

2009 Comprehensive Annual Financial Report

(For the Year Ended December 31, 2009)

The City of Mukilteo, Washington



Joe Marine, Mayor

Comprehensive Annual Financial Report



For The Year Ended December 31, 2009

Prepared by the Finance Department

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Finance Director

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425.263.8039

The Comprehensive Annual Financial Report can be found online at
<http://www.ci.mukilteo.wa.us/>



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City of Mukilteo Public Officials

Elected Officials 2009



Joe Marine
Mayor



Randy Lord
Council President



Kevin Stoltz
Council Vice President



Richard Emery
Councilmember



Linda Grafer
Councilmember



Jennifer Gregerson
Councilmember



Howard T. Tinsley
Councilmember



Emily Vanderwielen
Councilmember

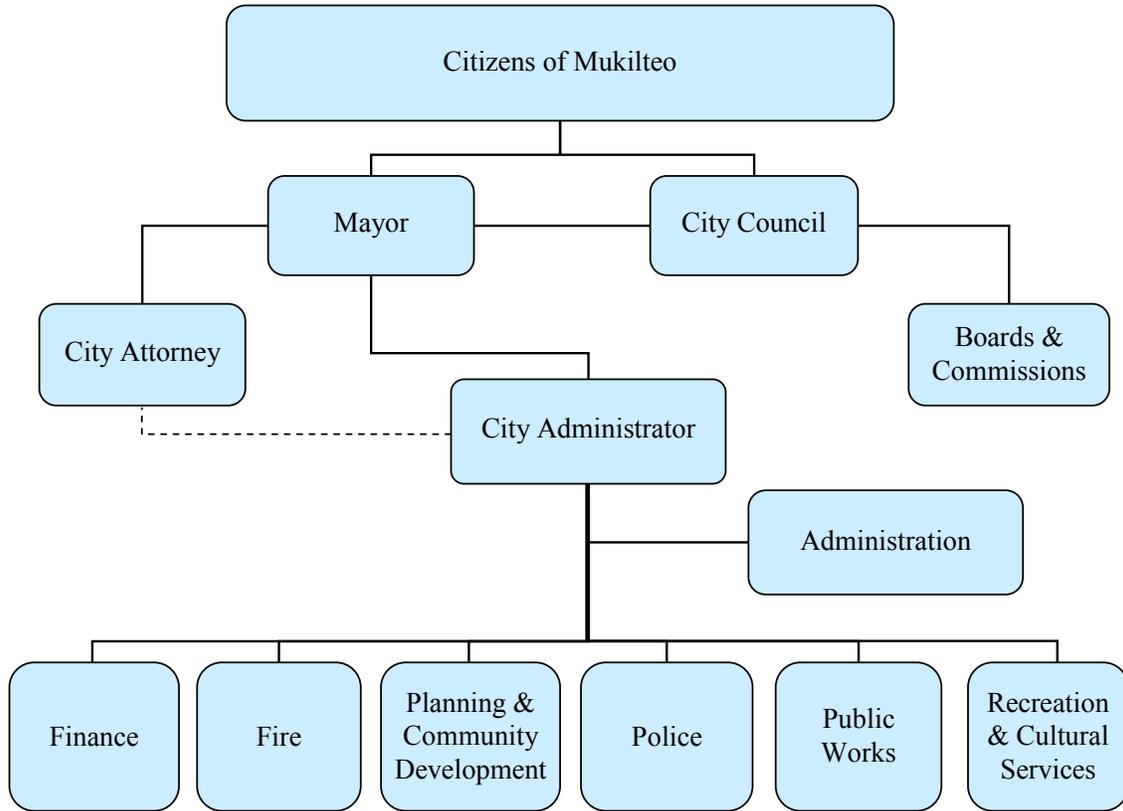
Executive Staff

City Administrator
City Clerk
Finance Director
Fire Chief
Planning & Community Development Director
Police Chief
Public Works Director
Recreation & Cultural Services Manager

Joe Hannan
Chris Boughman
Scott James, CPA
Mike Springer
Heather McCartney, FAICP
Michael Murphy
Larry Waters, P.E.
Jennifer Berner



Organization Chart





11930 Cyrus Way, Mukilteo, WA 98275

Letter of Transmittal

June 18, 2010

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Mukilteo:

I am pleased to provide the Comprehensive Annual Financial Report of the City of Mukilteo for the fiscal year ended December 31, 2009. This report will formally transmit the City of Mukilteo's 2009 Comprehensive Annual Financial Report. This submittal meets the requirements of Washington State Law RCW 43.09.230.

Responsibility for the completeness and reliability of all of the information presented in this report rests with the City. To provide a reasonable basis for making these representations, the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). To the best of my knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by the Washington State Auditor's office. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2009 are free of material misstatements. The State Auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Mukilteo's statements are fairly presented in conformity with GAAP. The State Auditor's report is presented as the first component of the financial section of this report.

GAAP requires that the City provide a narrative introduction, overview, and analysis to accompany the basic financial statements. This narrative is titled Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Governmental Profile

On January 22, 1855, a peace treaty was signed in Mukilteo between the Governor of Washington and 82 Native American leaders, representing 22 tribes. Several years later, in 1858, the Jacob D. Fowler family of Poughkeepsie, New York, established the first white settlement in Snohomish County on the northern point of Mukilteo. Mukilteo served as the first county seat of Snohomish County from 1861 until 1897. The City of Mukilteo, as we know it today, was incorporated on May 8, 1947.

Mukilteo is a scenic waterfront community on the Puget Sound with views of the Olympic Peninsula and Olympic Mountains to the west, Whidbey Island to the northeast, and the northern Cascade Mountains to the north and east. The City's beaches are popular scuba diving and crabbing spots. Underwater visitors are treated to views of rockfish, Dungeness crabs, and crustaceans of all kinds as well as the occasional sea lion.

The City is located 25 miles north of downtown Seattle. While the City is known as a "bedroom community" it is also located at the northern end of the Technology Corridor which extends from Bellevue to Mukilteo and is the home of many professional, service and light industrial manufacturing businesses. The Mukilteo-to-Clinton (Whidbey Island) ferry service is one of Washington State Ferries' highest volume runs, carrying over 2.3 million vehicles, and over 4 million passengers every year.

In September 2009, the City was issued a “AAA” credit rating by Standards & Poor’s. Subsequently, the City issued \$12,585,000 in Councilmanic bonds to fund the construction of a new Community Center. The new 29,000 square Community Center is scheduled to be completed by December 2010.

In 2008, the new Mukilteo City Hall building became a reality. This is the first LEEDS certified municipal building in Snohomish County, with a green roof, geo thermal heating and cooling, pervious concrete and grass crete parking. It is expected that there will be significant environmental and energy savings to the City, in addition to the elimination of monthly lease payments for rented space.

In addition to a new City Hall, the City owns a Police Station, two Fire Stations, a Public Works Facility, Recreation and Cultural Services Center, 57.5 acres of parks, 357.3 acres of open space, and 83.6 acres of tideland.

The City of Mukilteo operates as a non-charter code city with a Mayor-Council form of government under the provisions of Revised Code of Washington (RCW) 35A et al. This form is commonly referred to as an “optional code city” that essentially enjoys all the rights and privileges granted to larger cities or charter cities. Legislative authority is vested in a seven member City Council. Council members are elected by position number to four-year overlapping terms. Three to four council members are up for election every two years. The Council is composed of a president and vice-president who are elected by the Council for a one year term each.

The Mayor serves as the Chief Executive Officer and is elected to a four-year term by general election. The Mayor appoints the City Administrator, with confirmation by the Council. The City Administrator oversees all City operations and implements policy direction.

Under RCW 35A.12, the Mayor is responsible for proposing an Annual Budget to the City Council. The City’s budget year runs from January 1 to December 31.

The Mayor, City Council, City Administrator, Finance Director, and Department Heads work together to develop the budget. The Mayor and City Council discuss and designate budget priorities. Expenditure requests from operating departments and revenue projections for the entire City are reviewed and evaluated. In October each year, the Mayor presents the Preliminary Budget to the City Council and community.

The City prepares its budgets on a cash basis in accordance with State Law (Revised Code of Washington 35A.33). Using this basis, transactions are recognized only when cash is increased or decreased. This budget basis is consistent with generally accepted accounting principals (GAAP).

The annual budget serves five essential purposes. They are: 1) Legal Document – sets forth expenditure limits by fund; 2) Financial Plan – projects revenues and expenditures for the ensuing year; 3) Policy Document – reflecting how approved city expenditures are consistent with overall city policies; 4) Management Tool – documenting service level commitments made by the City departments; and 5) Public Information Document – describes the City’s financial condition, its service objectives for the budget year, and the funding sources available to meet the objectives.

To assure that the budget satisfies each essential purpose, the City follows an established process. The process involves the Mayor, the City Administrator, Department Directors, the City Council, and the public in deliberation periods and decision points. The public participates through direct contact and in public hearings with the City Council, commissions and advisory boards.

State Law requires the City to operate within budgeted appropriations at the fund level. When a budget is anticipated to exceed its legal level of authority, appropriations are increased. To accomplish this, the Council considers budget amendments by adopting a City ordinance. As a matter of convenience, the City has a business practice of amending the budget as needed on a quarterly basis.

Factors Affecting Financial Condition

The information presented in the financial statements is best understood when it is viewed in the broader perspective of the environment within which the City operates. This section will review major factors that impact Mukilteo’s fiscal condition.

Mukilteo has over 1,200 city-licensed businesses, with light manufacturing, business parks, real estate, restaurants and other service industries comprising over half of all licensed businesses. The largest employer in Mukilteo is Boeing which employs 850 employees in the City and has its largest manufacturing site located just outside the city limits. Other major local employers include Travis Industries, ElectroImpact, and specialty private sector companies such as DillonWorks.

Development activity is highlighted by government construction projects including construction of a new community center and continued re-development of the City's Lighthouse Park. This development activity will bring in construction jobs, increase sales tax and provide ongoing revenues such as sales tax, hotel/motel lodging tax, utility tax and business license fees.

Mukilteo's economy began to show signs of a slowing economy in 2008 with total sales tax revenue coming in 4% lower than 2007. However, the City's sale tax revenues for 2009 reflected the national economic malaise by coming in 17.5% lower than 2008. The City's strong cash reserves will help stabilize the City's operations during this economic downturn. The City will begin 2010 with a General Fund cash balance equating 42.1% of the 2009 General Fund operating budget. In addition, the City Reserve Fund equates 7.9% of the 2009 General Fund operating budget, for a combined 50% of its 2010 General Fund operating budget in cash and reserves.

While the rate of property tax to be collected is limited by state law, increases in property values due to high quality development and redevelopment can provide Mukilteo with future increases in the amount of property tax collected. Current land use policies for the city encourage redevelopment, where appropriate, that can add to the city's tax revenues.

Long-range Financial Planning

Staff created and maintains on the City's website a "Budget Calculator" with the intention of providing a financial management tool for elected officials, citizens and City management, to use to help understand the City's General Fund budget. The "Budget Calculator", asks users to select expenditure priorities and select from an array of revenue options to "balance the budget" so the users can gain a longer-range view of the City's primary operating budget for the next one to five years.

Staff also developed financial models for the City's capital funds. The Capital Fund model provides users a ten year look at funding forecasts and resources available to fund capital projects. The model provides decision makers a financial management tool to help users understand ramifications of funding their project priorities.

In 2008, the Mukilteo City Council committed \$100,000 to update the City's 6-year and 20-year Comprehensive Plan and the Capital Facilities Plan, which were adopted by City Council in 2009.

During 2009, the City formally began work on their inaugural Long-range Financial Plan. City Council approved the formation of a Long-range Financial Planning Team, which now consists of three Councilmembers, three citizens, the Mayor, the City Administrator and the Finance Director.

The Long-range Financial Planning Team will utilize these financial management tools and plans while drafting the long-range financial plan and financial management policies in 2010.

Major Initiatives

The City continues its tradition of significant investments in capital facilities needed to provide services to our community. Construction projects started in 2009 ranged from the second phase of Lighthouse Park renovation to construction of a new Community Center. In addition a total 3.3 miles of pavement improvements were also completed in the City during 2009.

Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Mukilteo for its 2009 annual budget. This was the fifth consecutive year that the government has achieved this prestigious award. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

The preparation of the Comprehensive Annual Financial Report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the finance department. I would like to express my appreciation to: Gini Schacker and Joyce Alling. Staff would like to express our gratitude to the Mayor, City Administrator and Council for their continued interest and support in planning and conducting the financial operations of the City in a dedicated and responsible manner.

Sincerely,



Scott James
Finance Director



Washington State Auditor Brian Sonntag

June 17, 2010

Mayor and City Council
City of Mukilteo
Mukilteo, Washington 98275

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mukilteo, Snohomish County, Washington, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mukilteo, Snohomish County, Washington, as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, Real Estate Excise Tax 1 Fund and the Community Center Project Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will also issue our report dated June 17, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an

integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as non major governmental funds, schedule of revenues, expenditures, and changes in fund balances – budget to actual, and internal services funds schedules on pages 48 through 77 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR



Management's Discussion and Analysis

The City of Mukilteo presents this Management's Discussion and Analysis of its financial activities for the year ended December 31, 2009. This information is designed to assist the reader in focusing on significant issues while providing an overview of the City's financial activity. The City encourages readers to consider this information in conjunction with additional information provided in the letter of transmittal and the financial statements and notes that follow.

Financial Highlights

- The assets of the City of Mukilteo exceeded liabilities as of December 31, 2009 by \$194,211,465. Of this amount \$29,443,187 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's overall financial position declined in 2009 as compared to 2008. The City's total net assets decreased by \$8.8 million in 2009. This decrease is primarily attributable to depreciation expense. The decrease is attributed to a decrease from governmental activities of (\$8,981,758) and an increase from business-type activities of \$134,494. Additional information on City's financial condition are discussed below in the Government-wide Financial Analysis.
- In September 2009 Standard & Poor's assigned its municipal bond rating of "AAA" for the City's issuance of \$12,585,000 limited general obligation bonds for the construction of a new community center.
- During 2009, the City Council formally established a Long-range Financial Planning Team. The Team has been commissioned to develop a "financial road map" for the City as a strategic financial planning tool to help guide decision makers, inform citizens, to identify problems and opportunities and also provide an avenue for Council, citizens and staff to discuss the City's financial policies.
- At the end of the current fiscal year, the City of Mukilteo's governmental funds reported combined ending fund balances of \$24.8 million, an increase of \$5.7 million in comparison with the prior year. Approximately \$3 million of this amount is *available for spending* at the government's discretion (*unreserved, undesignated fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$3 million, or 26 percent of total 2009 General Fund expenditures.
- Reflected in the General Fund operating statements, general revenues that were primarily from property, sales, utility and general taxes were used to support the following major activities:
 - a. \$2,493,667 was applied to General Government purposes – City Council, Legal, Administration, and Finance;
 - b. \$6,320,090 for Public Safety – Police, Fire, and Protective Inspection;
 - c. \$396,943 for Physical Environment – Air Pollution and Environment;
 - d. \$195,376 for Transportation – Street maintenance;
 - e. \$1,179,418 for Economic Environment;
 - f. \$570,741 for Culture and Recreation – Participant Recreation, Parks and Recreation Facilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The report also contains other supplementary information. This section will introduce and explain the basic financial statements.

Government-wide financial statements

Government-wide financial statements are designed to provide readers a picture of the financial condition and activities of the City of Mukilteo as a whole, with a broad overview and in a manner similar to private-sector business. The government-wide financial statements have separate columns for governmental activities and business-type activities. The City's governmental activities include general government (legislative, executive, finance and personnel), public safety (police and fire), physical environment, economic environment, culture/recreation and transportation.

The City's business-type activities consist of the surface water utility. Government activities are primarily supported by taxes, charges for services and grants, while business-type activities are self supporting through user fees and charges.



The **Statement of Net Assets** presents information on all of the City's assets and liabilities with 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 serve as a useful 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 year. This statement distinguishes revenue generated by specific functions (program revenue) from revenue provided by taxes and other sources not related to a specific function. Program revenue (charges for services, grants and contributions) is compared to expenses for those functions in order to show how much each function either supports itself or relies on taxes and other general funding sources for support. All activity on this statement 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 uncollected taxes, unpaid vendor invoices for goods or services received during the year are included in the statement of activities as revenues and expenses even though no cash has changed hands.

The government-wide financial statements can be found immediately following the Management Discussion & Analysis.

Fund Financial Statements

The fund financial statement will look familiar to the traditional users of governmental financial statements. However, the focus now is on major funds rather than fund types.

A fund is a group of related accounts used to maintain control over resources that are segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There are three categories of City funds: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in the governmental funds. These statements, however, focus on cash and other assets that can readily be converted to available resources, as well as any balances remaining at year-end. Such information is useful in determining what financial resources are available in the near future to finance the City's programs.

Readers may better understand the long-term impact of the government's near-term financing decisions by comparing the information presented for the governmental funds with similar information presented for government activities in the government-wide financial statements. Both the governmental funds' balance sheet and the governmental funds' statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison.

Information for the three major governmental funds is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances; information for the non-major funds is presented in the aggregate.

Proprietary funds account for services for which the City charges outside customers and internal City departments. Proprietary funds provide the same information as shown in the government-wide financial statements, only in more detail, since both use the accrual basis of accounting. Proprietary funds report the same functions presented as business-type activities in the government-wide financial statements.

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

The enterprise fund statements provide information for the City's surface water utility. The City uses internal service funds to account for its fleet of vehicles. Because these services largely benefit governmental rather than



business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Fiduciary funds account for assets held by the City in a trustee capacity. Fiduciary funds are not included in the government-wide financial statements because their assets are not available to support City programs. The City’s fiduciary activities are reported in a separate Statement of Fiduciary Net Assets as part of the basic financial statements.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the financial statements. They provide additional disclosures essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements immediately follow the basic financial statements in this report.

Other Supplementary Information

Combining statements for non-major governmental funds are presented immediately following Notes to the Financial Statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

The statement of net assets can serve as a useful indicator of the City’s financial position. The City’s net assets on December 31, 2008 and 2009 total \$203,450,720 and \$194,211,465, respectively. Following is a condensed version of the government-wide statement of net assets for 2009 compared with 2008.

Figure 1: Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
Assets						
Current and Other Assets	\$21,627,353	\$27,669,471	\$1,424,698	\$1,773,716	\$23,052,051	\$29,443,187
Non-current assets	167,839,694	170,761,309	4,172,157	3,942,067	172,011,851	174,703,376
Construction in Progress (net)	10,570,416	5,332,705	33,304	0	10,603,720	5,332,705
Total Assets	200,037,463	203,763,485	5,630,159	5,715,783	205,667,622	209,479,268
Liabilities						
Current and Other Liabilities	1,449,815	1,446,759	69,888	26,078	1,519,703	1,472,837
Long-term Liabilities	677,764	13,768,335	19,435	26,631	697,199	13,794,966
Total Liabilities	2,127,579	15,215,094	89,323	52,709	2,216,902	15,267,803
Net Assets						
Invested in Capital Assets, Net of Related Debt	\$177,953,497	\$173,423,150	\$4,205,460	\$3,942,067	\$182,158,957	\$177,365,217
Restricted	9,673,940	6,854,918	0	0	9,673,940	6,854,918
Unrestricted	10,282,447	8,270,324	1,335,376	1,721,007	11,617,823	9,991,330
Total Net Assets	\$197,909,884	\$188,548,391	\$5,540,836	\$5,663,074	\$203,450,720	\$194,211,465

As noted earlier, the Statement of Net Assets can serve as one indicator of City’s overall financial health. The City of Mukilteo’s assets exceeded liabilities by \$194,211,465 as of December 31, 2009 and by \$203,450,720 as of December 31, 2008.

The largest portion of the City’s net assets (91.3%) reflects investment of \$177 million in capital assets such as land, buildings, and equipment. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The restricted portion of net assets of \$6.85 million is divided among restrictions for capital improvements and tourism promotion. The unrestricted portion of net assets of \$9.99 million or 5.1% of the total net assets may be used to meet ongoing obligations to citizens and creditors.



Change in Net Assets

The change in net assets table illustrates the increases and decreases in net assets of the City resulting from its operating activities. The City’s net assets decreased approximately \$8.8 million in 2009. The decrease is attributed to a decrease from governmental activities of (\$8,981,758) and an increase from business-type activities of \$134,494.

The following is a condensed version of the City’s changes in net assets. The table below shows revenues, expenses, and related changes in nets assets in tabular form for the governmental activities separate from the business-type activities for 2008 and 2009.

Figure 2: Changes in Net Assets Resulting from Revenues and Expenses

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
Revenues						
Program Revenue:						
Charges for Services	\$3,356,096	\$2,587,792	\$1,257,681	\$1,321,499	\$4,613,777	\$3,909,291
Operating Grants and Contributions	98,451	41,506	0	0	98,451	41,506
Capital Grants and Contributions	0	800,000	0	0	0	800,000
General Revenues:						
Property Taxes	5,211,238	5,291,877	0	0	5,211,238	5,291,877
Sales Taxes	2,555,293	2,107,024	0	0	2,555,293	2,107,024
Other Taxes	4,890,017	4,355,069	0	0	4,890,017	4,355,069
Interest and Investment earnings	756,681	73,849	27,497	10,125	784,178	83,974
Other	25,631	455,599	0	0	25,631	455,599
Total Revenue	\$16,893,407	\$15,712,716	\$1,285,178	\$1,331,623	\$18,178,584	\$17,044,340
Expenses						
Governmental Activities						
General government	\$3,344,367	\$2,714,274	\$0	\$0	3,344,367	2,714,274
Public safety	8,153,872	8,691,625	0	0	8,153,872	8,691,625
Physical environment	902,912	904,339	0	0	902,912	904,339
Economic environment	1,501,697	1,386,836	0	0	1,501,697	1,386,836
Culture and recreation	1,261,755	1,588,533	0	0	1,261,755	1,588,533
Transportation	8,701,510	9,321,668	0	0	8,701,510	9,321,668
Interest on Long-Term Debt	0	87,198	0	0	0	87,198
Business-Type Activities						
Surface Water Management	0	0	1,075,599	1,197,130	1,075,599	1,197,130
Total Expenses	\$23,866,112	\$24,694,473	\$1,075,599	\$1,197,130	\$24,941,711	\$25,891,603
Excess (Deficiency) Before Transfers	(6,972,705)	(8,981,757)	209,579	134,494	(6,763,126)	(8,847,263)
Transfers	(9,286)	0	9,286	0	0	0
Increase (Decrease) in Net Assets	(6,981,991)	(8,981,757)	218,865	134,494	(6,763,126)	(8,847,263)
Net Assets - Beginning of Year	205,691,953	197,909,884	5,321,371	5,540,836	211,013,324	203,450,720
Change in accounting policy	0	(285,871)	0	(12,256)	0	(298,127)
Prior Year Adjustments	(800,078)	(93,864)	600	0	(799,478)	(93,864)
Net Assets - End of Year	\$197,909,884	\$188,548,391	\$5,540,836	\$5,663,074	\$203,450,720	\$194,211,465

Governmental Activities Analysis

In 2008 totaled \$197,909,884, and totaled \$188,548,391 in 2009, a decrease of (\$9,361,493). Key elements of the 2009 decrease are as follows:

- Cost of all governmental activities in 2009 was \$24.7 million. Of this amount, \$3.4 million was paid for by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. The net expense (total expenses less program revenues) or \$21.3 million was the cost of governmental services paid primarily by the City’s taxpayers.
- Sales, property, and utility taxes are the primary sources of tax revenue available to fund general city operations. Retail sales and use tax revenues decreased from 2008 levels by \$448,269 (17.5%) primarily from lower construction sales tax. Property tax collections available for general use increased \$80,639 (3.4%). Utility tax revenue growth was flat for the year.
- Development fees, including permits, inspections and plan review services, decreased by 15.4% over 2008, due to decreased residential building activity.
- Overall governmental activities expenses increased in 2009 over 2008 by 3.5% at \$828,361.



Business-Type Activities Analysis

The City’s Surface Water Management Fund’s financial position improved in 2009 with net assets increasing by \$122,261. Utility operating revenues of \$1,321,499 showed a slight increase (\$63,818) over 2008 collections, however, operating costs including personnel services, supplies and professional services increased \$121,531.

At the end of the current fiscal year, the City’s Surface Water Management Fund reported ending net assets of \$5.7 million. Of this amount \$3.9 million is invested in capital assets and \$1.7 million constitutes unrestricted balance, which is available for discretionary spending.

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

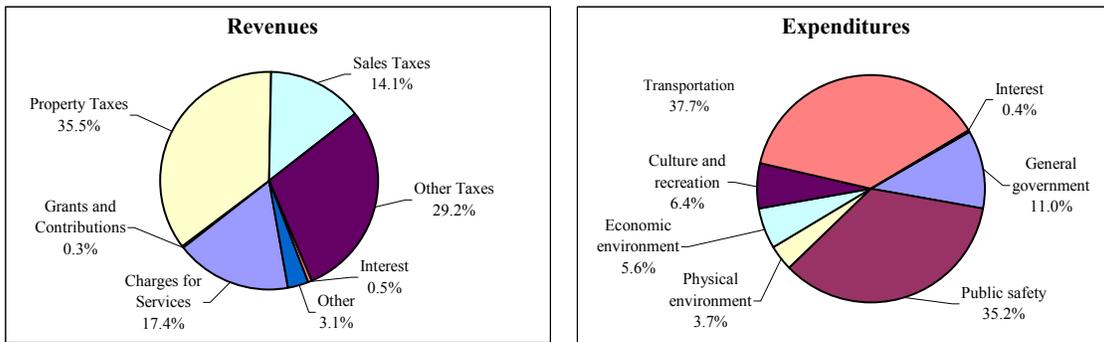
As discussed earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City’s governmental funds analysis is to provide information on near-term revenues/financial resources and expenditures. This information helps determine the City’s financing requirements in the near future. In particular, unreserved fund balance measures the City’s net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year the City’s governmental funds reported ending fund balances of \$24.8 million. Approximately \$3.3 million (13.1%) of that amount constitutes unreserved fund balance, which is available for discretionary spending. The remainder of the fund balance is reserved; it is committed for various purposes and is not available for new spending. Revenues for the governmental funds in 2009 were \$15.4 million. Expenditures were \$22.5 million. Overall, fund balances increased \$5.8 million for the year.

Figure 3: Governmental Activities



The General Fund is the main operating fund of the City through which all receipts and payments of ordinary City operations are processed, unless legally required to be accounted for in another fund. Taxes are the major revenue source. At the end of 2009, the fund balance of the General Fund was \$5,345,033. As a measure of fund’s liquidity, the ending fund balance is 45.6% of the fund’s 2009 expenditures. As of December 31, 2009, total assets were \$6,406,838 and total liabilities were \$1,061,805. The net change in fund balance for the general fund in 2009 was a decrease of \$1,452,353 or 21.3% from the 2008 ending balance. This decrease was the primarily the result of lower sales tax revenues (\$448,000) and higher public safety expenditures (\$487,000).

The Real Estate Excise Tax I Fund is a capital projects fund, which accounts for real estate excise tax (REET) proceeds from the first 0.25% of the tax that is locally imposed on all sales of real estate. In 2009 REET revenues declined 34% from 2008 levels.



Community Center Project Fund – is a new capital project fund for 2009 and accounts for expenditures related to construction of the City’s new Community Center.

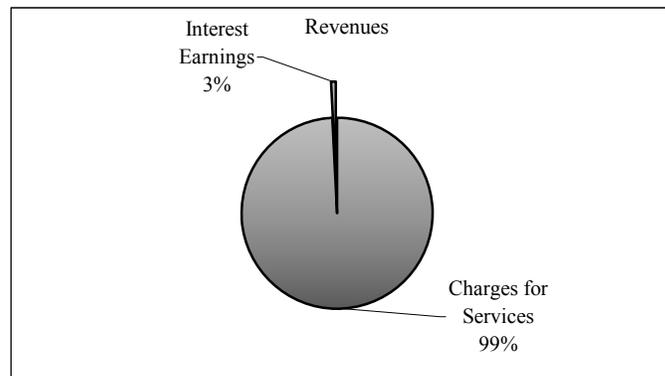
Other Governmental Funds - The City has twelve other special revenue funds, three capital projects funds and one Debt service fund. These funds reported total assets of \$4,070,827, total liabilities of \$697,580 and fund balances of \$3,373,247.

Business-type Activities

The City’s proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the Surface Water Management Fund at the end of the year amounted to \$5.66 million. The largest portion of proprietary net assets, \$3.9 million (69%) reflects investment in capital assets. The remaining \$1.7 million (31%) represents unrestricted funds.

Figure 4: Proprietary, or “Business-Type” Activities



Surface Water Management Fund revenues are primarily generated from services for which the City charges outside customers.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there was \$3,776 increase in appropriations between the original and final amended budget. The following are the main components of the increase:

- A net of \$546,000 in appropriations for supplies, charges for services and operating transfers was reduced from departmental budgets to help offset reductions in sales tax revenues (\$448,000).
- Approximately \$542,000 in appropriations for capital was increased. This increased included \$356,000 for furnishings for the new City Hall, and over \$194,000 for public safety equipment.

The increase for the public safety equipment was possible because the City received a grant for the equipment.

A comparison of the actual performance of the general fund on a budgetary basis to the final budget indicates that the total revenues exceeded the budgeted total revenues by approximately \$70,000. Sales tax and business license revenues exceeded by \$186,000 and \$95,000 respectively. Anticipated development related and grant revenues came in under expectations.

Expenditures were \$469,000 below budget, which primarily consisted of professional services savings of \$196,000, and capital expenditure savings of \$262,000.



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City’s investment in capital assets for its governmental and business-type activities as of December 31, 2009 amounts to \$179.5 million (net of accumulated depreciation).

Figure 5: Capital Assets at Year End, Net of Depreciation

Table with 7 columns: Governmental Activities (2008, 2009), Business-type Activities (2008, 2009), Total (2008, 2009). Rows include Land, Art collection, Building, Improvements other than buildings, Machinery & equipment, Infrastructure, and Construction in Progress.

Additional information on the City’s capital assets can be found in Note 9 to the financial statements.

Long-Term Debt

During 2009 Standard & Poor’s assigned its highest municipal bond rating of “AAA” for the City’s issuance of \$12,585,000 limited general obligation bonds for the construction of a new community center. This new for 2009 bond debt is backed by the full faith and credit of the City. Principal payments begin in 2010. Additional information on long-term debt can be found in Note 10 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS

The City’s 2010 budget is a continuation of our plan to keep the City on solid ground for providing services to our citizens during 2010 and for years to come. The plan for the City recognizes the financially unsettling times we are experiencing as a community, but also recognizes the fact that we cannot control the economy as a whole. With this being said, the 2010 Budget lays out the City’s vision for achieving our immediate priorities and implementing our long-term goals beyond 2010.

The budget emphasizes working with what we have and with what we are. To capture an outsiders point-of-view of who we are and what we have, we will share a few perspectives from CNN’s 2009 poll and Money Magazine’s August 2009 article on 100 Best Places to Live in America and Standard & Poor’s bond rating rationale.

- We can’t say enough about how proud we are of having our beautiful City rated tenth best City to live in America by CNN and Money magazine. Money magazine states “Mukilteo happens to be drop-dead gorgeous, with views of Puget Sound, the Olympic Mountains, and the Cascades. More reasons to love it: top-notch schools and low property taxes.”
• Additionally, Standard and Poor’s spent many hours in understanding the City’s finances and financial polices while developing their credit rating for our new Community Center bond issue. Standard & Poor’s research concluded by recognizing our City’s unique financial position by bestowing their highest rating of AAA on us. There are only four other municipalities in the State to receive this high of a rating. This AAA rating states a lot more about what kind of City Mukilteo has become and where we are heading than simply telling investors we are a safe haven to invest in. To quote Standard & Poor’s bond rating rationale, they state the basis for our credit strengths include:
• “What we consider to be very strong wealth and income levels;
• Maintenance of very strong unrestricted fund balances
• Good financial policies and practices; and
• Low to moderate debt burden with low carrying charges.”



These amenities CNN, Money magazine and Standard & Poor's identify have only come into existence through thoughtful policy development and deployment. And these policies have been brought into existence through laboring many hours at Council meetings, Council Worksessions and Committee and Board Meetings.

Yes, much time was spent in 2009 working on setting priorities, understanding details, creating a long-range financial plan, updating the Comprehensive and Capital Facilities Plans all the while looking to the long term health, public safety and viability of our City.

Keeping our City on solid ground has been and will be a subject of discussion by Council and staff with citizens. This discussion centers on five areas: the City's Comprehensive Plan, maintaining our infrastructure, keeping our community safe, development of the City's Long-range Financial Plan and on protection of Paine Field for Boeing and airplane manufacturing.

The City's **main priority** for the past four years and continues for 2010: **Keeping Our Community Safe**. During the past four years we strategically staffed our Police and Fire departments with the goal to fully provide efficient, fast and reliable emergency medical, fire response and law enforcement. The 2010 budget provides funding to maintain this goal. Additionally, in 2010 the citizens of Mukilteo will vote on whether to renew the **Emergency Medical Services** levy, which is set to expire at the end of the year.

The City's financial health and stability is intricately linked to these top priorities. In 2009, we officially launched the City's **Long-range Financial Planning Team**. In 2010, this team will continue reviewing and recommending updates to the City's financial policies and financial plan. Once complete, the Long-range Financial Plan will serve as the backbone to how the City's budget will be developed and deployed.

The 2010 budget plan recognizes that **2009 has been a particularly challenging year financially** not only for Mukilteo, but the region and nation as a whole. The weakness in our economy presented substantial challenges in developing the 2010 budget. The magnitude of the economic downturn resulted in a budget balancing strategy that included the use of expenditure reductions, revenue increases, use of reserves and undertaking economic development initiatives.

2010 Budget Overview

Anticipated revenues for all funds total \$18.6 million and are 38% lower than 2009. The Rosehill Community Center Bond proceeds of \$12.9 million received in 2009, accounts for the majority of 2010 revenue reduction. Total expenditures are \$31 million and are \$76,000 higher than last year's budget.

Keeping with the City's fiscally conservative approach, the budget includes a City Reserve of \$1,000,000 and an estimated ending General Fund balance of \$4,183,962, which equals 33% of 2010 General Fund expenditures.

Requests for Information

The City's financial statements are designed to provide users with a general overview of the City's finances as well as to demonstrate the City's accountability to its citizens, investors, creditors, and other customers. If you have a question about this report, please contact the Finance Director, 11930 Cyrus Way, Mukilteo, WA 98275, (425) 263-8030.



CITY OF MUKILTEO

Basic Financial Statements

Statement of Net Assets December 31, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$26,412,066	\$1,640,671	\$28,052,737
Accounts receivable, net	245,103	133,045	378,148
Taxes receivable	1,012,302	0	1,012,302
Deferred bond issuance costs	127,241	0	127,241
Investment in joint venture	359,229	0	359,229
Land	23,577,219	150,000	23,727,219
Art Collection	175,520	0	175,520
Capital assets (net)	146,522,100	3,792,067	150,314,167
Construction in progress	5,332,705	0	5,332,705
TOTAL ASSETS	\$203,763,485	\$5,715,783	\$209,479,268
LIABILITIES			
Accounts payable and other current liabilities	\$1,446,759	\$26,078	\$1,472,837
Non-current liabilities			
Due within one year	1,008,925	23,796	1,032,721
Due in more than one year	12,759,410	2,835	12,762,245
TOTAL LIABILITIES	\$15,215,094	\$52,709	\$15,267,803
NET ASSETS			
Invested in capital asset net of related debt	\$173,423,150	\$3,942,067	\$177,365,217
Restricted for:			
Tourism	(117,050)	0	(117,050)
Capital Improvements	6,971,968	0	6,971,968
Unrestricted	8,270,324	1,721,007	9,991,331
TOTAL NET ASSETS	\$188,548,391	\$5,663,074	\$194,211,465



CITY OF MUKILTEO

Basic Financial Statements

Statement of Activities For the year ended December 31, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Government activities:							
General government	\$2,714,274	\$1,211,684	\$0	\$0	(\$1,502,590)	\$0	(\$1,502,590)
Public safety	8,691,625	772,248	41,506	0	(7,877,872)	0	(7,877,872)
Physical environment	904,339	274,773	0	0	(629,566)	0	(629,566)
Economic environment	1,386,836	0	0	0	(1,386,836)	0	(1,386,836)
Culture and recreation	1,588,533	329,087	0	800,000	(459,447)	0	(459,447)
Transportation	9,321,668	0	0	0	(9,321,668)	0	(9,321,668)
Interest on Long-Term Debt	87,198	0	0	0	(87,198)	0	(87,198)
Total governmental activities	24,694,473	2,587,792	41,506	800,000	(21,265,176)	0	(21,265,176)
Business-type activities:							
Surface Water Management	1,197,130	1,321,499	0	0	0	124,369	124,369
Total business-type activities	1,197,130	1,321,499	0	0	0	124,369	124,369
Total primary government	\$25,891,602	\$3,909,290	\$41,506	\$800,000	(\$21,265,176)	\$124,369	(\$21,140,807)
General Revenues:							
					\$5,291,877	\$0	\$5,291,877
					2,107,024	0	2,107,024
					2,834,262	0	2,834,262
					406,110	0	406,110
					1,018,510	0	1,018,510
					96,187	0	96,187
					73,849	10,125	83,974
					443,302	0	443,302
					12,297	0	12,297
					12,283,418	10,125	12,293,543
					(8,981,758)	134,494	(8,847,263)
					197,909,884	5,540,836	203,450,720
					(285,871)	(12,256)	(298,127)
					197,624,013	5,528,580	203,152,593
					(93,864)	0	(93,864)
					\$188,548,391	\$5,663,074	\$194,211,465



CITY OF MUKILTEO

Basic Financial Statements

Balance Sheet – Governmental Funds December 31, 2009

	General Fund	Real Estate Excise Tax I Fund	Community Center Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$5,341,516	\$5,879,083	\$10,161,244	\$3,909,633	\$25,291,476
Receivables, net					
Accounts receivable	173,314	0	0	71,789	245,103
Taxes receivable	892,008	30,889	0	89,405	\$1,012,302
TOTAL ASSETS	\$6,406,838	\$5,909,972	\$10,161,244	\$4,070,827	\$26,548,881
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable	\$337,897	\$0	\$20,653	\$277,830	\$636,380
Wages payable	383,811	0	0	84,197	468,008
Interfund Loans	0	0	0	333,280	333,280
Deposits	317,808	0	0	0	317,808
Other accrued liabilities	22,288	0	0	2,273	24,561
TOTAL LIABILITIES	1,061,805	0	20,653	697,580	1,780,037
Net Assets:					
Reserved for:					
Reserve Fund	2,288,671	0	0	996,190	\$3,284,861
Special revenue funds	0	0	0	799,397	\$799,397
Capital projects funds	0	5,909,972	10,140,591	1,380,379	\$17,430,942
Unreserved, designated parks	8,738	0	0	0	\$8,738
Unreserved, designated Paine Field	0	0	0	48,423	\$48,423
Unreserved, designated LEOFF I	0	0	0	141,501	\$141,501
Debt service funds	0	0	0	7,357	\$7,357
Unreserved, undesignated, reported in:					
General fund	3,047,624	0	0	0	\$3,047,624
TOTAL NET ASSETS	5,345,033	5,909,972	10,140,591	3,373,247	24,768,843
TOTAL LIABILITIES AND NET ASSETS	\$6,406,838	\$5,909,972	\$10,161,244	\$4,070,827	\$26,548,881



Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
December 31, 2009

Total governmental fund balances		24,768,843
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current period financial resources and therefore are not reported in the funds.		175,607,544
These assets consist of:		
Land	23,577,219	
Art Collection	175,520	
Construction in progress	5,332,705	
Buildings	20,100,804	
Improvements other than buildings	7,449,054	
Machinery and Equipment - General Government	5,882,040	
Infrastructure	263,201,606	
Less: Accumulated Depreciation	(150,111,404)	
Other long term assets used in governmental activities are not current period financial resources and therefore are not reported in the funds.		359,229
Investment in Joint Venture	359,229	
Long term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.		(13,641,095)
These long-term liabilities consist of:		
Bonds Payable (net)	(12,927,357)	
Deferred charge for issuance costs (to be amortized over life of bond)	127,241	
Other post-employment benefits	(61,928)	
Compensated absences	(779,051)	
Internal service fund is used by management to charge the costs of equipment rental to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		1,453,870
Net assets of governmental activities		188,548,391



CITY OF MUKILTEO

Basic Financial Statements

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

For the year ended December 31, 2009

	General Fund	Real Estate Excise Tax I Fund	Community Center Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	9,359,309	327,549	0	1,577,685	\$11,264,543
Licenses	999,251	0	0	0	999,251
Intergovernmental	598,197	0	0	929,387	1,527,584
Charges for services	627,727	0	0	379,874	1,007,601
Fines and forfeits	140,325	0	0	0	140,325
Miscellaneous	115,404	41,516	6,382	251,087	414,389
TOTAL REVENUES	11,840,213	369,065	6,382	3,138,033	15,353,693
EXPENDITURES					
Current:					
General government services	2,493,667	0	0	65,016	2,558,684
Public safety	6,320,090	0	0	1,664,847	7,984,937
Physical environment	396,943	0	0	408,307	805,250
Transportation	195,376	0	0	751,916	947,292
Economic environment	1,179,418	0	0	154,307	1,333,725
Culture and recreation	570,741	0	0	438,122	1,008,863
Interest	0	0	0	85,041	85,041
Bond issuance costs	0	0	129,398	0	129,398
Capital Outlay:					
Capital outlay	573,977	2,145,297	2,175,769	2,739,960	7,635,003
TOTAL EXPENDITURES	11,730,212	2,145,297	2,305,167	6,307,517	22,488,193
Excess (deficiency) of revenues over expenditures	110,001	(1,776,232)	(2,298,785)	(3,169,484)	(7,134,500)
OTHER FINANCING SOURCES (USES):					
Transfers in	0	486,434	0	1,646,659	2,133,093
Transfers out	(1,562,354)	(77,561)	(486,434)	(6,744)	(2,133,093)
Bond issuance	0	0	12,577,651	7,349	12,585,001
Bond premium	0	0	348,159	0	348,159
TOTAL OTHER FINANCING SOURCES (USES)	(1,562,354)	408,873	12,439,376	1,647,264	12,933,159
Net change in fund balances	(1,452,353)	(1,367,359)	10,140,591	(1,522,221)	5,798,659
Fund balances - beginning	6,827,921	7,295,321	0	4,918,435	19,041,677
Prior period adjustment	(30,535)	(17,990)	0	(22,968)	(71,493)
FUND BALANCES - ENDING	\$5,345,033	\$5,909,972	\$10,140,591	\$3,373,247	\$24,768,843



Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – to the Statement of Activities
For the year ended December 31, 2009

Net change in fund balances - total governmental funds **5,798,659**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful life as depreciation expense. This is the amount by which capital outlays plus adjustments exceeded depreciation in the current period. (1,769,164)

This is comprised of:

Capital outlays	7,635,003
Current year depreciation	(9,403,274)
Disposal of assets	(893)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (246,104)

This is comprised of:

Change in other post-employment benefits payable	(28,496)
Change in compensated absences payable	(134,629)
Depreciation of Investment in Joint Venture	(82,979)

Issuance and repayment of long-term debt is a revenue and expenditure in the governmental funds, but the issuance and repayment of long-term liabilities in the statement of net assets. In the current period, these amounts are: (12,803,761)

Issuance of general obligation bonds	(12,585,000)
Deferred charges on issuance costs (to be amortized over the life of the debt)	129,398
Deferred bond premium	(348,159)

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 governmental funds. 4,413

Amortization of bond issuance costs	(2,157)
Amortization of bond premium	5,803
Other	767

Internal service funds are used by management to charge the cost of equipment rental to individual funds. The net revenue (expense) of this internal service fund is reported with governmental activities. 34,199

Change in net assets of governmental activities **(8,981,758)**



CITY OF MUKILTEO

Basic Financial Statements

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual General Fund

For the Fiscal Year ended December 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$9,733,650	\$9,171,830	\$9,359,309	\$187,479
Licenses	887,650	887,650	999,251	111,601
Intergovernmental	335,900	710,400	598,197	(112,203)
Charges for services	723,300	723,300	627,727	(95,573)
Fines and forfeits	139,500	139,500	140,325	825
Miscellaneous	270,400	137,400	115,404	(21,996)
TOTAL REVENUES	12,090,400	11,770,080	11,840,213	70,134
EXPENDITURES				
Current:				
General government services	3,146,965	2,600,835	2,493,667	(107,168)
Public safety	6,195,315	6,393,901	6,320,090	(73,811)
Physical environment	396,800	436,062	396,943	(39,119)
Transportation	0	0	195,376	195,376
Economic environment	1,506,365	1,352,925	1,179,418	(173,507)
Culture and recreation	564,170	579,275	570,741	(8,534)
Capital outlay	238,850	836,680	573,977	(262,703)
TOTAL EXPENDITURES	12,048,465	12,199,678	11,730,212	(469,466)
Excess of revenues over expenditures	41,935	(429,598)	110,001	539,599
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,736,260)	(1,596,285)	(1,562,354)	33,931
TOTAL OTHER FINANCING SOURCES USES)	(1,736,260)	(1,596,285)	(1,562,354)	33,931
Net change in fund balances	(1,694,325)	(2,025,883)	(1,452,353)	573,530
Fund balances - beginning	6,048,154	6,421,657	6,827,921	406,264
Prior period adjustment	0	0	(30,535)	(30,535)
FUND BALANCES - ENDING	\$4,353,829	\$4,395,774	\$5,345,033	\$949,259



CITY OF MUKILTEO

Basic Financial Statements

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Real Estate Excise Tax I Fund For the Fiscal Year ended December 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$300,000	\$300,000	\$327,549	\$27,549
Miscellaneous	162,350	53,000	41,516	(11,484)
TOTAL REVENUES	462,350	353,000	369,065	16,065
EXPENDITURES				
Current:				
Capital outlay	13,403,270	2,226,000	2,145,297	(80,703)
TOTAL EXPENDITURES	13,403,270	2,226,000	2,145,297	(80,703)
Excess of revenues over expenditures	(12,940,920)	(1,873,000)	(1,776,232)	96,768
OTHER FINANCING SOURCES (USES):				
Transfers in	0	1,002,265	486,434	(515,831)
Transfers out	0	(77,561)	(77,561)	0
Bond issuance	11,200,700	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	11,200,700	924,704	408,873	(515,831)
Net change in fund balances	(1,740,220)	(948,296)	(1,367,359)	(419,063)
Fund balances - beginning	7,297,795	7,072,202	7,295,321	223,119
Prior Period Adjustment	0	0	(17,990)	(17,990)
FUND BALANCES - ENDING	\$5,557,575	\$6,123,906	\$5,909,972	(\$213,934)



CITY OF MUKILTEO

Basic Financial Statements

Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Community Center Project Fund For the Fiscal Year ended December 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Miscellaneous	\$0	\$0	\$6,382	\$6,382
TOTAL REVENUES	0	0	6,382	6,382
EXPENDITURES				
Capital Outlay	0	3,348,978	2,175,769	(1,173,209)
Bond Issuance costs	0	139,416	129,398	(10,018)
TOTAL EXPENDITURES	0	3,488,394	2,305,167	(1,183,227)
Excess of revenues over expenditures	0	(3,488,394)	(2,298,785)	1,189,609
OTHER FINANCING SOURCES (USES):				
Transfers out	0	(486,434)	(486,434)	0
Bond issuance	0	12,805,394	12,925,810	120,416
TOTAL OTHER FINANCING SOURCES USES)	0	12,318,960	12,439,376	120,416
Net change in fund balances	0	8,830,566	10,140,591	1,310,025
Fund balances - beginning	0	0	0	0
FUND BALANCES - ENDING	\$0	\$8,830,566	\$10,140,591	\$1,310,025



**Statement of Net Assets – Proprietary Funds
December 31, 2009**

	Business Activities - Enterprise Funds Surface Water Management Fund	Governmental Activities Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	1,640,671	1,120,590
Accounts receivable, net	133,045	0
Interfund loans receivable	0	333,280
Total Current Assets	1,773,716	1,453,870
Noncurrent assets:		
Capital assets, net		
Land	150,000	0
Other improvements	3,609,796	0
Machinery and equipment	182,271	1,331,824
Total Noncurrent Assets	3,942,067	1,331,824
TOTAL ASSETS	5,715,783	2,785,694
LIABILITIES		
Current Liabilities		
Accounts Payable	3,383	0
Wages payable	22,695	0
Total Current Liabilities	26,078	0
Noncurrent Liabilities		
Compensated Absences	26,631	0
Total Noncurrent Liabilities	26,631	0
TOTAL LIABILITIES	52,709	0
NET ASSETS		
Invested in capital assets, net of related debt	3,942,067	1,331,824
Restricted	0	1,453,870
Unrestricted	1,721,007	0
TOTAL NET ASSETS	5,663,074	2,785,694
TOTAL LIABILITIES AND NET ASSETS	5,715,783	2,785,694



**Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the year ended
December 31, 2009**

	Business Activities - Enterprise Funds Surface Water Management Fund	Governmental Activities Internal Service Funds
OPERATING REVENUE:		
Charges for services	1,252,709	340,155
Intergovernmental revenues	68,789	0
Total Operating Revenues	1,321,499	340,155
OPERATING EXPENSES:		
Personnel services	485,742	0
Supplies	34,974	0
Other services and charges	292,860	2,575
Intergovernmental services	93,919	0
Depreciation	289,635	315,678
TOTAL OPERATING EXPENSES	1,197,130	318,253
Operating Income (Loss)	124,369	21,902
NON-OPERATING REVENUE (EXPENSES):		
Investment interest revenues	10,125	0
Gain on sale of capital assets	0	12,297
TOTAL NON-OPERATING REVENUES (EXPENSES)	10,125	12,297
Change in net assets	134,494	34,199
Net assets beginning	5,540,836	2,787,316
Change in accounting policy	(12,256)	(13,450)
Adjusted net assets - beginning of year	5,528,580	2,773,866
Prior period adjustment	0	(22,371)
NET ASSETS ENDING	5,663,074	2,785,694



**Statement of Cash Flows – Proprietary Funds
For the fiscal year ended December 31, 2009**

	Business Activities - Enterprise Funds Surface Water Management Fund	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	1,323,875	340,155
Payments to suppliers	(464,639)	(10,341)
Payments to employees	(479,469)	0
NET CASH PROVIDED BY OPERATING ACTIVITIES	379,766	329,814
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(26,241)	(331,436)
Prior period adjustment/Change in Accounting Policy	(12,256)	(35,821)
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	(38,498)	(367,257)
CASH FLOW FROM INVESTING ACTIVITIES:		
Investment income	10,125	0
NET CASH PROVIDED BY INVESTING ACTIVITIES	10,125	0
Net Increase (Decrease) in Cash and Cash Equivalents	351,393	(37,443)
Cash and Cash Equivalents, January 1	1,289,277	1,158,033
CASH AND CASH EQUIVALENTS, DECEMBER 31	1,640,671	1,120,590
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	124,369	21,902
Adjustments to Reconcile Operating Income to Net Cash Provided (used by Operating Activities)		
Depreciation	289,635	315,678
Change in Current Assets and Liabilities		
(Increase) decrease in receivables	2,376	0
Increase (decrease) in accounts payable	(36,614)	(7,766)
TOTAL ADJUSTMENTS	255,397	307,912
NET CASH PROVIDED BY OPERATING ACTIVITIES	379,766	329,814
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:		
Non-Cash Financing, Capital and Investing Activities:		
Change in accounting policy	(12,256)	(13,450)
Prior period adjustments	0	(22,371)
TOTAL NON-CASH ACTIVITIES	(12,256)	(35,821)



**Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2009**

ASSETS	
Cash and cash equivalents	57,755
Accounts receivable	112
TOTAL ASSETS	57,866
LIABILITIES	
Other liabilities	57,866
TOTAL LIABILITIES	57,866



**Notes to the Financial Statements
December 31, 2009**

The accompanying notes are an integral part of the accompanying financial statements.

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Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of Mukilteo 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 significant accounting policies are described below.

A. Reporting Entity

The City of Mukilteo was incorporated on May 12, 1947 and operates as a non-charter code city with a Mayor-Council form of government under the provisions of Revised Code of Washington (RCW) 35A et al. This form is commonly referred to as an “optional code city” that essentially enjoys all the rights and privileges granted to larger cities or charter cities. Legislative authority is vested in a seven member City Council. Council members are elected by position number to four-year overlapping terms. Three to four council members are up for election every two years. The Council is composed of a president and vice-president who are elected by the Council for a one year term each. The Mayor serves as the Chief Executive Officer and is elected to a four-year term by general election. The Mayor appoints the City Administrator, with confirmation by the Council. The City Administrator oversees all City operations and implements policy direction.

The City’s major operations include police protection, fire control/prevention and emergency medical response, parks and recreation, planning and zoning, street improvement and general administrative services. In addition, the City owns and operates a surface water management system.

As required by GAAP, the City’s financial statements present the City of Mukilteo, the primary government. There are no component units included in these statements.

Joint Ventures

The City has entered into a single joint venture with Snohomish County and other local governments in the Snohomish County Emergency Radio System. See Note 14 *Joint Ventures* for additional information.

B. Government-Wide and Fund Financial Statements

The **Government-wide financial statements** (i.e., the statement of net assets and the statement of activities) report information all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is not allocated to the various functions. 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 or a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate **Fund financial statements** are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.



C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are earned by December 31 (all eligibility requirements have been met) and the revenue is expected to be collected within 60 days after year-end. Expenditures are recorded when the related debt is incurred, except for unmatured interest on general long-term debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, licenses, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of the interfund activity has been eliminated for the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as needed.

The City reports the following major governmental funds:

The **General Fund** is the City'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 General Fund includes administration, finance, police, fire, planning and community development, parks maintenance, and public works and engineering management.

The **Real Estate Excise Tax I Fund** receives 50% of the revenues the City receives from taxes levied on the sale of real estate. These funds must be used solely on capital projects that are listed in the entities capital facilities plan element of the comprehensive plan for the purposes of planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement. These purposes may include: streets; roads; highways; sidewalks; street and road lighting systems; traffic signals; bridges; domestic water systems; storm and sanitary sewer systems; parks planning, acquisition (building & land), construction, reconstruction, repair, replacement, rehabilitation, or improvement; recreational facilities; law enforcement facilities; fire protection facilities; administrative and judicial facilities; trails; and libraries.



The **Community Center Project Fund** maintains the proceeds from the 2009 sale of \$12,585,000 in Long-Term General Obligation bonds, and the expenditures incurred for construction of the new Community Center.

The City reports the following major proprietary Fund:

The **Surface Water Management Fund** accounts for the revenues and expenditures to operate and maintain the surface water management system. The principal operating revenues of the Surface Water Management Fund are charges to customers for services. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Additionally, the City reports the following funds:

Other governmental funds:

The **LEOFF I Reserve Fund** holds funds set aside to be used for the payment of medical premiums and medical expenses for LEOFF I retirees.

The **Paine Field Emergency Fund** receives all revenues from a funds transfer from the General Fund, and is used for the payment of legal or other costs deemed necessary by council as appropriate to oppose commercial expansion of Paine Field.

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The **Street Fund** receives an operating transfer from the General Fund, in addition to 68.14% of the Motor Vehicle Fuel Excise Tax (gas tax) received. These revenues are used for costs related to street maintenance.

The **Arterial Street Fund** receives 31.86% of the Motor Vehicle Fuel Excise Tax (gas tax), and may be used for the construction, improvement, chip sealing, seal-coating, and repair of arterial highways and city streets.

The **Recreation and Cultural Services Center Fund** receives an operating transfer from the General Fund as well as Community Center activities fees and rental revenues, and funds the expenditures for the operations and maintenance of the Community Center building and programs.

The **Hotel/Motel Lodging Tax Fund** receives the 2% hotel/motel tax assessed on hotels/motels within the City. These funds are mandated to be used only for tourism promotion and operations and maintenance of tourism facilities in the City.

The **Facilities Maintenance Fund** receives revenues from an operating transfer from the General Fund, which is used for expenses related to the maintenance of City facilities.

The **Technology Replacement Fund** maintains a reserve for replacement of entity-wide computer hardware/software, telephone hardware or any other major technology need that arises in the future. Funding is provided through a transfer from the General Fund.

The **City Reserve Fund** provides a financial cushion to cover revenue shortfalls resulting from unexpected economic changes or recessionary periods or to provide funds in the event of major unplanned expenditures the City could face as a result of landslides, earthquake or other natural disaster.

The **Emergency Medical Services Fund** receives a transfer from the General Fund in addition to the tax revenues received from a voter approved tax levy to fund advanced life support (ALS) services.



CITY OF MUKILTEO

Notes to the Financial Statements

The **Municipal Facilities Fund** receives funds from operating transfers from the General Fund, which are used to construct City facilities.

The **Parks and Open Space Fund** receives revenues from the Lighthouse Park boat launch and long-term parking. Expenditures are related to maintaining developed and undeveloped parkland, open space, and tidelands.

Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

The **Limited Tax General Obligation Bond Fund** receives revenues from transfers from Real Estate Excise Tax Funds, and are used to pay principal and interest on the \$12,585,000 in bonds issued in 2009 to construct a new Community Center.

Capital project funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by business-type/ proprietary funds).

The **Parks Acquisition and Development Fund** receives revenues from park mitigation fees and grants, and is used to fund the expenditures for park development.

The **Transportation Impact Fee Fund** receives revenues from fees which are authorized under the State Environmental Policy Act (SEPA) and the Growth Management Act (GMA) to help offset the cost of transportation capital facilities brought about by new growth and development. Impact fee revenues collected are used to design, engineer and construct transportation facilities that are consistent with the capital facilities and transportation elements of the Mukilteo comprehensive plan.

The **Real Estate Excise Tax II Fund** receives 50% of the revenues the City receives from taxes levied on the sale of real estate. Revenues may be used for street and park projects (with the exclusion of the acquisition of land.)

Internal Service Funds are used when a City provides services for other departments and charges the departments for those services. The revenue for these funds comes from transfers from other departments within the City.

The **Health Insurance Administration Fund** maintains a reserve for dental and vision benefits which the City self-insures for City Employees. A reserve for these benefits is required by state law.

The **Equipment Replacement Fund** maintains funds set aside per a detailed equipment replacement schedule for all capital equipment owned by the City. Departments are charged an annual fee for the purpose of replacing capital equipment used by the department.

The **Unemployment Compensation Fund** maintains a reserve to protect against higher than anticipated employment compensation claims.

Fiduciary funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include (a) private-purpose trust funds, (b) pension (and other employee benefit) trust funds, (c) investment trust funds, and (d) agency funds.

The **Treasurer's Suspense Fund** is used to report assets which are held in an agency capacity for others, and therefore are not available to support City programs.



D. Assets, Liabilities, and Equities

1. Cash and Cash Equivalents

It is the City's policy to invest all temporary cash surpluses. At December 31, 2009, the City had \$27,505,499 in the Washington State Local Government Investment Pool. This amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during 2009 were approximately \$562,465.

For purposes of the statement of cash flows, the City considers short-term investments (including restricted assets) in the State Treasurer's Investment Pool and any other investment with a maturity of three months or less at acquisition date to be cash equivalents. For additional information see Note 3, *Deposits and Investments*.

2. Receivables and payables

Taxes receivable consist of property taxes and related interest and penalties. (See Note 5 *Property Taxes*) Accrued interest receivable consists of amounts earned on investments, notes and contracts at the end of the year.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts earned for which billings have not been prepared.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as *interfund loans receivable/payable to/from other funds*. (See Note 13 *Interfund Transactions*).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Interfund Loans

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund loans receivable/payable. See Note 13 *Interfund Transactions*.

4. Inventories and prepaid items

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased.

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

5. Restricted Assets

These accounts contain resources for construction and debt service. Specific debt service reserve requirements are described in Note 10 *Long-Term Debt*.

6. Capital Assets (See Note 9 *Capital Assets* and Note 17 *Change in Accounting Policy* for details)

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (\$10,000 for infrastructure) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.



Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The costs for normal maintenance and repairs are not capitalized. Major outlays for capital assets are capitalized as the projects are constructed. Interest incurred during the construction phase of projects is reflected in the capitalized value of the asset constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful life (Years)</u>
Buildings and improvements	5-100
Storm drainage systems	6 - 75
Street system	15 - 51
Park facilities and streetscape	30
Streetlights and traffic control devices	40
Equipment	3-20
Furniture and fixtures	3-20
Vehicles	3-30
Computers/software	3

7. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. All vacation is accrued when incurred in the government-wide and proprietary fund financial statements. Vacation pay, which may be accumulated up to (2) years of allowed vacation, is payable upon resignation, retirement or death. Sick pay is payable upon resignation, retirement or death. Employees with the required length of service may receive cash payment for all accumulated sick leave up to the restricted limits as follows:

<u>Years of Service</u>	<u>% Paid</u>
Less Than 5 Years	33.33%
Between 5 and 10 Years	66.67%
More than 10 Years	100.00%

8. Long-term obligations

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. Bond premiums and discounts 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. Bond issuance costs are reported as deferred charges and amortized over the life of the bonds.

9. Fund Reserves and Designation

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

10. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of net assets/balance sheet and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.



Note 2 – Stewardship, Compliance and Accountability

A. Budgetary Information

Annual appropriated budgets are adopted at the fund level for general, special revenue, debt service and capital project funds, on the cash basis of accounting. Budgets for capital project funds are adopted at the level of the individual project and are shown in the financial statements on an annual basis. The financial statements contain original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

The Mayor and City Administrator are authorized to transfer budgeted amounts within any fund. However, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City Council. When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by one more than the majority after holding public hearings. Appropriations lapse at year-end. If unused funds are needed in the following year, they must be re-appropriated in the next year’s operating budget. The City does not use encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation.

B. Excess of Expenditures over Appropriations

There has been no material violations of finance related legal or contractual provisions in any major City fund.

C. Deficit fund equity

For the year ended December 31, 2009 the City’s Hotel/Motel Lodging Tax Fund shows a deficit fund balance of \$117,050 on the fund-level statements. The Hotel/Motel Lodging Tax Fund borrowed \$333,280 from the Equipment Replacement Reserve Fund to purchase a Visitor’s Center building. Per GAAP, capital assets are not reported at the fund level, resulting in the appearance of a deficit fund balance on fund level statements. However, the capital asset valued at approximately \$378,000 is included in the entity wide statements.

Note 3 – Deposits and Investments

As of December 31, 2009, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Local Government Investment Pool	<u>\$27,505,499</u>	-
Total Fair Value	<u>\$27,505,499</u>	

Interest Rate Risk

The City manages its exposure to declines in fair values by limiting the weighted average of maturity of its investments portfolio to three years or less. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than five years from the date of purchase. Reserve funds may be invested in securities maturing in more than five (5) years, if the maturity of such investment is made to coincide as nearly as practicable with the expected use of funds.



CITY OF MUKILTEO

Notes to the Financial Statements

Credit Risk

As required by state law, all investments of the City's fund are obligations of the U.S. Government, U.S. agency issues, Obligations of the State of Washington, repurchase agreements, prime banker's acceptances, the Washington State Local Government Investment Pool, and time certificates of deposit with authorized Washington State banks. The Washington State Local Government Investment Pool is operated in a manner consistent with the SEC's Rule 2a-7 of the Investment Act of 1940, and is unrated.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. All City deposits are insured by the Federal Depository Insurance (FDIC) up to \$250,000. All deposits not covered by FDIC insurance are covered by the Public Deposit Protection Commission (PDPC) of the State of Washington for amounts over \$250,000.

The PDPC is a statutory authority established under Washington State Law Revised Code of Washington (RCW) chapter 39.58. It constitutes of multiple financial institution collateral arrangement that provides for additional assessments against members of the pool on a pro rata basis up to a maximum of 10 percent of each institution's public deposits. Provisions of RCW 39.85, section 60 authorize the PDPC to make pro-rata assessments in proportion to the maximum liability of each such depository as it existed on the date of loss.

Custodial Credit Risk – Investments

For investments, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For all of 2009, the City invested only in the Washington State Local Government Investment Pool.

Concentration of Credit Risk

Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City limits its exposure to concentration risk by investing in U.S. government obligations or U.S. government agency securities. The maximum to be invested in any one issuer is as follows:

Security Type	Portfolio Max.
U.S. Treasuries	90%
U.S. Agencies	90%
State of WA bonds	20%
Local Govt. Bonds	10%
State Pool (LGIP)	100%

The City currently holds 100% of its investments in the Washington State Local Government Investment Pool (LGIP).

A reconciliation of cash, cash equivalents (including pooled investments) and investments as shown in the government-wide and fund financial statements is as follows:

Financial Statements	Governmental Activities	Business-type Activities	Total Primary Govt.	Fiduciary Funds	Total
Cash and Cash Equivalents	\$26,412,066	\$1,640,671	\$28,052,737	\$57,755	\$28,110,491
	\$26,412,066	\$1,640,671	\$28,052,737	\$57,755	\$28,110,491



Note 4 – Risk Management

The City is exposed to various loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; and natural disasters. The city of Mukilteo 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 selfinsuring, 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.

Each fund contributes an appropriate amount each year to pay premiums and claims. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The basis for estimating the liabilities for unpaid claims includes the effects of specific, incremental claim adjustment expenses, salvage, subrogation, and other allocated adjustment expenses. There have been no claims in excess of the City’s insurance coverage during the last four years.

Changes in the fund’s claims liability amount in the years 2008 and 2009 were:

Year Ended December 31	Beginning of Year Liability	Current year Claims & Changes in Estimates	Claim Payments	Balance at Year End
2008	\$ 173,500.87	\$ 17,611.19	\$ (678.60)	\$ 190,433.46
2009	\$ 190,433.46	\$ (103,642.34)	\$ (1,899.12)	\$ 84,892.00



Note 5 – Property Taxes

Under GASB Statement #34, property taxes are recognized as revenue in the government-wide financial statements when an enforceable legal claim has arisen. Therefore, the City recognizes revenue and a receivable for the entire tax levy in the year it was levied. No allowance for uncollectible accounts is established because delinquent taxes are considered fully collectible. For governmental fund financial statements, the property tax revenues not collected within 30 days of the year ended are deferred.

The county treasurer acts as an agent to collect property taxes in the county for all taxing authorities. Collections are distributed after the end of each 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.

The City may levy up to \$3.375 per \$1,000 of assessed valuation for general governmental services, subject to two limitations:

Washington State law (RCW 84.55.010) limits the growth of regular property taxes to 6 percent (6%) per year, after adjustments for new construction. If the assessed valuation increases by more than 6 percent (6%) due to revaluation, the levy rate will be decreased.

The Washington State Constitution limits the total regular property taxes to 1 percent (1%) of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed that amount, each is proportionally reduced until the total is at or below the 1 percent (1%) limit.

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

Note 6 – Receivables and Payables

Receivables at December 31, 2009, are as follows:

Activities	Accounts Receivable	Taxes Receivable	Other	Total
Governmental Activities				
General Fund	\$173,314	\$892,008	\$0	\$1,065,322
Real Estate Excise Tax I Fund	0	30,889	0	30,889
Other Governmental Funds	71,789	89,405	0	161,194
Total Governmental	\$245,103	\$1,012,302	\$0	\$1,257,405
Business-type Activities				
Surface Water Fund	\$133,045	\$0	\$0	\$133,045
Total Business-type	\$133,045	\$0	\$0	\$133,045



Payables at December 31, 2009, are as follows:

Activities	Accounts Payable	Wages Payable	Other	Total
Governmental				
General Fund	\$337,897	\$383,811	\$340,098	\$1,061,805
Community Center Project	20,653	0	0	20,653
Other Governmental Funds	277,830	84,197	335,552	697,579
Total Governmental	\$636,380	\$468,008	\$675,650	\$1,780,037
Business-type Activities				
Surface Water Fund	\$3,383	\$22,695	\$26,631	\$52,709
Total Business-type	\$3,383	\$22,695	\$26,631	\$52,709

Note 7 – Segment Information for Enterprise Funds

The City has one enterprise fund, the Surface Water Management Fund. This fund currently has no bonded debt associated with it. All required segment information is disclosed on the face of the proprietary fund financial statements.

Note 8 – Net Assets Reservations and Designations

Restrictions on net assets are imposed in 3 ways: (1) by external sources, (2) by law via the constitution and (3) by law through enabling legislation. Enabling legislation allows the City to assess, levy or otherwise mandate payment of resources from external providers and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The government-wide statement of net assets reports \$6,854,918 of restricted assets, of which \$260,950 is restricted by enabling legislation.

Reservations or designations of net assets imposed by the reporting government, whether by administrative policy of legislative action of the reporting government, are shown in aggregate on the governmental fund financial statements, but not on the proprietary fund financial statements. The City does, however, reserve or designate portions of net assets in other funds to demonstrate the government’s intended use of those net assets. Reservations are created by legislative action of the City Council while designations are created by administrative policy.

For the year ended December 31, 2009 there were fund reservations for prepaid items, special revenue funds, debt service and capital projects funds as shown on the governmental fund financial statements.



Note 9 – Capital Assets

Capital asset activity for the year ended December 31, 2009 follows:

Governmental Activities	2008 Ending Balance	Adjustments	2009 Beginning Balance	Increases	Decreases	Prior Period Adjustments	Ending Balance
Capital assets, not being depreciated:							
Land	21,322,235	0	21,322,235	2,254,984	0	0	23,577,219
Art Collections	175,520	0	175,520	0	0	0	175,520
Construction in Progress	10,570,416	0	10,570,416	4,304,963	(9,542,673)	0	5,332,705
Total capital assets, not being depreciated:	32,068,171	0	32,068,171	6,559,946	(9,542,673)	0	29,085,444
Capital assets, being depreciated:							
Building	12,145,321	(3,484)	12,141,837	7,958,967	0	0	20,100,804
Other Improvements	5,794,976	(13,882)	5,781,094	1,667,960	0	0	7,449,054
Machinery and Equipment	5,765,000	(376,866)	5,388,133	684,082	(147,632)	(42,543)	5,882,040
Infrastructure	262,947,137	(99,419)	262,847,718	353,887	0	0	263,201,606
Total capital assets being depreciated:	286,652,433	(493,651)	286,158,782	10,664,896	(147,632)	(42,543)	296,633,504
Less accumulated depreciation for:							
Buildings	(2,637,249)	2,295	(2,634,954)	(510,997)	0	0	(3,145,951)
Improvements other than buildings	(1,251,665)	3,467	(1,248,198)	(403,065)	0	0	(1,651,263)
Machinery and Equipment	(3,088,913)	206,246	(2,882,667)	(578,585)	146,739	0	(3,314,513)
Infrastructure	(133,789,279)	15,942	(133,773,337)	(8,226,339)	0	0	(141,999,676)
Total accumulated depreciation:	(140,767,106)	227,950	(140,539,156)	(9,718,987)	146,739	0	(150,111,405)
Total capital assets, being depreciated, net:	145,885,327	(265,700)	145,619,626	945,910	(893)	(42,543)	146,522,099
Governmental activities capital assets, net:	177,953,497	(265,700)	177,687,797	7,505,856	(9,543,566)	(42,543)	175,607,543

(Internal Service capital assets listed below are included in the Governmental Activities table above. This table is included to assist the reader.)

Internal Service Capital Assets	2008 Ending Balance	Adjustments	2009 Beginning Balance	Increases	Decreases	Prior Period Adjustments	Ending Balance
Machinery & Equipment	4,133,005	(22,398)	4,110,607	47,166	(147,632)	(22,371)	3,987,769
Less accumulated depreciation for:							
Machinery & Equipment	(2,495,955)	8,948	(2,487,007)	(315,678)	146,739	0	(2,655,946)
Internal Services Assets, Net:	1,637,049	(13,450)	1,623,599	(268,511)	(893)	(22,371)	1,331,824

Business-type Activities	2008 Ending Balance	Adjustments	2009 Beginning Balance	Increases	Decreases	Prior Period Adjustments	Ending Balance
Capital assets, not being depreciated:							
Land	150,000	0	150,000	0	0	0	150,000
Construction in Progress	33,304	0	33,304	0	(33,304)	0	0
Total capital assets, not being depreciated:	183,304	0	183,304	0	(33,304)	0	150,000
Capital assets, being depreciated:							
Other Improvements	2,518,205	(5,448)	2,512,757	49,529	0	0	2,562,286
Other Improvements - Contractor Contributions	2,815,270	(9,800)	2,805,470	0	0	0	2,805,470
Machinery and Equipment	197,237	(6,041)	191,196	22,272	0	0	213,468
Total capital assets being depreciated:	5,530,711	(21,289)	5,509,423	71,802	0	0	5,581,224
Less accumulated depreciation for:							
Other Improvements	(852,186)	3,606	(848,580)	(409,720)	0	0	(1,258,300)
Other Improvements Contractor Contributions	(636,139)	695	(635,444)	(37,754)	173,538	0	(499,660)
Machinery and Equipment	(20,231)	4,732	(15,498)	(15,700)	1	0	(31,198)
Total accumulated depreciation:	(1,508,555)	9,033	(1,499,522)	(463,174)	173,539	0	(1,789,157)
Total capital assets, being depreciated, net:	4,022,157	(12,256)	4,009,900	(391,373)	173,539	0	3,792,067
Business activities capital assets, net:	4,205,461	(12,256)	4,193,204	(391,373)	140,235	0	3,942,067



CITY OF MUKILTEO

Notes to the Financial Statements

Depreciation Expense by Function

GOVERNMENTAL ACTIVITIES	
General government	142,440
Public safety	505,129
Physical environment	87,359
Economic environment	48,491
Culture and recreation	568,662
Transportation	8,367,764
Total depreciation expense - Governmental activities	<u>\$ 9,719,845</u>
BUSINESS-TYPE ACTIVITIES	
Surface Water	\$280,603
Total depreciation expense - Business-type activities	<u>\$280,603</u>

In 2002, the City implemented the infrastructure reporting requirements of GASB Statement #34, including retroactive infrastructure, with the following exceptions: The City has not retroactively valued the land under the streets and right-of-ways.

Construction Commitments

The City has active construction projects as of December 31, 2009. The projects include Lighthouse Park improvements, construction of a new recreation facility, and pedestrian improvements. At year end the City's commitments with contractors are as follows:

	<u>Spent to</u>	<u>Remaining</u>
	<u>Date</u>	<u>Commitment</u>
Lighthouse Park Phase II	\$ 504,925	\$ 1,400,000
Community Center Facility	2,782,610	8,901,750
Pedestrian Improvements	174,342	144,560
	<u>\$ 3,461,877</u>	<u>\$ 10,446,310</u>

The Lighthouse Park Phase II project is being partially funded by a state grant with remaining funding from Real Estate Excise Taxes. The community center facility is being financed with bonds issued in 2009 (see note 10 *Long-term Debt*). Pedestrian improvements consist of construction of two sidewalk sections on Harbour Pointe Boulevard SW and sidewalk on 5th Street, which are scheduled to be completed during the first quarter of 2010.

Note 10 – Long-term Debt

The City may issue two types of general obligation bonds, Limited Tax General Obligation bonds (LTGO) and Unlimited Tax General Obligation bonds (UTGO) to provide funding for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. During 2009 the City authorized the issuance of a Limited Tax General Obligation (LTGO) bond in the amount of \$12,585,000 for construction of a new Community Center. This debt was issued with a premium of \$348,159 and issuance costs of \$129,398 (issuance costs include Underwriter's discount, Bond counsel fees, rating agency fees, registration costs, printing expenses and any miscellaneous costs deemed necessary). This debt has been issued for the general government and will be repaid with Real Estate Excise Taxes (REET) revenues.



CITY OF MUKILTEO

Notes to the Financial Statements

At December 31, 2009, the city had the following general obligation bonds outstanding:

<u>Purpose</u>	<u>Original Amount Issued</u>	<u>Date of Original Issue</u>	<u>Date of Final Maturity</u>	<u>Interest Rates</u>	<u>Amount of Installments</u>	<u>Balance 12/31/09</u>
General Government						
2009 LTGO Bonds -						
Community Center	\$ 12,585,000	09/10/09	12/01/29	3.54	\$84,301 - \$909,313	\$ 12,585,000
	<u>\$ 12,585,000</u>					<u>\$ 12,585,000</u>

The annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2009	\$ -	\$ 84,301	\$ 84,301
2010	455,000	452,963	907,963
2011	470,000	439,313	909,313
2012	480,000	425,213	905,213
2013	495,000	410,813	905,813
2014-2018	2,720,000	1,819,113	4,539,113
2019-2023	3,215,000	1,322,000	4,537,000
2024-2028	3,880,000	652,000	4,532,000
2029	870,000	34,800	904,800
Total	\$ 12,585,000	\$ 5,640,514	\$ 18,225,514

The following tables summarize the City's long-term debt transactions for the year ended December 31, 2009:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year*</u>
Governmental Activities					
Bonds Payable:					
Series 2009 Bonds, \$12,585,000 issued	\$0	\$12,585,000	\$0	\$12,585,000	455,000
Unamortized bond premium*	\$0	\$342,356	0	342,356	17,408
Total bonds payable:	0	12,927,356	0	12,927,356	472,408
Other post-employment benefits	33,432	28,496	0	61,928	0
Compensated absences	644,422	134,629	0	779,051	536,517
Governmental activity long-term liabilities:	<u>\$677,854</u>	<u>\$13,090,481</u>	<u>\$0</u>	<u>\$13,768,335</u>	<u>\$1,008,925</u>
Business-Type Activities					
Compensated absences	\$19,435	\$7,196	\$0	\$26,631	\$23,796
Business-type activity long-term liabilities:	<u>\$19,435</u>	<u>\$7,196</u>	<u>\$0</u>	<u>\$26,631</u>	<u>\$23,796</u>

*Deferred bond premium is amortized over the life of the bonds. In 2010, \$17,408 will be recorded as revenue.

Revenue Bonds

The City may also issue revenue bonds to provide financing for the capital programs for the City's business activities. The City does not pledge its full faith and credit for the payment of debt service on revenue bonds. Payment of debt service on the bonds issued for each utility is derived solely from the revenues generated by the related utility. No revenue bonds are outstanding.

Short Term Debt

The City did not engage in short-term debt activities during 2009 and there is no outstanding short-term debt at year-end.



Note 11 – Retirement and Pension Plans

Substantially all City of Mukilteo full-time and qualifying part-time employees participate in one of the following statewide 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. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements No. 27, *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

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 defined benefit plan with a defined contribution component.

Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently 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 participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined 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 Plan 1 and Plan 2 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 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or 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.) This annual benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, which is increased three percent annually. Plan 1 members may also elect to receive an optional COLA 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.

PERS 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 one 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, PERS 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 ten years of service. PERS 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 1,192 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:

Retirees and Beneficiaries Receiving Benefits	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 expressed as a percentage of current-year covered payroll, as of December 31, 2009, are as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	5.31 %**	5.31 %**	5.31 %***
Employee	6.00 %****	3.90 %****	*****



CITY OF MUKILTEO

Notes to the Financial Statements

- * The employer rates include the employer administrative expense fee currently set at 0.16%.
- ** The employer rate for state elected officials is 7.89% for Plan 1 and 5.31% for Plan 2 and Plan 3.
- *** Plan 3 defined benefit portion only.
- **** The employee rate for state elected officials is 7.50% for Plan 1 and 3.90% for Plan 2.
- ***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2009	\$ 6,850	\$179,408	\$ 37,671
2008	\$ 4,888	\$173,401	\$ 35,331
2007	\$ 4,334	\$103,819	\$ 27,683

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 commissioned 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:

Term of Service	Percent of Final Average
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

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

Retirees and Beneficiaries Receiving Benefits	9,268
Terminated Plan Members Entitled to but not yet Receiving Benefits	650
Active Plan Members Vested	13,120
Active Plan Members Non-vested	3,927
Total	26,965

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, are as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.16%	5.24%**
Employee	0.00%	8.46%
State	N/A	3.38%

*The employer rates include the employer administrative expense fee currently set at 0.16%.

** The employer rate for ports and universities is 8.990%.

Both the City of Mukilteo and the employees made the required contributions. The City’s required contributions for the years ended December 31 were as follows:

	LEOFF Plan 1	LEOFF Plan 2
2009	\$0	\$237,162
2008	\$0	\$206,613
2007	\$0	\$177,272

Note 12 – Postemployment Benefits Other Than Pension Benefit

Plan Description

In addition to pension benefits, per state law, the City provides a defined benefit post retirement health care benefits to LEOFF I employees who are 50 years of age with twenty years of service or on disability leave or retirement. This system is a closed, single-employer, defined benefit pension system. The City pays 100% of the cost of medical insurance. Premera Blue Cross is the underwriter. After age 65, benefits are coordinated with Medicare. Any amount not paid by the underwriter is reimbursed by the City. Financial reporting for the LEOFF retiree healthcare plan is included in the City’s Comprehensive Annual Financial Report.



CITY OF MUKILTEO

Notes to the Financial Statements

Funding Policy

Funding for LEOFF retiree healthcare costs is provided entirely by the City as required by RCW. The City's funding policy is based upon pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of twenty years as of January 1, 2009. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB. For 2009, the City has fully funded the OPEB obligation.

	12/31/2009
Annual required contribution	\$56,297
Interest on net OPEB obligation	1,504
Adjustment to annual required contribution	<u>(3,113)</u>
Annual OPEB cost (expense)	54,688
Contributions made	<u>(26,192)</u>
Change in NPO	28,496
Net OPEB Obligation - Beginning of Year	<u>33,432</u>
Net OPEB Obligation - End of Year	<u>61,928</u>

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2009	\$54,688	47.9%	\$26,192

Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for the 2009 benefits was \$604,602 and the actuarial value of the assets was \$0 resulting in an UAAL of \$604,602. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

We used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 56.24 was assumed for all active members for the purpose of determining the AAL and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the LEOFF 1 rates used in the June 30, 2007 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2007. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to



determine the AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

Significant actuarial assumptions used in the valuation include:

- 5.0 percent investment return, compounded annually
- The medical inflation trend starts at 9.0% in 2007 and decreases to 5.0% in 2015. It remains at 5.0% after 2015
- The expected long-term care inflation trend is 4.5% for all years.

Note 13 – Interfund Transactions

Transactions that would be treated as revenues or expenditures if they involved organizations external to the governmental unit are accounted for as revenues or expenditures in the funds involved. Transactions which constitute reimbursements of a fund for expenditures initially made from that fund, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of the expenditure in the fund that is reimbursed. Transfers between funds are included in the results of both governmental and proprietary funds (as other sources/uses in governmental funds and as non-operating revenues/expenses in proprietary funds).

Direct overhead costs charged by the General Fund to the Surface Water Management Fund are not backed out from the Statement of Activities.

Classification of Interfund Transactions

Transfers to support the operations of other funds are recorded as "Transfers in" or "Transfers out" from the appropriate funds and are classified with "Other Financing Sources or Uses".

Loans between funds are classified as interfund loans receivable from and payable to other funds on the governmental funds balance sheet. As of December 31, 2009, the City had one interfund loan from the Equipment Replacement fund to the Hotel/Motel Lodging Tax fund in the amount of \$333,280, for the purchase of a Visitor's Center building.

Interfund transfers are the flow of assets without a reciprocal return of assets, goods or services in return. The City uses transfers to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund activity for the year is as follows:

Transfers In		Transfers Out	
Street Fund	\$505,000	General Fund	\$505,000
Recreation Fund	\$231,535	General Fund	\$231,535
Facilities Maintenance Fund	\$390,000	General Fund	\$390,000
Technology Replacement Fund	\$50,000	General Fund	\$50,000
EMS Fund	\$369,750	General Fund	\$369,750
Municipal Facilities Fund	\$16,069	General Fund	\$16,069
LTGO Bond Fund	\$84,305	Real Estate Excise Tax I Fund	\$77,561
Real Estate Excise Tax Fund	\$486,434	Real Estate Excise Tax II Fund	\$6,744
		Community Center Project Fund	\$486,434
Total	\$2,133,093	Total	\$2,133,093

Note 14 – Joint Ventures

The City entered into a single joint venture with Snohomish County and other local governments in the establishment and operations of the Snohomish County Emergency Radio System (SERS). The purpose of the venture is to equip and operate a radio system primarily for the use of public safety agencies. Control of this joint venture is shared



CITY OF MUKILTEO

Notes to the Financial Statements

equitably by the controlling organizations. This entity is reported as a governmental joint venture. The City of Mukilteo's share of the assets and equity as of December 31, 2009 was \$359,229.

The Snohomish County Emergency Radio System is considered a separate reporting entity. Each participant's share of authority is defined by the terms of the enabling charter. Control is represented by the City Council and Board of County Commissioners and is divided between the County and the participating cities. Separate financial statements can be obtained from Snohomish County.

Note 15 – Prior Period Adjustments

Prior period adjustments were made as follows:

Taxes Receivable was overstated due to taxes being reported in wrong period. Adjustments were made to properly reflect the correct 2008/2009 receivables.

Accounts Receivable was adjusted in order to reconcile to subledger.

Capital Assets were adjusted to correct assets that were inadvertently added to 2008 that were in pending status for 2009.

Treasury Suspense was corrected to adjust interest receivables.

Detail by fund type is as follows:

Governmental-type Activities	Prior Period Adjustment
General Fund	
General Property Tax Adjustment	\$ (25,067)
To clear out Treasury Suspense Account	(2,161)
Accounts Receivable Adjustment to Subledger	<u>(3,308)</u>
	(30,535)
Other Governmental Funds	
REET I Revenue Adjustment	(17,990)
REET II Revenue Adjustment	(17,990)
EMS Levy Revenue Adjustment	<u>(4,978)</u>
	(40,958)
Internal Service Funds	
Capital Asset Correction	<u>(22,371)</u>
	(22,371)
Total Prior Period Adjustments	<u><u>\$ (93,864)</u></u>

Note 16 – Change in Accounting Policy

The City is held accountable to its citizens for the safeguarding and proper uses of public resources. Therefore, it was determined that a change in policies and procedures was necessary to provide clear guidelines to ensure efficiency and consistency in the application standards for capital assets.

These changes included the following:

The capitalization threshold increased from \$1,000 to \$5,000 per item for Land, Buildings, Improvements, Machinery & Equipment and Art. Infrastructure increased from \$1,000 to \$10,000 (Streets, Sidewalks, and



CITY OF MUKILTEO

Notes to the Financial Statements

Street Lights). The changes are shown in Note 9 *Capital Assets* as an adjustment to beginning balances for 2009.

Procedures were established for “small and attractive” assets. These items are defined as those that are particularly at risk or vulnerable to loss and cost between \$500 and \$4,999. These may include (but not limited to) laptop computers, cameras, televisions, and audio/video equipment.

Detail by fund type is as follows:

	Change in Accounting Policy
<u>Governmental-type Activities</u>	
Internal Service Funds	(13,450)
Entity Wide	<u>(272,421)</u>
Total Governmental-type Activities	<u>(285,871)</u>
<u>Business-Type Activities</u>	
Surface Water Management Fund	<u>(\$12,256)</u>
Total Business-Type Activities	<u>(12,256)</u>
Total Change in Accounting Policy	<u>(298,127)</u>



REQUIRED SUPPLEMENTARY INFORMATION



Nonmajor Governmental Funds

LEOFF I Reserve Fund

The LEOFF I Reserve Fund holds funds set aside to be used for the payment of medical premiums and medical expenses for LEOFF I retirees.

Paine Field Emergency Fund

This fund receives all revenues from a funds transfer from the General Fund, and is used for the payment of legal or other costs deemed necessary by council as appropriate to oppose commercial expansion of Paine Field.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes or resources dedicated for specific purposes.

Street Fund

In addition to a transfer from the General Fund, this fund receives 68.14% of the Motor Vehicle Fuel Excise Tax (gas tax) received. These revenues are used for costs related to street maintenance.

Arterial Street Fund

This fund receives 31.86% of the Motor Vehicle Fuel Excise Tax (gas tax), and may be used for the construction, improvement, chip sealing, seal-coating, and repair of arterial highways and city streets.

Recreation and Cultural Services Center Fund

In addition to a transfer from the General Fund, this fund receives Recreation and Cultural Services Center activities fees and rental revenues, and funds the expenditures for the operations and maintenance of the Recreation and Cultural Services Center building and programs.

Hotel/Motel Lodging Tax Fund

This fund receives the 2% hotel/motel tax assessed on hotels/motels within the City. These funds are mandated to be used only for tourism promotion and operations and maintenance of tourism facilities in the City.

Facilities Maintenance Fund

This fund receives all revenues from a funds transfer from the General Fund. This fund is used for expenses related to maintenance of City facilities.

Technology Replacement Fund

This fund maintains a reserve for replacement of entity-wide computer hardware/software, telephone hardware or any other major technology need that arises in the future. Funding is provided through a transfer from the General Fund.



City Reserve Fund

This fund is used to provide a financial cushion to cover revenue shortfalls resulting from unexpected economic changes or recessionary periods or to provide funds in the event of major unplanned expenditures the City could face as a result of landslides, earthquake or other natural disasters.

Emergency Medical Services Fund

In addition to a transfer from the General Fund, this fund receives the revenues from a voter approved tax levy to fund advanced life support (ALS) services.

Municipal Facilities Fund

This fund receives operating transfers from the General Fund, which are used to construct City facilities.

Parks and Open Space Fund

This fund receives revenues from the Lighthouse Park boat launch and long-term parking. Allowed expenditures are related to maintaining developed and undeveloped parkland, open space, and tidelands.

Debt Service Funds

Limited Tax General Obligation (LTGO) Bond Fund

This fund receives transfers from Real Estate Excise Tax Funds, which are used to pay principal and interest on bonds issued in 2009 to construct a new Community Center.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The City uses the Capital Project funds to ensure legal compliance with and financial management for various restricted revenues.

Park Acquisition & Development Fund

This fund receives revenues from park mitigation fees and grants, which are used to fund expenditures for park development.

Transportation Impact Fee Fund

Transportation Impact fees are authorized under the State Environmental Policy Act (SEPA) and the Growth Management Act (GMA) to help offset the cost of transportation capital facilities brought about by new growth and development. Impact fee revenues collected are used to design, engineer and construct transportation facilities that are consistent with the capital facilities and transportation elements of the Mukilteo comprehensive plan.



Real Estate Excise Tax II Fund

This fund receives 50% of the revenues the City receives from taxes levied on the sale of real estate. These funds must be used for street and park projects (with the exclusion of the acquisition of land.)



**Combining Balance Sheet
Non Major Governmental Funds
December 31, 2009**

	General Fund Type Funds			Special Revenue Funds						
	LEOFF I Reserve	Paine Field Emergency Reserve	Total General Fund Type Funds	Streets	Arterial Street	Recreation & Cultural Services	Hotel/Motel Lodging Tax	Facilities Maintenance	Technology Replacement	City Reserve
ASSETS										
Current cash and cash equivalents	\$141,555	\$67,817	\$209,372	\$159,870	\$87,598	\$72,856	\$209,005	\$50,642	\$128,965	\$1,000,000
Receivables (net of allowances)										
Accounts receivable	0	0	0	0	0	889	0	0	0	0
Taxes Receivable	0	0	0	23,365	10,925	0	18,169	0	0	0
TOTAL ASSETS	141,555	67,817	209,372	183,235	98,523	73,745	227,174	50,642	128,965	1,000,000
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$0	\$19,394	\$19,394	\$14,506	\$580	\$64	\$10,944	\$11,108	\$0	\$0
Wages payable	54	0	54	16,977	0	9,283	0	4,521	0	0
Interfund loans payable	0	0	0	0	0	0	333,280	0	0	0
Other accrued liabilities	0	0	0	0	0	2,273	0	0	0	0
TOTAL LIABILITIES	54	19,394	19,448	31,483	580	11,620	344,224	15,629	0	0
Fund Balances:										
Reserved, reported in:										
Revenue funds	\$0	\$0	\$0	\$0	\$0	\$0	(\$117,050)	\$0	\$113,240	\$1,000,000
LEOFF I	141,501	0	141,501	0	0	0	0	0	0	0
Special revenue funds	0	0	0	151,752	97,943	62,125	0	35,013	15,725	0
Capital projects funds	0	0	0	0	0	0	0	0	0	0
Unreserved, reported in:										
Paine Field funds	0	48,423	48,423	0	0	0	0	0	0	0
Debt service	0	0	0	0	0	0	0	0	0	0
Capital projects funds	0	0	0	0	0	0	0	0	0	0
TOTAL FUND BALANCES	141,501	48,423	189,924	151,752	97,943	62,125	(117,050)	35,013	128,965	1,000,000
TOTAL LIABILITIES AND FUND BALANCES	\$141,555	\$67,817	\$209,372	\$183,235	\$98,523	\$73,745	\$227,174	\$50,642	\$128,965	\$1,000,000



**Combining Balance Sheet
Non Major Governmental Funds**

December 31, 2009

	Special Revenue Funds			Debt Service Funds		Capital Projects Funds				Total Other Governmental Funds	
	Emergency Medical Services	Municipal Facilities	Parks & Open Space	Total Special Revenue Funds	LTGO Bond Fund	Total Debt Service Funds	Park Acquisition and Development	Transportation Impact Fee	Real Estate Excise Tax II		Total Capital Projects Funds
ASSETS											
Current cash and cash equivalents	\$293,629	\$50,066	\$126,901	\$2,179,532	\$7,357	\$7,357	\$91,890	\$28,736	\$1,392,745	\$1,513,371	\$3,909,633
Receivables (net of allowances)											
Accounts receivable	70,689	0	211	71,789	0	0	0	0	0	0	\$71,789
Taxes Receivable	6,057	0	0	58,516	0	0	0	0	30,889	30,889	\$89,405
TOTAL ASSETS	370,375	50,066	127,112	2,309,838	7,357	7,357	91,890	28,736	1,423,634	1,544,260	4,070,827
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	\$57,199	\$0	\$154	\$94,555	\$0	\$0	\$59,699	\$601	\$103,581	\$163,881	\$277,830
Wages payable	53,362	0	0	84,143	0	0	0	0	0	0	\$84,197
Interfund loans payable	0	0	0	333,280	0	0	0	0	0	0	\$333,280
Other accrued liabilities	0	0	0	2,273	0	0	0	0	0	0	\$2,273
TOTAL LIABILITIES	110,561	0	154	514,251	0	0	59,699	601	103,581	163,881	697,580
Fund Balances:											
Reserved, reported in:											
Revenue funds	\$0	\$0	\$0	\$996,190	\$0	\$0	\$0	\$0	\$0	\$0	\$996,190
LEOFF I	0	0	0	0	0	0	0	0	0	0	141,501
Special revenue funds	259,814	50,066	126,958	799,397	0	0	0	0	0	0	799,397
Capital projects funds	0	0	0	0	0	0	32,191	28,135	1,320,053	1,380,379	1,380,379
Unreserved, reported in:											
Paine Field funds	0	0	0	0	0	0	0	0	0	0	48,423
Debt service	0	0	0	0	7,357	7,357	0	0	0	0	7,357
Capital projects funds	0	0	0	0	0	0	0	0	0	0	0
TOTAL FUND BALANCES	259,814	50,066	126,958	1,795,587	7,357	7,357	32,191	28,135	1,320,053	1,380,379	3,373,247
TOTAL LIABILITIES AND FUND BALANCES	\$370,375	\$50,066	\$127,112	\$2,309,838	\$7,357	\$7,357	\$91,890	\$28,736	\$1,423,634	\$1,544,260	\$4,070,827



**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non Major Governmental Funds
For the Year Ended December 31, 2009**

	General Fund Type Funds			Special Revenue Funds						
	LEOFF I Reserve	Paine Field Emergency Reserve	Total General Fund Type Funds	Street	Arterial Street	Recreation & Cultural Services	Hotel/Motel Lodging Tax	Facilities Maintenance	Technology Replacement	City Reserve
REVENUES										
Taxes	\$0	\$0	\$0	\$276,723	\$0	\$0	\$96,187	\$0	\$0	\$0
Intergovernmental	0	0	0	0	129,387	0	0	0	0	0
Charges for services	0	0	0	0	0	61,219	0	0	0	0
Miscellaneous	993	0	993	951	322	85,452	1,747	0	2,276	0
TOTAL REVENUES	993	0	993	277,674	129,708	146,671	97,934	0	2,276	0
EXPENDITURES										
Current:										
General government services	0	0	0	0	0	0	0	0	65,016	0
Public safety	26,192	0	26,192	0	0	0	0	0	0	0
Physical environment	0	0	0	0	0	0	0	408,307	0	0
Transportation	0	0	0	751,916	0	0	0	0	0	0
Economic environment	0	77,262	77,262	0	0	0	77,045	0	0	0
Culture and recreation	0	0	0	0	0	352,724	0	0	0	0
Debt Service:										
Interest	0	0	0	0	0	0	0	0	0	0
Capital Outlay:										
Capital outlay	0	0	0	0	65,714	0	377,969	32,517	143,912	179,199
TOTAL EXPENDITURES	26,192	77,262	103,454	751,916	65,714	352,724	455,014	440,824	208,928	179,199
Excess of revenues over (under) expenditures	(25,199)	(77,262)	(102,461)	(474,243)	63,994	(206,053)	(357,080)	(440,824)	(206,652)	(179,199)
OTHER FINANCING SOURCES (USES):										
Transfers in	0	0	0	505,000	0	231,535	0	390,000	50,000	0
Transfers out	0	0	0	0	0	0	0	0	0	0
Bond issuance	0	0	0	0	0	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES	0	0	0	505,000	0	231,535	0	390,000	50,000	0
Net change in fund balances	(25,199)	(77,262)	(102,461)	30,757	63,994	25,482	(357,080)	(50,824)	(156,652)	(179,199)
Fund balances - beginning	166,700	125,686	292,386	120,995	33,949	36,643	240,030	85,837	285,617	1,179,199
Prior Period Adjustments	0	0	0	0	0	0	0	0	0	0
FUND BALANCES - ENDING	\$141,501	\$48,423	\$189,924	\$151,752	\$97,943	\$62,125	(\$117,050)	\$35,013	\$128,965	\$1,000,000



**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non Major Governmental Funds
For the Year Ended December 31, 2009**

	Special Revenue Funds			Debt Service Funds		Capital Projects Funds			Total Other Governmental Funds		
	Emergency Medical Services	Municipal Facilities	Parks & Open Space	Total Special Revenue Funds	LTGO Bond Fund	Total Debt Service Funds	Park Acquisition & Development	Transportation Impact Fees		Real Estate Excise Tax II	Total Capital Projects Funds
REVENUES											
Taxes	\$877,226	\$0	\$0	\$1,250,136	\$0	\$0	\$0	\$0	\$327,549	\$327,549	\$1,577,685
Intergovernmental	0	0	0	129,387	0	0	800,000	0	0	800,000	929,387
Charges for services	218,707	0	0	279,926	0	0	51,199	48,750	0	99,949	379,874
Miscellaneous	9,035	689	131,884	232,354	4	4	1,034	3,074	13,627	17,735	251,087
TOTAL REVENUES	1,104,968	689	131,884	1,891,804	4	4	852,233	51,824	341,176	1,245,232	3,138,033
EXPENDITURES											
Current:											
General government services	0	0	0	65,016	0	0	0	0	0	0	65,016
Public safety	1,638,655	0	0	1,638,655	0	0	0	0	0	0	1,664,847
Physical environment	0	0	0	408,307	0	0	0	0	0	0	408,307
Transportation	0	0	0	751,916	0	0	0	0	0	0	751,916
Economic environment	0	0	0	77,045	0	0	0	0	0	0	154,307
Culture and recreation	0	0	85,398	438,122	0	0	0	0	0	0	438,122
Debt Service:											
Interest	0	0	0	0	84,301	84,301	740	0	0	740	85,041
Capital Outlay:											
Capital outlay	5,369	0	0	804,680	0	0	420,554	545,402	969,325	1,935,281	2,739,960
TOTAL EXPENDITURES	1,644,024	0	85,398	4,183,741	84,301	84,301	421,294	545,402	969,325	1,936,021	6,307,517
Excess of revenues over (under) expenditures	(539,056)	689	46,486	(2,291,937)	(84,297)	(84,297)	430,939	(493,578)	(628,149)	(690,789)	(3,169,484)
OTHER FINANCING SOURCES (USES):											
Transfers in	369,750	16,069	0	1,562,354	84,305	84,305	0	0	0	0	1,646,659
Transfers out	0	0	0	0	0	0	0	0	(6,744)	(6,744)	(6,744)
Bond issuance	0	0	0	0	7,349	7,349	0	0	0	0	7,349
TOTAL OTHER FINANCING SOURCES	369,750	16,069	0	1,562,354	91,654	91,654	0	0	(6,744)	(6,744)	1,647,264
Net change in fund balances	(169,306)	16,758	46,486	(729,583)	7,357	7,357	430,939	(493,578)	(634,893)	(697,533)	(1,522,221)
Fund balances - beginning	434,098	33,308	80,472	2,530,148	0	0	(398,747)	521,713	1,972,936	2,095,902	\$4,918,435
Prior Period Adjustments	(4,978)	0	0	(4,978)	0	0	0	0	(17,990)	(17,990)	(\$22,968)
FUND BALANCES - ENDING	\$259,814	\$50,066	\$126,958	\$1,795,587	\$7,357	\$7,357	\$32,191	\$28,135	\$1,320,053	\$1,380,379	\$3,373,247



**Schedule of Revenues, Expenditures and Changes in Fund
Balances – Budget to Actual
LEOFF I Reserve Fund
For the Fiscal Year ended December 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Miscellaneous	\$0	\$1,200	\$993	(\$207)
TOTAL REVENUES	0	1,200	993	(207)
EXPENDITURES				
Current:				
Public Safety	\$27,000	\$27,000	\$26,192	(\$808)
TOTAL EXPENDITURES	27,000	27,000	26,192	(808)
Excess of revenues over expenditures	(27,000)	(25,800)	(25,199)	601
Net change in fund balances	(27,000)	(25,800)	(25,199)	601
Fund balance - beginning	164,875	166,754	166,700	(54)
FUND BALANCE - ENDING	\$137,875	\$140,954	\$141,501	\$547



**Schedule of Revenues, Expenditures and Changes in Fund
Balances – Budget to Actual
Paine Field Emergency Reserve Fund
For the Fiscal Year ended December 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES	\$0	\$0	\$0	\$0
TOTAL REVENUES	0	0	0	0
EXPENDITURES				
Current:				
Economic environment	150,000	150,000	77,262	(72,738)
TOTAL EXPENDITURES	150,000	150,000	77,262	(72,738)
Excess of revenues over expenditures	(150,000)	(150,000)	(77,262)	72,738
Net change in fund balances	(150,000)	(150,000)	(77,262)	72,738
Fund Balance - Beginning	150,000	150,000	125,686	(24,314)
FUND BALANCE - ENDING	\$0	\$0	\$48,423	\$48,423



CITY OF MUKILTEO

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual Street Fund For the Fiscal Year ended December 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$305,000	\$305,000	\$276,723	(\$28,277)
Miscellaneous	500	1,250	951	(299)
TOTAL REVENUES	305,500	306,250	277,674	(28,576)
EXPENDITURES				
Current:				
Transportation	849,970	812,290	751,916	(60,374)
TOTAL EXPENDITURES	849,970	812,290	751,916	(60,374)
Excess of revenues over expenditures	(544,470)	(506,040)	(474,243)	31,797
OTHER FINANCING SOURCES (USES):				
Transfers in	525,000	505,000	505,000	0
TOTAL OTHER FINANCING SOURCES (USES)	525,000	505,000	505,000	0
Net change in fund balances	(19,470)	(1,040)	30,757	31,797
Fund balances - beginning	73,900	121,846	120,995	(851)
FUND BALANCES - ENDING	\$54,430	\$120,806	\$151,752	\$30,946



CITY OF MUKILTEO

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual Arterial Street Fund For the Fiscal Year ended December 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$140,000	\$170,000	\$129,387	(\$40,613)
Miscellaneous	500	400	322	(78)
TOTAL REVENUES	140,500	170,400	129,708	(40,692)
EXPENDITURES				
Current:				
Capital outlay	100,000	130,000	65,714	(64,286)
TOTAL EXPENDITURES	100,000	130,000	65,714	(64,286)
Excess of revenues over expenditures	40,500	40,400	63,994	23,594
Net change in fund balances	40,500	40,400	63,994	23,594
Fund Balance - Beginning	12,150	15,212	33,949	18,737
FUND BALANCE - ENDING	\$52,650	\$55,612	\$97,943	\$42,331



CITY OF MUKILTEO

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual Recreation and Cultural Services Fund For the Fiscal Year ended December 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$22,000	\$39,400	\$61,219	\$21,819
Miscellaneous	84,800	84,750	85,452	702
TOTAL REVENUES	106,800	124,150	146,671	22,521
EXPENDITURES				
Current:				
Culture and recreation	\$344,875	\$364,300	\$352,724	(\$11,576)
TOTAL EXPENDITURES	344,875	364,300	352,724	(11,576)
Excess of revenues over expenditures	(238,075)	(240,150)	(206,053)	34,097
OTHER FINANCING SOURCES (USES)				
Transfers in	\$254,510	\$231,535	\$231,535	\$0
TOTAL OTHER FINANCING SOURCES (USES)	254,510	231,535	231,535	0
Net change in fund balances	16,435	(8,615)	25,482	34,097
Fund Balance - Beginning	1,065	59,213	36,643	(22,570)
FUND BALANCE - ENDING	\$17,500	\$50,598	\$62,125	\$11,527



CITY OF MUKILTEO

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual Hotel/Motel Lodging Tax Fund For the Fiscal Year ended December 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$130,000	\$130,000	\$96,187	(33,813)
Miscellaneous	4,500	2,200	1,747	(453)
TOTAL REVENUES	134,500	132,200	97,934	(34,266)
EXPENDITURES				
Current:				
Economic environment	\$139,390	\$139,390	\$77,045	(\$62,345)
Capital Outlay	0	373,280	377,969	4,689
TOTAL EXPENDITURES	139,390	512,670	455,014	(57,656)
Excess of revenues over expenditures	(4,890)	(380,470)	(357,080)	23,390
OTHER FINANCING SOURCES (USES)				
Interfund Loans Received	\$0	\$0	\$0	\$0
TOTAL OTHER FINANCING SOURCES USES)	0	0	0	0
Net change in fund balances	(4,890)	(380,470)	(357,080)	23,390
Fund Balance - Beginning	181,070	237,717	240,030	2,313
FUND BALANCE - ENDING	\$176,180	(\$142,753)	(\$117,050)	\$25,703



CITY OF MUKILTEO

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual Facilities Maintenance Fund For the Fiscal Year ended December 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES	\$0	\$0	\$0	\$0
TOTAL REVENUES	0	0	0	0
EXPENDITURES				
Current:				
Physical environment	\$416,490	\$416,490	\$408,307	(\$8,183)
Capital outlay	47,000	47,000	32,517	(14,483)
TOTAL EXPENDITURES	463,490	463,490	440,824	(22,666)
Excess of revenues over expenditures	(463,490)	(463,490)	(440,824)	22,666
OTHER FINANCING SOURCES (USES)				
Transfers in	\$390,000	\$390,000	\$390,000	\$0
TOTAL OTHER FINANCING SOURCES (USES)	390,000	390,000	390,000	0
Net change in fund balances	(73,490)	(73,490)	(50,824)	22,666
Fund Balance - Beginning	92,200	124,291	85,837	(38,454)
FUND BALANCE - ENDING	\$18,710	\$50,801	\$35,013	(\$15,788)



CITY OF MUKILTEO

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual Technology Replacement Fund For the Fiscal Year ended December 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Miscellaneous	\$10,000	\$2,100	\$2,276	\$176
TOTAL REVENUES	10,000	2,100	2,276	176
EXPENDITURES				
Current:				
General government services	0	0	65,016	\$65,016
Capital outlay	\$113,240	\$228,240	\$143,912	(\$84,328)
TOTAL EXPENDITURES	113,240	228,240	208,928	(19,312)
Excess of revenues over expenditures	(103,240)	(226,140)	(206,652)	19,488
OTHER FINANCING SOURCES (USES)				
Transfers in	\$50,000	\$50,000	\$50,000	\$0
TOTAL OTHER FINANCING SOURCES (USES)	50,000	50,000	50,000	0
Net change in fund balances	(53,240)	(176,140)	(156,652)	19,488
Fund Balance - Beginning	297,860	299,677	285,617	(14,060)
FUND BALANCE - ENDING	\$244,620	\$123,537	\$128,965	\$5,428



CITY OF MUKILTEO

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual City Reserve Fund For the Fiscal Year ended December 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES	\$0	\$0	\$0	\$0
TOTAL REVENUES	0	0	0	0
EXPENDITURES				
Current:				
Capital Outlay	0	190,000	179,199	(10,801)
TOTAL EXPENDITURES	0	190,000	179,199	(10,801)
Excess of revenues over expenditures	0	(190,000)	(179,199)	10,801
Net change in fund balances	0	(190,000)	(179,199)	10,801
Fund balances - beginning	992,360	1,179,199	1,179,199	0
FUND BALANCES - ENDING	\$992,360	\$989,199	\$1,000,000	\$10,801



**Schedule of Revenues, Expenditures and Changes in Fund
Balances – Budget to Actual
Emergency Medical Services Fund
For the Fiscal Year ended December 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$849,000	\$849,000	\$877,226	\$28,226
Charges for Services	180,000	180,000	218,707	38,707
Miscellaneous	18,000	12,900	9,035	(3,865)
TOTAL REVENUES	1,047,000	1,041,900	1,104,968	63,068
EXPENDITURES				
Current:				
Public Safety	1,753,816	1,753,816	1,638,655	(115,161)
Capital Outlay	47,069	47,069	5,369	(41,700)
TOTAL EXPENDITURES	1,800,885	1,800,885	1,644,024	(156,861)
Excess of revenues over expenditures	(753,885)	(758,985)	(539,056)	219,929
OTHER FINANCING SOURCES (USES):				
Transfers in	476,750	369,750	369,750	\$0
TOTAL OTHER FINANCING SOURCES USES)	476,750	369,750	369,750	0
Net change in fund balances	(277,135)	(389,235)	(169,306)	219,929
Fund balances - beginning	310,270	499,203	434,098	(\$65,105)
Prior period adjustment	0	0	(4,978)	(\$4,978)
FUND BALANCES - ENDING	\$33,135	\$109,968	\$259,814	\$149,846



CITY OF MUKILTEO

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual Municipal Facilities Fund For the Fiscal Year ended December 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Miscellaneous	\$440	\$1,000	\$689	(\$311)
TOTAL REVENUES	440	1,000	689	(311)
EXPENDITURES				
Current:				
Capital Outlays	\$50,000	\$0	\$0	\$0
TOTAL EXPENDITURES	50,000	0	0	0
Excess of revenues over expenditures	(49,560)	1,000	689	(311)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$50,000	\$50,000	\$16,069	(33,931)
TOTAL OTHER FINANCING SOURCES USES)	50,000	50,000	16,069	(33,931)
Net change in fund balances	440	51,000	16,758	(34,242)
Fund Balance - Beginning	35,375	35,375	33,308	(2,067)
FUND BALANCE - ENDING	\$35,815	\$86,375	\$50,066	(\$36,309)



**Schedule of Revenues, Expenditures and Changes in Fund
Balances – Budget to Actual
Parks and Open Space Fund
For the Fiscal Year ended December 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Miscellaneous	\$94,500	\$95,000	\$131,884	\$36,884
TOTAL REVENUES	94,500	95,000	131,884	36,884
EXPENDITURES				
Current:				
Culture and recreation	\$62,675	\$96,175	\$85,398	(\$10,777)
TOTAL EXPENDITURES	62,675	96,175	85,398	(10,777)
Excess of revenues over expenditures	31,825	(1,175)	46,486	47,661
Net change in fund balances	31,825	(1,175)	46,486	47,661
Fund Balance - Beginning	79,845	79,845	80,472	627
FUND BALANCE - ENDING	\$111,670	\$78,670	\$126,958	\$48,288



CITY OF MUKILTEO

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual LTGO Bond Fund For the Fiscal Year ended December 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Miscellaneous	\$0	\$0	\$4	\$4
TOTAL REVENUES	0	0	4	4
EXPENDITURES				
Interest	\$0	\$84,305	\$84,301	(\$4)
TOTAL EXPENDITURES	0	84,305	84,301	(4)
Excess of revenues over expenditures	0	(84,305)	(84,297)	8
OTHER FINANCING SOURCES (USES):				
Transfers in	0	84,305	84,305	0
Bond Proceeds	0	7,348	7,349	1
TOTAL OTHER FINANCING SOURCES USES)	0	91,653	91,654	2
Net Change in Fund Balances	0	7,348	7,357	9
Fund balances - beginning	0	0	0	0
FUND BALANCES - ENDING	\$0	\$7,348	\$7,357	\$9



**Schedule of Revenues, Expenditures and Changes in Fund
Balances – Budget to Actual
Park Acquisition and Development Fund
For the Fiscal Year ended December 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$1,290,000	\$1,290,000	\$800,000	(\$490,000)
Charges for Services	30,000	30,000	51,199	21,199
Miscellaneous	4,100	2,300	1,034	(1,266)
TOTAL REVENUES	1,324,100	1,322,300	852,233	(470,067)
EXPENDITURES				
Current:				
Interest	0	0	740	740
Capital outlay	1,317,070	1,317,070	420,554	(896,516)
TOTAL EXPENDITURES	1,317,070	1,317,070	421,294	(895,776)
Excess of revenues over expenditures	7,030	5,230	430,939	425,709
Net change in fund balances	7,030	5,230	430,939	425,709
Fund balances - beginning	0	0	(398,747)	(398,747)
FUND BALANCES - ENDING	\$7,030	\$5,230	\$32,191	\$26,961



**Schedule of Revenues, Expenditures and Changes in Fund
Balances – Budget to Actual
Transportation Impact Fees Fund
For the Fiscal Year ended December 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$150,000	\$45,000	\$48,750	\$3,750
Miscellaneous	500	3,100	3,074	(26)
TOTAL REVENUES	150,500	48,100	51,824	3,724
EXPENDITURES				
Current:				
Capital outlay	\$600,000	\$550,500	\$545,402	(\$5,098)
TOTAL EXPENDITURES	600,000	550,500	545,402	(5,098)
Excess of revenues over expenditures	(449,500)	(502,400)	(493,578)	8,822
Net change in fund balances	(449,500)	(502,400)	(493,578)	8,822
Fund Balance - Beginning	525,950	529,097	521,713	(7,384)
FUND BALANCE - ENDING	\$76,450	\$26,697	\$28,135	\$1,438



CITY OF MUKILTEO

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual Real Estate Excise Tax II Fund For the Fiscal Year ended December 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$300,000	\$300,000	\$327,549	\$27,549
Miscellaneous	52,500	19,000	\$13,627	(5,373)
TOTAL REVENUES	352,500	319,000	341,176	22,176
EXPENDITURES				
Current:				
Capital outlay	3,287,722	1,656,050	969,325	(686,725)
TOTAL EXPENDITURES	3,287,722	1,656,050	969,325	(686,725)
Excess of revenues over expenditures	(2,935,222)	(1,337,050)	(628,149)	708,901
OTHER FINANCING SOURCES (USES):				
Transfers out	0	(6,744)	(6,744)	0
Bond Proceeds	1,527,000	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	1,527,000	(6,744)	(6,744)	0
Net change in fund balances	(1,408,222)	(1,343,794)	(634,893)	708,901
Fund balances - beginning	1,757,430	1,945,090	1,972,936	27,846
Prior Period Adjustment	0	0	(17,990)	(17,990)
FUND BALANCES - ENDING	\$349,208	\$601,296	\$1,320,053	\$718,757



Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Health Insurance Administration Fund

The City self-insures dental and vision benefits for City Employees. The Health Insurance Administration Fund maintains reserves for these benefits, as required by state law.

Equipment Replacement Fund

The City maintains a detailed equipment replacement schedule for all capital equipment owned by the City. Departments are charged an annual fee that is set aside for the purpose of replacing capital equipment used by the department.

Unemployment Compensation Fund

This reserve fund is maintained to protect against higher than anticipated employment compensation claims.



CITY OF MUKILTEO

Required Supplementary Information

Combining Statement of Net Assets Internal Service Funds December 31, 2009

	Health Insurance Administration	Equipment Replacement	Unemployment Compensation	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$45,126	\$1,034,976	\$40,488	\$1,120,590
Total current assets	45,126	1,034,976	40,488	1,120,590
Non-current assets:				
Interfund loans receivable	\$0	\$333,280	\$0	333,280
Capital assets, net of depreciation:				
Machinery & Equipment	0	1,331,824	0	1,331,824
Total non-current assets	0	1,665,104	0	1,665,104
Total assets	45,126	2,700,080	40,488	2,785,694
LIABILITIES				
Current liabilities:				
Accounts payable	0	0	0	0
Total liabilities	0	0	0	0
NET ASSETS				
Investment in capital assets	0	1,331,824	0	1,331,824
Restricted	15,863	0	0	15,863
Unrestricted	29,263	1,368,256	40,488	1,438,007
Total net assets	\$45,126	\$2,700,080	\$40,488	\$2,785,694



CITY OF MUKILTEO

Required Supplementary Information

Combining Statement of Revenues, Expenditures and Changes in Net Assets Internal Service Funds For the Year Ended December 31, 2009

	Self Insurance	Equipment Replacement	Unemployment Compensation	Total
Operating revenues:				
Charges for services	\$0	\$340,155	\$0	\$340,155
Total operating revenues	0	340,155	0	340,155
Operating expenses:				
Other services and charges	0	2,575	0	2,575
Depreciation	0	315,678	0	315,678
Total operating expenses	0	318,253	0	318,253
Operating income (loss)	0	21,902	0	21,902
Non-operating revenue (expense)				
Gain (loss) on disposition of capital assets	0	12,297	0	12,297
Total non-operating revenues (expenses)	0	12,297	0	12,297
Change in net assets	0	34,199	0	34,199
Net assets - beginning	45,126	2,701,702	40,488	2,787,316
Change in accounting policy	0	(13,450)	0	(13,450)
Adjusted net assets- beginning of year	45,126	2,688,252	40,488	2,773,866
Prior Period Adjustments	0	(22,371)	0	(22,371)
Net assets - ending	\$45,126	\$2,700,080	\$40,488	\$2,785,694



CITY OF MUKILTEO

Required Supplementary Information

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

	Self Insurance	Equipment Rental	Unemployment Compensation	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	0	340,155	0	340,155
Cash paid to suppliers	0	(10,341)	0	(10,341)
Net cash provided (used) by operating activities	0	329,814	0	329,814
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	0	(331,436)	0	(331,436)
Change in accounting policy / Prior period adjustment	0	(35,821)	0	(35,821)
Net cash provided (used) by capital and related financing activities	0	(367,257)	0	(367,257)
Net Increase (Decrease) in Cash and Cash Equivalents	0	(37,443)	0	(37,443)
Balances - beginning of the year	48,716	1,068,828	40,488	1,158,033
Balances - end of the year	48,716	1,031,386	40,488	1,120,590
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	0	21,902	0	21,902
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	0	315,678	0	315,678
Change in assets and liabilities:				
Increase (decrease) in accounts payable	0	(7,766)	0	(7,766)
Net cash provided by operating activities	0	329,814	0	329,814
Noncash investing, capital, and financing activities:				
Change in accounting policy	0	(13,450)	0	(13,450)
Prior period adjustment	0	(22,371)	0	(22,371)
TOTAL NON-CASH ACTIVITIES	0	(35,821)	0	(35,821)



**Statement of Changes in Assets and Liabilities
Fiduciary Funds
For the year ended December 31, 2009**

ADDITIONS:	
WST-Traffic fines	190,444
Sno County Crime Victims Comp	18,820
TOTAL ADDITIONS	209,263
DEDUCTIONS:	
WST-Traffic fines	141,142
Sno County Crime Victims Comp	18,820
Mukilteo TVB share	49,302
TOTAL DEDUCTIONS	209,263



Statistical Section

This part of the City of Mukilteo’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.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City’s most significant revenue source, the property tax.

Debt Capacity

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..

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.

Operating Information

These tables 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 report for the relevant year.



Net Assets By Component
Last Eight Fiscal Years

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Governmental Activities								
Invested in capital assets, net of related debt	\$ 120,749,522	\$ 200,726,356	\$ 201,814,554	\$ 185,420,202	\$ 179,046,883	\$ 174,222,431	\$ 177,953,497	\$ 173,423,150
Restricted	20,810	6,564,134	6,799,608	8,801,020	11,318,444	13,299,745	9,673,940	6,854,917
Unrestricted	18,505,029	11,674,922	11,416,823	15,095,244	17,418,479	18,169,777	10,282,447	8,270,324
Total governmental activities net assets	\$ 139,275,361	\$ 218,965,412	\$ 220,030,985	\$ 209,316,466	\$ 207,783,806	\$ 205,691,953	\$ 197,909,884	\$ 188,548,391
Business-type Activities								
Invested in capital assets, net of related debt	\$ 8,428,039	\$ 2,180,348	\$ 2,206,674	\$ 4,510,209	\$ 4,721,709	\$ 4,251,120	\$ 4,205,460	\$ 3,942,067
Restricted	-	-	-	-	-	-	-	-
Unrestricted	243,958	182,588	993	316,592	632,125	1,070,251	1,335,376	1,721,007
Total business-type activities net assets	\$ 8,671,997	\$ 2,362,936	\$ 2,207,667	\$ 4,826,801	\$ 5,353,834	\$ 5,321,371	\$ 5,540,836	\$ 5,663,074
Primary Government								
Invested in capital assets, net of related debt	\$ 129,177,561	\$ 202,906,704	\$ 204,021,228	\$ 189,930,411	\$ 183,768,592	\$ 178,473,551	\$ 182,158,957	\$ 177,365,217
Restricted	20,810	6,564,134	6,799,608	8,801,020	11,318,444	13,299,745	9,673,940	6,854,917
Unrestricted	18,748,987	11,857,510	11,417,816	15,411,836	18,050,604	19,240,028	11,617,823	9,991,331
Total primary government net assets	\$ 147,947,358	\$ 221,328,348	\$ 222,238,652	\$ 214,143,267	\$ 213,137,640	\$ 211,013,324	\$ 203,450,720	\$ 194,211,465

Source: Prior years published Comprehensive Annual Financial Reports. Data for 2000-2001 not readily available.



**Changes in Net Assets
Last Eight Fiscal Years**

	2002	2003	2004	2005	2006	2007	2008	2009
Expenses:								
Governmental activities								
General government	\$ 1,800,815	\$ 1,823,400	\$ 1,821,822	\$ 2,832,292	\$ 3,090,080	\$ 4,193,496	\$ 3,344,367	\$ 2,714,274
Public safety	5,536,584	8,830,883	7,324,218	5,935,915	6,401,863	7,370,795	8,153,872	8,691,625
Physical environment	258,703	127,459	177,124	367,107	347,751	404,866	902,912	904,339
Transportation	11,886,617	1,208,788	1,916,824	8,539,306	8,319,734	8,498,718	8,701,510	9,321,668
Economic environment	710,414	720,208	644,168	753,245	920,291	1,169,686	1,501,697	1,386,836
Culture and recreation	617,132	213,257	1,365,003	712,526	737,710	931,559	1,261,755	1,588,533
Interest on long-term debt	193,808	135,528	100,803	63,999	25,000	-	-	87,198
Total governmental activities expenses	<u>21,004,073</u>	<u>13,059,523</u>	<u>13,349,962</u>	<u>19,204,390</u>	<u>19,842,429</u>	<u>22,569,120</u>	<u>23,866,112</u>	<u>24,694,473</u>
Business-type activities								
Utility Operations	704,229	917,519	1,334,721	805,811	699,274	1,078,896	1,075,599	1,197,130
Total business-type activities expenses	<u>704,229</u>	<u>917,519</u>	<u>1,334,721</u>	<u>805,811</u>	<u>699,274</u>	<u>1,078,896</u>	<u>1,075,599</u>	<u>1,197,130</u>
Total primary government expenses	<u>21,708,302</u>	<u>13,977,042</u>	<u>14,684,683</u>	<u>20,010,201</u>	<u>20,541,703</u>	<u>23,648,016</u>	<u>24,941,711</u>	<u>25,891,602</u>
Program Revenues:								
Governmental activities								
Charges for services:								
General government	174,593	963,271	1,144,972	1,804,013	1,873,890	2,219,610	1,785,529	1,211,684
Other	1,064,597	738,649	1,305,686	1,985,651	2,031,693	1,882,899	1,570,567	1,376,108
Operating grants and contributions	249,740	415,661	459,909	2,290	4,505	8,652	98,451	41,506
Capital grants and contributions	7,235,034	449,000	4,225	2,709,399	-	-	-	800,000
Total governmental activities program revenues	<u>8,723,964</u>	<u>2,566,581</u>	<u>2,914,792</u>	<u>6,501,353</u>	<u>3,910,088</u>	<u>4,111,161</u>	<u>3,454,547</u>	<u>3,429,298</u>
Business-type activities								
Charges for services	861,668	871,357	1,175,754	1,114,319	1,202,088	1,230,133	1,257,681	1,321,499
Operating grants and contributions	15,000	9,050	-	-	-	-	-	-
Capital grants and contributions	218,217	132,560	-	626,960	-	-	-	-
Total business-type activities program revenues	<u>1,094,885</u>	<u>1,012,967</u>	<u>1,175,754</u>	<u>1,741,279</u>	<u>1,202,088</u>	<u>1,230,133</u>	<u>1,257,681</u>	<u>1,321,499</u>
Net (Expense) Revenue								
Governmental activities	(12,280,109)	(10,492,942)	(10,435,170)	(12,703,037)	(15,932,341)	(18,457,959)	(20,411,565)	(21,265,176)
Business-type activities	<u>390,656</u>	<u>95,448</u>	<u>(158,967)</u>	<u>935,468</u>	<u>502,814</u>	<u>151,237</u>	<u>182,082</u>	<u>124,369</u>
Total primary government net expense	<u>(11,889,453)</u>	<u>(10,397,494)</u>	<u>(10,594,137)</u>	<u>(11,767,569)</u>	<u>(15,429,527)</u>	<u>(18,306,722)</u>	<u>(20,229,483)</u>	<u>(21,140,807)</u>



CITY OF MUKILTEO

Statistical Section

Changes in Net Assets Last Eight Fiscal Years

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	2002	2003	2004	2005	2006	2007	2008	2009
General Revenues:								
Governmental activities								
Taxes:								
Property	4,294,052	4,833,669	4,846,384	5,682,699	5,394,735	5,040,684	5,211,238	5,291,877
Sales	2,122,720	1,412,509	1,376,812	2,296,092	2,396,991	2,663,800	2,555,293	2,107,024
Utility	2,275,418	1,980,605	2,335,829	2,440,343	2,599,479	2,810,637	2,848,484	2,834,262
Other	1,917,075	1,551,957	2,426,189	2,775,687	2,715,745	2,988,768	2,041,533	1,520,807
Investment earnings	358,683	265,498	248,367	660,834	1,262,858	1,461,214	756,681	73,849
Gain on sale of capital assets	23,402	1,173	12,154	(2,751,260)	-	-	(31,600)	12,297
Miscellaneous	120,088	189,826	182,734	54,759	24,226	27,820	47,946	443,302
Change in accounting policy	-	-	-	-	-	-	-	(285,871)
Prior Period Adjustments	-	5,531,781	72,274	(9,170,636)	5,647	1,373,183	(800,078)	(93,864)
Total governmental activities general revenues	11,111,438	15,767,018	11,500,743	1,988,518	14,399,681	16,366,106	12,629,497	11,903,683
Business-type activities								
Investment earnings	14,108	1,736	3,698	10,531	24,218	43,046	27,497	10,125
Miscellaneous	96	-	-	-	-	-	-	-
Change in accounting policy	-	-	-	-	-	-	-	(12,256)
Prior Period Adjustments	-	(6,388,763)	-	1,673,135	-	(226,746)	600	-
Transfers	-	-	-	-	-	-	9,286	-
Total business-type activities general revenues	14,204	(6,387,027)	3,698	1,683,666	24,218	(183,700)	37,383	(2,131)
Total primary government	11,125,642	9,379,991	11,504,441	3,672,184	14,423,899	16,182,406	12,666,880	11,901,552
Change in Net Assets								
Governmental activities	(1,168,671)	5,274,076	1,065,573	(10,714,519)	(1,532,660)	(2,091,853)	(7,782,070)	(9,361,493)
Business-type activities	404,860	(6,291,579)	(155,269)	2,619,134	527,032	(32,463)	219,465	122,238
Total primary government	(763,811)	(1,017,503)	910,304	(8,095,385)	(1,005,628)	(2,124,316)	(7,562,605)	(9,239,254)

Source: 2002-2004 published Comprehensive Annual Financial Reports and 2005-2008 audited financial statements. Data for 2000-2001 not readily available.



CITY OF MUKILTEO

Statistical Section

Governmental Activities Tax Revenues by Source Last Eight Fiscal Years

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales & Use Tax</u>	<u>Utility Tax</u>	<u>Lodging Tax</u>	<u>Real Estate Excise Tax</u>	<u>Other Tax</u>	<u>Total</u>
2002	4,294,052	2,122,720	2,275,418	72,156	1,247,389	395,204	10,406,939
2003	4,833,669	1,412,509	1,980,605	77,282	1,042,951	431,724	9,778,740
2004	4,846,384	1,376,812	2,335,829	88,132	1,328,750	1,009,307	10,985,214
2005	5,682,699	2,296,092	2,440,343	97,356	2,267,740	410,591	13,194,821
2006	5,394,735	2,396,991	2,599,479	145,102	2,120,675	449,968	13,106,950
2007	5,040,684	2,663,800	2,810,637	126,685	2,386,681	475,402	13,503,889
2008	5,211,238	2,555,293	2,848,484	142,294	1,378,330	520,909	12,656,548
2009	5,291,877	2,107,024	2,834,262	96,187	1,018,510	406,110	11,753,970
Percentage Change in Dollars Over 7 Years	23.2%	-0.7%	24.6%	33.3%	-18.3%	2.8%	12.9%

Source: Prior years published Comprehensive Annual Financial Reports.

Data for 2000-2001 not readily available



**Fund Balances of Governmental Funds
Last Ten Fiscal Years**

	Fiscal Year					Fiscal Year				
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	\$ 36,111	\$ 20,810	\$ 115,810	\$ 20,810	\$ 20,810	\$ 20,810	\$ 20,810	\$ 20,810	\$ 10,406	\$ 2,288,671
Unreserved	4,172,267	4,234,873	3,966,951	5,538,153	4,179,311	6,658,269	7,930,353	7,863,298	6,817,515	3,056,362
Subtotal General Fund	<u>4,208,378</u>	<u>4,255,683</u>	<u>4,082,761</u>	<u>5,558,963</u>	<u>4,200,121</u>	<u>6,679,079</u>	<u>7,951,163</u>	<u>7,884,108</u>	<u>6,827,921</u>	<u>5,345,033</u>
General Fund Percentage Change		1.1%	-4.1%	36.2%	-24.4%	59.0%	19.0%	-0.8%	-13.4%	-21.7%
All Other Governmental Funds										
Reserved	\$ 1,587,614	\$ 1,131,583	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,901,338	\$ 12,213,756	\$ 19,233,886
Unreserved										
General Fund Type Funds	-	-	-	-	-	-	-	-	-	189,924
Special Revenue Funds	5,636,683	7,421,085	9,581,775	6,136,752	5,940,889	7,417,433	8,600,665	-	-	0
Debt Service Funds	677,016	-	27,389	83,479	109,911	94,417	98,038	-	-	-
Capital Projects Funds	3,325,614	4,471,134	4,215,941	5,161,639	6,372,557	7,984,074	10,213,928	-	-	-
Subtotal All Other Governmental Funds	<u>11,226,927</u>	<u>13,023,802</u>	<u>13,825,105</u>	<u>11,381,870</u>	<u>12,423,357</u>	<u>15,495,924</u>	<u>18,912,631</u>	<u>21,901,338</u>	<u>12,213,756</u>	<u>19,423,810</u>
Total Governmental Funds										
Reserved	1,623,725	1,152,393	115,810	20,810	20,810	20,810	20,810	21,922,148	12,224,162	21,522,557
Unreserved	13,811,580	16,127,092	17,792,056	16,920,023	16,602,668	22,154,193	26,842,984	7,863,298	6,817,515	3,246,286
Total Governmental Funds	<u>\$ 15,435,305</u>	<u>\$ 17,279,485</u>	<u>\$ 17,907,866</u>	<u>\$ 16,940,833</u>	<u>\$ 16,623,478</u>	<u>\$ 22,175,003</u>	<u>\$ 26,863,794</u>	<u>\$ 29,785,446</u>	<u>\$ 19,041,677</u>	<u>\$ 24,768,843</u>
All Governmental Funds Percentage Change		11.9%	3.6%	-5.4%	-1.9%	33.4%	21.1%	10.9%	-36.1%	30.1%

Source: Prior years published Comprehensive Annual Financial Reports.



CITY OF MUKILTEO

Statistical Section

Changes in Fund Balances of Governmental Funds Last Ten Fiscal Years

	Fiscal Year					Fiscal Year				
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues:										
Taxes	\$ 8,788,675	\$ 9,239,929	\$ 9,641,244	\$ 9,681,245	\$ 10,174,273	\$ 12,480,127	\$ 12,356,315	\$ 12,681,028	\$ 11,758,234	\$ 11,264,543
Intergovernmental	1,339,017	1,141,502	1,404,624	1,177,833	777,508	738,904	777,558	837,076	1,005,414	1,527,584
Charges for services	1,180,442	1,700,483	630,668	789,027	879,569	1,283,800	1,154,821	1,378,522	1,042,572	1,007,601
Licenses and permits	869,765	1,006,612	743,151	838,352	881,494	1,132,820	1,201,740	1,167,154	952,722	999,251
Fines and forfeitures	108,724	116,654	128,419	149,740	142,364	92,545	100,476	140,397	145,638	140,325
Miscellaneous	1,209,748	943,519	505,227	590,831	337,612	863,547	1,467,673	1,704,502	1,002,647	414,389
Total Revenues	\$ 13,496,371	\$ 14,148,699	\$ 13,053,333	\$ 13,227,028	\$ 13,192,820	\$ 16,591,743	\$ 17,058,583	\$ 17,908,679	\$ 15,907,227	\$ 15,353,693
Expenditures:										
General government	\$ 2,034,398	\$ 1,529,317	\$ 1,611,484	\$ 1,584,809	\$ 1,659,159	\$ 1,759,871	\$ 1,916,018	\$ 2,443,327	\$ 2,444,307	\$ 2,533,173
Security of persons and property	3,837,803	4,134,814	4,724,223	4,836,248	5,217,478	5,644,123	6,087,495	7,004,039	7,507,830	8,298,178
Physical environment	261,808	289,511	171,150	194,188	442,124	273,022	255,633	328,753	807,613	610,885
Transportation	462,664	466,315	672,002	602,057	369,935	591,450	529,077	627,596	722,959	1,159,010
Economic environment	629,045	670,292	676,478	899,799	781,610	748,987	928,492	1,142,317	1,455,250	1,183,908
Culture and recreation	556,940	542,736	445,767	575,018	1,153,676	566,496	572,791	706,948	888,027	853,596
Capital outlay	1,777,878	3,160,257	2,736,815	4,571,511	2,737,663	1,776,203	1,455,286	2,735,669	13,102,543	7,635,003
Debt service:										
Principal payments	1,015,000	950,000	1,470,000	785,000	820,000	865,000	500,000	0	0	-
Interest and other charges	326,583	266,903	193,808	145,242	100,803	63,999	25,000	0	0	214,439
Total Expenditures	\$ 10,902,119	\$ 12,010,145	\$ 12,701,727	\$ 14,193,872	\$ 13,282,448	\$ 12,289,151	\$ 12,269,792	\$ 14,988,649	\$ 26,928,529	\$ 22,488,193
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,594,252	2,138,554	351,606	(966,844)	(89,628)	4,302,592	4,788,791	2,920,030	(11,021,302)	(7,134,500)
Other Financing Sources (Uses)										
Bond Issuance	0	0	0	0	0	0	0	0	0	12,585,001
Bond Premium	0	0	0	0	0	0	0	0	0	348,159
Transfers in	1,978,566	2,878,738	2,634,853	468,600	2,508,740	1,316,000	1,384,000	2,143,059	6,308,154	2,133,093
Transfers out	(2,223,566)	(3,163,738)	(2,410,999)	(468,600)	(2,808,740)	(1,316,000)	(1,484,000)	(2,143,059)	(6,002,240)	(2,133,093)
Total Other Financing	\$ (245,000)	\$ (285,000)	\$ 223,854	\$ -	\$ (300,000)	\$ -	\$ (100,000)	\$ -	\$ 305,914	\$ 12,933,159
Prior Period Adjustments	(2,411,891)	0	52,923	0	72,274	1,248,933	0	1,623	(28,380)	(71,493)
Net Change in Fund Balances	\$ (62,639)	\$ 1,853,554	\$ 628,383	\$ (966,844)	\$ (317,354)	\$ 5,551,525	\$ 4,688,791	\$ 2,921,653	\$(10,743,768)	\$ 5,727,166
Debt Service as a % of Noncapital Expenditures	17.2%	15.9%	20.0%	10.7%	9.6%	9.7%	5.1%	0.0%	0.0%	1.5%

Source: Prior years published Comprehensive Annual Financial Reports and audited financial statements.



Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

(in millions of dollars)

Fiscal Year	Residential Property	Commercial Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Annual Percentage Change
2000	1,219	376	-58	1,537	2.7781	1,537	N/A
2001	1,273	379	-40	1,612	2.7585	1,612	5%
2002	1,310	438	-87	1,661	2.5612	1,661	3%
2003	1,730	735	-306	2,159	2.2589	2,159	30%
2004	1,777	581	-166	2,192	2.2589	2,192	2%
2005	2,008	555	-110	2,453	2.3308	2,453	12%
2006	2,293	647	-125	2,815	1.9490	2,815	15%
2007	2,885	758	-198	3,445	1.4789	3,445	22%
2008	3,371	900	-227	4,044	1.2852	4,044	44%
2009	3,396	960	-191	4,165	1.2755	4,165	21%

Notes:

1 Washington State law requires all property be assessed at 100 % of its true and fair market value.

2 Tax rates expressed in rate per \$1,000

Source: Snohomish County Assessor's Office



**Property Tax Rates – Direct and Overlapping Governments
(per \$1,000 of assessed valuation)
Last Ten Fiscal Years**

Year	City	County	State	Other Overlapping Rates			Total
				School	Library	Port	
2000	2.7781	1.4848	3.4985	4.5691	0.4943	0.4190	13.2438
2001	2.7585	1.4770	3.4003	5.1582	0.4868	0.4190	13.6998
2002	2.5612	1.4293	3.2876	5.1327	0.4664	0.4190	13.2962
2003	2.2386	1.3665	3.1838	4.7558	0.4572	0.3769	12.3788
2004	2.2589	1.2085	2.9526	4.8428	0.5000	0.3770	12.1398
2005	2.3308	1.0976	2.7890	4.4230	0.4565	0.3534	11.4503
2006	1.9490	0.9993	2.5319	4.2949	0.4228	0.3301	10.5280
2007	1.4789	0.8399	2.1646	3.9270	0.3532	0.3095	9.0731
2008	1.2852	0.7234	1.9056	3.4274	0.3128	0.2764	7.9308
2009	1.2755	0.7165	1.9094	3.2735	0.3135	0.2668	7.7552

Source: Snohomish County Assessor Annual Reports



CITY OF MUKILTEO

Statistical Section

Principal Property Taxpayers

December 31, 2009 and 2000

(Amounts expressed in thousands)

2009				2000			
Principal Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed	Principal Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed
			Value				Value
RREEF America Reit II Corp	\$ 70,528	1	1.7%	Boeing Company	\$ 48,638	1	3.0%
Boeing Company	66,688	2	1.6%	Teachers Insurance & Annuity	21,552	2	1.3%
Legacy Partners Harbour Pointe LLC	56,094	3	1.3%	Wiredzone Property LP	20,717	3	1.3%
On The Green HP LLC	46,633	4	1.1%	On The Green	15,150	4	0.9%
SVF Harbour Pointe Mukilteo LLC	32,990	5	0.8%	Misawa On The Green	14,145	5	0.9%
WiredZone Property LLP	32,677	6	0.8%	Palmer Groth & Pietka Inc.	12,540	6	0.8%
SC Harbour Pointe Inc.	29,194	7	0.7%	Western Blossom Hill Investors	11,913	7	0.7%
Essex Property Trust	18,406	8	0.4%	Deloitte & Touche LLP	10,829	8	0.7%
Sterling Realty Organization	16,891	9	0.4%	Harbour Pointe Golf Assoc	8,541	9	0.5%
Harbour Pointe Retirement	14,083	10	0.3%	Harbour Pointe Retirement	8,242	10	0.5%
Total Principal Taxpayers	<u>384,183</u>		<u>9.2%</u>		<u>172,268</u>		<u>10.8%</u>
All Other Taxpayers	<u>3,780,729</u>		<u>90.8%</u>		<u>1,429,806</u>		<u>89.2%</u>
Total	<u>\$ 4,164,912</u>		<u>100.0%</u>		<u>\$ 1,602,073</u>		<u>100.0%</u>

Source: Snohomish County Assessor's Office



**Property Tax Levies and Collections
Last Ten Fiscal Years**

For the Year Ended December 31	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Total Uncollected Taxes	
		Amount	Percentage of Levy		Amount	Percentage of Levy	Amount	Percentage of Levy
2000	4,426,673	4,296,339	97.06%	130,334	4,426,673	100.0000%	0	0.0000%
2001	4,551,769	4,456,211	97.90%	95,527	4,551,738	99.9993%	31	0.0007%
2002	4,464,398	4,294,052	96.18%	1,234	4,295,286	96.2120%	169,112	3.7880%
2003	4,855,153	4,735,385	97.53%	96,434	4,831,819	99.5194%	23,335	0.4806%
2004	4,948,397	4,721,191	95.41%	227,194	4,948,385	99.9998%	12	0.0002%
2005	5,707,698	5,601,478	98.14%	106,180	5,707,658	99.9993%	40	0.0007%
2006	5,485,942	5,405,164	98.53%	79,626	5,484,790	99.9790%	1,151	0.0210%
2007	5,097,513	5,023,955	98.56%	63,100	5,087,055	99.7949%	10,457	0.2051%
2008	5,199,357	5,125,219	98.57%	54,587	5,179,807	99.6240%	19,550	0.3760%
2009	5,968,319	5,885,533	98.61%	-	5,885,533	98.6129%	82,786	1.3871%

Source: Snohomish County Treasurer's Office and previous year's CAFR's



Ratios of Outstanding Debt by Type

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	Special Assessment Bonds	Revenue Bonds	Sewer Bonds	General Obligation Bonds	Capital Leases			
2000	4,580,000	5,000	878,750	0	0	0	5,463,750	1.00%	303
2001	3,725,000	5,000	710,000	0	0	0	4,440,000	0.77%	242
2002	0	0	0	0	0	0	0	0.00%	0
2003	2,185,000	0	0	0	0	0	2,185,000	0.36%	114
2004	1,365,000	0	0	0	0	0	1,365,000	0.21%	71
2005	500,000	0	0	0	0	0	500,000	0.07%	26
2006	0	0	0	0	0	0	0	0.00%	0
2007	0	0	0	0	0	0	0	0.00%	0
2008	0	0	0	0	0	0	0	0.00%	0
2009	12,585,000	0	0	0	0	0	12,585,000	1.55%	626

Note: Information on the City's outstanding debt can be found in the Notes to the Financial Statements.

¹See the Schedule of Demographic and Economic Statistics for personal income and population data.



Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value¹ of Property	Per Capita²
2000	\$ 4,580,000	176,439	\$ 4,403,561	0.29%	\$ 244
2001	\$ 3,725,000	197,983	\$ 3,527,017	0.22%	\$ 192
2002	\$ 2,970,000	26,447	\$ 2,943,553	0.18%	\$ 159
2003	\$ 2,185,000	75,116	\$ 2,109,884	0.10%	\$ 110
2004	\$ 1,365,000	109,911	\$ 1,255,089	0.06%	\$ 65
2005	\$ 500,000	-	\$ 500,000	0.02%	\$ 26
2006	\$ -	-	\$ -	0.00%	\$ -
2007	\$ -	-	\$ -	0.00%	\$ -
2008	\$ -	-	\$ -	0.00%	\$ -
2009	\$ 12,585,000	7,357	\$ 12,577,643	0.30%	\$ 625

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

¹ See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

² Population data can be found in the Schedule of Demographic and Economic Statistics.

Source:
Prior years published Comprehensive Annual Financial Reports.
Snohomish County Assessor's Office.



**Direct and Overlapping Governmental Activities Debt
AS OF 12/31/2009**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable¹	Estimated Share of Overlapping Debt
City of Mukilteo	\$12,585,000	100%	\$12,585,000
Total Direct Debt	\$12,585,000	100%	\$12,585,000
Local School	\$80,022,852	28.20%	\$22,569,311
County	\$350,743,342	4.08%	\$14,324,044
Fire District	\$7,445,000	13.08%	\$973,863
Total Overlapping Debt	\$438,211,194	8.64%	\$37,867,217
Total Direct and Overlapping Debt	\$450,796,194	11.19%	\$50,452,217

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Mukilteo. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

¹The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the governmental unit's taxable assessed value that is within the city's boundaries and dividing it by the governmental unit's total taxable assessed value.

Sources: Snohomish County Assessor's Annual Report for 2009 Taxes, and the Snohomish County Treasurer's Office.



Legal Debt Margin Information

Last Nine Fiscal Years

For the Year Ended December 31,	Fiscal Year								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total Taxable Property Value	\$1,743,923,950	\$2,169,239,709	\$2,192,201,240	\$2,451,853,621	\$2,815,314,457	\$3,453,306,328	\$3,444,579,433	\$4,044,382,739	\$4,164,912,117
2.5% Limit for General Purposes is allocated between (2) councilmanic and (8) voted	43,598,099	54,230,993	54,805,031	61,296,341	70,382,861	86,332,658	86,114,486	101,109,568	104,122,803
<i>Up to 1.5% debt without a vote (councilmanic)</i>	26,158,859	32,538,596	32,883,019	36,777,804	42,229,717	51,799,595	51,668,691	60,665,741	62,473,682
Less: outstanding debt	(3,725,000)	(2,970,000)	(2,185,000)	(1,365,000)	(500,000)	-	-	-	(12,585,000)
Less: contracts payable	-	-	-	-	-	-	-	-	-
Less: excess of debt with a vote	-	-	-	-	-	-	-	-	-
Add: available assets	-	-	-	-	-	-	-	-	7,357
Equals: remaining debt capacity without a vote	22,433,859	29,568,596	30,698,019	35,412,804	41,729,717	51,799,595	51,668,691	60,665,741	49,896,039
<i>1% general purposes debt with a vote</i>	17,439,240	21,692,397	21,922,012	24,518,536	28,153,145	34,533,063	34,445,794	40,443,827	41,649,121
Less: outstanding debt	-	-	-	-	-	-	-	-	-
Less: contracts payable	-	-	-	-	-	-	-	-	-
Add: available assets	-	-	-	-	-	-	-	-	-
Equals: remaining debt capacity with a vote	17,439,240	21,692,397	21,922,012	24,518,536	28,153,145	34,533,063	34,445,794	40,443,827	41,649,121
2.5% Utility purpose limit, voted	43,598,099	54,230,993	54,805,031	61,296,341	70,382,861	86,332,658	86,114,486	101,109,568	104,122,803
Less: outstanding debt	-	-	-	-	-	-	-	-	-
Less: contracts payable	-	-	-	-	-	-	-	-	-
Add: available assets	-	-	-	-	-	-	-	-	-
Equals: remaining debt capacity - utility purposes, voted	43,598,099	54,230,993	54,805,031	61,296,341	70,382,861	86,332,658	86,114,486	101,109,568	104,122,803
2.5% Open space, park and capital facilities, voted	43,598,099	54,230,993	54,805,031	61,296,341	70,382,861	86,332,658	86,114,486	101,109,568	104,122,803
Less: outstanding debt	-	-	-	-	-	-	-	-	-
Less: contracts payable	-	-	-	-	-	-	-	-	-
Add: available assets	-	-	-	-	-	-	-	-	-
Equals: remaining debt capacity - open space and capital facilities, voted	43,598,099	54,230,993	54,805,031	61,296,341	70,382,861	86,332,658	86,114,486	101,109,568	104,122,803
	127,069,296	159,722,978	162,230,093	182,524,022	210,648,584	258,997,975	258,343,457	303,328,705	299,790,766

Source: Prior years published Comprehensive Annual Financial Reports. Data for 2000 not readily available.



Demographic and Economic Statistics

Last Ten Fiscal Years

Year	Population¹	Personal Income	Per Capita Income²	Median Age³	School Enrollment⁴	Unemployment Rate⁵
2000	18,019	\$ 547,561,372	30,388	36.5	13,198	4.5%
2001	18,340	\$ 572,996,620	31,243	36.5	14,381	5.3%
2002	18,520	\$ 584,694,920	31,571	36.5	14,560	7.0%
2003	19,190	\$ 611,316,640	31,856	36.5	14,057	7.1%
2004	19,220	\$ 639,737,700	33,285	36.5	14,482	5.8%
2005	19,360	\$ 676,883,680	34,963	39.3	14,332	5.1%
2006	19,620	\$ 728,196,300	37,115	39.3	14,484	4.5%
2007	19,940	\$ 740,073,100	37,115	39.3	14,423	4.0%
2008	20,050	\$ 744,155,750	37,115	39.3	14,454	5.1%
2009	20,110	\$ 810,473,220	40,302	40.1	14,950	5.3%

Notes:

¹Information provided by Washington State Office of Financial Management

²Information provided by the Washington Office of Financial Management 2009 Data Book, and is for Snohomish County

³U.S. Census Bureau, Census 2000, and 2006-2008 Fact Sheet for the City of Mukilteo

⁴Information provided by Washington State Office of the Superintendent of Public Instruction and prior year's CAFR's

⁵Rates for Snohomish County, WA. Information provided by U.S. Department of Labor - Bureau of Labor Statistics



**Principal Employers
Current Year and Seven Years Ago**

2009				2002			
Employer	Number of Employees	Rank	Percentage of Total City Employment	Employer	Number of Employees	Rank	Percentage of Total City Employment
Boeing Company	516	1	7.6%	The Boeing Company	849	1	16.5%
Travis Industries	400	2	5.9%	ElectroImpact Inc	171	2	3.3%
ElectroImpact Inc	300	3	4.4%	Mukilteo YMCA	150	3	2.9%
D3 Technologies Inc	204	4	3.0%	Synrad Inc	125	4	2.4%
Senior Services of Snohomish County	200	5	3.0%	KAAS Tailored	103	5	2.0%
Synrad Inc	130	6	1.9%	Senior Services of Snohomish County	100	6	1.9%
Mukilteo YMCA	120	7	1.8%	Combimatrix Corporation	98	7	1.9%
Diversified Industrial Services	115	8	1.7%	Hydra Master Corp	96	8	1.9%
KAAS Tailored	111	9	1.6%	Pacific Pride Seafood	95	9	1.9%
Ivars Mukilteo Landing	100	10	1.5%	J & E Manufacturing	91	10	1.8%
Total Principal Employers	2,196		32.4%	Total Principal Employers	1,878		36.6%
Other Employers	4,579		67.6%	Other Employers	3,257		63.4%
Total Employers	6,775		100.0%	Total Employers	5,135		100.0%

Source: City of Mukilteo Business License Data. Data for 2000 not readily available.



Full Time Equivalent City Government Employees by Function
Last Eight Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008	2009
General Government								
Executive	5.0	5.0	5.0	5.0	5.0	5.0	5.5	5.5
Finance	6.0	6.0	6.0	6.0	6.0	7.0	7.0	8.0
Public Safety								
Police	27.0	27.0	27.0	27.0	28.0	29.0	32.0	32.0
Fire	16.0	16.0	19.0	20.0	20.0	21.0	29.5	29.5
Planning & Community Development								
Planning	5.0	5.0	7.0	7.0	7.0	6.3	6.0	6.0
Building	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0
Permit Center	3.0	3.0	3.0	4.0	4.0	4.0	4.0	4.0
Public Works								
Administration & Engineering	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Streets Maintenance	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Facilities Maintenance*	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5
Parks and Open Space	3.0	3.0	3.0	3.0	5.0	6.5	6.5	6.0
Surface Water	4.0	4.0	4.0	4.0	4.0	4.0	4.5	4.5
Recreation & Cultural Services								
Community Center	2.0	2.0	2.5	2.5	2.5	2.5	2.5	3.0
Total	81.0	81.0	85.5	87.5	90.5	94.3	107.0	108.0

*New division created in 2008.

Source: Prior years published budgets. Data for 2000-2001 not readily available.



Operating Indicators by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police										
Physical arrests	N/A	N/A	N/A	160	157	137	115	162	131	130
Infractions/citations	1,047	1,116	1,200	1,764	1,627	1,755	1,356	2,636	2,677	3,150
Case reports	3,399	2,574	2,898	2,551	2,533	2,280	2,418	2,497	2,221	2,122
Animal complaints	413	398	400	354	468	416	425	506	473	442
Fire										
Emergency Incidents	1,480	1,492	1,500	1,635	1,590	1,742	1,977	1,851	1,687	1,894
Life safety inspections	663	639	680	467	510	469	510	530	509	600
Planning & Community Development										
Plan Reviews	188	225	150	177	207	253	192	214	208	159
Building permits issued	360	388	300	390	370	617	595	322	311	439
Site Inspections	4,740	4,650	4,580	4,400	4,370	4,500	4,750	2,400	2,300	2,500
Highways and streets										
Miles of Street Maintained	62	62	63	66	67	67	67	67	68	68
Potholes repaired	48	60	68	55	40	20	200	20	100	100
Culture and Recreation										
Available for lease (sf)	N/A	N/A	N/A	9,100	10,082	10,082	10,082	10,082	10,082	9,826
Sq. feet leased	N/A	N/A	N/A	6,494	7,136	7,824	8,458	8,458	8,458	9,676
Percent leased	N/A	N/A	N/A	71.4%	70.8%	77.6%	83.9%	83.9%	83.9%	98.5%
City Sponsored Events	N/A	N/A	N/A	3	2	2	2	2	7	10
Surface Water										
ERU's Billed	11,991	12,600	12,630	13,000	13,200	13,280	13,280	13,300	13,350	13,426

Source: Various city departments.

Note: Indicators are not available for the general government function.

N/A = Not Available



Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Cars	9	9	9	9	9	9	9	10	11	11
Administrative Vehicles	2	2	2	2	2	2	2	2	2	2
Detective Vehicles	3	3	3	3	3	4	4	5	5	5
Crime Prevention Vehicles	0	0	0	0	0	0	0	0	1	1
Motorcycles	2	2	2	2	2	2	2	2	2	2
Other Vehicles	1	1	1	1	1	1	1	2	2	2
Fire/EMS										
Fire Stations	2	2	2	2	2	2	2	2	2	2
Fire Engines	4	4	3	3	3	3	3	3	3	3
Aid units	3	3	3	3	3	3	3	3	3	3
Rescue/Utility Vehicle	2	2	2	2	2	2	2	2	2	2
Staff Vehicle	2	2	2	2	2	2	2	2	3	3
Highways and streets										
Streets (miles)	61	62	66	66	68	68	68	68	68	68
Traffic Signals	9	9	9	9	13	13	13	13	13	13
Snow Plows	4	4	4	4	4	4	5	5	5	5
Street Sweepers	0	0	0	0	0	0	0	1	1	1
Culture and Recreation										
Parks acreage	117	135	442	442	433	499	499	499	499	499
Parks	31	31	31	31	31	33	33	33	33	33
Tennis courts	1	1	1	1	1	1	1	1	1	1
Community Centers	1	1	1	1	1	1	1	1	1	1
Surface Water										
Storm sewers (miles)	34	34	34	34	34	34	35	35	35	35

Source: Various city departments.

Note: No capital asset indicators are available for the general government function.