



City of Everett, Washington
Comprehensive Annual Financial Report
For the Year Ended December 31, 2010

**CITY OF EVERETT,
WASHINGTON**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

DECEMBER 31, 2010

**CHIEF FINANCIAL OFFICER
DEBRA BRYANT**

PREPARED BY

DEPARTMENT OF FINANCE

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June 17, 2011

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, 2010, 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, 2010, 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 104,100.

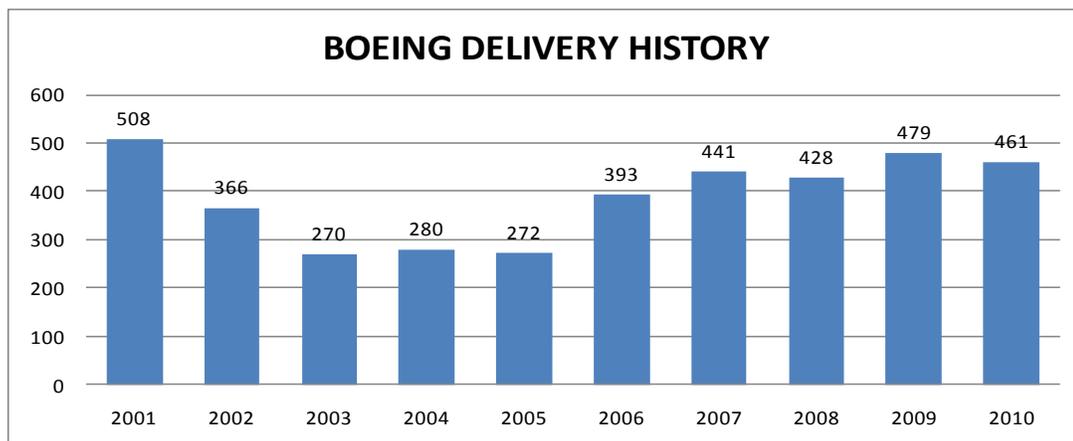
Everett operates under a Mayor-Council form of government. Under its charter, it has all powers granted to like cities by the Constitution and laws of the State of Washington. The City is a general purpose governmental entity and provides the full range of municipal services allowed by statute or charter. 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

As the nation approaches its second year of recovery from the Great Recession, widespread economic improvement in the Puget Sound Region remains elusive. Local economists continue to predict that our return to healthy economic activity will be a slow and difficult process, with full recovery still years away. Taxable retail sales are forecast to grow only at a modest 2.8% in 2011. Labor, housing, and construction are also expected to deliver another lackluster performance that will not be substantially different from what we experienced in 2010.

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Everett operates. 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 18 fewer planes in 2010 than in 2009, primarily due to additional delays in the delivery of the first 787 Dreamliner. Current expectations call for the first Dreamliner delivery to occur by the end of 2011.



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, sluggish in retail sales, and deferred aircraft production.

The city suspended contributions to the LEOFF 1 police and fire pension and OPEB (other post employment benefits) funds to assist in balancing the 2011 budget. With this action, we still expect these funds to be fully funded by 2024 – three decades before obligations are complete.

In 2011, the city issued \$51 million in water and sewer revenue bonds to finance certain capital improvements to the city's water and sewer system. Repayment will be from user fees.

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 recession continued to negatively impact revenues in 2010. Mid-year, the city requested departments to cut back on spending in preparation for the continued economic downturn. The majority of those spending cutbacks were made permanent in the City's budget forecasting model.

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 two of its reserve funds for 2011 - \$1.2 million to the motor vehicle reserve fund, and \$800,000 to the facilities maintenance reserve fund.

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 within the next three years.

In 2010, voters approved a six-year levy lid lift for the paramedic program, which enables the city to continue to provide vital emergency medical services.

The city established a B&O tax credit for businesses that increase employment by 50 or more employees to encourage economic development.

The city will complete the design to replace the Broadway bridge in 2011--construction is scheduled for 2012.

The Riverfront redevelopment area continued to move forward in 2010, with the completion of Phase 1 of the landfill soil surcharge project. Work planned for 2011 includes a new roundabout access road, a bridge to the southern portion of the site, and initial design work for sewer and storm drainage.

The city was awarded \$25 million in new market tax credits (NMTC's) in October 2009. We anticipate that these credits will be deployed to benefit the proposed Marriott Courtyard Hotel in downtown Everett within the next two years.

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, 2009. This was the 13th 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, appearing to read "Debra Bryant". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

Debra Bryant, CAO-CFO

**CITY OF EVERETT
PRINCIPAL OFFICIALS**

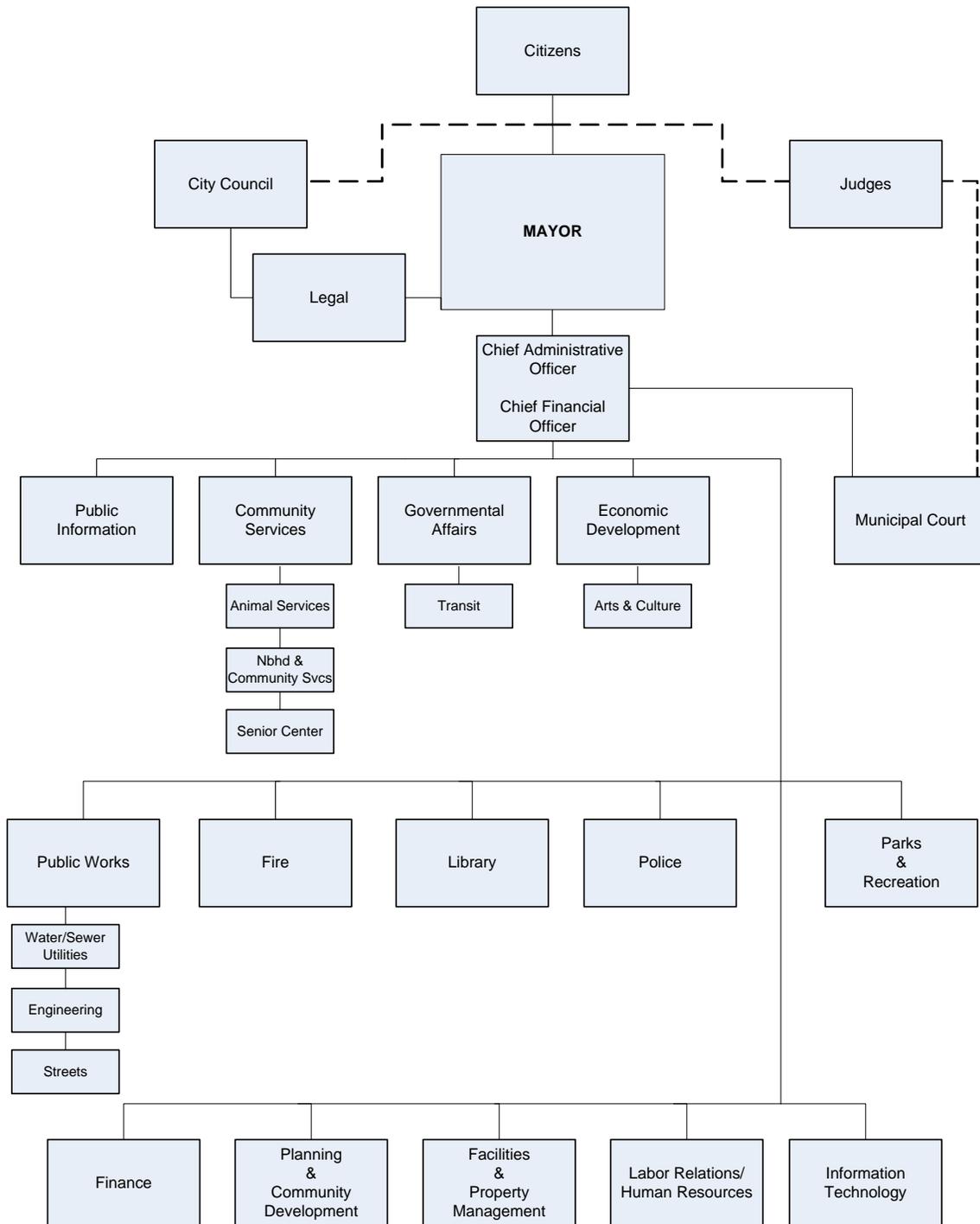
Elected Officials**Term Expires**

Mayor	12/31/13	Ray A. Stephanson
City Councilmembers:		
Position No. 1	12/31/13	Paul Roberts, President
Position No. 2	12/31/13	Jeff Moore
Position No. 3	12/31/13	Arlan Hatloe, Vice President
Position No. 4	12/31/11	Ron Gipson
Position No. 5	12/31/11	Drew Nielsen
Position No. 6	12/31/11	Brenda Stonecipher
Position No. 7	12/31/11	Shannon Affholter

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	Jim Scharf
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
Neighborhoods / Code Compliance Director	Wendy McClure
Public Information Director	Kate Reardon
City Clerk	Sharon Marks
Finance Manager/Treasurer	Susy 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, 2009

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.



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President

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Executive Director



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Washington State Auditor Brian Sonntag

INDEPENDENT AUDITOR'S REPORT

June 17, 2011

Mayor and City Council
City of Everett
Everett, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Everett, Snohomish County, Washington, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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, 2010, and the changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General and Capital Improvement Reserve funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we will also issue our report dated June 17, 2011, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 11 through 22, pension trust fund information on page 78, and information on post-employment benefits other than pensions on page 79 through 80 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining and individual fund statements and schedules on pages 81 through 142 and the Single Audit Section on pages 175 through 178 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2010. 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.

2010 FINANCIAL HIGHLIGHTS

- At December 31, 2010, the City's net assets, the amount by which total assets exceed total liabilities, totaled \$823 million. Of this amount, \$638 million, or 77%, is invested in capital assets, net of accumulated depreciation and related debt. Of the remaining net assets, \$136.1 million is unrestricted and may be used to meet the City's ongoing obligations.
- Total governmental activity revenues decreased from 2009, down \$3.3 million or 2.7%. However, this decrease was significantly less than the decrease of 9.3% or \$12.4 million between 2008 and 2009. Charge for services and Capital Grants and Contributions decreased by \$2.5 million and \$3.2 million respectively. These decreases were off-set by increases in Sales Tax revenue of \$1.6 million and Investment earnings of \$1.7 million.
- As of December 31, 2010, the City's governmental funds reported a combined ending fund balance of \$120 million. Approximately 82% of this amount is unreserved and available for spending at the City's discretion.

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 provide details about the City's non-major funds and internal service funds -- each 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 Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. 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 Assets serves a purpose similar to that of the Balance Sheet of a private-sector business. Over time, increases or decreases in net assets 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 assets 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 assets 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 assets.

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 Balance Sheet and the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Equity 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 Assets and a Statement of Changes in Fiduciary Net Assets 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.

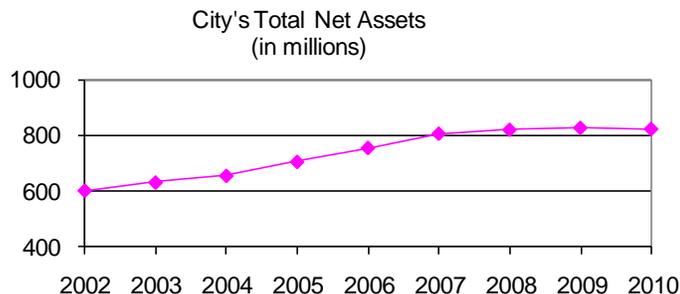
OTHER INFORMATION

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 assets over time may serve as a useful indicator of a government's financial position. The City's total net assets at December 31, 2010, were \$823 million, a decrease of \$4 million over the prior year-end, indicating the City's overall financial position slightly deteriorated during fiscal year 2010. As the chart below illustrates, except for 2010, the city's net assets have been increasing each year, although, at a modest rate since 2008.



Elements contributing to the change in net assets are discussed in the Governmental and Business-Type Activities Analysis sections, starting on pages 17 and 18, respectively. The table below presents a condensed version of the Government-Wide Statement of Net Assets.

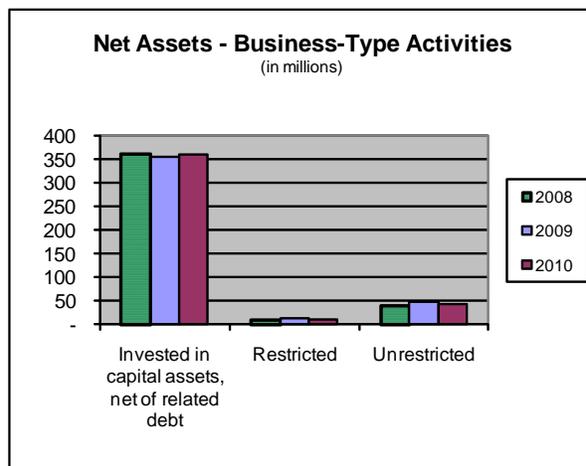
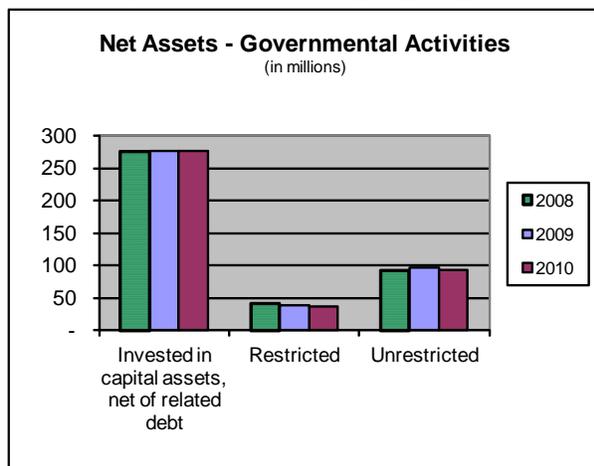
Table 1
City of Everett's Net Assets
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 161,070	\$ 163,783	\$ 62,567	\$ 69,542	\$ 223,637	\$ 233,325
Capital assets (net of accumulated depreciation)	305,583	306,588	528,293	520,240	833,876	826,828
TOTAL ASSETS	466,653	470,371	590,860	589,782	1,057,513	1,060,153
Long-term liabilities	51,251	52,651	169,228	166,726	220,479	219,377
Other liabilities	7,244	6,718	6,809	6,782	14,053	13,500
TOTAL LIABILITIES	58,495	59,369	176,037	173,508	234,532	232,877
NET ASSETS						
Invested in capital assets, net of related debt	277,364	276,175	361,029	355,349	638,393	631,524
Restricted	37,310	38,886	11,167	11,483	48,477	50,369
Unrestricted (deficit)	93,484	95,941	42,627	49,442	136,111	145,383
TOTAL NET ASSETS	\$ 408,158	\$ 411,002	\$ 414,823	\$ 416,274	\$ 822,981	\$ 827,276

As depicted in the charts below, the majority of the City's net assets are 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 Assets, found on page 23, further breaks out restricted assets into major categories. For example, \$6.5 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.

2010 year-end unrestricted net assets of \$93 million in governmental activities and \$43 million in business-type activities may be used to meet ongoing obligations.



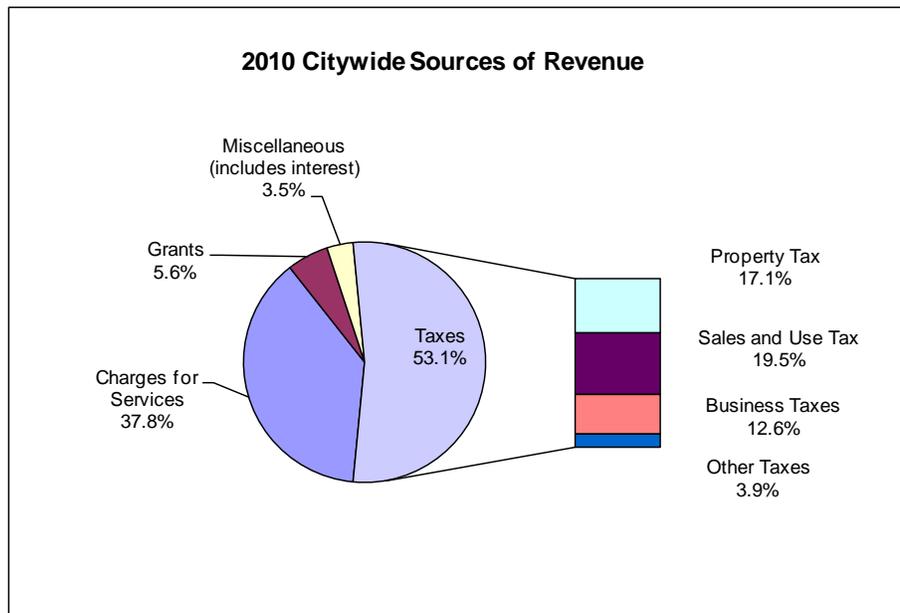
At December 31, 2010, the City reports positive balances in all three categories of net assets for both governmental and business-type activities. The same situation held true for the past nine years.

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

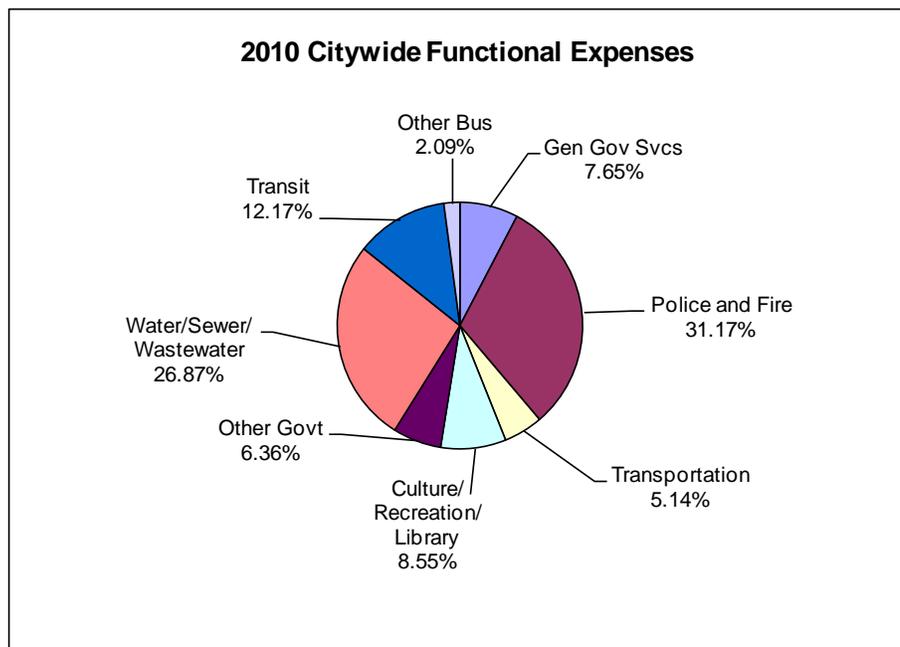
Table 2
City of Everett's Changes in Net Assets
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Charges for services	\$ 11,934	\$ 14,457	\$ 66,594	\$ 67,036	\$ 78,528	\$ 81,493
Operating grants and contributions	3,974	4,648	1,437	2,836	5,411	7,484
Capital grants and contributions	3,693	6,866	2,470	5,969	6,163	12,835
General revenues:						
Property taxes	35,473	35,659	-	-	35,473	35,659
Sales taxes	24,818	23,175	15,651	14,489	40,469	37,664
Business taxes	26,083	26,331	98	96	26,181	26,427
Other taxes	7,771	7,647	243	174	8,014	7,821
Interest and investment earnings	4,113	2,400	3,208	1,278	7,321	3,678
TOTAL REVENUES	\$ 117,859	\$ 121,183	\$ 89,701	\$ 91,878	\$ 207,560	\$ 213,061
Program Expenses						
Governmental activities:						
General government services	\$ 16,202	\$ 19,829	\$ -	\$ -	\$ 16,202	\$ 19,829
Police	37,113	36,489	-	-	37,113	36,489
Fire	28,925	29,593	-	-	28,925	29,593
Engineering & construction services	4,467	3,967	-	-	4,467	3,967
Transportation	10,890	8,557	-	-	10,890	8,557
Community services	8,190	7,584	-	-	8,190	7,584
Library	4,870	5,007	-	-	4,870	5,007
Culture and recreation	13,244	13,280	-	-	13,244	13,280
Interest on long-term debt	819	843	-	-	819	843
Business-type activities:						
Water	-	-	25,325	23,333	25,325	23,333
Sewer	-	-	27,905	24,535	27,905	24,535
Solid waste	-	-	3,689	3,264	3,689	3,264
Parking	-	-	296	273	296	273
Transit	-	-	25,781	24,093	25,781	24,093
Golf	-	-	4,139	4,578	4,139	4,578
TOTAL EXPENSES	\$ 124,720	\$ 125,149	\$ 87,135	\$ 80,076	\$ 211,855	\$ 205,225
Increase in net assets before transfers	\$ (6,861)	\$ (3,966)	\$ 2,566	\$ 11,802	\$ (4,295)	\$ 7,836
Special Items	-	-	-	-	-	-
Transfers	4,017	6,135	(4,017)	(6,135)	-	-
Increase in net assets	\$ (2,844)	\$ 2,169	\$ (1,451)	\$ 5,667	\$ (4,295)	\$ 7,836
Net assets - beginning	411,002	408,833	416,274	410,824	827,276	819,657
Prior period adjustment	-	-	-	(217)	-	(217)
Net assets - ending	\$ 408,158	\$ 411,002	\$ 414,823	\$ 416,274	\$ 822,981	\$ 827,276

As shown in the chart below, taxes made up 53.1% of total revenue received by the city as a whole in 2010. This is up from 50.5% in 2009 due in large part to the increase in sales and use tax collections. Of the 37.8% in charges for services, 85% 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.

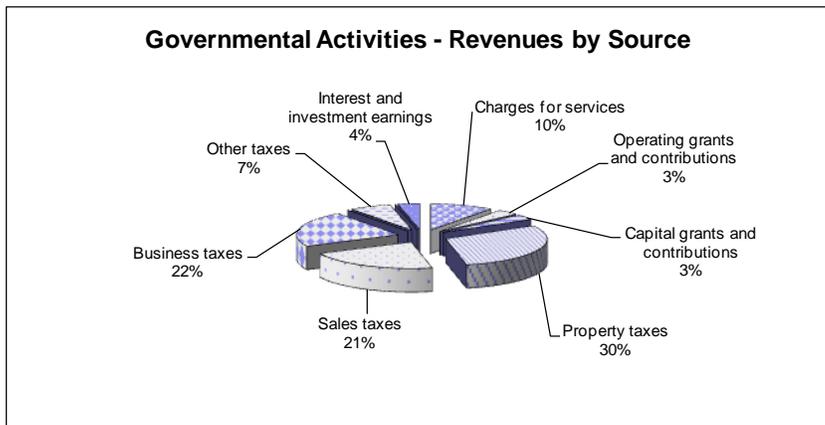


GOVERNMENTAL ACTIVITIES ANALYSIS

As shown in the Statement of Activities, the total expenditures for all governmental activities in 2010 was \$124.7 million. Of this amount, \$20 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 \$105.1 million was the cost of governmental activity services paid primarily by city taxpayers.

Revenues

Total governmental activity revenue (excluding transfers) decreased \$3.3 million or 2.7% from last year. As the chart below depicts, 80% of the governmental activity revenue is derived from taxes. Combined taxes revenue increased by \$1.3 million, or 1.4%, from 2009.

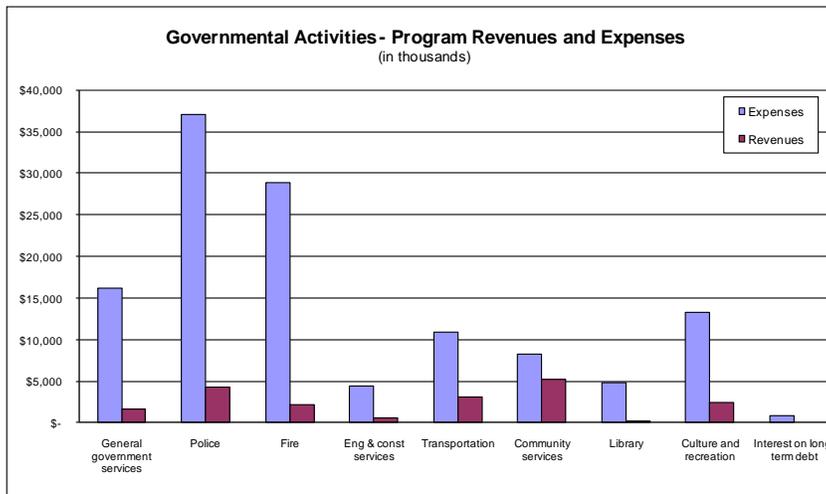


As the economic recovery took hold in 2010, sales tax revenue increased \$1.6 million from 2009—a year that saw a significant drop of \$4.9 million from 2008. Other tax revenues remain unchanged from 2009, which saw \$2.2 million decrease from 2008.

Expenses

Total governmental activity expenses decreased slightly by \$0.4 million compared to 2009. The General Government Services expenditures fell by \$3.6 million or 18.3%. The majority of this reduction was due to lower insurance premiums. However, this decrease was offset by increases in Transportation expenditures, which rose by \$2.3 million or 27.3%. The majority of the growth in Transportation expenditures is attributed to the Riverfront Development project.

The police and fire activities account for 31.2% of the total city expenses. Police expenditures rose slightly by \$0.6 million, which was offset by \$0.7 million less in fire expenditures. The chart below illustrates the cost of each of the City's major governmental activities along with each activity's generated revenues (charges for services, grants, and contributions specifically related to that activity). The difference is the amount that each program relies on taxes for funding.



BUSINESS-TYPE ACTIVITIES ANALYSIS

In 2010, program revenues covered \$70.5 million of the \$87 million in business-type activity expenses, leaving a net expense of \$16.5 million paid primarily by city taxpayers.

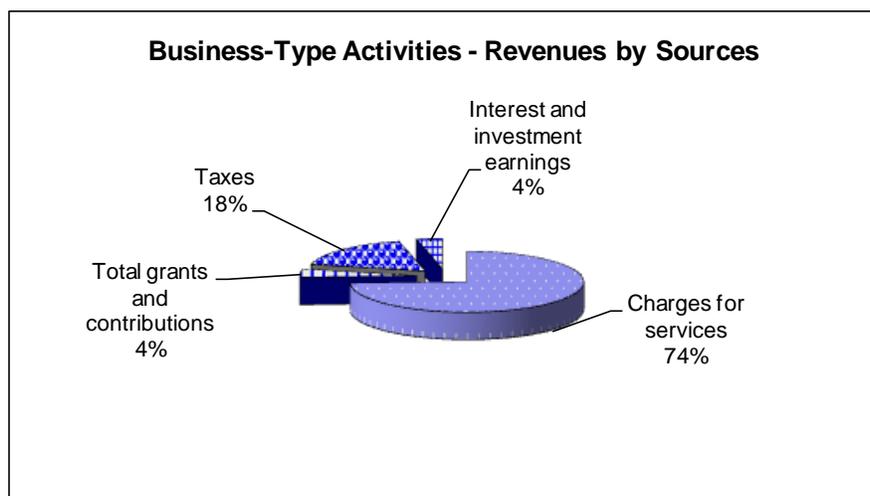
Revenues

Total business-type revenues decrease by \$2.2 million, or 2.4%, from the prior year. As shown in the chart below, the majority of business-type activity revenue is from charges for services, which decreased slightly by \$0.4 million or 0.7% from 2009.

Operating Grants and Capital Grants revenue decreased by \$4.9 million from prior year. In 2009, Transit received \$7.3 million in federal grants, but received only \$2.0 million in 2010. 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.

Sales tax revenue increased by \$1.2 million, or 8.02% as the economy started to recover in 2010.

Interest revenue increased by \$1.9 million or 151.0% due to higher cash and investment balances, resulting primarily from a \$40 million water and sewer revenue bond issued in 2009, a \$10.5 million LTGO bond issue sold in May of 2010, and gains realized through early redemption of investments purchased at discount.



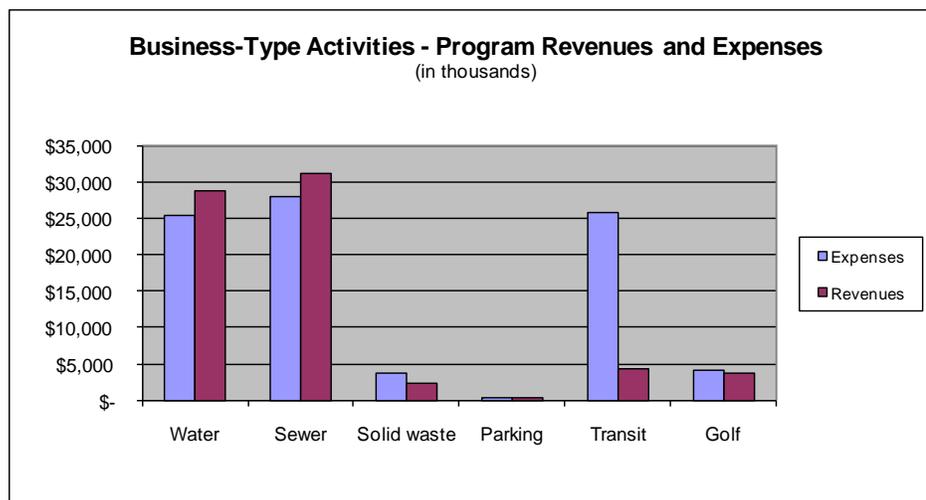
Expenses

Total business-type expenses were up \$7.1 million, or 8.8%, over 2009.

Water and Sewer expense increased by \$5.4 million or 11.2% over 2009. Payroll expenses increased by \$1.1 million and Other expenses increased by \$2.0 million, mainly due to expenses for biosolid dredging, dewatering and land application that utilities incurs every other year.

Transit expenses increased by \$1.7 million or 7.0% over 2009. In 2010, Transit coordinated with Community Transit to complete four Swift stations on Evergreen Way.

The chart below depicts the expense of each of the City's business-type programs along with each program's generated revenues. As shown, water, sewer, and parking each generated enough program revenue (primarily user fees) to cover the operating costs of providing services while solid waste, transit and golf 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.

At year-end, the governmental funds reported a combined ending fund balance of \$119.6 million (refer to Governmental Funds Balance Sheet on page 26). This is a \$1.1 million decrease from the prior year-end. The government-wide Statement of Activities shows a decrease in net assets of \$2.8 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 asset balance.

Approximately 82% of the total ending fund balance of governmental funds is classified as unreserved, 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. The general fund's fund balance increased by \$0.8 million in 2010. The combination of an increase in revenues and a decrease in expenditures narrowed the deficiency of revenues under expenditures from \$7.2 million in 2009 to \$2.1 million in 2010. Tax revenues grew by \$2.7 million, and expenditures fell by \$2.2 million. At year-end, 63% of the general fund's fund balance was classified as unreserved.

Capital Improvement Reserve Fund – The City's other major governmental fund recorded an increase of \$1.5 million in fund balance, despite a \$0.9 million decrease in revenues. The Animal Shelter project, which was partially funded by Snohomish County, was completed in 2009. As a result, intergovernmental revenues decreased by \$1.4 million. 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. The largest expenditure in 2010 was a transfer out to Fund 342 of \$3.2 million to fund a portion of the Muni Court Building Replacement and Key Bank Improvement projects. On the revenue side, this fund accounts for the first quarter percent real estate excise tax. Revenue in this fund remained fairly constant from 2009.

Other Governmental Funds – Total fund balance for other governmental funds decreased \$3.3 million in 2010. The revenues and expenses both decreased by \$3 million from 2009. In 2009, one time sale of land to utilities fund was recorded in Cumulative Reserve for Real Property Acquisition fund, which resulted in higher fund balance.

The Emergency Medical Services (EMS) Fund, Fund 153, reported a \$0.8 million negative fund balance in 2010, which is a \$1.3 million decrease from 2009. Due to the passage of I-747, the fund's primary funding source, property

tax levies, are restricted to a maximum increase of 1% each year. Because the cost of providing EMS services grows at a rate that is greater than 1% annually, fund balance has been consumed to fund operations. The EMS levy expired in 2010. In April 2010, voters restored the EMS levy effective for 2011. Increases in property tax revenue will eliminate the deficit balance over the next couple of years. The city also collected approximately \$1.7 million in emergency transport fees, which were initiated in 2005.

The Criminal Justice Fund, Fund 156, reported a decrease in fund balance of \$1.5 million. The revenues exceeded expenditures by \$1.3 million, however, the transfer of \$2.8 million to Capital Improvement Reserve Fund for partial funding of the Muni Court Building Replacement resulted in this decrease.

BUSINESS-TYPE FUNDS

Water/Sewer Utility Fund – This fund is the largest business-type fund in the City, accounting for 85% of the business-type fund equity at \$355 million. Of this amount, \$303 million is invested in capital assets net of related debt, \$11 million is classified as restricted (primarily for debt service), and \$41 million is classified as unrestricted. The fund's 2010 net income, before contributions and transfers, was \$9.5 million, which is \$3.9 million less than in 2009. Expenses, which are discussed in Business-Type Activities Analysis above, increased by \$4.7 million.

Transit Fund – This is the City's other major business-type fund. It reported a \$18.8 million operating loss in 2010 (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; 2010 collections totaled \$15.9 million. Grants in the amount of \$2 million also lessen the loss.

Other Business-type Funds – The Golf Fund improved in 2010 with a net loss of \$262,500 compared to 2009's net loss of \$726,500. Management continues to implement elements of its business plan to increase revenues and decrease expenses.

Fund 402, the Solid Waste Fund, reported an operating loss of \$1.3 million, bringing the fund's equity to negative \$3.3 million. The city expects to build this fund's equity up over the next few years with an increase in rates and a substantial decrease in expenditures as the former landfill site remediation comes to a close.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget

The final General Fund revenue budget was \$1.0 million or 1.1% lower than the original budget. The final expenditure budget was \$389,000 or 0.4% less than the original budget. The struggling economy was an important factor driving the direction of the budget. Mid-year, as revenues continued to come in under budget, the city reduced the sales tax budget by \$800,000, the B&O tax budget by \$1,000,000, and the utility tax budget by \$800,000. Departments were asked to cut their budgets to compensate for the declining revenues. In response, General Fund departments reduced their budgets by \$2.5 million. The majority of this reduction came from holding vacant positions open.

Actual results compared to final budget

After significantly reducing the original budget, general fund revenues came in under the final amended budget by just \$266,500 or 0.3%. Expenditures ended the year \$2.2 million or 2.5% under budget. The most significant under expenditure was a \$1.5 million savings in salaries and wages. As stated above, departments were asked mid-year to implement cost-cutting measures. Most departments under spent their budgets due to open positions - the police department and fire department under spent their salary budgets by \$931,000 and \$600,000, respectively. Other under-expenditure examples include the Legal department cutting \$335,000 from its professional services budget and jail fees came in \$260,000 under budget..

The \$2.2 million in under expenditures were carried forward and re-appropriated for use in 2011. The majority of the carry forward was set aside for two revenue issues that arose after the balancing of the 2011 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION**CAPITAL ASSETS**

The City of Everett's investment in capital assets, including construction in progress, for its governmental and business-type activities as of December 31, 2010, amounts to \$834 million. The year-end balance represents a net increase (additions less retirements and depreciation) of \$7 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	
	2010	2009	2010	2009	2010	2009
Land	\$ 58,749	\$ 58,745	\$ 32,637	\$ 32,400	\$ 91,386	\$ 91,145
Buildings	59,150	59,824	129,079	105,700	188,229	165,524
Improvements other than buildings	14,857	16,423	283,527	267,396	298,384	283,819
Infrastructure	151,188	149,975	-	-	151,188	149,975
Machinery and equipment	9,568	9,747	12,346	12,804	21,914	22,551
Intangibles	318	364	159	168	477	532
Construction in progress	11,753	11,510	70,545	101,773	82,298	113,283
	<u>\$ 305,583</u>	<u>\$ 306,588</u>	<u>\$ 528,293</u>	<u>\$ 520,241</u>	<u>\$ 833,876</u>	<u>\$ 826,829</u>

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

- 2010 overlay program \$1.7
- Vehicle replacements and additions 1.3
- Senior Center Expansion 1.2
- Key Bank Shell project 1.1
- Rucker-Hoyt Streetscape project 0.9
- E. Marine View Drive, N. Broadway street improvements 0.7

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

- Transmission Lines 1 & 2, Phase 6 \$4.6
- T-Line #2 Phase 8B 2.9
- WPCF Cap Expansion Phase B 2.0
- Combine Sewer Replacement "F" 1.3
- WFP Recovered Water Outfall 1.2

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 on the following page, the city's total outstanding debt at December 31, 2010, was \$190 million. Of this amount, \$35.8 million is bonded debt backed by the full faith and credit of the city, \$112 million is bonded debt secured solely by water and sewer user fees, and \$43 million is in Public Works Trust Fund and State Revolving Fund loans.

The city's total debt outstanding increased by a net amount (new issues less principal payments and refundings) of \$1.0 million from the prior year end. The major debt transactions that contributed to this change are detailed below.

- The city issued \$10.5 million of Limited Tax General Obligation Bonds to pay for the environment remediation costs for the Riverfront project.
- The city redeemed \$2.7 million of outstanding LTGO debt and \$4.1 million of Revenue debt in 2010.

Table 4
City of Everett's Outstanding Debt

(in thousands)

	Governmental Activities		Business-Type Activities		Total Activities	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 26,400	\$ 28,000	\$ 9,400	\$ -	\$ 35,800	\$ 28,000
Revenue debt	-	-	111,785	115,920	111,785	115,920
Other long-term debt	1,650	1,870	41,039	43,459	42,689	45,329
	<u>\$ 28,050</u>	<u>\$ 29,870</u>	<u>\$ 162,224</u>	<u>\$ 159,379</u>	<u>\$ 190,274</u>	<u>\$ 189,249</u>

The City's bond rating for general obligation debt is AA+ by Standard & Poor's Investor Services. The city's bond rating for revenue debt is also Aa3 by Moody's Investors Service and AA+ by Standard and Poor's Investor Services. The city works to maintain high credit ratings to assist in obtaining financing as the lowest possible cost.

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 constraints facing the city budget for 2011 included: exceptional declines in retail sales and business revenues; major reduction of new residential and commercial building projects; deferred aircraft production; 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 2011 budget included:

- Overall economic activity is expected to continue to be low.
- Population is expected to increase by 1 percent in 2011.
- The inflation rate (as measured by the June to June Seattle/Urban Consumer Price Index) is expected to remain flat. For 2010, it was negative 0.504 %.
- Unemployment in Snohomish County is expected to increase by 0.1% in 2011 to 9.9%.
- Interest rates are expected to remain at historical lows through 2011.

Some of the specific steps taken to balance the 2011 budget included: no cost of living increases for employees; reduced general fund contributions to the street overlay program; 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.

**STATEMENT OF NET ASSETS
DECEMBER 31, 2010**

	Primary Government			Component Unit
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	EVERETT PUBLIC FACILITIES DISTRICT
ASSETS				
Cash and cash equivalents	\$ 20,255,962	\$ 7,410,355	\$ 27,666,317	\$ 5,457,560
Deposits with trustees	-	117,851	117,851	-
Investments	89,593,155	40,683,730	130,276,885	-
Receivables, net	27,057,489	12,175,838	39,233,327	492,927
Internal balances	12,706,601	(12,706,601)	-	-
Inventories	460,725	744,641	1,205,366	-
Prepayments	563,188	94,927	658,115	966,895
Deferred charges	163,445	1,685,162	1,848,607	-
Net pension asset	7,943,678	-	7,943,678	-
Restricted:				
Cash and cash equivalents	-	3,883,338	3,883,338	-
Investments	-	7,282,242	7,282,242	-
Special assessments	160,377	7,068	167,445	-
Investment in joint venture	2,165,911	1,188,388	3,354,299	-
Land	58,748,907	32,636,923	91,385,830	257,074
Construction in progress	11,752,845	70,545,165	82,298,010	-
Capital assets, net (Note 6)	235,080,865	425,111,107	660,191,972	44,741,017
TOTAL ASSETS	\$ 466,653,148	\$ 590,860,134	\$ 1,057,513,282	\$ 51,915,473
LIABILITIES				
Accounts payable and other current liabilities	\$ 6,911,260	\$ 6,460,895	\$ 13,372,155	\$ 884,157
Unearned revenues	332,623	347,796	680,419	1,488,062
Non-current liabilities (Note 12):				
Due within one year	9,473,941	9,900,659	19,374,600	845,000
Due in more than one year	41,776,984	159,327,287	201,104,271	53,105,921
TOTAL LIABILITIES	\$ 58,494,808	\$ 176,036,637	\$ 234,531,445	\$ 56,323,140
NET ASSETS				
Invested in capital assets, net of related debt	\$ 277,363,758	\$ 361,029,457	\$ 638,393,215	\$ (8,952,830)
Restricted for:				
Capital projects	6,560,467	-	6,560,467	-
Debt service	-	11,111,394	11,111,394	-
Community development projects	14,431,635	-	14,431,635	-
Transportation	8,009,563	-	8,009,563	-
Public safety	8,046,173	-	8,046,173	-
Tourism	262,318	-	262,318	-
Special assessments	-	1,719	1,719	-
Government regulation	-	54,186	54,186	-
Unrestricted	93,484,426	42,626,741	136,111,167	4,545,163
TOTAL NET ASSETS	\$ 408,158,340	\$ 414,823,497	\$ 822,981,837	\$ (4,407,667)

The accompanying notes are an integral part of this statement.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010
(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	\$ 16,202,175	\$ 1,260,967	\$ 334,543	\$ 80,185
Police	37,112,805	3,440,505	858,367	29,482
Fire	28,925,002	1,992,766	195,850	-
Engineering & construction services	4,466,466	512,461	-	4,000
Transportation	10,890,501	795,234	61,503	2,192,937
Community services	8,189,488	2,056,498	2,201,305	910,930
Library	4,870,070	107,017	118,797	289
Culture and recreation	13,244,263	1,768,419	203,245	475,404
Interest on long-term debt	818,660	-	-	-
Total governmental activities	124,719,430	11,933,867	3,973,610	3,693,227
Business-type activities:				
Water	25,325,047	28,742,817	-	-
Sewer	27,904,797	29,307,878	479,165	1,368,594
Solid waste	3,688,722	2,196,527	-	87,504
Parking	295,887	317,457	-	-
Transit	25,781,338	2,266,491	957,480	1,014,125
Golf	4,139,684	3,763,272	-	-
Total business-type activities	87,135,475	66,594,442	1,436,645	2,470,223
Total primary government	\$ 211,854,905	\$ 78,528,309	\$ 5,410,255	\$ 6,163,450
Component units:				
Everett Public Facilities District	\$ 11,052,405	\$ 8,379,891	\$ 2,341,251	-
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 assets				
Net assets - beginning				
Net assets - ending				

The accompanying notes are an integral part of this statement.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010
(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
\$ (14,526,480)	\$ -	\$ (14,526,480)	
(32,784,451)	-	(32,784,451)	
(26,736,386)	-	(26,736,386)	
(3,950,005)	-	(3,950,005)	
(7,840,827)	-	(7,840,827)	
(3,020,755)	-	(3,020,755)	
(4,643,967)	-	(4,643,967)	
(10,797,195)	-	(10,797,195)	
(818,660)	-	(818,660)	
(105,118,726)	-	(105,118,726)	
	-	3,417,770	
	-	3,250,840	
	-	(1,404,691)	
	-	21,570	
	-	(21,543,242)	
	-	(376,412)	
	-	(16,634,165)	
\$ (105,118,726)	\$ (16,634,165)	\$ (121,752,891)	
			\$ (331,263)
35,473,230	-	35,473,230	
24,818,451	15,650,951	40,469,402	
26,083,027	98,269	26,181,296	
2,909,484	-	2,909,484	
4,861,570	242,899	5,104,469	
4,112,868	3,208,205	7,321,073	
4,016,688	(4,016,688)	-	
102,275,318	15,183,636	117,458,954	
(2,843,408)	(1,450,529)	(4,293,937)	(331,263)
411,001,748	416,274,026	827,275,774	(4,076,404)
\$ 408,158,340	\$ 414,823,497	\$ 822,981,837	\$ (4,407,667)

The accompanying notes are an integral part of this statement.

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	GENERAL	CAPITAL IMPROVEMENT RESERVE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,037,941	\$ 4,673,360	\$ 10,771,275	\$ 17,482,576
Change and imprest funds	46,449	-	2,000	48,449
Investments	8,124,602	20,642,652	48,774,349	77,541,603
Receivables, net				
Taxes	9,895,968	47,053	47,053	9,990,074
Customer accounts	55,747	31,404	335,735	422,886
Interest	48,350	8,914	36,389	93,653
Due from other funds	-	115,396	1,627,787	1,743,183
Interfund loans receivable	1,258,000	-	-	1,258,000
Due from other governmental units	210,580	-	729,088	939,668
Prepayments	99,315	-	-	99,315
Total Current Assets	21,776,952	25,518,779	62,323,676	109,619,407
RESTRICTED ASSETS				
Special assessments - deferred	-	-	160,377	160,377
Total Restricted Assets	-	-	160,377	160,377
NONCURRENT ASSETS				
Notes/contracts receivable	1,140,000	-	13,105,983	14,245,983
Advances to other funds	7,784,168	-	-	7,784,168
Total Noncurrent Assets	8,924,168	-	13,105,983	22,030,151
TOTAL ASSETS	\$ 30,701,120	\$ 25,518,779	\$ 75,590,036	\$ 131,809,935
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Wages payable	\$ 2,202,596	\$ -	\$ 631,042	\$ 2,833,638
Accounts payable	1,401,989	-	1,521,850	2,923,839
Due to other funds	146,288	1,572,487	43,630	1,762,405
Interfund loans payable	-	-	1,218,000	1,218,000
Due to other governmental units	63,897	-	-	63,897
Custodial accounts	115,975	-	2,530	118,505
Deferred revenues	-	-	332,623	332,623
Other current liabilities	5,438	2,811	127,893	136,142
Total Current Liabilities	3,936,183	1,575,298	3,877,568	9,389,049
NONCURRENT LIABILITIES				
Deferred revenues	2,611,625	-	160,377	2,772,002
Total Noncurrent Liabilities	2,611,625	-	160,377	2,772,002
TOTAL LIABILITIES	6,547,808	1,575,298	4,037,945	12,161,051
FUND BALANCES				
Reserved for:				
Loans receivable	8,924,168	-	13,105,983	22,030,151
Unreserved, reported in:				
General fund	15,229,144	-	-	15,229,144
Special revenue funds	-	23,943,481	53,441,726	77,385,207
Debt service funds	-	-	141,447	141,447
Capital projects funds	-	-	4,862,935	4,862,935
TOTAL FUND BALANCES	24,153,312	23,943,481	71,552,091	119,648,884
TOTAL LIABILITIES AND FUND BALANCES	\$ 30,701,120	\$ 25,518,779	\$ 75,590,036	\$ 131,809,935

The accompanying notes are an integral part of this statement.

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2010**

Total Fund Balances reported on the Balance Sheet - Governmental Funds	\$ 119,648,884
<p>Amounts reported for governmental activities in the Balance Sheet - Governmental Funds differ from amounts reported in the government-wide Statement of Net Assets by the following items:</p>	
Capital assets reported in the government-wide Statement of Net Assets not reported in the Balance Sheet - Governmental Funds	304,396,337
Long-term debt reported in the government-wide Statement of Net Assets not reported in the Balance Sheet - Governmental Funds	(36,473,033)
Assets and liabilities of internal service funds included in governmental activities in the government-wide Statement of Net Assets not reported in the Balance Sheet - Governmental Funds	6,643,312
Net pension asset reported in the government-wide Statement of Net Assets not reported in the Balance Sheet - Governmental Funds	7,943,678
Unearned revenues reported as deferred revenues in the Balance Sheet - Governmental Funds not reported in the government-wide Statement of Net Assets	2,772,001
Net investment in joint ventures reported in the government-wide Statement of Net Assets not reported in the Balance Sheet - Governmental Funds	2,165,911
Accrued receivables reported in the government-wide Statement of Net Assets not reported in the Balance Sheet - Governmental Funds	2,410,875
Accrued pollution remediation liability reported in the government-wide Statement of Net Assets not reported in the Balance Sheet - Governmental Funds	(235,000)
Discount on notes receivable reported in the government-wide Statement of Net Assets not reported in the Balance Sheet - Governmental Funds	(1,114,625)
Total Net Assets reported on the government-wide Statement of Net Assets	<u>\$ 408,158,340</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, 2010**

	GENERAL FUND	CAPITAL IMPROVEMENT RESERVE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 66,677,282	\$ 600,029	\$ 20,949,339	\$ 88,226,650
Licenses and permits	983,466	-	291,624	1,275,090
Intergovernmental revenues	3,762,282	-	9,181,273	12,943,555
Charges for services	6,853,868	96,288	4,416,679	11,366,835
Fines and forfeits	1,692,261	-	596,980	2,289,241
Other revenues	1,206,031	769,346	4,080,189	6,055,566
Total revenues	81,175,190	1,465,663	39,516,084	122,156,937
EXPENDITURES				
Current:				
General government services	18,022,690	-	1,537,669	19,560,359
Security of persons and property	54,247,990	-	9,033,591	63,281,581
Physical environment	3,740,964	-	811,179	4,552,143
Transportation	1,765,258	-	2,083,392	3,848,650
Economic environment	4,763,250	-	2,011,290	6,774,540
Mental and physical health	20,341	-	-	20,341
Culture and recreation	616,594	500,000	13,877,806	14,994,400
Capital outlay	73,406	-	11,470,194	11,543,600
Debt service:				
Principal	-	-	1,819,316	1,819,316
Interest	-	-	864,472	864,472
Total Expenditures	83,250,493	500,000	43,508,909	127,259,402
Excess (deficiency) of revenues over (under) expenditures	(2,075,303)	965,663	(3,992,825)	(5,102,465)
OTHER FINANCING SOURCES (USES)				
Disposition of capital assets	-	-	81,031	81,031
Transfers in	4,773,885	6,000,000	13,332,584	24,106,469
Transfers out	(1,933,535)	(5,502,404)	(12,719,915)	(20,155,854)
Total other financing sources (uses)	2,840,350	497,596	693,700	4,031,646
Net change in fund balances	765,047	1,463,259	(3,299,125)	(1,070,819)
Fund balances - beginning	23,388,265	22,480,222	74,851,216	120,719,703
FUND BALANCES - ENDING	\$ 24,153,312	\$ 23,943,481	\$ 71,552,091	\$ 119,648,884

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, 2010**

Net change in fund balances for total governmental funds reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ (1,070,819)
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.	(40,954)
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.	(985,458)
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.	1,737,540
Increase (decrease) to the net pension asset on the government-wide statements during the current period.	(2,192,336)
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.	(1,778,902)
Increase (decrease) to investment in the joint venture "Snohomish County Emergency Radio System" reported in the government-wide statements during the current period.	(341,074)
Increase (decrease) to accrued receivables in the government-wide statements during the current period.	490,934
Decrease (increase) to accrued pollution remediation liability in the government-wide statements during the current period.	1,265,000
Fair value of capital assets donated to the City reported in the government-wide statements during the current period.	40,185
Increase (decrease) to non-current deferred revenue on the Balance Sheet - Governmental Funds during the current period.	9,702
Increase (decrease) to notes and interest receivable on the government-wide statements during the current period.	22,774
Change in net assets of governmental activities reported on the government-wide Statement of Activities	<u>\$ (2,843,408)</u>

The accompanying notes are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
REVENUES				
Taxes	68,748,225	\$ 66,857,285	\$ 66,677,282	\$ (180,003)
Licenses and permits	1,030,077	830,077	983,466	153,389
Intergovernmental revenues	2,852,208	3,944,710	3,762,282	(182,428)
Charges for services	7,077,984	7,077,984	6,853,868	(224,116)
Fines and forfeits	1,433,800	1,433,800	1,692,261	258,461
Other revenues	1,335,600	1,335,600	1,206,031	(129,569)
TOTAL REVENUES	82,477,894	81,479,456	81,175,190	(304,266)
EXPENDITURES				
Current:				
General government services	18,409,576	18,622,816	18,022,690	600,126
Security of persons and property	57,013,786	56,731,792	54,247,990	2,483,802
Physical environment	4,574,262	4,358,070	3,740,964	617,106
Transportation	1,812,371	1,651,793	1,765,258	(113,465)
Economic environment	5,078,405	5,153,795	4,763,250	390,545
Mental and physical health	26,092	26,092	20,341	5,751
Culture and recreation	778,870	763,870	616,594	147,276
Capital outlay	40,627	36,562	73,406	(36,844)
TOTAL EXPENDITURES	87,733,989	87,344,790	83,250,493	4,094,297
Excess (deficiency) of revenues over (under) expenditures	(5,256,095)	(5,865,334)	(2,075,303)	3,790,031
OTHER FINANCING SOURCES (USES)				
Transfers in	4,736,095	4,736,095	4,773,885	37,790
Transfers out	-	-	(1,933,535)	(1,933,535)
Total other financing sources (uses)	4,736,095	4,736,095	2,840,350	(1,895,745)
Net change in fund balances	(520,000)	(1,129,239)	765,047	1,894,286
Fund balances - beginning	22,920,000	23,260,239	23,388,265	128,026
FUND BALANCES - ENDING	\$ 22,400,000	\$ 22,131,000	\$ 24,153,312	\$ 2,022,312

The accompanying notes are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT RESERVE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 768,750	\$ 768,750	\$ 600,029	\$ (168,721)
Charges for services	-	-	96,288	96,288
Other revenues	706,321	706,321	769,346	63,025
TOTAL REVENUES	1,475,071	1,475,071	1,465,663	(9,408)
EXPENDITURES				
Current:				
Transportation	20,000	20,000	-	20,000
Culture and recreation	500,000	500,000	500,000	-
Debt service:				
Principal retirement	1,302,000	1,302,000	-	1,302,000
TOTAL EXPENDITURES	1,822,000	1,822,000	500,000	1,322,000
Excess (deficiency) of revenues over (under) expenditures	(346,929)	(346,929)	965,663	1,312,592
OTHER FINANCING SOURCES (USES)				
Transfers in	-	6,000,000	6,000,000	-
Transfers out	(4,838,678)	(12,753,178)	(5,502,404)	7,250,774
Total other financing sources (uses)	(4,838,678)	(6,753,178)	497,596	7,250,774
Net change in fund balances	(5,185,607)	(7,100,107)	1,463,259	8,563,366
Fund balances - beginning	17,049,967	18,514,467	22,480,222	3,965,755
FUND BALANCES - ENDING	\$ 11,864,360	\$ 11,414,360	\$ 23,943,481	\$ 12,529,121

The accompanying notes are an integral part of this statement.

**BALANCE SHEET
PROPRIETARY FUNDS
DECEMBER 31, 2010**

	BUSINESS TYPE ACTIVITIES				GOVERNMENTAL
	WATER & SEWER UTILITY	TRANSIT	OTHER ENTERPRISE FUNDS	TOTAL	ACTIVITIES - INTERNAL SERVICE FUNDS
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 4,755,690	\$ 2,164,919	\$ 489,746	\$ 7,410,355	\$ 2,724,933
Deposits with Trustee	-	117,851	-	117,851	-
Investments	31,236,926	7,303,548	2,143,256	40,683,730	12,051,552
Bond covenant accounts:					
Restricted cash and cash equivalents	3,706,985	-	122,167	3,829,152	-
Restricted investments	7,282,242	-	-	7,282,242	-
Receivables, net					
Taxes	-	3,198,515	-	3,198,515	-
Customer accounts	5,172,937	14,795	246,206	5,433,938	16,253
Interest	56,361	7,511	3,515	67,387	12,950
Due from other funds	82,295	-	-	82,295	-
Interfund loans	257,500	-	-	257,500	-
Due from other governments	2,191,193	1,268,840	15,964	3,475,997	39,776
Prepayments	94,927	-	-	94,927	463,873
Inventory	646,363	-	98,278	744,641	460,725
Total Current Assets	55,483,419	14,075,979	3,119,132	72,678,530	15,770,062
NONCURRENT ASSETS					
Restricted cash and cash equivalents	54,186	-	-	54,186	-
Special assessments - deferred	7,068	-	-	7,068	-
Investment in joint venture	1,188,388	-	-	1,188,388	-
Unamortized debt issue costs	1,621,297	-	63,865	1,685,162	-
Land	21,237,490	10,439,811	959,622	32,636,923	-
Construction in progress	69,158,337	369,041	1,017,787	70,545,165	-
Capital assets, net of depreciation (Note 6)	370,026,086	44,211,336	10,873,685	425,111,107	1,186,282
Total Noncurrent Assets	463,292,852	55,020,188	12,914,959	531,227,999	1,186,282
TOTAL ASSETS	\$ 518,776,271	\$ 69,096,167	\$ 16,034,091	\$ 603,906,529	\$ 16,956,344
LIABILITIES AND FUND EQUITY					
CURRENT LIABILITIES					
Wages and benefits payable	\$ 1,315,693	\$ 753,578	\$ 25,667	\$ 2,094,938	\$ 176,759
Accounts payable	2,884,202	76,315	176,744	3,137,261	545,099
Claims and judgments payable	-	-	-	-	6,406,091
Interest payable	1,252,808	-	22,166	1,274,974	-
Taxes payable	105,938	2,852	9,544	118,334	-
Due to other funds	61,504	-	1,570	63,074	-
Interfund loans payable	-	-	297,500	297,500	-
Due to other governments	-	817,795	-	817,795	-
Deferred revenues	1,280	170,567	171,880	343,727	-
Current portion of long-term debt	7,517,095	-	1,200,000	8,717,095	-
Unamortized discount	-	-	2,012	2,012	-
Unamortized premiums	273,859	-	-	273,859	-
Other current liabilities	-	-	25,407	25,407	125,615
Total Current Liabilities	13,412,379	1,821,107	1,932,490	17,165,976	7,253,564
NONCURRENT LIABILITIES					
Capital Leases Payable	26,196	-	-	26,196	-
General obligation bonds payable	-	-	8,200,000	8,200,000	-
Revenue bonds payable	108,480,000	-	-	108,480,000	-
Unamortized discount	-	-	16,875	16,875	-
Unamortized premiums	4,710,475	-	-	4,710,475	-
Real estate contracts payable	1,720,404	-	-	1,720,404	-
Advances from other funds	-	-	7,784,168	7,784,168	-
Deferred revenues	4,069	-	-	4,069	-
Loans payable	35,116,822	-	-	35,116,822	-
Claims and judgments payable	-	-	-	-	7,907,798
Other long-term liabilities	492,757	145,295	318,342	956,394	53,325
Total Noncurrent Liabilities	150,550,723	145,295	16,319,385	167,015,403	7,961,123
TOTAL LIABILITIES	163,963,102	1,966,402	18,251,875	184,181,379	15,214,687
FUND EQUITY					
Invested in capital assets, net of related debt	302,577,062	55,020,188	3,432,207	361,029,457	1,186,282
Restricted for debt service	10,989,227	-	122,167	11,111,394	-
Restricted for special assessments	1,719	-	-	1,719	-
Restricted for other governments	54,186	-	-	54,186	-
Unrestricted	41,190,975	12,109,577	(5,772,158)	47,528,394	555,375
TOTAL FUND EQUITY	354,813,169	67,129,765	(2,217,784)	419,725,150	1,741,657
TOTAL LIABILITIES AND FUND EQUITY	\$ 518,776,271	\$ 69,096,167	\$ 16,034,091		\$ 16,956,344

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.

(4,901,653)

Net assets of business-type activities

\$ 414,823,497

The accompanying notes are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	BUSINESS-TYPE ACTIVITIES				GOVERNMENTAL ACTIVITIES -
	WATER & SEWER UTILITY	TRANSIT	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
OPERATING REVENUES:					
Admission taxes	\$ -	\$ -	\$ 98,269	\$ 98,269	\$ -
Charges for services	57,751,492	1,386,598	6,276,609	65,414,699	20,945,823
Rental revenues	-	807,449	-	807,449	-
Total Operating Revenues	57,751,492	2,194,047	6,374,878	66,320,417	20,945,823
OPERATING EXPENSES:					
Personnel services	17,617,553	11,273,389	1,044,353	29,935,295	3,037,227
Supplies	3,789,673	1,592,090	689,461	6,071,224	4,092,259
Professional services	3,580,509	2,065,926	4,395,525	10,041,960	11,887,849
Depreciation and amortization	10,498,802	2,832,807	947,945	14,279,554	258,560
Taxes	1,101,850	9,301	262	1,111,413	-
Other operating expenses	9,485,347	3,203,026	503,485	13,191,858	7,840,602
Total Operating Expenses	46,073,734	20,976,539	7,581,031	74,631,304	27,116,497
Operating Income (Loss)	11,677,758	(18,782,492)	(1,206,153)	(8,310,887)	(6,170,674)
NON-OPERATING REVENUES (EXPENSES):					
Sales tax	-	15,893,850	-	15,893,850	-
Intergovernmental revenues	479,165	954,980	87,504	1,521,649	-
Interest and investment revenue	2,277,423	383,706	164,243	2,825,372	585,096
Rent	675,200	52,077	-	727,277	-
Other non-operating revenues	241,498	32,542	-	274,040	244,348
Gain (loss) on sale/retirement of assets	12,604	(11,522)	646	1,728	2,204
Sale of junk/salvage	-	-	-	-	1,991
Interest expense	(5,841,010)	-	(543,261)	(6,384,271)	-
Other non-operating expenses	-	(2,873,329)	-	(2,873,329)	-
Total Non-Operating Revenues (Expenses)	(2,155,120)	14,432,304	(290,868)	11,986,316	833,639
Income (Loss) Before Contributions and Transfers	9,522,638	(4,350,188)	(1,497,021)	3,675,429	(5,337,035)
Capital contributions	1,368,663	1,014,125	-	2,382,788	-
Transfers in	-	-	-	-	66,073
Transfers out	(3,629,004)	(135,684)	(252,000)	(4,016,688)	-
INCREASE (DECREASE) IN NET EQUITY	7,262,297	(3,471,747)	(1,749,021)	2,041,529	(5,270,962)
NET EQUITY - BEGINNING	347,550,872	70,601,512	(468,763)	417,683,621	7,012,619
NET EQUITY - ENDING	\$ 354,813,169	\$ 67,129,765	\$ (2,217,784)	\$ 419,725,150	\$ 1,741,657
Change in accounting policy					
	The difference between Increase in Net Equity, and Change in Net Assets for business-type funds is explained as follows:				
				\$ 2,041,529	
				(3,492,058)	
				<u>\$ (1,450,529)</u>	

The accompanying notes are an integral part of this statement.

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Page 1 of 2)**

	BUSINESS-TYPE ACTIVITIES				GOVERNMENTAL ACTIVITIES -
	WATER & SEWER UTILITY	TRANSIT	OTHER ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 56,740,315	\$ 2,167,914	\$ 6,339,019	\$ 65,247,248	\$ 723,272
Receipts from interfund services provided	1,057,089	30,576	-	1,087,665	20,191,246
Payments to suppliers	(11,167,944)	(1,925,941)	(5,551,089)	(18,644,974)	(17,293,407)
Payments to employees	(17,586,844)	(11,183,420)	(1,040,677)	(29,810,941)	(3,028,180)
Payments for interfund services used	(6,043,440)	(5,234,878)	(151,456)	(11,429,774)	(390,855)
Claims paid	-	-	-	-	(4,304,562)
Other receipts (payments)	241,498	128,797	-	370,295	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	23,240,674	(16,016,952)	(404,203)	6,819,519	(4,102,486)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Sales tax received	-	15,424,386	-	15,424,386	-
Receipts from non-capital grants	479,165	409,069	87,504	975,738	-
Interfund loans received	8,769,923	-	(125,000)	8,644,923	-
Interfund loans paid out	(521,500)	-	-	(521,500)	-
Proceeds from interfund loans	61,504	-	-	61,504	-
Principal paid on interfund loans	(29,012)	-	-	(29,012)	-
Interest paid on interfund loans	-	-	(257,960)	(257,960)	-
Transfers to other funds	(3,629,004)	(135,684)	-	(3,764,688)	-
Transfers from other funds	-	-	(252,000)	(252,000)	66,073
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	5,131,076	15,697,771	(547,456)	20,281,391	66,073
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from capital debt	-	-	10,500,000	10,500,000	-
Principal paid on capital debt	(5,389,872)	-	(1,139,554)	(6,529,426)	-
Interest paid on capital debt	(6,075,816)	-	(308,113)	(6,383,929)	-
Principal paid on interfund loans	-	-	(8,208,423)	(8,208,423)	-
Receipts from capital grants	-	2,051,665	171,732	2,223,397	-
Proceeds from sale of capital assets	12,604	2,147	646	15,397	4,195
Capital contributions	538,957	-	-	538,957	-
Acquisition and construction of capital assets	(24,215,628)	(393,571)	(82,456)	(24,691,655)	(240,571)
Payments to joint ventures	(17,236)	-	-	(17,236)	-
Capital assessments received	2,724	-	-	2,724	-
Other receipts (Payments)	-	(2,322,093)	-	(2,322,093)	244,348
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	(35,144,267)	(661,852)	933,832	(34,872,287)	7,972
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale of investments	5,539,703	1,350,743	203,689	7,094,135	3,535,532
Purchase of investments	-	-	-	-	(12,821)
Investment income	2,053,340	334,965	33,880	2,422,185	507,792
NET CASH PROVIDED BY INVESTING ACTIVITIES	7,593,043	1,685,708	237,569	9,516,320	4,030,503
Net Increase (Decrease) in Cash and Cash Equivalents	820,526	704,675	219,742	1,744,943	2,062
Cash and Cash Equivalents, January 1	7,696,335	1,578,095	392,171	9,666,601	2,722,871
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 8,516,861	\$ 2,282,770	\$ 611,913	\$ 11,411,544	\$ 2,724,933
Current Cash and Cash Equivalents	\$ 4,755,690	\$ 2,282,770	\$ 489,746	\$ 7,528,206	\$ 2,724,933
Restricted Cash and Cash Equivalents	3,761,171	-	122,167	3,883,338	-
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 8,516,861	\$ 2,282,770	\$ 611,913	\$ 11,411,544	\$ 2,724,933

The accompanying notes are an integral part of this statement.

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Page 2 of 2)**

	BUSINESS-TYPE ACTIVITIES				GOVERNMENTAL
	WATER & SEWER UTILITY	TRANSIT	OTHER ENTERPRISE FUNDS	TOTAL	ACTIVITIES - INTERNAL SERVICE FUNDS
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 11,677,758	\$ (18,782,492)	\$ (1,206,153)	\$ (8,310,887)	\$ (6,170,674)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and amortization	10,498,802	2,832,807	947,945	14,279,554	258,560
Other non-operating receipts	916,698	84,619	-	1,001,317	-
Change in Assets and Liabilities:					
(Increase) decrease in inventories	(2,045)	-	(13,576)	(15,621)	9,250
(Increase) decrease in receivables	(710,026)	(64,840)	(40,353)	(815,219)	(29,902)
(Increase) decrease in prepaid expenses	28,129	34,646	-	62,775	73,135
Increase (decrease) in accounts and other payables	884,520	(266,695)	(96,560)	521,265	1,757,168
Increase (decrease) in compensated absences	(53,162)	7,744	-	(45,418)	1,380
Increase (decrease) in other current liabilities	-	137,259	4,494	141,753	(1,403)
TOTAL ADJUSTMENTS	11,562,916	2,765,540	801,950	15,130,406	2,068,188
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 23,240,674	\$ (16,016,952)	\$ (404,203)	\$ 6,819,519	\$ (4,102,486)
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:					
Non-Cash Financing, Capital and Investing Activities:					
Capital assets contributed by private developers	\$ 270,056	\$ -	\$ -	\$ 270,056	\$ -
Increase (decrease) in fair value of investments	338,872	18,451	136,669	493,992	113,047
TOTAL NON-CASH ACTIVITIES	\$ 608,928	\$ 18,451	\$ 136,669	\$ 764,048	\$ 113,047

The accompanying notes are an integral part of this statement.

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2010**

	TRUST FUNDS	AGENCY FUNDS
ASSETS AND OTHER DEBITS		
Cash and cash equivalents	\$ 360,378	\$ 267,148
Agency bonds	50,296,620	-
Accounts receivable - net	-	22,504
Interest receivable	55,984	-
Due from Other Governmental Units	-	320,745
TOTAL ASSETS	50,712,982	610,397
LIABILITIES		
Accounts payable	\$ 26,588	\$ 425,163
Due to Other Governmental Units	-	-
Other current liabilities	-	185,234
TOTAL LIABILITIES	26,588	610,397
NET ASSETS		
Held in trust for pension benefits	4,824,285	-
Held in trust for post employment benefits	45,862,109	-
Total held in trust	\$ 50,686,394	\$ -

The accompanying notes are an integral part of this statement.

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

		TRUST FUNDS
ADDITIONS:		
Contributions		
Employer	\$	91,098
State		149,966
Total contributions		<u>241,064</u>
Investment income		
Interest		1,707,071
Net appreciation (depreciation) in fair value		140,093
Net investment income		<u>1,847,164</u>
TOTAL ADDITIONS		<u>2,088,228</u>
DEDUCTIONS:		
Benefits		
		4,083,304
Administrative expense		28,168
TOTAL DEDUCTIONS		<u>4,111,472</u>
CHANGE IN NET ASSETS		
Pension benefits		(990,183)
Postemployment healthcare benefits		(1,033,061)
NET ASSETS RESERVED FOR EMPLOYEES' PENSION BENEFITS		
Employees' pension benefits, January 1		5,814,468
NET ASSETS RESERVED FOR POSTEMPLOYMENT HEALTHCARE BENEFITS		
Postemployment healthcare benefits, January 1		46,895,170
NET ASSETS - ENDING	\$	<u>50,686,394</u>

The accompanying notes are an integral part of this statement.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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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).

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.

The entire IDC's governing body is composed 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.

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, 2010, 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 \$25,415,000 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. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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.

C. 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 is a special revenue fund which 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.

The City complies with all applicable GASB pronouncements. The City also complies with all private-sector standards of accounting and financial reporting issued prior to December 1, 1989, in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance

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.

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

D. ASSETS, LIABILITIES AND NET ASSETS 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 assets. Specific debt service requirements are disclosed in Note 10.

Restricted assets of governmental activities include the following:

Special assessments receivable	<u>\$ 160,377</u>
--------------------------------	-------------------

Restricted assets of business-type activities include the following:

Revenue bond debt service accounts	\$ 11,111,394
Escrow required by Snohomish County Health District	54,186
Special assessments receivable	<u>1,719</u>
Total	<u>\$ 11,167,299</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-C for revenue recognition criteria).

The components of deferred revenue as of December 31, 2010 are detailed below.

Deferred Revenue - unearned:	Governmental Activities	Business-Type Activities
Grant drawdowns prior to meeting all eligibility requirements	\$ 252,285	\$ -
Revenues received in advance	80,338	342,447
Contracts and agreements receivable	-	5,349
Total Deferred Revenue - unearned	\$ 332,623	\$ 347,796

Deferred Revenue - unavailable:	Governmental Funds
Delinquent property taxes receivable	\$ 1,448,825
Note receivable	\$ 1,162,800
Special assessments not yet due	160,377
Total Deferred Revenue - unavailable	\$ 2,772,001

Short-term Debt

The City did not issue short-term debt during 2010.

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 assets. 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.

Reserves and Designations

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. A designation of fund balance is used to identify amounts set aside by management for tentative future purposes.

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 assets.**

The governmental funds balance sheet includes a reconciliation between Total Fund Balances – Governmental Funds and Total Net Assets-Governmental Activities as reported in the government-wide statement of net assets. 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	\$ 413,094,815
Fair value of annexed land and infrastructure	1,827,540
Accumulated depreciation	<u>(110,526,018)</u>

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

\$ 304,396,337

Long-term debt not reported in total governmental funds:

Bonds payable	\$ (28,050,223)
Compensated absences accrued	(8,346,970)
Deferred charge for issuance costs (to be amortized over the life of the debt)	163,445
Unamortized balance of bond premiums	(162,521)
Accrued interest payable	(70,649)
Capital leases	<u>(6,115)</u>

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

\$ (36,473,033)

Internal service funds reported separately with business-type funds:

Internal service funds - total fund equity	\$ 1,741,659
Amount allocated to internal balances - business-type activities	<u>4,901,653</u>

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

\$ 6,643,312

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 assets-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	\$ (1,685,676)
Accumulated depreciation of disposed assets	<u>1,644,722</u>

Net adjustment to increase (reduce) net change in fund balances-total governmental funds to arrive at change in net assets of governmental activities	<u>\$ (40,954)</u>
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The amount by which depreciation exceeds capital outlays in the current period:

Expenditures that are capitalized	\$ 8,401,149
Current depreciation expense	<u>(9,386,607)</u>

Net adjustment to increase (reduce) net change in fund balance-total governmental funds to arrive at change in net assets of governmental activities	<u>\$ (985,458)</u>
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The net effect of the differences in the treatment of long-term debt and related items:

Principal payments on long-term debt	\$ 1,819,316
Decrease (increase) in interest payable	1,026
Decrease (increase) in compensated absences liability	(82,748)
Amortization of issuance costs	(9,614)
Amortization of bond premium	<u>9,560</u>

Net adjustment to increase (reduce) net change in fund balances-total governmental funds to arrive at change in net assets of governmental activities	<u>\$ 1,737,540</u>
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The net revenue (expense) of certain activities of internal service funds:

Interest revenue allocated from internal service funds to governmental activities	\$ 202,264
Net expense allocated from internal service funds to governmental activities	(2,047,239)
Interfund transfers in	<u>66,073</u>

Net adjustment to reduce net change in fund balances-total governmental funds to arrive at change in net assets of governmental activities	<u>\$ (1,778,902)</u>
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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 statements 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 2010.

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, 2010, the following funds reported deficits in fund balance:

Fund 153 – Emergency Medical Services had a deficit fund balance of \$849,137. In April of 2010, voters restored the EMS levy rate to \$0.50 per \$1,000 of assessed value – effective for the 2011 tax levy. The increase in property tax revenue will eliminate the deficit balance in this fund.

Fund 360 – Block Grant Neighborhood Improvement Fund had a deficit fund balance of \$7,928. This deficit will be eliminated by grant reimbursement in early 2011.

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.

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 Dain Rauscher. Fire and Police Pension assets are protected by the Securities Investor Protection Corporation (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 maturity of the City's portfolio on December 31, 2010, was 6.4 years.

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, banker's 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.

As of December 31, 2010, the City had the following investments and maturities:

	FAIR VALUE	Weighted Avg Maturity (in years)
Investments:		
Agencies:		
FHLMC	\$ 5,996,280	
FFCB	48,469,499	
FHLB	54,004,498	
FNMA	30,038,301	
Total Investments	<u>\$ 138,508,578</u>	
Deposits:		
State Pool	\$ 18,385,500	
Deposit Account - Cascade Bank	2,852,072	
Total Deposits	<u>\$ 21,237,572</u>	
TOTAL INVESTMENTS & DEPOSITS	<u>\$ 159,746,150</u>	6.4

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
Fund 360 - Block Grant Improvement Fund	Fund 198 - Community Development Block Grants

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 2010, the City levied the following property taxes on an assessed value of \$13,591,131,763. 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	\$2.331	\$ 31,687,511
Emergency medical services	0.324	4,401,037
TOTAL CITY LEVY	\$2.655	\$ 36,088,548

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 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 assets.

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

GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE 01/01/10	ADDITIONS	TRANSFERS	DELETIONS	ENDING BALANCE 12/31/10
Capital assets, not being depreciated or amortized:					
Land	\$ 58,745,250	\$ 3,657	\$ -	\$ -	\$ 58,748,907
Construction in progress *	11,509,525	6,260,958	(4,541,911)	(1,475,727)	11,752,845
Total capital assets, not being depreciated or amortized	<u>70,254,775</u>	<u>6,264,615</u>	<u>(4,541,911)</u>	<u>(1,475,727)</u>	<u>70,501,752</u>
Capital assets, being depreciated or amortized:					
Buildings	85,045,199	-	1,243,923	-	86,289,122
Improvements other than buildings	30,353,140	4,752	62,976	(495,600)	29,925,268
Infrastructure	200,406,953	2,285,645	3,251,392	-	205,943,990
Machinery and equipment	24,741,270	1,559,152	(16,380)	(1,232,019)	25,052,023
Intangibles	544,364	42,182	-	-	586,546
Total capital assets being depreciated or amortized	<u>341,090,926</u>	<u>3,891,731</u>	<u>4,541,911</u>	<u>(1,727,619)</u>	<u>347,796,949</u>
Less accumulated depreciation or amortization for:					
Buildings	(25,221,409)	(1,917,413)	-	-	(27,138,822)
Improvements other than buildings	(13,930,156)	(1,630,697)	-	493,149	(15,067,704)
Infrastructure	(50,431,509)	(4,324,155)	-	-	(54,755,664)
Machinery and equipment	(14,994,186)	(1,683,773)	-	1,193,518	(15,484,441)
Intangibles	(180,326)	(89,127)	-	-	(269,453)
Total accumulated depreciation and amortization	<u>(104,757,586)</u>	<u>(9,645,165)</u>	<u>-</u>	<u>1,686,667</u>	<u>(112,716,084)</u>
Total capital assets being depreciated or amortized, net	<u>236,333,340</u>	<u>(5,753,434)</u>	<u>4,541,911</u>	<u>(40,952)</u>	<u>235,080,865</u>
Governmental activities capital assets, net	<u>\$ 306,588,115</u>	<u>\$ 511,181</u>	<u>\$ -</u>	<u>\$ (1,516,679)</u>	<u>\$ 305,582,617</u>

* The deletion of construction in progress costs of \$1,475,727 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 01/01/10	ADDITIONS	TRANSFERS	DELETIONS	ENDING BALANCE 12/31/10
Capital assets, not being depreciated:					
Land	\$ 32,400,211	\$ -	\$ 236,712	\$ -	\$ 32,636,923
Construction in progress *	101,773,408	20,632,489	(51,341,806)	(518,925)	70,545,166
Total capital assets, not being depreciated	<u>134,173,619</u>	<u>20,632,489</u>	<u>(51,105,094)</u>	<u>(518,925)</u>	<u>103,182,089</u>
Capital assets, being depreciated					
Buildings	154,698,569	-	26,686,938	(23,103)	181,362,404
Improvements other than buildings	382,581,712	360,102	24,418,156	-	407,359,970
Machinery and equipment	30,964,122	1,838,395	-	(204,021)	32,598,496
Intangibles	5,248,932	33,555	-	-	5,282,487
Total capital assets being depreciated	<u>573,493,335</u>	<u>2,232,052</u>	<u>51,105,094</u>	<u>(227,124)</u>	<u>626,603,357</u>
Less accumulated depreciation for:					
Buildings	(48,998,929)	(3,299,055)	-	15,017	(52,282,967)
Improvements other than buildings	(115,185,866)	(8,647,322)	-	-	(123,833,188)
Machinery and equipment	(18,160,566)	(2,290,720)	-	198,438	(20,252,848)
Intangibles	(5,080,790)	(42,457)	-	-	(5,123,247)
Total accumulated depreciation	<u>(187,426,151)</u>	<u>(14,279,554)</u>	<u>-</u>	<u>213,455</u>	<u>(201,492,250)</u>
Total assets being depreciated, net	<u>386,067,184</u>	<u>(12,047,502)</u>	<u>51,105,094</u>	<u>(13,669)</u>	<u>425,111,107</u>
Business-type activities capital assets, net	<u>\$ 520,240,803</u>	<u>\$ 8,584,987</u>	<u>\$ -</u>	<u>\$ (532,594)</u>	<u>\$ 528,293,196</u>

* The deletion of construction in progress costs of \$518,925 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:

	<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	\$ 437,080
Police	901,756
Fire	824,986
Engineering & construction services	275,036
Transportation	4,023,284
Community services	80,073
Library	697,440
Culture and recreation	2,236,334
Internal service allocated to business-type activities	<u>169,176</u>
Total depreciation - governmental activities	\$ 9,645,165
BUSINESS-TYPE ACTIVITIES	
Water	\$ 4,231,584
Sewer	6,352,128
Solid waste	274,808
Parking	42,926
Transit	2,917,073
Golf	630,211
Internal service allocated to business-type activities	<u>(169,176)</u>
Total depreciation - business-type activities	\$ 14,279,554
Total depreciation - all activities	\$ 23,924,719

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 and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

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

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

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

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

PERS Plan 1 and 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is two percent of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 24 consecutive highest-paid credit months). The retirement benefit may not exceed sixty percent of AFC. The monthly benefit is subject to a minimum for PERS Plan 1 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. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, which is increased 3 percent annually. Plan 1 members may also 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 payable to the age of 60. The allowance 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. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance 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. A cost-of living allowance is granted at age 66 based upon years of service times the 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.

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. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

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 three percent for each year before age 65.
- 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. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions. Effective July 22, 2007, said refund (adjusted as needed for specified legal reductions) is increased from 100 percent to 200 percent of the accumulated contributions if the member's death occurs in the uniformed service to the United States while participating in *Operation Enduring Freedom* or *Persian Gulf*, *Operation Iraqi Freedom*.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a monthly benefit that is one percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

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 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible 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 three 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 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit and Plan 3 provides the same cost-of-living allowance as Plan 2.

PERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities.

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

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 one 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 three 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. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also 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, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by 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 said member's covered employment, if found eligible by the Department of Labor and Industries.

Judicial Benefit Multiplier

Beginning January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to participate in the Judicial Benefit Multiplier Program (JBM) enacted in 2006. Justices and judges in PERS Plan 1 and 2 were able to make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 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 average compensation.

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

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM program. Justices and judges who are newly elected or appointed to judicial service will: return to 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 1,189 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	74,857
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	28,074
Active Plan Members Vested	105,339
Active Plan Members Non-vested	<u>53,896</u>
Total	262,166

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2, and the employer contribution rate for Plan 3, are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Director of the Department of Retirement Systems sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with RCW Chapters 41.40 and 41.45.

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2010 are as follows:

Members not participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer *	5.31%**	5.31%**	5.31%***
Employee	6.00%****	3.90%****	*****

- * The employer rates include the employer administration expense fee currently set at 0.16%.
- ** The employer rate for state elected officials is 7.89% for Plan 1 and 5.31% for Plans 2 and 3.
- *** Plan 3 defined benefit portion only.
- **** The employee rate for state elected officials is 7.5% for Plan 1 and 3.90% 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*	7.81%	7.81%	7.81%**
Employer - Local Govt.*	5.31%	5.31%	5.31%**
Employee - State Agency	9.76%	7.25%	7.5%***
Employee - Local Govt.	12.26%	9.75%	7.5%***

* 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
2010	\$ 171,041	\$ 2,230,772	\$ 413,232
2009	254,104	2,789,720	531,976
2008	260,693	2,628,363	515,028

Members participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2010	\$ -	\$ 5,968	\$ -
2009	-	7,884	-
2008	-	6,821	-

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

Plan Descriptions

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

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

LEOFF defined benefits are financed from a combination of investment earnings, employee and employer contributions, and a special funding situation in which the state pays the remainder through state legislative appropriations. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible to retire with five years of service at age 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 ten 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 allowances 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, 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 allowance or service retirement allowance.

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 allowance.

LEOFF Plan 2 members are vested after the completion five years of eligible service. Plan 2 members may retire at age 50 with 20 years of service, or at age 53 with 5 years of service, with an allowance of 2 percent of the FAS per year of service. The FAS is based on the highest consecutive 60 months. Plan 2 members who retire prior to the age of 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent 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 allowance amount is 2 percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53, unless the disability is duty-related, and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. A catastrophic 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 severely 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 allowance 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 purchase 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 may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible child(ren) may purchase service credit on behalf of the deceased member.

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, if found eligible by the Department of Labor and Industries.

There are 372 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	9,454
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	674
Active Plan Members Vested	13,363
Active Plan Members Non-vested	<u>3,944</u>
Total	27,435

Funding Policy

Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Employer and employee rates are developed by the Office of the State Actuary to fully fund the plan. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the requirements 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.

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2010 were 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
2010	\$ 1,935	\$ 1,807,435
2009	2,321	1,854,300
2008	2,417	1,709,725

PUBLIC SAFETY EMPLOYEES' RETIREMENT SYSTEM (PSERS) PLAN 2

Plan Description

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2. PSERS was created by the 2004 legislature and became effective July 1, 2006.

PSERS Plan 2 membership includes full-time employees of a covered employer on or before July 1, 2006, who met at least one of the PSERS eligibility criteria, and elected membership during the election period of July 1, 2006 to September 30, 2006; and those 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, Parks and Recreation Commission, Gambling Commission, Washington State Patrol, and Liquor Control Board; Washington State counties; and Washington State cities except for Seattle, Tacoma and Spokane.

To be eligible for PSERS, an employee must work on a full-time basis and have one of the following:

- 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.
- Primary responsibility to ensure the custody and security of incarcerated or probationary individuals.
- Limited authority to function as a Washington peace officer, as defined in RCW 10.93.020.
- Primary responsibility to supervise eligible members who meet the above criteria.

PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PSERS retirement benefit provisions are established in Chapter 41.37 RCW and may be amended only by the State Legislature.

PSERS Plan 2 members are vested after the completion of five years of eligible service. PSERS Plan 2 members may retire 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, with an allowance of 2 percent of the average final compensation (AFC) per year of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 retirees 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 of each year between the age of retirement and age 60 applies. 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 provides disability benefits. There is no minimum amount of service credit required for eligibility. Eligibility is based on the member being totally incapacitated for continued employment with a PSERS employer and leaving that employment as a result of the disability. The disability allowance is 2 percent of the average final compensation (AFC) for each year of service. AFC is based on the member's 60 consecutive highest creditable months of service. Service credit is the total years and months of service credit at the time the member separates from employment. 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).

PSERS Plan 2 members can purchase service credit for military service that interrupts employment. Additionally, PSERS members who become totally incapacitated for continued employment while serving in the uniformed services, may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible child(ren) may purchase service credit on behalf of the deceased member.

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, if the member was not at normal retirement age at death. 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, if found eligible by the Department of Labor and Industries.

There are 73 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date of the plan of June 30, 2009:

Retirees and Beneficiaries Receiving Benefits	2
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members Vested	0
Active Plan Members Non-vested	4,340
Total	4,342

Funding Policy

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2010, were as follows:

PSERS Plan 2	
Employer *	7.85%
Employee	6.55%

* 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	
2010	\$ 49,444
2009	55,608
2008	56,666

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, 2010:

- 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 5 and 7, 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 94 and 45, 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 2010, the City received \$149,966 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)	\$ 293,585	\$ 263,055
Actuarial Adjustment to ARC	52,112	24,193
Interest on Net Pension Obligation (Asset)	<u>(54,717)</u>	<u>(25,403)</u>
Annual Pension Cost (APC)	290,980	261,845
Contributions Made	<u>149,966</u>	<u>-</u>
Increase / (Decrease) in Pension Obligation	141,014	261,845
Net Pension Obligation (Asset) at beginning of year	<u>(1,094,361)</u>	<u>(508,044)</u>
Net Pension Obligation (Asset) at end of year	<u>\$ (953,347)</u>	<u>\$ (246,199)</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 Assets.

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, 2010	\$ 290,980	51.5%	\$ (953,347)
December 31, 2009	274,987	73.4%	(1,094,361)
December 31, 2008	257,027	58.1%	(1,166,762)

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, 2010	\$ 261,845	0.0%	\$ (246,199)
December 31, 2009	247,388	26.0%	(508,044)
December 31, 2008	181,350	0.0%	(691,052)

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, 2008 the Fire pension plan was 45% funded. The actuarial accrued liability for benefits was \$11.5 million, the actuarial value of assets was \$5.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$6.3 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1,019,299, and the ratio of the UAAL to the covered payroll was 613.26%.

As of December 31, 2008 the Police pension plan was 23% funded. The actuarial accrued liability for benefits was \$7.0 million, the actuarial value of assets was \$1.6 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$5.4 million. The covered payroll (annual payroll of active employees covered by the plan) was \$880,684, and the ratio of the UAAL to the covered payroll was 610.75%.

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 only one year of funding progress, as 2009 was the first year the city was required to present this information. In future years, the schedule will present 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 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, 2008. 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 22 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.

Additional actuarial assumptions include: annual cost of living increase for LEOFF benefits of 3%, annual cost of living increase for City benefits of 3.5%; a 5% interest rate-down from 6% in the last actuarial study; and annual wage increases of 4%-down from 5% in the last actuarial study.

Separate financial statements are not issued for the fire and police pension funds. The statement of fiduciary net assets and the statement of changes in fiduciary net assets 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 6 active firefighter plan participants and 123 firefighter retirees currently receiving benefits. There are 5 active law enforcement plan participants and 82 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 2010, the City received \$91,098 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 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 20 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)	\$ 881,765	\$ 861,097
Actuarial Adjustment to ARC	188,634	210,220
Interest on Net OPEB Obligation (Asset)	<u>(198,066)</u>	<u>(220,731)</u>
Annual OPEB Cost (expense)	872,333	850,586
Contributions Made	<u>45,549</u>	<u>45,549</u>
Increase / (Decrease) in OPEB Obligation	826,784	805,037
Net OPEB Obligation (Asset) at beginning of year	(3,961,324)	(4,414,629)
Net OPEB Obligation (Asset) at end of year	<u><u>\$ (3,134,540)</u></u>	<u><u>\$ (3,609,592)</u></u>

The negative net OPEB obligations show above are the result of the City overpaying its annual required contribution; the net OPEB asset has been recorded in the City's government-wide Statement of Net Assets.

The following schedules present three-year trend information for the Fire and Police OPEB 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 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, 2010	\$ 872,333	5.2%	\$ (3,134,540)
December 31, 2009	821,791	40.4%	(3,919,621)
December 31, 2008	1,081,800	2.9%	(4,409,540)

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, 2010	\$ 850,586	5.4%	\$ (3,609,592)
December 31, 2009	798,245	45.7%	(4,372,926)
December 31, 2008	1,017,369	3.1%	(4,806,358)

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, 2008 the Fire healthcare plan was 61% funded. The actuarial accrued liability for benefits was \$48.3 million, the actuarial value of assets was \$29.5 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$18.8 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1,019,299, and the ratio of the UAAL to the covered payroll was 1844.51%.

As of December 31, 2008 the Police Healthcare plan was 52% funded. The actuarial accrued liability for benefits was \$36.4 million, the actuarial value of assets was \$18.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$17.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$880,684, and the ratio of the UAAL to the covered payroll was 1999.27%.

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 two years of funding progress; 2006 was the first year the city was required to present this information. In future years, the schedule will present 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, 2008. 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 22 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.

Additional actuarial assumptions include: cost of living increase for LEOFF benefits 3%, for City benefits 3.5%; investment return 5%; and wage increase 5%. The assumed investment return was lowered from 6% to 5% since the prior actuarial study. In addition, the medical cost trend rate was decreased to 12.0% in year 1, grading down to 7.5% in year 10 and after. The prior actuarial study assumed a medical cost trend rate of 12.5% in year 1, grading down to 8.5% in year 17 and after.

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

STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2010

	637a POLICE PENSION FUND	637b POLICE HEALTHCARE FUND	638a FIRE PENSION FUND	638b FIRE HEALTHCARE FUND	TOTAL TRUST FUNDS
ASSETS					
Cash and cash equivalents	\$ 57,969	\$ 113,158	\$ 76,548	\$ 112,703	\$ 360,378
Investments					
Agency Bonds	534,319	17,612,099	4,155,449	27,994,753	50,296,620
Interest receivable	-	-	-	55,984	55,984
TOTAL ASSETS	592,288	17,725,257	4,231,997	28,163,440	50,712,982
LIABILITIES					
Accounts payable	\$ -	\$ 8,478	\$ -	\$ 18,110	26,588
Total Current Liabilities	-	8,478	-	18,110	26,588
TOTAL LIABILITIES	-	8,478	-	18,110	26,588
NET ASSETS					
Held in trust for pension benefits and other purposes	\$ 592,288	\$ 17,716,779	\$ 4,231,997	\$ 28,145,330	\$ 50,686,394

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

	637a POLICE PENSION FUND	637b POLICE HEALTHCARE FUND	638a FIRE PENSION FUND	638b FIRE HEALTHCARE FUND	TOTAL TRUST FUNDS
ADDITIONS:					
Contributions					
Employer	\$ -	\$ 45,549	\$ -	\$ 45,549	\$ 91,098
State	-	-	149,966	-	149,966
Total contributions	-	45,549	149,966	45,549	241,064
Investment income					
Interest	32,148	619,386	157,452	898,085	1,707,071
Net appreciation (depreciation) in fair value	2,345	23,562	6,417	107,769	140,093
Net investment income	34,493	642,948	163,869	1,005,854	1,847,164
TOTAL ADDITIONS	34,493	688,497	313,835	1,051,403	2,088,228
DEDUCTIONS:					
Benefits	587,493	1,021,657	750,321	1,723,833	4,083,304
Administrative expense	0	13,735	697	13,736	28,168
TOTAL DEDUCTIONS	587,493	1,035,392	751,018	1,737,569	4,111,472
CHANGE IN NET ASSETS					
Pension benefits	(553,000)		(437,183)		(990,183)
Postemployment healthcare benefits		(346,895)		(686,166)	(1,033,061)
NET ASSETS RESERVED FOR EMPLOYEES' PENSION BENEFITS					
Employees' pension benefits, January 1	1,145,288		4,669,180		5,814,468
NET ASSETS RESERVED FOR POSTEMPLOYMENT HEALTHCARE BENEFITS					
Postemployment healthcare benefits, January 1		18,063,674		28,831,496	46,895,170
NET ASSETS - ENDING	\$ 592,288	\$ 17,716,779	\$ 4,231,997	\$ 28,145,330	\$ 50,686,394

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.

The City is self-insured to \$1,000,000 for general liability, auto liability (excluding transit), law enforcement liability, errors and omissions liability and employment practices liability. Workers' compensation is self-insured with varying retention levels, subject to a maximum retention of \$750,000 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 liability and \$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, 2010 the estimated liability totaled \$12,288,021, consisting of \$5,974,443 for tort liability, \$6,157,432 for workers' compensation, and \$156,146 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 2009 and 2010 appear as follows:

	BALANCE AT BEGINNING OF YEAR	CLAIMS	CHANGE IN ESTIMATE	PAYMENTS	BALANCE AT END OF YEAR
Tort Liability:					
2010	6,402,986	1,649,809	(401,802)	(1,676,550)	5,974,443
2009	3,963,107	2,610,676	744,626	(915,423)	6,402,986
Workers' Compensation:					
2010	4,541,102	2,245,893	1,473,216	(2,102,779)	6,157,432
2009	3,822,715	2,215,987	278,982	(1,776,582)	4,541,102
Unemployment Compensation:					
2010	108,977	216,203	71,191	(240,225)	156,146
2009	87,088	150,891	38,655	(167,657)	108,977

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 incurred but not reported ("IBNR") reserves. The claims fluctuation reserve was \$750,000 at December 31, 2010. The IBNR reserve was \$2,025,868 at December 31, 2010, 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 incurred but not reported (IBNR) claims liability in fiscal years 2009 and 2010 appear as follows:

	BALANCE AT BEGINNING OF YEAR	CLAIMS	CHANGE IN ESTIMATE	PAYMENTS	BALANCE AT END OF YEAR
IBNR Liability:					
2010	1,650,186	8,306,075	375,682	(8,306,075)	2,025,868
2009	1,538,413	7,118,496	111,773	(7,118,496)	1,650,186

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, 2010 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	1,600,000	11,400,000
03 LTGO and Refunding Bonds - capital	01-01-03	12-31-27	3.00-5.00%	19,200,000	4,200,000	15,000,000
Total Governmental Activities				32,200,000	5,800,000	26,400,000
Business Activities						
10 LTGO Bonds - capital	03-26-10	12-01-19	1.00-4.25%	10,500,000	1,100,000	9,400,000
Total Business Activities				10,500,000	1,100,000	9,400,000
TOTAL GENERAL OBLIGATION BONDS				\$ 42,700,000	\$ 6,900,000	\$ 35,800,000

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
2011	1,000,000	756,200	1,756,200	1,200,000	266,000	1,466,000
2012	1,150,000	745,800	1,895,800	1,200,000	254,000	1,454,000
2013	1,400,000	729,400	2,129,400	1,000,000	230,000	1,230,000
2014	1,400,000	703,000	2,103,000	1,000,000	208,750	1,208,750
2015	1,550,000	673,600	2,223,600	1,000,000	182,500	1,182,500
2016 - 2020	11,800,000	2,886,375	14,686,375	4,000,000	397,500	4,397,500
2021 - 2025	7,500,000	1,025,000	8,525,000	-	-	-
2026 - 2027	600,000	35,000	635,000	-	-	-
TOTAL	\$26,400,000	\$ 7,554,375	\$ 33,954,375	\$ 9,400,000	\$ 1,538,750	\$ 10,938,750

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 12/31/10 was 0.30%. In addition, the City pays a quarterly management fee assessed at 22 basis points on the outstanding principal balance and an annual remarketing fee assessed at 12.5 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 America. 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 December 1, 2011, 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 2033. The total principal and interest remaining to be paid on the bonds is \$178,689,888. Principal and interest expense for the current year and total customer net revenues were \$9,542,280 and \$25,264,585, 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, 2010 are as follows:

NAME OF ISSUE / PURPOSE	DATE OF ISSUE	DATE OF FINAL MATURITY	INTEREST RATE(S)	AMOUNT		DEBT OUTSTANDING
				ORIGINALLY ISSUED	REDEMPTIONS TO DATE	
02 Water/Sewer Revenue Bonds - capital	06-03-02	07-01-12	3.0-4.5%	5,260,000	4,035,000	1,225,000
03 Water/Sewer Revenue Bonds - capital	05-15-03	07-01-27	2.0-5.0%	58,090,000	19,845,000	38,245,000
05 Water/Sewer Revenue Bonds - capital	10-14-05	12-01-30	3.75-5.0%	35,000,000	-	35,000,000
09 Water/Sewer Revenue Bonds - capital	12-01-09	12-01-33	2.0%-5.0%	40,000,000	2,685,000	37,315,000
TOTAL REVENUE BONDS				\$ 138,350,000	\$ 26,565,000	\$ 111,785,000

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

YEAR ENDING DECEMBER 31,	BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2011	3,305,000	5,231,000	8,536,000
2012	3,425,000	5,107,625	8,532,625
2013	3,560,000	4,984,212	8,544,212
2014	3,710,000	4,833,112	8,543,112
2015	3,890,000	4,650,837	8,540,837
2016 - 2020	22,375,000	20,286,985	42,661,985
2021 - 2025	28,345,000	14,248,746	42,593,746
2026 - 2030	35,885,000	6,877,870	42,762,870
2031 - 2033	7,290,000	684,501	7,974,501
TOTAL	\$ 111,785,000	\$ 66,904,888	\$ 178,689,888

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, 2010, is presented on the following page.

NAME OF ISSUE/PURPOSE	DATE OF		INTEREST RATE(S)	AMOUNT		DEBT OUTSTANDING
	DATE OF ISSUE	FINAL MATURITY		ORIGINALLY ISSUED	REDEMPTIONS TO DATE	
Governmental Activities						
Snohomish County/Everett Memorial Stadium	06-30-95	06-30-14	0.00%	\$ 1,046,220	\$ 836,976	\$ 209,244
Public Works Trust Fund Loan - 75th Street	09-23-96	07-01-16	2.00%	930,880	584,522	346,358
Public Works Trust Fund Loan - Riverfront	04-28-99	07-01-18	2.00%	1,000,000	566,563	433,437
Public Works Trust Fund Loan - 112th Street	12-22-02	07-01-22	0.50%	1,000,000	338,816	661,184
Total Governmental Activities				3,977,100	2,326,877	1,650,223
Business Activities						
PWTFL Water Transmission Line	07-01-91	07-01-11	1.00%	2,500,000	2,367,690	132,310
PWTFL Water Transmission Line	07-01-93	07-01-13	3.00%	3,232,931	2,721,741	511,190
PWTFL Water Transmission Line	06-06-94	07-01-14	3.00%	3,500,000	2,759,064	740,936
PWTFL Water Transmission Line	08-02-95	07-01-15	1.00%	510,300	371,214	139,086
PWTFL Sewer Basement Flooding Reduction	07-01-01	07-01-21	1.00%	1,881,000	792,000	1,089,000
PWTFL Water Transmission Line	07-01-01	07-01-21	1.00%	4,252,792	1,794,429	2,458,363
Public Works Annex	02-01-01	02-01-11	10.00%	500,000	500,000	-
PWTFL Cross-Town Effluent Pipeline	05-13-03	07-01-23	0.50%	5,490,000	1,723,250	3,766,750
PWTFL Water Transmission Lines #2-3	11-17-03	11-17-23	0.50%	841,671	257,793	583,878
PWTFL Water Transmission Lines #2-3	03-16-04	03-16-24	0.00%	100,000	100,000	-
PWTFL Treatment Plant Upgrade	04-25-05	07-01-25	0.50%	9,500,000	1,583,333	7,916,667
PWTFL Comprehensive Water Plan	10-04-05	07-01-11	0.00%	100,000	79,500	20,500
SRF Clearwell No. 2	03-03-06	10-01-25	1.50%	4,040,000	701,394	3,338,606
SRF Clearwell No. 2	12-21-07	10-01-26	1.50%	4,040,000	637,895	3,402,105
SRF Clearwell No. 2	03-03-08	10-01-27	1.50%	3,030,000	318,947	2,711,053
SRF Clearwell No. 2	08-22-08	10-01-29	1.50%	4,040,000	200,248	3,839,752
SRF Recovered Water Outfall	08-05-09	10-01-29	1.50%	687,272	-	687,272
SRF Bond Street CSO	10-13-10	10-31-31	2.90%	818,398	-	818,398
PWTFL Water Pollution Facility Expansion	06-25-06	07-01-26	0.50%	7,000,000	1,105,263	5,894,737
Everett Riverside Property Purchase Loan	12-30-05	06-01-13	5.45%	4,094,836	1,106,192	2,988,644
Total Business Activities				60,159,200	19,119,953	41,039,247
TOTAL OTHER LONG-TERM DEBT				\$ 64,136,300	\$ 21,446,830	\$ 42,689,470

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

YEAR ENDING DECEMBER 31,	GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2011	219,316	11,104	230,420	4,101,787	519,255	4,621,042
2012	219,316	9,709	229,025	4,057,321	445,620	4,502,941
2013	219,316	8,315	227,631	3,411,398	352,883	3,764,281
2014	219,316	6,920	226,236	2,653,645	311,363	2,965,008
2015	167,005	5,526	172,531	2,468,412	283,707	2,752,119
2016 - 2020	495,760	10,714	506,474	12,202,972	1,034,258	13,237,230
2021 - 2025	110,194	826	111,020	10,243,695	430,546	10,674,241
2026 - 2030	-	-	-	1,900,017	55,570	1,955,587
TOTAL	\$ 1,650,223	\$ 53,114	\$ 1,703,337	\$ 41,039,247	\$ 3,433,202	\$ 44,472,449

Bond Covenants, Limitations and Restrictions

At December 31, 2010, restricted assets of enterprise funds include \$11,111,394 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, 2010 the debt limits for the City were as follows:

	Governmental Purposes		Water & Sewer Purposes	Park & Capital Facilities
	<u>Without Vote</u>	<u>With Vote</u>	<u>With Vote</u>	<u>With Vote</u>
	(Councilmanic)			
	1.50%	1.00%	2.50%	2.50%
Legal Limits, Net	\$ 203,866,976	\$ 135,911,318	\$ 339,778,294	\$ 339,778,294
Net Outstanding Indebtedness	37,456,604	-	-	-
Margin Available	\$ 166,410,372	\$ 135,911,318	\$ 339,778,294	\$ 339,778,294

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, 2010, the asset cost of Everett Station was \$47,025,304, with accumulated depreciation of \$8,966,355, resulting in a cost net of depreciation of \$38,058,949. Noncancelable leases provide for minimum annual payments as follows:

Year Ending December 31	Minimum Future Rentals
2011	\$ 36,540
Total	\$ 36,540

Operating Leases and Other Contractual Commitments

The City leases equipment and office and storage space under noncancelable operating leases. Total operating lease expenditures for 2010 were \$527,066 in governmental activities and \$472,358 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
2011	\$ 366,789	\$ 2,166,205
2012	222,233	406,060
2013	209,566	25,602
2014	650	7,104
2015	-	7,104
Total	\$ 799,239	\$ 2,612,075

Capital Leases

The City's Water and Sewer Utility Fund has entered into a capital lease to finance the acquisition of a mail machine. The Golf Fund has entered into a capital lease to finance the acquisition of golf carts. 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, 2010 appear as follows:

	Governmental Fund	Enterprise Funds
Machinery and equipment	\$ 7,977	\$ 497,235
Less accumulated depreciation	(1,595)	(375,600)
Machinery and equipment, net of depreciation	\$ 6,381	\$ 121,635

The future minimum lease obligations and the net present value of minimum lease payments as of December 31, 2010 appear as follows:

Year Ending December 31	Governmental Fund	Enterprise Funds
2011	2,201	13,659
2012	2,201	14,791
2013	2,201	14,792
2014	1,099	-
Total minimum lease payments	7,702	43,242
Less amounts attributable to interest	(1,587)	(6,969)
Net present value of minimum lease payments	<u>\$ 6,115</u>	<u>\$ 36,273</u>

Construction Commitments

As of December 31, 2010, 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	\$ 1,389,271	\$ 1,970,851
Street projects	3,556,187	1,652,116
Parks projects	2,474,303	758,927
Transit projects	403,577	403,577
Water & sewer utility projects	18,484,510	3,073,702
Total	<u>\$ 26,307,847</u>	<u>\$ 7,859,173</u>

NOTE 12 – CHANGES IN LONG-TERM LIABILITIES

	Beginning Balance 01-01-10		Additions	Reductions	Ending Balance 12-31-10 Due Within One Year	
Governmental Activities						
Bonds payable:						
General obligation bonds	\$ 28,000,000	\$ -	\$ (1,600,000)	\$ 26,400,000	\$ 1,000,000	
Less deferred amounts:						
For issuance premiums	172,082	-	(9,560)	162,522	9,560	
Total bonds payable:	28,172,082	-	(1,609,560)	26,562,522	1,009,560	
Governmental loans	1,869,538	-	(219,316)	1,650,222	219,316	
Pollution remediation liability	1,500,000	200,000	(1,465,000)	235,000	235,000	
Capital Leases	7,397	-	(1,282)	6,115	1,466	
Claims and judgements	12,703,251	13,936,267	(12,325,629)	14,313,889	4,380,223	
Compensated absences	8,399,048	5,813,610	(5,729,481)	8,483,177	3,628,376	
Governmental activity long-term liabilities:	<u>\$ 52,651,316</u>	<u>\$ 19,949,877</u>	<u>\$ (21,350,268)</u>	<u>\$ 51,250,925</u>	<u>\$ 9,473,941</u>	
Business-Type Activities						
Bonds payable:						
General obligation bonds	\$ -	\$ 10,500,000	\$ (1,100,000)	\$ 9,400,000	\$ 1,200,000	
Revenue bonds	115,920,000	-	(4,135,000)	111,785,000	3,305,000	
Less deferred amounts:						
For issuance premiums	5,258,194	20,123	(275,095)	5,003,222	275,978	
Total bonds payable:	121,178,194	10,520,123	(5,510,095)	126,188,222	4,780,978	
Governmental loans	43,459,498	1,650,162	(4,070,413)	41,039,247	4,101,787	
Pollution remediation liability	300,000	-	-	300,000	-	
Capital leases	85,634	-	(49,362)	36,272	10,075	
Compensated absences	1,702,800	2,230,692	(2,269,285)	1,664,207	1,007,814	
Business-type activity long-term liabilities:	<u>\$ 166,726,126</u>	<u>\$ 14,400,977</u>	<u>\$ (11,899,155)</u>	<u>\$ 169,227,948</u>	<u>\$ 9,900,654</u>	

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 \$136,208 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, 2010, 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, 2010, the Industrial Development Corporation had the following bond issues outstanding:

NAME OF ISSUE	DATE OF			AMOUNT		
	DATE OF ISSUE	FINAL MATURITY	INTEREST RATE(S)	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, 2010 appear as follows:

	INTERFUND LOANS RECEIVABLE	INTERFUND LOANS PAYABLE	ADVANCES TO OTHER FUNDS	ADVANCES FROM OTHER FUNDS
General Fund	\$ 1,258,000	\$ -	\$ 7,784,168	\$ -
Water & Sewer Utility	257,500	-	-	-
Nonmajor Governmental Funds	-	1,218,000	-	-
Nonmajor Enterprise Funds	-	297,500	-	7,784,168
TOTAL	\$ 1,515,500	\$ 1,515,500	\$ 7,784,168	\$ 7,784,168

Due to other funds and due from other funds result from goods issued, work performed or services rendered to or for the benefit of another fund of the same government.

Due to other fund and due from other fund balances at December 31, 2010 appear as follows:

	DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS
General Fund	\$ -	\$ 146,288
Capital Improvement Reserve	115,396	1,572,487
Water & Sewer Utility	82,295	61,504
Nonmajor Governmental Funds	1,627,788	43,630
Nonmajor Enterprise Funds	-	1,570
TOTAL	\$ 1,825,479	\$ 1,825,479

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, 2010 appears as follows:

	TRANSFERS IN				TOTAL
	General Fund	Capital Improvement Reserve Fund	Nonmajor Governmental Funds	Internal Service Funds	
TRANSFERS OUT					
General Fund	\$ -	\$ -	\$ 1,933,535	\$ -	\$ 1,933,535
Capital Improvement Reserve Fd	-	-	5,502,404	-	5,502,404
Water & Sewer Utility	3,629,004	-	-	-	3,629,004
Transit	135,684	-	-	-	135,684
Nonmajor Governmental Funds	1,009,197	6,000,000	5,644,645	66,073	12,719,915
Nonmajor Enterprise Funds	-	-	252,000	-	252,000
TOTAL	\$ 4,773,885	\$ 6,000,000	\$ 13,332,584	\$ 66,073	\$ 24,172,542

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 2010, the following significant transfers were completed to provide funding for the construction of the new Everett Municipal Court building.

- \$2,000,000 from Fund 156 – Criminal Justice, a non-major fund, to Fund 162 – Capital Improvement Reserve, a major fund; and
- \$4,000,000 from Fund 145 – Cumulative Reserve for Real Property Acquisition, a non-major fund, to Fund 162 – Capital Improvement Fund.

NOTE 16 – RECEIVABLE AND PAYABLE BALANCES

Receivables at December 31, 2010 appear as follows:

	Taxes	Customer Accounts	Interest	Due from Other Governments	Notes Receivable	TOTAL
Governmental Activities:						
General Fund	\$ 9,895,967	\$ 2,466,621	\$ 48,350	\$ 210,579	\$ 25,374	\$12,646,891
Capital Improvement Reserve Fund	47,053	31,404	8,914	-	-	87,371
Nonmajor Governmental Funds	47,053	335,735	36,389	729,088	13,105,983	14,254,248
Internal Service Funds	-	16,253	12,950	39,776	-	68,979
Total Governmental Activities	\$ 9,990,073	\$ 2,850,013	\$ 106,603	\$ 979,443	\$13,131,357	\$27,057,489
Business-Type Activities:						
Water & Sewer Utility	\$ -	\$ 5,172,937	\$ 56,361	\$ 2,191,193	\$ -	\$ 7,420,491
Transit	3,198,515	14,795	7,511	1,268,840	-	4,489,662
Nonmajor Enterprise Funds	-	246,206	3,515	15,964	-	265,685
Total Business-Type Activities	\$ 3,198,515	\$ 5,433,938	\$ 67,387	\$ 3,475,997	\$ -	\$12,175,838

Governmental Activities

General Fund - Customer Accounts include \$2,410,874 Muni Court receivable reported in the Government Wide Statement of Net Assets
 General Fund - Notes Receivable excludes \$1,114,625 discount on notes reported in the Government Wide Statement of Net Assets

Payables at December 31, 2010 appear as follows:

	Wages & Benefits	Accounts	Interest	Taxes	Due to Other Governments	Custodial Accounts	Other Current Liabilities	TOTAL
Governmental Activities:								
General Fund	\$ 2,202,596	\$1,401,989	\$ 70,649	\$ -	\$ 63,897	\$ 115,975	\$ 5,438	\$ 3,860,543
Capital Improvement Reserve Fund	-	-	-	-	-	-	2,811	2,811
Nonmajor Governmental Funds	631,042	1,521,850	-	-	-	2,530	127,893	2,283,315
Internal Service Funds	93,877	545,099	-	-	-	-	125,615	764,591
Total	\$ 2,927,515	\$ 3,468,938	\$ 70,649	\$ -	\$ 63,897	\$ 118,505	\$ 261,757	\$ 6,911,260
Business-Type Activities:								
Water & Sewer Utility	\$ 669,034	\$ 2,884,202	\$ 1,252,808	\$ 105,938	\$ -	\$ -	\$ -	\$ 4,911,982
Transit	417,830	76,315	-	2,852	817,795	-	-	1,314,792
Nonmajor Enterprise Funds	25,667	176,744	22,166	9,544	-	-	-	234,121
Total	\$ 1,112,531	\$ 3,137,261	\$ 1,274,974	\$ 118,334	\$ 817,795	\$ -	\$ -	\$ 6,460,895

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	\$ 82,882
Business-Type Activities	
Water and Sewer	\$ 646,659
Transit	335,748
Nonmajor Enterprise	25,407

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, the equity interests in these joint ventures are 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, 2010 and recorded an investment in the joint venture in the utility fund of \$1,188,388. As of December 31, 2010, 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, 2010, the City has a 15.19 percent interest in the SERS joint venture and a recorded equity interest of \$2,165,911. 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, 2010, is \$117,851 which represents deferred fare revenue. Everett Transit's percentage share of the operating expense for 2009 was 1.6%.

NOTE 18 – POLLUTION REMEDIATION OBLIGATIONS

The City recorded the following pollution remediation obligations as other liabilities in its financial statements as of December 31, 2010, in accordance with GASB Statement No. 49:

SITE	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES
3003 Colby Avenue	\$ 200,000	
2731 36th Street Southeast	35,000	
144 West Marine View Drive		\$ 300,000
TOTALS	\$ 235,000	\$ 300,000

The City identified a release of contaminants at 3003 Colby Avenue, Everett, Washington, reported the release to the Washington State Department of Ecology (DOE), and is pursuing a Voluntary Cleanup Program (VCP) agreement with the DOE. As of December 31, 2010, 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, reported the release to the DOE, and entered into a VCP agreement with the DOE to remediate the site in previous periods. The City remediated the site during 2010. As of December 31, 2010, the City determined that only monitoring and

reporting of the remediation would be required under the VCP agreement, and estimated the remaining liability of these activities at this site to be \$35,000.

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, 2010, 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

On March 2, 2011, the City passed Ordinance No. 3211-11 authorizing the issuance of water and sewer revenues bonds of the city in the principal amount not to exceed \$51,000,000 for the purpose of acquiring, constructing and installing certain additions and betterments to and extensions of the city's water and sewer system. The bond sale closed on March 30, 2011.

On March 31, 2011, a City water main rupture affected several non-City properties. The City has received some claims for damages in connection with this incident, and expects that the total of these claims will be less than the \$1,000,000 self-insured retention that the City provides for such incidents.

REQUIRED SUPPLEMENTARY INFORMATION

PENSION FUNDS

Schedules of Employer Contributions

Year	FIRE PENSION FUND		POLICE PENSION FUND	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2010	\$ 293,585	51%	\$ 263,055	0%
2009	280,290	72%	250,529	26%
2008	271,537	55%	191,283	0%
2007	258,607	128%	182,175	100%
2006	418,743	212%	270,501	246%
2005	3,366,730	128%	3,377,811	117%

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 actuarially liability or separately amortize unfunded 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)
12/31/2008	\$ 5,201,152	\$ 11,452,114	\$ 6,250,962	45.42%	\$ 1,019,299	613.26%

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)
12/31/2008	\$ 1,632,694	\$ 7,011,494	\$ 5,378,800	23.29%	\$ 880,684	610.75%

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

Year	FIRE HEALTHCARE FUND		POLICE HEALTHCARE FUND	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2010	\$ 881,765	5%	\$ 861,097	5%
2009	841,834	39%	820,092	44%
2008	1,143,963	3%	1,083,316	3%
2007	1,089,488	313%	1,031,729	352%
2006	3,116,324	103%	3,276,201	116%

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 43 to use the entry age cost method to approximate the funding progress for the plan. Eventually, details for each of three valuation periods will be presented.

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)
12/31/2008	\$ 29,448,563	\$ 48,249,620	\$ 18,801,057	61.03%	\$ 1,019,299	1844.51%
1/1/2007	24,253,911	46,803,448	22,549,537	51.82%	1,148,714	1963.02%

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)
12/31/2008	\$ 18,757,612	\$ 36,364,832	\$ 17,607,220	51.58%	\$ 880,684	1999.27%
1/1/2007	13,536,550	35,149,702	21,613,152	38.51%	984,087	2196.26%



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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GOVERNMENTAL FUNDS

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 10,049,627	\$ 16,658	\$ 704,990	\$ 10,771,275
Change and imprest funds	2,000	-	-	2,000
Investments	45,582,262	74,789	3,117,298	48,774,349
Receivables, net				
Taxes	47,053	-	-	47,053
Customer accounts	335,735	-	-	335,735
Interest	36,389	-	-	36,389
Due from other funds	77,787	50,000	1,500,000	1,627,787
Due from other governmental units	349,457	-	379,631	729,088
Total Current Assets	56,480,310	141,447	5,701,919	62,323,676
RESTRICTED ASSETS				
Special assessments - deferred	-	160,377	-	160,377
Total Restricted Assets	-	160,377	-	160,377
NONCURRENT ASSETS				
Notes/contracts receivable	13,105,983	-	-	13,105,983
Total Noncurrent Assets	13,105,983	-	-	13,105,983
TOTAL ASSETS	\$ 69,586,293	\$ 301,824	\$ 5,701,919	\$ 75,590,036
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Wages payable	\$ 615,302	\$ -	\$ 15,740	\$ 631,042
Accounts payable	729,728	-	792,122	1,521,850
Due to other funds	19,108	-	24,522	43,630
Interfund loans payable	1,211,400	-	6,600	1,218,000
Custodial accounts	2,530	-	-	2,530
Deferred revenues	332,623	-	-	332,623
Other current liabilities	127,893	-	-	127,893
Total Current Liabilities	3,038,584	-	838,984	3,877,568
NONCURRENT LIABILITIES				
Deferred revenues	-	160,377	-	160,377
Total Noncurrent Liabilities	-	160,377	-	160,377
TOTAL LIABILITIES	3,038,584	160,377	838,984	4,037,945
FUND BALANCES				
Reserved for:				
Loans receivable	13,105,983	-	-	13,105,983
Unreserved, reported in:				
Special revenue funds	53,441,726	-	-	53,441,726
Debt service funds	-	141,447	-	141,447
Capital projects funds	-	-	4,862,935	4,862,935
TOTAL FUND BALANCES	66,547,709	141,447	4,862,935	71,552,091
TOTAL LIABILITIES AND FUND BALANCES	\$ 69,586,293	\$ 301,824	\$ 5,701,919	\$ 75,590,036

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES				
Taxes	\$ 20,949,339	\$ -	\$ -	\$ 20,949,339
Licenses and permits	291,624	-	-	291,624
Intergovernmental revenues	6,075,162	-	3,106,111	9,181,273
Charges for services	4,416,679	-	-	4,416,679
Fines and forfeits	596,980	-	-	596,980
Other revenues	3,914,437	108,875	56,877	4,080,189
Total revenues	36,244,221	108,875	3,162,988	39,516,084
EXPENDITURES				
Current:				
General government services	1,537,669	-	-	1,537,669
Security of persons and property	9,033,591	-	-	9,033,591
Physical environment	811,179	-	-	811,179
Transportation	2,083,392	-	-	2,083,392
Economic environment	2,004,676	-	6,614	2,011,290
Culture and recreation	13,877,806	-	-	13,877,806
Capital outlay	3,708,308	-	7,761,886	11,470,194
Debt service:				
Principal	219,316	1,600,000	-	1,819,316
Interest	47,988	807,133	9,351	864,472
Total expenditures	33,323,925	2,407,133	7,777,851	43,508,909
Excess (deficiency) of revenues over (under) expenditures	2,920,296	(2,298,258)	(4,614,863)	(3,992,825)
OTHER FINANCING SOURCES (USES)				
Disposition of capital assets	81,031	-	-	81,031
Transfers in	4,088,700	2,605,465	6,638,419	13,332,584
Transfers out	(12,209,088)	(348,332)	(162,495)	(12,719,915)
Total other financing sources (uses)	(8,039,357)	2,257,133	6,475,924	693,700
Net change in fund balances	(5,119,061)	(41,125)	1,861,061	(3,299,125)
Fund balances - beginning	71,666,770	182,572	3,001,874	74,851,216
FUND BALANCES - ENDING	\$ 66,547,709	\$ 141,447	\$ 4,862,935	\$ 71,552,091

SPECIAL REVENUE FUNDS

- 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.
- 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.
- 126 The ***Motor Vehicle and Equipment Replacement Reserve Fund*** accumulates funding to provide for the replacement of general government motor vehicles and equipment.
- 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.
- 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.
- 148 The ***Cumulative Reserve for Parks Fund*** accounts for money accumulated for capital improvements and acquisition of land for parks.
- 149 The ***Senior Center Reserve Fund*** accounts for funding of senior center activities and special events.
- 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.
- 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.
- 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.

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2010
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	101 PARKS & RECREATION FUND	110 LIBRARY FUND	112 MUNICIPAL ARTS FUND	114 CONFERENCE CENTER FUND
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 932,254	\$ 434,293	\$ 158,894	\$ 23,100
Change and imprest funds	2,000	-	-	-
Investments	4,122,807	1,920,496	702,740	102,926
Receivables, net				
Taxes	-	-	-	-
Customer accounts	25,047	13	-	11,737
Interest	4,492	-	-	-
Due from other funds	-	-	-	-
Due from other governmental units	-	11,460	-	-
Total Current Assets	<u>5,086,600</u>	<u>2,366,262</u>	<u>861,634</u>	<u>137,763</u>
NONCURRENT ASSETS				
Notes/contracts receivable	-	-	-	-
Total Noncurrent Assets	-	-	-	-
TOTAL ASSETS	\$ 5,086,600	\$ 2,366,262	\$ 861,634	\$ 137,763
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Wages payable	\$ 185,253	\$ 135,834	\$ 5,213	\$ -
Accounts payable	245,886	41,437	10,101	6,246
Due to other funds	-	-	-	-
Interfund loans payable	-	-	-	-
Custodial accounts	2,530	-	-	-
Deferred revenues	80,338	-	-	-
Other current liabilities	101,551	500	-	3,943
Total Current Liabilities	<u>615,558</u>	<u>177,771</u>	<u>15,314</u>	<u>10,189</u>
TOTAL LIABILITIES	<u>615,558</u>	<u>177,771</u>	<u>15,314</u>	<u>10,189</u>
FUND BALANCES				
Reserved for:				
Loans receivable	-	-	-	-
Unreserved, reported in:				
Special revenue funds	4,471,042	2,188,491	846,320	127,574
TOTAL FUND BALANCES	<u>4,471,042</u>	<u>2,188,491</u>	<u>846,320</u>	<u>127,574</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,086,600	\$ 2,366,262	\$ 861,634	\$ 137,763

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2010
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	115 GENERAL GOVT. SPECIAL PROJ. FUND	119 STREET IMPROVEMENT FUND	120 STREETS FUND	126 MOTOR VEHICLE EQUIP REPL. FUND
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 40,081	\$ 224,326	\$ 468,604	\$ 1,139,491
Change and imprest funds	-	-	-	-
Investments	176,816	992,150	2,072,432	5,039,755
Receivables, net				
Taxes	-	-	-	-
Customer accounts	-	-	4,911	-
Interest	-	-	3,686	6,178
Due from other funds	-	-	61,503	-
Due from other governmental units	-	3,213	-	-
Total Current Assets	<u>216,897</u>	<u>1,219,689</u>	<u>2,611,136</u>	<u>6,185,424</u>
NONCURRENT ASSETS				
Notes/contracts receivable	-	-	-	-
Total Noncurrent Assets	-	-	-	-
TOTAL ASSETS	\$ 216,897	\$ 1,219,689	\$ 2,611,136	\$ 6,185,424
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Wages payable	\$ -	\$ -	\$ 65,019	\$ -
Accounts payable	4,471	16,012	82,574	-
Due to other funds	-	19,108	-	-
Interfund loans payable	-	-	-	-
Custodial accounts	-	-	-	-
Deferred revenues	-	-	-	-
Other current liabilities	-	-	-	-
Total Current Liabilities	<u>4,471</u>	<u>35,120</u>	<u>147,593</u>	<u>-</u>
TOTAL LIABILITIES	<u>4,471</u>	<u>35,120</u>	<u>147,593</u>	<u>-</u>
FUND BALANCES				
Reserved for:				
Loans receivable	-	-	-	-
Unreserved, reported in:				
Special revenue funds	212,426	1,184,569	2,463,543	6,185,424
TOTAL FUND BALANCES	<u>212,426</u>	<u>1,184,569</u>	<u>2,463,543</u>	<u>6,185,424</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 216,897	\$ 1,219,689	\$ 2,611,136	\$ 6,185,424

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2010
(Page 3 of 7)**

	138 HOTEL/MOTEL TAX FUND	144 DOWNTOWN IMPROVEMENT FUND	145 CUM. RESERVE REAL PROP. ACQ. FUND	146 PROPERTY MANAGEMENT FUND
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 50,373	\$ 49,842	\$ 448,838	\$ 1,065,839
Change and imprest funds	-	-	-	-
Investments	222,788	220,440	1,985,113	4,713,977
Receivables, net				
Taxes	-	-	-	-
Customer accounts	-	-	7,113	16,181
Interest	-	-	3,334	4,092
Due from other funds	-	-	-	16,284
Due from other governmental units	-	-	-	100,629
Total Current Assets	<u>273,161</u>	<u>270,282</u>	<u>2,444,398</u>	<u>5,917,002</u>
NONCURRENT ASSETS				
Notes/contracts receivable	-	-	-	-
Total Noncurrent Assets	-	-	-	-
TOTAL ASSETS	\$ 273,161	\$ 270,282	\$ 2,444,398	\$ 5,917,002
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Wages payable	\$ -	\$ -	\$ -	\$ -
Accounts payable	10,843	14,741	90	145,031
Due to other funds	-	-	-	-
Interfund loans payable	-	-	-	-
Custodial accounts	-	-	-	-
Deferred revenues	-	-	-	-
Other current liabilities	-	-	3,900	11,157
Total Current Liabilities	<u>10,843</u>	<u>14,741</u>	<u>3,990</u>	<u>156,188</u>
TOTAL LIABILITIES	<u>10,843</u>	<u>14,741</u>	<u>3,990</u>	<u>156,188</u>
FUND BALANCES				
Reserved for:				
Loans receivable	-	-	-	-
Unreserved, reported in:				
Special revenue funds	262,318	255,541	2,440,408	5,760,814
TOTAL FUND BALANCES	<u>262,318</u>	<u>255,541</u>	<u>2,440,408</u>	<u>5,760,814</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 273,161	\$ 270,282	\$ 2,444,398	\$ 5,917,002

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2010
(Page 4 of 7)**

	148 CUM. RESERVE PARKS FUND	149 SENIOR CENTER RESERVE FUND	151 ANIMALS FUND
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 450,965	\$ 74,649	\$ 85,874
Change and imprest funds	-	-	-
Investments	1,994,520	326,939	379,804
Receivables, net			
Taxes	-	-	-
Customer accounts	-	-	-
Interest	-	-	-
Due from other funds	-	-	-
Due from other governmental units	-	-	-
Total Current Assets	2,445,485	401,588	465,678
NONCURRENT ASSETS			
Notes/contracts receivable	-	-	-
Total Noncurrent Assets	-	-	-
TOTAL ASSETS	\$ 2,445,485	\$ 401,588	\$ 465,678
LIABILITIES AND FUND BALANCES			
CURRENT LIABILITIES			
Wages payable	\$ -	\$ -	\$ -
Accounts payable	41,288	1,639	-
Due to other funds	-	-	-
Interfund loans payable	-	-	-
Custodial accounts	-	-	-
Deferred revenues	-	-	-
Other current liabilities	-	6,842	-
Total Current Liabilities	41,288	8,481	-
TOTAL LIABILITIES	41,288	8,481	-
FUND BALANCES			
Reserved for:			
Loans receivable	-	-	-
Unreserved, reported in:			
Special revenue funds	2,404,197	393,107	465,678
TOTAL FUND BALANCES	2,404,197	393,107	465,678
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,445,485	\$ 401,588	\$ 465,678

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2010
(Page 5 of 7)**

	152 CUM. RESERVE LIBRARY FUND	153 EMERGENCY MEDICAL SERVICES FUND	154 REAL ESTATE EXCISE TAX FUND
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 99,769	\$ 37,708	\$ 1,133,033
Change and imprest funds	-	-	-
Investments	441,259	168,222	5,011,939
Receivables, net			
Taxes	-	-	47,053
Customer accounts	-	265,824	-
Interest	-	-	4,468
Due from other funds	-	-	-
Due from other governmental units	-	-	-
Total Current Assets	541,028	471,754	6,196,493
NONCURRENT ASSETS			
Notes/contracts receivable	-	-	-
Total Noncurrent Assets	-	-	-
TOTAL ASSETS	\$ 541,028	\$ 471,754	\$ 6,196,493
LIABILITIES AND FUND BALANCES			
CURRENT LIABILITIES			
Wages payable	\$ -	\$ 203,257	\$ -
Accounts payable	-	30,634	-
Due to other funds	-	-	-
Interfund loans payable	-	1,087,000	-
Custodial accounts	-	-	-
Deferred revenues	-	-	-
Other current liabilities	-	-	-
Total Current Liabilities	-	1,320,891	-
TOTAL LIABILITIES	-	1,320,891	-
FUND BALANCES			
Reserved for:			
Loans receivable	-	-	-
Unreserved, reported in:			
Special revenue funds	541,028	(849,137)	6,196,493
TOTAL FUND BALANCES	541,028	(849,137)	6,196,493
TOTAL LIABILITIES AND FUND BALANCES	\$ 541,028	\$ 471,754	\$ 6,196,493

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2010
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	156 CRIMINAL JUSTICE FUND	157 TRAFFIC MITIGATION FUND	160 CONTINGENCY RESERVE FUND
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,335,211	\$ 810,987	\$ 761,157
Change and imprest funds	-	-	-
Investments	6,993,616	3,586,824	3,357,788
Receivables, net			
Taxes	-	-	-
Customer accounts	-	-	-
Interest	5,533	4,606	-
Due from other funds	-	-	-
Due from other governmental units	25,250	-	-
Total Current Assets	<u>8,359,610</u>	<u>4,402,417</u>	<u>4,118,945</u>
NONCURRENT ASSETS			
Notes/contracts receivable	-	-	-
Total Noncurrent Assets	-	-	-
TOTAL ASSETS	\$ 8,359,610	\$ 4,402,417	\$ 4,118,945
LIABILITIES AND FUND BALANCES			
CURRENT LIABILITIES			
Wages payable	\$ -	\$ 1,144	\$ -
Accounts payable	61,152	153	-
Due to other funds	-	-	-
Interfund loans payable	-	-	-
Custodial accounts	-	-	-
Deferred revenues	252,285	-	-
Other current liabilities	-	-	-
Total Current Liabilities	<u>313,437</u>	<u>1,297</u>	<u>-</u>
TOTAL LIABILITIES	313,437	1,297	-
FUND BALANCES			
Reserved for:			
Loans receivable	-	-	-
Unreserved, reported in:			
Special revenue funds	8,046,173	4,401,120	4,118,945
TOTAL FUND BALANCES	8,046,173	4,401,120	4,118,945
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,359,610	\$ 4,402,417	\$ 4,118,945

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2010
(Page 7 of 7)**

	197 CHIP LOAN PROGRAM FUND	198 COMM. DEVEL. BLOCK GRANTS FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 223,000	\$ 1,339	\$ 10,049,627
Change and imprest funds	-	-	2,000
Investments	1,042,599	6,312	45,582,262
Receivables, net			
Taxes	-	-	47,053
Customer accounts	-	4,909	335,735
Interest	-	-	36,389
Due from other funds	-	-	77,787
Due from other governmental units	77,103	131,802	349,457
Total Current Assets	<u>1,342,702</u>	<u>144,362</u>	<u>56,480,310</u>
NONCURRENT ASSETS			
Notes/contracts receivable	12,544,253	561,730	13,105,983
Total Noncurrent Assets	<u>12,544,253</u>	<u>561,730</u>	<u>13,105,983</u>
TOTAL ASSETS	\$ 13,886,955	\$ 706,092	\$ 69,586,293
LIABILITIES AND FUND BALANCES			
CURRENT LIABILITIES			
Wages payable	\$ 12,310	\$ 7,272	\$ 615,302
Accounts payable	10,028	7,402	729,728
Due to other funds	-	-	19,108
Interfund loans payable	-	124,400	1,211,400
Custodial accounts	-	-	2,530
Deferred revenues	-	-	332,623
Other current liabilities	-	-	127,893
Total Current Liabilities	<u>22,338</u>	<u>139,074</u>	<u>3,038,584</u>
TOTAL LIABILITIES	<u>22,338</u>	<u>139,074</u>	<u>3,038,584</u>
FUND BALANCES			
Reserved for:			
Loans receivable	12,544,253	561,730	13,105,983
Unreserved, reported in:			
Special revenue funds	1,320,364	5,288	53,441,726
TOTAL FUND BALANCES	<u>13,864,617</u>	<u>567,018</u>	<u>66,547,709</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,886,955	\$ 706,092	\$ 69,586,293

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
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	101 PARKS & RECREATION FUND	110 LIBRARY FUND	112 MUNICIPAL ARTS FUND	114 CONFERENCE CENTER
REVENUES				
Taxes	\$ 7,154,366	\$ 4,474,893	\$ 681,166	\$ -
Licenses and permits	-	-	-	-
Intergovernmental revenues	138,100	46,126	28,000	-
Charges for services	1,283,557	23,514	-	-
Fines and forfeits	-	85,034	-	-
Other revenues	436,392	92,044	276,085	125,690
Total revenues	9,012,415	4,721,611	985,251	125,690
EXPENDITURES				
Current:				
General government services	-	-	-	-
Security of persons and property	-	-	-	-
Physical environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	-	-
Culture and recreation	8,686,815	3,873,771	801,721	24,988
Capital outlay	26,836	714,281	8,857	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	8,713,651	4,588,052	810,578	24,988
Excess (deficiency) of revenues over (under) expenditures	298,764	133,559	174,673	100,702
OTHER FINANCING SOURCES (USES)				
Disposition of capital assets	-	-	-	-
Transfers in	-	-	30,000	632,271
Transfers out	(92,862)	-	-	(722,000)
Total other financing sources (uses)	(92,862)	-	30,000	(89,729)
Net change in fund balances	205,902	133,559	204,673	10,973
Fund balances - beginning	4,265,140	2,054,932	641,647	116,601
FUND BALANCES - ENDING	\$ 4,471,042	\$ 2,188,491	\$ 846,320	\$ 127,574

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
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	115 GENERAL GOVT. SPECIAL PROJ. FUND	119 STREET IMPROVEMENT FUND	120 STREETS FUND	126 MOTOR VEHICLE EQUIPMENT REPL. FUND
REVENUES				
Taxes	\$ 1,500,000	\$ -	\$ 512,326	\$ -
Licenses and permits	-	-	-	-
Intergovernmental revenues	-	719,659	1,590,386	4,000
Charges for services	-	-	13,178	-
Fines and forfeits	-	-	-	-
Other revenues	9,430	83,379	112,870	203,542
Total revenues	1,509,430	803,038	2,228,760	207,542
EXPENDITURES				
Current:				
General government services	-	-	-	-
Security of persons and property	-	-	-	-
Physical environment	810,943	-	-	-
Transportation	-	28,616	2,054,776	-
Economic environment	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	69,209	603,194	-	719,421
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	880,152	631,810	2,054,776	719,421
Excess (deficiency) of revenues over (under) expenditures	629,278	171,228	173,984	(511,879)
OTHER FINANCING SOURCES (USES)				
Disposition of capital assets	-	-	-	79,931
Transfers in	-	300,000	-	1,194,889
Transfers out	(1,075,000)	(387,600)	(10,819)	(66,073)
Total other financing sources (uses)	(1,075,000)	(87,600)	(10,819)	1,208,747
Net change in fund balances	(445,722)	83,628	163,165	696,868
Fund balances - beginning	658,148	1,100,941	2,300,378	5,488,556
FUND BALANCES - ENDING	\$ 212,426	\$ 1,184,569	\$ 2,463,543	\$ 6,185,424

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
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	138 HOTEL/MOTEL TAX FUND	144 DOWNTOWN IMPROVEMENT FUND	145 CUM. RESERVE REAL PROP. ACQ. FUND	146 PROPERTY MANAGEMENT FUND
REVENUES				
Taxes	\$ 283,331	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental revenues	-	-	-	110,964
Charges for services	-	-	2,100	-
Fines and forfeits	-	505,376	-	-
Other revenues	12,110	18,843	214,968	977,695
Total revenues	295,441	524,219	217,068	1,088,659
EXPENDITURES				
Current:				
General government services	-	-	13,075	1,044,612
Security of persons and property	-	-	-	-
Physical environment	-	-	-	-
Transportation	-	-	-	-
Economic environment	-	-	-	-
Culture and recreation	300,095	-	-	-
Capital outlay	-	619,895	64	414,405
Debt service:				
Principal	52,311	-	-	-
Interest	-	-	-	-
Total expenditures	352,406	619,895	13,139	1,459,017
Excess (deficiency) of revenues over (under) expenditures	(56,965)	(95,676)	203,929	(370,358)
OTHER FINANCING SOURCES (USES)				
Disposition of capital assets	-	-	1,100	-
Transfers in	-	750,000	-	1,000,210
Transfers out	(30,000)	(600,000)	(4,000,000)	(255,118)
Total other financing sources (uses)	(30,000)	150,000	(3,998,900)	745,092
Net change in fund balances	(86,965)	54,324	(3,794,971)	374,734
Fund balances - beginning	349,283	201,217	6,235,379	5,386,080
FUND BALANCES - ENDING	\$ 262,318	\$ 255,541	\$ 2,440,408	\$ 5,760,814

**COMBINING STATEMENT OF REVENUES EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
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	148 CUM. RESERVE PARKS FUND	149 SENIOR CENTER RESERVE FUND	151 ANIMALS FUND
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	291,624	-	-
Intergovernmental revenues	-	-	-
Charges for services	22	61,956	240
Fines and forfeits	-	-	-
Other revenues	87,668	26,700	105,147
Total revenues	379,314	88,656	105,387
EXPENDITURES			
Current:			
General government services	-	-	-
Security of persons and property	-	-	-
Physical environment	-	-	236
Transportation	-	-	-
Economic environment	33,329	63,079	-
Culture and recreation	179,452	-	-
Capital outlay	20,639	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	233,420	63,079	236
Excess (deficiency) of revenues over (under) expenditures	145,894	25,577	105,151
OTHER FINANCING SOURCES (USES)			
Disposition of capital assets	-	-	-
Transfers in	86,416	-	-
Transfers out	-	-	-
Total other financing sources (uses)	86,416	-	-
Net change in fund balances	232,310	25,577	105,151
Fund balances - beginning	2,171,887	367,530	360,527
FUND BALANCES - ENDING	\$ 2,404,197	\$ 393,107	\$ 465,678

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
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	152 CUM. RESERVE LIBRARY FUND	153 EMERGENCY MEDICAL SERVICES FUND	154 REAL ESTATE EXCISE TAX FUND
REVENUES			
Taxes	\$ -	\$ 4,401,036	\$ 600,030
Licenses and permits	-	-	-
Intergovernmental revenues	-	2,186	-
Charges for services	3,705	1,796,283	-
Fines and forfeits	-	-	-
Other revenues	84,295	14,400	254,544
Total revenues	88,000	6,213,905	854,574
EXPENDITURES			
Current:			
General government services	-	-	-
Security of persons and property	-	7,220,519	-
Physical environment	-	-	-
Transportation	-	-	-
Economic environment	-	-	-
Culture and recreation	10,964	-	-
Capital outlay	28,401	232,546	-
Debt service:			
Principal	-	-	167,005
Interest	-	35,490	12,498
Total expenditures	39,365	7,488,555	179,503
Excess (deficiency) of revenues over (under) expenditures	48,635	(1,274,650)	675,071
OTHER FINANCING SOURCES (USES)			
Disposition of capital assets	-	-	-
Transfers in	-	-	94,914
Transfers out	-	-	(883,000)
Total other financing sources (uses)	-	-	(788,086)
Net change in fund balances	48,635	(1,274,650)	(113,015)
Fund balances - beginning	492,393	425,513	6,309,508
FUND BALANCES - ENDING	\$ 541,028	\$ (849,137)	\$ 6,196,493

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Page 6 of 7)**

	156 CRIMINAL JUSTICE FUND	157 TRAFFIC MITIGATION FUND	160 CONTINGENCY RESERVE FUND
REVENUES			
Taxes	\$ 1,342,191	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental revenues	1,405,288	-	-
Charges for services	526,458	705,666	-
Fines and forfeits	6,570	-	-
Other revenues	507,127	174,642	18,797
Total revenues	3,787,634	880,308	18,797
EXPENDITURES			
Current:			
General government services	479,982	-	-
Security of persons and property	1,813,072	-	-
Physical environment	-	-	-
Transportation	-	-	-
Economic environment	-	-	-
Culture and recreation	-	-	-
Capital outlay	225,561	24,999	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	2,518,615	24,999	-
Excess (deficiency) of revenues over (under) expenditures	1,269,019	855,309	18,797
OTHER FINANCING SOURCES (USES)			
Disposition of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	(2,791,616)	(1,295,000)	-
Total other financing sources (uses)	(2,791,616)	(1,295,000)	-
Net change in fund balances	(1,522,597)	(439,691)	18,797
Fund balances - beginning	9,568,770	4,840,811	4,100,148
FUND BALANCES - ENDING	\$ 8,046,173	\$ 4,401,120	\$ 4,118,945

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Page 7 of 7)**

	197 CHIP LOAN PROGRAM FUND	198 COMM. DEVEL. BLOCK GRANTS FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
REVENUES			
Taxes	\$ -	\$ -	\$ 20,949,339
Licenses and permits	-	-	291,624
Intergovernmental revenues	1,382,805	647,648	6,075,162
Charges for services	-	-	4,416,679
Fines and forfeits	-	-	596,980
Other revenues	76,885	1,184	3,914,437
Total revenues	1,459,690	648,832	36,244,221
EXPENDITURES			
Current:			
General government services	-	-	1,537,669
Security of persons and property	-	-	9,033,591
Physical environment	-	-	811,179
Transportation	-	-	2,083,392
Economic environment	1,255,898	652,370	2,004,676
Culture and recreation	-	-	13,877,806
Capital outlay	-	-	3,708,308
Debt service:			
Principal	-	-	219,316
Interest	-	-	47,988
Total expenditures	1,255,898	652,370	33,323,925
Excess (deficiency) of revenues over (under) expenditures	203,792	(3,538)	2,920,296
OTHER FINANCING SOURCES (USES)			
Disposition of capital assets	-	-	81,031
Transfers in	-	-	4,088,700
Transfers out	-	-	(12,209,088)
Total other financing sources (uses)	-	-	(8,039,357)
Net change in fund balances	203,792	(3,538)	(5,119,061)
Fund balances - beginning	13,660,825	570,556	71,666,770
FUND BALANCES - ENDING	\$ 13,864,617	\$ 567,018	\$ 66,547,709

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.

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, 2010**

	210 BOND REDEMPTION FUND	243 L.I.D. GUARANTY FUND	299 CONSOLIDATED L.I.D. BOND REDEMPTION FUND	TOTAL NONMAJOR DEBT SERVICE FUNDS
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ -	\$ 5,840	\$ 10,818	\$ 16,658
Investments	-	27,037	47,752	74,789
Receivables, net				
Due from other funds	-	50,000	-	50,000
Total Current Assets	-	82,877	58,570	141,447
RESTRICTED ASSETS				
Special assessments - deferred	-	-	160,377	160,377
Total Restricted Assets	-	-	160,377	160,377
TOTAL ASSETS	\$ -	\$ 82,877	\$ 218,947	\$ 301,824
LIABILITIES AND FUND BALANCES				
NONCURRENT LIABILITIES				
Deferred revenues	\$ -	\$ -	\$ 160,377	\$ 160,377
Total Noncurrent Liabilities	-	-	160,377	160,377
TOTAL LIABILITIES	-	-	160,377	160,377
FUND BALANCES				
Unreserved, reported in:				
Debt service funds	-	82,877	58,570	141,447
TOTAL FUND BALANCES	-	82,877	58,570	141,447
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 82,877	\$ 218,947	\$ 301,824

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	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	\$ -	\$ 25,480	\$ 83,395	\$ 108,875
Total revenues	-	25,480	83,395	108,875
EXPENDITURES				
Debt service:				
Principal	1,600,000	-	-	1,600,000
Interest	807,133	-	-	807,133
Total expenditures	2,407,133	-	-	2,407,133
Excess (deficiency) of revenues over (under) expenditures	(2,407,133)	25,480	83,395	(2,298,258)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,407,133	176,678	21,654	2,605,465
Transfers out	-	(150,000)	(198,332)	(348,332)
Total other financing sources (uses)	2,407,133	26,678	(176,678)	2,257,133
Net change in fund balances	-	52,158	(93,283)	(41,125)
Fund balances - beginning	-	30,719	151,853	182,572
FUND BALANCES - ENDING	\$ -	\$ 82,877	\$ 58,570	\$ 141,447

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.
- 360 The ***Block Grant Neighborhood Improvement Fund*** accounts for improvements to Northeast Everett, Port Gardner and Riverside neighborhoods as authorized by Council.

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2010
(Page 1 of 2)**

	303 PUBLIC WORKS IMPROVEMENT PROJECT FUND	308 RIVERFRONT DEVELOPMENT FUND	342 CITY FACILITIES CONSTRUCT. FUND
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 157,958	\$ 286,638	\$ 191,066
Investments	698,679	1,267,741	845,050
Receivables, net			
Due from other funds	-	-	1,500,000
Due from other governmental units	367,882	11,749	-
Total Current Assets	<u>1,224,519</u>	<u>1,566,128</u>	<u>2,536,116</u>
TOTAL ASSETS	\$ 1,224,519	\$ 1,566,128	\$ 2,536,116
LIABILITIES AND FUND BALANCES			
CURRENT LIABILITIES			
Wages payable	\$ 14,453	\$ 1,287	\$ -
Accounts payable	441,174	75,510	269,405
Due to other funds	8,238	-	16,284
Interfund loans payable	-	-	-
Total Current Liabilities	<u>463,865</u>	<u>76,797</u>	<u>285,689</u>
TOTAL LIABILITIES	<u>463,865</u>	<u>76,797</u>	<u>285,689</u>
FUND BALANCES			
Unreserved, reported in:			
Capital projects funds	760,654	1,489,331	2,250,427
TOTAL FUND BALANCES	<u>760,654</u>	<u>1,489,331</u>	<u>2,250,427</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,224,519	\$ 1,566,128	\$ 2,536,116

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2010
(Page 2 of 2)**

	354 PARKS CIP 3 CONSTRUCT. FUND	360 BLOCK GRANT IMPROVEMENT FUND	TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 69,326	\$ 2	\$ 704,990
Investments	305,828	-	3,117,298
Receivables, net			
Due from other funds	-	-	1,500,000
Due from other governmental units	-	-	379,631
Total Current Assets	375,154	2	5,701,919
TOTAL ASSETS	\$ 375,154	\$ 2	\$ 5,701,919
LIABILITIES AND FUND BALANCES			
CURRENT LIABILITIES			
Wages payable	\$ -	\$ -	\$ 15,740
Accounts payable	4,703	1,330	792,122
Due to other funds	-	-	24,522
Interfund loans payable	-	6,600	6,600
Total Current Liabilities	4,703	7,930	838,984
TOTAL LIABILITIES	4,703	7,930	838,984
FUND BALANCES			
Unreserved, reported in:			
Capital projects funds	370,451	(7,928)	4,862,935
TOTAL FUND BALANCES	370,451	(7,928)	4,862,935
TOTAL LIABILITIES AND FUND BALANCES	\$ 375,154	\$ 2	\$ 5,701,919

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Page 1 of 2)**

	303 PUBLIC WORKS IMPROVEMENT PROJECT FUND	308 RIVERFRONT DEVELOPMENT FUND	342 CITY FACILITIES CONSTRUCTION FUND
REVENUES			
Intergovernmental revenues	\$ 2,153,091	\$ 42,090	\$ 910,930
Other revenues	15,973	38,710	2,178
Total revenues	2,169,064	80,800	913,108
EXPENDITURES			
Current:			
Economic environment	-	-	-
Capital outlay	3,814,951	1,149,015	2,275,274
Debt service:			
Interest	9,351	-	-
Total expenditures	3,824,302	1,149,015	2,275,274
Excess (deficiency) of revenues over (under) expenditures	(1,655,238)	(1,068,215)	(1,362,166)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,804,600	1,075,000	3,185,000
Transfers out	(67,581)	-	-
Total other financing sources (uses)	1,737,019	1,075,000	3,185,000
Net change in fund balances	81,781	6,785	1,822,834
Fund balances - beginning	678,873	1,482,546	427,593
FUND BALANCES - ENDING	\$ 760,654	\$ 1,489,331	\$ 2,250,427

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Page 2 of 2)**

	354 PARKS CIP 3 CONSTRUCT. FUND	360 BLOCK GRANT IMPROV. FUND	TOTAL NONMAJOR CAPITAL PROJECTS FUNDS
REVENUES			
Intergovernmental revenues	\$ -	\$ -	\$ 3,106,111
Other revenues	-	16	56,877
Total revenues	-	16	3,162,988
EXPENDITURES			
Current:			
Economic environment	-	6,614	6,614
Capital outlay	521,316	1,330	7,761,886
Debt service:			
Interest	-	-	9,351
Total expenditures	521,316	7,944	7,777,851
Excess (deficiency) of revenues over (under) expenditures	(521,316)	(7,928)	(4,614,863)
OTHER FINANCING SOURCES (USES)			
Transfers in	573,819	-	6,638,419
Transfers out	(94,914)	-	(162,495)
Total other financing sources (uses)	478,905	-	6,475,924
Net change in fund balances	(42,411)	(7,928)	1,861,061
Fund balances - beginning	412,862	-	3,001,874
FUND BALANCES - ENDING	\$ 370,451	\$ (7,928)	\$ 4,862,935

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, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$ 7,384,591	\$ 7,154,366	\$ 7,154,366	\$ -
Intergovernmental revenues	-	137,900	138,100	200
Charges for services	1,279,650	1,279,650	1,283,557	3,907
Other revenues	373,400	373,400	436,392	62,992
Total Revenues	9,037,641	8,945,316	9,012,415	67,099
EXPENDITURES				
Current:				
Culture and recreation	8,453,971	8,449,667	8,686,815	(237,148)
Capital outlay	583,670	529,551	26,836	502,715
Total Expenditures	9,037,641	8,979,218	8,713,651	265,567
Excess (deficiency) of revenues over (under) expenditures	-	(33,902)	298,764	332,666
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(86,416)	(92,862)	(6,446)
Total other financing sources (uses)	-	(86,416)	(92,862)	(6,446)
Net changes in fund balances	-	(120,318)	205,902	326,220
Fund balances - beginning	-	120,318	4,265,140	4,144,822
FUND BALANCES - ENDING	\$ -	\$ -	\$ 4,471,042	\$ 4,471,042

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 110 – LIBRARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$ 4,542,893	\$ 4,474,893	\$ 4,474,893	\$ -
Intergovernmental revenues	-	54,668	46,126	(8,542)
Charges for services	20,000	20,000	23,514	3,514
Fines and forfeits	80,000	80,000	85,034	5,034
Other revenues	74,500	74,500	92,044	17,544
Total Revenues	4,717,393	4,704,061	4,721,611	17,550
EXPENDITURES				
Current:				
Culture and recreation	4,011,886	4,003,636	3,873,771	129,865
Capital outlay	705,507	705,507	714,281	(8,774)
Total Expenditures	4,717,393	4,709,143	4,588,052	121,091
Excess (deficiency) of revenues over (under) expenditures	-	(5,082)	133,559	138,641
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net changes in fund balances	-	(5,082)	133,559	138,641
Fund balances - beginning	-	5,082	2,054,932	2,049,850
FUND BALANCES - ENDING	\$ -	\$ -	\$ 2,188,491	\$ 2,188,491

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 112 – COMMUNITY THEATER FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$ 725,466	\$ 725,466	\$ 681,166	\$ (44,300)
Intergovernmental revenues	-	28,000	28,000	-
Other revenues	116,700	116,700	276,085	159,385
Total Revenues	842,166	870,166	985,251	115,085
EXPENDITURES				
Current:				
Culture and recreation	902,166	919,442	801,721	117,721
Capital outlay	20,000	20,000	8,857	11,143
Total Expenditures	922,166	939,442	810,578	128,864
Excess (deficiency) of revenues over (under) expenditures	(80,000)	(69,276)	174,673	243,949
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	30,000	30,000
Total other financing sources (uses)	-	-	30,000	30,000
Net changes in fund balances	(80,000)	(69,276)	204,673	273,949
Fund balances - beginning	80,000	338,276	641,647	303,371
FUND BALANCES - ENDING	\$ -	\$ 269,000	\$ 846,320	\$ 577,320

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 114 – CONFERENCE CENTER FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$ 121,176	\$ 121,176	\$ 125,690	\$ 4,514
Total Revenues	121,176	121,176	125,690	4,514
EXPENDITURES				
Current:				
Culture and recreation	67,002	67,002	24,988	42,014
Total Expenditures	67,002	67,002	24,988	42,014
Excess (deficiency) of revenues over (under) expenditures	54,174	54,174	100,702	46,528
OTHER FINANCING SOURCES (USES)				
Transfers in	667,826	667,826	632,271	(35,555)
Transfers out	(722,000)	(722,000)	(722,000)	-
Total other financing sources (uses)	(54,174)	(54,174)	(89,729)	(35,555)
Net changes in fund balances	-	-	10,973	10,973
Fund balances - beginning	-	-	116,601	116,601
FUND BALANCES - ENDING	\$ -	\$ -	\$ 127,574	\$ 127,574

**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, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ -
Other revenues	\$ -	\$ -	\$ 9,430	\$ 9,430
Total Revenues	1,500,000	1,500,000	1,509,430	9,430
EXPENDITURES				
Current:				
Physical environment	1,500,000	2,132,307	810,943	1,321,364
Capital outlay	-	200,000	69,209	130,791
Total Expenditures	1,500,000	2,332,307	880,152	1,452,155
Excess (deficiency) of revenues over (under) expenditures	-	(832,307)	629,278	1,461,585
OTHER FINANCING SOURCES (USES)				
Transfers in	-	200,000	-	(200,000)
Transfers out	-	-	(1,075,000)	(1,075,000)
Total other financing sources (uses)	-	200,000	(1,075,000)	(1,275,000)
Net changes in fund balances	-	(632,307)	(445,722)	186,585
Fund balances - beginning	-	632,307	658,148	25,841
FUND BALANCES - ENDING	\$ -	\$ -	\$ 212,426	\$ 212,426

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 119 – STREET IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Intergovernmental revenues	\$ 746,229	\$ 746,229	\$ 719,659	\$ (26,570)
Other revenues	29,500	29,500	83,379	53,879
Total Revenues	775,729	775,729	803,038	27,309
EXPENDITURES				
Current:				
Transportation	-	-	28,616	(28,616)
Capital outlay	1,075,729	2,124,151	603,194	1,520,957
Total Expenditures	1,075,729	2,124,151	631,810	1,492,341
Excess (deficiency) of revenues over (under) expenditures	(300,000)	(1,348,422)	171,228	1,519,650
OTHER FINANCING SOURCES (USES)				
Transfers in	300,000	300,000	300,000	-
Transfers out	-	-	(387,600)	(387,600)
Total other financing sources (uses)	300,000	300,000	(87,600)	(387,600)
Net changes in fund balances	-	(1,048,422)	83,628	1,132,050
Fund balances - beginning	-	1,048,422	1,100,941	52,519
FUND BALANCES - ENDING	\$ -	\$ -	\$ 1,184,569	\$ 1,184,569

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 120 – STREETS FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$ 623,161	\$ 512,326	\$ 512,326	\$ -
Intergovernmental revenues	1,595,976	1,595,976	1,590,386	(5,590)
Charges for services	-	-	13,178	13,178
Other revenues	94,000	94,000	112,870	18,870
Total Revenues	2,313,137	2,202,302	2,228,760	26,458
EXPENDITURES				
Current:				
Transportation	2,313,137	2,265,602	2,054,776	210,826
Total Expenditures	2,313,137	2,265,602	2,054,776	210,826
Excess (deficiency) of revenues over (under) expenditures	-	(63,300)	173,984	237,284
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(10,819)	(10,819)
Total other financing sources (uses)	-	-	(10,819)	(10,819)
Net changes in fund balances	-	(63,300)	163,165	226,465
Fund balances - beginning	-	63,300	2,300,378	2,237,078
FUND BALANCES - ENDING	\$ -	\$ -	\$ 2,463,543	\$ 2,463,543

**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, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ 4,000	\$ 4,000
Other revenues	140,715	140,715	203,542	62,827
Total Revenues	140,715	140,715	207,542	66,827
EXPENDITURES				
Current:				
General government services	250,000	250,000	-	250,000
Capital outlay	648,522	1,590,472	719,421	871,051
Total Expenditures	898,522	1,840,472	719,421	1,121,051
Excess (deficiency) of revenues over (under) expenditures	(757,807)	(1,699,757)	(511,879)	1,187,878
OTHER FINANCING SOURCES (USES)				
Disposition of capital assets	30,000	30,000	79,931	49,931
Transfers in	-	-	1,194,889	1,194,889
Transfers out	(150,000)	(150,000)	(66,073)	83,927
Total other financing sources (uses)	(120,000)	(120,000)	1,208,747	1,328,747
Net changes in fund balances	(877,807)	(1,819,757)	696,868	2,516,625
Fund balances - beginning	4,528,276	5,470,226	5,488,556	18,330
FUND BALANCES - ENDING	\$ 3,650,469	\$ 3,650,469	\$ 6,185,424	\$ 2,534,955

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 138 – MOTEL TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$ 290,000	\$ 290,000	\$ 283,331	\$ (6,669)
Other revenues	13,800	13,800	12,110	(1,690)
Total Revenues	303,800	303,800	295,441	(8,359)
EXPENDITURES				
Current:				
Culture and recreation	335,000	335,000	300,095	34,905
Debt service:				
Principal retirement	52,311	52,311	52,311	-
Total Expenditures	387,311	387,311	352,406	34,905
Excess (deficiency) of revenues over (under) expenditures	(83,511)	(83,511)	(56,965)	26,546
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(30,000)	(30,000)
Total other financing sources (uses)	-	-	(30,000)	(30,000)
Net changes in fund balances	(83,511)	(83,511)	(86,965)	(3,454)
Fund balances - beginning	365,490	365,490	349,283	(16,207)
FUND BALANCES - ENDING	\$ 281,979	\$ 281,979	\$ 262,318	\$ (19,661)

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 144 – DOWNTOWN IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Fines and forfeits	\$ 413,160	\$ 413,160	\$ 505,376	\$ 92,216
Other revenues	-	-	18,843	18,843
Total Revenues	413,160	413,160	524,219	111,059
EXPENDITURES				
Current:				
Capital outlay	666,897	1,476,466	619,895	856,571
Total Expenditures	666,897	1,476,466	619,895	856,571
Excess (deficiency) of revenues over (under) expenditures	(253,737)	(1,063,306)	(95,676)	967,630
OTHER FINANCING SOURCES (USES)				
Transfers in		809,569	750,000	(59,569)
Transfers out	-	-	(600,000)	(600,000)
Total other financing sources (uses)	-	809,569	150,000	(659,569)
Net changes in fund balances	(253,737)	(253,737)	54,324	308,061
Fund balances - beginning	253,737	253,737	201,217	(52,520)
FUND BALANCES - ENDING	\$ -	\$ -	\$ 255,541	\$ 255,541

**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, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Charges for services	\$ -	\$ -	\$ 2,100	\$ 2,100
Other revenues	384,932	384,932	214,968	(169,964)
Total Revenues	384,932	384,932	217,068	(167,864)
EXPENDITURES				
Current:				
General government services	52,100	52,100	13,075	39,025
Capital outlay	10,932,134	10,932,134	64	10,932,070
Total Expenditures	10,984,234	10,984,234	13,139	10,971,095
Excess (deficiency) of revenues over (under) expenditures	(10,599,302)	(10,599,302)	203,929	10,803,231
OTHER FINANCING SOURCES (USES)				
Disposition of capital assets	1,600,000	1,600,000	1,100	(1,598,900)
Transfers out	-	-	(4,000,000)	(4,000,000)
Total other financing sources (uses)	1,600,000	1,600,000	(3,998,900)	(5,598,900)
Net changes in fund balances	(8,999,302)	(8,999,302)	(3,794,971)	5,204,331
Fund balances - beginning	8,999,302	8,999,302	6,235,379	(2,763,923)
FUND BALANCES - ENDING	\$ -	\$ -	\$ 2,440,408	\$ 2,440,408

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 146 – PROPERTY MANAGEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Intergovernmental revenues	\$ -	\$ 575,991	\$ 110,964	\$ (465,027)
Other revenues	821,656	821,656	977,695	156,039
Total Revenues	821,656	1,397,647	1,088,659	(308,988)
EXPENDITURES				
Current:				
General government services	820,150	820,150	1,044,612	(224,462)
Capital outlay	1,902,620	2,478,611	414,405	2,064,206
Total Expenditures	2,722,770	3,298,761	1,459,017	1,839,744
Excess (deficiency) of revenues over (under) expenditures	(1,901,114)	(1,901,114)	(370,358)	1,530,756
OTHER FINANCING SOURCES (USES)				
Transfers in	456,681	456,681	1,000,210	543,529
Transfers out	-	-	(255,118)	(255,118)
Total other financing sources (uses)	456,681	456,681	745,092	288,411
Net changes in fund balances	(1,444,433)	(1,444,433)	374,734	1,819,167
Fund balances - beginning	4,552,775	4,552,775	5,386,080	833,305
FUND BALANCES - ENDING	\$ 3,108,342	\$ 3,108,342	\$ 5,760,814	\$ 2,652,472

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 148 – CUMULATIVE RESERVE PARKS FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Licenses and Permits	\$ 300,000	\$ 300,000	\$ 291,624	\$ (8,376)
Charges for services	-	-	22	22
Other revenues	71,000	71,000	87,668	16,668
Total Revenues	371,000	371,000	379,314	8,314
EXPENDITURES				
Current:				
Economic environment	-	-	33,329	(33,329)
Culture and recreation	325,000	325,000	179,452	145,548
Capital outlay	600,000	600,000	20,639	579,361
Total Expenditures	925,000	925,000	233,420	691,580
Excess (deficiency) of revenues over (under) expenditures	(554,000)	(554,000)	145,894	699,894
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	86,416	86,416
Total other financing sources (uses)	-	-	86,416	86,416
Net changes in fund balances	(554,000)	(554,000)	232,310	786,310
Fund balances - beginning	2,110,552	2,110,552	2,171,887	61,335
FUND BALANCES - ENDING	\$ 1,556,552	\$ 1,556,552	\$ 2,404,197	\$ 847,645

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 149 – SENIOR CENTER RESERVE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Charges for services	\$ 85,054	\$ 85,054	\$ 61,956	\$ (23,098)
Other revenues	19,595	19,595	26,700	7,105
Total Revenues	104,649	104,649	88,656	(15,993)
EXPENDITURES				
Current:				
Economic environment	95,569	95,569	63,079	32,490
Total Expenditures	95,569	95,569	63,079	32,490
Excess (deficiency) of revenues over (under) expenditures	9,080	9,080	25,577	16,497
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(51,183)	-	51,183
Total other financing sources (uses)	-	(51,183)	-	51,183
Net changes in fund balances	9,080	(42,103)	25,577	67,680
Fund balances - beginning	261,619	261,619	367,530	105,911
FUND BALANCES - ENDING	\$ 270,699	\$ 219,516	\$ 393,107	\$ 173,591

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 151 – ANIMALS FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Charges for services	\$ -	\$ -	\$ 240	\$ 240
Other revenues	57,000	97,000	105,147	8,147
Total Revenues	57,000	97,000	105,387	8,387
EXPENDITURES				
Current:				
Physical environment	100,000	100,000	236	99,764
Capital outlay	-	40,000	-	40,000
Total Expenditures	100,000	140,000	236	139,764
Excess (deficiency) of revenues over (under) expenditures	(43,000)	(43,000)	105,151	148,151
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net changes in fund balances	(43,000)	(43,000)	105,151	148,151
Fund balances - beginning	380,960	380,960	360,527	(20,433)
FUND BALANCES - ENDING	\$ 337,960	\$ 337,960	\$ 465,678	\$ 127,718

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 152 – CUMULATIVE RESERVE LIBRARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Charges for services	\$ 3,500	\$ 3,500	\$ 3,705	\$ 205
Other revenues	37,420	37,420	84,295	46,875
Total Revenues	40,920	40,920	88,000	47,080
EXPENDITURES				
Current:				
Culture and recreation	57,900	57,900	10,964	46,936
Capital outlay	8,700	8,700	28,401	(19,701)
Total Expenditures	66,600	66,600	39,365	27,235
Excess (deficiency) of revenues over (under) expenditures	(25,680)	(25,680)	48,635	74,315
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net changes in fund balances	(25,680)	(25,680)	48,635	74,315
Fund balances - beginning	496,616	496,616	492,393	(4,223)
FUND BALANCES - ENDING	\$ 470,936	\$ 470,936	\$ 541,028	\$ 70,092

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 153 – EMERGENCY MEDICAL SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$ 4,386,875	\$ 4,386,875	\$ 4,401,036	\$ 14,161
Intergovernmental revenues	1,200	1,200	2,186	986
Charges for services	1,453,586	1,453,586	1,796,283	342,697
Other revenues	-	-	14,400	14,400
Total Revenues	5,841,661	5,841,661	6,213,905	372,244
EXPENDITURES				
Current:				
Security of persons and property	7,532,772	7,532,772	7,220,519	312,253
Capital outlay	188,343	188,343	232,546	(44,203)
Interest				
Other debt service costs	60,000	60,000	35,490	24,510
Total Expenditures	7,781,115	7,781,115	7,488,555	292,560
Excess (deficiency) of revenues over (under) expenditures	(1,939,454)	(1,939,454)	(1,274,650)	664,804
OTHER FINANCING SOURCES (USES)				
Other Sources	1,953,414	1,953,414	-	(1,953,414)
Total other financing sources (uses)	1,953,414	1,953,414	-	(1,953,414)
Net changes in fund balances	13,960	13,960	(1,274,650)	(1,288,610)
Fund balances - beginning	-	-	425,513	425,513
FUND BALANCES - ENDING	\$ 13,960	\$ 13,960	\$ (849,137)	\$ (863,097)

**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, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$ 768,750	\$ 768,750	\$ 600,030	\$ (168,720)
Other revenues	230,740	230,740	254,544	23,804
Total Revenues	999,490	999,490	854,574	(144,916)
EXPENDITURES				
Debt service:				
Principal retirement	179,503	179,503	167,005	12,498
Interest	-	-	12,498	(12,498)
Total Expenditures	179,503	179,503	179,503	-
Excess (deficiency) of revenues over (under) expenditures	819,987	819,987	675,071	(144,916)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	94,914	94,914
Transfers out	(538,632)	(7,965,259)	(883,000)	7,082,259
Total other financing sources (uses)	(538,632)	(7,965,259)	(788,086)	7,177,173
Net changes in fund balances	281,355	(7,145,272)	(113,015)	7,032,257
Fund balances - beginning	6,016,026	9,242,653	6,309,508	(2,933,145)
FUND BALANCES - ENDING	\$ 6,297,381	\$ 2,097,381	\$ 6,196,493	\$ 4,099,112

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 156 – CRIMINAL JUSTICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$ 1,273,610	\$ 1,273,610	\$ 1,342,191	\$ 68,581
Intergovernmental revenues	581,090	799,202	1,405,288	606,086
Charges for services	450,000	450,000	526,458	76,458
Fines and forfeits	13,000	13,000	6,570	(6,430)
Other revenues	633,960	633,960	507,127	(126,833)
Total Revenues	2,951,660	3,169,772	3,787,634	617,862
EXPENDITURES				
Current:				
General government services	515,679	515,679	479,982	35,697
Security of persons and property	1,982,317	2,650,954	1,813,072	837,882
Capital outlay	2,073,000	2,238,362	225,561	2,012,801
Total Expenditures	4,570,996	5,404,995	2,518,615	2,886,380
Excess (deficiency) of revenues over (under) expenditures	(1,619,336)	(2,235,223)	1,269,019	3,504,242
OTHER FINANCING SOURCES (USES)				
Transfers out	(830,526)	(857,212)	(2,791,616)	(1,934,404)
Total other financing sources (uses)	(830,526)	(857,212)	(2,791,616)	(1,934,404)
Net changes in fund balances	(2,449,862)	(3,092,435)	(1,522,597)	1,569,838
Fund balances - beginning	9,122,558	9,654,293	9,568,770	(85,523)
FUND BALANCES - ENDING	\$ 6,672,696	\$ 6,561,858	\$ 8,046,173	\$ 1,484,315

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 157 – TRAFFIC MITIGATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Charges for services	\$ 200,000	\$ 200,000	\$ 705,666	\$ 505,666
Other revenues	110,000	110,000	174,642	64,642
Total Revenues	310,000	310,000	880,308	570,308
EXPENDITURES				
Capital outlay	4,288,295	4,288,295	24,999	4,263,296
Total Expenditures	4,288,295	4,288,295	24,999	4,263,296
Excess (deficiency) of revenues over (under) expenditures	(3,978,295)	(3,978,295)	855,309	4,833,604
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(1,295,000)	(1,295,000)
Total other financing sources (uses)	-	-	(1,295,000)	(1,295,000)
Net changes in fund balances	(3,978,295)	(3,978,295)	(439,691)	3,538,604
Fund balances - beginning	3,978,295	3,978,295	4,840,811	862,516
FUND BALANCES - ENDING	\$ -	\$ -	\$ 4,401,120	\$ 4,401,120

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 160 – CONTINGENCY RESERVE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$ -	\$ -	\$ 18,797	\$ 18,797
Total Revenues	-	-	18,797	18,797
EXPENDITURES				
Total Expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	18,797	18,797
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net changes in fund balances	-	-	18,797	18,797
Fund balances - beginning	4,174,844	4,174,844	4,100,148	(74,696)
FUND BALANCES - ENDING	\$ 4,174,844	\$ 4,174,844	\$ 4,118,945	\$ (55,899)

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 197 – CHIP LOAN PROGRAM FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Intergovernmental revenues	\$ 1,294,060	\$ 1,294,060	\$ 1,382,805	\$ 88,745
Other revenues	390,500	390,500	76,885	(313,615)
Total Revenues	1,684,560	1,684,560	1,459,690	(224,870)
EXPENDITURES				
Current:				
Economic environment	1,284,487	1,284,487	1,255,898	28,589
Capital outlay	3,000	3,000	-	3,000
Total Expenditures	1,287,487	1,287,487	1,255,898	31,589
Excess (deficiency) of revenues over (under) expenditures	397,073	397,073	203,792	(193,281)
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net changes in fund balances	397,073	397,073	203,792	(193,281)
Fund balances - beginning	12,515,865	12,515,865	13,660,825	1,144,960
FUND BALANCES - ENDING	\$ 12,912,938	\$ 12,912,938	\$ 13,864,617	\$ 951,679

**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, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Intergovernmental revenues	\$ 839,868	\$ 939,868	\$ 647,648	\$ (292,220)
Other revenues	-	-	1,184	1,184
Total Revenues	839,868	939,868	648,832	(291,036)
EXPENDITURES				
Current:				
Economic environment	1,209,317	1,309,317	652,370	656,947
Total Expenditures	1,209,317	1,309,317	652,370	656,947
Excess (deficiency) of revenues over (under) expenditures	(369,449)	(369,449)	(3,538)	365,911
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net changes in fund balances	(369,449)	(369,449)	(3,538)	365,911
Fund balances - beginning	369,449	369,449	570,556	201,107
FUND BALANCES - ENDING	\$ -	\$ -	\$ 567,018	\$ 567,018

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FUND 210 – BOND REDEMPTION FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES				
Debt Service:				
Principal retirement	800,000	1,600,000	1,600,000	-
Interest	1,268,560	1,268,560	807,133	461,427
Total Expenditures	2,068,560	2,868,560	2,407,133	461,427
Excess (deficiency) of revenues over (under) expenditures	(2,068,560)	(2,868,560)	(2,407,133)	461,427
OTHER FINANCING SOURCES (USES)				
Transfers in	2,068,560	2,868,560	2,407,133	(461,427)
Total other financing sources (uses)	2,068,560	2,868,560	2,407,133	(461,427)
Net change in fund balances	-	-	-	-
Fund Balances - beginning	1,000	1,000	-	(1,000)
FUND BALANCES - ENDING	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)

**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, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other Revenues	\$ 1,000	\$ 1,000	\$ 25,480	\$ 24,480
Total Revenues	1,000	1,000	25,480	24,480
EXPENDITURES				
Total Expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	1,000	1,000	25,480	24,480
OTHER FINANCING SOURCES (USES)				
Transfers in	170,000	170,000	176,678	6,678
Transfers out	(150,000)	(150,000)	(150,000)	-
Total other financing sources (uses)	20,000	20,000	26,678	6,678
Net change in fund balances	21,000	21,000	52,158	31,158
Fund Balances - beginning	80,790	80,790	30,719	(50,071)
FUND BALANCES - ENDING	\$ 101,790	\$ 101,790	\$ 82,877	\$ (18,913)

**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, 2010**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
REVENUES				
Other revenues	\$ 67,000	\$ 67,000	\$ 83,395	\$ 16,395
TOTAL REVENUES	67,000	67,000	83,395	16,395
EXPENDITURES				
TOTAL EXPENDITURES	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	67,000	67,000	83,395	16,395
OTHER FINANCING SOURCES (USES)				
Transfers in	30,000	30,000	21,654	(8,346)
Transfers out	(200,000)	(200,000)	(198,332)	1,668
Total other financing sources (uses)	(170,000)	(170,000)	(176,678)	(6,678)
Net change in fund balances	(103,000)	(103,000)	(93,283)	9,717
Fund Balances - beginning	118,825	118,825	151,853	33,028
FUND BALANCES - ENDING	\$ 15,825	\$ 15,825	\$ 58,570	\$ 42,745

PROPRIETARY FUNDS

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 BALANCE SHEET
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2010**

	402 SOLID WASTE FUND	430 PARKING GARAGE FUND	440 GOLF FUND	TOTAL NONMAJOR ENTERPRISE FUNDS
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 5,800	\$ 411,984	\$ 71,962	\$ 489,746
Investments	2,895	1,822,097	318,264	2,143,256
Bond covenant accounts:	-	-	-	-
Restricted cash and cash equivalents	122,167	-	-	122,167
Receivables, net	-	-	-	-
Customer accounts	240,206	-	6,000	246,206
Interest	-	3,515	-	3,515
Due from other governments	15,964	-	-	15,964
Inventory	-	-	98,278	98,278
Total Current Assets	387,032	2,237,596	494,504	3,119,132
NONCURRENT ASSETS				
Unamortized debt issue costs	63,865	-	-	63,865
Land	-	756,141	203,481	959,622
Construction in progress	1,017,787	-	-	1,017,787
Capital assets, net of depreciation (Note 6)	5,071,841	351,888	5,449,956	10,873,685
Total Noncurrent Assets	6,153,493	1,108,029	5,653,437	12,914,959
TOTAL ASSETS	\$ 6,540,525	\$ 3,345,625	\$ 6,147,941	\$ 16,034,091
LIABILITIES AND FUND EQUITY				
CURRENT LIABILITIES				
Wages and benefits payable	\$ 1,426	\$ -	\$ 24,241	\$ 25,667
Accounts payable	49,051	16,860	110,833	176,744
Interest payable	22,166	-	-	22,166
Taxes payable	-	-	9,544	9,544
Due to other funds	1,570	-	-	1,570
Interfund loans payable	297,500	-	-	297,500
Deferred revenues	-	-	171,880	171,880
Current portion of long-term debt	1,200,000	-	-	1,200,000
Unamortized discount	2,012	-	-	2,012
Other current liabilities	-	-	25,407	25,407
Total Current Liabilities	1,573,725	16,860	341,905	1,932,490
NONCURRENT LIABILITIES				
General obligation bonds payable	8,200,000	-	-	8,200,000
Unamortized discount	16,875	-	-	16,875
Advances from other funds	-	-	7,784,168	7,784,168
Other long-term liabilities	-	-	318,342	318,342
Total Noncurrent Liabilities	8,216,875	-	8,102,510	16,319,385
TOTAL LIABILITIES	9,790,600	16,860	8,444,415	18,251,875
FUND EQUITY				
Invested in capital assets, net of related debt	(3,329,259)	1,108,029	5,653,437	3,432,207
Restricted for debt service	122,167	-	-	122,167
Unrestricted	(42,983)	2,220,736	(7,949,911)	(5,772,158)
TOTAL FUND EQUITY	(3,250,075)	3,328,765	(2,296,474)	(2,217,784)
TOTAL LIABILITIES AND FUND EQUITY	\$ 6,540,525	\$ 3,345,625	\$ 6,147,941	\$ 16,034,091

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	402 SOLID WASTE FUND	430 PARKING GARAGE FUND	440 GOLF FUND	TOTAL NONMAJOR ENTERPRISE FUNDS
OPERATING REVENUES:				
Admission taxes	\$ -	\$ -	98,269	\$ 98,269
Charges for services	2,196,527	317,457	3,762,625	6,276,609
Total Operating Revenues	2,196,527	317,457	3,860,894	6,374,878
OPERATING EXPENSES:				
Personnel services	64,949	-	979,404	1,044,353
Supplies	1,457	32,724	655,280	689,461
Professional services	2,939,624	200,172	1,255,729	4,395,525
Depreciation and amortization	274,808	42,926	630,211	947,945
Taxes	-	-	262	262
Other operating expenses	118,845	20,066	364,574	503,485
Total Operating Expenses	3,399,683	295,888	3,885,460	7,581,031
Operating Income (Loss)	(1,203,156)	21,569	(24,566)	(1,206,153)
NON-OPERATING REVENUES (EXPENSES):				
Intergovernmental revenues	87,504	-	-	87,504
Interest and investment revenue	58,888	89,661	15,694	164,243
Gain (loss) on sale/retirement of assets	-	-	646	646
Interest expense	(289,038)	-	(254,223)	(543,261)
Total Non-Operating Revenues (Expenses)	(142,646)	89,661	(237,883)	(290,868)
Income (Loss) Before Contributions and Transfers	(1,345,802)	111,230	(262,449)	(1,497,021)
Transfers out	-	(252,000)	-	(252,000)
INCREASE (DECREASE) IN NET EQUITY	(1,345,802)	(140,770)	(262,449)	(1,749,021)
NET EQUITY - BEGINNING	(1,904,273)	3,469,535	(2,034,025)	(468,763)
NET EQUITY - ENDING	\$ (3,250,075)	\$ 3,328,765	\$ (2,296,474)	\$ (2,217,784)

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	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	\$ 2,156,174	\$ 317,457	\$ 3,865,388	\$ 6,339,019
Payments to suppliers	(3,135,397)	(242,613)	(2,173,079)	(5,551,089)
Payments to employees	(64,061)	-	(976,616)	(1,040,677)
Payments for interfund services used	(15,170)	(19,584)	(116,702)	(151,456)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(1,058,454)	55,260	598,991	(404,203)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Receipts from non-capital grants	87,504	-	-	87,504
Interfund loans received	-	-	(125,000)	(125,000)
Interest paid on interfund loans	(4,381)	-	(253,579)	(257,960)
Transfers from other funds	-	(252,000)	-	(252,000)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	83,123	(252,000)	(378,579)	(547,456)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from capital debt	10,500,000	-	-	10,500,000
Principal paid on capital debt	(1,100,000)	-	(39,554)	(1,139,554)
Interest paid on capital debt	(307,469)	-	(644)	(308,113)
Principal paid on interfund loans	(8,208,423)	-	-	(8,208,423)
Receipts from capital grants	171,732	-	-	171,732
Proceeds from sale of capital assets	-	-	646	646
Acquisition and construction of capital assets	(40,918)	-	(41,538)	(82,456)
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	1,014,922	-	(81,090)	933,832
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale of investments	25,186	178,503	-	203,689
Investment income	55,858	80,602	(102,580)	33,880
NET CASH PROVIDED BY INVESTING ACTIVITIES	81,044	259,105	(102,580)	237,569
Net Increase (Decrease) in Cash and Cash Equivalents	120,635	62,365	36,742	219,742
Cash and Cash Equivalents, January 1	7,332	349,619	35,220	392,171
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 127,967	\$ 411,984	\$ 71,962	\$ 611,913
Current Cash and Cash Equivalents	5,800	411,984	71,962	489,746
Restricted Cash and Cash Equivalents	122,167	-	-	122,167
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 127,967	\$ 411,984	\$ 71,962	\$ 611,913
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (1,203,156)	\$ 21,569	\$ (24,566)	\$ (1,206,153)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and amortization	274,808	42,926	630,211	947,945
Change in Assets and Liabilities:				
(Increase) decrease in inventories	-	-	(13,576)	(13,576)
(Increase) decrease in receivables	(40,353)	-	-	(40,353)
Increase (decrease) in accounts and other payables	(89,753)	(9,235)	2,428	(96,560)
Increase (decrease) in other current liabilities	-	-	4,494	4,494
TOTAL ADJUSTMENTS	144,702	33,691	623,557	801,950
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (1,058,454)	\$ 55,260	\$ 598,991	\$ (404,203)
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital assets funded by capital lease				
Increase (decrease) in fair value of investments	3,030	15,365	118,274	\$ 136,669
TOTAL NON-CASH ACTIVITIES	\$ 3,030	\$ 15,365	\$ 118,274	\$ 136,669



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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 BALANCE SHEET
INTERNAL SERVICE FUNDS
DECEMBER 31, 2010
(PAGE 1 OF 2)**

	501 EQUIPMENT RENTAL FUND	503 SELF- INSURANCE FUND	505 COMPUTER RESERVE FUND
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 156,687	\$ 1,709,074	\$ 176,900
Investments	692,780	7,558,870	782,388
Receivables, net			
Customer accounts	-	-	-
Interest	-	12,950	-
Due from other governments	21,922	-	-
Prepayments	-	463,873	-
Inventory	451,722	-	9,003
Total Current Assets	1,323,111	9,744,767	968,291
NONCURRENT ASSETS			
Capital assets, net of depreciation (Note 6)	186,203	-	368,300
Total Noncurrent Assets	186,203	-	368,300
TOTAL ASSETS	\$ 1,509,314	\$ 9,744,767	\$ 1,336,591
LIABILITIES AND FUND EQUITY			
CURRENT LIABILITIES			
Wages and benefits payable	\$ 157,029	\$ -	\$ -
Accounts payable	181,323	252,748	63,457
Claims and judgments payable	-	4,380,223	-
Other current liabilities	-	-	-
Total Current Liabilities	338,352	4,632,971	63,457
NONCURRENT LIABILITIES			
Claims and judgments payable	-	7,907,798	-
Other long-term liabilities	23,916	-	-
Total Noncurrent Liabilities	23,916	7,907,798	-
TOTAL LIABILITIES	362,268	12,540,769	63,457
FUND EQUITY			
Invested in capital assets, net of related debt	186,203	-	368,300
Unrestricted	960,843	(2,796,002)	904,834
TOTAL FUND EQUITY	1,147,046	(2,796,002)	1,273,134
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,509,314	\$ 9,744,767	\$ 1,336,591

**COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
DECEMBER 31, 2010
(PAGE 2 OF 2)**

	507 TELE- COMM FUND	508 HEALTH BENEFIT RESERVE FUND	TOTAL INTERNAL SERVICE FUNDS
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 168,116	\$ 514,156	\$ 2,724,933
Investments	743,518	2,273,996	12,051,552
Receivables, net			
Customer accounts	-	16,253	16,253
Interest	-	-	12,950
Due from other governments	-	17,854	39,776
Prepayments	-	-	463,873
Inventory	-	-	460,725
Total Current Assets	911,634	2,822,259	15,770,062
NONCURRENT ASSETS			
Capital assets, net of depreciation (Note 6)	631,779	-	1,186,282
Total Noncurrent Assets	631,779	-	1,186,282
TOTAL ASSETS	\$ 1,543,413	\$ 2,822,259	\$ 16,956,344
LIABILITIES AND FUND EQUITY			
CURRENT LIABILITIES			
Wages and benefits payable	\$ 19,730	\$ -	\$ 176,759
Accounts payable	41,246	6,325	545,099
Claims and judgments payable	-	2,025,868	6,406,091
Other current liabilities	-	125,615	125,615
Total Current Liabilities	60,976	2,157,808	7,253,564
NONCURRENT LIABILITIES			
Claims and judgments payable	-	-	7,907,798
Other long-term liabilities	29,409	-	53,325
Total Noncurrent Liabilities	29,409	-	7,961,123
TOTAL LIABILITIES	90,385	2,157,808	15,214,687
FUND EQUITY			
Invested in capital assets, net of related debt	631,779	-	1,186,282
Unrestricted	821,249	664,451	555,375
TOTAL FUND EQUITY	1,453,028	664,451	1,741,657
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,543,413	\$ 2,822,259	\$ 16,956,344

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(PAGE 1 OF 2)

	501 EQUIPMENT RENTAL FUND	503 SELF- INSURANCE FUND	505 COMPUTER RESERVE FUND
OPERATING REVENUES:			
Charges for services	\$ 6,761,749	\$ 5,010,752	\$ 1,072,894
Total Operating Revenues	6,761,749	5,010,752	1,072,894
OPERATING EXPENSES:			
Personnel services	2,184,508	548,303	-
Supplies	3,822,022	-	212,893
Professional services	267,468	2,001,496	65,239
Depreciation and amortization	23,506	-	136,540
Other operating expenses	664,778	5,539,518	935,518
Total Operating Expenses	6,962,282	8,089,317	1,350,190
Operating Income (Loss)	(200,533)	(3,078,565)	(277,296)
NON-OPERATING REVENUES (EXPENSES):			
Interest and investment revenue	27,362	345,394	43,367
Other non-operating revenues	-	-	-
Gain (loss) on sale/retirement of assets	2,204	-	-
Sale of junk/salvage	1,991	-	-
Total Non-Operating Revenues (Expenses)	31,557	345,394	43,367
Income (Loss) Before Contributions and Transfers	(168,976)	(2,733,171)	(233,929)
Transfers in	66,073	-	-
INCREASE (DECREASE) IN NET EQUITY	(102,903)	(2,733,171)	(233,929)
NET EQUITY - BEGINNING	1,249,949	(62,831)	1,507,063
NET EQUITY - ENDING	\$ 1,147,046	\$ (2,796,002)	\$ 1,273,134

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(PAGE 2 OF 2)**

	507 TELE- COMM FUND	508 HEALTH BENEFIT RESERVE FUND	TOTAL INTERNAL SERVICE FUNDS
OPERATING REVENUES:			
Charges for services	\$ 1,124,544	\$ 6,975,884	\$ 20,945,823
Total Operating Revenues	1,124,544	6,975,884	20,945,823
OPERATING EXPENSES:			
Personnel services	304,416	-	3,037,227
Supplies	57,344	-	4,092,259
Professional services	41,640	9,512,006	11,887,849
Depreciation and amortization	98,514	-	258,560
Other operating expenses	698,465	2,323	7,840,602
Total Operating Expenses	1,200,379	9,514,329	27,116,497
Operating Income (Loss)	(75,835)	(2,538,445)	(6,170,674)
NON-OPERATING REVENUES (EXPENSES):			
Interest and investment revenue	32,734	136,239	585,096
Other non-operating revenues	-	244,348	244,348
Gain (loss) on sale/retirement of assets	-	-	2,204
Sale of junk/salvage	-	-	1,991
Total Non-Operating Revenues (Expenses)	32,734	380,587	833,639
Income (Loss) Before Contributions and Transfers	(43,101)	(2,157,858)	(5,337,035)
Transfers in	-	-	66,073
INCREASE (DECREASE) IN NET EQUITY	(43,101)	(2,157,858)	(5,270,962)
NET EQUITY - BEGINNING	1,496,129	2,822,309	7,012,619
NET EQUITY - ENDING	\$ 1,453,028	\$ 664,451	\$ 1,741,657

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(PAGE 1 OF 2)**

	501 EQUIPMENT RENTAL FUND	503 SEL-F- INSURANCE FUND	505 COMPUTER RESERVE FUND
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 390,474	\$ 172,249	\$ -
Receipts from interfund services provided	6,349,353	4,838,426	1,071,568
Payments to suppliers	(4,428,235)	(1,830,006)	(1,179,858)
Payments to employees	(2,202,685)	(548,303)	-
Payments for interfund services used	(340,231)	-	-
Claims paid	-	(4,304,562)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	(231,324)	(1,672,196)	(108,290)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	66,073	-	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	66,073	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of capital assets	4,195	-	-
Acquisition and construction of capital assets	(39,137)	-	(148,643)
Other receipts (Payments)	-	-	-
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	(34,942)	-	(148,643)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of investments	180,051	1,502,437	222,226
Purchase of investments	-	-	-
Investment income	24,033	295,008	35,985
NET CASH PROVIDED BY INVESTING ACTIVITIES	204,084	1,797,445	258,211
Net Increase (Decrease) in Cash and Cash Equivalents Cash and Cash Equivalents, January 1	3,891 152,796	125,249 1,583,825	1,278 175,622
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 156,687	\$ 1,709,074	\$ 176,900
Current Cash and Cash Equivalents	156,687	1,709,074	176,900
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 156,687	\$ 1,709,074	\$ 176,900
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (200,533)	\$ (3,078,565)	\$ (277,296)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and amortization	23,506	-	136,540
Change in Assets and Liabilities:			
(Increase) decrease in inventories	9,440	-	(190)
(Increase) decrease in receivables	(21,922)	-	-
(Increase) decrease in prepaid expenses	-	73,135	-
Increase (decrease) in accounts and other payables	(17,129)	1,333,311	33,982
Increase (decrease) in compensated absences	(24,686)	-	-
Increase (decrease) in other current liabilities	-	(77)	(1,326)
TOTAL ADJUSTMENTS	(30,791)	1,406,369	169,006
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (231,324)	\$ (1,672,196)	\$ (108,290)
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Non-Cash Financing, Capital and Investing Activities:			
Increase (decrease) in fair value of investments	5,211	67,913	7,382
TOTAL NON-CASH ACTIVITIES	5,211	67,913	7,382

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010
(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	\$ -	\$ 160,549	\$ 723,272
Receipts from interfund services provided	1,124,544	6,807,355	20,191,246
Payments to suppliers	(719,894)	(9,135,414)	(17,293,407)
Payments to employees	(277,192)	-	(3,028,180)
Payments for interfund services used	(50,624)	-	(390,855)
Claims paid	-	-	(4,304,562)
NET CASH PROVIDED BY OPERATING ACTIVITIES	76,834	(2,167,510)	(4,102,486)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers from other funds	-	-	66,073
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	-	-	66,073
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from sale of capital assets	-	-	4,195
Acquisition and construction of capital assets	(52,791)	-	(240,571)
Other receipts (Payments)	-	244,348	244,348
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	(52,791)	244,348	7,972
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of investments	-	1,630,818	3,535,532
Purchase of investments	(12,821)	-	(12,821)
Investment income	29,232	123,534	507,792
NET CASH PROVIDED BY INVESTING ACTIVITIES	16,411	1,754,352	4,030,503
Net Increase (Decrease) in Cash and Cash Equivalents	40,454	(168,810)	2,062
Cash and Cash Equivalents, January 1	127,662	682,966	2,722,871
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 168,116	\$ 514,156	\$ 2,724,933
Current Cash and Cash Equivalents	168,116	514,156	2,724,933
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 168,116	\$ 514,156	\$ 2,724,933
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (75,835)	\$ (2,538,445)	\$ (6,170,674)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and amortization	98,514	-	258,560
Change in Assets and Liabilities:			
(Increase) decrease in inventories	-	-	9,250
(Increase) decrease in receivables	-	(7,980)	(29,902)
(Increase) decrease in prepaid expenses	-	-	73,135
Increase (decrease) in accounts and other payables	28,089	378,915	1,757,168
Increase (decrease) in compensated absences	26,066	-	1,380
Increase (decrease) in other current liabilities	-	-	(1,403)
TOTAL ADJUSTMENTS	152,669	370,935	2,068,188
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 76,834	\$ (2,167,510)	\$ (4,102,486)
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Non-Cash Financing, Capital and Investing Activities:			
Increase (decrease) in fair value of investments	5,796	26,745	113,047
TOTAL NON-CASH ACTIVITIES	5,796	26,745	113,047

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 ASSETS
TRUST FUNDS
DECEMBER 31, 2010**

	637a POLICE PENSION FUND	637b POLICE HEALTHCARE FUND	638a FIRE PENSION FUND	638b FIRE HEALTHCARE FUND	TOTAL TRUST FUNDS
ASSETS					
Cash and cash equivalents	\$ 57,969	\$ 113,158	\$ 76,548	\$ 112,703	\$ 360,378
Agency Bonds	534,319	17,612,099	4,155,449	27,994,753	50,296,620
Interest receivable	-	-	-	55,984	55,984
TOTAL ASSETS	\$ 592,288	\$ 17,725,257	\$ 4,231,997	\$ 28,163,440	\$ 50,712,982
LIABILITIES					
Accounts payable	\$ -	\$ 8,478	\$ -	\$ 18,110	\$ 26,588
TOTAL LIABILITIES	\$ -	\$ 8,478	\$ -	\$ 18,110	\$ 26,588
NET ASSETS					
Held in trust for pension benefits and other purposes	\$ 592,288	\$ 17,716,779	\$ 4,231,997	\$ 28,145,330	\$ 50,686,394

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2010**

	665 OTHER AGENCY FUND	TOTAL AGENCY FUNDS
ASSETS		
Cash and cash equivalents	\$ 267,148	\$ 267,148
Accounts receivable - net	22,504	22,504
Due from Other Governmental Units	320,745	320,745
TOTAL ASSETS	\$ 610,397	\$ 610,397
LIABILITIES		
Accounts payable	\$ 425,163	\$ 425,163
Other current liabilities	185,234	185,234
TOTAL LIABILITIES	\$ 610,397	\$ 610,397

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	637a POLICE PENSION FUND	637b POLICE HEALTHCARE FUND	638a FIRE PENSION FUND	638b FIRE HEALTHCARE FUND	TOTAL TRUST FUNDS
ADDITIONS:					
Contributions					
Employer	\$ 0	\$ 45,549	\$ 0	\$ 45,549	\$ 91,098
State	-	-	149,966	-	149,966
Total contributions	-	45,549	149,966	45,549	241,064
Investment income					
Interest	32,148	619,386	157,452	898,085	1,707,071
Net appreciation (depreciation) in fair value	2,345	23,562	6,417	107,769	140,093
Net investment income	34,493	642,948	163,869	1,005,854	1,847,164
TOTAL ADDITIONS	34,493	688,497	313,835	1,051,403	2,088,228
DEDUCTIONS:					
Benefits	587,493	1,021,657	750,321	1,723,833	4,083,304
Administrative expense	-	13,735	697	13,736	28,168
TOTAL DEDUCTIONS	587,493	1,035,392	751,018	1,737,569	4,111,472
CHANGE IN NET ASSETS					
Pension benefits	(553,000)		(437,183)		(990,183)
Postemployment healthcare benefits		(346,895)		(686,166)	(1,033,061)
NET ASSETS RESERVED FOR EMPLOYEES' PENSION BENEFITS					
Employees' pension benefits, January 1	1,145,288		4,669,180		5,814,468
NET ASSETS RESERVED FOR POSTEMPLOYMENT HEALTHCARE BENEFITS					
Postemployment healthcare benefits, January 1		18,063,674		28,831,496	46,895,170
NET ASSETS - ENDING	\$ 592,288	\$ 17,716,779	\$ 4,231,997	\$ 28,145,330	\$ 50,686,394

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	BALANCE			BALANCE	
	JANUARY 1, 2010	ADDITIONS	DEDUCTIONS	JANUARY 1, 2010	DECEMBER 31, 2010
FUND 665 - AGENCY FUNDS					
ASSETS					
Cash and cash equivalents	\$ 165,424	\$ 3,629,436	\$ 3,527,712	\$ 165,424	\$ 267,148
Accounts receivable - net	16,962	129,012	123,470	16,962	22,504
Due from Other Governmental Units	944,425	320,745	944,425	944,425	320,745
TOTAL ASSETS	\$ 1,126,811	\$ 4,079,193	\$ 4,595,607	\$ 1,126,811	\$ 610,397
LIABILITIES					
Accounts payable	\$ 948,922	\$ 3,952,275	\$ 4,476,034	\$ 948,922	\$ 425,163
Other current liabilities	177,889	204,012	196,667	177,889	185,234
TOTAL LIABILITIES	\$ 1,126,811	\$ 4,156,287	\$ 4,672,701	\$ 1,126,811	\$ 610,397

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

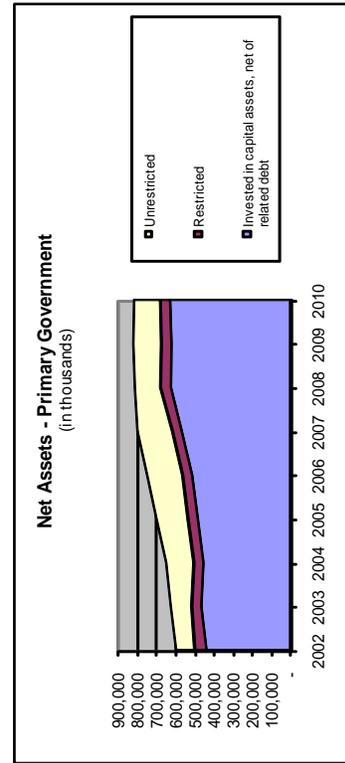
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the city provides and the activities it performs.

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 ASSETS BY COMPONENT
LAST NINE FISCAL YEARS**
(accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities									
Invested in capital assets, net of related debt	\$ 169,533,794	\$ 184,159,844	\$ 191,654,146	\$ 228,673,168	\$ 245,383,110	\$ 258,985,622	\$ 275,153,868	\$ 276,175,060	\$ 277,363,758
Restricted	54,931,332	43,013,035	42,771,622	44,056,332	42,928,160	42,707,673	41,472,115	38,886,183	37,310,156
Unrestricted	67,649,023	78,856,838	84,852,118	78,838,473	88,036,357	98,933,848	92,207,372	95,940,505	93,484,426
Total governmental activities net assets	\$ 292,114,149	\$ 306,029,717	\$ 319,277,886	\$ 351,567,973	\$ 376,347,627	\$ 400,627,143	\$ 408,833,355	\$ 411,001,748	\$ 408,158,340
Business-type activities									
Invested in capital assets, net of related debt	\$ 279,022,259	\$ 291,463,746	\$ 273,143,609	\$ 265,441,844	\$ 278,234,596	\$ 318,744,209	\$ 359,012,990	\$ 355,349,336	\$ 361,029,457
Restricted	3,481,597	4,624,762	4,192,232	4,504,533	4,244,055	3,563,986	10,664,591	11,482,570	11,167,299
Unrestricted	27,553,850	28,469,270	58,427,537	84,348,066	96,116,653	82,681,069	41,146,246	49,442,120	42,626,741
Total business-type activities net assets	\$ 310,057,706	\$ 324,557,778	\$ 335,763,378	\$ 354,294,443	\$ 378,595,304	\$ 404,989,264	\$ 410,823,827	\$ 416,274,026	\$ 414,823,497
Primary Government									
Invested in capital assets, net of related debt	\$ 448,556,053	\$ 475,623,590	\$ 464,797,755	\$ 494,115,012	\$ 523,617,706	\$ 577,729,831	\$ 634,166,858	\$ 631,524,396	\$ 638,393,215
Restricted	58,412,929	47,637,797	46,963,854	48,560,865	47,172,215	46,271,659	52,136,706	50,368,753	48,477,455
Unrestricted	95,202,873	107,326,108	143,279,655	163,186,539	184,153,010	181,614,917	133,353,618	145,382,625	136,111,167
Total primary government net assets	\$ 602,171,855	\$ 630,587,495	\$ 655,041,264	\$ 705,862,416	\$ 754,942,931	\$ 805,616,407	\$ 819,657,182	\$ 827,275,774	\$ 822,981,837



**CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS**
(accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
EXPENSES									
Governmental activities:									
General government services	\$ 15,049,042	\$ 14,766,467	\$ 14,569,892	\$ 15,203,288	\$ 16,192,403	\$ 17,950,379	\$ 20,587,715	\$ 19,829,413	\$16,202,175
Police	24,134,308	29,186,655	28,935,678	30,882,491	31,636,006	31,839,441	33,871,982	36,488,879	37,112,805
Fire	17,851,734	22,643,888	23,688,138	25,402,766	26,251,618	26,606,763	28,426,321	29,593,441	28,925,002
Engineering & construction services	3,938,690	3,700,137	3,876,492	4,198,930	4,519,461	5,075,607	3,652,585	3,966,652	4,466,466
Transportation	9,728,846	15,492,296	5,584,756	8,782,289	7,230,995	6,529,391	8,972,012	8,557,592	10,890,501
Community services	5,521,925	5,001,110	5,017,547	5,136,497	5,102,700	5,324,631	7,585,711	7,583,871	8,189,488
Library	3,677,597	3,821,389	4,006,888	4,149,550	4,270,231	4,608,397	4,775,110	5,006,773	4,870,070
Culture and recreation	10,230,981	10,530,245	10,709,877	11,290,142	11,474,382	12,338,714	12,552,745	13,280,089	13,244,263
Interest on long-term debt	1,505,858	1,941,964	1,753,789	1,696,360	1,543,492	1,463,898	1,059,120	842,830	818,660
Total governmental activities expenses	91,638,981	107,084,151	98,143,057	106,742,313	108,221,288	111,737,221	121,483,301	125,149,540	124,719,430
Business-type activities:									
Water	18,741,315	17,168,687	16,257,037	19,701,810	25,856,113	23,108,675	21,758,842	23,333,429	25,325,047
Sewer	17,195,385	16,033,636	17,368,416	16,883,458	20,720,914	20,182,241	23,713,506	24,534,675	27,904,797
Solid Waste	548,305	711,179	704,600	844,386	648,671	715,465	1,052,565	3,264,327	3,688,722
Parking	204,632	318,954	388,561	290,899	346,166	275,780	305,455	272,951	295,887
Transit	13,016,996	13,522,179	13,406,981	15,047,417	15,460,929	17,365,257	20,200,488	24,092,720	25,781,338
Golf	3,122,505	3,065,847	3,764,124	3,881,307	4,053,061	4,049,797	4,287,155	4,577,928	4,139,684
Total business-type activities expenses	52,829,138	50,820,482	51,889,719	56,649,277	67,085,854	65,697,215	71,318,011	80,076,030	87,135,475
Total primary government expenses	\$ 144,468,119	\$ 157,904,633	\$ 150,032,776	\$ 163,391,590	\$ 175,307,142	\$ 177,434,436	\$ 192,801,312	\$ 205,225,570	\$ 211,854,905

**CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS**
(accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
PROGRAM REVENUES									
Governmental activities:									
Charges for services:									
General government services	\$ 2,370,618	\$ 2,853,479	\$ 3,242,598	\$ 2,401,938	\$ 2,936,104	\$ 2,065,441	\$ 1,819,766	\$ 2,784,057	\$ 1,260,967
Police	2,100,690	2,097,735	2,084,229	2,204,376	2,139,460	2,987,408	3,145,022	3,430,409	3,440,505
Fire	520	5,379	57,253	810,115	1,772,953	1,763,028	1,556,855	1,795,325	1,992,766
Engineering & construction services	818,849	977,295	1,036,249	1,311,866	1,221,872	1,278,370	569,772	522,080	512,461
Transportation	699,268	634,399	704,585	2,414,007	1,686,520	982,364	780,000	1,206,445	795,234
Community services	1,534,353	2,219,973	1,592,688	3,002,883	2,695,132	2,943,652	3,574,416	2,858,248	2,056,498
Library	94,150	89,791	93,948	95,927	101,624	109,525	108,290	122,702	107,017
Culture and recreation	1,176,855	1,218,238	1,372,921	1,353,269	748,774	1,502,326	1,641,256	1,738,065	1,768,419
Operating grants and contributions	2,471,724	2,517,034	2,445,425	3,627,851	2,757,760	2,752,220	2,566,494	4,647,504	3,973,610
Capital grants and contributions	11,506,214	7,799,196	6,041,216	26,753,404	11,491,623	5,604,654	11,673,775	6,865,521	3,693,227
Total governmental activities program revenues	22,773,241	20,412,519	18,671,112	43,975,636	27,551,822	21,988,988	27,435,646	25,970,356	19,600,704
Business-type activities:									
Charges for services:									
Water	22,007,355	23,064,309	23,333,846	23,768,937	26,683,309	27,690,993	27,082,959	30,463,819	28,742,817
Sewer	19,120,963	19,975,747	21,760,586	24,569,332	27,529,319	28,246,136	28,007,586	28,522,334	29,307,878
Solid Waste	636,487	639,304	714,962	796,277	816,676	1,099,646	1,443,506	1,802,186	2,196,527
Parking	314,208	344,918	331,155	290,572	310,719	349,912	378,727	374,764	317,457
Transit	2,145,196	2,331,060	2,723,614	2,529,018	2,153,335	2,352,649	2,453,835	2,126,900	2,266,491
Golf	2,726,529	2,423,846	3,024,675	3,175,287	3,311,833	3,389,321	3,565,686	3,746,275	3,763,272
Operating grants and contributions	652,874	3,957,162	1,441,596	495,191	3,690,068	616,999	21,182	3,779,924	1,436,645
Capital grants and contributions	3,936,833	6,754,885	4,286,282	4,752,643	7,228,016	6,166,713	2,947,684	5,025,507	2,470,223
Total business-type activities program revenues	51,540,445	59,491,231	57,616,716	60,377,257	71,723,275	69,912,369	65,901,165	75,841,709	70,501,310
Total primary government program revenues	\$ 74,313,686	\$ 79,903,750	\$ 76,287,828	\$ 104,352,893	\$ 99,275,097	\$ 91,901,357	\$ 93,336,811	\$ 101,812,065	\$ 90,102,014
Net (expense)/revenue	\$ (68,865,740)	\$ (86,671,632)	\$ (79,471,945)	\$ (62,766,677)	\$ (80,669,466)	\$ (89,748,233)	\$ (94,047,655)	\$ (99,179,184)	\$ (105,118,726)
Governmental activities	(1,288,693)	8,670,749	5,726,997	3,727,980	4,637,421	4,215,154	(5,416,846)	(4,234,321)	(16,634,165)
Business-type activities	\$ (70,154,433)	\$ (78,000,883)	\$ (73,744,948)	\$ (59,038,697)	\$ (76,032,045)	\$ (85,533,079)	\$ (99,464,501)	\$ (103,413,505)	\$ (121,752,891)
Total primary government net expense									

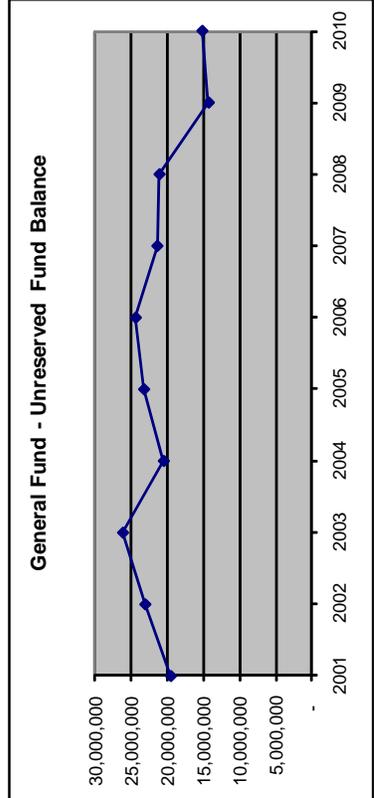
**CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS**
(accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
GENERAL REVENUES & OTHER CHANGES IN NET ASSETS									
Governmental activities:									
Taxes									
Property	\$ 28,853,951	\$ 31,432,942	\$ 31,844,597	\$ 32,455,576	\$ 32,845,373	\$ 34,449,729	\$ 35,226,476	\$ 35,659,364	\$ 35,473,230
Sales	20,978,018	20,701,917	21,196,166	23,853,300	28,821,916	29,942,458	28,098,324	23,175,042	24,818,451
Business	23,597,204	21,391,498	22,556,024	23,962,279	25,135,371	28,372,875	27,039,132	26,331,273	26,083,027
Other	9,685,034	8,949,007	10,223,623	11,087,943	11,599,557	12,054,689	9,874,918	7,646,792	2,909,484
Miscellaneous	26,308	-	-	-	-	-	-	-	4,861,570
Interest and investment earnings	4,260,244	2,938,030	2,278,421	3,259,336	5,241,290	6,983,803	5,943,180	2,399,689	4,112,868
Special items	-	-	-	-	-	-	(7,439,172)	-	-
Transfers	(2,169)	1,808,927	2,356,783	2,926,700	2,649,118	2,902,836	3,511,009	6,135,417	4,016,688
Total governmental activities	87,398,590	87,222,321	90,455,614	97,545,134	106,292,625	114,706,390	102,253,867	101,347,577	102,275,318
Business-type activities:									
Taxes									
Sales	6,800,947	6,568,836	6,680,296	15,008,421	17,841,822	18,769,273	17,351,814	14,489,333	15,650,951
Business	92,798	91,448	85,870	85,293	86,340	91,199	90,421	95,784	98,269
Other	-	-	-	-	-	-	66,477	173,633	242,899
Interest and investment earnings	1,603,725	948,784	1,069,220	1,490,944	4,384,396	6,221,170	4,398,474	1,277,687	3,208,205
Special items	-	-	-	-	-	-	(7,111,395)	-	-
Transfers	2,169	(1,808,927)	(2,356,783)	(2,926,700)	(2,649,118)	(2,902,836)	(3,511,009)	(6,135,417)	(4,016,688)
Total business-type activities	8,499,639	5,800,141	5,478,603	13,657,958	19,663,440	22,178,806	11,284,782	9,901,020	15,183,636
Total primary government general revenues & other changes in net assets									
	\$ 95,898,229	\$ 93,022,462	\$ 95,934,217	\$ 111,203,092	\$ 125,956,065	\$ 136,885,196	\$ 113,538,649	\$ 111,248,597	\$ 117,458,954
CHANGE IN NET ASSETS									
Governmental activities	\$ 18,532,850	\$ 550,689	\$ 10,983,669	\$ 34,778,457	\$ 25,623,159	\$ 24,958,157	\$ 8,206,212	\$ 2,168,393	\$ (2,843,408)
Business-type activities	7,210,946	14,470,890	11,205,600	17,385,938	24,300,861	26,393,960	5,867,936	5,666,699	(1,450,529)
Total primary government	\$ 25,743,796	\$ 15,021,579	\$ 22,189,269	\$ 52,164,395	\$ 49,924,020	\$ 51,352,117	\$ 14,074,148	\$ 7,835,092	\$ (4,293,937)

STAT 03

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 37,074	\$ -	\$ -	\$ -	\$ -	\$ 2,466,833	\$ 6,124,168	\$ 8,780,168	\$ 9,049,168	\$ 8,924,168
Unreserved	19,571,630	23,109,387	26,185,751	20,555,663	23,276,536	24,421,840	21,446,823	21,146,458	14,339,097	15,229,144
Total general fund	\$ 19,608,704	\$ 23,109,387	\$ 26,185,751	\$ 20,555,663	\$ 23,276,536	\$ 26,888,673	\$ 27,570,991	\$ 29,926,626	\$ 23,388,265	\$ 24,153,312
All other governmental funds										
Reserved	\$ 9,657,961	\$ 10,270,586	\$ 14,280,449	\$ 17,058,384	\$ 10,150,839	\$ 10,237,964	\$ 9,740,084	\$ 9,760,111	\$ 12,205,207	\$ 13,105,983
Unreserved, reported in:										
Special revenue funds	82,768,733	76,621,088	58,875,787	65,517,684	66,452,884	72,551,958	77,995,004	76,035,710	81,941,785	77,385,207
Debt service funds	-	(474,210)	-	-	960,315	966,965	734,293	503,368	182,572	141,447
Capital project funds	9,897,514	4,270,107	4,928,089	4,886,807	4,489,293	3,940,442	4,568,332	36,682	3,001,874	4,862,935
Total all other governmental funds	\$ 102,324,208	\$ 90,687,571	\$ 78,084,325	\$ 87,462,875	\$ 82,053,331	\$ 87,697,329	\$ 93,027,713	\$ 86,335,871	\$ 97,331,438	\$ 95,495,572



STAT 04

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
REVENUES										
Taxes (see STAT 05)	\$ 77,587,373	\$ 77,735,821	\$ 76,754,724	\$ 74,186,937	\$ 77,537,823	\$ 85,244,591	\$ 92,174,648	\$ 94,728,334	\$ 86,129,512	\$ 88,226,650
Licenses and permits	1,073,906	1,387,496	1,836,164	1,363,214	2,537,589	2,121,016	2,404,535	2,117,954	2,030,987	1,275,090
Intergovernmental revenues	18,902,106	17,642,581	14,096,660	11,899,873	15,943,844	12,522,348	13,194,127	19,124,730	16,533,833	12,943,555
Charges for services	5,370,392	6,203,031	6,411,722	7,014,837	10,943,164	10,169,950	10,973,480	11,111,058	11,617,508	11,366,835
Fines and forfeits	1,399,355	1,463,585	1,472,338	1,258,933	1,082,262	1,215,375	1,596,034	2,010,649	2,113,788	2,289,241
Other revenues	11,013,971	7,564,318	6,035,646	7,224,485	7,274,923	7,889,015	9,254,256	7,908,417	4,890,542	6,055,566
Total revenues	115,347,103	111,996,832	106,607,254	102,948,279	115,045,605	119,162,295	129,597,080	137,001,142	123,316,170	122,156,937
EXPENDITURES										
General government services	\$ 13,914,153	\$ 15,004,853	\$ 16,238,229	\$ 16,178,836	\$ 17,108,942	\$ 17,696,422	\$ 20,812,764	\$ 23,071,766	\$ 21,371,527	\$ 19,560,359
Security of persons and property	44,641,849	44,050,649	46,000,907	47,384,766	48,607,621	51,569,472	55,671,979	59,663,391	63,228,588	63,281,581
Physical environment	2,561,855	2,776,089	2,484,345	2,836,653	3,124,140	3,667,253	3,617,227	3,964,226	4,219,145	4,552,143
Transportation	4,024,795	4,772,624	8,194,215	4,118,612	3,730,260	3,787,828	3,781,170	4,601,268	4,157,219	3,848,650
Economic environment	5,622,298	5,359,544	4,924,696	4,915,385	5,171,774	5,206,800	5,471,561	6,132,699	5,966,209	6,774,540
Mental and physical health	102,452	107,837	111,747	113,362	22,239	21,233	18,138	23,324	36,022	20,341
Culture and recreation	12,965,664	13,065,566	13,312,655	12,349,808	12,233,496	12,830,215	13,944,937	14,163,816	15,000,541	14,994,400
Capital outlay	40,383,418	32,569,980	37,070,612	11,271,438	21,646,777	14,518,453	18,188,980	34,648,395	18,115,409	11,543,600
Debt service:										
Principal	4,362,027	3,924,217	5,919,217	3,188,691	7,248,691	3,972,689	3,957,634	2,546,517	5,361,799	1,819,316
Interest	1,705,439	1,611,878	2,041,841	1,774,059	1,765,365	1,949,970	1,833,568	1,427,968	1,076,646	819,205
Other debt service costs*	-	57,165	254,058	50,024	67,274	64,360	50,610	48,255	50,179	45,267
Total expenditures	130,283,950	123,300,402	136,552,522	104,181,634	120,726,579	115,284,695	127,348,568	150,291,625	138,583,284	127,259,402
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(14,936,847)	(11,303,570)	(29,945,268)	(1,233,355)	(5,680,974)	3,877,600	2,248,512	(13,290,483)	(15,267,114)	(5,102,465)
OTHER FINANCING SOURCES (USES)										
Issuance of long-term debt	13,250,000	2,750,000	15,091,666	-	-	250,000	-	-	-	-
Refunding debt issued	-	-	4,347,336	-	-	-	-	-	-	-
Payments to debt escrow agent	-	-	(4,180,000)	-	-	-	-	-	-	-
Disposition of capital assets	100,018	359,785	2,568,678	91,604	190,039	2,838,549	831,352	561,174	1,596,399	81,031
Transfers in	16,130,889	15,408,419	20,934,219	17,477,554	20,672,022	20,038,282	26,135,599	26,879,530	21,575,867	24,106,469
Transfers out	(16,058,726)	(15,350,588)	(18,876,740)	(14,851,842)	(17,869,758)	(17,748,295)	(23,202,762)	(23,349,132)	(17,140,074)	(20,155,854)
Total other financing sources (uses)	13,422,181	3,167,616	19,885,159	2,717,316	2,992,303	5,378,536	3,764,189	4,091,572	6,032,192	4,031,646
Special items	-	-	-	-	-	-	-	4,862,704	13,692,128	-
NET CHANGE IN FUND BALANCES	(1,514,666)	(8,135,954)	(10,060,109)	1,483,961	(2,688,671)	9,256,136	6,012,701	(4,336,207)	4,457,206	(1,070,819)
Debt service as percentage of noncapital expenditures	6.75%	5.96%	7.62%	5.37%	8.86%	5.82%	5.31%	3.42%	5.29%	2.22%

* Prior to 2002, "other debt services costs" are included in the "interest" line item.

Note: Per GASB Statement 44, "capital 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." For the years 1997 - 2001, prior to the implementation of GASB Statement 34, the amount used for capital expenditures to calculate the "debt service as a percentage of noncapital expenditures" is total capital outlay for that year. For the years after 2001, the city has the information available to perform the calculation as described.

STAT 05

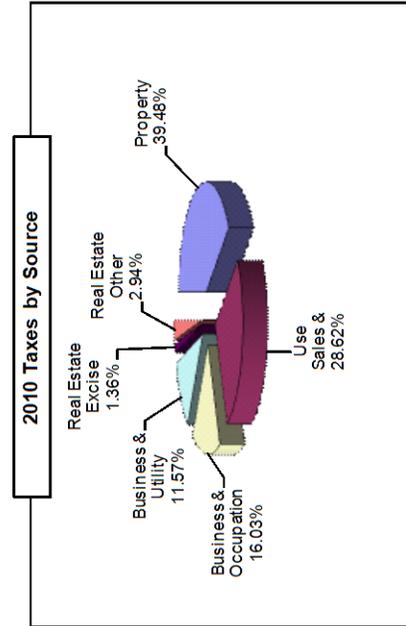
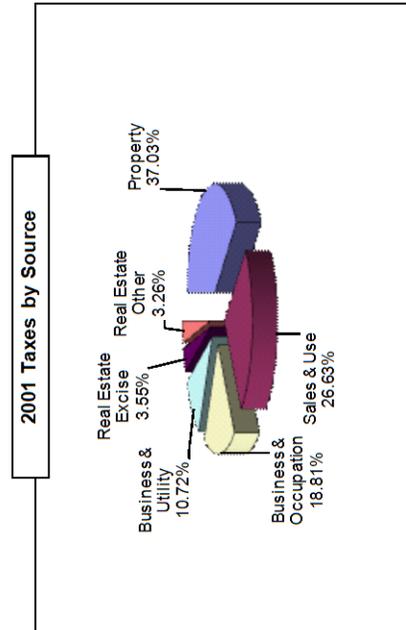
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)

Fiscal Year	Property *	Sales & Use **	Hotel/Motel	Business & Occupation	Admissions	Utility	Cable Franchise	Leasehold	Real Estate Excise	Gambling	Other	Total
2001	31,322,146	20,998,046	220,649	14,692,885	259,830	8,162,074	479,192	295,505	2,865,566	1,357,405	19,596	80,672,894
2002	30,428,185	20,774,017	204,002	13,527,972	277,892	8,966,279	805,062	300,248	2,368,234	1,611,858	26,308	79,310,057
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
% Change												
2001 - 2010	13.00%	16.84%	28.41%	-0.90%	36.96%	21.85%	154.77%	24.38%	-58.12%	-74.97%	13.48%	9.36%

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

For 2007, the property tax recorded directly in the Pension Funds totaled \$7,362,576. For 2008, the amount was zero.

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



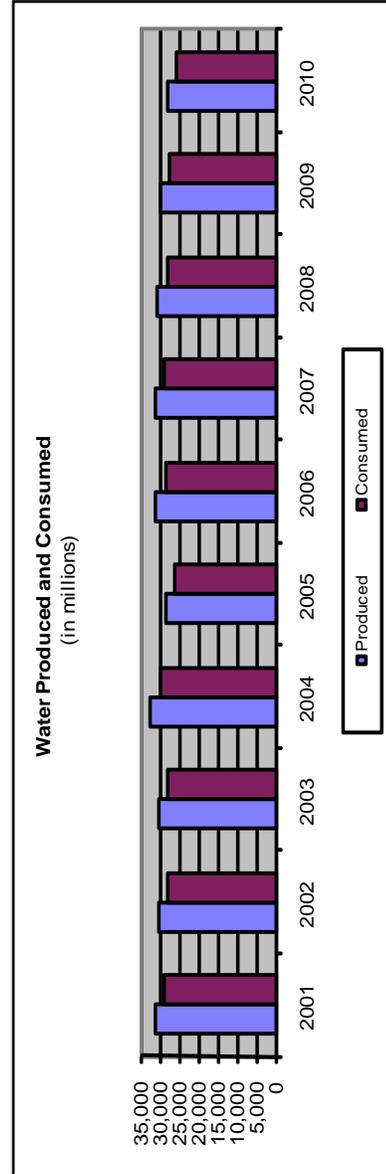
The graphs above combine Hotel/Motel, Admissions, Cable Franchise, Leasehold, Gambling, and Other taxes into the "Other" category.

STAT 6a

WATER PRODUCED AND CONSUMED
and WASTEWATER TREATED
LAST TEN FISCAL YEARS

Year	Gallons of Water Produced		Gallons of Water Consumed		Gallons of Water Unbilled		Average Percent Unbilled		Gallons of Wastewater Treated		Total Direct Rates			
	Produced	Consumed	Unbilled	Unbilled	Unbilled	Unbilled	Unbilled	Unbilled	Treated	Water Base Rate ¹	Water Usage Rate	Sewer Base Rate	Sewer Usage Rate	
2001	31,166	28,673	2,493	2,415	8.00%	6,521	10.26	1.71	25.65	2.85				
2002	30,190	27,775	2,415	2,419	8.00%	6,039	10.26	1.71	25.65	2.85				
2003	30,236	27,817	2,419	2,593	8.00%	5,581	10.26	1.71	28.15	3.13				
2004	32,417	29,824	2,593	2,275	8.00%	6,184	10.26	1.71	30.65	3.41				
2005	28,432	26,157	2,275	2,474	8.00%	6,818	10.26	1.71	34.15	3.79				
2006	30,927	28,453	2,474	2,502	8.00%	7,000	11.25	1.87	38.40	4.27				
2007	31,287	28,785	2,502	2,439	8.00%	6,513	11.82	1.97	38.40	4.27				
2008	30,470	28,031	2,439	2,391	8.00%	6,805	12.42	2.07	38.40	4.27				
2009	29,894	27,503	2,391	2,245	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				

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



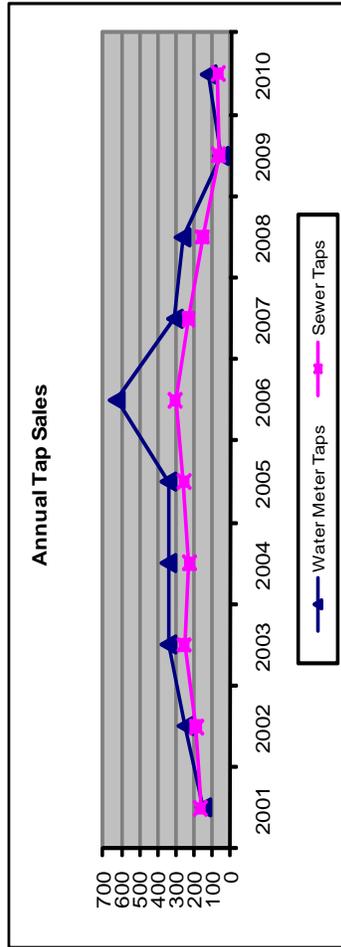
Source: City of Everett Water/Sewer Utility Department

STAT 6b

**ANNUAL TAP SALES
LAST TEN FISCAL YEARS**

Year	Water Meter Taps Sold *	Sewer Taps Sold	Total Taps
2001	151	166	317
2002	250	190	440
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

* 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				Total
	Residential	Commercial	Industrial	Other	Residential	Commercial	Industrial	Other	
2001	21,140	2,509	54	291	19,547	1,709	40	120	21,416
2002	21,265	2,562	53	304	19,630	1,718	39	120	21,507
2003	21,681	2,649	55	318	19,821	1,731	40	115	21,707
2004	21,737	2,645	56	254	20,025	1,745	40	115	21,925
2005	22,135	2,739	55	279	20,477	1,780	41	123	22,421
2006	22,727	2,712	52	292	20,990	1,794	40	126	22,950
2007	22,884	3,019	50	312	21,148	1,808	37	128	23,121
2008	22,891	2,807	52	319	21,170	1,823	38	128	23,159
2009	22,906	2,825	50	332	21,223	1,822	36	130	23,211
2010	22,848	2,846	48	339	21,178	1,840	34	133	23,185

Source: City of Everett Water/Sewer Utility Department

STAT 6d

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
WATER RATES										
Base rate (meter size)										
Flat rate	\$16.50	\$16.50	\$16.50	\$16.50	\$17.10	\$18.75	\$19.70	\$20.70	\$22.00	\$23.50
3/4"	10.26	10.26	10.26	10.26	10.26	11.25	11.82	12.42	13.20	14.10
1"	17.10	17.10	17.10	17.10	17.10	18.75	19.70	20.70	22.00	23.50
2"	20.52	20.52	20.52	20.52	20.52	22.50	23.64	24.84	26.40	28.20
Over 2"	27.36	27.36	27.36	27.36	27.36	30.00	31.52	33.12	35.20	37.60
Usage rate (per CCF)	\$1.71	\$1.71	\$1.71	\$1.71	\$1.71	\$1.87	\$1.97	\$2.07	\$2.20	\$2.35

SEWER RATES

Flat rate	\$25.65	\$25.65	\$28.15	\$30.65	\$34.15	\$38.40	\$38.40	\$38.40	\$40.30	\$42.40
Usage rate (per CCF)	2.85	2.85	3.13	3.41	3.79	4.27	4.27	4.27	4.48	4.71

Source: City of Everett Water/Sewer Utility Department

STAT 6e

LARGEST WATER and SEWER CUSTOMERS
CURRENT YEAR AND NINE YEARS AGO

Customer	2010 Water Revenue			2001 Water Revenue		
	Amount	Rank	%	Amount	Rank	%
City of Everett	\$ 12,369,219	1	43.96%	\$ 8,861,024	1	43.96%
Alderwood Water District	8,299,143	2	29.50%	5,378,302	2	26.68%
Lake Stevens PUD	1,847,975	3	6.57%	602,132	7	2.99%
Kimberly Clark	1,380,000	4	4.90%	1,302,000	3	6.46%
City of Marysville	1,293,802	5	4.60%	865,099	6	4.29%
Mukilteo Water District	1,199,923	6	4.26%	1,051,139	5	5.21%
City of Monroe	811,892	7	2.89%	447,898	8	2.22%
City of Snohomish	272,713	8	0.97%	62,894	9	0.31%
Silver Lake Water District	186,824	9	0.66%	1,115,066	4	5.53%
Subtotal	27,661,491		98.31%	19,685,554		97.66%
Balance from other customers	474,762		1.69%	471,549		2.34%
Grand total	\$ 28,136,253		100.00%	\$ 20,157,103		100.00%

Customer	2010 Sewer Revenue			2001 Sewer Revenue		
	Amount	Rank	%	Amount	Rank	%
City of Everett	\$ 16,518,305	1	73.82%	\$ 12,732,074	1	81.32%
Silver Lake Water District	3,935,828	2	17.59%	1,578,930	2	10.09%
Alderwood Water District	1,533,720	3	6.85%	1,063,878	3	6.80%
Mukilteo Water District	381,063	4	1.70%	255,976	4	1.63%
Subtotal	22,368,916		99.96%	15,630,858		99.84%
Balance from other customers	9,058		0.04%	25,182		0.16%
Grand total	\$ 22,377,974		100.00%	\$ 15,656,040		100.00%

Source: City of Everett Water/Sewer Utility Department

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
2001										7,107,344,735	4.215
2002										7,311,759,809	3.723
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	(2,835,585,254)	13,421,441,112	2.643
2009	6,886,380,250	4,995,201,347	1,367,947,800	17,371,700	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

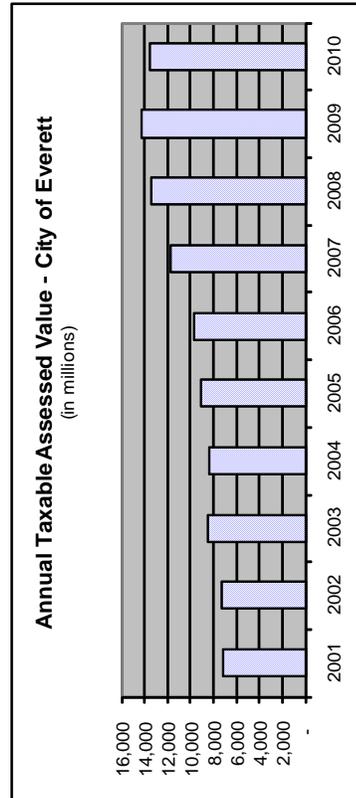
¹ Washington State law requires all property be assessed at 100% of its true and fair market value.

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.

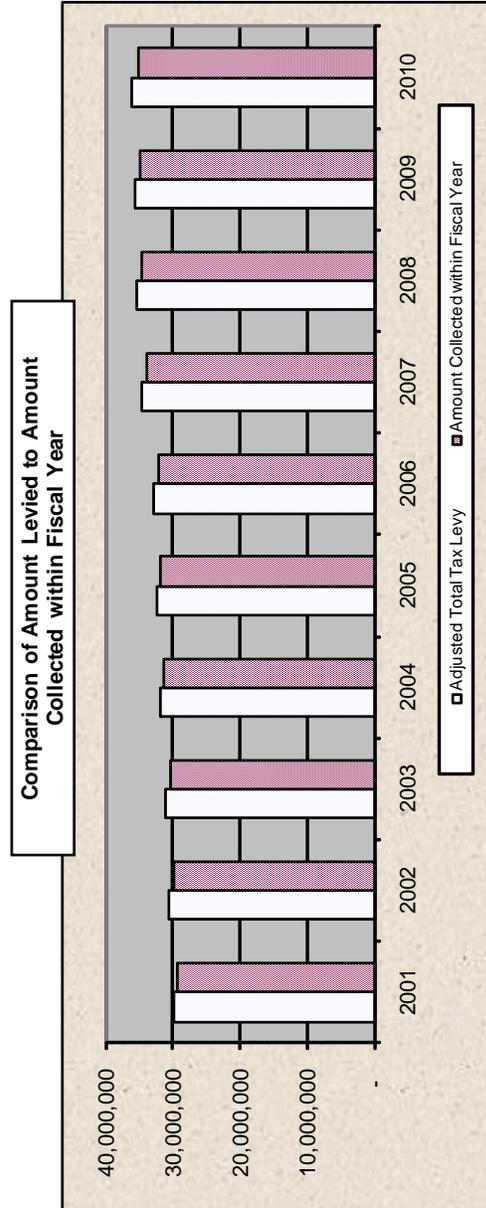


Source: Snohomish County Assessor's Office.

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
2001	29,985,016	(132,380)	29,852,636	29,184,860	97.8%	666,891	29,851,751	100.0%
2002	30,800,591	(133,042)	30,667,549	29,865,138	97.4%	801,617	30,666,755	100.0%
2003	31,193,866	(141,056)	31,052,809	30,374,645	97.8%	676,770	31,051,415	100.0%
2004	31,919,231	(108,881)	31,810,350	31,227,930	98.2%	580,433	31,808,363	100.0%
2005	32,474,466	(50,680)	32,423,786	31,741,124	97.9%	680,161	32,421,285	100.0%
2006	33,028,740	(254,605)	32,774,135	32,160,647	98.1%	609,657	32,770,304	100.0%
2007	34,712,808	(150,156)	34,562,652	33,814,845	97.8%	717,139	34,531,984	99.9%
2008	35,442,101	(157,600)	35,284,501	34,613,826	98.1%	498,112	35,111,938	99.5%
2009	35,678,786	(62,700)	35,616,086	34,804,805	97.7%	380,933	35,185,738	98.8%
2010	36,088,548	-	36,088,548	35,170,678	97.5%	-	35,170,678	97.5%

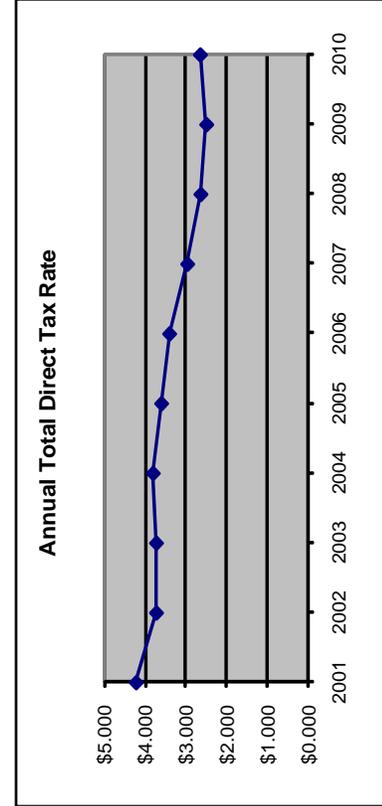


Source: Snohomish County Assessor's Office.

STAT 07c

DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
 (rate per \$1,000 of assessed value)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
City Direct Rates:										
Regular	\$3.600	\$3.207	\$3.207	\$3.275	\$3.101	\$2.934	\$2.557	\$2.280	\$2.197	\$2.331
Subtotal-Regular Levy	\$3.600	\$3.207	\$3.207	\$3.275	\$3.101	\$2.934	\$2.557	\$2.280	\$2.197	\$2.331
Emergency Medical	\$0.500	\$0.445	\$0.445	\$0.455	\$0.431	\$0.408	\$0.355	\$0.317	\$0.305	\$0.324
82 G.O. Housing Bond	0.024	0.015	0.015	0.015	0.014	0.013	0.011	0.010	0.000	0.000
88 G.O. Housing Bond	0.091	0.056	0.056	0.056	0.052	0.049	0.041	0.036	0.000	0.000
City Total	\$4.215	\$3.723	\$3.723	\$3.801	\$3.598	\$3.404	\$2.964	\$2.643	\$2.502	\$2.655
Overlapping Taxes:										
County	\$1.476	\$1.367	\$1.367	\$1.209	\$1.098	\$0.999	\$0.840	\$0.723	\$0.717	\$0.782
State School	3.400	3.184	3.184	2.953	2.789	2.532	2.165	1.906	1.909	1.993
Local School	6.019	5.502	5.502	5.699	5.015	4.733	4.349	4.000	4.128	4.626
Port of Everett	0.419	0.377	0.377	0.377	0.353	0.330	0.310	0.276	0.267	0.285
Grand Total	\$15.529	\$14.153	\$14.153	\$14.039	\$12.853	\$11.998	\$10.628	\$9.548	\$9.523	\$10.341



Source: Snohomish County Assessor's Office.

STAT 07d

PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	Type of Business	2010			2001		
		Taxable Assessed Valuation (AV) ¹	Rank	% of Total City Taxable AV	Taxable Assessed Valuation (AV) ²	Rank	% of Total City Taxable AV
The Boeing Company	Aerospace	\$ 1,475,877,986	1	10.86%	\$ 1,514,026,267	1	21.30%
Kimberly-Clark Corporation	Pulp and Paper	162,274,200	2	1.19%	190,353,430	3	2.68%
Verizon	Telecommunications	159,035,794	3	1.17%	197,876,309	2	2.78%
Fluke Electronics Corp	Electronics	92,864,587	4	0.68%	89,755,948	4	1.26%
Providence General Medical Ctr	Medical	71,448,200	5	0.53%	53,555,398	6	0.75%
Steadfast Properties & Dev	Development	66,156,700	6	0.49%			
Stockpot Inc	Food Manufacturing	58,010,102	7	0.43%			
Millington Apartments LLC	Apartments	55,605,000	8	0.41%			
Stephanus Paul	Development	43,420,000	9	0.32%			
GRE Fulton's Holdings LLC	Development	43,218,200	10	0.32%			
Equitable Life Assurance Society	Development				54,862,600	5	0.77%
Intermec Corp.	Bar code readers				44,475,029	7	0.63%
Skotdal Development	Development				43,146,800	8	0.61%
Puget Sound Energy	Utility				28,316,764	9	0.40%
CSR West	Concrete Products				27,680,500	10	0.39%
		\$ 2,227,910,769		16.39%	\$ 2,244,049,045		31.57%

¹ 2010 total assessed value - \$13,591,131,763

² 2001 total assessed - \$7,107,344,735

Source: Snohomish County Assessor's Office

STAT 08

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Year	Government 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	Participation 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				
2001	32,485,000	1,786,947	245,000	4,880,000	-	-	-	680,043	11,220,000	34,985,000	9,610,783	344,667	-	96,237,440	0.50%	1,003	
2002	35,670,000	2,425,041	180,000	-	-	-	-	627,732	13,765,000	31,085,000	12,785,421	320,127	-	96,858,321	0.49%	1,008	
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	

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
2001	43,705,000	0.61%	455
2002	49,435,000	0.68%	515
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

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.

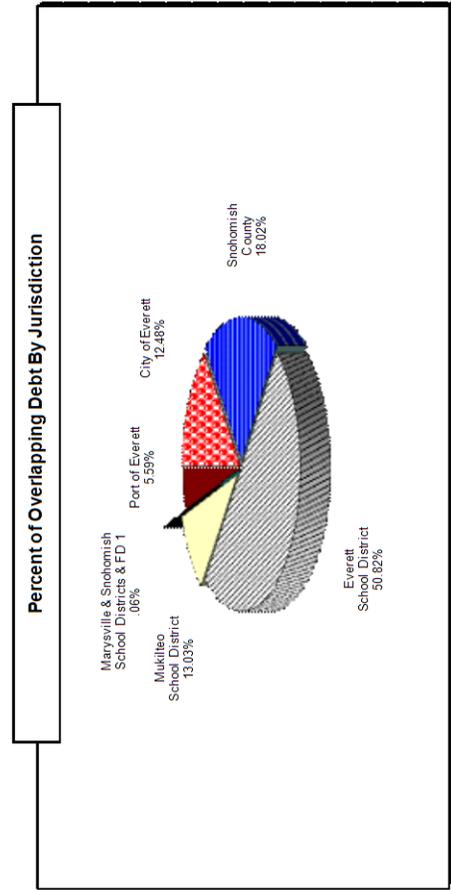
STAT 10

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2010

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable *	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Snohomish County	\$ 376,824,642	14.44%	\$ 54,411,281
Everett School District No. 2	249,640,000	52.73%	131,632,636
Mukilteo School District No. 6	65,310,408	37.67%	24,603,605
Snohomish School District No. 201	356,945,000	0.01%	53,369
Marysville School District No. 25	98,090,000	0.04%	37,913
Fire District 1	5,290,000	1.79%	94,781
Port of Everett	13,505,000	80.69%	10,896,694
Other debt			
Snohomish County - Assessment Debt	630,000	14.44%	90,968
Port of Everett - Notes Payable	1,763,245	80.69%	1,422,698
Subtotal, overlapping debt			223,243,945
City direct debt			37,456,604
Total direct and overlapping debt			\$ 260,700,549

* 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 2010

	Non-voted debt limit (1.5% of assessed value)	Voted debt limit (1.0% of assessed value)
Assessed Value	13,591,131,763	13,591,131,763
Debt limit	203,866,976	135,911,318
Debt applicable to limit:		
Total general obligation debt	37,456,604	0
Less: Amount set aside for repayment of GO debt	0	0
Total net debt applicable to limit	37,456,604	0
Legal debt margin	166,410,372	135,911,318

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Non-voted debt limit *										
Total net debt applicable to limit	106,610,171	109,676,397	126,372,187	125,982,907	135,736,791	145,625,972	175,785,212	201,321,617	213,926,829	203,866,976
Legal debt margin	42,231,285	44,087,241	53,776,486	55,839,886	52,447,266	48,942,479	38,379,941	35,231,336	29,869,538	37,456,604
Total net debt applicable to the limit as a % of debt limit	39.61%	40.20%	42.55%	44.32%	38.64%	33.61%	21.83%	17.50%	13.96%	18.37%
Voted debt limit *										
Total net debt applicable to limit	71,073,447	73,117,598	84,248,124	83,988,605	90,491,194	97,083,981	117,190,141	134,214,411	142,617,880	135,911,318
Legal debt margin	3,388,374	2,718,289	2,469,330	2,024,442	1,540,449	1,030,917	490,618	0	0	0
Total net debt applicable to the limit as a % of debt limit	4.77%	3.72%	2.93%	2.41%	1.70%	1.06%	0.42%	0.00%	0.00%	0.00%

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

STAT 12

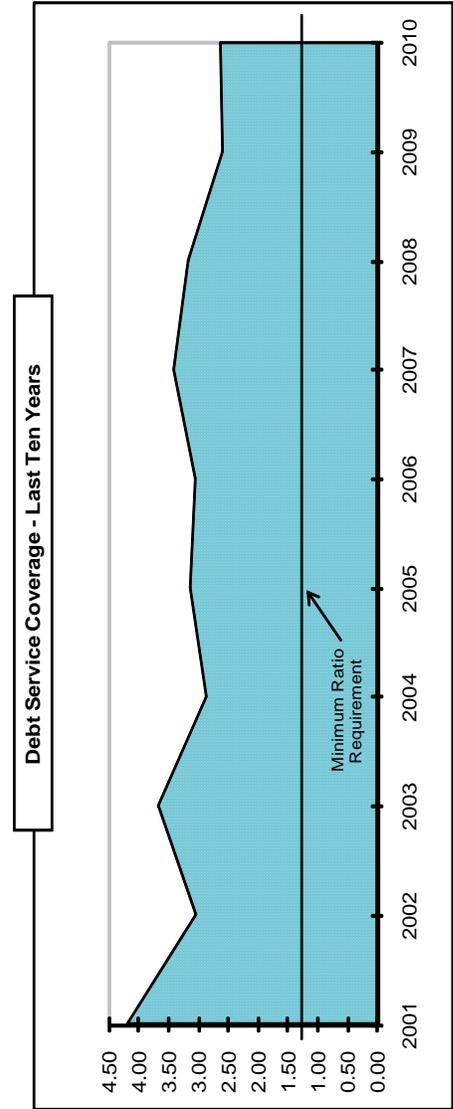
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS

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
2001	47,184,253	22,458,132	24,726,121	4,500,000	1,912,478	6,412,478	4.20
2002	42,894,689	24,904,768	17,989,921	4,170,000	1,717,260	5,887,260	3.06
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

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

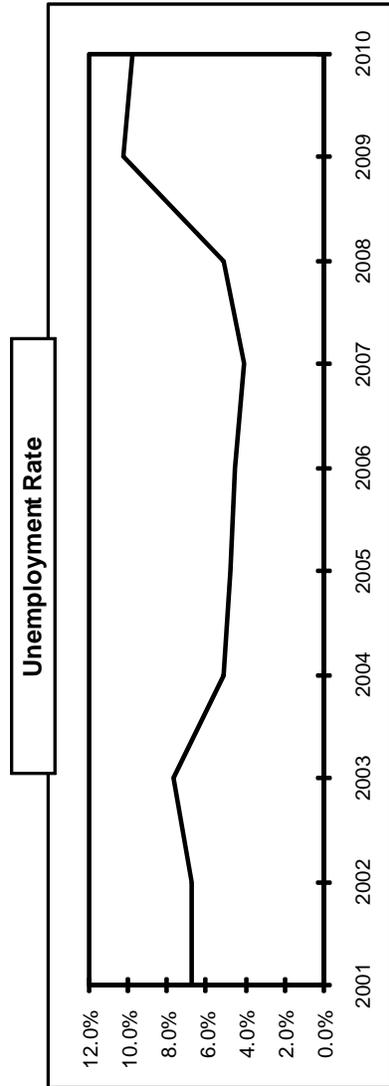
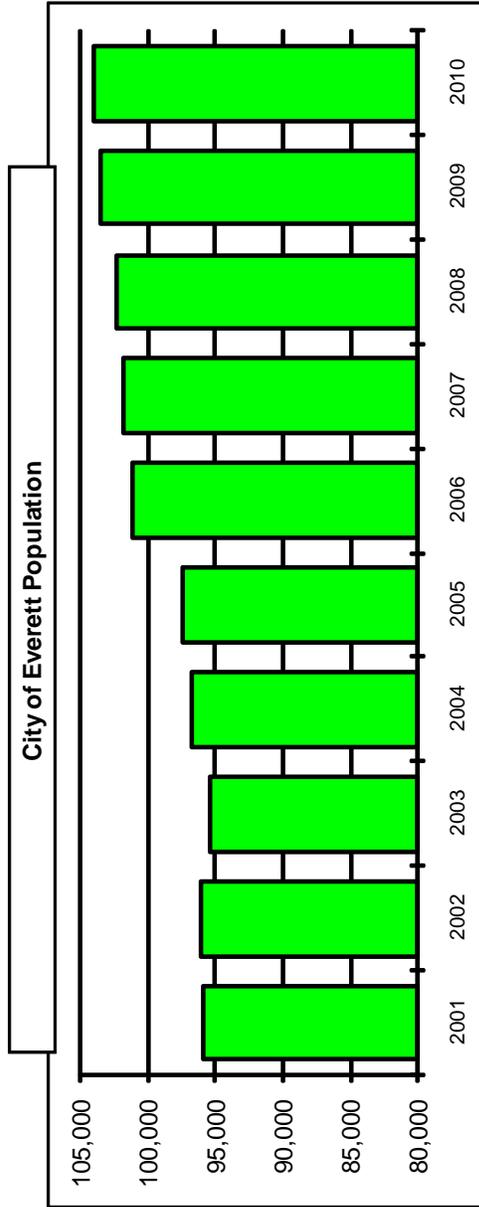
Year	City of Everett Population ⁽¹⁾	Personal Income ⁽²⁾ <i>(thousands of dollars)</i>	Per Capita Personal Income ⁽²⁾	Unemployment Rate ⁽³⁾	Median Age ⁽⁴⁾	School Enrollment ⁽⁵⁾
2001	95,990	19,415,682	31,178	6.7%	34.8	18,184
2002	96,070	19,899,982	31,495	6.8%	35.0	18,096
2003	95,470	20,154,472	31,856	7.7%	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

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) Office of Superintendent of Public Instruction, Washington State Report Card.

* City calculated estimates.

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS



STAT 14

PRINCIPAL EMPLOYERS
CURRENT YEAR AND FIVE YEARS AGO

Employer	2010			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
The Boeing Company	32,000	1	40.40%	23,000	1	28.75%
Naval Station Everett	6,000	2	7.57%	6,110	2	7.64%
Providence General Medical Center	3,200	3	4.04%	3,239	3	4.05%
Snohomish County Government	2,965	4	3.74%	2,653	5	3.32%
State of Washington	2,800	5	3.53%	3,100	4	3.88%
The Everett Clinic	1,900	6	2.40%	1,252	10	1.57%
Everett School District	1,700	7	2.15%	2,000	6	2.50%
Verizon Northwest	1,500	8	1.89%	1,600	8	2.00%
Aviation Technical Services	1,400	9	1.77%	1,400	9	1.75%
Zumiez	1,400	10	1.77%	1,760	7	2.20%
	<u>54,865</u>		<u>69.27%</u>	<u>46,114</u>		<u>57.64%</u>

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.

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

Function/Program	Full-time equivalent employees as of December 31 *									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities:										
General government services										
Council	138.60	137.60	135.70	122.90	136.90	137.40	140.50	145.50	147.60	149.10
Legal	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Administration	11.50	11.50	11.50	11.50	15.50	15.50	16.50	18.50	18.50	20.00
Economic development	14.00	13.00	8.50	7.40	7.40	7.40	7.40	7.00	7.00	7.00
Municipal court	0.00	0.00	0.50	1.50	1.50	1.50	1.50	1.90	1.90	1.90
Probation	15.40	15.40	15.10	13.60	13.60	13.60	13.60	14.60	14.65	14.65
HR	3.30	3.30	3.30	3.30	3.30	3.30	3.90	5.40	5.45	5.45
Finance	4.00	4.00	4.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IT	14.00	14.00	14.00	12.00	12.00	12.00	12.00	12.50	13.50	13.50
Facilities	34.90	37.90	37.30	34.60	20.80	20.80	20.80	20.80	20.80	20.80
Property management	33.50	30.50	33.50	31.00	40.00	40.00	41.00	15.80	16.80	16.80
Police	217.60	217.60	222.00	220.00	220.00	220.00	240.00	242.00	246.00	246.00
Civilian	36.60	36.60	41.00	39.00	39.00	39.00	44.00	44.00	47.00	45.00
Uniformed	181.00	181.00	181.00	181.00	190.00	181.00	196.00	198.00	199.00	201.00
Fire/EMS	184.00	185.00	189.00	189.00	190.00	191.00	192.00	191.80	190.80	186.00
Fire	148.30	149.30	151.30	151.00	152.00	142.00	143.00	142.80	142.80	143.00
Emergency medical services	35.70	35.70	37.70	38.00	38.00	49.00	49.00	49.00	48.00	43.00
Engineering & construction services	56.00	59.00	51.00	48.00	50.80	51.80	52.80	52.20	47.65	47.65
Transportation	32.80	32.80	29.80	24.50	24.50	24.60	24.60	26.60	26.55	26.55
Community services	51.50	51.50	47.50	42.00	39.00	40.00	43.00	44.00	46.00	43.00
Planning	20.00	20.00	17.00	18.50	18.50	18.50	15.50	16.50	16.50	16.50
Community programs	2.00	7.00	7.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Neighborhoods/comm svcs	9.00	9.00	9.00	9.00	9.00	10.00	16.00	16.00	18.00	15.00
Animal control	6.00	6.00	5.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Senior center	3.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Domestic violence	5.50	5.50	5.50	4.50	5.50	5.50	5.50	5.50	5.50	5.50
Community housing	45.90	45.90	45.40	42.20	42.20	42.20	43.00	43.00	43.00	42.20
Library	65.00	65.00	65.00	53.10	55.10	55.10	58.10	61.10	61.10	61.10
Culture and recreation	64.50	64.50	64.50	53.00	55.00	54.00	57.00	60.00	60.00	60.00
Parks	0.50	0.50	0.50	0.10	0.10	1.10	1.10	1.10	1.10	1.10
Theater	791.40	794.40	785.40	741.70	758.50	762.10	794.00	806.20	813.20	801.60
Total FTEs governmental activities ¹										
Business-Type Activities:										
Water/Sewer	171.40	168.40	171.40	179.90	182.90	186.90	196.90	200.90	213.85	215.20
Solid waste	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
Transit	96.30	96.20	101.30	110.70	117.70	125.00	131.00	135.60	143.60	144.00
Golf	12.50	12.50	12.50	10.00	10.00	10.00	8.00	8.00	8.00	8.00
Total FTEs business-type activities ²	280.80	277.70	285.80	301.20	311.20	322.50	336.50	345.10	366.05	367.80
Internal Service:										
Motor vehicle department	26.30	26.30	26.30	26.30	26.30	26.00	26.00	26.00	26.00	26.00
Telecommunications	2.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00
Total FTEs internal services	28.30	28.30	28.30	28.30	28.30	28.00	29.00	29.00	29.00	29.00
Total City FTEs	1,100.50	1,100.40	1,099.50	1,071.20	1,098.00	1,112.60	1,159.50	1,180.30	1,208.25	1,198.40
Annual percent change total city										
		-0.01%	-0.08%	-2.57%	2.50%	1.33%	4.22%	1.79%	2.37%	-0.82%

* Total ending authorized positions per the city's budget.

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, formally 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 SEVEN FISCAL YEARS

Function/Program	2004	2005	2006	2007	2008	2009	Estimate 2010
General government services							
Municipal Court			24,800	32,130	40,742	43,529	43,587
Total filings (infraction, parking, criminal)	28,688	25,230	24,800	32,130	40,742	43,529	43,587
Finance							
Active business license accounts	8,954	8,408	9,295	8,480	9,100	10,000	10,000
Public information requests	475	444	539	471	534	550	575
Police							
Case Reports Written	n/a	26,826	28,866	30,165	27,560	25,821	26,874
Traffic violations	6,255	7,474	6,408	8,409	10,799	10,291	13,082
Parking violations	19,432	14,546	15,819	15,604	23,922	27,000	22,215
Auto thefts	1,586	1,586	1,506	1,850	1,175	678	1,141
Financial crimes investigated	619	1,252	1,397	1,386	1,527	1,530	1,266
Computer forensics	32	32	40	22	23	33	36
Fire/EMS							
Fire/EMS alarm totals	16,841	17,195	18,468	18,775	18,203	18,381	18,932
Structure fires	118	114	142	118	87	92	95
Mobile vehicle/property fires	109	109	115	79	65	82	84
Outdoor and other fires	209	149	136	230	225	210	216
Inspections	4,000	4,700	4,708	4,055	3,519	1,556	4,400
Engineering & construction services							
Permits issued	5,400	5,500	6,400	7,100	5,100	4,500	4,500
Inspections	11,200	11,400	13,600	15,200	14,000	12,000	12,000
Transportation							
Street patching/paving (in sq ft)	179,998	242,030	212,860	214,680	464,219	255,312	137,600
Curbs and gutters replaced (in lineal ft)	4,972	4,984	18,460	4,807	2,755	5,000	5,454
Sidewalk/streets replaced (in sq ft)	95,120	90,082	69,578	77,856	69,353	89,000	81,835

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST SEVEN FISCAL YEARS

Function/Program	2004	2005	2006	2007	2008	2009	Estimate 2010
Community services							
Planning	1,195	1,312	1,328	1,028	1,200	1,800	1,400
Code enforcement actions							
Senior Center	27,507	25,967	23,838	24,296	23,968	22,626	21,626
Senior meal program attendance							
Animal Services	2,109	2,372	2,470	2,464	2,037	1,995	2,160
Adoptions	4,743	4,544	4,439	4,730	3,903	2,939	2,874
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
Number of reference questions asked	68,182	66,128	66,945	65,949	76,105	72,622	77,113
Culture and recreation							
Athletic program participants	30,900	33,400	32,600	34,000	34,500	35,340	30,159
Recreational swim participants	75,000	84,100	82,100	85,000	82,000	74,278	74,886
Jetty Island visitors	26,142	27,200	28,700	29,500	34,216	47,792	45,497
Theater attendance	70,778	68,071	80,433	75,350	81,000	82,500	82,279
Water/Sewer							
Water							
New connections	344	344	630	308	155	59	109
Water main breaks	45	29	18	16	32	21	14
Average daily consumption (mgd) - finished water	51.1	50.8	55.5	52.9	52.4	54.4	48.7
Peak daily consumption (mgd) - finished water	99.3	90.3	110.0	102.2	94.5	115.0	88.0
Treated water delivered (mg)	18,201	16,872	19,026	19,332	19,193	19,850	17,255
Untreated water delivered (mg)	11,622	9,285	9,427	9,778	10,061	10,044	10,781
Water customers served by system	495,000	505,000	516,000	528,000	551,000	557,000	557,000
Sewer							
Average daily sewage treated (mg)	17	19	19	18	19	18	19
Sewage treated (mg)	6,184	6,818	7,000	6,513	6,805	6,706	7,056
Number of sanitary sewer customers within city	21,658	22,162	22,670	22,822	23,159	23,211	23,185

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST SEVEN FISCAL YEARS

Function/Program	2004	2005	2006	2007	2008	2009	Estimate 2010
Parking (Everpark Garage)							
Average monthly parkers	443	405	381	456	495	480	497
Average daily parkers	553	429	428	422	410	518	520
Transit							
Fixed route unlinked passenger trips (per svc hr)	21.0	21.0	21.0	21.4	22.5	20.9	17.6
Paratransit unlinked passenger trips (per svc hr)	2.7	2.7	2.7	2.4	2.5	2.5	2.6
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
Fixed route passengers	1,927,339	1,957,478	2,112,866	2,228,193	2,517,200	2,495,005	2,289,587
Paratransit passengers	89,695	91,366	95,169	103,302	111,674	108,952	113,581
Golf							
Total rounds at Walter E. Hall course	57,916	65,971	67,224	62,440	66,372	67,328	66,382
Total rounds at Legion Memorial course	52,139	56,162	59,531	58,732	62,287	63,429	62,583

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 SEVEN FISCAL YEARS**

Function/Program	2004	2005	2006	2007	2008	2009	2010
Police							
Police stations	2	2	2	2	2	2	2
Police vehicles	141	145	144	157	144	169	178
Harbor patrol boats	3	3	3	3	3	3	3
Fire/EMS							
Fire stations	7	7	7	7	6	6	6
Fire engines (pumpers)	10	11	11	11	11	11	7
Aerial ladder trucks	3	3	3	3	2	2	2
Emergency Medical Units	7	7	9	9	9	9	9
Transportation							
Paved streets (in miles)	319	314	314	321	321	321	321
Other Improved streets (in miles)	28	28	28	28	28	28	28
Signalized intersections	159	161	164	169	172	177	178
Street lights	6,231	6,425	6,550	6,606	6,648	6,691	6,756
Community services							
Animal shelter	1	1	1	1	1	1	1
Senior center	1	1	1	1	1	1	1
Library							
Branches	2	2	2	2	2	2	2
Bookmobile	1	1	1	1	1	1	1
Culture and recreation							
Number of parks/playgrounds	39	58	58	58	48	48	48
Total acreage owned/managed by City	1,210	1,213	1,213	1,213	1,600	1,600	1,600
Public swimming pool	1	1	1	1	1	1	1

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST SEVEN FISCAL YEARS**

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



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SCHEDULE 16
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2010

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 Nat Resource	Urban and Comm. Forestry Prog	10.675		200		200
Dept of HUD		CDBG/Comm. Dev. Block Grants/Entitlement	14.218			498,000	
Dept of HUD		CDBG/Comm. Dev. Block Grants/Entitlement	14.218	Program Income		65,941	Note 3a
Dept of HUD		CDBG/Comm. Dev. Block Grants/Entitlement	14.218			535,064	
Dept of HUD		CDBG/Comm. Dev. Block Grants/Entitlement	14.218			7,944	
		Subtotal			0	1,106,949	1,106,949
Dept of HUD	WA Dept of Commerce	CDBG/Comm. Dev. Block Grants/State's Prtg	14.228		489,602		489,602
Dept of HUD	SnoCo Human Services	Home Invest Partnership Prog	14.239		117,500		
Dept of HUD	SnoCo Human Services	Home Invest Partnership Prog	14.239	Program Income	29,530		Note 3a
Dept of HUD	SnoCo Human Services	Home Invest Partnership Prog	14.239		44,880		
		Subtotal			191,910	0	191,910
Dept of HUD		EDI-Econ. Dev Initiative-Special Project	14.251			588,000	588,000
Dept of HUD		ARRA - Comm. Dev. Block Grants	14.253			222,453	
Dept of HUD		ARRA - Comm. Dev. Block Grants	14.253			12,584	
		Subtotal			0	235,037	235,037
Dept of the Interior	WA Dept of Archaeology	Historic Preservation Fund G/A	15.904		12,000		12,000
Dept of Justice	SnoCo Sheriff	Edward Byrne Memorial Formula Grant Program	16.579	F97-374-017	69,022		69,022
Dept of Justice	WA Dept of Commerce	ARRA - Violence Against Women Formula Grants	16.588		29,750		29,750
Dept of Justice		ARRA - Public Safety Partnership Comm Policing	16.710	2009-RKWX-0897		164,422	164,422
Dept of Justice		Edward Byrne Memorial Justice Assist Grant	16.738	2007-DJ-BX-0742		40,865	Note 3b
Dept of Justice		Edward Byrne Memorial Justice Assist Grant	16.738	Program Income		6,948	
Dept of Justice		Edward Byrne Memorial Justice Assist Grant	16.738	2009-DJ-BX-0938		44,188	
Dept of Justice		Edward Byrne Memorial Justice Assist Grant	16.738	Program Income		1,694	Note 3b
Dept of Justice		Edward Byrne Memorial Justice Assist Grant	16.738	2010-DJ-BX-0201		26,544	
Dept of Justice		Edward Byrne Memorial Justice Assist Grant	16.738	Program Income		203	Note 3b
		Subtotal			0	120,442	120,442
Dept of Justice		ARRA - Edward Byrne Memorial JAG	16.804	2009-SB-B9-0819		153,075	Note 3b
Dept of Justice		ARRA - Edward Byrne Memorial JAG	16.804	Program Income		13,397	
		Subtotal			0	166,472	166,472
US DOT	WA DOT	Highway Planning and Construction	20.205	Railroad Track Relocation	6,671		
US DOT	WA DOT	Highway Planning and Construction	20.205	Henry M Jackson PIED	1,491		
US DOT	WA DOT	Highway Planning and Construction	20.205	112th Street Corridor Completion	14,651		
US DOT	WA DOT	Highway Planning and Construction	20.205	East Everett Ped Walkway	14,896		
US DOT	WA DOT	Highway Planning and Construction	20.205	East Marine View Drive, N. Broadway to I-5	17,927		
US DOT	WA DOT	Highway Planning and Construction	20.205	36th St. Railroad Crossing Closure	25,231		
US DOT	WA DOT	Highway Planning and Construction	20.205	36th St./BNSF Rail Line Non-Woto Cross Imp.	1,181		
US DOT	WA DOT	Highway Planning and Construction	20.205	Snohomish Riverfront Trail	197,700		
US DOT	WA DOT	Highway Planning and Construction	20.205	W Marine View Dr Ped & Bicycle Imps	749,504		
US DOT	WA DOT	ARRA - Highway Planning and Construction	20.205	Overlay 2010, Broadway & Pacific	632,880		
US DOT	WA DOT	ARRA - Highway Planning and Construction	20.205	Holly Drive Non-Motorized IMPS	36,369		
US DOT	WA DOT	Highway Planning and Construction	20.205	Holly Drive Non-Motorized IMPS	267,462		
US DOT	WA DOT	Highway Planning and Construction	20.205	Ev. Mail W/ Traffic Safety Enhance	750		
US DOT	WA DOT	Highway Planning and Construction	20.205	112th Street Ped Safety Improvement	6,000		
US DOT	WA DOT	Highway Planning and Construction	20.205	Broadway Bridge Replacement	24,118		
		Subtotal			1,986,831	0	1,986,831

The accompanying notes to the Schedule of State and Local Financial Assistance 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, 2010

Federal Agency	Pass-Through Agency	Federal Prog Name	CFDA Number	Other ID Number	From Pass-Through Award	From Direct Award	Total
US DOT	ARRA - Federal Transit-Formula Grants	20.507 WA-96-0018			207,291		
US DOT	ARRA - Federal Transit-Formula Grants	20.507 Program Income			7,800		
		Subtotal			0	215,091	215,091
NHTSA	WA Traffic Safety Comm.	State and Comm Highway Safety	20.600		18,463		18,463
Inst of Museum & Lib	WA Library	Grants to States	45.310		4,000		
Inst of Museum & Lib	WA Library	Grants to States	45.310		11,460		
Inst of Museum & Lib	WA Library	Grants to States	45.310		1,510		
Inst of Museum & Lib	WA Library	Grants to States	45.310		25,664		
		Subtotal			42,634	0	42,634
Dept of Energy	Puget Sound Clean Air Agency	ARRA - Conservation Research and Develop	81.086		4,000		
Dept of Energy	Puget Sound Clean Air Agency	ARRA - Conservation Research and Develop	81.086		4,000	0	8,000
		Subtotal			8,000	0	8,000
Dept of Energy	WA Dept of Commerce	ARRA - Energy Efficiency and Conservation Block Grant Prg (EECBG)	81.128		49,830		
Dept of Energy		ARRA - Energy Efficiency and Conservation Block Grant Prg (EECBG)	81.128		17,250		
Dept of Energy		ARRA - Energy Efficiency and Conservation Block Grant Prg (EECBG)	81.128		200,000		
Dept of Energy		ARRA - Energy Efficiency and Conservation Block Grant Prg (EECBG)	81.128		137,900		
Dept of Energy		ARRA - Energy Efficiency and Conservation Block Grant Prg (EECBG)	81.128		110,964		
Dept of Energy		ARRA - Energy Efficiency and Conservation Block Grant Prg (EECBG)	81.128		100,000		
Dept of Energy		ARRA - Energy Efficiency and Conservation Block Grant Prg (EECBG)	81.128		112,500		
		Subtotal			49,830	678,614	728,444
Homeland Security	Seattle Police Department	Non-Profit Security Program	97.008		80,949		
Homeland Security	Seattle Fire Department	Non-Profit Security Program	97.008		16,853		
		Subtotal			97,802	0	97,802
Homeland Security	WA Park & Rec Comm	Boating Safety Financial Assistance	97.012		39,588		
Homeland Security	WA Military Department	Disaster Grants - Public Assistance	97.036		52,717		
Homeland Security	WA Military Department	Disaster Grants - Public Assistance	97.036		18,418		
		Subtotal			71,135	0	71,135
Homeland Security	WA Military Department	Emergency Mgt P Performance Grant	97.042	EMPG E09-257	58,735		
Homeland Security	WA Military Department	Emergency Mgt P Performance Grant	97.042	EMPG E10-249	16,965		
		Subtotal			75,700	0	75,700
Homeland Security	Snohomish County	Homeland Security Grant Program	97.067	E09-181	42,704		
Homeland Security	Snohomish County	Homeland Security Grant Program	97.067	E10-206	36,930		
Homeland Security	Snohomish County	Homeland Security Grant Program	97.067	E08-083	21,476		
Homeland Security	Snohomish County	Homeland Security Grant Program	97.067	E08-083	1,801		
		Subtotal			102,911	0	102,911
					3,305,378	3,275,027	6,580,405

Note 3c

The accompanying notes to the Schedule of Expenditures of Federal Awards and State/Local Financial Assistance are an integral part of this statement

SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE
For The Year Ended December 31, 2010

SCHEDULE 16
(Page 3 of 3)

GRANTOR/ PASS-THROUGH GRANTOR PROGRAM TITLE	OTHER IDENTIFICATION NUMBER	CURRENT YEAR EXPENDITURES	
WA State Transportation Improvement Board:			
Broadway & Beverly Blvd Intersection; SR526 to Spokane	8-1-138(032)-1	25,000	
112 th St SE, Silver Lake Rd to SR 527	9-P-138(013)-1	98,482	
<u>Total WA State Transportation Improvement Board</u>		<u>123,482</u>	
WA State Department of Transportation:			
7th Avenue Ped & Bicycle Safety Project - 2006 Ped & BSP	HLP-PB06(015)	24,010	
Casino Rd & Rucker Ave Ped & Bike Safety Program	HLP-PB09(008)	7,330	
Horizon Elementary School Walk Safety	HLP-SR09(016)	697	
Evergreen Swift Stations and TSP	GCA 6129	802,834	
Paratransit/Special Needs Transit Formula	GCA 6161	205,995	
Commute Trip Reduction	GCA 6252	42,950	
<u>Total WA State Department of Transportation</u>		<u>1,083,816</u>	
WA State Traffic Safety Commission			
School Zone Equipment Grant	N/A	29,482	Note 4
<u>Total WA State Traffic Safety commission</u>		<u>29,482</u>	
WA State Dept of Commerce			
Senior Center Expansion and Upgrade	08-96105-026	322,929	
Job Economic Development Grant	S10-97101-001	17,508	
<u>Total WA State Dept of Commerce</u>		<u>340,437</u>	
WA State Military Dept			
Disaster Grant - Snow & Ice Removal	DEWE001	8,786	
Disaster Grant - Storm Drainage	DEWA014	3,070	
<u>Total WA State Military Dept</u>		<u>11,856</u>	
WA State Department of Ecology:			
Stormwater Management Imp. Grant Program	G0900038	42,090	
Local Toxics Control Account	G0900083	5,013	
Stormwater Capacity Grant	G1100043	345,177	
Coordinated Prevention	G1000422	61,939	
CPG Off-set Cycle Grant	G0700174	3,043	
<u>Total WA State Department of Ecology</u>		<u>457,262</u>	
WA State Department of Health:			
EMS Prehospital Participation Grant	N/A	2,186	Note 4
<u>Total WA State Department of Health</u>		<u>2,186</u>	
WA State Department of Criminal Justice (WASPC)			
Reg. Sex Offender Verification Program	N/A	102,501	Note 4
<u>Total WA State Department of Criminal Justice</u>		<u>102,501</u>	
WA State Administrative Office of the Courts (AOC)			
Court Interpreter Service	N/A	2,229	Note 4
<u>Total WA State AOC</u>		<u>2,229</u>	
<u>TOTAL STATE ASSISTANCE</u>		<u>2,153,251</u>	
Snohomish County			
Community Transit	A-10-75-04-198	18,458	
Sound Transit	N/A	28,000	Note 4
<u>TOTAL LOCAL ASSISTANCE</u>		<u>752,493</u>	
<u>TOTAL STATE AND LOCAL ASSISTANCE</u>		<u>2,905,744</u>	

The accompanying notes to the Schedule of Expenditures of Federal Awards and State/Local Financial Assistance are an integral part of this statement.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE/LOCAL FINANCIAL ASSISTANCE

NOTE 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, state or local 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. The amount of loan funds disbursed to program participants from program income for the year was \$95,471 and is presented in this schedule.
- b) The City earns investment interest on unexpended Edward Byrne Memorial Grant funds. Interest revenue (program income) for the year was \$22,242 and is presented in this schedule.
- c) The City earns investment interest on unexpended ARRA Federal Transit Formula Grant funds. Interest revenue (program income) for the year was \$7,800 and is presented in this schedule.

NOTE 4 - NOT AVAILABLE (N/A)

The City was unable to obtain other identification number.