

**Comprehensive
Annual
Financial
Report**

For the fiscal year ended
December 31

2017

City of Bellevue, Washington

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City of Bellevue, Washington

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2017



Prepared by the Accounting Division, Finance Department

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2017
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Introductory Section



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Bellevue
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morill

Executive Director/CEO

**Certificate of Achievement
for Excellence in
Financial Reporting**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Bellevue for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2016.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA.



June 27, 2018

**Honorable Mayor and City Councilmembers
City of Bellevue
Bellevue, Washington 98009-9012**

The City of Bellevue's (the city) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2017, is hereby submitted. The responsibility for the accuracy of the data, the completeness and fairness of the presentation, and all disclosures rests with the city's management. To the best of my knowledge and belief, the enclosed data is accurate in all material respects, and is reported in a manner designed to fairly present the financial position and results of operations of the various funds and agencies of the city. All disclosures necessary to enable the reader to gain an understanding of the city's financial activities have been included.

The management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The letter of transmittal is a complement to MD&A and should be read in conjunction with it.

Profile of the Government

The City of Bellevue is a non-charter code city, operating under Section 35A of the Revised Code of Washington (RCW). The city is a Council-City Manager form of government with a seven-member City Council elected by the voters of the city. City Council members are elected at large, rather than by district, and are responsible for establishing the general guidelines and policies for the city. Each member serves a four-year term. The City Council elects the Mayor and Deputy Mayor from within its ranks. The City Council appoints the City Manager as the city's chief executive officer responsible for carrying out the policies and direction set by the City Council. This includes the enforcement of laws and ordinances, the execution of contracts and agreements, and maintenance of peace and order in the city.

The City of Bellevue provides a full range of local government services. These services include police and fire protection; emergency medical services; construction and maintenance of streets and traditional municipal infrastructure; planning and zoning; park and recreational activities; and cultural events. Certain city services, such as public safety, utility, information technology, and equipment rental and maintenance, are provided on a fee basis to other governmental agencies and neighboring taxing districts. Conversely, other government agencies provide the City of Bellevue with jail and court services through interlocal agreements. Bellevue residents receive library services from the King County Library System.

Incorporated in 1953, Bellevue is the 5th largest of 281 cities in the State of Washington. It is located on the east shore of Lake Washington. The city encompasses 33.51 square miles and is linked to established transportation corridors. It is 11 miles from Seattle and 40 miles from Tacoma with the mountains of the Cascades to the east, and Mount Rainier to the south. Bellevue is approximately three hours north of Portland, Oregon and two hours south of Vancouver, Canada.

Discrete Component Unit

The city is financially accountable for the Bellevue Convention Center Authority (BCCA), which is reported as a discrete component unit of the city. The BCCA accounts for revenues and expenses associated with the operation of Meydenbauer

Center. Meydenbauer Center is located in downtown Bellevue and contains a 49,320-square foot convention center and trade show facility, a 410-seat theater, and 434-car parking garage.

Economic Condition and Outlook

The City of Bellevue has a combination of high quality residential areas, as well as strong retail, financial, high technology, commercial, and light industrial sectors. Over the past two decades, Bellevue's business activity expanded rapidly and the city emerged as a major urban center with a growing and vibrant downtown area. Bellevue's population has grown to an estimated 140,700 (Source: Washington State Office of Financial Management), a 0.9 percent increase over 2016. City planners project that the residential population will rise significantly over the next several years, gaining more than 19,700 new residents, a growth of 14 percent, by the year 2035.

The City of Bellevue contains a diversified mix of industries, including department stores, financial institutions, technology firms, automobile dealerships, engineering firms and manufacturing. The city is headquarters for several businesses, including Puget Sound Energy, Microsoft and T-Mobile. Amazon, WeWork, and Alibaba are among the companies that opened their first spaces in Bellevue in 2017. Amazon is planning to expand its presence and REI headquarters will relocate to Bellevue as soon as 2020.

In 2018, employment is projected to grow 2.5 percent in the region (Source: King County 2017 Q4 economic indicator forecast). Employment within the city's Central Business District is expected to increase at a rapid pace with an additional 24,400 jobs, or 50 percent increase by 2035; employment within the BelRed area is also expected to grow rapidly, increasing by 13,300 jobs, or 39 percent through 2035 (Source: City of Bellevue Department of Planning and Community Development based on growth targets adopted as part of the King County Countywide Planning Policies).

The City of Bellevue's 2017 tax revenue grew 11.1 percent over 2016. Property taxes were within a half percent of budget, while Business and Occupation tax exceeded budget by 5 percent. Sales tax was 2 percent under budget, primarily due to two one-time refunds issued by the Department of Revenue. Utility taxes were over budget by 8 percent due to higher than projected utilities usage and the filing pattern change of some cell phone and telephone taxpayers. The City of Bellevue is projecting a 2.7 to 3.5 percent growth in tax revenues from 2019 through 2024.

Long-Term Financial Planning

In developing the city's biennial budget, the organization follows a number of guiding principles. Foremost is the City Council's long-term policy that quality service programs will be offered by the City of Bellevue.

Other guiding principles include:

- a focus on services that deliver outcomes important to the community and are responsive and accessible to all;
- position Bellevue to realize opportunities and enhance the city's image;
- an examination of the entire budget, not just incremental changes from the last budget;
- a commitment to innovation, efficiency and sound business practice; and
- a long-range strategic approach to an affordable and sustainable budget.

The city uses its six-year operational forecast and seven-year Capital Investment Program (CIP) Plan as long-term financial planning tools. These planning tools provide valuable information that enables city management to make decisions with greater consideration of the financial consequences.

Major Initiatives

In April 2015, the City Council approved an Amended and Restated Memorandum of Understanding (MOU) with Sound Transit, defining city contributions to a downtown Bellevue light rail tunnel and design modifications to minimize impacts of the rail line on Bellevue's neighborhoods. The MOU relates to a portion of the East Link light rail line that will run from Seattle through Bellevue to the Overlake Area of Redmond, Washington. The Bellevue segment of the East Link light rail extension spanning about 22 miles from Downtown Seattle to the city of Redmond has completed final design, obtained permits, and heavy civic construction began in 2017. Service is expected to start by 2023.

On June 9, 2017 the city closed a Transportation Infrastructure Finance and Innovation Act (TIFIA) limited tax general obligation bond with a principal amount of \$99.6 million in project proceeds and up to \$20.4 million in capitalized interest. At a closing interest rate of 2.86 percent, the low-interest tax limited general obligation bond provides more favorable terms than traditional bonds. The closing terms provided the city with a full deferral to pay debt service until 2024, two years post project substantial completion. Interest that accrues prior to the first debt service payment will be capitalized. In addition, the terms allow for a phased disbursement, with no change in interest rate. The city will draw loan disbursement in conjunction with spending. The loan can be prepaid at any time with no penalty. The city is required under the loan terms to provide quarterly reports, including updated financial plans, construction project updates, and compliance. TIFIA requires a 66 percent city match, which has been fully programmed into the existing CIP Plan. The bond will mature in either December of 2056 or 35 years post substantial completion, whichever is earlier.

Financial Management and Controls

City of Bellevue management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the city are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the evaluation of the relative costs and benefits of the control system requires estimates and judgments by management.

Budget Process Summary

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 city continues to focus on providing priority government programs, high quality services, and capital investments. During the 2017-2018 budget process, the city employed the Budgeting for Outcomes methodology. The Budget for Outcomes process strives to deliver outcomes that are important to the community and reflects the values and priorities recognized by the City Council and City Management. The Outcomes identified by the City Council as community-wide priorities include: (1) Safe Community, (2) Improved Mobility and Connectivity, (3) Quality Neighborhoods/Innovative, Vibrant, and Caring Community, (4) Healthy and Sustainable Environment, (5) Economic Growth and Competitiveness, and (6) Responsive Government.

Budgetary Controls

The City of Bellevue maintains budgetary controls in accordance with RCW 35A.34. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the budget appropriations established by the City Council. Activities of the General Fund and all special revenue funds except the Operating Grants, Donations, and Special Reserves Fund, and Housing Fund (project-length type funds) are included in the biennially appropriated operating budget as listed in the table below. Project-length financial plans are adopted for the remaining special revenue funds, proprietary funds, and capital projects funds.

Biennially Budgeted Governmental Funds:

- General Fund
 - Separately appropriated funds, reported in the General Fund per GASB Statement 54:
 - Human Services Fund
 - Land Purchase Revolving Fund
 - Parks Fees Fund
- LEOFF1 Medical Reserve Fund
- Park Maintenance & Operations Fund
- Solid Waste Fund
- Hotel/Motel Tax Fund
- Development Services Fund

As demonstrated by the statements and schedules included in the financial section of this report, the city continues to meet its responsibility for sound financial management.

Other Information

Independent Audit

Washington State law requires an annual audit of the city's financial records and transactions by the Washington State Auditor, an independent elected State official. The audit of the city has now been completed and was performed in conformance with generally accepted auditing standards. The financial statements of all city funds and agencies have been included in this audit. The city has been given an unmodified opinion for 2017. Please see the Auditor's Opinion at the beginning of the Financial Section of this report.

Awards

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Bellevue for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2016. The city has earned this prestigious award for 37 out of 41 CAFR submissions. This was the 34th consecutive annual award. A government must publish an easily readable and efficiently organized comprehensive annual financial report to be awarded a Certificate of Achievement. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting the 2017 Comprehensive Annual Financial Report to the GFOA to determine its eligibility for the certificate.

The GFOA has also awarded the Distinguished Budget Presentation Award to the City of Bellevue Washington for its 2017-2018 biennial budget document for the 21st consecutive year/biennium. The GFOA gives this award to those governments whose budget document meets the GFOA's criteria as an effective policy document, operations guide, financial plan, and communication device.

Acknowledgements

Preparation of this report could not have been accomplished without the professional, efficient, and dedicated services of Finance Department staff and other employees throughout the city who assisted in and contributed to its preparation. A special note of thanks is given to Diane McPherson, Accounting and Treasury Manager, Michael Chandler, Accounting and Treasury Assistant Manager, Abigail Richardson, Senior Financial Analyst, Peter Jenson, Senior Financial Analyst, and Nicole Mason, Financial Analyst, who served as the main CAFR preparers and coordinators. Further appreciation is extended to the City Council and City Management for their encouragement, interest, and support in conducting the financial operations of the City in a sound and progressive manner. Finally, thank you to the Washington State Auditor's Office for their professional assistance during the year.

Respectfully submitted,

Toni Call
Finance Director

**City Officials and Administrative Staff
As of December 31, 2017**

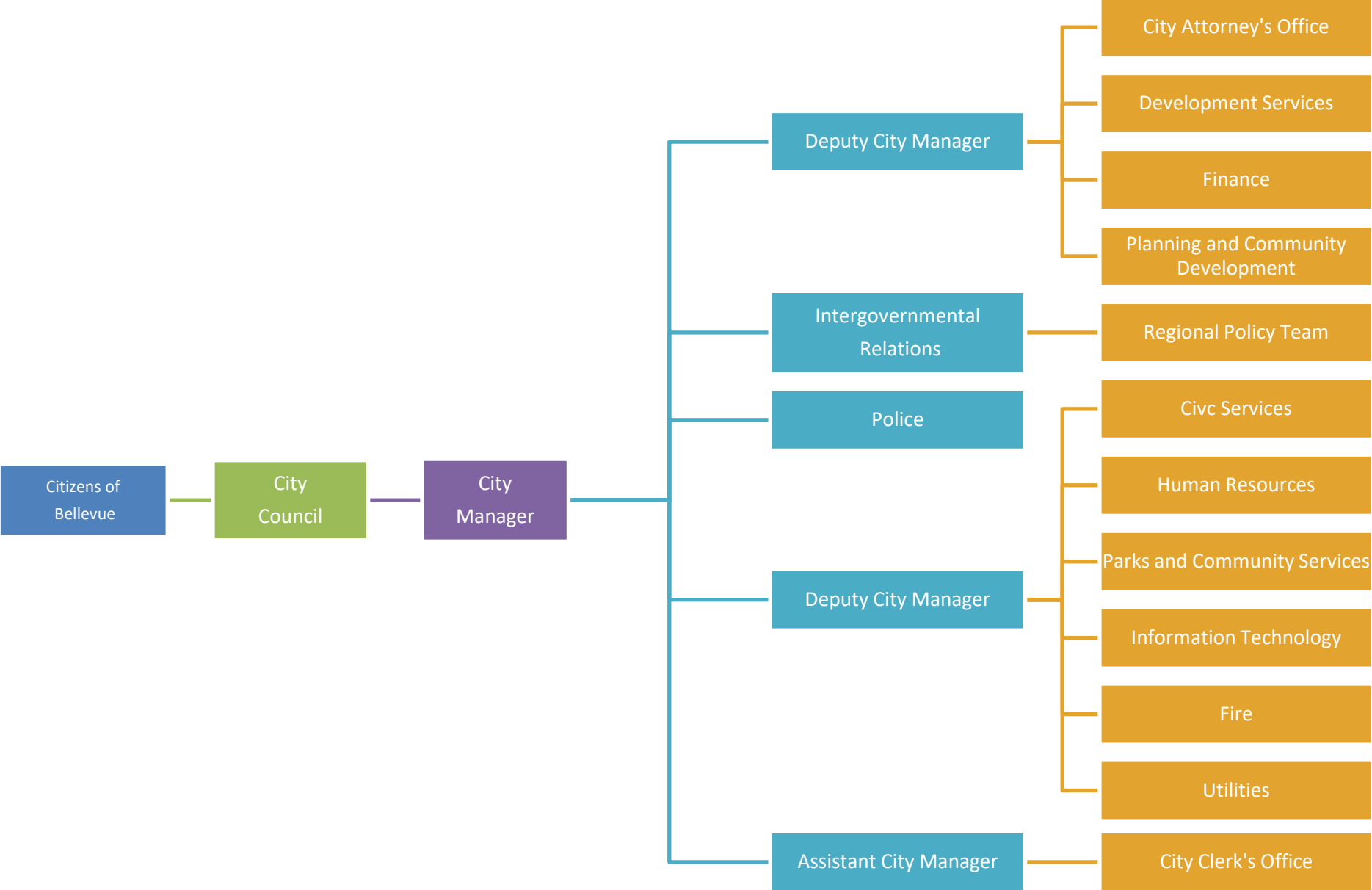
ELECTED CITY COUNCIL

Mayor	John Stokes
Deputy Mayor	John Chelminiak
Councilmembers	Conrad Lee Jennifer Robertson Lynne Robinson Kevin Wallace Janice Zahn

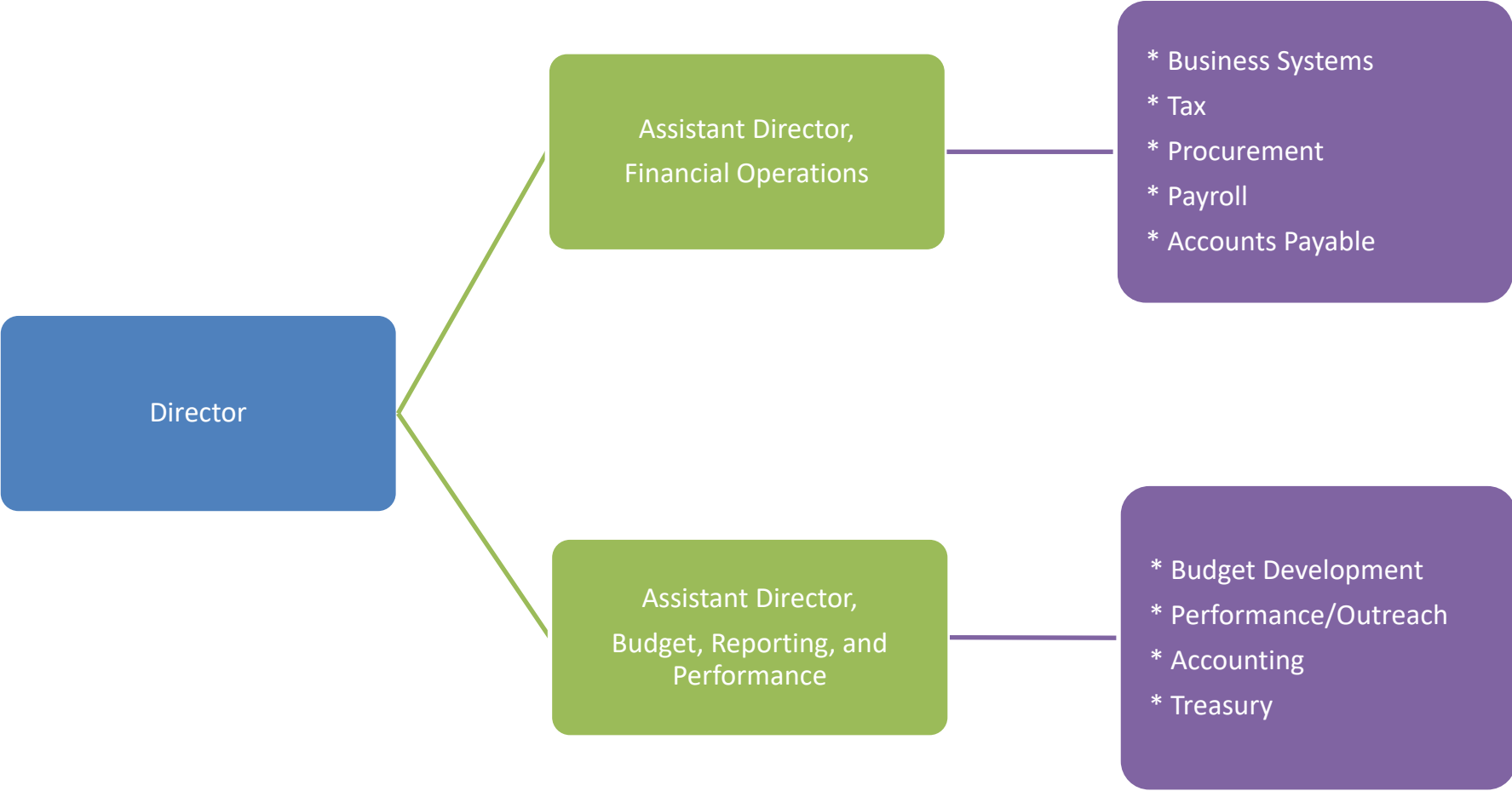
APPOINTED ADMINISTRATIVE STAFF

City Manager	Brad Miyake
Deputy City Managers	Mary Kate Berens Nathan McCommon
Director of Intergovernmental Relations.....	Joyce Nichols
City Attorney.....	Lori Riordan
City Clerk	Kyle Stannert
Civic Services Director	Nora Johnson
Development Services Director	Mike Brennan
Finance Director	Toni Call
Fire Chief (Interim).....	Todd Dickerboom
Human Resources Director	Joy St. Germain
Chief Information Officer, Information Technology	Sabra Schneider
Parks & Community Services Director	Patrick Foran
Planning & Community Development Director	Mac Cummins
Police Chief	Steve Mylett
Transportation Director	Dave Berg
Utilities Director	Nav Otal

City Hierarchical Organization Chart



Finance Department Organization Chart



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Financial Section

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Independent Auditor's Report

Independent Auditor's Report

Independent Auditor's Report

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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, 2017. 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's economy is strong with tax revenues increasing \$24.5 million and the assessed property values increasing 11.1 percent from 2016.

In April 2017, the City Council adopted an ordinance authorizing a \$99.6 million Transportation Infrastructure Finance and Innovation Act (TIFIA) loan to assist with the creation of the BelRed Street Network—a total of 12 multimodal roadways planned to support the new BelRed neighborhood in the heart of the city. The United States Department of Transportation and the city finalized the loan agreement on June 9, 2017. The loan's interest rate is 2.86 percent and repayment of principal draws and interest will be over a 35-year period following substantial completion of road projects, but no later than 2056.

The BelRed Street Network projects will provide:

- Nearly ten new lane-miles of roadway
- 25,000 linear feet of sidewalk
- 21,000 linear feet of bike lane
- More than 5.5 acres of water quality treatment facilities
- Approximately 90 new and upgraded curb ramps, and approximately 90 other pedestrian access improvements, compliant with the Americans with Disabilities Act (ADA).

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 like 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, 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 separate columns 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.

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):

- Schedule of Changes in the City's Net Pension Liability and Related Ratios- Firefighters' Pension Fund
- Schedule of Contributions- Firefighters' Pension Fund
- Schedule of Investment Returns- Firefighters' Pension Fund
- Schedule of the City's Proportionate Share of Net Pension Liability
- Schedule of City's Contributions
- Schedule of Funding Progress- Other Postemployment Benefits
- Schedule of Contributions from the Employer & Other Contributing Entities – Other Postemployment Benefits
- Schedule of Modified Approach for Reporting Infrastructure Assets
- Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actuals

Combining Statements

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

Statistical Section

This section includes unaudited trend information and demographics.

Government-Wide Financial Analysis

Net position of the city as of December 31, 2017 and December 31, 2016, is summarized in the following table:

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
	(in thousands)					
Current and other assets	\$ 248,879	222,442	\$ 262,324	\$ 236,096	\$ 511,203	\$ 458,538
Capital assets, net	1,894,446	1,849,601	356,049	337,038	2,250,495	2,186,640
Total assets	2,143,325	2,072,043	618,373	573,134	2,761,698	2,645,177
Deferred outflows	19,550	26,892	1,402	2,507	20,952	29,400
Total deferred outflows	19,550	26,892	1,402	2,507	20,952	29,400
Total assets and deferred outflows	2,162,875	2,098,935	619,775	575,642	2,782,650	2,674,577
Long-term liabilities	370,607	394,397	9,439	15,778	380,046	410,175
Other liabilities	32,825	32,499	5,242	6,940	38,067	39,440
Total liabilities	403,432	426,896	14,681	22,719	418,113	449,615
Deferred inflows	14,645	2,395	1,787	386	16,432	2,782
Total deferred inflows	14,645	2,395	1,787	386	16,432	2,782
Total liabilities & deferred inflows	418,077	429,292	16,468	23,105	434,545	452,397
Net investment in capital assets	1,626,502	1,605,104	353,414	336,121	1,979,916	1,941,225
Restricted	112,522	101,621	804	800	113,326	102,421
Unrestricted	5,774	(37,081)	249,089	215,615	254,863	178,534
Total net position	\$1,744,798	\$1,669,644	\$ 603,307	\$ 552,537	\$2,348,105	\$2,222,180

Governmental Activities

Total net position for the city increased by \$125.9 million, governmental activities net position increased \$75.2 million. Of total governmental activities net position, \$59.9 million is restricted for CIP projects, \$12.0 million for permit review and inspections, \$26.4 million for net pension asset, and the remaining restricted covers a variety of purposes. The city has made all required contributions to the pension plans.

Factors contributing to the changes in net position include:

- Accounts receivable decreased \$10.1 million, of which \$8.6 million was a one-time revenue receivable in 2016. Unrestricted cash and equity in pooled investments increased \$7.7 million, partly due to the receipt of the receivable in 2017.
- Due from other governments increased \$8.5 million. Intergovernmental revenue related to light rail construction accounted for \$3.4 million and another \$4.5 million was related to the timing of revenues for fire department interlocal service agreements.
- Restricted cash for debt service increased \$6.5 million due to debt service requirements on \$100 million debt issued in 2015.
- Capital assets increased \$44.8 million, the result of major transportation projects completed and underway, notably, corridor preparation for regional light rail through Bellevue.
- Liabilities due in more than one year decreased \$10.9 million, which was the result of debt service payments on existing debt.
- The city's net pension liability decreased \$13.9 million and deferred inflows for pensions increased \$13.2 million. The city participates in the State of Washington Department of Revenue pension plans, and makes all required annual contributions. These state pension plans are well funded compared to other states across the nation. The state's fiduciary net position as a percentage of total pension liability ranges from 61.24 percent to 90.97 percent for PERS plans and 113.36 percent to 135.96 percent for LEOFF plans.

City of Bellevue, Washington

Business-Type Activities

Business-type activities of the city’s utilities and marina increased the City of Bellevue’s net position by \$50.8 million in 2017. Of total net position, \$0.6 million is restricted for Marina debt and utility customer deposits, and \$225.1 million of the \$249.1 million in unrestricted net position is reserved by city policy for future infrastructure replacement. Contributing factors of the increase in net position were:

- Cash increased \$25.6 million as a result of the city’s effort to build reserves for future utility infrastructure replacement according to the utility’s 75-year plan.
- Capital assets increased \$19.0 million, highlights of which are:
 - Lower Coal Creek flood hazard reduction - \$2.2 million
 - Meydenbauer Bay Park sewer line replacement - \$3.5 million
 - Sewer system pipeline replacement - \$1.9 million
 - Asbestos cement water main replacement - \$7.2 million
- Net pension liability decreased \$5.8 million.

Changes in Net Position

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	
	2017	2016	2017	2016	2017	2016
	(in thousands)					
Revenues:						
Program revenues:						
Charges for services	\$ 69,902	\$ 68,070	\$ 147,362	\$ 140,111	\$ 217,265	\$ 208,180
Operating grants & contributions	7,542	8,043	-	-	7,542	8,043
Capital grants & contributions	20,027	9,811	6,617	6,068	26,644	15,880
General revenues:						
Property taxes	55,907	41,304	-	-	55,907	41,304
Sales taxes	72,981	69,686	-	-	72,981	69,686
Other taxes	108,016	101,415	-	-	108,016	101,415
Investment interest	2,098	1,622	2,857	2,099	4,955	3,721
Miscellaneous	3,829	1,954	2,995	1,361	6,824	3,315
Total revenues	340,302	301,904	159,832	149,639	500,134	451,543
Expenses:						
General government	27,174	39,840	-	-	27,174	39,840
Public safety	94,620	90,827	-	-	94,620	90,827
Physical environment	1,361	1,509	-	-	1,361	1,509
Transportation	43,071	36,729	-	-	43,071	36,729
Economic environment	31,821	32,573	-	-	31,821	32,573
Health and human services	7,492	6,766	-	-	7,492	6,766
Culture and recreation	47,522	39,356	-	-	47,522	39,356
Unallocated interest on long-term debt	11,686	12,010	-	-	11,686	12,010
Water utility	-	-	45,722	48,299	45,722	48,299
Sewer utility	-	-	47,913	49,470	47,913	49,470
Storm & surface water utility	-	-	15,020	14,413	15,020	14,413
Marina	-	-	349	216	349	216
Total expenses	264,745	259,610	109,004	112,398	373,750	372,007
Excess (deficiency) before transfers	75,556	42,295	50,828	37,242	126,384	79,536
Transfers	48	(60)	(48)	60	-	-
Increase (decrease) in net position	75,605	42,235	50,780	37,301	126,385	79,536
Net position - beginning	1,669,644	1,627,408	552,537	548,500	2,222,180	2,175,909
Prior period adjustment	(451)	-	(10)	(33,265)	(461)	(33,265)
Net position - ending	\$1,744,798	\$1,669,644	\$ 603,307	\$ 552,537	\$2,348,105	\$2,222,180

Governmental Activities

Net position of Governmental activities increased \$75.2 million.

Total revenues increased \$38.4 million, contributing to the net position increase for governmental activities, the highlights of which are:

Program revenues – charges for services

- Transportation increased \$2.8 million due to a WSDOT intergovernmental agreement.
- Economic environment decreased \$1.9 million, as a result of an accrual for unearned revenue for permit review and inspections that were not complete by December 31, 2017.

Program revenues –grants and contributions

- Transportation capital grants and contributions increased due to a one-time contribution related to the construction of light rail through Bellevue.
- Culture and recreation capital grants and contributions increased \$3.2 million, \$3.1 million was for grants and contributions for the new downtown park Inspiration Playground.

General revenues

- Property tax increased \$14.6 million, due to the introduction of two voted-special levies, one for Fire and one for Transportation.
- Sales and other taxes increased \$3.3 million and \$6.6 million respectively, the result of a growing economy.

Total expenses increased \$5.1 million, highlights of programmatic changes are:

- General government decreased \$12.7 million, interfund services accounted for \$2.2 million and \$5.4 million is related to a reduction of the net pension liability.
- Public safety increased \$3.8 million, of which \$3.3 is related to personnel costs and another \$1.2 million was related to interfund charges.
- Transportation increased \$6.3 million. Personnel costs accounted for \$1.3 million and \$5.2 million was for overlay construction and other contracts.

Business-Type Activities

Business-type activities net position increased by \$50.7 million for utilities and marina activities in 2017. Individual changes in revenues and expenses were not significant. Most of the increase in net position was the result of reserve collections according to the utilities 75-year capital replacement plan. Reserve collections allocate the costs to current customers and reduce reliance on debt in future years.

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 \$48.6 million is an increase of \$8.0 million from 2016. Tax revenues increased \$8.6 million, representative of a strong regional economy.

The Development Services Fund ending fund balance increased \$1.4 million from 2016 ending of \$13.6 million. There has been steady growth in development activities which has increased the review and inspection work required to meet demand.

The General Capital Investment Program Fund has an ending fund balance of \$69.5 million. This represents an increase of \$0.4 million. Revenues increased overall \$20.7 million due to an increase in taxes and intergovernmental revenues. Major projects in this fund included the Inspiration Playground in the downtown park and major roadway construction.

Business-Type Funds

The proprietary fund statements report on an economic resources basis and provide similar 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 and Surface Water Utility net position increased \$11.6 million and unrestricted net position increased from 2016 by \$9.6 million in an effort to build reserves for future infrastructure replacement.

The Water Utility net position increased \$21.1 million. Unrestricted net position increased \$10.6 million, partly due to reserve increases for future infrastructure replacement.

The Sewer Utility net position increased \$17.8 million over 2016. Unrestricted net position increased \$13.2 million due to reserve increases for future infrastructure replacement.

Capital Asset Activity

The City of Bellevue’s investment in capital assets for the end of 2017 was \$2.3 billion, net of depreciation, which was an increase of \$63.9 million from the previous year. The following table shows the balances by category for governmental activities, business activities, and the city as a whole.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	(in thousands)					
Land	\$ 848,833	\$ 839,747	\$ 24,989	\$ 24,989	\$ 873,822	\$ 864,736
Buildings	150,248	156,331	14,661	16,231	164,909	172,562
Improvements other than buildings	34,831	20,567	-	-	34,831	20,567
Machinery and equipment	23,451	19,333	4,890	5,124	28,341	24,457
Leasehold improvements	2,891	3,304	-	-	2,891	3,304
Infrastructure	803,426	766,944	257,331	252,577	1,060,757	1,019,521
Intangible assets	634	1,140	56	60	690	1,200
Construction in progress	30,135	42,236	54,122	38,057	84,257	80,293
Total	<u>\$1,894,448</u>	<u>\$1,849,602</u>	<u>\$ 356,049</u>	<u>\$ 337,038</u>	<u>\$2,250,497</u>	<u>\$2,186,639</u>

Governmental Activities

Capital assets from governmental activities increased \$44.8 million. Key elements of this change are as follows:

- Land increased \$9.1 million mainly due to the development of East Link light rail
- Roadway infrastructure expansion and improvements of \$34.2 million
- Traffic control system replacements of \$4.8 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 used 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:

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

City of Bellevue, Washington

The average condition and satisfaction ratings have not changed significantly over the previous year. 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

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. The net increase of \$19.0 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:

- Lower Coal Creek flood hazard reduction - \$2.2 million
- Meydenbauer Bay Park sewer line replacement - \$3.5 million
- Sewer system pipeline replacement - \$1.9 million
- Asbestos cement water main replacement - \$7.2 million

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 \$291.6 million in debt outstanding, which is a decrease of \$11.7 million. The outstanding debt is \$291.1 million and \$0.5 million for governmental activities and business-type activities, respectively. The proceeds of debt are used to fund capital projects.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	(in thousands)					
General obligation bonds	\$ 290,768	\$ 301,894	\$ 477	\$ 965	\$ 291,245	\$ 302,859
Other long-term debt	358	398	-	-	358	398
Total	<u>\$ 291,126</u>	<u>\$ 302,292</u>	<u>\$ 477</u>	<u>\$ 965</u>	<u>\$ 291,603</u>	<u>\$ 303,257</u>

Governmental Activities

Over the past five years, the city issued GO Bonds of \$267.4 million, which included \$11.1 million for the refunding of earlier bond issues and \$7.6 million for BCCA capital projects. The remainder is to fund capital projects. Of the bonded debt outstanding at December 31, 2017, \$9.8 million is due within one year.

Business-type Activities

The Utility funds do not have outstanding debt and are building reserves to pay for repair and replacement of infrastructure assets, in lieu of issuing new debt. Principal reductions for the Marina Fund amounted to \$0.5 million. Of the bonded debt outstanding, at December 31, 2017, \$0.5 million is due within one year.

Debt Capacity

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 2017 was \$44.4 billion and the total amount of additional debt the city may issue is \$3.4 billion. Remaining debt capacity is categorized as follows (in thousands):

General debt	\$ 934,383
Open space/Parks facilities	1,234,258
Utilities	1,234,258
Total	<u>\$3,402,899</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 2017 are:

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

In April 2017, Standard and Poor's and Moody's both affirmed the AAA rating for the Unlimited Tax General Obligation. 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 2017-2018 budget was adopted in December 2016 by the City Council. The Operating and Capital Budgets include the resources needed to maintain current operations, build new key infrastructure, add carefully targeted investments, and address the City Council's priorities. The budget is based on City Council's vision to be "the city where you want to be."

Highlights for the 2017-2018 budget include balancing and maintaining current operations; projecting modest growth in the total operating budget of 7.9 percent for the biennium and funding Council priorities. In addition, the city plans to:

- Increase funding for economic development;
- Continue construction of the East Link light rail corridor;
- Explore implementation of the Grand Connection; and
- Complete Phase I of Meydenbauer Park and Downtown Park Circle.

In addition to current projects, the city is planning for the future by continually growing city reserves.

The adopted budget provides adequate funding for police, fire, parks, and transportation services while seeking opportunities for efficiencies and cost savings in all departments. The city continues to fund essential services for those residents who are most in need and assist the city's non-governmental organization partners in providing social and health services, education, and food assistance 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.

Basic Financial Statements

Statement of Net Position
As of December 31, 2017
(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	\$ 97,823	\$ 242,253	\$ 340,076	\$ 10,569
Receivables (net of allowances):				
Taxes	32,240	-	32,240	-
Accounts	5,876	18,719	24,595	485
Assessments	7	-	7	-
Interest	602	869	1,472	-
Due from other governments	12,536	-	12,536	1,930
Other	4	15	18	37
Internal balances	1,125	(1,125)	-	-
Inventory	746	605	1,351	90
Prepays	522	-	522	243
Restricted cash & equity in pooled investments:				
For debt service	8,059	460	8,519	4,486
For capital projects	59,928	218	60,147	-
For customer deposits	-	222	222	964
Noncurrent assets:				
Net pension asset	26,440	-	26,440	-
Noncurrent receivables	2,971	87	3,058	-
Capital assets:				
Land	848,833	24,989	873,822	-
Depreciable capital assets (net)	212,055	19,607	231,661	35,384
Depreciable infrastructure (net)	34,247	257,331	291,578	-
Nondepreciable infrastructure	769,178	-	769,178	-
Construction in progress	30,135	54,122	84,256	1,079
Total assets	2,143,325	618,373	2,761,698	55,268
Deferred outflows of resources:				
Loss on debt refunding	10,323	7	10,330	-
For pensions	9,227	1,395	10,622	-
Total deferred outflows	19,550	1,402	20,952	-
Total assets and deferred outflows	2,162,875	619,775	2,782,650	55,268

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

Statement of Net Position
As of December 31, 2017
(in thousands)

Page 2 of 2

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Bellevue Convention Center Authority
Liabilities:				
Accounts payable	\$ 7,026	\$ 3,886	\$ 10,913	\$ 243
Retainage payable	-	-	-	24
Accrued payroll	6,829	887	7,716	224
Other accrued liabilities	1,701	28	1,728	101
Deposits payable	2,211	-	2,211	-
Unearned revenue	8,618	-	8,618	-
Other current liabilities	14	-	14	-
Accrued bond interest payable	1,106	-	1,106	6,099
Liabilities payable from restricted assets:				
Customer deposits	359	222	580	847
Accounts payable	4,902	-	4,902	-
Retainage payable	61	218	280	-
Noncurrent liabilities:				
Due within one year	17,505	791	18,296	1,217
Due in more than one year	292,292	791	293,083	43,251
Net pension liability	51,234	7,857	59,091	-
Other post employment benefits	9,576	-	9,576	-
Total liabilities	403,432	14,681	418,113	52,007
Deferred inflows of resources:				
For debt	-	-	-	2
For pensions	14,645	1,787	16,432	-
Total deferred inflows	14,645	1,787	16,432	2
Total liabilities and deferred inflows	418,077	16,468	434,545	52,009
Net position:				
Net investment in capital assets	1,626,502	353,414	1,979,916	27,543
Restricted for:				
Debt service	110	364	474	3,860
Capital projects	59,928	218	60,147	-
General government	513	-	513	-
Public safety	648	-	648	-
Physical environment	595	-	595	-
Economic environment	12,210	-	12,210	-
Health and human services	5,307	-	5,307	-
Culture and recreation	6,769	-	6,769	-
Net pension asset	26,440	-	26,440	-
Customer deposits	-	222	222	-
Unrestricted	5,774	249,089	254,863	(28,145)
Total net position	\$ 1,744,798	\$ 603,307	\$ 2,348,105	\$ 3,259

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

City of Bellevue, Washington

Statement of Activities
For the Year Ended December 31, 2017
(in thousands)

Page 1 of 2

Functions/Programs	Program Revenues				Net Expense, Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	Bellevue Convention Center Authority
Primary government:								
Governmental activities:								
General government	\$ 27,174	\$ 3,449	\$ 16	\$ 20	\$ (23,689)	\$ -	\$ (23,689)	\$ -
Public safety	94,620	22,668	2,835	2	(69,115)	-	(69,115)	-
Physical environment	1,361	708	606	-	(48)	-	(48)	-
Transportation	43,071	11,361	2,103	15,643	(13,964)	-	(13,964)	-
Economic environment	31,821	17,444	33	-	(14,343)	-	(14,343)	-
Health and human services	7,492	3,015	806	693	(2,978)	-	(2,978)	-
Culture and recreation	47,522	11,258	1,143	3,669	(31,453)	-	(31,453)	-
Interest on long-term debt	11,686	-	-	-	(11,686)	-	(11,686)	-
Total governmental activities	<u>264,745</u>	<u>69,902</u>	<u>7,542</u>	<u>20,027</u>	<u>(167,274)</u>	<u>-</u>	<u>(167,274)</u>	<u>-</u>
Business-type activities:								
Water utility	45,722	61,622	-	2,920	-	18,820	18,820	-
Sewer utility	47,913	61,758	-	1,113	-	14,958	14,958	-
Storm and surface water utility	15,020	23,376	-	2,584	-	10,940	10,940	-
Marina	349	606	-	-	-	257	257	-
Total business-type activities	<u>109,004</u>	<u>147,362</u>	<u>-</u>	<u>6,617</u>	<u>-</u>	<u>44,975</u>	<u>44,975</u>	<u>-</u>
Total primary government	<u>\$ 373,750</u>	<u>\$ 217,265</u>	<u>\$ 7,542</u>	<u>\$ 26,644</u>	<u>\$ (167,274)</u>	<u>\$ 44,975</u>	<u>\$ (122,299)</u>	<u>\$ -</u>
Component units:								
Bellevue Convention Center Authority	16,006	19,901	-	-	-	-	-	3,894
Total component unit	<u>\$ 16,006</u>	<u>\$ 19,901</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,894</u>

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

City of Bellevue, Washington

Statement of Activities
For the Year Ended December 31, 2017
(in thousands)

	Net Expense, Revenue and Changes in Net Position			
	Primary Government			Component Unit
	Governmental	Business-	Total	Bellevue
Activities	type	Convention		
		Activities		Center Authority
General revenues:				
Property tax	\$ 55,907	\$ -	\$ 55,907	\$ -
Retail sales and use tax	72,981	-	72,981	-
Utility tax	29,386	-	29,386	-
Business and occupation tax	43,530	-	43,530	-
Excise taxes	21,350	-	21,350	-
Hotel/Motel tax	11,780	-	11,780	-
Other taxes	1,969	-	1,969	-
Payments from component unit	9	-	9	-
Grants & contributions - unrestricted	2,746	-	2,746	-
Unrestricted investment interest	2,098	2,857	4,955	124
Gain (loss) in change of fair value	(490)	(707)	(1,196)	-
Miscellaneous	572	3,658	4,230	-
Gain on sale of capital assets	991	44	1,035	(6)
Transfers	48	(48)	-	-
Total general revenues and transfers	242,879	5,804	248,684	118
Change in net position	75,605	50,780	126,385	4,012
Net position at beginning of year	1,669,644	552,537	2,222,180	(753)
Prior period adjustment	(451)	(10)	(461)	-
Net position at end of year	\$ 1,744,798	\$ 603,307	\$2,348,105	\$ 3,259

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

Balance Sheet
Governmental Funds
As of December 31, 2017
(in thousands)

City of Bellevue, Washington

	General Fund	Development Services	General CIP	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash & equity in pooled investments	\$ 31,284	\$ 23,531	\$ 56,856	\$ 19,994	\$ 131,664
Receivables (net of allowances):					
Taxes	22,802	-	7,827	1,612	32,240
Accounts	1,899	12	3,701	142	5,754
Current assessments	-	-	-	7	7
Interest & penalties on assessments	-	-	-	1	1
Interest	119	85	203	72	480
Due from other funds	1,175	-	-	-	1,175
Due from other governments	4,520	-	6,437	1,163	12,120
Prepays	522	-	-	-	522
Notes/contracts receivable	16	-	-	-	16
Housing rehabilitation loans receivable	-	-	-	2,955	2,955
Special assessments receivable	-	-	-	20	20
Total assets	62,337	23,627	75,023	25,966	186,954
Liabilities:					
Accounts payable	5,472	138	4,902	262	10,773
Retainage payable	6	-	42	-	48
Due to other funds	45	-	-	-	45
Due to component unit	-	-	-	1,303	1,303
Due to other governments	88	-	-	-	88
Accrued payroll	5,580	565	14	42	6,202
Accrued taxes	304	-	-	-	304
Deposits payable	1,536	1,029	-	1	2,566
Other current liabilities	13	-	1	-	14
Unearned Revenue	-	8,292	-	-	8,292
Total liabilities	13,044	10,024	4,958	1,609	29,635
Deferred inflows:					
For grants	-	-	-	688	688
For taxes	317	-	136	-	453
For debt	-	-	-	28	28
For other	379	-	413	-	792
Total deferred inflows	696	-	549	716	1,960
Total liabilities and deferred inflows	13,740	10,024	5,507	2,325	31,595
Fund balance:					
Nonspendable	522	-	-	-	522
Restricted	566	11,976	59,928	13,611	86,082
Committed	-	-	2,267	-	2,267
Assigned	2,773	1,627	7,321	10,031	21,752
Unassigned	44,735	-	-	-	44,735
Total fund balance	48,597	13,603	69,516	23,642	155,358

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
As of December 31, 2017
(in thousands)**

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

Total governmental fund balances		\$	155,358
Capital assets used in governmental activities are not financial resources and These assets consist of:			
Land	848,833		
Depreciable capital assets	327,331		
Depreciable infrastructure	189,861		
Construction in progress	30,135		
Non-depreciable infrastructure	769,178		
Accumulated depreciation	<u>(292,057)</u>		
Total capital assets			1,873,281
Material inventory			190
Net pension assets (NPA) is reported as an asset in the governmental activities and is not considered to represent a financial asset, therefore it is not reported in the governmental funds balance sheet:			
Net Pension Asset			26,440
Deferred outflows			
Loss on debt refunding	10,323		
For pensions	<u>8,079</u>		
Total deferred outflows			18,403
Unearned revenue for future facilities bookings			1,153
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	(290,768)		
Notes payable	(359)		
Accrued bond interest payable	(1,106)		
Net pension liabilities	(43,918)		
Compensated absences	(10,503)		
OPEB obligation payable	(9,576)		
Pollution remediation liability	<u>(203)</u>		
Total long-term liabilities			(356,433)
Deferred inflow of resources:			
For property tax	453		
For debt	28		
For pensions	<u>(13,249)</u>		
Total deferred inflows of resources			(12,768)
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>39,174</u>
Net position of governmental activities		\$	<u><u>1,744,798</u></u>

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017
(in thousands)

	General Fund	Development Services	General CIP	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes and special assessments	\$ 155,088	\$ -	\$ 69,479	\$ 12,388	\$ 236,955
Licenses and permits	318	9,651	-	-	9,969
Intergovernmental	21,345	-	24,671	2,595	48,611
Service charges and fees	14,319	12,676	1,627	770	29,393
Fines and forfeitures	2,012	2	-	-	2,014
Interest and penalties	408	289	724	280	1,701
Net change in fair value of investments	(97)	(69)	(165)	(59)	(390)
Rent	4,728	-	169	-	4,896
Premiums/contributions	12	-	3,038	1,139	4,189
Other	266	-	2	686	954
Total revenues	198,399	22,548	99,545	17,801	338,293
Expenditures:					
Current:					
General government	18,215	-	275	9,782	28,273
Public safety	91,315	-	603	3,559	95,476
Physical environment	166	-	-	1,225	1,391
Transportation	26,192	-	7,890	250	34,332
Economic environment	10,415	24,743	1,427	251	36,836
Health and human services	6,162	-	-	1,280	7,442
Culture and recreation	33,029	-	3,240	287	36,558
Debt service:				-	
Principal	-	-	40	9,502	9,542
Interest and fiscal charges	-	-	283	12,521	12,804
Capital outlay:					
General government	490	-	110	-	600
Public safety	31	-	1,420	45	1,497
Transportation	-	-	43,023	-	43,023
Culture and recreation	18	-	21,208	-	21,226
Total expenditures	186,033	24,743	79,518	38,703	329,000
Excess (deficiency) of revenues over (under) expenditures	12,366	(2,194)	20,027	(20,903)	9,293
Other financing sources (uses):					
Transfers in	574	4,112	296	21,879	26,861
Transfers out	(5,584)	(485)	(19,922)	(2,042)	(28,033)
Sale of capital assets	730	-	1	-	731
Total other financing sources and uses	(4,280)	3,627	(19,625)	19,837	(440)
Net change in fund balance	8,086	1,432	402	(1,065)	8,853
Fund balance at beginning of year	40,511	12,170	69,114	24,710	146,506
Fund balance at end of year	\$ 48,597	\$ 13,603	\$ 69,516	\$ 23,642	\$ 155,358

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
As of December 31, 2017
(in thousands)**

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

Net change in fund balances - total governmental funds	\$	8,853
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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	61,987	
Current year depreciation	<u>(16,594)</u>	
Total capital outlay expenditures		45,393

Change in net pension asset		33
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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	(26)	
Grant revenues	553	
Contributions	<u>2</u>	
Total revenues		529

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 amount is comprised of:

Long-term debt repayments	9,549	
Amortization of bond premium	2,732	
Gain/loss on bond refunding	<u>(539)</u>	
Total debt proceeds and repayments		11,742

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:

Accrued interest expense	33	
Pollution remediation obligation	65	
Net pension liability	6,827	
Amortization of net OPEB obligation	(462)	
Accrued compensated absence expense	(285)	
Inventory adjustment	<u>23</u>	
Total other long-term liabilities		6,201

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	\$	<u>75,605</u>
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Statement of Fund Net Position
Proprietary Funds
As of December 31, 2017
(in thousands)

Page 1 of 4

	<u>Storm & Surface Water Utility</u>	<u>Water Utility</u>	<u>Sewer Utility</u>
Assets:			
Current assets:			
Cash & equity in pooled investments	\$ 73,473	\$ 84,070	\$ 84,806
Receivables (net of allowances):			
Accounts	3,359	4,259	11,097
Interest	264	302	303
Other	-	-	-
Notes/contracts receivable	-	-	15
Due from other funds	-	51	-
Due from other governments	-	-	-
Inventory	85	415	105
Restricted cash & equity in pooled investments:			
Revenue bonds	-	-	-
Capital projects	4	214	-
Customer deposits	1	175	45
Total current assets	<u>77,186</u>	<u>89,486</u>	<u>96,372</u>
Noncurrent assets:			
Notes/contracts receivable	-	4	83
Capital Assets:			
Capital assets (net)	<u>85,031</u>	<u>151,510</u>	<u>109,806</u>
Total noncurrent assets	<u>85,031</u>	<u>151,514</u>	<u>109,889</u>
Total assets	<u>162,217</u>	<u>241,000</u>	<u>206,261</u>
Deferred outflow of resources:			
For debt	-	-	-
For pensions	554	477	365
Total deferred outflows	<u>554</u>	<u>477</u>	<u>365</u>
Total assets and deferred outflows	<u>162,771</u>	<u>241,477</u>	<u>206,626</u>

Statement of Fund Net Position
Proprietary Funds
As of December 31, 2017
(in thousands)

Page 2 of 4

	Nonmajor Enterprise Fund - Marina	Total	Governmental Activities - Internal Service Funds
Assets:			
Current assets:			
Cash & equity in pooled investments	\$ -	\$ 242,349	\$ 34,030
Receivables (net of allowances):			
Accounts	4	18,719	122
Interest	1	869	123
Other	-	-	4
Notes/contracts receivable	-	15	-
Due from other funds	-	51	-
Due from other governments	-	-	416
Inventory	-	605	556
Restricted cash & equity in pooled investments:			
Revenue bonds	364	364	-
Capital projects	-	218	-
Customer deposits	-	222	-
Total current assets	369	263,412	35,251
Noncurrent assets:			
Notes/contracts receivable	-	87	-
Capital Assets:			
Capital assets (net)	9,701	356,049	21,266
Total noncurrent assets	9,701	356,136	21,266
Total assets	10,070	619,548	56,518
Deferred outflow of resources:			
For debt	7	7	-
For pensions	-	1,395	1,148
Total deferred outflows	7	1,402	1,148
Total assets and deferred outflows	10,077	620,950	57,665

Statement of Fund Net Position
Proprietary Funds
As of December 31, 2017
(in thousands)

Page 3 of 4

	Storm & Surface Water Utility	Water Utility	Sewer Utility
Liabilities:			
Current liabilities:			
Accounts payable	806	2,765	192
Estimated claims	-	-	-
Due to other funds	184	551	441
Due to other governments	-	3	-
Accrued payroll	296	352	240
Accrued compensated absences	100	123	109
Liabilities payable from restricted assets:			
Customer deposits	1	175	45
Retainage payable	4	214	-
Accrued bond interest payable	-	-	-
Revenue bonds payable	-	-	-
Total current liabilities	1,392	4,182	1,027
Noncurrent liabilities:			
Accrued compensated absences	234	286	254
Estimated claims	-	-	-
Bonds payable (net)	-	-	-
Net pension liability	4,445	1,911	1,500
Total noncurrent liabilities	4,678	2,197	1,754
Total liabilities	6,070	6,380	2,781
Deferred Inflows			
For pensions	591	684	513
Total deferred inflows	591	684	513
Total liabilities and deferred inflows	6,661	7,064	3,294
Net position:			
Net investment in capital assets	84,470	150,179	109,680
Restricted for:			
Customer deposits	1	175	45
Debt service	-	-	-
Capital projects	4	214	-
Unrestricted	71,634	83,846	93,607
Total net position	\$ 156,110	\$ 234,414	\$ 203,332

Statement of Fund Net Position
Proprietary Funds
As of December 31, 2017
(in thousands)

Page 4 of 4

	Nonmajor Enterprise Fund - Marina	Total	Governmental Activities - Internal Service Funds
Liabilities:			
Current liabilities:			
Accounts payable	124	3,886	1,162
Estimated claims	-	-	4,182
Due to other funds	-	1,176	5
Due to other governments	25	28	5
Accrued payroll	-	887	627
Accrued compensated absences	-	331	297
Liabilities payable from restricted assets:			
Customer deposits	-	222	3
Retainage payable	-	218	13
Accrued bond interest payable	1	1	-
Revenue bonds payable	460	460	-
Total current liabilities	<u>610</u>	<u>7,210</u>	<u>6,294</u>
Noncurrent liabilities:			
Accrued compensated absences	-	773	693
Estimated claims	-	-	2,791
Bonds payable (net)	18	18	-
Net pension liability	-	7,857	7,316
Total noncurrent liabilities	<u>18</u>	<u>8,648</u>	<u>10,801</u>
Total liabilities	<u>627</u>	<u>15,858</u>	<u>17,094</u>
Deferred Inflows			
For pensions	-	1,787	1,396
Total deferred inflows	<u>-</u>	<u>1,787</u>	<u>1,396</u>
Total liabilities and deferred inflows	<u>627</u>	<u>17,645</u>	<u>18,491</u>
Net position:			
Net investment in capital assets	9,085	353,414	21,254
Restricted for:			
Customer deposits	-	222	3
Debt service	364	364	-
Capital projects	-	218	-
Unrestricted	-	249,087	17,918
Total net position	<u>\$ 9,449</u>	<u>\$ 603,307</u>	<u>\$ 39,174</u>

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2017
(in thousands)

Page 1 of 2

	Storm & Surface Water Utility	Water Utility	Sewer Utility
Operating revenues:			
Intergovernmental	-	-	-
Service charges and fees	23,376	61,608	61,758
Rent	-	-	-
Insurance recovery	-	-	-
Premiums/contributions	-	-	-
Other	-	14	-
Total operating revenues	<u>23,376</u>	<u>61,622</u>	<u>61,758</u>
Operating expenses:			
Administrative and general	4,471	11,816	4,163
Maintenance and operations	8,437	29,631	41,009
Depreciation	2,114	4,275	2,737
Insurance costs	-	-	-
Benefits and claims payments	-	-	-
Total operating expenses	<u>15,023</u>	<u>45,722</u>	<u>47,909</u>
Operating income (loss)	8,353	15,900	13,849
Nonoperating revenues (expenses):			
Interest income	883	954	1,012
Net change in fair value of investments	(214)	(245)	(246)
Interest expense	-	-	-
Rental income	17	413	407
Gain on disposal of capital assets	8	3	34
Other nonoperating revenues	-	1,149	1,670
Total nonoperating revenue (expenses)	<u>694</u>	<u>2,274</u>	<u>2,877</u>
Income before contributions and transfers	9,047	18,174	16,726
Special items, contributions and transfers:			
Transfers in	26	39	34
Transfers out	(31)	(32)	(85)
Capital contributed from external sources	2,584	2,909	1,124
Total special items, contributions and transfers	<u>2,578</u>	<u>2,916</u>	<u>1,074</u>
Change in net position	11,625	21,090	17,800
Net position beginning of year	144,479	213,331	185,541
Prior period adjustment	6	(7)	(10)
Net position end of year	<u>\$ 156,110</u>	<u>\$ 234,414</u>	<u>\$ 203,332</u>

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

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2017
(in thousands)

Page 2 of 2

	Nonmajor Enterprise Fund - Marina	Total	Governmental Activities - Internal Service Funds
Operating revenues:			
Intergovernmental	-	-	154
Service charges and fees	16	146,759	34,052
Rent	606	606	1,956
Insurance recovery	-	-	217
Premiums/contributions	-	-	29,575
Other	-	14	21
Total operating revenues	623	147,379	65,974
Operating expenses:			
Administrative and general	16	20,466	9,417
Maintenance and operations	321	79,399	25,198
Depreciation	14	9,140	4,909
Insurance costs	-	-	6,694
Benefits and claims payments	-	-	17,510
Total operating expenses	350	109,005	63,727
Operating income (loss)	273	38,374	2,247
Nonoperating revenues (expenses):			
Interest income	7	2,857	392
Net change in fair value of investments	(1)	(707)	(100)
Interest expense	(16)	(16)	-
Rental income	-	838	-
Gain on disposal of capital assets	-	44	(973)
Other nonoperating revenues	-	2,819	47
Total nonoperating revenue (expenses)	(9)	5,836	(635)
Income before contributions and transfers	263	44,210	1,612
Special items, contributions and transfers:			
Transfers in	-	100	2,359
Transfers out	-	(148)	(1,140)
Capital contributed from external sources	-	6,617	23
Total special items, contributions and transfers	-	6,568	1,243
Change in net position	263	50,779	2,854
Net position beginning of year	9,186	552,537	34,269
Prior period adjustment	-	(10)	2,052
Net position end of year	\$ 9,449	\$ 603,307	\$ 39,174

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017
(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	\$ 23,790	\$ 61,704	\$ 61,854
Contributions received - employer/employees	-	-	-
Cash received from insurance proceeds	-	-	-
Cash payments to suppliers for goods and services	(6,370)	(35,598)	(45,135)
Cash payments to employees for services	(6,000)	(7,490)	(4,859)
Cash payments to claimants	-	-	-
Cash received from other governments	-	-	-
Cash received from contracts/rent	-	-	-
Cash payments for insurance	-	-	-
Other receipts	-	-	-
Net cash provided by operating activities	<u>11,420</u>	<u>18,616</u>	<u>11,860</u>
Cash flows from noncapital financing activities:			
Transfers in	26	39	34
Transfers out	(31)	(32)	(85)
Cash received from non-operating revenues	17	1,562	2,078
Net cash provided (used) by noncapital financing activities	<u>12</u>	<u>1,569</u>	<u>2,027</u>
Cash flows from capital & related financing activities:			
Acquisition and construction of capital assets	(4,615)	(15,165)	(7,331)
Principal paid on revenue bonds and other debt	-	-	-
Interest paid on revenue bonds and other debt	-	-	-
Proceeds from sale of assets	8	3	34
Cash contributions in aid of construction	2,438	2,097	1,018
Contributed Connection Contracts	-	-	15
Net cash used by capital financing activities	<u>(2,169)</u>	<u>(13,065)</u>	<u>(6,264)</u>
Cash flows from investing activities:			
Interest on investments	570	607	661
Net cash provided (used) by investing activities	<u>570</u>	<u>607</u>	<u>661</u>
Net increase (decrease) in cash balance	9,833	7,727	8,284
Cash & equity in pooled investments - beginning of year	63,646	76,732	76,567
Cash & equity in pooled investments - end of year	<u>\$ 73,479</u>	<u>\$ 84,459</u>	<u>\$ 84,851</u>
Cash & equity in pooled investments at end of year consist of:			
Unrestricted	73,473	84,070	84,806
Restricted	6	389	45
Total cash & equity in pooled investments	<u>\$ 73,479</u>	<u>\$ 84,459</u>	<u>\$ 84,851</u>

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017
(in thousands)

Page 2 of 4

	Business-Type Activities -		Governmental	
	Enterprise Funds			Activities -
	Nonmajor	Total		
Enterprise Fund -			Service Funds	
	Marina			
Cash flows from operating activities:				
Cash received from customers and users	\$ 623	\$ 147,971	\$ 30,770	
Contributions received - employer/employee	-	-	32,539	
Cash received from insurance proceeds	-	-	217	
Cash payments to suppliers for goods and services	(211)	(87,314)	(16,681)	
Cash payments to employees for services	(16)	(18,365)	(18,518)	
Cash payments to claimants	-	-	(17,005)	
Cash received from other governments	-	-	75	
Cash received from contracts/rent	-	-	1,956	
Cash payments for insurance	-	-	(6,694)	
Other receipts	-	-	14	
Net cash provided by operating activities	<u>396</u>	<u>42,292</u>	<u>6,673</u>	
Cash flows from noncapital financing activities:				
Transfers in	-	99	2,359	
Transfers out	-	(148)	(1,140)	
Cash received from non-operating revenues	-	3,657	46	
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>3,608</u>	<u>1,264</u>	
Cash flows from capital & related financing activities:				
Acquisition and construction of capital assets	-	(27,111)	(4,197)	
Principal paid on revenue bonds and other debt	(470)	(470)	-	
Interest paid on revenue bonds and other debt	(28)	(28)	-	
Proceeds from sale of assets	-	45	-	
Cash contributions in aid of construction	-	5,553	-	
Contributed Connection Contracts	-	15	-	
Net cash used by capital financing activities	<u>(498)</u>	<u>(21,996)</u>	<u>(4,197)</u>	
Cash flows from investing activities:				
Interest on investments	8	1,846	255	
Net cash provided (used) by investing activities	<u>8</u>	<u>1,846</u>	<u>255</u>	
Net increase (decrease) in cash balance	(95)	25,749	3,995	
Cash & equity in pooled investments - beginning of year	458	217,403	30,034	
Cash & equity in pooled investments - end of year	<u>\$ 364</u>	<u>\$ 243,154</u>	<u>\$ 34,029</u>	
Cash & equity in pooled investments at end of year consist of:				
Unrestricted	-	242,349	34,029	
Restricted	364	804	-	
Total cash & equity in pooled investments	<u>\$ 364</u>	<u>\$ 243,154</u>	<u>\$ 34,029</u>	

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017
(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)	\$ 8,353	\$ 15,900	\$ 13,849
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	2,114	4,275	2,737
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(101)	(1,115)	(392)
(Increase) decrease in due from other funds	-	723	-
(Increase) decrease in due from other governments	-	-	-
(Increase) decrease in other receivables	-	-	-
(Increase) decrease in contracts receivable	-	-	31
(Increase) decrease in inventory	(6)	38	27
(Increase) decrease in deferred outflow	42	768	288
Increase (decrease) in accounts payable	(28)	486	(2,475)
Increase (decrease) in retainage payable	(25)	85	(7)
Increase (decrease) in wages & benefits payable	71	24	15
Increase (decrease) in compensated absences	(30)	(28)	3
Increase (decrease) in due to other funds	126	247	251
Increase (decrease) in due to other governments	-	-	-
Increase (decrease) in customer deposits	-	18	27
Increase (decrease) in estimated claims payable	-	-	-
Increase (decrease) in deferred inflows	-	-	-
Increase (decrease) in pension liability	388	(3,261)	(2,924)
Increase (decrease) in unearned revenue	515	456	430
Total adjustments	<u>3,067</u>	<u>2,716</u>	<u>(1,989)</u>
Net cash provided by operating activities	<u>\$ 11,420</u>	<u>\$ 18,616</u>	<u>\$ 11,860</u>
Noncash investing, capital and financing activities:			
Contributions of capital assets	\$ 145	\$ 812	\$ 92
Increase (decrease) in fair value of investments	\$ (214)	\$ (245)	\$ (246)

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017
(in thousands)

Page 4 of 4

	Business-Type Activities -		Governmental	
	Enterprise Funds			Activities -
	Nonmajor	Enterprise Fund -		
	Marina	Total	Service Funds	
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 273	\$ 38,374	\$ 2,247	
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	14	9,140	4,909	
Changes in assets and liabilities:			-	
(Increase) decrease in accounts receivable	-	(1,608)	16	
(Increase) decrease in due from other funds	-	723	(8)	
(Increase) decrease in due from other governments	-	-	(415)	
(Increase) decrease in other receivables	-	-	(1)	
(Increase) decrease in contracts receivable	-	31	-	
(Increase) decrease in inventory	-	59	(42)	
(Increase) decrease in deferred outflow	-	1,098	1,082	
Increase (decrease) in accounts payable	110	(1,906)	(827)	
Increase (decrease) in retainage payable	-	53	8	
Increase (decrease) in wages & benefits payable	-	110	71	
Increase (decrease) in compensated absences	-	(55)	99	
Increase (decrease) in due to other funds	(1)	623	-	
Increase (decrease) in due to other governments	-	-	2	
Increase (decrease) in customer deposits	-	45	-	
Increase (decrease) in estimated claims payable	-	-	560	
Increase (decrease) in deferred inflows	-	-	989	
Increase (decrease) in pension liability	-	(5,797)	(2,017)	
Increase (decrease) in unearned revenue	-	1,401	-	
Total adjustments	<u>123</u>	<u>3,918</u>	<u>4,426</u>	
Net cash provided by operating activities	<u>\$ 396</u>	<u>\$ 42,292</u>	<u>\$ 6,673</u>	
Noncash investing, capital and financing activities:				
Contributions of capital assets	\$ -	\$ 1,049	\$ -	
Increase (decrease) in fair value of investments	\$ (1)	\$ (707)	\$ (100)	

Statement of Fiduciary Net Position
As of December 31, 2017
(in thousands)

	Firefighters' Pension	Agency Funds
Assets:		
Cash & equity in pooled investments:		
Federal Agency Coupon Securities	\$ 5,859	\$ 7,475
Federal Agency Disc. - Amortizing	129	165
Interest Bearing Bank Deposits	261	334
Municipal Bonds	507	647
LGIP	104	133
Interest receivable	25	31
Due from other governments	-	295
Capital assets (net)	-	21
Total assets	6,886	9,100
Liabilities:		
Accounts payable	-	37
Due to other governments	-	8,997
Deposits payable	-	66
Total liabilities	-	9,100
Net Position:		
Net position restricted for pensions	6,886	-
Total net position	\$ 6,886	\$ -

Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2017
 (in thousands)

	<u>Firefighters'</u> <u>Pension Fund</u>
Additions:	
Investment income:	
Interest	\$ 87
Net change in fair value of investments	(20)
Other contributions:	
Contributions from nonemployers	<u>215</u>
Total additions	<u>282</u>
Deductions:	
Benefit payments	198
Administrative	<u>14</u>
Total deductions	<u>211</u>
Net increase in net position	71
Net position beginning of year	<u>6,815</u>
Net position end of year	<u>\$ 6,886</u>

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Notes to the Basic Financial Statements

Note 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 City Council to act as the chief executive officer of the city and is responsible to the City 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, and general administration. In addition, the city provides business activity to the citizens, including marina operations and public utilities of water, sewer, and storm water.

The accounting and reporting policies of the city, which conform to GAAP 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 unit, for which the city is financially accountable. Financial accountability is when 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 are appointed by the Bellevue City Manager and serve at the pleasure of the City Manager and City Council. 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 fiscally accountable for the debt service payments on the BCCA's revenue bonds. The 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 Meydenbauer Center, Finance Department, 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 non-fiduciary 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.

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

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

The government-wide, proprietary, and fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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. Grant revenue is recognized when 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 tax, utility tax, franchise tax, grant reimbursements, and interest are associated with the current fiscal period and are considered susceptible to accrual. These 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. There are three funds with legally adopted budgets, which do not meet the criteria for separate financial reporting and; therefore, are reported in the General Fund. Those funds are as follows: Human Services Fund, Land Purchase Revolving Fund, and Parks Fees Fund.

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

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

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 resources.

Internal Service

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 workers' compensation, unemployment compensation, health benefits, and general property and casualty losses.

Fiduciary Funds

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 Firefighters' Pension Fund accounts for a single-employer defined benefit system established under Washington State law to provide pension benefits for eligible firefighters. Although this pension plan has subsequently been replaced by the Washington State Law Enforcement Officers' and Fire Fighters' Pension System, firefighters 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.

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 and do not involve the measurement of the results of operations.

The city complies with all applicable Governmental Accounting Standards Board (GASB) pronouncements and GAAP hierarchy as prescribed by GASB.

New Accounting Standards

In June 2015, GASB issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," to improve the usefulness of information about postemployment benefits (OPEB) included in the general purpose external financial reports of state and local governments OPEB plans for making decisions and assessing accountability. This statement replaced Statement No. 43, "Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans, as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans". Statement No. 74 will have no impact on the city.

In December 2015, GASB issued Statement No. 79, "Certain External Investment Pools and Pool Participants" addressing certain external investment pools and their participants' accounting and financial reporting implications that result from changes in the regular provisions referenced by previous accounting and financial reporting standards. Those provisions were based on the Investment Company Act of 1940, Rule 2a7. Rule 2a7 contains the Securities and Exchange Commission's regulations that apply to money market funds and were significantly amended in 2014. This Statement establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized costs. The city implemented this standard as of December 31, 2017.

In March 2016, GASB issued Statement No. 82, "Pension Issues, an Amendment of GASB Statements No. 67, No. 68, and No. 73," addressing certain issues that have been raised with Statement No. 67, "Financial Reporting for Pension Plans", No. 68, "Accounting and Financial Reporting for Pensions", and No. 73, "Accounting and Financial Reporting for Pensions and Related Assets that Are Not within the Scope of GASB 68 and Amendments to Certain Provision of GASB statements 67 and 68." Specifically, this statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviation from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to stratify employee (plan member) contribution requirements. The city implemented this standard as of December 31, 2017.

Budget and Basis of Accounting

In accordance with RCW 35A.34, the city budgets for all operating funds. These budgets are prepared in accordance with GAAP. 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, Donations, and Special Reserves Fund and the Housing Fund; all internal service funds; and all utility operating funds.

The City Council adopts appropriation ordinances for all other funds, including the Operating Grants, Donations, and Special Reserves Fund and Housing Fund, 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, where expenditures 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 Balance

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 Washington 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 Washington 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 and 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 72 "Fair Value Measurement and Application", 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 shares in the investment pool.

Restricted Assets

Restricted assets shown in the government-wide Statement of Net Position and the proprietary Statement of Net Position include revenue bond proceeds reserved for future capital construction, monies reserved for payment of 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.

Receivables

The city records as receivables all material applicable exchange and non-exchange transactions as defined by GASB Statements 33 "Accounting and Financial Reporting for nonexchange Transactions" and GASB Statement 36 "Recipient Reporting for Certain Shared Nonexchange Revenues—an amendment of GASB Statement No. 33".

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 98.9 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 the Washington 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. 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 basis of accounting 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 water utility customers' billings outstanding at year-end, which include estimated revenues for services provided between the last billing date and year-end. Due to the water 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 detail 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 City Council resolution. Interfund loan activity 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 non-interest-bearing 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 restricted 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, 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 in which 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 using the purchases method 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 "Fund Balance Reporting and Governmental Fund Type Definitions", are segregated under the categories listed below 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. 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.

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.

Restricted

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

Committed

Committed fund balance is 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 committed fund balances for capital improvement projects for a portion of Business and Occupation Taxes set by a non-lapsing ordinance.

Assigned

Fund balances that are constrained by the government's intent to be used for a specific purpose but are not restricted or committed are considered assigned. By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt services, or permanent fund, the government has assigned those amounts to the purpose of the respective fund. Assignments are adopted by City Council through a budget ordinance.

Unassigned

Unassigned fund balance is the residual classification for the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. The city only reports unassigned fund balance in the General Fund.

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 occurred 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 land, 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 acquisition value on the date received.

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 value of donated assets is recorded as contributed revenue by the receiving fund.

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 current and incomplete 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.

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 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

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 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.

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

Capitalization of Interest Costs

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

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 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 expensed 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.

Net pension liability

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans, and additional to/deductions from the pension plans' net position have been determined on the same basis as they were reported by the respective pension plan. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported as fair value.

Compensated Absences

Employee vacation leave is accumulated at 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 fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Generally, 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. Firefighters 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 or separation from the city after 20 years of service, has been recorded in the government-wide financial statements and the proprietary funds financial statements using the vesting method.

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, taxes receivable, grant reimbursements, special assessments receivable, and pensions 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.

Note 2: Stewardship, Compliance and Accountability

Deficits

The City of Bellevue had no funds with a material deficit as of December 31, 2017.

Total net position for the Bellevue Convention Center Authority, a component unit of the city, reflects an unrestricted net position deficit balance of \$28.1 million and a total net position of \$3.3 million. Cash flows, as projected in the annual Finance Plan, are expected to meet all obligations as they come due.

Legal Budgetary Compliance

During 2017, 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.

Note 3: Supplemental Appropriations

Operating Budget Funds

During 2017, the City Council amended the 2017 appropriations by an additional \$2.3 million to reflect previously unanticipated needs in the 2017 portion of the 2017-2018 biennial budget. Amendments totaled \$1.6 million for the General Fund, respectively. As explained in Note 1, both original and supplemental appropriations are adopted by City Council ordinance.

Note 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, 2017, are as follows, in thousands:

Cash on hand and in bank	\$ 4,757
Equity in pooled investments	<u>404,207</u>
Total	<u><u>\$ 408,964</u></u>

In addition, the city holds \$15.6 million in cash and equity in pooled investments in trust for fiduciary funds.

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, 2017, the city had a bank balance of \$4.8 million (carrying amount of \$4.8 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. Washington 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.

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) managed by the Office of the State Treasurer, which is also responsible for establishing the investment policy for the LGIP. The LGIP is an unrated external investment pool. The pool’s portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set for by GASB 79 “Certain External Investment Pools and Pool Participants” for external investment pools that elect to measured investments at amortized costs for financial reporting purposes.

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. Accordingly, the fair value of the city's position in the LGIP is the same as the value of the city's LGIP shares. Regulatory oversight for these investments is provided as prescribed by Washington 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 LGIP'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 LGIP.

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 to provide the cash flow and liquidity needed for operations.

The LGIP is a qualified external investment pool, as defined by GASB Statement 79. 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:

City of Bellevue, Washington

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	\$ 358,515	\$ 24,509	\$ 72,332	\$ 151,071	\$ 68,445	\$ 42,158	Aaa/AA+
U.S. Agency Discount - Amortizing	7,907	-	7,907	-	-	-	Aaa/AA+
Interest Bearing Bank Deposits	16,000	16,000	-	-	-	-	Unrated
Municipal Bonds	31,008	1,007	14,542	5,267	5,642	4,550	Aa/AAA
LGIP	6,382	6,382	-	-	-	-	Unrated
Total	\$ 419,812	\$ 47,898	\$ 94,781	\$ 156,338	\$ 74,087	\$ 46,708	

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 Washington 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 and 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, 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, 2017, 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 Bank (FHLB)	Fixed Rate Agency Coupon	\$99,277
Federal Farm Credit Bank (FFCB)	Fixed Rate Agency Coupon	95,989
Federal Home Loan Mortgage Corporation (FHLMC)	Fixed Rate Agency Coupon	86,724
Federal National Mortgage Association (FNMA)	Fixed Rate Agency Coupon	84,432

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, 2017, all the \$366.3 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.

Fair Value Measurements: Effective December 31, 2017, the City of Bellevue implemented GASB Statement 72 "Fair Value Measurement and Application", which establishes a framework for measuring fair value that requires or permits fair value measurement and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction. There is a fair value hierarchy which requires an

entity to maximize the use of observable inputs when measuring fair value. The guidance requires three levels of fair value measurement based on the respective inputs.

Securities classified as Level 1 in the fair value hierarchy are valued using prices quoted in active markets for identical securities. Level 2 securities are valued using observable inputs. Level 3 securities are valued using unobservable inputs. U.S. Agency Securities and municipal bonds classified in Level 2 are valued using quoted prices for similar securities and interest rates. The level of fair value measurement is based on the lowest level of significant input for the security type in its entirety. There are no Level 1 or Level 3 security classifications to report.

The following table presents recurring fair value measurements as of December 31, 2017:

	December 31, 2017	Significant Other Observable Inputs (Level 2)
<u>Investments by fair value level</u>		
Debt securities		
US Agency Coupon Securities	\$ 358,515	\$ 358,515
US Agency Discount- Amortizing	7,907	7,907
Municipal Bonds	<u>31,007</u>	<u>31,007</u>
Total debt securities	<u>397,429</u>	<u>397,429</u>
Total investments by fair value	<u>397,429</u>	<u>\$ 397,429</u>
<u>Investments measured at amortized cost</u>		
State of Washington Local Governmental Investment Pool		
	6,382	
Certificates of Deposits	<u>16,000</u>	
Total investment measured at amortized cost	<u>22,382</u>	
Total investment measured at fair value	<u>\$ 419,812</u>	

Discretely Presented Component Unit

Cash and equity in pooled investments of the Bellevue Convention Center Authority are comprised of business-type activities only. The balances as of December 31, 2017, are as follows, in thousands:

Cash on hand and in bank	\$ 2,480
Equity in pooled investments	<u>13,539</u>
Total	<u>\$ 16,019</u>

Note 5: Receivables

Property Taxes

King County is responsible for collecting all property taxes levied in the county. Amounts collected by King 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. Annual tax billings may be paid in two equal installments due April 30 and October 31.

Under Washington State law, the city may levy up to \$3.40 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. 74, which was passed by voters on November 6, 2001, limits the total dollar amount of regular property taxes levied by the city to the amount of such taxes levied in the three most recent years multiplied by a limit factor, plus an adjustment to account for taxes on new construction, improvements and State-assessed property at the previous year's rate. As amended by Initiative No. 747, the limit factor is the lesser of 101 percent or 100 percent 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 1 percent 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 \$991 thousand in 2017.

The City of Bellevue did not assess a property tax increase for 2017. The city has banked the remaining levy capacity for potential future use. As of December 31, 2017, the city has \$9.1 million in unused levy capacity.

The city's regular property tax levy rate for 2017 was \$0.84 per \$1,000 of assessed property value, which yielded a total regular levy of \$41.0 million.

An additional \$3.4 million (\$0.10 per \$1,000 of assessed value) was 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. Voted tax levies are not subject to the limitations discussed above.

An additional \$7.4 million was levied for Transportation Safety, Connectivity, and Congestion improvements and \$6.1 million for Fire Facilities improvements, as approved by the voters in the November 2016 general election.

Long-Term Receivables

For the governmental activities, the Community Development Block Grant program provides qualifying participants home rehabilitation loans become due upon the sale of the home. The city has \$3.0 million in home rehabilitation loans receivable that are not expected to be received within one year. The remaining \$20 thousand in governmental activities is for Local Improvement District (LID) receivables.

For business type activities, there are connection contracts for Sewer Utility of \$83 thousand and Water Utility for \$4 thousand.

Note 6: Capital Assets

Capital asset activity for the primary government for the year ended December 31, 2017, was as follows, in thousands:

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 839,747	\$ 9,086	\$ -	\$ 848,833
Construction in progress	42,236	65,847	(77,949)	30,135
Infrastructure	734,929	34,249	-	769,178
Total capital assets, not being depreciated	<u>1,616,912</u>	<u>109,182</u>	<u>(77,949)</u>	<u>1,648,146</u>
Capital assets, being depreciated:				
Buildings	249,552	1,559	-	251,111
Improvements other than buildings	28,818	15,991	-	44,809
Intangible assets	20,739	1	-	20,740
Machinery and equipment	60,381	9,102	(2,877)	66,606
Leasehold improvements	4,129	-	-	4,129
Infrastructure	187,994	8,505	(173)	196,326
Total capital assets being depreciated	<u>551,613</u>	<u>35,158</u>	<u>(3,050)</u>	<u>583,721</u>
Less accumulated depreciation for:				
Buildings	(93,221)	(7,642)	-	(100,863)
Improvements other than buildings	(8,251)	(1,727)	-	(9,978)
Intangible assets	(19,599)	(507)	-	(20,106)
Machinery and equipment	(41,048)	(4,944)	2,837	(43,155)
Leasehold improvements	(825)	(413)	-	(1,238)
Infrastructure	(155,980)	(6,269)	170	(162,079)
Total accumulated depreciation	<u>(318,924)</u>	<u>(21,502)</u>	<u>3,007</u>	<u>(337,419)</u>
Total capital assets, being depreciated, net	<u>232,690</u>	<u>13,656</u>	<u>(43)</u>	<u>246,303</u>
Governmental activities capital assets, net	<u>\$ 1,849,602</u>	<u>\$ 122,838</u>	<u>\$ (77,992)</u>	<u>\$ 1,894,448</u>

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

Governmental activities:	
General government	\$ 7,089
Public safety	512
Transportation	4,350
Economic environment	47
Culture and recreation	4,595
Total	<u>16,593</u>
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	4,909
Total depreciation expense - governmental activities	<u>\$ 21,502</u>

City of Bellevue, Washington

Capital asset activity for the city's proprietary funds for the year ended December 31, 2017 was as follows, in thousands:

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 24,989	\$ -	\$ -	\$ 24,989
Construction in progress	38,057	26,586	(10,521)	54,122
Total capital assets, not being depreciated	<u>63,046</u>	<u>26,586</u>	<u>(10,521)</u>	<u>79,111</u>
Capital assets, being depreciated:				
Buildings	38,842	-	-	38,842
Machinery and equipment	13,717	358	(112)	13,963
Infrastructure	401,810	11,728	-	413,538
Intangible assets	287	-	-	287
Total capital assets being depreciated	<u>454,656</u>	<u>12,086</u>	<u>(112)</u>	<u>466,630</u>
Less accumulated depreciation for:				
Buildings	(22,611)	(1,570)	-	(24,181)
Machinery and equipment	(8,593)	(592)	112	(9,073)
Infrastructure	(149,233)	(6,974)	-	(156,207)
Intangible assets	(227)	(4)	-	(231)
Total accumulated depreciation	<u>(180,664)</u>	<u>(9,140)</u>	<u>112</u>	<u>(189,692)</u>
Total capital assets, being depreciated, net	<u>273,992</u>	<u>2,946</u>	<u>-</u>	<u>276,938</u>
Business activities capital assets, net	<u>\$ 337,038</u>	<u>\$ 29,532</u>	<u>\$ (10,521)</u>	<u>\$ 356,049</u>

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

Business-type activities:	
Marina	\$ 14
Water utility	4,275
Storm and surface water utility	2,114
Sewer utility	2,737
Total depreciation expense - business-type activities	<u>\$ 9,140</u>

Capital asset activity for the city’s discretely presented component unit, BCCA, for the year ended December 31, 2017 were as follows, in thousands:

Bellevue Convention Center Authority:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Construction in Progress	\$ 695	\$ 834	\$ (449)	\$ 1,079
Total capital assets, not being depreciated	<u>695</u>	<u>834</u>	<u>(449)</u>	<u>1,079</u>
Capital assets, being depreciated:				
Building	61,938	74	(637)	61,375
Machinery and Equipment	6,093	364	(154)	6,303
Total capital assets being depreciated	<u>68,031</u>	<u>438</u>	<u>(791)</u>	<u>67,678</u>
Less accumulated depreciation for:				
Building	(26,305)	(1,651)	637	(27,319)
Machinery and Equipment	(4,720)	(409)	154	(4,975)
Total accumulated depreciation	<u>(31,025)</u>	<u>(2,060)</u>	<u>791</u>	<u>(32,294)</u>
Total capital assets, being depreciated, net	<u>37,006</u>	<u>(1,622)</u>	<u>-</u>	<u>35,384</u>
Component unit activities capital assets, net	<u>\$ 37,701</u>	<u>\$ (788)</u>	<u>\$ (449)</u>	<u>\$ 36,463</u>

Note 7: Pension Plans

Below is a summary of the City of Bellevue’s Pension Plans, in thousands:

	PERS 1	PERS 2/3	PSERS 2	LEOFF 1	LEOFF 2	Firefighters' Pension	Total
Pension liabilities	\$ (30,866)	\$ (28,183)	\$ (42)	\$ -	\$ -	\$ -	\$ (59,091)
Pension assets	-	-	-	4,639	19,186	2,615	26,440
Deferred outflows of resources	2,180	6,494	50	-	1,898	-	10,622
Deferred inflows of resources	(1,152)	(9,704)	(37)	(431)	(5,108)	-	(16,432)

Public Employees’ Retirement System (PERS)

General Information about PERS

Plan Description. PERS was established by the Washington State legislature in 1947 under RCW Chapter 41.34 and 41.40. PERS is a multiple-employer cost-sharing defined benefit pension 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. PERS 1 is closed to new entrants. The vesting period for members was upon completion of five years of eligible service. Those joining the system after September 30, 1977 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.

Participants in the plan are listed below:

	PERS 1	PERS 2	PERS 3
Participants	10	958	220

Benefits Provided. 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.

Contributions. Each biennium of the Department of Retirement Systems, the legislature establishes Plan 1 employer contribution rates and Plan 2/3 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 2/3 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 contribution rates and actual contributions to PERS for the years ending December 31 were as follows, with contributions in thousands:

	PERS 1	PERS 2	PERS 3
Contribution rate for employee	6.00%	7.38%	5-15%
Contribution rate for employer	12.70%	12.70%	12.70%
2017 Employer contribution	\$ 4,163	\$ 4,714	\$ 938

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to PERS

At December 31, 2017, the city reported a liability of \$59.1 million for its proportionate share of the net pension liability (PERS 1 was \$30.9 million and PERS 2/3 was \$28.2 million). The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The city's proportion of the net position liability was based on a projection of the city's long-term share of contributions to the pension plan relative to the projected contributions of all participating local governments, actuarially determined. At June 30, 2017, the city's proportion for PERS 1 was 0.65 percent, which was a decrease of 0.03 percent from its proportionate share measured as of June 30, 2016. The city's proportion for PERS 2/3 was 0.81 percent, which was a decrease of 0.03 percent from its proportionate share measured as of June 30, 2016.

For the year ended December 31, 2017, the city recognized total pension expense of \$6.4 million for the PERS pension plans. As of December 31, 2017, the city reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources, in thousands:

	PERS 1	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,152
Changes in assumption	-	-
Change in proportion and differences between city contributions and proportionate share contributions	-	-
City contributions subsequent to the measurement date	2,180	-
Total	\$ 2,180	\$ 1,152

	PERS 2/3	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,856	\$ 927
Net difference between projected and actual earnings on pension plan investments	-	7,513
Changes in assumption	299	-
Change in proportion and differences between city contributions and proportionate share contributions	201	1,264
City contributions subsequent to the measurement date	3,137	-
Total	\$ 6,494	\$ 9,704

The city reported \$5.3 million (PERS 1: \$2.2 million, and PERS 2/3: \$3.1 million) as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date and these will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows, in thousands:

Year ended June 30	PERS 1	PERS 2/3
2018	\$ (779)	\$ (3,145)
2019	246	562
2020	(57)	(832)
2021	(562)	(3,172)
2022	-	104
Thereafter	-	135
Total	\$ (1,152)	\$ (6,348)

Sensitivity of the city's proportionate share of net pension liability to changes in the discount rate. The following presents the city's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate, in thousands:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 37,600	\$ 30,866	\$ 25,032
PERS 2/3	75,928	28,183	(10,937)

Pension plan fiduciary net position: Detail information about the pension plan's fiduciary net position is available in a separately issued DRS financial report on their website at <http://www.drs.wa.gov/administration/annual-report/default.htm>. The report was developed with the assumptions listed below under PERS, PSERS, and LEOFF Actuarial Assumptions. The financial statements were developed in conformity with GAAP.

Payable to Pension Plan

For the year ended December 31, 2017, the city reported a payable of \$59.1 million (PERS 1: \$30.9 million, PERS 2/3: \$28.2 million) for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2017.

Public Safety Employees’ Retirement System (PSERS)

General Information about PSERS

Plan Description: PSERS is a multiple-employer, cost-sharing defined benefit pension plan. PSERS was created by the Legislature in 2004 and became effective July 1, 2006. PSERS retirement benefit provisions are established in RCW 41.37. 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.

Participants in the plan are listed below:p

	<u>PSERS</u>
Participants	11

Benefits Provided. All plans provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Under PSERS Plan 2, annual cost of living allowances are linked to the Seattle Consumer Price Index to a maximum of 3 percent annually.

Contribution. Each biennium of the Department of Retirement Systems, 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 100 percent of the required contributions for all years.

The contribution rates and actual contributions to PSERS for the years ending December 31 were as follows, with contributions in thousands:

	<u>PSERS 2</u>
Contribution rate for employee	6.73%
Contribution rate for employer	11.94%
2017 Employer contribution	\$ 48

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to PSERS

At December 31, 2017, the city reported a liability of \$42 thousand for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The city’s proportion of the net pension liability was based on a projection of the city’s long-term share of contributions to the pension plan relative to the projected contributions of all participating local governments, actuarially determined. At June 30, 2017, the city’s proportion was 0.21 percent, which was a decrease of 0.02 percent from its proportionate share measured as of June 30, 2016.

City of Bellevue, Washington

For the year ended December 31, 2017, the city recognized a reduction of total pension expense of \$7 thousand for the PSERS pension plans. As of December 31, 2017, the city reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources, in thousands:

	PSERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25	\$ 3
Net difference between projected and actual earnings on pension plan investments	-	29
Changes in assumption	-	-
Change in proportion and differences between city contributions and proportionate share contributions	1	5
City contributions subsequent to the measurement date	24	-
Total	\$ 50	\$ 37

The city reported \$24 thousand as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date and these will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows, in thousands:

Year ended June 30	PSERS
2018	\$ (6)
2019	5
2020	1
2021	(6)
2022	(1)
Thereafter	(4)
Total	\$ (10)

Sensitivity of the city's proportionate share of net pension liability to changes in the discount rate. The following presents the city's proportion share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate, in thousands:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PSERS	\$ 280	\$ 42	\$ (145)

Pension plan fiduciary net position: Detail information about the pension plan's fiduciary net position is available in a separately issued DRS financial report on their website at <http://www.drs.wa.gov/administration/annual-report/default.htm>. The report was developed with the assumptions listed below under PERS, PSERS, and LEOFF Actuarial Assumptions. The financial statements were developed in conformity with GAAP.

Payable to Pension Plan

For the year ended December 31, 2017, the city reported a payable of \$42 thousand for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2017.

Law Enforcement Officers’ and Fire Fighters’ (LEOFF) Retirement System

General Information about LEOFF

Plan Description. LEOFF, a multiple-employer, cost-sharing 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 firefighters. 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. LEOFF 1 is closed to new entrants.

Participants in the plan are listed below:

	LEOFF 1	LEOFF 2
Participants	2	405

Benefits Provided. All plans provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Annual cost of living allowances are linked to the Seattle Consumer Price Index to a maximum of 3 percent annually.

Contribution. 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 employees made 100 percent of the required contributions for all years.

The contribution rates and actual contributions to LEOFF for the years ending December 31 were as follows, with contributions in thousands:

	LEOFF 1	LEOFF 2
Contribution rate for employee	0.00%	8.75%
Contribution rate for employer	0.18%	5.43%
2017 Employer contribution	\$ -	\$ 2,550

The Legislature, by means of a special funding arrangement, appropriates money from the State General Fund to supplement the current service liability and fund the prior service costs of LEOFF Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and can be changed by statute. For the fiscal year ended June 30, 2017, the state contributed \$62.2 million to the LEOFF 2 Plan.

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to LEOFF

At December 31, 2017, the city reported a total pension asset of \$23.8 million for its proportionate share of the net pension asset (LEOFF 1 was \$4.6 million and LEOFF 2 was \$19.2 million). The amount of the asset reported for LEOFF reflects a reduction for state pension support provided to the city as its proportional share of the net pension asset, the related state support, and the total portion of the net pension asset that was associated with the city were as follows, in thousands:

	LEOFF 1	LEOFF 2
City's proportionate share	\$ (4,639)	\$ (19,186)
State's proportionate share of the net pension asset associated with the employer	(31,381)	(12,445)
Total	<u>\$ (36,020)</u>	<u>\$ (31,631)</u>

At June 30, 2017, the city’s proportion for LEOFF 1 was 0.31 percent, which was an increase of 0.01 percent from its proportionate share measured as of June 30, 2016. The city’s proportion for LEOFF 2 was 1.38 percent, which was an increase of 0.01 percent from its proportionate share measured as of June 30, 2016.

For the year ended December 31, 2017, the city recognized total pension expense of \$2.9 million for the LEOFF pension plans. As December 31, 2017, the city reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources, in thousands:

	LEOFF 1	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	431
Changes in assumption	-	
Change in proportion and differences between city contributions and proportionate share contributions	-	-
City contributions subsequent to the measurement date	-	-
Total	\$ -	\$ 431

	LEOFF 2	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 843	\$ 728
Net difference between projected and actual earnings on pension plan investments	-	4,307
Changes in assumption	23	-
Change in proportion and differences between city contributions and proportionate share contributions	168	73
City contributions subsequent to the measurement date	865	-
Total	\$ 1,899	\$ 5,108

The city reported \$0.9 million as deferred outflows of resources for LEOFF 2 related to pensions resulting from city contributions subsequent to the measurement date and these will be recognized as a reduction of the net pension asset in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows, in thousands:

Year ended June 30	LEOFF 1	LEOFF 2
2018	\$ (271)	\$ (1,950)
2019	73	477
2020	(29)	(267)
2021	(204)	(1,867)
2022	-	(83)
Thereafter	-	(384)
Total	\$ (431)	\$ (4,074)

Sensitivity of the city's proportionate share of net pension asset to changes in the discount rate. The following presents the city's proportionate share of the net pension asset calculated using the discount rate of 7.5 percent, as well as what

the city's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate, in thousands:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
LEOFF 1	\$ (3,441)	\$ (4,639)	\$ (5,668)
LEOFF 2	4,152	(19,186)	(38,200)

Pension plan fiduciary net position: Detail information about the pension plan's fiduciary net position is available in a separately issued DRS financial report on their website at <http://www.drs.wa.gov/administration/annual-report/default.htm>. The report was developed with the assumptions listed below under PERS, PSERS, and LEOFF Actuarial Assumptions. The financial statements were developed in conformity with GAAP.

PERS, PSERS, and LEOFF Actuarial Assumptions

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases (including inflation)	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Health Table and Combined Disabled Table, as appropriate, with adjustment for mortality improvements based on Scale BB.

The actuarial assumptions used in the June 30, 2017 valuation reflect the results of Office of State Actuary's 2007-2012 Experience Study and the 2015 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The total pension liability was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016 to June 30, 2017, reflecting each plan's normal cost (using Entry Age Cost Method), assumed interest and actual benefit payments.

The long-term expected rate of return of 7.5 percent on pension plan investment was determined using a building-block method. The Washington State Investment Board (WSIB) used a best estimate of expected future rate of returns (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Percent Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.7%
Tangible Assets	5%	4.9%
Real Estate	15%	5.8%
Global Equity	37%	6.3%
Private Equity	23%	9.3%
	<u>100%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the city will be made at centrally required rates, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current and inactive employees. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Firefighters’ Pension Plan

Plan Description

Plan administration. The city administers the Firefighters’ Pension Plan as a single-employer defined benefit pension plan that provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefit terms were established by RCW 41.16 and amended by RCW 41.18. The state retains the authority to amend benefit terms.

Management of the Firefighters’ Pension Fund is vested in the Pension Board, which consists of five members - city councilmember, who serves as the chairperson of the board, city clerk, finance director, one retired firefighter and one regularly employed firefighter.

Benefits. RCW 41.16.080 through 41.16.180 establish the benefits of the plan. Plan members shall be paid a pension based upon the average monthly salary drawn for the five calendar years before retirement, the number of years in service, and a percentage factor based on age upon entering service. In addition, the state requires benefits to include payment on death of a retired firefighter, payment on death of eligible pensioner before retirement, payment on death in the line of duty, payment upon disablement in the line of duty, payment upon disablement not in the line of duty, payment on separation from service, and funeral expenses.

Employees covered by benefit terms. Membership is limited to firefighters employed prior to March 1, 1970, when the LEOFF retirement system was established. The Plan is closed to new entrants. At December 31, 2017, pension membership consisted of the following:

Retirees after March 1, 1970, currently receiving full retirement benefits through LEOFF 1 and also receiving an adjustment from the Firefighters' Pension Plan	23
Retirees after March 1, 1970, receiving LEOFF 1 pensions exceeding the Firefighters' Pension Fund and, therefore; not qualifying for excess benefit payment from the Firemen's Pension Plan	8
Active plan members	-
Total	31

Contributions. RCW 41.16.050 through 41.16.070 established the contribution rates. The state is required to contribute 25 percent of all monies received from taxes on fire insurance premiums and active firefighters are required to contribute based on age. The city is required to contribute a tax of 22.5 cents per \$1,000 of assessed value against all taxable property, unless a qualified actuary establishes that the whole or any part of said dollar rate is not necessary to maintain the actuarial soundness of the Fund. For the year ended December 31, 2017, the state contributed \$215 thousand and neither member nor employer made contributions to the Plan. As of the last actuarial study dated January 1, 2018, the actuary determined that current Plan assets and future contributions from state fire insurance taxes and interest earnings will be sufficient to pay all future Plan benefits.

Investments

Investment policy. Plan investments are invested with the city’s funds, and therefore, follow city investment policy. The city’s policy regarding the allocation of invested assets is established and may be amended by the finance director and their designee authorized by City Council. The primary objective of the investment policy is to protect the city’s principal sums and enable the city to generate a market rate of return from its investment activities while assuring adequate

liquidity to meet its cash flow needs. All investment activities are in compliance with Washington State law. The following was the city’s adopted asset allocation policy as of December 31, 2017:

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

Concentrations. The Plan held the following investments in organizations that represent 5 percent or more of the Plan’s fiduciary net position and are not issued by the US Government at December 31, 2017:

Investment Type	% of Net Position
Municipal Bonds	7%

Rate of return. For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments was 0.98 percent. The money-weighted rate of return expresses investment performance adjusted for the changing amounts actually invested.

Net Pension Liability

The city’s net pension liability was measured as of January 1, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. A standalone actuarial report was issued for the city by Trautmann, Maher, and Associates.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	3.0%
Investment rate of return	3.5%

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate.

The actuarial assumptions used in the January 1, 2018 valuation were based on the 2001-2006 Experience Study for the Law Enforcement Officers’ and Fire Relief and Retirement System prepared by the Office of the State Actuary using the Entry Age Normal Cost Method and attributing liability as a level percentage of compensation.

Discount rate. The discount rate is the single rate that reflects (a) the long-term expected rate of return on pension plan investments that are expected to be used to finance payment of benefits, to the extent that the Plan’s fiduciary net position is expected to be invested using a strategy to achieve that return, and (b) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher or equivalent quality on another scale), to the extent that the conditions for use of the long-term expected rate of return are not met. Since the fiduciary net position is projected to be positive in all future years, the discount rate is equal to the investment earnings assumption of 3.5 percent.

Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2016	\$ 4,233	\$ 6,815	\$ (2,581)
Changes for the year:			
Service cost	-	-	-
Interest	145	-	145
Differences between expected and actual experience	90	-	90
Contribution - employer	-	215	(215)
Contributions - employee	-	-	-
Net investment income	-	67	(67)
Benefit payments, including refunds of employee contributions	(198)	(198)	-
Administrative expenses	-	(14)	14
Other charges	-	-	-
Net changes	<u>38</u>	<u>71</u>	<u>(33)</u>
Balance at December 31, 2017	<u>\$ 4,271</u>	<u>\$ 6,886</u>	<u>\$ (2,615)</u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the city, calculated using the discount rate of 3.5 percent, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.5 percent) or 1 percentage point higher (4.5 percent) than the current rate:

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
City's net pension liability	\$ (2,212)	\$ (2,615)	\$ (2,964)

Pension Asset, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Firefighter's Pension

For the year ended December 31, 2017, the city recognized pension expense of \$33 thousand. There were no deferrals of resources as the actuarial report made the assumptions and valuations as of the end of the city's fiscal year. For the year ended December 31, 2017, the city reported a receivable of \$2.6 million for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2017.

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 5,624 participants (Bellevue has 1,718 MEBT 1 participants and 472 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 in MEBT, as of their hire date. 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 to the Bellevue Contribution Account each pay period 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.

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.

The city incurred a total expense of \$8.0 million for MEBT for the year ending December 31, 2017. Employees may contribute up to federal deferral limits, annual addition limits, and any other tax rules that may apply. Actual employee contributions to the plan for 2017 were as follows, in thousands:

	MEBT 1	MEBT 2
Participants	\$ 7,622	\$ 122

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, 2017, there were 84 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 based on percent of covered payroll. Actual contributions to the plan for 2017 were as follows, in thousands:

Participants	\$	231
Authority	\$	177

Note 8: Other Personnel Benefits

In accordance with 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 medical care.

During the year ended December 31, 2007, the city elected to adopt the provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions" (GASB 45), which required the city to accrue other postemployment benefits (OPEB) expense related to its postretirement healthcare plan based on a computed annual required contributions (ARC) that includes the current period's service costs and an amount to amortize unfunded actuarial accrued liabilities. Instead of recording expense on a pay-as-you-go basis, the city has recorded a liability of \$9.6 million for the difference between actuarially calculated ARC and the estimated contributions made. The liability is included in other noncurrent liability in the accompanying December 31, 2017 Statement of Net Position. The effect of GASB Statement 45 for the current fiscal year was to decrease the city's excess revenue over expenses before capital contributions and the city's increase in net assets for the year ended December 31, 2017 by approximately \$462 thousand.

Plan Description: The City of Bellevue's LEOFF Plan 1 (the Health Plan) is a single employer defined benefits healthcare plan administered by the city. The Health Plan provides medical, prescription drug, Medicare premiums, long-term care, and other medical expenses for LEOFF Plan 1 retirees. Dependent spouses and children are not covered. The Health Plan's actuary is Arthur J. Gallagher and Co. The Health Plan does not issue a separate standalone financial report.

Inactive plan members or beneficiaries currently receiving benefits payments	31
Active plan members	-
	<u>31</u>

Funding Policy: The city does not require retiree contributions. All benefits are paid in full by the city.

The city's required contribution is based on projected pay-as-you-go financing requirement, with no amount for prefunded benefits. For the fiscal year ended December 31, 2017, the city contributed \$1.9 million to the Health Plan. There were no retiree contributions.

Annual OPEB and Net OPEB Obligation: The basis for the city's annual OPEB costs is the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, the city projects will cover the normal costs each year. Amortization of any unfunded actuarial liability or funding excess is for a period not to exceed thirty years. The following displays the components of the city's annual OPEB costs, the estimated amount contributed to the Health Plan, and changes in the city's net OPEB obligation to the Health Plan for the year ended December 31, 2017, in thousands:

Annual Required Contribution	\$ 2,692
Interest on Net OPEB Obligation	228
Adjustment to annual required contribution	<u>(570)</u>
Annual OPEB Cost	2,350
Contributions Made	<u>(1,888)</u>
Increase in Net OPEB Obligation	462
Net OPEB Obligation - Beginning of year	<u>9,114</u>
Net OPEB Obligation - End of year	<u>\$ 9,576</u>

City of Bellevue, Washington

The city's annual OPEB cost, the percentage of annual OPEB cost contributed to the Health 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
2017	\$ 2,350	\$ 1,888	80.34%	\$ 9,576
2016	2,340	1,924	82.22%	9,114
2015	2,696	1,697	62.96%	8,698

Funded Status and Funding Progress: The funded status of the Health Plan as of the December 31, 2017 actuarial valuation, in thousands, is:

Actuarial Accrued Liability (AAL)	\$ 41,589
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 41,589</u>
Funded Ratio	0.00%
Covered Payroll	\$ 166
UAAL as a Percentage of Covered Payroll	25,078.4%

Actuarial valuations of an ongoing plan involved estimation 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 health cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. GASB Statement 45 requires that the schedule of funding progress, presented as required additional information following the notes to the financial statements, presents multi-year trend information showing whether the actuarial value of Health Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits.

Actuarial Methods and Assumptions: The basis of projections of benefits for financial reporting purposes is the substantive plan (the Health Plan as understood by the city and members of the Health Plan) and includes the type of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the city and members of the Health plan to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term perspective on the calculations.

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	2.50%
	B. Medical Inflation Rate	3.00%
II. City of Bellevue per-person claim cost experience rates:		
	A. Retirees under 65	\$ 3,400
	B. Retirees 65 and older	\$ 1,225
Actuarial cost method	Projected Unit Credit Actuarial Cost Method	
Amortization method	30 year open	
Asset valuation method	N/A	
Investment Rate	2.50%	

The January 1, 2017 valuation used the unit credit actuarial cost method. The actuarial assumptions included a 2.5 percent investment rate of return (net of administrative expenses). The valuation uses a combination of current market trends and the Society of Actuaries published Getzen Long Term Healthcare Cost Trends model. Trend rates range between 7.25 percent select rates and 4.65 percent ultimate rates. Administration fees are assumed to increase at a flat 4.5 percent per year, while stop loss fees follow standard medical trends. An active/retiree blended pre-65 claim costs is projected at health care cost trend and compare to the excise tax cost threshold beginning in 2020 and continuing thereafter. All trend rates include a 3.0 percent inflation assumption.

The UAAL at transition is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2017 was 21 years. The UAAL is recalculated each year and amortized as a level dollar amount on an open basis over 30 years.

Sensitivity of the net OPEB liability in the discount rate: The following presents the net OPEB liability of the city, as well as the city's new OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
\$	2,212	\$ 2,615	\$ 2,964

Note 9: Compensated Absences

The city's liability for accrued compensated absences is recorded in the schedule below, in thousands. The funds that incur a liability for compensated absences are responsible for liquidating them in future periods.

Governmental activities:	
General fund	\$ 9,211
Development Services	1,046
Nonmajor governmental funds	256
Total governmental activities	10,513
Business-type activities:	
Storm & surface water utility	334
Water utility	409
Sewer utility	362
Total business-type activities	1,105
Internal Service activities	991
Total compensated absences	\$ 12,609

Note 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, risk transfer/insurance, and risk margin factors to cover future unknown loss contingencies.

In accordance with GASB Statement 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", 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 Fund, General Self-Insurance Fund, and Health Benefits Fund 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, 2017, the city had available cash and equity in pooled investments in the self-insurance funds of \$18.1 million to provide against risk of catastrophic losses. The claims liability reported in the self-insurance funds is based on the requirements of GASB Statement 10. Prior to the issuance of the financial statements, GASB Statement 10 requires that a liability for claim be reported if it is probable that a liability has been incurred at the date of the financial statements and can be reasonably estimated. This estimated liability is not discounted to present value.

City of Bellevue, Washington

Changes in the Funds' claims liability amount from fiscal year ended December 31, 2016 to December 31, 2017, in thousands:

	<u>Workers'</u> <u>Compensation</u>	<u>Unemployment</u> <u>Compensation</u>	<u>General</u> <u>Self-Insurance</u>	<u>Health</u> <u>Benefits</u>
December 31, 2016:				
Unpaid claims, beginning of fiscal year	\$ 2,562	\$ 45	\$ 2,202	\$ 1,610
Incurred claims (including IBNRs)	1,044	185	1,814	18,921
Claim payments	<u>(1,206)</u>	<u>(175)</u>	<u>(1,603)</u>	<u>(18,986)</u>
Unpaid claims, December 31, 2016	<u>\$ 2,400</u>	<u>\$ 55</u>	<u>\$ 2,413</u>	<u>\$ 1,545</u>
December 31, 2017:				
Unpaid claims, beginning of fiscal year	\$ 2,400	\$ 55	\$ 2,413	\$ 1,545
Incurred claims (including IBNRs)	1,359	159	1,808	18,313
Claim payments	<u>(1,314)</u>	<u>(193)</u>	<u>(1,451)</u>	<u>(18,122)</u>
Unpaid claims, December 31, 2017	<u>\$ 2,445</u>	<u>\$ 21</u>	<u>\$ 2,770</u>	<u>\$ 1,736</u>
Due within one year	\$ 1,377	\$ 21	\$ 1,047	\$ 1,736
Due in more than one year	\$ 1,068	\$ -	\$ 1,723	\$ -

City of Bellevue, Washington

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

<u>Policy Type</u>	<u>Deductible</u>	<u>Coverage Limits</u>	<u>Description</u>
Excess Workers' Compensation Employer's Liability - All Employees	\$ 500,000	\$ 2,000,000	Protects the city from unanticipated levels of workers' compensation claims.
Boiler & Machinery	25,000	500,000,000 (A)	Protects the city from loss due to damage to buildings and contents from boilers and machinery.
Real & Personal Property	100,000	500,000,000 (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	20,000,000 (A)	Protects the city from excessive individual liability losses.
Fiduciary Liability	15,000	7,000,000	Protects the city's retirement plans from wrong doing by board members.
Fine Arts	None	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	Protects the city from loss due to employee dishonesty and other extended coverages.
Privacy & Network Liability	50,000	5,000,000	Protects the city from loss due to a data breach and other extended coverages.
Garage Keepers Liability	1,000	1,000,000 (A)	Protects the city from loss due to its non-city owned vehicle repair operations.
Storage Tank Liability	5,000	4,000,000	Protects the city from loss due to any third party liability claims resulting from underground storage tank incidents.
Terrorism or Sabotage	25,000	200,000,000	Protects the city from loss due to an act of terrorism or sabotage.
Auto & Equipment Physical Damage	25,000	10,000,000 (A)	Protects the city from loss due to damage to vehicles and equipment.

(A) per occurrence

(B) per individual

Discretely Presented Component Unit

The Bellevue Convention Center Authority utilizes Parker, Smith and Feek, Inc. for marketing and placement of its commercial policies. The Authority maintains insurance against most common hazards, including damage to the building, theft, natural disasters, and illness or injuries to clients, guests, and employees.

Note 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 2017 were \$15 thousand. Future lease payments to Terranomics Crossroads Associates are \$14 thousand for January 1, 2018 to November 30, 2018

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 2020. Total lease payments for 2017 were \$27 thousand. Future lease payments to Terranomics Crossroads Associates is a minimum future rent is \$65 thousand for January 1, 2018 to September, 2020.

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 lease ended June 30, 2017. Total lease payments for 2017 were \$25 thousand.

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 ends December 31, 2019. Total lease payments for 2017 were \$25 thousand. Future minimum lease payments to Delta Business Park are \$26 thousand for January 1, 2018 to December 31, 2019.

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 automatically renewed on July 1, 2016 for an additional seven years ending on June 30, 2023, with another automatic seven-year renewal. Total lease receipts for 2017 were \$499 thousand.

The premises leased by NORCOM have a cost of \$4.6 million with accumulated depreciation of \$1.2 million and a carrying value of \$3.4 million.

District Court

The city entered into an 11- year lease agreement for office space related to the District Court. The lease term began on July 1, 2014 and ends on June 30, 2025. There are 3 options for extensions in 5-year increments for a total of 15 additional years. Payments began on July 1, 2016. Total lease payments for 2017 were \$619 thousand.

Minimum future rental payments are summarized as follows, in thousands:

Future Minimum Lease Payments	
2018	\$ 628
2019	647
2020	667
2021	687
2022	707
Thereafter	<u>1,861</u>
Total future minimum lease payments	<u>\$ 5,197</u>

Construction/Other Contractual Commitments

The city's outstanding contractual commitments by fund type as of December 31, 2017 are summarized below, in thousands:

Governmental activities:	
General Fund	\$ 221,141
Development services	3,909
General CIP	42,066
Nonmajor governmental funds	<u>19,404</u>
Total governmental activities	286,520
Business-type activities:	
Storm & surface water utility	11,797
Water utility	33,606
Sewer utility	13,567
Nonmajor business-type funds	<u>91</u>
Total business-type activities	59,061
Total outstanding contractual commitments	<u>\$ 345,581</u>

Note 12: Interfund Receivables, Payables, and Transfers

Interfund balances as of December 31, 2017 were as follows, in thousands:

DUE TO/FROM OTHER FUNDS	<u>Receivable</u>	<u>Payable</u>
Governmental funds:		
General Fund	\$ 1,175	\$ 45
Proprietary funds:		
Storm Drainage Utility	-	184
Water Utility	51	551
Sewer Utility	-	441
Internal Service Funds	<u>-</u>	<u>5</u>
Total due other funds	<u>\$ 1,226</u>	<u>\$ 1,226</u>

Receivable and payable balances due to and due from funds consist of loans between city funds. The general fund receivables relate to business and occupation taxes on utility fund service revenue. Water utility receivables relate to water service provided to city departments.

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. Transfers from the Hotel/Motel Tax Fund were \$1.3 million.

Interfund transfers as of December 31, 2017 were as follows, in thousands:

INTERFUND TRANSFERS	In	Out
Governmental funds:		
General Fund	\$ 574	\$ 5,584
Development Services	4,112	485
General Capital Investment Program	296	19,922
Nonmajor governmental funds	21,879	2,042
Proprietary funds:		
Storm Drainage Utility	26	31
Water Utility	39	32
Sewer Utility	34	85
Marina	-	-
Internal Service Funds	2,359	1,140
	<u>\$ 29,320</u>	<u>\$ 29,320</u>

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

Note 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 Washington 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 (LTGO) 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 2032 through 2037. These bonds are subject to federal arbitrage rules.

On April 28, 2015, the city issued \$97.9 million in LTGO bonds with an average interest rate of 4.40 percent to: 1) finance, reimburse or refinance a portion of the city's capital investment program; 2) acquire certain real property; 3) finance improvements to the Meydenbauer Convention Center; and 4) refund a portion of the city's outstanding LTGO bonds to obtain the benefit of debt service savings. Maturity dates range from 2026 through 2034. The 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 (also called 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, \$22.4 million in limited tax general obligation bonds issued in 1995, 2010 (refunding 2002 bonds), and 2015 by the city.

Proceeds from the special obligation revenue bonds provided financing for constructing a convention center facility. Proceeds from the LTGO bonds issued in 1995 provided financing for capital improvements and related costs for the Convention Center. Proceeds from the 2010 (refunding 2002 bonds) issuance provided financing for acquiring a site for expansion and/or making improvements to the Convention Center. The 2015 LTGO bond issuance provided financing for building envelope remediation, interior improvements, and technology installations in the Convention Center. The bonds are payable solely from the hotel/motel tax revenue through 2034 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 80 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$92.8 million. Principal and interest paid for the current year and total pledged revenue were \$9.1 million and \$11.8 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 \$0.5 million. Principal and interest paid for the current year and total pledged revenue were both \$0.5 million.

Advanced Refunding

On September 28, 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: \$3.4 million of outstanding 1998 LTGO Marina bonds with an average interest rate of 4.57 percent and \$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 \$0.7 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 thousand 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 of \$3.8 million. The advance refunding also resulted in a difference between the net reacquisition price 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 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 thousand 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 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 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 of \$2.2 million. The advance refunding also resulted in a difference between the net reacquisition price 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.

On April 28, 2015, the city issued \$11.2 million in LTGO refunding bonds, with an average interest rate of 4.40 percent to advance refund a portion of: 2006 LTGO debt, \$3.3 million, of the total debt outstanding \$4.2 million with an average interest rate of 4.62 percent and 2008 LTGO debt, \$7.9 million, of the total debt outstanding \$10.3 million with an average interest rate of 4.32 percent.

The net proceeds of \$13.1 million, after payment of \$40 thousand 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 2006 and 2008 LTGO bonds. The refunded portion of the 2006 and 2008 bonds is 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 of the 2006 and 2008 LTGO bonds to reduce its total combined debt service payments over the next 10 years by \$940 thousand and to obtain an economic gain of \$805 thousand. The advance refunding resulted in a difference between the net reacquisition price and the net carrying amount of the old debt of \$1.1 million. This amount, reported in the statement of net position as a deferred outflow of resources, is being charged to operations through the year 2027 using the effective interest method.

Other Long-Term Liabilities

Other long-term debt incurred by the enterprise and governmental funds includes 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 settlement agreements. Estimated costs are \$51 thousand 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 2017. The city recognized an estimated pollution remediation obligation of \$203 thousand in 2017.

City of Bellevue, Washington

LONG- TERM DEBT GOVERNMENTAL ACTIVITIES
For the Year Ended December 31, 2017
(in thousands)

Description	Interest Rate	Fund Responsible to Pay Debt	Issue Date	Maturity Date	Original Debt Issued	Debt Outstanding 1/1/17	Debt Issued	Debt Redeemed	Debt Outstanding 12/31/17
General Obligation Bonds-Councilmanic:									
1995 Limited G.O.	5.15-5.80%	Hotel/ Motel Tax	12/27/95	12/01/25	\$ 5,139	\$ 1,571	\$ -	\$ 217	\$ 1,354
2008 Limited G.O.	3.00-4.25%	General CIP	02/07/08	12/01/17	14,230	680	-	680	-
2010 Limited Tax G.O.	2.00-5.00%	General CIP	10/14/10	12/01/30	11,825	9,110	-	495	8,615
2010 Limited Tax G.O. Refunding Series 2002	2.00-4.00%	Hotel/ Motel	09/28/10	12/01/32	9,595	7,705	-	365	7,340
2012 Limited G.O. Refunding Series 2012	2.00-5.00%	General CIP	04/17/12	12/01/39	55,875	52,375	-	1,710	50,665
2012 Limited G.O. Refunding Series 2012B	2.00-5.00%	General CIP	07/18/12	12/01/43	43,185	42,960	-	60	42,900
2013 Limited Tax G.O. Sound Transit Portion	2.00-5.00%	General CIP	04/15/13	12/01/32	62,605	54,855	-	2,345	52,510
2013 Limited G.O. Local Revitalization	2.00-5.00%	Debt Service	04/15/13	12/01/37	7,800	6,930	-	200	6,730
2015 Limited G.O. Refunding Series 2006	3.00-5.00%	General CIP	04/28/15	12/01/26	3,295	3,295	-	260	3,035
2015 Limited G.O. Refunding Series 2008	3.00-5.00%	General CIP	04/28/15	12/01/27	7,855	7,855	-	-	7,855
2015 Limited G.O. Metro & CIP	3.00-5.00%	General CIP	04/28/15	12/01/34	79,140	78,275	-	2,890	75,385
2015 Limited G.O. BCCA	3.00-5.00%	Hotel/ Motel	04/28/15	12/01/34	7,645	7,560	-	280	7,280
Other Long- Term Debt:									
Public Works Trust Fund Loan #06-962	0.50%	General CIP	02/01/07	02/01/28	750	398	-	40	358
Total					\$ 308,939	\$ 273,569	\$ -	\$ 9,542	\$ 264,027

City of Bellevue, Washington

LONG-TERM DEBT – BUSINESS TYPE ACTIVITIES
For the Year Ended December 31, 2017
(in thousands)

Description	Interest Rate	Fund Responsible to Pay Debt	Issue Date	Maturity Date	Original Debt Issued	Debt Outstanding 1/1/17	Debt Issued	Debt Redeemed	Debt Outstanding 12/31/17
General Obligation Bonds-Councilmanic 2010 Limited G.O. Refunding Series 1998	2.00-4.00%	Marina	09/28/10	12/1/18	\$ 3,280	\$ 930	\$ -	\$ 470	\$ 460
Total					\$ 3,280	\$ 930	\$ -	\$ 470	\$ 460

At December 31, 2017, the city's annual debt service requirements for general obligation, revenue, special assessment bonds and other debt were:

ANNUAL DEBT SERVICE REQUIREMENT TO MATURITY
(in thousands)

Year	General Obligation Bonds		Special Assessment Bonds		Governmental Activities Other Debt		Business-Type Activities Other Debt		Total Annual Requirements
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2018	\$ 10,295	\$ 12,125	\$ -	\$ -	\$ 40	\$ 2	\$ -	\$ -	\$ 22,462
2019	10,293	11,655	-	-	40	2	-	-	21,990
2020	10,753	11,194	-	-	40	1	-	-	21,988
2021	11,253	10,685	-	-	40	1	-	-	21,979
2022	11,783	10,154	-	-	40	1	-	-	21,978
2023-2027	67,172	40,666	-	-	159	2	-	-	107,999
2028-2032	73,085	24,264	-	-	-	-	-	-	97,349
2033-2037	36,180	10,962	-	-	-	-	-	-	47,142
2038-2042	27,100	46,607	-	-	-	-	-	-	73,707
2043	6,215	249	-	-	-	-	-	-	6,464
Total	\$ 264,129	\$178,561	\$ -	\$ -	\$ 358	\$ 9	\$ -	\$ -	\$ 443,057

City of Bellevue, Washington

LONG-TERM DEBT – DISCRETELY PRESENTED COMPONENT UNIT
BELLEVUE CONVENTION CENTER AUTHORITY
For the Year Ended December 31, 2017
(in thousands)

Description	Interest Rate	Issue Date	Maturity Date	Original	Debt	Debt	Debt	Debt
				Debt Issued	Outstanding 1/1/17	Issued	Redeemed	Outstanding 12/31/17
1991 Series B	5.9-7.20%	08/01/91	12/01/19	\$ 21,120	\$ 1,932	\$ -	\$ 613	\$ 1,318
1994 Refunding	6.25-7.50%	11/05/93	12/05/25	13,749	8,214	-	614	7,600
Total Revenue Bonds				<u>\$ 34,869</u>	<u>\$ 10,146</u>	<u>\$ -</u>	<u>\$ 1,227</u>	<u>\$ 8,918</u>
Add:								
Unamortized gain on advance refunding								5
Total								<u>\$ 8,923</u>

The Bellevue Convention Center Authority's 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, 2017 Bellevue Convention Center Authority's debt service requirements for revenue bonds were:

ANNUAL DEBT SERVICE REQUIREMENT TO MATURITY
(in thousands)

Year	Revenue Bonds		Total Annual Requirements
	Principal	Interest	
2018	\$ 1,204	\$ 6,321	\$ 7,525
2019	1,180	6,795	7,975
2020	539	2,901	3,440
2021	1,238	7,262	8,500
2022	1,224	7,826	9,050
2023-2025	3,533	26,667	30,200
Total	<u>\$ 8,918</u>	<u>\$ 57,772</u>	<u>\$ 66,690</u>

CHANGES IN LONG-TERM LIABILITIES
(in thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 273,171	\$ -	\$ (9,502)	263,669	\$ 9,834
Add: for issuance premium	28,723	-	(1,624)	27,099	-
Compensated absences	11,110	13,213	(12,819)	11,504	3,450
Estimated claims payable	6,413	21,639	(21,080)	6,972	4,180
Net pension liability	65,199	51,234	(65,199)	51,234	-
Other post employment benefits	9,114	2,350	(1,888)	9,576	-
Estimated pollution remediation	268	-	(65)	203	-
Other long-term debt	398	-	(40)	358	40
Total	\$ 394,396	\$ 88,436	\$ (112,217)	\$ 370,615	\$ 17,504
Business Activities:					
General obligation bonds	\$ 930	\$ -	\$ (470)	\$ 460	\$ 460
Add: for issuance premiums	35	-	(18)	17	-
Compensated absences	1,159	1,024	(1,078)	1,105	331
Net pension liability	13,654	7,857	(13,654)	7,857	-
Total	\$ 15,778	\$ 8,881	\$ (15,220)	\$ 9,439	\$ 791
Bellevue Convention Center Authority:					
Revenue bonds	\$ 10,146	\$ -	\$ (1,227)	\$ 8,918	\$ 1,204
Compensated absences	118	-	(5)	113	13
Accrued interest on revenue bonds	37,891	(2,541)	-	35,350	-
Deposits payable	108	-	(33)	75	-
Total	\$ 48,263	\$ (2,541)	\$ (1,265)	\$ 44,456	\$ 1,217

Compensated absences are liquidated in the General Fund, Solid Waste Fund, Development Services Fund, and Park Enterprise Fund. Pollution remediation costs are liquidated in the General Fund. Estimated claims expenses are liquidated in internal service funds. Other post-employment benefits are liquidated in the LEOFF I Medical Reserve Fund. The pension liability for PSERS, LEOFF 1, LEOFF 2, and the Firefighters' Pensions are liquidated in the General Fund. The PERS 1 and PERS 2/3 are liquidated by the general government, internal service funds, and business type funds based on the contribution allocation.

Note 14: Related Party Transactions

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, 2017 totaled \$9.7 million.

Note 15: Contingencies and Litigation

As of December 31, 2017, 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.

Note 16: Joint Ventures

EASTSIDE PUBLIC SAFETY COMMUNICATIONS AGENCY (EPSCA)

The city is a participant with the cities of Redmond, Kirkland, Mercer Island and Issaquah (Principal) in a joint venture to operate a public safety radio communication system. The Eastside Public Safety Communications Agency (EPSCA), a not-for-profit corporation, was created to provide system management services. The EPSCA is governed by an Executive Board composed of one representative from each Principal.

A Principal may withdraw its membership and terminate its participation by providing written notice and serving that notice on the EPSCA Executive Board on or before December 31 in any year. After providing appropriate notice, that Principal's membership withdrawal shall become effective on the last day of the calendar year following delivery and service of appropriate notice to all Principals.

Upon dissolution of the corporation, the net position of the EPSCA will be shared proportionally by participating agencies at the time of dissolution. The Principals are each obligated by interlocal agreement to remit costs related to the public safety radio communication system based upon the number of radios each participating agency has contracted for in order to supplement the EPSCA's operating revenues. The city paid \$236 thousand in services fees in 2017.

Complete financial statements for the EPSCA can be obtained from EPSCA, MS PSEPS, c/o Scott Hatfield PO Box 97010, Redmond, WA 98073-9710.

CASCADE WATER ALLIANCE

The city is a participant in a joint venture to operate a water supply system with the following entities: Issaquah, Kirkland, Redmond, Tukwila, Sammamish Plateau Water and Sewer District, and Skyway Water and Sewer District (Members). Cascade Water Alliance (Alliance), a joint municipal utility service corporation, was created to provide water supply to meet current and future needs in a cost-effective and environmentally responsible manner. The Alliance is governed by a Board of Directors consisting of one individual representative from each Member, appointed by resolution of the Member's legislative authority.

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 existing obligations. The Member's withdrawal shall be effective upon payment of obligations and shall have no right to, or interest, in any water supply assets owned by the Alliance.

Upon dissolution of the corporation, the net position of the Alliance will be shared equitably by current Members at the time of dissolution based on demand shares. The Members are each obligated by interlocal agreement to remit costs related to the Alliance based on the number of Cascade equivalent residential units (CERUs) served by its water system, regardless of water usage or capacity to defray part of the Alliance's administrative costs. In addition, to allocate growth costs to those Members that require capacity increases, each Member shall pay a Regional Capital Facilities Charge (RCFC) determined by the Board. The city paid \$1.3 million in annual dues and \$2.7 million in RCFCs in 2017.

Complete financial statements for the Alliance can be obtained from Cascade Water Alliance, c/o Chris Paulucci, Manager of Finance and Administration, 520 112th Ave NE Suite 400, Bellevue, WA 98004.

eCityGov ALLIANCE

The city is a participant with the cities of Issaquah, Kenmore, Kirkland, Sammamish and Snoqualmie (Partners) in a joint venture called eCityGov Alliance (eCityGov). eCityGov was created to develop, own, operate, manage and maintain online public service programs and services. Prior to 2014, eCityGov was a joint operation under an interlocal agreement. As of March 1, 2014, eCityGov formed a legally separate not-for-profit corporation. It remains

an agency fund of the city. eCityGov is governed by an Executive Board composed of the Chief Executive Officer, Chief Administrative Officer, or designee of each Partner.

A Partner may withdraw by written notice to the Executive Board. Any portion of annual fees for the current calendar year shall be forfeited upon such withdrawal. The withdrawing Partner also forfeits the Partner’s proportionate interest, including but not limited to: ownership rights to hardware, software intellectual property owned by eCityGov, and any future revenues associated with eCityGov products and services.

Upon dissolution of the corporation, all property acquired shall be disposed of as follows: (1) property contributed without charge by any member shall revert to the contributor or in the event the contributor had previously resigned as a Partner, the Executive Board shall determine the disposition of the contributed asset(s); (2) all other real and personal property purchased after the effective date of the interlocal agreement shall be distributed to the Partners based upon each Partner’s proportional ownership interest at the time of the sale of the property; (3) ownership of intellectual property, including but not limited to, copyrighted and trademarked materials, software code, web designs and templates, web content, data and interfaces shall be transferred fully and equally to each Partner; and (4) Partner-owned data shall be returned to the owner.

The city paid \$340 thousand in annual fees in 2017. The city reports the activity of eCityGov in the city’s Statement of Fiduciary Net Position and Statement of Changes in Assets and Liabilities.

All Principals, Subscribers and Basic Members remit annual fees. Expenditures in 2017 were \$1.1 million, revenues were \$1.4 million. The Partners will each have a percentage proportional ownership interest in all such property based upon the city’s population as a percentage of total population of all Partner cities and will proportionally share in obligations and benefits, financial or otherwise, from such ownership interest. Partner fees and voting are based on relative population, equity balances are as follows, with dollars in thousands:

	Population *	Percentage	Equity
Bellevue	135,000	40.16%	\$ 393
Kirkland	83,460	24.83%	177
Sammamish	49,980	14.87%	106
Issaquah	33,330	9.92%	71
Kenmore	21,500	6.40%	46
Snoqualmie	12,850	3.82%	27
Total	336,120	100.00%	\$ 820

*2015 Population figures were provided by the State of Washington Office of Financial Management which were used to update population and cost allocation for Principles.

Complete financial statements for eCityGov Alliance can be obtained from Tarik Rahmani, City of Bellevue, Information Technology Department, P.O. Box 90012, Bellevue, WA 98009-9012.

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

The city is a participant in a joint venture with Bothell, Clyde Hill, Kirkland, Medina, Mercer Island and Snoqualmie, 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 (Principal agencies) to operate the North East King County Regional Public Safety Communications Agency (NORCOM), a consolidated emergency service communications center. NORCOM, a nonprofit corporation, was created to provide highly efficient emergency service communications and all related incidental functions for communicating and dispatching services between the public and the Principals’ directly served public safety departments in furtherance of improved public safety and emergency response. NORCOM is governed by an Executive Board composed of one representative from each Principal agency.

A Principal may withdraw its membership and terminate its participation by providing written notice and serving that notice on the NORCOM Governing Board on or before December 31 in any year. After providing appropriate notice, that Principal's membership withdrawal shall become effective on the last day of the calendar year following delivery and service of appropriate notice to all other Principals.

Upon dissolution of the corporation, the net position of NORCOM will be shared equitably by the Principals at the time of dissolution based on the average of the prior five years of user fees contributed. The Principal agencies are each obligated by interlocal agreement to remit costs related to NORCOM based upon the number of service calls for fire and police operations to supplement NORCOM's operating revenues.

The city paid \$4.1 million in user fees in 2017.

Complete financial statements for NORCOM can be obtained from NORCOM, c/o J.R. Lieuallen, PO Box 50911, Bellevue, WA 98015-0911.

COMMUNITY CONNECTIVITY CONSORTIUM

The city is a participant in a joint venture with Kirkland, Federal Way, Renton, Seattle, Algona, Auburn, Kent, Pacific, Puyallup, Tukwila, Lake Washington School District, University of Washington, Bellevue College, Bellevue School District, King County Public Hospital District No. 2 (Members) to do business as Evergreen Healthcare and Valley Communications Center to operate a regional communications network. The Community Connectivity Consortium, a public corporation, was created to provide low-cost, stable, robust and efficient connectivity services to members and their communities. The Consortium is governed by the Consortium Board comprised of representatives appointed by member agencies, initially made up of four core and five at-large seats. The Consortium may change the composition and number of board positions, including the number of core and at-large seats, as the needs of the Consortium may dictate.

Upon dissolution of the corporation, assets of the Consortium shall be distributed by the Consortium Board among Members after paying or making provisions for the payment of all debts, obligations, liabilities, costs, and expenses of the Consortium. The distribution of the Consortium will be based on the following: (1) non-cash assets contributed without charge by a Consortium member shall revert to the contributor. If the contributor is no longer a member, the asset shall be treated as if it were acquired with Consortium funds. (2) The Consortium Board shall conduct a valuation of all remaining assets. Assets acquired with Consortium funds shall be sold by the Consortium Board, if appropriate, and the money or asset value distributed to those members still participating in the Consortium on the day prior to the termination date. The distribution shall be apportioned by taking the percentage that a member has contributed to the total Consortium budget over the existence of the agreement and applying that percentage to the remainder of the assets.

The city reports the activity of the Consortium in the city's Statement of Fiduciary Net Position and Statement of Changes in Assets and Liabilities. For the year ended December 31, 2017, total assets and liabilities increased \$34 thousand. Ending balances for total assets and total liabilities are \$103 thousand.

Compiled financial statements for the Consortium can be obtained from Chelo Picardal, City of Bellevue, Information Technology Department, P.O. Box 90012, Bellevue, WA 98009-9012.

Note 17: Governmental Fund Balances

Fund balances, with the implementation of GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions", 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 a nonspendable fund balance for prepayment.

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 committed fund balances for capital improvement projects for a portion of Business and Occupation Taxes set by a non-lapsing ordinance.

Assigned

Fund balances that are constrained by the government's intent to be used for a specific purpose but are not restricted or committed are considered assigned. By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt services, or permanent fund, the government has assigned those amounts to the purpose of the respective fund. Assignments are adopted by City Council through a budget ordinance.

Unassigned

Unassigned fund balance is the residual classification for the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. The city only reports unassigned fund balance in the General Fund.

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 business and occupation 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 Park Maintenance and Operations 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 City Council authorization.

All other governmental funds ending fund balances are determined by City Council and adopted with the budget ordinance.

City of Bellevue, Washington

The following schedule presents governmental fund balances in accordance with the purposes for which those balances are constrained for the year ending December 31, 2017, in thousands:

GOVERNMENTAL FUND BALANCES
DECEMBER 31, 2017
(in thousands)

	General Fund	Development Services	General CIP	Other Governmental Funds	Total Governmental Funds
Fund balance					
Nonspendable for:					
Prepays	\$ 522	\$ -	\$ -	\$ -	\$ 522
Total Nonspendable fund balance	<u>522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>522</u>
Assigned for:					
General government	1,086	-	7,321	3,327	11,735
Public safety	57	-	-	1,981	2,038
Physical environment	-	-	-	1,306	1,306
Transportation	716	-	-	-	716
Economic environment	-	1,627	-	-	1,627
Health and human services	-	-	-	1,698	1,698
Culture and recreation	914	-	-	707	1,621
Debt service	-	-	-	1,012	1,012
Total assigned fund balance	<u>2,773</u>	<u>1,627</u>	<u>7,321</u>	<u>10,031</u>	<u>21,752</u>
Committed for:					
General government	-	-	189	-	189
Transportation	-	-	2,078	-	2,078
Total committed fund balance	<u>-</u>	<u>-</u>	<u>2,267</u>	<u>-</u>	<u>2,267</u>
Restricted for:					
General government	-	-	18,499	513	19,012
Public safety	342	-	6,016	306	6,664
Physical environment	-	-	-	595	595
Transportation	-	-	18,219	-	18,219
Economic environment	-	11,976	-	234	12,210
Health and human services	225	-	-	5,083	5,307
Culture and recreation	-	-	17,194	6,769	23,963
Debt service	-	-	-	110	110
Total restricted fund balance	<u>566</u>	<u>11,976</u>	<u>59,928</u>	<u>13,611</u>	<u>86,082</u>
Unassigned	44,735	-	-	-	44,735
Total unassigned fund balance	<u>44,735</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,735</u>
Fund Balance	<u>\$ 48,597</u>	<u>\$ 13,603</u>	<u>\$ 69,516</u>	<u>\$ 23,642</u>	<u>\$ 155,358</u>

Note 18: Tax Abatement

Taxes received by the City of Bellevue for the year ended December 31, 2017 are affected by abatements provided by other taxing jurisdictions: King County and the Washington State Department of Revenue (DOR).

King County Administered Programs

As of December 31, 2017, the County provides tax abatements through three programs : the Current Use Programs, Historic Preservation Program, and the Single-family Dwelling Improvement Program. These programs are property tax abatements. The property tax system in the state of Washington is budget-based, which means the taxing authority determines a budget or dollar amount and adjusts the rates for the taxpayers based on the assessed valuation of their property. As a result, tax abatement programs related to property taxes shift the tax burden to individual taxpayers rather than to the municipality. The city incurred abatement of taxes under two of the programs for 2017: Current Use Programs and Single-family Dwelling Improvement Program.

Current Use Programs

The Current Use Programs (Current Use) provide property tax abatements to landowners to voluntarily preserve open space, farmland or forestland via four programs on their property pursuant to RCW 84.33.130 and RCW 84.34.010.

Public Benefit Rating System (PBRs) enrollment and associated tax savings are based on a point system. Points are awarded for each PBRs resource category a property qualifies for, such as protecting buffers to streams and wetlands, ground water protection, preserving significant wildlife habitat, conserving farmland and native forestland and preserving historic landmarks.

Timber Land enrollment requires a property to have between 5 and 20 acres of manageable forestland, and be zoned RA, F or A. Land participating in this program must be devoted primarily to the growth, harvest, and management of forest crops for commercial purposes and must be managed according to an approved forest stewardship plan.

Farm and Agricultural Land enrollment requires land to be used for the production of livestock or agricultural commodities for commercial purposes.

Forestland enrollment requires a property to have more than 20 acres of eligible forestland primarily devoted to the growth and harvest of timber.

An owner of land desiring current use classification must submit an application to the County Assessor. Once enrolled, a participating property is assessed at a current use value, which is lower than the highest and best use assessment value that would otherwise apply to the property.

When land no longer meets the requirements for the respective classifications, abated taxes, applicable penalties and interest are collected. Regarding the PBRs and Farm and Agricultural Land programs, when land no longer qualifies for current use, both the assessed valuation before and after the removal of classification is listed on tax rolls and taxes are allocated according to that part of the year to which each assessed valuation applies. Except as provided in the statute, an additional tax, applicable interest, and penalties must be imposed, which are due and payable 30 days after the owner is notified of the additional tax. The amount of additional tax, applicable interest, and penalties is determined as follows: (a) the amount of additional tax is equal to the difference between the property tax paid as open space land, farm and agricultural land or timberland and the amount of tax otherwise due and payable for the seven years last past had the land not been so classified; (b) the amount of applicable interest is equal to the interest upon the amounts of the additional tax paid at the same statutory rate charged on delinquent property taxes from the dates on which the additional tax could have been paid without penalty if the land had been assessed at a value; (c) the amount of the penalty is equal to 20 percent of the amount of the additional tax and applicable interest due. The penalty may not be imposed if the removal satisfies the conditions allowed in the chapter.

When land is removed from the special classification in the Timber Land and Forestland programs, a compensating tax is due equal to (a) the difference, if any, between the amount of tax last levied on the land as designated forestland and an amount equal to the new assessed valuation of the land when removed from classification

multiplied by the dollar rate of the last levy extended against the land, multiplied by (b) a number equal to: (i) the number of years the land was designated under RCW 84.34, if the total number of years the land was designated under RCW 84.33 and classified under RCW 84.34 is less than 10; or (ii) 10 minus the number of years the land was classified under RCW 84.34, if the total number of years the land was designated under RCW 84.33 and classified under RCW 84.34 is at least 10.

Single-family Dwelling Improvement Program

The Single-family Dwelling Improvement Program (Improvement) provides property tax abatements to encourage home improvements to single-family dwellings under RCW 84.36.400. Any physical improvement to single-family dwellings upon real property shall be exempt from taxation for the three assessment years subsequent to the completion of the improvement. Abatements are obtained through application by the property owner, including proof that the improvements have been made and equal 100 percent of the additional property tax resulting from the increase in assessed value as a result of the improvements, not to exceed 30 percent of the pre-improvement value of the structure.

The total amount of taxes abated for the year ended December 31, 2017 was \$122 thousand and \$93 thousand for the Current Use and Improvement programs, respectively.

Department of Revenue Administered Programs

High-Technology Sales and Use Tax Deferral

The High-Technology Sales and Use Tax Deferral program for business and occupation tax credits for qualified research and development expenditures and a tax deferral program for high-technology research and development and pilot scale manufacturing facilities under RCW 82.63. The deferral applies to the construction or renovation of one or more buildings by an owner who engages in qualifying research and development or pilot scale manufacturing. The deferral also applies to owners who lease newly constructed or renovated buildings to one or more lessees that conduct qualifying research and development or pilot scale manufacturing, if the owner passes on the economic benefit of the deferral to the lessee or lessees. The DOR provides estimates of the impact of the tax deferral for each year. The estimated deferral for the year ended December 31, 2017 was \$1.2 million.

Note 19: Prior Period Adjustments

Special assessment receivables and deferred inflows for debt in the LID Control Fund, a nonmajor Special Revenue Fund, were overstated in 2016 by \$462 thousand. The adjustment for prior period is the result of current year corrections for balances recorded as adjustments for government-wide reporting for the special assessment receivables and deferred inflows for debt. The adjustment decreased net position on the Statement of Activities for Governmental Activities by \$462 thousand for the year ended December 31, 2017.

The Information Technology Fund's, an internal service fund, capital asset transfer in a prior year did not record the gain or loss on the transfer from the General CIP Fund. The correction results in an increase in net position of \$2.0 million in 2017 on the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds and an increase in net position of \$2.0 million in the Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds.

Utility funds capital asset transfers to the Equipment Rental fund, an internal service fund, in prior years did not record the gain or loss on the transfers. The effect of the correction results in changes in net position on the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds as follows: increase for Storm & Surface Water of \$6 thousand; decrease for Water Utility of \$7 thousand; and Sewer Utility decrease of \$10 thousand. The Equipment Rental fund has a corresponding net increase to net position of \$8 thousand on the Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds.

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Required Supplementary Information

City of Bellevue, Washington

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
FIREFIIGHTERS' PENSION FUND
 Last Ten Fiscal Years
 (Dollar amounts in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total pension liability ¹										
Service cost (Entry Age Normal Cost)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	288	288	222	223	175	176	143	141	137	145
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	8	579	58	(1,351)	84	(889)	16	(39)	290	90
Changes of assumptions	-	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(295)	(297)	(279)	(214)	(259)	(221)	(201)	(228)	(219)	(198)
Net change in total pension liability	-	570	-	(1,343)	-	(935)	(42)	(125)	208	38
Total pension liability--beginning	5,900	5,900	6,470	6,470	5,127	5,127	4,192	4,150	4,025	4,233
Total pension liability--ending (a)	<u>\$ 5,900</u>	<u>\$ 6,470</u>	<u>\$ 6,470</u>	<u>\$ 5,127</u>	<u>\$ 5,127</u>	<u>\$ 4,192</u>	<u>\$ 4,150</u>	<u>\$ 4,025</u>	<u>\$ 4,233</u>	<u>\$ 4,271</u>
Plan fiduciary net position										
Contributions - employer	\$ 176	\$ 173	\$ 180	\$ 188	\$ 181	\$ 196	\$ 208	\$ 207	\$ 214	\$ 215
Contributions - member	-	-	-	-	-	-	-	-	-	-
Net investment income	230	134	47	129	7	-	67	55	69	67
Benefit payments	(295)	(297)	(279)	(214)	(259)	(221)	(201)	(228)	(219)	(198)
Administrative expense	-	-	-	-	-	(13)	(11)	(12)	(3)	(14)
Other	-	-	-	-	17	-	-	-	(13)	-
Net change in plan fiduciary net position	111	10	(53)	102	(53)	(38)	63	22	48	71
Plan fiduciary net position--beginning	6,603	6,713	6,723	6,671	6,773	6,719	6,682	6,745	6,767	6,815
Plan fiduciary net position--ending (b)	<u>\$ 6,713</u>	<u>\$ 6,723</u>	<u>\$ 6,671</u>	<u>\$ 6,773</u>	<u>\$ 6,719</u>	<u>\$ 6,682</u>	<u>\$ 6,745</u>	<u>\$ 6,767</u>	<u>\$ 6,815</u>	<u>\$ 6,886</u>
City's net pension liability (asset)-ending (a) - (b)	<u>\$ (814)</u>	<u>\$ (254)</u>	<u>\$ (201)</u>	<u>\$ (1,646)</u>	<u>\$ (1,592)</u>	<u>\$ (2,489)</u>	<u>\$ (2,594)</u>	<u>\$ (2,742)</u>	<u>\$ (2,581)</u>	<u>\$ (2,615)</u>
Plan fiduciary net position as a percentage of the total pension liability	113.79%	103.92%	103.11%	132.10%	131.06%	159.39%	162.51%	168.11%	160.98%	161.23%
Covered-employee payroll	\$ 85	\$ 91	\$ 91	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's net pension liability (asset) as a percentage of covered-employee payroll	N/A	\$ (3)	\$ (2)	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule: ¹Prior to 2014, the change in total pension liability was not broken out to show the impact of "changes of benefit terms" and "changes of assumptions" in prior reports, and is left blank in the table above. Changes due to these factors included in differences between expected and actual experience.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FIREFIIGHTERS' PENSION FUND
 Last Ten Fiscal Years
 (Dollar amounts in thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution ¹	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	215	214	207	208	196	181	188	180	214	215
Contribution deficiency (excess)	<u>\$ 215</u>	<u>\$ 214</u>	<u>\$ 207</u>	<u>\$ 208</u>	<u>\$ 196</u>	<u>\$ 181</u>	<u>\$ 188</u>	<u>\$ 180</u>	<u>\$ 214</u>	<u>\$ 215</u>
Covered-employee payroll	\$ 85	\$ 91	\$ 91	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	253.52%	235.60%	227.28%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

Valuation date: Actuarially determined contribution rates are calculated as of January 1.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost
Amortization method	Level amortization of net pension liability as level dollar amount over five-year period
Remaining amortization period	3 years
Asset valuation method	Market value
Inflation	2.5%
Salary increases	3.0%, including inflation
Investment rate of return	3.5%
Retirement age	All members who attain, or who have attained, age 65 in active service are assumed to retire immediately.
Mortality	Active and service-retired members: The mortality rates are based on the RP-2000 Mortality Table (combined healthy) for Males, Projected to 2019 using 50% of Projection Scale AA, with ages set back one year. Disabled members: The mortality rates are based on the RP-2000 Mortality Table (combined healthy) for Males, Projected to 2019 using 50% of Projection Scale AA, with ages set forward two years. Spouses: The mortality rates are based on the RP-2000 Mortality Table (combined healthy) for Females, Projected to 2019 using 50% of Projection Scale AA, with ages set forward one year.

Notes to Schedule: ¹Prior to 2014, the "actuarially determined contribution" was calculated using a different method and is left blank in the table above.

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
FIREFIGHTERS' PENSION FUND
Last Ten Fiscal Years
(Dollar amounts in thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	3.52%	2.02%	0.71%	1.93%	0.36%	0.01%	1.01%	0.82%	0.82%	0.98%

City of Bellevue, Washington

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY- PERS

As of June 30, 2017

Last Ten Fiscal Years^{1 and 2}

(Dollar amounts in thousands)

	PERS 1		
	2015	2016	2017
City's proportion of the net pension liability (asset)	0.69%	0.68%	0.65%
City's proportionate share of the net pension liability (asset)	\$ 36,327	\$ 36,620	\$ 30,866
State proportionate share of the net pension liability (asset) associated with the city	-	-	-
Total	\$ 36,327	\$ 36,620	\$ 30,866
City's covered employee payroll	\$ 1,475	\$ 1,152	\$ 751
City's proportionate share of the net pension liability (asset) as percentage of its covered payroll	2463%	3178%	4110%
Plan fiduciary net position as a percentage of the total pension liability	43%	41%	37%
	PERS 2/3		
	2015	2016	2017
City's proportion of the net pension liability (asset)	0.85%	0.84%	0.81%
City's proportionate share of the net pension liability (asset)	\$ 30,425	\$ 42,134	\$ 28,183
State proportionate share of the net pension liability (asset) associated with the city	-	-	-
Total	\$ 30,425	\$ 42,134	\$ 28,183
City's covered employee payroll	\$ 75,724	\$ 78,251	\$ 79,679
City's proportionate share of the net pension liability (asset) as percentage of its covered payroll	40%	54%	35%
Plan fiduciary net position as a percentage of the total pension liability	36%	47%	34%

¹GASB Statement 68 was implemented in 2015 and prior to 2015, the city did not report a proportionate share of these pensions.

²The amounts presented for each fiscal year were presented as of June 30.

City of Bellevue, Washington

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY- PSERS

As of June 30, 2017

Last Ten Fiscal Years^{1 and 2}

(Dollar amounts in thousands)

	PSERS 2		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
City's proportion of the net pension liability (asset)	0.25%	0.23%	0.21%
City's proportionate share of the net pension liability (asset)	\$ 45	\$ 99	\$ 42
State proportionate share of the net pension liability (asset) associated with the city	-	-	-
Total	\$ 45	\$ 99	\$ 42
City's covered employee payroll	\$ 724	\$ 762	\$ 750
City's proportionate share of the net pension liability (asset) as percentage of its covered payroll	6%	13%	6%
Plan fiduciary net position as a percentage of the total pension liability	0%	0%	0%

¹GASB Statement 68 was implemented in 2015 and prior to 2015, the city did not report a proportionate share of these pensions.

²The amounts presented for each fiscal year were presented as of June 30.

City of Bellevue, Washington

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY- LEOFF

As of June 30, 2017

Last Ten Fiscal Years^{1 and 2}

(Dollar amounts in thousands)

	LEOFF 1		
	2015	2016	2017
City's proportion of the net pension liability (asset)	0.29%	0.30%	0.31%
City's proportionate share of the net pension liability (asset)	\$ (3,472)	\$ (3,051)	\$ (4,639)
State proportionate share of the net pension liability (asset) associated with the city	-	-	-
Total	\$ (3,472)	\$ (3,051)	\$ (4,639)
City's covered employee payroll	\$ 562	\$ 431	\$ 213
City's proportionate share of the net pension liability (asset) as percentage of its covered payroll	(618%)	(707%)	(2,179%)
Plan fiduciary net position as a percentage of the total pension liability	4%	3%	6%
	LEOFF 2		
	2015	2016	2017
City's proportion of the net pension liability (asset)	1.39%	1.37%	1.38%
City's proportionate share of the net pension liability (asset)	\$ (13,912)	\$ (7,987)	\$ (19,186)
State proportionate share of the net pension liability (asset) associated with the city	(328)	(5,207)	(12,445)
Total	\$ (14,240)	\$ (13,194)	\$ (31,631)
City's covered employee payroll	\$ 40,277	\$ 41,682	\$ 43,213
City's proportionate share of the net pension liability (asset) as percentage of its covered payroll	(35%)	(19%)	(44%)
Plan fiduciary net position as a percentage of the total pension liability	17%	9%	23%

¹GASB Statement 68 was implemented in 2015 and prior to 2015, the city did not report a proportionate share of these pensions.

²The amounts presented for each fiscal year were presented as of June 30.

City of Bellevue, Washington

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S CONTRIBUTIONS- PERS**

As of December 31, 2017

Last Ten Fiscal Years¹

(Dollar amounts in thousands)

	PERS 1		
	2015	2016	2017
Contractually required contributions	\$ 156	\$ 97	\$ 96
Contributions in relation to the contractually required contribution	(141)	(97)	(96)
Contribution deficiency (excess)	\$ 14	\$ -	\$ -
City's covered-employee payroll	\$ 1,392	\$ 865	\$ 801
Contributions as a percentage of covered- employee payroll	(10%)	(11%)	(12%)
	PERS 2/3		
	2015	2016	2017
Contractually required contributions	\$ 8,641	\$ 8,771	\$ 9,835
Contributions in relation to the contractually required contribution	(7,884)	(8,770)	(9,834)
Contribution deficiency (excess)	\$ 758	\$ -	\$ 2
City's covered-employee payroll	\$ 77,293	\$ 78,449	\$ 82,274
Contributions as a percentage of covered- employee payroll	(10%)	(11%)	(12%)

¹ GASB Statement 68 was implemented in 2015 and prior to 2015, the city did not report a proportionate share of these pensions.

City of Bellevue, Washington

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY'S CONTRIBUTIONS- PSERS

As of December 31, 2017

Last Ten Fiscal Years¹

(Dollar amounts in thousands)

	PSERS 2		
	2015	2016	2017
Contractually required contributions	\$ 87	\$ 89	\$ 84
Contributions in relation to the contractually required contribution	(83)	(89)	(84)
Contribution deficiency (excess)	\$ 4	\$ -	\$ -
City's covered-employee payroll	\$ 753	\$ 774	\$ 715
Contributions as a percentage of covered- employee payroll	(11%)	(12%)	(12%)

¹ GASB Statement 68 was implemented in 2015 and prior to 2015, the city did not report a proportionate share of these pensions.

City of Bellevue, Washington

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S CONTRIBUTIONS- LEOFF**

As of December 31, 2017

Last Ten Fiscal Years¹

(Dollar amounts in thousands)

	LEOFF 1		
	2015	2016	2017
Contractually required contributions	\$ 1	\$ 1	\$ -
Contributions in relation to the contractually required contribution	(1)	(1)	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 515	\$ 431	\$ 166
Contributions as a percentage of covered- employee payroll	0%	0%	0%
	LEOFF 2		
	2015	2016	2017
Contractually required contributions	\$ 2,182	\$ 2,204	\$ 2,332
Contributions in relation to the contractually required contribution	(2,182)	(2,204)	(2,332)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 41,721	\$ 42,143	\$ 43,741
Contributions as a percentage of covered- employee payroll	(5%)	(5%)	(5%)

¹ GASB Statement 68 was implemented in 2015 and prior to 2015, the city did not report a proportionate share of these pensions.

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS**

For the Fiscal Year Ended December 31, 2017

(Dollar amounts 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, 2015	-	\$ 48,882	\$ 48,882	0.0%	\$ 478	10,218%
December 31, 2016	-	42,466	42,466	0.0%	311	13,638%
December 31, 2017	-	41,589	41,589	0.0%	166	25,078%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS**

For the Fiscal Year Ended December 31, 2017

(Dollar amounts in thousands)

Year Ended December 31	Annual OPEB Cost	Employer Contribution	Percentage of OPEB Cost Contributed	NET OPEB Obligation
2015	\$ 2,696	\$ 1,697	62.96%	\$ 8,698
2016	2,340	1,924	82.22%	9,114
2017	2,350	1,888	80.34%	9,576

**SCHEDULE OF MODIFIED APPROACH FOR REPORTING INFRASTRUCTURE ASSETS
For the Fiscal Year Ended December 31, 2017**

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.

CONDITION RATING OF THE CITY'S STREET SYSTEM

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Arterial:			
Percent above satisfactory	96%	96%	96%
Overall performance rating:	78	79	78
Residential:			
Percent above satisfactory	100%	100%	100%
Overall performance rating:	80	81	79

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:

COMPARISON OF NEEDED-TO-ACTUAL EXPENDITURES

(in thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Arterial:					
Needed:	\$ 4,492	\$ 4,143	\$ 4,768	\$ 5,181	\$ 4,104
Actual:	2,453	4,381	5,840	3,255	1,473
Residential:					
Needed:	\$ 901	\$ 981	\$ 1,595	\$ 1,845	\$ 2,744
Actual:	756	-	2,112	1,543	2,838

Following GASB Statement 34, the city is reporting major historic infrastructure acquired in fiscal years ending after June 30, 1980.

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund**

For the Fiscal Year Ended December 31, 2017
(in thousands)

	Original Budget	Final Budget	Actuals on Budgetary Basis	Variance with Final Budget
Revenues/operating revenues:				
Taxes and special assessments	\$ 144,112	\$ 146,797	\$ 151,816	\$ (5,019)
Licenses and permits	484	484	318	165
Intergovernmental	18,787	19,413	19,107	306
Service charges and fees	11,320	11,320	10,693	627
Fines and forfeitures	1,752	1,752	2,012	(260)
Interest and assessment interest	48	48	354	(306)
Net change in fair value of investments	-	-	(83)	83
Rent	1,117	1,117	1,301	(184)
Other	1,806	1,806	264	1,542
Total revenues	179,425	182,736	185,782	(3,046)
Expenditures				
Current:				
General government	17,932	17,546	17,795	(249)
Public safety	90,523	92,865	91,315	1,550
Physical environment	195	195	166	29
Transportation	25,989	26,098	26,172	(74)
Economic environment	10,835	10,835	10,391	443
Health and human services	970	970	775	195
Culture and recreation	26,434	26,434	26,270	164
Debt service:				
Capital outlay:				
Public safety	-	-	31	(31)
Culture and recreation	-	-	18	(18)
Total expenditures	172,877	174,944	172,934	2,009
Excess (deficiency) of revenues over (under) expenditures	6,547	7,792	12,848	(5,055)
Other financing sources(uses)				
Transfers in	1,004	1,071	530	540
Transfers out	(4,629)	(4,629)	(5,584)	955
Total other financing sources(uses)	(3,624)	(3,558)	(5,054)	1,495
Net change in fund balance	2,923	4,234	7,794	(3,560)
Fund balance beginning of year	34,790	34,844	37,863	(3,019)
Fund balance end of year	\$ 37,713	\$ 39,079	\$ 45,657	\$ (6,579)

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund**

For the Fiscal Year Ended December 31, 2017
(in thousands)

Page 2 of 2

Perspective Difference Reconciliation:

Actual fund balance - General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances	\$	45,657
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The following funds were budgeted as special revenue funds but do not meet the definition under GASB Statement 54; therefore, these are accounted for within the General Fund:

Human Service Fund	181
Land Purchase Revolving Fund	1,851
Parks Fees Fund	908

Total Fund Balance - General Fund Balance for Governmental Funds	\$	<u>48,597</u>
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**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Development Services Fund**

For the Fiscal Year Ended December 31, 2017
(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	\$ 9,198	\$ 9,198	\$ 9,651	\$ (453)
Service charges and fees	11,265	11,265	12,676	(1,411)
Fines and forfeitures	-	-	2	(2)
Interest and assessment interest	130	130	289	(159)
Net change in fair value of investments	-	-	(69)	69
Other	-	-	1	(1)
Total revenues	<u>20,593</u>	<u>20,593</u>	<u>22,549</u>	<u>(1,957)</u>
Expenditures				
Current:				
Economic environment	25,428	25,428	24,743	685
Total expenditures	<u>25,428</u>	<u>25,428</u>	<u>24,743</u>	<u>685</u>
Excess (deficiency) of revenues over (under) expenditures	(4,835)	(4,835)	(2,194)	(2,642)
Other financing sources(uses)				
Transfers in	4,146	4,146	4,112	34
Transfers out	(268)	(268)	(485)	217
Total other financing sources(uses)	<u>3,878</u>	<u>3,878</u>	<u>3,627</u>	<u>251</u>
Net change in fund balance	(957)	(957)	1,433	(2,391)
Fund balance beginning of year	16,736	16,736	12,170	4,566
Fund balance end of year	<u>\$ 15,779</u>	<u>\$ 15,779</u>	<u>\$ 13,603</u>	<u>\$ 2,175</u>

Notes to the Required Supplementary Information

Pensions

Changes of benefit terms. Amount reflected prior to 2015 reported an increase in disability benefits to be equivalent to retirement benefits. Amounts reported in 2017 reflected a modification to the benefit terms to incorporate a new definition of base compensation.

Change in assumptions. Amounts reported in prior to 2015 reflect an adjustment of the expectation of life after disability to more closely reflected actual experience. For amounts reported in 2015 and later, this expectation of retired life mortality was based on RP-2000 Mortality Tables. Amounts reported in 2017 reflected an adjustment of expected retire ages to more closely reflect actual experience. Amounts reported in 2017 reflected an adjustment of assumed life expectancies to more closely reflect actual experience.

Modified Approach

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

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, Land Purchase Revolving Fund, and Parks Fees Fund. These are separately adopted funds in a budget ordinance.

Nonmajor Governmental Funds

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

The **LEOFF I Medical Reserve Fund** accounts for the accumulation of assets necessary to fund the city's liability for lifetime medical benefits for all retired LEOFF I members.

The **Park Maintenance and Operations (M & O) Reserve Fund** accounts for proceeds of a property tax lid lift approved by the voters in 1988 to support park maintenance and operation expenditures. Tax monies received from the lid lift are initially receipted to the General Fund. Any proceeds in excess of current maintenance and operation needs are subsequently transferred to this special revenue fund to be held for future authorization.

The **Solid Waste Fund** accounts for multi-family recycling fees and administration fees. Revenues collected by the fund are used to pay contractors performing hauling services for the multi-family recycling program and administrative expenditures.

The **Hotel/Motel Tax Fund** operates as a conduit for the collection of hotel/motel taxes used for debt service payments on general obligation bonds of the Bellevue Convention Center Authority.

The **Operating Grants, Donations and Special Reserves Fund** accounts for receipt and disbursement of revenue from federal, state, local grants, private donations, and special reserves.

The **Housing Fund** accounts for revenue from a variety of sources, including, but not limited to, contributions from coalition cities for operating costs, the city's General Fund and the General Capital Investment Program Fund. The expenditures include those necessary for the creation and preservation of affordable housing for low- and moderate-income households.

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

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.

The **Local Improvement District (LID) Control Fund** accounts for payment of principal and interest for special assessment bond issues and for collection of special assessments levied against benefited properties to support those debt service obligations.

The **Local Improvement District (LID) Guaranty Fund** accounts for monies set aside in accordance with Washington State law to provide for payment of principal and interest due on special assessment bond issues in the event of default by LID property owners and a resulting insufficiency of funds in the LID Control Fund to make related payments.

**Combining Balance Sheet
Nonmajor Governmental Funds**
As of December 31, 2017
(in thousands)

	Special Revenue			
	LEOFF I Reserve	Park M & O Reserve	Solid Waste	Hotel/ Motel Tax
Assets:				
Cash & equity in pooled investments	\$ 2,107	\$ 6,745	\$ 1,564	\$ 55
Receivables (net of allowances):				
Taxes	-	-	-	1,481
Accounts	-	-	91	-
Current assessments	-	-	-	-
Interest & penalties on assessments	-	-	-	-
Interest	8	24	7	-
Due from other governments	-	-	232	-
Housing rehabilitation loans receivable	-	-	-	-
Special assessment receivables	-	-	-	-
Total assets	2,115	6,769	1,894	1,537
Liabilities:				
Accounts payable	41	-	30	-
Due to component unit	-	-	-	1,303
Accrued payroll	-	-	5	-
Deposits payable	-	-	-	-
Total liabilities	41	-	35	1,303
Deferred Inflows				
For grants	-	-	52	-
For debt	-	-	-	-
Total deferred inflows	-	-	52	-
Total liabilities and deferred inflows	41	-	87	1,303
Fund balance:				
Restricted	233	6,769	504	234
Assigned	1,841	-	1,302	-
Total fund balance	2,074	6,769	1,807	234
Total liabilities, deferred inflows, and fund balance	\$ 2,115	\$ 6,769	\$ 1,894	\$ 1,537

**Combining Balance Sheet
Nonmajor Governmental Funds**
As of December 31, 2017
(in thousands)

	<u>Special Revenue</u>		
	<u>Operating Grants Donations & Special Reserves</u>	<u>Housing</u>	<u>Total Special Revenue Funds</u>
Assets:			
Cash & equity in pooled investments	\$ 1,871	\$ 6,640	\$ 18,983
Receivables (net of allowances):			
Taxes	5	17	1,503
Accounts	52	-	142
Current assessments	-	-	-
Interest & penalties on assessments	-	-	-
Interest	7	23	69
Due from other governments	931	-	1,163
Housing rehabilitation loans receivable	2,955	-	2,955
Special assessment receivables	-	-	-
Total assets	5,821	6,680	24,816
Liabilities:			
Accounts payable	191	-	262
Due to component unit	-	-	1,303
Accrued payroll	19	18	42
Deposits payable	1	-	1
Total liabilities	212	18	1,609
Deferred Inflows			
For grants	636	-	688
For debt	-	-	-
Total deferred inflows	636	-	688
Total liabilities and deferred inflows	847	18	2,297
Fund balance:			
Restricted	677	5,083	13,500
Assigned	4,297	1,579	9,019
Total fund balance	4,974	6,662	22,520
Total liabilities, deferred inflows, and fund balance	\$ 5,821	\$ 6,680	\$ 24,816

Combining Balance Sheet
Nonmajor Governmental Funds
As of December 31, 2017

(in thousands)

Page 3 of 3

	Debt Service				Total Nonmajor Governmental Funds
	I & D	LID	LID	Total Debt	
	Redemption- Regular				
Assets:					
Cash & equity in pooled investments	\$ 288	\$ 112	\$ 610	\$ 1,010	\$ 19,994
Receivables (net of allowances):					
Taxes	108	-	-	108	1,612
Accounts	-	-	-	-	142
Current assessments	-	7	-	7	7
Interest & penalties on assessments	-	1	-	1	1
Interest	1	-	2	3	72
Due from other governments	-	-	-	-	1,163
Housing rehabilitation loans receivable	-	-	-	-	2,955
Special assessment receivables	-	20	-	20	20
Total assets	397	141	612	1,151	25,966
Liabilities:					
Accounts payable	-	-	-	-	262
Due to component unit	-	-	-	-	1,303
Accrued payroll	-	-	-	-	42
Deposits payable	-	-	-	-	1
Total liabilities	-	-	-	-	1,609
Deferred Inflows					
For grants	-	-	-	-	688
For debt	-	28	-	28	28
Total deferred inflows	-	28	-	28	716
Total liabilities and deferred inflows	-	28	-	28	2,325
Fund balance:					
Restricted	-	110	-	110	13,611
Assigned	397	3	612	1,012	10,031
Total fund balance	397	113	612	1,122	23,642
Total liabilities, deferred inflows, and fund balance	\$ 397	\$ 141	\$ 612	\$ 1,151	\$ 25,966

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

For the Year Ended December 31, 2017
(in thousands)

	Special Revenue			
	LEOFF I	Park	Solid Waste	Hotel/ Motel Tax
	Reserve	M & O Reserve		
Revenues:				
Taxes and special assessments	\$ -	\$ -	\$ -	\$ 11,780
Intergovernmental	188	-	222	-
Service charges and fees	-	-	708	-
Interest and penalties	43	86	21	8
Net change in fair value of investments	(6)	(20)	(5)	-
Premiums/contributions	-	-	-	-
Other	-	-	248	-
Total revenues	224	66	1,193	11,788
Expenditures:				
Current:				
General government	-	-	-	9,763
Public safety	2,183	-	-	-
Physical environment	-	-	1,115	-
Transportation	-	-	-	-
Economic environment	-	-	-	-
Health and human services	-	-	-	-
Culture and recreation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay:				
Public safety	-	-	-	-
Total expenditures	2,183	-	1,115	9,763
Excess (deficiency) of revenues over (under) expenditures	(1,959)	66	78	2,025
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	(35)	-	(2,007)
Total other financing sources (uses)	-	(35)	-	(2,007)
Net change in fund balance	(1,959)	31	78	19
Fund balance at beginning of year	4,033	6,738	1,729	215
Fund balance at end of year	\$ 2,074	\$ 6,769	\$ 1,807	\$ 234

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

For the Year Ended December 31, 2017
(in thousands)

	<u>Special Revenue</u>		<u>Total Special Revenue Funds</u>
	<u>Operating Grants Donations & Special Reserves</u>	<u>Housing</u>	
Revenues:			
Taxes and special assessments	\$ -	\$ 100	\$ 11,880
Intergovernmental	1,738	448	2,595
Service charges and fees	63	-	770
Interest and penalties	29	78	264
Net change in fair value of investments	(6)	(19)	(56)
Premiums/contributions	447	693	1,139
Other	439	-	686
Total revenues	2,709	1,299	17,280
Expenditures:			
Current:			
General government	-	-	9,763
Public safety	1,375	-	3,559
Physical environment	110	-	1,225
Transportation	250	-	250
Economic environment	251	-	251
Health and human services	805	475	1,280
Culture and recreation	287	-	287
Debt service:			-
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay:			-
Public safety	45	-	45
Total expenditures	3,125	475	16,661
Excess (deficiency) of revenues over (under) expenditures	(415)	824	619
Other financing sources (uses):			-
Transfers in	-	352	352
Transfers out	-	-	(2,042)
Total other financing sources (uses)	-	352	(1,690)
Net change in fund balance	(415)	1,176	(1,071)
Fund balance at beginning of year	5,392	5,486	23,593
Fund balance at end of year	\$ 4,974	\$ 6,662	\$ 22,520

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

For the Year Ended December 31, 2017
(in thousands)

	Debt Service			Total Debt Service Funds	Total Nonmajor Governmental Funds
	I & D Redemption- Regular	LID Control	LID Guaranty		
Revenues:					
Taxes and special assessments	\$ 500	\$ 8	\$ -	\$ 508	\$ 12,388
Intergovernmental	-	-	-	-	2,595
Service charges and fees	-	-	-	-	770
Interest and penalties	4	4	8	16	280
Net change in fair value of investments	(1)	-	(2)	(3)	(59)
Premiums/contributions	-	-	-	-	1,139
Other	-	-	-	-	686
Total revenues	503	12	6	521	17,801
Expenditures:					
Current:					
General government	-	19	-	19	9,782
Public safety	-	-	-	-	3,559
Physical environment	-	-	-	-	1,225
Transportation	-	-	-	-	250
Economic environment	-	-	-	-	251
Health and human services	-	-	-	-	1,280
Culture and recreation	-	-	-	-	287
Debt service:				-	
Principal	9,502	-	-	9,502	9,502
Interest and fiscal charges	12,521	-	-	12,521	12,521
Capital outlay:				-	
Public safety	-	-	-	-	45
Total expenditures	22,023	19	-	22,042	38,703
Excess (deficiency) of revenues over (under) expenditures	(21,520)	(8)	6	(21,522)	(20,903)
Other financing sources (uses):					
Transfers in	21,527	-	-	21,527	21,879
Transfers out	-	-	-	-	(2,042)
Total other financing sources (uses)	21,527	-	-	21,527	19,837
Net change in fund balance	7	(8)	6	6	(1,065)
Fund balance at beginning of year	390	121	606	1,117	24,710
Fund balance at end of year	\$ 397	\$ 113	\$ 612	\$ 1,122	\$ 23,642

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Human Services Fund**

For the Fiscal Year Ended December 31, 2017
(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	\$ 3,271	\$ 3,271	\$ 3,272	\$ -
Intergovernmental	1,701	1,701	2,238	(536)
Interest and assessment interest	-	-	8	(8)
Net change in fair value of investments	-	-	(3)	3
Premiums/contributions	10	10	12	(2)
Total revenues	<u>4,983</u>	<u>4,983</u>	<u>5,526</u>	<u>(543)</u>
Expenditures				
Current:				
Economic environment	-	-	24	(24)
Health and human services	4,962	4,962	5,386	(424)
Culture and recreation	-	-	(9)	9
Total expenditures	<u>4,962</u>	<u>4,962</u>	<u>5,402</u>	<u>(439)</u>
Net change in fund balance	21	21	124	(104)
Fund balance beginning of year	210	210	57	153
Fund balance end of year	<u>\$ 231</u>	<u>\$ 231</u>	<u>\$ 181</u>	<u>\$ 49</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Land Purchase Revolving Fund**

For the Fiscal Year Ended December 31, 2017
(in thousands)

	Original Budget	Final Budget	Actuals on Budgetary Basis	Variance with Final Budget
Revenues/operating revenues:				
Service charges and fees	\$ -	\$ -	\$ 6	\$ (6)
Interest and assessment interest	-	-	24	(24)
Net change in fair value of investments	-	-	(6)	6
Rent	1,154	1,154	1,015	139
Other	-	-	4	(4)
Total revenues	<u>1,154</u>	<u>1,154</u>	<u>1,042</u>	<u>111</u>
Expenditures				
Current:				
General government	521	521	420	101
Transportation	4	4	19	(15)
Culture and recreation	462	462	632	(170)
General government	-	-	490	(490)
Total expenditures	<u>987</u>	<u>987</u>	<u>1,562</u>	<u>(574)</u>
Excess (deficiency) of revenues over (under) expenditures	167	167	(520)	685
Other financing sources(uses)				
Sale of capital assets	-	-	730	(730)
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>730</u>	<u>(730)</u>
Net change in fund balance	167	167	211	(45)
Fund balance beginning of year	<u>1,149</u>	<u>1,149</u>	<u>1,640</u>	<u>(491)</u>
Fund balance end of year	<u><u>\$ 1,316</u></u>	<u><u>\$ 1,316</u></u>	<u><u>\$ 1,851</u></u>	<u><u>\$ (536)</u></u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Parks Fees Fund**

For the Fiscal Year Ended December 31, 2017
(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:				
Service charges and fees	\$ 4,451	\$ 4,451	\$ 3,621	\$ 830
Interest and assessment interest	45	45	21	23
Net change in fair value of investments	-	-	(4)	4
Rent	2,077	2,077	2,412	(335)
Other	12	12	(2)	14
Total revenues	<u>6,584</u>	<u>6,584</u>	<u>6,048</u>	<u>536</u>
Expenditures				
Current:				
Culture and recreation	6,199	6,199	6,135	64
Total expenditures	<u>6,199</u>	<u>6,199</u>	<u>6,135</u>	<u>64</u>
Excess (deficiency) of revenues over (under) expenditures	384	384	(87)	472
Other financing sources(uses)				
Transfers in	42	42	43	(1)
Transfers out	(300)	(300)	-	(300)
Total other financing sources(uses)	<u>(258)</u>	<u>(258)</u>	<u>43</u>	<u>(301)</u>
Net change in fund balance	127	127	(44)	171
Fund balance beginning of year	898	898	952	(54)
Fund balance end of year	<u>\$ 1,025</u>	<u>\$ 1,025</u>	<u>\$ 908</u>	<u>\$ 117</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
LEOFF 1 Medical Reserve Fund**

For the Fiscal Year Ended December 31, 2017
(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:				
Intergovernmental	\$ 45	\$ 45	\$ 188	\$ (142)
Interest and assessment interest	69	69	43	26
Net change in fair value of investments	-	-	(6)	6
Total revenues	<u>115</u>	<u>115</u>	<u>224</u>	<u>(110)</u>
Expenditures				
Current:				
Public safety	2,045	2,045	2,183	(138)
Total expenditures	<u>2,045</u>	<u>2,045</u>	<u>2,183</u>	<u>(138)</u>
Net change in fund balance	(1,930)	(1,930)	(1,959)	28
Fund balance beginning of year	3,737	3,737	4,033	(296)
Fund balance end of year	<u>\$ 1,807</u>	<u>\$ 1,807</u>	<u>\$ 2,074</u>	<u>\$ (268)</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Park Maintenance and Operations Reserve Fund
 For the Fiscal Year Ended December 31, 2017
 (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:				
Interest and assessment interest	35	35	86	(51)
Net change in fair value of investments	-	-	(20)	20
Total revenues	<u>35</u>	<u>35</u>	<u>66</u>	<u>(31)</u>
Excess (deficiency) of revenues over (under) expenditures	35	35	66	(31)
Other financing sources(uses)				
Transfers out	(35)	(35)	(35)	-
Total other financing sources(uses)	<u>(35)</u>	<u>(35)</u>	<u>(35)</u>	<u>-</u>
Net change in fund balance	-	-	31	(31)
Fund balance beginning of year	6,740	6,740	6,738	2
Fund balance end of year	<u>\$ 6,740</u>	<u>\$ 6,740</u>	<u>\$ 6,769</u>	<u>\$ (29)</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Solid Waste Fund**

For the Fiscal Year Ended December 31, 2017
(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:				
Intergovernmental	\$ 301	\$ 301	\$ 222	\$ 80
Service charges and fees	731	731	708	24
Interest and assessment interest	18	18	21	(3)
Net change in fair value of investments	-	-	(5)	5
Other	3	3	248	(245)
Total revenues	<u>1,053</u>	<u>1,053</u>	<u>1,193</u>	<u>(139)</u>
Expenditures				
Current:				
Physical environment	1,297	1,297	1,115	182
Total expenditures	<u>1,297</u>	<u>1,297</u>	<u>1,115</u>	<u>182</u>
Net change in fund balance	(244)	(244)	78	(322)
Fund balance beginning of year	1,238	1,238	1,729	(491)
Fund balance end of year	<u>\$ 994</u>	<u>\$ 994</u>	<u>\$ 1,807</u>	<u>\$ (813)</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Hotel/Motel Tax Fund**

For the Fiscal Year Ended December 31, 2017
(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	\$ 12,133	\$ 12,133	\$ 11,780	\$ 353
Interest and assessment interest	-	-	8	(8)
Total revenues	<u>12,133</u>	<u>12,133</u>	<u>11,788</u>	<u>345</u>
Expenditures				
Current:				
General government	<u>10,126</u>	<u>10,126</u>	<u>9,763</u>	<u>364</u>
Total expenditures	<u>10,126</u>	<u>10,126</u>	<u>9,763</u>	<u>364</u>
Excess (deficiency) of revenues over (under) expenditures	2,007	2,007	2,025	(19)
Other financing sources(uses)				
Transfers out	<u>(2,007)</u>	<u>(2,007)</u>	<u>(2,007)</u>	<u>-</u>
Total other financing sources(uses)	<u>(2,007)</u>	<u>(2,007)</u>	<u>(2,007)</u>	<u>-</u>
Net change in fund balance	-	-	19	(19)
Fund balance beginning of year	<u>-</u>	<u>-</u>	<u>215</u>	<u>(215)</u>
Fund balance end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 234</u></u>	<u><u>\$ (234)</u></u>

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Internal Service Funds

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

The **Equipment Rental Fund** accounts for the operation of the electronic equipment shop, maintenance of city vehicles and other motorized equipment, and reserves for replacement of designated equipment. Rates charged to user departments are based on the full cost of operations and maintenance, including the recovery of related depreciation expense.

The **Workers' Compensation Fund** accounts for the city's workers' compensation self-insurance program. Premiums received by the fund are used to pay benefits to injured workers' and to maintain reserves for the payment of future claims based on actuarial estimates.

The **Unemployment Compensation Fund** accounts for the city's unemployment compensation self-insurance program. Premiums received by the fund are used to reimburse the State's Employment Security Department for unemployment benefits paid to eligible individuals and to maintain reserves for the payment of future claims based on actuarial estimates.

The **General Self-Insurance Fund** accounts for the city's self-insurance program for property and casualty losses and general loss control activities. Premiums received by the fund are used to pay liability claims, purchase fire and property damage coverage, and to maintain reserves for the payment of estimated future claims liability based on actuarial estimates.

The **Health Benefits Fund** accounts for programs established to provide employee medical and dental health care coverage. Medical premiums received by the fund are used to pay claims for employees participating in the city's self-insured health care program, purchase stop-loss coverage for individual and aggregate claims in excess of self-insured limits, and maintain reserves for the payment of future claims based on actuarial estimates. Employee dental coverage is purchased from an outside carrier.

The **Information Technology Fund** accounts for information services operations and replacement reserves for the desktop computers, workstations, and major software applications.

The **Facilities Services Fund** provides coordinated, cost-effective planning, development, maintenance, and management services required to support city operations in General Government buildings. This Fund includes operating costs, capital costs, and building reserves for future facility projects.

Combining Statement of Fund Net Position
Internal Service Funds
As of December 31, 2017
(in thousands)

Page 1 of 2

	<u>Equipment Rental</u>	<u>Workers' Compensation</u>	<u>Unemployment Compensation</u>	<u>General Self- Insurance</u>
Assets:				
Current assets:				
Cash & equity in pooled investments	\$ 6,755	\$ 3,353	\$ 286	\$ 3,552
Receivables (net of allowances):				
Accounts	5	-	-	-
Interest	25	12	1	13
Other	4	-	-	-
Due from other governments	416	-	-	-
Inventory	556	-	-	-
Total current assets	<u>7,761</u>	<u>3,365</u>	<u>287</u>	<u>3,565</u>
Noncurrent assets:				
Capital assets:				
Capital assets (net)	18,291	-	-	-
Total noncurrent assets	<u>18,291</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>26,052</u>	<u>3,365</u>	<u>287</u>	<u>3,565</u>
Deferred Outflows				
For pensions	167	-	-	42
Total deferred outflows	<u>167</u>	<u>-</u>	<u>-</u>	<u>42</u>
Total assets and deferred outflows	<u>26,219</u>	<u>3,365</u>	<u>287</u>	<u>3,606</u>
Liabilities:				
Current liabilities:				
Accounts payable	174	2	-	565
Estimated claims	-	1,377	21	1,047
Due to other funds	1	-	-	-
Due to other governments	1	-	-	-
Accrued payroll	120	-	-	30
Accrued compensated absences	58	-	-	18
Customer deposits	-	-	-	-
Retainage payable	-	-	-	-
Total current liabilities	<u>355</u>	<u>1,379</u>	<u>21</u>	<u>1,660</u>
Noncurrent liabilities:				
Accrued compensated absences	136	-	-	41
Estimated claims	-	1,068	-	1,723
Pension liability	669	-	-	169
Total noncurrent liabilities	<u>806</u>	<u>1,068</u>	<u>-</u>	<u>1,933</u>
Total liabilities	<u>1,161</u>	<u>2,447</u>	<u>21</u>	<u>3,593</u>
Deferred Inflows				
For pensions	239	-	-	60
Total deferred inflows	<u>239</u>	<u>-</u>	<u>-</u>	<u>60</u>
Total liabilities and deferred inflows	<u>1,400</u>	<u>2,447</u>	<u>21</u>	<u>3,653</u>
Net position:				
Net investment in capital assets	18,291	-	-	-
Customer deposits	-	-	-	-
Unrestricted	6,529	918	266	(47)
Total net position	<u>\$ 24,820</u>	<u>\$ 918</u>	<u>\$ 266</u>	<u>\$ (47)</u>

**Combining Statement of Fund Net Position
Internal Service Funds**

As of December 31, 2017
(in thousands)

Page 2 of 2

	<u>Health Benefits</u>	<u>Information Technology</u>	<u>Facilities Services</u>	<u>Total</u>
Assets:				
Current assets:				
Cash & equity in pooled investments	\$ 11,100	\$ 6,989	\$ 1,996	\$ 34,030
Receivables (net of allowances):				
Accounts	-	117	-	122
Interest	40	25	7	123
Other	-	-	-	4
Due from other governments	-	-	-	416
Inventory	-	-	-	556
Total current assets	<u>11,140</u>	<u>7,130</u>	<u>2,003</u>	<u>35,251</u>
Noncurrent assets:				
Capital assets:				
Capital assets (net)	-	1,626	1,349	21,266
Total noncurrent assets	<u>-</u>	<u>1,626</u>	<u>1,349</u>	<u>21,266</u>
Total assets	<u>11,140</u>	<u>8,756</u>	<u>3,352</u>	<u>56,518</u>
Deferred Outflows				
For pensions	<u>13</u>	<u>758</u>	<u>168</u>	<u>1,148</u>
Total deferred outflows	<u>13</u>	<u>758</u>	<u>168</u>	<u>1,148</u>
Total assets and deferred outflows	<u>11,153</u>	<u>9,514</u>	<u>3,520</u>	<u>57,665</u>
Liabilities:				
Current liabilities:				
Accounts payable	93	228	101	1,162
Estimated claims	1,737	-	-	4,182
Due to other funds	-	-	4	5
Due to other governments	-	-	4	5
Accrued payroll	9	342	125	627
Accrued compensated absences	6	183	32	297
Customer deposits	-	-	3	3
Retainage payable	-	5	8	13
Total current liabilities	<u>1,845</u>	<u>758</u>	<u>276</u>	<u>6,294</u>
Noncurrent liabilities:				
Accrued compensated absences	14	428	74	693
Estimated claims	-	-	-	2,791
Pension liability	53	5,745	679	7,316
Total noncurrent liabilities	<u>67</u>	<u>6,173</u>	<u>753</u>	<u>10,801</u>
Total liabilities	<u>1,912</u>	<u>6,932</u>	<u>1,030</u>	<u>17,094</u>
Deferred Inflows				
For pensions	<u>19</u>	<u>838</u>	<u>240</u>	<u>1,396</u>
Total deferred inflows	<u>19</u>	<u>838</u>	<u>240</u>	<u>1,396</u>
Total liabilities and deferred inflows	<u>1,930</u>	<u>7,770</u>	<u>1,270</u>	<u>18,491</u>
Net position:				
Net investment in capital assets	-	1,621	1,341	21,254
Customer deposits	-	-	3	3
Unrestricted	9,223	123	906	17,918
Total net position	<u>\$ 9,223</u>	<u>\$ 1,744</u>	<u>\$ 2,250</u>	<u>\$ 39,174</u>

**Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds**

For the Year Ended December 31, 2017
(in thousands)

	<u>Equipment Rental</u>	<u>Workers' Compensation</u>	<u>Unemployment Compensation</u>	<u>General Self-Insurance</u>
Operating revenues:				
Intergovernmental	\$ 47	\$ -	\$ -	\$ -
Service charges and fees	11,127	-	-	-
Rent	-	-	-	-
Insurance recovery	-	-	-	217
Premiums/contributions	-	2,184	174	2,801
Other	5	15	-	1
Total operating revenues	11,179	2,200	174	3,019
Operating expenses:				
Administrative and general	669	82	-	1,551
Maintenance and operations	5,909	22	-	-
Depreciation	4,292	-	-	-
Insurance costs	-	191	-	785
Benefits and claims payments	-	1,225	138	1,417
Total operating expenses	10,870	1,519	138	3,754
Operating income (loss)	309	681	37	(735)
Nonoperating revenues (expenses):				
Interest income	76	38	4	46
Net change in fair value of investments	(21)	(10)	(1)	(10)
Gain on disposal of capital assets	296	-	-	-
Other nonoperating revenues	2	-	-	1
Total nonoperating revenue (expenses)	353	28	3	37
Income before contributions and transfers	662	709	40	(698)
Special items, contributions and transfers:				
Transfers in	1,151	400	-	192
Transfers out	(459)	(186)	(406)	(10)
Capital contributed from external sources	23	-	-	-
Total special items, contributions and transfers	716	214	(406)	182
Change in net position	1,378	923	(366)	(516)
Net position beginning of year	23,434	(4)	632	469
Prior period adjustment	8	-	-	-
Net position end of year	\$ 24,820	\$ 918	\$ 266	\$ (47)

**Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds**

For the Year Ended December 31, 2017
(in thousands)

	Health Benefits	Information Technology	Facilities Services	Total
Operating revenues:				
Intergovernmental	\$ -	\$ 75	\$ 31	\$ 154
Service charges and fees	2,965	13,943	6,018	34,052
Rent	-	-	1,956	1,956
Insurance recovery	-	-	-	217
Premiums/contributions	24,415	-	-	29,575
Other	-	-	-	21
Total operating revenues	27,380	14,018	8,005	65,974
Operating expenses:				
Administrative and general	4,696	3,992	(1,573)	9,417
Maintenance and operations	-	11,053	8,214	25,198
Depreciation	-	485	132	4,909
Insurance costs	5,717	-	-	6,694
Benefits and claims payments	14,730	-	-	17,510
Total operating expenses	25,144	15,529	6,774	63,727
Operating income (loss)	2,236	(1,512)	1,231	2,247
Nonoperating revenues (expenses):				
Interest income	115	85	25	392
Net change in fair value of investments	(32)	(20)	(6)	(100)
Gain on disposal of capital assets	-	-	(1,269)	(973)
Other nonoperating revenues	29	-	15	47
Total nonoperating revenue (expenses)	112	65	(1,234)	(635)
Income before contributions and transfers	2,348	(1,447)	(3)	1,612
Special items, contributions and transfers:				
Transfers in	-	400	216	2,359
Transfers out	(10)	(24)	(45)	(1,140)
Capital contributed from external sources	-	-	-	23
Total special items, contributions and transfers	(10)	376	170	1,243
Change in net position	2,338	(1,070)	167	2,854
Net position beginning of year	6,885	771	2,082	34,269
Prior period adjustment	-	2,044	-	2,052
Net position end of year	\$ 9,223	\$ 1,744	\$ 2,250	\$ 39,174

Combining Statement of Cash Flows
Internal Service Funds
 For the Year Ended December 31, 2017
 (in thousands)

	<u>Equipment Rental</u>	<u>Workers' Compensation</u>	<u>Unemployment Compensation</u>	<u>General Self-Insurance</u>
Cash flows from operating activities:				
Cash received from customers and users	\$ 10,820	\$ -	\$ -	\$ -
Contributions received - employer/employee	-	2,184	174	2,801
Cash received from insurance proceeds	-	-	-	217
Cash payments to suppliers for goods & services	(4,553)	(134)	-	(1,284)
Cash payments to employees for services	(2,792)	-	-	(691)
Cash payments to claimants	-	(1,180)	(227)	(1,060)
Cash received from other governments	-	-	-	-
Cash received from contracts/rent	-	-	-	-
Cash payments for insurance	-	(191)	-	(785)
Other receipts	-	14	-	-
Net cash provided (used) by operating activities	<u>3,475</u>	<u>694</u>	<u>(54)</u>	<u>(802)</u>
Cash flows from noncapital financing activities:				
Transfers in	1,151	400	-	192
Transfers out	(459)	(186)	(406)	(10)
Cash received from non-operating revenues	2	-	-	-
Net cash provided (used) by noncapital financing activities:	<u>694</u>	<u>214</u>	<u>(406)</u>	<u>182</u>
Cash flows from capital & related financing activities:				
Acquisition and construction of capital assets	(3,033)	-	-	-
Net cash provided (used) by capital financing activities	<u>(3,033)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:				
Interest on investments	46	23	5	34
Net cash provided (used) by investing activities	<u>46</u>	<u>23</u>	<u>5</u>	<u>34</u>
Net increase (decrease) in cash balance	1,182	931	(456)	(586)
Cash and equity in pooled investments balance beginning of year	5,572	2,422	741	4,138
Cash and equity in pooled investments balance end of year	<u>\$ 6,755</u>	<u>\$ 3,353</u>	<u>\$ 286</u>	<u>\$ 3,552</u>

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2017
(in thousands)

Page 2 of 4

	Health Benefits	Information Technology	Facilities Services	Total
Cash flows from operating activities:				
Cash received from customers and users	\$ -	\$ 13,900	\$ 6,050	\$ 30,770
Contributions received - employer/employees	27,380	-	-	32,539
Cash received from insurance proceeds	-	-	-	217
Cash payments to suppliers for goods & services	(466)	(5,787)	(4,457)	(16,681)
Cash payments to employees for services	(4,366)	(7,892)	(2,777)	(18,518)
Cash payments to claimants	(14,538)	-	-	(17,005)
Cash received from other governments	-	75	-	75
Cash received from contracts/rent	-	-	1,956	1,956
Cash payments for insurance	(5,718)	-	-	(6,694)
Other receipts	-	-	-	14
Net cash provided (used) by operating activities	<u>2,292</u>	<u>296</u>	<u>772</u>	<u>6,673</u>
Cash flows from noncapital financing activities:				
Transfers in	-	400	216	2,359
Transfers out	(10)	(24)	(45)	(1,140)
Cash received from non-operating revenues	29	-	15	46
Net cash provided (used) by noncapital financing activities:	<u>19</u>	<u>376</u>	<u>186</u>	<u>1,264</u>
Cash flows from capital & related financing activities:				
Acquisition and construction of capital assets	-	(218)	(946)	(4,197)
Net cash provided (used) by capital financing activities	<u>-</u>	<u>(218)</u>	<u>(946)</u>	<u>(4,197)</u>
Cash flows from investing activities:				
Interest on investments	65	65	17	255
Net cash provided (used) by investing activities	<u>65</u>	<u>65</u>	<u>17</u>	<u>255</u>
Net increase (decrease) in cash balance	2,376	519	29	3,995
Cash and equity in pooled investments balance beginning of year	8,724	6,470	1,967	30,034
Cash and equity in pooled investments balance end of year	<u>\$ 11,100</u>	<u>\$ 6,989</u>	<u>\$ 1,996</u>	<u>\$ 34,029</u>

Combining Statement of Cash Flows
Internal Service Funds
 For the Year Ended December 31, 2017
 (in thousands)

	<u>Equipment Rental</u>	<u>Workers' Compensation</u>	<u>Unemployment Compensation</u>	<u>General Self-Insurance</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 309	\$ 681	\$ 37	\$ (735)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	4,292	-	-	-
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	57	-	-	-
(Increase) decrease in due from other funds	1	-	-	-
(Increase) decrease in due from other governments	(415)	-	-	-
(Increase) decrease in other receivables	(1)	-	-	-
(Increase) decrease in inventory	(42)	-	-	-
(Increase) decrease in deferred outflow	260	-	-	64
Increase (decrease) in accounts payable	(78)	(32)	(57)	(268)
Increase (decrease) in retainage payable	-	-	-	-
Increase (decrease) in wages & benefits payable	14	-	-	3
Increase (decrease) in compensated absences	19	-	-	7
Increase (decrease) in due to other governments	-	-	-	-
Increase (decrease) in estimated claims payable	-	45	(34)	357
Increase (decrease) in pension liability	(1,102)	-	-	(271)
Increase (decrease) in deferred inflows	161	-	-	41
Total adjustments	<u>3,166</u>	<u>13</u>	<u>(91)</u>	<u>(67)</u>
Net cash provided (used) by operating activities	<u>\$ 3,475</u>	<u>\$ 694</u>	<u>\$ (54)</u>	<u>\$ (802)</u>
Non-cash investing, capital and financing activities:				
Donated capital assets	\$ -	\$ -	\$ -	\$ -
Increase (decrease) in fair value of investments	(21)	(10)	(1)	(10)

Combining Statement of Cash Flows
Internal Service Funds
 For the Year Ended December 31, 2017
 (in thousands)

	<u>Health Benefits</u>	<u>Information Technology</u>	<u>Facilities Services</u>	<u>Total</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 2,236	\$ (1,512)	\$ 1,231	\$ 2,247
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	-	485	132	4,909
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	-	(42)	1	16
(Increase) decrease in due from other funds	-	-	(9)	(8)
(Increase) decrease in due from other governments	-	-	-	(415)
(Increase) decrease in other receivables	-	-	-	(1)
(Increase) decrease in inventory	-	-	-	(42)
(Increase) decrease in deferred outflow	20	524	214	1,082
Increase (decrease) in accounts payable	(80)	(224)	(89)	(827)
Increase (decrease) in retainage payable	-	-	8	8
Increase (decrease) in wages & benefits payable	-	42	12	71
Increase (decrease) in compensated absences	(1)	69	5	99
Increase (decrease) in due to other governments	-	-	2	2
Increase (decrease) in estimated claims payable	192	-	-	560
Increase (decrease) in pension liability	(88)	349	(905)	(2,017)
Increase (decrease) in deferred inflows	12	605	170	989
Total adjustments	<u>56</u>	<u>1,808</u>	<u>(459)</u>	<u>4,426</u>
Net cash provided (used) by operating activities	<u>\$ 2,292</u>	<u>\$ 296</u>	<u>\$ 772</u>	<u>\$ 6,673</u>
Non-cash investing, capital and financing activities:				
Donated capital assets	\$ -	\$ -	\$ -	\$ -
Increase (decrease) in fair value of investments	(32)	(20)	(6)	(100)

Agency Funds

Descriptions of the trust and agency (fiduciary) funds included as supplementary information in the city's Comprehensive Annual Financial Report are provided below:

Agency Funds

The **e-CityGov Alliance Fund** accounts for a multi-jurisdictional site created to provide a regionally-coordinated portal for the delivery of municipal services via the Internet, providing citizens with internet access to a variety of services, and offers a forum for the sharing of resources in the development and deployment of future online municipal services.

The **Community Connectivity Consortium Fund** accounts for contributions from members of an interlocal agreement which provides for connectivity services to meet the needs of community institutions.

The **Eastside NARC Task Force Fund** accounts for revenues generated by an interlocal task force of law enforcement agencies to support drug enforcement activities.

The **Hazardous Materials Fund** accounts for contributions from members of an interlocal agreement which provides for the development and operation of the Hazardous Materials Unit and Team.

The **ARCH Housing Coalition Fund** accounts for contributions from members of an interlocal agreement to provide affordable housing for low- and moderate-income households on the eastside.

Combining Statement of Fiduciary Net Position
Agency Funds
 As of December 31, 2017
 (in thousands)

	eCityGov Alliance	Connectivity Consortium	Eastside NARC Task Force	Hazardous Materials
Assets:				
Cash & equity in pooled investments	\$ 756	\$ 103	\$ 80	\$ 601
Receivables (net of allowances):				
Interest	3	-	-	2
Due from other governments	193	-	96	5
Capital assets (net)	-	-	17	4
Total assets	952	103	194	612
Liabilities:				
Accounts payable	26	8	-	-
Due to other governments	926	95	128	613
Deposits payable	-	-	66	-
Total liabilities	952	103	194	613
Total net position	\$ -	\$ -	\$ -	\$ -

Combining Statement of Fiduciary Net Position
Agency Funds
 As of December 31, 2017
 (in thousands)

	<u>ARCH Housing Coalition</u>	<u>Total</u>
Assets:		
Cash & equity in pooled investments	\$ 7,212	\$ 8,752
Receivables (net of allowances):		
Interest	26	31
Due from other governments	-	295
Capital assets (net)	-	21
Total assets	<u>7,238</u>	<u>9,100</u>
Liabilities:		
Accounts payable	3	37
Due to other governments	7,235	8,997
Deposits payable	-	66
Total liabilities	<u>7,238</u>	<u>9,100</u>
Total net position	<u>\$ -</u>	<u>\$ -</u>

Combining Statement of Changes in Assets and Liabilities
Agency Funds
 For the Year Ended December 31, 2017
 (in thousands)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
eCityGov Alliance				
Assets:				
Cash & equity in pooled investments	\$ 575	\$ 1,467	\$ 1,286	\$ 756
Interest receivable	1	3	1	3
Due from other governments	161	1,081	1,048	193
Total assets	<u>\$ 737</u>	<u>\$ 2,551</u>	<u>\$ 2,336</u>	<u>\$ 952</u>
Liabilities:				
Accounts payable	\$ 24	\$ 26	\$ 24	\$ 26
Due to other governments	713	213	-	926
Total liabilities	<u>\$ 737</u>	<u>\$ 239</u>	<u>\$ 24</u>	<u>\$ 952</u>
Community Connectivity Consortium				
Assets:				
Cash & equity in pooled investments	\$ 59	\$ 149	\$ 105	\$ 103
Due from other governments	10	119	129	-
Total assets	<u>\$ 69</u>	<u>\$ 268</u>	<u>\$ 235</u>	<u>\$ 103</u>
Liabilities:				
Accounts payable	\$ 18	\$ 8	\$ 18	\$ 8
Due to other governments	51	44	-	95
Total liabilities	<u>\$ 69</u>	<u>\$ 52</u>	<u>\$ 18</u>	<u>\$ 103</u>
Eastside NARC Task Force				
Assets:				
Cash & equity in pooled investments	\$ 171	\$ 113	\$ 204	\$ 80
Due from other governments	-	93	-	96
Capital assets (net)	33	16	29	17
Total assets	<u>\$ 205</u>	<u>\$ 222</u>	<u>\$ 233</u>	<u>\$ 194</u>
Liabilities:				
Accounts payable	\$ 11	\$ -	\$ 11	\$ -
Due to other governments	128	-	-	128
Deposits payable	66	-	-	66
Total liabilities	<u>\$ 205</u>	<u>\$ -</u>	<u>\$ 11</u>	<u>\$ 194</u>

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2017
(in thousands)

Page 2 of 2

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Hazardous Materials				
Assets:				
Cash & equity in pooled investments	\$ 571	\$ 122	\$ 91	\$ 601
Interest receivable	1	2	1	2
Due from other governments	5	73	73	5
Capital assets (net)	10	-	6	4
Total assets	<u>\$ 588</u>	<u>\$ 197</u>	<u>\$ 172</u>	<u>\$ 613</u>
Liabilities:				
Accounts payable	\$ 2	\$ 0	\$ 2	\$ -
Due to other governments	587	39	12	613
Total liabilities	<u>\$ 588</u>	<u>\$ 39</u>	<u>\$ 14</u>	<u>\$ 613</u>
ARCH Housing Coalition				
Assets:				
Cash & equity in pooled investments	\$ 5,996	\$ 2,813	\$ 1,598	\$ 7,212
Interest receivable	16	26	16	26
Due from other governments	10	2,573	2,583	-
Total assets	<u>\$ 6,021</u>	<u>\$ 5,412</u>	<u>\$ 4,196</u>	<u>\$ 7,238</u>
Liabilities:				
Accounts payable	\$ 9	\$ 5	\$ 11	\$ 3
Due to other governments	6,012	1,222	-	7,235
Total liabilities	<u>\$ 6,021</u>	<u>\$ 1,227</u>	<u>\$ 11</u>	<u>\$ 7,238</u>
Total Agency Funds				
Assets:				
Cash & equity in pooled investments	\$ 7,372	\$ 4,665	\$ 3,284	\$ 8,752
Interest receivable	19	31	19	31
Due from other governments	187	3,939	3,833	292
Capital assets (net)	44	16	35	24
Total assets	<u>\$ 7,621</u>	<u>\$ 8,650</u>	<u>\$ 7,171</u>	<u>\$ 9,100</u>
Liabilities:				
Accounts payable	\$ 64	\$ 39	\$ 66	\$ 37
Due to other governments	7,491	1,518	12	8,997
Deposits payable	66	-	-	66
Total Liabilities	<u>\$ 7,621</u>	<u>\$ 1,557</u>	<u>\$ 78</u>	<u>\$ 9,100</u>

Statistical Section

Table 1

NET POSITION BY COMPONENT
 Last Ten Fiscal Years
 (in thousands)

Year	Governmental Activities				Business-type Activities				Primary Government			
	Net investment in capital assets	Restricted	Unrestricted	Total	Net investment in capital assets	Restricted	Unrestricted	Total	Net investment in capital assets	Restricted	Unrestricted	Total
2008	\$ 1,484,941	\$ 21,519	\$ 108,884	\$1,615,344	\$ 229,344	\$ 60,750	\$ 39,112	\$ 329,206	\$ 1,714,285	\$ 82,269	\$ 147,996	\$ 1,944,550
2009	1,499,240	16,753	93,870	1,609,863	239,778	77,584	32,735	350,097	1,739,018	94,337	126,605	1,959,960
2010	1,494,063	24,042	81,936	1,600,041	252,444	92,384	30,834	375,662	1,746,506	116,427	112,770	1,975,703
2011	1,506,482	11,207	80,770	1,598,459	258,754	102,188	36,542	397,484	1,765,236	113,395	117,312	1,995,943
2012	1,513,235	25,690	58,636	1,597,561	265,524	123,837	30,977	420,338	1,778,759	149,527	89,613	2,017,900
2013	1,563,631	18,054	25,227	1,606,912	277,669	138,021	34,103	449,793	1,841,300	156,075	59,330	2,056,705
2014	1,546,380	47,503	44,716	1,638,599	289,506	529	222,653	512,688	1,835,886	48,032	267,369	2,151,287
2015	1,566,471	91,987	(31,050)	1,627,408	312,700	537	235,263	548,500	1,879,171	92,524	204,213	2,175,908
2016	1,605,104	101,621	(37,081)	1,669,644	336,121	800	215,615	552,536	1,941,225	102,456	178,534	2,222,180
2017	1,626,502	112,522	5,774	1,744,798	353,414	804	249,089	603,307	1,979,916	113,326	254,863	2,348,105

Notes:

- (A) All amounts are reported on the accrual basis. As of 2012, certain activities have been reclassified to deferred inflows and deferred outflows.
- (B) As of 2012, GASB Statement 63 redefined financial reporting to include the Statement of Net Position. Prior to 2012, the information above was provided on the Statement of Net Assets.

CHANGES IN NET POSITION ^{(A)(B)}
Last Ten Fiscal Years
(in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities										
General government	\$ 29,573	\$ 29,641	\$ 25,557	\$ 36,450	\$ 36,392	\$ 28,354	\$ 31,948	\$ 33,611	\$ 39,840	\$ 27,174
Public safety	80,253	78,373	79,818	79,163	82,822	84,074	85,734	90,269	90,827	94,620
Physical environment	2,449	1,952	1,801	1,813	1,642	2,892	2,249	2,446	1,509	1,361
Transportation	29,372	25,853	30,413	29,711	27,761	29,147	30,925	36,384	36,729	43,071
Economic environment	22,940	21,785	20,177	18,720	19,037	20,768	23,336	34,571	32,573	31,821
Health and human services	6,834	7,914	7,401	8,195	11,511	7,414	7,596	8,457	6,766	7,492
Culture and recreation	37,926	37,818	36,643	34,948	38,452	39,448	39,776	43,116	39,356	47,522
Interest on long-term debt	7,150	7,294	7,262	7,817	7,910	8,691	8,978	11,148	12,010	11,686
Total governmental activities	216,497	210,630	209,072	216,818	225,526	220,788	230,542	260,003	259,610	264,745
Business-type activities										
Water	27,887	30,074	33,798	34,897	38,708	41,218	46,886	44,529	48,299	45,722
Sewer	31,734	35,091	34,755	39,571	41,089	44,099	44,780	48,683	49,470	47,913
Storm & surface water	9,146	9,967	9,668	10,661	10,950	11,208	11,764	12,699	14,413	15,020
Marina	440	353	312	261	277	232	273	219	216	349
Total business-type activities	69,207	75,485	78,533	85,390	91,024	96,757	103,703	106,131	112,398	109,004
Total primary government expenses	\$ 285,704	\$ 286,115	\$ 287,605	\$ 302,208	\$ 316,550	\$ 317,545	\$ 334,245	\$ 366,134	\$ 372,007	\$ 373,750
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 2,068	\$ 4,042	\$ 3,151	\$ 9,743	\$ 3,904	\$ 3,764	\$ 3,686	\$ 5,518	\$ 3,519	\$ 3,449
Public safety	16,969	15,501	15,346	16,178	18,568	16,874	16,553	19,549	22,274	22,668
Physical environment	1,100	1,043	1,095	994	813	588	735	692	705	708
Transportation	1,345	882	721	1,071	1,930	1,940	6,391	10,098	8,518	11,361
Economic environment	16,334	11,830	9,165	8,564	11,311	12,545	17,296	18,797	19,334	17,444
Health and human services	330	402	371	463	496	530	545	555	2,150	3,015
Culture and recreation	8,039	7,875	8,078	8,922	8,873	9,186	9,183	10,220	11,569	11,258
Operating grants and contributions	6,815	8,796	9,196	8,423	8,188	7,851	7,585	11,427	8,043	7,542
Capital grants and contributions	4,328	7,984	2,550	6,563	3,919	5,136	13,373	17,239	9,811	20,027
Total governmental activities program revenues	57,328	58,355	49,673	60,922	58,003	58,413	75,346	94,097	85,924	97,471

CHANGES IN NET POSITION ^{(A)(B)}
Last Ten Fiscal Years
(in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-type activities										
Charges for Services										
Water	31,538	33,960	35,645	37,253	41,686	48,417	52,181	57,666	57,215	61,622
Sewer	36,056	39,545	42,534	46,304	47,202	51,270	53,359	56,628	59,678	61,758
Storm & surface water	14,442	14,788	16,138	16,383	16,730	18,872	20,446	21,333	22,593	23,376
Marina	489	507	497	538	564	575	585	625	624	606
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	6,967	5,002	7,155	3,575	4,693	5,141	7,619	5,611	6,068	6,617
Total business-type activities program revenues	89,492	93,802	101,969	104,054	110,875	124,275	134,190	141,863	146,179	153,979
Total primary government program revenues	146,820	152,157	151,642	164,976	168,877	182,688	209,536	235,959	232,103	251,450
Net (Expense)/Revenue										
Governmental activities	(159,169)	(152,275)	(159,399)	(155,896)	(167,523)	(162,375)	(155,196)	(165,906)	(173,686)	(167,274)
Business-type activities	20,285	18,317	23,436	18,664	19,851	27,518	30,487	35,732	33,781	44,975
Total primary government net expense	<u>\$ (138,884)</u>	<u>\$ (133,958)</u>	<u>\$ (135,963)</u>	<u>\$ (137,232)</u>	<u>\$ (147,673)</u>	<u>\$ (134,857)</u>	<u>\$ (124,709)</u>	<u>\$ (130,175)</u>	<u>\$ (139,905)</u>	<u>\$ (122,299)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities										
Taxes										
Property tax	\$ 28,859	\$ 34,854	\$ 35,364	\$ 36,337	\$ 37,538	\$ 38,302	\$ 38,379	\$ 40,222	\$ 41,304	\$ 55,907
Retail sales and use tax	53,141	45,119	44,984	46,357	48,596	53,072	59,278	66,173	69,686	72,981
Utility tax	24,103	24,012	25,071	25,941	25,813	28,103	26,790	27,219	27,169	29,386
Business and occupation tax	30,051	26,141	25,103	25,753	27,492	28,783	34,856	36,551	38,380	43,530
Excise tax	6,594	6,258	10,521	6,680	13,646	12,090	14,665	19,515	22,815	21,350
Hotel/motel tax	6,724	5,332	6,095	6,776	7,469	9,176	8,975	10,191	11,214	11,780
Other tax	238	175	598	515	476	446	590	474	1,837	1,969
Payments from component unit	23	117	133	31	20	10	10	9	11	9
Grants and contributions - unrestricted	1,398	1,861	1,553	1,450	1,700	1,258	1,424	1,721	1,202	2,746
Unrestricted investment interest	5,284	3,252	1,479	1,458	630	884	962	1,349	1,622	2,098
Gain (loss) in change of fair value of investments	637	(582)	(477)	547	(83)	(801)	417	(131)	(304)	(490)
Miscellaneous	740	582	(659)	2,293	357	484	721	269	823	572
Gain (loss) on sale of capital assets	1,391	(75)	339	310	328	285	61	(685)	221	991
Transfers	406	(254)	(527)	(134)	(561)	(366)	(246)	(141)	(60)	48
Total governmental activities	159,589	146,792	149,577	154,314	163,423	171,725	186,882	202,736	215,920	242,879

CHANGES IN NET POSITION ^{(A)(B)}
Last Ten Fiscal Years
(in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-type activities										
Unrestricted investment interest	2,991	1,874	1,254	1,529	757	924	1,213	1,581	2,099	2,857
Gain (loss) in change of fair value of investments	197	(373)	(462)	542	167	(911)	11,947	7,425	(432)	(707)
Miscellaneous	1,164	811	811	953	1,519	1,556	979	1,054	1,747	3,658
Gain (loss) on sale of capital assets	98	6	-	-	-	3	236	201	46	44
Transfers	(406)	254	527	134	561	366	246	141	60	(48)
Total business-type activities	4,044	2,572	2,129	3,158	3,003	1,937	14,621	10,401	3,520	5,804
Total primary government	<u>\$ 163,633</u>	<u>\$ 149,364</u>	<u>\$ 151,706</u>	<u>\$ 157,473</u>	<u>\$ 166,425</u>	<u>\$ 173,663</u>	<u>\$ 201,504</u>	<u>\$ 213,137</u>	<u>\$ 219,441</u>	<u>\$ 248,684</u>
Change in Net Position										
Governmental activities	\$ 7,314	\$ (5,482)	\$ (9,822)	\$ (1,582)	\$ (4,101)	\$ 9,351	\$ 31,687	\$ 36,829	\$ 42,235	\$ 75,605
Business-type activities	22,361	20,891	25,565	21,823	22,854	29,455	45,109	46,133	37,301	50,780
Total primary government	<u>\$ 29,675</u>	<u>\$ 15,409</u>	<u>\$ 15,743</u>	<u>\$ 20,241</u>	<u>\$ 18,753</u>	<u>\$ 38,806</u>	<u>\$ 76,796</u>	<u>\$ 82,962</u>	<u>\$ 79,536</u>	<u>\$ 126,385</u>

(A) All amounts are reported on the accrual basis.

(B) As of 2012, GASB Statement 63 redefined financial reporting to include the Statement of Net Position. Prior to 2012, the information above was provided on the Statement of Net Assets.

Table 3

GOVERNMENTAL ACTIVITIES TAX REVENUE BY SOURCE
(in thousands)

Fiscal Year	Total Taxes	General Property Taxes	General Sales Taxes	Utility Taxes	Business and Occupation Taxes	LFR Local Option Sales and Use Tax	Excise Taxes	Other Taxes and Assessments^(A)	Memo Only Hotel/Motel Tax^(B)
2008	\$ 143,436	\$ 28,859	\$ 53,141	\$ 24,103	\$ 30,501	\$ -	\$ 6,594	\$ 238	\$ 6,724
2009	136,559	34,854	45,119	24,012	26,141	-	6,258	175	5,332
2010	141,641	35,364	44,984	25,071	25,103	-	10,521	598	6,095
2011	141,583	36,337	46,357	25,941	25,753	-	6,680	515	6,776
2012	153,562	37,538	48,596	25,813	27,492	-	13,646	476	7,469
2013	160,796	38,302	52,757	28,103	28,783	315	12,090	446	9,176
2014	174,558	38,379	58,717	26,790	34,856	561	14,665	590	8,975
2015	190,154	40,222	65,551	27,219	36,551	622	19,515	474	10,191
2016	201,190	41,304	69,184	27,169	38,380	502	22,815	1,837	11,214
2017	225,124	55,907	72,481	29,386	43,530	500	21,350	1,969	11,780

^(A) Includes miscellaneous tax revenue and special assessments

^(B) Source: Bellevue Convention Center Authority. Hotel/Motel tax receipts are reported in BCCA Financial Statements and included here as a memo item. City of Bellevue collects the tax on behalf of the BCCA. A portion of the receipts are passed directly through to the BCCA and a portion of funds are used towards BCCA bond repayment.

FUND BALANCES OF GOVERNMENTAL FUNDS ^(A)
Last Ten Fiscal Years
(in thousands)

<u>Fiscal Year</u>	<u>General Fund</u>			<u>All other Governmental Funds</u>			<u>Total</u>
	<u>Reserved</u>	<u>Unreserved</u>	<u>Total</u>	<u>Reserved</u>	<u>Unreserved, reported in special revenue funds</u>	<u>Unreserved, reported in capital projects funds</u>	
2008	\$ -	\$ 15,094	\$ 15,094	\$ 6,436	\$ 50,645	\$ 15,082	\$ 72,163
2009	-	16,149	16,149	2,305	42,645	14,448	59,398

FUND BALANCES OF GOVERNMENTAL FUNDS ^(A)
Last Ten Fiscal Years
(in thousands)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund								
Nonspendable for:								
Prepays	\$ -	\$ -	\$ 406	\$ 408	\$ 391	\$ 732	\$ 491	\$ 522
Total nonspendable fund balance	<u>-</u>	<u>-</u>	<u>406</u>	<u>408</u>	<u>391</u>	<u>732</u>	<u>491</u>	<u>522</u>
Assigned for:								
General government	991	1,180	1,454	701	980	1,333	1,640	1,086
Public safety	-	-	-	-	-	-	-	57
Transportation	-	-	-	-	-	-	-	716
Health & human services	771	-	-	-	-	98	58	-
Culture & recreation	1,193	-	-	873	705	912	1,132	914
Total assigned fund balance	<u>2,955</u>	<u>1,180</u>	<u>1,454</u>	<u>1,574</u>	<u>1,685</u>	<u>2,343</u>	<u>2,830</u>	<u>2,773</u>
Restricted for:								
General government	-	-	114	-	-	-	-	-
Public safety	-	-	-	-	-	-	245	342
Health & human services	-	567	-	-	-	-	38	225
Total restricted fund balance	<u>-</u>	<u>567</u>	<u>114</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>283</u>	<u>566</u>
Unassigned	18,112	20,873	20,873	23,051	25,978	31,309	36,907	44,735
Total unassigned fund balance	<u>18,112</u>	<u>20,873</u>	<u>20,873</u>	<u>23,051</u>	<u>25,978</u>	<u>31,309</u>	<u>36,907</u>	<u>44,735</u>
Fund Balance - General fund	<u>\$ 21,067</u>	<u>\$ 22,620</u>	<u>\$ 22,847</u>	<u>\$ 25,033</u>	<u>\$ 28,054</u>	<u>\$ 34,384</u>	<u>\$ 40,511</u>	<u>\$ 48,597</u>

FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(in thousands)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Other Governmental Funds								
Assigned for:								
General government	7,100	3,579	7,718	1,255	1,275	3,042	492	10,648
Public safety	13,506	11,961	10,429	8,383	6,720	5,272	3,899	1,981
Physical environment	1,138	970	835	1,100	960	1,299	1,420	1,306
Transportation	2,722	243	864	-	-	-	6,204	-
Economic environment	-	162	1,687	4,367	6,160	-	-	1,627
Health & human services	5,300	4,342	3,308	3,725	4,130	5,093	398	1,698
Culture & recreation	7,370	5,179	580	966	-	-	466	707
Debt services	1,782	1,705	2,177	-	-	-	-	1,012
Total assigned fund balance	<u>38,918</u>	<u>28,141</u>	<u>27,598</u>	<u>19,796</u>	<u>19,244</u>	<u>14,707</u>	<u>12,880</u>	<u>18,979</u>
Committed for:								
General government	-	-	-	-	-	-	-	189
Transportation	-	-	-	-	-	-	-	2,078
Total committed fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,267</u>
Restricted for:								
General government	-	23	681	50,095	16,006	51,842	38,975	19,012
Public safety	703	740	702	1,300	1,581	1,005	825	6,323
Physical environment	564	367	823	109	538	94	394	595
Transportation	8,477	12	-	1,159	8,614	10,800	9,604	18,219
Economic environment	11,201	8,324	6,401	4,082	755	8,708	12,386	12,210
Health & human services	-	-	3,102	3,203	3,202	3,090	8,387	5,083
Culture & recreation	3,892	8,801	13,971	10,697	9,104	14,989	20,676	23,963
Debt services	85	6	10	1,879	2,479	1,459	1,867	110
Total restricted fund balance	<u>24,922</u>	<u>18,274</u>	<u>25,690</u>	<u>72,524</u>	<u>42,279</u>	<u>91,987</u>	<u>93,114</u>	<u>85,515</u>
Fund Balance - other governmental funds	<u>\$ 63,840</u>	<u>\$ 46,415</u>	<u>\$ 53,288</u>	<u>\$ 92,320</u>	<u>\$ 61,523</u>	<u>\$ 106,694</u>	<u>\$ 105,994</u>	<u>\$ 106,761</u>

FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(in thousands)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental Funds								
Nonspendable for:								
Prepays	\$ -	\$ -	\$ 406	\$ 408	\$ 391	\$ 732	\$ 491	\$ 522
Total nonspendable fund balance	<u>-</u>	<u>-</u>	<u>406</u>	<u>408</u>	<u>391</u>	<u>732</u>	<u>491</u>	<u>522</u>
Assigned for:								
General government	8,091	4,759	9,172	1,956	2,254	4,376	2,132	11,735
Public safety	13,506	11,961	10,429	8,383	6,720	5,272	3,899	2,038
Physical environment	1,138	970	835	1,100	960	1,299	1,420	1,306
Transportation	2,722	243	864	-	-	-	6,204	716
Economic environment	-	162	1,687	4,367	6,160	-	-	1,627
Health & human services	6,071	4,342	3,308	3,725	4,130	5,191	456	1,698
Culture & recreation	7,370	5,179	580	1,839	705	912	1,598	1,621
Debt services	1,782	1,705	2,177	-	-	-	-	1,012
Total assigned fund balance	<u>40,680</u>	<u>29,321</u>	<u>29,052</u>	<u>21,370</u>	<u>20,928</u>	<u>17,051</u>	<u>15,710</u>	<u>21,752</u>
Committed for:								
General government	-	-	-	-	-	-	-	189
Transportation	-	-	-	-	-	-	-	2,078
Total committed fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,267</u>

FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(in thousands)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Restricted for:								
General government	-	23	795	50,095	16,006	51,842	38,975	19,012
Public safety	703	740	702	1,300	1,581	1,005	1,070	6,664
Physical environment	564	367	823	109	538	94	394	595
Transportation	8,477	12	-	1,159	8,614	10,800	9,604	18,219
Economic environment	11,201	8,324	6,401	4,082	755	8,708	12,386	12,210
Health & human services	-	567	3,102	3,203	3,202	3,090	8,425	5,307
Culture & recreation	3,892	8,801	13,971	10,697	9,104	14,989	20,676	23,963
Debt services	85	6	10	1,879	2,479	1,459	1,867	110
Total restricted fund balance	<u>24,922</u>	<u>18,841</u>	<u>25,804</u>	<u>72,524</u>	<u>42,279</u>	<u>91,987</u>	<u>93,397</u>	<u>86,082</u>
Unassigned	<u>18,112</u>	<u>20,873</u>	<u>20,873</u>	<u>23,051</u>	<u>25,978</u>	<u>31,309</u>	<u>36,907</u>	<u>44,736</u>
Total unassigned fund balance	<u>18,112</u>	<u>20,873</u>	<u>20,873</u>	<u>23,051</u>	<u>25,978</u>	<u>31,309</u>	<u>36,907</u>	<u>44,736</u>
Fund balance - governmental funds	<u>\$ 83,713</u>	<u>\$ 69,035</u>	<u>\$ 76,135</u>	<u>\$ 117,353</u>	<u>\$ 89,577</u>	<u>\$ 141,080</u>	<u>\$ 146,505</u>	<u>\$ 155,358</u>

^(A) All amounts are reported on the modified - accrual basis

Note: GASB Statement 54 Fund Balance Reporting was implemented in 2010, which redefined fund balance categories. The General Fund was restated to include special revenue funds not meeting the new definition and fund balance categories have been redefined. Earlier years were not restated.

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS ^(A)
Last Ten Fiscal Years
(in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes and special assessments	\$150,084	\$142,698	\$147,820	\$148,773	\$163,104	\$169,498	\$184,380	\$200,357	\$211,295	\$236,955
Licenses and permits	8,972	6,411	4,850	4,606	5,478	4,718	9,246	9,308	11,516	9,969
Intergovernmental	31,670	31,469	26,978	27,430	29,912	26,462	31,196	33,826	44,920	48,611
Service charges and fees	26,906	25,747	23,973	24,541	28,708	33,263	37,392	44,799	31,400	29,393
Fines and forfeitures	489	71	1,238	2,650	1,865	1,168	1,073	2,176	2,880	2,014
Interest and penalties	3,703	2,445	1,014	1,058	455	715	755	1,076	1,303	1,701
Net change in fair value of investments	521	(388)	(308)	358	(146)	(639)	354	(133)	(244)	(390)
Rent	4,180	4,863	4,607	5,133	4,820	4,829	5,249	6,624	6,419	4,896
Judgements and settlements	25	46	-	-	-	-	-	-	8	-
Premiums and contributions	446	2,422	1,075	686	434	2,691	3,332	4,081	1,721	4,189
Other	796	678	248	921	306	876	843	709	1,435	954
Total revenues	227,792	216,462	211,497	216,156	234,936	243,581	273,821	302,824	312,653	338,293
Expenditures										
General government	25,364	25,075	26,074	24,781	25,024	27,231	32,376	31,432	30,167	28,273
Public safety	78,219	79,817	80,733	80,143	83,044	86,634	87,717	91,040	90,928	95,476
Physical environment	2,449	1,953	1,793	1,746	1,544	2,666	2,191	2,382	1,330	1,391
Transportation	32,957	28,479	29,793	30,625	32,258	31,461	34,678	40,235	29,432	34,332
Economic environment	22,718	21,798	20,043	18,726	18,882	21,065	23,283	34,643	35,645	36,836
Health and human services	7,226	7,782	7,533	8,383	8,328	7,609	7,864	8,596	6,786	7,442
Culture and recreation	35,035	34,489	33,751	33,269	35,446	37,927	37,762	40,466	38,524	36,558
Capital outlay	39,461	23,035	19,383	21,713	14,552	44,971	60,613	83,794	51,010	66,346
Debt service										
Principal	4,275	14,187	4,664	4,668	4,208	20,612	6,387	6,050	7,192	9,542
Interest and fiscal charges	7,468	7,306	7,386	7,866	7,150	8,987	9,532	9,250	15,485	12,804
Total expenditures	255,172	243,921	231,153	231,920	230,435	289,163	302,403	347,888	306,499	329,000

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS ^(A)
Last Ten Fiscal Years
(in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Other Financing Sources (Uses)										
Transfers in	25,545	33,301	23,325	17,821	19,481	37,243	21,022	22,433	27,193	26,861
Transfers out	(24,980)	(29,602)	(11,534)	(16,734)	(16,901)	(35,964)	(20,241)	(22,897)	(27,920)	(28,033)
Proceeds from long-term debt	26,248	12,047	14,863	-	-	-	-	91	-	-
Refunding bonds issued	-	-	9,595	-	(107,854)	70,405	-	97,935	-	-
Payment to refunded bond escrow agent	-	-	(9,600)	-	107,854	-	-	(13,072)	-	-
Sale of capital assets	1,161	-	42	-	-	-	26	118	-	731
Premium on issuance of long-term debt	-	-	1,131	-	-	11,930	-	11,958	-	-
Total other financing sources (uses)	27,974	15,746	27,822	1,087	2,580	83,613	807	96,566	(727)	(440)
 Net change in fund balance	 \$594	 (\$11,713)	 \$8,166	 (\$14,677)	 \$7,081	 \$38,031	 (\$27,775)	 \$51,503	 \$5,427	 \$8,853
 Debt service as a percentage of noncapital expenditures	 5.44%	 9.73%	 5.69%	 5.96%	 5.26%	 12.12%	 6.58%	 5.79%	 8.88%	 8.51%

^(A) All amounts are reported on the modified - accrual basis

Table 6

GENERAL GOVERNMENTAL TAX REVENUE BY SOURCE ^(A)

Last Ten Fiscal Years
(in thousands)

<u>Fiscal Year</u>	<u>Total Taxes</u>	<u>General Property Taxes</u>	<u>General Sales Taxes</u>	<u>Utility Taxes</u>	<u>Business and Occupation Taxes</u>	<u>LRF Local Option Sales and Use Tax</u>	<u>Other Taxes and Assessment ^(B)</u>	<u>Memo Only Hotel/Motel Tax</u>
2008	\$ 142,772	\$ 28,815	\$ 53,141	\$ 23,910	\$ 30,106	\$ -	\$ 6,799	\$ 6,724
2009	137,366	34,738	45,119	24,119	26,340	-	7,050	5,332
2010	141,723	35,337	44,984	25,076	25,285	-	11,041	6,095
2011	141,996	36,401	46,357	25,921	26,208	-	7,109	6,776
2012	155,634	37,821	48,596	26,476	28,690	-	14,051	7,469
2013	160,322	37,939	52,757	28,103	28,673	315	12,535	9,176
2014	175,404	38,440	58,717	26,790	35,880	561	15,016	8,975
2015	190,166	40,187	65,551	27,219	37,025	622	19,562	10,191
2016	200,081	41,256	69,183	27,169	38,987	502	22,984	11,214
2017	225,200	55,974	72,481	29,386	43,530	500	23,329	11,780

^(A) All amounts are reported on the modified - accrual basis

^(B) Includes miscellaneous tax revenues and special assessments.

Source:

Hotel/Motel tax receipts are reported in BCCA Financial Statements and included here as a memo item. City of Bellevue collects the tax on behalf of the BCCA. A portion of the receipts are passed directly through to the BCCA and a portion of funds are used towards BCCA bond repayment.

City of Bellevue, Washington

Table 7

TAXABLE SALES BY CATEGORY ^(A)
 Last Ten Fiscal Years
 (in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 ^(B)
Contracting	\$1,255,692	\$872,463	\$603,334	\$569,506	\$537,336	\$695,970	\$981,629	\$1,363,843	\$1,439,618	\$1,199,757
Manufacturing	84,773	70,537	77,831	73,089	62,910	66,172	74,024	76,751	82,192	65,324
Transportation, communications, and utilities	190,568	201,248	211,877	227,732	237,651	261,264	281,680	322,087	313,202	244,385
Finance, insurance, and real estate	148,801	149,680	130,987	129,894	141,318	148,445	145,878	187,217	261,724	156,935
Wholesale trade	418,040	360,308	302,105	301,079	317,937	336,048	345,609	393,174	340,796	255,797
Retail - building materials	120,234	106,555	101,484	98,429	103,783	114,651	122,930	132,481	134,739	102,635
Retail - general merchandise	188,755	189,052	196,797	197,946	201,437	217,414	216,008	202,926	176,441	128,633
Retail - food	77,748	76,879	82,700	80,515	91,170	96,819	98,556	100,303	95,884	70,778
Retail - automotive	794,053	720,411	756,742	783,644	865,344	937,893	1,002,045	1,059,875	1,147,166	911,783
Retail - apparel	423,738	384,063	405,998	447,179	486,211	496,795	482,848	502,078	507,741	352,114
Retail - furniture and accessories	411,884	381,491	350,641	325,897	380,545	312,593	336,678	349,400	392,609	281,685
Retail - restaurants	312,514	317,213	347,268	378,827	410,862	427,739	449,249	481,320	515,601	401,352
Retail - miscellaneous	392,992	368,757	395,200	417,755	447,389	463,937	497,860	530,147	561,930	407,865
Services - hotels	125,820	116,518	153,772	171,489	186,571	199,665	218,118	247,476	270,072	221,852
Services - business	435,092	301,306	328,008	360,918	339,930	395,436	479,356	480,886	611,070	513,040
Services - other	257,424	245,211	246,900	252,608	262,115	267,384	270,096	282,981	301,751	231,375
All other categories	1,567	2,064	1,245	1,004	1,414	1,170	1,162	1,084	1,220	676
Total sales	\$5,639,695	\$4,863,756	\$4,692,889	\$4,817,512	\$5,073,923	\$5,439,394	\$6,003,725	\$6,714,030	\$7,153,756	\$5,545,986

^(A) The city is prohibited by law from reporting individual sales tax payers

^(B) 4th Quarter 2017 data not available at the time of printing

Source: Washington State Department of Revenue Quarterly Business Review reports

SALES TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

	2008	2009 ^(D, E)	2010	2011	2012	2013	2014	2015	2016	2017
Local Rate:										
City of Bellevue	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%
King County	0.075%	0.075%	0.075%	0.075%	0.075%	0.075%	0.075%	0.075%	0.075%	0.075%
Optional tax - City of Bellevue ^(B)	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%
Transit - King County (METRO)	0.900%	0.900%	0.900%	0.900%	0.900%	0.900%	0.900%	0.900%	0.900%	0.900%
King County Mental Health ^(C)	0.100%	0.100%	0.100%	0.100%	0.100%	0.100%	0.100%	0.100%	0.100%	0.100%
Criminal Justice tax (0.10% total) ^(A)										
10% Directly to King County	0.010%	0.010%	0.010%	0.010%	0.010%	0.010%	0.010%	0.010%	0.010%	0.010%
90% shared based on population										
City of Bellevue (estimate)	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%
King County (estimate)	0.084%	0.084%	0.084%	0.084%	0.084%	0.084%	0.084%	0.084%	0.084%	0.084%
Total Criminal Justice tax	0.100%	0.100%	0.100%	0.100%	0.100%	0.100%	0.100%	0.100%	0.100%	0.100%
Sound Transit (RTA)	0.400%	0.900%	0.900%	0.900%	0.900%	0.900%	0.900%	0.900%	0.900%	1.400%
Total Local Rate	2.500%	3.000%	3.000%	3.000%	3.000%	3.000%	3.000%	3.000%	3.000%	3.500%
City of Bellevue share										
Regular rate	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%
Optional rate	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%
Criminal justice (estimate)	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%
Total City of Bellevue portion	0.931%	0.931%	0.931%	0.931%	0.931%	0.931%	0.931%	0.931%	0.931%	0.931%
King County portion	1.569%	2.069%	2.069%	2.069%	2.069%	2.069%	2.069%	2.069%	2.069%	2.569%
State of Washington	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%
Total Sales tax rate	9.000%	9.500%	9.500%	9.500%	9.500%	9.500%	9.500%	9.500%	9.500%	10.000%

SALES TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

Notes:

- (A) Criminal Justice tax is 0.01 percent of the gross sale. Ten percent of this is paid directly to King County, and the remaining 90 percent is shared between cities within the county. King County retains the portion for unincorporated areas within the county, in 2017, the city's estimated population was 139,400 and the County's population was 2,105,100. Bellevue represented 6.62 percent of the total population of King county and as such would receive 0.006 percent of this tax.
- (B) Under Bellevue City Code 4.12.025 and RCW 82.14.030, the city may, at the discretion of the City Council, impose an additional sales tax up to 0.5 percent. The city collects the maximum amount allowed of this tax.
- (C) Effective April 1, 2008, voters approved a 0.10 percent sales tax increase for the King County Mental Health tax. This tax will benefit chemical dependency and mental health services.
- (D) Effective April 1, 2009, Sound Transit increased portion of sales tax by five-tenths of one percent.
- (E) Effective April 1, 2017 the regional transit authority (RTA) portion of the combined retail sales tax rate in King, Pierce, and Snohomish Counties in Washington increased five-tenths of one percent (0.5%) for a total RTA rate of one and four-tenths of one percent (1.4%). This tax increase was approved by voters with the passage of Proposition 1 which will expand and coordinate light-rail, commute-rail, and express bus service, and improve access to transit facilities in King, Pierce, and Snohomish Counties.

Sources:

- (1) King County/Bellevue Population Data – WA State Office of Financial Management
- (2) Tax rates- Washington State Department of Revenue and City of Bellevue City Code

Table 9

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY^(C)

Last Ten Fiscal Years
(in thousands, except tax rate)

Fiscal Year	Assessed and Estimated Actual Value						Grand Total	Total Direct Tax Rate
	Real Property	Personal Property	State Public Service Property	Exemptions	Non-Taxable ^(A)	Omits ^(B)		
2008	\$ 29,767,156	\$ 121,502	\$ 596,988	\$ 124,953	\$ -	\$ -	\$ 30,360,693	\$ 0.92
2009	35,848,337	1,172,683	697,455	137,238	-	-	37,581,237	0.94
2010	32,224,417	1,209,975	668,110	157,291	-	-	33,945,211	1.06
2011	30,291,931	1,220,536	672,827	176,038	-	-	32,009,256	1.13
2012	29,171,374	1,193,494	659,024	113,809	-	-	30,910,083	1.20
2013	30,866,059	1,324,322	609,300	122,721	-	-	32,676,960	1.18
2014	34,292,361	1,275,456	579,835	116,663	-	-	36,030,989	1.07
2015	39,536,877	1,165,860	734,283	110,666	-	5,452	41,320,902	0.98
2016	42,830,040	1,095,002	621,096	111,493	-	-	44,434,645	0.94
2017	47,695,767	1,219,490	583,806	128,759	-	-	49,370,305	1.14

(A) Starting for the fiscal year 2008 nontaxable values are excluded for assessed taxable property values

(B) Value of originally omitted taxes owed, found within 3 years, and placed on the tax roll for the particular tax year

(C) Real, personal, and state public service property have been assessed at 100 percent of the estimated value.

Note: These figures represent Bellevue's total taxable assessed valuations as of December 31 for the last ten years. Included in these figures are all final tax adjustments, omits, and senior citizen exempted property. Breakout of residential/commercial real property and motor vehicle/other personal property valuations are not available.

Source: King County Assessor

Table 10

PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

Fiscal Year	City of Bellevue			School District	King County	Washington State	Port of Seattle	Other	Total
	Operating	Debt Service	Total Rate						
2008	\$ 0.92	\$ -	\$ 0.92	\$ 1.95	\$ 1.21	\$ 2.13	\$ 0.22	\$ 0.91	\$ 7.34
2009	0.94	-	0.94	1.87	1.10	1.96	0.27	0.76	6.90
2010	1.06	-	1.06	2.22	1.28	2.22	0.22	0.89	7.89
2011	1.13	-	1.13	2.73	1.34	2.28	0.22	0.99	8.69
2012	1.20	-	1.20	3.00	1.42	2.42	0.23	0.98	9.24
2013	1.18	-	1.18	3.25	1.54	2.57	0.23	1.01	9.77
2014	1.07	-	1.07	3.19	1.52	2.47	0.22	1.05	9.52
2015	0.98	-	0.98	3.13	1.35	2.29	0.19	0.93	8.87
2016	0.94	-	0.94	3.14	1.48	2.17	0.17	0.88	8.78
2017	1.14	-	1.14	2.93	1.38	2.03	0.15	1.09	8.72

Note: These figures represent property tax levies and rates for Bellevue District 1 (levy code 330), which is considered to be an average Bellevue taxing district. Some areas within the city may have a different tax rate depending on the boundaries of other taxing jurisdictions.

Source: King County Assessor

Table 11

PRINCIPAL PROPERTY TAXPAYERS

Current year and nine years ago

Rank	Taxpayer	Type of Business	2017		Rank	2008	
			2017 Assessed Valuation (in millions)	Percentage of Total Assessed Valuation ^(A)		2008 Assessed Valuation (in millions)	Percentage of Total Assessed Valuation ^(A)
1	Kemper Development (Bellevue Square)	Land Management	\$ 771	1.58%	1	\$ 426	1.35%
2	Mircrosoft	Computer Software	705	1.44%	^(B)	-	0.00%
3	Essex Property Trust (formerly Essex Portfolio LP)	Property management	501	1.02%	8	142	0.45%
4	Kilroy Realty (formerly Three Bellevue Center LLC)	Property management	492	1.01%	7	156	0.49%
5	LS2 Office LLC	Real Estate	427	0.87%	^(B)	-	0.00%
6	AvalonBay Communities Inc.	Property management	385	0.79%	^(B)	-	0.00%
7	FSP-City Center Plaza LLC	Property management	373	0.76%	^(B)	-	0.00%
8	Puget Sound Energy-Elec/Gas	Utility Services	361	0.74%	6	236	0.75%
9	Braven Residences North and South LLC	Property management	317	0.65%	^(B)	-	0.00%
10	KBS Stragegio Opportunity (W2007 Seattle)	Real Estate Investment	305	0.62%	^(B)	-	0.00%
(B)	The Boeing Company	Aerospace	(B)	0.00%	2	405	1.28%
(B)	City Center Bellevue Development	Property management	(B)	0.00%	3	356	1.13%
(B)	Archon Group LP	Property management	(B)	0.00%	4	356	1.13%
(B)	Bellevue Place	Property management	(B)	0.00%	5	274	0.87%
(B)	Sterling Realty Org	Property management	(B)	0.00%	9	134	0.42%
(B)	Plaza Centery Property LLC	Property management	(B)	0.00%	10	132	0.42%
			<u>\$ 4,636</u>	9.48%		<u>\$ 2,617</u>	8.27%

^(A) 2017 assessed valuation for 2018 tax collection. Total 2017 assessed valuation, in millions, is \$48,915. Total 2008 assessed valuation, in millions, was \$31,627

^(B) Taxpayer was not a principal taxpayer in this period.

Source: King County Assessor

Table 12

PROPERTY TAX LEVIES AND COLLECTIONS
(in thousands)

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collected in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage</u>		<u>Amount</u>	<u>Percentage</u>
2008	28,868	28,500	98.7%	368	28,868	100.0%
2009	35,129	34,664	98.7%	465	35,129	100.0%
2010	36,030	35,561	98.7%	469	36,030	100.0%
2011	36,471	36,078	98.9%	399	36,477	100.0%
2012	36,923	36,530	98.9%	393	36,923	100.0%
2013	38,340	37,888	98.8%	446	38,334	100.0%
2014	38,589	38,183	98.9%	408	38,591	100.0%
2015	39,832	39,393	98.9%	425	39,818	100.0%
2016	41,429	40,958	98.9%	418	41,376	99.9%
2017	56,033	55,647	99.3%	-	55,647	99.3%

Notes:

(A) The total tax levy is the certified tax levy adopted by City ordinance.

(B) The amounts presented on this table include omits and levy changes in addition to collections.

Source: Other data has been derived from the Annual Tax Receivable Summary prepared by the King County Finance Department.

Table 13

RATIO OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years
(in thousands, except per capita)

Fiscal Year	Governmental Activities					Business-Type Activities				Total primary government	Percentage of personal income	Per capita
	General obligation bonds	Special assessments	Conditional purchase contracts	PWTF loans	Line of credit	General obligation bonds	Revenue bonds	PWTF loans				
2008	\$ 139,570	\$ 1,675	\$ -	\$ 676	\$ 12,000	\$ 3,600	\$ 2,105	\$ 412	\$ 160,038	2.31%	\$ 1,332	
2009	137,792	1,275	-	638	12,047	3,350	1,080	278	156,460	2.27%	1,294	
2010	147,316	795	1,100	638	15,047	3,068	-	159	168,123	2.47%	1,374	
2011	143,970	100	450	598	15,047	2,751	-	103	163,019	2.26%	1,321	
2012	151,598	55	-	558	15,047	2,481	-	66	169,805	2.14%	1,363	
2013	227,496	10	-	518	-	2,168	-	29	230,221	2.78%	1,743	
2014	220,204	-	-	478	-	1,760	-	-	222,442	2.19%	1,655	
2015	310,670	-	-	438	-	1,363	-	-	312,471	3.19%	2,089	
2016	301,894	-	-	398	-	965	-	-	303,257	2.82%	2,175	
2017	290,768	-	-	358	-	477	-	-	291,603	N/A ^(A)	2,073	

Notes:

- (A) Personal Income data not available at time of printing.
- (B) Details regarding the city's outstanding debt can be found in the notes to the financial statements.
- (C) See Schedule of Demographic and Economic Statistics, Table 18, for personal income and population data.

Source: City of Bellevue Planning and Community Development Department

Table 14

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

(in thousands, except per capita)

<u>Fiscal Year</u>	<u>GO Bonds</u>	<u>Less Debt Service Funds</u>	<u>Net Bonded Debt</u>	<u>Percentage of estimated actual taxable value of property^(A)</u>	<u>Net Bonded Debt per Capita^(B)</u>
2008	\$ 139,570	\$ 5,607	\$ 133,963	0.44%	\$ 1,117
2009	137,792	3,370	134,422	0.36%	1,112
2010	147,316	2,172	145,144	0.43%	1,186
2011	143,970	1,976	141,994	0.44%	1,151
2012	151,598	2,462	149,136	0.48%	1,197
2013	227,496	2,138	225,358	0.69%	1,706
2014	220,204	3,018	217,186	0.60%	1,616
2015	312,034	1,839	310,195	0.68%	2,073
2016	302,860	1,575	301,285	0.68%	2,161
2017	291,245	288	290,957	0.59%	2,068

^(A) See table 9 for property value statistics

^(B) See table 18 for population statistics

Table 15

COMPUTATION OF DIRECT AND OVERLAPPING DEBT
(in thousands)

Jurisdiction	Net Outstanding Debt	Percentage Applicable to Bellevue ^(A)	Amount Applicable to Bellevue
City of Bellevue	\$ 291,246	100.00%	\$ 291,246
King County	724,994	10.45%	75,762
School District #405	710,675	80.38%	571,241
School District #414	630,672	1.02%	6,433
School District #403	251,919	2.77%	6,978
School District #411	577,463	12.75%	73,627
Port of Seattle	388,360	10.45%	40,584
Hospital District #2	196,421	0.04%	79
Rural Library District	87,870	17.96%	15,781
Fire District #10	3,806	7.09%	270
Issaquah Library Capital Facility Area	686	1.28%	9
Total other jurisdictions	3,572,866	22.13%	790,762
Total Direct and Overlapping Debt	\$ 3,864,112	28.00%	\$ 1,082,008

^(A) Determined by ratio of 2017 assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in reporting unit.

Note: Total general obligation bonds outstanding on December 31, 2017 exclusive of refunded bonds.

Source: King County Department of Finance

LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(in thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$2,354,687	\$2,821,998	\$2,551,417	\$2,405,906	\$2,323,305	\$2,450,772	\$2,450,772	\$3,099,068	\$3,332,598	\$3,702,773
Total net debt applicable to limit	150,079	168,529	187,526	196,897	190,186	187,585	217,512	292,461	312,743	299,875
Legal debt margin	<u>\$2,204,608</u>	<u>\$2,653,469</u>	<u>\$2,363,891</u>	<u>\$2,209,009</u>	<u>\$2,133,119</u>	<u>\$2,263,187</u>	<u>\$2,233,260</u>	<u>\$2,806,607</u>	<u>\$3,019,855</u>	<u>\$3,402,898</u>
Total net debt applicable to the limit as a percentage of debt limit	6.37%	5.97%	7.35%	8.18%	8.19%	7.65%	8.88%	9.44%	9.38%	8.10%

LEGAL DEBT MARGIN INFORMATION

December 31, 2017

(in thousands)

Description	Councilmanic Debt (Non-Voted)	Voted Debt	General Purpose Indebtedness ^(A)	Excess Levy Open Space and Park	Excess Levy Utility Purposes	Total Debt Capacity
Assessed Value	\$ 49,370,305	\$ 49,370,305	\$ 49,370,305	\$ 49,370,305	\$ 49,370,305	\$ 49,370,305
Statutory debt limit percentages:	1.50%	1.00%	2.50%	2.50%	2.50%	7.50%
Statutory Debt limit	\$ 740,555	\$ 493,703	\$ 1,234,258	\$ 1,234,258	\$ 1,234,258	\$ 3,702,773
Debt applicable to limit						
Bonds outstanding	\$ 291,245	\$ -	\$ 291,245	\$ -	\$ -	\$ 291,245
Capital Lease BCCA - 1991	1,318	-	1,318	-	-	1,318
Capital Lease BCCA - 1994	7,600	-	7,600	-	-	7,600
Less:						
Cash on hand for debt redemption ^(B)	288	-	288	-	-	288
Total Net Debt applicable to limit	299,875	-	299,875	-	-	299,875
Remaining Debt Capacity	\$ 440,680	\$ 493,703	\$ 934,383	\$ 1,234,258	\$ 1,234,258	\$ 3,402,898

^(A) The principal portion of the Bellevue Convention Center Authority's (BCCA) capital lease is included in the city's debt calculation because the BCCA qualifies as a component unit under Section 2100 of the GASB Codification.

^(B) Includes year-end balances available in the I&D Redemption Fund designated for future redemption of the associated bonds less bond interest payments.

Source: King County Assessor: This figure represents the city's final assessed valuation for 2016 which will be used to determine the 2017 property tax levy.

Table 17

PLEDGED REVENUE COVERAGE

Last Ten Fiscal Years
(in thousands)

Fiscal Year	Revenue Bonds ^(D)								Special Assessment Bonds				
	Gross Revenue ^(A)	Expenses ^(B)	Net revenue available for debt service	Debt Service Requirements			Coverage ^(C)	Special Assessment Collections	Debt Service			Coverage	
				Principal	Interest	Total			Principal	Interest	Total		
2008	\$ 93,087	\$ 62,270	\$ 30,817	\$ 3,126	\$ 6,773	\$ 9,899	3.11	\$ 564	\$ 471	\$ 11	\$ 482	1.17	
2009	95,930	68,602	27,328	3,403	7,016	10,419	2.62	645	401	85	486	1.33	
2010	102,010	73,342	28,668	1,361	1,550	2,911	9.85	475	403	58	461	1.03	
2011	6,776	-	6,776	1,550	7,660	9,210	0.74	425	35	8	43	9.88	
2012	7,469	-	7,469	1,585	8,040	9,625	0.78	412	45	8	53	7.77	
2013	9,176	-	9,176	1,150	3,920	5,070	1.81	445	45	6	51	8.73	
2014	8,975	-	8,975	1,197	4,483	5,680	1.58	351	-	3	3	117.00	
2015	10,191	-	10,191	1,005	4,020	5,025	2.03	47	-	-	-	N/A	
2016	11,214	-	11,214	1,246	5,354	6,600	1.70	-	-	-	-	N/A	
2017	11,780	-	11,780	1,227	5,817	7,044	1.67	-	-	-	-	N/A	

(A) Gross revenues as defined in applicable bond indentures for the Water and Sewer Utility Funds, excluding gain on sale of assets (2007-2009).

(B) Total expenses excluding depreciation, amortization, bond interest, utility taxes and loss on disposal of fixed assets (2007-2009).

(C) Average annual requirements over the remaining life of current outstanding revenue bond issues.

(D) Net revenue available for debt service divided by total debt service requirements.

Note: Revenue bond information for fiscal years 2010 – 2017 represent amounts for the discretely presented component unit, Bellevue Convention Center Authority. Figures for revenue bonds for years 2009 and prior have been restated to exclude general obligation debt. There are no expenses for 2017 as the entire revenues collected are pledged to BCCA. Hotel/motel tax revenues from the Hotel/Motel Tax Fund are included as Gross Revenues. In addition, we excluded revenues generated by BCCA as they are not pledged to debt coverage and included hotel/motel tax revenues from the Hotel/Motel Tax Fund.

Table 18

DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	Population	Per Capita Personal Income	Personal Income	Median Age	Number of Households	Public School Enrollment	Number of Jobs	Unemployment Rate	CPI-U%
2008	119,973	61,883	7,424,289	41	49,500	16,937	138,723	3.3%	4.2%
2009	120,872	57,002	6,889,946	38	49,805	17,311	130,930	6.7%	0.6%
2010	122,363	57,930	7,088,489	38	50,355	17,783	130,249	7.4%	0.3%
2011	123,400	60,876	7,512,098	38	50,933	18,048	133,846	6.6%	2.7%
2012	124,600	66,138	8,240,795	38	51,493	18,351	138,904	5.6%	2.5%
2013	132,100	65,990	8,717,279	38	54,422	18,515	136,084	4.3%	1.2%
2014	134,400	68,877	9,257,069	39	55,644	19,097	148,788	4.1%	1.8%
2015	135,000	72,530	9,791,550	37	55,922	19,613	150,579	4.0%	1.4%
2016	139,400	77,213	10,763,492	39	58,058	19,974	146,115	3.6%	2.2%
2017	140,700	(A)	(A)	(A)	58,293	20,262	(A)	3.4%	3.0%

(A) Data not available at time of publication

Sources:

- 1) Population and number of households provided by Washington State's Office of Financial Management. Note, estimates from 2007 to 2009 were revised to match OFM's intercensal estimates.
- 2) Per Capita Personal Income data was provided by US Bureau of Economic Analysis. Estimates are for King County, in which Bellevue is located. Bellevue data was not available.
- 3) Personal Income was calculated from Per Capita Personal Income and Population estimates and is presented in thousands.
- 4) Median Age was provided by the U.S. Census Bureau's annual American Community Surveys and the 2010 Census.
- 5) Public School Enrollment was provided by the Bellevue School District.
- 6) Number of Jobs was provided by the Puget Sound Regional Council.
- 7) Unemployment Rate was provided by the Bureau of Labor Statistics. Please note previous years may reflect revised inputs, reestimation, and/or adjustment to new state control totals.
- 8) CPI-U was provided by the Bureau of Labor Statistics and is for Seattle-Tacoma-Bremerton Metropolitan Area.

Table 19

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Employer	Type of Business	2017			2008		
		Rank	Number of Employees ^(A)	Percentage of Total City Employment ^(B)	Rank	Number of Employees ^(A)	Percentage of Total City Employment ^(B)
Microsoft Corporation	Technology	1	7,100	4.79%	2	3,000	2.19%
T-Mobile USA	Cellular Telephones	2	4,700	3.17%	1	3,500	2.55%
Expedia Inc.	Online Travel	3	3,700	2.50%	7	1,700	1.24%
Bellevue School District	Education K-12	4	3,200	2.16%	5	2,200	1.61%
Overlake Hospital Medical Center	Medical Hospital	5	2,900	1.96%	4	2,450	1.79%
Bellevue College	Higher Education	6	2,000	1.35%	8	1,250	0.91%
Boeing	Aviation	7	1,700	1.15%	3	2,900	2.12%
City of Bellevue	Government	8	1,600	1.08%	6	1,780	1.30%
Puget Sound Energy	Utility Services	9	1,200	0.81%	9	1,100	0.80%
Concur	Online Travel	10	1,000	0.67%	(C)	(C)	(C)
			<u>29,100</u>	<u>19.63%</u>	<u>19,880</u> <u>14.50%</u>		

Total estimated numbers of employees at the end of 2017 was 148,623 and 137,059 for 2008.

- (A) Number of employees was provided by the City of Bellevue Planning and Community Development Department. Note, estimates are rounded to the nearest 100.
- (B) Historical data was primarily unavailable and as a result, no ranking was applied. For those employers where data was available, employee counts were provided.
- (C) Historic estimates of the number of employees in Bellevue for these major employers were either zero or unavailable.

Source: Planning and Community Development Department

Table 20

FULL- TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government	363	403	384	358	337	351	352	382	386	389
Public Safety										
Police										
Officers	182	180	181	180	178	180	180	180	186	184
Civilians	99	97	42	35	35	35	35	41	41	41
Fire										
Firefighters and officers	209	218	216	212	216	216	220	214	216	216
Civilians	37	30	33	31	29	27	25	28	28	28
Transportation	130	117	117	115	112	116	117	122	129	140
Culture and recreation	163	163	166	164	162	162	162	165	165	166
Water	63	63	66	66	66	66	66	69	69	71
Sewer	42	42	46	46	47	49	49	51	52	52
Storm Drainage	45	45	48	49	49	48	48	47	48	50
Total	1,333	1,358	1,299	1,256	1,231	1,250	1,252	1,299	1,321	1,338

Note: Police Civilian FTEs decreased in 2010 due to the move of dispatch position to the NORCOM agency.

Source: City of Bellevue’s Budget Office

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function:										
Public safety/judicial:										
Police:										
Offenses:										
Rape	33	25	10	23	26	20	25	25	15	24
Robbery	71	61	59	58	67	48	65	64	63	59
Homicide	0	2	0	2	2	1	2	2	0	0
Assault	582	545	538	553	517	491	438	489	479	519
Auto theft	274	179	207	157	169	249	314	221	323	331
Burglary	687	621	657	607	685	688	631	732	636	570
Larceny	3,327	3,150	2,905	2,775	2,649	3,013	3,662	3,484	3,615	3,568
Citations:										
Traffic	22,664	22,914	20,959	18,084	15,809	18,089	16,447	11,428	13,021	11,872
Criminal	2,653	2,473	2,266	2,577	2,695	2,052	1,752	1,587	1,827	2,302
Judicial system:										
Handled by district court	25,317	25,387	23,225	20,661	18,504	20,141	18,199	13,015	14,848	14,174
Fire:										
First response:										
Buildings	120	120	96	86	117	135	170	162	198	192
Non-Buildings	225	259	184	157	197	224	228	340	251	325
Service	422	462	340	350	293	436	519	598	840	1,252
False alarm	1,573	1,502	1,438	1,342	1,320	1,429	1,584	1,507	1,548	1,702
Other	1,039	984	860	838	832	928	995	1,006	981	1,033
Medic 1 Responses:										
First aid	13,640	13,794	13,571	13,469	13,851	13,796	14,244	14,606	14,951	15,319
Runs per week	262	265	261	259	266	265	274	281	288	295

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function:										
Transportation:										
Area of roadway repaired (sq ft)	19,305	16,626	13,510	28,999	48,929	34,518	50,406	39,073	29,192	30,407
Miles of streets swept	3,506	2,385	4,410	3,962	3,601	2,892	5,182	5,696	4,856	3,373
Area of sidewalk repaired (sq ft)	10,090	5,299	3,153	6,374	9,283	14,664	16,070	23,643	22,235	1,550
Physical/economic environment:										
Building permits issued	12,862	10,984	11,506	11,261	12,380	14,239	14,263	14,470	15,185	14,999
Estimated value (in millions)	629	274	209	168	377	560	715	950	793	718
Culture and recreation:										
Number of rounds of golf played	79,883	79,610	73,902	70,368	62,143	71,335	66,182	81,039	77,270	71,105
Water utility:										
Water consumption (CCF in thousands)	6,612	6,908	6,277	6,349	6,652	6,623	6,776	7,068	6,854	6,829
Number of customers:										
Residential	34,544	34,599	34,667	34,723	34,797	34,879	35,004	35,086	35,150	34,301
Multi-residential	648	647	650	661	662	661	663	680	666	660
Commercial	2,107	1,855	1,808	2,087	2,091	2,071	2,076	2,070	2,064	2,062
Total number of customers	37,299	37,101	37,125	37,471	37,471	37,611	37,743	37,836	37,880	37,023
Water consumption peak in a day (millions of gallons)	29	37	29	27	29	29	31	32	33	29
Water consumption peak in a month (millions of gallons)	776	876	737	750	761	792	792	881	912	783

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function:										
Sewer utility: ^(A)										
Sewer consumption (CCF in thousands)	5,533	5,322	4,603	5,404	5,400	5,382	5,386	5,634	5,418	5,389
Number of customers:										
Residential	33,057	33,195	34,596	33,320	34,696	34,723	34,780	34,833	34,775	32,580
Multi-residential	644	641	648	652	654	653	654	656	657	650
Commercial	1,737	1,719	1,710	1,709	1,734	1,713	1,705	1,700	1,682	1,667
Total number of customers	35,438	35,555	36,954	35,681	37,084	37,089	37,139	37,189	37,114	34,897
Storm and surface water utility: ^(A)										
Number of customers:										
Residential	28,153	28,158	28,196	28,266	30,309	30,392	30,497	30,529	30,579	30,612
Multi-residential	524	526	546	530	546	544	545	547	549	549
Commercial	1,968	1,949	1,939	1,939	1,960	1,951	1,931	1,929	1,923	1,901
Total number of customers	30,645	30,633	30,681	30,735	32,815	32,887	32,973	33,005	33,051	33,062

^(A) 2017 total have decline due to South Cove area being annexed by Issaquah

Note: No operating indicators are available for general government and marina.

Sources: City of Bellevue Departments: Police, Development Services, Fire, Utilities, Transportation, and Parks

CAPITAL ASSETS BY FUNCTION
Last Ten Fiscal Years

Function:	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety:										
Police										
Traffic/patrol units	72	72	73	75	73	73	70	68	67	67
Fire										
Fire stations	9	9	9	9	9	9	9	9	9	9
Fire apparatus	21	22	22	22	22	20	20	20	20	20
Fire aid units	17	18	16	16	15	15	15	15	15	14
Transportation:										
Paved streets (miles)	390	390	390	390	412	414	414	416	416	416
Sidewalks (miles)	336	329	329	336	337	341	346	352	358	366
Traffic signals	182	182	183	184	186	187	193	198	200	202
City of Bellevue streetlights	3,205	3,232	2,900	3,048	3,106	3,113	3,170	3,192	3,237	3,306
Puget Sound Energy streetlights	5,064	5,102	5,146	5,385	5,610	5,639	5,656	5,835	5,899	5,914
Culture and Recreation/Marina:										
Parks acreage	2,696	2,696	2,707	2,707	2,721	2,721	2,727	2,732	2,732	2,732
Parks	77	77	77	77	77	77	77	77	77	77
Maintained trails (miles)	80	80	80	92	92	92	93	93	93	98
Playgrounds	45	45	45	46	46	46	46	46	46	46
Tennis courts/centers	39	39	39	38	38	38	38	38	38	38
Sports fields	32	32	32	34	34	34	34	35	35	35
Sports courts	27	27	27	27	27	27	27	27	27	27
Swimming beaches/pools	7	7	7	7	7	7	7	7	7	7
Vistor/interpretive centers	4	4	4	4	4	4	4	4	4	4
Community centers/recreation facilities	5	5	5	5	5	5	5	5	5	5
Golf courses	2	2	2	2	2	2	2	2	2	2
Marinas/boat launches	2	2	2	2	2	2	2	2	2	2

CAPITAL ASSETS BY FUNCTION
Last Ten Fiscal Years

Function:	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Water Utility: ^(A)										
Water mains (miles)	620	620	616	618	617	619	619	619	620	611
Vehicles	40	41	41	32	34	35	36	40	45	44
Sewer Utility: ^(A)										
Sanitary sewers (miles)	523	523	525	525	525	526	526	525	525	516
Vehicles	38	41	41	29	27	28	29	36	40	37
Storm and surface water Utility:										
Vehicles	26	28	28	24	25	26	27	29	30	29

^(A) 2017 total have decline due to South Cover area being annexed by Issaquah

Note: No capital asset indicators are available for the general government, judicial, economic environment or physical environment functions.

Sources: City of Bellevue Departments - Parks, Civic Services, Transportation, and Utilities