

2008

Comprehensive Annual Financial Report

(For the Year Ended December 31, 2008)

The City of Mukilteo, Washington



Joe Marine, Mayor

Comprehensive Annual Financial Report



For The Year Ended December 31, 2008

Prepared by the Finance Department

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



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CITY OF MUKILTEO

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CITY OF MUKILTEO PUBLIC OFFICIALS

ELECTED OFFICIALS

Mayor	Joe Marine
Council President	Randy Lord
Council Vice President	Kevin Stoltz
Councilmember	Richard Emery
Councilmember	Linda Grafer
Councilmember	Jennifer Gregerson
Councilmember	Howard T. Tinsley
Councilmember	Emily Vanderwielen

APPOINTED OFFICIALS

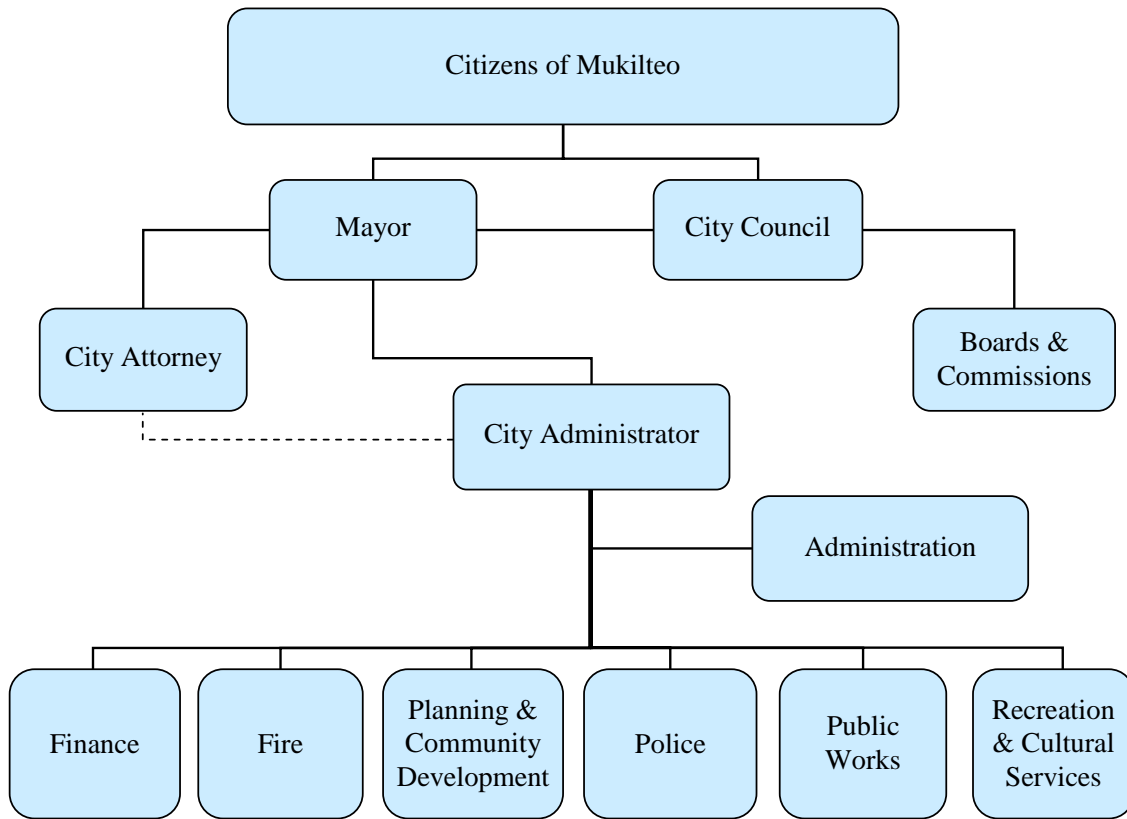
City Administrator – Joe Hannan

Finance Director	Scott James
Planning & Community Development Director	Heather McCartney
Police Chief	Michael Murphy
Fire Chief	Mike Springer
Public Works Director	Larry Waters



CITY OF MUKILTEO

ORGANIZATION CHART





11930 Cyrus Way, Mukilteo, WA 98275

June 19, 2009

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, 2008. This report will formally transmit the City of Mukilteo's 2008 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, 2008 are free of material misstatements. The State Auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Mukilteo's statements are fairly presented in conformity with GAAP. The State Auditor's report is presented as the first component of the financial section of this report.

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

Governmental Profile

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

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

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

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

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

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

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

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

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

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

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

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

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

Factors Affecting Financial Condition

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

*LEEDS = Leadership in Energy and Environmental Design. This is a “Green Building Rating System” utilized by the US Green Building Council’s certification program as a nationally accepted benchmark for the design, construction and operation of high performance green buildings.

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

Development activity is highlighted by both private and government construction projects including construction of a new hotel, continued re-development of the City's Lighthouse Park, the City's new community center slated for ground breaking during third quarter of 2009 and Water & Sewer Districts infrastructure improvements. This development activity will bring in construction jobs, increase sales tax and provide ongoing revenues such as property tax, sales tax, hotel/motel lodging tax, utility tax and business license fees.

Mukilteo's economy began to show signs of a slowing economy in 2008 with total sales tax revenue coming in 4% lower than 2007. However, the City's sale tax revenues for fourth quarter 2008 started reflecting the national economic malaise by coming in 17.2% lower than fourth quarter 2007. The City's strong cash reserves will help stabilize the City's operations during this economic downturn. The City will begin 2009 with a General Fund cash balance equating 47% of the 2009 General Fund operating budget. In addition, the City Reserve Fund equates 9% of the 2009 General Fund operating budget, for a combined 56% of its 2009 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-term Financial Planning

In 2007, staff created and placed on the City's website a "Budget Calculator" model for management, elected officials and citizens to use to help understand the City's General Fund budget. The "Budget Calculator", asks users to select expenditure priorities and select from an array of revenue options to "balance the budget" so the users can gain a longer-term view of the City's primary operating budget for the next one to five years.

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

In 2008, the Mukilteo City Council committed \$100,000 to update the City's 6-year and 20-year Comprehensive Plan and the Capital Facilities Plan. These two plans will be brought before Council for discussion and adoption in 2009.

The Budget Calculator and the Capital Fund Models were used to help Council adopted informal fund reserves and help set the tone for the need of more formal long-range financial planning. The City will continue building and adopting long-range financial plans and policies during 2009.

Major Initiatives

The City continues its tradition of significant investments in capital facilities needed to provide services to our community. Construction projects completed in 2008 ranged from the completion of the first phase of Lighthouse Park renovation to construction of a new City Hall. A total 5.0 miles of pavement improvements were also completed in the Chennault Beach neighborhood.

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 2008 annual budget. This was the fourth 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.

In 2008 City staff wrote and submitted an investment policy to The Washington Municipal Treasurers Associations' (WMTA) Investment Policy Certification program. The WMTA awarded the City an Investment Policy Certification. The program certifies the City's investment policy protects its investment officers and entity, and gives broker/dealers who work with the City clear direction of its investment goals. In addition, the City's governing board and the public can view this WMTA certification as our commitment to a quality investment program and ultimately, the safety of our entity's funds.

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

Scott James
Finance Director



**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

June 29, 2009

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, 2008, 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, 2008, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Municipal Facilities Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during the year ended December 31, 2008, the City implemented the Governmental Accounting Standards Board's Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.

In accordance with *Government Auditing Standards*, we will also issue our report dated June 29, 2009, 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 9 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 combining and individual fund statements and schedules on pages 55 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". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR



MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Mukilteo presents this Management's Discussion and Analysis of its financial activities for the year ended December 31, 2008. 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, 2008 by \$203,450,720. Of this amount \$23,052,051 may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's overall financial position declined in 2008 as compared to 2007. The City's total net assets decreased by \$7.5 million in 2008. This decrease is primarily attributable to depreciation expense. The decrease is attributed to a decrease from governmental activities of (\$7,782,070) and an increase from business-type activities of \$219,465.
- As of the close of the current fiscal year, the City of Mukilteo has no debt outstanding.
- At the end of the current fiscal year, the City of Mukilteo's governmental funds reported combined ending fund balances of \$19 million, a decrease of \$10.7 million in comparison with the prior year. Approximately one quarter of this total amount, \$6.8 million, is *available for spending* at the government's discretion (*unreserved, undesignated fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$6.8 million, or 50 percent of total 2008 General Fund expenditures.
- Reflected in the General Fund operating statements, general revenues that were primarily from property, sales, utility and general taxes were used to support the following major activities:
 - a. \$2,415,610 was applied to General Government purposes – City Council, Legal, Administration, and Finance;
 - b. \$5,832,625 for Public Safety – Police, Fire, and Protective Inspection;
 - c. \$445,697 for Physical Environment – Air Pollution and Environment;
 - d. \$15,337 for Transportation – Street maintenance;
 - e. \$1,254,566 for Economic Environment;
 - f. \$481,989 for Culture and Recreation – Participant Recreation, Parks and Recreation Facilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements

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

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

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



The **Statement of Activities** presents information designed to show how the City's net assets changed during the year. This statement distinguishes revenue generated by specific functions (program revenue) from revenue provided by taxes and other sources not related to a specific function. Program revenue (charges for services, grants and contributions) is compared to expenses for those functions in order to show how much each function either supports itself or relies on taxes and other general funding sources for support. All activity on this statement is reported on the accrual basis of accounting, requiring that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of when cash is received or disbursed. Items such as uncollected taxes, unpaid vendor invoices for goods or services received during the year are included in the statement of activities as revenues and expenses even though no cash has changed hands.

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

Fund Financial Statements

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

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

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

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

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

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

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

The enterprise fund statements provide information for the City's surface water utility. The City uses internal service funds to account for its fleet of vehicles. Because these services largely benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Fiduciary funds account for assets held by the City in a trustee capacity. Fiduciary funds are not included in the government-wide financial statements because their assets are not available to support City programs. The City's



fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in 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, 2007 and 2008 total \$211,013,326 and \$203,450,720, respectively. Following is a condensed version of the government-wide statement of net assets for 2008 compared with 2007.

Figure 1: Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2008	2007	2008	2007	2008
Assets						
Current and Other Assets	\$32,157,852	\$21,627,353	\$1,102,630	\$1,424,698	\$33,260,483	\$23,052,051
Non-current assets	173,279,198	167,839,694	4,251,120	4,172,157	177,530,319	172,011,851
Construction in Progress (net)	1,486,159	10,570,416	0	33,304	1,486,159	10,603,720
Total Assets	206,923,210	200,037,463	5,353,751	5,630,159	212,276,961	205,667,622
Liabilities						
Current and Other Liabilities	622,383	1,449,815	19,074	69,888	641,457	1,519,703
Long-term Liabilities	608,873	677,764	13,305	19,435	622,178	697,199
Total Liabilities	1,231,256	2,127,579	32,379	89,323	1,263,635	2,216,902
Net Assets						
Invested in Capital Assets, Net of Related Debt	\$174,222,431	\$177,953,497	\$4,251,120	\$4,205,460	\$178,473,551	\$182,158,957
Restricted	13,299,745	9,673,940	0	0	13,299,745	9,673,940
Unrestricted	18,169,777	10,282,447	1,070,251	1,335,376	19,240,028	11,617,823
Total Net Assets	\$205,691,954	\$197,909,884	\$5,321,372	\$5,540,836	\$211,013,326	\$203,450,720

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 \$203,450,720 as of December 31, 2008 and by \$211,013,326 as of December 31, 2007.

The largest portion of the City’s net assets (89.5%) reflects investment of \$182 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 \$9.67 million is divided among restrictions for capital improvements of \$9.4 million (4.6% of total net assets) and tourism promotion \$240,030 (0.1% of total net assets). The unrestricted portion of net assets of \$11.6 million or 5.7% of the total net assets may be used to meet ongoing obligations to citizens and creditors. There are no other restrictions, commitments or limitations that significantly affect the availability of resources for future use.



CITY OF MUKILTEO

FINANCIAL SECTION

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 \$6.7 million in 2008. The decrease is attributed to a decrease from governmental activities of (\$6,948,650) and an increase from business-type activities of \$218,865.

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 2007 and 2008.

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2008	2007	2008	2007	2008
Revenues						
Program Revenue:						
Charges for Services	\$4,102,509	\$3,356,096	\$1,230,133	\$1,257,681	\$5,332,642	\$4,613,777
Operating Grants and Contributions	8,652	98,451	0	0	8,652	98,451
General Revenues:						
Property Taxes	5,040,684	5,211,238	0	0	5,040,684	5,211,238
Sales Taxes	2,663,800	2,555,293	0	0	2,663,800	2,555,293
Other Taxes	5,799,405	4,890,017	0	0	5,799,405	4,890,017
Interest and Investment earnings	1,461,214	756,681	43,046	27,497	1,504,260	784,178
Other	27,820	25,631	0	0	27,820	25,631
Total Revenue	<u>\$19,104,084</u>	<u>\$16,893,407</u>	<u>\$1,273,179</u>	<u>\$1,285,178</u>	<u>\$20,377,263</u>	<u>\$18,178,584</u>
Expenses						
Governmental Activities						
General government	\$4,193,496	\$3,344,367	\$0	\$0	4,193,496	3,344,367
Public safety	7,370,795	8,153,872	0	0	7,370,795	8,153,872
Physical environment	404,866	902,912	0	0	404,866	902,912
Economic environment	1,169,686	1,501,697	0	0	1,169,686	1,501,697
Culture and recreation	931,559	1,261,755	0	0	931,559	1,261,755
Transportation	8,498,718	8,701,510	0	0	8,498,718	8,701,510
Business-Type Activities						
Surface Water Management	0	0	1,078,896	1,075,599	1,078,896	1,075,599
Total Expenses	<u>\$22,569,120</u>	<u>\$23,866,112</u>	<u>\$1,078,896</u>	<u>\$1,075,599</u>	<u>\$23,648,016</u>	<u>\$24,941,711</u>
Excess (Deficiency) Before Transfers	(3,465,036)	(6,972,705)	194,283	209,579	(3,270,753)	(6,763,126)
Transfers	0	(9,286)	0	9,286	0	0
Increase (Decrease) in Net Assets	(3,465,036)	(6,981,991)	194,283	218,865	(3,270,753)	(6,763,126)
Net Assets - Beginning of Year	207,783,806	205,691,953	5,353,834	5,321,371	213,137,640	211,013,324
Prior Year Adjustments	1,373,183	(800,078)	(226,746)	600	1,146,437	(799,478)
Net Assets - End of Year	<u>\$205,691,953</u>	<u>\$197,909,884</u>	<u>\$5,321,371</u>	<u>\$5,540,836</u>	<u>\$211,013,324</u>	<u>\$203,450,720</u>

Governmental activities decreased the total change of net assets of (\$6,763,126) by (\$6,981,991). The decrease in net assets in 2008 was (\$3,492,373) more than 2007. Key elements of the 2008 decrease are as follows:

- Cost of all governmental activities in 2008 was \$23.8 million. Of this amount, \$3.5 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 \$20.4 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 decreased \$108,507 (4.1%) primarily from lower construction sales tax. Property tax collections available for general use increased \$170,554 (3.4%). Utility tax revenue growth was flat for the year.
- Interest and investment earnings decreased over 48% due to declines in interest rates and having less cash available to invest.



- Development fees, including permits, inspections and plan review services, decreased by 22.9% over 2007, Slowing residential building activity contributed to this decline.
- Overall governmental activities expenses increased in 2008 over 2007 by 5.6% at \$1,296,992. Personnel costs, which make up over 40% of the City’s expenses, increased \$1.0 million or 11.7% from 2007. The increase is due to increases in staffing: Mid-way through 2008 3 firefighters and 3 paramedics were added to staff, changing the Fire Department from a hybrid career/volunteer based department to a career based department. Other staff additions included two patrol officers, one Crime Prevention Officer, one public works service worker and three half-time office assistants.

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

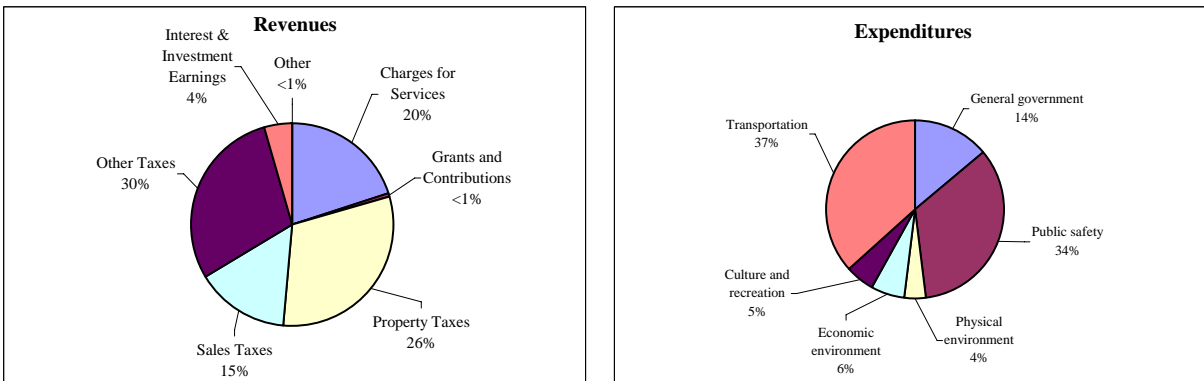
As discussed earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 \$19.0 million. Approximately \$6.8 million (35.8%) of that amount constitutes unreserved fund balance, which is available for discretionary spending. The remainder of the fund balance is reserved; it is committed for various purposes and is not available for new spending. Revenues for the governmental funds in 2008 were \$15.9 million. Expenditures were \$26.9 million. Overall, fund balances decreased \$10.7 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 2008, the fund balance of the General Fund was \$6,827,921. As a measure of fund’s liquidity, the ending fund balance is 50.1% of the fund’s 2008 expenditures. As of December 31, 2008, total assets were \$7,433,666 and total liabilities were \$605,745. The net change in fund balance for the general fund in 2008 was a decrease of \$1,017,901 or 12.9% from the 2007 ending balance. This decrease was the primarily the result of lower investment earnings (\$200,000), lower charges for services (\$234,000) and higher operating transfers (\$400,000).

The Municipal Facilities Fund is the fund used to track construction of city-owned buildings and facilities. The fund reported a \$6,414,785 decrease due the construction of a new City Hall.

The Park Acquisition and Development Fund tracks revenues from park mitigation fees and grants, which are used to fund expenditures for park development. In 2008, the fund balance decreased due to the completion of the first phase of re-construction of Lighthouse Park. In 2008, the City’s Lighthouse Park grant submission for an



\$800,000 re-construction grant was not received until first quarter of 2009. Due to the late receipt of the grant proceeds, the fund borrowed \$392,000 from the Real Estate Excise Tax I fund to cover construction expenditures.

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 2008 REET revenues declined over 50% from 2007 levels.

The Real Estate Excise Tax II Fund is a capital projects fund, which accounts for real estate excise tax (REET) proceeds from the second 0.25% of the tax that is locally imposed on all sales of real estate. In 2008 the fund balance decreased due to the first phase of re-construction of Lighthouse Park.

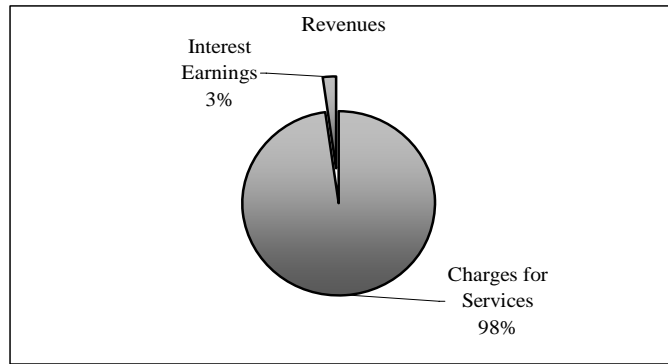
Other Governmental Funds - The City has eleven other special revenue funds and one capital fund. These funds reported total assets of \$3,581,299, total liabilities of \$270,361 and fund balances of \$3,310,938. This is a decrease of \$1,236,433 from 2007. The decrease is due to the Park Acquisition and Development Fund being presented as a major fund for 2008.

Proprietary Funds

The City’s proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of the City’s proprietary funds have been discussed in the City’s business-type activities.

Net assets of proprietary funds at the end of the year amounted to \$5.5 million. The largest portion of proprietary net assets, \$4.2 million (76.4%) reflects investment in capital assets. The remaining \$1.3 million (23.6%) represents unrestricted funds.

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



Proprietary fund revenues are primarily generated from services for which the City charges outside customers.

BUDGETARY HIGHLIGHTS

The annual budget is developed to study and review the City’s financial direction. It outlines how financial resources will be managed during the fiscal year; the course can be changed through the allocation of resources. Major groups that participate in the budget process are the City Administrator, Mayor, City Council, Department Directors, Managers and interested Mukilteo citizens.

Appropriations of operating funds are reviewed and amended as needed by the City Council. During fiscal 2008 the budget was amended four times. The general fund budget was increased \$955,108. The LEOFF I Reserve budget was increased \$26,500. The Paine Field Emergency Reserve budget was increased \$250,000. The Arterial Street budget was increased \$175,366. The Community Center budget was increased \$38,830. The Hotel/Motel Lodging Tax budget was decreased \$15,725. The Facilities Maintenance budget was increased \$12,000. The Technology



CITY OF MUKILTEO

FINANCIAL SECTION

Replacement budget was increased \$115,000. The Emergency Medical Services budget was increased \$20,300. The Municipal Facilities budget was increased \$564,250. The Park Acquisition and Development budget was decreased \$155,000. The Transportation Impact Fee budget was increased \$164,200. The Real Estate Excise Tax I budget was increased \$1,396,649. The Real Estate Excise Tax II budget was increased by \$2,383,237. The Surface Water Management budget was increased by \$459,664. The Self Insurance Health Benefit budget was increased \$292,700. The Equipment Replacement Reserve budget was increased \$138,500.

A comparison of the actual performance of the general fund on a budgetary basis to the final budget indicates that actual revenues are below budgeted total revenues by \$136,116. Lower than expected tax revenues and investment interest earnings are the primary reason for the deficit.

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, 2008 amounts to \$182.2 million (net of accumulated depreciation).

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

	Governmental Activities		Business-type Activities		Total	
	2007	2008	2007	2008	2007	2008
Land	\$22,124,834	\$21,322,235	\$150,000	\$150,000	\$22,274,834	\$21,472,235
Art collection	175,520	175,520	0	0	175,520	175,520
Building	8,025,609	9,508,071	0	0	8,025,609	9,508,071
Improvements other than buildings	3,259,750	4,543,311	4,098,545	3,845,150	7,358,295	8,388,461
Machinery & equipment	2,141,837	2,676,086	2,575	177,007	2,144,412	2,853,093
Infrastructure	137,008,722	129,157,858	0	0	137,008,722	129,157,858
Construction in Progress	1,486,159	10,570,416	0	33,304	1,486,159	10,603,720
	<u>\$174,222,431</u>	<u>\$177,953,497</u>	<u>\$4,251,120</u>	<u>\$4,205,461</u>	<u>\$178,473,551</u>	<u>\$182,158,958</u>

Additional information on the City's capital assets can be found in Note 11 to the financial statements.

Long-Term Debt

At the end of the fiscal year, the City had no bonded debt outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City's 2009 budget emphasizes public safety, financial stability and effective management, infrastructure preservation, environmental protection and sustainability, park and recreation enhancement and increased and transparent communication between the City and our residents. The 2009 operating budget for revenues is about 8.9% less than the prior year's budget which incorporates the City's plan to slow additional declines to the City's financial position and reflects a slowing economy from lower sales tax and development-related revenues.

Total budgeted expenditures are \$38.5 million and are \$6.9 million or 27% higher than last year's budget. The 2009 expenditure budget includes operating expenditures of \$15.6 million or 8.1% less than the prior year; operating transfers of \$2.6 million or 59% less than the prior year, and capital improvements are \$4.3 million or 27% higher than the prior year.

Keeping with the City's fiscally conservative approach, the budget includes a City Reserve of \$1,000,000 and an estimated ending General Fund balance of \$4,353,829, which equals 39% of 2009 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.



**STATEMENT OF NET ASSETS
STATEMENT OF NET ASSETS
December 31, 2008**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$20,431,116	\$1,289,277	\$21,720,393
Accounts receivable, net	128,586	135,421	264,007
Taxes receivable	1,067,651	0	1,067,651
Total Current Assets:	21,627,353	1,424,698	23,052,051
Noncurrent Assets:			
Prepays	14,405	0	14,405
Investment in joint venture	442,208	0	442,208
Total Noncurrent Assets:	456,613	0	456,613
Capital Assets:			
Capital assets not being depreciated:			
Land	21,322,235	150,000	21,472,235
Art Collection	175,520	0	175,520
Construction in progress	10,570,416	33,304	10,603,720
Capital assets net of accumulated depreciation:			
Buildings	9,508,071	0	9,508,071
Improvements other than buildings	4,543,311	3,845,150	8,388,461
Infrastructure	129,157,858	0	129,157,858
Machinery and equipment	2,676,086	177,007	2,853,093
Total Capital Assets:	177,953,497	4,205,461	182,158,958
TOTAL ASSETS	\$200,037,463	\$5,630,159	\$205,667,622
LIABILITIES			
Accounts payable and other current liabilities	\$1,449,815	\$69,888	\$1,519,703
Non-current liabilities:			
Due within one year	460,951	17,393	478,344
Due in more than one year	216,813	2,042	218,855
TOTAL LIABILITIES	\$2,127,579	\$89,323	\$2,216,902
NET ASSETS			
Invested in capital asset	\$177,953,497	\$4,205,460	\$182,158,957
Restricted for:			
Tourism	240,030	0	240,030
Capital Improvements	9,433,910	0	9,433,910
Unrestricted	10,282,447	1,335,376	11,617,823
TOTAL NET ASSETS	\$197,909,884	\$5,540,836	\$203,450,720



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FINANCIAL SECTION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

Page 1 of 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions
Primary government:				
Government activities:				
General government	\$3,344,367	\$1,785,529	\$0	\$0
Public safety	8,153,872	852,643	98,451	0
Physical environment	902,912	438,728	0	0
Economic environment	1,501,697	0	0	0
Culture and recreation	1,261,755	279,195	0	0
Transportation	8,701,510	0	0	0
Total governmental activities	23,866,112	3,356,096	98,451	0
Business-type activities:				
Surface Water Management	1,075,599	1,257,681	0	0
Total business-type activities	1,075,599	1,257,681	0	0
Total primary government	\$24,941,711	\$4,613,777	\$98,451	\$0

General Revenues:

- Property taxes
- Sales taxes
- Utility taxes
- Fuel taxes
- Excise taxes
- Hotel/Motel taxes
- Interest and investment earnings
- Miscellaneous
- Transfers
- Total general revenues and transfers**
- Change in net assets
- Net assets at beginning of year
- Prior period adjustment
- Net assets at end of year**



**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

Page 2 of 2

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
(\$1,558,838)	\$0	(\$1,558,838)
(7,202,777)	0	(7,202,777)
(464,184)	0	(464,184)
(1,501,697)	0	(1,501,697)
(982,560)	0	(982,560)
(8,701,510)	0	(8,701,510)
(20,411,565)	0	(20,411,565)
0	182,082	182,082
0	182,082	182,082
(\$20,411,565)	\$182,082	(\$20,229,483)
\$5,211,238	\$0	\$5,211,238
2,555,293	0	2,555,293
2,848,484	0	2,848,484
520,909	0	520,909
1,378,330	0	1,378,330
142,294	0	142,294
756,681	27,497	784,178
25,631	0	25,631
(9,286)	9,286	0
13,429,574	36,783	13,466,357
(6,981,991)	218,865	(6,763,126)
205,691,953	5,321,371	211,013,324
(800,078)	600	(799,478)
\$197,909,884	\$5,540,836	\$203,450,720



CITY OF MUKILTEO

FINANCIAL SECTION

BALANCE SHEET - GOVERNMENTAL FUNDS DECEMBER 31, 2008

	GENERAL	MUNICIPAL FACILITIES	PARK ACQUISITION & DEVELOPMENT
ASSETS			
Cash and cash equivalents	\$6,426,407	\$389,796	\$163
Receivables, net			
Accounts receivable	84,331	0	0
Interfund loans receivable	0	0	0
Taxes receivable	908,523	0	0
Prepays	14,405	0	0
TOTAL ASSETS	\$7,433,666	\$389,796	\$163
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$243,472	\$356,488	\$6,910
Wages payable	358,289	0	0
Interfund Loans	0	0	392,000
Other accrued liabilities	3,984	0	0
TOTAL LIABILITIES	605,745	356,488	398,910
Fund Balances:			
Reserved for:			
Prepays	10,406	0	0
Special revenue funds	0	33,308	0
Capital projects funds	0	0	(398,747)
Unreserved, designated parks	8,738	0	0
Unreserved, designated self-insurance	18,578	0	0
Unreserved, undesignated, reported in:			
General fund	6,790,199	0	0
TOTAL FUND BALANCES	6,827,921	33,308	(398,747)
TOTAL LIABILITIES AND FUND BALANCES	\$7,433,666	\$389,796	\$163



CITY OF MUKILTEO

FINANCIAL SECTION

BALANCE SHEET - GOVERNMENTAL FUNDS DECEMBER 31, 2008

REAL ESTATE EXCISE TAX I	REAL ESTATE EXCISE TAX II	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$7,072,202	\$1,945,090	\$3,439,425	\$19,273,083
2,561	0	41,694	128,586
392,000	0	0	392,000
29,474	29,474	100,180	1,067,651
0	0	0	14,405
\$7,496,237	\$1,974,564	\$3,581,299	\$20,875,725
\$200,916	\$1,628	\$186,722	\$996,136
0	0	83,639	441,928
0	0	0	392,000
0	0	0	3,984
200,916	1,628	270,361	1,834,048
0	0	0	10,406
0	0	2,789,225	2,822,533
7,295,321	1,972,936	521,713	9,391,223
0	0	0	8,738
0	0	0	18,578
0	0	0	6,790,199
7,295,321	1,972,936	3,310,938	19,041,677
\$7,496,237	\$1,974,564	\$3,581,299	\$20,875,725



RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
December 31, 2008

Total governmental fund balances 19,041,677

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. 177,953,497

These assets consist of:

Land	21,322,235
Art Collection	175,520
Construction in progress	10,570,416
Buildings	12,145,321
Improvements other than buildings	5,794,976
Infrastructure	262,947,137
Machinery and Equipment - General Government	5,765,000
Less: Accumulated Depreciation	(140,767,107)

Other long term assets used in governmental activities are not current period financial resources and therefore are not reported in the funds. 442,208

Investment in Joint Venture 442,208

Long term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds. (677,764)

These long-term liabilities consist of:

Other post-employment benefits	(33,342)
Compensated absences	(644,422)

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. 1,150,267

Net assets of governmental activities 197,909,884



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CITY OF MUKILTEO

FINANCIAL SECTION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2008

	GENERAL	MUNICIPAL FACILITIES	PARK ACQUISITION & DEVELOPMENT
REVENUES			
Taxes	9,759,570	0	0
Licenses	952,722	0	0
Intergovernmental	483,505	0	0
Charges for services	632,664	0	51,198
Fines and forfeits	145,638	0	0
Miscellaneous	266,887	131,856	11,485
TOTAL REVENUES	12,240,986	131,856	62,683
EXPENDITURES			
Current:			
General government services	2,415,610	0	2,561
Public safety	5,832,625	0	0
Physical environment	445,697	0	0
Transportation	15,337	0	0
Economic environment	1,254,566	0	0
Culture and recreation	481,989	0	0
Capital outlay	517,085	7,546,641	1,548,531
TOTAL EXPENDITURES	10,962,909	7,546,641	1,551,092
Excess (deficiency) of revenues over expenditures	1,278,077	(7,414,785)	(1,488,409)
OTHER FINANCING SOURCES (USES):			
Transfers in	118,689	1,000,000	0
Transfers out	(2,440,445)	0	0
Sale of assets	25,778	0	0
TOTAL OTHER FINANCING SOURCES (USES)	(2,295,978)	1,000,000	0
Net change in fund balances	(1,017,901)	(6,414,785)	(1,488,409)
Fund balances - beginning	7,884,108	6,448,093	1,089,662
Prior period adjustment	(38,286)	0	0
FUND BALANCES - ENDING	\$6,827,921	\$33,308	(\$398,747)



CITY OF MUKILTEO

FINANCIAL SECTION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2008

REAL ESTATE EXCISE TAX I	REAL ESTATE EXCISE TAX II	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
495,950	495,950	1,006,764	\$11,758,234
0	0	0	952,722
0	0	521,909	1,005,414
0	0	358,710	1,042,572
0	0	0	145,638
217,010	71,118	278,513	976,869
712,960	567,068	2,165,896	15,881,449
0	0	26,136	2,444,307
0	0	1,675,205	7,507,830
0	0	361,916	807,613
0	0	707,622	722,959
0	0	200,684	1,455,250
0	0	406,038	888,027
1,266,084	1,651,561	572,641	13,102,543
1,266,084	1,651,561	3,950,242	26,928,529
(553,124)	(1,084,493)	(1,784,346)	(11,047,080)
0	3,057,429	2,132,036	6,308,154
(3,057,429)	0	(504,366)	(6,002,240)
0	0	0	25,778
(3,057,429)	3,057,429	1,627,670	331,692
(3,610,553)	1,972,936	(156,676)	(10,715,388)
10,905,874	0	3,457,708	29,785,445
0	0	9,906	(28,380)
\$7,295,321	\$1,972,936	\$3,310,938	\$19,041,677



**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, 2008**

Net change in fund balances - total governmental funds (10,715,388)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful life as depreciation expense. This is the amount by which capital outlays plus adjustments exceeded depreciation in the current period. 4,351,732

This is comprised of:

Capital outlays	13,102,544
Current year depreciation	(8,693,434)
Disposal of assets	(57,378)

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. (166,651)

This is comprised of:

Accrued other post-employment benefits	(33,342)
Accrued compensated absence expense	(53,400)
Depreciation of Investment in Joint Venture	(79,909)

Internal service funds are used by management to charge the cost of equipment rental to individual funds. The net revenue (expense) of this internal service fund is reported with governmental activities. (451,684)

Change in net assets of governmental activities (6,981,991)



CITY OF MUKILTEO

FINANCIAL SECTION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

	ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET Positive/ (Negative)
REVENUES				
Taxes	\$9,724,500	\$9,724,500	9,759,570	\$35,070
Licenses	1,012,000	1,012,000	952,722	(59,278)
Intergovernmental	412,400	384,935	483,505	98,570
Charges for services	738,400	745,400	632,664	(112,736)
Fines and forfeits	101,600	101,600	145,638	44,038
Miscellaneous	419,000	429,445	266,887	(162,558)
TOTAL REVENUES	12,407,900	12,397,880	12,240,986	(156,894)
EXPENDITURES				
Current:				
General government services	2,702,010	2,708,270	2,415,611	(292,659)
Public safety	6,034,239	6,185,485	5,832,625	(352,860)
Physical environment	503,726	529,325	445,697	(83,628)
Transportation	0	15,500	15,337	(163)
Economic environment	1,216,150	1,369,427	1,254,566	(114,861)
Culture and recreation	458,478	518,915	481,989	(36,926)
Capital outlay	272,098	767,382	517,085	(250,297)
TOTAL EXPENDITURES	11,186,701	12,094,304	10,962,909	(1,131,395)
Excess (deficiency) of revenues over expenditures	1,221,199	303,576	1,278,077	974,501
OTHER FINANCING SOURCES (USES):				
Transfers in	0	118,689	118,689	0
Transfers out	(2,392,940)	(2,430,445)	(2,440,445)	(10,000)
Gain/(loss) on sale of assets	5,000	5,000	25,778	20,778
TOTAL OTHER FINANCING SOURCES USES)	(2,387,940)	(2,306,756)	(2,295,978)	10,778
Net change in fund balances	(1,166,741)	(2,003,180)	(1,017,901)	985,279
Fund balances - beginning	7,304,198	7,304,198	7,884,108	579,910
Prior period adjustment	0	0	(38,286)	(38,286)
FUND BALANCES - ENDING	\$6,137,457	\$5,301,018	6,827,921	\$1,526,902



CITY OF MUKILTEO

FINANCIAL SECTION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL MUNICIPAL FACILITIES FUND FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

	ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET Positive/ (Negative)
REVENUES				
Miscellaneous	\$150,000	\$150,000	\$131,856	(\$18,144)
TOTAL REVENUES	150,000	150,000	131,856	(18,144)
EXPENDITURES				
Current:				
Capital outlay	7,000,000	7,564,250	7,546,641	(17,609)
TOTAL EXPENDITURES	7,000,000	7,564,250	7,546,641	(17,609)
Excess (deficiency) of revenues over expenditures	(6,850,000)	(7,414,250)	(7,414,785)	(535)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,000,000	1,000,000	1,000,000	0
TOTAL OTHER FINANCING SOURCES USES)	1,000,000	1,000,000	1,000,000	0
Net change in fund balances	(5,850,000)	(6,414,250)	(6,414,785)	(535)
Fund balances - beginning	6,469,624	6,469,624	6,448,093	(21,531)
FUND BALANCES - ENDING	\$619,624	\$55,374	\$33,308	(\$22,066)



CITY OF MUKILTEO

FINANCIAL SECTION

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS DECEMBER 31, 2008

	BUSINESS ACTIVITIES - ENTERPRISE FUNDS SURFACE WATER MANAGEMENT	(GOVERNMENTAL ACTIVITIES) INTERNAL SERVICE FUNDS
ASSETS		
Current assets:		
Cash and cash equivalents	1,289,277	1,158,033
Accounts receivable, net	135,421	0
Total Current Assets	1,424,699	1,158,033
Capital assets, net		
Land	150,000	0
Other improvements	3,845,150	0
Machinery and equipment	177,007	1,637,049
Construction in Progress	33,304	0
Total Noncurrent Assets	4,205,461	1,637,049
TOTAL ASSETS	5,630,159	2,795,082
LIABILITIES		
Current Liabilities		
Accounts Payable	46,269	7,766
Wages payable	23,619	0
Total Current Liabilities	69,888	7,766
Noncurrent Liabilities		
Compensated Absences	19,435	0
Total Noncurrent Liabilities	19,435	0
TOTAL LIABILITIES	89,323	7,766
FUND EQUITY		
Invested in capital assets, net of related debt	4,205,461	1,637,049
Restricted	0	131,189
Unrestricted	1,335,376	1,019,078
TOTAL FUND EQUITY	5,540,836	2,787,316
TOTAL LIABILITIES AND NET ASSETS	5,630,159	2,795,082



**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2008**

	BUSINESS ACTIVITIES - ENTERPRISE FUNDS SURFACE WATER MANAGEMENT	(GOVERNMENTAL ACTIVITIES) INTERNAL SERVICE FUNDS
OPERATING REVENUE:		
Charges for services	1,251,470	1,011,958
Intergovernmental revenues	6,211	0
Total Operating Revenues	1,257,681	1,011,958
OPERATING EXPENSES:		
Personnel services	447,928	764,857
Supplies	48,132	108
Other services and charges	262,759	23,027
Intergovernmental services	55,853	0
Depreciation	260,927	360,450
TOTAL OPERATING EXPENSES	1,075,599	1,148,442
Operating Income (Loss)	182,082	(136,484)
NON-OPERATING REVENUE (EXPENSES):		
Investment interest revenues	27,498	0
TOTAL NON-OPERATING REVENUES (EXPENSES)	27,498	0
Income (Loss) before transfers	209,580	(136,484)
Transfers in	9,286	4,000
Transfers out	0	(319,200)
Change in net assets	218,866	(451,684)
Total net assets - beginning	5,321,370	3,368,051
Prior Period Adjustment	600	(129,051)
Total net assets - ending	5,540,836	2,787,316



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CITY OF MUKILTEO

FINANCIAL SECTION

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

Page 1 of 2

	BUSINESS ACTIVITIES - ENTERPRISE FUNDS	(GOVERNMENTAL ACTIVITIES)
	SURFACE WATER MANAGEMENT	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers and users	1,266,312	887,050
Payments to suppliers	(324,167)	(23,135)
Payments to employees	(433,561)	(764,857)
NET CASH PROVIDED BY OPERATING ACTIVITIES	508,584	99,058
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers (to)/from other funds	9,286	(315,200)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	9,286	(315,200)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(214,668)	(400,280)
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	(214,668)	(400,280)
CASH FLOW FROM INVESTING ACTIVITIES:		
Investment income	27,498	0
NET CASH PROVIDED BY INVESTING ACTIVITIES	27,498	0
Net Increase (Decrease) in Cash and Cash Equivalents	330,700	(616,422)
Cash and Cash Equivalents, January 1	958,577	1,774,454
CASH AND CASH EQUIVALENTS, DECEMBER 31	1,289,277	1,158,032
Current Cash and Cash Equivalents	1,289,277	1,158,032
CASH AND CASH EQUIVALENTS, DECEMBER 31	1,289,277	1,158,032



CITY OF MUKILTEO

FINANCIAL SECTION

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008**

Page 2 of 2

	BUSINESS ACTIVITIES - ENTERPRISE FUNDS SURFACE WATER MANAGEMENT	(GOVERNMENTAL ACTIVITIES) INTERNAL SERVICE FUNDS
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**RECONCILIATION OF NET OPERATING INCOME (LOSS) TO
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating income (loss)	182,082	(136,485)
Adjustments to Reconcile Operating Income to Net Cash Provided (used by Operating Activities)		
Depreciation	260,927	360,450
Change in Current Assets and Liabilities		
(Increase) decrease in receivables	8,632	(129,051)
Increase (decrease) in accounts payable	56,944	4,144
TOTAL ADJUSTMENTS	326,502	235,543
NET CASH PROVIDED BY OPERATING ACTIVITIES	508,584	99,058

**SCHEDULE OF NON-CASH CAPITAL AND RELATED
FINANCING ACTIVITIES:**

Non-Cash Financing, Capital and Investing Activities:		
Prior period corrections	0	(129,051)
TOTAL NON-CASH ACTIVITIES	0	(129,051)



**STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2008**

ASSETS AND OTHER DEBITS	
Cash and cash equivalents	538,140
Accounts receivable	202
TOTAL ASSETS	538,342
LIABILITIES	
Other liabilities	525,781
FUND BALANCE	
Unreserved, undesignated	12,561
TOTAL LIABILITIES AND FUND BALANCE	538,342



**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008**

The notes to the General Purpose Financial Statements include a summary of significant accounting policies and other disclosures considered necessary for a clear understanding of the accompanying financial statements.

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Note 1 – Significant Accounting Policies

The accounting policies of the City conform to generally accepted accounting principles (GAAP) applicable to local governments, and are regulated by the Washington State Auditor’s Office. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). The City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions beginning with the 2008 reporting year. See note 14 for additional information.

GASB Statement #20 requires that governments’ proprietary activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements; Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principals Board Opinions and Accounting Research Bulletins. Governments were given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The City has elected to implement all FASB Statements and Interpretations that do not conflict or contradict GASB pronouncements.

The City’s significant accounting policies are described below:

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 17 for additional information.

Basic Financial Statements – GASB Statement #34

The City has implemented GASB Statement #34 – *Basic Financial Statement and Management’s Discussion and Analysis for State and Local Governments*. Under this format, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (statement of net assets and statement of activities) report on the City as a whole, excluding fiduciary activities. *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. All activities, both governmental and business type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The



government-wide financial statement focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements. The 'doubling up' effect of internal service fund activity has been removed from the government-wide statements with the expenses shown in the various functions and segments on the Statement of Activities.

Government-Wide and Fund Financial Statements

The government-wide Statement of Net Assets reports all financial and capital resources of the government (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in the order of their relative liquidity. Net assets are required to be displayed in three components: (1) invested in capital assets, net of related debt, (2) restricted and (3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or (3) by enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the city would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Reservations or designations of net assets imposed by the City, whether by administrative policy or legislative action of the City, are not shown on the government-wide financial statements. Note 10 discusses the internal reservations and designations of net assets in the various funds to demonstrate the City's intended use of those net assets.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of the various functions and segments of the City 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 users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, investment income and other revenues not identifiable with particular functions or segments are included as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

Another part of the basic financial statements are the fund financial statements for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the major government-wide financial statements. The focus on the fund financial statements is on major funds, as defined by Statement #34. Although the new model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives the government the option of displaying other funds as major funds. The city has not added any funds that did not meet the percentage criteria to the major funds list. Other non-major funds, as well as the internal service funds, are combined in a single column on the fund financial statements.

The internal service funds, which provide services to the other funds of the government, are presented in a single combined column in the proprietary fund financial statements. Because the principal users of the internal service funds are the City's governmental activities, the assets and liabilities of the internal service funds are consolidated into the governmental activities column of the government-wide Statement of Net Assets. The costs of the internal service fund services are spread to the appropriate function or segment on the government-wide Statement of Activities and the revenues and expenses within the internal service funds are eliminated from the government-wide financial statements to avoid any doubling up effect of these revenues and expenses.



The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to (1) demonstrate legal and covenant compliance, (2) demonstrate the sources and uses of liquid resources, and (3) demonstrate how the City's actual revenues and expenditures conform to the annual budget. Since the governmental fund financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements. Additional reconciliation information is provided in Note 2.

The proprietary fund and fiduciary fund financial statements are prepared on the same basis (economic resources management focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary fund financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds may be eliminated in the consolidation for the government-wide financial statements, but will be included in the fund columns in the proprietary fund financial statements.

On the proprietary fund financial statements, operating revenues are those that flow directly from the operations of that activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items like investment income and interest expense that are not on the face of the fund statements.

Basis of Presentation

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts, which includes assets, liabilities, fund equity, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following fund categories (further divided by fund type) are used by the City:

Governmental Funds

Governmental funds are used to account for the City's general government activities. The focus of Governmental Fund measurement, in the fund financial statements, is upon determination of financial position and changes in financial position rather than upon net income. Governmental Funds include the following fund types:

General Fund - 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 is always presented as a major fund.

Special Revenue Funds account for revenue sources that are restricted to expenditures for specific purposes (not including major capital projects). The restrictions may be imposed by outside parties or by the governing body. The revenues for these accounts are derived from specific taxes; grants or other sources and are designated to finance particular activities of the City. One special revenue fund is presented as a major fund in the basic financial statements:

Municipal Facilities Fund – used to construct city-owned buildings and facilities.

Debt Service Funds account for the resources accumulated and the servicing of general long-term debt not being financed by proprietary funds. The City has no debt service funds presented as major funds.



Capital Project funds account for the acquisition of capital assets for construction of major capital projects not being financed by proprietary funds. Three capital project funds are presented as major funds:

Park Acquisition & Development Fund – receives revenues from park mitigation fees and grants, which are used to fund expenditures for park development.

Real Estate Excise Tax I Fund – a capital projects fund, which accounts for the proceeds of the state excise tax levied and a locally imposed tax on all sales 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.

Real Estate Excise Tax II Fund – a capital projects fund, which accounts for the proceeds of the state excise tax levied and a locally imposed tax on all sales of real estate. These funds must be used for street and park projects (with the exclusion of the acquisition of land.)

Permanent Funds are a new fund type created by GASB Statement #34. These funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City’s program, that is, for the benefit of the government or its citizens. The City does not currently have any permanent funds.

Proprietary Funds

Proprietary funds include Enterprise Funds and Internal Service Funds, and are used account for activities of the City similar to those found in the private sector, where cost recovery and the determination of net income is useful or necessary for sound fiscal management. The focus of Proprietary Fund measurement is upon the determination of operating income, changes in net assets, financial position and cash flows.

The following are the Proprietary Funds of the City:

Enterprise Funds are used to account for those operations that provide services to the general public for a fee. Under GASB Statement #34, enterprise funds are required for any activity whose principal revenue sources meet any of the following criteria: (1) any activity that has issued debt backed solely by the fees and charges of the activity, (2) if the cost of providing the services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or (3) it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs.

The City reports the following enterprise fund as a major fund:

Surface Water Management Fund – The Surface Water Management fund accounts for the revenues and expenses to operate and maintain the surface water management system.

Internal Service Funds account for operations that provide services to other departments or agencies of the government or to other governments on a cost-reimbursement basis. Internal Service funds are not included as major funds.

The City maintains three internal service funds:

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 – The City maintains this reserve fund to protect against higher than anticipated employment compensation claims.

Fiduciary Funds

Fiduciary funds account for assets held by the City in a trustee or agency capacity on behalf of others and therefore are not available to support City programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds.

Fiduciary Funds are not included in the government-wide financial statements since they are not assets of the City available to support City programs. GASB Statement #34 redefined fiduciary funds as follows:

Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post employment benefit plans, or other employee plans. The City has no pension trust funds.

Investment Trust Funds are required for reporting of any external investment pools sponsored by the reporting government. The City does not sponsor any such pools and therefore has no investment trust funds.

Private-Purpose Trust Funds account for the assets held by the City under the terms of a formal trust agreement where both the principal and income may be used to support individuals, private organizations or other governments as set forth in the trust agreement. The City does not currently have any private-purpose trust funds.

Agency Funds account for assets the City holds as an agent for individuals, private organizations, other governments or other funds in a temporary custodial capacity. The City currently maintains a Treasurers' Suspense fund that holds assets until their correct fund location can be determined when appropriate expenses occur, or until refunded.

Non-current Governmental Assets and Liabilities

GASB Statement #34 eliminates the presentation of account groups in the financial statements (formerly the general fixed asset account group and the general long-term debt account group). The governmental long-term assets and liabilities continue to be maintained in the account groups for tracking purposes, but are presented with the governmental activities in the government-wide Statement of Net Assets.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All funds are reported in the government-wide financial statements using the flow of economic resources measurement focus and accrual basis of accounting.

Governmental type funds are presented in the fund financial statements using the flow of current financial resources measurement focus. With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance is a measure of available spendable resources. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; when they are “measurable and available”. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon thereafter to pay liabilities of the current period. The City considers revenues available under modified accrual, if they are earned by December 31 (all eligibility requirements have been met) and the revenue is expected to be collected within two months 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.



When applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to GASB Statement #33 – *Recipient Reporting for Certain Shared Non-Exchange Transactions*, receivables and revenues are recognized when the applicable eligibility requirements, including time requirements are met. Resources transmitted before the eligibility requirements are met are reported as deferred revenue.

Under Statement #33, property taxes and special assessments are susceptible to accrual when an enforceable legal claim has arisen. Sales taxes, or other taxes collected by the state on behalf of the City are also recognized as revenue. Other receipts become measurable and available when cash is received by the City and are recognized at that time. Interest and dividend income is recognized on the modified accrual basis. Changes in the fair value of investments are recognized in investment income at the end of the year.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. For the governmental fund statements, grant revenue earned but not expected to be received within one month of year-end is deferred.

Proprietary funds and trust funds are accounted for on the flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income. The accrual basis of accounting is used for proprietary fund types and trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Agency funds are custodial in nature and do not measure results of operations or have a measurement focus.

Budgets and Budgetary Accounting

The City budgets its funds in accordance with the Revised Code of Washington 35A.33. Annual appropriated budgets are adopted for the general, special revenue, debt service and capital project funds. Budgetary accounts are integrated in fund ledgers for all budgeted funds and the financial statements include budgetary comparisons for annually budgeted governmental funds only. 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. Annual appropriated budgets are adopted at the level of the fund.

Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions and activities by object class.

Unused appropriations lapse at year-end. If needed in the following year, they must be re-appropriated in the next year’s operating budget.

The City uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

Prior to November 1, the Mayor submits a proposed budget to the City Council. This budget is based on priorities established by the Council and estimates provided by departments during the proceeding months and balanced with revenue estimates made by the Finance Director.

The Council conducts public hearings on the proposed budget in November/December.

Adjustments are made to the proposed budget and a final budget is adopted by ordinance no later than December 31.

Within 30 days of adoption, the final budget is available to the public.



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 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 or more than the majority after holding public hearings.

The City prepares its annual budget on a basis consistent with GAAP. GASB Statement #34 requires that budgetary comparison statements for the General Fund and major special revenue funds be presented in the annual financial statements. These statements must display the original budget, amended budget and actual results (on a budgetary basis).

Encumbrances

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.

Assets, Liabilities, and Equities

Cash Equivalents

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. These amounts are classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds.

Investments

The City generally reports investments at their fair value in the balance sheet and recognizes the corresponding change in the fair value of investments in the year in which the change occurred.

The City's funds are invested through the Finance Department in accordance with Washington State statutes. As required by law, all deposits and investments are obligations of the U.S. Government, U.S. agency issues, obligations of the state of Washington, general obligations of Washington State municipalities, the State Treasurer's Investment Pool, bankers acceptances, or certificates of deposit with Washington state banks and savings and loan institutions.

Investment Valuation

State Treasurer's Investment Pool – Investments are carried at fair value. The fair value of pooled investments is determined annually and is based on current market prices. The fair value of a participant's position in the pool approximates the value of the pool shares. The method used to determine the value of the participant's equity withdrawn is based on the book value of the participant's percentage participation at the date of such withdrawal.

Temporary investments – Any investments held as temporary in nature are stated at cost plus accrued interest which approximates the fair value.

Other investments – Investments are reported at fair value.

Currently, the City invests only in the State Treasurer's Investment Pool.

Receivables

Taxes receivable consist of property taxes. Accrued interest receivable consists of amounts earned on investments, notes and contracts at the end of the year.



Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2008, \$625 of special assessments was delinquent.

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.

Prepaid Items

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. The City is carrying a prepaid rent amount for the deposit paid to rent the current City Hall building.

Capital Assets

Prior to GASB Statement #34, capital assets for governmental funds were recorded in the General Fixed Assets Account Group and were not depreciated. The new model requires that all capital assets, whether owned by governmental activities or business-type activities, be recorded and depreciated (unless the modified approach is used) in the government-wide financial statements. The City has chosen not to apply the modified approach to any networks or subsystems of infrastructure assets.

Capital assets, including public domain infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the City) are defined as assets with an initial, individual cost of more than \$1,000 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Where historical cost is not known, assets are recorded at estimated historical cost using current assessed value discounted using the Consumer Price Index (CPI) back to the date of acquisition. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add value to the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. New capital assets are depreciated at 1/2 the rate of a full year during the year acquired and the year of retirement.

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. For the year ended December 31, 2008, the City capitalized net interest costs of \$ 0, as no construction is underway requiring debt obligations.

Property, plant and equipment 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

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation) or net realized value, if lower, as of the date of the transfer.



Amounts Due to and from Other Funds – See note 16 Interfund Transactions

Transactions that would be treated as revenue, expenditures or expenses if they involved organizations external to the governmental unit are accounted for as revenue and expenditures or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund, which are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense 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).

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

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

Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the life of the bonds.

Compensated Absences

Upon separation, an employee will be paid for accrued vacation, comp time and sick leave on a sliding scale (depending on years of service). Such time will be paid at the employee's current rate of pay. Compensated absence including payroll taxes are reported as non-current liability on the Statement of Net Assets. Actual balances are accrued for all types of compensated absences except sick leave, the liability for which is estimated using the limits as indicated below.

Vacation Pay – Employees earn vacation based upon their years of service. Accumulated vacation may not exceed two (2) years allowed vacation. Unused vacation at retirement or termination is considered vested and payable to the employee. Compensatory time will not exceed 80 hours at the beginning of any calendar year for each employee, without the approval of the City Administrator.

Sick Pay – Upon termination of employment, employees with required length of service may receive cash payment for all accumulated vacation and comp-time leave up to the restricted limits as follows:

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

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 – Reconciliation of Governmental Fund Financial Statements to Government-wide Statements

The governmental fund financial statements are presented on a current financial resources measurement focus and modified accrual accounting basis while the government-wide financial statements are prepared on a long-term economic resources measurement focus and accrual accounting basis. Reconciliations briefly explaining the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements immediately follow each fund financial statement. Additional reconciliations follow:

Explanation of certain differences between the Governmental Funds Balance Sheet and the government-wide Statement of Net Assets:

The total fund balance of the City’s governmental funds, \$19,041,677, differs from net assets of governmental activities, \$197,909,884, reported in the statement of net assets. The difference primarily results from the long-term economic focus in the statement of net assets versus the current financial resources focus in the governmental fund balance sheets and disposal/retirement of capital assets.

When capital assets (land, buildings, equipment, etc.) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds, and thus a reduction in fund balance. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Costs of Capital Assets	\$ 318,720,605
Accumulated Depreciation	(140,767,108)
	<u>\$ 177,953,497</u>

Assets attributed to the joint venture are not reported on the governmental balance sheet. The statement of net assets includes assets of the City as a whole and thus includes joint venture assets.

Investment in Joint Venture	\$ 442,208
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Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period, and accordingly are not reported as fund liabilities in the governmental fund statement. All liabilities, both current and long-term are reported in the statement of net assets.

Other post-employment benefits	\$ (33,342)
Compensated Absences	\$ (644,422)

Internal service funds are used by management to charge the costs of certain activities, such as motor pool and vehicle rental/replacement, to the individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets, but are not included on the governmental fund balance sheet.

Internal Service Fund Net Assets	\$ 1,150,267
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Explanation of certain difference between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities:

The net change in fund balances for governmental funds, \$(10,715,388), differs from the change in net assets for governmental activities (\$6,981,991) reported in the statement of activities. The differences arise primarily from the



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long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds and the disposal/retirement of capital assets. The effect of the difference is illustrated below. When capital assets that are used in the governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those activities is allocated over the useful lives and reported as depreciation expense.

Capital Outlay	\$	13,102,544
Current Year Depreciation		(8,693,434)
Gain/(loss) on Disposal of Capital Assets		(57,378)
Change in Net Assets	\$	<u>4,351,732</u>

Internal service funds are used by management to charge the costs of certain activities, such as insurance and motor pool, to the individual funds. The adjustments for internal service funds 'close' those funds by charging the additional amounts to participating governmental activities to completely cover the internal service funds' cost for the year.

Revenue & Other Sources	\$	1,015,958
Expenditures & Other Uses	\$	(1,467,642)
Change in Net Assets	\$	<u>(451,684)</u>

Interfund transactions between governmental activities are eliminated in the statement of activities.

Transfer Out	\$	6,312,154
Transfer In	\$	(6,312,154)
	\$	<u>-</u>

Note 3 – Stewardship, Compliance and Accountability

At December 31, 2008, the following funds reported deficits in the fund balances, which is a violation of state statute:

Fund	Deficit
Park Acquisition & Development	\$ 398,747

The City received State Grant funds in 2009 that brought this fund out of a deficit.

Note 4 – Cash and Investments

As of December 31, 2008, the City held the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Local Government Investment Pool	\$21,698,179	-
Total Fair Value	<u>\$21,698,179</u>	

Interest Rate Risk

The City manages its exposure to declines in fair values by limiting the weighted average of maturity of its investments to less than three years.



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, 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 \$100,000. All deposits not covered by FDIC insurance are covered by the Washington Public Deposit Protection Commission (WPDPC) of the State of Washington for amounts over \$100,000.

The WPDPC 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 WPDPC 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 2008, the City invested only in the Washington State Local Government Investment Pool.

Concentration of Credit Risk

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

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

The City currently holds 100% of its investments in the State 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	Business-type	Total	Fiduciary	Total
	Activities	Activities	Primary Govt.	Funds	
Cash and Cash Equivalents	\$20,431,116	\$1,289,277	\$21,720,393	\$538,140	\$22,258,533
	\$20,431,116	\$1,289,277	\$21,720,393	\$538,140	\$22,258,533

Note 5 – 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 125 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 \$3 million per occurrence self insured layer, and \$11 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 \$14 million per occurrence. The Board of Directors determines the limits and terms of coverage annually. Settled claims have not exceeded the coverage any of the past three fiscal years.

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 three years.

Changes in the fund’s claims liability amount in the years 2007 and 2008 were:

Year Ended December 31	Beginning of Year Liability	Current year Claims & Changes in Estimates	Claim Payments	Balance at Year End
2007*	\$ 93,677.05	\$ 88,859.63	\$ (9,035.81)	\$ 173,500.87
2008	\$ 173,500.87	\$ 17,611.19	\$ (678.60)	\$ 190,433.46

*2007 estimates were revised in 2008



Note 6 – 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. Taxes are levied and become an enforceable lien against properties on January 1. On February 14 tax bills are mailed. The first of two equal installments are due on April 30. On May 31, the assessed value of property is established for next year’s levy at 100 percent (100%) of market value. The second installment is due on October 31.

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 7 – Receivables and Payables

Receivables at December 31, 2008, are as follows:

	Accounts			Total
	Receivable	Taxes Receivable	Other	
Governmental Activities				
General Fund	\$84,331	\$908,523	\$14,405	\$1,007,259
Real Estate Excise Tax I Fund	394,561	29,474	0	424,035
Real Estate Excise Tax II Fund	0	29,474	0	29,474
Other Governmental Funds	41,694	100,180	0	141,873
Total Governmental Activities	\$520,586	\$1,067,651	\$14,405	\$1,602,642
Business-type Activities				
Surface Water Fund	\$135,421	\$0	\$0	\$135,421
Total Business-type Activities	\$135,421	\$0	\$0	\$135,421



Payables at December 31, 2008, are as follows:

	Accounts			Total
	Payable	Wages Payable	Other	
Governmental Activities				
General Fund	\$243,472	\$358,289	\$3,984	\$605,745
Municipal Facilities Fund	356,488	0	0	356,488
Park Acquisition & Development Fund	398,910	0	0	398,910
Real Estate Excise Tax I Fund	200,916	0	0	200,916
Real Estate Excise Tax II Fund	1,628	0	0	1,628
Other Governmental Funds	186,722	83,639	0	270,361
Total Governmental Activities	\$1,388,136	\$441,927	\$3,984	\$1,834,048
Business-type Activities				
Surface Water Fund	\$46,269	\$23,619	\$0	\$69,888
Total Business-type Activities	\$46,269	\$23,619	\$0	\$69,888

**Accounts Payable includes Interfund loans

Note 8 – 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 9 – Deficits in Fund Equity/Excess of Expenditures Over Appropriations

For the year ended December 31, 2008 the City’s Park Acquisition & Development Fund was in a deficit of \$398,747. This deficit was due to a timing issue in receiving a State Grant funds for our Lighthouse Park Project.

For the year ended December 31, 2008, due to an accrual for an expenditure submitted after the close of the year-end, the Transportation Impact Fee Fund exceeded budget at the fund level by \$5,993.

Note 10 – Net Assets Reservations and Designations

Restrictions on net assets are imposed in 3 ways: (1) by external sources, (2) by law via the constitution and (3) by law through enabling legislation. Enabling legislation allows the City to assess, levy or otherwise mandate payment of resources from external providers and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The government-wide statement of net assets reports \$9,673,940 of restricted assets, of which \$240,030 is restricted by enabling legislation.

Reservations or designations of net assets imposed by the reporting government, whether by administrative policy or 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, 2008 there were fund reservations for prepaid items, special revenue funds, debt service and capital projects funds as shown on the governmental fund financial statements.



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Note 11 – Capital Assets

Capital asset activity for the year ended December 31, 2008 follows:

Governmental Activities					
	Beginning Balance	Increases	Decreases	Prior Period Adjustments	Ending Balance
Capital assets, not being depreciated:					
Land	22,124,834	0	0	(802,599)	21,322,235
Art Collections	175,520	0	0	0	175,520
Construction in Progress	1,486,159	12,801,045	(3,716,788)	0	10,570,416
Total capital assets, not being depreciated:	23,786,513	12,801,045	(3,716,788)	(802,599)	32,068,171
Capital assets, being depreciated:					
Building	10,277,976	1,865,555	0	1,790	12,145,321
Other Improvements	4,258,611	1,534,892	0	1,473	5,794,976
Machinery and Equipment	5,090,611	1,185,397	(374,776)	(136,232)	5,765,000
Infrastructure	262,944,859	2,280	0	(2)	262,947,137
Total capital assets being depreciated:	282,572,057	4,588,124	(374,776)	(132,970)	286,652,434
Less accumulated depreciation for:					
Buildings	(2,252,368)	(384,882)	0	0	(2,637,250)
Improvements other than buildings	(998,861)	(252,804)	0	0	(1,251,665)
Machinery and Equipment	(2,948,774)	(563,054)	317,398	105,516	(3,088,914)
Infrastructure	(125,936,136)	(7,853,145)	0	2	(133,789,279)
Total accumulated depreciation:	(132,136,138)	(9,053,885)	317,398	105,518	(140,767,108)
Total capital assets, being depreciated, net:	150,435,918	(4,465,761)	(57,378)	(27,452)	145,885,326
Governmental activities capital assets, net:	174,222,431	8,335,284	(3,774,166)	(830,051)	177,953,497

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

	Beginning Balance	Increases	Decreases	Prior Period Adjustments	Ending Balance
Internal Service Capital Asset					
Machinery & Equipment	4,147,938	530,091	(374,776)	(170,249)	4,133,005
Less accumulated depreciation for:					
Machinery & Equipment	(2,550,719)	(360,450)	317,398	97,815	(2,495,955)
Internal Services Assets, Net:	1,597,219	169,641	(57,378)	(72,434)	1,637,049



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Business-type Activities:

	Beginning Balance	Increases	Decreases	Prior Period Adjustments	Ending Balance
Capital assets, not being depreciated:					
Land	150,000	-	-	-	150,000
Construction in Progress	-	33,304	-	-	33,304
Total capital assets, not being depreciated:	150,000	33,304	-	-	183,304
Capital assets, being depreciated:					
Other Improvements	2,518,205	-	-	-	2,518,205
Other Improvements - Contractor Contributions	2,815,270	-	-	-	2,815,270
Machinery and Equipment	19,374	181,363	(3,500)	-	197,237
Total capital assets being depreciated:	5,352,848	181,363	(3,500)	-	5,530,711
Less accumulated depreciation for:					
Other Improvements	(809,841)	(42,344)	-	-	(852,185)
Other Improvements Contractor Contributions	(425,089)	(211,049)	-	-	(636,139)
Machinery and Equipment	(16,798)	(6,332)	3,500	(601)	(20,231)
Total accumulated depreciation:	(1,251,728)	(259,725)	3,500	(601)	(1,508,554)
Total capital assets, being depreciated, net:	4,101,120	(78,362)	-	(601)	4,022,157
Business activities capital assets, net:	4,251,120	(45,058)	-	(601)	4,205,461

Depreciation Expense by Function

GOVERNMENTAL ACTIVITIES

General government	\$ 65,653
Public safety	523,465
Physical environment	85,723
Economic environment	32,456
Culture and recreation	377,489
Transportation	7,969,099
Total depreciation expense - Governmental activities	<u>\$ 9,053,885</u>

BUSINESS-TYPE ACTIVITIES

Surface Water	\$ 260,327
Total depreciation expense - Business-type activities	<u>\$ 260,327</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.

Note 12 – Long-term Debt

The City can issue two types of general obligation bonds, Limited Tax General Obligation bonds (LTGO) and Unlimited Tax General Obligation bonds (UTGO) bonds 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. No general obligation bonds are outstanding.

The City can 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.

The City did not engage in short-term debt activities during 2008 and there is no outstanding debt at year-end.



Special Assessment Funds

As a trustee for improvement districts, the City is responsible for collection of assessments levied against the owners of property within the improvement districts and for disbursement of these amounts for retirement of the respective bonds issued to finance the improvements.

Improvement districts are collateralized by properties within the districts. In the event of default by the owner, the City may enforce an auction sale to satisfy the debt service requirements of the improvement bonds. Special assessment receivables that were outstanding at December 31, 2008 totaled \$625, with \$625 delinquent.

Note 13 – Changes in Long-Term Liabilities

During the year ended December 31, 2008, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Other post-employment benefits	\$0	\$33,342	\$0	\$33,342	\$0
Compensated absences	591,022	644,422	(591,022)	644,422	460,951
Governmental activity long-term liabilities:	<u>\$591,022</u>	<u>\$677,764</u>	<u>(\$591,022)</u>	<u>\$677,764</u>	<u>\$460,951</u>
Business-Type Activities					
Compensated absences	\$13,305	\$19,435	(\$13,305)	\$19,435	\$17,393
Business-type activity long-term liabilities:	<u>\$13,305</u>	<u>\$19,435</u>	<u>(\$13,305)</u>	<u>\$19,435</u>	<u>\$17,393</u>

Note 14 – 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. The following disclosures are made pursuant to GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

Public Employees’ Retirement System (PERS) Plans 1, 2, and 3

Plan Description

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

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

PERS participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for



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

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

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual benefit is two percent of the average final compensation (AFC) per year of service, capped at 60 percent. (The AFC is based on the greatest compensation during any 24 eligible consecutive compensation months.) Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. The benefit is actuarially reduced to reflect the choice of a survivor option. A cost-of living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, increased by three percent annually. Plan 1 members may also elect to receive an optional COLA amount that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced. PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service with an allowance of two percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

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

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

Judicial Benefit Multiplier

Beginning January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to participate in the Judicial Benefit Multiplier Program (JBM). Justices and judges in PERS Plan 1 and 2 were able to make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5% multiplier. The benefit would be capped at 75% of AFC. Judges in PERS Plan 3 could elect a 1.6% of pay per year of service benefit, capped at 37.5% of average compensation.



Members who chose to participate in JBM would: accrue service credit at the higher multiplier beginning with the date of their election, be subject to the benefit cap of 75% of AFC, pay higher contributions, stop contributing to the Judicial Retirement Account (JRA), and be given the option to increase the multiplier on past judicial service.

Members who did not choose to participate would: continue to accrue service credit at the regular multiplier; continue to participate in JRA, if applicable; never be a participant in the JBM Program; and continue to pay contributions at the regular PERS rate.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program. Members required into the JBM program would: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

There are 1,190 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2007:

Retirees and Beneficiaries Receiving Benefits	71,244
Terminated Plan Members Entitled to but not yet Receiving Benefits	26,583
Active Plan Members Vested	105,447
Active Plan Members Non-vested	52,575
Total	255,849

Funding Policy

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2008, were as follows:

Members not participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	8.31 %**	8.31 %**	8.31 %***
Employee	6.00 %****	5.45 %****	*****

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

** The employer rate for state elected officials is 12.39% for Plan 1 and 8.31% 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 5.45% for Plan 2.

***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.



Members participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	10.81%	10.81%	10.81%**
Employer-Local Govt.*	8.31%	8.31%	8.31%**
Employee-State Agency	9.76%	11.13%	7.50%***
Employee-Local Govt.	12.26%	13.63%	7.50%***

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

** Plan 3 defined benefit portion only.

*** Minimum rate.

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2008	\$ 4,888	\$173,401	\$ 35,331
2007	\$ 4,334	\$103,819	\$ 27,683
2006	\$ 3,757	\$ 46,744	\$ 12,193

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2

Plan Description

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

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

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

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

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



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

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

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2007:

Retirees and Beneficiaries Receiving Benefits	9,085
Terminated Plan Members Entitled to but not yet Receiving Benefits	633
Active Plan Members Vested	12,904
Active Plan Members Non-vested	3,708
Total	26,330

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 1 Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2008, were as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.16%	5.46%**
Employee	0.00%	8.83%
State	N/A	3.53%

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

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

Both city 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
2008	\$0	\$206,613
2007	\$0	\$177,272
2006	\$0	\$129,778



Note 15 – Postemployment Benefits Other Than Pension Benefit

Plan Description

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

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, 2008. 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 2008, the City has fully funded the OPEB obligation.

	<u>12/31/2008</u>
Annual required contribution	\$59,568
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
	<hr/>
Annual OPEB cost (expense)	59,568
Contributions made	(26,136)
Change in NPO	33,432
	<hr/>
Net OPEB Obligation - Beginning of Year	-
Net OPEB Obligation - End of Year	33,432
	<hr/>

The City’s OPEB costs, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2008 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
<hr/>			
12/31/2008	\$59,568	43.9%	\$33,432

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 benefits was \$639,736 and the actuarial value of the assets was \$0 resulting in an UAAL of \$639,736. 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

The City has used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 63.5 was assumed for all active members for the purpose of determining the actuarial accrued liability. Termination and mortality rates were assumed to follow the LEOFF 1 termination and mortality rates used in the September 30, 2006 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 statewide 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 actuarial accrued liability was Projected Unit Credit. These assumptions are individually and collectively reasonable for the purposes of this valuation.

Note 16 – Interfund Transactions

Classification of Interfund Transactions

Transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City.

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

Loans between funds are classified as interfund loans receivable and payable or as notes payable to and from other funds on the combined balance sheet depending on the time period for which the loan was made. As of December 31, 2008, the City had an interfund loan in the amount of \$392,000. This loan was satisfied upon the receipt of a State Grant for the Lighthouse Park Project.

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

Operating Transfers In		Operating Transfers Out	
LEOFF I Reserve Fund	\$191,225	Health Insurance Administration Fund	\$191,225
General Fund	\$118,689	Health Insurance Administration Fund	\$118,689
Street Fund	\$515,000	General Fund	\$515,000
Recreation Fund	\$232,915	General Fund	\$232,915
Facilities Maintenance Fund	\$388,530	General Fund	\$388,530
Technology Replacement Fund	\$50,000	General Fund	\$50,000
EMS Fund	\$250,000	General Fund	\$250,000
Municipal Facilities Fund	\$1,000,000	General Fund	\$1,000,000
Transportation Impact Fee Fund	\$504,366	Arterial Street Fund	\$504,366
Real Estate Excise Tax II Fund	\$3,057,429	Real Estate Excise Tax I Fund	\$3,057,429
Surface Water Management Fund	\$9,286	Health Insurance Administration Fund	\$9,286
Equipment Replacement Fund	\$4,000	General Fund	\$4,000
Total	\$6,321,440	Total	\$6,321,440

In the year ended December 31, 2008, the City made the following one-time transfers:



A one-time transfer of \$504,366 from the Arterial Street Fund to the Transportation Impact Fee Fund to separate Traffic Impact fees.

A one-time transfer of 3,057,429 from the Real Estate Excise Tax I Fund to the Real Estate Excise Tax II Fund to separate Real Estate Excise taxes.

The City's Health Insurance Administration Fund was found to be over funded in 2008. To reduce the reserve balance, three one-time transfers totaling \$319,200 from the Health Insurance Administration Fund to the originating resource funds that consisted of the General Fund, LEOFF I Reserve Fund and the Surface Water Management Fund.

Note 17 – 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, 2008 was \$442,208.

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 18 – Subsequent Events

The City is involved in litigation arising in the ordinary course of its operations. The City believes that its ultimate liability, if any, in connection with these matters will not have a material adverse effect on the City's financial condition.

In October of 2008, the City entered into an obligation to purchase the Precht property for \$1.9 million. Earnest money in the amount of \$119k was paid in November 2008 with the remaining balance paid in January 2009.

To date, the City has noted an approximate decrease of 19% in Sales Tax Revenues over 2008. The City has budgeted for an overall decrease of approximately 25% for 2009.

Note 19 – Other Disclosures

The City is continuing to assess the feasibility of annexing the South Mukilteo MUGA. This final annexation would add roughly 12,000 to the City's current population of 20,050.

The City is continuing to plan for a new Community Center to replace the current center. Bidding is scheduled to begin on June 30, 2009.

Note 20 – Prior Period Adjustments

Prior period adjustments were made as follows:



CITY OF MUKILTEO

FINANCIAL SECTION

Accounts Receivable was overstated due to previous accruals that were not reversed. Adjustments were made to properly reflect the correct 2007 receivables.

Retainage was adjusted due to activity that was not cleared from previous periods.

Fixed Asset records were converted into a new Fixed Asset Module. During the conversion, there were several rounding calculation variances that differed from the previous system to the new Module. We made adjustments in order to balance the Fixed Asset Module to the General Ledger for this. Also, a correction was made to eliminate a duplicate asset as was noted during the 2007 audit.

Detail by fund type is as follows:

Governmental-type Activities	
General Fund	
2007 Tax Revenue Correction	(33,379)
Retainage correction for 2005 and prior activity	996
Employee Beverage Service Contribution transfer	702
Retainage correction for 2007	(6,604)
	<u>(38,285)</u>
Other Governmental Funds	
2007 Revenue correction	9,906
	<u>9,906</u>
Emergency Medical Services	
	<u>-</u>
Internal Service Fund	
Ben/Ded Payable correction	(455)
To distribute 2007 COBRA Premium Payments	988
2007 Correction to Balance carryforward	228
2007 Ambulance Depreciation Adjustment	6,421
2007 Ambulance Adjustment	(192,620)
Fixed Asset Adjustment	56,388
	<u>(129,051)</u>
Entity Wide	
Land Adjustment, including Gil Property Adjustment	(802,599)
Accumulated Depreciation Adjustment	(410)
Adjustment to Misc Fixed Assets	(23,749)
2007 Fixed Asset Balance Correction	184,111
	<u>(642,647)</u>
Total Governmental-Type Activities	<u><u>(800,077)</u></u>
Business-Type Activities	
Fixed Asset Depreciation Adjustment	\$601
Total Business-Type Activities	<u><u>\$601</u></u>



**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

GOVERNMENTAL FUNDS



CITY OF MUKILTEO

FINANCIAL SECTION

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS DECEMBER 31, 2008

	TOTAL SPECIAL REVENUE FUNDS	TOTAL CAPITAL PROJECTS FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Current cash and cash equivalents	\$2,910,329	\$529,097	\$3,439,425
Receivables (net of allowances)			
Accounts receivable	41,694	0	41,694
Taxes	100,180	0	100,180
TOTAL ASSETS	3,052,202	529,097	3,581,299
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$179,393	\$7,383	\$186,776
Compensated absences	50,912	0	50,912
Wages payable	32,673	0	32,673
TOTAL LIABILITIES	262,978	7,383	270,361
Fund Balances:			
Unreserved, reported in:			
Special revenue funds	\$2,789,225	\$0	\$2,789,225
Capital projects funds	0	521,713	521,713
TOTAL FUND BALANCES	2,789,225	521,713	3,310,938
TOTAL LIABILITIES AND FUND BALANCES	\$3,052,202	\$529,097	\$3,581,299



**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES NONMAJOR
GOVERNMENTAL FUNDS**

December 31, 2008

	Total Special Revenue Funds	Total Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$1,006,764	\$0	\$1,006,764
Intergovernmental	521,909	0	521,909
Charges for services	187,129	171,581	358,710
Miscellaneous	262,555	15,959	278,513
TOTAL REVENUES	1,978,356	187,540	2,165,896
EXPENDITURES			
Current:			
General government services	\$26,136	\$0	\$26,136
Public safety	1,675,205	0	1,675,205
Physical environment	361,916	0	361,916
Transportation	707,622	0	707,622
Economic environment	200,684	0	200,684
Culture and recreation	406,037	0	406,037
Capital outlay	402,448	170,193	572,641
TOTAL EXPENDITURES	3,780,048	170,193	3,950,242
Excess of revenues over (under) expenditures	(1,801,692)	17,347	(1,784,346)
OTHER FINANCING SOURCES (USES):			
Transfers in	\$2,132,036	\$504,366	\$2,636,402
Transfers out	(504,366)	0	(504,366)
TOTAL OTHER FINANCING SOURCES	1,627,670	504,366	2,132,036
Net change in fund balances	(174,022)	521,713	347,690
Fund balances - beginning	\$3,457,708	\$0	\$3,457,708
Prior Period Adjustments	\$9,906	\$0	\$9,906
FUND BALANCES - ENDING	\$3,293,592	\$521,713	\$3,815,304



NONMAJOR SPECIAL REVENUE FUNDS DESCRIPTION

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.

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.

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 reserve funds in the event of major unplanned expenditures the city could face in the future 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.

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.



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CITY OF MUKILTEO

FINANCIAL SECTION

COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS

DECEMBER 31, 2008

(Page 1 of 2)

	LEOFF I Reserve	Paine Field Emergency Reserve	Street	Arterial Street
ASSETS				
Current cash and cash equivalents	\$166,754	\$125,686	\$121,846	\$15,212
Receivables (net of allowances)				
Taxes	0	0	43,854	20,505
Accounts receivable	0	0	125	0
TOTAL ASSETS	166,754	125,686	165,826	35,716
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$54	\$0	\$25,808	\$1,767
Compensated absences	0	0	0	0
Wages payable	0	0	19,024	0
TOTAL LIABILITIES	54	0	44,831	1,767
Fund Balances:				
Unreserved, reported in:				
Special revenue funds	\$166,700	\$125,686	\$120,995	\$33,949
TOTAL FUND BALANCES	166,700	125,686	120,995	33,949
TOTAL LIABILITIES AND FUND BALANCES	\$166,754	\$125,686	\$165,826	\$35,716



CITY OF MUKILTEO

FINANCIAL SECTION

COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS

DECEMBER 31, 2008

(Page 2 of 2)

Community Center	Hotel/Motel Tax	Facilities Maintenance	Technology Replacement	City Reserve	Emergency Medical Services	Parks & Open Space	Total Special Revenue Funds
\$59,413	\$237,717	\$124,291	\$299,677	\$1,179,199	\$499,203	\$81,331	\$2,910,329
0	25,313	0	0	0	10,508	0	100,180
3,893	0	0	0	0	37,592	84	41,694
63,306	263,030	124,291	299,677	1,179,199	547,303	81,415	3,052,202
\$14,763	\$23,000	\$36,704	\$14,060	\$0	\$62,293	\$943	\$179,393
0	0	0	0	0	50,912	0	50,912
11,900	0	1,749	0	0	0	0	32,673
26,663	23,000	38,454	14,060	0	113,205	943	262,978
\$36,643	\$240,030	\$85,837	\$285,617	\$1,179,199	\$434,098	\$80,472	\$2,789,225
36,643	240,030	85,837	285,617	1,179,199	434,098	80,472	2,789,225
\$63,306	\$263,030	\$124,291	\$299,677	\$1,179,199	\$547,303	\$81,415	\$3,052,202



CITY OF MUKILTEO

FINANCIAL SECTION

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2008

(Page 1 of 2)

	LEOFF I Reserve	Paine Field Emergency Reserve	Street	Arterial Street	Community Center	Hotel/Motel Tax
REVENUES						
Taxes	\$0	\$0	\$0	\$0	\$0	\$142,294
Intergovernmental	0	1,000	\$354,947	\$165,962	0	0
Charges for services	0	0	0	0	39,943	0
Miscellaneous	1,610	0	2,407	3,624	97,713	4,939
TOTAL REVENUES	1,610	1,000	357,355	169,586	137,656	147,233
EXPENDITURES						
Current:						
General government services	26,136	\$0	\$0	\$0	\$0	\$0
Public safety	0	0	0	0	0	0
Physical environment	0	0	79,336	0	0	0
Transportation	0	0	707,622	0	0	0
Economic environment	0	\$125,314	0	0	0	75,370
Culture and recreation	0	0	0	0	345,747	3,307
Capital outlay	0	0	8,445	243,056	3,973	0
TOTAL EXPENDITURES	26,136	125,314	795,403	243,056	349,720	78,677
Excess of revenues over (under) expenditures	(24,525)	(124,314)	(438,048)	(73,470)	(212,064)	68,556
OTHER FINANCING SOURCES (USES):						
Transfers in	\$191,225	\$0	\$515,000	\$0	\$232,915	\$0
Transfers out	0	0	0	(504,366)	0	0
TOTAL OTHER FINANCING SOURCES	191,225	0	515,000	(504,366)	232,915	0
Net change in fund balances	166,700	(124,314)	76,952	(577,836)	20,851	68,556
Fund balances - beginning	0	250,000	44,043	611,785	15,791	161,568
Prior Period Adjustments	0	0	0	0	0	9,906
FUND BALANCES - ENDING	\$166,700	\$125,686	\$120,995	\$33,949	\$36,643	\$240,030



CITY OF MUKILTEO

FINANCIAL SECTION

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2008

(Page 2 of 2)

Facilities Maintenance	Technology Replacement	City Reserve	Emergency Medical Services	Parks & Open Space	Total Special Revenue Funds
\$0	\$0	\$0	\$864,469	\$0	\$1,006,764
0	0	0	0	0	521,909
0	0	0	147,186	0	187,129
0	9,111	31,837	18,570	92,742	262,555
0	9,111	31,837	1,030,225	92,742	1,978,356
\$0	\$0	\$0	\$0	\$0	\$26,136
0	0	0	1,675,205	0	1,675,205
282,580	0	0	0	0	361,916
0	0	0	0	0	707,622
0	0	0	0	0	200,684
0	0	0	0	56,983	406,037
20,113	95,305	0	31,556	0	402,448
302,693	95,305	0	1,706,761	56,983	3,780,048
(302,693)	(86,194)	31,837	(676,536)	35,759	(1,801,692)
\$388,530	\$50,000	\$0	\$250,000	\$0	\$2,132,036
0	0	0	0	0	(504,366)
388,530	50,000	0	250,000	0	1,627,670
85,837	(36,194)	31,837	(426,536)	35,759	(174,022)
0	321,812	1,147,361	860,634	44,713	3,457,708
0	0	0	0	0	9,906
\$85,837	\$285,617	\$1,179,199	\$434,098	\$80,472	\$3,293,592



NONMAJOR CAPITAL PROJECTS FUNDS DESCRIPTION

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.

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.



**COMBINING BALANCE SHEET NONMAJOR
CAPITAL PROJECTS FUNDS**

December 31, 2008

	Transportation Impact Fee Fund	Total Capital Projects Funds
ASSETS		
Current cash and cash equivalents	\$529,097	\$529,097
TOTAL ASSETS	529,097	529,097
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$7,383	\$7,383
TOTAL LIABILITIES	7,383	7,383
Fund Balances:		
Unreserved, reported in:		
Capital projects funds	\$521,713	\$521,713
TOTAL FUND BALANCES	521,713	521,713
TOTAL LIABILITIES AND FUND BALANCES	529,097	529,097



**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Transportation Impact Fees	Total Capital Projects Funds
REVENUES		
Charges for services	\$171,581	\$171,581
Miscellaneous	15,959	15,959
TOTAL REVENUES	187,540	187,540
EXPENDITURES		
Current:		
Capital outlay	\$170,193	\$170,193
TOTAL EXPENDITURES	170,193	170,193
Excess of revenues over (under) expenditures	17,347	17,347
OTHER FINANCING SOURCES (USES):		
Transfers in	\$504,366	\$504,366
TOTAL OTHER FINANCING SOURCES	504,366	504,366
Net change in fund balances	521,713	521,713
Fund balances - beginning	0	0
FUND BALANCES - ENDING	521,713	521,713



**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
LEOFF I RESERVE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET Positive/ (Negative)
REVENUES				
Miscellaneous	\$0	\$0	\$1,610	\$1,610
TOTAL REVENUES	0	0	1,610	1,610
EXPENDITURES				
Current:				
General government services	\$0	\$26,500	\$26,136	(\$364)
TOTAL EXPENDITURES	0	26,500	26,136	(364)
Excess of revenues over (under)expenditures	0	(26,500)	(24,525)	1,975
OTHER FINANCING SOURCES (USES)				
Transfers in	\$0	\$178,415	\$191,225	\$12,810
TOTAL OTHER FINANCING SOURCES USES)	0	178,415	191,225	12,810
Net change in fund balances	0	151,915	166,700	14,785
Net assets - beginning, January 1, 2008	0	0	0	0
NET ASSETS, ENDING, DECEMBER 31, 2008	\$0	\$151,915	\$166,700	\$14,785



**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
PAINE FIELD EMERGENCY RESERVE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET Positive/ (Negative)
REVENUES				
Intergovernmental	0	0	1,000	1,000
TOTAL REVENUES	0	0	1,000	1,000
EXPENDITURES				
Current:				
Economic environment	0	250,000	125,314	(124,686)
TOTAL EXPENDITURES	0	250,000	125,314	(124,686)
Excess of revenues over (under)expenditures	0	(250,000)	(124,314)	125,686
OTHER FINANCING SOURCES (USES)				
Transfers in	\$0	\$0	\$0	\$0
TOTAL OTHER FINANCING SOURCES USES)	0	0	0	0
Net change in fund balances	0	(250,000)	(124,314)	125,686
Net assets - beginning, January 1, 2008	250,000	250,000	250,000	0
NET ASSETS, ENDING, DECEMBER 31, 2008	\$250,000	\$0	\$125,686	\$125,686



CITY OF MUKILTEO

FINANCIAL SECTION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET TO ACTUAL STREET FUND

FOR THE YEAR ENDED DECEMBER 31, 2008

	ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET Positive/ (Negative)
REVENUES				
Taxes	\$330,000	\$330,000	\$354,947	\$24,947
Miscellaneous	0	500	2,407	1,907
TOTAL REVENUES	330,000	330,500	357,355	26,855
EXPENDITURES				
Current:				
Physical environment	\$77,900	\$77,900	\$79,336	\$1,436
Transportation	778,916	778,916	707,622	(71,294)
Capital outlay	5,667	5,667	8,445	2,778
TOTAL EXPENDITURES	862,483	862,483	795,403	(67,080)
Excess of revenues over (under)expenditures	(532,483)	(531,983)	(438,048)	93,935
OTHER FINANCING SOURCES (USES)				
Transfers in	\$515,000	\$515,000	\$515,000	\$0
TOTAL OTHER FINANCING SOURCES USES)	515,000	515,000	515,000	0
Net change in fund balances	(17,483)	(16,983)	76,952	93,935
Net assets - beginning, January 1, 2008	57,566	57,566	44,043	(13,523)
NET ASSETS, ENDING, DECEMBER 31, 2008	\$40,083	\$40,583	\$120,995	\$80,412



CITY OF MUKILTEO

FINANCIAL SECTION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET TO ACTUAL ARTERIAL STREET FUND ARTERIAL STREET FUND FOR THE YEAR ENDED DECEMBER 31, 2008

	ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET Positive/ (Negative)
REVENUES				
Intergovernmental	\$150,000	\$150,000	\$165,962	\$15,962
Charges for services	160,000	0	0	0
Miscellaneous	10,000	3,750	3,624	(126)
TOTAL REVENUES	320,000	153,750	169,586	15,836
EXPENDITURES				
Current:				
Capital outlay	579,000	250,000	243,056	(6,944)
TOTAL EXPENDITURES	579,000	250,000	243,056	(6,944)
Excess of revenues over (under)expenditures	(259,000)	(96,250)	(73,470)	22,780
OTHER FINANCING SOURCES (USES)				
Transfers in	\$0	\$0	\$0	\$0
Transfers out	0	(504,366)	(504,366)	0
TOTAL OTHER FINANCING SOURCES USES)	0	(504,366)	(504,366)	0
Net change in fund balances	(259,000)	(600,616)	(577,836)	22,780
Net assets - beginning, January 1, 2008	621,016	621,016	611,785	(9,231)
NET ASSETS, ENDING, DECEMBER 31, 2008	\$362,016	\$20,400	\$33,949	\$13,549



CITY OF MUKILTEO

FINANCIAL SECTION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET TO ACTUAL RECREATION AND CULTURAL SERVICES FUND FOR THE YEAR ENDED DECEMBER 31, 2008

	ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET Positive/ (Negative)
REVENUES				
Charges for services	\$1,000	\$8,325	\$39,943	\$31,618
Miscellaneous	113,300	113,300	97,713	(15,587)
TOTAL REVENUES	114,300	121,625	137,656	16,031
EXPENDITURES				
Current:				
Culture and recreation	\$315,038	\$352,090	\$345,747	(\$6,343)
Capital outlay	6,850	6,850	3,973	(2,877)
TOTAL EXPENDITURES	321,888	358,940	349,720	(9,220)
Excess of revenues over (under)expenditures	(207,588)	(237,315)	(212,064)	25,251
OTHER FINANCING SOURCES (USES)				
Transfers in	\$201,410	\$222,160	\$232,915	\$10,755
Transfers out	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	201,410	222,160	232,915	10,755
Net change in fund balances	(6,178)	(15,155)	20,851	36,006
Net assets - beginning, January 1, 2008	18,100	18,100	15,791	(2,309)
NET ASSETS, ENDING, DECEMBER 31, 2008	\$11,922	\$2,945	\$36,643	\$33,698



CITY OF MUKILTEO

FINANCIAL SECTION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET TO ACTUAL HOTEL/MOTEL FUND FOR THE YEAR ENDED DECEMBER 31, 2008

	ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET Positive/ (Negative)
REVENUES				
Taxes	\$130,000	\$130,000	\$142,294	\$12,294
Miscellaneous	5,000	5,000	4,939	(61)
TOTAL REVENUES	135,000	135,000	147,233	12,233
EXPENDITURES				
Current:				
Economic environment	\$0	\$105,500	\$75,370	(\$30,130)
Culture and recreation	6,000	6,000	3,307	(2,693)
TOTAL EXPENDITURES	6,000	111,500	78,677	(32,823)
Excess of revenues over (under)expenditures	129,000	23,500	68,556	45,056
OTHER FINANCING SOURCES (USES)				
Transfers in	\$0	\$0	\$0	\$0
TOTAL OTHER FINANCING SOURCES USES)	0	0	0	0
Net change in fund balances	129,000	23,500	68,556	45,056
Net assets - beginning, January 1, 2008	163,570	163,570	161,568	(2,002)
Prior period adjustment	0	0	9,906	9,906
NET ASSETS, ENDING, DECEMBER 31, 2008	\$292,570	\$187,070	\$240,030	\$52,960



CITY OF MUKILTEO

FINANCIAL SECTION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET TO ACTUAL FACILITIES MAINTENANCE FUND FOR THE YEAR ENDED DECEMBER 31, 2008

	ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET Positive/ (Negative)
REVENUES				
Taxes	\$0	\$0	\$0	\$0
TOTAL REVENUES	0	0	0	0
EXPENDITURES				
Current:				
Physical environment	\$321,530	\$321,530	\$282,580	(\$38,950)
Capital outlay	55,000	67,000	20,113	(46,887)
TOTAL EXPENDITURES	376,530	388,530	302,693	(85,837)
Excess of revenues over (under)expenditures	(376,530)	(388,530)	(302,693)	85,837
OTHER FINANCING SOURCES (USES)				
Transfers in	\$376,530	\$388,530	\$388,530	\$0
Transfers out	0	0	0	0
TOTAL OTHER FINANCING SOURCES USES)	376,530	388,530	388,530	0
Net change in fund balances	0	0	85,837	85,837
Net assets - beginning, January 1, 2008	0	0	0	0
NET ASSETS, ENDING, DECEMBER 31, 2008	\$0	\$0	\$85,837	\$85,837



CITY OF MUKILTEO

FINANCIAL SECTION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET TO ACTUAL TECHNOLOGY REPLACEMENT FUND FOR THE YEAR ENDED DECEMBER 31, 2008

	ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET Positive/ (Negative)
REVENUES				
Miscellaneous	\$11,700	\$11,700	\$9,111	(\$2,589)
TOTAL REVENUES	11,700	11,700	9,111	(2,589)
EXPENDITURES				
Current:				
Capital outlay	\$81,450	\$196,450	\$95,305	(\$101,145)
TOTAL EXPENDITURES	81,450	196,450	95,305	(101,145)
Excess of revenues over (under)expenditures	(69,750)	(184,750)	(86,194)	98,556
OTHER FINANCING SOURCES (USES)				
Transfers in	\$50,000	\$50,000	\$50,000	\$0
TOTAL OTHER FINANCING SOURCES USES)	50,000	50,000	50,000	0
Net change in fund balances	(19,750)	(134,750)	(36,194)	98,556
Net assets - beginning, January 1, 2008	321,812	321,812	321,812	(0)
NET ASSETS, ENDING, DECEMBER 31, 2008	\$302,062	\$187,062	\$285,618	\$98,556



CITY OF MUKILTEO

FINANCIAL SECTION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET TO ACTUAL CITY RESERVE FUND FOR THE YEAR ENDED DECEMBER 31, 2008

	ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET Positive/ (Negative)
REVENUES				
Miscellaneous	\$50,000	\$50,000	\$31,837	(\$18,163)
TOTAL REVENUES	50,000	50,000	31,837	(18,163)
EXPENDITURES				
Current:				
Capital outlay	\$190,000	\$190,000	\$0	(\$190,000)
TOTAL EXPENDITURES	190,000	190,000	0	(190,000)
Excess of revenues over (under)expenditures	(140,000)	(140,000)	31,837	171,837
OTHER FINANCING SOURCES (USES)				
Transfers in	\$0	\$0	\$0	\$0
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	0
Net change in fund balances	(140,000)	(140,000)	31,837	171,837
Net assets - beginning, January 1, 2008	1,147,361	1,147,361	1,147,361	0
NET ASSETS, ENDING, DECEMBER 31, 2008	\$1,007,361	\$1,007,361	\$1,179,198	\$171,837



CITY OF MUKILTEO

FINANCIAL SECTION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET TO ACTUAL EMERGENCY MEDICAL SERVICES FUND FOR THE YEAR ENDED DECEMBER 31, 2008

	ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET Positive/ (Negative)
REVENUES				
Taxes	\$839,000	\$839,000	\$864,469	\$25,469
Charges for services	170,000	170,000	147,186	(22,814)
Miscellaneous	30,000	30,000	18,570	(11,430)
TOTAL REVENUES	1,039,000	1,039,000	1,030,225	(8,775)
EXPENDITURES				
Current:				
Public safety	\$1,713,896	\$1,734,196	\$1,675,205	(\$58,991)
Capital outlay	29,000	29,000	31,556	2,556
TOTAL EXPENDITURES	1,742,896	1,763,196	1,706,761	(56,435)
Excess of revenues over (under)expenditures	(703,896)	(724,196)	(676,536)	47,660
OTHER FINANCING SOURCES (USES)				
Transfers in	\$250,000	\$250,000	\$250,000	\$0
TOTAL OTHER FINANCING SOURCES USES)	250,000	250,000	250,000	0
Net change in fund balances	(453,896)	(474,196)	(426,536)	47,660
Net assets - beginning, January 1, 2008	844,186	844,186	860,634	16,448
NET ASSETS, ENDING, DECEMBER 31, 2008	\$390,290	\$369,990	\$434,098	\$64,108



CITY OF MUKILTEO

FINANCIAL SECTION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET TO ACTUAL PARKS & OPEN SPACE FUND FOR THE YEAR ENDED DECEMBER 31, 2008

	ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET Positive/ (Negative)
REVENUES				
Miscellaneous	\$87,500	\$87,500	\$92,742	\$5,242
TOTAL REVENUES	87,500	87,500	92,742	5,242
EXPENDITURES				
Current:				
Culture and recreation	\$58,600	\$58,600	\$56,983	(\$1,617)
TOTAL EXPENDITURES	58,600	58,600	56,983	(1,617)
Excess of revenues over (under)expenditures	28,900	28,900	35,759	6,859
OTHER FINANCING SOURCES (USES)				
Transfers in	\$0	\$0	\$0	\$0
TOTAL OTHER FINANCING SOURCES USES)	0	0	0	0
Net change in fund balances	28,900	28,900	35,759	6,859
Net assets - beginning, January 1, 2008	41,295	44,713	44,713	0
NET ASSETS, ENDING, DECEMBER 31, 2008	\$70,195	\$73,613	\$80,472	\$6,859



CITY OF MUKILTEO

FINANCIAL SECTION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET TO ACTUAL TRANSPORTATION IMPACT FEES FUND FOR THE YEAR ENDED DECEMBER 31, 2008

	ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET Positive/ (Negative)
REVENUES				
Charges for services	\$0	\$160,000	\$171,581	\$11,581
Miscellaneous	0	6,250	15,959	9,709
TOTAL REVENUES	0	166,250	187,540	21,290
EXPENDITURES				
Current:				
Capital outlay	\$0	\$164,200	\$170,193	\$5,993
TOTAL EXPENDITURES	0	164,200	170,193	5,993
Excess of revenues over (under)expenditures	0	2,050	17,347	15,297
OTHER FINANCING SOURCES (USES)				
Transfers in	\$0	\$504,366	\$504,366	\$0
TOTAL OTHER FINANCING SOURCES USES)	0	504,366	504,366	0
Net change in fund balances	0	506,416	521,713	15,297
Net assets - beginning, January 1, 2008	0	0	0	0
NET ASSETS, ENDING, DECEMBER 31, 2008	\$0	\$506,416	\$521,713	\$15,297



INTERNAL SERVICE FUNDS DESCRIPTIONS

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 – The City maintains this reserve fund to protect against higher than anticipated employment compensation claims.



CITY OF MUKILTEO

FINANCIAL SECTION

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF NET ASSETS

December 31, 2008

	Health			
	Insurance Administration	Equipment Replacement	Unemployment Compensation	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$45,126	\$1,072,419	\$40,488	\$1,158,033
Total current assets	45,126	1,072,419	40,488	1,158,033
Non-current assets:				
Capital assets, net of depreciation:				
Machinery & Equipment	0	1,637,049	0	1,637,049
Total non-current assets	0	1,637,049	0	1,637,049
Total assets	45,126	2,709,468	40,488	2,795,082
LIABILITIES				
Current liabilities:				
Accounts payable	0	7,766	0	7,766
Total liabilities	0	7,766	0	7,766
NET ASSETS				
Investment in capital assets	0	1,637,049	0	1,637,049
Restricted	15,863	115,326	0	131,189
Unrestricted	29,263	949,327	40,488	1,019,078
Total net assets	\$45,126	\$2,701,702	\$40,488	\$2,787,316



CITY OF MUKILTEO

FINANCIAL SECTION

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

FOR YEAR ENDED DECEMBER 31, 2008

	Self Insurance	Equipment Rental	Unemployment Compensation	Total
Operating revenues:				
Charges for services	\$598,924	\$408,717	\$4,317	\$1,011,958
Total operating revenues	598,924	408,717	4,317	1,011,958
Operating expenses:				
Personnel services	764,831	0	26	764,857
Supplies	0	108	0	108
Other services and charges	17,647	5,380		23,027
Depreciation	0	360,450	0	360,450
Total operating expenses	782,478	365,938	26	1,148,442
Operating income (loss)	(183,554)	42,779	4,291	(136,484)
Non-operating revenue (expense)				
Gain (loss) on disposition of capital assets	0	0	0	0
Interest earnings	0	0	0	0
Total non-operating revenues (expenses)	0	0	0	0
Income (loss) before contributions and transfers	(183,554)	42,779	4,291	(136,484)
Contributed capital				
Transfers in	0	4,000	0	4,000
Transfers out	(319,200)	0	0	(319,200)
Change in net assets	(502,754)	46,779	4,291	(451,684)
Net assets - beginning	547,120	2,784,734	36,197	3,368,051
Prior Period Adjustments	760	(129,811)	0	(129,051)
Net assets - ending	\$45,126	\$2,701,702	\$40,488	\$2,787,316



CITY OF MUKILTEO

FINANCIAL SECTION

INTERNAL SERVICE FUNDS COMBINING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2008

Page 1 of 2

	Self Insurance	Equipment Rental	Unemployment Compensation	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	599,684	283,049	4,317	887,050
Cash paid to suppliers	(17,647)	(5,488)	0	(23,135)
Cash paid to employees	(764,831)	0	(26)	(764,857)
Net cash provided (used) by operating activities	(182,794)	277,561	4,291	99,058
CASH FLOWS FROM NON-OPERATING ACTIVITIES				
Transfers out	(319,200)	0	0	(319,200)
Transfers in	0	4,000	0	4,000
Net cash provided (used) by non-operating activities	(319,200)	4,000	0	(315,200)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	0	(400,280)	0	(400,280)
Net cash provided (used) by capital and related financing activities	0	(400,280)	0	(400,280)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	0	0	0	0
Net cash provided by investing activities	0	0	0	0
Net Increase (Decrease) in Cash and Cash Equivalents	(501,994)	(118,719)	4,291	(616,422)
Balances - beginning of the year	550,709	1,187,548	36,197	1,774,454
Balances - end of the year	48,715	1,068,828	40,488	1,158,032



INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

Page 2 of 2

	Self Insurance	Equipment Rental	Unemployment Compensation	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(183,553)	42,777	4,291	(136,485)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	0	360,450	0	360,450
Change in assets and liabilities:				
Decrease (increase) in accounts receivable	0	(129,051)	0	(129,051)
Increase (decrease) in accounts payable	228	7,733	(3,817)	4,144
Net cash provided by operating activities	(183,326)	281,909	474	99,058
Noncash investing, capital, and financing activities:				
Increase (decrease) in fair value of investments				
Prior period corrections	0	(129,051)	0	(129,051)
TOTAL NON-CASH ACTIVITIES	0	(129,051)	0	(129,051)



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.



CITY OF MUKILTEO

STATISTICAL SECTION

GOVERNMENT WIDE NET ASSETS BY COMPONENT

Last Seven Fiscal Years
(accrual basis of accounting)

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

Source: Prior years published Comprehensive Annual Financial Reports.



CITY OF MUKILTEO

STATISTICAL SECTION

CHANGES IN NET ASSETS – GOVERNMENT WIDE

CITY OF MUKILTEO
CHANGES IN NET ASSETS
 Last Seven Fiscal Years
 (accrual basis of accounting)

Expenses:	2002	2003	2004	2005	2006	2007	2008
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
Public safety	5,536,584	8,830,883	7,324,218	5,935,915	6,401,863	7,370,795	8,153,872
Physical environment	258,703	127,459	177,124	367,107	347,751	404,866	902,912
Transportation	11,886,617	1,208,788	1,916,824	8,539,306	8,319,734	8,498,718	8,701,510
Economic environment	710,414	720,208	644,168	753,245	920,291	1,169,686	1,501,697
Culture and recreation	617,132	213,257	1,365,003	712,526	737,710	931,559	1,261,755
Capital outlay	-	-	-	-	-	-	-
Interest on long-term debt	193,808	135,528	100,803	63,999	25,000	-	-
Total governmental activities expenses	<u>21,004,073</u>	<u>13,059,523</u>	<u>13,349,962</u>	<u>19,204,390</u>	<u>19,842,429</u>	<u>22,569,120</u>	<u>23,866,112</u>
Business-type activities							
Utility Operations	704,229	917,519	1,334,721	805,811	699,274	1,078,896	1,075,599
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>
Total primary government expenses	<u><u>21,708,302</u></u>	<u><u>13,977,042</u></u>	<u><u>14,684,683</u></u>	<u><u>20,010,201</u></u>	<u><u>20,541,703</u></u>	<u><u>23,648,016</u></u>	<u><u>24,941,711</u></u>
 Program Revenues:							
Governmental activities							
Charges for services:							
General government	174,593	963,271	1,144,972	1,804,013	1,873,890	2,219,610	1,785,529
Other	1,064,597	738,649	1,305,686	1,985,651	2,031,693	1,882,899	1,570,567
Operating grants and contributions	249,740	415,661	459,909	2,290	4,505	8,652	98,451
Capital grants and contributions	7,235,034	449,000	4,225	2,709,399	-	-	-
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>
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
Operating grants and contributions	15,000	9,050	-	-	-	-	-
Capital grants and contributions	218,217	132,560	-	626,960	-	-	-
Total business-type activities program revenues	<u>1,094,885</u>	<u>1,012,967</u>	<u>1,175,754</u>	<u>1,741,279</u>	<u>1,202,088</u>	<u>1,230,133</u>	<u>1,257,681</u>



CITY OF MUKILTEO

STATISTICAL SECTION

Net (Expense) Revenue

Governmental activities	(12,280,109)	(10,492,942)	(10,435,170)	(12,703,037)	(15,932,341)	(18,457,959)	(20,411,565)
Business-type activities	390,656	95,448	(158,967)	935,468	502,814	151,237	182,082
Total primary government net expense	<u>(11,889,453)</u>	<u>(10,397,494)</u>	<u>(10,594,137)</u>	<u>(11,767,569)</u>	<u>(15,429,527)</u>	<u>(18,306,722)</u>	<u>(20,229,483)</u>

General Revenues:

Governmental activities

Taxes:

Property	4,294,052	4,833,669	4,846,384	5,682,699	5,394,735	5,040,684	5,211,238
Sales	2,122,720	1,412,509	1,376,812	2,296,092	2,396,991	2,663,800	2,555,293
Utility	2,275,418	1,980,605	2,335,829	2,440,343	2,599,479	2,810,637	2,848,484
Other	1,917,075	1,551,957	2,426,189	2,775,687	2,715,745	2,988,768	2,041,533

Investment earnings	358,683	265,498	248,367	660,834	1,262,858	1,461,214	756,681
Gain on sale of capital assets	23,402	1,173	12,154	(2,751,260)	-	-	(31,600)
Miscellaneous	120,088	189,826	182,734	54,759	24,226	27,820	47,946
Prior Period Adjustments	-	5,531,781	72,274	(9,170,636)	5,647	1,373,183	(800,078)
Total governmental activities general revenues	<u>11,111,438</u>	<u>15,767,018</u>	<u>11,500,743</u>	<u>1,988,518</u>	<u>14,399,681</u>	<u>16,366,106</u>	<u>12,629,497</u>

Business-type activities

Investment earnings	14,108	1,736	3,698	10,531	24,218	43,046	27,497
Miscellaneous	96	-	-	-	-	-	-
Prior Period Adjustments	-	(6,388,763)	-	1,673,135	-	(226,746)	600
Transfers	-	-	-	-	-	-	9,286
Total business-type activities general revenues	<u>14,204</u>	<u>(6,387,027)</u>	<u>3,698</u>	<u>1,683,666</u>	<u>24,218</u>	<u>(183,700)</u>	<u>37,383</u>
Total primary government	<u>11,125,642</u>	<u>9,379,991</u>	<u>11,504,441</u>	<u>3,672,184</u>	<u>14,423,899</u>	<u>16,182,406</u>	<u>12,666,880</u>

Change in Net Assets

Governmental activities	(1,168,671)	5,274,076	1,065,573	(10,714,519)	(1,532,660)	(2,091,853)	(7,782,070)
Business-type activities	404,860	(6,291,579)	(155,269)	2,619,134	527,032	(32,463)	219,465
Total primary government	<u>(763,811)</u>	<u>(1,017,503)</u>	<u>910,304</u>	<u>(8,095,385)</u>	<u>(1,005,628)</u>	<u>(2,124,316)</u>	<u>(7,562,605)</u>

Source: 2002 through 2004 published Comprehensive Annual Financial Reports and 2005 - 2007 audited financial statements.



CITY OF MUKILTEO

STATISTICAL SECTION

TAX REVENUES BY SOURCE – GOVERNMENTAL FUNDS

Last Seven Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)

Fiscal Year	Property Tax	Sales & Use Tax	Utility Tax	Lodging Tax	Real Estate Excise Tax	Other Tax	Total
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

Percentage Change in Dollars Over 7 Years	Property Tax	Sales & Use Tax	Utility Tax	Lodging Tax	Real Estate Excise Tax	Other Tax	Total
	21.4%	20.4%	25.2%	97.2%	10.5%	31.8%	21.6%

Source: Prior years published Comprehensive Annual Financial Reports.



CITY OF MUKILTEO

STATISTICAL SECTION

FUND BALANCES – GOVERNMENTAL FUNDS

Last Nine Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year			
	2000	2001	2002	2003
General Fund				
Reserved	\$ 36,111	\$ 20,810	\$ 115,810	\$ 20,810
Unreserved	4,172,267	4,234,873	3,966,951	5,538,153
Subtotal General Fund	<u>4,208,378</u>	<u>4,255,683</u>	<u>4,082,761</u>	<u>5,558,963</u>
General Fund Percentage Change		1.1%	-4.1%	36.2%
All Other Governmental Funds				
Reserved	\$ 1,587,614	\$ 1,131,583	\$ -	\$ -
Unreserved				
Special Revenue Funds	5,636,683	7,421,085	9,581,775	6,136,752
Debt Service Funds	677,016	-	27,389	83,479
Capital Projects Funds	3,325,614	4,471,134	4,215,941	5,161,639
Subtotal All Other Governmental Funds	<u>11,226,927</u>	<u>13,023,802</u>	<u>13,825,105</u>	<u>11,381,870</u>
Total Governmental Funds				
Reserved	1,623,725	1,152,393	115,810	20,810
Unreserved	13,811,580	16,127,092	17,792,056	16,920,023
Total Governmental Funds	<u>\$ 15,435,305</u>	<u>\$ 17,279,485</u>	<u>\$ 17,907,866</u>	<u>\$ 16,940,833</u>
All Governmental Funds Percentage Change		11.9%	3.6%	-5.4%

Source: Prior years published Comprehensive Annual Financial Reports.



CITY OF MUKILTEO

STATISTICAL SECTION

FUND BALANCES – GOVERNMENTAL FUNDS

Last Nine Fiscal Years

(modified accrual basis of accounting)

		Fiscal Year				
2004	2005	2006	2007	2008		
\$ 20,810	\$ 20,810	\$ 20,810	\$ 20,810	\$ 10,406		
4,179,311	6,658,269	7,930,353	7,863,298	6,817,515		
4,200,121	6,679,079	7,951,163	7,884,108	6,827,921		
-24.4%	59.0%	19.0%	-0.8%	-13.4%		
\$ -	\$ -	\$ -	\$ 21,901,338	\$ 12,213,756		
5,940,889	7,417,433	8,600,665	-	-		
109,911	94,417	98,038	-	-		
6,372,557	7,984,074	10,213,928	-	-		
12,423,357	15,495,924	18,912,631	21,901,338	12,213,756		
20,810	20,810	20,810	21,922,148	12,224,162		
16,602,668	22,154,193	26,842,984	7,863,298	6,817,515		
<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>		
-1.9%	33.4%	21.1%	10.9%	-36.1%		



CITY OF MUKILTEO

STATISTICAL SECTION

CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	1999	2000	2001	2002	2003
Revenues:					
Taxes	\$ 7,932,008	\$ 8,788,675	\$ 9,239,929	\$ 9,641,244	\$ 9,681,245
Intergovernmental	2,030,079	1,339,017	1,141,502	1,404,624	1,177,833
Charges for services	477,784	1,180,442	1,700,483	630,668	789,027
Licenses and permits	1,645,625	869,765	1,006,612	743,151	838,352
Fines and forfeitures	167,936	108,724	116,654	128,419	149,740
Miscellaneous	884,934	1,209,748	943,519	505,227	590,831
Total Revenues	\$ 13,138,366	\$ 13,496,371	\$ 14,148,699	\$ 13,053,333	\$ 13,227,028
Expenditures:					
General government	\$ 1,477,410	\$ 2,034,398	\$ 1,529,317	\$ 1,611,484	\$ 1,584,809
Security of persons and property	3,923,573	3,837,803	4,134,814	4,724,223	4,836,248
Physical environment	219,300	261,808	289,511	171,150	194,188
Transportation	472,710	462,664	466,315	672,002	602,057
Economic environment	672,861	629,045	670,292	676,478	899,799
Culture and recreation	523,870	556,940	542,736	445,767	575,018
Capital outlay	1,572,559	1,777,878	3,160,257	2,736,815	4,571,511
Debt service:					
Principal payments	980,000	1,015,000	950,000	1,470,000	785,000
Interest and other charges	352,000	326,583	266,903	193,808	145,242
Total Expenditures	\$ 10,194,283	\$ 10,902,119	\$ 12,010,145	\$ 12,701,727	\$ 14,193,872
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,944,083	2,594,252	2,138,554	351,606	(966,844)
Other Financing Sources (Uses)					
Bond Proceeds	2,412,481	0	0	0	0
Transfers in	1,599,457	1,978,566	2,878,738	2,634,853	468,600
Transfers out	(1,599,457)	(2,223,566)	(3,163,738)	(2,410,999)	(468,600)
Total Other Financing	\$ 2,412,481	\$ (245,000)	\$ (285,000)	\$ 223,854	\$ -
Prior Period Corrections	7,558	(2,411,891)	0	52,923	0
Net Change in Fund Balances	\$ 5,364,122	\$ (62,639)	\$ 1,853,554	\$ 628,383	\$ (966,844)
Debt Service as a % of Noncapital Expenditures	18.3%	17.2%	15.9%	20.0%	10.7%



CITY OF MUKILTEO

STATISTICAL SECTION

CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS Last Ten Fiscal Years (modified accrual basis of accounting)

Fiscal Year				
2004	2005	2006	2007	2008
\$ 10,174,273	\$ 12,480,127	\$ 12,356,315	\$ 12,681,028	\$ 11,758,234
777,508	738,904	777,558	837,076	1,005,414
879,569	1,283,800	1,154,821	1,378,522	1,042,572
881,494	1,132,820	1,201,740	1,167,154	952,722
142,364	92,545	100,476	140,397	145,638
337,612	863,547	1,467,673	1,704,502	1,002,647
<u>\$ 13,192,820</u>	<u>\$ 16,591,743</u>	<u>\$ 17,058,583</u>	<u>\$ 17,908,679</u>	<u>\$ 15,907,227</u>
\$ 1,659,159	\$ 1,759,871	\$ 1,916,018	\$ 2,443,327	\$ 2,444,307
5,217,478	5,644,123	6,087,495	7,004,039	7,507,830
442,124	273,022	255,633	328,753	807,613
369,935	591,450	529,077	627,596	722,959
781,610	748,987	928,492	1,142,317	1,455,250
1,153,676	566,496	572,791	706,948	888,027
2,737,663	1,776,203	1,455,286	2,735,669	13,102,543
820,000	865,000	500,000	0	0
100,803	63,999	25,000	0	0
<u>\$ 13,282,448</u>	<u>\$ 12,289,151</u>	<u>\$ 12,269,792</u>	<u>\$ 14,988,649</u>	<u>\$ 26,928,529</u>
(89,628)	4,302,592	4,788,791	2,920,030	(11,021,302)
0	0	0	0	0
2,508,740	1,316,000	1,384,000	2,143,059	6,308,154
(2,808,740)	(1,316,000)	(1,484,000)	(2,143,059)	(6,002,240)
<u>\$ (300,000)</u>	<u>\$ -</u>	<u>\$ (100,000)</u>	<u>\$ -</u>	<u>\$ 305,914</u>
72,274	1,248,933	0	1,623	(28,380)
<u>\$ (317,354)</u>	<u>\$ 5,551,525</u>	<u>\$ 4,688,791</u>	<u>\$ 2,921,653</u>	<u>\$ (10,743,768)</u>
9.6%	9.7%	5.1%	0.0%	0.0%



CITY OF MUKILTEO

STATISTICAL SECTION

TAXABLE ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF PROPERTY

Last Ten Fiscal Years

(in millions of dollars)

Fiscal Year	Residential Property	Commercial Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Annual Percentage Change
2000	1,219	376	-58	1,537	2.7781	1,537	N/A
2001	1,273	379	-40	1,612	2.7585	1,612	5%
2002	1,310	438	-87	1,661	2.5612	1,661	3%
2003	1,730	735	-306	2,159	2.2589	2,159	30%
2004	1,777	581	-166	2,192	2.2589	2,192	2%
2005	2,008	555	-110	2,453	2.3308	2,453	12%
2006	2,293	647	-125	2,815	1.9490	2,815	15%
2007	2,885	758	-198	3,445	1.4789	3,445	22%
2008	3,371	900	-227	4,044	1.2852	4,044	17%

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
(per \$1,000 of assessed valuation)
Last Ten Fiscal Years

Year	City	County	State	Other Overlapping Rates			Total
				School	Library	Port	
1999	2.4650	1.5295	3.5166	4.3560	0.5000	0.4190	12.7861
2000	2.7781	1.4848	3.4985	4.5691	0.4943	0.4190	13.2438
2001	2.7585	1.4770	3.4003	5.1582	0.4868	0.4190	13.6998
2002	2.5612	1.4293	3.2876	5.1327	0.4664	0.4190	13.2962
2003	2.2386	1.3665	3.1838	4.7558	0.4572	0.3769	12.3788
2004	2.2589	1.2085	2.9526	4.8428	0.5000	0.3770	12.1398
2005	2.3308	1.0976	2.7890	4.4230	0.4565	0.3534	11.4503
2006	1.9490	0.9993	2.5319	4.2949	0.4228	0.3301	10.5280
2007	1.4789	0.8399	2.1646	3.9270	0.3532	0.3095	9.0731
2008	1.2852	0.7234	1.9056	3.4274	0.3128	0.2764	7.9308

Source: Snohomish County Assessor Annual Reports



CITY OF MUKILTEO

STATISTICAL SECTION

PRINCIPAL PROPERTY TAXPAYERS

December 31, 2008 and 2000

(amounts expressed in thousands)

2008				2000			
Principal Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed	Principal Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed
			Value				Value
Boeing Company	\$ 66,902,677	1	1.7%	Boeing Company	\$ 48,637,700	1	3.0%
RREEF America Reit II Corp	54,941,700	2	1.4%	Teachers Insurance & Annuity	21,551,900	2	1.3%
WiredZone Property LLP	36,416,500	3	0.9%	Wiredzone Property LP	20,717,200	3	1.3%
PPC OTGHP LLC	33,339,800	4	0.8%	On The Green	15,150,400	4	0.9%
Legacy Partners Harbour Pointe LLC	30,234,700	5	0.7%	Misawa On The Green	14,145,300	5	0.9%
SC Harbour Pointe Inc.	27,472,900	6	0.7%	Palmer Groth & Pietka Inc.	12,539,800	6	0.8%
SVF Harbour Pointe Mukilteo LLC	21,743,500	7	0.5%	Western Blossom Hill Investors	11,912,700	7	0.7%
Essex Property Trust	17,956,000	8	0.4%	Deloitte & Touche LLP	10,829,100	8	0.7%
Sterling Realty Organization	16,890,700	9	0.4%	Harbour Pointe Golf Assoc	8,541,000	9	0.5%
Harbour Pointe Retirement	12,654,477	10	0.3%	Harbour Pointe Retirement	8,242,400	10	0.5%
Total Principal Taxpayers	<u>318,552,954</u>		<u>7.9%</u>		<u>172,267,500</u>		<u>10.8%</u>
All Other Taxpayers	<u>3,725,829,785</u>		<u>92.1%</u>		<u>1,429,805,610</u>		<u>89.2%</u>
Total	<u>\$ 4,044,382,739</u>		<u>100.0%</u>		<u>\$ 1,602,073,110</u>		<u>100.0%</u>

Source: Snohomish County Assessor's Office



CITY OF MUKILTEO

STATISTICAL SECTION

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

(amounts expressed in thousands)

For the Year Ended December 31	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Total Uncollected Taxes	
		Amount	Percentage of Levy		Amount	Percentage of Levy	Amount	Percentage of Levy
1999	\$ 3,796,666	3,663,611	96.50%	133,055	3,796,666	100.0000%	-	0.0000%
2000	4,426,673	4,296,339	97.06%	130,304	4,426,643	99.9993%	30	0.0007%
2001	4,551,769	4,456,211	97.90%	95,481	4,551,692	99.9983%	77	0.0017%
2002	4,464,398	4,294,052	96.18%	1,206	4,295,258	96.2114%	169,140	3.7886%
2003	4,855,153	4,735,385	97.53%	96,409	4,831,794	99.5189%	23,359	0.4811%
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%	105,799	5,707,278	99.9926%	421	0.0074%
2006	5,485,942	5,405,164	98.53%	76,742	5,481,906	99.9264%	4,035	0.0736%
2007	5,097,513	5,023,955	98.56%	52,449	5,076,404	99.5859%	21,109	0.4141%
2008	5,199,357	5,125,219	98.57%	-	5,125,219	98.5741%	74,138	1.4259%

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



CITY OF MUKILTEO

STATISTICAL SECTION

RATIO OF TOTAL OUTSTANDING DEBT BY TYPE

Fiscal Year	Governmental Activities				Business-type Activities			Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	Special Assessment Bonds	Revenue Bonds	Sewer Bonds	General Obligation Bonds	Capital Leases				
1999	\$7,650,000	\$80,000	\$895,000	\$0	\$0	\$0	\$8,625,000	1.76%	\$502	
2000	4,580,000	5,000	878,750	0	0	0	5,463,750	1.00%	303	
2001	3,725,000	5,000	710,000	0	0	0	4,440,000	0.77%	242	
2002	0	0	0	0	0	0	0	0.00%	0	
2003	2,185,000	0	0	0	0	0	2,185,000	0.36%	114	
2004	1,365,000	0	0	0	0	0	1,365,000	0.21%	71	
2005	500,000	0	0	0	0	0	500,000	0.07%	26	
2006	0	0	0	0	0	0	0	0.00%	0	
2007	0	0	0	0	0	0	0	0.00%	0	
2008	0	0	0	0	0	0	0	0.00%	0	

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

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



RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

(amounts expressed in thousands, except per capita amount)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value¹ of Property	Per Capita²
1999	\$ 5,430,000	\$ 147,941	\$ 5,282,059	0.34%	\$ 307
2000	\$ 4,580,000	176,439	\$ 4,403,561	0.27%	\$ 244
2001	\$ 3,725,000	197,983	\$ 3,527,017	0.21%	\$ 192
2002	\$ 2,970,000	26,447	\$ 2,943,553	0.14%	\$ 159
2003	\$ 2,185,000	75,116	\$ 2,109,884	0.10%	\$ 110
2004	\$ 1,365,000	109,911	\$ 1,255,089	0.05%	\$ 65
2005	\$ 500,000	-	\$ 500,000	0.02%	\$ 26
2006	\$ -	-	\$ -	0.00%	\$ -
2007	\$ -	-	\$ -	0.00%	\$ -
2008	\$ -	-	\$ -	0.00%	\$ -

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

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

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

Source:

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



**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF 12/31/2008**

(amounts expressed in thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable¹	Estimated Share of Overlapping Debt
City of Mukilteo	\$0	100%	\$0
Total Direct Debt	\$0	100%	\$0
Local School	\$223,315,000	28.96%	\$64,667,983
County	\$360,908,083	4.07%	\$14,697,150
Fire District	\$19,300,000	12.90%	\$2,490,451
Total Overlapping Debt	\$603,523,083	13.56%	\$81,855,584
Total Direct and Overlapping Debt	\$603,523,083	13.56%	\$81,855,584

Notes:

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

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

Sources: Snohomish County Assessor's Annual Report for 2008 Taxes, and the Snohomish County Treasurer's Office.



CITY OF MUKILTEO

STATISTICAL SECTION

COMPUTATION OF LEGAL DEBT MARGIN

Last Seven Fiscal Years

For the Year Ended December 31,	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
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
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
<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
Less: outstanding debt	(3,725,000)	(2,970,000)	(2,185,000)	(1,365,000)	(500,000)	-	-
Less: contracts payable						-	-
Less: excess of debt with a vote						-	-
Add: available assets						-	-
Equals: remaining debt capacity without a vote	22,433,859	29,568,596	30,698,019	35,412,804	41,729,717	51,799,595	51,668,691
<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
Less: outstanding debt						-	-
Less: contracts payable						-	-
Add: available assets						-	-
Equals: remaining debt capacity with a vote	17,439,240	21,692,397	21,922,012	24,518,536	28,153,145	34,533,063	34,445,794
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
Less: outstanding debt						-	-
Less: contracts payable						-	-
Add: available assets						-	-
Equals: remaining debt capacity - utility purposes, voted	43,598,099	54,230,993	54,805,031	61,296,341	70,382,861	86,332,658	86,114,486
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
Less: outstanding debt						-	-
Less: contracts payable						-	-
Add: available assets						-	-
Equals: remaining debt capacity - open space and capital facilities, voted	43,598,099	54,230,993	54,805,031	61,296,341	70,382,861	86,332,658	86,114,486
	127,069,296	159,722,978	162,230,093	182,524,022	210,648,584	258,997,975	258,343,457

Source: Prior years published Comprehensive Annual Financial Reports.



CITY OF MUKILTEO

STATISTICAL SECTION

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years
(thousands of dollars)

Year	Population ¹	Personal Income	Per Capita Income ²	Median Age ³	School Enrollment ⁴	Unemployment Rate ⁵
1999	17,180	\$ 491,004,400	\$ 28,580	36.5	13,156	4.7%
2000	18,019	\$ 547,561,372	30,388	36.5	13,198	4.5%
2001	18,340	\$ 572,996,620	31,243	36.5	14,381	5.3%
2002	18,520	\$ 584,694,920	31,571	36.5	14,560	7.0%
2003	19,190	\$ 611,316,640	31,856	36.5	14,057	7.1%
2004	19,220	\$ 639,737,700	33,285	36.5	14,482	5.8%
2005	19,360	\$ 676,883,680	34,963	39.3	14,332	5.1%
2006	19,620	\$ 728,196,300	37,115	39.3	14,484	4.5%
2007	19,940	\$ 740,073,100	37,115	39.3	14,423	4.0%
2008	20,050	\$ 744,155,750	37,115	39.3	14,454	5.0%

Notes:

¹Information provided by Washington State Office of Financial Management

²Information provided by www.workforceexplorer.com and the Washington Office of Financial Management 2007 Data Book, and is for Snohomish County

³U.S. Census Bureau, Census 2000, and 2005-2007 Fact Sheet for the City of Mukilteo

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

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



CITY OF MUKILTEO

STATISTICAL SECTION

PRINCIPAL EMPLOYERS

Current Year and Six Years Ago

2008				2002			
Employer	Number of Employees	Rank	Percentage of Total City Employment	Employer	Number of Employees	Rank	Percentage of Total City Employment
The Boeing Company	850	1	12.8%	The Boeing Company	849	1	16.5%
Travis Industries	400	2	6.0%	ElectroImpact Inc	171	2	3.3%
ElectroImpact Inc	240	3	3.6%	Mukilteo YMCA	150	3	2.9%
Synrad Inc	150	4	2.3%	Synrad Inc	125	4	2.4%
KAAS Tailored	131	5	2.0%	KAAS Tailored	103	5	2.0%
Mukilteo YMCA	120	6	1.8%	Senior Services of Snohomish County	100	6	1.9%
Diligenz	115	7	1.7%	Combimatrix Corporation	98	7	1.9%
Diversified Industrial Services	115	8	1.7%	Hydra Master Corp	96	8	1.9%
Ivars Mukilteo Landing	112	9	1.7%	Pacific Pride Seafood	95	9	1.9%
Sr. Services of Snohomish County	100	10	1.5%	J & E Manufacturing	91	10	1.8%
Total Principal Employers	2,333		35.2%	Total Principal Employers	1,878		36.6%
Other Employers	4,298		64.8%	Other Employers	3,257		63.4%
Total Employers	6,631		100.0%	Total Employers	5,135		100.0%

Source: City of Mukilteo Business License Data



FULL TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION

Last Seven Fiscal Years

<u>Function</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Government							
Executive	5.0	5.0	5.0	5.0	5.0	5.0	5.5
Finance	6.0	6.0	6.0	6.0	6.0	7.0	7.0
Public Safety							
Police	27.0	27.0	27.0	27.0	28.0	29.0	32.0
Fire	16.0	16.0	19.0	20.0	20.0	21.0	23.5
Planning & Community Development							
Planning	5.0	5.0	7.0	7.0	7.0	6.3	6.3
Building	2.0	2.0	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
Public Works							
Administration & Engineering	4.0	4.0	4.0	4.0	4.0	4.0	4.5
Streets Maintenance	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
Parks	3.0	3.0	3.0	3.0	5.0	6.5	6.5
Surface Water	4.0	4.0	4.0	4.0	4.0	4.0	4.5
Recreation & Cultural Services							
Community Center	2.0	2.0	2.5	2.5	2.5	2.5	2.5
Total	81.0	81.0	85.5	87.5	90.5	94.3	101.8

*New division created in 2008.

Source: Prior years published budgets.



CITY OF MUKILTEO

STATISTICAL SECTION

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

<u>Function</u>	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Police										
Physical arrests	N/A	N/A	N/A	N/A	160	157	137	115	162	131
Infractions/citations	N/A	1,047	1,116	1,200	1,764	1,627	1,755	1,356	2,636	2,677
Case reports	N/A	3,399	2,574	2,898	2,551	2,533	2,280	2,418	2,497	2,221
Animal complaints	N/A	413	398	400	354	468	416	425	506	473
Fire										
Number of calls answered	N/A	1,480	1,492	1,500	1,542	1,685	1,742	1,876	1,769	1,600
Fire safety inspections	N/A	663	639	680	467	510	469	510	530	509
Planning & Community Development										
Plan Reviews	N/A	188	225	150	177	207	253	192	214	208
Building permits issued	N/A	360	388	300	390	370	617	595	322	311
Site Inspections	N/A	4,740	4,650	4,580	4,400	4,370	4,500	4,750	2,400	2,300
Highways and streets										
Miles of Street Maintained	64	62	62	63	66	67	67	67	67	68
Potholes repaired	N/A	48	60	68	55	40	20	200	20	100
Culture and Recreation										
Available for lease (sf)	N/A	N/A	N/A	N/A	9,100	10,082	10,082	10,082	10,082	10,082
Sq. feet leased	N/A	N/A	N/A	N/A	6,494	7,136	7,824	8,458	8,458	8,458
Percent leased	N/A	N/A	N/A	N/A	71.4%	70.8%	77.6%	83.9%	83.9%	83.9%
City Sponsored Events	N/A	N/A	N/A	N/A	3	2	2	2	2	7
Surface Water										
ERU's Billed	N/A	11,991	12,600	12,630	13,000	13,200	13,280	13,280	13,300	13,350

Source: Various city departments.

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

N/A = Not Available



CITY OF MUKILTEO

STATISTICAL SECTION

CAPITAL ASSETS STATISTICS BY FUNCTION

Last Ten Fiscal Years

<u>Function</u>	<u>Fiscal Year</u>									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Cars	9	9	9	9	9	9	9	9	10	11
Administrative Vehicles	2	2	2	2	2	2	2	2	2	2
Detective Vehicles	3	3	3	3	3	3	4	4	5	5
Crime Prevention Vehicles	0	0	0	0	0	0	0	0	0	1
Motorcycles	2	2	2	2	2	2	2	2	2	2
Other Vehicles	1	1	1	1	1	1	1	1	2	2
Fire/EMS										
Fire Stations	2	2	2	2	2	2	2	2	2	2
Fire Engines	4	4	4	3	3	3	3	3	3	3
Aid units	3	3	3	3	3	3	3	3	3	3
Rescue/Utility Vehicle	2	2	2	2	2	2	2	2	2	2
Staff Vehicle	2	2	2	2	2	2	2	2	2	3
Highways and streets										
Streets (miles)	61	61	62	66	66	68	68	68	68	68
Traffic Signals	7	9	9	9	9	13	13	13	13	13
Snow Plows	4	4	4	4	4	4	4	5	5	5
Street Sweepers	0	0	0	0	0	0	0	0	1	1
Culture and Recreation										
Parks acreage	117	117	135	442	442	433	499	499	499	499
Parks	31	31	31	31	31	31	33	33	33	33
Tennis courts	1	1	1	1	1	1	1	1	1	1
Community Centers	1	1	1	1	1	1	1	1	1	1
Surface Water										
Storm sewers (miles)	34	34	34	34	34	34	34	35	35	35

Source: Various city departments.

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