

CITY OF EVERETT

Everett, Washington

Comprehensive Annual Financial Report
For the Year Ended December 31, 2012



**CITY OF EVERETT,
WASHINGTON**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

DECEMBER 31, 2012

**CHIEF FINANCIAL OFFICER
DEBRA BRYANT**

PREPARED BY

DEPARTMENT OF FINANCE

CHIEF ADMINISTRATIVE OFFICER

Debra L. Bryant, CFO

FINANCE MANAGER/TREASURER

Susannah J. Haugen, MSF

ACCOUNTING SUPERVISOR

Young M. Lee, CPA

FINANCIAL ANALYST

Rae Ann Weighter, CPA

MARY LAMB, CPA

AYMAN HANNA

FINANCIAL ACCOUNTANT

Dan LeFree, CPA

ACCOUNTING TECHNICIAN

Jeffrey Coomber

Anna Pankevich

Wai Poon

*For comments or questions, contact:
City of Everett, Accounting Division
425.257.8604*

TABLE OF CONTENTS

<u>INTRODUCTORY SECTION</u>	<u>PAGE</u>
Table of Contents	i
Letter of Transmittal	1
Principal Officials.....	5
Organization Chart	6
Certificate of Achievement for Excellence in Financial Reporting	7
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report.....	9
Management's Discussion and Analysis	12
<i><u>Basic Financial Statements</u></i>	
Government Wide Financial Statements:	
Statement of Net Position	25
Statement of Activities	26
Fund Financial Statements:	
Balance Sheet - Governmental Funds	28
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	29
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	31
Statement of Net Position – Proprietary Funds	32
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	33
Statement of Cash Flows – Proprietary Funds.....	34
Statement of Fiduciary Net Position – Fiduciary Funds	36
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	37
Notes to the Financial Statements	38
<i><u>Required Supplementary Information</u></i>	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual General Fund.....	83
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Capital Improvement Reserve Fund	84
Note A – Explanation of Difference between Budgetary Revenues and Expenditures and GAAP Revenues and Expenditures	85
Pension Funds.....	86
Other Post Employment Benefit Funds	87
<i><u>Combining and Individual Fund Statements and Schedules</u></i>	
Governmental Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	89
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	90
Combining Balance Sheet – Nonmajor Special Revenue Funds	91
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	95
Combining Balance Sheet – Nonmajor Debt Service Funds.....	99

<u>FINANCIAL SECTION (continued)</u>	<u>PAGE</u>
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Debt Service Funds	100
Combining Balance Sheet – Nonmajor Capital Project Funds	101
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Project Funds	103
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	
Parks & Recreation Fund	105
Library Fund	106
Community Theater Fund	107
Conference Center Fund	108
General Government Special Projects Fund	109
Street Improvement Fund	110
Streets Fund	111
Motor Vehicle Equipment Replacement Fund	112
Motel Tax Fund	113
Downtown Improvement Fund	114
Cumulative Reserve Real Property Acquisition Fund	115
Property Management Fund	116
Cumulative Reserve Parks Fund	117
Senior Center Reserve Fund	118
Animals Fund	119
Cumulative Reserve Library Fund	120
Emergency Medical Services Fund	121
Real Estate Excise Tax Fund	122
Criminal Justice Fund	123
Traffic Mitigation Fund	124
Contingency Reserve Fund	125
CHIP Loan Program Fund	126
Community Development Block Grants Fund	127
Bond Redemption Fund	128
LID Guaranty Fund	129
Consolidated LID Bond Redemption Fund	130
 Proprietary Funds:	
Combining Statement of Net Position – Nonmajor Enterprise Funds	131
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Nonmajor Enterprise Funds	132
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	133
Combining Statement of Net Position – Internal Service Funds	135
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Funds	137
Combining Statement of Cash Flows – Internal Service Funds	139
 Fiduciary Funds:	
Combining Statement of Fiduciary Net Position – Trust Funds	141
Combining Statement of Fiduciary Net Position – Agency Funds	142
Combining Statement of Changes in Fiduciary Net Position – Trust Funds	143
Statement of Changes in Assets and Liabilities – Agency Funds	144

<u>STATISTICAL SECTION</u>	<u>PAGE</u>
Statistical Section Overview	145
Financial Trends:	
Net Position by Component – Last Ten Fiscal Years	146
Changes in Net Position – Last Ten Fiscal Years	147
Fund Balances of Governmental Funds – Last Ten Fiscal Years	150
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	151
General Governmental Tax Revenues by Source - Last Ten Fiscal Years	152
Revenue Capacity:	
Water Produced and Consumed & Wastewater Treated – Last Ten Fiscal Years	153
Annual Tap Sales - Last Ten Fiscal Years	154
Number of Water and Sewer Customers by Type - Last Ten Fiscal Years	155
Water and Sewer Rates – Last Ten Fiscal Years	156
Largest Water/Sewer Customers – Current Year and Nine Years Ago	157
Taxable Assessed Value and Estimated Actual Value of Property – Last Ten Fiscal Years	158
Property Tax Levies and Collections - Last Ten Fiscal Years	159
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	160
Principal Property Tax Payers – Current Year and Nine Years Ago	161
Debt Capacity:	
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	162
Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years	163
Direct and Overlapping Governmental Activities Debt	164
Legal Debt Margin Information – Last Ten Fiscal Years	165
Pledged-Revenue Coverage – Last Ten Fiscal Years	166
Demographic and Economic Information:	
Demographic and Economic Statistics – Last Ten Fiscal Years	167
Principal Employers – Current Year and Five Years Ago	169
Operating Information:	
Full-Time Equivalent City Government Employees by Function – Last Ten Fiscal Years	170
Operating Indicators by Function/Program – Last Seven Fiscal Years	171
Capital Asset Statistics by Function/Program – Last Seven Fiscal Years	174
 <u>SINGLE AUDIT SECTION</u>	
Schedule of Expenditures of Federal Awards	177
Schedule of State and Local Financial Assistance	179
Notes to the Schedule of Expenditures of Federal Awards and State/Local Financial Assistance	180



This page is intentionally left blank.

June 24, 2013

Mr. Ray Stephanson, Mayor and
Everett City Council
City of Everett
Everett, Washington

Dear Mayor Stephanson and City Council Members:

The City of Everett Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2012, is hereby submitted.

The CAFR consists of management's representations concerning the finances of the City of Everett (City). Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, City management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls is designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

The City's financial statements have been audited by the Washington State Auditor's Office. The independent auditor issued an unqualified ("clean") opinion that the City of Everett's financial statements, for the fiscal year ended December 31, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the City's financial statements is part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The City's Single Audit Report is issued separately and is available upon request.

Another state mandate requires the Washington State Auditor's Office perform additional tests of compliance with state laws and regulations as required by the Revised Code of Washington (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the City complied with the laws and the Constitution of the State of Washington, its own ordinances and orders, and the requirements of the State Auditor's Office. The City's State compliance report is also available separately upon request.

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

THE CITY OF EVERETT AND ITS SERVICES

The City of Everett was incorporated on May 4, 1893. Located at the mouth of the Snohomish River, Everett is 28 miles north of Seattle and 85 miles south of the Canadian border. The City, built along the

shores of Port Gardner Bay, encompasses roughly 42 square miles of land and is bordered by 10 miles of freshwater and 11 miles of saltwater shoreline. The City currently serves a population of 103,300.

Everett operates under a Mayor-Council form of government. Under its charter, it has all powers granted to like cities by the Constitution and laws of the State of Washington. The City is a general purpose governmental entity and provides the full range of municipal services allowed by statute or charter. These services include police, fire, emergency medical, street maintenance, planning and zoning, libraries, parks and recreation, and general administrative services. In addition to its general government services, the City operates five enterprises: water and sewer utility, solid waste (recycling) utility, two golf courses, a transit system, and a parking garage.

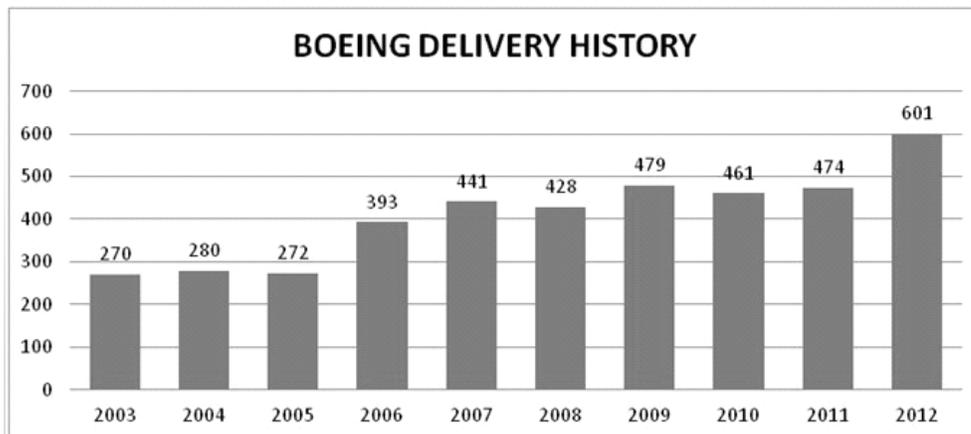
The City also includes, as part of its reporting entity, the Industrial Development Corporation, a nonprofit corporation authorized to facilitate the issuance of tax-exempt, nonrecourse revenue bonds, and the Everett Public Facilities District (EPFD), a municipal corporation of the State of Washington established to finance, design, construct, operate, and maintain Comcast Arena at Everett. Additional information on these separate legal entities can be found in Note 1A in the Notes to the Financial Statements.

The annual budget serves as the foundation for the City's financial planning and control. The City Council is required to adopt a final budget prior to the start of the ensuing fiscal year and prior to the expenditure of any City funds. Budgetary controls are maintained to ensure compliance with legal provisions embodied in the annual appropriated budget. With the exception of construction funds, which receive project-life budget authority through plans and systems ordinances, activities of all City funds are included in the annual budget process. A budget increase or decrease to a fund must be authorized by the City Council via ordinance, while appropriations within a fund may be moved internally with the Mayor's approval.

LOCAL ECONOMY

Though there are definite signs of improvement, the pace of the Puget Sound Region's economic recovery remains slow. The weak housing market and layoffs in the public sector continue to create headwinds against a stronger rate of growth. In 2013, economists predict that the region's taxable retail sales, employment, and personal income will grow by 5.1 percent, 2.7 percent, and 5.1 percent, respectively.

The Boeing Company, along with ancillary companies that provide goods and services to Boeing, has long played an important role in the local economy. Consequently, Boeing's production cycle has a significant impact on both City revenues and the state of the local business community. The chart below illustrates the historical volatility of Boeing's airplane deliveries. Boeing delivered 127 more planes in 2012 than in 2011—approximately 43 additional planes in Renton and 84 in Everett.



The much-anticipated deliveries of the first 787 Dreamliner and next generation 747 occurred in the 3rd and 4th quarters of 2011. Deliveries of planes from the Everett plant are expected to increase substantially as the company continues to ramp up production.

At Naval Station Everett, the USS Nimitz replaced the USS Abraham Lincoln in March of 2012.

LONG-TERM FINANCIAL PLANNING

The City uses a five-year forecasting model to plan for future budgetary impacts. On the expense side of the City's budget, maintaining a competitive compensation and benefits package in order to attract and retain a high quality workforce stands out as a challenge. On the revenue side, areas of concern include property tax growth restrictions, legislated tax shifts, and sluggish retail sales.

The City suspended contributions to the LEOFF 1 police and fire pension and OPEB (other post employment benefits) funds to assist in balancing the 2013 budget. With this action, we still expect these funds to be fully funded by 2031 – nearly three decades before obligations are complete.

In 2012, the City issued \$13,935,000 in LTGO refunding bonds. The bond proceeds were used to refund the outstanding 2003 LTGO bonds and pay for cost of issuance. Through this transaction, the City realized a net present value savings in the amount of \$2.9 million. Repayment will be from Real Estate Excise Tax.

RELEVANT FINANCIAL POLICIES

City policy requires the regular monitoring and reporting of revenues and expenditures to Administration and City Council. This regular monitoring allowed the City to take proactive measures as the economy continued to underperform in 2012, and cut back spending. Mid-year, department budgets were reduced in preparation for the continued economic downturn.

The City continues to adhere to its General Government Fund Balance Policy, adopted in 2004, that limits annual operating expenses to annual operating revenues, and targets the General Government Fund balance at 20 percent of the annual revenue forecast. Part of this policy states that revenues in excess of operating expenditures may be transferred to a capital reserve, long term obligation, or debt service fund. Because departments succeeded in curbing expenditures, the City was able to follow this policy and pre-fund four programs in its Self-Insurance Reserve Fund 503, including \$921,104 for General Government Insurance Premiums, \$1,392,316 for General Government Worker's Compensation, \$524,663 for Tort Liability, and \$43,954 for General Government Unemployment Compensation.

MAJOR INITIATIVES

Work continues to bring a four-year university to Everett. City leaders were successful in obtaining legislative approval in the 2011 legislative session for WSU to assume administration of University Center of North Puget Sound (EvCC) within the next three years. In 2012, WSU was directed by the legislature to increase its investments in engineering programming at Pullman, Bremerton and Everett thus allowing Everett to double its initial classes scheduled for September 2012 and September 2013. WSU also received capital funding for equipment at all three sites.

In 2012, City Council adopted the Central Waterfront Plan, which will guide the redevelopment of the former Kimberly Clark Mill site, which extends from the west end of the central business district to Port Gardner Bay. Demolition of the former mill structures began in mid-2012 and should be complete before the end of 2013.

Construction of the new municipal court will be complete in late 2013. The new \$8 million building will provide additional capacity for court operations.

Construction to replace the Broadway bridge will begin in 2013.

AWARDS AND ACKNOWLEDGEMENTS

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 Everett for its comprehensive annual financial report for the year ended December 31, 2011. This was the 15th consecutive year that the City has achieved this prestigious award. In order to be awarded a certificate of achievement, the City 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 preparation of this Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the Finance Department. The efforts of the Accounting Division are especially instrumental in the compilation of the information required for preparing this report. All members of the department are to be commended for their consistent dedication to excellence in local government finance. It is to their credit that the citizens of the City of Everett can rely on this report as the definitive discussion of all City financial operations.

Sincerely,

A handwritten signature in black ink that reads "Debra Bryant". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Debra Bryant, CAO-CFO

**CITY OF EVERETT
PRINCIPAL OFFICIALS**

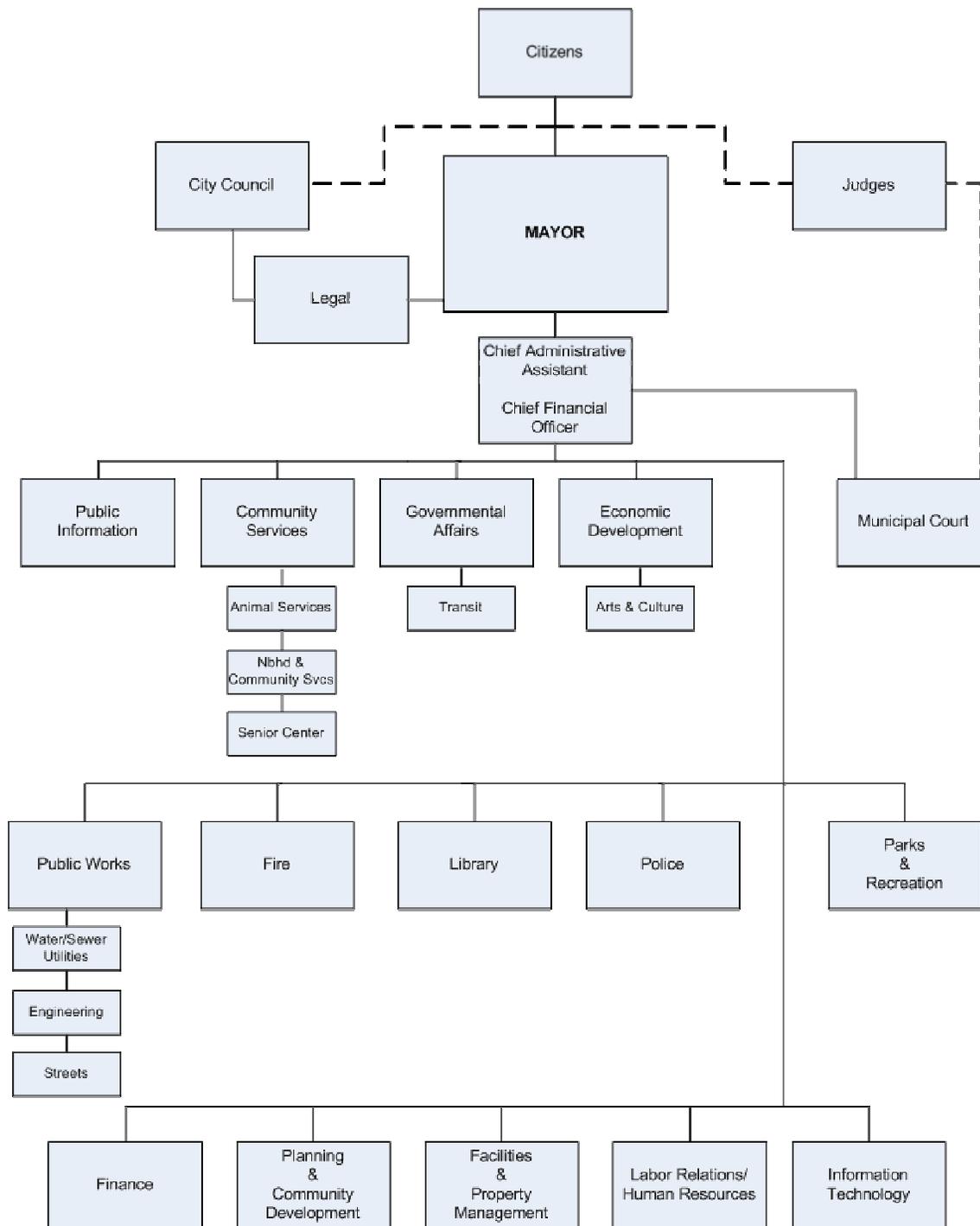
Elected Officials**Term Expires**

Mayor	12/31/13	Ray A. Stephanson
City Councilmembers:		
Position No. 1	12/31/13	Paul Roberts
Position No. 2	12/31/13	Jeff Moore
Position No. 3	12/31/13	Arlan Hatloe
Position No. 4	12/31/15	Ron Gipson
Position No. 5	12/31/15	Scott Bader
Position No. 6	12/31/15	Brenda Stonecipher
Position No. 7	12/31/15	Shannon Affholter, President

Appointed Officials

Chief Administrative Officer-Chief Financial Officer	Debra Bryant
Governmental Affairs Director	Pat McClain
Executive Administrator	Deborah Wright
Economic Development Director	Lanie McMullin
City Attorney	James D. Iles
Labor Relations/Services Director	Sharon DeHaan
Chief of Police	Kathy Atwood
Fire Chief	Murray Gordon
Parks & Recreation Director	Paul Kaftanski
Library Director	Eileen Simmons
Facilities/Property Management Director	Carlton Gipson
Engineering/Public Services Director	Dave Davis
Transportation/Transit Services Director	Tom Hingson
Planning and Community Development Director	Allan Giffen
Public Information Director	Kate Reardon
Information Technology Director	Jerry Diedrichs
City Clerk	Sharon Fuller
Finance Manager/Treasurer	Susannah Haugen

City of Everett ORGANIZATION CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Everett
Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

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.



Christopher P. Morill

President

Jeffrey R. Emer

Executive Director



This page is intentionally left blank.



**Washington State Auditor
Troy Kelley**

INDEPENDENT AUDITOR'S REPORT

June 24, 2013

Mayor and City Council
City of Everett
Everett, Washington

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Everett, Snohomish County, Washington, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

Insurance Building, P.O. Box 40021 • Olympia, Washington 98504-0021 • (360) 902-0370 • TDD Relay (800) 833-6388

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Everett, Snohomish County, Washington, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As described in Note 1, during the year ended December 31, 2012, the City has implemented the Governmental Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 24, budgetary comparison information on pages 83 through 85, pension trust fund information on page 86, and information on postemployment benefits other than pensions on page 87 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The accompanying information listed as Combining and Individual Fund Statements and Schedules on pages 89 through 144, and Single Audit Section on pages 177 through 180 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has

been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections are presented for purposes of additional analysis and are 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 do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 24, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,



TROY KELLEY
STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Everett's annual financial report provides a narrative overview of the City's financial activities for the fiscal year ended December 31, 2012. The intent of this discussion and analysis is to review the City's financial performance as a whole. Please read it in conjunction with the Letter of Transmittal, the Financial Statements, and the Notes to the Financial Statements.

2012 FINANCIAL HIGHLIGHTS

- At December 31, 2012, the City's net position, the amount by which total assets exceed total liabilities, totaled \$834.0 million. Of this amount, \$650.0 million, or 78%, is invested in capital assets. Of the remaining net position, \$138.2 million is unrestricted and may be used to meet the City's ongoing obligations.
- The overall financial position of the City has remained relatively unchanged. Business type activities' net position increased by a net of \$6.8 million as a result of higher revenues and lower expenses. Governmental type activities' net position decreased by \$7.1 million. The \$7.1 million reduction is the net result of:
 - \$2.9 million transfer to the self-insurance reserve fund
 - \$3.1 million increase in pollution remediation obligations
 - \$1.4 million increase in Police Department payroll expenditures resulting from an increase in salaries and benefits and a reduction in the number of vacant positions within the department; and
 - \$300,000 increase in revenues.
- As of December 31, 2012, the City's governmental funds reported a combined ending fund balance of \$111.5 million-- a decrease of \$9.7 million from 2011. Of this amount, \$71.0 million, or 63.6%, is available for spending at the City's discretion.
- In 2012, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The objective of this statement is to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statement in the future. In 2012, the City issued \$13.935 million in Limited Tax General Obligation Refunding Bonds to pay the cost of refunding the City's outstanding 2003 Limited Tax General Obligation Bonds, and to pay the costs of issuance of the bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The required components of the City's annual financial report include the Management's Discussion and Analysis (MD&A), the basic financial statements, and other required supplementary information. This discussion and analysis provides an overview of the City's basic financial statements, which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

In addition to the required components, the City's annual report includes other voluntary supplementary information. The additional supplementary information includes a section with combining statements that provides details about the City's non-major funds and internal service funds -- all of which are added together and presented in single columns in the basic financial statements.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Government-wide financial statements provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. They provide both short-term and long-term information about the City's financial status as a whole.

The government-wide statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities"). The City also includes the Everett Public Facilities District (EPFD) as a discretely presented component unit in its report.

A component unit is a governmental unit over which the City can exercise influence and/or may be obligated to provide a financial subsidy. The EPFD is presented in a separate column in the government-wide statements. This presentation allows users of the government-wide financial statements to focus on the primary government as well as address the City's relative relationship with the EPFD.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. The Statement of Net position serves a purpose similar to that of the Balance Sheet of a private-sector business. Over time, increases or decreases in net position may serve as one indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information on the net cost of each governmental and business-type function as well as information on how the government's net position changed during the fiscal year. This statement also separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program). By separating program revenue from general revenue, users of the financial statements can identify the extent to which each program relies on taxes for funding.

All changes in net position are reported using the accrual basis of accounting, which is similar to the accounting used by private-sector businesses. The accrual basis of accounting requires that revenues are reported when earned and expenses are reported when incurred, regardless of the timing of when cash is received or paid. For instance, uncollected taxes and unpaid vendor invoices for items received in the current fiscal year are included in the statement of activities as revenue and expense, even though the cash associated with these items will not be received or distributed until future fiscal periods.

FUND FINANCIAL STATEMENTS

While the government-wide statements look at the City as a whole and focus on types of activities (general government versus business-type activities), the fund financial statements provide a more detailed look at the City's individual major funds and combined fund types.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses funds to ensure and demonstrate fiscal accountability and compliance with finance-related legal requirements. The City's funds fall into three types: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds account for most of the City's tax-supported activities and are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, the focus of governmental fund financial statements is on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating whether there are more or less financial resources that can be spent in the near future to finance City services.

The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances present separate columns of financial data for the General Fund and the Capital Improvement Reserve Fund. These are the City's major governmental funds. Data from the remaining governmental funds are combined and presented in a single, aggregated column in the fund statements. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements following the basic financial statements.

Because the focus of governmental fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This gives readers a better understanding of the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to the governmental activities column in the government-wide statements to facilitate this comparison.

The City maintains budgetary controls over its governmental funds. Budgetary controls ensure compliance with legal provisions embodied in the annual appropriated budget. Governmental fund budgets are established in accordance with state law, and are adopted on a fund level. General Fund budget variances are reviewed later in this discussion and analysis.

Proprietary funds are used to account for the City's business-type activities where all, or part, of the costs of activities are supported by fees and charges that are paid directly by those who benefit from the activities. The fund level statements provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting. In comparing the total assets and total liabilities between the two statements, you will notice only slight differences. One notable difference is that the "due from other funds" (asset) and the "due to other funds" (liability) are combined in a single line called "internal balances" in the asset section of the government-wide statement of net position.

The City reports two types of proprietary funds: enterprise and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds are used to report activities that provide supplies and services to various City departments and to accumulate and allocate the associated costs of providing these supplies and services to the various functions. The revenues and expenses of internal service funds that are duplicated in other funds are eliminated in the government-wide statements. Because the remaining balances primarily benefit governmental, rather than business-type activities, the internal service funds are aggregated and included within governmental activities in the government-wide statements.

The Proprietary Fund Statement of Net Position and the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position present separate columns of financial data for the Water and Sewer Utility Fund and the Transit Fund. These are the City's major enterprise funds. Data from the remaining enterprise funds are combined and presented in a single, aggregated column in the fund statements. Individual fund data for each of the non-major enterprise funds, as well as the internal service funds, are provided in the form of combining statements following the basic financial statements.

Fiduciary Funds are used to account for resources held by the City in a trustee capacity, or as an agent for outside individuals or private organizations. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own operations. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net position and a Statement of Changes in Fiduciary Net position as part of the basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided, and are an integral part of the government-wide and fund financial statements.

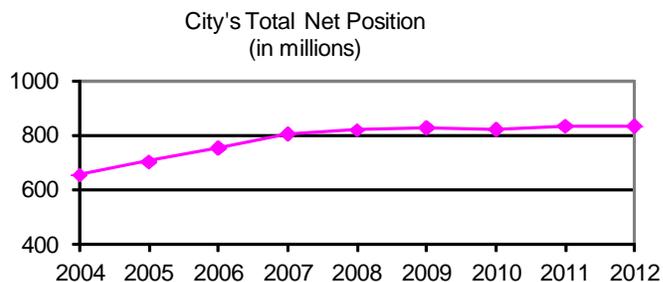
OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also contains certain required supplementary information concerning the City's Fire and Police Pension Funds and Other Post Employment Benefit Funds.

The combining statements referred to earlier for non-major governmental and enterprise funds, as well as internal services funds, are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, changes in net position over time may serve as a useful indicator of a government's financial position. The City's total net position at December 31, 2012, was \$834.0 million. As the chart below illustrates, the City's net position has been fairly constant since 2007.



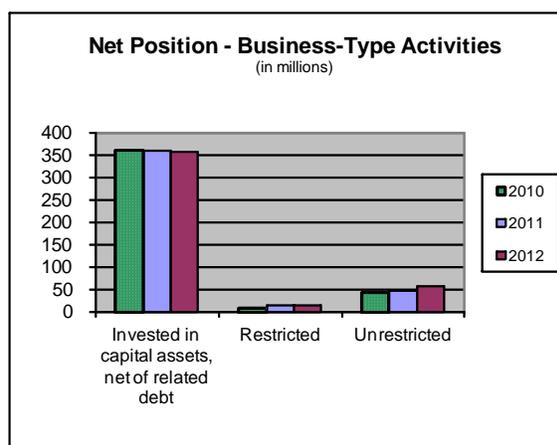
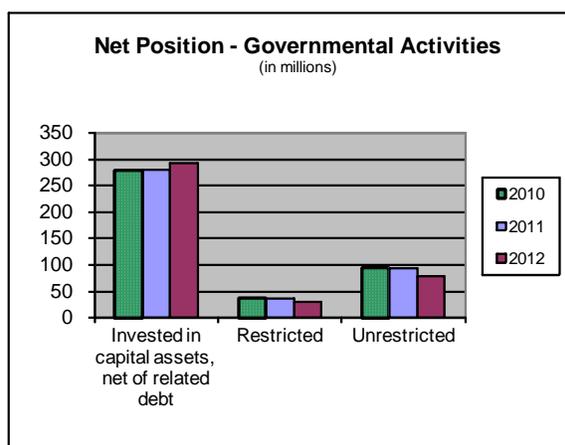
Elements contributing to the change in net position are discussed in the Governmental and Business-Type Activities Analysis sections. The table below presents a condensed version of the Government-Wide Statement of Net Position.

Table 1
City of Everett's Net Position
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 151,036	\$ 157,670	\$ 89,474	\$ 99,911	\$ 240,510	\$ 257,581
Capital assets, net	317,280	308,051	555,465	546,796	872,745	854,847
TOTAL ASSETS	468,316	465,721	644,939	646,707	1,113,255	1,112,428
Long-term liabilities	56,572	50,242	206,232	214,785	262,804	265,027
Other liabilities	9,397	6,064	7,075	7,052	16,472	13,116
TOTAL LIABILITIES	65,969	56,306	213,307	221,837	279,276	278,143
NET POSITION						
Net investment in capital assets	291,590	280,262	358,378	361,058	649,968	641,320
Restricted	30,928	35,692	14,894	15,184	45,822	50,876
Unrestricted (deficit)	79,829	93,461	58,360	48,628	138,189	142,089
TOTAL NET POSITION	\$ 402,347	\$ 409,415	\$ 431,632	\$ 424,870	\$ 833,979	\$ 834,285

As depicted in the charts below, the majority of the City's net position is invested in capital assets, which are used to provide services to citizens. Capital assets include streets, water/sewer lines and related infrastructure, land, buildings, equipment, etc., less any related outstanding debt used to acquire those assets. It should be noted that although the investment in capital assets is reported net of related debt, resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted assets represent resources that are subject to external restrictions on how they may be used. The Statement of Net Position further breaks out restricted assets into major categories. For example, \$3.9 million is restricted for capital projects that receive grant or real estate excise tax funding and must comply with grant guidelines and state law limitations. Other examples include the assets obtained through the Emergency Medical Services levy and criminal justice grant funding, which are restricted to public safety use. The 2012 year-end unrestricted net position of \$80.0 million in governmental activities and \$58.4 million in business-type activities may be used to meet ongoing obligations.



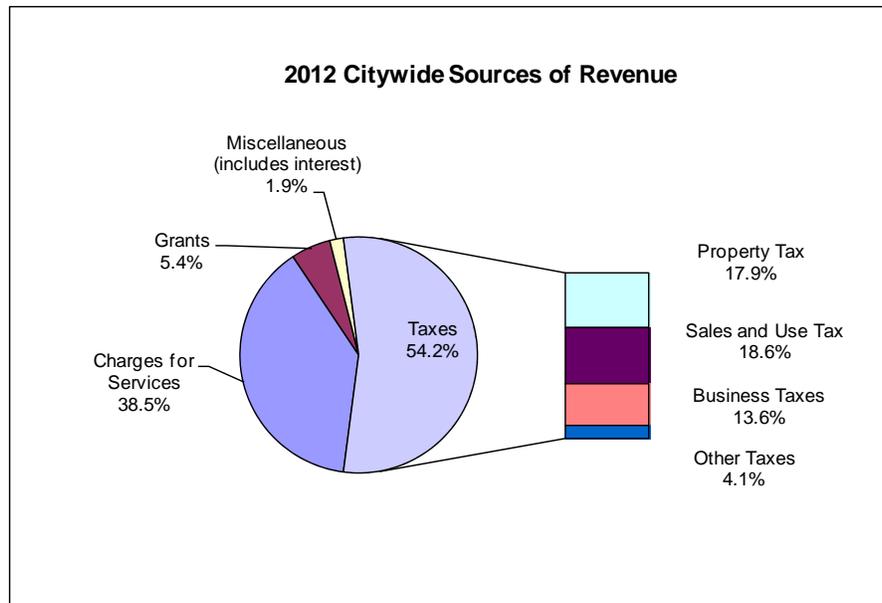
At December 31, 2012, the City reports positive balances in all three categories of net position for both governmental and business-type activities. The same situation held true for the past nine years.

The table below contains condensed financial information derived from the government-wide statement of activities comparing the current year to the prior year.

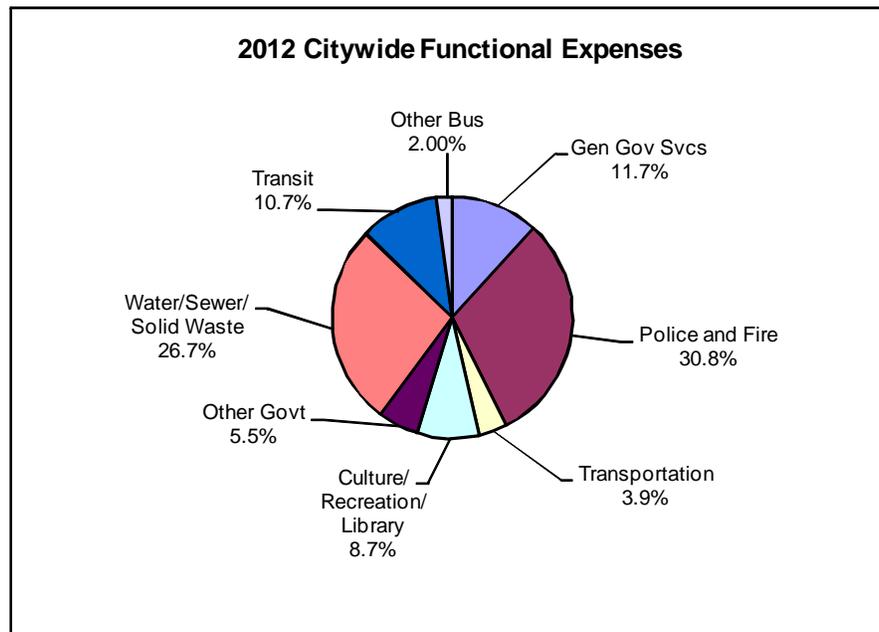
Table 2
City of Everett's Changes in Net Position
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$ 10,311	\$ 11,131	\$ 73,273	\$ 70,356	\$ 83,584	\$ 81,487
Operating grants and contributions	2,131	3,014	1,855	1,487	3,986	4,501
Capital grants and contributions	3,349	3,297	4,426	5,574	7,775	8,871
General revenues:						
Property taxes	38,766	38,322	-	-	38,766	38,322
Sales taxes	24,605	23,697	15,739	14,923	40,344	38,620
Business taxes	29,331	27,105	100	92	29,431	27,197
Other taxes	8,681	8,109	239	250	8,920	8,359
Interest and investment earnings	2,406	4,665	1,652	3,786	4,058	8,451
TOTAL REVENUES	\$ 119,580	\$ 119,340	\$ 97,284	\$ 96,468	\$ 216,864	\$ 215,808
Program Expenses						
Governmental activities:						
General government services	\$ 25,422	\$ 19,728	\$ -	\$ -	\$ 25,422	\$ 19,728
Police	37,680	35,928	-	-	37,680	35,928
Fire	29,279	28,303	-	-	29,279	28,303
Engineering & construction services	3,591	3,511	-	-	3,591	3,511
Transportation	8,553	8,565	-	-	8,553	8,565
Community services	7,574	7,297	-	-	7,574	7,297
Library	5,066	5,121	-	-	5,066	5,121
Culture and recreation	12,645	12,595	-	-	12,645	12,595
Interest on long-term debt	812	864	-	-	812	864
Business-type activities:						
Water	-	-	29,673	26,476	29,673	26,476
Sewer	-	-	28,379	26,640	28,379	26,640
Solid waste	-	-	794	1,067	794	1,067
Parking	-	-	283	252	283	252
Transit	-	-	23,273	22,713	23,273	22,713
Golf	-	-	4,146	4,012	4,146	4,012
TOTAL EXPENSES	\$ 130,622	\$ 121,912	\$ 86,548	\$ 81,160	\$ 217,170	\$ 203,072
Increase in net position before transfers	\$ (11,042)	\$ (2,572)	\$ 10,736	\$ 15,308	\$ (306)	\$ 12,736
Transfers	3,974	3,829	(3,974)	(3,829)	-	-
Increase in net position	\$ (7,068)	\$ 1,257	\$ 6,762	\$ 11,479	\$ (306)	\$ 12,736
Net position - beginning	409,415	408,158	424,870	414,823	834,285	822,981
Prior period adjustment	-	-	-	(1,432)	-	(1,432)
Net position - ending	\$ 402,347	\$ 409,415	\$ 431,632	\$ 424,870	\$ 833,979	\$ 834,285

As shown in the chart below, taxes made up 54.2% of total revenue received by the City as a whole in 2012. Total tax revenues increased by \$5.0 million, mostly due to increases in sales and business taxes, which are beginning to reflect improvements in the overall economy. Of the 38.5% in charges for services, 87.7% is from business-type activities.



The following chart compares the functional expenses of the City. The largest expense is the combined police and fire functions, making up nearly one third of the City's total expenses. A close second is the combined water/sewer/wastewater functions.

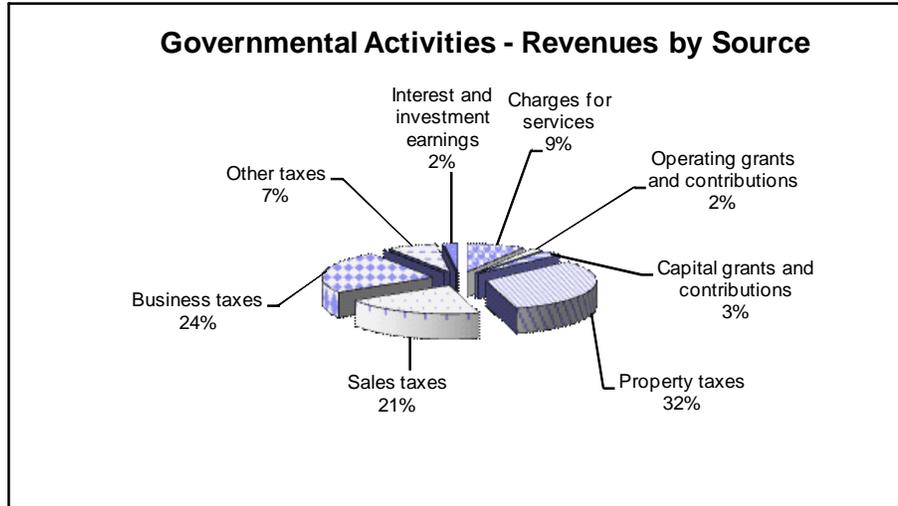


GOVERNMENTAL ACTIVITIES ANALYSIS

As shown in the Statement of Activities, total expenditures for all governmental activities in 2012 was \$130.6 million. Of this amount, \$15.8 million was paid for either by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. The net expense (total expenses less program revenues) of \$114.8 million was the cost of governmental activity services paid primarily by City taxpayers.

Revenues

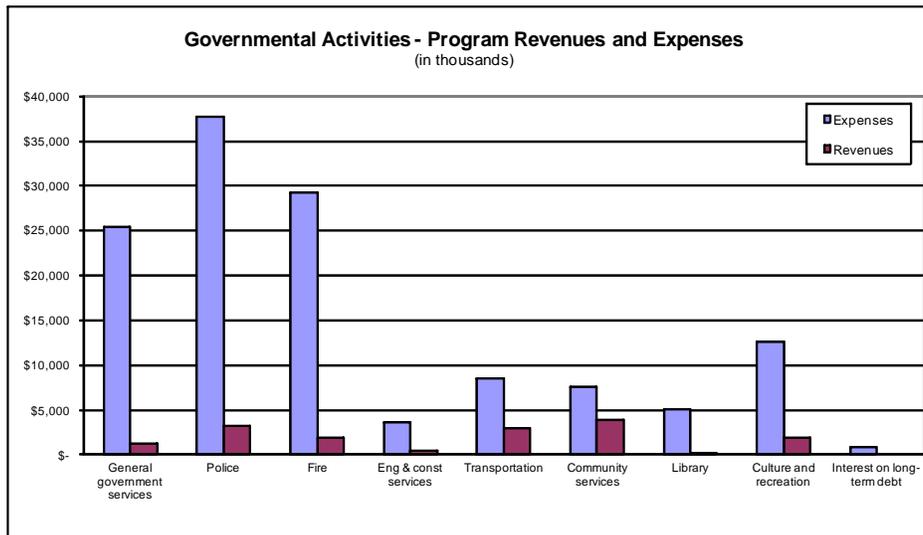
Total governmental activity revenues (excluding transfers) remain unchanged from last year. As the economy continues to improve, the sales and business tax revenues increased by \$3.1 million, which was offset by decrease in interest and investment earnings, reflecting the low interest rate environment.



Expenses

Total governmental activity expenses increased by \$8.7 million. General Government Services expenditures increased by \$5.7 million, due in part a \$2.9 million transfer to the self-insurance reserve fund and a \$3.1 million increase in the City's pollution remediation obligation to account for the voluntary cleanup of 145 Alverson Boulevard.

Police and fire activities account for nearly 51.3% of governmental activity expenses. In 2012, police and fire expenditures increased by \$1.8 million and \$1.0 million respectively, due in large to rising labor costs.



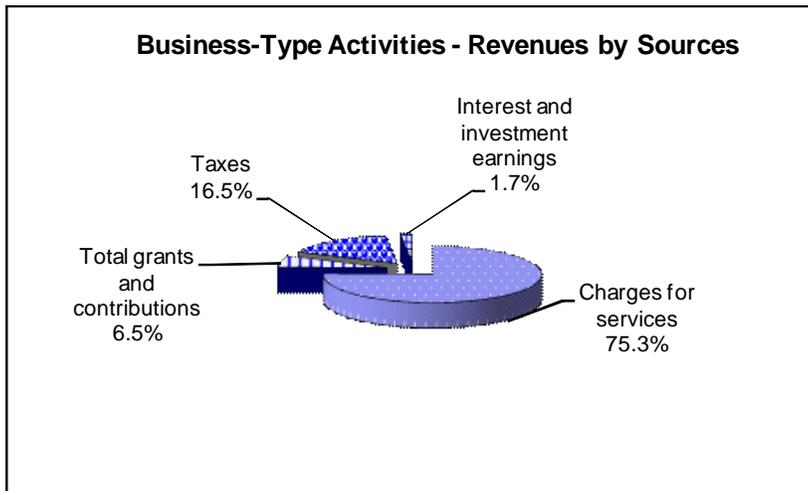
BUSINESS-TYPE ACTIVITIES ANALYSIS

In 2012, program revenues covered \$79.6 million of the \$86.6 million in business-type activity expenses, leaving a net expense of \$7.0 million paid primarily by City taxpayers.

Revenues

Total business-type revenues rose by \$816,000 from the prior year. As shown in the chart below, the majority of business-type activity revenue is from charges for services, which grew by \$2.9 million from 2011, due to an increase in water consumption and sewer and solid waste uses. This increase was offset by decrease in interest and investment earnings. In 2011, the City issued \$51 million in Water and Sewer Revenue Bonds for the purpose of paying the cost of additions, improvements and betterment of the system. As the projects continue to proceed, the cash balance continues to be depleted, resulting in lower interest earnings.

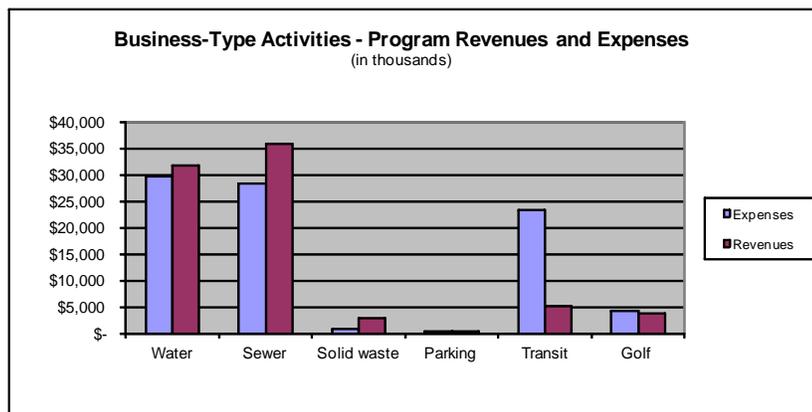
Operating Grants and Capital Grants revenue decreased by \$780,000 from the prior year. Grant revenue can fluctuate widely from year to year based on a number of factors, including the availability of federal and state grants, whether the City has applied for and received grant awards, and whether the City has major capital projects in progress.



Expenses

Total business-type expenses increased by \$5.4 million over 2011. Water and sewer expenses increased by \$5.0 million due to a \$1.6 million increases in salaries and benefits and a \$3.2 million increase in professional services. Of the \$3.2 million increase in professional services, \$1.4 million is attributable to writing-off previously capitalized expenses in accordance with a decision to reduce the scope of a Regional Water Authority (RWA) project.

The chart below depicts the revenues and expenses for each of the City's business-type programs. As shown, Water, Sewer, and Solid Waste each generated enough program revenue (primarily user fees) to cover operating costs, while Transit, Golf, and Parking did not. These activities are discussed in more detail in the Business-type Funds Analysis section.



FUND-LEVEL FINANCIAL ANALYSIS

GOVERNMENTAL FUNDS

As discussed, governmental funds are reported in the fund statements with a short-term, spendable resources focus. This information is useful in assessing whether resources available at year-end are adequate to cover upcoming financing requirements.

GASB Statement No. 54 established fund balance classifications that comprise a hierarchy based on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The five components of fund balance are as follows:

- Non-spendable fund balance - examples are inventory and prepaid items.
- Spendable fund balance:
 - Restricted fund balance: externally enforceable legal restrictions such as those related to traffic mitigation revenue and grant receipts.
 - Committed fund balance: funds that can only be used for purposes pursuant to constraints imposed by formal action of the City Council.
 - Assigned fund balance: amounts that reflect the City intended use of resources in the special revenue, capital projects, and debt service funds.
 - Unassigned fund balance: residual net resources that are not properly classified in one of the above four categories.

At year-end, the governmental funds reported a combined ending fund balance of \$111.5 million (refer to Governmental Funds Balance Sheet). This is a \$9.7 million decrease from the prior year-end. The government-wide Statement of Activities shows a decrease in net position of \$7.1 million. The difference is due primarily to the way capital assets are reported. In the fund financial statements, capital expenditures are reported as current expenditures--thereby directly reducing available resources (fund balance). At the government-wide level of reporting, the same capital expenditures are capitalized and are included in the net position balance.

Approximately 63.4% of the total ending fund balance of governmental funds is classified as either assigned or unassigned, which means the funds are available for spending at the City's discretion.

General Fund – The general fund is the City's primary operating fund and the largest funding source for day-to-day service delivery. As a result of GASB Statement No. 54 implementation, several funds previously classified as special revenue funds are now combined with the general fund. Without the consolidation, the fund balance increased by \$2.6 million or 9.9%. Tax revenues grew by \$3.9 million and expenditures grew by \$4.7 million. Further discussion regarding changes in tax revenues and expenditures appear earlier in this document under the Governmental Activities Analysis section.

Capital Improvement Reserve Fund – The City's other major governmental fund recorded a decrease of \$6.7 million in fund balance. As the name indicates, this fund accumulates money to pay for capital projects; therefore, expenditures and fund balance can fluctuate widely from year to year. In 2012, \$4.8 million was used to fund the Municipal Court Building Replacement project.

Other Governmental Funds – Total fund balance for other governmental funds decreased by \$4.7 million in 2012, primarily due to activity in Real Estate Excise Tax Fund 154. During 2012, Real Estate Excise Tax Fund 154 expended \$5.5 million to fund various street and park projects.

BUSINESS-TYPE FUNDS

Water/Sewer Utility Fund – This fund is the largest business-type fund in the City, accounting for \$370.6 million, or 84.9%, of the business-type net position. Of this amount, \$297.0 million is invested in capital assets, \$14.7 million is classified as restricted (primarily for debt service), and \$58.8 million is classified as unrestricted. The fund's 2012 net income, before contributions and transfers, was \$8.2 million, which is \$3.4 million less than 2011. Increases in charge for services were offset by the decrease in interest revenue and increases operating expenses as noted above.

Transit Fund – This is the City’s other major business-type fund. It reported a \$19.0 million operating loss in 2012 (before non-operating revenues and capital contributions). The loss was reduced by the voter approved 0.6% sales tax, which is dedicated for transit purposes; 2012 collections totaled \$16.0 million. Grants in the amount of \$2.5 million also lessen the loss.

Other Business-type Funds – The Golf Fund reported net loss of \$245,000 in 2012 compared to 2011’s net loss of \$288,000. Management continues to implement elements of its business plan to increase revenues and decrease expenses.

Fund 402, the Solid Waste Fund, reported negative \$408,000 net position in 2011, however, with an increase in rates and a substantial decrease in expenditures as the former landfill site remediation comes to a close, the net ending position in 2012 was \$1.8 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget

The final General Fund revenue budget (including transfers-in) was \$2.4 million greater than the original budget. The majority of the increase (\$1.8 million) was in grant revenue, resulting from re-appropriations from the 2011 budget and new grants awarded in 2012.

The final expenditure budget was \$7.4 million or 8.2% greater than the original budget. This included increases to grant related expenditure budgets to match the grant revenue noted above. It also included \$5.0 million in re-appropriations from the 2011 budget for contingencies and obligations related to potential tax refunds and for several land slide repairs. The \$5.0 million re-appropriation was possible as a result of department’s efforts to reduce expenditures in 2011. Most departments achieved expenditure reductions by holding open vacant positions.

Actual results compared to final budget

General Fund revenue came in under the final amended budget by \$460,032 or 0.5%. The majority of this amount is due to grant revenue not yet earned. Grant revenue is booked only after the related expenditures are incurred.

Expenditures ended the year \$8.4 million or 8.7% under budget. Just over \$4.0 million of this amount was due to under spending the contingency that was set aside at the beginning of the year. Grant-related under-expenditures account for \$871,000 of the under budget amount. Almost \$2.0 million of the under budget amount was from labor savings as the City continued to hold open several vacant positions. In addition, departments were asked, once again, to take cost cutting measures where possible, resulting in further savings. These amounts were all re-appropriated to the 2013 budget as the City continues to work to close budget gaps in this slow growth economy.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of December 31, 2012, the City of Everett’s investment in capital assets, including construction in progress, for its governmental and business-type activities amounted to \$873 million. The year-end balance represents a net increase (additions less retirements and depreciation) of \$17.9 million from the end of last year.

Table 3
City of Everett’s Capital Assets
(net of accumulated depreciation)
(in thousands)

	Governmental Activities		Business-Type Activities		Total Activities	
	2012	2011	2012	2011	2012	2011
Land	\$ 59,867	\$ 59,566	\$ 33,704	\$ 32,765	\$ 93,571	\$ 92,331
Buildings	56,551	58,602	122,921	125,288	179,472	183,890
Improvements other than buildings	15,424	13,288	321,437	308,181	336,861	321,469
Infrastructure	150,229	152,574	1,822	1,918	152,051	154,492
Machinery and equipment	8,413	8,556	10,966	10,955	19,379	19,511
Intangibles	372	244	10,667	10,942	11,039	11,186
Construction in progress	26,424	15,220	53,947	56,747	80,371	71,967
	<u>\$ 317,280</u>	<u>\$ 308,050</u>	<u>\$ 555,464</u>	<u>\$ 546,796</u>	<u>\$ 872,744</u>	<u>\$ 854,846</u>

Major governmental capital asset investments for the year included (in millions):

- 2012 overlay program\$ 2.5
- Everett Performing Arts Center Plaza2.2
- Riverfront development.....1.4
- Municipal Court Replacement.....5.2
- Broadway Bridge Replacement0.8

Major business-type capital asset investments for the year included (in millions):

- Transmission Line #5 Replacement.....\$ 3.7
- WPCF Chlorine Channel Coating3.2
- Transmission Line #3, Phase 7.....2.9
- WPCF Expansion, Phase B.....2.1
- Transmission Line #4 Cathodic Protection.....1.2
- Lift Station #2 Main Extension1.1
- Sewer Lift Station #24 Replacement.....1.0

Additional information about the City of Everett's capital assets can be found in Note 6 to the financial statements.

DEBT ADMINISTRATION

As shown in the table below, the City's total outstanding debt at December 31, 2012, was \$221.8 million. Of this amount, \$30.5 million is bonded debt backed by the full faith and credit of the City, \$156.0 million is bonded debt secured solely by water and sewer user fees, and \$35.2 million is in Public Works Trust Fund and State Revolving Fund loans.

The City's total debt outstanding decreased by a net amount (new issues less principal payments and refundings) of \$11.3 million from the prior year end. The major debt transactions that contributed to this change are detailed below.

- The City issued \$13.9 million of Limited Tax General Obligation Bonds to pay the cost of current refunding the City's Limited Tax General Obligation Bonds, 2003 and to pay the costs of issuance of bonds.
- The City redeemed \$2.6 million of outstanding LTGO and Variable Rate Demand bonds and \$3.4 million of Revenue debt in 2012.

Table 4
City of Everett's Outstanding Debt
(in thousands)

	Governmental Activities		Business-Type Activities		Total Activities	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 23,490	\$ 26,200	\$ 7,000	\$ 8,200	\$ 30,490	\$ 34,400
Revenue debt	-	-	156,055	159,480	156,055	159,480
Other long-term debt	1,212	1,431	34,022	37,759	35,234	39,190
	<u>\$ 24,702</u>	<u>\$ 27,631</u>	<u>\$ 197,077</u>	<u>\$ 205,439</u>	<u>\$ 221,779</u>	<u>\$ 233,070</u>

The City works to maintain high credit ratings to assist in obtaining financing as the lowest possible cost. The City's bond rating, according to Standard & Poor's, is AA+ for both its general obligation and revenue debt.

Additional details about the City's long-term debt can be found in Note 10 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Principal factors influencing the City's 2013 budget included: continued sluggish retail sales; an increase in business revenues stemming mainly from the aerospace sector; and property tax revenue growth limited to 1% on the base, plus adjustments for new construction and annexations.

Other economic factors considered when preparing the City's 2013 budget included:

- Overall economic activity is expected to continue to be low.
- Population is expected to increase by 1% in 2013.
- The inflation rate (as measured by the June to June Seattle/Urban Consumer Price Index) is expected to remain low. For 2012, it was 2.7%.
- Unemployment in Snohomish County is expected to stay above 8.0%.
- Interest rates are expected to remain at historical lows through 2013.

Some of the specific steps taken to balance the 2013 budget included: freezing departmental M&O budgets, implementation of health benefit premium share for appointive employees and elected officials, prepayments of reserve contributions from prior year underexpenditures, deferrals of projects and equipment replacements, and suspension of contributions to our LEOFF1 police and fire pension and OPEB funds.

REQUESTS FOR FINANCIAL INFORMATION

This financial report is designed to provide our citizens, creditors, investors, and other interested parties with a general overview of the City's finances and to show the City's accountability for the financial resources it receives. If you have any questions about this report, or need additional financial information, please contact the Finance Department at 2930 Wetmore Avenue, Suite 9H, Everett, WA 98201.



This page is intentionally left blank.

**STATEMENT OF NET POSITION
DECEMBER 31, 2012**

	Primary Government			Component Unit
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	EVERETT PUBLIC FACILITIES DISTRICT
ASSETS				
Cash and cash equivalents	\$ 16,290,615	\$ 12,857,447	\$ 29,148,062	\$ 4,232,957
Deposits with trustees	-	77,124	77,124	-
Investments	84,602,738	57,358,226	141,960,964	-
Receivables, net	29,539,023	13,425,162	42,964,185	458,809
Internal balances	12,482,342	(12,482,342)	-	-
Inventories	513,709	873,831	1,387,540	-
Prepayments	1,746,286	54,050	1,800,336	916,287
Deferred charges	178,003	1,744,127	1,922,130	-
Net pension asset	3,668,651	-	3,668,651	-
Restricted:				
Cash and cash equivalents	-	4,985,205	4,985,205	-
Investments	-	9,906,886	9,906,886	-
Special assessments	137,132	5,309	142,441	-
Investment in joint venture	1,877,244	669,332	2,546,576	-
Land	59,866,571	33,703,712	93,570,283	257,074
Construction in progress	26,424,350	53,946,825	80,371,175	-
Capital assets, net (Note 6)	230,989,131	467,813,814	698,802,945	42,071,537
TOTAL ASSETS	\$ 468,315,795	\$ 644,938,708	\$ 1,113,254,503	\$ 47,936,664
LIABILITIES				
Accounts payable and other current liabilities	\$ 9,210,555	\$ 6,646,406	\$ 15,856,961	\$ 970,131
Unearned revenues	185,937	428,822	614,759	1,281,865
Non-current liabilities (Note 12):				
Due within one year	11,111,406	9,592,932	20,704,338	1,000,000
Due in more than one year	45,461,220	196,638,252	242,099,472	50,975,033
TOTAL LIABILITIES	\$ 65,969,118	\$ 213,306,412	\$ 279,275,530	\$ 54,227,029
NET POSITION				
Net investment in capital assets	\$ 291,590,152	\$ 358,377,880	\$ 649,968,032	\$ (9,094,175)
Restricted for:				
Capital projects	3,877,373	-	3,877,373	-
Debt service	-	14,837,905	14,837,905	-
Community development projects	14,593,348	-	14,593,348	-
Transportation	3,162,375	-	3,162,375	-
Economy	336,978	-	336,978	-
Public safety	8,514,634	-	8,514,634	-
Tourism	442,348	-	442,348	-
Special assessments	-	2,520	2,520	-
Government regulation	-	54,186	54,186	-
Unrestricted	79,829,469	58,359,805	138,189,274	2,803,810
TOTAL NET POSITION	\$ 402,346,677	\$ 431,632,296	\$ 833,978,973	\$ (6,290,365)

The accompanying notes are an integral part of this statement.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
(PAGE 1 OF 2)

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government services	\$ 25,422,415	\$ 1,127,922	\$ 127,584	\$ 4,162
Police	37,679,652	2,569,561	684,731	-
Fire	29,278,542	1,584,923	107,664	266,111
Engineering & construction services	3,591,335	451,906	-	-
Transportation	8,552,627	209,838	111,148	2,642,748
Community services	7,574,308	2,463,369	1,003,959	432,098
Library	5,065,784	102,272	37,392	335
Culture and recreation	12,644,830	1,801,221	59,147	3,056
Interest on long-term debt	812,493	-	-	-
Total governmental activities	130,621,986	10,311,012	2,131,625	3,348,510
Business-type activities:				
Water	29,673,454	31,539,348	170,471	-
Sewer	28,379,198	32,879,290	94,422	2,808,903
Solid waste	793,631	2,250,755	61,241	666,911
Parking	282,917	264,049	-	-
Transit	23,273,163	2,554,691	1,529,701	950,406
Golf	4,146,486	3,785,114	-	-
Total business-type activities	86,548,849	73,273,247	1,855,835	4,426,220
Total primary government	\$ 217,170,835	\$ 83,584,259	\$ 3,987,460	\$ 7,774,730
Component units:				
Everett Public Facilities District	\$ 11,685,559	\$ 8,625,204	\$ 2,292,887	\$ -

General revenues:

Property taxes
Sales taxes
Business taxes
Excise taxes
Allocation of state-imposed taxes
Interest and investment earnings

Transfers**Total general revenues, special items, and transfers**

Change in net position

Net position - beginning**Net position - ending**

The accompanying notes are an integral part of this statement.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
(PAGE 2 OF 2)

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Everett Public Facilities District
\$ (24,162,747)	\$ -	\$ (24,162,747)	
(34,425,360)	-	(34,425,360)	
(27,319,844)	-	(27,319,844)	
(3,139,429)	-	(3,139,429)	
(5,588,893)	-	(5,588,893)	
(3,674,882)	-	(3,674,882)	
(4,925,785)	-	(4,925,785)	
(10,781,406)	-	(10,781,406)	
(812,493)	-	(812,493)	
(114,830,839)	-	(114,830,839)	
	-	2,036,365	
	-	7,403,417	
	-	2,185,276	
	-	(18,868)	
	-	(18,238,365)	
	-	(361,372)	
	(6,993,547)	(6,993,547)	
\$ (114,830,839)	\$ (6,993,547)	\$ (121,824,386)	
			\$ (767,468)
38,765,835	-	38,765,835	
24,605,177	15,738,801	40,343,978	
29,331,090	99,994	29,431,084	
4,019,849	-	4,019,849	
4,660,972	239,412	4,900,384	
2,405,516	1,652,003	4,057,519	
3,974,229	(3,974,229)	-	
107,762,668	13,755,981	121,518,649	
(7,068,171)	6,762,434	(305,737)	(767,468)
409,414,848	424,869,862	834,284,710	(5,522,897)
\$ 402,346,677	\$ 431,632,296	\$ 833,978,973	\$ (6,290,365)

The accompanying notes are an integral part of this statement.

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	GENERAL FUND	CAPITAL IMPROVEMENT RESERVE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 4,620,826	\$ 3,613,301	\$ 4,985,358	\$ 13,219,485
Change and imprest funds	48,649	-	-	48,649
Deposits with trustee	106,282	-	-	106,282
Investments	37,924,987	14,531,645	20,291,278	72,747,910
Receivables, net				
Taxes	10,513,714	160,632	160,632	10,834,978
Customer accounts	59,579	35,892	342,437	437,908
Interest	204,207	41,058	89,270	334,535
Interfund receivable	100,350	-	-	100,350
Due from other governmental units	513,502	-	1,216,081	1,729,583
Prepayments	988,424	-	-	988,424
Special assessments - deferred	-	-	137,132	137,132
Notes/contracts receivable	1,140,000	-	13,345,328	14,485,328
Advances to other funds	7,489,168	-	-	7,489,168
TOTAL ASSETS	\$ 63,709,688	\$ 18,382,528	\$ 40,567,516	\$ 122,659,732
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Wages payable	\$ 3,390,585	\$ -	\$ 394,786	\$ 3,785,371
Accounts payable	2,039,779	-	1,889,017	3,928,796
Interfund payable	-	-	100,350	100,350
Due to other governmental units	87,555	-	19	87,574
Custodial accounts	210,854	-	-	210,854
Other liabilities	133,316	-	1,955	135,271
Deferred revenues	2,645,706	-	258,922	2,904,628
TOTAL LIABILITIES	8,507,795	-	2,645,049	11,152,844
FUND BALANCES:				
Nonspendable	9,617,592	-	13,584,940	23,202,532
Restricted	-	472,452	16,869,664	17,342,116
Committed	254,608	-	-	254,608
Assigned	-	17,910,076	7,702,725	25,612,801
Unassigned	45,329,693	-	(234,862)	45,094,831
TOTAL FUND BALANCES	55,201,893	18,382,528	37,922,467	111,506,888
TOTAL LIABILITIES AND FUND BALANCES	\$ 63,709,688	\$ 18,382,528	\$ 40,567,516	\$ 122,659,732

The accompanying notes are an integral part of this statement.

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012**

Total Fund Balances reported on the Balance Sheet - Governmental Funds	\$ 111,506,888
<p>Amounts reported for governmental activities in the Balance Sheet - Governmental Funds differ from amounts reported in the government-wide Statement of Net Position by the following items:</p>	
Capital assets reported in the government-wide Statement of Net Position not reported in the Balance Sheet - Governmental Funds	315,935,125
Long-term debt reported in the government-wide Statement of Net Position not reported in the Balance Sheet - Governmental Funds	(35,878,937)
Assets and liabilities of internal service funds included in governmental activities in the government-wide Statement of Net Position not reported in the Balance Sheet - Governmental Funds	6,333,530
Net pension asset reported in the government-wide Statement of Net Position not reported in the Balance Sheet - Governmental Funds	3,668,651
Unearned revenues reported as deferred revenues in the Balance Sheet - Governmental Funds not reported in the government-wide Statement of Net Position	2,718,691
Net investment in joint ventures reported in the government-wide Statement of Net Position not reported in the Balance Sheet - Governmental Funds	1,877,244
Accrued receivables reported in the government-wide Statement of Net Position not reported in the Balance Sheet - Governmental Funds	2,311,312
Accrued pollution remediation liability reported in the government-wide Statement of Net Position not reported in the Balance Sheet - Governmental Funds	(5,033,950)
Discount on notes receivable reported in the government-wide Statement of Net Position not reported in the Balance Sheet - Governmental Funds	(1,091,877)
Total Net Position reported on the government-wide Statement of Net Position	<u>\$ 402,346,677</u>

The accompanying notes are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	GENERAL FUND	CAPITAL IMPROVEMENT RESERVE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 84,229,516	\$ 1,149,840	\$ 10,349,915	\$ 95,729,271
Licenses and permits	1,419,348	-	-	1,419,348
Intergovernmental revenues	3,856,690	-	7,322,116	11,178,806
Charges for services	8,827,907	-	1,885,636	10,713,543
Fines and forfeits	2,080,341	-	8,918	2,089,259
Other revenues	2,498,180	473,987	1,077,351	4,049,518
Total revenues	102,911,982	1,623,827	20,643,936	125,179,745
EXPENDITURES				
Current:				
General government services	24,746,190	-	475,985	25,222,175
Security of persons and property	54,720,871	-	8,480,072	63,200,943
Physical environment	3,325,346	-	85,602	3,410,948
Transportation	1,724,012	-	2,261,855	3,985,867
Economic environment	4,562,661	-	1,567,529	6,130,190
Mental and physical health	26,659	-	-	26,659
Culture and recreation	13,827,561	500,000	254,187	14,581,748
Capital outlay	2,076,462	-	17,200,174	19,276,636
Debt service:				
Principal	-	-	2,064,316	2,064,316
Interest	18,337	9,750	1,090,661	1,118,748
Total Expenditures	105,028,099	509,750	33,480,381	139,018,230
Excess (deficiency) of revenues over (under) expenditures	(2,116,117)	1,114,077	(12,836,445)	(13,838,485)
OTHER FINANCING SOURCES (USES)				
Issuance of refunding debt	-	-	14,990,718	14,990,718
Payment to refunded debt escrow agent	-	-	(14,800,000)	(14,800,000)
Disposition of capital assets	7,853	-	-	7,853
Transfers in	5,461,297	41,908	14,738,464	20,241,669
Transfers out	(1,550,942)	(7,891,636)	(6,825,705)	(16,268,283)
Total other financing sources (uses)	3,918,208	(7,849,728)	8,103,477	4,171,957
Net change in fund balances	1,802,091	(6,735,651)	(4,732,968)	(9,666,528)
Fund balances - beginning	53,399,802	25,118,179	42,655,435	121,173,416
FUND BALANCES - ENDING	\$ 55,201,893	\$ 18,382,528	\$ 37,922,467	\$ 111,506,888

The accompanying notes 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 YEAR ENDED DECEMBER 31, 2012**

Net change in fund balances for total governmental funds reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ (9,666,528)
Amounts reported for governmental activities in the Statement of Revenues, Expenditures and Changes in Fund Balances differ from amounts reported in the government-wide Statement of Activities by the following items:	
Disposition of capital assets (i.e., sales, trade-ins and transfers) results in a decrease in capital assets reported in the government-wide statements during the current period.	(60,461)
Governmental funds report capital outlays as expenditures. Government-wide statements establish capital outlays as assets and allocate the cost of depreciable assets over their estimated useful lives as depreciation expense. This item represents the amount by which capital outlays exceeded (or, if negative, were less than) depreciation expense in the current period.	8,901,559
Governmental funds report the proceeds from the issuance of long-term debt (e.g., bonds and leases) as revenues and the associated issuance costs as expense in the period the debt is issued. Government-wide statements report long-term debt as a liability and amortize issuance costs as expense over the life of the obligation. This item represents the net effect of these differences in the treatment of long-term debt and related items during the current period.	214,566
Increase (decrease) to the net pension asset on the government-wide statements during the current period.	(2,454,433)
Internal service funds are used by management to charge the costs of fleet management, management information systems, self-insurance, employee health benefits, and telecommunications to individual funds. The net revenue (expense) of certain activities of internal service funds is reported with governmental activities.	(655,051)
Increase (decrease) to investment in the joint venture "Snohomish County Emergency Radio System" reported in the government-wide statements during the current period.	(44,385)
Increase (decrease) to accrued receivables in the government-wide statements during the current period.	40,220
Decrease (increase) to accrued pollution remediation liability in the government-wide statements during the current period.	(3,363,950)
Fair value of capital assets donated to the City reported in the government-wide statements during the current period.	4,163
Increase (decrease) to non-current deferred revenue on the Balance Sheet - Governmental Funds during the current period.	(6,645)
Increase (decrease) to notes and interest receivable on the government-wide statements during the current period.	22,774
Change in net position of governmental activities reported on the government-wide Statement of Activities	<u>\$ (7,068,171)</u>

The accompanying notes are an integral part of this statement.

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012**

	BUSINESS TYPE ACTIVITIES				GOVERNMENTAL ACTIVITIES -
	WATER & SEWER UTILITY	TRANSIT	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 9,594,736	\$ 2,654,707	\$ 608,004	\$ 12,857,447	\$ 2,916,202
Deposits with Trustee	-	77,124	-	77,124	-
Investments	48,917,084	5,827,896	2,613,246	57,358,226	11,854,827
Bond covenant accounts:					
Restricted cash and cash equivalents	4,828,519	-	102,500	4,931,019	-
Restricted investments	9,906,886	-	-	9,906,886	-
Receivables, net					
Taxes	-	2,985,467	-	2,985,467	-
Customer accounts	6,264,905	14,014	253,532	6,532,451	429,879
Interest	294,393	20,278	9,442	324,113	43,075
Due from other funds	374	-	-	374	-
Interfund loans	1,219,200	-	-	1,219,200	-
Due from other governments	3,172,269	305,116	105,746	3,583,131	24,299
Prepayments	-	-	54,050	54,050	757,862
Inventory	748,415	-	125,416	873,831	513,711
Total Current Assets	84,946,781	11,884,602	3,871,936	100,703,319	16,539,855
NONCURRENT ASSETS					
Restricted cash and cash equivalents	54,186	-	-	54,186	-
Special assessments - deferred	5,309	-	-	5,309	-
Investment in joint venture	669,332	-	-	669,332	-
Unamortized debt issue costs	1,694,120	-	50,007	1,744,127	-
Land	22,304,279	10,439,811	959,622	33,703,712	-
Construction in progress	49,002,718	50,623	4,893,484	53,946,825	-
Capital assets, net of depreciation (Note 6)	415,768,128	42,873,860	9,171,826	467,813,814	1,344,928
Total Noncurrent Assets	489,498,072	53,364,294	15,074,939	557,937,305	1,344,928
TOTAL ASSETS	574,444,853	65,248,896	18,946,875	658,640,624	17,884,783
LIABILITIES					
CURRENT LIABILITIES					
Wages and benefits payable	1,636,583	843,505	28,534	2,508,622	196,145
Accounts payable	3,082,534	85,133	151,790	3,319,457	783,469
Claims and judgments payable	-	-	-	-	5,934,805
Interest payable	1,482,293	-	19,167	1,501,460	-
Taxes payable	96,203	2,435	10,305	108,943	-
Due to other funds	-	-	374	374	-
Interfund loans payable	-	-	1,219,200	1,219,200	-
Due to other governments	-	357,999	-	357,999	-
Deferred revenues	1,280	241,039	186,503	428,822	-
Current portion of long-term debt	6,927,689	-	1,000,000	7,927,689	-
Unamortized premiums	376,457	-	2,012	378,469	-
Other current liabilities	-	-	26,847	26,847	111,850
Total Current Liabilities	13,603,039	1,530,111	2,644,732	17,777,882	7,026,269
NONCURRENT LIABILITIES					
General obligation bonds payable	-	-	6,000,000	6,000,000	-
Revenue bonds payable	152,495,000	-	-	152,495,000	-
Unamortized premiums	6,466,183	-	12,913	6,479,096	-
Special assessment bonds payable	2,520	-	-	2,520	-
Advances from other funds	-	-	7,489,168	7,489,168	-
Deferred revenues	1,509	-	-	1,509	-
Loans payable	30,666,881	-	-	30,666,881	-
Claims and judgments payable	-	-	-	-	9,463,510
Other long-term liabilities	613,621	169,425	320,052	1,103,098	54,648
Total Noncurrent Liabilities	190,245,714	169,425	13,822,133	204,237,272	9,518,158
TOTAL LIABILITIES	203,848,753	1,699,536	16,466,865	222,015,154	16,544,427
NET POSITION					
Net investment in capital assets	297,003,579	53,364,294	8,010,007	358,377,880	1,344,927
Restricted for debt service	14,735,405	-	102,500	14,837,905	-
Restricted for special assessments	2,520	-	-	2,520	-
Restricted for other governments	54,186	-	-	54,186	-
Unrestricted	58,800,410	10,185,066	(5,632,497)	63,352,979	(4,571)
TOTAL NET POSITION	\$ 370,596,100	\$ 63,549,360	\$ 2,480,010	436,625,470	\$ 1,340,356

Amounts reported for business-type activities in the statement of net assets are different because:

The net effect of activities allocated from internal service funds is presented as an internal balance on the statement of net assets.

(4,993,174)

Net position of business-type activities

\$ 431,632,296

The accompanying notes are an integral part of this statement

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	BUSINESS-TYPE ACTIVITIES				GOVERNMENTAL
	WATER & SEWER UTILITY	TRANSIT	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
OPERATING REVENUES:					
Admission taxes	\$ -	\$ -	\$ 99,994	\$ 99,994	\$ -
Charges for services	64,120,362	1,388,220	6,299,917	71,808,499	28,643,610
Rental revenues	-	1,064,131	-	1,064,131	-
Total Operating Revenues	64,120,362	2,452,351	6,399,911	72,972,624	28,643,610
OPERATING EXPENSES:					
Personnel services	20,165,443	11,595,888	1,061,984	32,823,315	3,058,639
Supplies	3,619,446	1,899,156	754,183	6,272,785	4,898,849
Professional services	6,967,366	1,639,496	1,690,567	10,297,429	12,768,673
Depreciation and amortization	12,180,388	2,819,291	837,386	15,837,065	264,267
Taxes	1,441,682	8,840	-	1,450,522	-
Other operating expenses	8,579,122	3,505,937	463,990	12,549,049	9,728,569
Total Operating Expenses	52,953,447	21,468,608	4,808,110	79,230,165	30,718,997
Operating Income (Loss)	11,166,915	(19,016,257)	1,591,801	(6,257,541)	(2,075,387)
NON-OPERATING REVENUES (EXPENSES):					
Sales tax	-	15,978,213	-	15,978,213	-
Intergovernmental revenues	214,893	1,529,701	234,048	1,978,642	-
Interest and investment revenue	1,244,198	176,651	95,217	1,516,066	274,594
Rent	453,030	21,931	-	474,961	-
Equity in income (loss) of joint venture	(548,149)	-	-	(548,149)	-
Other non-operating revenues	159,051	22,863	-	181,914	501,390
Gain (loss) on sale/retirement of assets	855,039	(9,675)	-	845,364	2,205
Interest expense	(5,392,358)	-	(414,921)	(5,807,279)	(54)
Other non-operating expenses	-	(1,287,548)	-	(1,287,548)	-
Total Non-Operating Revenues (Expenses)	(3,014,296)	16,432,136	(85,656)	13,332,184	778,135
Income (Loss) Before Contributions and Transfers	8,152,619	(2,584,121)	1,506,145	7,074,643	(1,297,252)
Capital contributions	2,858,868	950,406	494,104	4,303,378	-
Transfers in	1,375	-	-	1,375	-
Transfers out	(3,810,000)	(164,760)	-	(3,974,760)	-
CHANGE IN NET POSITION	7,202,862	(1,798,475)	2,000,249	7,404,636	(1,297,252)
NET POSITION - BEGINNING	363,393,237	65,347,835	479,761	429,220,833	2,637,608
NET POSITION - ENDING	\$ 370,596,099	\$ 63,549,360	\$ 2,480,010	\$ 436,625,469	\$ 1,340,356

Change in accounting policy	in Net Position for business-type funds is explained as follows:	
	Increase in Net Position, per above	\$ 7,404,636
	The net revenue (expense) of certain activities of internal service funds associated with business-type activities.	(642,202)
	Change in Net Position, per Statement of Activities	<u>\$ 6,762,434</u>

The accompanying notes are an integral part of this statement.

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Page 1 of 2)**

	BUSINESS-TYPE ACTIVITIES				GOVERNMENTAL
	WATER & SEWER UTILITY	TRANSIT	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 61,494,189	\$ 2,380,463	\$ 6,425,467	\$ 70,300,119	\$ 1,014,267
Receipts from interfund services provided	794,092	14,123	-	808,215	27,641,669
Payments to suppliers	(12,859,163)	(1,268,915)	(2,903,357)	(17,031,435)	(19,100,087)
Payments to employees	(19,900,442)	(11,505,745)	(1,054,327)	(32,460,514)	(3,033,850)
Payments for interfund services used	(5,791,174)	(5,752,107)	(170,903)	(11,714,184)	(317,187)
Claims paid	-	-	-	-	(4,226,434)
Other receipts (payments)	159,051	(1,209,254)	-	(1,050,203)	(315,650)
NET CASH PROVIDED BY OPERATING ACTIVITIES	23,896,553	(17,341,435)	2,296,880	8,851,998	1,662,728
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Sales tax received	-	15,689,993	-	15,689,993	-
Receipts from non-capital grants	214,893	1,653,524	234,048	2,102,465	-
Interfund loans received	1,649,253	-	-	1,649,253	-
Interfund loans paid out	(695,253)	-	-	(695,253)	-
Principal paid on interfund loans	-	-	(155,000)	(155,000)	-
Interest paid on interfund loans	-	-	(158,191)	(158,191)	-
Transfers to other funds	(3,810,000)	(164,760)	-	(3,974,760)	-
Transfers from other funds	1,375	-	-	1,375	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	(2,639,732)	17,178,757	(79,143)	14,459,882	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from capital debt	475,281	-	-	475,281	-
Principal paid on capital debt	(6,298,284)	-	(1,200,000)	(7,498,284)	-
Interest paid on capital debt	(8,014,572)	-	(254,000)	(8,268,572)	-
Proceeds from interfund loans	-	-	(954,000)	(954,000)	-
Interest paid on interfund loans	-	-	-	-	(54)
Receipts from capital grants	-	2,704,263	-	2,704,263	-
Proceeds from sale of capital assets	855,039	4,317	-	859,356	2,205
Capital contributions	2,858,868	-	1,601,401	4,460,269	-
Acquisition and construction of capital assets	(23,047,920)	(1,394,252)	(1,296,355)	(25,738,527)	(650,107)
Payments to joint ventures	6,216	-	-	6,216	-
Capital assessments received	1,562	-	-	1,562	-
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	(33,163,810)	1,314,328	(2,102,954)	(33,952,436)	(647,956)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale of investments	57,761	-	-	57,761	314,163
Purchase of investments	-	(398,126)	(453,486)	(851,612)	(2,617,488)
Investment income	1,600,890	146,865	84,882	1,832,637	218,423
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,658,651	(251,261)	(368,604)	1,038,786	(2,084,902)
Net Increase (Decrease) in Cash and Cash Equivalents	(10,248,338)	900,389	(253,821)	(9,601,770)	(1,070,130)
Cash and Cash Equivalents, January 1	24,725,779	1,831,442	964,325	27,521,546	3,986,332
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 14,477,441	\$ 2,731,831	\$ 710,504	\$ 17,919,776	\$ 2,916,202
Current Cash and Cash Equivalents	\$ 9,594,736	\$ 2,731,831	\$ 608,004	\$ 12,934,571	\$ 2,916,202
Restricted Cash and Cash Equivalents	4,882,705	-	102,500	4,985,205	-
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 14,477,441	\$ 2,731,831	\$ 710,504	\$ 17,919,776	\$ 2,916,202

The accompanying notes are an integral part of this statement.

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Page 2 of 2)**

	BUSINESS-TYPE ACTIVITIES				GOVERNMENTAL ACTIVITIES -
	WATER & SEWER UTILITY	TRANSIT	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 11,166,915	\$ (19,016,257)	\$ 1,591,801	\$ (6,257,541)	\$ (2,075,387)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and amortization	12,180,388	2,819,291	837,386	15,837,065	264,267
Other non-operating receipts	612,081	44,794	-	656,875	501,390
Other non-operating disbursements	-	(1,257,205)	-	(1,257,205)	-
Change in Assets and Liabilities:					
(Increase) decrease in inventories	(161,674)	-	(20,739)	(182,413)	(2,754)
(Increase) decrease in receivables	(2,285,111)	(46,364)	17,166	(2,314,309)	(343,346)
(Increase) decrease in prepaid expenses	2,155,015	35,647	38,154	2,228,816	(347,060)
Increase (decrease) in accounts and other payables	61,570	57,803	(175,278)	(55,905)	3,666,341
Increase (decrease) in compensated absences	167,369	31,804	-	199,173	15,727
Increase (decrease) in other current liabilities	-	(10,948)	8,390	(2,558)	(16,450)
TOTAL ADJUSTMENTS	12,729,638	1,674,822	705,079	15,109,539	3,738,115
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 23,896,553	\$ (17,341,435)	\$ 2,296,880	\$ 8,851,998	\$ 1,662,728
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:					
Non-Cash Financing, Capital and Investing Activities:					
Capital assets contributed to other funds	\$ (845)	\$ -	\$ -	\$ (845)	\$ -
Capital assets contributed by private developers	132,743	-	-	132,743	-
Increase (decrease) in fair value of investments	(7,794)	142,325	11,395	145,926	56,742
Capital grants earned, not received	-	27,551	-	27,551	-
TOTAL NON-CASH ACTIVITIES	\$ 124,104	\$ 169,876	\$ 11,395	\$ 305,375	\$ 56,742

The accompanying notes are an integral part of this statement.

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2012**

	TRUST FUNDS	AGENCY FUNDS
ASSETS		
Cash and cash equivalents	\$ 1,128,205	\$ 177,735
Agency Bonds	47,323,195	-
Accounts receivable - net	1,201	15,365
Interest receivable	7,805	-
Due from Other Governmental Units	-	49,168
TOTAL ASSETS	48,460,406	242,268
LIABILITIES		
Accounts payable	421	52,417
Other current liabilities	-	189,851
TOTAL LIABILITIES	421	242,268
NET POSITION		
Assets held in trust for pension benefits	13,387,425	-
Assets held in trust for post employment benefits	35,072,560	-
Total held in trust	\$ 48,459,985	\$ -

The accompanying notes are an integral part of this statement.

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	TRUST FUNDS
ADDITIONS:	
Contributions	
Employer	\$ 99,080
State	147,478
Total contributions	<u>246,558</u>
Investment income	
Interest	1,200,765
Net appreciation (depreciation) in fair value	<u>(34,420)</u>
Net investment income	<u>1,166,345</u>
TOTAL ADDITIONS	<u>1,412,903</u>
DEDUCTIONS:	
Benefits	3,570,899
Administrative expense	<u>30,956</u>
TOTAL DEDUCTIONS	<u>3,601,855</u>
CHANGE IN NET POSITION	
Pension benefits	(532,523)
Postemployment healthcare benefits	(1,656,429)
NET POSITION RESERVED FOR EMPLOYEES' PENSION BENEFITS	
Employees' pension benefits, January 1	15,004,593
NET POSITION RESERVED FOR POSTEMPLOYMENT HEALTHCARE BENEFITS	
Postemployment healthcare benefits, January 1	35,644,344
NET POSITION - ENDING	<u>\$ 48,459,985</u>

The accompanying notes are an integral part of this statement.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>NOTE</u>	<u>TABLE OF CONTENTS</u>	<u>PAGE</u>
1	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	39
	A. Reporting Entity	39
	B. Implementation of New Accounting Principles.....	40
	C. Government-Wide and Fund Financial Statements	40
	D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	40
	E. Assets, Liabilities and Net Position or Equity	41
2	RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS	46
3	STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY	48
4	DEPOSITS AND INVESTMENTS	48
5	PROPERTY TAXES	50
6	CAPITAL ASSETS AND DEPRECIATION	51
7	PENSION PLANS	53
8	OTHER POST EMPLOYMENT BENEFITS	64
9	RISK MANAGEMENT	68
10	LONG-TERM DEBT	70
11	LEASES AND OTHER CONTRACTUAL COMMITMENTS	74
12	CHANGES IN LONG-TERM LIABILITIES.....	76
13	CONTINGENCIES AND LITIGATION	76
14	CONDUIT DEBT OBLIGATIONS	77
15	INTERFUND BALANCES AND TRANSFERS	77
16	RECEIVABLE AND PAYABLE BALANCES.....	79
17	JOINT VENTURES	80
18	POLLUTION REMEDIATION OBLIGATIONS.....	81
19	OTHER DISCLOSURES	82
	REQUIRED SUPPLEMENTARY INFORMATION	83

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City of Everett, which conform to generally accepted accounting principles (GAAP) for governments, are regulated by the Washington State Auditor's Office. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described in the following notes.

A. REPORTING ENTITY

The City of Everett was incorporated on May 4, 1893. The City operates under a Mayor-Council form of government, and under its charter has all powers granted to like cities by the constitution and laws of the state. The City is a general-purpose government providing police, fire, emergency medical service, water distribution, sewage collection and treatment, street maintenance, planning and zoning, libraries, parks and recreation, and general administrative services - the full range of municipal services contemplated by statute or charter.

For financial reporting purposes, in conformance with GASB Statement No. 14, the City of Everett includes all governmental activities, organizations, and functions (referred to in this note as "organizations," whether they are structured as funds, departments, agencies, boards, or commissions) for which the City of Everett is financially accountable.

Also included are other organizations for which the nature and significance of their relationship with the City of Everett are such that exclusion would cause the City's financial statements to be misleading or incomplete. The City of Everett is financially accountable for other entities if it appoints a voting majority of the governing body and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.

Each blended and discretely presented component unit has a December 31 year-end.

Blended Component Unit – Although legally separate entities, blended component units are, in substance, part of the government's operations. Therefore, data from these units are combined with data of the primary government.

The **Industrial Development Corporation (IDC)** of the City of Everett, a public nonprofit corporation, is authorized to facilitate the issuance of tax-exempt nonrecourse revenue bonds to finance industrial development within the corporate boundaries of the City. The local government, through the public corporation, is simply lending its name to confer tax-exempt status on the bonds issued. Neither the local government, the public corporation, nor the state government pledges its credit to repayment of the bonds. The funds for repayment of the bonds come from private lenders and must be repaid by the company for which the industrial development facilities are financed and built. (Refer to Note 14 - Conduit Debt).

The entire IDC's governing body is comprised of City council members and the mayor, who serves as ex officio. As a result, the City has the ability to affect the organization's operation. The IDC's account balances and transactions are included in the City's financial statements as a special revenue fund. The transactions, if any, are minimal; therefore, separate financial statements have not been issued.

In February 2009, the city formed a community development entity (CDE) called the "City of Everett CDE LLC." The City of Everett CDE LLC is a separate legal entity whose purpose is to help alleviate poverty and incentivize investments into low income community census tracts. The Everett CDE LLC applied for New Market Tax Credits (NMTC) in April of 2009. In October 2009, the US Treasury Department awarded \$25 million in NMTC to City of Everett CDE LLC.

Discretely Presented Component Unit – Each discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

The **Everett Public Facilities District (PFD)**, a municipal corporation of the State of Washington, was established by City ordinance in March 2001, to finance, design, construct, operate, and maintain a special events center. The Board of Directors consists of five members, all appointed by the Everett City Council. The City is contingently liable for the 2007 Variable Rate Project Revenue Bonds issued by the Public Facilities District (PFD). As of December 31,

2012, the outstanding 2007 Variable Rate Project Revenue Bonds balance was \$27,415,000. The PFD also has outstanding Limited Sales Tax and Interlocal Revenue Bond debt of \$23,650,000 at year end. Payments for the PFD debt are expected to be made from PFD tax revenues and net project revenues. In the event that these revenues are insufficient to make any required payments, the City may be liable for the required payments on the outstanding 2007 Variable Rate Project Revenue Bond debt. The district is presented as an enterprise fund. Complete financial statements may be obtained at the PFD administrative offices at 2000 Hewitt Avenue, Suite 200, Everett, Washington 98201.

B. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

Effective January 1, 2012, the City adopted the provisions of GASB Statements Number 62, entitled "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", and Number 63, entitled "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". The objective of Statement 62 is to improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. The objective of Statement 63 is to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statement in the future.

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) 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. Additionally, the City's accounting system automatically allocates a portion of its indirect costs to individual functions. These indirect costs have been included as part of the program expenses reported for the various functional activities. 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, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Several major revenue sources associated with the current period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. These major revenues include property taxes; business and occupation taxes; real estate excise taxes; sales tax; natural gas, telephone, and electric taxes;

licenses; and interest. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

- The general fund is the City's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The capital improvement reserve fund, which is a special revenue fund, accounts for the activity and reserves associated with community, recreational and public safety improvements.

The City reports the following major proprietary funds:

- The water and sewer utility fund accounts for the distribution and filtration of water, the collection and treatment of wastewater, the collection and treatment of sewage, and for surface water management.
- The transit fund accounts for public transit transportation services, including an elderly persons with disabilities van service and a rideshare program. The transit fund also accounts for the operation of Everett Station.

Additionally, the City reports the following fund types:

- Internal service funds account for the City's self-insured medical and chiropractic health benefits, general liability, workers' compensation, and property insurance coverage, fleet management services, telecommunication services, and information technology services provided to other departments on a cost reimbursement basis.
- Pension trust funds account for the activities of the police and fire pension funds, which accumulate resources for pension benefit payments and post-employment health care benefits to qualified public safety employees.
- Agency funds are custodial in nature (assets equal liabilities) and do not measure the results of operations. The City uses an agency fund to account for the Downtown Business Improvement Area, the Snohomish County Police Staff and Auxiliary Service Center (SNOPAC) and the Tulalip Water Delivery System.

As a general rule, the effect of interfund activity has been eliminated for the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. The City has allocated certain indirect costs that are included in the program expense reported for individual functions and activities.

Amounts reported as program revenues include 1) charges to customers, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. All taxes are considered general revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utilities Fund, Solid Waste Utility Fund, Transit Fund, Parking Garage Fund, Golf Fund, and the internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. ASSETS, LIABILITIES AND NET POSITION OR EQUITY

Cash and Cash Equivalents

It is the City's policy to invest all temporary cash surpluses. These investments are reported in the balance sheets as cash and cash equivalents. Cash and cash equivalents are defined as cash on hand, demand deposits, and all highly liquid investments, including restricted assets, with original maturities of three months or less. The interest on these investments is prorated to the applicable funds.

Investments – See Note 4.

Receivables

Taxes receivable consist of property taxes and related interest and penalties (See Note 5), electric taxes, telephone taxes, B&O taxes, natural gas use taxes, and sales taxes. Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year. Notes and contracts receivable consist of amounts loaned to private individuals or organizations primarily in conjunction with the Community Home Improvement Program or the Community Development Block Grant Program. Special assessments receivable, which are recorded when the special assessment is levied, consist of current and delinquent assessments and related interest and penalties.

Amounts Due to and from Other Funds, Interfund Loans, and Advances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund loans receivable/payable" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Separate schedules of interfund loans, advances and amounts due to and from other funds are presented in Note 15.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Amounts Due to and from Other Governmental Units

These accounts include amounts due to or from other governments for grants, entitlements, temporary loans, taxes and charges for services.

Inventories and Prepayments

Inventories of proprietary funds are valued using the weighted average cost method for Utilities and Golf; the moving average cost method for the Equipment Rental Fund; and the first-in, first-out cost method for Central Stores. Inventories of the governmental fund are recorded as expenditures when purchased.

Certain payments made in the current period reflect costs applicable to future accounting periods. These amounts are reported as "Prepayments" in both the government-wide and fund financial statements.

Restricted Assets and Liabilities

Constraints imposed by debt covenants and laws and regulations of other governments require that the City maintain cash accounts, investments and receivables for certain purposes. These accounts contain resources for construction, escrow requirements and debt service, including special assessments receivable. Related liabilities are included in "Deferred revenues" in the statement of net position. Specific debt service requirements are disclosed in Note 10.

Restricted assets of governmental activities include the following:

Special assessments receivable	<u>\$ 137,132</u>
--------------------------------	-------------------

Restricted assets of business-type activities include the following:

Revenue bond debt service accounts	\$ 14,837,905
Escrow required by Snohomish County Health District	54,186
Special assessments receivable	<u>2,520</u>
Total	<u>\$ 14,894,611</u>

Capital Assets and Depreciation - See Note 6.**Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused sick leave and vacation benefits.

Employees may accumulate a maximum of between 960 and 1,176 hours of sick leave depending upon the collective bargaining unit agreement or City ordinance that applies to them. Upon separation from City employment, eligible employees will be compensated between 0 and 520 hours of their sick leave balance, depending upon the applicable collective bargaining agreement or City ordinance.

A long-term liability for a portion of accumulated sick leave has been recorded in the government-wide and proprietary fund financial statements using the vesting method. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Eligible employees may accumulate a maximum of between 384 and 448 hours of vacation leave in accordance with the applicable collective bargaining agreement or City ordinance but may not accumulate more than two full years of earned vacation. At the time of retirement or separation from the City, eligible employees will be compensated for a maximum of 240 to 448 hours of their accrued vacation balance, again depending on the applicable collective bargaining agreement or City ordinance.

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Deferred Revenue

Both governmental and proprietary funds defer revenue recognition in connection with resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period (See note 1-D for revenue recognition criteria).

The components of deferred revenue as of December 31, 2012 are detailed below.

Deferred Revenue - unearned:	Governmental Activities	Business-Type Activities
Grant drawdowns prior to meeting all eligibility requirements	\$ 121,790	\$ -
Revenues received in advance	64,148	426,033
Contracts and agreements receivable	-	2,789
Total Deferred Revenue - unearned	<u>\$ 185,938</u>	<u>\$ 428,822</u>

Deferred Revenue - unavailable:	Governmental Funds
Delinquent property taxes receivable	\$ 1,395,958
Note receivable	1,185,600
Special assessments not yet due	137,132
Total Deferred Revenue - unavailable	<u>\$ 2,718,690</u>

Short-term Debt

The City did not issue short-term debt during 2012.

Long-term Debt

In the fund financial statements of proprietary fund types and in the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and

amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Detailed information on long-term debt outstanding at year-end is presented in Note 10 and Note 12.

Other accrued liabilities

These accounts include accrued employee benefits, customer deposits, and pollution remediation liabilities.

Fund Balances

The components for reporting the City's governmental fund balances are nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance cannot be spent because they are either not in spendable form such as inventory or prepaids or they are legally or contractually required to remain intact. Restricted fund balance includes amounts the use of which is subject to constraints imposed by external parties, including creditors, grantors, and laws and regulations of other governments. Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority. City Council is the City's highest level of decision making. Fund balance commitments are established, modified, or rescinded by City Council action through passage of an ordinance. Assigned fund balance includes amounts that have an intended use by City Council or Administration, but are considered neither restricted nor committed. The unassigned fund balance represents the residual net resources.

The City considers restricted amounts to have been spent when expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available. The City does not have a formal policy for its use of unrestricted fund balance amounts; therefore, it considers committed amounts used first, followed by assigned, amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

On February 17, 1993, City Council passed ordinance 1928-93 which established Contingency Reserve Fund. Per the ordinance, funds in the Contingency Reserve Fund can only be expended upon consensus agreement between Administration and City Council. Such expenditures can only be used when extraordinary needs arise that require immediate budget attention. Examples include natural and man-made disasters, civic unrest, and severe economic downturns. The balance in the Contingency Reserve Fund at December 31, 2012 was \$4.2 million and is included in the unassigned fund balance of the General Fund. The City maintains a formal policy that fund balance in the General Fund be at least 20 percent of operating revenues.

Fund balances by classification for the year ended December 31, 2012 were as follows:

Fund Balances	General Fund	Capital Improvement Reserved Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Long Term Loans	\$ 1,140,000	\$ -	\$ 13,584,940	\$ 14,724,940
Advances to Other Funds	7,489,168	-	-	7,489,168
Prepayments	988,424	-	-	988,424
Restricted for:				
Capital Projects	-	472,452	-	472,452
Tourism	-	-	442,348	442,348
Parks & Recreation	-	-	2,006,419	2,006,419
Animal Services	-	-	336,978	336,978
Capital Projects	-	-	1,398,502	1,398,502
Public Safety	-	-	8,514,634	8,514,634
Traffic Improvement Projects	-	-	3,162,375	3,162,375
CHIP Loans	-	-	1,008,408	1,008,408
Committed to:				
1% for the Art	254,608	-	-	254,608
Assigned to :				
Capital Projects	-	17,910,076	716,351	18,626,427
Streets Improvements	-	-	4,751,931	4,751,931
Parks & Recreation	-	-	750,585	750,585
Animal Services	-	-	100,505	100,505
Library Services	-	-	511,411	511,411
EMS	-	-	38,017	38,017
Public Safety	-	-	19,253	19,253
Debt Service	-	-	66,779	66,779
Transportation Improvements	-	-	555,145	555,145
Facility Construction Projects	-	-	15,830	15,830
Parks Capital Construction	-	-	176,918	176,918
Unassigned:	<u>45,329,693</u>	<u>-</u>	<u>(234,862)</u>	<u>45,094,831</u>
Total Fund Balances	<u>\$ 55,201,893</u>	<u>\$ 18,382,528</u>	<u>\$ 37,922,467</u>	<u>\$ 111,506,888</u>

At December 31, 2012 the non major governmental funds included a deficit unassigned fund balance of \$234 thousand. The deficit balance occurred in the Community Development Block Grant Fund. expenditures exceeded the resources; therefore, the negative residual amount is classified as a deficit unassigned fund balance.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.**

The governmental funds balance sheet includes a reconciliation between Total Fund Balances – Governmental Funds and Total Net Position-Governmental Activities as reported in the government-wide statement of net position. Certain items in the reconciliation are a combination of items reported at net. These items are detailed as follows:

Governmental balance sheets reconciliation

Capital assets not reported in total governmental funds:

Cost of capital assets	\$ 442,986,170
Fair value of annexed land and infrastructure	1,827,540
Accumulated depreciation	<u>(128,878,585)</u>

Net adjustment to increase total fund balances of governmental funds to arrive at net position of governmental activities.

\$ 315,935,125

Long-term debt not reported in total governmental funds:

Bonds payable	\$ (24,701,591)
Compensated absences accrued	(10,304,893)
Deferred charge for issuance costs (to be amortized over the life of the debt)	178,003
Unamortized balance of bond premiums	(985,337)
Accrued interest payable	(62,145)
Capital leases	<u>(2,974)</u>

Net adjustment to reduce total fund balances of government funds to arrive at net position of governmental activities

\$ (35,878,937)

Internal service funds reported separately with business-type funds:

Internal service funds - total fund equity	\$ 1,340,356
Amount allocated to internal balances - business-type activities	<u>4,993,174</u>

Net adjustment to increase total fund balances of governmental funds to arrive at net position of governmental activities.

\$ 6,333,530

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between Net changes in fund balances-Total Governmental Funds and Change in net position-Governmental Activities as reported in the government-wide statement of activities. Certain items in the reconciliation are a combination of items reported at net. These items are detailed as follows:

Governmental revenues/expenditures reconciliation

The net effect of various miscellaneous transactions involving capital assets:

Book value of disposed assets:

Cost of government-type capital assets disposed	\$ (278,663)
Accumulated depreciation of disposed assets	<u>218,202</u>

Net adjustment to increase (reduce) net change in fund balances-total governmental funds to arrive at change in net position of governmental activities	<u>\$ (60,461)</u>
---	--------------------

The amount by which depreciation exceeds capital outlays in the current period:

Expenditures that are capitalized	\$ 18,720,752
Current depreciation expense	<u>(9,819,193)</u>

Net adjustment to increase (reduce) net change in fund balance-total governmental funds to arrive at change in net position of governmental activities	<u>\$ 8,901,559</u>
--	---------------------

The net effect of the differences in the treatment of long-term debt and related items:

Proceeds of long-term debt	\$ (14,990,718)
Principal payments on long-term debt	16,864,315
Decrease (increase) in interest payable	14,261
Decrease (increase) in compensated absences liability	(1,920,808)
Amortization of issuance costs	(166,545)
Cost of issuing new debt	190,718
Amortization of bond premium	<u>223,343</u>

Net adjustment to increase (reduce) net change in fund balances-total governmental funds to arrive at change in net position of governmental activities	<u>\$ 214,566</u>
---	-------------------

The net revenue (expense) of certain activities of internal service funds:

Interest revenue allocated from internal service funds to governmental activities	\$ 138,656
Net expense allocated from internal service funds to governmental activities	<u>(793,707)</u>

Net adjustment to reduce net change in fund balances-total governmental funds to arrive at change in net position of governmental activities	<u>\$ (655,051)</u>
--	---------------------

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**Budget****Scope of Budget**

Annual appropriated budgets are adopted for the general fund, special revenue funds, and debt service funds, on a basis consistent with generally accepted accounting principles. Budget-to-actual comparison schedules are presented for these funds.

Annual appropriated budgets are also adopted for the proprietary funds; however, they are “management budgets” and are not required to be presented in these statements. Budgets for capital project funds are adopted at the individual-project level and for fiscal periods that correspond to the projects. Because these funds are not budgeted on an annual basis, budgetary comparisons are not presented.

Legal budgetary control is established at the fund level. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers are used to monitor expenditures for individual functions and activities by object class. Annual appropriations for all funds lapse at year-end.

Amending the Budget

The Mayor is authorized to transfer appropriations between programs within any fund; however, any revisions that alter the total expenditures of a fund must be approved by the City Council. When City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by one more than the majority after holding public hearings. The budget was amended by ordinance three times in 2012.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes.

Compliance

As of December 31, 2012, the following funds reported deficits in fund balance or net position:

Fund 440 – Golf Fund had a deficit net position of \$2,829,321. To eliminate the deficit, the City continues elements of its business plan to increase revenue and decrease expenses.

Fund 503 – Self Insurance Fund had a deficit net position of \$2,335,056. This deficit will be eliminated by increase in interfund assessments.

There were no other material violations of finance-related legal or contractual provisions in any of the funds of the City.

NOTE 4 – DEPOSITS AND INVESTMENTS**Deposits**

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

Investments

As required by state law, all investments of the City's funds are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, the State of Washington Local Government Investment Pool, Bankers'

Acceptances or certificates of deposit with Washington State Banks that are approved by the Washington State Protection Commission (PDPC) to accept public funds.

The Washington Local Government Investment Pool (LGIP) is an unrated investment pool that operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The fair value of the portfolio is calculated by the master custodian or by an independent pricing service under contract with the State Treasurer's Office. The fair value of the City's position in the State of Washington Local Government Investment Pool is the same as the value of the pool shares.

All Fire and Police Pension Fund investments are purchased through and held by RBC Wealth Management, a division of RBC Capital Markets, LLC, member NYSE/FINRA/SIPC (New York Stock Exchange/Financial Industry Regulatory Authority/Securities Investor Protection Corporation). Fire and Police Pension assets are protected by the SIPC up to \$500,000 per account (of which \$250,000 may be cash). RBC Wealth Management has an additional policy which provides up to an additional \$99.5 million per SIPC qualified account (of which \$900,000 may be cash) subject to a total maximum aggregate of \$400 million. Neither SIPC protection, nor protection in excess of that provided by SIPC, covers a decline in the value of customer's assets due to market loss.

Interest Rate Risk

In accordance with the City's Investment Policy, maturities of investments are selected based on the City's liquidity requirements and market conditions to limit exposure to fair value losses arising from rising interest rates and maximize earnings within a conservative framework. The weighted average effective duration of the City's portfolio on December 31, 2012, was 3.92.

The LGIP is an un-rated 2a-7 like pool, as defined by GASB Statement No. 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 90days

Credit Risk

Safety of principal is the foremost objective of the City's investment program. City investments are undertaken in a conservative manner that seeks to ensure the preservation of the portfolio's capital. The City holds investments in US Treasuries and Government Agencies, all of which hold AAA ratings from Standard & Poor's and Aaa from Moody's Investor Services.

Concentration of Credit Risk

The City's Investment Policy limits investment in any one US Government Agency issuer to no more than 70 percent of the portfolio value, and other government obligations, repurchase agreements, bankers' acceptances, certificates of deposit, and savings or time deposits in any one issuer to no more than 10 percent. There is no restriction on the City's percentage of investment in Treasuries or the State Investment Pool.

Custodial Credit Risk for Cash Deposits

In accordance with state law and the city's Investment Policy, all cash deposits are held in banks that are authorized by the PDPC to accept public deposits. In order to receive and maintain PDPC approval, banks must collateralize all uninsured public deposits at 100 percent.

As of December 31, 2012, the City had the following investments and maturities:

	FAIR VALUE	EFFECTIVE DURATION RANGE	EFFECTIVE DURATION WEIGHTED AVG
Investments:			
Agencies:			
FHLMC	\$ 41,113,329	0.20 - 8.26	2.12
FFCB	47,463,833	0.03 - 8.91	5.47
FHLB	32,761,930	0.17 - 9.06	4.60
FNMA	28,998,177	0.54 - 8.69	3.05
Certificate of Deposit:			
Umpqua Bank	3,000,000	1.94	1.94
Total Investments	\$ 153,337,269		3.92
Deposits:			
State Pool	\$ 25,051,084		
Deposit Account - Opus Bank	5,384,418		
Total Deposits	\$ 30,435,503		
TOTAL INVESTMENTS & DEPOSITS	\$ 183,772,772		

Interest Allocation

Interest earnings are distributed monthly among funds based on average cash balances. However, in certain cases where a fund's resources derive from another fund, investment income is reported in the fund that is providing the resources rather than the fund that reports the underlying investment. These special distributions include the following:

Fund Reporting Investment	Fund Receiving Investment Income
Fund 115 - Special Projects	Fund 002 - General Fund
Fund 160 - Rainy Day Fund	Fund 002 - General Fund
Fund 162 - Capital Improvement Fund - CIP 4	Fund 002 - General Fund
Fund 342 – City Facilities Construction Fund	Fund 002 - General Fund
Fund 354 – Parks CIP 3 Construction Fund	Fund 154 – Real Estate Excise Tax Fund

NOTE 5 - PROPERTY TAXES

The Snohomish County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Properties listed on the County tax rolls as of May 31 are included in the annual tax levy the following January 1. New construction through August 31 is included in the annual tax levy the following January 1.

Property taxes levied by the County Assessor are based on 100% of market value. The taxes are collected by the County Treasurer and become a lien on the first day of the levy year and may be paid in two equal installments if the total amount exceeds \$50. The first half of real property taxes is due April 30 and the balance is due October 31. Delinquent taxes bear interest at the rate of 12% and are subject to additional penalties of 3% to 11% if not paid as scheduled.

Property tax revenues are recognized in the year levied. At year-end, property tax revenues are recognized for collections to be distributed by the County Treasurer within sixty days and an adjustment to taxes receivable and deferred revenue is made to account for delinquent taxes. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

The tax rate for general City operations is limited by State law (RCW 84.52.043) to \$3.375 per \$1,000 of assessed value. An additional amount, up to \$0.225, may be levied as a contribution to the Firemen's Pension Fund if a report by a qualified actuary indicates that additional funds are required. The City maintains a Firemen's Pension Fund; thus the limit is \$3.600. This amount may be reduced for any of the following reasons:

- (1) **RCW 84.52.050** limits the total regular property taxes to one percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.
- (2) **Initiative 747** passed by the voters in November of 2001 limits the amount by which a taxing jurisdiction can increase the amount of its regular property tax levy to the lesser of the Implicit Price Deflator (IPD) or one percent, plus adjustments for new construction and annexations. Tax increases higher than one percent must be approved by the voters at an election held according to RCW 84.55.050. A simple majority vote is required.

For 2012, the City levied the following property taxes on an assessed value of \$11,220,994,458. The special levies identified in the table were approved by the voters and are not subject to the limitations listed above.

PURPOSE OF LEVY	LEVY RATE PER \$1,000	TOTAL LEVY AMOUNT
General government	\$2.955	\$ 33,160,531
Emergency medical services	0.500	5,610,497
TOTAL CITY LEVY	\$3.455	\$ 38,771,028

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital assets consist of land, buildings, improvements, machinery and equipment, infrastructure (e.g., roads, bridges, traffic controls, library collections, and similar items), and intangibles (e.g., computer software and other intellectual property) with an estimated useful life of more than one year. Land is capitalized at cost with no minimum threshold. Buildings, improvements, machinery and equipment and intangibles are capitalized when the cost of an individual item exceeds \$5,000. Infrastructure assets are capitalized when the cost equals or exceeds \$200,000. Assets are valued at actual historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets and infrastructure are valued at their estimated fair value on the date received. Capital assets financed by capital leases are recorded at the present value of lease payments. Renewals and betterments are capitalized and depreciated over the remaining useful lives of the related properties.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized cost of the assets constructed. The total amount of interest cost incurred by business-type activities during 2012 was \$7,811,823, of which \$2,419,465 was capitalized. The cost of normal maintenance and repair of both governmental and business-type assets is charged to operations as incurred.

Capital assets are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets of the internal service funds are reported with governmental assets in the statement of net position.

A summary of changes in governmental capital assets appears as follows:

GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE 01/01/12	ADDITIONS	TRANSFERS	DELETIONS	ENDING BALANCE 12/31/12
Capital assets, not being depreciated or amortized:					
Land	\$ 59,566,074	\$ -	\$ 300,497	\$ -	\$ 59,866,571
Construction in progress *	15,219,606	15,641,290	(3,589,597)	(846,949)	26,424,350
Total capital assets, not being depreciated or amortized	<u>74,785,680</u>	<u>15,641,290</u>	<u>(3,289,100)</u>	<u>(846,949)</u>	<u>86,290,921</u>
Capital assets, being depreciated or amortized:					
Buildings	87,701,559	-	-	(60,777)	87,640,782
Improvements other than buildings	29,095,034	-	3,289,100	-	32,384,134
Infrastructure	211,865,797	2,943,340	-	-	214,809,137
Machinery and equipment	25,011,511	1,439,009	8,443	(305,977)	26,152,986
Intangibles	616,996	196,657	-	-	813,653
Total capital assets being depreciated or amortized	<u>354,290,897</u>	<u>4,579,006</u>	<u>3,297,543</u>	<u>(366,754)</u>	<u>361,800,692</u>
Less accumulated depreciation or amortization for:					
Buildings	(29,099,398)	(2,014,308)	-	24,311	(31,089,395)
Improvements other than buildings	(15,805,587)	(1,154,207)	-	-	(16,959,794)
Infrastructure	(59,291,308)	(5,288,544)	-	-	(64,579,852)
Machinery and equipment	(16,456,260)	(1,557,377)	(7,599)	281,138	(17,740,098)
Intangibles	(373,398)	(69,024)	-	-	(442,422)
Total accumulated depreciation and amortization	<u>(121,025,951)</u>	<u>(10,083,460)</u>	<u>(7,599)</u>	<u>305,449</u>	<u>(130,811,561)</u>
Total capital assets being depreciated or amortized, net	<u>233,264,946</u>	<u>(5,504,454)</u>	<u>3,289,944</u>	<u>(61,305)</u>	<u>230,989,131</u>
Governmental activities capital assets, net	<u>\$ 308,050,626</u>	<u>\$ 10,136,836</u>	<u>\$ 844</u>	<u>\$ (908,254)</u>	<u>\$ 317,280,052</u>

* The deletion of construction in progress costs of \$846,949 in governmental activities represents project costs that did not result in a capital asset and that were expensed in the current year.

A summary of changes in business-type capital assets appears as follows:

BUSINESS-TYPE ACTIVITIES	BEGINNING BALANCE 01/01/12	ADDITIONS	TRANSFERS	DELETIONS	ENDING BALANCE 12/31/12
Capital assets, not being depreciated:					
Land	\$ 32,765,352	\$ -	\$ 938,360	\$ -	\$ 33,703,712
Construction in progress *	56,747,168	24,440,686	(25,226,956)	(2,014,073)	53,946,825
Total capital assets, not being depreciated	89,512,520	24,440,686	(24,288,596)	(2,014,073)	87,650,537
Capital assets, being depreciated					
Buildings	181,402,206	-	1,471,939	-	182,874,145
Improvements other than buildings	440,767,649	132,745	22,816,657	-	463,717,051
Infrastructure	1,917,502	-	-	-	1,917,502
Machinery and equipment	32,762,892	1,960,843	(8,443)	(216,558)	34,498,734
Intangibles	16,108,353	-	-	-	16,108,353
Total capital assets being depreciated	672,958,602	2,093,588	24,280,153	(216,558)	699,115,785
Less accumulated depreciation for:					
Buildings	(56,113,588)	(3,838,190)	-	-	(59,951,778)
Improvements other than buildings	(132,587,455)	(9,692,837)	-	-	(142,280,292)
Infrastructure	-	(95,875)	-	-	(95,875)
Machinery and equipment	(21,808,323)	(1,935,247)	7,599	202,566	(23,533,405)
Intangibles	(5,165,705)	(274,916)	-	-	(5,440,621)
Total accumulated depreciation	(215,675,071)	(15,837,065)	7,599	202,566	(231,301,971)
Total assets being depreciated, net	457,283,531	(13,743,477)	24,287,752	(13,992)	467,813,814
Business-type activities capital assets, net	\$ 546,796,051	\$ 10,697,209	\$ (844)	\$ (2,028,065)	\$ 555,464,351

* The deletion of construction in progress costs of \$2,014,072 in business-type activities represents project costs that did not result in a capital asset and that were expensed in the current year.

Depreciation

Annual depreciation is recorded as an expense of the related activity. Provision for depreciation is computed using the straight-line method over estimated service life as follows. Certain facts or circumstances of specific assets may require amortization over shorter or longer periods.

	<u>Estimated Service Life</u>
Buildings	25-50 Years
Improvements Other Than Buildings	5-50 Years
Infrastructure	10-50 Years
Machinery and Equipment	2-20 Years
Intangibles	2-20 Years

Depreciation expense was charged to functions/programs of the primary government as follows:

GOVERNMENTAL ACTIVITIES	
General government services	\$ 490,999
Police	760,431
Fire	702,289
Engineering & construction services	271,730
Transportation	4,744,216
Community services	129,709
Library	759,386
Culture and recreation	2,093,889
Internal service allocated to business-type activities	130,811
Total depreciation - governmental activities	\$ 10,083,460
BUSINESS-TYPE ACTIVITIES	
Water	\$ 6,073,008
Sewer	6,162,558
Solid waste	274,808
Parking	42,936
Transit	2,894,924
Golf	519,642
Internal service allocated to business-type activities	(130,811)
Total depreciation - business-type activities	\$ 15,837,065
Total depreciation - all activities	\$ 25,920,525

NOTE 7 - PENSION PLANS

Substantially all City full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to the GASB Statement 27, *Accounting for Pensions by State and Local Government Employers* and the GASB Statement 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) PLANS 1, 2, AND 3**Plan Descriptions**

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; employees of district and municipal courts; and employees of local governments. Approximately 50 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2012, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

The monthly benefit is subject to a minimum for retirees who have 25 years of service and have been retired 20

years, or who have 20 years of service and have been retired 25 years. If a survivor option is chosen, the benefit is reduced. Plan 1 members retiring from inactive status prior to the age of 65 may also receive actuarially reduced benefits. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

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

The survivor of a PERS Plan 1 member who dies after having earned ten years of service credit has the option, upon the member's death, of either a monthly survivor benefit or the lump sum of contributions plus interest.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

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

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

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

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. The surviving spouse or eligible child(ren) of a PERS Plan 2 member who dies after having earned ten years of service credit has the option of either a monthly benefit or a lump sum payment of the member's contributions plus interest.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 investments are made in the same portfolio as that of the PERS 2/3 defined benefit plan.

For DRS' fiscal year 2012, PERS Plan 3 employee contributions were \$95.2 million, and plan refunds paid out were \$66.2 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

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

PERS Plan 3 benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions.

PERS Plan 2 and Plan 3 members who become totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible child(ren), may request interruptive military service credit.

PERS Plan 2 and Plan 3 members can purchase up to 24 months of service credit lost because of an on-the-job injury.

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

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Director of the Department of Labor and Industries.

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

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Members who chose to participate would: accrue service credit at the higher multiplier beginning with the date of their election; be subject to the benefit cap of 75 percent of AFC; stop contributing to the Judicial Retirement Account (JRA); pay higher contributions; and be given the option to increase the multiplier on past judicial service. Members who did not choose to participate would: continue to accrue service credit at the regular multiplier; not be subject to a benefit cap; continue to participate in JRA, if applicable; continue to pay contributions at the regular PERS rate; and never be a participant in the JBM Program.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program. Members

required into the JBM program would: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

There are 1,184 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2011:

Retirees and Beneficiaries Receiving Benefits	79,363
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	29,925
Active Plan Members Vested	105,578
Active Plan Members Non-vested	46,839
Total	261,705

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent, based on member choice. Two of the options are graduated rates dependent on the employee's age.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2012, are as follows:

Members not participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer *	7.21%**	7.21%**	7.21%***
Employee	6.00%****	4.64%****	*****

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

** The employer rate for state elected officials is 10.74% for Plan 1 and 7.21% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.64% for Plan 2.

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

Members participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer - State Agency*	9.71%	9.71%	9.71%**
Employer - Local Govt.*	7.21%	7.21%	7.21%**
Employee - State Agency	9.76%	9.10%	7.50%***
Employee - Local Govt.	12.26%	11.60%	7.50%***

- * The employer rates include the employer administrative expense fee currently set at 0.16%.
 ** Plan 3 defined benefit portion only.
 *** Minimum rate.

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

Members not participating in JBM:

		PERS Plan 1	PERS Plan 2	PERS Plan 3
2012	\$	182,080	\$ 3,000,300	\$ 578,570
2011		167,552	2,578,360	480,993
2010		171,041	2,230,772	413,232

Members participating in JBM:

		PERS Plan 1	PERS Plan 2	PERS Plan 3
2012	\$	-	\$ 8,119	\$ -
2011		-	7,007	-
2010		-	5,968	-

LAW ENFORCEMENT OFFICERS' AND FIREFIGHTERS' RETIREMENT SYSTEM (LEOFF) PLANS 1 AND 2

Plan Descriptions

LEOFF was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members.

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

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' fiscal year 2012, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings upon separation from LEOFF-covered employment.

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

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

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

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

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

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

LEOFF Plan 2 members are vested after the completion of five years of eligible service.

Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

A disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement benefit of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

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

LEOFF Plan 2 members who apply for retirement may purchase up to five years of additional service credit. The cost of this credit is the actuarial equivalent of the resulting increase in the member's benefit.

LEOFF Plan 2 members can receive service credit for military service that interrupts employment. Additionally, LEOFF Plan 2 members who become totally incapacitated for continued employment while serving in the uniformed services, or a surviving spouse or eligible child(ren), may request interruptive military service credit.

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

Beneficiaries of a LEOFF Plan 2 member who is killed in the course of employment receive retirement benefits without actuarial reduction, if found eligible by the Director of the Department of Labor and Industries. Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of on-going health care insurance premiums paid to the Washington state Health Care Authority.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

Legislation passed in 2009 provides to the Washington-state-registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

There are 373 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2011:

Retirees and Beneficiaries Receiving Benefits	9,947
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	656
Active Plan Members Vested	13,942
Active Plan Members Non-vested	<u>3,113</u>
Total	27,658

Funding Policy

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute. For DRS' fiscal year 2012, the state contributed \$52.8 million to LEOFF Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2012, are as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer *	0.16%	5.24%**
Employee	0.00%	8.46%
State	n/a	3.38%

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

** The employer rate for ports and universities is 8.62%.

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

	LEOFF Plan 1	LEOFF Plan 2
2012	\$ 975	\$ 1,806,270
2011	1,416	1,771,396
2010	1,935	1,807,435

PUBLIC SAFETY EMPLOYEES' RETIREMENT SYSTEM (PSERS) PLAN 2**Plan Description**

PSERS was created by the 2004 Legislature and became effective July 1, 2006. PSERS retirement benefit provisions have been established by Chapter 41.37 RCW and may be amended only by the State Legislature.

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

PSERS membership includes:

- Full-time employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006 to September 30, 2006; and
- Full-time employees, hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

A *covered employer* is one that participates in PSERS. Covered employers include the following:

- State of Washington agencies: Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol;
- Washington State counties;
- Washington State cities except for Seattle, Tacoma and Spokane; and
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

To be eligible for PSERS, an employee must work on a full-time basis and:

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington and carry a firearm as part of the job; or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the plan accrue interest at a rate specified by the Director of DRS. During DRS' fiscal year 2012, the rate was five and one-half percent compounded quarterly. Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PSERS-covered employment.

PSERS Plan 2 members are vested after completing five years of eligible service.

PSERS members may retire with a monthly benefit of 2 percent of the average final compensation (AFC) at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, or at age 53 with 20 years of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a 3 percent per year reduction for each year between the age at retirement and age 60 applies.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The monthly benefit is 2 percent of the AFC for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PSERS Plan 2 members can receive service credit for military service that interrupts employment. Additionally, PSERS members who become totally incapacitated for continued employment while serving in the uniformed services, or a surviving spouse or eligible child(ren), may request interruptive military service credit.

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

Beneficiaries of a PSERS Plan 2 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction. This provision applies to any member killed in the course of employment, if found eligible by the Director of the Department of Labor and Industries.

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

There are 76 participating employers in PSERS. [1] Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2011:

Retirees and Beneficiaries Receiving Benefits	15
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	1
Active Plan Members Vested	167
Active Plan Members Non-vested	<u>4,020</u>
Total	<u>4,203</u>

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2012, were as follows:

PSERS Plan 2	
Employer *	8.87%
Employee	6.36%

* The employer rates include an employer administrative expense fee of 0.16%.

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

PSERS Plan 2	
2012	\$ 53,155
2011	51,894
2010	49,444

FIRE PENSION FUND / POLICE PENSION FUND

Plan Description

The City is also the administrator of the Fire and Police pension systems shown as trust funds in the City's financial reports. Separate financial statements are not issued. Both systems are closed single-employer defined benefit pension plans established in conformance with RCWs 41.16, 41.18 and 41.20. These plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Membership is limited to firefighters and police officers employed prior to March 1, 1970 when the LEOFF retirement system was established. The City's obligation under the plans consists of paying all benefits, including payment to beneficiaries, for members who retired prior to March 1, 1970 and excess benefits over LEOFF for covered members who retired or will retire after March 1, 1970.

Membership of the Plans consisted of the following as of December 31, 2012:

- Retirees and beneficiaries of deceased retirees retiring prior to March 1, 1970 currently receiving full pension benefits from the Fire and Police Pension Fund number 3 and 4, respectively.

- Retirees and beneficiaries of deceased retirees retiring on or after March 1, 1970 currently receiving benefits in excess of what LEOFF provides from the Fire and Police Pension Funds number 79 and 41, respectively.

Fire Pension members are eligible for retirement after serving 25 years and reaching the age of 50. Members retiring with 25 years of service are paid 50 percent of the basic salary attached to the rank held at the date of retirement. Members retiring with more than 25 years of service will receive an additional 2% of their base for each full year of additional service up to a maximum of five additional years.

Police Pension members are eligible for retirement after serving for 25 years. Members retiring with 25 years of service are paid 50 percent of the basic salary attached to the position held for the year preceding the date of retirement, up to the position of captain. Members retiring with more than 25 years of service will receive an additional 2% of their base for each full year of additional service up to a maximum of five additional years.

There were no changes in benefit provisions in the current year.

The Fire Pension Fund is administered by a fire pension board comprised of the mayor or a designated representative who shall be an elected official of the City, who shall be the chairperson of the board, the City council budget committee chairperson, the City clerk, and two regularly employed or retired fire fighters elected by secret ballot of the employed and retired fire fighters.

The Police Pension Fund is administered by a police pension board comprised of the mayor or his designated representative who shall be an elected official of the City, the City clerk, the City treasurer, president of the City council, and three active or retired members of the police department elected by active and retired members of the police department.

Summary of Significant Accounting Policies

The Fire Pension Fund and the Police Pension Fund financial statements are prepared using the accrual basis of accounting. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Investments are reported at fair value, as provided by the custodian. Details on the investments of the Fire Pension Fund and Police Pension Fund are included in Note 4.

Funding Policy

There have been no employee contributions to the fire pension plan since March 1, 1970. The primary sources of funding for this plan are property taxes levied by the City and interest earnings. In addition, State Law earmarks 25 percent of the tax on fire insurance premiums collected by the State for distribution to cities for fire pensions. In 2012, the City received \$147,478 in fire insurance premium tax.

There have been no employee contributions to the police pension plan since March 1, 1970. The primary sources of funding for this plan are property taxes levied by the City and interest earnings.

Administrative costs for both plans are financed through interest earnings.

The City's annual pension cost and net pension obligation for the current year were as follows:

	FIRE PENSION FUND	POLICE PENSION FUND
Annual Required Contribution (ARC)	\$ 189,176	\$ 298,310
Actuarial Adjustment to ARC	114,330	56,248
Interest on Net Pension Obligation (Asset)	<u>(108,614)</u>	<u>(53,435)</u>
Annual Pension Cost (APC)	194,892	301,123
Contributions Made	<u>147,478</u>	<u>-</u>
Increase / (Decrease) in Pension Obligation	47,414	301,123
Net Pension Obligation (Asset) at beginning of year	(2,172,270)	(1,068,705)
Net Pension Obligation (Asset) at end of year	<u>\$ (2,124,856)</u>	<u>\$ (767,582)</u>

The negative net pension obligation is a result of the City overpaying its annual required pension cost; the resulting net pension asset has been recorded on the City's government-wide Statement of Net position.

There was a prior period adjustment in 2011 to correct the original distribution of assets between pension and OPEB obligations that occurred in 2006 when the city implemented GASB Statements No. 43 & No. 45 requirements. The adjustments included a transfer of \$6.0 million from Fire's OPEB account to its Pension account, and a transfer of \$4.5 million from Police's OPEB account to its Pension account. Years affected by the changes are 2007 through 2010. The following schedules present three-year trend information for the Fire and Police Pension Funds. The trend information is intended to provide an indication of the progress being made in accumulating sufficient assets to pay benefits when due.

FIRE PENSION FUND			
<u>Year Ending</u>	<u>Cost (APC)</u>	<u>Percent of APC Contributed by City</u>	<u>Net Pension Obligation</u>
December 31, 2012	\$ 194,892	75.7%	\$ (2,124,856)
December 31, 2011	(111,256)	*	(2,172,270)
December 31, 2010	109,752	136.6%	(1,906,137)

POLICE PENSION FUND			
<u>Year Ending</u>	<u>Cost (APC)</u>	<u>Percent of APC Contributed by City</u>	<u>Net Pension Obligation</u>
December 31, 2012	\$ 301,123	0.0%	\$ (767,583)
December 31, 2011	53,549	0.0%	(1,068,705)
December 31, 2010	40,211	0.0%	(1,122,254)

* No percentage contributed is presented for 2011, because the Annual Required Contribution (ARC) was negative.

Funded Status and Funding Progress

The City uses the aggregate cost method to determine the annual pension cost and net pension obligation (asset). Because this method does not generate an unfunded actuarial liability or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose. This information is intended to serve as a surrogate for the funded status and funding progress of the plans.

The funded status of each plan as of the most recent actuarial valuation date is as follows:

As of December 31, 2010 the Fire pension plan was 129% funded. The actuarial accrued liability for benefits was \$7.9 million, the actuarial value of assets was \$10.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of (\$2.3 million). The covered payroll (annual payroll of active employees covered by the plan) was \$891,440, and the ratio of the UAAL to the covered payroll was (256.56)%.

As of December 31, 2010 the Police pension plan was 83% funded. The actuarial accrued liability for benefits was \$6.1 million, the actuarial value of assets was \$5.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$767,633, and the ratio of the UAAL to the covered payroll was 136.15%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to the financial statements currently presents funding progress for only two valuation periods, as 2009 was the first year the city was required to present this information. In future years, the schedule will present trend information for three valuation periods about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

An actuarial study is performed biennially for the Fire and Police Pension funds. The most recent actuarial study of the Fire and Police Pension Fund systems was computed by Northwest Plan Services to determine the funded status as of December 31, 2010. The actuarial cost method used in the valuation was the Aggregate Cost Method, with the annual normal cost spread over the pension period ending December 31, 2030. Under the Aggregate Cost Method, the present value of all future projected benefits expected to be paid out by the plan is determined as of the valuation date. From this amount, the current market value of plan assets is deducted. Also deducted in the Fire Pension Fund is the expected present value of future fire insurance premiums. Then, the amount necessary to actuarially fund the net present value is determined, assuming a closed amortization period of 20 years, that the City's contribution will be increased at 5 percent each year, and that the fire insurance premiums will continue to be remitted to the Fire Pension Fund until the fund is exhausted. This amortization method approximates the level percentage of payroll amortization method.

The Aggregate Cost Method does not generate an unfunded actuarial liability, separately amortize unfunded actuarial liabilities, or separately identify the actuarial gain or loss for the year. All covered employees and benefits are included in the valuation. The mortality rates are determined using the RP-2000 mortality tables for males and females, projected to 2015 with Scale AA.

Additional actuarial assumptions include: annual cost of living increase for LEOFF benefits of 3%, wage increases used as annual cost of living increases for City benefits of 3%, down from 3.5% in the last actuarial study; and a 5% interest rate.

Separate financial statements are not issued for the fire and police pension funds. The statement of fiduciary net position and the statement of changes in fiduciary net position for the pension funds can be found at the end of Note 8.

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

In addition to the Fire and Police Pension Plans described in Note 7 above, the City is also the administrator of the Fire and Police defined benefit post-employment healthcare plans.

Plan Descriptions

Both plans are closed single-employer defined benefit healthcare plans shown as trust funds in the City's financial reports. Separate financial statements are not issued. In accordance with RCW 41.26, the City provides lifetime medical care for firefighters and law enforcement officers employed prior to October 1, 1977. The City is self-insured and pays actual claims incurred by plan participants. The City carries individual and aggregate stop loss insurance to mitigate the risk associated with being self-insured. The plans are administered by the same boards that administer the Fire and Police Pension Plans as described in Note 7.

There are 3 active firefighter plan participants and 119 firefighter retirees currently receiving benefits. There are 2 active law enforcement plan participants and 85 law enforcement retirees currently receiving benefits.

Summary of Significant Accounting Policies

The Fire Healthcare Fund and the Police Healthcare Fund financial statements are prepared using the accrual basis of accounting. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Investments are reported at fair value, as provided by the custodian. Details on the investments of the Fire and Police Healthcare Funds are included in Note 4.

Funding Policy

Neither Fire nor Police retirees contribute towards the cost of his/her medical care. The primary sources of funding for both plans are property taxes levied by the City and interest earnings. In addition, the City receives a small Medicare D subsidy. In 2012, the City received \$99,080 in Medicare D reimbursements, which were split between the two funds. Administrative costs are financed through interest earnings.

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The

ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over the next 18 years. The following table shows the components of the City's annual OPEB costs for the year, the amounts actually contributed to the plans, and the change in the City's net OPEB asset.

	FIRE HEALTHCARE FUND	POLICE HEALTHCARE FUND
Annual Required Contribution (ARC)	\$ 1,025,088	\$ 927,134
Actuarial Adjustment to ARC	(48,186)	(83,629)
Interest on Net OPEB Obligation (Asset)	50,722	88,030
Annual OPEB Cost (expense)	1,027,624	931,535
Contributions Made	49,540	49,540
Increase / (Decrease) in OPEB Obligation	978,084	881,995
Net OPEB Obligation (Asset) at beginning of year	(963,718)	(1,672,574)
Net OPEB Obligation (Asset) at end of year	<u>\$ 14,366</u>	<u>\$ (790,579)</u>

The negative net OPEB obligations shown above are the result of the City contributing in excess of its annual required contribution. The net OPEB asset has been recorded in the City's government-wide Statement of Net Position.

FIRE HEALTHCARE FUND			
<u>Year Ending</u>	<u>Cost (APC)</u>	<u>Percent of APC Contributed by City</u>	<u>Net OPEB Obligation</u>
December 31, 2012	\$ 1,025,088	4.8%	\$ 14,366
December 31, 2011	1,270,612	4.1%	(963,718)
December 31, 2010	1,053,560	4.3%	(2,181,750)
POLICE HEALTHCARE FUND			
<u>Year Ending</u>	<u>Cost (APC)</u>	<u>Percent of APC Contributed by City</u>	<u>Net OPEB Obligation</u>
December 31, 2012	\$ 927,134	5.3%	\$ (790,578)
December 31, 2011	1,113,542	4.7%	(1,672,574)
December 31, 2010	1,072,220	4.2%	(2,733,537)

Funded Status and Funding Progress

The City uses the aggregate cost method to determine the annual OPEB cost and net OPEB obligation (asset). Because this method does not generate an unfunded actuarial liability or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose. This information is intended to serve as a surrogate for the funded status and funding progress of the plans.

The funded status of each plan as of the most recent actuarial valuation date is as follows:

As of December 31, 2010 the Fire healthcare plan was 46% funded. The actuarial accrued liability for benefits was \$48.3 million, the actuarial value of assets was \$22.1 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$26.1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$891,440, and the ratio of the UAAL to the covered payroll was 2930.02%.

As of December 31, 2010 the Police Healthcare plan was 38% funded. The actuarial accrued liability for benefits was \$35.0 million, the actuarial value of assets was \$13.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$21.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$767,633, and the ratio of the UAAL to the covered payroll was 2831.31%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to the financial statements presents three years of funding progress, which presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

An actuarial study is performed biennially for the Fire and Police OPEB funds. The most recent actuarial study of the Fire and Police OPEB Fund systems was computed by Northwest Plan Services to determine the funded status as of December 31, 2010. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used in the valuation was the Aggregate Cost Method, with the annual normal cost spread over the pension period ending December 31, 2030. Under the Aggregate Cost Method, the present value of all future projected benefits expected to be paid out by the plan is determined as of the valuation date. From this amount, the current market value of plan assets is deducted. Then, the amount necessary to actuarially fund the net present value is determined assuming a closed amortization period of 20 years and that the City's contribution will be increased at 5 percent each year. This amortization method approximates the level percentage of payroll amortization method.

The Aggregate Cost Method does not generate an unfunded actuarial liability, separately amortize unfunded actuarial liabilities, or separately identify the actuarial gain or loss for the year. All covered employees and benefits are included in the valuation. The mortality rates are determined using the RP-2000 mortality tables for males and females, projected to 2015 with Scale AA.

Additional actuarial assumptions include: a 5% interest rate; a medical cost trend rate assumption of 12.0% in year 1, grading down to 7.5% in year 10 and after.

Separate financial statements are not issued for the fire and police healthcare funds. The statement of fiduciary net position, and the statement of changes in fiduciary net position for the healthcare and pension funds appears on the following page.

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2012

	637a POLICE PENSION FUND	637b POLICE HEALTHCARE FUND	638a FIRE PENSION FUND	638b FIRE HEALTHCARE FUND	TOTAL TRUST FUNDS
ASSETS					
Cash and cash equivalents	\$162,375	\$238,783	\$264,978	\$462,069	\$ 1,128,205
Investments					
Agency Bonds	2,800,324	13,476,467	10,158,558	20,887,846	47,323,195
Accounts receivable - net	1,126	-	75	-	1,201
Interest receivable	-	-	-	7,805	7,805
TOTAL ASSETS	2,963,825	13,715,250	10,423,611	21,357,720	48,460,406
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 11	\$ 410	421
TOTAL LIABILITIES	-	-	11	410	421
NET POSITION					
Held in trust for pension benefits and other purposes	\$ 2,963,825	\$ 13,715,250	\$ 10,423,600	\$ 21,357,310	\$ 48,459,985

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012

	637a POLICE PENSION FUND	637b POLICE HEALTHCARE FUND	638a FIRE PENSION FUND	638b FIRE HEALTHCARE FUND	TOTAL TRUST FUNDS
ADDITIONS:					
Contributions					
Employer	\$ -	\$ 49,540	\$ -	\$ 49,540	\$ 99,080
State	-	-	147,478	-	147,478
Total contributions	-	49,540	147,478	49,540	246,558
Investment income					
Interest	48,233	292,986	282,449	577,097	1,200,765
Net appreciation (depreciation) in fair value	37,630	79,929	(36,667)	(115,312)	(34,420)
Net investment income	85,863	372,915	245,782	461,785	1,166,345
TOTAL ADDITIONS	85,863	422,455	393,260	511,325	1,412,903
DEDUCTIONS:					
Benefits	526,522	1,240,031	485,124	1,319,222	3,570,899
Administrative expense	-	15,478	-	15,478	30,956
TOTAL DEDUCTIONS	526,522	1,255,509	485,124	1,334,700	3,601,855
CHANGE IN NET POSITION					
Pension benefits	(440,659)		(91,864)		(532,523)
Postemployment healthcare benefits		(833,054)		(823,375)	(1,656,429)
NET POSITION RESERVED FOR EMPLOYEES' PENSION BENEFITS					
Employees' pension benefits, January 1	4,779,367		10,225,226		15,004,593
Prior Period Corrections	(1,374,883)	1,374,883	290,238	(290,238)	-
NET POSITION RESERVED FOR POSTEMPLOYMENT HEALTHCARE BENEFITS					
Postemployment healthcare benefits, January 1		13,173,421		22,470,923	35,644,344
NET POSITION - ENDING	\$ 2,963,825	\$ 13,715,250	\$ 10,423,600	\$ 21,357,310	\$ 48,459,985

NOTE 9 - RISK MANAGEMENT

The City of Everett is exposed to various risks of loss from torts; theft of, damage to, or destruction of assets; business interruption; errors and omissions; injuries to employees; and natural disasters.

The City combines the reporting of risk management activities into one internal service fund – the Self-Insurance Fund – to account for and finance uninsured risks. All departments of the City make payments through interfund assessments to the self-insurance fund based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses.

During 2012, the City was self-insured to \$1,000,000 for general liability, auto liability (excluding transit), law enforcement liability, errors and omissions liability and employment practices liability. Effective December 31, 2012, the self-insured retention increased to \$1,250,000. Workers' compensation is self-insured, subject to a maximum retention of \$1,000,000 per occurrence for police and firefighters, and \$750,000 for all other employees per occurrence. Unemployment compensation costs are self-insured by paying the actual benefit cost.

The liability arising out of the operations of the George Culmback Dam is also self-insured. The Culmback Dam is a joint project with Snohomish County PUD No. 1. As such, payment of claims and expenses would be jointly shared between the two entities. To date, there has never been a claim made arising out of the dam operations. The reserve balance in said fund is sufficient to address the current self-insured retention of \$2,000,000.

The City purchases commercial insurance for claims in excess of the self-insured retentions and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Everett Transit is a member of the Washington State Transit Insurance Pool (WSTIP). Liability insurance is provided through the Pool with limits of \$20,000,000 and a \$0 deductible for auto and general liability, and limits of \$12,000,000, with a \$5,000 deductible for public officials' liability.

Claims liabilities are based on the estimated ultimate cost of settling the claim, including case reserves and incurred but not reported (IBNR) claims. Case reserves for general, auto (excluding Transit), employment and law enforcement liabilities are estimated and projected by the Risk Management Division and the City's third-party administrator on a case-by-case basis using historical experience. Case reserves for Transit liability claims are estimated by the Transit pool, WSTIP. Case reserves for workers' compensation claims are estimated by the City's third-party administrator using statistical reserving formulas and historical experience. Claims liabilities include estimates for expenses related to adjusting/investigating and defending the claim or lawsuit.

At December 31, 2012 the estimated liability totaled \$13,765,074, consisting of \$5,840,600 for tort liability, \$7,773,702 for workers' compensation, and \$150,772 for unemployment compensation. These estimates are based on the provisions of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims liabilities are not discounted.

Changes in the funds' claims liability amounts in fiscal years 2011 and 2012 appear as follows:

	BALANCE AT BEGINNING OF YEAR	CLAIMS	CHANGE IN ESTIMATE	PAYMENTS	BALANCE AT END OF YEAR
Tort Liability:					
2012	5,555,138	1,900,171	(428,711)	(1,185,998)	5,840,600
2011	5,974,443	1,473,741	(302,293)	(1,590,753)	5,555,138
Workers' Compensation:					
2012	4,683,197	1,496,569	3,994,410	(2,400,474)	7,773,702
2011	6,157,432	1,957,667	(841,045)	(2,590,857)	4,683,197
Unemployment Compensation:					
2012	161,109	197,163	24,457	(231,957)	150,772
2011	156,146	210,681	42,142	(247,860)	161,109

In 1995, the City created a self-insured health benefits program for its employees as a means to contain rising health benefit costs. The Health Benefits Reserve Fund 508 was established to account for the disbursement of actual medical expenses, associated administrative costs, and reserves for this program.

In order to mitigate its risk exposure the City holds individual and aggregate stop loss insurance, and maintains both claims fluctuation and liability reserves. The claims fluctuation reserve was \$150,000 at December 31, 2012. The liability reserve was \$1,633,242 at December 31, 2012, and is based on an analysis of the most recent twelve months of incurred claims with applied monthly completion factors.

Changes in the fund's claims liability in fiscal years 2011 and 2012 appear as follows:

	BALANCE AT BEGINNING OF YEAR	CLAIMS	CHANGE IN ESTIMATE	PAYMENTS	BALANCE AT END OF YEAR
IBNR Liability:					
2012	1,870,053	9,808,037	(236,811)	(9,808,037)	1,633,242
2011	2,025,868	8,081,398	(155,815)	(8,081,398)	1,870,053

NOTE 10 - LONG-TERM DEBT**General Obligation Bonds**

The City issues general obligation bonds to finance the purchase, acquisition, and/or the construction of capital assets. General obligation bonds have been issued for both general government and business-type activities and are being repaid from the applicable resources. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20 to 25-year serial bonds with equal amounts of principal maturing each year.

General obligation bonds outstanding at December 31, 2012 are as follows:

NAME OF ISSUE / PURPOSE	DATE OF ISSUE	DATE OF FINAL MATURITY	INTEREST RATE(S)	AMOUNT	REDEMPTIONS	DEBT
				ORIGINALLY ISSUED	TO DATE	OUTSTANDING
Governmental Activities						
01 Variable Rate Demand Bonds - capital	12-13-01	12-13-21	Variable	13,000,000	3,200,000	9,800,000
12 LTGO and Refunding Bonds - capital	10-04-12	12-01-26	2.00-4.00%	13,935,000	245,000	13,690,000
Total Governmental Activities				26,935,000	3,445,000	23,490,000
Business Activities						
10 LTGO Bonds - capital	03-26-10	12-01-19	1.00-4.25%	10,500,000	3,500,000	7,000,000
Total Business Activities				10,500,000	3,500,000	7,000,000
TOTAL GENERAL OBLIGATION BONDS				\$ 37,435,000	\$ 6,945,000	\$ 30,490,000

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

YEAR ENDING DECEMBER 31,	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2013	1,455,000	361,800	1,816,800	1,000,000	230,000	1,230,000
2014	1,440,000	479,050	1,919,050	1,000,000	208,750	1,208,750
2015	1,585,000	459,850	2,044,850	1,000,000	182,500	1,182,500
2016	2,125,000	524,300	2,649,300	1,000,000	152,500	1,152,500
2017	2,115,000	508,550	2,623,550	1,000,000	120,000	1,120,000
2018 - 2022	11,960,000	1,781,600	13,741,600	2,000,000	125,000	2,125,000
2023 - 2027	2,810,000	129,555	2,939,555	-	-	-
TOTAL	\$23,490,000	\$ 4,244,705	\$ 27,734,705	\$ 7,000,000	\$ 1,018,750	\$ 8,018,750

Interest on the 2001 Variable Rate Demand Bonds is paid monthly at a rate to be determined weekly using the Securities Industry and Financial Markets Association Municipal Swap Index. The rate in effect at 12/31/12 was 0.11%. In addition, the City pays a quarterly management fee assessed at 50 basis points on the outstanding principal balance and an annual remarketing fee assessed at 10 basis points on the outstanding principal balance. These bonds contain a put feature that allows bondholders to demand payment at par with seven days notice. As a condition to the issuance of the Bonds, the City obtained a direct pay letter of credit issued by Bank of New York. The Letter of Credit is an irrevocable obligation of the Bank with an available amount equal to the sum of the outstanding principal plus 35 days of interest. This Letter of Credit will remain in force until November 16, 2014, at which time the City will seek a renewal. The bonds are also subject to redemption, in whole or in part, at the option of the City on any interest payment date at a redemption price equal to the principal amount thereof. The entire issue matures December 1, 2021.

Revenue Debt

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay the debt service.

The revenue bonds listed below will be repaid solely from water/sewer customer net revenues and are payable through 2035. The total principal and interest remaining to be paid on the bonds is \$248,041,336. Principal and interest expense for the current year and total customer net revenues were \$11,001,252 and \$25,309,607 respectively.

Proceeds from the bonds were used for capital purposes related to improving the water/sewer system including; water distribution system improvements, pipeline replacements, water tanks rehabilitation, wastewater pollution control facility expansion, sewer system capacity improvements, and sewer system replacements.

Revenue bonds outstanding at December 31, 2012 are as follows:

NAME OF ISSUE / PURPOSE	DATE OF		INTEREST RATE(S)	AMOUNT		DEBT OUTSTANDING
	DATE OF ISSUE	FINAL MATURITY		ORIGINALLY ISSUED	REDEMPTIONS TO DATE	
03 Water/Sewer Revenue Bonds - capital	05-15-03	07-01-27	2.0-5.0%	58,090,000	22,900,000	\$ 35,190,000
05 Water/Sewer Revenue Bonds - capital	10-14-05	12-01-30	3.75-5.0%	35,000,000	390,000	34,610,000
09 Water/Sewer Revenue Bonds - capital	12-01-09	12-01-33	2.0-5.0%	40,000,000	4,745,000	35,255,000
11 Water/Sewer Revenue Bonds - capital	03-09-11	12-01-35	2.5-5.0%	51,000,000	-	51,000,000
TOTAL REVENUE BONDS				\$ 184,090,000	\$ 28,035,000	\$ 156,055,000

Annual debt service requirements to maturity for revenue bonds are as follows:

YEAR ENDING DECEMBER 31,	BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2013	3,560,000	7,403,676	10,963,676
2014	5,110,000	7,252,576	12,362,576
2015	5,345,000	7,014,301	12,359,301
2016	5,595,000	6,756,251	12,351,251
2017	5,835,000	6,516,651	12,351,651
2018 - 2022	33,485,000	28,244,031	61,729,031
2023 - 2027	42,505,000	19,138,776	61,643,776
2028 - 2032	41,680,000	8,485,848	50,165,848
2033 - 2035	12,940,000	1,174,225	14,114,225
TOTAL	\$ 156,055,000	\$ 91,986,336	\$ 248,041,336

Other Long Term Debt

The City has received government loans and other notes to provide for construction of capital projects. The Snohomish County/Everett Memorial Stadium loan will be paid from the Hotel/Motel Tax Fund 138. The Governmental Activities Public Works Trust Fund loans will be paid from the Real Estate Excise Tax Fund 154. The Business Activities Public Works Trust Fund loans, State Revolving Fund loans, and property purchase loans will be paid from water/sewer revenues.

Other long-term debt outstanding, as of December 31, 2012, is presented below:

NAME OF ISSUE/PURPOSE	DATE OF ISSUE	DATE OF FINAL MATURITY	INTEREST RATE(S)	AMOUNT		DEBT OUTSTANDING
				ORIGINALLY ISSUED	REDEMPTIONS TO DATE	
Governmental Activities						
Snohomish County/Everett Memorial Stadium	06-30-95	06-30-14	0.00%	\$ 1,046,220	\$ 941,598	\$ 104,622
Public Works Trust Fund Loan - 75th Street	09-23-96	07-01-16	2.00%	930,880	699,975	230,905
Public Works Trust Fund Loan - Riverfront	04-28-99	07-01-18	2.00%	1,000,000	674,923	325,077
Public Works Trust Fund Loan - 112th Street	12-22-02	07-01-22	0.50%	1,000,000	449,014	550,986
Total Governmental Activities				3,977,100	2,765,510	1,211,590
Business Activities						
PWTFL Water Transmission Line	07-01-93	07-01-13	3.00%	3,232,931	3,062,535	170,396
PWTFL Water Transmission Line	06-06-94	07-01-14	3.00%	3,500,000	3,129,532	370,468
PWTFL Water Transmission Line	08-02-95	07-01-15	1.00%	651,183	567,732	83,451
PWTFL Sewer Basement Flooding Reduction	07-01-01	07-01-21	1.00%	1,881,000	990,000	891,000
PWTFL Water Transmission Line	07-01-01	07-01-21	1.00%	4,252,792	2,241,405	2,011,387
PWTFL Cross-Town Effluent Pipeline	05-13-03	07-01-23	0.50%	5,490,000	2,302,750	3,187,250
PWTFL Water Transmission Lines #2-3	11-17-03	11-17-23	0.50%	841,671	347,621	494,050
PWTFL Treatment Plant Upgrade	04-25-05	07-01-25	0.50%	9,500,000	2,638,889	6,861,111
SRF Clearwell No. 2	03-03-06	10-01-25	1.50%	4,040,000	1,146,542	2,893,458
SRF Clearwell No. 2	12-21-07	10-01-26	1.50%	4,040,000	1,063,158	2,976,842
SRF Clearwell No. 2	03-03-08	10-01-27	1.50%	3,030,000	637,895	2,392,105
SRF Clearwell No. 2	08-22-08	10-01-29	1.50%	4,040,000	626,887	3,413,113
SRF Recovered Water Outfall	08-05-09	10-01-29	1.50%	1,376,473	144,825	1,231,648
SRF Bond Street CSO	10-13-10	10-31-31	2.90%	861,373	42,975	818,398
PWTFL Water Pollution Facility Expansion	06-25-06	07-01-26	0.50%	7,000,000	1,842,105	5,157,895
Everett Riverside Property Purchase Loan	12-30-09	06-01-13	5.45%	4,094,836	3,613,312	481,524
Mukilteo Water District	01-01-11	09-30-24	7.82%	140,883	28,474	112,409
PWTFL PC13-961-008	12-01-12	12-01-13	1.00%	475,281	-	475,281
Total Business Activities				58,448,421	24,426,636	34,021,785
TOTAL OTHER LONG-TERM DEBT				\$ 62,425,521	\$ 27,192,146	\$ 35,233,376

Annual debt service requirements to maturity for other long-term debt are as follows:

YEAR ENDING	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
	DECEMBER 31,	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS	PRINCIPAL	INTEREST
2013	219,316	8,315	227,631	3,354,901	362,177	3,717,079
2014	219,316	6,920	226,236	2,702,981	322,622	3,025,603
2015	167,005	5,526	172,531	2,542,762	294,263	2,837,025
2016	167,007	4,131	171,138	2,514,945	267,756	2,782,701
2017	109,279	2,737	112,015	2,514,945	241,527	2,756,472
2018 - 2022	329,668	4,674	334,342	12,222,675	823,402	13,046,076
2023 - 2027	-	-	-	7,487,907	264,498	7,752,406
2028 - 2031	-	-	-	655,658	21,451	677,110
2032 - 2036	-	-	-	25,011	125	25,136
TOTAL	\$ 1,211,590	\$ 32,302	\$ 1,243,893	\$ 34,021,785	\$ 2,597,821	\$ 36,619,606

Bond Covenants, Limitations and Restrictions

At December 31, 2012, restricted assets of enterprise funds include \$14,837,905 for bond redemption. The City has also purchased a surety policy for the 2002 Water and Sewer Revenue Bonds. These represent redemption funds and reserve requirements as contained in the various bond ordinances.

There are a number of other limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

Debt Limit

RCW 39.36.020 provides cities with three segments of debt capacity, each equal to two and one-half percent of the City's assessed valuation, for a total debt capacity of seven and one-half percent (7.5%). Allowable uses of these segments are as follows:

Segment 1 - General Governmental Purposes

The City can incur debt up to one and one-half percent (1.5%) of its assessed valuation solely with a vote of the legislative body (often referred to as "councilmanic" debt). To use the remaining one percent (1.0%), a 60 percent vote in favor of the issue by at least 40 percent of the voters voting in the last general election is required.

Segment 2 - City-Owned Water and Sewer Purposes

The City can incur debt up to an additional two and one-half percent (2.5%) for water and sewer purposes with a 60 percent vote in favor of the issue by at least 40 percent of the voters voting in the last general election.

Segment 3 - Acquiring and Developing Open Space, Parks Facilities, and Capital Facilities Associated with Economic Development

The City can incur debt up to an additional two and one-half percent (2.5%) for acquiring and developing open space, parks facilities, and capital facilities associated with economic development with a 60 percent vote in favor of the issue by at least 40 percent of the voters voting in the last general election.

At December 31, 2012 the debt limits for the City were as follows:

	Governmental Purposes		Water & Sewer Purposes	Park & Capital Facilities
	<u>Without Vote</u> (Councilmanic)	<u>With Vote</u>	<u>With Vote</u>	<u>With Vote</u>
	1.50%	1.00%	2.50%	2.50%
Legal Limits, Net	\$ 168,314,917	\$ 112,209,945	\$ 280,524,861	\$ 280,524,861
Net Outstanding Indebtedness	31,704,563	-	-	-
Margin Available	\$ 136,610,354	\$ 112,209,945	\$ 280,524,861	\$ 280,524,861

Only general obligation debt is subject to the legal debt limit capacity restrictions. Revenue bonds and Local Improvement District (LID) bonds are not limited because no taxing power or general fund pledge is provided as security.

NOTE 11 - LEASES AND OTHER CONTRACTUAL COMMITMENTS**Lease Receivables**

Everett Transit owns transportation hub Everett Station, and leases office and retail space. As of December 31, 2012, the asset cost of Everett Station was \$47,049,382, with accumulated depreciation of \$10,965,949, resulting in a cost net of depreciation of \$36,083,434. Noncancelable leases provide for minimum annual payments as follows:

Year Ending December 31	Minimum Future Rentals
2013	\$ 392,417
2014	396,048
2015	155,578
2016	38,367
Total	<u>\$ 982,410</u>

Operating Leases and Other Contractual Commitments

The City leases equipment and office and storage space under noncancelable operating leases. Total operating lease expenditures for 2012 were \$562,306 in governmental activities and \$546,445 in business-type activities. The City also contracts for certain professional services such as the management of golf courses and parking facilities and the monitoring and maintenance of equipment such as elevators, heating, ventilation and air conditioning, and fire alarm systems in City buildings. Commitments under lease and professional service contractual agreements provide for minimum annual payments as follows:

Year Ending December 31	Leases	Professional Services
2013	\$ 264,053	\$ 675,795
2014	192,444	249,381
2015	-	193,869
2016	-	192,477
2017	-	162,100
Total	<u>\$ 456,497</u>	<u>\$ 1,473,622</u>

Capital Leases

The City's Library and Water and Sewer Utility Fund have entered into capital leases to finance the acquisition of mail machines. The leases were recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases as of December 31, 2012 appear as follows:

	Governmental Fund	Enterprise Funds
Machinery and equipment	\$ 7,977	\$ 55,468
Less accumulated depreciation	(4,786)	(44,374)
Machinery and equipment, net of depreciation	<u>\$ 3,191</u>	<u>\$ 11,094</u>

The future minimum lease obligations and the net present value of minimum lease payments as of December 31, 2012 appear as follows:

Year Ending December 31	Governmental Fund	Enterprise Funds
2013	2,201	14,791
2014	1,100	-
Total minimum lease payments	3,301	14,791
Less amounts attributable to interest	(327)	(915)
Net present value of minimum lease payments	\$ 2,974	\$ 13,876

Construction Commitments

As of December 31, 2012, the City had other outstanding contractual commitments, which include construction and engineering contracts for capital projects currently in progress. The City's total outstanding contract obligations are summarized as follows:

PROJECT	Expended To Date	Remaining Commitment
City facilities projects	\$ 3,026,835	\$ 8,007,430
Street projects	5,020,734	4,155,530
Parks projects	3,763,716	555,281
Transit projects	1,577,665	5,344,765
Water & sewer utility projects	39,559,538	19,605,646
Total	\$ 52,948,488	\$ 37,668,652

NOTE 12 – CHANGES IN LONG-TERM LIABILITIES**Changes in Long-term Liabilities**

During the year ended December 31, 2012, the following changes occurred in long-term liabilities:

	Beginning Balance 01-01-12	Additions	Reductions	Ending Balance 12-31-12	Due Within One Year
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 26,200,000	\$ 13,935,000	\$ (16,645,000)	\$ 23,490,000	\$ 2,150,000
Plus deferred amounts:					
For issuance premiums	152,962	1,055,718	(223,343)	985,337	9,560
Total bonds payable:	26,352,962	14,990,718	(16,868,343)	24,475,337	2,159,560
Governmental loans	1,430,906	-	(219,316)	1,211,590	219,316
Pollution remediation liability	1,670,000	3,363,950	-	5,033,950	225,000
Capital Leases	4,649	-	(1,676)	2,973	1,915
Claims and judgements	12,269,497	16,755,285	(13,626,466)	15,398,316	4,301,564
Compensated absences	8,513,926	8,859,154	(6,922,620)	10,450,460	4,204,051
Governmental activity long-term liabilities:	\$ 50,241,940	\$ 43,969,107	\$ (37,638,421)	\$ 56,572,626	\$ 11,111,406
Business-Type Activities					
Bonds payable:					
General obligation bonds	\$ 8,200,000	\$ -	\$ (1,200,000)	\$ 7,000,000	\$ 1,000,000
Revenue bonds	159,480,000	-	(3,425,000)	156,055,000	3,560,000
Plus deferred amounts:					
For issuance premiums	7,237,205	-	(379,640)	6,857,565	378,469
Total bonds payable:	174,917,205	-	(5,004,640)	169,912,565	4,938,469
Governmental loans	37,758,902	475,281	(4,212,390)	34,021,793	3,460,734
Pollution remediation liability	300,000	-	-	300,000	-
Capital leases	25,225	-	(12,443)	12,782	12,782
Compensated absences	1,783,734	2,783,656	(2,583,346)	1,984,044	1,180,947
Business-type activity long-term liabilities:	\$ 214,785,066	\$ 3,258,937	\$ (11,812,819)	\$ 206,231,184	\$ 9,592,932

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities related to internal service funds are included as part of the above totals for governmental activities. At year-end \$145,568 of internal service funds compensated absences are included in the above amounts. Also, for governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

NOTE 13 – CONTINGENCIES AND LITIGATION

In the normal course of its various operations, the City is involved in lawsuits and is the recipient of claims for damages alleging the City is responsible for damage incurred by third parties. Claims and/or litigation arise in such areas as police civil liability, automobile liability, street and sidewalk design and/or maintenance, zoning, building and other land-use regulations, equipment operation, as well as other areas. These claims or lawsuits are a relatively natural consequence of conducting the City's business. The City of Everett self-insures to cover the majority of its liability risk.

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

As of December 31, 2012, the City is also contingently liable for \$27,415,000 of 2007 Variable Rate Project Revenue Bonds issued by the Public Facilities District. Please see the Reporting Entity section of Note 1 for more details.

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

NOTE 14 - CONDUIT DEBT OBLIGATIONS

The City has authorized the issuance of bonds to enable various public authorities (see Note 1 - Reporting Entity) to acquire and/or construct facilities deemed to be in the public interest. Neither the local government, the public corporation, nor the state government pledges its credit to repayment of the bonds. The funds for repayment of the bonds come from private lenders and must be repaid by the company for which the facilities are financed and built. As of December 31, 2012, the Industrial Development Corporation had the following bond issues outstanding:

NAME OF ISSUE	DATE OF ISSUE	DATE OF FINAL MATURITY	INTEREST RATE(S)	AMOUNT ORIGINALLY ISSUED	REDEMPTIONS TO DATE	UNMATURED DEBT
Kimberly Clark Project	06-01-02	06-01-37	Variable	19,200,000	19,200,000	-
TOTAL CONDUIT DEBT				\$ 19,200,000	\$ 19,200,000	\$ -

NOTE 15 - INTERFUND BALANCES AND TRANSFERS

Loans between funds are classified as either interfund loans receivable and payable or advances to and from other funds, depending on the time period for which the loan was made. The City uses interfund loans primarily to meet short-term cash flow requirements while waiting for grant reimbursements.

Advances to and from other funds are typically loans that are not expected to be repaid within one year from the date of the financial statements. There is currently one outstanding advance between the General Fund and Golf. It was established to internally finance Golf general obligation bonds that were called in 2007 and 2008 and to finance operating deficits that occurred in 2008 and early 2009. All long-term advances have planned repayment schedules.

Interfund loan balances at December 31, 2012 appear as follows:

	INTERFUND LOANS RECEIVABLE	INTERFUND LOANS PAYABLE	ADVANCES TO OTHER FUNDS	ADVANCES FROM OTHER FUNDS
General Fund	\$ 100,350	\$ -	\$ 7,489,168	\$ -
Nonmajor Governmental Funds	-	100,350	-	-
Nonmajor Enterprise Funds	-	-	-	7,489,168
TOTAL	\$ 100,350	\$ 100,350	\$ 7,489,168	\$ 7,489,168

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

Interfund transfer activity for the year ending December 31, 2012 appears as follows:

	TRANSFERS IN					TOTAL
	General Fund	Capital	Nonmajor	Enterprise Funds		
		Improvement Reserve Fund	Governmental Funds			
TRANSFERS OUT						
General Fund	\$ -	\$ -	\$ 1,549,568	\$ 1,375	\$ 1,550,942	
Capital Improvement Reserve Fd	943,096	-	6,948,541	-	7,891,636	
Water & Sewer Utility	3,810,000	-	-	-	3,810,000	
Transit	164,760	-	-	-	164,760	
Nonmajor Governmental Funds	543,440	41,908	6,240,357	-	6,825,705	
TOTAL	\$ 5,461,297	\$ 41,908	\$ 14,738,464	\$ 1,375	\$ 20,243,043	

A transfer is considered significant if it is for a transaction that does not occur on a routine basis or is inconsistent with the customary activities of the fund making the transfer. In 2012, the following significant transfers were completed to provide funding for under expenditure for the CIP4.

- \$416,294 from Fund 002 - General Fund, to Fund 303 – Public Works Improvement, a Capital Project fund.
- \$5,260,000 from Fund 162 - General Fund, to Fund 342 – City Facilities Construction, a Capital Project fund.

NOTE 16 – RECEIVABLE AND PAYABLE BALANCES

Receivables at December 31, 2012 appear as follows:

	Taxes	Customer Accounts	Interest	Due from Other Governments	Notes Receivable	TOTAL
Governmental Activities:						
General Fund	\$ 10,513,714	\$ 2,370,891	\$ 204,207	\$ 513,502	\$ 48,123	\$ 13,650,437
Capital Improvement Reserve Fund	160,632	35,892	41,058	-	-	\$ 237,582
Nonmajor Governmental Funds	160,632	342,437	89,270	1,216,081	13,345,328	\$ 15,153,748
Internal Service Funds	-	429,879	43,075	24,299	-	\$ 497,253
Total Governmental Activities	\$ 10,834,978	\$ 3,179,099	\$ 377,610	\$ 1,753,882	\$ 13,393,451	\$ 29,539,023
Business-Type Activities:						
Water & Sewer Utility	\$ -	\$ 6,264,905	\$ 294,393	\$ 3,172,269	\$ -	\$ 9,731,566
Transit	2,985,467	14,014	20,278	305,116	-	3,324,875
Nonmajor Enterprise Funds	-	253,532	9,442	105,746	-	368,720
Total Business-Type Activities	\$ 2,985,467	\$ 6,532,451	\$ 324,113	\$ 3,583,131	\$ -	\$ 13,425,160

Governmental Activities

General Fund - Customer Accounts include \$2,311,312 Muni Court receivable reported in the Government Wide Statement of Net Position
 General Fund - Notes Receivable excludes \$1,091,877 discount on notes reported in the Government Wide Statement of Net Position

Payables at December 31, 2012 appear as follows:

	Wages & Benefits	Accounts	Interest	Taxes	Due to Other Governments	Custodial Accounts	Other Liabilities	TOTAL
Governmental Activities:								
General Fund	\$ 3,390,585	\$2,039,779	\$ 62,145	\$ -	\$ 87,555	\$ 210,854	\$ 133,316	\$ 5,924,234
Nonmajor Governmental Funds	394,786	1,889,017	-	-	19	-	1,955	2,285,777
Internal Service Funds	105,224	783,469	-	-	-	-	111,850	1,000,543
Total	\$ 3,890,595	\$ 4,712,265	\$ 62,145	\$ -	\$ 87,574	\$ 210,854	\$ 247,121	\$ 9,210,555
Business-Type Activities:								
Water & Sewer Utility	\$ 844,497	\$ 3,082,534	\$ 1,482,293	\$ 96,203	\$ -	\$ -	\$ 4,023	\$ 5,509,550
Transit	481,492	85,133	-	2,435	357,999	-	-	927,060
Nonmajor Enterprise Funds	28,534	151,790	19,167	10,305	-	-	-	209,796
Total	\$ 1,354,522	\$ 3,319,457	\$ 1,501,460	\$ 108,943	\$ 357,999	\$ -	\$ 4,023	\$ 6,646,406

The wages and benefits total excludes the following short term vacation and sick leave accruals which are included with non-current liabilities at the entity wide level:

Governmental Activities

Internal Service Fund \$ 90,921

Business-Type Activities

Water and Sewer \$ 792,086
 Transit 362,014
 Nonmajor Enterprise 26,847

NOTE 17 – JOINT VENTURES

Joint Ventures - The City, in conjunction with other governmental entities, participates in three joint ventures. Using the same criteria applied to the other organizations to determine the reporting entity, these joint ventures have not been included in the City's annual financial statements.

The **Snohomish River Regional Water Authority (SRRWA)** was created for the planning, development, ownership, management and financing of water supply sources and transmission, and other water supply facilities, either by itself or in cooperation with other municipal providers of utilities. The primary purpose is to facilitate efficient water resource development and utilization through interlocal cooperation. The SRRWA board is comprised of one representative of each of three members, who is an elected public official designated in writing, authorized to represent the member in meetings of the membership and Board of Directors. The City has a 41.67 percent interest in the joint venture at December 31, 2012 and recorded an investment in the joint venture in the utility fund of \$669,332. As of December 31, 2012, the SRRWA had accumulated sufficient resources and was not experiencing any fiscal stress. Separate financial statements for the joint venture may be obtained from the City of Everett, Utilities Finance Manager, 3200 Cedar Street, Everett, WA 98201.

The **Snohomish County Emergency Radio System (SERS)**, a nonprofit corporation pursuant to chapter 24.06 RCW and IRC 501(c)(3), was established via an interlocal agreement in 1999. Member entities include Snohomish County, Fire District 1, and the Cities of Brier, Edmonds, Lynnwood, Marysville, Mill Creek, Mountlake Terrace, Mukilteo, Woodway, and Everett. The purpose of SERS is to develop, operate and maintain a countywide public safety communications system. The governing board consists of ten directors, one appointed by each City and County member, with the authority to take all actions on behalf of SERS. A cost allocation model is used to determine each Member's share of financial obligations and voting weight from time to time. The cost allocation model is reviewed and recalculated annually to reflect population, geographic service area and calls for service from January 1 through December 31 of each year. As of December 31, 2012, the City has a 15.92 percent interest in the SERS joint venture and a recorded equity interest of \$1,877,244. Based on summary financial information provided to the City by Snohomish County, it does not appear that SERS is experiencing any fiscal stress. Separate financial statements for the joint venture may be obtained from Snohomish County, Finance Department, 3000 Rockefeller Avenue, Everett, WA 98201.

One Regional Card for All (ORCA) was established by interlocal agreement for the operating phase of the Regional Fare Integration Project also known as the Smart Card Project. This ten-year agreement among City of Everett (Everett Transit), Snohomish County Transit Authority (Community Transit), Sound Transit, King County Metro, Pierce Transit, Kitsap Transit and Washington State Ferries commenced April 1, 2009. Pursuant to the Interlocal Cooperation Act, chapter 39.34 RCW, the participating agencies jointly exercise their powers to better coordinate their respective services and fare payment systems in order to improve the availability, reliability and convenience of public transportation services within their service areas and throughout the region served by the agencies. Everett Transit's undivided interest in the assets, liabilities and operations of the ORCA smart card are consolidated within these financial statements on a proportionate basis. Everett Transit's interest in the central cash accounts as of December 31, 2012, is \$70,369 which represents deferred fare revenue. Everett Transit's percentage share of the operating expense for 2012 was 1.7%. Separate financial statements for the joint venture may be obtained from Sound Transit, ORCA Regional Fare Coordination System, 401 S Jackson St, Seattle, WA 98104-2826.

NOTE 18 – POLLUTION REMEDIATION OBLIGATIONS

The City recorded the following pollution remediation obligations as other liabilities in its financial statements as of December 31, 2012, in accordance with GASB Statement No. 49:

SITE	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES
145 Alverson Boulevard	\$ 3,133,900	
4000 Block South Second Avenue	1,450,000	
3003 Colby Avenue	200,000	
2731 36th Street Southeast	200,000	
2808 10th Street	50,050	
144 West Marine View Drive		\$ 300,000
TOTALS	\$ 5,033,950	\$ 300,000

The site located at 145 Alverson, Everett, Washington was identified as contaminated by releases from the neighboring former ASARCO plant. As of December 31, 2012, the City estimated the liability with regard to pollution remediation at this site to be \$3,133,900.

The City identified a release of contaminants at the 4000 block of South Second Avenue, Everett, Washington, and is pursuing a Voluntary Cleanup Program (VCP) agreement with the Washington State Department of Ecology (DOE). As of December 31, 2012, the City estimated the liability with regard to pollution remediation at this site to be \$1,450,000.

The City identified a release of contaminants at 3003 Colby Avenue, Everett, Washington, and is pursuing a VCP agreement with the DOE. As of December 31, 2012, the City estimated the liability with regard to pollution remediation at this site to be \$200,000.

The City identified a release of contaminants at 2731 36th Street Southeast, Everett, Washington, and entered into a VCP agreement with the DOE to remediate the site in previous periods. The City remediated the site during 2010 and continued to test the site. As of December 31, 2012, the City concluded that additional remediation was needed, and estimated the liability with regard to pollution remediation at this site to be \$200,000.

The site located at 2808 10th Street, Everett, Washington was identified as contaminated by releases from the neighboring former ASARCO plant. As of December 31, 2012, the City estimated the liability with regard to pollution remediation at this site to be \$50,050.

The site located at 144 West Marine View Drive, Everett, Washington had previously been identified as contaminated by releases from the neighboring former ASARCO plant. The City voluntarily remediated the site in 1998 in conjunction with a VCP agreement with the DOE. The City had expected to receive a notice of no further action from the DOE upon completion of the DOE's Final Cleanup Action Plan for ASARCO. The City's original VCP agreement expired, a new VCP agreement was reinstated in 2008, and the DOE requested the City to send the DOE an analysis of current soil samples at the site. The City engaged an independent engineering firm to analyze soil samples at the site and submit its findings to the DOE, this work was performed during 2009, and the City submitted several alternative remediation proposals to the DOE for consideration. As of December 31, 2012, the City estimated liability with regard to pollution remediation at this site to be \$300,000.

The estimated liability for each of these sites was prepared using the Expected Cash Flow Technique, which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. This is an estimate only, and potential for change exists resulting from price fluctuations, technology changes or changes in applicable laws or regulations. The estimates and underlying assumptions will be re-evaluated on an annual basis.

NOTE 19 - OTHER DISCLOSURES**SUBSEQUENT EVENTS**

In January, 2013, the real estate parcel, situated on the corner of Wall Street and Colby Avenue, Everett, Washington, was sold to Touchstone Corporation. The City conveyed title to the property in exchange for a refundable deposit of \$500,000, and a permanent easement for the use of 48 underground parking spaces to be located in the future building, valued at \$1,600,000. The \$500,000 deposit is refundable subject to the completion of certain steps toward the financing and construction of the future building by various dates. The City received the \$500,000 in January, 2013, and will hold it as a deposit liability until the contingencies to which the deposit is subject are either met or expire.

In the meantime, the real estate parcel will remain on the City's accounting records, and the sale will not be recognized for accounting purposes by the City until the contingencies have been extinguished.

In January, 2013, the City Council passed Ordinance 3313-13 authorizing the City to issue water and sewer revenue bonds in an amount not to exceed \$72,000,000. The purpose of this issue was to refinance the outstanding 2003 revenue bonds in the amount of \$35,190,000 and the outstanding 2005 revenue bonds in the amount of \$34,610,000. The bond sale closed on February 14, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUALSCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED DECEMBER 31, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
REVENUES				
Taxes	71,353,119	\$ 71,866,119	\$ 72,159,218	\$ 293,099
Licenses and permits	956,393	956,393	1,419,348	462,955
Intergovernmental revenues	2,820,276	4,646,733	3,819,703	(827,030)
Charges for services	7,583,767	7,583,767	7,469,003	(114,764)
Fines and forfeits	1,743,950	1,743,950	1,635,309	(108,641)
Other revenues	937,814	937,814	772,163	(165,651)
TOTAL REVENUES	85,395,319	87,734,776	87,274,744	(460,032)
EXPENDITURES				
Current:				
General government services	20,329,486	27,854,537	23,166,739	4,687,798
Security of persons and property	57,526,952	56,490,858	54,720,871	1,769,987
Physical environment	3,761,569	3,642,569	3,308,982	333,587
Transportation	1,859,114	1,774,114	1,724,012	50,102
Economic environment	5,177,736	5,107,238	4,499,047	608,191
Mental and physical health	31,917	31,917	26,659	5,258
Culture and recreation	705,019	702,019	632,335	69,684
Capital outlay	38,362	1,194,224	327,134	867,090
TOTAL EXPENDITURES	89,430,155	96,797,476	88,405,779	8,391,697
Excess (deficiency) of revenues over (under) expenditures	(4,034,836)	(9,062,700)	(1,131,035)	7,931,665
OTHER FINANCING SOURCES (USES)				
Transfers in	4,571,252	4,655,252	4,550,533	(104,719)
Transfers out	(413,416)	(413,416)	(829,705)	(416,289)
Total other financing sources (uses)	4,157,836	4,241,836	3,720,828	(521,008)
Net change in fund balances	123,000	(4,820,864)	2,589,793	7,410,657
Fund balances - beginning	21,977,000	27,112,222	26,078,225	(1,033,997)
Prior period corrections			-	-
FUND BALANCES - ENDING	\$ 22,100,000	\$ 22,291,358	\$ 28,668,018	\$ 6,376,660

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT RESERVE FUND
FOR YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 800,000	\$ 800,000	\$ 1,149,840	\$ 349,840
Charges for services	71,250	71,250	-	(71,250)
Other revenues	514,000	514,000	473,987	(40,013)
TOTAL REVENUES	1,385,250	1,385,250	1,623,827	238,577
EXPENDITURES				
Current:				
Transportation	20,000	20,000	-	20,000
Culture and recreation	500,000	500,000	500,000	-
Interest	-	-	9,750	(9,750)
TOTAL EXPENDITURES	520,000	520,000	509,750	10,250
Excess (deficiency) of revenues over (under) expenditures	865,250	865,250	1,114,077	248,827
OTHER FINANCING SOURCES (USES)				
Transfers in			41,908	41,908
Transfers out	(3,633,400)	(11,162,474)	(7,891,636)	3,270,838
Total other financing sources (uses)	(3,633,400)	(11,162,474)	(7,849,728)	3,312,746
Net change in fund balances	(2,768,150)	(10,297,224)	(6,735,651)	3,561,573
Fund balances - beginning	16,700,190	24,229,264	25,118,179	888,915
FUND BALANCES - ENDING	\$ 13,932,040	\$ 13,932,040	\$ 18,382,528	\$ 4,450,488

**Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual
Note to RSI**

Note A – Explanation of Difference between Budgetary Revenues and Expenditures and GAAP Revenues and Expenditures

Revenues

Actual Amount	\$ 87,274,744
Differences - Budget to GAAP	
The funds no longer meeting the definition of special revenue funds per GASB Statement No. 54	
Parks & Recreation Fund	8,592,687
Library Fund	4,619,154
Municipal Arts Fund	808,973
Conference Center Fund	120,651
General Gov't Special Proj Fund	10,000
Motor Vehicle Equip Repl Fund	157,264
Downtown Improvement Fund	364,277
Cum Reserve Real Prop Acq Fund	74,348
Property Management Fund	724,745
Senior Center Reserve Fund	82,802
Contingency Reserve Fund	<u>82,337</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance - general fund	<u><u>\$ 102,911,982</u></u>

Expenditures

Actual Amount	\$ 88,405,779
Differences - Budget to GAAP	
The funds no longer meeting the definition of special revenue funds per GASB Statement No. 54	
Parks & Recreation Fund	8,477,635
Library Fund	4,577,401
Municipal Arts Fund	1,032,076
Conference Center Fund	20,127
General Gov't Special Proj Fund	16,364
Motor Vehicle Equip Repl Fund	359,058
Downtown Improvement Fund	18,337
Cum Reserve Real Prop Acq Fund	15,074
Property Management Fund	2,042,634
Senior Center Reserve Fund	<u>63,614</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance - general fund	<u><u>\$ 105,028,099</u></u>

PENSION FUNDS**Schedules of Employer Contributions**

Year	FIRE PENSION FUND		POLICE PENSION FUND	
	Annual		Annual	
	Required	Percentage	Required	Percentage
	<u>Contribution</u>	<u>Contributed</u>	<u>Contribution</u>	<u>Contributed</u>
2012	\$ 189,176	78%	\$ 298,310	0%
2011	(111,256)	*	53,549	0%
2010	114,195	131%	42,979	0%
2009	109,023	186%	40,932	157%
2008	(32,849)	*	(34,270)	*
2007	(31,285)	*	(32,638)	*

* No percentage contributed is presented in years where the Annual Required Contribution (ARC) was negative. Actual contributions made for the Fire Pension Fund included \$154,877 in 2011, \$149,368 in 2008 and \$332,249 in 2007. Actual contributions made to the Police Pension Fund included \$0 in 2008 and \$182,175 in 2007.

Schedules of Funding Progress

As discussed in Note 7, the actuarial cost method used in the valuation of the pension plans is the Aggregate Cost Method. Because this method does not generate an unfunded actuarial liability or separately amortize unfunded actuarial liabilities, the schedule of funding progress presented below was prepared using the entry age actuarial cost method to provide this information. It is intended to serve as a surrogate for the funding progress of the plan. Prior valuation information is not available. Eventually details for each of three valuation periods will be presented.

FIRE PENSION FUND						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
12/31/2010	\$ 10,231,997	\$ 7,944,960	\$ (2,287,037)	128.79%	\$ 891,440	-256.56%
12/31/2008	\$ 11,201,152	\$ 11,452,114	\$ 250,962	97.81%	\$ 1,019,299	24.62%

POLICE PENSION FUND						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
12/31/2010	\$ 5,092,288	\$ 6,137,450	\$ 1,045,162	82.97%	\$ 767,633	136.15%
12/31/2008	\$ 6,132,694	\$ 7,011,494	\$ 878,800	87.47%	\$ 880,684	99.79%

OTHER POST EMPLOYMENT BENEFIT FUNDS**Schedules of Employer Contributions**

Year	FIRE HEALTHCARE FUND		POLICE HEALTHCARE FUND	
	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
2012	\$ 1,025,088	5%	\$ 927,134	5%
2011	1,270,612	4%	1,113,542	4%
2010	1,061,155	4%	1,081,173	4%
2009	1,013,101	37%	1,029,689	35%
2008	1,448,349	2%	1,308,869	2%
2007	1,379,380	248%	1,246,542	291%

Schedules of Funding Progress

The actuarial cost method used in the valuation of the OPEB plans is also the Aggregate Cost Method. OPEB plans that use the aggregate cost method are required by GASB Statement No. 43 to use the entry age cost method to approximate the funding progress for the plan.

FIRE HEALTHCARE FUND						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
12/31/2010	\$ 22,145,330	\$ 48,264,733	\$ 26,119,403	45.88%	\$ 891,440	2930.02%
12/31/2008	23,448,563	48,249,620	24,801,057	48.60%	1,019,299	2433.15%
12/31/2006	18,253,911	46,803,448	28,549,537	39.00%	1,148,714	2485.35%

POLICE HEALTHCARE FUND						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
12/31/2010	\$ 13,216,779	\$ 34,950,886	\$ 21,734,107	37.82%	\$ 767,633	2831.31%
12/31/2008	14,257,612	36,364,832	22,107,220	39.21%	880,684	2510.23%
12/31/2006	9,036,550	35,149,702	26,113,152	25.71%	984,087	2653.54%



This page is intentionally left blank.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GOVERNMENTAL FUNDS

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 4,553,393	\$ 47,835	\$ 384,130	\$ 4,985,358
Investments	18,687,636	42,131	1,561,511	20,291,278
Receivables, net				
Taxes	160,632	-	-	160,632
Customer accounts	342,437	-	-	342,437
Interest	85,953	2,123	1,194	89,270
Due from other governmental units	244,283	-	971,798	1,216,081
Special assessments - deferred	-	137,132	-	137,132
Notes/contracts receivable	13,345,328	-	-	13,345,328
TOTAL ASSETS	\$ 37,419,662	\$ 229,221	\$ 2,918,633	\$ 40,567,516
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Wages payable	\$ 381,808	\$ -	\$ 12,978	\$ 394,786
Accounts payable	422,296	25,310	1,441,411	1,889,017
Interfund payable	100,350	-	-	100,350
Due to other governmental units	19	-	-	19
Other liabilities	1,955	-	-	1,955
Deferred revenues	121,790	137,132	-	258,922
TOTAL LIABILITIES	1,028,218	162,442	1,454,389	2,645,049
FUND BALANCES:				
Nonspendable	13,584,940	-	-	13,584,940
Restricted	16,869,664	-	-	16,869,664
Assigned	6,171,702	66,779	1,464,244	7,702,725
Unassigned	(234,862)	-	-	(234,862)
TOTAL FUND BALANCES	36,391,444	66,779	1,464,244	37,922,467
TOTAL LIABILITIES AND FUND BALANCES	\$ 37,419,662	\$ 229,221	\$ 2,918,633	\$ 40,567,516

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 10,349,915	\$ -	\$ -	\$ 10,349,915
Intergovernmental revenues	4,248,989	-	3,073,127	7,322,116
Charges for services	1,885,636	-	-	1,885,636
Fines and forfeits	8,918	-	-	8,918
Other revenues	993,314	22,556	61,481	1,077,351
Total revenues	17,486,772	22,556	3,134,608	20,643,936
EXPENDITURES				
Current:				
General government services	475,985	-	-	475,985
Security of persons and property	8,480,072	-	-	8,480,072
Physical environment	85,602	-	-	85,602
Transportation	2,261,855	-	-	2,261,855
Economic environment	1,567,529	-	-	1,567,529
Culture and recreation	254,187	-	-	254,187
Capital outlay	1,614,525	-	15,585,649	17,200,174
Debt service:				
Principal	219,316	1,845,000	-	2,064,316
Interest	35,850	1,054,811	-	1,090,661
Total expenditures	14,994,921	2,899,811	15,585,649	33,480,381
Excess (deficiency) of revenues over (under) expenditures	2,491,851	(2,877,255)	(12,451,041)	(12,836,445)
OTHER FINANCING SOURCES (USES)				
Proceeds of Refunding General LT Debt	-	14,990,718	-	14,990,718
Payments to refunded debt escrow agent	-	(14,800,000)	-	(14,800,000)
Transfers in	408,140	2,714,093	11,616,231	14,738,464
Transfers out	(6,723,377)	(60,000)	(42,328)	(6,825,705)
Total other financing sources (uses)	(6,315,237)	2,844,811	11,573,903	8,103,477
Net change in fund balances	(3,823,386)	(32,444)	(877,138)	(4,732,968)
Fund balances - beginning	40,214,830	99,223	2,341,382	42,655,435
FUND BALANCES - ENDING	\$ 36,391,444	\$ 66,779	\$ 1,464,244	\$ 37,922,467

SPECIAL REVENUE FUNDS

- 119 The ***Street Improvement Fund*** accounts for street overlay improvement projects.
- 120 The ***Streets Fund*** accounts for maintenance and operation of all transportation routes, preparation of streets planned for overlay and maintenance of the Central Business District area.
- 138 The ***Motel Tax Fund*** accumulates the hotel/motel tax for tourism promotion and publicity of the City, promotion of an arts center and capital improvements at the stadium.
- 148 The ***Cumulative Reserve for Parks Fund*** accounts for money accumulated for capital improvements and acquisition of land for parks.
- 151 The ***Fund for Animals*** is a reserve fund that accumulates contributions for animal welfare issues and medical expenses.
- 152 The ***Cumulative Reserve for Library Fund*** accounts for specific capital items and projects that relate to the library program and for literary and cultural services for the intellectual improvement of the individual.
- 153 The ***Emergency Medical Services Fund*** accounts for the paramedic program funded by a special property tax levy passed by the citizens of Everett and ambulance transport fees.
- 154 The ***Real Estate Excise Tax Fund*** is a reserve fund that accumulates this tax until the City allocates the proceeds to capital projects in accordance with state law.
- 156 The ***Criminal Justice Fund*** accounts for the enhancement of new programs of the police department, prosecutor's office and municipal court.
- 157 The ***Traffic Mitigation Fund*** is a reserve fund for traffic improvements resulting from development in Everett.
- 197 The ***Community Housing Improvement Program (CHIP) Loan Fund*** accounts for low interest loans to low-income homeowners in several Everett Neighborhoods. Loans are provided through a loan pool of HUD Block Grant funds.
- 198 The ***Community Development Block Grants Fund*** accounts for a variety of housing and community development programs aimed primarily at low and moderate-income persons and the prevention or elimination of slums and blight. The financing is from Community Block Grant HUD funds.

Funds previously reported as Special Revenue Funds combined with the General Fund

Because the city legally adopts budgets for these funds individually, budget to actual comparisons for these funds are presented along with the other governmental funds Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget To Actual

- 101 The ***Parks and Recreation Fund*** accounts for the operations of the City's park system and swimming pool.
- 110 The ***Library Fund*** accounts for the operation of the two City libraries.
- 112 The ***Municipal Arts Fund*** accounts for the maintenance and operations of the City's performing arts facility, city municipal arts programs, and the 1% for Art program.
- 114 The ***Conference Center Fund*** accounts for the maintenance and operations at the City's Special Events Center.
- 115 The ***General Government Special Projects Fund*** accounts for specific non-recurring projects.
- 126 The ***Motor Vehicle and Equipment Replacement Reserve Fund*** accumulates funding to provide for the replacement of general government motor vehicles and equipment.
- 144 The ***Downtown Improvement Fund*** receives and utilizes parking fines to implement downtown improvements.
- 145 The ***Cumulative Reserve for Real Property Acquisition Fund*** accounts for real property acquisitions.
- 146 The ***Property Management Fund*** accounts for several city-owned commercial buildings, and the general government building maintenance and repair reserve.
- 149 The ***Senior Center Reserve Fund*** accounts for funding of senior center activities and special events.
- 160 The ***Contingency Reserve Fund*** is a reserve fund for emergencies and contingency expenses funded from the general fund in the form of a general property tax allocation. Expenditure of moneys will be based on a consensus between Administration and the City Council.

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2012
(Page 1 of 4)**

	119 STREET IMPROVEMENT FUND	120 STREETS FUND	138 HOTEL/MOTEL TAX FUND	148 CUM. RESERVE PARKS FUND
ASSETS				
Cash and cash equivalents	\$ 421,105	\$ 551,487	\$ 87,364	\$ 522,488
Investments	1,711,062	2,240,835	354,984	2,229,832
Receivables, net				
Taxes	-	-	-	-
Customer accounts	-	3,541	-	1,195
Interest	3,954	8,922	-	6,634
Due from other governmental units	-	-	-	-
Notes/contracts receivable	-	-	-	-
TOTAL ASSETS	\$ 2,136,121	\$ 2,804,785	\$ 442,348	\$ 2,760,149
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Wages payable	\$ 4,056	\$ 73,929	\$ -	-
Accounts payable	79,402	31,519	-	2,237
Interfund payable	-	-	-	-
Due to other governmental units	-	-	-	-
Other liabilities	-	69	-	908
Deferred revenues	-	-	-	-
TOTAL LIABILITIES	83,458	105,517	0	3,145
FUND BALANCES:				
Nonspendable	-	-	-	-
Restricted	-	-	442,348	2,006,419
Assigned	2,052,663	2,699,268	-	750,585
Unassigned	-	-	-	-
TOTAL FUND BALANCES	2,052,663	2,699,268	442,348	2,757,004
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,136,121	\$ 2,804,785	\$ 442,348	\$ 2,760,149

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2012
(Page 2 of 4)**

	151 ANIMALS FUND	152 CUM. RESERVE LIBRARY FUND	153 EMERGENCY MEDICAL SERVICES FUND
ASSETS			
Cash and cash equivalents	\$ 87,773	\$ 100,998	\$ 9,771
Investments	356,646	410,990	34,710
Receivables, net			
Taxes	-	-	-
Customer accounts	-	-	337,701
Interest	-	-	-
Due from other governmental units	-	-	2,518
Notes/contracts receivable	-	-	-
TOTAL ASSETS	\$ 444,419	\$ 511,988	\$ 384,700
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Wages payable	-	-	\$ 281,458
Accounts payable	6,936	577	65,055
Interfund payable	-	-	-
Due to other governmental units	-	-	-
Other liabilities	-	-	170
Deferred revenues	-	-	-
TOTAL LIABILITIES	6,936	577	346,683
FUND BALANCES:			
Nonspendable	-	-	-
Restricted	336,978	-	-
Assigned	100,505	511,411	38,017
Unassigned	-	-	-
TOTAL FUND BALANCES	437,483	511,411	38,017
TOTAL LIABILITIES AND FUND BALANCES	\$ 444,419	\$ 511,988	\$ 384,700

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2012
(Page 3 of 4)**

	154 REAL ESTATE EXCISE TAX FUND	156 CRIMINAL JUSTICE FUND	157 TRAFFIC MITIGATION FUND
ASSETS			
Cash and cash equivalents	\$ 238,775	\$ 1,706,506	\$ 622,273
Investments	970,208	7,017,700	2,528,461
Receivables, net			
Taxes	160,632	-	-
Customer accounts	-	-	-
Interest	28,887	25,915	11,641
Due from other governmental units	-	25,250	-
Notes/contracts receivable	-	-	-
TOTAL ASSETS	\$ 1,398,502	\$ 8,775,371	\$ 3,162,375
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Wages payable	\$ -	\$ -	\$ -
Accounts payable	-	118,886	-
Interfund payable	-	-	-
Due to other governmental units	-	-	-
Other liabilities	-	808	-
Deferred revenues	-	121,790	-
TOTAL LIABILITIES	0	241,484	0
FUND BALANCES:			
Nonspendable	-	-	-
Restricted	1,398,502	8,514,634	3,162,375
Assigned	-	19,253	-
Unassigned	-	-	-
TOTAL FUND BALANCES	1,398,502	8,533,887	3,162,375
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,398,502	\$ 8,775,371	\$ 3,162,375

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2012
(Page 4 of 4)**

	197 CHIP LOAN PROGRAM FUND	198 COMM. DEVEL. BLOCK GRANTS FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
ASSETS			
Cash and cash equivalents	\$ 203,301	\$ 1,552	\$ 4,553,393
Investments	826,054	6,154	18,687,636
Receivables, net			
Taxes	-	-	160,632
Customer accounts	-	-	342,437
Interest	-	-	85,953
Due from other governmental units	-	216,515	244,283
Notes/contracts receivable	13,023,210	322,118	13,345,328
TOTAL ASSETS	\$ 14,052,565	\$ 546,339	\$ 37,419,662
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Wages payable	\$ 14,228	\$ 8,137	\$ 381,808
Accounts payable	6,700	110,984	422,296
Interfund payable	-	100,350	100,350
Due to other governmental units	19	-	19
Other liabilities	-	-	1,955
Deferred revenues	-	-	121,790
TOTAL LIABILITIES	20,947	219,471	1,028,218
FUND BALANCES:			
Nonspendable	13,023,210	561,730	13,584,940
Restricted	1,008,408	-	16,869,664
Assigned	-	-	6,171,702
Unassigned	-	(234,862)	(234,862)
TOTAL FUND BALANCES	14,031,618	326,868	36,391,444
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,052,565	\$ 546,339	\$ 37,419,662

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Page 1 of 4)**

	119 STREET IMPROVEMENT FUND	120 STREETS FUND	138 HOTEL/MOTEL TAX FUND	148 CUM. RESERVE PARKS FUND
REVENUES				
Taxes	\$ 1,303,084	\$ 588,629	\$ 322,065	\$ -
Intergovernmental revenues	687,313	1,523,264	-	-
Charges for services	-	14,855	-	-
Fines and forfeits	-	-	-	-
Other revenues	106,373	77,118	53,498	73,296
Total revenues	2,096,770	2,203,866	375,563	73,296
EXPENDITURES				
Current:				
General government services	-	-	-	-
Security of persons and property	-	-	-	-
Physical environment	-	-	-	-
Transportation	129,180	2,132,675	-	-
Economic environment	-	-	-	7,814
Culture and recreation	-	-	200,217	31,991
Capital outlay	1,472,635	-	-	-
Debt service:				
Principal	-	-	52,311	-
Interest	-	-	-	-
Total expenditures	1,601,815	2,132,675	252,528	39,805
Excess (deficiency) of revenues over (under) expenditures	494,955	71,191	123,035	33,491
OTHER FINANCING SOURCES (USES)				
Transfers in	300,420	-	-	98,220
Transfers out	(85,912)	-	-	(184,000)
Total other financing sources (uses)	214,508	-	-	(85,780)
Net change in fund balances	709,463	71,191	123,035	(52,289)
Fund balances - beginning	1,343,200	2,628,077	319,313	2,809,293
FUND BALANCES - ENDING	\$ 2,052,663	\$ 2,699,268	\$ 442,348	\$ 2,757,004

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Page 2 of 4)**

	151 ANIMALS FUND	152 CUM. RESERVE LIBRARY FUND	153 EMERGENCY MEDICAL SERVICES FUND
REVENUES			
Taxes	\$ -	\$ -	\$ 5,609,856
Intergovernmental revenues	-	-	4,052
Charges for services	-	3,163	1,381,353
Fines and forfeits	-	-	-
Other revenues	83,063	54,260	6,327
Total revenues	83,063	57,423	7,001,588
EXPENDITURES			
Current:			
General government services	-	-	-
Security of persons and property	-	-	6,664,209
Physical environment	85,602	-	-
Transportation	-	-	-
Economic environment	-	-	-
Culture and recreation	-	21,979	-
Capital outlay	-	12,088	-
Debt service:			
Principal	-	-	-
Interest	-	-	18,146
Total expenditures	85,602	34,067	6,682,355
Excess (deficiency) of revenues over (under) expenditures	(2,539)	23,356	319,233
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	9,500
Transfers out	(17,604)	-	-
Total other financing sources (uses)	(17,604)	-	9,500
Net change in fund balances	(20,143)	23,356	328,733
Fund balances - beginning	457,626	488,055	(290,716)
FUND BALANCES - ENDING	\$ 437,483	\$ 511,411	\$ 38,017

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
 (Page 3 of 4)

	154 REAL ESTATE EXCISE TAX FUND	156 CRIMINAL JUSTICE FUND	157 TRAFFIC MITIGATION FUND
REVENUES			
Taxes	\$ 1,149,840	\$ 1,376,441	\$ -
Intergovernmental revenues	-	1,135,643	-
Charges for services	-	343,755	142,510
Fines and forfeits	-	8,918	-
Other revenues	-	353,937	69,176
Total revenues	1,149,840	3,218,694	211,686
EXPENDITURES			
Current:			
General government services	-	475,985	-
Security of persons and property	-	1,815,863	-
Physical environment	-	-	-
Transportation	-	-	-
Economic environment	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	114,407	15,395
Debt service:			
Principal	167,005	-	-
Interest	17,704	-	-
Total expenditures	184,709	2,406,255	15,395
Excess (deficiency) of revenues over (under) expenditures	965,131	812,439	196,291
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(5,520,000)	(465,836)	(450,025)
Total other financing sources (uses)	(5,520,000)	(465,836)	(450,025)
Net change in fund balances	(4,554,869)	346,603	(253,734)
Fund balances - beginning	5,953,371	8,187,284	3,416,109
FUND BALANCES - ENDING	\$ 1,398,502	\$ 8,533,887	\$ 3,162,375

**COMBINING STATEMENT OF REVENUES EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Page 4 of 4)**

	197 CHIP LOAN PROGRAM FUND	198 COMM. DEVEL. BLOCK GRANTS FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
REVENUES			
Taxes	\$ -	\$ -	\$ 10,349,915
Intergovernmental revenues	208,093	690,624	4,248,989
Charges for services	-	-	1,885,636
Fines and forfeits	-	-	8,918
Other revenues	115,828	438	993,314
Total revenues	323,921	691,062	17,486,772
EXPENDITURES			
Current:			
General government services	-	-	475,985
Security of persons and property	-	-	8,480,072
Physical environment	-	-	85,602
Transportation	-	-	2,261,855
Economic environment	628,028	931,687	1,567,529
Culture and recreation	-	-	254,187
Capital outlay	-	-	1,614,525
Debt service:			
Principal	-	-	219,316
Interest	-	-	35,850
Total expenditures	628,028	931,687	14,994,921
Excess (deficiency) of revenues over (under) expenditures	(304,107)	(240,625)	2,491,851
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	408,140
Transfers out	-	-	(6,723,377)
Total other financing sources (uses)	-	-	(6,315,237)
Net change in fund balances	(304,107)	(240,625)	(3,823,386)
Fund balances - beginning	14,335,725	567,493	40,214,830
FUND BALANCES - ENDING	\$ 14,031,618	\$ 326,868	\$ 36,391,444

DEBT SERVICE FUNDS

- 210 The ***Bond Redemption Fund*** accumulates money from special property tax levies and investment interest to pay principal redemption and interest payments on various bond issues. Included are the following programs:

2001 Variable Rate Demand Limited Tax General Obligation Bonds -- \$13,000,000 variable rate demand limited general obligation bonds issued in 2001 for capital purposes.

2003 General Obligation Limited Refunding Bond -- \$19,200,000 limited tax general obligation bond issued to fund the construction of the Conference Center located at the Everett Events Center (\$15,000,000). \$3,687,560 of the proceeds was used to refund the 1993 Everett Performing Arts Certificates of Participation, and \$512,440 of the proceeds was used to refund the 1993 LTGO Fire Station #7/Animal Shelter bonds.

2012 General Obligation Limited Refunding Bond -- \$13,935,000 limited tax general obligation bond issued to refund 2003 LTGO bonds scheduled to mature on or after December 1, 2013.

- 243 The ***Local Improvement District (LID) Guaranty Fund*** was established in 1919 to guarantee the payments of LID bonds and other short-term obligations.

- 299 The ***Consolidated Local Improvement District (LID) Bond Redemption Fund*** collects special assessments levied against benefited properties for payment of principal and interest for special assessment bond issues.

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2012**

	210 BOND REDEMPTION FUND	243 L.I.D. GUARANTY FUND	299 CONSOLIDATED L.I.D. BOND REDEMPTION FUND	TOTAL NONMAJOR DEBT SERVICE FUNDS
ASSETS				
Cash and cash equivalents	\$ 25,310	\$ 15,520	\$ 7,005	\$ 47,835
Investments	-	14,168	27,963	42,131
Interest	-	2,123	-	2,123
Special assessments - deferred	-	-	137,132	137,132
TOTAL ASSETS	\$ 25,310	\$ 31,811	\$ 172,100	\$ 229,221
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 25,310	\$ -	\$ -	\$ 25,310
Deferred revenues	-	-	137,132	137,132
TOTAL LIABILITIES	25,310	-	137,132	162,442
FUND BALANCES:				
Assigned	-	31,811	34,968	66,779
TOTAL FUND BALANCES	0	31,811	34,968	66,779
TOTAL LIABILITIES AND FUND BALANCES	\$ 25,310	\$ 31,811	\$ 172,100	\$ 229,221

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	210 BOND REDEMPTION FUND	243 L.I.D. GUARANTY FUND	299 CONSOLIDATED L.I.D. BOND REDEMPTION FUND	TOTAL NONMAJOR DEBT SERVICE FUNDS
REVENUES				
Other revenues	\$ -	\$ 14,228	\$ 8,328	\$ 22,556
Total revenues	-	14,228	8,328	22,556
EXPENDITURES				
Debt service:				
Principal	1,845,000	-	-	1,845,000
Interest	1,054,811	-	-	1,054,811
Total expenditures	2,899,811	-	-	2,899,811
Excess (deficiency) of revenues over (under) expenditures	(2,899,811)	14,228	8,328	(2,877,255)
OTHER FINANCING SOURCES (USES)				
Proceeds of Refunding General LT Debt	14,990,718	-	-	14,990,718
Payments to refunded debt escrow agent	(14,800,000)	-	-	(14,800,000)
Transfers in	2,714,093	-	-	2,714,093
Transfers out	-	(60,000)	-	(60,000)
Total other financing sources (uses)	2,904,811	(60,000)	-	2,844,811
Net change in fund balances	5,000	(45,772)	8,328	(32,444)
Fund balances - beginning	(5,000)	77,583	26,640	99,223
FUND BALANCES - ENDING	\$ -	\$ 31,811	\$ 34,968	\$ 66,779

CAPITAL PROJECTS FUNDS

- 303 The ***Public Works Improvement Project Fund*** accounts for Public Works enhancement and improvement projects.
- 308 The ***Riverfront District Development Fund*** accounts for general government projects related to the Riverfront District development.
- 342 The ***City Facilities Construction Fund*** accounts for construction of new city facilities.
- 354 The ***Parks CIP 3 Construction Fund*** accounts for the design and construction of various park improvements funded by the City of Everett Capital Improvement Program III.

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2012
(Page 1 of 2)**

	303 PUBLIC WORKS IMPROVEMENT PROJECT FUND	308 RIVERFRONT DEVELOPMENT FUND	342 CITY FACILITIES CONSTRUCT. FUND
ASSETS			
Cash and cash equivalents	\$ 70,103	\$ 143,865	\$ 109,171
Investments	284,845	585,255	443,588
Receivables, net			
Interest	-	1,194	-
Due from other governmental units	731,851	1,989	237,958
TOTAL ASSETS	\$ 1,086,799	\$ 732,303	\$ 790,717
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Wages payable	\$ 11,215	\$ 1,235	\$ 528
Accounts payable	520,439	14,717	774,359
TOTAL LIABILITIES	531,654	15,952	774,887
FUND BALANCES:			
Assigned	555,145	716,351	15,830
TOTAL FUND BALANCES	555,145	716,351	15,830
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,086,799	\$ 732,303	\$ 790,717

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2012
(Page 2 of 2)**

	354 PARKS CIP 3 CONSTRUCT. FUND	TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
ASSETS		
Cash and cash equivalents	\$ 60,991	\$ 384,130
Investments	247,823	1,561,511
Receivables, net		
Interest	-	1,194
Due from other governmental units	-	971,798
TOTAL ASSETS	\$ 308,814	\$ 2,918,633
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Wages payable	\$ -	\$ 12,978
Accounts payable	131,896	1,441,411
TOTAL LIABILITIES	131,896	1,454,389
FUND BALANCES:		
Assigned	176,918	1,464,244
TOTAL FUND BALANCES	176,918	1,464,244
TOTAL LIABILITIES AND FUND BALANCES	\$ 308,814	\$ 2,918,633

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Page 1 of 2)**

	303 PUBLIC WORKS IMPROVEMENT PROJECT FUND	308 RIVERFRONT DEVELOPMENT FUND	342 CITY FACILITIES CONSTRUCTION FUND
REVENUES			
Intergovernmental revenues	\$ 2,548,174	\$ 92,855	\$ 432,098
Other revenues	10,249	21,005	11,543
Total revenues	2,558,423	113,860	443,641
EXPENDITURES			
Current:			
Capital outlay	3,509,000	2,774,155	6,469,764
Total expenditures	3,509,000	2,774,155	6,469,764
Excess (deficiency) of revenues over (under) expenditures	(950,577)	(2,660,295)	(6,026,123)
OTHER FINANCING SOURCES (USES)			
Transfers in	502,206	3,450,025	5,260,000
Transfers out	(420)	-	(41,908)
Total other financing sources (uses)	501,786	3,450,025	5,218,092
Net change in fund balances	(448,791)	789,730	(808,031)
Fund balances - beginning	1,003,936	(73,379)	823,861
FUND BALANCES - ENDING	\$ 555,145	\$ 716,351	\$ 15,830

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Page 2 of 2)**

	354 PARKS CIP 3 CONSTRUCT. FUND	TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
REVENUES		
Intergovernmental revenues	\$ -	\$ 3,073,127
Other revenues	18,684	61,481
Total revenues	18,684	3,134,608
EXPENDITURES		
Current:		
Capital outlay	2,832,730	15,585,649
Total expenditures	2,832,730	15,585,649
Excess (deficiency) of revenues over (under) expenditures	(2,814,046)	(12,451,041)
OTHER FINANCING SOURCES (USES)		
Transfers in	2,404,000	11,616,231
Transfers out	-	(42,328)
Total other financing sources (uses)	2,404,000	11,573,903
Net change in fund balances	(410,046)	(877,138)
Fund balances - beginning	586,964	2,341,382
FUND BALANCES - ENDING	\$ 176,918	\$ 1,464,244

BUDGET AND ACTUAL

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 101 – PARKS AND RECREATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$ 7,425,333	\$ 6,937,333	\$ 6,917,333	\$ (20,000)
Intergovernmental revenues	-	266,236	200	(266,036)
Charges for services	1,303,750	1,303,750	1,285,192	(18,558)
Other revenues	400,524	400,524	389,962	(10,562)
Total Revenues	9,129,607	8,907,843	8,592,687	(315,156)
EXPENDITURES				
Current:				
Culture and recreation	8,779,607	8,482,203	8,465,011	17,192
Capital outlay	350,000	496,446	12,624	483,822
Total Expenditures	9,129,607	8,978,649	8,477,635	501,014
Excess (deficiency) of revenues over (under) expenditures	-	(70,806)	115,052	185,858
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(98,220)	(98,220)	-
Total other financing sources (uses)	-	(98,220)	(98,220)	-
Net changes in fund balances	-	(169,026)	16,832	185,858
Fund balances - beginning	-	169,026	5,007,896	4,838,870
FUND BALANCES - ENDING	\$ -	\$ -	\$ 5,024,728	\$ 5,024,728

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 110 – LIBRARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$ 4,681,130	\$ 4,531,130	\$ 4,458,130	\$ (73,000)
Intergovernmental revenues	-	4,800	7,972	3,172
Charges for services	20,000	20,000	22,549	2,549
Fines and forfeits	81,000	81,000	81,005	5
Other revenues	45,400	45,400	49,498	4,098
Total Revenues	4,827,530	4,682,330	4,619,154	(63,176)
EXPENDITURES				
Current:				
Culture and recreation	4,157,380	4,012,180	3,902,263	109,917
Capital outlay	670,150	670,150	675,138	(4,988)
Total Expenditures	4,827,530	4,682,330	4,577,401	104,929
Excess (deficiency) of revenues over (under) expenditures	-	-	41,753	41,753
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net changes in fund balances	-	-	41,753	41,753
Fund balances - beginning	-	-	2,362,733	2,362,733
FUND BALANCES - ENDING	\$ -	\$ -	\$ 2,404,486	\$ 2,404,486

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 112 – COMMUNITY THEATER FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$ 684,835	\$ 684,835	\$ 684,835	\$ -
Other revenues	125,500	125,500	124,138	(1,362)
Total Revenues	810,335	810,335	808,973	(1,362)
EXPENDITURES				
Current:				
Culture and recreation	917,335	1,321,802	807,825	513,977
Capital outlay	16,000	166,000	224,251	(58,251)
Total Expenditures	933,335	1,487,802	1,032,076	455,726
Excess (deficiency) of revenues over (under) expenditures	(123,000)	(677,467)	(223,103)	454,364
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net changes in fund balances	(123,000)	(677,467)	(223,103)	454,364
Fund balances - beginning	123,000	677,467	832,326	154,859
FUND BALANCES - ENDING	\$ -	\$ -	\$ 609,223	\$ 609,223

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 114 – CONFERENCE CENTER FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$ 84,062	\$ 84,062	\$ 120,651	\$ 36,589
Total Revenues	84,062	84,062	120,651	36,589
EXPENDITURES				
Current:				
Culture and recreation	67,002	67,002	20,127	46,875
Total Expenditures	67,002	67,002	20,127	46,875
Excess (deficiency) of revenues over (under) expenditures	17,060	17,060	100,524	83,464
OTHER FINANCING SOURCES (USES)				
Transfers in	1,046,940	1,046,940	943,097	(103,843)
Transfers out	(1,064,000)	(1,064,000)	(1,025,554)	38,446
Total other financing sources (uses)	(17,060)	(17,060)	(82,457)	(65,397)
Net changes in fund balances	-	-	18,067	18,067
Fund balances - beginning	-	-	74,668	74,668
FUND BALANCES - ENDING	\$ -	\$ -	\$ 92,735	\$ 92,735

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 115 – GENERAL GOVERNMENT SPECIAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$ -	\$ 10,000	\$ 10,000	\$ -
Total Revenues	-	10,000	10,000	-
EXPENDITURES				
Current:				
Physical environment	-	74,391	16,364	58,027
Capital outlay	-	141,925	-	141,925
Total Expenditures	-	216,316	16,364	199,952
Excess (deficiency) of revenues over (under) expenditures	-	(206,316)	(6,364)	199,952
OTHER FINANCING SOURCES (USES)				
Transfers in	-	109,869	-	(109,869)
Transfers out	-	-	(32,333)	(32,333)
Total other financing sources (uses)	-	109,869	(32,333)	(142,202)
Net changes in fund balances	-	(96,447)	(38,697)	57,750
Fund balances - beginning	-	96,447	210,934	114,487
FUND BALANCES - ENDING	\$ -	\$ -	\$ 172,237	\$ 172,237

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 119 – STREET IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$ 1,303,084	\$ 1,303,084	\$ 1,303,084	\$ -
Intergovernmental revenues	683,365	683,365	687,313	3,948
Other revenues	29,760	29,760	106,373	76,613
Total Revenues	2,016,209	2,016,209	2,096,770	80,561
EXPENDITURES				
Current:				
Transportation	-	-	129,180	(129,180)
Capital outlay	2,316,209	3,286,498	1,472,635	1,813,863
Total Expenditures	2,316,209	3,286,498	1,601,815	1,684,683
Excess (deficiency) of revenues over (under) expenditures	(300,000)	(1,270,289)	494,955	1,765,244
OTHER FINANCING SOURCES (USES)				
Transfers in	300,000	300,000	300,420	420
Transfers out	-	-	(85,912)	(85,912)
Total other financing sources (uses)	300,000	300,000	214,508	(85,492)
Net changes in fund balances	-	(970,289)	709,463	1,679,752
Fund balances - beginning	-	970,289	1,343,200	372,911
FUND BALANCES - ENDING	\$ -	\$ -	\$ 2,052,663	\$ 2,052,663

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 120 – STREETS FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$ 688,629	\$ 688,629	\$ 588,629	\$ (100,000)
Intergovernmental revenues	1,497,200	1,497,200	1,523,264	26,064
Charges for services	-	-	14,855	14,855
Other revenues	67,500	67,500	77,118	9,618
Total Revenues	2,253,329	2,253,329	2,203,866	(49,463)
EXPENDITURES				
Current:				
Transportation	2,253,329	2,253,329	2,132,675	120,654
Total Expenditures	2,253,329	2,253,329	2,132,675	120,654
Excess (deficiency) of revenues over (under) expenditures	-	-	71,191	71,191
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net changes in fund balances	-	-	71,191	71,191
Fund balances - beginning	-	-	2,628,077	2,628,077
FUND BALANCES - ENDING	\$ -	\$ -	\$ 2,699,268	\$ 2,699,268

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 126 – MOTOR VEHICLE EQUIPMENT REPLACEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$ 146,635	\$ 146,635	\$ 157,264	\$ 10,629
Total Revenues	146,635	146,635	157,264	10,629
EXPENDITURES				
Current:				
General government services	250,000	250,000	-	250,000
Capital outlay	320,000	384,500	359,058	25,442
Total Expenditures	570,000	634,500	359,058	275,442
Excess (deficiency) of revenues over (under) expenditures	(423,365)	(487,865)	(201,794)	286,071
OTHER FINANCING SOURCES (USES)				
Disposition of capital assets	20,000	20,000	7,853	(12,147)
Transfers in	796,596	796,596	563,412	(233,184)
Transfers out	(150,000)	(150,000)	(10,875)	139,125
Total other financing sources (uses)	666,596	666,596	560,390	(106,206)
Net changes in fund balances	243,231	178,731	358,596	179,865
Fund balances - beginning	5,865,724	5,930,224	6,876,230	946,006
FUND BALANCES - ENDING	\$ 6,108,955	\$ 6,108,955	\$ 7,234,826	\$ 1,125,871

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 138 – MOTEL TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$ 280,500	\$ 280,500	\$ 322,065	\$ 41,565
Other revenues	6,500	6,500	53,498	46,998
Total Revenues	287,000	287,000	375,563	88,563
EXPENDITURES				
Current:				
Culture and recreation	231,000	231,000	200,217	30,783
Debt service:				
Principal retirement	52,311	52,311	52,311	-
Total Expenditures	283,311	283,311	252,528	30,783
Excess (deficiency) of revenues over (under) expenditures	3,689	3,689	123,035	119,346
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net changes in fund balances	3,689	3,689	123,035	119,346
Fund balances - beginning	258,659	258,659	319,313	60,654
FUND BALANCES - ENDING	\$ 262,348	\$ 262,348	\$ 442,348	\$ 180,000

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 144 – DOWNTOWN IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Fines and forfeits	\$ 513,447	\$ 513,447	\$ 364,027	\$ (149,420)
Other revenues	7,800	7,800	250	(7,550)
Total Revenues	521,247	521,247	364,277	(156,970)
EXPENDITURES				
Current:				
Capital outlay	706,626	706,626	-	706,626
Debt service:			-	
Other debt service costs	-	-	18,337	(18,337)
Total Expenditures	706,626	706,626	18,337	688,289
Excess (deficiency) of revenues over (under) expenditures	(185,379)	(185,379)	345,940	531,319
OTHER FINANCING SOURCES (USES)				
Transfers in		-	712,100	712,100
Total other financing sources (uses)	-	-	712,100	712,100
Net changes in fund balances	(185,379)	(185,379)	1,058,040	1,243,419
Fund balances - beginning	185,379	185,379	(1,054,026)	(1,239,405)
FUND BALANCES - ENDING	\$ -	\$ -	\$ 4,014	\$ 4,014

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 145 – CUMULATIVE RESERVE REAL PROPERTY ACQUISITION FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Charges for services	\$ -	\$ -	\$ 1,300	\$ 1,300
Other revenues	87,581	87,581	73,048	(14,533)
Total Revenues	87,581	87,581	74,348	(13,233)
EXPENDITURES				
Current:				
General government services	29,500	29,500	15,074	14,426
Capital outlay	1,857,488	1,857,488	-	1,857,488
Total Expenditures	1,886,988	1,886,988	15,074	1,871,914
Excess (deficiency) of revenues over (under) expenditures	(1,799,407)	(1,799,407)	59,274	1,858,681
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(712,100)	(712,100)
Total other financing sources (uses)	-	-	(712,100)	(712,100)
Net changes in fund balances	(1,799,407)	(1,799,407)	(652,826)	1,146,581
Fund balances - beginning	1,799,407	1,799,407	2,717,447	918,040
FUND BALANCES - ENDING	\$ -	\$ -	\$ 2,064,621	\$ 2,064,621

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 146 – PROPERTY MANAGEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ 28,815	\$ 28,815
Other revenues	733,453	733,453	695,930	(37,523)
Total Revenues	733,453	733,453	724,745	(8,708)
EXPENDITURES				
Current:				
General government services	986,449	986,449	1,564,377	(577,928)
Capital outlay	3,269,112	3,269,112	478,257	2,790,855
Total Expenditures	4,255,561	4,255,561	2,042,634	2,212,927
Excess (deficiency) of revenues over (under) expenditures	(3,522,108)	(3,522,108)	(1,317,889)	2,204,219
OTHER FINANCING SOURCES (USES)				
Transfers in	576,400	576,400	-	(576,400)
Total other financing sources (uses)	576,400	576,400	-	(576,400)
Net changes in fund balances	(2,945,708)	(2,945,708)	(1,317,889)	1,627,819
Fund balances - beginning	4,946,582	4,946,582	5,748,056	801,474
FUND BALANCES - ENDING	\$ 2,000,874	\$ 2,000,874	\$ 4,430,167	\$ 2,429,293

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 148 – CUMULATIVE RESERVE PARKS FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Licenses and Permits	\$ 300,000	\$ 300,000	\$ -	\$ (300,000)
Other revenues	60,199	60,199	73,296	13,097
Total Revenues	360,199	360,199	73,296	(286,903)
EXPENDITURES				
Current:				
Economic environment	-	-	7,814	(7,814)
Culture and recreation	403,078	403,078	31,991	371,087
Capital outlay	775,000	775,000	-	775,000
Total Expenditures	1,178,078	1,178,078	39,805	1,138,273
Excess (deficiency) of revenues over (under) expenditures	(817,879)	(817,879)	33,491	851,370
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	98,220	98,220
Transfers out	-	-	(184,000)	(184,000)
Total other financing sources (uses)	-	-	(85,780)	(85,780)
Net changes in fund balances	(817,879)	(817,879)	(52,289)	765,590
Fund balances - beginning	2,782,726	2,782,726	2,809,293	26,567
FUND BALANCES - ENDING	\$ 1,964,847	\$ 1,964,847	\$ 2,757,004	\$ 792,157

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 149 – SENIOR CENTER RESERVE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Charges for services	\$ 84,275	\$ 84,275	\$ 49,863	\$ (34,412)
Other revenues	27,550	27,550	32,939	5,389
Total Revenues	111,825	111,825	82,802	(29,023)
EXPENDITURES				
Current:				
Economic environment	109,150	109,150	63,614	45,536
Total Expenditures	109,150	109,150	63,614	45,536
Excess (deficiency) of revenues over (under) expenditures	2,675	2,675	19,188	16,513
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net changes in fund balances	2,675	2,675	19,188	16,513
Fund balances - beginning	432,022	432,022	426,368	(5,654)
FUND BALANCES - ENDING	\$ 434,697	\$ 434,697	\$ 445,556	\$ 10,859

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 151 – ANIMALS FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$ 57,000	\$ 57,000	\$ 83,063	\$ 26,063
Total Revenues	57,000	57,000	83,063	26,063
EXPENDITURES				
Current:				
Physical environment	110,000	110,000	85,602	24,398
Total Expenditures	110,000	110,000	85,602	24,398
Excess (deficiency) of revenues over (under) expenditures	(53,000)	(53,000)	(2,539)	50,461
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(84,000)	(17,604)	66,396
Total other financing sources (uses)	-	(84,000)	(17,604)	66,396
Net changes in fund balances	(53,000)	(137,000)	(20,143)	116,857
Fund balances - beginning	447,677	447,677	457,626	9,949
FUND BALANCES - ENDING	\$ 394,677	\$ 310,677	\$ 437,483	\$ 126,806

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 152 – CUMULATIVE RESERVE LIBRARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Charges for services	\$ 3,200	\$ 3,200	\$ 3,163	\$ (37)
Other revenues	32,244	32,244	54,260	22,016
Total Revenues	35,444	35,444	57,423	21,979
EXPENDITURES				
Current:				
Culture and recreation	24,500	24,500	21,979	2,521
Capital outlay	20,000	20,000	12,088	7,912
Total Expenditures	44,500	44,500	34,067	10,433
Excess (deficiency) of revenues over (under) expenditures	(9,056)	(9,056)	23,356	32,412
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net changes in fund balances	(9,056)	(9,056)	23,356	32,412
Fund balances - beginning	465,340	465,340	488,055	22,715
FUND BALANCES - ENDING	\$ 456,284	\$ 456,284	\$ 511,411	\$ 55,127

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 153 – EMERGENCY MEDICAL SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$ 6,181,722	\$ 6,181,722	\$ 5,609,856	\$ (571,866)
Intergovernmental revenues	1,200	1,200	4,052	2,852
Charges for services	1,284,113	1,284,113	1,381,353	97,240
Other revenues	13,990	13,990	6,327	(7,663)
Total Revenues	7,481,025	7,481,025	7,001,588	(479,437)
EXPENDITURES				
Current:				
Security of persons and property	7,445,697	7,445,697	6,664,209	781,488
Capital outlay	-	69,151	-	69,151
Debt service:				
Other debt service costs	35,328	35,328	18,146	17,182
Total Expenditures	7,481,025	7,550,176	6,682,355	867,821
Excess (deficiency) of revenues over (under) expenditures	-	(69,151)	319,233	388,384
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	9,500	9,500
Total other financing sources (uses)	-	-	9,500	9,500
Net changes in fund balances	-	(69,151)	328,733	397,884
Fund balances - beginning	-	69,151	(290,716)	(359,867)
FUND BALANCES - ENDING	\$ -	\$ -	\$ 38,017	\$ 38,017

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 154 – REAL ESTATE EXCISE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$ 800,000	\$ 800,000	\$ 1,149,840	\$ 349,840
Other revenues	101,000	101,000	-	(101,000)
Total Revenues	901,000	901,000	1,149,840	248,840
EXPENDITURES				
Debt service:				
Principal retirement	176,714	176,714	167,005	9,709
Interest	-	-	17,704	(17,704)
Total Expenditures	176,714	176,714	184,709	(7,995)
Excess (deficiency) of revenues over (under) expenditures	724,286	724,286	965,131	240,845
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,640,046)	(6,912,611)	(5,520,000)	1,392,611
Total other financing sources (uses)	(2,640,046)	(6,912,611)	(5,520,000)	1,392,611
Net changes in fund balances	(1,915,760)	(6,188,325)	(4,554,869)	1,633,456
Fund balances - beginning	1,920,465	6,193,030	5,953,371	(239,659)
FUND BALANCES - ENDING	\$ 4,705	\$ 4,705	\$ 1,398,502	\$ 1,393,797

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 156 – CRIMINAL JUSTICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$ 1,365,000	\$ 1,365,000	\$ 1,376,441	\$ 11,441
Intergovernmental revenues	850,491	981,908	1,135,643	153,735
Charges for services	440,000	440,000	343,755	(96,245)
Fines and forfeits	5,000	5,000	8,918	3,918
Other revenues	351,400	351,400	353,937	2,537
Total Revenues	3,011,891	3,143,308	3,218,694	75,386
EXPENDITURES				
Current:				
General government services	537,346	537,346	475,985	61,361
Security of persons and property	2,939,080	3,597,683	1,815,863	1,781,820
Capital outlay	100,000	115,000	114,407	593
Total Expenditures	3,576,426	4,250,029	2,406,255	1,843,774
Excess (deficiency) of revenues over (under) expenditures	(564,535)	(1,106,721)	812,439	1,919,160
OTHER FINANCING SOURCES (USES)				
Transfers out	(637,350)	(637,350)	(465,836)	171,514
Total other financing sources (uses)	(637,350)	(637,350)	(465,836)	171,514
Net changes in fund balances	(1,201,885)	(1,744,071)	346,603	2,090,674
Fund balances - beginning	7,262,134	7,789,319	8,187,284	397,965
FUND BALANCES - ENDING	\$ 6,060,249	\$ 6,045,248	\$ 8,533,887	\$ 2,488,639

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 157 – TRAFFIC MITIGATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Charges for services	\$ 200,000	\$ 200,000	\$ 142,510	\$ (57,490)
Other revenues	83,000	83,000	69,176	(13,824)
Total Revenues	283,000	283,000	211,686	(71,314)
EXPENDITURES				
Capital outlay	3,000,880	3,000,880	15,395	2,985,485
Total Expenditures	3,000,880	3,000,880	15,395	2,985,485
Excess (deficiency) of revenues over (under) expenditures	(2,717,880)	(2,717,880)	196,291	2,914,171
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(450,025)	(450,025)
Total other financing sources (uses)	-	-	(450,025)	(450,025)
Net changes in fund balances	(2,717,880)	(2,717,880)	(253,734)	2,464,146
Fund balances - beginning	2,717,880	2,717,880	3,416,109	698,229
FUND BALANCES - ENDING	\$ -	\$ -	\$ 3,162,375	\$ 3,162,375

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 160 – CONTINGENCY RESERVE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$ -	\$ -	\$ 82,337	\$ 82,337
Total Revenues	-	-	82,337	82,337
EXPENDITURES				
Total Expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	82,337	82,337
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net changes in fund balances	-	-	82,337	82,337
Fund balances - beginning	4,118,945	4,118,945	4,118,945	-
FUND BALANCES - ENDING	\$ 4,118,945	\$ 4,118,945	\$ 4,201,282	\$ 82,337

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 197 – CHIP LOAN PROGRAM FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Intergovernmental revenues	\$ 1,511,500	\$ 1,511,500	\$ 208,093	\$ (1,303,407)
Other revenues	115,500	115,500	115,828	328
Total Revenues	1,627,000	1,627,000	323,921	(1,303,079)
EXPENDITURES				
Current:				
Economic environment	1,155,679	1,155,679	628,028	527,651
Total Expenditures	1,155,679	1,155,679	628,028	527,651
Excess (deficiency) of revenues over (under) expenditures	471,321	471,321	(304,107)	(775,428)
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net changes in fund balances	471,321	471,321	(304,107)	(775,428)
Fund balances - beginning	14,726,718	14,726,718	14,335,725	(390,993)
FUND BALANCES - ENDING	\$ 15,198,039	\$ 15,198,039	\$ 14,031,618	\$ (1,166,421)

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 198 – COMMUNITY DEVELOPMENT BLOCK GRANTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Intergovernmental revenues	\$ 750,000	\$ 750,000	\$ 690,624	\$ (59,376)
Other revenues	-	-	438	438
Total Revenues	750,000	750,000	691,062	(58,938)
EXPENDITURES				
Current:				
Economic environment	1,337,310	1,337,310	931,687	405,623
Total Expenditures	1,337,310	1,337,310	931,687	405,623
Excess (deficiency) of revenues over (under) expenditures	(587,310)	(587,310)	(240,625)	346,685
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net changes in fund balances	(587,310)	(587,310)	(240,625)	346,685
Fund balances - beginning	587,310	587,310	567,493	(19,817)
FUND BALANCES - ENDING	\$ -	\$ -	\$ 326,868	\$ 326,868

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 210 – BOND REDEMPTION FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Debt Service:				
Principal retirement	1,150,000	1,950,000	1,845,000	105,000
Interest	789,000	789,000	1,054,811	(265,811)
Total Expenditures	1,939,000	2,739,000	2,899,811	(160,811)
Excess (deficiency) of revenues over (under) expenditures	(1,939,000)	(2,739,000)	(2,899,811)	(160,811)
OTHER FINANCING SOURCES (USES)				
Proceeds of Refunding General LT Debt	-	-	14,990,718	14,990,718
Payment to Refunded Debt Escrow Agent	-	-	(14,800,000)	(14,800,000)
Transfers in	1,939,000	2,739,000	2,714,093	(24,907)
Total other financing sources (uses)	1,939,000	2,739,000	2,904,811	165,811
Net change in fund balances	-	-	5,000	5,000
Fund Balances - beginning	-	-	(\$5,000)	(5,000)
FUND BALANCES - ENDING	\$ -	\$ -	\$ -	\$ -

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 243 – L.I.D. GUARANTY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other Revenues	\$ 1,000	\$ 1,000	\$ 14,228	\$ 13,228
Total Revenues	1,000	1,000	14,228	13,228
EXPENDITURES				
Total Expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	1,000	1,000	14,228	13,228
OTHER FINANCING SOURCES (USES)				
Face Value of General Long-Term Debt	-	-	-	-
Proceeds of Refunding General LT Debt	-	-	-	-
Disposition of Fixed Assets	-	-	-	-
Payment to Refunded Debt Escrow Agent	-	-	-	-
Transfers in	9,000	9,000	-	(9,000)
Transfers out	(60,000)	(60,000)	(60,000)	-
Other Sources	-	-	-	-
Other Uses	-	-	-	-
Total other financing sources (uses)	(51,000)	(51,000)	(60,000)	(9,000)
Net change in fund balances	(50,000)	(50,000)	(45,772)	4,228
Fund Balances - beginning	50,000	50,000	\$77,583	27,583
FUND BALANCES - ENDING	\$ -	\$ -	\$ 31,811	\$ 31,811

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 299 – CONSOLIDATED L.I.D. BOND REDEMPTION FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$ 5,000	\$ 5,000	\$ 8,328	\$ 3,328
TOTAL REVENUES	5,000	5,000	8,328	3,328
EXPENDITURES				
Current:				
TOTAL EXPENDITURES	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	5,000	5,000	8,328	3,328
OTHER FINANCING SOURCES (USES)				
Face Value of General long-term debt	-	-	-	-
Proceeds of Refunding General LT Debt	-	-	-	-
Disposition of Fixed Assets	-	-	-	-
Payment to Refunded Debt Escrow Agent	-	-	-	-
Interfund loan disbursements	-	-	-	-
Transfers in	5,000	5,000	-	(5,000)
Transfers out	(30,000)	(30,000)	-	30,000
Other Sources	-	-	-	-
Other Uses	-	-	-	-
Total other financing sources (uses)	(25,000)	(25,000)	-	25,000
Net change in fund balances	(20,000)	(20,000)	8,328	28,328
Fund Balances - beginning	20,000	20,000	26,640	6,640
FUND BALANCES - ENDING	\$ -	\$ -	\$ 34,968	\$ 34,968

ENTERPRISE FUNDS

- 402 The ***Solid Waste Utility Fund*** accounts for activities related to garbage and solid waste management, including recycling and excluding direct engagement in routine collection.
- 430 The ***Parking Garage Fund*** accounts for off-street parking facilities to support the central business district and the relief of traffic congestion.
- 440 The ***Golf Fund*** accounts for the operation and maintenance, and capital improvements of two city-owned golf courses.

**COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2012**

	402 SOLID WASTE FUND	430 PARKING GARAGE FUND	440 GOLF FUND	TOTAL NONMAJOR ENTERPRISE FUNDS
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,147	\$ 492,443	\$ 113,414	\$ 608,004
Investments	151,488	2,000,926	460,832	2,613,246
Bond covenant accounts:				
Restricted cash and cash equivalents	102,500	-	-	102,500
Receivables, net				
Customer accounts	242,193	-	11,339	253,532
Interest	664	8,778	-	9,442
Due from other governments	105,746	-	-	105,746
Prepayments	-	-	54,050	54,050
Inventory	-	-	125,416	125,416
Total Current Assets	604,738	2,502,147	765,051	3,871,936
NONCURRENT ASSETS				
Unamortized debt issue costs	50,007	-	-	50,007
Land	-	756,141	203,481	959,622
Construction in progress	4,893,484	-	-	4,893,484
Capital assets, net of depreciation (Note 6)	4,522,226	266,026	4,383,574	9,171,826
Total Noncurrent Assets	9,465,717	1,022,167	4,587,055	15,074,939
TOTAL ASSETS	10,070,455	3,524,314	5,352,106	18,946,875
LIABILITIES				
CURRENT LIABILITIES				
Wages and benefits payable	992	-	27,542	28,534
Accounts payable	18,384	12,396	121,010	151,790
Interest payable	19,167	-	-	19,167
Taxes payable	-	-	10,305	10,305
Due to other funds	374	-	-	374
Interfund loans payable	1,219,200	-	-	1,219,200
Deferred revenues	-	-	186,503	186,503
Current portion of long-term debt	1,000,000	-	-	1,000,000
Unamortized premiums	2,012	-	-	2,012
Other current liabilities	-	-	26,847	26,847
Total Current Liabilities	2,260,129	12,396	372,207	2,644,732
NONCURRENT LIABILITIES				
General obligation bonds payable	6,000,000	-	-	6,000,000
Unamortized premiums	12,913	-	-	12,913
Advances from other funds	-	-	7,489,168	7,489,168
Other long-term liabilities	-	-	320,052	320,052
Total Noncurrent Liabilities	6,012,913	-	7,809,220	13,822,133
TOTAL LIABILITIES	8,273,042	12,396	8,181,427	16,466,865
NET POSITION				
Net investment in capital assets	2,400,785	1,022,167	4,587,055	8,010,007
Restricted for debt service	102,500	-	-	102,500
Unrestricted	(705,872)	2,489,751	(7,416,376)	(5,632,497)
TOTAL NET POSITION	\$ 1,797,413	\$ 3,511,918	\$ (2,829,321)	\$ 2,480,010

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	402 SOLID WASTE FUND	430 PARKING GARAGE FUND	440 GOLF FUND	TOTAL NONMAJOR ENTERPRISE FUNDS
OPERATING REVENUES:				
Admission taxes	\$ -	\$ -	99,994	\$ 99,994
Charges for services	2,250,755	264,049	3,785,113	6,299,917
Total Operating Revenues	2,250,755	264,049	3,885,107	6,399,911
OPERATING EXPENSES:				
Personnel services	50,823	-	1,011,161	1,061,984
Supplies	12,848	1,231	740,104	754,183
Professional services	113,985	215,441	1,361,141	1,690,567
Depreciation and amortization	274,808	42,936	519,642	837,386
Other operating expenses	84,436	23,309	356,245	463,990
Total Operating Expenses	536,900	282,917	3,988,293	4,808,110
Operating Income (Loss)	1,713,855	(18,868)	(103,186)	1,591,801
NON-OPERATING REVENUES (EXPENSES):				
Intergovernmental revenues	234,048	-	-	234,048
Interest and investment revenue	19,736	59,313	16,168	95,217
Interest expense	(256,730)	-	(158,191)	(414,921)
Total Non-Operating Revenues (Expenses)	(2,946)	59,313	(142,023)	(85,656)
Income (Loss) Before Contributions and Transfers	1,710,909	40,445	(245,209)	1,506,145
Capital contributions	494,104	-	-	494,104
CHANGE IN NET POSITION	2,205,013	40,445	(245,209)	2,000,249
NET POSITION - BEGINNING	(407,600)	3,471,473	(2,584,112)	479,761
NET POSITION - ENDING	\$ 1,797,413	\$ 3,511,918	\$ (2,829,321)	\$ 2,480,010

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	402 SOLID WASTE FUND	430 PARKING GARAGE FUND	440 GOLF FUND	TOTAL NONMAJOR ENTERPRISE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers and users	\$ 2,273,260	\$ 264,049	\$ 3,888,158	\$ 6,425,467
Payments to suppliers	(425,140)	(207,833)	(2,270,384)	(2,903,357)
Payments to employees	(51,466)	-	(1,002,861)	(1,054,327)
Payments for interfund services used	(11,228)	(19,752)	(139,923)	(170,903)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,785,426	36,464	474,990	2,296,880
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Receipts from non-capital grants	234,048	-	-	234,048
Principal paid on interfund loans	-	-	(155,000)	(155,000)
Interest paid on interfund loans	-	-	(158,191)	(158,191)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	234,048	-	(313,191)	(79,143)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on capital debt	(1,200,000)	-	-	(1,200,000)
Interest paid on capital debt	(254,000)	-	-	(254,000)
Proceeds from interfund loans	(954,000)	-	-	(954,000)
Capital contributions	1,601,401	-	-	1,601,401
Acquisition and construction of capital assets	(1,248,105)	-	(48,250)	(1,296,355)
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	(2,054,704)	-	(48,250)	(2,102,954)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of investments	(3,758)	(305,558)	(144,170)	(453,486)
Investment income	19,406	52,887	12,589	84,882
NET CASH PROVIDED BY INVESTING ACTIVITIES	15,648	(252,671)	(131,581)	(368,604)
Net Increase (Decrease) in Cash and Cash Equivalents	(19,582)	(216,207)	(18,032)	(253,821)
Cash and Cash Equivalents, January 1	124,229	708,650	131,446	964,325
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 104,647	\$ 492,443	\$ 113,414	\$ 710,504
Current Cash and Cash Equivalents	2,147	492,443	113,414	608,004
Restricted Cash and Cash Equivalents	102,500	-	-	102,500
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 104,647	\$ 492,443	\$ 113,414	\$ 710,504
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 1,713,855	\$ (18,868)	\$ (103,186)	\$ 1,591,801
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and amortization	274,808	42,936	519,642	837,386
Change in Assets and Liabilities:				
(Increase) decrease in inventories	-	-	(20,739)	(20,739)
(Increase) decrease in receivables	22,505	-	(5,339)	17,166
(Increase) decrease in prepaid expenses	-	-	38,154	38,154
Increase (decrease) in accounts and other payables	(225,742)	12,396	38,068	(175,278)
Increase (decrease) in other current liabilities	-	-	8,390	8,390
TOTAL ADJUSTMENTS	71,571	55,332	578,176	705,079
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,785,426	\$ 36,464	\$ 474,990	\$ 2,296,880
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:				
Non-Cash Financing, Capital and Investing Activities:				
Capital assets funded by capital lease				
Increase (decrease) in fair value of investments	330	7,486	3,579	\$ 11,395
TOTAL NON-CASH ACTIVITIES	\$ 330	\$ 7,486	\$ 3,579	\$ 11,395



This page is intentionally left blank.

INTERNAL SERVICE FUNDS

- 501** The ***Equipment Rental Fund*** accounts for the costs of operating a maintenance facility for automotive equipment and other machinery used by City departments. Such costs are billed to the other departments at actual cost.
- 503** The ***Self-Insurance Fund*** receives monies from various City funds to pay all costs of self-insurance for workers' compensation, unemployment compensation, liabilities arising out of torts and the operation of the George Culmbach Dam.
- 505** The ***Computer Reserve Fund*** receives monies from City departments to pay for computer equipment and related maintenance.
- 507** The ***Telecommunications Fund*** accounts for the cost of operating a centralized telecommunication service for all City departments.
- 508** The ***Health Benefits Reserve Fund*** accounts for the activity and reserve associated with the provision of health benefits to employees of the City.

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
DECEMBER 31, 2012
(PAGE 1 OF 2)**

	501 EQUIPMENT RENTAL FUND	503 SELF- INSURANCE FUND	505 COMPUTER RESERVE FUND
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 107,609	\$ 2,225,198	\$ 103,651
Investments	442,742	9,041,593	421,163
Receivables, net			
Customer accounts	37,653	-	-
Interest	-	30,637	-
Due from other governments	24,299	-	-
Prepayments	-	312,944	444,918
Inventory	512,307	-	1,404
Total Current Assets	<u>1,124,610</u>	<u>11,610,372</u>	<u>971,136</u>
NONCURRENT ASSETS			
Capital assets, net of depreciation (Note 6)	144,427	-	762,441
Total Noncurrent Assets	<u>144,427</u>	<u>-</u>	<u>762,441</u>
TOTAL ASSETS	<u>1,269,037</u>	<u>11,610,372</u>	<u>1,733,577</u>
LIABILITIES			
CURRENT LIABILITIES			
Wages and benefits payable	170,987	-	-
Accounts payable	155,487	180,354	363,952
Claims and judgments payable	-	4,301,564	-
Other current liabilities	-	-	-
Total Current Liabilities	<u>326,474</u>	<u>4,481,918</u>	<u>363,952</u>
NONCURRENT LIABILITIES			
Claims and judgments payable	-	9,463,510	-
Other long-term liabilities	47,918	-	-
Total Noncurrent Liabilities	<u>47,918</u>	<u>9,463,510</u>	<u>-</u>
TOTAL LIABILITIES	<u>374,392</u>	<u>13,945,428</u>	<u>363,952</u>
NET POSITION			
Net investment in capital assets	144,426	-	762,441
Unrestricted	750,219	(2,335,056)	607,184
TOTAL NET POSITION	<u>\$ 894,645</u>	<u>\$ (2,335,056)</u>	<u>\$ 1,369,625</u>

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
DECEMBER 31, 2012
(PAGE 2 OF 2)**

	507 TELE- COMM FUND	508 HEALTH BENEFIT RESERVE FUND	TOTAL INTERNAL SERVICE FUNDS
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 124,497	\$ 355,247	\$ 2,916,202
Investments	505,866	1,443,463	11,854,827
Receivables, net			
Customer accounts	-	392,226	429,879
Interest	2,581	9,857	43,075
Due from other governments	-	-	24,299
Prepayments	-	-	757,862
Inventory	-	-	513,711
Total Current Assets	632,944	2,200,793	16,539,855
NONCURRENT ASSETS			
Capital assets, net of depreciation (Note 6)	438,060	-	1,344,928
Total Noncurrent Assets	438,060	-	1,344,928
TOTAL ASSETS	1,071,004	2,200,793	17,884,783
LIABILITIES			
CURRENT LIABILITIES			
Wages and benefits payable	25,158	-	196,145
Accounts payable	83,426	250	783,469
Claims and judgments payable	-	1,633,241	5,934,805
Other current liabilities	-	111,850	111,850
Total Current Liabilities	108,584	1,745,341	7,026,269
NONCURRENT LIABILITIES			
Claims and judgments payable	-	-	9,463,510
Other long-term liabilities	6,730	-	54,648
Total Noncurrent Liabilities	6,730	-	9,518,158
TOTAL LIABILITIES	115,314	1,745,341	16,544,427
NET POSITION			
Net investment in capital assets	438,060	-	1,344,927
Unrestricted	517,630	455,452	(4,571)
TOTAL NET POSITION	\$ 955,690	\$ 455,452	\$ 1,340,356

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(PAGE 1 OF 2)**

	501 EQUIPMENT RENTAL FUND	503 SELF- INSURANCE FUND	505 COMPUTER RESERVE FUND
OPERATING REVENUES:			
Charges for services	\$ 7,445,796	\$ 8,245,924	\$ 1,357,012
Total Operating Revenues	7,445,796	8,245,924	1,357,012
OPERATING EXPENSES:			
Personnel services	2,253,384	497,225	-
Supplies	4,558,397	-	287,319
Professional services	227,699	1,877,973	7,265
Depreciation and amortization	19,177	-	166,390
Other operating expenses	465,124	7,592,064	938,052
Total Operating Expenses	7,523,781	9,967,262	1,399,026
Operating Income (Loss)	(77,985)	(1,721,338)	(42,014)
NON-OPERATING REVENUES (EXPENSES):			
Interest and investment revenue	10,648	215,190	6,836
Other non-operating revenues	-	-	-
Gain (loss) on sale/retirement of assets	2,205	-	-
Interest expense	(54)	-	-
Total Non-Operating Revenues (Expenses)	12,799	215,190	6,836
Income (Loss) Before Contributions and Transfers	(65,186)	(1,506,148)	(35,178)
CHANGE IN NET POSITION	(65,186)	(1,506,148)	(35,178)
NET POSITION - BEGINNING	959,831	(828,908)	1,404,803
NET POSITION - ENDING	\$ 894,645	\$ (2,335,056)	\$ 1,369,625

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(PAGE 2 OF 2)**

	507 TELE- COMM FUND	508 HEALTH BENEFIT RESERVE FUND	TOTAL INTERNAL SERVICE FUNDS
OPERATING REVENUES:			
Charges for services	\$ 1,096,488	\$ 10,498,390	\$ 28,643,610
Total Operating Revenues	1,096,488	10,498,390	28,643,610
OPERATING EXPENSES:			
Personnel services	308,030	-	3,058,639
Supplies	53,133	-	4,898,849
Professional services	27,877	10,627,859	12,768,673
Depreciation and amortization	78,700	-	264,267
Other operating expenses	726,200	7,129	9,728,569
Total Operating Expenses	1,193,940	10,634,988	30,718,997
Operating Income (Loss)	(97,452)	(136,598)	(2,075,387)
NON-OPERATING REVENUES (EXPENSES):			
Interest and investment revenue	13,385	28,535	274,594
Other non-operating revenues	-	501,390	501,390
Gain (loss) on sale/retirement of assets	-	-	2,205
Interest expense	-	-	(54)
Total Non-Operating Revenues (Expenses)	13,385	529,925	778,135
Income (Loss) Before Contributions and Transfers	(84,067)	393,327	(1,297,252)
CHANGE IN NET POSITION	(84,067)	393,327	(1,297,252)
NET POSITION - BEGINNING	1,039,757	62,125	2,637,608
NET POSITION - ENDING	\$ 955,690	\$ 455,452	\$ 1,340,356

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(PAGE 1 OF 2)**

	501 EQUIPMENT RENTAL FUND	503 SELF- INSURANCE FUND	505 COMPUTER RESERVE FUND
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 498,227	\$ 304,507	\$ -
Receipts from interfund services provided	6,976,345	7,924,967	1,357,012
Payments to suppliers	(4,885,095)	(1,681,092)	(906,137)
Payments to employees	(2,234,421)	(497,225)	-
Payments for interfund services used	(278,546)	-	-
Claims paid	-	(4,226,434)	-
Other receipts (payments)	-	-	(444,918)
NET CASH PROVIDED BY OPERATING ACTIVITIES	76,510	1,824,723	5,957
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest paid on interfund loans	(54)	-	-
Proceeds from sale of capital assets	2,205	-	-
Acquisition and construction of capital assets	-	-	(508,682)
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	2,151	-	(508,682)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of investments	-	-	290,381
Purchase of investments	(115,177)	(2,483,214)	-
Investment income	7,796	156,017	14,175
NET CASH PROVIDED BY INVESTING ACTIVITIES	(107,381)	(2,327,197)	304,556
Net Increase (Decrease) in Cash and Cash Equivalents	(28,720)	(502,474)	(198,169)
Cash and Cash Equivalents, January 1	136,329	2,727,672	301,820
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 107,609	\$ 2,225,198	\$ 103,651
Current Cash and Cash Equivalents	107,609	2,225,198	103,651
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 107,609	\$ 2,225,198	\$ 103,651
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (77,985)	\$ (1,721,338)	\$ (42,014)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and amortization	19,177	-	166,390
Other non-operating receipts	-	-	-
Change in Assets and Liabilities:			
(Increase) decrease in inventories	(9,445)	-	6,691
(Increase) decrease in receivables	28,776	-	-
(Increase) decrease in prepaid expenses	-	97,858	(444,918)
Increase (decrease) in accounts and other payables	105,119	3,464,653	319,808
Increase (decrease) in compensated absences	10,868	-	-
Increase (decrease) in other current liabilities	-	(16,450)	-
TOTAL ADJUSTMENTS	154,495	3,546,061	47,971
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 76,510	\$ 1,824,723	\$ 5,957
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Non-Cash Financing, Capital and Investing Activities:			
Increase (decrease) in fair value of investments	\$ 2,852	\$ 61,534	\$ (7,339)
TOTAL NON-CASH ACTIVITIES	\$ 2,852	\$ 61,534	\$ (7,339)

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
(PAGE 2 OF 2)**

	507 TELE- COMM FUND	508 HEALTH BENEFIT RESERVE FUND	TOTAL INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ -	\$ 211,533	\$ 1,014,267
Receipts from interfund services provided	1,096,488	10,286,857	27,641,669
Payments to suppliers	(750,174)	(10,877,589)	(19,100,087)
Payments to employees	(302,204)	-	(3,033,850)
Payments for interfund services used	(38,641)	-	(317,187)
Claims paid	-	-	(4,226,434)
Other receipts (payments)	-	129,268	(315,650)
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,469	(249,931)	1,662,728
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest paid on interfund loans	-	-	(54)
Proceeds from sale of capital assets	-	-	2,205
Acquisition and construction of capital assets	(141,425)	-	(650,107)
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	(141,425)	-	(647,956)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of investments	23,782	-	314,163
Purchase of investments	-	(19,097)	(2,617,488)
Investment income	14,030	26,405	218,423
NET CASH PROVIDED BY INVESTING ACTIVITIES	37,812	7,308	(2,084,902)
Net Increase (Decrease) in Cash and Cash Equivalents	(98,144)	(242,623)	(1,070,130)
Cash and Cash Equivalents, January 1	222,641	597,870	3,986,332
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 124,497	\$ 355,247	\$ 2,916,202
Current Cash and Cash Equivalents	124,497	355,247	2,916,202
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 124,497	\$ 355,247	\$ 2,916,202
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (97,452)	\$ (136,598)	\$ (2,075,387)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and amortization	78,700	-	264,267
Other non-operating receipts	-	501,390	501,390
Change in Assets and Liabilities:			
(Increase) decrease in inventories	-	-	(2,754)
(Increase) decrease in receivables	-	(372,122)	(343,346)
(Increase) decrease in prepaid expenses	-	-	(347,060)
Increase (decrease) in accounts and other payables	19,362	(242,601)	3,666,341
Increase (decrease) in compensated absences	4,859	-	15,727
Increase (decrease) in other current liabilities	-	-	(16,450)
TOTAL ADJUSTMENTS	102,921	(113,333)	3,738,115
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 5,469	\$ (249,931)	\$ 1,662,728
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Non-Cash Financing, Capital and Investing Activities:			
Increase (decrease) in fair value of investments	\$ (646)	\$ 341	\$ 56,742
TOTAL NON-CASH ACTIVITIES	\$ (646)	\$ 341	\$ 56,742

FIDUCIARY FUNDS

FIDUCIARY FUNDS

PENSION TRUST FUNDS

- 637a** The ***Police Pension Fund*** receives funding from the General Fund (property taxes) and investment interest to pay for retirement benefits not covered by the State's Law Enforcement Officers' and Fire Fighters' Retirement System to active and retired police officers hired on or before March 1, 1970.
- 637b** The ***Police Healthcare Fund*** receives funding from the General Fund (property taxes) and investment interest to pay for medical expenses not covered by medical insurance programs for active and retired police officers hired before October 1, 1977.
- 638a** The ***Fire Pension Fund*** receives funding from the General Fund (property taxes), a portion of the State levied fire insurance premium tax and investment interest to pay for retirement benefits not covered by the State's Law Enforcement Officers' and Fire Fighters' Retirement System to active and retired fire fighters hired on or before March 1, 1970.
- 638b** The ***Fire Healthcare Fund*** receives funding from the General Fund (property taxes) and investment interest to pay for medical expenses not covered by medical insurance programs for active and retired police officers hired before October 1, 1977.

AGENCY FUND

- 665** The ***Other Agency Fund*** accounts for the following entities and processes:

Downtown Business Improvement Area (BIA), District #1 – billing, receipt and disbursement of funds according to the spending authorization provided by Ordinance 2842-05.

Snohomish County Police Staff and Auxiliary Service Center (SNOPAC) – receipt and disbursement of funds as Ex-Officio Treasurer.

Tulalip Water Delivery System – receipt and disbursement of funds as approved by the Water Delivery System Joint Board organized pursuant to an agreement with the Tulalip Tribes of Washington.

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
TRUST FUNDS
DECEMBER 31, 2012**

	637a POLICE PENSION FUND	637b POLICE HEALTHCARE FUND	638a FIRE PENSION FUND	638b FIRE HEALTHCARE FUND	TOTAL TRUST FUNDS
ASSETS					
Cash and cash equivalents	\$ 162,375	\$ 238,783	\$ 264,978	\$ 462,069	\$ 1,128,205
Agency Bonds	2,800,324	13,476,467	10,158,558	20,887,846	47,323,195
Accounts receivable - net	1,126	-	75	-	1,201
Interest receivable	-	-	-	7,805	7,805
TOTAL ASSETS	2,963,825	13,715,250	10,423,611	21,357,720	48,460,406
LIABILITIES					
Accounts payable	-	-	11	410	421
TOTAL LIABILITIES	-	-	11	410	421
NET POSITION					
Held in trust for pension benefits and other purposes	\$ 2,963,825	\$ 13,715,250	\$ 10,423,600	\$ 21,357,310	\$ 48,459,985

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2012**

	665 OTHER AGENCY FUND	TOTAL AGENCY FUNDS
ASSETS		
Cash and cash equivalents	\$ 177,735	\$ 177,735
Accounts receivable - net	15,365	15,365
Due from Other Governmental Units	49,168	49,168
TOTAL ASSETS	<u>242,268</u>	<u>242,268</u>
LIABILITIES		
Accounts payable	52,417	52,417
Other current liabilities	189,851	189,851
TOTAL LIABILITIES	<u>242,268</u>	<u>242,268</u>
NET POSITION	<u>\$ -</u>	<u>\$ -</u>

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	637a POLICE PENSION FUND	637b POLICE HEALTHCARE FUND	638a FIRE PENSION FUND	638b FIRE HEALTHCARE FUND	TOTAL TRUST FUNDS
ADDITIONS:					
Contributions					
Employer	\$ -	\$ 49,540	\$ -	\$ 49,540	\$ 99,080
State	-	-	147,478	-	147,478
Total contributions	-	49,540	147,478	49,540	246,558
Investment income					
Interest	48,233	292,986	282,449	577,097	1,200,765
Net appreciation (depreciation) in fair value	37,630	79,929	(36,667)	(115,312)	(34,420)
Net investment income	85,863	372,915	245,782	461,785	1,166,345
TOTAL ADDITIONS	85,863	422,455	393,260	511,325	1,412,903
DEDUCTIONS:					
Benefits	526,522	1,240,031	485,124	1,319,222	3,570,899
Administrative expense	-	15,478	0	15,478	30,956
TOTAL DEDUCTIONS	526,522	1,255,509	485,124	1,334,700	3,601,855
CHANGE IN NET POSITION					
Pension benefits	(440,659)		(91,864)		(532,523)
Postemployment healthcare benefits		(833,054)		(823,375)	(1,656,429)
NET POSITION RESERVED FOR EMPLOYEES' PENSION BENEFITS					
Employees' pension benefits, January 1	4,779,367		10,225,226		15,004,593
Prior Period Corrections	(1,374,883)	1,374,883	290,238	(290,238)	-
NET POSITION RESERVED FOR POSTEMPLOYMENT HEALTHCARE BENEFITS					
Postemployment healthcare benefits, January 1		13,173,421		22,470,923	35,644,344
NET POSITION - ENDING	\$ 2,963,825	\$ 13,715,250	\$ 10,423,600	\$ 21,357,310	\$ 48,459,985

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	BALANCE				BALANCE	
	JANUARY 1, 2012	ADDITIONS	DEDUCTIONS		DECEMBER 31, 2012	
FUND 665 - AGENCY FUNDS						
ASSETS						
Cash and cash equivalents	\$ 164,492	\$ 533,724	\$ 520,482		\$ 177,734	
Accounts receivable - net	27,594	124,173	136,402		15,365	
Due from Other Governmental Units	31,181	49,168	31,180		49,169	
TOTAL ASSETS	\$ 223,267	\$ 707,065	\$ 688,064		\$ 242,268	
LIABILITIES						
Accounts payable	\$ 35,973	\$ 569,966	\$ 553,522		\$ 52,417	
Other current liabilities	187,294	199,173	196,616		189,851	
TOTAL LIABILITIES	\$ 223,267	\$ 769,139	\$ 750,138		\$ 242,268	

STATISTICAL SECTION OVERVIEW

This part of the City of Everett's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health. This information is unaudited.

CONTENTS

STAT No.

Financial Trends

Stats 1 - 5

These schedules contain information to assist the reader in understanding how the city's financial position has changed over time.

Revenue Capacity

Stats 6 - 7

These schedules contain information to assist the reader in understanding and assessing the city's most significant local revenue sources; water/sewer service fees and property taxes.

Debt Capacity

Stats 8 - 12

These schedules present information to assist the reader in understanding and assessing the affordability of the city's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

Stats 13 - 15

These schedules offer demographic and economic indicators to assist the reader in understanding the environment within which the city's financial activities take place.

Operating Information

Stats 16 - 17

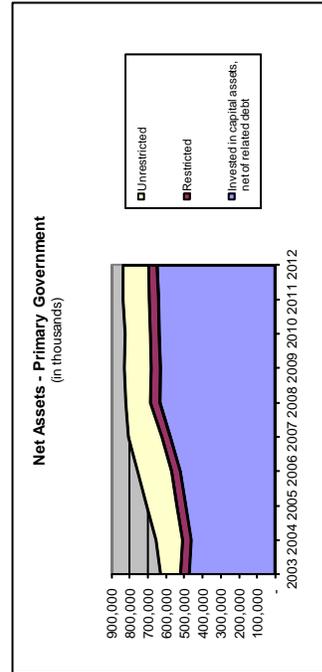
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the city provides and the activities it performs.

Sources: Unless otherwise noted, the information in the schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

STAT 01

**NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS**
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Invested in capital assets, net of related debt	\$ 184,159,844	\$ 191,654,146	\$ 228,673,168	\$ 245,383,110	\$ 258,985,622	\$ 275,153,868	\$ 276,175,060	\$ 277,363,758	\$ 280,262,109	\$ 291,590,152
Restricted	43,013,035	42,771,622	44,056,332	42,928,160	42,707,673	41,472,115	38,886,183	37,310,156	35,691,667	30,927,056
Unrestricted	78,856,838	84,852,118	78,838,473	88,036,357	98,933,848	92,207,372	95,940,505	93,484,426	93,461,072	79,829,469
Total governmental activities net position	\$ 306,029,717	\$ 319,277,886	\$ 351,567,973	\$ 376,347,627	\$ 400,627,143	\$ 408,833,355	\$ 411,001,748	\$ 408,158,340	\$ 409,414,848	\$ 402,346,677
Business-type activities										
Invested in capital assets, net of related debt	\$ 291,463,746	\$ 273,143,609	\$ 265,441,844	\$ 278,234,596	\$ 318,744,209	\$ 359,012,990	\$ 355,349,336	\$ 361,029,457	\$ 361,058,019	\$ 358,377,880
Restricted	4,624,762	4,192,232	4,504,533	4,244,055	3,563,986	10,664,591	11,482,570	11,167,299	15,184,274	14,894,611
Unrestricted	28,469,270	58,427,537	84,348,066	96,116,653	82,681,069	41,146,246	49,442,120	42,626,741	48,627,569	58,359,805
Total business-type activities net position	\$ 324,557,778	\$ 335,763,378	\$ 354,294,443	\$ 378,585,304	\$ 404,989,264	\$ 410,823,827	\$ 416,274,026	\$ 414,823,497	\$ 424,869,862	\$ 431,632,296
Primary Government										
Invested in capital assets, net of related debt	\$ 475,623,590	\$ 464,797,755	\$ 494,115,012	\$ 523,617,706	\$ 577,729,831	\$ 634,166,858	\$ 631,524,396	\$ 638,393,215	\$ 641,320,128	\$ 649,968,032
Restricted	47,637,797	46,963,854	48,560,865	47,172,215	46,271,659	52,136,706	50,368,753	48,477,455	50,875,941	45,821,667
Unrestricted	107,326,108	143,279,655	163,186,539	184,153,010	181,614,917	133,353,618	145,382,625	136,111,167	142,088,641	138,189,274
Total primary government net position	\$ 630,587,495	\$ 655,041,264	\$ 705,862,416	\$ 754,942,931	\$ 805,616,407	\$ 819,657,182	\$ 827,275,774	\$ 822,981,837	\$ 834,284,710	\$ 833,978,973



**CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
EXPENSES										
Governmental activities:										
General government services	\$ 14,766,467	\$ 14,569,892	\$ 15,203,288	\$ 16,192,403	\$ 17,950,379	\$ 20,587,715	\$ 19,829,413	\$ 16,202,175	\$ 19,727,643	\$ 25,422,415
Police	29,186,655	28,935,678	30,882,491	31,636,006	31,839,441	33,871,992	36,488,879	37,112,805	35,928,460	37,679,652
Fire	22,643,888	23,688,138	25,402,766	26,251,618	26,606,763	28,426,321	29,593,441	28,925,002	28,302,587	29,278,542
Engineering & construction services	3,700,137	3,876,492	4,198,930	4,519,461	5,075,607	3,652,585	3,966,652	4,466,466	3,511,333	3,591,335
Transportation	15,492,296	5,584,756	8,782,289	7,230,995	6,529,391	8,972,012	8,557,592	10,890,501	8,565,208	8,552,627
Community services	5,001,110	5,017,547	5,136,497	5,102,700	5,324,631	7,585,711	7,583,871	8,189,488	7,296,739	7,574,308
Library	3,821,389	4,006,888	4,149,550	4,270,231	4,608,397	4,775,110	5,006,773	4,870,070	5,121,095	5,065,784
Culture and recreation	10,530,245	10,709,877	11,290,142	11,474,382	12,338,714	12,552,745	13,280,089	13,244,263	12,595,237	12,644,830
Interest on long-term debt	1,941,964	1,753,789	1,696,360	1,543,492	1,463,898	1,059,120	842,830	818,660	864,371	812,493
Total governmental activities expenses	107,084,151	98,143,057	106,742,313	108,221,288	111,737,221	121,483,301	125,149,540	124,719,430	121,912,673	130,621,986
Business-type activities:										
Water	17,168,687	16,257,037	19,701,810	25,856,113	23,108,675	21,758,842	23,333,429	25,325,047	26,475,627	29,673,454
Sewer	16,033,636	17,368,416	16,883,458	20,720,914	20,182,241	23,713,506	24,534,675	27,904,797	26,640,525	28,379,198
Solid Waste	711,179	704,600	844,386	648,671	715,465	1,052,565	3,264,327	3,688,722	1,067,260	793,631
Parking	318,954	388,561	290,899	346,166	275,780	305,455	272,951	295,887	251,889	282,917
Transit	13,522,179	13,406,981	15,047,417	15,460,929	17,365,257	20,200,488	24,092,720	25,781,338	22,713,494	23,273,163
Golf	3,065,847	3,764,124	3,881,307	4,053,061	4,049,797	4,287,155	4,577,928	4,139,684	4,012,376	4,146,486
Total business-type activities expenses	50,820,482	51,889,719	56,649,277	67,085,854	65,697,215	71,318,011	80,076,030	87,135,475	81,161,171	86,548,849
Total primary government expenses	\$157,904,633	\$150,032,776	\$163,391,590	\$175,307,142	\$177,434,436	\$192,801,312	\$205,225,570	\$211,854,905	\$203,073,844	\$217,170,835

**CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
General government services	\$ 2,853,479	\$ 3,242,598	\$ 2,401,938	\$ 2,936,104	\$ 2,065,441	\$ 1,819,766	\$ 2,784,057	\$ 1,260,967	\$ 1,214,492	\$ 1,127,922
Police	2,097,735	2,084,229	2,204,376	2,139,460	2,987,408	3,145,022	3,430,409	3,440,505	3,398,146	2,569,561
Fire	5,379	57,253	810,115	1,772,953	1,763,028	1,556,855	1,795,325	1,992,766	1,556,633	1,584,923
Engineering & construction services	977,295	1,036,249	1,311,866	1,221,872	1,278,370	569,772	522,080	512,461	505,982	451,906
Transportation	634,399	704,585	2,414,007	1,686,520	982,364	780,000	1,206,445	795,234	201,283	209,838
Community services	2,219,973	1,592,688	3,002,883	2,695,132	2,943,652	3,574,416	2,858,248	2,056,498	2,284,630	2,463,369
Library	89,791	93,948	95,927	101,624	109,525	108,290	122,702	107,017	113,221	102,272
Culture and recreation	1,218,238	1,372,921	1,353,269	748,774	1,502,326	1,641,256	1,738,065	1,768,419	1,856,388	1,801,221
Operating grants and contributions	2,517,034	2,445,425	3,627,851	2,757,760	2,752,220	2,566,494	4,647,504	3,973,610	3,014,442	2,131,625
Capital grants and contributions	7,799,196	6,041,216	26,753,404	11,491,623	5,604,654	11,673,775	6,965,521	3,693,227	3,296,672	3,348,510
Total governmental activities program revenues	20,412,519	18,671,112	43,975,636	27,551,822	21,988,988	27,435,646	25,970,356	19,600,704	17,441,889	15,791,147
Business-type activities:										
Charges for services:										
Water	23,064,309	23,333,846	23,768,937	26,683,309	27,690,993	27,082,959	30,463,819	28,742,817	30,113,113	31,539,348
Sewer	19,975,747	21,760,586	24,569,332	27,529,319	28,246,136	28,007,586	28,522,334	29,307,878	31,568,714	32,879,290
Solid Waste	639,304	714,962	796,277	816,676	1,099,646	1,443,506	1,802,186	2,196,527	2,301,760	2,250,755
Parking	344,918	331,155	290,572	310,719	349,912	378,727	374,764	317,457	292,891	264,049
Transit	2,331,060	2,723,614	2,529,018	2,153,335	2,362,649	2,453,835	2,126,900	2,266,491	2,465,498	2,554,691
Golf	2,423,846	3,024,675	3,175,287	3,311,833	3,389,321	3,565,686	3,746,275	3,763,272	3,614,179	3,785,114
Operating grants and contributions	3,957,162	1,441,596	495,191	3,690,068	616,999	21,182	3,779,924	1,436,645	1,486,898	1,855,835
Capital grants and contributions	6,754,885	4,286,282	4,752,643	7,228,016	6,166,713	2,947,684	5,025,507	2,470,223	5,573,861	4,426,220
Total business-type activities program revenues	59,491,231	57,616,716	60,377,257	71,723,275	69,912,369	65,901,165	75,841,709	70,501,310	77,416,914	79,555,302
Total primary government program revenues	\$ 79,903,750	\$ 76,287,828	\$ 104,352,893	\$ 99,275,097	\$ 91,901,357	\$ 93,336,811	\$ 101,812,065	\$ 90,102,014	\$ 94,858,803	\$ 95,346,449
Net (expense)/revenue	\$ (86,671,632)	\$ (79,471,945)	\$ (62,766,677)	\$ (80,669,466)	\$ (89,748,233)	\$ (94,047,655)	\$ (99,179,184)	\$ (105,118,726)	\$ (104,470,784)	\$ (114,830,839)
Governmental activities	8,670,749	5,726,997	3,727,980	4,637,421	4,215,154	(5,416,846)	(4,234,321)	(16,634,165)	(3,744,257)	(6,993,547)
Business-type activities	\$ (78,000,883)	\$ (73,744,948)	\$ (59,038,697)	\$ (76,032,045)	\$ (85,533,079)	\$ (99,464,501)	\$ (103,413,505)	\$ (121,752,891)	\$ (108,215,041)	\$ (121,824,386)
Total primary government net expense										

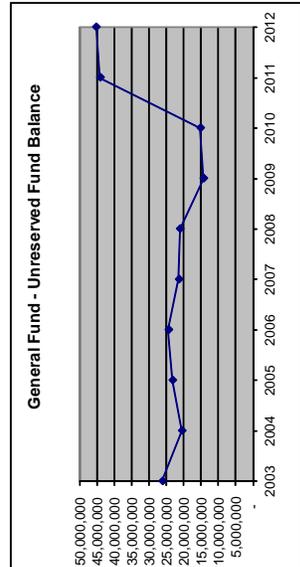
**CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**
(accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
GENERAL REVENUES & OTHER CHANGES										
IN NET POSITION										
Governmental activities:										
Taxes										
Property	\$ 31,432,942	\$ 31,844,597	\$ 32,455,576	\$ 32,845,373	\$ 34,449,729	\$ 35,226,476	\$ 35,659,364	\$ 35,473,230	\$ 38,322,027	\$ 38,765,835
Sales	20,701,917	21,196,166	23,853,300	28,821,916	29,942,458	28,098,324	23,175,042	24,818,451	23,696,637	24,605,177
Business	21,391,498	22,556,024	23,962,279	25,135,371	28,372,875	27,039,132	26,331,273	26,083,027	27,105,472	29,331,090
Other	8,949,007	10,223,623	11,087,943	11,599,557	12,054,689	9,874,918	7,646,792	2,909,484	3,566,778	4,019,849
Miscellaneous	-	-	-	-	-	-	-	4,861,570	4,542,695	4,660,972
Interest and investment earnings	2,938,030	2,278,421	3,259,336	5,241,290	6,983,803	5,943,180	2,399,689	4,112,868	4,664,927	2,405,516
Special items	-	-	-	-	-	(7,439,172)	-	-	-	-
Transfers	1,808,927	2,356,783	2,926,700	2,649,118	2,902,836	3,511,009	6,135,417	4,016,688	3,828,756	3,974,229
Total governmental activities	87,222,321	90,455,614	97,545,134	106,292,625	114,706,390	102,253,867	101,347,577	102,275,318	105,727,292	107,762,668
Business-type activities:										
Taxes										
Sales	6,568,836	6,680,296	15,008,421	17,841,822	18,769,273	17,351,814	14,489,333	15,650,951	14,923,050	15,738,801
Business	91,448	85,870	85,293	86,340	91,199	90,421	95,784	98,269	92,086	99,994
Miscellaneous	-	-	-	-	-	66,477	173,633	242,899	250,089	239,412
Interest and investment earnings	948,784	1,069,220	1,490,944	4,384,396	6,221,170	4,398,474	1,277,687	3,208,205	3,786,445	1,652,003
Special items	(1,808,927)	(2,356,783)	(2,926,700)	(2,649,118)	(2,902,836)	(3,511,009)	(6,135,417)	(4,016,688)	(3,828,756)	(3,974,229)
Transfers	5,800,141	5,478,603	13,657,958	19,663,440	22,178,806	11,284,782	9,901,020	15,183,636	15,222,914	13,755,981
Total business-type activities	5,800,141	5,478,603	13,657,958	19,663,440	22,178,806	11,284,782	9,901,020	15,183,636	15,222,914	13,755,981
Total primary government general revenues & other changes in net position										
	\$ 93,022,462	\$ 95,934,217	\$ 111,203,092	\$ 125,956,065	\$ 136,885,196	\$ 113,538,649	\$ 111,248,597	\$ 117,458,954	\$ 120,950,206	\$ 121,518,649
CHANGE IN NET POSITION										
Governmental activities	\$ 550,689	\$ 10,983,669	\$ 34,778,457	\$ 25,623,159	\$ 24,958,157	\$ 8,206,212	\$ 2,168,393	\$ (2,843,408)	\$ 1,256,508	\$ (7,068,171)
Business-type activities	14,470,890	11,205,600	17,385,938	24,300,861	26,393,960	5,867,936	5,666,689	(1,450,529)	11,478,657	6,762,434
Total primary government	\$ 15,021,579	\$ 22,189,269	\$ 52,164,395	\$ 49,924,020	\$ 51,352,117	\$ 14,074,148	\$ 7,835,082	\$ (4,293,937)	\$ 12,735,165	\$ (305,737)

STAT 03

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,797,553
Committed	-	-	-	-	-	-	-	-	-	\$ 9,617,592
Reserved Total	-	-	-	-	-	-	-	-	-	\$ 254,608
Unassigned	-	-	-	2,466,833	6,124,168	8,780,168	9,049,168	8,924,188	9,265,106	9,872,200
Unreserved Total	26,185,751	20,555,663	23,276,536	24,421,840	21,446,823	21,146,458	14,339,097	15,229,144	44,134,696	45,329,693
Total general fund	\$ 26,185,751	\$ 20,555,663	\$ 23,276,536	\$ 26,888,673	\$ 21,570,981	\$ 29,926,626	\$ 23,388,265	\$ 24,153,312	\$ 53,399,802	\$ 55,201,893
All other governmental funds										
Capital Improvement Reserve Fund										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,224,561
Assigned	-	-	-	-	-	-	-	-	-	\$ 17,910,076
Total	2,046,548	31,548,328	24,459,175	26,440,411	26,687,764	23,356,244	22,480,222	23,943,481	25,118,179	18,382,528
Special Revenue funds										
Nonspendable	-	-	-	-	-	-	-	-	-	13,282,625
Restricted	-	-	-	-	-	-	-	-	-	21,822,078
Assigned	-	-	-	-	-	-	-	-	-	16,869,664
Unassigned	-	-	-	-	-	-	-	-	-	6,171,702
Total	70,766,683	48,914,555	51,860,548	56,205,011	60,997,324	62,428,577	71,666,770	66,547,709	40,214,830	36,391,444
Debt Service funds										
Assigned	-	-	-	-	-	-	-	-	-	104,223
Unassigned	-	-	-	-	-	-	-	-	-	(5,000)
Total	2,389,563	2,113,185	1,244,315	1,111,465	784,293	514,368	182,572	141,447	99,223	66,779
Capital Projects funds										
Restricted	-	-	-	-	-	-	-	-	-	586,964
Assigned	-	-	-	-	-	-	-	-	-	1,827,797
Unassigned	-	-	-	-	-	-	-	-	-	(73,379)
Total	2,881,541	4,886,807	4,489,293	3,940,442	4,558,332	36,682	3,001,874	4,862,935	2,341,382	1,464,244
Total all other governmental funds	\$ 78,084,325	\$ 87,462,875	\$ 82,053,331	\$ 87,697,329	\$ 93,027,713	\$ 86,335,871	\$ 97,331,438	\$ 95,495,572	\$ 67,773,614	\$ 56,304,995



Starting year ending December 31, 2011, City of Everett implemented GSAB 54 - which required new classification for fund balances

STAT 04

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
REVENUES										
Taxes (see STAT 05)	\$ 76,754,724	\$ 74,186,937	\$ 77,537,823	\$ 85,244,591	\$ 92,174,648	\$ 94,728,334	\$ 86,129,512	\$ 88,226,650	\$ 91,758,492	\$ 95,729,271
Licenses and permits	1,836,164	1,363,214	2,263,589	2,121,016	2,404,535	2,117,954	2,030,987	1,275,090	1,372,902	1,419,348
Intergovernmental revenues	14,096,660	11,899,873	15,943,844	12,522,348	13,194,127	19,124,730	16,533,833	12,943,555	11,583,732	11,178,806
Charges for services	6,411,722	7,014,837	10,943,164	10,169,950	10,973,480	11,111,058	11,617,508	11,366,835	10,300,666	10,713,543
Fines and forfeits	1,472,338	1,258,933	1,082,262	1,215,375	1,596,034	2,010,649	2,113,788	2,289,241	2,406,812	2,089,259
Other revenues	6,035,646	7,224,485	7,274,923	7,889,015	9,254,256	7,908,417	4,890,542	6,055,566	6,359,449	4,049,518
Total revenues	106,607,254	102,948,279	115,045,605	119,162,295	129,597,080	137,001,142	123,316,170	122,156,937	123,782,053	125,179,745
EXPENDITURES										
General government services	\$ 16,238,229	\$ 16,178,836	\$ 17,108,942	\$ 17,696,422	\$ 20,812,764	\$ 23,071,766	\$ 21,371,527	\$ 19,560,359	\$ 22,224,183	\$ 25,222,175
Security of persons and property	46,000,907	47,384,766	48,607,621	51,569,472	55,671,979	59,663,391	63,228,588	63,281,581	61,936,081	63,200,943
Physical environment	2,484,345	2,836,653	3,124,140	3,667,253	3,617,227	3,964,226	4,219,145	4,552,143	3,347,520	3,410,948
Transportation	8,194,215	4,118,612	3,730,260	3,787,828	3,781,170	4,601,268	4,157,219	3,848,650	3,855,360	3,985,867
Economic environment	4,924,696	4,915,385	5,171,774	5,206,800	5,471,561	6,132,699	5,966,209	6,774,540	5,866,619	6,130,190
Mental and physical health	111,747	113,362	22,239	21,233	18,138	23,324	36,022	20,341	25,117	26,659
Culture and recreation	13,312,655	12,349,808	12,233,496	12,830,215	13,944,937	14,163,816	15,000,541	14,994,400	14,595,117	14,581,748
Capital outlay	37,070,612	11,271,438	21,646,777	14,518,453	18,188,980	34,648,395	18,115,409	11,543,600	13,139,960	19,276,636
Debt service:										
Principal	5,919,217	3,188,691	7,248,691	3,972,689	3,957,634	2,546,517	5,361,799	1,819,316	419,316	2,064,316
Interest	2,041,841	1,774,059	1,765,365	1,949,970	1,833,588	1,427,968	1,076,646	819,205	806,751	1,079,100
Other debt service costs	254,058	50,024	67,274	64,360	50,610	48,255	50,179	45,267	91,968	39,648
Total expenditures	136,552,522	104,181,634	120,726,579	115,284,695	127,348,568	150,291,625	138,583,284	127,259,402	126,327,992	139,018,230
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(29,945,268)	(1,233,355)	(5,680,974)	3,877,600	2,248,512	(13,290,483)	(15,267,114)	(5,102,465)	(2,545,939)	(13,838,485)
OTHER FINANCING SOURCES (USES)										
Issuance of long-term debt	15,091,666	-	-	250,000	-	-	-	-	-	14,990,718
Refunding debt issued	4,347,336	-	-	-	-	-	-	-	-	(14,800,000)
Payments to debt escrow agent	(4,180,000)	-	-	-	-	-	-	-	-	7,853
Disposition of capital assets	2,568,678	91,604	190,039	2,838,549	831,352	561,174	1,596,399	81,031	161,718	7,853
Transfers in	20,934,219	17,477,554	20,672,022	20,038,282	26,135,599	26,879,530	21,575,867	24,106,469	12,212,062	35,041,669
Transfers out	(18,876,740)	(14,851,842)	(17,869,758)	(17,748,295)	(23,202,762)	(23,349,132)	(17,140,074)	(20,155,854)	(8,303,299)	(31,068,283)
Total other financing sources (uses)	19,885,159	2,717,316	2,992,303	5,378,536	3,764,189	4,091,572	6,032,192	4,031,646	4,070,471	4,171,957
Special items	-	-	-	-	-	4,862,704	13,692,128	-	-	-
NET CHANGE IN FUND BALANCES	(10,060,109)	1,483,961	(2,688,671)	9,256,136	6,012,701	(4,336,207)	4,457,206	(1,070,819)	1,524,532	(9,666,528)
Debt service as percentage of noncapital expenditures *	7.62%	5.37%	8.86%	5.82%	5.31%	3.42%	5.29%	2.22%	1.07%	2.61%

* Per GASB Statement 44, "noncapital expenditures are calculated by subtracting the following from total expenditures: a) capital outlay (to the extent capitalized for the government-wide statement of net assets) and b) expenditures for capitalized assets contained within the functional expenditure categories."

STAT 05

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)

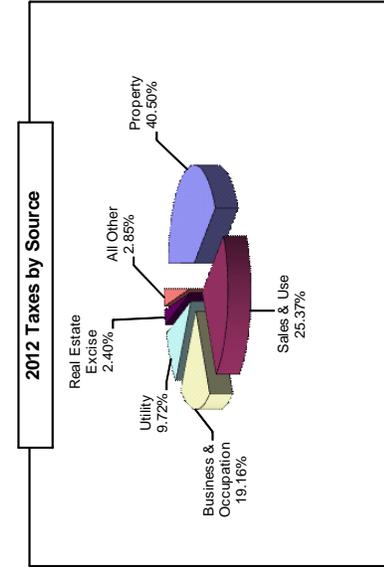
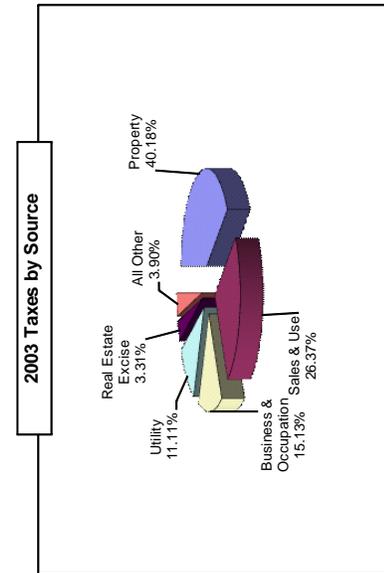
Fiscal Year	Property *	Sales & Use **	Hotel/Motel	Business & Occupation	Admissions	Utility	Cable Franchise	Leasehold	Real Estate Excise	Gambling	Other	Total
2003	31,291,685	20,531,835	170,081	11,784,140	244,463	8,648,400	714,494	323,776	2,575,285	1,560,965	24,365	77,869,489
2004	31,946,435	21,005,089	191,078	11,774,281	885,120	9,117,957	778,665	322,623	4,019,630	1,481,562	14,040	81,536,480
2005	32,305,646	23,656,034	197,265	12,906,327	699,159	9,530,447	826,345	331,897	4,675,867	1,477,929	12,462	86,619,378
2006	32,814,005	28,539,628	282,287	14,179,240	274,116	9,782,357	899,657	334,665	5,560,950	940,967	15,337	93,623,209
2007	34,447,362	29,585,849	356,609	16,526,109	349,274	10,464,456	1,033,036	427,173	5,217,137	1,106,534	23,686	99,537,225
2008	35,210,826	27,750,976	347,349	14,724,356	374,911	10,764,479	1,175,386	377,387	2,946,714	1,030,587	25,364	94,728,335
2009	34,589,626	22,901,940	273,102	14,163,851	374,554	10,615,049	1,177,820	386,088	1,227,773	398,649	21,060	86,129,512
2010	35,395,579	24,535,121	283,331	14,560,759	355,862	9,945,590	1,220,816	367,540	1,200,059	339,755	22,238	88,226,650
2011	38,373,048	23,412,096	284,541	15,334,228	343,689	10,165,900	1,261,655	453,142	1,751,671	364,778	13,744	91,758,492
2012	38,767,683	24,283,111	322,065	18,337,828	340,820	9,309,502	1,342,939	398,617	2,299,679	320,265	6,762	95,729,271

% Change

2003 - 2012	23.89%	18.27%	89.36%	55.61%	39.42%	7.64%	87.96%	23.12%	-10.70%	-79.48%	-72.25%	22.94%
-------------	--------	--------	--------	--------	--------	-------	--------	--------	---------	---------	---------	--------

* Includes property tax recorded in General Government funds, plus property tax recorded directly to the Police and Fire Pension Funds.

** Includes regular sales and use tax, natural gas use tax, and timber harvest tax



The graphs above combine Hotel/Motel, Admissions, Cable Franchise, Leasehold, Gambling, and Other taxes into the "All Other" category.

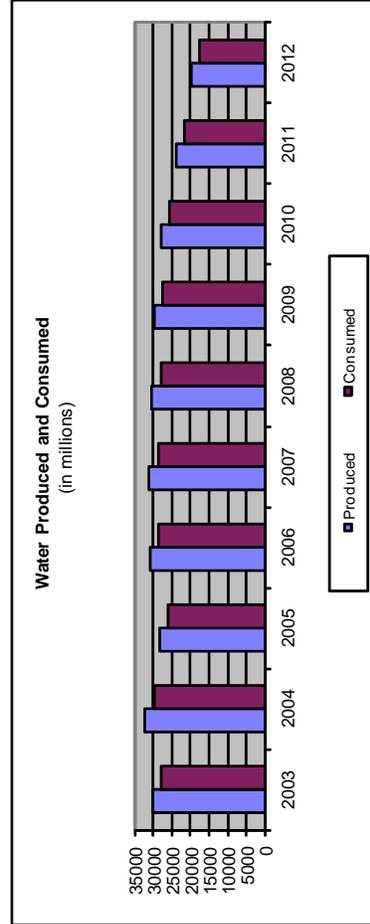
STAT 6a

**WATER PRODUCED AND CONSUMED
and WASTEWATER TREATED
LAST TEN FISCAL YEARS**

Year	Gallons of Water				Average Percent Unbilled		Total Direct Rates			
	Produced	Consumed	Unbilled	Water	Unbilled	Treated	Water Base Rate ¹	Water Usage Rate	Sewer Base Rate	Sewer Usage Rate
2003	30,236	27,817	2,419	8.00%	5,581	10.26	1.71	28.15	3.13	
2004	32,417	29,824	2,593	8.00%	6,184	10.26	1.71	30.65	3.41	
2005	28,432	26,157	2,275	8.00%	6,818	10.26	1.71	34.15	3.79	
2006	30,927	28,453	2,474	8.00%	7,000	11.25	1.87	38.40	4.27	
2007	31,287	28,785	2,502	8.00%	6,513	11.82	1.97	38.40	4.27	
2008	30,470	28,031	2,439	8.00%	6,805	12.42	2.07	38.40	4.27	
2009	29,894	27,503	2,391	8.00%	6,706	13.20	2.20	40.30	4.48	
2010	28,036	25,791	2,245	8.01%	7,056	14.10	2.35	42.40	4.71	
2011	23,676	21,782	1,894	8.00%	7,145	15.06	2.51	44.50	4.94	
2012	19,920	17,747	1,543	7.75%	7,609	16.02	2.67	46.70	5.19	

(units in millions)

¹ Rate shown is for 3/4" meters (most common meter for single family households). See STAT 6d for other meter sizes and rates.



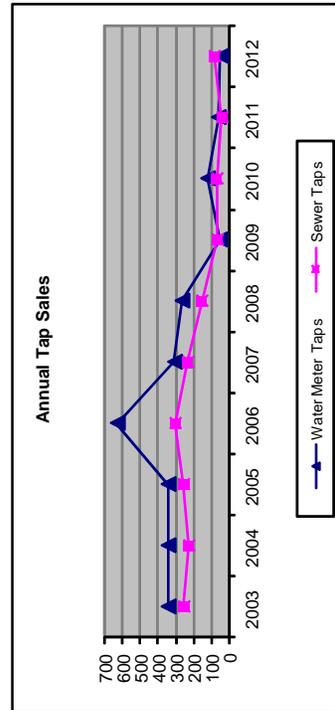
Source: City of Everett Water/Sewer Utility Department

STAT 6b

**ANNUAL TAP SALES
LAST TEN FISCAL YEARS**

Year	Water Meter Taps Sold *	Sewer Taps Sold	Total Taps
2003	344	256	600
2004	344	228	572
2005	344	257	601
2006	630	305	935
2007	308	233	541
2008	266	155	421
2009	54	67	121
2010	122	70	192
2011	62	41	103
2012	49	85	134

* Some of these taps may have been acquired through annexation.



Notes: The large increase in water meter taps in 2006 was due to higher than normal growth those years. The City saw a dramatic decline in both water and sewer tap sales due to the struggling economy in 2009.

Source: City of Everett Water/Sewer Utility Department

STAT 6c

NUMBER OF WATER AND SEWER CUSTOMERS BY TYPE
LAST TEN FISCAL YEARS

Year	WATER				SEWER					
	Residential	Commercial	Industrial	Other	Total	Residential	Commercial	Industrial	Other	Total
2003	21,681	2,649	55	318	24,703	19,821	1,731	40	115	21,707
2004	21,737	2,645	56	254	24,692	20,025	1,745	40	115	21,925
2005	22,135	2,739	55	279	25,208	20,477	1,780	41	123	22,421
2006	22,727	2,712	52	292	25,783	20,990	1,794	40	126	22,950
2007	22,884	3,019	50	312	26,265	21,148	1,808	37	128	23,121
2008	22,891	2,807	52	319	26,069	21,170	1,823	38	128	23,159
2009	22,906	2,825	50	332	26,113	21,223	1,822	36	130	23,211
2010	22,848	2,846	48	339	26,081	21,178	1,840	34	133	23,185
2011	24,026	2,883	48	346	27,303	21,250	1,849	34	136	23,269
2012	23,791	2,899	43	540	27,273	21,274	1,848	34	147	23,303

Source: City of Everett Water/Sewer Utility Department

STAT 6d

**WATER AND SEWER RATES
LAST TEN FISCAL YEARS**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
WATER RATES										
Base rate (meter size)										
Flat rate	\$16.50	\$16.50	\$17.10	\$18.75	\$19.70	\$20.70	\$22.00	\$23.50	\$25.10	\$26.70
3/4"	10.26	10.26	10.26	11.25	11.82	12.42	13.20	14.10	15.06	16.02
1"	17.10	17.10	17.10	18.75	19.70	20.70	22.00	23.50	25.10	26.70
2"	20.52	20.52	20.52	22.50	23.64	24.84	26.40	28.20	30.12	32.04
Over 2"	27.36	27.36	27.36	30.00	31.52	33.12	35.20	37.60	40.16	42.72
Usage rate (per CCF)	\$1.71	\$1.71	\$1.71	\$1.87	\$1.97	\$2.07	\$2.20	\$2.35	\$2.51	\$2.67

SEWER RATES

Flat rate	\$28.15	\$30.65	\$34.15	\$38.40	\$38.40	\$38.40	\$40.30	\$42.40	\$44.50	\$46.70
Usage rate (per CCF)	3.13	3.41	3.79	4.27	4.27	4.27	4.48	4.71	4.94	5.19

Source: City of Everett Water/Sewer Utility Department

STAT 6e

LARGEST WATER and SEWER CUSTOMERS
CURRENT YEAR AND TEN YEARS AGO

Customer	2012 Water Revenue			2003 Water Revenue		
	Amount	Rank	%	Amount	Rank	%
City of Everett	\$ 13,604,203	1	44.11%	\$ 8,881,176	1	39.13%
Alderwood Water District	10,583,134	2	34.31%	6,649,249	2	29.30%
Lake Stevens PUD	1,903,236	3	6.17%	1,123,183	5	4.95%
City of Marysville	1,363,547	4	4.42%	1,040,608	7	4.59%
City of Monroe	909,145	5	2.95%	579,305	8	2.55%
Mukilteo Water District	801,133	6	2.60%	1,054,141	6	4.64%
Kimberly Clark**	612,837	7	1.99%	1,410,505	4	6.21%
City of Snohomish	294,731	8	0.96%	101,851	9	0.45%
Silver Lake Water District	219,145	9	0.71%	1,417,935	3	6.25%
Subtotal	30,291,111		98.22%	22,257,953		98.07%
Balance from other customers	550,410		1.78%	437,288		1.93%
Grand total	\$ 30,841,521		100.00%	\$ 22,695,241		100.00%

Customer	2012 Sewer Revenue			2003 Sewer Revenue		
	Amount	Rank	%	Amount	Rank	%
City of Everett	\$ 25,462,111	1	78.02%	\$ 14,962,828	1	75.73%
Silver Lake Water District	4,535,225	2	13.90%	2,772,089	2	14.03%
Alderwood Water District	1,951,990	3	5.98%	1,340,236	3	6.78%
Mukilteo Water District	683,923	4	2.10%	683,926	4	3.46%
Grand total	\$ 32,633,249		100.00%	\$ 19,759,079		100.00%

Source: City of Everett Water/Sewer Utility Department

**NOTE: Kimberly Clark closed in April 2012

STAT 07a

TAXABLE ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Agricultural Property	Multi-Family Property	Other Property	Personal Property	State Assessed Property	Less: Tax Exempt Property	Total Taxable Assessed Value ¹	Total Direct Tax Rate ²
2003										8,424,812,456	3.723
2004										8,398,860,467	3.801
2005										9,049,119,416	3.598
2006	4,565,991,700	3,214,149,234	1,079,908,157	15,535,800	1,229,414,900	320,767,100	1,017,765,678	246,202,050	(1,988,336,486)	9,701,398,133	3.404
2007	5,904,947,900	3,934,336,830	1,139,574,000	16,245,700	1,444,732,800	380,386,800	1,118,742,337	238,888,736	(2,458,841,001)	11,719,014,102	2.964
2008	6,879,658,100	4,549,691,000	1,295,973,290	16,927,900	1,690,238,700	433,016,500	1,170,313,581	221,207,295	(2,635,585,254)	13,421,441,112	2.643
2009	6,886,380,250	4,995,201,347	1,367,947,800	17,374,700	1,951,536,900	461,792,300	1,451,220,118	228,700,703	(3,098,363,164)	14,261,787,954	2.502
2010	6,183,791,200	5,076,738,700	1,416,851,000	17,655,800	1,950,129,800	408,719,700	1,289,759,368	224,083,430	(2,976,597,235)	13,591,131,763	2.655
2011	5,602,394,800	4,703,084,000	1,336,953,900	16,824,900	1,661,765,100	327,026,900	1,283,524,972	234,522,057	(2,802,653,484)	12,363,443,145	3.108
2012	4,852,961,650	4,445,693,500	1,261,413,600	14,924,100	1,558,869,320	285,627,550	1,243,538,893	289,054,941	(2,731,089,096)	11,220,994,458	3.455

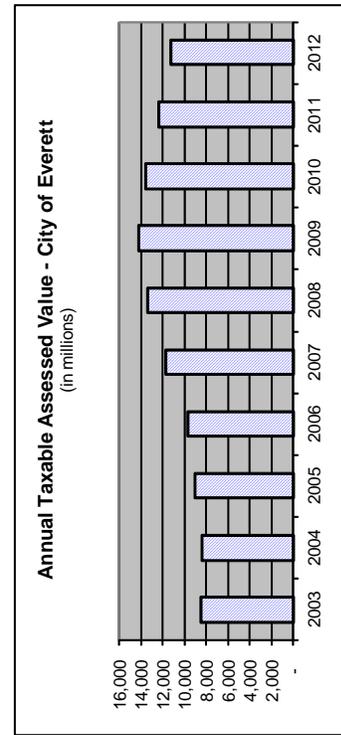
¹ Washington State law requires all property be assessed at 100% of its true and fair market value.

² Tax rates are per \$1,000 of assessed value. Detail of tax rates can be found in Stat 7c.

Notes:

Government Accounting Standards Board Statement 44 "Economic Condition Reporting: The Statistical Section," effective for fiscal years beginning after June 15, 2005, requires the city to present assessed valuation by major category. This information is not readily available prior to 2006; therefore only the total taxable value is presented for the years prior to 2006.

The large increases in total assessed value from 2006 to 2007 and 2007 to 2008 were due in large part to extraordinary growth in property values in 2006 and 2007. The city also experienced strong growth in new construction during the same time period. In addition, the city annexed approximately 249 acres from Snohomish County at the end of 2005. This property was first included in the city's tax roll for the 2007 levy. In 2006, the city annexed just over 22 acres from Snohomish County. This property was first included on the city's tax roll for the 2008 levy.

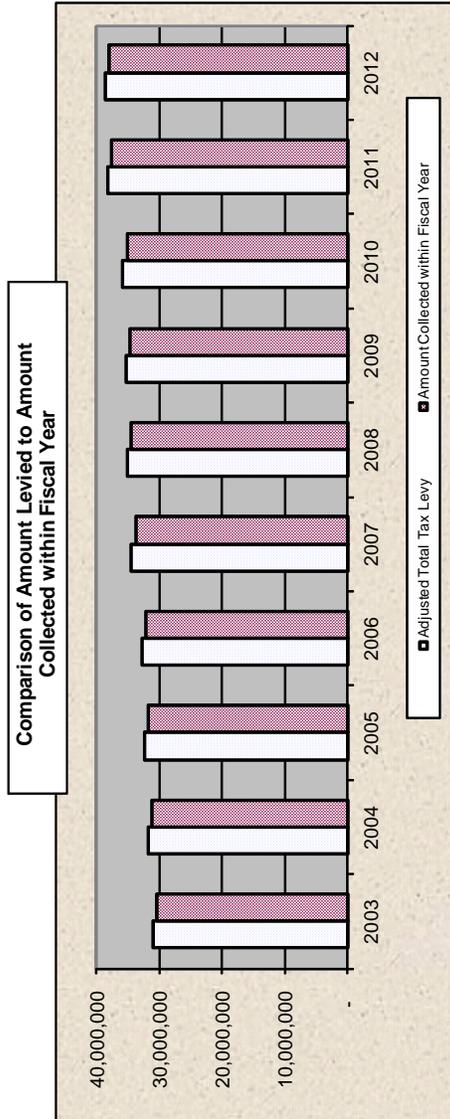


Source: Snohomish County Assessor's Office.

STAT 07b

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ended December 31	Total Tax Levy for Fiscal Year	Assessor's Certification Adjustments	Adjusted Total Tax Levy for Fiscal Year	Collected within the Fiscal year of the Levy Amount	Percentage of Adjusted Levy	Collections in Subsequent Years	Total Collections to Date Amount	Percentage of Adjusted Levy
2003	31,193,866	(141,056)	31,052,809	30,374,645	97.8%	677,487	31,052,132	100.0%
2004	31,919,231	(108,950)	31,810,281	31,227,930	98.2%	581,302	31,809,232	100.0%
2005	32,474,466	(50,717)	32,423,749	31,741,124	97.9%	681,601	32,422,725	100.0%
2006	33,028,740	(254,641)	32,774,099	32,160,647	98.1%	611,447	32,772,094	100.0%
2007	34,712,808	(193,112)	34,519,696	33,814,845	98.0%	695,083	34,509,928	100.0%
2008	35,442,101	(243,496)	35,198,605	34,613,826	98.3%	569,857	35,183,682	100.0%
2009	35,678,786	(250,591)	35,428,195	34,804,805	98.2%	563,530	35,368,336	99.8%
2010	36,088,548	(241,905)	35,846,643	35,170,678	98.1%	386,645	35,557,323	99.2%
2011	38,420,299	(77,206)	38,343,094	37,596,649	98.1%	400,846	37,997,495	99.1%
2012	38,612,025	-	38,612,025	38,084,348	98.6%	-	38,084,348	98.6%



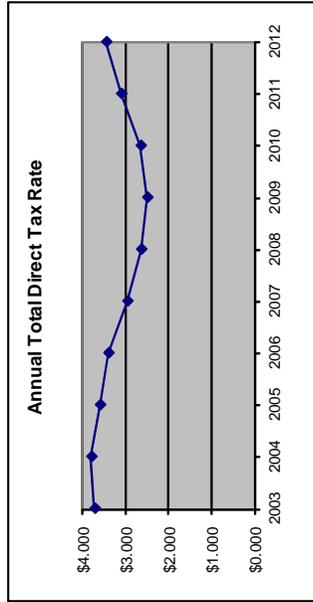
Source: Snohomish County Assessor's Office.

STAT 07c

**DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

(rate per \$1,000 of assessed value)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
City Direct Rates:										
Regular	\$3.207	\$3.275	\$3.101	\$2.934	\$2.557	\$2.280	\$2.197	\$2.331	\$2.608	\$2.955
Subtotal-Regular Levy	\$3.207	\$3.275	\$3.101	\$2.934	\$2.557	\$2.280	\$2.197	\$2.331	\$2.608	\$2.955
Emergency Medical	\$0.445	\$0.455	\$0.431	\$0.408	\$0.355	\$0.317	\$0.305	\$0.324	\$0.500	\$0.500
82 G.O. Housing Bond	0.015	0.015	0.014	0.013	0.011	0.010	0.000	0.000	0.000	0.000
88 G.O. Housing Bond	0.056	0.056	0.052	0.049	0.041	0.036	0.000	0.000	0.000	0.000
City Total	\$3.723	\$3.801	\$3.598	\$3.404	\$2.964	\$2.643	\$2.502	\$2.655	\$3.108	\$3.455
Overlapping Taxes:										
County	\$1.367	\$1.209	\$1.098	\$0.999	\$0.840	\$0.723	\$0.717	\$0.782	\$0.868	\$0.982
State School	3.184	2.953	2.789	2.532	2.165	1.906	1.909	1.993	2.206	2.379
Local School	5.502	5.699	5.015	4.733	4.349	4.000	4.128	4.626	5.438	6.168
Port of Everett	0.377	0.377	0.353	0.330	0.310	0.276	0.267	0.285	0.285	0.345
Grand Total	\$14.153	\$14.039	\$12.853	\$11.998	\$10.628	\$9.548	\$9.523	\$10.341	\$11.905	\$13.329



Source: Snohomish County Assessor's Office.

STAT 07d

PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	Type of Business	2012			2003		
		Taxable Assessed Valuation (AV) ¹	Rank	% of Total City Taxable AV	Taxable Assessed Valuation (AV) ²	Rank	% of Total City Taxable AV
The Boeing Co	Aerospace	\$ 1,455,933,135	1	12.98%	\$ 1,286,357,832	1	15.27%
Frontier (Verizon)	Telecommunications	205,743,995	2	1.83%	178,723,350	3	2.12%
Kimberly-Clark World Wide, Inc	Pulp and Paper	143,907,422	3	1.28%	226,813,166	2	2.69%
Fluke Electronics Corp	Electronics	79,831,055	4	0.71%	87,764,181	4	1.04%
Everett Mail LLC	Property Management	65,460,600	5	0.58%			
Stockpot Inc	Food Manufacturing	53,546,003	6	0.48%			
Millington Apartments LLC	Apartments	40,385,000	7	0.36%			
Ergs XV Reo Owner LLC	Management	37,226,300	8	0.33%			
Stephanus Paul	Development	36,792,000	9	0.33%			
Puget Sound Energy	Utility	36,105,294	10	0.32%			
Equitable Life Assurance Society	Development				30,340,066	7	0.36%
Regency Centers LP	Property Management				37,379,200	5	0.44%
Providence General Medical Center	Medical				34,652,600	6	0.41%
Huntington Park Apts	Apartments				24,514,100	8	0.29%
CV Associates LLC	Apartments				23,000,000	9	0.27%
					22,216,000	10	0.26%
		<u>\$ 2,154,930,804</u>		<u>19.20%</u>	<u>\$ 1,951,760,495</u>		<u>23.15%</u>

¹ 2012 total assessed value - \$11,220,994,458

² 2003 total assessed value - \$8,424,812,456

Source: Snohomish County Assessor's Office

STAT 08

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Year	Governmental Type Activities						Business-Type Activities						Total Primary Government	Percentage of Personal Income ¹	Per Capita ²
	General Obligation Bonds	Public Works Trust Fund Loans	Special Assessment Bonds	Certificate of Participation Bonds	Notes Payable	Capital Lease	Interlocal Agreement	General Obligation Bonds	Revenue Bonds	Public Works Trust Fund Loans	Notes Payable	Capital Lease			
2003	45,025,000	2,313,135	90,000	-	-	-	575,421	13,275,000	68,695,000	14,791,559	293,018	-	145,058,133	0.72%	1,519
2004	42,130,000	2,161,755	-	-	-	-	523,110	14,760,000	64,530,000	16,654,044	263,070	-	141,021,979	0.67%	1,456
2005	35,085,000	2,010,376	-	-	7,892,000	-	470,799	9,220,000	95,280,000	25,448,770	227,102	-	175,634,047	0.83%	1,801
2006	32,210,000	2,108,997	-	-	6,998,002	-	418,488	8,655,000	90,900,000	31,219,933	193,463	31,840	172,735,723	0.79%	1,709
2007	29,335,000	2,308,169	-	-	6,134,684	-	366,177	1,255,000	86,315,000	37,131,146	153,088	361,812	163,360,076	0.64%	1,605
2008	28,000,000	1,774,987	-	-	5,142,483	-	313,866	-	82,550,000	41,999,500	108,461	203,455	160,092,752	0.58%	1,565
2009	28,000,000	1,607,983	-	-	-	-	261,555	-	115,920,000	39,305,473	4,154,023	85,634	189,334,668	0.69%	1,851
2010	26,400,000	1,440,978	-	-	-	-	209,244	9,400,000	111,785,000	38,050,597	2,988,644	121,635	190,402,480	0.65%	1,829
2011	26,200,000	1,273,973	-	-	-	-	156,933	8,200,000	159,480,000	35,938,261	1,820,635	25,225	233,099,677	0.76%	2,263
2012	23,490,000	1,106,968	-	-	-	-	104,622	7,000,000	156,055,000	33,540,262	481,524	12,782	221,794,132	0.71%	2,147

¹ See Stat 13 for personal income data (as noted in Stat 13, personal income data is for all of Snohomish County).

² See Stat 13 for population data.

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

STAT 09

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Year	General Obligation Bonds ¹	Percentage of Taxable Assessed Value ²	Per Capita ³
2003	58,300,000	0.69%	611
2004	56,890,000	0.68%	587
2005	44,305,000	0.49%	454
2006	40,865,000	0.42%	404
2007	30,590,000	0.26%	300
2008	28,000,000	0.21%	274
2009	28,000,000	0.20%	271
2010	35,800,000	0.26%	344
2011	34,400,000	0.28%	334
2012	30,490,000	0.27%	295

¹ Details regarding the city's outstanding debt can be found in the notes to the financial statements.

² See Stat 07a for property value data.

³ See Stat 13 for population data.

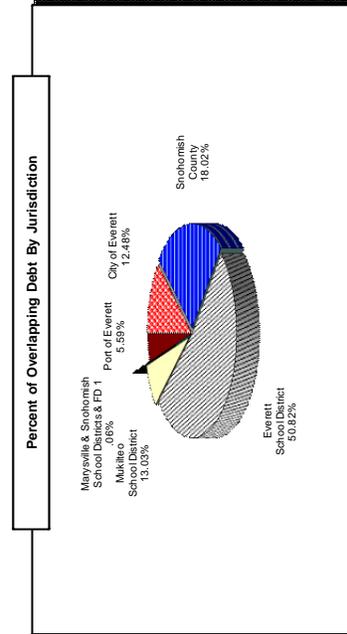
STAT 10

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2012

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable *	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Snohomish County	\$ 368,758,566	14.64%	\$ 53,985,620
Everett School District No. 2	217,935,000	52.50%	114,424,777
Mukilteo School District No. 6	38,135,779	38.81%	14,798,760
Snohomish School District No. 201	344,470,000	0.01%	22,797
Marysville School District No. 25	91,310,000	0.05%	46,096
Fire District 1	500,000	1.70%	8,492
Port of Everett	9,636,636	80.41%	7,749,223
Other debt			
Snohomish County - Assessment Debt	360,000	14.64%	52,703
Port of Everett - Notes Payable	2,079,070	80.41%	1,671,867
Subtotal, overlapping debt			192,760,337
City direct debt			24,704,564
Total direct and overlapping debt			\$ 217,464,901

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

Sources: Assessed value used to estimate applicable percentages was provided by the Snohomish County Assessor's Office. Debt outstanding provided by each government unit.



STAT 11

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2012

	Non-voted debt limit (1.5% of assessed value)	Voted debt limit (1.0% of assessed value)
Assessed Value	11,220,994,458	11,220,994,458
Debt limit	168,314,917	112,209,945
Debt applicable to limit:		
Total general obligation debt	31,704,563	0
Less: Amount set aside for repayment of GO debt	0	0
Total net debt applicable to limit	31,704,563	0
Legal debt margin	136,610,354	112,209,945

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Non-voted debt limit *	126,372,187	125,982,907	135,736,791	145,625,972	175,785,212	201,321,617	213,926,829	203,866,976	185,451,647	168,314,917
Total net debt applicable to limit	53,776,486	55,839,886	52,447,266	48,942,479	38,379,941	35,231,336	29,869,538	37,456,604	35,835,556	31,704,563
Legal debt margin	72,595,701	70,143,021	83,289,525	96,683,493	137,405,271	166,090,281	184,057,291	166,410,372	149,616,091	136,610,354
Total net debt applicable to the limit as a % of debt limit	42.55%	44.32%	38.64%	33.61%	21.83%	17.50%	13.96%	18.37%	19.32%	18.84%
Voted debt limit *	84,248,124	83,988,605	90,491,194	97,083,981	117,190,141	134,214,411	142,617,880	135,911,318	123,634,431	112,209,945
Total net debt applicable to limit	2,469,330	2,024,442	1,540,449	1,030,917	490,618	0	0	0	0	0
Legal debt margin	81,778,794	81,964,163	88,950,745	96,053,064	116,699,523	134,214,411	142,617,880	135,911,318	123,634,431	112,209,945
Total net debt applicable to the limit as a % of debt limit	2.93%	2.41%	1.70%	1.06%	0.42%	0.00%	0.00%	0.00%	0.00%	0.00%

* The assessed values for the current tax year information is used for the debt limit calculation.

STAT 12

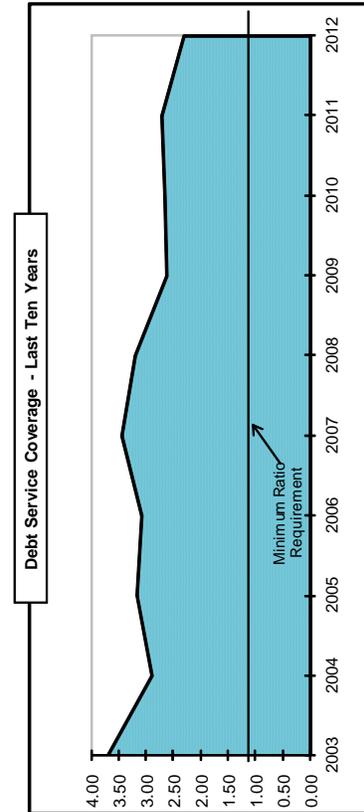
PLEGGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS

SEWER AND WATER REVENUE BONDS

YEAR	UTILITY SERVICE CHARGES ¹	OPERATING EXPENSES ²	NET REVENUE AVAILABLE FOR DEBT SERVICE	PRINCIPAL	INTEREST	TOTAL PRINCIPAL & INTEREST	COVERAGE RATIO
2003	44,438,798	23,673,061	20,765,737	4,185,000	1,450,210	5,635,210	3.68
2004	46,475,689	25,309,741	21,165,948	4,195,000	3,146,164	7,341,164	2.88
2005	49,942,521	26,898,167	23,044,354	4,250,000	3,058,214	7,308,214	3.15
2006	58,371,096	30,105,007	28,266,089	4,380,000	4,837,494	9,217,494	3.07
2007	61,744,008	30,917,051	30,826,957	4,585,000	4,406,208	8,991,208	3.43
2008	59,186,417	33,983,025	25,203,391	3,765,000	4,143,708	7,908,708	3.19
2009	60,830,248	33,138,037	27,692,211	6,615,000	3,981,716	10,596,716	2.61
2010	61,440,078	36,175,493	25,264,585	4,135,000	5,407,280	9,542,280	2.65
2011	65,384,955	37,937,746	27,447,209	3,305,000	6,850,697	10,155,697	2.70
2012	67,046,573	41,736,966	25,309,607	3,425,000	7,576,252	11,001,252	2.30

¹ Total operating and noncapital revenues, and operating assessment receipts.

² Operating expenses exclusive of depreciation plus non-bond interest.



DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

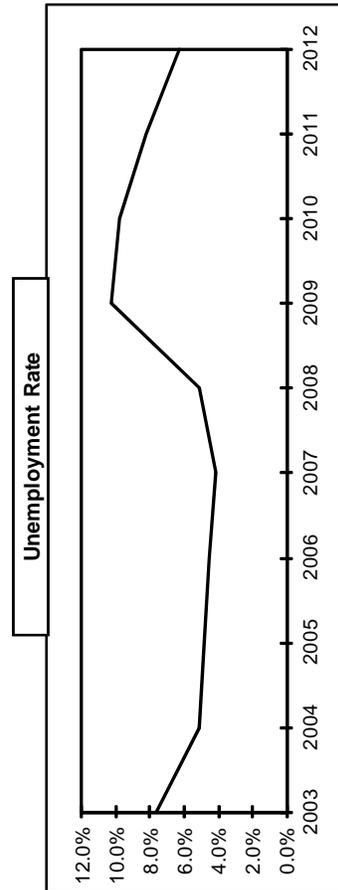
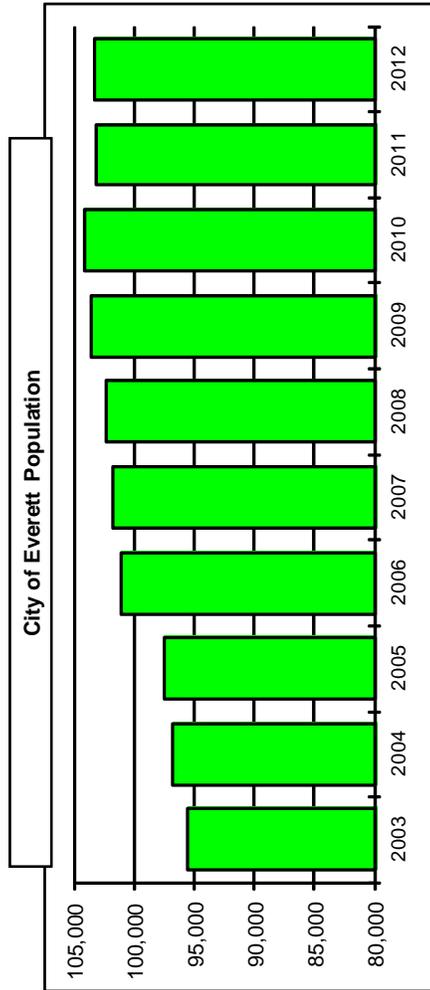
Year	City of Everett Population ⁽¹⁾	Personal		Unemployment Rate ⁽³⁾	Median Age ⁽⁴⁾	School Enrollment ⁽⁵⁾
		Income ⁽²⁾ <i>(thousands of dollars)</i>	Per Capita Personal Income ⁽²⁾			
2003	95,470	20,154,472	31,856	7.7%	35.2	18,083
2004	96,840	21,322,871	33,285	5.1%	35.4	18,093
2005	97,500	22,746,131	34,963	4.8%	35.6	17,893
2006	101,100	24,666,204	37,115	4.5%	35.7	18,786
2007	101,800	27,179,614	40,302	4.1%	35.8	18,838
2008	102,300	27,410,640 *	40,644 *	5.1%	35.8	18,935
2009	103,500	27,643,630 *	40,989 *	10.3%	35.8	19,083
2010	104,100	29,448,610 *	42,972 *	9.8%	35.8	19,049
2011	103,100	30,597,337 *	44,052 *	8.2%	37.3	18,856
2012	103,300	31,266,357	43,281	6.3%	37.8	18,614

Sources:

- (1) Washington State Office of Financial Management, Forecasting Division.
- (2) United States Bureau of Economic Analysis. Figures are for all of Snohomish County.
- (3) Washington State Employment Security Department. Figures are for all of Snohomish County.
- (4) Washington State Office of Financial Management, Forecasting Division. Figures are for Snohomish County.
- (5) Everett School District

* City calculated estimates.

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS



STAT 14

PRINCIPAL EMPLOYERS
CURRENT YEAR AND SEVEN YEARS AGO

Employer	2012			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
The Boeing Company	39,000	1	40.74%	23,000	1	28.75%
Naval Station Everett	6,000	2	6.27%	6,110	2	7.64%
State of Washington	6,000	3	6.27%	3,100	4	3.88%
Providence General Medical Center	3,500	4	3.66%	3,239	3	4.05%
Snohomish County Government	2,500	5	2.61%	2,653	5	3.32%
The Everett Clinic	2,100	6	2.19%	1,252	10	1.57%
Everett School District	1,900	7	1.98%	2,000	6	2.50%
City of Everett	1,200	8	1.25%	1,140		1.43%
Fluke Corporation	1,100	9	1.15%	1,070		1.34%
Aviation Technical Services	1,000	10	1.04%			
	64,300		67.16%	43,564		54.48%

Note: Eventually this schedule will present the current year and nine years prior. The nine year prior information is not readily available and therefore not presented. 2005 will be presented until the nine years are reached.

Source: City of Everett Budget Document.

STAT 15

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Full-time equivalent employees as of December 31* -										
Governmental Activities:										
General government services	135.70	122.90	136.90	137.40	140.50	145.50	147.60	149.10	145.30	145.43
Council	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Legal	11.50	11.50	15.50	15.50	16.50	18.50	18.50	20.00	19.00	19.00
Administration	8.50	7.40	7.40	7.40	7.40	7.00	7.00	7.00	7.00	7.00
Economic development	0.50	1.50	1.50	1.50	1.50	1.90	1.90	1.90	1.90	1.90
Municipal court	15.10	13.60	13.60	13.60	13.60	14.60	14.65	14.65	14.65	14.65
Probation	3.30	3.30	3.30	3.30	3.30	3.90	5.45	5.45	5.45	5.45
Budget	4.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
HR	14.00	12.00	12.00	12.00	12.00	12.50	13.50	13.50	13.50	13.63
Finance	37.30	34.60	20.80	20.80	20.80	20.80	20.80	20.80	20.00	20.00
IT	0.00	0.00	14.80	14.80	15.80	15.80	16.80	16.80	16.80	16.80
Facilities	33.50	31.00	40.00	40.00	41.00	41.00	41.00	41.00	39.00	39.00
Police	222.00	220.00	220.00	220.00	240.00	242.00	246.00	246.00	244.00	244.00
Civilian	41.00	39.00	39.00	39.00	44.00	44.00	47.00	45.00	43.00	43.00
Uniformed	181.00	181.00	181.00	181.00	196.00	198.00	199.00	201.00	201.00	201.00
Fire/EMS	189.00	189.00	190.00	191.00	192.00	191.80	190.80	186.00	186.00	186.00
Fire	151.30	151.00	152.00	142.00	143.00	142.80	142.80	143.00	143.00	143.00
Emergency medical services	37.70	38.00	38.00	49.00	49.00	49.00	48.00	43.00	43.00	43.00
Engineering & construction services	51.00	48.00	50.80	51.80	52.80	52.20	52.15	47.65	47.55	47.05
Transportation	29.80	24.50	24.50	24.60	24.60	26.60	26.55	26.55	26.55	26.55
Community services	47.50	42.00	39.00	40.00	43.00	44.00	46.00	43.00	41.00	41.00
Planning	17.00	18.50	18.50	18.50	15.50	16.50	16.50	16.50	15.50	16.00
Neighborhoods/comm svs	7.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Animal control	9.00	9.00	9.00	10.00	16.00	16.00	18.00	15.00	14.00	14.00
Senior center	5.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Domestic violence	4.00	4.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Community housing	5.50	4.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.00
Library	45.40	42.20	42.20	42.20	43.00	43.00	43.00	42.20	41.20	40.80
Culture and recreation	65.00	53.10	55.10	55.10	58.10	61.10	61.10	61.10	61.10	61.10
Parks	64.50	53.00	55.00	54.00	57.00	60.00	60.00	60.00	60.00	60.00
Theater	0.50	0.10	0.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Total FTEs governmental activities¹	785.40	741.70	758.50	762.10	794.00	806.20	813.20	801.60	792.70	791.93
Business-Type Activities:										
Water/Sewer	171.40	179.90	182.90	186.90	196.90	200.90	213.85	215.20	218.30	219.80
Solid waste	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
Transit	101.30	110.70	117.70	125.00	131.00	135.60	143.60	144.00	144.00	144.00
Golf	12.50	10.00	10.00	10.00	8.00	8.00	8.00	8.00	8.00	8.00
Total FTEs business-type activities²	285.80	301.20	311.20	322.50	336.50	345.10	366.05	367.80	370.90	372.40
Internal Service:										
Motor vehicle department	26.30	26.30	26.30	26.00	26.00	26.00	26.00	26.00	24.00	24.00
Telecommunications	2.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00	3.00	3.00
Total FTEs internal services	28.30	28.30	28.30	28.00	29.00	29.00	29.00	29.00	27.00	27.00
Total City FTEs	1,099.50	1,071.20	1,096.80	1,112.60	1,159.50	1,190.30	1,208.25	1,196.40	1,190.60	1,191.33
Annual percent change total city	-0.08%	-2.57%	2.50%	1.33%	4.22%	1.79%	2.37%	-0.82%	-0.65%	0.06%
Total ending authorized positions per the city's budget:										

¹ Total FTEs governmental activities

² Total FTEs business-type activities

Note: The costs associated with internal service fund employees are divided between governmental and business-type activities in the government-wide statements.

Comments:

¹ The city reduced general government staff from 2002 - 2004 through both attrition and layoffs due to a struggling local economy. In 2005, the Facilities department (included in general government services) took over management of the Everett Station, formerly managed by an outside company, adding 10 FTEs. In 2007, the Police department added 20 employees to increase pro-active policing and traffic enforcement. Also in 2007, the Animal Shelter (included in community services) added 6 employees to meet increasing demands for service.

² The Transit department has added several employees over the last few years to cover expanded services after the passage of an increase in the voter approved transit tax from .3% to .6% in late 2004.

Source: City Budget Department

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST NINE FISCAL YEARS

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	Estimate 2012
General government services									
Municipal Court	28,688	25,230	24,800	32,130	40,742	43,529	41,969	36,044	31,044
Total filings (infraction, parking, criminal)									
Finance	8,954	8,408	9,295	8,480	9,100	10,000	8,449	8,075	8,595
Active business license accounts	475	444	539	471	534	550	703	750	900
Public information requests									
Police									
Case Reports Written	n/a	26,826	28,866	30,165	27,560	25,821	26,874	26,874	25,516
Traffic violations	6,255	7,474	6,408	8,409	10,799	10,291	13,082	13,082	10,787
Parking violations	19,432	14,546	15,819	15,604	23,922	27,000	22,215	16,435	12,242
Auto thefts	1,586	1,586	1,506	1,850	1,175	678	1,141	1,141	990
Financial crimes investigated	619	1,252	1,397	1,386	1,527	1,530	1,266	1,266	1,120
Computer forensics	32	32	40	22	23	33	36	38	45
Fire/EMS									
Fire/EMS alarm totals	16,841	17,195	18,468	18,775	18,203	18,381	17,733	17,851	17,951
Structure fires	118	114	142	118	87	92	101	88	100
Mobile vehicle/property fires	109	109	115	79	65	82	63	58	60
Outdoor and other fires	209	149	136	230	225	210	227	227	232
Inspections	4,000	4,700	4,708	4,055	3,519	1,556	1,993	1,993	1,266
Engineering & construction services									
Permits issued	5,400	5,500	6,400	7,100	5,100	4,500	4,400	4,041	3,800
Inspections	11,200	11,400	13,600	15,200	14,000	12,000	9,800	9,600	8,400
Transportation									
Street patching/paving (in sq ft)	179,998	242,030	212,860	214,680	464,219	255,312	137,600	176,280	89,920
Curbs and gutters replaced (in lineal ft)	4,972	4,984	18,460	4,807	2,755	5,000	4,106	5,189	5,252
Sidewalk/streets replaced (in sq ft)	95,120	90,082	69,578	77,856	69,353	89,000	80,618	84,334	104,856

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST NINE FISCAL YEARS

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012
Community services									Estimate
Planning									2012
Code enforcement actions	1,195	1,312	1,328	1,028	1,200	1,800	1,180	1,016	944
Senior Center	27,507	25,967	23,838	24,296	23,968	22,626	16,833	18,152	18,929
Animal Services									
Senior meal program attendance	2,109	2,372	2,470	2,464	2,037	1,995	2,160	2,046	1,583
Adoptions	4,743	4,544	4,439	4,730	3,903	2,939	2,874	2,407	1,926
Owner releases									
Library									
Total number of materials circulated	1,004,380	996,639	948,997	893,455	989,626	1,060,000	1,088,624	1,069,841	1,071,800
Number of reference questions asked	68,182	66,128	66,945	65,949	76,105	72,622	77,113	56,822	65,792
Culture and recreation									
Athletic program participants	30,900	33,400	32,600	34,000	34,500	35,340	30,159	32,340	30,910
Recreational swim participants	75,000	84,100	82,100	85,000	82,000	74,278	74,886	61,515	63,300
Jetty Island visitors	26,142	27,200	28,700	29,500	34,216	47,792	45,497	45,497	46,549
Theater attendance	70,778	68,071	80,433	75,350	81,000	82,500	82,279	78,620	68,387
Water/Sewer									
Water									
New connections	344	344	630	308	155	59	109	**1,247	41
Water main breaks	45	29	18	16	32	21	14	39	16
Average daily consumption (mgd) - finished water	51.1	50.8	55.5	52.9	52.4	54.4	48.7	48.8	49.0
Peak daily consumption (mgd) - finished water	99.3	90.3	110.0	102.2	94.5	115.0	88.0	75.0	77.0
Treated water delivered (mg)	18,201	16,872	19,026	19,332	19,193	19,850	17,255	17,065	17,111
Untreated water delivered (mg)	11,622	9,285	9,427	9,778	10,061	10,044	10,781	6,611	2,179
Water customers served by system	495,000	505,000	516,000	528,000	551,000	557,000	557,000	557,000	557,000
Sewer									
Average daily sewage treated (mg)	17	19	19	18	19	18	19	19	21
Sewage treated (mg)	6,184	6,818	7,000	6,513	6,805	6,706	7,056	7,145	7,609
Number of sanitary sewer customers within city	21,658	22,162	22,670	22,822	23,159	23,211	23,185	23,269	23,303

** This number includes 1,180 new connections resulting from the annexation of a portion of Mukiteo Water District customers.

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST NINE FISCAL YEARS

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	Estimate 2012
Parking (Everpark Garage)									
Average monthly parkers	443	405	381	456	495	480	409	353	352
Average daily parkers	553	429	428	422	410	518	209	253	365
Transit									
Fixed route unlinked passenger trips (per svc hr)	21.0	21.0	21.0	21.4	22.5	20.9	17.6	19.2	20.3
Paratransit unlinked passenger trips (per svc hr)	2.7	2.7	2.7	2.4	2.5	2.5	2.6	2.4	2.4
Total fixed route miles	1,069,837	1,093,744	1,265,534	1,442,420	1,378,016	1,455,668	1,610,775	1,444,596	1,359,450
Fixed route passengers	1,927,339	1,957,478	2,112,866	2,228,193	2,517,200	2,495,005	2,289,587	2,323,769	2,275,208
Paratransit passengers	89,695	91,366	95,169	103,302	111,674	108,952	113,581	119,232	108,846
Golf									
Total rounds at Walter E. Hall course	57,916	65,971	67,224	62,440	66,372	65,369	64,269	56,587	62,040
Total rounds at Legion Memorial course	52,139	56,162	59,531	58,732	62,287	63,013	61,952	57,024	61,550

Note: Information prior to 2004 is not readily available and therefore not presented. Over time this schedule will include ten years of information.

Sources: Various city departments and the City Budget.

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST NINE FISCAL YEARS

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police									
Police stations	2	2	2	2	2	2	2	2	2
Police vehicles	141	145	144	157	144	169	178	180	177
Harbor patrol boats	3	3	3	3	3	3	3	3	3
Fire/EMS									
Fire stations	7	7	7	7	6	6	6	6	6
Fire engines (pumpers)	10	11	11	11	11	11	7	7	7
Aerial ladder trucks	3	3	3	3	2	2	2	2	1
Emergency Medical Units	7	7	9	9	9	9	9	9	3
Transportation									
Paved streets (in miles)	319	314	314	321	321	321	321	337	337
Other Improved streets (in miles)	28	28	28	28	28	28	28	28	28
Signalized intersections	159	161	162	169	172	177	178	180	183
Street lights	6,461	6,485	6,511	6,511	6,511	6,511	6,511	6,511	6,540
Community services									
Animal shelter	1	1	1	1	1	1	1	1	1
Senior center	1	1	1	1	1	1	1	1	1
Library									
Branches	2	2	2	2	2	2	2	2	2
Bookmobile	1	1	1	1	1	1	1	1	1
Culture and recreation									
Number of parks/playgrounds	39	58	58	58	48	48	48	48	48
Total acreage owned/managed by City	1,210	1,213	1,213	1,213	1,600	1,600	1,600	1,600	1,600
Public swimming pool	1	1	1	1	1	1	1	1	1

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST NINE FISCAL YEARS

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012
Water/Sewer									
Water									
Water mains (miles)	453	465	468	473	480	480	494	496	496
Fire hydrants	2,764	2,875	2,956	3,045	3,091	3,119	3,278	3,279	3,279
Water storage capacity (within city)(in m	85	85	85	85	85	85	78	78	78
Sewer									
Sanitary sewers (miles)	310	317	322	326	330	330	334	334	334
Storm sewers (miles)	225	231	243	246	254	254	259	290	290
Treatment capacity (mgd)	31	31	31	31	36	36	35	35	35
Parking									
Everpark parking garage	1	1	1	1	1	1	1	1	1
Transit									
Number of Buses	40	40	46	49	49	49	49	49	49
Number of Paratransit vehicles	18	18	18	24	22	22	22	22	26
Transit stations	1	1	2	2	3	3	3	3	3
Golf									
Municipal golf courses	2	2	2	2	2	2	2	2	2

Note: Information prior to 2004 is not readily available and therefore not presented. Over time this schedule will include ten years of information.

Sources: Various city departments and the City Budget.



This page is intentionally left blank.

SCHEDULE 16
(Page 1 of 3)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2012

Federal Agency	Pass-Through Agency	Federal Prog Name	CFDA Number	Other ID Number	From Pass-Through Award	From Direct Award	Total
Dept of Agriculture	WA Dept of Natural Res.	Cooperative Forestry Assistance	10.664		200	-	200
Dept of HUD		Community Development Block Grants/Entitlement Grants	14.218	Program Income		828,619	Note 3a
Dept of HUD		Community Development Block Grants/Entitlement Grants	14.218			690,625	
Dept of HUD		Community Development Block Grants/Entitlement Grants	14.218	Program Income		438	Note 3a
		Subtotal			-	1,519,682	1,519,682
Dept of HUD	WA Dept of Commerce	CDGB/States program and Non-Entitlement Grants in Hawaii	14.228		45,531	-	45,531
Dept of HUD	SnoCo Human Services	Home Investment Partnership Program	14.239		313,445		
Dept of HUD	SnoCo Human Services	Home Investment Partnership Program	14.239	Program Income	2,214		Note 3a
Dept of HUD	SnoCo Human Services	Home Investment Partnership Program	14.239		12,000		
		Subtotal			327,659	-	327,659
Dept of Justice	SnoCo Sheriff	Edward Byrne Memorial Formula Grant Program	16.579	F97-374-017	27,112	-	27,112
Dept of Justice	WA Dept of Commerce	ARRA - Violence Against Women Formula Grants	16.588	F11-31103-060	26,504	-	26,504
Dept of Justice		Bullet Proof Vest Partnership Program	16.607		-	24,638	24,638
Dept of Justice		ARRA - Public Safety Partnership and Community Policing	16.710	2009-RKWX-0897	-	233,461	233,461
Dept of Justice		Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0201		9,488	Note 3b
Dept of Justice		Edward Byrne Memorial Justice Assistance Grant Program	16.738	Program Income		1,894	
Dept of Justice		Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-2383		65,514	Note 3b
Dept of Justice		Edward Byrne Memorial Justice Assistance Grant Program	16.738	Program Income		1,058	Note 3b
Dept of Justice		Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0342		9,114	Note 3b
Dept of Justice		Edward Byrne Memorial Justice Assistance Grant Program	16.738	Program Income		254	Note 3b
		Subtotal			-	87,322	87,322
Dept of Justice		ARRA - Edward Byrne Memorial JAG Program/Grants to Units of Local Govt	16.804	2009-SB-B9-0819		94,898	Note 3b
Dept of Justice		ARRA - Edward Byrne Memorial JAG Program/Grants to Units of Local Govt	16.804	Program Income		22,805	
		Subtotal			-	117,703	117,703
US DOT	WA DOT	Highway Planning and Construction	20.205	Henry M Jackson Ped bicycle Bridge & Trail	51,888		
US DOT	WA DOT	Highway Planning and Construction	20.205	112th Street Corridor Completion	120,199		
US DOT	WA DOT	Highway Planning and Construction	20.205	East Marine View Drive, N. Broadway to I-5	59,509		
US DOT	WA DOT	Highway Planning and Construction	20.205	SR99/Evergreenway Bitt Transit signal	44,834		
US DOT	WA DOT	Highway Planning and Construction	20.205	36th St./BNSF Rail Line Non-Moto Cross Imp.	94,992		
US DOT	WA DOT	Highway Planning and Construction	20.205	W Marine View Dr Non-Motorized	19,123		
US DOT	WA DOT	ARRA - Highway Planning and Construction	20.205	ARRA Overlay 2012, Broadway & Pacific	1,955		
US DOT	WA DOT	Highway Planning and Construction	20.205	112th Street Ped Safety Improvement	5,342		
US DOT	WA DOT	Highway Planning and Construction	20.205	City Center Safety, 23rd St to 47th St	15,206		
US DOT	WA DOT	Highway Planning and Construction	20.205	Broadway Bridge Replacement	827,171		
US DOT	WA DOT	Highway Planning and Construction	20.205	41st St to W Marine View Dr Freight Corridor	62,075		
		Subtotal			1,302,294	-	1,302,294
US DOT		ARRA - Federal Transit Capital Investment Grant	20.500			14,032	
US DOT		ARRA - Federal Transit Capital Investment Grant	20.500			97,242	
		Subtotal			-	111,274	111,274
US DOT		Federal Transit-Formula Grants	20.507			22,992	
US DOT		Federal Transit-Formula Grants	20.507			816,140	
US DOT		Federal Transit-Formula Grants	20.507			3,587	
US DOT		Federal Transit-Formula Grants	20.507			1,089,206	
		Subtotal			-	1,931,925	1,931,925
US DOT	WA Traffic Safety Comm.	State and Community Highway Safety	20.600		15,934	-	15,934

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

SCHEDULE 16
(Page 2 of 3)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2012

Federal Agency	Pass-Through Agency	Federal Prog Name	CFDA Number	Other ID Number	From Pass-Through Award	From Direct Award	Total
Inst of Museum & Lib Inst of Museum & Lib	WA Library	Grants to States	45.310		4,762		
	WA Library	Grants to States	45.310		3,210		
			Subtotal		7,972		7,972
EPA	WA Dept of Commerce	Puget Sound Watershed Management Assistance	66.120	T11-63500-002	7,153		7,153
Dept of Energy Dept of Energy	WA Dept of Commerce	ARRA - Energy Efficiency and Conservation Block Grant Prg (EECBG)	81.128		4,789		
		ARRA - Energy Efficiency and Conservation Block Grant Prg (EECBG)	81.128		18,704		
			Subtotal		23,493		23,493
Homeland Security	Seattle Police Department	Non-Profit Security Program	97.008		10,559		10,559
Homeland Security	WA Park & Rec Comm	Boating Safety Financial Assistance	97.012		38,117		38,117
Homeland Security	WA Military Department	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		228,530		228,530
Homeland Security Homeland Security	WA Military Department WA Military Department	Emergency Management Performance Grants	97.042	EMPG E12-041	62,416		
		Emergency Management Performance Grants	97.042	EMPG E12-306	8,887		
			Subtotal		71,303		71,303
Homeland Security	WA Military Department	Pre-Disaster Mitigation	97.047	PDMC E11-135	448,646		448,646
Homeland Security Homeland Security	Seattle Fire Department Shoahomish County	Homeland Security Grant Program	97.067	E10-098	32,309		
		Homeland Security Grant Program	97.067	E11-149	266,111		
			Subtotal		298,420		298,420
Secret Service		National Center for Missing and Exploited Children (NCMEC)	97.076			1,792	1,792
Homeland Security	WA Military Department	Buffer Zone Protection Program (BZPP)	97.078	BZPP E12-215	7,207		7,207
					2,887,930	4,046,501	6,914,431

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement

SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE
For The Year Ended December 31, 2012

SCHEDULE 16
(Page 3 of 3)

GRANTOR/ PASS-THROUGH GRANTOR PROGRAM TITLE	OTHER IDENTIFICATION NUMBER	CURRENT YEAR EXPENDITURES
WA State Transportation Improvement Board: 112 th St SE, Silver Lake Rd to SR 527	9-P-138(013)-1	821,681
<u>Total WA State Transportation Improvement Board</u>		<u>821,681</u>
WA State Department of Transportation: 7th Avenue Ped & Bicycle Safety Project - 2006 Ped & BSP	HLP-PB06(015)	5,020
Casino Rd & Rucker Ave Ped & Bike Safety Program	HLP-PB09(008)	374,687
Horizon Elementary School Walk Safety	HLP-SR09(016)	12,533
2011 Pedestrian and Bicycle Safety	HLP-PB11(014)	16,028
North Everett Pedestrian and Bicycle Safety	HLP-PB11(018)	15,643
Commute Trip Reduction	GCA 6252	20,000
Paratransit/Special Needs Transit Formula	GCA 6818	317,660
Transportation Demand Management Implementation	GCA 6899	50,306
<u>Total WA State Department of Transportation</u>		<u>811,877</u>
WA State Traffic Safety Commission School Zone Flashing Beacon/Lighting Project	N/A	15,000
<u>Total WA State Traffic Safety commission</u>		<u>15,000</u>
WA State Dept of Commerce Job Economic Development Grant	S10-97101-001	160,614
Job Economic Development Grant		<u>160,614</u>
WA State Department of Ecology: Stormwater Management Imp. Grant Program	G0900038	92,856
Local Toxics Control Account	G0900083	494,104
Water Quality Program/Stormwater Grants	G1200370	50,000
EPA Watershed Protection and Restoration Grant	G1200186	7,479
Stormwater Retrofit & LID Competitive Grant	G1100274	36,943
Waste 2 Resources	G1200258	61,241
<u>Total WA State Department of Ecology</u>		<u>742,623</u>
WA State Department of Health: EMS Prehospital Participation Grant	N/A	1,534
<u>Total WA State Department of Health</u>		<u>1,534</u>
WA Association of Sheriffs and Police Chiefs (WASPC) Reg. Sex Offender Verification Program	N/A	90,612
<u>Total WA Association of Sheriffs and Police Chiefs (WASPC)</u>		<u>90,612</u>
WA State Administrative Office of the Courts (AOC) Court Interpreter Service	N/A	6,616
<u>Total WA State AOC</u>		<u>6,616</u>
WA State Department of Archaeology & Historic Preservation Historic Preservation Fund Grant	FY12-61012-004	7,050
<u>Total WA State DAHP</u>		<u>7,050</u>
WA State Transit Association Public Transportation Grant Program	ESHB2190(708)	48,363
<u>Total WA State Transit Association</u>		<u>48,363</u>
<u>TOTAL STATE ASSISTANCE</u>		<u>2,705,970</u>
Snohomish County	A-12-75-04-198	10,997
Seattle-King County Dept of Public Health	711777, EMS 2612	2,518
Emergency Service Coordinating Agency	N/A	2,177
<u>TOTAL LOCAL ASSISTANCE</u>		<u>15,692</u>
<u>TOTAL STATE AND LOCAL ASSISTANCE</u>		<u>2,721,662</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDSNOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City's financial statements. The City uses the full accrual basis of accounting to account for its grants. Under the full accrual basis, revenues are recognized when earned, if measurable, and expenses are recognized when incurred, if measurable.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal portion of program costs. Actual program costs, including the City's share, may be more than shown.

NOTE 3 - PROGRAM INCOME

- a) The City has a revolving loan program for low-income housing. Repayments to the City are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures.
- b) The City earns investment interest on unexpended Edward Byrne Memorial Grant funds. Interest revenue (program income) for the year is presented in this schedule.

PROPRIETARY FUNDS

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GOVERNMENTAL FUNDS

BUDGET AND ACTUAL

FIDUCIARY FUNDS

INTERNAL SERVICE FUNDS

- 501** The ***Equipment Rental Fund*** accounts for the costs of operating a maintenance facility for automotive equipment and other machinery used by City departments. Such costs are billed to the other departments at actual cost.
- 503** The ***Self-Insurance Fund*** receives monies from various City funds to pay all costs of self-insurance for workers' compensation, unemployment compensation, liabilities arising out of torts and the operation of the George Culmbach Dam.
- 505** The ***Computer Reserve Fund*** receives monies from City departments to pay for computer equipment and related maintenance.
- 507** The ***Telecommunications Fund*** accounts for the cost of operating a centralized telecommunication service for all City departments.
- 508** The ***Health Benefits Reserve Fund*** accounts for the activity and reserve associated with the provision of health benefits to employees of the City.

CAPITAL PROJECTS FUNDS

- 303 The ***Public Works Improvement Project Fund*** accounts for Public Works enhancement and improvement projects.
- 308 The ***Riverfront District Development Fund*** accounts for general government projects related to the Riverfront District development.
- 342 The ***City Facilities Construction Fund*** accounts for construction of new city facilities.
- 354 The ***Parks CIP 3 Construction Fund*** accounts for the design and construction of various park improvements funded by the City of Everett Capital Improvement Program III.

DEBT SERVICE FUNDS

210 The ***Bond Redemption Fund*** accumulates money from special property tax levies and investment interest to pay principal redemption and interest payments on various bond issues. Included are the following programs:

2001 Variable Rate Demand Limited Tax General Obligation Bonds -- \$13,000,000 variable rate demand limited general obligation bonds issued in 2001 for capital purposes.

2003 General Obligation Limited Refunding Bond -- \$19,200,000 limited tax general obligation bond issued to fund the construction of the Conference Center located at the Everett Events Center (\$15,000,000). \$3,687,560 of the proceeds was used to refund the 1993 Everett Performing Arts Certificates of Participation, and \$512,440 of the proceeds was used to refund the 1993 LTGO Fire Station #7/Animal Shelter bonds.

2012 General Obligation Limited Refunding Bond -- \$13,935,000 limited tax general obligation bond issued to refund 2003 LTGO bonds scheduled to mature on or after December 1, 2013.

243 The ***Local Improvement District (LID) Guaranty Fund*** was established in 1919 to guarantee the payments of LID bonds and other short-term obligations.

299 The ***Consolidated Local Improvement District (LID) Bond Redemption Fund*** collects special assessments levied against benefited properties for payment of principal and interest for special assessment bond issues.

ENTERPRISE FUNDS

- 402 The ***Solid Waste Utility Fund*** accounts for activities related to garbage and solid waste management, including recycling and excluding direct engagement in routine collection.
- 430 The ***Parking Garage Fund*** accounts for off-street parking facilities to support the central business district and the relief of traffic congestion.
- 440 The ***Golf Fund*** accounts for the operation and maintenance, and capital improvements of two city-owned golf courses.

FIDUCIARY FUNDS

PENSION TRUST FUNDS

- 637a** The ***Police Pension Fund*** receives funding from the General Fund (property taxes) and investment interest to pay for retirement benefits not covered by the State's Law Enforcement Officers' and Fire Fighters' Retirement System to active and retired police officers hired on or before March 1, 1970.
- 637b** The ***Police Healthcare Fund*** receives funding from the General Fund (property taxes) and investment interest to pay for medical expenses not covered by medical insurance programs for active and retired police officers hired before October 1, 1977.
- 638a** The ***Fire Pension Fund*** receives funding from the General Fund (property taxes), a portion of the State levied fire insurance premium tax and investment interest to pay for retirement benefits not covered by the State's Law Enforcement Officers' and Fire Fighters' Retirement System to active and retired fire fighters hired on or before March 1, 1970.
- 638b** The ***Fire Healthcare Fund*** receives funding from the General Fund (property taxes) and investment interest to pay for medical expenses not covered by medical insurance programs for active and retired police officers hired before October 1, 1977.

AGENCY FUND

- 665** The ***Other Agency Fund*** accounts for the following entities and processes:

Downtown Business Improvement Area (BIA), District #1 – billing, receipt and disbursement of funds according to the spending authorization provided by Ordinance 2842-05.

Snohomish County Police Staff and Auxiliary Service Center (SNOPAC) – receipt and disbursement of funds as Ex-Officio Treasurer.

Tulalip Water Delivery System – receipt and disbursement of funds as approved by the Water Delivery System Joint Board organized pursuant to an agreement with the Tulalip Tribes of Washington.

SPECIAL REVENUE FUNDS

- 119 The ***Street Improvement Fund*** accounts for street overlay improvement projects.
- 120 The ***Streets Fund*** accounts for maintenance and operation of all transportation routes, preparation of streets planned for overlay and maintenance of the Central Business District area.
- 138 The ***Motel Tax Fund*** accumulates the hotel/motel tax for tourism promotion and publicity of the City, promotion of an arts center and capital improvements at the stadium.
- 148 The ***Cumulative Reserve for Parks Fund*** accounts for money accumulated for capital improvements and acquisition of land for parks.
- 151 The ***Fund for Animals*** is a reserve fund that accumulates contributions for animal welfare issues and medical expenses.
- 152 The ***Cumulative Reserve for Library Fund*** accounts for specific capital items and projects that relate to the library program and for literary and cultural services for the intellectual improvement of the individual.
- 153 The ***Emergency Medical Services Fund*** accounts for the paramedic program funded by a special property tax levy passed by the citizens of Everett and ambulance transport fees.
- 154 The ***Real Estate Excise Tax Fund*** is a reserve fund that accumulates this tax until the City allocates the proceeds to capital projects in accordance with state law.
- 156 The ***Criminal Justice Fund*** accounts for the enhancement of new programs of the police department, prosecutor's office and municipal court.
- 157 The ***Traffic Mitigation Fund*** is a reserve fund for traffic improvements resulting from development in Everett.
- 197 The ***Community Housing Improvement Program (CHIP) Loan Fund*** accounts for low interest loans to low-income homeowners in several Everett Neighborhoods. Loans are provided through a loan pool of HUD Block Grant funds.
- 198 The ***Community Development Block Grants Fund*** accounts for a variety of housing and community development programs aimed primarily at low and moderate-income persons and the prevention or elimination of slums and blight. The financing is from Community Block Grant HUD funds.

Funds previously reported as Special Revenue Funds combined with the General Fund

Because the city legally adopts budgets for these funds individually, budget to actual comparisons for these funds are presented along with the other governmental funds Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget To Actual

- 101 The ***Parks and Recreation Fund*** accounts for the operations of the City's park system and swimming pool.
- 110 The ***Library Fund*** accounts for the operation of the two City libraries.
- 112 The ***Municipal Arts Fund*** accounts for the maintenance and operations of the City's performing arts facility, city municipal arts programs, and the 1% for Art program.
- 114 The ***Conference Center Fund*** accounts for the maintenance and operations at the City's Special Events Center.
- 115 The ***General Government Special Projects Fund*** accounts for specific non-recurring projects.
- 126 The ***Motor Vehicle and Equipment Replacement Reserve Fund*** accumulates funding to provide for the replacement of general government motor vehicles and equipment.
- 144 The ***Downtown Improvement Fund*** receives and utilizes parking fines to implement downtown improvements.
- 145 The ***Cumulative Reserve for Real Property Acquisition Fund*** accounts for real property acquisitions.
- 146 The ***Property Management Fund*** accounts for several city-owned commercial buildings, and the general government building maintenance and repair reserve.
- 149 The ***Senior Center Reserve Fund*** accounts for funding of senior center activities and special events.
- 160 The ***Contingency Reserve Fund*** is a reserve fund for emergencies and contingency expenses funded from the general fund in the form of a general property tax allocation. Expenditure of moneys will be based on a consensus between Administration and the City Council.