
City of Bonney Lake
Comprehensive Annual Financial Report

For the Fiscal Year
Ended December 31, 2009

City of Bonney Lake
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Prepared by the Finance Department

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TABLE OF CONTENTS

INTRODUCTORY SECTION

Transmittal Letter 1
 Organization Chart 7
 City of Bonney Lake Directory of Officials 8

FINANCIAL SECTION

Auditor’s Report..... 9
 Management’s Discussion and Analysis..... 11
 Basic Financial Statements
 Government-Wide Financial Statements
 Statement of Net Assets 23
 Statement of Activities 24
 Fund Financial Statements
 Balance Sheet - Governmental Funds 26
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets 28
 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds..... 29
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities..... 30
 Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (GAAP Basis) and Actual - General Fund 31
 Statement of Net Assets - Proprietary Funds..... 32
 Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds..... 33
 Statement of Cash Flows - Proprietary Funds 34
 Notes to Financial Statements 35
 Required Supplementary Information
 Combining and Individual Fund Financial Statements And Schedules
 Combining Balance Sheet - Nonmajor Special Revenue Funds..... 66
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds 67
 Combining Balance Sheet - Nonmajor Debt Service Funds..... 68
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds 69
 Combining Balance Sheet - Nonmajor Capital Project Funds..... 70
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds 71
 Combining Statement of Net Assets - Internal Service Funds 74
 Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Funds 75
 Combining Statement of Cash Flows - Internal Service Funds 76

STATISTICAL SECTION

Schedule 1 Net Assets by Component..... 79
 Schedule 2 Changes in Net Assets..... 80
 Schedule 3 Program Revenues by Function/Program..... 84
 Schedule 4 Fund Balances, Governmental Funds..... 88
 Schedule 5 Changes in Fund Balances, Governmental Funds 89
 Schedule 6 Assessed and Estimated Actual Taxable Value of Property..... 91
 Schedule 7 Direct and Overlapping Property Tax Rates 92
 Schedule 8 Principal Property Tax Payers..... 93
 Schedule 9 Property Tax Levies and Collections 94
 Schedule 10 Taxable Sales by Category 95

Schedule 11	Direct and Overlapping Sales Tax Rates.....	96
Schedule 12	Principal Sales Tax Remitters	97
Schedule 13	Ratios of Outstanding Debt by Type.....	98
Schedule 14	Ratio of General Bonded Debt Outstanding.....	99
Schedule 15	Direct and Overlapping General Obligation Debt.....	100
Schedule 16	Computation of Legal Debt Margin	101
Schedule 17	Revenue Bond Coverage for Utility Bonds.....	102
Schedule 18	Demographic and Economic Statistics.....	103
Schedule 19	Principal Employers	104
Schedule 20	Full-Time-Equivalent City Government Employees by Function/Program.....	105
Schedule 21	Operating Indicators by Function/Program.....	106
Schedule 22	Capital Asset Statistics by Function/Program	107
Schedule 23	Construction and Property Values.....	108
Schedule 24	Schedule of Expenditure of Federal Awards.....	109
Schedule 25	Schedule of Expenditure of State and Local Financial Assistance.....	111



"The City of Bonney Lake's mission is to protect the community's livable identity and scenic beauty through responsible growth planning and by providing accountable, accessible and efficient local government services"

March 25, 2011

**To the Honorable Neil Johnson, Mayor
Members of the City Council
Citizens of the City of Bonney Lake**

State law requires cities to publish financial statements, either in conformity with generally accepted accounting principles (GAAP) or on a cash basis, and audited in accordance with generally accepted auditing standards by the Washington State Auditor's Office under the *Revised Code of Washington* (RCW) 43.09.020. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the City of Bonney Lake for the fiscal year ended December 31, 2009. The City has elected to report its financial condition in conformity with generally accepted accounting principles (GAAP).

The report consists of management's representations concerning the finances of the City of Bonney Lake (City). Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City 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 GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Bonney Lake's financial statements have been audited by the Washington State Auditor's Office. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2009, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon their audit, that there was reasonable basis for rendering an unqualified or "clean" opinion and that the City of Bonney Lake's financial statements for the fiscal year ended December 31, 2009 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 financial statements of the City of Bonney Lake was part of a broader State mandate that requires the Washington State Auditor's Office to perform additional tests of compliance with state laws and regulations as required by *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 requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is

designed to complement and should be read in conjunction with the MD&A. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City

Incorporated on February 28, 1949, the City of Bonney Lake is nestled off State Highway Route 410 between Mount Rainier and the Puget Sound, along the southern shores of Lake Tapps. The City is located in the southern part of Pierce County, considered to be one of the top growth areas in both the state and county. The City of Bonney Lake is empowered to levy a property tax on both real and personal property located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

With a 2009 population of 16,500, Bonney Lake is the fifth largest city in Pierce County and the fifty-ninth largest city in the state. The 2010 population as provided by the United States Census is 17,374. The City's boundaries now encompass approximately nine square miles.

The City of Bonney Lake operates under the laws of the State of Washington applicable to a code city with a Mayor-Council form of government. The Mayor is elected and is Chief Executive Officer. The Mayor appoints the operating unit directors and hires all employees. The Council exercises confirmation authority on some positions. Policy-making and legislative authority are vested in a City Council consisting of the Mayor and seven other members, all elected on a non-partisan basis. Both the Mayor and Council members serve four-year terms, with three members plus the Mayor or four members selected every two years. The Mayor and two Council members are elected at large; the remaining Council members are elected by ward.

The Council is required to adopt a final budget by no later than the close of the fiscal year. This biennial budget serves as the foundation for the City of Bonney Lake's financial planning and control. The budget is prepared by fund, function (e.g. public safety), and department (e.g. police). With the approval of the City Administrator, department heads may make transfers of appropriations within a department between major categories of services and supplies. The City Administrator may authorize transfers within a fund. All transfers between funds must be approved by the City Council.

Services Provided

The City provides a range of municipal services normally associated with a municipality including police, street construction and maintenance, planning and zoning, building inspection, municipal court, senior center, and general administrative services. The City also operates as enterprise funds the following business-type activities: Water utility, wastewater utility, and storm and surface water utility. Fire, library, animal control, and recreation are made available via contracts with other providers.

Cities and counties of the State of Washington must comply with the Budgeting, Accounting, and Reporting System (BARS) prescribed by the Office of the State Auditor as authorized under *Revised Code of Washington* (RCW) 43.09.200 and RCW 43.09.230. State law also provides for annual independent audits by the Office of the State Auditor and requires timely submission of annual financial reports to the state for review. The financial system of the City of Bonney Lake incorporates a system of financial and administrative controls that ensure the safeguarding of assets and the reliability of financial reports. Consequently they are designed to provide reasonable assurance that transactions are processed in accordance with management authorization, recorded in conformity with generally accepted accounting principles (GAAP), that accountability of control over assets and obligations exists, and that sufficient reporting and review exists to provide adequate information for analysis and comparability of data. Internal control is an area of audit by the State Auditor as well, and City management receives and takes action upon recommendations made during the audit engagement.

The City of Bonney Lake prepares budgets in accordance with RCW 35.34. As background to the process, the City prepares a biennial financial forecast of general operations. Biennial budgets are adopted by the City Council for funds providing customary government services. Long-term project oriented budgets are adopted as required and

amended as additional appropriations are needed. An increase or decrease in total budgeted appropriations of a fund must be authorized by the City Council. Transfers of appropriations within a fund may be authorized by the City Administrator. All budgets are accounted for on a line-item basis with control at the object summary total level. Estimated purchase order amounts are encumbered prior to the release of the order to the vendor. Such encumbrances also serve to provide budgetary control. Open encumbrances lapse at year-end and must be re-appropriated or absorbed in the next year's operating budget.

Local Economy

The local economic condition of the City during 2009 continued to spiral as cities across the nation have all confronted the effects of the economic downturn. Struggling housing markets, slow consumer spending, and high levels of unemployment have characterized declines in city revenues. The impact of the economic downturn is increasingly evident in our local setting as this "new normal" has influenced a number of actions taken in response to these changing conditions. Our budgeting environment has changed dramatically to keep pace with these new challenges. Revenue and expenditure predictions, maintenance activities, personnel and health care costs are all issues that must be weighed in a new strategic perspective.

We continue to refine assumptions within our five year financial planning model in order that we remain abreast of conditions in a real time setting. As a result, leadership feels that we are poised to address issues collaboratively as they occur. Relevant forecasting tools ensure that our short term planning is congruent with our long term vision for operations, maintenance, and capital investment.

In order to nurture economic growth into the future, in spite of our economic dilemma, City leaders have recommitted to developing a strategic plan for the short term from which to draw down existing reserves or fund balances. Within the past decade, general ending fund balances have reached historical highs, providing a "cushion" in anticipation of unpredictable events such as natural disasters and/or economic downturns. In much the same fashion as a personal savings account, fund balances have been built up deliberately to set aside funds for planned events such as future capital projects or, more relevant, the exact economic emergency that we currently face.

Three years of discouraging news about employment and the economy may have dampened our outlook for the future; but nothing can dampen our resolve. The City will rebound. We will come back stronger than ever and we will provide an even brighter future for our children. We are choosing to march into the future with confidence and hope that has not been dimmed by the current discouraging news. Let us go into the future with a clear knowledge that we have an opportunity, like those who lived through the Great Depression, to be bold and help the people and businesses of our City rebound and prosper.

Residential

Many factors contribute to Bonney Lake's exceptional quality of life; the availability of local goods and services, excellent schools, a local library, desirable residential neighborhoods, exceptional local government services, and excellent recreational opportunities.

The City's residential real estate marketplace has gained popularity in the past decade as a result of real estate markets in the King County and Pierce County areas. As available buildable residential capacity diminishes in the Seattle and Tacoma areas, Bonney Lake's close proximity to these metropolitan areas has become more and more attractive to many prospective buyers. Adding to the attractiveness of our physical location is the availability of multiple commuter routes into the larger metropolitan areas of Tacoma and Seattle.

Although residential building permit activity has declined considerably throughout the year, our planning and building department administrators are optimistic that this trend will recover somewhat faster than the predicted national average due to the aforementioned positive characteristics in our real estate marketplace.

Retail

Because sales tax is the number one revenue source, it is a predominate economic indicator for the City. The retail marketplace may serve as a benchmark to evaluate how an entity is performing compared to market average and conversely may also identify problems areas at an early stage. Sales tax collections are therefore used as an indicator to the potential of a retail climate recovery or decline. From fiscal year 2008 through 2009 the City's sales tax collections actually declined by 9.29%, which is a marked change from prior years that saw robust increases. For example, the city experienced a double digit increase of 18% between fiscal year 2005 through 2006. However, the increase of less than 1% from fiscal 2006 through 2007 was an excellent indicator of the ensuing economic slowdown.

It is anticipated that with the planned growth and future development of our "Eastown" area that our sales tax revenues may rebound from the slowing tendency experienced in the past few years. With a focus on encouraging renovation and expansion within the city, city leaders have enacted many new strategies and incentives that will contribute to sales tax sustainability well into the future.

Other Economic Indicators

The labor force of the Bonney Lake area is divided between those who work within the City and those who commute to work outside the area, in the nearby cities of Puyallup, Tacoma, Seattle, Renton, Kent, Auburn and Olympia. Therefore, the Bonney Lake area functions as a suburban-residential community as well as a center for trade and commerce based primarily on residential and commercial Real Estate Development and Retail sales within its boundaries.

The top four retail sales tax categories or classes of collections within the City have historically been Retail Trade at 57% of total collections; Construction at 16% of total collections; Food Services at 15% of total collections; and Other miscellaneous categories at 12% of total collections.

Capital Projects

During the next budgetary biennium the city will continue its capital project program based on a revised prioritization strategy. During the period the city will finalize facilities and infrastructure projects that have been planned and budgeted in prior years. The City also plans to pursue significant construction projects during years hence, as illustrated in the six-year capital improvement plan, a sampling of which follows:

- Leaky Water Main Program – replacement of deteriorating water mains;
- Continued Design of the Public Works Maintenance Facility;
- Sewer Trunk Line Improvement Program;
- Regional (downtown) Storm Pond;
- Safe Routes to School Project Improvements;
- Continuation of the stream team program;
- Old Sumner Buckley Highway and SR 410 Improvements;
- Fennel Creek Trail Improvements;
- Continuation of the Sidewalk and Street Lighting Programs;
- Continuation of the Justice Center Project.

Long-Term Financial Planning

The City will continue to use its business planning model and budgetary process to review funding priorities for the long-term operating and capital needs of the City. During the coming year, we are faced with the challenge to accommodate growth while ensuring that the City develops as a place where people want to live, work, and play. Due

to current economic uncertainty at the national level City management recognizes the need to conserve reserves for future revenue shortfalls in the event of a continued economic downturn and is proceeding cautiously in daily operations. We are committed to working with citizens, businesses, and other governmental agencies in delivering efficient services to our community in a cost effective means.

Cash Management Policies and Practices

It is the policy of the City of Bonney Lake to invest public funds to (1) preserve principal while maintaining liquidity to meet the City's cash-flow needs; (2) conform to all state and local statutes governing the investment of public funds; and (3) maximize investment return within the framework of the provisions of its' investment policy. Idle cash may be invested in obligations of the U.S. Treasury, Federal Agencies, corporate bonds, repurchase agreements and the State investment pool. Increases or decreases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity. The City of Bonney Lake primarily invests its idle funds in the Local Government Investment Pool (LGIP) managed by the Washington State Office of the State Treasurer.

The overall strategy of holding deposits and investing excess cash is to expose the City to a minimum amount of credit and market risk. All bank balances of deposit as of the balance sheet date are entirely insured or collateralized with securities held by the City or by its agent in the City's name.

Risk Management

Liability and property coverage is provided through the Washington Cities Insurance Authority (WCIA), of which the City of Bonney Lake subscribes as a member. Pursuant to Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. Currently WCIA has a total of 126 Members.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of reinsurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal agreement, WCIA retains the right to additionally assess the membership for any funding shortfall.

Pension and Other Postemployment Benefits

The City of Bonney Lake provides pension benefits for its other employees through the Public Employees Retirement System (PERS) or the Law Enforcement Officer's and Fire Fighter (LEOFF) Retirement System.

These plans are administered by the State of Washington Department of Retirement Systems (DRS), a department within the primary government of the State of Washington under a cost-sharing multiple-employer public employee retirement system. The City of Bonney Lake has no obligation in connection with employee benefits offered through these plans beyond its annual contractual payments to DRS.

The City provides postretirement health care benefits in accordance with statute to retired police employees who are

eligible under the Law Enforcement Officers and Firefighters Retirement System (Chapter 41.26 RCW).

Additional information on the City of Bonney Lake's pension plans and post employment benefits can be found in the notes to financial statements, "Note 6 – Pension Plans", pages 55-60; and "Note 6B – Other Post Employment Benefits," pages 60-63.

Acknowledgements

The preparation of this report could not have been accomplished without the efficient and dedicated staff of the Finance Department; specifically, the Accounting and Budgeting division. I would like to express my appreciation to the employees and the citizens whose continued cooperation, support and assistance have contributed greatly to the financial stability of the City of Bonney Lake. I would like to further acknowledge the dedicated relationship that we experience with the WA State Auditors Office that has provided a framework of excellence and guidance from which to draw upon.

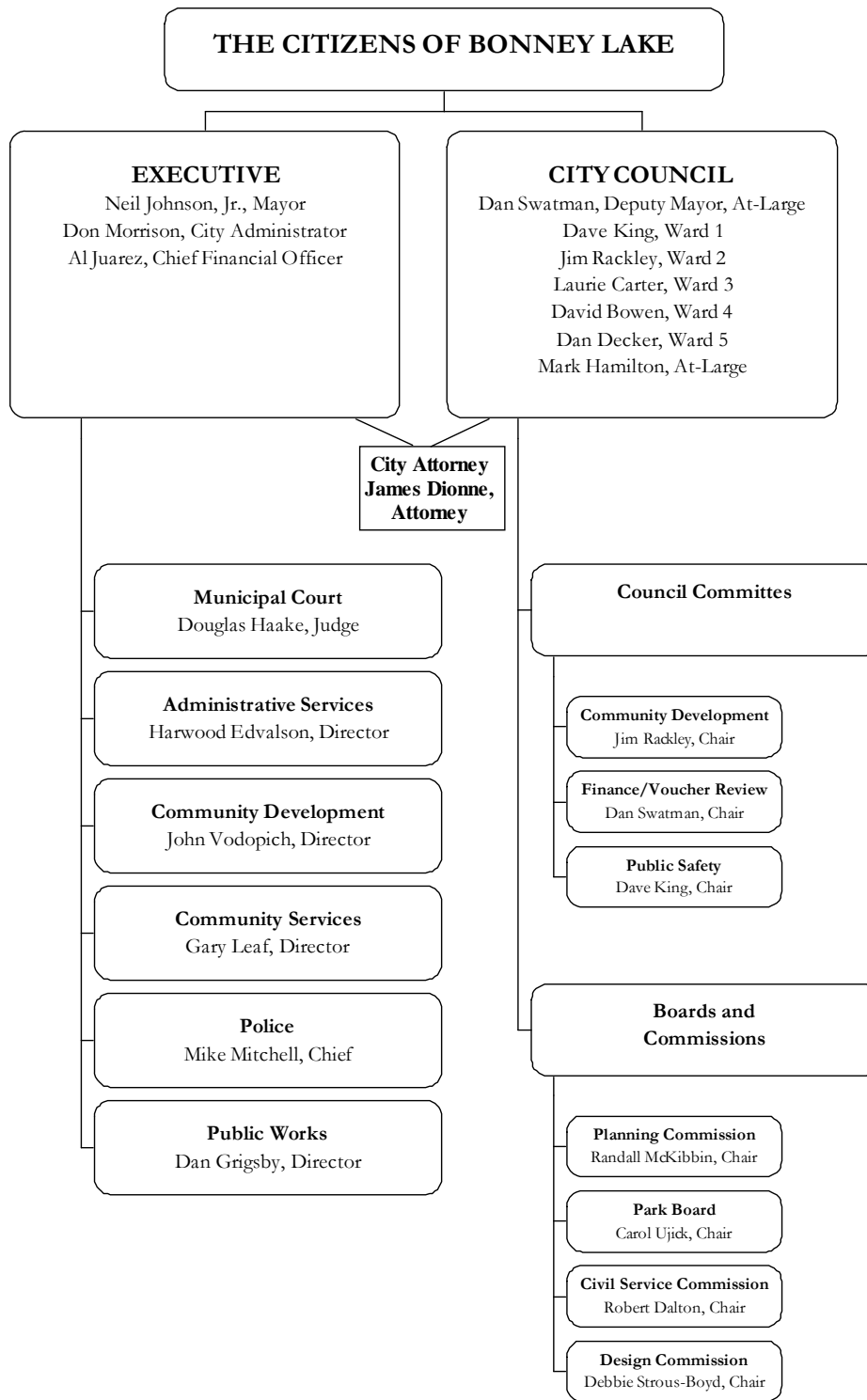
Further appreciation is extended to the City's management team, Mayor and members of the City Council for their encouragement, interest and support in conducting the financial operations of the city in a sound and progressive manner and for maintaining the highest standards of professionalism in the financial management of the City of Bonney Lake.

Respectfully submitted,



Al Juarez, MBA
Chief Financial Officer

City of Bonney Lake Organization Chart



City of Bonney Lake
Elected and Appointed Officials
December 31, 2008

Elected Officials

<u>Councilmember</u>	<u>District</u>	<u>Term(s) Commenced</u>	<u>Term Expiries</u>
Neil Johnson, Mayor		January 3, 2006	December 31, 2009
		<i>Mayor Johnson was Councilmember January 8, 2002 – December 2005</i>	
Dan Swatman, Deputy Mayor	At-Large	October 27, 1998	December 31, 2009
Mark Hamilton	At-Large	November 25, 2003	December 31, 2011
Dave King	Ward 1	November 27, 2001	December 31, 2009
James Rackley	Ward 2	December 28, 1999	December 31, 2011
Laurie Carter	Ward 3	January 1, 2008	December 31, 2011
David Bowen	Ward 4	December 13, 2005	December 31, 2009
Dan Decker	Ward 5	January 1, 2008	December 31, 2011

Appointed Officials

<u>Title</u>	<u>Name</u>	<u>Date of Appointment</u>
Administrative Services Director/City Clerk	Harwood Edvalson	March 28, 2006
Chief Financial Officer	Al Juarez	October 16, 2007
City Administrator	Don Morrison	March 28, 2006
City Attorney	James Dionne	March 22, 1994
Community Services Director	Gary Leaf	March 28, 2006
Municipal Court Judge	Doug Haake	January 8, 2008
Planning and Community Development Director	John Vodopich	June 26, 2007
Police Chief	Mike Mitchell	September 26, 2006
Public Works Director	Dan Grigsby	July 27, 2004



**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

March 25, 2011

Mayor and City Council
City of Bonney Lake
Bonney Lake, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bonney Lake, Pierce County, Washington, as of and for the year ended December 31, 2009, 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, each major fund and the aggregate remaining fund information of the City of Bonney Lake, Pierce County, Washington, as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will also issue our report dated March 25, 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. 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 is not a required part of the basic financial statements but is 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 opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining and individual fund financial statements and schedules on pages 66 through 76 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 Section and Statistical Section 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 a large initial "B" and "S".

BRIAN SONNTAG, CGFM
STATE AUDITOR

**City of Bonney Lake
Management's Discussion and Analysis
For the Year Ending December 31, 2009**

As management of the City of Bonney Lake (the City), we offer this narrative overview and analysis of the City's financial activities for the fiscal year ended December 31, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

Financial Highlights

- As of December 31, 2009 total assets of the City exceeded its liabilities by approximately \$127.9 million. Of this amount, \$32.2 million was reported as unrestricted net assets, amounts which are available for use to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$2.2 million.
- Capital assets increased approximately \$6.3 million, largely due to the completion of a number of construction projects, as well as the beginning of the Justice Center.
- The City's governmental funds reported combined ending fund balances of \$17.5 million.
- The General Fund reported an unreserved fund balance of \$5.1 million.

Overview of the Financial Statements

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

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the Statement of Net Assets and the Statement of Activities differentiate the functions of general

government from the functions of business-type activities. Governmental activities reflect the City's basic functions such as general government, public safety, highways and streets, economic development, and culture and recreation and are primarily supported by taxes and intergovernmental revenues. Business-type activities, primarily utilities, are intended to recover their costs through user fees and charges. The City's utilities include the water distribution system, the sewer collection and treatment system and the stormwater collection system.

The City has no separately identified component units and, accordingly, none are included in these financial statements.

Fund financial statements

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 of Bonney Lake, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds 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 statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By so doing, readers may better understand 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 facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Street Construction Fund, the General Government Construction Fund, and the Civic Center Construction Fund which are all considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts a biennial appropriated budget for all of its funds. The basic financial statements include budgetary comparison statements for the General Fund to demonstrate compliance with this budget.

Proprietary funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer, and Stormwater Funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles and to provide insurance coverage for all funds and departments. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer, and Stormwater Funds. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

Notes to the financial statements

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

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's financial results. Combining and individual fund statements and schedules for the non-major governmental funds and the internal service funds can be found under this section.

The City as a Whole

The table below summarizes the City's Statement of Net Assets for the years 2009 and 2008.

CONDENSED STATEMENT OF NET ASSETS						
	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 21,327,582	\$ 27,207,898	\$ 28,842,478	\$ 26,057,526	\$ 50,170,060	\$ 53,265,424
Capital assets, net of accum dep	38,980,016	35,070,567	84,740,925	82,348,716	123,720,941	117,419,283
TOTAL ASSETS	60,307,598	62,278,465	113,583,403	108,406,242	173,891,001	170,684,707
Long-term liabilities	12,154,983	13,021,736	25,388,362	23,150,952	37,543,345	36,172,688
Other liabilities	4,309,097	3,419,034	4,147,238	5,389,290	8,456,335	8,808,324
TOTAL LIABILITIES	16,464,080	16,440,770	29,535,600	28,540,242	45,999,680	44,981,012
NET ASSETS:						
Invested in capital assets, net of related debt	30,322,402	27,160,718	60,622,748	58,230,541	90,945,150	85,391,259
Restricted	3,704,996	5,412,972	998,001	1,819,074	4,702,997	7,232,046
Unrestricted	9,816,120	13,264,005	22,427,053	19,816,385	32,243,173	33,080,390
TOTAL NET ASSETS	\$ 43,843,518	\$ 45,837,695	\$ 84,047,802	\$ 79,866,000	\$ 127,891,320	\$ 125,703,695

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At year end 2009 assets exceeded liabilities by \$127.9 million.

The largest portion of the City's net assets of \$91.0 million or 71.1% reflects its investment in capital assets (e.g., land, buildings, equipment, construction in progress, and intangible assets such as water rights and sewer capacity); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the 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 net assets of \$4.7 million or 3.7% represent resources that are subject to external restrictions on how they may be used.

Unrestricted net assets of \$32.2 million or 25.2% may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the 2009 and 2008 fiscal years, the City reports positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The table below summarizes the City's Statement of Activities for the years 2009 and 2008.

Condensed Statement of Activities

	Governmental Activities		Business Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues:						
Charges for services	\$ 1,811,223	\$ 2,590,036	\$ 11,203,718	\$ 12,611,540	\$ 13,014,941	\$ 15,201,576
Operating grants and contributions	356,917	254,464	2,315,511	76,089	2,672,428	330,553
Capital grants and contributions	323,351	492,166	36,892	-	360,243	492,166
General revenues:						
Property taxes	2,806,078	2,790,263	-	-	2,806,078	2,790,263
Sales taxes	3,119,185	3,828,634	-	-	3,119,185	3,828,634
B&O taxes	1,905,041	1,787,840	-	-	1,905,041	1,787,840
Excise taxes	927,333	1,063,770	-	-	927,333	1,063,770
Utility	911,551	796,441	-	-	911,551	796,441
Other taxes	107,652	46,985	-	-	107,652	46,985
Investment earnings	315,889	1,185,115	281,753	404,205	597,642	1,589,320
Miscellaneous revenues	75,135	78,550	31,554	31,369	106,689	109,919
Total revenues	12,659,355	14,914,264	13,869,428	13,123,203	26,528,783	28,037,467
Expenses						
General government	4,549,144	4,838,041	-	-	4,549,144	4,838,041
Public safety	4,919,554	4,748,254	-	-	4,919,554	4,748,254
Physical environment	739,134	653,118	-	-	739,134	653,118
Transportation	1,679,409	1,345,714	-	-	1,679,409	1,345,714
Health and human services	24,261	23,345	-	-	24,261	23,345
Economic environment	1,736,223	1,739,229	-	-	1,736,223	1,739,229
Culture and recreation	416,811	484,968	-	-	416,811	484,968
Interest on long term debt	588,996	1,124,779	-	-	588,996	1,124,779
Water	-	-	4,900,497	6,199,320	4,900,497	6,199,320
Sewer	-	-	4,081,458	4,253,390	4,081,458	4,253,390
Stormwater	-	-	705,671	595,159	705,671	595,159
Total expenses	14,653,532	14,957,448	9,687,626	11,047,869	24,341,158	26,005,317
Change in net assets before transfers	(1,994,177)	(43,184)	4,181,802	2,075,334	2,187,625	2,032,150
Transfers	-	1,552,255	-	(1,552,255)	-	-
Change in net assets	(1,994,177)	1,509,071	4,181,802	523,079	2,187,625	2,032,150
Net assets as of January 1	45,837,695	44,328,624	79,866,000	78,917,154	125,703,695	123,245,778
Prior period adjustments	-	-	-	425,767	-	425,767
Net assets as of December 31	\$ 43,843,518	\$ 45,837,695	\$ 84,047,802	\$ 79,866,000	\$ 127,891,320	\$ 125,703,695

In comparing the line item above titled "Change in net assets", the City reports significant reductions from fiscal 2009 to 2008 in Governmental Activities. Impacting Governmental Activities has been a decrease in revenues resulting from a nationwide economic slowdown in construction related activity. This decreased revenue stream is reflected in the revenue line item titled "Charges for services," which is down 30.1% in Governmental Activities and 11.2% in Business Type Activities.

Additionally within Governmental Activities, revenues in the category "Operating grants and contributions" were down 29.9% in fiscal 2009 from the fiscal year prior. The economic slowdown in the construction industry also impacted the State of WA and other governmental entities, which are sources of grant funding for the City.

Significant Transactions and Changes in Individual Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The following table provides a summary of Revenues, Expenditures and Changes in Fund Balances for the General Fund.

General Fund

	<u>2009</u>	<u>2008</u>	<u>Variance</u>	<u>% Change</u>
Total revenues	\$ 11,990,211	\$ 11,804,046	\$ 186,165	1.6%
Total expenditures	(12,104,966)	(11,221,853)	(883,113)	8%
Total other financing sources and uses	-	186,271	(186,271)	-100%
Net changes in fund balance	<u>(114,754)</u>	<u>768,464</u>	<u>(883,218)</u>	<u>-115%</u>
Fund balances, beginning of year	5,200,332	4,431,868	768,464	17%
Prior period adjustment	-	-	-	-
Fund balances, end of year	<u>5,085,578</u>	<u>5,200,332</u>	<u>(114,754)</u>	<u>-2.21%</u>

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$5.1 million.

As noted with the Statement of Activities on the prior page, a slowdown in construction related permitting activity contributed to a substantial reduction in total revenues, which is also illustrated in the above table. City leadership recognized this downturn early in the prior year and implemented strategic steps with expenditure reductions in order to keep pace with the slowing revenue stream. As a result of the City's resource/expenditure leveling efforts we have continued to recognize positive outcomes in fund balance, although not as robust as prior years.

The following table provides a summary of Revenues, Expenditures and Changes in Fund Balances for the Street Construction Fund.

Street Construction Fund

	2009	2008	Variance	% Change
Total revenues	\$ 860,091.79	\$ 1,506,918	\$ (646,826)	-42.9%
Total expenditures	(2,817,758)	(1,905,228)	(912,530)	48%
Total other financing sources and uses	47,402	766,694	(719,292)	-94%
Net changes in fund balance	<u>(1,910,264)</u>	<u>368,384</u>	<u>(2,278,648)</u>	<u>-619%</u>
Fund balances, beginning of year	7,327,855	6,959,471	368,384	5%
Prior period adjustment	-	-	-	-
Fund balances, end of year	<u>5,417,591</u>	<u>7,327,855</u>	<u>(1,910,264)</u>	<u>-26.07%</u>

As is the case in any Capital Improvement Fund, activity from year to year is based upon an entity's capacity to sustain funding for future projects. Dedicated revenue sources in this particular fund flow into the City as a result of Real Estate Excise Taxes; and although robust through prior years, this source is slowing and continues to lag significantly compared to prior experience.

The category "other financing sources and uses" illustrates an aggregate summary of both uses and sources. Significant other sources result in the form of grants, loans, etc. that may have been received from other governmental agencies in support of the City's Street Construction activities.

The following table provides a summary of Revenues, Expenditures and Changes in Fund Balances for the General Government Construction Fund.

General Government Construction Fund

	2009	2008	Variance	% Change
Total revenues	\$ 175,216.68	\$ 128,915	\$ 46,302	35.9%
Total expenditures	(684,484)	(2,736,199)	2,051,715	-75%
Total other financing sources and uses	-	5,904,674	(5,904,674)	-100%
Net changes in fund balance	<u>(509,267)</u>	<u>3,297,390</u>	<u>(3,806,657)</u>	<u>-115%</u>
Fund balances, beginning of year	2,864,125	(433,265)	3,297,390	-761%
Prior period adjustment	-	-	-	-
Fund balances, end of year	<u>2,354,858</u>	<u>2,864,125</u>	<u>(509,267)</u>	<u>-17.78%</u>

As previously discussed, any Capital Improvement Fund's activity from year to year is based upon an entity's capacity to sustain funding for future projects. Dedicated revenue sources in this particular fund continue their inflow although not as robust as prior years. Conversely, expenditure experience is closely associated with the inflow of resources and therefore is also not as robust as prior years.

The category "other financing sources and uses" illustrates an aggregate summary of both uses and sources. Significant other sources result in the form of grants, loans, etc. that may have been received from other governmental agencies in support of the City's General Government Construction Fund.

The following table provides a summary of Revenues, Expenditures and Changes in Fund Balances for the Civic Center Construction Fund.

Civic Center Construction Fund

	<u>2009</u>	<u>2008</u>	<u>Variance</u>	<u>% Change</u>
Total revenues	\$ 87,443.93	\$ 276,138	\$ (188,694)	-68.3%
Total expenditures	(2,098,028)	(1,871,774)	(226,254)	12%
Total other financing sources and uses	-	(3,762,666)	3,762,666	-100%
Net changes in fund balance	<u>(2,010,584)</u>	<u>(5,358,302)</u>	<u>3,347,718</u>	<u>-62%</u>
Fund balances, beginning of year	4,597,432	9,955,734	(5,358,302)	-54%
Prior period adjustment	-	-	-	-
Fund balances, end of year	<u>2,586,848</u>	<u>4,597,432</u>	<u>(2,010,584)</u>	<u>-43.73%</u>

After years of strategic planning, the city began development of the Downtown Civic Center project during 2007. During 2008 and continuing into 2009 several key parcels of land were acquired to establish the contiguous footprint of the future Civic Campus. A reimbursement resolution was enacted at the time the bond sale was initiated in order for the Civic Center Construction Fund to reimburse other city funds that supported initial parcel purchases for this Civic Campus Project.

The Justice Center is the first structure constructed within the Civic Center Campus. As the first structure, a great deal of planning and design by City Council, Design Commission, and staff went into the project to set the tone for the City's future Civic Center.

General Fund Budgetary Highlights

The City utilizes a biennial budget module as allowed in RCW 35A.34. For the 2009 - 2010 biennium, the City adopted an original budget for revenues and transfers in of \$102.4 million and for expenditures and transfers out of \$102.4 million. The City's revised budget at the mid-biennium (12/31/2009) for revenues and transfers in was \$103.7 million; the City's revised budget at the mid-biennium budget for expenditures and transfers out was \$97.0 million. The overall increase between original and revised budgets was \$1,267,041 for revenues and transfers in. The overall decrease for expenditures and transfers out was (\$5,435,880). In the adopted budget ordinance, the City appropriates total expenditures, other financing uses, and use of undesignated fund balance as one expenditure total at the fund level.

Capital Assets

The following table summarizes the City's capital asset balances at December 31, 2009 and 2008.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2009	2008	2009	2008	2009	2008
Land	\$ 15,534,260	\$ 14,500,636	\$ 490,813	\$ 490,813	\$ 16,025,073	\$ 14,991,449
Construction in progress	4,634,254	1,906,368	3,252,439	2,885,445	7,886,693	4,791,813
Buildings	1,263,512	1,415,545	4,916,066	4,440,902	6,179,578	5,856,447
Improvements other than buildings	4,327,907	3,089,907	42,154,158	39,096,955	46,482,065	42,186,862
Infrastructure	10,435,438	10,999,415	-	-	10,435,438	10,999,415
Machinery and equipment	243,374	355,125	154,177	190,669	397,551	545,794
Rolling stock	2,541,271	2,803,572	-	-	2,541,271	2,803,572
Leasehold Improvements	-	-	16,265,925	16,751,475	16,265,925	16,751,475
Intangible Assets	-	-	17,507,347	18,492,457	17,507,347	18,492,457
Total	<u>\$ 38,980,016</u>	<u>\$ 35,070,568</u>	<u>\$ 84,740,925</u>	<u>\$ 82,348,716</u>	<u>\$ 123,720,941</u>	<u>\$ 117,419,284</u>

Significant increases occurred in governmental activities in construction in progress and improvements other than buildings. The City has many construction projects underway, including construction for the Civic Center and road construction projects.

Increases occurred in business-type activities in improvements other than building as a result of construction projects in progress in 2008 reaching completion in 2009 and reclassified from construction in progress to improvements other than building.

Additional information on the City's capital assets can be found in Note 5 C.

Debt

The following table summarizes the City's debt balances at December 31, 2009 and 2008.

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General Obligation Bonds	\$ 10,104,276	\$ 10,652,505	\$ -	\$ -	\$ 10,104,276	\$ 10,652,505
Public Works Trust Fund	507,155	760,733	20,385,714	17,087,781	20,892,869	17,848,514
Revenue Bonds	-	-	4,410,115	4,793,500	4,410,115	4,793,500
Other Debt: Motorola Capital Lease	1,614,733	1,767,391	-	-	1,614,733	1,767,391
Other Debt: City of Tacoma	-	-	2,772,767	3,234,895	2,772,767	3,234,895
Compensated Absences	694,918	553,492	97,544	85,742	792,462	639,234
Other Post-Employment Benefits	242,211	248,932	-	-	242,211	248,932
Judgement Payable	-	-	-	821,073	-	821,073
Total	<u>\$ 13,163,293</u>	<u>\$ 13,983,053</u>	<u>\$ 27,666,140</u>	<u>\$ 26,022,991</u>	<u>\$ 40,829,433</u>	<u>\$ 40,006,044</u>

The City's debt liabilities increased \$1.57 million for business-type activities, largely due to the addition of two Public Works Trust Fund loans.

Additional information on the City's long-term debt can be found in Notes 5 D and E and on other post employment benefits in Note 6.

Economic Factors and Other Information

The City of Bonney Lake is considered a balanced community with a residential character that conserves natural amenities while supporting a diverse mix of economic activities. The City promotes a safe, attractive and healthful living environment for residents various physical, educational, economic and social activities while maintaining a tax base sufficient to provide a high level of accountable, accessible and efficient local government services. The City is an active participant in interlocal as well as regional services and planning organizations¹.

Regional

Strategically located in the easterly region of Pierce County, the City of Bonney Lake provides unparalleled opportunities generally associated with a more rural setting. Bonney Lake is a scant 20 minute commute to the City of Tacoma, which is the second largest city within the state. Seattle, the largest city in our state, is located within an approximate 40 minute commute northbound. This attractive proximity allows our residents the affordability and density of a suburb yet the relative close amenities such as arts and entertainment in addition to job opportunities more frequently associated with a major City.

The City enjoys close proximity to major employment centers, including Joint Base Lewis-McChord, Multi-Care Health System (including Good Samaritan Hospital), Franciscan Health Center, the Port of Tacoma, and the Seattle-Tacoma International Airport. Further information on these centers can be found at the Tacoma-Pierce County Chamber of Commerce website at www.tacomachamber.org.

¹ City of Bonney Lake 2009/2010 Biennial Budget. City Council Goals & Objectives: Overall Vision.

Local

The economy continues to dominate local official's current outlook as changing conditions influence the city's overall fiscal picture. As an example; when consumer confidence is high, people spend more on goods and services and city governments reap the benefits through increases in sales tax collections. The struggling economy, however, and the declining real estate market have reduced consumer confidence resulting in less consumer spending ultimately leading to declining sales tax revenues.

For the first few years of the current decade consumer spending was also fueled by a strong real estate market that in turn provided robust revenues through local property taxes. Property tax revenues are driven primarily by the value of residential and commercial property, with property tax bills determined by an assessment of the value of property. Pursuant to the Pierce County Assessor-Treasurer, current property values have declined at approximately 10% county wide. As a result, property tax revenues will continue to decline until local assessments catch up with changes in the market.

With national economic indicators pointing to continued struggles for the near term, the City continues a very conservative approach to budgeting and forecasting. We have predicted little growth and in some areas predicted declines in major sources of revenue and conversely have estimated expenditures very conservatively. We have also acknowledged that the economy will not rebound to pre-recession levels quickly, thus continued financial vigilance is imperative for our future success.

As part of our overall review of fiscal policies, City leadership has recommitted to nurture economic growth in order to sustain the current health of the community as well as strategically positioning ourselves into the future. In order to accomplish this initiative City leadership has developed a strategic plan for the short term to draw upon existing reserves or fund balances in order to "weather" the economic emergency.

Within the first years of the current decade general ending fund balances reached historical highs providing a "cushion" in anticipation of unpredictable events such as natural disasters and economic downturns. In much the same fashion as a personal savings account, fund balances have been built up deliberately to set aside funds for planned events such as future capital projects.

The City utilizes a biennial budget and, pursuant to state statute, adopted a 2009 - 2010 biennial budget in December 2008. A mid biennial budget amendment was subsequently adopted in December 2009 in order to provide an updated realistic budget or road map for fiscal 2010. Conservative management practices continue to guide city leadership. Revenue and expenditure activity is monitored frequently in order to anticipate and respond to near and long term economic conditions.

The top five categories of revenue collected within the general fund, in order of dollars received is: (1) sales tax; (2) property tax; (3) building permits; (4) utility tax; and, (5) fines and forfeitures. Because sales tax is the number one revenue source, it is a predominant economic indicator for the City of Bonney Lake. The retail marketplace may serve as a benchmark to evaluate how an entity is performing compared to market average and identify problem areas at an early stage. Likewise sales tax collections may be used as an indicator to the potential of a retail climate recovery or decline. From fiscal year 2008 through 2009 the City's sales tax collections actually declined by 9.29%, which is a marked change from prior years that saw robust increases. As an example, the city experienced a double digit increase of 18% between fiscal year 2005 through 2006.

The City continues to pursue grant opportunities to enhance our infrastructure, major programs and capital improvement plans. Key programs or projects either completed or underway during 2009 include:

- Leaky Water Main Program – replacement of deteriorating water mains;
- Continued Design of the Public Works Maintenance Center Facility;
- Sewer Trunk Line Improvement Program;
- Regional (downtown) storm pond;
- Old Sumner Buckley Highway and SR 410 Improvements;
- Main Street/Old Sumner Buckley Highway Intersection Improvements;
- Improvements to 192nd Avenue;
- Fennel Creek Trail Improvements;
- Safe Routes To School Project Improvements;
- Continuation of the Sidewalk, Street Lighting and Chip Seal Programs;
- Continuation of the Justice Center Project.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's financial accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Department, City of Bonney Lake, 19306 Bonney Lake Blvd., P.O. Box 7380, Bonney Lake, WA 98391-0944. Specific inquiries may be addressed directly to Kassandra Raymond, Accounting Manager, 253/447-4316, raymondk@ci.bonney-lake.wa.us; or Al Juarez, Chief Financial Officer, 253/447-4314, juareza@ci.bonney-lake.wa.us.

City of Bonney Lake
Statement of Net Assets
December 31, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 21,657,383	\$ 18,209,336	\$ 39,866,719
Investments	-	5,993,116	5,993,116
Receivables (net)	1,470,595	1,539,399	3,009,995
Due from other governments	761,114	88,748	849,862
Internal balances	(2,475,895)	2,475,895	(0)
Inventories	-	404,023	404,023
Prepaid items	409	-	409
Restricted assets:			
Cash and cash equivalents	(86,024)	131,961	45,937
Capital Assets:			
Non-depreciable	20,168,514	3,743,252	23,911,766
Depreciable (net)	18,811,502	80,997,673	99,809,175
Total assets	<u>60,307,598</u>	<u>113,583,403</u>	<u>173,891,001</u>
LIABILITIES			
Accounts payable and accrued expenses	2,503,755	1,614,734	4,118,489
Deposits	119,634	(230,141)	(110,507)
Accrued interest	512,907	484,867	997,774
Deferred revenue	164,490	-	164,490
Noncurrent liabilities:			
Due in one year	1,008,310	2,277,778	3,286,088
Due in more than one year	12,154,983	25,388,362	37,543,345
Total liabilities	<u>16,464,080</u>	<u>29,535,600</u>	<u>45,999,680</u>
NET ASSETS			
Invested in capital assets, net of related debt	30,322,402	60,622,748	90,945,150
Restricted for:			
Debt service	3,704,996	998,001	4,702,997
Judgment payable	-	-	-
Unrestricted	9,816,120	22,427,053	32,243,173
Total net assets	<u>\$ 43,843,518</u>	<u>84,047,802</u>	<u>\$ 127,891,320</u>

The notes are an integral part of the financial statements.

City of Bonney Lake
Statement of Activities

page 1 of 2

For the Year Ended December 31, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 4,549,144	\$ 472,398	\$ 17,641	\$ -
Public safety	4,919,554	685,891	318,481	81,268
Physical environment	739,134	26,152	-	185,784
Transportation	1,679,409	256,412	-	56,300
Health and human services	24,261	38,817	4,382	-
Economic environment	1,736,223	275,947	-	-
Culture and recreation	416,811	55,606	16,412	-
Interest on long term debt	588,996	-	-	-
Total Governmental Activities	14,653,532	1,811,223	356,917	323,351
Business-type Activities:				
Water	4,900,497	6,774,638	1,501,966	-
Wastewater	4,081,458	3,292,720	794,887	-
Storm and surface water	705,671	1,136,360	18,658	36,892
Total Business-type Activities	9,687,626	11,203,718	2,315,511	36,892
Total Function/Program Activities	\$ 24,341,158	\$ 13,014,941	\$ 2,672,428	\$ 360,243

The notes are an integral part of the financial statements.

City of Bonney Lake
 Statement of Activities
 For the Year Ended December 31, 2008

page 2 of 2

	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total
Functions/Programs			
Governmental Activities:			
General government	\$ (4,059,105)	\$ -	\$ (4,059,105)
Public safety	(3,833,914)	-	(3,833,914)
Physical environment	(527,198)	-	(527,198)
Transportation	(1,366,697)	-	(1,366,697)
Economic environment	(1,460,276)	-	(1,460,276)
Culture and recreation	(344,793)	-	(344,793)
Health and human services	18,938	-	18,938
Interest and other fiscal charges	(588,996)	-	(588,996)
Total Governmental Activities	<u>(12,162,041)</u>	<u>-</u>	<u>(12,162,041)</u>
Business-type Activities:			
Water	-	3,376,107	3,376,107
Wastewater	-	6,149	6,149
Storm and surface water	-	486,239	486,239
Total Business-type Activities	<u>-</u>	<u>3,868,495</u>	<u>3,868,495</u>
Total Function/Program Activities	<u>\$ (12,162,041)</u>	<u>\$ 3,868,495</u>	<u>\$ (8,293,546)</u>
General Revenues			
Taxes:			
Property	\$ 2,806,078	\$ -	\$ 2,806,078
Sales and Use	3,119,185	-	3,119,185
Business and Occupation	1,905,041	-	1,905,041
Excise	927,333	-	927,333
Utility	911,551	-	911,551
Other Taxes	107,652	-	107,652
Investment earnings	315,889	281,753	597,642
Gain on sale of capital assets	7,852	-	7,852
Miscellaneous	67,283	31,554	98,837
Total general revenues and transfers	<u>10,167,864</u>	<u>313,307</u>	<u>10,481,171</u>
Change in net assets	(1,994,177)	4,181,802	2,187,625
Net assets - beginning	45,837,695	79,866,000	125,703,695
Prior Period Adjustments	-	-	-
Net assets - ending	<u>\$ 43,843,518</u>	<u>\$ 84,047,802</u>	<u>\$ 127,891,320</u>

The notes are an integral part of the financial statements.

City of Bonney Lake
Balance Sheet
Governmental Funds
December 31, 2008

page 1 of 2

	GENERAL FUND	STREET CONSTRUCTION FUND	GENERAL GOVT CONSTRUCTION
ASSETS			
Cash and cash equivalents	\$ 5,350,327	\$ 5,732,543	\$ 2,363,193
Investments	-	-	-
Receivables (net)	1,038,704	210,646	3,990
Due from other funds	-	-	-
Due from other governmental units	703,223	57,890	-
Prepaid items	1,009	(600)	-
Restricted assets:			
Cash and cash equivalents	(86,024)	-	-
Total assets	<u>7,007,240</u>	<u>6,000,479</u>	<u>2,367,183</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	1,310,692	525,712	11,600
Due to other governments	52,315	-	-
Due to other funds	-	-	-
Deposits payable	119,834	(200)	-
Interfund loan payable	-	-	-
Deferred revenues	266,367	57,376	725
Other liabilities	172,453	-	-
Total liabilities	<u>1,921,661</u>	<u>582,888</u>	<u>12,325</u>
Fund balances:			
Reserved for:			
Debt service	-	-	-
Pledged revenues	-	-	-
Construction of capital projects	-	-	-
Unreserved, undesignated reported in:			
General fund	5,085,578	-	-
Special Revenue funds	-	-	-
Debt Service funds	-	-	-
Capital Projects funds	-	5,417,591	2,354,858
Total fund balances	<u>5,085,578</u>	<u>5,417,591</u>	<u>2,354,858</u>
Total liabilities and fund balances	<u>\$ 7,007,239</u>	<u>\$ 6,000,479</u>	<u>\$ 2,367,183</u>

The notes are an integral part of the financial statements.

City of Bonney Lake
Balance Sheet
Governmental Funds
December 31, 2008

page 2 of 2

	CIVIC CENTER CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$ 2,958,090	\$ 3,058,087	\$ 19,462,239
Investments	-	-	-
Receivables (net)	-	185,784	1,439,124
Due from other funds	-	-	-
Due from other governmental units	-	-	761,114
Prepaid items	-	-	409
Restricted assets:			
Cash and cash equivalents	-	-	(86,024)
Total assets	2,958,090	3,243,870	21,576,862
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	360,866	32,932	2,241,801
Due to other governments	10,376	(560)	62,131
Due to other funds	-	-	-
Deposits payable	-	-	119,634
Interfund loan payable	-	1,200,873	1,200,873
Deferred revenues	-	-	324,468
Other liabilities	-	-	172,453
Total liabilities	371,241	1,233,244	4,121,360
Fund balances:			
Reserved for:			
Debt service	-	-	-
Pledged revenues	-	-	-
Construction of capital projects	2,586,848	-	2,586,848
Unreserved, undesignated reported in:			
General fund	-	-	5,085,578
Special Revenue funds	-	1,748,741	1,748,741
Debt Service funds	-	27,361	27,361
Capital Projects funds	-	234,523	8,006,972
Total fund balances	2,586,848	2,010,626	17,455,501
Total liabilities and fund balances	\$ 2,958,090	\$ 3,243,870	\$ 21,576,861

The notes are an integral part of the financial statements.

City of Bonney Lake
 Reconciliation of Governmental Fund Balances
 To Net Assets of Governmental Activities
 For the Year Ended December 31, 2009

Total Governmental Fund Balances	\$	17,455,501
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Amounts reported for governmental activities in the statement of net assets are different because:

Receivables for fines and forfeitures and the related allowance for uncollectible accounts are not current financial resources and, therefore not reported in the funds.	29,012
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Internal Balances	(1,275,022)
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	36,396,470
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Long-term liabilities applicable to the City's activities are not due and payable in the current period and are not reported as fund liabilities:

Debt and notes payable	(12,468,839)
Compensated absences	(692,222)
Interest payable	(512,907)
Deferred revenue	159,975

Internal service funds are used by management to charge the costs of insurance and equipment rental and replacement services to individual funds.

Total assets and liabilities of the internal service funds that are reported with governmental activities, net of amounts reported above.	4,751,550
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Net assets of governmental activities	\$	43,843,518
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The notes are an integral part of the financial statements.

City of Bonney Lake
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2009

	GENERAL FUND	STREET CONSTRUCTION FUND	GENERAL GOVT CONSTRUCTION	CIVIC CENTER CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Taxes						
Property	\$ 2,454,803	\$ -	\$ -	\$ -	\$ 355,305	\$ 2,810,108
Sales	3,119,185	-	-	-	-	3,119,185
B&O	1,905,041	-	-	-	-	1,905,041
Excise	-	244,238	73,271	-	170,966	488,475
Other	1,019,203	-	-	-	-	1,019,203
Licenses and permits	546,842	-	-	-	-	546,842
Intergovernmental	567,290	358,685	55,000	-	-	980,975
Charges for goods and services	1,123,151	251,711	46,945	6,729	157,747	1,586,283
Fines and forfeitures	581,150	-	-	-	-	581,150
Miscellaneous:						
Interest	235,219	5,648	-	80,670	-	321,537
Other	438,328	(190)	-	46	556	438,740
Total revenues	<u>11,990,211</u>	<u>860,092</u>	<u>175,217</u>	<u>87,444</u>	<u>684,575</u>	<u>13,797,539</u>
EXPENDITURES						
Current:						
General government	3,609,658	-	1,418	16,841	8,955	3,636,872
Public safety	4,408,325	-	-	-	32,796	4,441,121
Utilities and environment	514,353	-	-	-	-	514,353
Transportation	1,472,505	209,699	-	-	-	1,682,204
Economic environment	1,711,595	-	-	-	-	1,711,595
Culture and recreation	335,565	-	-	-	-	335,565
Health and human services	3,836	-	-	-	-	3,836
Capital outlay	49,128	2,351,170	452,367	1,422,362	967,814	5,242,841
Debt service:						
Principal retirement	-	253,578	152,310	245,000	305,000	955,888
Interest	-	3,311	78,388	413,825	124,846	620,370
Premium on bond issue	-	-	-	-	-	-
Debt issue costs	-	-	-	-	-	-
Total expenditures	<u>12,104,966</u>	<u>2,817,758</u>	<u>684,484</u>	<u>2,098,028</u>	<u>1,439,410</u>	<u>19,144,645</u>
Excess (deficiency) of revenues over expenditures	(114,754)	(1,957,666)	(509,267)	(2,010,584)	(754,835)	(5,347,107)
OTHER FINANCING SOURCES (USES)						
Developer contributions	-	38,227	-	-	-	38,227
Contributions from property owners	-	9,175	-	-	-	9,175
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Grant Proceeds	-	-	-	-	185,784	185,784
Capital leases	-	-	-	-	-	-
Total other financing sources and uses	-	47,402	-	-	185,784	233,186
Net Change in fund balances	(114,754)	(1,910,264)	(509,267)	(2,010,584)	(569,051)	(5,113,921)
Fund balances, beginning of year	\$ 5,200,332	\$ 7,327,855	\$ 2,864,125	\$ 4,597,432	\$ 2,579,677	\$ 22,569,421
Prior period adjustment	-	-	-	-	-	-
Fund balances, end of year	<u>\$ 5,085,578</u>	<u>\$ 5,417,591</u>	<u>\$ 2,354,858</u>	<u>\$ 2,586,848</u>	<u>\$ 2,010,626</u>	<u>\$ 17,455,501</u>

The notes are an integral part of the financial statements.

City of Bonney Lake
 Reconciliation of The Statement of Revenue, Expenditures,
 And Changes In Fund Balances of Governmental Funds
 To the Statement of Activities
 For The Year Ended December 31, 2009

Net changes in fund balances - total governmental funds \$ (5,113,921)

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

Increases to Court receivables and related allowance for doubtful accounts do not require the use of current financial resources and therefore are not reported as revenues or expenditures in the funds. (578,455)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. (4,030)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives as depreciation expense. Amounts related to capital assets are:

Capital asset purchases capitalized	5,242,531	
Depreciation expense	(1,113,056)	4,129,475

Expenses for compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (142,423)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. This is the amount of the net effect of these differences in the treatment of long-term debt and related items.

Principal and other debt service costs retired	955,888	
Other debt service costs retired	(1,423)	
Other post employment benefits	6,721	
Interest expense	32,397	993,583

Elimination of interfund transactions (1,275,022)

Internal service funds are used by management to charge the costs of insurance and information services to individual funds. The net revenue of the internal service funds is reported with the governmental activities.

Change in net assets		(3,384)
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Change in net assets of governmental activities		\$ (1,994,177)
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The notes are an integral part of the financial statements.

City of Bonney Lake
 General Fund
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Budget (GAAP Basis) and Actual
 For the Year Ended December 31, 2009

	Budget Amounts		Actual Biennium Through 12/31/2009	Variance with Final Budget Over (Under)
	Approved Original Budget 2009-2010 Biennium	Approved Revised Budget 2009-2010 Biennium		
REVENUES				
Taxes				
Property	\$ 5,101,649	\$ 5,238,873	\$ 2,454,803	\$ (2,784,070)
Sales	7,774,465	6,652,610	3,119,185	(3,533,425)
Business & Occupation	5,242,160	4,956,105	1,905,041	(3,051,064)
Other	317,460	301,020	1,019,203	718,183
Licenses and permits	1,068,884	845,496	559,211	(286,285)
Intergovernmental	790,310	920,873	567,290	(353,583)
Charges for services	1,969,066	1,302,000	248,407	(1,053,593)
Fines and forfeitures	1,477,207	1,209,293	580,266	(629,027)
Miscellaneous				
Interest Earnings	338,624	300,000	235,219	(64,781)
Other	127,798	577,199	438,328	(138,871)
Total revenues	24,207,622	22,303,468	11,126,953	(11,176,515)
EXPENDITURES				
Current:				
General government	7,513,994	6,103,548	3,385,161	(2,718,387)
Public safety	9,757,342	8,760,409	4,415,465	(4,344,944)
Utilities and environment	1,594,356	904,510	484,661	(419,849)
Transportation	2,006,452	1,693,900	851,574	(842,326)
Economic environment	4,490,685	3,574,597	1,698,350	(1,876,247)
Culture and recreation	783,004	696,948	335,565	(361,383)
Health and human services	10,531	10,375	3,836	(6,539)
Debt Service	-	659,638	-	(659,638)
Capital Outlay	114,000	83,000	31,650	(51,350)
Total expenditures	26,270,364	22,486,925	11,206,262	(11,280,663)
Excess (deficiency) of revenues over expenditures	(2,062,742)	(183,457)	(79,309)	104,148
OTHER FINANCING SOURCES (USES)				
Transfers in	1,642,228	1,939,027	806,991	(1,132,036)
Transfers out	(1,723,326)	(1,723,326)	(29,692)	1,693,634
Total other financing sources (uses)	(81,098)	215,701	777,299	561,598
Net change in fund balances	(2,143,839)	32,244	697,990	665,746
FUND BALANCES, BEGINNING	4,883,296	4,883,296	4,883,296	-
PRIOR PERIOD ADJUSTMENTS	-	-	-	-
FUND BALANCES, ENDING	\$ 2,739,457	\$ 4,915,540	\$ 5,581,286	\$ 665,746

The notes are an integral part of the financial statements.

City of Bonney Lake
 Statement of Net Assets
 Proprietary Funds
 December 31, 2009

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Stormwater	Total Proprietary Funds	Gov. Activities Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 9,516,313	\$ 8,568,358	\$ 124,664	\$ 18,209,335	\$ 2,195,144
Investments	5,993,116	-	-	5,993,116	-
Receivables (net of allowance for uncollectible accounts)	240,711	1,297,983	707	1,539,401	2,461
Due from other governmental units	-	88,748	-	88,748	-
Interfund loan receivable - current	-	200,145	-	200,145	-
Inventories	80,465	323,557	-	404,023	-
Restricted assets:					
Cash and cash equivalents	56,182	75,174	605	131,961	-
Total current assets:	15,886,787	10,553,967	125,976	26,566,730	2,197,604
Noncurrent assets:					
Interfund loan receivable	-	1,000,727	-	1,000,727	-
Capital assets:					
Land	255,950	234,863	-	490,813	-
Construction in progress	1,324,483	1,890,865	37,091	3,252,438	-
Buildings	2,843,653	3,210,849	9,683	6,064,185	-
Leasehold improvements	-	19,422,000	-	19,422,000	-
Improvements other than buildings	44,304,051	999,672	7,542,610	52,846,333	-
Machinery and equipment	42,067	814,364	-	856,431	5,136,879
Intangible asset	9,244,346	15,665,032	137,297	25,046,675	-
Accumulated depreciation	(11,676,629)	(9,897,307)	(1,664,014)	(23,237,951)	(2,553,333)
Total noncurrent assets:	46,337,921	33,341,065	6,062,666	85,741,652	2,583,546
Total assets	62,224,708	43,895,032	6,188,642	112,308,382	4,781,150
LIABILITIES AND FUND BALANCES					
Current liabilities:					
Accounts payable and accrued expenses	414,517	987,456	23,745	1,425,719	27,369
Due to other governments	17	188,998	-	189,015	-
Deposits	(230,906)	230	535	(230,141)	-
Accrued interest	397,827	87,040	-	484,867	-
Current portion of long-term debt	1,594,481	683,297	-	2,277,778	-
Judgment	-	-	-	-	-
Total current liabilities:	2,175,936	1,947,022	24,280	4,147,238	27,369
Non current liabilities:					
Compensated absences	53,538	44,006	-	97,544	2,232
Revenue bonds payable	3,304,393	728,979	-	4,033,372	-
Public Works Trust Fund payable	10,591,375	8,355,432	-	18,946,807	-
Contract payable for purchase of water rights	2,310,639	-	-	2,310,639	-
Total Non current liabilities:	16,259,945	9,128,417	-	25,388,362	2,232
Total liabilities	18,435,881	11,075,439	24,280	29,535,600	29,600
NET ASSETS					
Invested in capital assets, net of related debt	29,535,034	22,572,630	6,062,666	58,170,330	2,583,546
Restricted for debt service	998,001	-	-	998,001	-
Unrestricted	13,255,793	10,246,963	101,695	23,604,450	2,168,004
Total net assets	\$ 43,788,827	\$ 32,819,592	\$ 6,164,362	82,772,781	\$ 4,751,550
Reconciliation to government-wide statement of net assets					
Adjustment to reflect consolidations of internal service funds' activities related to enterprise funds				1,275,022	
Net assets of business-type activities				84,047,803	

The notes are an integral part of the financial statements.

City of Bonney Lake
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2009

	Business-type Activities - Enterprise Funds			Total Proprietary Funds	Gov. Activities Internal Service Funds
	Water	Sewer	Stormwater		
Operating revenues:					
Charges for goods and services	\$ 6,919,833	\$ 3,436,817	\$ 1,137,808	\$ 11,494,457	\$ 1,389,587
Total operating revenues	<u>6,919,833</u>	<u>3,436,817</u>	<u>1,137,808</u>	<u>11,494,457</u>	<u>1,389,587</u>
Operating expenses:					
Cost of sales and services	2,477,102	2,299,134	472,097	5,248,332	568,538
Administration	699,340	533,199	116,890	1,349,429	62,731
Insurance	-	-	-	-	354,451
External and interfund taxes	886,548	328,255	106,889	1,321,692	-
Depreciation	1,404,401	1,265,631	153,441	2,823,473	425,356
Total operating expenses	<u>5,467,391</u>	<u>4,426,219</u>	<u>849,317</u>	<u>10,742,927</u>	<u>1,411,076</u>
Operating income (loss)	<u>1,452,441</u>	<u>(989,402)</u>	<u>288,491</u>	<u>751,530</u>	<u>(21,489)</u>
Nonoperating revenues (expenses):					
Loss on retirement of assets	-	-	-	-	-
Investment earnings	206,142	75,611	-	281,753	-
Miscellaneous revenue	30,851	268	429	31,549	18,105
Interest and other debt service cost	(165,859)	(53,854)	-	(219,713)	-
Debt proceeds	-	-	-	-	-
Capital outlay	(0)	(0)	0	(1)	-
Total non operating revenue	<u>71,133</u>	<u>22,025</u>	<u>429</u>	<u>93,587</u>	<u>18,105</u>
Income (loss) before contributions and transfers	1,523,575	(967,377)	288,921	845,118	(3,384)
System development fees	1,356,771	650,790	17,210	2,024,770	-
Capital contributions	-	-	36,892	36,892	-
Grant Proceeds	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Change in net assets	<u>2,880,345</u>	<u>(316,588)</u>	<u>343,023</u>	<u>2,906,780</u>	<u>(3,384)</u>
Net assets at beginning of year	40,908,482	33,136,180	5,821,339	79,866,001	4,754,934
Prior period adjustments	-	-	-	-	-
Net assets at end of year	<u>\$ 43,788,827</u>	<u>\$ 32,819,592</u>	<u>\$ 6,164,362</u>	<u>\$ 82,772,781</u>	<u>\$ 4,751,550</u>

The notes are an integral part of the financial statements.

City of Bonney Lake
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2009

	Business-type Activities - Enterprise Funds				Gov. Activities Internal Service Funds
	WATER	SEWER	STORM	TOTAL	
Cash flows from operating activities:					
Receipts from customers and users	\$ 6,651,120	\$ 2,153,667	\$ 1,137,335	\$ 9,942,123	\$ -
Receipts for interfund services	-	-	-	-	1,389,587
Payments for interfund services	(732,761)	(398,615)	(143,646)	(1,275,022)	(65,816)
Payments for external and interfund taxes	(886,548)	(328,255)	(106,889)	(1,321,692)	-
Payments to employees	(1,450,957)	(1,021,612)	(365,006)	(2,837,575)	(182,211)
Payments for goods and services	(1,830,157)	(1,163,280)	(224,595)	(3,218,031)	(801,310)
Net cash provided by operating activities	1,750,697	(758,095)	297,200	1,289,802	340,250
Cash flows from noncapital financing activities:					
Grants and contributions	-	-	36,892	36,892	-
Interfund loans	-	200,145	-	200,145	-
Payments from other governments	-	-	-	-	-
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	-	-	-	-
Nonoperating system development fees	1,356,771	650,790	17,210	2,024,770	-
Nonoperating miscellaneous revenue	26,676	268	429	27,374	(45)
Net cash (used) by Noncapital financing	1,383,447	851,203	54,531	2,289,181	(45)
Cash flows from capital and related financing activities:					
Proceeds from capital debt	2,408,400	2,091,600	-	4,500,000	-
Debt principal payments	(1,470,980)	(573,226)	-	(2,044,206)	-
Interest paid on debt	(368,291)	(87,471)	-	(455,763)	-
Proceeds from sales of equipment or vehicles	-	-	-	-	7,852
Payment for capital acquisitions	(2,450,652)	(2,183,980)	(557,449)	(5,192,081)	(205,329)
Capital contributions	-	-	-	-	-
Insurance recoveries	4,175	-	-	4,175	7,838
Net cash (used) by capital and related financing activities	(1,877,349)	(753,077)	(557,449)	(3,187,876)	(189,639)
Cash flows from investing activities:					
Purchase of investments	(6,030,730)	-	-	(6,030,730)	-
Investment redemptions	6,088,322	-	-	6,088,322	-
Interest income	109,172	75,611	-	184,783	-
Other	-	-	-	-	-
Net cash provided by investing activities	166,765	75,611	-	242,376	-
Net Increase (decrease) in cash and cash equivalents	1,423,559	(584,358)	(205,718)	633,484	150,566
Cash and cash equivalents, beginning of year	8,148,936	9,227,890	330,987	17,707,813	2,044,578
Cash and cash equivalents, end of the year	\$ 9,572,495	\$ 8,643,532	\$ 125,269	\$ 18,341,296	\$ 2,195,144
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 1,452,441	\$ (989,402)	\$ 288,491	\$ 751,530	\$ (21,489)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	1,404,401	1,265,631	153,441	2,823,473	425,356
Changes in assets and liabilities:					
(Increase) decrease in customer accounts receivable	(127,422)	(1,261,934)	(473)	(1,389,829)	1,798
(Increase) decrease in inventory	(0)	-	-	(0)	-
Increase (decrease) in accounts payable	(917,649)	123,712	(164,933)	(958,870)	(64,417)
Increase (decrease) in deposits	(142,723)	(21,215)	-	(163,938)	-
Increase (decrease) in compensated absences	713	12,516	-	13,229	(997)
Increase (decrease) in accrued payroll	81,004	59,254	20,674	160,932	-
Increase (decrease) in due to other governments	(69)	53,344	-	53,275	-
Net cash provided by operating activities	1,750,697	(758,094)	297,200	1,289,802	\$ 340,250
Non-cash transactions:					
Amortization of bond premium/discount	\$ -	\$ -	\$ -	\$ -	\$ -
Unrealized gain (loss) on investments	\$ (37,614)	\$ -	\$ -	\$ (37,614)	\$ -
Capital asset donation	\$ -	\$ -	\$ -	\$ -	\$ -

The notes are an integral part of the financial statements.

CITY OF BONNEY LAKE
Notes to the Financial Statements
December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Bonney Lake have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity

The City of Bonney Lake, organized as a non-chartered code city, was incorporated in 1949 utilizing the Mayor/Council form of government. The City's legislative authority, the City Council, consists of a Mayor and seven Council members who are elected to overlapping four-year terms of office. The Council is responsible for assuring citizen representation through policy direction and adoption of local codes and legislation.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the government. 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. Business-type activities are those that rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City's policy is to allocate indirect costs to a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the funds' financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements and the proprietary financial statements are reported focusing on the economic resources measurements and the accrual basis of accounting. 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 (susceptible to accrual) if they are collected within 60 days of the end of the current fiscal period. The city considers property taxes as available if they are collected within 60 days after year end. 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.

Property taxes, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is accrued 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 Street Construction Fund is used for capital purposes such as roads, streets, sidewalks and street lights.
- The General Government Construction Fund is used for capital purposes.
- The Civic Center Construction Fund is used for capital purposes.

The City has three proprietary funds and considers them all to be major.

- The Water Fund accounts for the activities of water distribution for the City. The City operates its own water distribution system.
- The Sewer Fund accounts for the sewer collection activities for the City. The City operates its own sewage pumping stations and collection systems, and has a capacity agreement with the City of Sumner, who operates the wastewater treatment plant.
- The Stormwater Fund accounts for the activities of stormwater treatment and disposal.

Additionally, the City reports the following fund types:

Internal Service Funds account for fleet management services and insurance provided to other departments of the government on a cost-reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. 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 the interfund activity has been eliminated for the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the

government's water and sewer function 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.

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. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 water and sewer fund are water distribution and sewage collection. 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 non-operating revenues and expenses.

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

D. Budgetary Information

The City of Bonney Lake's budget procedures are mandated by Chapter 35A.34 of the Revised Code of Washington. Biennial budgets are adopted for all governmental funds on a basis consistent with generally accepted accounting principles. Budgets are adopted at the level of the fund, and the budgets constitute the legal authority for expenditures at that level. For administrative purposes, the biennial budget allocates budgets separately for each year of the biennium; however, legally, the combined allocations for the biennium constitute the officially adopted budget. Appropriations lapse at biennial end.

The City presents required budgetary comparisons for the General Fund as a basic governmental fund financial statement. The budgetary comparison statement is presented using generally accepted accounting principles.

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 applicable for the year.

(See additional information at Note 4.)

E. Assets, Liabilities and Equities

1. Cash and Cash Equivalents

The City considers all highly liquid investments including restricted assets with a maturity of three months or less when purchased to be a cash equivalent.

It is the City's policy to invest all temporary cash surpluses. At December 31, 2009, the treasurer was holding \$39,912,656 in cash and cash equivalents.

2. Investments

Investments are valued at fair market value.

(See additional information at Note 5A.)

3. Receivables

Taxes receivable consists of property taxes and related interest and penalties.

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited.

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.

(See additional information at Note 5B.)

4. Amounts Due to and from Other Funds, Governments, and Interfund Loans

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “interfund loans receivable/payable”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

(See additional information at Note 5F.)

5. Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased.

Inventories in proprietary funds are valued by the LIFO method (which approximates the market value).

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual purchase price of \$5,000 or greater and an estimated useful life in excess of two years, or, for infrastructure assets, with an initial purchase price of \$50,000 or more and a useful life of greater than 20 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Major outlays for capital assets and improvements are capitalized as projects are constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Asset Type	Years
Office furniture	10
Computer equipment	4 - 5
Machinery and equipment	5 - 50
Other improvements	30 - 40
Buildings and structures	45 - 50
Infrastructure	30 - 60

For assets acquired in and subsequent to 2007, no depreciation is taken in the acquisition year; rather, a full year of depreciation is taken in the year subsequent to acquisition and each year thereafter. Upon disposition, a full year of depreciation is taken in the year of disposition.

For assets acquired in the year 2006 and prior, depreciation is calculated according to the month of acquisition. For example, assets acquired in April xx were calculated with eight months of depreciation in the first year. Subsequent years are calculated with a full twelve months of depreciation. Similarly, upon disposition, depreciation is calculated based on the month of disposition.

(See additional information at Note 5C.)

8. Compensated Absences

Compensated absences, such as vacation and sick leave are absences for which employees will be paid. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. Vacation pay may be accumulated up to a maximum of 240 hours or 30 days.

In accordance with the provisions of GASB No. 16, Accounting for “Compensated Absences,” no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as “terminal leave” prior to retirement. Sick leave may accumulate up to a maximum of 960 hours. After 5 years employment, 25% of accumulated sick leave up to a maximum of 720 hours is payable upon resignation or layoff. Upon retirement, or death, 100% of accumulated sick leave up to a maximum of 720 hours is payable.

(See additional information at Note 5E.)

9. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in all statements other than those statements prepared on the modified accrual basis of accounting (the governmental fund statements). Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period as other financing sources or uses; the face amount of debt issued is reported as other financing sources.

(See additional information at Note 5D and E.)

10. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets, and adding back unspent proceeds. Net assets reported as restricted for debt service represent unspent debt proceeds.

(See additional information at Note 5G.)

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Assets

The governmental funds’ balance sheet includes reconciliation between fund balance (total governmental funds and net assets) governmental activities as reported in the government-wide statement of net assets.

B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental funds’ statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances (total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities).

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 4 – PROPERTY TAXES

The County Assessor-Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are on approximately the 10th of each month for the prior month collections.

Property Tax Calendar	
January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
October 31	Second installment is due.

Property taxes are recorded as a receivable and revenue when levied. Property taxes collected in advance of the fiscal year to which they apply are recorded as deferred revenue and recognized as revenue of the period to which they apply. No allowance for uncollectible taxes is established

because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

The city may levy up to \$3.6 per \$1,000 of assessed valuation for general governmental services, subject to two limitations:

1. Washington State (RCW 84.55.010) limits the growth of regular property taxes to one percent per year unless approved by a majority of the voters at an election as provided in RCW 84.55.050. Under this statute, local governments are free to place measures on the ballot seeking approval of property tax increases for: Specific dollar amounts, specific periods of time, which can exceed one year, and/or general or limited purposes;
2. The Washington State Constitution 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 1 percent limit.

The City levy does not include voter approved special levy for payment of debt on the Public Safety Building. Because the city belongs to the local fire district and library district, according to law the local fire district's levy and the library district's levy must be subtracted from the City's levy. Since these districts are currently levying their maximum amounts, the local levy can be no higher than \$1.60 per \$1,000: (\$3.60 less \$1.50 for the fire district less \$.50 for the library district = \$1.60.)

Special property tax levies approved by the voters are not subject to the limitations listed above.

The City's regular tax levy for the tax year 2009 was \$1.027 on an assessed valuation of \$2.39 billion for a total regular levy of \$2,457,756. Additionally, a special levy for debt service on the Public Safety Building was \$0.149 per \$1,000 for a total additional levy of \$355,305. The total City property tax levies for tax year 2009 was \$1.176 per \$1,000 of assessed value yielding \$2,813,061.

NOTE 5 – DETAILED NOTES ON FINANCIAL STATEMENT BALANCES

A. Deposits and Investments

At year end, the City's cash and cash equivalents amounted to \$39,912,656. The book values of deposits do not differ materially from the bank balances of deposits.

Deposit custodial credit risk is the risk that in the event of a bank failure, the city's deposits may not be recovered. The Federal Deposit Insurance Commission (FDIC) insures the City's deposits up to \$100,000. The Washington Public Deposit Protection Commission (WPDPC) insures amounts over \$100,000. The WPDPC is a multiple financial institution collateral pool established by state statute, to protect public funds against loss. At year end 2008, the bank balances of deposits were entirely insured through the FDIC and the WPDPC. The City had no custodial credit risk for deposits for the year ended 2009.

Investments for the City are reported at fair value. The City's investment policy allows for authorized investments up to 36 months to maturity. The City's investment policy is to apply the prudent-person rule: In acquiring, retaining, managing, and disposing of investments, there shall be exercised the judgment and care under the circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard

to the permanent disposition of the funds, considering the probable income as well as the probable safety of the capital.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Using the specific identification method, the City had the following investments as of December 31, 2009:

Investment Type	Maturity (Days)	Fair Value
U.S. Agencies		
Federal Home Loan Bank (FHLB)	-	\$ 2,009,827
Federal Home Loan Mortgage Corp (FHLM)	-	2,002,628
Federal Home Loan Bank (FHLB)	-	1,980,661
Total U.S. Agencies		<u>\$ 5,993,116</u>

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Concentration of credit risk* is the risk of loss attributed to the magnitude of an investment in a single issuer. The ratings and concentration of debt securities as of December 31, 2009 are:

Credit Quality Distribution of Securities
With Credit Exposure as a Percentage of Total Investments

Investment Type	% Invested	S&P Rating
U.S. Agencies		
Federal Home Loan Bank (FHLB)	34%	AAA
Federal Home Loan Mortgage Corp (FHLM)	33%	AAA
Federal Home Loan Bank (FHLB)	<u>33%</u>	AAA
Total U.S. Agencies	100%	

Investment custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. During 2009, the city did not have any custodial credit risk because all investments were held by the State Treasurer in the Local Government Investment Pool, or held by the City in its own trust account.

B. Receivables

A summary of accounts receivable balances for the year ended December 31, 2009 is as follows:

	Governmental Activities	Business-Type Activities
Taxes receivable	\$ 57,489	\$ -
Taxes receivable, delinquent	159,978	-
Accounts receivable	1,189,859	1,529,876
Accounts receivable, Municipal Court net of allowance for doubtful accounts of \$2,255,683	29,011	-
Special assessment receivable, current	(10,091)	-
Special assessment receivable, long-term	-	-
Special assessment receivable, deferred	40,217	9,525
Interest receivable, special assessments	4,132	-
Other receivables	-	-
Total deferred/unearned revenue for governmental funds	<u>\$ 1,470,595</u>	<u>\$ 1,539,401</u>

As of December 31, 2009, no special assessments receivable were delinquent.

C. Capital Assets

A summary of capital assets activity for the year ended December 31, 2009 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 14,500,635	\$ 1,033,625	\$ -	\$ 15,534,260
Construction in progress	1,906,368	4,131,663	(1,403,777)	4,634,254
Total capital assets, not being depreciated	<u>16,407,003</u>	<u>5,165,288</u>	<u>(1,403,777)</u>	<u>20,168,514</u>
Capital assets, being depreciated:				
Buildings	4,566,436	-	-	4,566,436
Improvements other than buildings	3,590,954	1,452,037	-	5,042,991
Machinery and equipment	1,922,322	26,170	-	1,948,492
Rolling Stock	4,973,824	205,329	(42,275)	5,136,878
Infrastructure	16,884,532	2,813	-	16,887,345
Total capital assets being depreciated	<u>31,938,068</u>	<u>1,686,349</u>	<u>(42,275)</u>	<u>33,582,142</u>
Less accumulated depreciation for:				
Buildings	(3,150,891)	(152,033)	-	(3,302,924)
Improvements other than buildings	(501,047)	(214,037)	-	(715,084)
Machinery and equipment	(1,567,197)	(180,196)	42,275	(1,705,118)
Rolling Stock	(2,170,252)	(425,356)	-	(2,595,608)
Infrastructure	(5,885,117)	(566,790)	-	(6,451,907)
Total accumulated depreciation	<u>(13,274,504)</u>	<u>(1,538,412)</u>	<u>42,275</u>	<u>(14,770,641)</u>
Total capital assets, being depreciated, net	<u>18,663,564</u>	<u>147,937</u>	<u>-</u>	<u>18,811,501</u>
Governmental activities capital assets, net	<u>\$ 35,070,567</u>	<u>\$ 5,313,225</u>	<u>\$ (1,403,777)</u>	<u>\$ 38,980,016</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 490,813	\$ -	\$ -	\$ 490,813
Construction in progress	2,885,445	4,386,557	(4,019,563)	3,252,439
Total capital assets, not being depreciated	<u>3,376,258</u>	<u>4,386,557</u>	<u>(4,019,563)</u>	<u>3,743,252</u>
Capital assets, being depreciated:				
Buildings	5,479,434	584,752	-	6,064,186
Leasehold Improvements	19,422,000	-	-	19,422,000
Improvements other than buildings	48,751,237	4,095,096	-	52,846,333
Machinery and equipment	856,431	-	-	856,431
Intangible assets	24,877,835	168,840	-	25,046,675
Total capital assets being depreciated	<u>99,386,937</u>	<u>4,848,688</u>	<u>-</u>	<u>104,235,625</u>
Less accumulated depreciation for:				
Buildings	(1,038,532)	(109,588)	-	(1,148,120)
Leasehold Improvements	(2,670,525)	(485,550)	-	(3,156,075)
Improvements other than buildings	(9,654,282)	(1,037,895)	-	(10,692,177)
Machinery and equipment	(665,762)	(36,491)	-	(702,253)
Intangible assets	(6,385,378)	(1,153,949)	-	(7,539,327)
Total accumulated depreciation	<u>(20,414,479)</u>	<u>(2,823,473)</u>	<u>-</u>	<u>(23,237,952)</u>
Total capital assets, being depreciated, net	<u>78,972,458</u>	<u>2,025,215</u>	<u>-</u>	<u>80,997,673</u>
Business-type activities capital assets, net	<u>\$ 82,348,716</u>	<u>\$ 6,411,772</u>	<u>\$ (4,019,563)</u>	<u>\$ 84,740,925</u>

Depreciation expense, including Internal Service funds' depreciation of \$425,356 was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 203,498
Public safety	406,945
Physical Environment	228,028
Transportation	594,908
Health & Human Services	20,425
Economic Environment	3,362
Culture & Recreation	81,246
Total depreciation expense - governmental activities	<u>\$ 1,538,412</u>
Business-type activities:	
Water	\$ 1,404,401
Sewer	1,265,631
Stormwater	153,441
Total depreciation expense - business type activities	<u>\$ 2,823,473</u>

At year end the city's commitments are as follows:

	Spent-to-Date	Remaining Commitment
Parks Capital Projects (302)		
Fennel Crk Trail & 192nd Ave S	21,062	\$ 3,938
Fennel Creek Trail Construction Project	\$ 464,677	\$ 380,323
Subtotal Parks Capital Improvement Fund	<u>485,739</u>	<u>384,261</u>
Streets Capital Projects (301)		
192nd Avenue East Design Proje	45,491	\$ 245,499
Bonney Lake Blvd Reconstruction	50,640	\$ 154,360
Sumner BuckleyHwy -SR 410 to Main St.	1,186,295	\$ 313,705
214th Ave Intersection Imprmt	123,463	\$ 117,537
Main Street/SR 410 Intersection	84,602	\$ 142,158
OSB & SR410 w/signal	215,582	\$ 374,418
Sumner Buckley 410	95,398	\$ 2,148,906
Subtotal Street Capital Improvement Fund	<u>1,801,471</u>	<u>3,496,583</u>
General Government Capital Projects (320)		
Tower construction - 800 MHz	177,969	\$ 322,031
Fiber Optic wiring/infrastructure	16,539	\$ 26,462
General Government Capital Projects (325)		
Downtown Civic Center Improvements	1,767,798	\$ 5,432,202
Subtotal General Government Capital Improvement Fund	<u>1,962,306</u>	<u>5,780,694</u>
Total Governmental Funds	<u>\$ 4,249,516</u>	<u>\$ 9,661,538</u>

	Spent-to-Date	Remaining Commitment
Water Fund Projects (401)		
Public Works Modular Building	16,003	\$ 108,671
Public Works Facility	63,325	\$ 436,675
TWD Booster Pump Station	26,399	\$ 1,074,501
DT SR 410/OSB M Street Waterline	231,852	\$ 43,148
Interlake Island Water Main-PH2B	413,154	\$ 605,005
Church LK Dr H2O Main replacement PH2B	543,872	\$ -
96th/SR410 Eastown	29,878	\$ 58,122
Subtotal Water Fund Projects	<u>1,324,483</u>	<u>2,326,122</u>
Sewer Fund Projects (402)		
Septic System Reduction Program	32,153	\$ 17,763
Elhi Hill Sanatry Swr Interceptor	437,525	\$ 173,873
82nd St Ct E. Sanitary Sewer	179,355	\$ 26,245
Church Lake Drive Sewer system	220,065	\$ 29,935
SR410 Valley Ave Slip Line	863,599	\$ 366,401
SR410 Main Repair-Phase 4	15,214	\$ 1,184,786
Angeline Sewer Force Main	142,954	\$ 1,357,046
Subtotal Sewer Fund Projects	<u>1,890,865</u>	<u>3,156,049</u>
Stormwater Fund Projects (415)		
Church Lake Park Drainage project	28,831	\$ -
184th Corridor Waterline	8,260	\$ 16,740
Subtotal Stormwater Fund Projects	<u>37,090</u>	<u>16,740</u>
Total Business-Type Activities	<u>\$ 3,252,438</u>	<u>\$ 5,498,912</u>

Improvements to the water system are being funded by Public Works Trust Fund Loans, notes from the City of Tacoma, system development fees, and its own funds. The notes from the City of Tacoma are secured by water revenues. Upgrades to the City of Sumner's wastewater treatment plant are funded by Public Works Trust Fund Loans, which are secured by sewer revenues.

For Street Projects and Park Projects the main source of revenue is Real Estate Excise Taxes, impact fees, and its own revenue.

D. Long-Term DebtGeneral Obligation Bonds

At December 31, 2009, the general obligation bonds payable consist of the following issues for governmental activities:

2007 General Obligation Bonds, dated December 11, 2007, due in annual installments through December 1, 2022, bearing interest rates of 3.15% to 4.5% \$9,480,000

1997 General Obligation Bonds, due in annual installments through December 1, 2011, bearing interest rates of 4.1% to 5.25%. The City used this bond issue to refund its 1992 General Obligation Bonds in the authorized amount of \$2,865,000. 665,000

Total General Obligation Bonds Payable \$10,145,000

Public Works Trust Fund Loans

At December 31, 2009, the Public Works Trust Fund loans payable consist of the following issues:

Governmental Activities

<u>Loan Number</u>	<u>Purpose</u>	<u>Annual Installment</u>	<u>End of Year Balance</u>
PW-06-962-PRE-101	192nd Ave E. Connection	\$ 253,578	\$ 507,156

Business-Type Activity

<u>Loan Number</u>	<u>Purpose</u>	<u>Annual Installment</u>	<u>End of Year Balance</u>
PW-02-691-006	Sumner Treatment Plant	373,047	4,849,611
PW-04-691-009	Leak Reduction Program	232,402	3,486,035
PW-04-691-008	Ballpark Well Treatment	178,676	2,680,147
PW-03-691-003	Spring Sources Water Quality Facilities	63,715	892,016
PW-04-691-007	Sewer Treatment Plant Upgrade	105,450	1,581,750
PW-5-96-791-004	Church Lake Main Replacement	66,057	462,399
PW-06-962-ELP-302	Reconstruct Sewer to Sumner WWTP	26,316	447,368
PW-00-691-008	McGhee Drive Water Main	38,306	421,370
PW-97-791-017	Ponderosa Construction	50,468	403,744
PW-98-78898-08	Lakeridge Booster Pump Station	37,657	376,573
PW-98-78898-07	Corrosion Control Facility	14,974	149,743
PW-98-791-006	Ponderosa Overflow	14,995	134,957
PC08-951-004	Leak Reduction Program Phase II	126,758	2,408,400
PC08-951-005	Reconstruct Sewer to Sumner WWTP	110,084	2,091,600
		<u>1,438,907</u>	<u>20,385,714</u>
	Total	<u>\$ 1,692,485</u>	<u>\$ 20,892,870</u>

Revenue Bonds

At December 31, 2009, the revenue bond debt consists of the following issues for business-type activities:

2007 Revenue Refunding bonds, dated December 2007, due in annual installments through December 2019, bearing interest rates of 3.5% - 3.93% \$4,340,000

Total Revenue Bond Debt \$4,340,000

Other Debt

At December 31, 2009, the other debt balances of the following issues:

Business activity loan payable to the City of Tacoma for payment of system development charges so that the City of Bonney Lake may purchase water during peak capacity. The note, issued January 2005, is due in annual installments through January 2015, bearing an interest rate of prime plus 2%. \$2,772,767

Governmental activity capital lease payable to Motorola Financing for payment of the 800MHz emergency preparedness system. The gross amount of assets acquired under the capital lease include \$893,427 for communications equipment (including radios and equipment necessary to equip the transmission site) and \$1,258,801 for construction (including professional and other installation services) of the transmitting tower. The lease, issued in March 2008, is due in annual installments through 2018, bearing an interest rate of 4.54%. 1,611,948

Total General Obligation Bonds Payable \$4,384,715

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each debt type for the years subsequent to December 31, 2009 are as follows:

<u>General Obligation Bonds</u>						
Year	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2010	580,000	439,388	1,019,388	-	-	-
2011	605,000	414,200	1,019,200	-	-	-
2012	275,000	386,413	661,413	-	-	-
2013	285,000	376,100	661,100	-	-	-
2014	295,000	364,700	659,700	-	-	-
2015-2019	1,665,000	1,633,650	3,298,650	-	-	-
2020-2024	2,070,000	1,227,775	3,297,775	-	-	-
2025-2029	2,555,000	741,330	3,296,330	-	-	-
2030-2033	1,815,000	161,920	1,976,920	-	-	-
	<u>\$ 10,145,000</u>	<u>\$ 5,745,475</u>	<u>\$ 15,890,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Revenue Bonds</u>						
Year	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2010	-	-	-	380,000	172,120	552,120
2011	-	-	-	395,000	158,820	553,820
2012	-	-	-	415,000	143,020	558,020
2013	-	-	-	430,000	126,420	556,420
2014	-	-	-	445,000	109,220	554,220
2015-2019	-	-	-	2,275,000	269,293	2,544,293
2020-2023	-	-	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,340,000</u>	<u>\$ 978,893</u>	<u>\$ 5,318,893</u>

Public Works Trust Fund Loans						
Year	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2010	253,578	2,125	255,703	1,438,907	151,861	1,590,769
2011	253,578	1,063	254,640	1,438,907	138,750	1,577,657
2012	-	-	-	1,438,907	125,638	1,564,546
2013	-	-	-	1,438,907	113,589	1,552,497
2014	-	-	-	1,438,907	101,540	1,540,448
2015-2019	-	-	-	6,880,435	333,415	7,213,851
2020-2024	-	-	-	5,310,742	114,684	5,425,426
2025-2029	-	-	-	1,000,000	14,211	1,014,211
2030-2033	-	-	-	-	-	-
	<u>\$ 507,156</u>	<u>\$ 3,188</u>	<u>\$ 510,343</u>	<u>\$ 20,385,714</u>	<u>\$ 1,093,689</u>	<u>\$ 21,479,403</u>

Other Debt						
Year	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2010	159,303	71,395	230,698	462,128	163,011	625,139
2011	166,618	64,080	230,698	462,128	135,842	597,970
2012	174,268	56,430	230,698	462,128	108,674	570,802
2013	182,270	48,428	230,698	462,128	81,505	543,633
2014	190,639	40,059	230,698	462,128	54,337	516,465
2015-2019	738,850	68,593	807,443	462,128	27,169	489,296
2020-2024	-	-	-	-	-	-
2025-2029	-	-	-	-	-	-
2030-2033	-	-	-	-	-	-
	<u>\$ 1,611,948</u>	<u>\$ 348,985</u>	<u>\$ 1,960,934</u>	<u>\$ 2,772,767</u>	<u>\$ 570,538</u>	<u>\$ 3,343,305</u>

E. Changes in Long-Term Liabilities

During the year ended December 31, 2009, the following changes occurred in long-term liabilities:

Governmental activities:	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds and loans payable:						
General Obligation Bonds						
2007 General obligation bonds	3.15 - 4.1%	\$ 9,725,000	\$ -	\$ (245,000)	\$ 9,480,000	\$ 255,000
2007 General obligation bond premium	n/a	102,789	-	(4,283)	98,506	4,283
2007 General obligation bond debt issue costs	n/a	(145,284)	-	6,054	(139,230)	(6,054)
1997 General obligation refunding bonds		970,000	-	(305,000)	665,000	325,000
Subtotal General obligation bonds		<u>10,652,505</u>	<u>-</u>	<u>(548,229)</u>	<u>10,104,276</u>	<u>578,229</u>
Public Works Trust Fund Loans						
PWTF Loan (PW-06-962-PRE-101)	0.05%	760,733	-	(253,578)	507,155	253,578
Subtotal Public Works Trust Fund Loans		<u>760,733</u>	<u>-</u>	<u>(253,578)</u>	<u>507,155</u>	<u>253,578</u>
Other Debt						
Motorola 800MHz capital lease	4.54%	1,764,259	-	(152,310)	1,611,949	159,303
Motorola 800MHz capital lease unamortized debt issue costs	n/a	3,132	-	(348)	2,784	348
Compensated absences	n/a	553,492	141,426	-	694,918	-
Other post-employment benefits	n/a	248,932	131	(6,852)	242,211	6,852
Subtotal Other Debt		<u>2,569,815</u>	<u>141,557</u>	<u>(159,510)</u>	<u>2,551,862</u>	<u>166,503</u>
Governmental activity long-term liabilities		<u>13,983,053</u>	<u>141,557</u>	<u>(961,317)</u>	<u>13,163,293</u>	<u>998,310</u>
Business-type activities:						
Revenue and Revenue Refunding Bonds						
2007 Revenue Refunding Bonds	2.9 - 4.1%	\$ 4,440,000	\$ -	\$ (100,000)	\$ 4,340,000	\$ 380,000
2007 Revenue Refunding bond premium	n/a	34,413	-	(1,138)	33,275	1,138
2007 Revenue refunding unamortized debt issue costs	n/a	39,087	-	(2,247)	36,840	2,247
1999 Revenue bonds	4.0 - 5.75%	280,000	-	(280,000)	-	-
Subtotal Revenue and Revenue Refunding bonds		<u>4,793,500</u>	<u>-</u>	<u>(383,385)</u>	<u>4,410,115</u>	<u>383,385</u>
Public Works Trust Fund Notes	various	<u>17,087,780</u>	<u>4,500,000</u>	<u>(1,202,065)</u>	<u>20,385,714</u>	<u>1,438,906</u>
Other Debt						
City of Tacoma Note	Prime -2%	3,234,895	-	(462,128)	2,772,767	462,128
Compensated absences	n/a	85,742	11,802	-	97,544	-
Judgement	n/a	821,073	-	(821,073)	-	-
Subtotal Other Debt		<u>4,141,710</u>	<u>11,802</u>	<u>(1,283,201)</u>	<u>2,870,311</u>	<u>462,128</u>
Business-type activity long-term liabilities		<u>26,022,990</u>	<u>4,511,802</u>	<u>(2,868,651)</u>	<u>27,666,140</u>	<u>2,284,419</u>

During the year ended December 31, 2009, the following changes occurred in long-term liabilities for Public Works Trust Fund loans:

<u>Governmental Activities</u>							
Loan Number	Purpose	Interest	Beginning of Year			End of Year Balance	Due in One Year
			Balance	Additions	Reductions		
PW-06-962-PRE-101	192nd Ave E. Connection	0.50%	\$ 760,733	\$ -	\$ (253,578)	\$ 507,156	\$ 253,578
<u>Business-Type Activity</u>							
Loan Number	Purpose	Interest	Beginning of Year			End of Year Balance	Due in One Year
			Balance	Additions	Reductions		
PW-04-691-009	Leak Reduction Program	0.50%	3,718,437	-	(232,402)	3,486,035	232,402
PW-04-691-008	Ballpark Well Treatment	0.50%	2,858,824	-	(178,676)	2,680,147	178,676
PW-03-691-003	Spring Sources Water Quality Facilities	0.50%	955,732	-	(63,715)	892,016	63,715
PW-5-96-791-004	Church Lake Main Replacement	3.00%	528,456	-	(66,057)	462,399	66,057
PW-97-791-017	Ponderosa Construction	1.00%	454,212	-	(50,468)	403,744	50,468
PW-00-691-008	McGhee Drive Water Main	1.00%	459,677	-	(38,306)	421,370	38,306
PW-98-78898-08	Lakeridge Booster Pump Station	4.35%	414,230	-	(37,657)	376,573	37,657
PW-98-78898-07	Corrosion Control Facility	4.35%	164,717	-	(14,974)	149,743	14,974
PW-98-791-006	Ponderosa Overflow	1.00%	149,953	-	(14,995)	134,957	14,995
PC08-951-004	Leak Reduction Program Phase II	0.50%	-	2,091,600	-	2,091,600	110,084
			9,704,238	2,091,600	(697,253)	11,098,585	807,335
PW-02-691-006	Sumner Treatment Plant	0.50%	5,222,658	-	(373,047)	4,849,611	373,047
PW-04-691-007	Sewer Treatment Plant Upgrade	0.50%	1,687,200	-	(105,450)	1,581,750	105,450
PW-06-962-ELP-302	Reconstruct Sewer to Sumner WWTP	3.00%	473,684	-	(26,316)	447,368	26,316
PC08-951-005	Reconstruct Sewer to Sumner WWTP	0.50%	-	2,408,400	-	2,408,400	126,758
			7,383,542	2,408,400	(504,813)	9,287,129	631,571
			\$ 17,087,780	\$ 4,500,000	\$ (1,202,065)	\$ 20,385,714	\$ 1,438,906

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for internal service funds are included as part of the above totals for governmental activities. At year end \$2,232 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

F. Interfund Balances and Transfers

Loans between funds are classified as interfund loans receivable or payable. Within the City, one fund may borrow from another when specifically authorized by City Council resolution. The activity and balances of interfund loans at December 31, 2009 are as follows:

	Interfund Charges	Interfund Charges
Governmental Activities	-	(1,275,022)
<i>Subtotal Governmental Activities</i>	-	(1,275,022)
Business-Type Activities	1,275,022	
<i>Subtotal Business-Type Activities</i>	1,275,022	
Subtotal - Government-Wide	<u>\$ 1,275,022</u>	<u>\$ (1,275,022)</u>
	Interfund Loans Receivable	Interfund Loans Payable
Governmental Activities		
Parks CIP Fund	-	(1,200,873)
<i>Subtotal Governmental Activities</i>	-	(1,200,873)
Business-Type Activities		
Sewer Fund	1,200,873	-
<i>Subtotal Business-Type Activities</i>	1,200,873	-
Subtotal - Government-Wide	<u>\$ 1,200,873</u>	<u>\$ (1,200,873)</u>
Total -Government-Wide	<u>\$ 2,475,895</u>	<u>\$ (2,475,895)</u>

Interfund transfers during 2009 were as follows:

	Transfers In	Transfers Out	Net Governmental Activities
Governmental Activities			
Contingency Fund	80,460	-	80,460
LID Guarantee Fund	-	80,460	(80,460)
			<u>\$ -</u>

G. Restricted Net Assets

The government-wide Statement of Net Assets reports \$3,704,996 and \$998,001 for amounts restricted for debt service. These amounts represent unspent debt proceeds for governmental activities and business-type activities, respectively.

H. Prior Period Adjustments

No prior period adjustments are reported.

NOTE 6 – POST EMPLOYMENT BENEFITS

A. Pension Plans

All City of Bonney Lake 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. The following disclosures are made pursuant to GASB Statements 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 Description

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

PERS 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 annual benefit is two percent of the average final compensation (AFC) per year of service, capped at 60 percent. (The AFC is based on the greatest compensation during any 24 eligible consecutive compensation months.) Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. The benefit is actuarially reduced to reflect the choice of a survivor option. A cost-of living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, increased by three percent annually. Plan 1 members may also elect to receive an optional COLA amount that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service with an allowance of two percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced 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.

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 benefit calculated at 1 percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Effective June 7, 2006, 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 to retire with full benefits at age 65, or they may retire at age 55 with 10 years of service. Plan 3 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice 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. 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 Employee Retirement Benefits Board.

There are 1,190 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2007:

Retirees and Beneficiaries Receiving Benefits	71,244
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	26,583
Active Plan Members Vested	105,447
Active Plan Members Nonvested	52,575
Total	255,849

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). 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% multiplier. The benefit would be capped at 75% of AFC. The City of Bonney Lake has one employee enrolled in this program. Judges in PERS Plan 3 could elect a 1.6% of pay per year of service benefit, capped at 37.5% of average compensation.

Members who chose to participate in JBM would: accrue service credit at the higher multiplier beginning with the date of their election, be subject to the benefit cap of 75% of AFC, pay higher contributions, stop contributing to the Judicial Retirement Account (JRA), and be given the option to increase the multiplier on past judicial service. Members who did not choose to participate would: continue to accrue service credit at the regular multiplier; continue to participate in JRA, if applicable; 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. Members required into the JBM program would: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

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 six percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. 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 Employee Retirement Benefits Board 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 Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2009, were as follows:

Members Not Participating in JBM			
	<u>PERS - Plan 1</u>	<u>PERS - Plan 2</u>	<u>PERS - Plan 3</u>
Employer *	8.31%	8.31%	8.31%
Employee	6.00%	5.45%	**
* The employer rates include the employer administrative expense fee currently set at 0.16%.			
** Variable from 5% to 15% based on rate selected by the member			

Members Participating in JBM			
	<u>PERS - Plan 1</u>	<u>PERS - Plan 2</u>	<u>PERS - Plan 3</u>
Employer *	8.31%	8.31%	8.31%
Employee	12.26%	13.63%	7.5% **
* The employer rates include the employer administrative expense fee currently set at 0.16%.			
** Minimum rate			

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

	<u>PERS - Plan 1</u>	<u>PERS - Plan 2</u>	<u>PERS - Plan 3</u>
2009	\$ -	\$ -	\$ -
2008	19,323	303,982	37,531
2007	19,701	217,524	19,924
2006	12,597	104,618	8,646

Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF) Plans 1 and 2

Plan Description

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

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

Term of Service	Percent of Final Average Salary
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 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of two 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 three percent for each year prior to age 53. 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.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2007:

Retirees and Beneficiaries Receiving Benefits	9,085
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	633
Active Plan Members Vested	12,904
Active Plan Members Nonvested	3,708
Total	26,330

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. LEOFF 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 LEOFF 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, 2008, were as follows:

	<u>LEOFF - Plan 1</u>	<u>LEOFF - Plan 2</u>
Employer *	0.16%	5.46%
Employee	0.00%	8.83%
* The employer rates include the employer administrative expense fee currently set at 0.16%.		

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

	<u>LEOFF - Plan 1</u>	<u>LEOFF - Plan 2</u>
2009	\$ -	\$ -
2008	-	120,560
2007	-	99,767
2006	-	81,016

B. Other Post-Employment Benefits

1. Association of Washington Cities Employee Benefit Trust (“Trust”)

Trust Description: In addition to the pension benefits described in Note 6, the City of Bonney Lake is a participating employer in the Association of Washington Cities (AWC) Employee Benefit Trust, a cost-sharing multiple-employer welfare benefit plan administered by the Association of Washington Cities. The Trust provides medical benefits to certain eligible retired employees of participating employers and their eligible family members. Under Article VII of the Trust document, the Trustees have the authority and power to amend the amount and the nature of the medical and other benefits provided by the trust. The Trust issues a publicly available financial report that includes financial statements and required supplementary information for the Trust. That report, along with a copy of the Trust document, may be obtained by writing to the Association of Washington Cities Employee Benefit Trust at 1076 Franklin Street, Olympia, WA 98501-1346 or calling 1-800-562-8981.

Funding Policy: The plan is administered by a trust or equivalent arrangement in which employer contributions to the trust are irrevocable; plan assets are dedicated to providing OPEB to retirees and their beneficiaries in accordance with the terms of the plan, and plan assets are legally protected from creditors of the employers or plan administrator.

In 2009, there were 274 employers enrolled in the AWC Employee Benefit Trust Membership. All the risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the employers. A single actuarial valuation covers all plan members, and the same contribution rate(s) apply to each employer.

The Trust provides that contribution requirements of participating employers and of participating employees, retirees, and other beneficiaries, if any, are established and may be amended by the Board of Trustees of the Trust. Retirees of the City receiving medical benefits from the Trust contribute as follows:

<u>Coverage Type</u>	<u>Monthly Cost</u>
Non-Medicare enrolled retiree only	\$715.00
Non-Medicare enrolled retiree + spouse	\$1,430.00
Medicare enrolled retiree + Non-Medicare enrolled spouse	\$1,286.00
Non-Medicare enrolled retiree + Medicare enrolled spouse	\$1,109.00
Medicare enrolled retiree + Medicare enrolled spouse	\$965.00

Participating employers are contractually required to contribute at a rate assessed each year by the Trust. The City’s contributions to the Trust for the year ended December 31, 2009 were \$0, as the City has no participating retirees within the AWC Trust.

GASB reporting standards are required for Post-Employment Benefits Plans Other than Pension Plans, or OPEB. The AWC has chosen to adopt the reporting standards. All costs, liabilities, interest rates, and other factors have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account experience and reasonable expectations); and which, in combinations, offer the best estimate of anticipated experience.

2. Law Enforcement Officers and Firefighters (LEOFF)

Plan Description: As required by the Revised Code of Washington (RCW) Chapter 41.26, the City provides lifetime medical care for members of the Law Enforcement Officers and Firefighters (LEOFF) retirement system hired before October 1, 1977, under a defined benefit plan administered by the City. This plan is commonly referred to as LEOFF 1. The City provides LEOFF 1 post employment benefits for one retired law enforcement employee.

Under the LEOFF 1 healthcare reimbursements, the plan member has no required contributions. The City is required to pay all healthcare expenses incurred by LEOFF 1 retirees. The City’s cost is reduced by any amounts retirees receive from Medicare or any other health plans. LEOFF 1 retirees may request reimbursement for healthcare expenses that are not paid by their primary healthcare plan.

Amendments to the plan may be made through State statute.

Membership: Membership in LEOFF 1 includes participants who joined the system by September 30, 1977. As of December 31, 2009, one City employee meets this requirement. This is considered a closed group. No new members are permitted.

Funding Policy: Funding for LEOFF 1 retiree healthcare costs is provided entirely by the City as required by RCW. The City’s funding policy is based upon pay-as-you-go financing requirements. Retirees are not required to contribute any portion of the cost coverage.

Annual OPEB Cost and Net OPEB Obligation: The City’s annual other post-employment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of fifteen years as of January 1, 2009.

The City was required to contribute \$22,572 (Annual Required Contribution, or ARC), but only contributed \$6,852 at December 31, 2009. For the City’s single retired LEOFF 1 member, the City purchased health insurance from the United Benefit Trust. The retired law enforcement employee received a benefit contribution of \$571 per month, or \$6,852 per year, for retiree-only coverage. This differs from the Annual Required Contribution (ARC) because the plan is financed on a pay-as-you-go basis. The difference between the OPEB Costs and the required contribution is called the Net OPEB Obligation (NOO).

	Fiscal Year Ending 12/31/2009
Determination of Required Annual Contribution	
Normal Cost	\$ -
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	22,572
Annual Required Contribution (ARC)	22,572
Determination of Net OPEB Obligation	
Annual Required Contribution (ARC)	22,572
Interest on Net OPEB Obligation	735
Net OPEB Obligation Amortization	(1,520)
Annual OPEB Cost	21,787
Contributions Made	(6,852)
Increase in Net OPEB Obligation	14,935
NET OPEB OBLIGATION - January 1, 2009	16,327
NET OPEB OBLIGATION - December 31, 2009	31,262

The City’s annual OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2008 is as follows:

	Annual OPEB Cost	Employer Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 21,787	\$ 6,852	31.45%	\$ 31,262
2008	23,179	6,852	29.56%	16,327

As of January 1, 2009, the plan was 0% funded. The accrued liability for benefits was \$242,411 and the actuarial valuation of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$242,411, which is reflected on the government-wide statement of net assets, governmental activities.

Methodology and Actuarial Assumptions: The City used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 56.24 was assumed for all active members for the purpose of determining the AAL and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the LEOFF 1 rates used in the June 30, 2007 actuarial valuation report

issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2007. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the AAL was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 10 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

NOTE 7 – OTHER DISCLOSURES

A. Risk Management

The City of Bonney Lake is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 126 Members.

New members initially contract for a three-year term and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$3 million per occurrence self insured layer, and \$12 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$15 million per occurrence subject to aggregate sub limits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of reinsurance. In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines. These revenues directly offset portions of the membership's annual assessment.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

In the prior three years, settlements did not exceed the City's insurance coverage.

B Contingencies and Commitments

The city's financial statements include all material liabilities.

In September 2008, the City received a claim for damages arising from a marine vessel accident occurring in 2006. This matter is still outstanding at 12/31/2009, with no action occurring in 2009. Although the outcome of this claim is not presently determinable, in the opinion of the City's management, the resolution of this matter will not have a material adverse effect on the financial condition of the government.

The City is currently in the process of reviewing arbitrage requirements associated with the 1999 Water/Sewer Revenue Bond. Arbitrage Compliance Specialists, Inc. will be providing consultant services to calculate potential arbitrage liability, if any.

There are no known current contingent liabilities to record; the pending arbitrage calculation discussed in the preceding paragraph may result in a liability; however, the amount and/or materiality are not known at this time.

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, will be immaterial.

The City is committed to spending the remaining unspent proceeds of the 2008 LTGO Civic Center Bond (\$3,704,996) and the 1999 Water and Sewer Revenue bond (\$998,001).

C. Subsequent Events

There are no subsequent events at the time of financial statement preparation.

NONMAJOR GOVERNMENTAL FUNDS**SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for proceeds of revenue sources (other than special assessment, agency, or capital projects) that are legally restricted to expenditure for particular purposes.

Drug Investigation Fund - This fund accounts for monies received by court ordered restitution and seized property related to drug cases. Proceeds are used for law enforcement purposes.

Contingency Fund - This fund sets aside monies for specific purposes based upon projected events or anticipated revenues or expenses.

DEBT SERVICE FUNDS

Debt service funds account for the accumulation of resources for and the payment of general obligation and special assessment bond principal, interest and related costs.

1997 GO Public Safety Debt Service Fund - This fund accounts for the property taxes received and payments of debt on bonds issued for the building of the City's public safety building.

LID Guarantee Fund - This fund is required by state statute as a guarantee fund for the repayment of debt for the above mentioned local improvement districts. This fund was closed in 2009 and the remaining fund balance was transferred to the Contingency Fund.

CAPITAL PROJECT FUNDS

Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds. The major sources of revenue are real estate excise tax, motor vehicle excise tax, transportation impact fees, and park impact fees.

Park Construction Fund – This fund was established in 2006 to collect taxes, park impact fees, and other contributions to be used for the upgrade and improvements for the city's parks.

City of Bonney Lake
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 December 31, 2009

	Drug Investigation Fund	Contingency Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 635,636	\$ 1,112,545	\$ 1,748,181
Investments	-	-	-
Receivables, net	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>635,636</u>	<u>1,112,545</u>	<u>1,748,181</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and accrued expenses	-	-	-
Due to other governmental units	(560)	-	(560)
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>(560)</u>	<u>-</u>	<u>(560)</u>
Fund balances:			
Unreserved undesignated	<u>636,196</u>	<u>1,112,545</u>	<u>1,748,741</u>
Total fund balances	<u>636,196</u>	<u>1,112,545</u>	<u>1,748,741</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 635,636</u>	<u>\$ 1,112,545</u>	<u>\$ 1,748,181</u>

City of Bonney Lake
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2009

	Drug Investigation Fund	Contingency Fund	TOTAL
REVENUES			
Taxes	\$ -	\$ -	\$ -
Charges for Service	-	-	-
Miscellaneous			
Interest Earnings	-	-	-
Other	556	-	556
	<u>556</u>	<u>-</u>	<u>556</u>
Total revenues	<u>556</u>	<u>-</u>	<u>556</u>
EXPENDITURES			
Current:			
Public safety	32,796	-	32,796
Utilities	-	-	-
Economic environment	-	-	-
Health and human services	-	-	-
Capital outlay	-	-	-
	<u>32,796</u>	<u>-</u>	<u>32,796</u>
Total expenditures	<u>32,796</u>	<u>-</u>	<u>32,796</u>
Excess (deficiency) of revenues over expenditures	<u>(32,239)</u>	<u>-</u>	<u>(32,239)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	80,459	80,459
Transfers out	-	-	-
	<u>-</u>	<u>80,459</u>	<u>80,459</u>
Total other financing sources (uses)	<u>-</u>	<u>80,459</u>	<u>80,459</u>
Net change in fund balances	(32,239)	80,459	48,220
FUND BALANCES, BEGINNING	<u>668,435</u>	<u>1,032,085</u>	<u>1,700,520</u>
FUND BALANCES, ENDING	<u>\$ 636,196</u>	<u>\$ 1,112,545</u>	<u>\$ 1,748,741</u>

City of Bonney Lake
 Combining Balance Sheet
 Nonmajor Debt Service Funds
 December 31, 2009

	1997 G.O. Public Safety Bldg	LID Guaranty Fund	Total
ASSETS			
Cash and cash equivalents	\$ 27,361	\$ -	\$ 27,361
Receivables (net)	-	-	-
TOTAL ASSETS	27,361	-	27,361
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable and accrued expenses	-	-	-
Deferred revenue	-	-	-
Total liabilities	-	-	-
Fund balances			
Reserved for:			
Debt service	27,361	-	27,361
Total fund balances	27,361	-	27,361
TOTAL LIABILITIES AND FUND BALANCES	\$ 27,361	\$ -	\$ 27,361

City of Bonney Lake
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended December 31, 2009

	1997 G.O. Public Safety Bldg	LID Guaranty Fund	Total
REVENUES			
Taxes	\$ 355,305	\$ -	\$ 355,305
Special assessments	-	-	-
Investment earnings	-	-	-
Total revenues	<u>355,305</u>	<u>-</u>	<u>355,305</u>
EXPENDITURES			
Current:			
General government	-	-	-
Debt service:			
Principal retirement	305,000	-	305,000
Interest and fiscal charges	49,904	-	49,904
Total expenditures	<u>354,904</u>	<u>-</u>	<u>354,904</u>
Excess (deficiency) of revenues over expenditures	401	-	401
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(80,459)	(80,459)
Total other financing sources (uses)	<u>-</u>	<u>(80,459)</u>	<u>(80,459)</u>
Net change in fund balances	401	(80,459)	(80,058)
FUND BALANCES, BEGINNING	<u>26,960</u>	<u>80,459</u>	<u>107,419</u>
FUND BALANCES, ENDING	<u>\$ 27,361</u>	<u>\$ -</u>	<u>\$ 27,361</u>

City of Bonney Lake
 Combining Balance Sheet
 Nonmajor Capital Projects Funds
 For the Year Ended December 31, 2009

	Park Construction Fund	Total
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 1,282,544	\$ 1,282,544
Receivables (net)	<u>185,784</u>	<u>185,784</u>
TOTAL ASSETS	<u><u>1,468,328</u></u>	<u><u>1,468,328</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable and accrued expenses	32,932	32,932
Due to other funds	-	-
Interfund loan payable	1,200,873	1,200,873
Deferred revenue	<u>-</u>	<u>-</u>
Total liabilities	1,233,804	1,233,804
Fund balances		
Unreserved designated for:		
Future capital expenditures	<u>234,523</u>	<u>234,523</u>
Total fund balances	<u>234,523</u>	<u>234,523</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,468,328</u></u>	<u><u>\$ 1,468,328</u></u>

City of Bonney Lake
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2009

	Park Construction Fund	Total
REVENUES		
Taxes	\$ 170,966	\$ 170,966
Charges for goods and services	157,747	157,747
Intergovernmental revenue	-	-
Investment earnings	-	-
Total revenues	<u>328,713</u>	<u>328,713</u>
EXPENDITURES		
Current:		
General Government	9,356	9,356
Culture & Recreation	-	-
Debt Service		
Principal	-	-
Interest	74,542	74,542
Capital Outlay	967,814	967,814
Total expenditures	<u>1,051,711</u>	<u>1,051,711</u>
Excess (deficiency) of revenues over expenditures	<u>(722,998)</u>	<u>(722,998)</u>
OTHER FINANCING SOURCES (USES)		
Grant Proceeds	185,784	185,784
Transfers In	-	-
Transfers out	-	-
Total other financing sources (uses)	<u>185,784</u>	<u>185,784</u>
Net change in fund balances	(537,214)	(537,214)
FUND BALANCES, BEGINNING	<u>771,738</u>	<u>771,738</u>
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	<u><u>\$ 234,523</u></u>	<u><u>\$ 234,523</u></u>

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NONMAJOR PROPRIETARY FUNDS**INTERNAL SERVICE FUNDS**

Internal service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the government and to other governmental units, on a cost reimbursement basis.

Equipment Rental and Replacement Fund - This fund was established to maintain and repair equipment administered by the fund and to provide for equipment replacement through the establishment of equipment charges. Expenses of this fund are primarily financed through rental rate charges to user funds.

Insurance Fund - This fund was established to provide insurance coverage for all other funds and departments. Expenses of this fund are primarily financed through user charges of the appropriate funds.

City of Bonney Lake
 Combining Statement of Net Assets
 Internal Service Funds
 December 31, 2009

	<u>Equipment Rental</u>	<u>Insurance</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 1,982,996	\$ 212,148	\$ 2,195,144
Receivables	2,461	-	2,461
Total Current Assets	<u>1,985,456</u>	<u>212,148</u>	<u>2,197,604</u>
Noncurrent Assets			
Capital assets (net)	2,583,546	-	2,583,546
Total Noncurrent Assets	<u>2,583,546</u>	<u>-</u>	<u>2,583,546</u>
TOTAL ASSETS	<u><u>4,569,002</u></u>	<u><u>212,148</u></u>	<u><u>4,781,150</u></u>
LIABILITIES			
Current liabilities			
Current payables	27,369	-	27,369
Total current liabilities	<u>27,369</u>	<u>-</u>	<u>27,369</u>
Long-term liabilities			
Compensated Absences	2,232	-	2,232
Total long-term liabilities	<u>2,232</u>	<u>-</u>	<u>2,232</u>
TOTAL LIABILITIES	<u>29,600</u>	<u>-</u>	<u>29,600</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,583,546	-	2,583,546
Unrestricted	1,955,856	212,148	2,168,004
TOTAL NET ASSETS	<u>\$ 4,539,402</u>	<u>\$ 212,148</u>	<u>\$ 4,751,550</u>

City of Bonney Lake
 Combining Statement of Revenues, Expenses and Changes Fund in Net Assets
 Internal Service Funds
 For the Year Ended December 31, 2008

	Equipment Rental	Insurance	Total
OPERATING REVENUES			
Charges for service	\$ 1,048,891	\$ 340,696	\$ 1,389,587
Total operating revenues	1,048,891	340,696	1,389,587
OPERATING EXPENSES			
Cost of sales and services	568,538	-	568,538
Administration	57,731	5,000	62,731
Insurance	-	354,451	354,451
Depreciation	425,356	-	425,356
Total operating expenses	1,051,625	359,451	1,411,076
Operating income (loss)	(2,734)	(18,755)	(21,489)
NON-OPERATING REVENUES (EXPENSES)			
Investment earnings	-	-	-
Other non-operating revenues	2,415	7,838	10,253
Gain (Loss) on sale of capital assets	7,852	-	7,852
Non-operating revenues net of expenses	10,267	7,838	18,105
Income before contributions and transfers	7,533	(10,917)	(3,384)
Capital Contributions	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Change in net assets	7,533	(10,917)	(3,384)
Net assets at beginning of year	4,531,869	223,065	4,754,934
Net assets at end of year	\$ 4,539,402	\$ 212,148	\$ 4,751,550

City of Bonney Lake
 Combining Statement of Cash Flows
 Internal Service Funds
 For the Year Ended December 31, 2009

	Equipment Rental	Insurance	Total
Cash flows from operating activities:			
Receipts from interfund services	1,048,891	340,696	1,389,586.92
Payments to employees	(182,211)	-	(182,211)
Payments for goods and services	(441,859)	(359,451)	(801,310)
Payments for interfund services	(65,816)	-	(65,816)
Net cash provided (used) by operating activities	<u>359,005</u>	<u>(18,755)</u>	<u>340,250</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Nonoperating miscellaneous revenue	(45)	-	(45)
Net cash provided (used) by noncapital financing activities	<u>(45)</u>	<u>-</u>	<u>(45)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(205,329)	-	(205,329)
Proceeds from sale of capital assets	7,852	-	7,852
Insurance recoveries	-	7,838	7,838
Capital contributions	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(197,477)</u>	<u>7,838</u>	<u>(189,639)</u>
Cash flows from investing activities			
Interest income	-	-	-
Net cash provided (used) by investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	161,483	(10,917)	150,566
Cash and cash equivalents, beginning of year	1,821,513	223,065	2,044,578
Cash and cash equivalents, end of year	<u>\$ 1,982,996</u>	<u>\$ 212,148</u>	<u>\$ 2,195,144</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:			
Income(loss) from operations	\$ (2,734)	\$ (18,755)	\$ (21,489)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Depreciation	425,356	-	425,356
Change in assets and liabilities:			
Decrease (increase) in receivables	1,798	-	1,798
Decrease (increase) in prepaids & other current assets	-	-	-
Decrease (increase) in inventory	-	-	-
Increase (decrease) in accounts payable	(64,417)	-	(64,417)
Increase (decrease) in compensated absences	(997)	-	(997)
Net cash provided (used) by operating activities	<u>\$ 359,005</u>	<u>\$ (18,755)</u>	<u>\$ 340,250</u>
Noncash investing, capital, and financing activities:			
Capital contribution	-	-	-

The notes are an integral part of the financial statements.

Statistical Section

This part of the City of Bonney Lake'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 (RSI) says about the city's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the city's ability to generate its property and sales taxes.

Debt Capacity

These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.

Operating Information

These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Timing: The City implemented Governmental Accounting Standards Board (GASB) Statement No. 34 in 2003; schedules presenting government-wide information include information beginning in that year.

The City implemented GASB Statement No. 44 in 2005; where data is available for prior years, it is included. In many cases, data for years prior to 2005 is unavailable.

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Schedule 1**CITY OF BONNEY LAKE****NET ASSETS BY COMPONENT****LAST TEN FISCAL YEARS (1)***(accrual basis of accounting)**(amounts expressed in thousands/dollars)*

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental Activities				
Invested in capital assets, net of related debt	\$ 4,137	\$ 6,394	\$ 14,089	\$ 14,598
Restricted	5,018	5,962	1,826	8,527
Unrestricted	4,360	4,219	7,386	6,292
Total Government activities net assets	<u>\$ 13,515</u>	<u>\$ 16,575</u>	<u>\$ 23,301</u>	<u>\$ 29,417</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 29,682	\$ 29,515	\$ 35,571	\$ 41,049
Restricted	8,333	14,740	21,525	22,798
Unrestricted	5,808	7,794	1,215	1,754
Total business-type activities net assets	<u>\$ 43,823</u>	<u>\$ 52,049</u>	<u>\$ 58,311</u>	<u>\$ 65,601</u>
Primary Government				
Invested in capital assets, net of related debt	\$ 33,819	\$ 35,909	\$ 49,660	\$ 55,647
Restricted	13,351	20,702	23,351	31,325
Unrestricted	10,168	12,013	8,601	8,046
Total Primary government activities net assets	<u>\$ 57,338</u>	<u>\$ 68,624</u>	<u>\$ 81,612</u>	<u>\$ 95,018</u>
	Fiscal Year			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	
Governmental Activities				
Invested in capital assets, net of related debt	\$ 27,912	\$ 27,161	\$ 30,322	
Restricted	10,107	5,413	3,705	
Unrestricted	6,310	13,264	9,816	
Total Government activities net assets	<u>\$ 44,329</u>	<u>\$ 45,838</u>	<u>\$ 43,843</u>	
Business-type activities				
Invested in capital assets, net of related debt	\$ 56,242	\$ 58,231	\$ 60,623	
Restricted	998	1,819	998	
Unrestricted	21,677	19,816	22,427	
Total business-type activities net assets	<u>\$ 78,917</u>	<u>\$ 79,866</u>	<u>\$ 84,048</u>	
Primary Government				
Invested in capital assets, net of related debt	\$ 84,154	\$ 85,392	\$ 90,945	
Restricted	11,105	7,232	4,703	
Unrestricted	27,987	33,080	32,243	
Total Primary government activities net assets	<u>\$ 123,246</u>	<u>\$ 125,704</u>	<u>\$ 127,891</u>	

(1) The City converted to GASB Statement No. 34 during 2003; historical information prior to 2003 is not available.

Schedule 2

CITY OF BONNEY LAKE

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS (1)

(accrual basis of accounting)

(amounts expressed in thousands/dollars)

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses (2)				
Governmental Activities				
General Government	\$ 1,703	\$ 1,920	\$ 1,744	\$ 1,994
Public Safety	3,032	3,556	3,518	3,871
Utilities and Environment	506	210	165	213
Highways and Streets	478	433	675	997
Economic Development	508	1,029	1,201	1,456
Physical and Mental Health	-	-	3	3
Culture and Recreation	350	486	397	351
Interest & Other Fiscal Charges	138	127	106	430
Total Governmental activities expenses	<u>6,715</u>	<u>7,761</u>	<u>7,809</u>	<u>9,315</u>
Business-type activities (3)				
Water Fund	5,587	6,200	7,998	4,058
Sewer Fund				3,494
Stormwater Fund	1,451	1,147	417	536
Interest on Long-Term Debt	-	399	614	785
Transfers Out	155	252	81	-
Total business-type activities expenses	<u>7,193</u>	<u>7,998</u>	<u>9,110</u>	<u>8,873</u>
Total Primary government expenses	<u>\$ 13,908</u>	<u>\$ 15,759</u>	<u>\$ 16,919</u>	<u>\$ 18,188</u>
Program Revenues (See Schedule 3) (4)				
Governmental Activities				
Charges for Services	\$ 2,657	\$ 3,065	\$ 4,120	\$ 4,369
Operating Grants and Contributions	362	245	201	112
Capital Grants and Contributions	384	27	-	90
Total Governmental activities revenues	<u>3,403</u>	<u>3,337</u>	<u>4,321</u>	<u>4,571</u>
Business-type activities				
Charges for Services	7,260	7,268	6,950	9,086
Operating Grants and Contributions	-	-	-	-
Capital Grants and Contributions	5,480	8,729	7,806	7,702
Total business-type activities revenues	<u>12,740</u>	<u>15,997</u>	<u>14,756</u>	<u>16,788</u>
Total Primary government program revenues	<u>\$ 16,143</u>	<u>\$ 19,334</u>	<u>\$ 19,077</u>	<u>\$ 21,359</u>

(1) The City converted to GASB Statement No. 34 during 2003; historical information prior to 2003 is not available.

(2) Government-wide expenses include expenses from the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, and Internal Service Funds.

(3) In 2006, the City began reporting the three business-type funds separately.

(4) Government-wide revenues include revenues from the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, and Internal Service Funds.

Schedule 2

CITY OF BONNEY LAKE

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS (1)

(accrual basis of accounting)

(amounts expressed in thousands/dollars)

	Fiscal Year		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses (2)			
Governmental Activities			
General Government	\$ 5,248	\$ 4,838	\$ 4,549
Public Safety	4,131	4,748	4,920
Utilities and Environment	573	653	739
Highways and Streets	1,434	1,346	1,680
Economic Development	1,626	1,739	1,736
Physical and Mental Health	23	23	24
Culture and Recreation	726	485	417
Interest & Other Fiscal Charges	178	1,125	589
Total Governmental activities expenses	<u>13,939</u>	<u>14,957</u>	<u>14,654</u>
Business-type activities (3)			
Water Fund	5,329	6,199	4,900
Sewer Fund	3,756	4,253	4,081
Stormwater Fund	487	595	706
Interest on Long-Term Debt	-	-	-
Transfers Out	-	-	-
Total business-type activities expenses	<u>9,572</u>	<u>11,047</u>	<u>9,687</u>
Total Primary government expenses	<u>\$ 23,511</u>	<u>\$ 26,004</u>	<u>\$ 24,341</u>
Program Revenues (See Schedule 3) (4)			
Governmental Activities			
Charges for Services	\$ 6,694	\$ 2,590	\$ 1,811
Operating Grants and Contributions	1,159	254	357
Capital Grants and Contributions	200	492	323
Total Governmental activities revenues	<u>8,053</u>	<u>3,336</u>	<u>2,491</u>
Business-type activities			
Charges for Services	13,507	12,611	11,204
Operating Grants and Contributions	55	76	2,316
Capital Grants and Contributions	-	-	37
Total business-type activities revenues	<u>13,562</u>	<u>12,687</u>	<u>13,557</u>
Total Primary government program revenues	<u>\$ 21,615</u>	<u>\$ 16,023</u>	<u>\$ 16,048</u>

(1) The City converted to GASB Statement No. 34 during 2003; historical information prior to 2003 is not available.

(2) Government-wide expenses include expenses from the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, Internal Service Funds, and Enterprise Funds.

(3) In 2006, the City began reporting the three business-type funds separately.

(4) Government-wide revenues include revenues from the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, Internal Service Funds, and Enterprise Funds.

Schedule 2

CITY OF BONNEY LAKE
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS (1)
(accrual basis of accounting)
(amounts expressed in thousands/dollars)

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Net (Expense)/Revenue				
Governmental Activities	\$ (3,312)	\$ (4,424)	\$ (3,488)	\$ (4,744)
Business-Type Activities	5,547	7,999	5,646	7,915
Total primary government net expense	<u>\$ 2,235</u>	<u>\$ 3,575</u>	<u>\$ 2,158</u>	<u>\$ 3,171</u>
General Revenues and Other Changes in Net Assets				
Governmental Activities				
Taxes				
Property Taxes	\$ 1,830	\$ 2,017	\$ 2,148	\$ 2,327
Sales and Use Taxes	2,108	2,704	2,946	3,474
Utility Taxes - Private	891	957	1,085	1,264
Excise Tax - Real Estate	710	890	1,384	1,165
Utility Taxes - Interfund	513	477	540	613
Motor Fuel Taxes	262	292	300	341
Gambling Taxes	7	36	49	44
Other Taxes	180	-	155	195
Unrestricted Grants and Contributions	-	209	130	196
Contributions	-	-	796	-
Investment Earnings	112	164	383	582
Miscellaneous	57	324	-	6
Transfers	155	252	81	653
Total Government activities revenues	<u>6,825</u>	<u>8,322</u>	<u>9,997</u>	<u>10,860</u>
Business-type activities				
Investment Earnings	196	310	606	943
Miscellaneous	15	9	10	33
Transfers	-	-	-	-
Total business-type activities revenues	<u>211</u>	<u>319</u>	<u>616</u>	<u>976</u>
Total primary government	<u>\$ 7,036</u>	<u>\$ 8,641</u>	<u>\$ 10,613</u>	<u>\$ 11,836</u>
Change in Net Assets (5)				
Governmental activities	\$ 3,513	\$ 3,898	\$ 6,509	\$ 6,116
Business-type activities	5,758	8,318	6,262	8,891
Total primary government	<u>\$ 9,271</u>	<u>\$ 12,216</u>	<u>\$ 12,771</u>	<u>\$ 15,007</u>

(5) 2007 Change in Net Asset does not include impact of prior period adjustment(s).

Schedule 2

CITY OF BONNEY LAKE
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS (1)
(accrual basis of accounting)
(amounts expressed in thousands/dollars)

	<u>2007</u>	<u>Fiscal Year</u> <u>2008</u>	<u>2009</u>
Net (Expense)/Revenue			
Governmental Activities	\$ (5,886)	\$ (11,621)	\$ (12,162)
Business-Type Activities	3,990	1,640	3,868
Total primary government net expense	<u>\$ (1,896)</u>	<u>\$ (9,981)</u>	<u>\$ (8,294)</u>
General Revenues and Other Changes in Net Assets			
Governmental Activities			
Taxes			
Property Taxes	\$ 2,509	\$ 2,790	\$ 2,806
Sales and Use Taxes	3,117	3,828	3,119
Utility Taxes - Private	1,979	1,788	1,905
Excise Tax - Real Estate	1,638	1,064	927
Utility Taxes - Interfund	675	796	912
Motor Fuel Taxes	-	-	-
Gambling Taxes	-	-	-
Other Taxes	43	47	108
Unrestricted Grants and Contributions	-	-	-
Contributions	-	-	-
Investment Earnings	753	1,186	316
Miscellaneous	22	78	75
Transfers	1,791	1,552	-
Total Government activities revenues	<u>12,527</u>	<u>13,129</u>	<u>10,168</u>
Business-type activities			
Investment Earnings	1,386	404	282
Miscellaneous	31	31	32
Transfers	(1,791)	(1,552)	-
Total business-type activities revenues	<u>(374)</u>	<u>(1,117)</u>	<u>314</u>
Total primary government	<u>\$ 12,153</u>	<u>\$ 12,012</u>	<u>\$ 10,482</u>
Change in Net Assets (5)			
Governmental activities	\$ 6,641	\$ 1,508	\$ (1,994)
Business-type activities	3,616	523	4,182
Total primary government	<u>\$ 10,257</u>	<u>\$ 2,031</u>	<u>\$ 2,188</u>

(5) 2007 Change in Net Asset does not include impact of prior period adjustment(s).

Schedule 3

CITY OF BONNEY LAKE

PROGRAM REVENUES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS (1)

(accrual basis of accounting)

(amounts expressed in thousands/dollars)

Function/Program	Program Revenues		
	2003		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities			
General Government	\$ 1,812	\$ -	\$ -
Public Safety	525	-	-
Utilities and Environment	88	-	-
Highways and Streets	83	-	-
Economic Development	88	-	-
Culture and Recreation	61	-	-
Other Activities	-	362	384
Subtotal Governmental Activities	<u>2,657</u>	<u>362</u>	<u>384</u>
Business-Type Activities			
Water and Sewer	5,733	-	5,480
Other Enterprise Funds	1,527	-	-
Subtotal Business-type Activities	<u>7,260</u>	<u>-</u>	<u>5,480</u>
Total Function/Program Activities	<u>\$ 9,917</u>	<u>\$ 362</u>	<u>\$ 5,864</u>

Function/Program	Program Revenues		
	2004		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities			
General Government	\$ 1,659	\$ -	\$ -
Public Safety	490	-	-
Utilities and Environment	-	-	-
Highways and Streets	756	-	-
Economic Development	-	-	-
Culture and Recreation	160	-	-
Other Activities	-	245	27
Subtotal Governmental Activities	<u>3,065</u>	<u>245</u>	<u>27</u>
Business-Type Activities			
Water and Sewer	6,136	-	8,729
Other Enterprise Funds	1,132	-	-
Subtotal Business-type Activities	<u>7,268</u>	<u>-</u>	<u>8,729</u>
Total Function/Program Activities	<u>\$ 10,333</u>	<u>\$ 245</u>	<u>\$ 8,756</u>

(1) The City converted to GASB Statement No. 34 during 2003; historical information prior to 2003 is not available.

Schedule 3

CITY OF BONNEY LAKE

PROGRAM REVENUES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS (1)

(accrual basis of accounting)

(amounts expressed in thousands/dollars)

Function/Program	Program Revenues		
	2005		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities			
General Government	\$ 1,472	\$ -	\$ -
Public Safety	-	-	-
Utilities and Environment	-	-	-
Highways and Streets	1,077	-	-
Economic Development	1,285	-	-
Culture and Recreation	286	-	-
Other Activities	-	201	-
Subtotal Governmental Activities	4,120	201	-
Business-Type Activities			
Water and Sewer	6,595	-	7,806
Other Enterprise Funds	355	-	-
Subtotal Business-type Activities	6,950	-	7,806
Total Function/Program Activities	\$ 11,070	\$ 201	\$ 7,806

Function/Program	Program Revenues		
	2006		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities			
General Government	\$ 954	\$ -	\$ -
Public Safety	-	-	-
Utilities and Environment	-	-	-
Highways and Streets	1,256	-	-
Economic Development	1,498	-	-
Culture and Recreation	661	-	-
Other Activities	-	112	90
Subtotal Governmental Activities	4,369	112	90
Business-Type Activities			
Water and Sewer	8,629	-	7,702
Other Enterprise Funds	457	-	-
Subtotal Business-type Activities	9,086	-	7,702
Total Function/Program Activities	\$ 13,455	\$ 112	\$ 7,792

(1) The City converted to GASB Statement No. 34 during 2003; historical information prior to 2003 is not available.

Schedule 3

CITY OF BONNEY LAKE

PROGRAM REVENUES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS (1)

(accrual basis of accounting)

(amounts expressed in thousands/dollars)

Function/Program	Program Revenues		
	<u>2007</u>		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities			
General Government	\$ 3,018	\$ 47	\$ 200
Public Safety	1,024	134	-
Physical Environment (2)	89	-	-
Transportation (3)	1,856	930	-
Economic Environment (4)	661	-	-
Culture and Recreation	38	12	-
Health and Human Services (5)	8	36	-
Interest and Other Fiscal Charges (5)	-	-	-
Subtotal Governmental Activities	<u>6,694</u>	<u>1,159</u>	<u>200</u>
Business-Type Activities (6)			
Water	7,922	18	-
Wastewater	4,977	30	-
Storm and Surface Water	607	7	-
Subtotal Business-type Activities	<u>13,506</u>	<u>55</u>	<u>-</u>
Total Function/Program Activities	<u>\$ 20,200</u>	<u>\$ 1,214</u>	<u>\$ 200</u>

Function/Program	Program Revenues		
	<u>2008</u>		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities			
General Government	\$ 629	\$ 12	\$ -
Public Safety	888	149	-
Physical Environment (2)	45	10	-
Transportation (3)	516	335	492
Economic Environment (4)	432	(255)	-
Culture and Recreation	48	3	-
Health and Human Services (5)	32	-	-
Interest and Other Fiscal Charges (5)	-	-	-
Subtotal Governmental Activities	<u>2,590</u>	<u>254</u>	<u>492</u>
Business-Type Activities (6)			
Water	7,750	-	-
Wastewater	3,956	1	-
Storm and Surface Water	905	75	-
Subtotal Business-type Activities	<u>12,611</u>	<u>76</u>	<u>-</u>
Total Function/Program Activities	<u>\$ 15,201</u>	<u>\$ 330</u>	<u>\$ 492</u>

(1) The City converted to GASB Statement No. 34 during 2003; historical information prior to 2003 is not available.

(2) In 2007, the City revised title from "Utilities and Environment" to "Physical Environment"

(3) In 2007, the City revised title from "Highways and Streets" to "Transportation"

(4) In 2007, the City revised title from "Economic Development" to "Economic Environment"

(5) In 2007, the City split "Other Services" to: "Health and Human Services" and "Interest and Other Fiscal Charges"

(6) In 2007, the City began reporting the three business-type activity funds separately.

Schedule 3

CITY OF BONNEY LAKE

PROGRAM REVENUES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS (1)

(accrual basis of accounting)

(amounts expressed in thousands/dollars)

Function/Program	Program Revenues		
	2009		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities			
General Government	\$ 472	\$ 18	\$ -
Public Safety	686	319	81
Physical Environment (2)	26	-	186
Transportation (3)	256	-	56
Economic Environment (4)	276	-	-
Culture and Recreation	56	16	-
Health and Human Services (5)	39	4	-
Interest and Other Fiscal Charges (5)	-	-	-
Subtotal Governmental Activities	1,811	357	323
Business-Type Activities (6)			
Water	6,775	1,502	-
Wastewater	3,293	795	-
Storm and Surface Water	1,136	19	37
Subtotal Business-type Activities	11,204	2,316	37
Total Function/Program Activities	\$ 13,015	\$ 2,673	\$ 360

(1) The City converted to GASB Statement No. 34 during 2003; historical information prior to 2003 is not available.

(2) In 2007, the City revised title from "Utilities and Environment" to "Physical Environment"

(3) In 2007, the City revised title from "Highways and Streets" to "Transportation"

(4) In 2007, the City revised title from "Economic Development" to "Economic Environment"

(5) In 2007, the City split "Other Services" to: "Health and Human Services" and "Interest and Other Fiscal Charges"

(6) In 2007, the City began reporting the three business-type activity funds separately.

Schedule 4

CITY OF BONNEY LAKE

FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS (1)

(accrual basis of accounting)

(amounts expressed in thousands/dollars)

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund				
Reserved	\$ -	\$ -	\$ 1,630	\$ -
Unreserved	3,352	3,879	4,722	6,874
Total general fund	<u>3,352</u>	<u>3,879</u>	<u>6,352</u>	<u>6,874</u>
All Other Governmental Funds				
Reserved	321	305	238	4,885
Unreserved, reported in:				
Debt Service Funds	-	-	-	-
Special Revenues Funds	1,637	2,611	(409)	1,066
Capital Project Funds	3,060	2,128	2,203	1,825
Total all other governmental funds	<u>5,018</u>	<u>5,044</u>	<u>2,032</u>	<u>7,776</u>
Total Governmental Funds	<u>\$ 8,370</u>	<u>\$ 8,923</u>	<u>\$ 8,384</u>	<u>\$ 14,650</u>

	Fiscal Year		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund			
Reserved	\$ -	\$ -	\$ -
Unreserved	4,432	5,200	5,086
Total general fund	<u>4,432</u>	<u>5,200</u>	<u>5,086</u>
All Other Governmental Funds			
Reserved	-	-	2,587
Unreserved, reported in:			
Debt Service Funds	213	107	27
Special Revenues Funds	1,806	1,701	1,749
Capital Project Funds	17,159	15,561	8,007
Total all other governmental funds	<u>19,178</u>	<u>17,369</u>	<u>12,370</u>
Total Governmental Funds	<u>\$ 23,610</u>	<u>\$ 22,569</u>	<u>\$ 17,456</u>

(1) The City converted to GASB Statement No. 34 during 2003; historical information prior to 2003 is not available.

Schedule 5

CITY OF BONNEY LAKE

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS (1)

(accrual basis of accounting)

(amounts expressed in thousands/dollars)

	<u>2003</u>	Fiscal Year <u>2004</u>	<u>2005</u>
Revenues			
Taxes (see Schedule 2)	\$ 6,321	\$ 7,375	\$ 8,153
Licenses and permits	1,002	933	1,286
Intergovernmental	746	453	656
Charges for Services	1,140	1,643	1,633
Fines and Forfeitures	472	490	1,202
Special Assessments	-	-	20
Interest	104	152	345
Miscellaneous	52	150	122
Total revenues	<u>9,837</u>	<u>11,196</u>	<u>13,417</u>
Expenditures			
General Government	1,511	1,921	2,255
Public Safety	3,026	3,556	3,065
Utilities and Environment	503	209	185
Highways and Streets	447	433	454
Economic Development	504	1,029	1,259
Physical and Mental Health	-	-	3
Culture & Recreation	329	486	397
Debt Service			
Principal	312	311	255
Interest and Fiscal Charges	138	127	106
Capital Outlay			
Highways and Streets	1,211	204	888
Other	953	2,789	5,269
Total expenditures	<u>8,934</u>	<u>11,065</u>	<u>14,136</u>
Excess (deficiency) of revenues over expenditures	<u>903</u>	<u>131</u>	<u>(719)</u>
Other Financing Sources (Uses)			
Transfers In	2,303	2,420	5,591
Transfers Out	(2,148)	(2,186)	(5,616)
Debt Proceeds	-	-	-
Loan Repayment Received	-	-	-
Contributions	-	-	-
Sale of Capital Assets	-	165	-
Total other financing sources (uses)	<u>155</u>	<u>399</u>	<u>(25)</u>
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 1,058</u>	<u>\$ 530</u>	<u>\$ (744)</u>
Debt Service as a percentage of non-capital expenditures	6.6%	5.4%	4.5%

(1) The City converted to GASB Statement No. 34 during 2003; historical information prior to 2003 is not available.

Schedule 5**CITY OF BONNEY LAKE**

Page 2 of 2

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS (1)

*(accrual basis of accounting)**(amounts expressed in thousands/dollars)*

	Fiscal Year			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues				
Taxes (see Schedule 2)	\$ 8,889	\$ 9,890	\$ 9,663	\$ 9,342
Licenses and permits	1,498	1,357	687	547
Intergovernmental	738	429	1,077	981
Charges for Services	2,081	3,966	1,068	1,586
Fines and Forfeitures	790	957	663	581
Special Assessments	12	3	3	-
Interest	632	670	1,185	322
Miscellaneous	257	180	149	439
Total revenues	<u>14,897</u>	<u>17,452</u>	<u>14,495</u>	<u>13,798</u>
Expenditures				
General Government	2,522	4,119	5,619	3,637
Public Safety	3,501	3,749	4,070	4,441
Utilities and Environment	243	411	536	514
Highways and Streets	657	1,186	781	1,682
Economic Development	1,417	1,640	1,910	1,712
Physical and Mental Health	3	4	8	4
Culture & Recreation	287	427	421	336
Debt Service			-	-
Principal	551	290	1,127	956
Interest and Fiscal Charges	390	178	578	620
Capital Outlay		5,670	-	-
Highways and Streets	1,148	-	-	2,351
Other	511	-	3,497	2,892
Total expenditures	<u>11,230</u>	<u>17,674</u>	<u>18,547</u>	<u>19,145</u>
Excess (deficiency) of revenues over expenditures	<u>3,667</u>	<u>(222)</u>	<u>(4,052)</u>	<u>(5,347)</u>
Other Financing Sources (Uses)				
Transfers In	9,196	6,750	4,948	-
Transfers Out	(5,857)	(6,619)	(4,514)	-
Debt Proceeds	750	9,956	198	-
Grant Proceeds	-	-	-	186
Capital Lease	-	-	2,142	-
Loan Repayment Received	111	-	-	-
Contributions	24	898	237	47
Sale of Capital Assets	6	-	-	-
Total other financing sources (uses)	<u>4,230</u>	<u>10,985</u>	<u>3,011</u>	<u>233</u>
Prior Period Adjustment	<u>-</u>	<u>(1,801)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 7,897</u>	<u>\$ 8,962</u>	<u>\$ (1,041)</u>	<u>\$ (5,114)</u>
Debt Service as a percentage of non-capital expenditures	9.8%	3.9%	11.3%	11.3%

Schedule 6

CITY OF BONNEY LAKE

ASSESSED AND ESTIMATED ACTUAL TAXABLE VALUE OF PROPERTY

LAST TEN FISCAL YEARS (1)

FISCAL YEAR	RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY	INDUSTRIAL PROPERTY	LESS: TAX-EXEMPT PROPERTY	TOTAL TAXABLE ASSESSED VALUE	TOTAL DIRECT TAX RATE	ESTIMATED ACTUAL TAXABLE VALUE (2)
2009	\$ 1,809,525,246	\$ 543,225,784	\$ 2,015,400	\$ 124,156,705	\$ 2,230,609,725	\$ 1.18	\$ 2,230,609,725
2008	1,962,532,796	548,314,154	2,077,100	119,167,386	2,393,756,664	1.17	2,393,756,664
2007	1,947,099,736	453,099,533	3,946,900	102,277,403	2,301,868,766	1.30	2,301,868,766
2006	1,636,186,406	380,439,015	3,229,200	82,332,561	1,937,522,060	1.61	1,937,522,060
2005	1,182,881,458	318,111,573	2,921,300	68,561,153	1,435,353,178	1.84	1,435,353,178
2004	950,791,046	265,863,274	2,336,500	54,230,817	1,164,760,003	1.94	1,164,760,003
2003	-	-	-	-	-	-	-
2002	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-

(1) Categorization of property provided by Pierce County for 2004 tax year and forward; prior to 2004 categorization not available.

(2) Real and personal property is assumed to be assessed at 100% of the estimated value.

Note: Property taxes for each fiscal year are levied during the prior calendar year. For example, fiscal year 2005 collections are levied in 2004.

In some instances, total taxable A/V is not equal to figure shown elsewhere; the difference is due to adjustments to the A/V after the certification process.

SOURCE: Pierce County Assessor/Treasurer's Office

Schedule 7

CITY OF BONNEY LAKE

DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN FISCAL YEARS

(RATE PER \$1,000 OF ASSESSED VALUE)

FISCAL YEAR	CITY OF BONNEY LAKE	STATE OF WASHINGTON	PIERCE COUNTY	PORT OF TACOMA	SCHOOL DISTRICT	EMS	RURAL LIBRARY	CONSERV FUTURES	FIRE DIST #22	TOTAL RATE
2009	\$ 1.18	\$ 2.02	\$ 1.08	\$ 0.18	\$ 4.08	\$ 0.50	\$ 0.44	\$ -	\$ 1.50	\$ 10.99
2008	1.17	2.07	1.08	0.19	3.78	0.50	0.44	-	1.50	10.73
2007	1.30	2.29	1.18	0.19	4.11	0.40	0.48	-	1.13	11.07
2006	1.85	2.64	1.38	0.19	5.17	0.50	0.40	-	1.50	13.62
2005	1.84	2.91	1.53	0.19	5.93	0.47	0.46	0.06	1.50	14.89
2004	1.94	3.03	1.61	0.19	6.18	0.49	0.48	-	1.38	15.30
2003	1.99	2.94	1.67	0.18	6.21	0.50	0.48	-	1.40	15.38
2002	2.19	3.00	1.75	0.18	6.79	0.50	0.50	-	1.48	16.37
2001	2.19	3.18	1.76	0.19	7.07	0.48	0.56	-	-	15.42
2000	2.95	3.18	1.76	0.19	7.07	0.48	0.56	-	-	16.18

(1) Includes Both Regular And Voted Excess Tax Levies

SOURCE: Pierce County Assessor/Treasurer's Office

Schedule 8

CITY OF BONNEY LAKE

PRINCIPAL PROPERTY TAX PAYERS

CURRENT YEAR AND NINE YEARS AGO

TAXPAYER	2004 (1)			2009		
	TAXABLE ASSESSED VALUE	RANK	% OF TOTAL CITY TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	% OF TOTAL CITY TAXABLE ASSESSED VALUE
Wal-Mart Stores Inc. #2403	\$ 17,478,360	1	1.7%	\$ 29,129,233	1	1.2%
Buffalo - Bonney Lake Associates LLC	15,917,900	2	1.5%	23,266,600	2	1.0%
Panorama West LLC				19,859,200	3	0.8%
Bonney Lake Village Association	8,523,000	4	0.8%	18,087,800	4	0.8%
Lowe's of Lakewood				15,964,000	5	0.7%
Bonney Lake Town Center LLC				15,701,800	6	0.7%
Lake Tapps Equities LLC	7,631,846	5	0.7%	15,544,737	7	0.6%
HD Development of Maryland Inc				13,180,800	8	0.6%
Target Stores #349				13,147,000	9	0.5%
MWSH Bonney Lake LLC Et Al				13,088,200	10	0.5%
Safeway Stores #1844	7,300,543	6	0.7%			
New Albertsons Inc.	6,010,200	7	0.6%			
Quest Corporation, Inc.	13,464,562	3	1.3%			
Puget Sound Energy	5,998,114	8	0.6%			
Regal Cinemas #480355	4,344,900	9	0.4%			
Performance Properties of WA	3,681,800	10	0.4%			
TOTAL PRINCIPAL TAXPAYERS	<u>72,872,865</u>		<u>7.09%</u>	<u>147,840,137</u>		<u>6.18%</u>
TOTAL ASSESSED VALUE	<u>\$ 1,027,930,705</u>		<u>100.00%</u>	<u>\$ 2,393,756,664</u>		<u>100.00%</u>

(1) 1998 data is unavailable; therefore, the earliest available data (tax year 2004) will be used until such time the data becomes available for the nine year prior to the reported period.

SOURCE: Pierce County Assessor/Treasurer's Office; 2007 Values for Tax Year 2008

Schedule 9**CITY OF BONNEY LAKE****PROPERTY TAX LEVIES AND COLLECTIONS****LAST TEN FISCAL YEARS***(amounts expressed in thousands/dollars)*

FISCAL YEAR	Taxes Levied for the Fiscal Year (1)	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2009	\$ 2,813	\$ 2,696	95.84%	\$ 113	\$ 2,809	\$ 2,809	99.86%
2008	2,683	2,558	95.34%	68	2,626	2,626	97.88%
2007	2,517	2,462	97.81%	46	2,508	2,508	99.64%
2006	2,305	2,131	92.45%	74	2,205	2,205	95.66%
2005	2,143	2,059	96.08%	78	2,137	2,137	99.72%
2004	1,992	1,923	96.54%	-	1,923	1,923	96.54%
2003	1,870	1,749	93.53%	-	1,749	1,749	93.53%
2002	1,497	1,730	115.56%	-	1,730	1,730	115.56%
2001	1,355	1,257	92.77%	-	1,257	1,257	92.77%
2000	1,889	1,914	101.32%	-	1,914	1,914	101.32%

(1) Original amount levied.

Note: Property taxes for each fiscal year are levied during the prior calendar year. For example, fiscal year 2006 collections are levied in 2005.

SOURCE: Pierce County Assessor/Treasurer's Office

Schedule 10

CITY OF BONNEY LAKE

TAXABLE SALES BY CATEGORY

LAST TEN CALENDAR YEARS (1)

(amounts expressed in thousands/dollars)

	Calendar Year			
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Retail and Wholesale	\$ 3,926,295	\$ 5,729,481	\$ 7,919,463	\$ 9,195,921
Construction	1,974,066	2,216,331	3,190,387	4,648,028
Accommodation and Food	2,319,846	2,635,202	2,763,605	2,887,368
Services	746,368	747,376	749,302	994,849
Other	1,337,875	1,770,645	1,853,474	1,783,065
Total	\$ 10,304,450	\$ 13,099,035	\$ 16,476,231	\$ 19,509,231
City Direct Tax Rate (2)	8.5%	8.8%	8.8%	8.8%

	Calendar Year			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Retail and Wholesale	\$ 11,159,210	\$ 13,824,598	\$ 14,844,104	\$ 15,318,609
Construction	5,325,742	6,368,815	4,920,027	4,121,990
Accommodation and Food	3,226,406	3,583,017	3,771,891	3,916,238
Services	1,217,418	1,359,063	1,365,901	1,349,295
Other	2,309,762	2,415,917	2,672,912	2,568,456
Total	\$ 23,238,538	\$ 27,551,410	\$ 27,574,835	\$ 27,274,588
City Direct Tax Rate (2)	8.8%	8.8%	8.8%	8.8%

	Calendar Year <u>2009</u>
Retail and Wholesale	\$ 1,681,103
Construction	231,698
Accommodation and Food	453,522
Services	161,127
Other	283,546
Total	\$ 2,810,996
City Direct Tax Rate (2)	9.3%

(1) The City converted to GASB Statement No. 44 during 2005; historical information prior to 2001 is not available.

(2) The tax rate changed 07/01/2002 from 8.5% to 8.8%; The tax rate changed 04/01/2009 from 8.8% to 9.3%.

SOURCE: City of Bonney Lake sales tax data from the Department of Revenue.

Schedule 11

CITY OF BONNEY LAKE

DIRECT AND OVERLAPPING SALES TAX RATES

LAST TEN FISCAL YEARS

FISCAL YEAR	CITY DIRECT RATE	PIERCE COUNTY (1)
2009 (4)	9.3%	9.3%
2008	8.8%	8.8%
2007	8.8%	8.8%
2006	8.8%	8.8%
2005	8.8%	8.8%
2004	8.8%	8.8%
2003	8.8%	8.8%
2002 (2)	8.8%	8.8%
2001	8.5%	8.5%
2000 (3)	8.5%	8.5%

(1) Pierce County rate is for unincorporated

P.T.B.A. (Public Transportation Benefit Area)

(2) Rate changed from 8.5% to 8.8% July 1, 2002.

(3) Rate changed from 8.4% to 8.5% January 1, 2000.

(4) Rate changed from 8.8% to 9.3% April 1, 2009

SOURCE: Department of Revenue

Schedule 12

CITY OF BONNEY LAKE

SALES TAX COLLECTIONS BY SECTOR (1)
CURRENT YEAR AND TEN YEARS AGO

Major Industry Sector	1999 (2)			2009		
	TAX RECEIPTS	RANK	PERCENTAGE OF TOTAL	TAX RECEIPTS	RANK	PERCENTAGE OF TOTAL
Warehouse Clubs, Supercenters (#1)				\$ 400,498	1	14.2%
Warehouse Clubs, Supercenters (#2)	269,005	1	33.2%	205,602	2	7.3%
Home Center (#1)				198,020	3	7.0%
Discount Dept Store (#1)				187,721	4	6.7%
Home Center (#2)				109,889	5	3.9%
Supermarket or Other Grocery (#1)	72,531	2		56,973	6	2.0%
Discount Dept Store (#2)				50,044	7	1.8%
Supermarket or Other Grocery (#2)				40,764	8	1.5%
Construction of Buildings				37,231	9	1.3%
Tire Dealers				34,059	10	1.2%
General Merchandise Stores	26,369	3	3.3%			
Food Services, Drinking Places	17,517	4	2.2%			
Supermarket & Other Grocery (#3)	15,606	5	1.9%			
Pharmacies & Drug Stores	14,301	6	1.8%			
Automotive Parts & Accessories	12,195	7	1.5%			
Motion Picture Theaters	11,882	8	1.5%			
Full Service Restaurants	11,705	9	1.4%			
New Single-Family Housing Const	11,127	10	1.4%			
All Other	347,994		42.9%	1,490,192		53.0%
TOTAL RETAIL SALES TAX RECEIPTS	\$ 810,232		91.05%	\$ 2,810,993		100.00%

Source: City of Bonney Lake Sales Tax Data

(1) By State law, the City of Bonney Lake is prohibited from reporting individual sales tax payers.

(2) Effective March 2005, the Department of Revenue changed reporting retail sales tax industries from using the Standard Industrial Classification (SIC) code to use of the North American Industry Classification System (NAICS). Retail sales tax collections prior to the time of this change have not been adjusted.

Schedule 13

CITY OF BONNEY LAKE

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

(amounts expressed in thousands/dollars)

FISCAL YEAR ⁽²⁾	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal income ⁽¹⁾	Per Capita ⁽¹⁾
	General Obligation Bonds	Public Works Trust Fund Loans	Special Assessment Bonds	Other Long Term Debt	Water and Sewer Revenue Bonds	Public Works Trust Fund Loans	City of Tacoma Long-Term Debt				
2009	\$ 10,145	\$ 507	\$ -	\$ 1,612	\$ 4,340	\$ 20,386	\$ 2,773	\$ 39,763	0.00%	\$ 24	
2008	10,695	761	-	1,764	4,720	17,088	3,235	38,263	0.12%	20	
2007	11,260	750	-	-	5,115	19,152	3,697	39,974	0.14%	22	
2006	1,545	755	-	-	5,445	19,350	4,159	31,254	0.12%	18	
2005	1,815	11	-	-	5,745	17,604	4,621	29,796	0.13%	19	
2004	2,065	16	-	-	6,035	12,304	-	20,420	0.09%	12	
2003	2,310	22	55	5	6,310	10,922	-	19,624	0.09%	11	

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

(1) See the Schedule of Demographic and Economic Statistics (Schedule 18) for personal income and population data.

(2) The City converted to GASB Statement No. 34 during 2003; historical information prior to 2003 is not available.

SCHEDULE PENDING COMPLETION

Schedule 14

CITY OF BONNEY LAKE

RATIO OF GENERAL BONDED DEBT OUTSTANDING

BONDED DEBT PER CAPITA

LAST TEN FISCAL YEARS (1)

FISCAL YEAR	POPULATION	ASSESSED VALUE	GENERAL OBLIGATION BONDED DEBT	LESS DEBT SERVICES FUNDS	NET BONDED DEBT	RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
2009	16,500	\$ 2,230,609,725	\$ 10,145,000	\$ (355,305)	\$ 10,500,305	0.47%	\$ 636
2008	16,220	2,393,756,664	10,695,000	(1,013,564)	11,708,564	0.49%	722
2007	15,740	2,301,868,766	11,260,000	(364,198)	11,624,198	0.50%	739
2006	15,230	1,937,522,060	1,545,000	(362,563)	1,907,563	0.10%	125
2005	14,370	1,435,353,178	1,815,000	(360,000)	2,175,000	0.15%	151
2004	13,740	1,164,760,003	2,065,000	(361,325)	2,426,325	0.21%	177
2003	12,950	939,422,664	2,310,000	(367,485)	2,677,485	0.29%	207
2002	12,360	-	-	-	-	-	-
2001	9,980	-	-	-	-	-	-
2000	9,687	-	-	-	-	-	-

SOURCES: Population estimates were furnished by the State of Washington Office of Financial Management as of April 1 of each year, and Assessed Value is furnished by the Pierce County Assessor/Treasurer as of December 31 of each year.

(1) The City converted to GASB Statement No. 34 during 2003; historical information prior to 2003 is not available.

Schedule 15**CITY OF BONNEY LAKE****DIRECT AND OVERLAPPING GENERAL OBLIGATION DEBT**

December 31, 2009

	NET DEBT OUTSTANDING	TO BONNEY LAKE (1)	CITY SHARE OF DEBT
DIRECT DEBT:			
City of Bonney Lake	\$ 10,145,000	100.00%	\$ 10,145,000
OVERLAPPING DEBT:			
Pierce County	137,216,000	0.44%	603,750
Port of Tacoma	203,315,000	0.44%	894,586
East Pierce Fire District	195,000	5.22%	10,179
Auburn Fire District	19,370,000	0.21%	40,677
Dieringer School District #343 (2)	35,169,167	0.06%	21,102
White River School District #416 (2)	40,009,710	0.71%	284,069
Sumner School District #320 (2)	161,461,211	16.77%	27,077,045
Total Overlapping Debt	\$ 596,736,088		\$ 28,931,408
Total Direct and Overlapping Debt	\$ 606,881,088		\$ 39,076,408
2009 Population			16,500
Direct Debt Per Capita			\$ 615
Overlapping Debt Per Capita			\$ 1,753
Direct and Overlapping Debt Per Capita			\$ 2,368

(1) Applicable percentage is determined by calculation of overlapping boundaries through the application of GIS (Geographic Information Systems).

(2) School Districts utilize a September - August fiscal year. For purposes of this schedule, data is as of August 31, 2009 for school districts.

Sources: Pierce County Assessor/Treasurer, Pierce County Office of Budget and Finance, Port of Tacoma, WA State Auditors Office, outside agencies.

Schedule 16

CITY OF BONNEY LAKE

COMPUTATION OF LEGAL DEBT MARGIN (1)

As of December 31, 2009

(amounts expressed in thousands/dollars)

TOTAL ASSESSED PROPERTY VALUE	\$ 2,230,609,725			
Debt Requirements	General Purpose Council Approved	General Purpose Voter Approved	Parks and Open Space Voter Approved	Utility Purposes Voter Approved
Legal limit (1.5%) of Assessed Property Values	\$ 33,459,146	\$ -	\$ -	\$ -
Legal Limit (1.0%) of Assessed Property Values		22,306,097		
Legal limit (2.5%) of Assessed Property Values	-	-	55,765,243	55,765,243
Outstanding Debt		-		
Council Approved General Obligation Debt	9,480,000	-	-	-
Voter Approved Outstanding Bonds	-	665,000	-	4,340,000
Total Outstanding Debt	9,480,000	665,000	-	4,340,000
Available Assets	-	-	-	-
Remaining Debt Capacity	\$ 23,979,146	\$ 21,641,097	\$ 55,765,243	\$ 51,425,243

(1) Under state law, the City of Bonney Lake's total indebtedness for general purposes with or without a vote cannot exceed 2.5% percent of the value of taxable property. Indebtedness for utility or open space, park, and capital facilities associated with economic development purposes with a vote may exceed 2.5% of the value of taxable property (up to 5%). Any excess will proportionately reduce the margin still available for general purposes.

Schedule 17

CITY OF BONNEY LAKE

REVENUE BOND COVERAGE FOR UTILITY BONDS

LAST TEN FISCAL YEARS (1)

FISCAL YEAR	INCOME AVAILABLE FOR DEBT SERVICE CALCULATION	ANNUAL DEBT SERVICE REQUIRED		TOTAL DEBT SERVICE	REVENUE BOND COVERAGE (2)
		PRINCIPAL	INTEREST		
		2009	\$ 845,117		
2008	523,080	395,000	371,059	766,059	0.68
2007	3,615,458	320,000	295,638	615,638	5.87
2006	7,315,395	300,000	310,128	610,128	11.99
2005	7,923,765	290,000	323,873	613,873	12.91
2004	10,237,049	275,000	336,660	611,660	16.74
2003	7,307,206	265,000	348,718	613,718	11.91
2002	-	-	-	-	-
2001	-	-	-	-	-
2000	-	-	-	-	-

(1) The City converted to GASB Statement No. 34 during 2003; historical information prior to 2003 is not available.

(2) Current Bond Coverage Requirement is 1.25.

Schedule 18**CITY OF BONNEY LAKE**

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN CALENDAR YEARS

Calendar Year	Population	Personal Income (Thousands) (2)	Per Capita Personal Income (2)	School Enrollment	Unemployment Rate (1)
2009	16,500	\$ -	\$ -	2,837	9.20%
2008	16,220	31,046,350	1,914	2,848	5.70%
2007	15,740	28,949,941	1,839	2,919	4.70%
2006	15,230	27,149,797	1,783	2,928	5.10%
2005	14,370	22,693,937	1,579	1,524	5.90%
2004	13,740	23,273,083	1,694	1,641	7.00%
2003	12,950	22,131,368	1,709	1,619	8.20%
2002	12,360	21,502,845	1,740	1,661	8.00%
2001	9,980	20,702,070	2,074	1,676	6.50%
2000	9,687	19,416,742	2,004	1,698	5.00%

(1) Pierce County average

(2) Personal Income and Per Capita Income based on data for Pierce County

SCHEDULE PENDING COMPLETION

Sources: Washington State Office of Financial Management, Sumner School District,
Washington State Employment Security, Puget Sound Economic Forecaster
U.S. Department of Commerce (Bureau of Economic Analysis)
2006-2007 Pierce County Economic Index Report, Tacoma-Pierce County Chamber

Schedule 19

CITY OF BONNEY LAKE

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO (1)

EMPLOYER	1999			2009		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
Sumner School Dist #320				455	1	24.1%
Wal-Mart Inc #5041			0.0%	322	2	17.1%
Fred Meyer Stores Inc	51	2	12.0%	206	3	10.9%
Target Corporation (2)			0.0%	200	4	10.6%
Lowe's Home Centers			0.0%	158	5	8.4%
City of Bonney Lake			0.0%	141	6	7.5%
East Pierce Fire & Rescue			0.0%	120	7	6.4%
New Albertson's Inc #495			0.0%	100	8	5.3%
Home Depot Inc #8562			0.0%	100	9	5.3%
Safeway Inc #544	138	1	32.5%	85	10	4.5%
John L. Scott Real Estate	45	3	10.6%			
Burger King #6935	34	4	8.0%			
Wendy's International	32	5	7.5%			
Taco Bell #4476	25	6	5.9%			
Dairy Queen	25	7	5.9%			
New Peking Restaurant	25	8	5.9%			
Regel Cinemas Inc dba Tall Firs	25	9	5.9%			
McDonald's of Bonney Lake	25	10	5.9%			
TOTAL	425		100%	1,887		100%

(1) Note: The City implemented GASB Statement No. 44 during 2005.

(2) Estimated

Sources: City of BONNEY LAKE Business Licenses; Dun & Bradstreet

Schedule 20

CITY OF BONNEY LAKE

FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS (1)

FUNCTION/PROGRAM	Full-Time-Equivalent (FTE) Employees					
	2000	2001	2002	2003	2004	
Governmental Activities						
General Government						24
Judicial						5
Public Safety						29
Physical Environment/Transportation						11
Economic Environment						12
Culture and Recreation						1
Health and Human Services						4
Business-Type Activities						
Utilities, ER&R						23
Total	-	-	-	-	109	

FUNCTION/PROGRAM	Full-Time-Equivalent (FTE) Employees				
	2005	2006	2007	2008	2009
Governmental Activities					
General Government	24	25	26	27	27
Judicial	5	5	6	6	6
Public Safety	30	35	36	37	37
Physical Environment/Transportation	12	12	12	12	12
Economic Environment	12	13	13	15	15
Culture and Recreation	1	6	7	7	7
Health and Human Services	4	4	5	5	5
Business-Type Activities					
Utilities, ER&R	28	28	30	32	32
Total	116	128	135	141	141

(1) Note: The City implemented GASB Statement No. 44 during 2005. Historical data prior to 2004 is not readily available.

Schedule 21**CITY OF BONNEY LAKE**

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST SEVEN FISCAL YEARS (1)

FUNCTION/PROGRAM	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Police</u>							
Calls for Service	-	16,310	16,837	19,641	19,761	20,934	-
Police Reports	-	3,131	3,198	3,601	3,256	3,475	-
Citations/Infractions	-	4,095	4,386	5,138	5,909	6,191	-
DUI	-	113	105	147	150	156	-
Uniform Crime Reporting (UCR) Crimes	-	718	787	775	649	624	-
<u>Public Works - Street Division</u>							
Chip Seal (miles)	2	3	6	6	5	5	5
Overlay (miles)	1	0	3	1	0	0	0
<u>Water/Sewer Utility</u>							
Water - New Installations	483	636	545	471	339	249	-
Waterlines-Miles	165	172	185	192	198	201	-
Water - Connections	9,671	10,307	10,852	11,323	11,621	11,865	-
Water - Pumped per year (billions of gallons)	1.13	1.15	1.16	1.30	1.22	1.28	-
Sewer - New Installations	-	219	300	299	456	146	-
Sewer - Connections	3,909	4,128	4,428	4,727	5,183	5,329	-
<u>Parks</u>							
Boat Launch Permits Issued	1,880	1,895	1,770	2,224	2,725	3,677	-

(1) Data for prior years provided where available

Source(s): City Departments

SCHEDULE PENDING COMPLETION

Schedule 22

CITY OF BONNEY LAKE

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST SEVEN FISCAL YEARS

FUNCTION/PROGRAM	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Government							
Administrative Buildings							
Police							
Stations	1	1	1	1	1	1	1
Patrol Units	22	25	26	27	27	31	31
Public Works							
Paved Centerline Miles	60	60	62	67	73	74	74
Paved Lane Miles	120	120	125	133	148	157	157
Unpaved Centerline Miles	1	1	1	1	1	1	1
Street Identification Signs	291	291	307	411	455	447	821
Traffic Control Signs	691	691	814	977	1,266	1,406	1,478
Traffic Signals	1	2	3	4	4	4	5
Water/Sewer Utility							
Water Lines (miles)	165	172	185	192	198	201	199
PRV Stations	7	13	18	27	27	27	26
Booster Pump Stations	2	2	3	4	4	5	5
Reservoirs	4	4	4	4	5	5	5
Sewer Mains (miles)	61	61	71	72	72	75	75
Sewer Pump Stations	17	18	20	21	22	22	22
Sewer Grinder Pumps	90	90	90	90	87	87	87
Stormwater Utility							
Storm Sewers (miles)	17	17	19	23	30	32	32
Detention/Infiltration Ponds	25	25	31	38	44	46	48
Catch Basins/Inlets	928	929	1,053	1,241	1,423	1,522	1,583
Ditches (miles)	75	75	77	79	87	85	85
Park Facilities							
Acreage							
Allan Yorke Park (plus boat launch)	21.50	21.50	21.50	21.50	21.50	21.50	21.50
Ballfield #4 and parking area	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Allan Yorke Park Expansion	0.00	12.50	12.50	12.50	12.50	12.50	13.26
Ken Simmons formerly 'Lake Bonney' Park	1.30	1.30	1.30	1.30	1.30	1.30	1.30
Senior Center	1.20	1.20	1.20	1.20	1.20	1.20	1.20
Cedarview	4.60	4.60	4.60	4.60	4.60	4.60	4.60
Viking Park adjacent to Bonney Lake Elementary	0.00	2.75	2.75	2.75	2.75	2.75	3.70
Madrona Park					0.37	0.37	0.37
Fennel Creek Trail							13.84
Safe Routes Trail							37.99
Garden Meadows							0.92
Crystal Meadows Wetland							0.53
Total Acreage	33.60	48.85	48.85	48.85	49.22	49.22	104.21
# Parks	3	3	3	3	4	4	4
Docks - Boat Launch	4	4	4	4	4	4	4
Dock - Swimming	1	1	1	1	1	1	1
Senior Center	1	1	1	1	1	1	1
Other Equipment	100	113	139	159	172	175	177

Schedule 23

CITY OF BONNEY LAKE

CONSTRUCTION AND PROPERTY VALUES

LAST TEN FISCAL YEARS (1)

FISCAL YEAR	COMMERCIAL CONSTRUCTION		RESIDENTIAL AND MULTIPLE DWELLING CONSTRUCTION		TOTAL CONSTRUCTION (2)	
	NUMBER OF PERMITS	VALUE	NUMBER OF PERMITS	VALUE	NUMBER OF PERMITS	VALUE
2009	3	\$ 1,077,550	56	\$ 11,967,546	59	\$ 13,045,095
2008	4	714,099	106	25,863,073	110	26,577,173
2007	10	17,649,342	233	53,636,574	243	71,285,916
2006	2	1,023,281	273	61,536,916	275	62,560,197
2005	9	11,753,326	205	43,881,895	214	55,635,221
2004	5	8,220,823	222	41,180,083	227	49,400,906
2003	5	945,446	321	56,196,741	326	57,142,187
2002	8	11,071,613	341	48,254,454	349	59,326,067
2001	3	1,105,880	303	37,080,884	306	38,186,764
2000	0	-	0	-	0	-

(1) Data unavailable for 1999 - 2000

(2) Does not include alterations, garages, mechanical, or signs.

Source: City of Bonney Lake Development Services Department - Building Division

City of Bonney Lake
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2009

NOTE 1 BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the grant activity of the City of Bonney Lake and is presented on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when incurred.

NOTE 2 PROGRAM COSTS

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

NOTE 3 NON-CASH AWARDS – EQUIPMENT

The amount of equipment reported on the schedule is the value of specialized law enforcement protective equipment distributed by the Seattle Police Department and Pierce County. The Department of Homeland Security is the originating funding agency.

MCAG #0567

CITY OF BONNEY LAKE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For Year Ending December 31, 2009

GRANTOR/ PASS THROUGH GRANTOR PROGRAM TITLE	DIRECT/ INDIRECT	FEDERAL CFDA NUMBER	OTHER IDENTIFICATION NUMBER	EXPENDITURES			NOTE REFERENCE
				PASS-THROUGH AWARDS	DIRECT AWARDS	TOTAL	
U.S. DEPT. OF JUSTICE:							
<i>WA State, Dept. of Commerce</i>							
ARRA - Gang Enforcement Initiative Program	INDIRECT	16.803	F09-34721-408A	\$ 52,518	\$ -	\$ 52,518	
<i>Pierce County</i>							
ARRA - Edward Byrne Memorial Justice Assistance Grant (TNET)	INDIRECT	16.803	-	25,840	-	25,840	
			Total CFDA 16.803	<u>78,358</u>	<u>-</u>	<u>78,358</u>	
<i>Bureau of Justice Assistance</i>							
ARRA - Edward Byrne Memorial Justice Assistance Grant	DIRECT	16.804	2009-SB-B9-1259	-	26,268	26,268	
<i>Pierce County</i>							
Edward Byrne Memorial Justice Assistance Grant (DEA)	INDIRECT	16.579	-	17,488	-	17,488	
<i>Pierce County</i>							
Edward Byrne Memorial Justice Assistance Grant (TNET)	INDIRECT	16.738	-	13,993	-	13,993	
TOTAL U.S. DEPT. OF JUSTICE				109,839	26,268	136,107	
U.S. DEPT. OF TRANSPORTATION:							
<i>WA State, Traffic Safety Commission</i>							
Nighttime Seatbelt Emphasis	INDIRECT	20.000	-	3,311	-	3,311	
<i>WA State, Dept of Transportation</i>							
Sidewalk Extension & Safety Education Program (Fennel Creek Trail & 192nd Sidewalks)	INDIRECT	20.205	SRTS-PB-3161(002)	185,784	-	185,784	
Hazard Elimination Safety Grant (SR410/OldBuckley Highway)	INDIRECT	20.205	STPH-0410(047)	47,444	-	47,444	
			Total CFDA 20.205	<u>233,228</u>	<u>-</u>	<u>233,228</u>	
<i>WA State, Traffic Safety Commission</i>							
SECTOR Equipment Grant	INDIRECT	20.600	WASPC2010	1,829	-	1,829	3
Speed Emphasis Patrol	INDIRECT	20.600	-	924	-	924	
			Total CDFA 20.600	<u>2,753</u>	<u>-</u>	<u>2,753</u>	
<i>WA State, Traffic Safety Commission</i>							
Party Intervention Patrol	INDIRECT	20.601	-	3,119	-	3,119	
DUI Emphasis Patrol	INDIRECT	20.601	-	8,736	-	8,736	
			Total CFDA 20.601	<u>11,855</u>	<u>-</u>	<u>11,855</u>	
TOTAL U.S. DEPT. OF TRANSPORTATION				251,147	-	251,147	
U.S. DEPT. OF HOMELAND SECURITY							
<i>WA State, Parks and Recreation Commission</i>							
Boating Safety Program- Financial Assistance	INDIRECT	97.012	A31976	15,561	-	15,561	
Boating Safety Program- Financial Assistance	INDIRECT	97.012	2009-57	3,691	-	3,691	
Boating Safety Program- Financial Assistance	INDIRECT	97.012	2009-57	6,316	-	6,316	
TOTAL U.S. DEPT OF HOMELAND SECURITY				25,568	-	25,568	
TOTAL FEDERAL ASSISTANCE				\$ 386,554	\$ 26,268	\$ 412,822	

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

MCAG #0567
CITY OF BONNEY LAKE
 SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE
 For Year Ending December 31, 2009

GRANTOR/ PASS THROUGH GRANTOR PROGRAM TITLE	IDENTIFICATION NUMBER	CURRENT YEAR EXPENDITURES
WA STATE, ADMINISTRATIVE OFFICE OF THE COURTS		
AOC Information Technology Primary Purchase Agreement (ITPPA)	IAA05857	\$ 4,806
WA STATE, ASSOCIATION OF SHERIFFS & POLICE CHIEFS		
WA Auto Theft Prevention Authority (pass-through from Auburn Police Department)	08-WATPA-001	46,428
WA Auto Theft Prevention Authority (pass-through from Auburn Police Department)	09-GG-WATPA	47,606
		<u>94,034</u>
WA STATE, DEPARTMENT OF COMMERCE		
Tacoma Regional Task Force (TNET)	n/a	<u>3,100</u>
WA STATE DEPARTMENT OF ECOLOGY:		
Comprehensive Shoreline Master Program Update	G1000016	<u>6,241</u>
WA STATE, SECRETARY OF STATE, ARCHIVES		
Local Records - Division of Archives & Records Management	07PS048e	<u>1,445</u>
WA STATE, WASHINGTON TRAFFIC SAFETY COMMISSION		
Traffic Safety School Zone Grant	n/a	<u>1,096</u>
WA STATE, DEPARTMENT OF TRANSPORTATION		
Transportation Improvement Board Urban Sidewalk Program	P-P-136(P02)-1	<u>19,399</u>
	TOTAL STATE ASSISTANCE	<u>130,121</u>
ASSOCIATION OF WASHINGTON CITIES		
Association of WA Cities - Health Promotion	n/a	443
Association of WA Cities - Wellness Incentive	n/a	1,880
		<u>2,323</u>
MUCKLESHOOT CASINO		
Muckleshoot Charitable Fund- Kids Club Award	n/a	<u>2,933</u>
PIERCE COUNTY		
Pierce County Human Services- Produce Grant	n/a	2,467
Pierce County- Special Projects HDOC -Historical Markers	66195	17,530
		<u>19,997</u>
CITY OF PUYALLUP		
800MHz Contribution- Radio Equipment Contribution	n/a	25,000
800MHz Contribution-Contract Cost Contribution	n/a	30,000
		<u>55,000</u>
	TOTAL LOCAL ASSISTANCE	<u>80,253</u>
	TOTAL STATE AND LOCAL ASSISTANCE	<u>\$ 210,374</u>

Notes to Schedule of Expenditures of Local Awards:

Basis of accounting - The schedule of expenditures of federal awards is prepared on the same basis of accounting as the City's financial statements. The accrual basis of accounting is used for all funds except for the governmental funds which use the modified accrual basis of accounting.

Expenditures - The amounts shown as current expenditures represent only the state/local portion of program costs. Actual program costs, including the City's portion, may be more than shown.

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