



Washington State Auditor's Office

Troy Kelley

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Financial Statements and Federal Single Audit Report

City of Bellevue

King County

For the period January 1, 2013 through December 31, 2013

Published September 18, 2014

Report No. 1012573





Washington State Auditor
Troy Kelley

September 18, 2014

Council
City of Bellevue
Bellevue, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Bellevue's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the City's financial condition.

Sincerely,

TROY KELLEY
STATE AUDITOR

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King County
January 1, 2013 through December 31, 2013**

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Federal Summary

City of Bellevue King County January 1, 2013 through December 31, 2013

The results of our audit of the City of Bellevue are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information.

Internal Control Over Financial Reporting:

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

FEDERAL AWARDS

Internal Control Over Major Programs:

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City's compliance with requirements applicable to each of its major federal programs.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
14.218	CDBG - Entitlement Grants Cluster - Community Development Block Grants/Entitlement Grants
97.067	Homeland Security Grant Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The City qualified as a low-risk auditee under OMB Circular A-133.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

**City of Bellevue
King County
January 1, 2013 through December 31, 2013**

Council
City of Bellevue
Bellevue, Washington

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Bellevue, King County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 24, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be

material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

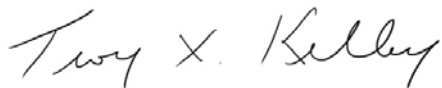
COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



TROY KELLEY
STATE AUDITOR

June 24, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

**City of Bellevue
King County
January 1, 2013 through December 31, 2013**

Council
City of Bellevue
Bellevue, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the City of Bellevue, King County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

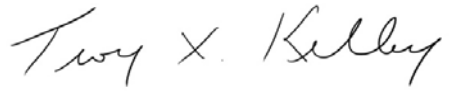
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It

also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

September 9, 2014

Independent Auditor's Report on Financial Statements

City of Bellevue King County January 1, 2013 through December 31, 2013

Council
City of Bellevue
Bellevue, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Bellevue, King County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 11.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Bellevue, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14 through 22, information on pensions and postemployment benefits other than pensions on pages 101 through 102, infrastructure modified approach information on page 103 and budgetary comparison information on pages 104 through 105 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

June 24, 2014

Financial Section

**City of Bellevue
King County
January 1, 2013 through December 31, 2013**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2013

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2013

Statement of Activities – 2013

Balance Sheet – Governmental Funds – 2013

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net
Position – 2013

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental
Funds – 2013

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities – 2013

Statement of Fund Net Position – Proprietary Funds – 2013

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2013

Statement of Cash Flows – Proprietary Funds – 2013

Statement of Fiduciary Net Position – Trust and Agency Funds – 2013

Statement of Changes in Fiduciary Net Position – Firemen's Pension Fund – 2013

Notes to the Financial Statements – 2013

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – Fireman's Pension Fund – Other Post-Employment
Benefits (OPEB) – 2013

Schedule of Contributions from the Employer and Other Contributing Entities –
Fireman's Pension Fund – Other Post-Employment Benefits (OPEB) – 2013

Schedule of Modified Approach for Reporting Infrastructure Assets – 2013

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
– General Fund – 2013

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
– Development Services Fund – 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2013

Notes to the Schedule of Expenditures of Federal Awards – 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative provides an overview and analysis of the City of Bellevue's financial activities for the fiscal year ended December 31, 2013. The purpose is to highlight significant financial issues, major financial activities and resulting changes in financial position, and economic factors affecting the city. Readers are encouraged to consider the information presented here in conjunction with the information furnished in the letter of transmittal in the introductory section and the city's financial statements and accompanying notes following the narrative.

FINANCIAL HIGHLIGHTS

The City of Bellevue and Sound Transit are in the final design stages of the East Link light rail system connecting downtown Bellevue and downtown Seattle, set to be completed in 2023. Transportation construction projects related to light rail, including right of way acquisition began in 2013.

The city issued General Obligation Bonds of \$70.4 million, which includes support for East Link construction and acquisition activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Bellevue's basic financial statements. The basic statements include three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report contains other supplementary information in addition to the basic financial statements and required information.

Government-wide Financial Statements: The Government-Wide Financial Statements are designed to provide readers with a broad overview of the city's financial position in a manner similar to that of a private-sector business. These statements are reported on the full accrual basis of accounting. Under the full accrual basis, certain revenues and expenses are reported that will not affect cash flows until future periods.

The Government-Wide Financial Statements distinguish governmental activities that are principally supported by taxes and revenues from other agencies from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities of the city include general government, public safety, physical and economic environment, transportation, mental/physical health, and culture and recreation. The city's business-type activities consist of marina operations and water, sewer, and storm and surface water utilities. The component unit consists of the Bellevue Convention Center Authority (BCCA), which operates the Meydenbauer Convention Center.

The Statement of Net Position presents information on all of the city's assets, deferred inflows of resources, liabilities, and deferred outflows of resources. The difference between these is reported as net position. Evaluating increases or decreases over time can serve as a useful indicator of whether the financial position of the city is improving or declining.

The Statement of Activities presents information on the net cost of each governmental and business-type function during the fiscal year. The statement also identifies the amount of general revenues needed to fully fund each governmental function.

Fund Financial Statements: These statements focus on major governmental funds and proprietary funds separately. The city's major governmental funds are presented in their own column and the remaining funds are combined into a column titled "Nonmajor Governmental Funds." Statements for the city's proprietary funds and fiduciary funds follow the governmental funds and include net position, revenues, expenses, and changes in fund net position and cash flows.

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

Fiduciary funds account for assets held by the city in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. Fiduciary funds are not included in the government-wide financial statements because their assets are not available to support the City of Bellevue's activities. The city has two types of fiduciary funds, a pension fund and agency funds. The accounting for the pension fund is on the accrual basis. Agency funds are custodial in nature and do not include revenues and expenses as they do not measure the results of operations.

Notes to the Financial Statements: The notes provide additional information that is essential to the reader for a full understanding of the data provided in the Government-wide and Fund Financial Statements.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) concerning the city's progress in maintaining its transportation infrastructure accounted for using the modified approach, the funding progress for the Firemen's Pension Trust Fund and Other Post Employments Benefits, and the Schedule of Contributions from the Employer and Other Contributing Entities for the Firemen's Pension Trust Fund. Also included as required supplementary information are the Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual for annually budgeted the general fund and major special revenue funds.

The **combining statements** for other governmental funds, internal service funds, and agency-type fiduciary funds are presented immediately following the required supplementary information.

Statistical Section: This section includes unaudited trend information and demographics.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position of the city as of December 31, 2013 and December 31, 2012, are summarized in the following table:

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
	(in thousands)					
Current and other assets	\$ 187,913	\$ 128,664	\$ 177,268	\$ 161,282	\$ 365,182	\$ 289,946
Capital assets, net	1,699,874	1,668,785	279,833	268,031	1,979,707	1,936,816
Total assets	1,887,787	1,797,449	457,102	429,313	2,344,888	2,226,762
Deferred outflows	11,300	11,717	34	41	11,334	11,758
Total deferred outflows	11,300	11,717	34	41	11,334	11,758
Total assets and deferred outflows	1,899,087	1,809,166	457,136	429,354	2,356,222	2,238,520
Long-term liabilities	265,729	192,511	3,444	4,165	269,173	196,676
Other liabilities	26,437	19,086	3,898	4,849	30,335	23,935
Total liabilities	292,166	211,597	7,342	9,014	299,509	220,611
Deferred inflows	8	10	-	-	8	10
Total deferred inflows	8	10	-	-	8	10
Total liabilities & deferred inflows	292,175	211,607	7,342	9,014	299,517	220,621
Net investment in capital assets	1,563,631	1,513,235	277,669	265,524	1,841,300	1,778,759
Restricted	18,054	25,690	138,021	123,837	156,075	149,527
Unrestricted	25,227	58,636	34,103	30,977	59,330	89,613
Total net position	\$ 1,606,912	\$ 1,597,561	\$ 449,793	\$ 420,338	\$ 2,056,705	\$ 2,017,899

Governmental Activities: Total net position for the city increased by \$38.8 million, of which \$9.4 million was related to governmental activities. Of total governmental activities net position, \$5.8 million is restricted for parks, recreation and open spaces, \$3.1 million for housing rehabilitation loans, \$4.1 million for hotel/motel tax held for convention center financing, and the remaining restricted covers a variety of purposes. Unrestricted net position of \$25.2 million is available to meet ongoing obligations to citizens and creditors. Factors contributing to the changes in net position include:

- Capital assets, net of accumulated depreciation, increased \$31.1 million mainly in construction underway, the highlights of some of the major projects are:
 - West Lake Sammamish Parkway improvements
 - East Link acquisitions and construction
 - Youth Theatre construction
 - Botanical Garden Visitor Center construction
- Unspent bond proceeds of \$60.7 million account for the majority of the increase in governmental activities cash and equity in pooled investments.
- The increase in long-term liabilities is related to the issuance of \$70.4 million in General Obligation Bonds for CIP projects.
- Other liabilities increased \$7.4 million due to accounts payable activity, which increased by \$3.1 million in the General Fund and \$2.4 million in the General CIP Fund.

Business-Type Activities: Business-type activities of the city's utilities and marina increased the City of Bellevue's net position by \$29.5 million in 2013. Of total net position, \$137.7 million is restricted for utility capital projects, \$0.4 million is restricted for marina debt service and \$34.1 million is available to meet operating needs. Contributing factors of the increase in net position were:

- Business-type current assets increased by \$16.0 million, the result of an effort to build reserves to cover planned future replacement of aging infrastructure.
- The net increase of \$11.8 million in capital assets was related to completed infrastructure projects and construction projects currently underway, tempered by depreciation for existing assets.

Highlights of some of the major projects underway or completed are:

- Water main replacement activities
- Trunk capacity improvements
- Fish passage improvements
- Coal Creek culvert and sediment pond improvements

CHANGES IN NET POSTION

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:	(in thousands)					
Program revenues:						
Charges for services	\$ 45,426	\$ 45,896	\$ 119,134	\$ 106,182	\$ 164,561	\$ 152,078
Operating grants & contributions	7,851	8,188	-	-	7,851	8,188
Capital grants & contributions	5,136	3,919	5,141	4,693	10,277	8,612
General revenues:						
Property taxes	38,302	37,538	-	-	38,302	37,538
Sales taxes	53,072	48,596	-	-	53,072	48,596
Other taxes	78,598	74,897	-	-	78,598	74,897
Investment interest	884	630	924	757	1,807	1,387
Miscellaneous	1,236	2,322	648	1,685	1,883	4,007
Total revenues	230,505	221,986	125,846	113,317	356,351	335,303
Expenses:						
General government	28,354	36,392	-	-	28,354	36,392
Public safety	84,074	82,822	-	-	84,074	82,822
Physical environment	2,892	1,642	-	-	2,892	1,642
Transportation	29,147	27,761	-	-	29,147	27,761
Economic environment	20,768	19,037	-	-	20,768	19,037
Health and human services	7,414	11,511	-	-	7,414	11,511
Culture and recreation	39,448	38,452	-	-	39,448	38,452
Unallocated interest on long-term debt	8,691	7,910	-	-	8,691	7,910
Water	-	-	41,218	38,708	41,218	38,708
Sewer	-	-	44,099	41,089	44,099	41,089
Storm & surface water	-	-	11,208	10,950	11,208	10,950
Marina	-	-	232	277	232	277
Total expenses	220,788	225,527	96,757	91,024	317,545	316,551
Excess (deficiency) before transfers	9,717	(3,541)	29,089	22,293	38,806	18,752
Transfers	(366)	(561)	366	561	-	-
Increase (decrease) in net position	9,351	(4,102)	29,455	22,854	38,806	18,752
Net position - beginning	1,597,561	1,598,459	420,338	397,484	2,017,899	1,995,943
Prior period adjustment	-	3,203	-	-	-	3,203
Net position - ending	\$ 1,606,912	\$1,597,561	\$ 449,793	\$ 420,338	\$2,056,706	\$2,017,897

Governmental Activities: Net position overall increased \$38.8 million, \$9.4 million was the result of governmental activities and the remaining \$29.5 million represents increases in business-type activities net position. Highlights of the change in governmental activities change in net position are:

- Capital grants and contributions increased by \$1.2 million. This is a reflection of the fluctuation of one-time grant revenue streams.
- The economy showed positive signs of recovery by an increase in Bellevue's tax revenues collections of \$8.9 million.
- Governmental activities expenses decreased \$4.7 million as a result of:
 - Operating expenses increased in pace with tax revenue collections, offset by the 2012 write-off of long-term receivables for affordable housing loans not expected to be repaid.
 - Self-insurance claims were higher in 2012.

Business-Type Activities: The City of Bellevue's net position for utilities and marina activities increased by \$29.5 million in 2013. Key elements of this increase are:

- Charges for services increased \$12.9 million mainly due to rate increases.
- Utility rate increases in 2013 were:
 - Water – 12.2%,
 - Sewer – 9.3%, and
 - Storm & surface water – 7.3%.
- The city purchases water from Cascade Water Alliance and sewer treatment from King County. The costs of those services are passed along to customers. As a result, Water Utility expenses increased \$2.5 million and Sewer Utility expenses increased \$3.0 million.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds: The governmental fund statements report on a near-term revenues/financial resources and expenditures basis. This information helps determine the city's financial requirements in the near future. In particular, unassigned fund balance is a good indicator of the city's resources available for spending at the end of the year. Restrictions on fund balance do not significantly affect the availability of fund resources for future use.

The General Fund ending fund balance of \$25.0 million is a decrease of \$1.0 million from 2012. Revenues increased \$6.8 million, largely the result of taxes, intergovernmental fire services and other service fee revenue increases. Expenditures outpaced revenues largely from personnel cost increases as well as a one-time transfer of \$0.7 million to the General CIP fund for golf course improvements.

The Development Services Fund ending fund balance decreased by \$0.6 million from 2012 ending at \$4.4 million. There has been an increase in development activities which has increased the review and inspection work required to meet demand.

The I&D Regular Redemption Fund ending fund balance remained relatively constant from 2012 ending at \$1.2 million. Bond covenants set the requirements for fund balance to meet future debt payment obligations.

The General Capital Investment Program Fund has an ending fund balance of \$56.5 million. This represents an increase of \$40.0 million, consisting of parks levy funds as well as bond proceeds primarily in support of the East Link light rail projects.

Business-Type Funds: The proprietary fund statements report on an economic resources basis and provide essentially the same information as that presented in the government-wide statements; however, more detail is provided in the fund statements. The city reports both enterprise funds and internal service funds which support the operations of the government.

The Storm & Surface Water Utility has unrestricted net position of \$3.8 million, remaining relatively constant from 2012. The Water Utility's operating revenue increases outpaced operating expenses resulting in an increase in unrestricted net position of \$2.2 million to \$16.8 million. The Sewer Utility's unrestricted net position also remained relatively constant from 2012.

Unrestricted net position in the Marina Fund decreased slightly from 2012 ending at \$0.3 million, due to debt service increases.

CAPITAL ASSET ACTIVITY

The City of Bellevue's investment in capital assets for the end of 2013 was \$2.0 billion, net of depreciation, which was an increase of \$42.9 million from the previous year. The following table shows the balances by category for governmental activities, business activities, and the city as a whole.

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
	(in thousands)					
Land	\$ 761,045	\$ 751,135	\$ 24,959	\$ 24,898	\$ 786,004	\$ 776,033
Buildings	143,985	152,514	18,621	18,646	162,606	171,160
Improvements other than buildings	31,514	22,029	-	-	31,514	22,029
Machinery and equipment	17,108	16,143	3,425	2,391	20,533	18,534
Infrastructure	687,767	697,784	219,569	209,038	907,336	906,822
Intangible assets	3,436	8,870	60	67	3,496	8,937
Construction in progress	55,017	20,310	13,200	12,991	68,217	33,301
Total	\$ 1,699,872	\$1,668,785	\$ 279,834	\$ 268,031	\$1,979,706	\$1,936,816

Governmental Activities: Capital assets from governmental activities increased \$31.1 million. Key elements of this change are as follows:

- Increase in Land of \$9.9 million due to the purchase of land and right of ways.
- Depreciation expense generated an overall reduction in capital assets of \$18.7 million.
- Increase in construction in progress of \$34.7 million, the highlights of which include several significant projects currently underway:
 - West Lake Sammamish Parkway improvements - \$8.0 million
 - East Link acquisitions and construction - \$18.8 million
 - Youth Theatre construction - \$3.7 million
 - Botanical Garden Visitor Center construction - \$8.5 million

The city has elected to report its transportation infrastructure capital assets using the modified approach. The modified approach is an alternative to the standard depreciation model normally utilized to report the usage of capital assets as an expense. The modified approach requires that the city have an up-to-date inventory of eligible infrastructure assets; perform condition assessments of the eligible infrastructure assets and summarize the results using a measurement scale; and estimate each year the annual amount to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by

the city. For many years, the city has performed a biennial condition assessment of its transportation infrastructure, which is published in a bound document. In the off-years, the assessment computation is provided by the city's Pavement Management System.

The city has classified its transportation infrastructure capital assets into two systems: arterial roadways and residential roadways. The standard performance rating for the two systems is noted below:

	Satisfactory	Unsatisfactory
Arterial	50-100	0-49
Residential	30-100	0-29

The average condition of the arterial roadways for 2013 increased from 76 to an overall performance rating of 78. The percentage of roadways above a satisfactory rating for 2013 is 88 percent, which is an increase of 5 percent from the prior year as a result of a significant investment in improvements in 2012. Residential roadways show an average condition and performance ratings remained constant from 2012. Of the total residential lane miles, 99 percent were rated above satisfactory. The city's minimum acceptable condition levels have been defined as having at least 60 percent of arterial roadways, and 75 percent of residential roadways at or above satisfactory condition.

Business-type Activities: Business-type capital activities increased by \$11.8 million, of which \$16.2 million is attributable to ongoing and completed projects related to system rehabilitation and water main replacement, tempered by depreciation of \$7.8 million for the current year. The Utility Department is in the process of the annual replacement of a portion of the city's aging infrastructure which is expected to stabilize costs for the future.

For more detailed information about the City of Bellevue's capital assets please refer to Note 6, Capital Assets.

DEBT OUTSTANDING

At year-end, the city had \$230.2 million in debt outstanding compared to \$169.8 million last year. The outstanding debt is \$228.0 million and \$2.2 million for governmental activities and business-type activities, respectively.

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
	(in thousands)					
General obligation bonds	\$ 227,496	\$ 151,597	\$ 2,169	\$ 2,481	\$ 229,665	\$ 154,078
Special assessment debt	10	55	-	-	10	55
Line of credit	-	15,047	-	-	-	15,047
Other long-term debt	518	557	30	66	547	623
Total	<u>\$ 228,024</u>	<u>\$ 167,256</u>	<u>\$ 2,198</u>	<u>\$ 2,547</u>	<u>\$ 230,223</u>	<u>\$ 169,803</u>

Governmental Activities. The city issued new debt in 2013 of \$70.4 million to be used primarily for East Link light rail related right of way and construction projects. Of the debt outstanding at December 31, 2013, \$6.4 million is due within one year.

Business-type Activities. The Utility funds do not have outstanding debt and, in place of issuing new debt, are building reserves to pay for repair and replacement of infrastructure assets. Principal reductions for the Marina Fund amounted to \$0.3 million. Of the debt outstanding at December 31, 2013, \$0.4 million is due within one year.

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

The city's assessed valuation for 2013 was \$32.7 billion and the total amount of additional debt the city may issue is \$2.5 billion. Remaining debt capacity is categorized as follows (in thousands):

General debt	\$ 599,142
Open space/Parks facilities	816,924
Utilities	<u>816,924</u>
Total	<u>\$ 2,232,990</u>

Bond Rating. The City of Bellevue has favorable bond ratings which will provide for lower borrowing costs in the future. The bond ratings for 2013 are:

<u>Bond Type:</u>	<u>Standard and Poor's</u>	<u>Moody's</u>
Unlimited Tax General Obligation	AAA	Aaa
Limited Tax General Obligation	AAA	Aa1
Revenue	N/A	Aa1

For more detailed information about the City of Bellevue's long-term debt please refer to Note 13, Long-Term Liabilities.

BUDGETARY HIGHLIGHTS AND ECONOMIC FACTORS

The City of Bellevue budgets on a biennial basis with each budget beginning in an odd numbered year. Appropriations for operating funds are authorized for two years, but must be reviewed and reauthorized by the City Council in the middle of the biennial period. The following discussion is reflective only of the current year of the biennium.

The increase of \$2.0 million between the 2013-14 Adopted Biennial Budget and the 2013-14 Amended Biennial Budget represents addition of previously unbudgeted expenses and addition of personnel to handle increased development activity as well as some engineers for upcoming capital projects.

As the city responds to the Great Recession economic environment, it continues to focus on providing the highest level of priority government programs, services, and capital investments. During the 2013-2014 budget process, the city employed the Budgeting for Outcomes methodology entitled Budget One and will continue to use it in 2015-2016. The Budget One process strives to deliver outcomes that are important to the community and reflect the values and priorities recognized by the City Council and City Management. The Outcomes identified by the Council as community-wide priorities include: (1) Safe Community, (2) Improved Mobility, (3) Innovative, Vibrant, and Caring Community, (4) Quality Neighborhoods, (5) Healthy and Sustainable Environment, (6) Responsive Government, and (7) Economic Growth and Competitiveness.

The budget provides adequate funding for police, fire, parks, and transportation services while seeking more efficiencies and cost savings in all departments. The budget continues to provide essential services for those residents who are most in need and to the non-governmental organizations who partner with us in social and health services, education, food assistance, and other support for those in the community.

REQUEST FOR INFORMATION

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

Statement of Net Position
As of December 31, 2013

(in thousands)

Page 1 of 2

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Bellevue Convention Center Authority
Assets:				
Cash & equity in pooled investments	\$ 69,851	\$ 19,520	\$ 89,371	\$ 4,273
Receivables (net of allowances):				
Taxes	25,391	-	25,391	-
Accounts	2,292	18,524	20,816	445
Assessments	470	-	470	-
Interest	247	281	527	-
Other	771	24	795	883
Inventory	77	530	608	466
Other current assets	408	-	408	164
Restricted cash & equity in pooled investments:				
For debt service	71,083	390	71,473	3,699
For capital projects	12,450	122,702	135,152	-
For other	-	103	103	796
Noncurrent assets:				
Noncurrent receivables	4,872	15,194	20,066	-
Capital assets:				
Land	761,045	24,959	786,004	-
Depreciable capital assets (net)	196,337	22,106	218,443	27,107
Depreciable infrastructure (net)	20,782	219,569	240,351	-
Nondepreciable infrastructure	666,692	-	666,692	-
Construction in progress	55,017	13,200	68,217	786
Total assets	1,887,787	457,102	2,344,888	38,620
Deferred outflows of resources:				
For loss on debt refunding	11,300	34	11,334	-
Total deferred outflows	11,300	34	11,334	-
Total assets and deferred outflows	\$ 1,899,087	\$ 457,136	\$ 2,356,222	\$ 38,620

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

Statement of Net Position
As of December 31, 2013

(in thousands)

Page 2 of 2

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Bellevue Convention Center Authority
Liabilities:				
Accounts payable	\$ 12,501	\$ 2,671	\$ 15,172	\$ 195
Retainage payable	127	71	198	-
Accrued interest payable	-	-	-	4,286
Accrued payroll	5,803	700	6,503	158
Other accrued liabilities	1,116	6	1,123	135
Deposits payable	974	109	1,083	771
Unearned revenue	5,096	328	5,424	-
Other current liabilities	35	-	35	-
Accrued bond interest payable	784	12	796	40,785
Noncurrent liabilities:				
Due within one year	12,374	793	13,168	1,230
Due in more than one year	253,355	2,651	256,006	12,445
Total liabilities	<u>292,166</u>	<u>7,342</u>	<u>299,509</u>	<u>60,004</u>
Deferred inflows of resources:				
For debt for gain on refunding	-	-	-	15
For grants	8	-	8	-
Total deferred inflows	<u>8</u>	<u>-</u>	<u>8</u>	<u>15</u>
Total liabilities and deferred inflows	<u>292,175</u>	<u>7,342</u>	<u>299,517</u>	<u>60,019</u>
Net position:				
Net investment in capital assets	1,563,631	277,669	1,841,300	14,284
Restricted for:				
Debt service	1,811	390	2,201	2,421
Capital projects	1,145	137,631	138,776	490
Parks maintenance and operations	5,799	-	5,799	-
Convention center financing	4,082	-	4,082	-
Affordable housing projects	3,129	-	3,129	-
Other	2,088	-	2,088	-
Unrestricted	25,227	34,103	59,330	(38,593)
Total net position	<u>\$ 1,606,912</u>	<u>\$ 449,793</u>	<u>\$ 2,056,705</u>	<u>\$ (21,399)</u>

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

Statement of Activities
For the Year Ended December 31, 2013
(in thousands)

Page 1 of 2

Functions/Programs	Program Revenues				Net Expense, Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Bellevue Convention Center Authority	
					Governmental Activities	Business-type Activities		
Primary government:								
Government activities:								
General government	\$ 28,354	\$ 3,764	\$ 346	\$ -	\$ (24,244)	\$ -	\$ (24,244)	\$ -
Public safety	84,074	16,874	1,467	-	(65,733)	-	(65,733)	-
Physical environment	2,892	588	498	-	(1,805)	-	(1,805)	-
Transportation	29,147	1,940	3,161	2,061	(21,985)	-	(21,985)	-
Economic environment	20,768	12,545	1	-	(8,223)	-	(8,223)	-
Health and human services	7,414	530	2,247	-	(4,638)	-	(4,638)	-
Culture and recreation	39,448	9,186	131	3,075	(27,056)	-	(27,056)	-
Interest on long-term debt	8,691	-	-	-	(8,691)	-	(8,691)	-
Total governmental activities	220,788	45,426	7,851	5,136	(162,375)	-	(162,375)	-
Business-type activities:								
Water utility	41,218	48,417	-	2,806	-	10,005	10,005	-
Sewer utility	44,099	51,270	-	1,475	-	8,646	8,646	-
Storm drainage utility	11,208	18,872	-	860	-	8,523	8,523	-
Marina	232	575	-	-	-	344	344	-
Total business-type activities	96,757	119,134	-	5,141	-	27,518	27,518	-
Total primary government	\$ 317,545	\$ 164,561	\$ 7,851	\$ 10,277	\$ (162,375)	\$ 27,518	\$ (134,857)	\$ -
Component units:								
Bellevue Convention Center Authority	14,477	15,427	-	-	-	-	-	950
Total component unit	\$ 14,477	\$ 15,427	\$ -	\$ -	\$ -	\$ -	\$ -	949

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

Statement of Activities
For the Year Ended December 31, 2013
(in thousands)

Page 2 of 2

	Net Expense, Revenue and Changes in Net Position			Component Unit
	Primary Government		Total	
	Governmental Activities	Business-type Activities		
				Bellevue Convention Center Authority
General revenues and transfers:				
Property tax	\$ 38,302	\$ -	\$ 38,302	\$ -
Retail sales and use tax	53,072	-	53,072	-
Utility tax	28,103	-	28,103	-
Business and occupation tax	28,783	-	28,783	-
Excise taxes	12,090	-	12,090	-
Hotel/Motel tax	9,176	-	9,176	-
Other taxes	446	-	446	-
Payments from component unit	10	-	10	-
Grants & contributions - unrestricted	1,258	-	1,258	-
Unrestricted investment interest	884	924	1,807	3
Gain (loss) in change of fair value	(801)	(911)	(1,712)	-
Miscellaneous	484	1,556	2,040	-
Gain on sale of capital assets	285	3	288	-
Transfers	(366)	366	-	-
Total general revenues and transfers	171,725	1,937	173,663	3
Change in net position	9,351	29,455	38,806	952
Net position at beginning of year	1,597,561	420,338	2,017,899	(22,351)
Net position at end of year	\$ 1,606,912	\$ 449,793	\$ 2,056,705	\$ (21,399)

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

Balance Sheet
Governmental Funds
As of December 31, 2013
(in thousands)

Page 1 of 2

	General Fund	Development Services	I&D Redemption- Regular
Assets:			
Cash & equity in pooled investments	\$ 16,479	\$ 10,364	\$ 1,084
Receivables (net of allowances):			
Taxes	18,212	-	119
Accounts	1,593	-	-
Current assessments	-	-	-
Interest & penalties on assessments	-	-	-
Interest	29	18	2
Interfund loans receivable	-	-	-
Due from other governments	-	-	-
Prepays	408	-	-
Housing rehabilitation loans receivable	-	-	-
Total assets	36,721	10,382	1,204
Liabilities:			
Accounts payable	5,392	34	-
Retainage payable	27	-	-
Interfund loans payable	-	-	-
Due to component unit	-	-	-
Due to other governments	39	-	-
Accrued payroll	4,694	485	-
Accrued taxes	61	-	-
Deposits payable	342	614	-
Other current liabilities	35	-	-
Unearned Revenue	213	4,883	-
Interfund loans payable - noncurrent portion	-	-	-
Total liabilities	10,804	6,017	-
Deferred inflows:			
For grants	-	-	-
For taxes	883	-	-
Unavailable revenue	-	-	-
Total deferred inflows	883	-	-
Total liabilities and deferred inflows	11,687	6,017	-
Fund balance:			
Nonspendable	408	-	-
Restricted	-	-	1,204
Assigned	1,575	4,366	-
Unassigned	23,051	-	-
Total fund balance	25,034	4,366	1,204
Total liabilities, deferred inflows, and fund balance	\$ 36,721	\$ 10,382	\$ 1,204

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

Balance Sheet
Governmental Funds
As of December 31, 2013
(in thousands)

Page 2 of 2

	General CIP	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Cash & equity in pooled investments	\$ 70,418	\$ 26,913	\$ 125,258
Receivables (net of allowances):			
Taxes	6,036	1,024	25,391
Accounts	292	362	2,247
Current assessments	-	468	468
Interest & penalties on assessments	-	2	2
Interest	100	48	197
Interfund loans receivable	-	9	9
Due from other governments	76	632	708
Prepays	-	-	408
Housing rehabilitation loans receivable	-	3,129	3,129
Total assets	76,923	32,587	157,817
Liabilities:			
Accounts payable	5,274	331	11,031
Retainage payable	77	-	104
Interfund loans payable	-	9	9
Due to component unit	-	997	997
Due to other governments	-	17	56
Accrued payroll	5	44	5,229
Accrued taxes	-	-	61
Deposits payable	1	14	971
Other current liabilities	-	-	35
Unearned Revenue	-	-	5,096
Interfund loans payable - noncurrent portion	15,000	-	15,000
Total liabilities	20,357	1,413	38,590
Deferred inflows:			
For grants	-	476	476
For taxes	46	9	937
Unavailable revenue	-	462	462
Total deferred inflows	46	946	1,875
Total liabilities and deferred inflows	20,403	2,359	40,465
Fund balance:			
Nonspendable	-	-	408
Restricted	55,554	15,765	72,524
Assigned	966	14,463	21,369
Unassigned	-	-	23,051
Total fund balance	56,520	30,228	117,352
Total liabilities, deferred inflows, and fund balance	\$ 76,923	\$ 32,587	\$ 157,817

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

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
December 31, 2013**

(in thousands)

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

Total governmental fund balances		\$ 117,352
Capital assets used in governmental activities are not financial resources and These assets consist of:		
Land	761,045	
Construction in progress	55,017	
Non-depreciable infrastructure	666,692	
Buildings	217,759	
Improvements other than buildings	49,238	
Intangible assets	20,249	
Machinery and equipment - general government	34,014	
Depreciable infrastructure	145,310	
Accumulated depreciation	<u>(267,536)</u>	
Total capital assets		1,681,788
Net pension asset		1,743
Deferred outflow of resources for debt		11,300
Utilities materials inventory		54
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds. These long-term liabilities consists of:		
Bonds payable	(227,496)	
Special assessment bonds payable	(10)	
Notes payable	(518)	
Accrued bond interest payable	(784)	
Compensated absences	(10,109)	
OPEB obligation payable	(6,685)	
Pollution remediation liability	<u>(388)</u>	
Total long-term liabilities		(245,989)
Deferred inflow of resources:		
For grants	476	
For taxes	883	
For unavailable revenues	<u>462</u>	
Total deferred inflows of resources		1,821
Internal service funds are used by management to charge the costs of certain activities, such as equipment rental, self-insurance, information technology and facility services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		
		<u>38,843</u>
Net position of governmental activities		<u><u>\$ 1,606,912</u></u>

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

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

For the Year Ended December 31, 2013

(in thousands)

Page 1 of 2

	General Fund	Development Services	I & D Redemption - Regular
Revenues:			
Taxes and special assessments	\$ 124,231	\$ -	\$ 315
Licenses and permits	455	4,263	-
Intergovernmental	18,050	-	-
Service charges and fees	22,773	8,396	-
Fines and forfeitures	1,106	-	-
Interest and penalties	82	61	12
Net change in fair value of investments	(93)	(60)	(6)
Rent	4,762	-	-
Premiums/contributions	13	-	-
Other	508	-	-
Total revenues	<u>171,886</u>	<u>12,660</u>	<u>320</u>
Expenditures:			
Current:			
General government	19,656	-	-
Public safety	82,397	-	-
Physical environment	975	-	-
Transportation	25,134	-	-
Economic environment	4,086	16,478	-
Health and human services	6,382	-	-
Culture and recreation	31,991	-	-
Debt service:			
Principal	-	-	20,527
Interest and fiscal charges	2	-	8,417
Capital outlay:			
General government	141	-	-
Public safety	69	-	-
Transportation	13	-	-
Economic environment	-	20	-
Culture and recreation	-	-	-
Total expenditures	<u>170,846</u>	<u>16,498</u>	<u>28,944</u>
Excess (deficiency) of revenues over (under) expenditures	1,040	(3,838)	(28,624)
Other financing sources (uses):			
Transfers in	4,210	3,430	28,459
Transfers out	(6,248)	(191)	-
Proceeds from issuance of long-term debt	-	-	-
Premium on issuance of long-term debt	-	-	-
Total other financing sources and uses	<u>(2,039)</u>	<u>3,239</u>	<u>28,459</u>
Net change in fund balance	(999)	(599)	(165)
Fund balance at beginning of year	26,033	4,964	1,369
Fund balance:			
Nonspendable	408	-	-
Restricted	-	-	1,204
Assigned	1,575	4,366	-
Unassigned	23,051	-	-
Fund balance at end of year	<u>\$ 25,034</u>	<u>\$ 4,366</u>	<u>\$ 1,204</u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2013

(in thousands)

Page 2 of 2

	General CIP	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes and special assessments	\$ 34,614	\$ 10,339	\$ 169,498
Licenses and permits	-	-	4,718
Intergovernmental	4,927	3,485	26,462
Service charges and fees	1,395	699	33,263
Fines and forfeitures	-	62	1,168
Interest and penalties	317	243	715
Net change in fair value of investments	(324)	(156)	(639)
Rent	67	-	4,829
Premiums/contributions	2,370	308	2,691
Other	-	369	876
Total revenues	<u>43,366</u>	<u>15,349</u>	<u>243,581</u>
Expenditures:			
Current:			
General government	297	7,278	27,231
Public safety	1,127	3,111	86,634
Physical environment	1	1,689	2,666
Transportation	6,199	128	31,461
Economic environment	458	43	21,065
Health and human services	-	1,227	7,609
Culture and recreation	5,690	246	37,927
Debt service:			
Principal	40	45	20,612
Interest and fiscal charges	563	5	8,987
Capital outlay:			
General government	613	-	754
Public safety	106	8	182
Transportation	31,430	-	31,443
Economic environment	-	-	20
Culture and recreation	12,571	-	12,571
Total expenditures	<u>59,095</u>	<u>13,779</u>	<u>289,163</u>
Excess (deficiency) of revenues over (under) expenditures	(15,729)	1,570	(45,582)
Other financing sources (uses):			
Transfers in	826	318	37,243
Transfers out	(27,423)	(2,102)	(35,964)
Proceeds from issuance of long-term debt	70,405	-	70,405
Premium on issuance of long-term debt	11,930	-	11,930
Total other financing sources and uses	<u>55,738</u>	<u>(1,784)</u>	<u>83,613</u>
Net change in fund balance	40,008	(214)	38,032
Fund balance at beginning of year	16,511	30,442	79,320
Fund balance:			
Nonspendable	-	-	408
Restricted	55,554	15,765	72,524
Assigned	966	14,463	21,370
Unassigned	-	-	23,051
Fund balance at end of year	<u>\$ 56,520</u>	<u>\$ 30,228</u>	<u>\$ 117,352</u>

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

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Fiscal Year Ended December 31, 2013**
(in thousands)

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

Net change in fund balances - total governmental funds	\$ 38,032
--------------------------------------------------------	-----------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful life as depreciation expense. This is the difference between capital outlays and adjustments in the current period. This is comprised of:

Capital outlays	45,357	
Current year depreciation	(13,628)	
Total capital outlay expenditures		31,729

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

This is comprised of:

Tax and assessment revenues	919	
Grants and contracts revenues	13,991	
Total capital outlay revenues		14,910

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. yet, repayment of long-term debt is an expenditure in the governmental funds the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.

This amount is comprised of:

Proceeds from issuance of long-term debt	(70,405)	
Long-term debt repayments	5,412	
Total debt proceeds and repayments		(64,993)

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. This amount is comprised of:

Amortization of net OPEB obligation	(1,077)	
Debt premium on debt issuance	(11,930)	
Amortization of debt premiums on existing debt	539	
Accrued interest expense	(177)	
Pollution remediation obligation	(1)	
Accrued compensated absence expense	2,306	
Net pension asset	1,743	
Inventory adjustment	(96)	
Total other long-term liabilities		(8,693)

Internal service funds are used by management to charge the cost of certain activities, such as equipment rental, self-insurance, information technology and facility services to the individual funds. The net revenue (expense) of these internal service funds is reported with governmental activities.

Change in net position of governmental activities	\$ 9,351
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The notes to the financial statements are an integral part of this statement.

Statement of Fund Net Position
Proprietary Funds
As of December 31, 2013
(in thousands)

Page 1 of 4

	Storm & Surface Water Utility	Water Utility	Sewer Utility
Assets:			
Current assets:			
Cash & equity in pooled investments	\$ 1,756	\$ 12,785	\$ 4,905
Receivables (net of allowances):			
Accounts	3,061	6,204	9,255
Interest	71	84	125
Other	-	-	-
Notes/contracts	-	-	24
Due from other governments	-	-	-
Inventory	54	378	97
Restricted cash & equity in pooled investments:			
For revenue bonds	-	-	-
For capital projects	38,050	34,557	50,095
For customer deposits	2	93	7
Total current assets	<u>42,995</u>	<u>54,101</u>	<u>64,509</u>
Noncurrent assets:			
Notes/contracts receivable	-	4	190
Restricted noncurrent assets:			
Interfund loans receivable	-	-	15,000
Capital assets (net)	<u>75,149</u>	<u>120,046</u>	<u>74,881</u>
Total noncurrent assets	<u>75,149</u>	<u>120,050</u>	<u>90,071</u>
Total assets	<u>118,144</u>	<u>174,151</u>	<u>154,580</u>
Deferred outflow of resources:			
For debt	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred outflows	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows	<u>118,144</u>	<u>174,151</u>	<u>154,580</u>

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

Statement of Fund Net Position
Proprietary Funds
As of December 31, 2013
(in thousands)

Page 2 of 4

	Nonmajor Enterprise Fund - Marina	Total	Governmental Activities - Internal Service Funds
Assets:			
Current assets:			
Cash & equity in pooled investments	\$ 75	\$ 19,520	\$ 28,128
Receivables (net of allowances):			
Accounts	4	18,524	45
Interest	1	281	49
Other	-	-	62
Notes/contracts	-	24	-
Due from other governments	-	-	1
Inventory	-	530	23
Restricted cash & equity in pooled investments:			
For revenue bonds	390	390	-
For capital projects	-	122,702	-
For other	-	103	-
Total current assets	<u>470</u>	<u>162,075</u>	<u>28,308</u>
Noncurrent assets:			
Notes/contracts receivable	-	194	-
Restricted noncurrent assets:			
Interfund loans receivable	-	15,000	-
Capital assets (net)	<u>9,757</u>	<u>279,833</u>	<u>18,095</u>
Total noncurrent assets	<u>9,757</u>	<u>295,027</u>	<u>18,095</u>
Total assets	<u>10,226</u>	<u>457,102</u>	<u>46,403</u>
Deferred outflow of resources:			
For debt	<u>34</u>	<u>34</u>	<u>-</u>
Total deferred outflows	<u>34</u>	<u>34</u>	<u>-</u>
Total assets and deferred outflows	<u>10,260</u>	<u>457,136</u>	<u>46,403</u>

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

Statement of Fund Net Position
Proprietary Funds
As of December 31, 2013
(in thousands)

Page 3 of 4

	<u>Storm & Surface Water Utility</u>	<u>Water Utility</u>	<u>Sewer Utility</u>
Liabilities:			
Current liabilities:			
Accounts payable	222	1,781	638
Estimated claims	-	-	-
Due to other governments	-	-	-
Accrued payroll	185	286	230
Accrued compensated absences	115	152	107
Notes/contracts payable	-	30	-
Revenue bonds payable	-	-	-
Liabilities payable from restricted assets:			
Retainage payable	3	39	29
Deposits payable	-	-	5
Total current liabilities	<u>524</u>	<u>2,287</u>	<u>1,010</u>
Noncurrent liabilities:			
Accrued compensated absences	269	354	249
Estimated claims	-	-	-
Accrued bond interest payable	-	-	-
Bonds payable (net)	-	-	-
Unearned revenue	328	-	-
Liabilities payable from restricted assets:			
Customer deposits	2	93	9
Total noncurrent liabilities	<u>600</u>	<u>447</u>	<u>258</u>
Total liabilities	<u>1,124</u>	<u>2,734</u>	<u>1,268</u>
Net investment in capital assets	75,149	120,017	74,881
Restricted for:			
Debt service	-	-	-
Capital projects	38,048	34,518	65,065
Unrestricted	3,823	16,882	13,366
Total net position	<u>\$ 117,020</u>	<u>\$ 171,417</u>	<u>\$ 153,312</u>

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

Statement of Fund Net Position
Proprietary Funds
As of December 31, 2013
(in thousands)

Page 4 of 4

	Nonmajor Enterprise Fund - Marina	Total	Governmental Activities - Internal Service Funds
Liabilities:			
Current liabilities:			
Accounts payable	30	2,671	1,470
Estimated claims	-	-	2,741
Due to other governments	6	6	1
Accrued payroll	-	700	573
Accrued compensated absences	-	374	203
Notes/contracts payable	-	30	-
Revenue bonds payable	390	390	-
Liabilities payable from restricted assets:			
Retainage payable	-	71	23
Deposits payable	-	5	3
Total current liabilities	<u>427</u>	<u>4,248</u>	<u>5,014</u>
Noncurrent liabilities:			
Accrued compensated absences	-	872	784
Estimated claims	-	-	1,762
Accrued bond interest payable	12	12	-
Bonds payable (net)	1,779	1,779	-
Unearned revenue	-	328	-
Liabilities payable from restricted assets:			
Customer deposits	-	105	-
Total noncurrent liabilities	<u>1,790</u>	<u>3,096</u>	<u>2,546</u>
Total liabilities	<u>2,217</u>	<u>7,343</u>	<u>7,560</u>
Net investment in capital assets	7,622	277,669	18,095
Restricted for:			
Debt service	390	390	-
Capital projects	-	137,631	-
Unrestricted	31	34,102	20,748
Total net position	<u>\$ 8,043</u>	<u>\$ 449,792</u>	<u>\$ 38,843</u>

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

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For Year Ended December 31, 2013
(in thousands)

Page 1 of 2

	Storm & Surface Water Utility	Water Utility	Sewer Utility
Operating revenues:			
Intergovernmental	\$ -	\$ 536	\$ -
Service charges and fees	18,413	44,904	51,144
Rent	-	-	-
Insurance recovery	-	-	-
Premiums/contributions	-	-	-
Other	459	2,976	126
Total operating revenues	<u>18,872</u>	<u>48,417</u>	<u>51,270</u>
Operating expenses:			
Administrative and general	4,190	13,766	4,912
Maintenance and operations	5,318	23,961	36,574
Depreciation	1,701	3,475	2,629
Insurance costs	-	-	-
Benefits and claims payments	-	-	-
Total operating expenses	<u>11,209</u>	<u>41,202</u>	<u>44,115</u>
Operating income (loss)	7,664	7,215	7,155
Nonoperating revenues (expenses):			
Interest income	242	256	422
Net change in fair value of investments	(229)	(272)	(407)
Interest expense	-	(1)	-
Rental income	16	344	429
Gain on disposal of capital assets	-	-	3
Other nonoperating revenues	647	25	93
Total nonoperating revenue (expenses)	<u>675</u>	<u>354</u>	<u>541</u>
Income before contributions and transfers	8,339	7,569	7,696
Special items, contributions and transfers:			
Transfers in	1,508	144	119
Transfers out	(1,402)	(2)	(2)
Capital contributed from external sources	860	2,806	1,475
Total special items, contributions and transfers	<u>966</u>	<u>2,949</u>	<u>1,592</u>
Change in net position	9,305	10,517	9,288
Net position beginning of year	107,715	160,901	144,024
Net position end of year	<u>\$ 117,020</u>	<u>\$ 171,418</u>	<u>\$ 153,312</u>

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

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For Year Ended December 31, 2013
(in thousands)

Page 2 of 2

	Nonmajor Enterprise Fund - Marina	Total	Governmental Activities - Internal Service Funds
Operating revenues:			
Intergovernmental	\$ -	\$ 536	\$ -
Service charges and fees	-	114,461	21,988
Rent	575	575	6,045
Insurance recovery	-	-	2,876
Premiums/contributions	-	-	23,640
Other	-	3,562	160
Total operating revenues	<u>575</u>	<u>119,134</u>	<u>54,709</u>
Operating expenses:			
Administrative and general	-	22,868	7,606
Maintenance and operations	161	66,014	22,666
Depreciation	14	7,819	5,043
Insurance costs	-	-	2,548
Benefits and claims payments	-	-	17,160
Total operating expenses	<u>175</u>	<u>96,700</u>	<u>55,023</u>
Operating income (loss)	400	22,434	(314)
Nonoperating revenues (expenses):			
Interest income	4	924	170
Net change in fair value of investments	(3)	(911)	(163)
Interest expense	(56)	(57)	-
Rental income	-	790	-
Gain on disposal of capital assets	-	3	285
Other nonoperating revenues	-	766	32
Total nonoperating revenue (expenses)	<u>(55)</u>	<u>1,514</u>	<u>324</u>
Income before contributions and transfers	345	23,948	10
Special items, contributions and transfers:			
Transfers in	-	1,771	1,458
Transfers out	-	(1,405)	(3,102)
Capital contributed from external sources	-	5,141	-
Total special items, contributions and transfers	<u>-</u>	<u>5,507</u>	<u>(1,644)</u>
Change in net position	345	29,455	(1,634)
Net position beginning of year	7,699	420,338	40,477
Net position end of year	<u>\$ 8,043</u>	<u>\$ 449,793</u>	<u>\$ 38,843</u>

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

Statement of Cash Flows
Proprietary Funds
For Year Ended December 31, 2013
(in thousands)

Page 1 of 4

	Business-Type Activities - Enterprise Funds		
	Storm & Surface Water Utility	Water Utility	Sewer Utility
Cash flows from operating activities:			
Cash received from customers and users	\$ 18,130	\$ 48,355	\$ 51,015
Contributions received - employer/employees	-	-	-
Cash received from insurance proceeds	-	-	-
Cash payments to suppliers for goods and services	(3,660)	(30,330)	(35,736)
Cash payments to employees for services	(5,074)	(6,778)	(5,406)
Cash payments to claimants	-	-	-
Cash received from contracts/rent	-	-	-
Cash payments for insurance	-	-	-
Other receipts	-	-	-
Net cash provided by operating activities	<u>9,396</u>	<u>11,247</u>	<u>9,873</u>
Cash flows from noncapital financing activities:			
Cash received from contracts	-	5	-
Transfers in	1,508	144	119
Transfers out	(1,402)	(2)	(2)
Net cash provided (used) by noncapital financing activities	<u>106</u>	<u>147</u>	<u>117</u>
Cash flows from capital & related financing activities:			
Acquisition and construction of capital assets	(5,651)	(6,989)	(4,596)
Principal paid on revenue bonds and other debt	(7)	(30)	-
Interest paid on revenue bonds and other debt	-	-	-
Proceeds from sale of assets	-	-	3
Contributed in Aid of Equity	102	1,588	1,031
Net cash used by capital financing activities	<u>(5,556)</u>	<u>(5,431)</u>	<u>(3,562)</u>
Cash flows from investing activities:			
Interest on investments	224	233	390
Interfund loan issued	-	-	(15,000)
Net cash provided (used) by investing activities	<u>224</u>	<u>233</u>	<u>(14,610)</u>
Net increase (decrease) in cash balance	4,170	6,196	(8,182)
Cash & equity in pooled investments - beginning of year	35,638	41,239	63,189
Cash & equity in pooled investments - end of year	<u>\$ 39,808</u>	<u>\$ 47,435</u>	<u>\$ 55,007</u>
Cash & equity in pooled investments at end of year consist of:			
Unrestricted	1,756	12,785	4,905
Restricted	38,052	34,650	50,102
Total cash & equity in pooled investments	<u>\$ 39,808</u>	<u>\$ 47,435</u>	<u>\$ 55,007</u>

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

Statement of Cash Flows
Proprietary Funds
For Year Ended December 31, 2013

(in thousands)

Page 2 of 4

	Business-Type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
	Nonmajor Enterprise Fund - Marina	Total	
Cash flows from operating activities:			
Cash received from customers and users	\$ 575	\$ 118,075	\$ 22,067
Contributions received - employer/employee	-	-	23,639
Cash received from insurance proceeds	-	-	2,876
Cash payments to suppliers for goods and services	(160)	(69,886)	(20,984)
Cash payments to employees for services	-	(17,258)	(11,124)
Cash payments to claimants	-	-	(16,339)
Cash received from contracts/rent	-	-	6,045
Cash payments for insurance	-	-	(2,359)
Other receipts	-	-	162
Net cash provided by operating activities	415	30,931	3,983
Cash flows from noncapital financing activities:			
Cash received from contracts	-	5	-
Transfers in	-	1,771	1,458
Transfers out	-	(1,406)	(3,102)
Net cash provided (used) by noncapital financing activities	-	370	(1,644)
Cash flows from capital & related financing activities:			
Acquisition and construction of capital assets	-	(17,236)	-
Principal paid on revenue bonds and other debt	(295)	(332)	(4,511)
Interest paid on revenue bonds and other debt	(68)	(68)	-
Proceeds from sale of assets	-	3	366
Contributed in Aid of Equity	-	2,721	-
Net cash used by capital financing activities	(363)	(14,912)	(4,145)
Cash flows from investing activities:			
Interest on investments	1	848	55
Interfund loan issued	-	(15,000)	-
Net cash provided (used) by investing activities	1	(14,152)	55
Net increase (decrease) in cash balance	53	2,237	(1,751)
Cash & equity in pooled investments - beginning of year	412	140,478	29,879
Cash & equity in pooled investments - end of year	<u>\$ 465</u>	<u>\$ 142,715</u>	<u>\$ 28,128</u>
Cash & equity in pooled investments at end of year consist of:			
Unrestricted	75	19,520	28,128
Restricted	390	123,195	-
Total cash & equity in pooled investments	<u>\$ 465</u>	<u>\$ 142,715</u>	<u>\$ 28,128</u>

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

Statement of Cash Flows
Proprietary Funds
For Year Ended December 31, 2013
(in thousands)

Page 3 of 4

	Business-Type Activities - Enterprise Funds		
	Storm & Surface Water Utility	Water Utility	Sewer Utility
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 7,664	\$ 7,215	\$ 7,155
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	1,701	3,475	2,629
Other receipts	438	92	153
(Increase) decrease in accounts receivable	(415)	(62)	(255)
(Increase) decrease in other receivables	-	-	(9)
(Increase) decrease in contracts receivable	-	1	-
(Increase) decrease in prepaid expenses	-	2,079	-
(Increase) decrease in inventory	9	(33)	4
Increase (decrease) in accounts payable	(211)	(1,346)	294
Increase (decrease) in retainage payable	(5)	8	17
Increase (decrease) in wages & benefits payable	4	(13)	30
Increase (decrease) in compensated absences	(117)	(135)	(120)
Increase (decrease) in due to other governments	-	(46)	(26)
Increase (decrease) in customer deposits	-	12	1
Increase (decrease) in unearned revenue	328	-	-
Total adjustments	<u>1,732</u>	<u>4,032</u>	<u>2,718</u>
Net cash provided by operating activities	<u>\$ 9,396</u>	<u>\$ 11,247</u>	<u>\$ 9,873</u>
Noncash investing, capital and financing activities:			
Contributions of capital assets	\$ 754	\$ 1,223	\$ 407
Increase (decrease) in fair value of investments	(229)	(272)	(407)

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

Statement of Cash Flows
Proprietary Funds
For Year Ended December 31, 2013

(in thousands)

Page 4 of 4

	Business-Type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
	Nonmajor Enterprise Fund - Marina	Total	
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 400	\$ 22,434	\$ (314)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	14	7,819	5,043
Other receipts	-	683	3
(Increase) decrease in accounts receivable	-	(732)	97
(Increase) decrease in other receivables	-	(9)	(19)
(Increase) decrease in contracts receivable	-	1	-
(Increase) decrease in prepaid expenses	-	2,079	-
(Increase) decrease in inventory	-	(20)	547
Increase (decrease) in accounts payable	19	(1,244)	(108)
Increase (decrease) in retainage payable	-	20	-
Increase (decrease) in wages & benefits payable	-	21	66
Increase (decrease) in compensated absences	-	(372)	(268)
Increase (decrease) in due to other governments	(18)	(90)	(11)
Increase (decrease) in customer deposits	-	13	(1,052)
Increase (decrease) in unearned revenue	-	328	-
Total adjustments	15	8,497	4,297
Net cash provided by operating activities	<u>\$ 415</u>	<u>\$ 30,931</u>	<u>\$ 3,983</u>
Noncash investing, capital and financing activities:			
Contributions of capital assets	\$ -	\$ 2,384	\$ -
Increase (decrease) in fair value of investments	-	(908)	(163)

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

Statement of Fiduciary Net Position
Trust and Agency Funds
As of December 31, 2013
(in thousands)

	Firemen's Pension	Agency Funds
Assets:		
Cash & equity in pooled investments:		
Federal Agency Coupon Securities	\$ 4,332	\$ 2,315
Federal Agency Disc. - Amortizing	345	184
Certificates of Deposit	375	200
Interest Bearing Bank Deposits	1,220	652
Municipal Bonds	79	42
Local Government Investment Pool	338	181
Interest receivable	12	6
Due from other governments	-	312
Prepaid expenses	-	1
Capital assets (net)	-	146
Total assets	6,701	4,039
Liabilities:		
Accounts payable	19	125
Due to other governments	-	3,788
Deposits payable	-	126
Total liabilities	19	4,039
Net Position:		
Held in trust for pension benefits	6,682	-
Total net position	\$ 6,682	\$ -

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

Statement of Changes in Fiduciary Net Position
Firemen's Pension Fund
For the Year Ended December 31, 2013
(in thousands)

	<u>Firemen's Pension Fund</u>
Additions:	
Investment income:	
Interest	\$ 42
Decrease in fair value	(39)
Other contributions:	
Intergovernmental	196
Total additions	<u>199</u>
Deductions:	
Benefit payments	221
Administrative	13
Total deductions	<u>234</u>
Change in net position	(35)
Net position beginning of year	6,716
Net position end of year	<u><u>\$ 6,682</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bellevue was incorporated on April 1, 1953, under a Council-Manager form of government. The City Council is composed of seven members elected at large, each of whom serve a four-year term. The City Manager is appointed by the Council to act as the chief executive officer of the city and is responsible to the Council for proper administration of all city affairs. The city provides a full range of general government services, including public safety, streets, parks and recreation, planning and zoning, permits and inspection, general administration, and water, sewer, and storm water utilities.

The accounting and reporting policies of the city, which conform to generally accepted accounting principles for governments, are regulated by the Washington State Auditor's Office. The city's significant accounting policies are described below.

REPORTING ENTITY

The city's Comprehensive Annual Financial Report (CAFR) presents the government and its component units, entities for which the city is financially accountable. Financial accountability is defined as follows: A primary government has substantive authority to appoint a voting majority of a component unit's board; the primary government is either able to impose its will on a component unit or there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; and the component unit is fiscally dependent on the primary government.

There are no instances in which factors other than financial accountability are so significant in the relationship between a particular organization and the city that the exclusion of such organization would be misleading.

Discretely Presented Component Unit

The Bellevue Convention Center Authority (BCCA) is a public corporation formed on December 4, 1989, by the City of Bellevue for the purpose of developing, constructing, and operating the Meydenbauer Convention Center.

The BCCA is governed by a seven-member board that serves at the pleasure of the City Manager. The BCCA's revenue bonds are secured by hotel/motel tax revenues and other revenues of the city available without a vote of the city's electors. The city is obligated for the debt service payments on the BCCA's revenue bonds. BCCA is an enterprise fund and is presented in a separate column in the government-wide financial statements.

Audited financial statements for the BCCA can be obtained from the BCCA, c/o Stacy Graven, Executive Director, 11100 NE 6th Street, Bellevue, WA 98004.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. To the extent possible, the effect of interfund overhead activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The fiduciary funds are not included in the government-wide financial statements. Major individual governmental funds and all individual enterprise funds are reported as separate columns in the fund financial statements.

BASIS OF ACCOUNTING, MEASUREMENT FOCUS AND PRESENTATION OF FINANCIAL STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary funds. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered available when they are collectible during the current period or soon enough thereafter to pay current liabilities. For the City of Bellevue, this period is considered to be the first 60 days after the end of the fiscal period. Property tax, sales tax, business and occupation (B&O) tax, utility tax, franchise tax, grant reimbursements, and interest are associated with the current fiscal period are considered susceptible to accrual and have been recognized as revenues of the current period. Expenditures are recognized when a liability is incurred, as under accrual accounting, with the exception of principal and interest on long-term debt and compensated absences, which are recorded when paid.

Major Governmental Funds

The General Fund is the general operating fund of the city and accounts for all activities not accounted for in another fund. With the implementation of GASB Statement 54, special revenue funds not meeting the criteria of significant revenue inflows from restricted or committed sources are to be reported in the General Fund. Those funds previously reported as separate special revenue funds and now included in the General Fund are as follows: Land Purchase Revolving Fund, Cable Franchise Fund, and Parks Fees Fund.

The Development Services Fund is responsible for administering the Planning and Community Development building review and inspection process, land use and comprehensive planning, and code enforcement. Major revenues for the fund are permit fees, code compliance review and inspection charges.

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

The Interest and Debt Redemption - Regular Levy Fund accounts for debt service on the City Council-approved general obligation bond. Primary revenues for the fund consist of general property tax and local sales tax.

Major Proprietary Funds

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

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

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

The proprietary fund statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the funds' principal ongoing operations. The principal operating revenues of the city's utilities funds, marina fund, and internal service funds are charges to customers for sales and service, rentals, vehicle replacement, and insurance. The city also recognizes as operating revenue the portion of utility connection fees intended to recover the cost of connecting new customers to the water and sewer systems. Operating expenses for enterprise funds and internal service funds include operating and maintenance costs, administrative expenses, taxes and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expense. When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted as they are needed.

Internal Service and Fiduciary Funds

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

Fiduciary funds are used to account for assets held by the city in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. Fiduciary funds use the economic resources measurement focus and the accrual basis of accounting, with the exception of agency funds which technically have no measurement focus, but do employ the accrual basis of accounting for purposes of asset and liability recognition.

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

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

The city complies with all applicable GASB pronouncements and GAAP hierarchy as prescribed by GASB.

BUDGETS AND BASIS OF BUDGETING

In accordance with the Revised Code of Washington (RCW) 35A.34, the city budgets for all operating funds. These budgets are prepared in accordance with generally accepted accounting principles. Appropriations for operating funds are authorized for two years, but must be reviewed and reauthorized by the City Council in the middle of the biennial period. The operating funds include the General Fund; all Special Revenue Funds except the Operating Grants & Donation Fund and the Housing Fund; all internal service funds; and all utility operating funds.

The City Council also adopts appropriation ordinances for all other funds, including the Operating Grants & Donations and Housing funds, on a project-length basis as needed. Appropriation ordinances are adopted for debt service funds only when debt is authorized for issue. These appropriations do not lapse, and are adjusted as part of the budget process. Because these non-operating budgets primarily serve a management control function and related appropriations are continuing in nature, no comparison between budgeted and actual amounts is provided in the statements and note disclosures.

Legal budgetary control is established at the fund level (i.e., expenditures for a fund may not exceed the total appropriation amount). Fund balance at the beginning of the year is considered an available resource and included in the expenditure appropriation authority, but not necessarily appropriated at the program level and identifiable in the Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual presented in *Required Supplementary Information*. The City Manager may authorize transfers of appropriations within a fund, but the City Council must approve by ordinance any increase or decrease in total fund appropriations.

ASSETS, LIABILITIES AND NET POSITION OR FUND BALANCES

Cash and Equity in Pooled Investments

Under the city's investment policy, all temporary cash surpluses are invested. Monies from all city funds are internally pooled for investment purposes. These pooled investments are reported on the financial statements as cash and equity in pooled investments. Interest earned on the pooled investments is prorated to individual funds on the basis of their average cash balance.

Since all of the city's investments are internally pooled, and the participating funds use the pool as if it were a demand deposit account, the proprietary funds' equity in pooled investments is considered cash for cash flow reporting purposes.

The city is authorized by State law to purchase certificates of deposit issued by Washington State depositories that participate in a state insurance pool managed by the Washington Public Deposit Protection Commission; investment deposits (Municipal Investor Account) in a qualified public depository located in the State of Washington; U.S. Treasury and Agency securities; banker's acceptances trading in the secondary market; Washington State Treasurer's Local Government Investment Pool; and repurchase agreements with dealers that use authorized securities as collateral. Administrative costs of the Local Government Investment Pool are included in investment interest earnings and allocated to all funds of the city. The amount applicable to a single fund is not significant, nor readily identifiable.

Although state law also allows pension trust funds to be invested in certain public corporation debt instruments and equities, the city has taken a conservative approach in this area and invests related funds under the more restrictive policies, which govern its general investment operations. As further discussed in Note 4 Cash & Equity in Pooled Investments, City policy requires all investments, including repurchase agreements, to be in the lowest risk category, which is defined as insured investments in the city's name held by the city or the trust department of the city's depository bank.

In accordance with GASB Statement 31, investments in external 2a7-like pools, money market investments, and participating interest-earning investment contracts with a remaining maturity of one year or less at the time of purchase are stated at amortized cost. All other investments are stated at fair value. The fair value of the investment is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Investments in the Washington State Treasurer's Investment Pool are available on demand in the amount of the original investment plus interest earnings and are treated as a money-market investment on the city's records. Accordingly, the fair value of the city's position in the Washington State Treasurer's Investment Pool is the same as the value of the city's pool shares.

Receivables

The city records as receivables all material applicable exchange and non-exchange transactions as defined by GASB Statements 33 and 36.

Property Taxes: The city's annual property tax levy is billed and collected by King County. Taxes are levied and become a lien on the first day of the calendar year. They may be paid in two installments. The first installment is due April 30, and if unpaid, the entire balance becomes delinquent May 1. The second installment is due October 31 and becomes delinquent November 1. Interest is charged on delinquent taxes at the rate of 1 percent per month and additional penalties are assessed on the total delinquent balance on May 1 and November 30. Under state statute, the county is required to foreclose on properties when property taxes are three years delinquent.

Uncollected property taxes through December 31 are recorded as receivables at year-end. Historically, the city collects 99.6 percent of taxes levied in the levy year and the remaining delinquent amounts are collected within the next several years. Due to the property foreclosure provision in state law, no allowance for uncollectible taxes is made.

Special Assessments: Special assessments are amounts levied against benefited properties to recover costs associated with the construction of local improvement district (LID) projects. A lien is recorded against benefited properties until the assessment amount has been paid. Special assessments receivable represent all outstanding assessment amounts including current assessments billed but not collected, delinquent assessments unpaid at year-end, and special assessment amounts due in future years, which are recorded in a deferred inflow of resources account. Since special assessments are secured by liens against related properties, no allowance for uncollectible amounts is made.

Other Receivables: Other receivables in the governmental funds include investment interest, locally levied taxes, and other miscellaneous revenues accrued at year-end. Since the governmental funds financial statements are reported on a modified accrual accounting basis, and these revenues must be both measurable and available at year-end to be susceptible to accrual, business and occupation taxes receivable are offset by a deferred inflow of resources and are further reported net of anticipated uncollectible amounts.

Other receivables for the proprietary funds include the Waterworks Utility customer billings outstanding at year-end, which include estimated revenues for services provided between the last billing date and year-end. Due to the Utility's ability to discontinue service when water accounts become delinquent and to record property liens for unpaid sewer service billings, losses from uncollectible accounts are minimal and are only recorded when incurred.

Due from Other Funds and Other Governments: Amounts due from other funds are reported in the financial statements, which are listed in Note 12 Interfund Receivables, Payables, and Transfers represent outstanding billings to other funds for services provided in the current year. These amounts are typically paid within 30 days following year-end. Amounts due from other governments represent outstanding balances due from granting agencies for cost-reimbursement grants and billings to other jurisdictions for intergovernmental services provided in the current year.

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

Interfund Loans Receivable: The Finance Director may authorize loans between funds for periods not exceeding three months. Longer term loans must be specifically authorized by Council resolution. Interfund loan activity for 2013 is presented in Note 12 Interfund Receivables, Payables, and Transfers. In the fund financial statements, the year-end balance of long-term loans to other funds is offset by a corresponding reservation of fund balance to indicate that the outstanding loan amounts do not constitute "available spendable resources" and are, therefore, not available for appropriation.

Housing Rehabilitation Loans Receivable: These loans are issued to individuals meeting designated income criteria and are supported by the city's annual Community Development Block Grant Program. The loans are secured by property liens and are not required to be repaid until the property is sold or otherwise changes ownership. Repayments are considered program income for the Community Development Block Grant Program and monies received are used to fund current grant eligible expenditures. The outstanding loans are offset by restricted fund balance in the governmental funds balance sheet.

Notes and Contracts Receivable: The notes receivable in the governmental funds represent amounts provided by the city to various housing agencies in the form of loans which are evidenced by promissory notes. These notes are issued in connection with the acquisition and construction or renovation of apartment buildings as part of a city program that assists low- and moderate-income persons to obtain affordable housing. Payments on these loans are only required to be made from the property's surplus cash flows. Due to the uncertainty of payment, the city is not recognizing a receivable in the Financial Statements and will record all payments as revenues at the time of the receipt.

Contracts receivable in the proprietary funds consist of water and sewer connection fees due from customers to the Utilities.

Inventories and Prepaid Expenses

Inventories in the governmental funds are recorded as expenditures at the time of purchase. Amounts remaining at year end are immaterial and, therefore, are not reflected in the financial statements for those funds. The city's proprietary funds use a perpetual inventory method where expense is recorded when related items are consumed. Physical inventories are taken at year-end and the value of items remaining in inventory is calculated for financial reporting purposes, using the weighted-average cost valuation method.

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

Net Position and Fund Balances

Net position is segregated into three categories on the government-wide statement of net position: 1) net investment in capital assets; 2) restricted; and 3) unrestricted. The flow assumption of the city is to use restricted assets before unrestricted assets. Restricted assets are usually set aside in a separate fund, specifically used for the purpose of debt service or capital replacement.

Fund Balances, with the implementation of GASB Statement 54, are segregated under the following categories and presented on the face of the financial statements in the aggregate. Note 17 Governmental Fund Balances provides greater detail on the purposes for which revenue sources may be spent.

Nonspendable: This fund balance category includes amounts not available to be spent because they are not in spendable form or are legally required to be maintained intact. The city has prepaid expenditures which are not in spendable form.

Spendable amounts are further segregated into categories based on the degree to which the uses of resources are constrained. When an expenditure is incurred for which restricted and unrestricted amounts are available, the city considers restricted amounts to be used first, followed by committed, then assigned, and lastly unassigned amounts; with the exception of the Development Services Fund which uses assigned resources, followed by restricted.

Restricted: Fund balance constrained externally, such as those resulting from federal and state legislation, grant awards, bond covenants, and inter-local service agreements.

Committed: Fund balance constrained by ordinance or resolution as adopted by City Council and requires the same action to remove the constraint. In Washington State, ordinances and resolution carry the same force of law. The city currently has no committed fund balances as these constraints are made in the budget ordinance which lapses at the end of the budget period. By definition, lapsing constraints are assigned rather than committed.

Assigned: Constraints that are neither restricted nor committed are considered assigned. Assignments are adopted by City Council through the budget ordinance. Special revenue funds typically report the majority of assigned fund balance and are created through ordinance by City Council. Fund balance in special revenue funds that are intended to be used for specific purposes, but are neither restricted nor committed, include transfers from other funds, investment interest not constrained by contract or covenant, fees for services, and rents.

Unassigned: Unrestricted fund balance not committed or assigned in the General Fund is considered unassigned. Also negative fund balance in any other governmental fund is unassigned. The city only reports unassigned fund balance in the General Fund.

Restricted Assets

Restricted assets shown in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position include revenue bond proceeds reserved for future capital construction, monies reserved for payment of revenue bond debt, and deposits held for utility customer accounts. Monies reserved by the Bellevue Convention Center Authority are for rent, operations, and ground lease rental payments.

Fund Balance Policy

Annually, the city will target 15 percent of General Fund revenues as a General Fund ending fund balance. This balance is to protect the city's essential service programs during periods of economic downturn, which may temporarily reduce actual resources or cut the growth rate of city resources below that necessary to maintain pre-existing service levels. Additionally, the ending fund balance, commonly known as a reserve, can be used in the event of a natural catastrophe, counter cyclical basic revenue growth (property, sales, and B & O taxes combined) below 5 percent for the biennium, or because of unfunded federal or state mandates. Fund balance reserves in the Development Services Fund contains reserves for various purposes: prepaid building plan review and inspection services, prepaid land use review, core staffing needs to balance the normal cycles of development, customer service enhancements, and funds to support the ongoing maintenance of the Permit Center. Fund balance reserves in the LEOFF1 Medical Reserve Fund are maintained at an amount decided by City Council based on the most current actuarial study with reserves set aside to account for each contracting city's contribution separately. The Parks M&O Reserve Fund reserve balances, which consist of proceeds from the 1988 property tax lid lift, are restricted for payment of maintenance and operating costs of specified city park facilities, and may only be expended with Council authorization. All other governmental funds ending fund balances are determined by council and adopted with the budget ordinance.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. The capital assets purchased or constructed by a governmental fund are recorded as expenditures in the fund at the time the related purchases occur and are not reported on the balance sheet of the governmental funds' balance sheet; however, the associated capital assets are reported in the governmental activities column of the government-wide statement of net position.

Capital assets include buildings and improvements with an original cost of \$100,000 or more, machinery, equipment, hardware and other improvements with an original cost of \$5,000 or more each; and an estimated useful life of more than one year; and all transportation and utilities infrastructure, regardless of their initial cost.

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

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

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

All project costs are included in construction in progress in the government-wide statement of net position. At project completion, capital costs are reclassified to property, plant and equipment while non-capital costs are charged to operating expense. In the governmental fund financial statements, project costs are reported as expenditures.

Capital assets acquired or constructed by the proprietary funds are capitalized in those funds at historical cost. Contributed assets are recorded at their estimated fair values as of the date acquired. The estimated value of donated assets is recorded as contributed revenue by the receiving fund.

Land, construction in progress and transportation infrastructure are not depreciated. Property, plant and equipment, buildings, and street lighting infrastructure are depreciated using the straight line method, using varying estimated service lives for individual assets and asset classifications depending on particular characteristics of an asset and factors surrounding its anticipated use.

The city has elected to use the modified approach to manage its transportation roadway infrastructure. The modified approach requires that the city have a current inventory of infrastructure; perform condition assessments on these infrastructure and summarize the results using a measurement scale; and estimate the annual amount to maintain and preserve the infrastructure at a condition level established and disclosed by the city. The city has an inventory of transportation roadway infrastructure placed in service for the current year, performed a condition assessment, established the standard performance rating levels, and estimated the annual amount necessary to maintain and preserve the infrastructure. Further detail is provided in the Schedule of Modified Approach for Reporting Infrastructure Assets under Required Supplementary Information.

The average service lives used to calculate depreciation for specific categories of assets are summarized below:

Asset Class	Estimated Service Life (Years)
Equipment Rental Fund	
Transportation Equipment	4 - 10
Communications Equipment	5 - 8
Traffic Control Equipment	10
Heavy-Duty Work Equipment	5 - 20
Shop/Miscellaneous Equipment	8 - 15
Waterworks Utility	
Structures and Building Improvements	40
Other Improvements	50
Water Treatment Plant and Equipment	50
Pumping Equipment	14
Tools, Shop Equipment, and Office Furniture	10
Transportation Equipment	5
Other Equipment	14
Bellevue Convention Center Authority	
Building Shell	50
Building Mechanical Systems and Roof	25
Office Furniture and Equipment	7
Communications Equipment	7
General Capital Assets	
Structures and Building	39
Other Improvements	20
Equipment	7 - 15
Depreciated Infrastructure	20
Computer Software	15

Additional information on capital assets is provided in Note 6 Capital Assets.

Capitalization of Interest Costs

The city has paid off all debt and is not currently funding any capitalized projects. If the city were to incur any debt, the city would not capitalize the interest expense.

Compensated Absences

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

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

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

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

Deferred Outflow of Resources

Deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. A deferred outflow of resources involved no consumption of resources that results in either a net decrease in assets or a net increase in liabilities. It also represents access to present service capability that is under the government's controls. Deferred outflows of resources presented in this manner on the accompanying financial statements are related to outstanding debt.

Long-term Liabilities

Liabilities for long-term debt are recorded in the government-wide Statement of Net Position and in the proprietary funds Statement of Net Position. The liabilities include bond premiums and discounts which are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Long-term debt outstanding at year-end is presented in Note 13, Long-term Liabilities

For governmental funds financial statements, bond issuance costs are expended at the time of issuance. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond proceeds are reported as an other financing source net of the applicable premium or discount. The nature of debt in the governmental activity is specific to a program; therefore debt service costs are not an allocated expenditure.

Deferred Inflow of Resources

Deferred inflow of resources is the acquisition of net position that is applicable to a future reporting period. A deferred inflow of resources involved no acquisition of resources resulting in either a net increase in assets or a new decrease in liabilities. It represents a present obligation to sacrifice resources that the government has little or no discretion to avoid. Deferred inflow of resources presented in this manner on the accompanying financial statements are related to the gain on refunded debt, and for taxes receivable, grant reimbursements, and special assessments receivable not available under the current financial resources measurement focus.

Interfund Transactions

Interfund services provided and used are accounted for by the related funds as revenues, expenditures, or expenses. Reimbursements to a fund for expenditures previously paid that are more properly applicable to another fund are recorded as an expenditure in the reimbursing fund and a reduction of expenditure/expense in the fund receiving reimbursement.

All other interfund transactions are reported as transfers. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Direct expenses of the functional categories are included in the government-wide statement of activities while indirect expense allocations are eliminated. Indirect expenses are primarily charged to the various functions through the use of internal service funds for fleet maintenance, information technology, self insurance, and facilities management. Elimination of payments to internal service funds are treated as expense reductions. No other indirect expenses are allocated to the various governmental functions. Exceptions to this rule are charges between the government's utilities functions and various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

NOTES TO THE FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

FUND DEFICITS

As of December 31, 2013, total net position for the Bellevue Convention Center Authority, a discrete component unit of the city, reflects an unrestricted net position deficit balance of \$38.6 million and a total net position deficit of \$21.4 million. Due to the annual charge for depreciation on the building and equipment and accrued interest on the Series 1991B and Series 1994 bonds, the deficit unrestricted net position and net position balances are anticipated to grow over the foreseeable future. However, cash flows, as projected in the annual Finance Plan, are expected to meet all obligations as they come due.

LEGAL BUDGETARY COMPLIANCE

During 2013, no city funds exceeded total authorized appropriations at the fund level. Fund balance is included in authorized expenditure appropriations, but not necessarily appropriated at the program level.

Annually budgeted major fund Budget and Actual Schedules are provided as Required Supplementary Information.

3. SUPPLEMENTAL APPROPRIATIONS

OPERATING BUDGET FUNDS

During 2013, the City Council amended the 2013 appropriations by an additional \$315 thousand to reflect previously unanticipated needs in the 2013 portion of the 2012-2013 biennial budget for the General Fund. As explained in Note 1 Summary of Significant Accounting Policies, both original and supplemental appropriations are adopted by City Council ordinance.

NOTES TO THE FINANCIAL STATEMENTS

4. DEPOSITS AND INVESTMENTS

PRIMARY GOVERNMENT

Cash and equity in pooled investments are comprised of government and business-type activities. The balances in thousands as of December 31, 2013, are as follows, in thousands:

Cash on hand and in bank	\$ 10,884
Equity in pooled investments	<u>285,215</u>
Total	<u>\$ 296,099</u>

In addition, the city holds in trust for fiduciary funds \$10.3 million in cash and equity in pooled investments.

Deposits

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the city will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of December 31, 2013, the city had a bank balance of \$9.4 million (carrying amount of \$10.9 million). The city's bank balance is insured by the FDIC up to \$250,000 and fully collateralized by the Washington Public Deposit Protection Commission (WPDPC) for amounts over \$250,000. The WPDPC constitutes a multiple financial institution collateral pool. Under RCW 39.58, public depositories are required to segregate and maintain eligible collateral for their unsecured public deposits in the form of securities having a value at least equal to their maximum liability.

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

Investments

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

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

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

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

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

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

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

Interest Rate Risk: As a means of minimizing risk of loss arising from interest rate fluctuations, the city's investment policy requires the weighted average modified duration of the portfolio not to exceed 2.5 years. One of the other ways that the city manages the exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing as necessary to provide the cash flow and liquidity needed for operations.

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

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

Investment Type	Fair Value	Remaining Maturity in Months					Credit Rating
		3 Months or Less	3 to 12 Months	1 to 2 Years	2 to 3 Years	3 to 5 Years	
U.S. Agency Coupon Securities	\$196,660	\$ 14,222	\$ 9,011	\$36,016	\$58,852	\$78,559	Aaa/AA+
U.S. Agency Discount - Amortizing	15,676	-	4,954	8,302	2,420	-	Aaa/AA+
Certificate of Deposit	17,000	-	17,000	-	-	-	Unrated
Interest Bearing Bank Deposits	55,400	55,400	-	-	-	-	Unrated
Municipal Bonds	3,585	-	-	1,369	-	2,216	Aa2/AA
LGIP	15,358	15,358	-	-	-	-	Unrated
Total	\$303,679	\$ 84,980	\$30,965	\$45,687	\$61,272	\$80,775	

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

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

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

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The city's investment policy limits the amount that may be invested in any one issuer. As of December 31, 2013, there was no concentration of credit risk exceeding the policy guidelines described above.

The following table displays the city's investments in any one issuer (other than the LGIP) that represents 5 percent or more of the total portfolio, in thousands:

Issuer	Investment Type	Reported Amount
Federal Home Loan Mortgage Corporation (FHLMC)	Fixed Rate Agency Coupon	\$ 52,562
Federal National Mortgage Association (FNMA)	Fixed Rate Agency Coupon	48,612
Federal Home Loan Bank (FHLB)	Fixed Rate Agency Coupon	48,312
Federal Farm Credit Bank (FFCB)	Fixed Rate Agency Coupon	62,850
Opus Bank	Certificates of Deposit	17,000
Umpqua Bank	Interest Bearing Bank Deposits	26,200
Opus Bank	Interest Bearing Bank Deposits	11,000

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the city will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The city's investment policy requires that all investments be held by the city's third party safekeeping agent in the city's name. As of December 31, 2013, all of the \$212.0 million investments in U.S. agency debt obligations were registered, and held by its safekeeping agent in the city's name. Therefore, the city has no outstanding investments that were exposed to custodial credit risk.

DISCRETELY PRESENTED COMPONENT UNIT

Cash and equity in pooled investments of the Bellevue Convention Center Activities are comprised of business-type activities only. The balances as of December 31, 2013, are as follows, in thousands:

Cash on hand and in bank	\$ 3,208
Equity in pooled investments	<u>5,561</u>
Total	<u><u>\$ 8,768</u></u>

NOTES TO THE FINANCIAL STATEMENTS

5. RECEIVABLES

Property Taxes

King County is responsible for collecting all property taxes levied in the County. Amounts collected by the County on the city's behalf are remitted daily.

As described in Note 1 Summary of Significant Accounting Policies, taxes are levied and become an enforceable lien against properties as of January 1st. Annual tax billings may be paid in two equal installments due April 30 and October 31, respectively.

Under State law, the city may levy up to \$3.24 per \$1,000 of assessed valuation, subject to the following limitations:

- 1) Chapter 84.55 of the State RCW as amended most recently by Initiative No. 747 (which was passed by voters on November 6, 2001), limits the total dollar amount of regular property taxes levied by the city to the amount of such taxes levied in the three most recent years multiplied by a limit factor, plus an adjustment to account for taxes on new construction, improvements and State-assessed property at the previous year's rate. As amended by Initiative No. 747, the limit factor is the lesser of 101percent or 100percent plus the percent change in the Implicit Price Deflator, unless a greater amount is approved by a simple majority of the voters; and
- 2) The state constitution limits total regular property taxes to 1 percent of assessed valuation, or \$10 for each \$1,000 of assessed value. If the combined taxes of all districts exceed this amount, each levy is proportionately reduced until the total is at or below the 1percent limit.

On May 17, 1988, Bellevue voters approved a property tax lid lift proposition to create a revenue stream to pay for anticipated maintenance and operating expenses resulting from a \$16.5 million Park bond issue. The City Council subsequently imposed this property tax increase as part of the property tax levy ordinance adopted on December 5, 1988. The property tax revenue from the levy lid lift amounted to \$1.01 million in 2013.

The City of Bellevue did not assess a property tax increase for 2013. The city has "banked" the remaining levy capacity for potential future use. As of December 31, 2013 the city has \$9.1 million in unused levy capacity.

The city's regular property tax levy rate for 2013 was \$1.18 per \$1,000 of assessed property value, which yielded a total regular levy of \$37.9 million.

An additional \$4.0 million will be levied for parks and natural area programs, as approved by the voters in the November 4, 2008, general election. The levy lid lift will fund the parks capital program over the next 20 years and provide \$0.7 million per year in ongoing maintenance and operation funding. The capital portion of the measure increases the 2013 property tax levy by \$3.4 million (\$0.09 per \$1,000 of assessed value) and will be collected over a total of 20 years. The maintenance and operations portion of the measure increases the 2010 property tax levy by \$0.7 million (\$0.02 per \$1,000 of assessed value) and does not have a time limitation. Voted tax levies are not subject to the limitations discussed above.

Long-Term Receivables

The Community Development Block Grant program provides qualifying participants home rehabilitation loans payable upon the sale of the home. The city has \$3.2 million in home rehabilitation loans receivable that are not expected to be received within one year.

NOTES TO THE FINANCIAL STATEMENTS

6. CAPITAL ASSETS

Capital asset activity for the primary government for the year ended December 31, 2013, was as follows, in thousands:

Governmental activities:	Beginning Balance	Increases	Decreases	Transfers and Adjustments	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 751,135	\$ -	\$ -	\$ 9,910	\$ 761,045
Construction in progress	20,310	45,436	-	(10,729)	55,017
Infrastructure	666,631	-	-	61	666,692
Total capital assets, not being depreciated	1,438,076	45,436	-	(758)	1,482,754
Capital assets, being depreciated:					
Buildings	217,936	7	-	(157)	217,786
Improvements other than buildings	49,068	-	-	170	49,238
Intangible assets	19,906	140	-	203	20,249
Machinery and equipment	50,475	3,997	(1,606)	(795)	52,071
Infrastructure	143,713	516	-	1,081	145,310
Total capital assets being depreciated	481,098	4,660	(1,606)	502	484,654
Less accumulated depreciation for:					
Buildings	(65,422)	(5,760)	-	(2,619)	(73,801)
Improvements other than buildings	(27,039)	(2,577)	-	12,186	(17,430)
Intangible assets	(11,036)	(1,485)	-	(4,292)	(16,813)
Machinery and equipment	(34,332)	(4,320)	1,524	2,165	(34,963)
Infrastructure	(112,560)	(4,529)	-	(7,439)	(124,528)
Total accumulated depreciation	(250,389)	(18,671)	1,524	1	(267,535)
Total capital assets, being depreciated, net	230,709	(14,011)	(82)	503	217,119
Governmental activities capital assets, net	\$ 1,668,785	\$ 31,425	\$ (82)	\$ (255)	\$ 1,699,873

Depreciation expense was charged to governmental activities functions/programs as follows, in thousands:

Governmental activities:

General government	\$ 5,196
Public safety	495
Physical environment	233
Transportation	4,046
Economic environment	172
Culture and recreation	3,487
Total	13,629

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

5,042
\$ 18,671

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

Business-type activities:	Beginning Balance	Increases	Decreases	Transfers and Adjustments	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 24,898	\$ -	\$ -	\$ 61	\$ 24,959
Construction in progress	12,991	16,229	-	(16,020)	13,200
Total capital assets, not being depreciated	37,889	16,229	-	(15,959)	38,159
Capital assets, being depreciated:					
Buildings	35,258	-	-	1,380	36,638
Machinery and equipment	9,314	1,528	(103)	-	10,739
Infrastructure	333,073	1,864	-	14,579	349,516
Intangible assets	271	-	-	-	271
Total capital assets being depreciated	377,916	3,392	(103)	15,959	397,164
Less accumulated depreciation for:					
Buildings	(16,612)	(952)	-	(453)	(18,017)
Machinery and equipment	(6,923)	(494)	103	-	(7,314)
Infrastructure	(124,035)	(6,365)	-	453	(129,947)
Intangible assets	(204)	(7)	-	-	(211)
Total accumulated depreciation	(147,774)	(7,818)	103	-	(155,489)
Total capital assets, being depreciated, net	230,142	(4,426)	-	15,959	241,675
Business activities capital assets, net	\$ 268,031	\$ 11,803	\$ -	\$ -	\$ 279,834

Depreciation expense was charged to business-type activities functions/programs as follows, in thousands:

Business-type activities:

Marina	\$ 13
Water	3,475
Storm and surface water	1,701
Sewer	2,629
Total depreciation expense - business-type activities	<u>\$ 7,818</u>

DISCRETELY PRESENTED COMPONENT UNIT
BELLEVUE CONVENTION CENTER AUTHORITY

(in thousands)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Construction in Progress	\$ 773	\$ 131	\$ (118)	\$ 786
Total capital assets, not being depreciated:	773	131	(118)	786
Capital assets, being depreciated:				
Building	49,402	76	-	49,478
Machinery and Equipment	4,575	182	(74)	4,683
Total capital assets being depreciated:	53,977	258	(74)	54,161
Less accumulated depreciation for:				
Building	(21,540)	(1,162)	-	(22,702)
Machinery and Equipment	(4,221)	(204)	74	(4,351)
Total accumulated depreciation:	(25,761)	(1,366)	74	(27,053)
Total capital assets, being depreciated, net:	28,216	(1,108)	-	27,108
Component unit activities capital assets, net:	\$ 28,989	\$ (977)	\$ (118)	\$ 27,894

NOTES TO THE FINANCIAL STATEMENTS

7. PENSION PLANS

The city implemented GASB Statements 25 and 27 for reporting of pension plans in 1995 and GASB Statement 47 in 2005. For all plans the pension liability (asset) was determined in accordance with GASB Statement 27 to be zero both before and at the effective date of the transition.

WASHINGTON STATE DEPARTMENT OF RETIREMENT SYSTEMS

Substantially all of the city's full-time and qualifying part-time employees participate in one of the following statewide public employee retirement plans administered by the Washington State Department of Retirement Systems. Financial statements and information showing each system's progress in accumulating sufficient assets to pay benefits when due and other pension data are presented in the Washington State Comprehensive Annual Financial Report for the year ended June 30, 2013. Please refer to this report for detailed pension information for the Public Employees Retirement System, the Public Safety Employees Retirement System, and the Law Enforcement Officers and Fire Fighters Retirement System. A copy of this report may be obtained from the State of Washington, Office of Financial Management, P.O. Box 43123, Olympia, WA 98504-3123.

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Plan Description: PERS was established by the state legislature in 1947 under the Revised Code of Washington (RCW) Chapter 41.40. PERS is a multiple employer cost sharing plan. Membership in the system includes elected officials, state employees, and employees of local government. Approximately 51 percent of PERS members are state employees.

PERS consists of three plans. Participants who joined the system by September 30, 1977 are Plan 1 members. Those joining the system after that date are enrolled in Plan 2. Existing Plan 2 members were given the option to transfer their membership to Plan 3 by May 31, 2003. Employees hired after May 31, 2003 have the option of choosing either PERS Plan 2 or PERS Plan 3. Retirement benefits are financed by employee and employer contributions and investment earnings. Retirement benefits in the PERS 2 plan are vested after completion of five years of eligible service, and retirement benefits in the PERS 3 plan are vested after completion of ten years of eligible service. All plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Under PERS Plans 1, 2 and 3, annual cost of living allowances are linked to the Seattle Consumer Price Index to a maximum of 3 percent annually.

Funding Policy: Each biennium, the legislature establishes Plan 1 employer contribution rates and Plan 2 employer and employee contribution rates. Employee contribution rates for Plan 1 are established by statute and do not vary from year to year. Employer rates for Plan 1 are not necessarily adequate to fully fund the system. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund the system. All employers are required to contribute at the level established by the legislature.

Both the city and employees made 100 percent of the required contributions for all years.

The city's contributions to PERS for the years ending December 31 were as follows, in thousands:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	\$129	\$4,859	\$777
2012	137	4,084	649
2011	146	3,447	560
2010	145	3,038	515
2009	218	4,166	675
2008	234	4,106	662

In 2013 the contribution rates for PERS were impacted as noted in the table below:

	Rate Effective July 1, 2012	Rate Effective July 1, 2013	Rate Effective September 1, 2013
PERS 1 Employer	7.21%	9.19%	9.21%
PERS 1 Employee	6.00%	6.00%	6.00%
PERS 2 Employer	7.21%	9.19%	9.21%
PERS 2 Employee	4.64%	4.92%	4.92%
PERS 3 Employer	7.21%	9.19%	9.21%
PERS 3 Employee	5% - 15% variable		

The employer rates above include an administrative expense fee of 0.18 percent for 2013.

PUBLIC SAFETY EMPLOYEES' RETIREMENT SYSTEM (PSERS)

Plan Description: PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2. PSERS was created by the 2004 legislature and became effective July 1, 2006. Membership includes all full-time public safety employees.

PSERS Plan 2 membership includes: 1) full-time public safety employees on or before July 1, 2006, who met at least one of the PSERS eligibility criteria, and elected membership during the election period of July 1, 2006 to September 30, 2006; and 2) full-time public safety employees, hired on or after July 1, 2006, that meet at least one of the PSERS eligibility criteria. Retirement benefits are financed by employee and employer contributions, and investment earnings. Members are vested after completing five years of eligible service. PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. Eligibility is based on the member being totally incapacitated for continued employment, and leaving that employment as a result of the disability.

Funding Policy: Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements are established under state statute in accordance with RCWs 41.37 and 41.45.

Both the city and employees made the required contributions for all years.

The city's contributions to the PSERS system for the years ended December 31 were as follows, in thousands:

	<u>PSERS Plan 2</u>
2013	\$69
2012	55
2011	48
2010	50
2009	59
2008	51

In 2013 the contribution rates for PSERS were impacted as noted in the table below:

	<u>Rate Effective July 1, 2012</u>	<u>Rate Effective July 1, 2013</u>	<u>Rate Effective September 1, 2013</u>
PSERS Employer	8.87%	10.52%	10.54%
PSERS Employee	6.36%	6.36%	6.36%

The employer rates above include an administrative expense fee of 0.18 percent for 2013.

LAW ENFORCEMENT OFFICERS AND FIRE FIGHTERS (LEOFF) RETIREMENT SYSTEM

Plan Description: LEOFF, a cost-sharing, multiple-employer defined benefit pension plan, was established by the State legislature in 1970 under RCW Chapter 41.26. Membership includes all full-time local law enforcement officers and fire fighters. Retirement benefits are financed by employee and employer contributions, investment earnings, and legislative appropriation.

The LEOFF system contains two plans. Participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined thereafter are enrolled in Plan 2. Retirement benefits are vested after completion of five years of eligible service. Both plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Funding Policy: Plan 1 employers are required to contribute at a rate of 0.23 percent and the state is responsible for the balance of the funding. Plan 2 employers and employees are required to pay at levels established by the legislature. Employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fund the system.

Both the city and the employees made the required contributions for all years. The city's contributions to the LEOFF system for the years ended December 31 were as follows, in thousands:

	<u>LEOFF 1</u>	<u>LEOFF 2</u>
2013	\$2	\$2,034
2012	2	1,984
2011	2	1,904
2010	2	1,884
2009	3	1,881
2008	3	1,760

In 2013 the contribution rates for LEOFF were impacted as noted in the table below:

	Rate Effective September 1, 2009	Rate Effective July 1, 2013	Rate Effective September 1, 2013
LEOFF 1 Employer	0.16%	0.16%	0.18%
LEOFF 1 Employee	0.00%	0.00%	0.00%
LEOFF 2 Employer	5.24%	5.21%	5.23%
LEOFF 2 Employee	8.46%	8.41%	8.41%

The employer rates above include an administrative expense fee of 0.18 percent for 2013.

FIREMEN'S PENSION PLAN

Plan Description: The city is the administrator of the Firemen's Pension Plan which is a closed, single-employer, defined benefit pension plan that was established in conformance with RCW Chapter 41.18. This plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Membership is limited to fire fighters employed prior to March 1, 1970, when the LEOFF retirement system was established. The city's obligation under the Firemen's Pension Plan consists of paying all pension benefits, including payments to beneficiaries, for fire fighters who retired prior to March 1, 1970, and excess benefits over LEOFF for covered fire fighters who retired or will retire after March 1, 1970. No separate financial report is issued for the Plan.

Funding Policy: Under state law, the Firemen's Pension Plan is provided an allocation of 25 percent of all monies received by the state from taxes on fire insurance premiums; interest earnings; member contributions made prior to the inception of LEOFF; and city contributions required to meet projected future pension obligations. Neither member nor employer contributions were made to the plan during the year. As of the last actuarial study dated January 1, 2014, the actuary determined that the current assets of the fund, along with future revenues from state fire insurance taxes and interest earnings will be sufficient to pay all future Firemen's Pension Plan pension benefits. Administrative expenses are paid by the general fund.

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

Membership of the Firemen's Pension Plan consisted of the following at December 31, 2013:

Retirees and beneficiaries receiving benefits, prior to March 1, 1970	-
Retirees after March 1, 1970, currently receiving full retirement benefits through LEOFF 1 and also receiving an adjustment from the Firemen's Pension Plan	26
Retirees after March 1, 1970, receiving LEOFF 1 pensions exceeding the Firemen's Pension Fund and, therefore; not qualifying for excess benefit payment from the Firemen's Pension Plan	8
Active plan members	-
Total	<u><u>34</u></u>

ANNUAL PENSION COST (APC) AND NET PENSION OBLIGATION (NPO)

Annual Pension Costs and Net Pension Obligation changes for the years ending December 31 were as follows, in thousands:

Annual Required Contribution (ARC)	2011	2012	2013
Annual Normal Cost - Beginning of Year	\$ 1	\$ -	\$ -
Amortization of Unfunded Actuarial Liability (UAL)			
- Beginning of Year	(19)	(131)	(131)
Investment Return to End of Year	(1)	(5)	(5)
ARC at End of Year, not less than zero	-	-	-
Investment Return on Net Pension Obligation (NPO)	(48)	(53)	(57)
Adjustment to ARC	106	121	136
Annual Pension Cost (APC)	57	68	80
Employer Contributions	188	181	196
Change in NPO	(130)	(113)	(116)
NPO at Beginning of Year	(1,383)	(1,514)	(1,627)
NPO at End of Year	<u>\$ (1,514)</u>	<u>\$ (1,627)</u>	<u>\$ (1,743)</u>

The funded statuses of the Firemen's Pension Plan for the years ending December 31 were as follows:

Schedule of Funding Progress**Firemen's Pension Fund**

(in thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2008	\$ 6,603	\$ 5,900	\$ (703)	111.9%	\$ 85	823.70%
January 1, 2009	6,713	5,900	(814)	113.8%	91	893.61%
January 1, 2010	6,723	6,470	(254)	103.9%	91	278.63%
January 1, 2011	6,671	6,470	(201)	103.1%	-	N/A
January 1, 2012	6,773	5,127	(1,645)	132.1%	-	N/A
January 1, 2013	6,716	5,127	(1,589)	131.0%	-	N/A

Three Year Trend Information

(in thousands)

Fiscal Year Ending	Annual Pension Cost (APC)	Contributions as a Percentage of APC	Net Pension Obligation (NPO)
December 31, 2011	\$ 57	327.9%	\$ (1,514)
December 31, 2012	68	266.7%	(1,627)
December 31, 2013	80	246.4%	(1,743)

The information presented in the required schedules was determined as part of the actuarial valuations at the dates indicated or based on the same set of actuarial assumptions.

Actuarial cost method:	Entry Age Normal Method ⁽¹⁾
Amortization method:	30-year closed amortization period as of December 31, 2013
Asset valuation method for all years:	Market
Cost-of-living adjustments for all years:	Consumer Price Index (CPI), Seattle-Tacoma-Bremerton area

	January 1, 2011	January 1, 2012	January 1, 2013
Actuarial Economic assumptions:			
Investment rate of return (through internal investment pool)	3.50%	3.50%	3.50%
Projected salary increases ⁽²⁾	3.00%	3.00%	3.00%
Consumer Price Index	2.50%	2.50%	2.50%
Projected annual growth in fire insurance premium tax revenues	3.00%	3.00%	3.00%
Noneconomic assumptions:			
Mortality rates based on:			
Group Annuity Mortality Tables	X	X	X
Turnover rates per year	0.30%	0.00%	0.00%

⁽¹⁾ The Entry Age Cost Normal method was used to comply with GASB Statements 25 and 27 reporting requirements. Under this method the projected benefits are allocated on a level basis as a percentage of salary over the earnings of each individual between entry age and assumed exit age. The amount allocated to each year is called the Normal Cost and the portion of the Actuarial Present Value of all benefits not provided for by future Normal Cost payments is called the Actuarial Liability. Since nearly all members have already retired, the amount of the annual Normal Cost is small. The Unfunded Actuarial Accrued Liability (UAAL) is the Actuarial Liability minus the actuarial value of the Fund's assets.

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

MUNICIPAL EMPLOYEES' BENEFIT TRUST

Plan Description: The Municipal Employees' Benefit Trust (MEBT) is a multiple-employer defined-contribution pension plan which was established as an alternative to the federal Social Security System when city employees, by majority vote, approved the city's withdrawal from that system effective September 30, 1972, pursuant to USCA, Section 418(g). The plan is administered by the Municipal Employees' Benefit Trust Committee, a five-member committee appointed by the Bellevue City Manager. The Plan Committee administers the MEBT Plan according to the Plan Document adopted by the city and all applicable IRS regulations. Plan provisions may be established and amended by a majority vote of the Plan Committee. MEBT includes seven participating cities and NORCOM, with a total of 4,616 participants (Bellevue has 1,478 MEBT 1 participants and 416 MEBT 2 participants). Long-term disability coverage and a death benefit are provided for all employees. The plan's investments are held under a trust agreement with Security Trust Company.

Eligibility: To participate in MEBT, an employee must meet one of the following criteria; 1) Regular status employees of the City of Bellevue (as defined by Human Resources Code Section 3.79); 2) City Councilmember; and 3) Employee designated as eligible for MEBT by the City Council, which is currently Limited Term, Training and Transitional employees. These employees are eligible to participate as of their hire date in MEBT. Participation in MEBT is voluntary. Hourly employees, who do not participate in PERS, participate in MEBT 2 as of their hire date. Participation in MEBT 2 is mandatory for these employees.

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

Hourly employees who do not participate in PERS are required to make mandatory contributions equal to 100 percent of the FICA tax rate, currently 6.2 percent of compensation.

Employees may elect to contribute additional compensation on a pre-tax and/or after-tax basis. Basic contributions plus salary deferral contributions plus extra contributions are limited only by federal rules.

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

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

Employees may contribute up to federal deferred limits, annual addition limits, and any other tax rules that may apply. Actual contributions to the plan for 2013 were as follows, in thousands:

	MEBT 1	MEBT 2
Participants	\$ 8,011	\$ 97
City	7,027	97

Vesting: Regular employees become fully vested after ten years. Hourly employees are fully vested immediately.

MEYDENBAUER CENTER RETIREMENT PLAN AND TRUST

Plan Description: The Bellevue Convention Center Authority's (discretely presented component unit), Meydenbauer Center Retirement Plan and Trust ("Plan") is a defined contribution plan qualified for public employers under Internal Revenue Code Section 401(a). The Plan, approved by resolution of the Bellevue Convention Center Authority Board of Directors on June 14, 1995, became effective July 1, 1995. Wells Fargo Bank serves as the Plan Administrator, Plan Trustee and Investment Manager. As of December 31, 2013, there were 82 active participants in the Plan. The Plan is established as a retirement plan and contains no provision for withdrawing money prior to the termination of employment. Upon termination of employment or retirement, employees receive the account balance of employee contributions and the vested portion of the employer account credited with investment earnings. In the event of employee death or disability, the employee account becomes immediately vested and the full value of the account may be paid out. The plan document defines disability according to specific Federal guidelines. Each regular employee having completed one year of employment and 1,000 hours of service is eligible to participate in the plan. Participation in the Plan is mandatory for all regular employees hired after May 1, 1995.

Contributions: The Authority and employees each contribute 5 percent of compensation to the Plan. Additionally each participant may contribute on his own behalf at least 1 percent but not more than 10 percent of his or her compensation on a post-tax basis. The Authority's contributions to the Plan were percent of covered payroll. Actual contributions to the plan for 2013 were as follows, in thousands:

Participants	\$180
Authority	130

NOTES TO THE FINANCIAL STATEMENTS**8. OTHER PERSONNEL BENEFITS****DEFERRED COMPENSATION**

The city offers its employees one deferred compensation plan in accordance with Internal Revenue Code Section 457, as revised on August 20, 1996. This plan enables employees to defer a portion of their compensation until future years. The deferred compensation is available to employees upon termination, retirement, or certain unforeseeable emergencies. It is available to their beneficiaries upon the employees' death.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and right of the contributing employee. Amounts withheld from employee compensation are transmitted directly to the plans' trustees.

POST EMPLOYMENT BENEFITS

In accordance with the Revised Code of Washington (RCW) 41.26, the city provides lifetime medical care for law enforcement officers and fire fighters employed prior to October 1, 1977. Under this requirement, most coverage for eligible retirees is provided in one of the city's employee medical insurance programs. However, under authorization of the Disability Board, direct payment is also made for some retiree medical expenses not covered by standard benefit plan provisions. The retiree does not contribute towards the cost of his/her medical care.

Costs of providing these post-employment health care benefits in 2013 were as follows, in thousands:

Bellevue Health Plan - claims, administrative costs, stop loss coverage and incurred reserves	\$	1,284
Group Health - medical insurance premiums		107
Medicare Part B insurance premiums		118
Disability Board Reimbursements		284
Total Costs	\$	<u>1,793</u>

In the past, these costs were provided solely on a pay-as-you-go-basis by the city's Health Benefits Fund. On January 1, 1996, however, the city established the LEOFF I Medical Reserve Fund. The city has reserved a \$9.2 million balance in the LEOFF I Medical Reserve fund as of December 31, 2013. These funds are in the State Treasurer's Investment Pool and U.S. Government Securities with maturity dates at time of purchase from less than one year to a maximum of two years.

There are a total of 9 active plan participants and 125 retirees currently receiving benefits.

The medical liability valuation is based on the methodology contained in Statement 106 of the Financial Accounting Standards Board (FASB) and applied in accordance with GASB Statement 12. The significant actuarial assumptions used are as follows:

I. Economic Assumptions:	A. Discount Rate	2.15%
	B. Medical Inflation Rate	3.00%
II. City of Bellevue per-person claim	A. Retirees under 65	\$ 1,225
cost experience rates:	B. Retirees 65 and older	\$ 530
Actuarial cost method	Projected Unit Credit Actuarial Cost Method	
Amortization method	30 year open	
Asset valuation method	N/A	
Investment Rate	2.15%	

GASB Statement 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions (OPEB) requires the disclosure of the employer liability for retiree medical subsidies and other post-employment benefits. Recognition of the liability accumulated from prior years will be amortized over 30 years, the first period commencing in 2007.

The annual required contribution (ARC) is equal to an amount required each year to fully fund the liability. The actuarial accrued liability (AAL) for OPEB is determined in accordance with GASB Statement 45, and has been estimated at \$53.4 million with plan assets of 0 percent held in trust. These estimates were prepared by Healthcare Actuaries, LLC.

The December 31, 2013 valuation used the projected unit credit actuarial cost method. The actuarial assumptions included a 2.15 percent investment rate of return (net of administrative expenses) and an initial annual healthcare cost trend rate of 8.0 percent for Premera medical/unreimbursed expenses, remaining at 8.0 percent for each of the next two years, then decreasing to an ultimate rate of 4.2 percent after 66 years. The initial Premera pharmacy trend is 7 percent, then 6.6 percent for three years, then 5.4 percent for seven years, then decreasing to an ultimate rate of 4.2 percent after 62 years. The Group Health trend is the same as the Premera medical trend. The Medicare premium trend rate is 6.0 percent for all years. The long-term care trend rate is 5.0 percent for all years. The trend rate for the Excise Tax threshold is 0 percent until 2018, when a trend rate of 3.24 percent is used. All trend rates include a 3.0 percent inflation assumption.

The unfunded actuarial accrued liability (UAAL) at transition is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2013 was 24 years. The UAAL is recalculated each year and amortized as a level dollar amount on an open basis over 30 years.

The city's annual OPEB costs and net OPEB obligation for 2013 were as follows, in thousands:

Annual Required Contribution	\$ 2,871
Interest on Net OPEB Obligation	121
Adjustment to annual required contribution	<u>(302)</u>
Annual OPEB Cost	2,690
Contributions Made	<u>1,614</u>
Increase in Net OPEB Obligation	1,077
Net OPEB Obligation - Beginning of year	<u>5,608</u>
Net OPEB Obligation - End of year	<u>\$ 6,685</u>

The city's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ending December 31 were as follows, in thousands:

	Annual OPEB Cost	Employer Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 2,690	\$ 1,614	59.98%	\$ 6,685
2012	2,899	1,556	53.66%	5,608
2011	2,625	1,854	70.60%	4,265

Actuarial valuations of an ongoing plan 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 healthcare cost trend. In accordance to GASB Statement 50 the schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The funded status of the Health Plan as of December 31, 2013, was as follows, in thousands:

Actuarial Accrued Liability (AAL)	\$ 54,543
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 54,543</u>
Funded Ratio	0.00%
Covered Payroll	\$ 974
UAAL as a Percentage of Covered Payroll	5601.1%

NOTES TO THE FINANCIAL STATEMENTS

9. COMPENSATED ABSENCES

The city's liability for accrued compensated absences is recorded in the schedule below, in thousands. The governmental activities category includes a liability of \$988 from internal service funds which are predominantly associated with governmental funds. The funds that incur a liability for compensated absences are responsible for liquidating them in future periods. The governmental funds which typically liquidate compensated absences include the General, Solid Waste Recycling, Development Services, Operating Grants & Donations, and Housing Funds.

Governmental activities:	
General fund	\$ 9,111
Development services	753
Nonmajor funds	277
Total governmental activities	10,141
Business-type activities:	
Storm & surface water utility	385
Water utility	506
Sewer utility	356
Total business-type activities	1,247
Internal Service activities	988
Total compensated absences	\$ 12,376

NOTES TO THE FINANCIAL STATEMENTS

10. RISK MANAGEMENT

The City of Bellevue is exposed to financial loss resulting from city-caused damage to property or persons, bodily injuries or illness of employees, unemployment compensation benefits paid to former employees, and employee health care benefits. Except as described below, the city is self-insured for these loss exposures. Individual internal service funds are used to account for, and finance, self-insurance activities. These include workers' compensation, unemployment compensation, general liability, and employee health care benefits. Premiums paid to these funds by other governmental funds are used to pay for administrative costs, claims, and risk transfer/insurance, and risk margin factors to cover future unknown loss contingencies.

In accordance with GASB Statement 10, estimated liabilities are accrued in all self-insurance funds for the value of current outstanding claims and claims incurred but not reported (IBNR). Annual actuarial studies are performed for the Workers' Compensation, General Self-Insurance and Health Benefits Funds to determine recommended funding levels for related risk areas. The city has not purchased annuity contracts for any of its outstanding claims.

At December 31, 2013, the city had available cash and equity in pooled investments in the self-insurance funds of \$10.4 million to provide against risk of catastrophic losses. The claims liability of \$5.5 million reported in the self-insurance funds as of December 31, 2013, is based on the requirements of GASB Statement 10. This statement requires that a liability for claims be reported if information indicates, prior to the issuance of the financial statements that it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. This estimated liability is not discounted to present value.

Changes in the Funds' claims liability amount from fiscal year ended December 31, 2012 to December 31, 2013, in thousands:

	Workers' Compensation	Unemployment Compensation	General Self-Insurance	Health Benefits
December 31, 2012:				
Unpaid claims, beginning of fiscal year	\$ 1,625	\$ 71	\$ 2,990	\$ 1,009
Incurred claims (including IBNRs)	1,174	298	630	13,927
Claim payments	(1,098)	(315)	(1,044)	(13,711)
Unpaid claims, December 31, 2012	<u>\$ 1,701</u>	<u>\$ 54</u>	<u>\$ 2,576</u>	<u>\$ 1,225</u>
December 31, 2013:				
Unpaid claims, beginning of fiscal year	\$ 1,701	\$ 54	\$ 2,576	\$ 1,225
Incurred claims (including IBNRs)	1,430	175	178	14,346
Claim payments	(1,044)	(183)	(1,426)	(14,529)
Unpaid claims, December 31, 2013	<u>\$ 2,087</u>	<u>\$ 46</u>	<u>\$ 1,328</u>	<u>\$ 1,042</u>
Due within one year	1,112	46	611	972
Due in more than one year	975	-	717	70

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

Policy Type	Deductible	Coverage Limits	Description
Excess Workers' Compensation Employer's Liability - All Employees	\$ 500,000	\$ 1,000,000	Protects the city from unanticipated levels of workers' compensation claims.
Boiler & Machinery	10,000	472,000,000 ^(A)	Protects the city from loss due to damage to buildings and contents from boilers and machinery.
Real & Personal Property	100,000	472,000,000 ^(A)	Protects the city from loss by fire and other extended coverages.
Earth Movement	100,000 or 3% of value	40,000,000 ^(A)	Protects the city from loss by earth movement.
Flood	100,000	40,000,000 ^(A)	Protects the city from loss by flood.
Medical Stop Loss	250,000	Unlimited ^(B)	Stop-loss coverage protects the city from excessive individual claims.
Excess Liability Coverage	2,000,000	10,000,000 ^(A)	Protects the city from excessive individual losses.
Fiduciary Liability	15,000	7,000,000	Protects the city's retirement plans from wrong doing by board members.
Inland Marine - Fine Arts	1,000	1,100,000	Protects the city from loss due to damage to its art work.
Crime & Fidelity, Employee Theft, Forgery or Alteration, Funds Transfer Fraud	5,000	1,000,000	Protect the city from loss due to employee dishonesty and other extended coverages.

^(A) per occurrence

^(B) per occurrence

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

DISCRETELY PRESENTED COMPONENT UNIT

The Bellevue Convention Center Authority utilizes Parker, Smith & Feek, Inc. for marketing and placement of its commercial policies. The Authority maintains insurance against most normal hazards.

NOTES TO THE FINANCIAL STATEMENTS

11. LEASES AND OTHER CONTRACTUAL COMMITMENTS

OPERATING LEASES

Terranomics Crossroads Associates

Effective November 10, 1994, the city entered into a one-year non-cancelable lease agreement with Terranomics Crossroads Associates to provide a Mini City Hall in the Crossroads area. Since 1994 the lease has been extended via mutual agreement between both parties. The current lease extension ends November 30, 2018. Total lease payments for 2013 were \$14.

Future lease payments to Terranomics Crossroads Associates are summarized as follows, in thousands:

2014	\$	14
2015		14
2016		15
2017		15
2018		14
Total future minimum lease payments	\$	<u>72</u>

Effective September 25, 2000, the city entered into a five-year non-cancelable lease agreement with Terranomics Crossroads Associates to provide a Community Police substation in the Crossroads area. Since 2000 the lease has been extended via mutual agreement between both parties. The current lease extension ends September 2015. Total lease payments for 2013 were \$25.

Future lease payments to Terranomics Crossroads Associates are summarized as follows, in thousands:

2014	\$	21
2015		16
Total future minimum lease payments	\$	<u>37</u>

Delta Business Park

Effective July 1, 1996, the city entered into a five-year lease agreement with Delta Business Park for a building to house vehicles seized by the Eastside Narcotics Task Force. Since 1996 the lease has been extended via mutual agreement between both parties. The current lease extension ends June 30, 2016. Total lease payments for 2013 were \$62.

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

2014	\$	25
2015		25
2016		13
Total future minimum lease payments	\$	<u>63</u>

Effective January 1, 2005, the city entered into another five-year lease agreement with Delta Business Park for a storage facility for use by the Police Department. Since 2005 the lease has been extended via mutual agreement between both parties. The current lease extension ends December 31, 2014. Total lease payments for 2013 were \$16. Future minimum lease payments to Delta Business Park are \$13 for the year ending December 31, 2014.

North East King County Regional Public Safety Communications Agency (NORCOM)

Effective July 1, 2009, the city entered into a seven-year non-cancelable lease agreement with NORCOM to lease premises on the seventh floor of Bellevue City Hall during which time it will operate its public safety communications services. The lease will automatically renew on July 1, 2016 for fourteen years unless NORCOM gives thirty months' notice of cancellation. Total lease receipts for 2013 were \$446.

The premises leased by NORCOM have a cost of \$4,562 with accumulated depreciation of \$715 and a carrying value of \$3,847.

Minimum future rentals from NORCOM are summarized as follows, in thousands:

2014	\$	452
2015		457
2016		463
Total future minimum lease receipts	\$	<u>1,372</u>

CONSTRUCTION/OTHER CONTRACTUAL COMMITMENTS

The city's other outstanding contractual commitments by fund type as of December 31, 2013, are summarized below, in thousands:

Governmental activities:	
General Fund	\$ 36,790
Development services	890
General CIP	48,376
Nonmajor governmental funds	<u>19,462</u>
Total governmental activities	105,518
Business-type activities:	
Storm & surface water utility	7,751
Water utility	63,477
Sewer utility	6,557
Nonmajor business-type funds	<u>179</u>
Total business-type activities	77,964
Total outstanding contractual commitments	<u>\$ 183,482</u>

NOTES TO THE FINANCIAL STATEMENTS

12. INTERFUND RECEIVABLES, PAYABLES, AND TRANSERS

Interfund balances as of December 31, 2013 were as follows, in thousands:

DUE TO/FROM OTHER FUNDS	<u>Receivable</u>	<u>Payable</u>
Governmental funds:		
General Capital Investment Program	\$ -	\$ 15,000
LID Guaranty Fund	9	-
Nonmajor governmental funds	-	9
Proprietary funds:		
Sewer Utility Fund	15,000	-
Total due other funds	<u>\$ 15,009</u>	<u>\$ 15,009</u>
 DUE TO/FROM PRIMARY GOVERNMENT AND COMPONENT UNIT		
Hotel/Motel Tax	\$ -	\$ 997
Bellevue Convention Center Authority	997	-
Total due City/Component Unit	<u>\$ 997</u>	<u>\$ 997</u>

Receivable and payable balances due to and due from funds consist of loans between city funds. The LID Guaranty Fund pays off loans related to special assessments for the LID Control Fund. The LID Control Fund repays the LID Guaranty Fund upon payment from the property owners. The loan between the General Capital Improvement Program Fund and the Sewer Utility Fund was to provide interim financing for city projects and is expected to be repaid in three years.

The balance between the city and the component unit consists of transient occupancy taxes pledged to the Bellevue Convention Center Authority due at year-end.

Interfund transfers as of December 31, 2013 were as follows, in thousands:

INTERFUND TRANSFERS	In	Out
Governmental funds:		
General Fund	\$ 4,210	\$ 6,248
Development Services	3,430	191
General Capital Investment Program	826	27,423
Interest & Debt Redemption - Regular	28,459	-
Nonmajor governmental funds	318	2,102
Proprietary funds:		
Storm Drainage Utility	1,508	1,402
Water Utility	144	2
Sewer Utility	119	2
Internal Service Funds	1,457	3,101
Total Transfers	<u>\$ 40,471</u>	<u>\$ 40,471</u>

The city incurs transfers for subsidies, indirect overhead, capital improvements, capital purchases and debt service.

NOTES TO THE FINANCIAL STATEMENTS

13. LONG-TERM LIABILITIES

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

LONG-TERM DEBT

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

The 1998 limited general obligation bonds were issued for the purchase of the Marina and are reported under business activities in the statement of net position. The remaining general obligation bond issues are recorded under governmental activities in the statement of net position. These bonds are subject to federal arbitrage rules.

On April 30, 2013, the city issued \$70.4 million in limited tax general obligation bonds with an average interest rate of 4.336 percent to finance, reimburse or refinance a portion of the city's capital improvement program. Maturity dates range from 2013 through 2037. These bonds are subject to federal arbitrage rules.

Revenue bonds are payable from revenues generated by the city's various enterprise activities. Under the economic resources measurement focus used by the enterprise funds, debt for these bonds is recorded as a liability by the individual fund responsible for the related debt repayment.

The city has pledged 100 percent of future transient occupancy tax (hotel/motel tax) revenue to repay \$34.9 million in special obligation revenue bonds issued in 1991 and 1994 by the Bellevue Convention Center Authority and \$14.7 million in limited tax general obligation bonds issued in 1995 and 2010 (refunding 2002 bonds) by the city. Proceeds from the special obligation revenue bonds provided financing for constructing a convention center facility. Proceeds from the limited tax general obligation bonds issued in 1995 provided financing for capital improvements and related costs for the Convention Center. Proceeds from the 2002 issuance provided financing for acquiring a site for expansion and/or making improvements to the Convention Center. The bonds are payable solely from the hotel/motel tax revenue through 2032 or when all debt payments have been made, whichever is earlier. Any remaining hotel/motel tax revenue after satisfying debt service payments are remitted to the Authority to fund operations. Annual principal and interest payments on the bonds are expected to require less than 78 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$112.5 million. Principal and interest paid for the current year and total pledged revenue were \$6.5 million and \$9.2 million, respectively.

The city has pledged 100 percent of future moorage revenues at Meydenbauer Bay Marina to repay \$3.3 million in limited tax general obligation bonds issued in 2010 (refunding 1998 bonds). Proceeds from the bonds provided financing to acquire the Meydenbauer Bay Marina. The bonds are payable from rates and charges for moorage at the Meydenbauer Bay Marina through 2018 or when all debt payments have been made, whichever is earlier. Annual principal and interest payments on the bonds are expected to require less than 88 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$2.3 million. Principal and interest paid for the current year and total pledged revenue were both \$0.4 million.

ADVANCED REFUNDING

On September 14, 2010, the city issued \$12.9 million in limited tax general obligation (LTGO) refunding bonds with an average interest rate of 3.62 percent to advance refund:

- 1) \$3.4 million of outstanding 1998 LTGO (Marina) bonds with an average interest rate of 4.57 percent;
- 2) \$9.6 million of outstanding 2002 LTGO (Meydenbauer Center) bonds with an average interest rate of 5.21 percent.

The net proceeds of \$13.2 million were used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1998 and 2002 LTGO bonds. As a result, the 1998 and the 2002 LTGO bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

The city advance refunded the 1998 and the 2002 LTGO bonds to reduce its total combined debt service payments over the next 22 years by \$2.1 million and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1.6 million. The advance refunding also resulted in a difference between the net reacquisition price (funds deposited in escrow to refund old bonds) and the net carrying amount of the old debt of \$.73 million. This amount is being charged to operations through the year 2032 using the effective interest method.

On April 17, 2012, the city issued \$55.9 million in limited tax general obligation (LTGO) refunding bonds with an average interest rate of 4.67 percent to advance refund a portion (\$55.3 million) of the total outstanding (\$100.2 million) LTGO Bonds, Series 2004 (New City Building) with an average interest rate of 5.35 percent.

The net proceeds of \$63.2 million (after payment of \$274,000 in underwriting fees and other debt issuance costs) were used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the advance refunded portion of the 2004 LTGO Bonds. As a result, the advance refunded portion of the 2004 LTGO Bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

The city advance refunded a portion (\$55.3 million) of the 2004 LTGO Bonds to reduce its total combined debt service payments over the next 28 years by \$5.9 million and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$3.8 million. The advance refunding also resulted in a difference between the net reacquisition price (funds deposited in escrow to refund old bonds) and the net carrying amount of the old debt of \$6.8 million. This amount, reported in the statement of net position as a deferred outflow of resources, is being charged to operations through the year 2039 using the effective interest method.

On July 18, 2012, the city again issued \$43.2 million in LTGO refunding bonds, (2012B) with an average interest rate of 4.33 percent to advance refund the remaining callable portion (\$40.8 million) of the total outstanding (\$44.9 million) LTGO Bonds, Series 2004 (New City Building) with an average interest rate of 5.08 percent.

The net proceeds of \$45.5 million (after payment of \$174,000 in underwriting fees and other debt issuance costs) were used to purchase U.S. government securities. The securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the remaining advance refunded portion of the 2004 LTGO Bonds. As a result, the remaining callable portion (\$40.8 million) of the 2004 LTGO Bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

The city advance refunded the remaining callable portion (\$40.8 million) of the 2004 LTGO bonds to reduce its total combined debt service payments over the next 32 years by \$3.7 million and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2.2 million. The advance refunding also resulted in a difference between the net reacquisition price (funds deposited in escrow to refund old bonds) and the net carrying amount of the old debt of \$4.5 million. This amount, reported in the statement of net position as a deferred outflow of resources, is being charged to operations through the year 2043 using the effective interest method.

SPECIAL ASSESSMENTS

Special assessment bonds are issued to finance construction of local improvement district (LID) projects and are repaid through assessments collected from property owners benefiting from related improvements. Although the bonds are secured by liens against assessed properties, the city is required under state law to establish a guaranty fund to provide a means of paying LID bond debt service obligations in the event there are insufficient resources in the LID Control Fund. Due to the city's legal obligation to maintain this guaranty fund, special assessment bonds are considered a general government obligation and are, therefore, recorded in governmental activities on the statement of net position, even though the LID process is used for construction of utility service projects, as well as for construction of sidewalk and other transportation-related improvements.

OTHER LONG-TERM LIABILITIES

Other long-term debt incurred by the enterprise and governmental funds includes conditional sales contracts issued for the purchase of land and facilities, and State Department of Community Development Public Works Trust Fund loans, which have been made to finance designated capital project construction costs.

Estimated pollution remediation obligations are promises to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The city's estimated pollution remediation is resultant from a landfill closed since 1964. The estimates were derived using the expected cash flows method as well as technical estimates from records of decisions, consent decrees and/or settlement agreements. Estimated costs are \$50,000 per year, adjusted for inflation for the maintenance and operation of a methane extraction system. The pollution remediation obligation is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations. Prospective recoveries from other responsible parties may reduce the city's obligations. No recoveries were recorded in 2013. The city recognized an estimated pollution remediation obligation of \$0.4 million in 2013.

LONG-TERM DEBT - GOVERNMENTAL ACTIVITIES

For The Year Ended December 31, 2013

(in thousands)

City of Bellevue, Washington											
Description	Interest Rate	Fund Responsible to Pay Debt	Issue Date	Maturity Date	Original		Debt		Debt Issued	Debt Redeemed	Debt Outstanding 12/31/2013
					Debt Issued	Debt Outstanding 1/1/2013					
General Obligation Bonds-Councilmanic											
1995 Limited G.O.	5.15-5.80%	Hotel / Motel Tax	12/27/95	12/01/25	\$ 5,139	\$ 2,591	\$ -	\$ 280	\$ -	\$ 280	\$ 2,311
2003 Limited G.O. Refunding Series B	2.00-4.50%	General CIP	10/29/03	07/01/14	4,635	970	-	475	-	475	495
2004 Limited G.O. (City Building)	5.00-5.50%	General CIP	07/01/04	12/01/14	102,710	2,835	-	1,390	-	1,390	1,445
2006 Limited G.O.	3.80-4.25%	General CIP	11/01/06	12/01/26	6,060	4,740	-	260	-	260	4,480
Add: Unamortized bond premium						16		1		1	15
2008 Limited G.O.	3.00-4.25%	General CIP	02/07/08	12/01/27	14,230	11,555	-	605	-	605	10,950
Add: Unamortized bond premium						13		1		1	12
2010 Limited Tax G.O.	2.00-5.00%	General CIP	10/14/10	12/01/30	11,825	10,990	-	455	-	455	10,535
Add: Unamortized bond premium						723		40		40	683
2010 Limited Tax G.O. Refunding Series 2002	2.00-4.00%	Hotel / Motel Tax	09/28/10	12/01/32	9,595	9,060	-	325	-	325	8,735
Add: Unamortized bond premium						250		12		12	237
2012 Limited G.O. Refunding Series 2012	2.00-5.00%	General CIP	04/17/12	12/01/39	55,875	55,875	-	105	-	105	55,770
Add: Unamortized bond premium						6,474		240		240	6,234
2012 Limited G.O. Refunding Series 2012B	2.00-5.00%	General CIP	07/18/12	12/01/43	43,185	43,185	-	55	-	55	43,130
Add: Unamortized bond premium						2,320		75		75	2,245
2013 Limited Tax G.O. Sound Transit Portion	2.00-5.00%	General CIP	04/15/13	12/01/32	62,605	-	62,605	1,220	62,605	1,220	61,385
Add: Unamortized bond premium						-	10,897	545	10,897	545	10,352
2013 Limited G.O. Local Revitalization Funding	2.00-5.00%	General CIP	04/15/13	12/01/37	7,800	-	7,800	310	7,800	310	7,490
Add: Unamortized bond premium						-	1,032	41	1,032	41	991
Other Long- Term Debt											
Department of Community, Trade & Economic Development:											
Public Works Trust Fund Loan #06-962	0.50%	General CIP	02/01/07	02/01/28	750	558	-	40	-	40	518
Total					\$ 324,409	\$ 152,155	\$ 82,334	\$ 6,475	\$ -	\$ 6,475	\$ 228,013

SPECIAL ASSESSMENT DEBT WITH GOVERNMENTAL COMMITMENT
For The Year Ended December 31, 2013
(in thousands)

Local Improvement District	Interest Rate	Fund Responsible to Pay Debt	Issue Date	Maturity Date	Original Debt		Debt Outstanding 1/1/2013		Debt Issued	Debt Redeemed	Debt Outstanding 12/31/2013	
					Issued		1/1/2013					
NE 8th St & 156th Ave NE	6.50-6.65%	LID Control	06/01/94	07/01/16	\$ 325	\$	55	\$	-	\$	45	\$ 10
Total					\$ 325	\$	55	\$	-	\$	45	\$ 10

LONG-TERM DEBT - BUSINESS-TYPE ACTIVITIES
For The Year Ended December 31, 2013
(in thousands)

Description	Interest Rate	Fund Responsible to Pay Debt	Issue Date	Maturity Date	Original Debt Issued		Debt Outstanding 1/1/2013		Debt Issued		Debt Redeemed		Debt Outstanding 12/31/2013	
					Issued		1/1/2013						12/31/2013	
General Obligation Bonds-Councilmanic														
2010 Limited G.O. Refunding Series 1998	2.00-4.00%	Marina	9/28/2010	12/1/18	\$ 3,280		\$ 2,375		\$ -		\$ 295		\$ 2,080	
Add: Unamortized bond premium							106		-		18		88	
Other Long-Term Debt														
Department of Community, Trade & Economic Development:														
Public Works Trust Fund Loan #93-005	(1) 2.00%	Storm Utility	07/01/93	07/01/13	126		7		-		7		-	
Public Works Trust Fund Loan #94-002	(2) 1.00%	Water Utility	06/23/94	07/01/14	560		59		-		30		29	
Total					\$ 3,966		\$ 2,547		\$ -		\$ 350		\$ 2,197	

(1) A total loan of \$434,480 was approved in 1993.

(2) A total loan of \$856,000 was approved in 1994.

At December 31, 2013, the city's annual debt service requirements for general obligation, revenue, special assessment bonds and other debt were:

ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY

(in thousands)

Year	General Obligation		Special Assessment		Governmental Activities		Business-Type Activities		Total Annual
	Principal	Interest	Principal	Interest	Other Debt	Interest	Principal	Interest	
2014	\$ 6,727	\$ 9,481	\$ 10	\$ 3	\$ 40	\$ 3	\$ 30	\$ -	\$ 16,293
2015	6,391	9,274	-	-	40	2	-	-	15,707
2016	6,582	9,074	-	-	40	2	-	-	15,698
2017	6,847	8,882	-	-	40	2	-	-	15,771
2018	7,080	8,618	-	-	40	2	-	-	15,740
2019-2023	37,567	38,544	-	-	199	6	-	-	76,316
2024-2028	44,487	27,507	-	-	120	1	-	-	72,115
2029-2033	40,675	16,339	-	-	-	-	-	-	57,014
2034-2038	24,015	9,053	-	-	-	-	-	-	33,068
2039-2043	28,435	3,523	-	-	-	-	-	-	31,958
Total	\$ 208,806	\$ 140,295	\$ 10	\$ 3	\$ 519	\$ 18	\$ 30	\$ -	\$ 349,680

LONG-TERM DEBT - DISCRETELY PRESENTED COMPONENT UNIT
BELLEVUE CONVENTION CENTER AUTHORITY
For The Year Ended December 31, 2013
(in thousands)

Description	Interest Rate	Issue Date	Maturity Date	Original		Debt		Debt Issued	Debt Redeemed	Debt Outstanding 12/31/2013
				Issued	Debt	Outstanding 1/1/2013	Debt			
1991 Series B	5.9-7.20%	08/01/91	12/01/19	\$ 21,120	\$	4,568	\$ -	\$	759	\$ 3,809
1994 Refunding	6.25-7.50%	11/05/93	12/05/25	13,749		10,176	-		391	9,785
Total Revenue Bonds				\$ 34,869	\$	14,744	\$ -	\$	1,150	\$ 13,594

Add:

Unamortized gain on advance refunding

Total

15
\$ 13,609

The Bellevue Convention Center Authority's (Component Unit) revenue bonds are secured by hotel/motel tax and other revenues of the city available without a vote of the city's electors.

At December 31, 2013 Bellevue Convention Center Authority's debt service requirements for revenue bonds were:

ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY
(in thousands)

Year	Revenue Bonds		Total Annual	
	Principal	Interest	Requirements	
2014	\$ 1,197	\$ 4,483	\$	5,680
2015	1,005	4,020		5,025
2016	1,246	5,354		6,600
2017	1,228	5,817		7,045
2018	1,204	6,321		7,525
2019-2023	5,450	33,615		39,065
2024-2025	2,264	17,836		20,100
Total	\$ 13,594	\$ 77,446	\$	91,040

CHANGES IN LONG-TERM LIABILITIES

(in thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 126,754	\$ 70,405	\$ 9,568	\$ 206,726	\$ 6,337
Add: for issuance premium	9,797	11,929	(955)	20,770	-
Special assessment debt	55	-	(45)	10	10
Compensated absences	13,703	12,180	(14,753)	11,130	3,246
Estimated claims payable	5,556	16,129	(17,182)	4,503	2,741
Other post employment benefits	5,608	1,077	-	6,685	-
Estimated pollution remediation	387	388	(387)	388	-
Other long-term debt	558	-	(40)	518	40
Total	<u>\$ 162,417</u>	<u>\$ 112,108</u>	<u>\$ (23,795)</u>	<u>\$ 250,730</u>	<u>\$ 12,374</u>
Business Activities:					
General obligation bonds	\$ 2,375	\$ -	\$ (295)	\$ 2,080	\$ 390
Add: for issuance premiums	106	-	(18)	88	-
Compensated absences	1,618	1,413	(1,785)	1,246	374
Other long-term debt	66	-	(37)	29	29
Total	<u>\$ 4,165</u>	<u>\$ 1,413</u>	<u>\$ (2,135)</u>	<u>\$ 3,443</u>	<u>\$ 793</u>
Bellevue Convention Center Authority:					
Revenue bonds	\$ 14,744	\$ -	\$ (1,150)	\$ 13,594	\$ 1,197
Compensated absences	65	16	-	81	32
Total	<u>\$ 14,809</u>	<u>\$ 16</u>	<u>\$ (1,150)</u>	<u>\$ 13,675</u>	<u>\$ 1,230</u>

(1) The governmental funds which typically liquidate compensated absences are the General, Solid Waste Recycling, Development Services, and Housing Funds.

(2) The General Fund liquidates pollution remediation costs and the internal service funds liquidate estimated claims expenses.

(3) The LEOFF 1 reserve fund has been used to liquidate other post employment benefits.

NOTES TO THE FINANCIAL STATEMENTS**14. SHORT-TERM LIABILITIES**

The city obtained a revolving line of credit of \$30.0 million, to be maintained over a four-year period, renewing automatically annually. The line of credit was used to finance capital project construction. The city paid off the line of credit on April 30, 2013. The interest rate of the line of credit had been fixed for one year based on the London inter-bank offered rate (LIBOR) and payable semi-annually. The weighted average interest on the \$15.1 million balance from January 1, 2013 through April 30, 2013 was 1.40 percent.

CHANGES IN SHORT-TERM LIABILITIES

(in thousands)

	Beginning Balance	Additions	Reduction	Ending Balance
Governmental Activities:				
Line of Credit	\$ 15,047	\$ -	\$ (15,047)	\$ -
Total	\$ 15,047	\$ -	\$ (15,047)	\$ -

15. RELATED PARTY TRANSACTION

The city acts as a conduit for hotel/motel taxes which are collected by the city and transmitted to the Bellevue Convention Center Authority, a discretely presented component unit of the city, for debt service. The total taxes remitted as of December 31, 2013 totaled \$7.0 million.

16. CONTINGENCIES AND LITIGATIONS

As of December 31, 2013, there were various claims for damages and lawsuits pending against the City. In the opinion of the City Attorney, however, neither the potential liability for any single claim or lawsuit, nor the aggregate potential liability arising from all actions currently pending, would materially affect the financial condition of the City, and therefore, no current or long-term liability has been recorded.

NOTES TO THE FINANCIAL STATEMENTS

17. JOINT VENTURES AND OPERATIONS

EASTSIDE PUBLIC SAFETY COMMUNICATIONS AGENCY

In May 1992, the City of Bellevue joined the cities of Redmond, Kirkland, and Mercer Island (Principals) to establish the Eastside Public Safety Communications Agency (EPSCA). The agreement was amended in 1993 to include the City of Issaquah. The purpose of EPSCA is to develop, own, operate, and manage an Eastside radio communications system to be integrated with a regional radio communications network. Its capital budget is funded by a voter-approved county-wide property tax levy. EPSCA is governed by an Executive Board composed of the chief executive officer of each Principal. The Executive Board is responsible for review and approval of all budgetary, financial, policy, and contractual matters. In August 1993, EPSCA entered into an interlocal cooperation agreement (Agreement 2), with the sub-regions of King County, Seattle, and Valley Communications. Agreement 2 governs the development, acquisition, and installation of the emergency radio communication system funded by the King County Levy. On December 12, 2012, the Executive Board, in open public meeting, approved a new Interlocal Agreement. The agreement was then amended to March 1, 2013. With adoption of the new agreement, EPSCA was converted from an interlocal agency to a not-for-profit entity.

The agreement provides for a weighted vote proportionate to each Principal's system radios in relation to the total number of system radios used by all Principals. These percentages are reviewed and adjusted annually on January 1 based on the number of radios on the system in use by current Principals as of June 30 of the preceding year. As of December 31, 2013, the weighted vote was as follows:

Bellevue	48.81%
Redmond	23.93%
Kirkland	16.02%
Mercer Island	6.00%
Issaquah	5.25%
Total	100.00%

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

Year	Service Fees
2009	\$ 342
2010	346
2011	341
2012	344
2013	369

Upon dissolution, the interlocal agreement provides for distribution of net assets among the Principals based on the weighted voting percentages in force at the time of dissolution.

Agreement 2 provides that upon voluntary termination of any sub-region's participation in the system, it surrenders its radio frequencies, relinquishes its equipment, and transfers any unexpended levy proceeds and equipment replacement reserves to another sub-region or a consortium of sub-regions. Thus, in accordance with Agreement 2, the Principals of EPSCA have no equity interest in EPSCA's contributed capital (\$10.0 million from King County levy proceeds).

While Agreement 1 provides that EPSCA's retained earnings of \$144 as of December 31, 2013, are, upon dissolution, to be apportioned among the Principals, the city's share in 2013 of \$70 is deemed immaterial and thus is not reflected in the financial statements. Compiled financial statements for EPSCA can be obtained from EPSCA, MS PSEPS, c/o Jessie Morgan, PO Box 97010, Redmond, WA 98073-9710.

HAZARDOUS MATERIALS UNIT AND REPOSE TEAM

In January 1984, the City of Bellevue joined the cities of Redmond, Kirkland, and Bothell, and King County Fire Protection Districts #16 and #36 to form a Hazardous Materials Unit and Response Team (HazMat). The agreement was modified in December 1991 to designate the City of Bellevue as the lead agency. The agreement was further modified in June 1994 removing King County Fire Protection District #16, which withdrew from participation, and adding the City of Issaquah and King County Fire Protection District #45 as members.

The purpose of HazMat is to provide equipment and personnel for the management of hazardous material incidents as a normal function of fire protection services.

The HazMat team is governed by a joint board composed of the fire chiefs of the member agencies plus one member from the HazMat Team. The Joint Board is responsible for formulating policy, establishing annual budgets, and acquiring, holding, and disposing of real and personal property. Each representative on the Joint Board, with the exception of the member from the HazMat Team, has a vote on all matters. The City of Bellevue, as the lead agency, has the administrative authority for operations conducted pursuant to the agreement, as amended. The city provides administrative and secretarial support to the Joint Board.

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

Operating revenues are derived from an annual charge assessed each member based on each member's property values and number of emergency incidents. The City of Bellevue's General Fund remitted its pro rata share of the HazMat unit's budgets for the last five years. Equities are as follows, with dollars in thousands:

Year	Equity	Bellevue's Share	Percentage
2009	\$ 437	\$ 142	32.55%
2010	504	164	32.55%
2011	432	136	31.40%
2012	451	153	33.90%
2013	483	157	32.58%

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

A REGIONAL COALITION FOR HOUSING (ARCH)

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

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

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

Each member city is responsible for contributing operating revenues as determined from the ARCH annual budget. Contributions from the member cities are based on each member's population. In 2010 the city assumed all administrative functions relative to recording financial data for all the cities. The cities maintain independent decision making regarding activity and level of funding for specific projects. The result of this was the combining of all equities. The city's equity share for the last five years was as follows, with dollars in thousands:

Year	Equity	Bellevue's Share
2009	\$ 465	\$ 118
2010	2,565	718
2011	2,707	758
2012	3,410	919
2013	2,565	444

Members withdrawing from the agreement relinquish all rights to any reserve funds, equipment, or material purchased. Upon dissolution, the agreement, as amended, provides for distribution of net assets among the members based on the percentage of the total annual contributions during the period of the Agreement paid by each member. The city's share of net assets is reported on the government statements as a receivable.

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

WATER STORAGE AND PUMPING FACILITY

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

The city's share of the land, reservoir, and pumping facility is reported on the enterprise financial statements as property, plant, and equipment and has a net book value of \$1.2 million (cost: \$2.6 million, net of accumulated depreciation of \$1.4 million) as of December 31, 2013. Total 2013 operating costs for the reservoir and pumping facility, excluding depreciation of \$0.1 million, were \$0.1 million of which the City of Redmond reimbursed \$38 thousand. Entity financials are not prepared; however, budget monitoring information can be obtained from the City of Bellevue Budget Department, 450 110th Ave NE, Bellevue, WA 98004.

CABLE PRODUCTION FACILITY

In October 1995, the City of Bellevue joined with Bellevue Community College to jointly utilize Bellevue Community College's television production facilities. The City of Bellevue and Bellevue Community College each have 50 percent undivided interest in the upgraded production facility.

A joint administrative committee was created to set policy, oversee operations, and develop annual operating budgets. The City of Bellevue is responsible for contributing to the Maintenance Account, providing compensation to student video production assistants and upgrading studio facilities, production equipment, and editing equipment to accommodate joint use. The city's contributions for 2013 were, with dollars in thousands:

Maintenance	Student Assistants	Facilities
\$ 60	\$ 22	\$ -

Upon dissolution, the net balance in the Maintenance Account and any shared equipment purchased will be distributed equally to both entities. The channel distribution system will remain the property of the city. Any material or structural improvements to the facilities will remain the property of Bellevue Community College. The city's share of the net assets is deemed immaterial and thus is not reflected in the financial statements. Entity financials are not prepared; however, budget monitoring information can be obtained from the City of Bellevue Budget Department, 450 110th Ave NE, Bellevue, WA 98004.

EASTSIDE NARCOTIC TASK FORCE (ENTF)

In August 1998, the cities of Bellevue, Redmond, Kirkland, Mercer Island, and Issaquah (Principals) restructured ENTf. The purpose of ENTf is to provide for the collaborative efforts of participants' detective staffs and to equitably benefit from asset forfeitures. In 2002 the King County Sheriff's office joined ENTf and in 2010 the Washington State Patrol also joined the Task Force.

ENTf is governed by an Executive Board consisting of the Police Chiefs and Directors of Public Safety. The Executive Board is responsible for formulating policy, establishing annual budgets, and acquiring, holding, and disposing of real and personal property. ENTf is managed by a Commander who is responsible for the operation of ENTf and the accomplishment of its goals and objectives.

Upon termination of ENTf, equipment and proceeds will be divided equitably as determined by the board. Member agencies share in the costs and proceeds of the operation of ENTf on a percentage basis. The member agencies shares are as follows, with dollars in thousands:

	Percentage	Equity
Bellevue	52.40%	\$ 198.2
King County	10.90%	41.2
Kirkland	10.00%	37.8
Redmond	10.20%	38.6
Mercer Island	9.60%	36.3
Issaquah	2.40%	9.1
WA State Patrol	4.40%	16.6
US Postal Service	0.10%	0.4
	<u>100.00%</u>	<u>\$ 378.2</u>

Total revenues for 2013 were \$503 of which \$263 was the City of Bellevue's share. Total expenditures for 2013 were \$431 of which \$226 was the City of Bellevue's share. The total increase in net assets for 2013 was \$72 of which \$38 was the City of Bellevue's share. The city's share of the net assets is deemed immaterial and thus is not reflected in the financial statements.

Budget monitoring information can be obtained from Eastside Narcotics Task Force, c/o Carl Krikorian, Police Finance Manager, Bellevue Police Department, 450 110th Ave NE, Bellevue, WA 98004.

CASCADE WATER ALLIANCE

In April 1999, the City of Bellevue entered into an interlocal agreement with eight other water providers in the region to create the Cascade Water Alliance. The purpose of the Alliance is to provide water supply to meet current and future needs of the Alliance's Members in a cost-effective and environmentally responsible manner. The Alliance is governed by a Board of Directors consisting of one individual representative appointed by resolution of the Member's legislative authority. Each Member entity must pay annual dues based on the number of residential units served by the water system within their jurisdiction.

The Alliance collected 2013 membership dues totaling \$2,729, of which Bellevue's share was \$1,127. Bellevue also paid the Alliance \$2,597 in 2013 for Regional Capital Facilities Charges for new residential hookups to the water distribution system.

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

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

On October 15, 2009, the Alliance issued Water System Revenue Bonds, 2009A (the "2009A Bonds") for \$4.9 million and the Water System Revenue Bonds, 2009B (Taxable Build America Bonds) for \$75.2 million for a total of \$80.1 million. The proceeds of the Bonds will be used to finance the acquisition of Lake Tapps, Tribal settlement agreements, and limited Tacoma Cascade Pipeline expenditures. The bonds will not pledge the full faith and credit or taxing power of the city. However, the city is responsible for paying a share of the debt service on the bonds through its member charges under the Cascade Interlocal Contract.

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

eCityGov ALLIANCE

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

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

Expenditures consist of capital and operations costs, per the budget adopted by the eCityGov Alliance Executive Board, and Bellevue's administrative costs associated with performing duties as the Alliance's fiscal agent. Expenditures in 2013 were \$1.3 million, revenues were \$1.3 million. Partner fees and voting are based on relative population, equity balances are as follows, with dollars in thousands:

	Population	Percentage	Equity
Bellevue	123,400	26.11%	\$ 77
Renton	92,590	19.59%	58
Kirkland	80,836	17.11%	51
Sammamish	46,940	9.93%	29
Bothell	32,720	6.92%	20
Issaquah	30,690	6.49%	19
Mercer Island	22,710	4.81%	14
Kenmore	20,780	4.40%	13
Snoqualmie	10,950	2.32%	7
Woodinville	10,940	2.32%	7
Total	472,556	100.00%	\$ 295

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

NORTH EAST KING COUNTY REGIONAL PUBLIC SAFETY COMMUNICATIONS AGENCY (NORCOM)

In November 2007, the City of Bellevue, with the cities of Bothell, Clyde Hill, Kirkland, Medina, Mercer Island, and Snoqualmie, along with Eastside Fire and Rescue, King County Fire Protection Districts 27 and 45, King and Kittitas County Fire Protection District 51, Northshore Fire Department, Shoreline Fire Department, and Woodinville Fire and Life Safety District entered into an interlocal agreement to establish and maintain a consolidated emergency service communications center. In 2008, the City of Redmond joined as a subscriber. Prior to the interlocal agreement, the formation efforts were carried out under a Joint Powers Agreement originally approved in 2005 and amended in 2006 and 2007. On July 1, 2009, the separate dispatch operations of Bellevue and Kirkland were combined and began operating as NORCOM. NORCOM includes 911 telephone answering, computer aided dispatch of fire, police and EMS resources, public safety field technology and a records management system.

Operating revenues are provided by user fees charged to each member based on average call volume. For 2013, the City of Bellevue's share of user fees was \$4.6 million.

Additional financial information can be obtained from NORCOM, c/o Gwen Pilo, Finance Manager, P.O. Box 50911, Bellevue, WA 98015-0911.

NOTES TO THE FINANCIAL STATEMENTS

17. GOVERNMENTAL FUND BALANCES

GOVERNMENTAL FUND BALANCES:

Fund balances, with the implementation of GASB Statement 54, are segregated under the following categories and presented on the face of the financial statements in the aggregate.

Nonspendable: This fund balance category includes amounts not available to be spent because they are not in spendable form or are legally required to be maintained intact. The city has long-term receivables for low income home rehabilitation loans that are not in spendable form.

Restricted: Fund balance constrained externally, such as those resulting from federal and state legislation, grant awards, bond covenants, and inter-local service agreements.

Committed: Fund balance constrained by City code, ordinance or resolution as adopted by City Council, requires similar action to remove the constraint. The city currently has no committed fund balances.

Assigned: Special revenue funds are created by ordinance by City Council. Fund balance in special revenue funds that are intended to be used for specific purposes, but are neither restricted nor committed; include transfers from other funds, investment interest not constrained by contract or covenant, fees for services, and rents.

Unassigned: Unrestricted fund balance not committed or assigned in the General Fund is considered unassigned. Also negative fund balance in any other governmental fund is unassigned. The city only has unassigned fund balance in the general fund.

The following schedule presents governmental fund balances in accordance with the purposes for which those balances are constrained.

**Schedule of Funding Progress
For the Fiscal Year Ended December 31, 2013**

Firemen's Pension Fund

(in thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 2008	\$ 6,603	\$ 5,900	\$ (703)	111.9%	\$ 85	823.70%
January 1, 2009	6,713	5,900	(814)	113.8%	91	893.61%
January 1, 2010	6,723	6,470	(254)	103.9%	91	278.63%
January 1, 2011	6,671	6,470	(201)	103.1%	-	N/A
January 1, 2012	6,773	5,127	(1,646)	132.1%	-	N/A
January 1, 2013	6,716	5,127	(1,589)	131.0%	-	N/A

Other Post Employment Benefits (OPEB)

(in thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities Unit Credit	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
December 31, 2008	\$ -	\$ 36,393	\$ 36,393	0.0%	\$ 1,742	(2089.15)%
December 31, 2009	-	36,230	36,230	0.0%	1,654	(2190.45)%
December 31, 2010	-	50,836	50,836	0.0%	1,090	(4663.85)%
December 31, 2011	-	50,729	50,729	0.0%	1,031	(4918.60)%
December 31, 2012	-	50,593	50,593	0.0%	971	(5212.10)%
December 31, 2013	-	54,543	54,543	0.0%	974	(5601.10)%

**Schedule of Contributions from the Employer and Other Contributing Entities
For the Fiscal Year Ended December 31, 2013**

Firemen's Pension Fund

(in thousands)

Year Ended December 31	Fire Insurance Premium Taxes	Total Employer Contributions	Annual Required Contribution	Percentage Contributed
2008	\$ 176	\$ 176	\$ -	N/A
2009	173	173	-	N/A
2010	180	180	-	N/A
2011	188	188	-	N/A
2012	181	181	-	N/A
2013	196	196	-	N/A

Other Post Employment Benefits (OPEB)

(in thousands)

Year Ended December 31	Annual OPEB Cost	Employer Contribution	Percentage of OPEB Cost Contributed	NET OPEB Obligation
2008	\$ 2,039	\$ 1,065	52.23%	\$ 1,589
2009	2,281	1,574	69.00%	2,297
2010	3,013	1,817	60.31%	3,493
2011	2,625	1,854	70.63%	4,265
2012	2,899	1,556	53.67%	5,608
2013	2,690	1,614	60.00%	6,685

SCHEDULE OF MODIFIED APPROACH FOR REPORTING INFRASTRUCTURE ASSETS

For the Fiscal Year Ended December 31, 2013

ROADWAYS

The roadways in the city are made up of two systems: Arterial roadways and Residential roadways. The condition of these systems is assessed every two years. This assessment measures the condition of the pavement surface to classify the roads into two performance rating levels illustrated in the table below. During years when the roadways are not physically assessed, calculated updates are made by the Transportation Pavement Management System.

STANDARD PERFORMANCE RATING LEVELS

	<u>Satisfactory</u>	<u>Unsatisfactory</u>
Arterial:	50 - 100	0 - 49
Residential:	30 - 100	0 - 29

The city's minimum acceptable condition levels have been defined as having at least 60 percent of Arterial roadways, and 75 percent of Residential roadways at or above satisfactory condition.

The following disclosures compare roadway conditions for the last three years, and the related estimated and actual expenditures involved in maintaining arterial and residential roadways for the last five years:

CONDITION RATING OF THE CITY'S STREET SYSTEM

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Arterial:			
Percent above satisfactory	88%	86%	81%
Overall performance rating:	78	76	74
Residential:			
Percent above satisfactory	99%	99%	97%
Overall performance rating:	87	87	84

COMPARISON OF NEEDED-TO-ACTUAL EXPENDITURES

(in thousands)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Arterial:					
Needed:	\$ 4,492	\$ 4,772	\$ 3,896	\$ 2,314	\$ 192
Actual:	2,453	4,877	2,745	1,993	120
Residential:					
Needed:	\$ 901	\$ 69	\$ 750	\$ 3,610	\$ 4,873
Actual:	756	71	628	2,977	3,782

General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2013
(in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actuals on Budgetary Basis</u>	<u>Variance with Final Budget</u>
Revenues/operating revenues:				
Taxes and special assessments	\$ 120,029	120,029	\$ 119,641	\$ 388
Licenses and permits	459	459	454	5
Intergovernmental	16,325	16,640	16,677	(37)
Service charges and fees	18,493	18,532	18,932	(400)
Fines and forfeitures	1,285	1,285	1,106	179
Interest and assessment interest	15	15	49	(34)
Net change in fair value of investments	-	-	(69)	69
Rent	1,267	1,267	1,258	9
Premiums/contributions	38	-	1	(1)
Other	1,612	1,612	506	1,106
Total revenues	<u>159,523</u>	<u>159,839</u>	<u>158,555</u>	<u>1,284</u>
Expenditures				
Current:				
General government	18,531	18,531	18,935	(404)
Public safety	82,052	82,367	82,397	(30)
Physical environment	969	969	975	(6)
Transportation	22,334	22,334	25,055	(2,721)
Economic environment	4,251	4,251	3,690	561
Health and human services	2,509	2,509	2,354	155
Culture and recreation	25,139	25,139	25,361	(222)
Debt service:				
Interest and fiscal charges	-	-	2	(2)
Capital outlay:				
General government	-	-	141	(141)
Public safety	80	80	69	11
Transportation	-	-	13	(13)
Culture and recreation	51	51	-	51
Total expenditures	<u>155,916</u>	<u>156,231</u>	<u>158,992</u>	<u>(2,761)</u>
Excess (deficiency) of revenues over (under) expenditures	3,607	3,608	(437)	4,045
Other financing sources (uses)				
Transfers in	3,420	3,420	4,092	(672)
Transfers out	(3,642)	(3,642)	(4,016)	374
Total other financing sources (uses)	<u>(222)</u>	<u>(222)</u>	<u>76</u>	<u>(298)</u>
Net change in fund balance	3,385	3,386	(361)	3,747
Fund balance beginning of year	20,444	20,444	23,483	(3,039)
Fund balance end of year	<u>\$ 23,829</u>	<u>\$ 23,830</u>	<u>\$ 23,122</u>	<u>\$ 708</u>

Development Services Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2013
(in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actuals on Budgetary Basis</u>	<u>Variance with Final Budget</u>
Revenues/operating revenues:				
Licenses and permits	\$ 5,854	\$ 5,854	\$ 4,263	1,591
Service charges and fees	5,889	5,889	8,396	(2,507)
Fines and forfeitures	15	15	-	15
Interest and assessment interest	90	90	61	29
Net change in fair value of investments	-	-	(60)	60
Total revenues	<u>11,848</u>	<u>11,848</u>	<u>12,660</u>	<u>(812)</u>
Expenditures				
Current:				
Economic environment	16,098	16,098	16,478	(380)
Capital outlay:				
Economic environment	-	-	20	(20)
Total expenditures	<u>16,098</u>	<u>16,098</u>	<u>16,498</u>	<u>(400)</u>
Excess (deficiency) of revenues over (under) expenditures	(4,250)	(4,250)	(3,838)	(412)
Other financing sources (uses)				
Transfers in	3,696	3,696	3,430	266
Transfers out	(164)	(164)	(191)	27
Total other financing sources (uses)	<u>3,532</u>	<u>3,532</u>	<u>3,239</u>	<u>293</u>
Net change in fund balance	(718)	(718)	(599)	(119)
Fund balance beginning of year	5,298	5,298	4,964	334
Fund balance end of year	<u>\$ 4,580</u>	<u>\$ 4,580</u>	<u>\$ 4,366</u>	<u>\$ 215</u>

Notes to RSI - Budget and Actual Schedules:

The city's budget is adopted on a GAAP basis. Expenditure appropriations include ending fund balance as reserves.

The General Fund, for financial reporting purposes, includes the Human Services Fund, Franchise Fund, Land Purchase Revolving Fund and Parks Fees Fund. These are separately adopted funds in the budget ordinance.

CITY OF BELLEVUE, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended December 31, 2013

Federal Agency Name / Pass - Through Agency Name	Federal Program Name	CFDA Number	Other ID Number	Expenditures			Note
				From Pass-Through Awards	From Direct Awards	Total	
US Department of Housing and Urban Development Pass-through from City of Seattle Police Department	Community Development Block Grants/Entitlement Grants	14.218	B-12-MC-53-0003	-	571,131	571,131	2
			B-13-MC-53-0003	-	219,853	219,853	2
US Department of Housing and Urban Development / Pass-through from Puget Sound Regional Council	Sustainable Communities Regional Planning Grant Program		Program Income	-	239,606	239,606	3
		CFDA 14.218 Total		-	1,030,590	1,030,590	
US Department of Justice / Pass-through from City of Seattle Police Department	US Department of Housing and Urban Development Total	14.703	2011-05	47,193	-	47,193	2
				47,193	1,030,590	1,077,783	
US Department of Justice / Pass-through from WA Dept. of Commerce	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0526	15,654	-	15,654	2
			M11-34021-003 & M12-34021-003	86,939	-	86,939	2
US Department of Justice	Joint Terrorism Task Force		M13-31446-003	124,476	-	124,476	2
		CFDA 16.738 Total		227,069	-	227,069	
US Department of Transportation / Pass-through from WA Dept. of Transportation	Organized Crime & Drug Enforcement Task Force	16.unknown	319D-HQ-A1487519-SE	-	12,469	12,469	2
		16.unknown	PA-WAW-0248	-	8,454	8,454	2
		CFDA 16.unknown Total		-	20,923	20,923	
US Department of Transportation / Pass-through from WA Dept. of Transportation	US Department of Justice Total	20.205	LA-5897	8,450	-	8,450	2
			LA-7712	35,890	-	35,890	2
Department of Transportation - Federal Transit Administration (FTA) / Pass-through from King County	Highway Planning and Construction		LA-7741	2,546,648	-	2,546,648	2
			LA-7875	106,928	-	106,928	2
Department of Transportation - Federal Transit Administration (FTA) / Pass-through from WA Traffic Safety Commission			LA-8221	165,839	-	165,839	2
		CFDA 20.205 Total		2,863,755	-	2,863,755	
Department of Transportation - Federal Transit Administration (FTA) / Pass-through from WA Traffic Safety Commission	Federal Transit - Formula Grants	20.507	WA-95-X005 WA-90-X363	91,202	-	91,202	2
		20.600	N/A	7,419	-	7,419	2
Department of Transportation - Federal Transit Administration (FTA) / Pass-through from WA Traffic Safety Commission	State and Community Highway Safety		09-ET-WATPA-001	23,131	-	23,131	2
		CFDA 20.600 Total		30,550	-	30,550	
Department of Transportation - Federal Transit Administration (FTA) / Pass-through from WA Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	N/A	25,657	-	25,657	2
		20.602	N/A	1,696	-	1,696	2
US Department of Energy / WA Dept. of Commerce	Occupant Protection Incentive Grants			3,012,860	-	3,012,860	
US Department of Energy / WA Dept. of Commerce	Department of Transportation Total	81.117	DE-EE00005687	23,768	-	23,768	2
				23,768	-	23,768	
US Department of Homeland Security / Pass-through from Pierce County	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	97.025	N/A	9,652	-	9,652	2
		97.042	N/A	83,878	-	83,878	2
US Department of Homeland Security / WA Military Dept.	National Urban Search & Rescue (US&R) Response System		E12-299 / EMW-2012-App-00071	48,391	-	48,391	2
		CFDA 97.042 Total		132,269	-	132,269	
US Department of Homeland Security / WA Military Dept.	Emergency Management Performance Grants (EMPG)	97.067	EMW-2011-SS-00030-S01	372,009	-	372,009	2
			FSUAS111 / 600309	47,881	-	47,881	2
US Department of Homeland Security / WA Military Dept.	Homeland Security Grant Program		2009-SS-T9-0015	9,170	-	9,170	2
			2010-SS-T9-0015	296,939	-	296,939	2
			2008-GE-T8-0038	3,938	-	3,938	2
			E11-156	6,098	-	6,098	2
		CFDA 97.067 Total		736,035	-	736,035	
US Department of Homeland Security Total				877,956	-	877,956	
Total Federal Awards Expended				4,188,846	1,051,513	5,240,359	

CITY OF BELLEVUE, WASHINGTON

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013**

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City of Bellevue's financial statements. The City of Bellevue uses the modified accrual method for governmental funds, and the full accrual for internal service and enterprise funds.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City of Bellevue's portion, are more than shown.

NOTE 3 - PROGRAM INCOME

The City of Bellevue has program income for low income home repair loans. Under this federal program, repayments to the City are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. The amount of loan funds disbursed to program participants for the year was \$174,949 and is presented in this schedule. The amount of principal and interest received in loan repayments for the year was \$218,719.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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