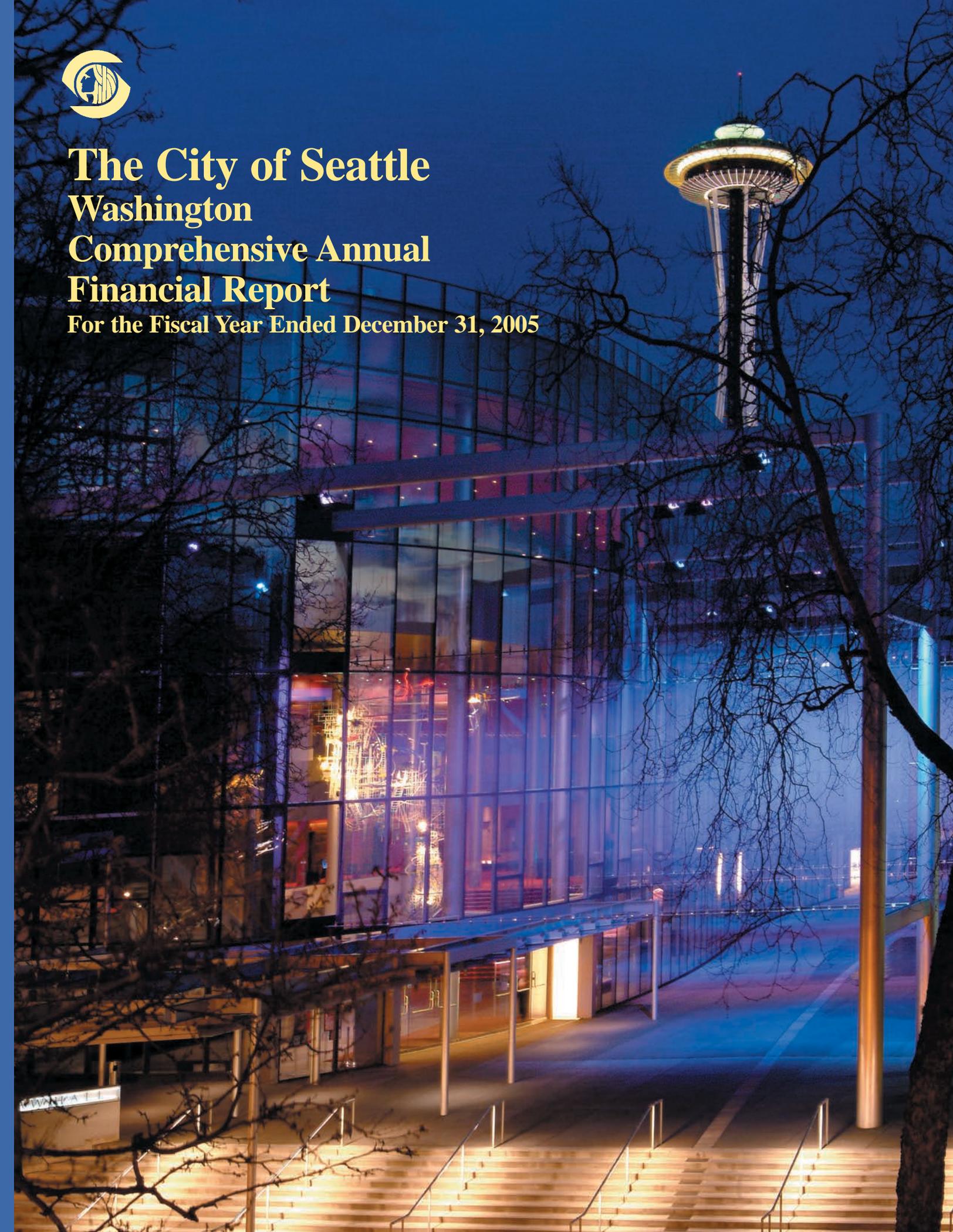




The City of Seattle
Washington
Comprehensive Annual
Financial Report
For the Fiscal Year Ended December 31, 2005



The City of Seattle **Washington**

Comprehensive Annual Financial Report

**For the Fiscal Year Ended
December 31, 2005**



Department of Executive Administration

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Introduction

Comprehensive Annual Financial Report

For Year Ended December 31, 2005

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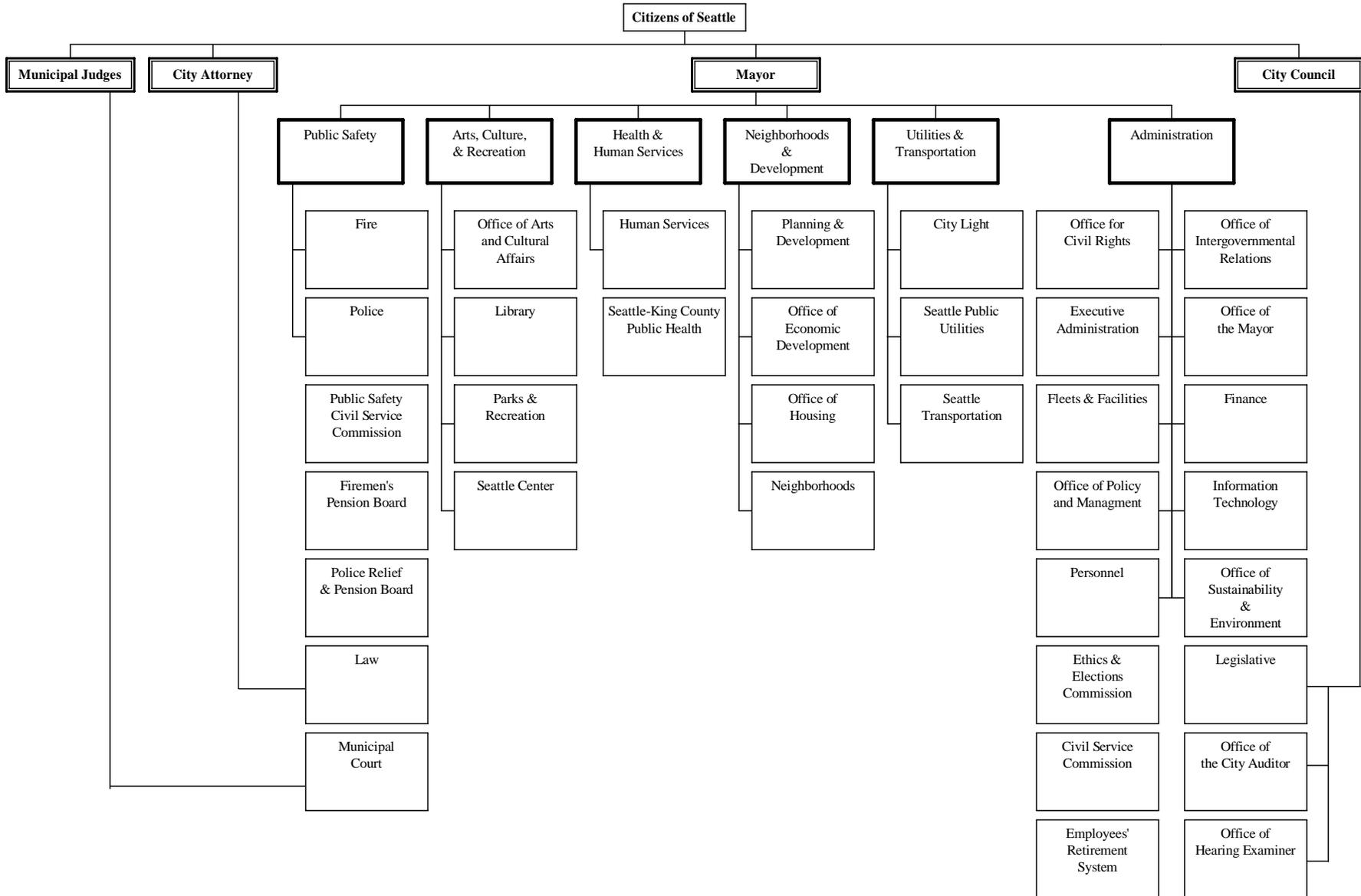
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CITY ORGANIZATION CHART



CITY OF SEATTLE ELECTED OFFICIALS



Gregory J. Nickels
Mayor



Thomas A. Carr
City Attorney

CITY COUNCIL



Sally Clark



Richard Conlin



David Della



Jan Drago



Jean Godden



Nick Licata
Council President



Richard J. McIver



Tom Rasmussen



Peter Steinbrueck

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City of Seattle Department of Finance

Dwight Dively, Director
Gregory J. Nickels, Mayor

July 18, 2006

The Honorable Mayor and
Members of the City Council:

I am pleased to submit to you the 2005 Comprehensive Annual Financial Report (CAFR) of the City of Seattle, Washington. The Department of Executive Administration has prepared this report to present the financial position of the City of Seattle on December 31, 2005, and the results of its operations and the cash flows of its proprietary fund types and changes in plan net assets of its pension and private-purpose trust funds for the year then ended. The financial statements and supporting schedules have been prepared in accordance with generally accepted accounting principles and meet the requirements of the State Auditor and the City Charter.

Washington State law requires an annual audit of the City's financial statements by the independently elected State Auditor. The State Auditor conducts his examination in accordance with generally accepted auditing standards and provides an independent assessment that helps assure fair presentation of the City's financial position and results of operations and the cash flows of its proprietary fund types and changes in plan net assets of its pension and private-purpose trust funds. In addition to the opinion on the City's financial statements included in this report, the State Auditor also issues separate reports on internal control and compliance with laws and regulations that meet the requirements of the Single Audit Act and related OMB Circular A-133. These reports are available in the City's separately issued Single Audit Report.

The accuracy of the City's financial statements and the completeness and fairness of their presentation is the responsibility of City management. The City maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and that financial records can be relied upon to produce financial statements in accordance with generally accepted accounting principles. The concept of reasonable assurance recognizes that the cost of maintaining the system of internal accounting controls should not exceed benefits likely to be derived. Comprehensive written policies support the system and the Office of City Auditor reviews internal accounting controls based upon request or observed need.

Management's discussion and analysis (MD&A) immediately follows the State Auditor's report. It provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of the Government

The City of Seattle was incorporated on December 2, 1869. The City operates under a City Charter adopted on March 12, 1946, providing for a nonpartisan Mayor-Council form of government. The City Council is composed of

nine members elected at large to four-year terms. The City provides the full range of municipal services authorized by its charter and operates four rate-funded utilities.

The City of Seattle is a primary government for financial reporting purposes. Its governing body is elected by the citizens in a general, popular election. This report includes all organizations and activities for which elected City officials exercise financial accountability. Certain organizations created by or related to the City, for which the City is not financially accountable, have been excluded from this report. Joint ventures, component units, and contingent liabilities, which exist from relationships with organizations created by the City, are included in this report. The notes to the financial statements further discuss the City as a financial reporting entity.

The City provides a full range of services, including the City's infrastructure services. The City builds and repairs roads; maintains electric, water, solid waste, sewer and drainage services; provides police and fire protection as well as judicial services; administers land use policy; and takes an active role in commercial and industrial development and environmental protection. The City designs and maintains many parks and golf courses, coordinates recreation activities, maintains libraries, fosters neighborhood livability, and works to preserve a satisfactory living environment for both the community and individuals.

Budgets and Budgetary Accounting

The City Council approves the City's operating budget. In addition, the City Council annually approves two separate but related financial planning documents: the Capital Improvement Program (CIP) plan and the Community Development Block Grant (CDBG) program allocation.

The operating budget is proposed by the Mayor and adopted by the City Council at least 30 days before the beginning of the fiscal year. The budget is designed to allocate available resources on a biennial basis among the City's public services and programs and provides for associated financing decisions. On a biennial basis, the annual budget is adopted and the following year's budget is endorsed. The budget appropriates fiscal year expenditures and establishes employee positions by department and fund except for project-oriented, multi-year appropriations made for capital projects, grants, or endowments.

The CIP plan is also proposed by the Mayor and adopted by the City Council at least 30 days before the beginning of the fiscal year. The CIP is a six-year plan for capital project expenditures and anticipated financing by fund source. It is revised and extended annually. The City Council adopts the CIP as a planning document but does not appropriate the multi-year expenditures identified in the CIP. These expenditures are legally authorized through the annual operating budget or by specific project ordinances during the year.

The CDBG planning process allocates the annual grant awarded by the federal government. Allocations are made to City departments and non-City organizations. Legal authority is established each year by a separate appropriation ordinance for the Housing and Community Development Revenue Sharing Fund.

The control imposed by the City's adopted budget is maintained through the integration of budgetary accounts in fund ledgers for all budgeted funds. An encumbrance system accounts for purchase orders and other contractual commitments.

Factors Affecting Financial Condition

The 2001 recession, which was relatively mild at the national level, hit the Puget Sound region hard. Over a 33-month period that ended in September 2003 the region lost 6.9 percent of its employment, compared to a 2.1 percent drop nationwide. The transition from decline to growth has been gradual, with very modest growth in 2004 followed by an acceleration of growth during 2005. In 2005 the region's employment increased at a healthy 3.1 percent pace, led by strong growth in construction and aerospace. Boeing has added over 10,000 jobs since June 2004 as it has increased production to meet the strong demand for its 777, 787, and 737 models. Boeing booked 1,002 new orders in 2005 making it one of the strongest years ever.

The improving economy has led to significant improvement in the City's revenue picture. General Fund revenue increased by 8.3 percent in 2005, led by an 11.5 percent gain in retail sales tax revenue and 10.4 percent growth in Business and Occupation (B&O) tax receipts. Retail sales and B&O tax revenue growth was led by a strong upturn

in construction activity, as a number of new office, commercial, hotel, and residential projects broke ground and construction of Sound Transit's light rail project ramped up. With the real estate market booming, revenue from the City's real estate excise tax (REET) increased by 31.0 percent in 2005, and has more than doubled since 2002.

Economic outlook

Most national economic forecasts anticipate continued growth through 2008, although the pace of growth is expected to slow from 2004-05 levels. For the Puget Sound region, employment is forecast to grow at an average rate of 2.6 percent per year during the 2006-08 period; the comparable rate for personal income growth is 6.7 percent annually. Aerospace is expected to continue its expansion through 2008 as Boeing increases its production of airliners to meet the recent surge in demand, and Microsoft recently announced plans to spend \$1 billion over the next three years to add 3.1 million square feet to its Redmond campus - enough room for 12,000 employees. In addition, several new office, residential, and biotechnology projects are underway in the South Lake Union neighborhood, and Washington Mutual Bank's new downtown office tower is scheduled to open in 2006.

Given expectations that the regional economy's expansion will continue, most City revenues are forecast to grow at a healthy pace through 2008. Sales tax revenue growth rates are forecast to fall in the 4.4 to 6.0 percent range over the next three years. B&O tax revenue is expected to increase by 6.6 percent in 2006 and 6.2 percent in 2007. However, in 2008 new state-imposed B&O allocation and apportionment rules are scheduled to take effect. The new rules are expected to reduce B&O tax revenue by about \$20 million in 2008. Cities will seek changes in this law over the next two legislative sessions.

While most economists anticipate continued expansion through 2008, there are a variety of risk factors that could lead to a less favorable outcome. Energy prices remain a concern because of their ability to disrupt the economy and boost inflation. The steep run up in housing prices that has occurred in recent years has some economists concerned that much of the nation is experiencing a housing bubble that could cause a major slowdown in the economy or even a recession, if it deflates too rapidly. However, several studies of the Puget Sound real estate market suggest that there is only a minimal risk of significant housing price deflation in this area. Also of concern are the nation's twin deficits, the federal budget and current account deficits, and their potential impacts on interest rates and the financial markets.

MAJOR INITIATIVES

2006 Budget: The improved economy and the strong revenue forecast provided additional funds for 2005 and 2006 beyond what was anticipated when the 2005 Budget was adopted and the 2006 Budget was endorsed in November 2004. Mayor Greg Nickels directed these resources be spent in two ways. First, some targeted one-time investments were identified that will reduce future costs, improve performance, or allow the use of cash rather than anticipated bond issues. Second, high-priority services were added, including several programs that had to be cut in the first part of the decade.

The Mayor and Council used the 2006 Endorsed Budget as the basis for the 2006 Adopted Budget. In the City's biennial budget process, a second-year budget is endorsed by the Mayor and City Council at the time the first-year budget is adopted. This Endorsed Budget is then revised for the second year of the biennium. For many programs, the 2006 Endorsed Budget became the 2006 Adopted Budget with no changes or with the only changes being updates to economic assumptions, such as salary and benefit calculations. The Budget also built on efficiencies that were achieved over the last few years. The City has eliminated low-priority activities and streamlined management of many functions.

Financial Policies: The 2006 Budget continued the City's commitments to strong financial policies. The Emergency Subfund was funded to the maximum amount allowed by state law, approximately \$36 million for 2006. All existing reserve accounts were maintained or increased. New reserves were set up in the Police Department to cover the costs of future equipment replacement, including video cameras in patrol cars. Only a small amount of new General Obligation debt (\$24 million) was included in the 2006 Budget, with the largest amount for potential Airport Way Center (formerly Park 90/5) refinancing that will be reduced if the City succeeds in its suit to recover earthquake damage expenses from the property insurance carrier for this facility.

Transportation: Improving transportation is one of the City government's highest priorities. The 2006 Budget maintained all existing transportation programs and funded significant new capital projects, including \$5.9 million for street resurfacing, which will help pave about 76 lane-miles in 2006, and \$500,000 for a new sidewalk program to focus on parts of Seattle without sidewalks. The Seattle Department of Transportation has developed new approaches to sidewalk construction that dramatically reduce costs in areas that do not require significant investments in drainage infrastructure. This investment will be targeted to high pedestrian traffic areas and is expected to produce six to eight blocks of new sidewalks.

The 2006 Budget continued the City's support for the replacement of the Alaskan Way Viaduct and Seawall. In addition to a debt-financed capital budget of \$5.2 million, funding was provided for Center City traffic coordination and to begin to plan capital investments to improve traffic circulation when the Viaduct replacement project is under way. The Budget also provided continued funding for the South Lake Union streetcar project. The Budget does not include appropriations from the proposed Local Improvement District (LID). These appropriations will be made in 2006 after the LID is formed.

Despite the strong commitment to transportation made in the 2006 Budget, the City of Seattle and other Washington cities face a growing crisis in transportation funding. In May 2004 the Citizens' Transportation Advisory Committee presented a report to the Mayor and City Council describing the backlog of transportation projects and calling for new funding sources for local transportation. Seattle has lost more than \$18 million in transportation revenue annually due to the passage of Initiative 776 and court invalidation of the street utility. Mayor Nickels announced that he will propose a package of new transportation revenue measures in the spring of 2006.

Fire Department Staffing and Facilities: The 2006 Budget added \$1.3 million to the Fire Department to restore three on-duty strength positions, which necessitates five people per position in order to provide 24-hour per day coverage. The three positions will be assigned to the three engine companies that are the only unit at a particular station and that have only three-person crews. These are stations 16 (Green Lake), 21 (Greenwood), and 34 (Madison Valley). A new labor contract completed in late 2005 provides for additional working days for firefighters in order to add more on-duty positions in 2006.

The 2006-2011 Capital Improvement Program showed further progress in implementing the 2003 Fire Facilities and Emergency Response levy. Construction will begin on several new or remodeled fire stations during 2006, including the new Fire Station 10 complex that also houses the Emergency Operations Center and Fire Alarm Center. Supplemental legislation in mid-2005 added \$6 million of REET for this project, of which \$1 million will cover increases in construction material costs, \$1 million will be used to improve the environmental sustainability of the facility, and \$4 million will strengthen the neighboring Yesler Way overpass and build foundation components for a future Fire Department headquarters at the site.

Construction of two new fire boats began in 2005. The Joint Training Facility to serve the Fire Department and other departments is already under construction, with completion scheduled for mid-2006. The neighborhood fire stations replacement and remodeling program is experiencing significant cost increases due to materials prices and general construction inflation. This is expected to add costs in 2007 through 2013.

Human Services: The City joined other governments and many non-profit organizations in developing a Ten-Year Plan to End Homelessness in 2005. This Plan calls for a new approach to delivering human services that focuses on getting people into permanent housing with support services, rather than cycling through homeless shelters. Funding levels for direct human services were increased significantly in the 2006 Budget. The largest additions included \$1.0 million for the operating costs of Connections, the new homeless hygiene center located on Third Avenue; \$350,000 to maintain homeless shelter bed capacity while beginning the shift to fund transitional housing called for in the Ten-Year Plan; \$294,000 for a variety of programs to improve services for residents of South Park; \$275,000 to increase funding for community health clinics; and \$225,000 of additional funding for food programs. The Fleets and Facilities Department also received \$30,000 for operation of an emergency, severe-weather shelter in City Hall. King County voters approved a property tax levy lid lift for veterans and human services programs in November 2005, and the City expects to receive some of these funds in 2006 and beyond.

Seattle Center: Two major studies are underway regarding Seattle Center. The first is being conducted by a citizens' task force and will study all the Center's major programs and facilities. This group is expected to make proposals for new operating plans and possible capital improvements in the spring of 2006. The second study, by a

separate group, focuses on the future of Key Arena. The lease for the Seattle Sonics NBA franchise expires in 2010 and the Sonics want capital improvements to be made in exchange for a lease extension. The study currently underway will evaluate possible capital improvements to Key Arena with and without the Sonics as the lead tenant. There is some interest in State legislation to extend certain taxes as a way to pay for such improvements.

Environmental Protection: The Mayor and City Council have placed environmental protection as a high priority for City activity. Mayor Nickels announced three environmental programs in 2005: the Climate Protection Initiative, which focuses on reducing greenhouse gases as called for in the Kyoto protocol; Restore Our Waters, which calls for restoration of creeks and shorelines; and the Green Seattle Program, which focuses on increasing the tree canopy in Seattle. The Mayor signed an Executive Order requiring two-for-one replacement of any trees removed by City maintenance or development projects. Additional funds were provided in the 2006 Budget to pay for this order as it affects projects at Occidental and Freeway parks. The City Council added an additional \$184,000 for tree installation and maintenance.

Seattle's water system includes six open reservoirs storing treated drinking water. To comply with water quality regulations and enhance security, the City plans to cover or decommission all of its drinking water reservoirs over the next decade. Four open reservoirs have already been covered. Of the remaining six open reservoirs, SPU begins construction at the Beacon Reservoir in 2006 and is starting design work for the replacement of the Myrtle, West Seattle, and Maple Leaf reservoirs. The Department of Parks and Recreation has developed a park over the Lincoln Reservoir which was covered in 2005 and will be developing parks over the Beacon and Myrtle reservoirs.

The City's utilities have several facilities projects in their Capital Improvement Programs to meet federal and state regulatory requirements. The City must abide by U.S. Endangered Species Act regulations, which are designed to assist in species recovery efforts. In response to the listing of mid-Puget Sound Chinook salmon under the Act, Seattle Public Utilities (SPU) is implementing measures to facilitate fish passage near the Landsburg Diversion Dam on the Cedar River. Other projects include creating Cedar River downstream fish habitat and fish passage facilities, and protective fish screening to prevent salmon entrapment in the water supply system. City Light and SPU are also acquiring salmon habitat in the Green/Duwamish, Cedar/Lake Washington, Skagit, and Snohomish watersheds as part of the City's Early Action Plan.

Asset Preservation: During 2002 the City undertook an assessment of the demands for major maintenance and facility improvement projects. This effort, which was an outgrowth of the City's update to its 2001 financial policies, was intended to develop an annual funding target for major maintenance (now called "asset preservation") investments that would reflect an updated assessment of the City's capital infrastructure. The Asset Preservation Study found that, despite achieving targets recommended by the Citizens' Capital Investment Committee in 1994, the City still lags behind industry-recommended levels of investment in asset preservation.

Among the recommendations from the study are: setting the City's asset preservation funding target based on a percentage of the replacement value of all of the assets for which the City has asset preservation responsibility; funding asset preservation investments in part through user fees or internal rates; and actively engaging in property management strategies such as disposal, demolition, or retirement of facilities to reduce asset preservation obligations, and developing a comprehensive property management system which includes condition assessments, commissioning of new buildings, and life cycle analysis.

In 2006 the City is spending approximately \$91 million on asset preservation of general government infrastructure, including rehabilitation or restoration projects in parks, libraries, civic buildings, and on the Seattle Center campus. In SDOT, \$68 million funds asset preservation of roads and bridges in 2006. In the 2006-2011 Adopted CIP the City continues implementing the first recommendation of the Asset Preservation study by funding another set of projects in the Fleets and Facilities Department through Fleets and Facilities fund balance and space rent. For 2006, \$2.9 million is appropriated. Planned work ranges from the replacement of floor slabs and drainage at the Charles Street Maintenance Facility to the renovation of elevators at Seattle Municipal Tower.

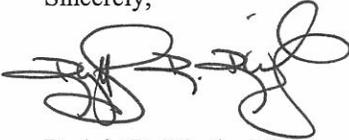
Certificate of Achievement

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 Seattle for its comprehensive annual financial

report for the fiscal year ended December 31, 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

I would like to express my appreciation to the entire staff of Accounting Services, other members of the Department of Executive Administration, and other City departments who contributed to the preparation of this report. Finally, I thank you for your interest and continuing support in planning and conducting the City's financial operations in a responsible manner.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Dively", with a stylized flourish at the end.

Dwight D. Dively, Director
Department of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Seattle,
Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

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



Carla E. Perry

President

Jeffrey R. Emery

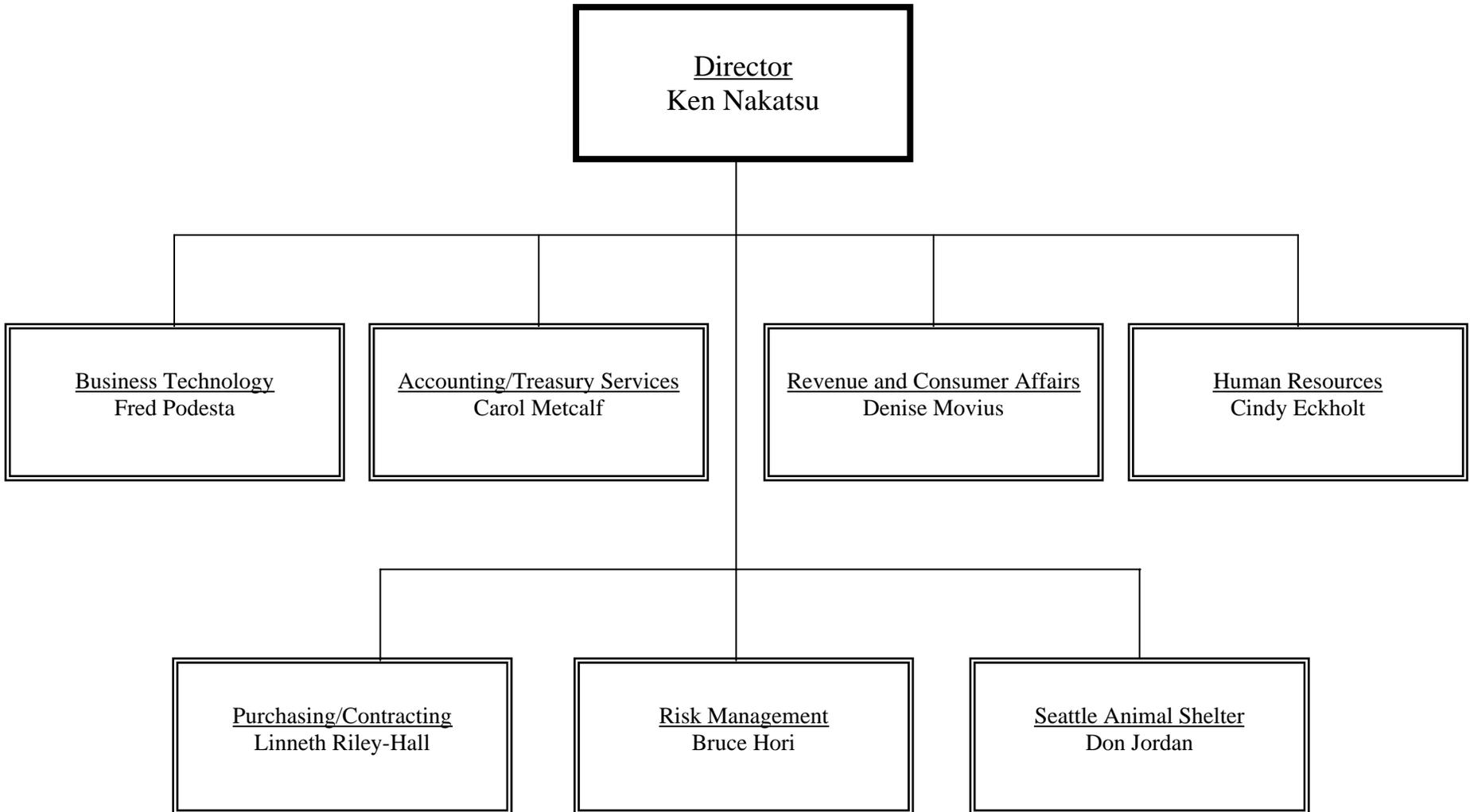
Executive Director

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 Seattle for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2004. This was 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.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

City of Seattle

DEPARTMENT OF EXECUTIVE ADMINISTRATION



Financial Section

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**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

July 18, 2006

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City of Seattle, King County, Washington, as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Light Fund, Water Fund, and Drainage and Wastewater Fund, which are major funds and collectively represent 96 percent, and 88 percent, respectively, of the assets, and revenues of the business-type activities. We also did not audit the financial statements of the Solid Waste fund, which represent 2 percent and 9 percent, respectively, of the assets and revenues of the business-type activities, and 3 percent and 14 percent, respectively, of the assets and revenues of the aggregate discretely presented component unit and remaining fund information. We also did not audit the financial statements of the Seattle City Employees' Retirement System, which represent 75 percent and 26 percent, respectively, of the assets and revenues of the aggregate discretely presented component unit and remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Light, Water, Solid Waste, and Drainage and Wastewater funds and the Seattle City Employees' Retirement System are based solely on the reports of the other auditors. The partial prior year comparative information has been derived from the City's 2004 financial statements and, in our report dated June 28, 2005, based on our audit and the reports of other auditors, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information.

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

In our opinion, based on our audit and the reports of other auditors, 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 discretely presented component

unit and remaining fund information of the City of Seattle, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 29 through 47, budgetary comparison information on pages 147 through 150 and pension trust fund information on pages 151 through 153 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining financial statements and supplemental information on pages 157 through 232 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with a large initial "B" and "S".

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Seattle (City) presents this Management's Discussion and Analysis (MD&A) of its financial activities for the fiscal year ended December 31, 2005. This discussion and analysis focuses on significant financial issues, provides an overview of the City's financial activity, highlights significant changes in the City's financial position, and identifies material variances between the approved budget and actual spending.

The City encourages readers to consider the information presented here in conjunction with additional information provided in its letter of transmittal.

FINANCIAL HIGHLIGHTS

- At the end of fiscal year 2005 the assets of the City of Seattle exceeded its liabilities by \$2.966 billion. Net assets invested in capital assets (net of depreciation and related debt) account for 79.1 percent of this amount (\$2.344 billion). The remaining net assets of \$621.9 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$295.1 million (11.1 percent) during the fiscal year. The governmental net assets increased by \$203.9 million (11.2 percent) over the amount reported in 2004. Business-type net assets increased by \$91.2 million (10.8 percent). The business-type increase included net income for the Water Utility of \$3.7 million, \$81.9 million for City Light, \$1.3 million for the Drainage and Wastewater Utility and \$2.7 million for the non-major funds. The balance of the offset is the result of the consolidation of the Internal Service Funds' activities related to the Enterprise Funds.
- At the close of 2005 the City's governmental funds reported a combined ending fund balance of \$421.0 million, an increase of \$88.3 million (26.6 percent). Of the major funds, the fund balance of the General Fund increased \$71.5 million, the Transportation Fund increased by \$1.6 million, and the General Bond Interest and Redemption Fund increased by \$0.2 million. The fund balance increases were offset by a decrease of \$3.4 million in the Low-Income Housing Fund. The fund balances of the nonmajor governmental funds increased by \$18.5 million. The overall increase reflects the vastly improved regional economic conditions in 2005. Strong growth in employment and personal income added significantly to the City's tax revenues. Approximately \$139.2 million (33.1 percent) of the combined ending fund balance is unreserved fund balance available to the City for discretionary spending.
- At the end of 2005 the unreserved fund balance for the General Fund was \$107.8 million or 19.7 percent of total General Fund expenditures of \$546.3 million. The General Fund's unreserved fund balance increased by approximately \$67.2 million from the prior year's amount of \$40.6 million, again reflecting the improved economic situation in 2005.
- The City's total outstanding bonded debt decreased by \$130.7 million (3.7 percent) to \$3.443 billion during the current fiscal year. General obligation debt decreased by \$42.0 million in 2005. While there was a new general obligation bond issue of \$129.5 million, redemptions totaled \$171.5 million, including refunding of \$70.1 million and defeasance of \$9.1 million in the period. During the year, revenue bonds also decreased by \$88.7 million. The only revenue bonds issued in 2005 were for the Water Utility in the amount of \$138.0 million plus an additional draw of \$4.0 million from the revenue bond anticipation notes for Solid Waste. Total revenue bond retirements amounted to \$230.8 million, which included the refunding of \$133.6 million of Water revenue bonds.
- Revenues from local tax sources, including property, sales, business excise, miscellaneous other taxes, penalties and interest on taxes, increased by \$68.6 million to \$800.0 million, a 9.4 percent increase over 2004.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the City of Seattle's basic financial statements which consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad overview of the City's finances in a manner similar to that of private-sector business.

The **Statement of Net Assets** presents information on all City assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the City's financial health.

The **Statement of Activities** presents changes in net assets during the current reporting period. All changes to net assets are reported as of the date of the underlying event, rather than when cash is received or disbursed. Thus, some reported revenues and expenses result in cash flows in future periods. The Statement of Activities focuses on both the gross and the net cost of the various activities of the City. The report summarizes and simplifies analysis of the revenues and expenses of the various City activities and the degree to which activities are subsidized by general revenues.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government activities, judicial activities, public safety, physical environment, transportation, economic environment, health and human services, and culture and recreation. The business-type activities of the City include an electric utility, a water utility, a waste disposal utility, a sewer and drainage utility, construction and land use operations, and parking facilities.

Fund Financial Statements

A fund is a group of related accounts used to maintain control over resources that are segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There are three categories of City funds: **governmental** funds, **proprietary** funds, and **fiduciary** funds.

Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in the governmental funds. These statements, however, focus on cash and other assets that can readily be converted to available resources, as well as any balances remaining at year-end. Such information is useful in determining what financial resources are available in the near future to finance the City's programs.

Readers may better understand the long-term impact of the government's near-term financing decisions by comparing the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate the comparison.

The City maintains numerous governmental funds that are organized according to type (general, special revenue, debt service, capital projects, and permanent funds). Information for the four major governmental funds is presented separately in the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances; information for the nonmajor funds is presented in the aggregate. The City's major governmental funds are the General Fund, Transportation Fund, General Bond Interest and Redemption Fund, and Low-Income Housing Fund. Information for each of the nonmajor governmental funds is provided in the combining statements in this report.

Proprietary funds account for services for which the City charges outside customers and internal City departments. Proprietary funds provide the same information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** report the same functions presented as business-type activities in the government-wide financial statements. The proprietary funds financial statements provide separate information for the Seattle City Light Fund, Water Fund, and the Drainage and Wastewater Fund, which are considered to be major enterprise funds. Information for nonmajor enterprise funds is presented in the aggregate. Information for each of the nonmajor enterprise funds is provided in the combining statements in this report.
- **Internal service funds** report activities that provide supplies and services for various City programs and activities. The City uses internal service funds to account for its fleets and facilities services, information technology services, and engineering services. Because these services largely benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements. The internal service funds are combined into a single aggregated presentation in the proprietary funds financial statements. Information for each of the internal service funds is provided in the combining statements in this report.

Proprietary funds statements follow the governmental funds statements in this report.

Fiduciary funds account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support City programs. The accounting used for fiduciary funds is similar to that used for proprietary funds. The City's fiduciary funds include the Employees' Retirement Fund, the Firemen's Pension Fund, the Police Relief and Pension Fund, the S. L. Denny Private-Purpose Trust Fund, and various agency funds.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the financial statements. They provide additional disclosures that are essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements immediately follow the basic financial statements in this report.

Required Supplementary Information

This report also contains other required supplementary information (RSI) on budgetary comparisons for major governmental funds and pension plan funding.

Combining Statements

The combining statements referred to earlier in connection with the nonmajor funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve as a useful indicator of a government's financial position. Table A-1 is a condensed version of the Statement of Net Assets for the City of Seattle. At the close of the current fiscal year the City's total assets exceeded liabilities by \$2.966 billion.

Statement of Net Assets

Table A-1 **CONDENSED STATEMENT OF NET ASSETS**
(In Thousands)

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|------------------|--------------------------|------------------|--------------|------------------|
| | 2005 | Restated 2004 | 2005 | Restated 2004 | 2005 | Restated 2004 |
| Current and Other Assets | \$ 929,893 | \$ 809,703 | \$ 929,918 | \$ 1,000,201 | \$ 1,859,811 | \$ 1,809,904 |
| Capital Assets and Construction in Progress, Net of Accumulated Depreciation | 2,447,229 | 2,367,557 | 3,011,821 | 2,907,255 | 5,459,050 | 5,274,812 |
| Total Assets | 3,377,122 | 3,177,260 | 3,941,739 | 3,907,456 | 7,318,861 | 7,084,716 |
| Current Liabilities | 232,912 | 241,377 | 328,330 | 293,910 | 561,242 | 535,287 |
| Noncurrent Liabilities | 1,116,316 | 1,111,868 | 2,675,799 | 2,767,120 | 3,792,115 | 3,878,988 |
| Total Liabilities | 1,349,228 | 1,353,245 | 3,004,129 | 3,061,030 | 4,353,357 | 4,414,275 |
| Net Assets | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 1,673,959 | 1,584,694 | 669,676 | 641,015 | 2,343,635 | 2,225,709 |
| Restricted | 142,509 | 101,325 | 142,774 | 114,795 | 285,283 | 216,120 |
| Unrestricted (Deficit) | 211,426 | 137,995 | 125,160 | 90,616 | 336,586 | 228,612 |
| Total Net Assets | \$ 2,027,894 | \$ 1,824,014 | \$ 937,610 | \$ 846,427 | \$ 2,965,504 | \$ 2,670,441 |

The largest portion of the City's net assets (79.0 percent) reflects investment of \$2.344 billion in capital assets such as land, buildings, and equipment, less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay the debt must be provided from other sources, as capital assets cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, \$285.3 million (9.6 percent), represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets, \$336.6 million (11.4 percent), may be used to meet the government's obligation to citizens and creditors.

In 2005 unrestricted net assets for governmental activities increased by 53.2 percent from \$138.0 million in 2004 to \$211.4 million in 2005. The City began to see improvement in the local economy at the end of 2004 which continued to improve throughout 2005. The resulting increase in tax revenues boosted the total unrestricted net assets.

The City of Seattle

The net assets for the business activities increased between 2004 and 2005 from \$846.4 million to \$937.6 million. The increase in net assets is primarily due to the elimination of the amortization of \$300.0 million in excess power costs in the City Light Utility. These costs were deferred in 2001 and amortized in equal monthly amounts from 2002 through 2004.

Table A-2 **CHANGES IN NET ASSETS RESULTING FROM**
CHANGES IN REVENUES AND EXPENSES
(In Thousands)

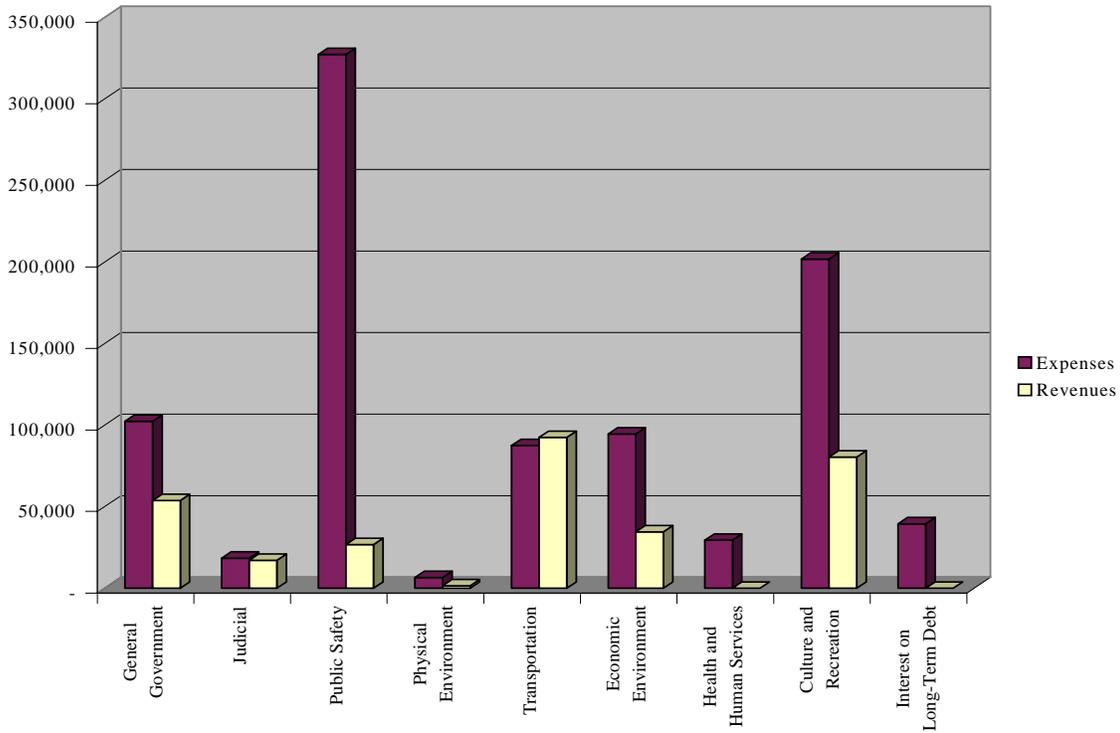
| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------------|-------------------------|--------------|--------------------------|--------------|--------------|--------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 169,753 | \$ 152,427 | \$ 1,210,615 | \$ 1,221,002 | \$ 1,380,368 | \$ 1,373,429 |
| Operating Grants and Contributions | 70,111 | 63,512 | 2,973 | 2,618 | 73,084 | 66,130 |
| Capital Grants and Contributions | 66,991 | 55,051 | 30,750 | 21,014 | 97,741 | 76,065 |
| General Revenues | | | | | | |
| Property Taxes | 311,613 | 296,789 | - | - | 311,613 | 296,789 |
| Sales Taxes | 146,060 | 130,961 | - | - | 146,060 | 130,961 |
| Business Taxes | 280,139 | 253,733 | - | - | 280,139 | 253,733 |
| Other Taxes | 62,268 | 49,903 | - | - | 62,268 | 49,903 |
| Other | 13,209 | 7,662 | 11,249 | 6,369 | 24,458 | 14,031 |
| Total Revenues | 1,120,144 | 1,010,038 | 1,255,587 | 1,251,003 | 2,375,731 | 2,261,041 |
| Expenses | | | | | | |
| Governmental Activities | | | | | | |
| General Government | 102,362 | 104,281 | - | - | 102,362 | 104,281 |
| Judicial | 18,429 | 19,169 | - | - | 18,429 | 19,169 |
| Public Safety | 327,334 | 322,244 | - | - | 327,334 | 322,244 |
| Physical Environment | 6,614 | 5,530 | - | - | 6,614 | 5,530 |
| Transportation | 87,542 | 88,606 | - | - | 87,542 | 88,606 |
| Economic Environment | 94,616 | 78,455 | - | - | 94,616 | 78,455 |
| Health and Human Services | 29,470 | 28,376 | - | - | 29,470 | 28,376 |
| Culture and Recreation | 201,902 | 196,280 | - | - | 201,902 | 196,280 |
| Interest on Long-Term Debt | 39,539 | 41,499 | - | - | 39,539 | 41,499 |
| Business-Type Activities | | | | | | |
| Light | - | - | 683,475 | 772,827 | 683,475 | 772,827 |
| Water | - | - | 148,992 | 127,865 | 148,992 | 127,865 |
| Drainage and Wastewater | - | - | 178,447 | 168,689 | 178,447 | 168,689 |
| Solid Waste | - | - | 110,044 | 112,920 | 110,044 | 112,920 |
| Planning and Development | - | - | 43,487 | 45,320 | 43,487 | 45,320 |
| Downtown Parking Garage | - | - | 8,414 | 8,421 | 8,414 | 8,421 |
| Total Expenses | 907,808 | 884,440 | 1,172,859 | 1,236,042 | 2,080,667 | 2,120,482 |
| Excess (Deficiency) Before Transfers | 212,336 | 125,598 | 82,728 | 14,961 | 295,064 | 140,559 |
| Transfers | (8,456) | (9,738) | 8,456 | 9,738 | - | - |
| Increase in Net Assets | 203,880 | 115,860 | 91,184 | 24,699 | 295,064 | 140,559 |
| Net Assets - Beginning of Year | 1,824,015 | 1,708,155 | 846,426 | 821,729 | 2,670,441 | 2,529,884 |
| Nets Assets - End of Year | \$ 2,027,895 | \$ 1,824,015 | \$ 937,610 | \$ 846,428 | \$ 2,965,505 | \$ 2,670,443 |

Analysis of Changes in Net Assets

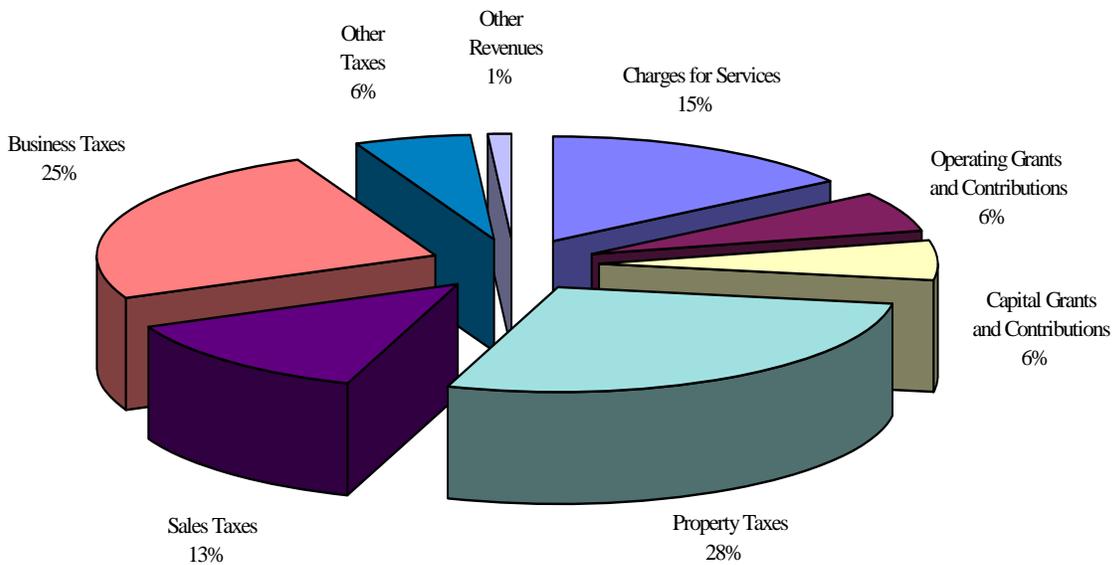
The City's total net assets increased by \$295.1 million in 2005. The increase is explained in the following discussion of governmental and business-type activities.

Governmental Activities

EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES



REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



Total \$1,120.1 Million

Governmental Activities. The charts on the previous page present the City's governmental expenses and revenues by function and its revenue by source. Public safety is the largest governmental expense of the City, followed by culture and recreation, general government, economic environment, transportation, health and human services, judicial, and physical environment. General revenues such as the property, business, and sales taxes are not shown by function because they are used to support Citywide program activities. Governmental activities increased the City's net assets by \$203.9 million in 2005 compared to an increase of \$115.9 million in 2004. Key factors in the change are as follows:

In 2005 total revenues for governmental activities were \$1.1 billion, \$110.1 million or 10.9 percent higher than 2004.

Program revenue related to services increased by \$17.3 million or 11.4 percent in 2005. Charges for services went up by \$10.5 million. Much of this increase is attributed to the revenue received from Sound Transit for work performed by the Department of Transportation. Licenses and permits revenue contributed to the increase going up by \$6.4 million. The City instituted a two-tier business license fee structure beginning with licenses for 2005. Although overall revenue is expected to decline due to the change, the transition caused a delay in the mailing of license renewals. Payments that would normally have been received in 2004 were delayed until 2005. Fire department inspection fees and transportation utility cut fees increased due to higher rates. Cable franchise fees also were up for 2005. Program income and miscellaneous revenues increased by \$1.4 million while fines and forfeits offset the increases with a decrease of \$1.0 million. 2004 revenue for parking infractions was up due to an amnesty program that was implemented that year.

Grants and contributions increased by \$18.5 million compared to 2004. The Department of Transportation saw a \$16.5 million increase in grant funding for some significant projects including the Fremont Bridge, Lake City Way, Aurora Bus Rapid Transit, the continued participation in the Sound Transit implementation, Alaskan Way and Spokane Street Viaduct/Seawall, and the Mercer Corridor planning. Seattle Center grants and contributions funding was up by \$8.5 million due to a large donation from the Seattle Center Foundation for the McCaw Hall renovation and a grant from the Washington State Economic and Trade Development. Both human services and Homeland Security grant revenues increased in 2005 and donations were up at the Parks Department. These increases were offset by a \$15.9 million decrease for the Library, which completed the construction of the central library in 2004. In 2004 the Library Foundation contributed \$21.5 million.

Property taxes, the largest source of revenue supporting governmental activities, increased by \$14.8 million or 5.0 percent compared to 2004. Property tax is levied primarily on real estate owned by individuals and businesses. In 2005 the total property tax rate in Seattle was about 1.0 percent of assessed value. In addition, several voter-approved levies such as the 2000 Parks Levy, the 2003 Fire Stations Levy, and the 2004 renewal of the Families and Education Levy, support various City programs and projects. The City's General Subfund receives approximately 63.0 percent of the City's property tax revenues.

The retail sales and use (sales) tax is imposed on the sale of most goods and certain services in Seattle. The tax is collected and remitted to the state. The state provides the City with its share on a monthly basis. With the continued improvement of economy and the upswing in construction activity in 2005, sales tax revenues increased by \$15.1 million or 11.5 percent.

Business taxes are the second largest contributor to governmental revenues. The business and occupation (B&O) tax, the major business tax, is levied by the City on the gross receipts of most business activity occurring in Seattle. The City also levies a B&O tax on the gross income derived from sales of utility services within Seattle. In 2005 B&O tax revenues increased by \$26.4 million or 10.4 percent. The increase is attributed to both the improved economy and 2005 rate increases for various utility B&O taxes.

Other tax revenues increased by \$12.4 million or 24.8 percent. With the booming housing market, revenue from real estate excise taxes increased by \$12.0 million, from \$38.6 million in 2004 to \$50.6 million in 2005.

With a \$4.9 million increase, investment earnings almost doubled from \$5.4 million in 2004 to \$10.3 million in 2005. The rate of return for investments continued to rise from a low of 2.0 percent in the early part of 2004 to a high of 3.3 percent in the latter part of 2005. The average rate of return was 2.9 percent in 2005. Revenue from the sale of capital assets increased by \$0.6 million in 2005.

In 2005, total expenses for governmental activities were \$907.8 million compared to \$884.4 million in 2004, \$23.4 million or 2.6 percent higher than 2004.

General government expenses were down \$1.9 million, a 1.8 percent decline over 2004. Each year the internal service funds' net operating income/losses are allocated to the departments receiving their services. Net operating income decreases expenses while net operating losses increase expenses. Due to the allocation of the internal service funds' 2005 net operating income, general government expenses decreased by \$2.3 million. Workers compensation and claim damages went down by \$1.5 million. Staffing levels in many departments, such as the Personnel Department, the Department of Executive Administration and the Office of the City Auditor were reduced in the 2005 budget. These cost reductions were offset by increases in arbitrage expenses, depreciation, and a 2.3 percent cost of living salary rate increase.

Management's Discussion and Analysis

Public safety expenses increased by \$5.1 million, a 1.6 percent increase over 2004. In 2005, as a result of labor contract negotiations, the Police Department made retroactive salary payments for 2003 and 2004. Public safety staff also received a cost of living salary increase for 2005. In 2005 the funding for fire hydrants was shifted from the Water Fund to the General Subfund. These cost increases were offset by a decrease in costs for workers' compensation and claims.

Judicial expenses went down by \$0.7 million or 3.9 percent, mainly due to the allocation of the internal service funds' income and the decrease in workers' compensation and claims damages.

Physical environment expenses went up \$1.1 million, a 19.6 percent increase compared to 2004. In addition to cost of living increases, expenses went up because of the public toilets project which began in 2005.

Transportation expenses decreased by \$1.1 million a 1.2 percent decline from 2004. The reduction is primarily due to the following factors: general liabilities, injury and judgment claims went down by \$3.5 million and expenditures were reduced by \$1.0 million due to internal service funds' income allocation. The decreases were offset by the 2.3 percent cost of living rate increase.

Economic environment expenses increased by \$16.2 million or 20.7 percent. The increase in expenses is attributed to the La Salle Pike Place Market Float Loan payment (\$7.2 million), an increase in the number of housing projects funded by the 2002 Housing Levy (\$6.3 million), and an increase in bridge lending activity (\$2.0 million).

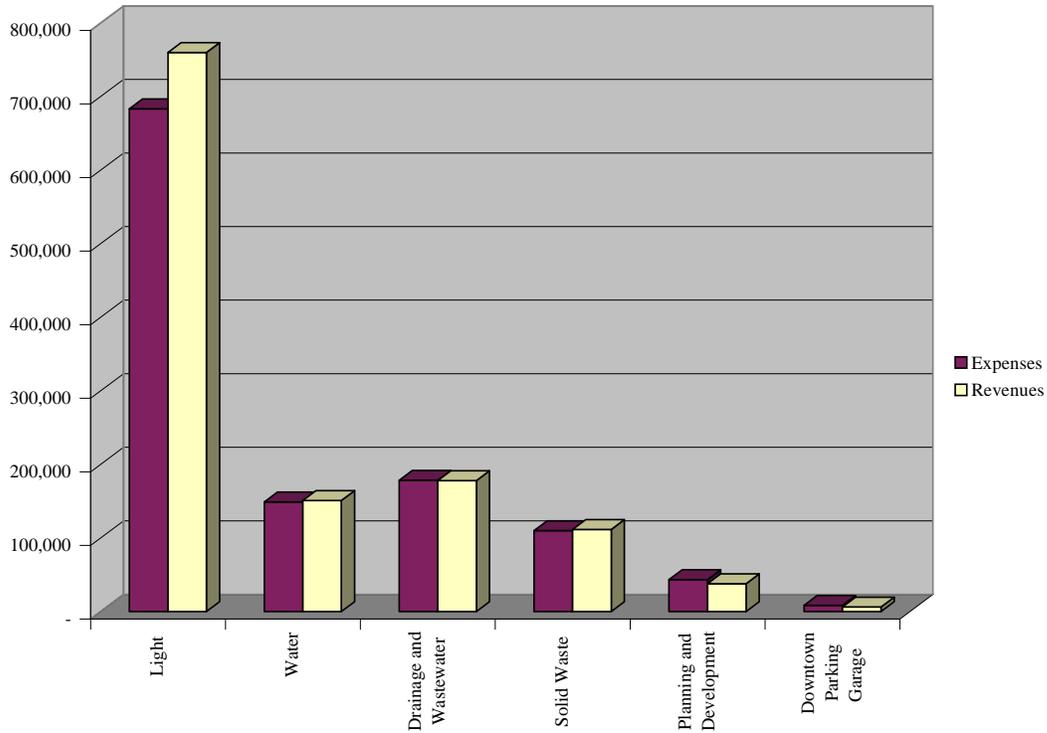
Health and human services expenses increased by \$1.1 million, mainly due to cost of living increases paid in 2005.

At \$201.9 million, culture and recreation expenses were up \$5.6 million in 2005, a 2.9 percent increase over 2004. Depreciation expense increased as a result of the construction of the main library and renovations to other library branches which were completed in 2004. The cost of living salary rate increase in 2005 also contributed to the increase.

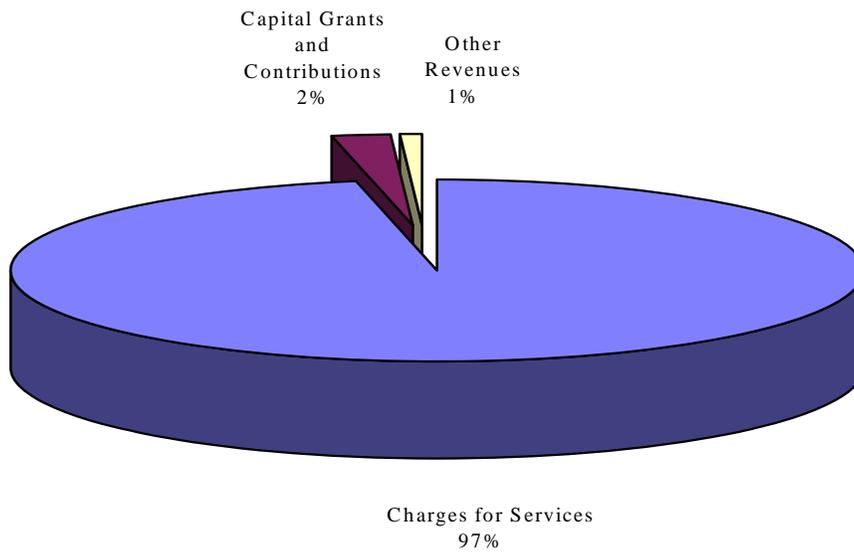
Interest on long-term debt went down by \$2.0 million or 4.7 percent as a result of a \$42.0 million decrease in general obligation debt.

Business-Type Activities

EXPENSES AND PROGRAM REVENUES - BUSINESS-TYPE ACTIVITIES



REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



Total \$1,255.6 Million

Management's Discussion and Analysis

Business-Type Activities. Business-type activities increased the City's net assets by \$89.6 million to \$937.9 million, an increase of 10.6 percent. Key factors for the change are as follows:

The City Light Utility realized a net increase of \$81.9 million in net assets in 2005, an improvement of \$68.1 million compared to net income of \$13.8 million in 2004. The increase in net income was due primarily to the elimination of the amortization of \$300.0 million in excess power costs, deferred from 2001 and amortized in equal monthly payments from 2002 through 2004.

The Water Utility experienced an increase of \$3.7 million in net assets in 2005. This increase was primarily due to contributions and grant revenues received in 2005 and revenue for fire hydrant services that began effective January 1, 2005.

The Drainage and Wastewater Utility experienced a net increase of \$1.3 million in net assets in 2005. The operating revenues increased \$14.4 million or 8.9 percent due to rate increases in both wastewater and drainage. This increase was largely offset by the rise of expenses, such as wastewater treatment costs, depreciation, and taxes.

The Solid Waste Utility net assets increased \$1.9 million in 2005. This compares to a net asset increase of \$3.5 million in 2004. Operating revenues declined by approximately \$0.9 million in 2005 as a result of a reduction in garbage tonnage disposed by commercial, self-haul customers and a reduction in tonnage subject to landfill closure and City transfer fees. Operating expenses remained relatively stable compared to the prior year.

The Planning and Development Fund net assets increased by \$3.0 million. The Downtown Parking Garage Fund experienced a decrease of \$2.2 million in net assets.

FINANCIAL ANALYSIS OF CITY FUNDS

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

**Table A-3 REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY
GOVERNMENTAL FUNDS
(In Thousands)**

| | Major Funds | | | |
|---|-------------------|-------------------|---------------------|-----------------|
| | General Fund | | Transportation Fund | |
| | 2005 | 2004 | 2005 | 2004 |
| Revenues | | | | |
| Taxes | \$ 659,686 | \$ 602,846 | \$ - | \$ - |
| Licenses and Permits | 18,686 | 13,752 | 6,012 | 4,538 |
| Grants, Shared Revenues, and Contributions | 22,910 | 22,278 | 43,507 | 23,315 |
| Charges for Services | 54,387 | 50,230 | 30,970 | 20,394 |
| Fines and Forfeits | 17,023 | 18,135 | 5 | 3 |
| Parking Fees and Space Rent | 15,069 | 26,847 | 109 | 56 |
| Program Income, Interest, and Miscellaneous Revenues | 21,523 | 12,832 | 604 | 568 |
| Total Revenues | <u>809,284</u> | <u>746,920</u> | <u>81,207</u> | <u>48,874</u> |
| Expenditures | 546,333 | 525,715 | 133,103 | 102,410 |
| Other Financing Sources and Uses | | | | |
| Long-Term Debt | - | - | 2,750 | - |
| Sales of Capital Assets | 14,301 | 1,922 | - | - |
| Transfers In (Out) | (205,756) | (209,769) | 50,754 | 52,230 |
| Total Other Financing Sources and Uses | <u>(191,455)</u> | <u>(207,847)</u> | <u>53,504</u> | <u>52,230</u> |
| Fund Balances | | | | |
| Reserves Legally Segregated for Future Use | 82,152 | 69,867 | 11,084 | 9,477 |
| Reserves Not Available for Appropriation | 13,703 | 21,640 | 3 | 2 |
| Unreserved | 107,817 | 40,669 | - | - |
| Total Fund Balances | <u>\$ 203,672</u> | <u>\$ 132,176</u> | <u>\$ 11,087</u> | <u>\$ 9,479</u> |

**Table A-3 REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY
GOVERNMENTAL FUNDS (continued)
(In Thousands)**

| | Major Funds | | | |
|---|--------------------------------|------------------|--|------------------|
| | Low-Income Housing Fund | | General Bond Interest and Redemption Fund | |
| | 2005 | 2004 | 2005 | 2004 |
| Revenues | | | | |
| Taxes | \$ 11,859 | \$ 11,770 | \$ 25,940 | \$ 25,765 |
| Licenses and Permits | - | - | - | - |
| Grants, Shared Revenues, and Contributions | 6,409 | 6,175 | - | - |
| Charges for Services | 10 | 23 | - | - |
| Fines and Forfeits | - | - | - | - |
| Parking Fees and Space Rent | 25 | 32 | 8,837 | 5,085 |
| Program Income, Interest, and Miscellaneous Revenues | 5,201 | 9,551 | 1,029 | 3,309 |
| Total Revenues | 23,504 | 27,551 | 35,806 | 34,159 |
| Expenditures | 27,201 | 18,876 | 136,299 | 94,175 |
| Other Financing Sources and Uses | | | | |
| Long-Term Debt | - | - | 583 | 3,294 |
| Sales of Capital Assets | 298 | - | - | - |
| Transfers In (Out) | - | - | 100,065 | 58,677 |
| Total Other Financing Sources and Uses | 298 | - | 100,648 | 61,971 |
| Fund Balances | | | | |
| Reserves Legally Segregated for Future Use | 26,285 | 32,628 | 14,407 | 14,252 |
| Reserves Not Available for Appropriation | - | - | - | - |
| Unreserved | 16,948 | 14,004 | - | - |
| Total Fund Balances | \$ 43,233 | \$ 46,632 | \$ 14,407 | \$ 14,252 |

| | Nonmajor Funds | | | |
|---|------------------------------|------------------|---------------------------|---------------|
| | Special Revenue Funds | | Debt Service Funds | |
| | 2005 | 2004 | 2005 | 2004 |
| Revenues | | | | |
| Taxes | \$ 49,765 | \$ 33,466 | \$ - | \$ - |
| Licenses and Permits | 914 | 738 | - | - |
| Grants, Shared Revenues, and Contributions | 43,107 | 56,563 | 2 | 22 |
| Charges for Services | 41,974 | 42,043 | - | - |
| Fines and Forfeits | 2,731 | 2,657 | - | - |
| Parking Fees and Space Rent | 18,233 | 17,451 | - | - |
| Program Income, Interest, and Miscellaneous Revenues | 30,568 | 4,085 | 21 | 13 |
| Total Revenues | 187,292 | 157,003 | 23 | 35 |
| Expenditures | 283,014 | 264,882 | - | - |
| Other Financing Sources and Uses | | | | |
| Long-Term Debt | - | - | - | - |
| Sales of Capital Assets | 12,619 | 652 | - | - |
| Transfers In (Out) | 90,725 | 99,854 | (3) | (25) |
| Total Other Financing Sources and Uses | 103,344 | 100,506 | (3) | (25) |
| Fund Balances | | | | |
| Reserves Legally Segregated for Future Use | 19,318 | 15,445 | 702 | 683 |
| Reserves Not Available for Appropriation | 2,871 | 9,157 | - | - |
| Unreserved | 14,420 | 4,387 | - | - |
| Total Fund Balances | \$ 36,609 | \$ 28,989 | \$ 702 | \$ 683 |

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**Table A-3 REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY
GOVERNMENTAL FUNDS (continued)
(In Thousands)**

| | Nonmajor Funds | | | | Total Governmental Funds | |
|---|------------------------|------------------|-----------------|-----------------|--------------------------|-------------------|
| | Capital Projects Funds | | Permanent Funds | | 2005 | 2004 |
| | 2005 | 2004 | 2005 | 2004 | | |
| Revenues | | | | | | |
| Taxes | \$ 52,678 | \$ 57,526 | \$ - | \$ - | \$ 799,928 | \$ 731,373 |
| Licenses and Permits | - | - | - | - | 25,612 | 19,028 |
| Grants, Shared Revenues, and Contributions | 15,650 | 9,009 | - | - | 131,585 | 117,362 |
| Charges for Services | 95 | - | - | - | 127,436 | 112,690 |
| Fines and Forfeits | - | - | - | - | 19,759 | 20,795 |
| Parking Fees and Space Rent | 430 | 77 | - | - | 42,703 | 49,548 |
| Program Income, Interest, and Miscellaneous Revenues | 9,959 | 2,105 | 63 | 34 | 68,968 | 32,497 |
| Total Revenues | <u>78,812</u> | <u>68,717</u> | <u>63</u> | <u>34</u> | <u>1,215,991</u> | <u>1,083,293</u> |
| Expenditures | 93,745 | 119,499 | 107 | 154 | 1,219,802 | 1,125,711 |
| Other Financing Sources and Uses | | | | | | |
| Long-Term Debt | 61,382 | - | - | - | 64,715 | 3,294 |
| Sales of Capital Assets | - | 406 | - | - | 27,218 | 2,980 |
| Transfers In (Out) | (35,558) | (12,097) | (15) | (15) | 212 | (11,145) |
| Total Other Financing Sources and Uses | <u>25,824</u> | <u>(11,691)</u> | <u>(15)</u> | <u>(15)</u> | <u>92,145</u> | <u>(4,871)</u> |
| Fund Balances | | | | | | |
| Reserves Legally Segregated for Future Use | 109,050 | 101,296 | 1 | 31 | 262,999 | 243,679 |
| Reserves Not Available for Appropriation | - | - | 2,196 | 2,205 | 18,773 | 33,004 |
| Unreserved | - | (3,138) | - | 19 | 139,185 | 55,941 |
| Total Fund Balances | <u>\$ 109,050</u> | <u>\$ 98,158</u> | <u>\$ 2,197</u> | <u>\$ 2,255</u> | <u>\$ 420,957</u> | <u>\$ 332,624</u> |

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources available for spending. This information is useful in assessing the City's financing requirements. In particular, unreserved fund balance measures the City's net resources available for spending at the end of the fiscal year. Governmental funds reported by the City include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds.

As of the end of the current fiscal year the City's governmental funds reported combined ending fund balances of \$421.0 million, an increase of \$88.3 million in comparison to 2004. Approximately \$122.2 million of this amount constitutes unreserved fund balance which is available for spending at the City's discretion within the purposes specified for the City's funds. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has been committed for other purposes such as (1) payment on existing contracts and purchase orders, \$34.2 million; (2) funding of continuing projects and programs in future periods, \$192.2 million; (3) payment of debt service, \$33.4 million; and (4) a variety of other purposes, \$21.9 million.

Revenues for governmental funds overall totaled approximately \$1.216 billion in the fiscal year ended December 31, 2005, which represents an increase of approximately 12.2 percent from the prior fiscal year. Expenditures in governmental funds amounted to \$1.220 billion, an increase of approximately 8.4 percent during the same period. In the aggregate, expenditures for governmental funds exceeded revenues by approximately \$3.8 million.

The **General Fund** is the chief operating fund of the City. It is comprised of fourteen subfunds: General, Judgment/Claims, Arts Account, Cable Television Franchise, Cumulative Reserve, Neighborhood Matching, Development Rights, Emergency, Street Vacation Compensation, Special Employment Program, Industrial Insurance, Unemployment Compensation, Health Care, and Group Term Life Insurance. Table A-4 provides a summary of the status of the various subfunds at year-end 2005. The City Hall Subfund and the Police Support Facility Subfund were closed this past year after the City became the principal tenant in both facilities. These operations are now reported in the Fleets and Facilities Operating Fund, an internal service fund.

At the end of 2005 the total fund balance of the General Fund was \$203.7 million. Fund balance increased by \$71.5 million in 2005 compared to 2004.

Total revenues for the General Fund increased \$62.4 million, 8.3 percent higher than 2004. Tax revenues increased by \$56.8 million. As a result of the continuing economic growth in the region, new construction, the escalating value of existing real estate properties, and a utility B&O tax rate hike, collections from property taxes, sales taxes, B&O taxes, and real estate excise taxes were up in 2005.

Program income, interest, and miscellaneous revenues increased by \$8.6 million. This was mainly due to investment earnings which were higher due to rising interest rates. License and permit revenue increased by \$4.9 million in 2005. Major reasons for the increase include higher fees for Fire Department inspections, a cable franchise fee rate increase, increased revenues from the new 2004 police alarm licensing/monitoring fee, and increased revenue from City business license renewals. 2004 revenues from business license renewals were down. Due to a late change in the fee structure the penalty deadline for business license renewals was extended until February 1, 2005.

Revenues derived from charges for services increased by \$4.2 million. Much of this increase is attributed to the allocation of the cost of the financial system upgrade to other departments. The upgrade is scheduled to be implemented in July 2006. Parking fees and space rent declined \$11.7 million from the prior year. With the 2005 rate increase for parking meters and pay stations, parking revenue increased significantly. However, this was offset by the decrease in space rental income which resulted from the move of the City Hall Subfund and the Police Support Facility Subfund operations to the Fleets and Facilities Operating Fund.

General Fund expenditures increased by \$20.6 million or 3.9 percent in 2005, from \$525.7 million to \$546.3 million. In addition to a 2005 cost of living rate increase, due to salary negotiations Police Department employees received retroactive pay increases for 2003 and 2004. The final payment on the settlement of the Okeson street light case was made in 2005. The cost of fire hydrants was moved from the Water Fund to the General Fund, and the General Fund began paying for the cost of public toilets in 2005. The upgrade of the financial system also increased costs in the General Fund. The increases were offset somewhat by the move of the City Hall and Police Support Facility activity to the Fleets and Facilities Operating Fund. Also, the funding/management of the City resources for the public health services provided by King County was transferred to the Human Services Fund in 2005.

The other financing sources and uses category increased the General Fund's fund balance position in 2005 compared to 2004. Revenue from the sale of capital assets increased by \$12.4 million due to sale of the Arctic and Alaska Buildings and net transfers out were reduced by \$4.0 million.

The **Transportation Fund**, a special revenue fund, is reported as a major governmental fund for the first time in 2005. The Department of Transportation develops, maintains, and operates the transportation system inclusive of streets, bridges, ramps, retaining walls, sea walls, bike trails, street lights, and other road infrastructure. At the end of the fiscal year the fund balance increased by \$1.6 million compared to 2004. Revenues were up \$32.3 million. The majority of the revenue increase related to grants that funded capital projects, such as the Arterial Asphalt and Concrete Program, Bridge Load Rating, Bridge Painting, Hazard Mitigation Program-Areaways, and the Retaining Wall Repair and Replacement Program. Charges for services also contributed to the increase in revenues. While the Department increased the fee for utility cuts in 2005, most of the increase in this category is the result of the Department's work on the Sound Transit project.

The **Low-Income Housing Fund**, a special revenue fund and one of the major governmental funds of the City, manages activities undertaken by the City to preserve, rehabilitate, or replace low-income housing. It also accounts for the seven-year housing levy approved by voters in 1995 and an additional seven-year levy that was approved by the voters in November 2002. At \$43.2 million, the Low-Income Housing Fund ended the year with a fund balance decrease of \$3.4 million. Revenue decreased by \$4.0 million while expenditures increased by \$8.3 million. The decrease in revenues is attributed to the reduction in program income and miscellaneous revenues. In 2004 the Low-Income Housing Fund received \$4.3 million in proceeds from the sale of development rights to Washington Mutual. The increase in expenditures is attributed mainly to the 2002 levy for very-low-income housing and multipurpose programs.

The **General Bond Interest and Redemption Fund**, a debt service fund, was classified as a major fund in 2005. Compared to 2004, expenditures in this fund increased by \$42.1 million or 44.7 percent in 2005. The increase is largely due to the 2005 pay-off of the short portion of the 2002 bonds (\$11.2 million), 2002 Series B bonds (\$20.0 million), and 2003 bonds (\$11.1 million). While there was a new general obligation bond issue of \$129.5 million, redemptions totaled \$171.5 million, including refunding of \$70.1 million and defeasance of \$9.1 million.

In 2005 the other **special revenue funds** showed a \$7.6 million or 26.3 percent increase in fund balance as a result of operations. The most significant increases occurred in the Parks and Recreation Fund (\$4.4 million), Education and Development Services Fund (\$3.6 million), and Seattle Center Fund (\$3.3 million). The Library Fund decreased by \$1.9 million while the Municipal Arts Fund and the Housing and Community Development Revenue Sharing Fund realized a nominal decline.

Total revenues for the other special revenue funds were up \$30.3 million, a 19.3 percent increase. Program income, interest and miscellaneous revenues (up \$26.5 million), and taxes (up \$16.3 million) accounted for the majority of the increase while grants, shared revenues, and contributions declined by \$13.5 million in 2005. The increase in miscellaneous revenues is

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mainly credited to the receipt of \$20.3 million from the Seattle Monorail Project and \$5.7 million in float loans received by the Housing and Community Development Revenue Sharing Fund. In 2004 the Families and Education Levy was passed. New taxes were received in the Education and Development Services Fund as a result of this levy. The decline in grants and contributions revenue is related to the completion of the construction of the new downtown library in 2004. The majority of grants and contributions received in 2004 came from the Library Foundation to support the library construction.

Expenditures increased by \$18.1 million, up 6.8 percent from 2004. Major reasons for the increase include the move of the City's cost of the public health program to the Human Services Fund and repayment to financial institutions of float loans received in the Housing and Community Development Revenue Sharing Fund. These increases were offset by a decrease in the Library Fund spending associated with the completion of the central library during the previous year.

The other financing sources and uses category increased slightly in 2005, up by \$2.8 million or 2.8 percent compared to 2004. This net increase resulted from a \$12.0 million increase in sales of capital assets offset by the decrease in net transfers in from other funds of \$9.1 million. In 2005 Seattle Center recorded the sale of parking facilities and the Parks Department received the proceeds from sale of the Roy Street property.

The fund balance in the **capital projects funds** showed a \$10.9 million or 11.1 percent increase in 2005. The most significant increases came from the 2005 Multipurpose Long-Term General Obligation Bond Fund (\$24.2 million), and the Public Safety Information Technology Fund (\$10.3 million). These were offset by a fund balance decrease in funds such as the Seattle Center and Parks Multipurpose Levy Fund and the Municipal Civic Center Fund.

Revenues for the capital projects funds went up \$10.1 million or 14.7 percent compared to 2004. Program income, interest, and miscellaneous revenues increased by \$7.8 million, primarily due to revenue received from the Seattle Public Utilities for the Joint Training Facility and improvements at the Seattle Municipal Tower. Grants, shared revenues, and contributions went up by \$6.6 million due to capital grants received from the state plus private contributors for the McCaw Hall project. These increases were offset by a decrease of \$4.8 million in tax revenue from the 1999 Seattle Center/Community Centers levy.

Expenditures for capital projects were \$25.8 million or 21.5 percent less than total expenditures in 2004. The reduction was the result of a couple of major projects. Construction of the new central library was completed and the library was opened in May 2004. The City Hall Plaza was completed in early 2005.

The 2005 fund balances of the **debt service funds** and the **permanent funds** remained at about the same levels as 2004.

Table A-4 REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY
GENERAL FUND SUBFUNDS
(In Thousands)

| | General | Judgment/ Claims | Arts Account | Cable Television Franchise | Cumulative Reserve | Neighborhood Matching |
|---|------------------|---------------------|-----------------|----------------------------------|-----------------------|--------------------------|
| Revenues | | | | | | |
| Taxes | \$ 608,108 | \$ - | \$ 918 | \$ - | \$ 50,660 | \$ - |
| Licenses and Permits | 14,724 | - | - | 3,962 | - | - |
| Grants, Shared Revenues, and Contributions | 21,166 | - | - | - | 1,734 | 10 |
| Charges for Services | 43,468 | 10,066 | - | - | (3) | - |
| Fines and Forfeits | 17,004 | 20 | - | - | - | - |
| Parking Fees and Space Rent | 14,896 | - | - | - | 173 | - |
| Program Income, Interest, and Miscellaneous Revenues | 3,056 | 25 | 1 | 451 | 2,534 | - |
| Total Revenues | <u>722,422</u> | <u>10,111</u> | <u>919</u> | <u>4,413</u> | <u>55,098</u> | <u>10</u> |
| Expenditures | 504,393 | 5,568 | 442 | 4,774 | 19,754 | 2,990 |
| Other Financing Sources and Uses | | | | | | |
| Sales of Capital Assets | (3) | - | - | - | 14,305 | - |
| Transfers In (Out) | (196,131) | 935 | - | - | (18,183) | 3,116 |
| Total Other Financing Sources and Uses | <u>(196,134)</u> | <u>935</u> | <u>-</u> | <u>-</u> | <u>(3,878)</u> | <u>3,116</u> |
| Fund Balances | | | | | | |
| Reserves Legally Segregated for Future Use | 18,869 | 18,260 | 293 | - | 34,895 | 4,899 |
| Reserves Not Available for Appropriation | 2,702 | - | - | - | - | - |
| Unreserved | 33,858 | - | 185 | 1,105 | 29,970 | 553 |
| Total Fund Balances | <u>\$ 55,429</u> | <u>\$ 18,260</u> | <u>\$ 478</u> | <u>\$ 1,105</u> | <u>\$ 64,865</u> | <u>\$ 5,452</u> |

Table A-4 REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY
GENERAL FUND SUBFUNDS (continued)
(In Thousands)

| | <u>City Hall</u> | <u>Development Rights</u> | <u>Police Support Facility</u> | <u>Emergency</u> | <u>Street Vacation Compensation</u> | <u>Special Employment Program</u> |
|--|------------------|---------------------------|--------------------------------|------------------|-------------------------------------|-----------------------------------|
| Revenues | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and Permits | - | - | - | - | - | - |
| Grants, Shared Revenues, and Contributions | - | - | - | - | - | - |
| Charges for Services | - | - | - | - | - | 334 |
| Fines and Forfeits | - | - | - | - | - | - |
| Parking Fees and Space Rent | - | - | - | - | - | - |
| Program Income, Interest, and Miscellaneous Revenues | - | 344 | - | 1 | - | - |
| Total Revenues | - | 344 | - | 1 | - | 334 |
| Expenditures | - | - | - | 350 | - | 281 |
| Other Financing Sources and Uses | | | | | | |
| Sales of Capital Assets | - | - | - | - | - | - |
| Transfers In (Out) | 2,306 | - | 61 | 2,004 | - | - |
| Total Other Financing Sources and Uses | 2,306 | - | 61 | 2,004 | - | - |
| Fund Balances | | | | | | |
| Reserves Legally Segregated for Future Use | - | - | - | 1,769 | - | - |
| Reserves Not Available for Appropriation | - | - | - | 11,001 | - | - |
| Unreserved | - | (317) | - | 20,613 | - | 157 |
| Total Fund Balances | \$ - | \$ (317) | \$ - | \$ 33,383 | \$ - | \$ 157 |

| | <u>Industrial Insurance</u> | <u>Unemployment Compensation</u> | <u>Health Care</u> | <u>Group Term Life Insurance</u> | <u>Total General Fund</u> | |
|--|-----------------------------|----------------------------------|--------------------|----------------------------------|---------------------------|-------------|
| | | | | | <u>2005</u> | <u>2004</u> |
| Revenues | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 659,686 | \$ 602,846 |
| Licenses and Permits | - | - | - | - | 18,686 | 13,752 |
| Grants, Shared Revenues, and Contributions | - | - | - | - | 22,910 | 22,278 |
| Charges for Services | 521 | - | - | - | 54,386 | 50,230 |
| Fines and Forfeits | - | - | - | - | 17,024 | 18,135 |
| Parking Fees and Space Rent | - | - | - | - | 15,069 | 26,847 |
| Program Income, Interest, and Miscellaneous Revenues | 542 | 1,761 | 12,519 | 287 | 21,521 | 12,832 |
| Total Revenues | 1,063 | 1,761 | 12,519 | 287 | 809,282 | 746,920 |
| Expenditures | 1,438 | - | 6,298 | 45 | 546,333 | 525,715 |
| Other Financing Sources and Uses | | | | | | |
| Sales of Capital Assets | - | - | - | - | 14,302 | 1,922 |
| Transfers In (Out) | - | - | 136 | - | (205,756) | (209,769) |
| Total Other Financing Sources and Uses | - | - | 136 | - | (191,454) | (207,847) |
| Fund Balances | | | | | | |
| Reserves Legally Segregated for Future Use | 13 | - | 3,153 | - | 82,151 | 69,867 |
| Reserves Not Available for Appropriation | - | - | - | - | 13,703 | 21,640 |
| Unreserved | 4,362 | 3,955 | 13,133 | 243 | 107,817 | 40,669 |
| Total Fund Balances | \$ 4,375 | \$ 3,955 | \$ 16,286 | \$ 243 | \$ 203,671 | \$ 132,176 |

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

City Light Utility. The Utility realized net income of \$81.9 million in 2005 compared to a \$13.7 million in 2004. The increase in net income was due primarily to the elimination of the amortization of \$300.0 million in excess power costs deferred from 2001 and amortized in equal monthly payments from 2002 through 2004. Excluding the effect of the 2004 amortization, net income decreased \$31.9 million.

The effective decrease in net income was due in large part to the \$26.1 million decrease in net wholesale power sales (net of the cost of wholesale purchases). In 2005, revenue from net wholesale power sales was \$87.4 million compared to \$113.5 million for 2004. In addition, operating revenues outside of short-term power sales declined \$15.8 million while operating expenses, other than the amortization of the deferred power costs and the cost of wholesale power sales, increased by \$2.1 million. These decreases in net operating income were offset by a \$3.8 million decrease in non-operating expenses and an \$8.4 million increase in capital contributions.

Net cash provided by operating activities increased to \$253.0 million in 2005 compared to \$242.2 million in 2004, an increase of \$10.8 million. Restricted cash and investments were \$35.8 million in 2005, down from \$123.7 million in 2004. The net decrease was largely due to the liquidation of the reserve account and establishing a contingency reserve account at year-end. The operating cash balance at year-end increased from \$60.7 million in 2004 to \$141.9 million in 2005. This increase was primarily due to the receipt of \$28.9 million remaining from the bonds issued in December 2004 and \$62.0 million from the construction account and from conservation measures.

Utility plant and other capital assets were \$1.459 billion and \$1.408 billion in 2005 and 2004, respectively, a net increase of \$50.6 million. The majority of the capital asset additions were in the distribution system and general plant assets.

City Light issued \$284.9 million of improvement and revenue refunding bonds in 2004. \$215.3 million revenue bond proceeds were used to defease certain 1995A, 1996, and 1999 bonds. The remaining amount was used for construction and acquisition of capital and deferred assets. Total net revenue bonds payable were \$1.473 billion in 2005 and \$1.537 billion in 2004, a net decrease of \$64.0 million. Interest expenses were \$71.3 million in 2005 and \$73.8 million in 2004. Future debt service requirements on the subordinate lien bonds, based on 2005 end-of-year actual interest rates, range from 2.9 percent to 3.5 percent through 2021. Including long-term debt, the total liabilities were \$1.671 billion in 2005 and \$1.722 billion in 2004.

Total net assets were \$385.8 million in 2005 and \$303.9 million in 2004.

Water Utility. Net operating income of the Water Utility decreased by \$9.5 million to \$30.8 million in 2005 from \$40.3 million in 2004, mainly due to an increase in operating expenses of \$14.3 million. The increase in operating expenses is attributed to several factors: an increase in depreciation expense for assets acquired in prior years but depreciated starting in 2005, an increase in the City public utility tax rate, an increase in resource management expenses, and an increase in general and administrative expenses. The net income decreased to \$3.7 million in 2005 compared to \$17.8 million in 2004, a decrease of \$14.1 million.

Net cash provided by operating activities decreased to \$65.9 million in 2005 from \$74.3 million in 2004, a decrease of \$8.4 million. Total operating and restricted cash and investments were \$76.0 million in 2005 compared to \$124.8 million in 2004, a decrease of \$48.8 million. This decrease in cash and investments is primarily due to a decrease in dedicated investments.

Utility plant and other capital assets were \$985.2 million and \$958.0 million in 2005 and 2004, respectively, an increase of \$27.2 million. Significant capital was spent on burying the Lincoln Reservoir, installation of service meters, improvements to distribution water mains, enhancements to computer systems, and purchase of heavy equipment.

The Water Utility issued \$138.0 million of Water System Revenue Refunding Bonds in December 2005. The proceeds from the issuance were used to refund 1997 and 1996B Water System Bonds. As a consequence of the refunding, the Fund reduced total debt service requirements by \$16.2 million, resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$11.4 million. Total revenue bonds payable was \$776.8 million and \$794.6 million in 2005 and 2004, respectively. Interest expenses were \$34.8 million in 2005 and \$28.4 million in 2004. The Fund must maintain adjusted net revenue of not less than 125 percent of actual annual senior lien debt service. Adjusted net revenues remaining after senior lien debt service has been paid must not be less than 125 percent of annual junior lien debt service. In 2005, adjusted net revenue was 168.0 percent of senior lien debt service, and adjusted net revenue available after senior lien debt service was 778.0 percent of junior lien debt service. Including revenue bonds payable, total liabilities were \$840.1 million and \$845.8 million in 2005 and 2004, respectively.

Total net assets were \$302.1 million in 2005 and \$298.3 million in 2004.

Drainage and Wastewater Utility. Operating income of the Utility increased to \$11.1 million in 2005 from \$9.1 million in 2004, a net increase of \$2.0 million. Operating revenues increased \$14.4 million and operating expenses increased \$12.3 million between 2005 and 2004. The Utility realized a net gain of \$1.3 million in 2005 and net loss of \$5.0 million in 2004. The increase in net income was primarily due to rate increases of 11.5 percent for wastewater and 10.2 percent for drainage.

Net cash provided by operating activities increased to \$28.3 million in 2005 from \$19.8 million in 2004. Total operating and restricted cash and investments were \$37.8 million in 2005 compared to \$64.2 million in 2004, a decrease of \$26.4 million, primarily due to a decrease in dedicated investments.

Utility plant, net of accumulated depreciation, and other capital assets increased to \$471.8 million in 2005 from \$448.7 million in 2004, an increase of \$23.1 million. Acquisitions of new assets were \$58.1 million, and retirements of existing capital assets were \$35.0 million.

The total outstanding bond liabilities were \$294.9 million in 2005 and \$301.2 million in 2004, a decrease of \$6.3 million representing payments of debt principal in 2005. Interest expenses were \$13.7 million in 2005 and \$10.8 million in 2004. Debt service coverage ratio requirements were 125 percent for both 2005 and 2004, and actual debt service coverage ratios were 273.0 percent in 2005 and 219.0 percent in 2004. Total liabilities, including revenue bonds, were \$338.4 million in 2005 and \$336.8 million in 2004.

Total net assets were \$244.5 million in 2005 and \$243.2 million in 2004.

Fiduciary Funds

The City maintains fiduciary funds for the assets of the City of Seattle Employees' Retirement System (SCERS), the Firemen's Pension Fund, the Police Relief and Pension Fund, the S.L. Denny Private Purpose Trust Fund, and various agency funds. Total net assets of the combined fiduciary funds at the end of 2005 were \$1.803 billion. SCERS represents 99.4 percent of that amount.

SCERS assets that are held in trust for the payment of future benefits exceeded its current amounts owed as of December 31, 2005 by \$1.792 billion. Net assets increased by \$107.3 million (6.4 percent) during 2005, primarily due to gains in the international equity markets and in real estate. Total revenues (additions to net assets) for 2005 were \$202.0 million, which includes member and employer contributions of \$71.9 million and total net investment income of \$130.1 million. Total expenses (deductions from net assets) in 2005 were \$94.7 million, an increase of \$5.8 million (6.5 percent) from 2004. The largest part of the 2005 increase in total expenses (deductions) was for retiree benefits which increased by \$5.0 million (6.5 percent).

At December 31, 2005, the net assets held in trust in the Firemen's Pension Fund and the Police Relief and Pension Fund for the payment of future benefits were \$8.7 million and \$2.0 million, respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's final expenditure budget for the General Fund differed from the original budget due to supplemental legislation/appropriations approved during the year. In fiscal year 2005 the General Fund's original budget was \$691.7 million. That original budget was increased by \$31.8 million (4.6 percent) in supplemental appropriations after a reduction for reimbursements received for Personnel's services (a \$94.5 million reduction for reimbursements).

The most significant budget revisions are described below:

- A \$9.0 million increase to the Cumulative Reserve Subfunds, REET I and II, including Ordinance 121889 which added \$5.0 million for construction of Fire Station 10 and Ordinance 121882 adding \$2.96 million in amendments to the Capital Improvement Program budget. The Unrestricted Subfund was increased by \$2.0 million including \$1.4 million for quarterly supplemental budgets.
- The City Council authorizes the acceptance of all grant funds. If a grant is not included as a part of the adopted budget, a separate ordinance is required. In 2005 over \$22.0 million in additional grant funds were appropriated. Most of the grant funds were for public safety purposes, including over \$16.0 million in UASI/Homeland Security grants to increase the capacity of the Seattle urban area to prevent, respond to, and recover from threats or acts of terrorism.
- The Police Department budget was increased by \$15.0 million, including \$8.0 million for retroactive pay, \$2.9 million for grants, \$1.5 million in quarterly supplemental appropriations, and \$0.8 million for additional officers.

Management's Discussion and Analysis

- The Fire Department budget was increased by \$4.0 million, including \$1.0 million for Sound Transit-related projects and \$2.3 million in Homeland Security and other grants.
- At year-end 2005 actual expenditures were \$77.0 million less than budgeted. Of this amount, \$68.7 million of the budget was carried over into 2006 to cover outstanding encumbrances, grants, capital spending, and special carryovers. The balance of the expenditure budget, \$8.3 million, was lapsed. With a lapse amount of \$7.3 million, costs for the Special Employment Subfund were significantly under budget due to a delay in implementing direct fund charging. The Police Department lapsed \$3.5 million. A large portion of that was due to a change in the budgeting methodology from multiyear to annual for overtime related to the Metro Bus Tunnel project. The Judgment and Claims Subfund was able to lapse \$3.7 million due to lower-than-expected costs.

During the year budgetary revenue estimates exceeded actual revenues by \$61.0 million. While tax revenues exceeded the budget by \$48.1 million, licenses and fees exceeded budget by \$1.8 million, space rentals barely exceeded budget, and revenues from all other categories were less than budget. Of this, \$7.3 million is due to lower Special Employment Subfund fees, and \$14.5 million is from reduced health care premiums. An additional \$12.0 million is related to incomplete grant projects and is expected to be collected in the future.

CAPITAL ASSETS

The following schedule shows the City's investment in capital assets.

Table A-5 **CAPITAL ASSETS AT YEAR END, NET OF DEPRECIATION**
(In Thousands)

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2005 | Restated 2004 | 2005 | Restated 2004 | 2005 | Restated 2004 |
| Land | \$ 372,008 | \$ 363,959 | \$ 67,684 | \$ 64,885 | \$ 439,692 | \$ 428,844 |
| Plant in Service, Excluding Land | - | - | 2,647,666 | 2,569,331 | 2,647,666 | 2,569,331 |
| Buildings and Improvements | 1,287,114 | 1,256,019 | 55,976 | 58,410 | 1,343,090 | 1,314,429 |
| Machinery and Equipment | 89,191 | 85,354 | 9,108 | 7,466 | 98,299 | 92,820 |
| Infrastructure | 480,294 | 489,351 | - | - | 480,294 | 489,351 |
| Construction in Progress | 210,382 | 165,099 | 198,491 | 192,043 | 408,873 | 357,142 |
| Other Capital Assets | 8,240 | 7,775 | 32,896 | 15,117 | 41,136 | 22,892 |
| Total Capital Assets | \$ 2,447,229 | \$ 2,367,557 | \$ 3,011,821 | \$ 2,907,252 | \$ 5,459,050 | \$ 5,274,809 |

Capital assets for governmental activities increased \$79.7 million in 2005. Major increases include the following.

- Seattle Center capitalized \$5.9 million for various other improvements. Construction in progress decreased by \$2.0 million at the end of 2005.
- The Fleets and Facilities Department (FFD) sold the Alaska and Arctic buildings in 2005 for \$13.6 million. \$9.2 million of the proceeds from the sale was used to retire the debt related to the original purchase of the buildings. \$2.9 million of the proceeds was used for capital expenditures related to City department moves to the Seattle Municipal Tower and other leased office space. \$1.1 million of the proceeds was deposited to the Cumulative Reserve Subfund and the remainder used for staffing costs, cleanup expenses, and commissions related to the sale of the buildings. Construction in progress at December 31, 2005, was \$63.3 million, including 2005 activity of \$7.5 million in the Municipal Civic Center projects and \$18.3 million in fire levy projects, such as the Joint Training Facility, Fire Station 10, and Large Boat marine project.
- The Parks Department completed construction of the Northgate Community Center at a total cost of \$4.3 million. Additional costs of \$47.7 million were expended for various parks improvements, and a few parcels of land were purchased at cost of \$7.0 million.
- The Department of Transportation capitalized \$18.1 million for various infrastructure assets (roads, bridges, sidewalks, signs, illuminations, and others). Construction in progress at December 31, 2005, was \$83.0 million, an increase of \$43.4 million over last year.
- The Library completed construction work at several branch libraries, such as the Greenwood Library, Fremont Library, International District/Chinatown Library, Lake City Library, and Ballard Library, spending a total of \$21.8 million, and \$3.9 million was spent for land acquisition. Construction in progress at December 31, 2005, was \$29.9 million.

Capital assets for business-type activities increased \$95.2 million as follows:

- City Light capital assets increased by \$50.6 million for 2005. These increases were mainly for the hydroelectric system, distribution plant and general plant assets as well as for land and land rights. The hydroelectric improvements included the North Cascades Environmental Learning Center, generators at the Ross Dam, Gorge electrical equipment, upgrades to the water wheels and turbines at Diablo, and the Boundary rehabilitation project. Distribution plant increases were for poles, overhead conductors for capacity additions and relocations, underground conduit and conductors, Broad street substation network, Sound Transit, transformers and overhead services, underground services, network underground, meter additions, and streetlights. Major general plant assets included the Maximo work management system and fiber optic communication equipment for the Boundary project.
- Water Utility capital assets increased by \$27.2 million. Major capital outlays included burial of the Lincoln Reservoir, an above-ground reservoir that was covered to improved security of the drinking water system; installation of new direct service meters and replacement meters; improvements to various distribution water mains; upgrades to numerous computer systems; purchase of heavy equipment used in maintaining the water distribution and transmission systems; road improvements at the Cedar River Watershed; and strengthening supports of the West Seattle pipeline system. The construction work in progress ending balance at December 31, 2005, totaled \$78.2 million. This included water system rehabilitation work; business and technology infrastructure upgrades; continuation of pipeline protection work, pipeline improvements, seismic upgrades to buildings and standing water tanks and safety measures at the dam; and rebuilding for Sound Transit, the Water Operations Control Center, and the Joint Training Facility.
- Drainage and Wastewater Utility capital assets increased by \$23.1 million. Major capital improvements included completion of a joint project with King County to improve Combined Sewer Overflow (CSO) capacity in the South Lake Union area, rehabilitation of sewer pipes, upgrades to CSO facilities to increase storage and optimize system operations, and heavy equipment purchases. Major projects still in progress at December 31, 2005, include the High Point Natural Drainage System project and the Pinehurst Natural Drainage System project.
- Nonmajor funds capital assets increased \$3.8 million. Capital outlays in the Solid Waste Fund included the replacement of compactors at the South and North Recycling and Disposal Stations. Various equipment purchases were also made by Solid Waste as well as the Department of Planning & Development.

More detail about the City's capital assets is presented in Note 5 to the financial statements.

DEBT ADMINISTRATION

At the end of fiscal year 2005 the City had \$3.443 billion in outstanding bonded debt, compared to \$3.574 billion in 2004. This represents a decrease of approximately \$131.0 million (3.7 percent).

In 2005 the City issued general obligation bonds to finance various capital improvement projects, including the Central Library garage and City infrastructure. Additional revenue anticipation notes were issued to finance ongoing capital projects for the Solid Waste Utility. The City took advantage of the prevailing low-interest rates to improve cash flow by refunding three series of general obligation bond issues and issuing a series of Water revenue bonds for a total new issue of \$211.7 million. By refinancing the debt the City will save \$23.6 million in principal and interest over the next 23 to 25 years. Additionally, the City defeased \$9.1 million limited tax general obligation bonds (LTGO), which included portions of the 1998, Series B, Refunding bonds (\$0.6 million) and the 2002 Improvement and Refunding bonds (\$8.5 million).

The City's bond ratings remain the same as in the previous year. The City's unlimited tax general obligation bonds are rated Aaa by Moody's Investors Service, AAA by FitchRatings, and AAA by Standard & Poor's. The City's limited tax general obligation bonds are rated Aa-1 by Moody's Investors Service, AA+ by FitchRatings, and AAA by Standard and Poor's. The City maintained its high bond ratings on its Light, Water, Drainage and Wastewater, and Solid Waste revenue bonds.

The City's limited and unlimited general obligation debt is capped at 7.5 percent of assessed value by state law. The 2006 assessed value for the City is \$95.7 billion. At year-end 2005 the net outstanding general obligation debt of the City that includes bonds, leases, compensated absences net of sick leave, and guarantees of indebtedness amounted to \$993.0 million, well below the limit of \$6.2 billion. Within the 7.5 percent limitation, state law restricts outstanding limited tax general obligation bonds to 1.5 percent of assessed value. At year-end 2005 the net outstanding limited tax general obligation was \$799.0 million.

The City is self-insured for workers compensation and for most health care costs. The City carries general liability insurance with a self-insured retention. For these claims, including those incurred but not reported, the City recognized a total liability of \$91.0 million at the end of the year. In addition, City utilities recorded \$27.9 million in estimated environmental liabilities. At the end of 2005 City Light had \$25.9 million in liabilities related to its purchased power commitments. Other obligations were accrued compensated absences and other notes and contracts. The other notes and contracts included draws from the State's Public Works Trust Loan Program which are serviced with revenues from two

participating City departments, one with a governmental-type fund and another whose activities are reported in two of its business-type funds.

More detailed information about the City's long-term liabilities is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Seattle's 2006 budget reflects vastly improved regional economic conditions following the lengthy downturn that began in 2001. The Puget Sound area's economy started to improve in early 2004, and very strong employment growth began in the fourth quarter. The region is now growing faster than the rest of the state or the nation. Approximately 85 percent of the jobs lost in the recession had been recovered by the end of 2005, and forecasts call for continued employment growth through 2006.

Strong growth in employment and personal income has added to the City's tax revenues, allowing some budget cuts taken in the last few years to be restored. The 2006 budget focuses on a mix of one-time investments and ongoing additions to basic City services, such as police and fire staffing, transportation infrastructure, and human services programs. Revenue estimates continued to increase throughout the fall of 2005, allowing the City to add further funding for libraries, human services, and transportation in the adopted budget.

General Subfund: Revenues are projected to grow at a rate of 2.0 percent in 2006. At 29.1 percent, property taxes continue to be the largest source of General Subfund revenue. The property tax forecast assumes no major policy changes and is projected to increase by the annual 1.0 percent growth limit plus new construction. The retail sales tax is expected to contribute 18.3 percent of the total General Subfund revenues. After several years of decline, the retail sales tax showed improvement in 2004 and strong growth in 2005 but is projected to slow down in 2006. Similarly, an improved economy boosted B&O tax revenue in 2005. 2006 is expected to increase at a slower pace. Approximately 18.6 percent of General Subfund revenue is expected to come from the B&O tax. In 2005 there was a large increase in the utility tax revenue collected from the City utilities. These increases resulted from the City Council's decision to raise the utility tax rates effective for 2005 for all of the City utilities except City Light.

About 184 general government full-time-equivalent positions were added in the 2006 budget.

Utilities: Seattle City Light adopted new financial policies in 2005 that will gradually reduce the utility's reliance on debt to finance its capital program. The Department is undergoing a thorough review of its revenue requirements and rates over the next six months, culminating in a rate proposal in early summer 2006.

The Seattle Public Utilities (SPU) is continuing its asset management approach and is broadening the focus to include operational practices. This new approach has led to significant reductions in project costs and utility revenue requirements. SPU intends to submit either financial policy changes or rate proposals for all its utilities in 2006.

Financial Contact

The City's financial statements are designed to provide users with a general overview of the City's finances as well as to demonstrate the City's accountability to its citizens, investors, creditors, and other customers. If you have a question about the report, please contact the City of Seattle, Department of Executive Administration, Accounting Services Division, P.O. Box 94669, Seattle, WA 98124-4669 (Telephone 206-386-9124).

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Government-wide Financial Statements

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STATEMENT OF NET ASSETS

December 31, 2005

(In Thousands)

| | Primary Government | | | | Component |
|--|----------------------------|-----------------------------|--------------------|------------------|---|
| | | | Comparative Totals | | Unit |
| | Governmental Activities | Business-Type Activities | 2005 | Restated 2004 | Seattle Public Library Foundation |
| ASSETS | | | | | |
| <i>Current Assets</i> | | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 431,274 | \$ 186,849 | \$ 618,123 | \$ 442,047 | \$ 6,878 |
| Restricted Cash and Equity in Pooled Investments | - | 24,272 | 24,272 | 22,420 | - |
| Investments | - | - | - | - | 37,449 |
| Receivables, Net of Allowances | 68,625 | 177,707 | 246,332 | 257,987 | 2,938 |
| Restricted Investments | - | 53,149 | 53,149 | - | - |
| Restricted Investment Interest Receivables | - | 265 | 265 | - | - |
| Internal Balances | 8,044 | (8,044) | - | 1 | - |
| Due from Other Governments | 80,592 | 4,768 | 85,360 | 82,186 | - |
| Inventories | 3,205 | 26,141 | 29,346 | 26,606 | - |
| Prepaid and Other Current Assets | 697 | 946 | 1,643 | 2,420 | 48 |
| <i>Noncurrent Assets</i> | | | | | |
| Restricted Cash and Equity in Pooled Investments | 83 | 54,573 | 54,656 | 114,644 | - |
| Restricted Investments | - | - | - | 162,064 | - |
| Unamortized Debt Costs | 2,545 | 15,911 | 18,456 | 16,685 | - |
| Contracts and Notes | 255,453 | 255 | 255,708 | 255,384 | - |
| Capitalized Purchased Power Commitment | - | 25,891 | 25,891 | 35,663 | - |
| Deferred Conservation Costs, Net | - | 157,648 | 157,648 | 150,244 | - |
| Deferred Landfill Closure and Postclosure Costs, Net | - | 35,585 | 35,585 | 38,760 | - |
| Net Pension Asset | 78,064 | - | 78,064 | 78,064 | - |
| Deferred Muckleshoot Settlement Costs | - | 18,000 | 18,000 | - | - |
| Other Deferred Charges and Noncurrent Assets | 1,311 | 156,002 | 157,313 | 124,729 | 4,855 |
| Capital Assets, Net of Accumulated Depreciation | | | | | |
| Land and Land Rights | 372,008 | 67,684 | 439,692 | 428,844 | - |
| Plant in Service, Excluding Land | - | 2,647,666 | 2,647,666 | 2,569,333 | - |
| Buildings and Improvements | 1,287,114 | 55,976 | 1,343,090 | 1,314,429 | - |
| Machinery and Equipment | 89,191 | 9,108 | 98,299 | 92,820 | 9 |
| Infrastructure | 480,294 | - | 480,294 | 489,351 | - |
| Construction in Progress | 210,382 | 198,491 | 408,873 | 357,143 | - |
| Other Capital Assets | 8,240 | 32,896 | 41,136 | 22,893 | - |
| Total Assets | 3,377,122 | 3,941,739 | 7,318,861 | 7,084,717 | 52,177 |

The accompanying notes are an integral part of these financial statements.

Government-wide Financial Statements

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STATEMENT OF NET ASSETS

Page 2 of 2

December 31, 2005

(In Thousands)

| | Primary Government | | | | Component Unit |
|---|-------------------------|--------------------------|---------------------|---------------------|-----------------------------------|
| | | | Comparative Totals | | Seattle Public Library Foundation |
| | Governmental Activities | Business-Type Activities | 2005 | Restated 2004 | |
| LIABILITIES | | | | | |
| <i>Current Liabilities</i> | | | | | |
| Accounts Payable | \$ 61,642 | \$ 73,166 | \$ 134,808 | \$ 106,863 | \$ 509 |
| Salaries, Benefits, and Taxes Payable | 27,025 | 13,511 | 40,536 | 36,384 | - |
| Matured Bonds and Interest Payable | 20 | - | 20 | 55 | - |
| Contracts Payable | 3,326 | 1,276 | 4,602 | 4,142 | - |
| Due to Other Governments | 6,953 | 8,017 | 14,970 | 19,200 | - |
| Interest Payable | 14,928 | 34,107 | 49,035 | 46,784 | - |
| Street Refund Payable | - | 3,864 | 3,864 | 19,998 | - |
| Taxes Payable | 31 | 9,665 | 9,696 | 9,387 | - |
| Deposits Payable | 1,182 | - | 1,182 | 1,004 | - |
| Deferred Credits | 3,926 | 21,634 | 25,560 | 20,443 | 750 |
| Current Portion of Long-Term Debt | | | | | |
| Bonds and Revenue Anticipation Notes Payable | 70,400 | 111,527 | 181,927 | 195,947 | - |
| Accrued Interest - Deferred Interest Bonds | - | 459 | 459 | 370 | - |
| Compensated Absences Payable | 14,245 | 1,486 | 15,731 | 13,324 | - |
| Purchased Power Obligation | - | 11,240 | 11,240 | 10,705 | - |
| Notes and Contracts Payable | 2,271 | 5,591 | 7,862 | 2,252 | - |
| Claims Payable | 26,631 | 10,617 | 37,248 | 42,105 | - |
| Muckleshoot Settlement Liability | - | 18,000 | 18,000 | - | - |
| Landfill Closure and Postclosure Liability | - | 1,610 | 1,610 | 1,785 | - |
| Arbitrage Rebate Liability | - | - | - | 35 | - |
| Other Current Liabilities | 332 | 2,560 | 2,892 | 4,504 | - |
| <i>Noncurrent Liabilities</i> | | | | | |
| Bonds and Anticipation Notes Payable, Net of Unamortized Premiums, Discounts, and Other | 735,358 | 2,529,412 | 3,264,770 | 3,375,139 | - |
| Accrued Interest - Deferred Interest Bonds | - | 3,570 | 3,570 | 3,324 | - |
| Compensated Absences Payable | 42,099 | 19,052 | 61,151 | 60,867 | - |
| Claims Payable | 42,440 | 28,672 | 71,112 | 73,455 | - |
| Notes and Contracts Payable | 19,647 | 9,190 | 28,837 | 20,981 | - |
| Purchased Power Obligation | - | 14,651 | 14,651 | 24,958 | - |
| Landfill Closure and Postclosure Liability | - | 27,672 | 27,672 | 29,244 | - |
| Vendor Deposits Payable | 83 | 450 | 533 | 397 | - |
| Deferred Credits | 275,697 | 42,725 | 318,422 | 289,295 | - |
| Arbitrage Rebate Liability | 106 | - | 106 | 208 | - |
| Other Noncurrent Liabilities | 886 | 405 | 1,291 | 1,120 | - |
| Total Liabilities | 1,349,228 | 3,004,129 | 4,353,357 | 4,414,275 | 1,259 |
| NET ASSETS | | | | | |
| Invested in Capital Assets, Net of Related Debt Restricted for | 1,673,959 | 669,676 | 2,343,635 | 2,225,709 | 9 |
| Debt Service | 33,370 | - | 33,370 | 27,717 | - |
| Capital Projects | 91,318 | - | 91,318 | 59,230 | 3,444 |
| Education and Development Services | 12,472 | - | 12,472 | 8,841 | 15,259 |
| Special Deposits | 3,153 | - | 3,153 | 3,281 | - |
| Other Purposes | - | 142,774 | 142,774 | 114,795 | 176 |
| Nonexpendable | 2,196 | - | 2,196 | 2,256 | 23,451 |
| Unrestricted | 211,426 | 125,160 | 336,586 | 228,612 | 8,579 |
| Total Net Assets | \$ 2,027,894 | \$ 937,610 | \$ 2,965,504 | \$ 2,670,441 | \$ 50,918 |

The accompanying notes are an integral part of these financial statements.

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005
(In Thousands)

| Functions/Programs | Program Expenses | | Program Revenues | | |
|----------------------------------|---------------------|-------------------|----------------------|------------------------------------|----------------------------------|
| | Expenses | Indirect Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| GOVERNMENTAL ACTIVITIES | | | | | |
| General Government | \$ 103,784 | \$ (1,422) | \$ 27,054 | \$ 26,534 | \$ 226 |
| Judicial | 18,429 | - | 16,794 | 353 | - |
| Public Safety | 328,058 | (724) | 12,788 | 12,388 | 1,626 |
| Physical Environment | 6,614 | - | 1,220 | - | 353 |
| Transportation | 87,046 | 496 | 48,936 | 12,733 | 30,774 |
| Economic Environment | 94,616 | - | 12,765 | 16,657 | 5,204 |
| Health and Human Services | 29,470 | - | 4 | - | 9 |
| Culture and Recreation | 201,902 | - | 50,192 | 1,446 | 28,799 |
| Interest on Long-Term Debt | 39,539 | - | - | - | - |
| Total Governmental Activities | 909,458 | (1,650) | 169,753 | 70,111 | 66,991 |
| BUSINESS-TYPE ACTIVITIES | | | | | |
| Light | 682,731 | 744 | 733,865 | 1,991 | 24,188 |
| Water | 148,693 | 299 | 145,865 | 321 | 4,773 |
| Drainage and Wastewater | 178,214 | 233 | 175,782 | 571 | 1,479 |
| Solid Waste | 109,911 | 133 | 111,228 | 4 | 310 |
| Planning and Development | 43,245 | 242 | 37,695 | 86 | - |
| Downtown Parking Garage | 8,414 | - | 6,180 | - | - |
| Total Business-Type Activities | 1,171,208 | 1,651 | 1,210,615 | 2,973 | 30,750 |
| Total Government-Wide Activities | <u>\$ 2,080,666</u> | <u>\$ 1</u> | <u>\$ 1,380,368</u> | <u>\$ 73,084</u> | <u>\$ 97,741</u> |
| COMPONENT UNIT | \$ 12,252 | \$ - | \$ 183 | \$ 2,904 | \$ - |

The accompanying notes are an integral part of these financial statements.

Government-wide Financial Statements

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STATEMENT OF ACTIVITIES For the Year Ended December 31, 2005 (In Thousands)

Page 2 of 2

| | Net Revenue (Expense) and Changes in Net Assets | | | | Component Unit |
|--|---|-----------------------------|--------------|------------------|-------------------|
| | Primary Government | | | | |
| | Comparative Totals | | | | |
| | Governmental Activities | Business-Type Activities | 2005 | Restated 2004 | |
| GOVERNMENTAL ACTIVITIES | | | | | |
| General Government | \$ (48,548) | \$ - | \$ (48,548) | \$ (37,495) | |
| Judicial | (1,282) | - | (1,282) | (982) | |
| Public Safety | (300,532) | - | (300,532) | (299,452) | |
| Physical Environment | (5,041) | - | (5,041) | (4,190) | |
| Transportation | 4,901 | - | 4,901 | (44,321) | |
| Economic Environment | (59,990) | - | (59,990) | (46,599) | |
| Health and Human Services | (29,457) | - | (29,457) | (28,316) | |
| Culture and Recreation | (121,465) | - | (121,465) | (110,596) | |
| Interest on Long-Term Debt | (39,539) | - | (39,539) | (41,499) | |
| Total Governmental Activities | (600,953) | - | (600,953) | (613,450) | |
| BUSINESS-TYPE ACTIVITIES | | | | | |
| Light | - | 76,569 | 76,569 | 8,830 | |
| Water | - | 1,967 | 1,967 | 16,987 | |
| Drainage and Wastewater | - | (615) | (615) | (5,351) | |
| Solid Waste | - | 1,498 | 1,498 | 3,074 | |
| Planning and Development | - | (5,706) | (5,706) | (12,712) | |
| Downtown Parking Garage | - | (2,234) | (2,234) | (2,236) | |
| Total Business-Type Activities | - | 71,479 | 71,479 | 8,592 | |
| Total Government-Wide Activities | (600,953) | 71,479 | (529,474) | (604,858) | |
| COMPONENT UNIT | | | | | \$ (9,165) |
| General Revenues | | | | | |
| Property Taxes | 311,613 | - | 311,613 | 296,789 | - |
| Sales Taxes | 146,060 | - | 146,060 | 130,961 | - |
| Business Taxes | 280,139 | - | 280,139 | 253,733 | - |
| Excise Taxes | 55,507 | - | 55,507 | 43,766 | - |
| Other Taxes | 4,636 | - | 4,636 | 4,196 | - |
| Penalties and Interest on Delinquent Taxes | 2,125 | - | 2,125 | 1,941 | - |
| Unrestricted Investment Earnings | 10,288 | 10,811 | 21,099 | 9,635 | 3,050 |
| Gain (Loss) on Sale of Capital Assets | 2,921 | 438 | 3,359 | 4,396 | - |
| Transfers | (8,456) | 8,456 | - | - | - |
| Total General Revenues and Transfers | 804,833 | 19,705 | 824,538 | 745,417 | 3,050 |
| Changes in Net Assets | 203,880 | 91,184 | 295,064 | 140,559 | (6,115) |
| Net Assets - Beginning of Year | 1,838,500 | 846,426 | 2,684,926 | 2,554,536 | 57,033 |
| Prior-Year Adjustments | (14,485) | - | (14,485) | (24,652) | - |
| Net Assets - Beginning of Year as Restated | 1,824,015 | 846,426 | 2,670,441 | 2,529,884 | 57,033 |
| Net Assets - End of Year | \$ 2,027,895 | \$ 937,610 | \$ 2,965,505 | \$ 2,670,443 | \$ 50,918 |

The accompanying notes are an integral part of these financial statements.

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Fund Financial Statements

MAJOR GOVERNMENTAL FUNDS

The **General Fund** is the primary operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund. It derives the majority of its revenues from property, sales, business, and utility taxes.

The **Transportation Fund** accounts for revenues for construction, improvement, repair, or maintenance of City streets and waterways. Revenues include taxes on the sale, distribution, or use of motor vehicle fuel; motor vehicle excise taxes designated for street purposes; and grants.

The **Low-Income Housing Fund** manages activities undertaken by the City to preserve, rehabilitate, or replace low-income housing. It also accounts for a seven-year housing levy approved by the voters in 2002 to provide, produce, and/or preserve affordable housing in Seattle and to assist low-income tenants in Seattle.

The **General Bond Interest and Redemption Fund** receives moneys from excess property tax levies to pay interest costs and principal redemptions on voter-approved general obligation bonds. It also receives moneys from the General Fund, the Fleets and Facilities Fund, and other City funds to pay for interest costs and principal redemptions on councilmanic limited tax general obligation bonds.

Descriptions for the nonmajor governmental funds are provided in the combining statements section.

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2005
(In Thousands)

| | <u>General</u> | <u>Transportation</u> | <u>Low-Income Housing</u> | <u>General Bond Interest and Redemption</u> |
|--|-------------------|-----------------------|-------------------------------|---|
| ASSETS | | | | |
| Cash and Equity in Pooled Investments | \$ 155,270 | \$ 4,369 | \$ 43,296 | \$ 14,239 |
| Cash with Fiscal Agent | - | - | - | 20 |
| Receivables, Net of Allowances | | | | |
| Taxes | 41,939 | - | 234 | 505 |
| Accounts | 2,120 | 2,007 | - | - |
| Contracts and Notes | 1 | 3 | - | - |
| Interest and Dividends | 535 | 136 | 113 | 10 |
| Unbilled and Others | 89 | 1,464 | - | - |
| Due from Other Funds | 11,524 | 3,041 | - | 26 |
| Interfund Loans | - | - | - | - |
| Due from Other Governments | 41,065 | 19,530 | 694 | 139 |
| Inventories | 41 | - | - | - |
| Prepaid and Other Current Assets | 697 | - | - | - |
| Contracts and Notes - Noncurrent | 6,084 | - | 198,856 | - |
| Advances to Other Funds/Interfund Notes Receivable | 11,001 | - | - | - |
| Deferred Charges and Other Assets | 942 | - | - | - |
| Total Assets | <u>\$ 271,308</u> | <u>\$ 30,550</u> | <u>\$ 243,193</u> | <u>\$ 14,939</u> |
| LIABILITIES | | | | |
| Accounts Payable | \$ 16,191 | \$ 11,108 | \$ 443 | \$ - |
| Matured Long-Term Debt - Principal | - | - | - | 20 |
| Contracts Payable | 254 | 903 | - | - |
| Due to Other Funds | 6,656 | 2,671 | 280 | - |
| Due to Other Governments | 3,573 | - | 5 | 7 |
| Salaries, Benefits, and Taxes Payable | 16,354 | 2,041 | - | - |
| Interest Payable | 3 | 6 | 4 | - |
| Deposits Payable | 733 | 145 | 138 | - |
| Revenue Collected/Billed in Advance - Current | 2,456 | 16 | - | - |
| Other Current Liabilities | 201 | - | - | - |
| Advances from Other Funds | - | - | - | - |
| Deferred Revenues | 21,215 | 2,573 | 199,090 | 505 |
| Total Liabilities | 67,636 | 19,463 | 199,960 | 532 |

The accompanying notes are an integral part of these financial statements.

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Page 2 of 4

**BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2005
(In Thousands)**

| | <u>Other Governmental</u> | <u>Comparative Totals</u> | |
|--|-------------------------------|---------------------------|--------------------------|
| | | <u>2005</u> | <u>Restated 2004</u> |
| ASSETS | | | |
| Cash and Equity in Pooled Investments | \$ 170,959 | \$ 388,133 | \$ 299,597 |
| Cash with Fiscal Agent | - | 20 | 55 |
| Receivables, Net of Allowances | | | |
| Taxes | 5,421 | 48,099 | 44,152 |
| Accounts | 4,104 | 8,231 | 8,840 |
| Contracts and Notes | 2 | 6 | 4 |
| Interest and Dividends | 489 | 1,283 | 107 |
| Unbilled and Others | 1,343 | 2,896 | 1,473 |
| Due from Other Funds | 8,448 | 23,039 | 24,860 |
| Interfund Loans | - | - | 5,159 |
| Due from Other Governments | 15,824 | 77,252 | 67,216 |
| Inventories | 957 | 998 | 970 |
| Prepaid and Other Current Assets | - | 697 | 1,860 |
| Contracts and Notes - Noncurrent | 50,513 | 255,453 | 255,050 |
| Advances to Other Funds/Interfund Notes Receivable | - | 11,001 | 18,952 |
| Deferred Charges and Other Assets | 369 | 1,311 | 19,025 |
| | <hr/> | <hr/> | <hr/> |
| Total Assets | \$ 258,429 | \$ 818,419 | \$ 747,320 |
| LIABILITIES | | | |
| Accounts Payable | \$ 27,537 | \$ 55,279 | \$ 44,861 |
| Matured Long-Term Debt - Principal | - | 20 | 55 |
| Contracts Payable | 2,064 | 3,221 | 2,381 |
| Due to Other Funds | 8,707 | 18,314 | 40,325 |
| Due to Other Governments | 3,368 | 6,953 | 11,045 |
| Salaries, Benefits, and Taxes Payable | 6,589 | 24,984 | 23,360 |
| Interest Payable | 40 | 53 | - |
| Deposits Payable | 166 | 1,182 | 1,004 |
| Revenue Collected/Billed in Advance - Current | 1,454 | 3,926 | 3,261 |
| Other Current Liabilities | 131 | 332 | 527 |
| Advances from Other Funds | 7,501 | 7,501 | 14,351 |
| Deferred Revenues | 52,314 | 275,697 | 273,526 |
| | <hr/> | <hr/> | <hr/> |
| Total Liabilities | 109,871 | 397,462 | 414,696 |

The accompanying notes are an integral part of these financial statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2005
(In Thousands)

| | <u>General</u> | <u>Transportation</u> | <u>Low-Income Housing</u> | <u>General Bond Interest and Redemption</u> |
|--|-------------------|-----------------------|-------------------------------|---|
| FUND BALANCES | | | | |
| Reserves Legally Segregated for Future Use | | | | |
| Capital Improvements | \$ 34,896 | \$ - | \$ - | \$ - |
| Continuing Appropriations | 19,057 | 11,084 | 280 | - |
| Debt Service | 18,260 | - | - | 14,407 |
| Encumbrances | 6,786 | - | 26,005 | - |
| Health Care Union Rate Stabilization | 3,153 | - | - | - |
| Reserves Not Available for Appropriation | | | | |
| Endowments | - | - | - | - |
| Gifts | - | - | - | - |
| Interfund Loans | 11,001 | - | - | - |
| Inventories | - | - | - | - |
| Petty Cash | 2,702 | 3 | - | - |
| Unreserved, Reported in | | | | |
| Major Funds | | | | |
| Designated for Special Purposes | 73,959 | - | - | - |
| Undesignated | 33,858 | - | 16,948 | - |
| Special Revenue Funds | - | - | - | - |
| Capital Projects Funds | - | - | - | - |
| Permanent Funds | - | - | - | - |
| Total Fund Balances | <u>203,672</u> | <u>11,087</u> | <u>43,233</u> | <u>14,407</u> |
| Total Liabilities and Fund Balances | <u>\$ 271,308</u> | <u>\$ 30,550</u> | <u>\$ 243,193</u> | <u>\$ 14,939</u> |

The accompanying notes are an integral part of these financial statements.

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**BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2005
(In Thousands)**

| | <u>Other Governmental</u> | <u>Comparative Totals</u> | |
|--|-------------------------------|---------------------------|--------------------------|
| | | <u>2005</u> | <u>Restated 2004</u> |
| FUND BALANCES | | | |
| Reserves Legally Segregated for Future Use | | | |
| Capital Improvements | \$ 110,260 | \$ 145,156 | \$ 138,602 |
| Continuing Appropriations | 16,663 | 47,084 | 33,982 |
| Debt Service | 702 | 33,369 | 27,718 |
| Encumbrances | 1,446 | 34,237 | 40,096 |
| Health Care Union Rate Stabilization | - | 3,153 | 3,281 |
| Reserves Not Available for Appropriation | | | |
| Endowments | 2,050 | 2,050 | 2,050 |
| Gifts | 2,288 | 2,288 | 9,289 |
| Interfund Loans | - | 11,001 | 18,952 |
| Inventories | 711 | 711 | - |
| Petty Cash | 18 | 2,723 | 2,713 |
| Unreserved, Reported in | | | |
| Major Funds | | | |
| Designated for Special Purposes | - | 73,959 | 21,081 |
| Undesignated | - | 50,806 | 33,592 |
| Special Revenue Funds | 14,420 | 14,420 | 4,387 |
| Capital Projects Funds | - | - | (3,138) |
| Permanent Funds | - | - | 19 |
| Total Fund Balances | <u>148,558</u> | 420,957 | 332,624 |
| Total Liabilities and Fund Balances | <u>\$ 258,429</u> | | |

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

| | | |
|---|---------------------|---------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 2,372,859 | 2,295,132 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 5,919 | 25,767 |
| Internal service funds are used by management to charge the costs of Fleets and Facilities, Information Technology, and Engineering Services to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets. Adjustments to reflect the consolidation of internal service fund (ISF) activities related to enterprise funds and prior-year adjustment (B-6) are added back to ISF total net assets, and the latter amounts are included in governmental activities. | 107,276 | 105,350 |
| Negative net pension obligation shown as Net Pension Asset in governmental activities (Note 10). | 78,064 | 78,064 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | <u>(957,180)</u> | <u>(1,012,922)</u> |
| Net Adjustments | <u>1,606,938</u> | <u>1,491,391</u> |
| Net Assets of Governmental Activities | <u>\$ 2,027,896</u> | <u>\$ 1,824,015</u> |

The accompanying notes are an integral part of these financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended December 31, 2005

(In Thousands)

| | <u>General</u> | <u>Transportation</u> | <u>Low-Income Housing</u> | <u>General Bond Interest and Redemption</u> |
|--|----------------|-----------------------|-------------------------------|---|
| REVENUES | | | | |
| Taxes | \$ 659,686 | \$ - | \$ 11,859 | \$ 25,940 |
| Licenses and Permits | 18,686 | 6,012 | - | - |
| Grants, Shared Revenues, and Contributions | 22,910 | 43,507 | 6,409 | - |
| Charges for Services | 54,387 | 30,970 | 10 | - |
| Fines and Forfeits | 17,023 | 5 | - | - |
| Parking Fees and Space Rent | 15,069 | 109 | 25 | 8,837 |
| Program Income, Interest, and Miscellaneous Revenues | 21,523 | 604 | 5,201 | 1,029 |
| Total Revenues | 809,284 | 81,207 | 23,504 | 35,806 |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | 131,371 | - | - | - |
| Judicial | 19,229 | - | - | - |
| Public Safety | 329,481 | - | - | - |
| Physical Environment | 6,512 | - | - | - |
| Transportation | 16,089 | 69,329 | - | - |
| Economic Environment | 15,247 | - | 27,201 | - |
| Health and Human Services | 335 | - | - | - |
| Culture and Recreation | 3,266 | - | - | - |
| Capital Outlay | | | | |
| General Government | 5,000 | - | - | - |
| Public Safety | 4,817 | - | - | - |
| Judicial | 6 | - | - | - |
| Transportation | - | 61,555 | - | - |
| Culture and Recreation | 14,940 | - | - | - |
| Debt Service | | | | |
| Principal | - | 1,745 | - | 90,420 |
| Advance Refunding to Escrow | - | - | - | 9,596 |
| Interest | - | 438 | - | 36,019 |
| Bond Issuance Cost | - | 36 | - | 264 |
| Other | 40 | - | - | - |
| Total Expenditures | 546,333 | 133,103 | 27,201 | 136,299 |
| Excess (Deficiency) of Revenues Over Expenditures | 262,951 | (51,896) | (3,697) | (100,493) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Long-Term Debt Issued | - | 2,750 | - | 71,450 |
| Premium on Bonds Issued | - | - | - | 4,545 |
| Payment to Refunded Bond Escrow Agent | - | - | - | (75,412) |
| Sales of Capital Assets | 14,301 | - | 298 | - |
| Transfers In | 10,106 | 51,206 | - | 100,065 |
| Transfers Out | (215,862) | (452) | - | - |
| Total Other Financing Sources (Uses) | (191,455) | 53,504 | 298 | 100,648 |
| Net Change in Fund Balances | 71,496 | 1,608 | (3,399) | 155 |
| Fund Balances - Beginning of Year | 132,176 | 9,479 | 46,632 | 14,252 |
| Fund Balances - End of Year | \$ 203,672 | \$ 11,087 | \$ 43,233 | \$ 14,407 |

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

Page 2 of 2

IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended December 31, 2005

(In Thousands)

| | <u>Other Governmental</u> | <u>Comparative Totals</u> | |
|--|-------------------------------|---------------------------|--------------------------|
| | | <u>2005</u> | <u>Restated 2004</u> |
| REVENUES | | | |
| Taxes | \$ 102,443 | \$ 799,928 | \$ 731,373 |
| Licenses and Permits | 914 | 25,612 | 19,028 |
| Grants, Shared Revenues, and Contributions | 58,759 | 131,585 | 117,362 |
| Charges for Services | 42,069 | 127,436 | 112,690 |
| Fines and Forfeits | 2,731 | 19,759 | 20,795 |
| Parking Fees and Space Rent | 18,663 | 42,703 | 49,548 |
| Program Income, Interest, and Miscellaneous Revenues | 40,611 | 68,968 | 32,497 |
| | <hr/> | <hr/> | <hr/> |
| Total Revenues | 266,190 | 1,215,991 | 1,083,293 |
| EXPENDITURES | | | |
| Current | | | |
| General Government | 4,938 | 136,309 | 135,100 |
| Judicial | - | 19,229 | 19,057 |
| Public Safety | 4,067 | 333,548 | 310,112 |
| Physical Environment | 390 | 6,902 | 5,814 |
| Transportation | 9,388 | 94,806 | 69,448 |
| Economic Environment | 56,294 | 98,742 | 82,525 |
| Health and Human Services | 29,581 | 29,916 | 27,988 |
| Culture and Recreation | 178,052 | 181,318 | 182,128 |
| Capital Outlay | | | |
| General Government | 31,885 | 36,885 | 50,014 |
| Public Safety | 12 | 4,829 | 5,804 |
| Judicial | - | 6 | - |
| Transportation | - | 61,555 | 43,788 |
| Culture and Recreation | 62,083 | 77,023 | 97,426 |
| Debt Service | | | |
| Principal | 33 | 92,198 | 50,736 |
| Advance Refunding to Escrow | - | 9,596 | 4,558 |
| Interest | 5 | 36,462 | 40,254 |
| Bond Issuance Cost | 138 | 438 | 799 |
| Other | - | 40 | 160 |
| | <hr/> | <hr/> | <hr/> |
| Total Expenditures | 376,866 | 1,219,802 | 1,125,711 |
| Excess (Deficiency) of Revenues Over Expenditures | (110,676) | (3,811) | (42,418) |
| OTHER FINANCING SOURCES (USES) | | | |
| Long-Term Debt Issued | 58,090 | 132,290 | 91,805 |
| Premium on Bonds Issued | 3,292 | 7,837 | 4,322 |
| Payment to Refunded Bond Escrow Agent | - | (75,412) | (92,833) |
| Sales of Capital Assets | 12,619 | 27,218 | 2,980 |
| Transfers In | 128,692 | 290,069 | 231,518 |
| Transfers Out | (73,543) | (289,857) | (242,663) |
| | <hr/> | <hr/> | <hr/> |
| Total Other Financing Sources (Uses) | 129,150 | 92,145 | (4,871) |
| Net Change in Fund Balances | 18,474 | 88,334 | (47,289) |
| Fund Balances - Beginning of Year | 130,084 | 332,623 | 379,912 |
| | <hr/> | <hr/> | <hr/> |
| Fund Balances - End of Year | \$ 148,558 | \$ 420,957 | \$ 332,623 |

The accompanying notes are an integral part of these financial statements.

**B-5 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, 2005
(In Thousands)**

| | <u>Comparative Totals</u> | |
|---|---------------------------|--------------------------|
| | <u>2005</u> | <u>Restated 2004</u> |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Net change in fund balance - total governmental funds | \$ 88,334 | \$ (47,289) |
| Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense: | | |
| Depreciation expense for the year | (69,734) | (62,976) |
| Capital outlay reported as expenditure | 164,775 | 185,749 |
| Retirement and sale of capital assets | (18,985) | (577) |
| Capital assets received as donations | 1,671 | 381 |
| Collection of interfund receivable related to sale of capital assets as deferred to governmental funds | (5,159) | - |
| The long-term loan receivable from Seattle Monorail project is recorded as deferred revenue in governmental funds. | (20,000) | - |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 152 | 14 |
| The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premium, discount, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are the result of the differences in the treatment of long-term debt and related items: | | |
| Proceeds of general obligation bonds | (58,090) | - |
| Proceeds of long-term intergovernmental loan | (2,750) | - |
| Premium on general obligation bonds | (7,837) | (4,322) |
| Proceeds from bond refunding | (71,450) | (91,805) |
| Capital lease payments | - | 39 |
| Principal payments bonds/notes | 92,197 | 50,697 |
| Bond interest accruals | (3,116) | 2,654 |
| Remittance to refunding escrow using City funds | 9,599 | 4,558 |
| Bond issuance cost deferrals | 478 | 799 |
| Amortization of accounting loss on early extinguishment of long-term debt | (406) | (3,919) |
| Remittance to refunding escrow using refunding proceeds, including related premiums | 75,412 | 92,833 |
| Amortization of bond discounts, premiums, refunding losses, and debt expense | (287) | (260) |
| 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: | | |
| Compensated absences | (1,561) | (2,908) |
| Injury and damage claims | 28,204 | (10,422) |
| Workers' compensation | 370 | (909) |
| Arbitrage | 137 | 1,127 |
| Internal service funds are used by management to charge the cost of Fleets and Facilities, Information Technology, and Engineering Services to individual funds. Adjustments reflect the consolidation of internal service funds activities to governmental funds: | | |
| Operating loss (income) allocated to proprietary funds | (1,561) | 552 |
| Net revenue of internal service funds activities reported with governmental activities | 3,487 | 1,843 |
| Change in Net Assets of Governmental Activities | <u>\$ 203,880</u> | <u>\$ 115,859</u> |

The accompanying notes are an integral part of these financial statements.

MAJOR PROPRIETARY FUNDS

The **Light Fund** (City Light) accounts for the operations of the City-owned electric utility. City Light owns and operates generating, transmission and distribution facilities and serves approximately 376,000 customers in the Seattle area.

The **Water Fund** accounts for the operations of the City-owned water utility. It maintains three separate sources of water supply, namely the Tolt and Cedar River watersheds, and Seattle wellfields; approximately 180 miles of supply mains and distribution storage capacity of 494 million gallons in reservoirs, tanks, and standpipes. The distribution system serves a population of about 630,000 people. The utility also sells to 25 surrounding cities and water districts that provide water to an additional 720,000 people.

The **Drainage and Wastewater Fund** accounts for the operations of the sewer and drainage utility facilities and its pumping stations. Those facilities and stations are necessary to collect the sewage of the City and discharge it into King County's treatment and disposal systems. The utility maintains about 1,900 miles of sewers and drainage mainlines, nearly one-half of which are separate sanitary sewers and storm mainlines.

Descriptions for the **nonmajor enterprise funds** and the internal funds are provided in the combining statements section.

The accompanying notes are an integral part of these financial statements.

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2005

(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|-----------|-----------|------------------|
| | Light | | Water | |
| | 2005 | 2004 | 2005 | Restated 2004 |
| ASSETS | | | | |
| <i>Current Assets</i> | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 141,898 | \$ 60,715 | \$ 8,879 | \$ 6,011 |
| Restricted Cash and Equity in Pooled Investments | - | 5,219 | 18,743 | 13,104 |
| Receivables, Net of Allowances | | | | |
| Accounts | 63,302 | 78,403 | 9,200 | 9,538 |
| Interest and Dividends | 495 | - | 83 | - |
| Unbilled | 60,731 | 61,804 | 7,177 | 7,272 |
| Energy Contracts, Notes, and Other Contracts | 1,835 | 1,825 | 74 | 97 |
| Restricted Investments | - | - | 35,224 | - |
| Restricted Investment Interest Receivables | - | - | 127 | - |
| Due from Other Funds | 2,612 | 20,730 | 1,306 | 1,387 |
| Due from Other Governments | 3,437 | 9,513 | 817 | 1,384 |
| Materials and Supplies Inventory | 21,651 | 18,886 | 4,483 | 4,611 |
| Prepayments and Other Current Assets | 939 | 546 | 5 | 13 |
| Total Current Assets | 296,900 | 257,641 | 86,118 | 43,417 |
| <i>Noncurrent Assets</i> | | | | |
| Restricted Cash and Equity in Pooled Investments | 35,815 | 91,611 | 13,127 | 17,538 |
| Restricted Investments | - | 26,888 | - | 88,194 |
| Restricted Receivables and Other | - | - | - | - |
| Unamortized Bond Issue Costs, Net | 8,018 | 6,169 | 5,133 | 5,250 |
| Notes and Contracts Receivable | - | - | 255 | 334 |
| Capitalized Purchased Power Commitment | 25,891 | 35,663 | - | - |
| Deferred Conservation Costs, Net | 130,658 | 124,316 | 26,990 | 25,928 |
| Deferred Landfill Closure and Postclosure Costs, Net | - | - | - | - |
| Deferred External Infrastructure Costs | - | - | - | - |
| Capitalized Relicensing Costs | 24,159 | 16,013 | - | - |
| Deferred Muckleshoot Settlement Costs | - | - | 18,000 | - |
| Other Deferred Charges | 76,571 | 59,706 | 7,329 | 5,481 |
| Capital Assets | | | | |
| Land and Land Rights | 41,242 | 40,646 | 15,120 | 15,073 |
| Plant in Service, Excluding Land | 2,356,719 | 2,249,506 | 1,241,602 | 1,198,846 |
| Less Accumulated Depreciation | (1,047,055) | (980,740) | (349,961) | (326,684) |
| Building and Improvements | - | - | - | - |
| Less Accumulated Depreciation | - | - | - | - |
| Machinery and Equipment | - | - | - | - |
| Less Accumulated Depreciation | - | - | - | - |
| Construction in Progress | 76,938 | 85,659 | 78,184 | 70,515 |
| Other Property, Net | 30,891 | 13,112 | 275 | 275 |
| Total Noncurrent Assets | 1,759,847 | 1,768,549 | 1,056,054 | 1,100,750 |
| Total Assets | 2,056,747 | 2,026,190 | 1,142,172 | 1,144,167 |

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2005

(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | |
|--|--|--------------------------|-----------------------|--------------------------|
| | Drainage and Wastewater | | Nonmajor Funds | |
| | 2005 | Restated 2004 | 2005 | Restated 2004 |
| ASSETS | | | | |
| <i>Current Assets</i> | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 8,752 | \$ 7,676 | \$ 27,320 | \$ 25,009 |
| Restricted Cash and Equity in Pooled Investments | 5,529 | 4,097 | - | - |
| Receivables, Net of Allowances | | | | |
| Accounts | 10,985 | 10,497 | 11,624 | 13,083 |
| Interest and Dividends | 45 | - | 70 | - |
| Unbilled | 11,835 | 10,829 | 249 | 266 |
| Energy Contracts, Notes, and Other Contracts | 2 | 10 | - | - |
| Restricted Investments | 17,925 | - | - | - |
| Restricted Investment Interest Receivables | 138 | - | - | - |
| Due from Other Funds | 1,298 | 778 | 1,185 | 974 |
| Due from Other Governments | 328 | 1,022 | 186 | 220 |
| Materials and Supplies Inventory | - | - | 7 | 77 |
| Prepayments and Other Current Assets | 2 | 1 | - | - |
| | 56,839 | 34,910 | 40,641 | 39,629 |
| Total Current Assets | | | | |
| <i>Noncurrent Assets</i> | | | | |
| Restricted Cash and Equity in Pooled Investments | 5,631 | 5,477 | - | 13 |
| Restricted Investments | - | 46,982 | - | - |
| Restricted Receivables and Other | - | 42 | - | - |
| Unamortized Bond Issue Costs, Net | 2,285 | 2,375 | 475 | 537 |
| Notes and Contracts Receivable | - | - | - | - |
| Capitalized Purchased Power Commitment | - | - | - | - |
| Deferred Conservation Costs, Net | - | - | - | - |
| Deferred Landfill Closure and Postclosure Costs, Net | - | - | 35,585 | 38,760 |
| Deferred External Infrastructure Costs | 22,126 | 20,367 | - | - |
| Capitalized Relicensing Costs | - | - | - | - |
| Deferred Muckleshoot Settlement Costs | - | - | - | - |
| Other Deferred Charges | 24,185 | 21,213 | 1,633 | 1,891 |
| Capital Assets | | | | |
| Land and Land Rights | 9,531 | 7,375 | 1,791 | 1,791 |
| Plant in Service, Excluding Land | 578,322 | 556,521 | 42,797 | 36,803 |
| Less Accumulated Depreciation | (153,832) | (144,343) | (20,926) | (20,576) |
| Building and Improvements | - | - | 73,012 | 73,013 |
| Less Accumulated Depreciation | - | - | (17,036) | (14,603) |
| Machinery and Equipment | - | - | 13,319 | 10,582 |
| Less Accumulated Depreciation | - | - | (4,210) | (3,115) |
| Construction in Progress | 37,781 | 29,123 | 5,588 | 6,746 |
| Other Property, Net | - | - | 1,730 | 1,730 |
| | 526,029 | 545,132 | 133,758 | 133,572 |
| Total Noncurrent Assets | | | | |
| Total Assets | 582,868 | 580,042 | 174,399 | 173,201 |

The accompanying notes are an integral part of these financial statements.

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2005

(In Thousands)

| | Business-Type Activities - Enterprise Funds | | Governmental Activities - Internal Service Funds | |
|--|--|------------------|---|-----------|
| | Comparative Totals | | 2005 | 2004 |
| | 2005 | Restated 2004 | | |
| ASSETS | | | | |
| <i>Current Assets</i> | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 186,849 | \$ 99,411 | \$ 43,121 | \$ 42,984 |
| Restricted Cash and Equity in Pooled Investments | 24,272 | 22,420 | - | - |
| Receivables, Net of Allowances | | | | |
| Accounts | 95,111 | 111,521 | 617 | 85 |
| Interest and Dividends | 693 | - | 127 | - |
| Unbilled | 79,992 | 80,171 | 6 | 5 |
| Energy Contracts, Notes, and Other Contracts | 1,911 | 1,932 | - | - |
| Restricted Investments | 53,149 | - | - | - |
| Restricted Investment Interest Receivables | 265 | - | - | - |
| Due from Other Funds | 6,401 | 23,869 | 7,081 | 5,501 |
| Due from Other Governments | 4,768 | 12,139 | 3,340 | 2,831 |
| Materials and Supplies Inventory | 26,141 | 23,574 | 2,207 | 2,062 |
| Prepayments and Other Current Assets | 946 | 560 | - | - |
| Total Current Assets | 480,498 | 375,597 | 56,499 | 53,468 |
| <i>Noncurrent Assets</i> | | | | |
| Restricted Cash and Equity in Pooled Investments | 54,573 | 114,639 | 83 | 5 |
| Restricted Investments | - | 162,064 | - | - |
| Restricted Receivables and Other | - | 42 | - | - |
| Unamortized Bond Issue Costs, Net | 15,911 | 14,331 | - | - |
| Notes and Contracts Receivable | 255 | 334 | - | - |
| Capitalized Purchased Power Commitment | 25,891 | 35,663 | - | - |
| Deferred Conservation Costs, Net | 157,648 | 150,244 | - | - |
| Deferred Landfill Closure and Postclosure Costs, Net | 35,585 | 38,760 | - | - |
| Deferred External Infrastructure Costs | 22,126 | 20,367 | - | - |
| Capitalized Relicensing Costs | 24,159 | 16,013 | - | - |
| Deferred Muckleshoot Settlement Costs | 18,000 | - | - | - |
| Other Deferred Charges | 109,718 | 88,291 | - | - |
| Capital Assets | | | | |
| Land and Land Rights | 67,684 | 64,885 | 81 | 81 |
| Plant in Service, Excluding Land | 4,219,440 | 4,041,676 | - | - |
| Less Accumulated Depreciation | (1,571,774) | (1,472,343) | - | - |
| Building and Improvements | 73,012 | 73,013 | 2,574 | 2,528 |
| Less Accumulated Depreciation | (17,036) | (14,603) | (482) | (660) |
| Machinery and Equipment | 13,319 | 10,582 | 146,019 | 146,958 |
| Less Accumulated Depreciation | (4,210) | (3,115) | (79,153) | (79,953) |
| Construction in Progress | 198,491 | 192,043 | 5,333 | 3,471 |
| Other Property, Net | 32,896 | 15,117 | - | - |
| Total Noncurrent Assets | 3,475,688 | 3,548,003 | 74,455 | 72,430 |
| Total Assets | 3,956,186 | 3,923,600 | 130,954 | 125,898 |

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF NET ASSETS

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PROPRIETARY FUNDS

December 31, 2005

(In Thousands)

| LIABILITIES | Business-Type Activities - Enterprise Funds | | | |
|---|--|-------------------|-------------------|--------------------------|
| | Light | | Water | |
| | 2005 | 2004 | 2005 | Restated 2004 |
| Current Liabilities | | | | |
| Accounts Payable | \$ 55,873 | \$ 37,530 | \$ 4,655 | \$ 5,782 |
| Salaries, Benefits, and Payroll Taxes Payable | 8,157 | 6,018 | 2,150 | 2,148 |
| Contracts Payable | - | - | - | - |
| Compensated Absences Payable | 511 | 480 | 382 | 359 |
| Interfund Loans Payable | - | 5,159 | - | - |
| Due to Other Funds | 6,439 | 5,273 | 2,575 | 2,070 |
| Due to Other Governments | - | - | 56 | 674 |
| Interest Payable | 21,084 | 16,226 | 8,414 | 11,659 |
| Street Refund Payable | 3,864 | 19,998 | - | - |
| Deferred Interest on Long-Term Debt Due Within One Year | - | - | - | - |
| Taxes Payable | 8,830 | 8,367 | 495 | 619 |
| General Obligation Bonds Due Within One Year | - | - | - | - |
| Revenue Bonds Due Within One Year | 63,435 | 64,596 | 24,090 | 22,470 |
| Energy and Other Contracts Payable | 1,276 | 1,710 | - | - |
| Claims Payable | 4,527 | 6,098 | 1,504 | 1,938 |
| Purchased Power Obligation | 11,240 | 10,705 | - | - |
| Notes and Contracts Payable | 5,275 | - | 118 | 118 |
| Muckleshoot Settlement Liability | - | - | 18,000 | - |
| Landfill Closure and Postclosure Liability | - | - | - | - |
| Deferred Credits | 6,090 | 2,901 | 1,436 | 2,463 |
| Other Current Liabilities | 2,560 | 2,910 | - | - |
| Total Current Liabilities | 199,161 | 187,971 | 63,875 | 50,300 |
| Noncurrent Liabilities | | | | |
| Advances from Other Funds/Interfund Notes Payable | - | - | - | - |
| Compensated Absences Payable | 10,480 | 10,369 | 3,555 | 3,257 |
| Claims Payable | 13,861 | 9,507 | 3,837 | 4,360 |
| Notes and Contracts Payable | 4,319 | - | - | - |
| Long-Term Purchased Power Obligation | 25,891 | 35,663 | - | - |
| Less Obligation Due Within One Year | (11,240) | (10,705) | - | - |
| Public Works Trust Loan | - | - | 828 | 946 |
| Landfill Closure and Postclosure Liability | - | - | - | - |
| Vendor and Other Deposits Payable | - | - | 205 | 163 |
| Deferred Credits | 30,789 | 30,029 | 11,936 | 10,898 |
| Other Noncurrent Liabilities | 192 | 176 | 159 | 15 |
| General Obligation Bonds, Due Serially | - | - | - | - |
| Less Bonds Due Within One Year | - | - | - | - |
| Bond Discount and Premium, Net | - | - | - | - |
| Accrued Interest on Deferred Interest Bonds | - | - | - | - |
| Less Accrued Interest Due Within One Year | - | - | - | - |
| Revenue Bonds and Anticipation Notes | 1,472,650 | 1,537,246 | 776,790 | 794,635 |
| Less Revenue Bonds Due Within One Year | (63,435) | (64,596) | (24,090) | (22,470) |
| Bond Discount and Premium, Net | 36,126 | 40,103 | 21,589 | 14,799 |
| Deferred Loss on Advanced Refunding | (47,844) | (53,460) | (18,576) | (11,080) |
| Total Noncurrent Liabilities | 1,471,789 | 1,534,332 | 776,233 | 795,523 |
| Total Liabilities | 1,670,950 | 1,722,303 | 840,108 | 845,823 |
| NET ASSETS | | | | |
| Invested in Capital Assets, Net of Related Debt | 151,092 | 128,454 | 285,513 | 284,121 |
| Restricted for Other Purposes | 102,223 | 72,156 | 13,631 | 16,330 |
| Unrestricted | 132,482 | 103,277 | 2,920 | (2,107) |
| Total Net Assets | \$ 385,797 | \$ 303,887 | \$ 302,064 | \$ 298,344 |

Adjustment to Reflect the Consolidation of Internal
Service Fund Activities Related to Enterprise Funds

Net Assets of Business-Type Activities

The accompanying notes are an integral part of these financial statements.

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2005

(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|------------------|----------------|------------------|
| | Drainage and Wastewater | | Nonmajor Funds | |
| | 2005 | Restated 2004 | 2005 | Restated 2004 |
| LIABILITIES | | | | |
| <i>Current Liabilities</i> | | | | |
| Accounts Payable | \$ 3,752 | \$ 2,850 | \$ 8,560 | \$ 9,359 |
| Salaries, Benefits, and Payroll Taxes Payable | 1,357 | 1,236 | 1,847 | 1,660 |
| Contracts Payable | - | - | - | 3 |
| Compensated Absences Payable | 214 | 201 | 380 | 343 |
| Interfund Loans Payable | - | - | - | - |
| Due to Other Funds | 3,993 | 2,512 | 1,439 | 1,131 |
| Due to Other Governments | 7,587 | 7,210 | 373 | 271 |
| Interest Payable | 4,049 | 3,628 | 560 | 644 |
| Street Refund Payable | - | - | - | - |
| Deferred Interest on Long-Term Debt Due Within One Year | - | - | 459 | 370 |
| Taxes Payable | 140 | 172 | 200 | 208 |
| General Obligation Bonds Due Within One Year | - | - | 1,101 | 1,050 |
| Revenue Bonds Due Within One Year | 6,755 | 6,325 | 16,146 | 11,941 |
| Energy and Other Contracts Payable | - | - | - | - |
| Claims Payable | 4,313 | 3,602 | 273 | 499 |
| Purchased Power Obligation | - | - | - | - |
| Notes and Contracts Payable | 198 | 9 | - | - |
| Muckleshoot Settlement Liability | - | - | - | - |
| Landfill Closure and Postclosure Liability | - | - | 1,610 | 1,785 |
| Deferred Credits | 443 | 271 | 13,664 | 11,547 |
| Other Current Liabilities | - | 41 | - | 1,026 |
| Total Current Liabilities | 32,801 | 28,057 | 46,612 | 41,837 |
| <i>Noncurrent Liabilities</i> | | | | |
| Advances from Other Funds/Interfund Notes Payable | - | - | - | - |
| Compensated Absences Payable | 1,991 | 1,824 | 3,027 | 2,726 |
| Claims Payable | 10,368 | 10,167 | 607 | 667 |
| Notes and Contracts Payable | - | - | - | - |
| Long-Term Purchased Power Obligation | - | - | - | - |
| Less Obligation Due Within One Year | - | - | - | - |
| Public Works Trust Loan | 4,043 | 865 | - | - |
| Landfill Closure and Postclosure Liability | - | - | 27,672 | 29,244 |
| Vendor and Other Deposits Payable | 245 | 231 | - | (2) |
| Deferred Credits | - | - | - | - |
| Other Noncurrent Liabilities | 54 | 93 | - | - |
| General Obligation Bonds, Due Serially | - | - | 71,124 | 72,174 |
| Less Bonds Due Within One Year | - | - | (1,101) | (1,050) |
| Bond Discount and Premium, Net | - | - | 306 | 320 |
| Accrued Interest on Deferred Interest Bonds | - | - | 4,029 | 3,694 |
| Less Accrued Interest Due Within One Year | - | - | (459) | (370) |
| Revenue Bonds and Anticipation Notes | 294,870 | 301,195 | 33,471 | 33,436 |
| Less Revenue Bonds Due Within One Year | (6,755) | (6,325) | (16,146) | (11,941) |
| Bond Discount and Premium, Net | 2,660 | 2,747 | 399 | 522 |
| Deferred Loss on Advanced Refunding | (1,887) | (2,007) | (739) | (945) |
| Total Noncurrent Liabilities | 305,589 | 308,790 | 122,190 | 128,475 |
| Total Liabilities | 338,390 | 336,847 | 168,802 | 170,312 |
| NET ASSETS | | | | |
| Invested in Capital Assets, Net of Related Debt | 219,397 | 218,892 | 13,673 | 9,549 |
| Restricted for Other Purposes | 25,849 | 25,525 | 1,071 | 784 |
| Unrestricted | (768) | (1,222) | (9,147) | (7,444) |
| Total Net Assets | \$ 244,478 | \$ 243,195 | \$ 5,597 | \$ 2,889 |

Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds

Net Assets of Business-Type Activities

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF NET ASSETS

Page 6 of 6

PROPRIETARY FUNDS

December 31, 2005

(In Thousands)

| LIABILITIES | Business-Type Activities - Enterprise Funds | | Governmental Activities - Internal Service Funds | |
|--|--|------------------|---|------------|
| | Comparative Totals | | | |
| | 2005 | Restated 2004 | 2005 | 2004 |
| Current Liabilities | | | | |
| Accounts Payable | \$ 72,840 | \$ 55,521 | \$ 5,675 | \$ 3,966 |
| Salaries, Benefits, and Payroll Taxes Payable | 13,511 | 11,062 | 2,041 | 1,962 |
| Contracts Payable | (0) | 3 | 105 | 48 |
| Compensated Absences Payable | 1,487 | 1,383 | 320 | 308 |
| Interfund Loans Payable | - | 5,159 | - | - |
| Due to Other Funds | 14,446 | 10,986 | 3,337 | 1,502 |
| Due to Other Governments | 8,016 | 8,155 | - | - |
| Interest Payable | 34,107 | 32,157 | 196 | 79 |
| Street Refund Payable | 3,864 | 19,998 | - | - |
| Deferred Interest on Long-Term Debt Due Within One Year | 459 | 370 | - | - |
| Taxes Payable | 9,665 | 9,366 | 31 | 21 |
| General Obligation Bonds Due Within One Year | 1,101 | 1,050 | 780 | 950 |
| Revenue Bonds Due Within One Year | 110,426 | 105,332 | - | - |
| Energy and Other Contracts Payable | 1,276 | 1,710 | - | - |
| Claims Payable | 10,617 | 12,137 | 456 | 452 |
| Purchased Power Obligation | 11,240 | 10,705 | - | - |
| Notes and Contracts Payable | 5,591 | 127 | 361 | 348 |
| Muckleshoot Settlement Liability | 18,000 | - | - | - |
| Landfill Closure and Postclosure Liability | 1,610 | 1,785 | - | - |
| Deferred Credits | 21,633 | 17,182 | - | - |
| Other Current Liabilities | 2,560 | 3,977 | - | - |
| Total Current Liabilities | 342,449 | 308,165 | 13,302 | 9,636 |
| Noncurrent Liabilities | | | | |
| Advances from Other Funds/Interfund Notes Payable | - | - | 3,500 | 4,600 |
| Compensated Absences Payable | 19,053 | 18,176 | 3,130 | 2,990 |
| Claims Payable | 28,673 | 24,701 | 969 | 1,060 |
| Notes and Contracts Payable | 4,319 | - | 381 | 743 |
| Long-Term Purchased Power Obligation | 25,891 | 35,663 | - | - |
| Less Obligation Due Within One Year | (11,240) | (10,705) | - | - |
| Public Works Trust Loan | 4,871 | 1,811 | - | - |
| Landfill Closure and Postclosure Liability | 27,672 | 29,244 | - | - |
| Vendor and Other Deposits Payable | 450 | 392 | 83 | 5 |
| Deferred Credits | 42,725 | 40,927 | - | - |
| Other Noncurrent Liabilities | 405 | 284 | 886 | 836 |
| General Obligation Bonds, Due Serially | 71,124 | 72,174 | 2,455 | 3,405 |
| Less Bonds Due Within One Year | (1,101) | (1,050) | (780) | (950) |
| Bond Discount and Premium, Net | 306 | 320 | 79 | 110 |
| Accrued Interest on Deferred Interest Bonds | 4,029 | 3,694 | - | - |
| Less Accrued Interest Due Within One Year | (459) | (370) | - | - |
| Revenue Bonds and Anticipation Notes | 2,577,781 | 2,666,512 | - | - |
| Less Revenue Bonds Due Within One Year | (110,426) | (105,332) | - | - |
| Bond Discount and Premium, Net | 60,774 | 58,171 | - | - |
| Deferred Loss on Advanced Refunding | (69,046) | (67,492) | - | - |
| Total Noncurrent Liabilities | 2,675,801 | 2,767,120 | 10,703 | 12,799 |
| Total Liabilities | 3,018,250 | 3,075,285 | 24,005 | 22,435 |
| NET ASSETS | | | | |
| Invested in Capital Assets, Net of Related Debt | 669,675 | 641,016 | 71,097 | 68,911 |
| Restricted for Other Purposes | 142,774 | 114,795 | - | - |
| Unrestricted | 125,487 | 92,504 | 35,852 | 34,553 |
| Total Net Assets | \$ 937,936 | \$ 848,315 | \$ 106,949 | \$ 103,464 |
| Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds | (327) | (1,888) | | |
| Net Assets of Business-Type Activities | \$ 937,609 | \$ 846,427 | | |

The accompanying notes are an integral part of these financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES

IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended December 31, 2005

(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|------------|------------|------------|
| | Light | | Water | |
| | 2005 | 2004 | 2005 | 2004 |
| OPERATING REVENUES | | | | |
| Charges for Services and Other Revenues | \$ 748,553 | \$ 777,919 | \$ 146,119 | \$ 141,313 |
| OPERATING EXPENSES | | | | |
| Long-Term Purchased Power | 225,061 | 229,416 | - | - |
| Short-Term Wholesale Power Purchases | 62,214 | 49,714 | - | - |
| Generation | 18,896 | 20,284 | - | - |
| Transmission | 38,163 | 36,283 | - | - |
| Distribution | 40,403 | 40,973 | - | - |
| Energy Management and Other Power Expenses | 20,296 | 18,312 | - | - |
| Resource Management | - | - | 9,967 | 7,398 |
| Field Operations | - | - | 27,094 | 26,120 |
| Engineering Services | - | - | 3,372 | 3,510 |
| Customer Services | 31,639 | 33,681 | 8,029 | 7,487 |
| Wastewater Treatment | - | - | - | - |
| Solid Waste Collection | - | - | - | - |
| Operations and Maintenance | - | - | - | - |
| General and Administrative | 52,746 | 46,043 | 12,857 | 11,270 |
| City Business and Occupation Taxes | 33,394 | 34,488 | 14,114 | 9,933 |
| Other Taxes | 27,232 | 26,956 | 5,050 | 5,572 |
| Amortization of Deferred Power Costs | - | 100,000 | - | - |
| Amortization of Landfill and Postclosure Costs | - | - | - | - |
| Depreciation and Other Amortization | 74,549 | 73,853 | 34,816 | 29,705 |
| Total Operating Expenses | 624,593 | 710,003 | 115,299 | 100,995 |
| Operating Income (Loss) | 123,960 | 67,916 | 30,820 | 40,318 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment and Interest Income | 5,710 | 2,481 | 2,492 | 1,023 |
| Interest Expense | (71,324) | (73,824) | (34,778) | (28,415) |
| Amortization of Debt Costs | (2,322) | (2,481) | (266) | (269) |
| Gain (Loss) on Sale of Capital Assets | 283 | 2,154 | 10 | 946 |
| Contributions and Grants | 1,991 | 1,191 | 321 | 148 |
| Others, Net | (576) | (349) | 349 | 693 |
| Total Nonoperating Revenues (Expenses) | (66,238) | (70,828) | (31,872) | (25,874) |
| Income (Loss) Before Capital Contributions and Grants and Transfers | 57,722 | (2,912) | (1,052) | 14,444 |
| Capital Contributions and Grants | 24,188 | 16,673 | 4,773 | 3,399 |
| Transfers In | - | - | - | - |
| Transfers Out | - | - | - | - |
| Change in Net Assets | 81,910 | 13,761 | 3,721 | 17,843 |
| Net Assets -Beginning of Year | 303,887 | 290,126 | 298,343 | 280,500 |
| Net Assets - End of Year | \$ 385,797 | \$ 303,887 | \$ 302,064 | \$ 298,343 |
| Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds | | | | |
| Change in Net Assets of Business-Type Activities | | | | |

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF REVENUES, EXPENSES, AND CHANGES

Page 2 of 3

IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended December 31, 2005

(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | |
|---|--|-------------|-----------------------|--------------------------|
| | Drainage and Wastewater | | Nonmajor Funds | |
| | 2005 | 2004 | 2005 | Restated 2004 |
| OPERATING REVENUES | | | | |
| Charges for Services and Other Revenues | \$ 176,482 | \$ 162,118 | \$ 156,522 | \$ 151,702 |
| OPERATING EXPENSES | | | | |
| Long-Term Purchased Power | - | - | - | - |
| Short-Term Wholesale Power Purchases | - | - | - | - |
| Generation | - | - | - | - |
| Transmission | - | - | - | - |
| Distribution | - | - | - | - |
| Energy Management and Other Power Expenses | - | - | - | - |
| Resource Management | 7,113 | 7,262 | 7,508 | 6,973 |
| Field Operations | 11,091 | 12,180 | 8,679 | 7,525 |
| Engineering Services | 3,420 | 3,105 | 98 | 747 |
| Customer Services | 5,269 | 6,011 | 5,677 | 5,323 |
| Wastewater Treatment | 90,491 | 83,711 | - | - |
| Solid Waste Collection | - | - | 58,035 | 59,521 |
| Operations and Maintenance | - | - | 37,701 | 40,355 |
| General and Administrative | 12,458 | 11,319 | 13,790 | 12,959 |
| City Business and Occupation Taxes | 20,079 | 15,793 | 14,948 | 14,742 |
| Other Taxes | 752 | 2,247 | 1,529 | 1,519 |
| Amortization of Deferred Power Costs | - | - | - | - |
| Amortization of Landfill and Postclosure Costs | - | - | 3,175 | 2,724 |
| Depreciation and Other Amortization | 14,673 | 11,407 | 6,625 | 6,335 |
| Total Operating Expenses | 165,346 | 153,035 | 157,765 | 158,723 |
| Operating Income (Loss) | 11,136 | 9,083 | (1,243) | (7,021) |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment and Interest Income | 1,898 | 376 | 711 | 390 |
| Interest Expense | (13,721) | (10,770) | (5,496) | (5,551) |
| Amortization of Debt Costs | (90) | (75) | 60 | 60 |
| Gain (Loss) on Sale of Capital Assets | - | - | 145 | 272 |
| Contributions and Grants | 571 | 274 | 310 | 846 |
| Others, Net | 10 | (4,822) | (324) | (253) |
| Total Nonoperating Revenues (Expenses) | (11,332) | (15,017) | (4,594) | (4,236) |
| Income (Loss) Before Capital Contributions and Grants and Transfers | (196) | (5,934) | (5,837) | (11,257) |
| Capital Contributions and Grants | 1,479 | 939 | 89 | 162 |
| Transfers In | - | - | 8,456 | 9,762 |
| Transfers Out | - | - | - | (25) |
| Change in Net Assets | 1,283 | (4,995) | 2,708 | (1,358) |
| Net Assets -Beginning of Year | 243,195 | 248,190 | 2,889 | 4,247 |
| Net Assets - End of Year | \$ 244,478 | \$ 243,195 | \$ 5,597 | \$ 2,889 |
| Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds | | | | |
| Change in Net Assets of Business-Type Activities | | | | |

The accompanying notes are an integral part of these financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES

IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended December 31, 2005

(In Thousands)

| | Business-Type Activities - Enterprise Funds | | Governmental Activities - Internal Service Funds | |
|--|--|------------------|---|------------|
| | Comparative Totals | | | |
| | 2005 | Restated 2004 | 2005 | 2004 |
| OPERATING REVENUES | | | | |
| Charges for Services and Other Revenues | \$ 1,227,676 | \$ 1,233,052 | \$ 115,534 | \$ 95,649 |
| OPERATING EXPENSES | | | | |
| Long-Term Purchased Power | 225,061 | 229,416 | - | - |
| Short-Term Wholesale Power Purchases | 62,214 | 49,714 | - | - |
| Generation | 18,896 | 20,284 | - | - |
| Transmission | 38,163 | 36,283 | - | - |
| Distribution | 40,403 | 40,973 | - | - |
| Energy Management and Other Power Expenses | 20,296 | 18,312 | - | - |
| Resource Management | 24,588 | 21,633 | - | - |
| Field Operations | 46,864 | 45,825 | - | - |
| Engineering Services | 6,890 | 7,362 | 6,817 | 5,747 |
| Customer Services | 50,614 | 52,502 | - | - |
| Wastewater Treatment | 90,491 | 83,711 | - | - |
| Solid Waste Collection | 58,035 | 59,521 | - | - |
| Operations and Maintenance | 37,701 | 40,355 | 79,912 | 69,533 |
| General and Administrative | 91,851 | 81,591 | 7,845 | 8,164 |
| City Business and Occupation Taxes | 82,535 | 74,956 | 5 | 20 |
| Other Taxes | 34,563 | 36,294 | 252 | 206 |
| Amortization of Deferred Power Costs | - | 100,000 | - | - |
| Amortization of Landfill and Postclosure Costs | 3,175 | 2,724 | - | - |
| Depreciation and Other Amortization | 130,663 | 121,300 | 13,261 | 13,030 |
| Total Operating Expenses | 1,063,003 | 1,122,756 | 108,092 | 96,700 |
| Operating Income (Loss) | 164,673 | 110,296 | 7,442 | (1,051) |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment and Interest Income | 10,811 | 4,270 | 1,307 | 658 |
| Interest Expense | (125,319) | (118,560) | (287) | (211) |
| Amortization of Debt Costs | (2,618) | (2,765) | - | - |
| Gain (Loss) on Sale of Capital Assets | 438 | 3,372 | (154) | (108) |
| Contributions and Grants | 3,193 | 2,459 | 3,846 | 841 |
| Others, Net | (541) | (4,731) | - | 305 |
| Total Nonoperating Revenues (Expenses) | (114,036) | (115,955) | 4,712 | 1,485 |
| Income (Loss) Before Capital Contributions and Grants and Transfers | 50,637 | (5,659) | 12,154 | 434 |
| Capital Contributions and Grants | 30,529 | 21,173 | - | - |
| Transfers In | 8,456 | 9,762 | 1,447 | 8,003 |
| Transfers Out | - | (25) | (10,115) | (6,593) |
| Change in Net Assets | 89,622 | 25,251 | 3,486 | 1,844 |
| Net Assets -Beginning of Year | | | 103,463 | 101,620 |
| Net Assets - End of Year | | | \$ 106,949 | \$ 103,464 |
| Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds | 1,561 | (552) | | |
| Change in Net Assets of Business-Type Activities | \$ 91,183 | \$ 24,699 | | |

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF CASH FLOWS

Page 1 of 6

PROPRIETARY FUNDS

For the Year Ended December 31, 2005

(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | |
|--|--|-------------------|------------------|------------------|
| | Light | | Water | |
| | 2005 | 2004 | 2005 | 2004 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash Received from Customers | \$ 742,713 | \$ 791,009 | \$ 146,192 | \$ 141,226 |
| Cash Paid to Suppliers | (280,003) | (334,940) | (17,512) | (27,212) |
| Cash Paid to Employees | (145,790) | (142,782) | (42,891) | (23,702) |
| Cash Paid for Taxes | (63,740) | (71,040) | (19,879) | (15,981) |
| Net Cash from Operating Activities | 253,180 | 242,247 | 65,910 | 74,331 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Proceeds of Interfund Loan/Note | - | (70,000) | - | - |
| Payment of Interfund Loan/Note | - | - | - | - |
| Decrease in Bond Reserve Account | (87,407) | - | - | - |
| Increase in Contingency Reserve Account | 25,000 | - | - | - |
| Interest Paid on RAN and City of Seattle Loan/Note | - | (489) | - | - |
| Operating Grants Received | 8,924 | 6,504 | 321 | 148 |
| Service for Others | - | - | - | - |
| Transfers In | - | - | - | - |
| Transfers Out | - | - | - | - |
| Receipts for Energy Conservation Augmentation | 4,825 | 8,628 | - | - |
| Payments for Energy Conservation Augmentation | (16,384) | (17,165) | - | - |
| Intergovernmental Revenues and Other | - | - | 349 | 692 |
| Net Cash from Noncapital Financing Activities | (65,042) | (72,522) | 670 | 840 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Draw-On Line of Credit - Revenue Anticipation Note | - | - | - | - |
| Proceeds from Sale of Bonds and Other Long-Term Debt | - | 299,112 | - | 89,157 |
| Receipt from Fiscal Agent | - | - | 10 | - |
| Principal Payments on Long-Term Debt and Refunding | (75,030) | (291,299) | (22,488) | (21,718) |
| Capital Expenditures and Deferred Charges Paid | (130,739) | (105,350) | (62,945) | (61,789) |
| Interest Paid On Long-Term Debt | (69,368) | (74,745) | (37,112) | (33,360) |
| Capital Fees and Grants Received | 10,910 | 12,055 | 4,773 | 3,399 |
| Increase in Construction Account | 62,407 | - | - | - |
| Debt Issuance Costs | - | - | - | (553) |
| Proceeds from Sale of Capital Assets | 307 | 2,364 | 14 | 35 |
| Net Cash from Capital and Related Financing Activities | (201,513) | (157,863) | (117,748) | (24,829) |
| CASH FLOWS FROM INVESTING ACTIVITIES ^a | | | | |
| Proceeds from Sale of Investments | 26,888 | 83,237 | 339,962 | 24,436 |
| Purchases of Investments | - | (41,881) | (287,239) | (88,194) |
| Interest Received on Investments | 6,662 | 3,792 | 2,542 | 1,023 |
| Net Cash from Investing Activities | 33,550 | 45,148 | 55,265 | (62,735) |
| Net Increase (Decrease) in Cash and Equity in Pooled Investments | 20,175 | 57,010 | 4,097 | (12,393) |
| CASH AND EQUITY IN POOLED INVESTMENTS | | | | |
| Beginning of Year | 157,538 | 100,535 | 36,653 | 49,046 |
| End of Year | <u>\$ 177,713</u> | <u>\$ 157,545</u> | <u>\$ 40,750</u> | <u>\$ 36,653</u> |
| CASH AT THE END OF THE YEAR CONSISTS OF | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 141,898 | \$ 60,715 | \$ 8,879 | \$ 6,011 |
| Current Assets Restricted Cash and Equity in Pooled Investments | - | 5,219 | 18,744 | 13,104 |
| Noncurrent Assets Restricted Cash and Equity in Pooled Investments | 35,815 | 91,611 | 13,127 | 17,538 |
| Total Cash at the End of the Year | <u>\$ 177,713</u> | <u>\$ 157,545</u> | <u>\$ 40,750</u> | <u>\$ 36,653</u> |

^a Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long-term investments. Information on the increases or decreases in the fair value of long-term investments is shown in the schedule of noncash activities of the Statement of Cash Flows.

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2005
(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | |
|--|--|--------------------------|-----------------------|--------------------------|
| | Drainage and Wastewater | | Nonmajor Funds | |
| | 2005 | Restated 2004 | 2005 | Restated 2004 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash Received from Customers | \$ 175,295 | \$ 159,341 | \$ 158,477 | \$ 153,212 |
| Cash Paid to Suppliers | (97,284) | (110,760) | (100,033) | (104,864) |
| Cash Paid to Employees | (30,315) | (12,094) | (31,197) | (27,947) |
| Cash Paid for Taxes | (19,381) | (16,763) | (17,755) | (21,168) |
| Net Cash from Operating Activities | 28,315 | 19,724 | 9,492 | (767) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Proceeds of Interfund Loan/Note | - | - | - | - |
| Payment of Interfund Loan/Note | - | - | - | - |
| Decrease in Bond Reserve Account | - | - | - | - |
| Increase in Contingency Reserve Account | - | - | - | - |
| Interest Paid on RAN and City of Seattle Loan/Note | - | - | - | - |
| Operating Grants Received | 571 | 274 | 396 | 1,004 |
| Service for Others | - | - | (324) | - |
| Transfers In | - | - | 8,456 | 9,762 |
| Transfers Out | - | - | - | (25) |
| Receipts for Energy Conservation Augmentation | - | - | - | - |
| Payments for Energy Conservation Augmentation | - | - | - | - |
| Intergovernmental Revenues and Other | (1,508) | (1,659) | - | - |
| Net Cash from Noncapital Financing Activities | (937) | (1,385) | 8,528 | 10,741 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Draw-On Line of Credit - Revenue Anticipation Note | - | - | 4,000 | 1,776 |
| Proceeds from Sale of Bonds and Other Long-Term Debt | 3,376 | 64,959 | - | - |
| Receipt from Fiscal Agent | - | - | - | - |
| Principal Payments on Long-Term Debt and Refunding | (6,375) | (5,234) | (5,015) | (4,773) |
| Capital Expenditures and Deferred Charges Paid | (39,360) | (28,080) | (10,411) | (4,680) |
| Interest Paid On Long-Term Debt | (14,696) | (12,465) | (5,155) | (5,039) |
| Capital Fees and Grants Received | 1,479 | 938 | 3 | 4 |
| Increase in Construction Account | - | - | - | - |
| Debt Issuance Costs | - | (515) | - | - |
| Proceeds from Sale of Capital Assets | - | - | 145 | 261 |
| Net Cash from Capital and Related Financing Activities | (55,576) | 19,603 | (16,433) | (12,451) |
| CASH FLOWS FROM INVESTING ACTIVITIES ^a | | | | |
| Proceeds from Sale of Investments | 184,140 | 5,200 | - | - |
| Purchases of Investments | (154,775) | (52,078) | - | - |
| Interest Received on Investments | 1,495 | 229 | 711 | 389 |
| Net Cash from Investing Activities | 30,860 | (46,649) | 711 | 389 |
| Net Increase (Decrease) in Cash and Equity in Pooled Investments | 2,662 | (8,707) | 2,298 | (2,088) |
| CASH AND EQUITY IN POOLED INVESTMENTS | | | | |
| Beginning of Year | 17,250 | 25,957 | 25,022 | 27,110 |
| End of Year | <u>\$ 19,912</u> | <u>\$ 17,250</u> | <u>\$ 27,320</u> | <u>\$ 25,022</u> |
| CASH AT THE END OF THE YEAR CONSISTS OF | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 8,752 | \$ 7,676 | \$ 27,320 | \$ 25,009 |
| Current Assets Restricted Cash and Equity in Pooled Investments | 5,529 | 4,097 | - | 13 |
| Noncurrent Assets Restricted Cash and Equity in Pooled Investments | 5,631 | 5,477 | - | - |
| Total Cash at the End of the Year | <u>\$ 19,912</u> | <u>\$ 17,250</u> | <u>\$ 27,320</u> | <u>\$ 25,022</u> |

^a Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long-term investments. Information on the increases or decreases in the fair value of long-term investments is shown in the schedule of noncash activities of the Statement of Cash Flows.

The accompanying notes are an integral part of these financial statements.

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**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2005
(In Thousands)**

| | Business-Type Activities - Enterprise Funds | | Governmental Activities - Internal Service Funds | |
|---|--|------------------|---|-----------|
| | Comparative Totals | | | |
| | 2005 | Restated 2004 | 2005 | 2004 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash Received from Customers | \$ 1,222,677 | \$ 1,244,788 | \$ 113,021 | \$ 99,231 |
| Cash Paid to Suppliers | (494,832) | (577,776) | (46,090) | (42,695) |
| Cash Paid to Employees | (250,193) | (206,525) | (45,341) | (43,306) |
| Cash Paid for Taxes | (120,755) | (124,952) | (247) | (205) |
| Net Cash from Operating Activities | 356,897 | 335,535 | 21,343 | 13,025 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Proceeds of Interfund Loan/Note | - | (70,000) | - | - |
| Payment of Interfund Loan/Note | - | - | (1,100) | (600) |
| Decrease in Bond Reserve Account | (87,407) | - | - | - |
| Increase in Contingency Reserve Account | 25,000 | - | - | - |
| Interest Paid on RAN and City of Seattle Loan/Note | - | (489) | - | - |
| Operating Grants Received | 10,212 | 7,930 | 3,846 | 841 |
| Service for Others | (324) | - | - | - |
| Transfers In | 8,456 | 9,762 | 1,447 | 8,003 |
| Transfers Out | - | (25) | (10,115) | (6,593) |
| Receipts for Energy Conservation Augmentation | 4,825 | 8,628 | - | - |
| Payments for Energy Conservation Augmentation | (16,384) | (17,165) | - | - |
| Intergovernmental Revenues and Other | (1,159) | (967) | - | - |
| Net Cash from Noncapital Financing Activities | (56,781) | (62,326) | (5,922) | 1,651 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Draw-On Line of Credit - Revenue Anticipation Note | 4,000 | 1,776 | - | - |
| Proceeds from Sale of Bonds and Other Long-Term Debt | 3,376 | 453,228 | - | - |
| Receipt from Fiscal Agent | 10 | - | - | - |
| Principal Payments on Long-Term Debt and Refunding | (108,908) | (323,024) | (950) | (1,101) |
| Capital Expenditures and Deferred Charges Paid | (243,455) | (199,899) | (15,209) | (13,616) |
| Interest Paid On Long-Term Debt | (126,331) | (125,609) | (201) | (266) |
| Capital Fees and Grants Received | 17,165 | 16,396 | - | - |
| Increase in Construction Account | 62,407 | - | - | - |
| Debt Issuance Costs | - | (1,068) | - | - |
| Proceeds from Sale of Capital Assets | 466 | 2,660 | (154) | (108) |
| Net Cash from Capital and Related Financing Activities | (391,270) | (175,540) | (16,514) | (15,091) |
| CASH FLOWS FROM INVESTING ACTIVITIES ^a | | | | |
| Proceeds from Sale of Investments | 550,990 | 112,873 | - | - |
| Purchases of Investments | (442,014) | (182,153) | - | - |
| Interest Received on Investments | 11,410 | 5,433 | 1,308 | 658 |
| Net Cash from Investing Activities | 120,386 | (63,847) | 1,308 | 658 |
| Net Increase (Decrease) in Cash and Equity in Pooled Investments | 29,232 | 33,822 | 215 | 243 |
| CASH AND EQUITY IN POOLED INVESTMENTS | | | | |
| Beginning of Year | 236,463 | 202,648 | 42,989 | 42,746 |
| End of Year | \$ 265,695 | \$ 236,470 | \$ 43,204 | \$ 42,989 |
| CASH AT THE END OF THE YEAR CONSISTS OF | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 186,849 | \$ 99,411 | \$ 43,121 | \$ 42,984 |
| Current Assets Restricted Cash and Equity in Pooled Investments | 24,273 | 22,433 | 83 | 5 |
| Noncurrent Assets Restricted Cash and Equity in Pooled Investments | 54,573 | 114,626 | - | - |
| Total Cash at the End of the Year | \$ 265,695 | \$ 236,470 | \$ 43,204 | \$ 42,989 |

^a Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long-term investments. Information on the increases or decreases in the fair value of long-term investments is shown in the schedule of noncash activities of the Statement of Cash Flows.

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2005
(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|-------------------|------------------|------------------|
| | Light | | Water | |
| | 2005 | 2004 | 2005 | 2004 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES | | | | |
| Operating Income (Loss) | \$ 123,960 | \$ 67,916 | \$ 30,820 | \$ 40,318 |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities | | | | |
| Depreciation and Amortization | 74,549 | 73,853 | 34,816 | 29,705 |
| Depreciation and Amortization Included in Operations and Maintenance | - | 10,322 | - | - |
| Amortization of Deferred Power Costs | 8,301 | 100,000 | - | - |
| Changes in Operating Assets and Liabilities | | | | |
| Accounts Receivable | 15,065 | (2,753) | 338 | (194) |
| Unbilled Receivables | 1,072 | (609) | 97 | (389) |
| Other Receivables | (10) | 3,671 | 103 | 296 |
| Due from Other Funds | 17,623 | (19,271) | (2) | 383 |
| Due from Other Governments | 6,076 | (4,032) | 567 | (183) |
| Materials and Supplies Inventory | (2,765) | (161) | 127 | 161 |
| Accounts Payable | 18,934 | 5,397 | (288) | (3,426) |
| Salaries, Benefits, and Payroll Taxes Payable | 2,138 | 1,070 | 2 | 475 |
| Compensated Absences Payable | 141 | 131 | 321 | 203 |
| Due to Other Funds | 1,174 | (620) | 505 | (329) |
| Due to Other Governments | - | - | (619) | 674 |
| Claims Payable | 2,782 | 1,948 | (957) | 1,269 |
| Energy and Other Contracts Payable | (434) | (1,834) | - | - |
| Taxes Payable | 463 | (1,162) | (125) | 122 |
| Streetlight Refund Payable | (16,134) | 19,998 | - | - |
| Deferred Credits | - | (13,013) | 1,038 | 5,000 |
| Other Assets and Liabilities | 245 | 1,396 | (833) | 246 |
| Total Adjustments | <u>129,220</u> | <u>174,331</u> | <u>35,090</u> | <u>34,013</u> |
| Net Cash from Operating Activities | <u>\$ 253,180</u> | <u>\$ 242,247</u> | <u>\$ 65,910</u> | <u>\$ 74,331</u> |
| SCHEDULE OF NONCASH ACTIVITIES | | | | |
| In-Kind Capital Contributions | \$ 7,322 | \$ 298 | \$ - | \$ - |
| Note Payable for Acquisition of Capital Assets | 9,594 | - | - | - |
| Disposal of Equipment | - | - | - | - |
| Fair Value Adjustment of Long-Term Investments | - | - | 36 | - |
| Total Noncash Activities | <u>\$ 16,916</u> | <u>\$ 298</u> | <u>\$ 36</u> | <u>\$ -</u> |

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF CASH FLOWS

Page 5 of 6

PROPRIETARY FUNDS

For the Year Ended December 31, 2005

(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | |
|---|--|--------------------------|-----------------------|--------------------------|
| | Drainage and Wastewater | | Nonmajor Funds | |
| | 2005 | Restated 2004 | 2005 | Restated 2004 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES | | | | |
| Operating Income (Loss) | \$ 11,136 | \$ 9,083 | \$ (1,243) | \$ (7,021) |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities | | | | |
| Depreciation and Amortization | 14,673 | 11,407 | 9,800 | 9,059 |
| Depreciation and Amortization Included in Operations and Maintenance | - | - | - | - |
| Amortization of Deferred Power Costs | - | - | - | - |
| Changes in Operating Assets and Liabilities | | | | |
| Accounts Receivable | (488) | (1,483) | 1,538 | (1,756) |
| Unbilled Receivables | (1,009) | (689) | 17 | 112 |
| Other Receivables | - | - | - | - |
| Due from Other Funds | (44) | 84 | (280) | (386) |
| Due from Other Governments | 694 | (302) | 34 | 9 |
| Materials and Supplies Inventory | - | - | 58 | (11) |
| Accounts Payable | 902 | (238) | (347) | (572) |
| Salaries, Benefits, and Payroll Taxes Payable | 121 | 289 | 187 | 233 |
| Compensated Absences Payable | 180 | 114 | 337 | 236 |
| Due to Other Funds | 1,482 | (670) | 307 | (1,572) |
| Due to Other Governments | 378 | 255 | 103 | (88) |
| Claims Payable | 169 | 2,091 | (288) | 367 |
| Energy and Other Contracts Payable | - | - | - | - |
| Taxes Payable | (32) | (1) | (9) | 52 |
| Streetlight Refund Payable | - | - | - | - |
| Deferred Credits | 172 | (2) | 104 | (156) |
| Other Assets and Liabilities | (19) | (214) | (826) | 727 |
| Total Adjustments | 17,179 | 10,641 | 10,735 | 6,254 |
| Net Cash from Operating Activities | \$ 28,315 | \$ 19,724 | \$ 9,492 | \$ (767) |
| SCHEDULE OF NONCASH ACTIVITIES | | | | |
| In-Kind Capital Contributions | \$ - | \$ - | \$ - | \$ - |
| Note Payable for Acquisition of Capital Assets | - | - | - | - |
| Disposal of Equipment | - | - | - | 11 |
| Fair Value Adjustment of Long-Term Investments | 47 | (133) | - | - |
| Total Noncash Activities | \$ 47 | \$ (133) | \$ - | \$ 11 |

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2005
(In Thousands)

| | Business-Type Activities - Enterprise Funds | | Governmental Activities - Internal Service Funds | |
|---|--|--------------------------|---|------------------|
| | Comparative Totals | | | |
| | 2005 | Restated 2004 | 2005 | 2004 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES | | | | |
| Operating Income (Loss) | \$ 164,673 | \$ 110,296 | \$ 7,442 | \$ (1,050) |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities | | | | |
| Depreciation and Amortization | 133,838 | 124,024 | 13,261 | 13,030 |
| Depreciation and Amortization Included in Operations and Maintenance | - | 10,322 | - | - |
| Amortization of Deferred Power Costs | 8,301 | 100,000 | - | - |
| Changes in Operating Assets and Liabilities | | | | |
| Accounts Receivable | 16,453 | (6,186) | (533) | (2) |
| Unbilled Receivables | 177 | (1,575) | (1) | 2 |
| Other Receivables | 93 | 3,967 | - | - |
| Due from Other Funds | 17,297 | (19,190) | (1,558) | 2,897 |
| Due from Other Governments | 7,371 | (4,508) | (509) | 764 |
| Materials and Supplies Inventory | (2,580) | (11) | (145) | (75) |
| Accounts Payable | 19,201 | 1,161 | 1,709 | 135 |
| Salaries, Benefits, and Payroll Taxes Payable | 2,448 | 2,067 | 80 | 296 |
| Compensated Absences Payable | 979 | 684 | 151 | 144 |
| Due to Other Funds | 3,468 | (3,191) | 1,687 | (2,965) |
| Due to Other Governments | (138) | 841 | - | - |
| Claims Payable | 1,706 | 5,675 | (87) | 50 |
| Energy and Other Contracts Payable | (434) | (1,834) | - | (84) |
| Taxes Payable | 297 | (989) | 11 | - |
| Streetlight Refund Payable | (16,134) | 19,998 | - | - |
| Deferred Credits | 1,314 | (8,171) | 88 | (78) |
| Other Assets and Liabilities | (1,433) | 2,155 | (253) | (39) |
| Total Adjustments | <u>192,224</u> | <u>225,239</u> | <u>13,901</u> | <u>14,075</u> |
| Net Cash from Operating Activities | <u>\$ 356,897</u> | <u>\$ 335,535</u> | <u>\$ 21,343</u> | <u>\$ 13,025</u> |
| SCHEDULE OF NONCASH ACTIVITIES | | | | |
| In-Kind Capital Contributions | \$ 7,322 | \$ 298 | \$ - | \$ - |
| Note Payable for Acquisition of Capital Assets | 9,594 | - | - | - |
| Disposal of Equipment | - | 11 | - | - |
| Fair Value Adjustment of Long-Term Investments | 83 | (133) | - | - |
| Total Noncash Activities | <u>\$ 16,999</u> | <u>\$ 176</u> | <u>\$ -</u> | <u>\$ -</u> |

The accompanying notes are an integral part of these financial statements.

FIDUCIARY FUNDS

PRIVATE-PURPOSE TRUST FUND

The **S. L. Denny Fund** holds a nonexpendable gift. The investment income is available for aid to disabled firemen.

Descriptions for the pension trust funds and agency funds are provided in the combining statements section.

The accompanying notes are an integral part of these financial statements.

STATEMENT OF NET ASSETS

FIDUCIARY FUNDS

December 31, 2005

(In Thousands)

| | Pension Trust Funds | S. L. Denny Private-Purpose Trust | Agency Funds |
|---|---------------------------|---|-----------------|
| ASSETS | | | |
| Cash and Equity in Pooled Investments | \$ 28,182 | \$ 176 | \$ 5,562 |
| Short-Term Investments | 43,290 | - | - |
| Securities Lending Collateral | 122,863 | - | - |
| Investments at Fair Value | | | |
| U.S. Government Obligations | 115,716 | - | - |
| Domestic Corporate Bonds | 102,019 | - | - |
| Domestic Stocks | 900,993 | - | - |
| International Stocks | 201,641 | - | - |
| Real Estate | 187,814 | - | - |
| Alternative/Venture Capital | 207,185 | - | - |
| Mezzanine Debt | 19,016 | - | - |
| Total Investments at Fair Value | 1,734,384 | - | - |
| Receivables | | | |
| Employer - Due from Other Funds | 11 | - | 627 |
| Employer - Other | 3,600 | - | - |
| Employee | 1,303 | - | - |
| Interest and Dividends | 1,980 | - | - |
| Total Receivables | 6,894 | - | 627 |
| Equipment, at Cost, Net of Accumulated Depreciation | 4 | - | - |
| Total Assets | 1,935,617 | 176 | 6,189 |
| LIABILITIES | | | |
| Accounts Payable | - | - | 1 |
| Due to Other Funds | - | - | 283 |
| Refunds Payable and Other - Due to Other Funds | 781 | - | - |
| Refunds Payable and Other - Other | 9,526 | - | - |
| Salaries, Benefits, and Payroll Taxes Payable | - | - | 1,167 |
| Deposits Payable | - | - | 4,579 |
| Claims/Judgments Payable | - | - | 159 |
| Securities Lending Collateral | 122,863 | - | - |
| Total Liabilities | 133,170 | - | 6,189 |
| Net Assets Held in Trust for Pension Benefits and Other Purposes | \$ 1,802,447 | \$ 176 | \$ - |

The accompanying notes are an integral part of these financial statements.

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**STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
For the Year Ended December 31, 2005
(In Thousands)**

| | <u>Pension Trust Funds</u> | <u>S.L. Denny Private-Purpose Trust</u> |
|--|------------------------------------|---|
| ADDITIONS | | |
| Contributions | | |
| Employer | \$ 68,270 | \$ - |
| Plan Member | 35,963 | - |
| Total Contributions | 104,233 | - |
| Investment Income (Loss) | | |
| From Investment Activities | | |
| Net Appreciation (Depreciation) in Fair Value of Investments | 111,849 | - |
| Interest | 14,850 | - |
| Dividends | 6,908 | 5 |
| Total Investment Activities Income (Loss) | 133,607 | 5 |
| Investment Activities Expenses | | |
| Investment Management Fees | 3,604 | - |
| Performance Measurement Fees | 97 | - |
| Investment Custodial Fees | 177 | - |
| Total Investment Activities Expenses | 3,878 | - |
| Net Income (Loss) from Investment Activities | 129,729 | 5 |
| From Securities Lending Activities | | |
| Securities Lending Income | 6,397 | - |
| Securities Lending Expenses | | |
| Borrower Rebates | 5,727 | - |
| Management Fees | 167 | - |
| Total Securities Lending Expenses | 5,894 | - |
| Net Income (Loss) from Securities Lending Activities | 503 | - |
| Total Net Investment Income (Loss) | 130,232 | 5 |
| Total Additions | 234,465 | 5 |
| DEDUCTIONS | | |
| Benefits | 111,296 | - |
| Refund of Contributions | 10,351 | - |
| Administrative Expense | 2,808 | - |
| Total Deductions | 124,455 | - |
| Change in Net Assets | 110,010 | 5 |
| Net Assets - Beginning of Year | 1,692,437 | 171 |
| Net Assets - End of Year | \$ 1,802,447 | \$ 176 |

The accompanying notes are an integral part of these financial statements.

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Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City of Seattle are regulated by the Washington State Auditor's Office and conform to generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board (GASB). The City's significant accounting policies are described below.

REPORTING ENTITY

The City of Seattle (the primary government for financial reporting purposes) consists of the funds, departments, agencies, boards and commissions (referred to in this note as organizations) over which the City exercises financial accountability, and a component unit over which the City is not financially accountable but is required to be reported due to the nature and significance of its relationship with the City. Additional information on the component unit may be found in Note 11. The City does not have other relationships with organizations of such nature and significance that exclusion would render the City's financial statements incomplete or misleading.

Indicators of Financial Accountability

The financial statements include the organizations for which the elected officials of the City of Seattle are financially accountable. Criteria indicating financial accountability include, but are not limited to, the following:

- Appointment by the City of a majority of voting members of the governing body of an organization, and
 - Ability of the City to impose its will on the daily operations of an organization, such as the power to remove appointed members at will; to modify or approve budgets, rates, or fees; or to make other substantive decisions; or
 - Provisions by the organization of specific financial benefits to the City; or
 - Imposition by any organization of specific financial burdens on the City, such as the assumption of deficits or provision of support;
- Or, fiscal dependency by the organization on the City, such as from the lack of authority to determine its budget or issue its own bonded debt without City approval.

Joint Venture

A joint venture is an organization that results from a contractual arrangement and is owned, operated, or governed by two or more participants as a separate activity. In addition to joint control, each participant must have either an ongoing financial interest or an ongoing financial responsibility. The City participates in a joint venture with King County with regard to the Seattle-King County Work Force Development Council. The City's joint venture with King County with regard to the Seattle King County Department of Public Health was terminated after 2004. Additional information on the existing joint venture may be found in Note 12.

Organizations Excluded: Related Organizations

Organizations for which the City has appointed a voting majority of the members of the governing body, but for which the City is not financially accountable, are as follows:

Housing Authority of the City of Seattle

City of Seattle Industrial Development Corporation

Burke-Gilman Place Public Development Authority

ACCOUNTING STANDARDS

The City implemented the following Government Accounting Standards Board (GASB) and Financial Accounting Standards Board (FASB) statements:

In May 2002 the GASB issued Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement was issued to amend Statement No. 14 to provide additional guidance in determining whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. This statement is effective for fiscal years beginning after June 15, 2003, and was adopted by the City in 2004.

In March 2003 the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures*. This statement establishes and amends disclosure requirements related to investment risks and deposit risks. The risks for investments include credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. The deposit risks include custodial credit risk and foreign currency risk. This statement was implemented in 2005 and did not have a material effect on the City's financial position or operations.

In November 2003 the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. The statement also clarifies and establishes accounting requirements for insurance recoveries. This statement was implemented in 2005 and did not have a material effect on the City's financial position or operations.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities. These statements report the financial position and activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on charges and fees for their services. Resources of fiduciary activities, which are not available to finance governmental programs, are excluded from the government-wide statements.

Statement of Net Assets

The Statement of Net Assets reports all financial and capital resources. The difference between assets and liabilities is net assets. Net assets are displayed in three components: invested in capital assets, net of related debt; restricted; and unrestricted.

The amount reported as invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Net assets are restricted when constraints placed on net asset use are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

For permanent endowments, net assets are displayed showing the nonexpendable and the expendable components separately. Nonexpendable net assets are those that are required to be retained in perpetuity and are reported as restricted net assets. Unrestricted net assets are those that are not "invested in capital assets, net of related debt" or "restricted."

Statement of Activities

The Statement of Activities displays the degree to which the direct expenses of a given function or segment are funded by program revenues. Direct expenses are those that are clearly identifiable to a specific function. Direct expenses include depreciation on capital assets that are clearly associated with a given function. In general, expenses related to personnel functions are reported as indirect expenses. Program revenues include charges for services, grants, and contributions that are restricted for specific purposes. Taxes and other revenues not included as program revenues are reported as general revenues.

Interfund activity within governmental funds of the City is eliminated, except for the effect of services provided by the business-type activities, such as the sale of utility services to the general government and to other funds. This avoids misstatement of program revenues of the selling function and expenses of the various users. Operating income or (loss) reported by internal service funds in the fund financial statements are allocated back to the City departments either as a reduction or addition to their expenses by function.

Fund Financial Statements

Separate fund financial statements are provided to report additional and detailed information for governmental funds, proprietary funds, and fiduciary funds. Even though fiduciary funds are excluded from the government-wide financial statements, these funds are reported in the fund financial statements under the statement of fiduciary net assets and the statement of changes in fiduciary net assets. Major individual governmental funds and major individual enterprise funds are presented as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in other funds.

The **Low-Income Housing Fund** manages activities undertaken by the City to preserve, rehabilitate, or replace low-income housing. It also accounts for a seven-year housing levy approved by the voters in 2002 to provide, produce, and/or preserve affordable housing in Seattle and to assist low-income tenants in Seattle.

The **Transportation Fund** accounts for revenues for construction, improvement, repair, or maintenance of City streets and waterways. Revenues include taxes on the sale, disposition, or use of motor vehicle fuel; motor vehicle excise taxes designated for street purposes; and grants.

The **General Bond Interest and Redemption Fund** receives moneys from excess property tax levies to pay interest costs and principal redemptions on voter-approved general obligation bonds. It also receives moneys from the General Fund, the Fleets and Facilities Fund, and other City funds to pay for interest costs and principal redemptions on councilmanic limited tax general obligation bonds.

The City reports the following major proprietary funds:

The **Light Fund** (City Light) accounts for operating the City's electric utility which owns and operates generating, transmission, and distribution facilities and serves more than 375,000 customers in the Seattle area.

The **Water Fund** accounts for operating the City's water utility. The Utility maintains more than 180 miles of water supply mains and more than 494 million gallons of distribution storage capacity in the Cedar and Tolt Rivers and Highline Well Field watersheds. The distribution system serves a population of over 1,350,000 people, with an average daily total consumption of about 119 million gallons of water.

The **Drainage and Wastewater Fund** accounts for operating the sewer and drainage utility facilities and its pumping stations. These facilities and stations are necessary to collect the sewage of the City and discharge it into the King County Department of Natural Resources Wastewater Treatment System for treatment and disposal.

Additionally, the City reports the following fund types:

There are two **permanent funds** of the City, the investment income or earnings of which are available only for disbursement. They are the **H. H. Dearborn Fund** and the **Beach Maintenance Trust Fund**.

Internal service funds account for support services furnished to other City departments such as the motor pool; design, construction, and management services for capital improvement projects (CIP) funds; telecommunications; data communications; radio systems; and the fiber optic network.

Fiduciary funds account for assets held in a trustee or agency capacity. The City has three pension trust funds:

The Employees' Retirement Fund receives employees' payroll deductions for retirement and the City's matching contributions. It pays pension benefits to retired City employees.

The Firemen's Pension Fund accounts for revenues from an annual property tax levy of up to \$0.45 per assessed value, a portion of the state-levied fire insurance premium tax, and General Fund contributions.

The **Police Relief and Pension Fund** receives support almost entirely from the General Fund to pay for sworn police personnel's medical and pension benefits that are not covered by the state's Law Enforcement Officers' and Fire Fighters' Retirement System and/or industrial insurance.

The City uses **agency funds** to report assets that are held in a custodial relationship. Agency funds are not used to support the government's own programs and so these funds are excluded from the government-wide statements. The City reports the following as agency funds: Guaranty Deposits, Payroll Withholding, Salary, and Voucher Funds.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-wide Financial Statements

Government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Basis of accounting refers to the point when revenues and expenditures or expenses and transfers are recognized in the accounts and reported in the financial statements.

Governmental Fund Financial Statements

Financial statements for governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter (generally 60 days) to pay current liabilities. Revenues that are measurable but not available are recorded as receivables and offset by deferred revenues. Property taxes, business and occupation taxes, and other taxpayer-assessed tax revenues due for the current year are considered measurable and available and are therefore recognized as revenues even though a portion of the taxes may be collected in the subsequent year. Special assessments are recognized as revenues only to the extent that those individual installments are considered as current assets. Intergovernmental revenues received as reimbursements for specific purposes are recognized when the expenditures are recognized. Intergovernmental revenues received but not earned are recorded as deferred revenues. Licenses, fines, penalties, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are accrued as earned.

Expenditures are recorded when the liability is incurred except for interest on long-term debt, judgments and claims, workers' compensation, and compensated absences, which are recorded when paid.

Proprietary Fund Financial Statements

Financial statements for proprietary funds use the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred. Certain costs in the enterprise funds are deferred and expensed in future years as the utility rates recover these costs.

The revenues of the four utilities, which are based upon service rates authorized by the City Council, are determined by monthly or bimonthly billings to customers. Amounts received but not earned at year-end are reported as deferred revenues. Earned but unbilled revenues are accrued.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal activity. The principal operating revenues of the City's Light, Water, Solid Waste, Drainage and Wastewater Utilities, the Parking Garage, the Planning and Development Fund, and the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of personnel services, contractual services, other supplies and expenses, and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City has chosen flexible application and reporting in accordance with the election of each fund. City Light elected to apply all GASB pronouncements as well as all FASB statements and interpretations except where they conflict with GASB pronouncements. All other enterprise funds elected to apply all GASB pronouncements and those FASB statements and interpretations issued on or before November 30, 1989, except when they contradict GASB pronouncements.

Fiduciary Fund Financial Statements

Financial statements for the pension trust and private-purpose trust funds use the economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, and additions to and deductions from (including contributions, benefits, and refunds) plan net assets of the retirement funds are recognized when the transactions or events occur. Employee and employer contributions are reported in the period in which the contributions are due. Member benefits, including refunds, are due and payable by the plan in accordance with plan terms.

Agency funds, unlike the other types of fiduciary funds, report only assets and liabilities. Agency funds do not have a measurement focus since they do not report equity and cannot present an operating statement reporting changes in equity. They do, however, use the accrual basis of accounting to recognize receivables and payables.

BUDGETS AND BUDGETARY ACCOUNTING

Budgetary accounts are integrated in the fund database for all budgeted funds, including capital improvement projects funds and Community Development Block Grant (CDBG) fund. However, the annual financial report includes budgetary comparisons for annually budgeted governmental operating funds only. Note 2, Stewardship, Compliance, and Accountability, discusses in detail the City's budgetary policies and processes.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Investments

The City is authorized to purchase U.S. Treasury and government agency securities; certificates of deposits and other investment deposits issued by Washington State depositories that qualify under the Washington State Deposit Protection Act as defined by RCW 39.58; bankers' acceptances purchased in the secondary market; commercial paper purchased in the secondary market and having received the highest rating by at least two nationally recognized rating agencies; repurchase and reverse repurchase agreements with "primary dealers" that have executed master repurchase agreements, and the public funds investment account known as the local government investment pool (LGIP) in the State Treasury and other securities as authorized by law.

The City and the City Employees' Retirement System are also allowed under state law to make securities lending transactions. Gross income from securities lending transactions are recorded in the operating statements as well as the various fees paid to the institution that oversees the lending activity. Assets and liabilities include the value of the collateral that is being held. Under the authority of RCW 41.28.005 and the Seattle Municipal Code 4.36.130, the System's Board of Administration adopted investment policies that define eligible investments, which include securities lending transactions. Securities lent must be collateralized with cash or securities having 102 percent of the market value of the loaned securities. The City and the Retirement System have the ability to pledge or sell collateral securities without a borrower default.

Under the City's investment policy, all temporary cash surpluses are invested, either directly or through a "sweep account." Pooled investments are reported on the Combined Balance Sheet as Cash and Equity in Pooled Investments. Interest earned on the pooled investments is prorated to individual funds at the end of each month on the basis of their average daily cash balances during the month when interest was earned.

Since the participating funds in the City's internal investment pool use the pool as if it were a demand deposit account, the proprietary fund equity in pooled investments is considered cash for cash flow reporting purposes.

Investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The City of Seattle has the following policies in managing its investments:

- The City seeks to preserve principal while maximizing income and maintaining liquidity to meet the City's need for cash.

- Investment decisions should further the City’s social policies established by ordinance or policy resolutions of the City Council.
- A City social policy shall take precedence over furthering the City’s financial objectives when expressly authorized by City Council resolution, except where otherwise provided by law or trust principles.
- Securities purchased shall have a maximum maturity of fifteen years, and the average maturity of all securities shall be less than five years.
- All transactions are done on a delivery-versus-payment basis.
- The standard of prudence to be used by investment personnel shall be the “Prudent Person Rule” and will be applied in the context of managing an overall portfolio.
- Securities shall not be purchased with trading or speculation as the dominant criterion for the selection of the security.

The Seattle City Employees’ Retirement System has its investment management policies set by the Retirement Board. State law allows the System to invest in longer term maturities and in a broader variety of securities, such as real estate and equity issues. The Board policies require that investments in any one corporation or organization may not exceed five percent of net assets available for benefits. Less than five percent of plan assets can be invested in derivative securities. All derivatives are high quality non-leveraged securities consisting of collateralized mortgage obligations (CMOs), Treasury strips, convertible bonds, futures, options, etc. These derivatives cause little exposure to credit risk, market risk, or legal risk. Venture capital and real estate equities are reported at fair value that has been determined by independent appraisers.

Receivables

Customer accounts receivable consist of amounts owed by private individuals and organizations for goods delivered or services rendered in the regular course of business operations. Notes and contracts receivable arise from a written agreement or contract with private individuals or organizations. Receivables are shown net of allowances for uncollectible accounts.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either interfund loans receivable/payable or advances to/from other funds. All other outstanding balances between funds are reported as due to/due from other funds.

Advances to other funds in governmental funds are equally offset by a fund balance reserve account, which indicates that they do not constitute available spendable resources since they are not a component of net current assets.

Inventories

Inventories are generally valued using the weighted-average cost method and consist of expendable materials and supplies held for consumption.

The cost is recorded as expenditure in governmental funds at the time individual inventory items are purchased. This is known as the purchase method. Governmental fund inventories are equally offset by a fund balance reserve to indicate that they do not constitute available spendable resources even though they are included in net current assets.

Inventories in the proprietary funds are expensed as consumed.

Capital Assets

The City classifies assets with an estimated useful life in excess of one year as capital assets. As a general rule, items with an initial individual cost of \$5,000 or more are capitalized.

Governmental infrastructure assets include long-lived capital assets, such as roads, bridges, and tunnels that normally can be preserved for a significantly greater number of years than most capital assets. Estimated historical costs were established based on the City’s street reports to the state. Works of art have been valued at historical cost. In cases where the historical cost is not available the method used was “backtrending,” i.e., deflating the current replacement cost using the appropriate price index. Donated capital assets are valued at their estimated fair market value at the time of donation. For proprietary funds, contributions of capital assets are reported under Capital Contributions and Grants in the Statement of Revenues, Expenses, and Changes in Fund Net Assets.

Most capital assets are depreciated for the governmental funds. Annual depreciation is recorded in government-wide statements as an expense of the governmental function for which the assets are being used. Depreciation is computed using the straight-line method over estimated service lives as follows:

| | |
|-----------------------------------|----------------|
| Utility plant | 33 - 100 years |
| Buildings | 25 - 50 years |
| Improvements other than buildings | 25 - 50 years |
| Infrastructure | 10 - 50 years |
| Equipment | 2 - 25 years |

Composite rates are used in the enterprise funds for depreciating asset groups. Consequently, when an asset is retired, its original cost together with removal costs less salvage is charged to accumulated depreciation. The cost of current maintenance and repairs is charged to expense, while the cost of renewals and betterments is capitalized.

Restricted Assets

In accordance with the utility bond resolutions, state law, or other agreements, separate restricted assets have been established. These assets are restricted for specific purposes including the establishment of bond reserve funds, financing the ongoing capital improvement programs of the various utilities, and other purposes.

Capital leases are recorded at the present value of future lease payments and amortized on a straight-line basis over the life of the lease.

Deferred Charges

Deferred charges may include the preliminary costs of projects and information systems, programmatic conservation costs, landfill closure costs, certain purchased power expenses, the cost of future construction of plant owned and operated by other entities for future services, and charges related to bond issues.

Preliminary costs incurred by the enterprise funds for proposed projects are deferred pending construction of the facility. Costs relating to projects ultimately constructed are transferred to utility plant; costs are charged to expense if a project is abandoned or deferred if the costs are to be recovered through future use. Conservation program costs in the Light and Water utilities which result in long-term benefits and reduce or postpone other capital expenditures are capitalized and amortized over their expected useful lives due to the utilities' capital financing plans and rate-setting methodology. Costs of administering the overall program are expensed as incurred.

In the proprietary funds the bond premium and discount are amortized using the effective-interest method over the term of the bonds. The excess costs incurred over the carrying value of bonds refunded on early extinguishment of debt is amortized as a component of interest expense using either straight-line or effective-interest methods over the shorter of the remaining life of the old debt or the life of the new bond issue. Bond issue costs are amortized over the life of the bond. For all other funds, deferrals and amortizations are recognized and reported directly in the government-wide statements under governmental activities.

To the extent landfill closure costs are covered by grants, the Solid Waste Utility reports these costs as operating expense. Solid Waste's portion of the costs is deferred and amortized as it is recovered from the ratepayers.

Accumulated Compensated Absences

Compensated absences, including payroll taxes, are reported as current and noncurrent liabilities in the statement of net assets. Actual balances are accrued for all types of compensated absences except sick leave, the liability for which is generally estimated using the termination method.

Vacation Pay

Employees earn vacation based upon their date of hire and years of service and may accumulate earned vacation up to a maximum of 480 hours. Unused vacation at retirement or termination is considered vested and payable to the employee.

Sick Pay

Employees also earn up to 12 days of sick leave per year and may accumulate sick leave balances without limit. Employees are paid 25 percent of the value of unused sick leave upon retirement. They are not paid for unused sick leave if they leave before retirement.

Other Compensated Absences

Other compensated absences include compensatory time in lieu of overtime pay, merit credits earned by fire fighters, furlough earned by police, holiday earned by library and police employees, and other compensation earned by City employees under law or union contracts. Unused compensated absences are payable at retirement or termination.

Risk Management

A liability for claims is reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims liabilities are discounted at the City's average investment rate of return (Note 14).

Other Accrued Liabilities

Other accrued liabilities include deposits, interest payable on obligations other than bonds, and current portions of lease-purchase agreements.

Interfund Activity and Contracts/Advances

Interfund activity and balances in the funds are eliminated or reclassified in the process of aggregating data for the Statement of Net Assets and the Statement of Activities.

Interfund debt is recorded in the appropriate funds even though such debt may result in a noncurrent liability for a governmental fund because the debt is not a general obligation of the City.

Deferred Revenues

Deferred revenues include amounts collected before revenue recognition criteria are met, as well as amounts recorded as receivables, which under the modified accrual basis of accounting, are measurable but not yet available. The deferred items consist primarily of delinquent property taxes, contracts, mortgages receivable, grant funds received in advance of expenditures in governmental funds, and the amounts loaned by the Housing and Community Development Revenue Sharing Fund, a special revenue fund, under authorized federal loan programs.

Deferred credits include deferred revenues and revenues collected or billed in advance.

Reservations and Designations

A reservation is used to segregate a portion of fund balance that is either not appropriable for expenditures or is legally restricted for a specific future use. The amounts not appropriable for expenditures are reported as fund balance reserved for noncurrent assets, inventories, petty cash, and prepaid items. The amounts legally segregated for specific future uses are reported as fund balance reserved for capital improvements and grants, debt service including judgments and claims, employee benefits, endowments and gifts, employee retirement systems, continuing appropriations, and encumbrances.

In cases where a governmental fund does not have enough available unreserved fund balance, the fund balance reserved for that fund is limited to the extent of the amount available.

Program Revenues

Program revenues are revenues derived directly from the program itself. These revenues reduce the net cost of the function to be financed from the City's general revenues. The Statement of Activities separately reports three categories of program revenues: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions. Taxes and other revenues that do not meet the criteria of program revenues are reported as general revenues.

Prior-Year Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City of Seattle's financial statements for the year ended December 31, 2004, from which the summarized information was derived.

(2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY INFORMATION

The City budgets for the General Fund and some special revenue funds on an annual basis. The special revenue funds which have legally adopted annual budgets are the Park and Recreation Fund, the Transportation Fund, the Library Fund, the Seattle Center Fund, the Human Services Operating Fund, the Office of Housing Fund, and the Low-Income Housing Fund.

The City Council approves the City's operating budget. In addition, the City Council annually approves two separate but related financial planning documents: the Capital Improvement Program (CIP) plan and the Community Development Block Grant (CDBG) program allocation.

The operating budget is proposed by the Mayor and adopted by the City Council at least 30 days before the beginning of the fiscal year. The budget is designed to allocate available resources on a biennial basis among the City's public services and programs and provides for associated financing decisions. The budget appropriates fiscal year expenditures and establishes employee positions by department and fund except for project-oriented, multiyear appropriations made for capital projects, grants, or endowments.

Table 2-1

APPROPRIATION CHANGES – GENERAL FUND (In Thousands)

| | 2005 |
|---------------------------|-------------|
| Annual Budget | \$ 863,545 |
| Carryovers | |
| Encumbrances | 13,797 |
| Continuing Appropriations | 38,338 |
| Carryover Adjustments | (149) |
| Intrafund | (110,372) |
| Revisions | 63,938 |
| Total Budget | \$ 869,097 |

The CIP plan is also proposed by the Mayor and adopted by the City Council at least 30 days before the beginning of the fiscal year. The CIP is a six-year plan for capital project expenditures and anticipated financing by fund source. It is revised and extended annually. The City Council adopts the CIP as a planning document but does not appropriate the multiyear expenditures identified in the CIP. These expenditures are legally authorized through the annual operating budget or by specific project ordinances during the year.

The CDBG planning process allocates the annual grant awarded by the federal government. Allocations are made to both City and non-City organizations. Legal authority is established each year by a separate appropriation ordinance for the Housing and Community Development Revenue Sharing Fund.

Budgetary control for the operating budget generally is maintained at the budget control level within departments with the following exceptions: the Library Fund has its total budget set at fund level by the City Council, but its actual expenditures are controlled by the Library Board; capital projects programmed in the CIP are controlled at the project or project-phase level or program depending on legal requirements; grant-funded activities are controlled as prescribed by law and federal regulations.

The City Council may by ordinance abrogate, decrease, or reappropriate any unexpended budget authority during the year. The City Council, with a three-fourths vote, may also increase appropriations. Emergency Subfund appropriations related to settlement of claims, emergency conditions, or laws enacted since the annual operating budget ordinance require approval by two-thirds of the City Council.

The Finance Director may approve the transfer of appropriations. Beginning in 2003 the following restrictions to budget transfers within a budget year were imposed by ordinance. Total budget transfers into a budget control level may not exceed 10 percent of its original budgeted allowance, and in no case may they be greater than \$500,000. Total transfers out may not exceed 25 percent of the original budgeted allowance. Within a budget control level departments may transfer appropriations without the Finance Director's approval.

Budgetary comparisons for proprietary funds may be requested from the Department of Executive Administration. Budget figures consist of the adopted annual budget, which includes appropriation carryovers from previous years and any

revisions during the year. The budgetary basis is substantially the same as the accounting basis in all governmental fund types except for the treatment of encumbrances, which do not lapse and are included with expenditures.

DEFICITS IN FUND BALANCES AND NET ASSETS

The Seattle Center Fund shows a negative fund balance of \$6.4 million. Fewer visitors to the Seattle Center campus and increased competition in the sports and entertainment businesses resulted in decreased revenues to the fund. Significant expense cuts and revenue from the sale of surplus property reduced the fund deficit in 2005 from \$9.7 million in 2004. The City Council has authorized a loan from the City's Consolidated Cash Pool to cover the fund's negative cash balance (Ordinance 121262). A planned sale of other surplus property is expected to bring the fund to a positive fund balance in 2006.

The Business Improvement Areas (BIA) Fund has a fund deficit of \$45.8 thousand, primarily as a result of the imbalance of spending by the Downtown Parking and Business Improvement District, the largest BIA district, which has a fiscal year-end of June 30. This district spends a larger portion of their funds prior to the year-end holiday season. The district has been notified of the need for correction and is being closely monitored. The BIA balance is expected to improve by the end of its fiscal year in June 2006 and the end of the City's fiscal year on December 31, 2006.

The Downtown Parking Garage Fund has negative fund equity of \$18.5 million. This is mostly attributable to the cumulative effects of annual depreciation expense which is not planned to be covered by operating revenues. The Garage has been generating revenues to cover operating expenses and debt service payments, but not depreciation and accrued interest. The negative fund equity will continue; however, the Garage is expected to cover future operating costs and debt service as they become due.

The Engineering Services Fund has \$4.0 million of deficit net assets. This deficit is largely the consequence of inadequate overhead rates during the mid-1990s, which led to significant under-recovery of expenditures and disputed costs on projects performed for other agencies and departments. Disputed billing and overhead issues have been addressed and are now closely monitored, and deficit-recovery surcharges are being applied to Engineering Services Fund services. The financial position of the Engineering Services Fund has improved from a \$5.2 million deficit in 2004 and is expected to continue to improve in future years.

(3) CASH AND INVESTMENTS

CASH AND EQUITY IN POOLED INVESTMENTS

Cash resources of all City funds are combined to form a pool of cash that is managed by the Department of Executive Administration. Under the City's investment policy, all temporary cash surpluses in the pool are invested. Each fund's share of the cash pool is included in the participating fund's balance sheet under the caption "Cash and Equity in Pooled Investments." The pool operates like a demand deposit account in that all City funds may deposit cash at any time and also withdraw cash out of the pool without prior notice or penalty.

Custodial Credit Risk – Deposits. As of December 31, 2005, the City's cash pool had cash on deposit with the City's custodial banks in the amount of \$14,378,730. This amount represents cash that had been credited in the City books but remains in the bank to cover checks that were issued by the City but were unredeemed at the end of the year. The Federal Deposit Insurance Corporation (FDIC) insures the City's deposits up to \$100,000. The rest is uninsured and uncollateralized and is therefore exposed to custodial risk which is the risk that the deposits may not be returned to the City in the event of bank failure. The City minimizes exposure to custodial credit risk for deposits by requiring the depository bank to have sufficient capital to support the activity of the City. In addition, banks having a deposit relationship with the City are required to provide financial statements for the City's use in reviewing the bank's financial condition. Furthermore, all deposits not covered by FDIC insurance are covered by the Public Deposit Protection Commission (PDPC) of the state of Washington. The PDPC is a statutory authority established under RCW 39.58. It constitutes a multiple financial institution collateral pool. In the case of a loss by any public depository in the state, each public depository is liable for an amount up to 11 percent of its public deposits. Provisions of RCW 39.58.060 authorize the PDPC to make pro rata assessments in proportion to the maximum liability of each such depository as it existed on the date of loss.

CITY TREASURY INVESTMENTS

Note 1 describes the investment policies of the City. Banks or trust companies acting as the City's agents hold all of the City's investments in the City's name. As of December 31, 2005, the City's cash investment pool had the following investments and maturities.

Table 3-1

**INVESTMENTS AND MATURITIES
TREASURY RESIDUAL INVESTMENTS AND
SECURITIES HELD FOR DEDICATED FUNDS
(In Thousands)**

| Investments | Fair Value | | | Weighted Average Maturity (Days) |
|--|-------------------------------------|--|--------------------|---|
| | Treasury Residual Investments | Securities Held for Dedicated Funds | Carrying Amount | |
| Repurchase Agreements | \$ 66,901 | \$ - | \$ 66,901 | 3 |
| U.S. Government Obligations | 49,243 | - | 49,243 | 264 |
| U.S. Government Agencies | 463,082 | 19,413 | 482,495 | 362 |
| Commercial Paper | 148,243 | 34,223 | 182,466 | 8 |
| Total | <u>\$ 727,469</u> | <u>\$ 53,636</u> | <u>\$ 781,105</u> | |
| Weighted Average Maturity of the Treasury Residual Investments and Securities Held for Dedicated Funds | | | | 243 |

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to no longer than five years. Furthermore, to achieve its financial objective of maintaining liquidity to meet its operating cash flow needs, the City typically selects investments that have much shorter average maturities.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In accordance with its investment policy, the City manages its exposure to credit risk by limiting its investments in commercial paper purchased on the secondary market to those with maturities not longer than 180 days from purchase and with the highest rating by at least two nationally recognized statistical rating organizations. As of December 31, 2005, the City's investments in commercial paper were rated P-1 by Moody's Investors Service, A-1 by Standard & Poor's, and/or F-1 by Fitch Ratings.

The City also purchases obligations of government-sponsored enterprises which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System. These include, but are not limited to, debt securities of the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal Farm Credit Bank, and Federal National Mortgage Association. As of December 31, 2005, these investments were rated Aaa by Moody's Investors Service and AAA by Standard & Poor's.

The City's investments in repurchase agreements require a master repurchase agreement executed with the contra-party, and repurchase transactions may only be conducted with primary dealers of the City's bank of record or master custodial bank. Securities delivered as collateral must be priced at a minimum of 102 percent of their market value for U.S. Treasuries and at higher margins of 103 percent to 105 percent for debentures of U.S. federal government-sponsored enterprises, mortgage-backed pass-throughs, banker's acceptances, and commercial paper. In addition, collateral securities must have the highest credit ratings of at least two nationally recognized statistical rating organizations (NRSROs). As of December 31, 2005, the securities underlying the City's investment in repurchase agreements included collateral other than U.S. Treasuries, and the repurchase agreements were not rated.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. In accordance with its investment policy, the City manages its exposure to concentration of credit risk for the City's investments portfolio as a whole. The City limits its investments in any one issuer to no higher than twenty percent of its portfolio, except for investments in U.S. government obligations or U.S. government agency securities, which may comprise up to one hundred percent of the portfolio. The City's investments in which five percent or more is invested in any single issuer as of December 31, 2005, are shown in the following table.

Table 3-2

CONCENTRATION OF CREDIT RISK
(In Thousands)

| <u>Issuer</u> | <u>Fair Value</u> | <u>Percent of Total Investments</u> |
|--|-------------------|-------------------------------------|
| Federal Home Loan Mortgage Corporation | \$ 188,149 | 24 % |
| Federal National Mortgage Association | 140,905 | 18 |
| Federal Home Loan Bank | 114,214 | 15 |
| Merrill Lynch GSI | 66,900 | 9 |
| Federal Farm Credit Bank | 39,227 | 5 |

Custodial Credit Risk – Investments. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the system will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City minimizes custodial credit risk for its investments by having its investment securities held by the City’s agent and not by the counterparty or the counterparty’s trust department or agent. In accordance with its investment policy, the City also maintains a list of security dealers and financial institutions authorized to provide investment services to the City. The security dealers and financial institutions may include primary dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule) and investment departments of local banks which passed evaluation of their financial condition, strength and capability to fulfill commitments; overall reputation with other dealers and investors; regulatory status; and background and expertise on their individual representative.

Foreign Currency Risk. The City Treasury investment pool and securities held for dedicated funds does not invest in foreign currencies.

INVESTMENTS OF THE SEATTLE CITY EMPLOYEES’ RETIREMENT SYSTEM (SCERS)

Investments of the Seattle City Employees’ Retirement System are accounted for in the Employees’ Retirement Fund, a fiduciary fund which is not included in the citywide financial statements because its resources belong to the retirement system and do not support City programs.

The retirement fund investments are made in accordance with the prudent person rule as defined by RCW 35.39.060.

Table 3-3

SCERS’ INVESTMENTS
(In Thousands)

| <u>Investments</u> | <u>Amount</u> |
|-----------------------------|---------------------|
| U.S. Government Obligations | \$ 115,262 |
| International Bonds | 102,019 |
| Domestic Stocks | 900,993 |
| International Stocks | 201,641 |
| Other | |
| Short-term Investment Funds | 166,153 |
| Mezzanine Debt | 19,016 |
| Real Estate | 187,814 |
| Alternative/Venture Capital | 207,185 |
| Total | <u>\$ 1,900,083</u> |

Credit Risk. In accordance with its policy, the Retirement Board provides its investment managers with a set of investment guidelines that specify eligible investments and applicable restrictions necessary for risk control. Managers do not have authority to depart from those guidelines.

SCERS’ fixed income portfolio is primarily managed by three external money management firms. SCERS’ investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from interest rates.

Table 3-4

SCERS' FIXED INCOME PORTFOLIO
(In Thousands)

| Investment Type | Fair Value | Investment Maturities (In Years) | | | |
|-----------------------|------------|----------------------------------|-----------|-----------|-----------|
| | | <1 | 1 - 5 | 6 - 10 | >10 |
| Fixed Income | | | | | |
| U.S. Government | \$ 36,684 | \$ 2,714 | \$ 10,157 | \$ 6,526 | \$ 17,287 |
| Mortgage-Backed | 46,019 | 877 | 2,499 | 3,171 | 39,472 |
| CMOs, CDOs, and CLOs | 13,968 | - | 643 | 704 | 12,621 |
| Corporate | 64,298 | 3,623 | 27,651 | 13,848 | 19,176 |
| Developed Markets | 346 | 267 | - | 79 | - |
| Emerging Markets | 2,231 | - | 132 | 119 | 1,980 |
| Convertible Bonds | 34 | | | | |
| Convertible Preferred | 1,023 | | | | |
| Derivatives | 345 | | | | |
| Index Funds | 41,234 | | | | |
| Mutual Funds | 13,896 | | | | |
| Short-Term | | | | | |
| Repurchase Agreements | 19,009 | | | | |
| Pooled Funds | 11,857 | | | | |
| Total Portfolio | \$ 250,944 | \$ 7,481 | \$ 41,082 | \$ 24,447 | \$ 90,536 |

Interest Rate Risk. SCERS' investment policy requires the Retirement Board to provide its investment managers with a set of investment guidelines that specify eligible investments and applicable restrictions necessary for risk control. Managers do not have authority to depart from those guidelines.

SCERS' investment policy does not limit fixed income investments based on ratings by any nationally recognized rating agencies although, based on the prudent person rule, speculative investments should be avoided.

Table 3-5

SCERS' FIXED INCOME RATINGS BY STANDARD AND POOR'S
(In Thousands)

| Investment Type | AAA | AA | A | BBB | BB | B | CCC and Below | Not Rated |
|------------------------|-----------|----------|-----------|-----------|----------|----------|---------------|-----------|
| Fixed Income | | | | | | | | |
| Mortgage-Backed | | | | | | | | |
| Corporate Pass-Through | \$ 27,861 | \$ 455 | \$ 525 | \$ 31 | \$ 433 | \$ 786 | \$ 526 | \$ 2,345 |
| CDOs and CLOs | | | | | | | | |
| Corporate | | | | 1,011 | | | | 9,563 |
| Corporate | | | | | | | | |
| Bonds | 1,901 | 2,252 | 9,764 | 13,259 | 7,543 | 6,492 | 351 | |
| Asset-Backed | 7,558 | | | 65 | 63 | 1,019 | | 134 |
| Private Placements | 2,535 | 198 | 1,890 | 691 | 303 | 1,194 | | 7,085 |
| Developed Markets | | | | | | | | |
| Government/Sovereign | | 267 | 79 | | | | | |
| Emerging Markets | | | | | | | | |
| Government/Sovereign | 386 | | | 1,845 | | | | |
| Total | \$ 40,241 | \$ 3,172 | \$ 12,258 | \$ 16,902 | \$ 8,342 | \$ 9,491 | \$ 877 | \$ 19,127 |

SCERS' investments are made in accordance with the prudent person rule as defined by RCW 35.39. The investment policy specifies target percentages for diversification of investments in order to minimize the risk of large losses.

Table 3-6

SCERS' ASSET ALLOCATION

| Asset Class | Actual | Target |
|---------------------------|---------|---------|
| Cash and Cash Equivalents | 1.1 % | 1.0 % |
| Equities | | |
| Domestic | 50.5 | 48.0 |
| International | 11.5 | 10.0 |
| Alternative | 11.5 | 10.0 |
| Debt | | |
| Bonds | 13.9 | 14.0 |
| Mezzanine | 1.0 | 5.0 |
| Real Estate | 10.5 | 12.0 |
| Total | 100.0 % | 100.0 % |

Concentration of Credit Risk. The Investment Committee reviews its portfolio holdings quarterly to ensure compliance with the specified targets. Regular, systematic rebalancing of the portfolio back to the target percentages are undertaken to ensure compliance with the specified targets. In line with its policy, the System does not have any investments in any issuer that represent more than 5 percent of the System's net assets, except for investments in U.S. government obligations or U.S. government agency securities. The Retirement Board provides its investment managers with a set of investment guidelines that specify eligible investments, minimum diversification standards, and applicable restrictions necessary for diversification. Managers do not have authority to depart from those guidelines.

Custodial Credit Risk. The system mitigates custodial credit risk by having its investment securities held by the System's custodian and registered in the System's name.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The System's currency risk exposure or exchange rate risk primarily resides within the international equity holdings. The System's investment managers maintain adequately diversified portfolios to limit currency security risk. Per the System's policy, individual manager guidelines include the ranges of acceptable exposure.

SECURITIES LENDING TRANSACTIONS

The City is allowed to engage in securities lending transactions similar to that instituted by the Washington State Treasurer's Office and other municipal corporations in the State of Washington.

Under the authority of RCW 41.28.005 and the SMC 4.36.130, the Seattle City Employees' Retirement System Board of Administration adopted investment policies that define eligible investments, which include securities lending transactions whereby securities are loaned for the purpose of generating additional income to SCERS. Gross income from securities lending transactions of SCERS as well as the various fees paid to the institution that oversees the lending activity are reported in the fund's operating statements. Assets and liabilities include the value of the collateral that is being held.

The market value of the required collateral must meet or exceed 102 percent of the market value of the securities loaned, providing a margin against a decline in the market value of the collateral. There are no restrictions on the amount of securities that may be loaned. The contractual agreement with the SCERS' custodian provides indemnification in the event the borrower fails to return the securities lent or fails to pay SCERS' income distribution by the securities' issuers while the securities are on loan. Cash and U.S. government securities were received as collateral for these loans. SCERS cannot pledge or sell collateral securities without a borrower default.

SCERS invests cash collateral received; accordingly, investments made with cash collateral are reported as asset. A corresponding liability is recorded as SCERS must return the cash collateral to the borrower upon the expiration of the loan. There have been no losses resulting from a default, and SCERS did not have negative credit exposure at December 31, 2005.

Table 3-7

SCERS' SECURITIES LENT AND COLLATERAL (In Thousands)

| Type of Securities Lent | 2005 | | 2004 | |
|------------------------------|--------------------------------|-------------------|--------------------------------|-------------------|
| | Fair Values of Securities Lent | Collateral | Fair Values of Securities Lent | Collateral |
| U.S. Government and Agencies | \$ 19,145 | \$ 19,845 | \$ 118,576 | \$ 120,740 |
| U.S. Corporate Fixed Income | 9,649 | 9,870 | 17,192 | 17,553 |
| U.S. Equities | 89,992 | 93,148 | 97,843 | 100,795 |
| Total Securities Lent | <u>\$ 118,786</u> | <u>\$ 122,863</u> | <u>\$ 233,611</u> | <u>\$ 239,088</u> |
| | | | | |
| Collateral | 2005 | | 2004 | |
| U.S. Corporate Obligations | \$ 55,005 | | \$ 103,106 | |
| Bank Obligations | 23,996 | | 55,001 | |
| Commercial Paper | 4,977 | | 3,992 | |
| Repurchase Agreements | 6,169 | | 76,987 | |
| Asset-Backed Securities | 4,708 | | - | |
| Certificates of Deposit | 14,994 | | - | |
| Time Deposits | 5,000 | | - | |
| Euro Clear Floater | 8,014 | | - | |
| Total Collateral | <u>\$ 122,863</u> | | <u>\$ 239,086</u> | |

REVERSE REPURCHASE AGREEMENTS

The City regularly enters into reverse repurchase agreements as part of its investment strategy. These agreements are sales of securities with simultaneous agreements to repurchase them at a future date at the same prices plus contracted rates of interest. The fair value of the securities underlying the agreements normally exceeds the cash received, providing the dealers a margin against a decline in the fair value of the securities.

RCW 35.39.030 and City investment policy allow the investment of City moneys in excess of current City needs in reverse repurchase agreements structured with securities eligible for purchase provided a master repurchase agreement has been executed with the contra-party. The securities eligible for purchase pursuant to City investment policy are included in Note 1.

Credit Risk – Reverse Repurchase Agreements. If the dealers default on their obligations to resell securities to the City or provide securities or cash of equal value, the City would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. The City had no outstanding reverse repurchase agreements as of December 31, 2005.

(4) RECEIVABLES AND INTERFUND TRANSACTIONS

Table 4-1 **TAX REVENUES AND RECEIVABLES**
(In Thousands)

| | 2005 Revenues | December 31 2005 Receivables |
|---------------------------------------|--------------------------|---|
| Property Taxes | \$ 311,376 | \$ 5,919 |
| General Business and Occupation Taxes | 196,054 | 42,180 |
| Totals | \$ 507,430 | \$ 48,099 |

TAXING POWERS AND LIMITATIONS

State law limits the regular property tax rate for general City operations to \$3.60 per \$1,000 of assessed value. This includes \$3.375 for general municipal purposes and an additional \$0.225 for the Firemen's Pension Fund and for general municipal purposes under conditions spelled out in state law. From 1997 through 2001 state law limited the annual growth in the City's regular property tax levy to the lesser of 1.06 percent or the annual rate of inflation. The passage of Initiative 747 in November 2001 reduced the 1.06 percent to 1.01 percent. The growth limit does not count tax revenues from new construction or property remodeled within the last year. With simple-majority voter approval, the City can levy additional property taxes above the 1.01 percent annual growth limit, as long as the City's regular levy rate per \$1,000 of assessed value does not exceed the \$3.60 limit. Excess tax levies for capital purposes require a 60-percent approval by voters and do not fall under either of the limits. The City levied \$2.12 per \$1,000 for general operations and Firemen's Pension Fund in 2005. In addition, the levy included \$1.23 per \$1,000 of assessed value for debt service and other voter-approved levies. The total 2005 levy was \$3.35 per \$1,000 of assessed value. Not included in this total is the levy for Emergency Medical Services, which was \$0.23 per \$1,000 of assessed value.

INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The City reports interfund balances between funds. The interfund balances are presented in the balance sheets for governmental funds and statements of net assets for proprietary funds.

The following table shows the current interfund balances at December 31, 2005, as reported in the fund financial statements.

Table 4-2

DUE FROM AND TO OTHER FUNDS (In Thousands)

| Receivable Fund | Payable Fund(s) | Amount |
|--------------------------------------|------------------------------------|--------------------|
| General | Drainage and Wastewater | \$ 1,449 |
| | Nonmajor Enterprise | 736 |
| | Fiduciary | 169 |
| | Nonmajor Governmental | 1,743 |
| | Internal Service | 2,934 |
| | Transportation | 98 |
| | Light | 3,356 |
| | Water | 1,039 |
| | | <hr/> |
| | | Total General Fund |
| Transportation | Drainage and Wastewater | 649 |
| | Nonmajor Enterprise | 29 |
| | General | 838 |
| | Nonmajor Governmental | 741 |
| | Internal Service | 33 |
| | Light | 531 |
| | Water | 220 |
| | | <hr/> |
| | Total Transportation | 3,041 |
| General Bond Interest and Redemption | Nonmajor Governmental | 26 |
| Light | Drainage and Wastewater | 203 |
| | Nonmajor Enterprise | 189 |
| | Fiduciary | 11 |
| | General | 1,383 |
| | Nonmajor Governmental | 358 |
| | Transportation | 54 |
| | Internal Service | 159 |
| | Water | 255 |
| | | <hr/> |
| | Total Light Fund | 2,612 |
| Water | Drainage and Wastewater | 304 |
| | Nonmajor Enterprise | 100 |
| | Nonmajor Governmental | 333 |
| | Fiduciary | 254 |
| | Transportation | 2 |
| | Internal Service | 12 |
| | Light | 301 |
| | | <hr/> |
| | Total Water Fund | 1,306 |
| Drainage and Wastewater | Nonmajor Governmental | 294 |
| | Internal Service | 2 |
| | Transportation | 535 |
| | Light | 336 |
| | Water | 131 |
| | | <hr/> |
| | Total Drainage and Wastewater Fund | 1,298 |
| Nonmajor Governmental | Drainage and Wastewater | 772 |
| | Nonmajor Enterprise | 163 |
| | Fiduciary | 10 |
| | General | 1,838 |
| | Nonmajor Governmental | 3,920 |
| | Internal Service | 106 |
| | Low-Income Housing | 280 |
| | Transportation | 775 |
| | Light | 455 |
| | Water | 130 |
| | | <hr/> |
| | Total Nonmajor Governmental Funds | 8,449 |
| Nonmajor Enterprise | Drainage and Wastewater | 377 |
| | Nonmajor Enterprise | 32 |
| | General | 111 |
| | Nonmajor Governmental | 178 |
| | Internal Service | 7 |
| | Transportation | 9 |
| | Light | 338 |
| | Water | 133 |
| | | <hr/> |
| | Total Nonmajor Enterprise Funds | 1,185 |

Table 4-2 **DUE FROM AND TO OTHER FUNDS (continued)**
(In Thousands)

| Receivable Fund | Payable Fund(s) | Amount |
|------------------|-------------------------|------------------------------|
| Internal Service | Drainage and Wastewater | \$ 239 |
| | Nonmajor Enterprise | 189 |
| | Fiduciary | 7 |
| | General | 2,461 |
| | Nonmajor Governmental | 1,112 |
| | Internal Service | 86 |
| | Light | 1,123 |
| | Transportation | 1,198 |
| | Water | 666 |
| | | Total Internal Service Funds |
| Fiduciary | Fiduciary | 612 |
| | General | 25 |
| | Nonmajor Governmental | 2 |
| | Total Fiduciary Funds | 639 |
| Grand Total | | \$ 37,161 |

The balances in Table 4-2 resulted from the time lag between the dates that (1) interfund goods and services were provided or reimbursable expenditures occurred, (2) transactions were recorded in the accounting system, and (3) payments between funds were made.

Table 4-3 **ADVANCES, NOTES, AND LOANS FROM AND TO OTHER FUNDS**
(In Thousands)

| Advances, Notes, and Loans From | Advances, Notes, and Loans To | Amount |
|---------------------------------|-------------------------------|-----------|
| General Fund | Seattle Center | \$ 7,501 |
| | Engineering Services | 3,500 |
| Total City | | \$ 11,001 |

Table 4-4 **INTERFUND TRANSFERS**
(In Thousands)

| Transfers In | Transfers Out | | | | | Total |
|--------------------------------------|---------------|--------------------------|----------------|--|---------------------|------------|
| | General | Nonmajor Governmental | Transportation | General Bond Interest and Redemption | Internal Service | |
| General Fund | \$ - | \$ 2,366 | \$ - | \$ 3 | \$ 7,738 | \$ 10,107 |
| Nonmajor Governmental | 122,045 | 6,647 | - | - | - | 128,692 |
| General Bond Interest and Redemption | 43,924 | 53,312 | 452 | - | 2,377 | 100,065 |
| Transportation | 39,989 | 11,217 | - | - | - | 51,206 |
| Nonmajor Enterprise | 8,456 | - | - | - | - | 8,456 |
| Internal Service | 1,447 | - | - | - | - | 1,447 |
| Total Transfers | \$ 215,861 | \$ 73,542 | \$ 452 | \$ 3 | \$ 10,115 | \$ 299,973 |

Transfers are used to (1) move revenues from the fund wherein the statute or budget requires them to be collected to the fund wherein the statute or budget requires them to be expended and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

(5) CAPITAL ASSETS

Table 5-1

CHANGES IN CAPITAL ASSETS
(In Thousands)

| | Restated Balance January 1 | Additions | Deletions | Balance December 31 |
|--|----------------------------------|-------------------|-------------------|------------------------|
| GOVERNMENTAL ACTIVITIES ^a | | | | |
| CAPITAL ASSETS NOT BEING DEPRECIATED | | | | |
| Land | \$ 363,959 | \$ 12,159 | \$ 4,109 | \$ 372,009 |
| Construction in Progress | 165,099 | 161,816 | 116,533 | 210,382 |
| Total Capital Assets Not Being Depreciated | 529,058 | 173,975 | 120,642 | 582,391 |
| CAPITAL ASSETS BEING DEPRECIATED | | | | |
| Buildings and Improvements | 1,562,919 | 82,780 | 35,133 | 1,610,566 |
| Machinery and Equipment | 191,204 | 24,110 | 19,829 | 195,485 |
| Infrastructure | 870,154 | 18,070 | - | 888,224 |
| Other Capital Assets | 8,267 | 619 | - | 8,886 |
| Total Capital Assets Being Depreciated | 2,632,544 | 125,579 | 54,962 | 2,703,161 |
| Accumulated Depreciation | | | | |
| Buildings and Improvements | 306,900 | 37,632 | 21,081 | 323,451 |
| Machinery and Equipment | 105,850 | 16,950 | 16,507 | 106,293 |
| Infrastructure | 380,803 | 27,128 | - | 407,931 |
| Other Capital Assets | 492 | 154 | - | 646 |
| Total Accumulated Depreciation | 794,045 | 81,864 | 37,588 | 838,321 |
| Total Capital Assets Being Depreciated, Net | 1,838,499 | 43,715 | 17,374 | 1,864,840 |
| Governmental Activities Capital Assets, Net | <u>\$ 2,367,557</u> | <u>\$ 217,690</u> | <u>\$ 138,016</u> | <u>\$ 2,447,231</u> |
| BUSINESS-TYPE ACTIVITIES | | | | |
| CAPITAL ASSETS NOT BEING DEPRECIATED | | | | |
| Land | \$ 64,885 | \$ 2,801 | \$ 4 | \$ 67,682 |
| Construction in Progress | 192,043 | 232,782 | 226,334 | 198,491 |
| Total Capital Assets Not Being Depreciated | 256,928 | 235,583 | 226,338 | 266,173 |
| CAPITAL ASSETS BEING DEPRECIATED | | | | |
| Plant in Service, Excluding Land | 4,041,675 | 194,530 | 16,766 | 4,219,439 |
| Buildings | 73,013 | - | - | 73,013 |
| Machinery and Equipment | 10,582 | 2,738 | - | 13,320 |
| Other Capital Assets | 15,117 | 18,841 | 1,062 | 32,896 |
| Total Capital Assets Being Depreciated | 4,140,387 | 216,109 | 17,828 | 4,338,668 |
| Accumulated Depreciation | | | | |
| Plant in Service, Excluding Land | 1,472,344 | 123,351 | 23,922 | 1,571,773 |
| Buildings | 14,603 | 2,434 | - | 17,037 |
| Machinery and Equipment | 3,116 | 1,095 | - | 4,211 |
| Total Accumulated Depreciation | 1,490,063 | 126,880 | 23,922 | 1,593,021 |
| Total Capital Assets Being Depreciated, Net | 2,650,324 | 89,229 | (6,094) | 2,745,647 |
| Business-Type Activities Capital Assets, Net | <u>\$ 2,907,252</u> | <u>\$ 324,812</u> | <u>\$ 220,244</u> | <u>\$ 3,011,820</u> |

^a The capital assets for governmental activities include the capital assets of the internal service funds. Schedules I-1, I-2, and I-3 provide additional information on the governmental funds capital assets.

Table 5-2

DEPRECIATION EXPENSE BY FUNCTION
(In Thousands)

| GOVERNMENTAL ACTIVITIES | |
|---|-------------------|
| General Government | \$ 14,858 |
| Public Safety | 1,722 |
| Judicial | 16 |
| Transportation | 27,268 |
| Economic Environment | 9 |
| Culture and Recreation | <u>25,862</u> |
| Subtotal | 69,735 |
| Capital assets held by internal service funds are charged to the various functions based on their usage of the assets | <u>12,129</u> |
| Total Governmental Activities | <u>\$ 81,864</u> |
| BUSINESS-TYPE ACTIVITIES | |
| Light | \$ 75,974 |
| Water | 32,579 |
| Solid Waste | 3,058 |
| Drainage and Wastewater | 11,740 |
| Planning and Development | 986 |
| Parking Garage | <u>2,543</u> |
| Total Business-Type Activities | <u>\$ 126,880</u> |

(6) COMPENSATED ABSENCES

GOVERNMENTAL FUNDS

Unpaid compensated absences associated with governmental fund operations of \$52.9 million and \$51.3 million at December 31, 2005 and 2004, respectively, have been recorded in the government-wide statements. These amounts include unpaid holiday, compensatory, merit, and furlough time of \$12.0 million and \$11.1 million at the end of 2005 and 2004, respectively; accumulated unpaid vacation pay of \$32.1 million and \$31.4 million at the end of 2005 and 2004, respectively; and the balance for sick leave which was estimated based on the termination method.

PROPRIETARY FUNDS

Unpaid compensated absences for the proprietary and pension trust funds were \$24.3 million and \$23.1 million on December 31, 2005 and 2004, respectively, are shown in the following table.

Table 6-1 COMPENSATED ABSENCES IN PROPRIETARY AND PENSION TRUST FUNDS
(In Thousands)

| | <u>2005</u> | <u>2004</u> |
|-------------------------------|------------------|------------------|
| Enterprise Funds | | |
| Light | \$ 10,991 | \$ 10,849 |
| Water | 3,937 | 3,616 |
| Drainage and Wastewater | 2,205 | 2,025 |
| Solid Waste | 1,181 | 1,085 |
| Planning and Development | 2,225 | 1,984 |
| Internal Service Funds | | |
| Fleets and Facilities | 1,608 | 1,622 |
| Information Technology | 1,290 | 1,170 |
| Engineering Services | 551 | 506 |
| Pension Trust Funds | | |
| Employees' Retirement | 57 | 55 |
| Firemen's Pension | 143 | 114 |
| Police Relief and Pension | <u>66</u> | <u>62</u> |
| Totals | <u>\$ 24,254</u> | <u>\$ 23,088</u> |

Compensated absences in governmental activities and business-type activities are presented in the aggregate in Note 8, Long-Term Debt, Table 8-5, which also shows the amount estimated to be due within the year.

(7) LEASES

CAPITAL LEASES

The City leases certain office equipment under various capital lease agreements. The City's capital lease obligations and the related assets were recorded in the appropriate funds and government-wide statements. The net capital lease assets shown below reflect those continuing to be financed through capital leases. The minimum capital lease payments reflect the remaining capital obligations on these assets.

Table 7-1

CAPITAL LEASES (In Thousands)

| <u>Net Capital Lease Assets</u> | <u>Capital Assets Governmental Activities</u> |
|---------------------------------------|--|
| Machinery and Equipment | \$ 76 |
| Less Accumulated Depreciation | <u>(53)</u> |
| December 31, 2005 | <u>\$ 23</u> |
| | |
| <u>Minimum Capital Lease Payments</u> | <u>Long-Term Liabilities Governmental Activities</u> |
| 2006 | \$ 16 |
| 2007 | 13 |
| 2008 | <u>3</u> |
| Total Minimum Lease Payments | 32 |
| Less Interest | <u>(3)</u> |
| Principal | <u>\$ 29</u> |

The principal portion of the minimum capital lease payments is also presented in Table 8-5 of Note 8, Long-Term Debt.

OPERATING LEASES

Governmental Activities

The City has operating lease commitments for both real and personal property managed by the Fleets and Facilities Department, which also manages the buildings and facilities owned by the City. Most leases for real property are maintained for a duration of three years and are renewable at the end of the lease period. Fleets and Facilities paid rentals of \$2.8 million (1982 - 84 = 100) published by the Bureau of Labor Statistics, United States Department of Labor CPI from the CPI last published in the preceding year, but not to exceed five percent for any lease year. If there is a decline in the CPI, the fixed rent during the succeeding year will be equal to the fixed rent during the immediate preceding year. All other amounts required by the landlord to be paid by Seattle Center on the lease shall constitute additional rent. On a triple net lease Seattle Center will pay all impositions on the lease, insurance premiums, utilities, taxes, operating expenses, maintenance charges, repair costs, and other charges, costs, and expenses which arise or may be contemplated during the lease term. Seattle Center paid rent, including property taxes on the lease property, in the amount of \$265,100 and \$258,314 in 2005 and 2004, respectively, on the lease. Rents are paid as they become due and payable.

In addition, Seattle Center leases a building for office space and workshop on a type of lease called a "triple net lease" for its Technical Facilities Management. The lease agreement commenced on July 17, 2000, and expires on July 30, 2010, requiring a fixed rent of \$18,500 per month subject to increases on each July 1 beginning in 2001 and every year thereafter by the percentage of change, if any, in the Consumer Price Index (CPI) for All Urban Consumers, United States Average for All Items (1982 - 84 = 100) published by the Bureau of Labor Statistics, United States Department of Labor CPI from the CPI last published in the preceding year, but not to exceed five percent for any lease year. If there is a decline in the CPI, the fixed rent during the succeeding year will be equal to the fixed rent during the immediate preceding year. All other amounts required by the landlord to be paid by Seattle Center on the lease shall constitute additional rent. On a triple net lease Seattle Center will pay all impositions on the lease, insurance premiums, utilities, taxes, operating expenses, maintenance charges, repair costs, and other charges, costs, and expenses which arise or may be contemplated during the lease term. Seattle Center paid rent, including property taxes on the lease property, in the amount of \$265,100 and \$258,314 in 2005 and 2004, respectively, on the lease. Rents are paid as they become due and payable.

Minimum payments under the leases are shown in the following table.

Table 7-2 **OPERATING LEASE COMMITMENTS
GOVERNMENTAL ACTIVITIES
(In Thousands)**

| <u>Year Ending December 31</u> | <u>Minimum Lease Payments</u> | | |
|------------------------------------|----------------------------------|---------------------------|--------------|
| | <u>Fleets and Facilities</u> | <u>Seattle Center</u> | <u>Total</u> |
| 2006 | \$ 3,323 | \$ 251 | \$ 3,574 |
| 2007 | 2,576 | 251 | 2,827 |
| 2008 | 1,380 | 251 | 1,631 |
| 2009 | 1,185 | 251 | 1,436 |
| 2010 | 1,139 | 146 | 1,285 |
| Thereafter | 3,398 | - | 3,398 |
| Total | \$ 13,001 | \$ 1,150 | \$ 14,151 |

Business-Type Activities

In December 1994 the City entered into an agreement on behalf of the Seattle City Light Department for a ten-year lease of office facilities in downtown Seattle commencing February 1, 1996. In early 1996 the City purchased the building in which these facilities are located, thus becoming the Department's lessor. This lease extended through December 2006. In addition, the Department leases office equipment and smaller facilities for various purposes through long-term operating lease agreements. Expense under the leases totaled \$3.9 million in each of the years 2005 and 2004. There are no scheduled rent increases apart from these lease agreements.

Minimum payments under the leases are shown in the following table.

Table 7-3 **OPERATING LEASE COMMITMENTS
CITY LIGHT
(In Thousands)**

| <u>Year Ending December 31</u> | <u>Minimum Payments</u> |
|------------------------------------|-----------------------------|
| 2006 | \$ 3,765 |
| 2007 | 138 |
| 2008 | 134 |
| 2009 | 12 |
| Total | \$ 4,049 |

LEASE REVENUES - GOVERNMENTAL ACTIVITIES

The Fleets and Facilities Department collects occupancy charges from the various tenants occupying real property owned or leased by the City. These tenants include other City departments, social service agencies, and private businesses. Social service agencies frequently pay occupancy charges at reduced rates in consideration of offsetting benefits accruing to the City as a result of the services they provide to the public. Rental revenues derived from these activities are accounted for in the Fleets and Facilities Fund, an internal service fund.

Table 7-4 **MAJOR SOURCES OF RENTAL INCOME ON REAL PROPERTY MANAGED BY
FLEETS AND FACILITIES**

| | <u>2005</u> |
|--|----------------|
| Non-City Property Subleased to City Departments | \$ 3.2 million |
| City-Owned Property Occupied by City Departments | 21.2 million |
| City-Owned Property Leased to Non-City Tenants | 6.3 million |

The amounts in the preceding table include the following:

- The City owns the Seattle Municipal Tower Building. In 2005 the gross rental revenues of the building were \$10.2 million. Of this amount, \$4.9 million relates to City department tenants.
- The Police Support Facility provides rental space for tenants. The gross rental revenues of the facility were \$0.9 million, of which \$0.2 million relates to City department tenants.
- Other City buildings, including non-City owned buildings, generated \$19.5 million in gross rental revenues. Of this amount, \$19.2 million relates to City department tenants.

Additionally, in 2005 the SeaPark Garage and the Seattle Municipal Tower (formerly known as Key Tower) generated \$1.5 million and \$1.4 million, respectively, in parking revenues, which were recorded in the Fleets and Facilities Operating Fund.

Also, the City recognized \$6.2 million in parking revenues in the Downtown Parking Garage Fund, an enterprise fund, from the operation of the garage at Pacific Place.

(8) LONG-TERM DEBT

GENERAL OBLIGATION BONDS

The City issues general obligation bonds to provide funding for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City issues two types of general obligation bonds, limited tax general obligation bonds (LTGO) and unlimited tax general obligation bonds (UTGO).

At the end of 2004 the original amount of general obligation bonds issued in prior years was \$1.3 billion. The amount of bonds outstanding at December 31, 2004, was \$907.2 million. The following two paragraphs discuss the general obligation bonds issued and bond defeasance activity during 2005.

On March 23, 2005, the City issued the \$129.5 million LTGO and Refunding bonds with interest rates ranging from 3.0 percent to 5.0 percent and which mature serially from August 1, 2005, through January 1, 2028. The proceeds of the bonds are used to pay all or part of the costs of construction and acquisition of various City capital projects, including the Central Library Garage, Pier 59, Pay Stations, Fremont Bridge Approaches and Bridgeway, and SR519, and to finance the refund of street lighting costs charged to electric customers in prior years. Of the total bond issue, \$73.7 million was for refunding \$9.7 million of the 1995 LTGO, \$10.5 million of the 1997 Series A LTGO, and \$49.9 million of the 1999 LTGO Series B bonds. The proceeds of the refunding bonds issuance were placed in an irrevocable trust for the purchase of federal, state, and local government securities to provide for future debt service on the refunded bonds. Further discussion on the refunding is shown in the “Advance and Current Refundings” section of this note.

On September 26, 2005, the City defeased \$620,000 of the 1998 LTGO Series B Refunding bonds and \$8.5 million of the 2002 LTGO Improvement and Refunding bonds that pertain to the purchase of the Alaska and Arctic historic buildings in 1988. The City placed its own resources of \$9.6 million in an irrevocable trust to provide for future debt service payments on the bonds. Table 8-6, under the “Advance and Current Refundings” section of this note, includes information on the defeased bonds.

The City had no short-term general obligation debt at the end of 2005.

The following table presents the individual general obligation bonds outstanding as of December 31, 2005, and other relevant information on each outstanding bond issue.

Table 8-1

GENERAL OBLIGATION BONDS
(In Thousands)

| Name and Purpose of Issue | Issuance Date | Maturity Date | Effective Interest Rate | Bond Issuance | Redemptions | | Bonds Outstanding December 31 |
|---|------------------|------------------|-------------------------------|---------------------|-------------------|----------------------|-------------------------------------|
| | | | | | 2005 | To Date ^a | |
| LIMITED TAX GENERAL OBLIGATION (LTGO) BONDS - NON-VOTED | | | | | | | |
| Fire Apparatus, 1993 | 02/01/93 | 07/01/93-05 | 4.637 % | \$ 785 | \$ 75 | \$ 785 | \$ - |
| Various Purpose-West Precinct, HRIS, 9th & Lenora & COPs Refunding, 1995 | 12/28/95 | 07/01/96-15 | 5.122 | 28,670 | 10,810 | 25,410 | 3,260 |
| Various Purpose-Concert Hall, Key Tower, Police Support Facility, 1996 Series A | 08/01/96 | 01/15/04-20 | 5.920 | 97,740 | 4,040 | 93,450 | 4,290 |
| Various Purpose-Key Tower, Police Support Facility, 1996 Series C | 08/28/96 | 01/15/20-26 | 4.240 ^b | 5,595 ^c | - | - | 5,595 |
| Various Purpose-Key Tower, Police Support Facility, 1996 Series D | 10/06/99 | 01/15/23-24 | 3.100 ^b | 51,925 ^c | - | - | 51,925 |
| Various Purpose-Sand Point, Convention Center, Transportation, 1997 Series A | 02/06/97 | 08/01/97-17 | 5.199 | 26,670 | 12,245 | 22,870 | 3,800 |
| Refunding-Variou LTGO Bonds, 1998 Series B | 03/17/98 | 09/01/98-12 | 4.493 | 43,710 | 3,905 | 25,605 | 18,105 |
| Deferred Interest Parking Garage, 1998 Series E | 11/12/98 | 12/15/01-14 | 4.714 | 13,042 | 1,050 | 2,723 | 10,319 ^d |
| Parking Garage, 1998 Series F | 11/12/98 | 12/15/14-28 | 5.148 | 60,805 | - | - | 60,805 |
| Various Purpose-Civic Center, Galer St, 1999 Series B | 10/19/99 | 12/01/00-28 | 5.677 | 85,500 | 53,090 | 72,990 | 12,510 |
| Various Purpose-Civic Center, South Police Precincts, Training Facilities, Information Technology, Etc., 2001 | 08/21/01 | 08/01/02-31 | 4.908 | 129,760 | 4,010 | 20,520 | 109,240 |
| Improvement (Various) and Refunding, 2002 | 01/30/02 | 07/01/02-32 | 4.778 | 125,510 | 20,495 | 30,790 | 94,720 |
| Improvement (Various) and Refunding, 2002 Series B | 09/26/02 | 10/01/03-14 | 3.127 | 64,560 | 24,055 | 27,695 | 36,865 |
| Various Purpose and Refunding, 2003 | 02/26/03 | 08/01/04-23 | 3.469 | 60,855 | 18,995 | 20,075 | 40,780 |
| Refunding, 2004 | 05/24/04 | 07/01/04-20 | 4.118 | 91,805 | 430 | 2,495 | 89,310 |
| Various Purpose and Refunding, 2005 | 03/23/05 | 08/01/05-28 | 4.167 | 129,540 | 1,805 | 1,805 | 127,735 |
| Total Limited Tax General Obligation Bonds | | | | 1,016,472 | 155,005 | 347,213 | 669,259 |
| UNLIMITED TAX GENERAL OBLIGATION (UTGO) BONDS - VOTED | | | | | | | |
| Fire Station/Shops, 1968 Series 1 | 10/01/68 | 10/01/70-08 | 4.726 | 1,700 | 80 | 1,445 | 255 |
| Sewer Improvement, 1968 Series 1 | 10/01/68 | 10/01/70-08 | 4.726 | 7,000 | 320 | 5,945 | 1,055 |
| Refunding-Variou UTGO Bonds, 1998 Series A | 03/17/98 | 09/01/98-17 | 4.470 | 53,865 | 3,515 | 31,440 | 22,425 |
| Library Facilities, 1999 Series A | 07/01/99 | 12/01/00-18 | 5.135 | 100,000 | 4,310 | 21,570 | 78,430 |
| Improvement (Library Facilities) and Refunding, 2002 | 09/26/02 | 12/01/03-21 | 3.892 | 117,025 | 8,305 | 23,250 | 93,775 |
| Total Unlimited Tax General Obligation Bonds | | | | 279,590 | 16,530 | 83,650 | 195,940 |
| Total General Obligation Bonds | | | | <u>\$ 1,296,062</u> | <u>\$ 171,535</u> | <u>\$ 430,863</u> | <u>\$ 865,199</u> |

^a Includes all bonds that matured to date and all called, refunded, and defeased bonds on issues that have outstanding balances at the beginning of the year.

^b Variable-rate bonds – interest rates in effect December 31, 2005. Effective September 3, 2003, bonds were in a term mode and interest is payable semiannually. These rates were used to calculate annual debt service interest requirements for these bonds.

^c Of the original \$57.52 million taxable 1996C bonds, \$17 million were converted in October 1999 and \$34.925 million were converted in February 2003 to nontaxable 1996D bonds.

^d The accreted value of the outstanding bonds as of December 31, 2005, is \$14,346,104. The difference is also recognized as long-term accrued interest in the Downtown Parking Garage Fund, an enterprise fund.

The requirements to amortize the general obligation bonds as of December 31, 2005, are presented in the following table. Debt service for the LTGO bonds is met by transfers generally from the General Fund and certain special revenue funds and by reimbursements from proprietary funds of the City. Debt service for the UTGO bonds is covered by property tax levies that authorized the bond issues and were approved by at least 60 percent of the voters in elections in which the number of voters exceeded 40 percent of the voters in the most recent election preceding the election to vote on the bond issue.

Table 8-2

**ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION BONDS
(In Thousands)**

| Year Ending December 31 | Governmental Activities | | Business-Type Activities | | Total |
|----------------------------|-------------------------|------------|--------------------------|-----------|--------------|
| | Principal | Interest | Principal | Interest | |
| 2006 | \$ 70,400 | \$ 36,425 | \$ 1,101 | \$ 3,602 | \$ 111,528 |
| 2007 | 55,790 | 33,402 | 1,145 | 3,698 | 94,035 |
| 2008 | 46,310 | 30,960 | 1,179 | 3,810 | 82,259 |
| 2009 | 46,365 | 28,850 | 1,205 | 3,934 | 80,354 |
| 2010 | 42,475 | 26,719 | 1,226 | 4,068 | 74,488 |
| 2011-2015 | 199,255 | 104,141 | 8,778 | 20,163 | 332,337 |
| 2016-2020 | 162,080 | 58,818 | 20,930 | 12,622 | 254,450 |
| 2021-2025 | 109,495 | 26,047 | 32,560 | 6,026 | 174,128 |
| 2026-2030 | 51,735 | 8,604 | 3,000 | 308 | 63,647 |
| 2031-2032 | 10,170 | 658 | - | - | 10,828 |
| Total | \$ 794,075 | \$ 354,624 | \$ 71,124 | \$ 58,231 | \$ 1,278,054 |

REVENUE BONDS AND REVENUE ANTICIPATION NOTES

The City also issues revenue bonds and anticipation notes to provide financing for the capital programs of the four utilities of the City, namely, City Light and the utilities grouped under Seattle Public Utilities, which are Water, Drainage and Wastewater, and Solid Waste. The City does not pledge its full faith and credit for the payment of debt service on revenue bonds. Payment of debt service on the bonds issued for each utility is derived solely from the revenues generated by the related utility. At the end of 2004 the original amount of revenue bonds and anticipation notes issued in prior years was approximately \$3.6 billion. The total outstanding amount at December 31, 2004, was \$2.7 billion. During 2005 an additional \$138.0 million of revenue bonds were issued and \$4.0 million of revenue anticipation notes were issued as follows:

Water

On December 28, 2005, the City issued \$138.0 million in Water System Revenue Refunding bonds, with varying annual principal payments due from September 1, 2006, through September 1, 2029, at interest rates ranging from 4.0 percent to 5.0 percent. The proceeds of the issuance were used to refund \$42.2 million of the 1997 Water System Revenue and \$91.4 million of the 1999 Water System Revenue, Series A bonds. See “Advance and Current Refundings” section of this note for further discussion on the refunding.

Solid Waste

On November 3, 2003, the City issued the Solid Waste Revenue bond anticipation notes (non-revolving line of credit). The City may draw on the line of credit an amount not to exceed \$21.3 million maturing on December 31, 2005. Draws on the line of credit in prior years amounted to \$7.6 million and the City made another \$4.0 million draw during 2005. Interest on the draw is at a variable rate equal to either the LIBOR-based (London Inter-Bank Offering Rate) rate or the prime-based rate, as designated by the Director of Finance or designee. During 2005 the City extended the maturity date of the line of credit to December 31, 2006.

The business-type funds had no short-term debt at December 31, 2005.

The following table presents the individual revenue bonds and anticipation notes outstanding as of December 31, 2005, and other pertinent information on each outstanding bond issue.

Table 8-3 REVENUE BONDS AND REVENUE ANTICIPATION NOTES
(In Thousands)

| Name and Purpose of Issue | Issuance Date | Maturity Dates | Effective Interest Rates ^a | Bond Issuance | Redemptions | | Bonds Outstanding December 31 |
|--|---------------|----------------|---------------------------------------|---------------|-------------|----------------------|-------------------------------|
| | | | | | 2005 | To Date ^b | |
| MUNICIPAL LIGHT AND POWER (ML&P) BONDS | | | | | | | |
| 1990 Subordinate Lien | 11/27/90 | 11/01/96-15 | 1.10-5.25 | \$ 25,000 | \$ 1,100 | \$ 8,500 | \$ 16,500 |
| 1991 Subordinate Lien, Series A | 11/20/91 | 05/01/11-16 | .088-6.00 | 25,000 | - | - | 25,000 |
| 1991 Subordinate Lien, Series B | 11/20/91 | 05/01/98-11 | 1.30-6.00 | 20,000 | 1,600 | 6,500 | 13,500 |
| 1993 Subordinate Lien | 11/17/93 | 11/01/99-18 | .088-3.42 | 22,000 | 1,000 | 6,100 | 15,900 |
| 1995 Parity, Series B | 10/16/95 | 09/01/98-05 | 4.446 | 2,305 | 456 | 2,305 | - |
| 1996 Parity | 10/31/96 | 10/01/02-21 | 5.670 | 30,000 | 1,000 | 28,945 | 1,055 |
| 1996 Subordinate Lien | 12/11/96 | 06/01/02-21 | 1.00-5.75 | 19,800 | 745 | 2,805 | 16,995 |
| 1997 Parity | 12/30/97 | 07/01/03-22 | 5.131 | 30,000 | 1,010 | 2,910 | 27,090 |
| 1998 Parity, Series A, Refunding | 01/27/98 | 07/01/98-20 | 4.884 | 104,650 | 4,975 | 8,245 | 96,405 |
| 1998 Parity, Series B | 10/29/98 | 06/01/04-24 | 4.919 | 90,000 | 2,720 | 5,335 | 84,665 |
| 1999 Parity | 10/27/99 | 10/01/06-24 | 5.960 | 158,000 | - | 138,250 | 19,750 |
| 2000 Parity | 12/27/00 | 12/01/06-25 | 5.298 | 98,830 | - | - | 98,830 |
| 2001 Parity | 03/29/01 | 03/01/04-26 | 5.082 | 503,700 | 5,645 | 9,380 | 494,320 |
| 2002 Parity, Refunding | 12/04/02 | 12/01/03-14 | 3.470 | 87,735 | 12,450 | 19,990 | 67,745 |
| 2003 Parity, Refunding | 08/20/03 | 11/01/04-28 | 3.517 | 251,850 | 24,525 | 34,440 | 217,410 |
| 2004 Parity | 12/23/04 | 08/01/05-29 | 4.159 | 284,855 | 7,370 | 7,370 | 277,485 |
| Total Light and Power Bonds | | | | 1,753,725 | 64,596 | 281,075 | 1,472,650 |
| MUNICIPAL WATER BONDS | | | | | | | |
| 1995 Adjustable Rate | 09/20/95 | 09/01/00-25 | 3.350 | 45,000 | 1,200 | 6,700 | 38,300 |
| 1997 Parity | 04/08/97 | 08/01/97-26 | 5.712 | 53,000 | 43,315 | 50,510 | 2,490 |
| 1998 Parity | 07/04/98 | 10/01/99-27 | 5.110 | 80,000 | 1,700 | 10,525 | 69,475 |
| 1999 Parity | 06/23/99 | 03/01/00-29 | 5.373 | 100,000 | 1,920 | 10,440 | 89,560 |
| 1999 Parity, Series B | 10/23/99 | 07/01/01-29 | 5.912 | 110,000 | 93,410 | 100,770 | 9,230 |
| 2001 Parity | 11/20/01 | 11/01/05-31 | 4.972 | 52,525 | 1,050 | 1,050 | 51,475 |
| 2002 Adjustable Rate | 05/15/02 | 05/15/03-32 | 3.440 | 32,500 | 1,200 | 2,400 | 30,100 |
| 2002 Adjustable Rate, Series B | 05/15/02 | 05/15/03-32 | 3.450 | 32,500 | - | 1,200 | 31,300 |
| 2003 Parity, Refunding | 05/12/03 | 09/01/03-33 | 4.083 | 271,320 | 10,160 | 37,320 | 234,000 |
| 2004 Parity | 10/25/04 | 09/01/05-34 | 4.580 | 84,750 | 1,930 | 1,930 | 82,820 |
| 2005 Parity, Refunding | 12/28/05 | 09/01/06-29 | 4.482 | 138,040 | - | - | 138,040 |
| Total Water Bonds | | | | 999,635 | 155,885 | 222,845 | 776,790 |
| MUNICIPAL SEWER (DRAINAGE AND WASTEWATER) BONDS | | | | | | | |
| 1995 Improvement/Refunding | 12/28/95 | 12/01/96-25 | 5.309 | 40,390 | 1,140 | 7,870 | 32,520 |
| 1998 Parity | 05/15/98 | 11/01/98-18 | 5.122 | 24,170 | 500 | 3,520 | 20,650 |
| 1999 Parity | 09/28/99 | 11/01/00-29 | 5.720 | 55,000 | 1,015 | 5,235 | 49,765 |
| 2001 Parity | 06/22/01 | 11/01/02-31 | 5.260 | 60,680 | 1,100 | 4,195 | 56,485 |
| 2002 Improvement/Refunding | 12/17/02 | 07/01/03-32 | 4.751 | 78,550 | 1,690 | 4,230 | 74,320 |
| 2004 Parity | 10/28/04 | 09/01/05-34 | 4.609 | 62,010 | 880 | 880 | 61,130 |
| Total Drainage and Wastewater Bonds | | | | 320,800 | 6,325 | 25,930 | 294,870 |
| SOLID WASTE BONDS | | | | | | | |
| 1999 Refunding | 01/19/99 | 08/01/99-09 | 4.839 | 40,900 | 3,755 | 23,770 | 17,130 |
| 1999 Parity, Series B | 10/26/99 | 11/01/00-19 | 5.732 | 5,500 | 210 | 1,135 | 4,365 |
| Total Solid Waste Bonds | | | | 46,400 | 3,965 | 24,905 | 21,495 |
| Total Utility Revenue Bonds | | | | 3,120,560 | 230,771 | 554,755 | 2,565,805 |
| SOLID WASTE REVENUE ANTICIPATION NOTES | | | | | | | |
| 2003 Line of Credit | 11/03/03 | 12/31/2006 | 3.276 | 11,976 | - | - | 11,976 |
| Total Utility Revenue Bonds and Anticipation Notes | | | | \$ 3,132,536 | \$ 230,771 | \$ 554,755 | \$ 2,577,781 |

^a The ML&P subordinate lien bonds are variable rate bonds for which the life-to-date actual low and high rates are shown. The Municipal Water adjustable-rate bonds show the interest rate in effect at the end of 2005. These bonds are remarketed each week at market rates attained by remarketing agents, except for the 1990 and 1991B ML&P bonds which are in commercial paper mode and as such remarketed periodically for terms determined by the City at market rates obtained by remarketing agents. Interest rates in effect at December 31, 2005, were used to calculate annual interest requirements for these obligations. The interest rates on the Solid Waste revenue anticipation notes (line of credit) is the weighted average interest rate for all draws made since inception. This rate was used to calculate the annual interest requirement for the notes.

^b Includes all bonds that matured to date and all called, refunded, and defeased bonds on issues that have outstanding balances at the beginning of the year.

The requirements to amortize the revenue bonds and anticipation notes as of December 31, 2005, are presented below.

Table 8-4 **ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY**
REVENUE BONDS AND REVENUE ANTICIPATION NOTES
(In Thousands)

| Year Ending December 31 | Light | | Water | | Drainage and Wastewater | | Solid Waste | | Total |
|----------------------------|---------------------|-------------------|-------------------|-------------------|-------------------------|-------------------|------------------|-----------------|---------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | |
| 2006 | \$ 63,435 | \$ 72,258 | \$ 22,790 | \$ 34,461 | \$ 6,755 | \$ 14,881 | \$ 16,146 | \$ 1,567 | \$ 232,293 |
| 2007 | 66,755 | 69,299 | 18,485 | 35,691 | 7,035 | 14,601 | 4,390 | 956 | 217,212 |
| 2008 | 70,460 | 65,961 | 19,630 | 34,850 | 7,320 | 14,307 | 4,635 | 716 | 217,879 |
| 2009 | 74,260 | 62,415 | 20,450 | 33,957 | 7,670 | 13,971 | 4,885 | 462 | 218,070 |
| 2010 | 78,230 | 58,681 | 21,455 | 32,981 | 8,015 | 13,615 | 265 | 194 | 213,436 |
| 2011-2015 | 385,835 | 239,102 | 123,070 | 149,019 | 46,225 | 61,992 | 1,560 | 738 | 1,007,541 |
| 2016-2020 | 362,165 | 142,944 | 155,620 | 116,653 | 59,290 | 49,065 | 1,590 | 241 | 887,568 |
| 2021-2025 | 300,540 | 58,090 | 169,945 | 75,686 | 64,240 | 32,824 | - | - | 701,325 |
| 2026-2030 | 70,970 | 5,158 | 122,720 | 37,320 | 62,890 | 15,832 | - | - | 314,890 |
| 2031-2035 | - | - | 102,625 | 7,170 | 25,430 | 2,523 | - | - | 137,748 |
| Total | <u>\$ 1,472,650</u> | <u>\$ 773,908</u> | <u>\$ 776,790</u> | <u>\$ 557,788</u> | <u>\$ 294,870</u> | <u>\$ 233,611</u> | <u>\$ 33,471</u> | <u>\$ 4,874</u> | <u>\$ 4,147,962</u> |

The following table shows the long-term liability activity during the year ended December 31, 2005.

Table 8-5

CHANGES IN LONG-TERM LIABILITIES (In Thousands)

| | Restated ^a Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|------------|------------|-------------------|------------------------|
| GOVERNMENTAL ACTIVITIES | | | | | |
| Bonds Payable | | | | | |
| General Obligation Bonds | \$ 835,020 | \$ 129,540 | \$ 170,485 | \$ 794,075 | \$ 70,400 |
| Add (Deduct) Deferred Amounts | | | | | |
| Issuance Premiums | 9,436 | 7,837 | 2,021 | 15,252 | - |
| Issuance Discounts | (3) | - | - | (3) | - |
| On Refunding | (3,053) | (4,319) | (3,806) | (3,566) | - |
| Total Bonds Payable | 841,400 | 133,058 | 168,700 | 805,758 | 70,400 |
| Notes and Contracts | | | | | |
| Capital Leases | 62 | - | 33 | 29 | 14 |
| Other Notes and Contracts | 21,233 | 2,750 | 2,093 | 21,890 | 2,257 |
| Total Notes and Contracts | 21,295 | 2,750 | 2,126 | 21,919 | 2,271 |
| Compensated Absences | 54,632 | 50,629 | 48,917 | 56,344 | 14,245 |
| Claims Payable | | | | | |
| Workers' Compensation | 17,382 | 6,097 | 6,515 | 16,964 | 5,601 |
| General Liability | 52,916 | - | 10,344 | 42,572 | 11,493 |
| Health Care Claims | 8,424 | 7,210 | 6,100 | 9,534 | 9,534 |
| Total Claims Payable ^b | 78,722 | 13,307 | 22,959 | 69,070 | 26,628 |
| Arbitrage Rebate Liability | 243 | - | 137 | 106 | - |
| Total Long-Term Liabilities from Governmental Activities | \$ 996,292 | \$ 199,744 | \$ 242,839 | \$ 953,197 | \$ 113,544 |
| BUSINESS-TYPE ACTIVITIES | | | | | |
| Bonds Payable | | | | | |
| General Obligation Bonds | \$ 72,174 | \$ - | \$ 1,050 | \$ 71,124 | \$ 1,101 |
| Revenue Bonds | 2,658,536 | 138,040 | 230,771 | 2,565,805 | 98,450 |
| Add (Deduct) Deferred Amounts | | | | | |
| Issuance Premiums | 62,392 | 7,027 | 5,418 | 64,001 | - |
| Issuance Discounts | (3,901) | - | (980) | (2,921) | - |
| On Refunding | (67,492) | (8,535) | (6,982) | (69,045) | - |
| Total Bonds Payable | 2,721,709 | 136,532 | 229,277 | 2,628,964 | 99,551 |
| Revenue Anticipation Notes Payable | 7,976 | 4,000 | - | 11,976 | 11,976 |
| Accrued Interest - Deferred Interest Bonds | 3,695 | 704 | 370 | 4,029 | 459 |
| Notes and Contracts - Other | 1,979 | 18,245 | 5,443 | 14,781 | 5,591 |
| Compensated Absences | 19,559 | 23,855 | 22,876 | 20,538 | 1,486 |
| Claims Payable | | | | | |
| Workers' Compensation | 6,249 | 1,971 | 2,151 | 6,069 | 2,005 |
| General Liability | 16,999 | 2,884 | 4,070 | 15,813 | 4,272 |
| Muckleshoot Liability | - | 18,000 | - | 18,000 | 18,000 |
| Environmental Liability | | | | | |
| General Contamination Cleanup | 14,880 | 6,480 | 3,953 | 17,407 | 4,340 |
| Total Claims Payable ^b | 38,128 | 29,335 | 10,174 | 57,289 | 28,617 |
| Landfill Closure and Postclosure Costs | 31,029 | - | 1,747 | 29,282 | 1,610 |
| Purchased Power Obligation | 35,663 | - | 9,772 | 25,891 | 11,240 |
| Total Long-Term Liabilities from Business-Type Activities | \$ 2,859,738 | \$ 212,671 | \$ 279,659 | \$ 2,792,750 | \$ 160,530 |

^a Seattle Public Utilities reclassified \$147,000 of Notes and Contracts as part of beginning balance in its Drainage and Wastewater Fund.

^b See Note 14, Contingencies, for a discussion of risk management, environmental, and other matters. The table in Note 14 also includes information on workers' compensation and health care.

The City's internal service funds predominantly serve governmental funds. For this reason the above totals in the governmental activities include the long-term liabilities for these funds. At the end of the year notes and contracts, compensated absences, and claims payable of these funds amounted to approximately \$0.7 million, \$3.4 million, and \$1.4 million, respectively, and are liquidated from each fund's own resources. Notes and contracts (including public works trust loans), compensated absences, and workers' compensation other than those pertaining to the internal service funds are liquidated using the respective governmental funds of operating City departments, including those funded by the General Fund. General liability and health care claims relating to internal service funds, except for the Engineering Services Fund which pays its own general liability, are liquidated using the General Fund. Liabilities for compensated absences for governmental activities in governmental funds that have department operating budgets, though they are reported as general obligation of the City, are paid from these funds when these compensated absences are used by the employees or cashed out by them at termination or retirement. Arbitrage rebate liabilities in governmental activities are paid as they are due and usually come from available resources in governmental funds that received the related bond proceeds and investment earnings from the proceeds.

In addition to paying for debt service on the bond issues for business-type City operations, each business-type fund liquidates its respective other long-term liabilities, with the exception of the Department of Planning and Development (DPD) for general liability. The General Fund pays for DPD's general liability, if any. Environmental liabilities of business-type activity funds are paid respectively from the utility funds. Purchased power obligations are obligations of City Light and therefore paid from the Light Fund. For further discussion on purchased power, see Note 13, Commitments.

ADVANCE AND CURRENT REFUNDINGS

In order to lower interest costs, the City refunded and defeased certain bonds. To do so, the City issued new refunding bonds to refund certain prior bond issues and also used its own resources to defease certain prior bond issues. City resources and the proceeds of refunding bonds are placed in irrevocable trusts for the purchase of federal, state, and local government securities to provide for all future debt service on the old bonds. As a result, the old bonds including those refunded are considered defeased, and the corresponding liabilities are not included in the Statement of Net Assets. The following paragraphs discuss the advance and current refundings that occurred in 2005.

The refunding portion of the \$129.5 million LTGO Improvement and Refunding Bonds, 2005, issued on March 23, 2005, in the amount of \$71.5 million refunded \$9.7 million of the 1995 LTGO, \$10.5 million of the 1997 LTGO, Series A, and \$49.9 million of the 1999 LTGO, Series B, bonds. The aggregate total debt service on the refunded bonds requires a cash flow of \$121.6 million, including \$51.5 million in interest. The aggregate total debt service on the refunding bonds requires a cash flow of \$114.1 million including interest of \$42.6 million. The difference between the cash flows required to service the old and the new debt and complete the refunding totaled \$7.4 million, and the aggregate economic gain amounted to \$4.7 million at net present value.

The Water System Revenue Bonds, 2005, issued on December 28, 2005, in the amount of \$138.0 million refunded \$42.2 million of the Water System Revenue Bonds, 1997, and \$91.4 million of the Water System Revenue Bonds, 1999, Series B. The aggregate total debt service on the refunded bonds requires a cash flow of \$253.2 million including interest of \$119.7 million. The aggregate total debt service on the refunding bonds requires a cash flow of \$237.0 million including interest of \$99.0 million. The difference between the cash flows required to service the old and the new debt and complete the refunding totaled \$16.2 million, and the aggregate economic gain amounted to \$11.4 million at net present value.

The following is a schedule of outstanding bonds that are either refunded or defeased.

Table 8-6

REFUNDED/DEFEASED BONDS
(In Thousands)

| Name of Issue | Issuance Date | Maturity Date | Effective Interest Rate | Original Bond Issuance | Amount Transferred To Trustee | Trustee Redemptions To Date 2005 | Defeased Outstanding December 31 |
|---|---------------|---------------|-------------------------|------------------------|-------------------------------|----------------------------------|----------------------------------|
| GENERAL OBLIGATION BONDS | | | | | | | |
| Limited Tax (Non-Voted) | | | | | | | |
| Various Purpose-West Precinct, HRIS, 9th & Lenora & COPs Refunding, 1995 | 12/28/95 | 07/01/96-15 | 5.122 | \$ 28,670 | \$ 9,685 | - | \$ 9,685 |
| Various Purpose-Concert Hall, Key Tower, Police Support Facility, 1996 Series A | 08/01/96 | 01/15/04-20 | 5.920 | 97,740 | 88,000 | - | 88,000 |
| Various Purpose-Sand Point, Convention Center, Transportation, 1997 Series A | 02/06/97 | 08/01/97-17 | 5.199 | 26,670 | 10,475 | - | 10,475 |
| Refunding-Variou LTGO Bonds, 1998 Series B | 03/17/98 | 09/01/98-12 | 4.493 | 43,710 | 620 | - | 620 |
| Various Purpose-Civic Center, Galer St, 1999 Series B | 10/19/99 | 12/01/00-28 | 5.677 | 85,500 | 49,865 | - | 49,865 |
| Improvement (Various) and Refunding, 2002 | 01/30/02 | 07/01/02-32 | 4.778 | 125,510 | 8,470 | - | 8,470 |
| REVENUE BONDS | | | | | | | |
| Municipal Light and Power | | | | | | | |
| 1977 Parity | 08/01/77 | 08/01/77-05 | 5.343 | 29,000 | 21,300 | 21,300 | - |
| 1993 Parity and Refunding | 07/14/93 | 11/01/93-18 | 5.155 | 453,355 | 182,345 | 182,345 | - |
| 1994 Parity | 12/22/94 | 07/01/98-20 | 6.629 | 115,000 | 97,255 | 97,255 | - |
| 1995 Parity, Series A | 09/28/95 | 09/01/99-20 | 5.633 | 60,000 | 53,610 | 53,610 | - |
| 1996 Parity | 10/31/96 | 10/01/02-21 | 5.670 | 30,000 | 25,225 | - | 25,225 |
| 1999 Parity | 10/27/99 | 10/01/06-23 | 5.960 | 158,000 | 138,250 | - | 138,250 |
| Municipal Water | | | | | | | |
| 1977 Parity | 04/08/97 | 08/01/97-26 | 5.712 | 53,000 | 42,155 | - | 42,155 |
| 1999 Parity, Series B | 10/23/99 | 07/01/01-29 | 5.912 | 110,000 | 91,360 | - | 91,360 |
| Total Refunded/Defeased Bonds | | | | <u>\$ 1,416,155</u> | <u>\$ 818,615</u> | <u>\$ 354,510</u> | <u>\$ 464,105</u> |

ARBITRAGE

Since 1995 the City has been reviewing arbitrage rebate liability on its outstanding tax-exempt bonds and certificates of participation under Section 148(f) of the Internal Revenue Code. For bonds that have reached their installment computation dates (bonds outstanding for five years initially and every five years thereafter until the last of the bond issue matures) the City paid \$1.3 million arbitrage rebate in 2004 and none in 2005 on the City's general obligation bonds. The City paid no rebate in 2004 and 2005 for ML&P, Water System, Drainage and Wastewater, and Solid Waste revenue bonds. The City estimated and recognized as of the end of 2005 an arbitrage rebate liability of approximately \$106,000 on general obligation bonds, none estimated to be due in 2006. There is no arbitrage liability at the end of 2005 on each of the City's revenue bonds.

(9) FUND EQUITY

The following table compares the total legally required encumbrance and other appropriation carryovers with the amounts reported in the balance sheet as reserved for encumbrances, capital improvements, continuing appropriations, debt service, endowments, and gifts.

Grant awards usually extend beyond the end of the fiscal year, and so any unspent budget amounts for grants at the end of the year are carried over to the following year. Funding for these grants comes from revenues that are anticipated to be received in the following years. For this reason it is not necessary to reserve part of the fund balance for the amount of the grants continuing appropriations.

In certain capital projects not all of the fund balances were appropriated. However, the total fund balances were reserved for capital improvements.

Additionally, some budget carryovers are not reported because either the fund balance is insufficient or the City Council plans to abandon the remaining budget.

Table 9-1

RESERVED FUND BALANCES
(In Thousands)

| Governmental Funds | Legally Required Carryovers | | | Reserved for Encumbrances, Capital Improvements, Continuing Appropriations, and Debt Service | |
|------------------------------|-----------------------------|------------------------------|------------|--|--------------|
| | Outstanding Encumbrances | Continuing Appropriations | Total | Reported | Not Reported |
| | | | | | |
| BUDGETED | | | | | |
| General | \$ 14,902 | \$ 58,331 | \$ 73,233 | \$ 82,152 | \$ (8,919) |
| Special Revenue | | | | | |
| Annually Budgeted/Operating | 40,307 | 78,016 | 118,323 | 49,282 | 69,041 |
| Nonoperating | 5,624 | 20,080 | 25,704 | 7,404 | 18,300 |
| Capital Projects | 32,956 | 101,685 | 134,641 | 109,048 | 25,593 |
| Total Budgeted | 93,789 | 258,112 | 351,901 | 247,886 | 104,015 |
| NONBUDGETED | | | | | |
| Debt Service | - | 15,109 | 15,109 | 15,109 | - |
| Total Nonbudgeted | - | 15,109 | 15,109 | 15,109 | - |
| Total Reserved Fund Balances | \$ 93,789 | \$ 273,221 | \$ 367,010 | \$ 262,995 | \$ 104,015 |

**(10) PENSIONS, DEFERRED COMPENSATION, AND OTHER
POSTEMPLOYMENT BENEFITS**

City of Seattle employees are covered in one of the following defined benefit pension plans: Seattle City Employees' Retirement System (SCERS), Firemen's Pension Fund, Police Relief and Pension Fund, and Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF). The first three plans are considered as part of the City's reporting entity and are reported as pension trust funds. The State of Washington through the Department of Retirement Systems (DRS) administers and reports LEOFF.

Table 10-1

PENSION PLAN INFORMATION

| | <u>Employees' Retirement</u> | <u>Firemen's Pension</u> | <u>Police Relief and Pension</u> | <u>LEOFF Plan 1</u> | <u>LEOFF Plan 2</u> |
|----------------------------------|----------------------------------|---|---|--|--|
| Actuarial Valuation Date | 1/1/2006 | 1/1/2006 | 1/1/2006 | 9/30/2004 | 9/30/2004 |
| Actuarial Cost Method | Entry Age | Projected Unit Credit | Projected Unit Credit | Entry Age | Aggregate ^a |
| Asset Valuation Method | Fair Value | Fair Value | Fair Value | 8-Year Graded Smoothed Fair Value ^b | 8-Year Graded Smoothed Fair Value ^b |
| Amortization | | | | | |
| Method | Level % | Level \$ | Level \$ | Level %/Level \$ ^c | N/A |
| Period | 30.0 years | 12.0 years ^d | 12.9 years ^d | 20 years | N/A |
| Approach | Open | Open | Open | Closed | N/A |
| Actuarial Assumptions | | | | | |
| Inflation Rate (CPI) | 3.50% | 4.00% | 4.00% | 3.50% | 3.50% |
| Investment Rate of Return | 7.75% | 5.125% | 5.125% | 8.00% | 8.00% |
| Projected Salary Increases | 4.00% | 4.00% | 4.00% | 11.70% | 11.70% |
| Postretirement Benefit Increases | 0.67% | CPI (Seattle) Increase 2% Minimum | CPI (Seattle) Increase 2% Minimum | CPI Increase | CPI Increase Maximum 3% |

^a The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities.

^b The actual value of assets is calculated under an adjusted market value method by starting with the market value of assets. For subsequent years the actuarial value of assets is determined by adjusting the market value of assets to reflect the difference between the actual investment return and the expected investment return during each of the last eight years or, if fewer, the completed years since adoption.

^c Funding is Level %; GASB is Level \$.

^d The Annual Required Contribution has been developed to equal actual employer contributions. The methodology used is a level payment with an open amortization period. This means the amortization period for the unfunded accrued liability will change over time as actual experience emerges that is different from the actuarial assumptions. This methodology is acceptable under GASB Statement Nos. 25 and 27 provided the amortization period remains within GASB guidelines.

SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The Seattle City Employees' Retirement System (SCERS) is a single-employer defined-benefit public employee retirement system established and administered by the City in accordance with Seattle Municipal Code (SMC) 4.36.

All employees of the City of Seattle are eligible for membership in the system with the exception of law enforcement officers and fire fighters who are covered under the statewide LEOFF plans administered by the state Department of Retirement Systems. Employees of METRO and the King County Health Department who established membership in the system when these organizations were City of Seattle departments were allowed to continue their membership. Current membership in SCERS consisted of the following at December 31, 2005:

| | |
|---|-------|
| Retirees and Beneficiaries Receiving Benefits | 5,011 |
| Terminated Plan Members Entitled To But Not Yet Receiving Benefits, Vested | 1,621 |
| Terminated Plan Members Who Have Restored Their Contributions Due to the Provisions of the Portability Statutes and May Be Eligible for Future Benefits, Vested | 245 |
| Active Plan Members, Vested and Non-vested | 8,521 |

The system provides retirement, death, and disability benefits. Retirement benefits vest after 5 years of credited service, while death and disability benefits vest after 10 years of service. Retirement benefits are calculated as 2 percent multiplied by years of creditable service, multiplied by average salary, based on the highest 24 consecutive months. The benefit is actuarially reduced for early retirement. City employees may retire at any age with 30 years of service, at age 52 or older with 20-29 years of service, at age 57 or older with 10-19 years of service, and at age 62 or older with 5 to 9 years of service. These benefit provisions and all other requirements are established and may be amended by City ordinances.

The Seattle City Employees' Retirement System issues a stand-alone financial report. A copy of the report is available from the Seattle City Employees' Retirement System at 720 Third Avenue, Suite 1000, Seattle, WA 98104; by telephone at 206-386-1293; or by accessing the web site http://www.seattle.gov/retirement/annual_report.htm

Summary of Significant Accounting Policies

Basis of Accounting

The Seattle City Employees' Retirement System is accounted for as a pension trust fund. The financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting as discussed in Note 1. All assets, liabilities, and additions to and deductions from (including contributions, benefits, and refunds) plan net assets are recognized when the transactions or events occur. Employee and employer contributions are reported in the period in which the contributions are due. Member benefits, including refunds, are due and payable by the plan in accordance with plan terms.

Investments, including security lending transactions, as discussed in Note 3, are reported at fair market value. The fair market value of investments in common stock, international equities, fixed income, international fixed income, and short-term investments is based on the quoted market price. The fair market value of venture capital and real estate equities has been determined by independent appraisers. Securities and security lending transactions are reflected in the financial statements on a trade-date basis. Investment policies as set by the Retirement Board require that investments in any one corporation or organization may not exceed 5 percent of net assets available for benefits.

Contributions and Reserves

Member and employer contribution rates are established by SMC 4.36.

SCERS funding policy provides for periodic employee and employer contributions at actuarially determined rates expressed as percentages of annual covered payroll to accumulate sufficient assets to pay benefits when due. Funds accumulated and investment earnings are used to pay present and future benefit obligations and administrative expenses. The employer contribution rate is determined by the actuarial formula identified as the Entry-Age Cost Method. The formula determines the amount of contributions necessary to fund the current service cost, representing the estimated amount necessary to pay for benefits earned by the employees during the current service year and the amount of contributions necessary to pay for prior service costs. Total necessary contributions, including amounts necessary to pay administrative costs, are determined through biennial actuarial valuations.

Actuarially determined contribution rates are currently 8.03 percent for members and 8.03 percent for the employer. There are no long-term contracts for contributions outstanding and no legally required reserves.

As of December 31, 2005, based on the actuarial valuation of January 1, 2006, the actuarial value of plan net assets available for benefits was \$1,791.8 million, and the actuarial accrued liability was \$2,017.5 million. The unfunded actuarial accrued liability (UAAL) was \$225.8 million and the funding ratio was 88.8 percent.

Three-year trend information (in thousands) is shown below:

| <u>Fiscal Year Ending December 31</u> | <u>Annual Pension Cost (APC)</u> | <u>Total Employer Contribution</u> | <u>Percentage of APC Contributed</u> | | <u>Net Pension Obligation (NPO)</u> |
|---|--|--|--|---|---|
| 2003 | \$ 31,883 | \$ 34,201 | 107 | % | \$ (74,501) |
| 2004 | 34,921 | 36,682 | 105 | | (76,262) |
| 2005 | 34,095 | 35,897 | 105 | | (78,064) |

Annual pension cost (APC) and net pension obligation (NPO) (in thousands) were:

| Fiscal Year Ending December 31 | Annual Required Contribution (ARC) at End of Year | Interest on NPO | ARC Adjustment | Annual Pension Cost (APC) | Total Employer Contributions | Change in NPO | NPO Beginning Balance | NPO Ending Balance |
|--------------------------------------|--|--------------------|-------------------|------------------------------------|------------------------------------|------------------|-----------------------------|--------------------------|
| 2005 | \$ 35,897 | \$ (5,910) | \$ 4,108 | \$ 34,095 | \$35,897 | \$ (1,802) | \$ (76,262) | \$ (78,064) |

Authority to change benefits and contribution rates rests on the City Council. City ordinance does not permit a reduction in the employer contribution rate to less than the employee rate. This is the reason why the City's contributions exceeded the ARC prior to 2002 and resulted in negative NPO amounts.

Trend data on funding progress and employer contributions including pension information notes are presented in the Required Supplementary Information Section, Pension Plan Information.

FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS

Plan Description

The Firemen's Pension and the Police Relief and Pension Funds are single-employer defined benefit pension plans that were established by the City in compliance with the requirements of the Revised Code of Washington (RCW) 41.18 and 41.20.

Since the effective date of the state LEOFF on March 1, 1970, no payroll for employees was covered under these pension plans, and the primary liability for pension benefits for these plans shifted from the City to the state LEOFF. However, the City was still liable for all benefits in pay status at that time plus any future benefits payable to active law enforcement officers and fire fighters on March 1, 1970, under the old City plan in excess of current LEOFF benefits. Generally, benefits under the LEOFF system are greater than or equal to the benefits under the old City plan when payment begins. However, LEOFF retirement benefits increase with the consumer price index (CPI - Seattle) while some City benefits increase with wages of current active members. If wages go up faster than the CPI, the City becomes liable for this residual amount. Due to this leveraging effect, projection of the City of Seattle's liabilities is especially sensitive to the difference between wage and CPI increase assumptions.

All law enforcement officers and fire fighters of the City who served before March 1, 1970, are participants of these pension plans; and those hired between March 1, 1970, and September 30, 1977, are eligible for a supplemental retirement benefit plus sick benefits under these plans. Eligible law enforcement officers may retire with full benefits after 25 years of service at any age and fire fighters at age 50 after completing 25 years of service. These pension plans provide death and disability pension benefits plus sick benefits for eligible active and retired employees. In addition, these plans provide medical benefits in accordance with state statutes and City ordinances to active and retired members from the City. Currently 1,047 fire and 971 police retirees meet these eligibility requirements. The City fully reimburses the amount of valid claims for medical and hospitalization costs incurred by active members and pre-Medicare retirees. The City also reimburses the full amount of premiums for part B of Medicare for each retiree eligible for Medicare.

The only postemployment benefits the City provides, other than death benefits, are medical benefits in the Firemen's and Police Relief and Pension plans, and these are financed on a pay-as-you-go basis. Total postemployment medical benefits for Firemen's Pension were \$7.2 million in 2005 and \$7.3 million in 2004; and for Police Relief and Pension, \$8.3 million in 2005 and \$7.6 million in 2004.

The Firemen's Pension and Police Relief and Pension benefit provisions are established in the state statute, RCW 41.16, 41.18, and 41.20, and may be amended only by the state legislature. Retirement benefits are determined under RCW 41.18 and 41.26 for Firemen's Pension and RCW 41.20 and 41.26 for Police Relief and Pension. Medical benefit payments for both plans are based on estimates of current and expected experience.

The City of Seattle

Current membership in Firemen's Pension and Police Relief and Pension consisted of the following at December 31, 2005:

| | Firemen's Pension | Police Relief and Pension |
|---|----------------------|------------------------------|
| Retirees and Beneficiaries Receiving Benefits | 953 | 780 |
| Terminated Plan Members Entitled To But Not Yet Receiving Benefits | - | - |
| Active Plan Members, Vested | 82 | 74 |
| Active Plan Members, Nonvested | - | - |

These pension plans do not issue separate financial reports.

Summary of Significant Accounting Policies

The Firemen's Pension and Police Relief and Pension Funds are accounted for as pension trust funds. The financial statements were prepared using the economic resources measurement focus and the full accrual basis of accounting as shown in Note 1. All assets, liabilities, and additions to and deductions from (including contributions, benefits, and refunds) plan net assets of the retirement funds are recognized when the transaction or events occur. Employer contributions are reported in the period in which the contributions are due. Member benefits, including refunds, are due and payable by the plan in accordance with the plan terms.

Investments are recorded at fair value as shown in Note 3. Fair value of investments is based on quoted market prices.

Contributions and Reserves

Since these two pension plans were closed to new members effective October 1, 1977, the City did not need to adopt a plan to fund the actuarial accrued liability (AAL) but is paying benefits as they become due. Contributions are no longer required from plan members or the City departments they represent. Under state law, partial funding of the Firemen's Pension Fund may be provided by an annual tax levy of up to \$0.45 per \$1,000 of assessed value of all taxable property of the City. The Firemen's Pension Fund also receives a share of the state tax on fire insurance premiums. Additional funding through the General Fund adopted budget is provided to both pension funds as necessary. The Police Relief and Pension Fund also gets police auction proceeds of unclaimed property. Administrative costs for the Firemen's Pension are financed by real estate property tax and fire insurance premium tax. Administrative costs for the Police Relief and Pension are financed by police auction proceeds and General Fund support. Contribution rates are not applicable to these plans.

Three-year trend information (in thousands) for the Firemen's Pension and the Police Relief and Pension Funds as of the January 1, 2005, valuation are:

| Retirement System | Fiscal Year Ending December 31 | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation (NPO) |
|--------------------------------|--------------------------------------|---------------------------------|-------------------------------------|------------------------------------|
| Firemen's Pension Fund | 2003 | \$ 9,167 | 100 % | \$ - |
| | 2004 | 9,315 | 100 | - |
| | 2005 | 9704 | 100 | - |
| Police Relief and Pension Fund | 2003 | 7,403 | 100 | - |
| | 2004 | 8,244 | 100 | - |
| | 2005 | 7,187 | 100 | - |

There are no securities held by the City for these pension funds except for the Firemen's Pension Actuarial Account described below. No loans are provided by the funds to the City or other related parties.

In July 1994 the City adopted a funding policy under Ordinance 117216 that is designed to fully fund the AAL of the Firemen's Pension Fund by the year 2018 plus additional contributions, if necessary, to fund benefit payments in excess of contributions to fully fund all retirement benefit liabilities by December 31, 2018. The level contributions were set aside in the Firemen's Pension Actuarial Account with a fund balance of \$6.5 million as of December 31, 2005. The funding policy does not fund for future medical liabilities. No similar program has been established for the Police Relief and Pension Fund.

The AAL as of December 31, 2005, based on the actuarial valuation as of January 1, 2006, was \$108.6 million for Firemen's Pension and \$70.6 million for Police Relief and Pension. The Police Relief and Pension AAL is funded on a

pay-as-you-go basis. Annual requirements are funded through the City's adopted budget, and any budget requirements exceeding the adopted budget are fully covered by supplemental appropriations.

Following are the Firemen's Pension and the Police Relief and Pension financial statements for fiscal year ending December 31, 2005.

Table 10-2

STATEMENT OF NET ASSETS FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS

December 31, 2005

(In Thousands)

| | Firemen's Pension | Police Relief and Pension | 2005 | 2004 |
|---|----------------------|------------------------------|------------------|-----------------|
| ASSETS | | | | |
| Cash and Equity in Pooled Investments | \$ 9,120 | \$ 3,386 | \$ 12,506 | \$ 11,409 |
| Investments at Fair Value | | | | |
| U.S. Government Obligations | 454 | - | 454 | 451 |
| Receivables | | | | |
| Employer - Due from Other Funds | - | 9 | 9 | 11 |
| Interest and Dividends | 18 | - | 18 | 2 |
| Total Receivables | 18 | 9 | 27 | 13 |
| Equipment, at Cost, Net of Accumulated Depreciation | - | - | - | - |
| Total Assets | 9,592 | 3,395 | 12,987 | 11,873 |
| LIABILITIES | | | | |
| Refunds Payable and Other - Due to Other Funds | - | 25 | 25 | 37 |
| Refunds Payable and Other - Other | 876 | 1,403 | 2,279 | 3,864 |
| Total Liabilities | 876 | 1,428 | 2,304 | 3,901 |
| Net Assets Held in Trust for Pension Benefits | <u>\$ 8,716</u> | <u>\$ 1,967</u> | <u>\$ 10,683</u> | <u>\$ 7,972</u> |

Table 10-3

**STATEMENT OF CHANGES IN
PLAN NET ASSETS
FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS
For Year Ended December 31, 2005
(In Thousands)**

| | Defined Benefit | | Postemployment Healthcare | | Comparative Totals | |
|--|-------------------|---------------------------|---------------------------|---------------------------|--------------------|-----------|
| | Firemen's Pension | Police Relief and Pension | Firemen's Pension | Police Relief and Pension | 2005 | 2004 |
| ADDITIONS | | | | | | |
| Contributions | | | | | | |
| Employer | \$ 9,704 | \$ 7,187 | \$ 7,195 | \$ 8,287 | \$ 32,373 | \$ 32,441 |
| Total Contributions | 9,704 | 7,187 | 7,195 | 8,287 | 32,373 | 32,441 |
| Investment Income | | | | | | |
| From Investment Activities | | | | | | |
| Net Appreciation (Depreciation) in Fair Value of Investments | (48) | - | - | - | (48) | (53) |
| Interest | 186 | - | - | - | 186 | 130 |
| Total Net Investment Income | 138 | - | - | - | 138 | 77 |
| Total Additions | 9,842 | 7,187 | 7,195 | 8,287 | 32,511 | 32,518 |
| DEDUCTIONS | | | | | | |
| Benefits | 6,878 | 6,633 | 7,195 | 8,287 | 28,993 | 29,445 |
| Administrative Expense | 468 | 339 | - | - | 807 | 703 |
| Total Deductions | 7,346 | 6,972 | 7,195 | 8,287 | 29,800 | 30,148 |
| Change in Net Assets | 2,496 | 215 | - | - | 2,711 | 2,370 |
| Net Assets - Beginning of Year | 6,220 | 1,752 | - | - | 7,972 | 5,602 |
| Net Assets - End of Year | \$ 8,716 | \$ 1,967 | \$ - | \$ - | \$ 10,683 | \$ 7,972 |

Pension trend data on funding progress and employer contributions for the Firemen's Pension and the Police Relief and Pension are presented in the Required Supplementary Information under Pension Plan Information.

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

Plan Description

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

LEOFF was established in 1970 by the state Legislature. Membership includes all full-time, fully compensated, local law enforcement officers and firefighters. 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 a major exception. Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the legislature for Plan 2. LEOFF retirement benefit provisions are established in state statute and may be amended only by the state Legislature. The state of Washington through DRS administers LEOFF.

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 Plans 1 and Plan 2 accrue interest at a rate specified by DRS. During fiscal year 2005 the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in Plan 1 and 2 can elect to withdraw total employee contributions and interest earnings upon separation from LEOFF-covered employment.

Notes to Financial Statements

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement with 5 years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

| <u>Term of Service</u> | <u>Percent of FAS</u> |
|------------------------|-----------------------|
| 20 + | 2.0 % |
| 10 - 19 | 1.5 % |
| 5 - 9 | 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. If membership was established in LEOFF after February 18, 1974, the service retirement benefit is capped at 60 percent of FAS. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index).

Plan 2 retirement benefits are vested after an employee completes 5 years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with 5 years of service, with an allowance of 2 percent of the FAS per year of service (FAS is based on the highest consecutive 60 months). Plan 2 retirements prior to the age of 53 are reduced 3 percent for each year that the benefit commences prior to age 53. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

Plan 1 provides death and disability benefits. Death benefits for Plan 1 members on active duty consist of the following: (1) if there is an eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each surviving child, with a limitation on the combined allowances of 60 percent of the FAS; or (2) if there is no eligible spouse, 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS. In addition, a duty death benefit of \$150,000 is provided to Plan 1 and Plan 2 members.

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

Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53 and to reflect the choice of a survivor option.

Plan 2 members 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, Plan 2 members who leave service because of a line-of-duty disability may be eligible to receive a retirement allowance of at least 10 percent of final average salary and two percent per year of service beyond 5 years. The first 10 percent of the FAS is not subject to federal income tax. The line-of-duty disability benefit applies to all Plan 2 members disabled in the line of duty on or after January 1, 2001.

Legislation passed in 2005, effective May 13, 2005, removed the actuarial reduction for the difference between age 53 and the age of retirement, if the disability was incurred in the line of duty.

There were no other material changes in LEOFF benefit provisions for the fiscal year ended June 30, 2005.

LEOFF pension benefit provisions have been established by RCW 41.26.

There are 111 participating employers in LEOFF Plan 1 and 369 participating employers in Plan 2 as of June 30, 2005. Membership in LEOFF consisted of the following as of the latest actuarial valuation date of September 30, 2004.

| | <u>Plan 1</u> | <u>Plan 2</u> |
|--|---------------|---------------|
| Retirees and Beneficiaries Receiving Benefits | 8,110 | 432 |
| Terminated Members Entitled To But Not Yet Receiving Benefits | 7 | 521 |
| Active Plan Members, Vested | 848 | 11,231 |
| Active Plan Members, Nonvested | - | 3,523 |
| Total | <u>8,965</u> | <u>15,707</u> |

All law enforcement officers and fire fighters of the City of Seattle participate in LEOFF. Current active members (vested and non-vested) are 157 under Plan 1 and 2,085 under Plan 2.

The state Department of Retirement Systems prepares a stand-alone financial report. A copy of the report that includes financial statements and required supplementary information for LEOFF may be obtained by writing to Washington State Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380; by calling 360-664-7000 in Olympia or 1-800-547-6657; or by accessing their web site at <http://www.drs.wa.gov/administration/default.htm>.

Summary of Significant Accounting Policies

LEOFF plans are accounted for in pension trust funds of DRS using the economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized as revenues in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Investments are presented at fair value. The fair value of investments is based on published market prices and quotations from national security exchanges and security pricing services, or by the respective fund managers for securities that are not actively traded. Privately held mortgages have been valued at cost which approximates fair market value. Certain pension trust fund investments, including real estate and private equity, are valued based on appraisals or by independent advisors. LEOFF pension plans have no investments of any commercial or industrial organization whose market value exceeds 5 percent or more of each plan net assets.

Contributions and Reserves

Funding Policy

Plan members together with their employers and the state provide funding for all costs of the system based upon actuarial valuations. The state establishes benefit levels and approves the actuarial assumptions used in determining contribution levels.

Starting on July 1, 2000, Plan 1 employers and employees will contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Plan 2 employers and employees are required to pay at the level adopted by the Plan 2 Board in accordance with RCW 41.45. All employers are required to contribute at the level required by state law.

Required contribution rates for cities (expressed as a percentage of current year covered payroll) effective September 1, 2005 are as follows:

| | LEOFF Actual Contribution Rates | |
|---|------------------------------------|--------|
| | Plan 1 | Plan 2 |
| Employer (includes an administrative expense of 0.19%) | 0.19 % | 4.39 % |
| Employee | 0.00 | 6.99 |
| State of Washington Contributions | N/A | 2.79 |

Administration of the LEOFF plans was funded by an employer rate of 0.19 percent of employee salaries.

The Legislature has the ability, by means of a special funding arrangement, to appropriate money from the state General Fund to supplement the current service liability and fund the prior service costs of Plans 1 and 2 in accordance with the requirements of the Pension Funding Council. 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 fiscal year 2005 the state contributed \$21.2 million to Plan 2.

Employer Contributions Required and Paid

LEOFF annual required contributions (in millions) and percentage contributed in accordance with the funding policy were:

| Year | Plan 1 | | Plan 2 | |
|------|------------------------------|------------------------|------------------------------|------------------------|
| | Annual Required Contribution | Percentage Contributed | Annual Required Contribution | Percentage Contributed |
| 2003 | \$ - | N/A | \$ 56.8 | 74 % |
| 2004 | - | N/A | 69.2 | 74 |
| 2005 | - | N/A | 80.8 | 67 |

The City of Seattle required and actual contributions (in thousands) are shown in the following table. Percentages contributed are not available.

| | Plan 1 | Plan 2 |
|------|--------|----------|
| 2003 | \$ 33 | \$ 4,511 |
| 2004 | 28 | 4,941 |
| 2005 | 23 | 6,149 |

There are no long-term contracts for contributions under the LEOFF retirement plans.

Reserves

Member Reserves. The member reserves reflect the total liability for all contributions made by members. These reserves are increased by employee contributions and interest earnings and are decreased by contributions refunded and contributions transferred to the benefit reserves for current year retirees. The member reserves are considered fully funded. Member reserves (in thousands) were:

| | June 30, 2005 | June 30, 2004 |
|--------|---------------|---------------|
| Plan 1 | \$ 94,633 | \$106,753 |
| Plan 2 | 1,000,804 | 915,700 |

Benefit Reserves. The benefit reserves reflect the funded liability associated with all retired members. These reserves are increased by employer contributions, state contributions, investment earnings, and employee contributions which are attributable to current year retirees. These reserves are decreased by the amounts of pensions actually paid in the current year, interest payments transferred to the member reserves, and administrative expenses. Benefit reserves (in thousands) were:

| | June 30, 2005 | June 30, 2004 |
|--------|---------------|---------------|
| Plan 1 | \$4,938,445 | \$4,602,142 |
| Plan 2 | 2,410,864 | 2,011,038 |

The funded status of each of the benefit reserves is the same as the funded status of each of the respective pension plans.

DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is payable to employees upon termination, retirement, death, or unforeseen emergency.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan. Under the plan, participants select investments from alternatives offered by the plan administrator, who is under contract with the City to manage the plan. Investment selection by a participant may be changed from time to time. The City manages none of the investment selections. By making the selection, enrollees accept and assume all risks that pertain to the plan and its administration.

The City placed the deferred compensation plan assets into trust for the exclusive benefit of plan participants and beneficiaries in accordance with Governmental Accounting Standards Board (GASB) Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

The City has little administrative involvement and does not perform the investing function for the plan. The City does not hold the assets in a trustee capacity and does not perform fiduciary accountability for the plan. Therefore, the City employees' deferred compensation plan created in accordance with IRC 457 is not reported in the financial statements of the City.

(11) COMPONENT UNIT

SEATTLE PUBLIC LIBRARY FOUNDATION

The Seattle Public Library Foundation is a Washington non-profit corporation, a public charity organized exclusively for educational, charitable, and scientific purposes for the benefit and support of the Seattle Public Library by providing goods and services and facilities over and above what the traditional tax-based funding of Seattle Public Library has provided. The foundation is located in Seattle, has all the corporate powers to carry out the purposes for which it is formed, and is governed by a Board of Directors. Although the City of Seattle is not financially accountable for the Seattle Public Library Foundation, the foundation is considered a component unit and is discretely presented in the City's financial statements because of the following: (1) the economic resources received or held by the foundation are entirely for the direct benefit of the Seattle Public Library; (2) the Seattle Public Library is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the foundation because the foundation has a history of supporting the library, and (3) the economic resources received or held by the foundation that the library is entitled to or has the ability to otherwise access are significant to the library.

The Seattle Public Library Foundation reports on a fiscal year-end consistent with the City of Seattle, the primary government. The Foundation issues its own audited financial statement. These statements are available at the Seattle Public Library Foundation at 1000 4th Avenue, Seattle, WA 98104, or by telephone at 206-386-4130.

Table 11-1

CONDENSED STATEMENT OF NET ASSETS
SEATTLE PUBLIC LIBRARY FOUNDATION
December 31, 2005
(In Thousands)

| | 2005 | 2004 |
|---|-----------|-----------|
| ASSETS | | |
| Cash, Investments, and Other Assets | \$ 52,168 | \$ 57,018 |
| Capital Assets, Net | 9 | 17 |
| Total Assets | 52,177 | 57,035 |
| LIABILITIES | | |
| Current Liabilities | 1,259 | 2 |
| Total Liabilities | 1,259 | 2 |
| NET ASSETS | | |
| Invested in Capital Assets, Net of Related Debt | 9 | 17 |
| Restricted | 42,330 | 50,102 |
| Unrestricted | 8,579 | 6,914 |
| Total Net Assets | \$ 50,918 | \$ 57,033 |

Table 11-2

**CONDENSED STATEMENT OF ACTIVITIES
SEATTLE PUBLIC LIBRARY FOUNDATION
For Year Ended December 31, 2005
(In Thousands)**

| | 2005 | Restated 2004 |
|-----------------------------------|-----------|------------------|
| EXPENSES | | |
| Support to Seattle Public Library | \$ 11,411 | \$ 22,676 |
| Management and General | 325 | 313 |
| Fundraising | 466 | 486 |
| Depreciation | 50 | 45 |
| Total Expenses | 12,252 | 23,520 |
| PROGRAM REVENUES | | |
| Contributions/Endowment Gain | 2,904 | 8,023 |
| Charges for Services | 183 | - |
| Total Program Revenues | 3,087 | 8,023 |
| Net Program (Expense) Received | (9,165) | (15,497) |
| GENERAL REVENUES | | |
| Investment Income | 3,050 | 3,867 |
| Change in Net Assets | (6,115) | (11,630) |
| NET ASSETS | | |
| Net Assets - Beginning of Year | 57,033 | 68,663 |
| Net Assets - End of Year | \$ 50,918 | \$ 57,033 |

(12) JOINT VENTURES

SEATTLE-KING COUNTY DEPARTMENT OF PUBLIC HEALTH

In 2004 the Seattle-King County Department of Public Health was a joint venture between the City and King County. In 2005 the joint venture was terminated and the City contracted directly with service providers for the delivery of public health services.

SEATTLE-KING COUNTY WORKFORCE DEVELOPMENT COUNCIL

The Seattle-King County Workforce Development Council (WDC) is a joint venture between King County and the City of Seattle. It was established as a nonprofit corporation in the State of Washington on July 1, 2000, as authorized under the Workforce Investment Act (WIA) of 1998. It functions as the Department of Labor pass-through agency to receive the employment and training funds for the Seattle-King County area. The King County Executive and the Mayor of the City of Seattle, serving as the chief elected officials (CEOs) of the local area, have the joint power to appoint the members of the WDC board of directors and the joint responsibility for administrative oversight. An ongoing financial responsibility exists because the CEO is potentially liable to the grantor for disallowed costs. If an expenditure of funds is disallowed by the grantor agency, the WDC can recover the funds in the following order: 1) the agency creating the liability; 2) the insurance carrier; 3) future program years; and 4) as a final recourse, from King County and the City of Seattle, which will each be responsible for one-half of the disallowed amount. As of December 31, 2005, there are no outstanding program eligibility issues that may lead to a City of Seattle liability.

The WDC contracts with the City of Seattle which provides programs related to the WIA Youth In-School Program. For 2005, WDC has paid \$0.74 million to the City of Seattle.

The WDC issues independent financial statements that may be obtained from its offices at 2003 Western Avenue, Suite 250, Seattle, WA 98121-2162.

(13) COMMITMENTS

GENERAL

Capital Improvement Program

The City adopted the 2005-2006 Capital Improvement Program (CIP), which functions as a capital financing plan for the years 2005-2010, totaling \$3.0 billion. The adopted CIP for 2005 was \$479.3 million, consisting of \$303.7 million for City-owned utilities and \$175.6 million for nonutility departments. The utility allocations are: \$161.7 million for City Light, \$79.1 million for Water, \$42.7 million for Drainage and Wastewater, \$11.0 million for Solid Waste, and \$9.2 million for Seattle Public Utilities' technology projects. Expenditures may vary significantly based upon facility requirements and unforeseen events. A substantial portion of contractual commitments relates to these amounts.

CITY LIGHT

Power received under long-term purchased power agreements in average annual megawatts (aaMW) is shown in the following table.

Table 13-1 **LONG-TERM PURCHASED POWER**
(In Average Annual Megawatts)

| | <u>2005</u> | <u>2004</u> |
|--|-------------|-------------|
| Bonneville Block | 109.4 | 137.8 |
| Bonneville Slice | 385.1 | 392.8 |
| Lucky Peak | 25.8 | 31.3 |
| British Columbia - Ross Dam | 35.4 | 34.8 |
| City of Klamath Falls | 66.4 | 81.8 |
| State Line Wind | 37.4 | 39.7 |
| Pend Oreille County Public Utility District | 3.0 | 6.7 |
| Grant County Public Utility District | 32.9 | 36.0 |
| Grand Coulee Project Hydroelectric Authority | 28.5 | 28.9 |
| British Columbia-Boundary Encroachment | 1.7 | 1.5 |
| Exchange Energy | 0.2 | 12.4 |
| Other | - | 0.7 |
| Total Long-Term Purchased Power | 725.8 | 804.4 |

Purchased and Wholesale Power

Bonneville Power Administration

City Light (the Utility) purchases electric energy from the U.S. Department of Energy, Bonneville Power Administration (BPA), under the Block and Slice Power Sales Agreement, a 10-year contract that expires September 30, 2011. The agreement provides power equal to the Utility's annual net requirement, defined as the difference between projected load and firm resources declared to serve that load. The Block product provides fixed amounts of power per month. The terms of the Slice product specify that the Utility will receive a fixed percentage (4.6676 percent) of the actual output of the Federal Columbia River Power System. The cost of Slice power is based on the Utility's same percentage (4.6676 percent) of the expected costs of the system and is subject to true-up adjustments based on actual costs. Subsequent amendments to the contract provide that Bonneville will pay the Utility for energy savings realized through specified programs.

Lucky Peak

In 1984 the Utility entered into a purchase power agreement with four irrigation districts to acquire 100 percent of the net output of a hydroelectric facility constructed in 1988 at the existing Army Corps of Engineers Lucky Peak Dam on the Boise River near Boise, Idaho. The irrigation districts are owners and license holders of the project, and the Federal Energy Regulatory Commission (FERC) license expires in 2030. The agreement, which expires in 2038, obligates the Utility to pay all ownership and operating costs, including debt service, over the term of the contract whether or not the plant is operating or operable. To properly reflect its rights and obligations under this agreement, the Utility includes as an asset and liability the outstanding principal of the project's debt net of the balance in the project's reserve account.

British Columbia-Ross Dam

In 1984 an agreement was reached between the Province of British Columbia and the City of Seattle under which British Columbia will provide the Utility with power equivalent to that which would result by increasing the height of Ross Dam. The agreement was ratified by a treaty between Canada and the United States in the same year. Power delivery began in 1986, and power is to be received for 80 years.

In addition to the direct costs of power under the agreement, the Utility incurred costs of approximately \$8.0 million in prior years related to the proposed addition and was obligated to help fund the Skagit Environmental Endowment Commission through four annual \$1.0 million payments. These costs have been deferred and are being amortized to purchased power expense over 35 years through 2035.

Estimated Future Payments under Purchase Power and Transmission Contracts

The Utility's estimated payments under its contract with BPA, the Public Utility Districts (PUDs), irrigation districts, Lucky Peak Project, British Columbia – High Ross Agreement, Klamath Falls, PacifiCorp Power Marketing Inc. (PPM Energy) and PacifiCorp for wind energy and net integration and exchange services, and for transmission with BPA and others for the period from 2006 through 2065, undiscounted, are shown in the following table.

Table 13-2 **ESTIMATED FUTURE PAYMENTS UNDER
PURCHASE POWER CONTRACTS AND TRANSMISSION CONTRACTS**
(In Thousands)

| <u>Year Ending December 31</u> | <u>Estimated Payments</u> |
|------------------------------------|-------------------------------|
| 2006 | \$ 292,797 |
| 2007 | 298,884 |
| 2008 | 282,877 |
| 2009 | 268,642 |
| 2010 | 274,865 |
| Thereafter ^a | <u>1,549,996</u> |
| Total | <u>\$ 2,968,061</u> |

^a Bonneville Block and Slice contract expires September 30, 2011. Bonneville transmission contract expires July 31, 2025.

The effects of a proposed Northwest Regional Transmission Organization and other changes that could occur to transmission as a result of FERC's implementation of the Federal Power Act as amended August 8, 2005, are not reflected in the estimated future payments.

Payments under these long-term contracts totaled \$239.4 million and \$234.6 million in 2005 and 2004, respectively. Payments under the transmission agreements amounted to \$31.3 million and \$30.7 million in 2005 and 2004, respectively.

Skagit and South Fork Tolt Licensing Mitigation and Compliance

In 1995 FERC issued a license for operation of the Skagit hydroelectric facilities through April 30, 2025. On July 20, 1989, the FERC license for operation of the South Fork Tolt hydroelectric facilities through July 19, 2029, became effective. As a condition for both of these licenses, the Utility has taken and will continue to take required mitigating and compliance measures. Total Skagit mitigating costs from the effective date until expiration of the federal operating license were estimated at December 31, 2005, to be \$115.2 million, of which \$81.6 million was expended; and estimated costs for South Fork Tolt, were \$5.2 million, and \$0.3 million was expended. Capital improvements, other deferred costs, and operations and maintenance costs are included in the estimates for both licenses.

Application Process for New Boundary License

The Utility's FERC license for the Boundary Project expires on September 30, 2011. The Utility intends to submit an application for a new license by October 2009. Application process costs are estimated at \$48.5 million; as of December 31, 2005, \$6.6 million was expended and deferred. A new license may require additional mitigation efforts for endangered species, including water quality standards, the full extent of which is not known at this time. Cost projections for new license requirements are not included in the forecast.

Endangered Species

Several fish species that inhabit waters where hydroelectric projects are owned by the Utility or where the Utility purchases power have been listed under the Endangered Species Act (ESA) as threatened or endangered. On the Columbia River system the National Oceanographic Atmospheric Administration (NOAA) Fisheries has developed a broad species recovery plan for listed salmon and steelhead, including recommendations for upstream and downstream fish passage requirements. As a result, the Utility's power generation at its Boundary Project is reduced in the fall and winter when the region experiences its highest sustained energy demand. The Boundary Project's firm capability is also reduced.

In Puget Sound both bull trout and chinook salmon have been listed as threatened. A draft recovery plan and proposed critical habitat for Puget Sound bull trout was issued by the U.S. Fish and Wildlife Service in July 2004. Final critical habitat has been designated for Puget Sound chinook salmon. A recovery plan for Puget Sound chinook salmon and bull trout, developed by regional stakeholders has been proposed for adoption by NOAA Fisheries. The U.S. Fish and Wildlife Service has agreed to support this plan when approved by NOAA Fisheries. Bull trout are present in the waters of Skagit, Tolt, and Cedar River projects; and chinook salmon occur downstream of these projects. Steelhead, which are also present downstream of these projects, are undergoing a one-year review by NOAA Fisheries for potential listing as a threatened species in Puget Sound. The decision to list steelhead is expected to be finalized by the end of 2006. While it is unknown how other listings will affect the Utility's hydroelectric projects and operations, the Utility is carrying out an ESA Early Action program in cooperation with agencies, tribes, local governments, and salmon groups that will assist in the recovery of bull trout and chinook salmon on the Skagit and Tolt. The Utility will be participating in the implementation of this plan on both the regional and watershed levels. On the Cedar the Utility's activities are covered by a Habitat Conservation Plan that authorizes operations with regard to all listed species. Hydroelectric projects must also satisfy the requirements of the Clean Water Act in order to obtain a FERC license. Estimated total costs through 2011 at December 31, 2005, for the Endangered Species Act were \$9.9 million, of which \$4.8 million had been expended.

Project Impact Payments

Effective November 1999 the Utility committed to pay a total of \$11.6 million and \$7.8 million over ten years ending in 2008 to Pend Oreille County and Whatcom County, respectively, for the impacts on county governments from the operations of the Utility's hydroelectric projects. The payments compensate the counties and certain school districts and towns located in these counties for lost revenues and additional financial burdens associated with the projects. The Boundary Project located on the Pend Oreille River affects Pend Oreille County, and Skagit River hydroelectric projects affect Whatcom County. The combined impact compensation, including an annual inflation factor of 3.1 percent, and retroactive payments totaled \$1.2 million to Pend Oreille County in 2005 and 2004, and \$0.8 million to Whatcom County in each year.

Streetlight Litigation

In November 2003 the Washington Supreme Court ruled that a 1999 ordinance related to inclusion of streetlight costs in the general rate base for Seattle and Tukwila customers was unlawful. As a result of this decision, the Utility resumed billing the City of Seattle for streetlight costs. On May 21, 2004, trial court proceedings resulted in a ruling that the Utility be required to refund the amount collected from ratepayers since December 1999 attributable to streetlight costs. The ruling also provided that the City of Seattle General Fund will have to repay the Utility for the streetlight costs that would have been billed over the same period.

The judgment was entered in October 2004 and required the City of Seattle General Fund to pay approximately \$23.9 million to the Utility, an amount representing billings for streetlight services that should have been made to the City from late December 1999 through November 2003. In addition, the judgment required the City's General Fund to pay approximately \$222,000 to the Utility for "loss of use" of funds, calculated as a percentage of the difference between the amount that should have been billed to the City and the amount paid by ratepayers for streetlight services. Payments were due on an installment schedule. The Utility received \$6.2 million in 2004, an additional \$6.2 million in January 2005, and the final \$12.9 million in April 2005.

The Utility was to refund to ratepayers in Seattle and Tukwila the amount of streetlight costs billed to them from January 2000 through November 2003. Gross refunds were estimated to be \$21.5 million, plus \$2.6 million to compensate ratepayers for "loss of use" of funds. Plaintiffs' attorney fees totaling \$3.3 million and \$0.7 million in administrative costs related to the refunds were deducted from the gross refund amount, leaving \$20.0 million to be refunded to ratepayers. In 2005, refunds to current customers totaling \$15.7 million were made by providing a credit on their electric utility bills. Currently inactive customers who received one or more billings during the period from January 2000 through November 2003 received refund checks during 2005 totaling \$0.4 million.

The Utility recorded the \$2.4 million difference between the \$23.9 million in payments from the City of Seattle and the \$21.5 million in customer refunds as other operating revenues in 2004. During 2005 it was determined that the City overpaid the amount due to the Utility by \$1.1 million, and the overpayment was refunded.

In addition, the partial judgment entered in October 2004 found that the City of Seattle had inappropriately allocated to the Utility certain central costs and ordered the City to refund approximately \$1.0 million in such costs, including an allowance for “loss of use” of funds to the Utility.

Also in this partial judgment, the City of Seattle’s One Percent for Art Ordinance was declared invalid as applied to the Utility. The City appealed this ruling. On December 19, 2005, the Washington Court of Appeals reversed the trial court’s ruling that had declared the ordinance invalid as applied to the Utility but affirmed the trial court’s ruling that art funded by the Utility must have a “sufficiently close nexus” to the Utility’s purpose of providing electricity. Consequently, in 2005 the Utility recorded a reduction of \$1.0 million in the One Percent for Art assets to comply with the court’s ruling.

SEATTLE PUBLIC UTILITIES (SPU)

Water Fund

Cedar River Watershed

Seattle Public Utilities prepared a comprehensive environmental management plan for its Cedar River Watershed. The purpose of the Habitat Conservation Plan (HCP) is to protect all species of concern that may be affected by the Seattle Public Utilities and City Light in the Cedar River Watershed while allowing the City to continue to provide high quality drinking water to the region. The Federal government has accepted the HCP. The total cost of implementing the HCP is expected to be \$90.0 million (in 2002 dollars) over a period of 50 years. Expenses are expected to be funded from a combination of operating revenues and debt.

The Water Fund is required by the State Department of Health to complete a program to cover its open, above-ground distribution system reservoirs by the year 2020. The total cost of burying five reservoirs is expected to be \$30.0 million. Seattle Public Utilities is authorized a loan of \$4.0 million from the State Department of Health to fulfill its obligation to improve the security of the drinking water system. As of December 31, 2005, the loan from the State Department of Health was not executed.

Drainage and Wastewater Fund

Duwamish Site

The U.S. Environmental Protection Agency (EPA) has indicated that it will require the clean-up and remediation of certain Duwamish sites under its “Superfund” authority. No specific requirements for remediation by potentially liable parties (PLP) have been made by EPA at the time of this note. In order to manage the liability, the City of Seattle is working with EPA and other PLPs on a Remedial Investigation (RI) and Feasibility Study (FS) to evaluate the risk to human health and the environment, identify the possible early action clean-up sites, and generally evaluate the feasibility of clean-up options for use in the ultimate remedial actions that EPA may require. Prior to the issuance of an EPA ruling on Duwamish River-wide liability, SPU, together with other PLPs, has voluntarily agreed to initiate clean-up of certain early action sites identified during the RI. The EPA is expected to provide a ruling on river-wide liability in 2008. The reserve includes SPU’s share of early-action site study and clean-up expense at two sites and SPU’s estimated expense for completing the RI and FS.

Gasworks Park Sediment Site

In April 2002 the Department of Ecology (DOE) named the City as a PLP at the Gas Works Park sediment site at North Lake Union. The City, with SPU as lead, is working with DOE and another PLP on an RI and FS to investigate contamination; evaluate the risk to human health and the environment; and evaluate site clean-up options. The reserve includes estimated technical costs for the completion of the RI and FS and associated legal costs.

Wastewater Disposal Agreement

SPU has a wastewater disposal agreement with the King County Department of Natural Resources Wastewater Treatment Division expiring in 2036. The monthly wastewater disposal charge paid to the Division is based on the Division’s budgeted cost for providing the service. The charges are determined by water consumption and the number of single-family residences as reported by SPU and other component agencies. The 2005 and 2004 payments to the Division were approximately \$89.6 million and \$83.1 million, respectively.

Solid Waste Fund

Contractual Obligations

The City contracts with private companies for the collection of residential garbage, yard waste, and recycling. The contracts include certain additional costs related to bulky items collection and backyard service. Residential collection contracts with two private companies were implemented in April 2000. The contracts end March 31, 2007, but the City retains the option to extend the contracts until March 31, 2008, or March 31, 2009. Total payments during 2005 and 2004 were approximately \$22.6 million and \$23.1 million, respectively.

In 1990 the City signed a 38-year contract with Washington Waste Systems (WWS) for the disposal of nonrecyclable City waste, including the City's commercial waste collected by two state-franchised haulers. In 1996 and again in 2001 the City renegotiated this contract to extend the first date at which it can choose to unilaterally terminate the contract from March 31, 2000, to March 31, 2009. In exchange, WWS agreed to change the contract prices from \$44.87 per ton in 1996 to \$41.57 per ton beginning April 1, 1997, and \$43.73 per ton beginning April 1, 2002. In addition, WWS agreed to reduce the price escalator in the contract from 90 percent of the Seattle-Tacoma CPI to 80 percent, effective April 1, 1998, and to 70 percent of CPI beginning April 1, 2003. WWS also agreed to further reduce the CPI-adjusted tonnage rate by \$1.50 per ton for rates effective April 1, 2003, 2005, and 2007. The Utility paid WWS \$18.8 million in 2005 and \$19.9 million in 2004 under this contract.

For several years the City negotiated with the state-franchised haulers that have collected commercial waste in the City to bring them under contract with the City. The negotiations were successful and as of April 1, 2001, commercial garbage is collected under these new contracts. Payments under these contracts totaled approximately \$15.3 million and \$15.4 million in 2005 and 2004, respectively. The contracts will expire on March 31, 2008, but the City retains an option to extend them to March 31, 2009, or March 31, 2010. As part of these commercial collection contracts the City also negotiated a long-term yard waste processing contract with Cedar Grove Composting, Inc., and changes to the disposal contract. The first opt-out date on the disposal contract was pushed out from March 31, 2006, to March 31, 2009, for price reductions of \$1.50 per ton in 2003, an additional \$1.50 per ton in 2005, and a final \$1.50 per ton in 2007. Under this contract the Utility paid \$1.4 million and \$1.3 million in 2005 and 2004, respectively.

Landfill Closure and Postclosure Care

At December 31, 2005 and 2004, accrued landfill and postclosure costs consisted primarily of monitoring, maintenance, and repair costs. It is the City Council's policy to include the Fund's share of all landfill closure and postclosure costs in the revenue requirements used to set future solid waste rates. Therefore, total estimated landfill closure and postclosure care costs are accrued and also reflected as deferred costs in the accompanying financial statements. These costs are being amortized as they are recovered from ratepayers. Actual costs for closure and postclosure care may be higher due to inflation, changes in technology, or changes in regulations. Such amounts would be added to the liability and deferred costs when identified.

In prior years SPU delivered its refuse to two leased disposal sites: Midway and Kent-Highlands landfills. Subsequent to signing the original lease agreement, federal and state requirements for closure of landfill sites were enacted. The Solid Waste Fund stopped disposing of municipal waste at the Midway site in 1983 and at the Kent-Highlands site in 1986.

Subsequent to their closings, both Kent-Highlands and Midway landfills were declared Superfund sites by the federal government. In the same time period nearby landowners, residents, and the federal and state governments made various claims of damages related to these landfills and sought various forms of relief. These claims have been settled, and the City does not anticipate further actions related to the Kent-Highlands and Midway landfills. Any future changes in the accrued landfill liability will be reflected in Solid Waste Fund rates.

In 1996 the City filed suit against various parties that disposed of waste at the Kent-Highlands landfill. In its suit the City asserted that these parties (according to the Comprehensive Environmental Response, Compensation and Liability Act) were liable for a portion of the cost of closing the Kent-Highlands landfill. The City completed settlement with the defendants in this suit in December 1997 and has recovered approximately \$2.2 million. The City settled a similar suit relating to the Midway landfill in 1994 and has since recovered \$6.4 million. The City does not anticipate any further legal actions relating to either landfill.

(14) CONTINGENCIES

The City is exposed to the risk of loss from torts, theft of or damage to assets, business interruption, errors or omissions, law enforcement actions, contractual actions, natural disasters, failure to supply utilities, environmental regulations, and other third-party liabilities. The City also bears the risk of loss for job-related illnesses and injuries to employees. The City has been self-insured for most of its general liability risks prior to January 1, 1999, for workers' compensation since 1972, and for employees' health care benefits starting in 2000.

Since January 1, 1999, the City obtained excess general liability insurance coverage for occurrences on or after said date which covers losses over \$2.5 million per occurrence self-insured retention and includes a \$25.0 million limit per occurrence and in the aggregate. Starting February 1, 2002, the City's excess general liability insurance covers losses over \$5.0 million per occurrence self-insured retention, with a \$25.0 million limit per occurrence and in the aggregate.

In 2005 the City purchased an excess liability insurance policy to address general, automobile, professional, public official, and other exposures. The policy has limits of \$25 million above a \$5 million self-insured retention for each occurrence. The City also purchased an all-risk property insurance policy that provides \$500 million in limits above a \$500,000 deductible (for most buildings) with \$100 million in earthquake and flood limits and \$100 million in terrorism limits, with boiler and machinery, building risk, and electronic data processing coverage endorsements. Hydroelectric and other utility producing/processing projects owned by the City are not covered by the property policy. Insurance is also in place for excess workers' compensation, fiduciary and crime liability, contractors' equipment, transportation, inland marine, fine arts, volunteers, and an assortment of commercial general liability, medical, accidental death and dismemberment, and miscellaneous policies. Bonds are purchased for public officials, notary public, pension exposures, and specific projects and activities as necessary.

The City did not purchase any annuity contracts in 2005 to resolve litigation. No structured settlements were entered into by the City in 2005. No large liability settlements were received from an insurer in 2005 or 2004; and no settlements made in 2005, 2004, or 2003 were in excess of insurance coverage.

Claims liabilities are based on the estimated ultimate cost of settling claims, which include case reserve estimates and incurred but not reported (IBNR) claims. Liabilities for lawsuits and other claims are assessed and projected annually using historical claims, lawsuit data, and current reserves. The Personnel Department estimates case reserves for workers' compensation using statistical techniques and historical experience. The ultimate cost of settling claims was estimated for lawsuits, workers' compensation, and other claims based on independent actuarial studies performed as of year-end 2004, and for health care as of year-end 2005. IBNR undiscounted totaled \$10.4 million and \$46.0 million at December 31, 2005 and 2004, respectively. The \$35.6 million reduction in the IBNR amount in 2005 compared to 2004 was mainly due to the increase in claims liability reserves by \$21.9 million and the lower estimates of liabilities by \$12.5 million. Changes in the reserves and liability estimates for workers' compensation claims accounted for the remaining \$1.2 million change in IBNR.

Estimated claims expenditures are budgeted by the individual governmental and proprietary funds. Actual workers' compensation claims are processed by the General Fund and reimbursed by the funds that incurred them. Operating funds pay health care premiums to the General Fund, and the latter pays for all actual health care costs. The General Fund pays for lawsuits, claims, and related expenses and then receives reimbursements from City Light, Water, Drainage and Wastewater, Solid Waste, Engineering Services, and the retirement funds for payments and expenses incurred by these funds.

Claims liabilities include claim adjustment expenditures if specific and incremental to a claim. Recoveries from unsettled claims, such as salvage or subrogation, and on settled claims are deposited in the General Fund and do not affect reserves for general government. Workers' compensation subrogation recoveries amounted to \$0.5 million in 2005 and \$0.3 million in 2004. All workers' compensation recoveries are deposited into the General Fund. Lawsuit and other claim recoveries of payments reimbursed by the utilities are deposited into the paying utility fund and do not affect the utility reserves.

Claim liabilities recorded in the financial statements are discounted at 2.848 percent for 2005 and 2.338 percent for 2004, the City's average annual rates of return on investments. The total discounted liability at December 31, 2005, was \$90.7 million consisting of \$58.4 million for general liability, \$9.3 million for health care, and \$23.0 million for workers' compensation.

RISK MANAGEMENT

Table 14-1

RECONCILIATION OF CHANGES IN AGGREGATE LIABILITIES FOR CLAIMS (In Thousands)

| | General Liability | | Health Care | | Workers' Compensation | | Total City | |
|--|-------------------|------------------|-----------------|-----------------|-----------------------|------------------|------------------|-------------------|
| | 2005 | Restated 2004 | 2005 | 2004 | 2005 | Restated 2004 | 2005 | Restated 2004 |
| UNDISCOUNTED | | | | | | | | |
| Balance - Beginning of Fiscal Year | \$ 76,309 | \$ 92,479 | \$ 8,621 | \$ 8,210 | \$ 25,624 | \$ 24,804 | \$ 110,554 | \$ 125,493 |
| Less Payments and Expenses | | | | | | | | |
| During the Year | (10,778) | (9,135) | (89,393) | (80,979) | (11,238) | (10,987) | (111,409) | (101,101) |
| Plus Claims and Changes in Estimates | (7,148) | (7,035) | 90,306 | 81,390 | 11,013 | 11,804 | 94,171 | 86,159 |
| Balance - End of Fiscal Year | <u>\$ 58,383</u> | <u>\$ 76,309</u> | <u>\$ 9,534</u> | <u>\$ 8,621</u> | <u>\$ 25,399</u> | <u>\$ 25,621</u> | <u>\$ 93,316</u> | <u>\$ 110,551</u> |
| UNDISCOUNTED BALANCE AT END OF FISCAL YEAR CONSISTS OF | | | | | | | | |
| Governmental Activities | \$ 46,563 | \$ 57,472 | \$ 9,534 | \$ 8,621 | \$ 18,706 | \$ 17,517 | \$ 74,803 | \$ 83,610 |
| Business-Type Activities | 17,289 | 18,834 | - | - | 6,689 | 8,103 | 23,978 | 26,937 |
| Fiduciary Activities | 1 | 2 | - | - | 1 | 1 | 2 | 3 |
| Balance - End of Fiscal Year | <u>\$ 63,853</u> | <u>\$ 76,308</u> | <u>\$ 9,534</u> | <u>\$ 8,621</u> | <u>\$ 25,396</u> | <u>\$ 25,621</u> | <u>\$ 98,783</u> | <u>\$ 110,550</u> |
| DISCOUNTED/RECORDED BALANCE AT END OF FISCAL YEAR CONSISTS OF | | | | | | | | |
| Governmental Activities | \$ 42,573 | \$ 52,629 | \$ 9,270 | \$ 8,424 | \$ 16,964 | \$ 16,158 | \$ 68,807 | \$ 77,211 |
| Business-Type Activities | 15,808 | 17,283 | - | - | 6,069 | 7,474 | 21,877 | 24,757 |
| Fiduciary Activities | 1 | 1 | - | - | - | 1 | 1 | 2 |
| Balance - End of Fiscal Year | <u>\$ 58,382</u> | <u>\$ 69,913</u> | <u>\$ 9,270</u> | <u>\$ 8,424</u> | <u>\$ 23,033</u> | <u>\$ 23,633</u> | <u>\$ 90,685</u> | <u>\$ 101,970</u> |

ENVIRONMENTAL

The following sites are in various stages of the federal government's Environmental Protection Agency (EPA) Superfund cleanup process or the parallel process under the state's Model Toxics Control Act (MTCA), RCW 70.105. In general, the total costs of cleanup and of claims for payment of government response costs are difficult to estimate accurately, as is the City's ultimate share of responsibility.

- Harbor Island East Waterway (upland site). Seattle City Light (City Light) is alleged to have transformers at the Seattle Iron & Metal facility on the island for scrapping. PCB contamination was found in storm drains and street rights-of-way on Harbor Island and in underwater sediment adjacent to the island. The Port of Seattle initiated investigation of contamination in the East Waterway adjoining Harbor Island and removed some of the contaminated sediment by dredging. The sediment that remained after dredging, however, was still highly contaminated. EPA then decided that investigation of the East Waterway should be expanded. In 2005, EPA notified the City and King County that they would likely be named as Potentially Responsible Parties (PRPs) who would be required to participate in the expanded investigation. The City and King County decided to participate via a Memorandum of Agreement with the Port of Seattle under which each party will pay one-third of the investigation costs on an interim basis, subject to an eventual allocation process among all PRPs. In early 2006, EPA formally notified Seattle Iron and Metal that it is a PRP which also must participate in the investigation. Based on current information, the cost of the expanded investigation is estimated to be \$4.0 million to \$5.0 million. Ultimate City liability is indeterminate.
- Harbor Island East Waterway (aquatic sediments). Seattle Public Utilities (SPU) is allegedly liable due to discharges from storm drains and combined sewers. Although not considered likely, a complaint may be filed. Ultimate City liability is indeterminate.
- Harbor Island West Waterway (aquatic sediments). EPA has informally notified the City that it considers the City responsible for discharges into the West Waterway from a City (SPU) storm drain. Ultimate City liability is indeterminate.

- Lower Duwamish Waterway Superfund Site. The Lower Duwamish Waterway was listed as a federal Superfund site in 2001 for contaminated sediments. In 2000 the City and three other parties entered into an administrative order on consent with the EPA and the Department of Ecology (Ecology) to conduct a remedial investigation/feasibility study regarding sediments in the Waterway. The four parties share costs equally on an interim basis, subject to an eventual allocation proceeding that is likely to include additional PRPs. City Light's property ownership or use or releases from electrical equipment allegedly make City Light responsible for some of the sediment contamination. In particular, primarily due to City Light activities, the City is involved in cleanup of two areas within the Lower Duwamish Waterway Superfund site: Malarkey/T117 and Slip 4.
 - a. Slip 4 Early Action Area. The City entered into an agreement with King County, which is also a PRP for Slip 4, to perform and share equally the costs of investigating contamination in the slip and preparing an Engineering Evaluation and Cost Analysis (EE/CA) for cleanup options. The EE/CA was submitted to the EPA in February 2006. EPA is expected to issue its decision selecting the cleanup approach in May 2006. The City and King County will be signing an EPA Settlement and Administrative Order on Consent to perform the cleanup. Based on current information the total cost for cleanup of Slip 4 is estimated to be no more than \$8.0 million. The City expects eventually to seek reimbursement of some of the costs from other PRPs.
 - b. Malarkey/T117 Early Action Area. The City and the Port of Seattle executed a Memorandum of Understanding to share equally the costs of investigating and cleaning up contaminated sediment adjacent to a former asphalt shingle manufacturing plant. The Port and the City expect to seek reimbursement of some costs from other PRPs. The investigation was completed and the EPA issued its decision selecting a cleanup method and approach in July 2005. Based on current information, the total cost for cleanup of the Malarkey/T117 sediment site is estimated to be \$3.5 million.
 - c. Malarkey T117 Upland Site. The upland location of the former asphalt shingle manufacturing plant was initially remediated by the Port of Seattle under an EPA order. City Light settled its liability for the upland contamination in 2001 and received a release and indemnity from the former plant owner/operator. In 2005 the EPA directed the Port to collect additional soil samples from the upland area. High levels of PCB contamination were discovered that had been missed by the earlier cleanup. The port is now developing a further remediation plan which is estimated to cost \$6.0 million. City Light believes it has resolved its liability for the upland area but other PRPs may seek to compel City Light to contribute toward the remediation costs.
 - d. Dallas Street. During source control investigations conducted by SPU's Drainage and Wastewater Utility in 2004 as part of its responsibilities under its National Pollutant Discharge Elimination System (NPDES) permit for stormwater, PCB contamination was found in street right-of-ways and some adjacent private properties. The contamination is near the Malarkey/T117 upland site and may have originated from historic operations at the former asphalt shingle manufacturing plant. With Ecology's concurrence, SPU performed an emergency removal action to reduce public exposure to the contamination. SPU has developed a plan for further removal of contamination and installation of a drainage system that will eliminate the possibility of contaminated stormwater reaching the Duwamish. SPU anticipates seeking grants to cover some of the costs and also seeking contributions from other PRPs associated with the Malarkey/T117 early action area. The total of addressing the contamination and installing necessary drainage infrastructure is currently estimated to be no more than \$3.5 million. Although the work at this site has been conducted by Seattle Public Utilities, City Light is likely to share the costs due to its association with the PCB contamination on the adjacent Malarkey/T117 site. The allocation of costs to City Light has not yet been determined.
 - e. Boeing West Substation. The Boeing Company alleges that City Light is responsible for PCB contamination found in soil adjacent to a City Light substation at Boeing Plant 2 and also for PCB contamination in Duwamish waterway sediments adjacent to Boeing Plant 2. Boeing has asked City Light to pay \$1.9 million for investigation and cleanup of the soil contamination. Costs related to the sediments would be additional. After extensive investigation, City Light informed Boeing in April 2006 that it does not believe its equipment was the source of the contamination and is not, therefore, planning to contribute toward the costs of the soil or the sediment investigation and cleanup. City Light's ultimate liability at these locations, if any, is indeterminate.
- Lower Duwamish Waterway Sediments. As a result of discharges from City storm drains and combined sewers, SPU is alleged to be a PRP for the Lower Duwamish Waterway Superfund site and to have particular liability at several of the Early Action Areas. Cleanup of part of the Diagonal/Duwamish location was completed under a 1991 consent decree, using funds appropriated in prior years. There is a possibility that SPU will incur further financial liability for that location due to remaining contamination.
- Burke Gilman Trail Right of Way. A property owner adjoining this City parcel has been doing an independent remedial action (voluntary cleanup) but has informally claimed that the City, because of actions of its predecessor in title, is responsible for the groundwater contamination on his property. Settlement discussions have been underway; no formal claim has been filed (the City and the property owner have signed a tolling agreement). It is impossible to predict whether the City will have a material liability in connection with this parcel.

- Fire Station No. 2. The Fleets and Facilities Department is planning to remediate gasoline contamination underneath the alley adjacent to Fire Station No. 2. The remedial work will be done as an independent cleanup. The property owner across the alley filed a claim against the City in August 2005 alleging contamination was entering his building through the underground garage wall. The cost to remediate the contamination is not yet determined but could be material.
- Gas Works Park Sediments. In 2002 Ecology issued a Potentially Liable Party (PLP) notice to the City with regard to contaminated underwater sediment adjacent to Gas Works Park and the City's Harbor Patrol facility in North Lake Union. City potential liability is premised upon its ownership of upland properties where historic activities allegedly generated contaminants now found in the lacustrine sediments and as a result of discharges from storm drains and combined sewers. The City, with SPU as the lead, along with Puget Sound Energy (PSE), which is also a PLP for this site, executed an Agreed Order (AOC) with Ecology in March 2005 to investigate the sediment contamination. Under this AOC the City will take the lead on investigating part of the contaminated area and PSE will take the lead on investigating another part. The City's liability for undertaking the remedial investigation and feasibility study is significant. The City's liability, if any, for any further design and construction of remedial actions to clean up contaminated sediments is indeterminate.
- Gas Works Park. In 1999 the City and PSE entered into a consent decree with Ecology to perform a cleanup of the Park under MTCA. In 2000 the City and PSE reached a final settlement to allocate cleanup costs at the Park. City liability, if any, for contamination of the sediments adjacent to the Park was not resolved in this settlement. As noted above, Ecology issued the City a PLP notice for sediment contamination in the waters adjacent to Gas Works Park in 2002 and the City has agreed to sign an Administrative Order on Consent (AOC) to perform further investigation. The City's liability, if any, is indeterminate.
- Puget Park. The Parks Department owns this site, which was contaminated with cement kiln dust. The City has already spent \$0.4 million on voluntary remedial measures in cooperation with other parties. Additional voluntary remedial measures are underway. The EPA and Ecology are concerned that contaminants still could be released from the site into the Lower Duwamish Waterway. Ultimate liability is undetermined.
- Water Tank Sites and Surrounding Properties. Several years ago SPU voluntarily investigated and/or performed environmental remediation, including soil remediation, at some of the approximately 16 locations of aboveground water storage tanks and adjacent private properties. SPU's past practices of removing lead-based paint materials and other building materials and using blasting materials contaminated with lead and arsenic are the alleged source of contaminants on such sites. Ecology received reports of contamination at some sites but has taken no enforcement action. SPU settled claims from some neighboring private property owners for property damage. SPU is about to resume the investigation/remediation program and will be doing outreach to property owners in areas where contamination is likely to be found. SPU will be working with the property owners to voluntarily address contamination on their sites; however, SPU anticipates that some owners may decide to file claims instead. Ultimate City liability relating to City property remediation and to possible private claimants is indeterminate.
- Kent Highlands Landfill. The Kent Highlands landfill is a closed Seattle municipal landfill that was designated as a federal Superfund site in 1990. The State Department of Ecology administers the site under MTCA pursuant to an agreement with the EPA. Extensive remedial actions were undertaken during the 1990s pursuant to a Consent Order with Ecology originally signed in 1987 and last amended in 1996. The site is still on the Superfund list but was designated "construction complete" in 1995. In September of 2003 Ecology issued a final periodic review for the landfill, which concluded that additional remedial investigation and possibly remedial actions are necessary at the landfill. The City disputed many of the conclusions in the review. Liability at this time is indeterminate.
- South Park Landfill. This site, which is owned by King County, was used in the 1930s and 1940s as a public burn dump and later as a City landfill. SPU is seeking to obtain the site from King County for construction of a new South Transfer Station. If SPU becomes the property owner, SPU likely will perform and pay for any necessary remediation. In the past King County performed an initial environmental investigation, focusing on soil, ground water, and subsurface gas, at a cost of approximately \$1.9 million. King County has expressed informally that it considers the City to be liable for most of the costs the County has incurred to date and any future costs of investigation and remediation. No litigation has commenced and the City's liability, if any, is unknown.
- Other Potentially Contaminated Sites. There may be other parcels of land that may be designated Superfund sites or be designated under MTCA. Demands with respect to such sites may be made on the City by regulatory entities, or the City may choose to clean up these or other sites voluntarily, once they are identified. The City may also be interested in pursuing third parties for contribution.

OTHER MATTERS

- City Light Franchise Litigation. In July 2005 a class action lawsuit was filed against the City and five suburban cities that have franchise agreements under which City Light may use streets in these cities for City Light facilities. In each

franchise City Light agreed to make a payment to the suburban city in exchange for the suburban city's agreement not to establish its own municipal electric utility. The plaintiffs claimed that these payments were "franchise fees" that were illegal under RCW 35.21.860(1). In February 2006 the judge granted summary judgment in favor of the City and the suburban cities, dismissing the plaintiffs' claims. The plaintiffs have appealed this ruling to the State Supreme Court. If the trial court's ruling is reversed and the payments are found to be illegal, it is possible that the suburban cities may be required to refund these payments to City Light. In such event the suburban cities would have the right to terminate the franchise upon 180 days' written notice. Due to the uncertainty of the litigation, the impact on City Light is uncertain.

- **Refund Cases at the Federal Energy Regulatory Commission (FERC).** Seattle City Light is involved in the California refund case and the Pacific Northwest refund case, both pending at FERC and relating to the enormous energy price spikes in California and the rest of the West Coast in 2000-2001. FERC has issued orders on rehearing in both cases and the City has appealed both rulings to the Ninth Circuit. Briefing was completed on the Pacific Northwest refund case in 2005. We cannot predict when the Ninth Circuit will schedule oral arguments or issue a decision. The briefing schedule for the California refund case has been stayed pending the outcome of two test cases. In September 2005 the Ninth Circuit issued its opinion in *Bonneville Power Administration v. FERC*, one of the test cases. In that case the Ninth Circuit concluded that FERC does not have refund authority over wholesale electric energy sales made by governmental entities and nonpublic utilities. Consequently, FERC cannot order Seattle to make price refunds with respect to such transactions.
- **Oregon Tax Claim.** In 2001 the Oregon Department of Revenue assessed City Light, along with another northwest municipal utility, an ad valorem property tax for each utility's respective interest in the capacity ownership agreements with the Bonneville Power Administration for the Pacific Northwest Third AC Intertie transmission line. The assessment was for tax year 2001 with a retroactive "omitted property" assessment for years 1997 through 2000. In January 2004 the Court issued a ruling in favor of the cities for the "omitted property" claims, eliminating the assessment prior to 2001. In June 2004, as a result of changes to the Oregon Tax Code, a new "omitted assessment" was made for years 1999 and 2000. Prior to trial that was scheduled for 2005 the Oregon Legislature resolved the matter by enacting legislation that retroactively exempts tangible property and intangible rights in or related to the Pacific Northwest AC Intertie from Oregon ad valorem property taxation.
- **Joint Training Facility.** In May 2005 the Army Corps of Engineers issued a stop work order to the Fleets and Facilities Department regarding construction of the City's Joint Training Facility. The Corps contended that the City had violated the Federal Clean Water Act by filling a wetland without a permit. Since then the City has been developing a proposal to mitigate the impacts of its alleged violation. The City Council appropriated \$1.0 million for the mitigation work; however, the ultimate cost is expected to exceed that by an unknown amount.
- **Overtime Pay.** An action cast as a class action was filed on behalf of City employees to whom the City purportedly failed to pay regular and overtime wages according to the time prescribed by law. In August 2005 the Superior Court granted the City's motion to dismiss the plaintiffs' claim that regular wages paid more than seven days after the end of the pay period were untimely. That order was reaffirmed after consideration in November 2005. As of the end of 2005 the only claim remaining before the trial court was that overtime payments made more than ten days after the pay period in which they are worked are untimely. The plaintiffs have made a motion for certification of a class of all City employees who receive overtime compensation. It is impossible to predict whether a material adverse outcome will occur.
- **Temporary Employees.** The plaintiff class, comprised of over 3,000 current and former City temporary employees who worked over 916 hours in one year, or over six months in a vacant regular position, alleged that the City failed to comply with the Scannell settlement agreement in regularly reevaluating whether those temporary positions were doing work that should be done by regular employees. They also alleged the City has mislabeled temporary employees and consequently denied them benefits and pay they would be entitled to as regular employees under City ordinance and state law. After the parties engaged in mediated settlement discussions, the Superior Court in March 2006 approved a settlement of this matter for \$11.5 million, inclusive of costs and fees. The City will distribute the settlement to individual class members and their attorneys in 2006. In 2005 the City made claims on its excess liability insurance carriers for the losses it has incurred. The likelihood of a material recovery on the insurance claims cannot be predicted.
- **World Trade Organization (WTO) Conference.** The WTO Conference was held in Seattle in 1999. This event spawned 407 claims and 26 lawsuits against the City. All but two lawsuits have been resolved for an aggregate nonmaterial amount. The two remaining lawsuits were consolidated on an issue common to both cases: plaintiff's challenge to the declaration of an emergency and the emergency order creating a limited access area. The Ninth Circuit affirmed the District Court's dismissal of the plaintiffs' facial challenges to the relevant orders but reversed and remanded for trial the "as applied" claims regarding some police enforcement activity. In a separate ruling, the Ninth Circuit Court also reversed the trial court's denial of class certification in one of the cases and remanded for further proceedings on that issue. The plaintiffs are attempting to certify a class of 200 individuals who were arrested. The likelihood of material adverse outcome in this matter cannot be predicted.

- North Cascade Environmental Learning Center Project. This project is currently under construction. The contractor, RAS Construction, has filed a claim in excess of \$3.0 million. Based on an analysis of the claim, the City has several defenses to the claim and a right to a substantial amount of liquidated damages due to the failure of the contractor to complete the project in a timely fashion. However, this matter has been substantially complicated by the fact that the project had to be suspended in the fall of 2003 due to a landslide that blocked access to the site. The likelihood of material adverse outcome in this matter cannot be predicted.
- Olympic Sculpture Garden. The Seattle Art Museum is developing a site (called the Olympic Sculpture Garden) adjacent to Elliott Bay. The site was the historic location of a bulk-fuel transfer facility operated by Unocal. Unocal has performed remedial activities at the site. The City assumed specific liabilities when the site was sold to the Museum Development Authority, including liability for remaining contamination in the rights-of-way and tidelands. In 1999 the City's probable cost to address remaining contamination was estimated to be \$0.4 million. Current information indicates that the City's costs may exceed that estimate by an unknown amount.
- State Route 519 Improvements. Part of these improvements included the movement of a Burlington Northern Santa Fe railroad (BNSF) spur track. The City and BNSF entered into a contract regarding the movement of the spur track. In part, the contract provided that BNSF would move its spur track upon the City's construction contractor providing BNSF with the contractually specified notice. Even though BNSF has been given the required notice, BNSF has failed to move the spur track. As a result, the City's construction contractor has suffered significant delay damages. BNSF has raised several defenses to its failure to move the spur track. The City has not made a formal demand upon BNSF for its construction contractor's delay damages. It is not possible to predict the likelihood of a material adverse outcome for the City particularly in light of the potential for the City to recover from BNSF should the contractor establish its claim.
- Parking Meters. Plaintiffs allege that the City unlawfully requires payment at parking meters on "legal holidays" and has unlawfully ticketed violators. The complaint, which was not served until early 2006, contains class action allegations. The plaintiffs' attorney recently advised that they intend to voluntarily dismiss the complaint without prejudice. The stipulation for dismissal has been signed by both parties and we expect an order of dismissal to be entered soon. It is impossible to predict whether plaintiffs will file a new lawsuit.
- Parking Citations. In two separate cases plaintiffs made individual and class allegations that the Seattle Police Department has improperly issued parking citations and that Seattle Municipal Court has improperly processed parking citations. One case was dismissed on summary judgment in May 2005. Appellate review is pending in the Washington Supreme Court. The other case is stayed pending appellate review in the first case. The likelihood of material adverse outcome in either matter cannot be predicted.
- Impounding of Vehicles. A class action was filed in June 2003 regarding legality of the City policy and practice of nondiscretionary impounding of vehicles of persons driving with suspended licenses. The matter is in discovery. The case has been certified as a class action. The original March 2006 trial date has been stricken and no new trial date has been scheduled. The City has filed a motion to de-certify the class. It is impossible to predict whether a material adverse outcome will occur.
- Business Tax Refunds. Three cases involving potential tax refunds were filed as follows: 1) A telecommunications company filed a case with the City of Seattle Hearing Examiner in December 2005 challenging approximately \$4.0 million to \$5.0 million in utility taxes and interest it paid covering the period from January 1997 through March 2005. 2) Another company alleges that the City's telecommunications utility tax should not apply to that portion of its gross receipts that it devotes to paying that utility tax. The City prevailed at the trial court and at the Court of Appeals. The company's request that the State Supreme Court accept discretionary review is pending. The company paid the City approximately \$0.4 million in August 2003, representing the contested tax and interest to that date. If the Supreme Court were to accept review and if the company were to prevail, the City may have to refund that amount plus interest. 3) A company is appealing an assessment of the City's business and occupation tax for its wholesale sales to dealers located in Seattle. The assessment totals \$1.4 million, \$0.4 million of which has been recorded as deferred revenue. If the company were to prevail, the assessments plus interest may have to be refunded. It is not possible to predict the likelihood of a material adverse outcome.
- Fire Hydrants. A class action suit was filed seeking to require payment from the General Fund to SPU's Water Fund of the costs the Water Fund bore (until January 1, 2005) for fire hydrant service, including installation and maintenance of the hydrants and the piping serving them, as well as water provided for the hydrants. Plaintiffs also seek refunds from the Water Fund to water utility customers. It is not possible to predict the likelihood of a material adverse outcome.
- False Alarm Fees. An alarm monitoring company claims that the City's fee for each false alarm that is sent from a monitored burglar alarm is an impermissible "tax." The City has counterclaimed seeking more than \$0.6 million in false alarm fees that the company has refused to pay. In aggregate, the City collected from all alarm monitoring companies over \$1.0 million in such fees in 2004 and 2005 combined. If the company were to prevail in the instant lawsuit, the City might be subjected to claims for refunds of those amounts. The case was filed in late December 2005 and is set for

trial in June 2007. The company's motion for partial summary judgment is pending. It is not possible to determine at this time whether a material adverse outcome or recovery will result.

There may be other litigation or claims involving alleged substantial sums of money owing; however, the prospect of material, adverse outcome therein is remote. Other than the aforementioned cases and the claim liabilities recorded in the financial statements, there were and are no outstanding material judgments against the City.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) SECTION 108 LOAN PROGRAM

The City of Seattle participates in the HUD Section 108 loan program. In the Section 108 program HUD obtains funds from private investors at a very low cost (i.e., low interest rate). Low-cost funds are available because HUD guarantees repayment to the private investors. HUD, in turn, provides the low-cost funds to jurisdictions nationwide including the City of Seattle. The City re-lends the funds to private borrowers. HUD deposits the funds directly with the City's loan servicing agent, JP Morgan Chase. JP Morgan Chase disburses funds on behalf of the City to the private borrowers.

The Brownfields Economic Development Initiative Grant (BEDI) program is a federal grant that is directly linked to the Section 108 loan program. The City uses BEDI grant funds as a loan loss reserve and interest subsidy on Section 108 loans. The U.S. Treasury deposits the grant funds with the City. The City then disburses the grant funds to its loan servicing agent, JP Morgan Chase.

Pursuant to RCW 35.21.735 the City is expressly authorized to participate in the Section 108 loan program. The state statute and the City's contracts/agreements with HUD clarify that the City never pledges its full faith and credit. Future block grant funds are pledged to HUD in the event of borrower default. Each loan is secured by a deed of trust and/or bank-issued letter of credit that provides the City with security in the event of borrower default. Additionally, the BEDI grant funds may be used by the City to protect against loan default.

On December 31, 2005, seven accounts remained outstanding with a combined total amount of \$12.9 million. BEDI grant funds amounting to \$1.3 million are being held as loan loss reserves for five of the seven accounts.

GUARANTEES OF THE INDEBTEDNESS OF OTHERS

The City has contingent liability for the following bonds issued by public development authorities chartered by the City which are not component units of the City:

Museum Development Authority

Special obligation bonds issued on November 16, 2005, in the amount of \$60,720,000, all of which was outstanding at December 31, 2005. The bonds will be fully retired by April 1, 2031.

Pike Place Market Preservation and Development Authority

Special obligation deferred-interest refunding bonds issued on March 7, 1991, in the amount of \$1,376,671, of which \$1,078,574 was outstanding at December 31, 2005. The bonds will be fully retired by November 1, 2011.

Special obligation refunding bonds issued November 1, 1996, in the amount of \$6,210,000 to refund Series 1991A. The outstanding amount at December 31, 2005, was \$5,305,000. The bonds will be fully retired by December 1, 2021.

Special obligation refunding bonds issued on March 28, 2002, in the amount of \$5,925,000, \$4,890,000 of which was outstanding on December 31, 2005. The bonds will be fully retired on November 1, 2017.

Seattle Chinatown-International District Preservation and Development Authority

Special obligation refunding bonds issued on September 15, 1996, in the amount of \$9,000,000. The outstanding amount at December 31, 2005, was \$7,755,000. The bonds will be fully retired by August 1, 2026.

Special obligation bonds, Series A, issued on December 12, 2002, in the amount of \$7,700,000. The outstanding amount at December 31, 2005, was \$3,020,000. The bonds will be fully retired by October 1, 2032.

Special obligation bonds, Series B, issued on December 12, 2002, in the amount of \$2,790,000. The outstanding amount at December 31, 2005, was \$2,735,000. The bonds will be fully retired by October 1, 2032.

Seattle Indian Services Commission

Special obligation refunding bonds issued on March 28, 2002, in the amount of \$3,710,000, of which \$3,405,000 was outstanding on December 31, 2005. The bonds will be fully retired on November 1, 2017.

Special obligation revenue refunding bonds issued on November 1, 2004, in the amount of \$5,210,000, all of which was outstanding as of December 31, 2005. The bonds will be fully retired on November 1, 2024.

(15) RECLASSIFICATIONS, RESTATEMENTS, PRIOR-PERIOD ADJUSTMENTS, AND CHANGES IN ACCOUNTING PRINCIPLES

Governmental Activities: In the government-wide financial statements under governmental activities, prior-period adjustments were made to increase assets by \$3.6 million for the actuarially determined negative net pension obligation, with a corresponding increase to unrestricted net assets, and to decrease capital assets by \$18.1 million. The change to capital assets for 2004 and prior years included: a decrease in land assets of \$0.1 million; a decrease in construction in process of \$47.4 million; a decrease in buildings of \$10.4 million; a decrease in other assets of \$0.1 million; an increase in improvements of \$10.0 million; an increase in infrastructure assets of \$32.7 million; and an increase in accumulated depreciation of \$2.8 million.

In the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities, the expenses related to the adjustments to capital assets mentioned above decreased the 2004 change in net assets of governmental activities by \$1.6 million.

Reclassifications were made as follows: \$16.3 million reported as tax revenue in the Fire Pension Fund in 2004 was reclassified to employer contributions and the tax revenue of \$16.3 million was then reported in the General Fund with an offsetting expenditure for the employer contribution to the Fire Pension Fund; and \$7.5 million in expenses related to claims liability on the Temporary Employment Service judgment recorded in 2004 in general government were reallocated to the appropriate functions that should have been charged in that year.

Business-Type Activities: Restatements were made for the Water Fund to decrease environmental liabilities and related deferred charges by \$1.3 million. Related to taxes, the Solid Waste Fund reduced prior-year revenues and expenses by \$3.0 million and moved \$0.2 million in remittances outstanding at year-end from taxes payable to due to other governments. Water, Solid Waste and Drainage and Wastewater Funds reclassified prior-year work in process and capital assets to deferred charges. In total, the adjustments decreased work in process by \$29.9 million, decreased capital assets by \$8.5 million, and increased deferred charges by \$38.4 million.

Other minor reclassifications were made to 2004 amounts for comparability and consistency.

(16) SUBSEQUENT EVENTS

Bond Issue. On April 26, 2006, pursuant to City Ordinances 121651 and 121982, the City issued \$24.9 million in Limited Tax General Obligation (LTGO) and Refunding Bonds, 2006 Series. Of the bond issue, \$11.0 million provides additional funding for major improvements on City capital projects, such as the Seattle Aquarium at Pier 59, the Mercer Corridor, Alaskan Way Viaduct, and the South Lake Union Streetcar; \$11.7 million refinances \$11.9 million of the 2003 LTGO bonds used for the earthquake repair of the Park 90/5 facilities, which are due on August 1, 2006; and \$2.2 million refunded approximately the same amount of the remaining original issue of the 1995 LTGO bonds. The proceeds on the refunding portion of the bond issue were placed in an irrevocable trust for the purchase of federal, state, and local government securities to provide a sufficient amount to pay for the bonds and applicable interest when the refunded bonds are called on July 1, 2006.

Sockeye Hatchery. In April 2006 a new lawsuit was filed in federal court alleging that the National Marine Fisheries Service erred in issuing an Incidental Take Permit to the City based on the Cedar River Habitat Conservation Plan mentioned in Note 14, Contingencies. The lawsuit focuses on SPU's planned construction and operation of a sockeye hatchery on the Cedar River. The City was not named in the lawsuit but may decide to intervene as a defendant. If the lawsuit results in SPU being unable to construct the hatchery, then under the pending settlement with the Muckleshoot Tribe, SPU would owe the Tribe up to \$14.0 million.

North Cascade Environmental Learning Center Project. In April 2006 this case, which is described in Note 14, Contingencies, was settled with the City making a payment of \$0.8 million.

Claims Related to a Federal Energy Regulatory Commission (FERC) Litigation. In March 2006 Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas and Electric Company, and the California Electricity Oversight Board commenced litigation against the City (and other governmental entities), asserting that the City is contractually obligated to make refunds for claimed overcharges, even if FERC lacks the power to require government entities to do so. In January 2006 the People of the State of California and the Department of Water Resources filed another claim for reimbursement parallel to the contract action described above. The City has denied the claim; litigation has not yet been filed.

Personal Injury Claims. In early 2006 \$1.25 million was paid to settle a claim that alleged a fall sustained by a minor in December 2003 was caused by City negligence. In February 2006 a case involving a pedestrian death in October 2003 alleging City negligence in street design was settled for \$4.0 million.

Muckleshoot Indian Tribe. In June 2006 a City ordinance was passed to authorize the monetary and property transfer components of a settlement agreement between the City and the Muckleshoot Indian Tribe. The agreement settles the suit filed in 2003 by the Tribe against the United States National Marine Fisheries Service alleging that the Incidental Intake Permit issued to the City for City activities in the Cedar River Watershed should not have been issued. The City intervened in the lawsuit. The settlement includes payment to the Tribe of \$14.0 million for fishery enhancements, \$0.3 million each year for ten years for wildlife research and habitat improvements in the watershed, and possible transfer of two parcels of land that total 200 acres or, if one of the parcels cannot be transferred, payment to the Tribe of another \$1.0 million. The City's Water Fund booked the \$18.0 million monetary consideration as a liability in its financial statements as of December 31, 2005. The settlement also includes permanent caps on the City's diversions of water from the Cedar River, transfer of part of the City's water right to the State Trust Water program, transfer to the tribe of 1,300 acres in the Green River Watershed, and protocols for the Tribe to exercise its treaty rights to hunt and gather in the watershed. The settlement of the suit also resolved the Tribe's periodic informal claims against the City's Seattle Public Utilities for damage to fish populations allegedly caused by installation in 1900 of a water diversion dam on the Cedar River.

Claims against Police Department. On July 7, 2006, claims were filed against the police departments of Seattle and another city in Washington State alleging that the departments did not provide timely notification to the State Department of Social and Health Services about a foster dad posting pornographic pictures of children on the internet. The claims against both departments are for eight children and range between \$2.5 million and \$4.0 million per child.

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Required Supplementary Information

SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The schedules of revenues, expenditures, and changes in fund balances – budget and actual are presented on a budgetary basis (Non-GAAP). A reconciliation of the budgetary fund balance to the GAAP fund balance is shown on the face of each schedule.

The budgetary basis of accounting is substantially the same as the modified accrual basis of accounting in all governmental funds except for the treatment of encumbrances. Encumbrances are included with expenditures in the City's budgetary basis of accounting.

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GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2005
(In Thousands)

| | Budgeted Amounts | | Actual | Variance |
|--|--------------------|------------------|-------------------|------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | | | | |
| General Property Taxes | \$ 202,726 | \$ 202,726 | \$ 204,124 | \$ 1,398 |
| Retail Sales and Use Taxes | 134,143 | 134,143 | 146,060 | 11,917 |
| Business Taxes | 173,730 | 173,730 | 184,002 | 10,272 |
| Excise Taxes | 26,200 | 26,200 | 50,654 | 24,454 |
| Other Taxes | 5,065 | 5,065 | 4,853 | (212) |
| Penalties and Interest on Delinquent Taxes | - | - | 1,894 | 1,894 |
| Interfund Business Taxes | 69,705 | 69,705 | 68,099 | (1,606) |
| Total Taxes | <u>611,570</u> | <u>611,570</u> | <u>659,686</u> | <u>48,116</u> |
| Licenses and Permits | 16,787 | 16,787 | 18,686 | 1,899 |
| Grants, Shared Revenues, and Contributions | 22,866 | 35,412 | 23,419 | (11,993) |
| Charges for Services | 66,418 | 67,956 | 54,387 | (13,569) |
| Fines and Forfeits | 16,885 | 17,277 | 17,023 | (254) |
| Parking Fees and Space Rent | 14,877 | 14,877 | 15,069 | 192 |
| Program Income, Interest, and Miscellaneous Revenues | 106,084 | 107,046 | 121,523 | (85,523) |
| Total Revenues | <u>855,487</u> | <u>870,925</u> | <u>809,793</u> | <u>(61,132)</u> |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Current | | | | |
| General Government | 234,100 | 138,280 | 140,691 | (2,411) |
| Judicial | 19,220 | 21,343 | 19,357 | 1,986 |
| Public Safety | 326,392 | 343,414 | 334,302 | 9,112 |
| Utilities and Environment | 6,373 | 6,630 | 6,547 | 83 |
| Transportation | 19,167 | 19,301 | 16,241 | 3,060 |
| Economic Environment | 21,225 | 21,567 | 17,527 | 4,040 |
| Health and Human Services | 347 | 335 | 335 | - |
| Culture and Recreation | 5,300 | 4,115 | 3,776 | 339 |
| Capital Outlay | | | | |
| General Government | 14,603 | 21,692 | 5,413 | 16,279 |
| Judicial | 22 | 22 | 6 | 16 |
| Public Safety | 9,705 | 11,163 | 6,214 | 4,949 |
| Transportation | 3,370 | 3,370 | - | 3,370 |
| Economic Environment | 2,632 | 2,632 | - | 2,632 |
| Culture and Recreation | 29,258 | 35,175 | 16,502 | 18,673 |
| Debt Service | | | | |
| Bond Issuance Costs | - | - | 40 | (40) |
| Total Expenditures and Encumbrances | <u>691,714</u> | <u>629,039</u> | <u>566,951</u> | <u>62,088</u> |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | 163,773 | 241,886 | 242,842 | 956 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of Capital Assets | 500 | 14,341 | 14,302 | (39) |
| Transfers In | 9,711 | 7,659 | 10,106 | 2,447 |
| Transfers Out | (223,817) | (240,053) | (215,862) | 24,191 |
| Total Other Financing Sources (Uses) | <u>(213,606)</u> | <u>(218,053)</u> | <u>(191,454)</u> | <u>26,599</u> |
| Net Change in Fund Balance | <u>\$ (49,833)</u> | <u>\$ 23,833</u> | <u>51,388</u> | <u>\$ 27,555</u> |
| Fund Balance - Beginning of Year | | | 96,739 | |
| Encumbrances Continued from Last Year | | | 13,796 | |
| Changes in Unappropriable Reserves | | | 7,936 | |
| Fund Balance (Budgetary) - End of Year | | | <u>169,859</u> | |
| Adjustments to Conform to Generally Accepted Accounting Principles | | | | |
| Reserves Not Available for Appropriation | | | 13,704 | |
| Encumbrances | | | 14,899 | |
| Reimbursements | | | | |
| Budgeted As Expenditures | | | 5,210 | |
| Pass-Through Grants Budgeted as Revenues | | | (509) | |
| Pass-Through Grants Budgeted as Expenditures | | | 509 | |
| Ending Fund Balance - GAAP | | | <u>\$ 203,672</u> | |

The accompanying notes are an integral part of these financial statements.

Required Supplementary Information

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TRANSPORTATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2005
(In Thousands)

| | Budgeted Amounts | | Actual | Variance |
|---|--------------------|--------------------|------------------|------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Licenses and Permits | \$ 168 | \$ 168 | \$ 6,012 | \$ 5,844 |
| Grants, Shared Revenues, and Contributions | 46,172 | 44,112 | 43,444 | (668) |
| Charges for Services | 52,310 | 54,571 | 30,970 | (23,601) |
| Fines and Forfeits | - | - | 5 | 5 |
| Parking Fees and Space Rent | - | - | 109 | 109 |
| Program Income, Interest, and Miscellaneous Revenues | 489 | 489 | 604 | 115 |
| Total Revenues | 99,139 | 99,340 | 81,144 | (18,196) |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Current | | | | |
| Transportation | 118,086 | 119,428 | 69,799 | 49,629 |
| Capital Outlay | | | | |
| Transportation | 79,440 | 81,882 | 61,557 | 20,325 |
| Debt Service | | | | |
| Principal | 3,269 | 2,831 | 1,745 | 1,086 |
| Interest | - | 438 | 438 | - |
| Bond Issuance Costs | - | - | 36 | (36) |
| Total Expenditures and Encumbrances | 200,795 | 204,579 | 133,575 | 71,004 |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | (101,656) | (105,239) | (52,431) | 52,808 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds of Long-Term Debt | 2,588 | 2,588 | 2,750 | 162 |
| Transfers In | 18,279 | 22,225 | 51,206 | 28,981 |
| Transfers Out | - | - | (452) | (452) |
| Total Other Financing Sources (Uses) | 20,867 | 24,813 | 53,504 | 28,691 |
| Net Change in Fund Balance | \$ (80,789) | \$ (80,426) | 1,073 | \$ 81,499 |
| Fund Balance - Beginning of Year | | | 9,476 | |
| Fund Balance (Budgetary) - End of Year | | | 10,549 | |
| Adjustments to Conform to Generally Accepted Accounting Principles | | | | |
| Reserves Not Available for Appropriation | | | 3 | |
| Encumbrances | | | 535 | |
| Reimbursements | | | | |
| Budgeted as Revenues | | | 63 | |
| Pass-Through Grants | | | (63) | |
| Ending Fund Balance - GAAP | | | \$ 11,087 | |

The accompanying notes are an integral part of these financial statements.

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LOW-INCOME HOUSING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2005
(In Thousands)

| | Budgeted Amounts | | Actual | Variance |
|---|------------------|-------------|-----------|-----------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | | | | |
| General Property Taxes | \$ 5,358 | \$ 5,358 | \$ 11,859 | \$ 6,501 |
| Grants, Shared Revenues, and Contributions | 9,037 | 9,037 | 6,409 | (2,628) |
| Charges for Services | 1,362 | 1,362 | 10 | (1,352) |
| Parking Fees and Space Rent | 45 | 45 | 25 | (20) |
| Program Income, Interest, and Miscellaneous Revenues | 7,596 | 7,657 | 5,200 | (2,457) |
| Total Revenues | 23,398 | 23,459 | 23,503 | 44 |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Current | | | | |
| Economic Environment | 68,781 | 73,465 | 60,986 | 12,479 |
| Capital Outlay | | | | |
| Economic Environment | 6,717 | 6,258 | - | 6,258 |
| Total Expenditures and Encumbrances | 75,498 | 79,723 | 60,986 | 18,737 |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | (52,100) | (56,264) | (37,483) | 18,781 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of Capital Assets | - | 299 | 299 | - |
| Transfers In | (2,250) | (2,250) | - | 2,250 |
| Total Other Financing Sources (Uses) | (2,250) | (1,951) | 299 | 2,250 |
| Net Change in Fund Balance | \$ (54,350) | \$ (58,215) | (37,184) | \$ 21,031 |
| Fund Balance - Beginning of Year | | | 7,178 | |
| Encumbrances Continued from Last Year | | | 39,454 | |
| Fund Balance (Budgetary) - End of Year | | | 9,448 | |
| Adjustments to Conform to Generally Accepted Accounting Principles | | | | |
| Encumbrances | | | 33,785 | |
| Ending Fund Balance - GAAP | | | \$ 43,233 | |

The accompanying notes are an integral part of these financial statements.

Required Supplementary Information

PENSION PLAN INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Defined benefit pension plans are required to provide two schedules of long-term actuarial data, Schedule of Funding Progress and Schedule of Employer Contributions as of the plans' reporting dates for the past six consecutive fiscal years. The information presented in these schedules was part of the latest actuarial valuations at the dates indicated in Note 10, Table 10-1.

The accompanying notes are an integral part of these financial statements.

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PENSION PLAN INFORMATION
SCHEDULE OF FUNDING PROGRESS
December 31, 2005
(In Thousands)

| Retirement System | Actuarial Valuation Date December 31 | Actuarial Value of Assets | Actuarial Accrued Liabilities (AAL) ^a | Unfunded Actuarial Accrued Liabilities (UAAL) ^b | Funded Ratio | Covered Payroll ^c | UAAL as a Percentage of Covered Payroll |
|--|---|------------------------------|---|--|-----------------|---------------------------------|--|
| Seattle City Employees' Retirement System (SCERS) | 1997 ^d | \$ 1,224,600 | \$ 1,266,700 | \$ 42,100 | 96.7 % | \$ 341,500 | 12.3 % |
| | 1998 | 1,375,000 | 1,326,600 | (48,400) | 103.6 | 370,400 | (13.1) |
| | 1999 | 1,582,700 | 1,403,100 | (179,600) | 112.8 | 383,600 | (46.5) |
| | 2001 | 1,383,700 | 1,581,400 | 197,700 | 87.5 | 405,100 | 48.8 |
| | 2003 | 1,527,500 | 1,778,900 | 251,400 | 85.9 | 424,700 | 59.2 |
| | 2005 | 1,791,800 | 2,017,500 | 225,800 | 88.8 | 447,000 | 50.5 |
| Firemen's Pension Fund | 2000 | 1,957 | 85,908 | 83,951 | 2.3 | N/A | N/A |
| | 2001 | 2,354 | 99,330 | 96,976 | 2.4 | N/A | N/A |
| | 2002 | 3,573 | 98,471 | 94,898 | 3.6 | N/A | N/A |
| | 2003 | 4,803 | 89,071 | 84,268 | 5.4 | N/A | N/A |
| | 2004 | 6,221 | 88,705 | 82,484 | 7.0 | N/A | N/A |
| | 2005 | 8,717 | 108,615 | 99,898 | 8.0 | N/A | N/A |
| Police Relief and Pension Fund | 2000 | 2,791 | 85,862 | 83,071 | 3.3 | N/A | N/A |
| | 2001 | 642 | 89,332 | 88,690 | 0.7 | N/A | N/A |
| | 2002 | - | 88,989 | 89,211 | N/A | N/A | N/A |
| | 2003 | 801 | 65,418 | 64,617 | 1.2 | N/A | N/A |
| | 2004 ^e | 1,752 | 65,693 | 63,941 | 2.7 | N/A | N/A |
| | 2005 | 1,967 | 70,647 | 68,680 | 2.8 | N/A | N/A |

^a Actuarial present value of benefits less actuarial present value of future normal costs based on Entry Age Actuarial Cost Method for SCERS and Projected Unit Credit Actuarial Cost Method for Firemen's Pension and Police Relief and Pension.

^b Actuarial accrued liabilities less actuarial value of assets, funding excess if negative.

^c Covered payroll includes compensation paid to all active employees on which contributions are calculated. Not applicable for Firemen's Pension and Police Relief and Pension plans. These plans primarily cover inactive participants and there are no current member contributions.

^d Reflects increased COLA benefits adopted by the City Council after the valuation was completed.

^e Preliminary financial statements were used in last year's schedule. The results of the revised asset value as of December 31, 2004, are reflected in the current schedule.

The accompanying notes are an integral part of these financial statements.

Required Supplementary Information

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PENSION PLAN INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS

December 31, 2005

(In Thousands)

| Retirement System | Fiscal Year Ending December 31 | Covered Employee Payroll ^a | Actual Employer Contribution ^b | Actual Employer Contribution % | Annual Required Contribution (ARC) ^c | Percentage of ARC Contributed |
|--|---|---|---|---|--|-------------------------------------|
| Seattle City Employees' Retirement System (SCERS) | 2000 | \$ 383,600 | \$ 30,800 | 8.03 % | 4.50 % | 178 % |
| | 2001 | 405,100 | 32,700 | 8.03 | 3.04 | 264 |
| | 2002 | 454,500 | 36,600 | 8.03 | 3.04 | 264 |
| | 2003 | 424,700 | 34,200 | 8.03 | 8.03 | 100 |
| | 2004 | 456,800 | 36,700 | 8.03 | 8.03 | 100 |
| | 2005 | 447,000 | 35,900 | 8.03 | 8.03 | 100 |
| Firemen's Pension Fund | 2000 | N/A | 8,434 | 100 | 8,434 | 100 |
| | 2001 | N/A | 8,252 | 100 | 8,252 | 100 |
| | 2002 | N/A | 9,480 | 100 | 9,480 | 100 |
| | 2003 | N/A | 9,167 | 100 | 9,167 | 100 |
| | 2004 | N/A | 9,315 | 100 | 9,315 | 100 |
| | 2005 | N/A | 9,704 | 100 | 9704 | 100 |
| Police Relief and Pension Fund | 2000 | N/A | 10,117 | 100 | 10,117 | 100 |
| | 2001 | N/A | 7,415 | 100 | 7,415 | 100 |
| | 2002 | N/A | 5,955 | 100 | 5,955 | 100 |
| | 2003 | N/A | 7,403 | 100 | 7,403 | 100 |
| | 2004 | N/A | 8,244 | 100 | 8,244 | 100 |
| | 2005 | N/A | 7,187 | 100 | 7,187 | 100 |

^a Computed as the dollar amount of the actual employer contribution made as a percentage of payroll divided by the contribution rate, expressed as a percentage of payroll for SCERS. Not applicable to the Firemen's Pension and Police Relief and Pension because these plans primarily cover inactive participants and there are no current member contributions.

^b The actual and required employer contributions for the SCERS are expressed as a percentage of payroll, after first recognizing \$12 per employee assessment made for the death benefits. This assessment per employee is included in the actual employer contributions reported and has been previously recognized by the actuary in determining the ARC.

^c The City makes employer contributions as a percentage of actual payroll for SCERS as set in City ordinance. Thus, as long as the percentage equals the percentage required by the most recent actuarial valuation, the dollar amount of the ARC is equal to the actual dollar amount of the employer contributions. The City ordinance does not permit a reduction in the employer contribution rate less than the employee contribution rate. Thus, the City's SCERS contributions exceeded the ARC for 1999 through 2001 and resulted in a negative net pension obligation (NPO) amount.

The accompanying notes are an integral part of these financial statements.

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Combining Statements

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The **Park and Recreation Fund** accounts for the operation of the City's parks system. The City Charter requires that the City deposit ten percent of all business and occupation taxes, fines, penalties, and other licenses into this fund. The fund also receives usage fees and support from the General Fund.

The **Library Fund** accounts for the operations of the City's libraries. The Library Board governs the Library's operations and the City Council appropriates moneys for its regular operating requirements. The Library also receives support from the State of Washington, other governmental units, and private donors.

The **Seattle Monorail Fund** accounts for transactions pertaining to the financial relations of the City with the Seattle Popular Monorail Authority (SPMA), formerly the Elevated Transportation Company (ETC) (Ordinances 120218, 121011).

The **Seattle Center Fund** accounts for the operations of the Seattle Center. The Center is a 74-acre convention, performance, and family entertainment complex on the site of the 1962 Seattle World's Fair.

The **Human Services Operating Fund** accounts for grants and General Fund moneys for programs to aid low-income persons, youths, and the elderly.

The **Office of Housing Fund** accounts for activities pertaining to housing development, application for and compliance with conditions for housing loans and grants.

The **Housing and Community Development Revenue Sharing Fund** receives federal Community Development Block Grant and Urban Development Action Grant moneys to provide housing and community development assistance to low- and moderate-income persons.

The **Education and Development Services Fund** accounts for a seven-year levy approved by the voters in 1997 and another approved in 2004 to provide educational and developmental services to supplement the basic education activities financed by the State of Washington (Ordinances 118557 and 121529).

The **Business Improvement Areas Fund** accounts for moneys that businesses assess themselves for parking, festivals, and other nongovernmental activities.

The **General Trust Fund** accounts for amounts received with restrictions under contractual agreements.

The **Municipal Arts Fund** receives at least one percent of the total cost of City capital construction projects. The City uses these moneys to buy visual arts.

The **General Donations and Gift Trust Fund** holds a variety of gifts and donations which have restrictions on their use. Programs eligible to receive support from this fund include the gift catalog, animal control, emergency medical assistance program, horse patrol, and K-9 corps.

DEBT SERVICE FUNDS

The **Interfund Notes Payable - Local Improvement Districts (LIDs) Fund** accounts for the payments of interest and principal on interfund notes payable to the Cumulative Reserve Fund. The proceeds of the notes funded the activities of certain LID districts.

The **Local Improvement Guaranty Fund** receives surpluses and guarantees faithful compliance of bond covenants on completed or defeased LID bond funds. When required, it shall be funded by excess general property tax levies or by the General Fund. The City is legally obliged to maintain a fund level at 10 percent of net outstanding LID debt.

CAPITAL PROJECTS FUNDS

The **2005 Multipurpose Long-Term General Obligation Bond Fund** was established in 2004 to account for startup activities related to the acquisition of parking pay stations. The fund obtained a bridge loan in 2004 from the City's consolidated residual cash pool. The loan was repaid and additional capital improvement programs were funded in 2005 when the 2005 bonds were

issued. The 2005 bond issue included financing for the Central Library Garage, Pier 59 Aquarium improvement, Fremont Bridge approaches and bridge, and SR519 projects (Ordinances 121329, 121663).

The **Transportation Bond Fund** was established in 1997 to account for part of the proceeds of a limited tax general obligation bond issue in the amount of \$9.5 million for designated transportation programs and projects (Ordinances 118503 and 118528).

The **Libraries for All Fund** was established in 1998 to account for the proceeds of an unlimited tax general obligation (UTGO) bond issue of \$100 million in 1999 for paying part of the cost of the new central library and community libraries. Additionally in 2002 the City issued \$94.9 million in UTGO bonds, the proceeds of which are used to pay for the cost of the ongoing construction of these facilities. The 1999 and 2002 bond issues were authorized by Ordinance 119185 in accordance with the bond levy approved by voters of the City in November 1998 pursuant to Ordinance 119019.

The **Public Safety Facilities and Equipment Fund** was established in December 1990 to account for the improvement of public safety equipment. In 1990 the fund received transfers of reimbursable appropriations from the Cumulative Reserve Fund and expended \$1 million for the improvement and construction of certain facilities. In 1991 the fund received \$8 million from the sale of limited tax levy general obligation bonds. In 1996 the fund received \$17.6 million from the sale of limited tax general obligation bonds (Ordinances 115453, 116797, 118108, 118184, 118225, and 118364).

The **Shoreline Park Improvement Fund** accounts for Local Improvement subprogram moneys for shoreline and beach park improvements that were received as METRO mitigation grants related to the expansion of the West Point sewage treatment plant (Ordinance 115496).

The **Community Improvement Fund** accounts for moneys from community improvement contributions by METRO for public improvements in the Alki and Discovery Park areas to mitigate the negative construction impacts in those communities (Ordinance 115496).

The **City Facilities Renovation and Improvement Fund** received \$22.2 million of 1-2-3 Bond Program proceeds. It provides funds to renovate libraries, fire stations, Seattle Center facilities, harbor patrol stations, and other facilities (Ordinance 111717).

The **Capital Facilities Project Fund** was established in 1992 to receive \$35 million from the sale of limited tax general obligation bonds for financing housing, health, open space, parks, and recreation facilities included in the City's comprehensive plan (Ordinance 116105).

The **Conservation Futures Fund** was established in 1990 to account for the proceeds from the Conservation Futures Levy which are allocated to the City by King County and for the City's matching amounts. The funds are to acquire suitable greenbelt areas for conserving and enhancing the quality of the environment (Ordinances 114763, 114978, 116908).

The **Open Spaces and Trails Bond Fund** was established in 1989. It accounts for \$41.8 million which is Seattle's portion of the King County general obligation bond issued to finance the preservation of greenbelts, natural areas, other undeveloped open spaces, and to acquire and develop recreational trails within the City (Ordinance 114900).

The **Seattle Center and Parks Multipurpose Levy Fund** was established to account for the 8-year \$72 million property tax levy approved by voters in 1999 for improvements to the Seattle Center Opera House, replacement of the Flag Pavilion with a new Festivals Pavilion, and the construction and remodeling of community centers (Ordinance 119522). It also accounts for the 8-year \$129.2 million property tax levy approved by the voters in 2000 for improving maintenance and programs of existing parks, including the Woodland Park Zoo; acquiring, developing, and maintaining new neighborhood parks, green spaces, playfields, trails, and boulevards; and recreational programming for funding safe out-of-school and senior activities (Ordinance 120024).

The **Denny Triangle Public Amenity Fund** was established in 2001 to account for proceeds from contributions by developers in the Denny Triangle using the Transfer of Development Credits (TDC) Program provisions and from contributions by King County to fund amenities in the Denny Triangle Urban Village in support of the TDC program, and interest earned on such funds (Ordinance 119729).

The **Seattle Center Redevelopment/Parks Community Center Fund** was established in 1991 to provide partial funding for certain needed improvements to the Seattle Center and full City funding for certain improvements to selected community centers. It received the proceeds of the \$14.75 million limited tax general obligation bond issue and grant moneys from Washington State Department of Community Development. The fund also received the proceeds of the \$3.22 million sale of limited tax general

obligation bond anticipation notes to finance preconstruction costs for redevelopment of the Seattle Center Coliseum during 1993 (Ordinances 115844 and 116720).

The **Municipal Civic Center Fund** was established in 1998 to account for the planning, design, and construction of the new Municipal Courthouse and police headquarters, the new City Hall, Key Tower major improvements, and other capital projects relating to the Civic Center (Ordinance 119304).

The **South Police Stations Fund** was established in 1999 to account for moneys to be used for the design of the new South Police Station and modification of existing stations (Ordinance 119432).

The **Public Safety Information Technology Fund** was established in 1999 to account for part of the proceeds from the sale of limited tax general obligation bonds for the purpose of acquiring public safety information technology (Ordinance 119630). The 2003 Fire Facilities Subfund was established to account for the nine-year \$167.2 million levy approved by voters in 2003 for neighborhood fire stations, support facilities, emergency preparedness improvements and other emergency response facilities, and marine apparatus (Ordinance 121230).

The **2001 Capital Facilities Bond Fund** was established to account for the costs of the design, construction, and acquisition of property for various City purposes (Ordinances 120169 and 120398).

The **2002 Capital Facilities Bond Fund** accounts for the proceeds of the sale of limited tax general obligation bonds in January 2002 in the amount of \$13.2 million as it relates to the Park and Recreation Department's Roy Street Shops Replacement Project (Ordinances 120646 and 120862).

The **2002B Long-Term General Obligation Project Fund** was established to account for the proceeds of \$46.9 million limited tax general obligation bonds issued in September 2002 to provide funding for various new capital projects of the City in 2002 (Ordinance 120894).

The **2003 Long-Term General Obligation Project Fund** was established to account for the proceeds of bonds issued in February 2003 to provide funding for Seattle Center's Roof and Structural Repairs, Fleets and Facilities Department's Park 90/5 Facility Earthquake Repair, and the SR519 and Alaskan Way Viaduct/Seawall Projects of the Seattle Department of Transportation (Ordinance 120979).

PERMANENT FUNDS

The **H. H. Dearborn Fund** holds a \$50,000 nonexpendable gift to the City. The investment income is available for charitable purposes.

The **Beach Maintenance Trust Fund** received \$2.0 million appropriated from the City's Shoreline Park Improvement Fund. The earnings on this fund are used solely to maintain public beaches in Seattle.

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COMBINING BALANCE SHEET
SUMMARY BY FUND TYPE
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2005
(In Thousands)

| | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Permanent Funds | Comparative Totals | |
|---|-----------------------------|--------------------------|------------------------------|--------------------|--------------------|-------------------|
| | | | | | 2005 | Restated 2004 |
| ASSETS | | | | | | |
| Cash and Equity in Pooled Investments | \$ 50,078 | \$ 703 | \$ 118,159 | \$ 2,019 | \$ 170,959 | \$ 157,284 |
| Receivables, Net of Allowances | | | | | | |
| Taxes | 4,426 | - | 995 | - | 5,421 | 4,871 |
| Accounts | 4,087 | - | 17 | - | 4,104 | 4,508 |
| Contracts and Notes | 2 | - | - | - | 2 | 2 |
| Interest and Dividends | 88 | 2 | 393 | 6 | 489 | 59 |
| Unbilled and Others | 1,343 | - | - | - | 1,343 | 480 |
| Due from Other Funds | 6,022 | 459 | 1,693 | 274 | 8,448 | 8,819 |
| Due from Other Governments | 14,322 | - | 1,502 | - | 15,824 | 18,569 |
| Inventories | 957 | - | - | - | 957 | 938 |
| Contracts and Notes - Noncurrent | 44,380 | - | 6,133 | - | 50,513 | 68,455 |
| Deferred Charges and Other Assets | 355 | 14 | - | - | 369 | 16 |
| Total Assets | \$ 126,060 | \$ 1,178 | \$ 128,892 | \$ 2,299 | \$ 258,429 | \$ 264,001 |
| LIABILITIES | | | | | | |
| Accounts Payable | \$ 20,280 | \$ - | \$ 7,166 | \$ 91 | \$ 27,537 | \$ 23,176 |
| Contracts Payable | 122 | - | 1,933 | 9 | 2,064 | 1,783 |
| Due to Other Funds | 4,778 | 462 | 3,465 | 2 | 8,707 | 10,927 |
| Due to Other Governments | 3,318 | - | 50 | - | 3,368 | 5,458 |
| Salaries, Benefits, and Taxes Payable | 6,520 | - | 69 | - | 6,589 | 6,199 |
| Interest Payable | 23 | - | 17 | - | 40 | - |
| Deposits Payable | 166 | - | - | - | 166 | 134 |
| Revenue Collected/Billed in Advance - Current | 1,454 | - | - | - | 1,454 | 1,548 |
| Other Current Liabilities | 117 | - | 14 | - | 131 | 127 |
| Advances from Other Funds | 7,501 | - | - | - | 7,501 | 14,351 |
| Deferred Revenues | 45,172 | 14 | 7,128 | - | 52,314 | 70,213 |
| Total Liabilities | 89,451 | 476 | 19,842 | 102 | 109,871 | 133,916 |
| FUND BALANCES | | | | | | |
| Reserves Legally Segregated for Future Use | | | | | | |
| Capital Improvements | 1,210 | - | 109,050 | - | 110,260 | 102,495 |
| Continuing Appropriations | 16,662 | - | - | 1 | 16,663 | 12,897 |
| Debt Service | - | 702 | - | - | 702 | 683 |
| Encumbrances | 1,446 | - | - | - | 1,446 | 1,380 |
| Reserves Not Available for Appropriation | | | | | | |
| Endowments | - | - | - | 2,050 | 2,050 | 2,050 |
| Gifts | 2,142 | - | - | 146 | 2,288 | 9,289 |
| Inventories | 711 | - | - | - | 711 | - |
| Petty Cash | 18 | - | - | - | 18 | 23 |
| Unreserved Fund Balances | 14,420 | - | - | - | 14,420 | 1,268 |
| Total Fund Balances | 36,609 | 702 | 109,050 | 2,197 | 148,558 | 130,085 |
| Total Liabilities and Fund Balances | \$ 126,060 | \$ 1,178 | \$ 128,892 | \$ 2,299 | \$ 258,429 | \$ 264,001 |

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COMBINING BALANCE SHEET

Page 1 of 3

NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE

December 31, 2005

(In Thousands)

| | Park and Recreation | Library | Seattle Center | Human Services Operating |
|---|--------------------------------|------------------|-----------------------|-------------------------------------|
| ASSETS | | | | |
| Cash and Equity in Pooled Investments | \$ 2,670 | \$ 12,833 | \$ 771 | \$ 7,281 |
| Receivables, Net of Allowances | | | | |
| Taxes | 4,184 | - | - | - |
| Accounts | 880 | 539 | 2,274 | - |
| Contracts and Notes | - | - | - | - |
| Interest and Dividends | 1 | 8 | 10 | - |
| Unbilled and Others | 122 | - | 1,152 | 69 |
| Due from Other Funds | 3,201 | 183 | 347 | 1,392 |
| Due from Other Governments | 191 | 328 | - | 9,393 |
| Inventories | 711 | - | 246 | - |
| Contracts and Notes - Noncurrent | - | - | - | - |
| Deferred Charges and Other Assets | - | - | - | - |
| | \$ 11,960 | \$ 13,891 | \$ 4,800 | \$ 18,135 |
| LIABILITIES | | | | |
| Accounts Payable | \$ 2,863 | \$ 1,148 | \$ 705 | \$ 9,373 |
| Contracts Payable | 103 | - | - | - |
| Due to Other Funds | 641 | 86 | 1,066 | 368 |
| Due to Other Governments | - | - | - | 3,317 |
| Salaries, Benefits, and Taxes Payable | 2,711 | 1,471 | 1,224 | 887 |
| Interest Payable | - | - | 23 | - |
| Deposits Payable | 65 | - | 100 | - |
| Revenue Collected/Billed in Advance - Current | 418 | 134 | - | 901 |
| Other Current Liabilities | 117 | - | - | - |
| Advances from Other Funds | - | - | 7,501 | - |
| Deferred Revenues | 1 | - | 550 | - |
| | 6,919 | 2,839 | 11,169 | 14,846 |
| FUND BALANCES | | | | |
| Reserves Legally Segregated for Future Use | | | | |
| Capital Improvements | 592 | - | - | - |
| Continuing Appropriations | 218 | 7,517 | - | 2,285 |
| Encumbrances | 750 | 243 | - | 16 |
| Reserves Not Available for Appropriation | | | | |
| Gifts | - | 2,111 | - | - |
| Inventories | 711 | - | - | - |
| Petty Cash | 18 | - | - | - |
| Unreserved Fund Balances | 2,752 | 1,181 | (6,369) | 988 |
| Total Fund Balances | 5,041 | 11,052 | (6,369) | 3,289 |
| Total Liabilities and Fund Balances | \$ 11,960 | \$ 13,891 | \$ 4,800 | \$ 18,135 |

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE

December 31, 2005

(In Thousands)

| | Office of Housing | Housing and Community Development Revenue Sharing | Education and Development Services | Business Improvement Areas |
|---|----------------------|--|---|----------------------------------|
| ASSETS | | | | |
| Cash and Equity in Pooled Investments | \$ 167 | \$ 3,250 | \$ 16,645 | \$ 166 |
| Receivables, Net of Allowances | | | | |
| Taxes | - | - | 242 | - |
| Accounts | - | - | - | 387 |
| Contracts and Notes | - | - | - | - |
| Interest and Dividends | - | 53 | - | - |
| Unbilled and Others | - | - | - | - |
| Due from Other Funds | 401 | 217 | 76 | - |
| Due from Other Governments | - | 4,261 | 141 | - |
| Inventories | - | - | - | - |
| Contracts and Notes - Noncurrent | - | 44,380 | - | - |
| Deferred Charges and Other Assets | - | - | - | - |
| Total Assets | <u>\$ 568</u> | <u>\$ 52,161</u> | <u>\$ 17,104</u> | <u>\$ 553</u> |
| LIABILITIES | | | | |
| Accounts Payable | \$ 27 | \$ 1,561 | \$ 3,862 | \$ 599 |
| Contracts Payable | - | - | - | - |
| Due to Other Funds | 6 | 1,706 | 528 | - |
| Due to Other Governments | - | - | - | - |
| Salaries, Benefits, and Taxes Payable | 152 | - | - | - |
| Interest Payable | - | - | - | - |
| Deposits Payable | 1 | - | - | - |
| Revenue Collected/Billed in Advance - Current | - | - | - | - |
| Other Current Liabilities | - | - | - | - |
| Advances from Other Funds | - | - | - | - |
| Deferred Revenues | - | 44,379 | 242 | - |
| Total Liabilities | 186 | 47,646 | 4,632 | 599 |
| FUND BALANCES | | | | |
| Reserves Legally Segregated for Future Use | | | | |
| Capital Improvements | - | - | - | - |
| Continuing Appropriations | 270 | 4,515 | 1,687 | - |
| Encumbrances | 22 | - | - | - |
| Reserves Not Available for Appropriation | | | | |
| Gifts | - | - | - | - |
| Inventories | - | - | - | - |
| Petty Cash | - | - | - | - |
| Unreserved Fund Balances | 90 | - | 10,785 | (46) |
| Total Fund Balances | <u>382</u> | <u>4,515</u> | <u>12,472</u> | <u>(46)</u> |
| Total Liabilities and Fund Balances | <u>\$ 568</u> | <u>\$ 52,161</u> | <u>\$ 17,104</u> | <u>\$ 553</u> |

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COMBINING BALANCE SHEET

Page 3 of 3

NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE

December 31, 2005

(In Thousands)

| | General Trust | Municipal Arts | General Donations and Gift Trust | Comparative Totals | |
|---|------------------|-------------------|---|--------------------|-------------------|
| | | | | 2005 | Restated 2004 |
| ASSETS | | | | | |
| Cash and Equity in Pooled Investments | \$ 2,498 | \$ 1,064 | \$ 2,733 | \$ 50,078 | \$ 45,130 |
| Receivables, Net of Allowances | | | | | |
| Taxes | - | - | - | 4,426 | 3,870 |
| Accounts | - | - | 7 | 4,087 | 4,508 |
| Contracts and Notes | 1 | - | 1 | 2 | 2 |
| Interest and Dividends | 7 | 2 | 7 | 88 | 5 |
| Unbilled and Others | - | - | - | 1,343 | 480 |
| Due from Other Funds | 22 | 160 | 23 | 6,022 | 5,739 |
| Due from Other Governments | 8 | - | - | 14,322 | 18,223 |
| Inventories | - | - | - | 957 | 938 |
| Contracts and Notes - Noncurrent | - | - | - | 44,380 | 62,377 |
| Deferred Charges and Other Assets | - | 355 | - | 355 | - |
| Total Assets | \$ 2,536 | \$ 1,581 | \$ 2,771 | \$ 126,060 | \$ 141,272 |
| LIABILITIES | | | | | |
| Accounts Payable | \$ 36 | \$ 18 | \$ 88 | \$ 20,280 | \$ 16,877 |
| Contracts Payable | - | 19 | - | 122 | 463 |
| Due to Other Funds | 5 | 357 | 15 | 4,778 | 7,271 |
| Due to Other Governments | - | - | 1 | 3,318 | 5,428 |
| Salaries, Benefits, and Taxes Payable | 43 | 21 | 11 | 6,520 | 6,166 |
| Interest Payable | - | - | - | 23 | - |
| Deposits Payable | - | - | - | 166 | 134 |
| Revenue Collected/Billed in Advance - Current | - | - | 1 | 1,454 | 1,548 |
| Other Current Liabilities | - | - | - | 117 | 127 |
| Advances from Other Funds | - | - | - | 7,501 | 11,151 |
| Deferred Revenues | - | - | - | 45,172 | 63,118 |
| Total Liabilities | 84 | 415 | 116 | 89,451 | 112,283 |
| FUND BALANCES | | | | | |
| Reserves Legally Segregated for Future Use | | | | | |
| Capital Improvements | 618 | - | - | 1,210 | 1,199 |
| Continuing Appropriations | 29 | 141 | - | 16,662 | 12,866 |
| Encumbrances | 62 | 334 | 19 | 1,446 | 1,380 |
| Reserves Not Available for Appropriation | | | | | |
| Gifts | - | - | 31 | 2,142 | 9,134 |
| Inventories | - | - | - | 711 | - |
| Petty Cash | - | - | - | 18 | 23 |
| Unreserved Fund Balances | 1,743 | 691 | 2,605 | 14,420 | 4,387 |
| Total Fund Balances | 2,452 | 1,166 | 2,655 | 36,609 | 28,989 |
| Total Liabilities and Fund Balances | \$ 2,536 | \$ 1,581 | \$ 2,771 | \$ 126,060 | \$ 141,272 |

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COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS – DEBT SERVICE
December 31, 2005
(In Thousands)

| | Interfund Notes Payable – Local Improvement Districts | Local Improvement Guaranty | Comparative Totals | |
|--|--|----------------------------------|--------------------|------------------|
| | | | 2005 | Restated 2004 |
| ASSETS | | | | |
| Cash and Equity in Pooled Investments | \$ 461 | \$ 242 | \$ 703 | \$ 706 |
| Receivables, Net of Allowances: | | | | |
| Interest and Dividends | 1 | 1 | 2 | - |
| Due from Other Funds | - | 459 | 459 | 2 |
| Deferred Charges and Other Assets | 14 | - | 14 | 16 |
| Total Assets | <u>\$ 476</u> | <u>\$ 702</u> | <u>\$ 1,178</u> | <u>\$ 724</u> |
| LIABILITIES | | | | |
| Due to Other Funds | 462 | - | 462 | 25 |
| Deferred Revenues | 14 | - | 14 | 16 |
| Total Liabilities | 476 | - | 476 | 41 |
| FUND BALANCES | | | | |
| Reserves Legally Segregated for Future Use Debt Service | - | 702 | 702 | 683 |
| Total Liabilities and Fund Balances | <u>\$ 476</u> | <u>\$ 702</u> | <u>\$ 1,178</u> | <u>\$ 724</u> |

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COMBINING BALANCE SHEET

Page 1 of 5

NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS

December 31, 2005

(In Thousands)

| | 2005 Multipurpose Long-Term General Obligation Bond | Transportation Bond | Libraries for All | Public Safety Facilities and Equipment |
|--|--|--------------------------------|------------------------------|---|
| ASSETS | | | | |
| Cash and Equity in Pooled Investments | \$ 24,118 | \$ 1,390 | \$ 13,296 | \$ 783 |
| Receivables, Net of Allowances | | | | |
| Taxes | - | - | - | - |
| Accounts | - | - | 1 | - |
| Interest and Dividends | 68 | 4 | 37 | 3 |
| Due from Other Funds | 76 | - | 2 | - |
| Due from Other Governments | - | - | - | - |
| Contracts and Notes - Noncurrent | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Assets | \$ 24,262 | \$ 1,394 | \$ 13,336 | \$ 786 |
| LIABILITIES | | | | |
| Accounts Payable | \$ 2,052 | \$ - | \$ 579 | \$ - |
| Contracts Payable | 465 | - | - | - |
| Due to Other Funds | 650 | 16 | 44 | - |
| Due to Other Governments | - | - | - | - |
| Salaries, Benefits, and Taxes Payable | - | - | - | - |
| Interest Payable | - | - | - | - |
| Other Current Liabilities | - | - | - | - |
| Advances from Other Funds | - | - | - | - |
| Deferred Revenues | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Liabilities | 3,167 | 16 | 623 | - |
| FUND BALANCES | | | | |
| Reserves Legally Segregated for Future Use | | | | |
| Capital Improvements | 21,095 | 1,378 | 12,713 | 786 |
| Unreserved Fund Balances | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Fund Balances | 21,095 | 1,378 | 12,713 | 786 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Liabilities and Fund Balances | \$ 24,262 | \$ 1,394 | \$ 13,336 | \$ 786 |

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS

December 31, 2005

(In Thousands)

| | <u>Shoreline Park Improvement</u> | <u>Community Improvement</u> | <u>City Facilities Renovation and Improvement</u> | <u>Capital Facilities Project</u> | <u>Conservation Futures</u> |
|--|---------------------------------------|----------------------------------|---|---|---------------------------------|
| ASSETS | | | | | |
| Cash and Equity in Pooled Investments | \$ 1,000 | \$ 41 | \$ 75 | \$ 157 | \$ 955 |
| Receivables, Net of Allowances | | | | | |
| Taxes | - | - | - | - | - |
| Accounts | 16 | - | - | - | - |
| Interest and Dividends | 57 | 1 | - | - | 3 |
| Due from Other Funds | 296 | - | - | - | - |
| Due from Other Governments | - | - | - | - | - |
| Contracts and Notes - Noncurrent | - | - | - | 6,133 | - |
| Total Assets | <u>\$ 1,369</u> | <u>\$ 42</u> | <u>\$ 75</u> | <u>\$ 6,290</u> | <u>\$ 958</u> |
| LIABILITIES | | | | | |
| Accounts Payable | \$ 832 | \$ - | \$ - | \$ - | \$ - |
| Contracts Payable | - | - | 2 | - | - |
| Due to Other Funds | 35 | - | - | - | - |
| Due to Other Governments | - | - | - | - | - |
| Salaries, Benefits, and Taxes Payable | - | - | - | - | - |
| Interest Payable | - | - | - | - | - |
| Other Current Liabilities | - | - | - | - | - |
| Advances from Other Funds | - | - | - | - | - |
| Deferred Revenues | - | - | - | 6,133 | - |
| Total Liabilities | 867 | - | 2 | 6,133 | - |
| FUND BALANCES | | | | | |
| Reserves Legally Segregated for Future Use | | | | | |
| Capital Improvements | 502 | 42 | 73 | 157 | 958 |
| Unreserved Fund Balances | - | - | - | - | - |
| Total Fund Balances | <u>502</u> | <u>42</u> | <u>73</u> | <u>157</u> | <u>958</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,369</u> | <u>\$ 42</u> | <u>\$ 75</u> | <u>\$ 6,290</u> | <u>\$ 958</u> |

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COMBINING BALANCE SHEET

Page 3 of 5

NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS

December 31, 2005

(In Thousands)

| | Open Spaces and Trails Bond | Seattle Center and Parks Multipurpose Levy | Denny Triangle Public Amenity | Seattle Center Redevelopment/ Parks Community Center | Municipal Civic Center |
|--|--|---|--|---|-----------------------------------|
| ASSETS | | | | | |
| Cash and Equity in Pooled Investments | \$ 267 | \$ 31,361 | \$ 8 | \$ 168 | \$ 6,964 |
| Receivables, Net of Allowances | | | | | |
| Taxes | - | 582 | - | - | - |
| Accounts | - | - | - | - | - |
| Interest and Dividends | 1 | 88 | - | 1 | 34 |
| Due from Other Funds | - | 1,209 | - | 5 | - |
| Due from Other Governments | - | 154 | - | - | - |
| Contracts and Notes - Noncurrent | - | - | - | - | - |
| Total Assets | \$ 268 | \$ 33,394 | \$ 8 | \$ 174 | \$ 6,998 |
| LIABILITIES | | | | | |
| Accounts Payable | \$ - | \$ 2,518 | \$ - | \$ 4 | \$ 109 |
| Contracts Payable | - | 677 | - | - | 725 |
| Due to Other Funds | 1 | 1,051 | - | 1 | 1,117 |
| Due to Other Governments | - | 36 | - | - | - |
| Salaries, Benefits, and Taxes Payable | - | 1 | - | - | - |
| Interest Payable | - | - | - | - | 17 |
| Other Current Liabilities | - | - | - | - | - |
| Advances from Other Funds | - | - | - | - | - |
| Deferred Revenues | - | 582 | - | - | - |
| Total Liabilities | 1 | 4,865 | - | 5 | 1,968 |
| FUND BALANCES | | | | | |
| Reserves Legally Segregated for Future Use | | | | | |
| Capital Improvements | 267 | 28,529 | 8 | 169 | 5,030 |
| Unreserved Fund Balances | - | - | - | - | - |
| Total Fund Balances | 267 | 28,529 | 8 | 169 | 5,030 |
| Total Liabilities and Fund Balances | \$ 268 | \$ 33,394 | \$ 8 | \$ 174 | \$ 6,998 |

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS

December 31, 2005

(In Thousands)

| | South Police Stations | Public Safety Information Technology | 2001 Capital Facilities Bond | 2002 Capital Facilities Bond |
|--|--------------------------|--|---------------------------------|---------------------------------|
| ASSETS | | | | |
| Cash and Equity in Pooled Investments | \$ 497 | \$ 26,589 | \$ 643 | \$ 37 |
| Receivables, Net of Allowances | | | | |
| Taxes | - | 413 | - | - |
| Accounts | - | - | - | - |
| Interest and Dividends | 1 | 65 | 2 | 1 |
| Due from Other Funds | - | 73 | - | - |
| Due from Other Governments | - | 1,348 | - | - |
| Contracts and Notes - Noncurrent | - | - | - | - |
| Total Assets | <u>\$ 498</u> | <u>\$ 28,488</u> | <u>\$ 645</u> | <u>\$ 38</u> |
| LIABILITIES | | | | |
| Accounts Payable | \$ - | \$ 705 | \$ - | \$ - |
| Contracts Payable | - | - | - | - |
| Due to Other Funds | 1 | 316 | 26 | - |
| Due to Other Governments | - | 14 | - | - |
| Salaries, Benefits, and Taxes Payable | - | 66 | - | - |
| Interest Payable | - | - | - | - |
| Other Current Liabilities | - | 14 | - | - |
| Advances from Other Funds | - | - | - | - |
| Deferred Revenues | - | 413 | - | - |
| Total Liabilities | 1 | 1,528 | 26 | - |
| FUND BALANCES | | | | |
| Reserves Legally Segregated for Future Use | | | | |
| Capital Improvements | 497 | 26,960 | 619 | 38 |
| Unreserved Fund Balances | - | - | - | - |
| Total Fund Balances | <u>497</u> | <u>26,960</u> | <u>619</u> | <u>38</u> |
| Total Liabilities and Fund Balances | <u>\$ 498</u> | <u>\$ 28,488</u> | <u>\$ 645</u> | <u>\$ 38</u> |

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COMBINING BALANCE SHEET

Page 5 of 5

NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS

December 31, 2005

(In Thousands)

| | 2002B Long-Term General Obligation Project | 2003 Long-Term General Obligation Project | Comparative Totals | |
|--|---|--|---------------------------|-------------------|
| | | | 2005 | 2004 |
| ASSETS | | | | |
| Cash and Equity in Pooled Investments | \$ 6,683 | \$ 3,127 | \$ 118,159 | \$ 109,184 |
| Receivables, Net of Allowances | | | | |
| Taxes | - | - | 995 | 1,001 |
| Accounts | - | - | 17 | - |
| Interest and Dividends | 18 | 9 | 393 | 54 |
| Due from Other Funds | 32 | - | 1,693 | 3,074 |
| Due from Other Governments | - | - | 1,502 | 346 |
| Contracts and Notes - Noncurrent | - | - | 6,133 | 6,078 |
| | <u>\$ 6,733</u> | <u>\$ 3,136</u> | <u>\$ 128,892</u> | <u>\$ 119,737</u> |
| Total Assets | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ 321 | \$ 46 | \$ 7,166 | \$ 6,288 |
| Contracts Payable | - | 64 | 1,933 | 1,318 |
| Due to Other Funds | 142 | 65 | 3,465 | 3,631 |
| Due to Other Governments | - | - | 50 | 30 |
| Salaries, Benefits, and Taxes Payable | 2 | - | 69 | 33 |
| Interest Payable | - | - | 17 | - |
| Other Current Liabilities | - | - | 14 | - |
| Advances from Other Funds | - | - | - | 3,200 |
| Deferred Revenues | - | - | 7,128 | 7,079 |
| | <u>465</u> | <u>175</u> | <u>19,842</u> | <u>21,579</u> |
| Total Liabilities | | | | |
| FUND BALANCES | | | | |
| Reserves Legally Segregated for Future Use | | | | |
| Capital Improvements | 6,268 | 2,961 | 109,050 | 101,296 |
| Unreserved Fund Balances | - | - | - | (3,138) |
| | <u>6,268</u> | <u>2,961</u> | <u>109,050</u> | <u>98,158</u> |
| Total Fund Balances | | | | |
| Total Liabilities and Fund Balances | <u>\$ 6,733</u> | <u>\$ 3,136</u> | <u>\$ 128,892</u> | <u>\$ 119,737</u> |

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COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS – PERMANENT
December 31, 2005
(In Thousands)

| | <u>H. H. Dearborn</u> | <u>Beach Maintenance Trust</u> | <u>Comparative Totals</u> | |
|--|-----------------------|--|---------------------------|-----------------|
| | | | <u>2005</u> | <u>2004</u> |
| ASSETS | | | | |
| Cash and Equity in Pooled Investments | \$ 195 | \$ 1,824 | \$ 2,019 | \$ 2,264 |
| Receivables, Net of Allowances | | | | |
| Interest and Dividends | 1 | 5 | 6 | - |
| Due from Other Funds | - | 274 | 274 | 4 |
| Total Assets | <u>\$ 196</u> | <u>\$ 2,103</u> | <u>\$ 2,299</u> | <u>\$ 2,268</u> |
| LIABILITIES | | | | |
| Accounts Payable | \$ - | \$ 91 | \$ 91 | \$ 11 |
| Contracts Payable | - | 9 | 9 | 2 |
| Due to Other Funds | - | 2 | 2 | - |
| Total Liabilities | - | 102 | 102 | 13 |
| FUND BALANCES | | | | |
| Reserves Legally Segregated for Future Use | | | | |
| Continuing Appropriations | - | 1 | 1 | 31 |
| Reserves Not Available for Appropriation | | | | |
| Endowments | 50 | 2,000 | 2,050 | 2,050 |
| Gifts | 146 | - | 146 | 155 |
| Unreserved Fund Balances | - | - | - | 19 |
| Total Fund Balances | <u>196</u> | <u>2,001</u> | <u>2,197</u> | <u>2,255</u> |
| Total Liabilities and Fund Balances | <u>\$ 196</u> | <u>\$ 2,103</u> | <u>\$ 2,299</u> | <u>\$ 2,268</u> |

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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
SUMMARY BY FUND TYPE**

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2005

(In Thousands)

| | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Permanent Funds | Comparative Totals | |
|--|-----------------------------|--------------------------|------------------------------|--------------------|--------------------|------------------|
| | | | | | 2005 | Restated 2004 |
| REVENUES | | | | | | |
| Taxes | \$ 49,765 | \$ - | \$ 52,678 | \$ - | \$ 102,443 | \$ 90,992 |
| Licenses and Permits | 914 | - | - | - | 914 | 738 |
| Grants, Shared Revenues, and Contributions | 43,107 | 2 | 15,650 | - | 58,759 | 65,594 |
| Charges for Services | 41,974 | - | 95 | - | 42,069 | 42,043 |
| Fines and Forfeits | 2,731 | - | - | - | 2,731 | 2,657 |
| Parking Fees and Space Rent | 18,233 | - | 430 | - | 18,663 | 17,528 |
| Program Income, Interest, and Miscellaneous Revenues | 30,568 | 21 | 9,959 | 63 | 40,611 | 6,237 |
| Total Revenues | 187,292 | 23 | 78,812 | 63 | 266,190 | 225,789 |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| General Government | 4,938 | - | - | - | 4,938 | 4,057 |
| Public Safety | 4,067 | - | - | - | 4,067 | 3,678 |
| Physical Environment | 390 | - | - | - | 390 | 266 |
| Transportation | - | - | 9,388 | - | 9,388 | - |
| Economic Environment | 56,294 | - | - | - | 56,294 | 46,901 |
| Health and Human Services | 29,581 | - | - | - | 29,581 | 17,315 |
| Culture and Recreation | 178,052 | - | - | - | 178,052 | 178,946 |
| Capital Outlay | | | | | | |
| General Government | 26 | - | 31,859 | - | 31,885 | 46,067 |
| Public Safety | 12 | - | - | - | 12 | 1,453 |
| Culture and Recreation | 9,616 | - | 52,360 | 107 | 62,083 | 85,793 |
| Debt Service | | | | | | |
| Principal | 33 | - | - | - | 33 | 32 |
| Interest | 5 | - | - | - | 5 | 27 |
| Bond Issuance Cost | - | - | 138 | - | 138 | - |
| Total Expenditures | 283,014 | - | 93,745 | 107 | 376,866 | 384,535 |
| Excess (Deficiency) of Revenues over Expenditures | (95,722) | 23 | (14,933) | (44) | (110,676) | (158,746) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Long-Term Debt Issued | - | - | 58,090 | - | 58,090 | - |
| Premium on Bond Issued | - | - | 3,292 | - | 3,292 | - |
| Sales of Capital Assets | 12,619 | - | - | - | 12,619 | 1,058 |
| Transfers In | 124,264 | 459 | 3,969 | - | 128,692 | 113,533 |
| Transfers Out | (33,539) | (462) | (39,527) | (15) | (73,543) | (25,816) |
| Total Other Financing Sources (Uses) | 103,344 | (3) | 25,824 | (15) | 129,150 | 88,775 |
| Net Change in Fund Balances | 7,622 | 20 | 10,891 | (59) | 18,474 | (69,971) |
| Fund Balances - Beginning of Year | 28,987 | 682 | 98,159 | 2,256 | 130,084 | 200,055 |
| Fund Balances - End of Year | \$ 36,609 | \$ 702 | \$ 109,050 | \$ 2,197 | \$ 148,558 | \$ 130,084 |

D-7 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 Page 1 of 3 IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE
 For the Year Ended December 31, 2005
 (In Thousands)

| | Park and Recreation | Library | Seattle Monorail | Seattle Center |
|--|------------------------|-----------|---------------------|----------------|
| REVENUES | | | | |
| Taxes | \$ 28,268 | \$ - | \$ - | \$ - |
| Licenses and Permits | 914 | - | - | - |
| Grants, Shared Revenues, and Contributions | 371 | 12,099 | - | - |
| Charges for Services | 32,569 | 203 | - | 4,925 |
| Fines and Forfeits | 1,787 | 846 | - | - |
| Parking Fees and Space Rent | 2,497 | 219 | - | 15,517 |
| Program Income, Interest, and Miscellaneous Revenues | 369 | 196 | 20,600 | 709 |
| Total Revenues | 66,775 | 13,563 | 20,600 | 21,151 |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | - | - | - | - |
| Public Safety | - | - | - | - |
| Physical Environment | - | - | - | - |
| Economic Environment | - | - | - | - |
| Health and Human Services | - | - | - | - |
| Culture and Recreation | 102,957 | 44,070 | - | 28,506 |
| Capital Outlay | | | | |
| General Government | - | - | - | - |
| Public Safety | - | - | - | - |
| Culture and Recreation | 545 | 8,361 | - | 124 |
| Debt Service | | | | |
| Principal | 29 | 4 | - | - |
| Interest | 3 | 1 | - | 1 |
| Total Expenditures | 103,534 | 52,436 | - | 28,631 |
| Excess (Deficiency) of Revenues over Expenditures | (36,759) | (38,873) | 20,600 | (7,480) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of Capital Assets | 5,168 | - | - | 7,349 |
| Transfers In | 41,384 | 37,037 | - | 10,755 |
| Transfers Out | (5,379) | (94) | (20,600) | (7,326) |
| Total Other Financing Sources (Uses) | 41,173 | 36,943 | (20,600) | 10,778 |
| Net Change in Fund Balances | 4,414 | (1,930) | - | 3,298 |
| Fund Balances - Beginning of Year | 627 | 12,982 | - | (9,667) |
| Fund Balances - End of Year | \$ 5,041 | \$ 11,052 | \$ - | \$ (6,369) |

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COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

Page 2 of 3

IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE

For the Year Ended December 31, 2005

(In Thousands)

| | Human Services Operating | Office of Housing | Housing and Community Development Revenue Sharing | Education and Development Services | Business Improvement Areas |
|--|---|------------------------------|--|---|---|
| REVENUES | | | | | |
| Taxes | \$ 429 | \$ - | \$ - | \$ 16,432 | \$ 4,636 |
| Licenses and Permits | - | - | - | - | - |
| Grants, Shared Revenues, and Contributions | 13,927 | 296 | 15,001 | - | - |
| Charges for Services | 1,446 | 2,264 | - | - | - |
| Fines and Forfeits | 86 | - | - | - | - |
| Parking Fees and Space Rent | - | - | - | - | - |
| Program Income, Interest, and Miscellaneous Revenues | 130 | - | 7,949 | 304 | 38 |
| | 16,018 | 2,560 | 22,950 | 16,736 | 4,674 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General Government | 4,933 | - | - | - | - |
| Public Safety | 2,686 | - | - | 431 | - |
| Physical Environment | - | - | - | - | - |
| Economic Environment | 22,408 | 2,395 | 22,900 | 3,556 | 4,862 |
| Health and Human Services | 20,795 | - | 373 | 8,154 | - |
| Culture and Recreation | - | - | 78 | 964 | - |
| Capital Outlay | | | | | |
| General Government | 26 | - | - | - | - |
| Public Safety | - | - | - | - | - |
| Culture and Recreation | - | - | 550 | - | - |
| Debt Service | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| | 50,848 | 2,395 | 23,901 | 13,105 | 4,862 |
| Excess (Deficiency) of Revenues over Expenditures | (34,830) | 165 | (951) | 3,631 | (188) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Sales of Capital Assets | - | - | 102 | - | - |
| Transfers In | 34,793 | - | - | - | - |
| Transfers Out | - | - | - | - | - |
| | 34,793 | - | 102 | - | - |
| Net Change in Fund Balances | (37) | 165 | (849) | 3,631 | (188) |
| Fund Balances - Beginning of Year | 3,326 | 217 | 5,364 | 8,841 | 142 |
| Fund Balances - End of Year | \$ 3,289 | \$ 382 | \$ 4,515 | \$ 12,472 | \$ (46) |

D-7 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 Page 3 of 3 IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE
 For the Year Ended December 31, 2005
 (In Thousands)

| | | | | <u>Comparative Totals</u> | |
|--|--------------------------|-----------------------|---|---------------------------|--------------------------|
| | <u>General Trust</u> | <u>Municipal Arts</u> | <u>General Donations and Gift Trust</u> | <u>2005</u> | <u>Restated 2004</u> |
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 49,765 | \$ 33,466 |
| Licenses and Permits | - | - | - | 914 | 738 |
| Grants, Shared Revenues, and Contributions | 673 | - | 740 | 43,107 | 56,563 |
| Charges for Services | - | 567 | - | 41,974 | 42,043 |
| Fines and Forfeits | 12 | - | - | 2,731 | 2,657 |
| Parking Fees and Space Rent | - | - | - | 18,233 | 17,451 |
| Program Income, Interest, and Miscellaneous Revenues | 64 | 57 | 152 | 30,568 | 4,085 |
| Total Revenues | 749 | 624 | 892 | 187,292 | 157,003 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General Government | - | - | 5 | 4,938 | 4,057 |
| Public Safety | 728 | - | 222 | 4,067 | 3,678 |
| Physical Environment | - | - | 390 | 390 | 266 |
| Economic Environment | - | - | 173 | 56,294 | 46,901 |
| Health and Human Services | - | - | 259 | 29,581 | 17,315 |
| Culture and Recreation | - | 1,476 | 1 | 178,052 | 178,946 |
| Capital Outlay | | | | | |
| General Government | - | - | - | 26 | - |
| Public Safety | 7 | - | 5 | 12 | 49 |
| Culture and Recreation | - | 36 | - | 9,616 | 13,628 |
| Debt Service | | | | | |
| Principal | - | - | - | 33 | 32 |
| Interest | - | - | - | 5 | 10 |
| Total Expenditures | 735 | 1,512 | 1,055 | 283,014 | 264,882 |
| Excess (Deficiency) of Revenues over Expenditures | 14 | (888) | (163) | (95,722) | (107,879) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Sales of Capital Assets | - | - | - | 12,619 | 652 |
| Transfers In | 110 | 185 | - | 124,264 | 107,353 |
| Transfers Out | (54) | - | (86) | (33,539) | (7,499) |
| Total Other Financing Sources (Uses) | 56 | 185 | (86) | 103,344 | 100,506 |
| Net Change in Fund Balances | 70 | (703) | (249) | 7,622 | (7,373) |
| Fund Balances - Beginning of Year | 2,382 | 1,869 | 2,904 | 28,987 | 36,362 |
| Fund Balances - End of Year | \$ 2,452 | \$ 1,166 | \$ 2,655 | \$ 36,609 | \$ 28,989 |

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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS – DEBT SERVICE

For the Year Ended December 31, 2005

(In Thousands)

| | <u>Interfund Notes Payable – Local Improvement Districts</u> | <u>Local Improvement Guaranty</u> | <u>Comparative Totals</u> | |
|--|--|---|---------------------------|---------------|
| | | | <u>2005</u> | <u>2004</u> |
| REVENUES | | | | |
| Grants, Shared Revenues, and Contributions | \$ 2 | \$ - | \$ 2 | \$ 22 |
| Program Income, Interest, and Miscellaneous Revenues | 19 | 2 | 21 | 13 |
| Total Revenues | 21 | 2 | 23 | 35 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | - | 459 | 459 | - |
| Transfers Out | (462) | - | (462) | (25) |
| Total Other Financing Sources (Uses) | (462) | 459 | (3) | (25) |
| Net Change in Fund Balances | (441) | 461 | 20 | 10 |
| Fund Balances - Beginning of Year | 441 | 241 | 682 | 673 |
| Fund Balances - End of Year | <u>\$ -</u> | <u>\$ 702</u> | <u>\$ 702</u> | <u>\$ 683</u> |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS
For the Year Ended December 31, 2005
(In Thousands)**

| | 2005 Multipurpose Long-Term General Obligation Bond | Transportation Bond | Libraries for All | Public Safety Facilities and Equipment |
|--|--|--------------------------------|------------------------------|---|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Grants, Shared Revenues, and Contributions | - | - | - | - |
| Charges for Services | - | - | - | - |
| Parking Fees and Space Rent | - | - | 30 | - |
| Program Income, Interest, and Miscellaneous Revenues | 534 | 103 | 513 | 70 |
| Total Revenues | <u>534</u> | <u>103</u> | <u>543</u> | <u>70</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Transportation | 9,388 | - | - | - |
| Capital Outlay | | | | |
| General Government | - | - | - | - |
| Public Safety | - | - | - | - |
| Culture and Recreation | 19,156 | - | (201) | - |
| Debt Service | | | | |
| Interest | - | - | - | - |
| Bond Issuance Cost | 138 | - | - | - |
| Total Expenditures | <u>28,682</u> | <u>-</u> | <u>(201)</u> | <u>-</u> |
| Excess (Deficiency) of Revenues over Expenditures | (28,148) | 103 | 744 | 70 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Long-Term Debt Issued | 58,090 | - | - | - |
| Premium on Bond Issued | 3,292 | - | - | - |
| Sale of Capital Assets | - | - | - | - |
| Transfers In | - | - | - | - |
| Transfers Out | (9,002) | (3,097) | - | (500) |
| Total Other Financing Sources (Uses) | <u>52,380</u> | <u>(3,097)</u> | <u>-</u> | <u>(500)</u> |
| Net Change in Fund Balances | 24,232 | (2,994) | 744 | (430) |
| Fund Balances - Beginning of Year | <u>(3,137)</u> | <u>4,372</u> | <u>11,969</u> | <u>1,216</u> |
| Fund Balances - End of Year | <u>\$ 21,095</u> | <u>\$ 1,378</u> | <u>\$ 12,713</u> | <u>\$ 786</u> |

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COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

Page 2 of 5

IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS

For the Year Ended December 31, 2005

(In Thousands)

| | Shoreline Park Improvement | Community Improvement | City Facilities Renovation and Improvement | Capital Facilities Project |
|--|---------------------------------------|----------------------------------|---|---|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Grants, Shared Revenues, and Contributions | 105 | - | - | - |
| Charges for Services | 25 | - | - | - |
| Parking Fees and Space Rent | - | - | - | - |
| Program Income, Interest, and Miscellaneous Revenues | 67 | 2 | 2 | 4 |
| | 197 | 2 | 2 | 4 |
| Total Revenues | | | | |
| EXPENDITURES | | | | |
| Current | | | | |
| Transportation | - | - | - | - |
| Capital Outlay | | | | |
| General Government | - | - | - | - |
| Public Safety | - | - | - | - |
| Culture and Recreation | 1,268 | - | - | - |
| Debt Service | | | | |
| Interest | - | - | - | - |
| Bond Issuance Cost | - | - | - | - |
| | 1,268 | - | - | - |
| Total Expenditures | | | | |
| Excess (Deficiency) of Revenues over Expenditures | (1,071) | 2 | 2 | 4 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Long-Term Debt Issued | - | - | - | - |
| Premium on Bond Issued | - | - | - | - |
| Sale of Capital Assets | - | - | - | - |
| Transfers In | - | - | - | - |
| Transfers Out | (66) | - | - | - |
| | (66) | - | - | - |
| Total Other Financing Sources (Uses) | | | | |
| Net Change in Fund Balances | (1,137) | 2 | 2 | 4 |
| Fund Balances - Beginning of Year | 1,639 | 40 | 71 | 153 |
| Fund Balances - End of Year | \$ 502 | \$ 42 | \$ 73 | \$ 157 |

D-9 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 Page 3 of 5 IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS
 For the Year Ended December 31, 2005
 (In Thousands)

| | Conservation Futures | Open Spaces and Trails Bond | Seattle Center and Parks Multipurpose Levy | Denny Triangle Public Amenity |
|--|-------------------------|--------------------------------|---|----------------------------------|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ 27,905 | \$ - |
| Grants, Shared Revenues, and Contributions | - | (500) | 14,750 | - |
| Charges for Services | - | - | 5 | - |
| Parking Fees and Space Rent | - | - | 10 | - |
| Program Income, Interest, and Miscellaneous Revenues | 26 | 19 | 1,227 | 1 |
| Total Revenues | 26 | (481) | 43,897 | 1 |
| EXPENDITURES | | | | |
| Current | | | | |
| Transportation | - | - | - | - |
| Capital Outlay | | | | |
| General Government | - | - | - | - |
| Public Safety | - | - | - | - |
| Culture and Recreation | - | - | 27,774 | - |
| Debt Service | | | | |
| Interest | - | - | - | - |
| Bond Issuance Cost | - | - | - | - |
| Total Expenditures | - | - | 27,774 | - |
| Excess (Deficiency) of Revenues over Expenditures | 26 | (481) | 16,123 | 1 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Long-Term Debt Issued | - | - | - | - |
| Premium on Bond Issued | - | - | - | - |
| Sale of Capital Assets | - | - | - | - |
| Transfers In | - | - | 33 | - |
| Transfers Out | - | (44) | (26,083) | - |
| Total Other Financing Sources (Uses) | - | (44) | (26,050) | - |
| Net Change in Fund Balances | 26 | (525) | (9,927) | 1 |
| Fund Balances - Beginning of Year | 932 | 792 | 38,456 | 7 |
| Fund Balances - End of Year | \$ 958 | \$ 267 | \$ 28,529 | \$ 8 |

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COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

Page 4 of 5

IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS

For the Year Ended December 31, 2005

(In Thousands)

| | Seattle Center Redevelopment/ Parks Community Center | Municipal Civic Center | South Police Stations | Public Safety Information Technology | 2001 Capital Facilities Bond |
|--|---|-----------------------------------|----------------------------------|---|---|
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 24,773 | \$ - |
| Grants, Shared Revenues, and Contributions | - | - | - | 1,295 | - |
| Charges for Services | - | - | - | 65 | - |
| Parking Fees and Space Rent | - | - | - | 390 | - |
| Program Income, Interest, and Miscellaneous Revenues | 25 | 2,958 | 20 | 3,908 | 22 |
| Total Revenues | 25 | 2,958 | 20 | 30,431 | 22 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Transportation | - | - | - | - | - |
| Capital Outlay | | | | | |
| General Government | - | 10,100 | 1 | 20,442 | 43 |
| Public Safety | - | - | - | - | - |
| Culture and Recreation | 613 | - | - | - | - |
| Debt Service | | | | | |
| Interest | - | - | - | - | - |
| Bond Issuance Cost | - | - | - | - | - |
| Total Expenditures | 613 | 10,100 | 1 | 20,442 | 43 |
| Excess (Deficiency) of Revenues over Expenditures | (588) | (7,142) | 19 | 9,989 | (21) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Long-Term Debt Issued | - | - | - | - | - |
| Premium on Bond Issued | - | - | - | - | - |
| Sale of Capital Assets | - | - | - | - | - |
| Transfers In | - | 3,412 | - | 524 | - |
| Transfers Out | - | - | - | (81) | (26) |
| Total Other Financing Sources (Uses) | - | 3,412 | - | 443 | (26) |
| Net Change in Fund Balances | (588) | (3,730) | 19 | 10,432 | (47) |
| Fund Balances - Beginning of Year | 757 | 8,760 | 478 | 16,528 | 666 |
| Fund Balances - End of Year | \$ 169 | \$ 5,030 | \$ 497 | \$ 26,960 | \$ 619 |

D-9 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 Page 5 of 5 IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS
 For the Year Ended December 31, 2005
 (In Thousands)

| | 2002 Capital Facilities Bond | 2002B Long-Term General Obligation Project | 2003 Long-Term General Obligation Project | Comparative Totals | |
|--|---------------------------------|--|---|--------------------|-----------|
| | | | | 2005 | 2004 |
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 52,678 | \$ 57,526 |
| Grants, Shared Revenues, and Contributions | - | - | - | 15,650 | 9,009 |
| Charges for Services | - | - | - | 95 | - |
| Parking Fees and Space Rent | - | - | - | 430 | 77 |
| Program Income, Interest, and Miscellaneous Revenues | (2) | 261 | 199 | 9,959 | 2,105 |
| Total Revenues | (2) | 261 | 199 | 78,812 | 68,717 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Transportation | - | - | - | 9,388 | - |
| Capital Outlay | | | | | |
| General Government | - | 1,271 | 2 | 31,859 | 46,067 |
| Public Safety | - | - | - | - | 1,404 |
| Culture and Recreation | - | 1,674 | 2,076 | 52,360 | 72,011 |
| Debt Service | | | | | |
| Interest | - | - | - | - | 17 |
| Bond Issuance Cost | - | - | - | 138 | - |
| Total Expenditures | - | 2,945 | 2,078 | 93,745 | 119,499 |
| Excess (Deficiency) of Revenues over Expenditures | (2) | (2,684) | (1,879) | (14,933) | (50,782) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Long-Term Debt Issued | - | - | - | 58,090 | - |
| Premium on Bond Issued | - | - | - | 3,292 | - |
| Sale of Capital Assets | - | - | - | - | 406 |
| Transfers In | - | - | - | 3,969 | 6,180 |
| Transfers Out | - | - | (628) | (39,527) | (18,277) |
| Total Other Financing Sources (Uses) | - | - | (628) | 25,824 | (11,691) |
| Net Change in Fund Balances | (2) | (2,684) | (2,507) | 10,891 | (62,473) |
| Fund Balances - Beginning of Year | 40 | 8,952 | 5,468 | 98,159 | 160,630 |
| Fund Balances - End of Year | \$ 38 | \$ 6,268 | \$ 2,961 | \$ 109,050 | \$ 98,157 |

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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS – PERMANENT

For the Year Ended December 31, 2005

(In Thousands)

| | <u>H. H. Dearborn</u> | <u>Beach Maintenance Trust</u> | <u>Comparative Totals</u> | |
|--|-----------------------|--|---------------------------|-----------------|
| | | | <u>2005</u> | <u>2004</u> |
| REVENUES | | | | |
| Program Income, Interest, and Miscellaneous Revenues | \$ 5 | \$ 58 | \$ 63 | \$ 34 |
| EXPENDITURES | | | | |
| Capital Outlay | | | | |
| Culture and Recreation | - | 107 | 107 | 154 |
| Excess (Deficiency) of Revenues over Expenditures | 5 | (49) | (44) | (120) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | (15) | - | (15) | (15) |
| Net Change in Fund Balances | (10) | (49) | (59) | (135) |
| Fund Balances - Beginning of Year | 206 | 2,050 | 2,256 | 2,390 |
| Fund Balances - End of Year | <u>\$ 196</u> | <u>\$ 2,001</u> | <u>\$ 2,197</u> | <u>\$ 2,255</u> |

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NONMAJOR ENTERPRISE FUNDS

The **Solid Waste Fund** accounts for administering contracts with private companies for the collection of residential refuse and commercial garbage and for operating two City-owned transfer stations. Private individuals and City-administered residential and commercial collectors bring solid waste to the transfer stations. Solid wastes collected at the transfer stations are compacted, loaded in containers, and hauled to the Argo cargo loading station. The containers at the Argo station are loaded on railcars and transported to a landfill in Arlington, Oregon, for final disposal.

The **Planning and Development Fund** accounts for building permit fees and moneys from the General Fund as well as the cost of enforcing the City's land use and building construction codes.

The **Downtown Parking Garage Fund** accounts for the proceeds from the sale of bonds to pay for the cost of effecting the beneficial transfer to the City of the parking garage at Pacific Place in downtown Seattle. This fund also accounts for the operation of the garage.

COMBINING STATEMENT OF NET ASSETS

NONMAJOR ENTERPRISE FUNDS

December 31, 2005

(In Thousands)

| | Solid Waste | | Planning and Development | |
|--|-------------|------------------|--------------------------|-----------|
| | 2005 | Restated 2004 | 2005 | 2004 |
| ASSETS | | | | |
| <i>Current Assets</i> | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 8,380 | \$ 7,410 | \$ 18,218 | \$ 16,590 |
| Receivables, Net of Allowances | | | | |
| Accounts | 8,495 | 10,056 | 3,129 | 2,990 |
| Interest and Dividends | 22 | - | 43 | - |
| Unbilled | 249 | 266 | - | - |
| Due from Other Funds | 537 | 299 | 648 | 671 |
| Due from Other Governments | 186 | 220 | - | - |
| Materials and Supplies Inventory | 7 | 18 | - | 59 |
| Total Current Assets | 17,876 | 18,269 | 22,038 | 20,310 |
| <i>Noncurrent Assets</i> | | | | |
| Restricted Cash and Equity in Pooled Investments | - | 13 | - | - |
| Unamortized Bond Issue Costs, Net | 225 | 277 | - | - |
| Deferred Landfill Closure and Postclosure Costs, Net | 35,585 | 38,760 | - | - |
| Other Deferred Charges | 1,633 | 1,891 | - | - |
| Capital Assets | | | | |
| Land and Land Rights | 1,791 | 1,791 | - | - |
| Plant in Service, Excluding Land | 42,797 | 36,803 | - | - |
| Less Accumulated Depreciation | (20,926) | (20,576) | - | - |
| Buildings and Improvements | - | - | - | - |
| Less Accumulated Depreciation | - | - | - | - |
| Machinery and Equipment | - | - | 12,669 | 9,931 |
| Less Accumulated Depreciation | - | - | (3,963) | (2,977) |
| Construction in Progress | 4,680 | 6,270 | 908 | 476 |
| Other Property, Net | 1,730 | 1,730 | - | - |
| Total Noncurrent Assets | 67,515 | 66,959 | 9,614 | 7,430 |
| Total Assets | 85,391 | 85,228 | 31,652 | 27,740 |

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COMBINING STATEMENT OF NET ASSETS

Page 2 of 4

NONMAJOR ENTERPRISE FUNDS

December 31, 2005

(In Thousands)

| | <u>Downtown Parking Garage</u> | | <u>Comparative Totals</u> | |
|--|--------------------------------|-------------|---------------------------|--------------------------|
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>Restated 2004</u> |
| ASSETS | | | | |
| <i>Current Assets</i> | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 722 | \$ 1,009 | \$ 27,320 | \$ 25,009 |
| Receivables, Net of Allowances | | | | |
| Accounts | - | 37 | 11,624 | 13,083 |
| Interest and Dividends | 5 | - | 70 | - |
| Unbilled | - | - | 249 | 266 |
| Due from Other Funds | - | 4 | 1,185 | 974 |
| Due from Other Governments | - | - | 186 | 220 |
| Materials and Supplies Inventory | - | - | 7 | 77 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Current Assets | 727 | 1,050 | 40,641 | 39,629 |
| <i>Noncurrent Assets</i> | | | | |
| Restricted Cash and Equity in Pooled Investments | - | - | - | 13 |
| Unamortized Bond Issue Costs, Net | 250 | 260 | 475 | 537 |
| Deferred Landfill Closure and Postclosure Costs, Net | - | - | 35,585 | 38,760 |
| Other Deferred Charges | - | - | 1,633 | 1,891 |
| Capital Assets | | | | |
| Land and Land Rights | - | - | 1,791 | 1,791 |
| Plant in Service, Excluding Land | - | - | 42,797 | 36,803 |
| Less Accumulated Depreciation | - | - | (20,926) | (20,576) |
| Buildings and Improvements | 73,012 | 73,013 | 73,012 | 73,013 |
| Less Accumulated Depreciation | (17,036) | (14,603) | (17,036) | (14,603) |
| Machinery and Equipment | 650 | 651 | 13,319 | 10,582 |
| Less Accumulated Depreciation | (247) | (138) | (4,210) | (3,115) |
| Construction in Progress | - | - | 5,588 | 6,746 |
| Other Property, Net | - | - | 1,730 | 1,730 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Noncurrent Assets | 56,629 | 59,183 | 133,758 | 133,572 |
| Total Assets | 57,356 | 60,233 | 174,399 | 173,201 |

COMBINING STATEMENT OF NET ASSETS

NONMAJOR ENTERPRISE FUNDS

December 31, 2005

(In Thousands)

| | Solid Waste | | Planning and Development | |
|---|-------------|------------------|--------------------------|-----------|
| | 2005 | Restated 2004 | 2005 | 2004 |
| LIABILITIES | | | | |
| <i>Current Liabilities</i> | | | | |
| Accounts Payable | \$ 6,942 | \$ 7,303 | \$ 1,449 | \$ 1,901 |
| Salaries, Benefits, and Payroll Taxes Payable | 722 | 660 | 1,125 | 1,000 |
| Contracts Payable | - | - | - | 3 |
| Compensated Absences Payable | 115 | 108 | 265 | 235 |
| Due to Other Funds | 1,242 | 903 | 197 | 223 |
| Due to Other Governments | 261 | 207 | 112 | 64 |
| Interest Payable | 429 | 513 | - | - |
| Accrued Interest on Deferred Interest Bonds Due Within One Year | - | - | - | - |
| Taxes Payable | 128 | 135 | - | - |
| General Obligation Bonds Due Within One Year | - | - | - | - |
| Revenue Bonds Due Within One Year | 16,146 | 11,941 | - | - |
| Claims Payable | 241 | 466 | 32 | 33 |
| Landfill Closure and Postclosure Liability | 1,610 | 1,785 | - | - |
| Deferred Credits | 2,146 | 2,050 | 11,511 | 9,497 |
| Other Current Liabilities | - | - | - | 1,026 |
| Total Current Liabilities | 29,982 | 26,071 | 14,691 | 13,982 |
| <i>Noncurrent Liabilities</i> | | | | |
| Compensated Absences Payable | 1,067 | 977 | 1,960 | 1,749 |
| Claims Payable | 541 | 599 | 66 | 68 |
| Vendor and Other Deposits Payable | - | 13 | - | (15) |
| Landfill Closure and Postclosure Liability | 27,672 | 29,244 | - | - |
| General Obligation Bonds, Due Serially | - | - | - | - |
| Less Bonds Due Within One Year | - | - | - | - |
| Bond Discount and Premium, Net | - | - | - | - |
| Accrued Interest on Deferred Interest Bonds | - | - | - | - |
| Less Accrued Interest Due Within One Year | - | - | - | - |
| Revenue Bonds and Anticipation Notes | 33,471 | 33,436 | - | - |
| Less Revenue Bonds Due Within One Year | (16,146) | (11,941) | - | - |
| Bond Discount and Premium, Net | 399 | 522 | - | - |
| Deferred Loss on Advanced Refunding | (739) | (945) | - | - |
| Total Noncurrent Liabilities | 46,265 | 51,905 | 2,026 | 1,802 |
| Total Liabilities | 76,247 | 77,976 | 16,717 | 15,784 |
| NET ASSETS | | | | |
| Invested in Capital Assets, Net of Related Debt | 4,059 | 2,119 | 9,614 | 7,430 |
| Restricted for Other Purposes | 1,071 | 784 | - | - |
| Unrestricted | 4,014 | 4,349 | 5,321 | 4,526 |
| Total Net Assets | \$ 9,144 | \$ 7,252 | \$ 14,935 | \$ 11,956 |

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COMBINING STATEMENT OF NET ASSETS

Page 4 of 4

NONMAJOR ENTERPRISE FUNDS

December 31, 2005

(In Thousands)

| | Downtown Parking Garage | | Comparative Totals | |
|---|-------------------------|-------------|--------------------|------------------|
| | 2005 | 2004 | 2005 | Restated 2004 |
| LIABILITIES | | | | |
| <i>Current Liabilities</i> | | | | |
| Accounts Payable | \$ 169 | \$ 155 | \$ 8,560 | \$ 9,359 |
| Salaries, Benefits, and Payroll Taxes Payable | - | - | 1,847 | 1,660 |
| Contracts Payable | - | - | - | 3 |
| Compensated Absences Payable | - | - | 380 | 343 |
| Due to Other Funds | - | 5 | 1,439 | 1,131 |
| Due to Other Governments | - | - | 373 | 271 |
| Interest Payable | 131 | 131 | 560 | 644 |
| Accrued Interest on Deferred Interest Bonds Due Within One Year | 459 | 370 | 459 | 370 |
| Taxes Payable | 72 | 73 | 200 | 208 |
| General Obligation Bonds Due Within One Year | 1,101 | 1,050 | 1,101 | 1,050 |
| Revenue Bonds Due Within One Year | - | - | 16,146 | 11,941 |
| Claims Payable | - | - | 273 | 499 |
| Landfill Closure and Postclosure Liability | - | - | 1,610 | 1,785 |
| Deferred Credits | 7 | - | 13,664 | 11,547 |
| Other Current Liabilities | - | - | - | 1,026 |
| | 1,939 | 1,784 | 46,612 | 41,837 |
| <i>Noncurrent Liabilities</i> | | | | |
| Compensated Absences Payable | - | - | 3,027 | 2,726 |
| Claims Payable | - | - | 607 | 667 |
| Vendor and Other Deposits Payable | - | - | - | (2) |
| Landfill Closure and Postclosure Liability | - | - | 27,672 | 29,244 |
| General Obligation Bonds, Due Serially | 71,124 | 72,174 | 71,124 | 72,174 |
| Less Bonds Due Within One Year | (1,101) | (1,050) | (1,101) | (1,050) |
| Bond Discount and Premium, Net | 306 | 320 | 306 | 320 |
| Accrued Interest on Deferred Interest Bonds | 4,029 | 3,694 | 4,029 | 3,694 |
| Less Accrued Interest Due Within One Year | (459) | (370) | (459) | (370) |
| Revenue Bonds and Anticipation Notes | - | - | 33,471 | 33,436 |
| Less Revenue Bonds Due Within One Year | - | - | (16,146) | (11,941) |
| Bond Discount and Premium, Net | - | - | 399 | 522 |
| Deferred Loss on Advanced Refunding | - | - | (739) | (945) |
| | 73,899 | 74,768 | 122,190 | 128,475 |
| Total Noncurrent Liabilities | 73,899 | 74,768 | 122,190 | 128,475 |
| Total Liabilities | 75,838 | 76,552 | 168,802 | 170,312 |
| NET ASSETS | | | | |
| Invested in Capital Assets, Net of Related Debt | - | - | 13,673 | 9,549 |
| Restricted for Other Purposes | - | - | 1,071 | 784 |
| Unrestricted | (18,482) | (16,319) | (9,147) | (7,444) |
| | \$ (18,482) | \$ (16,319) | \$ 5,597 | \$ 2,889 |

NONMAJOR ENTERPRISE FUNDS

For the Year Ended December 31, 2005

(In Thousands)

| | Solid Waste | | Planning and Development | |
|---|-------------|------------------|--------------------------|-----------|
| | 2005 | Restated 2004 | 2005 | 2004 |
| OPERATING REVENUES | | | | |
| Charges for Services and Other Fees | \$ 111,231 | \$ 112,168 | \$ 39,111 | \$ 33,349 |
| OPERATING EXPENSES | | | | |
| Resource Management | 7,508 | 6,973 | - | - |
| Field Operations | 8,679 | 7,525 | - | - |
| Engineering Services | 98 | 747 | - | - |
| Customer Services | 5,677 | 5,323 | - | - |
| Solid Waste Collection | 58,035 | 59,521 | - | - |
| Operations and Maintenance | - | - | 35,817 | 38,487 |
| General and Administrative | 5,479 | 6,200 | 8,211 | 6,658 |
| City Business and Occupation Taxes | 14,935 | 14,729 | - | - |
| Other Taxes | 1,500 | 1,490 | - | - |
| Amortization of Landfill and Postclosure Costs | 3,175 | 2,724 | - | - |
| Depreciation and Amortization | 3,047 | 2,836 | 1,036 | 956 |
| Total Operating Expenses | 108,133 | 108,068 | 45,064 | 46,101 |
| Operating Income (Loss) | 3,098 | 4,100 | (5,953) | (12,752) |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment and Interest Income | 250 | 138 | 390 | 221 |
| Interest Expense | (1,661) | (1,695) | - | - |
| Amortization of Debt Costs | 71 | 71 | - | - |
| Gain (Loss) on Sale of Capital Assets | 145 | 261 | - | - |
| Contributions and Grants | 310 | 846 | - | - |
| Others - Net | (324) | (253) | - | - |
| Total Nonoperating Revenues (Expenses) | (1,209) | (632) | 390 | 221 |
| Income (Loss) Before Capital Contributions and Grants and Transfers | 1,889 | 3,468 | (5,563) | (12,531) |
| Capital Contributions and Grants | 3 | 4 | 86 | 158 |
| Transfers In | - | - | 8,456 | 9,762 |
| Transfers Out | - | - | - | (25) |
| Change in Net Assets | 1,892 | 3,472 | 2,979 | (2,636) |
| Net Assets - Beginning of Year | 7,252 | 3,780 | 11,956 | 14,592 |
| Net Assets - End of Year | \$ 9,144 | \$ 7,252 | \$ 14,935 | \$ 11,956 |

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN

FUND NET ASSETS

NONMAJOR ENTERPRISE FUNDS

For the Year Ended December 31, 2005

(In Thousands)

| | <u>Downtown Parking Garage</u> | | <u>Comparative Totals</u> | |
|---|--------------------------------|--------------------|---------------------------|--------------------------|
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>Restated 2004</u> |
| OPERATING REVENUES | | | | |
| Charges for Services and Other Fees | \$ 6,180 | \$ 6,185 | \$ 156,522 | \$ 151,702 |
| OPERATING EXPENSES | | | | |
| Resource Management | - | - | 7,508 | 6,973 |
| Field Operations | - | - | 8,679 | 7,525 |
| Engineering Services | - | - | 98 | 747 |
| Customer Services | - | - | 5,677 | 5,323 |
| Solid Waste Collection | - | - | 58,035 | 59,521 |
| Operations and Maintenance | 1,884 | 1,868 | 37,701 | 40,355 |
| General and Administrative | 100 | 101 | 13,790 | 12,959 |
| City Business and Occupation Taxes | 13 | 13 | 14,948 | 14,742 |
| Other Taxes | 29 | 29 | 1,529 | 1,519 |
| Amortization of Landfill and Postclosure Costs | - | - | 3,175 | 2,724 |
| Depreciation and Amortization | 2,542 | 2,543 | 6,625 | 6,335 |
| Total Operating Expenses | <u>4,568</u> | <u>4,554</u> | <u>157,765</u> | <u>158,723</u> |
| Operating Income (Loss) | 1,612 | 1,631 | (1,243) | (7,021) |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment and Interest Income | 71 | 31 | 711 | 390 |
| Interest Expense | (3,835) | (3,856) | (5,496) | (5,551) |
| Amortization of Debt Costs | (11) | (11) | 60 | 60 |
| Gain (Loss) on Sale of Capital Assets | - | 11 | 145 | 272 |
| Contributions and Grants | - | - | 310 | 846 |
| Others - Net | - | - | (324) | (253) |
| Total Nonoperating Revenues (Expenses) | <u>(3,775)</u> | <u>(3,825)</u> | <u>(4,594)</u> | <u>(4,236)</u> |
| Income (Loss) Before Capital Contributions and Grants and Transfers | (2,163) | (2,194) | (5,837) | (11,257) |
| Capital Contributions and Grants | - | - | 89 | 162 |
| Transfers In | - | - | 8,456 | 9,762 |
| Transfers Out | - | - | - | (25) |
| Change in Net Assets | (2,163) | (2,194) | 2,708 | (1,358) |
| Net Assets - Beginning of Year | <u>(16,319)</u> | <u>(14,125)</u> | <u>2,889</u> | <u>4,247</u> |
| Net Assets - End of Year | <u>\$ (18,482)</u> | <u>\$ (16,319)</u> | <u>\$ 5,597</u> | <u>\$ 2,889</u> |

COMBINING STATEMENT OF CASH FLOWS

NONMAJOR ENTERPRISE FUNDS

For the Year Ended December 31, 2005

(In Thousands)

| | Solid Waste | | Planning and Development | |
|--|-------------|------------------|--------------------------|-----------|
| | 2005 | Restated 2004 | 2005 | 2004 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash Received from Customers | \$ 112,678 | \$ 113,815 | \$ 39,032 | \$ 32,673 |
| Cash Paid to Suppliers | (78,783) | (82,068) | (19,380) | (20,914) |
| Cash Paid to Employees | (7,361) | (6,749) | (23,736) | (21,096) |
| Cash Paid for Taxes | (17,163) | (20,580) | - | - |
| Net Cash from Operating Activities | 9,371 | 4,418 | (4,084) | (9,337) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Operating Grants | 310 | 846 | 86 | 158 |
| Service for Others | (324) | - | - | - |
| Transfers In | - | - | 8,456 | 9,762 |
| Transfers Out | - | - | - | (25) |
| Net Cash from Noncapital Financing Activities | (14) | 846 | 8,542 | 9,895 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Draw-On Line of Credit - Revenue Anticipation Note | 4,000 | 1,776 | - | - |
| Principal Paid on Long-Term Debt | (3,965) | (3,770) | - | - |
| Capital Fees and Grants Received | 3 | 4 | - | - |
| Capital Expenditures and Deferred Charges Paid | (7,191) | (4,623) | (3,220) | (57) |
| Interest Paid on Long-Term Debt | (1,642) | (1,608) | - | - |
| Proceeds from Sale of Capital Assets | 145 | 261 | - | - |
| Net Cash from Capital and Related Financing Activities | (8,650) | (7,960) | (3,220) | (57) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest Received on Investments | 250 | 138 | 390 | 221 |
| Net Increase (Decrease) in Cash and Equity in Pooled Investments | 957 | (2,558) | 1,628 | 722 |
| CASH AND EQUITY IN POOLED INVESTMENTS | | | | |
| Beginning of Year | 7,423 | 9,981 | 16,590 | 15,868 |
| End of Year | \$ 8,380 | \$ 7,423 | \$ 18,218 | \$ 16,590 |
| CASH AT THE END OF THE YEAR CONSISTS OF | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 8,380 | \$ 7,410 | \$ 18,218 | \$ 16,590 |
| Current Assets Restricted Cash and Equity in Pooled Investments | - | 13 | - | - |
| Total Cash at the End of the Year | \$ 8,380 | \$ 7,423 | \$ 18,218 | \$ 16,590 |

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COMBINING STATEMENT OF CASH FLOWS

Page 2 of 4

NONMAJOR ENTERPRISE FUNDS

For the Year Ended December 31, 2005

(In Thousands)

| | Downtown Parking Garage | | Comparative Totals | |
|---|--------------------------------|-------------|---------------------------|--------------------------|
| | 2005 | 2004 | 2005 | Restated 2004 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash Received from Customers | \$ 6,767 | \$ 6,724 | \$ 158,477 | \$ 153,212 |
| Cash Paid to Suppliers | (1,870) | (1,882) | (100,033) | (104,864) |
| Cash Paid to Employees | (100) | (102) | (31,197) | (27,947) |
| Cash Paid for Taxes | (592) | (588) | (17,755) | (21,168) |
| | 4,205 | 4,152 | 9,492 | (767) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Operating Grants | - | - | 396 | 1,004 |
| Service for Others | - | - | (324) | - |
| Transfers In | - | - | 8,456 | 9,762 |
| Transfers Out | - | - | - | (25) |
| | - | - | 8,528 | 10,741 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Draw-On Line of Credit - Revenue Anticipation Note | - | - | 4,000 | 1,776 |
| Principal Paid on Long-Term Debt | (1,050) | (1,003) | (5,015) | (4,773) |
| Capital Fees and Grants Received | - | - | 3 | 4 |
| Capital Expenditures and Deferred Charges Paid | - | - | (10,411) | (4,680) |
| Interest Paid on Long-Term Debt | (3,513) | (3,431) | (5,155) | (5,039) |
| Proceeds from Sale of Capital Assets | - | - | 145 | 261 |
| | (4,563) | (4,434) | (16,433) | (12,451) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest Received on Investments | 71 | 30 | 711 | 389 |
| | 71 | 30 | 711 | 389 |
| Net Increase (Decrease) in Cash and Equity in Pooled Investments | (287) | (252) | 2,298 | (2,088) |
| CASH AND EQUITY IN POOLED INVESTMENTS | | | | |
| Beginning of Year | 1,009 | 1,261 | 25,022 | 27,110 |
| | 1,009 | 1,261 | 25,022 | 27,110 |
| End of Year | 722 | 1,009 | 27,320 | 25,022 |
| | 722 | 1,009 | 27,320 | 25,022 |
| CASH AT THE END OF THE YEAR CONSISTS OF | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 722 | \$ 1,009 | \$ 27,320 | \$ 25,009 |
| Current Assets Restricted Cash and Equity in Pooled Investments | - | - | - | 13 |
| | - | - | - | 13 |
| Total Cash at the End of the Year | \$ 722 | \$ 1,009 | \$ 27,320 | \$ 25,022 |

COMBINING STATEMENT OF CASH FLOWS

NONMAJOR ENTERPRISE FUNDS

For the Year Ended December 31, 2005

(In Thousands)

| | Solid Waste | | Planning and Development | |
|---|-------------|------------------|--------------------------|-------------|
| | 2005 | Restated 2004 | 2005 | 2004 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES | | | | |
| Operating Income (Loss) | \$ 3,098 | \$ 4,101 | \$ (5,953) | \$ (12,752) |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities | | | | |
| Depreciation and Amortization | 6,222 | 5,560 | 1,036 | 956 |
| Changes in Operating Assets and Liabilities | | | | |
| Accounts Receivable | 1,561 | (1,293) | (60) | (447) |
| Unbilled Receivables | 17 | 112 | - | - |
| Due from Other Funds | (261) | (111) | (19) | (275) |
| Due from Other Governments | 34 | (36) | - | 45 |
| Materials and Supplies Inventory | (1) | (7) | 59 | (4) |
| Accounts Payable | 91 | (1,561) | (452) | 1,004 |
| Salaries, Benefits, and Payroll Taxes Payable | 62 | 100 | 125 | 133 |
| Compensated Absences Payable | 96 | 61 | 241 | 175 |
| Due to Other Funds | 339 | (1,533) | (27) | (38) |
| Due to Other Governments | 54 | (116) | 49 | 28 |
| Claims Payable | (284) | 341 | (4) | 26 |
| Taxes Payable | (7) | 52 | - | - |
| Deferred Credits | 97 | (156) | - | - |
| Other Assets and Liabilities | (1,747) | (1,096) | 921 | 1,812 |
| Total Adjustments | 6,273 | 317 | 1,869 | 3,415 |
| Net Cash from Operating Activities | \$ 9,371 | \$ 4,418 | \$ (4,084) | \$ (9,337) |
| SCHEDULE OF NONCASH ACTIVITIES | | | | |
| Disposal of Equipment | \$ - | \$ - | \$ - | \$ - |
| Total Noncash Activities | \$ - | \$ - | \$ - | \$ - |

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COMBINING STATEMENT OF CASH FLOWS

Page 4 of 4

NONMAJOR ENTERPRISE FUNDS

For the Year Ended December 31, 2005

(In Thousands)

| | Downtown Parking Garage | | Comparative Totals | |
|---|-------------------------|----------|--------------------|------------------|
| | 2005 | 2004 | 2005 | Restated 2004 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES | | | | |
| Operating Income (Loss) | \$ 1,612 | \$ 1,630 | \$ (1,243) | \$ (7,021) |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities | | | | |
| Depreciation and Amortization | 2,542 | 2,543 | 9,800 | 9,059 |
| Changes in Operating Assets and Liabilities | | | | |
| Accounts Receivable | 37 | (16) | 1,538 | (1,756) |
| Unbilled Receivables | - | - | 17 | 112 |
| Due from Other Funds | - | - | (280) | (386) |
| Due from Other Governments | - | - | 34 | 9 |
| Materials and Supplies Inventory | - | - | 58 | (11) |
| Accounts Payable | 14 | (15) | (347) | (572) |
| Salaries, Benefits, and Payroll Taxes Payable | - | - | 187 | 233 |
| Compensated Absences Payable | - | - | 337 | 236 |
| Due to Other Funds | (5) | (1) | 307 | (1,572) |
| Due to Other Governments | - | - | 103 | (88) |
| Claims Payable | - | - | (288) | 367 |
| Taxes Payable | (2) | - | (9) | 52 |
| Deferred Credits | 7 | - | 104 | (156) |
| Other Assets and Liabilities | - | 11 | (826) | 727 |
| Total Adjustments | 2,593 | 2,522 | 10,735 | 6,254 |
| Net Cash from Operating Activities | \$ 4,205 | \$ 4,152 | \$ 9,492 | \$ (767) |
| SCHEDULE OF NONCASH ACTIVITIES | | | | |
| Disposal of Equipment | \$ - | \$ 11 | \$ - | \$ 11 |
| Total Noncash Activities | \$ - | \$ 11 | \$ - | \$ 11 |

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INTERNAL SERVICE FUNDS

The **Fleets and Facilities Fund** accounts for support services to other City departments in the areas of vehicle purchases and motor pool maintenance and repairs; building and related facility operations and maintenance; architecture, engineering, and space planning; and real estate management.

The **Information Technology Fund** accounts for support services provided by the Department of Information Technology to other City departments. The services include managing the City's information technology resources, including Citywide telecommunications, data communications, and the physical infrastructure that supports it; the City's telephone system, radio system, and fiber optic network; Citywide application infrastructure; and interactive media services.

The **Engineering Services Fund** accounts for the design, construction, and management services performed for capital improvement projects of other City departments and other entities.

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COMBINING STATEMENT OF NET ASSETS

INTERNAL SERVICE FUNDS

December 31, 2005

(In Thousands)

| | Fleets and Facilities | Information Technology | Engineering Services | Comparative Totals | |
|--|--------------------------|---------------------------|-------------------------|--------------------|------------|
| | | | | 2005 | 2004 |
| ASSETS | | | | | |
| <i>Current Assets</i> | | | | | |
| Cash and Equity in Pooled Investments | \$ 21,075 | \$ 21,809 | \$ 237 | \$ 43,121 | \$ 42,984 |
| Receivables, Net of Allowances | | | | | |
| Accounts | 585 | 29 | 3 | 617 | 85 |
| Interest and Dividends | 65 | 62 | - | 127 | - |
| Unbilled | 1 | - | 5 | 6 | 5 |
| Due from Other Funds | 4,309 | 2,330 | 442 | 7,081 | 5,501 |
| Due from Other Governments | 607 | 2,732 | 1 | 3,340 | 2,831 |
| Materials and Supplies Inventory | 1,605 | 602 | - | 2,207 | 2,062 |
| Total Current Assets | 28,247 | 27,564 | 688 | 56,499 | 53,468 |
| <i>Noncurrent Assets</i> | | | | | |
| Restricted Cash and Equity in Pooled Investments | 83 | - | - | 83 | 5 |
| Capital Assets | | | | | |
| Land and Land Rights | 81 | - | - | 81 | 81 |
| Buildings and Improvements | 2,574 | - | - | 2,574 | 2,528 |
| Less Accumulated Depreciation | (482) | - | - | (482) | (660) |
| Machinery and Equipment | 118,816 | 25,773 | 1,430 | 146,019 | 146,958 |
| Less Accumulated Depreciation | (59,819) | (17,964) | (1,370) | (79,153) | (79,953) |
| Construction in Progress | 5 | 5,328 | - | 5,333 | 3,471 |
| Total Noncurrent Assets | 61,258 | 13,137 | 60 | 74,455 | 72,430 |
| Total Assets | 89,505 | 40,701 | 748 | 130,954 | 125,898 |
| LIABILITIES | | | | | |
| <i>Current Liabilities</i> | | | | | |
| Accounts Payable | 3,916 | 1,720 | 39 | 5,675 | 3,966 |
| Salaries, Benefits, and Payroll Taxes Payable | 862 | 808 | 371 | 2,041 | 1,962 |
| Contracts Payable | 64 | 41 | - | 105 | 48 |
| Due to Other Funds | 3,052 | 230 | 55 | 3,337 | 1,502 |
| Interest Payable | - | 196 | - | 196 | 79 |
| Taxes Payable | 30 | 4 | (3) | 31 | 21 |
| Current Portion of Long-Term Debt | | | | | |
| General Obligation Bonds Due Within One Year | - | 780 | - | 780 | 950 |
| Contracts Payable | - | 361 | - | 361 | 348 |
| Claims Payable | 370 | 17 | 69 | 456 | 452 |
| Compensated Absences Payable | 93 | 174 | 53 | 320 | 308 |
| Total Current Liabilities | 8,387 | 4,331 | 584 | 13,302 | 9,636 |
| <i>Noncurrent Liabilities</i> | | | | | |
| Advances from Other Funds | - | - | 3,500 | 3,500 | 4,600 |
| Compensated Absences Payable | 1,515 | 1,117 | 498 | 3,130 | 2,990 |
| Claims Payable | 749 | 34 | 186 | 969 | 1,060 |
| Vendor and Other Deposits Payable | 83 | - | - | 83 | 5 |
| General Obligation Bonds, Due Serially | - | 2,455 | - | 2,455 | 3,405 |
| Less Bonds Due Within One Year | - | (780) | - | (780) | (950) |
| Bond Discount and Premium | - | 79 | - | 79 | 110 |
| Contracts Payable | - | 381 | - | 381 | 743 |
| Other Noncurrent Liabilities | 125 | 761 | - | 886 | 836 |
| Total Noncurrent Liabilities | 2,472 | 4,047 | 4,184 | 10,703 | 12,799 |
| Total Liabilities | 10,859 | 8,378 | 4,768 | 24,005 | 22,435 |
| NET ASSETS | | | | | |
| Invested in Capital Assets, Net of Related Debt | 61,177 | 9,860 | 60 | 71,097 | 68,911 |
| Unrestricted | 17,469 | 22,463 | (4,080) | 35,852 | 34,553 |
| Total Net Assets | \$ 78,646 | \$ 32,323 | \$ (4,020) | \$ 106,949 | \$ 103,464 |

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**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2005
(In Thousands)**

| | Fleets and Facilities | Information Technology | Engineering Services | Comparative Totals | |
|---|----------------------------------|-----------------------------------|---------------------------------|---------------------------|-------------|
| | | | | 2005 | 2004 |
| OPERATING REVENUES | | | | | |
| Charges for Services | \$ 20,865 | \$ 35,146 | \$ 8,690 | \$ 64,701 | \$ 52,570 |
| Rents, Parking, and Concessions | 50,833 | - | - | 50,833 | 43,079 |
| Total Operating Revenues | 71,698 | 35,146 | 8,690 | 115,534 | 95,649 |
| OPERATING EXPENSES | | | | | |
| Operations and Maintenance | 50,569 | 29,343 | - | 79,912 | 69,533 |
| Engineering Services | - | - | 6,817 | 6,817 | 5,747 |
| General and Administrative | 4,294 | 2,861 | 690 | 7,845 | 8,164 |
| City Business and Occupation Taxes | 5 | - | - | 5 | 20 |
| Other Taxes | 229 | 23 | - | 252 | 206 |
| Depreciation and Amortization | 10,407 | 2,829 | 25 | 13,261 | 13,030 |
| Total Operating Expenses | 65,504 | 35,056 | 7,532 | 108,092 | 96,700 |
| Operating Income (Loss) | 6,194 | 90 | 1,158 | 7,442 | (1,051) |
| NONOPERATING REVENUES (EXPENSES) | | | | | |
| Investment and Interest Income | 682 | 626 | (1) | 1,307 | 658 |
| Interest Expense | (5) | (282) | - | (287) | (211) |
| Gain (Loss) on Sale of Capital Assets | (154) | - | - | (154) | (108) |
| Contributions and Grants | 122 | 3,724 | - | 3,846 | 841 |
| Others, Net | - | - | - | - | 305 |
| Total Nonoperating Revenues (Expenses) | 645 | 4,068 | (1) | 4,712 | 1,485 |
| Income (Loss) Before Transfers | 6,839 | 4,158 | 1,157 | 12,154 | 434 |
| Transfers In | 1,447 | - | - | 1,447 | 8,003 |
| Transfers Out | (10,115) | - | - | (10,115) | (6,593) |
| Change in Net Assets | (1,829) | 4,158 | 1,157 | 3,486 | 1,844 |
| Total Net Assets -Beginning of Year | 80,475 | 28,165 | (5,177) | 103,463 | 101,620 |
| Total Net Assets - End of Year | \$ 78,646 | \$ 32,323 | \$ (4,020) | \$ 106,949 | \$ 103,464 |

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2005

(In Thousands)

| | Fleets and Facilities | Information Technology | Engineering Services | Comparative Totals | |
|--|--------------------------|---------------------------|-------------------------|--------------------|-----------|
| | | | | 2005 | 2004 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Cash Received from Customers | \$ 70,230 | \$ 34,163 | \$ 8,628 | \$ 113,021 | \$ 99,231 |
| Cash Paid to Suppliers | (30,729) | (14,745) | (616) | (46,090) | (42,695) |
| Cash Paid to Employees | (20,605) | (17,726) | (7,010) | (45,341) | (43,306) |
| Cash Paid for Taxes | (223) | (23) | (1) | (247) | (205) |
| Net Cash from Operating Activities | 18,673 | 1,669 | 1,001 | 21,343 | 13,025 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Payment of Interfund Advances | - | - | (1,100) | (1,100) | (600) |
| Operating Grants and Contributions Received | 122 | 3,724 | - | 3,846 | 841 |
| Transfers In | 1,447 | - | - | 1,447 | 8,003 |
| Transfers Out | (10,115) | - | - | (10,115) | (6,593) |
| Net Cash from Noncapital Financing Activities | (8,546) | 3,724 | (1,100) | (5,922) | 1,651 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Principal Payments on Long-Term Debt | (200) | (750) | - | (950) | (1,101) |
| Capital Fees and Grants Received | - | - | - | - | - |
| Capital Expenditures and Deferred Charges Paid | (10,793) | (4,413) | (3) | (15,209) | (13,616) |
| Interest Paid on Long-Term Debt | (10) | (191) | - | (201) | (266) |
| Proceeds from Sale of Capital Assets | (154) | - | - | (154) | (108) |
| Net Cash from Capital and Related Financing Activities | (11,157) | (5,354) | (3) | (16,514) | (15,091) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Interest and Investment Income Received | 682 | 627 | (1) | 1,308 | 658 |
| Net Increase (Decrease) in Cash and Equity in Pooled Investments | (348) | 666 | (103) | 215 | 243 |
| CASH AND EQUITY IN POOLED INVESTMENTS | | | | | |
| Beginning of Year | 21,506 | 21,143 | 340 | 42,989 | 42,746 |
| End of Year | \$ 21,158 | \$ 21,809 | \$ 237 | \$ 43,204 | \$ 42,989 |
| CASH AT THE END OF THE YEAR CONSISTS OF | | | | | |
| Current Assets Cash and Equity in Pooled Investments | \$ 21,075 | \$ 21,809 | \$ 237 | \$ 43,121 | \$ 42,984 |
| Restricted Cash and Equity in Pooled Investments | 83 | - | - | 83 | 5 |
| Total Cash at the End of the Year | \$ 21,158 | \$ 21,809 | \$ 237 | \$ 43,204 | \$ 42,989 |

F-3

COMBINING STATEMENT OF CASH FLOWS

Page 2 of 2

INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2005

(In Thousands)

| | <u>Fleets and Facilities</u> | <u>Information Technology</u> | <u>Engineering Services</u> | <u>Comparative Totals</u> | |
|---|----------------------------------|-----------------------------------|---------------------------------|---------------------------|------------------|
| | | | | <u>2005</u> | <u>2004</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES | | | | | |
| Operating Income (Loss) | \$ 6,194 | \$ 90 | \$ 1,158 | \$ 7,442 | \$ (1,050) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities | | | | | |
| Depreciation and Amortization | 10,407 | 2,829 | 25 | 13,261 | 13,030 |
| Changes in Operating Assets and Liabilities | | | | | |
| Accounts Receivable | (530) | (8) | 5 | (533) | (2) |
| Unbilled Receivables | (1) | - | - | (1) | 2 |
| Due from Other Funds | (682) | (770) | (106) | (1,558) | 2,897 |
| Due from Other Governments | (343) | (205) | 39 | (509) | 764 |
| Materials and Supplies Inventory | (24) | (121) | - | (145) | (75) |
| Accounts Payable | 1,503 | 350 | (144) | 1,709 | 135 |
| Salaries, Benefits, and Payroll Taxes Payable | (16) | 77 | 19 | 80 | 296 |
| Compensated Absences Payable | (14) | 120 | 45 | 151 | 144 |
| Due to Other Funds | 1,994 | (307) | - | 1,687 | (2,965) |
| Claims Payable | (43) | (4) | (40) | (87) | 50 |
| Contracts Payable | - | - | - | - | (84) |
| Taxes Payable | 11 | - | - | 11 | - |
| Deferred Credits | 88 | - | - | 88 | (78) |
| Other Assets and Liabilities | 129 | (382) | - | (253) | (39) |
| Total Adjustments | <u>12,479</u> | <u>1,579</u> | <u>(157)</u> | <u>13,901</u> | <u>14,075</u> |
| Net Cash from Operating Activities | <u>\$ 18,673</u> | <u>\$ 1,669</u> | <u>\$ 1,001</u> | <u>\$ 21,343</u> | <u>\$ 13,025</u> |

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FIDUCIARY FUNDS

PENSION TRUST FUNDS

The **Employees' Retirement Fund** receives employees' payroll deductions for retirement and the City's matching contributions. It pays pension benefits to retired City employees.

The **Firemen's Pension Fund** receives an annual property tax levy of up to \$0.45 per \$1000 of assessed value, a portion of the state-levied fire insurance premium tax, and General Fund contributions. These moneys pay for fire fighters' medical and pension benefits which are not covered by the State's Law Enforcement Officers' and Fire Fighters' Retirement System and/or industrial insurance.

The **Police Relief and Pension Fund** receives support almost entirely from the General Fund. The General Fund contributions pay for sworn police personnel's medical and pension benefits which are not covered by the state's Law Enforcement Officers' and Fire Fighters' Retirement System and/or industrial insurance.

AGENCY FUNDS

The **Guaranty Deposits Fund** holds temporary deposits of moneys from individuals or entities pending fulfillment of contractual agreements with the City.

The **Payroll Withholding Fund** receives City contributions and/or employee deductions for payroll taxes, such as Social Security (FICA), Medicare, and federal income tax; state retirement (LEOFF); savings bonds; and dependent child care. The contributions and deductions are paid to federal and state agencies and to other City funds.

The **Salary Fund** pays salaries to all active City employees. The funds that record the expenditures transfer moneys into this fund.

The **Voucher Fund** pays for all expenditures of the City except payroll, retirement benefits, and certain payments made by check or wire transfer. The funds that record the expenditures transfer moneys into this fund.

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**COMBINING STATEMENT OF NET ASSETS
PENSION TRUST FUNDS
December 31, 2005
(In Thousands)**

| | Employees' Retirement | Firemen's Pension | Police Relief and Pension | Comparative Totals | |
|---|--------------------------|----------------------|------------------------------|--------------------|--------------|
| | | | | 2005 | 2004 |
| ASSETS | | | | | |
| Cash and Equity in Pooled Investments | \$ 15,676 | \$ 9,120 | \$ 3,386 | \$ 28,182 | \$ 31,222 |
| Short-Term Investments | 43,290 | - | - | 43,290 | 26,378 |
| Securities Lending Collateral | 122,863 | - | - | 122,863 | 239,087 |
| Investments at Fair Value | | | | | |
| U.S. Government Obligations | 115,262 | 454 | - | 115,716 | 223,640 |
| Domestic Corporate Bonds | 102,019 | - | - | 102,019 | 104,046 |
| Domestic Stocks | 900,993 | - | - | 900,993 | 826,132 |
| International Stocks | 201,641 | - | - | 201,641 | 182,679 |
| International Bonds | - | - | - | - | 5 |
| Real Estate | 187,814 | - | - | 187,814 | 145,772 |
| Alternative/Venture Capital | 207,185 | - | - | 207,185 | 155,977 |
| Mezzanine Debt | 19,016 | - | - | 19,016 | - |
| Total Investments at Fair Value | 1,733,930 | 454 | - | 1,734,384 | 1,638,251 |
| Receivables | | | | | |
| Employer - Due from Other Funds | 2 | - | 9 | 11 | 44 |
| Employer - Other | 3,600 | - | - | 3,600 | 3,576 |
| Employee | 1,303 | - | - | 1,303 | 1,459 |
| Interest and Dividends | 1,962 | 18 | - | 1,980 | 2,938 |
| Total Receivables | 6,867 | 18 | 9 | 6,894 | 8,017 |
| Equipment, at Cost, Net of Accumulated Depreciation | 4 | - | - | 4 | 4 |
| Total Assets | 1,922,630 | 9,592 | 3,395 | 1,935,617 | 1,942,959 |
| LIABILITIES | | | | | |
| Refunds Payable and Other - Due to Other Funds | 756 | - | 25 | 781 | 720 |
| Refunds Payable and Other - Other | 7,247 | 876 | 1,403 | 9,526 | 10,715 |
| Securities Lending Collateral | 122,863 | - | - | 122,863 | 239,087 |
| Total Liabilities | 130,866 | 876 | 1,428 | 133,170 | 250,522 |
| Net Assets Held in Trust for Pension Benefits | \$ 1,791,764 | \$ 8,716 | \$ 1,967 | \$ 1,802,447 | \$ 1,692,437 |

**COMBINING STATEMENT OF CHANGES
IN PLAN NET ASSETS
PENSION TRUST FUNDS
For the Year Ended December 31, 2005
(In Thousands)**

| | Employees' Retirement | Defined Benefit Firemen's Pension | Police Relief and Pension |
|--|----------------------------------|--|--------------------------------------|
| ADDITIONS | | | |
| Contributions | | | |
| Employer | \$ 35,897 | \$ 9,704 | \$ 7,187 |
| Plan Member | 35,963 | - | - |
| Total Contributions | 71,860 | 9,704 | 7,187 |
| Investment Income (Loss) | | | |
| From Investment Activities | | | |
| Net Appreciation (Depreciation) in Fair Value of Investments | 111,897 | (48) | - |
| Interest | 14,664 | 186 | - |
| Dividends | 6,908 | - | - |
| Total Investment Activities Income (Loss) | 133,469 | 138 | - |
| Investment Activities Expenses | | | |
| Investment Management Fees | 3,604 | - | - |
| Performance Measurement Fees | 97 | - | - |
| Investment Custodial Fees | 177 | - | - |
| Total Investment Activities Expenses | 3,878 | - | - |
| Net Income (Loss) from Investment Activities | 129,591 | 138 | - |
| From Securities Lending Activities | | | |
| Securities Lending Income | 6,397 | - | - |
| Securities Lending Expenses | | | |
| Borrower Rebates | 5,727 | - | - |
| Management Fees | 167 | - | - |
| Total Securities Lending Expenses | 5,894 | - | - |
| Net Income (Loss) from Securities Lending Activities | 503 | - | - |
| Total Net Investment Income (Loss) | 130,094 | 138 | - |
| Total Additions | 201,954 | 9,842 | 7,187 |
| DEDUCTIONS | | | |
| Benefits | 82,303 | 6,878 | 6,633 |
| Refund of Contributions | 10,351 | - | - |
| Administrative Expense | 2,001 | 468 | 339 |
| Transfers Out | - | - | - |
| Total Deductions | 94,655 | 7,346 | 6,972 |
| Change in Net Assets | 107,299 | 2,496 | 215 |
| Net Assets - Beginning of Year | 1,684,465 | 6,220 | 1,752 |
| Net Assets - End of Year | <u>\$ 1,791,764</u> | <u>\$ 8,716</u> | <u>\$ 1,967</u> |

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Page 2 of 2

**COMBINING STATEMENT OF CHANGES
IN PLAN NET ASSETS
PENSION TRUST FUNDS
For the Year Ended December 31, 2005
(In Thousands)**

| | Postemployment Healthcare | | Comparative Totals | |
|--|---------------------------|------------------------------|---------------------|---------------------|
| | Firemen's Pension | Police Relief and Pension | 2005 | Restated 2004 |
| ADDITIONS | | | | |
| Contributions | | | | |
| Employer | \$ 7,195 | \$ 8,287 | \$ 68,270 | \$ 69,263 |
| Plan Member | - | - | 35,963 | 37,192 |
| Total Contributions | 7,195 | 8,287 | 104,233 | 106,455 |
| Investment Income (Loss) | | | | |
| From Investment Activities | | | | |
| Net Appreciation (Depreciation) in Fair Value of Investments | - | - | 111,849 | 155,508 |
| Interest | - | - | 14,850 | 13,099 |
| Dividends | - | - | 6,908 | 6,007 |
| Total Investment Activities Income (Loss) | - | - | 133,607 | 174,614 |
| Investment Activities Expenses | | | | |
| Investment Management Fees | - | - | 3,604 | 2,916 |
| Performance Measurement Fees | - | - | 97 | 85 |
| Investment Custodial Fees | - | - | 177 | 212 |
| Total Investment Activities Expenses | - | - | 3,878 | 3,213 |
| Net Income (Loss) from Investment Activities | - | - | 129,729 | 171,401 |
| From Securities Lending Activities | | | | |
| Securities Lending Income | - | - | 6,397 | 2,674 |
| Securities Lending Expenses | | | | |
| Borrower Rebates | - | - | 5,727 | 2,060 |
| Management Fees | - | - | 167 | 153 |
| Total Securities Lending Expenses | - | - | 5,894 | 2,213 |
| Net Income (Loss) from Securities Lending Activities | - | - | 503 | 461 |
| Total Net Investment Income (Loss) | - | - | 130,232 | 171,862 |
| Total Additions | 7,195 | 8,287 | 234,465 | 278,317 |
| DEDUCTIONS | | | | |
| Benefits | 7,195 | 8,287 | 111,296 | 106,734 |
| Refund of Contributions | - | - | 10,351 | 9,792 |
| Administrative Expense | - | - | 2,808 | 2,465 |
| Transfers Out | - | - | - | 2 |
| Total Deductions | 7,195 | 8,287 | 124,455 | 118,993 |
| Change in Net Assets | - | - | 110,010 | 159,324 |
| Net Assets - Beginning of Year | - | - | 1,692,437 | 1,533,113 |
| Net Assets - End of Year | \$ - | \$ - | \$ 1,802,447 | \$ 1,692,437 |

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

For the Year Ended December 31, 2005

(In Thousands)

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|---|----------------------|---------------------|---------------------|------------------------|
| GUARANTY DEPOSITS FUND | | | | |
| <i>Assets</i> | | | | |
| Cash | \$ 3,832 | \$ 9,648 | \$ 8,901 | \$ 4,579 |
| Total Assets | <u>\$ 3,832</u> | <u>\$ 9,648</u> | <u>\$ 8,901</u> | <u>\$ 4,579</u> |
| <i>Liabilities</i> | | | | |
| Accounts Payable | \$ 26 | \$ - | \$ 26 | \$ - |
| Deposits Payable | 3,806 | 9,674 | 8,901 | 4,579 |
| Total Liabilities | <u>\$ 3,832</u> | <u>\$ 9,674</u> | <u>\$ 8,927</u> | <u>\$ 4,579</u> |
| PAYROLL WITHHOLDING FUND | | | | |
| <i>Assets</i> | | | | |
| Cash | \$ 904 | \$ 189,823 | \$ 190,018 | \$ 709 |
| Due From Other Funds | 543 | 565 | 546 | 562 |
| Total Assets | <u>\$ 1,447</u> | <u>\$ 190,388</u> | <u>\$ 190,564</u> | <u>\$ 1,271</u> |
| <i>Liabilities</i> | | | | |
| Accounts Payable | \$ 94 | \$ 212,386 | \$ 212,480 | \$ - |
| Salaries, Benefits, and Payroll Taxes Payable | 1,206 | 197,247 | 197,341 | 1,112 |
| Claims/Judgments Payable | 147 | 12 | - | 159 |
| Total Liabilities | <u>\$ 1,447</u> | <u>\$ 409,645</u> | <u>\$ 409,821</u> | <u>\$ 1,271</u> |
| SALARY FUND | | | | |
| <i>Assets</i> | | | | |
| Cash | \$ 71 | \$ 479,602 | \$ 479,592 | \$ 81 |
| Due From Other Funds | - | 3 | - | 3 |
| Total Assets | <u>\$ 71</u> | <u>\$ 479,605</u> | <u>\$ 479,592</u> | <u>\$ 84</u> |
| <i>Liabilities</i> | | | | |
| Accounts Payable | \$ - | \$ 912,799 | \$ 912,799 | \$ - |
| Due To Other Funds | - | 29 | - | 29 |
| Salaries, Benefits, and Payroll Taxes Payable | 71 | 10,802 | 10,818 | 55 |
| Total Liabilities | <u>\$ 71</u> | <u>\$ 923,630</u> | <u>\$ 923,617</u> | <u>\$ 84</u> |
| VOUCHER FUND | | | | |
| <i>Assets</i> | | | | |
| Cash | \$ 2 | \$ 2,361,423 | \$ 2,361,232 | \$ 193 |
| Due From Other Funds | - | 63 | 1 | 62 |
| Total Assets | <u>\$ 2</u> | <u>\$ 2,361,486</u> | <u>\$ 2,361,233</u> | <u>\$ 255</u> |
| <i>Liabilities</i> | | | | |
| Accounts Payable | \$ 2 | \$ 2,362,818 | \$ 2,362,819 | \$ 1 |
| Due To Other Funds | - | 254 | - | 254 |
| Total Liabilities | <u>\$ 2</u> | <u>\$ 2,363,072</u> | <u>\$ 2,362,819</u> | <u>\$ 255</u> |

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COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

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AGENCY FUNDS

For the Year Ended December 31, 2005

(In Thousands)

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|---|------------------------------|------------------|-------------------|--------------------------------|
| TOTALS - ALL AGENCY FUNDS | | | | |
| <i>Assets</i> | | | | |
| Cash and Equity in Pooled Investments | \$ 4,809 | \$ 3,040,496 | \$ 3,039,743 | \$ 5,562 |
| Due from Other Funds | 543 | 631 | 547 | 627 |
| Total Assets | \$ 5,352 | \$ 3,041,127 | \$ 3,040,290 | \$ 6,189 |
| <i>Liabilities</i> | | | | |
| Accounts Payable | \$ 122 | \$ 3,488,003 | \$ 3,488,124 | \$ 1 |
| Due to Other Funds | - | 283 | - | 283 |
| Salaries, Benefits, and Payroll Taxes Payable | 1,277 | 208,049 | 208,159 | 1,167 |
| Deposits Payable | 3,806 | 9,674 | 8,901 | 4,579 |
| Claims/Judgments Payable | 147 | 12 | - | 159 |
| Total Liabilities | \$ 5,352 | \$ 3,706,021 | \$ 3,705,184 | \$ 6,189 |

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Budget and Actual Schedules

Budget and Actual Schedules

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GENERAL FUND

Page 1 of 3

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES ON A BUDGETARY BASIS (NON-GAAP) COMPARED TO BUDGET For the Year Ended December 31, 2005

(In Thousands)

| | 2005 Budget | | Actual Expenditures | Unexpended Balances | | |
|--|-------------|----------|------------------------|-----------------------------|----------------|----------|
| | Original | Final | | Outstanding Encumbrances | Appropriations | |
| | | | | Continuing | Lapsed | |
| EXPENDITURES | | | | | | |
| ARTS AND CULTURAL AFFAIRS | \$ 2,175 | \$ 2,177 | \$ 2,108 | \$ 69 | \$ - | \$ - |
| CITY AUDITOR | 1,063 | 1,066 | 1,023 | 37 | - | 6 |
| CIVIL SERVICE COMMISSION | 163 | 163 | 163 | - | - | - |
| CRIMINAL JUSTICE | | | | | | |
| Jail Services | 12,796 | 12,796 | 12,120 | - | - | 676 |
| Indigent Defense Services | 4,629 | 4,629 | 3,705 | 584 | - | 340 |
| Total Criminal Justice | 17,425 | 17,425 | 15,825 | 584 | - | 1,016 |
| ETHICS AND ELECTIONS | 547 | 549 | 533 | - | - | 16 |
| EXECUTIVE | | | | | | |
| Office of Sustainability and Environment | 628 | 769 | 681 | 35 | 50 | 3 |
| Mayor's Office | 2,366 | 2,374 | 2,299 | - | - | 75 |
| Intergovernmental Relations | 1,735 | 1,750 | 1,648 | - | - | 102 |
| Civil Rights | 2,260 | 2,525 | 1,967 | 35 | 522 | 1 |
| Policy and Management | 1,949 | 2,044 | 1,832 | 106 | 26 | 80 |
| Economic Development | 8,597 | 8,725 | 5,851 | 265 | 2,582 | 27 |
| Total Department | 17,535 | 18,187 | 14,278 | 441 | 3,180 | 288 |
| EXECUTIVE ADMINISTRATION | | | | | | |
| Executive Management | 2,141 | 2,120 | 2,004 | 21 | - | 95 |
| Financial Services | 7,301 | 7,205 | 6,623 | 5 | - | 577 |
| Business Technology | 8,905 | 8,921 | 7,849 | 1,053 | - | 19 |
| Revenue and Consumer Affairs | 4,007 | 4,172 | 4,043 | 67 | - | 62 |
| Animal Control | 2,584 | 2,660 | 2,636 | - | - | 24 |
| Contracting | 3,136 | 3,067 | 2,806 | 10 | 22 | 229 |
| Total Department | 28,074 | 28,145 | 25,961 | 1,156 | 22 | 1,006 |
| FINANCE | 4,235 | 4,245 | 3,726 | 9 | - | 510 |
| FINANCE GENERAL | | | | | | |
| Appropriations to Special Purpose Funds | 3,916 | 3,916 | 3,368 | - | - | 548 |
| Reserves | 34,277 | 34,089 | 27,553 | 1,149 | 1,733 | 3,654 |
| Support to Operating Funds | 23,085 | 23,947 | 39,292 | - | - | (15,345) |
| Total Finance General | 61,278 | 61,952 | 70,213 | 1,149 | 1,733 | (11,143) |
| FIRE | | | | | | |
| Resource Management | 12,029 | 12,010 | 10,748 | 961 | 287 | 14 |
| Employee Development | 2,669 | 2,836 | 2,566 | 14 | - | 256 |
| Operations | 101,384 | 105,362 | 101,250 | 1,274 | 1,380 | 1,458 |
| Fire Prevention | 5,783 | 5,783 | 5,755 | 14 | - | 14 |
| Total Department | 121,865 | 125,991 | 120,319 | 2,263 | 1,667 | 1,742 |

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GENERAL FUND

Page 2 of 3

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
ON A BUDGETARY BASIS (NON-GAAP) COMPARED TO BUDGET
For the Year Ended December 31, 2005**

(In Thousands)

| | 2005 Budget | | Actual Expenditures | Unexpended Balances | | |
|--|-------------|---------|------------------------|-----------------------------|----------------|--------|
| | Original | Final | | Outstanding Encumbrances | Appropriations | |
| | | | | | Continuing | Lapsed |
| HEARING EXAMINER | \$ 525 | \$ 526 | \$ 479 | \$ 22 | \$ - | \$ 25 |
| LAW | | | | | | |
| Administration | 1,176 | 1,179 | 1,085 | - | - | 94 |
| Civil Law | 7,219 | 7,016 | 6,734 | - | - | 282 |
| Criminal Prosecution | 4,697 | 5,124 | 4,923 | - | 195 | 6 |
| Total Department | 13,092 | 13,319 | 12,742 | - | 195 | 382 |
| LEGISLATIVE | 9,556 | 9,607 | 8,344 | 524 | - | 739 |
| MUNICIPAL COURT | | | | | | |
| Court Operations | 10,789 | 10,801 | 10,671 | 5 | - | 125 |
| Corporate Services | 4,479 | 6,369 | 4,591 | 120 | 1,546 | 112 |
| Court Compliance | 3,974 | 4,195 | 3,973 | 4 | 137 | 81 |
| Total Department | 19,242 | 21,365 | 19,235 | 129 | 1,683 | 318 |
| NEIGHBORHOODS | | | | | | |
| Administration and Historic Preservation | 2,325 | 2,356 | 2,260 | 76 | 3 | 17 |
| Customer Service | 1,952 | 2,014 | 1,850 | 164 | - | - |
| Community Building | 2,380 | 2,353 | 2,081 | 95 | 177 | - |
| Research and Prevention | 604 | 250 | 250 | - | - | - |
| Office for Education | 347 | 335 | 335 | - | - | - |
| Total Department | 7,608 | 7,308 | 6,776 | 335 | 180 | 17 |
| PERSONNEL | | | | | | |
| Employment and Training | 2,343 | 2,347 | 2,062 | 221 | - | 64 |
| Employee Health Services | 3,236 | 3,080 | 2,789 | 138 | - | 153 |
| Citywide Personnel | 2,625 | 2,629 | 2,489 | 23 | - | 117 |
| Labor Relations and Class Compensation | 2,715 | 2,883 | 2,406 | 389 | - | 88 |
| Total Department | 10,919 | 10,939 | 9,746 | 771 | - | 422 |
| POLICE | | | | | | |
| Chief of Police | 11,259 | 14,535 | 7,386 | 2,764 | 4,266 | 119 |
| Professional Accountability | 1,318 | 1,365 | 1,355 | - | - | 10 |
| Deputy Chief Administration | 22,440 | 22,709 | 22,426 | 161 | 27 | 95 |
| Deputy Chief Operations | 2,649 | 2,771 | 2,341 | 321 | - | 109 |
| Emergency Preparedness Administration | 224 | 225 | 219 | - | - | 6 |
| Emergency Management Operations | 1,361 | 1,366 | 1,347 | 5 | - | 14 |
| Homeland Security | 5,716 | 5,829 | 5,819 | 1 | (20) | 29 |
| Patrol Operations Administration | 1,223 | 1,808 | 1,255 | 15 | 451 | 87 |
| West Precinct Patrol | 19,906 | 21,128 | 20,909 | - | - | 219 |
| North Precinct Patrol | 20,553 | 21,918 | 21,801 | - | 23 | 94 |
| Metro Special Response | 8,318 | 8,957 | 8,766 | 33 | - | 158 |
| South Precinct Patrol | 10,830 | 11,543 | 11,487 | 2 | - | 54 |
| East Precinct Patrol | 16,502 | 17,529 | 17,415 | - | - | 114 |
| Southwest Precinct Patrol | 9,830 | 10,587 | 10,539 | - | - | 48 |
| Traffic Enforcement | 11,872 | 13,699 | 12,429 | 12 | 422 | 836 |
| Criminal Investigation Administration | 4,302 | 4,458 | 4,406 | 26 | - | 26 |
| Violent Crimes Investigation | 7,016 | 7,483 | 7,471 | 6 | - | 6 |
| Narcotics Investigation | 3,183 | 3,730 | 3,716 | 7 | - | 7 |
| Special Investigation | 2,314 | 2,442 | 2,227 | 72 | 126 | 17 |
| Gender and Age Crime Investigation | 4,360 | 4,787 | 4,421 | - | - | 366 |
| Field Support Administration | 329 | 1,166 | 1,160 | - | - | 6 |
| Communications | 10,376 | 10,557 | 10,462 | 5 | - | 90 |
| Information Technology | 6,938 | 6,961 | 5,422 | 54 | 664 | 821 |
| Records/Files | 2,203 | 2,217 | 2,179 | 17 | - | 21 |
| Data Center and Public Request | 2,832 | 2,848 | 2,750 | - | - | 98 |
| Education and Training | 3 | - | - | - | - | - |
| Human Resources Management | 3,612 | 3,668 | 3,602 | 6 | - | 60 |
| Total Department | 191,469 | 206,286 | 193,310 | 3,507 | 5,959 | 3,510 |

Budget and Actual Schedules

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GENERAL FUND

Page 3 of 3

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES ON A BUDGETARY BASIS (NON-GAAP) COMPARED TO BUDGET For the Year Ended December 31, 2005

(In Thousands)

| | 2005 Budget | | Actual Expenditures | Unexpended Balances | | |
|--|-------------------|-------------------|------------------------|-----------------------------|------------------|------------------|
| | Original | Final | | Outstanding Encumbrances | Appropriations | |
| | | | | Continuing | Lapsed | |
| PUBLIC SAFETY CIVIL SERVICE COMMISSION | \$ 116 | \$ 124 | \$ 122 | \$ - | \$ - | \$ 2 |
| TRANSPORTATION | 1,156 | 1,156 | - | - | - | 1,156 |
| JUDGMENTS/CLAIMS | | | | | | |
| Judgments and Claims | 12,500 | 12,500 | 9,177 | - | - | 3,323 |
| Police Actions | 2,000 | 2,000 | 1,602 | - | - | 398 |
| Total Judgments/Claims | 14,500 | 14,500 | 10,779 | - | - | 3,721 |
| ARTS ACCOUNT | 750 | 747 | 442 | 293 | - | 12 |
| CABLE TELEVISION FRANCHISE | - | - | 4,774 | - | - | (4,774) |
| CUMULATIVE RESERVE | | | | | | |
| Real Estate Excise Tax I | 18,779 | 23,950 | 6,684 | 860 | 16,406 | - |
| Real Estate Excise Tax II | 14,052 | 17,949 | 7,959 | 506 | 9,483 | 1 |
| South Lake Union Property | 292 | 292 | 175 | - | 116 | 1 |
| Capital Projects Asset Preservation | 2,910 | 2,910 | 307 | 93 | 2,510 | - |
| Capital Projects Street Vacation | 50 | 50 | 50 | - | - | - |
| Unrestricted | 8,693 | 10,622 | 4,577 | 372 | 5,658 | 15 |
| Total Cumulative Reserve | 44,776 | 55,773 | 19,752 | 1,831 | 34,173 | 17 |
| NEIGHBORHOOD MATCHING | 7,970 | 7,972 | 2,990 | 1,615 | 3,366 | 1 |
| POLICE SUPPORT FACILITY | 29 | 29 | - | - | - | 29 |
| EMERGENCY | 48 | 2,119 | 350 | 151 | 1,618 | - |
| SPECIAL EMPLOYMENT | 15,000 | 7,655 | 281 | - | - | 7,374 |
| INDUSTRIAL INSURANCE | 12,115 | 1,451 | 1,438 | 13 | - | - |
| UNEMPLOYMENT COMPENSATION | 2,975 | 1,793 | - | - | - | 1,793 |
| HEALTH CARE | 84,673 | 6,298 | 6,298 | - | - | - |
| GROUP TERM LIFE INSURANCE | 835 | 172 | 45 | - | - | 127 |
| Total Expenditures | 691,714 | 629,039 | 552,052 | 14,899 | 53,776 | 8,312 |
| OTHER FINANCING USES | | | | | | |
| Transfers Out | 223,817 | 240,053 | 215,862 | - | 4,555 | 19,636 |
| Fund Totals | \$ 915,531 | \$ 869,092 | \$ 767,914 | \$ 14,899 | \$ 58,331 | \$ 27,948 |

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TRANSPORTATION FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
ON A BUDGETARY BASIS (NON-GAAP) COMPARED TO BUDGET
For the Year Ended December 31, 2005
(In Thousands)

| | <u>2005 Budget</u> | | <u>Actual Expenditures</u> | <u>Unexpended Balances</u> | | |
|---|--------------------|--------------|----------------------------|---------------------------------|-----------------------|---------------|
| | <u>Original</u> | <u>Final</u> | | <u>Outstanding Encumbrances</u> | <u>Appropriations</u> | |
| | | | | | <u>Continuing</u> | <u>Lapsed</u> |
| EXPENDITURES | | | | | | |
| Street Maintenance | \$ 21,563 | \$ 21,091 | \$ 18,881 | \$ - | \$ 1,523 | \$ 687 |
| Structure Management | 8,292 | 8,670 | 7,670 | 44 | 711 | 245 |
| Traffic Management | 24,113 | 24,937 | 23,896 | 3 | 953 | 85 |
| Traffic and Street Use Management | 9,581 | 9,602 | 7,158 | - | 14 | 2,430 |
| Capital Projects Management | 77,139 | 81,496 | 38,270 | 71 | 42,627 | 528 |
| Policy, Planning, and Major Development | 31,551 | 33,236 | 14,484 | 417 | 18,417 | (82) |
| Urban Forestry | 2,222 | 2,191 | 2,033 | - | 3 | 155 |
| Resource Management | 8,667 | 8,679 | 7,242 | - | 676 | 761 |
| Operations Support and Administration | 3,026 | 3,036 | 2,801 | - | 118 | 117 |
| General Expenses | 14,641 | 11,641 | 10,605 | - | - | 1,036 |
| Total Expenditures | 200,795 | 204,579 | 133,040 | 535 | 65,042 | 5,962 |
| OTHER FINANCING USES | | | | | | |
| Transfers Out | - | - | 452 | - | - | (452) |
| Fund Totals | \$ 200,795 | \$ 204,579 | \$ 133,492 | \$ 535 | \$ 65,042 | \$ 5,510 |

H-3

LOW-INCOME HOUSING FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
ON A BUDGETARY BASIS (NON-GAAP) COMPARED TO BUDGET
For the Year Ended December 31, 2005
(In Thousands)

| | <u>2005 Budget</u> | | <u>Actual</u> <u>Expenditures</u> | <u>Unexpended Balances</u> | | |
|----------------------------------|--------------------|------------------|--------------------------------------|---|-----------------------|------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Outstanding</u> <u>Encumbrances</u> | <u>Appropriations</u> | |
| | | | | | <u>Continuing</u> | <u>Lapsed</u> |
| EXPENDITURES | | | | | | |
| Administration and Management | \$ 1,572 | \$ 2,004 | \$ 1,207 | \$ - | \$ 485 | \$ 312 |
| Community Development | - | 204 | 23 | 69 | 112 | - |
| Homeownership and Sustainability | 16,183 | 17,824 | 4,641 | 5,452 | 5,587 | 2,144 |
| Multifamily | 57,743 | 59,691 | 21,330 | 28,264 | 1,055 | 9,042 |
| Fund Totals | <u>\$ 75,498</u> | <u>\$ 79,723</u> | <u>\$ 27,201</u> | <u>\$ 33,785</u> | <u>\$ 7,239</u> | <u>\$ 11,498</u> |

H-4

PARK AND RECREATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2005
(In Thousands)

| | Budgeted Amounts | | Actual | Variance |
|---|-------------------|-------------------|-----------------|-----------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | | | | |
| Business Taxes | \$ 19,389 | \$ 19,389 | \$ 19,775 | \$ 386 |
| Penalties and Interest on Delinquent Taxes | - | - | 207 | 207 |
| Interfund Business Taxes | 7,859 | 7,859 | 8,286 | 427 |
| Total Taxes | <u>27,248</u> | <u>27,248</u> | <u>28,268</u> | <u>1,020</u> |
| Licenses and Permits | 769 | 769 | 914 | 145 |
| Grants, Shared Revenues, and Contributions | 24 | 174 | 371 | 197 |
| Charges for Services | 41,408 | 41,408 | 32,568 | (8,840) |
| Fines and Forfeits | 1,827 | 1,827 | 1,787 | (40) |
| Parking Fees and Space Rent | 1,266 | 1,333 | 2,497 | 1,164 |
| Program Income, Interest, and Miscellaneous Revenues | 242 | 8 | 369 | 361 |
| Total Revenues | <u>72,784</u> | <u>72,767</u> | <u>66,774</u> | <u>(5,993)</u> |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Current | | | | |
| Culture and Recreation | 104,314 | 105,605 | 103,667 | 1,938 |
| Capital Outlay | | | | |
| Culture and Recreation | 2,988 | 2,976 | 627 | 2,349 |
| Debt Service | | | | |
| Principal | 175 | 175 | 29 | 146 |
| Interest | 248 | 248 | 3 | 245 |
| Total Expenditures and Encumbrances | <u>107,725</u> | <u>109,004</u> | <u>104,326</u> | <u>4,678</u> |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | (34,941) | (36,237) | (37,552) | (1,315) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of Capital Assets | - | - | 5,168 | 5,168 |
| Transfers In | 32,460 | 39,006 | 41,384 | 2,378 |
| Transfers Out | (68) | (4,536) | (5,379) | (843) |
| Total Other Financing Sources (Uses) | <u>32,392</u> | <u>34,470</u> | <u>41,173</u> | <u>6,703</u> |
| Net Change in Fund Balance | <u>\$ (2,549)</u> | <u>\$ (1,767)</u> | 3,621 | <u>\$ 5,388</u> |
| Fund Balance - Beginning of Year | | | (226) | |
| Encumbrances Continued from Last Year | | | 837 | |
| Changes in Unappropriable Reserves | | | <u>(713)</u> | |
| Fund Balance (Budgetary) - End of Year | | | 3,519 | |
| Adjustments to Conform to Generally Accepted Accounting Principles | | | | |
| Reserves Not Available for Appropriation | | | 728 | |
| Encumbrances | | | <u>794</u> | |
| Ending Fund Balance - GAAP | | | <u>\$ 5,041</u> | |

Budget and Actual Schedules

H-5

LIBRARY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL

For the Year Ended December 31, 2005

(In Thousands)

| | Budgeted Amounts | | Actual | Variance |
|---|------------------|------------|-----------|----------|
| | Original | Final | | |
| REVENUES | | | | |
| Grants, Shared Revenues, and Contributions | \$ 7,590 | \$ 12,649 | \$ 12,099 | \$ (550) |
| Charges for Services | 171 | 171 | 203 | 32 |
| Fines and Forfeits | 660 | 660 | 846 | 186 |
| Parking Fees and Space Rent | 425 | 425 | 219 | (206) |
| Program Income, Interest, and Miscellaneous Revenues | 113 | 113 | 196 | 83 |
| | 8,959 | 14,018 | 13,563 | (455) |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Current | | | | |
| Culture and Recreation | 38,610 | 29,010 | 44,852 | (15,842) |
| Capital Outlay | | | | |
| Culture and Recreation | 17,230 | 31,244 | 12,696 | 18,548 |
| Debt Service | | | | |
| Principal | 187 | 5 | 4 | 1 |
| Interest | 5 | 5 | 1 | 4 |
| | 56,032 | 60,264 | 57,553 | 2,711 |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | (47,073) | (46,246) | (43,990) | 2,256 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of Capital Assets | 240 | 240 | - | (240) |
| Transfers In | 35,544 | 36,267 | 37,037 | 770 |
| Transfers Out | - | (94) | (94) | - |
| | 35,784 | 36,413 | 36,943 | 530 |
| Net Change in Fund Balance | \$ (11,289) | \$ (9,833) | (7,047) | \$ 2,786 |
| Fund Balance - Beginning of Year | | | 293 | |
| Encumbrances Continued from Last Year | | | 3,577 | |
| Changes in Unappropriable Reserves | | | 7,000 | |
| Fund Balance (Budgetary) - End of Year | | | 3,823 | |
| Adjustments to Conform to Generally Accepted Accounting Principles | | | | |
| Reserves Not Available for Appropriation | | | 2,111 | |
| Encumbrances | | | 5,118 | |
| Ending Fund Balance - GAAP | | | \$ 11,052 | |

H-6

SEATTLE CENTER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2005
(In Thousands)

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance</u> |
|---|-------------------------|-----------------|-------------------|-----------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Charges for Services | \$ 4,871 | \$ 4,871 | \$ 4,925 | \$ 54 |
| Parking Fees and Space Rent | 16,029 | 16,029 | 15,517 | (512) |
| Program Income, Interest, and Miscellaneous Revenues | 1,416 | 1,416 | 709 | (707) |
| Total Revenues | 22,316 | 22,316 | 21,151 | (1,165) |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Current | | | | |
| Culture and Recreation | 29,010 | 29,759 | 28,534 | 1,225 |
| Capital <i>Outlay</i> | | | | |
| Culture and Recreation | 13 | 13 | 124 | (111) |
| Debt Service | | | | |
| Interest | 2 | 2 | 1 | 1 |
| Total Expenditures and Encumbrances | 29,025 | 29,774 | 28,659 | 1,115 |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | (6,709) | (7,458) | (7,508) | (50) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of Capital Assets | 5,700 | 5,700 | 7,349 | 1,649 |
| Transfers In | 10,019 | 10,171 | 10,755 | 584 |
| Transfers Out | (7,409) | (7,409) | (7,326) | 83 |
| Total Other Financing Sources (Uses) | 8,310 | 8,462 | 10,778 | 2,316 |
| Net Change in Fund Balance | \$ 1,601 | \$ 1,004 | 3,270 | \$ 2,266 |
| Fund Balance - Beginning of Year | | | (9,784) | |
| Encumbrance Continued from Last Year | | | 117 | |
| Fund Balance (Budgetary) - End of Year | | | (6,397) | |
| Adjustments to Conform to Generally Accepted Accounting Principles | | | | |
| Encumbrances | | | 28 | |
| Ending Fund Balance - GAAP | | | \$ (6,369) | |

Budget and Actual Schedules

H-7

HUMAN SERVICES OPERATING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2005
(In Thousands)

| | Budgeted Amounts | | Actual | Variance |
|---|------------------|------------|----------|----------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | | | | |
| General Property Taxes | \$ 429 | \$ 429 | \$ 429 | \$ - |
| Grants, Shared Revenues, and Contributions | 43,895 | 43,895 | 44,011 | 116 |
| Charges for Services | 1,378 | 1,378 | 1,446 | 68 |
| Fines and Forfeits | - | - | 86 | 86 |
| Program Income, Interest, and Miscellaneous Revenues | - | - | 130 | 130 |
| | 45,702 | 45,702 | 46,102 | 400 |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Current | | | | |
| General Government | 5,147 | 5,239 | 4,936 | 303 |
| Public Safety | 2,848 | 3,125 | 2,913 | 212 |
| Economic Environment | 37,838 | 38,315 | 36,300 | 2,015 |
| Health and Human Services | 35,674 | 37,628 | 36,773 | 855 |
| Capital Outlay | | | | |
| General Government | 14 | 14 | 26 | (12) |
| Public Safety | 39 | 39 | - | 39 |
| Economic Environment | 1,452 | 1,452 | - | 1,452 |
| Health and Human Services | 263 | 263 | - | 263 |
| | 83,275 | 86,075 | 80,948 | 5,127 |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | (37,573) | (40,373) | (34,846) | 5,527 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 34,793 | 34,793 | 34,793 | - |
| Net Change in Fund Balance | \$ (2,780) | \$ (5,580) | (53) | \$ 5,527 |
| Fund Balance - Beginning of Year | | | 3,326 | |
| Fund Balance (Budgetary) - End of Year | | | 3,273 | |
| Adjustments to Conform to Generally Accepted Accounting Principles | | | | |
| Encumbrances | | | 16 | |
| Reimbursements | | | | |
| Budgeted as Revenues | | | (30,084) | |
| Budgeted as Expenditures | | | 30,084 | |
| Ending Fund Balance - GAAP | | | \$ 3,289 | |

H-8

OFFICE OF HOUSING FUND
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES – BUDGET AND ACTUAL**
For the Year Ended December 31, 2005
(In Thousands)

| | Budgeted Amounts | | Actual | Variance |
|--|------------------|----------------|---------------|---------------|
| | Original | Final | | |
| REVENUES | | | | |
| Grants, Shared Revenues, and Contributions | \$ 306 | \$ 648 | \$ 296 | \$ (352) |
| Charges for Services | 2,453 | 2,453 | 2,264 | (189) |
| Total Revenues | 2,759 | 3,101 | 2,560 | (541) |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Current | | | | |
| Economic Environment | 2,575 | 2,882 | 2,425 | 457 |
| Capital Outlay | | | | |
| Economic Environment | 246 | 246 | - | 246 |
| Total Expenditures and Encumbrances | 2,821 | 3,128 | 2,425 | 703 |
| Net Change in Fund Balance | <u>\$ (62)</u> | <u>\$ (27)</u> | 135 | <u>\$ 162</u> |
| Fund Balance - Beginning of Year | | | 77 | |
| Encumbrances Continued from Last Year | | | 140 | |
| Fund Balance (Budgetary) - End of Year | | | 352 | |
| Adjustments to Conform to Generally Accepted Accounting Principles | | | | |
| Encumbrances | | | 30 | |
| Ending Fund Balance - GAAP | | | <u>\$ 382</u> | |

Budget and Actual Schedules

H-9

PARK AND RECREATION FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
ON A BUDGETARY BASIS (NON-GAAP) COMPARED TO BUDGET
For the Year Ended December 31, 2005
(In Thousands)

| | <u>2005 Budget</u> | | <u>Actual</u> <u>Expenditures</u> | <u>Unexpended Balances</u> | | |
|---|--------------------|-------------------|--------------------------------------|---|-----------------------|-----------------|
| | <u>Original</u> | <u>Final</u> | | <u>Outstanding</u> <u>Encumbrances</u> | <u>Appropriations</u> | |
| | | | | | <u>Continuing</u> | <u>Lapsed</u> |
| EXPENDITURES | | | | | | |
| Gasworks Park Contamination Remediation | \$ 608 | \$ 608 | \$ 237 | \$ 116 | \$ 256 | \$ (1) |
| South Lake Union Wharf | 13 | - | - | - | - | - |
| Citywide Programs and Scheduling | 10,126 | 9,951 | 9,748 | 57 | - | 146 |
| Community Centers | 11,467 | 11,804 | 10,961 | 228 | - | 615 |
| Swimming, Boating, and Aquatics | 6,816 | 7,035 | 6,970 | 19 | - | 46 |
| Facility and Structure Maintenance | 11,046 | 11,406 | 11,032 | 34 | 89 | 251 |
| Park Cleaning, Landscaping, and Restoration | 26,468 | 26,218 | 25,514 | 75 | - | 629 |
| Seattle Conservation Corps | 4,053 | 4,063 | 3,386 | 51 | - | 626 |
| Seattle Aquarium | 6,487 | 7,193 | 7,079 | 49 | 57 | 8 |
| Woodland Park Zoo | 6,207 | 6,046 | 5,962 | - | - | 84 |
| Acquisition and Property Management | 1,437 | 1,440 | 1,414 | 8 | - | 18 |
| Planning, Engineering, and Development | 6,103 | 5,822 | 5,098 | 54 | - | 670 |
| Judgments and Claims | 1,030 | 1,030 | 1,030 | - | - | - |
| Finance and Administration | 7,330 | 7,745 | 6,939 | 88 | 344 | 374 |
| Policy Direction and Leadership | 862 | 950 | 946 | - | - | 4 |
| Golf | 7,672 | 7,693 | 7,216 | 15 | - | 462 |
| Total Expenditures | 107,725 | 109,004 | 103,532 | 794 | 746 | 3,932 |
| OTHER FINANCING USES | | | | | | |
| Transfers Out | 68 | 4,536 | 5,379 | - | - | (843) |
| Fund Totals | <u>\$ 107,793</u> | <u>\$ 113,540</u> | <u>\$ 108,911</u> | <u>\$ 794</u> | <u>\$ 746</u> | <u>\$ 3,089</u> |

H-10

LIBRARY FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
ON A BUDGETARY BASIS (NON-GAAP) COMPARED TO BUDGET
For the Year Ended December 31, 2005
(In Thousands)

| | <u>2005 Budget</u> | | <u>Actual</u> <u>Expenditures</u> | <u>Unexpended Balances</u> | | |
|--------------------------------|--------------------|------------------|--------------------------------------|---|-----------------------|---------------|
| | <u>Original</u> | <u>Final</u> | | <u>Outstanding</u> <u>Encumbrances</u> | <u>Appropriations</u> | |
| | | | | <u>Continuing</u> | <u>Lapsed</u> | |
| EXPENDITURES | | | | | | |
| Library Projects | \$ 1,110 | \$ 1,183 | \$ 1,624 | \$ 16 | \$ (467) | \$ 10 |
| Collections and Administration | 15,175 | 15,939 | 15,333 | 232 | 145 | 229 |
| Public Services | <u>23,685</u> | <u>23,566</u> | <u>24,171</u> | <u>3</u> | <u>(638)</u> | <u>30</u> |
| Total Expenditures | 39,969 | 40,687 | 41,127 | 251 | (961) | 270 |
| OTHER FINANCING USES | | | | | | |
| Transfers Out | <u>-</u> | <u>94</u> | <u>94</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Totals (Budgeted) | 39,969 | 40,781 | 41,221 | 251 | (961) | 270 |
| Trusts and Memorials | <u>16,063</u> | <u>19,577</u> | <u>11,308</u> | <u>4,867</u> | <u>3,402</u> | <u>-</u> |
| Fund Totals | <u>\$ 56,032</u> | <u>\$ 60,358</u> | <u>\$ 52,529</u> | <u>\$ 5,118</u> | <u>\$ 2,441</u> | <u>\$ 270</u> |

H-11

SEATTLE CENTER FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
ON A BUDGETARY BASIS (NON-GAAP) COMPARED TO BUDGET
For the Year Ended December 31, 2005
(In Thousands)

| | <u>2005 Budget</u> | | <u>Actual</u> <u>Expenditures</u> | <u>Unexpended Balances</u> | | |
|-------------------------------|--------------------|------------------|--------------------------------------|---|-----------------------|-----------------|
| | <u>Original</u> | <u>Final</u> | | <u>Outstanding</u> <u>Encumbrances</u> | <u>Appropriations</u> | |
| | | | | | <u>Continuing</u> | <u>Lapsed</u> |
| EXPENDITURES | | | | | | |
| Nation's Best Gathering Place | \$ 10,082 | \$ 10,324 | \$ 10,280 | \$ 11 | \$ - | \$ 33 |
| Cultural/Community Heart | 5,507 | 5,675 | 5,583 | 6 | - | 86 |
| Financially Successful | 8,312 | 8,505 | 7,640 | 11 | - | 854 |
| Great Place to Work | 1,203 | 1,290 | 1,266 | - | - | 24 |
| Administration | 3,921 | 3,980 | 3,862 | - | - | 118 |
| Total Expenditures | 29,025 | 29,774 | 28,631 | 28 | - | 1,115 |
| OTHER FINANCING USES | | | | | | |
| Transfers Out | 7,409 | 7,409 | 7,326 | - | - | 83 |
| Fund Totals | <u>\$ 36,434</u> | <u>\$ 37,183</u> | <u>\$ 35,957</u> | <u>\$ 28</u> | <u>\$ -</u> | <u>\$ 1,198</u> |

H-12

**HUMAN SERVICES OPERATING FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 ON A BUDGETARY BASIS (NON-GAAP) COMPARED TO BUDGET
 For the Year Ended December 31, 2005
 (In Thousands)**

| | <u>2005 Budget</u> | | <u>Actual Expenditures</u> | <u>Unexpended Balances</u> | | |
|---|--------------------|------------------|----------------------------|---------------------------------|-----------------------|-----------------|
| | <u>Original</u> | <u>Final</u> | | <u>Outstanding Encumbrances</u> | <u>Appropriations</u> | |
| | | | | | <u>Continuing</u> | <u>Lapsed</u> |
| EXPENDITURES | | | | | | |
| Children, Youth, and Family Development | \$ 20,679 | \$ 21,520 | \$ 20,119 | \$ - | \$ 808 | \$ 593 |
| Community Services | 28,126 | 27,764 | 25,607 | 14 | 685 | 1,458 |
| Domestic Violence | 2,887 | 3,164 | 2,913 | - | 233 | 18 |
| Leadership and Administration | 5,154 | 5,245 | 4,992 | 2 | - | 251 |
| Aging and Disability Services | <u>26,429</u> | <u>28,382</u> | <u>27,301</u> | <u>-</u> | <u>560</u> | <u>521</u> |
| Fund Totals | <u>\$ 83,275</u> | <u>\$ 86,075</u> | <u>\$ 80,932</u> | <u>\$ 16</u> | <u>\$ 2,286</u> | <u>\$ 2,841</u> |

H-13

OFFICE OF HOUSING FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
ON A BUDGETARY BASIS (NON-GAAP) COMPARED TO BUDGET
For the Year Ended December 31, 2005
(In Thousands)

| | <u>2005 Budget</u> | | <u>Actual</u> <u>Expenditures</u> | <u>Unexpended Balances</u> | | |
|----------------------------------|--------------------|-----------------|--------------------------------------|---|-----------------------|---------------|
| | <u>Original</u> | <u>Final</u> | | <u>Outstanding</u> <u>Encumbrances</u> | <u>Appropriations</u> | |
| | | | | | <u>Continuing</u> | <u>Lapsed</u> |
| EXPENDITURES | | | | | | |
| Administration and Management | \$ 1,000 | \$ 1,001 | \$ 814 | \$ 5 | \$ 24 | \$ 158 |
| Community Development | 215 | 215 | 139 | - | - | 76 |
| Homeownership and Sustainability | 534 | 534 | 415 | 7 | 20 | 92 |
| Multifamily | 1,072 | 1,378 | 1,026 | 19 | 218 | 115 |
| Fund Totals | <u>\$ 2,821</u> | <u>\$ 3,128</u> | <u>\$ 2,394</u> | <u>\$ 31</u> | <u>\$ 262</u> | <u>\$ 441</u> |

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Capital Assets

I-1

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY SOURCE

December 31, 2005

(In Thousands)

| | <u>2005</u> | <u>Restated 2004</u> |
|--|---------------------|--------------------------|
| CAPITAL ASSETS | | |
| Land | \$ 371,927 | \$ 363,878 |
| Buildings | 1,145,964 | 1,156,147 |
| Improvements Other than Buildings | 462,029 | 404,244 |
| Equipment | 49,466 | 44,246 |
| Infrastructure | 888,224 | 870,154 |
| Construction in Progress | 205,049 | 161,628 |
| Other Capital Assets | <u>8,886</u> | <u>8,267</u> |
| Total Capital Assets | <u>\$ 3,131,545</u> | <u>\$ 3,008,564</u> |
| INVESTMENT IN CAPITAL ASSETS FROM | | |
| General Fund | \$ 150,701 | \$ 148,624 |
| Special Revenue Funds | 1,633,665 | 1,519,523 |
| Capital Project Funds | 1,273,622 | 1,268,531 |
| Donations | <u>73,557</u> | <u>71,886</u> |
| Total Investment in Capital Assets | <u>\$ 3,131,545</u> | <u>\$ 3,008,564</u> |

SCHEDULE BY FUNCTION

December 31, 2005

(In Thousands)

| | <u>Land</u> | <u>Buildings</u> | <u>Improvements</u> |
|----------------------------------|-------------------|---------------------|---------------------|
| General Government | \$ 95,733 | \$ 490,113 | \$ 85,148 |
| Security of Persons and Property | - | - | - |
| Transportation | 47,770 | 25 | - |
| Economic Environment | 618 | - | - |
| Judicial | - | - | - |
| Culture and Recreation | <u>227,806</u> | <u>655,826</u> | <u>376,881</u> |
| Total | <u>\$ 371,927</u> | <u>\$ 1,145,964</u> | <u>\$ 462,029</u> |

I-2

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

Page 2 of 2

SCHEDULE BY FUNCTION

December 31, 2005

(In Thousands)

| | <u>Equipment</u> | <u>Infrastructure</u> | <u>Other Capital Assets</u> | <u>Total</u> |
|------------------------------------|------------------|-----------------------|-----------------------------|---------------------|
| General Government | \$ 18,760 | \$ - | \$ - | \$ 689,754 |
| Security of Persons and Property | 11,878 | - | - | 11,878 |
| Transportation | 1,219 | 888,224 | - | 937,238 |
| Economic Environment | 164 | - | - | 782 |
| Judicial | 290 | - | - | 290 |
| Culture and Recreation | 17,155 | - | 8,886 | 1,286,554 |
| Total | <u>\$ 49,466</u> | <u>\$ 888,224</u> | <u>\$ 8,886</u> | 2,926,496 |
| Construction in Progress | | | | 205,049 |
| Total Investment in Capital Assets | | | | <u>\$ 3,131,545</u> |

I-3

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE OF CHANGES BY FUNCTION

For the Year Ended December 31, 2005

(In Thousands)

| | <u>Restated Balance January 1</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance December 31</u> |
|------------------------------------|---|-------------------|-------------------|--------------------------------|
| General Government | \$ 718,962 | \$ 6,116 | \$ 35,324 | \$ 689,754 |
| Security of Persons and Property | 9,335 | 3,037 | 494 | 11,878 |
| Transportation | 919,299 | 18,169 | 230 | 937,238 |
| Economic Environment | 726 | 270 | 214 | 782 |
| Judicial | 425 | - | 135 | 290 |
| Culture and Recreation | <u>1,198,189</u> | <u>95,433</u> | <u>7,068</u> | <u>1,286,554</u> |
| Total | 2,846,936 | 123,025 | 43,465 | 2,926,496 |
| Construction in Progress | <u>161,628</u> | <u>159,707</u> | <u>116,286</u> | <u>205,049</u> |
| Total Investment in Capital Assets | <u>\$ 3,008,564</u> | <u>\$ 282,732</u> | <u>\$ 159,751</u> | <u>\$ 3,131,545</u> |

Statistics

Table S-1 **GENERAL GOVERNMENTAL EXPENDITURES**
BY FUNCTION^{ab}

Last Ten Fiscal Years (In Thousands)

| Fiscal Year | General Government | Judicial ^c | Public Safety | Physical Environment | Transportation | Economic | Health | Culture | Capital | Debt | Total |
|-------------|--------------------|-----------------------|---------------|----------------------|----------------|---------------------------|---------------------------------|----------------|-----------|-----------|-------------------------|
| | | | | | | Environment ^{de} | and Human Services ^f | and Recreation | | | |
| 1996 | \$ 77,816 | \$ 15,873 | \$ 218,502 | \$ 185 | \$ 48,929 | \$ 59,275 | \$ 40,445 | \$ 117,734 | \$ 39,757 | \$ 38,190 | \$ 786,263 ^g |
| 1997 | 85,976 | 16,202 | 230,434 | 184 | 55,760 | 75,511 | 39,395 | 126,642 | 59,830 | 54,743 | 744,677 |
| 1998 | 60,499 | 17,270 | 240,089 | 184 | 56,932 | 73,818 | 40,103 | 132,029 | 59,212 | 59,546 | 739,682 |
| 1999 | 64,438 | 18,123 | 261,783 | 186 | 65,943 | 99,658 | 37,778 | 143,560 | 70,386 | 62,341 | 824,196 |
| 2000 | 46,719 | 18,441 | 263,783 | 397 | 61,928 | 84,341 | 37,411 | 155,229 | 52,940 | 69,416 | 790,605 |
| 2001 | 67,237 | 19,631 | 277,867 | 1,951 | 57,646 | 110,026 | 22,759 | 166,880 | 77,377 | 71,781 | 873,155 |
| 2002 | 114,377 | 19,381 | 281,728 | 5,404 | 79,393 | 113,111 | 22,986 | 172,612 | 54,911 | 112,073 | 975,976 |
| 2003 | 137,944 | 19,116 | 296,290 | 5,996 | 83,412 | 91,243 | 29,136 | 170,820 | 57,603 | 92,880 | 984,440 |
| 2004 | 135,100 | 19,057 | 310,112 | 5,814 | 100,462 | 82,525 | 27,988 | 182,128 | 46,382 | 96,490 | 1,006,058 |
| 2005 | 136,309 | 19,229 | 333,548 | 6,902 | 85,418 | 98,742 | 29,916 | 181,318 | 95,972 | 138,596 | 1,125,950 |

^a Includes general, special revenue, and debt service funds.

^b Adjusted for prior-period restatements.

^c Judicial was part of Public Safety prior to 2002.

^d Does not include pass-through grants.

^e Economic Environment was Planning and Development and part of Housing and Human Services prior to 2002.

^f Health and Human Services was Health and the remainder of Housing and Human Services prior to 2002.

^g The repayment of the 1995 bond anticipation notes of \$125.0 million and related interest of \$4.6 million are included in the total expenditures but excluded in the debt service.

Table S-2 **GENERAL GOVERNMENTAL REVENUES**
BY SOURCE^{hi}

Last Ten Fiscal Years (In Thousands)

| Fiscal Year | Taxes | Licenses and Permits | Grants and Shared Revenues ^j | Charges for Services | Fines and Forfeits | Parking Fees and Space Rent | Program Income, Interest, and Miscellaneous Revenues | Total Revenues |
|-------------|---------|----------------------|---|----------------------|--------------------|-----------------------------|--|----------------|
| | | | | | | | | |
| 1997 | 471,760 | 12,094 | 77,475 | 78,888 | 17,798 | 54,185 | 21,675 | 733,875 |
| 1998 | 497,040 | 14,367 | 101,030 | 69,060 | 17,677 | 52,877 | 30,202 | 782,253 |
| 1999 | 546,944 | 13,358 | 112,555 | 68,335 | 18,181 | 59,242 | 24,463 | 843,078 |
| 2000 | 597,401 | 13,744 | 77,283 | 73,868 | 18,437 | 55,983 | 37,520 | 874,236 |
| 2001 | 610,219 | 13,798 | 90,065 | 75,145 | 18,387 | 51,054 | 33,726 | 892,394 |
| 2002 | 619,850 | 15,134 | 97,997 | 107,676 | 17,697 | 46,016 | 29,142 | 933,512 |
| 2003 | 634,603 | 17,501 | 82,687 | 111,509 | 19,498 | 47,997 | 31,154 | 944,949 |
| 2004 | 673,847 | 19,028 | 108,353 | 112,690 | 20,795 | 49,471 | 30,358 | 1,014,542 |
| 2005 | 747,250 | 25,612 | 115,935 | 127,340 | 19,759 | 42,274 | 58,946 | 1,137,116 |

^h Includes general, special revenue, and debt service funds.

ⁱ Adjusted for prior-period restatements.

^j Does not include pass-through grants.

Table S-3 PROPERTY TAX LEVIES AND COLLECTIONS ^a

Last Ten Fiscal Years

| Fiscal Year ^b | Total Tax Levy | | Collections | | | | | Delinquent Taxes End Of Year | |
|--------------------------|----------------|-----------------------|----------------|------------------------|--------------|----------------|------------------------|------------------------------|------------------------|
| | Original | Adjusted ^c | Current | | Delinquent | Total | | Amount | Ratio To Adjusted Levy |
| | | | Amount | Ratio To Adjusted Levy | | Amount | Ratio To Adjusted Levy | | |
| 1996 | \$ 160,003,930 | \$ 158,986,416 | \$ 155,879,461 | 98.05 % | \$ 2,855,931 | \$ 158,735,392 | 99.84 % | \$ 4,663,650 | 2.93 % |
| 1997 | 169,004,542 | 168,078,623 | 164,830,024 | 98.07 | 2,920,308 | 167,750,332 | 99.80 | 4,991,884 | 2.97 |
| 1998 | 168,869,947 | 168,259,967 | 164,668,052 | 97.87 | 3,314,827 | 167,982,879 | 99.84 | 5,268,966 | 3.13 |
| 1999 | 198,336,396 | 197,723,246 | 193,391,180 | 97.81 | 3,795,103 | 197,186,283 | 99.73 | 5,805,929 | 2.94 |
| 2000 | 227,521,963 | 226,775,889 | 221,866,901 | 97.84 | 4,125,612 | 225,992,513 | 99.65 | 6,589,305 | 2.91 |
| 2001 | 256,449,940 | 254,564,004 | 249,952,677 | 98.19 | 4,029,994 | 253,982,671 | 99.77 | 7,170,639 | 2.82 |
| 2002 | 268,091,231 | 266,278,588 | 260,750,105 | 97.92 | 4,893,592 | 265,643,697 | 99.76 | 7,815,853 | 2.94 |
| 2003 | 270,978,698 | 269,665,402 | 264,040,918 | 97.91 | 5,663,666 | 269,704,584 | 100.01 | 7,776,670 | 2.88 |
| 2004 | 300,255,001 | 297,838,674 | 292,541,786 | 98.22 | 5,617,905 | 298,159,691 | 100.11 | 7,455,652 | 2.50 |
| 2005 | 314,857,618 | 312,759,640 | 307,392,432 | 98.28 | 5,127,720 | 312,520,152 | 99.92 | 7,695,139 | 2.46 |

^a Source: King County Department of Finance

^b City's fiscal year coincides with the levy year.

^c Includes the original levy and changes due to omits, cancellations, and supplements for all tax years that were decided on during the fiscal year.

Table S-4 ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY ^d

Last Ten Fiscal Years

| Fiscal Year | Assessed and Estimated Actual Value ^e (In Thousands) | | | Average Annual Growth | Assessed Value Per Capita |
|-------------|---|-------------------|---------------|-----------------------|---------------------------|
| | Real Property | Personal Property | Total | | |
| 1996 | \$ 39,055,217 | \$ 3,257,547 | \$ 42,312,764 | (0.08) % | \$ 79,134 |
| 1997 | 39,892,419 | 3,444,580 | 43,336,999 | 2.42 | 80,762 |
| 1998 | 42,680,548 | 3,441,290 | 46,121,838 | 6.43 | 85,458 |
| 1999 | 47,644,309 | 3,593,322 | 51,237,631 | 11.09 | 94,797 |
| 2000 | 53,589,860 | 3,948,166 | 57,538,026 | 12.30 | 102,131 |
| 2001 | 61,417,305 | 4,206,170 | 65,623,475 | 14.05 | 115,514 |
| 2002 | 70,660,338 | 4,846,254 | 75,506,592 | 15.06 | 132,282 |
| 2003 | 75,582,369 | 4,545,919 | 80,128,288 | 6.12 | 140,109 |
| 2004 | 79,724,601 | 4,213,495 | 83,938,096 | 4.75 | 146,591 |
| 2005 | 84,157,435 | 4,120,671 | 88,278,106 | 5.17 | 154,063 |

^d Source: King County Assessor.

^e Real property has been assessed at 100 percent of estimated actual value.

Table S-5

**PROPERTY TAX RATES AND LEVIES
DIRECT AND OVERLAPPING GOVERNMENTS ^a**

Last Ten Fiscal Years (In Mills or Dollars per Thousand of Assessed Value)

| Year of Levy | City of Seattle | | | | | State | County | School | Port of Seattle | Total | Dollars Levied ^d (\$1,000) | Annual Growth |
|--------------------|------------------------------|-----------------------------|--------------------------|------------------------------|---------------|-------|--------|--------|--------------------|--------|---|------------------|
| | General Fund ^b | Special Revenue Funds | Debt Service Funds | Fire Pension ^c | City Total | | | | | | | |
| 1996 | 2.701 | 0.610 | 0.291 | 0.225 | 3.827 | 3.500 | 2.209 | 3.135 | 0.292 | 12.963 | \$ 548,500 | 16.2 % |
| 1997 | 2.824 | 0.607 | 0.285 | 0.225 | 3.941 | 3.525 | 2.132 | 3.095 | 0.283 | 12.976 | 562,331 | 2.5 |
| 1998 | 2.598 | 0.648 | 0.222 | 0.225 | 3.693 | 3.511 | 1.851 | 2.838 | 0.265 | 12.158 | 560,749 | (0.3) |
| 1999 | 2.819 | 0.587 | 0.287 | 0.225 | 3.918 | 3.359 | 1.774 | 3.207 | 0.239 | 12.497 | 640,317 | 14.2 |
| 2000 | 2.705 | 0.697 | 0.369 | 0.225 | 3.996 | 3.303 | 1.689 | 2.964 | 0.216 | 12.168 | 700,141 | 9.3 |
| 2001 | 2.538 | 0.890 | 0.321 | 0.191 | 3.940 | 3.145 | 1.552 | 2.621 | 0.190 | 11.448 | 751,258 | 7.3 |
| 2002 | 2.334 | 0.776 | 0.278 | 0.185 | 3.573 | 2.989 | 1.450 | 2.460 | 0.190 | 10.662 | 805,033 | 7.2 |
| 2003 | 2.250 | 0.600 | 0.356 | 0.195 | 3.401 | 2.897 | 1.349 | 2.395 | 0.259 | 10.301 | 825,422 | 2.5 |
| 2004 | 2.402 | 0.880 | 0.315 | - | 3.597 | 2.757 | 1.431 | 2.360 | 0.254 | 10.399 | 872,872 | 5.7 |
| 2005 | 2.351 | 0.933 | 0.301 | - | 3.585 | 2.690 | 1.382 | 2.302 | 0.253 | 10.212 | 901,496 | 3.3 |

^a Source: King County Assessor and City of Seattle Budget Office.

^b For the purposes of this table the City's share of the Countywide Emergency Medical Service (EMS) levy is included in the General Fund's tax levy rate. EMS rate is 0.232 in 2005.

^c Fire Pension receives a percentage of the General Fund levy that is set by the City Council. However, starting in 2004, Seattle does not have a separate levy rate for this purpose.

^d Actual dollars levied may differ slightly from this figure due to certain property tax exemptions for low-income, elderly, and handicapped property owners.

Table S-6 **PRINCIPAL PROPERTY TAXPAYERS**^a
(Over \$100 Million Assessed Valuation)
December 31, 2005

| Taxpayer ^b | Type of Business | Assessed Valuation ^c (In Millions) | Percentage of Total Assessed Valuation |
|--|----------------------------------|--|---|
| Qwest Corporation, Inc. | Telephone Utility | \$429.9 | 0.45 |
| EOP Northwest Properties | Real Estate | 402.3 | 0.42 |
| Union Square Limited Partnership | Real Estate | 391.1 | 0.41 |
| Bank of America | Financial Institution | 366.0 | 0.38 |
| The Boeing Company | Aircraft/Aerospace Manufacturing | 330.0 | 0.35 |
| Washington Mutual Bank/Wright-Runstad | Financial Institution | 277.1 | 0.29 |
| City Center Associates | Real Estate | 252.1 | 0.26 |
| Starwood Hotels & Resorts (Westin Hotel & W Seattle Hotel) | Hospitality | 208.3 | 0.22 |
| Martin Selig | Real Estate | 180.3 | 0.19 |
| Puget Sound Energy | Gas & Electric Utility | 168.6 | 0.18 |
| Gerald D. Hines | Real Estate | 145.1 | 0.15 |
| Seattle Sheraton | Hospitality | 105.2 | 0.11 |
| Safeway | Grocery | 101.2 | 0.11 |

^a Source: King County Assessor.

^b The above listing includes taxpayers paying real and personal property taxes as property owners. It does not include taxpayers paying leasehold excise taxes based on rental payments for property they lease from other entities.

^c 2005 assessed valuations for taxes collected in 2006.

Table S-7 **SPECIAL ASSESSMENT COLLECTIONS**
Last Ten Fiscal Years

| Year | Assessment Collections | | | | Total Outstanding Assessments |
|-------------|-------------------------------|-------------------|-----------------|--------------|--------------------------------------|
| | Current | Delinquent | Deferred | Total | |
| 1996 | \$ 48,309 | \$ 4,135 | \$ 39,706 | \$ 92,150 | \$ 165,776 |
| 1997 | 39,187 | 171 | - | 39,358 | 126,418 |
| 1998 | 37,424 | 2,617 | 3,478 | 43,519 | 82,899 |
| 1999 | 42,852 | 2,067 | - | 44,919 | 37,980 |
| 2000 | 15,921 | 890 | - | 16,811 | 21,169 |
| 2001 | 16,371 | 450 | - | 16,821 | 4,348 |
| 2002 | 87,367 | - | - | 87,367 | 74,751 |
| 2003 | 7,536 | 2,348 | 26,188 | 36,072 | 38,679 |
| 2004 | 5,424 | - | 16,228 | 21,652 | 17,027 |
| 2005 | 2,028 | 800 | - | 2,828 | 14,199 |

Table S-8

COMPUTATION OF LEGAL DEBT MARGIN

| | General Capacity ^a | | Special Purpose Capacity | | Total Capacity |
|--|---|---|---|--|------------------------|
| | Councilmanic (1.5% of Assessed Value) | Voter-Approved (2.5% of Assessed Value) | Open Spaces and Parks (2.5% of Assessed Value) | Utility Purposes (2.5% of Assessed Value) | |
| Latest Certified Assessed Value - \$95,706,633,290b | | | | | |
| 2.50% of Assessed Value | \$ - | \$2,392,665,832 | \$2,392,665,832 | \$2,392,665,832 | \$7,177,997,496 |
| 1.50% of Assessed Value | 1,435,599,499 | (1,435,599,499) | - | - | - |
| | 1,435,599,499 | 957,066,333 | 2,392,665,832 | 2,392,665,832 | 7,177,997,496 |
| Statutory Debt Limit Less Debt Outstanding ^c | | | | | |
| Bonds | (673,288,104) ^d | (178,275,526) | - | (17,664,474) | (869,228,104) |
| Leases | (29,213) | - | - | - | (29,213) |
| Guarantee on PDA Bonds ^e | (94,118,574) | - | - | - | (94,118,574) |
| Compensated Absences ^f | (52,894,536) | - | - | - | (52,894,536) |
| Total Debt Outstanding | (820,330,427) | (178,275,526) | - | (17,664,474) | (1,016,270,427) |
| Add: | | | | | |
| Available Net Assets In Redemption Funds ^g | 12,428,189 | 1,979,115 | - | - | 14,407,304 |
| Compensated Absences for Sick Leave ^f | 8,888,278 | - | - | - | 8,888,278 |
| Net Debt Outstanding | (799,013,960) | (176,296,411) | - | (17,664,474) | (992,974,845) |
| LEGAL DEBT MARGIN | <u>\$ 636,585,539</u> | <u>\$780,769,922</u> | <u>\$2,392,665,832</u> | <u>\$2,375,001,358</u> | <u>\$6,185,022,651</u> |

^a Debt limits are established by state law in RCW 39.36.020 and 35.42.200. These figures do not include \$20.1 million of outstanding City obligations to repay loans from the Washington State Public Works Assistance Account, as the State's statutory debt limits do not apply to amounts loaned by the state and federal governments under RCW 39.36. However, Public Works Assistance Account indebtedness does count within the limits in Article VIII of the State Constitution, which prohibits the City's debt from exceeding 1.5 percent of assessed value of taxable property without a vote of the people or a total of 5.0 percent of assessed value of taxable property for general municipal purposes with a vote of the people.

^b RCW 39.36.015 allows incorporated cities to use the "last assessment for city purposes." This assessment was issued as of February 17, 2006, for taxes payable in 2006.

^c State law and the State Auditor's Office require that the liabilities for warrants outstanding and other miscellaneous obligations of the General Fund, other tax-supported funds, and internal service funds be included as debt in calculating the legal debt margin, except when cash, investments, and other cash-equivalent assets in any of these individual funds exceed current liabilities.

^d \$14,348,104, the accreted value of the 1998, Series E, bonds as of December 31, 2005, and not its par value outstanding of \$10,318,987, is recognized in this table.

^e The City guarantees Public Development Authority bonds which create contingent obligations. Currently the City is contingently liable on debt issued by the Museum Development Authority, the Pike Place Market Preservation and Development Authority, the Seattle-Chinatown International District Preservation Development Authority, and the Seattle Indian Service Commission.

^f The State Auditor's Office requires that the liability for compensated absences, to the extent that it is a certain obligation of a determined amount or employee vested, be included as debt in calculating the legal debt margin. All compensated absences except the sick leave estimate meet this criteria.

^g Does not include available net assets in the Local Improvement Guaranty Fund and Interfund Notes Payable Fund because special assessment bonds related to them, if any, are not included in the computation of legal debt margin.

Table S-9

**RATIO OF NET GENERAL OBLIGATION DEBT
TO ASSESSED VALUE AND NET DEBT PER CAPITA**

Last Ten Fiscal Years

| Year | Population | Assessed Value (In Thousands) | Net Direct G.O. Debt ^a (In Thousands) | Net Overall G.O. Debt ^b (In Thousands) | Net G.O. Debt to Assessed Value | | Net G.O. Debt Per Capita | |
|------|------------|-------------------------------------|--|---|------------------------------------|---------|-----------------------------|----------|
| | | | | | Seattle | Overall | Seattle | Overall |
| 1996 | 534,700 | \$ 42,312,764 | \$ 494,590 | \$ 842,588 | 1.17 % | 1.99 % | \$ 925 | \$ 1,576 |
| 1997 | 536,600 | 43,336,999 | 502,866 | 835,575 | 1.16 | 1.93 | 937 | 1,557 |
| 1998 | 539,700 | 46,121,838 | 557,945 | 876,163 | 1.21 | 1.90 | 1,034 | 1,623 |
| 1999 | 540,500 | 51,237,631 | 708,970 | 959,020 | 1.38 | 1.87 | 1,312 | 1,774 |
| 2000 | 563,374 | 57,538,026 | 679,216 | 954,130 | 1.18 | 1.66 | 1,206 | 1,694 |
| 2001 | 568,100 | 65,623,475 | 771,402 | 1,149,574 | 1.18 | 1.75 | 1,358 | 2,024 |
| 2002 | 570,800 | 75,506,592 | 940,272 | 1,339,175 | 1.25 | 1.77 | 1,647 | 2,346 |
| 2003 | 571,900 | 80,128,288 | 946,595 | 1,333,168 | 1.18 | 1.66 | 1,655 | 2,331 |
| 2004 | 572,600 | 83,938,096 | 892,943 | 1,404,477 | 1.06 | 1.67 | 1,559 | 2,453 |
| 2005 | 573,000 | 88,278,106 | 850,792 | 1,340,029 | 0.96 | 1.52 | 1,485 | 2,339 |

^a Net Direct G.O. Debt is the total general obligation debt of Seattle less the net assets reserved to pay that debt.

^b Net Overall G.O. Debt is the total general obligation debt of Seattle and the portion of the general obligation debt of overlapping jurisdictions which is attributable to Seattle, less any net assets reserved to pay that debt.

Table S-10

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES**

Last Ten Fiscal Years (In Thousands)

| Fiscal Year | Principal ^c | Interest ^c | Total Debt Service | Total General Expenditures ^{d e} | Percentage of Debt Service to Total General Expenditures |
|----------------|------------------------|-----------------------|--------------------------|--|---|
| 1996 | \$ 17,360 | \$ 19,789 | \$ 37,149 | \$ 746,506 | 4.98 % |
| 1997 | 25,490 | 29,321 | 54,811 | 684,847 | 8.00 |
| 1998 | 29,985 | 28,411 | 58,396 | 680,470 | 8.58 |
| 1999 | 34,170 | 30,739 | 64,909 | 753,810 | 8.61 |
| 2000 | 30,215 | 41,641 | 71,856 | 737,665 | 9.74 |
| 2001 | 37,583 | 36,338 | 73,921 | 795,778 | 9.29 |
| 2002 | 43,045 | 39,268 | 82,313 | 921,065 | 8.94 |
| 2003 | 45,438 | 44,966 | 90,404 | 926,837 | 9.75 |
| 2004 | 51,168 | 41,612 | 92,780 | 959,676 | 9.67 |
| 2005 | 92,420 | 39,695 | 132,115 | 1,029,978 | 12.83 |

^c Does not include redemption payments for refunded bonds using bond refunding proceeds and for bond defeasance using City's own resources. A small portion of these amounts is funded by the Downtown Parking Garage Fund, an enterprise fund, and the Fleets and Facilities and Information Technology Funds, internal service funds where interest is recognized and bond liability is reduced for payments in the year on the related bonds.

^d Includes all expenditures in Table S-1 except capital outlay.

^e Total expenditures were adjusted for certain years to reflect prior-period restatements and reclassifications made in the following year.

Table S-11 COMPUTATION OF DIRECT AND OVERLAPPING DEBT ^a

December 31, 2005

| Jurisdiction | Net Debt Outstanding ^b | Percentage Applicable to Seattle | Amount Applicable to Seattle |
|------------------------------------|-----------------------------------|----------------------------------|------------------------------|
| City of Seattle - Net Direct Debt | \$ 850,791,683 | 100.00 % | \$ 850,791,683 |
| King County | 900,699,000 ^c | 35.47 ^d | 319,477,935 |
| Port of Seattle | 380,225,000 ^c | 35.47 ^d | 134,865,808 |
| School District 001 | 35,336,768 ^c | 98.69 ^d | 34,873,856 |
| School District 401 | <u>197,728,456 ^c</u> | 0.01 ^d | <u>19,773</u> |
| Total Seattle Net Overlapping Debt | <u>1,513,989,224</u> | | <u>489,237,372</u> |
| Total Direct and Overlapping Debt | <u>\$ 2,364,780,907</u> | | <u>\$ 1,340,029,055</u> |

^a Debts incurred by other governmental units, although overlapping, have no claim on any City revenues.

^b Net bonded debt outstanding is the total general obligation bond less direct fund reserves available to pay debt service.

^c Source: King County Department of Finance.

^d Source: King County Department of Assessments.

Table S-12 REVENUE BOND COVERAGE ^e

Last Ten Fiscal Years (In Thousands)

| C I T Y L I G H T | | | | D R A I N A G E A N D W A S T E W A T E R | | | |
|-------------------|--|---------------------------|-----------------------------|---|--|---------------------------|-----------------------------|
| Fiscal Year | Net Revenue Available for Debt Service | Debt Service Requirements | Debt Service Coverage Ratio | Fiscal Year | Net Revenue Available for Debt Service | Debt Service Requirements | Debt Service Coverage Ratio |
| 1996 | \$ 144,099 | \$ 68,001 | 2.12 | 1996 | \$ 24,043 | \$ 5,366 | 4.48 |
| 1997 | 157,402 | 71,035 | 2.22 | 1997 | 21,843 | 5,354 | 4.08 |
| 1998 | 105,024 | 69,898 | 1.50 | 1998 | 22,896 | 6,357 | 3.60 |
| 1999 | 143,339 | 75,370 | 1.90 | 1999 | 25,724 | 6,943 | 3.70 |
| 2000 | 104,630 | 83,206 | 1.26 | 2000 | 26,632 | 10,797 | 2.47 |
| 2001 | 87,604 | 61,552 | 1.42 | 2001 | 29,047 | 11,167 | 2.60 |
| 2002 | 177,825 | 110,665 | 1.61 | 2002 | 27,822 | 13,836 | 2.01 |
| 2003 | 164,482 | 105,719 | 1.56 | 2003 | 32,670 | 15,426 | 2.12 |
| 2004 | 195,379 | 123,373 | 1.58 | 2004 | 38,749 | 17,676 | 2.19 |
| 2005 | 248,916 | 133,528 | 1.86 | 2005 | 49,719 | 18,223 | 2.73 |

| W A T E R | | | | S O L I D W A S T E | | | |
|-------------|--|---------------------------|-----------------------------|---------------------|--|---------------------------|-----------------------------|
| Fiscal Year | Net Revenue Available for Debt Service | Debt Service Requirements | Debt Service Coverage Ratio | Fiscal Year | Net Revenue Available for Debt Service | Debt Service Requirements | Debt Service Coverage Ratio |
| 1996 | \$ 40,749 | \$ 20,745 ^f | 1.96 | 1996 | \$ 16,180 | \$ 5,197 | 3.11 |
| 1997 | 40,381 | 22,020 | 1.83 | 1997 | 17,094 | 5,198 | 3.29 |
| 1998 | 50,929 | 25,492 | 2.00 | 1998 | 17,704 | 5,197 | 3.41 |
| 1999 | 51,296 | 31,177 | 1.65 | 1999 | 17,796 | 4,904 | 3.63 |
| 2000 | 66,648 | 41,316 | 1.61 | 2000 | 18,086 | 5,374 | 3.37 |
| 2001 | 60,978 | 44,540 | 1.37 | 2001 | 21,197 | 5,357 | 3.96 |
| 2002 | 70,992 | 47,116 | 1.51 | 2002 | 22,079 | 5,428 | 4.07 |
| 2003 | 77,238 | 47,122 | 1.64 | 2003 | 26,069 | 5,352 | 4.87 |
| 2004 | 86,507 | 51,091 | 1.69 | 2004 | 25,711 | 5,350 | 4.81 |
| 2005 | 91,093 | 54,317 | 1.68 | 2005 | 24,463 | 5,348 | 4.57 |

^e Source: City Utilities.

^f Average annual debt service requirement.

Table S-13

DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

| Year | Population ^a | | Per Capita Income ^b | | Median Age King County ^d | Public School Enrollment ^e | King County |
|------|-------------------------|---------|--------------------------------|-----------------------------|--|--|---|
| | King County | Seattle | King County | Region PMSA ^c | | | Average Annual Unemployment Rate ^f |
| 1996 | 1,628,800 | 534,700 | \$ 34,203 | \$ 31,356 | 35.71 | 47,075 | 4.9 % |
| 1997 | 1,659,106 | 546,885 | 36,476 | 33,484 | 35.96 | 47,457 | 3.3 |
| 1998 | 1,686,266 | 552,511 | 40,519 | 36,616 | 36.27 | 47,609 | 2.9 |
| 1999 | 1,712,122 | 556,573 | 44,719 | 39,880 | 36.55 | 47,453 | 2.7 |
| 2000 | 1,737,034 | 563,374 | 45,536 | 40,686 | 35.30 | 46,926 | 3.6 |
| 2001 | 1,758,300 | 568,100 | 45,965 | 41,229 | 35.92 | 46,796 | 5.1 |
| 2002 | 1,774,300 | 570,800 | 44,135 | 40,735 | 36.13 | 46,390 | 6.5 |
| 2003 | 1,779,300 | 571,900 | 45,334 | 41,788 | 36.37 | 46,730 | 6.8 |
| 2004 | 1,788,300 | 572,600 | N/A | N/A | 36.60 | 46,416 | 4.6 |
| 2005 | 1,808,300 | 573,000 | N/A | N/A | 36.85 | 46,200 | 4.8 |

^a As of April 1. Source: Washington State Office of Financial Management, "2005 Population Trends for Washington State" estimates only.

^b Source: U. S. Bureau of Economic Analysis, adjusted for prior-period restatements. 2004 and 2005 are not available.

^c Source: Bureau of Economic Analysis, includes Seattle, Bellevue and Everett. 2004 and 2005 are not available.

^d Source: Washington State Office of Financial Management.

^e Source: Seattle Public Schools.

^f Preliminary. Source: Washington State Employment Security Department.

Table S-14

PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS

Last Ten Fiscal Years

| Year | Property Value ^g | | | Commercial Construction ^h | | Residential Construction | | King County |
|------|------------------------------|-------------------------------|-------------------------|--------------------------------------|-------------------------|--------------------------|-------------------------|--|
| | Commercial (In Thousands) | Residential (In Thousands) | Total (In Thousands) | Number of Units | Value (In Thousands) | Number of Units | Value (In Thousands) | Commercial Bank Deposits (In Thousands) ⁱ |
| 1996 | \$ 16,699,202 | \$ 25,153,434 | \$ 41,852,636 | 198 | \$ 149,771 | 1,888 | \$ 278,556 | \$ 16,344,421 |
| 1997 | 17,339,016 | 25,579,340 | 42,918,356 | 220 | 161,455 | 1,944 | 308,079 | 17,125,082 |
| 1998 | 18,341,260 | 27,397,544 | 45,738,804 | 244 | 181,742 | 1,905 | 309,145 | 19,650,474 |
| 1999 | 20,140,595 | 30,463,916 | 50,604,511 | 380 | 381,780 | 2,200 | 523,164 | 18,337,407 |
| 2000 | 22,764,184 | 34,146,276 | 56,910,460 | 78 | 214,335 | 1,239 | 260,836 | 18,678,000 |
| 2001 | 26,033,974 | 39,050,961 | 65,084,935 | 51 | 27,287 | 1,251 | 314,809 | 20,334,000 |
| 2002 | 29,981,381 | 44,972,071 | 74,953,452 | 54 | 90,749 | 1,458 | 395,303 | 22,262,000 |
| 2003 | 30,660,823 | 48,977,678 | 79,638,501 | 88 | 85,757 | 2,141 | 585,571 | 26,750,000 |
| 2004 | 33,790,677 | 53,976,607 | 87,767,284 | 84 | 85,515 | 2,033 | 551,008 | 28,840,000 |
| 2005 | 26,164,754 ^j | 65,160,576 ^{xx} | 91,325,330 | 233 | 128,009 | 1,845 | 521,470 | 32,674,000 |

^g Source: King County Department of Assessments, 2005 estimates only.

^h Source: King County Department of Development and Environmental Services.

ⁱ As of June 30. Source: Federal Deposit Insurance Corporation.

^j Due to a change in state law in 2005 condominiums are now considered residential.

STATISTICAL DATA

Page 1 of 3

December 31, 2005 - Unless Otherwise Indicated

CITY GOVERNMENT

| | |
|-----------------------------------|------------------|
| Date of incorporation | December 2, 1869 |
| Present charter adopted | March 12, 1946 |
| Form: Mayor-Council (Nonpartisan) | |

GEOGRAPHICAL DATA

| | |
|---|-------|
| Location: | |
| Between Puget Sound and Lake Washington | |
| 125 nautical miles from Pacific Ocean | |
| 110 miles south of Canadian border | |
| Altitude: | |
| Sea level to 521 feet | |
| Average elevation 10 feet | |
| Land Area (Square Miles) | 83.1 |
| Climate | |
| Temperature | |
| 30-year average, mean annual | 52.4 |
| January 2005 average high | 47.4 |
| January 2005 average low | 36.8 |
| July 2005 average high | 75.3 |
| July 2005 average low | 55.8 |
| Rainfall | |
| 30-year average, in inches | 36.35 |
| 2005, in inches | 35.44 |

ELECTIONS (November 8)

| | |
|--|---------|
| Active registered voters | 349,835 |
| Percentage voted last general election | 55.47 |
| Total voted | 194,061 |

CITY EMPLOYEES

| | |
|--|--------|
| General Government Administration (includes Judicial and Legal) | 1,517 |
| Public Safety | 2,835 |
| Utilities | 2,947 |
| Transportation | 591 |
| Housing and Human Services | 345 |
| Planning and Development | 488 |
| Cultural and Recreation | 1,984 |
| Total Employees | 10,707 |

PENSION BENEFICIARIES

| | |
|-----------------------|-------|
| Employees' Retirement | 5,011 |
| Firemen's Pension | 953 |
| Police Pension | 780 |

VITAL STATISTICS

| | |
|---------------------------------|------|
| Rates per thousand of residents | |
| Births (2004) | 12.6 |
| Deaths (2004) | 7.6 |

FIRE PROTECTION

| | |
|-------------------------|--------------|
| Personnel | |
| Uniformed | 1,051 |
| Other | 76 |
| Boats | 2 |
| Fire fighting apparatus | 163 |
| Stations | 33 |
| Fire loss - property | |
| Total City fire loss | \$16,657,222 |
| Per capita | \$29.13 |
| Training tower | 1 |
| Alarm center | 1 |
| Utility shop | 1 |

LIBRARY (Municipal)

| | |
|---|-----------|
| Personnel | |
| Full-time | 324 |
| Part-time | 317 |
| Central and branch libraries | 24 |
| Mobile units | 4 |
| Books, audio and video materials, newspapers, and magazines – circulated | 7,449,761 |
| Collection, print and non-print | 2,173,903 |
| Library cards in force | 454,990 |

PARKS AND RECREATION

| | | |
|---|---------|-------------|
| Personnel | | |
| Full-time - permanent | 750 | |
| Part-time - permanent | 187 | |
| Temporary | 882 | |
| Major parks | 13 | |
| Open space acres acquired since 1989 | 630 | |
| Total acreage | 6,036 | |
| Children's play areas | 130 | |
| Neighborhood playgrounds | 38 | |
| Community playfields | 33 | |
| Community recreation centers | 25 | |
| Visual and performing arts centers ^a | 6 | |
| Theaters ^a | 2 | |
| Community indoor swimming pools | 8 | |
| Outdoor heated pool (one saltwater) | 2 | |
| Boulevards | 18 | |
| Golf courses (includes one pitch and putt) | 5 | |
| Squares, plazas, triangles | 62 | |
| Viewpoints | 8 | |
| Bathing beaches (lifeguarded) | 9 | |
| Park use permits issued | 649 | \$229,420 |
| Facility use permits issued ^b | N/A | \$567,975 |
| Picnic permits issued | 3,273 | \$218,045 |
| Ball field usage (scheduled hours) | 142,360 | \$1,474,107 |
| Weddings | 197 | \$69,670 |
| Aquarium specimens on exhibit | | 14,600 |

^a Activities under contract with private nonprofit organizations.

^b Includes permits with fee waivers.

STATISTICAL DATA

Page 2 of 3

December 31, 2005- Unless Otherwise Indicated

BUILDING PERMITS

| Year | Issued Permit Value | Number of Permits Issued |
|------|---------------------|--------------------------|
| 1996 | \$ 664,854,251 | 5,409 |
| 1997 | 995,315,670 | 5,923 |
| 1998 | 1,159,231,667 | 6,756 |
| 1999 | 1,669,777,218 | 6,770 |
| 2000 | 1,612,566,932 | 6,510 |
| 2001 | 1,736,825,632 | 6,658 |
| 2002 | 1,282,588,182 | 6,728 |
| 2003 | 1,175,475,274 | 6,683 |
| 2004 | 1,597,349,890 | 7,209 |
| 2005 | 1,682,031,014 | 7,178 |

MUNICIPAL ELECTRIC PLANT

| | |
|--|-----------|
| Personnel (Full Time Equivalents) | 1,560 |
| Customers | 375,869 |
| Plant capacity (KW) | 1,888,700 |
| Maximum system load (KW) | 1,714,080 |
| Total system energy (1,000 KW) (firm load) | 9,703,046 |

Operating Revenue and Meters by Year

| Year | Operating Revenue | Meters |
|------|-------------------|---------|
| 1996 | \$356,670,693 | 350,088 |
| 1997 | 366,138,163 | 351,624 |
| 1998 | 363,913,130 | 354,721 |
| 1999 | 372,750,765 | 368,942 |
| 2000 | 505,628,699 | 372,329 |
| 2001 | 632,453,970 | 375,953 |
| 2002 | 709,330,438 | 379,257 |
| 2003 | 741,761,472 | 380,828 |
| 2004 | 777,918,589 | 383,883 |
| 2005 | 748,552,561 | 387,032 |

MUNICIPAL WATER PLANT & GROUND WATER

Sources: Cedar and Tolt Rivers and Highline Well Field

| | |
|--------------------------------------|-------------|
| Population served | 1,350,346 |
| Reservoirs, standpipes, tanks | 38 |
| Fire hydrants | 18,475 |
| Water mains | |
| Supply, in miles | 181 Miles |
| Distribution, in miles | 1,644 Miles |
| Billed water consumption, in gallons | |
| Daily average | 118,854,138 |
| Water storage, in gallons | 494,080,000 |

Operating Revenue and Meters by Year

| Year | Operating Revenue | Meters |
|------|-------------------|---------|
| 1996 | \$68,940,665 | 174,987 |
| 1997 | 71,956,360 | 175,698 |
| 1998 | 82,847,279 | 176,006 |
| 1999 | 86,254,799 | 177,122 |
| 2000 | 105,358,307 | 178,122 |
| 2001 | 105,345,318 | 179,330 |
| 2002 | 118,160,130 | 179,268 |
| 2003 | 129,561,327 | 180,149 |
| 2004 | 141,313,235 | 181,038 |
| 2005 | 146,118,856 | 182,037 |

MUNICIPAL DRAINAGE & WASTEWATER UTILITY

| | |
|---|---------------|
| Established | April 1, 1956 |
| Combined sewers, life-to-date, in miles | 968 |
| Sanitary sewers, life-to-date, in miles | 464 |
| Storm drains, life-to-date, in miles | 474 |
| Pumping stations | 68 |

Operating Revenue by Year

| Year | Operating Revenue |
|------|-------------------|
| 1996 | \$121,151,483 |
| 1997 | 119,363,778 |
| 1998 | 120,706,449 |
| 1999 | 125,697,879 |
| 2000 | 130,816,605 |
| 2001 | 136,238,195 |
| 2002 | 144,485,761 |
| 2003 | 150,721,637 |
| 2004 | 162,117,805 |
| 2005 | 176,482,071 |

MUNICIPAL SOLID WASTE UTILITY

| | |
|---------------------------------|---------|
| Transfer stations | 2 |
| Residential garbage customers | 165,561 |
| Residential dumpsters customers | 115,838 |
| Commercial garbage customers | 8,697 |

Operating Revenue by Year, CAFR Basis

| Year | Operating Revenue ^a |
|------|--------------------------------|
| 1996 | \$ 77,349,623 |
| 1997 | 80,413,680 |
| 1998 | 81,451,385 |
| 1999 | 81,093,039 |
| 2000 | 85,257,112 |
| 2001 | 105,510,879 |
| 2002 | 112,089,944 |
| 2003 | 111,738,282 |
| 2004 | 112,167,705 |
| 2005 | 111,230,835 |

^a Beginning in 2003 the Utility reports state refuse and sales taxes as a payable rather than addition to operating revenue.

POLICE PROTECTION

| | |
|---------------------------------------|-------------------|
| Personnel | |
| Sworn | 1,192 |
| Student Officers | 87 |
| Civilian | 481 |
| Stations (5 precincts) | 5 |
| Vehicles | |
| Patrol cars | 252 |
| Motorcycles | 48 |
| Scooters | 55 |
| Trucks, vans, minibuses | 79 |
| Automobiles | 189 |
| Patrol boats | 9 |
| Bicycles | 137 |
| Horses | 8 |
| Municipal Court filings and citations | |
| Non-traffic criminal filings | 12,098 |
| Criminal traffic filings | 2,098 |
| DUI filings | 1,437 |
| Non-traffic infraction filings | 7,416 |
| Traffic infractions | 59,120 |
| Parking infractions | 438,303 |
| Jail | County facilities |

STATISTICAL DATA

Page 3 of 3

December 31, 2005 - Unless Otherwise Indicated

POPULATION

| Year | City of Seattle | Seattle Metropolitan Area ^{ab} |
|-----------------------|-----------------|---|
| 1910 | 237,194 | N/A |
| 1920 | 315,685 | N/A |
| 1930 | 365,583 | N/A |
| 1940 | 368,302 | N/A |
| 1950 | 467,591 | 844,572 |
| 1960 | 557,087 | 1,107,203 |
| 1970 | 530,831 | 1,424,611 |
| 1980 | 493,846 | 1,607,618 |
| 1990 | 516,259 | 1,972,947 |
| 2000 | 563,374 | 2,279,100 |
| 2001 | 568,100 | 2,376,900 |
| 2002 | 570,800 | 2,402,300 |
| 2003 | 571,900 | 2,416,800 |
| 2004 | 572,600 | 2,433,100 |
| 2005 | 573,000 | 2,464,100 |
| King County | | 1,808,300 |
| Percentage in Seattle | | 32% |

^a Source: Washington State Office of Financial Management.

^b Based on population in King and Snohomish Counties.

STREETS, SIDEWALKS, AND BRIDGES

| | |
|--|-------------|
| Arterial streets | 1,534 Miles |
| Non-arterial streets – paved and unpaved | 2,412 Miles |
| Sidewalks | 1,956 Miles |
| Stairways | 482 |
| Length of stairways | 34,643 Feet |
| Number of stairway treads | 23,211 |
| Street trees | |
| City maintained | 34,000 |
| Maintained by property owners | 100,000 |
| Total platted streets | 1,666 Miles |
| Traffic signals | 1,000 |
| Parking meters | |
| Downtown ^c | 2,819 |
| Outlying | 904 |
| Parking Pay Stations - Downtown | 758 |
| Parking Pay Stations - Outlying | 318 |
| Bridges (movable) – City-owned and -operated | 4 |
| Bridges (fixed) | |
| City maintenance | 84 |
| Partial City maintenance | 61 |
| Retaining walls/seawalls | 582 |

^c Includes Belltown, Central Business District, First Hill, International District, Pioneer Square, and the Waterfront.

PROPERTY TAXES

| | |
|------------------------------------|------------------|
| Assessed valuation (January 2005) | \$88,278,105,726 |
| Tax levy (City) | \$294,371,932 |

EXAMPLE – PROPERTY TAX ASSESSMENTS

| | |
|------------------------|-----------|
| Real value of property | \$368,700 |
| Assessed value at | \$368,700 |

| Property tax levied by: | Dollars per Thousand | Tax Due |
|----------------------------|----------------------|-------------------|
| City of Seattle | \$3.35344 | \$1,236.41 |
| Emergency medical services | .23182 | 85.47 |
| State of Washington | 2.68951 | 991.62 |
| School District No. 1 | 2.30181 | 848.68 |
| King County | 1.38229 | 509.65 |
| Port of Seattle | .25321 | 93.36 |
| Totals | <u>\$10.21208</u> | <u>\$3,765.19</u> |

PUBLIC EDUCATION (2004-05 School Year)

| | |
|--|--------|
| Enrollment (October 1) | 46,200 |
| Teachers and other certified employees (October 1) | 3,305 |
| School programs | |
| Regular elementary programs | 62 |
| Regular middle school programs | 10 |
| Regular high school programs | 10 |
| Other school programs | 19 |
| Total number of school programs | 101 |

PORT OF SEATTLE

Bonded Indebtedness

| | |
|--------------------------|----------------|
| General obligation bonds | \$ 380,225,000 |
| Utility revenue bonds | 2,475,545,000 |
| PFC bonds | 235,635,000 |
| Commercial Paper | 70,210,000 |

Waterfront (mileage)

| | |
|-------------|------|
| Salt water | 13.4 |
| Fresh water | 0.7 |

Value of Land Facilities

| | |
|-------------------------------|-----------------|
| Waterfront | \$1,714,740,176 |
| Sea-Tac International Airport | \$3,851,013,525 |

Marine Container Facilities/Capacities

4 container terminals with 10 berths covering 501 acres
 2.088 million TEU's (20-ft. equivalent unit containers)
 1 grain facility, 1 general cargo facility, 1 barge terminal
 2 cruise terminals

Sea-Tac International Airport

| | |
|------------------------------|----|
| Scheduled passenger airlines | 27 |
| Cargo airlines | 8 |
| Charter airlines | 5 |
| Loading bridges | 72 |

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Comprehensive Annual Financial Report 2005

Department of Executive Administration

Production Staff

Accounting/Treasury Services Director

Carol Metcalf, CPA

Central Accounting Manager

Victoria C. Galinato

Central Accounting and Reporting

Emelita Reyes Barber, CPA

Fon Chang, CPA

Lorenza L. Cruz

Narci Damo

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Inson Whang

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Marie Tschirgi

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