2005 Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2005

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, 2004

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

President

Executive Director

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, 2004.

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.

CITY OF BELLEVUE WASHINGTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Fiscal Year Ended December 31, 2005

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City of Bellevue
Post Office Box 90012 • Bellevue, Washington • 98009 9012

June 12, 2006

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

The City of Bellevue Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2005 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including 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 present fairly 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 Bellevue's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. This introductory section includes this transmittal letter, the City's organization chart, and a list of principal officials. The financial section includes the State Auditor's report on the financial statements and schedules, Management's Discussion and Analysis, Government-wide Financial Statements, Fund Financial Statements, Notes to the Financial Statements and Other Required Supplemental Information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. This report includes all funds and agencies of the City. In addition, per GASB Statement 14, the City is financially accountable for the Bellevue Convention Center Authority (BCCA); therefore, the activities of the BCCA are included in the City's financial statements as a discrete component unit.

As an aid to the reader, the major sections of this report have been segregated by divider pages, which provide introductions for the sections. Similarly, divider pages have been used to separate the various components of the financial section. Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This transmittal letter is designed to compliment the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Bellevue is a non-charter optional code City, operating under Section 35A of the Revised Code of Washington. It has a Council-City Manager form of government with a seven-member City Council elected by the voters of the City. Councilmembers are elected at large rather than by district, are responsible for establishing the general guidelines and policies for the City, and each serves a four-year term. The Council elects the Mayor and Deputy Mayor from within its ranks. The Council appoints the City Manager as the City's chief executive officer responsible for carrying out the policies and direction set by the 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. In addition, the City operates an equipment maintenance/rental fund and a utility. The utility provides sewer, water, and storm & surface water services. Certain public safety, utility, and equipment rental services are also provided on a fee basis to other governmental agencies or 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 near the population and geographical center of the Puget Sound region. The City encompasses an area of 31.5 square miles, and is linked to established transportation corridors. It is just 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 about 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 development, construction, and operation of Meydenbauer Center. Meydenbauer Center is located in downtown Bellevue and contains a 48,000 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 is located across Lake Washington just east of Seattle. It has high quality residential areas with strong retail, financial, 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 17.5% in the past 10 years to about 117,000 residents and is expected to grow annually by .6% excluding any annexations.

Bellevue contains a diversified mix of industries to include Department Stores, technology firms, financial institutions, automobile dealerships, and engineering firms. Bellevue is the headquarters for several major businesses, including Puget Sound Energy, a large regional electric and gas utility; PACCAR, a truck manufacturer; and drugstore.com, an internet retailer.

The regional economy continued to improve throughout 2005. Unemployment declined to 4.7% in 2005 compared to 5.1% at the end of 2004. The Puget Sound regional economy is expected to continue to grow through 2007, with employment increasing by 2.7% in 2006 and 2.4% in 2007. Office vacancy rates in Bellevue's Central Business District fell to just over 9% at the end of 2005. With the economy continuing to improve and employment expected to increase, vacancy rates are projected to continue to decline in 2006. Sales tax collections increased 11% over 2004 and Business & Occupation (B&O) tax collections rose by 9%.

To ensure that the economic outlook is incorporated into the City of Bellevue's financial planning, the City publishes six-year financial forecasts for the General Fund, the Parks Fees Fund, and the three Utilities Funds. This planning tool provides valuable information that enables City Management to make decisions with greater consideration of the financial consequences.

MAJOR INITIATIVES

2005 Significant Accomplishments:

- The Parks Department completed the agency accreditation process and become one of 55 organizations nationwide that meet the professional standards of the Commission for the Accreditation of Parks and Recreation Agencies (CAPRA).

- The Parks Department received the 2005 National Gold Medal award for excellence in parks and recreation management.

- The City, in alliance with eight other local governments, received two awards from the International City/County Management Association(ICMA): the Inter-government Collaboration award for ECityGov.net and the Innovations Group award for MyBuildingPermit.com. ECityGov.net was also a finalist for the Innovations in American Government award from Harvard University. These web portals provide regional access to parks and recreation services, building permits, and property information for the cities belonging to the alliance.

- The Parks Department completed the construction of the South Bellevue Community Center. The 33,000 square foot community center opened its doors to the public in December 2005. Construction of a new park in South Bellevue, Lewis Creek Park was also completed during the year.

- The Transportation Department completed the following significant construction projects in 2005: NE 20th Street from 140th to 148th, the NE 29th Place Extension, roadway improvements to 148th Avenue SE, Forest Drive Overlay Phase I, and the 2005 Urban Overlay project.

2006 Initiatives

- The Parks Department will continue construction at Meadow Wood Park and an addition to the Crossroads Community Center. In addition, the Department will continue to partner with the Bellevue Breakfast Rotary to develop a water play feature at Crossroads Park and prepare for the construction of the Mercer Slough Environmental Education Center.

- The City moved in February 2006 to the new City Hall Building and implemented the "Service First" model aimed at providing better customer service and responsiveness for citizens and businesses.

- The Information Technology Department completed work to move technology infrastructure to the new City Hall facility.

- The Utilities Department will continue implementation of the Cascade Water Alliance action plan. Additionally, the Department will implement the updated Utility Capital Investment Program Plan for Water, Sewer, and Storm Drainage projects.

- The City will begin working with other Emergency Medical Service (EMS) providers in King County on the county-wide 2007 EMS levy.

- The Police Department will work to draft a comprehensive policing policy for the Bellevue downtown sector, which will take into account the current and anticipated influx of high-rise residential units being built in the downtown core. These types of residential units present unique challenges to the traditional patrol and emergency response functions of police departments today.

- The Bel-Red Corridor/High Capacity Transit Planning projects will identify a preferred land use and transportation future that re-focuses the Bel-Red area to become a more strategic element of the City's growth and economic development strategy. This work will be done in close coordination with Sound Transit planning for Eastside High Capacity Transit and City of Redmond planning for the inter-jurisdictional BROTS area.

- The Transportation Department will continue efforts to plan and design the NE 10th Extension project to improve regional access to Bellevue & serve as a new medical campus major entry point. The Department will also continue to pursue the recommendations of the Downtown Implementation Plan, complete the Factoria Area Transportation Study Update, and will work to advance Bellevue's regional transportation objectives for the I-90, I-405 and SR 520 corridors.

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 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.

Budgetary Controls

The City of Bellevue maintains budgetary controls in accordance with the State Revised Code of Washington (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 Housing Funds (project length type funds) are included in the biennially appropriated operating budget. Project-length financial plans are adopted for the remaining special revenue and proprietary funds, and for the capital projects funds.

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.

Cash Management

Cash temporarily idle during the year was invested in certificates of deposit, U.S. agency issues, and the Washington State Local Government Investment Pool. The average yield on investments was 2.72%, which produced earnings of $5 million on all investments for the year ended December 31, 2005.

Bellevue structures its investments to minimize risk while maintaining reasonable yields on its portfolio. In addition, the City's cash and certificates of deposit are insured by federal depository insurance, or registered and held by the City or its agent in the City's name. In accordance with the requirements set by State law, the State Public Deposit Protection Commission also insures deposits with in-state banks.

OTHER INFORMATION

Independent Audit

State law requires an annual audit of all City financial records and transactions by the State Auditor, an independent elected State official. The 2005 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 unqualified opinion for 2005. 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, 2004. The City has earned this prestigious award for 25 out of 29 CAFR submissions. This was the 23rd consecutive annual award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report 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 that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The GFOA has also awarded the Distinguished Budget Presentation Award to the City of Bellevue Washington for its 2005-2006 biennial budget document for the 15th 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.

ACKNOWLEDGMENTS

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 Ijiomah, Assistant Division Manager, and Jennifer Dilley, Senior Financial Analyst, and Jonathan Vrablik, Senior Financial Analyst, who served as the main CAFR preparers and coordinators; and Word Processing staff for their cooperation and professional efforts in publishing this document. 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. The professional assistance of auditors from the State Auditor's Office is also worthy of mention.

Respectfully submitted,

Jan Hawn
Finance Director

CITY OFFICIALS

ELECTED CITY COUNCIL

Mayor	Grant Degginger
Deputy Mayor	John Chelminiak
Council	Claudia Balducci Don Davidson Conrad Lee Connie Marshall Phil Noble

APPOINTED ADMINISTRATIVE STAFF

City Manager	Steven Sarkozy
Deputy City Manager	Brad Miyake (Interim 1/06-Present) Ed Oberg (1/03-12/05)
Director of Intergovernmental Relations	Diane Carlson
Assistant City Manager for City Council and Administrative Support/City Clerk	Myrna Basich
City Attorney	Lori Riordan
Finance Director	Jan Hawn
Fire Chief	Mario Treviño
Human Resources Director	Yvonne Tate
Chief Information Officer, Information Technology	Toni Cramer
Parks & Community Services Director	Patrick Foran
Planning & Community Development Director	Matthew Terry
Police Chief	Jim Montgomery
Transportation Director	Goran Sparrman
Utilities Director	Denny Vidmar (Interim 1/06-Present) Brad Miyake (6/04 – 12/05)

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CITY OF BELLEVUE

FINANCE

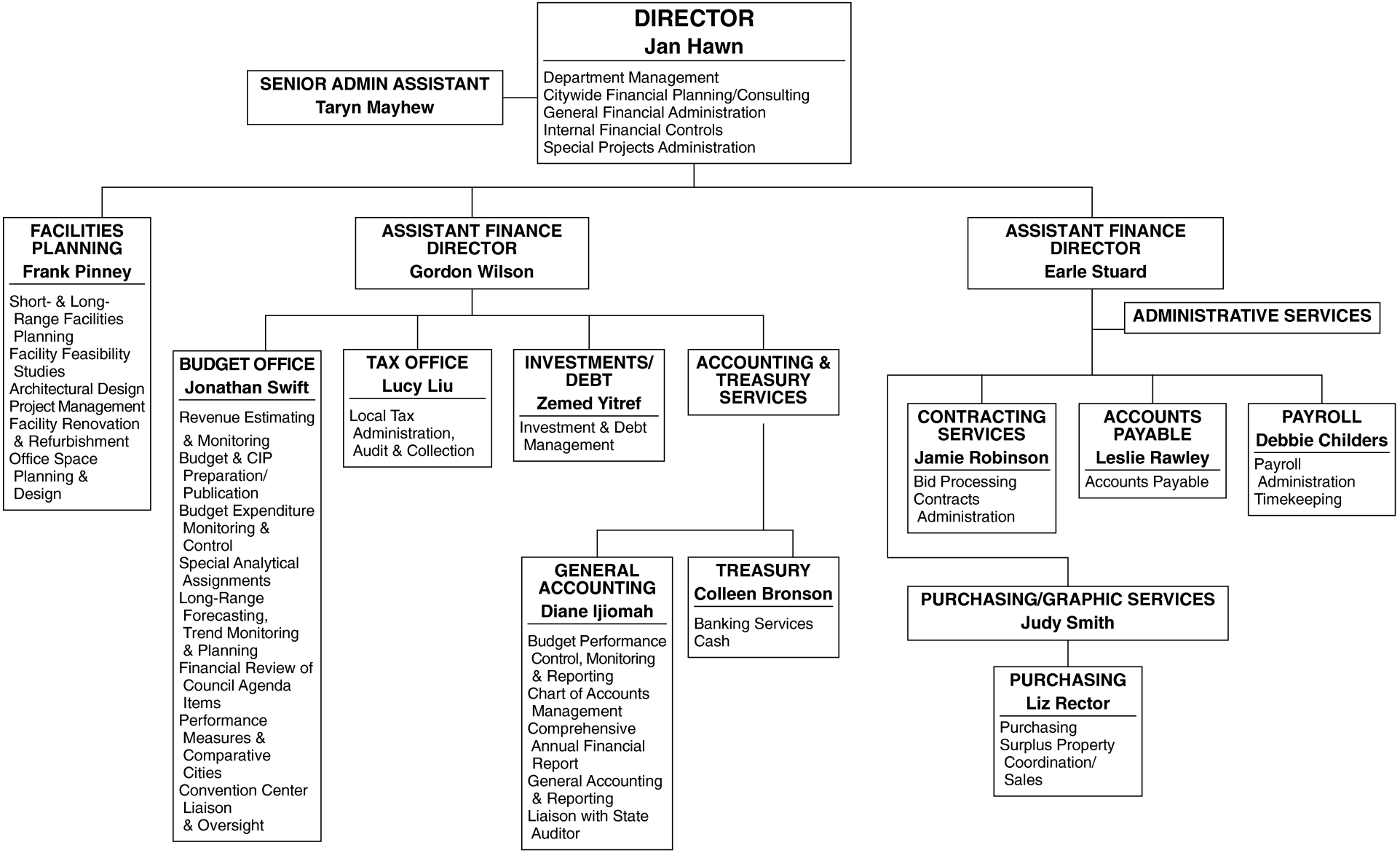

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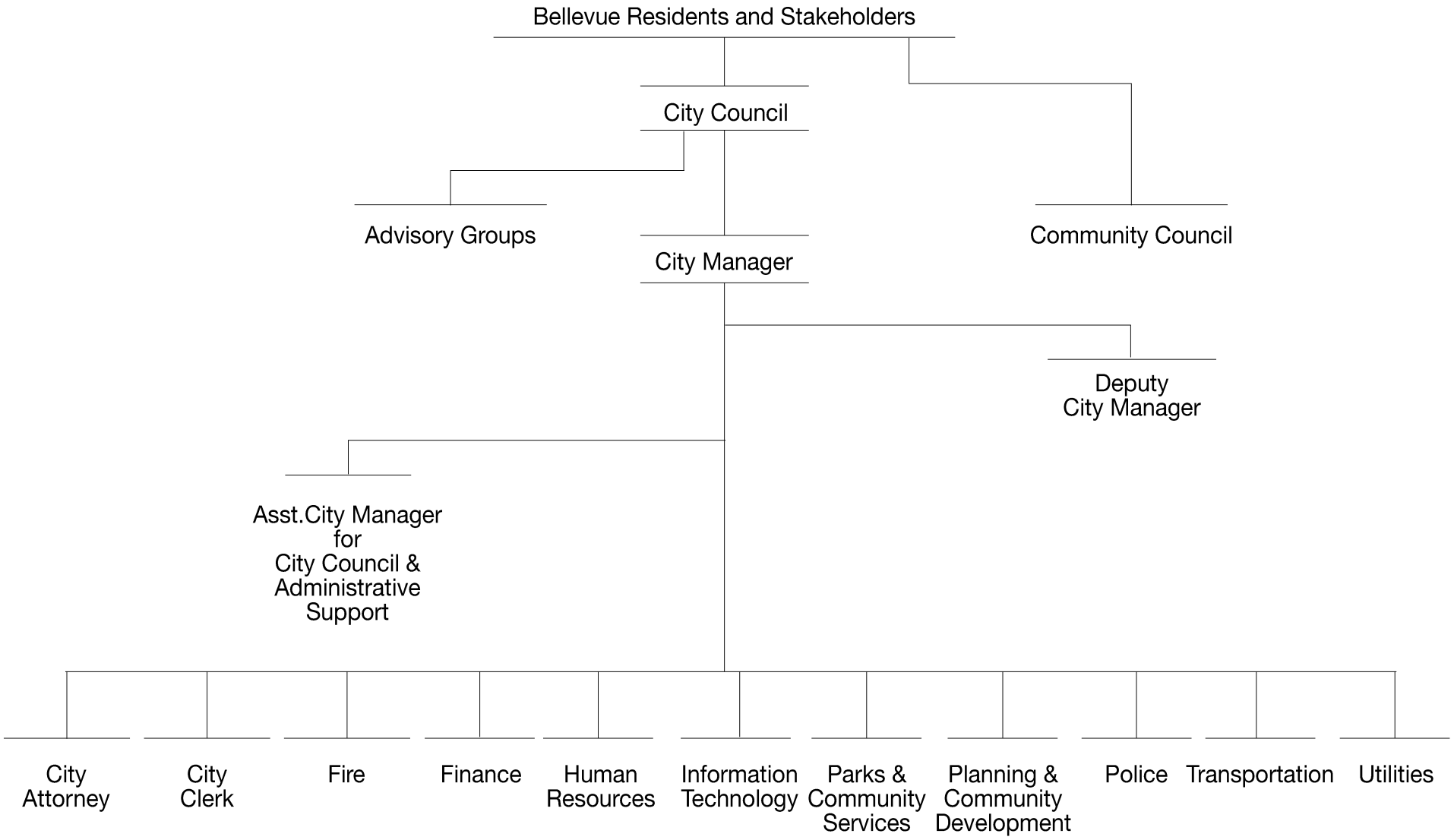
FIGURE 6-1
CITY OF BELLEVUE
HIERARCHICAL ORGANIZATION CHART



CITY OF BELLEVUE WASHINGTON

Washington State Auditor
Brian Sonntag

INDEPENDENT AUDITOR'S REPORT

June 12, 2006

The Honorable Mayor and City Council
City of Bellevue
Bellevue, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bellevue, King County, Washington, as of and for the year ended December 31 2005, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Bellevue, King County, Washington, as of December 31 2005, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund and LEOFF I Medical Reserve Fund, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages BF 1 through BF 12, the pension trust fund information on page BF 101 and the infrastructure modified approach information on page BF 102 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Insurance Building, PO Box 40021 • Olympia, Washington 98504-0021 • (360) 902-0370 • (866) 902-3900 • TDD Relay (800) 833-6388
FAX (360) 753-0646 • http://www.sao.wa.gov

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining financial statements and supplemental information on pages GF 1 through AF 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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, 2005. The purpose is to highlight significant financial issues, major financial activities and resulting changes in financial position, as well as 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 major initiative for 2005 has been the renovation of a new City Hall, which began with the purchase of a site and issuance of bonds in 2003 and 2004. As a result, several significant fluctuations, including:
    - A $76 million increase in capital assets and invested in capital assets net of related debt , currently in construction in progress
    - A $74 million decrease in net assets restricted for construction
    - An increase of $10 million in other liabilities for payments to contractors
    - Transfers from the new City Hall Bond Fund and the Operating Grants and Donations to cover construction costs accounted for $71 million of the reduction in governmental funds balances.
- As a result of an economic upswing, sales taxes rose by $5.1 million and REET by $3.3 million.
- The City received an $18.4 million donation of deeded land from King County for a 550 acre open space park.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The Statement of Net Assets presents information on all of the City's assets and liabilities; the difference between the two is reported as net assets. Evaluating increases or decreases in net assets over time can serve as a useful indicator of whether the financial position of the City is improving or declining.

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

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

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

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

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* (RSI) concerning the City's progress in maintaining its transportation infrastructure accounted for using the modified approach and the funding progress for the Firemen's Pension Trust fund.

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

Statistical Section. This section includes un-audited trend information and demographics.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets of the City as of December 31, 2005 and December 31, 2004 are summarized and analyzed below. In 2005, the City re-categorized some revenue and expense activity to better align reporting with the City's functions. To facilitate more meaningful discussion and analysis, values for 2004 have also been re-categorized for comparability. These re-categorizations did not result in the restatement of net assets or fund balance.

	Governmental Activities		Business Type Activities		Total	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**
Current and other assets	$162,607	$230,860	$62,252	$50,596	224,859	$281,456
Capital assets, net of accumulated depreciation	1,605,466	1,483,129	209,100	207,394	1,814,566	1,690,524
Total assets	1,768,073	1,713,989	271,352	257,990	2,039,425	1,971,980
Long-term liabilities	167,095	167,324	11,073	12,356	178,168	179,679
Other liabilities	26,086	16,384	3,571	1,161	29,657	17,545
Total liabilities	193,181	183,708	14,644	13,517	207,825	197,225
Net Assets:						
Invested in capital assets, net of related debt	1,454,592	1,331,493	199,195	196,128	1,653,787	1,527,621
Restricted	12,959	87,154	28,250	20,865	41,209	108,019
Unrestricted	107,341	111,635	29,262	27,482	136,603	139,117
Total net assets	$1,574,892	$1,530,282	$256,707	$244,475	$1,831,599	$1,774,757

Governmental activities. Total net assets for the City increased by $56.8 million, $44.6 million or 78% of this increase was the result of governmental activity. Of total net assets, $5 million is restricted for debt service and $7 million for construction, 92% is accounted for in Capital assets net of related debt. Unrestricted net assets of $107 million are available to meet ongoing obligations to citizens and creditors. The City's major initiative for 2005 has been the renovation of a new city hall, which began with the purchase of a site and issuance of bonds in 2003 and 2004. Several significant fluctuations were a result of this activity, including:

- A $76 million increase in capital assets and invested in capital assets net of related debt, currently in construction in progress.
- A $74 million decrease in net assets restricted for construction and a corresponding reduction of current assets.
- An increase of $10 million in other liabilities for payments to contractors.

The remaining increase in capital assets $18.4 million was parks land donations and construction in progress increases of $14 million for parks projects and $17 million for transportation projects.

Business-type activities. Business-type activities of the City's utilities and marina increased the City of Bellevue's net assets by $12.2 million in 2005, accounting for 21 percent of the total growth in the government's net assets. Of total net assets, $27.1 million is restricted for utility capital projects.

Changes in net assets

The table beginning on the following page provides condensed information on revenues, expenses and changes in net assets with governmental and business-type activities shown separately.

Governmental activities contributed $44.6 million of the total increase in net assets of million in 2005, thereby accounting for 78 percent of the total increase in net assets. The increase in net assets in 2005 was higher than the increase in net assets in 2004 by $17.6 million. Key elements of this change are:

- Retail sales and use tax revenues increased by $5.1 million due primarily to the improving retail, construction, and wholesale business sectors. Real estate excise tax revenues increased by $3.3 million due to the strength in the real estate market and significant property transactions that occurred in 2005.

- Operating grants and contributions increased by $1.5 million, primarily in public safety due to new Homeland Security grants for the Fire Department mass casualty unit and public safety wireless implementation and support plan .

- Capital grants and contributions increased by $14.8 million in 2005 primarily as a result of an $18.4 million donation of deeded land from King County to the culture and recreation program for a new 550 acre open space park.

- Miscellaneous revenues increased by $3.3 million in 2005 due to the sale of multiple land parcels including the Taste of Tokyo property to the Overlake Hospital for $2.0 million.

- Charges for services increased $2.3 for 2005 primarily in the public safety program. These charges increased $1.9 million due to increased charges for Emergency Medical Services. The City charges King County Public Health for these services.

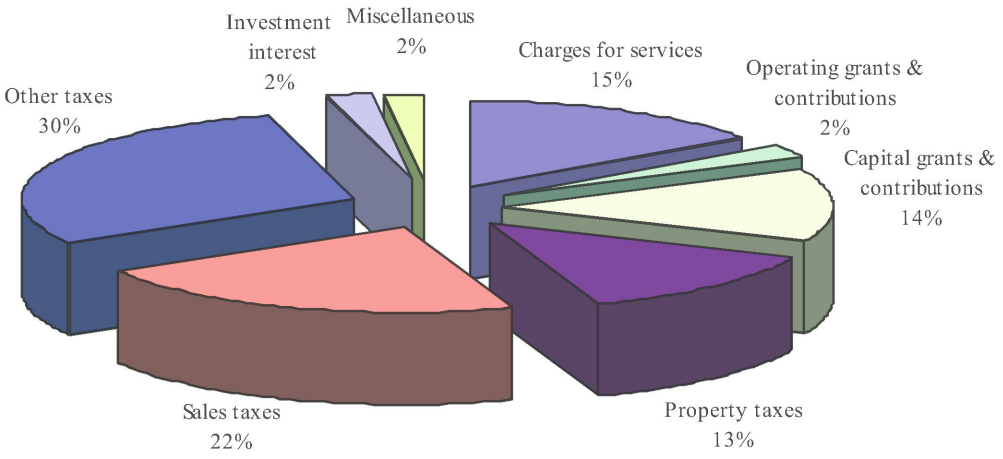
- City expenses increased by a net amount of $15.6 million overall, or 10.5 percent. The majority of the increase, $4.5 million was attributable to salaries and benefits in the Public Safety program. Culture and recreation expenses increased by 3.4 million due to an increase in depreciation expenses. General Government expenses increased by $2.4 million due to purchasing office furniture for the new city hall. Transportation expenses increased by $2.3 million due to street maintenance, overlays and bridge inventory and maintenance.

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	$31,927	$29,627	$69,985	$64,968	$ 101,912	$ 94,596
Operating grants &	5,101	3,579	-	-	5,101	3,579
Capital grants & contributions	29,266	14,391	3,649	3,008	32,915	17,399
General revenues:						
Property taxes	27,062	27,443	-	-	27,062	27,443
Sales taxes	45,300	40,218	-	-	45,300	40,218
Other taxes	61,837	55,310	-	-	61,837	55,310
Investment interest	4,147	4,159	1,211	564	5,359	4,723
Miscellaneous	4,284	972	647	3,366	4,931	4,338
Total revenues	208,924	175,700	75,492	71,908	284,416	247,608

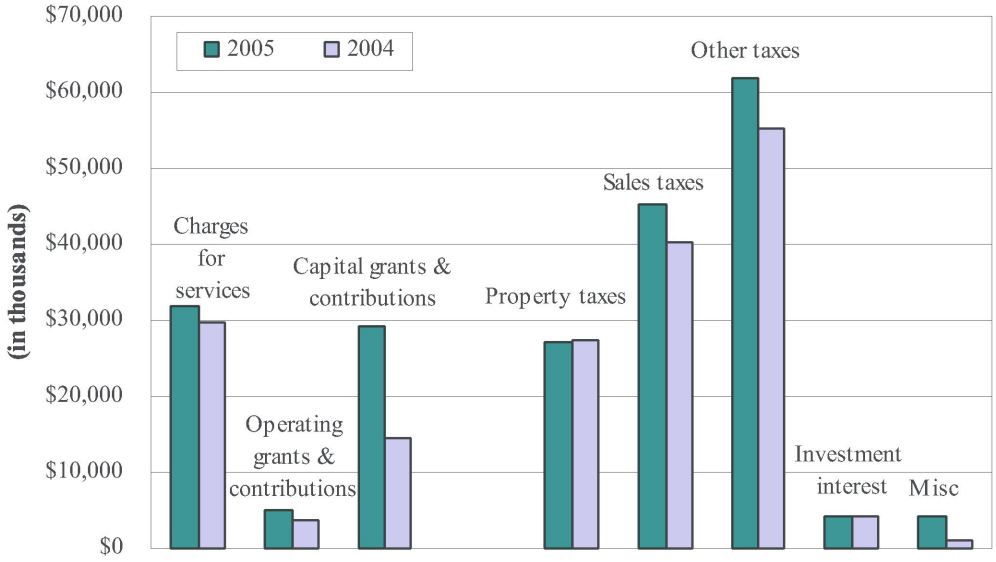
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Expenses:						
General government	$15,900	$13,438	-	-	$15,900	$13,438
Judicial	430	509	-	-	430	509
Public safety	64,269	59,685	-	-	64,269	59,685
Physical environment	1,851	1,141	-	-	1,851	1,141
Transportation	27,480	25,140	-	-	27,480	25,140
Economic environment	14,875	14,881	-	-	14,875	14,881
Health and human services	5,320	3,735	-	-	5,320	3,735
Culture and recreation	27,826	24,396	-	-	27,826	24,396
Unallocated interest on long-term debt	7,034	6,404	-	-	7,034	6,404
Water	-	-	25,928	23,318	25,928	23,318
Sewer	-	-	27,925	26,034	27,925	26,034
Storm Drainage	-	-	8,326	8,924	8,326	8,924
Marina	-	-	406	310	406	310
Total Expenses	164,985	149,328	62,586	58,587	227,571	207,915
Increase in net assets before transfers and special items	43,939	26,372	12,906	13,321	56,845	39,693
Transfers	672	580	(672)	(580)	-	-
Special item	-	-	-	-	-	-
Increase in net assets	44,610	26,952	12,235	12,741	56,845	39,693
Net assets - beginning	1,530,282	1,601,038	244,475	231,732	1,774,757	1,832,770
Prior period adjustment	-	(97,709)	-	-	-	(97,709)
Net assets - ending	$1,574,892	$1,530,281	$256,710	$244,473	$1,831,602	$1,774,754

The following charts illustrate the major revenue sources as percentages of total revenues for governmental funds and in comparison from 2004 to 2005.

Governmental Activities - Revenues

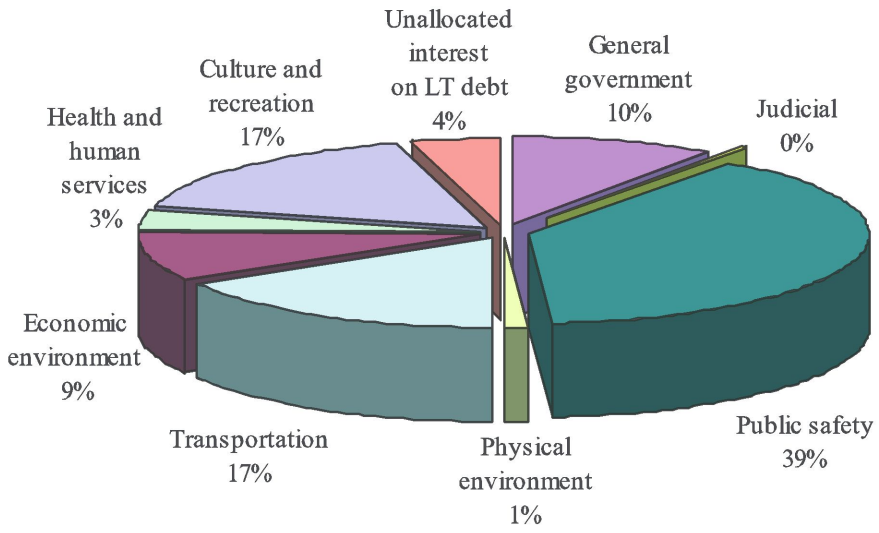


Governmental Activites Revenue Comparison

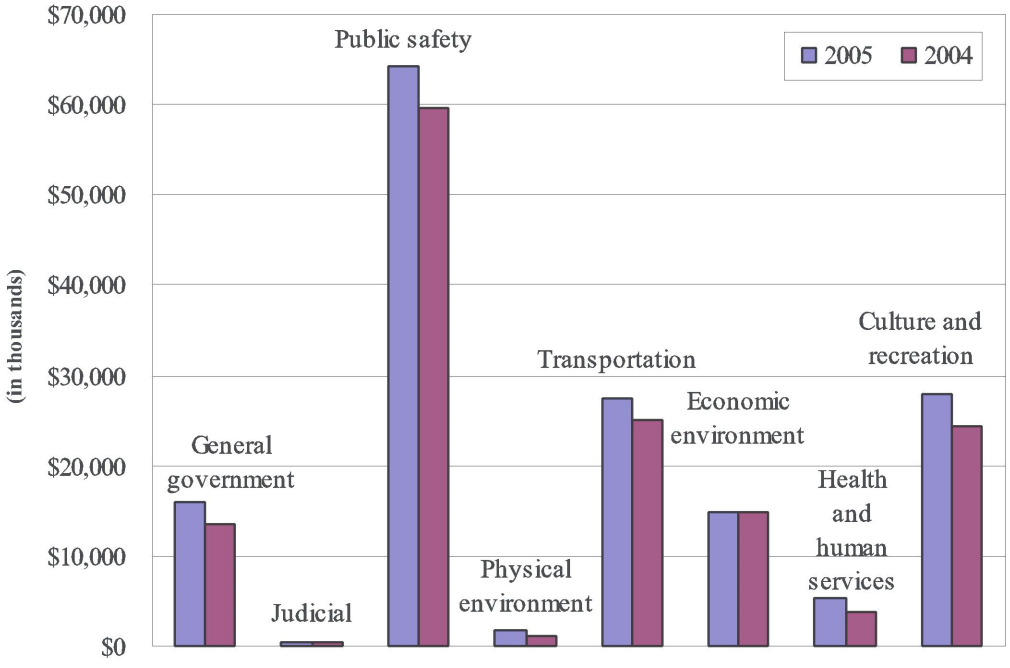


Expenses for governmental activities are shown in the following charts by function, both as a percentage of total expenses and as compared to 2004.

Governmental Activities - Expenses



Comparison of Governmental Activities Expenses



Business-type activities of the City's utilities and marina increased the City of Bellevue's net assets by $12.2 million in 2005, accounting for 21 percent of the total growth in the government's net assets. However, the increase in net assets in 2005 was lower than the increase in net assets in 2004 by $0.5 million. Key elements of this change are:

- Charges for services increased by $5.0 million overall, of which $3.5 million was related to revenues of the Sewer utility and $1.0 million related to revenues of the Storm utility.
    - Increased revenues in the Sewer utility were chiefly a result of a 12% rate increase effective January 1, 2005.
    - The Storm Drainage utility's charges for services increased by $1.0 million, primarily on account of a 9.4% rate increase in 2005.
    - The modest increase of $0.5 million in the Water utility's charges for services was the result of a conservation campaign in anticipation of a water shortage in 2005. Consumption in centimeters per cubic foot went down 6% from 7,242 in 2004 to 6,814 in 2005.

- Expenses increased $4.0 million overall, of which $2.6 million was related to revenues of the Water utility and $1.9 million related to revenues of the Sewer utility.
    - Increased expenses in the Water utility are largely due to a $1.8 million increase in payments to Cascade Water Alliance for capital facility charges.
    - For the Sewer utility, the increase in expenses was principally due to a significant increase in wholesale sewage rates.
    - The decrease in expenses in the Storm Drainage utility of $0.6 million are attributable to attorney's fees and dredging costs associated with a lawsuit settlement in 2004.

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, unreserved fund balance is a good indicator of the City's resources available for spending at the end of the year.

At the end of 2005, fund balance for the general fund rose $3 million to $17.1 million. Contributing factors (as stated earlier) included a $5.1 million increase in retail sales and use tax revenues and $2.2 million in intergovernmental revenues. Offsetting these increased revenues were a $3 million increase in labor and benefits costs in public safety and $1 million in transportation due to street maintenance, overlays and bridge inventory and maintenance.

The operating grants & donations fund ending fund balance was $7.6 million, a decrease of $4 million resulting from the transfer of payment amounts set aside in earlier years for debt payments on the new city building for the 2005 debt.

The 2005 City Hall Bond Fund accounts for the proceeds of the 2005 limited tax general obligation bond issue for financing the renovation of the new City Hall building. Interfund transfers of $67.7 million, offset by interest earnings, used to cover the construction costs incurred during the year, resulted in a net ending fund balance decrease of $66.9 million to $7.1 million.

The general capital investment program fund ending fund balance was $1.5 million, reflecting a net decrease of $8.9 million from 2004. The following significant activity contributed to this decrease:

- A stronger market led to an increase of $3.1 million in real estate excise taxes.
- Heightened efforts by the City in pursuit of grant awards led to an increase in intergovernmental revenue increased $1.7 million for projects across the city's departments.
- Line of credit borrowing to meet short term cash flow needs increased by $2.9 million to $6.7 million.

- New City Hall construction costs, reflected in the capital outlay expense in general government of $75.3 in 2005 were mostly offset by transfers of $4 million from the operating grants and donations fund and $67.7 million from the City Hall Bond Fund.
- Current expenditures rose for general government by $2.1 million due to purchasing office furniture for the new City Hall, public safety and transportation rose by $2.8 million and $1.5 million respectively, due to increased payroll related expenditures.
- Principal payments in 2004 were significantly higher than normal due to the payoff of a $29 million BAN for new City Hall.
- Other than new City Hall, capital outlay expenditures for the city saw increases in public safety by $2 million for crime lab improvements, and culture and recreation by $6.3 million for the construction of a new community center and park, but decreased for transportation by $3.4 million as construction of major interstate overpass additions were completed in 2004.

BUDGETARY HIGHLIGHTS

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

The supplemental increase of $2.5 million between the original budget for fiscal year 2005 and the final budget are explained as follows:

Revenues changed in the following categories:

Intergovernmental $2,216,000

Franchise Fees $244,000

Miscellaneous $73,000

Expenditure changes occurred as follows:

- The budget for personnel increased by $143,000 due to backfill hiring of a police officer and administrative support for the eCityGov Alliance. The police officer was hired due to one officer on loan to the state and the state funding the loaned officer's personnel costs. The additional costs associated with the administrative support work is reimbursed to the city by the Alliance.
- Road construction budget was increased by $2,146,000 due to an increase in Federal Highway funds.
- Over collection of Cable Franchise Fees of $244,000 were transferred to the General Fund and included in the ending fund balance.

A comparison of the actual performance of the general fund on a budgetary basis to the final budget indicates that total revenues came in at budget while expenditures were $3 million below budget due to expenditure control measures across all departments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The City of Bellevue's investment in capital assets for the end of 2005, was $1,814 billion, net of depreciation, which is an increase of $124 million from the previous year. The following table shows the increases by category for governmental activities, business activities, and the City as a whole.

CAPITAL ASSETS (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	$675,687	$652,430	$20,281	$20,281	$695,969	$672,711
Buildings	62,323	48,540	19,873	20,641	82,196	69,180
Improvements other than	21,370	18,389	7	7	21,377	18,396
Machinery and equipment	19,862	20,188	2,146	2,497	22,007	22,685
Infrastructure	671,853	623,205	157,299	156,443	829,153	779,648
Intangible assets	2,081	2,012	115	159	2,196	2,171
Construction in progress	152,289	118,367	9,379	7,366	161,668	125,733
Total	$1,605,466	$1,483,130	$209,101	$207,394	$1,814,566	$1,690,525

Governmental Activities. Capital assets from governmental activities increased $122.3 million. New City Hall contributed $75.3 million to this increase, currently under construction in progress. Construction completed on two parks projects: South Bellevue Community Center and Lewis Creek, moving $21 million out of construction in progress to land, buildings and improvements other than buildings. In addition, a couple of major transportation projects completed shifting $57 million from construction in progress to infrastructure. Some of these major projects were the Lakemont Blvd. extension for $20 million and NE 29th place extension for $11.8 million. These two projects constructed new three lane roadways in the eastern section of the City. The City received an $18.4 million donation of deeded land from the County for a 550 acre open space park. Construction projects in Parks contributed another $14 million to construction in progress. Transportation projects under way added $17 million to construction in progress.

Business-type Activities. Business-type capital activities assets saw little fluctuation with slight increases in construction in progress and infrastructure offset by depreciation in other areas. The City is cycling through, over many years, the replacement of it's infrastructure to stabilize costs over the long run.

For more detailed information about the City's capital assets please refer to the notes to the financial statements.

DEBT OUTSTANDING:

At year-end, the City had $160.8 million in debt outstanding compared to $162.9 million last year. Except for a draw from a line of credit, no new debt was issued in 2005. $5.3 million of the debt outstanding at December 31, 2005 is due within one year.

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	$127,198	$129,853	$4,025	$4,095	$131,223	$133,948
Special assessment debt	3,481	4,404	-	-	3,481	4,404
Revenue bonds	-	-	5,025	6,161	5,025	6,161
Bond anticipation notes	-	-	-	-	-	-
Line of credit	18,218	13,818	-	-	18,218	13,818
Installment and public works	1,976	3,563	853	1,009	2,829	4,572
Capital leases	-	-	-	-	-	-
Total	$150,873	$151,638	$9,903	$11,265	$160,776	$162,903

Governmental Activities. The City drew $6.7 million in 2005 from the line of credit of $35.0 million. This line of credit will finance projects included in the City's Capital Investment Program and will be repaid from future revenues generated by the completed projects.

Business-type Activities. Business-type activities did not issue any new debt. During the fiscal year all scheduled debt service payments were met. Principal reductions amounted to $1.5 million.

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 2005 was $23.9 billion and the total amount of debt the City may issue is $1.7 billion. Remaining debt capacity is as follows:

General debt	$ 0.359	billion
Open space/parks facilities	0.598	billion
Utilities	0.598	billion
Total	$ 1.555	billion

Additional information on the City of Bellevue's long-term debt can be found in Note 14 and in the Statistical Section of this report.

BOND RATINGS

The City of Bellevue maintains a Aaa rating from Moody's for its voter approved general obligation debt, a Aa1 rating for its councilmanic general obligation debt, and a Aa2 rating for its revenue bonds. Standard and Poor's have rated the City's general obligation debt as AA+ and its revenue bonds as AA-.

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

Key factors that affect the economic climate in Bellevue are being considered when preparing the City's 2007-2008 biennial budget. The outlook for the nation, state and region will be weighed in relation to its expected impact on Bellevue. The character of the City, including its current and future business activity and its attraction as a place to live, was evaluated. Current financial position and the ability of the City to thrive under its adopted fiscal policies were also given due consideration. Based on the budget analysis, Bellevue's future is promising amid some impending challenges.

The national and regional economy continued to improve throughout 2005. Nationally, the unemployment rate dropped to 4.9%, matching its lowest level since November 2000. Regionally, unemployment declined to 4.7% in 2005 compared to 5.1% at the end of 2004. The Puget Sound regional economy is expected to continue to grow through 2007, with employment increasing by 2.7% in 2006 and 2.4% in 2007.

Office vacancy rates in Bellevue's Central Business District fell to just over 9% at the end of 2005. With the economy continuing to improve and employment expected to increase, vacancy rates are projected to continue to decline in 2006. Lincoln Square, a multi-use project which includes a 330 room hotel, 150 luxury condominiums, and 400,000 square feet of retail opened in 2005. A variety of other office and mixed use projects are currently under construction or are in the permitting process.

Bellevue's retail sales and business and occupation (B&O) tax collections reflect an improving economy. Sales tax collections increased 11% over 2004 and B&O tax collections rose by 9%. Growth areas were primarily in the construction, retail, services and wholesaling.

During the 2005-2006 Budget process, the City instituted an 0.5 percent increase in electric, natural gas, water, sewer and storm drainage utility taxes to compensate for expected expenditure growth associated with health care, workers' compensation and pension costs.

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 Assets
December 31, 2005
(in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Bellevue Convention Center Authority
Assets:				
Cash & equity in pooled investments	$ 114,719	$ 24,004	$ 138,723	$ 1,643
Receivables (net of allowances for uncollectibles):				
Taxes	22,585	-	22,585	-
Accounts	1,503	8,704	10,207	367
Assessments	4,866	460	5,326	-
Interest	950	386	1,336	17
Other	2,539	46	2,585	505
Internal balances	221	(221)	-	-
Inventory	319	208	527	305
Prepaid expenses	501	-	501	148
Restricted cash & equity in pooled investments:				
For debt service	3,303	1,168	4,471	714
For customer deposits	-	145	145	-
For capital projects	-	27,083	27,083	187
Deferred charges	250	80	330	666
Noncurrent receivables	10,851	187	11,038	-
Capital assets:				
Land	675,684	20,281	695,965	-
Depreciable capital assets (net)	105,638	15,748	121,386	33,754
Depreciable infrastructure (net)	45,201	163,692	208,893	-
Nondepreciable infrastructure	626,654	-	626,654	-
Construction in progress	152,289	9,379	161,668	2,908
Total assets	1,768,073	271,350	2,039,423	41,214

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

Statement of Net Assets
December 31, 2005
(in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Bellevue Convention Center Authority
Liabilities:				
Accounts payable	17,591	2,765	20,356	217
Retainage payable	248	-	248	-
Accrued interest payable	5	9	14	1,330
Accrued payroll	4,213	482	4,695	177
Other accrued liabilities	442	112	554	134
Deposits payable	544	145	689	-
Unearned revenue	2,329	-	2,329	486
Accrued bond interest payable	714	58	772	30,562
Noncurrent liabilities:				
Due within one year	9,374	1,972	11,346	866
Due in more than one year	157,721	9,101	166,822	21,022
Total liabilities	193,181	14,644	207,825	54,794
Net assets:				
Invested in capital asset net of related debt	1,454,592	199,195	1,653,787	14,851
Restricted for:				
Debt service	5,103	1,168	6,271	1,371
Capital projects	7,165	27,083	34,248	177
Pension	691	-	691	-
Unrestricted (deficit)	107,341	29,262	136,601	(29,979)
Total net assets	$ 1,574,892	$ 256,708	$ 1,831,598	$ (13,580)

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

Statement of Activities
For the fiscal year ended December 31, 2005
(in thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants & Contributions**	**Capital Grants & Contributions**
Primary government:				
Government activities:				
General government	$ 15,900	$ 794	$ 124	$ 669
Judicial	430	330	-	-
Public safety	64,269	14,118	2,095	956
Physical environment	1,852	975	479	-
Transportation	27,480	812	1,296	6,785
Economic environment	14,875	9,912	-	-
Health and human services	5,320	46	1,069	-
Culture and recreation	27,826	4,940	37	20,856
Interest on long-term debt	7,034	-	-	-
Total governmental activities	164,986	31,927	5,100	29,266
Business-type activities:				
Water utility	25,928	28,497	-	1,698
Sewer utility	27,925	30,085	-	1,313
Storm drainage utility	8,327	10,947	-	638
Marina	406	457	-	-
Total business-type activities	62,586	69,986	-	3,649
Total primary government	$ 227,572	$ 101,913	$ 5,100	$ 32,915
Component unit:				
Bellevue Convention Center Authority	12,167	9,530	-	9
Total component unit	$ 12,167	$ 9,530	$ -	$ 9

General revenues:
- Property tax
- Retail sales and use tax
- Utility tax
- Business and occupation tax
- Excise taxes
- Hotel/Motel tax
- Other taxes
- Payments from Component Unit / City
- Grants & contributions - unrestricted
- Unrestricted investment interest
- Gain (loss) in change of fair value
- Miscellaneous
- Gain on sale of capital assets

Transfers
- Total general revenues and transfers
  - Change in net assets

Net assets at beginning of year
Net assets at end of year

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

Statement of Activities
For the fiscal year ended December 31, 2005
(in thousands)

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Bellevue Convention Center Authority
$ (14,313)	$ -	$ (14,313)	$ -
(100)	-	(100)	-
(47,100)	-	(47,100)	-
(398)	-	(398)	-
(18,587)	-	(18,587)	-
(4,963)	-	(4,963)	-
(4,205)	-	(4,205)	-
(1,993)	-	(1,993)	-
(7,034)	-	(7,034)	-
(98,693)	-	(98,693)	-
-	4,267	4,267	-
-	3,473	3,473	-
-	3,258	3,258	-
-	51	51	-
-	11,049	11,049	-
$ (98,693)	$ 11,049	$ (87,644)	$ -
-	-	-	(2,628)
$ -	$ -	$ -	$ (2,628)
27,062	-	27,062	-
45,300	-	45,300	-
19,333	-	19,333	-
24,322	-	24,322	-
13,620	-	13,620	-
4,299	-	4,299	-
261	-	261	-
23	-	23	-
1,357	-	1,357	-
4,147	1,211	5,358	91
285	95	380	-
1,201	552	1,753	-
1,418	-	1,418	-
672	(672)	-	-
143,300	1,186	144,486	91
44,607	12,235	56,842	(2,537)
1,530,282	244,473	1,774,755	(11,044)
$ 1,574,889	$ 256,708	$ 1,831,597	$ (13,581)

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

Balance Sheet
Governmental Funds
As of December 31, 2005
(in thousands)

	General Fund	LEOFF I Reserve	Operating Grants & Donations
Assets:			
Current assets:			
Cash & equity in pooled investments	$ 7,061	$ 17,108	$ 7,704
Receivables (net of allowances):			
Taxes	14,266	-	5
Accounts	44	-	7
Current assessments	-	-	-
Interest & penalties on assessments	-	-	-
Interest	18	129	74
Interfund loans - current portion	-	-	-
Due from other funds	777	-	3
Due from other governments	1,401	-	220
Prepaid Expenses	1	-	-
Total current assets	23,568	17,237	8,013
Deferred charges and other assets:			
Interfund loans receivable - noncurrent portion	-	-	-
Notes/contracts receivable - noncurrent portion	-	-	740
Housing rehabilitation loans receivable	-	-	1,926
Other deferred charges	-	-	-
Total deferred charges and other assets	-	-	2,666
Total assets	23,568	17,237	10,679
Liabilities:			
Current liabilities:			
Accounts payable	756	-	36
Retainage payable	248	-	-
Interfund loans	-	-	-
Due to other funds	543	-	26
Due to other governments	87	-	198
Accrued payroll	3,336	-	18
Accrued taxes	13	-	-
Deposits payable	236	-	77
Other current liabilities	7	-	-
Total current liabilities	5,226	-	355
Noncurrent liabilities:			
Deferred revenues	1,169	-	2,666
Interfund loans payable - noncurrent portion	-	-	-
Total noncurrent liabilities	1,169	-	2,666
Total liabilities	6,395	-	3,021
Fund balance:			
Reserved for:			
Debt Service	-	-	-
Capital Projects	-	-	-
Unreserved, reported in:			
General Fund	17,173	-	-
Special Revenue	-	17,237	7,658
Capital Projects	-	-	-
Total fund balance	17,173	17,237	7,658
Total liabilities and fund balance	$ 23,568	$ 17,237	$ 10,679

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

Balance Sheet
Governmental Funds
As of December 31, 2005
(in thousands)

	Housing	LID Control	2004 City Hall Bond Fund
Assets:			
Current assets:			
Cash & equity in pooled investments	$ 2,814	$ 632	$ 14,213
Receivables (net of allowances):			
Taxes	17	-	-
Accounts	-	-	-
Current assessments	-	4,772	-
Interest & penalties on assessments	-	94	-
Interest	39	4	160
Interfund loans - current portion	-	-	-
Due from other funds	-	-	-
Due from other governments	165	-	-
Prepaid Expenses	-	-	-
Total current assets	3,035	5,502	14,373
Deferred charges and other assets:			
Interfund loans receivable - noncurrent portion	-	-	-
Notes/contracts receivable - noncurrent portion	7,409	-	-
Housing rehabilitation loans receivable	-	-	-
Other deferred charges	-	-	-
Total deferred charges and other assets	7,409	-	-
Total assets	10,444	5,502	14,373
Liabilities:			
Current liabilities:			
Accounts payable	-	2	-
Retainage payable	-	-	-
Interfund loans	-	-	-
Due to other funds	-	-	7,200
Due to other governments	25	-	-
Accrued payroll	7	-	-
Accrued taxes	-	-	-
Deposits payable	-	-	-
Other current liabilities	-	-	-
Total current liabilities	32	2	7,200
Noncurrent liabilities:			
Deferred revenues	7,409	4,734	-
Interfund loans payable - noncurrent portion	-	-	-
Total noncurrent liabilities	7,409	4,734	-
Total liabilities	7,441	4,736	7,200
Fund balance:			
Reserved for:			
Debt Service	-	766	-
Capital Projects	-	-	7,173
Unreserved, reported in:			
General Fund	-	-	-
Special Revenue	3,003	-	-
Capital Projects	-	-	-
Total fund balance	3,003	766	7,173
Total liabilities and fund balance	$ 10,444	$ 5,502	$ 14,373

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

Balance Sheet
Governmental Funds
As of December 31, 2005
(in thousands)

	General CIP	Other Governmental Funds	Total Governmental Funds
Assets:			
Current assets:			
Cash & equity in pooled investments	$ 405	$ 30,051	$ 79,988
Receivables (net of allowances):			
Taxes	7,418	331	22,037
Accounts	1,234	195	1,480
Current assessments	-	-	4,772
Interest & penalties on assessments	-	-	94
Interest	10	220	654
Interfund loans - current portion	55	-	55
Due from other funds	7,200	462	8,442
Due from other governments	723	13	2,522
Prepaid Expenses	500	-	501
Total current assets	17,545	31,272	120,545
Deferred charges and other assets:			
Interfund loans receivable - noncurrent portion	611	-	611
Notes/contracts receivable - noncurrent portion	-	84	8,233
Housing rehabilitation loans receivable	-	-	1,926
Other deferred charges	-	250	250
Total deferred charges and other assets	611	334	11,020
Total assets	18,156	31,606	131,565
Liabilities:			
Current liabilities:			
Accounts payable	16,052	125	16,971
Retainage payable	-	-	248
Interfund loans	-	55	55
Due to other funds	6	552	8,327
Due to other governments	90	17	417
Accrued payroll	13	472	3,846
Accrued taxes	-	-	13
Deposits payable	-	227	540
Other current liabilities	-	-	7
Total current liabilities	16,161	1,448	30,424
Noncurrent liabilities:			
Deferred revenues	446	709	17,133
Interfund loans payable - noncurrent portion	-	611	611
Total noncurrent liabilities	446	1,320	17,744
Total liabilities	16,607	2,768	48,168
Fund balance:			
Reserved for:			
Debt Service	-	4,335	5,101
Capital Projects	-	-	7,173
Unreserved, reported in:			
General Fund	-	-	17,173
Special Revenue	-	24,503	52,401
Capital Projects	1,549	-	1,549
Total fund balance	1,549	28,838	83,397
Total liabilities and fund balance	$ 18,156	$ 31,606	$ 131,565

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

Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
December 31, 2005
(in thousands)

Total governmental fund balances		$	83,397
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			1,586,742
These assets consist of:			
Land	675,688		
Non-depreciable infrastructure	626,653		
Construction in progress	152,289		
Buildings	78,638		
Improvements other than buildings	35,918		
Machinery and equipment - general government	13,740		
Intangible assets	2,687		
Depreciable infrastructure	98,058		
Less: accumulated depreciation	(96,929)		
Net pension obligation paid in over required			691
Long term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.			(145,574)
These long-term liabilities consist of:			
Bonds and notes payable	(150,877)		
Accrued bond interest	(714)		
Compensated absences	(9,330)		
Deferred revenue	15,352		
Other accrued interest payable	(5)		
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 assets.			49,636
Net assets of governmental activities		$	1,574,892

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Twelve Months Ending December 31, 2005
(in thousands)

	General Fund	LEOFF I Reserve	Operating Grants & Donations
Revenues:			
Taxes and special assessments	$ 93,878	$ -	$ 500
Licenses and permits	308	-	-
Intergovernmental	16,222	61	2,646
Service charges and fees	10,314	-	6
Fines and forfeitures	290	-	-
Interest and assessment interest/penalties	305	466	257
Net change in fair value of investments	22	38	22
Rent	715	-	-
Judgments and settlements	-	-	-
Premiums/contributions	18	-	275
Other	48	-	409
Total revenues	122,120	565	4,115
Expenditures:			
Current:			
General government	14,500	-	88
Public safety	59,201	1,106	892
Physical environment	21	-	111
Transportation	19,261	-	-
Economic environment	101	-	1
Health and human services	2,845	-	1,085
Culture and recreation	18,224	-	251
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay:			
General government	-	-	-
Public safety	73	-	203
Transportation	-	-	-
Economic environment	-	-	-
Culture and recreation	23	-	-
Total expenditures	114,249	1,106	2,631
Excess (deficiency) of revenues over (under) expenditures	7,871	(541)	1,484
Other financing sources (uses):			
Transfers in	1,666	86	-
Transfers out	(6,961)	-	(5,481)
Sale of capital assets	-	-	-
Long-term debt issued	-	-	-
Total other financing sources and uses	(5,295)	86	(5,481)
Net change in fund balance	2,576	(455)	(3,997)
Fund balance at beginning of year	14,597	17,692	11,653
Fund balance at end of year	$ 17,173	$ 17,237	$ 7,656

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Twelve Months Ending December 31, 2005
(in thousands)

	Housing	LID Control	2004 City Hall Bond Fund
Revenues:			
Taxes and special assessments	$ 100	$ 831	$ -
Licenses and permits	-	-	-
Intergovernmental	227	-	-
Service charges and fees	-	-	-
Fines and forfeitures	-	-	-
Interest and assessment interest/penalties	133	414	749
Net change in fair value of investments	6	1	54
Rent	-	-	-
Judgments and settlements	-	-	-
Premiums/contributions	-	-	-
Other	696	-	-
Total revenues	1,162	1,246	803
Expenditures:			
Current:			
General government	-	-	-
Public safety	-	-	-
Physical environment	-	-	-
Transportation	-	14	-
Economic environment	228	-	-
Health and human services	712	-	-
Culture and recreation	-	-	-
Debt service:			
Principal	-	923	-
Interest and fiscal charges	-	293	-
Capital outlay:			
General government	-	-	-
Public safety	-	-	-
Transportation	-	-	-
Economic environment	-	-	-
Culture and recreation	-	-	-
Total expenditures	940	1,230	-
Excess (deficiency) of revenues over (under) expenditures	222	16	803
Other financing sources (uses):			
Transfers in	312	-	-
Transfers out	-	-	(67,719)
Sale of capital assets	-	-	-
Long-term debt issued	-	-	-
Total other financing sources and uses	312	-	(67,719)
Net change in fund balance	534	16	(66,916)
Fund balance at beginning of year	2,470	750	74,089
Fund balance at end of year	$ 3,004	$ 766	$ 7,173

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Twelve Months Ending December 31, 2005
(in thousands)

	General CIP	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes and special assessments	$ 31,448	$ 7,612	$ 134,369
Licenses and permits	-	4,131	4,439
Intergovernmental	9,057	-	28,213
Service charges and fees	332	9,063	19,715
Fines and forfeitures	-	39	329
Interest and assessment interest/penalties	86	703	3,113
Net change in fair value of investments	1	55	199
Rent	100	1,470	2,285
Judgments and settlements	534	-	534
Premiums/contributions	986	167	1,446
Other	37	12	1,202
Total revenues	42,581	23,252	195,844
Expenditures:			
Current:			
General government	6,229	3,394	24,211
Public safety	95	-	61,294
Physical environment	-	1,304	1,436
Transportation	5,454	157	24,886
Economic environment	17	14,901	15,248
Health and human services	-	290	4,932
Culture and recreation	2,498	3,756	24,729
Debt service:			
Principal	925	5,615	7,463
Interest and fiscal charges	82	6,761	7,136
Capital outlay:			
General government	78,394	-	78,394
Public safety	2,368	-	2,644
Transportation	17,638	-	17,638
Economic environment	-	118	118
Culture and recreation	13,875	-	13,898
Total expenditures	127,575	36,296	284,027
Excess (deficiency) of revenues over (under) expenditures	(84,994)	(13,044)	(88,183)
Other financing sources (uses):			
Transfers in	71,831	15,183	89,078
Transfers out	(3,551)	(4,341)	(88,053)
Sale of capital assets	1,131	2,218	3,349
Long-term debt issued	6,700	-	6,700
Total other financing sources and uses	76,111	13,060	11,074
Net change in fund balance	(8,883)	16	(77,109)
Fund balance at beginning of year	10,434	28,826	160,511
Fund balance at end of year	$ 1,551	$ 28,842	$ 83,402

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

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the fiscal year ended December 31, 2005
(in thousands)

Net change in fund balances - total governmental funds		$ (77,109)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful life as depreciation expense. This is the difference between capital outlays and adjustments in the current period.		103,310
This is comprised of:		
Capital outlays	112,692	
Current year depreciation	(9,382)	
In the statement of activities, only the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset net of depreciation.		(1,916)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		19,169
This is comprised of:		
Donated land for parks	19,203	
Donated equipment for public safety	76	
Deferred tax and assessment revenues	(175)	
Deferred grants and contracts revenues	65	
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt is an expenditure in the governmental funds, yet, the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.		721
This amount is comprised of:		
Proceeds from issuance of limited obligation bonds	(6,700)	
Long-term debt repayments	7,421	
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.		(30)
This amount is comprised of:		
Accrued interest expense	80	
Accrued compensating absence expense	(110)	
Capital assets contributed from governmental funds to internal service funds are treated as a non-operating revenue in the internal service funds and do not provide current financial resources in governmental funds.		(735)
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.		1,195
Change in net assets of governmental activities		$ 44,605

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

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2005
(in thousands)

	Original Budget	Final Budget	Actuals on Budgetary Basis	Variance with Final Budget
Revenues/operating revenues:				
Taxes and special assessments	$ 93,118	$ 93,118	$ 92,808	$ (310)
Licenses and permits	130	130	308	178
Intergovernmental	14,201	14,356	14,839	483
Service charges and fees	11,033	11,033	10,364	(669)
Fines and forfeitures	438	438	319	(119)
Miscellaneous				
Interest and assessment interest/penalties	289	289	295	6
Rent	723	723	775	52
Premiums/contributions	20	20	18	(2)
Other	26	26	43	17
Total revenues	119,978	120,133	119,769	(364)
Expenditures:				
Current:				
General government	16,430	15,857	14,526	1,331
Security of persons/property	59,591	60,413	59,420	993
Physical environment	96	96	12	84
Transportation	19,663	19,537	18,971	566
Economic environment	277	276	99	177
Mental/physical health	2,880	2,874	2,968	(94)
Culture and recreation	18,524	18,479	18,315	164
Capital outlay:				
Security of persons/property	-	-	73	(73)
Culture and recreation	-	-	27	(27)
Total expenditures	117,460	117,530	114,409	3,121
Excess (deficiency) of revenues over (under) expenditures	2,518	2,603	5,360	2,757
Other financing sources (uses):				
Transfers in	661	576	1,664	1,088
Transfers out	(6,924)	(6,924)	(6,927)	(3)
Total other financing sources (uses)	(6,263)	(6,348)	(5,263)	1,085
Net change in fund balances	(3,745)	(3,745)	97	3,842
Fund balance at beginning of year	3,947	3,947	3,553	(394)
Fund balance at end of year	$ 202	$ 202	$ 3,650	$ 3,448

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

LEOFF I Medical Reserve
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2005
(in thousands)

	Original Budget	Final Budget	Actuals on Budgetary Basis	Variance with Final Budget
Revenues/operating revenues:				
Intergovernmental	$ 61	$ 61	$ 61	$ -
Miscellaneous				
Interest and assessment interest/penalties	460	460	435	(25)
Total revenues	521	521	496	(25)
Expenditures:				
Security of persons/property	1,216	1,216	1,354	(138)
Total expenditures	1,216	1,216	1,354	(138)
Excess (deficiency) of revenues over (under) expenditures	(695)	(695)	(858)	(163)
Other financing sources (uses):				
Transfers in	86	86	86	-
Total other financing sources (uses)	86	86	86	-
Net change in fund balances	(609)	(609)	(772)	(163)
Fund balance at beginning of year	18,318	18,318	17,951	(367)
Fund balance at end of year	$ 17,709	$ 17,709	$ 17,179	$ (530)

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

Statement of Fund Net Assets
Proprietary Funds
As of December 31, 2005
(in thousands)

	Business-type Activities-Enterprise Funds		
	Storm & Surface Water Utility	**Water Utility**	**Sewer Utility**
Assets:			
Current assets:			
Cash & equity in pooled investments	$ 4,166	$ 13,300	$ 6,131
Receivables (net of allowances):			
Accounts	1,521	3,159	3,945
Deferred assessments	-	368	92
Interest	99	154	128
Other	-	-	-
Notes/contracts receivable - current portion	-	6	40
Due from other funds	-	72	-
Due from other governments	-	-	-
Inventory	-	202	6
Restricted cash & equity in pooled investments:			
For revenue bonds	1,016	77	-
For construction	6,431	8,329	12,322
For customer deposits	1	126	17
Total current assets	13,234	25,793	22,681
Noncurrent assets:			
Deferred charges and other assets:			
Notes/contracts receivable - noncurrent portion	-	32	155
Other deferred charges	57	22	-
Capital Assets:			
Property, plant and equipment (net)	53,003	86,240	58,710
Total noncurrent assets	53,060	86,294	58,865
Total assets	66,294	112,087	81,546

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

Statement of Fund Net Assets
Proprietary Funds
As of December 31, 2005
(in thousands)

	Business-type Activities-Enterprise Funds		Governmental Activities- Internal Service Funds
	Marina	**Total**	
Assets:			
Current assets:			
Cash & equity in pooled investments	$ 406	$ 24,003	$ 38,032
Receivables (net of allowances):			
Accounts	80	8,705	23
Deferred assessments	-	460	
Interest	5	386	297
Other	-	-	8
Notes/contracts receivable - current portion	-	46	
Due from other funds	-	72	107
Due from other governments	-	-	8
Inventory	-	208	319
Restricted cash & equity in pooled investments:		-	
For revenue bonds	75	1,168	-
For construction	-	27,082	-
For customer deposits	1	145	-
Total current assets	567	62,275	38,794
Noncurrent assets:			
Deferred charges and other assets:			
Notes/contracts receivable - noncurrent portion	-	187	-
Other deferred charges	-	79	-
Capital Assets:			
Property, plant and equipment (net)	11,148	209,101	18,725
Total noncurrent assets	11,148	209,367	18,725
Total assets	11,715	271,642	57,519

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

Statement of Fund Net Assets
Proprietary Funds
As of December 31, 2005
(in thousands)

	Business-type Activities-Enterprise Funds		
	Storm & Surface Water Utility	**Water Utility**	**Sewer Utility**
Liabilities:			
Current liabilities:			
Accounts payable	50	2,542	160
Estimated claims	-	-	-
Due to other funds	71	82	141
Due to other governments	13	48	28
Accrued interest payable	8	1	-
Accrued payroll	156	195	131
Accrued compensated absences	152	193	122
Deposits payable	-	-	-
Notes/contracts payable - current portion	126	30	-
Revenue bonds payable - current portion	916	359	-
Total current liabilities	1,492	3,450	582
Noncurrent liabilities:			
Accrued bond interest payable	32	13	-
Customer deposits	1	126	17
Accrued compensated absences	228	289	183
Estimated claims payable	-	-	-
Bonds payable (net)	2,710	1,040	-
Notes/contracts payable - noncurrent portion	464	236	-
Total noncurrent liabilities	3,435	1,704	200
Total liabilities	4,927	5,154	782
Net assets:			
Invested in capital assets net of related debt	48,787	84,575	58,710
Restricted for:			
Debt Service	1,016	77	-
Capital projects	6,431	8,329	12,322
Unrestricted (deficit)	5,133	13,951	9,732
Total net assets	$ 61,367	$ 106,932	$ 80,764

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

Statement of Fund Net Assets
Proprietary Funds
As of December 31, 2005
(in thousands)

	Business-type Activities-Enterprise Funds		
	Marina	**Total**	**Governmental Activities- Internal Service Funds**
Liabilities:			
Current liabilities:			
Accounts payable	13	2,765	619
Estimated claims	-	-	1,475
Due to other funds	-	294	1
Due to other governments	24	113	7
Accrued interest payable	-	9	-
Accrued payroll	-	482	364
Accrued compensated absences	-	467	348
Deposits payable	1	1	4
Notes/contracts payable - current portion	-	156	-
Revenue bonds payable - current portion	75	1,350	-
Total current liabilities	113	5,637	2,818
Noncurrent liabilities:			
Accrued bond interest payable	13	58	-
Customer deposits	-	144	-
Accrued compensated absences		700	525
Estimated claims payable	-	-	4,540
Bonds payable (net)	3,950	7,700	-
Notes/contracts payable - noncurrent portion	-	700	-
Total noncurrent liabilities	3,963	9,302	5,065
Total liabilities	4,076	14,939	7,883
Net assets:			
Invested in capital assets net of related debt	7,123	199,195	18,725
Restricted for:			
Debt Service	75	1,168	-
Capital projects	-	27,082	-
Unrestricted (deficit)	441	29,257	30,911
Total net assets	$ 7,639	$ 256,702	$ 49,636

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

Statement of Revenues, Expenditures, and Changes in Fund Net Assets
Proprietary Funds
For the Twelve Months Ending December 31, 2005
(in thousands)

	Business-type Activities-Enterprise Funds		
	Storm & Surface Water Utility	**Water Utility**	**Sewer Utility**
Operating revenues:			
Service charges and fees	$ 10,625	$ 25,396	$ 29,676
Rent	-	-	-
Insurance recovery	-	-	-
Premiums/contributions	-	-	-
Other	322	3,042	7
Total operating revenues	10,947	28,438	29,683
Operating expenses:			
Administrative and general	3,137	8,329	3,607
Maintenance and operations	3,485	14,495	22,234
Depreciation	1,420	3,020	2,084
Insurance costs	-	-	-
Benefits and claims payments	-	-	-
Total operating expenses	8,042	25,844	27,925
Operating income	2,905	2,594	1,758
Nonoperating revenues (expenses):			
Interest income	326	445	423
Net change in fair value of investments	26	35	33
Interest expense	(284)	(84)	-
Rental income	16	179	408
Gain on disposal of capital assets	-	-	-
Other nonoperating revenues	254	93	61
Total nonoperating revenue (expenses)	338	668	925
Income before contributions and transfers	3,243	3,262	2,683
Special items, contributions and transfers:			
Transfers in	18	22	18
Transfers out	(240)	(250)	(240)
Capital contributions	638	1,698	1,313
Change in net assets	3,659	4,732	3,774
Net assets beginning of year	57,711	102,201	76,991
Net assets end of year	$ 61,370	$ 106,933	$ 80,765

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

Statement of Revenues, Expenditures, and Changes in Fund Net Assets
Proprietary Funds
For the Twelve Months Ending December 31, 2005
(in thousands)

	Business-type Activities-Enterprise Funds		Governmental Activities - Internal Service Funds
	Marina	**Total**	
Operating revenues:			
Service charges and fees	$ -	$ 65,697	$ 20,501
Rent	457	457	-
Insurance recovery	-	-	1,602
Premiums/contributions	-	-	15,141
Other	-	3,371	211
Total operating revenues	457	69,525	37,455
Operating expenses:			
Administrative and general	-	15,073	5,394
Maintenance and operations	218	40,432	17,173
Depreciation	-	6,524	3,317
Insurance costs	-	-	2,109
Benefits and claims payments	-	-	10,204
Total operating expenses	218	62,029	38,197
Operating income	239	7,496	(742)
Nonoperating revenues (expenses):			
Interest income	17	1,211	1,066
Net change in fair value of investments	1	95	88
Interest expense	(188)	(556)	-
Rental income	-	603	48
Gain on disposal of capital assets	-	-	(14)
Other nonoperating revenues	-	408	45
Total nonoperating revenue (expenses)	(170)	1,761	1,233
Income before contributions and transfers	69	9,257	491
Special items, contributions and transfers:			
Transfers in	-	58	404
Transfers out	-	(730)	(758)
Capital contributions	-	3,649	1,058
Change in net assets	69	12,234	1,195
Net assets beginning of year	7,570	244,473	48,440
Net assets end of year	$ 7,639	$ 256,707	$ 49,635

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

Statement of Cash Flows
Proprietary Funds
For the fiscal year ended December 31, 2004
(in thousands)

	Business Type Activities - Enterprise Funds		
	Storm & Surface Water Utility	**Water Utility**	**Sewer Utility**
Cash flows from operating activities:			
Cash received from customers and users	$ 11,479	$ 28,893	$ 30,304
Contributions received - employer/employees	-	-	-
Cash received from judgments/settlements	-	-	-
Cash received from insurance proceeds	-	-	-
Cash payments to suppliers for goods and services	(3,171)	(16,088)	(2,772)
Cash payments to employees for services	(3,461)	(4,520)	(1,813)
Cash payments for taxes	-	-	-
Cash payments to other governments	-	-	(21,039)
Cash payments to claimants	-	-	-
Cash received from other governments	-	-	-
Cash received from contracts/rent	-	-	-
Cash payments for insurance	-	-	-
Cash payments for other operating expenses	-	-	-
Other receipts	269	273	469
Net cash provided (used) by operating activities	5,116	8,558	5,149
Cash flows from noncapital financing activities:			
Cash received from contracts	-	6	63
Transfers in	18	22	18
Transfers out	(240)	(250)	(240)
Net cash provided (used) by noncapital financing activities	(222)	(222)	(159)
Cash flows from capital & related financing activities:			
Acquisition and construction of capital assets	(3,575)	(2,481)	(1,694)
Principal paid on revenue bonds and other debt	(1,013)	(377)	-
Interest paid on revenue bonds and other debt	(173)	(79)	-
Proceeds from sale of assets	-	-	-
Cash contributions in aid of construction	158	1,697	1,313
Net cash provided (used) by capital financing activities	(4,603)	(1,240)	(381)
Cash flows from investing activities:			
Interest on investments	300	382	392
Net cash provided (used) by investing activities	300	382	392
Net increase (decrease) in cash balance	591	7,478	5,001
Cash balance at beginning of year	11,023	14,354	13,469
Cash balance at end of year	$ 11,614	$ 21,832	$ 18,470
Cash balance at end of year consist of:			
Unrestricted	4,166	13,300	6,131
Restricted	7,448	8,532	12,339
Total cash balance	$ 11,614	$ 21,832	$ 18,470

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

Statement of Cash Flows
Proprietary Funds
For the fiscal year ended December 31, 2004
(in thousands)

	Business Type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
	Marina	**Total**	
Cash flows from operating activities:			
Cash received from customers and users	$ 440	$ 71,116	$ 21,001
Contributions received - employer/employee	-	-	15,152
Cash received from judgments/settlements	-	-	-
Cash received from insurance proceeds	-	-	1,850
Cash payments to suppliers for goods and services	(271)	(22,302)	(13,912)
Cash payments to employees for services	-	(9,794)	(8,579)
Cash payments for taxes	-	-	-
Cash payments to other governments	-	(21,039)	-
Cash payments to claimants	-	-	(9,825)
Cash received from other governments	-	-	
Cash received from contracts/rent	-	-	1
Cash payments for insurance	-	-	(2,109)
Cash payments for other operating expenses	-	-	(20)
Other receipts	-	1,011	256
Net cash provided (used) by operating activities	169	18,992	3,815
Cash flows from noncapital financing activities:			
Cash received from contracts	-	69	-
Transfers in	-	58	404
Transfers out	-	(730)	(758)
Net cash provided (used) by noncapital financing activities	-	(603)	(354)
Cash flows from capital & related financing activities:			
Acquisition and construction of capital assets	-	(7,750)	(5,761)
Principal paid on revenue bonds and other debt	(70)	(1,460)	-
Interest paid on revenue bonds and other debt	(183)	(435)	-
Proceeds from sale of assets	-	-	39
Cash contributions in aid of construction	-	3,168	1,101
Net cash provided (used) by capital financing activities	(253)	(6,477)	(4,621)
Cash flows from investing activities:			
Interest on investments	15	1,089	1,047
Net cash provided (used) by investing activities	15	1,089	1,047
Net increase (decrease) in cash balance	(69)	13,001	(113)
Cash balance at beginning of year	551	39,397	38,143
Cash balance at end of year	$ 482	$ 52,398	$ 38,030
Cash balance at end of year consist of:			
Unrestricted	407	24,004	38,030
Restricted	75	28,394	-
Total cash balance	$ 482	$ 52,398	$ 38,030

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

Statement of Cash Flows
Proprietary Funds
For the fiscal year ended December 31, 2004
(in thousands)

	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)	$ 2,905	$ 2,595	$ 1,758
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	1,420	3,020	2,084
Other receipts	270	273	469
Changes in assets and liabilities:	-		-
(Increase) decrease in accounts receivable	524	442	587
(Increase) decrease in due from other funds	8	(72)	-
(Increase) decrease in due from other governments		-	34
(Increase) decrease in other receivables		11	-
(Increase) decrease in inventory	-	(38)	-
Increase (decrease) in accounts payable	(74)	2,277	118
Increase (decrease) in wages & benefits payable	7	(15)	1
Increase (decrease) in compensated absences	43	(2)	36
Increase (decrease) in due to other funds	29	(4)	35
Increase (decrease) in due to other governments	(16)	(3)	27
Increase (decrease) in customer deposits	-	74	-
Increase (decrease) in estimated claims payable	-	-	-
Total adjustments	2,211	5,963	3,391
Net cash provided (used) by operating activities	$ 5,116	$ 8,558	$ 5,149

Developers contributed utility mains costing $1,169 in 2004.

On December 31, 2005, the City recognized a gain as a result of the change in fair value of US Government Securities with a maturity of more than one year. The gain recognized by Storm and Surface Water of $26, Sewer of $33, and Water Utilities of $35 is reflected on the financial statements as Net Change in Fair Value of Investments.

Statement of Cash Flows
Proprietary Funds
For the fiscal year ended December 31, 2004
(in thousands)

	Business Type Activities - Enterprise Funds		Governmental Activities - Internal Service Funds
	Marina	**Total**	
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	$ 239	$ 7,497	$ (742)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	-	6,524	3,318
Other receipts	-	1,012	47
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(39)	1,514	(23)
(Increase) decrease in due from other funds	-	(64)	708
(Increase) decrease in due from other governments	-	34	44
(Increase) decrease in other receivables	24	35	1
(Increase) decrease in inventory	-	(38)	(28)
Increase (decrease) in accounts payable	6	2,327	150
Increase (decrease) in wages & benefits payable	-	(7)	(28)
Increase (decrease) in compensated absences	-	77	104
Increase (decrease) in due to other funds	(60)	-	(4)
Increase (decrease) in due to other governments	1	9	(51)
Increase (decrease) in customer deposits	(2)	72	-
Increase (decrease) in estimated claims payable	-	-	318
Total adjustments	(70)	11,495	4,556
Net cash provided (used) by operating activities	$ 169	$ 18,992	$ 3,814

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

Statement of Fiduciary Net Assets
Trust and Agency Funds
December 31, 2005
(in thousands)

	Firemen's Pension	Agency Funds
Assets:		
Cash & equity in pooled investments	$ 6,058	$ 8,704
Interest	43	10
Due from other governments	-	289
Property, plant, and equipment (net)	-	86
Total assets	6,102	9,089
Liabilities:		
Warrants payable	-	7,207
Accounts payable	15	9
Due to other governments	-	1,753
Deposits payable	-	120
Total liabilities	15	9,089
Net assets:		
Held in trust for pension benefits and other purposes	6,087	-
Total net assets	$ 6,102	$ -

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

Statement of Changes in Fiduciary Net Assets
Firemen's Pension Fund
For the fiscal year ended December 31, 2005
(in thousands)

	2005
Additions	
Investment income:	
Interest	$ 160
Net change in fair value	13
Other contributions:	
Fire insurance premiums	130
Total additions	302
Deductions:	
Benefit payments	180
Administrative fees	-
Net pension obligation	-
Total deductions	180
Change in net assets	122
Net assets beginning of year	5,965
Net assets end of year	$ 6,087

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

CITY OF BELLEVUE WASHINGTON

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

REPORTING ENTITY

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

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

Discretely Presented Component Unit

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

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

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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, MEASUREMENT FOCUS AND PRESENTATION OF FINANCIAL STATEMENTS

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

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered available when they are collectible within 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 taxes, sales taxes, utility taxes, franchise taxes, and interest are associated with the current fiscal period are considered susceptible to accrual and have been recognized as revenues of the current period. Expenditures are recognized when a liability is incurred, as under accrual accounting, with the exception of principal and interest on long-term debt and compensated absences, which are recorded when paid.

Major Governmental Funds:

The General Fund is the general operating fund of the City and accounts for all activities not required to be accounted for in another fund.

The LEOFF 1 Medical Reserve Fund accounts for the accumulation of assets necessary to fund the City's liability for lifetime medical benefits for all LEOFF 1 members.

The Operating Grants and Donations Fund accounts for receipt and disbursement of revenue from federal, state, local grants as well as private donations.

The Housing Fund accounts for revenue from a variety of sources, including, but not limited to, 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.

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

The 2004 City Hall Bond Fund accounts for the renovation of the New City Building and pay the costs of the issuance of the 2004 Series General Obligation bonds issued to finance the renovation.

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 Marina Fund accounts for the operations, debt service, and capital improvement activities of the Meydenbauer Bay Marina and the Bellevue Yacht Basin.

Internal Service and Fiduciary Funds:

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

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. These funds share characteristics with both the governmental and proprietary funds and therefore, as described below, use the measurement focus and basis of accounting most appropriate to their specific operations.

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

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

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

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

The City complies with all applicable GASB pronouncements. The City also complies with all applicable pronouncements of the Financial Accounting Standards Board (FASB), opinions of the Accounting Principles Board (APB), and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

NEW ACCOUNTING STANDARDS

In June 2005, the GASB issued Statement of Governmental Accounting Standards No. 47, "*Accounting for Termination Benefits*," effective for periods beginning after June 15, 2005 or simultaneously with GASB Statement No. 45. This Statement establishes standards for the measurement, and recognition of *voluntary* and *involuntary* termination benefits. The statement also requires entities to disclose the cost and description of the termination benefits, and the methodology used to determine the amount of the termination benefit liability. The City is reviewing the requirements of this standard. The City does not expect this standard to affect its financial position or results of operations.

BUDGETS AND BASIS OF BUDGETING

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

The City Council also adopts appropriation ordinances for all other funds, including the Operating Grants & Donations and Housing funds, on a project-length basis as needed. Appropriation ordinances are adopted for debt service funds only when debt is authorized for issue. These appropriations do not lapse, and are adjusted as part of the budget process.

Legal budgetary control is established at the fund level (i.e., expenditures for a fund may not exceed the total appropriation amount). Fund balance at the beginning of the year is considered an available resource and included in the expenditure appropriation authority, but not necessarily appropriated at the program level and identifiable in the Statement of Revenues, Expenditures,

and Changes in Fund Balances - Budget to Actual. 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.

The General Fund and all the major special revenue funds except the Operating Grants & Donations Fund and the Housing Fund are included in the City's biennial operating budget. The Statements of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual are presented as part of the fund financial statements to demonstrate legal budget compliance for those funds. A reconciliation of cash-basis revenues and expenditures to arrive at final GAAP-basis values is provided in Note 3.

Budgets for all capital projects and the two special revenue funds excluded from the biennial budget are adopted on a project-length basis. 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.

The following are key procedural steps in the City's budget development process. Note that the processes and dates indicated below reflect the 2005-2006 process, and may be changed in the future.

- In March, the official "budget call" required by state law, was made to all department directors by the Budget Office as designees of the City Manager and Finance Director. Budget development instructions and other materials were provided to the departments at that time.

- In April, the City Council and City management staff discussed City goals and priorities and reaffirmed overall City priorities, vision, and mission. Additional policy guidance was provided throughout the year.

- From late March to mid-April, a Budget Survey was conducted. From March to May, several diversity outreach meetings were held to gather feedback from citizens who speak English as a second language.

- From late April to June, departments reviewed and updated their existing budget programs, including revenue and expenditure estimates, performance data, and financial and program delivery outcomes.

- Revenue and expenditure estimates were developed and updated by the Finance Department throughout the budget process. An initial Financial Forecast was provided to the Council in June.

- The initial public hearing was held in May, at which time public comment on recommended programs and/or ideas for new programs was received.

- Performance Measure outcomes and survey results were discussed with the Council in May and June.

- From May through June, departments reviewed their programs and budgets with Council in a series of Council Review Sessions.

- A second public hearing was held in September prior to the publication of the Preliminary Budget to gather additional citizen input and comments.

- During September, the Leadership Team met to review overall budget components (revenue estimates, personnel drivers, etc.) and department budget submittals.

- During October, preliminary budget documents were prepared, printed, and filed with the City Clerk. The proposed budget was presented to the City Council in late October, and copies were made available to the public immediately after the presentation.

- From late October to late November, the City Council met in a series of budget sessions to review and discuss the recommended budget.

- A third and final public hearing was held in early December prior to the adoption of the budget.

- In mid-December, the City Council, by a majority vote, adopted the budget by ordinance, establishing the budget appropriation for the next biennium.

- The budget is published and distributed during the first quarter of the following year. Copies are made available to the public.

- Quarterly budget monitoring reports are published by the Finance Department to report on actual performance compared to budget estimates and to identify any remedial actions that may be needed.

- As required by state law, a mid-biennium update will occur during the year following adoption of the biennial budget. This update is required by state law and allows for budget modifications and technical adjustments.

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

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 at the end of each month on the basis of their average daily cash balance during the preceding month.

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

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

Although state law also allows pension trust funds to be invested in certain public corporation debt instruments and equities, the City has taken a conservative approach in this area and invests related funds under the more restrictive policies, which govern its general investment operations. As further discussed in Note 5, 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 31, investments in external 2a7-like pools, money market investments, and participating interest-earning investment contracts with a remaining maturity of one year or less at the time of purchase are amortized cost. All other investments are stated at fair value. The fair value of the investment is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Investments in the Washington State Treasurer's Investment Pool are available on demand in the amount of the original investment plus interest earnings and are treated as a money-market investment on the City's records. Accordingly, the fair value of the City's position in the Washington State Treasurer's Investment Pool is the same as the value of the City's Pool shares.

Restricted Resources

Net assets are segregated into three categories on the government-wide statement of net assets: 1) investment in capital assets, net of related debt; 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.

Receivables

The City records as receivables all material applicable exchange and non-exchange transactions as defined by GASB Statements No.33 and No.36.

Property Taxes

The City's annual property tax levy is billed and collected by King County. Taxes are levied and become a lien on the first day of the calendar year. They may be paid in two installments. The first installment is due April 30, and if unpaid, the entire balance becomes delinquent May 1. The second installment is due October 31 and becomes delinquent November 1. Interest is charged on delinquent taxes at the rate of 1% 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 98.8% of taxes levied in the levy year and the remaining delinquent amounts are collected within the next several years. Due to the property foreclosure provision in state law, no allowance for uncollectible taxes is made.

Special Assessments

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

Other Receivables

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

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

Due From Other Funds and Other Governments

Amounts due from other funds are reported in the financial statements, which are listed in Note 15 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 Assets. However, any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide Statement of Net Assets as internal balances.

Interfund Loans Receivable

The Finance Director may authorize loans between funds for periods not exceeding three months. Longer term loans must be specifically authorized by Council resolution. Interfund loan activity for 2005 is presented in Note 13. In the fund financial statements, the year end balance of these loans to other funds are 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.

Notes and Contracts Receivable

The notes receivable in the governmental funds represent amounts provided by the City to various housing agencies in the form of loans which are evidenced by promissory notes. These notes are issued in connection with the acquisition and construction or renovation of apartment buildings as part of a City program that assists low- and moderate-income persons to obtain affordable housing. The notes do not become due for several years or until project cash flows exceed specified amounts. Because the timing of loan repayment is uncertain, the amount of the loans currently outstanding is offset in the governmental funds financial statements by deferred revenue and in the government-wide statement of net assets unearned revenue by unearned revenue.

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

Housing Rehabilitation Loans Receivable

These loans are issued to individuals meeting designated income criteria and are supported by the City's annual Community Development Block Grant Program. The loans are secured by property liens and are not required to be repaid until the property is sold or otherwise changes ownership. Because the timing of loan repayment is uncertain, the amount of loans currently outstanding is offset in the governmental funds financial statements by deferred revenue and in the government-wide statement of net assets unearned revenue by unearned revenue.

Inventories and prepaid expenses

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

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

Restricted Assets

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

Deferred Charges

Deferred charges reported in the government-wide Statement of Net Assets and the proprietary funds balance sheet consist of certain costs to be amortized by the Water and Storm Utilities over future periods, under guidance provided by FASB 71 which governs accounting procedures for regulated utilities. These costs include unamortized revenue bond issuance costs. Bond issuance costs are amortized over the life of associated issues.

Capital Assets

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

Capital assets include buildings with an original cost of $50,000 or more, machinery; equipment, software and other improvements with an original cost of $5,000 or more each; vehicles with an original cost of $2,500 or more; electronic communication equipment with an original cost of $1,500 or more and an estimated useful life of more than one year; and all artwork, transportation and utilities infrastructure, regardless of their initial cost.

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

The City capitalized retro-active "infrastructure" and art capital assets owned prior to 2002, such as roads, bridges, curbs and gutters, streets and sidewalks, bridges, and lighting systems, in the current year. The City compiled an inventory of the retro-active infrastructure and art and recorded these capital assets during 2004. The City elected to capitalized 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, any improvements that increase an asset's value, capacity or materially extends its life is added to that asset's 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 assets. In the governmental fund financial statements, lease and contract payments are reported as expenditures.

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

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

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

The City has elected to use the modified approach to manage its transportation infrastructure capital assets. The modified approach requires that the City have a current inventory of infrastructure assets; perform condition assessments on these infrastructure capital assets and summarize the results using a measurement scale; and estimate the annual amount to maintain and preserve the infrastructure assets at a condition level established and disclosed by the City. The City has an inventory of transportation infrastructure capital assets 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 capital assets. Further detail is provided in the Schedule of Modified Approach for Reporting Infrastructure Assets under Required Supplementary Information.

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

Asset Class	Estimated Service Life (Years)
Equipment Rental Fund	
Transportation Equipment	2 - 7
Communications Equipment	7
Traffic Control Equipment	15
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 Fixed Assets	
Structures and Building	39
Other Improvements	20
Equipment	7 - 15
Depreciated Infrastructure	20

Additional information on capital assets is provided in Note 7.

Capitalization of Interest Costs

Interest costs incurred during capital construction performed by proprietary funds are capitalized within the fund in accordance with FASB Statements 34 and 62. However, interest expense incurred during capital construction performed by governmental funds is not capitalized.

Compensated Absences

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

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

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

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

Long-term Debt

Liabilities for long-term debt are recorded in the government-wide statement of net assets and in the proprietary funds balance sheet. The liabilities include bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges. Long-term debt outstanding at year-end is presented in Note 14.

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

Deferred Revenues

The deferred revenues account is used to offset receivables established in the governmental fund financial statements for certain revenues that are measurable but not considered available to finance payment of current obligations and, therefore, not susceptible to accrual on the modified accrual basis. When the receivable amounts are collected in future periods, this liability account is reduced and corresponding revenue is recorded. Deferred revenues presented in this manner on the accompanying financial statements are: a) uncollected property taxes levied; b) special assessment principal due in future years; c) repayment of low-income housing rehabilitation loans funded by the City's Block Grant Program which are not due until related properties are sold or otherwise change ownership; d) principal balance on long-term loans to housing agencies;

and e) business & occupation tax assessments levied by City. For the Bellevue Convention Center Authority, deferred revenue consists of customer deposits for events scheduled to be held in future years.

Fund Equity--Reserves and Designations

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for a specific future purpose. Legally restricted amounts include reservations for: a) future debt service/LID default obligations; and b) future pension benefit obligations. Designations of fund balance identify amounts set aside by management for tentative future purposes. Designated amounts include general fund contingencies and equipment replacement purposes.

Fund equity in the proprietary funds financial statements, which is legally restricted for specific future purposes includes reserves for: a) future revenue bond debt service obligations; b) future ground lease rental payments; and c) rent/operations.

INTERFUND TRANSACTIONS

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

FUND DEFICITS:

As of December 31, 2005, total net assets for the Bellevue Convention Center Authority, a component unit of the City, reflects a unrestricted net assets deficit balance of $29.9 million and a total net assets deficit of $13.6 million. Due to the annual charge for depreciation on the building and equipment and accrued interest on the Series 1991B and Series 1994 bonds, the deficit unrestricted net assets and net assets balances are anticipated to grow over the foreseeable future. Cash flows as projected in the annual Finance Plan, however, are expected to meet all obligations as they come due.

LEGAL BUDGETARY COMPLIANCE:

During 2005, 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 and identifiable in the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual. Appropriated final fund balance for the General Fund was $202,000 and for the LEOFF I medical Reserve Fund was $17.7 million.

Original budgets and supplementary appropriation adjustments adopted during the year are presented in Note 4.

NOTES TO THE FINANCIAL STATEMENTS

3. BUDGET TO GAAP RECONCILIATION

The City's budget is prepared primarily on the cash basis of accounting; therefore, the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual –for the General Fund and LEOFF 1 Reserve Fund report revenues when received and expenditures when paid, instead of revenue and expenditure amounts as defined under the modified accrual basis of accounting. The following schedule reconciles revenues and expenditures on the budgetary basis to revenues and expenditures on the modified accrual basis as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances.

	General Fund	LEOFF I Reserve
	(in thousands)	
Revenues on the Budgetary Basis	$120,133	$521
Increase (Decrease) due to accruals	1,988	43
Revenues on the GAAP Basis	122,121	564
Expenditures on the Budgetary Basis	117,530	1,216
Increase (Decrease) due to accruals	(3,281)	(110)
Expenditures on the GAAP Basis	114,249	1,106
Other Financing Sources (Uses)		
On the Budgetary Basis	(6,348)	86
Increase (Decrease) due to accruals	1,053	-
Other Sources (Uses) on the GAAP Basis	(5,295)	86
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses		
On the Budgetary Basis	2,603	(695)
Increase (Decrease) due to accruals	5,269	154
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses		
On the GAAP Basis	7,872	(541)
Beginning Fund Balance on the Budgetary Basis	3,947	18,318
Increase (Decrease) due to accruals	10,649	(626)
Beginning Fund Balance on the GAAP Basis	14,596	17,692
Ending Fund Balance on the Budgetary Basis	202	17,709
Increase (Decrease) due to accruals	16,971	(472)
Ending Fund Balance on the GAAP Basis	$17,173	$17,237

NOTES TO THE FINANCIAL STATEMENTS

4. SUPPLEMENTAL APPROPRIATIONS

OPERATING BUDGET FUNDS:

During 2005, the City Council amended the 2006 appropriations to reflect previously unanticipated needs in the 2006 portion of the 2005-2006 biennial budget for the General Fund and LEOFF 1 Reserve Fund. Those revised amounts are displayed below as supplemental appropriations. The amounts reported under the supplemental appropriations column also include changes in appropriations made as part of the mid-biennial budget update. As explained in Note 1, both original and supplemental appropriations are adopted by City Council ordinance.

Appropriation amounts shown on the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual reflect final budget amounts, including all adopted adjustments to original budget amounts.

	2005 Original Budget	Supplemental Appropriations	2005 Final Budget
		(in thousands)	
General Fund	$ 124,585	$ 70	$ 124,655
LEOFF I Reserve	$ 18,925	$ -	$ 18,925
Total	$ 143,510	$ 70	$ 143,580

NOTES TO THE FINANCIAL STATEMENTS

5. DEPOSITS AND INVESTMENTS

PRIMARY GOVERNMENT:

Cash and equity in pooled investments are comprised of government and business-type activities. The balance as of December 31, 2005 are as follows:

	(in thousands)
Cash on hand and in bank	$ 2,411
Equity in Pooled Investments	168,011
Total Cash and Equity in Pooled Investments	$ 170,422

In addition, the City holds in trust for fiduciary funds $14.8 million in cash and equity in pooled investments.

Deposits:

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of outside party. As of December 31, 2005, the City had a bank balance of $1.2 million and an investment carrying amount of $2.4 million. The City's bank balance is insured by the FDIC up to $100,000 and by the Washington Public Deposit Protection Commission (WPDPC) for amounts over $100,000. Under State statute, members of WPDPC, a multiple-financial institution collateral pool, may be assessed on a prorated basis if the pool's collateral is insufficient to cover a loss.

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

Investments:

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

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

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

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

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

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

Authorized Investment Type	**Maximum Maturity**	**Maximum % of Portfolio**	**Maximum Investment in One Issuer**
U.S. Treasury Debt Obligations	5.5 years	100%	100%
U.S. Agency Debt Obligations	2 years	100%	25%
Repurchase Agreements	30 days	50%	25%
Certificates of Deposit	1 year	50%	10%
Bankers Acceptances	6 months	50%	10%
Commercial Paper	90 days	15%	5%
State of Washington Local Government 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 maturity of the portfolio not to exceed 24 months. One of the other ways the City manages the exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing as necessary to provide the cash flow and liquidity needed for operations.

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

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

		Remaining Maturity in Months			
Investment Type	**Fair Value**	**3 Months or Less**	**3 to 12 Months**	**More than 12 months**	**Credit Rating**
U.S. Agency Bonds	$155,739	$32,907	$61,280	$61,552	AAA
U.S. Agency Discount Notes	1,988	1,988	-	-	AAA
State of Washington Local Governmental Investment Pool (LGIP)	24,900	24,900	-	-	Unrated
Total	$182,627	$59,795	$61,280	$61,552	

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

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

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The City's investment policy limits the amount that may be invested in any one issuer. As of 12/31/2005, 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% or more of the total portfolio (in thousands):

Issuer	**Investment Type**	**Reported Amount**
Federal Farm Credit Bank (FFCB)	Fixed Rate Agency	$22,825
Federal Home Loan Bank (FHLB)	Fixed Rate Agency	50,360
Federal Home Loan Mortgage Corporation (FHLMC)	Fixed Rate Agency	44,789
Federal National Mortgage Association (FNMA)	Fixed Rate Agency	39,753

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 require that all investments be held by the City's third party safekeeping agent in the City's name. As of 12/31/05, all of the $158 million investments in U.S. agency debt obligations were registered, and held by its safekeeping agent in the City's name. Therefore, the City has no outstanding investments that were exposed to custodial credit risk.

DISCRETELY PRESENTED COMPONENT UNIT:

Cash and equity in pooled investments of the Bellevue Convention Center Activities are comprised of business-type activities only. The balance as of December 31, 2005 are as follows:

	(in thousands)
Cash on hand and in bank	$ 1,201
Equity in Pooled Investments	1,343
Total Cash and Equity in Pooled Investments	$ 2,544

NOTES TO THE FINANCIAL STATEMENTS

6. RECEIVABLES

PROPERTY TAXES:

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

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

Under State law, the City may levy up to $3.10 per $1,000 of assessed valuation, subject to the following limitations:

1) Chapter 84.55 of the State RCW as amended most recently by Initiative No. 747 (which was passed by voters on November 6, 2001), limits the total dollar amount of regular property taxes levied by the City to the amount of such taxes levied in the three most recent years multiplied by a limit factor, plus an adjustment to account for taxes on new construction, improvements and State-assessed property at the previous year's rate. As amended by Initiative No. 747, the limit factor is the lesser of 101% or 100% plus the percent change in the Implicit Price Deflator, unless a greater amount is approved by a simple majority of the voters; and

   The City of Bellevue has not assessed a property tax increase for the past seven years or for the year 2005 as well. Instead, the City has "banked" this capacity for potential future use. As of December 31, 2005 the City has $8.7 million in unused levy capacity.

2) The state constitution limits total regular property taxes to 1% 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% 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 $991,000 in 2005.

The City's regular property tax levy rate for 2005 was $1.16 per $1,000 of assessed property value, which yielded a total regular levy of $25,813,613. The voted tax levy rate of $0.07 per $1,000, which supports debt service on voter-approved bond issues, yielded an excess levy amount of $1,530,783. Voted tax levies are not subject to the limitations discussed above.

DEFERRED REVENUES:

Deferred revenue reported on the governmental funds balance sheet is presented in the schedule below. Grant reimbursements, taxes, and rent are receivable within one year of the end of the fiscal period. Affordable housing contracts, special assessments, and housing rehabilitation loans are longer term receivables.

(in thousands)

	General	Operating Grants & Donations	ARCH Housing	LID Control	Capital Projects	Non-Major and Other Funds	Total
Taxes:							
Business & occupation	$ 883	$ -	$ -	$ -	$ 446	$ -	$ 1,329
Property	286	-	-	-	-	-	286
Special Assessments	-	-	-	4,734	-	-	4,734
Affordable housing contracts	-	740	7,409	-	-	-	8,149
Housing rehabilitation loans	-	1,926	-	-	-	-	1,926
Other	-	-	-	-	-	709	709
Total deferred revenue	$ 1,169	$ 2,666	$ 7,409	$ 4,734	$ 446	$ 709	$ 17,133

RECEIVABLES:

The receivables for the fiscal year ended December 31, 2005 on the governmental fund balance sheets are presented on the following schedule. Of the property taxes receivable amount, $414,394 is delinquent and the amount of delinquent special assessments receivable is $32,877.

RECEIVABLES
(in thousands)

	General	LEOFF I Medical	Operating Grants & Donations	Housing	LID Control	2004 City Hall Bond	Capital Projects	Storm Utility	Water Utility	Sewer Utility	Marina	Non-Major and Other Funds	Total
Taxes:													
Sales/excise	$ 6,177	$ -	$ -	$ 17	$ -	$ -	$ 2,624	$ -	$ -	$ -	$ -	$ -	$ 8,818
Business & occupation and miscellaneous taxes	7,999	-	5		-	-	2,382	-	-	-	-	321	10,706
Property	408	-	-		-	-	2,525	-	-	-	-	10	2,944
Utility Customers	-	-	-	-	-	-	-	1,521	3,159	3,945	-	-	8,625
Special Assessments:													
Assessments	-	-	-	-	4,772	-	-	-	368	92	-	-	5,233
Interest/penalties	-	-	-	-	94	-	-	-	-	-	-	-	94
Interest	18	129	74	39	4	160	10	99	154	128	5	517	1,337
Other:													
Miscellaneous	44	-	7	-	-	-	1,234	-	-	-	80	226	1,591
Due from other governments	1,401	-	70	165	-	-	723	-	-	-	-	22	2,381
Less:													
Allowance for uncollectibles	(283)	-	-	-	-	-	(113)	-	-	-	-	-	(396)
Total receivables	$ 15,764	$ 129	$ 156	$ 221	$ 4,870	$ 160	$ 9,385	$ 1,620	$ 3,681	$ 4,165	$ 85	$ 1,096	$41,332

The allowance for uncollectibles nets against taxes receivable on the governmental fund balance sheets and relates to business and occupation taxes and miscellaneous taxes for governmental activities.

NOTES TO THE FINANCIAL STATEMENTS

7. PROPERTY, PLANT AND EQUIPMENT

Capital asset activity for the primary government for the year ended December 31, 2005 was as follows (in thousands):

Governmental activities:	Beginning Balance	2005 Increases	2005 Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 652,430	$ 25,166	$ (1,911)	$ 675,684
Construction in Progress	118,367	112,276	(78,354)	152,289
Infrastructure	577,390	49,263	-	626,653
Total capital assets, not being depreciated:	1,348,187	186,706	(80,265)	1,454,627
Capital assets, being depreciated:				
Building	63,191	15,448	-	78,639
Improvements other than buildings	31,452	4,733	-	36,184
Intangible Assets	2,415	272	-	2,687
Machinery and Equipment	51,918	5,024	(366)	56,575
Infrastructure	94,853	3,179	-	98,032
Total capital assets being depreciated:	243,829	28,656	(366)	272,118
Less accumulated depreciation for:				
Buildings	(14,651)	(1,665)	-	(16,316)
Improvements other than buildings	(13,063)	(1,760)	-	(14,823)
Machinery and Equipment	(31,730)	(5,294)	313	(36,711)
Intangible Assets	(403)	(201)	-	(605)
Infrastructure	(49,038)	(3,786)	-	(52,824)
Total accumulated depreciation:	(108,885)	(12,707)	313	(121,280)
Total capital assets, being depreciated, net:	134,943	15,948	(53)	150,838
Governmental activities capital assets, net:	$ 1,483,130	$ 202,654	$ (80,319)	$ 1,605,465

Business-type activities:	Beginning Balance	2005 Increases	2005 Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 20,281	$ -	$ -	$ 20,281
Construction in Progress	7,366	7,742	(5,729)	9,379
Total capital assets, not being depreciated:	27,648	7,742	(5,729)	29,660
Capital assets, being depreciated:				
Building	29,872	-	-	29,872
Improvements other than buildings	9	-	-	9
Machinery and Equipment	5,902	378	-	6,280
Infrastructure	237,204	5,839	-	243,043
Intangible Assets	349	-	-	349
Total capital assets being depreciated:	273,336	6,217	-	279,553
Less accumulated depreciation for:				
Buildings	(9,231)	(768)	-	(9,999)
Improvements other than buildings	(2)	-	-	(2)
Machinery and Equipment	(3,405)	(730)	-	(4,134)
Infrastructure	(80,761)	(4,982)	-	(85,744)
Intangible Assets	(190)	(44)	-	(234)
Total accumulated depreciation:	(93,589)	(6,524)	-	(100,113)
Total capital assets, being depreciated, net:	179,747	(307)	-	179,440
Business activities capital assets, net:	$ 207,394	$ 7,435	$ (5,729)	$ 209,100

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands):

Governmental activities:

General government	176
Information Technology	634
Public safety	840
Culture and recreation	3,115
Public works	5,258
Equipment Rental	2,598
Facility management	85
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	
Total depreciation expense - governmental activities	$ 12,707

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

Business-type activities:

Parks Enterprise	$ -
Water	3,020
Drainage	1,420
Sewer	2,084
Total depreciation expense - business-type activities	$ 6,524

DISCRETELY PRESENTED COMPONENT UNIT:

BELLEVUE CONVENTION CENTER AUTHORITY

	Beginning Balance	2005 Increases	2005 Decreases	Ending Balance
Capital assets, not being depreciated:				
Construction in Progress	$ 2,856	$ 52	$ -	$ 2,908
Total capital assets, not being depreciated:	2,856	52	-	2,908
Capital assets, being depreciated:				
Building	46,377	4	-	46,381
Machinery and Equipment	3,808	103	(108)	3,803
Total capital assets being depreciated:	50,186	107	(108)	50,185
Less accumulated depreciation for:				
Buildings and Equipment	(15,125)	(1,410)	103	(16,432)
Total accumulated depreciation:	(15,125)	(1,410)	103	(16,432)
Total capital assets, being depreciated, net:	35,061	(1,303)	(5)	33,753
Component unit activities capital assets, net:	$ 37,917	$ (1,251)	$ (5)	$ 36,661

NOTES TO THE FINANCIAL STATEMENTS

8. PENSION PLANS

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

WASHINGTON STATE DEPARTMENT OF RETIREMENT SYSTEMS

Substantially all of the City's full-time and qualifying part-time employees participate in one of the following statewide public employee retirement plans administered by the Washington State Department of Retirement Systems. The Public Employees Retirement System is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes. Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Financial statements and information showing each system's progress in accumulating sufficient assets to pay benefits when due and other pension data are presented in the Washington State Comprehensive Annual Financial Report for the year ended June 30, 2004. Please refer to this report for detailed pension information for the Public Employees Retirement System and the Law Enforcement Officers and Fire Fighters Retirement System. A copy of this report may be obtained from the State of Washington, Office of Financial Management, P.O. Box 43123, Olympia, WA 98504-3123.

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Plan Description. PERS was established by the state legislature in 1947 under the Revised Code of Washington (RCW) Chapter 41.40. Membership in the system includes elected officials, state employees, and employees of local government. Approximately 51% of PERS members are state employees.

PERS consists of three plans. Participants who joined the system by September 30, 1977 are Plan 1 members. Those joining the system after that date are enrolled in Plan 2. Existing Plan 2 members were given the option to transfer their membership to Plan 3 by May 31, 2003. Employees hired after May 31, 2003 have the option of choosing either PERS Plan 2 or PERS Plan 3. Retirement benefits are financed by employee and employer contributions and investment earnings. Retirement benefits in both plans are vested after completion of five years of eligible service. All plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Under PERS 1 the cost of living allowance, if qualified, after age 66, is granted based on years of service credit and is capped at 3% annually. PERS Plans 2 and 3 are indexed to the Seattle Consumer Price Index to a maximum of 3% annually.

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

Both the City and the employees made 100% of the required contributions for all years.

The City's contributions to PERS for the years ending December 31 were as follows:

	PERS Plan I	PERS Plan II	PERS Plan III
2005	$ 77,247	$ 855,192	$ 139,420
2004	61,410	608,151	97,944
2003	73,042	585,812	58,060
2002	83,981	657,382	453
2001	193,378	1,337,917	-

Effective beginning in the year 2003 the contribution rates for PERS were impacted as noted in the table below:

	Rate Effective 7/1/2003	Rate Effective 9/1/2004	Rate Effective 7/1/2005
PERS I Employer	1.40%	1.38%	2.44%
PERS I Employee	6.00%	6.00%	6.00%
PERS II Employer	1.40%	1.38%	2.44%
PERS II Employee	1.18%	1.18%	2.25%
PERS III Employer	1.40%	1.38%	2.44%
PERS III Employee		5.% - 15% variable in .5% increments	

The employer rates above include an administrative expense fee of .19% for 2005.

LAW ENFORCEMENT OFFICERS AND FIRE FIGHTERS (LEOFF) RETIREMENT SYSTEM

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

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

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

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

	LEOFF Plan I	LEOFF Plan II
2005	$ 4,616	$ 992,604
2004	5,282	811,500
2003	6,275	733,281
2002	6,629	662,208
2001	7,117	716,526

Effective beginning in the year 2004 contribution rates for LEOFF were impacted as noted in the table below:

	Rate Effective 9/1/2004	Rate Effective 7/1/2005	Rate Effective 9/1/2005
LEOFF I Employer	0.19%	0.19%	0.19%
LEOFF I Employee	0.00%	0.00%	0.00%
LEOFF II Employer	3.25%	4.24%	4.39%
LEOFF II Employee	5.09%	6.75%	6.99%

The employer rates above include an administrative fee of .19% for 2005.

FIREMEN'S PENSION PLAN

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

Funding Policy. Under state law, the Firemen's Pension Plan is provided an allocation of 25% of all monies received by the state from taxes on fire insurance premiums; interest earnings; member contributions made prior to the inception of LEOFF; and City contributions required to meet projected future pension obligations. Neither member nor employer contributions were made to the plan during the year. As of the last actuarial study dated April 7, 2006, the actuary determined that the current assets of the fund, along with future revenues from state fire insurance taxes and interest earnings will be sufficient to pay all future Firemen's Pension Plan pension benefits. Administrative expenses are paid by the general fund.

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

plan. All plan investments are reported at fair value.

Membership of the Firemen's Pension Plan consisted of the following at January 1, 2006:

Retirees and beneficiaries receiving benefits, prior to March 1, 1970	-
Retirees after March 1, 1970 currently receiving full retirement benefits through the Law Enforcement Officers and Fire Fighters (LEOFF) Retirement Plan and also receiving an adjustment from the Firemen's Pension Plan	28
Retirees after March 1, 1970 receiving LEOFF I pensions exceeding the Firemen's Pension Fund and, therefore; not qualifying for excess benefit payment from the Firemen's Pension Plan	8
Active plan members	1
	37

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

Annual Pension Costs and Net Pension Obligation changes for the years ending December 31 were:

Annual Required Contribution (ARC)	**2003**	**2004**	**2005**
Annual Normal Cost - Beginning of Year	$ 3,082	$ 2,139	$ 2,139
Amortization of Unfunded Actuarial Liability (UAL) - Beginning of Year	29,340	(16,478)	(16,478)
Investment Return to End of Year	1,783	(789)	(789)
ARC at End of Year	34,205	(15,128)	(15,128)
Investment Return on Net Pension Obligation (NPO)	(21,130)	(24,899)	(31,466)
Adjustment to ARC	(27,148)	32,628	42,119
Annual Pension Cost (APC)	40,223	7,729	10,653
Employer Contributions	108,751	127,118	129,780
Change in NPO	(68,528)	(119,389)	(119,127)
NPO at Beginning of Year	(384,189)	(452,717)	(572,106)
NPO at End of Year	$ (452,717)	$ (572,106)	$(691,233)

The negative net pension obligation has been recorded as a non-current receivable on the City's government-wide statement of net assets.

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES

Year Ended 12/31	Fire Insurance Premium Taxes	Interest Earned on Net Fund Balance	Annual Required Contribution*	Percentage Contributed
2001	87,487	232,040	26,203	3
2002	92,883	117,805	34,205	3
2003	108,751	114,301	34,205	3
2004	127,118	102,687	-	N/A
2005	129,780	193,446	-	N/A

THREE YEAR TREND INFORMATION (in dollars)

Fiscal Year Ending	Annual Pension Cost (APC)	Contributions as a Percentage of APC	Net Pension Obligation (NPO)
12/31/03	40,223	270.4%	(452,717)
12/31/04	7,729	1644.7%	(572,106)
12/31/05	10,653	1218.2%	(691,233)

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

Actuarial cost method:	Entry Age Cost Normal Method [1]
Amortization method:	30-year closed amortization period as of 12/31/98
Asset valuation method for all years:	Market
Cost-of-living adjustments for all years:	Consumer Price Index (CPI), Seattle-Tacoma-Bremerton area

	01/01/01	01/01/03	01/01/05
Actuarial Economic assumptions:			
Investment rate of return (through internal investment pool)	5.50%	5.50%	5.50%
Projected salary increases [2]	4.50%	4.50%	4.50%
Consumer Price Index	3.50%	3.50%	3.50%
Projected annual growth in fire insurance premium tax revenues	3.50%	3.50%	3.50%
Noneconomic assumptions:			
Mortality rates based on:			
Group Annuity Mortality Tables	X	X	X
Turnover rates per year	0.30%	0.30%	0.30%

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

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

MUNICIPAL EMPLOYEES' BENEFIT TRUST

Plan Description. The Municipal Employees' Benefit Trust (MEBT) is 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. MEBT includes seven participating cities and 4,135 participants (Bellevue has 1,717 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. All regular employees of the City of Bellevue are eligible to participate as of their hire date in MEBT. Participation in MEBT is voluntary. Hourly employees participate as of their hire date in MEBT II. Participation in MEBT II is mandatory.

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% of the FICA tax rate (6.2%) on compensation up to the Social Security Wage Base plus 100% of the Medicare tax rate (1.45%).

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.

Hourly employees are required to make mandatory contributions equal to 100% of the FICA tax rate, currently 6.20% of compensation.

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

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

Employees may contribute up to federal deferred limits, annual addition limits, and any other tax rules that may apply. Actual contributions to the plan for 2005 were:

Participants	$7,270,347
City	$5,662,417

MEYDENBAUER CENTER RETIREMENT PLAN AND TRUST

Plan Description. The Bellevue Convention Center Authority's (discreetly 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, 2005, there were 82 active participants in the Plan. The Plan is established as a retirement plan and contains no provision for withdrawing money prior to the termination of employment. Upon termination of employment or retirement, employees receive the account balance of employee contributions and the vested portion of the employer account credited with investment earnings. In the event of employee death or disability, the employee account becomes immediately vested and the full value of the account may be paid out. The plan document defines disability according to specific Federal guidelines. Each regular employee having completed one year of employment and 1,000 hours of service is eligible to participate in the plan. Participation in the Plan is mandatory for all regular employees hired after May 1, 1995.

Contributions. The Authority and employees each contribute 5% of compensation to the Plan. Additionally each participant may contribute on his own behalf at least 1% but not more than 10% of his /her compensation on a post tax basis. The Center's contributions to the Plan were 5% of covered payroll. Actual contributions to the plan for 2005 were:

Participants	$143,178
Authority	112,407

NOTES TO THE FINANCIAL STATEMENTS

9. OTHER PERSONNEL BENEFITS

DEFERRED COMPENSATION:

The City offers its employees two deferred compensation plans in accordance with Internal Revenue Code Section 457, as revised on August 20, 1996. These plans enable employees to defer a portion of their compensation until future years. The deferred compensation is available to employees upon termination, retirement, or certain unforeseeable emergencies. It is available to their beneficiaries upon the employee's death.

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

POST-EMPLOYMENT BENEFITS:

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

Costs of providing these post-employment health care benefits in 2005 were as follows:

Bellevue Health Plan - claims, administrative costs, stop loss coverage and incurred reserves	$ 1,786,615
Group Health - medical insurance premiums	116,043
Medicare Part B insurance premiums	20,554
Total Costs	$ 1,923,212

In the past, these costs were provided solely on a pay-as-you-go-basis by the City's Health Benefits Fund. On January 1, 1996, however, the City established the LEOFF I Medical Reserve Fund. The last actuarial study conducted, determined the City's Expected Postretirement Benefit Obligation (EPBO) to be $30.1 million. The City has funded a significant portion of the EPBO as reflected by the $17.2 million balance in the LEOFF I Medical Reserve fund as of 12/31/05.

There are a total of 31 active plan participants and 119 retirees currently receiving benefits.

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

I. Economic Assumptions:	A. Discount Rate		5.5%
	B. Medical Inflation Rate		5.5%
II. City of Bellevue per-person claim cost experience rates:	A. Retirees under 65	$	842
	B. Retirees over 65		223

The Plan Assets are in the State Treasurer's Investment Pool and U.S. Government Securities with maturity dates at time of purchase from less than one year to a maximum of two years.

NOTES TO THE FINANCIAL STATEMENTS

10. COMPENSATED ABSENCES

The City's liability for accrued compensated absences is recorded in the schedule below. The governmental activities category includes a liability of $875 from Internal service funds which are predominantly associated with governmental funds. The funds that incur a liability for compensated absences are responsible for liquidating them in future periods. The governmental funds which typically liquidate compensated absences include the General, Solid Waste Recycling, Cable, Development Services, Park Fees, Operating Grants & Donations, and Housing Funds.

(in thousands)

Governmental activities	$ 10,205
Enterprise activities	1,167
Total compensated absences	$ 11,372

NOTES TO THE FINANCIAL STATEMENTS

11. RISK MANAGEMENT

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

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

At December 31, 2005, the City had available cash and equity in pooled investments in the self-insurance funds of $8.9 million to provide against risk of catastrophic losses. The claims liability of $6.0 million reported in the self-insurance funds as of December 31, 2005, is based on the requirements of GASB Statement 10. This statement requires that a liability for claims be reported if information indicates, prior to the issuance of the financial statements that it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. This estimated liability is not discounted to present value.

Changes in the Funds' claims liability amount from fiscal year ended December 31, 2004 to December 31, 2005:

	(in thousands)			
	Workers' Compensation	Unemployment Compensation	General Self-Insurance	Health Benefits
December 31, 2004:				
Unpaid claims, beginning of fiscal year	$ 662	$ 28	$ 3,660	$ 1,994
Incurred claims (including IBNRs)	891	108	716	8,135
Claim payments	(832)	(119)	(969)	(8,576)
Unpaid claims, December 31, 2004	$ 721	$ 17	$ 3,407	$ 1,553
December 31, 2005:				
Unpaid claims, beginning of fiscal year	$ 721	$ 17	$ 3,407	$ 1,553
Incurred claims (including IBNRs)	1,369	98	1,134	9,201
Claim payments	(913)	(86)	(1,189)	(9,297)
Unpaid claims, December 31, 2005	$ 1,177	$ 29	$ 3,352	$ 1,457
Due within one year	-	29	-	1,446
Due in more than one year	1,177	-	3,352	11

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

Policy Type	Deductible	Coverage Limits		Description
Excess Workers' Comp Employer's Liability	$ 350,000	$ 1,000,000		Protects the City from unanticipated levels of workers' compensation claims.
Boiler & Machinery	$ 10,000	$50,000,000		Protects the City from loss due to damage to buildings and contents from boilers and machinery.
Real & Personal Property	$ 100,000	$88,000,000	(A)	Protects the City from loss by fire and other extended coverages.
Inland Marine Earthquake & Flood	$ 100,000	$75,000,000	(A)	Protects the City from loss by fire and other extended coverages.
Medical Stop Loss	$ 200,000	$ 1,000,000	(B)	Stop-loss coverage protects the City from excessive individual claims.
Excess Liability Coverage	$2,000,000	$10,000,000	(A)	Protects the City from excessive individual losses.
Fiduciary Liability	$ 10,000	$ 5,000,000	(A)	Protects the City's retirement plans from wrong doing by board members.
Professional & Pollution Liability - New City Hall Building	$ 100,000	$ 5,000,000	(A)	Protects the City from loss during construction of the New City Hall building.
New City Hall Course of Construction - Builder's Risk	$ 25,000	$75,000,000	(A)	Protects the City from loss during construction of the New City Hall building.

(A) per occurrence
(B) per individual

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

DISCRETELY PRESENTED COMPONENT UNIT

The Bellevue Convention Center Authority utilizes Marsh & McLennan for marketing and placement of its commercial policies. The Authority insures against most normal hazards.

NOTES TO THE FINANCIAL STATEMENTS

12. LEASES AND OTHER CONTRACTUAL COMMITMENTS

OPERATING LEASES:

Burlington Northern and Santa Fe Railway Company

The City has an on-going lease agreement with Burlington Northern and Santa Fe Railway Company (BNSF) for storage/fire lane access at the Bellevue Service Center (BSC). The City leases a portion of the BNSF property for the BSC parking lot area and for railroad crossing access from the BSC to the lower parking lot. In 2005, the City paid for lease payments. Monthly lease payments are $1,854, payable annually in advance. The annual payments are $22,248, payable in May of each year. Either party to the lease may cancel the lease at will on a 30-day advance notice.

Terranomics Crossroads Associates

Effective September 25, 1995, 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. The lease expired on September 30, 2005 and was extended for an additional three year period. Total lease payments for 2005 totaled $19,992.

Future minimum lease payments are summarized as follows:

2006	$26,267
2007	26,267
2008	19,700
Total	$72,234

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. The initial five-year term of this lease expired on June 30, 2001 and was extended for an additional five-year period.

The lease is cancelable by providing the landlord with 90-day prior written notice. Total lease payments for 2005 were $21,384.

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

2006	10,692
Total	$10,692

Effective January 1, 2005, the City entered into a another five-year lease agreement with Delta Business Park for a storage facility for use by the Police Department. The lease is cancelable by providing the landlord with 90-day prior written notice. Total lease payments for 2005 were $10,956

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

2006	$10,956
2007	11,354
2008	11,354
2009	11,752
Total	$45,416

Kimco Realty Corporation

The City has an on-going lease agreement with Kimco Realty Corporation to provide space for a Community Police substation in the Factoria Mall. Monthly lease payments are $868. In 2005, the City's rent expense totaled $10,416. Either party to the lease may cancel the lease at will on a 30-day advance notice.

OB City Hall Properties

Effective January 1, 2004, the City entered into a 27 month lease agreement with OB City Hall Properties for the leaseback of the City Hall campus. Monthly payments are $154,322. In 2005, the City's rent expense totaled $1,851,864. Either party to the lease may cancel at will on a 90-day advance notice.

Future lease payments to OB City Hall Properties are summarized as follows:

2006	308,644
Total	$ 308,644

CONSTRUCTION/OTHER CONTRACTUAL COMMITMENTS:

The City's other outstanding contractual commitments by fund type as of December 31, 2005, are summarized below:

	(in thousands)
Governmental activities	$ 40,597
Enterprise activities	5,141
Total contractual commitments	$ 45,738

NOTES TO THE FINANCIAL STATEMENTS

13. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The following provides the total interfund transfers for 2005 and transfers between the City and its component unit. Year-end balances are provided for interfund payables and receivables and amounts due between City funds and component unit.

Due to/from other funds:

	Receivable	Payable
	(in thousands)	
Governmental funds:		
General Fund	$ 777	$ 543
LEOFF 1 Reserve	-	-
Operating Grants & Donations	3	26
New City Hall Building Fund	-	7,200
General Capital Investment Program	7,200	6
Nonmajor governmental funds	462	551
Proprietary funds:		
Storm Drainage Utility	-	71
Water Utility	72	82
Sewer Utility	-	141
Marina	-	-
Internal Service Funds	107	1
Total due other funds	$ 8,621	$ 8,621

Due to/from primary government and component unit:

Hotel/Motel Tax	$ -	$ -
Bellevue Convention Center Authority	-	-
Total due City/Component Unit	$ -	$ -

Interfund Transfers	In	Out
Governmental funds:		
General Fund	$ 1,666	6,961
LEOFF 1 Reserve	86	-
Operating Grants & Donations	-	5,481
ARCH Housing	312	-
LID Control	-	-
New City Hall Building Fund	-	67,719
General Capital Investment Program	71,831	3,551
Nonmajor governmental funds	15,184	4,340
Proprietary funds:		
Storm Drainage Utility	18	240
Water Utility	22	250
Sewer Utility	18	240
Marina	-	-
Internal Service Funds	404	758
Total transfers	$ 89,541	$ 89,541

Total interfund loan of $.6 million were to finance the acquisition of property next to the Bellevue Golf Course.

Interfund loans for the year ended December 31, 2005, were as follows (in thousands):

	Beginning Balance	Additions	Deletions	Ending Balance
Receivable:				
General CIP Fund	$ -	$ 611		$ 611
Total receivable	$ -	$ 611	$ -	$ 611
Payable:				
Park Fees	$ -	$ 611	$ -	$ 611
Total payable	$ -	$ 611	$ -	$ 611

Interfund receivables and payables consist of charges for services and direct overhead charges. The City incurs transfers for subsidies, indirect overhead, reserves for capital improvements, capital purchases and debt service.

The following describes the significant amounts transferred during 2005:

General fund transfers out:

- $6.96 million subsidized developmental services activities, in the non-major governmental funds.

Capital Investment Program transfers out:

- $3.55 million was transferred out to the special purpose funds to cover the CIP line of credit.

2004 City Hall Bond transfers out:

- $67.7 million was to support the construction of the new city hall in the general CIP fund.

Operating Grants & Donations transfers out:

- $5.3 million of the total was transferred out of the council reserves in the Operating Grants & Donations fund to support the payment of the 2004 limited general obligation bond for the new city building.

NOTES TO THE FINANCIAL STATEMENTS

14. LONG-TERM DEBT

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

General obligation bonds are backed by the City's full faith and credit. Proceeds are typically used for the acquisition or construction of major capital facilities, or to refund debt previously issued for those purposes. "Councilmanic Bonds" are general obligation bonds issued by the City Council without voter approval. Under state law, repayment of these bonds must be paid from general City revenues. General obligation bonds approved by the voters are typically repaid through an annual voted property tax levy authorized for this purpose. Predominantly, general obligation bonds of the City have been issued for general governmental activity purposes. The 1998 limited general obligation bonds were issued for the purchase of the Marina and are reported under business activities in the statement of net assets. The remaining general obligation bond issues are recorded under governmental activities in the statement of net assets.

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.

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

Other long-term debt incurred by the enterprise and governmental funds includes conditional sales contracts issued for the purchase of land and facilities, capital lease agreements, and State Department of Community Development Public Works Trust Fund loans, which have been made to finance designated capital project construction costs. Also included under other long-term debt for governmental activities is a non-revolving line of credit obtained for a period of five years to finance projects included in the City's Capital Investment Program. Currently, the interest rate has been fixed for one year based on the London inter-bank offered rate (LIBOR) and is payable semi-annually.

The following schedules detail the long term debt activity and balances of the City:

LONG TERM DEBT - GOVERNMENTAL ACTIVITIES
For The Year Ended December 31, 2005
(in thousands)

Description	Interest Rate	Fund Responsible to Pay Debt	Issue Date	Maturity Date	Original Debt Issued	Debt Outstanding 1/1/2005	Debt Issued in 2005	Debt Redemption in 2005	Debt Outstanding 12/31/2005
GENERAL OBLIGATION BONDS-COUNCILMANIC									
1995 Limited G.O.	5.15-5.80%	Hotel/Motel Tax	12/27/95	12/01/25	$5,140	$5,140	$ -	$0	$5,140
2002 Limited G.O.	4.65-5.125%	Hotel/Motel Tax	06/01/02	12/01/32	10,450	10,450	-	-	10,450
2003 Limited G.O. Refunding, Series B	2.00-4.50%	Capital Investment Program	10/29/03	07/01/14	4,635	4,225	-	370	3,855
2004 Limited G.O. (City Building)	5.00-5.50%	Capital Investment Program	07/01/04	12/01/43	102,710	102,710	-	-	102,710
Add: Unamortized bond premium						1,053	-	40	1,013
GENERAL OBLIGATION BONDS - VOTER APPROVED									
2003 Unlimited G.O. Refunding, Series A	3.00-4.00%	Special Levy	10/29/03	01/01/08	8,550	6,275	-	2,245	4,030
CONDITIONAL SALES CONTRACTS									
Kravik	6.75%	Capital Investment Program	10/16/95	10/16/05	499	65	-	65	-
Woodard	6.75%	Capital Investment Program	10/16/95	10/16/05	750	98	-	98	-
Miller	6.00%	Capital Investment Program	07/29/99	03/01/05	700	700	-	700	-
Bellevue School District	4.30%	Capital Investment Program	06/01/04	06/01/10	2,800	2,456	-	663	1,793
OTHER LONG TERM DEBT									
Bank of America Line of Credit (1)	3.16%	Capital Investment Program	11/21/03	11/21/08	13,818	13,818	6,700	2,300	18,218
DCTED Public Works Trust Fund Loan	1.00%	Capital Investment Program	07/01/88	07/01/08	1,000	244	-	61	183
TOTAL					$151,052	$147,234	$6,700	$6,542	$147,392

(1) The total authorized amount of the line of credit (LOC) is $35 million, of which $20.5 million was drawn as of 12/31/2005. The weighted average interest rate (based on 65% of LIBOR plus 1.31%) on the $18.2 million LOC balance as of 12/31/05 was 4.30%.

SPECIAL ASSESSMENT DEBT WITH GOVERNMENTAL COMMITMENT
For The Year Ended December 31, 2005
(in thousands)

Local Improvement District	Interest Rate	Fund Responsible to Pay Debt	Issue Date	Maturity Date	Original Debt Issued	Debt Outstanding 1/1/2005	Debt Issued in 2005	Debt Redemption in 2005	Debt Outstanding 12/31/2005
NE 4th Street	7.40-7.50%	LID Control	09/01/90	09/01/12	$ 5,140	$ 600	$ -	$ 270	$ 330
NE 4th Street	7.40-7.50%	LID Control	03/26/01	05/01/23	120	84	-	8	76
NE 10th St/Bellevue Way to 112th Ave NE	5.10-6.75%	LID Control	05/15/95	12/01/16	7,830	3,045	-	545	2,500
NE 10th St/Bellevue Way to 112th Ave NE	4.00-6.00%	LID Control	12/01/96	12/01/18	775	310	-	60	250
NE 8th St/120th Ave NE to 164th Ave NE	4.60-5.30%	LID Control	08/01/95	09/01/07	385	15	-	15	-
NE 8th St & 156th Ave NE	6.50-6.65%	LID Control	06/01/94	07/01/16	563	350	-	25	325
TOTAL					$ 14,813	$ 4,404	$ -	$ 923	$ 3,481

LONG TERM DEBT - BUSINESS-TYPE ACTIVITIES
For The Year Ended December 31, 2005
(in thousands)

Description		Interest Rate	Fund Responsible to Pay Debt	Issue Date	Maturity Date	Original Debt Issued	Debt Outstanding 01/01/05	Debt Issued in 2005	Debt Redemption in 2005	Debt Outstanding 12/31/05
GENERAL OBLIGATION BONDS-COUNCILMANIC										
1998 Limited G.O.		4.00-4.70%	Marina	12/01/98	12/01/18	$4,310	$4,095	-	$70	$4,025
REVENUE BONDS										
2004 Waterworks Utility Refunding		2.00-3.63%	Water/Storm Utility	08/01/04	10/01/10	6,825	6,725	-	1,235	5,490
Add: Unamortized bond premium							106	-	18	88
Deduct: Unamortized loss on advance refunding							(668)	-	(115)	(553)
OTHER LONG TERM DEBT										
DCTED P/W Trust Fund Loan #87-006		1.00%	Storm Utility	07/01/87	07/01/07	401	65	-	21	44
DCTED P/W Trust Fund Loan #89-012		3.00%	Storm Utility	02/07/89	02/07/09	273	72	-	15	57
DCTED P/W Trust Fund Loan #90-013	(1)	3.00%	Storm Utility	07/17/90	07/17/10	1,123	375	-	63	312
DCTED P/W Trust Fund Loan #91-011		3.00%	Storm Utility	08/06/91	08/06/11	377	140	-	20	120
DCTED P/W Trust Fund Loan #93-005	(2)	2.00%	Storm Utility	07/01/93	07/01/13	126	63	-	7	56
DCTED P/W Trust Fund Loan #94-002	(3)	1.00%	Water Utility	06/23/94	07/01/14	560	294	-	30	264
TOTAL						$13,995	$11,267	$ -	$1,364	$9,903

(1) A total loan of $1,166,040 was approved in 1990. Funds received through the end of the fiscal year represent 96% of the approved loan amount.
(2) A total loan of $434,480 was approved in 1993. Funds received through the end of the fiscal year represent 29% of the approved loan amount.
(3) A total loan of $856,000 was approved in 1994. Funds received through the end of the fiscal year represent 65% of the approved loan amount.

AMORTIZATION OF LOSS ON ADVANCE REFUNDING

The losses resulting from the City's 2004 Refunding Bond issues are being amortized over 6 years in accordance with FASB 76:

Total	Amortized In 2005	Amortized In Prior Years	Unamortized At December 31, 2005
$716	$115	$48	$553

LONG TERM DEBT - DISCRETELY PRESENTED COMPONENT UNIT
BELLEVUE CONVENTION CENTER AUTHORITY
For The Year Ended December 31, 2005
(in thousands)

Description	Interest Rate	Issue Date	Maturity Date	Original Debt Issued	Debt Outstanding 1/1/2005	Debt Issued in 2005	Debt Redemption in 2005	Debt Outstanding 12/31/2005
1991 Bellevue Convention Center Authority Series B	6.15-7.20%	08/01/91	12/01/19	$ 21,120	$ 10,168	$ -	$ 990	$ 9,178
1994 Bellevue Convention Center Authority Refunding	5.60-6.60%	11/05/93	12/05/25	13,749	12,899	-	324	12,575
Total Revenue Bonds				$ 34,869	$ 23,067	$ -	$ 1,314	21,753
Add:								
Unamortized gain on advance refunding								65
TOTAL								$ 21,818

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

At December 31, 2005 Bellevue Convention Center Authority's debt service requirements for revenue bonds were:

ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY
(in thousands)

	Revenue Bonds		Total Annual
Year	Principal	Interest	Requirements
2006	$ 790	$ 1,330	$ 2,120
2007	781	1,499	2,280
2008	928	1,897	2,825
2009	1,037	2,328	3,365
2010	1,155	2,860	4,015
2011-2015	5,670	19,180	24,850
2016-2020	5,397	27,188	32,585
2021-2025	5,995	41,755	47,750
Total	$ 21,753	$ 98,037	$ 119,790

At December 31, 2005, the City's annual debt service requirements for general obligation, revenue and special assessment bonds were:

ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY
(in thousands)

	General Obligation		Revenue Bonds		Special Assessment		Governmental Activities Other Debt		Business-Type Activities Other Debt		
Year	Bonds Principal	Interest	Principal	Interest	Bonds Principal	Interest	Principal	Interest	Principal	Interest	Total Annual Requirements
2006	2,369	6,281	1,275	179	720	238	802	70	155	19	12,108
2007	2,447	6,561	1,130	141	560	188	880	31	155	15	12,109
2008	2,664	6,473	980	107	533	150	294	2	134	12	11,348
2009	1,244	6,466	1,025	75	568	114	-	-	134	8	9,635
2010	2,483	6,455	1,080	39	572	76	-	-	119	5	10,829
2011-2015	13,244	30,944	-	-	528	60	-	-	159	4	44,939
2016-2020	12,800	28,493	-	-	-	-	-	-	-	-	41,293
2021-2025	13,992	25,752	-	-	-	-	-	-	-	-	39,744
2026-2030	17,110	18,962	-	-	-	-	-	-	-	-	36,072
2031-2035	19,905	14,195	-	-	-	-	-	-	-	-	34,100
2036-2040	24,120	8,588	-	-	-	-	-	-	-	-	32,708
2041-2043	17,830	1,860	-	-	-	-	-	-	-	-	19,690
Total	$ 130,209	$ 161,029	$ 5,490	$ 541	$ 3,481	$ 825	$ 1,976	$ 103	$ 855	$ 64	$ 304,573

CHANGES IN LONG-TERM DEBT
(in thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	$ 128,800	$ -	$ (2,615)	$ 126,185	$ 2,294
Add: for issuance premium	1,053	-	(40)	1,013	-
Special assessment debt	4,404	-	(923)	3,481	720
Compensated absences	9,989	4,995	(4,779)	10,205	4,082
Estimated claims payable	5,698	11,803	(11,485)	6,016	1,475
Line of credit	13,818	6,700	(2,300)	18,218	-
Other long-term debt	3,563	-	(1,587)	1,976	802
Total	$ 167,325	$ 23,498	$ (23,729)	$ 167,094	$ 9,373
Business Activities:					
General obligation bonds	$ 4,095	-	$ (70)	$ 4,025	$ 75
Revenue bonds	6,725	-	(1,235)	5,490	1,275
Less deferred amounts:					
for issuance premiums	106	-	(18)	88	-
for refunding	(668)	-	115	(553)	-
Compensated absences	1,089	588	(510)	1,167	467
Other long-term debt	1,009	-	(156)	853	155
Total	$ 12,356	$ 588	$ (1,874)	$ 11,070	$ 1,972
Bellevue Convention Center Authority:					
Revenue bonds	$ 23,067	$ -	$ (1,314)	$ 21,753	$ 790
Add deferred amounts:					
for refunding	$ 65		(6)	59	
Compensated absences	78	46	(47)	77	46
Total	$ 23,210	$ 46	$ (1,367)	$ 21,889	$ 836

(1) The governmental funds which typically liquidate compensated absences are the General, Solid Waste Recycling, Cable, Development Services, Park Fees, Operating Grants & Donations, and Housing Funds.

NOTES TO THE FINANCIAL STATEMENTS

15. 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 for debt service (a component unit of the City). These taxes totaled $3.9 million in 2005.

NOTES TO THE FINANCIAL STATEMENTS

16. CONTINGENCIES AND LITIGATION

As of December 31, 2005 there were various claims for damages and lawsuits pending against the City. In the opinion of the City Attorney, however, neither the potential liability for any single claim or lawsuit, nor the aggregate potential liability arising from all actions currently pending, would materially affect the financial condition of the City, and therefore, no current or long-term liability has been recorded.

NOTES TO THE FINANCIAL STATEMENTS

17. JOINT VENTURES AND OPERATIONS

Eastside Public Safety Communications Agency

In May 1992, the City of Bellevue joined the cities of Redmond, Kirkland, and Mercer Island (Principals) to establish the Eastside Public Safety Communications Agency (EPSCA). The agreement was amended in 1993 to include the City of Issaquah.

The purpose of EPSCA is to develop, own, operate, and manage an Eastside radio communications system to be integrated with a regional radio communications network. Its capital budget is funded by a voter-approved county-wide property tax levy.

EPSCA is governed by an Executive Board composed of the chief executive officer of each Principal. The Executive Board is responsible for review and approval of all budgetary, financial, policy, and contractual matters.

The agreement provides for a weighted vote proportionate to each Principal's system radios in relation to the total number of system radios used by all Principals. As of December 31, 2005, the weighted vote was as follows:

Bellevue	52.67%
Redmond	18.20%
Kirkland	17.56%
Mercer Island	6.17%
Issaquah	5.40%
Total	100.00%

These percentages are reviewed and adjusted annually on January 1 based on the number of radios on the system in use by current Principals as of June 30 of the preceding year.

Operating revenues derive from assessments for start up costs and fees for communications services. The first full year of operations was 1997. The City of Bellevue's assessments and start up costs were $205,423. Service fees for the last five years were as follows:

Year	Service Fees
2001	$ 275,945
2002	292,847
2003	291,868
2004	301,200
2005	301,871

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

In August 1993, EPSCA entered into an interlocal cooperation agreement (Agreement 2), with the subregions of King County, Seattle, and Valley Communications. Agreement 2 governs the development, acquisition, and installation of the emergency radio communication system funded by the King County Levy.

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

While Agreement 1 provides that EPSCA's retained earnings of $472,352 as of December 31, 2005 are, upon dissolution, to be apportioned among the Principals, the City's share in 2005 of $248,788 is deemed immaterial and thus is not reflected in the financial statements. Compiled financial statements for EPSCA can be obtained from EPSCA, c/o Alan Komenski, 16100 NE 8th Street, Bellevue, WA 98008.

Hazardous Materials Unit and Response Team:

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

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

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

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

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

Year	Budget	Bellevue's Share	Percentage
2001	$ 47,108	$ 17,068	36.23%
2002	43,878	16,002	36.47%
2003	44,858	15,232	33.96%
2004	64,658	20,851	32.25%
2005	65,615	21,357	32.55%

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

ARCH - Housing Coalition:

In November 1992, the City of Bellevue joined the cities of Redmond and Kirkland and King County to establish A Regional Coalition for Housing (ARCH). The agreement was amended in January 1993 to add clarifying language regarding responsibility and dissolution. Subsequently, the Cities of Bothell, Issaquah, Mercer Island, and Woodinville joined ARCH.

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

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

Each member city is responsible for contributing operating revenues as determined from the ARCH annual budget. Contributions from the member cities are based on each member's population. The City's contributions for the last five years were as follows:

Year	Budget	Bellevue's Share	Percentage
2001	$ 293,764	$ 87,034	29.63%
2002	351,902	95,737	27.21%
2003	365,411	103,789	28.40%
2004	378,024	106,108	28.07%
2005	398,508	111,371	27.95%

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

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

Water Storage & Pumping Facility:

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

The City's share of the land, reservoir, and pumping facility is reported on the enterprise financial statements as property, plant, and equipment and has a net book value of $1,715,939 (cost: $2,635,041, net of accumulated depreciation of $919,102) as of December 31, 2005. Total 2005 operating costs for the reservoir and pumping facility, excluding depreciation of $65,876, were $47,398, of which the City of Redmond reimbursed $20,855.

Cable Production Facility:

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

A joint administrative committee was created to set policy, oversee operations, and develop annual operating budgets. The City of Bellevue is responsible for contributing to the Maintenance Account, providing compensation to student video production assistants and upgrading studio facilities, production equipment, and editing equipment to accommodate joint use. The City's contributions for 2005 were:

Maintenance	Student Assistants	Facilities
$ 5,000	$ 25,414	$ -

Upon dissolution, the net balance in the Maintenance Account and any shared equipment purchased will be distributed equally to both entities. The channel distribution system will remain the property of the City. Any material or structural improvements to the facilities will remain the property of Bellevue Community College. The City's share of the net assets is deemed immaterial and thus is not reflected in the financial statements.

Eastside Narcotics Task Force:

In August 1998, the cities of Bellevue, Redmond, Kirkland, Mercer Island, and Issaquah (Principals) restructured the Eastside Narcotics Task Force. The purpose of the task force is to provide for the collaborative efforts of participants' detective staffs and to equitably benefit from asset forfeitures.

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

Upon termination of the Task Force, equipment and proceeds will be divided equitably as determined by the board.

Member agencies share in the costs and proceeds of the operation of the Task Force on a percentage basis. The member agencies shares are:

Bellevue	51.00%
Redmond	14.70%
Kirkland	14.70%
Mercer Island	14.70%
Issaquah	4.90%

Total revenues for 2005 were $264,122 of which $134,702 was the City of Bellevue's share. Total expenditures for 2005 were $348,168 of which $177,566 was the City of Bellevue's share. The total decrease in revenue for 2005 was $126,314 of which $64,420 was the City of Bellevue's share. The City's share of the net assets is deemed immaterial and thus is not reflected in the financial statements.

Budget monitoring information can be obtained from Eastside Narcotics Task Force, c/o Carl Krikorian, Police Finance Manager, Bellevue Police Department, 11511 Main Street, Bellevue, WA 98004

Cascade Water Alliance

In April 1999, the City of Bellevue entered into an interlocal agreement with eight other water providers in the region to create the Cascade Water Alliance.

The purpose of the Alliance is to provide water supply to meet current and future needs of the Alliance's Members in a cost-effective and environmentally responsible manner.

The Alliance is governed by a Board of Directors consisting of one individual representative appointed by resolution of the Member's legislative authority. Each Member entity must pay annual dues based on the number of residential units served by the water system within their jurisdiction. The Alliance collected 2005 membership dues totaling 496,134, of which Bellevue's share was $192,321. Bellevue also paid the Alliance $2,768,705 in 2005 for Regional Capital Facilities Charges for new residential hookups to the water distribution system.

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

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

Washington City and County Pipeline Safety Consortium

In June, 2000, the City of Bellevue entered into a joint agreement with eleven other jurisdictions to establish the Washington City and County Pipeline Safety Consortium.

The purpose of the Consortium, established in response to the 1999 devastating gas pipeline explosion in Bellingham, Washington, is to share information, identify common issues, and work towards a concerted approach to dealing with the risks that these pipelines pose to communities.

The Consortium is governed by a joint Executive Board composed of representatives of the twelve Consortium members, appointed by their jurisdictions. The Executive Board is responsible for recommending periodic budgets, and establishing policies to carry out the work approved by the members. Each representative on the Joint Board has a vote on all matters. The City of Bellevue, as the lead agency, has the administrative authority for operations conducted pursuant to the agreement. The City provides administrative and secretarial support to the Joint Board.

Members withdrawing from the agreement relinquish all rights to any reserve funds contributed. Upon dissolution, the agreement provides for distribution of net assets among the members based on their financial contribution on a pro rata basis.

Initial contributions of $5,000 were received from 10 of the 12 member jurisdictions in 2000. An additional $5,000 was received in 2002 from a member jurisdiction.

Budget monitoring information can be obtained from Washington City and County Pipeline Safety Consortium, c/o Jonathan Swift, Budget Manager, Finance Department, 11511 Main Street, Bellevue, Washington, 98004.

E-Gov Alliance

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

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

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

Expenditures consist of capital and operations costs, per the budget adopted by the E-Gov Alliance Executive Board, and Bellevue's administrative costs associated with performing duties as the Alliance's fiscal agent. Expenditures in 2005 were $429,979. Revenues consist of annual membership fees from the member jurisdictions of the E-Gov Alliance and are as follows.

Bellevue	$ 97,453	24.9%
Snohomish County	75,000	19.2%
Kirkland	41,544	10.6%
Sammamish	28,573	7.3%
Bothell	26,055	6.7%
Shoreline	21,500	5.5%
Mercer Island	19,939	5.1%
Kenmore	15,688	4.0%
Kent	13,200	3.4%
Issaquah	10,271	2.6%
Auburn	8,500	2.2%
Woodinville	7,788	2.0%
Redmond	7,500	1.9%
Snoqualmie	6,000	1.5%
Sea Tac	4,750	1.2%
Des Moines	4,750	1.2%
Renton	3,000	0.8%
Total	$ 391,511	100%

NOTES TO THE FINANCIAL STATEMENTS

18. SUBSEQUENT EVENTS

1. Construction on the City's new City Hall commenced in 2004. Construction management services were provided by a general contractor, Lease Crutcher Lewis (Lewis), with the construction expertise to manage a project as large and complex as this one. By contract, Lewis had provided the City with a guaranteed maximum price for the project after working with the City, the design team and consultants; and having reviewed design documents and performing its own cost estimates.

   In February 2005, Lewis notified the City that subcontractor bids for construction of the new City Hall project were about $11 million over the guaranteed maximum price. The City took immediate action and explored various options for reducing or deferring costs, and directed its independent construction management firm to provide enhanced, daily, on-site oversight of the project for ensuring completion of the entire project by December 2005. Additional issues related to design and construction have now brought the overrun to approximately $19.6 million over the guaranteed maximum price.

   The City, Lewis, and the design professionals disagreed on responsibility for this increase and agreed to a mediation process to resolve the dispute and to assign financial responsibility. In March of 2006, the City settled with Lewis for a total payment to the City of $4.8 million. Lewis dismissed claims against the City with prejudice. In May of 2006, a separate mediation resulted in an agreement for the design professionals and their insurers to pay the City approximately $5.2 million to resolve those claims.

2. On Wednesday, Feb. 22, the City's new City Hall opened to the public. Nearly 900 employees work at the new City Hall, out of a total of about 1,200. The new building consolidates police and fire headquarters, 911 dispatch center, all City departments. Visitors to the new building can get information and most of their questions answered at a first-floor ``Service First'' center that provides a ``concierge-style approach'' to customers. Public services include permit applications, licenses, access to computer terminals, meeting rooms and four major public art installations.

CITY OF BELLEVUE WASHINGTON

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress
Firemen's Pension Fund
(in thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
January 1, 1997	$ 4,608	N/A (1)	N/A (1)	0.0%	$ 431	0.0%
January 1, 1998	4,785	N/A (1)	N/A (1)	0.0%	344	0.0%
January 1, 1999	5,204	3,946	(1,258)	131.9%	231	(544.6)%
January 1, 2000	5,518	5,814	296	94.9%	253	117.0%
January 1, 2001	5,691	5,814	123	97.9%	212	58.0%
January 1, 2002	5,878	6,309	431	93.2%	213	202.3%
January 1, 2003	5,878	6,309	431	93.2%	152	283.6%
January 1, 2004	5,921	5,693	(228)	104.0%	156	(146.2)%
January 1, 2005	5,974	5,693	(281)	104.9%	76	(369.7)%
January 1, 2006	6,084	4,615	(1,469)	131.8%	78	(1883.3)%

(1) Computed using aggregate actuarial cost method prior to 1998.

Schedule of Modified Approach for Reporting Infrastructure Assets
For the Fiscal Year Ended December 31, 2005
(in thousands)

ROADWAYS

The roadways in the City are made up of two systems: Arterial roadways and Residential roadways. The condition of these systems are 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

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

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

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

CONDITION RATING OF THE CITY'S STREET SYSTEM

	2005	2004	2003
Arterial			
% above Satisfactory:	88%	82%	91%
Overall Performance rating:	82	82	85
Residential			
% above Satisfactory:	96%	93%	95%
Overall Performance rating:	80	80	86

COMPARISON OF NEEDED-TO-ACTUAL EXPENDITURES

	2005	2004	2003	2002	2001
Arterial					
Needed:	$4,279	$1,582	$1,468	$892	N/A
Actual:	3,599	1,397	1,536	1,073	757
Residential					
Needed:	$ 0	$2,519	$2,526	$3,008	N/A
Actual:	0	2,223	2,643	3,619	2,833

Following Governmental Accounting Standards Board Statement No. 34 et al, the City is reporting major historic infrastructure acquired in fiscal years ending after June 30, 1980.

CITY OF BELLEVUE WASHINGTON

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

The **Park Maintenance and Operations 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 Recycling 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 **Rainy Day Reserve Fund** accounts for General Fund revenues and other designated revenues placed in reserve to provide for future economic downturn or other unforeseen expenditure needs for general City programs.

The **Land Purchase Revolving Fund** accounts for purchases of land and rights-of-way needed for future public purposes. Some of the properties purchased by this fund are rented on an interim basis, pending their future use for City purposes. The Marina project in this fund has been separately reported in the business-type activities of the government-wide financial statements and in the proprietary funds financial statements.

The **Cable/Franchise Fund** accounts for the revenue and expenditures associated with the City's cable television and cable television franchise-related activities.

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 **Development Services Fund** is responsible for administering the Planning and Community Development building review and inspection process, land use and comprehensive planning, and code enforcement.

The **Parks Fees Fund** operates and manages the facilities and programs included in the enterprise unit including the Bellevue Municipal Golf Course, the Crossroads Golf Course, Robinswood House, the Tennis Center, and the Adult Sports and Recreation programs.

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 City Council-approved general obligation bonds. Primary revenue sources for the fund consist of general property tax and local sales tax.

The **Interest and Debt Redemption - Special Levy Fund** accounts for debt service on the City's voter-approved general obligation bond issues. Primary revenues for the fund consist of voter approved property taxes.

The **Local Improvement District (LID) Guaranty Fund** accounts for monies set aside in accordance with 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.

CITY OF BELLEVUE WASHINGTON

Combining Balance Sheet
Nonmajor Governmental Funds
As of December 31, 2005
(in thousands)

	Special Revenue		
	Park M & O Reserve	**Solid Waste Recycling**	**Rainy Day Reserve**
Assets:			
Current assets:			
Cash & equity in pooled investments	$ 2,623	$ 779	$ 4,372
Receivables (net of allowances):			
Taxes	-	-	-
Accounts	-	-	-
Assessments			
Interest	19	8	-
Due from other funds	-	-	-
Due from other governments	-	-	-
Total current assets	2,642	787	4,372
Deferred charges and other assets:			
Notes/contracts receivable - noncurrent portion	-	-	-
Other deferred charges	-	-	-
Total deferred charges and other assets	-	-	-
Total assets	2,642	787	4,372
Liabilities:			
Current liabilities:			
Accounts payable	-	38	-
Interfund loans	-	-	-
Due to other funds	-	-	-
Due to other governments	-	-	-
Accrued payroll	-	8	-
Deposits payable	-	-	-
Total current liabilities	-	46	-
Noncurrent liabilities:			
Deferred revenues	-	-	-
Interfund loans payable - noncurrent portion	-	-	-
Total noncurrent liabilities	-	-	-
Total liabilities	-	46	-
Fund balance:			
Reserved for:			
Debt Service	-	-	-
Unreserved, reported in:			
General Fund	-	-	-
Special Revenue	2,642	741	4,372
Capital Projects	-	-	-
Total fund balance	2,642	741	4,372
Total liabilities and fund balance	$ 2,642	$ 787	$ 4,372

Combining Balance Sheet
Nonmajor Governmental Funds
As of December 31, 2005
(in thousands)

	Special Revenue		
	Land Purchase Revolving	**Cable/ Franchise**	**Hotel/Motel Tax**
Assets:			
Current assets:			
Cash & equity in pooled investments	$ 3,818	$ 41	$ 6,613
Receivables (net of allowances):			
Taxes	-	321	-
Accounts	77	2	-
Assessments			
Interest	38	4	57
Due from other funds	-	-	-
Due from other governments	-	10	-
Total current assets	3,933	378	6,670
Deferred charges and other assets:			
Notes/contracts receivable - noncurrent portion	-	-	-
Other deferred charges	-	-	250
Total deferred charges and other assets	-	-	250
Total assets	3,933	378	6,920
Liabilities:			
Current liabilities:			
Accounts payable	4	5	-
Interfund loans	-	-	-
Due to other funds	-	-	-
Due to other governments	12	-	-
Accrued payroll	-	7	-
Deposits payable	3	25	-
Total current liabilities	19	37	-
Noncurrent liabilities:			
Deferred revenues	-	-	-
Interfund loans payable - noncurrent portion	-	-	-
Total noncurrent liabilities	-	-	-
Total liabilities	19	37	-
Fund balance:			
Reserved for:			
Debt Service	-	-	-
Unreserved, reported in:			
General Fund	-	-	-
Special Revenue	3,914	341	6,920
Capital Projects	-	-	-
Total fund balance	3,914	341	6,920
Total liabilities and fund balance	$ 3,933	$ 378	$ 6,920

Combining Balance Sheet
Nonmajor Governmental Funds
As of December 31, 2005
(in thousands)

	Special Revenue		
	Development Services	**Park Fees**	**Total**
Assets:			
Current assets:			
Cash & equity in pooled investments	$ 6,840	$ 753	$ 25,839
Receivables (net of allowances):			
Taxes	-	-	321
Accounts	-	116	195
Assessments			
Interest	58	7	191
Due from other funds	-	462	462
Due from other governments	-	3	13
Total current assets	6,898	1,341	27,021
Deferred charges and other assets:			
Notes/contracts receivable - noncurrent portion	-	-	-
Other deferred charges	-	-	250
Total deferred charges and other assets	-	-	250
Total assets	6,898	1,341	27,271
Liabilities:			
Current liabilities:			
Accounts payable	50	28	125
Interfund loans	-	55	55
Due to other funds	2	550	552
Due to other governments	-	5	17
Accrued payroll	386	71	472
Deposits payable	187	12	227
Total current liabilities	625	721	1,448
Noncurrent liabilities:			
Deferred revenues	500	209	709
Interfund loans payable - noncurrent portion	-	611	611
Total noncurrent liabilities	500	820	1,320
Total liabilities	1,125	1,541	2,768
Fund balance:			
Reserved for:			
Debt Service	-	-	-
Unreserved, reported in:			
General Fund	-	-	-
Special Revenue	5,773	(200)	24,503
Capital Projects	-	-	-
Total fund balance	5,773	(200)	24,503
Total liabilities and fund balance	$ 6,898	$ 1,341	$ 27,271

Combining Balance Sheet
Nonmajor Governmental Funds
As of December 31, 2005
(in thousands)

	Debt Service		
	I & D Redemption-Regular	**I & D Redemption-Special**	**LID Guaranty**
Assets:			
Current assets:			
Cash & equity in pooled investments	$ 121	$ 1,420	$ 2,671
Receivables (net of allowances):			
Taxes	-	10	-
Accounts	-	-	-
Assessments			
Interest	-	8	21
Due from other funds	-	-	-
Due from other governments	-	-	-
Total current assets	121	1,438	2,692
Deferred charges and other assets:			
Notes/contracts receivable - noncurrent portion	-	-	84
Other deferred charges	-	-	-
Total deferred charges and other assets	-	-	84
Total assets	121	1,438	2,776
Liabilities:			
Current liabilities:			
Accounts payable	-	-	-
Interfund loans	-	-	-
Due to other funds	-	-	-
Due to other governments	-	-	-
Accrued payroll	-	-	-
Deposits payable	-	-	-
Total current liabilities	-	-	-
Noncurrent liabilities:			
Deferred revenues	-	-	-
Interfund loans payable - noncurrent portion	-	-	-
Total noncurrent liabilities	-	-	-
Total liabilities	-	-	-
Fund balance:			
Reserved for:			
Debt Service	121	1,438	2,776
Unreserved, reported in:			
General Fund	-	-	-
Special Revenue	-	-	-
Capital Projects	-	-	-
Total fund balance	121	1,438	2,776
Total liabilities and fund balance	$ 121	$ 1,438	$ 2,776

Combining Balance Sheet
Nonmajor Governmental Funds
As of December 31, 2005
(in thousands)

	Debt Service Total	Total Nonmajor Governmental Funds
Assets:		
Current assets:		
Cash & equity in pooled investments	$ 4,212	$ 30,051
Receivables (net of allowances):		
Taxes	10	331
Accounts	-	195
Assessments		
Interest	29	220
Due from other funds	-	462
Due from other governments	-	13
Total current assets	4,251	31,272
Deferred charges and other assets:		
Notes/contracts receivable - noncurrent portion	84	84
Other deferred charges	-	250
Total deferred charges and other assets	84	334
Total assets	4,335	31,606
Liabilities:		
Current liabilities:		
Accounts payable	-	125
Interfund loans	-	55
Due to other funds	-	552
Due to other governments	-	17
Accrued payroll	-	472
Deposits payable	-	227
Total current liabilities	-	1,448
Noncurrent liabilities:		
Deferred revenues	-	709
Interfund loans payable - noncurrent portion	-	611
Total noncurrent liabilities	-	1,320
Total liabilities	-	2,768
Fund balance:		
Reserved for:		
Debt Service	4,335	4,335
Unreserved, reported in:		
General Fund	-	-
Special Revenue	-	24,503
Capital Projects	-	-
Total fund balance	4,335	28,838
Total liabilities and fund balance	$ 4,335	$ 31,606

CITY OF BELLEVUE WASHINGTON

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Twelve Months Ending December 31, 2005
(in thousands)

	Special Revenue		
	Park M & O Reserve	**Solid Waste Recycling**	**Rainy Day Reserve**
Revenues:			
Taxes and special assessments	$ -	$ -	$ -
Licenses and permits	-	-	-
Service charges and fees	-	997	-
Fines and forfeitures	-	-	-
Interest and assessment interest/penalties	70	26	-
Net change in fair value of investments	6	2	-
Rent	-	-	-
Premiums/contributions	-	-	-
Other	-	-	-
Total revenues	76	1,025	-
Expenditures:			
Current:			
General government	-	-	-
Physical environment	-	1,304	-
Transportation	-	-	-
Economic environment	-	-	-
Health and human services	-	-	-
Culture and recreation	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay:			
Economic environment	-	-	-
Total expenditures	-	1,304	-
Excess (deficiency) of revenues over (under) expenditures	76	(279)	-
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(78)	(10)	-
Sale of capital assets	-	-	-
Total other financing sources and uses	(78)	(10)	-
Net change in fund balance	(2)	(289)	-
Fund balance at beginning of year	2,645	1,028	4,372
Fund balance at end of year	$ 2,643	$ 739	$ 4,372

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Twelve Months Ending December 31, 2005
(in thousands)

	Special Revenue		
	Land Purchase Revolving	**Cable/ Franchise**	**Hotel/Motel Tax**
Revenues:			
Taxes and special assessments	$ 460	$ 1,281	$ 4,297
Licenses and permits	-	4	-
Service charges and fees	2	-	-
Fines and forfeitures	-	-	-
Interest and assessment interest/penalties	114	14	185
Net change in fair value of investments	9	1	14
Rent	512	-	-
Premiums/contributions	167	-	-
Other	-	-	-
Total revenues	1,264	1,300	4,496
Expenditures:			
Current:			
General government	19	-	3,375
Physical environment	-	-	-
Transportation	3	154	-
Economic environment	-	336	-
Health and human services	-	-	-
Culture and recreation	276	-	2
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay:			
Economic environment	-	118	-
Total expenditures	298	608	3,377
Excess (deficiency) of revenues over (under) expenditures	966	692	1,119
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(2,146)	(875)	(516)
Sale of capital assets	2,218	-	-
Total other financing sources and uses	72	(875)	(516)
Net change in fund balance	1,038	(183)	603
Fund balance at beginning of year	2,876	524	6,316
Fund balance at end of year	$ 3,914	$ 341	$ 6,919

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Twelve Months Ending December 31, 2005
(in thousands)

	Special Revenue		
	Development Services	**Park Fees**	**Total**
Revenues:			
Taxes and special assessments	$ -	$ 38	$ 6,076
Licenses and permits	4,127	-	4,131
Service charges and fees	5,636	2,428	9,063
Fines and forfeitures	39	-	39
Interest and assessment interest/penalties	176	24	609
Net change in fair value of investments	14	2	48
Rent	-	958	1,470
Premiums/contributions	-	-	167
Other	1	11	12
Total revenues	9,993	3,461	21,615
Expenditures:			
Current:			
General government	-	-	3,394
Physical environment	-	-	1,304
Transportation	-	-	157
Economic environment	14,565	-	14,901
Health and human services	290	-	290
Culture and recreation	-	3,478	3,756
Debt service:			
Principal	-	700	700
Interest and fiscal charges	-	25	25
Capital outlay:			
Economic environment	-	-	118
Total expenditures	14,855	4,203	24,645
Excess (deficiency) of revenues over (under) expenditures	(4,862)	(742)	(3,030)
Other financing sources (uses):			
Transfers in	5,846	179	6,025
Transfers out	(521)	(195)	(4,341)
Sale of capital assets	-	-	2,218
Total other financing sources and uses	5,325	(16)	3,902
Net change in fund balance	463	(758)	872
Fund balance at beginning of year	5,313	560	23,634
Fund balance at end of year	$ 5,776	$ (198)	$ 24,506

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Twelve Months Ending December 31, 2005
(in thousands)

	Debt Service		
	I & D Redemption - Regular	I & D Redemption- - Special	LID Guaranty
Revenues:			
Taxes and special assessments	$ -	$ 1,528	$ 8
Licenses and permits	-	-	-
Service charges and fees	-	-	-
Fines and forfeitures	-	-	-
Interest and assessment interest/penalties	1	16	77
Net change in fair value of investments	-	1	6
Rent	-	-	-
Premiums/contributions	-	-	-
Other	-	-	-
Total revenues	1	1,545	91
Expenditures:			
Current:			
General government	-	-	-
Physical environment	-	-	-
Transportation	-	-	-
Economic environment	-	-	-
Health and human services	-	-	-
Culture and recreation	-	-	-
Debt service:			
Principal	2,670	2,245	-
Interest and fiscal charges	6,504	232	-
Capital outlay:			
Economic environment	-	-	-
Total expenditures	9,174	2,477	-
Excess (deficiency) of revenues over (under) expenditures	(9,173)	(932)	91
Other financing sources (uses):			
Transfers in	9,158	-	-
Transfers out	-	-	-
Sale of capital assets	-	-	-
Total other financing sources and uses	9,158	-	-
Net change in fund balance	(15)	(932)	91
Fund balance at beginning of year	136	2,370	2,686
Fund balance at end of year	$ 121	$ 1,438	$ 2,777

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Twelve Months Ending December 31, 2005
(in thousands)

	Debt Service Total	Total Nonmajor Governmental Funds
Revenues:		
Taxes and special assessments	$ 1,536	$ 7,612
Licenses and permits	-	4,131
Service charges and fees	-	9,063
Fines and forfeitures	-	39
Interest and assessment interest/penalties	94	703
Net change in fair value of investments	7	55
Rent	-	1,470
Premiums/contributions	-	167
Other	-	12
Total revenues	1,637	23,252
Expenditures:		
Current:		
General government	-	3,394
Physical environment	-	1,304
Transportation	-	157
Economic environment	-	14,901
Health and human services	-	290
Culture and recreation	-	3,756
Debt service:		
Principal	4,915	5,615
Interest and fiscal charges	6,736	6,761
Capital outlay:		
Economic environment	-	118
Total expenditures	11,651	36,296
Excess (deficiency) of revenues over (under) expenditures	(10,014)	(13,044)
Other financing sources (uses):		
Transfers in	9,158	15,183
Transfers out	-	(4,341)
Sale of capital assets	-	2,218
Total other financing sources and uses	9,158	13,060
Net change in fund balance	(856)	16
Fund balance at beginning of year	5,192	28,826
Fund balance at end of year	$ 4,336	$ 28,842

Park M&O Reserve
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2005
(in thousands)

	Original Budget	Final Budget	Actuals on Budgetary Basis	Variance with Final Budget
Revenues/operating revenues:				
Miscellaneous				
Interest and assessment interest/penalties	$ 93	$ 93	$ 64	$ (29)
Total revenues	93	93	64	(29)
Expenditures:				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	93	93	64	(29)
Other financing sources (uses):				
Transfers out	(93)	(93)	(78)	15
Total other financing sources (uses)	(93)	(93)	(78)	15
Net change in fund balances	-	-	(14)	(14)
Fund balance at beginning of year	2,653	2,653	2,650	(3)
Fund balance at end of year	$ 2,653	$ 2,653	$ 2,636	$ (17)

Solid Waste Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2005
(in thousands)

	Original Budget	Final Budget	Actuals on Budgetary Basis	Variance with Final Budget
Revenues/operating revenues:				
Service charges and fees	$ 1,021	$ 1,021	$ 997	$ (24)
Miscellaneous				
Interest and assessment interest/penalties	12	12	23	11
Total revenues	1033	1033	1020	(13)
Expenditures:				
Physical environment	1310	1326	1270	56
Total expenditures	1310	1326	1270	56
Excess (deficiency) of revenues over (under) expenditures	(277)	(293)	(250)	43
Other financing sources (uses):				
Transfers in	280	264	246	(18)
Transfers out	(10)	(10)	(10)	-
Total other financing sources (uses)	270	254	236	(18)
Net change in fund balances	(7)	(39)	(14)	25
Fund balance at beginning of year	496	496	781	285
Fund balance at end of year	$ 489	$ 457	$ 767	$ 310

Rainy Day Reserve
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2005
(in thousands)

	Original Budget	Final Budget	Actuals on Budgetary Basis	Variance with Final Budget
Fund balance at beginning of year	4,372	4,372	4,372	-
Fund balance at end of year	$ 4,372	$ 4,372	$ 4,372	$ -

Land Purchase Revolving
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2005
(in thousands)

	Original Budget	Final Budget	Actuals on Budgetary Basis	Variance with Final Budget
Revenues/operating revenues:				
Taxes and special assessments	$ -	$ -	$ 460	$ 460
Service charges and fees	-	-	2	2
Miscellaneous				
Interest and assessment interest/penalties	51	51	98	47
Rent	254	254	505	251
Premiums/contributions	-	-	167	167
Total revenues	305	305	1,232	927
Expenditures:				
Current:				
General government	-	-	19	(19)
Transportation	3	3	3	-
Culture and recreation	232	232	278	(46)
Capital outlay:				
General government	-	-	(1)	1
Transportation	1	1	-	1
Culture and recreation	-	-	3	(3)
Total expenditures	236	236	303	(67)
Excess (deficiency) of revenues over (under) expenditures	69	69	929	860
Other financing sources (uses):				
Transfers out	-	(2,146)	(2,146)	-
Sale of fixed assets	-	2,052	2,218	166
Total other financing sources (uses)	-	(94)	72	166
Net change in fund balances	69	(25)	1,001	1,026
Fund balance at beginning of year	2,903	2,997	2,835	(162)
Fund balance at end of year	$ 2,972	$ 2,972	$ 3,836	$ 864

Cable/Franchise Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2005
(in thousands)

	Original Budget	Final Budget	Actuals on Budgetary Basis	Variance with Final Budget
Revenues/operating revenues:				
Taxes and special assessments	$ 1,120	$ 1,265	$ 1,264	$ (1)
Licenses and permits	-	4	4	-
Miscellaneous				
Interest and assessment interest/penalties	14	14	15	1
Total revenues	1,134	1,283	1,283	-
Expenditures:				
Current:				
Transportation	197	196	155	41
Economic environment	361	606	341	265
Capital outlay:				
Economic environment	118	118	113	5
Total expenditures	675	920	608	312
Excess (deficiency) of revenues over (under) expenditures	459	363	675	312
Other financing sources (uses):				
Transfers out	(576)	(576)	(875)	(299)
Total other financing sources (uses)	(576)	(576)	(875)	(299)
Net change in fund balances	(117)	(213)	(200)	13
Fund balance at beginning of year	118	213	213	-
Fund balance at end of year	$ 1	$ -	$ 13	$ 13

Hotel/Motel Taxes
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2005
(in thousands)

	Original Budget	Final Budget	Actuals on Budgetary Basis	Variance with Final Budget
Revenues/operating revenues:				
Taxes and special assessments	$ 4,488	$ 4,488	$ 4,299	$ (189)
Miscellaneous				
Interest and assessment interest/penalties	176	176	168	(8)
Total revenues	4,664	4,664	4,467	(197)
Expenditures:				
General government	4,191	4,191	3,948	243
Culture and recreation	-	-	2	(2)
Total expenditures	4,191	4,191	4,200	(9)
Excess (deficiency) of revenues over (under) expenditures	473	473	267	(206)
Other financing sources (uses):				
Transfers out	(515)	(515)	(516)	(1)
Total other financing sources (uses)	(515)	(515)	(516)	(1)
Net change in fund balances	(42)	(42)	(249)	(207)
Fund balance at beginning of year	6,965	6,965	6,897	(68)
Fund balance at end of year	$ 6,923	$ 6,923	$ 6,648	$ (275)

Development Services Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2005
(in thousands)

	Original Budget	Final Budget	Actuals on Budgetary Basis	Variance with Final Budget
Revenues/operating revenues:				
Licenses and permits	$ 4,442	$ 4,442	$ 4,629	$ 187
Service charges and fees	4,599	4,599	5,645	1,046
Fines and forfeitures	50	50	39	(11)
Miscellaneous				
Interest and assessment interest/penalties	125	125	156	31
Other	-	-	1	1
Total revenues	9,216	9,216	10,470	1,254
Expenditures:				
Economic environment	14,769	14,671	14,598	73
Mental/physical health	297	294	290	4
Total expenditures	15,066	14,965	14,887	78
Excess (deficiency) of revenues over (under) expenditures	(5,850)	(5,749)	(4,417)	1,332
Other financing sources (uses):				
Transfers in	5,887	5,887	5,887	-
Transfers out	(324)	(324)	(521)	(197)
Total other financing sources (uses)	5,563	5,563	5,366	(197)
Net change in fund balances	(287)	(186)	949	1,135
Fund balance at beginning of year	6,327	6,327	5,366	(961)
Fund balance at end of year	$ 6,040	$ 6,141	$ 6,315	$ 174

Parks Fees Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2005
(in thousands)

	Original Budget	Final Budget	Actuals on Budgetary Basis	Variance with Final Budget
Revenues/operating revenues:				
Taxes and special assessments	$ -	$ -	$ 38	$ 38
Service charges and fees	2,626	2,626	2,516	(110)
Miscellaneous				
Interest and assessment interest/penalties	20	20	20	-
Rent	976	976	969	(7)
Other	19	19	11	(8)
Total revenues	3,641	3,641	3,554	(87)
Expenditures:				
Current:				
Culture and recreation	3,522	3,506	3,505	1
Debt service:				
Principal	-	-	55	(55)
Interest & fiscal charges	-	-	25	(25)
Total expenditures	3,522	3,506	3,585	(79)
Excess (deficiency) of revenues over (under) expenditures	119	135	(31)	(166)
Other financing sources (uses):				
Transfers in	192	192	179	(13)
Transfers out	(275)	(275)	(195)	80
Total other financing sources (uses)	(83)	(83)	(16)	67
Net change in fund balances	36	52	(47)	(99)
Fund balance at beginning of year	574	574	536	(38)
Fund balance at end of year	$ 610	$ 626	$ 489	$ (137)

CITY OF BELLEVUE WASHINGTON

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.

CITY OF BELLEVUE WASHINGTON

Internal Service Funds
Combining Statement of Net Assets
As of December 31, 2005
(in thousands)

	Equipment Rental	Workers' Compensation	Unemployment Compensation
Assets:			
Current assets:			
Cash & equity in pooled investments	$ 20,141	$ 966	$ 364
Receivables (net of allowances):			
Accounts	-	-	-
Assessments			
Interest	147	7	3
Other	4	-	-
Due from other funds	107	-	-
Due from other governments	1	-	-
Inventory	319	-	-
Capital assets:			
Property, plant and equipment (net)	14,677	-	-
Total assets	35,396	973	367
Liabilities:			
Current liabilities:			
Accounts payable	71	53	-
Estimated claims	-	-	29
Due to other funds	-	-	-
Due to other governments	2	-	-
Accrued payroll	75	-	-
Accrued compensated absences	67	-	-
Deposits payable	-	-	-
Noncurrent liabilities:			
Accrued compensated absences	105	-	-
Estimated claims	-	1,177	-
Total liabilities	320	1,230	29
Net assets:			
Invested in capital assets net of related debt	14,677	-	-
Unrestricted (deficit)	20,399	(257)	338
Total net assets	$ 35,076	$ (257)	$ 338

Internal Service Funds
Combining Statement of Net Assets
As of December 31, 2005
(in thousands)

	General Self-Insurance	Health Benefits	Information Technology
Assets:			
Current assets:			
Cash & equity in pooled investments	$ 5,293	$ 2,229	$ 6,116
Receivables (net of allowances):			
Accounts	-	-	23
Assessments			
Interest	47	18	48
Other	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	7
Inventory	-	-	-
Capital assets:			
Property, plant and equipment (net)	-	-	2,649
Total assets	5,340	2,247	8,843
Liabilities:			
Current liabilities:			
Accounts payable	52	127	98
Estimated claims	-	1,446	-
Due to other funds	-	-	-
Due to other governments	-	-	5
Accrued payroll	20	-	212
Accrued compensated absences	19	-	188
Deposits payable	-	-	-
Noncurrent liabilities:			
Accrued compensated absences	28	-	282
Estimated claims	3,352	11	-
Total liabilities	3,471	1,584	785
Net assets:			
Invested in capital assets net of related debt	-	-	2,649
Unrestricted (deficit)	1,869	663	5,409
Total net assets	$ 1,869	$ 663	$ 8,058

Internal Service Funds
Combining Statement of Net Assets
As of December 31, 2005
(in thousands)

	Facility Services	Total
Assets:		
Current assets:		
Cash & equity in pooled investments	$ 2,923	$ 38,032
Receivables (net of allowances):		
Accounts	-	23
Assessments		
Interest	27	297
Other	4	8
Due from other funds	-	107
Due from other governments	-	8
Inventory	-	319
Capital assets:		
Property, plant and equipment (net)	1,399	18,725
Total assets	4,353	57,519
Liabilities:		
Current liabilities:		
Accounts payable	218	619
Estimated claims	-	1,475
Due to other funds	1	1
Due to other governments	-	7
Accrued payroll	58	364
Accrued compensated absences	73	348
Deposits payable	4	4
Noncurrent liabilities:		
Accrued compensated absences	110	525
Estimated claims	-	4,540
Total liabilities	464	7,883
Net assets:		
Invested in capital assets net of related debt	1,399	18,725
Unrestricted (deficit)	2,490	30,911
Total net assets	$ 3,889	$ 49,636

Statement of Revenues, Expenditures, and Changes in Fund Net Assets
Internal Service Funds
For the Twelve Months Ending December 31, 2005
(in thousands)

	Equipment Rental	Workers' Compensation	Unemployment Compensation
Operating revenues:			
Service charges and fees	$ 6,165	$ -	$ -
Insurance recovery	-	-	-
Premiums/contributions	-	1,184	129
Other	88	60	-
Total operating revenues	6,253	1,244	129
Operating expenses:			
Administrative and general	686	278	-
Maintenance and operations	3,744	776	74
Depreciation	2,598	-	-
Insurance costs	-	-	-
Benefits and claims payments	-	456	12
Total operating expenses	7,028	1,510	86
Operating income	(775)	(266)	43
Nonoperating revenues (expenses):			
Interest income	549	26	9
Net change in fair value of investments	44	2	1
Rental income	-	-	-
Gain on disposal of capital assets	(14)	-	-
Other nonoperating revenues	-	-	-
Total nonoperating revenue (expenses)	579	28	10
Income before contributions and transfers	(196)	(238)	53
Contributions and transfers:			
Transfers in	222	-	-
Transfers out	(310)	(145)	(6)
Capital contributions	1,058	-	-
Change in net assets	774	(383)	47
Net assets beginning of year	34,303	126	290
Net assets end of year	$ 35,077	$ (257)	$ 337

Statement of Revenues, Expenditures, and Changes in Fund Net Assets
Internal Service Funds
For the Twelve Months Ending December 31, 2005
(in thousands)

	General Self-Insurance	Health Benefits	Information Technology
Operating revenues:			
Service charges and fees	$ -	$ -	$ 10,117
Insurance recovery	90	1,512	-
Premiums/contributions	1,814	12,014	-
Other	-	63	-
Total operating revenues	1,904	13,589	10,117
Operating expenses:			
Administrative and general	1,267	1,503	1,027
Maintenance and operations	1,275	-	8,265
Depreciation	-	-	634
Insurance costs	-	2,109	-
Benefits and claims payments	(54)	9,790	-
Total operating expenses	2,488	13,402	9,926
Operating income	(584)	187	191
Nonoperating revenues (expenses):			
Interest income	153	61	166
Net change in fair value of investments	12	5	13
Rental income	-	-	1
Gain on disposal of capital assets	-	-	-
Other nonoperating revenues	-	-	2
Total nonoperating revenue (expenses)	165	66	182
Income before contributions and transfers	(419)	253	373
Contributions and transfers:			
Transfers in	152	-	22
Transfers out	-	-	(297)
Capital contributions	-	-	-
Change in net assets	(267)	253	98
Net assets beginning of year	2,134	410	7,960
Net assets end of year	$ 1,867	$ 663	$ 8,058

Statement of Revenues, Expenditures, and Changes in Fund Net Assets
Internal Service Funds
For the Twelve Months Ending December 31, 2005
(in thousands)

	Facility Services	Total
Operating revenues:		
Service charges and fees	$ 4,219	$ 20,501
Insurance recovery	-	1,602
Premiums/contributions	-	15,141
Other	-	211
Total operating revenues	4,219	37,455
Operating expenses:		
Administrative and general	633	5,394
Maintenance and operations	3,039	17,173
Depreciation	85	3,317
Insurance costs	-	2,109
Benefits and claims payments	-	10,204
Total operating expenses	3,757	38,197
Operating income	462	(742)
Nonoperating revenues (expenses):		
Interest income	102	1,066
Net change in fair value of investments	11	88
Rental income	47	48
Gain on disposal of capital assets	-	(14)
Other nonoperating revenues	43	45
Total nonoperating revenue (expenses)	203	1,233
Income before contributions and transfers	665	491
Contributions and transfers:		
Transfers in	8	404
Transfers out	-	(758)
Capital contributions	-	1,058
Change in net assets	673	1,195
Net assets beginning of year	3,217	48,440
Net assets end of year	$ 3,890	$ 49,635

CITY OF BELLEVUE WASHINGTON

Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended December 31, 2005
(in thousands)

	Equipment Rental	Worker's Compensation	Unemployment Compensation	General Self-Insurance
Cash flows from operating activities:				
Cash received from customers and users	$ 6,613	$ -	$ -	$ -
Contributions received - employer/employees	-	1,184	141	1,814
Cash received from judgments/settlements	-	-	-	-
Cash received from insurance proceeds	-	-	-	90
Cash payments to suppliers for goods and services	(2,872)	(759)	(74)	(2,060)
Cash payments to employees for services	(1,681)	(287)	-	(512)
Cash payments for taxes	-	-	-	-
Cash payments to claimants	-		(12)	-
Cash received from other governments	-	-	-	-
Cash received from contracts/rent	-	-	-	-
Cash payments for insurance	-	-	-	-
Cash received from other operating revenues	-	-	-	-
Cash payments for other operating expenses	-	-	-	-
Cash payments for contract services	-	-	-	-
Other receipts	86	60	-	-
Net cash provided (used) by operating activities	2,146	198	55	(668)
Cash flows from noncapital financing activities:				
Transfers in	222	-	-	152
Transfers out	(310)	(145)	(6)	-
Net cash provided (used) by noncapital financing activities:	(88)	(145)	(6)	152
Cash flows from capital & related financing activities:				
Acquisition and construction of capital assets	(4,205)	-	-	-
Principal paid on revenue bonds and other debt	-	-	-	-
Interest paid on revenue bonds and other debt	-	-	-	-
Proceeds from Notes payable	-	-	-	-
Proceeds of State loan	-	-	-	-
Proceeds from sale of assets	39	-	-	-
Proceeds from interfund loans	-	-	-	-
Proceeds from loans from assessments collected	-	-	-	-
Cash contributions in aid of construction	-	-	-	-
Proceeds from advance/loans to Component Unit	-	-	-	-
Contributed capital in aid of capital acquisitions	1,058	-	-	-
Net cash provided (used) by capital financing activities	(3,108)	-	-	-
Cash flows from investing activities:				
Proceeds from sales and maturates of investments	-	-	-	-
Interest on investments	549	23	9	151
Interfund loan issued	-	-	-	-
Interfund loan receipts	-	-	-	-
Net cash provided (used) by investing activities	549	23	9	151
Net increase (decrease) in cash balance	(500)	76	58	(365)
Cash balance at beginning of year	20,640	891	305	5,658
Cash balance at end of year	$ 20,140	$ 967	$ 363	$ 5,293

Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended December 31, 2005
(in thousands)

	Health Benefits	Information Technology	Facilities Services	Total
Cash flows from operating activities:				
Cash received from customers and users	$ -	$ 10,169	$ 4,219	$ 21,001
Contributions received - employer/employees	12,013	-	-	$ 15,152
Cash received from judgments/settlements	-	-	-	$ -
Cash received from insurance proceeds	1,760	-	-	$ 1,850
Cash payments to suppliers for goods and services	(1,473)	(4,750)	(1,924)	$ (13,912)
Cash payments to employees for services	(31)	(4,536)	(1,531)	$ (8,579)
Cash payments for taxes	-	-	-	$ -
Cash payments to claimants	(9,813)	-	-	$ (9,825)
Cash received from other governments	-	-	-	$ -
Cash received from contracts/rent	-	1	-	$ 1
Cash payments for insurance	(2,109)	-		$ (2,109)
Cash received from other operating revenues	-	-	-	$ -
Cash payments for other operating expenses	-	(20)	-	$ (20)
Cash payments for contract services	-	-	-	$ -
Other receipts	63		47	$ 256
Net cash provided (used) by operating activities	410	864	811	3,816
Cash flows from noncapital financing activities:				
Transfers in	-	22	8	404
Transfers out	-	(297)	-	(758)
Net cash provided (used) by noncapital financing activities:	-	(276)	8	(354)
Cash flows from capital & related financing activities:				
Acquisition and construction of capital assets	-	(343)	(1,213)	(5,761)
Principal paid on revenue bonds and other debt	-	-	-	-
Interest paid on revenue bonds and other debt	-	-	-	-
Proceeds from Notes payable	-	-	-	-
Proceeds of State loan	-	-	-	-
Proceeds from sale of assets	-	-	-	39
Proceeds from interfund loans	-	-	-	-
Proceeds from loans from assessments collected	-	-	-	-
Cash contributions in aid of construction	-	-	-	-
Proceeds from advance/loans to Component Unit	-	-	-	-
Contributed capital in aid of capital acquisitions	-	-	43	1,101
Net cash provided (used) by capital financing activities	-	(343)	(1,170)	(4,621)
Cash flows from investing activities:				
Proceeds from sales and maturates of investments	-	-		-
Interest on investments	61	154	100	1,047
Interfund loan issued	-	-	-	-
Interfund loan receipts	-	-	-	-
Net cash provided (used) by investing activities	61	154	100	1,047
Net increase (decrease) in cash balance	471	399	(251)	(112)
Cash balance at beginning of year	1,758	5,717	3,174	38,143
Cash balance at end of year	$ 2,229	$ 6,116	$ 2,923	$ 38,031

Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended December 31, 2005
(in thousands)

	Equipment Rental	Worker's Compensation	Unemployment Compensation	General Self-Insurance
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	$ (775)	$ (266)	$ 43	$ (584)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	2,598	-	-	-
Other receipts	(2)		-	-
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	-	-	-	-
(Increase) decrease in due from other funds	442	-	-	5
(Increase) decrease in due from other governments	6	-	-	-
(Increase) decrease in other receivables	-	-	-	-
(Increase) decrease in contracts receivable	-	-	-	-
(Increase) decrease in prepaid expenses	-	-	-	-
(Increase) decrease in inventory	(28)	-	-	-
Increase (decrease) in accounts payable	(86)	49	-	(40)
Increase (decrease) in wages & benefits payable	(5)	-	-	(1)
Increase (decrease) in taxes payable	-	-	-	-
Increase (decrease) in due to other funds	0	-	-	-
Increase (decrease) in due to component unit	-	-	-	-
Increase (decrease) in due to other governments	1	(42)	-	-
Increase (decrease) in compensated absences	(6)			7
Increase (decrease) in customer deposits	-	-	-	-
Increase (decrease) in estimated claims payable	-	456	12	(54)
Increase (decrease) in deferred revenues	-	-	-	-
Increase (decrease) in other accrued liabilities	-	-	-	-
Total adjustments	2,921	463	12	(83)
Net cash provided (used) by operating activities	$ 2,146	$ 197	$ 55	$ (667)

During 2005, the City's other funds contributed equipment costing $734.7 to the Equipment Rental Fund.

On December 31, 2005, the City recognized a gain as a result of the change in fair value of US Government Securities with a maturity of more than one year. The gain recognized by the Internal Service Funds of $88 is reflected on the financial statements as Net Change in Fair Value of Investments.

Internal Service Funds
Combining Statement of Cash Flows
For the fiscal year ended December 31, 2005
(in thousands)

	Health Benefits	Information Technology	Facilities Services	Total
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	$ 187	$ 191	$ 462	(742)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	-	634	85	3,318
Other receipts	-	2	47	47
Changes in assets and liabilities:				-
(Increase) decrease in accounts receivable	-	(23)	-	(23)
(Increase) decrease in due from other funds	248	13	-	708
(Increase) decrease in due from other governments	-	39	-	44
(Increase) decrease in other receivables	-	1	-	1
(Increase) decrease in contracts receivable	-	-	-	-
(Increase) decrease in prepaid expenses	-	-	-	-
(Increase) decrease in inventory	-	-	-	(28)
Increase (decrease) in accounts payable	73	15	139	150
Increase (decrease) in wages & benefits payable	(2)	(17)	(3)	(28)
Increase (decrease) in taxes payable	-	-	-	-
Increase (decrease) in due to other funds	-	(0)	(4)	(4)
Increase (decrease) in due to component unit	-	-	-	-
Increase (decrease) in due to other governments	-	(9)	(1)	(51)
Increase (decrease) in compensated absences		17	86	104
Increase (decrease) in customer deposits	-	-	-	-
Increase (decrease) in estimated claims payable	(96)	-	-	318
Increase (decrease) in deferred revenues	-	-	-	-
Increase (decrease) in other accrued liabilities	-	-	-	-
Total adjustments	223	671	349	4,557
Net cash provided (used) by operating activities	$ 410	$ 862	$ 811	$ 3,815

CITY OF BELLEVUE WASHINGTON

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-Gov 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 **Eastside Narcotics 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 **Pipeline Safety Consortium Fund** accounts for contributions from members of an interlocal agreement which provides for securing legal, engineering, and public outreach expertise necessary to ensure the integrity and safety of the Olympic Natural Gas Pipe Line.

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.

The **Payroll Clearing Fund** accounts for payment of employee salaries and withheld deductions. Monies are transferred to this fund from funds recording related payroll expenditures and are subsequently disbursed through issuance of payroll warrants.

The **Claims Clearing Fund** accounts for payment of all expenditures of the City except payroll and debt service. Monies are transferred to this fund from funds recording related expenditures and are subsequently disbursed through issuance of claims warrants.

CITY OF BELLEVUE WASHINGTON

Combining Statement of Fiduciary Net Assets
Agency Funds
December 31, 2005
(in thousands)

	E-Government Alliance	Eastside NARC Task Force	Hazardous Materials
Assets:			
Cash & equity in pooled investments	$ 263	$ 508	$ 209
Interest	2	3	1
Due from other governments	259	-	5
Property, plant, and equipment (net)	30	7	49
Total assets	554	518	265
Liabilities:			
Warrants payable	-	-	-
Accounts payable	-	6	-
Due to other governments	554	411	265
Deposits payable	-	100	-
Total liabilities	554	518	265
Total net assets	$ -	$ -	$ -

Combining Statement of Fiduciary Net Assets
Agency Funds
December 31, 2005
(in thousands)

	Pipeline Safety Consortium	ARCH Housing Coalition
Assets:		
Cash & equity in pooled investments	$ 5	$ 355
Interest	-	3
Due from other governments	-	25
Property, plant, and equipment (net)	-	-
Total assets	5	382
Liabilities:		
Warrants payable	-	-
Accounts payable	-	-
Due to other governments	5	382
Deposits payable	-	-
Total liabilities	5	382
Total net assets	$ -	$ -

Combining Statement of Fiduciary Net Assets
Agency Funds
December 31, 2005
(in thousands)

	Payroll Clearing	Claims Clearing	Total
Assets:			
Cash & equity in pooled investments	$ 281	$ 7,083	$ 8,704
Interest	-	-	10
Due from other governments	-	-	289
Property, plant, and equipment (net)	-	-	86
Total assets	281	7,083	9,089
Liabilities:			
Warrants payable	126	7,080	7,207
Accounts payable	-	3	9
Due to other governments	135	-	1,753
Deposits payable	20	-	120
Total liabilities	281	7,083	9,089
Total net assets	$ -	$ -	$ -

All Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the fiscal year ended December 31, 2005
(in thousands)

	Balance 1/1/2005	Additions	Deletions	Balance 12/31/2005
E-Government Alliance:				
Assets:				
Cash and equity in pooled investments	$ 245	$ 641	$ 624	$ 262
Interest receivable	1	7	6	$ 2
Due from other governments	199	2,103	2,043	$ 259
Property, plant and equipment(net)	31	-	2	$ 29
Total assets	$ 477	$ 2,751	$ 2,674	$ 553
Liabilities:				
Due to other governments	$ 477	$ 741	$ 664	$ 554
Total liabilities	$ 477	$ 741	$ 664	$ 554
Eastside NARC Task Force:				
Assets:				
Cash and equity in pooled investments	$ 665	$ 320	$ 478	$ 508
Interest receivable	3	1,074	1,074	$ 3
Property, plant and equipment(net)	7	-	-	$ 7
Total assets	$ 675	$ 1,394	$ 1,552	$ 518
Liabilities:				
Accounts payable	$ 23	$ 21	$ 38	$ 6
Due to other governments	508	677	774	$ 411
Deposits payable	144	146	190	$ 100
Total liabilities	$ 675	$ 844	$ 1,002	$ 517
Hazardous Materials:				
Assets:				
Cash and equity in pooled investments	$ 150	$ 94	$ 34	$ 210
Interest receivable	1	4	4	$ 1
Due from other governments	-	32	26	$ 5
Property, plant and equipment(net)	55	-	6	$ 49
Total assets	$ 206	$ 130	$ 71	$ 265
Liabilities:				
Accounts payable	$ -	$ -	$ -	$ -
Due to other governments	206	119	60	265
Total liabilities	$ 206	$ 119	$ 60	$ 265

All Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the fiscal year ended December 31, 2005
(in thousands)

	Balance 1/1/2005	Additions	Deletions	Balance 12/31/2005
Pipeline Safety Consortium				
Assets:				
Cash and equity in pooled investments	$ 8	$ -	$ 3	$ 5
Due from other governments	-	-	-	-
Total assets	$ 8	$ -	$ 3	$ 5
Liabilities:				
Due to other governments	$ 8	$ -	$ 3	$ 5
Total liabilities	$ 8	$ -	$ 3	$ 5
ARCH - Housing Coalition:				
Assets:				
Cash and equity in pooled investments	$ 190	$ 317	$ 153	$ 354
Interest receivable	1	7	6	$ 3
Due from other governments	7	474	457	$ 25
Total assets	$ 198	$ 799	$ 615	$ 382
Liabilities:				
Accounts payable	$ 20	$ -	$ 20	$ 0
Due to other governments	178	607	404	381
Total liabilities	$ 198	$ 607	$ 424	$ 382
Payroll Clearing Fund:				
Assets:				
Cash and equity in pooled investments	$ 431	$ 81,930	$ 82,080	$ 281
Due from other governments	-	-	-	-
Total assets	$ 431	$ 81,930	$ 82,080	$ 281
Liabilities:				
Accounts payable	$ 9	$ -	$ 9	$ -
Warrants payable	306	77,547	77,727	127
Undisbursed payroll payable	-	-	-	-
Due to other governments	96	3,095	3,056	135
Deposits payable	20	-	-	20
Total liabilities	$ 431	$ 80,642	$ 80,791	$ 282

All Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the fiscal year ended December 31, 2005
(in thousands)

	Balance 1/1/2005	Additions	Deletions	Balance 12/31/2005
Claims Clearing Fund:				
Assets:				
Cash and equity in pooled investments	$ 3,991	$ 235,818	$ 232,726	$ 7,083
Total assets	$ 3,991	$ 235,818	$ 232,726	$ 7,083
Liabilities:				
Warrants payable	$ 3,991	$ 206,196	$ 203,107	$ 7,080
Accounts payable	-	15,279	15,276	3
Total liabilities	$ 3,991	$ 221,475	$ 218,383	$ 7,083
Total - all agency funds				
Assets:				
Cash and equity in pooled investments	$ 5,680	$ 319,120	$ 316,097	$ 8,703
Interest receivable	$ 6	$ 1,092	$ 1,090	$ 9
Due from other governments	$ 206	$ 2,609	$ 2,526	$ 289
Property, plant and equipment(net)	$ 93	$ -	$ 8	$ 85
Total assets	$ 5,985	$ 322,822	$ 319,721	$ 9,087
Liabilities:				
Warrants payable	$ 4,297	$ 283,743	$ 280,833	$ 7,207
Accounts payable	$ 52	15,300	15,343	10
Undisbursed payroll payable	$ -	-	-	-
Due to other governments	$ 1,473	5,239	4,961	1,752
Deposits payable	$ 164	146	190	120
Total liabilities	$ 5,986	$ 304,429	$ 301,327	$ 9,088

STATISTICAL SECTION

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health. The following are the categories of the various schedules that are included in this section:

The **Financial Trends** section has schedules containing trend information to help the reader understand how the City's financial performance and well-being have changed over time.

The **Revenue Capacity** section has schedules containing information to help the reader assess the City's most significant local revenue sources, property taxes and sales taxes.

The **Debt Capacity** section has schedules presenting information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

The **Demographic and Economic Information** section has schedules offering demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

The **Operating Information** section has schedules containing service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Table 1

NET ASSETS BY COMPONENT [A]

Last Four Fiscal Years [B]

(dollars in thousands)

	Governmental activities				Business-type activities				Primary Government			
Year	Invested in capital assets, net of related debt	Restricted	Unrestricted	Total	Invested in capital assets, net of related debt	Restricted	Unrestricted	Total	Invested in capital assets, net of related debt	Restricted	Unrestricted	Total
2002	$424,049	$10,929	$126,425	$561,403	$172,682	$22,909	$16,229	$211,820	$596,731	$33,838	$142,654	$773,223
2003	449,949	35,385	106,827	592,161	190,971	17,578	23,183	231,732	640,920	52,963	130,010	823,893
2004 [C]	1,331,493	87,154	111,635	1,530,282	196,128	20,865	27,482	244,475	1,527,621	108,019	139,117	1,774,757
2005	1,454,592	12,959	107,341	1,574,892	199,195	28,251	29,262	256,708	1,653,787	41,210	136,603	1,831,600

[A] All amounts are reported on the accrual basis

[B] Amounts presented from year of implementation of GASB-34 (2002) forward

[C] In 2004, the City began reporting historical infrastructure assets resulting in an increase to fund balance of 1,008,877.

CHANGES IN NET ASSETS [A]

Last Four Fiscal Years [B]

(dollars in thousands)

	2002 [C]	2003	2004	2005
Expenses				
Governmental activities				
General Government	$21,327	$12,157	$10,808	$15,900
Judicial	407	404	509	430
Public Safety	54,407	57,673	59,979	64,269
Physical environment	1,939	1,454	1,589	1,852
Transportation	25,263	26,910	27,569	27,480
Economic environment	12,864	12,027	13,390	14,875
Health and human services	3,710	2,901	1,907	5,320
Culture and recreation	21,974	25,459	25,114	27,826
Interest on long-term debt	-	2,399	5,534	7,034
Total governmental activities	141,891	141,384	146,399	164,986
Business-type activities				
Water	$19,615	$21,856	$23,194	$25,928
Sewer	24,845	24,668	26,024	27,925
Storm drainage utility	7,585	7,730	8,920	8,327
Marina	533	446	310	406
Total business-type activities	52,578	54,700	58,448	62,586
Total primary government expenses	$194,469	$196,084	$204,847	$227,572
Program Revenues				
Governmental activities				
Charges for services				
General Government	$1,996	$2,015	$2,412	$794
Public Safety	10,431	13,492	12,155	14,118
Economic Environment	3,314	4,512	6,476	9,912
Transportation	880	2,386	1,745	812

Table 2
Page 2 of 3

	2002 [C]	2003	2004	2005
Culture and recreation	4,411	4,679	4,681	4,940
Other Activities	1,586	1,430	1,360	1,351
Operating grants and contributions	5,607	5,611	2,749	5,100
Capital grants and contributions	17,389	5,253	13,062	29,266
Total governmental activities program revenues	45,614	41,381	46,644	68,298
Business-type activities				
Charges for services				
Water	$21,833	$25,288	$29,183	$28,497
Sewer	25,208	26,604	26,595	30,085
Storm drainage utility	9,434	9,981	12,186	10,947
Marina	476	351	447	457
Operating grants and contributions	100	-	-	-
Capital grants and contributions	2,423	13,159	3,008	3,649
Total business-type activities program revenues	59,474	75,383	71,419	73,635
Total primary government program revenues	$105,088	$116,764	$118,063	$141,933
Net (expense)/revenue				
Governmental activities	($96,277)	($100,003)	($99,755)	($96,688)
Business-type activities:	6,896	20,683	12,971	11,049
Total primary government net expense	($89,381)	($79,320)	($86,784)	($85,639)
General Revenues and Other Changes in Net Assets				
Governmental activities				
Taxes				
Property tax	$27,577	$27,509	$27,443	$27,062
Retail sales and use tax	36,737	36,683	40,218	45,300
Utility tax	18,069	18,108	17,996	19,333
Business and occupation tax	17,219	19,626	22,798	24,322
Excise tax	6,221	7,461	10,300	13,620
Hotel/Motel Tax	3,762	3,848	3,916	4,299
Other tax	33	210	258	261
Payments from Component Unit/City	295	16	15	23
Grants and contributions - unrestricted	599	1,161	1,301	1,357

Table 2

	2002 [C]	2003	2004	2005
Unrestricted investment interest	4,249	2,364	4,183	4,147
Gain (loss) in change of fair value of investments	302	(296)	(899)	285
Miscellaneous	1,599	473	443	1,201
Gain(loss) on sale of capital assets	(38)	16,455	160	1,418
Transfers	(1,294)	557	580	672
Total governmental activities	115,330	136,178	130,716	145,305
Business-type activities				
Unrestricted investment interest	$674	$746	$565	$1,211
Gain (loss) in change of fair value of investments	85	(99)	(215)	95
Miscellaneous	1,248	(2,301)	-	552
Gain on sale of capital assets	23	31	-	-
Transfers	1,294	(557)	(580)	(672)
Total business-type activities	3,324	(2,180)	(230)	1,186
Total primary government	$ 118,654	$ 133,998	$ 130,486	$ 146,491
Change in Net Assets				
Governmental activities	$19,053	$36,175	$30,961	$48,617
Business-type activities	10,220	18,503	12,741	12,235
Total primary government	$29,273	$54,678	$43,702	$60,852

[A] All amounts are reported on the accrual basis

[B] Amounts presented from year of implementation of GASB-34 (2002) forward

[C] Interest on long term debt was previously classified as "general government" expense in 2002.

Table 3

GOVERNMENTAL ACTIVITIES TAX REVENUE BY SOURCE

Last Four Fiscal Years

(dollars in thousands)

Fiscal Year	Total Taxes	General Property Taxes	General Sales Taxes	Utility Taxes	Business and Occupation Taxes	Excise Taxes	Other Taxes and Assessment (A)	Memo Only Hotel/Motel Tax (B)
2002	$105,856	$27,577	$36,737	$18,069	$17,219	$6,221	$33	$3,762
2003	109,597	27,509	36,683	18,108	19,626	7,461	210	3,848
2004	119,013	27,443	40,218	17,996	22,798	10,300	258	3,916
2005	129,898	27,062	45,300	19,333	24,322	13,620	261	4,299

(A) Includes miscellaneous tax revenues 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 and passes it directly through.

Table 4

FUND BALANCES OF GOVERNMENTAL FUNDS (A)

Last Ten Fiscal Years

(dollars in thousands)

	General Fund			All other Governmental Funds			
Fiscal Year	Reserved	Unreserved	Total	Reserved	Unreserved, reported in special revenue funds	Unreserved, reported in capital projects funds	Total
1996	$260	$12,276	$12,536	$7,779	$24,093	$20,789	$52,661
1997	322	15,739	16,061	8,135	22,954	24,990	56,079
1998	332	12,862	13,194	7,644	34,028	26,387	68,059
1999	332	13,650	13,982	8,150	39,181	37,203	84,534
2000	402	19,905	20,307	8,174	47,622	35,041	90,837
2001	335	15,181	15,516	6,352	62,228	32,785	101,365
2002	-	11,028	11,028	6,794	62,533	14,743	84,070
2003	-	13,428	13,428	27,887	38,289	26,342	92,518
2004	-	14,596	14,596	86,582	55,241	4,090	145,913
2005	-	17,173	17,173	12,274	52,401	1,549	66,224

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

Table 5
Page 1 of 2

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (A)

Last Ten Fiscal Years

(dollars in thousands)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Revenues										
Taxes and special assessments	$85,529	$95,105	$99,551	$108,514	$116,709	$110,638	$112,190	$115,469	$123,958	$134,369
Licenses and permits	3,550	5,369	6,437	6,743	7,303	5,843	4,678	2,969	4,470	4,439
Intergovernmental	17,957	23,047	22,338	20,462	21,788	21,951	22,270	24,689	23,266	28,213
Service charges and fees	9,852	10,311	12,377	22,385	22,057	25,830	12,565	15,501	18,677	19,715
Fines and forfeitures	1,396	1,513	1,561	1,728	1,232	995	709	656	545	329
Interest and assessment interest/penalties	-	4,253	4,869	5,475	6,444	5,552	3,471	1,515	3,488	3,113
Net change in fair value of investments	-	-	-	(609)	521	53	207	(206)	(684)	199
Rent	-	1,229	1,718	1,900	1,744	2,038	1,929	3,192	1,788	2,285
Judgements and settlements	-	1	40	68	-	-	1	150	18	534
Premiums/contributions	-	-	2,991	1,271	1,051	1,100	739	739	1,320	1,446
Other	7,815	3,160	605	442	1,813	216	702	586	325	1,202
Total Revenues	126,099	143,988	152,487	168,379	180,662	174,216	159,461	165,260	177,171	195,844
Expenditures										
General government	$16,081	$15,031	$14,837	$21,334	$22,499	$24,622	$18,899	$19,143	$22,720	$24,211
Public safety	36,277	38,731	41,262	45,700	47,208	51,433	53,512	57,333	58,221	61,294
Physical environment	1,768	1,781	1,840	1,307	1,493	1,535	1,749	1,157	1,068	1,436
Transportation	11,013	11,239	12,264	13,396	14,986	29,255	17,545	25,725	20,385	24,886
Economic environment	11,086	10,888	13,018	16,700	16,641	17,837	12,423	12,854	15,755	15,248
Health and human services	83	103	103	114	38	93	3,700	3,080	2,286	4,932

Culture and recreation	10,878	11,678	12,907	13,880	14,785	24,678	20,068	24,992	24,700	24,729
Capital outlay	31,434	33,926	42,929	27,615	42,176	13,642	79,700	41,314	48,580	112,692
Debt service										
Principal	7,900	5,326	5,977	8,656	4,936	4,290	11,744	3,536	33,157	7,463
Interest and fiscal charges	3,502	3,051	2,986	2,753	2,348	2,020	2,153	2,424	5,240	7,136
Total expenditures	130,022	131,754	148,123	151,455	167,110	169,405	221,493	191,558	232,112	284,027

	1996	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**
Other financing sources (uses)										
Transfers in	$33,488	$15,884	$23,737	$18,271	$13,689	$23,064	$12,332	$15,189	$44,309	$89,078
Transfers out	(34,143)	(15,390)	(23,602)	(18,805)	(14,175)	(21,507)	(15,005)	(11,313)	(42,435)	(88,052)
Operating transfers out to component unit	-	-	22	-	-	-	-	-	-	-
Proceeds from long term debt	775	172	4,793	209	84	120	39,550	10,018	107,567	6,700
Refunding bonds issued	-	-	-	-	-	-	-	13,185	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	(13,065)	-	-
Sale of capital assets	1,233	924	604	1,065	509	182	620	24,545	63	3,349
Total other financing sources (uses)	1,353	1,590	5,554	740	107	1,859	37,497	38,559	109,504	11,075
Residual equity transfers	(4,763)	(670)	(807)	(400)	(1,030)	(939)	-	-	-	-
Net change in fund balance	($7,333)	$13,154	$9,111	$17,264	$12,629	$5,731	($24,535)	$12,261	$54,563	($77,108)
Debt service as a percentage of noncapital expenditures	11.57%	8.56%	8.52%	9.21%	5.83%	4.05%	9.80%	3.97%	20.92%	8.52%

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

Table 6

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE [A]

Last Ten Fiscal Years

(dollars in thousands)

Fiscal Year	Total Taxes	General Property Taxes	General Sales Taxes	Utility Taxes	Business and Occupation Taxes	Other Taxes and Assessment [B]	Memo Only Hotel/Motel Tax[C]
1996	$84,389	$23,648	$30,423	$12,564	$12,515	$5,239	$3,096
1997	93,532	24,111	34,008	13,106	14,229	8,078	3,456
1998	99,360	24,270	37,822	12,825	15,572	8,871	3,984
1999	108,231	24,822	41,000	15,236	17,006	10,167	4,340
2000	116,769	25,674	44,532	16,661	20,392	9,510	4,640
2001	111,387	26,599	40,313	18,135	19,132	7,208	4,226
2002	108,209	27,164	38,874	18,069	17,190	6,912	3,762
2003	111,426	27,481	39,051	17,287	18,750	8,857	3,850
2004	120,041	27,914	40,218	18,364	21,612	11,933	3,916
2005	129,231	27,157	45,300	19,452	23,427	13,895	4,299

[A] All amounts are reported on the modified - accrual basis

[B] Includes miscellaneous tax revenues and special assessments.

[C] 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 and passes it directly through.

Table 7

TAXABLE SALES BY CATEGORY
Last Ten Fiscal Years

(dollars in thousands)

	Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005 (B)
Contracting	$240,645	$339,385	$458,836	$612,256	$729,870	$528,938	$452,654	$419,611	$525,419	$729,303
Manufacturing	49,925	45,144	51,089	57,632	64,294	66,712	56,223	47,115	53,312	62,885
Transp / Communication / Utilities	131,896	142,971	133,881	178,412	200,952	202,648	203,069	177,246	167,333	194,851
Finance/Insurance/ Real Estate	79,211	93,235	111,517	119,523	124,102	132,147	147,971	107,422	97,437	160,305
Wholesale Trade	406,648	440,462	397,151	420,219	387,493	330,119	296,915	267,431	307,256	342,940
Retail - Building Materials	76,712	81,862	106,469	121,668	126,049	123,614	121,370	118,540	129,355	125,398
Retail - General Merchandise	169,662	177,619	177,398	172,976	174,533	171,822	157,805	172,575	181,597	196,058
Retail - Food	102,616	115,244	119,163	116,215	119,386	120,665	123,013	97,775	94,982	62,765
Retail - Automotive	444,669	536,901	605,957	646,465	735,329	677,707	695,179	817,745	783,160	861,607
Retail - Apparel	259,463	285,936	280,433	278,547	276,693	259,129	265,228	295,520	322,956	402,790
Retail - Furniture & Accessories	319,607	398,327	443,302	531,180	549,796	419,119	383,703	415,293	437,142	430,400
Retail - Restaurants	147,424	155,031	157,134	172,781	188,691	190,099	212,697	222,758	235,850	251,313
Retail - Miscellaneous	267,835	293,288	312,807	338,546	351,238	342,339	337,706	333,306	345,375	327,865
Services - Hotels	84,178	92,618	103,691	106,820	116,160	101,516	92,230	93,888	93,049	95,563
Services - Business	196,304	217,801	241,796	258,360	256,659	220,840	198,863	200,553	165,596	300,434
Services - Other	184,860	203,131	222,456	243,488	284,368	293,049	295,172	260,714	270,128	204,934
All Other Categories	20,748	23,656	28,192	32,197	38,680	37,030	34,703	37,684	42,157	1,036
Total sales	$3,182,403	$3,642,612	$3,951,271	$4,407,286	$4,724,293	$4,217,494	$4,074,500	$4,085,175	$4,252,106	$4,750,445

SOURCE: WA St. Dept of Revenue Quarterly Business Review reports

(A) The City is prohibted by law from reporting individual sales tax payers
(B) Effective 2005, the Department of Revenue began reporting by NAICS code instead of by SIC Code. Previous years were not adjusted.

Table 8

SALES TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

(dollars in thousands)

	Year									
	1996	**1997**	**1998**	**1999**	**2000**	**2001** [A]	**2002**	**2003**	**2004**	**2005**
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 [C]	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%
Transit - King County (METRO)	0.600%	0.600%	0.600%	0.600%	0.600%	0.800%	0.800%	0.800%	0.800%	0.800%
Criminal Justice tax (0.10% total) [B]										
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%
Remaining 90% shared based upon 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%
Total Local Rate	1.700%	1.700%	1.700%	1.700%	1.700%	1.900%	1.900%	1.900%	1.900%	1.900%
City of Bellevue share										
City of Bellevue regular rate	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%
City of Bellevue optional rate	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%
City of Bellevue 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	0.769%	0.769%	0.769%	0.769%	0.769%	0.969%	0.969%	0.969%	0.969%	0.969%
State of Washington	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%
Sound Transit (RTA)	0.400%	0.400%	0.400%	0.400%	0.400%	0.400%	0.400%	0.400%	0.400%	0.400%
Total Sales tax rate	8.600%	8.600%	8.600%	8.600%	8.600%	8.800%	8.800%	8.800%	8.800%	8.800%

Table 8

(A) Effective 4/1/01, King County Metro increased transit portion of sales tax by two tenths of a percent.
(B) Criminal justice tax is one tenth of one percent (0.10%) of the gross sale. Ten percent (10%) of this is paid directly to King County, and the remaining 90% is shared between cities within the county. King County retains the portion for unincorporated areas within the county,
In 2005, the City's population was 115,500, and the County's population was 1,808,300. Bellevue represented 6.39% of the total population of King county and as such would receive .006 percent of this tax.
(C) 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 one half of one percent (0.5%). The City collects the maxmimum amount allowed of this tax.

SOURCE:
King County Population Data - King County CAFR
Tax rates - WA St. Dept of Revenue and City of Bellevue City Code

Table 9

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY*
Last Ten Fiscal Years

(dollars in thousands, except tax rate)

	Assessed and Estimated Actual Value						
Fiscal Year	Real Property	Personal Property	State Public Service Property	Exemptions	Non-Taxable	Grand Total	Total Direct Tax Rate
1996	$10,303,275	$689,127	$352,075	$116,368	$741,036	$10,487,073	$2.18
1997	11,060,879	776,867	317,958	117,174	792,330	$11,246,200	2.20
1998	12,536,824	847,575	325,149	90,972	762,820	$12,855,756	2.07
1999	13,821,754	785,771	438,788	101,062	835,717	$14,109,534	1.83
2000	16,279,942	904,616	482,035	100,780	954,578	$16,611,235	1.71
2001	18,431,872	912,648	420,238	102,479	1,126,643	$18,535,636	1.48
2002	19,191,297	1,122,574	437,046	108,794	1,152,622	$19,489,501	1.39
2003	19,947,485	957,967	367,378	110,834	1,236,002	$19,925,994	1.35
2004	20,794,647	1,082,560	414,532	119,487	1,315,220	$20,857,032	1.34
2005	22,643,266	1,034,980	383,509	116,021	1,421,898	$22,523,836	1.23

* Real, personal, and state public service property have been assessed at 100% of the estimated value.

NOTE: These figures represent Bellevue's total 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						
				TAX RATES PER $1,000 OF ASSESSED VALUATION					
1996	1.83	0.35	2.18	$ 3.31	$ 2.21	$ 3.50	$ 0.29	$ 0.87	$ 12.36
1997	1.86	0.34	2.20	3.46	2.13	3.52	0.28	0.87	12.46
1998	1.75	0.32	2.07	3.28	1.85	3.51	0.26	0.60	11.57
1999	1.59	0.24	1.83	2.99	1.77	3.36	0.24	0.88	11.07
2000	1.50	0.21	1.71	2.72	1.69	3.30	0.22	0.86	10.50
2001	1.34	0.14	1.48	2.32	1.55	3.15	0.19	0.81	9.50
2002	1.26	0.13	1.39	2.14	1.45	2.99	0.19	0.78	8.94
2003	1.22	0.13	1.35	2.23	1.35	2.90	0.26	0.79	8.88
2004	1.21	0.13	1.34	2.16	1.43	2.76	0.25	0.78	8.72
2005	1.16	0.07	1.23	1.89	1.38	2.70	0.25	0.76	8.21

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

			2005		1996		
Rank	Taxpayer	Type of Business	2005 Assessed Valuation (In Millions)	Percentage of Total Assessed Valuation [(A)]	Rank	1996 Assessed Valuation (In Millions)	Percentage of Total Assessed Valuation
1.	The Boeing Company	Aerospace	$274.68	1.15%	4	89.09	0.79%
2.	Bellevue Square Managers Inc						0.00%
	formerly North Coast Mortgage	Land management	272.38	1.14%	1	89.09	0.79%
3.	Spieker Properties	Real estate acquisition	271.82	1.13%	(B)	-	0.00%
4.	Puget Sound Energy	Utility services	182.11	0.76%	10	25.41	0.22%
5.	Bellevue Place	Property management	155.29	0.65%	2	98.24	0.87%
6.	Three Bellevue Center LLC	Property management	99.62	0.42%	(B)	-	0.00%
7.	Property Tax Department	Property management	99.27	0.41%	(B)	-	0.00%
8.	National Tax Search	Property Management	91.86	0.38%	(B)	-	0.00%
9.	Essex Property Trust	Property management	80.45	0.34%	(B)	-	0.00%
10.	BRE Properties	Property management	77.29	0.32%	(B)	-	0.00%
	Wright Runstad & Company	Property management	-	0.00%	3	92.08	0.81%
	Northwestern Mutual Life Insurance	Insurance		0.00%			
			-		5	71.00	0.63%
	Bellevue Associates	Property management	-	0.00%	6	69.98	0.62%
	Safeway Stores, Inc.	Regional food distribution	-	0.00%	7	55.20	0.49%
	Qwest	Telecommunications	-	0.00%	8	51.08	0.45%
	Bellevue Convention Center	Convention services and facilities	-	0.00%	9	30.32	0.27%
			$1,604.76	6.70%		$671.50	5.94%

(A) 2005 assessed valuations for 2006 tax collection. Total 2005 assessed valuation, in millions, is $23,957
(B) Taxpayer was not a principal taxpayer in 1996.
Source: King County Assessor's office

Table 12

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

(dollars in thousands)

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the levy		Collected in subsequent year	Total Collections to date	
		Amount	Percentage		Amount	Taxes
1996	$23,395	$23,237	99.32%	$158	$ 23,395	100.00%
1997	24,607	24,340	98.91%	267	24,607	100.00%
1998	25,180	24,527	97.41%	651	25,178	99.99%
1999	24,913	24,445	98.12%	468	24,913	100.00%
2000	25,691	25,350	98.67%	339	25,689	99.99%
2001	26,124	26,295	100.65%	(179)	26,116	99.97%
2002	27,428	26,798	97.70%	442	27,240	99.31%
2003	27,815	27,223	97.87%	418	27,641	99.37%
2004	28,034	27,577	98.37%	317	27,894	99.50%
2005	27,354	26,885	98.29%	-	26,885	98.29%

Sources/notes:

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

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

C) Collection amounts were unavailable for 1996- 2001. The amounts presented on this table include omits and levy changes in additon to collections.

Table 13

RATIO OF OUSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(Dollars in thousands, except per capita)

	Governmental Activities						Business Type Activities					
Fiscal Year	General obligation bonds	Special assessments	Conditional sales contracts	Leases	PWTF loans	Line of credit	General obligation bonds	Revenue bonds	PWTF loans	Total primary government	Percentage of personal income	Per capita
1996	$41,110	$13,690	$4,607	$74	$733	$-	$-	$19,500	$2,246	$81,960	2.42%	$790
1997	37,490	12,370	5,364	-	672	-	-	18,290	2,096	76,282	2.13%	728
1998	33,925	10,305	5,615	-	610	-	4,310	16,545	1,939	73,249	1.81%	693
1999	28,280	9,654	4,249	-	549	-	4,295	15,205	1,785	64,017	1.43%	603
2000	25,590	8,140	3,517	82	488	-	4,275	13,770	1,630	57,492	1.18%	523
2001	22,770	7,275	3,216	248	427	-	4,245	12,235	1,477	51,893	1.06%	465
2002	30,995	6,134	1,195	102	366	-	4,205	9,933	1,321	54,251	1.05%	464
2003	28,775	5,197	1,018	21	305	-	4,155	8,751	1,165	49,387	0.95%	424
2004	129,853	4,404	3,319	-	244	13,818	4,095	6,163	1,009	162,905	2.84%	1,398
2005	127,198	3,481	1,793	-	183	18,218	4,025	5,025	853	160,776	N/A	1,392

(A) Sources: Bellevue Department of Planning and Community Development 2000 Population is based on the year 2000 Census figure released in March 2001.

(B) Details regarding the city's oustanding debt can be found in the notes to the financial statements.

(B) See Schedule of Demographic and Economic Statistics, Table 18, for personal income and population data.

Table 14

RATIO OF GENERAL BONDED DEBT OUSTANDING

Last Ten Fiscal Years

(dollars in thousands, except per capita)

Fiscal Year	Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Percentage of estimated actual taxable value of property(B)	Net Bonded Debt per Capita (A)
1996	$ 41,110	$ 2,727	$ 38,383	0.37%	$ 370
1997	37,490	2,900	34,590	0.31%	330
1998	38,235	3,030	35,205	0.27%	333
1999	32,575	3,097	29,478	0.21%	278
2000	29,865	3,102	26,763	0.16%	244
2001	27,015	2,412	24,603	0.13%	221
2002	35,200	2,699	32,501	0.17%	278
2003	32,930	2,401	30,529	0.15%	262
2004	132,895	2,505	130,390	0.63%	1,119
2005	130,210	1,560	128,650	0.57%	1,114

(A) See table 18 for population statistics.

(B) See table 9 for property value statistics.

Table 15

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

December 31, 2005

(dollars in thousands)

Jurisdiction	Gross General Obligation Debt Outstanding (A)	Percentage Applicable to Bellevue (B)	Amount Applicable to Bellevue
City of Bellevue	$ 130,209	100.00%	$ 130,209
School District #405	256,890	75.07%	192,847
King County	900,160	8.89%	80,024
School District #411	198,075	12.18%	24,126
Port of Seattle	380,225	8.89%	33,802
Library District	86,295	14.50%	12,513
School District #403	212,085	2.74%	5,811
School District #414	172,845	1.19%	2,057
Fire District #10	2,080	1.58%	33
Hospital District #2	187,425	0.05%	94
Issaquah Library Capital Facility Area	6,740	0.55%	37
Fire District #34-2	550	0.22%	1
Total other jursidictions	2,403,370	14.62%	351,344
Total Direct and Overlapping Debt	$ 2,533,579	19.01%	$ 481,553

(A) Total general obligation bonds outstanding on December 31, 2005 exclusive of refunded bonds. Source: King County Department of Finance.

(B) Determined by ratio of 2005 assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in reporting unit.

Table 16

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(dollars in thousands)

	1996	1997	1998	1999	2001	2002	2003	2004	2005
Debt Limit	$848,115	$911,679	$1,023,888	$1,123,512	$1,477,840	$1,552,227	$1,590,930	$1,666,024	$1,796,739
Total net debt applicable to limit	77,674	73,831	74,697	65,281	56,417	60,598	120,530	192,005	184,880
Legal debt margin	$770,441	$837,848	$949,191	$1,058,231	$1,421,423	$1,491,629	$1,470,400	$1,474,019	$1,611,858
Total net debt applicable to the limit as a percentage of debt limit	9.16%	8.10%	7.30%	5.81%	3.82%	3.90%	7.58%	11.52%	10.29%

Legal Debt Margin Calculation for fiscal year 2005

Description	Councilmanic Debt (Non-Voted)	Voted Debt	General Purpose Indebtedness [B]	Excess Levy Open Space and Park	Excess Levy Utility Purposes	Total Debt Capacity
Assessed Value (A)	23,956,514	23,956,514	23,956,514	23,956,514	23,956,514	23,956,514
Statutory debt limit percentages:	1.50%	1.00%	2.50%	2.50%	2.50%	7.50%
Debt limit	$359,348	$239,565	$598,913	$598,913	$598,913	$1,796,739
Debt applicable to limit						0
Bonds outstanding	126,180	449	126,629	3,581	-	130,210
Capital Lease BCCA -1991	9,178		9,178			9,178
Capital Lease BCCA -1994	12,575		12,575		-	12,575
Installment Sales Contracts	1,793		1,793			1,793
Line of Credit	32,700		32,700			32,700
Less:						
Cash on hand for debt redemption [C]	-	124	124	1,425	-	1,549
Delinquent taxes [D]	-	3	3	23	-	26
Total Net Debt applicable to limit	182,426	322	182,748	2,132	-	$184,880
Remaining Debt Capacity	$176,922	$239,243	$416,165	$596,781	$598,913	$1,611,858

Table 16

[(A)]This figure represents the City's final assessed valuation for 2005 which will be used to determine the 2006 property tax levy.
[(B)]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 Governmental Accounting Standards Board (GASB) 1994 Codification.
[(C)]Includes year-end balances available in the Regular and Special Levy Redemption funds designated for future redemption of the associated bonds less bond interest payments due through 3-31-06.
[(D)]Delinquent property taxes receivable. Since State law provides for the sale of property to satisfy delinquent tax liens, no allowance has been made for uncollectible amounts.
Source: Materials prepared for State Schedule 10 – Summary of Limitation of Indebtedness for year ending 12/31/05.
In accordance with State of Washington RCW 39.36.60, does not include DCTED Public Works Trust Fund Loans.

Table 17

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years
(dollars in thousands)

	Utility Revenue Bonds							Special Assessment Bonds				
			Net Revenue	Debt Service Requirements [C]				Special				
Fiscal	Gross		Available for					assessment	Debt Service			
Year	Revenue [A]	Expenses [B]	Debt Service	Principal	Interest	Total	Coverage [D]	collections	Principal	Interest	Total	Coverage
1996	$48,772	$35,048	$13,724	$3,490	$5,040	$8,530	1.61	$1,278	$-	$886	$886	1.44
1997	50,923	36,394	14,529	3,522	5,146	8,668	1.68	1,488	-	892	892	1.67
1998	54,049	41,527	12,522	3,845	5,259	9,104	1.38	1,138	-	892	892	1.28
1999	56,359	42,711	13,648	3,442	5,277	8,719	1.57	1,104	125	892	1,017	1.09
2000	62,346	43,467	18,879	3,908	5,472	9,380	2.01	1,121	810	901	1,711	0.66
2001	60,919	46,129	14,790	3,412	5,647	9,059	1.63	796	905	848	1,753	0.45
2002	68,971	49,622	19,349	3,179	6,163	9,342	2.11	1,069	201	48	249	4.29
2003	73,169	54,181	18,988	3,104	5,919	9,023	2.10	973	205	36	241	4.04
2004	75,666	54,038	21,628	3,475	6,048	9,523	2.27	718	727	354	1,081	0.66
2005	81,465	57,256	24,209	3,022	6,257	9,279	2.61	870	706	302	1,008	0.86

(A) Gross revenues as defined in applicable bond indentures for the Waterworks Utility, and the Bellevue Convention Center Authority, excluding gain on sale of assets.

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

(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. The coverage factors for the individual enterprises in 2005 are: Water, 17.73 , Storm 4.92, Marina 0.60 and Bellevue Convention Center Authority, 0.39.

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	Unemploym Rate	CPI-U%
1996	103,700	$ 32,594	$ 3,379,998	37	44,392	15,533	87,500	3.6%	3.4%
1997	104,800	34,253	3,589,714	37	44,858	15,479	95,000	2.4%	3.5%
1998	105,700	38,241	4,042,074	38	46,000	15,391	121,000 *	2.2%	2.9%
1999	106,200	42,218	4,483,552	38	46,441	15,070	125,000	2.3%	3.0%
2000	109,827**	44,437	4,880,382	38	46,990	15,260	131,000	2.6%	3.7%
2001	111,500	43,841	4,888,272	38	51,000	15,264	125,000	3.8%	3.6%
2002	117,000	44,313	5,184,621	38	51,956	15,362	130,000	4.7%	1.9%
2003	116,400	44,482	5,177,705	39	49,027*****	15,396	125,000	6.8%	1.6%
2004	116,500	49,286	5,741,819	39	49,119	15,718	125,000	5.4%	1.2%
2005	115,500	***	***	39	48,413	16,215	131,000	4.7%	2.8%

Sources: Population and Number of Households data was provided by the Washington State Office of Financial Management.
Per Capita Personal Income data was provided by US Bureau of Economic Analysis. Estimates are for King Coutny, in which Bellevue is located. Bellevue data is not available. Personal income estimates are based on multiplying the population of Bellevue by the per capita personal income estimate for King County.
Median Age and Number of Jobs were provided by the City of Bellevue – Department of Planning and Community Development
Public School Enrollment was provided by the Bellevue School District.
Unemployment Rate was provided by the Washington State – Employment Security Department.
Beginning in 1998 CPI-U% was provided by the U.S. Department of Labor – Bureau of Labor Statistics reporting year-end statistics for Seattle-Tacoma-Bremerton area. Prior years' CPI-U%'s were calculated by averaging the first and second half-year index changes.

*The Number of Jobs figures for 1998 and thereafter is based on a revised methodology that provides for more accuracy. Prior years figures were not restated.

**Population is based on the year 2000 Census figure released in March 2001. Year 2000 calculations of Per Capita Income, Median Age, Number of Households, and Education Level in Years, were based on a year 2000 population estimate of 106,400.

*** Data not available at time of publication

*****Number of households for 2003 provided by the Washington State OFM and are housing units multiplied by occupancy rates. Prior years figures would have been somewhat lower based on occupancy rates.

Table 19

PRINCIPAL EMPLOYERS

Current Year and nine years ago

			2005		1996 (B)		
Rank	Employer	Type of Business	Employees	Percentage of Total City Employment	Rank	Employees	Percentage of Total City Employment
1.	Boeing Shared Services Group	Aerospace	2,800	2.14%			0.00%
2.	T-Mobile USA	Cellular telephones	2,400	1.83%			0.00%
3.	Overlake Hospital Medical Center	Medical hospital	2,200	1.68%			0.00%
4.	Bellevue School District	Education K-12	2,000	1.53%		1,768	2.02%
5.	City of Bellevue	Government	1,600	1.22%		1,456	1.66%
6.	Verizon Wireless	Cellular telephones	1,500	1.15%			0.00%
7.	Bellevue Community College	Higher Education	1,300	0.99%		900	1.03%
8.	Expedia Inc.	Online Travel	1,300	0.99%			0.00%
9.	Symetra	Financial services	900	0.69%			0.00%
10.	Puget Sound Energy	Utility services	900	0.69%			0.00%
			16,900	12.90%		4,124	4.71%

(A) Number of jobs data was provided by City of Bellevue Department of Planning and Community Development
Number of jobs for 2005 and 1996 (B) were 131000 and 87500 respectively.

Source: Planning and Community Development office

(B) Data for 1996 was primarily unavailable and as a result, no ranking is applied. For those employers where data was available, employee counts were provided.

Table 20

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General Government	272	266	280	309	313	319	319	321	327	322
Public Safety										
Police										
Officers	166	166	166	166	166	174	173	176	174	170
Civilians	91	93	93	94	94	102	103	100	97	100
Fire										
Firefighters and officers	172	174	173	172	177	178	185	194	198	198
Civilians	17	18	18	21	21	20	21	26	21	21
Transportation	145	146	148	130	135	136	136	132	130	127
Culture and recreation	125	128	129	148	174	177	178	176	173	172
Water	58	58	58	59	60	60	60	58	63	63
Sewer	35	35	35	35	35	35	36	37	39	38
Storm drainage	44	44	44	44	44	45	45	44	44	44
Total	1,125	1,127	1,143	1,177	1,218	1,245	1,255	1,263	1,265	1,254

Source: City of Bellevue Budget Office

General government FTEs increased due to increases in Information Technology and Development services staffing

Table 21

OPERATING INDICTATORS BY FUNCTION

Last Ten Fiscal Years

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Function:										
Public Safety/Judicial:										
Police:										
Offenses:										
Rape	28	19	30	15	17	21	26	28	38	29
Robbery	59	65	62	42	60	59	48	66	75	49
Homicide	3	9	1	-	-	-	-	-	-	2
Assault	951	784	773	787	756	830	758	850	693	420
Auto Theft	395	449	356	440	502	539	545	588	608	567
Burglary	602	625	490	504	470	535	605	518	680	595
Larceny	4,158	4,110	3,562	3,579	3,397	3,431	3,348	3,213	3,570	3,503
Citations										
Traffic	24,018	24,333	28,928	29,717	32,399	28,760	28,070	30,314	23,129	24,370
Criminal	3,885	3,672	3,631	3,002	2,661	2,919	2,687	2,863	2,335	2,033
Judicial System:										
Handled by District Court	19,954	28,005	32,559	32,719	35,060	31,679	30,757	33,177	25,464	26,403
Fire:										
First Response:										
Buildings	135	106	115	184	171	177	175	182	162	135
Non-Buildings	303	332	345	330	325	305	272	533	242	257
Service	679	534	544	543	346	549	460	519	503	418
False Alarm	1,422	1,315	1,549	1,069	980	1,863	1,567	1,420	1,476	1,466
Other	998	877	964	823	818	1,075	1,011	2,629	1,053	892
Medic 1 Responses:										
First Aid	10,682	11,153	11,728	7,212	7,571	12,357	11,668	11,797	12,218	12,381
Runs/Week	205	214	226	139	146	238	224	227	235	238

Table 21
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	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Function:										
Transportation:										
Area of roadway repaired (sq. ft)	30,419	26,500	24,508	28,251	21,314	27,087	28,196	4,008	8,295	4,981
Miles of streets swept	7,201	6,241	7,616	6,613	4,992	5,988	5,599	5,214	5,532	4,746
Area of sidewalk repaired (sq ft)	8,642	9,732	10,901	6,744	6,806	8,209	10,708	7,280	10,225	8,923
Physical/Economic environment:										
Building permits issued	8,748	9,447	9,711	10,329	10,513	9,511	9,971	10,352	10,404	12,389
Estimated value (In Millions $)	144	313	387	466	330	427	198	190	255	346
Culture and recreation										
Number of rounds of golf played	81,907	93,265	87,532	80,001	83,904	83,415	81,444	76,237	73,059	69,625
Vists to recreation centers for youth programs	450,565	434,881	431,870	396,904	390,196	550,270	664,404	605,312	N/A	N/A
Water utility:										
Water Consumption (in CCF)	6,534	6,410	6,800	6,844	6,859	6,545	6,581	6,962	7,242	6,814
Number of customers:										
Residential	28,741	29,129	29,459	29,790	30,065	30,237	30,332	30,460	33,912	34,210
Multi-Residential	524	530	542	545	545	554	558	561	658	657
Commercial	1,936	1,970	1,992	2,001	2,014	2,012	2,025	2,029	2,264	2,191
Total Number of customers	31,201	31,629	31,993	32,336	32,624	32,803	32,915	33,050	36,834	37,058
Water consumption peak in a day (millions of gallons)	31	31	33	28	30	24	27	34	35	31
Water consumption peak in a month (millions of gallons)	789	779	808	687	768	632	741	888	860	811
Sewer Utility:										
Sewer Consumption (in CCF)	5,184	5,208	5,332	5,530	5,311	5,253	5,062	5,030	5,256	5,272
Number of customers:										
Residential	28,548	28,764	29,067	29,389	29,726	29,954	30,069	30,242	32,764	32,874
Multi-Residential	544	551	562	564	566	576	578	582	660	655
Commercial	1,677	1,676	1,691	1,698	1,684	1,693	1,693	1,690	1,795	1,806
Total Number of customers	30,769	30,991	31,320	31,651	31,976	32,223	32,340	32,514	35,219	35,335

Table 21

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Function:										
Storm Drainage utility:										
Number of customers:										
Residential	26,046	26,242	26,256	26,462	26,742	27,753	27,838	27,875	27,903	27,931
Multi-Residential	467	468	475	476	479	497	498	503	535	530
Commercial	1,793	1,805	1,827	1,835	1,831	1,855	1,867	1,864	1,975	1,984
Total Number of customers	28,306	28,515	28,558	28,773	29,052	30,105	30,203	30,242	30,413	30,445

* No operating indicators are available for general government & Marina

Table 22

CAPITAL ASSETS BY FUNCTION

Last Ten Fiscal Years

Function	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Public Safety:										
Police										
Traffic/Patrol units	15	23	28	36	48	56	63	70	69	73
Fire										
Fire Stations	9	9	9	9	9	9	9	9	9	9
Fire apparatus	18	21	23	23	25	26	25	29	27	28
Fire aid units	10	10	10	10	13	13	10	10	10	10
Transportation:										
Paved streets (miles)	365	366	366	372	374	384	384	396	389	384
Sidewalks (miles)	271	277	280	285	288	297	303	308	308	319
Traffic Signals	152	154	158	160	161	166	173	173	173	177
Streetlights owned by City of Bellevue	2,149	2,199	2,395	2,574	2,574	2,584	2,685	2,734	2,810	2,926
Streetlights owned by Puget Sound Energy	4,023	4,073	4,165	4,170	4,192	4,448	4,504	4,562	4,644	5,148
Culture and Recreation/Marina:										
Parks acreage	2,194	2,208	1,711	1,711	1,711	1,711	2,009	2,104	2,119	2,600
Parks	54	55	63	63	72	74	76	77	77	77
Maintained Trails (miles)	NA	NA	40	40	50	54	57	60	64	69
Playgrounds	NA	NA	35	36	36	36	44	45	45	45
Tennis Courts/Centers	51	53	34	36	36	36	35	39	39	39
Sports fields	NA	NA	30	32	32	32	32	32	32	32
Sports courts	NA	NA	20	20	20	20	23	27	27	27
Swimming beaches/pools	7	7	6	7	7	7	7	7	7	7
Vistor/Interpretive Centers	NA	NA	2	2	2	2	2	2	2	3
Community Centers/Recreation facilities	5	6	4	4	4	4	4	4	4	5

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	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Golf Courses	5	5	2	2	2	2	2	2	2	2
Marinas/Boat launches	-	-	-	-	2	2	2	2	2	2
Water:										
Water mains (miles)	574	579	583	588	555	560	563	616	617	618
Vehicles	14	15	19	22	27	31	32	42	42	43
Sewer:										
Sanitary sewers (miles)	473	478	482	487	485	486	488	520	520	520
Vehicles	15	19	24	24	27	32	33	36	40	43
Storm Drainage										
Vehicles	10	10	13	13	15	20	22	24	25	26

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

CITY OF BELLEVUE WASHINGTON