City of Redmond
WASHINGTON

City of Redmond, Washington

Comprehensive Annual Financial Report

For the fiscal year ended December 31, 2012

2012

VISION

Work together to realize Redmond's future as a city with two vibrant urban centers, improve connections to our neighbors, and provide high quality, responsive services in partnership with an engaged community.

City of Redmond
WASHINGTON

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CITY OF REDMOND, WASHINGTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

PREPARED BY THE FINANCE DEPARTMENT

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City of Redmond, Washington
Comprehensive Annual Financial Report
For the Year Ended December 31, 2012

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ELECTED OFFICIALS

MAYOR
JOHN MARCHIONE

CITY COUNCIL

TOM FLYNN

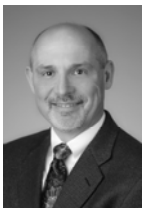
JOHN P. (PAT) VACHÉ
PRESIDENT

KIMBERLY ALLEN

HANK MYERS

DAYLE (HANK) MARGESON
VICE PRESIDENT

DAVID CARSON



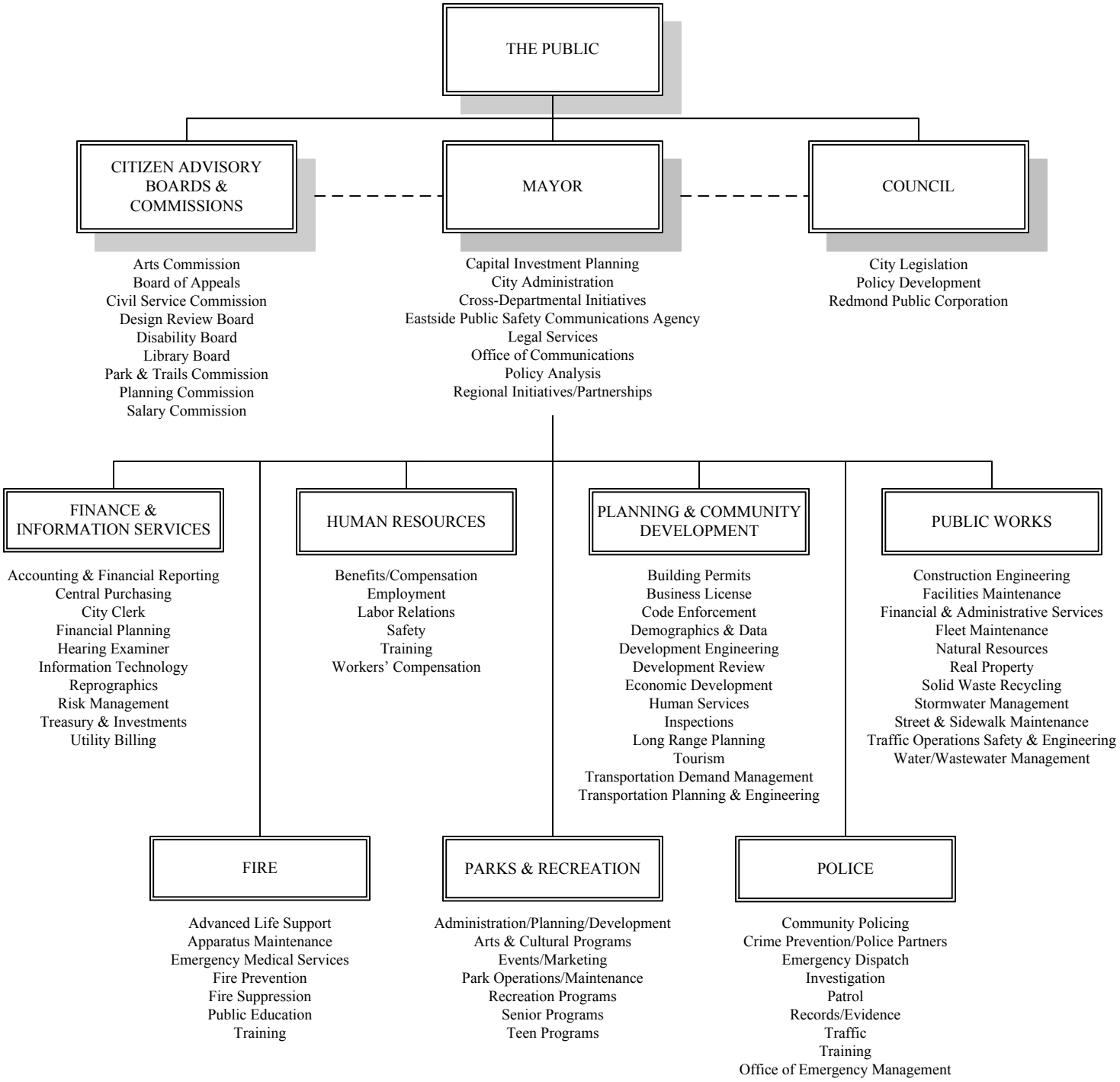
JOHN STILIN

EXECUTIVE STAFF & LEGAL COUNSEL

DEPUTY CITY ADMINISTRATOR	JANE CHRISTENSON
FINANCE & INFORMATION SERVICES DIRECTOR	MICHAEL E. BAILEY
FIRE CHIEF	KEVIN DONNELLY
HUMAN RESOURCES DIRECTOR	KERRY SIEVERS
PARKS & RECREATION DIRECTOR	CRAIG LARSEN
PLANNING & COMMUNITY DEVELOPMENT DIRECTOR	ROB ODLE
POLICE CHIEF	RON GIBSON
PUBLIC WORKS DIRECTOR – JANUARY – APRIL	WILLIAM CAMPBELL
PUBLIC WORKS DIRECTOR – MAY - DECEMBER	TIM FULLER
CITY ATTORNEY	OGDEN MURPHY WALLACE
BOND ATTORNEY	PACIFICA LAW GROUP
PROSECUTOR	LARRY MITCHELL

ORGANIZATIONAL STRUCTURE

CITY OF REDMOND



June 28, 2013

Mayor Marchione,
The Redmond City Council, and
Citizens of Redmond, Washington:

I am pleased to provide the Comprehensive Annual Financial Report of the City of Redmond for the fiscal year ended December 31, 2012. This report is published annually as the official annual financial report and complies with State law (RCW 43.09.230) requiring annual reports for Washington municipal governments to be certified and filed with the Washington State Auditor's Office.

As management for the City, we are responsible for both the accuracy of the data, and the completeness and fairness of the presentation, including all related disclosures. The City operates under a system of accounting internal controls that are concerned with the safeguarding of assets and the reliability of financial records. The definition of accounting control assumes reasonable, but not absolute, assurance that the objectives expressed in it will be accomplished by the system. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits expected to be derived.

Cities and counties of the State of Washington use the Budgeting, Accounting and Reporting System (BARS) developed and prescribed by the Office of the State Auditor. State law provides for an annual independent audit to be conducted by the Office of the State Auditor. This report includes the auditor's opinion with respect to the city's financial statements.

Generally Accepted Accounting Principles (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 the MD&A and should be read in conjunction with it. The City of Redmond's MD&A can be found immediately following the independent auditor's report.

Profile of the Government

Incorporated in 1912, Redmond is the nineteenth largest city in the state of Washington encompassing an area of 17.14 square miles east of downtown Seattle on the east side of Lake Washington. Redmond has grown from a population of 1,453 in 1960 to a 2012 population of 55,360.

Redmond is a non-charter code city, operating under Section 35A of the Revised Code of Washington. It has a Mayor/Council form of government. The Mayor and the seven member City Council are elected for staggered four-year terms and are elected at-large. Members of the City Council are responsible for establishing the general direction and policies for the City and for providing the resources necessary to carry out those policies. As the City's chief administrator, the Mayor is responsible for carrying out the policy and direction set by the City Council. This includes the enforcement of laws and ordinances, the execution of contracts and agreements, and maintenance of peace and order in the City.

The City of Redmond provides a full range of municipal services, including police and fire, emergency medical services, planning and zoning, street maintenance and construction, parks and recreation, and general administrative services. The City operates enterprise funds for water and wastewater services and stormwater management.

This report includes all funds, agencies, and boards and commissions that are controlled by, or dependent on, the City's executive and legislative departments. Included as part of the reporting entity are the Redmond Public Corporation and Redmond Community Properties. Additional information on these entities can be found in the Notes to the Financial Statements.

The City prepares a biennial budget on the modified accrual basis in accordance with the Revised Code of Washington (RCW) 35A.34. Biennial budgets must be adopted by the City Council prior to the first of each odd-numbered calendar year. Reviews are conducted at mid-biennium and any changes for the second half of the biennium are adopted by the City Council.

The biennial budget serves as the foundation for the City of Redmond's financial planning and control. The budget is prepared by fund and department. A budget increase or decrease to a fund must be authorized by the City Council. Appropriation changes within a fund may be authorized by the Mayor.

Local Economy

Redmond has evolved from a small town with logging and farming as its chief industries into a city of very diverse industries. Led by a significant technology industry, the local economy also includes light manufacturing, business parks, and a large outdoor mall adjacent to the downtown retail core. The largest employer in Redmond is Microsoft which has its world headquarters and about 32,514 employees located in the City. Other significant employers in our city include Terex (formerly Genie Industries) (1,613 employees), AT&T Mobility (1,584 employees), Volt Technical Resources (975 employees), Honeywell (685 employees) and Nintendo of America (615 employees).

Redmond's economy experienced significant growth in 2007 and 2008. Sales tax revenues, employment growth, and development activity all increased through most of 2008. The City's assessed valuation of property grew by almost $3 billion from 2007 to 2008. Much of the employment growth in Redmond over the last decade or so has been led by Microsoft and the technology sector. Development activity within Redmond is also related to the technology sector with Microsoft investing $1 billion by adding several new buildings with 3.1 million square feet of office space in 2007 and 2008. Nintendo has also replaced and expanded its US headquarters within the City with three new office buildings as well. The jobs related to this development and others like it have helped to create needs for housing and other support industries. These have propelled the Redmond economy in the past. Late in 2008 Redmond began to see signs of the economic decline that had already begun to be felt by the state and nation. Development related revenues, employment and economic activity in the Puget Sound region began to decline significantly over the next year. With unemployment in the Seattle metro area being just 3.5% as recently as 2007, it was 8.5% as of 2011. The good news is that the economy has since shown signs of a healthy recovery. Unemployment in King County is currently 4.4%, a dramatic improvement from just a year ago. The housing and other markets are also showing signs of recovery.

Several significant projects in the downtown area have included large condominium and rental unit developments, new medical facilities, a new hotel and a new transit oriented multi-use design development that combines residential, commercial and a downtown transit center. The city is continuing to make major investments in roadways, utility infrastructure and parks facilities in pursuit of the transformation of its two urban centers (the historic downtown and the "Overlake" area (which is the primary location of technology firms). The City's continued commitment to investing in its capital assets continued during the economic downturn with an increase in capital assets of over $56.1 million in 2012 alone.

Long-term Financial Planning and Relevant Financial Policies

In line with the City's financial policy to maintain a diversified and stable revenue system, the financial strategy called for increases in four revenue sources. Three of these revenue sources, utility tax rate, business license fees, and developer fees, were increased by Council vote in 2006. In 2007 voters approved three Levy Lid Lifts to provide additional revenue in 2008. The Fire Levy provides additional firefighters to support fire and aid car operations at the Overlake Fire Station and the North Redmond Fire Station; the Police Levy provides additional police personnel to support police operations and programs; and the Park Levy provides operation and maintenance of park facilities and programs.

Beginning early in 2008, the Mayor and Council initiated a "Budgeting by Priorities" process. This process helped to align community priorities with efficient delivery of city services through the development of the 2009/2010 biennium budget. It

also includes indicators to gauge the degree of success in addressing the community priorities with city resources. This process has been used since that time, including for the the 2011/2012 budget as well as the 2013/2014 bienniums.

City financial policies restricts the use of borrowed funds to capital improvements that can't be financed from current revenues. Debt is not used for current operations. The City issued bonds in 2008 for significant transportation improvements to support development in the downtown and to improve its utility systems. The City again issued bonds to finance acquisition of park land in the downtown in early 2011. More about city bonds and debt can be found in the Notes to the financial statement in this report.

To ensure the City keeps abreast of and incorporates economic conditions into its financial plans, revenues are projected for the next six years and the forecast is updated annually (and available on the city's website). Operating expenses are supported by ongoing revenues per City policy. Short-term financial planning is inherent in the development of the City's biennial budget. In addition, the City's long-term capital needs and potential funding sources are assessed as part of its "Capital Investment Strategy". In this effort the city forecasts capital needs consistent with its vision and it comprehensive land use plan through the year 2030.

Major Initiatives

The City continues its tradition of significant investments in capital facilities needed to provide services to our community. Investments in general government capital facilities amounted to over $17.7 million in 2012. Projects completed in 2012 ranged from completion of a new fire station to serve a growing residential area to roadway construction and significant park improvements. Land acquisition of a park in the city's "downtown" was completed in 2012 as well. Investments in capital assets of the city's utilities amounted to $13.3 million in 2012 and included investments in regional surface water facilities and other amenities.

The city continues to build community connections in a variety of ways. This was especially true of 2011, the city's centennial year. The centennial celebration included such community based activities as arts walks, history walks and expansion of ongoing events. The centennial events were capped off with a community bon-fire held at the municipal campus on December 30th and attended by over 2,000 residents. Two ongoing community events were again featured and expanded in 2012, Derby Days and Redmond Lights. Derby Days, held in mid-July, celebrates the 4th of July holiday and Redmond's bicycling heritage. The second event, Redmond Lights is the City's annual year-end holiday celebration, running from early December through early January. The city also began to see widespread use of its newest (and growing) park attraction – the downtown park. Though the park is not "developed" into more than a nice lawn at this point, that did not stop the growing downtown residential community from enjoying events staged in this new space.

Another growing and significant community based activity is the city's "National Night Out" (against crime). This neighborhood based event started in many communities as a way to connect public safety services to like-minded residents. While this event has faded from the national attention it once got, in Redmond it has continued to grow into a significant point of connection between the city, its neighborhoods and amoung the neighbors themselves.

Lastly, this annual financial report is prepared with significant changes within the financial management tools of the city. First, the city reevaluated its method for reporting expenditures by function. As a result, this report more accurately depicts the nature of city expenditures which results in some differences in comparison to past reports. An example is the costs associated with housing police activities. In past reports this would be classified as a facilities expense where this report will reflect it as a function of its public safety purpose. Secondly, the city implemented a new financial management system in 2011. This system, Microsoft's Dynamics AX 2012 for the public sector, is a brand new product from Microsoft (which is headquartered in Redmond). The city partnered with Micosoft in the development of this very sophisticated set of tools and implemented numerous integrations with other related technologies in the city. The system was implemented on July 5, 2011 using a "pre-release" version of the product. Prior to year-end the city converted this product to the market release version and is current with regard to updates to the product. These types of projects are always challenging however this product was brand new and our field testing of it identified issues which needed to be resolved. Those issues were resolved and we have successfully used the product now for almost two years. We first reported on this in last year's annual report

which was completed later than usual due to this project. We are pleased to report that this year's report was able to be completed earlier than usual – again, as a result of this project. The progress made in the city's ability to manage its finances in a timely, efficient and accurate manner have been significant. We appreciate the efforts of Microsoft and Tyler Technologies (the implementation partner) in making this system a great platform for anticipated future innovations.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Redmond for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2010. That marked the twenty-fifth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. In addition, the report must be published within a prescribed timeline which the 2011 report was unable to achieve (as described in the paragraph above). We did not submit the 2011 report for this award as the new financial system referred to above has resulted in taking more time in preparing the report. We will submit this 2012 report to GFOA for their consideration of renewing the City's long and strong tradition of attaining this highest recognition for financial reporting in the local government sector.

The preparation of the Comprehensive Annual Financial Report could not have been accomplished without the efforts and dedication of City staff. This continues to be true in light of the new financial sytem. I am very proud of those who have dedicated numerous hours of service to the community in this effort. I would like to express my appreciation to the staff, including personnel from various departments and agencies who assisted in its preparation. Also, I would like to thank the Mayor and the City Council for their continued interest and support in planning and conducting the financial operations of the City in a dedicated and responsible manner.

Respectfully submitted,

Michael E. Bailey, CPA
Finance Director

Washington State Auditor
Troy Kelley

INDEPENDENT AUDITOR'S REPORT

June 28, 2013

Council
City of Redmond
Redmond, Washington

REPORT ON FINANCIAL STATEMENTS

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 Redmond, King County, Washington, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Matters of Emphasis

As described in Note 1, during the year ended December 31, 2012, the City has implemented the Governmental Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 9, budgetary comparison information on page 63 and page 64, information on postemployment benefits other than pensions on pages 62 and pension trust fund information on pages 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The accompanying information listed as combining financial statements and Combining Individual Fund Statements and Schedules on pages 66 through 102 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to

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

The information identified in the table of contents as the Introductory and Statistical sections 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 do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 28, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,

TROY KELLEY
STATE AUDITOR

Management's Discussion And Analysis

The management discussion and analysis section of the City of Redmond's Comprehensive Annual Financial Report provides an overview of the City's financial activities for the year ending December 31, 2012, and for the City's financial position at December 31, 2012. This information should be read in conjunction with the preceding letter of transmittal and the financial statements and notes to the financial statements that follow. Particular attention should be paid to the discussion regarding the City's implementation of GASB's Statement 54 which occurred in 2011.

Financial Highlights

- Net position, the amount by which total assets exceed total liabilities, equaled $685,376,330 at the end of 2012. The City's net position increased by $25,014,930 or 3.78% in 2012. Governmental activities had a increase of $8,566,168 or 2.43% from 2011. The increase is predominantly due to an increase in grant revenue of $2,945,253 or 90.00% with transportation projects showing the largest increase. There was also increase in charges for services of $3,667,168 or 10.70% primarily in economic environment. Business-Type activities had an increase of $16,448,762 or 5.33% from 2011 which is largely attributed to increased grant revenues of $3,640,914 or 52.00%. .

- Of the remaining net position, $32,127,404 and $51,425,779 are restricted and unrestricted, respectively, for Governmental Activities. A major component of the legally restricted portion is for capital projects, which account for $12,005,233 or 33.82% of total restricted net position citywide compared to $18,565,237 or 56.29% in 2011. Business-type activities show $3,366,947 and $57,802,105 restricted and unrestricted respectively. The restricted portion is related to the bond reserve fund and the rate stabilization fund.

- Governmental fund balances at year-end were $76,118,254 a decrease of $1,595,678 from the prior year. The City experienced a decrease in cash and investments of $5,725,141 and also had an increase in total liabilities of $657,790. The City saw an increase of $871,588, $11,471,854 and $947,543 in unassigned, assigned and restricted fund balances respectively in the General Fund. Other legally restricted or committed by City policy fund balances are $6,596,111, $310,856 and $9,867,809 for special revenue, debt service, and capital improvement projects (CIP) fund purposes, respectively.

Budget Adjustments

The difference between the original budget and final budget for the general fund for the biennium 2011-2012 totaled an increase of $3,838,509 in revenues and $13,288,312 in expenditures which accounts for a budgetary decrease of $9,499,803 of total net position of the City. The result is to reduce the anticipated excess of revenues over expenditures from $12,705,625 to $3,255,822. These adjustments included an increase in the biennial budgets for transportation and parks maintenance and capital projects, as well as economic development. The adjustments occurred as part of the city's transition to comply with GASB Statement 54 as described in full detail in the notes to the financial statements in the 2011 Comprehensive Annual Financial Report.

Overview of the Financial Statements

The City's basic financial statements are presented in three parts: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. Other supplementary information in addition to the basic financial statements is also contained in this report. This section of the management's discussion and analysis is intended to introduce and explain the basic financial statements.

Government-wide financial statements

The government-wide financial statements are designed to give the reader a picture of the financial condition and activities of the City as a whole. This broad overview is similar to the financial reporting of private sector businesses. The government-wide financial statements have separate columns for governmental activities and business-type activities. Governmental activities of the City include general government (finance, executive and human resources), security (police and fire), physical environment, economic environment, transportation, mental/physical health, and culture and recreation. The City's business-type activities are limited to water/wastewater and stormwater utilities. Governmental activities are primarily supported by taxes, charges for services, and grants. Business-type activities are primarily self-supporting through user fees and charges.

The Statement of Net Position presents information on all of the City of Redmond's assets and liabilities, highlighting the difference between the two as net position. This statement is similar to the balance sheet of a private sector business. Over time, increases or decreases in net position may be one indicator of improvement or deterioration in the City's overall financial health.

The Statement of Activities presents information designed to show how the City's net position changed during the year. This statement distinguishes revenue generated by specific functions from revenue provided by taxes and other sources not related to a specific function. The revenue generated by the specific functions (charges for services, grants, and contributions) is compared to the expenses for those functions to show the degree to which each function supports itself or relies on taxes and other general funding sources for support. All activity on this statement is reported on the accrual basis of accounting, requiring that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of when cash is received or disbursed. Items such as (but not limited to) uncollected taxes, unpaid vendor invoices for goods or services received during the year, and earned but unused vacation leave are included in the statement of activities as revenue and expenses even though no cash has changed hands.

Fund Financial Statements

The annual financial report includes fund financial statements in addition to the government-wide financial statements. While the government-wide statements present the City's finances based on the type of activity, general government versus business-type, the fund financial statements are presented by fund type such as the general fund, special revenue funds, and proprietary funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. Funds are often set up in accordance with special regulations, restrictions or limitations. The City of Redmond, like other state and local governments, uses fund accounting to ensure and show compliance with finance-related legal requirements. The City's funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions as are reported as governmental activities in the government-wide financial statements. These reports use a different "basis of accounting" than that used in government-wide financial statements. The governmental fund statements focus on near-term revenues/financial resources and expenditures while the government-wide financial statements include both near-term and long-term revenues/financial resources and expenses. The information in the governmental fund statements can be used to evaluate the City's near-term financing requirements and immediate fiscal health. Comparing the governmental fund statements with the government-wide statements can help the reader better understand the long-term impact of the City's current year financing decisions. To assist in this comparison, reconciliations between the governmental fund statements and the government-wide financial statements are included with the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances.

The City of Redmond maintains thirteen individual governmental funds. The City's two major governmental funds – the general fund and the capital improvements program fund – are presented separately in the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances. The remaining governmental funds are combined in this statement into a single column labeled other governmental funds. Individual fund data for each of the other governmental funds can be found in combining statements later in this report.

The City maintains budgetary control over its operating funds through the adoption of a biennial budget. Budgets are adopted at the fund level for all funds in accordance with state law. All budgetary comparison schedules are included following the other governmental funds' combining statements in this report.

Proprietary funds are used by governments to account for their business-type activities. Business-type activities provide specific goods or services to a group of customers that are paid for by fees charged to those customers. There is a direct relationship between the fees paid and the services received.

The City of Redmond has two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to account for goods and services provided to citizens and the community. Internal service funds are used to account for goods and services provided internally to various City departments. The same basis of accounting is used for proprietary funds in both the government-wide statements and the individual fund statements.

Enterprise funds of the City are used to report the same functions presented as business-type activities in the government-wide statements with the fund statements providing more detail than is reported in the government-wide statements. The enterprise fund statements provide separate information for the City's water/wastewater utility, an Urban Planned Development (UPD) water/wastewater utility outside the City limits, and the City's stormwater utility.

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, insurance premiums and claims, medical self-insurance, workmen's compensation self-insurance program, information technology, and one blended component unit, Redmond Community Properties. Internal service funds benefit both governmental and business-type activities and are allocated accordingly in the government-wide statement of activities. Internal service fund assets and liabilities are predominantly governmental and have been included in the governmental activities column of the government-wide statement of net position.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. Fiduciary funds are not included in the government-wide financial statements because their assets are not available to support the City of Redmond's activities.

The City has two types of fiduciary funds, a pension fund and agency funds. The accounting for the pension fund is on the accrual basis. Agency funds are custodial in nature and do not include revenues and expenses as they do not measure the results of operations.

Notes to the financial statements

The notes to the financial statements provide additional information that is important for a full understanding of the data in the government-wide and fund financial statements. The notes are located immediately following the basic 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 progress in funding its obligation to provide pension benefits to certain retired firefighters and lifetime medical benefits to uniformed personnel hired before October 1, 1977. Required supplementary information may be found immediately following the notes to the financial statements.

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

Government–wide Financial Analysis

Statement of Net Position

The Statement of Net Position can serve as a useful indicator of the City's financial position. The City of Redmond's net position at December 31, 2011 and 2012 total $660,698,559 and $685,376,330 respectively. Following is a condensed version of the government-wide Statement of Net Position for 2012 compared to 2011.

City of Redmond's Net Position (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 103,227	$ 103,523	$ 64,094	$ 55,375	$ 167,321	$ 158,898
Capital assets, net of accumulated depreciation	349,212	341,265	273,626	266,467	622,838	607,732
Total assets	$ 452,439	$ 444,788	$ 337,720	$ 321,842	$ 790,159	$ 766,630
Long-term liabilities	$ 79,343	$ 80,490	$ 10,133	$ 10,853	$ 89,476	$ 91,343
Other liabilities	12,906	12,430	2,400	2,159	15,306	14,589
Total liabilities	$ 92,249	$ 92,920	$ 12,533	$ 13,012	$ 104,782	$ 105,932
Net Position						
Invested in capital assets, net of related debt	$ 276,636	$ 266,802	$ 264,018	$ 256,195	$ 540,654	$ 522,997
Restricted	32,127	47,237	3,367	2,220	35,494	49,457
Unrestricted	51,426	37,829	57,802	50,415	109,228	88,244
Total net position	$ 360,189	$ 351,868	$ 325,187	$ 308,830	$ 685,376	$ 660,698

Changes in net position

The changes in net position table illustrates the increases or decreases in net position of the City resulting from its operating activities. Following is a condensed version of the City's changes in net position. The table shows the revenues, expenses, and related changes in net position in tabular form for the governmental activities separate from the business-type activities for 2011 and 2012.

City of Redmond's Changes in Net Position
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues						
Charges for services	$ 37,950	$ 34,283	$ 47,405	$ 44,981	$ 85,355	$ 79,264
Operating grants and contributions	4,571	760	1,194	599	5,765	1,359
Capital grants and contributions	1,648	2,513	9,449	6,403	11,097	8,916
General revenues						
Property taxes	22,611	21,978	-	-	22,611	21,978
Sales taxes	20,722	24,895	-	-	20,722	24,895
Other taxes	20,222	19,338	-	-	20,222	19,338
Investment interest	632	937	(8)	48	624	985
Miscellaneous	1,165	2,152	176	143	1,341	2,295
Total revenues	$ 109,521	$ 106,856	$ 58,216	$ 52,174	$ 167,737	$ 159,030
Expenses:						
General government	$ 18,888	$ 24,253	$	$ -	$ 18,888	$ 24,253
Security	37,630	28,751		-	37,630	28,751
Physical environment	6,013	5,976		-	6,013	5,976
Economic environment	5,603	6,218		-	5,603	6,218
Transportation	15,748	14,818		-	15,748	14,818
Mental/physical health	-	890		-	-	890
Culture and recreation	13,762	15,191		-	13,762	15,191
Interest on long term debt	3,310	3,506		-	3,310	3,506
Water/Wastewater	-	-	28,397	27,519	28,397	27,519
Novelty Hill Water/Wastewater	-	-	6,121	5,752	6,121	5,752
Stormwater	-	-	7,249	7,061	7,249	7,061
Total expenses	$ 100,955	$ 99,603	$ 41,767	$ 40,332	$ 142,722	$ 139,935
Increase/(Decrease) in net position	8,566	7,253	16,449	11,842	25,015	19,095
Net position - beginning	351,869	344,616	308,830	296,989	660,699	641,604
Prior Period Adjustment*	(245)	-	(92)	-	(337)	-
Net position - ending	$ 360,190	$ 351,869	$ 325,187	$ 308,830	$ 685,377	$ 660,699

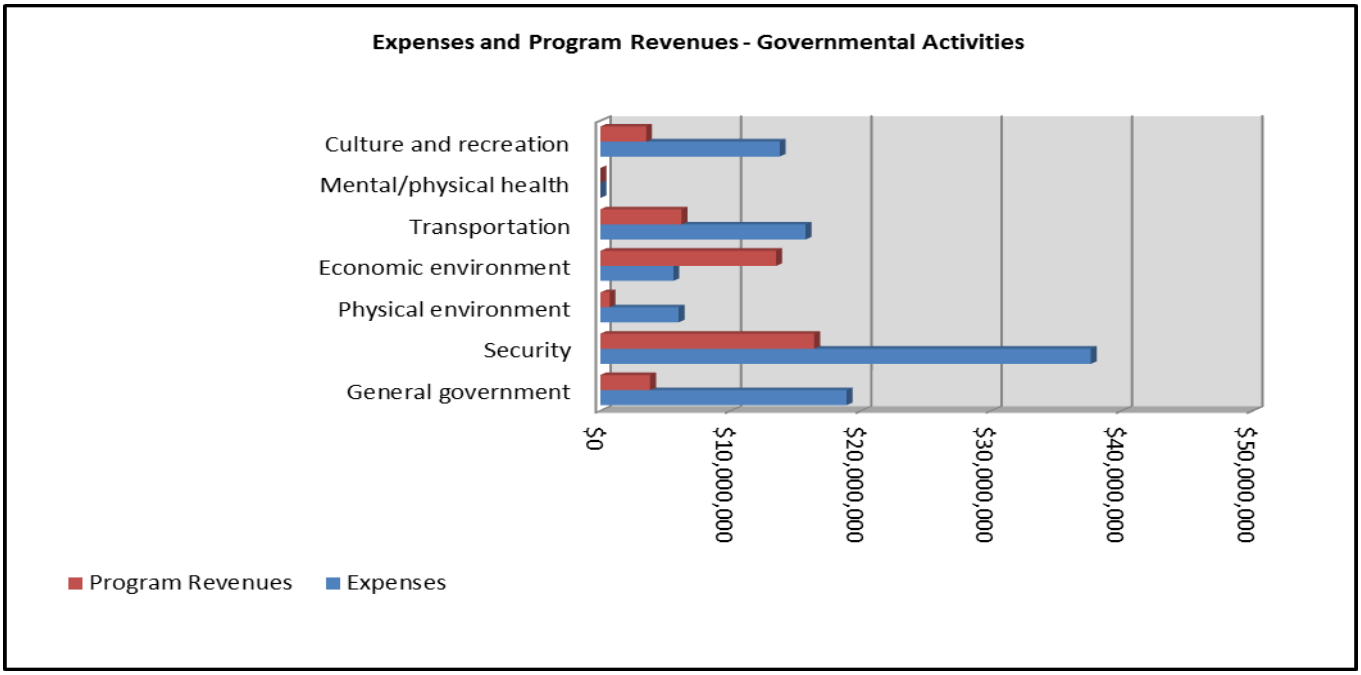
*Due to the implementation of GASB 65. See note 19 for further details.

Governmental activities experienced an increase in total net position of $8,566,168. Governmental activities accounts for 52.55% of the City's net position in 2012.

Key elements of the 2012 increase are as follows:

- Total assets from Governmental activities increased by $7,650,543.
  - Cash and investments reflect a decrease of $3,552,093 from 2011 to 2012 (a change of 3.88%) while investment in capital assets increased by $7,945,978. This is consistent with the City's plans for investments in infrastructure and technology.
  - There was also an increase in due from other governements related to grant billings processed for the last quarter of 2012.
- Total liabilities from Governmental activities decreased by $670,670 (0.72%).
  - Long-term debt decreased by $1,480,834 as a result of principal payments on debt previously held by the City. See Note 13 to the financial statements for more information.
  - Due from other governements, unearned revenue and customer deposits increased by $526,072, $76,553, $1,021,690 respectively.
- The total revenue increased between 2011 and 2012 by $2,665,258. This increase largely related to taxes received in 2012 but consisted of several components.
  - Increases were primarily in operating grants and contributions as well as charges for services.
  - Sales taxes in 2011 included a one-time payment of sales taxes of approximately $4.7 million which resulted from an audit conducted by the Washington State Department of Revenue. As a result the 2012 sales tax is more consistent with economic trends.
- Total expenses showed an increase from 2011 to 2012 of $1,351,738.
  - This increase amounts to an average of 1.36% and is consistent with typical cost increases in operations. It is important to note that some activities in the city experienced larger increases than others. For example security of persons and property incurred a 30.89% increase which is due to the completion of construction of a new fire station which is an expense on the governemental statements. This is a one-time increase and not due to regular operations.

The graph that follows compares program revenues to program expenses from the Statement of Activities and illustrates the revenues by source separately for the governmental activities for 2012.

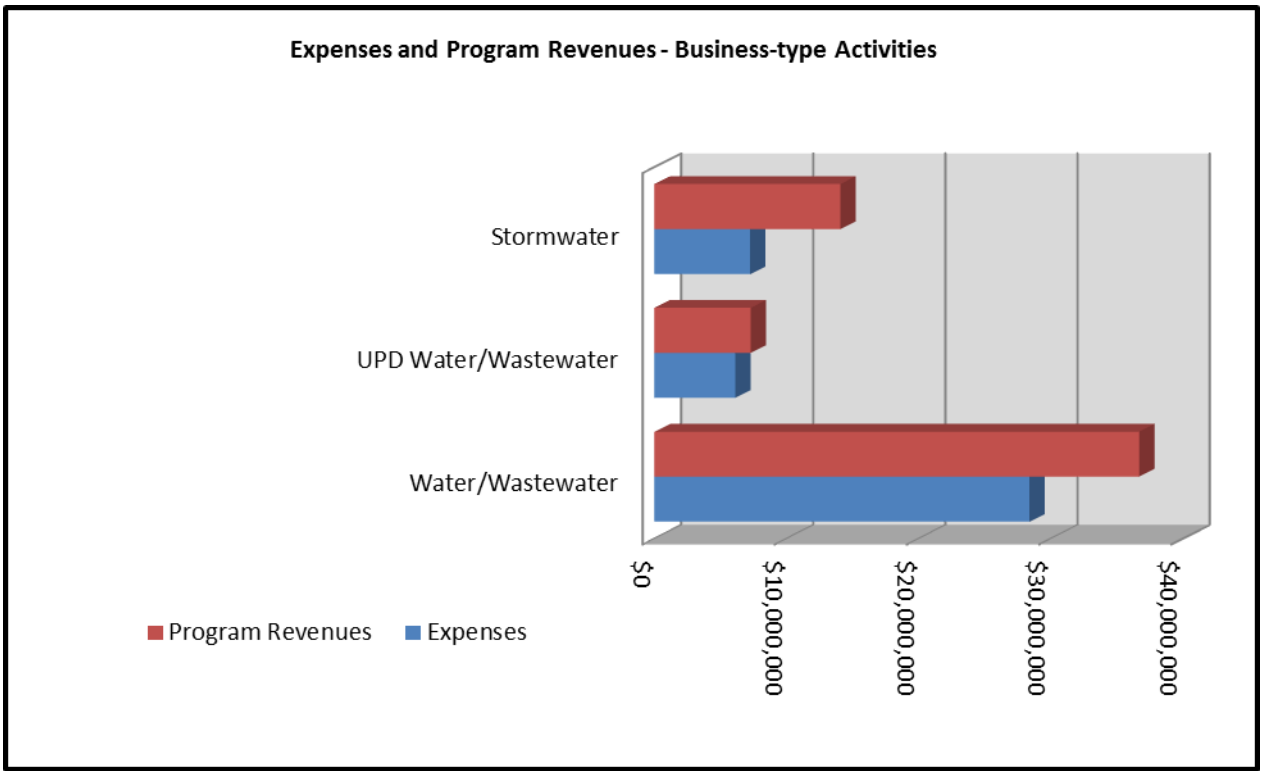


Business-type activities of the City's utilities increased the City of Redmond's net position by $16,448,762 (5.33%). Business-type activities accounts for 47.45% of the City's net position.

Key elements of this increase are as follows:

- The investments in capital assets increased $7,158,911 or 2.82% between 2011 and 2012.
- The Water/Wastewater utility showed operating income of $1,291,080 in 2012 (compared to $457,835 in 2011) while the UPD Water/Wastewater utilities showed an operating income of $478,300. When non-operating income and capital contributions are included, the change in net position is $8,084,723 for the Water/Wastewater utility and $1,302,379 for the UPD Water/Wastewater utility.
- The City has begun work on significant stormwater projects that will place a central line that will include filtration that will discharge to a pond. This project is tied to the acquisition of a rail corridor which was finalized in 2010. Construction on this project commenced in 2012. The total operating revenue for 2012 was $11,117,216 with operating expenses of 7,249,420 for a net operating income of $3,867,796.

The graph that follows compares program revenues to program expenses from the Statement of Activities and illustrates the revenues by source separately for the business-type activities for 2012.



City of Redmond's Capital Assets (net of depreciation)

The City continued its commitment to investment in capital assets in 2012 as reflected in the following table. The increase from 2011 to 2012 was $15,104,888 or 2.49% from 2011.

Governmental activities increased $7,945,978 (2.33%) partially made up of:

- Acquisition of land for parks and investments in buildings and related improvements (such as the new fire station completed in 2012)

Business-Type Activities reflected an increase of $7,158,910 (2.69%) partially made up of:

- Improvements to utility infrastructure both completed by the city as well as provided by private development and then dedicated to the city for future maintenance and upkeep.

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	$ 99,358,356	$ 85,065,414	$ 12,608,494	$ 12,453,045	$ 111,966,850	$ 97,518,459
Buildings/ Bldg. Improvements	59,188,486	53,339,082	31,760,000	32,502,952	90,948,486	85,842,034
Improvements other than buildings	19,293,264	19,308,280	220,580,255	209,225,171	239,873,519	228,533,451
Machinery and equipment	11,976,074	12,491,423	98,264	173,627	12,074,338	12,665,050
Construction in progress	5,798,531	16,951,480	8,579,078	12,112,386	14,377,609	29,063,866
Infrastructure	153,200,724	153,765,346	-	-	153,200,724	153,765,346
Art	396,154	344,583	-	-	396,154	344,583
Total	$ 349,211,589	$ 341,265,608	$ 273,626,091	$ 266,467,181	$ 622,837,680	$ 607,732,789

Additional information on the City of Redmond's capital assets can be found in note 8 of this report.

Long-term debt

At the end of 2012, the City of Redmond had total bonded debt outstanding of $78,265,000. Of this amount, $68,920,000 is general obligation bonds (City Hall, Bear Creek Parkway, Parks and 1994 Refunding Bonds); and $9,345,000 is revenue bonded debt for the water/wastewater utility.

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	$68,920,000	$72,270,000			$68,920,000	$72,270,000
Revenue bonds	-	-	9,345,000	9,985,000	9,345,000	9,985,00
Total	$68,920,000	$72,270,000	$9,345,000	$9,985,000	$78,265,000	$82,255,000

For further details related to the outstanding debt please refer to note 13 in the document.

Requests for Information

This financial report is designed to provide a general overview of the City of Redmond's finances for readers with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional information, may be addressed to the Director of Finance & InformationServices, City of Redmond, PO Box 97010, Redmond, WA 98073-9710.

CITY OF REDMOND
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 25,317,856	$ 13,879,580	$ 39,197,436
Cash with outside agencies	10,000	-	10,000
Investments (Note 4)	62,676,737	40,980,533	103,657,270
Receivables:			
Taxes	5,659,382	-	5,659,382
Accounts	291,853	4,066,195	4,358,048
Interest	452,308	204,821	657,129
Due from other governments	4,055,369	1,113,256	5,168,625
Inventory	61,906	44,097	106,003
Prepaid insurance	456,384	-	456,384
Prepaid rent	104,166	-	104,166
Restricted assets:			
Deposit cash	-	328,773	328,773
Deposit investments	4,141,265	-	4,141,265
Revenue bond reserve	-	1,175,500	1,175,500
Rate stabilization fund	-	2,191,447	2,191,447
Advance on service contract	-	109,392	109,392
Capital assets (Note 8):			
Land, artwork, construction in progress	105,553,041	21,187,572	126,740,613
Depreciable capital assets, net	243,658,545	252,438,519	496,097,064
Total assets	452,438,812	337,719,685	790,158,497
LIABILITIES			
Payables:			
Accounts/claims	6,027,718	1,858,385	7,886,103
Employee wages	963,750	161,158	1,124,908
Interest	138,817	36,591	175,408
Due to other governments	692,802	15,441	708,243
Unearned revenues	941,924	-	941,924
Customer deposits	4,141,265	328,773	4,470,038
Noncurrent liabilities (Note 13):			
Due within one year	6,995,461	1,084,355	8,079,816
Due in more than one year	72,347,624	9,048,103	81,395,727
Total liabilities	92,249,361	12,532,806	104,782,167
NET POSITION			
Invested in capital assets net of related debt (Note 8)	276,636,268	264,017,827	540,654,095
Restricted for:			
Advance life support	362,136	-	362,136
Arts	239,952	-	239,952
Cable access	1,233,920	-	1,233,920
Parks	1,398,301	-	1,398,301
Police	4,225,979	-	4,225,979
Fire	6,761,174	-	6,761,174
Debt service	310,856	1,175,500	1,486,356
Capital projects	12,005,233	-	12,005,233
Tourism	375,356	-	375,356
Planning-Transportation	1,778,974	-	1,778,974
Travel	20,000	-	20,000
Replacement	3,064,633	-	3,064,633
Recycling	350,890	-	350,890
Rate stabilization fund	-	2,191,447	2,191,447
Unrestricted	51,425,779	57,802,105	109,227,884
Total Net Position	$ 360,189,451	$ 325,186,879	$ 685,376,330

See accompanying notes to the financial statements.

CITY OF REDMOND
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Function/Program	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	$ 18,887,666	$ 3,738,440	$ 25,308	$ 58,086	$ (15,065,832)	$ -	$ (15,065,832)
Security	37,630,433	15,627,201	780,920	-	(21,222,312)	-	(21,222,312)
Physical environment	6,012,570	590,280	119,323	-	(5,302,967)	-	(5,302,967)
Economic environment	5,603,219	13,487,112	-	-	7,883,893	-	7,883,893
Transportation	15,748,098	1,129,194	3,633,426	1,472,208	(9,513,270)	-	(9,513,270)
Mental/physical health	-	-	-	-	-	-	-
Culture and recreation	13,762,383	3,377,550	11,716	117,422	(10,255,695)	-	(10,255,695)
Interest on long-term debt	3,310,340	-	-	-	(3,310,340)	-	(3,310,340)
Total governmental activities	100,954,709	37,949,777	4,570,693	1,647,716	(56,786,523)	-	(56,786,523)
Business-type activities							
Water/Wastewater	28,396,756	29,687,836	79,454	6,924,927	-	8,295,461	8,295,461
UPD Water/Wastewater	6,121,209	6,599,509	-	680,125	-	1,158,425	1,158,425
Stormwater	7,249,420	11,117,216	1,114,401	1,844,170	-	6,826,367	6,826,367
Total business-type activities	41,767,385	47,404,561	1,193,855	9,449,222	-	16,280,253	16,280,253
Total government	$ 142,722,094	$ 85,354,338	$ 5,764,548	$ 11,096,938	(56,786,523)	16,280,253	(40,506,270)
General revenues:							
Taxes							
Property					22,611,229	-	22,611,229
Sales					20,722,074	-	20,722,074
Business and Occupation					16,454,474	-	16,454,474
Excise					3,767,045	-	3,767,045
Liquor					-	-	-
Timber Harvest					24	-	24
Investment interest					631,681	430,394	1,062,075
Miscellaneous					1,048,642	176,856	1,225,498
Investment interest expense					-	(438,741)	(438,741)
Gain on sale of capital assets					117,522	-	117,522
Total general revenues					65,352,691	168,509	65,521,200
Change in net position					8,566,168	16,448,762	25,014,930
Net position-beginning					351,868,238	308,830,321	660,698,559
Change of accounting principle (Note 19)					(244,955)	(92,204)	(337,159)
Net postion-ending					$ 360,189,451	$ 325,186,879	$ 685,376,330

See accompanying notes to the financial statements.

CITY OF REDMOND

BALANCE SHEET

GOVERNMENTAL FUNDS

December 31, 2012

	General	Capital Improvements Program Fund	Other Governmental Funds	Governmental Funds Total
ASSETS				
Cash and cash equivalents	$ 9,038,397	$ 8,894,012	$ 1,891,604	$ 19,824,013
Cash with outside agency	-	-	10,000	10,000
Investments	26,014,464	21,408,119	4,926,542	52,349,125
Receivables:				-
Taxes	5,183,299	-	476,083	5,659,382
Accounts	205,884	46,553	39,416	291,853
Interest	256,342	106,996	24,623	387,961
Due from other funds	452,513	-	-	452,513
Due from other governments	2,643,982	270,961	1,140,426	4,055,369
Prepayments	-	104,166	-	104,166
Restricted assets:				
Deposit investments	4,102,418	28,688	10,159	4,141,265
Total Assets	$ 47,897,299	$ 30,859,495	$ 8,518,853	$ 87,275,647
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts/claims payable	$ 3,024,873	$ 1,208,188	$ 298,804	$ 4,531,865
Employee wages payable	663,911	16,445	46,848	727,204
Due to other funds	-	-	452,513	452,513
Due to other governments	464,444	-		464,444
Payable from restricted assets:				
Deposits payable	4,102,418	28,688	10,159	4,141,265
Unearned revenues	611,744	-	-	611,744
Unapplied King County receipts	228,358	-	-	228,358
Total Liabilities	9,095,748	1,253,321	808,324	11,157,393
Fund balances: (Note 20)				
Non-spendable	-	104,166	-	104,166
Spendable:				
Restricted	7,086,746	9,867,809	6,906,967	23,861,522
Committed	8,265,882	-	-	8,265,882
Assigned	11,471,854	19,634,199	803,562	31,909,615
Unassigned	11,977,069	-	-	11,977,069
Total Fund Balances	38,801,551	29,606,174	7,710,529	76,118,254
Total Liabilities and Fund Balances	$ 47,897,299	$ 30,859,495	$ 8,518,853	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	343,599,838
Internal service funds are used by management to charge the costs of certain activities, such as insurance, information services, and fleet maintenance, to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the Statement of Net Position.	19,907,631
Some liabilities, including bonds,loans, and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds. (Note 3)	(79,436,272)
Net position of governmental activities	$ 360,189,451

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

	General Fund	Capital Improvements Program Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 58,095,412	$ 1,135,475	$ 4,323,959	$ 63,554,846
Licenses and permits	7,508,861	-	-	7,508,861
Contributions from property owners	274,976	628,607	82,889	986,472
Intergovernmental	12,220,618	1,559,628	6,219,178	19,999,424
Charges for services	4,654,118	5,657,889	2,733,592	13,045,599
Fines and forfeitures	1,952,190	-	-	1,952,190
Investment income	163,513	366,411	(15,442)	514,482
Miscellaneous	389,594	203,159	323,939	916,692
Total Revenues	85,259,282	9,551,169	13,668,115	108,478,566
EXPENDITURES				
Current:				
General government	14,947,676	-	-	14,947,676
Security of persons and property	38,394,493	-	5,731,241	44,125,734
Physical environment	2,423,066	-	675,247	3,098,313
Transportation	7,721,935	-	1,236,327	8,958,262
Economic environment	4,586,703	-	243,644	4,830,347
Culture and recreation	8,834,495	-	2,324,370	11,158,865
Capital outlay	794,452	16,569,786	105,808	17,470,046
Debt service:				
Principal	-	1,392,457	3,562,375	4,954,832
Interest and debt issue costs	-	1,776,504	147,916	1,924,420
Total Expenditures	77,702,820	19,738,747	14,026,928	111,468,495
Excess (deficiency) of revenues Over (under) expenditures	7,556,462	(10,187,578)	(358,813)	(2,989,929)
OTHER FINANCING SOURCES (USES)				
Bond/loan proceeds	-	1,794,564	-	1,794,564
Disposition of capital assets	52,613	-	-	52,613
Transfers in (Note 11)	5,506,743	8,414,123	4,170,673	18,091,539
Transfers out (Note 11)	(8,247,622)	(6,110,043)	(4,186,800)	(18,544,465)
Total other financing sources and uses	(2,688,266)	4,098,644	(16,127)	1,394,251
Net change in fund balances	4,868,196	(6,088,934)	(374,940)	(1,595,678)
Fund balances-beginning	33,933,355	35,695,108	8,085,469	77,713,932
Fund balances-ending	$ 38,801,551	$ 29,606,174	$ 7,710,529	$ 76,118,254

See accompanying notes to the financial statements.

CITY OF REDMOND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Amounts reported for governmental funds in the statement of activities are different because:		
Net change in fund balances-total governmental funds.	$	(1,595,678)
Governmental funds report capital outlays as expenditures. However in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of $17,470,046 exceeded depreciation of $8,870,920 and new assets of $900,260 in the current period.		8,599,125
A CIP reduction that does not result in an increase in depreciable assets reflects an increase in expenses on the Statement of Activities but not in the governmental funds. (Note 8)		(1,212,403)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (Note 3)		607,727
Receipt of long-term debt proceeds increases the current financial resources of governmental funds and repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. (Note 3)		1,757,893
Internal service funds are used by management to charge the costs of certain activities, such as insurance, information services, and fleet maintenance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		1,207,329
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (Note 3)		(797,825)
Change in net position of governmental activities.	$	8,566,168

See accompanying notes to the financial statements.

CITY OF REDMOND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012

	Business-type Activities Enterprise Funds				Governmental Activities
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management	Totals	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	$ 2,338,455	$ 3,151,894	$ 8,389,231	$ 13,879,580	$ 5,493,843
Investments	12,442,356	8,919,703	19,618,474	40,980,533	10,327,612
Accounts and contracts receivable	2,636,478	472,128	957,589	4,066,195	-
Interest receivable	62,187	44,581	98,053	204,821	64,347
Due from other Governments	15,717	-	1,097,539	1,113,256	-
Inventory	44,097	-	-	44,097	61,906
Prepaid insurance	-	-	-	-	456,384
Restricted assets:					
Customer deposits:					
Cash and cash equivalents	163,255	158,250	7,268	328,773	-
Revenue bond reserve:					
Investments	1,175,500	-	-	1,175,500	-
Rate stabilization fund:					
Cash and cash equivalents	1,644,361	547,086	-	2,191,447	-
Total current assets	20,522,406	13,293,642	30,168,154	63,984,202	16,404,092
Noncurrent assets:					
Advance on service contract	105,035	4,357	-	109,392	-
Capital assets:					
Land	2,910,587	3,274,106	6,423,801	12,608,494	584,292
Buildings	25,377,864	11,031,564	738,100	37,147,528	619,494
Improvements other than buildings	159,464,626	60,334,213	60,941,006	280,739,845	337,411
Equipment	200,479	269,028	236,785	706,292	12,822,381
Construction in progress	707,553	92,474	7,779,051	8,579,078	-
Less accumulated depreciation	(42,470,246)	(11,766,905)	(11,917,995)	(66,155,146)	(8,751,831)
Total capital assets (net of depreciation)	146,190,863	63,234,480	64,200,748	273,626,091	5,611,747
Total noncurrent assets	146,295,898	63,238,837	64,200,748	273,735,483	5,611,747
Total assets	$ 166,818,304	$ 76,532,479	$ 94,368,902	$ 337,719,685	$ 22,015,839

CITY OF REDMOND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012

	Business-type Activities Enterprise Funds				Governmental Activities
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management	Totals	Internal Service Funds
LIABILITIES					
Current liabilities:					
Accounts payable	$ 534,615	$ 587,865	$ 735,905	$ 1,858,385	$ 1,495,853
Employee wages payable	101,812	749	58,597	161,158	54,033
Compensated absences	221,356	-	197,999	419,355	182,513
Due to other governments	69	382	14,990	15,441	-
Unearned revenues	-	-	-	-	330,180
Current portion of reveune bonds payable	665,000	-	-	665,000	-
Accrued interest payable	36,591	-	-	36,591	-
Current liabilities payable from restricted assets:					
Customer deposits payable	163,255	158,250	7,268	328,773	-
Total current liabilities	1,722,698	747,246	1,014,759	3,484,703	2,062,579
Noncurrent liabilities:					
Revenue bonds payable, net	8,943,264	-	-	8,943,264	-
Compensated absences	55,339	-	49,500	104,839	45,629
Total noncurrent liabilities	8,998,603	-	49,500	9,048,103	45,629
Total liabilities	10,721,301	747,246	1,064,259	12,532,806	2,108,208
NET POSITION					
Net investment in capital assets	136,582,599	63,234,480	64,200,748	264,017,827	5,611,747
Restricted for debt service	1,175,500	-	-	1,175,500	-
Restricted for rate stabilization	1,644,361	547,086	-	2,191,447	-
Unrestricted	16,694,543	12,003,667	29,103,895	57,802,105	14,295,884
Total net position	$ 156,097,003	$ 75,785,233	$ 93,304,643	$ 325,186,879	$ 19,907,631

See accompanying notes to the financial statements.

CITY OF REDMOND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2012

	Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Funds
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management	Totals	
Operating revenues:					
Charges for services	$ 18,352,114	$ 5,001,060	$ 11,117,216	$ 34,470,390	$ 15,466,190
Metro service	11,335,722	1,598,449	-	12,934,171	-
Charges for replacement	-	-	-	-	2,133,654
Charges for insurance	-	-	-	-	783,743
Total operating revenues	29,687,836	6,599,509	11,117,216	47,404,561	18,383,587
Operating expenses:					
Administrative and general	3,820,971	537,623	2,560,055	6,918,649	342,351
Purchased water	5,429,664	2,044,385	-	7,474,049	-
Metro service	10,916,196	1,553,118	-	12,469,314	-
Supplies	-	-	-	-	271,074
Maintenance and operations	2,816,163	511,697	3,302,125	6,629,985	16,367,624
Taxes	1,745,349	144,961	216,932	2,107,242	-
Depreciation and amortization	3,668,413	1,329,425	1,170,308	6,168,146	899,341
Total operating expenses	28,396,756	6,121,209	7,249,420	41,767,385	17,880,390
Operating income (loss)	1,291,080	478,300	3,867,796	5,637,176	503,197
Nonoperating revenues (expenses):					
Interest and investment revenue	114,187	80,914	235,293	430,394	54,347
Grant income	79,454	-	1,114,401	1,193,855	-
Interest expense	(438,741)	-	-	(438,741)	-
Intergovernmental COBRA tax credit	-	-		-	-
Gain on sale of capital assets	-	-	-	-	64,909
Insurance recovery	-	-	-	-	108,382
Lease and other revenue	113,816	63,040	-	176,856	23,568
Total nonoperating revenues (expenses)	(131,284)	143,954	1,349,694	1,362,364	251,205
Income before contributions and transfers	1,159,796	622,254	5,217,490	6,999,540	754,402
Capital contributions	6,924,927	680,125	1,844,170	9,449,222	-
Transfers in	-	-	-	-	528,777
Transfers out	-	-	-	-	(75,851)
Change in net position	8,084,723	1,302,379	7,061,660	16,448,762	1,207,328
Total net position - beginning, as previously reported	148,104,484	74,482,854	86,242,983	308,830,321	18,700,303
Change in accounting principle (Note 19)	(92,204)	-	-	(92,204)	-
Total net position, as restated	148,012,280	74,482,854	86,242,983	308,738,117	18,700,303
Total net position - ending	$ 156,097,003	$ 75,785,233	$ 93,304,643	$ 325,186,879	$ 19,907,631

See accompanying notes to the financial statements.

CITY OF REDMOND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2012

	Business-type Activities-Enterprise Funds				Governmental Activities-
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	$ 29,573,052	$ 6,243,696	$ 11,149,265	$ 46,966,013	$ 18,383,587
Cash payments to suppliers	(20,697,815)	(4,145,978)	(2,107,034)	(26,950,827)	(4,627,701)
Cash payments to employees	(2,502,753)	(3,018)	(3,756,012)	(6,261,783)	(12,175,235)
Cash payments to other governments	(771,881)	(144,961)	(216,932)	(1,133,774)	-
Internal activity - payments to other funds	(973,467)	-	-	(973,467)	-
Other operating receipts	746	320,346	(602,045)	(280,953)	-
Other operating payments	-	-	-	-	25,129
Net cash provided (used) by operating activities	4,627,882	2,270,085	4,467,242	11,365,209	1,605,780
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Nonoperating transfers in	-	-	-	-	452,926
Grant proceeds	79,454	-	42,982	122,436	-
Other non-operating revenues (expenses)	108,755	63,041	-	171,796	171,731
Net cash provided by noncapital financing activities	188,209	63,041	42,982	294,232	624,657
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(3,793,436)	(63,013)	(5,839,612)	(9,696,061)	(851,297)
Proceeds from sale of other assets	5,060	-	-	5,060	-
Capital contributions	4,123,488	78,155	1,636,257	5,837,900	-
Bond/grant proceeds	-	-	1,071,419	1,071,419	-
Interest paid on revenue bonds	(464,990)	-	-	(464,990)	-
Principal paid on other debt	(640,000)	-	-	(640,000)	-
Interest paid on other debt	-	-	-	-	410,648
Net cash provided (used) for capital and related financing activities	(769,878)	15,142	(3,131,936)	(3,886,672)	(440,649)
CASH FLOWS FROM INVESTING ACTIVITIES					
Internal activity, net investment purchases	(2,569,035)	-	-	(2,569,035)	(1,568,856)
Internal activity, net investment sales/maturities	-	256,863	4,154,194	4,411,057	822,919
Interest on investments	112,438	125,860	316,959	555,257	41,517
Net cash provided (used) in investing activities	(2,456,597)	382,723	4,471,153	2,397,279	(704,420)
Net increase (decrease) in cash and cash equivalents	1,589,616	2,730,991	5,849,441	10,170,048	1,085,368
Cash and cash equivalents-beginning of year	2,556,455	1,126,239	2,547,058	6,229,752	4,408,475
Cash and cash equivalents-end of year	$ 4,146,071	$ 3,857,230	$ 8,396,499	$ 16,399,800	$ 5,493,843

CITY OF REDMOND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2012

	Business-type Activities-Enterprise Funds				Governmental Activities-
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management	Totals	Internal Service Funds
Cash and cash equivalents					
Operating fund cash	$ 2,338,455	$ 3,151,894	$ 8,389,231	$ 13,879,580	$ 5,493,843
Rate Stabilization Fund	1,644,361	547,086	-	2,191,447	-
Customer deposits	163,255	158,250	7,268	328,773	-
Cash and cash equivalents-end of year	$ 4,146,071	$ 3,857,230	$ 8,396,499	$ 16,399,800	$ 5,493,843
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	$ 1,291,080	$ 478,300	$ 3,867,796	$ 5,637,176	$ 503,197
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	3,668,413	1,329,425	1,170,308	6,168,146	899,341
Decrease (increase) in accounts receivable	5,217	(382,063)	41,909	(334,937)	-
Decrease (increase) in inventory	4,306	-	-	4,306	(11,492)
Decrease (increase) in prepaid expenses	-	-	-	-	105,485
Decrease (increase) in due from other governments	677	319,964	(617,035)	(296,394)	-
Increase (decrease) in accounts payable	(207,254)	500,845	3,237	296,828	79,984
Increase (decrease) due to other governments	69	382	14,990	15,441	-
Increase (decrease) in employee wages payable	(22,185)	(2,460)	(12,894)	(37,539)	7,674
Increase (decrease) in compensated absences payable	7,559	(558)	8,791	15,792	(10,625)
Increase (decrease) in customer deposits payable	(120,000)	26,250	(9,860)	(103,610)	-
Increase (decrease) in unearned revenue	-	-	-	-	32,216
Net cash provided (used) by operating activities	$ 4,627,882	$ 2,270,085	$ 4,467,242	$ 11,365,209	$ 1,605,780
Noncash investing, capital and financing activities:					
Developers contributed infrastructure valued at	$ 2,801,439	$ 601,970	$ 207,913	$ 3,611,322	$ -
Other funds of the city transferred vehicles valued at	-	-	-	-	
Fair value of investments decreased by	(9,756)	(51,016)	(81,355)	(142,127)	(71,873)

See accompanying notes to the financial statements.

CITY OF REDMOND
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
As of December 31, 2012

	Firemen's Pension Fund	Agency Funds
ASSETS		
Cash and cash equivalents	$ 358,939	$ 731,376
Investments	845,493	293,256
Receivables:		
Accounts	-	7,688
Interest	4,226	-
Total Assets	1,208,658	1,032,320
LIABILITIES		
Accounts payable	$ 300	$ 186,211
Due to other governments	-	5,703
Custodial	-	34,583
Trust account	-	805,823
Total Liabilities	300	1,032,320
NET POSITION		
Held in trust for pension benefits	$ 1,208,358	$ -

See accompanying notes to the financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the year ended December 31, 2012

	Firemen's Pension Fund
ADDITIONS	
Intergovernmental revenue	$ 127,251
Investment interest	5,283
Total additions	132,534
DEDUCTIONS	
Benefit payments	15,672
Administrative expenses	5,264
Total deductions	20,936
Change in net position	111,598
Net position-beginning	1,096,760
Net position-ending	$ 1,208,358

See accompanying notes to the financial statements.

NOTE 1:
Summary of Significant Accounting Policies

The City of Redmond was incorporated on December 31, 1912 and operates under the laws of the State of Washington applicable to a Non-Charter Mayor/Council form of government (elected Mayor and City Council composed of seven members). Both Mayor and Council are elected to four-year terms. The City provides general government services including public safety, highways and streets, parks and recreation, planning and zoning, permits and inspection, sanitation, general administrative, and water and wastewater services.

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

The City's Comprehensive Annual Financial Report (CAFR) is prepared in accordance with Governmental Accounting Standards Board Statements and the following notes detail the City's significant accounting policies

Reporting Entity

The City's (CAFR) includes the financial statements for the City of Redmond and its component units; entities for which the City is considered to be financially accountable. The City has two blended component units; the Redmond Public Corporation and Redmond Community Properties. Although legally separate entities blended component units are, in substance, part of the City's operations. (See Note 15 for descriptions.)

Basic Financial Statements

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government and its component units. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus and Basis of Accounting

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

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

Under the modified accrual basis of accounting, property taxes, sales taxes, utility taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Grant revenue is recognized for cost reimbursement grants when the expenditure occurs in accordance with GASB Statement 33. When the expenditure is incurred, grant revenue is considered to have been earned and therefore available and recognized as revenue. Entitlement grant revenue is not tied to expenditures and is recognized when the City is entitled to receive it according to the grant agreement.

Financial Statement Presentation

The City reports the following major governmental funds:

> The General Fund is the general operating fund of the City. It accounts for all financial resources and transactions except those required to be accounted for in another fund.
>
> The Capital Improvements Program Fund accounts for financial resources to be used for the acquisition, construction, and preservation of major capital facilities other than those financed by proprietary funds.

The City reports the following major proprietary funds:

> The Water/Wastewater Fund accounts for the activities of providing water and sewer services to its citizens.
>
> The UPD Water/Wastewater Fund accounts for the activities of providing water and sewer services to an urban planned development outside the City limits. Both of these utilities' operations are self-supported through user charges.
>
> The Stormwater Management Fund accounts for the operation, construction, and maintenance of the City's stormwater management system. The utility's operations are self-supported through fees.

Additionally, the City reports the following fund types:

> Internal Service Funds account for fleet maintenance, information technology, and insurance services provided to other departments of the City on a cost reimbursement basis, and for the activities of Redmond Community Properties, a blended component unit of the City.
>
> Agency Funds account for assets held by the City as an agent for private individuals or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of the results of operations. The City has three Agency Funds: Intergovernmental Custodial, Municipal Employees Benefit Trust, and Contractor's Deposits.
>
> The Pension Trust Fund accounts for the activities of the Firemen's Pension Fund, which accumulates resources for excess pension benefit payments to qualified firefighters.
>
> Special Revenue Funds are used to account for specific revenues that are restricted to or reserved for expenditures for particular purposes.

Debt Service Funds account for the accumulation of resources for and the payment of general obligation and special assessment bonds.

The City does not have any permanent funds.

The City implemented GASB 62 for the fiscal year ending December 31, 2012. This pronouncement codifies all Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements in place prior to November 30, 1989. The City previously followed these pronouncements and disclosed such in the annual report. With the implementation of this GASB this disclosure is no longer necessary.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Direct expenses of the functional categories are included in the government-wide Statement of Activities while indirect expense allocations are eliminated. Indirect expenses are primarily charged to the various functions through the use of internal service funds for fleet maintenance and information technology. Elimination of payments to internal service funds are treated as expense reductions. No other indirect expenses are allocated to the various governmental functions. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

In 2012 the City reevaluated the methodology used to report expenditures by function. In the past the City has classified maintenance on public safety buildings; police and fire stations, as Physical Environment. However during further discussion the decision was made to include these expenditures as Security to more closely represent the true cost. This did not impact the total expenditures for the governmental statements but rather shifted the expenditures between functions. This also impacted the budget to actual comparison schedule for the general fund. The original budget shown in the 2012 CAFR is representative of what was reported on the same schedule in the 2011 CAFR while the final budget incorporates the new classification for Security expenditures. The Actual column on this schedule is comprised by the actual amounts shown on the 2011 CAFR plus the amount shown on the General Government Statement – General Fund in the 2012 CAFR.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The proprietary fund statements 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 City's utility funds and internal service funds are charges to customers for sales and services, vehicle replacement, and insurance. The City also recognizes as operating revenue the portion of utility connection fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, taxes, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Budgets and Budgetary Accounting

The City of Redmond budgets its funds in accordance with the Revised Code of Washington (RCW) 35A.34. In compliance with the code, budgets for all funds are established with the exception of the LID Control and the LID Guaranty Debt Service Funds, and Fiduciary funds. Budgets established for proprietary funds are "management budgets" and as such are not required to be shown in this report.

The biennial budget is proposed by the Mayor and adopted by the City Council with legal budgetary control at the fund level for all funds. Expenditures and other financing uses may not exceed budgeted appropriations at these levels. The Mayor may authorize transfers within all funds. The City Council must approve by ordinance any additional appropriations which increase the total at the fund level. Any unexpended appropriation balances lapse at the end of the biennium.

In addition to authorizing the budget, the City Council biennially approves the Capital Improvement Program. This is a six-year plan for capital project expenditures and anticipated revenue sources. Expenditures and revenues for these projects are budgeted in the Capital Projects Funds and Enterprise Funds.

The City prepares all biennial budgets on the modified accrual basis which conforms to generally accepted accounting principles. The CAFR includes budgetary comparisons for the general and capital projects governmental funds with legally adopted budgets.

The budget process and the time limits under which a budget must be developed are established by State law. The City uses a "budgeting for outcomes" format and follows the procedures outlined below in the year preceding the first year of the two-year budget to establish its biennial budget:

- In winter, community meetings are held to affirm or revise the City's budget priorities. The Mayor appoints staff and citizens to teams which interpret these priorities and develop the primary factors that the City should support to pursue the given priority. These factors are used by staff to develop budget offers.
- In spring, the Mayor develops and submits a budget calendar to the City Council for approval.
- In June, the City Clerk publishes notice for the first public hearing. Also around mid-year staff prepares a six-year forecast and reviews this forecast with the City Council at a public meeting.
- Throughout the summer, City staff create budget offers and review revenue and expenditure estimates.
- In October, preliminary budget estimates are made available to the public.
- Sixty days before the ensuing fiscal year, the Mayor files the preliminary budget with the City Clerk's office.
- During the first two weeks of November, the City Clerk publishes notice of the filing of the preliminary budget and publishes notice of public hearings.
- The City Council holds a series of study sessions to review the preliminary budget to determine if they wish to make any modifications to the Mayor's recommended programs.
- Public hearings are held prior to the adoption of the budget for the public to comment on recommended programs and to offer ideas for new programs.
- Prior to the beginning of the first calendar year of the biennial budget, the City Council, by a majority of the members present, adopts a final operating budget by ordinance.
- The Final Budget document is printed and distributed and posted on the City's website after adoption.

Assets, Liabilities, and Net Position or Equity

Cash and Investments

It is the City's policy to invest temporary cash surpluses. These investments are reported on the Statement of Net Position and the governmental funds Balance Sheet as cash and cash equivalents or investments. Included in cash and cash equivalents are currency on hand, demand deposits with banks or other financial institutions, investments with the Local Government Investment Pool, investments in U.S. Government Mutual Funds and investments with original maturities of three months or less. Interest is allocated to each fund on the basis of investments owned.

In accordance with City policy and Washington State law, authorized investment purchases include Certificates of Deposit with financial institutions qualified by the Washington Public Deposit Protection Commission, US Treasury and Agency Securities, Bankers' Acceptances, Bonds of Washington State and any local government in Washington State which have, at the time of purchase, one of the three highest credit ratings of a nationally recognized rating agency, repurchase agreements, the State

Investment Pool (which is a 2a7-like pool), and mutual funds used specifically for debt issues related to arbitrage.

The City reports its deposit and investment risk disclosures in accordance with GASB 40 (see Note 4).

In accordance with GASB 31, investments in external 2a7-like pools, money market investments, and participating interest-earning investment contracts with remaining maturities of one year or less at the time of purchase are stated at amortized cost. All other investments including the Firemen's Pension Fund are stated at fair value.

Receivables

The City of Redmond recognizes receivables in its financial statements based on the accounting requirements for that statement. These receivables are as follows:

Property Taxes

The City's property tax collections records show that approximately 99% of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years. The City performs an analysis of all uncollected property taxes to test materiality of the uncollected balance as well as the collectability. Based on this analysis the City will determine the classification of the uncollected portion of property taxes; revenue versus uncollected property taxes. When property taxes become three years delinquent, the County is required by State statute to foreclose on the property. Historically, all taxes have been collected; therefore no allowance for uncollectible taxes is recorded.

Sales Taxes

There is a running two-month lag in remittance of sales tax to the City. Sales taxes collected in November and December are not remitted by the State to the City until January and February of the following year and they are reported as receivables at year-end. There is no allowance for uncollectible sales taxes because all sales taxes are required by law to be collected by businesses at the time of sale and remitted to the State.

Investment Interest

Interest receivable consists of interest earned on investments at the end of the year, accrued interest on investments purchased between interest dates, and accrued interest and penalties on special assessments receivable. In proprietary funds and the government-wide Statement of Net Position, investment interest is recorded as receivable, regardless of its payment date. In the governmental fund statements and schedules, investment interest is recorded as receivable if it will be paid to the City within 60 days of year-end.

Accounts Receivable

Customer accounts receivable consist of amounts owed by private individuals or organizations for goods and services provided. Unbilled services provided to utility customers are estimated at year-end and included in accounts receivable. Uncollectible amounts are considered immaterial and the direct write-off method is used.

Inter-fund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of inter-fund loans) or "advances to/from other funds" (i.e. the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Inventories

Inventories are defined as assets which may be held for internal consumption or for resale. The City uses the following policies in valuing and recording inventory items:

In proprietary funds a perpetual inventory is maintained, in which the cost is held in an asset account when inventory items are purchased, and expensed when the item is consumed. The first-in, first-out valuation method, which approximates market, is used to value the inventory. A physical inventory is taken at year-end. No inventory is maintained in governmental funds; however, the internal service fund inventories are included in the "Governmental Activities" on the Statement of Net Position.

Restricted Assets

Restricted assets include those monies reserved for customers' deposits, bond reserve monies and impact fees.

Advance on Service Contract

For fiscal years prior to December 31, 2012, the City amortized under guidance provided by FASB 71 the Tolt Pipeline project and the Tolt Meter project with the City of Seattle. In further review, this is not a deferred outflow of resources but rather an advance on a service contract.

The City implemented GASB 65, "Items Previously Reported as Assets and Liabilities" for the fiscal year ended December 31, 2012. With the implementation of this pronouncement the bond issuance costs were written off in both the enterprise and governmental funds as of December 31, 2011. The impact of this implementation is more thoroughly discussed in Note 19.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective funds. Capital assets are defined by the City as land and buildings with an original cost of $50,000 or more each, machinery, equipment, software, vehicles, transportation and utility infrastructure and other improvements with an original cost of $10,000 or more each and an estimated useful life of more than one year, and all artwork regardless of its initial cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land, construction in progress, and works of art are not depreciated. Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Buildings/Building improvements	50
Other improvements	15-50
Vehicles	3-15
Machinery and equipment	6-20
Utility infrastructure	10-100
Streets, paths, trails	50
Street lights and traffic signals	30

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time in lieu of overtime and sick leave benefits. Twenty-five percent of unused sick leave is payable at retirement or death. Any outstanding sick leave is lost at resignation; therefore, outstanding sick leave at year-end is not accrued because the payment cannot be deemed probable nor can the amount be reasonably estimated. All vacation and compensatory time is accrued when incurred in the government-

wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Other Post-Employment Benefits

Lifetime full medical coverage is provided to uniformed Police and Fire personnel who became members of the Law Enforcement Officers and Fire Fighters (LEOFF 1) retirement system prior to October 1, 1977. A liability for the accumulated unfunded actuarially required contribution is reported in the Statement of Net Position. The actual medical costs are reported as expenditures in the year they are incurred.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

The City implemented GASB 54 for the fiscal year ending December 31, 2011. This pronouncement changed how the City classifies fund balances to better identify available resources and assess liquidity and financial flexibility. Fund balances are categorized as Nonspendable or Spendable amounts as indicated below.

Nonspendable Fund Balance: fund resources that are in a form that either *never* could be spent or in a form that is *temporarily* not spendable. This can include resources that are spendable in form but are under legal restrictions that temporarily or permanently bar spending.

Spendable amounts are further segregated into categories based on the degree to which the uses of resources are constrained.

- *Restricted Fund Balance:* fund resources that are subject to restrictions that are *legally enforceable* by *outside parties*. This includes resources raised through enabling legislation.
- *Committed Fund Balance:* fund resources that are legally limited by the resolution by the City Council. A resolution must be taken to impose limitations on the use of these resources, and another resolution is required to modify or eliminate those limitations.
- *Assigned Fund Balance:* fund resources that are limited by the mayor, or department directors based on delegation, for its intended use. This type of limitation can be imposed by the highest level of decision making within the entity or a designee, but little or no formal action is required to modify or eliminate those limitations.
- *Unassigned Fund Balance:* fund resources that are in spendable form and are not restricted, committed or assigned.

The primary flow assumption utilized by the City is:

1. Restricted
2. Committed
3. Assigned
4. Unassigned

However, prior to the commencement of any project, the flow assumption is reviewed to ensure that the proper resources are being used.

NOTE 2:
Stewardship, Compliance and Accountability

During 2012, there have been no material violations of finance-related legal or contractual provisions.

NOTE 3:
Reconciliation of Government-Wide and Fund Financial Statements

Explanation of aggregated differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position.

The governmental fund Balance Sheet includes reconciliation between total fund balance and total net position as reported in the government-wide Statement of Net Position. The details of the aggregated differences are presented below.

Some liabilities, including bonds, loans and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:

G.O Bonds payable	$	(68,920,000)
Unamortized bond premiums		(1,514,528)
Loans payable		(2,140,793)
Accrued interest payable		(138,817)
Compensated absences		(4,035,343)
Other post-employment benefits		(2,686,791)
Net adjustment to reduce fund balance - total governmental funds To arrive at net position – governmental activities	$	(79,436,272)

Explanation of aggregated differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. The details of the aggregated differences are presented below.

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Developer/Private asset contributions	$	675,640
Change in investment interest receivable due beyond the City's 60 day measurable and available period		(67,913)
Net adjustment to increase net change in fund balances - governmental funds to arrive at change in net position- governmental activities	$	607,727

Receipt of long-term debt proceeds increases the current financial resources of governmental funds and repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of

issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Principal repayments:		
General obligation bonds	$	3,350,000
Public Works Trust Fund Loans repayment		202,457
Proceeds from long-term debt issuance		(1,794,564)
Net adjustment to decrease net change in fund balances - governmental funds to arrive at change in net position-governmental activities	$	1,757,893

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Change in accrued interest payable	$	6,455
Amortization of debt premiums		130,765
Change in compensated absences payable		(418,728)
Change in other post-employment benefits payable		(516,317)
Net adjustment to decrease net change in fund balances - governmental funds to arrive at change in net position-governmental activities	$	(797,825)

NOTE 4:
Cash and Investments

The City of Redmond's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington State Public Deposit Protection Commission (WPDPC). The FDIC insures the first $250,000 of the City's deposits. The deposit balances over $250,000 are collateralized by the WPDPC. State statute permits additional amounts to be assessed on a pro rata basis to members of the WPDPC pool in the event the pool's collateral should be insufficient to cover a loss.

As of December 31, 2012 the carrying amount of the City's cash demand deposits with Bank of America (B of A) was $7,274,492 with net in-transit items of $66,960. Seized cash on deposit at B of A awaiting court decisions totaled $10,159. The carrying amount and bank balance of the City's cash demand deposits at U.S. Bank at December 31, 2012 was $303,268. $5,005,130 was held in a public funds money market account at Opus Bank. $618,455 retained from contractors pending acceptance of City construction projects was held in escrow or savings accounts at various banks. $912,482 is held by Redmond Community Properties, a blended component unit of the City. Petty cash totaled $38,500, of which $34,670 was allocated to various City offices and $3,830 was unallocated and remains in the City's demand deposit account at Bank of America. $10,000 is held by the City of Bellevue for use by the Eastside Narcotics Task Force.

The Local Government Investment Pool (LGIP) is an unrated 2a-7 like pool, as defined by GASB 31. Accordingly, participants' balances in the LGIP are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 60 days. Per GASB 40 guidelines the balances are also not subject to custodial credit risk. The credit risk of the LGIP is limited as most investments are either obligations of the US government, government sponsored enterprises, or insured demand deposit accounts and certificates of deposit. Investments or deposits held by the LGIP are either insured or held by a third-party custody provider in the LGIP's name. The fair value of the City's pool investments is determined by the pool's share price. The City has no regulatory oversight responsibility for the LGIP which is governed by the Washington State Finance Committee and is administered by the State Treasurer. The LGIP is audited annually by the Office of the State Auditor, an independently elected public official. The City includes the LGIP as an investment for internal tracking, but it is disclosed on the financial statements as a cash equivalent.

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

Investment Type	Fair Value	Less Than 1 Year	1 to 5 Years
Certificates of Deposit	$ 3,593,413	$ 3,593,413	$ -
Federal Farm Credit Bank	11,432,932	2,418,682	9,014,250
Federal Home Loan Bank	19,016,240	7,003,430	12,012,810
Federal Home Loan Mortgage Corporation	24,118,808	7,019,120	17,099,688
Federal National Mortgage Association	24,893,006	-	24,893,006
Local Government Bonds	25,743,655	7,968,341	17,775,314
Subtotal	108,798,054	28,002,986	80,795,068
Local Government Investment Pool	29,893,253	29,893,253	-
Total	$ 138,691,307	$ 57,896,239	$ 80,795,068

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the City's policy requires that it diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The City coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date.

Credit Risk. "The City's investment policy was adopted by resolution of the City Council. This policy is reviewed on a biennial basis by the Public Administration and Finance Committee and any modifications made thereto must be approved by the City Council. State law and City policy limit investments to those authorized by State Statute including commercial paper and bonds of the State of Washington and any local government in the State of Washington which have, at the time of investment, one of the three highest credit ratings of a nationally recognized rating agency. The City further limits its holdings in commercial paper to 10% of the portfolio and 10% per issuer, and local government bonds to 25% of the portfolio and 10% of issuer. At December 31, 2012 the City held no investments in commercial paper. Investment purchases are settled by a delivery versus payment (DVP) method and held by a third party custodian.

Additionally, the City restricts its investment in mutual fund bonds to be used for arbitrage purposes only.

Concentration of Credit Risk. The City diversifies its investments by security type and institution. 100% of the City's portfolio may be invested in US Treasury Notes, Bonds or Certificates, US Government Sponsored Corporations, or the State Investment Pool. 50% of the portfolio may be invested in Certificates of Deposit with no more than 10% held by any one issuer and not exceeding 20% of the issuer's net worth. 25% of the portfolio may be invested in Bankers Acceptances (10% per issuer), State of Washington or Local Government Bonds (10% per issuer), and Repurchase Agreements (25% per dealer). 10% of the portfolio may be invested in Commercial Paper and other authorized investments. On December 31, 2012 more than five percent of the City's investments were held in Federal Farm Credit Bank, Federal Home Loan Bank, Federal National Mortgage Association, and Home Loan Mortgage Corporation.

Reconciliation of cash and investments by type to the statements is detailed in the following tables.

Cash & Investments by Type	
Opus Bank-money market	$ 5,005,130
State Investment Pool (LGIP)	29,893,253
Bank of America Business Checking	7,274,492
Deposits/Debits in Transit at 12/31/2012	731,611
Checks/Credits in Transit at 12/31/2012	(664,651)
U.S. Bank deposits in transit	303,268
Petty Cash/Advance Travel	38,500
Police seized Money Market	10,159
Contractor's Retainage Money Market	618,457
Redmond Community Properties	912,482
City of Bellevue - outside agency	10,000
Federal Home Loan Bank	19,016,240
Federal Farm Credit Bank	11,432,932
Federal Home Loan Mortgage Corporation	24,118,808
Federal National Mortgage Association	24,893,006
Local Gov't Bonds	25,743,655
Certificates of Deposit	3,593,413
Grand Total Cash & Investments by Type	$152,930,755

Cash & Investment by Statement	Cash & Equivalents*	Restricted Cash	Rate Stabilization Fund	Investments	Restricted Investments
Governmental Funds					
General Fund	$ 9,038,397	$ -	$ -	$ 26,014,464	$ 4,102,418
Capital Improvements Program Fund	8,894,012	-	-	21,408,119	28,688
Other Governmental Funds	1,901,604	-	-	4,926,542	10,159
Proprietary Funds					
Water/Wastewater	2,338,455	163,255	1,644,361	12,442,356	1,175,500
UPD Water/Wastewater	3,151,894	158,250	547,086	8,919,703	-
Stormwater Management	8,389,231	7,268	-	19,618,474	-
Internal Service Funds	5,493,843	-	-	10,327,612	-
Fiduciary Funds					
Firemen's Pension Fund	358,939	-	-	-	845,493
Agency Funds	731,376	-	-	-	293,256
	$ 40,297,751	$ 328,773	$ 2,191,447	$103,657,270	$ 6,455,514
Grand Total Cash & Investments by Statements					$152,930,755

NOTE 5:
Governmental Fund Balances

Governmental fund balances are classified as either spendable or non-spendable. Spendable fund balances are further categorized as restricted, committed, assigned, and unassigned. Restricted amounts are restricted by contract or grant document, committed amounts committed by codification by the City Council and the assigned are assigned by action by the City's mayor or department director based on delegated authority. The breakdown of what makes up each of the fund balance categories from the governmental Balance Sheet that is designated for a particular purpose is shown below.

Restricted For:

Advance life support	$	362,136
Cable access		1,233,920
Capital projects		12,005,233
Debt service		310,856
Fire		2,785,085
Parks		441,593
Planning-transportation		1,778,974
Police		4,217,479
Solid waste recycling		350,890
Tourism		375,356
Total	$	23,861,522

Committed For:

Arts	$	239.952
Capital equipment replacement		3,064,633
Fire equipment		3,976,089
Parks maintenance		956,708
Police		8,500
Travel		20,000
Total	$	8,265,882

Assigned For:

Capital assets	$	19,738,365
Community events		56,318
Maintenance		861,455
Human services fund		49,524
Parks		152,287
Recreation activities		803,562
Reserves		6,871,493
Transportation		3,480,777
Total	$	32,013,781

NOTE 6:
Receivables

Property Taxes

The King County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections are distributed on a daily basis.

	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.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

Property taxes are recorded as a receivable when levied, offset by a liability account. During the year, property tax revenues are recognized when cash is received. At year-end, property tax revenues are recognized for December collections to be distributed by the county treasurer in January and February.

Under Washington State law a city may levy property taxes up to $3.60 per $1,000 of assessed valuation. The assessed value was $12,463,279,191 for the City in 2012.

The City of Redmond's maximum property tax levy rate has been reduced from $3.60 to $3.10, or $.50, as a result of annexing to the King County Library District in May, 1990. In addition to the limitation previously noted, the City's levy rate is also subject to the following:

> Washington State law in RCW 84.55.010 limits the growth of regular property taxes to one percent per year or IPD, whichever is less, after adjustments for new construction and annexations, unless an increase greater than this limit is approved by the voters. If the assessed valuation increases by more than one percent due to revaluation, the levy rate will be decreased.
>
> The Washington State Constitution limits the total regular property tax levy to a maximum of one percent of assessed valuation or $10 per $1,000 of the market value of a property. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.

Accordingly, the City levied $1.77 per $1,000 of assessed value for general governmental services, and an additional $0.02 per $1,000 of assessed value for a voter-approved excess tax levy, for a combined total of $1.79 per $1,000 of assessed value.

NOTE 7:
Interfund Receivable and Payable

The composition of interfund receivable and payable as of December 31, 2012 is as follows:

	Due From	Due To	
Operating Reserves Fund	$ 452,513	$ -	Advanced Life Support services
Advanced Life Support Fund	-	452,513	
	$ 452,513	$ 452,513	

are funded by a property tax levy collected by King County. The City provides the services and bills King County for these services on a cost reimbursement basis. In the interval between the payment of the expenditures by the City and the receipt of the expenditure reimbursement from King County, cash is transferred from the Operating Reserves Fund to the Advanced Life Support Fund to cover payment of these expenditures.

NOTE 8:
Capital Assets

The City had an instance that resulted in a decrease in Construction in Progress without a corresponding increase in another asset. This was related to a bridge over State Route 520. This multi-year project was accounted for in the CIP section of the City's financial statements and expensed in 2010 at substantial completion as this asset was transferred to the State of Washington as required for all bridges over state-owned roadways. There were some additional charges in 2012 that totaled $1,212,403.

Capital asset activity for the year ended December 31, 2012 was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated:				
Land	$ 85,065,414	$ 14,292,942	$ -	$ 99,358,356
Construction in progress	16,951,480	16,569,786	(27,722,735)	5,798,531
Art	344,583	51,571	-	396,154
Total capital assets, not being depreciated	102,361,477	30,914,299	(27,722,735)	105,553,041
Capital assets, being depreciated:				
Buildings/building improvements	68,333,000	7,286,263	-	75,619,263
Improvements other than buildings	28,562,661	1,094,003	(38,500)	29,618,164
Machinery and equipment	30,029,648	1,649,933	(2,110,040)	29,569,541
Infrastructure	228,203,867	4,503,005	-	232,706,872
Total capital assets, being depreciated	355,129,176	14,533,204	(2,148,540)	367,513,840
Less accumulated depreciation for:				
Buildings/building improvements	14,993,918	1,436,859	-	16,430,777
Improvements other than buildings	9,254,381	1,109,019	(38,500)	10,324,900
Machinery and equipment	17,538,225	2,156,756	(2,101,514)	17,593,467
Infrastructure	74,438,521	5,067,627	-	79,506,148
Total accumulated depreciation	116,225,045	9,770,261	(2,140,014)	123,855,292
Total capital assets, being depreciated, net	238,904,131	4,762,943	(8,526)	243,658,548
Governmental activities capital assets, net	$ 341,265,608	$ 35,677,242	$ (27,731,261)	$ 349,211,589

Government Type Activities	
Capital assets not being depreciated	$ 105,553,041
Capital assets being depreciated	367,513,840
Less accumulated depreciation	(123,855,292)
Less GO Bonds	(68,920,000)
Less bond premium	(1,514,528)
Unspent bond proceeds	-
Less Public Works Trust Fund loans	(2,140,793)
Governmental Activities, invested in capital assets net of related debt	$ 276,636,268

	Beginning Balance	Increases	Decreases	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital assets, not being depreciated:				
Land	$ 12,453,045	$ 155,449	$ -	$ 12,608,494
Construction in progress	12,112,386	9,812,612	(13,345,920)	8,579,078
Total capital assets, not being depreciated	24,565,431	9,968,061	(13,345,920)	21,187,572
Capital Assets, being depreciated:				
Buildings/building improvements	37,147,529	-	-	37,147,529
Improvements other than buildings	265,044,714	16,685,240	(990,109)	280,739,845
Machinery and equipment	706,291	-	-	706,291
Total capital assets, being depreciated	302,898,534	16,685,240	(990,109)	318,593,665
Less accumulated depreciation for:				
Buildings/building improvements	4,644,578	742,951	-	5,387,529
Improvements other than buildings	55,784,287	5,365,412	(990,109)	60,159,590
Machinery and equipment	567,920	40,107	-	608,027
Total accumulated depreciation	60,996,785	6,148,470	(990,109)	66,155,146
Total capital assets, being depreciated, net	241,901,749	10,536,770	-	252,438,519
Business-type Activities, invested in capital assets net of related debt	$ 266,467,180	$ 20,504,831	$ 13,345,920	$ 273,626,091

INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

Business-Type Activities	
Capital assets not being depreciated	$ 21,187,572
Capital assets being depreciated	318,593,665
Less accumulated depreciation	(66,155,146)
Less Revenue bonds	(9,345,000)
Less bond premium	(263,264)
Unspent bond proceeds	-
Business-Type Activities, invested in capital assets net of related debt	$ 264,017,827

Depreciation expense was charged to functions/programs of the primary government, not inclusive of Internal Service Funds, as follows:

GOVERNMENTAL ACTIVITIES:		
General Government	$	1,333,570
Security		1,124,027
Physical Environment		14,718
Transportation, Including Depreciation of General Infrastructure Assets		5,067,999
Economic Environment		112,222
Culture and Recreation		1,218,384
Total Depreciation Expense – Governmental Activities	$	8,870,920

The Business-type activities also had $19,675 in amortization expense that is included with depreciation expense in the financial statements.

BUSINESS-TYPE ACTIVITIES		
Water/Wastewater	$	3,649,028
UPD Water/Wastewater		1,329,134
Stormwater		1,170,308
Total Depreciation Expense – Business-type Activities	$	6,148,470

NOTE 9:
Pension Plans

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

Public Employees' Retirement System (PERS) Plans 1, 2, and 3

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

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

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option

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

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

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

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

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

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

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

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

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

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2

percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

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

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

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

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

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

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

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

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

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

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

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

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

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability

benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

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

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

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

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

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

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

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

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

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program. Members required into the JBM program would: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

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

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

Funding Policy

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

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

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

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

Members Not Participating in the JBM:

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

* The employer rates include the employer administrative expense fee currently set at 0.16%.
** The employer rate for state elected officials is 10.74% for Plan 1 and 7.21% for Plan 2 and Plan 3.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.64% for Plan 2.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members Participating in the JBM:

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

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

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2012	$71,394	$1,610,351	464,587
2011	$69,474	$1,344,949	387,592
2010	$73,971	$1,182,081	341,287

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

Plan Description

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

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

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

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

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of the 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 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the FAS, plus 5 percent of the FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2)

If no eligible spouse, eligible children receive 30 percent of the FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of the FAS, divided equally.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Retirees and Beneficiaries Receiving Benefits	9,947
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	656
Active Plan Members Vested	13,942
Active Plan Members Nonvested	3,113
Total	**27,658**

Funding Policy

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

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

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

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

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.16%	5.24%**
Employee	0.00%	8.46%
State	N/A	3.38%

*The employer rates include the employer administrative expense fee currently set at 0.16%.
** The employer rate for ports and universities is 8.62%.

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

	LEOFF Plan 1	LEOFF Plan 2
2012	$395	$1,164,030
2011	$604	$1,192,062
2010	$762	$1,174,424

Public Safety Employees' Retirement System (PSERS) Plan 2

Plan Description

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

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

PSERS membership includes:

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

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

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

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

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

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

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

PSERS members may retire with a monthly benefit of 2 percent of the average final compensation (AFC) at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service

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

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

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

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

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

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

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

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

Retirees and Beneficiaries Receiving Benefits	15
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	1
Active Plan Members Vested	167
Active Plan Members Nonvested	4,020
Total	**4,203**

Funding Policy

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

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

	PSERS Plan 2
Employer*	8.87%
Employee	6.36%

*The employer rate includes an employer administrative expense fee of 0.16%.

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

	PSERS Plan 2
2012	$21,134
2011	$22,257
2010	$21,213

Firemen's Pension Plan

The City is the administrator of the Firemen's Pension Plan (FPP), a closed, single-employer defined benefit pension plan established in conformance with Revised Code of Washington (RCW) Chapter 41.18. The costs of administering the Plan are paid from the Firemen's Pension Fund. The Plan provided retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Retirement benefit provisions are established in state statute and may be amended only by the State Legislature. Membership is limited to firefighters employed prior to March 1, 1970 when the LEOFF retirement system was established. The City's obligation under the Plan consists of paying the difference between pension and medical benefits provided by LEOFF and those provided by the FPP for covered firefighters who retire after March 1, 1970. Benefits and refunds of the Plan are recognized when due and payable in accordance with the terms of the Plan. Membership in the FPP consists of one deceased and four retired firefighters, one of whom is currently receiving benefits.

The benefits provided by the Plan are potentially in excess of the State's LEOFF plan. For funding purposes and accruing costs, the benefits are measured by a modified aggregate projected benefit method, with the annual cost spread over the period ending December 31, 2012. Under this method, the required contribution is the portion of the actuarial present value of benefits allocated to a valuation year. The actuarial accrued liability is equal to the actuarial value of assets. This cost method is not appropriate for GASB Statements 25 and 27 purposes though it is still recommended for funding purposes. For GASB purposes, the entry age normal cost method is used. Under this method the projected benefits are allocated on a level basis as a percentage of salary over the earnings of each individual between entry age and assumed exit age. The amount allocated to each year is called the Normal Cost and the portion of the Actuarial Present Value of all benefits not provided for by future Normal Cost payments is called the Actuarial Liability. Since all members have already retired, the amount of the annual Normal Cost is small. The Unfunded Actuarial Accrued Liability (UAAL) is the Actuarial Liability minus the actuarial value of the fund assets. The UAAL will be amortized over a closed 30 year period beginning December 31, 2000. The Plan is a closed off plan and GASB disclosures make no special provision for reporting the cost for this type of plan. Therefore, the minimum actuarial required contribution (ARC) disclosed for GASB purposes has no relationship to the City's funding policy for the Plan.

Under State law, the FPP is provided an allocation of 25% of all monies received by the State from taxes on fire insurance premiums, interest earnings, member contributions made prior to the inception of LEOFF, and City contributions required to meet projected future pensions obligations. These on behalf tax revenues were recognized in the general fund and expensed out to the Firemen's Pension Fund. The actuary has determined that no City contribution is required. The fire insurance premium for 2012 was $127,251 which was sufficient to pay the 2012 Firemen's Pension Fund expenses of $20,936. It also increased the negative Net Pension Obligation to ($1,009,606).

The financial activity of the Firemen's Pension Fund is included in 2012 CAFR of the City of Redmond. No separate stand-alone financial report is issued for the Firemen's Pension Fund.

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2012, the most recent actuarial valuation date, is as follows:

($ In Thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAL as a Percentage of Covered Payroll
January 1, 2013	$ 1,093	$ 558	$ (536)	196%	$ 0	N/A

The Schedule of Funding Progress entitled Required Supplementary Information, which follows the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Schedule of Employer Contributions

($ In Thousands)

Fiscal Year Ending	Total Employer Contributions	Annual Required Contribution (ARC)	Percentage of ARC contributed
December 31, 2002	$ 51	$ 15	333.1%
December 31, 2003	$ 59	$ 15	384.9%
December 31, 2004	$ 69	$ 12	573.8%
December 31, 2005	$ 87	$ 12	728.0%
December 31, 2006	$ 99	$ 1	16,266.0%
December 31, 2007	$ 107	$ 1	17,611.9%
December 31, 2008	$ 122	$ 0	N/A
December 31, 2009	$ 117	$ (16)	N/A
December 31, 2010	$ 134	$ (14)	N/A
December 31, 2011	$ 135	$ (14)	N/A
December 31, 2012	$ 127	$ 0	N/A

Three-Year Trend Information

(In whole dollars)

Fiscal Year Ending	Annual Pension Cost (APC)	Contribution as a Percentage of APC	Net Pension Obligation (NPO)
December 31, 2010	$ 9,330	1,435%	$ (798,985)
December 31, 2011	$ 15,612	867%	$ (918,785)
December 31, 2012	$ 36,431	349.30%	$ (1,009,606)

The information presented in the preceding required schedules was determined as part of the actuarial valuations as indicated.

Valuation date:	January 1, 2013
Actuarial cost method for GASB purposes:	Entry Age Normal
Amortization method:	30-Year, closed as of January 1,2000
Remaining amortization period:	20 years
Asset valuation method:	Fair Market Value

Actuarial Assumptions:

Inflation rate:	2.5%	Projected salary increases:	3.5%
Investment rate of return:	3.2%	Cost of living adjustments:	2.5%

Annual Pension Cost and Net Pension Obligation
Firemen's Pension Plan

	Year Ending 12/31/10	Year Ending 12/31/11	Year Ending 12/31/12
1. Annual Normal Cost, beginning of year	$ -	$ -	$ -
2. Amortization of UAL, beginning of year	(13,403)	(13,403)	(38,338)
3. Interest to end of year	(429)	(429)	(1,228)
4. Annual required contribution at end of year (1+2+3), not less than zero in 2012	(13,832)	(13,832)	-
5. Interest on net pension obligation	(21,582)	(25,568)	(29,401)
6. Adjustment to annual required contribution	44,744	55,012	65,832
7. Annual pension cost (4+5-6)	9,330	15,612	36,431
8. Employer Contributions	(133,868)	(135,412)	(127,252)
9. Change in net pension obligation (7-8)	(124,538)	(119,800)	(90,821)
10. Net pension obligation at beginning of year	(674,447)	(798,985)	(918,785)
11. Net pension obligation at end of year (9+10)	$ (798,985)	$ (918,785)	$ (1,009,606)

By majority vote, City employees approved the City's withdrawal from the Social Security System pursuant to U.S.C.A., Section 418 (g) effective January 1, 1975. Permanent employees working 1,040 or more hours per year are eligible but not required to participate in the plan. Temporary employees working less than 1,040 hours per year are required to participate in the plan. Participating permanent employees may choose to defer income tax in accordance with Internal Revenue Code Section 401K, on all, part or none of their contribution while temporary employees may not defer income tax on any of their contribution. There were 731 permanent and 223 temporary participants with account balances at December 31, 2012.

The Municipal Employees Benefit Trust Plan is a defined contribution plan with participants contributing an amount equal to the current Social Security rate (7.65%). One hundred percent of the contributions made by employees hired before April 1, 1986 go to MEBT. Employees hired on or after April 1, 1986 contribute 6.2% to MEBT and 1.45% to Medicare. Permanent employees may make additional contributions up to the limit set by the Internal Revenue Code. The City contributes 7.65% for permanent employees and 4.75% for temporary employees. Of the City's contribution, 1.45% goes to Medicare for

employees hired on or after April 1, 1986. Eighty percent of the remaining City contribution goes to MEBT and 20% to administrative fees. The City's contribution is based on the payroll for all employees who are eligible to participate in the plan, regardless of the number of participants. The City's payroll for participating employees in 2012 was $53,584,483. Employee contributions were $3,209,435. City contributions were $3,275,292. The City's total payroll was $54,670,587.

Plan assets consisting of stocks, bonds, and guaranteed insurance contracts, are not the property of the City and are not subject to the claims of the City's general creditors. The Plan is administered by the Plan Committee consisting of seven employee members appointed by the City. The Plan Committee administers the MEBT Plan according to the Plan Document adopted by the City and all applicable IRS regulations. Plan provisions may be established or amended by a majority vote of the Plan Committee. Employees who elect not to participate in the Municipal Employees Benefit Trust plan retain the disability and survivor income insurance provided by the Standard Insurance Company.

Actuarial determinations are not required because (1) long term disability insurance and survivor income insurance are provided by a group insurance policy with Standard Insurance Company, and (2) each participant shall at his normal retirement date instruct the Plan Committee to (a) acquire a non-forfeitable, non-transferable annuity contract, (b) pay retirement benefits in monthly or annual installments (no contributions by the City or the participant shall be added to his account after retirement), (c) pay a single sum in cash, or (d) elect to defer any or all retirement benefits to a later date.

NOTE 10:
Other Postemployment Benefits

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 healthcare plan administered by the City. The members' necessary hospital, medical, and nursing care expenses not payable by worker's compensation, social security, insurance provided by another employer, other pension plan, or any other similar source are covered. Most medical coverage for eligible retirees is provided by one of the City's employee medical insurance programs. Under the authorization of the LEOFF Disability Board, direct payment is made for other retiree medical expenses not covered by standard medical plan benefit provisions. Financial reporting for the LEOFF retiree healthcare plan is included in the City's Comprehensive Annual Financial Report.

Funding Policy

Funding for LEOFF 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.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years as of January 1, 2012. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB. The net OPEB obligation of $2,686,793 is included as a noncurrent liability on the Statement of Net Position.

	Fiscal Year Ending 12/31/2010	Fiscal Year Ending 12/31/2011	Fiscal Year Ending 12/31/2012
Determination of Annual Required Contribution:			
1-Annual Normal Cost (BOY)	$ 27,070	$ 28,220	$ 57,908
2-Amortization of UAAL* (BOY)	545,784	545,784	849,114
3-Interest to EOY [1 + 2] x *(i)***	25,778	25,830	36,281
4-Annual Required Contribution [1 + 2 + 3]	598,632	599,834	943,303
Determination of Net OPEB Obligation:			
4-Annual Required Contribution	598,632	599,833	943,303
5-Interest on Net OPEB Obligation	66,719	81,518	86,819
6-Adjustment to ARC	87,103	106,422	127,805
7-Annual OPEB Cost [4 + 5 -6]	578,248	574,929	902,317
8-Employer Contributions	249,387	215,966	386,000
9-Change in Net OPEB Obligation [7 - 8]	328,860	358,963	516,317
10-Net OPEB Obligation-BOY [11 from prior year]	1,482,651	1,811,511	2,170,476
Net OPEB Obligation-end of year [9 + 10]	$ 1,811,511	$ 2,170,474	$ 2,686,793

***(i)*is the assumed interest rate that year: 5.5% in 2008, 4.5% in 2009, 4.5% in the remaining years.

The City's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Contribution as a Percentage of OPEB Cost	Net OPEB Obligation
12/31/2010	$ 578,248	43.1%	$ 1,811,511
12/31/2011	$ 574,929	37.6%	$ 2,170,474
12/31/2012	$ 902,317	43%	$ 2,686,793

As of January 1, 2012, the most recent actuarial valuation date, the plan was 0% funded. The City's funding progress, the accrued liability for benefits, the actuarial value of the assets, the unfunded actuarial accrued liability (UAAL), the covered payroll, and the UAAL as a percentage of covered payroll for 2012 and preceding years were as follows:

Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL As a Percentage of Covered Payroll
Dec. 31, 2005	$ -	$ 8,512,284	$ 8,512,284	0%	$ 719,423	1183.20%
Dec. 31, 2006	$ -	$ 8,512,284	$ 8,512,284	0%	$ 764,518	1113.41%
Dec. 31, 2007	$ -	$ 8,512,284	$ 8,512,284	0%	$ 557,587	1526.63%
Dec. 31, 2008	$ -	$ 8,512,284	$ 8,512,284	0%	$ 446,200	1907.73%
Dec. 31, 2009	$ -	$ 9,290,267	$ 9,290,267	0%	$ 442,308	2100.41%
Dec. 31, 2010	$ -	$ 9,430,652	$ 9,430,652	0%	$ 461,106	2045.22%
Dec. 31, 2011	$ -	$9,549,490	$9,549,490	0%	$480,703	1986.57%
Dec. 31, 2012	$ -	$14,420,000	$14,420,000	0%	$262,000	5,503.82%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The

schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the January 1, 2012 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions used included a 4.00% discount rate, which is based upon the long-term investment yield on the investments that are expected to be used to finance payment of benefits. A medical inflation rate of 7.00%, graded to 6.20% over three years, was used along with a long-term care inflation rate of 4.75%.

The UAAL is being amortized on a closed basis at the assumed discount rate. The remaining amortization period at January 1, 2012 was 27 years.

Note 11:
Construction Commitments

At December 31, 2012 the City had significant contractual obligations on construction projects:

(In thousands)	
Transportation Projects	$3,156,000
Utilities Projects	79,000
Total	$3,235,000

Note 12:
Interfund Transfers

(In whole dollars)

Fund		Transfer In		Transfer Out
General Fund	$	5,506,743		8,247,622
Capital Improvements Program Fund		9,114,123		6,810,043
Other Governmental Funds		4,170,673		4,186,800
Internal Service Funds		528,777		75,851
Total Transfers	$	19,320,316	$	19,320,316

Interfund transfers are used to move revenues from the fund that statute or budget requires collection to the fund that statute or budget requires to expend them. This includes movement of the receipts for debt service payments from the fund responsible for expense to the debt service fund for payment. Finally to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 13:
Long-Term Obligations

General Obligation Bonds

General obligation bonds are a direct obligation of the City for which its full faith and credit are pledged. Debt service on the 1994, 2008 & 2011 G.O. bonds is paid from the debt service funds. Debt service on the 2004 bonds is paid from the Capital Improvements Program fund. Debt service for unlimited tax voter- approved issues is funded by special property tax levies. These bonds are subject to federal arbitrage rules.

General obligation Bonds outstanding at year-end are as follows:

1994 Unlimited Tax General Obligation and Refunding Bonds and Refunded Debt in 2008: Issued to provide funds for a new fire station and to provide funds in an irrevocable trust to refund a portion of the 1990 GO Bonds and the 1985 GO Refunding Bonds. The 1985 GO Refunding Bonds were paid in full in 1995. The 1990 GO Bonds were paid in full in 2000. The balance of these bonds were paid in full using proceeds from a new refunding bond issuance in 2008. The proceeds of the refunding bond issue, which includes premiums in the amount of $29,600, have been placed in an irrevocable trust to provide for all future debt service payments on the old bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the City's financial statements.

2004 Limited Tax General Obligation Lease Revenue Bonds: Redmond Community Properties (RCP), a blended component unit of the City of Redmond, issued lease-revenue bonds on behalf of the City in accordance with the provisions of Revenue Ruling 63-20 of the US Treasury on April 1, 2004. Funds from the bonds were used to build the City Hall, a parking garage, and other improvements on the City campus. Although the bonds were issued by RCP, they are reported as a limited tax general obligation of the City in accordance with Generally Accepted Accounting Principles.

2008 Limited Tax General Obligation Bonds: In 2008, the City issued $33,935,000 Limited Tax General Bonds. Proceeds were used for the Bear Creek Parkway Extension and other transportation projects in the City's Transportation Capital Improvement Plan. The Bear Creek Parkway Extension will provide an additional street connection through Downtown Redmond. The project will also improve transit connections and allow for better access to the open space in the downtown area. Redmond Way and Cleveland Street will better serve more uses, including transit, bicycle, and pedestrian traffic. Stronger connections will also support the economic vitality of Redmond's Downtown.

2008 Unlimited Tax General Obligation Refunding Bonds: On September 4, 2008, the City issued $1,315,000 in unlimited tax general obligation refunding bonds with an interest rate of 3.50% to advance refund $1,305,000 of outstanding 1994 unlimited general obligation and refunding bonds. The net proceeds, which included $29,600, were used to purchase U.S. government securities which were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, these bonds are considered defeased and the liability for these bonds have been removed from the general long-term debt.

The advance refunding resulted in a reduction in the aggregate debt service payments of $88,362. In addition, the economic gain (difference between the present values of the old and new debt service payments) was $80,826.

2011 Limited Tax General Obligation Bonds: In 2011, the City issued $8,035,000 Limited Tax General Bonds. Proceeds were used for land acquisition for a Downtown Central Park and other City parks and open space projects in the Capital Investment Program for 2011-2016. Debt payments are budgeted biannually and paid for from levies of taxes within the constitutional and statutory tax limitations

provided by law without a vote of the voters of the City. Repayment of the debt is to come from the Parks Capital Improvement Program.

	Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/2012
2004 LTGO Lease-Revenue Bonds	4/1/2004	12/1/2035	2.0% - 5.25%	$ 39,230,000	$ 6,470,000	$ 32,760,000
2008 GO/Refunding	9/4/2008	6/1/2013	3.50%	1,315,000	1,035,000	280,000
2008 LTGO Bonds	9/4/2008	12/1/2028	3.5% - 5.0%	33,935,000	4,745,000	29,190,000
2011 LTGO Bonds		12/1/2021	2.0% - 4.5%	8,035,000	1,345,000	6,690,000
Total General Obligation Bonds				$ 82,515,000	$ 13,595,000	$ 68,920,000

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

	Governmental Activities	
Year Ending December 31,	Principal	Interest
2013	3,475,000	3,189,418
2014	3,310,000	3,063,768
2015	3,440,000	2,938,244
2016	3,610,000	2,769,607
2017	3,785,000	2,593,344
2018-2022	19,015,000	10,275,243
2023-2027	16,945,000	6,206,575
2028-2032	9,950,000	2,600,825
2033-2035	5,390,000	547,750
	$ 68,920,000	$ 34,184,774

All long term debt is presented in the Statement of Net Position net of premiums. The gross general obligation bonds payable and premium are as follows:

	2008 Refunding Bonds	2008 General Obligation Bonds	2011 General Obligation Bonds
Bonds Outstanding	$ 280,000	$ 29,190,000	$ 6,690,000
Plus Unamortized Bond Premium	4,440	1,008,248	501,839
Bonds Outstanding, Net	$ 284,440	$ 30,198,248	$ 7,191,839

Revenue Bonds

Revenue Bonds are payable from revenues generated by the user fees. Revenue bonds for the City are backed by the Water/Wastewater and Stormwater utilities. Revenue bonds generally require a cash reserve to be maintained as well as a minimum debt to income for the life of the bonds.

2008 Water/Wastewater Bonds: Bonds in the amount of $11,755,000 were issued in 2008 to finance construction projects for the water utility.

Revenue bonds outstanding at year end are as follows:

	Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/2012
2008 Water/ Wastewater Bonds	12/3/2008	12/1/2023	4.0% - 5.0%	$ 11,755,000	$ 2,410,000	$ 9,345,000
Total Revenue Bonds				$ 11,755,000	$ 2,410,000	$ 9,345,000

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

	Business-type Activities	
Year Ending December 31,	Principal	Interest
2013	665,000	439,088
2014	700,000	406,588
2015	725,000	378,588
2016	755,000	349,588
2017-2021	4,350,000	1,171,388
2022-2023	2,150,000	160,000
	$ 9,345,000	$ 2,905,240

All long-term debt is presented in the Statement of Net Position net of premiums. The gross bonds payable and premium are as follows:

	2008 Revenue Bonds
Bonds Outstanding	$ 9,345,000
Plus Unamortized Bond Premium	263,264
Bonds Outstanding, Net	$ 9,608,264

Public Works Trust Fund Loans

State of Washington Public Works Trust Fund Loans are a direct responsibility of the City. Redmond had three such loans in 2012 with one being new. The interest rates are 0.25%, 1.00% and 3.00%. The interest rates for the loans are The outstanding principal balance of $2,140,792 are being repaid from General Fund revenues which are transferred to the Capital Improvements Program Fund where the loan payments are recorded. The water/wastewater loans are paid in full.

	Governmental Activities		Business-Type Activities	
Year	Principal	Interest	Principal	Interest
2013	292,185	10,560	-	-
2014	161,614	5,700	-	-
2015	161,614	4,757	-	-
2016	89,728	3,813	-	-
2017	89,728	3,589	-	-
2018-2022	448,641	14,581	-	-
2023-2027	448,641	8,973	-	-
2028-2032	448,641	3,365	-	-
	$ 2,140,792	$ 55,338	$ -	$ -

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
G.O. Bonds	$ 72,270,000	$ -	$ (3,350,000)	$ 68,920,000	$ 3,475,000
Premiums	1,645,292	-	(130,765)	1,514,527	-
Total bonds payable	73,915,292	-	(3,480,765)	70,434,527	3,475,000
PWTF loans	548,687	1,794,564	(202,457)	2,140,794	292,185
Other post-employment benefits payable	2,170,474	516,317	-	2,686,791	-
Compensated absences	3,855,381	3,617,020	(3,391,429)	4,080,972	3,228,275
Governmental activity long-term liabilities	$ 80,489,834	$ 5,927,901	$ (7,074,651)	$ 79,343,084	$ 6,995,460
Business-Type Activities:					
Bonds payable:					
Revenue Bonds	$ 9,985,000	$ -	$ (640,000)	$ 9,345,000	$ 665,000
Premiums	287,380	-	(24,116)	263,264	-
Total bonds payable	10,272,380	-	(664,116)	9,608,264	665,000
PWTF loans	-	-	-	-	-
Compensated absences	562,348	334,981	(373,135)	524,194	419,355
Business-type activity long-term liabilities	$ 10,834,728	$ 334,981	$ (1,037,251)	$ 10,132,458	$ 1,084,355

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. Compensated absences for governmental activities are liquidated in the governmental fund from which the employee's salary is paid. Governmental funds typically used to liquidate compensated absences are the General Fund, Recreation Activities Fund, Advanced Life Support Fund, and the Recycling Fund.

NOTE 14:
Leases

Operating Leases:

Copier Leases

Operating lease obligations are primarily for rental of copy machines. Total expenditures for leases were $38,823.14 for the year ended December 31, 2012. The future minimum lease payments include the estimated cost for copy usage and are as follows:

Year Ending December 31	Amount
2013	$ 21,794
Total	$ 21,794

Capital Leases:
On February 17, 2004 the City of Redmond entered into a capital lease agreement with Redmond Community Properties (RCP), A Washington Non-Profit Corporation, to lease a new City Hall and parking garage.

RCP, acting as an "on-behalf-of-issuer" under Internal Revenue Service Rulings 63-20 and 82-26, issued bonds dated April 1, 2004 on behalf of the City of Redmond. The bonds were used for construction of the City Hall and parking garage, with a gross amount of the buildings under this lease being $39,230,000. Bond principal and interest payments are the responsibility of RCP.

The lease payments made by the City to RCP will be sufficient to pay debt service on the bonds and operating costs of the buildings. Because RCP is a blended component unit of the City, the lease payments made by Redmond to RCP are reported as bond debt service payments by the City.

NOTE 15:
Blended Component Units Included in Reporting Entity

Two blended component units are included in the City's reporting entity, the Redmond Public Corporation and Redmond Community Properties (RCP).
The RCW 39.84.100 grants cities the authority to establish Industrial Development Corporations. In 1982, the City of Redmond created the Redmond Public Corporation. This is a public corporation whose purpose is to issue tax-exempt non-recourse revenue bonds to finance industrial development within City limits. The corporation may construct and maintain industrial facilities, which it then leases or sells to industrial users. Revenue bonds issued by the corporation are payable from revenues of the industrial development facility funded by the revenue bonds.

In conformity with generally accepted accounting principles (GAAP), the Redmond Public Corporation has been included in the financial reporting entity. The Corporation's Board of Directors is comprised solely of members of the City Council who have the authority to approve issuance of the corporation's revenue bonds. The ability of the City Council to impose its will on the Redmond Public Corporation through the approval or disapproval of revenue bond issuance makes the City of Redmond financially accountable for the Redmond Public Corporation.

Although the Redmond Public Corporation is included in the reporting entity as a blended component unit, no financial impact is reported in the statements. The bonds are not a liability or a contingent liability of the City of Redmond or lien on any of its properties or revenues. Principal and interest on the bonds are payable solely from the funds provided for this payment from the revenues of the industrial development facilities funded by the revenue as provided in the RCW. Records regarding the financial statements of the entities on whose balance sheets the bond liabilities are reported are in the Office of the City Attorney, who acts as the Secretary of the Public Corporation.

RCP is a non-profit corporation organized in 2003 pursuant to Internal Revenue Service Revenue Ruling 63-20. It is related to the National Development Council, a 501(c)(3) organization, through common management. RCP is reported as if it were part of the City of Redmond because its sole purpose is to finance, construct, and lease a City Hall and parking garage to the City. RCP administrative offices are located at:

National Development Council
1425 Fourth Avenue, Suite 608
Seattle, WA 98101-2220

The City leases City Hall and the parking garage from RCP under a capital lease arrangement. For reporting purposes RCP and the City of Redmond are consolidated as required by GAAP. The capital lease payable is reported as bonds payable with City Hall and the parking garage reported as assets of the City. Bond principal and interest payments are reported as debt service by the City.

As part of the capital lease agreement the City pays monthly maintenance and asset management fees to RCP. The financial statements of RCP are reported as an Internal Service Fund in the City's fund financial statements and schedules.

NOTE 16:
Joint Ventures and Operations

Water Storage and Pumping Facility

In February 1990, the City of Redmond joined with the City of Bellevue to construct, operate, and maintain a joint-use water storage and pumping facility located on the common boundary of the two cities. The City of Redmond has an undivided interest in the facility of 44%, and the City of Bellevue has an undivided interest of 56%. The City of Redmond's share of costs to construct the joint-use facility totaled $2,078,539 and is reported on the business-type activity financial statements as improvements other than buildings. The City recognizes depreciation expense annually. Accumulated depreciation totals $1,274,144 with a net book value of $804,395. The City reimbursed the City of Bellevue $8,137 for its share of operating costs in 2012.

Cascade Water Alliance

In April 1999, the City of Redmond entered into an interlocal agreement with seven other water providers in the region to create the Cascade Water Alliance. The purpose of the Alliance is to provide water supply to meet current and future needs of the Alliance's members in a cost-effective and environmentally responsible manner.

The Alliance is governed by a board of directors consisting of one individual representative appointed by resolution of the member's legislative authority. Each member entity must pay annual dues based on the number of units served by the water system within their jurisdiction. The City of Redmond's dues for 2012 were $474,696. The City of Redmond also paid the Alliance $1,379,648 in 2012 for Regional Capital Facilities Charges for new hookups to the water system that Redmond collected from new customers.

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

In 2011, the CWA's Board passed a resolution offering to purchase the outstanding RCFCs credits from its members at a discounted rate. These credits were awarded to its members who transferred or retained an independent water supply in excess of its needs. The Alliance's members were allowed to use such credits to apply against future RCFCs. The CWA offered to buy out the RCFC credits at $2,500 per Cascade Equivalent Residential Unit (CERU) from its members. The City of Redmond chose the one-time redemption option. The payment was finalized and the total of $ 3,076,875 was sent to the City of Redmond in December 2012. Such receipt was reported as capital contributions in the City Water/Wastewater fund on the proprietary funds' Statement of Revenues, Expenses, and Changes in Fund Net Position. These monies will be held to be used to call the outstanding revenue bonds issued in 2008 when these become callable in 2019.

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

NOTE 17:
Contingencies and Litigation

As of December 31, 2012, there were a number of damage claims and lawsuits pending against the City. However, in our opinion, neither the potential liability from any single claim or lawsuit, nor the aggregate potential liability resulting from all pending claims nor lawsuits, would affect materially, the financial condition of the City.

NOTE 18:
Risk Management

The City is exposed to various risks of loss such as: theft, damage, destruction of assets, errors & omissions, injuries or property damage to others, employees' health, and natural disasters. The City has three internal service funds to account for and finance its self-insured risks of loss. The City purchases commercial insurance for claims in excess of anticipated self-insured losses. All funds of the City

participate in the self-insurance programs and make payments to the self-insurance funds based on estimates of the amounts needed to pay excess insurance and related risk management and service costs, prior and current year claims paid in the current year, and to maintain adequate reserves for catastrophic losses in a given year.

The claims payment portion of the Insurance Claims and Reserve Fund provides coverage up to a maximum of $25,000 per occurrence for insurance-related claims and expenses. There were no claims that settled in 2012 above the City's self-insurance limit. Reserves for open claims are established by an independent claims adjusting firm on a case reserve basis based on the assessment of the settlement potential and costs specifically associated with a particular claim, given the information available at the time. Cases are reviewed no less than monthly and are subject to periodic audits. Lawsuits are reviewed and handled directly by the City Attorney or the excess insurer's appointed legal counsel. Reserves are established for estimated ultimate loss costs and related loss adjustment expenses.

The City of Redmond had been an associate member of the Cities Insurance Association of Washington (CIAW) for some years until December 1, 2010. Effective December 1, 2010 the City revised the risk program. See prior year's annual financial reports for more information about the CIAW risk pool.

In 2010 the city conducted a comprehensive review of its property and liability risk programs. As a result, the City issued a request for proposal (RFP) for a broker/consultant and selected Bannon Carlson & Kessel, Inc. Bannon Carlson & Kessel, Inc. then conducted a search for service providers to meet the City's needs. This resulted in the City selecting Travelers Insurance for liability coverage and retaining Affiliated FM for property coverage. As a result, the city's risk program changed from a $100,000 self-insured retention for general liability claims to a $25,000 deductible. A deductible limit applies to all claim costs while a self-insured retention only applied to any judgment or settlement. The liability limits were extended to $20 million for general liability as described in the table below. No claims were settled in excess of the deductible amounts.

Property insurance coverage remained consistent with prior years.

Medical Self Insurance Program:

The Medical Self-Insurance Fund provides coverage up to a maximum of $135,000 per person per calendar year with the Excess Insurance covering an Unlimited Major Medical Maximum. There was one claimant who exceeded the per-person limit in 2012; in 2011 there were four (4) who exceeded, in 2010 there were five (5) who exceeded, and zero claims in 2009 and 2008. All funds of the City from which employee wages are paid make premium payments to the Medical Self-Insurance Fund based on health insurance rates derived from actual fund experience and historical and market trend rates

Council authorized the City to self-insure workers' compensation benefits effective January 1, 1998 for employee injuries and illnesses. For 2012 the City self-insures $500,000 of each accident or illness and purchases excess insurance above that, up to the statutory requirements. No reported claim for 2012, 2011, 2010, 2009, or 2008 exceeded the City's self-insurance coverage. Claims handling is currently contracted to an independent, qualified third party administrator (TPA).

As of December 31, 2012, the City had reserves of $1,063,334 in the Insurance Fund, $6,674,704 in the Medical Self-Insurance Fund, and $458,405 in the Workman's Compensation Fund to provide against risk of future loss. Claims liabilities of $1,101,172 have been reported in the Medical Self-Insurance Fund and $113,822 in the Workman's Compensation Fund based on estimates provided by the City's third party administrators. Historical claims liabilities for incurred but not reported (IBNR) in the Insurance Claims and Reserve Fund average 15% to 17% of paid claims for the year. Reported claims liabilities are based on the requirements of GASB Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the self-insurance funds' claims liabilities in 2010, 2011 and 2012 were:

	Beginning of Year Liability	Current Year Claims & Changes in Estimates	Claims Payments	End of Year Liability
Insurance Fund				
2010	$ -	$ 268,243	$ 268,243	$ -
2011	$ -	$ 197,549	$ 197,549	$ -
2012	$ -	$ 104,519	$ 104,519	$ -
Medical Insurance Fund				
2010	$ 956,000	$ 5,671,121	$ 7,633,621	$ 1,006,400
2011	$ 1,006,400	$ 5,417,122	$ 7,444,422	$ 1,020,900
2012	$ 1,020,900	$ 3,730,965	$ 5,853,037	$ 1,101,172
Workman's Compensation Fund				
2010	$ 67,768	$ 127,807	$ 267,734	$ 72,159
2011	$ 72,159	$ 285,402	$ 456,507	$ 98,946
2012	$ 98,946	$ 489,479	$ 702,247	$ 113,822

Commercial insurance policies were purchased to protect the City from claims which exceed the coverage provided by the self-insurance funds.

	Coverage	Self-Insured Retention
Property policy limit	$150,000,000	$100,000
Earth movement	$50,000,000	3%/$100,00 minimum per location
Flood	$50,000,000	$100,000
Employee theft	$1,000,000	$10,000
General liability – per occurrence	$1,000,000	$25,000
General liability – aggregate	$2,000,000	
Law enforcement	$1,000,000	$25,000
Employment related practices	$1,000,000	$25,000
Auto liability	$1,000,000	$25,000
Umbrella excess liability (excess of general liability, auto, law enforcement liability)	$20,000,000	$10,000
Employment-related practices excess	$9,000,000	
Underground storage tank liability	$1,000,000	$5,000
Blanket fidelity (employee dishonesty)	$1,000,000	$10,000 deductible
Excess worker's compensation	statutory	$350,000; $500,000 Police & Fire
Excess medical insurance	$1,000,000	$120,000

NOTE 19:
GASB 65 Implementation

The City implemented GASB 65, "Items Previously Reported as Assets and Liabilities", for the year ended December 31, 2012. The portion of this standard that impacted the City was the requirement to eliminate the amortization of bond issuance costs. The implementation required the expensing of outstanding bond issuance costs retroactively and showing a prior period adjustment. The total prior period adjustment is $337,159 which restated the 2011 ending fund balance from $660,698,559 to $660,361,400. The proprietary statements were restated from $308,830,321 to $308,738,117 or by $92,204. The government wide statements where restated from $351,868,238 to $351,626,283 or by $244,955. The amount per bond is listed below.

Governmental Activities:

Name	Year/Type	Issuance Costs remaining 12/31/2011
Bear Creek Parkway	2008/G.O. Bonds	$177,151
1994 Refunding-Fire	2008/G.O. Bonds	4,585
Parks	2011/G.O. Bonds	63,219
	Total	$244,955

Business-Type Activities:

Name	Year/Type	Issuance Costs remaining 12/31/2011
Water Bonds	2008/Revenue Bonds	$92,204

Required Supplementary Information
Firemen's Pension Plan
Schedule of Funding Progress
(rounded to thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAL as a Percentage of Covered Payroll
January 1, 2002	$ 89	$ 277	$ 188	32%	$ -	N/A
January 1, 2004	$ 205	$ 347	$ 142	59%	$ -	N/A
January 1, 2006	$ 356	$ 363	$ 7	98%	$ -	N/A
January 1, 2008	$ 590	$ 413	$ (177)	143%	$ -	N/A
January 1, 2010	$ 856	$ 654	$ (202)	131%	$ -	N/A
January 1, 2012	$ 1,093	$ 557	$ (536)	196%	$ -	N/A

Required Supplementary Information
LEOFF I Medical Benefits
Schedule of Funding Progress

Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL As a Percentage of Covered Payroll
Dec. 31, 2006	$ -	$ 8,512,284	$ 8,512,284	0%	$ 764,518	1,113.41%
Dec. 31, 2007	$ -	$ 8,512,284	$ 8,512,284	0%	$ 557,587	1,526.63%
Dec. 31, 2008	$ -	$ 8,512,284	$ 8,512,284	0%	$ 446,200	1,907.73%
Dec. 31, 2009	$ -	$ 9,290,267	$ 9,290,267	0%	$ 442,308	2,100.41%
Dec. 31, 2010	$ -	$ 9,430,652	$ 9,430,652	0%	$ 461,106	2,045.22%
Dec. 31, 2011	$ -	$ 9,549,490	$ 9,549,490	0%	$ 480,703	1,986.57%
Dec. 31, 2012	$ -	$ 14,420,000	$ 14,420,000	0%	$ 262,000	5,503.82%

City of Redmond
Schedule of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual - General Fund
For the Biennium Ended December 31, 2012

	Original Budget 2011-2012	Final Budget 2011-2012	Actual 2011-2012 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	$ 116,663,495	$ 116,605,058	$ 119,800,828	$ 3,195,770
Licenses and permits	13,493,089	14,100,107	14,019,243	(80,864)
Contributions from property owners	136,000	206,383	428,235	221,852
Intergovernmental	19,910,206	19,357,093	22,655,343	3,298,250
Charges for services	9,065,321	9,460,982	8,998,336	(462,646)
Fines and forfeitures	1,442,778	4,509,640	4,152,838	(356,802)
Investment income	1,233,172	1,233,172	518,413	(714,759)
Miscellaneous	552,742	862,877	754,994	(107,883)
Total Revenues	162,496,803	166,335,312	171,328,230	4,992,918
EXPENDITURES				
Current				
General government	26,449,165	29,694,089	27,832,736	1,861,353
Security of persons and property	75,567,652	82,537,021	75,051,090	7,485,931
Physical environment	8,464,710	5,374,031	6,209,702	(835,671)
Transportation	9,325,978	14,282,381	14,819,861	(537,480)
Economic development	9,766,158	8,737,057	9,329,893	(592,836)
Mental/physical health	1,782,761	-	889,741	(889,741)
Culture and recreation	15,795,879	18,197,942	17,318,231	879,711
Capital outlay	2,638,875	4,256,969	1,758,592	2,498,377
Debt service				
Principal	-	-	-	-
Debt Service				
Interest and Issuance Costs	-	-	-	-
Total Expenditures	149,791,178	163,079,490	153,209,846	9,869,644
Excess (deficiency) of revenues over (under) expenditures	12,705,625	3,255,822	18,118,384	14,862,562
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	-	48,000	2,598	(45,402)
Disposition of capital assets	20,000	81,477	59,813	(21,664)
Transfers in	3,232,076	11,313,008	11,646,636	333,628
Transfers out	(17,134,583)	(17,312,383)	(16,829,587)	482,796
Total other financing sources and uses	(13,882,507)	(5,869,898)	(5,120,540)	749,358
Net change in fund balance	(1,176,882)	(2,614,076)	12,997,844	15,611,920
Fund balance-beginning	21,805,285	22,629,317	25,803,707	3,174,390
Fund balance-ending	$ 20,628,403	$ 20,015,241	$ 38,801,551	$ 18,786,310

See accompanying note directly following this schedule.

RSI NOTE 1:
Budget to GAAP Reconciliation

Differences Between 2011-2012 Biennium Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

		General Fund
REVENUES AND OTHER SOURCES:		
Budget and Actual Statement 2011/2012 Biennium	$	183,037,277
Less: 2011 Revenues and other sources		(92,218,639)
Statement of Revenues and Expenditures	$	90,818,638
EXPENDITURES AND OTHER USES:		
Budget and Actual Statement 2011/2012 Biennium	$	170,039,433
Less: 2011 Expenditures and other uses		(84,088,991)
Statement of Revenues and Expenditures	$	85,950,442

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are restricted to/committed for expenditures for particular purposes.

The Recreation Activities Fund provides salaries, equipment and supplies needed to conduct year-round recreational programs. Funding comes from class fees, sports leagues, and transfers from the General Fund.

The Cable Access Fund was established in 2003 to monitor expenditures for cable access equipment, public education, service enhancement, and government access to television. The primary source of revenues is fees and contributions from cable television subscribers.

The Operating Grants Fund includes expenditures for special studies and pilot programs to support commute trip reduction in partnership with area employers. It is funded by federal, state, and local grants, private contributions and a portion of the business tax surcharge.

The Advanced Life Support Fund accounts for the provision of Advanced Life Support (ALS) services (paramedic) within the City and Fire District 34 areas. The City provides these services in contract with King County Medic One and the County provides the resources for this service.

The Aid Car Donation Fund accounts for donations of monies for the acquisition, maintenance and repair of a medical emergency aid car and other fire department emergency equipment and supplies.

The Real Estate Excise Tax Fund accounts for proceeds of the ½ of 1% Real Estate Excise Tax. This tax is collected by King County at the time property is sold in the City of Redmond and then remitted to the City. These funds must be used for construction of capital projects.

The Felony Seizure Fund accounts for monies and proceeds from the sale of property seized during drug and felony investigations. These funds are legally required to be expended on drug and felony related police activities.

The Tourism Fund is supported by a 1% special excise tax on overnight lodging in Redmond. This tax provides resources to support tourism development and promotion activities in Redmond.

The Solid Waste Recycling Fund accounts for monies received primarily through garbage franchise fees. Fund expenditures made are to develop, administer and improve solid waste collection and education.

Debt Service Funds

Debt Service Funds account for the accumulation of resources for and the payment of general obligation and special assessment bonds.

The Special Levy Fund accounts for the debt service on the voter-approved general obligation bonds. The City currently has one bond issue outstanding that is paid from this fund. In 1994 the City issued bonds to purchase land and build a new fire station. These bonds were refunded in 2008. The refunding activity ran through this fund in 2008 and the debt service on these bonds will be paid from this fund as well.

The Regular Levy Fund accounts for the debt service on City Council approved (councilmanic) general obligation debt. During 2008, the City issued long-term general obligation bonds to fund the Bear Creek Parkway expansion as well as refunding the 1998 Fire bonds . During 2011, the City issued long-term general obligation bonds to fund Park improvements. Debt service on those notes will be paid from this fund.

CITY OF REDMOND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2012

	Special Revenue Funds		
	Recreation Activities	Cable Access	Operating Grants
ASSETS			
Cash and cash equivalents	$ 309,259	$ 362,575	$ 605,500
Cash with outside agency	-	-	-
Investments	570,626	854,058	1,155,829
Receivables:			
Taxes	-	15,879	-
Accounts	-	-	-
Interest	2,852	4,269	5,776
Due from other funds	-	-	-
Due from other governments	-	-	71,161
Restricted assets:			
Deposit investment	-	-	-
Cash	-	-	-
Total Assets	$ 882,737	$ 1,236,781	$ 1,838,266
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 62,956	$ 2,861	$ 50,149
Employee wages payable	16,219	-	9,143
Due to other funds	-	-	-
Payable from restricted assets:			
Deposits payable	-	-	-
Total Liabilities	79,175	2,861	59,292
Fund balances			
Nonspendable	-	-	-
Spendable:			
Restricted	-	1,233,920	1,778,974
Committed	-	-	-
Assigned	803,562	-	-
Unassigned	-	-	-
Total Fund Balances	803,562	1,233,920	1,778,974
Total Liabilities and Fund Balances	$ 882,737	$ 1,236,781	$ 1,838,266

CITY OF REDMOND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2012

	Special Revenue Funds		
	Advanced Life Support	Aid Car/ Dispatch Donation	Real Estate Excise Tax
ASSETS			
Cash and cash equivalents	$ -	$ 90,475	$ 241,794
Cash with outside agency	-	-	-
Investments	-	213,117	1,495,265
Receivables:			
Taxes	-	-	392,892
Accounts	-	-	-
Interest	-	1,066	7,473
Due from other funds	-	-	-
Due from other governments	990,645	-	-
Restricted assets:			
Deposit investment	-	-	-
Cash	-	-	-
Total Assets	$ 990,645	$ 304,658	$ 2,137,424
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 160,050	$ -	$ -
Employee wages payable	15,946	-	-
Due to other funds	452,513	-	-
Payable from restricted assets:			
Deposits payable	-	-	-
Total Liabilities	628,509	-	-
Fund balances			
Nonspendable	-	-	-
Spendable:			
Restricted	362,136	304,658	2,137,424
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total Fund Balances	362,136	304,658	2,137,424
Total Liabilities and Fund Balances	$ 990,645	$ 304,658	$ 2,137,424

CITY OF REDMOND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2012

	Special Revenue Funds			
	Felony Seizure	Tourism	Solid Waste Recycling	Total
ASSETS				
Cash and cash equivalents	$ 12,700	$ 114,446	$ 63,633	$ 1,800,382
Cash with outside agency	10,000	-	-	10,000
Investments	29,903	269,580	123,288	4,711,666
Receivables:				
Taxes	-	-	63,628	472,399
Accounts	-	-	39,416	39,416
Interest	150	1,346	617	23,549
Due from other funds	-	-	-	-
Due from other governments	-	-	78,620	1,140,426
Restricted assets:				
Deposit investment	10,159	-	-	10,159
Cash	-	-	-	-
Total Assets	$ 62,912	$ 385,372	$ 369,202	$ 8,207,997
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ -	$ 10,000	$ 12,788	$ 298,804
Employee wages payable	-	16	5,524	46,848
Due to other funds	-	-	-	452,513
Payable from restricted assets:				
Deposits payable	10,159	-	-	10,159
Total Liabilities	10,159	10,016	18,312	808,324
Fund balances				
Nonspendable	-	-	-	-
Spendable:				
Restricted	52,753	375,356	350,890	6,596,111
Committed	-	-	-	-
Assigned	-	-	-	803,562
Unassigned	-	-	-	-
Total Fund Balances	52,753	375,356	350,890	7,399,673
Total Liabilities and Fund Balances	$ 62,912	$ 385,372	$ 369,202	$ 8,207,997

CITY OF REDMOND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2012

	Debt Service Funds			
	Special Levy	Regular Levy GO Bonds	Total	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	$ 82,361	$ 8,861	$ 91,222	$ 1,891,604
Cash with outside agency	-	-	-	10,000
Investments	193,290	21,586	214,876	4,926,542
Receivables:			-	
Taxes	3,684	-	3,684	476,083
Accounts	-	-	-	39,416
Interest	966	108	1,074	24,623
Due from other funds	-	-	-	-
Due from other governments	-	-	-	1,140,426
Restricted assets:			-	
Deposit investment	-	-	-	10,159
Cash	-	-	-	-
Total Assets	$ 280,301	$ 30,555	$ 310,856	8,518,853
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ -	$ -	$ -	$ 298,804
Employee wages payable	-	-	-	46,848
Due to other funds	-	-	-	452,513
Payable from restricted assets:				
Deposits payable	-	-	-	10,159
Total Liabilities	-	-	-	808,324
Fund balances				
Nonspendable	-	-	-	-
Spendable:				
Restricted	280,301	30,555	310,856	6,906,967
Committed	-	-	-	-
Assigned	-	-	-	803,562
Unassigned	-	-	-	-
Total Fund Balances	280,301	30,555	310,856	7,710,529
Total Liabilities and Fund Balances	$ 280,301	$ 30,555	$ 310,856	$ 8,518,853

CITY OF REDMOND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	Special Revenue Funds		
	Recreation Activities	Cable Access	Operating Grants
REVENUES			
Taxes	$ -	$ -	$ -
Contributions	9,899	64,517	-
Intergovernmental	-	-	211,859
Charges for services	2,143,304	8	-
Fines and forfeitures	-	-	-
Investment income	4,533	14,084	12,035
Miscellaneous	252,811	-	-
Total Revenues	2,410,547	78,609	223,894
EXPENDITURES			
Current			
General government	-	-	-
Security of persons and property	(1,429)	-	-
Physical environment	-	-	-
Transportation	-	-	1,236,327
Economic environment	-	87,141	-
Mental/physical health	-	-	-
Culture and recreation	2,324,370	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and debt costs	-	-	-
Total Expenditures	2,322,941	87,141	1,236,327
Excess (deficiency) of revenues over (under) expenditures	87,606	(8,532)	(1,012,433)
OTHER FINANCING SOURCES (USES)			
Bond/loan proceeds	-	-	-
Disposition of capital assets	-	-	-
Transfers in	-	-	685,000
Transfers out	-	-	(10,641)
Total other financing sources (uses)	-	-	674,359
Net change in fund balances	87,606	(8,532)	(338,074)
Fund balances-beginning	715,956	1,242,452	2,117,048
Fund balances-ending	$ 803,562	$ 1,233,920	$ 1,778,974

CITY OF REDMOND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	Special Revenue Funds		
	Advanced Life Support	Aid Car/ Dispatch Donations	Real Estate Excise Tax
REVENUES			
Taxes	$ -	$ -	$ 3,720,141
Contributions	-	8,473	-
Intergovernmental	5,887,996	-	-
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Investment income	314	2,690	(51,533)
Miscellaneous	-	70,955	-
Total Revenues	5,888,310	82,118	3,668,608
EXPENDITURES			
Current			
General government	-	-	-
Security of persons and property	5,569,464	123,838	-
Physical environment	-	-	-
Transportation	-	-	-
Economic environment	-	-	-
Mental/physical health	-	-	-
Culture and recreation	-	-	-
Capital outlay	105,808	-	-
Debt service:			
Principal	-	-	-
Interest and debt costs	-	-	-
Total Expenditures	5,675,272	123,838	-
Excess (deficiency) of revenues over (under) expenditures	213,038	(41,720)	3,668,608
OTHER FINANCING SOURCES (USES)			
Bond/loan proceeds	-	-	-
Disposition of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	-	-	(2,523,000)
Total other financing sources (uses)	-	-	(2,523,000)
Net change in fund balances	213,038	(41,720)	1,145,608
Fund balances-beginning	149,098	346,378	991,816
Fund balances-ending	$ 362,136	$ 304,658	$ 2,137,424

CITY OF REDMOND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	Special Revenue Funds			
	Felony Seizure	Tourism	Solid Waste Recycling	Total
REVENUES				
Taxes	$ -	$ 315,278	$ -	$ 4,035,419
Contributions	-	-	-	82,889
Intergovernmental	-	-	119,323	6,219,178
Charges for services	-	-	590,280	2,733,592
Fines and forfeitures	-	-	-	-
Investment income	780	1,855	(2,151)	(17,393)
Miscellaneous	-	-	173	323,939
Total Revenues	780	317,133	707,625	13,377,624
EXPENDITURES				
Current				
General government	-	-	-	-
Security of persons and property	39,368	-	-	5,731,241
Physical environment	-	-	675,247	675,247
Transportation	-	-	-	1,236,327
Economic environment	-	156,503	-	243,644
Mental/physical health	-	-	-	-
Culture and recreation	-	-	-	2,324,370
Capital outlay	-	-	-	105,808
Debt service:				-
Principal	-	-	-	-
Interest and debt costs	-	-	-	-
Total Expenditures	39,368	156,503	675,247	10,316,637
Excess (deficiency) of revenues over (under) expenditures	(38,588)	160,630	32,378	3,060,987
OTHER FINANCING SOURCES (USES)				
Bond/loan proceeds	-	-	-	-
Disposition of capital assets	-	-	-	-
Transfers in	-	-	-	685,000
Transfers out	-	(143,506)	-	(2,677,147)
Total other financing sources (uses)	-	(143,506)	-	(1,992,147)
Net change in fund balances	(38,588)	17,124	32,378	1,068,840
Fund balances-beginning	91,341	358,232	318,512	6,330,833
Fund balances-ending	$ 52,753	$ 375,356	$ 350,890	$ 7,399,673

CITY OF REDMOND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	Debt Service Funds			Total Nonmajor Governmental Funds
	Special Levy	Regular Levy GO Bonds	Total	
REVENUES				
Taxes	$ 288,540	$ -	$ 288,540	$ 4,323,959
Contributions	-	-	-	82,889
Intergovernmental	-	-	-	6,219,178
Charges for services	-	-	-	2,733,592
Fines and forfeitures	-	-	-	-
Investment income	1,919	32	1,951	(15,442)
Miscellaneous	-	-	-	323,939
Total Revenues	290,459	32	290,491	13,668,115
EXPENDITURES				
Current				
General government	-	-	-	-
Security of persons and property	-	-	-	5,731,241
Physical environment	-	-	-	675,247
Transportation	-	-	-	1,236,327
Economic environment	-	-	-	243,644
Mental/physical health	-	-	-	-
Culture and recreation	-	-	-	2,324,370
Capital outlay	-	-	-	105,808
Debt service:			-	
Principal	270,000	3,292,375	3,562,375	3,562,375
Interest and debt costs	14,828	133,088	147,916	147,916
Total Expenditures	284,828	3,425,463	3,710,291	14,026,928
Excess (deficiency) of revenues over (under) expenditures	5,631	(3,425,431)	(3,419,800)	(358,813)
OTHER FINANCING SOURCES (USES)				
Bond/loan proceeds	-	-	-	-
Disposition of capital assets	-	-	-	-
Transfers in	-	3,485,673	3,485,673	4,170,673
Transfers out	-	(1,509,653)	(1,509,653)	(4,186,800)
Total other financing sources (uses)	-	1,976,020	1,976,020	(16,127)
Net change in fund balances	5,631	(1,449,411)	(1,443,780)	(374,940)
Fund balances-beginning	274,670	1,479,966	1,754,636	8,085,469
Fund balances-ending	$ 280,301	$ 30,555	$ 310,856	$ 7,710,529

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL IMPROVEMENTS PROGRAM CAPITAL PROJECTS FUNDS
For the Biennium Ended December 31, 2012

	Original Budget 2011-2012	Final Budget 2011-2012	Actual 2011-2012 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	$ 2,266,475	$ 2,266,475	$ 2,255,275	$ (11,200)
Intergovernmental	6,964,694	14,845,586	3,940,569	(10,905,017)
Charges for services	5,595,358	5,595,358	8,722,837	3,127,479
Contributions	250,000	540,500	638,607	98,107
Investment income	1,086,051	1,086,051	802,025	(284,026)
Miscellaneous	180,000	462,733	499,888	37,155
Total Revenues	16,342,578	24,796,703	16,859,201	(7,937,502)
EXPENDITURES				
Current				
General government	-	1,821,116	-	1,821,116
Security of persons and property	-	-	-	-
Physical environment	-	-	-	-
Transportation	-	(10,000)	-	(10,000)
Economic development	-	541,160	-	541,160
Culture and Recreation	-	(94,886)	-	(94,886)
Capital outlay	55,266,895	51,968,924	39,912,276	12,056,648
Debt service				
Principal	3,220,000	2,828,714	2,801,888	26,826
Interest	3,338,112	3,338,112	3,621,952	(283,840)
Total Expenditures	61,825,007	60,393,140	46,336,116	14,057,024
Excess (deficiency) of revenues over (under) expenditures	(45,482,429)	(35,596,437)	(29,476,915)	6,119,522
OTHER FINANCING SOURCES (USES)				
Bond/loan proceeds	8,300,000	-	1,794,564	1,794,564
Disposition of assets	-	-	-	-
Transfers in	15,595,658	23,867,821	23,556,249	(311,572)
Transfers out	(1,432,410)	(12,563,871)	(13,545,077)	(981,206)
Total other financing sources and uses	22,463,248	11,303,950	11,805,736	501,786
Net change in fund balance	(23,019,181)	(24,292,487)	(17,671,179)	6,621,308
Fund balance-beginning	29,333,151	29,333,151	47,277,353	17,944,202
Fund balance-ending	$ 6,313,970	$ 5,040,664	$ 29,606,174	$ 24,565,510

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
RECREATION ACTIVITIES SPECIAL REVENUE FUND
For the Biennium Ended December 31, 2012

	Original Budget 2011-2012	Final Budget 2011-2012	Actual 2011-2012 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Charges for services	$ 3,620,000	$ 3,620,000	$ 4,175,774	$ 555,774
Contributions	-	-	11,471	11,471
Investment income	20,000	20,000	14,474	(5,526)
Miscellaneous	345,564	345,564	477,284	131,720
Total Revenues	3,985,564	3,985,564	4,679,003	693,439
EXPENDITURES				
Security of persons and property	-	-	-	
Culture and recreation	4,395,658	4,426,607	4,482,954	(56,347)
Total Expenditures	4,395,658	4,426,607	4,482,954	(56,347)
Excess (deficiency) of revenues over (under) expenditures	(410,094)	(441,043)	196,049	637,092
OTHER FINANCING SOURCES (USES)				
Transfers out	(217,748)	(43,571)	-	43,571
Total other financing sources (uses)	(217,748)	(43,571)	-	43,571
Net change in fund balance	(627,842)	(484,614)	196,049	680,663
Fund balance-beginning	627,842	627,842	607,513	(20,329)
Fund balance-ending	$ -	$ 143,228	$ 803,562	$ 660,334

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CABLE ACCESS SPECIAL REVENUE FUND
For the Biennium Ended December 31, 2012

	Original Budget 2011-2012	Final Budget 2011-2012	Actual 2011-2012 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Charges for services	$ -	$ -	$ -	$ -
Contributions	447,000	447,000	150,723	(296,277)
Investment interest	-	-	28,776	28,776
Miscellaneous	-	-	16,102	16,102
Fines and forfeitures	-	-	8	8
Total Revenues	447,000	447,000	195,609	(251,391)
EXPENDITURES				
General Government	183,730	323,730	145,365	178,365
Capital outlay	270,000	130,000	270,627	(140,627)
Total Expenditures	453,730	453,730	415,992	37,738
Excess (deficiency) of revenues over (under) expenditures	(6,730)	(6,730)	(220,383)	(213,653)
Net change in fund balance	(6,730)	(6,730)	(220,383)	(213,653)
Fund balance-beginning	1,381,978	1,381,978	1,454,303	72,325
Fund balance-ending	$ 1,375,248	$ 1,375,248	$ 1,233,920	$ (141,328)

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
OPERATING GRANTS SPECIAL REVENUE FUND
For the Biennium Ended December 31, 2012

	Original Budget 2011-2012	Final Budget 2011-2012	Actual 2011-2012 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 200,000	$ 200,000	$ 344,362	$ 144,362
Charges for services	-	-	-	-
Investment income	-	-	35,658	35,658
Total Revenues	200,000	200,000	380,020	180,020
EXPENDITURES				
Transportation	3,906,739	3,806,201	2,337,993	1,468,208
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	3,906,739	3,806,201	2,337,993	1,468,208
Excess (deficiency) of revenues over (under) expenditures	(3,706,739)	(3,606,201)	(1,957,973)	1,648,228
OTHER FINANCING SOURCES (USES)				
Transfers in	1,370,000	1,370,000	1,370,000	-
Transfers out	-	(100,538)	(100,538)	-
Total other financing sources (uses)	1,370,000	1,269,462	1,269,462	-
Net change in fund balance	(2,336,739)	(2,336,739)	(688,511)	1,648,228
Fund balance-beginning	2,355,576	2,355,576	2,467,485	111,909
Fund balance-ending	$ 18,837	$ 18,837	$ 1,778,974	$ 1,760,137

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ADVANCED LIFE SUPPORT SPECIAL REVENUE FUND
For the Biennium Ended December 31, 2012

	Original Budget 2011-2012	Final Budget 2011-2012	Actual 2011-2012 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 11,963,169	$ 11,963,169	$ 11,215,416	$ (747,753)
Charges for services	-	-	-	-
Investment income	-	-	-	-
Contributions	-	-	24,664	24,664
Total Revenues	11,963,169	11,963,169	11,240,080	(723,089)
EXPENDITURES				
Security of persons and property	11,066,961	11,190,857	11,099,656	91,201
Capital outlay	-	120,000	119,808	192
Debt Service	-	-	-	
Interest and Debt Issuance Costs	-	-	-	-
Total Expenditures	11,066,961	11,310,857	11,219,464	91,393
Excess (deficiency) of revenues over (under) expenditures	896,208	652,312	20,616	(631,696)
OTHER FINANCING SOURCES (USES)				
Disposition of capital assets	-	-	-	-
Transfers in	-	-	-	-
Disposition of capital assets	-	-	10,500	10,500
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	10,500	10,500
Net change in fund balance	896,208	652,312	31,116	(621,196)
Fund balance-beginning	170,225	170,225	331,020	160,795
Fund balance-ending	$ 1,066,433	$ 822,537	$ 362,136	$ (460,401)

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
AID CAR DISPATCH SPECIAL REVENUE FUND
For the Biennium Ended December 31, 2012

	Original Budget 2011-2012	Final Budget 2011-2012	Actual 2011-2012 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Contributions	$ 100,000	$ 100,000	$ 2,424	$ (97,576)
Investment income	-	-	2,159	2,159
Miscellaneous	78,000	78,000	140,827	62,827
Total Revenues	178,000	178,000	145,410	(32,590)
EXPENDITURES				
Security of persons and property	210,300	140,300	125,814	14,486
Capital outlay	-	70,000	-	70,000
Total Expenditures	210,300	210,300	125,814	84,486
Excess (deficiency) of revenues over (under) expenditures	(32,300)	(32,300)	19,596	51,896
Net change in fund balance	(32,300)	(32,300)	19,596	51,896
Fund balance-beginning	234,907	234,907	285,062	50,155
Fund balance-ending	$ 202,607	$ 202,607	$ 304,658	$ 102,051

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
REAL ESTATE EXCISE TAX SPECIAL REVENUE FUND
For the Biennium Ended December 31, 2012

	Original Budget 2011-2012	Final Budget 2011-2012	Actual 2011-2012 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	$ 4,263,000	$ 4,263,000	$ 6,524,341	$ 2,261,341
Investment income	32,044	32,044	(39,811)	(71,855)
Total Revenues	4,295,044	4,295,044	6,484,530	2,189,486
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,263,000)	(4,623,000)	(4,623,000)	-
Total other financing sources (uses)	(4,263,000)	(4,623,000)	(4,623,000)	-
Net change in fund balance	32,044	(327,956)	1,861,530	2,189,486
Fund balance-beginning	360,956	360,956	275,894	(85,062)
Fund balance-ending	$ 393,000	$ 33,000	$ 2,137,424	$ 2,104,424

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FELONY SEIZURE SPECIAL REVENUE FUND
For the Biennium Ended December 31, 2012

	Original Budget 2011-2012	Final Budget 2011-2012	Actual 2011-2012 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Investment income	$ -	$ -	$ 655	$ 655
Fines and forfeitures	6,000	6,000	3,218	(2,782)
Total Revenues	6,000	6,000	3,873	(2,127)
EXPENDITURES				
Security of persons and property	-	-	40,267	(40,267)
Total Expenditures	-	-	40,267	(40,267)
Excess (deficiency) of revenues over (under) expenditures	6,000	6,000	(36,394)	(42,394)
Net change in fund balance	6,000	6,000	(36,394)	(42,394)
Fund balance-beginning	84,970	84,970	89,147	4,177
Fund balance-ending	$ 90,970	$ 90,970	$ 52,753	$ (38,217)

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
TOURISM SPECIAL REVENUE FUND
For the Biennium Ended December 31, 2012

	Original Budget 2011-2012	Final Budget 2011-2012	Actual Actual 2011-2012 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	$ 451,800	$ 451,800	$ 606,877	$ 155,077
Investment income	10,674	10,674	5,320	(5,354)
Total Revenues	462,474	462,474	612,197	149,723
EXPENDITURES				
Economic development	411,616	421,192	276,859	144,333
Total Expenditures	411,616	421,192	276,859	144,333
Excess (deficiency) of revenues over (under) expenditures	50,858	41,282	335,338	294,056
OTHER FINANCING SOURCES (USES)				
Transfers out	(263,160)	(263,160)	(260,506)	2,654
Total other financing sources (uses)	(263,160)	(263,160)	(260,506)	2,654
Net change in fund balance	(212,302)	(221,878)	74,832	296,710
Fund balance-beginning	213,464	300,524	300,524	-
Fund balance-ending	$ 1,162	$ 78,646	$ 375,356	$ 296,710

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SOLID WASTE RECYCLING SPECIAL REVENUE FUND
For the Biennium Ended December 31, 2012

	Original Budget 2011-2012	Final Budget 2011-2012	Actual 2011-2012 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 256,450	$ 256,450	$ 247,664	$ (8,786)
Charges for services	796,992	796,992	1,008,614	211,622
Investment income	16,864	16,864	476	(16,388)
Miscellaneous	-	-	307	307
Total Revenues	1,070,306	1,070,306	1,257,061	186,755
EXPENDITURES				
Physical environment	1,321,974	1,321,974	1,293,827	28,147
Capital outlay	-	-	-	-
Total Expenditures	1,321,974	1,321,974	1,293,827	28,147
Excess (deficiency) of revenues over (under) expenditures	(251,668)	(251,668)	(36,766)	214,902
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(251,668)	(251,668)	(36,766)	214,902
Fund balance-beginning	336,521	336,521	387,656	51,135
Fund balance-ending	$ 84,853	$ 84,853	$ 350,890	$ 266,037

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL LEVY DEBT SERVICE FUND
For the Biennium Ended December 31, 2012

	Original Budget 2011-2012	Final Budget 2011-2012	Actual 2011-2012 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	$ 573,413	$ 573,413	$ 578,794	$ 5,381
Investment income	-	-	1,919	1,919
Total Revenues	573,413	573,413	580,713	7,300
EXPENDITURES				
Principal	535,000	535,000	535,000	-
Interest	38,413	38,413	38,716	(303)
Total Expenditures	573,413	573,413	573,716	(303)
Excess (deficiency) of revenues over (under) expenditures	-	-	6,997	6,997
Net change in fund balance	-	-	6,997	6,997
Fund balance-beginning	234,740	234,740	273,304	38,564
Fund balance-ending	$ 234,740	$ 234,740	$ 280,301	$ 45,561

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
REGULAR LEVY DEBT SERVICE FUND
For the Biennium Ended December 31, 2012

	Original Budget 2011-2012	Final Budget 2011-2012	Actual 2011-2012 Biennium	Variance with Final Budget Positive (Negative)
REVENUES				
Investment income	$ -	$ -	$ 32	$ 32
Total Revenues	-	-	32	32
EXPENDITURES				
Principal	2,455,000	7,040,057	5,202,375	1,837,682
Interest	2,846,925	-	1,838,286	(1,838,286)
Total Expenditures	5,301,925	7,040,057	7,040,661	(604)
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	8,643,290	8,643,290	-
Disposition of assets	-			-
Transfers in	5,301,925	7,040,057	7,040,057	-
Transfers out	-	(8,612,163)	(8,612,163)	-
Total other financing sources and uses	5,301,925	7,071,184	7,071,184	-
Net change in fund balance	-	31,127	30,555	(572)
Fund balance-beginning	-	-	-	-
Fund balance-ending	$ -	$ 31,127	$ 30,555	$ (572)

Internal Service Funds

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to another department or agency of the City.

The **Fleet Maintenance Fund** accounts for the cost of maintaining all City vehicles and construction equipment except fire equipment. All costs, including depreciation, are included in establishing the rate to be charged to each department.

The **Insurance Fund** accounts for the payment of all City insurance premiums and claims for which each City department is charged.

The **Medical Self-Insurance Fund** accounts for all revenues, expenses and reserves associated with the City's medical self-insurance program.

The **Workman's Compensation Fund** accounts for all revenues, expenses, and reserves associated with the City's self-insurance program workman's compensation.

The **Information Technology Fund** accounts for the costs of information technology implementation, management, and support for all City departments.

The **Redmond Community Properties (RCP) Fun**d reports the operating activities of a blended component unit of the City, the Redmond Public Corporation. This fund accounts for the monthly maintenance expenses of City Hall and the asset management fees paid to RCP.

CITY OF REDMOND
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
December 31, 2012

	Fleet Maintenance	Insurance	Medical Self-Insurance
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,091,392	$ 200,540	$ 2,366,892
Investments	2,519,180	468,389	5,381,993
Receivables:			
Accounts and contracts	-	-	-
Interest	12,591	2,341	26,899
Due from other governments	-	-	-
Inventory	61,906	-	-
Prepaid insurance	-	416,117	-
Restricted assets:			
Deposits	-	-	-
Total current assets	3,685,069	1,087,387	7,775,784
Noncurrent assets:			
Land	584,292	-	-
Buildings	510,196	-	-
Improvements other than buildings	248,876	-	-
Equipment	12,319,449	-	-
Less accumulated depreciation	(8,585,308)	-	-
Total noncurrent assets	5,077,505	-	-
Total Assets	$ 8,762,574	$ 1,087,387	$ 7,775,784
LIABILITIES			
Current liabilities:			
Accounts payable	$ 95,290	$ 18,428	$ 1,101,072
Employee wages payable	7,666	851	8
Compensated absences	28,146	3,819	-
Customer deposits payable	-	-	-
Unearned revenues	-	-	-
Total current liabilities	131,102	23,098	1,101,080
Noncurrent liabilities:			
Compensated absences	7,037	955	-
Total noncurrent liabilities	7,037	955	-
Total Liabilities	138,139	24,053	1,101,080
NET POSITION			
Net Investment in capital assets	5,077,505	-	-
Unrestricted	3,546,930	1,063,334	6,674,704
Total Net Position	$ 8,624,435	$ 1,063,334	$ 6,674,704

See accompanying notes to the financial statements.

CITY OF REDMOND
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
December 31, 2012

	Workman's Compensation	Information Technology	Redmond Community Properties	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 180,371	$ 742,166	$ 912,482	$ 5,493,843
Investments	410,648	1,547,402	-	10,327,612
Receivables:				-
Accounts and Contracts	-	-	-	-
Interest	2,052	7,734	12,730	64,347
Due from other governments				-
Inventory	-	-	-	61,906
Prepaid insurance	-	-	40,267	456,384
Restricted assets:				-
Deposits		-	-	-
Total current assets	593,071	2,297,302	965,479	16,404,092
Noncurrent assets:				
Land	-	-	-	584,292
Buildings	-	109,298	-	619,494
Improvements other than buildings	-	88,535	-	337,411
Equipment	-	502,932	-	12,822,381
Less accumulated depreciation	-	(166,523)	-	(8,751,831)
Total noncurrent assets	-	534,242	-	5,611,747
Total Assets	$ 593,071	$ 2,831,544	$ 965,479	$ 22,015,839
LIABILITIES				
Current liabilities:				
Accounts payable	$ 113,822	$ 97,070	$ 70,171	$ 1,495,853
Employee wages payable	2,793	42,715	-	54,033
Compensated absences	14,441	136,107	-	182,513
Customer deposits payable	-	-	-	-
Unearned revenues	-	-	330,180	330,180
Total current liabilities	131,056	275,892	400,351	2,062,579
Noncurrent liabilities:				
Compensated absences	3,610	34,027	-	45,629
Total noncurrent liabilities	3,610	34,027	-	45,629
Total Liabilities	134,666	309,919	400,351	2,108,208
NET POSITION				
Net Investment in capital assets	-	534,242	-	5,611,747
Unrestricted	458,405	1,987,383	565,128	14,295,884
Total Net Position	$ 458,405	$ 2,521,625	$ 565,128	$ 19,907,631

See accompanying notes to the financial statements.

CITY OF REDMOND
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the year ended December 31, 2012

	Fleet Maintenance	Insurance	Medical Self-Insurance
Operating revenues:			
Charges for services	$ 97,486	$ 561,757	$ 10,075,156
Metro	-	-	-
Charges for replacement	2,133,654	-	-
Charges for insurance	-	-	-
Total operating revenues	2,231,140	561,757	10,075,156
Operating expenses:			
Administrative and general	-	-	-
Purchased water	-	-	-
Metro service	-	-	-
Supplies	163,525	-	791
Maintenance and operations	1,371,363	941,913	8,302,879
Taxes			
Depreciation and amortization	872,345	-	-
Total Operating Expenses	2,407,233	941,913	8,303,670
Operating income (loss)	(176,093)	(380,156)	1,771,486
Nonoperating revenues (expenses):			
Interest and investment revenue	(11,602)	5,186	35,620
Interest expense	-	-	-
Grant income	-	-	-
Intergovernmental COBRA tax credit	-	-	-
Amortization of debt issue costs	-	-	-
Gain (Loss) on sale of capital assets	64,909	-	-
Insurance Recovery	775	25,129	82,478
Miscellaneous	-	-	23,568
Total nonoperating revenues (expenses)	54,082	30,315	141,666
Income (loss) before contributions and transfers	(122,011)	(349,841)	1,913,152
Capital contributions	-	-	-
Transfers in	-	-	-
Transfers out	-	-	(75,851)
Change in net position	(122,011)	(349,841)	1,837,301
Total net position - beginning	8,746,446	1,413,175	4,837,403
Total net position - ending	$ 8,624,435	$ 1,063,334	$ 6,674,704

See accompanying notes to the financial statements.

CITY OF REDMOND
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the year ended December 31, 2012

	Workman's Compensation	Information Technology	Redmond Community Properties	Total
Operating revenues:				
Charges for services	$ -	$ 3,698,681	$ 1,033,110	$ 15,466,190
Metro	-	-	-	-
Charges for replacement	-	-	-	2,133,654
Charges for insurance	783,743	-	-	783,743
Total operating revenues	783,743	3,698,681	1,033,110	18,383,587
Operating expenses:				
Administrative and general	-	-	342,351	342,351
Purchased water	-	-	-	-
Metro service	-	-	-	-
Supplies	8	106,750	-	271,074
Maintenance and operations	1,168,291	3,977,223	605,955	16,367,624
Taxes	-	-	-	-
Depreciation and amortization	-	26,996	-	899,341
Total Operating Expenses	1,168,299	4,110,969	948,306	17,880,390
Operating income (loss)	(384,556)	(412,288)	84,804	503,197
Nonoperating revenues (expenses):				
Interest and investment revenue	3,630	21,454	58	54,346
Interest expense	-	-	-	-
Grant income	-	-	-	-
Intergovernmental COBRA tax credit	-	-	-	-
Amortization of debt issue costs	-	-	-	-
Gain (Loss) on sale of capital assets	-	-	-	64,909
Insurance Recovery	-	-	-	108,382
Miscellaneous	-	-	-	23,568
Total nonoperating revenues (expenses)	3,630	21,454	58	251,205
Income (loss) before contributions and transfers	(380,926)	(390,834)	84,862	754,402
Capital contributions				
Transfers in	-	528,777	-	528,777
Transfers out	-	-	-	(75,851)
Change in net position	(380,926)	137,943	84,862	1,207,328
Total net position - beginning	839,331	2,383,682	480,266	18,700,303
Total net position - ending	$ 458,405	$ 2,521,625	$ 565,128	$ 19,907,631

See accompanying notes to the financial statements.

CITY OF REDMOND
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2012

	Fleet Maintenance	Insurance	Medical Self-Insurance
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 2,231,140	$ 561,757	$ 10,075,156
Cash received for replacement	-	-	-
Cash received from interest	-	-	-
Cash received from prior period overpayment	-	-	-
Cash payments to suppliers	(1,036,214)	(764,326)	(294,809)
Cash payments to employees	(525,971)	(52,590)	(7,931,750)
Cash payments to other governments	-	-	-
Internal activity - payments to other funds	-	-	-
Other operating receipts	-	-	-
Other operating payments	-	25,129	-
Net cash provided by operating activities	668,955	(230,030)	1,848,597
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Non-operating transfers in/out	-	-	(75,851)
Dividends	-	-	-
Employee insurance premium contributions	-	-	-
Grants	-	-	-
Interfund loan repayment	-	-	-
Contributed capital	-	-	-
Other Non-operating revenues (expenses)	65,684	-	106,047
Residual equity transfers in/out	-	-	-
Net cash provided (used) by noncapital financing activities	65,684	-	30,196
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(660,683)	-	-
Acquisition of other assets	-	-	-
Proceeds from sale of capital assets	-	-	-
Proceeds from sale of other assets	-	-	-
Principal paid on revenue bonds	-	-	-
Principal paid on other debt	-	-	-
Interest paid on revenue bonds and other debt	-	-	-
Net cash used for capital and related financing activities	(660,683)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment purchases	-	-	-
Investment sales/maturities	574,767	335,652	(122,938)
Interest on investments	(23,412)	6,104	30,204
Net cash provided (used) in investing activities	551,355	341,756	(92,734)
Net increase (decrease) in cash and cash equivalents	625,311	111,726	1,786,059
Cash and cash equivalents-beginning of year	466,081	88,814	580,833
Cash and cash equivalents-end of year	$ 1,091,392	$ 200,540	$ 2,366,892

CITY OF REDMOND
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2012

	Fleet Maintenance	Insurance	Medical Self-Insurance
Cash at the end of the year consists of:			
Operating fund cash	$ 1,091,392	$ 200,540	$ 2,366,892
Bond reserve cash	-	-	-
Customer deposits	-	-	-
Total cash at end of year	$ 1,091,392	$ 200,540	$ 2,366,892

Reconciliation of operating income to net cash provided by operating activities:

Operating income (loss)	$ (176,093)	$ (380,156)	$ 1,771,486
Adjustments to reconcile operating income to net cash provided by	-	-	-
Operating activities:			
Depreciation and amortization	872,345	-	-
Decrease (increase) in accounts receivable	-	-	-
Decrease (increase) in inventory	(11,492)	-	-
Decrease (increase) in prepaid expenses	-	107,593	-
Increase in due from other governments	-	-	-
Decrease (increase) in projects in progress	-	-	-
Increase (decrease) in accounts payable	(16,500)	17,958	77,102
Increase (decrease) in employee wages payable	1,100	108	9
Increase (decrease) in compensated absences payable	(405)	(662)	-
Increase (decrease) in due to other governments	-	-	-
Increase (decrease) in customer deposits payable	-	-	-
Reclassify other income	-	-	-
Increase (decrease) in unearned revenues	-	25,129	-
Net cash provided by operating activities	$ 668,955	$ (230,030)	$ 1,848,597

Noncash investing, capital and financing activities			
The fair value of investments decreased	(40,082)	(2,067)	(22,482)

See accompanying notes to the financial statements.

CITY OF REDMOND
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2012

	Workman's Compensation	Information Technology	Redmond Community Properties	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$ 783,743	$ 3,698,681	$ 1,033,110	$ 18,383,587
Cash received for replacement	-	-	-	-
Cash received from interest	-	-	-	-
Cash received from prior period overpayment	-	-	-	-
Cash payments to suppliers	(266,922)	(1,438,085)	(827,345)	(4,627,701)
Cash payments to employees	(881,430)	(2,629,218)	(154,276)	(12,175,235)
Cash payments to other governments	-	-	-	-
Internal activity - payments to other funds	-	-	-	-
Other operating receipts	-	-	-	-
Other operating payments	-	-	-	25,129
Net cash provided by operating activities	(364,609)	(368,622)	51,489	1,605,780
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Non-Operating transfers in/out	-	528,777	-	452,926
Dividends	-	-	-	-
Employee insurance premium contributions	-	-	-	-
Grants	-	-	-	-
Interfund loan repayment	-	-	-	-
Contributed capital	-	-	-	-
Other non-operating revenues (expenses)				171,731
Residual equity transfers out	-	-	-	-
Net cash provided (used) by noncapital financing activities	-	528,777	-	624,657
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	-	(190,614)	-	(851,297)
Acquisition of other assets	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-
Proceeds from sale of other assets	-	-	-	-
Principal paid on revenue bonds	-	-	-	-
Principal paid on other debt	-	-	-	-
Interest paid on revenue bonds and other debt	410,648	-	-	410,648
Net cash used for capital and related financing activities	410,648	(190,614)	-	(440,649)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment purchases	-	(1,568,856)	-	(1,568,856)
Investment sales/maturities	35,438	-	-	822,919
Interest on investments	4,909	35,174	(11,462)	41,517
Net cash provided (used) in investing activities	40,347	(1,533,682)	(11,462)	(704,420)
Net increase in cash and cash equivalents	86,386	(1,564,141)	40,027	1,085,368
Cash and cash equivalents-beginning of year	93,985	2,306,307	872,455	4,408,475
Cash and cash equivalents-end of year	$ 180,371	$ 742,166	$ 912,482	$ 5,493,843

CITY OF REDMOND
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2012

	Workman's Compensation	Information Technology	Redmond Community Properties	Total
Cash at the end of the year consists of:				
Operating fund cash	$ 180,371	$ 742,166	$ 912,482	$ 5,493,843
Bond reserve cash	-	-	-	-
Customer deposits	-	-	-	-
Total cash at end of year	$ 180,371	$ 742,166	$ 912,482	$ 5,493,843

Reconciliation of operating income to net cash provided by operating activities:

Operating income (loss)	$ (384,556)	$ (412,288)	$ 84,804	$ 503,197
Adjustments to reconcile operating				
income to net cash provided by	-	-	-	-
Operating activities:				
Depreciation and amortization	-	26,996	-	899,341
Decrease (increase) in accounts receivable	-	-	-	-
Decrease (increase) in inventory	-	-	-	(11,492)
Decrease (increase) in prepaid expenses	-	-	(2,108)	105,485
Increase in due from other governments	-	-	-	-
Decrease (increase) in projects in progress	-	-	-	-
Increase (decrease) in accounts payable	14,876	24,842	(38,294)	79,984
Increase (decrease) in employee wages payable	409	6,048	-	7,674
Increase (decrease) in compensated absences payable	4,662	(14,220)	-	(10,625)
Increase (decrease) in due to other governments	-	-	-	-
Increase (decrease) in customer deposits payable	-	-	-	-
Reclassify other income	-	-	-	-
Increase (decrease) in unearned revenues	-	-	7,087	32,216
Net cash provided (used) by operating activities	$ (364,609)	$ (368,622)	$ 51,489	$ 1,605,780

Noncash investing, capital and financing activities				
The fair value of investments decreased	(1,208)	(6,034)	-	(71,873)

See accompanying notes to the financial statements.

Agency Funds

Agency Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

The Intergovernmental Custodial Fund accounts for revenues which are transferred to other governmental agencies.

The Municipal Employees Benefit Trust (MEBT) accounts for retirement monies until they are transferred to an investment firm. In 1975, City employees voted to replace the Federal Social Security Program with this private retirement plan.

The Contractor's Deposit Fund accounts for cash bond deposits received from contractors or private parties and amounts retained from contractor's payments on City projects as a performance guarantee.

CITY OF REDMOND
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
December 31, 2012

	Inter-Governmental Custodial	MEBT	Contractor's Deposits	Total
ASSETS				
Cash and cash equivalents	$ 61,450	$ 713	$ 669,213	$ 731,376
Investments	139,241	33,870	120,145	293,256
Receivables	7,688	-	-	7,688
Total assets	$ 208,379	$ 34,583	$ 789,358	$ 1,032,320
LIABILITIES				
Accounts payable	$ 202,676	$ -	$ (16,465)	$ 186,211
Due to other governments	5,703	-	-	5,703
Custodial	-	34,583	-	34,583
Trust account	-	-	805,823	805,823
Total liabilities	$ 208,379	$ 34,583	$ 789,358	$ 1,032,320

CITY OF REDMOND
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended December 31, 2012

	1-1-12 BALANCE	ADDITIONS	DELETIONS	12-31-12 BALANCE
INTERGOVERNMENTAL CUSTODIAL				
ASSETS				
Cash and cash equivalents	$ 15,531	$ 780,466	$ 734,546	$ 61,451
Investments	-	139,241	-	139,241
Accounts receivable	1,961	49,827	44,101	7,687
Total Assets	$ 17,492	$ 969,534	$ 778,647	$ 208,379
LIABILITIES				
Accounts payable	$ 13,901	$ 709,760	$ 520,985	$ 202,676
Due to other governments	3,591	123,828	121,716	5,703
Total Liabilities	$ 17,492	$ 833,588	$ 642,701	$ 208,379
MEBT				
ASSETS				
Cash and cash equivalents	$ 356,243	$ 7,660,084	$ 8,015,614	$ 713
Investments	-	33,870	-	33,870
Total Assets	$ 356,243	$ 7,693,954	$ 8,015,614	$ 34,583
LIABILITIES				
	$ 356,243	$ 9,505,157	$ 9,826,817	$ 34,583
Total Liabilities	$ 356,243	$ 9,505,157	$ 9,826,817	$ 34,583
CONTRACTORS DEPOSIT				
ASSETS				
Cash and cash equivalents	$ 581,452	$ 592,894	$ 505,133	$ 669,213
Investments	-	120,145	-	120,145
Total Assets	$ 581,452	$ 713,039	$ 505,133	$ 789,358
LIABILITIES				
Trust account	$ 582,950	$ 450,222	$ 227,349	$ 805,823
Account Payable	$ (1,498)	$ 698,332	$ 713,299	$ (16,465)
Total Liabilities	$ 581,452	$ 1,148,554	$ 940,648	$ 789,358
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	$ 953,226	$ 9,033,444	$ 9,255,293	$ 731,377
Investments	-	293,256	-	293,256
Accounts Receivable	1,961	49,827	44,101	7,687
Total Assets	$ 955,187	$ 9,376,527	$ 9,299,394	$ 1,032,320
LIABILITIES				
Accounts payable	$ 12,403	$ 1,408,092	$ 1,234,284	$ 186,211
Due to other governments	3,591	123,828	121,716	5,703
Custodial	356,243	9,505,157	9,826,817	34,583
Trust account	582,950	450,222	227,349	805,823
Total Liabilities	$ 955,187	$ 11,487,299	$ 11,410,166	$ 1,032,320

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

CITY OF REDMOND

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

COMPARATIVE SCHEDULES BY SOURCE

DECEMBER 31, 2012 and 2011

	2012	2011
Governmental funds capital assets:		
Land	$ 98,774,064	$ 84,481,122
Buildings	74,999,878	67,713,506
Improvements other than buildings	28,471,233	28,253,148
Machinery and equipment	16,747,161	17,533,886
Artwork	396,154	344,583
Infrastructure	233,516,283	228,203,867
Construction in progress	5,798,531	16,951,480
Total governmental funds capital assets	$ 458,703,304	$ 443,481,592

Investments in governmental funds capital assets by source:		
General fund	$ 296,731,476	$ 288,331,154
Special revenue funds	10,033,532	9,952,852
Impact fees	29,755,193	24,811,870
Federal grants	8,114,307	6,915,277
General obligation bonds	87,669,373	87,678,316
Private gifts	26,399,423	25,792,123
Total governmental funds capital assets	$ 458,703,304	$ 443,481,592

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets

Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2012

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment
General government				
Finance	$ -	$ -	$ -	$ 3,497,122
Planning	-	-	-	1,128,743
General government	9,061,967	36,574,185	6,907,827	654,059
Public works/general	5,071,065	2,592,361	319,688	205,766
Total general government	14,133,032	39,166,546	7,227,515	5,485,690
Security				
Police	-	7,531,872	92,458	2,012,070
Fire	3,263,488	17,881,059	287,807	8,656,195
Total security	3,263,488	25,412,931	380,265	10,668,265
Transportation	43,727,621	-	-	51,975
Culture and recreation				
Parks and recreation	37,543,109	8,597,876	20,663,453	507,571
Senior center	106,814	1,822,525	200,000	33,660
Total culture and recreation	37,649,923	10,420,401	20,863,453	541,231
Total governmental funds capital assets	$ 98,774,064	$ 74,999,878	$ 28,471,233	$ 16,747,161

Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2012

Function and Activity	Artwork	Infrastructure	Construction in Progress	Total
General government				
Finance	$ -	$ -	$ -	$ 3,497,122
Planning	-	-	-	1,128,743
General government	-	15,065,756	-	68,263,794
Public works/general	-	-	216,285	8,405,165
Total general government	-	15,065,756	216,285	81,294,824
Security				
Police	-	-	-	9,636,400
Fire	-	-	158,542	30,247,091
Total security	-	-	158,542	39,883,491
Transportation	-	209,962,002	3,849,616	257,591,214
Culture and recreation				
Parks and recreation	396,154	8,488,525	1,574,088	77,770,776
Senior center	-	-	-	2,162,999
Total culture and recreation	396,154	8,488,525	1,574,088	79,933,775
Total governmental funds capital assets	$ 396,154	$ 233,516,283	$ 5,798,531	$ 458,703,304

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF REDMOND
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
DECEMBER 31, 2012 and 2011

Function and Activity	Governmental Funds Capital Assets 1-1-12	Additions	Deductions	Governmental Funds Capital Assets 12-31-12
General government				
Finance	$ 3,497,122	$ -	$ -	$ 3,497,122
Planning	1,128,743	-	-	1,128,743
General government	52,454,978	835,653	1,604,730	51,685,901
Public works/general	8,330,214	52,155	52,155	8,330,214
Total general government	65,411,057	887,808	1,656,885	64,641,980
Security				
Police	9,636,400	-	-	9,636,400
Fire	29,110,948	8,476,641	7,340,165	30,247,424
Total security	38,747,348	8,476,641	7,340,165	39,883,824
Transportation	267,427,937	11,912,229	5,157,190	274,182,976
Culture and recreation				
Parks and recreation	69,732,251	23,310,999	15,211,725	77,831,525
Senior center	2,162,999	-	-	2,162,999
Total culture and recreation	71,895,250	23,310,999	15,211,725	79,994,524
Total governmental funds capital asset	$ 443,481,592	$ 44,587,677	$ 29,365,965	$ 458,703,304

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

Statistical Section

This part of the City of Redmond'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 says about the City's overall financial health.

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Financial Trends **104**

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 **110**

These schedules contain information to help the reader assess the City's tax revenue sources.

Debt Capacity **115**

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 **120**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information **122**

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

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

Schedule 1

Net Position by Component (in thousands)

Last Ten Fiscal Years

Accrual Basis of Accounting

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	$ 166,566	$ 183,981	$ 197,288	$ 209,981	$ 231,771	$ 238,895	$ 256,114	$ 257,663	$ 266,802	$ 276,636
Restricted	15,844	18,383	17,545	23,428	24,320	24,203	25,938	37,127	47,237	32,127
Unrestricted	51,403	50,835	52,174	55,978	67,326	77,758	83,798	49,826	37,829	51,426
Total governmental activities net position	$ 233,813	$ 253,199	$ 267,007	$ 289,387	$ 323,417	$ 340,856	$ 365,850	$ 344,616	$ 351,868	$ 360,189
Business-type activities										
Invested in capital assets, net of related debt	$ 149,666	$ 158,988	$ 171,591	$ 193,432	$ 212,565	$ 228,193	$ 234,272	$ 242,798	$ 256,195	$ 264,018
Restricted	-	-	-	-	-	7,686	1,372	2,221	2,221	3,367
Unrestricted	30,450	30,783	28,482	22,841	35,988	37,126	48,280	51,970	50,415	57,802
Total business-type activities net position	$ 180,116	$ 189,771	$ 200,073	$ 216,273	$ 248,553	$ 273,005	$ 283,924	$ 296,989	$ 308,831	$ 325,187
Primary government										
Invested in capital assets, net of related debt	$ 316,232	$ 342,969	$ 368,879	$ 403,413	$ 444,336	$ 467,088	$ 490,386	$ 500,461	$ 522,997	$ 540,654
Restricted	15,844	18,383	17,545	23,428	24,320	31,889	27,310	39,348	49,458	35,494
Unrestricted	81,853	81,618	80,656	78,819	103,314	114,884	132,078	101,796	88,244	109,228
Total primary government net position	$ 413,929	$ 442,970	$ 467,080	$ 505,660	$ 571,970	$ 613,861	$ 649,774	$ 641,605	$ 660,699	$ 685,376

Schedule 2

Changes in Net Position (in thousands)
Last Ten Fiscal Years
Accrual Basis of Accounting

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities:										
General government	$ 10,554	$ 10,599	$ 14,498	$ 14,024	$ 13,390	$ 14,823	$ 18,222	$ 19,571	$ 24,253	$ 18,888
Security	26,711	30,032	31,089	34,353	41,105	40,940	40,319	36,764	28,751	37,631
Physical Environment	4,074	3,080	3,055	3,395	3,360	3,962	3,763	5,283	5,976	6,013
Economic environment	3,603	3,391	3,160	3,458	3,488	3,689	4,664	5,719	6,218	5,603
Transportation	8,633	7,983	9,150	9,533	10,616	16,502	16,530	42,052	14,818	15,748
Mental/physical health	88	95	94	98	98	97	12	13	890	-
Culture and Recreation	7,779	7,489	8,121	8,908	9,551	11,104	11,103	14,457	15,191	13,762
Interest on long-term debt	747	459	462	2,012	1,990	2,045	1,891	1,813	3,506	3,310
Total governmental activities expenses	62,189	63,128	69,629	75,781	83,598	93,162	96,504	125,672	99,603	100,955
Business-type activities:										
Water/wastewater	18,323	18,340	20,617	20,915	22,528	26,467	27,085	25,191	27,519	28,397
UPD Water/wastewater	2,121	3,373	4,003	3,610	5,466	5,908	4,963	5,542	5,752	6,121
Stormwater	4,799	5,293	5,332	5,949	6,188	6,580	6,746	6,407	7,061	7,249
Total business-type activities net position	25,243	27,006	29,952	30,474	34,182	38,955	38,794	37,140	40,332	41,767
Total primary government expenses	$ 87,432	$ 90,134	$ 99,581	$ 106,255	$ 117,780	$ 132,117	$ 135,298	$ 162,812	$ 139,935	$ 142,722
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 2,366	$ 2,406	$ 2,249	$ 2,746	$ 3,040	$ 3,066	$ 3,198	$ 3,355	$ 8,640	$ 3,738
Security	8,237	9,001	9,140	10,687	13,223	13,881	15,764	13,776	15,825	15,627
Physical Environment	397	248	365	376	372	379	421	468		590
Economic environment	7,795	9,166	7,567	10,573	12,874	14,256	16,573	9,132	3,491	13,487
Transportation	141	23	24	652	1,398	433	13	11	2,971	1,129
Mental/Physical Health	-	-	-	-	-	-	-	-	5	-
Culture and Recreation	1,116	1,252	1,532	1,701	1,774	1,793	2,050	2,171	3,351	3,378
Operating grants and contributions	2,589	3,356	5,158	6,967	5,903	7,383	2,830	8,334	760	4,571
Capital grants and contributions	5,381	6,067	2,778	5,312	5,227	5,240	19,834	3,419	2,513	1,648
Total governmental activities program revenues	28,022	31,519	28,813	39,014	43,811	46,431	60,683	40,666	37,556	44,168

Schedule 2 (continued)

Changes in Net Position (in thousands)
Last Ten Fiscal Years
Accrual Basis of Accounting

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Business-type activities:										
Charges for services:										
Water/wastewater	18,440	19,684	20,658	21,085	26,127	24,960	26,577	25,451	27,977	29,688
UPD Water/wastewater	2,111	3,440	3,804	3,363	5,525	5,098	4,829	5,362	5,850	6,600
Stormwater	6,940	7,216	7,164	7,466	11,315	10,715	10,656	11,002	11,154	11,117
Operating grants and contributions	1	29	-	0	523	19	58	602	599	1,194
Capital grants and contributions	12,651	7,115	7,809	13,341	21,160	20,735	6,681	7,060	6,403	9,449
Total business-type activities program revenues	40,143	37,484	39,435	45,255	64,650	61,527	48,801	49,477	51,983	58,048
Total primary government program revenues	$ 68,165	$ 69,003	$ 68,248	$ 84,269	$ 108,461	$ 107,958	$ 109,484	$ 90,143	$ 89,539	$ 102,216
Net (Expense)/Revenue										
Governmental activities	$ (34,169)	$ (31,608)	$ (41,147)	$ (36,768)	$ (39,787)	$ (46,733)	$ (35,821)	$ (85,007)	$ (62,080)	$ (56,786)
Business-type activities	14,899	10,478	9,813	14,781	30,470	22,571	10,007	12,337	11,180	16,280
Total primary government net expense	(19,270)	(21,130)	(31,334)	(21,987)	(9,317)	(24,162)	(25,814)	(72,670)	(50,900)	(40,506)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	13,298	13,813	14,692	12,621	13,039	18,589	19,446	20,930	21,978	22,611
Sales taxes	17,575	18,955	18,648	20,071	24,420	20,675	18,996	19,038	24,895	20,722
Other	16,164	16,510	18,705	22,174	27,404	19,578	19,263	18,664	19,338	20,221
Unrestricted investment interest	1,681	1,119	1,928	3,665	5,135	4,087	2,087	1,114	937	632
Miscellaneous	894	524	605	582	4,203	1,121	1,008	4,103	2,063	1,049
Gain (Loss) on sale of capital assets	22	49	18	7	(384)	121	14	(76)	88	118
Transfers	161	24	29	29	-	-	-	-		
Total governmental activities	49,795	50,994	54,625	59,149	73,817	64,171	60,814	63,773	69,299	65,353
Business-type activities:										
Unrestricted investment interest	767	517	785	1,298	1,668	1,740	737	623	519	(9)
Miscellaneous	48	47	63	149	143	140	176	105	143	177
Special items	-	-	-	-	-	-	-	-	-	-
Transfers	(161)	(24)	(28)	(29)	-	-	-	-	-	-
Total business-type activities	654	540	820	1,418	1,811	1,880	913	728	662	168
Total primary government	$ 50,449	$ 51,534	$ 55,445	$ 60,567	$ 75,628	$ 66,051	$ 61,727	$ 64,501	$ 69,961	$ 65,521
Change in Net Position										
Governmental activities	$ 15,627	$ 19,386	$ 13,477	$ 22,380	$ 34,030	$ 17,439	$ 24,994	$ (21,234)	$ 7,252	$ 8,566
Business-type activities	15,554	11,018	10,633	16,200	32,280	24,452	10,919	13,065	11,842	16,449
Total primary government	$ 31,181	$ 30,404	$ 24,110	$ 38,580	$ 66,310	$ 41,891	$ 35,913	$ (8,169)	$ 19,094	$ 25,015

Schedule 3

Fund Balances, Governmental Funds (in thousands)
Last Ten Fiscal Years
Modified Accrual Basis of Accounting

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	$ 23	$ 23	$ 23	$ 23	$ 32	$ -	$ -	$ -	$ -	$ -
Unreserved	5,286	5,008	6,182	9,035	14,653	16,177	6,489	4,504	-	-
Nonspendable**	-	-	-	-	-	-	-	-	-	-
Spendable**:										
Restricted	-	-	-	-	-	-	-	-	6,139	7,087
Committed	-	-	-	-	-	-	-	-	16,689	8,266
Assigned	-	-	-	-	-	-	-	-	-	11,472
Unassigned	-	-	-	-	-	-	-	-	11,105	11,977
Total*	$ 5,309	$ 5,031	$ 6,205	$ 9,058	$ 14,685	$ 16,177	$ 6,489	$ 4,504	$ 33,933	$ 38,802
All Other Governmental Funds										
Reserved	$ 1,593	$ 1,675	$ 1,537	$ 1,550	$ 1,608	$ 1,526	$ 1,244	$ 273	$ -	$ -
Unreserved, reported in:										
Special revenue funds	21,500	21,670	21,413	24,249	32,280	38,603	31,914	27,499	-	-
Capital projects funds	35,774	36,783	34,293	39,688	37,125	47,384	61,866	47,277	-	-
Nonspendable**	-	-	-	-	-	-	-	-	-	-
Spendable**:										
Restricted	-	-	-	-	-	-	-	-	20,752	16,775
Committed	-	-	-	-	-	-	-	-	23,029	-
Assigned	-	-	-	-	-	-	-	-	-	20,542
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds*:	$ 58,867	$ 60,128	$ 57,243	$ 65,487	$ 71,013	$ 87,513	$ 95,024	$ 75,049	$ 43,781	$ 37,317

*In 2011 The substantial increase in the fund balance of the General Fund and decrease in the fund balance of All Other Governmental Funds resulted from the implementation of GASB 54.

**Starting with the fiscal year ending December 31, 2011 the City implemented GASB 54 which required a new classification for fund balances.

Schedule 4

Changes in Fund Balances, Governmental Funds

(in thousands)

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	$ 46,582	$ 48,762	$ 51,518	$ 54,353	$ 64,271	$ 58,256	$ 57,101	$ 57,958	$ 66,211	$ 63,555
Special assessments	542	487	297	273	245	287	88	-	-	-
Licenses and permits	4,427	3,823	5,879	7,639	9,920	8,297	7,057	6,523	6,510	7,509
Contributions from property owners	2,178	3,707	837	4,035	3,677	2,629	10,554	6,474	270	987
Intergovernmental	12,378	13,684	12,918	15,057	17,459	18,077	26,569	18,465	18,404	19,999
Charges for services	7,373	9,361	6,259	8,007	9,258	12,325	15,448	8,880	9,860	13,046
Fines and forfeitures	222	181	97	52	826	864	1,053	1,038	2,204	1,952
Investment interest	1,857	944	1,582	3,146	4,406	3,752	2,237	1,238	856	514
Miscellaneous	878	524	604	581	1,011	1,011	957	601	972	917
Total revenues	76,437	81,473	79,991	93,143	111,073	105,498	121,064	101,177	105,287	108,479
Expenditures										
General government	10,052	10,239	12,616	12,963	12,384	13,785	18,087	15,132	12,943	14,948
Security (persons/property)	25,840	29,452	30,008	33,247	40,155	39,775	43,229	41,858	42,191	44,126
Physical environment	3,838	3,440	2,995	3,416	3,382	3,817	3,728	3,475	4,405	3,098
Transportation	5,857	4,808	5,237	4,415	6,712	6,685	9,260	6,552	8,200	8,958
Economic environment	3,591	3,429	3,297	3,524	3,382	3,907	4,343	4,649	4,864	4,830
Mental/physical health	88	95	94	98	98	97	12	13	890	-
Culture and Recreation	7,270	7,132	7,225	8,072	8,690	9,901	10,060	10,913	10,642	11,159
Capital outlay	22,058	56,228	15,255	12,303	23,865	39,832	28,016	34,282	24,591	17,470
Debt service:										
Principal	3,750	4,229	4,469	1,940	2,540	2,448	3,109	3,008	3,584	4,955
Interest and debt issue costs	767	750	607	2,110	2,041	2,565	3,420	3,298	3,575	1,925
Total expenditures	83,111	119,802	81,803	82,088	103,249	122,812	123,264	123,180	115,885	111,469
Excess of revenues over (under) expenditures	$ (6,674)	$ (38,329)	$ (1,812)	$ 11,055	$ 7,824	$ (17,314)	$ (2,200)	$ (22,003)	$ (10,598)	$ (2,990)

Schedule 4 (continued)

Changes in Fund Balances, Governmental Funds

(in thousands)

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Other Finance Sources (Uses)										
Insurance Recoveries	$ -	$ -	$ -	$ -	$ -	$ 111	$ -	$ 8	$ 3	$ -
Proceeds from borrowing	3,698	39,230	-	-	-	36,560	-	-	8,643	1,794
Disposition of capital assets	25	7	4	4	3,196	-	49	45	18	53
Transfers in	18,325	15,784	16,682	17,335	23,294	12,929	27,681	19,536	25,071	18,091
Transfers out	(18,260)	(15,709)	(16,584)	(17,297)	(23,161)	(12,966)	(27,707)	(19,547)	(24,976)	(18,544)
Bond Proceeds to Refunding Trustee	-	-	-	-	-	(1,328)	-	-	-	-
Total other financing sources (uses)	3,788	39,312	102	42	3,329	35,306	23	42	8,759	1,394
Net change in fund balances	$ (2,886)	$ 983	$ (1,710)	$ 11,097	$ 11,153	$ 17,992	$ (2,177)	$ (21,961)	$ (1,839)	$ (1,596)
Debt service as a percentage of noncapital expenditures	7.39%	7.83%	7.46%	5.63%	5.77%	6.04%	6.85%	7.09%	7.84%	7.32%

Schedule 5

Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Total Taxable Assessed Valuation	Total Direct Tax Rate*
2003	$ 7,409,495,346	$ 1,181,627,039	$ 8,591,122,385	$ 1.57
2004	$ 7,762,955,643	$ 1,038,619,530	$ 8,801,575,173	$ 1.59
2005	$ 8,114,876,599	$ 1,205,491,934	$ 9,320,368,533	$ 1.58
2006	$ 8,759,508,942	$ 1,551,414,614	$ 10,310,923,556	$ 1.23
2007	$ 9,821,026,886	$ 1,359,505,337	$ 11,180,532,223	$ 1.18
2008	$ 12,739,900,548	$ 1,332,371,332	$ 14,072,271,880	$ 1.47
2009	$ 13,205,438,085	$ 1,333,419,562	$ 14,538,857,647	$ 1.35
2010	$ 11,966,374,536	$ 1,362,914,250	$ 13,329,288,786	$ 1.58
2011	$ 11,283,288,467	$ 1,509,947,105	$ 12,793,235,572	$ 1.72
2012	$ 10,962,633,787	$ 1,712,255,548	$ 12,674,889,335	$ 1.78

Source: King County Accounting Division
Real and personal property has been assessed at 100% of the estimated value.
* Tax rates are per $1,000 of assessed value.

Schedule 6

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

	City Direct Rates			Overlapping Rates										Total Direct and Overlapping Rate
	General Fund	Obligation Debt Service	Total Direct Rate*	WA State	King County	Port Of Seattle	School District #414	Hospital District #2	King Co. Library	Emer. Medical Service	Capital Facilities Area**	King Co. Ferry*** District	King Co. Flood*** District	
2003	1.29	0.28	1.57	2.90	1.35	0.26	3.07	0.34	0.55	0.24	-	-	-	10.28
2004	1.33	0.26	1.59	2.76	1.43	0.25	2.96	0.34	0.60	0.24	-	-	-	10.17
2005	1.32	0.26	1.58	2.69	1.38	0.25	2.83	0.59	0.53	0.23	-	-	-	10.08
2006	1.20	0.03	1.23	2.50	1.33	0.23	2.65	0.54	0.53	0.22	-	-	-	9.23
2007	1.15	0.03	1.18	2.33	1.29	0.23	2.57	0.50	0.50	0.21	0.05	-	-	8.86
2008	1.45	0.02	1.47	2.13	1.21	0.22	2.33	0.45	0.45	0.30	0.05	0.06	0.10	8.77
2009	1.33	0.02	1.35	1.96	1.10	0.20	2.23	0.40	0.42	0.27	0.04	0.05	0.09	8.11
2010	1.56	0.02	1.58	2.22	1.28	0.22	2.80	0.46	0.49	0.30	0.04	0.003	0.11	9.50
2011	1.70	0.02	1.72	2.28	1.34	0.22	2.98	0.48	0.57	0.30	0.05	0.004	0.11	10.05
2012	1.76	0.02	1.78	2.42	1.42	0.23	3.53	0.49	0.57	0.30	0.05	0.004	0.12	10.91

Source: King County Assessor's Office
*Tax rates are per $1,000 of assessed value.
Initiative 747 passed in November 2001, and subsequent actions by the Washington State Legislature in 2007 limited the annual optional increase in
**New taxing district as of 2007.
***New taxing districts as of 2008.

Schedule 7

Principal Property Taxpayers
Current Year and Nine Years Ago

	2012			2003		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed
Microsoft (includes MSNBC)	$ 2,474,069,675	1	19.52%	$ 1,170,052,474	1	13.62%
Arden Realty	181,272,060	2	1.43%			
Puget Sound Energy	158,934,363	3	1.25%	102,884,560	4	1.20%
Nintendo	99,733,926	4	0.79%	62,780,256	6	0.73%
BRE Properties	86,545,000	5	0.68%			0.00%
Essex Redmond Hill	85,536,000	6	0.67%			-
PPR Redmond Retail LLC (Redmond Town Center)	77,583,299	7	0.61%	109,122,356	3	1.27%
Tishman Speyer Archstone (formerly Archstone-Smith)	65,464,000	8	0.52%			-
PS Business Parks LP (formerly Yett Family Partnershi	60,811,000	9	0.48%			-
ASN - Washington Holdings	56,000,000	10	0.44%			-
Frontier Communication NW (Verizon Northwest Inc.)			-	58,220,261	7	0.68%
Safeco	-		-	142,815,360	2	1.66%
Eddie Bauer	-		-	44,994,679	8	0.52%
Archstone Communities Trust	-		-	102,087,200	5	1.19%
Yett Family Partnership LP	-		-	41,196,200	9	0.48%
Aerojet General Corporation	-		-	35,507,530	10	0.41%
TOTAL	$ 3,345,949,323		26.39%	$ 1,869,660,876		21.76%

Source: King County Assessor

* In 2012 the estimated value of real and personal property in the City of Redmond was $12,674,889,335.

* * In 2003 the estimated value of real and personal property in the City of Redmond was $8,591,122,385.

Schedule 8

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal	Taxes Levied for the Fiscal Year*	Collected within the Fiscal Year of		Collections in Subsequent	Total Collections to Date	
		Amount	Percentage of		Amount	Percentage of
2000	$ 12,232,460	$ 12,095,161	98.88%	$ 187,817	$ 12,282,978	100.41%
2003	13,424,237	13,203,511	98.36%	103,163	13,306,674	99.12%
2004	13,734,935	13,624,998	99.20%	222,707	13,847,705	100.82%
2005	14,682,653	14,565,908	99.20%	135,829	14,701,737	100.13%
2006	12,691,175	12,491,154	98.42%	143,531	12,634,685	99.55%
2007	12,957,835	12,856,101	99.21%	211,699	13,067,800	100.85%
2008	18,692,476	18,510,492	99.03%	98,185	18,608,677	99.55%
2009	19,538,614	19,322,310	98.89%	148,728	19,471,038	99.65%
2010	21,033,841	20,844,302	99.10%	231,450	21,075,751	100.20%
2011	22,023,478	21,853,561	99.23%	182,911	22,036,474	100.06%
2012	22,468,454	22,311,302	99.30%	151,942	22,463,244	99.98%

Source: King County Assessor and Redmond accounting division
*Includes levy adjustments, penalties and interest

Schedule 9

Summary of Sales Tax Revenues

Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Retail Trade Sales Tax										
Electronics and Appliances	305,285	690,202	658,225	671,664	638,768	531,796	1,087,674	1,445,772	1,087,674	1,869,159
Furniture	410,689	313,708	259,799	336,218	262,470	436,382	266,049	288,418	266,049	338,453
General Merchandise	337,771	650,100	623,497	1,537,810	1,515,512	911,412	1,343,640	1,363,100	1,343,640	1,400,435
Miscellaneous Retail Trade	476,925	405,616	406,411	137,621	146,303	470,973	612,515	683,478	612,515	692,829
Other	3,671,622	3,773,098	4,013,911	3,838,023	4,356,254	4,196,636	2,375,512	2,501,637	2,375,512	2,557,826
Total - Retail Trade	5,202,291	5,832,724	5,961,843	6,521,336	6,919,307	6,547,199	5,685,390	6,282,405	5,685,390	6,858,702
Other Sectors Sales Tax										
Accommodation & Food Services	1,367,188	1,436,081	1,553,008	1,653,784	1,739,732	1,777,479	1,689,694	1,784,896	1,689,694	2,057,634
Construction	2,172,882	2,467,526	2,768,950	3,151,657	3,125,692	3,783,006	3,771,855	2,486,201	3,771,855	2,957,652
Information	2,786,641	1,939,671	1,986,737	1,536,738	4,814,199	1,051,283	1,385,499	974,378	1,385,499	1,452,926
Miscellaneous	1,617,544	1,654,226	1,646,143	1,896,963	2,229,314	1,867,005	1,621,406	1,650,525	1,621,406	1,937,798
Service	1,127,475	1,148,434	1,184,711	1,770,263	1,490,641	1,827,122	1,388,234	1,604,083	1,388,234	1,802,839
Wholesale	2,233,746	2,057,502	2,251,409	2,132,688	2,526,034	2,127,576	2,395,461	2,976,015	2,395,461	2,138,684
Total - Other Sectors Sales Tax	11,305,477	10,703,439	11,390,957	12,142,092	15,925,612	12,433,471	12,252,149	11,476,098	12,252,149	12,347,533
Adjustments	-	1,298,906	-	-	-	118,361				*
Total - Retail Trade & Other Sectc	16,507,768	17,835,068	17,352,800	18,663,428	22,844,919	19,099,031	17,937,539	17,758,503	17,937,539	19,206,235
Sales Taxes - Miscellaneous	1,067,436	1,120,313	1,295,090	1,407,234	1,575,433	1,576,329	1,278,411	1,279,366	1,278,411	1,469,886 **
Total Sales Tax	17,575,204	18,955,381	18,647,890	20,070,662	24,420,352	20,675,360	19,215,950	19,037,869	19,215,950	20,676,121

Notes:

* Includes One-Time Adjustments in 2004 and 2008, also includes an SST Mitigation payment of $85,660 in 2008.

** Sales Tax - Miscellaneous includes Sales Tax-Criminal Justice, Washington State Use Tax and Hotel/Motel Tax.

Schedule 10

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities					Business-Type Activities				
Fiscal Year	**General Obligation Bonds**	**Special Assessment Bonds**	**Public Works Trust Fund Loans**	**Capital Leases**	**Private Contract**	**Revenue Bonds**	**Loans**	**Total Primary Government**	**Percentage Of Per Capita Personal Income***	**Debt Per Capita****
2003	10,933,472	1,745,000	3,353,927	-	777,950	-	605,211	17,415,560	0.84%	375
2004	46,927,432	1,410,000	2,982,210	-	529,348	-	496,587	52,345,577	2.26%	1,116
2005	43,454,879	1,045,000	2,610,492	-	270,181	-	387,962	47,768,514	2.06%	1,004
2006	42,504,603	780,000	2,238,775	-	-	-	609,477	46,132,855	1.76%	925
2007	40,531,384	585,000	1,867,058	-	-	-	465,385	43,448,827	1.49%	857
2008	72,455,000	530,000	1,495,340	-	-	11,755,000	85,356	86,320,696	2.91%	1,682
2009	70,040,000	170,000	1,161,728	-	-	11,190,000	-	82,561,728	2.74%	1,591
2010	67,540,000	-	828,118	-	-	10,600,000	-	78,968,118	2.59%	1,471
2011	72,270,000	-	548,686	-	-	9,985,000	-	82,803,686	2.72%	1,501
2012	68,920,000	-	2,140,792	-	-	9,345,000	-	80,405,792	2.51%	1,452

* 2011 per capita income of $57,837 from US Bureau of Economic Analysis.
** 2012 population total of 55,360 from State of Washington Office of Financial Management.

Schedule 11

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property*	Per Capita
2003	10,933,472	0.13%	235
2004	46,927,432	0.54%	1,001
2005	43,454,879	0.47%	913
2006	42,504,603	0.42%	852
2007	40,531,384	0.36%	800
2008	72,455,000	0.51%	1,412
2009	70,040,000	0.48%	1,350
2010	67,540,000	0.51%	1,258
2011	72,270,000	0.56%	1,310
2012	68,920,000	0.54%	1,245

Source: King County Assessor

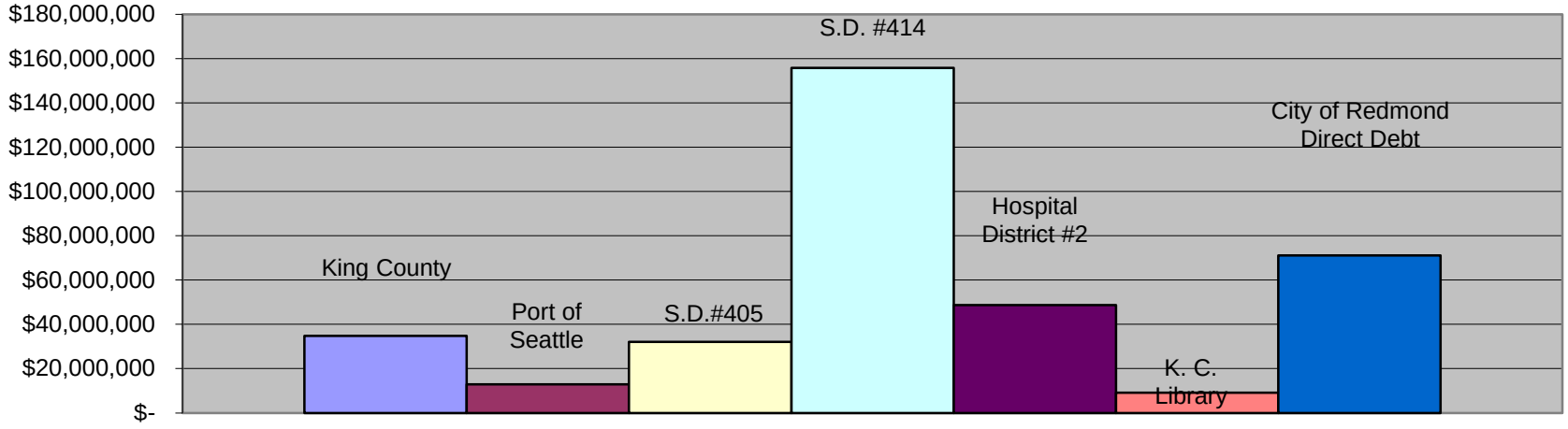
* In 2012 the estimated value of real and personal property in the City of Redmond was $12,674,889,335

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

Schedule 12

Direct and Overlapping Governmental Activities Debt
As of December 31, 2012

	Net Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Overlapping Debt:			
King County	$ 845,717,000	4.12%	$ 34,843,540
Port of Seattle	312,005,000	4.12%	12,854,606
School District #405	525,858,031	6.09%	32,024,754
School District #414	491,747,573	31.69%	155,834,806
Hospital District #2	205,804,142	23.66%	48,693,260
King CountyRural Library	136,748,287	6.63%	9,066,411
Total Overlapping Debt	2,517,880,033		293,317,379
Direct Debt: City of Redmond**	71,060,792	100.00%	71,060,792
Total Direct and Overlapping Debt	$ 2,588,940,825		$ 364,378,171



*Applicable percentage is determined by the ratio of assessed valuation of taxable property in overlapping unit to valuation of property subject to taxation in the City of Redmond.

**City of Redmond Overlapping Debt - [prev. year] Tax Roll

Source:King County Finance Office; King County Assessor

Schedule 13

Legal Debt Margin Information (in thousands)
Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	$ 644,334	$ 660,118	$ 699,028	$ 773,319	$ 838,540	$ 955,493	$ 990,408	$ 998,139	$ 934,746	$ 970,752
Total net debt applicable to limit	11,498	47,218	43,496	42,259	40,287	72,182	69,767	67,267	71,996	70,781
Legal debt margin	$ 632,836	$ 612,900	$ 655,532	$ 731,060	$ 798,253	$ 883,311	$ 920,641	$ 930,872	$ 862,750	$ 899,971
Total net debt applicable to limit as a percentage of debt limit	1.78%	7.16%	6.23%	5.46%	4.80%	4.80%	7.04%	6.74%	7.70%	7.29%

Note: Under State law voters may approve general obligation debt issues of up to 7.5% of assessed valuation. This 7.5% debt capacity is allocated evenly among general government, parks/open space, and utilities resulting in a 2.5% limit for each. Within the 2.5% limit, the City Council has authority to issue bonds without voter approval for a combined total of up to 1.5% of the City's assessed valuation.

	General Capacity		Special Purpose Capacity		Total Capacity
	Councilmanic	Excess Levy	Parks and Open Space	Utility Purposes	
December 31, 2012 Assessed Value: $12,943,349					
2.50% of Assessed Value	$ -	$ 323,584	$ 323,584	$ 323,584	$ 970,752
1.50% of Assessed Value	194,150	(194,150)	-	-	-
Statutory Debt Limit	194,150	129,434	323,584	323,584	970,752
Debt Outstanding:					
Bonds	70,781	280	-	-	71,061
Total Debt Outstanding	70,781	280	-	-	71,061
Less amount available in Debt Service Fund	-	280	-	-	280
Net Debt Outstanding	70,781	-	-	-	70,781
Remaining Debt Capacity	$ 123,369	$ 129,434	$ 323,584	$ 323,584	$ 899,971

*Property assessed at 100% of the estimated value.

Schedule 14

Pledged-Revenue Coverage

Last Ten Fiscal Years

	Water/Wastewater Revenue Bonds						Special Assessment Bonds			
Fiscal Year	Gross Revenue **	Less: Operating Expenses ***	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage ****	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage
2003*	N/A	N/A	N/A	N/A	N/A	N/A	541,955	740,000	147,442	0.61
2004*	N/A	N/A	N/A	N/A	N/A	N/A	487,101	335,000	106,935	1.10
2005*	N/A	N/A	N/A	N/A	N/A	N/A	296,953	365,000	82,519	0.66
2006*	N/A	N/A	N/A	N/A	N/A	N/A	273,089	265,000	55,532	0.85
2007*	N/A	N/A	N/A	N/A	N/A	N/A	244,988	195,000	39,378	1.05
2008	37,014,274	28,868,139	8,146,135	-	-	N/A	286,814	55,000	28,775	3.40
2009	40,094,938	28,376,280	11,718,658	565,000	532,513	10.68	92,929	360,000	25,796	0.24
2010^	38,542,022	26,557,555	11,984,467	590,000	512,887	10.87	-	170,000	8,820	0.00
2011	41,162,374	29,963,912	11,198,462	615,000	489,288	10.14	-	-	-	0.00
2012	45,741,065	30,807,455	14,933,610	640,000	464,688	13.52	-	-	-	0.00

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
The stormwater utility and the water/wastewater utility are combined into the waterworks utility for purposes of the 2008 debt issuance.

* Revenue bond coverage ratio is not applicable as bonds were called early and paid off.

** Includes operating and investment income excluding unrealized gains or losses on investments.

*** Excludes depreciation and amortization, includes operating transfers out.

**** The 1993 Refunding Bond Issue required coverage of 1.25. The 2008 Revenue Bond Issue requires coverage of 1.20.

^ The Special Assessment bonds were paid in full in 2010

Schedule 15

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Redmond Population*	Redmond Personal Income (in thousands)**	King County Per Capita Personal Income***	School Enrollment#	Number of Housing Units	Unemployment Rate##
2003	46,480	$ 2,067,523	$ 44,482	7,594	21,974	6.0
2004	46,900	$ 2,311,513	$ 49,286	7,822	22,183	4.5
2005	47,600	$ 2,322,356	$ 48,789	7,900	22,204	4.0
2006	49,890	$ 2,626,958	$ 52,655	8,014	22,616	3.6
2007	50,680	$ 2,924,743	$ 57,710	8,126	22,869	3.0
2008	51,320	$ 2,983,796	$ 58,141	8,098	23,144	3.6
2009	51,890	$ 2,952,749	$ 56,904	8,369	23,323	6.6
2010	53,680	$ 2,959,700	$ 55,136	8,789	24,227	7.0
2011	55,150	$ 3,189,711	$ 57,837	9,060	24,671	5.6
2012	55,360	$ -	$ -	9,288	24,770	4.5

* State of Washington, Office of Financial Management.
** King County Per Capita Personal Income applied to Redmond population.
*** King County Per Capita Personal Income as provided by Bureau of Economic Analysis.
# Lake Washington School District total as of October, 2008; includes schools with Redmond addresses, although some are located in unincorporated King County. Statistics are not available to determine the number of students from the Redmond/King County populace.
State of Washington, Department of Employment Security (figures are prorated on Redmond's relationship to the County's unemployment rate).

Schedule 16

Principal Employers
Current Year and Nine Years Ago

	2012			2003		
Employer	Employees	Rank	Percentage of Total City Employment**	Employees	Rank	Percentage of Total City Employment***
Microsoft Corporation (includes M S N B C)	32,514	1	44.80%	22,791	1	38.86%
Terex (formerly Genie Industries)	1,613	2	2.22%	1,692	4	2.88%
AT&T Mobility	1,584	3	2.18%	2,993	2	5.10%
Lake Washington School District *	1,043	4	1.44%	-	-	-
Volt Technical Resources, LLC (includes VMC Consulting)	975	5	1.34%	1,257	5	2.14%
Eurest Dining Services @ Microsoft	836	6	1.15%	-	-	-
Honeywell	685	7	0.94%	891	7	1.52%
Nintendo of America Inc. (includes Nintendo Software Technolo	615	8	0.85%	802	9	1.37%
United Parcel Service	607	9	0.84%	-	-	-
Physio Control	527	10	0.73%	-	-	-
Eddie Bauer, Inc.	-	-	-	826	8	1.41%
Group Health *	-	-	-	1,164	6	1.98%
Safeco Insurance Co.*	-	-	-	2,406	3	4.10%
Medtronic Physio-Control Corporation	-	-	-	713	10	1.22%
TOTAL	40,999		56.49%	35,535		60.58%

Source: City of Redmond Finance Dept., Business License Division
*Employer exempt from business license requirement
**Total city employment including exempt businesses listed is 72,568 for 2012.
***Total city employment including exempt businesses listed was 58,654 for 2003.

Schedule 17

Full-time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Executive	5.00	5.00	5.00	11.00	11.50	11.00	14.00	13.00	13.00	12.00
Finance and Information Services	58.60	58.60	58.60	58.60	62.60	63.60	59.97	55.81	56.81	54.50
Human Resources	8.00	8.00	8.00	8.00	9.63	9.63	13.43	11.50	11.50	11.50
Legal	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	3.75
Planning and Community Development	58.24	58.24	56.24	50.24	50.81	58.31	50.72	43.65	43.65	61.91
Security										
Police	110.50	110.50	110.50	110.50	115.50	127.50	128.40	127.30	127.10	129.10
Fire	134.20	134.20	137.20	141.20	149.20	171.20	168.50	164.50	160.50	160.25
Culture and Recreation	51.12	51.12	50.82	50.82	54.12	62.22	62.67	61.55	61.54	60.56
Public Works	84.18	84.18	77.18	77.18	75.75	77.75	79.05	72.71	72.76	66.23
Water/Wastewater	37.13	37.13	38.78	38.78	39.60	39.60	40.60	39.29	39.25	34.16
UPD Water/Wastewater	6.84	6.84	5.94	5.94	5.94	5.94	5.94	-	-	
Stormwater Management	26.49	26.49	29.46	29.46	29.77	29.77	28.77	31.67	31.67	30.85
Total	584.55	584.55	581.97	585.97	608.67	660.77	656.30	625.23	622.03	624.81

Source: City Budget Office

Schedule 18

Operating Indicators by Function/Program

Last Ten Fiscal Years*

Function/Program	2003	2004	2005	2006	2007		2008	2009	2010	2011	2012
Police											
Calls dispatched	22,739	23,488	24,036	24,473	24,276		24,286	27,030	27,531	23,215	22,640
Parking violations	-	-	1,092	1,140	1,189		1,137	1,116	1,179	858	893
Traffic violations	-	-	7,183	8,120	7,381		9,381	10,532	13,574	7,990	5,033
Fire											
Calls for service (fire and aid)	7,999	9,736	9,733	10,905	9,896		10,508	10,740	10,404	9,587	9,783
Average response time (fire & aid) - minutes & seconds	7:06	6:54	7:11	7:27	7:14		6:30	6:30	6:24	6:43	6:41
maintenance inspections	-	-	803	1,421	1,394	**	1,500	2,587	1,606	1,690	1,452
Operations inspections ***	-	-	645	484	19		495	-	256	1,353	-
Culture and Recreation						#					
Preschool registrations	11,256	11,777	12,230	12,851	25,000		21,412	19,456	20,093	19,540	19,186
Youth registrations	17,307	18,684	19,132	20,292	24,377		26,415	18,046	19,118	23,244	21,651
Teen program registrations	21,642	21,264	27,753	25,843	28,047		25,097	18,722	19,512	15,764	13,329
Adult program registrations	37,656	37,843	47,044	54,585	61,450	##	59,959	43,151	41,920	45,313	43,945
Senior Center participants	75,386	74,816	75,612	84,752	45,028		45,807	37,443	41,785	45,050	44,742
Utility Services ###											
Residential units served	10,985	11,755	12,284	12,805	13,195		13,563	13,669	13,972	14,236	14,473
Commercial units served	1,380	1,389	1,416	1,440	1,451		1,474	1,482	1,429	1,434	1,439
Water demand (gallons)	7,009,225	7,026,998	6,489,890	6,981,844	6,520,473		6,506,569	6,754,372	5,900,305	5,877,325	6,132,129

* Ten year trend information is not available for all categories due to initial implementation of GASB 44 on 12/31/05

** Program was suspended January

*** Data is no longer seperated for maintenance inspections

\# New programs were added in 2007

Method of calculation changed in 2007 to more accurately assess number of visitors

Sewage treatment provided by King County Wastewater Treatment Division

Schedule 19

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of police vehicles *	n/a	n/a	49	49	49	50	45	59	59	59
Fire										
Number of stations	6	6	6	6	6	6	6	6	6	7
Number of fire engines	8	9	9	9	11	11	9	9	8	8
Number of aid vehicles	**13	13	13	16	15	15	16	15	16	16
Transportation										
Center lane miles of paved roads	131	131	136	136	137	138	138	142	143	143
Traffic signals	83	87	89	89	90	91	95	98	102	109
Street lights	970	983	983	983	1,132	1,290	1,286	1,279	1,343	1,456
Bridges	8	8	9	9	9	9	9	9	18	18
Culture and Recreation										
Number of developed parks	28	29	30	30	30	30	30	30	30	31
Number of undeveloped parks	16	14	13	9	7	7	8	8	8	11
Acres of developed parks	1,129	1,131	1,168	1,200	1,200	1,172	1,203	1,204	1,205	1,205
Acres of undeveloped parks	189	173	148	105	105	105	106	106	106	114
Miles of developed trails	24	25	25	44	44	44	44	36	37	37

Schedule 19 (continued)

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Utility Services										
Water										
Storage Capacity (millions of gallons)	31.8	31.8	31.8	31.8	31.8	31.8	31.8	31.8	31.8	31.8
Number of wells	5	5	5	5	5	5	5	5	5	5
Miles of main	280	280	283	304	309	315	327	328	331	332
Sewer										
Number of manholes	6,743	6,791	6,791	5,918	6,733	6,937	6,645	6,651	6,716	6,760
Miles of main***	216	218	218	194	214	219	211	212	214	215
Number of pumplift stations***	15	15	15	21	23	23	23	23	23	24
Stormwater										
# of manholes/catch basins	8,552	15,158	15,158	9,621	9,951	10,327	10,475	10,529	10,578	10,674
Miles of pipe***	164	169	169	162	167	172	173	174	175	178
Oil water separators***	24	24	24	24	24	24	24	24	24	24

*Ten year trend information is not available for this category due to initial implementation of GASB 44 on 12/31/05

**The City assumed Advanced Life Support services equipment from King County.

***Decrease from 2002 due to different method of tracking these quantities.