

# 2010 Comprehensive Annual Financial Report

(For the Year Ended December 31, 2010)

The City of Mukilteo, Washington



**Joe Marine, Mayor**

Cover Photos (clockwise from top left):

- 1) New Rosehill Community Center.
- 2) Trail leading from 92<sup>nd</sup> Street Park into Big Gulch Trail.
- 3) A pod of Orcas swim near Lighthouse Park during the grand opening celebration of Rosehill Community Center on February 5, 2011 (Photo courtesy of Chris Larson).
- 4) Lighthouse Park Phase II improvements.
- 5) New Lighthouse Park band shell.

# Comprehensive Annual Financial Report



**For The Year Ended December 31, 2010**

**Prepared by the Finance Department**

**Scott James, CPA**

Finance Director

**Gini Schacker**

Accounting Services Manager

**Joyce Alling**

Staff Accountant

**Wanda Locke**

Accounting Technician

**Debbie Nilsen**

Accounting Technician

**Carmen Roberts**

Accounting Technician

For comments or questions, contact  
City of Mukilteo, Finance Department  
425.263.8039

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



# CITY OF MUKILTEO

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# City of Mukilteo Public Officials

## Elected Officials 2010



Joe Marine  
Mayor



Randy Lord  
Council President



Richard Emery  
Council Vice President



Linda Grafer  
Councilmember



Jennifer Gregerson  
Councilmember



Kevin Stoltz  
Councilmember



Howard T. Tinsley  
Councilmember



Emily Vanderwielen  
Councilmember

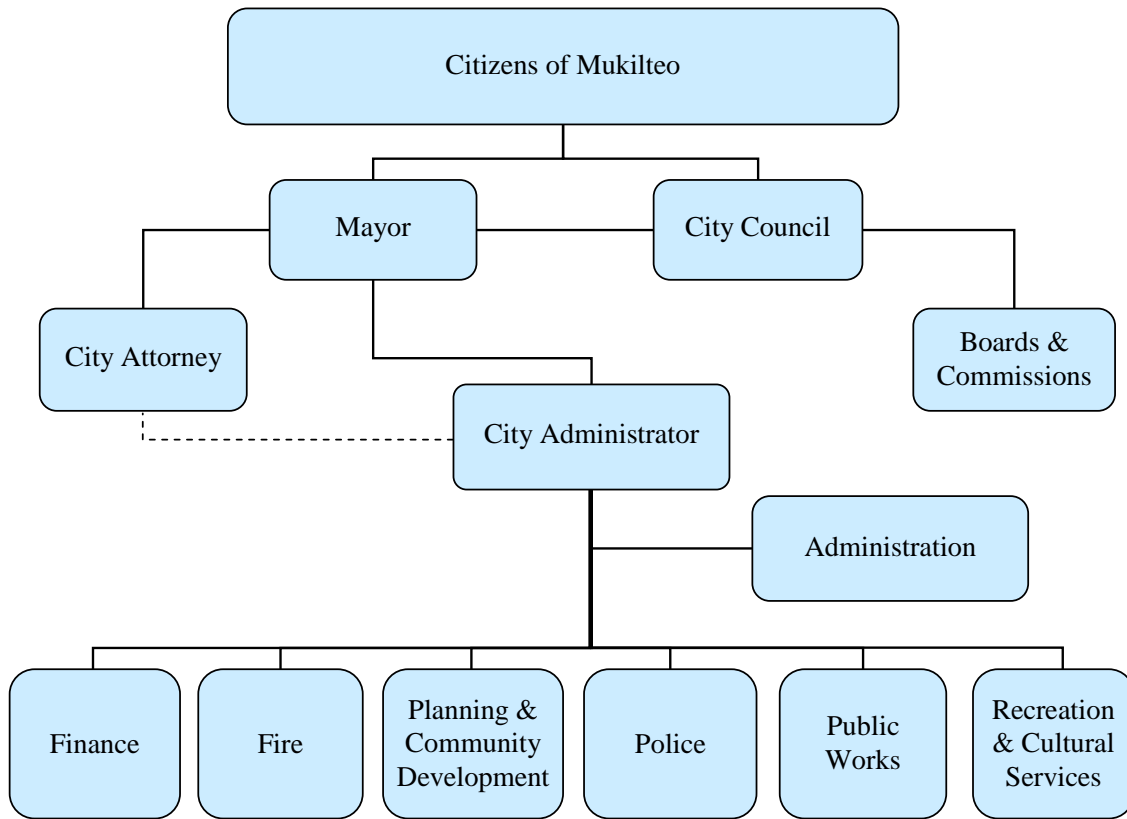
## Executive Staff

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 24, 2011

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, 2010. This report will formally transmit the City of Mukilteo's 2010 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, 2010 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 northwest, 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 occasional sea lions and orcas.

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, aeronautical manufacturing, 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 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. There are significant environmental and energy savings to the City.

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 foot Community Center opened in February 2011.

In addition to the new Community Center and City Hall, the City owns a Police Station, two Fire Stations, a Public Works Facility, 74 acres of parks, 357 acres of open space, and 84 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.

### **Local Economy**

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 1,500 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 657 employees in the City and has its largest manufacturing site located just outside the city limits. Other major local employers include the Mukilteo School District, Travis Industries, ElectroImpact, and specialty private sector companies such as DillonWorks.

Development activity is highlighted by government construction projects including 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 slowing in 2008 with total sales tax revenues growing 2.0% compared to 2007's 8.4% growth rate. Sales tax revenues for 2009 reflected the national economic malaise by coming in 24.2% lower than 2008. 2010 sales tax revenues increased 6.0% over 2009. The City's strong cash reserves have helped stabilize the City's operations during this economic downturn. The City will begin 2011 with a General Fund cash balance equating 39.3% of the 2011 General Fund operating budget. In addition, the City Reserve Fund equates 7.9% of the 2011 General Fund operating budget, for a combined 47.2% of its 2011 General Fund operating budget in cash and reserves.

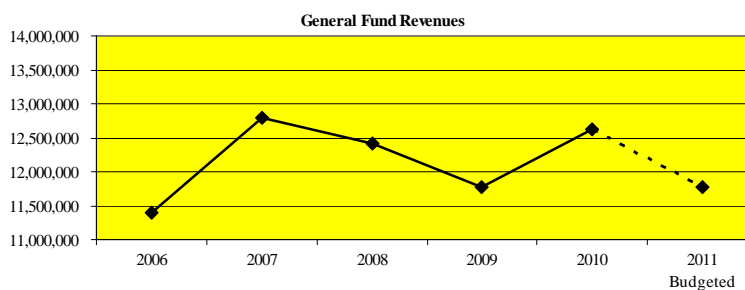
While the rate of property tax to be collected is limited by state law, increases in property values due to high quality development and redevelopment can provide Mukilteo with future increases in the amount of property tax collected. Current land use policies for the city encourage redevelopment, where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

### Long-range Financial Planning

The economic condition surrounding the City provides reason to be mindful of budgets. With this thought in mind, the City is looking at broadening the scope of today's & tomorrow's financial decisions to include a multi-year impact for these decisions. To gain this broader view, the City is working on developing a new tool called a Long-Range Financial Plan.

A Long-Range Financial Plan (LRFP) combines financial forecasting with financial strategizing. With a LRFP, the City can begin to see how today's decisions will affect the City's bottom line tomorrow.

Why does the City need a financial plan? As stated a moment ago, the economic challenge facing the City would seem sufficient in and of itself. However, having a financial plan makes for good business. The graph below charts the revenue history for the City's General Fund, the primary operating fund used to collect taxes and fees which are used to pay for many of the amenities needed to run a city, such as police, fire & park services:



The chart above shows there are wide ranges between the peaks and valleys. A long-range financial plan strategically combines the changes in these revenue streams with the City's goal of providing consistent levels of service from one year to the next. City Management can use a LRFP to identify emerging problems and communicate them to decision makers & citizens before they become problematic and interrupt the City's ability to provide services.

Additional benefits of having an LRFP, is the Plan can:

- Provide an avenue for Mayor, Council, citizens and staff to discuss policy,
- Provide a "road map" for where the City wants to go financially,
- Be used to help build consensus for making financial decisions,

- Stimulate long-term thinking,
- Clarify the City's strategic intent,
- Impose discipline, and
- Communicate to citizens.

Currently, the City's Long-Range Financial Planning Team is building the City's initial LRFP, with the goal of completing the first phase of the Plan this fall. The first phase will focus specifically on the General Fund with subsequent phases to include the City's capital funds. Team members include the Mayor, three Council Members, three citizens, 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 2011.

### **Major Initiatives**

The City continues its tradition of significant investments in capital facilities needed to provide services to our community. Construction projects started in 2010 ranged from the second phase of Lighthouse Park renovation to construction of a new Community Center. In 2010, the City received grant funding to purchase 16.7 acres of park and open space land in the Japanese Gulch. In addition a total 3.0 miles of pavement improvements were also completed in the City during 2010.

### **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 2010 annual budget. This was the sixth 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

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Mukilteo  
Washington

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



**Washington State Auditor  
Brian Sonntag**

June 27, 2011

Mayor and City Council  
City of Mukilteo  
Mukilteo, Washington

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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mukilteo, Snohomish County, Washington, as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will also issue our report dated June 27, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 supplemental information and statistical section on pages 57 through 84 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", written in a cursive style.

**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, 2010. 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, 2010 by \$186,086,166. Of this amount \$19,851,342 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's overall financial position declined in 2010 as compared to 2009. The City's total net assets decreased by \$8.1 million in 2010. This decrease is primarily attributable to depreciation expense. The decrease is attributed to a decrease from governmental activities of \$7,979,909 and a decrease from business-type activities of \$145,390. Additional information on City's financial condition is discussed below in the Government-wide Financial Analysis.
- During 2010, the City continued working on developing 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 \$15.5 million, a decrease of \$9.3 million in comparison with the prior year. Approximately \$2.9 million of this amount, or 26 percent of total 2010 General Fund expenditures, is *available for spending* at the government's discretion (*unreserved, undesignated fund balance*),.
- 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. \$2,498,392 was applied to General Government purposes – City Council, Legal, Administration, and Finance;
  - b. \$6,318,969 for Public Safety – Police, Fire, and Protective Inspection;
  - c. \$323,679 for Physical Environment – Air Pollution and Environment;
  - d. \$114,549 for Transportation – Street maintenance;
  - e. \$1,049,119 for Economic Environment;
  - f. \$640,498 for Culture and Recreation – Participant Recreation, Parks and Recreation Facilities.
  - g. \$145,310 for Capital Outlay.

#### 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, 2009 and 2010 total \$194,211,465 and \$186,086,166, respectively. Following is a condensed version of the government-wide statement of net assets for 2010 compared with 2009.

**Figure 1: Condensed Statement of Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
<b>Assets</b>						
Current and Other Assets	\$27,669,471	\$18,287,498	\$1,773,716	\$1,685,615	\$29,443,187	\$19,973,113
Capital Assets	176,094,014	176,834,573	3,942,067	3,914,484	180,036,081	180,749,057
Total Assets	203,763,485	195,122,071	5,715,783	5,600,099	209,479,268	200,722,170
<b>Liabilities</b>						
Current and Other Liabilities	1,446,759	1,159,517	26,078	77,519	1,472,837	1,237,036
Long-term Liabilities	13,768,335	13,394,072	26,631	4,896	13,794,966	13,398,968
Total Liabilities	15,215,094	14,553,589	52,709	82,415	15,267,803	14,636,004
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	\$173,423,150	\$166,764,649	\$3,942,067	\$3,914,484	\$177,365,217	\$170,679,133
Restricted	6,854,918	5,904,247	0	0	6,854,918	5,904,247
Unrestricted	8,270,323	7,899,586	1,721,007	1,603,200	9,991,330	9,502,786
Total Net Assets	\$188,548,391	\$180,568,482	\$5,663,074	\$5,517,684	\$194,211,465	\$186,086,166

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 \$186,086,166 as of December 31, 2010 and by \$194,211,465 as of December 31, 2009.

The largest portion of the City's net assets (91.7%) reflects investment of \$170.7 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 \$5.9 million for capital improvements or 3.2% of the total net assets and the unrestricted portion of net assets of \$9.5 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 \$8.1 million in 2010. The decrease is attributed to a decrease from governmental activities of (\$7,979,909) and a decrease from business-type activities of (\$145,390).

The following is a condensed version of the City's changes in net assets. The table below shows revenues, expenses, and related changes in net assets in tabular form for the governmental activities separate from the business-type activities for 2009 and 2010.

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
<b>Revenues</b>						
<b>Program Revenue:</b>						
Charges for Services	\$2,587,792	\$2,757,130	\$1,321,499	\$1,233,380	\$3,909,291	\$3,990,510
Operating Grants and Contributions	41,506	310,635	0	0	41,506	310,635
Capital Grants and Contributions	800,000	1,672,170	0	0	800,000	1,672,170
<b>General Revenues:</b>						
Property Taxes	5,291,877	5,510,291	0	0	5,291,877	5,510,291
Sales Taxes	2,107,024	2,138,984	0	0	2,107,024	2,138,984
Other Taxes	4,355,069	4,371,704	0	0	4,355,069	4,371,704
Interest and Investment earnings	73,849	65,975	10,125	5,103	83,974	71,078
Other	455,599	129,001	0	0	455,599	129,001
<b>Total Revenue</b>	<b>\$15,712,716</b>	<b>\$16,955,890</b>	<b>\$1,331,623</b>	<b>\$1,238,483</b>	<b>\$17,044,340</b>	<b>\$18,194,373</b>
<b>Expenses</b>						
<b>Governmental Activities</b>						
General government	\$2,714,274	\$3,325,827	\$0	\$0	2,714,274	3,325,827
Public safety	8,691,625	8,460,885	0	0	8,691,625	8,460,885
Physical environment	904,339	364,312	0	0	904,339	364,312
Economic environment	1,386,836	1,716,074	0	0	1,386,836	1,716,074
Culture and recreation	1,588,533	1,627,024	0	0	1,588,533	1,627,024
Transportation	9,321,668	8,964,903	0	0	9,321,668	8,964,903
Interest on Debt	87,198	459,430	0	0	87,198	459,430
<b>Business-Type Activities</b>						
Surface Water Management	0	0	1,197,130	1,388,871	1,197,130	1,388,871
<b>Total Expenses</b>	<b>\$24,694,473</b>	<b>\$24,918,455</b>	<b>\$1,197,130</b>	<b>\$1,388,871</b>	<b>\$25,891,603</b>	<b>\$26,307,326</b>
Excess (Deficiency) Before Transfers	(8,981,757)	(7,962,565)	134,494	(150,388)	(8,847,263)	(8,112,953)
<b>Transfers</b>	<b>0</b>	<b>(4,998)</b>	<b>0</b>	<b>4,998</b>	<b>0</b>	<b>0</b>
Increase (Decrease) in Net Assets	(8,981,757)	(7,967,563)	134,494	(145,390)	(8,847,263)	(8,112,953)
Net Assets - Beginning of Year	197,909,884	188,548,391	5,540,836	5,663,074	203,450,720	194,211,465
Change in accounting policy	(285,871)	0	(12,256)	0	(298,127)	0
Prior Year Adjustments	(93,864)	(12,346)	0	0	(93,864)	(12,346)
<b>Net Assets - End of Year</b>	<b>\$188,548,391</b>	<b>\$180,568,482</b>	<b>\$5,663,074</b>	<b>\$5,517,684</b>	<b>\$194,211,465</b>	<b>\$186,086,166</b>

### Governmental Activities Analysis

In 2009 Net Assets totaled \$188,548,391, and totaled \$180,568,482 in 2010, a decrease of \$7,979,909. Key elements of the 2010 decrease are as follows:

- Cost of all governmental activities in 2010 was \$24.9 million. Of this amount, \$4.7 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 \$20.2 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 increased from 2009 levels by \$31,960 or 1.5% primarily from increases from retail eating & drinking and accommodation sales tax. Property tax collections available for general use increased \$218,414 or 4.1%. Utility tax revenue growth was flat for the year.
- Charges for Services, including business license & development fees, permits, inspections and plan review services, increased by 6.5% over 2009, due to increases from license & permit fees.
- Overall governmental activities expenses increased in 2010 over 2009 by 0.9% at \$223,981.

### Business-Type Activities Analysis

The City's Surface Water Management Fund's financial position declined slightly in 2010 with net assets decreasing by \$145,390. 2010 charges for service revenues of \$1,233,380 showed a decrease of \$88,119 from 2009 collections, and operating costs including personnel services, supplies and professional services increased \$191,741.

At the end of the current fiscal year, the City's Surface Water Management Fund reported ending net assets of \$5.5 million. Of this amount \$3.9 million is invested in capital assets and \$1.6 million constitutes unrestricted balance, which is available for discretionary spending.

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

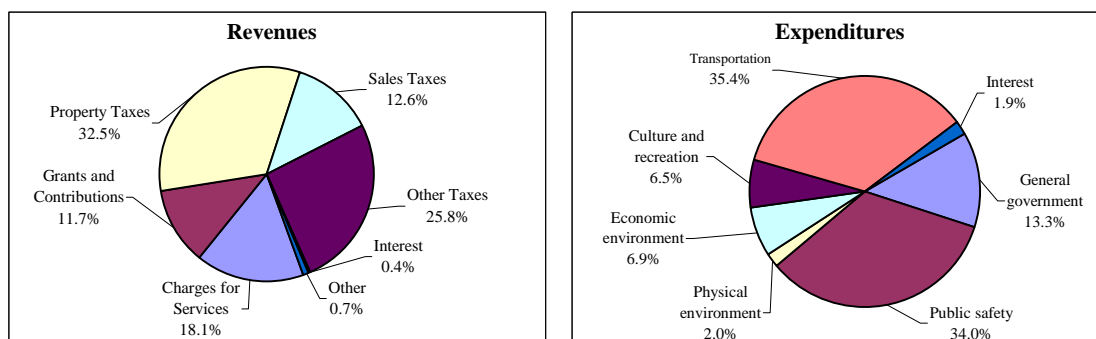
As discussed earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### 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 \$15.5 million. Approximately \$3.1 million (20%) of that amount constitutes unreserved fund balance, which is available for discretionary spending. The remainder of the fund balance is reserved; or is committed for various purposes and is not available for new spending. Revenues for the governmental funds in 2010 were \$16.9 million. Expenditures were \$25.8 million. Overall, fund balances decreased \$9.3 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 2010, the fund balance of the General Fund was \$5,231,796. As a measure of fund's liquidity, the ending fund balance is 47.2% of the fund's 2010 expenditures. As of December 31, 2010, total assets were \$6,109,663 and total liabilities were \$877,867. The net change in fund balance for the General Fund in 2010 was a decrease of \$113,237 or 2.1% from the 2009 ending balance. This decrease was primarily the result of on-going revenues coming in lower than on-going revenues and the City's desire to minimize service level changes offered to residents and businesses.



**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 2010 REET revenues increased 7.5% from 2009 levels.

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

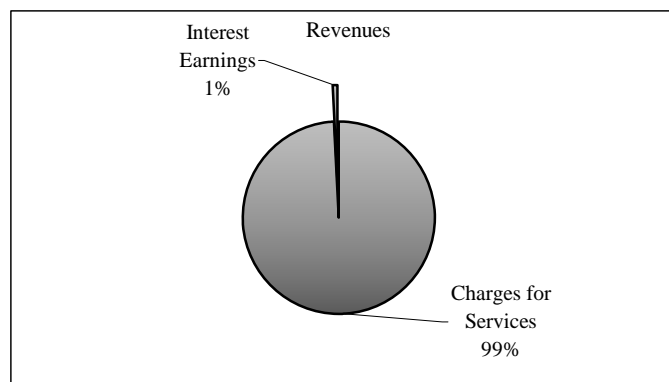
**Other Governmental Funds** - The City has fourteen other governmental funds, which includes ten special revenue funds, three capital projects funds and one Debt service fund. These funds reported total assets of \$2,993,435, total liabilities of \$569,452 and fund balances of \$2,423,983.

### 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 \$5.5 million. The largest portion of proprietary net assets, \$3.9 million (71%) reflects investment in capital assets. The remaining \$1.6 million (29%) represents unrestricted funds.

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



Surface Water Management Fund revenues are primarily generated from stormwater fees.

### GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there was \$367,849 increase in appropriations between the original and final amended budget. The following are the main components of the increase:

- \$73,450 in appropriations for legal services,
- \$47,262 in appropriations for public safety was added.
- \$87,190 in appropriations for technology was added.
- \$89,960 of budget reduction for new insurance allocation.
- \$31,600 in appropriations for professional services was added.
- \$114,549 in appropriations for transportation was added.
- \$59,698 in appropriations for personnel expenses was added.
- \$38,000 in appropriations for capital upgrades to commuter parking.

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 \$482,500. Total tax revenues exceeded budget by \$209,110. Sales tax and property tax revenues exceeded budget by \$259,000 and \$125,000 respectively. Natural gas utility tax revenues were \$199,710 below budget, due to the winter of 2010 being the warmest on



record, as well as an adjustment to natural gas rates which resulted in a 17% decrease. Anticipated development related and grant revenues came in over expectations.

Expenditures were \$287,163 below budget, which primarily consisted of \$192,000 savings on expenditures for services and intergovernmental expenditures savings of \$64,000.

### 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, 2010 amounts to \$180.4 million (net of accumulated depreciation).

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

	Governmental Activities		Business-type Activities		Total	
	2009	2010	2009	2010	2009	2010
Land	\$23,577,219	\$24,454,988	\$150,000	\$150,000	\$23,727,219	\$24,604,988
Art collection	175,520	175,520	0	0	175,520	175,520
Building	16,954,853	16,485,849	0	0	16,954,853	16,485,849
Improvements other than buildings	5,797,791	5,157,235	3,609,796	3,359,427	9,407,587	8,516,662
Machinery & equipment	2,567,527	2,242,141	182,271	163,773	2,749,798	2,405,914
Infrastructure	121,201,929	113,785,582	0	0	121,201,929	113,785,582
Construction in Progress	5,332,705	14,219,583	0	241,284	5,332,705	14,460,867
	<u>\$175,607,544</u>	<u>\$176,520,898</u>	<u>\$3,942,067</u>	<u>\$3,914,484</u>	<u>\$179,549,611</u>	<u>\$180,435,382</u>

Additional information on the City's capital assets can be found in Note 5 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 tax general obligation bonds for the construction of a new community center. The 2009 bond debt is backed by the full faith and credit of the City. Principal payments began in 2010. Additional information on long-term debt can be found in Note 8 to the financial statements.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City's 2011 budget is a continuation of our plan to keep the City on solid ground for providing services to our citizens during 2011 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 2011 Budget lays out the City's vision for achieving our immediate priorities and implementing our long-term goals beyond 2011.

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-notched schools and low property taxes."
- Additionally, Standard and Poor's spent many hours in understanding the City's finances and financial policies 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 2010 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 five years and continues for 2011: **Keeping Our Community Safe**. During the past five 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 2011 budget provides funding to maintain this goal.

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 2011, 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 2011 budget plan recognizes that **2011 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 2011 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.

#### 2011 Budget Overview

Anticipated revenues for all funds total \$20.3 million and are 1% lower than 2010. Total expenditures are \$25.5 million and are \$7.9 million lower than last year’s budget. The Rosehill Community Center construction and related expenses were paid in 2010, which accounts for the majority of 2011 expenditure reduction.

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 \$3,761,840, which equals 30% of 2011 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, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$16,830,450	\$1,555,850	\$18,386,300
Accounts receivable, net	287,425	129,765	417,190
Taxes receivable	1,047,852	0	1,047,852
Prepays	1,000	0	1,000
Deferred bond issuance costs	120,771	0	120,771
Investment in joint venture	313,675	0	313,675
Land	24,454,988	150,000	24,604,988
Art Collection	175,520	0	175,520
Capital assets (net)	137,670,807	3,523,200	141,194,007
Construction in progress	14,219,583	241,284	14,460,867
TOTAL ASSETS	\$195,122,071	\$5,600,099	\$200,722,170
LIABILITIES			
Accounts payable and other current liabilities	\$1,159,517	\$77,519	\$1,237,036
Non-current liabilities			
Due within one year	1,061,497	0	1,061,497
Due in more than one year	12,332,575	4,896	12,337,471
TOTAL LIABILITIES	\$14,553,589	\$82,415	\$14,636,004
NET ASSETS			
Invested in capital asset net of related debt	\$166,764,649	\$3,914,484	\$170,679,133
Restricted for:			
Capital Improvements	5,904,247	0	5,904,247
Unrestricted	7,899,586	1,603,200	9,502,786
TOTAL NET ASSETS	\$180,568,482	\$5,517,684	\$186,086,166



# CITY OF MUKILTEO

## Basic Financial Statements

### Statement of Activities For the year ended December 31, 2010

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Government activities:							
General government	\$3,325,827	\$1,503,555	\$0	\$0	(\$1,822,272)	\$0	(\$1,822,272)
Public safety	8,460,885	832,903	269,593	0	(7,358,389)	0	(7,358,389)
Physical environment	364,312	209,742	0	0	(154,570)	0	(154,570)
Economic environment	1,716,074	0	0	0	(1,716,074)	0	(1,716,074)
Culture and recreation	1,627,024	210,930	0	1,672,170	256,076	0	256,076
Transportation	8,964,903	0	41,042	0	(8,923,861)	0	(8,923,861)
Interest on Debt	459,430	0	0	0	(459,430)	0	(459,430)
Total governmental activities	24,918,455	2,757,130	310,635	1,672,170	(20,178,520)	0	(20,178,520)
Business-type activities:							
Surface Water Management	1,388,871	1,233,380	0	0	0	(155,491)	(155,491)
Total business-type activities	1,388,871	1,233,380	0	0	0	(155,491)	(155,491)
Total primary government	\$26,307,326	\$3,990,510	\$310,635	\$1,672,170	(\$20,178,520)	(\$155,491)	(\$20,334,011)
General Revenues:							
Property taxes					\$5,510,291	\$0	\$5,510,291
Sales taxes					2,138,984	0	2,138,984
Utility taxes					2,763,158	0	2,763,158
Fuel taxes					435,243	0	435,243
Excise taxes					1,027,534	0	1,027,534
Hotel/Motel taxes					145,769	0	145,769
Interest and investment earnings					65,975	5,103	71,078
Miscellaneous					129,001	0	129,001
Transfers					(4,998)	4,998	0
Total general revenues and transfers					12,210,957	10,101	12,221,058
Change in net assets					(7,967,563)	(145,390)	(8,112,953)
Net assets at beginning of year					188,548,391	5,663,074	194,211,465
Prior period adjustment					(12,346)	0	(12,346)
Net assets at end of year					\$180,568,482	\$5,517,684	\$186,086,166





# CITY OF MUKILTEO

## Basic Financial Statements

### Balance Sheet – Governmental Funds December 31, 2010

	General Fund	Real Estate Excise Tax I Fund	Community Center Project Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$5,009,580	\$5,093,991	\$2,621,575	\$2,790,259	\$15,515,405
Receivables, net					
Accounts receivable	178,952	0	0	106,814	285,766
Taxes receivable	920,132	31,359	0	96,362	1,047,852
Interfund loans receivable	0	125,679	0	0	125,679
Prepayments	1,000	0	0	0	1,000
<b>TOTAL ASSETS</b>	<b>\$6,109,663</b>	<b>\$5,251,028</b>	<b>\$2,621,575</b>	<b>\$2,993,435</b>	<b>\$16,975,701</b>
<b>LIABILITIES AND NET ASSETS</b>					
Liabilities:					
Accounts payable	\$123,513	\$14,045	\$31,046	\$86,483	\$255,088
Wages payable	403,517	0	0	84,766	488,283
Interfund loans payable	0	0	0	358,248	358,248
Deposits payable	331,256	0	0	18,447	349,703
Deferred revenue	11,738	0	0	21,508	33,246
Other accrued liabilities	7,843	0	0	0	7,843
<b>TOTAL LIABILITIES</b>	<b>877,867</b>	<b>14,045</b>	<b>31,046</b>	<b>569,452</b>	<b>1,492,410</b>
Net Assets:					
Reserved for:					
Reserve Fund	2,288,671	0	0	0	\$2,288,671
Special revenue funds	0	0	0	1,845,646	\$1,845,646
Debt service funds	0	0	0	7,403	\$7,403
Capital projects funds	0	5,236,983	2,590,529	479,460	\$8,306,972
Unreserved, designated parks	8,738	0	0	0	\$8,738
Unreserved, designated Paine Field	0	0	0	26,237	\$26,237
Unreserved, designated LEOFF I	0	0	0	137,375	\$137,375
Unreserved, designated Hotel/Motel	0	0	0	(57,540)	(\$57,540)
Unreserved, designated Park Acquisition	0	0	0	(14,598)	(\$14,598)
Unreserved, undesignated, reported in:					
General fund	2,934,387	0	0	0	\$2,934,387
<b>TOTAL NET ASSETS</b>	<b>5,231,796</b>	<b>5,236,983</b>	<b>2,590,529</b>	<b>2,423,983</b>	<b>15,483,291</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$6,109,663</b>	<b>\$5,251,028</b>	<b>\$2,621,575</b>	<b>\$2,993,435</b>	<b>\$16,975,701</b>



**Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
December 31, 2010**

<b>Total governmental fund balances</b>	<b>15,483,291</b>
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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.

Land	24,454,988
Art Collection	175,520
Construction in progress	14,219,583
Buildings	19,951,599
Improvements other than buildings	7,060,858
Machinery and Equipment - General Government	5,996,632
Infrastructure	263,711,357
Less: Accumulated Depreciation	(159,049,640)

Other long term assets used in governmental activities are not current period financial resources and therefore are not reported in the funds.

Investment in Joint Venture	313,675
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Long term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.

These long-term liabilities consist of:

Bonds Payable (net)	(12,454,948)
Deferred charge for issuance costs (to be amortized over life of bond)	120,771
Other post-employment benefits	(85,753)
Compensated absences	(853,371)

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.

1,523,920

<b>Net assets of governmental activities</b>	<b><u>180,568,482</u></b>
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# CITY OF MUKILTEO

## Basic Financial Statements

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

For the year ended December 31, 2010

	General Fund	Real Estate Excise Tax I Fund	Community Center Project Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	9,522,370	322,385	0	1,660,045	\$11,504,800
Licenses and permits	1,035,403	0	0	0	1,035,403
Intergovernmental revenues	950,989	56,746	0	1,851,975	2,859,710
Charges for services	559,961	0	0	423,334	983,295
Fines and forfeitures	183,240	0	0	0	183,240
Miscellaneous	256,086	17,596	21,793	55,076	350,551
<b>TOTAL REVENUES</b>	<b>12,508,049</b>	<b>396,727</b>	<b>21,793</b>	<b>3,990,430</b>	<b>16,916,999</b>
<b>EXPENDITURES</b>					
Current					
General government services	2,498,392	0	0	29,578	2,527,970
Public safety	6,318,969	0	0	1,564,750	7,883,719
Physical environment	323,679	49,741	0	0	373,420
Transportation	114,549	0	0	732,775	847,324
Economic environment	1,049,119	0	0	114,638	1,163,757
Culture and recreation	640,498	0	0	353,961	994,459
Debt Service					
Debt service - principal	0	0	0	455,000	455,000
Debt service - interest	0	0	0	452,960	452,960
Capital Outlay					
Capital outlay	145,310	181,935	7,571,855	3,169,961	11,069,061
<b>TOTAL EXPENDITURES</b>	<b>11,090,516</b>	<b>231,676</b>	<b>7,571,855</b>	<b>6,873,623</b>	<b>25,767,670</b>
Excess of revenues over (under) expenditures	1,417,533	165,051	(7,550,062)	(2,883,193)	(8,850,671)
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	131,958	0	0	2,165,830	2,297,788
Transfers out	(1,662,728)	(838,040)	0	(196,888)	(2,697,656)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,530,770)</b>	<b>(838,040)</b>	<b>0</b>	<b>1,968,942</b>	<b>(399,868)</b>
Net change in fund balances	(113,237)	(672,989)	(7,550,062)	(914,251)	(9,250,539)
Fund balances - beginning	5,345,033	5,909,972	10,140,591	3,338,234	24,733,830
<b>FUND BALANCES - ENDING</b>	<b>\$5,231,796</b>	<b>\$5,236,983</b>	<b>\$2,590,529</b>	<b>\$2,423,983</b>	<b>\$15,483,291</b>



**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, 2010**

<b>Net change in fund balances - total governmental funds</b>	<b>(9,250,539)</b>
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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 lives.

Capital outlays	11,069,061
Current year depreciation	(9,364,617)
Capital construction in progress written off	(66,620)
Disposal of assets	(468,618)

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.

Change in other post-employment benefits payable	(23,825)
Change in compensated absences payable	(74,320)
Depreciation of Investment in Joint Venture	(45,554)

Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of assets.

Principal payments	455,000
--------------------	---------

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.

Amortization of bond issuance costs	(6,470)
Amortization of bond premium	17,408

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds are reported with governmental activities.

	<u>(208,470)</u>
--	------------------

<b>Change in net assets of governmental activities</b>	<b><u><u>(7,967,563)</u></u></b>
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# 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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$9,313,260	\$9,313,260	\$9,522,370	\$209,110
Licenses	946,200	946,200	1,035,403	89,203
Intergovernmental	428,360	707,466	950,989	243,523
Charges for services	599,100	599,100	559,961	(39,139)
Fines and forfeits	147,100	177,100	183,240	6,140
Miscellaneous	227,900	282,400	256,086	(26,314)
<b>TOTAL REVENUES</b>	<b>11,661,920</b>	<b>12,025,526</b>	<b>12,508,049</b>	<b>482,523</b>
<b>EXPENDITURES</b>				
Current				
General government services	2,548,818	2,607,148	2,498,392	(108,756)
Public safety	6,370,220	6,437,682	6,318,969	(118,713)
Physical environment	343,350	343,350	323,679	(19,671)
Transportation	0	114,549	114,549	(0)
Economic environment	1,116,750	1,140,050	1,049,119	(90,931)
Culture and recreation	638,990	646,650	640,498	(6,152)
Capital outlay	23,000	88,250	145,310	57,060
<b>TOTAL EXPENDITURES</b>	<b>11,041,128</b>	<b>11,377,679</b>	<b>11,090,516</b>	<b>(287,163)</b>
Excess of revenues over expenditures	620,792	647,847	1,417,533	769,686
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	0	5,000	131,958	126,958
Transfers out	(1,626,430)	(1,657,728)	(1,662,728)	(5,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,626,430)</b>	<b>(1,652,728)</b>	<b>(1,530,770)</b>	<b>121,958</b>
Net change in fund balances	(1,005,638)	(1,004,881)	(113,237)	891,644
Fund balances - beginning	5,189,600	5,189,600	5,345,033	155,433
<b>FUND BALANCES - ENDING</b>	<b>\$4,183,962</b>	<b>\$4,184,719</b>	<b>\$5,231,796</b>	<b>\$1,047,077</b>



# CITY OF MUKILTEO

## Basic Financial Statements

### Statement of Net Assets – Proprietary Funds December 31, 2010

	<b>Business Activities - Enterprise Funds Surface Water Management Fund</b>	<b>Governmental Activities Internal Service Funds</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	1,555,850	1,315,046
Accounts receivable	129,765	1,659
Interfund loans receivable	0	232,569
Total Current Assets	<u>1,685,615</u>	<u>1,549,274</u>
Noncurrent assets:		
Capital assets, net		
Land	150,000	0
Buildings	0	3,264
Other improvements	3,359,426	5,000
Machinery and equipment	163,774	1,080,053
Construction in Progress	241,284	0
Total Noncurrent Assets	<u>3,914,484</u>	<u>1,088,317</u>
<b>TOTAL ASSETS</b>	<b><u>5,600,099</u></b>	<b><u>2,637,591</u></b>
<b>LIABILITIES</b>		
Current Liabilities		
Wages payable	37,712	3,559
Accounts Payable	39,807	21,795
Total Current Liabilities	<u>77,519</u>	<u>25,354</u>
Noncurrent Liabilities		
Compensated Absences	4,896	0
Total Noncurrent Liabilities	<u>4,896</u>	<u>0</u>
<b>TOTAL LIABILITIES</b>	<b><u>82,415</u></b>	<b><u>25,354</u></b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	3,914,484	1,088,317
Unrestricted	1,603,200	1,523,920
<b>TOTAL NET ASSETS</b>	<b><u>5,517,684</u></b>	<b><u>2,612,237</u></b>



**Statement of Revenues, Expenditures and Changes in Net Assets  
Proprietary Funds  
For the year ended December 31, 2010**

	<b>Business Activities - Enterprise Funds Surface Water Management Fund</b>	<b>Governmental Activities Internal Service Funds</b>
<b>OPERATING REVENUE:</b>		
Charges for services	1,233,380	15,860
Miscellaneous	0	5,625
<b>Total Operating Revenues</b>	<b>1,233,380</b>	<b>21,485</b>
<b>OPERATING EXPENSES:</b>		
Personnel services	484,844	93,247
Supplies	33,587	28,244
Other services and charges	530,994	251,563
Intergovernmental services	55,660	0
Depreciation	283,786	251,770
<b>TOTAL OPERATING EXPENSES</b>	<b>1,388,871</b>	<b>624,825</b>
Operating Income (Loss)	(155,491)	(603,340)
<b>NON-OPERATING REVENUE (EXPENSES):</b>		
Investment interest revenues	5,103	0
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>5,103</b>	<b>0</b>
Income (Loss) before transfers	(150,388)	(603,340)
Transfers in	9,998	394,870
Transfers out	(5,000)	0
Change in net assets	(145,390)	(208,470)
Net assets beginning	5,663,074	2,820,707
<b>NET ASSETS ENDING</b>	<b>5,517,684</b>	<b>2,612,237</b>



# CITY OF MUKILTEO

## Basic Financial Statements

### Statement of Cash Flows – Proprietary Funds For the year ended December 31, 2010

	Business Activities - Enterprise Funds Surface Water Management Fund	Governmental Activities Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers and users	1,236,660	19,826
Payments to suppliers	(590,534)	(270,082)
Payments to employees	(484,844)	(93,247)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>161,282</b>	<b>(343,503)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Transfers (to)/from other funds	4,998	394,870
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>4,998</b>	<b>394,870</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and construction of capital assets	(256,203)	92,447
<b>NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES</b>	<b>(256,203)</b>	<b>92,447</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Investment income	5,103	0
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>5,103</b>	<b>0</b>
Net Increase (Decrease) in Cash and Cash Equivalents	(84,821)	143,814
Cash and Cash Equivalents, January 1	1,640,671	1,171,232
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>1,555,850</b>	<b>1,315,046</b>
<b>RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	(155,491)	(603,340)
Adjustments to Reconcile Operating Income to Net Cash Provided (used by Operating Activities)		
Depreciation	283,786	251,770
Change in Current Assets and Liabilities		
(Increase) decrease in receivables	3,280	(1,659)
Increase (decrease) in accounts payable	29,706	9,726
<b>TOTAL ADJUSTMENTS</b>	<b>316,773</b>	<b>259,837</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>161,282</b>	<b>(343,503)</b>





**Statement of Fiduciary Net Assets  
Fiduciary Funds  
December 31, 2010**

	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	40,155
Accounts receivable	82
<b>TOTAL ASSETS</b>	<b>40,236</b>
<b>LIABILITIES</b>	
Other liabilities	40,236
<b>TOTAL LIABILITIES</b>	<b>40,236</b>



**Notes to the Financial Statements  
December 31, 2010**

The following 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 No. 15 *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 a 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 a 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 **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.

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



**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 is 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.

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

**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. Budgetary Information

#### 1. Scope of Budget

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.

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.

### 2. Amending the Budget

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.

### 3. Excess of Expenditures over Appropriations

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

### 4. Deficit Fund Equity

See Note No. 2 – Stewardship, Compliance and Accountability.

## E. Assets, Liabilities, Fund Balance, Net Assets or Equities

### 1. Cash and Cash Equivalents

It is the City's policy to invest all temporary cash surpluses. At December 31, 2010, the City had \$17,040,758 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 2010 were approximately \$403,600.

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 No. 3, *Deposits and Investments*.

### 2. Investments See Deposits and Investments Note No 3.

### 3. Receivables

Taxes receivable consist of property taxes and related interest and penalties. (See Note 4 *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.



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

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 12 *Interfund Balances and Transfers*).

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.

#### 5. 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.

#### 6. Restricted Assets and Liabilities

These accounts contain resources for construction and debt service. Specific debt service reserve requirements are described in Note No. 8 *Long-Term Debt*.

#### 7. Capital Assets (See Capital Assets Note No. 5).

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



**8. 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:

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

**9. Other Accrued Liabilities**

These accounts consist of accrued wages and accrued employee benefits.

**10. Long-term Debt**

See Long-Term Debt Note No. 8.

**11. Fund Balance Classification**

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.

**F. Other****1. 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**

For the year ended December 31, 2010 two funds showed a deficit fund balance: the Hotel/Motel Lodging Tax Fund in the amount of \$57,540, and the Park Acquisition and Development Fund in the amount of \$14,598.

In 2009, the Hotel/Motel Lodging Tax Fund borrowed \$333,280 from the Equipment Replacement Reserve Fund to purchase a Visitor's Center building. As of 12/31/2010, the interfund loan balance outstanding is \$232,569. 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.

The Park Acquisition and Development Fund received an interfund loan in the amount of \$125,679 from the Real Estate Excise Tax I Fund in order to meet cash flow needs for Lighthouse Park capital improvements, due to the timing of grant fund receipts.

**Note 3 – Deposits and Investments****Deposits**

The City's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

**Investments**

As of December 31, 2010, the City had the following investments:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Years)</b>
Local Government Investment Pool	\$17,040,758	-
Total Fair Value	\$17,040,758	

**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.

**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 2010, 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.



## CITY OF MUKILTEO

### Notes to the Financial Statements

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	\$16,830,450	\$1,555,850	\$18,386,300	\$40,155	\$18,426,455
	\$16,830,450	\$1,555,850	\$18,386,300	\$40,155	\$18,426,455

**Note 4 – 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 5 – Capital Assets

Capital asset activity for the year ended December 31, 2010 follows:

<b>Governmental Activities</b>	<b>2010 Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	23,577,219	877,769	0	24,454,988
Art Collections	175,520	0	0	175,520
Construction in Progress	5,332,705	9,135,705	(248,828)	14,219,583
Total capital assets, not being depreciated:	29,085,444	10,013,474	(248,828)	38,850,091
Capital assets, being depreciated:				
Building	20,100,804	158,764	(307,969)	19,951,599
Other Improvements	7,449,054	347,980	(736,176)	7,060,858
Machinery and Equipment	5,882,040	217,216	(102,623)	5,996,633
Infrastructure	263,201,606	509,752	0	263,711,357
Total capital assets being depreciated:	296,633,504	1,233,711	(1,146,768)	296,720,447
Less accumulated depreciation for:				
Buildings	(3,145,951)	(627,768)	307,969	(3,465,750)
Improvements other than buildings	(1,651,263)	(519,917)	267,557	(1,903,623)
Machinery and Equipment	(3,314,513)	(542,601)	102,623	(3,754,492)
Infrastructure	(141,999,676)	(7,926,099)	0	(149,925,775)
Total accumulated depreciation:	(150,111,404)	(9,616,385)	678,149	(159,049,640)
Total capital assets, being depreciated, net:	146,522,100	(8,382,674)	(468,619)	137,670,807
Governmental activities capital assets, net:	175,607,544	1,630,800	(717,447)	176,520,898

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

<b>Internal Service Capital Assets</b>	<b>2010 Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Buildings	0	3,264	0	3,264
Other Improvements	0	5,000	0	5,000
Machinery & Equipment	3,987,769	0	(102,623)	3,885,146
Less accumulated depreciation for:				
Machinery & Equipment	(2,655,946)	(251,770)	102,623	(2,805,093)
Internal Services Assets, Net:	1,331,824	(243,506)	0	1,088,317



# CITY OF MUKILTEO

## Notes to the Financial Statements

<b>Business-type Activities</b>	<b>2010 Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	150,000	0	0	150,000
Construction in Progress	0	241,284	0	241,284
Total capital assets, not being depreciated:	150,000	241,284	0	391,284
Capital assets, being depreciated:				
Other Improvements	2,562,286	14,919	0	2,577,206
Other Improvements - Contractor Contributions	2,805,470	0	0	2,805,470
Machinery and Equipment	213,468	0	0	213,468
Total capital assets being depreciated:	5,581,224	14,919	0	5,596,144
Less accumulated depreciation for:				
Other Improvements	(1,258,300)	(227,602)	0	(1,485,902)
Other Improvements Contractor Contributions	(499,660)	(37,687)	0	(537,347)
Machinery and Equipment	(31,198)	(18,497)	0	(49,695)
Total accumulated depreciation:	(1,789,157)	(283,786)	0	(2,072,944)
Total capital assets, being depreciated, net:	3,792,067	(268,867)	0	3,523,200
Business activities capital assets, net:	3,942,067	(27,583)	0	3,914,484

### Depreciation Expense by Function

#### GOVERNMENTAL ACTIVITIES

General government	420,627
Public safety	442,460
Economic environment	81,332
Culture and recreation	582,420
Transportation	8,089,546
Total depreciation expense - Governmental activities	<u>\$ 9,616,385</u>

#### BUSINESS-TYPE ACTIVITIES

Surface Water	283,786
Total depreciation expense - Business-type activities	<u>\$283,786</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, 2010. At year end, the City's commitments with contractors are as follows:

	<u>Spent to</u> <u>Date</u>	<u>Remaining</u> <u>Commitment</u>
<b>Governmental</b>		
Community Center Facilities	\$ 10,354,734	\$ 2,578,425
LH Park Phase II	1,865,694	34,000
LH Park Phase IIB	232,960	174,300
Japanese Gulch Fish Ladder	170,326	85,000
88th Street Left Turn Lane	60,743	475,000
<b>Business Type</b>		
61st Street Culvert Replacement	5,919	259,000
	<u>\$ 12,690,377</u>	<u>\$ 3,605,725</u>

The following is a brief update of each project:

- The Community Center Facility is being financed with bonds issued in 2009 (see note 8 *Long-term Debt*) and is near completion.
- LH Park Phase II and IIB include lighting for the Band Shell constructed in 2010, as well as completion of the lawn area and artwork.
- Design for the Japanese Gulch Fish Ladder project is currently under review, and construction is expected to begin within the 3<sup>rd</sup> quarter of 2011.
- The 88<sup>th</sup> Street Left Turn Lane is projected to be completed in mid to late summer 2011. This project is expected to create a more efficient flow of traffic through this intersection. It will include left hand turn lanes as well as a missing link of sidewalk.
- 61<sup>st</sup> Street Culvert replacement is a project to repair a culvert failure on 61<sup>st</sup> near the bottom of Smuggler's Gulch.

**Disposal of Capital Assets**

The old Rosehill Community Center was disposed of in 2010, resulting in a write-off of the remaining book value of \$468,618.

**Write-off of Capital Construction in Progress**

During 2010, it was determined that several projects would not have funding to move forward for at least the next 3-5 years. If, during that time, it was determined that the projects would be revisited, the current costs associated with these projects would be obsolete, therefore deeming it necessary to write off these projects.

The construction in progress written off in 2010 is as follows:

2008 Pedestrian & Trail Planning	\$37,000
2008 Pedestrian Improvements - Construction	530
2008 Pedestrian Improvements - Design	29,090
	<u>\$66,620</u>

**Prior Period Adjustments**

It was determined that salaries associated with the City Hall Project in 2009 would not be capitalized with the project, and a prior period adjustment of \$12,346 was made to remove these costs from Construction in Progress.





## **Note 6 – 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](http://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 members 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 members 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 Chapters 41.34 and 41.40 RCW 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 monthly benefit is 2 percent of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 24 consecutive highest-paid service credit months.) The retirement benefit may not exceed 60 percent of AFC. The monthly 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 retiring 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 3 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 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is \$350 a month,



or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. A cost-of living allowance is granted at age 66 based upon years of service times the COLA amount (based on the consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service while actively serving in the military, if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65.
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, 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 3 percent annually.

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions. Effective July 22, 2007, said refund (adjusted as needed for specified legal reductions) is increased from 100 percent to 200 percent of the accumulated contributions if the member's death occurs in the uniformed service to the United States while participating in *Operation Enduring Freedom* or *Persian Gulf*, *Operation Iraqi Freedom*.

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 monthly benefit that is 1 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

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 for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.



- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, 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.

PERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities.

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 Director of the Department of Retirement Systems.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service.

These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and 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 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of said member's covered employment, if found eligible by the Department of Labor and Industries.

There are 1,189 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	74,857
Terminated Plan Members Entitled to but not yet Receiving Benefits	28,074
Active Plan Members Vested	105,339
Active Plan Members Non-vested	53,896
Total	262,166

### 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 6 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 Director of the Department of Retirement Systems sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 percent to 15 percent; two of the options are graduated rates dependent on the employee's age. 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, 2010, are as follows:

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
Employer*	5.31%**	5.31%**	5.31%***
Employee	6.00 %****	3.90%****	*****

\* 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:

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
2010	\$5,343	\$137,768	\$33,858
2009	\$6,850	\$179,408	\$37,671
2008	\$4,888	\$173,401	\$35,331

### **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 members 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 Chapter 41.26 RCW and may be amended only 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:

<b>Term of Service</b>	<b>Percent of Final Average Salary</b>
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 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each eligible surviving child, with a limitation on the combined allowances of 60 percent of the FAS; or (2) If no eligible spouse, eligible children receive 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS, divided equally.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability allowance is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability allowance or service retirement allowance.

LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's allowance.

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. (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 3 percent for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, unless the disability is duty-related, 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 3 percent for each year prior to age 53. A catastrophic disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are severely disabled in the line of duty and incapable of future substantial gainful employment in any capacity.

Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to



receive a retirement allowance of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

LEOFF Plan 2 members who apply for retirement may purchase up to five years of additional service credit. The cost of this credit is the actuarial equivalent of the resulting increase in the member's benefit. LEOFF Plan 2 members can purchase service credit for military service that interrupts employment. Additionally, LEOFF Plan 2 members who become totally incapacitated for continued employment while servicing in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible child(ren) may purchase service credit on behalf of the deceased member.

LEOFF Plan 2 members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a LEOFF Plan 2 member who is killed in the course of employment receive retirement benefits without actuarial reduction, if found eligible by the Director of the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of on-going health care insurance premiums paid to the Washington state Health Care Authority.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

There are 372 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	9,454
Terminated Plan Members Entitled to but not yet Receiving Benefits	674
Active Plan Members Vested	13,363
Active Plan Members Non-vested	3,944
Total	27,435

### 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.



## CITY OF MUKILTEO

### Notes to the Financial Statements

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2010, 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 8.62%.

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
2010	\$0	\$246,416
2009	\$0	\$237,162
2008	\$0	\$206,613

**Note 7 – 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 self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 145 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 2009 and 2010 were:

Year Ended December 31	Beginning of Year Liability	Current year Claims & Changes in Estimates	Claim Payments	Balance at Year End
2009	\$ 190,433.46	\$ (103,642.34)	\$ (1,899.12)	\$ 84,892.00
2010	\$ 84,892.00	\$ 54,446.00	\$ (918.00)	\$ 138,420.00





### Note 8 – 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.

At December 31, 2010, the city had the following general obligation bonds outstanding:

Purpose	Original Amount Issued	Date of Original Issue	Date of Final Maturity	Interest Rates	Amount of Installments	Balance 12/31/10
<b><u>General Government</u></b>						
2009 LTGO Bonds -						
Community Center	\$ 12,585,000	09/10/09	12/01/29	3.54	\$84,301 - \$909,313	\$ 12,130,000
	<u>\$ 12,585,000</u>					<u>\$ 12,130,000</u>

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

Year Ending December 31	Governmental Activities		
	Principal	Interest	Total Requirements
2011	\$ 470,000	\$ 439,313	\$ 909,313
2012	480,000	425,213	905,213
2013	495,000	410,813	905,813
2014	510,000	395,962	905,962
2015	525,000	382,613	907,613
2016-2020	2,905,000	1,635,638	4,540,638
2021-2025	3,455,000	1,078,300	4,533,300
2026-2029	3,290,000	335,400	3,625,400
Total	\$ 12,130,000	\$ 5,103,251	\$ 17,233,251

### **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.

### **Rebatable Arbitrage**

Arbitrage occurs when the City invests funds borrowed at tax-exempt rates of interest in higher yielding taxable securities. These interest earnings in excess of interest expense must be remitted to the federal government. At the fund level, the City recognizes this liability only when it is due and payable. The City had no arbitrage excess earnings liability in 2010.

**Note 9 – Changes in Long-Term Liabilities**

During the year ended December 31, 2010, the following changes occurred in long-term liabilities:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>	<b>Due Within One Year*</b>
<b>Governmental Activities</b>					
Bonds Payable:					
Series 2009 Bonds, \$12,585,000 issued	\$12,585,000	\$0	(\$455,000)	\$12,130,000	470,000
Unamortized bond premium*	\$342,356	\$0	(17,408)	324,948	17,408
Total bonds payable:	12,927,356	0	(472,408)	12,454,948	487,408
Other post-employment benefits	61,928	23,825	0	85,753	0
Compensated absences	779,051	74,320	0	853,371	574,089
Governmental activity long-term liabilities:	\$13,768,335	\$98,145	(\$472,408)	\$13,394,072	\$1,061,497
<b>Business-Type Activities</b>					
Compensated absences	\$26,631	\$0	(\$8,549)	\$18,082	\$13,186
Business-type activity long-term liabilities:	\$26,631	\$0	(\$8,549)	\$18,082	\$13,186

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



## **Note 10 – Contingencies and Litigations**

The City has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the City will have to make payment. In the opinion of management, the city's insurance policies are adequate to pay all known or pending claims.

The City participates in a number of federal- and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. City management believes that such disallowances, if any, will be immaterial.

**Note 11 – Restricted Net Assets**

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 \$5,904,247 of restricted assets, of which \$175,029 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, 2010 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 12 – Interfund Balances and Transfers**

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, 2010, the City had one interfund loan from the Equipment Replacement fund to the Hotel/Motel Lodging Tax fund in the amount of \$232,569, 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 2010 is as follows:

<b>Transfers In</b>		<b>Transfers Out</b>	
General Fund	126,958	Parks and Open Space Fund	126,958
General Fund	5,000	Surface Water Management Fund	5,000
LEOFF I Fund	25,000	General Fund	25,000
Street Fund	350,000	General Fund	350,000
Recreation & Cultural Services Fund	242,860	General Fund	242,860
Hotel/Motel Lodging Tax Fund	5,000	General Fund	5,000
Technology Replacement Fund	75,000	General Fund	75,000
EMS Fund	560,000	General Fund	560,000
LTGO Bond Fund	838,040	Real Estate Excise Tax I Fund	838,040
LTGO Bond Fund	69,930	Real Estate Excise Tax II Fund	69,930
Surface Water Management Fund	9,998	General Fund	9,998
Health Insurance Administration Fund	4,870	General Fund	4,870
Facilities Maintenance Fund	390,000	General Fund	390,000
<b>Total Transfers In</b>	<b><u>2,702,656</u></b>	<b>Total Transfers Out</b>	<b><u>2,702,656</u></b>
<b>Interfund Loans Receivable</b>		<b>Interfund Loans Payable</b>	
<b>Equipment Replacement Reserve Fund</b>		<b>Hotel/Motel Lodging Tax Fund</b>	
Interfund Loan Receivable - Beg. Bal.	333,280	Interfund Loan Payable - Beg. Bal.	333,280
Principal Repayment	<u>(100,711)</u>	Principal Repayment	<u>(100,711)</u>
Interfund Loan Receivable - End. Bal.	<u>232,569</u>	Interfund Loan Payable - End. Bal.	<u>232,569</u>
<b>Real Estate Excise Tax I Fund</b>		<b>Park Acquisition and Development Fund</b>	
Interfund Loan Receivable - Beg. Bal.	0	Interfund Loan Payable - Beg. Bal.	0
Principal Disbursement	<u>125,679</u>	Principal Disbursement	<u>125,679</u>
Interfund Loan Receivable - End. Bal.	<u>125,679</u>	Interfund Loan Payable - End. Bal.	<u>125,679</u>
<b>Total Interfund Loans Receivable</b>	<b><u>358,248</u></b>	<b>Total Interfund Loans Payable</b>	<b><u>358,248</u></b>



**Note 13 – Receivable and Payable Balances**

**Receivables at December 31, 2010, are as follows:**

<b>Activities</b>	<b>Accounts Receivable</b>	<b>Taxes Receivable</b>	<b>Other</b>	<b>Total</b>
Governmental Activities				
General Fund	\$178,952	\$920,132	\$0	\$1,099,083
Real Estate Excise Tax I Fund	\$0	\$31,359	\$125,679	157,037
Other Governmental Funds	106,814	96,362	0	203,176
Total Governmental	\$285,766	\$1,047,852	\$125,679	\$1,459,296
Business-type Activities				
Surface Water Fund	\$129,765	\$0	\$0	\$129,765
Internal Service Funds	\$1,659	\$0	\$232,569	\$234,228
Total Business-type	\$131,424	\$0	\$232,569	\$363,993

**Payables at December 31, 2010, are as follows:**

<b>Activities</b>	<b>Accounts Payable</b>	<b>Wages Payable</b>	<b>Other</b>	<b>Total</b>
Governmental				
General Fund	\$123,513	\$403,517	\$350,837	\$877,867
Real Estate Excise Tax I Fund	14,045	0	0	14,045
Community Center Project	31,046	0	0	31,046
Other Governmental Funds	86,483	84,766	398,202	569,452
Total Governmental	\$255,088	\$488,283	\$749,040	\$1,492,410
Business-type Activities				
Surface Water Fund	\$39,807	\$37,712	\$4,896	\$82,415
Internal Service Funds	21,795	3,559	0	25,354
Total Business-type	\$61,602	\$41,271	\$4,896	\$107,770



**Note 14 – 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 15 – 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 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, 2010 was \$313,675.

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 16 – Other Postemployment Benefit (OPEB) Plans

### 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. Premier 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.

### 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 2010, the City has fully funded the OPEB obligation.

	<u>12/31/2010</u>
Annual required contribution	\$54,981
Interest on net OPEB obligation	2,787
Adjustment to annual required contribution	<u>(5,766)</u>
Annual OPEB cost (expense)	52,002
Contributions made	<u>(28,177)</u>
Change in NPO	23,825
Net OPEB Obligation - Beginning of Year	61,928
Net OPEB Obligation - End of Year	<u><u>\$85,753</u></u>

The City's OPEB costs, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2008	\$59,568	56.1%	\$33,432
12/31/2009	\$54,688	47.9%	\$26,192
12/31/2010	\$52,002	54.2%	\$28,177

### 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 17 – Other Disclosures****A. Prior period adjustments**

Capital construction in progress was reduced by \$12,346 after it was determined that staff salaries associated with the new City Hall construction project in 2009 would not be capitalized with the project.

**B. Accounting and Reporting Changes**

The Facilities Maintenance Fund was reclassified from a special revenue fund to an internal service fund. This fund was included in the governmental funds statements in 2009, and is included in the proprietary funds statements in 2010. This resulted in a decrease of \$35,013 in the beginning fund balance of other governmental funds in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds, and an increase of \$35,013 in the beginning fund balance of internal service funds in the Statement of Revenues, Expenditures and Changes in Net Assets – Proprietary Funds. On the Statement of Cash Flows – Proprietary Funds, this reclassification resulted in a \$50,642 increase in cash and cash equivalents at January 1st.

**C. Commitments**

Construction commitments are discussed in Note No. 5 *Capital Assets*.



**SUPPLEMENTAL INFORMATION**



# CITY OF MUKILTEO

## Supplemental Information

### Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Real Estate Excise Tax I Fund For the Fiscal Year ended December 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$300,000	\$300,000	\$322,385	\$22,385
Intergovernmental	0	56,833	56,746	(87)
Miscellaneous	56,700	56,700	17,596	(39,104)
<b>TOTAL REVENUES</b>	<b>356,700</b>	<b>413,533</b>	<b>396,727</b>	<b>(16,806)</b>
<b>EXPENDITURES</b>				
Current				
Physical environment	0	0	49,741	49,741
Capital outlay	144,560	406,488	181,935	(224,553)
<b>TOTAL EXPENDITURES</b>	<b>144,560</b>	<b>406,488</b>	<b>231,676</b>	<b>(174,812)</b>
Excess of revenues over expenditures	212,140	7,045	165,051	158,006
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(838,040)	(838,040)	(838,040)	0
<b>TOTAL OTHER FINANCING SOURCES USES)</b>	<b>(838,040)</b>	<b>(838,040)</b>	<b>(838,040)</b>	<b>0</b>
Net change in fund balances	(625,900)	(830,995)	(672,989)	158,006
Fund balances - beginning	6,249,750	6,249,750	5,909,972	(339,778)
<b>FUND BALANCES - ENDING</b>	<b>\$5,623,850</b>	<b>\$5,418,755</b>	<b>\$5,236,983</b>	<b>(\$181,772)</b>



# CITY OF MUKILTEO

## Supplemental Information

### Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual Community Center Project Fund For the Fiscal Year ended December 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Miscellaneous	\$0	\$0	\$21,793	\$21,793
<b>TOTAL REVENUES</b>	<b>0</b>	<b>0</b>	<b>21,793</b>	<b>21,793</b>
<b>EXPENDITURES</b>				
Capital Outlay	8,901,750	8,901,750	7,571,855	(1,329,895)
<b>TOTAL EXPENDITURES</b>	<b>8,901,750</b>	<b>8,901,750</b>	<b>7,571,855</b>	<b>(1,329,895)</b>
Excess of revenues over expenditures	(8,901,750)	(8,901,750)	(7,550,062)	1,351,688
Fund balances - beginning	8,901,750	8,901,750	10,140,591	1,238,841
<b>FUND BALANCES - ENDING</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,590,529</b>	<b>\$2,590,529</b>



### 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 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.)





# CITY OF MUKILTEO

## Supplemental Information

### Combining Balance Sheet Non Major Governmental Funds December 31, 2010

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	Special Revenue Funds								
	LEOFF I Reserve	Paine Field Emergency Reserve	Streets	Arterial Street	Recreation & Cultural Services	Hotel/Motel Lodging Tax	Technology Replacement	City Reserve	Emergency Medical Services
ASSETS									
Current cash and cash equivalents	\$137,430	\$26,237	\$104,975	\$155,522	\$112,506	\$172,461	\$143,067	\$1,000,000	\$360,246
Receivables (net of allowances)									
Accounts receivable	0	0	0	0	1,137	0	0	0	105,677
Taxes Receivable	0	0	23,042	10,774	0	23,784	0	0	7,401
TOTAL ASSETS	137,430	26,237	128,017	166,296	113,643	196,245	143,067	1,000,000	473,324
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$0	\$0	\$3,455	\$0	\$8,643	\$21,216	\$0	\$0	\$42,106
Wages payable	54	0	17,562	0	9,245	0	0	0	57,904
Interfund loans payable	0	0	0	0	0	232,569	0	0	0
Deposits payable	0	0	0	0	18,447	0	0	0	0
Unearned revenue	0	0	0	0	21,508	0	0	0	0
TOTAL LIABILITIES	54	0	21,017	0	57,843	253,785	0	0	100,011
Fund Balances:									
Reserved, reported in:									
Special revenue funds	\$0	\$0	\$107,000	\$166,296	\$55,800	\$0	\$143,067	\$1,000,000	\$373,313
Debt service	0	0	0	0	0	0	0	0	0
Capital projects funds	0	0	0	0	0	0	0	0	0
Unreserved, reported in:									
Paine Field	0	26,237	0	0	0	0	0	0	0
LEOFF I	137,375	0	0	0	0	0	0	0	0
Hotel/Motel	0	0	0	0	0	(57,540)	0	0	0
Park Acquisition	0	0	0	0	0	0	0	0	0
TOTAL FUND BALANCES	137,375	26,237	107,000	166,296	55,800	(57,540)	143,067	1,000,000	373,313
TOTAL LIABILITIES AND FUND BALANCES	137,430	26,237	128,017	166,296	113,643	196,245	143,067	1,000,000	473,324



# CITY OF MUKILTEO

## Supplemental Information

### Combining Balance Sheet Non Major Governmental Funds December 31, 2010

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	Special Revenue Funds		Debt Service Funds		Capital Projects Funds				
	Municipal Facilities	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	Total Other Governmental Funds
ASSETS									
Current cash and cash equivalents	\$170	\$2,212,614	\$7,403	\$7,403	\$111,632	\$92,046	\$366,566	\$570,245	\$2,790,259
Receivables (net of allowances)									
Accounts receivable	0	106,814	0	0	0	0	0	0	\$106,814
Taxes Receivable	0	65,000	0	0	0	0	31,359	31,359	\$96,362
TOTAL ASSETS	170	2,384,429	7,403	7,403	111,632	92,046	397,925	601,604	2,993,435
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$0	\$75,420	\$0	\$0	\$552	\$0	\$10,511	\$11,063	\$86,483
Wages payable	0	84,766	0	0	0	0	0	0	\$84,766
Interfund loans payable	0	232,569	0	0	125,679	0	0	125,679	\$358,248
Deposits payable	0	18,447	0	0	0	0	0	0	\$18,447
Unearned revenue	0	21,508	0	0	0	0	0	0	\$21,508
TOTAL LIABILITIES	0	432,710	0	0	126,231	0	10,511	136,742	569,452
Fund Balances:									
Reserved, reported in:									
Special revenue funds	\$170	\$1,845,646	\$0	\$0	\$0	\$0	\$0	\$0	\$1,845,646
Debt service	0	0	7,403	7,403	0	0	0	0	7,403
Capital projects funds	0	0	0	0	0	92,046	387,414	479,460	479,460
Unreserved, reported in:									
Paine Field	0	26,237	0	0	0	0	0	0	26,237
LEOFF I	0	137,375	0	0	0	0	0	0	137,375
Hotel/Motel	0	(57,540)	0	0	0	0	0	0	(57,540)
Park Acquisition	0	0	0	0	(14,598)	0	0	(14,598)	(14,598)
TOTAL FUND BALANCES	170	1,951,718	7,403	7,403	(14,598)	92,046	387,414	464,862	2,423,983
TOTAL LIABILITIES AND FUND BALANCES	\$170	\$2,384,428	\$7,403	\$7,403	\$111,633	\$92,046	\$397,925	\$601,604	\$2,993,435



# CITY OF MUKILTEO

## Supplemental Information

### Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non Major Governmental Funds For the Year Ended December 31, 2010

Page 1 of 2

	Special Revenue Funds								
	LEOFF I Reserve	Paine Field Emergency Reserve	Street	Arterial Street	Recreation & Cultural Services	Hotel/Motel Lodging Tax	Technology Replacement	City Reserve	Emergency Medical Services
REVENUES									
Taxes	\$0	\$0	\$296,480	\$0	\$0	\$145,769	\$0	\$0	\$895,411
Intergovernmental	0	0	0	179,805	0	0	0	0	0
Charges for services	0	0	0	0	73,316	0	0	0	249,717
Miscellaneous	452	501	272	278	31,460	692	7,087	0	2,450
TOTAL REVENUES	452	501	296,751	180,083	104,776	146,461	7,087	0	1,147,578
EXPENDITURES									
Current:									
General government services	29,578	0	0	0	0	0	0	0	0
Public safety	0	0	0	0	0	0	0	0	1,564,750
Physical environment	0	0	0	0	0	0	0	0	0
Transportation	0	0	691,503	0	0	0	0	0	0
Economic environment	0	22,687	0	0	0	91,951	0	0	0
Culture and recreation	0	0	0	0	353,961	0	0	0	0
Debt Service:									
Bond Principal	0	0	0	0	0	0	0	0	0
Bond Interest	0	0	0	0	0	0	0	0	0
Capital Outlay:									
Capital outlay	0	0	0	111,731	0	0	67,985	0	29,329
TOTAL EXPENDITURES	29,578	22,687	691,503	111,731	353,961	91,951	67,985	0	1,594,079
Excess of revenues over (under) expenditures	(29,126)	(22,186)	(394,752)	68,353	(249,185)	54,510	(60,898)	0	(446,501)
OTHER FINANCING SOURCES (USES):									
Transfers in	25,000	0	350,000	0	242,860	5,000	75,000	0	560,000
Transfers out	0	0	0	0	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES	25,000	0	350,000	0	242,860	5,000	75,000	0	560,000
Net change in fund balances	(4,126)	(22,186)	(44,752)	68,353	(6,325)	59,510	14,102	0	113,499
Fund balances - beginning	141,501	48,423	151,752	97,943	62,125	(117,050)	128,965	1,000,000	259,814
FUND BALANCES - ENDING	\$137,375	\$26,237	\$107,000	\$166,296	\$55,800	(\$57,540)	\$143,067	\$1,000,000	\$373,313



# CITY OF MUKILTEO

## Supplemental Information

### Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non Major Governmental Funds For the Year Ended December 31, 2010

Page 2 of 2

	Special Revenue Funds			Debt Service Funds		Capital Projects Funds				Total Other Governmental Funds
	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	
<b>REVENUES</b>										
Taxes	\$0	\$0	\$1,337,660	\$0	\$0	\$0	\$0	\$322,385	\$322,385	\$1,660,045
Intergovernmental	0	0	179,805	0	0	1,564,170	0	108,000	1,672,170	1,851,975
Charges for services	0	0	323,032	0	0	36,570	63,731	0	100,301	423,334
Miscellaneous	103	0	43,295	36	36	10,073	180	1,492	11,746	55,076
<b>TOTAL REVENUES</b>	<b>103</b>	<b>0</b>	<b>1,883,792</b>	<b>36</b>	<b>36</b>	<b>1,610,812</b>	<b>63,912</b>	<b>431,877</b>	<b>2,106,601</b>	<b>3,990,430</b>
<b>EXPENDITURES</b>										
Current:										
General government services	0	0	29,578	0	0	0	0	0	0	29,578
Public safety	0	0	1,564,750	0	0	0	0	0	0	1,564,750
Physical environment	0	0	0	0	0	0	0	0	0	0
Transportation	0	0	691,503	0	0	0	0	41,272	41,272	732,775
Economic environment	0	0	114,638	0	0	0	0	0	0	114,638
Culture and recreation	0	0	353,961	0	0	0	0	0	0	353,961
Debt Service:										
Bond Principal	0	0	0	455,000	455,000	0	0	0	0	455,000
Bond Interest	0	0	0	452,960	452,960	0	0	0	0	452,960
Capital Outlay:										
Capital outlay	50,000	0	259,044	0	0	1,657,602	0	1,253,315	2,910,917	3,169,961
<b>TOTAL EXPENDITURES</b>	<b>50,000</b>	<b>0</b>	<b>3,013,473</b>	<b>907,960</b>	<b>907,960</b>	<b>1,657,602</b>	<b>0</b>	<b>1,294,587</b>	<b>2,952,188</b>	<b>6,873,623</b>
Excess of revenues over (under) expenditures	(49,897)	0	(1,129,682)	(907,924)	(907,924)	(46,790)	63,912	(862,709)	(845,587)	(2,883,193)
<b>OTHER FINANCING SOURCES (USES):</b>										
Transfers in	0	0	1,257,860	907,970	907,970	0	0	0	0	2,165,830
Transfers out	0	(126,958)	(126,958)	0	0	0	0	(69,930)	(69,930)	(196,888)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>0</b>	<b>(126,958)</b>	<b>1,130,902</b>	<b>907,970</b>	<b>907,970</b>	<b>0</b>	<b>0</b>	<b>(69,930)</b>	<b>(69,930)</b>	<b>1,968,942</b>
Net change in fund balances	(49,897)	(126,958)	1,220	46	46	(46,790)	63,912	(932,639)	(915,517)	(914,251)
Fund balances - beginning	50,066	126,958	1,950,498	7,357	7,357	32,192	28,135	1,320,053	1,380,379	\$3,338,234
<b>FUND BALANCES - ENDING</b>	<b>\$170</b>	<b>\$0</b>	<b>\$1,951,718</b>	<b>\$7,403</b>	<b>\$7,403</b>	<b>(\$14,598)</b>	<b>\$92,046</b>	<b>\$387,414</b>	<b>\$464,862</b>	<b>\$2,423,983</b>

The accompanying notes are an integral part of this statement



# CITY OF MUKILTEO

## Supplemental Information

### Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual LEOFF I Reserve Fund For the Fiscal Year ended December 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Miscellaneous	\$1,200	\$1,200	\$452	(\$748)
<b>TOTAL REVENUES</b>	<b>1,200</b>	<b>1,200</b>	<b>452</b>	<b>(748)</b>
<b>EXPENDITURES</b>				
Current				
General Government Services	\$29,400	\$31,000	\$29,578	(\$1,423)
<b>TOTAL EXPENDITURES</b>	<b>29,400</b>	<b>31,000</b>	<b>29,578</b>	<b>(1,423)</b>
Excess of revenues over expenditures	(28,200)	(29,800)	(29,126)	674
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$25,000	\$25,000	\$25,000	\$0
<b>TOTAL OTHER FINANCING SOURCES USES)</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>0</b>
Net change in fund balances	(3,200)	(4,800)	(4,126)	674
Fund balance - beginning	142,060	142,060	141,501	(559)
<b>FUND BALANCE - ENDING</b>	<b>\$138,860</b>	<b>\$137,260</b>	<b>\$137,375</b>	<b>\$115</b>



**Schedule of Revenues, Expenditures and Changes in Fund  
Balances – Budget to Actual  
Paine Field Emergency Reserve Fund  
For the Fiscal Year ended December 31, 2010**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Miscellaneous Revenues	\$0	\$0	\$501	\$501
<b>TOTAL REVENUES</b>	<b>0</b>	<b>0</b>	<b>501</b>	<b>501</b>
<b>EXPENDITURES</b>				
Current				
Economic environment	55,000	55,000	22,687	(32,313)
<b>TOTAL EXPENDITURES</b>	<b>55,000</b>	<b>55,000</b>	<b>22,687</b>	<b>(32,313)</b>
Excess of revenues over expenditures	(55,000)	(55,000)	(22,186)	32,814
Net change in fund balances	(55,000)	(55,000)	(22,186)	32,814
Fund Balance - Beginning	55,000	55,000	48,423	(6,577)
<b>FUND BALANCE - ENDING</b>	<b>\$0</b>	<b>\$0</b>	<b>\$26,237</b>	<b>\$26,237</b>



# CITY OF MUKILTEO

## Supplemental Information

### Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual Street Fund For the Fiscal Year ended December 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$300,000	\$300,000	\$296,480	(\$3,520)
Miscellaneous	500	500	272	(228)
<b>TOTAL REVENUES</b>	<b>300,500</b>	<b>300,500</b>	<b>296,751</b>	<b>(3,749)</b>
<b>EXPENDITURES</b>				
Current				
Transportation	665,260	691,786	691,503	(283)
<b>TOTAL EXPENDITURES</b>	<b>665,260</b>	<b>691,786</b>	<b>691,503</b>	<b>(283)</b>
Excess of revenues over expenditures	(364,760)	(391,286)	(394,752)	(3,466)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	350,000	350,000	350,000	0
<b>TOTAL OTHER FINANCING SOURCES USES)</b>	<b>350,000</b>	<b>350,000</b>	<b>350,000</b>	<b>0</b>
Net change in fund balances	(14,760)	(41,286)	(44,752)	(3,466)
Fund balances - beginning	189,710	189,710	151,752	(37,958)
<b>FUND BALANCES - ENDING</b>	<b>\$174,950</b>	<b>\$148,424</b>	<b>\$107,000</b>	<b>(\$41,424)</b>



**Schedule of Revenues, Expenditures and Changes in Fund  
Balances – Budget to Actual  
Arterial Street Fund  
For the Fiscal Year ended December 31, 2010**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$410,800	\$410,800	\$179,805	(\$230,995)
Miscellaneous	870	870	278	(592)
<b>TOTAL REVENUES</b>	<b>411,670</b>	<b>411,670</b>	<b>180,083</b>	<b>(231,587)</b>
<b>EXPENDITURES</b>				
Current				
Capital Outlay	485,090	485,090	111,731	(373,359)
<b>TOTAL EXPENDITURES</b>	<b>485,090</b>	<b>485,090</b>	<b>111,731</b>	<b>(373,359)</b>
Excess of revenues over expenditures	(73,420)	(73,420)	68,353	141,773
Net change in fund balances	(73,420)	(73,420)	68,353	141,773
Fund Balance - Beginning	123,610	123,610	97,943	(25,667)
<b>FUND BALANCE - ENDING</b>	<b>\$50,190</b>	<b>\$50,190</b>	<b>\$166,296</b>	<b>\$116,106</b>





# CITY OF MUKILTEO

## Supplemental 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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$46,500	\$72,500	\$73,316	\$816
Miscellaneous	48,660	48,660	31,460	(17,200)
<b>TOTAL REVENUES</b>	<b>95,160</b>	<b>121,160</b>	<b>104,776</b>	<b>(16,384)</b>
<b>EXPENDITURES</b>				
Current				
Culture and recreation	\$333,460	\$383,900	\$353,961	(\$29,939)
<b>TOTAL EXPENDITURES</b>	<b>333,460</b>	<b>383,900</b>	<b>353,961</b>	<b>(29,939)</b>
Excess of revenues over expenditures	(238,300)	(262,740)	(249,185)	13,555
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$221,560	\$242,860	\$242,860	\$0
<b>TOTAL OTHER FINANCING SOURCES USES)</b>	<b>221,560</b>	<b>242,860</b>	<b>242,860</b>	<b>0</b>
Net change in fund balances	(16,740)	(19,880)	(6,325)	13,555
Fund Balance - Beginning	48,130	48,130	62,125	13,995
<b>FUND BALANCE - ENDING</b>	<b>\$31,390</b>	<b>\$28,250</b>	<b>\$55,800</b>	<b>\$27,550</b>



# CITY OF MUKILTEO

## Supplemental 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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$130,000	\$130,000	\$145,769	15,769
Miscellaneous	4,500	4,500	692	(3,808)
<b>TOTAL REVENUES</b>	<b>134,500</b>	<b>134,500</b>	<b>146,461</b>	<b>11,961</b>
<b>EXPENDITURES</b>				
Current				
Economic environment	\$131,800	\$131,981	\$91,951	(\$40,030)
<b>TOTAL EXPENDITURES</b>	<b>131,800</b>	<b>131,981</b>	<b>91,951</b>	<b>(40,030)</b>
Excess of revenues over expenditures	2,700	2,519	54,510	51,991
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$0	\$0	\$5,000	\$5,000
<b>TOTAL OTHER FINANCING SOURCES USES)</b>	<b>0</b>	<b>0</b>	<b>5,000</b>	<b>5,000</b>
Net change in fund balances	2,700	2,519	59,510	56,991
Fund Balance - Beginning	168,400	168,400	(117,050)	(285,450)
<b>FUND BALANCE - ENDING</b>	<b>\$171,100</b>	<b>\$170,919</b>	<b>(\$57,540)</b>	<b>(\$228,459)</b>



# CITY OF MUKILTEO

## Supplemental Information

### Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual Technology Replacement Fund For the Fiscal Year ended December 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Miscellaneous	\$1,000	\$1,000	\$7,087	\$6,087
<b>TOTAL REVENUES</b>	<b>1,000</b>	<b>1,000</b>	<b>7,087</b>	<b>6,087</b>
<b>EXPENDITURES</b>				
Current				
Capital outlay	\$91,180	\$91,180	\$67,985	(\$23,195)
<b>TOTAL EXPENDITURES</b>	<b>91,180</b>	<b>91,180</b>	<b>67,985</b>	<b>(23,195)</b>
Excess of revenues over expenditures	(90,180)	(90,180)	(60,898)	29,282
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$75,000	\$75,000	\$75,000	\$0
<b>TOTAL OTHER FINANCING SOURCES USES)</b>	<b>75,000</b>	<b>75,000</b>	<b>75,000</b>	<b>0</b>
Net change in fund balances	(15,180)	(15,180)	14,102	29,282
Fund Balance - Beginning	49,130	49,130	128,965	79,835
<b>FUND BALANCE - ENDING</b>	<b>\$33,950</b>	<b>\$33,950</b>	<b>\$143,067</b>	<b>\$109,117</b>



# CITY OF MUKILTEO

## Supplemental Information

### Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual City Reserve Fund For the Fiscal Year ended December 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES	\$0	\$0	\$0	\$0
TOTAL REVENUES	0	0	0	0
EXPENDITURES	0	0	0	0
TOTAL EXPENDITURES	0	0	0	0
Net change in fund balances	0	0	0	0
Fund balances - beginning	1,000,000	1,000,000	1,000,000	0
FUND BALANCES - ENDING	\$1,000,000	\$1,000,000	\$1,000,000	\$0



**Schedule of Revenues, Expenditures and Changes in Fund  
Balances – Budget to Actual  
Emergency Medical Services Fund  
For the Fiscal Year ended December 31, 2010**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$849,000	\$849,000	\$895,411	\$46,411
Charges for Services	180,000	180,000	249,717	69,717
Miscellaneous	18,000	18,000	2,450	(15,550)
<b>TOTAL REVENUES</b>	<b>1,047,000</b>	<b>1,047,000</b>	<b>1,147,578</b>	<b>100,578</b>
<b>EXPENDITURES</b>				
Current				
Public Safety	1,597,200	1,611,025	1,564,750	(46,275)
Capital Outlay	37,400	37,400	29,329	(8,071)
<b>TOTAL EXPENDITURES</b>	<b>1,634,600</b>	<b>1,648,425</b>	<b>1,594,079</b>	<b>(54,346)</b>
Excess of revenues over expenditures	(587,600)	(601,425)	(446,501)	154,924
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	560,000	560,000	560,000	\$0
<b>TOTAL OTHER FINANCING SOURCES USES)</b>	<b>560,000</b>	<b>560,000</b>	<b>560,000</b>	<b>0</b>
Net change in fund balances	(27,600)	(41,425)	113,499	154,924
Fund balances - beginning	189,180	189,180	259,814	\$70,634
<b>FUND BALANCES - ENDING</b>	<b>\$161,580</b>	<b>\$147,755</b>	<b>\$373,313</b>	<b>\$225,558</b>



# CITY OF MUKILTEO

## Supplemental Information

### Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual Municipal Facilities Fund For the Fiscal Year ended December 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Miscellaneous	\$440	\$440	\$103	(\$337)
<b>TOTAL REVENUES</b>	<b>440</b>	<b>440</b>	<b>103</b>	<b>(337)</b>
<b>EXPENDITURES</b>				
Current:				
Capital Outlays	\$50,000	\$50,000	\$50,000	\$0
<b>TOTAL EXPENDITURES</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>0</b>
Net change in fund balances	(49,560)	(49,560)	(49,897)	(337)
Fund Balance - Beginning	52,170	52,170	50,066	(2,104)
<b>FUND BALANCE - ENDING</b>	<b>\$2,610</b>	<b>\$2,610</b>	<b>\$170</b>	<b>(\$2,440)</b>



# CITY OF MUKILTEO

## Supplemental Information

### Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual Parks and Open Space Fund For the Fiscal Year ended December 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(\$133,495)	(\$133,495)	(\$126,958)	\$6,537
<b>TOTAL OTHER FINANCING SOURCES USES)</b>	<b>(133,495)</b>	<b>(133,495)</b>	<b>(126,958)</b>	<b>6,537</b>
Net change in fund balances	(133,495)	(133,495)	(126,958)	6,537
Fund Balance - Beginning	133,495	133,495	126,958	(6,537)
<b>FUND BALANCE - ENDING</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>



# CITY OF MUKILTEO

## Supplemental Information

### Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual LTGO Bond Fund For the Fiscal Year ended December 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Miscellaneous	0	0	36	36
<b>TOTAL REVENUES</b>	<b>0</b>	<b>0</b>	<b>36</b>	<b>36</b>
<b>EXPENDITURES</b>				
Bond Principal	455,000	455,000	455,000	0
Bond Interest	452,960	452,960	452,960	0
<b>TOTAL EXPENDITURES</b>	<b>907,960</b>	<b>907,960</b>	<b>907,960</b>	<b>0</b>
Excess of revenues over expenditures	(907,960)	(907,960)	(907,924)	36
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	907,970	907,970	907,970	0
<b>TOTAL OTHER FINANCING SOURCES USES)</b>	<b>907,970</b>	<b>907,970</b>	<b>907,970</b>	<b>0</b>
Net Change in Fund Balances	10	10	46	36
Fund balances - beginning	7,350	7,350	7,357	7
<b>FUND BALANCES - ENDING</b>	<b>\$7,360</b>	<b>\$7,360</b>	<b>\$7,403</b>	<b>\$43</b>





**Schedule of Revenues, Expenditures and Changes in Fund  
Balances – Budget to Actual  
Park Acquisition and Development Fund  
For the Fiscal Year ended December 31, 2010**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$403,000	\$1,682,850	\$1,564,170	(\$118,680)
Charges for Services	40,000	40,000	36,570	(3,430)
Miscellaneous	690	690	10,073	9,383
<b>TOTAL REVENUES</b>	<b>443,690</b>	<b>1,723,540</b>	<b>1,610,812</b>	<b>(112,728)</b>
<b>EXPENDITURES</b>				
Current				
Capital outlay	500,000	1,788,120	1,657,602	(130,518)
<b>TOTAL EXPENDITURES</b>	<b>500,000</b>	<b>1,788,120</b>	<b>1,657,602</b>	<b>(130,518)</b>
Excess of revenues over expenditures	(56,310)	(64,580)	(46,790)	17,790
Net change in fund balances	(56,310)	(64,580)	(46,790)	17,790
Fund balances - beginning	92,490	92,490	32,192	(60,298)
<b>FUND BALANCES - ENDING</b>	<b>\$36,180</b>	<b>\$27,910</b>	<b>(\$14,598)</b>	<b>(\$42,508)</b>



**Schedule of Revenues, Expenditures and Changes in Fund  
Balances – Budget to Actual  
Transportation Impact Fees Fund  
For the Fiscal Year ended December 31, 2010**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Charges for services	\$20,000	\$20,000	\$63,731	\$43,731
Miscellaneous	120	120	180	60
<b>TOTAL REVENUES</b>	<b>20,120</b>	<b>20,120</b>	<b>63,912</b>	<b>43,792</b>
<b>EXPENDITURES</b>	\$0	\$0	\$0	\$0
<b>TOTAL EXPENDITURES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of revenues over expenditures	20,120	20,120	63,912	43,792
Net change in fund balances	20,120	20,120	63,912	43,792
Fund Balance - Beginning	26,480	26,480	28,135	1,655
<b>FUND BALANCE - ENDING</b>	<b>\$46,600</b>	<b>\$46,600</b>	<b>\$92,046</b>	<b>\$45,446</b>



# CITY OF MUKILTEO

## Supplemental 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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$300,000	\$300,000	\$322,385	\$22,385
Intergovernmental	0	108,000	108,000	0
Miscellaneous	8,420	8,420	1,492	(6,928)
<b>TOTAL REVENUES</b>	<b>308,420</b>	<b>416,420</b>	<b>431,877</b>	<b>15,457</b>
<b>EXPENDITURES</b>				
Current				
Transportation	0	0	41,272	41,272
Capital outlay	1,305,000	1,325,000	1,253,315	(71,685)
<b>TOTAL EXPENDITURES</b>	<b>1,305,000</b>	<b>1,325,000</b>	<b>1,294,587</b>	<b>(30,413)</b>
Excess of revenues over expenditures	(996,580)	(908,580)	(862,709)	45,871
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(69,930)	(69,930)	(69,930)	0
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(69,930)</b>	<b>(69,930)</b>	<b>(69,930)</b>	<b>0</b>
Net change in fund balances	(1,066,510)	(978,510)	(932,639)	45,871
Fund balances - beginning	1,392,350	1,392,350	1,320,053	(72,297)
<b>FUND BALANCES - ENDING</b>	<b>\$325,840</b>	<b>\$413,840</b>	<b>\$387,414</b>	<b>(\$26,426)</b>



### 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.

#### **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.



# CITY OF MUKILTEO

## Supplemental Information

### Combining Statement of Net Assets Internal Service Funds December 31, 2010

	Health Insurance Administration	Equipment Replacement	Unemployment Compensation	Facilities Maintenance	Total
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$49,996	\$1,157,113	\$40,488	\$67,449	\$1,315,046
Accounts receivable	\$0	\$0	\$0	\$1,659	\$1,659
Interfund loans receivable	\$0	\$232,569	\$0	\$0	232,569
Total current assets	<b>49,996</b>	<b>1,389,682</b>	<b>40,488</b>	<b>69,108</b>	<b>1,549,274</b>
Non-current assets:					
Capital assets, net of depreciation:					
Machinery & Equipment	0	1,080,053	0	0	1,080,053
Buildings	0	0	0	3,264	3,264
Other Improvements	0	0	0	5,000	5,000
Total non-current assets	<b>0</b>	<b>1,080,053</b>	<b>0</b>	<b>8,264</b>	<b>1,088,317</b>
Total assets	<b>49,996</b>	<b>2,469,736</b>	<b>40,488</b>	<b>77,372</b>	<b>2,637,591</b>
<b>LIABILITIES</b>					
Current liabilities:					
Wages payable	0	0	0	3,559	3,559
Accounts payable	0	0	0	21,795	21,795
Total liabilities	<b>0</b>	<b>0</b>	<b>0</b>	<b>25,354</b>	<b>25,354</b>
<b>NET ASSETS</b>					
Investment in capital assets	0	1,080,053	0	8,264	1,088,317
Unrestricted	49,996	1,389,682	40,488	43,754	1,523,920
Total net assets	<b>\$49,996</b>	<b>\$2,469,735</b>	<b>\$40,488</b>	<b>\$52,018</b>	<b>\$2,612,237</b>



# CITY OF MUKILTEO

## Supplemental Information

### Combining Statement of Revenues, Expenditures and Changes in Net Assets Internal Service Funds For the Year Ended December 31, 2010

	Self Insurance	Equipment Replacement	Unemployment Compensation	Facilities Maintenance	Total
Operating revenues:					
Charges for services	\$0	\$15,860	\$0	\$0	\$15,860
Miscellaneous	0	5,566	0	59	5,625
Total operating revenues	0	21,426	0	59	21,485
Operating expenses:					
Personnel services	0	0	0	93,247	93,247
Supplies	0	0	0	28,244	28,244
Other services and charges	0	0	0	251,563	251,563
Depreciation	0	251,770	0	0	251,770
Total operating expenses	0	251,770	0	373,054	624,825
Operating income (loss)	0	(230,345)	0	(372,995)	(603,340)
Income (loss) before contributions and transfers	0	(230,345)	0	(372,995)	(603,340)
Contributed capital					
Transfers in	4,870	0	0	390,000	394,870
Change in net assets	4,870	(230,345)	0	17,005	(208,470)
Net assets - beginning	45,126	2,700,080	40,488	35,013	2,820,707
Net assets - ending	\$49,996	\$2,469,735	\$40,488	\$52,018	\$2,612,237



# CITY OF MUKILTEO

## Supplemental Information

### Combining Statement of Cash Flows Internal Service Funds For the year ended December 31, 2010

	Self Insurance	Equipment Rental	Unemployment Compensation	Facilities Maintenance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	0	21,426	0	(1,600)	19,826
Cash paid to suppliers	0	0	0	(270,082)	(270,082)
Cash paid to employees	0	0	0	(93,247)	(93,247)
<b>Net cash provided (used) by operating activities</b>	<b>0</b>	<b>21,426</b>	<b>0</b>	<b>(364,929)</b>	<b>(343,503)</b>
<b>CASH FLOWS FROM NON-OPERATING ACTIVITIES</b>					
Transfers in	4,870	0	0	390,000	394,870
<b>Net cash provided (used) by non-operating activities</b>	<b>4,870</b>	<b>0</b>	<b>0</b>	<b>390,000</b>	<b>394,870</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	0	100,711	0	(8,264)	92,447
<b>Net cash provided (used) by capital and related financing activities</b>	<b>0</b>	<b>100,711</b>	<b>0</b>	<b>(8,264)</b>	<b>92,447</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>4,870</b>	<b>122,137</b>	<b>0</b>	<b>16,807</b>	<b>143,814</b>
Cash balance - January 1, 2010	45,126	1,034,976	40,488	50,642	1,171,232
<b>Cash balance - December 31, 2010</b>	<b>49,996</b>	<b>1,157,113</b>	<b>40,488</b>	<b>67,449</b>	<b>1,315,046</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	0	(230,345)	0	(372,995)	(603,340)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	0	251,770	0	0	251,770
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	0	0	0	(1,659)	(1,659)
Increase (decrease) in accounts payable	0	0	0	9,726	9,726
<b>Net cash provided by operating activities</b>	<b>0</b>	<b>21,426</b>	<b>0</b>	<b>(364,928)</b>	<b>(343,503)</b>



**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the year ended December 31, 2010**

	<b>Agency Funds</b>
<b>ADDITIONS</b>	
State building code fees payable	522
Leasehold excise tax payable	3,524
Total additions	<b>4,046</b>
<b>DEDUCTIONS</b>	
Checks payable	(7,409)
Sales and use tax payable	(5,483)
Deposits Payable	(8,784)
Total deductions	<b>(21,676)</b>
Change in net assets	(17,630)
Net assets - beginning of year	57,866
Net assets - end of year	<b>40,236</b>





## **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 Nine Fiscal Years

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Governmental Activities</b>									
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	\$166,764,649
Restricted	20,810	6,564,134	6,799,608	8,801,020	11,318,444	13,299,745	9,673,940	6,854,917	5,904,247
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	7,899,586
Total governmental activities net assets	<u>\$ 139,275,361</u>	<u>\$ 218,965,412</u>	<u>\$ 220,030,985</u>	<u>\$ 209,316,466</u>	<u>\$ 207,783,806</u>	<u>\$ 205,691,953</u>	<u>\$ 197,909,884</u>	<u>\$ 188,548,391</u>	<u>\$ 180,568,482</u>
<b>Business-type Activities</b>									
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	\$ 3,914,484
Unrestricted	243,958	182,588	993	316,592	632,125	1,070,251	1,335,376	1,721,007	1,603,200
Total business-type activities net assets	<u>\$ 8,671,997</u>	<u>\$ 2,362,936</u>	<u>\$ 2,207,667</u>	<u>\$ 4,826,801</u>	<u>\$ 5,353,834</u>	<u>\$ 5,321,371</u>	<u>\$ 5,540,836</u>	<u>\$ 5,663,074</u>	<u>\$ 5,517,684</u>
<b>Primary Government</b>									
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	\$ 170,679,133
Restricted	20,810	6,564,134	6,799,608	8,801,020	11,318,444	13,299,745	9,673,940	6,854,917	5,904,247
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	9,502,786
Total primary government net assets	<u>\$ 147,947,358</u>	<u>\$ 221,328,348</u>	<u>\$ 222,238,652</u>	<u>\$ 214,143,267</u>	<u>\$ 213,137,640</u>	<u>\$ 211,013,324</u>	<u>\$ 203,450,720</u>	<u>\$ 194,211,465</u>	<u>\$ 186,086,166</u>

Source: Prior years published Comprehensive Annual Financial Reports.

Note: 2001 data not available due to differences in reporting requirements and changes in accounting software.



# CITY OF MUKILTEO

## Statistical Section

### Changes in Net Assets Last Nine Fiscal Years

Page 1 of 2

	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Expenses:</b>									
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	\$3,325,827
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	8,460,885
Physical environment	258,703	127,459	177,124	367,107	347,751	404,866	902,912	904,339	364,312
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	8,964,903
Economic environment	710,414	720,208	644,168	753,245	920,291	1,169,686	1,501,697	1,386,835	1,716,074
Culture and recreation	617,132	213,257	1,365,003	712,526	737,710	931,559	1,261,755	1,588,533	1,627,024
Interest on long-term debt	193,808	135,528	100,803	63,999	25,000	0	0	87,198	459,430
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>23,866,113</u>	<u>24,694,472</u>	<u>24,918,455</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	1,388,871
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>	<u>1,388,871</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>24,941,712</u>	<u>25,891,602</u>	<u>26,307,326</u>
<b>Program Revenues:</b>									
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	1,503,555
Other	1,064,597	738,649	1,305,686	1,985,651	2,031,693	1,882,899	1,570,567	1,376,108	1,253,574
Operating grants and contributions	249,740	415,661	459,909	2,290	4,505	8,652	98,451	41,506	310,635
Capital grants and contributions	7,235,034	449,000	4,225	2,709,399	0	0	0	800,000	1,672,170
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>	<u>4,739,934</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	1,233,380
Operating grants and contributions	15,000	9,050	0	0	0	0	0	0	0
Capital grants and contributions	218,217	132,560	0	626,960	0	0	0	0	0
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>	<u>1,233,380</u>
<b>Net (Expense) Revenue</b>									
Governmental activities	(12,280,109)	(10,492,942)	(10,435,170)	(12,703,037)	(15,932,341)	(18,457,959)	(20,411,566)	(21,265,175)	(20,178,520)
Business-type activities	390,656	95,448	(158,967)	935,468	502,814	151,237	182,082	124,369	(155,491)
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>(20,229,484)</u>	<u>(21,140,807)</u>	<u>(20,334,011)</u>



# CITY OF MUKILTEO

## Statistical Section

### Changes in Net Assets Last Nine Fiscal Years

Page 2 of 2

	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>General Revenues:</b>									
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	5,510,291
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	2,138,984
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	2,763,158
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	1,608,546
Investment earnings	358,683	265,498	248,367	660,834	1,262,858	1,461,214	756,681	73,849	65,975
Gain on sale of capital assets	23,402	1,173	12,154	(2,751,260)	0	0	(31,600)	12,297	0
Miscellaneous	120,088	189,826	182,734	54,759	24,226	27,820	47,946	443,302	129,001
Change in accounting policy	0	0	0	0	0	0	0	(285,871)	0
Transfers	0	0	0	0	0	0	0	0	(4,998)
Total governmental activities general revenues	11,111,438	10,235,237	11,428,469	11,159,154	14,394,034	14,992,923	13,429,575	11,997,547	12,210,957
Business-type activities									
Investment earnings	14,108	1,736	3,698	10,531	24,218	43,046	27,497	10,125	5,103
Miscellaneous	96	0	0	0	0	0	0	0	0
Change in accounting policy	0	0	0	0	0	0	0	(12,256)	0
Prior Period Adjustments	0	(6,388,763)	0	1,673,135	0	(226,746)	600	0	0
Transfers	0	0	0	0	0	0	9,286	0	4,998
Total business-type activities general revenues	14,204	(6,387,027)	3,698	1,683,666	24,218	(183,700)	37,383	(2,131)	10,101
Total primary government	11,125,642	3,848,210	11,432,167	12,842,820	14,418,252	14,809,223	13,466,958	11,995,416	12,221,058
<b>Change in Net Assets</b>									
Governmental activities	(1,168,671)	(257,705)	993,299	(1,543,883)	(1,538,307)	(3,465,036)	(6,981,993)	(9,267,629)	(7,967,563)
Business-type activities	404,860	(6,291,579)	(155,269)	2,619,134	527,032	(32,463)	219,465	122,238	(145,390)
Prior Period Adjustments	0	5,531,781	72,274	(9,170,636)	5,647	1,373,183	(800,078)	(93,864)	(12,346)
Total primary government	(\$763,811)	(\$1,017,503)	\$910,304	(\$8,095,385)	(\$1,005,628)	(\$2,124,316)	(\$7,562,606)	(\$9,239,255)	(\$8,125,299)

Note: 2001 data not available due to differences in reporting requirements and changes in accounting software.

Source: 2002 through 2004 published Comprehensive Annual Financial Reports and 2005 - 2009 audited financial statements.



### Governmental Activities Tax Revenues by Source Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Utility Tax</b>	<b>Lodging Tax</b>	<b>Excise Tax</b>	<b>Other Tax</b>	<b>Total</b>
2001	4,565,583	1,450,706	1,820,919	60,416	1,001,338	879,668	9,778,630
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
2010	5,510,291	2,138,984	2,763,158	145,769	1,027,534	435,243	12,020,979
Percentage Change in Dollars Over							
10 Years	20.7%	47.4%	51.7%	141.3%	2.6%	-50.5%	22.9%

Source: Prior years published Comprehensive Annual Financial Reports.



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

	Fiscal Year					Fiscal Year				
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>General Fund</b>										
Reserved	\$20,810	\$115,810	\$20,810	\$20,810	\$20,810	\$20,810	\$20,810	\$10,406	\$2,288,671	\$2,288,671
Unreserved	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	2,943,125
<b>Subtotal General Fund</b>	<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>	<u>5,231,796</u>
<b>General Fund Percentage Change</b>	1.1%	-4.1%	36.2%	-24.4%	59.0%	19.0%	-0.8%	-13.4%	-21.7%	-2.1%
<b>All Other Governmental Funds</b>										
Reserved	1,131,583	0	0	0	0	0	21,901,338	12,213,756	19,233,886	10,160,021
Unreserved										
General Fund Type Funds	0	0	0	0	0	0	0	0	189,924	163,612
Special Revenue Funds	7,421,085	9,581,775	6,136,752	5,940,889	7,417,433	8,600,665	0	0	0	(57,540)
Debt Service Funds	0	27,389	83,479	109,911	94,417	98,038	0	0	0	0
Capital Projects Funds	4,471,134	4,215,941	5,161,639	6,372,557	7,984,074	10,213,928	0	0	0	(14,598)
<b>Subtotal All Other Governmental Funds</b>	<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>	<u>10,251,495</u>
<b>Total Governmental Funds</b>										
Reserved	1,152,393	115,810	20,810	20,810	20,810	20,810	21,922,148	12,224,162	21,522,557	12,448,692
Unreserved	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	3,034,599
<b>Total Governmental Funds</b>	<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>	<u>\$15,483,291</u>
<b>All Governmental Funds Percentage Change</b>		3.6%	-5.4%	-1.9%	33.4%	21.1%	10.9%	-36.1%	30.1%	-37.5%

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				
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues:</b>										
Taxes	\$ 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	\$ 11,504,800
Intergovernmental	1,141,502	1,404,624	1,177,833	777,508	738,904	777,558	837,076	1,005,414	1,527,584	2,859,710
Charges for services	1,700,483	630,668	789,027	879,569	1,283,800	1,154,821	1,378,522	1,042,572	1,007,601	983,295
Licenses and permits	1,006,612	743,151	838,352	881,494	1,132,820	1,201,740	1,167,154	952,722	999,251	1,035,403
Fines and forfeitures	116,654	128,419	149,740	142,364	92,545	100,476	140,397	145,638	140,325	183,240
Miscellaneous	943,519	505,227	590,831	337,612	863,547	1,467,673	1,704,502	1,002,647	414,389	350,551
<b>Total Revenues</b>	<b>\$ 14,148,699</b>	<b>\$ 13,053,333</b>	<b>\$ 13,227,028</b>	<b>\$ 13,192,820</b>	<b>\$ 16,591,743</b>	<b>\$ 17,058,583</b>	<b>\$ 17,908,679</b>	<b>\$ 15,907,227</b>	<b>\$ 15,353,693</b>	<b>\$ 16,916,999</b>
<b>Expenditures:</b>										
General government	\$ 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	\$ 2,527,970
Security of persons and property	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	7,883,719
Physical environment	289,511	171,150	194,188	442,124	273,022	255,633	328,753	807,613	610,885	373,420
Transportation	466,315	672,002	602,057	369,935	591,450	529,077	627,596	722,959	1,159,010	847,324
Economic environment	670,292	676,478	899,799	781,610	748,987	928,492	1,142,317	1,455,250	1,183,908	1,163,757
Culture and recreation	542,736	445,767	575,018	1,153,676	566,496	572,791	706,948	888,027	853,596	994,459
Capital outlay	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	11,069,061
Debt service:										
Principal payments	950,000	1,470,000	785,000	820,000	865,000	500,000	0	0	0	455,000
Interest and other charges	266,903	193,808	145,242	100,803	63,999	25,000	0	0	214,439	452,960
<b>Total Expenditures</b>	<b>\$ 12,010,145</b>	<b>\$ 12,701,727</b>	<b>\$ 14,193,872</b>	<b>\$ 13,282,448</b>	<b>\$ 12,289,151</b>	<b>\$ 12,269,792</b>	<b>\$ 14,988,649</b>	<b>\$ 26,928,529</b>	<b>\$ 22,488,193</b>	<b>\$ 25,767,670</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>2,138,554</b>	<b>351,606</b>	<b>(966,844)</b>	<b>(89,628)</b>	<b>4,302,592</b>	<b>4,788,791</b>	<b>2,920,030</b>	<b>(11,021,302)</b>	<b>(7,134,500)</b>	<b>(8,850,671)</b>
<b>Other Financing Sources (Uses)</b>										
Bond Issuance	0	0	0	0	0	0	0	0	12,585,001	0
Bond Premium	0	0	0	0	0	0	0	0	348,159	0
Transfers in	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	2,297,788
Transfers out	(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)	(2,697,656)
<b>Total Other Financing</b>	<b>\$ (285,000)</b>	<b>\$ 223,854</b>	<b>\$ 0</b>	<b>\$ (300,000)</b>	<b>\$ 0</b>	<b>\$ (100,000)</b>	<b>\$ 0</b>	<b>\$ 305,914</b>	<b>\$ 12,933,159</b>	<b>\$ (399,868)</b>
<b>Prior Period Adjustments</b>	<b>0</b>	<b>52,923</b>	<b>0</b>	<b>72,274</b>	<b>1,248,933</b>	<b>0</b>	<b>1,623</b>	<b>(28,380)</b>	<b>(71,493)</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>\$ 1,853,554</b>	<b>\$ 628,383</b>	<b>\$ (966,844)</b>	<b>\$ (317,354)</b>	<b>\$ 5,551,525</b>	<b>\$ 4,688,791</b>	<b>\$ 2,921,653</b>	<b>\$ (10,743,768)</b>	<b>\$ 5,727,166</b>	<b>\$ (9,250,539)</b>
<b>Debt Service as a % of Noncapital Expenditures</b>	<b>15.9%</b>	<b>20.0%</b>	<b>10.7%</b>	<b>9.6%</b>	<b>9.7%</b>	<b>5.1%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>1.5%</b>	<b>6.6%</b>

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



### Assessed Value and Estimated Actual Value of Taxable Property

(in millions of dollars)

<b>Fiscal Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Less: Tax Exempt Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Value</b>	<b>Annual Percentage Change</b>
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	17%
2009	3,396	960	-191	4,165	1.2755	4,165	3%
2010	3,094	897	-80	3,911	1.2755	3,911	-6%

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

<b>Year</b>	<b>City</b>	<b>County</b>	<b>State</b>	<b>Other Overlapping Rates</b>			<b>Total</b>
				<b>School</b>	<b>Library</b>	<b>Port</b>	
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
2010	1.3761	0.7823	1.9925	3.6241	0.4000	0.2847	8.4598

Source: Snohomish County Assessor Annual Reports



# CITY OF MUKILTEO

## Statistical Section

### Principal Property Taxpayers

December 31, 2010 and 2001

(Amounts expressed in thousands)

2010				2001			
Principal Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Principal Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
RREEF America Reit II Corp	\$ 70,000	1	1.8%	Boeing Company	\$ 48,638	1	2.8%
Boeing Company	69,459	2	1.8%	Teachers Insurance & Annuity	21,552	2	1.2%
Legacy Partners Harbour Pointe LLC	53,300	3	1.4%	Wiredzone Property LP	20,717	3	1.2%
On The Green HP LLC	45,500	4	1.2%	On The Green	15,150	4	0.9%
WiredZone Property LLP	44,059	5	1.1%	Misawa On The Green	14,145	5	0.8%
SVF Harbour Pointe Mukilteo LLC	33,500	6	0.9%	Palmer Groth & Pietka Inc.	12,538	6	0.7%
SC Harbour Pointe Inc.	29,194	7	0.7%	Ires Carl J Pines	11,998	7	0.7%
HPC LLC	22,124	8	0.6%	Harbour Pointe Shopping Center	10,925	8	0.6%
Essex Property Trust	18,856	9	0.5%	Harbour Pointe Golf Assoc	8,541	9	0.5%
Sterling Realty Organization	16,890	10	0.4%	Harbour Pointe Retirement	8,242	10	0.5%
Total Principal Taxpayers	402,882		10.3%		172,447		9.8%
All Other Taxpayers	3,508,053		89.7%		1,582,416		90.2%
Total	\$ 3,910,935		100.0%		\$ 1,754,863		100.0%

Source: Snohomish County Assessor's Office



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

<b>For the Year Ended December 31</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected Within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>		<b>Total Uncollected Taxes</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>	<b>Amount</b>	<b>Percentage of Levy</b>
2001	4,551,769	4,456,211	97.90%	95,538	4,551,749	99.9996%	20	0.0004%
2002	4,464,398	4,294,052	96.18%	130,409	4,424,461	99.1054%	39,937	0.8946%
2003	4,855,153	4,735,385	97.53%	119,853	4,855,238	100.0018%	(85)	-0.0018%
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%	106,208	5,707,686	99.9998%	12	0.0002%
2006	5,485,942	5,405,164	98.53%	80,406	5,485,571	99.9932%	371	0.0068%
2007	5,097,513	5,023,955	98.56%	72,291	5,096,246	99.9751%	1,267	0.0249%
2008	5,199,357	5,125,219	98.57%	63,761	5,188,980	99.8004%	10,377	0.1996%
2009	5,968,319	5,885,533	98.61%	54,173	5,939,706	99.5206%	28,613	0.4794%
2010	6,010,655	5,920,534	98.50%	(0)	5,920,534	98.5006%	90,121	1.4994%

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



**Ratios of Outstanding Debt by Type**

	Governmental Activities			Business-type Activities					
	General Obligation Bonds	Special Assessment Bonds	Revenue Bonds	Sewer Bonds	General Obligation Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income <sup>1</sup>	Per Capita <sup>1</sup>
Fiscal Year									
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	0
2003	2,185,000	0	0	0	0	0	2,185,000	0	114
2004	1,365,000	0	0	0	0	0	1,365,000	0	71
2005	500,000	0	0	0	0	0	500,000	0	26
2006	0	0	0	0	0	0	0	0	0
2007	0	0	0	0	0	0	0	0	0
2008	0	0	0	0	0	0	0	0	0
2009	12,585,000	0	0	0	0	0	12,585,000	0	626
2010	12,130,000	0	0	0	0	0	12,130,000	0	595

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

<sup>1</sup>See the Schedule of Demographic and Economic Statistics for personal income and population data.



**Ratios of General Bonded Debt Outstanding**

Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value<sup>1</sup> of Property</b>	<b>Per Capita<sup>2</sup></b>
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	0	500,000	0.02%	26
2006	0	0	0	0.00%	0
2007	0	0	0	0.00%	0
2008	0	0	0	0.00%	0
2009	12,585,000	7,357	12,577,643	0.30%	625
2010	12,130,000	21,698	12,108,302	0.29%	594

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

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

<sup>2</sup> 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 12/31/2010**

<b>Governmental Unit</b>	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable<sup>1</sup></b>	<b>Estimated Share of Overlapping Debt</b>
City of Mukilteo	\$12,130,000	100%	\$12,130,000
Total Direct Debt	\$12,130,000	100%	\$12,130,000
Local School	\$65,310,408	27.97%	\$18,267,198
County	\$353,808,584	4.16%	\$14,700,867
Fire District	\$5,290,000	13.45%	\$711,396
Total Overlapping Debt	\$424,408,992	7.94%	\$33,679,461
Total Direct and Overlapping Debt	\$436,538,992	10.49%	\$45,809,461

**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.

<sup>1</sup>The 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 2010 Taxes, and the Snohomish County Treasurer's Office.



# CITY OF MUKILTEO

## Statistical Section

### Legal Debt Margin Information

Last Ten Fiscal Years

For the Year Ended December 31,	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
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	\$3,910,934,509
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	97,773,363
<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	58,664,018
Less: outstanding debt	(3,725,000)	(2,970,000)	(2,185,000)	(1,365,000)	(500,000)	-	-	-	(12,585,000)	(12,130,000)
Less: contracts payable						-	-	-	-	-
Less: excess of debt with a vote						-	-	-	-	-
Add: available assets						-	-	-	7,357	7,400
<b>Equals: remaining debt capacity without a vote</b>	<b>22,433,859</b>	<b>29,568,596</b>	<b>30,698,019</b>	<b>35,412,804</b>	<b>41,729,717</b>	<b>51,799,595</b>	<b>51,668,691</b>	<b>60,665,741</b>	<b>49,896,039</b>	<b>46,541,418</b>
<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	39,109,345
Less: outstanding debt						-	-	-	-	-
Less: contracts payable						-	-	-	-	-
Add: available assets						-	-	-	-	-
<b>Equals: remaining debt capacity with a vote</b>	<b>17,439,240</b>	<b>21,692,397</b>	<b>21,922,012</b>	<b>24,518,536</b>	<b>28,153,145</b>	<b>34,533,063</b>	<b>34,445,794</b>	<b>40,443,827</b>	<b>41,649,121</b>	<b>39,109,345</b>
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	97,773,363
Less: outstanding debt						-	-	-	-	-
Less: contracts payable						-	-	-	-	-
Add: available assets						-	-	-	-	-
<b>Equals: remaining debt capacity - utility purposes, voted</b>	<b>43,598,099</b>	<b>54,230,993</b>	<b>54,805,031</b>	<b>61,296,341</b>	<b>70,382,861</b>	<b>86,332,658</b>	<b>86,114,486</b>	<b>101,109,568</b>	<b>104,122,803</b>	<b>97,773,363</b>
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	97,773,363
Less: outstanding debt						-	-	-	-	-
Less: contracts payable						-	-	-	-	-
Add: available assets						-	-	-	-	-
<b>Equals: remaining debt capacity - open space and capital facilities, voted</b>	<b>43,598,099</b>	<b>54,230,993</b>	<b>54,805,031</b>	<b>61,296,341</b>	<b>70,382,861</b>	<b>86,332,658</b>	<b>86,114,486</b>	<b>101,109,568</b>	<b>104,122,803</b>	<b>97,773,363</b>
	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	281,197,488

Source: Prior years published Comprehensive Annual Financial Reports.



**Demographic and Economic Statistics**

Last Ten Fiscal Years

<b>Year</b>	<b>Population <sup>1</sup></b>	<b>Personal Income</b>	<b>Per Capita Income <sup>2</sup></b>	<b>Median Age <sup>3</sup></b>	<b>Avg. School Enrollment <sup>4</sup></b>	<b>Unemployment Rate <sup>5</sup></b>
2001	18,340	\$572,996,620	\$31,243	36.5	14,165	5.3%
2002	18,520	\$584,694,920	\$31,571	36.5	14,311	7.0%
2003	19,190	\$611,316,640	\$31,856	36.5	14,504	7.1%
2004	19,220	\$639,737,700	\$33,285	36.5	14,564	5.8%
2005	19,360	\$676,883,680	\$34,963	39.3	14,907	5.1%
2006	19,620	\$728,196,300	\$37,115	39.3	14,795	4.6%
2007	19,940	\$740,073,100	\$37,115	39.3	14,923	4.3%
2008	20,050	\$744,155,750	\$37,115	39.3	14,789	5.4%
2009	20,110	\$810,473,220	\$40,302	40.1	14,804	9.5%
2010	20,388	\$871,953,984	\$42,768	39.7	15,198	9.8%

Information source:

<sup>1</sup> Washington State Office of Financial Management

<sup>2</sup> Washington Office of Financial Management (data is for Snohomish County)

<sup>3</sup> U.S. Census Bureau

<sup>4</sup> Washington State Office of the Superintendent of Public Instruction

<sup>5</sup> U.S. Department of Labor - Bureau of Labor Statistics (data is for Snohomish County)





# CITY OF MUKILTEO

## Statistical Section

### Principal Employers Current Year and Nine Years Ago

2010				2002			
Employer	Number of Employees	Rank	Percentage of Total City Employment	Employer	Number of Employees	Rank	Percentage of Total City Employment
Boeing Company	657	1	8.8%	The Boeing Company	849	1	16.5%
Mukilteo School District	482	2	6.4%	ElectroImpact Inc	171	2	3.3%
Travis Industries	400	3	5.4%	Mukilteo YMCA	150	3	2.9%
ElectroImpact Inc	300	4	4.0%	Synrad Inc	125	4	2.4%
Senior Services of Snohomish County	200	5	2.7%	KAAS Tailored	103	5	2.0%
D3 Technologies Inc	174	6	2.3%	Senior Services of Snohomish County	100	6	1.9%
Synrad Inc	130	7	1.7%	Combimatrix Corporation	98	7	1.9%
KAAS Tailored	126	8	1.7%	Hydra Master Corp	96	8	1.9%
Mukilteo YMCA	120	9	1.6%	Pacific Pride Seafood	95	9	1.9%
Diversified Industrial Services	115	10	1.5%	J & E Manufacturing	91	10	1.8%
	2,704		36.2%	Total Principal Employers	1,878		36.6%
Other Employers	4,770		63.8%	Other Employers	3,257		63.4%
Total Employers	7,474		100.0%	Total Employers	5,135		100.0%

Source: City of Mukilteo Business License Data



### Full Time Equivalent City Government Employees by Function

Last Nine Fiscal Years

<b>Function</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>General Government</b>									
Executive	5.0	5.0	5.0	5.0	5.0	5.0	5.5	5.5	5.5
Finance	6.0	6.0	6.0	6.0	6.0	7.0	7.0	8.0	8.0
<b>Public Safety</b>									
Police	27.0	27.0	27.0	27.0	28.0	29.0	32.0	32.0	32.0
Fire	16.0	16.0	19.0	20.0	20.0	21.0	29.5	29.5	29.5
<b>Planning &amp; Community Development</b>									
Planning	5.0	5.0	7.0	7.0	7.0	6.3	6.0	6.0	6.0
Building	2.0	2.0	1.0	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	4.0
<b>Public Works</b>									
Administration & Engineering	4.0	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	4.0
Facilities Maintenance*	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.5
Parks and Open Space	3.0	3.0	3.0	3.0	5.0	6.5	6.5	6.0	6.0
Surface Water	4.0	4.0	4.0	4.0	4.0	4.0	4.5	4.5	4.5
<b>Recreation &amp; Cultural Services</b>									
Community Center	2.0	2.0	2.5	2.5	2.5	2.5	2.5	3.0	3.0
<b>Total</b>	<b>81.0</b>	<b>81.0</b>	<b>85.5</b>	<b>87.5</b>	<b>90.5</b>	<b>94.3</b>	<b>107.0</b>	<b>108.0</b>	<b>108.0</b>

\*New division created in 2008.

Source: Prior years published budgets.



### Operating Indicators by Function

Last Ten Fiscal Years

<b>Function</b>	Fiscal Year									
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Police</b>										
Calls for service	14,290	14,520	15,175	16,923	12,486	12,614	12,943	12,505	12,755	12,511
Physical arrests	N/A	N/A	160	157	137	115	162	131	145	144
Infractions/citations	1,116	1,200	1,764	1,627	1,755	1,356	2,636	2,677	3,965	3,154
Case reports	2,574	2,898	2,551	2,533	2,280	2,418	2,497	2,221	2,122	2,361
Animal licenses	410	412	394	399	419	425	440	315	250	271
<b>Fire</b>										
Number of responses (EMT/Fire)	1,492	1,500	1,635	1,590	1,742	1,876	1,769	1,600	1,894	1,888
Life safety inspections	639	680	467	510	469	510	530	509	600	600
<b>Planning &amp; Community Development</b>										
Plan Reviews	225	150	177	207	253	192	214	208	159	130
Building permits issued	388	300	390	370	617	595	322	311	439	419
Site Inspections	4,650	4,580	4,400	4,370	4,500	4,750	2,400	2,300	1,750	655
<b>Highways and streets</b>										
Miles of Street Maintained	62	63	66	67	67	67	67	67	67	67
Potholes repaired	60	68	55	40	20	200	20	100	75	75
<b>Parks</b>										
Total Acreage	414	431	433	433	433	433	499	499	499	515
<b>Recreation and Cultural Services*</b>										
Recreation Programs Offered	N/A	N/A	N/A	N/A	N/A	N/A	N/A	50	194	182
City Sponsored Events	N/A	N/A	3	2	2	2	2	7	10	9
<b>Surface Water</b>										
ERU's Billed	12,600	12,630	13,000	13,200	13,280	13,280	13,300	13,350	13,426	13,426
<b>General</b>										
Licensed Businesses	837	800	945	1,003	1,117	1,205	1,316	1,334	1,381	1,480

\* The Recreation and Cultural Services Department underwent a major transition in 2010, with the closing of the old Rosehill Community Center. The new Rosehill Community Center opened in February 2011.

N/A = Not Available



**Capital Asset Statistics by Function**

Last Ten Fiscal Years

<b>Function</b>	<b>Fiscal Year</b>									
	<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>
<b>Public Safety</b>										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Cars	9	9	9	9	9	9	10	11	11	11
Administrative Vehicles	2	2	2	2	2	2	2	2	2	2
Detective Vehicles	3	3	3	3	4	4	5	5	5	5
Crime Prevention Vehicles	0	0	0	0	0	0	0	1	1	1
Motorcycles	2	2	2	2	2	2	2	2	2	2
Other Vehicles	1	1	1	1	1	1	2	2	2	2
Fire/EMS										
Fire Stations	2	2	2	2	2	2	2	2	2	2
Fire Engines	4	3	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	3	3	3
<b>Highways and streets</b>										
Streets (miles)	62	66	66	68	68	68	68	68	68	68
Traffic Signals	9	9	9	13	13	13	13	13	13	13
Snow Plows	4	4	4	4	4	5	5	5	5	5
Street Sweepers	0	0	0	0	0	0	1	1	1	1
<b>Culture and Recreation</b>										
Parks acreage	135	442	442	433	499	499	499	499	499	515
Parks	31	31	31	31	33	33	33	33	33	33
Community Centers	1	1	1	1	1	1	1	1	1	1
<b>Surface Water</b>										
Storm sewers (miles)	34	34	34	34	34	35	35	35	35	36

Source: Various city departments.

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