					
Debt service	966	4	450	1,420	-
Capital assets	-	1,693	419	2,112	-
Unrestricted	3,278	2,180	2,254	7,712	8,112
Total net assets	<u>\$ 55,759</u>	<u>\$ 20,009</u>	<u>\$ 38,241</u>	<u>\$ 114,009</u>	<u>\$ 11,285</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				553	
Net assets of business-type activities				<u>\$ 114,562</u>	

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

**Statement of Revenues, Expenditures, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended December 31, 2009**  
*(in thousands)*

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities Internal Service Funds
	<u>Water</u>	<u>Sewer</u>	<u>Storm</u>	<u>Totals</u>	
Operating revenues:					
Charges for services	\$ 6,631	\$ 6,380	\$ 4,091	\$ 17,102	\$ 5,939
Intergovernmental Revenue	-	-	-	-	298
Total operating revenues	<u>6,631</u>	<u>6,380</u>	<u>4,091</u>	<u>17,102</u>	<u>6,237</u>
Operating expenses:					
Maintenance and operation	3,575	5,690	2,868	12,133	5,348
Administrative and general	206	-	-	206	-
Depreciation	1,588	637	1,207	3,432	602
Total operating expenses	<u>5,369</u>	<u>6,327</u>	<u>4,075</u>	<u>15,771</u>	<u>5,950</u>
Operating Income (loss)	<u>1,262</u>	<u>53</u>	<u>16</u>	<u>1,331</u>	<u>287</u>
Nonoperating revenues (expenses):					
Intergovernmental	-	14	1,097	1,111	-
Investment earnings	8	7	6	21	182
Interest expense	(414)	(1)	(162)	(577)	-
Debt issue premium amortization	(74)	-	(9)	(83)	-
Other nonoperating revenues	-	9	-	9	10
Total nonoperating revenue (expenses)	<u>(480)</u>	<u>29</u>	<u>932</u>	<u>481</u>	<u>192</u>
Income (loss) before contributions and transfers	782	82	948	1,812	479
Capital contributions	106	19	36	161	-
Developer donated assets	679	554	2,538	3,771	-
Transfers in	-	-	-	-	169
Transfers out	(138)	(37)	(134)	(309)	-
Change in net assets	<u>1,429</u>	<u>618</u>	<u>3,388</u>	<u>5,435</u>	<u>648</u>
Total net assets - beginning	<u>54,330</u>	<u>19,391</u>	<u>34,853</u>	<u>108,574</u>	<u>10,637</u>
Total net assets - ending	<u>\$ 55,759</u>	<u>\$ 20,009</u>	<u>\$ 38,241</u>	<u>\$ 114,009</u>	<u>\$ 11,285</u>
Change in net assets	\$ 1,429	\$ 618	\$ 3,388	\$ 5,435	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>74</u>	
Adjusted change in net assets of business-type activities				<u>\$ 5,509</u>	

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended December 31, 2009**  
*(in thousands)*

Page 1 of 2

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities Internal Service Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Storm</u>	<u>Totals</u>	
Cash flows from operating activities:					
Cash received from customers	\$ 6,682	\$ 6,380	\$ 4,028	\$ 17,090	\$ 753
Cash received from interfund services	-	-	-	-	5,191
Cash payments to suppliers	(2,291)	(822)	(1,783)	(4,896)	(1,879)
Cash payments to employees	(1,384)	(402)	(1,073)	(2,859)	(3,475)
Cash receipts from other governments	-	14	60	74	291
Cash (payments) to other governments	(195)	(4,469)	-	(4,664)	-
Cash for other operating	-	-	-	-	7
Net cash provided (used) by operating activities	<u>2,812</u>	<u>701</u>	<u>1,232</u>	<u>4,745</u>	<u>888</u>
Cash flows from noncapital financing activities:					
Operating transfers in	-	-	-	-	169
Operating transfers (out)	(138)	(37)	-	(175)	-
Net cash provided (used) by noncapital financing activities	<u>(138)</u>	<u>(37)</u>	<u>-</u>	<u>(175)</u>	<u>169</u>
Cash flows from capital and related financing activities:					
Intergovernmental	-	14	673	687	-
Revenue bond principal (paid)	(610)	-	(170)	(780)	-
Revenue bond interest (paid)	(381)	-	(125)	(506)	-
Interfund loans-received in	-	-	-	-	-
Interfund loans-(paid out)	(300)	-	(200)	(500)	-
Interfund loan interest (expense)	(41)	-	(37)	(78)	170
Capital expenditures (paid)	(1,156)	(279)	(1,371)	(2,806)	(933)
Principal (paid)	-	(11)	(61)	(72)	-
Interest and other debt service (paid)	-	-	(6)	(6)	-
Capital cash contributions - private sources	138	19	36	193	-
Capital transfers in	-	-	(134)	(134)	-
Net cash provided (used) by capital related financing activities	<u>(2,350)</u>	<u>(257)</u>	<u>(1,395)</u>	<u>(4,002)</u>	<u>(763)</u>
Cash flows from investment activities:					
Net decrease in investments	-	8	-	8	11
Net (increase) in investments	-	-	-	-	-
Net decrease in interfund loans	-	-	-	-	1,680
Net (increase) in interfund loans	-	-	-	-	(2,130)
Interest received on investments	7	6	6	19	12
Net cash provided (used) by investing related activities	<u>7</u>	<u>14</u>	<u>6</u>	<u>27</u>	<u>(427)</u>
Net increase (decrease) in cash balance	331	421	(157)	595	(133)
Cash balance at beginning of year	<u>3,281</u>	<u>3,043</u>	<u>2,332</u>	<u>8,656</u>	<u>4,563</u>
Cash balance at end of year	<u>\$ 3,612</u>	<u>\$ 3,464</u>	<u>\$ 2,175</u>	<u>\$ 9,251</u>	<u>\$ 4,430</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, 2009**  
*(in thousands)*

Page 2 of 2

	<u>Business Type Activities - Enterprise Funds</u>				<u>Governmental</u>
	<u>Water</u>	<u>Sewer</u>	<u>Storm</u>	<u>Totals</u>	<u>Activities</u> <u>Internal Service</u> <u>Funds</u>
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (loss)	\$ 1,262	\$ 53	\$ 16	\$ 1,331	\$ 287
Adjustment to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,588	637	1,207	3,432	602
Decrease (increase) in accounts receivable	41	-	(26)	15	10
Decrease (increase) in inventory	(40)	3	(11)	(48)	(32)
Increase (decrease) in accounts payable	(54)	2	34	(18)	(114)
Increase (decrease) in employee benefits	15	6	12	33	135
Net cash provided by operating activities	<u>\$ 2,812</u>	<u>\$ 701</u>	<u>\$ 1,232</u>	<u>\$ 4,745</u>	<u>\$ 888</u>
Noncash investing, capital, and financing activities:					
Contributions of capital assets from developers and annexations	\$ 679	\$ 554	\$ 2,538	\$ 3,771	\$ -

Statement of Fiduciary Net Assets  
 Agency Fund  
 As of December 31, 2009  
*(in thousands)*

	Agency Fund Total
Assets:	
Restricted cash and investments	\$ 3,863
Total assets	3,863
Liabilities:	
Liabilities payable from restricted assets	3,863
Total liabilities	3,863
Net assets:	
Unreserved/unrestricted equity	
Permanent/Fiduciary funds	-
Total net assets	\$ -

NOTES  
TO THE  
BASIC  
FINANCIAL  
STATEMENTS



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City of Issaquah  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

*For the Year ended December 31, 2009*

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## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Issaquah have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

### A. REPORTING ENTITY

The City of Issaquah is a municipal government incorporated on April 27, 1892, and operates under the laws of the State of Washington as a non-charter Mayor-Council form of government. In this form, the at large elected Mayor serves as the City's chief administrative officer, and an at large elected seven-member council serves as the City's legislative body. The City provides a full range of municipal services and operates water, sewer and storm water utilities.

As required by GAAP the City's financial statements present the City of Issaquah – the primary government. There are no component units (either blended or discretely presented) included in these statements.

### B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund and internal service fund 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. Both the governmental and business-type activities are reported on full accrual, economic resource measurement focus basis of accounting, which recognized all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts - investment in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues in the governmental activities and net cost or revenue of each business activity. Direct expenses are those that are clearly identifiable with a specific function or segment. The City of Issaquah does not allocate indirect costs to 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 instead as general revenues.

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

### C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The governmental major fund statements in the fund financial statement are presented on *current financial resources measurement focus* and *modified accrual basis of accounting*. Since governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, reconciliation is presented at the end of the statement, which briefly explains the adjustments necessary to transform the fund statements into the government-wide presentation.

Internal service funds are presented in summary form as part of the proprietary fund financial statements. Financial statements for internal service funds are consolidated into the governmental column and the proprietary column based on usage when presented at the government-wide level.

Interfund activity has been eliminated from the government-wide financial statements. Exceptions are revenue and expense for interest or services provided which would distort the direct cost and program revenues for these functions.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *street fund* is financed through a transfer of General Fund revenues, grading permits, inspection fees, and a share of state gasoline tax moneys and support the various street programs in roadway maintenance, traffic control, street lighting, roadside mowing and vegetation control, street cleaning, snow and ice control

The *capital improvement fund* accounts for major City capital improvement projects not budgeted under specific funds.

The 2006 *park bond fund* was established to account for voter-approved bond proceeds issued to cover costs associated with (a) acquiring and developing parks; (b) constructing and improving hiking, biking and walking trails; (c) and other capital projects protecting water quality in local creeks and streams and to preserve and protect natural areas, open space and wildlife habitat; and (d) bond issuance costs.

The *L.I.D. #24 construction fund* was established to provide improvements to the tee intersection of E. Lake Sammamish Parkway SE and SE 43<sup>rd</sup> Way.

The City reports the following non-major governmental fund types:

*Special revenue funds* account for the proceeds and expenditures of specific revenue sources intended for specified purposes.

*Debt service funds* account for resources set aside to meet current and future debt service requirements on debt.

*Capital improvement funds* account for resources to be used for the acquisition or construction of major capital facilities.

The government reports the following major proprietary funds:

The *water funds* account for the operations, capital improvement and debt service activity of the government's water department.

The *sewer funds* account for the operations, capital improvement and debt service activity of the government's sewer department.

The *storm water funds* account for the operations, capital improvement and debt service activity of the government's storm water department.

Additionally, the government reports the following fund type:

The *internal service funds* account for operations that provide services to other departments or funds of the government on a cost reimbursement basis.

The *agency fund* is a clearing mechanism for cash resources that are collected by the government, held a brief period, and then disbursed to authorized recipients. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of the results of operations.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary, if any, fund financial statements. Revenues are recorded

when earned and expenses are 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 eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

## D. BUDGET AND BUDGETARY ACCOUNTING

### 1. Scope of the Budget

The City budgets all funds in accordance with the Revised Code of Washington 35A.33. In compliance with the code, budgets for all funds are established with the exception of the L.I.D. Debt Service Funds, and the L.I.D. Guaranty Debt Service Funds, and agency funds. Budgets established for Proprietary Funds are “management budgets” and, as such, are not required to be reported. The budget as adopted constitutes the legal authority for expenditures. It is adopted at the fund level so that expenditures may not legally exceed appropriations at that level of detail.

Budgetary accounts are integrated in fund ledgers for all budgeted funds.

Appropriations for general and special revenue funds lapse at year-end. The City of Issaquah’s budget procedures are in compliance with the Revised Code of Washington, Chapter 35A.33. The City follows the procedure outlined below to establish its annual budget.

- (1) By the second Monday in September, the Mayor requests all Department Heads to prepare detailed estimates of revenues and expenditures for next fiscal year.
- (2) By the fourth Monday in September, budget estimates are filed with the Finance Director.
- (3) By the first business day in October, estimates are presented to the Mayor.
- (4) At least 60 days before the ensuing fiscal year, the Mayor prepares preliminary budget and budget message and files with the City Clerk.
- (5) No later than the first two weeks in November, the City Clerk publishes notice of filing of preliminary budget with City Clerk and publishes notice of public hearing on final budget once a week for two consecutive weeks.
- (6) No later than six weeks before January 1, copies of proposed (preliminary) budget is made available to the public.
- (7) On or before the first Monday of December, and may be continued from day-to-day but no later than the 25th day prior to next fiscal year, final hearings are commenced.
- (8) Following the public hearing and prior to beginning of the ensuing fiscal year, the City Council adopts the final budget.

### 2. Amending the Budget

The City budget is adopted at the fund level. Amendments to the final budget must be adopted by the Council through an Ordinance, which is usually done mid-year and year-end.

The budgetary basis is substantially the same as the basis of accounting in all governmental fund types.

Transfers or revisions within budgeted funds are allowed; however, any revision which alters the total expenditures of a fund, or which affect the number of authorized employee positions or salary ranges must be

approved by Ordinance of the City Council following public hearings. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

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

## E. ASSETS, LIABILITIES, AND NET ASSETS AND FUND BALANCES

### 1. Cash and Cash Equivalents

The City pools cash resources of its various funds with the State Investment Pool in order to facilitate the management of cash. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments. All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and at the day of purchase, they have a maturity date no longer than three months.

The City's deposits are entirely covered by Federal Depository Insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Depository Protection Commission (PDPC).

### 2. Investments

It is the City's policy to invest all temporary cash surplus. At December 31, 2009, the treasurer was holding \$43,193 million in short-term deposits with the State Investment Pool. The interest on this deposit is prorated to the various funds. (*See Note 5*)

Investments are reported at fair market value in accordance with GASB Statement 21 and are held separately by each fund with interest earned directly for benefit of each fund.

### 3. Receivables

The government recognized receivables in its financial statements based on the accounting requirements for that statement. Receivables are as follows:

**Property Taxes.** Property taxes received within 60 days of year end are reported as receivable at year-end. When property taxes become three years delinquent, the County is required by State statute to foreclose on the property. Historically, all taxes have been collected; therefore no allowance for uncollectible taxes is recorded. (*See Note 6*)

**Sales Taxes.** Taxes collected for November and December but not remitted by the state to the government until January and February of the following year are reported as receivables at year-end. There is no allowance for uncollectible sales taxes because all sales taxes are required by law to be collected by businesses at the time of sale and remitted to the state.

**Special Assessments.** Special assessments are levied against certain property owners and become liens against the property benefited by the improvement. At year end all are current.

**Accounts Receivable.** Customer accounts receivable consist of amounts owed by private individuals or organizations for goods and services provided. Uncollectible amounts are considered immaterial and the direct write-off method is used.

**Investment Interest.** Interest receivable consists of interest earned on investments at the end of the year, accrued interest on investments purchased between interest dates, and accrued interest and penalties on

special assessments receivable. In proprietary funds and the government-wide statement of net assets investment interest is recorded as receivable, regardless of its payment date. In the governmental fund statements and schedules investment interest is recorded as receivable if it will be paid to the government within 60 days of year end.

#### **4. Amounts Due to and from Other Funds and Governments, Interfund Loans and Advances Receivable**

**Due From Other Funds and Other Governments.** Amounts due from other funds reported in the financial statements, represent outstanding billings to other funds for services provided in the current year. None existed at year-end in. 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. In the entity-wide Statement of Net Assets, Due From Other Funds is not reported, but is eliminated in internal balances. Internal balances represent quasi-external transactions between governmental and business activities.

**Interfund Loans Receivable.** The Finance Director may authorize loans between funds. Interfund loans outstanding at 12/31, if any, are reported in *Note 12*.

#### **5. Inventories and Prepaid Items**

Inventory amounts in governmental funds are not recorded because inventory amounts are immaterial. Inventories in Proprietary Funds are valued at the FIFO (first in, first out) method, which approximates the market value.

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

#### **6. Restricted Assets and Liabilities**

Net assets are segregated into three categories on the government-wide statement of net assets: investment in capital assets, net of related debt; restricted; and 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.

#### **7. Capital Assets and Depreciation**

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 are made. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

Capital assets are defined by the government as land, buildings, capital improvements, machinery and equipment, software and other improvements with an original cost of \$5,500 or more each and an estimated useful life of more than one year; and all vehicles, artwork, transportation and utility infrastructure, regardless of their initial cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Per GASB 34, in 2007 the City capitalized retro-active "infrastructure" owned prior to 2003, such as roads, bridges, curbs and gutters, streets and sidewalks, bridges, and lighting systems.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Contributed assets are reported at donor cost or appraised value at the date of acquisition. The donor cost or appraised value of contributed fixed assets is included in contributed capital.

Land, construction in progress, and works of art are not depreciated. Property, plant, and equipment of the city are depreciated using the straight line method over the estimated useful lives as follows:

Asset Class	Estimated Service Life (Years)
Buildings	30-50 years
Improvements Other Than Buildings and Infrastructure	20-50 years
Equipment	5-20 years

The Equipment Replacement Fund contains resources held for future equipment purchases.

Additional information on capital assets is provided in *Note 7*.

## 8. Compensated Absences

Eligible employees accumulate 12 to 28 days of vacation for each anniversary year, depending upon the employee's length of service, but they do not accumulate more than two-year's vacation. All outstanding vacation leave is payable upon resignation, retirement, or death. In accordance with NCGA Statement 4, the City accrues vacation pay. Vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

In 1985, the City required all departments to record compensatory time in the payroll system as part of the Fair Labor Standards Act implementation.

The City accrues the maximum dollar amount payable, when incurred, in the government-wide and proprietary fund financial statements.

Sick leave accumulates at the rate of 8 to 12 days per year for employees. The maximum number of sick hours employees are allowed to accrue is 1280. However, starting in 1994, some contracts allow employees to convert a portion of unused sick leave earned in a calendar year to pay.

## 9. Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Prior to 2008, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bonds issued after 1/1/2008 issuance costs, premiums and discounts are recognized in entirety in the year of issue.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Additional information on long-term debt is provided in *Note 13*.

## 10. Deferred/Unearned Revenue

The deferred revenue account is used to offset receivables established in the governmental fund financial statement 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 uncollected property taxes levied and an interlocal cooperation agreement between King County and the City for construction of a park-and-ride facility.

## 11. Fund Reserves and Designations

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## 12. Revenues, Expenditures and Expenses

**Program Revenues.** Amounts reported as program revenues include: Charges to customers or applicants for goods, services, or privileges provided; operating grants and contributions; and capital grants and contributions, including special assessments.

**General Revenues.** In governmental funds amounts reported as general revenues include taxes, interest and investment earnings. In the governmental funds' statements debt proceeds are shown as other financing sources.

**Transfers.** Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the government-wide statements all interfund transfers between individual governmental funds have been eliminated.

**Expenditures/Expenses.** Expenses in the governmental funds are reported by function or as interest on long-term debt. In the governmental funds' statements debt issue costs are shown as other financing use.

## 13. Operating and Non-Operating Revenues and Expenses

Proprietary funds 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 a proprietary fund's principal ongoing operations. The principal operating revenues of the government's utility funds and internal service funds are charges to customers for sales and services, vehicle replacement, and insurance. The government 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 system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, taxes, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**NOTE 2:  
BUDGET TO GAAP RECONCILIATION**

The City's budget is prepared primarily on the cash basis of accounting. Therefore, the *Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual* for the General Fund and Major Special Revenue Funds, if any, report revenues when received and expenditures when paid for governmental funds budgeted on an annual basis, instead of revenue and expenditure amounts as defined under the modified accrual basis of accounting required by GAAP. For the General Fund and the Major Special Revenue funds, if any, the following schedule outlines adjustments made to revenues and expenditures on the budgetary basis to arrive at revenues and expenditures on the GAAP basis as reported on the *Statement of Revenues, Expenditures, and Changes in Fund Balances*.

(In Thousands)

	General Fund	Street Fund
Revenue on the Budgetary Basis	\$ 28,500	\$ 3,224
Increase (Decrease) due to accruals	<u>(63)</u>	<u>(335)</u>
Revenue on the GAAP Basis	28,437	2,889
Expenditures on the Budgetary Basis	27,432	5,524
Increase (Decrease) due to accruals	<u>(102)</u>	<u>(242)</u>
Expenditures on the GAAP Basis	27,330	5,282
Other Financing Sources (Uses)		
On the Budgetary Basis	(2,317)	2,317
Increase (Decrease) due to accruals	<u>-</u>	<u>-</u>
Other Sources (Uses) on the GAAP Basis	<u>(2,317)</u>	<u>2,317</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses		
On the Budgetary Basis	(1,249)	17
Increase (Decrease) due to accruals	<u>39</u>	<u>(93)</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses		
On the GAAP Basis	(1,210)	(76)
Beginning Fund Balance on the Budgetary Basis	7,086	1,854
Increase (Decrease) due to accruals	<u>2,527</u>	<u>463</u>
Beginning Fund Balance on the GAAP Basis	9,613	2,317
Ending Fund Balance on the Budgetary Basis	5,837	1,871
Increase (Decrease) due to accruals	<u>2,566</u>	<u>370</u>
Ending Fund Balance on the GAAP Basis	<u>\$ 8,403</u>	<u>\$ 2,241</u>

**NOTE 3:  
STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

There have been no material violations of finance-related legal or contractual provisions, and there have been no expenditures exceeding legal appropriations in any of the funds of the City. Two Major Funds, Capital Improvements Fund and LID #24 Construction Fund are reported with deficit fund balance on the Balance Sheet of the Governmental Funds as a result of GASB 34 paragraph 112 (a.) (1) Interfund loans. Interfund loans should be reported as interfund receivables and payables, but this activity should not be reported as other financing sources or uses in the fund financial statements. The interfund loans payable in the Capital Improvements Fund and LID #24 Construction Fund without corresponding financing sources result in deficit fund balances.

**NOTE 4:  
SUPPLEMENTAL APPROPRIATIONS**

The City Council annually adopts a budget by Ordinance establishing appropriations for City funds, and during the year, may authorize supplemental appropriations. Amounts shown in the accompanying financial statements represent the original budgeted amounts plus all supplemental appropriations.

Amounts presented here are *in thousands*:

	2009 Original Budget	Supplemental Appropriations	2009 Final Budget
General fund	\$ 32,300	\$ -	\$ 32,300
Special revenue funds:			
Street	6,395	-	6,395
Cemetery	68	6	74
Municipal art	195	-	195
Resource conservation	786	-	786
Cable TV	310	-	310
Lodging tax	121	16	136
Debt Service Funds:			
Voted G.O. debt	1,088	-	1,088
Non-voted G.O. debt	2,438	153	2,744
L.I.D. Debt Service	215	-	215
L.I.D. guaranty	700	-	700
Capital projects funds:			
Capital improvements	5,892	443	6,336
Mitigation	358	352	710
Newport Way improvement	710	-	710
Street improvement	10,602	-	10,602
ITS traffic system	150	-	150
Highlands park facilities	29	-	29
L.I.D. #23 construction	-	1,330	1,330
L.I.D. #24 construction	6,754	-	6,754
Transit Center Fire station #72	7,652	-	7,652
2006 Park Bond	2,473	2,728	5,201
Total	<u>\$ 79,236</u>	<u>\$ 5,028</u>	<u>\$ 84,264</u>

## NOTE 5: DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool available for use by all funds. Investments are also held separately by several funds, with interest earned directly for the benefit of each fund.

As of December 31, 2009, the carrying amount of the City's cash/cash equivalents was \$45,293,000 (including the State Investment Pool) and the bank balance was \$2,083,000. This includes cash on hand totaling \$3,000 and \$10,000 being held by the City of Bellevue for use by the Eastside Narcotics force.

*Custodial Credit Risk.* The FDIC insures the first \$100,000 of the City's demand deposits and separately insures the first \$100,000, in the aggregate, of the City's time deposits and savings deposits. The remaining deposit balances are insured by the Washington Public Deposit Protection Commission (WPDPC). The WPDPC is a multiple financial institution collateral pool. State statute permits additional amounts to be assessed on a pro rata basis to members of the pool in the event the pool's collateral should be insufficient to cover a loss.

City investments were categorized as risk Category 1 or 2, as described in GASB Statement 3. Category 1 is defined to include those investments that are either insured, registered or held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which these securities are held by the counterparty's trust department or agent in the City's name. All of the City's investments at year-end were held by the City's depository bank Trust Department, as the City's agent, or held by the City. Investments purchased through the City's depository bank investment division and held by the same bank's trust department are in Category 2. All other investments held by the trust department are Category 1.

Cash and equity in pooled investments are comprised of government and business-type activities. The balances as of December 31, 2009 are as follows (*in thousands*):

	Carrying Amounts
From statement of net assets:	
Cash and cash equivalents	\$ 41,426
Investments	-
Investment (Receivable)	4
Restricted assets:	
Cash and cash equivalents	3,863
Total all cash, deposits, and investments from balance sheet	\$ 45,293
Summary by type:	
Cash and cash equivalents:	
Cash in bank (bank balance)	\$ 2,083
Cash on hand	3
Cash with other government	10
Cash with state investment pool	43,193
	\$ 45,289
Investments at market	4
Total all cash, deposits, and investments	\$ 45,293

## NOTE 6: RECEIVABLES

### PROPERTY TAXES

The King County Treasurer acts as agent to collect property taxes levied in the County for all taxing authorities. Collections are distributed after the end of the month.

#### PROPERTY TAX CALENDAR

January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

During the year, property tax revenues are recognized when cash is collected. At year-end, property tax revenues are recognized for collections to be distributed by the County treasurer in January. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

Under State law, the City may levy up to \$3.10 per \$1,000 of assessed valuation for general governmental services, subject to two 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 Washington State Constitution limits the total regular property taxes to 1% of assessed valuation, or \$10 per \$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.

Special levies approved by the voters are not subject to the above limitations.

The City's regular levy for 2009 was \$0.96 per \$1,000 of assessed valuation of \$6,847,811,237 for a total regular levy of \$6,587,488. Additionally, special levies for voter-approved General Obligation Bonds were \$0.16 per \$1,000 for an excess levy of \$1,113,000.

**NOTE 7:  
CAPITAL ASSETS**

Minor gains or losses occasionally occur on disposal of capital assets. When such minor gains or losses occur, the City reports them as miscellaneous revenues or expenditures. In 2005, the City purchased property for an I-90 undercrossing. In 2009, the City sold the building on a portion of that property resulting in the \$681,000 decrease in buildings. The equipment decrease resulted from the trade-in of two large vehicles. Governmental Activities Capital Asset activity for the year ended December 31, 2009 was as follows (*in thousands*):

	Beginning Balance 01/01/2009	2009 Increases	2009 Decreases	Ending Balance 12/31/2009
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Art	\$ 205	\$ -	\$ -	\$ 205
Land	282,951	4,915	-	287,866
Construction in progress	15,826	5,944	(7,771)	13,999
Total capital assets, not being depreciated	<u>298,982</u>	<u>10,859</u>	<u>(7,771)</u>	<u>302,070</u>
Capital assets, being depreciated/amortized:				
Buildings	36,542	436	(681)	36,297
Improvements other than buildings	10,272	1,317	-	11,589
Infrastructure	215,798	4,852	-	220,650
Intangible property	-	1,458	-	1,458
Machinery & equipment	10,242	1,268	(282)	11,228
Total capital assets, being depreciated	<u>272,854</u>	<u>9,331</u>	<u>(963)</u>	<u>281,222</u>
Less accumulated depreciation/amortization for:				
Buildings	(8,437)	(751)	56	(9,132)
Improvements other than buildings	(1,619)	(238)	-	(1,857)
Infrastructure	(75,567)	(5,833)	-	(81,400)
Intangible property	-	(74)	-	(74)
Machinery & equipment	(6,446)	(799)	273	(6,972)
Total accumulated depreciation	<u>(92,069)</u>	<u>(7,695)</u>	<u>329</u>	<u>(99,435)</u>
Total capital assets, being depreciated, net	<u>180,785</u>	<u>1,636</u>	<u>(634)</u>	<u>181,787</u>
Governmental activities capital assets, net	<u>\$ 479,767</u>	<u>\$ 12,495</u>	<u>\$ (8,405)</u>	<u>\$ 483,857</u>

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

<b>Governmental activities:</b>	
Governmental funds:	
Judicial	\$ 2
General government	235
Public safety	437
Physical environment	15
Transportation	6,012
Economic environment	4
Culture & recreation	<u>388</u>
Total depreciation expense - governmental funds	7,093
Internal service funds:	
Total depreciation expense - internal service funds	<u>602</u>
Total depreciation expense - governmental activities	<u>\$ 7,695</u>

Business-type Activities Capital Asset activity for the year ended December 31, 2009 was as follows (in thousands):

	Beginning Balance 01/01/2009	2009 Increases	2009 Decreases	Ending Balance 12/31/2009
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 12,104	\$ -	\$ -	\$ 12,104
Construction in progress	5,953	2,320	(2,162)	6,111
Total capital assets, not being depreciated	<u>18,057</u>	<u>2,320</u>	<u>(2,162)</u>	<u>18,215</u>
Capital assets, being depreciated:				
Buildings	9,322	-	-	9,322
Plant in service	112,631	6,141	-	118,772
Intangible property	-	49	-	49
Machinery & equipment	792	204	-	996
Total capital assets, being depreciated	<u>122,745</u>	<u>6,394</u>	<u>-</u>	<u>129,139</u>
Less accumulated depreciation for:				
Buildings	(835)	(187)	-	(1,022)
Plant in service	(27,726)	(3,216)	-	(30,942)
Intangible property	-	(2)	-	(2)
Machinery & equipment	(547)	(27)	-	(574)
Total accumulated depreciation	<u>(29,108)</u>	<u>(3,432)</u>	<u>-</u>	<u>(32,540)</u>
Total capital assets, being depreciated, net	<u>93,637</u>	<u>2,962</u>	<u>-</u>	<u>96,599</u>
Business-type capital assets, net	<u>\$ 111,694</u>	<u>\$ 5,282</u>	<u>\$ (2,162)</u>	<u>\$ 114,814</u>

Depreciation expense was charged to Business-Type functions based on their usage of the assets as illustrated below (in thousands):

**Business-type activities:**

Water	\$ 1,588
Sewer	637
Storm	1,207
Total depreciation - business-type activities	<u>\$ 3,432</u>

## NOTE 8: PENSION PLANS

Substantially, all City full-time employees and qualifying part-time employees participate in one of the following statewide local government retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. A copy of this report may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98504-8380

The report is also available online at the following address:

<http://www.drs.wa.gov/Administration/>

The following disclosures are made in accordance with GASB Statement *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

### PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) PLANS 1, 2 AND 3

*Plan Description.* The Public Employees' Retirement System (PERS) was established by the state legislature in 1947 under the Revised Code of Washington (RCW) Chapter 41.40. PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes. Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan.

Membership in the system includes elected officials, state employees, employees of the Supreme, Appeals, and Superior courts (other than judges in a judicial retirement system), employees of legislative committees, community and technical colleges, college and university employees (not participating in national higher education retirement programs), judges of district and municipal courts, and employees of local governments.

PERS consists of three plans. Participants who joined the system by September 30, 1977, are Plan 1 members. Those joining the system on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

PERS Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual benefit is two percent of the average final compensation (AFC) per year of service, capped at 60 percent. (The AFC is based on the greatest compensation during any 24 eligible consecutive compensation months.) Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. The benefit is actuarially reduced to reflect the choice of a survivor option. A cost-of living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, increased by three

percent annually. Plan 1 members may also elect to receive an optional COLA amount that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service with an allowance of two percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or they may retire at age 55 with 10 years of service. Plan 3 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

There are 2,300 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2008:

Number of Participating Members in PERS 1, 2 or 3:	
Retirees and beneficiaries receiving	73,122
Terminated plan members entitled to but not yet receiving benefits	27,267
Active plan members vested	105,212
Active plan members non-vested	56,456
Total	262,057

*Funding Policy.* Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates are expressed as a percentage of covered payroll, as of December 31, 2009 were as follows:

	PERS Plan 1			PERS Plan 2			PERS Plan 3 <sup>2</sup>		
	1/1/09- 6/30/09	7/1/09 - 8/31/09	9/1/09 - 12/31/09	1/1/09- 6/30/09	7/1/09 - 8/31/09	9/1/09 - 12/31/09	1/1/09- 6/30/09	7/1/09 - 8/31/09	9/1/09 - 12/31/09
Employer <sup>1</sup>	8.31%	5.29%	5.31%	8.31%	5.29%	5.31%	8.31%	5.29%	5.31%
Employee	6.00%	6.00%	6.00%	5.45%	3.89%	3.90%	5 - 15% <sup>3</sup>	5 - 15% <sup>3</sup>	5 - 15% <sup>3</sup>

Both the City and the employees made the required contributions. The City's required contributions for the years ended December 31, 2009 were:

	PERS Plan 1			PERS Plan 2			PERS Plan 3 <sup>2</sup>		
	1/1/09- 6/30/09	7/1/09 - 8/31/09	9/1/09 - 12/31/09	1/1/09- 6/30/09	7/1/09 - 8/31/09 <sup>4</sup>	9/1/09 - 12/31/09	1/1/09- 6/30/09	7/1/09 - 8/31/09	9/1/09 - 12/31/09
2009	\$ 22,253	\$ 6,560	\$ 6,013	\$ 578,988	\$ 114,311	\$ 216,890	\$ 85,827	\$ 17,153	\$ 32,529
2008	17,316	6,138	12,434	388,395	167,400	340,853	60,528	25,986	49,946
2007	15,811	5,266	10,246	313,592	112,094	224,699	46,079	16,821	35,238

## LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM (LEOFF) PLANS 1 AND 2

*Plan Description.* LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Membership in the system includes all full-time, fully compensated, local law enforcement officers, firefighters and, as of July 24, 2005, those emergency medical technicians who were given the option and chose LEOFF Plan 2 membership. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan.

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended by the State Legislature.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

<u>Term of Service</u>	<u>Percent of Final Average Salary</u>
20 + years	2.0%
10 - 20 years	1.5%
5 - 10 years	1.0%

<sup>1</sup>The employer rates include the employer administration expense fee currently at .16%

<sup>2</sup>Plan 3 defined benefit portion only

<sup>3</sup>Variable from 5% minimum to 15% maximum based on rate selected by the PERS 3 member

<sup>4</sup>Restated to include July and August 2008, erroneously not included in 2008 Note 8 - Pension Plans, having no effect to the Financial Statements.

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of two percent of the FAS per year of service. The FAS is based on the highest consecutive 60 months. Plan 2 members who retire prior to the age of 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

There are 375 participating employers in LEOFF 2. Membership in LEOFF 2 consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2008:

Number of Participating Members in LEOFF 2:

Retirees and beneficiaries receiving benefits	1,134
Terminated plan members entitled to but not yet receiving benefits	649
Active plan members vested	12,700
Active plan members non-vested	3,926
Total	18,409

*Funding Policy.* Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of LEOFF Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2009, were as follows:<sup>1</sup>

	LEOFF Plan 2		
	1/1/2009 - 6/30/2009	7/1/2009 - 8/31/2009	9/1/2009 - 12/31/2009
Employer <sup>1</sup>	8.83%	8.45%	8.46%
Employee	5.46%	5.23%	5.24%

Both the City and the employees made the required contributions. The City's required contributions for the years ended December 31, 2009 were as follows:

	LEOFF Plan 2		
	1/1/2009 - 6/30/2009	7/1/2009 - 8/31/2009	9/1/2009 - 12/31/2009
2009	\$ 82,766	\$ 24,427	\$ 49,779
2008	78,332	25,270	50,706
2007	59,514	20,862	49,296

<sup>1</sup> The employer rates include the employer administration expense fee currently at .16%

## PUBLIC SAFETY EMPLOYEES' RETIREMENT SYSTEM (PSERS) PLAN 2

*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.

PSERS Plan 2 membership includes full-time employees of a covered employer 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 those full-time employees, hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

A *covered employer* is one that participates in PSERS. Covered employers include State of Washington agencies: Department of Corrections, Department of Natural Resources, Parks and Recreation Commission, Gambling Commission, Washington State Patrol, and Liquor Control Board; Washington state counties; and Washington state cities except for Seattle, Tacoma and Spokane.

To be eligible for PSERS, an employee must work on a full-time basis and:

- have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; OR
- have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; OR
- function as a limited authority Washington peace officer, as defined in RCW 10.93.020; OR
- have primary responsibility to supervise eligible members who meet the above criteria.

PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PSERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

PSERS Plan 2 members are vested after the completion of five years of eligible service. PSERS Plan 2 members may retire at the age of 65 with five years of service, or at the age of 60 with at least ten years of PSERS service credit, with an allowance of two percent of the average final compensation (AFC) per year of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

There are 302 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan as of June 30, 2008:

### Number of Participating Members in PSERS 2:

Retirees and beneficiaries receiving	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members vested	-
Active plan members non-vested	3,981
Total	<u><u>3,982</u></u>

*Funding Policy.* Each biennium, the state Pension Funding Council adopts PSERS 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.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2009, were as follows:<sup>1, 2</sup>

	PSERS Plan 2		
	1/1/2009 - 6/30/2009	7/1/2009 - 8/31/2009	9/1/2009 - 12/31/2009
Employer <sup>1</sup>	9.43%	7.84%	7.85%
Employee	6.57%	6.55%	6.55%

Both the City and the employees made the required contributions. The City's required contributions for the year ended December 31, 2009 were as follows:

	PSERS Plan 2		
	1/1/2009 - 6/30/2009	7/1/2009 - 8/31/2009 <sup>2</sup>	9/1/2009 - 12/31/2009
2009	\$ 10,412	\$ 2,840	\$ 5,802
2008	5,324	3,560	6,497
2007	6,971	1,563	3,192

<sup>1</sup> The employer rates include the employer administration expense fee currently at .16%

<sup>2</sup> Restated to include July and August 2008, erroneously not included in 2008 Note 8 - Pension Plans, having no effect to the Financial Statements.

**NOTE: 9**  
**OTHER PERSONNEL BENEFITS**

**DEFERRED COMPENSATION:**

The City offers employees two deferred compensation plans in accordance with Internal Revenue Code Sections 457 and 401. These plans enable employees to defer a portion of their compensation until future years. The City matches a portion of the employees' contribution and that match vests over five years. The deferred compensation is available to employees upon termination, retirement, or certain unforeseeable emergencies and available to their beneficiaries upon the employee's death.

**RETIREMENT HEALTH SAVINGS ACCOUNT (RHS)**

Exempt employees must contribute 1% of their monthly base pay to an ICMA Retirement Health Savings Account. This is an additional way to save for medical costs upon retirement. Employees are eligible to use this account at age 55, even if they are working. It is the employee's responsibility to comply with the regulations of the program

**POST EMPLOYMENT BENEFITS:**

In accordance with the Revised Code of Washington (RCW) 41.26, the City provides lifetime medical care for law enforcement officers employed prior to October 1, 1977. Under this requirement, most coverage for eligible retirees is provided for in 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. When members turn 65, they go to Medicare for first provider and the City reimburses the cost of Medicare. The retiree does not contribute towards the cost of his/her medical care.

The City provides costs on a pay-as-you-go basis and used the alternative measurement method permitted under GASB Statement No. 45 for the purpose of determining the actuarial accrued liability. The City has no active members and six inactive members who have left service. At the end of 2008 average ages were as follows: two members average age of 59, three members average age of 67.667 and one member 78 years of age. Mortality rates were assumed to follow the LEOFF 1 mortality rates used in the September 30, 2006 actuarial valuation reported issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Millman and used by OSA in the statewide LEOFF 1 medical study performed in 2007. The results were based on grouped data with four active groupings and four inactive groupings. The actuarial cost method used to determine the actuarial accrued liability was Projected Unit Credit. These assumptions are individually and collectively reasonable for the purposes of this valuation. Results:

Information based on estimates from the Office of the State Actuary (OSA) assuming Medical Inflation of +or- 5% and Amortization Period of 15 years. The following table shows the components of the City's annual OPEB costs and Net OPEB obligation for 2009:

Amortization of Unfunded Actuarial Accrued Liability(UAAL)	\$ 1,661,892
Annual Required Contribution	\$ 154,745
Interest on Net OPEB Obligation	-
Annual OPEB Cost	154,745
Contributions Made	77,208
Increase in Net OPEB Obligation	77,537
Net OPEB Obligation - Beginning of year	79,257
Net OPEB Obligation - End of year	\$ 156,794

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 154,745	\$ 77,208	49.89%	\$ 77,537
2008	154,745	75,488	48.78%	79,257

## NOTE 10: RISK MANAGEMENT

The City of Issaquah is a member of the Washington Cities Insurance Authority (WCIA).

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 136 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the Interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines. These revenues directly offset portions of the membership's annual assessment.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

**NOTE II:  
LEASES AND OTHER CONTRACTUAL COMMITMENTS**

At December 31, 2009 the City had no significant contractual obligations or construction projects.

**NOTE 12:  
INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

**INTERFUND TRANSFERS**

Transfers are legally authorized transfers of resources from funds receiving the resources to the funds through which the resources are to be expended. Such transfers are classified as “Other Financing Sources or Uses.”

The following provides the total interfund transfers for 2009 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. Interfund Transfers are presented *in thousands*:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 121	\$ 2,438
Street	2,348	31
Cemetery	-	25
Resource Conservation	207	-
Communications	-	96
Debt Service	53	-
Limited Debt Service	2,516	-
Capital Improvement	-	2,516
Mitigation	-	350
Newport Way	-	576
Street Improvement	776	-
Fire Station #72	150	-
Water Revenue Bond	1,000	-
Water	-	2,208
Water Capital	1,070	-
Sewer	-	517
Sewer Capital	480	-
Storm Water	-	1,216
Stormwater Revenue Bond	282	-
Stormwater Capital	800	-
Unemployment Insurance	36	-
Equipment Rental	134	-
Total	<u>\$ 9,973</u>	<u>\$ 9,972</u>

## INTERFUND LOANS

Interfund Loans for the year ended December 31, 2009, were as follows (in thousands): <sup>1</sup>

	Beginning Balance	Additions	Deletions	Ending Balance
Receivable:				
<sup>1</sup> Equipment Replacement Fund - long term portion	\$ 1,350	\$ -	\$ 800	\$ 550
<sup>1</sup> Equipment Replacement Fund - short term portion	2,450	2,600	1,350	3,700
Total receivable	<u>\$ 3,800</u>	<u>\$ 2,600</u>	<u>\$ 2,150</u>	<u>\$ 4,250</u>
Payable:				
Short term portion:				
LID #23 Construction Fund	\$ 600	\$ -	\$ 600	\$ -
LID #24 Construction Fund	-	1,800	-	1,800
Capital Improvement Fund	250	250	250	250
Water Capital Fund	300	300	300	300
Stormwater Capital Fund	200	250	200	250
Total short term payable	<u>1,350</u>	<u>2,600</u>	<u>1,350</u>	<u>2,600</u>
Long term portion:				
Capital Improvement Fund	750	-	250	500
Water Capital Fund	900	-	300	600
Stormwater Capital Fund	800	-	250	550
Total long term payable	<u>2,450</u>	<u>-</u>	<u>800</u>	<u>1,650</u>
Total payable	<u>\$ 3,800</u>	<u>\$ 2,600</u>	<u>\$ 2,150</u>	<u>\$ 4,250</u>

The following further describes the Interfund Loans outstanding as of December 31, 2009 (in thousands):

Amount of Loan	Purpose	From Fund	To Fund	Term
\$1,800	L.I.D. #24 Round-about Traffic Improvement	Equipment Replacement	L.I.D.#24 Construction	12/31/2010
\$900	Cougar Ridge Reservoir	Equipment Replacement	Water Capital	12/31/2012
\$750	Land Acquisition	Equipment Replacement	Capital Improvement	12/31/2012
\$800	Various Capital Projects	Equipment Replacement	Stormwater Capital	12/31/2012

<sup>1</sup> Internal Service Funds

### NOTE 13: LONG-TERM DEBT

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

General obligation bonds are backed by the City's full faith and credit. Proceeds are typically used for the acquisition or construction of major capital facilities, or to refund debt previously issued for those purposes. "Councilmanic Bonds" are general obligation bonds issued by the City Council without voter approval. Under state law, repayment of these bonds must be paid from general City revenues. General obligation bonds approved by the voters are typically repaid through an annual voted property tax levy authorized for this purpose. Predominantly, general obligation bonds of the City have been issued for general governmental activity purposes. The 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) and utility local improvement district (ULID) projects and are repaid through assessments collected from property owners benefiting from related improvements. 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.

Other long-term debt incurred by the enterprise includes State Department of Community Development Public Works Trust Fund loans, which have been made to finance designated capital project construction costs.

In February of 2009 the City Council adopted an ordinance approving the issuance and sale of \$2,780,000 of Limited Tax General Obligation Bonds, 2009 of the City for general City purposes to provide funds with which to pay the cost of acquiring property for a park and making certain park-related capital improvements.

In December of 2009 the City Council adopted an ordinance approving the issuance and sale of two series for a total of \$4,500,000 par value of general obligation bonds authorized by the qualified voters of the City at a special election for the purpose of paying a part of the cost of constructing and equipping a fire station. The two series individually described as the 2009A Bonds and the 2009T Bonds, with the 2009A Bonds described as \$1,840,000 par value Unlimited Tax General Obligation Bonds and the 2009T bonds described as \$2,660,000 par value Unlimited Tax General Obligation Bonds (Taxable Build America Bonds – Direct Payment).

In December of 2009 the City Council adopted an ordinance approving the issuance and sale of \$6,355,000 par value of Limited Tax General Obligation Refunding Bonds, Series 2009B of the City for general City purposes to provide funds with which to pay the cost of advance refunding the City's outstanding Limited Tax General Obligation Bonds, 2001.

In December of 2009 the City Council adopted an ordinance approving Local Improvement District No. 23 Bonds for \$977,390.

In December of 2009 the City Council adopted an ordinance for a loan not to exceed \$2,100,000 from the Equipment Rental Fund to the Local Improvement District No. 24 Construction Fund. The loan shall be repaid from LID Special Assessment Bond proceeds, or other authorized funds, by December 31, 2010.

In 2009 the City implemented a new sick leave policy requiring payout upon termination of some sick leave. The addition of qualifying sick leave is reported with other compensated absences previously reported.

Other postemployment benefits results from the implementation of GASB 45; see Note 9.

The following schedules detail the long term debt activity and balances of the City. Please note the following schedules are prepared on cash basis and are presented *in thousands*.

**Long Term Debt – Governmental Activities**  
**For the Fiscal Year Ended December 31, 2009**  
*(in thousands)*

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Average Coupon Interest Rate %</u>	<u>Amount Authorized</u>	<u>Debt Outstanding 1/1/2009</u>	<u>Debt Issued in 2009</u>	<u>Debt Retired in 2009</u>	<u>Amount Outstanding 12/31/2009</u>
<b>GENERAL OBLIGATION BONDS</b>								
2001 Senior Center Construction (Voted)	12/01/2001	12/01/2021	4.42%	\$ 1,500	\$ 1,115	\$ -	\$ 65	\$ 1,050
2005 ITS & Police Refunding Bond (Voted)	12/01/2005	12/01/2025	4.34%	4,745	3,790	-	340	3,450
2006 Parks Bond (Voted)	12/01/2006	12/01/2026	3.91%	6,250	5,805	-	230	5,575
2009A Fire Station #72 (Voted)	12/01/2009	12/01/2019	3.64%	1,840	-	1,840	-	1,840
2009T BABs Fire Station #72 (Voted)	12/01/2009	12/01/2029	5.74%	2,660	-	2,660	-	2,660
1995 Community Center	12/01/1995	12/01/2010	5.17%	3,460	615	-	300	315
1999 Police Station & Jail	07/15/1999	01/01/2009	4.86%	7,950	370	-	370	-
2000 Police Station & Capital Projects	12/21/2000	01/01/2011	5.00%	2,660	350	-	110	240
2001 Fire Station	<sup>4</sup> 12/01/2001	12/01/2011	4.38%	10,100	7,500	-	6,580	920
2004 Highland Park Facilities	12/01/2004	12/01/2024	4.14%	3,820	3,265	-	150	3,115
2006 Police/Barn Refunding	<sup>1</sup> 12/01/2006	01/01/2021	4.05%	3,485	3,330	-	155	3,175
2007 Police Station Refunding	<sup>2</sup> 01/01/2007	01/01/2019	3.98%	5,100	5,065	-	25	5,040
2009 Bolliger Property	02/17/2009	12/01/2028	3.90%	2,780	-	2,780	75	2,705
2009B Fire Station Property	<sup>3</sup> 12/01/2009	12/01/2021	3.81%	6,355	-	6,355	-	6,355
Total General Obligation Bonds				62,705	31,205	13,635	8,400	36,440
<b>SPECIAL ASSESSMENTS</b>								
LID #23 - Governmental	12/01/2009	2024	5.50%	977	-	977	-	977
Total Special Assessments				977	-	977	-	977
<b>INTERLOCAL AGREEMENTS</b>								
KC North SPAR Interlocal Agreement	1/1/2003	12/31/2023	0.00%	7,000	4,900	-	350	4,550
Total Interlocal Agreements				7,000	4,900	-	350	4,550
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>				\$ 70,682	\$ 36,105	\$ 14,612	\$ 8,750	\$ 41,967

<sup>1</sup> 2001 Joint refunding of remaining 1997 and 2000 limited G.O. Bonds

<sup>2</sup> 2007 Refunding of remaining 1999 Limited G.O. Bonds

<sup>3</sup> 2009 B Refunding of 2001 Fire Station, Property

<sup>4</sup> 2009 A&T Refunding of remaining 2001 Fire Station, Property

**Long Term Debt – Business-Type Activities**  
**For the Fiscal Year Ended December 31, 2009**  
*(in thousands)*

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Average Coupon Interest Rate %</u>	<u>Amount Authorized</u>	<u>Debt Outstanding 1/1/2009</u>	<u>Debt Issued in 2009</u>	<u>Debt Retired in 2009</u>	<u>Amount Outstanding 12/31/2009</u>
<b>REVENUE BONDS</b>								
2003 Water Revenue Bonds	<sup>1</sup> 01/01/1994	12/01/2013	3.50%	\$ 2,205	\$ 1,180	\$ -	\$ 215	\$ 965
2001 Water Revenue Bonds	12/01/2001	12/01/2021	4.85%	9,200	6,835	-	395	6,440
1998 Storm Water Revenue Bonds	08/15/1998	12/01/2017	5.38%	2,000	1,165	-	105	1,060
2001 Storm Water Revenue Bonds	12/01/2001	12/01/2021	5.25%	1,600	1,195	-	65	1,130
Total Revenue Bonds				<u>15,005</u>	<u>10,375</u>	<u>-</u>	<u>780</u>	<u>9,595</u>
<b>SPECIAL ASSESSMENTS</b>								
ULID #22 - Proprietary	10/01/2003	10/01/2013	5.60%	\$ 156	\$ 15	\$ -	\$ 11	\$ 4
Total Special Assessments				<u>156</u>	<u>15</u>	<u>-</u>	<u>11</u>	<u>4</u>
<b>INSTALLMENT CONTRACTS</b>								
PW Trust Fund - Newport Way Bridge	06/21/1905	07/01/2009	1.00%	1,143	613	-	61	552
Total Installment Contracts				<u>1,143</u>	<u>613</u>	<u>-</u>	<u>61</u>	<u>552</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>				<u>\$ 16,304</u>	<u>\$ 11,003</u>	<u>\$ -</u>	<u>\$ 852</u>	<u>\$ 10,151</u>

<sup>1</sup>The 1994 Water Revenue Bonds were refunded in 2003

## GENERAL OBLIGATION BONDS

General Obligation Bonds outstanding at December 31, 2009, totaled \$36,440,000. Debt service is paid from the General Obligation Debt Service Fund with special property tax levies for the voter-approved bond issues.

Debt Service for City Council-authorized issues is funded from other City taxes. Before 1981, the City's bond issues were not rated. Bonds issued subsequent to 1981 carry a Moody's A 1 rating until November of 2006 when the City changed to Standard and Poor's and received a AA rating on both unlimited and limited General Obligation Bonds.

General Obligation Bonds outstanding as of December 31, 2009 are as follows (*in thousands*):

Purpose	Interest Rate	Amount Outstanding
2001 Senior Center Construction (Voted)	4.42%	\$ 1,050
2005 ITS & Police Refunding Bond (Voted)	4.34%	3,450
2006 Parks Bond (Voted)	3.84%	5,575
2009A Fire Station #72 (Voted)	3.64%	1,840
2009T BABs Fire Station #72 (Voted)	5.74%	2,660
1995 Community Center	5.17%	315
2000 Police Station & Capital Projects	5.00%	240
2001 Fire Station	4.38%	920
2004 Highland Park Facilities	4.14%	3,115
2006 Police/Barn Refunding	4.05%	3,175
2007 Police Station Refunding	3.84%	5,040
2009 Bolliger Property	3.90%	2,705
2009B Fire Station Property	3.81%	6,355
Total outstanding General Obligation Bonds		<u>\$ 36,440</u>

The annual debt service requirements to maturity for general obligation are as follows (*in thousands*):

Year Ending December 31	Governmental Activities	
	Principal	Interest
2010	\$ 2,590	\$ 1,389
2011	2,370	1,381
2012	2,455	1,288
2013	2,560	1,196
2014	2,655	1,100
2015-2019	12,915	3,968
2020-2024	7,735	1,783
2025-2029	3,160	435
Total	<u>\$ 36,440</u>	<u>\$ 12,539</u>

## REVENUE BONDS

Revenue Bonds are payable from pledged revenues generated by the respective Enterprise Funds. The City's revenue bonds are rated A3.

As of December 31, 2009, the Water Fund's outstanding bond totaled \$7,405,000. The Stormwater Fund outstanding bond total is \$2,190,000.

Revenue Bonds outstanding as of December 31, 2009 are as follows (*in thousands*):

Purpose	Average Coupon Rate	Amount Outstanding
Water Revenue Bonds		
2003 Water Refunding	3.50%	\$ 965
2001 Water	4.85%	6,440
Total Outstanding Water Revenue Bonds		7,405
Storm Water Revenue Bonds		
1998 Storm Water	5.38%	1,060
2001 Storm Water	5.25%	1,130
Total Outstanding Storm Water Revenue Bonds		2,190
Total Outstanding Revenue Bonds		\$ 9,595

The annual debt service requirements to maturity for revenue bonds are as follows *in thousands*:

Year Ending December 31	Business - Type Activities	
	Principal	Interest
2010	\$ 815	\$ 472
2011	860	436
2012	890	398
2013	935	358
2014	710	315
2015-2019	3,795	996
2020-2021	1,590	123
Total	\$ 9,595	\$ 3,097

## SPECIAL ASSESSMENT BONDS

Special Assessment Bonds are not a direct responsibility of the City, but paid through the collection of assessments levied against property owners. The assessments are liens against the property and are subject to foreclosure.

In December of 2009 the City issued LID #23, paid through the collection of assessments levied against the property owners of the Mall Street Sidewalk Improvements. At December 31, 2009, outstanding assessments totaled \$977,390 and are as follows (*in thousands*):

Purpose	Interest Rate	Amount Outstanding
LID #23 - Governmental Activity	5.50%	\$ 977
Total outstanding Governmental Special Assessment Bonds		\$ 977

The annual debt service requirements to maturity for governmental special assessment bonds are as follows *in thousands*:

Year Ending December 31	Governmental Activities	
	Principal	Interest
2010	\$ 67	\$ 24
2011	65	25
2012	65	25
2013	65	25
2014	65	25
2015-2019	325	113
2020-2024	325	50
Total	\$ 977	\$ 288

The City anticipates a new LID Assessment in the year 2010 for LID #24 – Traffic Roundabout at E. Lake Sammamish Parkway and SE 43rd Way.

The City issued ULID #22 in October 2003 paid through the collection of assessments levied against property owners of NW Goode Place. At December 31, 2009, outstanding assessments totaled \$4,164 and are as follows (*in thousands*):

Purpose	Interest Rate	Amount Outstanding
ULID #22 - Proprietary Funds	5.60%	\$ 4
Total outstanding Proprietary Special Assessment Bonds		\$ 4

The annual debt service requirements to maturity for Proprietary Special Assessment Bonds are as follows:

Year Ending December 31	Proprietary Funds	
	Principal	Interest
2010	\$ 4	\$ 0
Total	\$ 4	\$ 0

## INSTALLMENT AGREEMENTS

In 1998, the City was awarded a Public Works Trust Fund Loan not to exceed \$1,143,103. The City received \$171,465 in 1998, \$857,327 in 1999, and the balance of \$114,311 in 2002. As of December 31, 2009, the balance owing on the Trust Fund Loan is \$551,621 as illustrated below (*in thousands*):

Purpose	Interest Rate	Amount Outstanding
P.W. Trust Fund Loan/Newport	1.00%	\$ 552
Total Outstanding Installment Contracts		\$ 552

## INTERLOCAL AGREEMENTS

During 2002 the City entered into an Interlocal Agreement with King County for funds for the North Spar. No interest accrues and the outstanding amount at December 31, 2009 was \$4,550,000. The liability is reported in the Governmental Funds and the City pays King County \$350,000 per year from the Street Fund.

Interlocal Agreements outstanding as of December 31, 2009 are as follows (*in thousands*):

Purpose	Interest Rate	Amount Outstanding
King County North Spar Fund 355	n/a	\$ 4,550
Total Outstanding Interlocal Agreements		\$ 4,550

## SHORT-TERM LIABILITIES

The City had no short-term liabilities at December 31, 2009.

## CHANGES IN LONG-TERM LIABILITIES

The following is a summary of all long-term debt transactions for the year ended December 31, 2009 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 31,205	\$ 13,635	\$ 8,400	\$ 36,440	\$ 2,590
Special Assessments	-	977	-	977	67
Interlocal agreements	4,900	-	350	4,550	350
Compensated absences-Gov	1,954	1,727	1,261	2,420	-
Compensated absences-ISF	417	392	285	524	-
Other postemployment benefits	79	154	75	158	-
Total governmental activity - long-term liabilities	<u>38,555</u>	<u>16,885</u>	<u>10,371</u>	<u>45,069</u>	<u>3,007</u>
<b>Business-type activities:</b>					
Revenue bonds	10,375	-	780	9,595	815
Special assessments	15	-	11	4	4
Installment contracts	613	-	61	552	61
Compensated absences-Bus	165	218	184	199	-
Total business-type activities long-term liabilities	<u>11,168</u>	<u>218</u>	<u>1,036</u>	<u>10,350</u>	<u>880</u>
Total long-term liabilities	<u>\$ 49,723</u>	<u>\$ 17,103</u>	<u>\$ 11,407</u>	<u>\$ 55,419</u>	<u>\$ 3,888</u>

**NOTE 14:  
CONTINGENCIES AND LITIGATION**

As of December 31, 2009, there were several damage claims and lawsuits pending against the City. It is the opinion of management and the City Attorney that the disposition of these claims is not presently expected to have a material adverse effect on the City's financial statements.

**NOTE 15:  
JOINT VENTURES**

**EASTSIDE PUBLIC SAFETY COMMUNICATIONS AGENCY (EPSCA)**

In May 1992, the cities of Bellevue, Redmond, Kirkland, and Mercer Island (Principals) established 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, 2009, the weighted vote was as follows:

ESPCA Joint Venture Weighted Vote	
Bellevue	50.33%
Redmond	19.12%
Kirkland	18.39%
Mercer Island	6.47%
Issaquah	5.69%
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. Service fees for the last five years were as follows:

ESPCA Joint Venture	
Year	Service Fees
2005	\$ 30,594
2006	31,312
2007	32,852
2008	33,848
2009	35,358

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 \$673,169 as of December 31, 2009 are, upon dissolution, to be apportioned among the Principals, the City's share in 2009 of \$38,303 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.

### EASTSIDE FIRE AND RESCUE (EF&R)

In 1999, through an Interlocal agreement as provided by RCW Title 39.34, the consolidation of several agencies created a new Fire and Emergency Medical Services agency called Eastside Fire and Rescue (EF&R). The agencies (principals) joining in this consolidation included King County Washington Fire Districts 10 and 38, and the Cities of Issaquah and North Bend, with the City of Sammamish joining in January 2000. The current Interlocal Agreement is in effect through December 31, 2014 and shall be renewed automatically thereafter for successive one-year terms. Any party may terminate this agreement at the end of the first term or any at the end of any one-year term by filing with the other parties a notice of termination three years prior to the termination date.

EF&R is a joint venture partnership. The entities retain an equity interest in EF&R based on their support of EF&R operations. As of December 31, 2008 (most recently audited), the equity percentage was as follows:

Eastside Fire and Rescue Agency Shares	
Fire District 10	45.71%
Fire District 38	5.72%
City of Issaquah	19.82%
City of North Bend	4.47%
City of Sammamish	24.27%
Total	<u><u>100.00%</u></u>

Eastside Fire and Rescue is governed by a Regional Board. The Regional Board is made up of representatives from each of the partner agencies that comprise EF&R. The Regional Board meets on the second Tuesday of each month at the Headquarters Offices in Issaquah.

Eastside Fire and Rescue	
Agency	Number of Board Members
Fire District 10	2
Fire District 38	1
City of Issaquah	2
City of North Bend	1
City of Sammamish	2
Total	<u><u>8</u></u>

The Districts shall levy regular real property and emergency medical service taxes at the maximum rate allowed by law. The Districts shall deposit taxes, as agreed upon and approved by the Directors with the Board of Directors in June and December.

The amount of annual contribution for the Cities, and the amount of additional services contribution, if any, shall be determined by the respective legislative bodies, after recommendation by the Board of Directors. Annually, Cities contribute financially according to a revenue formula developed on or before June 30 of each year. The revenue formula is based on certain criteria including: day/night population call volume, assessed valuation, service area, response time and number of equivalent residential units. Cities also annually contribute all emergency medical service taxes, together with all other designated fire service or fire department revenues which may include fire and emergency services related fees, mitigation and charges for building and land development.

The City's service fee contributions through 2009 are as follows (*in thousands*):

Eastside Fire and Rescue	
Year	Service Fees
2001	\$ 2,300
2002	2,461
2003	2,401
2004	2,952
2005	3,026
2006	3,140
2007	3,278
2008	4,297
2009	4,577

All real and personal property acquired prior to the Agreement remains property of the acquiring member, with exclusive access and control over the property by EF&R. All property acquired pursuant to the Agreement shall be identified by the Board upon acquisition as joint or separate property. Upon termination of the Agreement, all separate property shall be returned to the owner; the net value of all jointly owned property shall be calculated, and each party shall receive or pay, as applicable, the total net amount to the other, in cash or jointly owned property. The City records the capital assets in the Governmental Funds.

Upon dissolution, the agreement 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 remaining share of net assets is deemed immaterial and thus is not reflected in the financial statement.

Audited financial information can be obtained from Dave Gray, Eastside Fire and Rescue, 175 NW Newport Way, Issaquah, WA 98027.

## A REGIONAL COALITION FOR HOUSING (ARCH)

In November 1992, the cities of Bellevue, Redmond and Kirkland and King County joined to establish A Regional Coalition for Housing (ARCH). The agreement was amended in January 1993 to add clarifying language regarding responsibility and dissolution. Subsequently, the Cities of Bothell, Issaquah, Mercer Island, Newcastle, Beaux Arts, Clyde Hill, Hunts Point, Medina, Yarrow Point and Woodinville 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. Member cities provide operating funding. ARCH identifies and prioritizes projects which the member cities fund directly through their own grants, Community Development Block Grants, and HOD 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. Administrative staff and a Citizen Advisory Board assist the 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:

ARCH Joint Venture				
Year	Budget	City's Share	Percentage	
2005	\$ 398,508	\$ 11,810	2.96%	
2006	417,984	12,400	2.97%	
2007	441,043	13,582	3.08%	
2008	462,910	13,736	2.97%	
2009	465,312	14,698	3.16%	

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.

## 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.

An Executive Board consisting of the Police Chiefs and Directors of Public Safety governs the task force. The Executive Board is responsible for formulating policy, establishing annual budgets, and acquiring, holding, and disposing of real and personal property. A Commander who is responsible for the operation of the task force and the accomplishment of the goals and objectives of the task force manages 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 agency's shares are:

Eastside Narcotics Task Force Agency Shares	
Bellevue	51.00%
Redmond	14.70%
Kirkland	14.70%
Mercer Island	14.70%
Issaquah	4.90%
	100.00%

Total revenues for 2009 were \$462,402 of which \$22,658 was the City of Issaquah's share. Total expenditures for 2009 were \$528,966 of which \$25,919 was the City of Issaquah's share. The total decrease in net assets for 2009 was \$66,564 of which \$3,262 was the City of Issaquah'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 Issaquah 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 2009 membership dues totaling \$1,337,898, of which Issaquah's share was \$88,303. Issaquah also paid the Alliance \$114,095 in 2009 for Regional Capital Facilities Charges for new residential hookups to the water distribution system.

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

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

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

## 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 2009 were \$1,136,167, revenues were \$1,240,236.

Partner fees and voting are based on relative population. Equity balances are as follows:

EGOV Alliance		
	<u>City's Share</u>	<u>Percentage</u>
Bellevue	\$ 123,336	30.68%
Renton	62,963	15.66%
Kirkland	50,013	12.44%
Sammamish	42,045	10.46%
Bothell	33,836	8.42%
Issaquah	25,805	6.42%
Mercer Island	23,372	5.81%
Kenmore	20,824	5.18%
Woodinville	10,851	2.70%
Snoqualmie	8,981	2.23%
Total	<u>\$ 402,026</u>	<u>100.00%</u>

**NOTE 16:  
SUBSEQUENT EVENTS**

**SUBSEQUENT EVENTS**

No substantial subsequent events merit reporting.

NON-MAJOR  
GOVERNMENTAL  
FUNDS



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

The **Cemetery Fund** accounts for the care, improvement and use of the cemetery property.

The **Municipal Art Fund** was established to account for the revenue and expenditures for the fine and performing arts.

The **Resource Conservation Fund** was developed to account for the recycling program and make sure the program generates enough fees and grants to cover the expenditures.

The **Cable TV Fund** was set up to separately account for transactions associated with the City's government communications channel, Cable TV franchise-related activities, and the Cable TV commission.

The **Lodging Tax Fund** was created in 1999 to account for transactions associated with the City's share of the hotel/motel tax. The City of Issaquah's 1% tax is currently collected by two motels and one bed and breakfast inn. Per State law, proceeds from this tax can only be used to pay all or any part of the cost of tourism promotion, acquisition of tourism-related facilities, or the operation of tourism-related facilities.

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

The **Unlimited Debt Service Fund** provides payment on both Councilmanic and voted bond issues. The voter-approved general obligation bonds are supported by special levies.

The **Limited Debt Service Fund** provides payment on non-voted bonds.

The **L.I.D. Debt Service Fund** receives assessment payments to redeem outstanding Local Improvement District (L.I.D.) bonds.

The **L.I.D. Guaranty Fund** was established to guarantee the payment of L.I.D. bonds, notes, and warrants. The money comes from completed L.I.D. bond funds, and excess general property tax levies.

The **Arbitrage Rebate Fund** was established to build up reserves to rebate the United States Internal Revenue Service for interest earned in excess of the maximum yield rate set for each bond issue.

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

The **Mitigation Fund** accounts for revenue received from outside sources (e.g., developers for the express purpose of expending on a specific capital item/project in the Police, Fire Control, Parks, and General Services Area).

The **Newport Way Construction Fund** was created in 2001 to account for Street Impact Fees and Bond Proceeds used for the purpose of improving Newport Way between Maple Street and West Sunset Way. Improvements include: reconstructing two travel lanes with a center turn lane, a sidewalk on one side with a multi-use trail on the other side, a pedestrian signal, landscaping, lighting, and stormwater facilities for water drainage.

The **Centralized ITS Traffic Signal System Construction Fund** was established in 2005 to account for voted-in bond proceeds issued to cover costs associated with phased implementation of state of the art centralized traffic signal system.

The **LID #23 Construction Fund** was established in 2007 to account for improving Mall Street Sidewalk between 17<sup>th</sup> Avenue NW and 12<sup>th</sup> Avenue NW.

The **Transit Center Fire Station #72 Construction Fund** accounts for costs associated with the design and construction of Fire Station #72, located in the METRO Issaquah Transit Center Park and Ride lot.

The **Street Improvement Fund** was established in 1991 to account for revenues received from the additional one-fourth percentage Real Estate Excise Tax, which was authorized by the 1990 Growth Management Act. Proceeds from this additional real estate tax are to be used solely for financing capital projects specified in a capital facilities plan, and are intended to be in addition to other funds that may be reasonably available for such capital projects. By City Ordinance, these funds are restricted to Street Projects.

The **Highlands Park Facilities Fund** was established in 2002 to account for bond proceeds issued to cover costs associated with constructing park facilities including Tot Lots, Ballfields, Tennis Courts, Picnic Areas, Basketball Courts, and Soccer Fields in the Issaquah Highlands.



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**Combining Balance Sheet**  
**Non-major Governmental Funds**  
**As of December 31, 2009**  
*(in thousands)*

Page 1 of 4

	Special Revenue Funds					
	Cemetery	Municipal Art	RCO	Cable TV	Lodging	Total Special Revenue Funds
Assets:						
Cash & cash equivalents	\$ 293	\$ 150	\$ 69	\$ 429	\$ 42	\$ 983
Receivables (net)	-	36	116	-	12	164
Total assets	\$ 293	\$ 186	\$ 185	\$ 429	\$ 54	\$ 1,147
Liabilities:						
Accounts payable and accrued expenses	\$ 1	\$ 3	\$ 27	\$ 6	\$ 4	\$ 41
Total liabilities	1	3	27	6	4	41
Net assets:						
Unreserved, reported in:						
Special revenue funds	292	183	158	423	50	1,106
Total fund balance	292	183	158	423	50	1,106
Total liabilities and fund balance	\$ 293	\$ 186	\$ 185	\$ 429	\$ 54	\$ 1,147

Combining Balance Sheet  
 Non-major Governmental Funds  
 As of December 31, 2009  
 (in thousands)

Page 2 of 4

	Debt Service Funds				
	Unlimited Debt Service	Limited Debt Service	LID Guaranty	Arbitrage Rebate	Total Debt Service Funds
Assets:					
Cash & cash equivalents	\$ 496	\$ 14	\$ 933	\$ 62	\$ 1,505
Receivables (net)	32	-	-	-	32
Total assets	\$ 528	\$ 14	\$ 933	\$ 62	\$ 1,537
Liabilities:					
Deferred revenue	\$ 31	\$ -	\$ -	\$ -	\$ 31
Total liabilities	31	-	-	-	31
Net assets:					
Reserved for:					
Debt service	497	14	933	62	1,506
Total fund balance	497	14	933	62	1,506
Total liabilities and fund balance	\$ 528	\$ 14	\$ 933	\$ 62	\$ 1,537

Combining Balance Sheet  
Non-major Governmental Funds  
As of December 31, 2009  
(in thousands)

Page 3 of 4

	Capital Improvement Funds				
	Mitigation	Newport Way Construction	Centralized ITS Traffic Signal System	LID # 23 Construction	Transit Center Fire Station
Assets:					
Cash & cash equivalents	\$ 3,240	\$ 95	\$ 403	\$ 27	\$ 6,422
Receivables (net)	-	-	-	-	-
Due from other governments	-	-	-	-	1,000
Total assets	\$ 3,240	\$ 95	\$ 403	\$ 27	\$ 7,422
Liabilities:					
Accounts payable and accrued expenses	-	-	-	-	193
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	-	-	-	-	193
Net assets:					
Reserved for:					
Debt service	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Capital project funds	3,240	95	403	27	7,229
Total fund balance	3,240	95	403	27	7,229
Total liabilities and fund balance	\$ 3,240	\$ 95	\$ 403	\$ 27	\$ 7,422

Combining Balance Sheet  
Non-major Governmental Funds  
As of December 31, 2009  
(in thousands)

Page 4 of 4

	Capital Improvement Funds			
	Street Improvement	Highland Park Facilities	Total Capital Improvement Funds	Total Nonmajor Governmental Funds
Assets:				
Cash & cash equivalents	\$ 5,311	\$ 6	\$ 15,504	\$ 17,992
Receivables (net)	138	-	138	334
Due from other governments	-	-	1,000	1,000
Total assets	\$ 5,449	\$ 6	\$ 16,642	\$ 19,326
Liabilities:				
Accounts payable and accrued expenses	\$ 77	\$ -	\$ 270	\$ 311
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	31
Total liabilities	77	-	270	342
Net assets:				
Reserved for:				
Debt service	-	-	-	1,506
Unreserved, reported in:				
Special revenue funds	-	-	-	1,106
Capital project funds	5,372	6	16,372	16,372
Total fund balance	5,372	6	16,372	18,984
Total liabilities and fund balance	\$ 5,449	\$ 6	\$ 16,642	\$ 19,326

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
 Non-major Governmental Funds  
 For the Twelve Months Ending December 31, 2009  
 (in thousands)

Page 1 of 4

	Special Revenue Funds					Total Special Revenue Funds
	Cemetery	Municipal Art	Resource Conserv- ation	Cable TV	Lodging Tax	
Revenues:						
Taxes						
Sales Tax	\$ -	\$ -	\$ -	\$ -	\$ 90	\$ 90
Business and occupation	-	146	-	-	-	146
Licenses and permits	-	-	-	397	-	397
Intergovernmental	-	11	84	-	-	95
Charges for services	82	-	203	-	-	285
Investment earnings	1	-	1	-	-	2
Contributions and donations	-	-	1	-	-	1
Total revenues	<u>83</u>	<u>157</u>	<u>289</u>	<u>397</u>	<u>90</u>	<u>1,016</u>
Expenditures:						
General government	-	-	-	-	115	115
Public safety	-	-	-	151	-	151
Physical environment	35	-	664	-	-	699
Culture and recreation	-	174	-	-	-	174
Total expenditures	<u>35</u>	<u>174</u>	<u>664</u>	<u>151</u>	<u>115</u>	<u>1,139</u>
Excess (deficiency) of revenues over (under) expenditures	<u>48</u>	<u>(17)</u>	<u>(375)</u>	<u>246</u>	<u>(25)</u>	<u>(123)</u>
Other financing sources (uses):						
Transfers in	-	-	207	-	-	207
(Transfers out)	<u>(25)</u>	<u>-</u>	<u>-</u>	<u>(96)</u>	<u>-</u>	<u>(121)</u>
Total other financing sources (uses)	<u>(25)</u>	<u>-</u>	<u>207</u>	<u>(96)</u>	<u>-</u>	<u>86</u>
Net change in fund balances	23	(17)	(168)	150	(25)	(37)
Fund balance - beginning	269	200	326	273	75	1,143
Fund balance - ending	<u>\$ 292</u>	<u>\$ 183</u>	<u>\$ 158</u>	<u>\$ 423</u>	<u>\$ 50</u>	<u>\$ 1,106</u>

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
 Non-major Governmental Funds  
 For the Twelve Months Ending December 31, 2009  
 (in thousands)

Page 2 of 4

	Debt Service Funds				Total Debt Service Funds
	Debt Service	Limited Debt Service	LID Guarantee	Arbitrage Rebate	
Revenues:					
Taxes					
Property	\$ 1,107	\$ -	\$ -	\$ -	\$ 1,107
Investment earnings	1	-	-	-	1
Total revenues	<u>1,108</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,108</u>
Expenditures:					
Debt Service:					
Principal	635	1,600	-	-	2,235
Interest and other debt costs	453	1,034	-	-	1,487
Total expenditures	<u>1,088</u>	<u>2,634</u>	<u>-</u>	<u>-</u>	<u>3,722</u>
Excess (deficiency) of revenues over (under) expenditures	<u>20</u>	<u>(2,634)</u>	<u>-</u>	<u>-</u>	<u>(2,614)</u>
Other financing sources (uses):					
Transfers in	53	2,516	-	-	2,569
Refunding bonds issued	-	6,355	-	-	6,355
Premium on bonds sold	-	399	-	-	399
Payment to refunded agent	-	(6,678)	-	-	(6,678)
Total other financing sources (uses)	<u>53</u>	<u>2,592</u>	<u>-</u>	<u>-</u>	<u>2,645</u>
Net change in fund balances	73	(42)	-	-	31
Fund balance - beginning	424	56	933	62	1,475
Fund balance - ending	<u>\$ 497</u>	<u>\$ 14</u>	<u>\$ 933</u>	<u>\$ 62</u>	<u>\$ 1,506</u>

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
Non-major Governmental Funds  
For the Twelve Months Ending December 31, 2009  
(in thousands)

Page 3 of 4

	Capital Improvement Funds				
	Mitigation	Newport Way	Centralized ITS Traffic Signal System	LID # 23	Transit Center Fire Station
Revenues:					
Taxes					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Sales	-	-	-	-	-
Business and occupation	-	-	-	-	-
Other	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	2,000
Charges for services	1,137	-	-	-	-
Investment earnings	4	-	1	-	4
Contributions and donations	1,519	-	-	-	-
Miscellaneous revenues	10	-	-	-	-
Total revenues	<u>2,670</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>2,004</u>
Expenditures:					
General government	250	-	-	-	-
Judicial	28	-	-	-	-
Public safety	-	-	-	-	-
Physical environment	-	-	-	-	-
Transportation	-	-	14	-	-
Culture and recreation	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and other debt costs	-	-	-	-	-
Capital outlay:					
Public safety	-	-	-	-	769
Transportation	-	28	-	246	-
Culture and recreation	30	-	-	-	-
Total expenditures	<u>308</u>	<u>28</u>	<u>14</u>	<u>246</u>	<u>769</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,362</u>	<u>(28)</u>	<u>(13)</u>	<u>(246)</u>	<u>1,235</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	150
(Transfers out)	(350)	(576)	-	-	-
Refunded bonds issued	-	-	-	-	-
Special assessment bonds issued	-	-	-	978	-
Premium on bonds sold	-	-	-	-	116
Other bonds issued	-	-	-	-	4,500
Payment to refunded agent	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	<u>(350)</u>	<u>(576)</u>	<u>-</u>	<u>978</u>	<u>4,766</u>
Net change in fund balances	2,012	(604)	(13)	732	6,001
Fund balance - beginning	1,228	699	416	(705)	1,228
Fund balance - ending	<u>\$ 3,240</u>	<u>\$ 95</u>	<u>\$ 403</u>	<u>\$ 27</u>	<u>\$ 7,229</u>

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
 Non-major Governmental Funds  
 For the Twelve Months Ending December 31, 2009  
 (in thousands)

Page 4 of 4

	Capital Improvement Funds			Total Nonmajor Governmental Funds
	Street Improvement	Highland Park Facilities	Total Nonmajor Capital Improvement Funds	
Revenues:				
Taxes				
Property	\$ -	\$ -	\$ -	\$ 1,107
Sales	-	-	-	90
Business and occupation	-	-	-	146
Other	841	-	841	841
Licenses and permits	-	-	-	397
Intergovernmental	314	-	2,314	2,409
Charges for services	227	-	1,364	1,649
Investment earnings	4	-	13	16
Contributions and donations	-	-	1,519	1,520
Miscellaneous revenues	-	-	10	10
Total revenues	<u>1,386</u>	<u>-</u>	<u>6,061</u>	<u>8,185</u>
Expenditures:				
General government	-	-	250	365
Judicial	-	-	28	28
Public safety	-	-	-	151
Physical environment	-	-	-	699
Transportation	337	-	351	351
Culture and recreation	-	9	9	183
Debt service:				
Principal	350	-	350	2,585
Interest and other debt costs	-	-	-	1,487
Capital outlay:				
Public safety	-	-	769	769
Transportation	1,267	-	1,541	1,541
Culture and recreation	-	-	30	30
Total expenditures	<u>1,954</u>	<u>9</u>	<u>3,328</u>	<u>8,189</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(568)</u>	<u>(9)</u>	<u>2,733</u>	<u>(4)</u>
Other financing sources (uses):				
Transfers in	776	-	926	3,702
(Transfers out)	-	-	(926)	(1,047)
Refunded bonds issued	-	-	-	6,355
Special assessment bonds issued	-	-	978	978
Premium on bonds sold	-	-	116	515
Other bonds issued	-	-	4,500	4,500
Payment to refunded agent	-	-	-	(6,678)
Sale of capital assets	498	-	498	498
Total other financing sources (uses)	<u>1,274</u>	<u>-</u>	<u>6,092</u>	<u>8,823</u>
Net change in fund balances	706	(9)	8,825	8,819
Fund balance - beginning	4,666	15	7,547	10,165
Fund balance - ending	<u>\$ 5,372</u>	<u>\$ 6</u>	<u>\$ 16,372</u>	<u>\$ 18,984</u>

Cemetery Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
 For the fiscal year ended December 31, 2009  
 (in thousands)

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget
Revenues:				
Charges for services	\$ 51	\$ 51	\$ 82	\$ 31
Investment income	8	8	1	(7)
Total revenues	<u>59</u>	<u>59</u>	<u>83</u>	<u>24</u>
Expenditures:				
Utilities and environment	43	49	36	13
Total expenditures	<u>43</u>	<u>49</u>	<u>36</u>	<u>13</u>
Excess(deficiency) of revenues over (under) expenditures	<u>16</u>	<u>10</u>	<u>47</u>	<u>37</u>
Other financing sources (uses):				
Transfers out	(25)	(25)	(25)	-
Total other financing sources and uses	<u>(25)</u>	<u>(25)</u>	<u>(25)</u>	<u>-</u>
Net change in fund balance	(9)	(15)	22	37
Fund balances-beginning	259	259	271	12
Fund balances-ending	<u>\$ 250</u>	<u>\$ 244</u>	<u>\$ 293</u>	<u>\$ 49</u>

Note: Budget is cash basis

**Municipal Art Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**For the fiscal year ended December 31, 2009**  
*(in thousands)*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget</u>
Revenues:				
Taxes:				
Admissions Tax	\$ 152	\$ 152	\$ 151	\$ (1)
Contributions and donations	7	7	11	4
Investment income	5	5	-	(5)
Total revenues	<u>164</u>	<u>164</u>	<u>162</u>	<u>(2)</u>
Expenditures:				
Culture and recreation	<u>195</u>	<u>195</u>	<u>172</u>	<u>23</u>
Total expenditures	<u>195</u>	<u>195</u>	<u>172</u>	<u>23</u>
Excess(deficiency) of revenues over (under) expenditures	<u>(31)</u>	<u>(31)</u>	<u>(10)</u>	<u>21</u>
Net change in fund balances	(31)	(31)	(10)	21
Fund balances-beginning	<u>216</u>	<u>216</u>	<u>154</u>	<u>(62)</u>
Fund balances-ending	<u><u>\$ 185</u></u>	<u><u>\$ 185</u></u>	<u><u>\$ 144</u></u>	<u><u>\$ (41)</u></u>

Note: Budget is cash basis

Resource Conservation Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual  
 For the fiscal year ended December 31, 2009  
 (in thousands)

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget
Revenues:				
Taxes:				
Business taxes	\$ 160	\$ 160	\$ 161	\$ 1
Intergovernmental	130	130	77	(53)
Investment income	10	10	1	(9)
Miscellaneous	80	80	4	(76)
Total revenues	<u>380</u>	<u>380</u>	<u>243</u>	<u>(137)</u>
Expenditures:				
Utilities and environment	786	786	673	113
Total expenditures	<u>786</u>	<u>786</u>	<u>673</u>	<u>113</u>
Excess(deficiency) of revenues over (under) expenditures	<u>(406)</u>	<u>(406)</u>	<u>(430)</u>	<u>(24)</u>
Other financing sources (uses)				
Transfers in	207	207	207	-
Total other financing sources and uses	<u>207</u>	<u>207</u>	<u>207</u>	<u>-</u>
Net change in fund balances	(199)	(199)	(223)	(24)
Fund balances-beginning	<u>383</u>	<u>383</u>	<u>271</u>	<u>(112)</u>
Fund balances-ending	<u>\$ 184</u>	<u>\$ 184</u>	<u>\$ 48</u>	<u>\$ (136)</u>

Note: Budget is cash basis

**Cable TV Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**For the fiscal year ended December 31, 2009**  
*(in thousands)*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget</u>
Revenues:				
Licenses and permits	\$ 380	\$ 380	\$ 397	\$ 17
Investment interest	10	10	-	(10)
Total revenues	<u>390</u>	<u>390</u>	<u>397</u>	<u>7</u>
Expenditures:				
Securities of persons and property	214	214	151	63
Total expenditures	<u>214</u>	<u>214</u>	<u>151</u>	<u>63</u>
Excess(deficiency) of revenues over (under) expenditures	<u>176</u>	<u>176</u>	<u>246</u>	<u>70</u>
Other financing sources (uses):				
Transfers out	(96)	(96)	(96)	-
Total other financing sources and uses	<u>(96)</u>	<u>(96)</u>	<u>(96)</u>	<u>-</u>
Net change in fund balances	80	80	150	70
Fund balances-beginning	<u>250</u>	<u>250</u>	<u>274</u>	<u>24</u>
Fund balances-ending	<u>\$ 330</u>	<u>\$ 330</u>	<u>\$ 424</u>	<u>\$ 94</u>

Note: Budget is cash basis

**Lodging Tax Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**For the fiscal year ended December 31, 2009**  
*(in thousands)*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget</u>
Revenues:				
Taxes:				
Hotel/motel tax	\$ 100	\$ 100	\$ 92	\$ (8)
Total revenues	<u>100</u>	<u>100</u>	<u>92</u>	<u>(8)</u>
Expenditures:				
Other general government services	121	136	125	11
General government services	121	136	125	11
Total expenditures	<u>121</u>	<u>136</u>	<u>125</u>	<u>11</u>
Excess(deficiency) of revenues over (under) expenditures	<u>(21)</u>	<u>(36)</u>	<u>(33)</u>	<u>3</u>
Net change in fund balances	(21)	(36)	(33)	3
Fund balances-beginning	<u>68</u>	<u>68</u>	<u>75</u>	<u>7</u>
Fund balances-ending	<u>\$ 47</u>	<u>\$ 32</u>	<u>\$ 42</u>	<u>\$ 10</u>

Note: Budget is cash basis



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INTERNAL  
SERVICE  
FUNDS



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

All local governments were brought under the State employment tax coverage in 1978. The City chose to self-insure and created the **Unemployment Insurance Fund** to administer the program. The City reimburses claims processed through the Employment Security Department from revenue that is derived from the transfer made from operating funds.

This purpose of the **Insurance Fund** is to segregate out the insurance transactions of the City into a single fund. This fund will charge other funds for their appropriate share of insurance premiums and uncovered claims. Over the years, it is hoped that this fund will be able to build up an adequate reserve to

serve as a buffer against any unanticipated insurance claims.

The **Equipment Replacement Fund** handles the maintenance, repair, and replacement of equipment necessary to serve the needs of the City Street Department. In addition, this fund accounts for all City vehicles and City equipment that has been prioritized to build up replacement reserves.

The **Public Works Engineering Services Fund** was set up in 1999 to consolidate engineering activities in the various utility and capital project funds. Engineering costs are charged to the Street, Water, Sewer, and Stormwater funds on a percentage allocation and to capital projects, in the appropriate funds, based on actual hours worked on those projects.



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**Internal Service Funds**  
**Combining Statement of Net Assets**  
**As of December 31, 2009**  
*(in thousands)*

	Internal Service Funds				
	Unemployment	Insurance	Equipment Replacement	Engineering Services	Total Internal Service Funds
Assets:					
Cash & cash equivalents	\$ 103	\$ 408	\$ 2,315	\$ 1,604	\$ 4,430
Receivable	-	-	-	31	31
Non operating Receivable	-	-	4	-	4
Due from other funds	-	-	4,250	-	4,250
Inventories	-	-	126	-	126
Total current assets	<u>103</u>	<u>408</u>	<u>6,695</u>	<u>1,635</u>	<u>8,841</u>
Capital assets:					
In progress, not depreciated	-	-	17	-	17
Buildings and equipment, net	-	-	117	-	117
Machinery and equipment, net	-	-	3,037	2	3,039
Total assets	<u>103</u>	<u>408</u>	<u>9,866</u>	<u>1,637</u>	<u>12,014</u>
Liabilities:					
Current liabilities					
Accounts payable and accrued expenses	22	-	47	136	205
Non current liabilities:					
Compensated absences	-	-	57	467	524
Total liabilities	<u>22</u>	<u>-</u>	<u>104</u>	<u>603</u>	<u>729</u>
Total net assets	<u>\$ 81</u>	<u>\$ 408</u>	<u>\$ 9,762</u>	<u>\$ 1,034</u>	<u>\$ 11,285</u>

Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Internal Service Funds  
For the Twelve Months Ending December 31, 2009  
(in thousands)

	Internal Service Funds				
	Unemploy- ment	Insurance	Equipment Replacement	Engineering Services	Total Internal Service Funds
Operating revenues:					
Intergovernmental Revenue	\$ -	\$ -	\$ 123	\$ 175	\$ 298
Charges for services	-	753	2,030	3,156	5,939
Total operating revenues	-	753	2,153	3,331	6,237
Operating expenses:					
Maintenance and operations	105	682	1,244	3,317	5,348
Depreciation	-	-	600	2	602
Total operating expenses	105	682	1,844	3,319	5,950
Operating income (loss)	(105)	71	309	12	287
Nonoperating revenues (expenses)					
Investment Earnings	1	-	178	3	182
Other non-operating revenues (expenses)	-	-	10	-	10
Total non-operating income (expense)	1	-	188	3	192
Income before contributions and transfers	(104)	71	497	15	479
Contributions and transfers:					-
Transfers in	36	-	133	-	169
Change in net assets	(68)	71	630	15	648
Net assets - beginning	149	337	9,132	1,019	10,637
Net assets - ending	\$ 81	\$ 408	\$ 9,762	\$ 1,034	\$ 11,285



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**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For the fiscal year ended December 31, 2009**  
*(in thousands)*

Page 1 of 2

	Internal Service Funds				Total
	Unemploy- ment	Insurance	Equipment Replace- ment	Engineering Services	Governmental Activities Internal Service Funds
Cash flows from operating activities:					
Cash received from customers	\$ -	\$ 753	\$ -	\$ -	\$ 753
Cash received from interfund services	-	-	2,030	3,161	5,191
Cash payments to suppliers	-	(682)	(901)	(296)	(1,879)
Cash payments to employees	(86)	-	(444)	(2,945)	(3,475)
Cash receipts from governments	-	-	131	160	291
Cash for other operating activities	-	-	-	7	7
	<u>(86)</u>	<u>71</u>	<u>816</u>	<u>87</u>	<u>888</u>
Cash flows from noncapital financing activities:					
Operating transfers in	36	-	133	-	169
Net cash provided (used) by noncapital financing activities:	<u>36</u>	<u>-</u>	<u>133</u>	<u>-</u>	<u>169</u>
Cash flows from capital and related financing activities:					
Interfund loans-received in	-	-	-	-	-
Interfund Loans-Principle (Paid)	-	-	-	-	-
Interfund loan interest - revenue	-	-	170	-	170
Interfund Loan Interest (Expense)	-	-	-	-	-
Capital expenditures paid	-	-	(933)	-	(933)
Proceeds from retirement of capital assets	-	-	1	(1)	-
Net cash provided (used) by capital-related financing activities:	<u>-</u>	<u>-</u>	<u>(762)</u>	<u>(1)</u>	<u>(763)</u>
Cash flows from investment activities:					
Net decrease in investments	-	-	11	-	11
Net (increase) in investments	-	-	-	-	-
Net decrease in Interfund Loans	-	-	1,680	-	1,680
Net (increase) in interfund loans	-	-	(2,130)	-	(2,130)
Interest received on investment	1	1	8	2	12
Net cash provided by investment activities	<u>1</u>	<u>1</u>	<u>(431)</u>	<u>2</u>	<u>(427)</u>
Net increase (decrease) in cash balance	<u>(49)</u>	<u>72</u>	<u>(244)</u>	<u>88</u>	<u>(133)</u>
Cash at beginning of year	152	336	2,559	1,516	4,563
Cash at end of year	<u>\$ 103</u>	<u>\$ 408</u>	<u>\$ 2,315</u>	<u>\$ 1,604</u>	<u>\$ 4,430</u>

**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For the fiscal year ended December 31, 2009**

Page 2 of 2

	Internal Service Funds				Total Governmental Activities Internal Service Funds
	Unemploy- ment	Insurance	Equipment Replac- ment	Engineering Services	
Reconciliation of operating income to net cash provided by operating activities					
Operating income (loss)	\$ (105)	\$ 71	\$ 309	\$ 12	\$ 287
Adjustment to reconcile operating income to net cash provided by operating activities:					
Depreciation	-	-	600	2	602
Decrease (increase) in accts receivable	-	-	16	(6)	10
Decrease (increase) in inventory	-	-	(32)	-	(32)
Increase (decrease) in accts payable	19	-	(87)	(46)	(114)
Increase (decrease) in employee benefits	-	-	10	125	135
Net cash provided by operating activities	\$ (86)	\$ 71	\$ 816	\$ 87	\$ 888



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AGENCY

FUNDS



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Fiduciary Funds account for assets held by a government in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not measure the results of operations.

Description of the Agency Funds included as supplementary information in the City's Comprehensive Annual Financial Report is provided below:

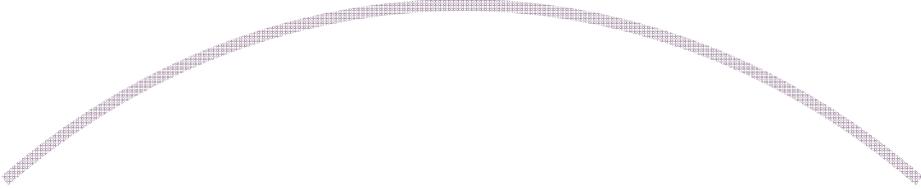
The Agency/Deposits Fund is a clearing mechanism for cash resources which are collected by the City, held a brief period, and then disbursed to authorized recipients.



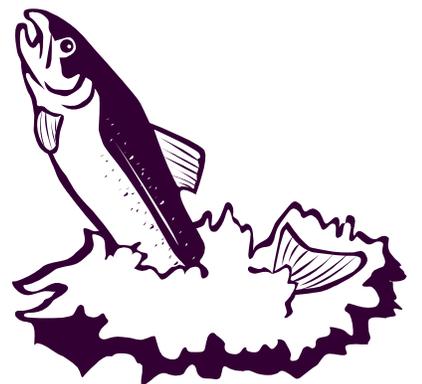
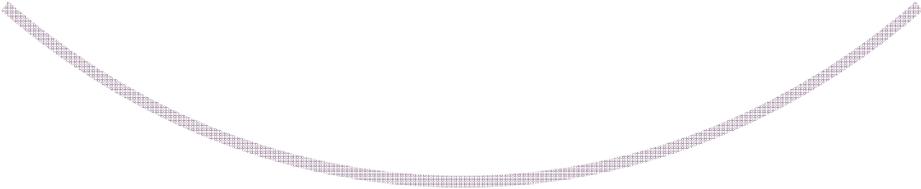
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Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the fiscal year ended December 31, 2009

	<u>01/01/2009</u> Balance	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2009</u> Balance
<b>Agency/deposit fund</b>				
Assets:				
Cash and equivalents	\$ 3,109	\$ 50,887	\$ 50,133	\$ 3,863
Total assets	<u>\$ 3,109</u>	<u>\$ 50,887</u>	<u>\$ 50,133</u>	<u>\$ 3,863</u>
Liabilities:				
Deposits payable	\$ 3,109	\$ 8,361	\$ 9,115	\$ 3,863
Total liabilities	<u>\$ 3,109</u>	<u>\$ 8,361</u>	<u>\$ 9,115</u>	<u>\$ 3,863</u>



# Statistical Section



# STATISTICAL SECTION



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# STATISTICAL SECTION

December 31, 2009

This part of the City of Issaquah's 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:

<i>Statistical Section</i>	<i>Page</i>
<b>Financial Trends</b>	1
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	6
These schedules contain information to help the reader assess the City's most significant local revenue sources, sales and property taxes.	
<b>Debt Capacity</b>	13
These schedules present 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.	
<b>Demographic and Economic Information</b>	18
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<b>Operating Information</b>	20
These schedules contain 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.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



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Schedule 1  
City of Issaquah  
Net Assets by Component<sup>a</sup>  
Last Five Fiscal Years  
(dollars expressed in thousands; accrual basis of accounting)

	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 35,544	\$ 39,594	\$ 431,402	\$ 440,813	\$ 438,717
Restricted	13,233	20,874	19,790	12,418	17,185
Unrestricted	9,185	11,936	18,720	17,648	15,795
Total governmental activities net assets	<u>\$ 57,962</u>	<u>\$ 72,404</u>	<u>\$ 469,912</u>	<u>\$ 470,879</u>	<u>\$ 471,697</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 79,215	\$ 84,648	\$ 93,899	\$ 99,575	\$ 102,765
Restricted	4,771	5,241	5,504	3,607	3,532
Unrestricted	4,121	4,796	5,919	5,871	8,265
Total business-type activities net assets	<u>\$ 88,107</u>	<u>\$ 94,685</u>	<u>\$ 105,322</u>	<u>\$ 109,053</u>	<u>\$ 114,562</u>
Primary government					
Invested in capital assets, net of related debt	\$ 114,759	\$ 124,242	\$ 525,301	\$ 540,388	\$ 541,482
Restricted	18,004	26,115	25,294	16,025	20,717
Unrestricted	13,306	16,732	24,639	23,519	24,060
Total primary government net assets	<u>\$ 146,069</u>	<u>\$ 167,089</u>	<u>\$ 575,234</u>	<u>\$ 579,932</u>	<u>\$ 586,259</u>

<sup>a</sup> 2003 is the first year of Net Assets by Component

Schedule 2  
City of Issaquah  
Changes in Net Assets  
Last Five Fiscal Years  
(dollars expressed in thousands; accrual basis of accounting)

Page 1 of 2

	Fiscal Year				
	2005	2006	2007	2008	2009
<b>Expenses</b>					
Governmental activities					
Judicial	\$ 317	\$ 264	\$ 342	\$ 446	\$ 791
General government	6,420	6,881	7,675	7,663	7,836
Public safety	8,505	9,835	9,725	11,790	11,739
Physical environment	687	709	729	986	933
Transportation	4,382	5,574	12,192	14,039	12,538
Health and human services	31	86	114	118	9
Economic environment	3,097	3,092	3,290	3,495	3,458
Culture and recreation	4,075	4,483	4,813	5,725	5,463
Interest on long-term debt	1,562	1,574	1,994	1,321	2,020
Total governmental activities expenses	<u>29,076</u>	<u>32,498</u>	<u>40,874</u>	<u>45,583</u>	<u>44,787</u>
Business-type activities					
Water	4,349	4,963	5,571	6,053	5,834
Sewer	4,136	4,711	4,879	5,859	6,294
Storm water	2,207	2,897	3,378	4,318	4,229
Total business-type activities expenses	<u>10,692</u>	<u>12,571</u>	<u>13,828</u>	<u>16,230</u>	<u>16,357</u>
Total primary government expenses	<u>\$ 39,768</u>	<u>\$ 45,069</u>	<u>\$ 54,702</u>	<u>\$ 61,813</u>	<u>\$ 61,144</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
Judicial	\$ 218	\$ -	\$ -	\$ 1,085	\$ 875
General government	592	386	369	396	2,104
Public safety	877	2,239	2,309	1,911	1,660
Physical environment	417	355	271	362	279
Transportation	171	221	431	3,565	2,198
Health and human services	-	-	-	-	-
Economic environment	908	3,361	2,374	1,232	1,834
Culture and recreation	1,628	2,028	1,744	1,875	1,802
Operating grants and contributions	1,094	1,303	2,271	794	1,525
Capital grants and contributions	8,738	7,156	18,785	5,087	5,896
Total governmental activities program revenues	<u>14,643</u>	<u>17,049</u>	<u>28,554</u>	<u>16,307</u>	<u>18,173</u>
Business-type activities:					
Charges for services:					
Water	5,047	5,651	5,856	5,501	6,631
Sewer	4,037	4,550	5,294	5,939	6,380
Storm	2,572	2,960	3,646	3,946	4,091
Operating grants and contributions	-	-	402	139	438
Capital grants and contributions	8,229	6,069	2,694	4,562	4,605
Total business-type activities program revenues	<u>19,885</u>	<u>19,230</u>	<u>17,892</u>	<u>20,087</u>	<u>22,145</u>
Total primary government program revenues	<u>\$ 34,528</u>	<u>\$ 36,279</u>	<u>\$ 46,446</u>	<u>\$ 36,394</u>	<u>\$ 40,318</u>
<b>Net (expense)/revenue</b>					
Governmental activities	(14,433)	(15,449)	(12,320)	(29,276)	(26,614)
Business-type activities	9,193	6,659	4,064	3,857	5,788
Total primary government net expense	<u>\$ (5,240)</u>	<u>\$ (8,790)</u>	<u>\$ (8,256)</u>	<u>\$ (25,419)</u>	<u>\$ (20,826)</u>

Schedule 2  
City of Issaquah  
Changes in Net Assets  
Last Five Fiscal Years  
(dollars expressed in thousands; accrual basis of accounting)

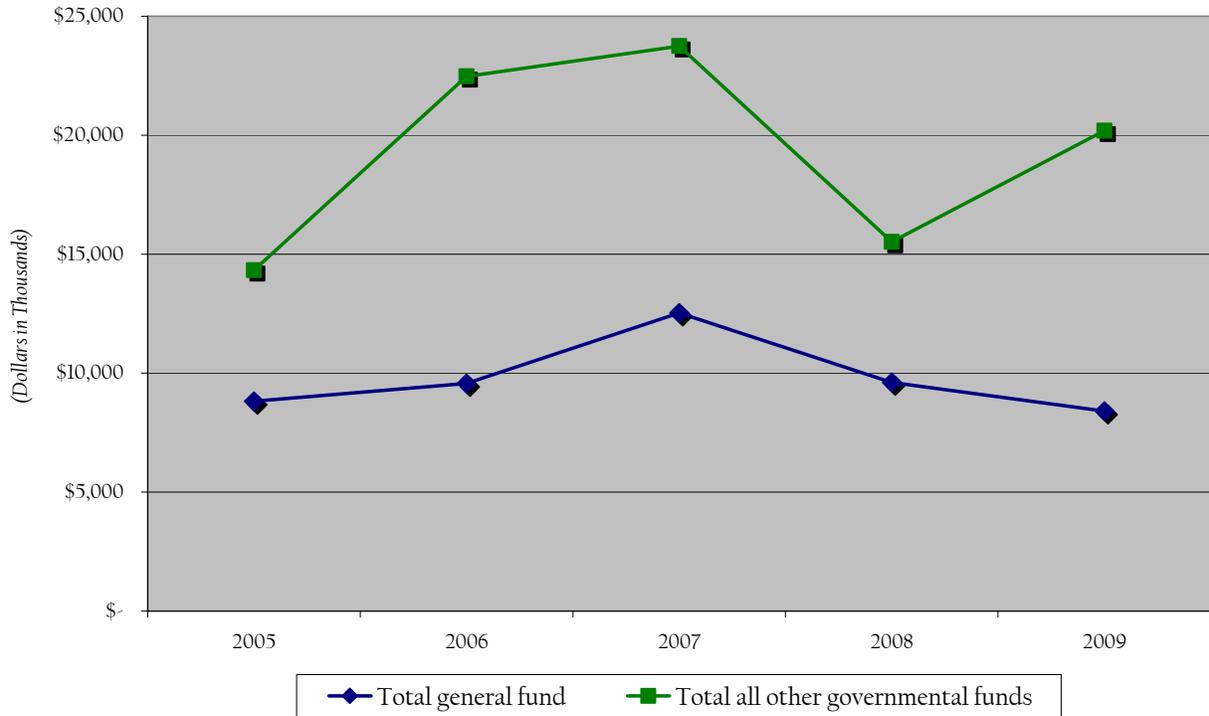
Page 2 of 2

	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Property taxes	\$ 5,078	\$ 5,530	\$ 6,905	\$ 7,741	\$ 7,785
Sales taxes	10,485	11,719	12,725	10,691	9,395
Business and occupational taxes	5,121	5,563	5,898	6,215	6,654
Other taxes	3,915	4,429	4,154	2,897	1,820
Investment earnings	978	1,737	2,220	1,188	490
Rents and miscellaneous	535	910	998	1,159	979
Transfers	263	3	317	352	309
Total governmental activities	<u>26,375</u>	<u>29,891</u>	<u>33,217</u>	<u>30,243</u>	<u>27,432</u>
Business-type activities:					
Investment earnings	203	430	486	216	21
Miscellaneous	77	11	(441)	10	9
Transfers	(263)	(3)	(317)	(352)	(309)
Total business-type activities	<u>17</u>	<u>438</u>	<u>(272)</u>	<u>(126)</u>	<u>(279)</u>
Total primary government	<u>\$ 26,392</u>	<u>\$ 30,329</u>	<u>\$ 32,945</u>	<u>\$ 30,117</u>	<u>\$ 27,153</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ 11,941	\$ 14,442	\$ 20,897	\$ 967	\$ 27,432
Prior period adjustments	(1,837)	-	376,584	-	-
Business-type activities	9,210	7,097	3,792	3,731	(279)
Prior period adjustments	-	(519)	6,845	-	-
Total primary government	<u>\$ 19,314</u>	<u>\$ 21,020</u>	<u>\$ 408,118</u>	<u>\$ 4,698</u>	<u>\$ 27,153</u>

Schedule 3  
 City of Issaquah  
 Fund Balances, Governmental Funds  
 Last Five Fiscal Years  
 (dollars expressed in thousands; modified accrual basis of accounting)

	Fiscal Year				
	2005	2006	2007	2008	2009
General fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	8,818	9,563	12,532	9,613	8,403
Total general fund	\$ 8,818	\$ 9,563	\$ 12,532	\$ 9,613	\$ 8,403
All other governmental funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service funds	888	1,019	994	1,475	1,506
Unreserved, reported in:					
Special revenue funds	2,704	3,299	3,955	3,462	3,347
Capital projects funds	10,738	18,154	18,794	10,578	15,337
Total all other governmental funds	\$ 14,330	\$ 22,472	\$ 23,743	\$ 15,515	\$ 20,190

Governmental Fund Balances Comparison



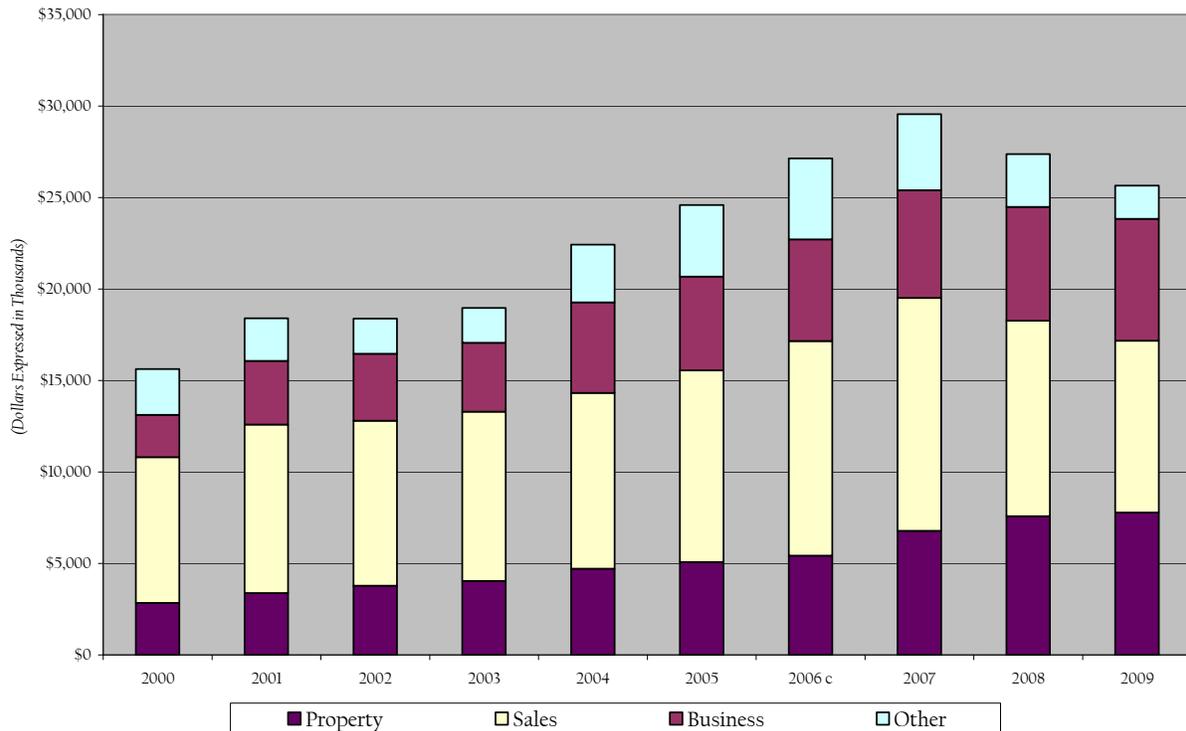
Schedule 4  
City of Issaquah  
Changes in Fund Balances, Governmental Funds  
Last Five Fiscal Years  
(dollars expressed in thousands; modified accrual basis of accounting)

	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues:					
Taxes	\$ 24,598	\$ 27,142	\$ 29,560	\$ 27,382	\$ 25,462
Licenses and permits	3,434	2,848	3,706	1,637	1,868
Intergovernmental	2,921	3,115	5,136	4,722	7,129
Charges for services	3,596	5,162	4,912	3,655	5,771
Fines and Penalties	-	-	-	978	875
Investment earnings	840	1,481	1,914	998	308
Rents and leases	315	737	783	1,104	902
Contributions and donations	3,110	2,587	2,345	2,213	1,629
Miscellaneous revenues	312	155	25	55	67
Total revenues	<u>39,126</u>	<u>43,227</u>	<u>48,381</u>	<u>42,744</u>	<u>44,011</u>
Expenditures:					
General government	6,238	6,729	7,549	7,424	7,520
Judicial	316	262	342	445	794
Public safety	8,240	9,459	9,383	11,323	11,705
Physical environment	681	695	712	960	907
Transportation	4,211	5,557	6,528	8,282	6,421
Health and human services	31	87	117	119	7
Economic environment	3,102	3,103	3,318	3,506	3,368
Culture and recreation	3,902	4,243	4,578	5,414	5,031
Capital outlay	6,657	6,368	9,583	12,991	9,831
Debt service					
Principal	2,853	2,311	2,551	2,247	2,585
Interest	1,553	1,441	1,994	1,171	1,487
Other charges	8	-	-	-	-
Total expenditures	<u>37,792</u>	<u>40,255</u>	<u>46,655</u>	<u>53,882</u>	<u>49,656</u>
Excess (deficiency) of revenues over (under) expenditures	1,334	2,972	1,726	(11,138)	(5,645)
Other financing sources (uses)					
Transfers in	5,651	5,400	5,307	10,787	6,171
Transfers out	(5,522)	(7,661)	(5,237)	(10,797)	(6,032)
Refunding bonds issued	-	-	5,100	-	6,355
Bonds issued	1,735	6,254	-	-	-
Special assessment bonds issued	-	-	-	-	978
Premium on bonds issued	-	-	55	-	538
Other bonds issued	-	-	-	-	7,280
Payments to refunded bond escrow agent	(110)	-	(4,950)	-	(6,678)
Interfund loan in	-	1,934	-	-	-
Sale of capital assets	-	-	146	-	498
Total other financing sources (uses)	<u>1,754</u>	<u>5,927</u>	<u>421</u>	<u>(10)</u>	<u>9,110</u>
Net change in fund balances	<u>\$ 3,088</u>	<u>\$ 8,899</u>	<u>\$ 2,147</u>	<u>\$ (11,148)</u>	<u>\$ 3,465</u>
Debt service as a percentage of noncapital expenditures	16%	12%	14%	9%	11%

**Schedule 5**  
**City of Issaquah**  
**Tax Revenue by Source, Governmental Funds**  
**Last ten Fiscal Years<sup>a</sup>**  
*(dollars expressed in thousands; modified accrual basis of accounting<sup>b</sup>)*

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Business and Occupation Taxes</u>	<u>Other Taxes</u>	<u>Total Taxes</u>
2000	\$ 2,849	\$ 7,961	\$ 2,312	\$ 2,508	\$ 15,630
2001	3,384	9,210	3,477	2,333	18,404
2002	3,791	9,004	3,665	1,924	18,384
2003	4,044	9,251	3,761	1,911	18,967
2004	4,713	9,608	4,948	3,165	22,434
2005	5,078	10,485	5,121	3,915	24,599
2006 <sup>c</sup>	5,431	11,719	5,563	4,429	27,142
2007	6,783	12,725	5,898	4,154	29,560
2008	7,579	10,691	6,215	2,898	27,383
2009	7,785	9,395	6,654	1,820	25,654

**Tax Revenues by Source**



<sup>a</sup> Fiscal Years prior to 2003 on cash basis of accounting

<sup>b</sup> Fiscal Years 2003 forward on modified accrual basis of accounting

<sup>c</sup> 2006 Restated

Schedule 6  
 City of Issaquah  
 Assessed Value and Estimated Actual Value of Taxable Property<sup>a</sup>  
 Last Ten Fiscal Years  
 (dollars expressed in thousands)

Assessed and Estimated Actual Value									
Fiscal Year	Real Property	Personal Property	State Public Service Property	Omitted Assessments	Total Assessed Value	Total Direct Tax Rate	Total Tax	New Construction <sup>b</sup>	
2000	\$ 1,301,855	\$ 75,689	\$ 33,968	\$ 222	\$ 1,411,734	\$ 2.021	\$ -	\$ 87,606	
2001	1,847,734	121,992	36,286	437	2,006,449	1.792	3,426	135,367	
2002	2,215,870	98,372	52,523	471	2,367,236	1.748	3,886	246,775	
2003	2,359,724	123,486	51,461	8,049	2,542,720	1.703	4,078	117,194	
2004	2,865,643	122,155	46,805	433	3,035,036	1.638	4,736	220,503	
2005	3,159,544	144,129	41,325	449	3,345,447	1.598	5,127	283,568	
2006	3,566,957	141,015	39,437	326	3,747,735	1.563	5,610	298,794	
2007	4,216,472	179,343	37,214	51,883	4,484,912	1.566	6,931	344,655	
2008	5,659,887	184,566	45,542	6	5,890,000	1.306	7,616	268,459	
2009	6,610,625	211,044	45,299	-	6,866,968	1.125	7,700	240,692	

Notes: These figures represent Issaquah's total assessed valuations as of December 31 for the last nine fiscal years. Breakout of residential/commercial real property and motor vehicle/other personal property valuations are not available.

Source: King County Assessor's Office

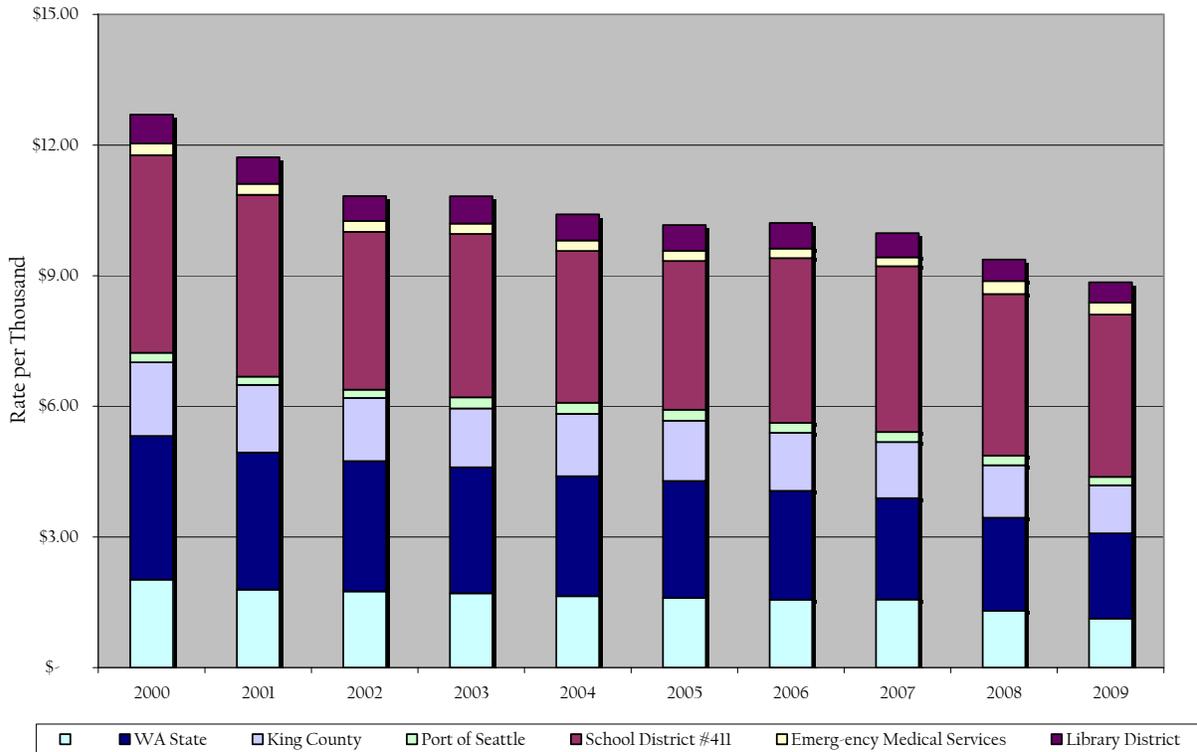
<sup>a</sup> Real, personal and state public service property have been assessed at 100% of the estimated value

<sup>b</sup> For informational purposes only. New construction value is already included in other values listed.

Schedule 7  
 City of Issaquah  
 Direct and Overlapping Property Tax Rates  
 Last Ten Fiscal Years  
 (rate per \$1,000 of assessed value)

Fiscal Year	City	WA State	King County	Port of Seattle	Overlapping Rates <sup>a</sup>					Total
					School District #411	Emergency Medical Services	Library District	KC Flood Zone	Ferry District	
2000	\$ 2.02	\$ 3.30	\$ 1.69	\$ 0.22	\$ 4.54	\$ 0.27	\$ 0.66	n/a	n/a	\$ 12.70
2001	1.79	3.15	1.55	0.19	4.18	0.25	0.61	n/a	n/a	11.72
2002	1.75	2.99	1.45	0.19	3.63	0.25	0.57	n/a	n/a	10.83
2003	1.70	2.90	1.35	0.26	3.75	0.24	0.63	n/a	n/a	10.83
2004	1.64	2.76	1.43	0.25	3.49	0.24	0.60	n/a	n/a	10.41
2005	1.60	2.69	1.38	0.25	3.42	0.23	0.59	n/a	n/a	10.17
2006	1.56	2.50	1.33	0.23	3.78	0.22	0.59	n/a	n/a	10.21
2007	1.57	2.33	1.29	0.23	3.80	0.21	0.55	n/a	n/a	9.98
2008	1.31	2.13	1.21	0.22	3.71	0.30	0.49	0.10	0.06	9.53
2009	1.13	1.96	1.10	0.20	3.72	0.27	0.47	0.09	0.05	8.99

Direct and Overlapping Property Tax Rates



Source King County Assessor's Office

<sup>a</sup> Overlapping rates are those of local and county governments that apply to property owners within the City of Issaquah. Not all overlapping rates apply to all Issaquah property owners.

Schedule 8  
 City of Issaquah  
 Principal Property Tax Payers  
 Current Year and Ten Years Ago  
 (dollars expressed in thousands)

Taxpayer	Type of Business	2009			2000		
		Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
Costco	Headquarters & Warehouse/Retail	\$ 186,647,489	1	2.73%	\$ 71,679	1	6.34%
Fre 469 LP/C/O (formerly Avalon Bay Communities Inc.)	Apartments	57,523,000	2	0.84%			
Rowley Enterprises	Commercial Developer	56,583,649	3	0.83%	33,991	2	3.01%
Commons at Issaquah Inc (formerly Madison Marquette Retail )	Business Park	44,936,100	4	0.66%	22,155	3	
John Hancock Real Estate (Town & Country Square)	Commercial Property Apartments	26,033,500	5	0.38%			
Puget Sound Energy (Gas/Electric)	Gas & Electric Utilities	24,957,888	6	0.36%	21,700	4	1.92%
Pickering Square LLC	Retail Mall	23,896,100	7	0.35%			
Meadows Investment	Commercial Property Apartments	21,983,500	8	0.32%	14,039	5	1.24%
Lowe's HIW Inc. (Formerly Eagle Hardware)	Home & Garden Supplies	15,179,921	9	0.22%	13,018	6	1.15%
Target Corporation	Retail/Department Store	12,440,033	10	0.18%	8,232	9	
Spencer Retirement Group	Independent/Assisted Living	10,104,800	11	0.15%			
Qwest Corporation Inc.	Telecommunications	6,312,896	12	0.09%			
Issaquah Associates	Retail Complex				12,722	7	1.13%
Schroeder Properties	Commercial Property				11,276	8	1.00%
Us West Communications	Telecommunications				6,145	10	0.54%
Total for Principal Tax Payers		486,598,876		7.11%	214,957		16.34%
All Others		6,361,212,361		92.89%	914,771		80.97%
Total Assessed Valuation for City <sup>a</sup>		\$ 6,847,811,237		100.00%	\$ 1,129,729		97.31%

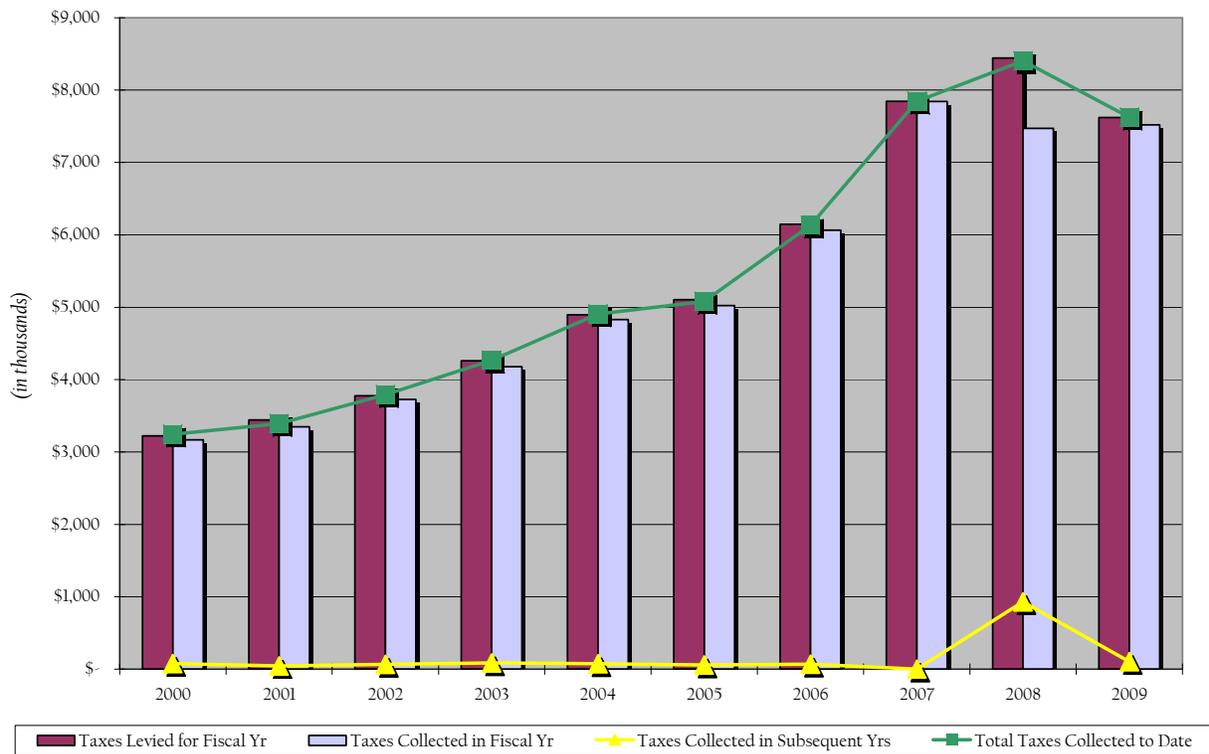
Source: King County Assessor's Office

<sup>a</sup> 2008 assessed value for 2009 taxes.

Schedule 9  
 City of Issaquah  
 Property Tax Levies and Collections  
 Last ten Fiscal Years  
 (dollars expressed in thousands)

Fiscal Year Ended December 31	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2000 <sup>a</sup>	\$ 3,223	\$ 3,169	98.3%	\$ 77	\$ 3,246	100.7%
2001	3,443	3,347	97.2%	44	3,391	98.5%
2002	3,777	3,725	98.6%	66	3,791	100.4%
2003 <sup>b</sup>	4,259	4,178	98.1%	87	4,265	100.1%
2004 <sup>b</sup>	4,895	4,831	98.7%	75	4,906	100.2%
2005	5,104	5,024	98.4%	57	5,081	99.5%
2006 <sup>c</sup>	6,145	6,064	98.7%	70	6,134	99.8%
2007 <sup>d</sup>	7,846	7,844	100.0%	1	7,845	100.0%
2008 <sup>e</sup>	8,443	7,472	88.5%	931	8,403	99.5%
2009 <sup>f</sup>	7,623	7,519	98.6%	105	7,624	100.0%

Levies vs. Collections



Source: King County Assessor's Office

<sup>a</sup> 2000 includes property taxes - annexed streets (\$380,645)  
<sup>b</sup> 2003 updated to include annexed streets (\$189,850) and 2004 (\$178,544)  
<sup>c</sup> 2006 includes property taxes - annexed streets (\$537,119)  
<sup>d</sup> 2007 includes property taxes - annexed streets (\$1,042,854)  
<sup>e</sup> 2008 includes property taxes - annexed streets (\$838,890)  
<sup>f</sup> 2009 includes property taxes - annexed streets (\$1,526)

Schedule 10  
City of Issaquah  
Sales Tax Collections by Sector  
Last ten Fiscal Years  
(dollars expressed in thousands)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Retail Trade Categories</b>										
Building Materials	\$ 43,112	\$ 64,308	\$ 73,815	\$ 81,567	\$ 90,190	\$ 95,737	\$ 119,703	\$ 117,339	\$ 88,416	\$ 68,316
General Merchandise	148,023	168,295	184,067	196,060	218,666	245,622	272,890	318,609	260,215	207,762
Food & Beverage Stores	17,471	22,450	22,819	23,803	23,189	20,954	23,251	24,661	22,480	21,526
Automotive/Gas	71,721	75,722	108,531	104,678	94,806	90,826	99,712	100,418	78,113	78,456
Apparel	24,197	24,533	21,184	21,909	24,722	20,791	23,242	24,453	22,314	14,703
Furniture	23,959	15,866	12,625	18,679	20,839	22,293	25,838	24,572	22,274	17,655
Electronics & Appliances	26,196	20,450	17,545	8,623	10,931	14,717	14,294	15,185	16,113	15,088
Health & Personal Care	8,558	7,819	7,395	9,100	8,688	10,214	10,957	14,597	11,541	10,160
Sporting Goods, Hobby & Books	22,666	23,508	22,557	21,847	21,821	21,474	21,806	26,632	36,537	35,632
Nonstore Retailers	5,902	2,734	3,690	4,111	5,317	7,877	8,716	5,725	12,603	7,068
Misc Retail Trade	30,493	36,957	36,926	39,974	41,576	51,679	59,224	66,758	58,586	49,033
Subtotal - Retail Trade	422,297	462,643	511,153	530,351	560,745	602,185	679,633	738,949	629,193	525,399
<b>Other Categories</b>										
Services	205,489	202,915	161,480	166,481	183,967	202,598	213,367	233,884	234,043	219,841
Construction	171,090	209,363	186,481	162,056	188,276	194,894	217,636	248,458	168,931	144,347
Manufacturing	8,512	13,133	11,984	15,981	17,594	18,808	21,552	23,602	23,511	17,159
Transportation	1,809	1,495	1,285	1,514	1,261	1,373	1,647	1,466	1,893	1,346
Wholesaling	92,751	104,849	110,578	129,522	109,299	127,786	130,461	126,258	85,175	65,031
Agriculture, Forestry & Fishing	1,541	1,576	1,723	1,821	2,311	2,494	2,644	3,016	2,591	2,222
Mining & Utilities	752	438	402	468	515	299	293	403	467	858
Other Business	-	-	-	77	-	-	-	513	-	-
Subtotal - Other Sectors	481,943	533,769	473,932	477,920	503,222	548,251	587,600	637,601	516,611	450,804
<b>GRAND TOTAL</b>	<b>\$ 904,241</b>	<b>\$ 996,412</b>	<b>\$ 985,085</b>	<b>\$ 1,008,271</b>	<b>\$ 1,063,967</b>	<b>\$ 1,150,436</b>	<b>\$ 1,267,234</b>	<b>\$ 1,376,549</b>	<b>\$ 1,145,803</b>	<b>\$ 976,204</b>

Source: Washington State Department of Revenue

Schedule II  
 City of Issaquah  
 Overlapping Sales Tax Rates  
 Last Ten Fiscal Years

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	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>OVERLAPPING SALES TAX RATES</b>										
Basic Sales Tax Rate										
City direct sales tax rate	1.7%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	2.0%	2.1%	2.6%
Regional Transit Authority <sup>a</sup>	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Washington State tax rate	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
<b>Total Basic Sales Tax Rate</b>	<b>8.6%</b>	<b>8.8%</b>	<b>8.8%</b>	<b>8.8%</b>	<b>8.8%</b>	<b>8.8%</b>	<b>8.8%</b>	<b>8.9%</b>	<b>9.0%</b>	<b>9.5%</b>
Special Sales Tax Rates										
King County Food & Beverage <sup>b</sup>	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Special Hotel/Motel <sup>c</sup>	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Convention & Trade Center <sup>d</sup>	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%

Source: Washington State Department of Revenue

<sup>a</sup> The additional .004 (RTA) may not be applicable based on location within Issaquah

<sup>b</sup> King County Food & Beverage (KCF&B) tax is in addition to state and local sales tax for restaurants, taverns and bars

<sup>c</sup> Special Hotel/Motel tax is in addition to state and local sales tax for businesses that provide lodging

<sup>d</sup> Convention and trade center taxes apply to lodging businesses in King County with 60 or more lodging units and is in addition to state and local sales taxes

Schedule 12  
 City of Issaquah  
 Ratios of Outstanding Debt by Type  
 Last Ten Fiscal Years<sup>a, b</sup>  
 (dollars expressed in thousands, except per capita)

Fiscal Year	Governmental Activities				Business-type Activities						Total Primary Government	Population <sup>a</sup>	Per Capita <sup>b</sup>
	General Obligation Bonds	Special Assessment Bonds	Interlocal Agreement	Installment Contracts	Water Revenue Bonds	Sewer Revenue Bonds	Stormwater Revenue Bonds	Special Assessments	Installment Contracts				
2000	\$ 23,320	\$ 2,240	\$ -	\$ 145	\$ 3,365	\$ -	\$ 1,845	\$ -	\$ 1,029	\$ 31,944	11.21	\$ 2,849	
2001	33,735	1,725	-	127	12,390	-	3,370	-	975	52,322	12.95	4,040	
2002	32,000	1,045	-	110	11,910	-	3,245	-	866	49,176	13.79	3,566	
2003	30,190	635	6,650	92	11,410	-	3,110	156	919	53,162	15.11	3,518	
2004	32,120	-	6,300	-	10,855	-	2,975	119	858	53,227	15.51	3,432	
2005	31,245	-	5,950	-	10,285	-	2,830	103	797	51,210	17.06	3,002	
2006	35,670	-	5,600	-	9,700	-	2,680	51	735	54,436	19.57	2,782	
2007	33,575	-	5,250	-	9,090	-	2,525	38	674	51,152	24.71	2,070	
2008	31,205	-	4,900	-	8,015	-	2,360	15	613	47,108	26.32	1,790	
2009	36,440	977	4,550	-	7,405	-	2,190	4	552	52,118	26.89	1,938	

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>a</sup> Population data can be found in Schedule 17

<sup>b</sup> Per Capital data can be found in Schedule 17

Schedule 13  
 City of Issaquah  
 Ratios of General Bonded Debt Outstanding  
 Last Ten Fiscal Years  
 (dollars expressed in thousands, except per capita and population)

ab cd  
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Fiscal Year	Population <sup>a</sup>	Assessed Value of Taxable Property <sup>b</sup>	Net Bonded Debt <sup>c</sup>	Bonded Debt to Assessed Value	Debt Per Capital
2000	10,260	\$ 2,001,756	\$ 22,869	1.14%	\$ 2,229
2001	13,790	2,362,934	33,214	1.41%	2,409
2002	13,790	2,531,753	31,420	1.24%	2,278
2003	15,110	3,027,362	29,589	0.98%	1,958
2004	15,510	3,336,876	31,233	0.94%	2,014
2005	17,060	3,734,157	30,878	0.83%	1,810
2006	19,570	4,416,916	35,252	0.80%	1,803
2007	24,710	5,855,909 <sup>d</sup>	33,153	0.57%	1,342
2008	26,320	6,847,811	30,708 <sup>d</sup>	0.45%	1,167
2009	26,890	6,055,527	35,930	0.59%	1,336

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>a</sup> See Schedule 17 for population statistics.

<sup>b</sup> Assessed value provided by King County, Washington, which is the City's tax collection and distribution agency. This is the assessed value used to determine the following year's taxes. See Schedule 6 for property value statistics.

<sup>c</sup> Gross bonded debt less amount available in debt service funds.

<sup>d</sup> Restated

Schedule 14  
City of Issaquah  
Direct and Overlapping Governmental Activities Debt  
As of December 31, 2009  
(dollars expressed in thousands, except per capita and population) <sup>b</sup>

Assessed Valuation: \$	6,055,526,752	Population:	26,890
Jurisdiction	Gross General Obligation Debt Outstanding <sup>a</sup>	Percent Applicable to Issaquah <sup>b</sup>	Amount Applicable to Issaquah
<b>City of Issaquah Direct Debt:</b>			
Unlimited Tax Gen. Obligation Debt	\$ 10,710	100.00%	\$ 10,710
Limited Tax Gen. Obligation Debt	20,495	100.00%	20,495
Less Amount in Debt Service Funds	<u>497</u>		<u>497</u>
Total City of Issaquah Direct Debt	<u>\$ 30,708</u>		<u>\$ 30,708</u>
<b>Overlapping Debt:</b>			
King County	\$ 1,078,489	1.80%	\$ 19,413
Port of Seattle	357,315	1.80%	6,432
Issaquah School District #411	319,885	33.73%	107,897
Fire District #10	-	7.43%	-
King County Library/Issaquah Library Capital	<u>132,250</u>	74.56%	<u>98,606</u>
Total Other Jurisdictions	1,887,939		232,347
<b>Total Direct and Overlapping Debt</b>	<u>\$ 1,918,647</u>		<u>\$ 263,055</u>
<b>BONDED DEBT RATIOS</b>			
Net Direct to Assessed Valuation			0.51
Net Direct and Overlapping Debt to Assessed Valuation			4.34
Per Capita Assessed Valuation			\$ 225,196
Per Capita Net Direct Debt			\$ 1,142
Per Capita Net Direct and Overlapping Debt			\$ 9,783

Sources: King County Assessor's office and the Port of Seattle.

<sup>a</sup> Total general obligation bonds outstanding on December 31, 2009 exclusive of refunded bonds.

<sup>b</sup> Determined by ratio of 2009 assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in reporting unit.

Schedule 15  
 City of Issaquah  
 Legal Debt Margin Information  
 Last Ten Fiscal Years  
 (dollars expressed in thousands)

	Fiscal Year									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt Limit	\$ 150,132	\$ 177,220	\$ 189,881	\$ 227,052	\$ 250,266	\$ 280,062	\$ 331,269	\$ 438,543	\$ 513,586	\$ 454,115
Total net debt applicable to limit	<u>22,869</u>	<u>33,214</u>	<u>31,420</u>	<u>29,589</u>	<u>31,233</u>	<u>30,878</u>	<u>35,282</u>	<u>33,154</u>	<u>30,708</u>	<u>35,930</u>
Legal Debt Margin	<u>\$ 127,263</u>	<u>\$ 144,006</u>	<u>\$ 158,461</u>	<u>\$ 197,463</u>	<u>\$ 219,033</u>	<u>\$ 249,184</u>	<u>\$ 295,987</u>	<u>\$ 405,389</u>	<u>\$ 482,878</u>	<u>\$ 418,184</u>
Total net debt applicable to the limit as a percentage of debt limit	15.23%	18.74%	16.55%	13.03%	12.48%	11.03%	10.65%	7.56%	5.98%	7.91%

LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2009

Assessed Value <sup>a</sup>	\$ 6,055,527
Statutory Debt Limit	
2.5% of general purpose limit, voted and non-voted	151,388
2.5% of utility purpose limit, voted	151,388
2.5% of Open space, Park and Capital facilities, voted	151,338
Total Statutory Debt Limit	<u>454,115</u>
Debt applicable to limit:	
General obligation bonds	36,440
Less: Amount set aside for repayment of general obligation bonds	<u>(510)</u>
Total net debt applicable to limit	<u>35,930</u>
Legal Debt Margin	<u>\$ 418,184</u>

<sup>a</sup> This figure represents the City's final assessed valuation for 2008, which will be used to determine the 2009 property Tax level.

Schedule 16  
 City of Issaquah  
 Pledged-Revenue Coverage  
 Last Ten Fiscal Years  
 (dollars expressed in thousands)

Fiscal Year	Utility Revenue Bonds							Special Assessments				
	Allowable Revenue	Less: Allowable Expenses	Net Available Revenue	Debt Service		Total	Coverage	Special Assessment Collections	Debt Service		Total	Coverage
				Principal	Interest				Principal	Interest		
2000	n/a	n/a	\$ 1,171	\$ 240	\$ 285	\$ 525	2.23	\$ 671	\$ 855	\$ 170	\$ 1,025	0.83
2001	n/a	n/a	2,173	250	274	524	4.15	623	515	125	640	0.80
2002	n/a	n/a	2,935	605	743	1,348	2.18	774	835	1,166	2,001	0.42
2003	n/a	n/a	3,720	645	738	1,383	2.69	487	410	59	469	0.87
2004	11,671	7,589	4,082	665	712	1,377	2.96	528	672	23	695	0.97
2005	11,937	8,024	3,913	715	639	1,354	2.89	409	16	7	23	0.69
2006 <sup>a</sup>	13,667	9,365	4,302	735	615	1,350	3.19	179	52	4	56	0.93
2007	15,850	10,883	4,967	765	588	1,353	3.67	29	13	3	15	0.83
2008	15,612	12,537	3,075	800	559	1,359	2.26	12	23	2	25	0.92
2009	17,132	12,339	4,793	780	503	1,283	3.73	11	11	1	11	0.93

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation or amortization expenses.

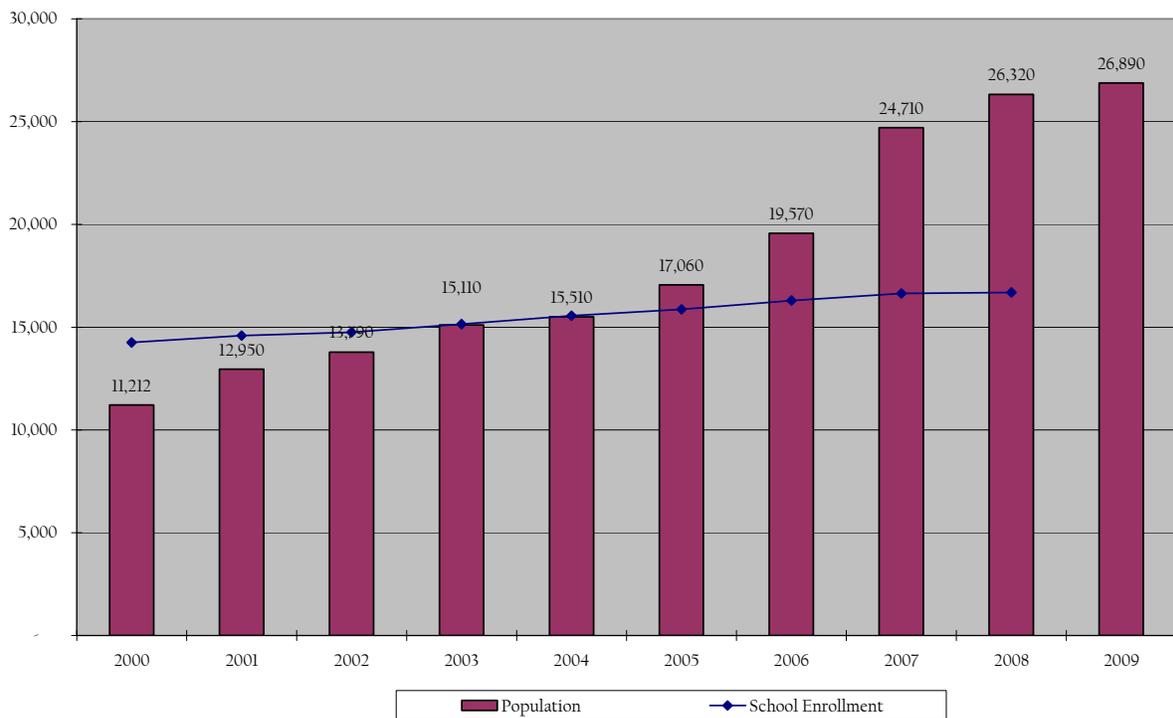
In this schedule n/a refers to detailed data that is not available.

<sup>a</sup> 2006 restated.

Schedule 17  
 City of Issaquah  
 Demographic and Economic Statistics  
 Last Ten Fiscal Years

Fiscal Year	ISSAQUAH			KING COUNTY					
	Population <sup>a</sup>	Total Jobs <sup>c,g</sup>	School Enrollment <sup>b</sup>	Population <sup>a</sup>	Personal Income (thousands of dollars) <sup>c</sup>	Per Capita Personal Income <sup>c</sup>	Median Income <sup>a</sup>	Median Age <sup>a</sup>	Unemployment Rate <sup>d</sup>
2000	11,212	14,611	14,259	1,737,046	\$ 77,271,598	\$ 44,429	\$ 56,677	35.70	4.1%
2001	12,950	15,518	14,588	1,758,312	76,883,017	43,800	57,495	35.92	5.1%
2002	13,790	15,506	14,759	1,774,312	77,940,608	44,250	58,673	36.13	6.1%
2003	15,110	16,275	15,146	1,779,300	79,199,166	44,821	59,400	36.38	6.2%
2004	15,510	16,614	15,558	1,788,300	87,417,911	49,118	64,445	36.60	5.2%
2005	17,060	n/a <sup>f</sup>	15,872	1,808,300	86,746,632	48,216	64,095	36.83	4.7%
2006	19,570	18,668	16,296	1,834,194	96,579,228	52,655	66,936	36.93	4.2%
2007	24,710	19,209	16,642	1,861,300	106,637,605	57,409	65,981	36.97	3.7%
2008	26,320	19,158	16,696	1,884,200	109,551,329	58,141	64,714	37.00	4.3%
2009	26,890	18,247	n/a <sup>f</sup>	1,909,300	n/a <sup>f</sup>	n/a <sup>f</sup>	62,810	37.08	8.4%

Population and School Enrollment Trends  
 Last Ten Fiscal Years



<sup>a</sup> Washington State Office of Financial Management

<sup>b</sup> Washington State Office of the Superintendent of Public Instruction

<sup>c</sup> U.S. Bureau of Economic Analysis

<sup>d</sup> Washington State Employment Security Department

<sup>e</sup> Puget Sound Regional Council

<sup>f</sup> n/a means statistic is not available at time of publication

<sup>g</sup> King County Annual Growth report

Schedule 18  
 City of Issaquah  
 Principal Employers <sup>b</sup>

<u>Employer</u>	<u>Services/Product</u>	<u>2008<sup>a</sup></u>		<u>2000<sup>b</sup></u>	
		<u># of Employees</u>	<u>Rank</u>	<u># of Employees</u>	<u>Rank</u>
Costco Wholesale World Headquarters	Corporate Headquarters and Store	2,690	1	2339	1
Microsoft Corporation Sammamish Park Place	Computer Software	1,839	2	600	3
Issaquah School District	Education	1,700	3	1533	2
Spacelabs Medical Inc.	Healthcare Information Systems/Devices	456	4		
The Boeing Company	Eastpoint Corporate Center	309	5		
Providence Marianwood	Retirement Living/Assisted Living	300	6	215	8
City of Issaquah City Hall	City Government	277	7	203	9
King County Library Systems Public Service Center	Library	252	8		
Siemens Medical Solutions USA, Inc.	Ultrasound Equipment	249	9	408	4
The Highridge Corporation	Commercial Development	200	10		
Home Depot	Retail	200	10		
Alltel Corporation Call Center	Wireless Customer Service			320	6
Cadman, Inc.	Sand and Gravel			387	5
Zetec, Inc.	Electronic Testing Equipment			301	7
Eagle Hardware & Garden/Lowe's Home Improvement	Retail			185	10

Source: Issaquah Chamber of Commerce

<sup>a</sup> 2008 is the most recent data available

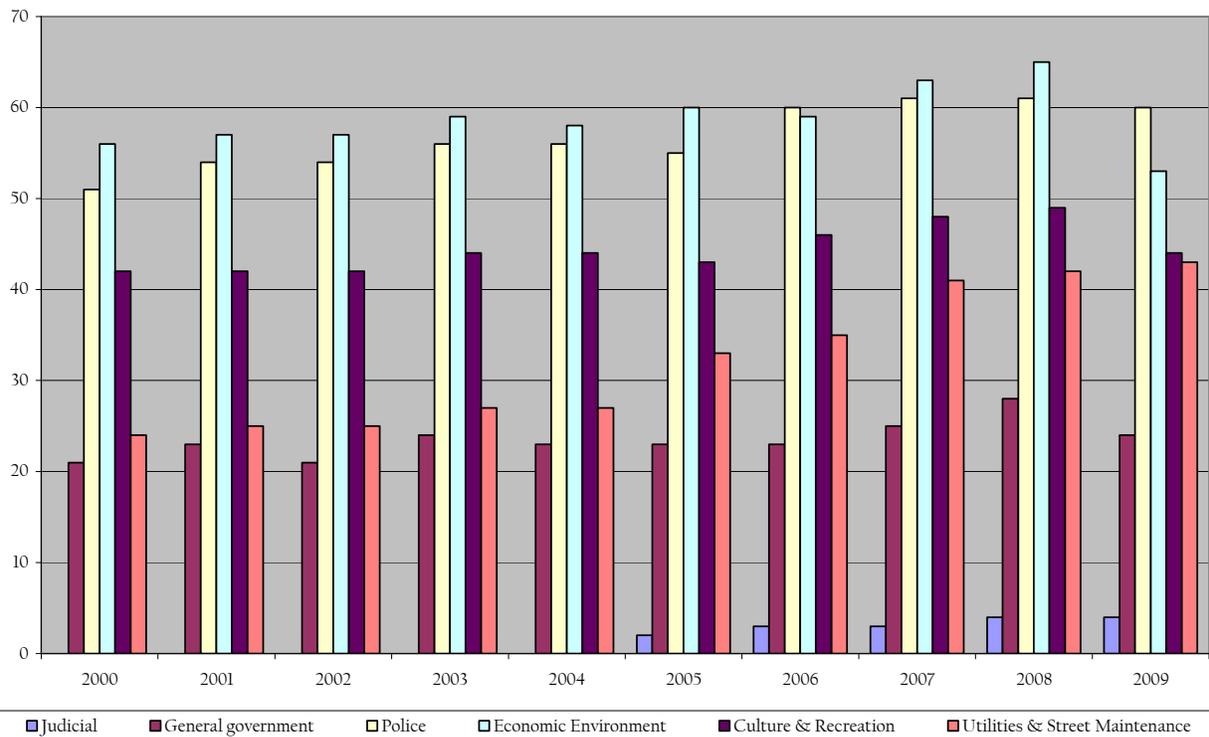
<sup>b</sup> Issaquah Chamber of Commerce, 2000

Schedule 19  
 City of Issaquah  
 Full-time Equivalent City Government Employees by Function/Program  
 Last Ten Fiscal Years

Function/Program	Budgeted Full-time Employees									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Judicial	0	0	0	0	0	2	3	3	4	4
General government	21	23	21	24	23	23	23	25	28	24
Police	51	54	54	56	56	55	60	61	61	60
Economic Environment	56	57	57	59	58	60	59	63	65	53
Culture & Recreation	42	42	42	44	44	43	46	48	49	44
Utilities & Street Maintenance	24	25	25	27	27	33	35	41	42	43
<b>Total FTEs</b>	<b>194</b>	<b>201</b>	<b>199</b>	<b>210</b>	<b>208</b>	<b>216</b>	<b>226</b>	<b>241</b>	<b>249</b>	<b>228</b>

Note: For consistency, years 1998-1999 do not include Fire as beginning in 2000 the City Fire Department formed Eastside Fire and Rescue along with four other jurisdictions. Refer to Note 6, Joint Ventures for additional information.

Full-time Equivalent City Government Employees by Function  
 Last Ten Fiscal Years



Schedule 20  
 City of Issaquah  
 Operating Indicators by Function/Program  
 Last Ten Fiscal Years

Function/Program	Fiscal Year									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Judicial <sup>a</sup>										
Criminal Filings	n/a	n/a	n/a	n/a	n/a	594	822	1,428	594	845 <sup>b</sup>
Infraction Filings	n/a	n/a	n/a	n/a	n/a	3,412	3,191	5,992	3,585	7,023 <sup>b</sup>
General Government										
Passports Processed	1,161	1,151	1,952	1,643	1,278	1,456	1,601	2,191	1,419	957 <sup>b</sup>
Contracts/Agreements Processed	193	217	312	480	389	498	506	510	694	380 <sup>c</sup>
Invoices Processed	11,761	12,713	12,129	12,503	14,609	12,610	14,400	14,233 <sup>c</sup>	15,200 <sup>c</sup>	n/a
Police										
Traffic Citations	4,704	4,337	4,623	3,961	3,890	4,000	3,540	5,161	5,475	6,200 <sup>b</sup>
Calls for Service	n/a	9,500	11,595	12,005	12,680	13,650	14,200	15,649	15,773	13,332 <sup>b</sup>
Prisoners in Jail	974 <sup>d</sup>	1,447	1,930	2,921	2,233	2,540	3,144	4,163	4,159	5,338
Economic environment										
Building Permits Issued	1,029	1,181	1,311	2,221	2,353	2,332	1,937	1,762	1,523	1,406
Culture and recreation										
Trail Miles	9	10	10	12	13	14	14	14	14	14
Baseball/Softball Fields	n/a	n/a	6	6	6	7	9	9	9	9
Parks and Playground Acres	n/a	n/a	n/a	63	63	78	87	91	91	234
Irrigation Systems	43	39	41	43	44	47	49	49	49	49
Utilities and street maintenance										
Streets										
Miles of Asphaltic Plant or Road Mix	47	47	132	132	175	180	175	179.58	229.42	261.55
Water										
Number of Customers	4,110	4,144	4,534	4,089	4,731	5,008	5,497	5,609	6,045	6,172
Sewer										
Number of Customers	2,860	2,690	3,129	3,121	3,738	4,728	5,163	5,274	5,469	5,588
Stormwater										
Number of Customers	3,214	3,668	4,205	4,623	4,993	5,722	6,907	7,223	7,479	7,436

<sup>a</sup> Issaquah Municipal Court was not fully operational until 2005.

<sup>b</sup> Statistics are for a partial year, January – May 31<sup>st</sup>.

<sup>c</sup> Statistics are for a partial year; January – August 2009

<sup>d</sup> First (partial) year in new jail

Schedule 21  
 City of Issaquah  
 Capital Asset Statistics by Function/Program<sup>a, bc</sup>  
 Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government										
City Hall Buildings	3	3	3	3	3	3	3	3	3	3
Public Safety/Police										
Fire Stations	2	2	2	2	3	3	3	3	3	3
Police Station	1	1	1	1	1	1	1	1	1	1
Patrol Vehicles	8	15	15	16	12	13	21	9	10	11
Motorcycles	2	2	2	2	2	1	1	2	2	2
Economic environment										
Culture and recreation										
Basketball Courts	1.5	1.5	1.5	1.5	2.5	2.5	2.5	4	5	8
Bike/Walk Paths(miles)	n/a	n/a	n/a	n/a	n/a	5	5	27	24	24 <sup>a</sup>
Community Centers	5	5	5	5	5	5	5	5	5	5
Parks (developed/undeveloped)	15	17	17	17	18	19	19	23	23	25
Parks and Open Space (Approximate Acreage)	912.23	912.6	1,294	1,296	1,313	1,334	1,336	1,197	1,325	1,566
Play Fields <sup>b</sup>	11	12	12	12	14	14	14	19	25	14
Public Art Pieces	4	5	5	6	7	9	11	13	13	20 <sup>c</sup>
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis Courts	6	6	6	6	8	8	8	9	9	8
Utilities and street maintenance										
Street										
Paved Streets (miles)	n/a	56.9	n/a	n/a	n/a	91	n/a	113	113	262
Sidewalks (miles)	n/a	n/a	n/a	n/a	n/a	73.5	n/a	51	51	51
Traffic Signals	24	28	28	40	40	40	41	41	41	42
Water										
Water main (miles)	n/a	n/a	n/a	n/a	n/a	100	n/a	101	101	105
Service Connections	n/a	n/a	n/a	n/a	n/a	5,200	5,497	5,609	6,045	6,500
Sewer										
Sanitary Sewer (miles)	n/a	n/a	n/a	n/a	n/a	61	n/a	9.4	9.4	70
Service Connections	n/a	n/a	n/a	n/a	n/a	6,619	n/a	5,274	5,469	5,588
Storm										
Storm Sewers (miles)	n/a	n/a	n/a	n/a	n/a	80	80	80	80	80

Note: In this schedule, n/a means that the information is not available

<sup>a</sup> Includes paved and unpaved trails

<sup>b</sup> In 2007 and 2008 this number consists of baseball/softball and soccer fields as well as tot lot play, other years do not include tot lots

<sup>c</sup> Includes both indoor and outdoor art

