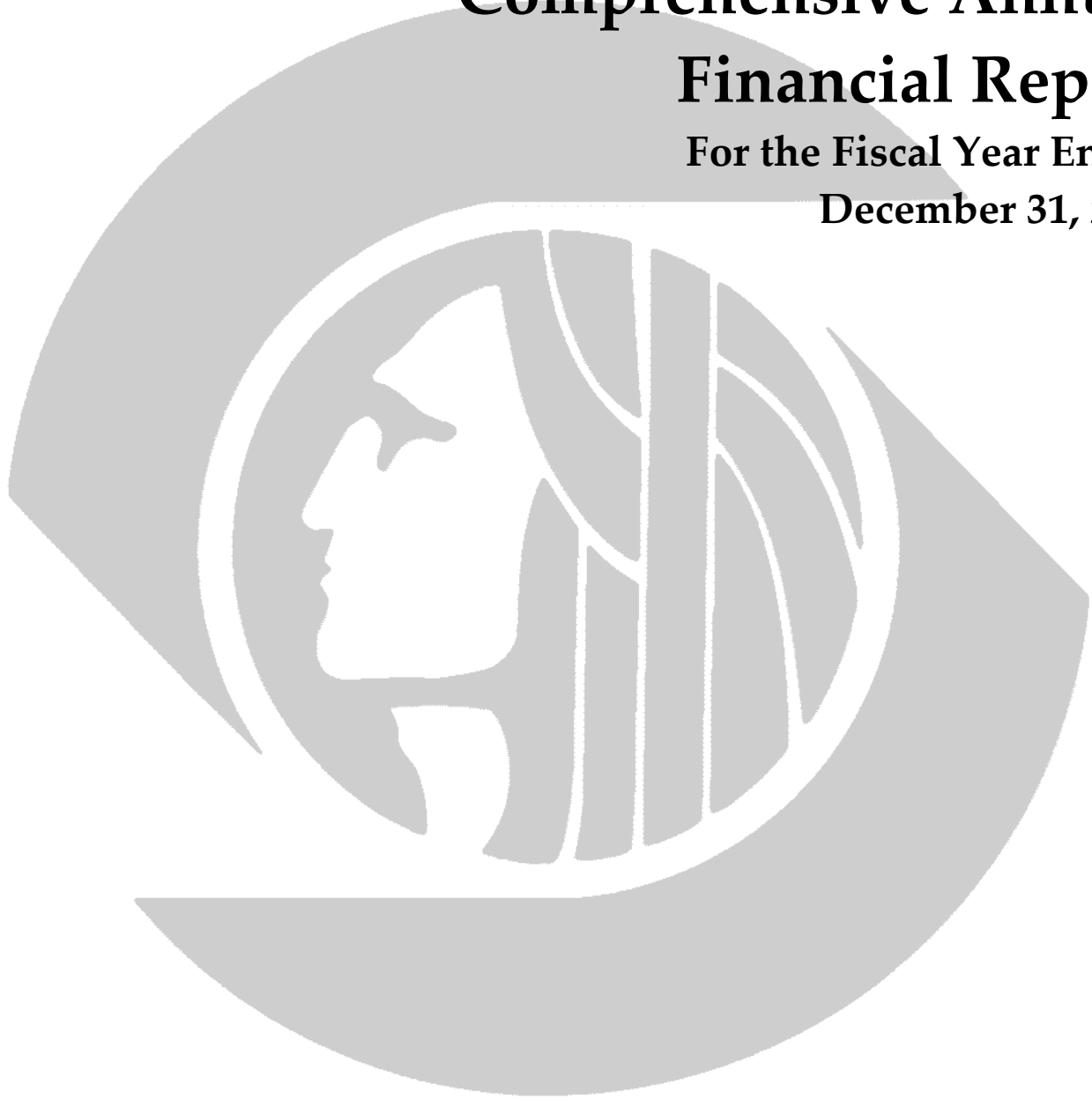


The City of Seattle, Washington
Comprehensive Annual
Financial Report
For the Fiscal Year Ended
December 31, 2011



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The City of Seattle **Washington**

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



Department of Finance and Administrative Services

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Introduction

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Comprehensive Annual Financial Report

For the Year Ended December 31, 2011

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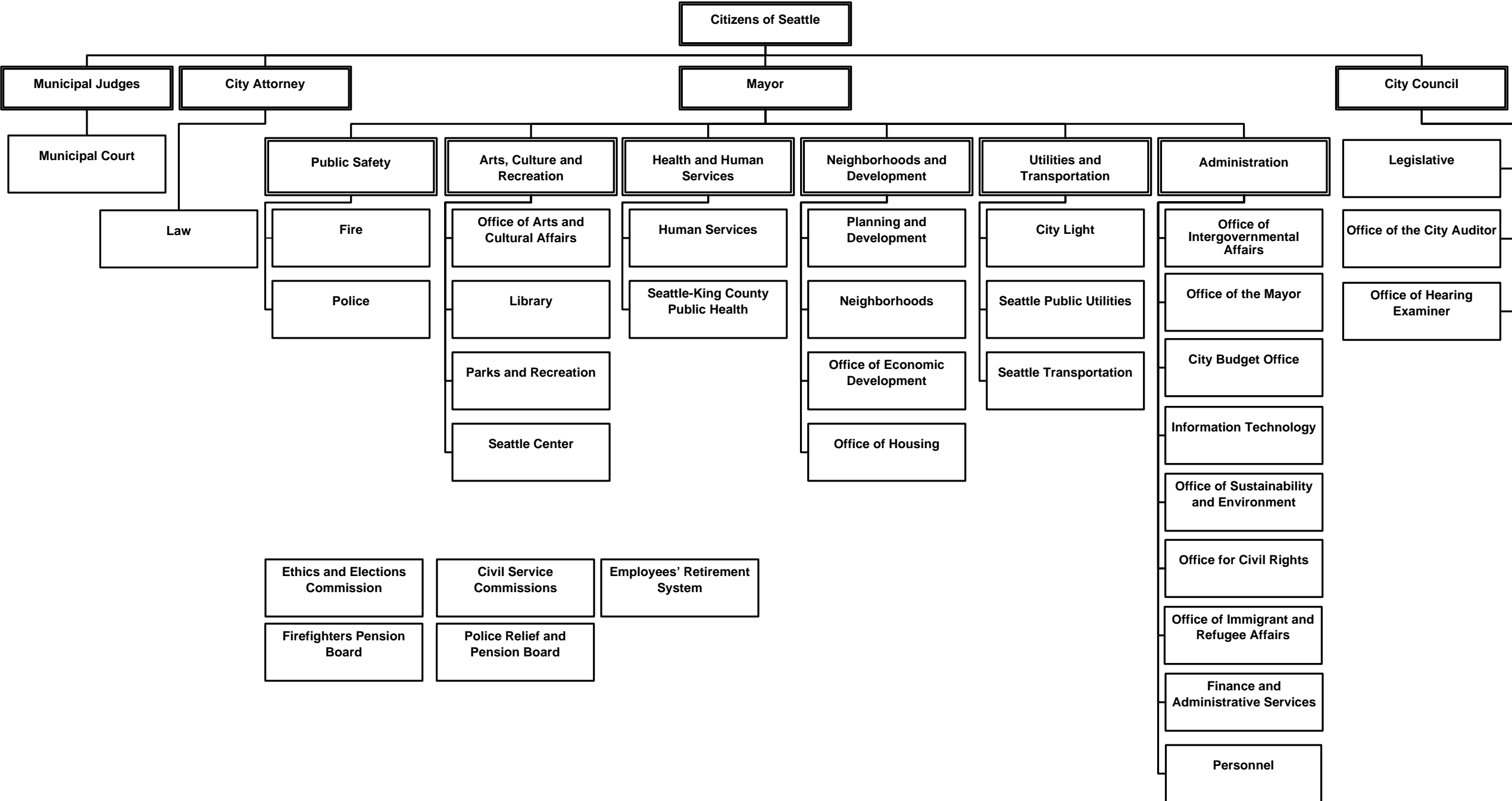
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CITY ORGANIZATION CHART



Ethics and Elections Commission

Civil Service Commissions

Employees' Retirement System

Firefighters Pension Board

Police Relief and Pension Board

CITY OF SEATTLE ELECTED OFFICIALS

As of December 31, 2011



Mike McGinn
Mayor



Peter Holmes
City Attorney

CITY COUNCIL



Sally Bagshaw



Tim Burgess



Sally Clark



Richard Conlin
Council President



Jean Godden



Bruce Harrell



Nick Licata



Mike O'Brien



Tom Rasmussen

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City of Seattle
Department of Finance and Administrative Services
Finance Services Division

October 26, 2012

The Honorable Mayor and
Members of the City Council:

I am pleased to submit to you the 2011 Comprehensive Annual Financial Report (CAFR) of the City of Seattle, Washington. The Department of Finance and Administrative Services prepared this report to present the financial position of the City of Seattle as of December 31, 2011, and the results of its operations, 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 of Seattle's (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, results of operations, 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 the City's management staff. 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 complements the MD&A and should be read in conjunction with it.

Glen Lee, City Finance Director
700 Fifth Avenue, 43rd Floor
P.O. Box 94669
Seattle, Washington 98124-4669

Tel (206) 684-8079
Fax (206) 684-8286
TDD (206) 615-0476
glen.lee@seattle.gov

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 and last amended by the voters on November 6, 2007, 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. A joint venture, 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. The City builds and repairs roads and maintains electric, water, solid waste, sewer and drainage services. It provides police and fire protection as well as judicial services. It 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 and two separate but related fiscal plans: 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 an annual basis among the City's public services and programs and provides for associated financing decisions. The budget appropriates fiscal year expenditures except for project-oriented, multi-year appropriations made for capital projects, grants, or endowments. The budget also ordains changes to employee positions by department.

The CIP plan is 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 funding source. It is revised and extended annually. The City Council adopts the CIP as a planning document and appropriates the multi-year expenditures identified in the CIP through the adoption of the annual budget or subsequent supplemental budgets. The CIP is consistent with the City's Comprehensive Plan and includes information required by the State's Growth Management Act.

The CDBG planning process allocates the annual grant awarded by the federal government to City departments and non-City organizations. Although this federally funded program has unique timetables and requirements, the City coordinates it with the annual budget and CIP processes to improve preparation and budget allocation decisions and streamline budget execution.

The adopted budget makes appropriations for operating and capital expenses at the budget control level within the departments. Grant-funded activities are controlled as prescribed by law and federal or state regulations.

NATIONAL AND LOCAL ECONOMY

U.S. Economy

The recession ended in June 2009, 18 months after it started, making it the longest recession since World War II. By most measures, the recession was the worst since the Great Depression.

In its early stages, the recovery received a boost from inventory rebuilding and a buildup in fiscal stimulus spending. However, in the second quarter of 2010, the economy lost momentum as inventory rebuilding slowed and stimulus spending began to plateau. Also weighing on the economy in the second quarter was the emergence of the European fiscal crisis, in particular the Greek sovereign debt crisis. This increased volatility in the financial markets and reduced growth prospects for Eurozone countries, thus reducing export prospects for U.S. firms.

The economy picked up speed again in the fourth quarter of 2010 and early 2011. However, popular uprisings in several Middle East nations disrupted oil supplies beginning in February 2011, causing a sharp increase in gasoline prices, which, along with increases in food prices, squeezed consumers and dampened consumer spending. An earthquake and tsunami that hit Japan in early March damaged Japan's economy and disrupted the supply chains of global manufacturers, which caused a slowdown in U.S. manufacturing production, particularly of automobiles. The rise in food and energy prices and the manufacturing slowdown, along with ongoing Eurozone debt troubles, caused the economy to slow.

History tells us that recessions caused by financial crises are followed by weak recoveries, and thus far the current recovery is unfolding as expected. Despite the improvements in the financial markets, credit remains tight and consumers are under stress due to large declines in wealth, increases in energy and food prices, a weak job market, and sluggish income growth. In addition, the housing market, which is weighed down by foreclosures and underwater mortgages, has yet to exhibit any signs of recovering.

Forecasts predicted stronger growth in the fourth quarter of 2011, but then a slowing in 2012 caused by a contracting fiscal policy and fallout from the Eurozone financial crisis. Growth is expected to pick up in 2013 and 2014.

Puget Sound Region Economy

The impact of national recessions on the Puget Sound Region's economy varies depending on the national recession's characteristics. For example, the 2001 recession was much more severe regionally than nationally, because the recession included a steep drop in air travel as a result of the September 11, 2001 terrorist attack. This caused a sharp falloff in the demand for commercial airliners, which led to substantial layoffs at Boeing. On the other hand, the region's economy performed better than the national economy during 1990-1991 national recession, in part because Boeing employment held steady during the recession.

The impact of the 2007-2009 recession on the local economy has been similar in severity to its impact on the national economy. While job loss was higher locally, the region's unemployment rate did not rise as high as the national rate and the region's housing market performed somewhat better than the nation's.

Locally, the most severe job losses were in construction, manufacturing outside of aerospace, and finance. The only major industry to see a significant increase in employment during the downturn was education and health services.

Interestingly, although the region's rate of job loss exceeded that of the nation, the local unemployment rate peaked at 8.9 percent, significantly below the national peak of 10.1 percent. One reason for this is that the region entered the recession with a significantly lower unemployment rate than the nation. As a result, the increase in the unemployment rate from pre-recession lows to recession highs was similar for the region and the nation. In addition, the region has suffered through a housing boom and bust over the past ten years.

The Seattle metropolitan area has rebounded from the recession more strongly than the nation. Through October 2011, employment in the Seattle metropolitan area, King and Snohomish Counties, was up 2.8 percent from its post-recession low in February 2010, compared to a 1.8 percent gain in U.S. employment over the same period. Areas of strength in the local economy include aerospace; software publishing; professional, scientific, and technical services; health services; and mail order and internet retail. Boeing, which has a backlog of over 3,000 planes on order, is phasing in a series of production increases for its 737, 777, and 787 models in 2011-2014. The 787 model has been certified by the FAA to carry passengers, work on the Air Force tanker is ramping up, and a redesign of the 737 model that will add new fuel efficient engines has been approved recently by Boeing's board. Amazon, which is in the process of moving into its new South Lake Union office complex, has been hiring aggressively.

Despite a relatively healthy start, the region's recovery is expected to be weak by historical standards. The Puget Sound Economic Forecaster expects employment to increase by 2.7 percent in 2012 and then grow roughly 2.3 percent per year over the next five years. This is a slower rate of growth than is typical during recoveries, and is lower than the 2.5 percent average annual growth rate posted over the past 40 years, which includes periods of recession. Housing will recover more slowly than the rest of the economy, with housing starts not expected to move comfortably above recession levels until 2016.

INITIATIVES

2012 Adopted Budget

The 2012 Adopted Budget totals \$3.9 billion, including the City's \$918 million General Fund. Three years after the start of the Great Recession and two years following its lackadaisical conclusion, the City continues to adjust to a new economic reality – one marked by weak economic and revenue growth relative to other post-recessionary periods.

Transforming How the City Does Business

The key to preserving direct services in the face of the City's ongoing budget challenges is looking for new ways to deliver services. It has been apparent for some time the City can no longer afford business as usual. Sensible changes to the way the City delivers services generates substantial savings that help close the budget gap. Some of the changes include:

- A new long-term jail contract.
- Transforming the community center staffing model.
- Consolidating the administrative offices of the Public Safety Civil Service Commission and the Civil Service Commission.
- Realizing additional efficiencies from the 2010 creation of the consolidated Department of Finance and Administrative Services.

A New Long-Term Jail Contract Saves the City Money

The 2012 Adopted Budget recognizes \$6 million in jail costs savings – a direct benefit to the General Fund. A large majority of this savings is achieved as a direct result of a new, long-term Jail contract with King County (County). The City and County successfully negotiated a long-term contract that runs through 2030 and which achieves two key objectives:

- Long-term certainty: The contract provides a clearly defined rate path and certainty that the City's long-term capacity needs would be met.
- Commitment to expand, if necessary: The contract provides a commitment that the County would expand jail capacity if space becomes an issue, with the City paying its defined fair share of the costs.

Transforming the Community Center Staffing Model to Serve More People

Community centers are an important resource, providing residents of all ages with opportunities to stay active and to get involved. The 2012 Adopted Budget incorporates a new model developed by the Department of Parks and Recreation (DPR) for managing and operating the City's community centers in a way that maximizes access for people in a geographically equitable way. In 2012, community centers will be managed in five geographic teams – northeast, northwest, central, southeast, and southwest – with five community centers in each geographic area. This geographic model for operating community centers will provide DPR with an opportunity to streamline its management and staffing of the centers and provides \$1.23 million in General Fund savings.

Consolidating the Administrative Offices of the Public Safety Civil Service Commission (PSCSC) and the Civil Service Commission (CSC)

Prior to the 2012 Adopted Budget, the City maintained two quasi-judicial bodies to act as a third party in disputes of the application of Personnel Rules. The two Commissions were each overseen by a three-person panel – one member appointed by the Mayor, one member appointed by the City Council, and one member elected by employees. Each Commission had its own Executive Director. In the 2012 Adopted Budget, a new consolidated staffing model was adopted. In this new model, PSCSC and CSC will be supported by a single administrative office and staffed by one Executive Director. This change created budget savings and allowed for better alignment of workload. The existing governance structure of the PSCSC and the CSC will remain intact.

Creating a New Office of Immigrant and Refugee Affairs

The City Council created a new Office of Immigrant and Refugee Affairs (OIRA) in the 2012 Adopted Budget. This office, which will be supported by two new staff positions, will address issues important to Seattle's immigrant and refugee communities and coordinate the City's activities that support these communities. The mission of OIRA will be to facilitate the successful integration of immigrants and refugees into Seattle's civic, economic, and cultural life; to celebrate diverse cultures of immigrants and refugees and their contributions to the community and to advocate on behalf of immigrants and refugees.

Public Safety

The 2012 Adopted Budget includes funding to support the Law Department's precinct liaison program. Precinct liaisons are attorneys who work closely with police office and Seattle Police Department leadership to address a variety of community and neighborhood public safety problems. The positions provide day-to-day legal advice to police officers and help develop proactive strategies to enhance public safety at the neighborhood level. The 2012 Adopted Budget establishes four additional positions that are solely dedicated to this precinct liaison work.

Human Services

Resources were added in the 2012 Adopted Budget to allow the Human Services Department (HSD) to expand services to a number of populations in need. Funding was restored for the Lettuce Link program, which distributes vegetable seeds and gardening information to families relying on food banks. New, one-time funding was added to expand the City's efforts in providing shelter and housing services for homeless families with children. Additional funding was also provided to expand the Nurse Family Partnership program, a free, voluntary program that partners first-time, low-income mothers with nurses who make home visits from pregnancy through the first two years of a child's life. Finally, funding was increased to support medical and dental care services for uninsured residents.

Seattle Department of Transportation

The 2012 Adopted Budget makes two significant budget changes related to the work of the Seattle Department of Transportation.

In 2011, the City sold a property known as 'the Rubble Yard' property to the State of Washington for \$19.8 million. These one-time resources will be used for planning for high capacity transit and for winder storm emergency response. In addition, these resources will pay for three new projects:

- Implementation of a new pedestrian safety project at the intersection of Rainier Avenue S and 23rd Avenue S;
- Initial work on the transformation of Fauntleroy Way SW into a green boulevard; and
- Updating the 2007 Bicycle Master Plan, considering tools such as neighborhood greenways and cycle tracks.

Also included in the 2012 Adopted Budget was the creation of a reserve in Finance General to fund capital improvements for the 3rd Avenue downtown corridor. This action is taken to address ongoing transportation challenges and quality-of-life issues in the corridor; and to plan for and mitigate the potential impacts of King County Metro's decision to end the downtown Free Ride Area.

Seattle Public Utilities

The City Council adopted the proposed Seattle Public Utilities (SPU) budget and proposed Water Utility rates with certain changes. In the Solid Waste Utility, the City Council expanded litter collection along Third Avenue in the downtown core, funded by an additional 4.5 percent increase in tonnage tax rates. The 2012 Adopted Budget also formally approved \$15 million in capital and operating savings. As a result, the final Water system rates adopted for 2012 were 0.6 percent lower than those proposed. In 2012, the average residential customer will see water bills increase by 7.1 percent or \$2.25 per month. Finally, 2012 Adopted Budget also changed the eligibility threshold for emergency financial assistance related to delinquent SPU water, wastewater and solid waste bills from 125 percent of the federal poverty level to 70 percent of state median income. This change doubled the number of customers eligible for assistance.

Seattle City Employees' Retirement System

In October 2011, the Board of Administration for the Seattle City Employees' Retirement System (SCERS) adopted a change to the interest rate paid on new contributions. This action lowers the actuarially-recommended employer contribution rate from 11.27 percent of regular payroll to a rate of 11.01 percent, which provides for savings in the General Fund and other funds in 2012.

This rate is in accordance with the new City policy adopted in 2011 to set the contribution rate at the actuarially determined full annual funding level. The combined employer and employee contribution rate in 2012 is 21.04 percent, compared with 16.06 percent in 2010. These changes result in an increase of approximately \$30 million annually to support the SCERS relative to 2010 levels.

Moreover, the policy established in 2011 reflects the City's commitment to meet its future pension obligations through a sound and prudent funding approach.

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, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for the preparation of state and local government financial reports.

I would like to express my appreciation to the entire staff of Citywide Accounting and Payroll Services Division, other members of the Department of Finance and Administrative Services, 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 cursive script, appearing to read "Glen M. Lee".

Glen M. Lee, City Finance Director
Department of Finance and Administrative Services

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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, 2010

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.

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, 2010. This was the thirty-first 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 Programs requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.



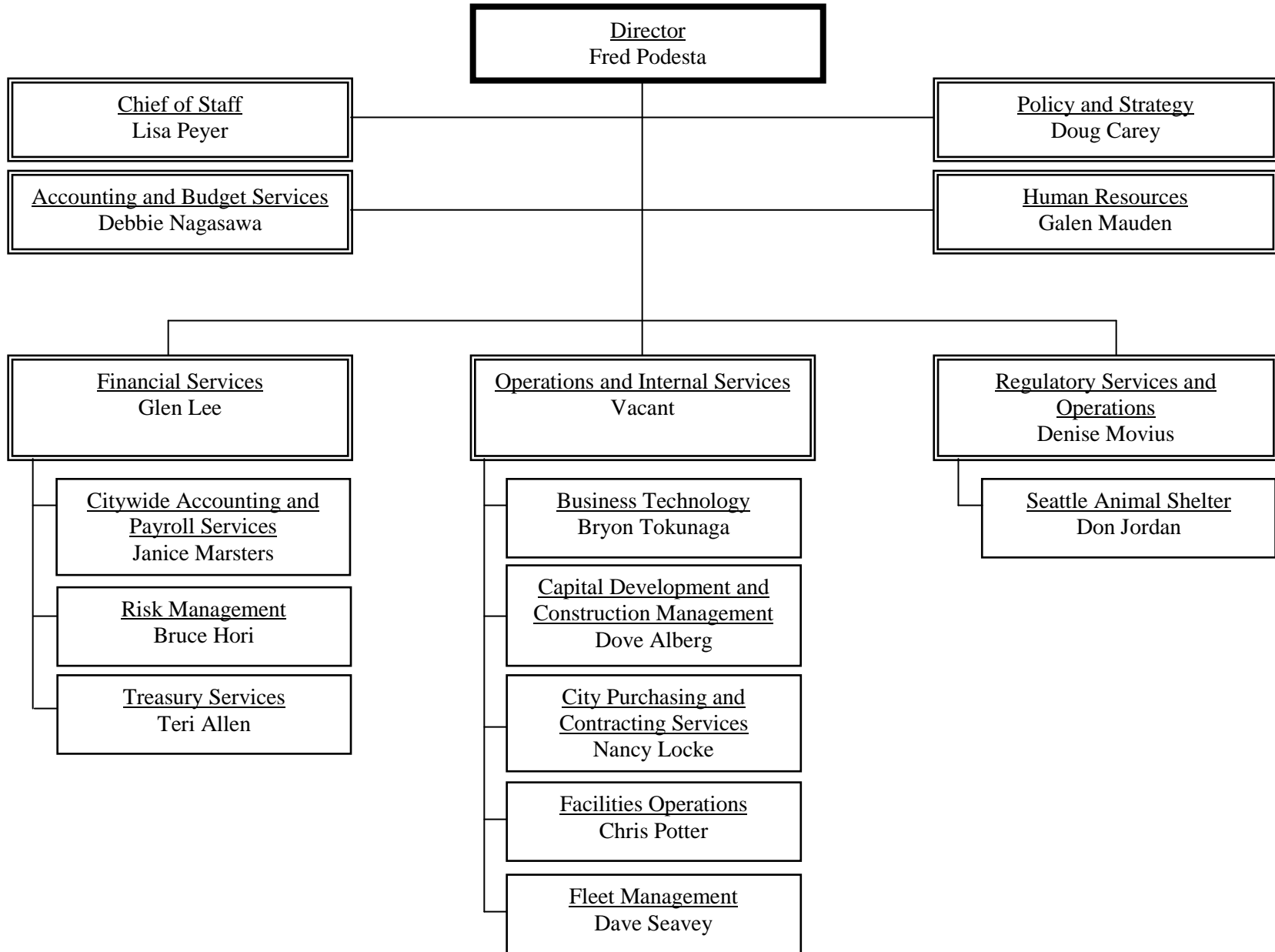
Linda C. Danison

President

Jeffrey R. Emswiler

Executive Director

City of Seattle
Department of Finance and Administrative Services
 As of May 31, 2012



Financial Section

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Washington State Auditor Brian Sonntag

INDEPENDENT AUDITOR'S REPORT

October 26, 2012

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 units and remaining fund information of the City of Seattle, King County, Washington, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of:

- The Light Fund, Water Fund, Drainage and Wastewater Fund, and Solid Waste Fund, which are major funds that collectively represent 99 percent, 100 percent, and 98 percent, respectively, of the assets, net assets, and revenues of the business-type activities.
- The Seattle City Employees' Retirement system, which represents 58 percent, 70 percent, and 13 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units 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, Drainage and Wastewater, and Solid Waste 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 2010 financial statements and, in our report dated August 31, 2011, based on our audit and the reports of other auditors, we expressed unqualified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregately discretely presented component units and remaining fund information.

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

Drainage and Wastewater, and Solid Waste funds and the Seattle City Employees' Retirement System were not audited in accordance with Government Auditing Standards. 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 and the reports of other auditors provide 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 units and remaining fund information of the City of Seattle, King County, Washington, as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during the year ended December 31, 2011, the City has implemented the Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we will also issue our report dated October 26, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 through 29, budgetary comparison information on pages 149 through 152 and pension trust fund information on pages 153 through 155 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 supplementary information on pages 157 through 242 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial

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

The information identified in the table of contents as the Introductory Section and Statistical Section, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Sincerely,

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

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Management's Discussion and Analysis

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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, 2011. 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 2011 the assets of the City of Seattle exceeded its liabilities by \$4.482 billion. Net assets invested in capital assets, net of depreciation and related debt, account for 86.4 percent of this amount (\$3.873 billion). The remaining net assets of \$609.0 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$281.0 million (6.7 percent) during the fiscal year. The governmental net assets increased by \$162.0 million (5.8 percent) over the amount reported in 2010. The business-type net assets increased \$119.0 million (8.4 percent) in 2011.
- At the close of 2011 the City's governmental funds reported a combined ending fund balance of \$623.5 million, an increase of \$97.7 million (18.6 percent). Of the major funds, the fund balance of the General Fund increased \$25.3 million, the Transportation Fund increased \$28.2 million, the Low-Income Housing Fund increased \$11.4 million, and the fund balances of the other nonmajor governmental funds increased \$32.7 million. As the national and local economies continued to slowly recover from the worst recession since the Great Depression, the City saw improvement in revenues over 2010. The City's three major tax revenues sources, property taxes, business taxes, and sales taxes were up by \$5.5 million, \$8.1 million, and \$11.6 million, respectively, year over year.
- At the end of 2011 the unassigned fund balance for the General Fund was \$79.8 million or 10.3 percent of total General Fund expenditures of \$775.2 million. The General Fund's unassigned fund balance increased by approximately \$26.6 million from the prior year's amount of \$53.1 million. Total revenues for the General Fund increased \$40.8 million or 4.3 percent and expenditures decreased \$15.5 million. Total other financing uses slightly increased \$654 thousand.
- The City's total outstanding bonded debt increased by approximately \$163.8 million (4.1 percent) to \$4.149 billion during the current fiscal year. During the year, general obligation bonded debt for limited tax (LTGO) and unlimited tax (UTGO) increased by \$19.2 million while the total revenue bonds also increased by \$144.7 million. On the special assessment bonds the City issued in 2006 for the design and construction of the South Union Streetcar and backed by the collection of assessments from property owners within the local improvement district, has reduced by \$1.4 million to \$14.3 million.

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, operations of regulatory and long-range planning and enforcement of policies and codes that include construction and land use, 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 three 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, 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, Drainage and Wastewater Fund, and Solid Waste 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 finance and administrative services and information technology 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 \$4.482 billion.

Statement of Net Assets

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

	Governmental Activities		Business-Type Activities		Total	
	2011	Restated 2010	2011	2010	2011	Restated 2010
Current and Other Assets	\$ 1,262,420	\$ 1,162,519	\$ 1,206,400	\$ 1,070,653	\$ 2,468,820	\$ 2,233,172
Capital Assets and Construction in Progress, Net of Accumulated Depreciation	3,350,476	3,238,858	4,234,734	4,039,155	7,585,210	7,278,013
Total Assets	4,612,896	4,401,377	5,441,134	5,109,808	10,054,030	9,511,185
Current Liabilities	242,171	247,394	349,425	307,934	591,596	555,328
Noncurrent Liabilities	1,421,374	1,366,672	3,559,316	3,388,459	4,980,690	4,755,131
Total Liabilities	1,663,545	1,614,066	3,908,741	3,696,393	5,572,286	5,310,459
Net Assets						
Invested in Capital Assets, Net of Related Debt	2,629,246	2,513,808	1,243,494	1,228,030	3,872,740	3,741,838
Restricted	420,052	372,289	81,904	79,372	501,956	451,661
Unrestricted	(99,947)	(98,786)	206,995	106,013	107,048	7,227
Total Net Assets	\$ 2,949,351	\$ 2,787,311	\$ 1,532,393	\$ 1,413,415	\$ 4,481,744	\$ 4,200,726

The largest portion of the City's net assets (86.4 percent) reflects an investment of \$3.873 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, \$502.0 million (11.2 percent), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$107.0 million (2.4 percent), may be used to meet the government's obligation to citizens and creditors. The governmental activities had a \$99.9 million deficit in unrestricted net assets, due largely to employee and other postemployment benefit liabilities.

The net assets for the business-type activities increased between 2010 and 2011 from \$1.413 billion to \$1.532 billion. The increase in net assets is attributed primarily to the performance of the City Light Utility, which in 2011 generated \$771.5 million in charges for services and other revenues. City Light generated an operating income of \$113.5 million.

Table A-2

**CHANGES IN NET ASSETS RESULTING FROM
CHANGES IN REVENUES AND EXPENSES
(In Thousands)**

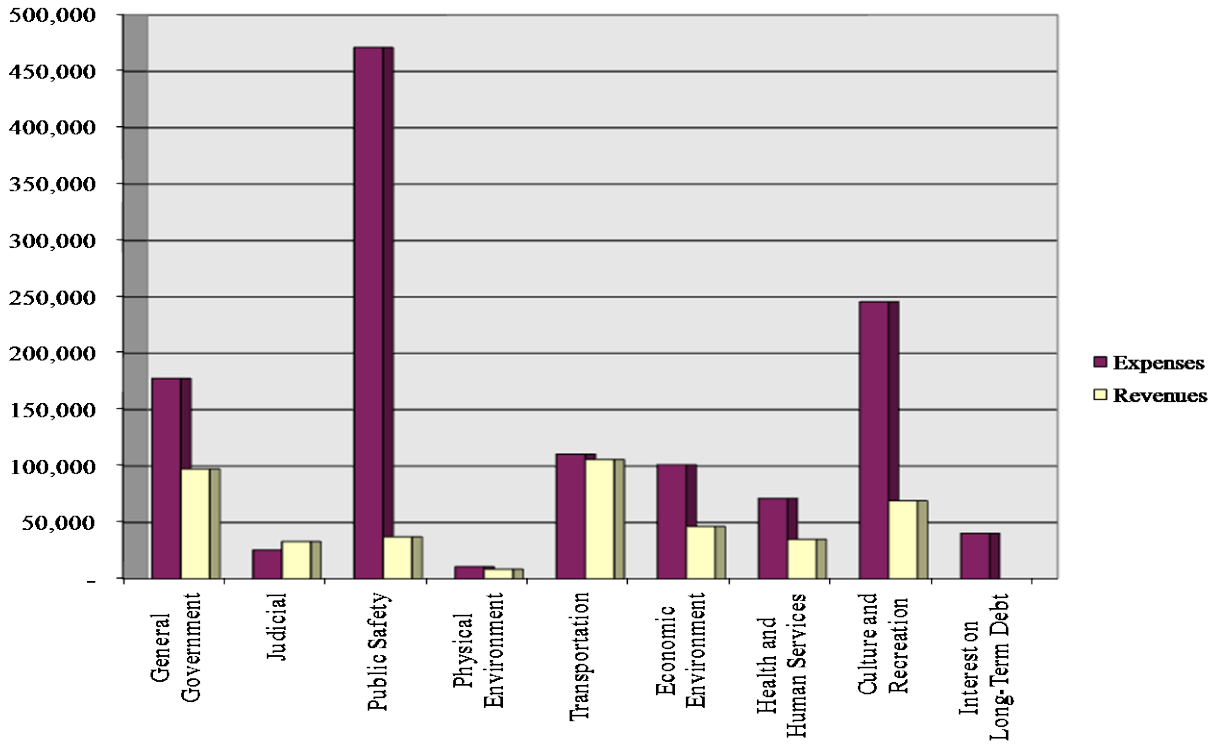
	Governmental Activities		Business-Type Activities		Total	
	2011	Restated 2010	2011	2010	2011	Restated 2010
Revenues						
Program Revenues						
Charges for Services	\$ 249,128	\$ 227,238	\$ 1,432,794	\$ 1,352,747	\$ 1,681,922	\$ 1,579,985
Operating Grants and Contributions	136,679	118,619	5,518	5,953	142,197	124,572
Capital Grants and Contributions	47,503	56,377	51,522	41,846	99,025	98,223
General Revenues						
Property Taxes	397,288	391,798	-	-	397,288	391,798
Sales Taxes	158,582	146,970	-	-	158,582	146,970
Business Taxes	339,703	331,570	-	-	339,703	331,570
Other Taxes	77,457	63,409	-	-	77,457	63,409
Other	19,760	44,780	12,002	8,994	31,762	53,774
Total Revenues	1,426,100	1,380,761	1,501,836	1,409,540	2,927,936	2,790,301
Expenses						
Governmental Activities						
General Government	177,765	182,058	-	-	177,765	182,058
Judicial	25,623	26,298	-	-	25,623	26,298
Public Safety	471,205	476,861	-	-	471,205	476,861
Physical Environment	10,697	8,346	-	-	10,697	8,346
Transportation	110,660	122,376	-	-	110,660	122,376
Economic Environment	101,242	119,595	-	-	101,242	119,595
Health and Human Services	71,399	72,680	-	-	71,399	72,680
Culture and Recreation	245,671	258,639	-	-	245,671	258,639
Interest on Long-Term Debt	40,425	38,929	-	-	40,425	38,929
Business-Type Activities						
Light	-	-	723,665	730,758	723,665	730,758
Water	-	-	198,929	209,554	198,929	209,554
Drainage and Wastewater	-	-	269,224	245,589	269,224	245,589
Solid Waste	-	-	149,157	141,852	149,157	141,852
Planning and Development	-	-	44,054	47,699	44,054	47,699
Downtown Parking Garage	-	-	7,740	7,648	7,740	7,648
Total Expenses	1,254,687	1,305,782	1,392,769	1,383,100	2,647,456	2,688,882
Excess Before Special Item and Transfers	171,413	74,979	109,067	26,440	280,480	101,419
Special Item - Environmental Remediation	-	-	538	(1,948)	538	(1,948)
Transfers	(9,373)	(10,100)	9,373	10,100	-	-
Changes in Net Assets	162,040	64,879	118,978	34,592	281,018	99,471
Net Assets - Beginning of Year	2,787,311	2,722,432	1,413,415	1,378,823	4,200,726	4,101,255
Net Assets - End of Year	\$ 2,949,351	\$ 2,787,311	\$ 1,532,393	\$ 1,413,415	\$ 4,481,744	\$ 4,200,726

Analysis of Changes in Net Assets

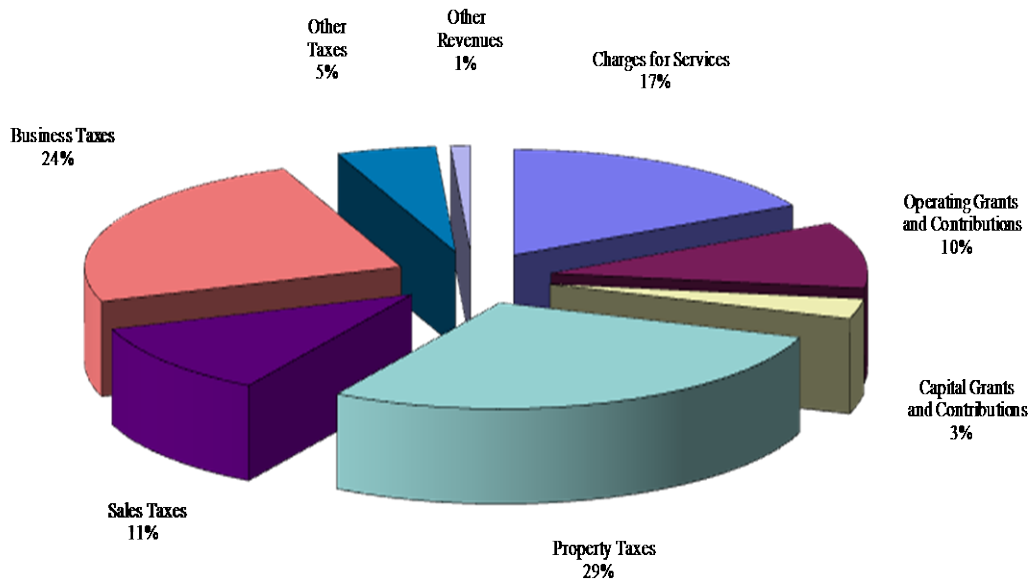
In 2011 the City's total net assets increased by \$281.0 million (6.7 percent). The increase is explained in the following discussion of governmental and business-type activities.

Governmental Activities

EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES
(In Thousands)



REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



Total \$1,426.1 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, transportation, economic environment, health and human services, judicial, physical environment functions, and interest on long-term debt. 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 \$162.0 million in 2011 compared to an increase of \$64.9 million in 2010. Key factors in the change are as follows:

- Tax revenues collected and used to support Citywide programs increased 4.2 percent, from \$933.7 million to \$973.0 million for 2011.
- Program generated revenues were supported by growth in the operating and capital grants, increasing 5.3 percent from \$175.0 million to \$184.2 million. Also total charges for services and other revenues grew from \$227.2 million in 2010 to \$249.1 million in 2011. The growth is attributed primarily to higher parking fee revenues and increased employee contributions for the City's employee benefit programs.
- Year over year expenses for the governmental activities decreased 3.9 percent, from \$1.306 billion for 2010 to \$1.255 billion for 2011.

The City Council authorized the acceptance of all grant funds. If a grant is not included as a part of the adopted budget, a separate ordinance is required except for grant funds under \$15 thousand, which City departments can accept on their own behalf without having to be included in a separate ordinance. In 2011 over \$25.0 million in additional grant funds were appropriated. The majority of the grant funds totaling \$10.0 million was appropriated to the Police Department and \$7.9 million to the Fire Department. Operating grants increased \$18.1 million whereas capital grants decreased \$8.9 million compared to 2010.

Property taxes, the largest source of revenue supporting governmental activities, increased by \$5.5 million or 1.4 percent compared to 2010. Property tax is levied primarily on real estate owned by individuals and businesses. While stable in nature, state law limits growth in the amount of tax that a jurisdiction can collect but does allow for additional voter-approved lid lifts.

The retail sales and use 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. Sales tax revenues increased between 2010 and 2011 by \$11.6 million (7.9 percent).

Business taxes are the second largest contributor to governmental revenues. The business and occupation (B&O) tax is levied by the City on the gross receipts of most business activities occurring in Seattle. The City also levies a B&O tax on the gross income derived from sales of utility services within Seattle. In 2011, B&O tax revenues increased slightly to \$339.7 million, a 2.5 percent increase over 2010.

In 2011, total expenses for governmental activities were \$1.255 billion compared to \$1.306 billion, a 3.9 percent decrease over 2010 expenses. General government expenses went down \$4.3 million, a 2.4 percent decrease over 2010. Overall general government expenses were 14.2 percent and 13.9 percent of total expenses for governmental activities in 2011 and 2010, respectively. The decrease is attributed mainly to reduction in capital contributions to the Pike Place Market Public Development Authority, which decreased from \$23.8 million for 2010 to \$17.8 million for 2011.

Judicial expenses remained stable, slightly decreased to \$25.6 million from \$26.3 million.

Public safety expenses were \$471.2 million, a 1.2 percent decrease over 2010 expenses. The decrease is primarily due to reduction in capital spending.

Physical environment expenses were \$10.7 million, a 28.2 percent increase over 2010. The increase is caused by a \$5.1 million increase in professional service costs, which are supported by a \$20 million Energy Efficiency and Conservation Block Grant.

Transportation expenses were down \$11.7 million (9.6 percent) to \$110.7 million for 2011. Change in estimated liabilities as well as ongoing effort to reduce employee costs and other operating expenses were the biggest drivers for the decrease.

The 2011 economic environment expenses totaled \$101.2 million, a decrease of \$18.4 million or 15.4 percent year over year. The primary contributing factor was reduction in program expenses for items such as funding for creating affordable rental housing, loans to low-income families, and consulting and contractor services to support the low-income housing programs.

Management's Discussion and Analysis

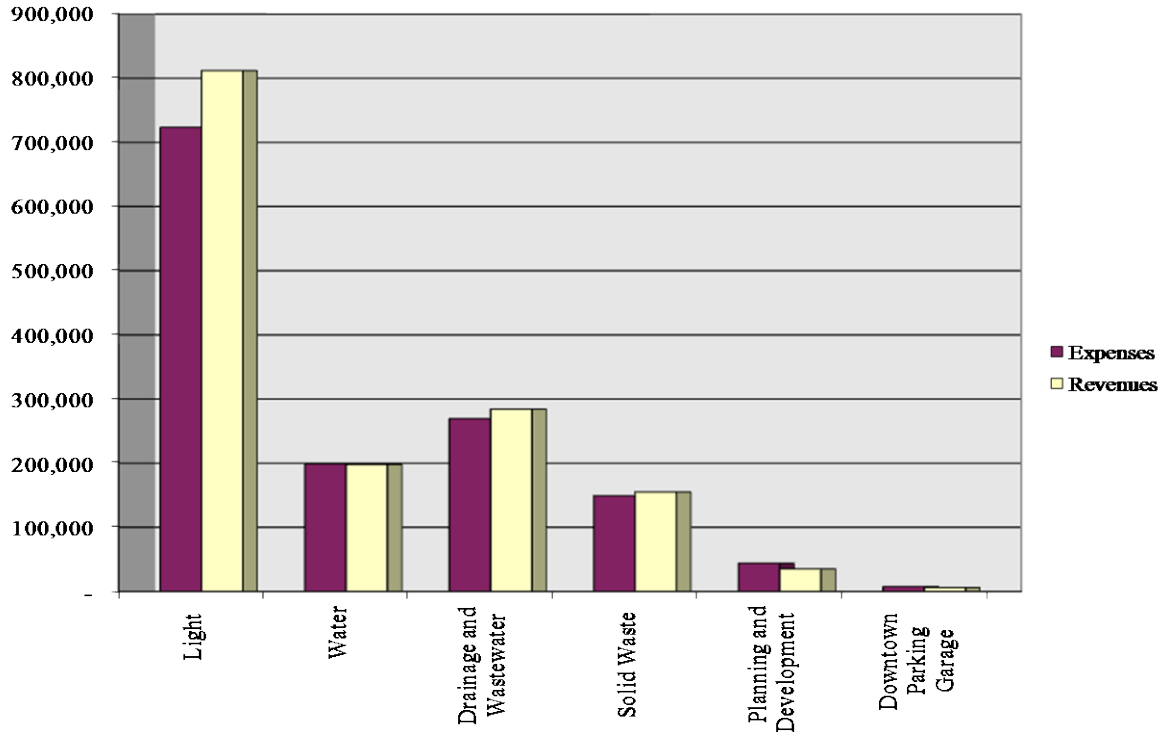
Health and human services expenses showed a decrease of \$1.3 million or 1.8 percent to \$71.4 million for 2011. The decrease is in line with the City's ongoing effort to bring down costs.

Culture and recreation expenses were down \$13.0 million in 2011 or 5.0 percent lower than 2010. The decrease was caused by reduced capital spending and professional service costs. The City's Park and Recreation Fund accounts for 60.0 percent, or \$148.2 million of the total culture and recreation expenses.

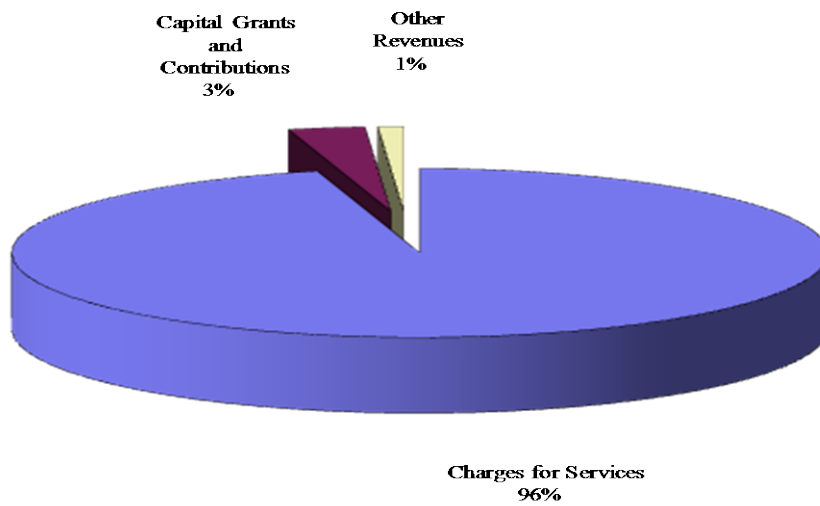
Interest on long-term debt was slightly up \$1.5 million, rising from \$38.9 million in 2010 to \$40.4 million in 2011.

Business-Type Activities

EXPENSES AND PROGRAM REVENUES - BUSINESS-TYPE ACTIVITIES
(In Thousands)



REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



Total \$1,501.8 Million

Business-Type Activities. Business-type activities increased the City's net assets by \$119.0 million to \$1.532 billion, an increase of 8.5 percent. The City's net assets increase included an adjustment of \$2.7 million to reflect the consolidation of internal service fund activities related to enterprise funds. Key factors for the change were as follows:

The City Light Utility realized a net increase of \$92.2 million in net assets in 2011. Total operating revenues increased by \$38.5 million. Retail power revenues increased by \$31.8 million and wholesale power revenues also increased by \$28.1 million. Retail power revenues were higher as a result of the 4.3 percent rate increase effective January 1, 2011 and higher electricity consumption during the first seven months of the year due to colder weather. The 4.5 percent temporary rate surcharge implemented in May 2010 was terminated at the beginning of 2011. The additional contributors to the strong results in net assets were lower power costs and higher capital contributions and capital grants. These were offset by higher deferral of revenues for the Rate Stabilization Account, non-power operating expenses, and debt interest expense.

The Water Utility experienced an increase of \$1.8 million in net assets in 2011. Operating revenues decreased by \$0.6 million. The change was attributed to a total of \$2.5 million decline in wholesale revenues and the revenue stabilization account. This decrease was offset by increases in direct service revenue of \$1.0 million and other ancillary revenue of \$0.9 million. Operating expenses decreased by \$9.7 million primarily due to a reduction in City's business and occupation tax rate from 19.87 percent to 15.54 percent, resulting in a \$6.2 million decrease in tax expenses. In addition, amortization of deferred charges decreased by \$3.7 million mainly as a result of the fully-amortized fire hydrant lawsuit settlement in 2010. Total contributions and grants decreased by \$8.7 million in 2011.

The Drainage and Wastewater Utility net assets increased \$18.0 million in 2011. Operating revenues increased by \$29.2 million primarily due to rate increases in 2011 for wastewater and drainage revenues. This increase was offset by a rise in operating expenses of \$23.0 million. The increase in operating expenses was attributed to several factors, the most significant of which was an increase of \$14.0 million in wastewater treatment expense imposed by King County in 2011. Additional increases in operating expenses include a project spending of \$4.9 million related to abandonment of Densmore Basin project and unsuccessful Ballard rain gardens project; and an increase of \$3.8 million in tax expenses due to overall increase in revenues. Total amount of contributions, grants, and special item increased by \$7.2 million which was attributed to higher donated infrastructure assets and grants; and decrease in environmental remediation expenses.

The Solid Waste Utility net assets increased \$5.9 million in 2011. Operating revenues increased by \$7.2 million mainly due to a rate increase in 2011. This revenue increase was offset by an increase of \$6.0 million in operating expenses which was primarily due to the purchase of \$3.3 million in new solid waste containers, \$1.5 million increase in amortization of deferred charges, and \$1.2 million increase in tax expenses. Nonoperating revenues decreased by \$0.8 million and interest expense increased by \$0.5 million.

The Planning and Development Fund net assets increased \$0.2 million in 2011 as compared to a decrease of \$8.7 million in 2010. Operating revenues increased by \$6.1 million while the operating expenses decreased by \$3.3 million. The revenue increase was mainly due to a slow-but-steady recovery in building construction activities in 2011. Operating contributions and grants increased by \$0.3 million. Transfers in from other City funds decreased by \$0.7 million.

The Downtown Parking Garage Fund realized a decrease of \$1.8 million in net assets. It continues to have insufficient revenues to fully cover its expenses including depreciation, which is not specifically included in its revenue structure. Due to continuous decline in downtown retail sales activities and poor economic conditions, Facilities Operations Division is evaluating the ways to increase revenues and decrease expenses for the fund.

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		Low-Income Housing Fund	
	2011	2010	2011	2010	2011	2010
Revenues						
Taxes	\$ 790,966	\$ 761,170	\$ 68,928	\$ 64,581	\$ 18,645	\$ 18,621
Licenses and Permits	18,817	20,401	4,149	6,113	-	-
Grants, Shared Revenues, and Contributions	47,503	34,682	41,031	46,815	11,176	14,853
Charges for Services	53,844	67,253	65,403	60,215	19	107
Fines and Forfeits	33,992	32,235	36	9	-	-
Parking Fees and Space Rent	31,301	27,294	38	99	-	-
Program Income, Interest, and Miscellaneous Revenues	23,921	16,526	107	243	8,281	4,423
Total Revenues	<u>1,000,344</u>	<u>959,561</u>	<u>179,692</u>	<u>178,075</u>	<u>38,121</u>	<u>38,004</u>
Expenditures	775,224	790,767	247,377	254,108	26,433	41,581
Other Financing Sources and Uses						
Long-Term Debt Issued and Refunding Payments, Net	-	-	248	-	-	-
Sales of Capital Assets	21,326	21,309	19,800	-	15	-
Transfers In (Out)	(221,112)	(220,441)	75,860	75,085	(265)	3,568
Total Other Financing Sources and Uses	<u>(199,786)</u>	<u>(199,132)</u>	<u>95,908</u>	<u>75,085</u>	<u>(250)</u>	<u>3,568</u>
Fund Balances						
Nonspendable	572	401	228	60	-	-
Restricted	58,917	63,695	18,851	11,154	77,772	65,567
Committed	46,268	44,240	42,352	21,994	8,816	9,583
Assigned	19,253	17,958	-	-	-	-
Unassigned	79,765	53,147	-	-	-	-
Total Fund Balances	<u>\$ 204,775</u>	<u>\$ 179,441</u>	<u>\$ 61,431</u>	<u>\$ 33,208</u>	<u>\$ 86,588</u>	<u>\$ 75,150</u>

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Table A-3

REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY

GOVERNMENTAL FUNDS (continued)

(In Thousands)

	Nonmajor Funds			
	Special Revenue Funds		Debt Service Funds	
	2011	2010	2011	2010
Revenues				
Taxes	\$ 41,379	\$ 37,011	\$ 17,374	\$ 16,362
Licenses and Permits	-	-	-	-
Grants, Shared Revenues, and Contributions	65,024	73,426	530	882
Charges for Services	48,378	43,934	-	-
Fines and Forfeits	38	56	-	-
Parking Fees and Space Rent	19,339	19,220	326	245
Program Income, Interest, and Miscellaneous Revenues	3,919	1,595	655	647
Total Revenues	178,077	175,242	18,885	18,136
Expenditures	319,041	334,935	70,176	65,180
Other Financing Sources and Uses				
Long-Term Debt Issued and Refunding Payments, Net	10,687	4,800	-	-
Sales of Capital Assets	20	1	-	-
Transfers In (Out)	135,306	143,744	51,150	45,635
Total Other Financing Sources and Uses	146,013	148,545	51,150	45,635
Fund Balances				
Nonspendable	436	337	-	-
Restricted	40,658	35,647	10,499	10,640
Committed	8,988	9,802	-	-
Assigned	8,816	7,910	-	-
Unassigned	(12,064)	(11,911)	-	-
Total Fund Balances	\$ 46,834	\$ 41,785	\$ 10,499	\$ 10,640

	Nonmajor Funds				Total Governmental Funds	
	Capital Projects Funds		Permanent Funds		2011	2010
	2011	2010	2011	2010		
Revenues						
Taxes	\$ 35,889	\$ 35,896	\$ -	\$ -	\$ 973,181	\$ 933,641
Licenses and Permits	-	-	-	-	22,966	26,514
Grants, Shared Revenues, and Contributions	2,549	9,184	-	-	167,813	179,842
Charges for Services	-	-	-	-	167,644	171,509
Fines and Forfeits	-	-	-	-	34,066	32,300
Parking Fees and Space Rent	-	-	-	-	51,004	46,858
Program Income, Interest, and Miscellaneous Revenues	2,804	2,586	19	17	39,706	26,037
Total Revenues	41,242	47,666	19	17	1,456,380	1,416,701
Expenditures	40,828	64,829	30	119	1,479,109	1,551,519
Other Financing Sources and Uses						
Long-Term Debt Issued and Refunding Payments, Net	73,679	83,810	-	-	84,614	88,610
Sales of Capital Assets	-	-	-	-	41,161	21,310
Transfers In (Out)	(46,302)	(53,680)	(10)	(10)	(5,373)	(6,099)
Total Other Financing Sources and Uses	27,377	30,130	(10)	(10)	120,402	103,821
Fund Balances						
Nonspendable	-	-	2,050	2,050	3,286	2,848
Restricted	211,187	183,396	120	141	418,004	370,240
Committed	-	-	-	-	106,424	85,619
Assigned	-	-	-	-	28,069	25,868
Unassigned	-	-	-	-	67,701	41,236
Total Fund Balances	\$ 211,187	\$ 183,396	\$ 2,170	\$ 2,191	\$ 623,484	\$ 525,811

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, unassigned fund balance measures the City's net resources available for spending for any purposes 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 \$623.5 million, an increase of \$97.7 million in comparison to 2010. Approximately \$67.7 million of this amount represents unassigned fund balance which is available for spending on any purposes; \$28.1 million and \$106.4 million of this amount are assigned and committed for specific purposes by the City's management and City Council, respectively. About 67.1 percent of the fund balances is restricted externally to specific purposes and the remainder of fund balance constitutes nonspendable items such as petty cash, inventories, and prepaid amounts.

Revenues for governmental funds overall totaled approximately \$1.456 billion in the fiscal year ended December 31, 2011, which represents an increase of approximately \$39.7 million or 2.8 percent from the prior fiscal year balance of \$1.417 billion. Expenditures in governmental funds amounted to \$1.479 billion, a decrease of approximately \$72.4 million or 4.7 percent compared to \$1.552 billion spent in 2010. In the aggregate, expenditures for governmental funds exceeded revenues by approximately \$22.7 million.

The **General Fund** is the chief operating fund of the City. The Library Fund, previously reported as a special revenue fund, was determined to no longer meet the definition of a special revenue fund, as defined by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result, the Library Fund is now reported as part of the General Fund for the GAAP reporting. For comparability, all amounts presented for fiscal year 2010 and 2011 in this discussion and analysis reflect this change unless noted otherwise. Table A-4 provides a summary of the status for the General Fund subfunds at year-end 2011.

At the end of 2011 the total fund balance of the General Fund was \$204.8 million. Fund balance increased by \$25.3 million in 2011 compared to 2010.

Total revenues for the General Fund amounted to \$1.000 billion, an increase of \$40.8 million or 4.3 percent higher than 2010. The increase is mostly attributable to higher tax revenues, which increased by \$29.8 million or 3.9 percent, between 2010 and 2011.

Revenues derived from charges for services decreased considerably in 2011, down \$13.4 million. This was offset by the increased grants, shared revenues, and contributions, which increased by \$12.8 million from 2010. Program income, interest, and miscellaneous revenues were up \$7.4 million; parking fees and space rent were up \$4.0 million; and license revenue was down \$1.6 million.

General Fund expenditures decreased slightly in 2011 to \$775.2 million, 2.0 percent lower than 2010. Public safety accounts for 58.0 percent of this amount in 2011. Public safety's two largest expenditures were for police and fire protection. For 2011 the Police Department incurred \$259.3 million and the Fire Department incurred \$163.6 million of expenditures.

The other financing uses slightly increased \$654 thousand.

The **Transportation Fund**, a special revenue fund, 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 \$28.2 million. The revenues collected of \$179.7 million include excess property tax levy, a commercial parking tax, employee hours tax, grants and contributions, and charges for services. Transportation's expenditures totaled \$247.4 million for 2011, down \$ 6.7 million or 2.6 percent from 2010.

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 seven-year housing levies approved by voters, most recently in 2009. The fund balance increased by \$11.4 million from 2010. Revenues from 2010 to 2011 increased by \$117 thousand or 0.3 percent. The expenditures decreased by \$15.1 million or 36.4 percent year over year. The decrease in expenditures is attributed to the cyclical nature of the fund. Multifamily construction projects can span several years from acquisition to final construction. Further driving the variations is the cyclical nature of downtown construction and their associated costs.

In 2011 the other **special revenue funds** (SRF) showed a \$5.0 million or 12.1 percent increase in fund balance as a result of operations. The increase in fund balance was primarily attributable to the Business Improvement Areas Fund, which its

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fund balance increased by \$3.1 million to \$3.8 million. New addition in fiscal year 2011 was the Seattle Transportation Benefit District Fund, which reported the ending fund balance of \$1.0 million.

Total revenues for SRF were relatively stable, increasing 1.6 percent from \$175.2 million to \$178.1 million year over year.

SRF expenditures decreased \$15.9 million, down 4.8 percent from 2010. The decrease is primarily caused by the Pike Place Market Renovation Fund, which its expenditure decreased \$6.0 million from \$23.8 million to \$17.8 million. The expenditures in other special revenue funds were mostly down due to the continued budget reductions and expenditure management effort.

The other financing sources and uses category decreased \$2.5 million, down 1.7 percent compared to 2010. The decrease is attributable to the Seattle Transportation Benefit District Fund, which reported \$3.7 million in transfers out.

The total fund balances of the **debt service funds** seemingly unchanged. The fund balance decreased by \$141 thousand (1.3 percent) to \$10.5 million at the end of 2011.

The fund balance in the **capital projects funds** increased \$27.8 million or 15.2 percent from \$183.4 million to \$211.2 million at the end of 2011. The increase was mainly due to the creation of the 2011 Multipurpose Long-Term General Obligation Bond Fund and the receipt of bond proceeds totaling \$73.7 million, leaving a fund balance of \$64.3 million. The fund balance in the capital projects funds is all restricted for the City's capital improvement programs.

The 2011 fund balances of the **permanent funds** decreased by \$21 thousand, or 1.0 percent.

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

	General	Judgment/ Claims	Municipal Jail	Arts Account	Cable Television Franchise
Revenues					
Taxes	\$ 760,844	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	11,427	-	-	-	7,390
Grants, Shared Revenues, and Contributions	34,861	-	-	-	-
Charges for Services	43,579	9,192	-	-	-
Fines and Forfeits	32,455	-	-	-	-
Parking Fees and Space Rent	30,215	-	-	-	-
Program Income, Interest, and Miscellaneous Revenues	4,057	-	30	10	38
Total Revenues	917,438	9,192	30	10	7,428
Expenditures	645,813	14,293	-	4,365	7,543
Other Financing Sources and Uses					
Sales of Capital Assets	3	-	-	-	-
Transfers In (Out)	(249,400)	1,191	-	4,176	(190)
Total Other Financing Sources and Uses	(249,397)	1,191	-	4,176	(190)
Fund Balances					
Nonspendable	178	-	-	-	-
Restricted	-	-	-	-	-
Committed	3,212	-	5	537	4,768
Assigned	2,427	12,445	3,633	-	-
Unassigned	23,696	-	-	-	-
Total Fund Balances	\$ 29,513	\$ 12,445	\$ 3,638	\$ 537	\$ 4,768

	Cumulative Reserve	Neighborhood Matching	Bluefield Habitat Maintenance	Development Rights	Emergency
Revenues					
Taxes	\$ 30,122	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-
Grants, Shared Revenues, and Contributions	8,522	-	-	-	-
Charges for Services	879	-	-	-	-
Fines and Forfeits	-	-	-	-	-
Parking Fees and Space Rent	316	-	103	-	-
Program Income, Interest, and Miscellaneous Revenues	350	-	1	-	-
Total Revenues	40,189	-	104	-	-
Expenditures	30,143	3,018	-	-	18
Other Financing Sources and Uses					
Sales of Capital Assets	21,323	-	-	-	-
Transfers In (Out)	(24,815)	2,693	-	-	(1,382)
Total Other Financing Sources and Uses	(3,492)	2,693	-	-	(1,382)
Fund Balances					
Nonspendable	1	-	-	-	-
Restricted	30,911	-	-	-	-
Committed	7,163	3,959	104	21	-
Assigned	-	-	-	-	-
Unassigned	11,968	-	-	-	44,101
Total Fund Balances	\$ 50,043	\$ 3,959	\$ 104	\$ 21	\$ 44,101

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 \$92.2 million in 2011 compared to \$30.4 million in 2010, or an increase of \$61.8 million (203.3 percent). Higher retail power sales and net wholesale energy revenues contributed significantly to the strong results. Additional positive components of net income were lower power costs along with higher capital contributions and capital grants. These were offset by higher deferral of revenues for the Rate Stabilization Account (RSA), non-power operating expenses, and debt interest expense.

Net cash provided by operating activities increased by \$90.8 million to \$292.6 million in 2011 compared to \$201.8 million in 2010. Restricted assets increased by \$69.0 million to \$209.2 million in 2011 compared to \$140.2 million in 2010. During 2011, the RSA was additionally funded of \$62.2 million in accordance with Ordinance 123260. Operating cash in the amount of \$21.0 million was transferred at the beginning of the year to the RSA for 2011 debt service savings from the 2011 refunding bonds. In December 2011, operating cash in the amount of \$40.5 million representing cash in excess of the estimated amount needed to achieve a debt service coverage ratio of 1.85 was also transferred in accordance with Ordinance 123757.

Capital assets, net of accumulated depreciation and amortization, were \$2.200 billion and \$2.073 billion in 2011 and 2010, respectively, a net increase of \$127.0 million. The majority of the capital asset additions was in the distribution system, intangible assets, hydraulic production, and general plant. These increases were offset by a \$73.0 million increase in accumulated depreciation and amortization. In 2010, the Utility adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The Utility has intangible assets that consist of easements, purchased and internally developed software, and transmission rights.

Total revenue bonds payables were \$1.680 billion in 2011 and \$1.537 billion in 2010, a net increase of \$143.0 million. In February 2011, the Utility issued a total of \$306.3 million of revenue and refunding revenue bonds. Interest expenses were \$79.9 million in 2011 and \$69.4 million in 2010. Including long-term debt, the total liabilities were \$2.033 billion in 2011 and \$1.815 billion in 2010.

Total net assets were \$946.8 million in 2011 and \$854.6 million in 2010.

Water Utility. The net operating income of the Water Utility increased by \$9.1 million to \$40.1 million in 2011 as compared to \$31.0 million in 2010. Operating revenues decreased by \$0.6 million while operating expenses decreased by \$9.7 million between 2011 and 2010. The increase of net operating income was mostly attributed to reductions in tax expenses and amortization of deferred charges. The Utility realized a net income of \$1.8 million in 2011 compared to \$0.7 million in 2010.

Net cash provided by operating activities increased to \$81.8 million in 2011 from \$75.4 million in 2010, an increase of \$6.4 million. Total operating and restricted cash and investments were \$94.1 million in 2011 compared to \$135.4 million in 2010, a decrease of \$41.3 million. This decrease in cash and investments was primarily due to use of construction funds for capital improvement projects.

Utility plant, net of accumulated depreciation, and other capital assets for the year ended December 31, 2011, amounted to \$1.204 billion. This represents a net decrease of approximately \$1.0 million in 2011, which was mainly due to fewer additions to construction projects and retirements in computer systems and structures. Major capital assets additions in 2011 included improvements at the Cedar River Watershed, upgrades and replacements to distribution pipelines, and improvements to water tanks and pump stations. The Water Utility has \$56.0 million in construction work in progress as of December 31, 2011.

The Water Utility had revenue bonds totaling \$977.2 million in 2011 as compared to \$1.006 billion in 2010. The decrease of \$29.1 million was due to principal payments made in 2011.

Total net assets were \$312.7 million in 2011 and \$310.9 million in 2010.

Drainage and Wastewater Utility. The Utility realized an operating income of \$25.9 million in 2011 as compared to \$19.6 million in 2010. Operating revenue increased \$29.2 million and operating expenses increased \$23.0 million between 2011 and 2010. The Utility realized a net income of \$18.0 million in 2011 and \$5.9 million in 2010. The net income in 2011 was primarily due to increase in wastewater and drainage rates, capital contributions, and donated infrastructure assets.

Net cash provided by operating activities decreased to \$37.1 million as compared to \$48.3 million in 2010. Total operating and restricted cash and investments were \$81.0 million in 2011 as compared to \$121.7 million in 2010, a decrease of \$40.7 million, primarily due to the spending on construction projects and assets placed in service.

Utility plant, net of accumulated depreciation, and other capital assets increased to \$663.4 million in 2011 from \$628.0 million in 2010, an increase of \$35.4 million. Acquisition of new assets included completion of the Madison Valley Phase II project, installation of sewer pipes throughout several locations in the city, donated sewer and drainage pipes from the Seattle Department of Transportation, and storm water improvements in the Norfolk Basin. There were also emergency rehabilitation work on sewer mainlines; improvements at wastewater pump stations; reduced infiltration and enhanced capacity of the sewer at 12th Avenue NW; and installation of onsite generators at critical wastewater pump stations.

The Drainage and Wastewater Utility had \$486.6 million outstanding revenue and refunding bond liabilities in 2011, as compared to \$499.8 million in 2010. There were no new bonds issued in 2011. Total liabilities, including revenue bonds, were \$572.0 million in 2011 and \$586.8 million in 2010.

Total net assets were \$270.3 million in 2011 and \$252.3 million in 2010.

Solid Waste Utility. The Utility realized an operating income of \$7.1 million in 2011 as compared to \$5.9 million in 2010. Operating revenue increased by \$7.2 million while operating expenses increased by \$6.0 million between 2011 and 2010. The Utility realized a net income of \$5.9 million in 2011 compared to \$6.0 million in 2010. The net income in 2011 was primarily due to a rate increase effective January 2011.

Net cash provided by operating activities increased to \$16.7 million in 2011 as compared to \$10.3 million in 2010. Total operating and restricted cash and investments were \$41.5 million and \$22.1 million in 2011 and 2010, respectively. The increase of \$19.4 million in operating and restricted cash and investments is primarily due to proceeds received from the bond issued in 2011.

Utility plant, net of accumulated depreciation, and other capital assets increased to \$117.9 million in 2011 from \$80.3 million in 2010, an increase of \$37.6 million. The majority of this increase was related to a \$40.1 million increase of construction in progress attributed to the South Transfer Station Rebuild project. Major assets placed into service in 2011 included heavy equipment purchases and information technology upgrades.

The Solid Waste Utility had \$122.2 million outstanding revenue bond liabilities in 2011 as compared to \$78.5 million in 2010. The increase of \$43.7 million is mainly due to a new bond issuance in the amount of \$45.8 million. Total principal payments of \$2.1 million were made in 2011.

Total net assets were \$21.4 million in 2011 and \$15.4 million in 2010.

Fiduciary Funds

The City maintains fiduciary funds for the assets of the Seattle City Employees' Retirement System (SCERS), the Firemen's Pension Fund, the Police Relief and Pension Fund, the S.L. Denny Private Purpose Trust, and various agency funds. Total net assets of the combined fiduciary funds at the end of 2011 were \$1.768 billion; SCERS represents 99.2 percent of this amount.

SCERS assets that are held in trust for the payment of future benefits do not exceed the estimate of actuarially accrued liabilities as of December 31, 2011. The fund uses the services of both active and index fund professional money managers. SCERS net fund assets decreased in valuation by \$59.2 million (3.3 percent) during 2011. The primary drivers were a \$118.6 million decrease in investment assets and a \$10.4 million increase in retiree benefits. Total revenues (additions to net assets) for 2011 were \$85.0 million, including plan member and employer contributions of \$100.7 million, and loss from investment activities totaling \$15.8 million. Plan member and employer contributions in 2011 increased \$10.1 million over 2010. The fund experienced dividend and interest receipts of over \$27.8 million during 2011. Total expenses (deductions from net assets) for 2011 increased by \$12.5 million (9.6 percent) as compared to 2010; the increase was primarily due to a \$10.4 million (9.2 percent) increase in retiree benefits and a \$2.0 million increase in contribution refunds. In 2011, the net increase in the number of retirees receiving benefits was 2.8 percent.

At December 31, 2011, 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 \$10.9 million and \$3.7 million, respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

For the General Fund budgetary highlights, the Library Fund, which has its own legally adopted annual budget, is excluded from this discussion.

The General Fund's 2011 final appropriation budget, including support to other funds, was \$1.132 billion. This amount differed from the original budget due to supplemental appropriations approved by the City Council during the year and carry forward budgets from the prior year. In fiscal year 2011 the General Fund's original budget was \$1.105 billion. This was increased \$27.2 million (2.5 percent) during 2011 for supplemental appropriation authority approved by the City Council.

The most significant budget activities are described below:

- At year-end 2011 actual expenditures and transfers were \$135.84 million less than budgeted. Of this amount \$99.3 million of the budget will be carried over into 2012 to cover outstanding encumbrances, grants, and capital spending.
- The total budget for the Real Estate Excise Tax (REET I and II) Cumulative Reserve Subfunds was \$52.3 million of which \$30.7 million of the budget was expended in 2011. The excess budget will be carried forward for capital appropriation in 2012.
- The majority of the carryforward budget is within the General Subfund, 39.9 percent, and the REET I and REET II Cumulative Reserve Subfunds at 15.1 percent and 6.6 percent, respectively. The amount of carryforward budgets from 2010 was \$110.1 million; this amount decreased 9.8 percent to \$99.3 million for 2011.
- In 2011 \$22.7 million in additional grant funding was authorized in supplemental ordinances by the City Council. This includes \$11.0 million under agreement with the U.S. Department of Homeland Security (DHS) for funds available under the Port Security Grant Program (PSGP).
- 2011 current expenditures of the general government were \$169.0 million, which were 12.6 percent below the final budget of \$193.4 million. The excess budget is primarily due to the actual health care and judgment/claim costs that came in much less than budgeted.
- Public safety expenditures in 2011 were \$450.3 million, \$31.7 million under the final budget of \$482.0 million, which is also primarily due to the amount of available grant funding within the Fire and Police departments that will continue into 2012. Detail information follows:
 - The Police Department's 2011 budget was \$275.7 million. This amount breaks into \$0.9 million for continuing and capital programs, \$22.8 million for grant programs, and the remaining \$252.0 million for operations. The 2011 actual expenditures were \$259.6 million, breaking down into grants of \$9.3 million, expenditures for capital and continuing projects of \$0.4 million, and the remaining \$249.9 million for operations.
 - The Fire Department's 2011 budget was \$174.8 million. This amount breaks into \$4.0 million for capital continuing programs, \$12.3 million for grant programs, and the remaining \$158.5 million for operations. The 2011 actual expenditures were \$164.0 million, breaking down into grants of \$3.4 million, expenditures for continuing and capital projects of \$3.0 million, and the remaining \$157.6 million for operations.
- The capital outlay spending in the general government and the culture and recreation functions of the City are reported significantly under budget. This is to be expected with the City loading budgets for projects that span multiple operating cycles and reporting periods. In 2011 the general government expended 23.9 percent of the budget, only \$5.5 million of the \$22.9 million budgeted. This was consistent within culture and recreation which reported spending only \$23.1 million of the \$58.0 million budgeted, or 39.8 percent of the 2011 capital outlay budget.
- General Fund actual revenues came in at \$993.7 million, \$36.8 million (3.6 percent) less than budget. Tax revenues were over budget by \$8.4 million (1.1 percent). Grants and contributions were \$43.4 million as compared to a budget of \$79.1 million because there are grants awarded that span multi-years and remaining budgets are carried over to the following year.

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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	
	2011	Restated 2010	2011	2010	2011	Restated 2010
	Land	\$ 534,093	\$ 530,894	\$ 133,634	\$ 160,118	\$ 667,727
Plant in Service, Excluding Land	-	-	3,688,841	3,508,899	3,688,841	3,508,899
Buildings and Improvements	1,531,852	1,569,118	34,074	36,079	1,565,926	1,605,197
Machinery and Equipment	124,097	116,831	2,447	4,001	126,544	120,832
Infrastructure	808,059	742,151	-	-	808,059	742,151
Construction in Progress	340,504	267,903	312,968	312,303	653,472	580,206
Other Capital Assets	11,871	11,961	62,770	17,755	74,641	29,716
Total Capital Assets	<u>\$ 3,350,476</u>	<u>\$ 3,238,858</u>	<u>\$ 4,234,734</u>	<u>\$ 4,039,155</u>	<u>\$ 7,585,210</u>	<u>\$ 7,278,013</u>

Capital assets, net of depreciation, for governmental activities increased by \$111.6 million in 2011. The main driver for the increase is attributable to the following:

- The Department of Transportation capitalized \$110.4 million for various infrastructure assets (roads, bridges, sidewalks, signs, illuminations, and others). Construction in progress increased \$57.1 million over last year in support of ongoing capital projects.

Capital assets, net of depreciation, for business-type activities increased by \$195.6 million in 2011. Major increases included the following:

- City Light capital assets, net of accumulated depreciation, increased by \$127.2 million in 2011. This increase was primarily comprised of \$120.7 million for distribution plant assets.
- Drainage and Wastewater Utility net capital assets increased by \$35.4 million compared to last year. The major capital asset placed in service was for the completed Madison Valley Phase II project in the amount of \$26.2 million.
- Solid Waste Utility net capital assets increased by \$37.5 million for the year ended December 31, 2011. The Utility spent \$43.4 million relating to ongoing construction projects, including \$40.1 million spent for the South Transfer Station rebuild project.

More detailed financial information about the City's capital asset activities is presented in Note 6 to the financial statements.

DEBT ADMINISTRATION

At the end of the fiscal year 2011 the City had \$4.149 billion in outstanding bonded debt that included general obligation and revenue bonds, compared to \$3.985 billion in 2010. This represents an increase of approximately \$163.8 million (4.1 percent). Additionally, the special assessments bonds that the City issued in 2006, without lending its full faith and credit but obligated in some manner for the design and construction of the South Lake Union Streetcar, decreased to \$14.3 million. In 2011 LTGO bonds were issued to finance various capital improvement projects including Bridge Rehabilitation (\$9.7 million), Bridge Seismic (\$1.8 million), King Street Station (\$3.8 million), Spokane Street Viaduct (\$21.4 million), Seawall (\$11.8 million), Parking/Program Management (\$2.3 million), Mercer West (\$7.7 million), Golf (\$1.9 million), Pike Place Market (\$10.0 million), Rainier Beach Community Center (\$4.3 million), Seattle Center (\$3.0 million), Facility Energy Retrofits-Facilities and Administrative Services (\$0.6 million), Facility Energy Retrofits-Department of Parks and Recreation (\$0.4 million), and Facility Energy Retrofits-Seattle Center (\$0.5 million), for a total of \$79.2 million. The City also issued revenue bonds: \$306.3 million for the Light Fund to finance certain capital improvements and conservation programs and to advance refund certain higher-interest-bearing existing Municipal Light and Power parity bonds; and \$45.8 million to finance certain capital improvement projects of the City's solid waste system. The City's bond ratings remained similar to the ratings for the previous year. The City's UTGO bonds are rated Aaa by Moody's Investors Service (Moody's), AAA by Fitch Ratings (Fitch), and AAA by Standard & Poor's (S&P). The City's LTGO bonds are rated Aa1 by Moody's, AA+ by Fitch, and AAA by S&P. The City maintained its high bond ratings on its Light, Water, Drainage and Wastewater, and Solid Waste revenue bonds by Moody's and S&P; these bonds are not rated by Fitch.

The City's limited and unlimited general obligation debt is capped at 7.5 percent of assessed value by state law. The 2012 assessed value of taxable properties for the City is \$117.5 billion. At the end of 2011 the net outstanding general obligation debt of the City that includes bonds, compensated absences net of sick leave, and guarantees of indebtedness amounted to \$1.020 billion, well below the limit of \$8.813 billion, rendering the City's legal debt margin of \$7.793 billion. Within the 7.5 percent limitation, state law restricts outstanding LTGO bonds to 1.5 percent of assessed value. At year-end 2011 the LTGO net outstanding debt was \$908.8 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 \$117.4 million (\$86.9 million for governmental activities and \$30.5 million for business-type activities) at the end of the year. In addition, City utilities and Department of Parks and Recreation recognized a combined \$34.7 million in estimated environmental liabilities. Other obligations were accrued for compensation absences for sick leave and other notes and contracts. The other notes and contracts included draws from the State's Public Works Trust Loan (PWTL) Program which are serviced with revenues from two participating City departments, one with a governmental-type fund and one whose PWTL activities are reported in two of its business-type funds.

More detailed information about the City's long-term liabilities is presented in Note 9 to the financial statements.

ECONOMIC FACTORS

U.S. Economy. The worst recession in 80 years ended in June 2009, and the U.S. economy has been slowly recovering since then. The recovery has been led by business investment in equipment and software, a rise in exports, which has boosted the manufacturing sector, and a modest upturn in consumption. Housing has finally stabilized following the steep drop precipitated by the collapse of the housing bubble, but a housing recovery has yet to materialize. Since employment was at its lowest in February 2010, the economy has created 2.94 million jobs through December 2011, replacing a third of the jobs lost during the downturn.

The economy showed signs of a faster recovery in the fourth quarter of 2010 and entered 2011 with modest momentum. However, it was soon slowed by a sharp increase in gasoline prices caused by the disruption of oil supplies that resulted from popular uprisings in several Middle East nations, and by the slowdown in U.S. manufacturing production that was caused by the earthquake and tsunami that hit Japan in early March. Ongoing Eurozone debt troubles also weighed on the economy.

In late July and early August, the weakened economy was subjected to the federal government's debt ceiling debate, in which Congress delayed raising the nation's debt ceiling until the U.S. was on the brink of default. This caused a steep drop in consumer confidence, a sharp decline in the stock market, and rising fears of a double-dip recession. However, once the debate ended, the economy managed to bounce-back and ended the year on an upswing.

Looking to the future, economists expect the recovery to remain sluggish. History tells us that recessions caused by financial crises are followed by weak recoveries, and thus far the current recovery is unfolding as expected. Despite improvements in the financial markets, credit remains tight and consumers are under stress due to large declines in wealth, increases in energy and food prices, a weak job market, and sluggish income growth.

Seattle Metro Area Economy. The Seattle metro area has rebounded from the recession more strongly than the nation. Through December, Seattle metro area, King and Snohomish Counties, employment was up 4.1 percent from its post-recession low in February 2010, compared to a 2.3 percent gain in U.S. employment over the same period. Areas of strength in the local economy include aerospace; software publishing; professional, scientific, and technical services; health services; and mail order and internet retail. Boeing, which has a backlog of over 3,000 planes on order, is phasing in a series of production increases for its 737, 777, and 787 models in 2011-2014. The 787 model has been certified by the FAA to carry passengers, work on the Air Force tanker is ramping up, and a redesign of the 737 model that will add new fuel efficient engines has been approved recently by Boeing's board. Amazon, which is in the process of moving into its new South Lake Union office complex, has been hiring aggressively.

Despite a relatively healthy start, the region's recovery is expected to be weak by historical standards. The Puget Sound Economic Forecaster expects employment to increase at an average rate of 1.8 percent per year over the next five years. This is a much slower rate of growth than is typical during recoveries, and is lower than the 2.5 percent average annual growth rate posted over the past 40 years, which includes periods of recession. Housing will recover more slowly than the rest of the economy, with housing starts not expected to move comfortably above recession levels until 2016.

General Subfund. In 2011, general government revenue into the General Subfund totaled approximately \$917.4 million. General Subfund revenue is projected to be \$930.7 million in 2012, \$945.8 million in 2013, and \$986.4 million in 2014. The cash inflows in 2011 were artificially high due to a loan from the Museum of History and Industry (MOHAI) in the amount of \$8.5 million.

Management's Discussion and Analysis

The recession of 2007 through 2009 recession caused a severe contraction in retail sales and business and occupation tax revenues, with business and occupation tax revenue declining in 2008, and revenue from both taxes declining in 2009 and 2010. With the recovery, revenue growth turned positive in 2011, with the retail sales and business and occupation taxes posting gains of 8.2 percent and 6.7 percent, respectively. Leading the rebound have been construction; manufacturing; auto sales; and business and professional services. Sales tax revenue was boosted by a Washington State tax amnesty program, which yielded an estimated \$2.6 million in additional sales tax revenue as well as approximately \$250 thousand in criminal justice sales tax receipts for the City. Looking forward, revenue is expected to continue growing at a modest but gradually increasing pace.

On-street parking and parking enforcement continued to be an area of revenue volatility as the City accelerated its transition to a data-driven, performance based approach to managing on-street parking. The City also implemented a scofflaw booting program to improve payment compliance on parking citations. Overall, changes implemented in 2011 increased on-street parking revenues approximately \$3.5 million over 2010 to \$30.1 million. Further changes to rates, boundaries, and time limits are planned for 2012. The loss of parking spaces beginning in October 2011 due to the multi-year construction activity related to the Alaskan Way Viaduct replacement project are indicating significantly lower revenue growth in 2012. Revenues from the scofflaw booting program and the City's camera enforcement program performed as anticipated and total enforcement revenues increased to \$31.3 million in 2011 from \$29.8 million in 2010. The 2012 Adopted Budget recognized the Seattle Municipal Court's recommendation to increase various parking fines by \$5.00, effective in late 2011.

Utilities. Utility tax receipts from both private and public utilities have held up fairly well through the recession and the following period of expansion. Public utilities have seen a number of general rate increases in 2011 as well as the creation of revenue stabilization accounts. These rate increases have led to higher tax revenues to the City which have served to counteract the muted growth rates in retail sales and business and occupation tax revenues. Cold weather in 2011 also had a positive impact on tax revenues from both Seattle City Light and natural gas suppliers. Some technological changes are having an effect on telecommunications and cable tax revenue streams as consumers change their behaviors. More cellular phones services are being used for internet access and other data services which are not part of the local tax structure. Similarly the competition between cable and satellite service providers along with an increased presence of television online has muted growth in cable tax revenues.

In 2011, Seattle City Light experienced an increase in retail power sales and net wholesale energy revenues. Retail power revenues were higher as a result of the 4.3 percent rate increase effective January 1, 2011 and higher electricity consumption during the first seven months of the year. The 4.5 percent temporary rate surcharge implemented in May 2010 was terminated at the beginning of 2011. Extremely wet hydro conditions in the Pacific Northwest region during 2011 produced abundant surplus power contributing to the higher wholesale energy sales, even with lower wholesale power prices compared to 2010. In 2010, the utility established, per City Ordinance 123260, a Rate Stabilization Account (RSA) to help mitigate future risks to fluctuations in wholesale revenue. In 2011, \$40.5 million of operating revenues were transferred to the RSA to reduce both the likelihood and size of surcharges required to 2012 in anticipation of a shortfall in wholesale revenue.

Seattle Public Utilities (SPU). SPU is facing financial challenges. Revenues in all three lines of business have been impacted by the economic slowdown. This has led residents and businesses to create fewer tons of garbage and use less water than assumed in previous forecasts. The recession has heightened existing trends toward lower consumption and more efficient use of utility resources in Seattle. Total water demand has decreased by roughly 25.0 percent since peaking in the 1980s, for example, and is projected to continue decreasing by roughly 1.0 percent a year over the next few years. Solid waste rates were increased by 7.5 percent for residential services effective January 1, 2011. Wastewater revenues increased on average of 14.5 percent. Wastewater treatment costs rose due to an increase in the treatment rate imposed by King County in 2011.

Full Time-Equivalent (FTE) Positions. In the 2011 adopted budget, 278 net positions were eliminated citywide. The 2012 endorsed budget, presented with the 2011 adopted budget, included an additional 16 net positions to be eliminated.

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 Finance and Administrative Services, Citywide Accounting and Payroll 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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Government-wide Financial Statements

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STATEMENT OF NET ASSETS

Page 1 of 3

December 31, 2011

(In Thousands)

	Primary Government		Comparative Totals		Component Units
	Governmental Activities	Business-Type Activities	2011	Restated 2010	
ASSETS					
<i>Current Assets</i>					
Operating Cash and Equity in Pooled Investments	\$ 593,700	\$ 234,146	\$ 827,846	\$ 619,147	\$ 3,377
Restricted Cash and Equity in Pooled Investments	14,294	1,639	15,933	9,325	-
Investments	-	-	-	-	45,207
Receivables, Net of Allowances	87,446	199,104	286,550	298,578	3,031
Internal Balances	15,746	(15,746)	-	-	-
Due from Other Governments	85,545	11,273	96,818	98,523	-
Inventories	2,980	33,996	36,976	32,620	-
Prepaid and Other Current Assets	921	1,907	2,828	3,958	14
Total Current Assets	800,632	466,319	1,266,951	1,062,151	51,629
<i>Noncurrent Assets</i>					
Restricted Cash and Equity in Pooled Investments	23,373	369,195	392,568	310,278	-
Restricted Investments	-	-	-	81,829	-
Restricted Investment Interest Receivable	-	-	-	131	-
Unamortized Debt Costs	4,298	19,532	23,830	23,701	-
Contracts and Notes	372,169	1,772	373,941	375,385	-
Deferred Conservation Costs, Net	-	220,448	220,448	208,006	-
Deferred Landfill Closure and Postclosure Costs, Net	-	17,656	17,656	18,772	-
Deferred Environmental Costs and Recoveries	-	7,421	7,421	10,238	-
Net Pension Asset	47,677	-	47,677	39,821	-
Other Deferred Charges and Noncurrent Assets	14,271	104,057	118,328	102,860	2,778
Capital Assets, Net of Accumulated Depreciation					
Land and Land Rights	534,093	133,634	667,727	691,012	-
Plant in Service, Excluding Land	-	3,688,841	3,688,841	3,508,899	-
Buildings and Improvements	1,531,852	34,074	1,565,926	1,605,197	-
Machinery and Equipment	124,097	2,447	126,544	120,832	-
Infrastructure	808,059	-	808,059	742,151	-
Construction in Progress	340,504	312,968	653,472	580,206	-
Other Capital Assets	11,871	62,770	74,641	29,716	-
Total Noncurrent Assets	3,812,264	4,974,815	8,787,079	8,449,034	2,778
Total Assets	4,612,896	5,441,134	10,054,030	9,511,185	54,407

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

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STATEMENT OF NET ASSETS

Page 2 of 3

December 31, 2011

(In Thousands)

	Primary Government		Comparative Totals		Component Units
	Governmental Activities	Business-Type Activities	2011	Restated 2010	
LIABILITIES					
<i>Current Liabilities</i>					
Accounts Payable	\$ 76,053	\$ 74,313	\$ 150,366	\$ 146,681	\$ 2,009
Salaries, Benefits, and Taxes Payable	20,445	9,446	29,891	28,433	-
Contracts Payable	4,870	-	4,870	5,785	-
Due to Other Governments	10,277	10,339	20,616	18,419	-
Interest Payable	12,042	59,211	71,253	73,683	-
Taxes Payable	81	11,986	12,067	11,295	-
Deposits Payable	679	-	679	782	-
Deferred Credits	5,061	20,478	25,539	24,393	-
Current Portion of Long-Term Debt					
Bonds Payable	64,800	138,187	202,987	165,957	-
Deferred Bond Interest	-	1,213	1,213	1,058	-
Compensated Absences Payable	18,708	2,797	21,505	23,279	-
Notes and Contracts Payable	2,198	1,762	3,960	3,844	-
Claims Payable	26,525	16,432	42,957	48,657	-
Habitat Conservation Program Liability	-	533	533	527	-
Landfill Closure and Postclosure Liability	-	1,645	1,645	1,292	-
Arbitrage Rebate Liability	-	-	-	76	-
Other Current Liabilities	432	1,083	1,515	1,167	-
Total Current Liabilities	242,171	349,425	591,596	555,328	2,009
<i>Noncurrent Liabilities</i>					
Bonds Payable, Net of					
Unamortized Premiums, Discounts, and Other	794,904	3,267,758	4,062,662	3,917,883	-
Deferred Bond Interest	-	1,672	1,672	2,493	-
Special Assessment Bonds with Governmental Commitment	14,305	-	14,305	15,735	-
Compensated Absences Payable	65,904	26,902	92,806	88,995	-
Claims Payable	60,426	48,679	109,105	117,146	-
Notes and Contracts Payable	12,474	34,460	46,934	46,858	-
Landfill Closure and Postclosure Liability	-	18,317	18,317	19,362	-
Vendor Deposits Payable	64	14	78	657	-
Habitat Conservation Program Liability	-	4,515	4,515	3,784	-
Muckleshoot Liability	-	-	-	495	-
Deferred Credits	404,863	26,720	431,583	430,049	-
Deferred Revenue - Rate Stabilization Account	-	116,490	116,490	54,266	-
Arbitrage Rebate Liability	44	-	44	-	-
Unfunded Other Post Employment Benefits	59,786	11,569	71,355	55,158	-
Other Noncurrent Liabilities	8,604	2,220	10,824	2,250	-
Total Noncurrent Liabilities	1,421,374	3,559,316	4,980,690	4,755,131	-
Total Liabilities	1,663,545	3,908,741	5,572,286	5,310,459	2,009

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

Government-wide Financial Statements

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STATEMENT OF NET ASSETS

Page 3 of 3

December 31, 2011

(In Thousands)

	Primary Government		Comparative Totals		Component Units
	Governmental Activities	Business-Type Activities	2011	Restated 2010	
	NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ 2,629,246	\$ 1,243,494	\$ 3,872,740	\$ 3,741,838	\$ -
Restricted for					
Debt Service	10,499	29,441	39,940	40,081	-
Capital Projects	242,096	-	242,096	214,826	-
Rate Stabilization Account	-	25,000	25,000	25,000	-
Education and Development Services	14,260	-	14,260	15,258	9,106
Special Deposits	-	428	428	129	-
Deferred Conservation and Environmental Costs	-	6,536	6,536	6,806	-
Bonneville Power Administration Projects	-	463	463	563	-
Deferred External Infrastructure Costs	-	7,114	7,114	7,514	-
Muckleshoot Settlement	-	294	294	348	-
Other Deferred Charges	-	12,628	12,628	9,571	-
Health Care Reserve	17,115	-	17,115	21,488	-
Transportation Programs	18,851	-	18,851	11,154	-
Low-Income Housing Programs	77,772	-	77,772	65,567	-
Other Purposes	37,409	-	37,409	31,306	-
Nonexpendable	2,050	-	2,050	2,050	26,889
Unrestricted	(99,947)	206,995	107,048	7,227	16,403
Total Net Assets	\$ 2,949,351	\$ 1,532,393	\$ 4,481,744	\$ 4,200,726	\$ 52,398

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

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011
(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	\$ 179,351	\$ (1,586)	\$ 73,960	\$ 15,077	\$ 8,535
Judicial	25,623	-	33,048	157	-
Public Safety	472,262	(1,057)	18,939	17,800	524
Physical Environment	10,697	-	2	8,688	-
Transportation	109,827	833	64,331	13,131	28,306
Economic Environment	101,242	-	7,299	32,932	6,199
Health and Human Services	71,399	-	1,276	33,828	-
Culture and Recreation	245,671	-	50,273	15,066	3,939
Interest on Long-Term Debt	40,425	-	-	-	-
Total Governmental Activities	1,256,497	(1,810)	249,128	136,679	47,503
BUSINESS-TYPE ACTIVITIES					
Light	722,703	962	769,316	1,398	40,927
Water	198,619	310	194,342	435	3,096
Drainage and Wastewater	268,948	276	274,553	2,310	7,476
Solid Waste	149,049	108	154,159	718	23
Planning and Development	43,900	154	34,487	657	-
Downtown Parking Garage	7,740	-	5,937	-	-
Total Business-Type Activities	1,390,959	1,810	1,432,794	5,518	51,522
Total Government-Wide Activities	\$ 2,647,456	\$ -	\$ 1,681,922	\$ 142,197	\$ 99,025
COMPONENT UNITS	\$ 5,085	\$ -	\$ -	\$ 5,634	\$ -

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

Government-wide Financial Statements

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STATEMENT OF ACTIVITIES

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For the Year Ended December 31, 2011

(In Thousands)

Net Revenue (Expense) and Changes in Net Assets					
Primary Government					
Comparative Totals					
Governmental Activities	Business-Type Activities	2011	Restated 2010	Component Units	
GOVERNMENTAL ACTIVITIES					
General Government	\$ (80,193)	\$ -	\$ (80,193)	\$ (106,106)	
Judicial	7,582	-	7,582	5,008	
Public Safety	(433,942)	-	(433,942)	(443,122)	
Physical Environment	(2,007)	-	(2,007)	(3,825)	
Transportation	(4,892)	-	(4,892)	(19,749)	
Economic Environment	(54,812)	-	(54,812)	(72,013)	
Health and Human Services	(36,295)	-	(36,295)	(38,608)	
Culture and Recreation	(176,393)	-	(176,393)	(186,204)	
Interest on Long-Term Debt	(40,425)	-	(40,425)	(38,929)	
Total Governmental Activities	(821,377)	-	(821,377)	(903,548)	
BUSINESS-TYPE ACTIVITIES					
Light	-	87,976	87,976	28,241	
Water	-	(1,056)	(1,056)	(2,383)	
Drainage and Wastewater	-	15,115	15,115	5,449	
Solid Waste	-	5,743	5,743	5,874	
Planning and Development	-	(8,910)	(8,910)	(18,667)	
Downtown Parking Garage	-	(1,803)	(1,803)	(1,068)	
Total Business-Type Activities	-	97,065	97,065	17,446	
Total Government-Wide Activities	(821,377)	97,065	(724,312)	(886,102)	
COMPONENT UNITS					
				\$	549
General Revenues					
Property Taxes	397,288	-	397,288	391,798	-
Sales Taxes	158,582	-	158,582	146,970	-
Business Taxes	339,703	-	339,703	331,570	-
Excise Taxes	35,203	-	35,203	28,815	-
Other Taxes	39,014	-	39,014	31,119	-
Penalties and Interest on Delinquent Taxes	3,240	-	3,240	3,475	-
Unrestricted Investment Earnings	5,536	11,078	16,614	13,481	454
Gain on Sale of Capital Assets	14,224	924	15,148	40,293	-
Special Item - Environmental Remediation	-	538	538	(1,948)	-
Transfers	(9,373)	9,373	-	-	-
Total General Revenues (Loss), Special Item, and Transfers	983,417	21,913	1,005,330	985,573	454
Changes in Net Assets	162,040	118,978	281,018	99,471	1,003
Net Assets - Beginning of Year as Restated	2,787,311	1,413,415	4,200,726	4,101,255	51,395
Net Assets - End of Year	<u>\$ 2,949,351</u>	<u>\$ 1,532,393</u>	<u>\$ 4,481,744</u>	<u>\$ 4,200,726</u>	<u>\$ 52,398</u>

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

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Fund Financial Statements

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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.

As described in Note 1, Summary of Significant Accounting Policies, GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented in fiscal year 2011. The Library Fund no longer met the definition for a special revenue fund and has been included in the General Fund financial statements.

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; property taxes, commercial parking taxes, and 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 2009 to provide, produce, and/or preserve affordable housing in Seattle and to assist low-income tenants in Seattle. Operating costs in the administration of the levy are accounted for in the Office of Housing Fund, a nonmajor special revenue fund.

Descriptions for the nonmajor governmental funds are provided in the Combining and Individual Fund and Other Supplementary Information section.

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2011
(In Thousands)

	<u>General</u>	<u>Transportation</u>	<u>Low-Income Housing</u>
ASSETS			
Cash and Equity in Pooled Investments	\$ 144,220	\$ 36,395	\$ 86,243
Receivables, Net of Allowances			
Taxes	56,860	2,812	478
Accounts	3,558	1,238	220
Special Assessments - Delinquent	-	-	-
Interest and Dividends	71	180	60
Unbilled and Others	925	95	-
Due from Other Funds	14,536	26,334	767
Due from Other Governments	44,272	25,775	975
Inventories	-	-	-
Prepaid and Other Current Assets	513	225	-
Deposits With Vendor	2	-	-
Contracts and Notes - Noncurrent	8,009	-	315,724
Advances to Other Funds	-	-	-
Deferred Charges and Other Assets	-	-	-
	<u>\$ 272,966</u>	<u>\$ 93,054</u>	<u>\$ 404,467</u>
LIABILITIES			
Accounts Payable	\$ 22,557	\$ 17,223	\$ 1,664
Contracts Payable	123	3,847	-
Due to Other Funds	5,219	1,419	13
Due to Other Governments	3,915	-	-
Salaries, Benefits, and Taxes Payable	13,320	1,709	-
Interest Payable	759	24	-
Deposits Payable	88	326	94
Revenue Collected/Billed in Advance - Current	1,928	6	-
Other Current Liabilities	241	-	-
Advances from Other Funds	-	-	-
Deferred Revenues	20,041	7,069	316,108
	<u>68,191</u>	<u>31,623</u>	<u>317,879</u>
Total Liabilities			

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

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**BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2011
(In Thousands)**

	<u>Other Governmental</u>	<u>Comparative Totals</u>	
		<u>2011</u>	<u>2010</u>
ASSETS			
Cash and Equity in Pooled Investments	\$ 308,075	\$ 574,933	\$ 488,281
Receivables, Net of Allowances			
Taxes	2,218	62,368	62,450
Accounts	7,999	13,015	10,087
Special Assessments - Delinquent	195	195	154
Interest and Dividends	238	549	865
Unbilled and Others	1,101	2,121	1,910
Due from Other Funds	3,306	44,943	34,956
Due from Other Governments	13,933	84,955	87,934
Inventories	609	609	570
Prepaid and Other Current Assets	42	780	878
Deposits With Vendor	-	2	2
Contracts and Notes - Noncurrent	44,761	368,494	351,435
Advances to Other Funds	-	-	1,020
Deferred Charges and Other Assets	14,271	14,271	16,578
	<u>\$ 396,748</u>	<u>\$ 1,167,235</u>	<u>\$ 1,057,120</u>
Total Assets			
LIABILITIES			
Accounts Payable	\$ 23,822	\$ 65,266	\$ 75,344
Contracts Payable	901	4,871	5,785
Due to Other Funds	26,318	32,969	24,946
Due to Other Governments	6,355	10,270	9,168
Salaries, Benefits, and Taxes Payable	3,526	18,555	18,645
Interest Payable	3	786	951
Deposits Payable	170	678	782
Revenue Collected/Billed in Advance - Current	3,127	5,061	4,523
Other Current Liabilities	189	430	378
Advances from Other Funds	-	-	1,020
Deferred Revenues	61,647	404,865	389,767
	<u>126,058</u>	<u>543,751</u>	<u>531,309</u>
Total Liabilities			

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

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2011
(In Thousands)

	<u>General</u>	<u>Transportation</u>	<u>Low-Income Housing</u>
FUND BALANCES			
Nonspendable	\$ 572	\$ 228	\$ -
Restricted	58,917	18,851	77,772
Committed	46,268	42,352	8,816
Assigned	19,253	-	-
Unassigned	79,765	-	-
	<hr/>	<hr/>	<hr/>
Total Fund Balance	204,775	61,431	86,588
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	\$ 272,966	\$ 93,054	\$ 404,467
	<hr/>	<hr/>	<hr/>

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

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**BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2011
(In Thousands)**

	<u>Other Governmental</u>	<u>Comparative Totals</u>	
		<u>2011</u>	<u>2010</u>
FUND BALANCES			
Nonspendable	\$ 2,486	\$ 3,286	\$ 2,848
Restricted	262,464	418,004	370,240
Committed	8,988	106,424	85,619
Assigned	8,816	28,069	25,868
Unassigned	<u>(12,064)</u>	<u>67,701</u>	<u>41,236</u>
Total Fund Balance	<u>270,690</u>	623,484	525,811
Total Liabilities and Fund Balance	<u>\$ 396,748</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.		2,677,684	2,558,329
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		12,013	31,999
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.		436,523	424,926
Net pension asset net of pension obligations		47,677	39,821
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Claims Payable - Current		(27,431)	(27,964)
Accrued Interest Payable		(6,627)	(5,978)
Current Portion of Long-Term Debt		(49,569)	(47,171)
Compensated Absences Payable		(18,240)	(19,847)
General Obligation Bonds Payable		(509,409)	(476,927)
Less Bond Discount and Premium		(25,792)	(25,204)
Special Assessment Bonds		(14,305)	(15,735)
Unamortized Losses on Refunding		593	4,063
Deferred Credits		3,399	4,700
Notes and Other Long-Term Liabilities		(14,733)	(16,596)
Compensated Absences - Long-Term		(60,562)	(59,827)
Claims Payable - Long-Term		(43,985)	(46,023)
Workers' Compensation		(15,155)	(15,793)
Arbitrage		(44)	(76)
Unfunded Other Post Employment Benefits		(57,670)	(45,197)
MOHAI Liabilities		(8,500)	-
Net Adjustments		<u>2,325,867</u>	<u>2,261,500</u>
Net Assets of Governmental Activities		<u>\$ 2,949,351</u>	<u>\$ 2,787,311</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, 2011

(In Thousands)

	<u>General</u>	<u>Transportation</u>	<u>Low-Income Housing</u>
REVENUES			
Taxes	\$ 790,966	\$ 68,928	\$ 18,645
Licenses and Permits	18,817	4,149	-
Grants, Shared Revenues, and Contributions	47,503	41,031	11,176
Charges for Services	53,844	65,403	19
Fines and Forfeits	33,992	36	-
Parking Fees and Space Rent	31,301	38	-
Program Income, Interest, and Miscellaneous Revenues	23,921	107	8,281
Total Revenues	1,000,344	179,692	38,121
EXPENDITURES			
Current			
General Government	168,498	-	-
Judicial	25,855	-	-
Public Safety	445,170	-	-
Physical Environment	10,813	-	-
Transportation	12,529	77,377	-
Economic Environment	20,718	-	26,433
Health and Human Services	-	-	-
Culture and Recreation	58,098	-	-
Capital Outlay			
General Government	5,456	-	-
Public Safety	4,355	-	-
Transportation	-	167,590	-
Economic Environment	-	-	-
Culture and Recreation	23,727	-	-
Debt Service			
Principal	4	2,169	-
Interest	1	241	-
Bond Issuance Cost	-	-	-
Total Expenditures	775,224	247,377	26,433
Excess (Deficiency) of Revenues over Expenditures	225,120	(67,685)	11,688
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	-	248	-
Refunding Debt Issued	-	-	-
Premium on Bonds Issued	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-
Sales of Capital Assets	21,326	19,800	15
Transfers In	4,537	92,087	-
Transfers Out	(225,649)	(16,227)	(265)
Total Other Financing Sources (Uses)	(199,786)	95,908	(250)
Net Change in Fund Balance	25,334	28,223	11,438
Fund Balances - Beginning of Year	179,441	33,208	75,150
Fund Balances - End of Year	\$ 204,775	\$ 61,431	\$ 86,588

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

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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

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IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended December 31, 2011

(In Thousands)

	<u>Other Governmental</u>	<u>Comparative Totals</u>	
		<u>2011</u>	<u>2010</u>
REVENUES			
Taxes	\$ 94,642	\$ 973,181	\$ 933,641
Licenses and Permits	-	22,966	26,514
Grants, Shared Revenues, and Contributions	68,103	167,813	179,842
Charges for Services	48,378	167,644	171,509
Fines and Forfeits	38	34,066	32,300
Parking Fees and Space Rent	19,665	51,004	46,858
Program Income, Interest, and Miscellaneous Revenues	7,397	39,706	26,037
	<hr/>	<hr/>	<hr/>
Total Revenues	238,223	1,456,380	1,416,701
EXPENDITURES			
Current			
General Government	25,199	193,697	203,607
Judicial	-	25,855	26,300
Public Safety	6,564	451,734	445,002
Physical Environment	377	11,190	9,058
Transportation	683	90,589	93,381
Economic Environment	59,083	106,234	123,430
Health and Human Services	73,100	73,100	73,956
Culture and Recreation	153,425	211,523	233,284
Capital Outlay			
General Government	8,406	13,862	16,799
Public Safety	3,965	8,320	21,815
Transportation	-	167,590	169,636
Economic Environment	-	-	5
Culture and Recreation	26,656	50,383	63,521
Debt Service			
Principal	45,736	47,909	45,826
Interest	26,512	26,754	24,596
Bond Issuance Cost	369	369	1,303
	<hr/>	<hr/>	<hr/>
Total Expenditures	430,075	1,479,109	1,551,519
Excess (Deficiency) of Revenues over Expenditures	(191,852)	(22,729)	(134,818)
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	79,185	79,433	85,325
Refunding Debt Issued	-	-	115,185
Premium on Bonds Issued	5,181	5,181	13,270
Payment to Refunded Bond Escrow Agent	-	-	(125,170)
Sales of Capital Assets	20	41,161	21,310
Transfers In	195,600	292,224	298,519
Transfers Out	(55,456)	(297,597)	(304,618)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	224,530	120,402	103,821
Net Change in Fund Balance	32,678	97,673	(30,997)
Fund Balances - Beginning of Year	238,012	525,811	556,808
	<hr/>	<hr/>	<hr/>
Fund Balances - End of Year	\$ 270,690	\$ 623,484	\$ 525,811

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, 2011
(In Thousands)**

	<u>Comparative Totals</u>	
	<u>2011</u>	<u>Restated 2010</u>
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balance - total governmental funds	\$ 97,673	\$ (30,997)
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	(87,150)	(85,108)
Capital outlay reported as expenditures	216,790	217,353
Retirement and sale of capital assets	(29,790)	(1,796)
Capital assets received as donations	(496)	(7,654)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(58)	(70)
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	(79,185)	(85,326)
Premium on general obligation bonds	(5,181)	(14,105)
Proceeds from bond refunding	-	(115,186)
Proceeds of long-term loans	-	19,869
Principal payments bonds/notes	47,909	45,825
Bond interest	(1,033)	(1,402)
Remittance to refunding escrow using City funds	-	125,169
Bond issuance costs	376	1,361
Amortization of debt expense	(347)	(401)
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	873	(2,337)
Injury and damage claims	1,968	(1,947)
Workers' compensation	1,160	(2,767)
Arbitrage	32	129
Unfunded OPEB liabilities	(12,473)	(12,649)
Net pension asset	7,856	(42,809)
Environmental liability	19	(1,572)
MOHAI liability	(8,500)	-
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 enterprise funds	(2,675)	(1,432)
Net revenue of internal service funds activities reported with governmental activities	14,272	62,731
Change in Net Assets of Governmental Activities	<u>\$ 162,040</u>	<u>\$ 64,879</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 400,000 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 182 miles of supply mains and distribution storage capacity of 339 million gallons in reservoirs, tanks, and standpipes. The distribution system serves a population of about 670,000 people. The utility also sells to 29 surrounding cities and water districts that provide water to an additional 634,000 people.

The **Drainage and Wastewater Fund** accounts for the operations of the City-owned sewer and drainage utility facilities and 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 1,893 miles of sewers and drainage mainlines, 75 percent of which are separate sanitary sewers and storm mainlines. In addition, the City manages 66 pumping stations.

The **Solid Waste Fund** accounts for the operations of two City-owned transfer stations and for the administration of contracts with private companies for the collection of residential refuse and commercial garbage. 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.

Descriptions for the nonmajor enterprise funds and the internal service funds are provided in the Combining and Individual Fund and Other Supplementary Information section.

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

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2011

(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Light		Water	
	2011	2010	2011	2010
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 165,411	\$ 56,932	\$ 7,298	\$ 8,504
Restricted Cash and Equity in Pooled Investments	-	18	68	100
Receivables, Net of Allowances				
Accounts	51,930	72,229	13,532	13,628
Interest and Dividends	277	122	-	-
Unbilled	71,883	69,683	10,947	10,199
Energy Contracts, Notes, and Other Contracts	-	-	16	21
Due from Other Funds	565	2,849	911	1,606
Due from Other Governments	6,721	6,638	755	1,065
Materials and Supplies Inventory	29,463	24,829	3,821	4,075
Prepayments and Other Current Assets	567	1,709	1,211	1,185
Total Current Assets	326,817	235,009	38,559	40,383
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	209,187	101,395	86,762	108,718
Restricted Investments	-	38,788	-	18,098
Restricted Investment Interest Receivable	-	-	-	5
Unamortized Bond Issue Costs, Net	9,931	9,768	4,918	5,181
Notes and Contracts Receivable	-	-	465	-
Deferred Conservation Costs, Net	190,543	178,437	29,905	29,569
Deferred Landfill Closure and Postclosure Costs, Net	-	-	-	-
Deferred Environmental Costs and Recoveries	2,625	-	-	-
Deferred External Infrastructure Costs	-	-	-	-
Other Deferred Charges	40,060	33,281	17,974	8,745
Capital Assets				
Land and Land Rights	63,128	90,531	41,554	40,635
Plant in Service, Excluding Land	3,424,798	3,205,420	1,664,690	1,627,959
Less Accumulated Depreciation	(1,457,324)	(1,384,291)	(559,487)	(522,031)
Buildings and Improvements	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Machinery and Equipment	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Construction in Progress	110,306	147,035	56,020	57,229
Other Property, Net	59,402	14,411	928	913
Total Noncurrent Assets	2,652,656	2,434,775	1,343,729	1,375,021
Total Assets	2,979,473	2,669,784	1,382,288	1,415,404

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, 2011

(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2011	2010	2011	2010
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 29,122	\$ 30,284	\$ 18,567	\$ 10,270
Restricted Cash and Equity in Pooled Investments	1,571	1,620	-	-
Receivables, Net of Allowances				
Accounts	19,951	16,983	11,702	11,868
Interest and Dividends	67	81	31	17
Unbilled	15,914	14,226	371	363
Energy Contracts, Notes, and Other Contracts	45	-	-	-
Due from Other Funds	1,871	2,411	58	109
Due from Other Governments	2,345	1,033	945	899
Materials and Supplies Inventory	570	609	142	139
Prepayments and Other Current Assets	21	12	108	12
Total Current Assets	71,477	67,259	31,924	23,677
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	50,356	64,869	22,890	11,806
Restricted Investments	-	24,943	-	-
Restricted Investment Interest Receivable	-	126	-	-
Unamortized Bond Issue Costs, Net	3,089	3,228	1,403	964
Notes and Contracts Receivable	1,306	-	-	-
Deferred Conservation Costs, Net	-	-	-	-
Deferred Landfill Closure and Postclosure Costs, Net	-	-	17,656	18,772
Deferred Environmental Costs and Recoveries	7,399	7,181	6,270	7,938
Deferred External Infrastructure Costs	20,578	21,270	-	-
Other Deferred Charges	24,618	22,161	827	824
Capital Assets				
Land and Land Rights	14,280	14,280	1,791	1,791
Plant in Service, Excluding Land	831,909	776,878	76,636	74,200
Less Accumulated Depreciation	(246,247)	(228,849)	(46,134)	(40,387)
Buildings and Improvements	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Machinery and Equipment	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Construction in Progress	62,822	65,072	83,820	42,967
Other Property, Net	671	662	1,769	1,769
Total Noncurrent Assets	770,781	771,821	166,928	120,644
Total Assets	842,258	839,080	198,852	144,321

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

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2011

(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2011	2010	2011	2010
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 13,748	\$ 11,541	\$ 234,146	\$ 117,531
Restricted Cash and Equity in Pooled Investments	-	-	1,639	1,738
Receivables, Net of Allowances				
Accounts	2,396	3,113	99,511	117,821
Interest and Dividends	9	8	384	228
Unbilled	33	37	99,148	94,508
Energy Contracts, Notes, and Other Contracts	-	-	61	21
Due from Other Funds	524	643	3,929	7,618
Due from Other Governments	507	472	11,273	10,107
Materials and Supplies Inventory	-	-	33,996	29,652
Prepayments and Other Current Assets	-	-	1,907	2,918
Total Current Assets	17,217	15,814	485,994	382,142
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	-	6	369,195	286,794
Restricted Investments	-	-	-	81,829
Restricted Investment Interest Receivable	-	-	-	131
Unamortized Bond Issue Costs, Net	191	202	19,532	19,343
Notes and Contracts Receivable	-	-	1,771	-
Deferred Conservation Costs, Net	-	-	220,448	208,006
Deferred Landfill Closure and Postclosure Costs, Net	-	-	17,656	18,772
Deferred Environmental Costs and Recoveries	-	-	16,294	15,119
Deferred External Infrastructure Costs	-	-	20,578	21,270
Other Deferred Charges	-	-	83,479	65,011
Capital Assets				
Land and Land Rights	12,881	12,881	133,634	160,118
Plant in Service, Excluding Land	-	-	5,998,033	5,684,457
Less Accumulated Depreciation	-	-	(2,309,192)	(2,175,558)
Buildings and Improvements	60,131	60,131	60,131	60,131
Less Accumulated Depreciation	(26,057)	(24,052)	(26,057)	(24,052)
Machinery and Equipment	15,169	15,169	15,169	15,169
Less Accumulated Depreciation	(12,722)	(11,168)	(12,722)	(11,168)
Construction in Progress	-	-	312,968	312,303
Other Property, Net	-	-	62,770	17,755
Total Noncurrent Assets	49,593	53,169	4,983,687	4,755,430
Total Assets	66,810	68,983	5,469,681	5,137,572

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

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STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2011

(In Thousands)

	Governmental Activities - Internal Service Funds	
	2011	Restated 2010
ASSETS		
<i>Current Assets</i>		
Operating Cash and Equity in Pooled Investments	\$ 18,767	\$ 13,336
Restricted Cash and Equity in Pooled Investments	14,294	7,587
Receivables, Net of Allowances		
Accounts	735	1,535
Interest and Dividends	42	33
Unbilled	84	-
Energy Contracts, Notes, and Other Contracts	-	-
Due from Other Funds	5,774	7,457
Due from Other Governments	592	482
Materials and Supplies Inventory	2,371	2,398
Prepayments and Other Current Assets	139	161
Total Current Assets	42,798	32,989
<i>Noncurrent Assets</i>		
Restricted Cash and Equity in Pooled Investments	23,373	23,484
Restricted Investments	-	-
Restricted Investment Interest Receivable	-	-
Unamortized Bond Issue Costs, Net	898	987
Notes and Contracts Receivable	-	-
Deferred Conservation Costs, Net	-	-
Deferred Landfill Closure and Postclosure Costs, Net	-	-
Deferred Environmental Costs and Recoveries	-	-
Deferred External Infrastructure Costs	-	-
Other Deferred Charges	-	-
Capital Assets		
Land and Land Rights	95,674	95,674
Plant in Service, Excluding Land	-	-
Less Accumulated Depreciation	-	-
Buildings and Improvements	650,307	644,036
Less Accumulated Depreciation	(164,519)	(149,157)
Machinery and Equipment	199,771	177,761
Less Accumulated Depreciation	(109,203)	(98,172)
Construction in Progress	763	9,584
Other Property, Net	-	-
Total Noncurrent Assets	697,064	704,197
Total Assets	739,862	737,186

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

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2011

(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Light		Water	
	2011	2010	2011	2010
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 50,220	\$ 38,597	\$ 5,127	\$ 5,322
Salaries, Benefits, and Payroll Taxes Payable	5,192	4,636	1,466	1,359
Compensated Absences Payable	1,684	1,561	402	400
Due to Other Funds	8,305	7,129	4,553	6,959
Due to Other Governments	-	-	-	-
Interest Payable	31,173	34,376	18,172	18,553
Deferred Bond Interest	-	-	-	-
Taxes Payable	10,859	9,932	523	541
General Obligation Bonds Due Within One Year	-	-	-	-
Revenue Bonds Due Within One Year	88,850	58,685	31,425	29,140
Claims Payable	8,350	10,926	1,626	1,650
Notes and Contracts Payable	-	-	858	858
Habitat Conservation Program Liability	-	-	533	527
Landfill Closure and Postclosure Liability	-	-	-	-
Deferred Credits	7,373	5,098	1,980	2,287
Other Current Liabilities	1,054	632	-	-
Total Current Liabilities	213,060	171,572	66,665	67,596
<i>Noncurrent Liabilities</i>				
Compensated Absences Payable	14,502	13,980	4,347	4,418
Claims Payable	35,305	36,500	3,967	4,088
Public Works Trust Loan	-	-	16,766	17,624
Landfill Closure and Postclosure Liability	-	-	-	-
Vendor and Other Deposits Payable	-	-	-	13
Habitat Conservation Program Liability	-	-	4,515	3,784
Muckleshoot Liability	-	-	-	495
Deferred Credits	6,739	18,452	9,387	10,845
Deferred Revenue - Rate Stabilization Account	116,490	54,266	-	-
Unfunded Other Post Employment Benefits	5,884	4,441	2,033	1,551
Other Noncurrent Liabilities	156	114	4	201
General Obligation Bonds, Due Serially	-	-	-	-
Less Bonds Due Within One Year	-	-	-	-
Bond Discount and Premium, Net	-	-	-	-
Deferred Bond Interest	-	-	-	-
Less Accrued Interest Due Within One Year	-	-	-	-
Revenue Bonds	1,680,095	1,536,775	977,160	1,006,300
Less Bonds Due Within One Year	(88,850)	(58,685)	(31,425)	(29,140)
Bond Discount and Premium, Net	77,610	71,146	30,950	32,857
Deferred Loss on Advanced Refunding	(28,299)	(33,402)	(14,759)	(16,109)
Total Noncurrent Liabilities	1,819,632	1,643,587	1,002,945	1,036,927
Total Liabilities	2,032,692	1,815,159	1,069,610	1,104,523

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, 2011

(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2011	2010	2011	2010
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 8,638	\$ 9,037	\$ 10,671	\$ 9,729
Salaries, Benefits, and Payroll Taxes Payable	1,401	1,266	534	498
Compensated Absences Payable	374	356	137	133
Due to Other Funds	4,697	6,604	1,139	1,471
Due to Other Governments	10,339	9,252	-	-
Interest Payable	6,452	6,587	2,693	1,594
Deferred Bond Interest	-	-	-	-
Taxes Payable	246	246	285	441
General Obligation Bonds Due Within One Year	-	-	-	-
Revenue Bonds Due Within One Year	13,695	13,175	2,960	2,075
Claims Payable	5,723	6,308	678	1,182
Notes and Contracts Payable	904	814	-	-
Habitat Conservation Program Liability	-	-	-	-
Landfill Closure and Postclosure Liability	-	-	1,645	1,292
Deferred Credits	3,284	4,420	7,841	8,065
Other Current Liabilities	-	-	-	-
Total Current Liabilities	55,753	58,065	28,583	26,480
<i>Noncurrent Liabilities</i>				
Compensated Absences Payable	4,051	3,927	1,482	1,473
Claims Payable	15,122	16,894	1,553	1,452
Public Works Trust Loan	17,694	14,810	-	-
Landfill Closure and Postclosure Liability	-	-	18,317	19,362
Vendor and Other Deposits Payable	14	527	-	-
Habitat Conservation Program Liability	-	-	-	-
Muckleshoot Liability	-	-	-	-
Deferred Credits	-	-	-	-
Deferred Revenue - Rate Stabilization Account	-	-	-	-
Unfunded Other Post Employment Benefits	1,895	1,379	693	517
Other Noncurrent Liabilities	151	72	1,909	307
General Obligation Bonds, Due Serially	-	-	-	-
Less Bonds Due Within One Year	-	-	-	-
Bond Discount and Premium, Net	-	-	-	-
Deferred Bond Interest	-	-	-	-
Less Accrued Interest Due Within One Year	-	-	-	-
Revenue Bonds	486,610	499,785	122,165	78,490
Less Bonds Due Within One Year	(13,695)	(13,175)	(2,960)	(2,075)
Bond Discount and Premium, Net	8,556	8,933	5,938	3,101
Deferred Loss on Advanced Refunding	(4,152)	(4,426)	(186)	(209)
Total Noncurrent Liabilities	516,246	528,726	148,911	102,418
Total Liabilities	571,999	586,791	177,494	128,898

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

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2011

(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2011	2010	2011	2010
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 1,418	\$ 1,031	\$ 76,074	\$ 63,716
Salaries, Benefits, and Payroll Taxes Payable	853	784	9,446	8,543
Compensated Absences Payable	200	472	2,797	2,922
Due to Other Funds	2,470	1,493	21,164	23,656
Due to Other Governments	-	-	10,339	9,252
Interest Payable	721	721	59,211	61,831
Deferred Bond Interest	1,213	1,058	1,213	1,058
Taxes Payable	73	86	11,986	11,246
General Obligation Bonds Due Within One Year	1,257	1,247	1,257	1,247
Revenue Bonds Due Within One Year	-	-	136,930	103,075
Claims Payable	55	61	16,432	20,127
Notes and Contracts Payable	-	-	1,762	1,672
Habitat Conservation Program Liability	-	-	533	527
Landfill Closure and Postclosure Liability	-	-	1,645	1,292
Deferred Credits	-	-	20,478	19,870
Other Current Liabilities	29	10	1,083	642
Total Current Liabilities	8,289	6,963	372,350	330,676
<i>Noncurrent Liabilities</i>				
Compensated Absences Payable	2,520	2,193	26,902	25,991
Claims Payable	114	123	56,061	59,057
Public Works Trust Loan	-	-	34,460	32,434
Landfill Closure and Postclosure Liability	-	-	18,317	19,362
Vendor and Other Deposits Payable	-	6	14	546
Habitat Conservation Program Liability	-	-	4,515	3,784
Muckleshoot Liability	-	-	-	495
Deferred Credits	10,594	10,810	26,720	40,107
Deferred Revenue - Rate Stabilization Account	-	-	116,490	54,266
Unfunded Other Post Employment Benefits	1,064	822	11,569	8,710
Other Noncurrent Liabilities	-	-	2,220	694
General Obligation Bonds, Due Serially	60,846	62,093	60,846	62,093
Less Bonds Due Within One Year	(1,257)	(1,247)	(1,257)	(1,247)
Bond Discount and Premium, Net	3,411	3,614	3,411	3,614
Deferred Bond Interest	2,885	3,552	2,885	3,552
Less Accrued Interest Due Within One Year	(1,213)	(1,058)	(1,213)	(1,058)
Revenue Bonds	-	-	3,266,030	3,121,350
Less Bonds Due Within One Year	-	-	(136,930)	(103,075)
Bond Discount and Premium, Net	-	-	123,054	116,037
Deferred Loss on Advanced Refunding	-	-	(47,396)	(54,146)
Total Noncurrent Liabilities	78,964	80,908	3,566,698	3,392,566
Total Liabilities	87,253	87,871	3,939,048	3,723,242

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

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STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2011

(In Thousands)

	Governmental Activities - Internal Service Funds	
	2011	Restated 2010
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	\$ 9,026	\$ 5,905
Salaries, Benefits, and Payroll Taxes Payable	1,890	1,243
Compensated Absences Payable	469	511
Due to Other Funds	511	1,424
Due to Other Governments	7	-
Interest Payable	4,629	4,921
Deferred Bond Interest	-	-
Taxes Payable	82	49
General Obligation Bonds Due Within One Year	15,230	14,464
Revenue Bonds Due Within One Year	-	-
Claims Payable	585	567
Notes and Contracts Payable	-	-
Habitat Conservation Program Liability	-	-
Landfill Closure and Postclosure Liability	-	-
Deferred Credits	-	-
Other Current Liabilities	2	148
Total Current Liabilities	32,431	29,232
<i>Noncurrent Liabilities</i>		
Compensated Absences Payable	5,343	3,177
Claims Payable	1,225	1,153
Public Works Trust Loan	-	-
Landfill Closure and Postclosure Liability	-	-
Vendor and Other Deposits Payable	64	111
Habitat Conservation Program Liability	-	-
Muckleshoot Liability	-	-
Deferred Credits	-	-
Deferred Revenue - Rate Stabilization Account	-	-
Unfunded Other Post Employment Benefits	2,116	1,251
Other Noncurrent Liabilities	104	1,556
General Obligation Bonds, Due Serially	263,133	277,596
Less Bonds Due Within One Year	(15,230)	(14,464)
Bond Discount and Premium, Net	12,393	13,563
Deferred Bond Interest	-	-
Less Accrued Interest Due Within One Year	-	-
Revenue Bonds	-	-
Less Bonds Due Within One Year	-	-
Bond Discount and Premium, Net	-	-
Deferred Loss on Advanced Refunding	-	-
Total Noncurrent Liabilities	269,148	283,943
Total Liabilities	301,579	313,175

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
 December 31, 2011
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2011	2010	2011	2010
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ 732,940	\$ 737,531	\$ 290,542	\$ 275,466
Restricted for				
Debt Service	-	-	16,684	16,684
Rate Stabilization Account	25,000	25,000	-	-
Special Deposits and Other	428	129	-	-
Deferred Conservation and Environmental Costs	-	-	6,089	5,865
Bonneville Power Administration Projects	-	-	463	563
Deferred External Infrastructure Costs	-	-	-	-
Muckleshoot Settlement	-	-	294	348
Other Deferred Charges	-	-	4,116	1,683
Unrestricted	188,413	91,965	(5,510)	10,272
Total Net Assets	<u>\$ 946,781</u>	<u>\$ 854,625</u>	<u>\$ 312,678</u>	<u>\$ 310,881</u>

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

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STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2011

(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2011	2010	2011	2010
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ 223,132	\$ 216,471	\$ 15,340	\$ 15,580
Restricted for				
Debt Service	12,757	12,757	-	-
Rate Stabilization Account	-	-	-	-
Special Deposits and Other	-	-	-	-
Deferred Conservation and Environmental Costs	-	-	447	941
Bonneville Power Administration Projects	-	-	-	-
Deferred External Infrastructure Costs	7,114	7,514	-	-
Muckleshoot Settlement	-	-	-	-
Other Deferred Charges	8,512	7,828	-	60
Unrestricted	18,744	7,719	5,571	(1,158)
Total Net Assets	<u>\$ 270,259</u>	<u>\$ 252,289</u>	<u>\$ 21,358</u>	<u>\$ 15,423</u>

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

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2011

(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2011	2010	2011	2010
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ (18,460)	\$ (17,018)	\$ 1,243,494	\$ 1,228,030
Restricted for				
Debt Service	-	-	29,441	29,441
Rate Stabilization Account	-	-	25,000	25,000
Special Deposits and Other	-	-	428	129
Deferred Conservation and Environmental Costs	-	-	6,536	6,806
Bonneville Power Administration Projects	-	-	463	563
Deferred External Infrastructure Costs	-	-	7,114	7,514
Muckleshoot Settlement	-	-	294	348
Other Deferred Charges	-	-	12,628	9,571
Unrestricted	(1,983)	(1,870)	205,235	106,928
Total Net Assets	\$ (20,443)	\$ (18,888)	1,530,633	1,414,330
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			1,760	(915)
Net Assets of Business-Type Activities			\$ 1,532,393	\$ 1,413,415

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

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STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2011

(In Thousands)

	Governmental Activities - Internal Service Funds	
	2011	Restated 2010
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 398,917	\$ 391,982
Restricted for		
Debt Service	-	-
Rate Stabilization Account	-	-
Special Deposits and Other	-	-
Deferred Conservation and Environmental Costs	-	-
Bonneville Power Administration Projects	-	-
Deferred External Infrastructure Costs	-	-
Muckleshoot Settlement	-	-
Other Deferred Charges	-	-
Unrestricted	39,366	32,029
Total Net Assets	\$ 438,283	\$ 424,011

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, 2011

(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Light		Water	
	2011	2010	2011	2010
OPERATING REVENUES				
Charges for Services and Other Revenues	\$ 771,465	\$ 732,978	\$ 194,573	\$ 195,203
OPERATING EXPENSES				
Long-Term Purchased Power	206,853	223,591	-	-
Short-Term Wholesale Power Purchases	11,433	24,484	-	-
Generation	29,285	22,368	-	-
Transmission	47,878	46,254	-	-
Distribution	58,311	54,630	-	-
Energy Management and Other Power Expenses	38,353	52,082	-	-
Pre-Capital Planning and Development	-	-	1,331	2,059
Utility Systems Management	-	-	14,717	14,906
Field Operations	-	-	22,836	20,816
Project Delivery	-	-	4,311	6,420
Customer Services	43,152	36,137	7,454	7,667
Wastewater Treatment	-	-	-	-
Solid Waste Collection	-	-	-	-
Operations and Maintenance	-	-	-	-
General and Administrative	58,696	56,166	27,274	27,794
City Business and Occupation Taxes	40,008	38,649	23,280	29,455
Other Taxes	33,605	31,732	7,232	7,036
Amortization of Landfill and Postclosure Costs	-	-	-	-
Depreciation and Other Amortization	90,377	86,369	46,062	48,085
Total Operating Expenses	657,951	672,462	154,497	164,238
Operating Income (Loss)	113,514	60,516	40,076	30,965
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	4,944	2,690	2,888	3,207
Interest Expense	(79,930)	(69,369)	(46,589)	(47,577)
Amortization of Bonds Premiums and Discounts, Net	9,945	10,563	1,907	1,917
Amortization of Refunding Loss	(4,911)	(5,136)	(1,349)	(1,390)
Amortization of Debt Costs	(1,141)	(1,207)	(258)	(258)
Gain (Loss) on Sale of Capital Assets	304	81	544	153
Contributions and Grants	1,398	2,970	435	540
Others, Net	7,106	2,884	1,047	1,508
Total Nonoperating Revenues (Expenses)	(62,285)	(56,524)	(41,375)	(41,900)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	51,229	3,992	(1,299)	(10,935)
Capital Contributions and Grants	40,927	26,379	3,096	11,644
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Environmental Remediation	-	-	-	-
Change in Net Assets	92,156	30,371	1,797	709
Net Assets - Beginning of Year	854,625	824,254	310,881	310,172
Prior-Year Adjustment	-	-	-	-
Net Assets - Beginning of Year as Restated	854,625	824,254	310,881	310,172
Net Assets - End of Year	\$ 946,781	\$ 854,625	\$ 312,678	\$ 310,881

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

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**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS**

For the Year Ended December 31, 2011

(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2011	2010	2011	2010
OPERATING REVENUES				
Charges for Services and Other Revenues	\$ 278,957	\$ 249,734	\$ 154,200	\$ 146,980
OPERATING EXPENSES				
Long-Term Purchased Power	-	-	-	-
Short-Term Wholesale Power Purchases	-	-	-	-
Generation	-	-	-	-
Transmission	-	-	-	-
Distribution	-	-	-	-
Energy Management and Other Power Expenses	-	-	-	-
Pre-Capital Planning and Development	2,565	1,133	134	86
Utility Systems Management	16,574	14,476	2,734	1,562
Field Operations	18,874	18,554	7,572	7,762
Project Delivery	11,368	8,589	781	569
Customer Services	5,207	4,739	6,071	7,181
Wastewater Treatment	125,252	111,282	-	-
Solid Waste Collection	-	-	90,248	90,851
Operations and Maintenance	-	-	-	-
General and Administrative	17,368	18,938	12,914	9,528
City Business and Occupation Taxes	32,449	29,177	15,051	14,183
Other Taxes	3,582	3,099	2,789	2,459
Amortization of Landfill and Postclosure Costs	-	-	1,341	1,609
Depreciation and Other Amortization	19,832	20,131	7,423	5,307
Total Operating Expenses	<u>253,071</u>	<u>230,118</u>	<u>147,058</u>	<u>141,097</u>
Operating Income (Loss)	25,886	19,616	7,142	5,883
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	2,820	2,595	321	213
Interest Expense	(21,130)	(22,608)	(3,012)	(2,512)
Amortization of Bonds Premiums and Discounts, Net	377	377	195	135
Amortization of Refunding Loss	(274)	(274)	(23)	(23)
Amortization of Debt Costs	(139)	(139)	(52)	(42)
Gain (Loss) on Sale of Capital Assets	13	(27)	64	(9)
Contributions and Grants	2,310	1,256	718	782
Others, Net	93	3,181	559	1,559
Total Nonoperating Revenues (Expenses)	<u>(15,930)</u>	<u>(15,639)</u>	<u>(1,230)</u>	<u>103</u>
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	9,956	3,977	5,912	5,986
Capital Contributions and Grants	7,476	3,823	23	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Environmental Remediation	538	(1,948)	-	-
Change in Net Assets	17,970	5,852	5,935	5,986
Net Assets - Beginning of Year	252,289	246,437	15,423	9,437
Prior-Year Adjustment	-	-	-	-
Net Assets - Beginning of Year as Restated	<u>252,289</u>	<u>246,437</u>	<u>15,423</u>	<u>9,437</u>
Net Assets - End of Year	<u>\$ 270,259</u>	<u>\$ 252,289</u>	<u>\$ 21,358</u>	<u>\$ 15,423</u>

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, 2011

(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2011	2010	2011	2010
OPERATING REVENUES				
Charges for Services and Other Revenues	\$ 42,404	\$ 36,992	\$ 1,441,599	\$ 1,361,887
OPERATING EXPENSES				
Long-Term Purchased Power	-	-	206,853	223,591
Short-Term Wholesale Power Purchases	-	-	11,433	24,484
Generation	-	-	29,285	22,368
Transmission	-	-	47,878	46,254
Distribution	-	-	58,311	54,630
Energy Management and Other Power Expenses	-	-	38,353	52,082
Pre-Capital Planning and Development	-	-	4,030	3,278
Utility Systems Management	-	-	34,025	30,944
Field Operations	-	-	49,282	47,132
Project Delivery	-	-	16,460	15,578
Customer Services	-	-	61,884	55,724
Wastewater Treatment	-	-	125,252	111,282
Solid Waste Collection	-	-	90,248	90,851
Operations and Maintenance	36,430	38,940	36,430	38,940
General and Administrative	10,984	11,564	127,236	123,990
City Business and Occupation Taxes	13	14	110,801	111,478
Other Taxes	28	31	47,236	44,357
Amortization of Landfill and Postclosure Costs	-	-	1,341	1,609
Depreciation and Other Amortization	3,558	3,636	167,252	163,528
Total Operating Expenses	51,013	54,185	1,263,590	1,262,100
Operating Income (Loss)	(8,609)	(17,193)	178,009	99,787
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	105	91	11,078	8,796
Interest Expense	(3,273)	(3,352)	(153,934)	(145,418)
Amortization of Bonds Premiums and Discounts, Net	203	202	12,627	13,194
Amortization of Refunding Loss	-	-	(6,557)	(6,823)
Amortization of Debt Costs	(11)	(11)	(1,601)	(1,657)
Gain (Loss) on Sale of Capital Assets	-	-	925	198
Contributions and Grants	657	405	5,518	5,953
Others, Net	-	-	8,805	9,132
Total Nonoperating Revenues (Expenses)	(2,319)	(2,665)	(123,139)	(116,625)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	(10,928)	(19,858)	54,870	(16,838)
Capital Contributions and Grants	-	-	51,522	41,846
Transfers In	9,373	10,100	9,373	10,100
Transfers Out	-	-	-	-
Environmental Remediation	-	-	538	(1,948)
Change in Net Assets	(1,555)	(9,758)	116,303	33,160
Net Assets - Beginning of Year	(18,888)	(9,130)	1,414,330	1,381,170
Prior-Year Adjustment	-	-	-	-
Net Assets - Beginning of Year as Restated	(18,888)	(9,130)	1,414,330	1,381,170
Net Assets - End of Year	\$ (20,443)	\$ (18,888)	1,530,633	1,414,330
Accumulated Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			1,760	(915)
Net Assets of Business-Type Activities			\$ 1,532,393	\$ 1,413,415
Change in Net Assets as above			116,303	33,160
Current Year Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			2,675	1,432
Adjusted Change in Net Assets of Business-Type Activities			\$ 118,978	\$ 34,592

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, 2011

(In Thousands)

	Governmental Activities - Internal Service Funds	
	2011	Restated 2010
OPERATING REVENUES		
Charges for Services and Other Revenues	\$ 186,072	\$ 156,330
OPERATING EXPENSES		
Long-Term Purchased Power	-	-
Short-Term Wholesale Power Purchases	-	-
Generation	-	-
Transmission	-	-
Distribution	-	-
Energy Management and Other Power Expenses	-	-
Pre-Capital Planning and Development	-	-
Utility Systems Management	-	-
Field Operations	-	-
Project Delivery	-	-
Customer Services	-	-
Wastewater Treatment	-	-
Solid Waste Collection	-	-
Operations and Maintenance	131,844	94,131
General and Administrative	12,010	11,165
City Business and Occupation Taxes	4	4
Other Taxes	337	328
Amortization of Landfill and Postclosure Costs	-	-
Depreciation and Other Amortization	32,655	31,939
Total Operating Expenses	176,850	137,567
Operating Income (Loss)	9,222	18,763
NONOPERATING REVENUES (EXPENSES)		
Investment and Interest Income	485	344
Interest Expense	(12,638)	(13,339)
Amortization of Bonds Premiums and Discounts, Net	1,169	1,009
Amortization of Refunding Loss	-	-
Amortization of Debt Costs	(89)	(80)
Gain (Loss) on Sale of Capital Assets	2,853	581
Contributions and Grants	1,048	2,356
Others, Net	7,689	-
Total Nonoperating Revenues (Expenses)	517	(9,129)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	9,739	9,634
Capital Contributions and Grants	8,533	57,097
Transfers In	-	-
Transfers Out	(4,000)	(4,000)
Environmental Remediation	-	-
Change in Net Assets	14,272	62,731
Net Assets - Beginning of Year	424,011	384,662
Prior-Year Adjustment	-	(23,382)
Net Assets - Beginning of Year as Restated	424,011	361,280
Net Assets - End of Year	\$ 438,283	\$ 424,011

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2011
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Light		Water	
	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 825,562	\$ 734,185	\$ 194,415	\$ 193,875
Cash Paid to Suppliers	(261,132)	(271,388)	(27,068)	(29,811)
Cash Paid to Employees	(199,511)	(191,061)	(54,454)	(54,676)
Cash Paid for Taxes	(72,281)	(69,956)	(31,108)	(33,994)
Net Cash from Operating Activities	292,638	201,780	81,785	75,394
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	1,921	2,916	441	525
Rental Income	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Receipts for Energy Conservation Augmentation	9,901	10	-	-
Payments for Energy Conservation Augmentation	(27,670)	(29,732)	-	-
Proceeds from Interfund Loans	-	-	-	-
Principal Payments on Interfund Loans	-	-	-	-
Loans Provided to Other Funds	-	-	-	-
Payments for Environmental Liabilities	-	-	-	-
Other Cash Inflows	-	-	2,385	2,936
Other Cash Outflows	-	-	(229)	(39)
Net Cash from Noncapital Financing Activities	(15,848)	(26,806)	2,597	3,422
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Sale of Bonds and Other Long-Term Debt	323,519	853,837	-	141,644
Principal Payments on Long-Term Debt and Refunding	(61,650)	(67,360)	(29,998)	(27,415)
Capital Expenditures and Deferred Charges Paid	(197,005)	(196,997)	(50,989)	(61,482)
Interest Paid on Long-Term Debt	(85,038)	(51,045)	(49,601)	(47,484)
Capital Fees and Grants Received	21,362	15,620	1,739	1,605
Payment to Trustee for Defeased Bonds	(104,165)	(595,557)	-	-
Interest Received for Suburban Infrastructure Improvements	1,303	1,323	-	-
Debt Issuance Costs	(1,452)	(3,415)	-	(231)
Proceeds from Sale of Capital Assets	315	95	267	559
Net Cash from Capital and Related Financing Activities	(102,811)	(43,499)	(128,582)	7,196
CASH FLOWS FROM INVESTING ACTIVITIES ^a				
Proceeds from Sale of Investments	234,522	136,164	18,100	60,400
Purchases of Investments	(195,652)	(175,034)	-	(78,500)
Interest Received on Investments	3,404	1,405	2,906	2,093
Net Cash from Investing Activities	42,274	(37,465)	21,006	(16,007)
Net Increase (Decrease) in Cash and Equity in Pooled Investments	216,253	94,010	(23,194)	70,005
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	158,345	64,335	117,322	47,317
End of Year	\$ 374,598	\$ 158,345	\$ 94,128	\$ 117,322
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 165,411	\$ 56,932	\$ 7,298	\$ 8,504
Current Restricted Cash and Equity in Pooled Investments	-	18	68	100
Noncurrent Restricted Cash and Equity in Pooled Investments	209,187	101,395	86,762	108,718
Total Cash at the End of the Year	\$ 374,598	\$ 158,345	\$ 94,128	\$ 117,322

^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 Noncash Investing, Capital, and Financing Activities section 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

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PROPRIETARY FUNDS

For the Year Ended December 31, 2011

(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 271,465	\$ 251,066	\$ 154,135	\$ 148,782
Cash Paid to Suppliers	(148,850)	(126,923)	(98,761)	(102,193)
Cash Paid to Employees	(49,701)	(46,039)	(20,211)	(20,466)
Cash Paid for Taxes	(35,822)	(29,755)	(18,461)	(15,867)
Net Cash from Operating Activities	37,092	48,349	16,702	10,256
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	2,205	1,186	723	782
Rental Income	-	-	2	2
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Receipts for Energy Conservation Augmentation	-	-	-	-
Payments for Energy Conservation Augmentation	-	-	-	-
Proceeds from Interfund Loans	-	-	-	-
Principal Payments on Interfund Loans	-	-	-	-
Loans Provided to Other Funds	-	-	-	-
Payments for Environmental Liabilities	(2,848)	(2,794)	-	-
Other Cash Inflows	1,308	4,358	4,761	5,296
Other Cash Outflows	(15)	(27)	(3,535)	(3,111)
Net Cash from Noncapital Financing Activities	650	2,723	1,951	2,969
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Sale of Bonds and Other Long-Term Debt	3,818	2,847	48,457	-
Principal Payments on Long-Term Debt and Refunding	(14,020)	(13,818)	(2,075)	(1,980)
Capital Expenditures and Deferred Charges Paid	(49,442)	(55,570)	(42,132)	(17,788)
Interest Paid on Long-Term Debt	(24,308)	(24,106)	(3,775)	(3,867)
Capital Fees and Grants Received	2,939	2,727	-	-
Payment to Trustee for Defeased Bonds	-	-	-	-
Interest Received for Suburban Infrastructure Improvements	-	-	-	-
Debt Issuance Costs	-	-	(166)	-
Proceeds from Sale of Capital Assets	112	49	112	66
Net Cash from Capital and Related Financing Activities	(80,901)	(87,871)	421	(23,569)
CASH FLOWS FROM INVESTING ACTIVITIES ^a				
Proceeds from Sale of Investments	24,600	108,600	-	-
Purchases of Investments	-	(34,400)	-	-
Interest Received on Investments	2,835	2,574	307	229
Net Cash from Investing Activities	27,435	76,774	307	229
Net Increase (Decrease) in Cash and Equity in Pooled Investments	(15,724)	39,975	19,381	(10,115)
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	96,773	56,798	22,076	32,191
End of Year	\$ 81,049	\$ 96,773	\$ 41,457	\$ 22,076
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 29,122	\$ 30,284	\$ 18,567	\$ 10,270
Current Restricted Cash and Equity in Pooled Investments	1,571	1,620	-	-
Noncurrent Restricted Cash and Equity in Pooled Investments	50,356	64,869	22,890	11,806
Total Cash at the End of the Year	\$ 81,049	\$ 96,773	\$ 41,457	\$ 22,076

^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 Noncash Investing, Capital, and Financing Activities section 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, 2011
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 44,304	\$ 39,682	\$ 1,489,881	\$ 1,367,590
Cash Paid to Suppliers	(22,772)	(24,553)	(558,583)	(554,868)
Cash Paid to Employees	(24,045)	(25,761)	(347,922)	(338,003)
Cash Paid for Taxes	(1,355)	(1,326)	(159,027)	(150,898)
Net Cash from Operating Activities	(3,868)	(11,958)	424,349	323,821
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	657	405	5,947	5,814
Rental Income	-	-	2	2
Transfers In	9,373	10,100	9,373	10,100
Transfers Out	-	-	-	-
Receipts for Energy Conservation Augmentation	-	-	9,901	10
Payments for Energy Conservation Augmentation	-	-	(27,670)	(29,732)
Proceeds from Interfund Loans	2,250	1,130	2,250	1,130
Principal Payments on Interfund Loans	(1,130)	(500)	(1,130)	(500)
Loans Provided to Other Funds	-	-	-	-
Payments for Environmental Liabilities	-	-	(2,848)	(2,794)
Other Cash Inflows	-	-	8,454	12,590
Other Cash Outflows	-	-	(3,779)	(3,177)
Net Cash from Noncapital Financing Activities	11,150	11,135	500	(6,557)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Sale of Bonds and Other Long-Term Debt	-	-	375,794	998,328
Principal Payments on Long-Term Debt and Refunding	(1,247)	(1,226)	(108,990)	(111,799)
Capital Expenditures and Deferred Charges Paid	-	(49)	(339,568)	(331,886)
Interest Paid on Long-Term Debt	(3,940)	(3,806)	(166,662)	(130,308)
Capital Fees and Grants Received	-	-	26,040	19,952
Payment to Trustee for Defeased Bonds	-	-	(104,165)	(595,557)
Interest Received for Suburban Infrastructure Improvements	-	-	1,303	1,323
Debt Issuance Costs	-	-	(1,618)	(3,646)
Proceeds from Sale of Capital Assets	-	-	806	769
Net Cash from Capital and Related Financing Activities	(5,187)	(5,081)	(317,060)	(152,824)
CASH FLOWS FROM INVESTING ACTIVITIES ^a				
Proceeds from Sale of Investments	-	-	277,222	305,164
Purchases of Investments	-	-	(195,652)	(287,934)
Interest Received on Investments	106	99	9,558	6,400
Net Cash from Investing Activities	106	99	91,128	23,630
Net Increase (Decrease) in Cash and Equity in Pooled Investments	2,201	(5,805)	198,917	188,070
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	11,547	17,352	406,063	217,993
End of Year	\$ 13,748	\$ 11,547	\$ 604,980	\$ 406,063
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 13,748	\$ 11,541	\$ 234,146	\$ 117,531
Current Restricted Cash and Equity in Pooled Investments	-	-	1,639	1,738
Noncurrent Restricted Cash and Equity in Pooled Investments	-	6	369,195	286,794
Total Cash at the End of the Year	\$ 13,748	\$ 11,547	\$ 604,980	\$ 406,063

^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 Noncash Investing, Capital, and Financing Activities section 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, 2011
(In Thousands)**

	Governmental Activities - Internal Service Funds	
	2011	Restated 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 188,361	\$ 155,970
Cash Paid to Suppliers	(71,334)	(57,023)
Cash Paid to Employees	(68,174)	(48,575)
Cash Paid for Taxes	(309)	(376)
Net Cash from Operating Activities	48,544	49,996
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Grants Received	1,048	2,357
Rental Income	-	-
Transfers In	-	-
Transfers Out	(4,000)	(4,000)
Receipts for Energy Conservation Augmentation	-	-
Payments for Energy Conservation Augmentation	-	-
Proceeds from Interfund Loans	-	-
Principal Payments on Interfund Loans	-	-
Loans Provided to Other Funds	-	(1,130)
Payments for Environmental Liabilities	-	-
Other Cash Inflows	-	-
Other Cash Outflows	-	-
Net Cash from Noncapital Financing Activities	(2,952)	(2,773)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Bonds and Other Long-Term Debt	-	-
Principal Payments on Long-Term Debt and Refunding	(15,633)	(12,195)
Capital Expenditures and Deferred Charges Paid	(9,108)	(20,277)
Interest Paid on Long-Term Debt	(12,747)	(13,030)
Capital Fees and Grants Received	593	348
Payment to Trustee for Defeased Bonds	-	-
Interest Received for Suburban Infrastructure Improvements	-	-
Debt Issuance Costs	-	-
Proceeds from Sale of Capital Assets	2,853	581
Net Cash from Capital and Related Financing Activities	(34,042)	(44,573)
CASH FLOWS FROM INVESTING ACTIVITIES ^a		
Proceeds from Sale of Investments	-	-
Purchases of Investments	-	-
Interest Received on Investments	477	348
Net Cash from Investing Activities	477	348
Net Increase (Decrease) in Cash and Equity in Pooled Investments	12,027	2,998
CASH AND EQUITY IN POOLED INVESTMENTS		
Beginning of Year	44,407	41,409
End of Year	\$ 56,434	\$ 44,407
CASH AT THE END OF THE YEAR CONSISTS OF		
Operating Cash and Equity in Pooled Investments	\$ 18,767	\$ 13,336
Current Restricted Cash and Equity in Pooled Investments	14,294	7,587
Noncurrent Restricted Cash and Equity in Pooled Investments	23,373	23,484
Total Cash at the End of the Year	\$ 56,434	\$ 44,407

^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 Noncash Investing, Capital, and Financing Activities section 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, 2011
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2011	2010	2011	2010
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 113,514	\$ 60,516	\$ 40,076	\$ 30,965
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	90,377	86,369	46,062	48,085
Depreciation Charged to Operations and Maintenance Accounts	1,920	1,803	-	-
Amortization of Deferred Power Costs	12,373	9,174	-	-
Changes in Operating Assets and Liabilities				
Accounts Receivable	5,746	(21,788)	86	(2,156)
Unbilled Receivables	(2,200)	(9,484)	(748)	(1,090)
Bad Debt Expense	14,091	8,030	-	-
Power Revenue and Expense	(9,155)	416	-	-
Other Receivables	1,107	(419)	(460)	22
Due from Other Funds	2,284	(1,269)	705	(129)
Due from Other Governments	(82)	(2,188)	572	647
Materials and Supplies Inventory	(3,542)	550	254	97
Accounts Payable	2,026	5,512	(196)	(2,157)
Salaries, Benefits, and Payroll Taxes Payable	556	330	107	14
Compensated Absences Payable	646	751	(69)	(40)
Due to Other Funds	1,176	210	(2,406)	2,842
Due to Other Governments	-	-	-	(79)
Claims Payable	2,433	(3,094)	(145)	380
Taxes Payable	927	(134)	(18)	85
Deferred Credits	-	-	(1,437)	(2,863)
Other Deferred Assets and Charges	(6,426)	(1,810)	-	-
Other Assets and Liabilities	2,642	14,039	(598)	771
Rate Stabilization Deferred Revenue	62,225	54,266	-	-
Total Adjustments	<u>179,124</u>	<u>141,264</u>	<u>41,709</u>	<u>44,429</u>
Net Cash from Operating Activities	<u>\$ 292,638</u>	<u>\$ 201,780</u>	<u>\$ 81,785</u>	<u>\$ 75,394</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
In-Kind Capital Contributions	\$ 9,817	\$ 6,804	\$ -	\$ -
Amortization of Debt Related Costs, Net	3,893	4,220	-	-
Change in Valuation of Deferrals on Power Exchange	181	914	-	-
Allowance for Funds Used During Construction	4,280	5,145	-	-
Power Exchange Revenues	7,378	28,933	-	-
Power Exchange Expenses	(7,568)	(29,002)	-	-
Power Revenue Netted against Power Expenses	6,330	17,426	-	-
Power Expense Netted against Power Revenues	(13,494)	(15,877)	-	-
Fair Value Adjustment of Long-Term Investments	-	-	8	(8)
Contributed Infrastructure	-	-	1,095	10,039
Settlement from Nextel	-	-	-	-
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 10,817</u>	<u>\$ 18,563</u>	<u>\$ 1,103</u>	<u>\$ 10,031</u>

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

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STATEMENT OF CASH FLOWS

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PROPRIETARY FUNDS

For the Year Ended December 31, 2011

(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2011	2010	2011	2010
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 25,886	\$ 19,616	\$ 7,142	\$ 5,883
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	19,832	20,131	8,764	6,916
Depreciation Charged to Operations and Maintenance Accounts	-	-	-	-
Amortization of Deferred Power Costs	-	-	-	-
Changes in Operating Assets and Liabilities				
Accounts Receivable	(2,968)	(2,391)	166	323
Unbilled Receivables	(1,688)	343	(8)	(206)
Bad Debt Expense	-	-	-	-
Power Revenue and Expense	-	-	-	-
Other Receivables	(1,351)	-	-	-
Due from Other Funds	540	(833)	51	130
Due from Other Governments	(984)	854	(45)	156
Materials and Supplies Inventory	38	(61)	(4)	16
Accounts Payable	(399)	3,972	942	2,049
Salaries, Benefits, and Payroll Taxes Payable	135	145	36	15
Compensated Absences Payable	142	458	13	(48)
Due to Other Funds	(1,907)	1,676	(331)	(84)
Due to Other Governments	1,087	(4)	-	-
Claims Payable	(312)	901	(37)	69
Taxes Payable	1	(66)	(157)	(67)
Deferred Credits	(1,032)	3,368	(229)	1,399
Other Deferred Assets and Charges	-	-	-	-
Other Assets and Liabilities	72	240	399	(6,295)
Rate Stabilization Deferred Revenue	-	-	-	-
Total Adjustments	<u>11,206</u>	<u>28,733</u>	<u>9,560</u>	<u>4,373</u>
Net Cash from Operating Activities	<u>\$ 37,092</u>	<u>\$ 48,349</u>	<u>\$ 16,702</u>	<u>\$ 10,256</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
In-Kind Capital Contributions	\$ -	\$ -	\$ -	\$ -
Amortization of Debt Related Costs, Net	-	-	-	-
Change in Valuation of Deferrals on Power Exchange	-	-	-	-
Allowance for Funds Used During Construction	-	-	-	-
Power Exchange Revenues	-	-	-	-
Power Exchange Expenses	-	-	-	-
Power Revenue Netted against Power Expenses	-	-	-	-
Power Expense Netted against Power Revenues	-	-	-	-
Fair Value Adjustment of Long-Term Investments	4	43	-	-
Contributed Infrastructure	4,209	1,096	23	-
Settlement from Nextel	-	-	-	-
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 4,213</u>	<u>\$ 1,139</u>	<u>\$ 23</u>	<u>\$ -</u>

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2011
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2011	2010	2011	2010
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (8,609)	\$ (17,193)	\$ 178,009	\$ 99,787
Adjustments to Reconcile Net Operating Income (Loss) to				
Net Cash from Operating Activities				
Depreciation and Amortization	3,558	3,636	168,593	165,137
Depreciation Charged to Operations and Maintenance Accounts	-	-	1,920	1,803
Amortization of Deferred Power Costs	-	-	12,373	9,174
Changes in Operating Assets and Liabilities				
Accounts Receivable	717	533	3,747	(25,479)
Unbilled Receivables	3	7	(4,641)	(10,430)
Bad Debt Expense	-	-	14,091	8,030
Power Revenue and Expense	-	-	(9,155)	416
Other Receivables	-	-	(704)	(397)
Due from Other Funds	120	255	3,700	(1,846)
Due from Other Governments	(35)	(159)	(574)	(690)
Materials and Supplies Inventory	-	8	(3,254)	610
Accounts Payable	386	153	2,759	9,529
Salaries, Benefits, and Payroll Taxes Payable	69	(113)	903	391
Compensated Absences Payable	55	(210)	787	911
Due to Other Funds	(143)	92	(3,611)	4,736
Due to Other Governments	-	(11)	1,087	(94)
Claims Payable	(15)	37	1,924	(1,707)
Taxes Payable	(13)	-	740	(182)
Deferred Credits	(197)	858	(2,895)	2,762
Other Deferred Assets and Charges	-	-	(6,426)	(1,810)
Other Assets and Liabilities	236	149	2,751	8,904
Rate Stabilization Deferred Revenue	-	-	62,225	54,266
Total Adjustments	4,741	5,235	246,340	224,034
Net Cash from Operating Activities	<u>\$ (3,868)</u>	<u>\$ (11,958)</u>	<u>\$ 424,349</u>	<u>\$ 323,821</u>
NONCASH INVESTING, CAPITAL, AND FINANCING				
ACTIVITIES				
In-Kind Capital Contributions	\$ -	\$ -	\$ 9,817	\$ 6,804
Amortization of Debt Related Costs, Net	-	-	3,893	4,220
Change in Valuation of Deferrals on Power Exchange	-	-	181	914
Allowance for Funds Used During Construction	-	-	4,280	5,145
Power Exchange Revenues	-	-	7,378	28,933
Power Exchange Expenses	-	-	(7,568)	(29,002)
Power Revenue Netted against Power Expenses	-	-	6,330	17,426
Power Expense Netted against Power Revenues	-	-	(13,494)	(15,877)
Fair Value Adjustment of Long-Term Investments	-	-	12	35
Contributed Infrastructure	-	-	5,327	11,135
Settlement from Nextel	-	-	-	-
Total Noncash Investing, Capital, and Financing Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,156</u>	<u>\$ 29,733</u>

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, 2011
(In Thousands)**

	Governmental Activities - Internal Service Funds	
	<u>2011</u>	<u>Restated 2010</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 9,222	\$ 18,763
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities		
Depreciation and Amortization	32,655	31,939
Depreciation Charged to Operations and Maintenance Accounts	-	-
Amortization of Deferred Power Costs	-	-
Changes in Operating Assets and Liabilities		
Accounts Receivable	800	(816)
Unbilled Receivables	(84)	2
Bad Debt Expense	-	-
Power Revenue and Expense	-	-
Other Receivables	-	-
Due from Other Funds	1,683	760
Due from Other Governments	(110)	(49)
Materials and Supplies Inventory	27	27
Accounts Payable	3,121	(2,140)
Salaries, Benefits, and Payroll Taxes Payable	647	29
Compensated Absences Payable	2,124	(122)
Due to Other Funds	(913)	(182)
Due to Other Governments	7	-
Claims Payable	90	238
Taxes Payable	33	(45)
Deferred Credits	-	-
Other Deferred Assets and Charges	-	-
Other Assets and Liabilities	(758)	1,592
Rate Stabilization Deferred Revenue	-	-
Total Adjustments	<u>39,322</u>	<u>31,233</u>
Net Cash from Operating Activities	<u>\$ 48,544</u>	<u>\$ 49,996</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
In-Kind Capital Contributions	\$ -	\$ -
Amortization of Debt Related Costs, Net	1,080	929
Change in Valuation of Deferrals on Power Exchange	-	-
Allowance for Funds Used During Construction	-	-
Power Exchange Revenues	-	-
Power Exchange Expenses	-	-
Power Revenue Netted against Power Expenses	-	-
Power Expense Netted against Power Revenues	-	-
Fair Value Adjustment of Long-Term Investments	-	-
Contributed Infrastructure	-	-
Settlement from Nextel	7,688	-
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 8,768</u>	<u>\$ 929</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 and Individual Fund and Other Supplementary Information section.

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

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STATEMENT OF NET ASSETS

FIDUCIARY FUNDS

December 31, 2011

(In Thousands)

	<u>Pension Trust Funds</u>	<u>S. L. Denny Private-Purpose Trust</u>	<u>Agency Funds</u>
ASSETS			
Cash and Equity in Pooled Investments	\$ 18,639	\$ 210	\$ 23,585
Short-Term Investments	62,878	-	-
Securities Lending Collateral	3,490	-	-
Investments at Fair Value			
U.S. Government Obligations	82,664	-	-
Mortgage-Backed Securities	130,050	-	-
Government Related and Other	21,304	-	-
Domestic Corporate Bonds	137,745	-	-
Domestic Stocks	506,950	-	-
International Stocks	417,843	-	-
Real Estate	208,281	-	-
Alternative/Venture Capital	183,043	-	-
Total Investments at Fair Value	1,687,880	-	-
Receivables			
Employer - Other	3,648	-	278
Interest and Dividends	2,293	-	-
Total Receivables	5,941	-	278
Total Assets	1,778,828	210	23,863
LIABILITIES			
Accounts Payable	-	-	1,206
Refunds Payable and Other	3,770	-	-
Salaries, Benefits, and Payroll Taxes Payable	-	-	15,078
Deposits Payable	-	-	7,570
Claims/Judgments Payable	-	-	9
Securities Lending Collateral	6,911	-	-
Total Liabilities	10,681	-	23,863
Net Assets Held in Trust for Pension Benefits and Other Purposes	<u>\$ 1,768,147</u>	<u>\$ 210</u>	<u>\$ -</u>

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

STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
For the Year Ended December 31, 2011
(In Thousands)

	Pension Trust Funds	S.L. Denny Private-Purpose Trust
ADDITIONS		
Contributions		
Employer	\$ 90,312	\$ -
Plan Member	50,415	-
Total Contributions	140,727	-
Investment Income (Loss)		
From Investment Activities		
Net Appreciation (Depreciation) in Fair Value of Investments	(36,057)	-
Interest	8,665	2
Dividends	19,184	-
Total Investment Activities Income (Loss)	(8,208)	2
Investment Activities Expenses		
Investment Management Fees	6,984	-
Performance Measurement Fees	364	-
Investment Custodial Fees	144	-
Total Investment Activities Expenses	7,492	-
Net Income (Loss) from Investment Activities	(15,700)	2
From Securities Lending Activities		
Securities Lending Income	17	-
Borrower Rebates	43	-
Total Securities Lending Income	60	-
Securities Lending Expenses		
Management Fees	15	-
Total Securities Lending Expenses	15	-
Net Income (Loss) from Securities Lending Activities	45	-
Total Net Investment Income (Loss)	(15,655)	2
Other Income	2,343	-
Total Additions	127,415	2
DEDUCTIONS		
Benefits	163,368	-
Refund of Contributions	16,677	-
Administrative Expense	4,513	-
Total Deductions	184,558	-
Change in Net Assets	(57,143)	2
Net Assets - Beginning of Year	1,825,290	208
Net Assets - End of Year	\$ 1,768,147	\$ 210

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

Notes to Financial Statements

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NOTES TO FINANCIAL STATEMENTS

December 31, 2011

(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 (GAAP) 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 component units 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 12. 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. Additional information on the existing joint venture may be found in Note 13.

ACCOUNTING STANDARDS

In 2011, the City implemented GASB Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes accounting and financial reporting standards for all governments that report governmental funds. It provides clearer fund balance classifications and clarifies the existing governmental fund type definitions. New fund balance classifications include nonspendable, restricted, committed, assigned, and unassigned. Details for the City's fund balance classifications are found under the Fund Balances section of this note.

The Library Fund, previously a special revenue fund, was determined to no longer meet the definition of a special revenue fund, as defined by GASB Statement No. 54. As a result, the Library Fund is now reported as part of the General Fund for the GAAP reporting.

To allow comparative analysis of 2011 and 2010 fund balances, certain balances included in the 2010 balance sheets were reclassified to conform to the new requirements. Implementation of GASB Statement No. 54 in 2011, including reclassification of affected 2010 balances, did not have a significant impact on the City's financial statements.

In 2010, the City implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting standards for intangible assets. It provides guidance in the definition, recognition, and amortization of intangible assets, and requires intangible assets within its scope to be reported as capital assets. Implementation of GASB Statement No. 51 did not have a significant impact on the City's financial statements.

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 financial 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 is 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 in 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 **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 **Low-Income Housing Fund** accounts for activities undertaken by the City to rehabilitate, replace, and preserve low-income housing stock and to assist low-income tenants in Seattle. It is supported by a seven-year housing levy approved by the voters in 2009 and federal grants. The fund accounts for long-term housing loan assistance programs that are either deferred or amortized. Most of the loans are deferred and are payable in full on sale, on change of use, or at the end of the loan term. Terms will generally permit borrowers to further defer payment of principal, deferred interest, and contingent interest by extending the loan term. A majority of the current loans are deferred for 50 years and may be extended for an additional 25 years. Amortizing loans will be required if project budgets can afford repayment and meet required rent levels.

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. The Utility supplies electricity to approximately 400,000 customers in the Seattle area as well as to other city agencies.

The **Water Fund** accounts for operating the City's water utility. The Utility maintains more than 182 miles of water supply mains and 339 million gallons of distribution storage capacity in the Cedar and Tolt Rivers and Highline Well Field watersheds. The distribution system serves a population of about 670,000 people. The Utility also sells to 29 surrounding cities and water districts that provide water to an additional 634,000 people.

The **Drainage and Wastewater Fund** accounts for operating the City's sewer and drainage utility facilities and its pumping stations. These facilities, which consist of 1,893 miles of sewers and drainage mainlines and 66 pumping 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.

The **Solid Waste Fund** accounts for the collection and disposal of residential and commercial garbage; collection and recycling of yard waste and other recyclable materials; operation of two transfer stations and hazardous waste facilities; and management of the post-closure maintenance and environmental monitoring of the City's two closed landfills. The collection and disposal or processing of garbage, yard waste, and recyclable materials is performed by private companies under contract with the Utility.

Additionally, the City reports the following fund types:

Permanent funds account for resources that are legally restricted to the extent that only earnings, and not principal, are available for disbursement. Earnings of the **H. H. Dearborn Fund** and the **Beach Maintenance Trust Fund** are used for charitable purposes and maintenance of public beaches, respectively.

Internal service funds account for support services provided to other City departments, such as motor pool, office space, financial services, managing the design and construction phases of capital improvement projects, 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 a portion of the state-levied fire insurance premium tax and significantly from pension and benefits contributions of the General Fund. It pays medical and pension benefits to sworn firemen.

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 financial statements. The City reports the following as agency funds: Guaranty Deposits, Payroll Withholding, Multifamily Rental Housing Improvement, Salary, Voucher, and Pass-Through Grants Funds.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-wide Financial Statements

Government-wide financial statements are prepared using 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 timing of 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 are prepared using 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 that are 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 are prepared using 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 Downtown 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 are prepared using 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 the 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, public funds in 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, as well as the various fees paid to the institution that oversees the lending activity, is recorded in the operating statements. 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 cannot 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 sheets 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 costs are recorded as expenditures in governmental funds at the time individual inventory items are purchased. This is known as the purchase method. However, any significant inventories in a governmental fund may also be reported as assets, as allowed by GAAP, and 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 are established based on the City’s street reports to the state. Works of art are valued at historical cost. In cases where the historical cost is not available, the method used is “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 financial 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 in service	33 - 100 years
Buildings	25 - 50 years
Improvements other than buildings	25 - 50 years
Infrastructure	10 - 50 years
Machinery and 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.

Deferred Charges

Deferred charges may include preliminary costs of projects and information systems and programmatic conservation costs.

Costs for proposed projects incurred by the enterprise funds pending construction of the facility are deferred. 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 either straight-line or 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 financial statements under governmental activities.

Prepaid Items

In governmental funds the City accounts for prepayments using the consumption method and, therefore, it recognizes expenditures as prepaid items expire. The City recognizes a reservation of fund balance for prepaid items only when the amount in the fund is materially significant.

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 earn up to 12 days of sick leave per year and may accumulate sick leave balances without limit.

The City is mandated, upon retirement of a represented employee who is covered by an agreement between the City and an individual union, that is part of the Coalition of City Unions, that has been duly ratified by members and upon receipt of a signed hold harmless agreement and membership form, to contribute on behalf of such employee to the City's Health Reimbursement Arrangement - Voluntary Employees' Beneficiary Association (HRA-VEBA) program an amount equal to

35 percent of the member's unused sick leave balance. If the eligible employee fails to submit the signed hold harmless agreement and the membership enrollment form by their last working day of employment, their entire sick leave balance is forfeited.

Retiring employees who are not eligible to participate in the HRA-VEBA program may elect to either cash out 25 percent of the value of their sick leave balance or defer receipt of 35 percent of the value of their sick leave balance to the City's 457 Plan and Trust, subject to the year-to-date or life-to-date limitations on deferrals and contributions to such account. If the 35-percent value of the sick leave balance exceeds the maximum amount deferred to the City's 457 Plan and Trust, the employee shall receive a taxable cash payment equal to the amount, if any, by which the 25 percent of value of the sick leave balance exceeds the portion of the 35-percent amount that was allowed to be deferred.

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 15).

Other Accrued Liabilities

Other accrued liabilities include deposits, interest payable on obligations, and 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, portions of local improvement districts special assessments that are due in succeeding years 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.

Fund Balances

Fund balances are based on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. Fund balances are classified according to these constraints as follows:

- Nonspendable fund balances are either not in spendable form or are legally or contractually required to remain intact;
- Restricted fund balances are restricted for specific purposes by the enabling legislation or external resource providers such as creditors, grantors, or laws or regulations of other governments;
- Committed fund balances can only be used for specific purposes ordained by the City Council. The Council can, by ordinance or resolution, establish, modify, or rescind constraints on restricted fund balances;
- Assigned fund balances are constraints imposed by City Management for specific purposes. Fund balances of special revenue funds that are neither considered restricted or committed are considered an assigned fund balance; and

Notes to Financial Statements

- Unassigned fund balances represent balances that are available for any purpose. These balances are only reported in the City's General Fund unless a deficit occurs in any other fund.

A summary of governmental fund balances at December 31, 2011, is as follows:

Table 1-1

GOVERNMENTAL FUND BALANCES

(In Thousands)

Fund Balances	General	Transportation	Low-Income Housing	Other Governmental	Total
Nonspendable					
Petty Cash	\$ 56	\$ 3	\$ -	\$ 26	\$ 85
Prepaid Items and Advances	516	225	-	41	782
Inventory	-	-	-	369	369
Permanent Funds	-	-	-	2,050	2,050
Restricted					
Capital and Continuing Programs	30,911	-	-	211,186	242,097
Health Care Reserve	17,115	-	-	-	17,115
Library	10,891	-	-	-	10,891
Transportation	-	18,851	-	-	18,851
Low-Income Housing	-	-	77,772	-	77,772
Debt Service	-	-	-	10,499	10,499
Educational and Developmental Services	-	-	-	14,260	14,260
Other Purposes	-	-	-	26,519	26,519
Committed					
Capital and Continuing Programs	13,715	-	-	-	13,715
Health Care Reserve	16,782	-	-	-	16,782
Employee Benefit Trust Funds	9,139	-	-	-	9,139
Transportation	-	42,352	-	-	42,352
Low-Income Housing	-	-	8,816	-	8,816
Seattle Center	-	-	-	7,631	7,631
Other Purposes	6,632	-	-	1,357	7,989
Assigned					
Judgement/Claims	12,445	-	-	-	12,445
Working Capital	2,427	-	-	-	2,427
Parks and Recreation	-	-	-	5,976	5,976
Other Purposes	4,381	-	-	2,840	7,221
Unassigned					
General	79,765	-	-	-	79,765
Transportation	-	-	-	(3,288)	(3,288)
Pike Place Market	-	-	-	(578)	(578)
Seattle Center	-	-	-	(8,198)	(8,198)
Total	\$ 204,775	\$ 61,431	\$ 86,588	\$ 270,690	\$ 623,484

General Fund Stabilization and Other Reserves

The City created the Revenue Stabilization Account (RSA) to fund activities that would otherwise be reduced in scope, suspended or eliminated due to unanticipated shortfalls in the General Subfund revenues. Any use of the RSA shall be accompanied with an ordinance approved by the City Council. The City shall replenish the RSA through (1) transfers by ordinance from other city funds; (2) automatic transfer of 0.25 percent of forecasted tax revenues for 2012 and 0.5 percent thereafter; and (3) 50 percent of unanticipated excess fund balance of the General Subfund. At no time shall the maximum funding level exceed 5 percent of the General Subfund tax revenues forecast. At the end of fiscal year 2011, the RSA reported an ending fund balance of \$12.0 million.

The City maintains the Emergency Subfund to pay for unanticipated or unplanned expenditures that occur during the course of the fiscal year. Any use of the Emergency Subfund shall be accompanied with an ordinance approve by three-fourths of the City Council. At the beginning of each year, sufficient funds shall be appropriated to the Emergency Subfund so that its balance equals thirty-seven and one-half cents per thousand dollars of assessed value, which is the maximum amount allowed by state law. The City may also choose to reimburse the Emergency Subfund during the year for any expenditure incurred, by transferring unexpended and unencumbered balance from another City fund or subfund, or from other reimbursements the City may receive. At the end of fiscal year 2011, the Emergency Subfund reported an ending fund balance of \$44.1 million.

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, 2010, from which the summarized information was derived.

(2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY INFORMATION

The City budgets for the General Fund, the Library 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 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)

	<u>2011</u>
Annual Budget	\$ 1,180,283
Carryovers	
Encumbrances	975
Continuing Appropriations	109,009
Intrafund	(185,356)
Budget Revisions	<u>27,494</u>
Total Budget	<u>\$ 1,132,405</u>

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 City Budget Office 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. For capital items the affected budget is both the original appropriated budget for the current year and the unexpended budget carried over from prior years. Within a budget control level, departments may transfer appropriations without the City Budget Office's approval.

Budgetary comparisons for proprietary funds may be requested from the Department of Finance and Administrative Services. Budget figures consist of the adopted annual budget, which includes appropriation carryovers from previous years, and any revisions adopted by ordinance 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 that do not lapse, those whose budgets were approved by the City Budget Office to carry over to the following year, and are included with expenditures.

DEFICITS IN FUND BALANCES AND NET ASSETS

The Downtown Parking Garage Fund has negative fund net assets of \$24.1 million as of December 31, 2011. The negative fund equity is mostly attributable to cumulative depreciation expenses which were not planned to be covered by operating revenues. The management strategy for the Garage is to generate sufficient operating revenues to cover debt service payments and cash expenses. Accordingly, the negative fund equity will continue. In recent years, negative operating cash flow has also contributed to the negative fund equity. Ordinance 123694 authorizes the Garage to carry a cash loan of not more than \$4.0 million at any given time until December 31, 2012. The City is currently addressing operating cash flow with a long-term plan which includes alternative parking rate strategies and may include City subsidies to the fund.

The Seattle Streetcar Fund has negative fund balance of \$3.3 million as of December 31, 2011. The fund was created by Ordinance 122424 and later amended by Ordinance 123102 to increase the amount of the interfund loan which now allows a loan from the City's Consolidated (Residual) Cash Pool of up to \$3.7 million. This loan is to be repaid no later than December 31, 2018, from the sale of surplus property, grants, donations, transfers, and other monies as authorized by ordinance.

The Pike Place Market Renovation Fund has a negative fund balance of \$578 thousand at December 31, 2011. This was caused by the City's decision to use a loan from the City's cash pool in lieu of selling more bonds and to expedite the completion of construction projects. Ordinance 123470 permits this fund to use up to \$7.5 million at any one time from the City's cash pool. Any loan amounts are to be repaid by December 31, 2014.

(3) CASH AND INVESTMENTS

CASH AND EQUITY IN POOLED INVESTMENTS

Cash resources of all City funds are combined into a cash pool that is managed by the Department of Finance and Administrative Services. 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 up to their respective fund balance out of the pool without prior notice or penalty.

Custodial Credit Risk – Deposits. The custodial credit risk of deposits is the risk that in the event of bank failure for one of the City's depository institutions, the City's deposits may not be returned in a timely manner, or in the case of collateralized securities, the City may not be able to recover the collateral held in the possession of an outside party.

The City has very limited custodial credit risk of its deposits due to insurance provided by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Association (NCUA) as well as protection provided by the Washington State Public Deposit Protection Commission (PDPC) as established in RCW 39.58. The PDPC makes and enforces regulations and administers a program to ensure public funds deposited in banks and thrifts are protected if a financial

institution becomes insolvent. The PDPC approves which banks, credit unions, and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. This secures public treasurers' deposits when they exceed the amount insured by the FDIC or NCUA by requiring banks, credit unions, and thrifts to pledge securities as collateral.

As of December 31, 2011, the City held \$95,000 in its cash vault. Additional small amounts of cash were held in departmental revolving fund accounts with the City's various custodial banks, all of which fell within the NCUA/FDIC's \$250,000 standard maximum deposit insurance amount. Any of the City's cash not held in its vault, or a local depository, was held in the City's operating fund (investment pool), and at the close of every business day, any cash remaining in the operating fund is swept into an overnight repurchase agreement that matures the next day.

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, 2011, the City's investment pool held the following investments.

Table 3-1 **INVESTMENTS AND MATURITIES**
TREASURY RESIDUAL POOLED INVESTMENTS
(In Thousands)

Investments	Fair Value as of December 31, 2011	Weighted Average Maturity (Days)
Repurchase Agreements	\$ 66,785	3
U.S. Treasury and U.S. Government-Backed Securities	37,994	816
U.S. Government Agency Securities	990,428	974
U.S. Government Agency Mortgage-Backed Securities	701	876
Commercial Paper	77,495	10
Municipal Bonds	105,403	513
Total	<u>\$ 1,278,806</u>	
Weighted Average Maturity of the Treasury Residual Pooled Investments		823

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. The City's investment policy limits the maturity of individual securities to fifteen years and limits the weighted average maturity of the total investment portfolio to no longer than five years which mitigates interest rate risk.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City mitigates credit risk in many ways as described below.

By state statutes and investment policy, the City may purchase securities that carry the highest credit ratings issued by Moody's Investors Service, Standard & Poor's, and/or Fitch Ratings. Securities purchased must have the following ratings at the time of purchase: Securities backed by issuers with long-term credit ratings of Aaa, Aa1, and Aa2 by Moody's Investors Service; AAA, AA+, and AA by Standard & Poor's; and AAA, AA+, and AA by Fitch Ratings; and securities backed by issuers having short-term ratings of MIG1, VMIG1, and P1 by Moody's Investors Service; A1+ and A1 by Standard & Poor's; and F1 and F1+ by Fitch Ratings.

The City invests in U.S. Treasury securities which are considered free of credit risk, and in securities backed by the full faith and credit of the U.S. government, such as bonds issued by the Department of Housing and Urban Development (HUD). These securities have the highest long-term and short-term credit ratings of Aaa, AA+, P1, A1+, and F1+. The City also invests in securities issued by U.S. government sponsored enterprises including Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal Farm Credit Bank. These securities were rated Aaa by Moody's Investors Service, AA+ by Standard & Poor's, and AAA by Fitch Ratings. Material credit risk in the City's investment portfolio resides in its holdings of commercial paper and municipal securities. In accordance with state statutes and its internal investment policy, the City manages that credit risk by purchasing securities backed by issuers having long-term and short-term credit ratings as noted above. The City also subscribes to asset-backed commercial paper research from Moody's Investors Service and Fitch Ratings, conducts internal due diligence of commercial paper and municipal issuers, and maintains an "approved list" of commercial paper issuers based upon internal and external credit research.

Concentration Risk. Concentration risk is the risk of loss attributed to the magnitude of investments in a single issuer. In accordance with its investment policy and state statutes, the City manages concentration risk by limiting its investments in

any one issuer as follows: 10 percent of the portfolio per bank for certificates of deposit or bankers' acceptances; and 5 percent per commercial paper or municipal bond issuer. U.S. government agency collateralized mortgage obligations and pass-through securities are limited to a maximum asset allocation of 25 percent of the total portfolio. The City is not limited in its allocation to obligations of: the U.S. government, U.S. government agencies, or corporations wholly owned by the U.S. government. The City's investments in single issuers, including those maturing less than one year from date of purchase, and amounting to 5 percent or more of the total portfolio as of December 31, 2011, are shown in the following table.

Table 3-2 **CONCENTRATION OF CREDIT RISK**
(In Thousands)

Issuer	Fair Value	Percent of Total Investments
Federal Home Loan Mortgage Corporation (Freddie Mac)	\$ 395,358	31 %
Federal National Mortgage Association (Fannie Mae)	317,741	25
Federal Home Loan Bank	194,321	15
Federal Farm Credit Bank	83,708	7

Custodial Credit Risk – Investments. The custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the City will not have access to, or be able to recover, 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 contractual custodial agent and not by the counterparty or the counterparty's trust department or agent. Additionally, the City mitigates custodial risk by settling its trades delivery-versus-payment through the City's contractual custodial agent.

By investment policy, the City maintains a list of approved securities dealers for transacting business. For repurchase agreements, the City transacts only with large primary dealers with investment grade credit ratings provided by at least two of the Nationally Recognized Statistical Rating Organizations (NRSROs). The City also conducts its own due diligence as to the financial wherewithal of its counterparties.

The City mitigates counterparty custodial risk from repurchase agreements by using a third-party custodian for tri-party repos. The City conforms with the industry standard requiring execution of a master repurchase agreement with each counterparty prior to transacting a repurchase agreement, execution of a third-party custodial agreement between the City, the broker, and the clearing bank, before transacting a third-party repurchase agreement, and over-collateralizing by a minimum of 102 percent. By investment policy, the underlying securities the City is willing to accept as collateral must have the highest credit ratings of at least two NRSROs. Throughout 2011, the collateral underlying the City's repurchase agreements excluded securities other than U.S. Treasury, agencies, and agency mortgage-backed pass-throughs.

Foreign Currency Risk. The City Treasury investment pool and securities held for dedicated funds portfolios do 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)

Investments	Amount
U.S. Government Obligations	\$ 82,649
Domestic Corporate Bonds	137,745
Domestic Stocks	506,950
International Stocks	417,843
Other	
Short-Term Investment Funds	62,878
Securities Lending	3,490
Mortgage-Backed Securities	130,050
Government Related and Other	21,304
Real Estate	208,281
Alternative/Venture Capital	183,043
Total	\$ 1,754,233

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 diversification and risk control. Managers do not have authority to depart from those guidelines.

SCERS' fixed income portfolio is primarily managed by four 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
U.S. Government					
Treasuries, Notes, and Bonds	\$ 53,835	\$ 12,579	\$ 13,748	\$ 1,633	\$ 25,875
Treasury Inflation-Protected Securities	14,967	686	-	14,281	-
Agencies	13,847	6,038	3,470	3,080	1,259
Mortgage-Backed					
Government Pass-Throughs	102,253	-	32,068	7,564	62,621
Corporate Pass-Throughs	10,216	944	-	-	9,272
Government Collateralized Mortgage Obligations	17,580	4,423	473	585	12,099
Corporate					
Bonds	102,610	1,116	16,561	70,436	14,497
Asset-Backed	33,535	10,699	10,516	6,447	5,873
Private Placements	1,600	532	697	356	15
Government Related and Other					
Foreign Sovereign	16,151	794	-	-	15,357
Municipal	5,051	389	298	1,015	3,349
Other	102	69	-	-	33
Total Portfolio	\$ 371,747	\$ 38,269	\$ 77,831	\$ 105,397	\$ 150,250

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, minimum diversification standards, 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 nationally recognized rating agencies. Speculative investments are avoided based on the Prudent Person Rule as defined by RCW 35.39, and the policy specifies target percentages for diversification in order to minimize risk of large losses.

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
U.S. Government								
Treasury Notes and Bonds	\$ -	\$ 53,836	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Treasury Inflation-Protected Securities	13,709	1,258	-	-	-	-	-	-
Agencies	-	12,786	1,061	-	-	-	-	-
Mortgage-Backed								
Government Pass-Throughs	32,068	35,348	-	-	-	-	-	34,838
Corporate Pass-Throughs	7,408	56	2,015	649	88	-	-	-
Government CMO's	2,341	12,306	202	365	380	145	1,703	139
Corporate								
Bonds	30	8,891	33,028	45,372	13,740	1,549	-	-
Asset-Backed	16,953	3,730	4,259	4,608	891	482	1,252	1,361
Private Placements	1,547	-	-	-	-	-	53	-
Government Related and Other								
Foreign Sovereign	-	9,613	794	-	-	5,743	-	-
Municipal	-	828	4,223	-	-	-	-	-
Other	-	-	-	-	96	-	-	7
Total Portfolio	\$ 74,056	\$ 138,652	\$ 45,582	\$ 50,994	\$ 15,195	\$ 7,919	\$ 3,008	\$ 36,345

Table 3-6 SCERS' ASSET ALLOCATION

Asset Class	Actual	Target
Cash and Cash Equivalents	3.9 %	0.0 %
Equities		
Domestic	28.9	25.0
International	23.8	27.0
Fixed Income	21.1	20.0
Alternative	10.4	11.0
Real Estate	11.9	11.0
Covered Calls	0.0	6.0
Total	100.0 %	100.0 %

Concentration of Credit Risk. The Investment Committee reviews its portfolio holdings quarterly with the Investment Consultant to ensure compliance with the specified targets and performance results. Rebalancing of the portfolio back to the target percentages is undertaken to ensure compliance with the specified targets. 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. In general, these guidelines require that investments in any issuer may not exceed 5 percent of the net asset value of a manager's portfolio. Managers do not have authority to depart from these guidelines.

Custodial Credit Risk. SCERS mitigates custodial credit risk by having its investment securities held by SCERS' custodian and registered in SCERS' name.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates that will adversely impact the fair value of an investment. SCERS' currency risk exposure or exchange rate risk primarily resides within the international equity holdings. SCERS' investment managers maintain adequately diversified portfolios to limit foreign currency and security risk.

SECURITIES LENDING TRANSACTIONS

The City cash pool and the Seattle City Employees' Retirement System are 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 lent 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 is 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, and is limited to a volume of less than \$75.0 million. 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 invests cash collateral received; accordingly, any investment made with cash collateral is reported as an asset. A corresponding liability is recorded as SCERS must return the cash collateral to the borrower upon the expiration of the loan. As of December 31, 2011, SCERS has no credit risk exposure to borrowers; amounts owed to borrowers exceed the amount the borrower owes.

Table 3-7 **SCERS' SECURITIES LENT AND COLLATERAL**
(In Thousands)

Type of Securities Lent	2011		2010	
	Fair Values of Securities Lent	Collateral	Fair Values of Securities Lent	Collateral
U.S. Government and Agencies	\$ 100	\$ 102	\$ 14,338	\$ 14,630
U.S. Corporate Fixed Income	1,660	1,705	2,867	2,937
U.S. Equities	4,970	5,104	19,275	19,728
Total Securities Lent	\$ 6,730	\$ 6,911	\$ 36,480	\$ 37,295
Collateral	2011		2010	
U.S. Corporate Obligations		\$ 3,500		\$ 3,500
Repurchase Agreements		1,829		31,796
Asset-Backed Securities		1,582		1,999
Total Collateral		\$ 6,911		\$ 37,295
Fair Value of Collateral Held		\$ 3,490		\$ 33,896

REVERSE REPURCHASE AGREEMENTS

RCW 35.39.030 and City investment policy allow the investment of City moneys in excess of current City needs in reverse repurchase agreements. However, at this time, the City does not engage itself in this type of investment strategy.

(4) RECEIVABLES AND INTERFUND TRANSACTIONS

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

	December 31 2011 Revenues	December 31 2011 Receivables
Property Taxes	\$ 397,288	\$ 18,280
General Business and Occupation Taxes	339,703	51,987
Totals	\$ 736,991	\$ 70,267

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 106 percent or the annual rate of inflation. The passage of Initiative 747 in November 2001 reduced the 106 percent to 101 percent. In early November 2007, the State Supreme Court upheld a lower court ruling that Initiative 747 was unconstitutional. This decision would have returned the growth limit factor to 106 percent. On November 29, 2007, the legislature, in special session, passed and the governor signed into law language identical to that of Initiative 747. Thus, the limit factor remains 101 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 101 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 \$1.87 per \$1,000 for general operations and Firemen's Pension Fund in 2011. In addition, the levy included \$1.18 per \$1,000 of assessed value for debt service and other voter-approved levies. The total 2011 levy was \$3.06 per \$1,000 of assessed value. Not included in this total is the levy for Emergency Medical Services, which was renewed by voters at election in November 2007 at \$0.30 per \$1,000 of assessed value and remained at \$0.30 per \$1,000 of assessed value in 2011.

Property taxes are levied by the County Assessor and collected by the County Finance Director. Assessments are based on 100 percent of true and fair market value. They are levied and become a lien on the first day of the levy year. They may be paid in two equal installments if the total amount exceeds \$30. The first half is due on April 30, or else the total amount becomes delinquent May 1. The balance is due October 31, becoming delinquent November 1. Delinquent taxes bear interest at the rate of one percent per month until paid and are subject to additional penalties of three percent and another eight percent on the total unpaid delinquent balance on June 1 and December 1, respectively. Foreclosure action is commenced on properties when taxes are delinquent for three years.

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, 2011, as reported in the fund financial statements.

Table 4-2

DUE FROM AND TO OTHER FUNDS ^a

(In Thousands)

Receivable Fund	Payable Fund(s)	Amount
General	Drainage and Wastewater	\$ 2,905
	Nonmajor Enterprise	2,256
	Nonmajor Governmental	2,059
	Internal Service	83
	Transportation	333
	Light	4,481
	Solid Waste	406
	Water	2,011
	Total General Fund	14,534
Transportation	Drainage and Wastewater	434
	Nonmajor Enterprise	104
	General	2,448
	Nonmajor Governmental	22,161
	Internal Service	43
	Light	407
	Solid Waste	6
	Water	731
	Total Transportation Fund	26,334
Light	Drainage and Wastewater	235
	General	21
	Nonmajor Governmental	23
	Internal Service	(21)
	Transportation	12
	Solid Waste	142
	Water	153
	Total Light Fund	565
Water	Drainage and Wastewater	445
	General	62
	Nonmajor Governmental	2
	Internal Service	6
	Transportation	1
	Light	75
	Solid Waste	320
	Total Water Fund	911
Low-Income Housing	Light	767
Solid Waste	Drainage and Wastewater	13
	General	4
	Nonmajor Governmental	29
	Internal Service	5
	Light	7
	Total Solid Waste Fund	58
Drainage and Wastewater	Nonmajor Enterprise	3
	General	16
	Nonmajor Governmental	52
	Internal Service	32
	Transportation	33
	Light	1,086
	Solid Waste	12
	Water	638
	Total Drainage and Wastewater Fund	1,872

^a Some amounts may have rounding differences with Balance Sheet or Statement of Net Assets.

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

Receivable Fund	Payable Fund(s)	Amount
Nonmajor Governmental	Drainage and Wastewater	\$ 284
	Nonmajor Enterprise	8
	General	1,049
	Nonmajor Governmental	1,312
	Internal Service	100
	Low-Income Housing	13
	Transportation	49
	Light	239
	Solid Waste	181
	Water	72
		Total Nonmajor Governmental Funds
Nonmajor Enterprise	Drainage and Wastewater	263
	General	30
	Nonmajor Governmental	11
	Internal Service	7
	Transportation	98
	Light	88
	Solid Waste	1
	Water	25
	Total Nonmajor Enterprise Funds	523
Internal Service	Drainage and Wastewater	118
	Nonmajor Enterprise	99
	General	1,590
	Nonmajor Governmental	669
	Internal Service	256
	Transportation	893
	Light	1,155
	Solid Waste	71
Water	923	
	Total Internal Service Funds	5,774
Grand Total		\$ 54,645

^a Some amounts may have rounding differences with Balance Sheet or Statement of Net Assets.

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 **INTERFUND TRANSFERS**
(In Thousands)

Transfers In	Transfers Out					
	General	Low-Income Housing	Nonmajor Governmental	Internal Service	Transportation	Total
General Fund	\$ -	\$ -	\$ 537	\$ 4,000	\$ -	\$ 4,537
Nonmajor Enterprise	9,373	-	-	-	-	9,373
Nonmajor Governmental	171,701	265	7,407	-	16,227	195,600
Transportation	44,575	-	47,512	-	-	92,087
Total Transfers	\$ 225,649	\$ 265	\$ 55,456	\$ 4,000	\$ 16,227	\$ 301,597

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, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) apply unrestricted revenues collected in the General Fund to various programs accounted for in other funds in accordance with budgetary authorizations.

(5) SHORT-TERM ENERGY CONTRACTS AND DERIVATIVE INSTRUMENTS

The Seattle City Light (SCL) engages in an ongoing process of resource optimization relating to short-term energy contracts, which involves the economic selection from available energy resources to serve the SCL’s load obligations and using these resources to capture available economic value. SCL makes frequent projections of electric loads at various points in time based on, among other things, estimates of factors such as customer usage and weather, as well as historical data and contract terms. SCL also makes recurring projections of resource availability at these points in time based on variables such as estimates of streamflows, availability of generating units, historic and forward market information, contract terms, and experience. On the basis of these projections, SCL purchases and sells wholesale electric capacity and energy to match expected resources to expected electric load requirements and to realize earnings from surplus energy resources. These transactions can be up to 24 months forward. Under these forward contracts, SCL commits to purchase or sell a specified amount of energy at a specified time, or during a specified time in the future. Except for limited intraday and interday trading to take advantage of owned hydro storage, SCL does not take market positions in anticipation of generating revenue. Energy transactions in response to forecasted seasonal resource and demand variations require approval by SCL’s Risk Oversight Council.

It is the City’s policy to apply the normal purchase and normal sales exception of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as appropriate. Certain forward purchase and sale of electricity contracts in SCL meet the definition of a derivative instrument, but are intended to result in the purchase or sale of electricity delivered and used in the normal course of operations. Accordingly, SCL considers these forward contracts as normal purchases and normal sales under GASB Statement No. 53. These transactions are not required to be recorded at fair value in the financial statements.

The following table presents (in thousands) the aggregate contract amounts, fair value, and unrealized gain (loss) of SCL’s commodity derivative instruments qualifying as normal purchases and normal sales at December 31:

Year 2011	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
Sales	\$ 16,444	\$ 16,861	\$ (417)
Purchases	6,028	5,752	(276)
Total	\$ 22,472	\$ 22,613	\$ (693)
Year 2010	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
Sales	\$ 8,028	\$ 7,296	\$ 732
Purchases	11,895	11,139	(756)
Total	\$ 19,923	\$ 18,435	\$ (24)

Fair value measurements at December 31, 2011 and 2010 used an income valuation technique consisting of Platts M2M Power Curves and interest rates from HIS Global Insight that are used to calculate discount rates. Risk, such as for nonperformance and inactive markets, was evaluated internally resulting in no valuation adjustments to forward power contracts.

All derivative instruments not considered as normal purchases and normal sales are to be recorded within the financial statements using derivative accounting according to GASB Statement No. 53. In 2010, the City Council adopted a resolution granting SCL authority to enter into certain physical put and call options that would not be considered normal purchases and normal sales under GASB Statement No. 53. SCL did not have any such activity for 2011 and 2010. In addition, the City Council has deferred recognition of the effects of reporting the fair value of derivative financial instruments for rate-making purposes, and SCL maintains regulatory accounts to defer the accounting impact of these accounting adjustments in accordance with ASC 980-10-05, *Effect of Regulatory Accounting*.

Market Risk. Market risk is, in general, the risk of fluctuation in the market price of the commodity being traded and is influenced primarily by supply and demand. Market risk includes the fluctuation in the market price of associated derivative commodity instruments. Market risk may also be influenced by the number of active, creditworthy market participants, and to the extent that nonperformance by market participants of their contractual obligations and commitments affects the supply of, or demand for, the commodity. Because SCL is active in the wholesale energy market, it is subject to market risk.

Credit Risk. Credit risk relates to the potential losses that SCL would incur as a result of nonperformance by counterparties of their contractual obligations to deliver energy or make financial settlements. Changes in market prices may dramatically alter the size of credit risk with counterparties, even when conservative credit limits are established. SCL seeks to mitigate credit risk by entering into bilateral contracts that specify credit terms and protections against default, applying credit limits and duration criteria to existing and prospective counterparties, and actively monitoring current credit exposures. SCL also seeks assurances of performance through collateral requirements in the form of letters of credit, parent company guarantees, or prepayment.

SCL has concentrations of suppliers and customers in the electric industry including electric utilities, electric generators and transmission providers, financial institutions, and energy marketing and trading companies. In addition, SCL has concentrations of credit risk related to geographic location as it operates in the western United States. These concentrations of counterparties and concentrations of geographic location may impact SCL's overall exposure to credit risk, either positively or negatively, because the counterparties may be similarly affected by changes in conditions.

Other Operational and Event Risk. There are other operational and event risks that can affect the supply of the commodity, and SCL's operations. Due to SCL's primary reliance on hydroelectric generation, the weather, including spring time snow melt, runoff, and rainfall, can significantly affect SCL's operations. Other risks include regional planned and unplanned generation outages, transmission constraints or disruptions, environmental regulations that influence the availability of generation resources, and overall economic trends.

(6) CAPITAL ASSETS

Table 6-1

CHANGES IN CAPITAL ASSETS ^a

(In Thousands)

	Restated Balance January 1	Additions	Deletions	Balance December 31
GOVERNMENTAL ACTIVITIES ^b				
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 530,894	\$ 3,770	\$ 571	\$ 534,093
Construction in Progress	267,903	215,503	142,902	340,504
Total Capital Assets Not Being Depreciated	798,797	219,273	143,473	874,597
CAPITAL ASSETS BEING DEPRECIATED				
Buildings and Improvements	2,112,863	24,787	16,099	2,121,551
Machinery and Equipment	282,540	32,065	9,708	304,897
Infrastructure	1,315,012	107,794	-	1,422,806
Other Capital Assets	13,425	151	96	13,480
Total Capital Assets Being Depreciated	3,723,840	164,797	25,903	3,862,734
Accumulated Depreciation				
Buildings and Improvements	543,745	53,116	7,162	589,699
Machinery and Equipment	165,709	24,736	9,645	180,800
Infrastructure	572,861	41,886	-	614,747
Other Capital Assets	1,464	175	30	1,609
Total Accumulated Depreciation	1,283,779	119,913	16,837	1,386,855
Total Capital Assets Being Depreciated, Net	2,440,061	44,884	9,066	2,475,879
Governmental Activities Capital Assets, Net	<u>\$ 3,238,858</u>	<u>\$ 264,157</u>	<u>\$ 152,539</u>	<u>\$ 3,350,476</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 160,117	\$ 13,833	\$ 40,316	\$ 133,634
Construction in Progress	312,303	382,766	382,101	312,968
Total Capital Assets Not Being Depreciated	472,420	396,599	422,417	446,602
CAPITAL ASSETS BEING DEPRECIATED				
Plant in Service, Excluding Land	5,684,458	333,117	19,542	5,998,033
Buildings	60,131	-	-	60,131
Machinery and Equipment	15,169	-	-	15,169
Other Capital Assets	20,381	45,054	21	65,414
Total Capital Assets Being Depreciated	5,780,139	378,171	19,563	6,138,747
Accumulated Depreciation				
Plant in Service, Excluding Land	2,175,557	172,969	39,334	2,309,192
Buildings	24,052	2,004	-	26,056
Machinery and Equipment	11,168	1,554	-	12,722
Other Capital Assets	2,626	18	-	2,644
Total Accumulated Depreciation	2,213,403	176,545	39,334	2,350,614
Total Capital Assets Being Depreciated, Net	3,566,736	201,626	(19,771)	3,788,133
Business-Type Activities Capital Assets, Net	<u>\$ 4,039,156</u>	<u>\$ 598,225</u>	<u>\$ 402,646</u>	<u>\$ 4,234,735</u>

^a Some amounts may have rounding differences with Statement of Net Assets.

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

Table 6-2

DEPRECIATION EXPENSE BY FUNCTION

(In Thousands)

GOVERNMENTAL ACTIVITIES

General Government	\$ 2,398
Public Safety	5,201
Transportation	42,599
Economic Environment	17
Culture and Recreation	<u>36,935</u>
Subtotal	87,150
Capital assets held by internal service funds are charged to the various functions based on their usage of the assets	<u>32,763</u>
Total Governmental Activities	<u>\$ 119,913</u>

BUSINESS-TYPE ACTIVITIES

Light	\$ 106,155
Water	42,267
Solid Waste	6,233
Drainage and Wastewater	18,332
Planning and Development	1,554
Parking Garage	<u>2,004</u>
Total Business-Type Activities	<u>\$ 176,545</u>

(7) COMPENSATED ABSENCES

The following discussion on the general liabilities of the City and the tables for the other City funds present the accrued compensated absences at the end of 2011 and 2010. The tables show the accrued liabilities by group between governmental activities, business-type activities, and pension trust funds, and further by type of funds, as applicable.

GOVERNMENTAL ACTIVITIES

Governmental Funds

Unpaid compensated absences associated with governmental fund operations of \$78.8 million and \$79.7 million at December 31, 2011 and 2010, respectively, have been recorded in the government-wide financial statements. These amounts include unpaid holiday, compensatory, merit, and furlough time of \$16.8 million and \$17.3 million at the end of 2011 and 2010, respectively; accumulated unpaid vacation pay of \$49.7 million and \$50.7 million at the end of 2011 and 2010, respectively; and the balance for sick leave (estimated based on the termination method) of \$12.3 million and \$11.7 million at December 31, 2011 and 2010, respectively.

Internal Service Funds

Table 7-1

COMPENSATED ABSENCES IN INTERNAL SERVICE FUNDS

(In Thousands)

	2011	2010
Finance and Administrative Services	\$ 4,077	\$ 1,891
Information Technology	<u>1,734</u>	<u>1,797</u>
Totals	<u>\$ 5,811</u>	<u>\$ 3,688</u>

BUSINESS-TYPE ACTIVITIES

Enterprise Funds

Table 7-2 **COMPENSATED ABSENCES IN ENTERPRISE FUNDS**
(In Thousands)

	<u>2011</u>	<u>2010</u>
Light	\$ 16,186	\$ 15,540
Water	4,749	4,818
Drainage and Wastewater	4,425	4,282
Solid Waste	1,619	1,606
Planning and Development	<u>2,720</u>	<u>2,665</u>
Totals	<u>\$ 29,699</u>	<u>\$ 28,911</u>

PENSION TRUST FUNDS

Table 7-3 **COMPENSATED ABSENCES IN PENSION TRUST FUNDS**
(In Thousands)

	<u>2011</u>	<u>2010</u>
Employees' Retirement	\$ 121	\$ 74
Firemen's Pension	30	29
Police Relief and Pension	<u>39</u>	<u>49</u>
Totals	<u>\$ 190</u>	<u>\$ 152</u>

Compensated absences in governmental activities and business-type activities are presented in the aggregate in Note 9, Long-Term Debt, Table 9-9, which also shows the amount estimated to be due within the year.

(8) 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 financial statements. The net capital lease assets shown in the following table reflect those continuing to be financed through capital leases. The minimum capital lease payments reflect the remaining capital obligations on these assets.

Table 8-1

CAPITAL LEASES

(In Thousands)

Net Capital Lease Assets	Capital Assets Governmental Activities
Machinery and Equipment	\$ 20
Less Accumulated Depreciation	(10)
December 31, 2011	\$ 10
Minimum Capital Lease Payments	Long-Term Liabilities Governmental Activities
2012	\$ 5
2013	5
2014	2
Total Minimum Lease Payments	12
Less Interest	(2)
Principal	\$ 10

The outstanding principal portion of the minimum capital lease payments is also presented in Table 9-9 of Note 9, Long-Term Debt.

OPERATING LEASES

Governmental Activities

The City, through its Facilities Operations Division, manages buildings and facilities that are owned by the City and has operating lease commitments on real property owned by private entities. Many lease commitments on private properties are for a term of five years or longer and may be renewed as required by the City tenant departments. The lease agreements show a periodic schedule of rental amounts. Facilities Operations Division paid rentals of approximately \$4.7 million and \$4.8 million in 2011 and 2010, respectively, on the lease commitments. There are no projected rent increases apart from lease agreements entered into by the City.

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 original lease agreement expired on July 30, 2010 but was renewed for another five years with new expiration date of July 30, 2015. The renewed lease agreement requires a fixed rent of \$23,420 per month subject to increases on each July 1 beginning in 2011 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 \$265,983 and \$304,250 in 2011 and 2010, respectively, on the lease. Rents are paid as they become due and payable.

Minimum payments under the leases are:

**Table 8-2 OPERATING LEASE COMMITMENTS
GOVERNMENTAL ACTIVITIES
(In Thousands)**

Year Ending December 31	Minimum Lease Payments		
	Facilities Operations	Seattle Center	Total
2012	\$ 4,503	\$ 297	\$ 4,800
2013	4,190	297	4,487
2014	2,772	297	3,069
2015	1,936	175	2,111
2016	1,277	-	1,277
2017	828	-	828
Total	\$ 15,506	\$ 1,066	\$ 16,572

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. Beginning in 2007 the Department made monthly lease payments to the City through the central cost allocation process, similar to all other payments for tenancy of the City property and through the budget process. The Department also leases office equipment and smaller facilities for various purposes through long-term operating lease agreements. Expense under all leases totaled \$4.7 million and \$1.1 million in 2011 and 2010, respectively.

The Seattle Public Utilities has non-cancelable operating lease commitments for real and personal property for its three funds: Water Fund, Drainage and Wastewater Fund, and Solid Waste Fund. The minimum payments made respectively in 2011 and 2010 were: \$384,595 and \$375,965 for the Water Fund; \$108,115 and \$105,887 for the Drainage and Wastewater Fund, and \$177,747 and \$171,300 for the Solid Waste Fund. Rents are paid as they become due and payable.

Minimum payments under the leases are:

**Table 8-3 OPERATING LEASE COMMITMENTS
BUSINESS-TYPE ACTIVITIES
(In Thousands)**

Year Ending December 31	Minimum Payments				
	City Light	Water	Drainage & Wastewater	Solid Waste	Total
2012	\$ 1,103	\$ 393	\$ 110	\$ 184	\$ 1,790
2013	1,111	275	70	180	1,636
2014	1,009	248	60	176	1,493
2015	1,036	256	62	182	1,536
2016	982	221	53	156	1,412
2017 - 2021	847	54	-	-	901
2022 - 2026	-	54	-	-	54
2027	-	32	-	-	32
Total	\$ 6,088	\$ 1,533	\$ 355	\$ 878	\$ 8,854

LEASE REVENUES - GOVERNMENTAL ACTIVITIES

The Facilities Operations Division collects occupancy charges from the various tenants occupying real property owned or leased by the City. These tenants include other City departments, other government offices, 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 Finance and Administrative Services Fund, an internal service fund, and are shown in the following table.

Table 8-4 MAJOR SOURCES OF RENTAL INCOME ON REAL PROPERTY MANAGED BY FACILITIES OPERATIONS DIVISION
(In Millions)

	2011	Restated 2010
Non-City Property Occupied by City Departments	\$ 5.1	\$ 5.3
City-Owned Property Occupied by City Departments	51.2	54.2
City-Owned Property Leased to Non-City Tenants	2.3	2.6
Total	<u>\$ 58.6</u>	<u>\$ 62.1</u>

Additionally, in 2011 the SeaPark Garage and the Seattle Municipal Tower Building generated \$2.4 million total parking revenues, which were recorded in the Finance and Administrative Services Fund.

Also, in 2011 the City recognized \$5.9 million in parking revenues in the Downtown Parking Garage Fund, an enterprise fund, from the operation of the garage at Pacific Place.

(9) 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 (LTGO) bonds and unlimited tax general obligation (UTGO) bonds.

The original amount of general obligation bonds issued for bonds outstanding at the end of 2010 was \$1.388 billion. The amount of bonds outstanding at December 31, 2010 was \$863.8 million. The following paragraphs discuss the general obligation bonds issued during 2011. No outstanding general obligation bonds were defeased in 2011.

On March 16, 2011, the City issued the \$79.2 million LTGO Various Purpose Bonds, 2011, with an interest rate of 5.0 percent which mature serially from March 1, 2011 through March 1, 2031. The proceeds of these LTGO bonds are used to pay all or part of the costs of construction and acquisition of various City capital projects, including the Bridge Rehabilitation, Bridge Seismic, King Street Station, Spokane Street Viaduct, Seawall, Parking/Program Management, Mercer West, Golf, Pike Place Market, Rainier Beach Community Center, Seattle Center, Facility Energy Retrofits-Facilities and Administrative Services, Facility Energy Retrofits-Department of Parks and Recreation, and Facility Energy Retrofits-Seattle Center.

The City had no short-term general obligation debt at the end of 2011.

The City of Seattle

The following table presents the individual general obligation bonds outstanding as of December 31, 2011, and other relevant information on each outstanding bond issue.

Table 9-1 **GENERAL OBLIGATION BONDS**
(In Thousands)

Name and Purpose of Issue	Issuance Date	Maturity Date	Effective Interest Rate	Bond Issuance	Redemptions		Bonds Outstanding December 31
					2011	To Date ^a	
LIMITED TAX GENERAL OBLIGATION (LTGO) BONDS - NON-VOTED							
Refunding - Various LTGO Bonds, 1998, Series B	03/17/98	09/01/98-12	4.493 %	\$ 43,710	\$ 3,170	\$ 42,320	\$ 1,390
Deferred Interest Parking Garage, 1998, Series E	11/12/98	12/15/01-14	4.714	13,042	1,247	9,826	3,216 ^b
Various Purpose - Civic Center, South Police Precincts, Training Facilities, Information Technology, Etc., 2001	08/21/01	08/01/02-31	4.908	129,760	3,580	129,760	-
Improvement (Various) and Refunding, 2002	01/30/02	07/01/02-32	4.778	125,510	4,380	93,965	31,545
Various Purpose and Refunding, 2003	02/26/03	08/01/04-23	3.469	60,855	1,085	53,230	7,625
Refunding, 2004	05/24/04	07/01/04-20	4.118	91,805	5,875	29,740	62,065
Various Purpose and Refunding, 2005	03/23/05	08/01/05-28	4.167	129,540	6,380	47,000	82,540
Various Purpose and Refunding, 2006	04/26/06	03/01/07-26	4.254	24,905	1,735	7,990	16,915
Various Purpose and Refunding, 2007	05/02/07	10/01/07-28	4.251	95,550	2,540	10,150	85,400
Various Purpose and Refunding, 2008	07/02/08	12/01/08-28	4.398	139,830	6,825	18,730	121,100
Various Purpose and Refunding, 2009	03/25/09	11/01/09-05/01/34	3.574	99,860	8,655	16,230	83,630
Improvement and Refunding, 2010, Series A ^c	03/31/10	08/01/10-30	4.394	66,510	-	-	66,510
Improvement and Refunding, 2010, Series B	03/31/10	08/01/10-31	4.394	135,395	2,710	3,220	132,175
Various Purpose, 2011	03/16/11	03/01/11-31	4.431	79,185	-	-	79,185
Total Limited Tax General Obligation Bonds				1,235,457	48,182	462,161	773,296
UNLIMITED TAX GENERAL OBLIGATION (UTGO) BONDS - VOTED							
Refunding-Variou UTGO Bonds, 1998, Series A	03/17/98	09/01/98-17	4.470	53,865	1,370	50,500	3,365
Improvement (Library Facilities) and Refunding, 2002	09/26/02	12/01/03-21	3.892	117,025	4,660	58,620	58,405
Refunding, 2007	05/02/07	12/01/07-18	3.886	60,870	5,805	12,980	47,890
Total Unlimited Tax General Obligation Bonds				231,760	11,835	122,100	109,660
Total General Obligation Bonds				\$ 1,467,217	\$ 60,017	\$ 584,261	\$ 882,956

^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 The accreted value of the outstanding bonds as of December 31, 2011, is \$6,100,655. This amount is recognized as long-term accrued interest in the Downtown Parking Garage Fund, an enterprise fund, where the bond outstanding is also recorded.

^c Issued as direct-pay Build America Bonds, created under Section 1531 of the American Recovery and Reinvestment Act of 2009 whereby state or local governmental issuers of this type of bonds receives a federal subsidy through Treasury Department and the Internal Revenue Service in an amount equal to 35 percent of the total coupon interest payable to investors or buyers of the bonds.

The requirements to amortize the general obligation bonds as of December 31, 2011, 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 9-2 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	
2012	\$ 64,800	\$ 37,835	\$ 1,257	\$ 4,094	\$ 107,986
2013	68,250	34,837	1,262	4,259	108,608
2014	64,970	31,600	1,857	3,740	102,167
2015	53,950	28,779	2,950	2,824	88,503
2016	53,705	26,219	3,280	2,676	85,880
2017 - 2021	258,210	112,624	22,190	10,549	403,573
2022 - 2026	183,410	41,282	26,725	3,872	255,289
2027 - 2031	70,910	9,270	1,325	99	81,604
2032 - 2034	3,905	236	-	-	4,141
Total	<u>\$ 822,110</u>	<u>\$ 322,682</u>	<u>\$ 60,846</u>	<u>\$ 32,113</u>	<u>\$ 1,237,751</u>

SPECIAL ASSESSMENTS BONDS WITH GOVERNMENTAL COMMITMENT

The bonds are special fund obligations of the City, the debt service of which will be paid from collections from related local improvement district (LID) assessments levied against the benefited properties located within the boundaries of the LID. Though guaranteed by the City's LID Guaranty Fund, this type of special assessment bonds does not constitute an obligation of any political subdivision thereof other than the City, and neither the full faith and credit nor the taxing power of the City is pledged to the payment of the bonds. The amount of special assessment bonds outstanding at the end of 2011 was \$14.3 million. There were no new bond issues in 2011.

The following table shows more detail on the outstanding issue.

**Table 9-3 SPECIAL ASSESSMENT BONDS WITH GOVERNMENTAL COMMITMENT
(In Thousands)**

Name of Issue	Issuance Date	Maturity Date	Effective Interest Rate	Bond Issuance	Redemptions		Bonds Outstanding December 31
					2011	To Date	
Local Improvement District No. 6750 Bonds, 2006	09/13/06	12/15/07-24	4.102	\$ 21,925	\$ 1,430	\$ 7,620	\$ 14,305

The requirements to amortize the special assessments with governmental commitment as of December 31, 2011, are shown below.

**Table 9-4 ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY
SPECIAL ASSESSMENT BONDS WITH GOVERNMENTAL COMMITMENT
(In Thousands)**

Year Ending December 31	Principal	Interest	Total
2012	\$ -	\$ -	\$ -
2013	920	36	956
2014	1,220	48	1,268
2015	1,220	48	1,268
2016	1,220	49	1,269
2017 - 2021	6,080	252	6,332
2022 - 2024	3,645	155	3,800
Total	<u>\$ 14,305</u>	<u>\$ 588</u>	<u>\$ 14,893</u>

NOTES AND CONTRACTS PAYABLE – GOVERNMENTAL ACTIVITIES

The Seattle Department of Transportation (SDOT) has outstanding notes drawn in several years from the Washington State’s Public Works Trust Loan program administered by the Washington State Public Works Board, a division of the Department of Commerce (formerly Department of Community, Trade, and Economic Development). The notes were drawn at varying low annual interest rates ranging from 0.5 percent to 3.0 percent. The proceeds of the loan support City road and bridge improvements. Additional amount of \$0.2 million was drawn against the notes in 2011 and the City paid \$2.1 million and \$0.3 million in principal and interest, respectively, in 2011. The outstanding balance on the notes at December 31, 2011, is \$14.7 million. The following table presents the annual debt service requirements to maturity on the notes as of the end of 2011.

**Table 9-5 ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY
SEATTLE DEPARTMENT OF TRANSPORTATION
PUBLIC WORKS TRUST LOAN NOTES
(In Thousands)**

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,194	\$ 239	\$ 2,433
2013	2,071	201	2,272
2014	1,698	166	1,864
2015	1,560	136	1,696
2016	1,370	108	1,478
2017 - 2021	4,636	243	4,879
2022 - 2023	1,132	17	1,149
Total	<u>\$ 14,661</u>	<u>\$ 1,110</u>	<u>\$ 15,771</u>

REVENUE BONDS

The City also issues revenue bonds 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. The original amount of revenue bonds issued for bonds outstanding at the end of 2010 was approximately \$4.342 billion. The total outstanding amount at December 31, 2010, was \$3.121 billion. During 2011 an additional \$352.1 million of revenue bonds were issued.

City Light

On February 8, 2011, pursuant to City Ordinance 123483, the City issued \$296.3 million Municipal Light and Power Improvement and Refunding Revenue Bonds, Series 2011A (tax-exempt), and \$10.0 million Municipal Light and Power Improvement Revenue Bonds, Series 2011B (taxable Clean Renewable Energy Bonds). The proceeds of the Series 2011A bonds are used to advance refund \$101.3 million of prior lien bonds, Series 2001, and to finance certain capital improvements and conservation programs. The proceeds of the Series 2011B bonds are used for capacity and efficiency improvements at the Boundary Hydroelectric Project. Further discussion on the refunding is shown in the Advance and Current Refundings section of this note.

Solid Waste

On June 22, 2011, pursuant to City Ordinance 123576, the City issued \$45.8 million Solid Waste Revenue Bonds with an average coupon rate of 4.78 percent and maturing on August 1, 2036. The proceeds of the bonds are used to finance certain capital improvement projects of the City’s solid waste system.

The business-type funds had no short-term debt at December 31, 2011.

Notes to Financial Statements

The following table presents the individual revenue bonds outstanding as of December 31, 2011, and other pertinent information on each outstanding bond issue.

Table 9-6

REVENUE BONDS

(In Thousands)

Name and Purpose of Issue	Issuance Date	Maturity Dates	Effective Interest Rates	Bond Issuance	Redemptions		Bonds Outstanding December 31
					2011	To Date ^a	
MUNICIPAL LIGHT AND POWER (ML&P) BONDS							
2001 Parity	03/29/01	03/01/04-26	5.082	\$ 503,700	\$ 106,830	\$ 503,700	\$ -
2002 Parity, Refunding	12/04/02	12/01/03-14	3.470	87,735	4,140	74,285	13,450
2003 Parity, Refunding	08/20/03	11/01/04-28	3.517	251,850	4,000	121,805	130,045
2004 Parity	12/23/04	08/01/05-29	4.159	284,855	23,030	63,150	221,705
2008 Parity	12/30/08	04/01/09-29	5.222	257,375	12,680	28,250	229,125
2010 Parity, Series A ^b	05/26/10	02/01/21-40	3.566	181,625	-	-	181,625
2010 Parity, Series B	05/26/10	02/01/11-26	3.413	596,870	9,350	9,350	587,520
2010 Parity, Series C ^c	05/26/10	02/01/11-40	3.112	13,275	-	-	13,275
2011 Parity, Series A, Refunding	02/08/11	02/01/11-36	4.544	296,315	2,965	2,965	293,350
2011 Parity, Series B ^d	02/08/11	02/01/11-27	1.957	10,000	-	-	10,000
Total Light Bonds				2,483,600	162,995	803,505	1,680,095
MUNICIPAL WATER BONDS							
2001 Parity	11/20/01	11/01/05-31	4.972	52,525	1,310	8,205	44,320
2003 Parity, Refunding	05/12/03	09/01/03-33	4.083	271,320	8,515	85,595	185,725
2004 Parity	10/25/04	09/01/05-34	4.580	84,750	1,695	11,015	73,735
2005 Parity, Refunding	12/28/05	09/01/06-29	4.482	138,040	4,600	15,040	123,000
2006 Parity, Refunding	10/23/06	02/01/08-37	4.424	189,970	4,445	12,315	177,655
2008 Parity, Refunding	12/15/08	12/15/09-38	4.753	205,080	3,740	14,935	190,145
2010 Parity, Series A ^b	01/21/10	08/01/19-40	5.700	109,080	-	-	109,080
2010 Parity, Series B, Refunding	01/21/10	08/01/10-27	4.403	81,760	4,835	8,260	73,500
Total Water Bonds				1,132,525	29,140	155,365	977,160
MUNICIPAL DRAINAGE AND WASTEWATER BONDS							
2001 Parity	06/22/01	11/01/02-31	5.260	60,680	1,400	11,800	48,880
2002 Refunding	12/17/02	07/01/03-32	4.751	78,550	2,145	15,875	62,675
2004 Parity	10/28/04	09/01/05-34	4.609	62,010	1,295	7,870	54,140
2006 Refunding	11/01/06	02/01/07-37	4.180	121,765	3,725	13,665	108,100
2008 Parity	04/16/08	06/01/09-38	4.830	84,645	1,455	4,195	80,450
2009 Parity, Series A ^b	12/17/09	11/01/10-39	3.450	102,535	-	-	102,535
2009 Parity & Refunding, Series B	12/17/09	11/01/10-27	3.000	36,680	3,155	6,850	29,830
Total Drainage and Wastewater Bonds				546,865	13,175	60,255	486,610
SOLID WASTE BONDS							
2007 Revenue & Refunding	12/12/07	02/01/08-33	4.505	82,175	2,075	5,760	76,415
2011 Revenue	06/22/11	08/01/11-36	4.780	45,750	-	-	45,750
Total Solid Waste Bonds				127,925	2,075	5,760	122,165
Total Utility Revenue Bonds				<u>\$ 4,290,915</u>	<u>\$ 207,385</u>	<u>\$ 1,024,885</u>	<u>\$ 3,266,030</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 Issued as taxable direct-pay Build America Bonds, created under Section 1531 of the American Recovery and Reinvestment Act of 2009 whereby state or local governmental issuers of this type of bonds receives a federal subsidy through Treasury Department and the Internal Revenue Service in an amount equal to 35 percent of the total coupon interest payable to investors or buyers of the bonds.

^c Issued as taxable Recovery Zone Economic Development Bonds, a third type of Build America Bonds which provides for a deeper federal subsidy through a refundable tax credit paid to state or local governmental issuers in an amount equal to 45 percent of the total coupon interest payable to investors or buyers of the bonds.

^d Issued as taxable New Clean Renewable Energy Bonds.

The City of Seattle

The requirements to amortize the revenue bonds as of December 31, 2011, are presented below.

**Table 9-7 ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY
REVENUE BONDS
(In Thousands)**

Year Ending December 31	Light		Water		Drainage and Wastewater		Solid Waste		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2012	\$ 88,850	\$ 83,095	\$ 31,425	\$ 48,104	\$ 13,695	\$ 23,589	\$ 2,960	\$ 6,079	\$ 297,797
2013	88,120	79,319	32,795	46,709	14,290	23,043	3,330	5,708	293,314
2014	96,400	74,996	34,240	45,252	14,935	22,456	3,495	5,549	297,323
2015	98,140	70,143	35,810	43,676	15,590	21,848	3,665	5,371	294,243
2016	98,210	65,199	37,545	41,926	16,340	21,178	3,855	5,185	289,438
2017 - 2021	457,260	256,598	215,415	180,141	92,670	93,438	21,510	22,822	1,339,854
2022 - 2026	413,225	145,535	233,360	123,230	102,815	69,702	26,035	17,011	1,130,913
2027 - 2031	169,020	66,274	191,700	68,544	109,000	43,218	33,130	9,921	690,807
2032 - 2036	119,445	31,027	117,810	27,959	75,555	18,456	24,185	2,612	417,049
2037 - 2040	51,425	5,865	47,060	4,894	31,720	2,674	-	-	143,638
Total	<u>\$ 1,680,095</u>	<u>\$ 878,051</u>	<u>\$ 977,160</u>	<u>\$ 630,435</u>	<u>\$ 486,610</u>	<u>\$ 339,602</u>	<u>\$ 122,165</u>	<u>\$ 80,258</u>	<u>\$ 5,194,376</u>

NOTES AND CONTRACTS PAYABLE – BUSINESS-TYPE ACTIVITIES

Seattle Public Utilities (SPU) has various construction projects that are financed by low-interest loans issued by the State of Washington. The loan agreements require that SPU finance a portion of these projects from other sources. SPU's Water Fund as well as its Drainage and Wastewater Fund have availed of these loans to enhance and protect the City's water, drainage, and wastewater systems.

Water

During 1993, the Fund entered into a loan agreement to borrow up to \$2.2 million from the Washington State Department of Commerce under its Public Works Trust Loan program for the construction of certain capital improvements. Amounts borrowed under the agreement accrue interest at 1.0 percent per annum and are to be repaid in 19 annual installments plus interest. Proceeds from this loan were used to finance the Magnolia Manor Reservoir project. As of December 31, 2011, this loan has an outstanding balance of \$0.2 million.

In 2008, the Fund entered into a loan agreement to borrow \$8.1 million from the same program at 1.5 percent interest per year and a repayment period of 17 to 18 years. Proceeds from this loan were used to finance the Myrtle and Beacon Reservoir projects. As of December 31, 2011, this loan has an outstanding balance of \$6.8 million.

In 2009, the Fund entered into a loan agreement to borrow \$3.0 million from the same program at 1.5 percent per annum and payable in 18 years. Proceeds from this loan were used to finance the West Seattle Reservoir project. As of December 31, 2011, this loan has an outstanding balance of \$2.6 million.

Also in 2009, the Fund entered into two loan agreements to borrow, totaling \$9.1 million, from the same program to be used to finance the Maple Lead Reservoir project. The first loan, in the amount of \$6.1 million, was funded with resources from the American Recovery and Reinvestment Act of 2009 (ARRA) at 1.0 percent annual interest and payable in 23 years. The second loan, in the amount of \$3.0 million, bears interest of 1.5 percent per annum and a repayment period of 19 years. As of December 31, 2011, these loans have an outstanding balance of \$8.0 million.

Amounts paid for all loans in 2011 totaled \$858 thousand and \$183 thousand, in principal and interest, respectively. The combined outstanding balance of the loans at December 31, 2011 is \$17.6 million. The minimum debt service requirements to maturity are included in Table 9-8.

Drainage and Wastewater

During 2004, the Fund entered into a loan agreement to borrow up to \$3.7 million from the Washington State Department of Commerce under its Public Works Trust Loan program for the construction of certain capital improvements. Amounts borrowed under the agreement accrue interest at 0.5 percent per annum and are to be repaid in 20 annual installments plus interest. Proceeds from this loan were used to finance the Thornton Creek Natural Drainage Systems. As of December 31, 2011, this loan has an outstanding balance of \$2.5 million.

In 2005, the Fund entered into a loan agreement with the Washington State Department of Ecology under its Public Works Trust Loan program to borrow up to \$2.7 million to support the construction of improvements of the High Point Natural Drainage Systems project. Amounts under this agreement accrue interest at 1.5 percent per annum and are to be repaid in 20 annual installments. As of December 31, 2011, the loan has an outstanding balance of \$2.4 million.

In 2006, the Fund entered into a loan agreement with the Washington State Department of Commerce under its Public Works Trust Loan program to borrow up to \$3.4 million to support the construction of the South Park Flood Control and Local Drainage program. Amounts borrowed under the agreement accrue interest at 0.5 percent per annum and are to be repaid over 20 years. As of December 31, 2011, the loan has an outstanding balance of \$2.8 million.

In 2008, the Fund entered into a loan agreement with the Washington State Department of Ecology to borrow up to \$7.0 million to support the construction and site improvements of the Thornton Creek Water Quality Channel. Amounts borrowed under this agreement accrue interest at 1.5 percent per annum and are to be repaid over 20 years beginning in 2010. As of December 31, 2011, the loan has an outstanding balance of \$6.7 million.

In 2009, the Fund entered into a loan agreement with the Washington State Department of Ecology to borrow up to \$1.4 million to support the Ballard Green Streets project. This loan was funded with resources from the ARRA which provides a 50-percent forgivable provision. In 2010, the Fund borrowed \$0.7 million of which \$0.4 million is forgivable. More draw downs are anticipated in the future. As of December 31, 2011, the loan has an outstanding balance of \$0.6 million.

In 2011, the Fund was approved for a public works trust fund loan of \$4.0 million from the Washington State Department of Commerce for construction and site improvements in the Midvale area of Seattle. Amounts borrowed under this agreement accrue interest at 0.5 percent per annum and are to be repaid by June 2032. As of December 31, 2011, the loan has an outstanding balance of \$3.6 million.

Amounts paid to all loans in 2011 totaled \$845 thousand in principal and approximately \$210 thousand in interest; and the amount borrowed in 2011 totaled \$3.8 million. Total loans outstanding as of December 31, 2011 are \$18.6 million. The minimum debt service requirements to maturity are included in Table 9-8.

Table 9-8 **ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY**
SEATTLE PUBLIC UTILITIES
PUBLIC WORKS TRUST LOAN AND OTHER NOTES
(In Thousands)

Year Ending December 31	Water		Drainage and Wastewater		Total
	Principal	Interest	Principal	Interest	
2012	\$ 858	\$ 315	\$ 904	\$ 180	\$ 2,257
2013	1,154	221	906	196	2,477
2014	1,036	206	1,093	176	2,511
2015	1,036	192	1,101	164	2,493
2016	1,036	178	1,110	152	2,476
2017 - 2021	5,181	679	5,614	583	12,057
2022 - 2026	4,956	327	4,941	303	10,527
2027 - 2031	2,070	75	2,928	71	5,144
2032	296	3	-	-	299
Total	<u>\$ 17,623</u>	<u>\$ 2,196</u>	<u>\$ 18,597</u>	<u>\$ 1,825</u>	<u>\$ 40,241</u>

The following table shows the long-term liability activities during the year ended December 31, 2011.

Table 9-9

CHANGES IN LONG-TERM LIABILITIES ^a

(In Thousands)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
Bonds Payable					
General Obligation Bonds	\$ 801,695	\$ 79,185	\$ 58,770	\$ 822,110	\$ 64,800
Add (Deduct) Deferred Amounts					
Issuance Premiums	37,262	5,057	4,132	38,187	-
Issuance Discounts	(2)	-	-	(2)	-
On Refunding	(4,063)	3,470	-	(593)	-
Special Assessment Bonds with Governmental Commitment ^b	15,735	-	1,430	14,305	-
Total Bonds Payable	<u>850,627</u>	<u>87,712</u>	<u>64,332</u>	<u>874,007</u>	<u>64,800</u>
Notes and Contracts					
Capital Leases	14	-	4	10	4
Other Notes and Contracts	16,582	-	1,920	14,662	2,194
Total Notes and Contracts	<u>16,596</u>	<u>-</u>	<u>1,924</u>	<u>14,672</u>	<u>2,198</u>
Compensated Absences	83,362	77,269	76,019	84,612	18,707
Claims Payable					
Workers' Compensation	25,279	5,793	6,863	24,209	7,829
General Liability	60,964	6,927	6,973	60,918	16,932
Health Care Claims	3,684	3,684	5,604	1,764	1,764
Environmental Liability ^c					
General Contamination Cleanup	797	-	737	60	-
Total Claims Payable ^d	<u>90,724</u>	<u>16,404</u>	<u>20,177</u>	<u>86,951</u>	<u>26,525</u>
Arbitrage Rebate Liability	76	-	32	44	-
Total Long-Term Liabilities from Governmental Activities	<u>\$ 1,041,385</u>	<u>\$ 181,385</u>	<u>\$ 162,484</u>	<u>\$ 1,060,286</u>	<u>\$ 112,230</u>
BUSINESS-TYPE ACTIVITIES					
Bonds Payable					
General Obligation Bonds	\$ 62,093	\$ -	\$ 1,247	\$ 60,846	\$ 1,257
Revenue Bonds	3,121,350	352,065	207,384	3,266,031	136,930
Add (Deduct) Deferred Amounts					
Issuance Premiums	120,855	19,097	12,305	127,647	-
Issuance Discounts	(1,204)	(29)	(49)	(1,184)	-
On Refunding	(54,145)	(381)	(7,131)	(47,395)	-
Total Bonds Payable	<u>3,248,949</u>	<u>370,752</u>	<u>213,756</u>	<u>3,405,945</u>	<u>138,187</u>
Accrued Interest - Deferred Interest Bonds	3,552	471	1,139	2,884	1,213
Notes and Contracts - Other	34,107	3,817	1,702	36,222	1,762
Compensated Absences	28,912	2,807	2,020	29,699	2,797
Claims Payable					
Workers' Compensation	9,669	2,278	2,682	9,265	2,996
General Liability	21,849	2,021	2,648	21,222	5,899
Environmental Liability ^c					
General Contamination Cleanup	43,560	857	9,793	34,624	7,537
Total Claims Payable ^d	<u>75,078</u>	<u>5,156</u>	<u>15,123</u>	<u>65,111</u>	<u>16,432</u>
Muckleshoot Liability	495	-	495	-	-
Habitat Conservation Program Liability	4,312	1,685	949	5,048	533
Landfill Closure and Postclosure Costs	20,654	-	692	19,962	1,645
Total Long-Term Liabilities from Business-Type Activities	<u>\$ 3,416,059</u>	<u>\$ 384,688</u>	<u>\$ 235,876</u>	<u>\$ 3,564,871</u>	<u>\$ 162,569</u>

^a Some amounts may have rounding differences with the Statement of Net Assets.

^b The Special Assessment Bonds carry neither premiums nor discounts.

^c See Note 10, Environmental Liabilities for a detailed discussion.

^d See Note 15, Contingencies, for a discussion of risk management, environmental, and other matters. The table in Note 15 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 compensated absences and claims payable of these funds amounted to approximately \$5.8 million and \$1.8 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 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 a 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 become 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 governmental activity funds are paid from the governmental funds while 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 14, 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. In most cases, 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. In some cases, like for City Light and Water bonds in the past three years, proceeds are kept with the City as restricted cash until the refunded bonds are called, usually within 90 days. The following paragraph discusses the advance and current refundings that occurred in 2011.

The refunding portion of the \$306.3 million Municipal Light and Power Improvement and Refunding Revenue Bonds, Series 2011A, in the amount of \$101.3 million were used to advance refund prior-lien bonds, Series 2001. The aggregate debt service on the refunding bonds requires a cash flow of \$515.0 million, including \$208.7 million in interest. The difference between the cash flows required to service the old and the new debt and to complete the refunding totaled \$11.6 million, and the aggregate economic gain amounted to \$9.8 million at net present value.

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

Table 9-10

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 2011	Defeased Outstanding December 31
GENERAL OBLIGATION BONDS							
Limited Tax (Non-Voted)							
Refunding - Various LTGO Bonds, 1998, Series B, Defeased 9/26/05	03/17/98	09/01/98-12	4.493 %	\$ 43,710	\$ 620	\$ 520	\$ 100
Improvement (Various), 2001, Refunded 3/31/10	08/21/01	08/01/02-31	4.908	129,760	85,890	81,635	4,255
Improvement (Various) and Refunding, 2002, Defeased 9/26/05	01/30/02	07/01/02-32	4.778	125,510	8,470	3,615	4,855
Improvement (Various) and Refunding, 2002, Refunded 3/31/10					30,275	-	30,275
Various Purpose and Refunding, 2002, Series B Defeased 12/17/08	09/26/02	10/01/03-14	3.127	64,560	24,730	11,685	13,045
Various Purpose and Refunding, 2003, Defeased 4/4/07	02/26/03	08/01/04-23	3.469	60,855	2,715	660	2,055
Various Purpose and Refunding, 2003, Defeased 8/30/07					3,180	610	2,570
Various Purpose and Refunding, 2003, Defeased 12/17/08					6,480	2,940	3,540
REVENUE BONDS							
Municipal Light and Power							
2001 Parity, Refunded 5/26/10	03/29/01	03/01/04-26	5.082	503,700	311,730	311,730	-
2001 Parity, Refunded 2/8/11					101,345	101,345	-
Total Refunded/Defeased Bonds				\$ 928,095	\$ 575,435	\$ 514,740	\$ 60,695

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 no arbitrage rebate in 2010 on its general obligation bonds and revenue bonds. In 2011, the City paid arbitrage rebate of \$19 thousand on its general obligation bonds and none on revenue bonds. As of December 31, 2011, arbitrage rebate liability on general obligation bonds and revenue bonds are \$44 thousand and none, respectively.

(10) ENVIRONMENTAL LIABILITIES

Following is a brief description of the significant sites:

- The Harbor Island Superfund Site. Harbor Island was designated as a federal Superfund site by the Environmental Protection Agency (EPA) in 1983. The City and other entities are sharing costs of investigating contamination in the East Waterway alongside Harbor Island. The City's involvement stems from its sale of transformers to a company on Harbor Island, discharges from storm drains, and combined sewer outflows. In 2006 the EPA issued an Administrative Order on Consent (AOC) for a supplemental Remedial Investigation and Feasibility Study (RI/FS). Subsequent to an agreement between the EPA, the Port of Seattle (Port), King County, and the City, the Port alone signed the order. Both the City and King County signed a Memorandum of Agreement with the Port to participate as cost share partners in the work required by the EPA. No specific requirements for remediation by Potentially Responsible Parties (PRPs) have been made by the EPA as of the date of this note. The Remedial Investigation is anticipated to be completed by 2014.
- The Lower Duwamish Waterway Superfund Site. The site was designated as a federal Superfund site by the EPA in 2001 for contaminated sediments due to land ownership or use of property along the river, discharges from storm drains, and combined sewer outflows into the river. The City is one of four parties who signed an AOC with the EPA and Washington State Department of Ecology (DOE) to conduct a RI/FS to prepare a site remedy. No specific requirements for remediation by PRPs have been made by the EPA, except those related to specific early action sites. In order to manage the liability, the City is working with the EPA and other PRPs on a RI/FS to evaluate the risk to human health and the environment within the six-mile Superfund area, identify the possible early action cleanup sites, and generally evaluate the feasibility of cleanup options for use in the ultimate remedial actions that the EPA will require. The Feasibility Study is under review by the EPA. It is unknown what EPA's additional requirements would cost as of the date of this note. The City and other PRPs have voluntarily agreed to initiate cleanup of two early action sites identified during the Remedial Investigation under AOC for Slip 4 and T-117. The City filed suit in King County Superior Court against the Boeing Company to require Boeing to pay its fair share of costs. The case settled in 2010 with Boeing paying part of the City's past costs and agreeing to pay a specific percentage of future costs related to the cleanup.
- North Boeing Field/Georgetown Steam Plant. The City, King County, and Boeing have signed an Administrative Order issued by the DOE requiring them to investigate and possible removal of contamination in an area that encompasses North Boeing Field, the Georgetown Steam Plant, and the King County Airport. This site was also the subject of the lawsuit brought by the City against Boeing. Boeing agreed to pay a specific percentage of the costs for DOE's implementation of the order. Boeing and the City will pay remediation costs at their own facilities. During the cleanup an abandoned structure containing oil was discovered. The structure was partly on the City's property and partially underground on property the City sold to King County in the 1960s. The City removed the oil from the part of the structure on its own property. King County plans to remove the part of the structure on its property and is seeking some level of reimbursement from the City. At this time the costs of removal are unknown and it has not been determined whether the City will share those costs. It is also unknown whether the DOE will require further work.
- Gas Works Park Sediment Site. In 2002 the DOE named the City and Puget Sound Energy (PSE) as PRPs for contamination at the Gas Works Sediments Site in North Lake Union. The City and PSE signed an Agreed Order with the DOE in 2005 to initiate a City-led RI/FS in the western portion of the site and a PSE-led RI/FS in the eastern portion. The City is now working to complete the RI/FS for the western portion for submittal to the DOE. The RI/FS includes an evaluation of the nature and extent of contamination on the site, an evaluation of multiple alternatives for remediating the sediments, and a recommended preferred alternative. Recently the EPA has begun in-depth discussions with DOE. As a result, a Clean-up Action Plan is expected from the DOE in 2015 or 2016.
- 7th Avenue South Pump Station. The City acquired land in the South Park area of Seattle to construct the 7th Avenue South Pump Station. The land was determined to be contaminated subsequent to the purchase. The City has voluntarily agreed to clean up the contamination in order to continue with the planned construction of the pump station. The cleanup is anticipated to be completed in 2012.
- South Park. The DOE has indicated that it will require the cleanup and remediation of the historic South Park landfill sites under the State Model Toxics Control Act. No specific requirements for remediation by PRPs have been made by the DOE as of the date of this note. In order to manage the liability, the City is working with the DOE and other PRPs on a RI/FS to evaluate the risk to human health and the environment and to assess the feasibility of cleanup options for use in the ultimate remedial actions that the DOE may require. The RI/FS is anticipated to be completed in late 2012.
- South Park Bus Barn. The South Park Bus Barn, located near the South Park Landfill, was entered into the DOE's Voluntary Cleanup Program. This parcel of property was purchased by the City in 2008, and currently no other PRP has been named. The remedial action was substantially completed in 2010.

The City has included in its estimated liability those portions of the environmental remediation work that are currently deemed to be reasonably estimable. Cost estimates were developed using the expected cash flow technique in accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. Estimated outlays were based on current cost and no adjustments were made for discounting or inflation. Cost scenarios were developed for a given site based on data available at the time of estimation and will be adjusted for changes in circumstance. Scenarios consider the relevant potential requirements and are adjusted when benchmarks are met or when new information revises estimated outlays, such as changes in the remediation plan or operating conditions. Costs were calculated on a weighted average that was based on the probabilities of each scenario being selected and reflected cost-sharing agreements in effect. In addition, certain estimates were derived from independent engineers and consultants. The estimates were made with the latest information available; as new information becomes available, estimates may vary significantly due to price fluctuations, technology advances, or applicable laws or regulations.

The City is aggressively pursuing other third parties that may have contributed to the contamination of the sites noted above. The City's estimate for not-yet-realized recoveries from other parties for their share of remediation work that offset the City's estimated environmental liability was \$0.3 million and \$1.7 million, at December 31, 2011 and 2010, respectively. The City received an environmental cost recovery of \$2.4 million from Boeing in 2010. The recovery represented settlement for prior legal costs incurred in defining their cost share in remediating the contaminated sites in the future. No cost recovery was received in 2011.

The changes in the provision for environmental liability, net of recovery (in thousands) at December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Environmental Liability – Beginning of Year	\$ 44,357	\$ 44,371
Payments or Amortization	(10,529)	(12,115)
Incurred Environmental Liability	<u>857</u>	<u>12,101</u>
Environmental Liability – End of Year	<u>\$ 34,685</u>	<u>\$ 44,357</u>

The provision for environmental liability (in thousands) included in current and noncurrent liability at December 31, 2011 and 2010, is as follows:

	<u>2011</u>	<u>2010</u>
Claims Payable, Current	\$ 7,537	\$ 11,022
Claims Payable, Noncurrent	<u>27,148</u>	<u>33,335</u>
Total	<u>\$ 34,685</u>	<u>\$ 44,357</u>

Information on the City's environmental liability is also presented in Note 9, Long-Term Debt, Table 9-9.

(11) 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 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 Plans 1 and 2.

Table 11-1

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	1/1/2011	1/1/2012	1/1/2012	6/30/2010	6/30/2010
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Aggregate ^a
Asset Valuation Method	5-Year Smoothing Method	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	Does Not Amortize ^d	30.0 years	30.0 years	13.5 years	N/A
Approach	Open	Closed	Closed	Closed	N/A
Actuarial Assumptions					
Inflation Rate (CPI)	3.50%	2.75% ^e	2.75% ^e	3.50%	3.00%
Investment Rate of Return	7.75%	4.00%	4.00%	8.00%	8.00%
Projected Salary Increases - General	4.00%	3.75% ^e	3.75% ^e	4.00%	4.50%
Projected Salary Increases - Step Merit	N/A	N/A	N/A	Varies ^f	Varies ^f
Postretirement Benefit Increases	1.50%	Varies ^g	Varies ^g	CPI Increase	CPI Increase (Maximum 3%)

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

^b The actuarial 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 In 2011, the contribution rate (18.06%) is below the ARC computed January 1, 2011 actuarial valuation of 21.3%. If the contribution rate and ARC were to remain at these levels, the UAAL would not fully amortize in less than 30 years.

^e Long-term assumption is listed. Specific short-term assumptions are used through 2010.

^f For specific information, please refer to the 2010 Actuarial Valuation Report issued by the Washington Office of the State Actuary.

^g Based upon salary increase assumptions for benefits that increased based on salary. Based upon CPI assumptions for benefits that increased based upon CPI.

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, 2011:

Retirees and Beneficiaries Receiving Benefits	5,580
Terminated Plan Members Entitled To But Not Yet Receiving Benefits, Vested	2,051
Terminated Plan Members Who Have Restored Their Contributions Due to the Provisions of the Portability Statutes and May Be Eligible for Future Benefits, Vested	348
Active Plan Members, Vested and Non-vested	8,426

SCERS 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 credited 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.

Refer to the Other Postemployment Benefits section of this note for discussion of the City's implicit rate subsidies to retirees for health care coverage.

The Seattle City Employees' Retirement System issues an independent financial report. A copy of the report is available from the Seattle City Employees' Retirement System at 720 Third Avenue, Suite 900, Seattle, WA 98104; by telephone at 206-386-1293; or by accessing the website 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 securities lending transactions as discussed in Note 3, are reported at fair value. The fair 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 value of venture capital and real estate equities is determined by the investment sponsor. Securities and securities lending transactions are reflected in the financial statements on a trade-date basis. The Retirement Board provides its investment managers with a set of investment guidelines. In general, these guidelines require that investments with any one issuer do not exceed 5 percent of the net asset value of a manager's portfolio.

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 Actuarial 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 for 2011 were 9.03 percent for members and 9.03 percent for the employer. Plan member and employer contributions for 2011 are \$50,415,119 and \$50,301,263, respectively. There are no long-term contracts for contributions outstanding and no legally required reserves.

Historically, actuarial studies for SCERS were determined through biennial actuarial valuations. Commencing with the year ending December 31, 2010, actuarial studies are being performed annually. Based on this valuation, the actuarial value of plan net assets available for benefits was \$2.014 billion, and the actuarial accrued liability was \$2.709 billion. The unfunded actuarial accrued liability (UAAL) was \$695.4 million and the funding ratio was 74.3 percent. The funding ratio had been 62.0 percent, based on the previous January 1, 2011 actuarial valuation. The increase in the current funding ratio is due mainly to the adoption of the asset smoothing method. The Contributions and Reserves section of this note and the financial statements for SCERS, G-1 and G-2, in the Fiduciary Funds section of this report reflect the year ending December 31, 2011.

Notes to Financial Statements

The three-year trend information (in thousands) presented directly below and the annual pension cost and net pension obligation data in Table 11-2 cover the years 2008-2010.

Fiscal Year Ending December 31	Annual Pension Cost (APC)	Total Employer Contribution	Percentage of APC Contributed	Net Pension Obligation (NPO)
2008	\$ 46,245	\$ 45,961	99 %	\$ (78,149)
2009	46,933	46,650	99	(77,866)
2010	93,924	45,225	48	(29,167)

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
2010	\$95,744	\$(6,034)	\$4,214	\$93,924	\$45,225	\$48,699	\$(77,866)	\$(29,167)

Seattle City Employees' Retirement System's net pension asset decreased from \$77.9 million to \$29.2 million, a decrease of \$48.7 million as calculated in the following table.

**Table 11-2 ANNUAL PENSION COST AND NET PENSION OBLIGATION
SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM
For the Year Ended December 31, 2010
(In Thousands)**

	2010		2009	
Total Normal Cost Rate	15.23	%	13.32	%
Employee Contribution Rate	8.03		8.03	
Employer Normal Cost Rate	7.20		5.29	
Total Employer Contribution Rate	8.03	%	8.03	%
Amortization Payment Rate	0.83		2.74	
Amortization Period (Year)	Does Not Amortize ^a		16.20	
GASB 27 Amortization Rate	9.80		2.74	
Total Annual Required Contribution (ARC) Rate ^b	17.00		8.03	
Covered Employee Payroll ^c	\$ 563,198		\$ 580,948	
ARC	\$ 95,744		\$ 46,650	
Interest on Net Pension Obligation (NPO)	(6,034)		(6,056)	
Adjustment to ARC	4,214		6,339	
Annual Pension Cost (APC)	\$ 93,924		\$ 46,933	
Employer Contribution	\$ 45,225		\$ 46,650	
Change in NPO	\$ 48,699		\$ 283	
NPO at Beginning of Year	(77,866)		(78,149)	
NPO at End of Year	\$ (29,167)		\$ (77,866)	

^a In 2011, the contribution rate (18.06%) is below the ARC computed January 1, 2011 actuarial valuation of 21.3%. If the contribution rate and ARC were to remain at these levels, the UAAL would not fully amortize in less than 30 years.

^b If the amortization period determined by the actual contribution rate exceeds the maximum amortization period required by GASB Statement No. 27, the ARC is determined using an amortization of the funding excess over 30 years.

^c Covered payroll includes compensation paid to all active employees on which contributions were made in the year preceding the valuation date.

The City of Seattle

The funded status of the Plan as of the latest valuation study is presented below (in thousands). The Required Supplementary Information section, C-4, Pension Plan Information Schedule of Funding Progress, displays multiyear trend information as to the value of the plan assets decreasing or increasing over time relative to the AAL.

Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
\$2,013,700	\$2,709,000	\$695,400	74.3%	\$563,197	123.5%

Authority to change benefit and contribution rates rests with the City Council. City ordinance does not permit a reduction in the employer contribution rate to less than the employee rate. Trend information on SCERS employer contribution is shown in the Required Supplementary Information section, C-5.

The City's contracts with all labor unions that represent members of SCERS describe how contribution rates would be changed in the event higher contributions are needed to improve the financial status of the Employees' Retirement Fund. Under these contracts, the City and employees will share any contribution rate increase equally, up to a maximum increase of 2 percent in the employee contribution (in other words, the employee contribution can increase from the current 9.03 percent to 11.03 percent). If a contribution rate increase is needed, the City intends to apply the same formula to non-represented employees.

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 may be eligible for a supplemental retirement benefit plus disability benefits under these plans. Those officers and fire fighters hired between March 1, 1970, and September 30, 1977, are not eligible for a supplemental retirement benefit, but may be eligible for disability benefits under this plan. 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 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 920 fire and 964 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. Total postemployment medical benefits for Firemen's Pension were \$10.2 million in 2011 and \$10.4 million in 2010; and for Police Relief and Pension, \$11.7 million in 2011 and \$12.0 million in 2010.

Refer to the Other Postemployment Benefits section of this note for discussion of the City's implicit rate subsidies to retirees for health care coverage as well as medical benefits for retirees under the Firemen's Pension and Police Relief and Pension plans.

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.

Notes to Financial Statements

Current membership in Firemen's Pension and Police Relief and Pension consisted of the following at December 31, 2011:

	Firemen's Pension	Police Relief and Pension
Retirees and Beneficiaries Receiving Benefits	804	813
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	-	-
Active Plan Members, Vested	35	31
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 transactions 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 both pension plans were closed to new members effective October 1, 1977, the City is not required to adopt a plan to fund the actuarial accrued liability (AAL). An actuarial fund was established for the Firemen's Pension in July 1994 and is discussed in more detail below; the City funds the Police Relief and Pension Fund as benefits 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 \$0.225 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 receives police auction proceeds of unclaimed property. Administrative costs for the Firemen's Pension are financed by the General Fund and fire insurance premium tax. Administrative costs for the Police Relief and Pension are financed by police auction proceeds and the General Fund. 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, 2012, actuarial 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	2009	\$ 8,320	137 %	\$ (6,566)
	2010	8,098	90	(5,723)
	2011	7,333	113	(6,652)
Police Relief and Pension Fund	2009	8,343	95	1,803
	2010	7,872	125	(167)
	2011	8,537	131	(2,825)

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.

The funded status of the plans at the last valuation date is presented below (in thousands). The Required Supplementary Information section, C-4, displays multiyear trend information as to the value of the plan assets decreasing or increasing over time relative to the AAL.

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
Firemen's Pension Fund	\$10,877	\$138,611	\$127,734	8.0%	N/A	N/A
Police Relief and Pension Fund	3,746	111,458	107,712	3.0	N/A	N/A

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. In 2006 the Board of Directors amended the fully funded date from 2018 to December 31, 2023. The level contributions were set aside in the Firemen's Pension Actuarial Account with a fund balance of \$9.6 million as of December 31, 2011. 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, 2011, based on the actuarial valuation as of January 1, 2012, was \$138.6 million for Firemen's Pension and \$111.5 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.

Trend information on employer contributions for the Firemen's Pension and the Police Relief and Pension plans is presented in the Required Supplementary Information section, C-5.

The net pension obligation of the Firemen's Pension Fund is a \$6.7 million net pension asset at December 31, 2011. The net pension obligation of the Police Relief and Pension Fund is a \$2.8 million net pension asset at December 31, 2011.

**Table 11-3 ANNUAL PENSION COST AND NET PENSION OBLIGATION
FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS
For the Year Ended December 31, 2011**

(In Thousands)

	Firemen's Pension			Police Relief and Pension		
	2011	2010	2009	2011	2010	2009
Annual Required Contribution (ARC)						
Annual Normal Cost - Beginning of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization of UAAL - Beginning of Year	6,940	7,668	7,909	8,206	7,602	8,005
Interest to End of Year	278	307	356	328	304	360
ARC at End of Year	7,218	7,975	8,265	8,534	7,906	8,365
Interest on NPO	(229)	(263)	(156)	(7)	72	63
Adjustment to ARC	344	386	211	10	(106)	(85)
Annual Pension Cost (APC)	7,333	8,098	8,320	8,537	7,872	8,343
Employer Contribution	8,262	7,255	11,421	11,195	9,842	7,938
Change in NPO	(929)	843	(3,101)	(2,658)	(1,970)	405
NPO at Beginning of Year	(5,723)	(6,566)	(3,465)	(167)	1,803	1,398
NPO at End of Year	<u>\$ (6,652)</u>	<u>\$ (5,723)</u>	<u>\$ (6,566)</u>	<u>\$ (2,825)</u>	<u>\$ (167)</u>	<u>\$ 1,803</u>

Following are the Firemen's Pension and the Police Relief and Pension financial statements for fiscal year ending December 31, 2011.

Table 11-4

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

December 31, 2011

(In Thousands)

	<u>Firemen's Pension</u>	<u>Police Relief and Pension</u>	<u>2011</u>	<u>2010</u>
ASSETS				
Cash and Equity in Pooled Investments	\$ 12,040	\$ 4,823	\$ 16,863	\$ 16,150
Investments at Fair Value				
U.S. Government Obligations	15	-	15	9
Receivables				
Employer - Other	1	-	1	5
Interest and Dividends	12	-	12	7
Total Receivables	<u>13</u>	<u>-</u>	<u>13</u>	<u>12</u>
Total Assets	12,068	4,823	16,891	16,171
LIABILITIES				
Refunds Payable and Other	<u>1,191</u>	<u>1,077</u>	<u>2,268</u>	<u>3,636</u>
Total Liabilities	<u>1,191</u>	<u>1,077</u>	<u>2,268</u>	<u>3,636</u>
Net Assets Held in Trust for Pension Benefits	<u>\$ 10,877</u>	<u>\$ 3,746</u>	<u>\$ 14,623</u>	<u>\$ 12,535</u>

Table 11-5

**STATEMENT OF CHANGES IN PLAN NET ASSETS
FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS**

For Year Ended December 31, 2011

(In Thousands)

	<u>Defined Benefit</u>		<u>Postemployment Healthcare</u>		<u>2011</u>	<u>2010</u>
	<u>Firemen's Pension</u>	<u>Police Relief and Pension</u>	<u>Firemen's Pension</u>	<u>Police Relief and Pension</u>		
ADDITIONS						
Contributions						
Employer	\$ 7,567	\$ 10,593	\$ 10,192	\$ 11,659	\$ 40,011	\$ 39,833
Investment Income						
From Investment Activities						
Net Appreciation (Depreciation) in						
Fair Value of Investments	6	-	-	-	6	(75)
Interest	79	-	-	-	79	98
Total Net Investment Income	85	-	-	-	85	23
Other Income	<u>1,257</u>	<u>1,086</u>	<u>-</u>	<u>-</u>	<u>2,343</u>	<u>981</u>
Total Additions	8,909	11,679	10,192	11,659	42,439	40,837
DEDUCTIONS						
Benefits	8,901	8,554	10,192	11,659	39,306	40,667
Administrative Expense	562	483	-	-	1,045	1,188
Total Deductions	<u>9,463</u>	<u>9,037</u>	<u>10,192</u>	<u>11,659</u>	<u>40,351</u>	<u>41,855</u>
Change in Net Assets	(554)	2,642	-	-	2,088	(1,018)
Net Assets - Beginning of Year	<u>11,431</u>	<u>1,104</u>	<u>-</u>	<u>-</u>	<u>12,535</u>	<u>13,553</u>
Net Assets - End of Year	<u>\$ 10,877</u>	<u>\$ 3,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,623</u>	<u>\$ 12,535</u>

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 fire fighters. 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 Washington State Department of Retirement Systems (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 2011 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.

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. A cost-of-living allowance is granted, indexed to the Seattle Consumer Price Index. LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. The credit can only be purchased at the time of retirement and cannot be used to qualify for any retirement eligibility or benefit reductions based upon years of service. This credit is to be used exclusively to provide the member with a monthly annuity that is paid in addition to the member's retirement allowance.

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 and to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted, indexed to the Seattle Consumer Price Index, capped at 3 percent annually. LEOFF Plan 2 members may purchase up to five years of additional service credit at retirement.

Plan 1 provides death and disability benefits. Death benefits for Plan 1 members on active duty consist of the following: (1) if eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each surviving child, with a limitation on the combined allowances of 60 percent of the FAS; or (2) if 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 unless the disability is duty-related and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

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 following changes to the LEOFF plans are the result of recent years' legislation:

Effective July 26, 2009:

- House Bill 1551 extends eligibility for an unreduced benefit to survivors of members who leave an employer and die during a period of war while honorably serving in the National Guard or military reserves. It applies to Public Employees' Retirement System (PERS), Teachers' Retirement System (TRS), School Employees' Retirement System (SERS), Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF), Washington State Patrol Retirement System (WSPRS), and Public Safety Employees' Retirement System (PSERS).
- House Bill 1616 gives domestic partners of LEOFF Plan 2 members the same pension rights and options as spouses.

Effective March 17, 2010:

- Senate Bill 6546 provides that the Director of Fire Protection, who was previously a member of LEOFF Plan 2, now has the choice to continue membership in LEOFF Plan 2 while employed in this role. This position is otherwise covered by PERS.

Effective June 10, 2010:

- House Bill 1679 provides that the payment of medical insurance premiums for qualifying LEOFF Plan 2 and WSPRS members who are catastrophically disabled in the line of duty, and their spouses and dependent children will now be made for LEOFF Plan 2 members and for WSPRS members.
- House Bill 2196 provides that PERS Plan 1 members who retired on or after January 1, 1998, can use any service transferred from LEOFF Plan 1 to qualify for military service credit at no cost.
- House Bill 2519 gives additional benefits are provided to survivors of police officers, fire fighters, and state patrol officers killed in the line of duty.
- Senate Bill 6453 provides that shared leave can now be treated as reportable compensation for LEOFF Plan 2 members. Earnings can be used in the calculation of a member's benefit and service credit will be earned according to hours reported.

Effective July 1, 2011:

- Department of Retirement Systems is required to include the qualifying foregone compensation that occurred during the 2011-2013 biennium in the benefits calculation of retiring government employees in LEOFF2, PERS, PSERS, SERS, TRS and WSPRS.

Effective January 1, 2014:

- Engrossed Second Substitute Senate Bill 5688 provides that domestic partners registered with the state will be treated the same as married spouses, to the extent that treatment is not in conflict with federal law. The bill's effective date is January 1, 2014.

There were no other material changes in benefit provisions for the fiscal year ended June 30, 2011. LEOFF pension benefit provisions have been established by RCW 41.26.

There are 62 participating employers in LEOFF Plan 1 and 374 participating employers in Plan 2 as of June 30, 2011. Membership in LEOFF consisted of the following as of the latest actuarial valuation date of June 30, 2010:

	Plan 1	Plan 2
Retirees and Beneficiaries Receiving Benefits Terminated Members Entitled To But Not Yet Receiving Benefits	8,008	1,639
Active Plan Members, Vested	1	781
Active Plan Members, Nonvested	301	13,119
	-	3,656
Total	8,310	19,195

All law enforcement officers and fire fighters of the City of Seattle participate in LEOFF. Current active members (vested and non-vested) are 59 under Plan 1 and 2,219 under Plan 2.

DRS prepares an independent 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 website at <http://www.drs.wa.gov>.

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 are 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 contain no single investment (other than any issued or explicitly guaranteed by the U.S. government, or involving mutual funds or investment pools) that comprised more than five percent of DRS’s net investments at the end of fiscal year 2011.

Contributions and Reserves

Funding Policy

The state legislature establishes laws pertaining to the creation and administration of LEOFF plans. 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 plan. Plan 2 employers and employees are required to pay at the level adopted by the Plan 2 Retirement 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) at the close of fiscal year 2011 are as follows:

	LEOFF Actual Contribution Rates	
	Plan 1	Plan 2
Employer (includes an administrative expense rate of 0.16 percent)	0.16 %	5.24 %
Employee	-	8.62
State of Washington Contributions	-	3.38

Administration of the LEOFF plans was funded by an employer rate of 0.16 percent of employee salaries.

The state 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 and LEOFF Plan 2 Retirement Board. However, this special funding situation

is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute. For fiscal year 2011 the state contributed \$52.0 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
2009	\$ -	N/A	\$ 105.3	122 %
2010	-	N/A	112.2	114
2011	-	N/A	84.0	157

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
2009	\$ 15	\$ 11,520
2010	14	12,061
2011	12	11,728

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, 2011	June 30, 2010
Plan 1	\$ 43,400	\$ 50,199
Plan 2	1,849,759	1,704,680

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, 2011	June 30, 2010
Plan 1	\$ 5,141,273	\$ 4,534,925
Plan 2	4,534,925	3,376,726

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.

Beginning in 2006 the Deferred Compensation Plan (DCP) was amended to allow separating employees to cash out accrued vacation balances into their DCP accounts. Eligible retiring employees may also cash out up to 35 percent of their sick leave balances into their DCP accounts. Vacation and sick leave cash-outs made to the DCP are considered contributions and are subject to the maximum annual contribution limit.

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 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.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description and Funding Policy

Health Care Blended Premium Subsidy. Employees retiring under City of Seattle or the LEOFF 2 retirement plans may continue their health insurance coverage under the City's health insurance plans for active employees. LEOFF 1 employees retiring under Washington State PERS are covered under the LEOFF 1 retiree health plan but are eligible to have their spouses and/or dependents covered under the City health insurance plans. When a retired participant dies, the spouse remains fully covered until age 65 and covered by the Medicare supplement plan thereafter. Employees that retire with disability retirement under the City of Seattle, Washington LEOFF 2 plan or Social Security may continue their health coverage through the City with same coverage provisions as other retirees. Eligible retirees self-pay 100 percent of the premium based on blended rates which were established by including the experience of retirees with the experience of active employees for underwriting purposes. The City provides implicit subsidy of the post-retirement health insurance costs and funds the subsidy on a pay-as-you-go basis. The postemployment benefit provisions are established and may be amended by City ordinances.

Firemen's Pension and Police Relief and Pension Plans. The Firemen's Pension and Police Relief and Pension plans provide medical benefits for eligible retirees. The benefits are authorized under state statute, RCW 41.18 and 41.26 for Firemen's Pension, and RCW 41.20 and 41.26 for Police Relief and Pension, and may be amended by the state legislature. The City funds these benefits on a pay-as-you go basis.

Annual OPEB Cost and Net OPEB Obligation

The amount of expected contributions and change in net obligation for the City of Seattle Healthcare Blended Premium Subsidy is based on an actuarial valuation date of January 1, 2010; this valuation is performed on alternate years. The actuarial valuation date of January 1, 2010 also included disclosure information for 2009 which was based on the January 1, 2008 valuation. The amount of expected contributions and changes in net obligation for Firemen's Pension and Police Pension and Relief are based on an actuarial valuation date of January 1, 2012.

Table 11-6 ANNUAL OPEB COST AND NET OPEB OBLIGATION

	Healthcare Blended Premium Subsidy	Firemen's Pension (LEOFF1)	Police Relief and Pension (LEOFF1)	Total
Annual Required Contribution	\$ 10,709,000	\$ 15,106,487	\$ 16,332,593	\$ 42,148,080
Interest on Net OPEB Obligation	898,000	615,520	486,293	1,999,813
Adjustment to Annual Required Contribution	(1,239,000)	(925,756)	(731,396)	(2,896,152)
Annual OPEB Cost (Expense)	10,368,000	14,796,251	16,087,490	41,251,741
Expected Contribution (Employer-Paid Benefits)	3,202,000	10,192,114	11,659,346	25,053,460
Increase in Net OPEB Obligation	7,166,000	4,604,137	4,428,144	16,198,281
Net OPEB Obligation – Beginning of Year	20,446,000	15,387,992	12,157,319	47,991,311
Net OPEB Obligation – End of Year	<u>\$ 27,612,000</u>	<u>\$ 19,992,129</u>	<u>\$ 16,585,463</u>	<u>\$ 64,189,592</u>

Notes to Financial Statements

The City's annual OPEB cost, percentage of annual OPEB cost contributed, and the net OPEB obligation for each plan based on an actuarial valuation of January 1, 2010, for Healthcare Blended Premium Subsidy and January 1, 2012, for Firemen's Pension (LEOFF1) and Police Relief and Pension (LEOFF1) are displayed below for the current and latest two years. The January 1, 2010 valuation for the Healthcare Blended Premium Subsidy also included disclosure information for January 1, 2009 based on the January 1, 2008 valuation.

	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Healthcare Blended Premium Subsidy	12/31/2008	\$ 8,628,329	26.1%	\$ 14,353,000
	12/31/2009	9,047,000	32.7	20,446,000
	12/31/2010	10,368,000	30.9	27,612,000
Firemen's Pension (LEOFF1)	12/31/2009	13,996,040	65.0	11,189,996
	12/31/2010	14,674,740	71.0	15,387,992
	12/31/2011	14,796,251	69.0	19,992,129
Police Relief and Pension (LEOFF1)	12/31/2009	15,174,858	78.0	8,183,007
	12/31/2010	16,025,887	75.0	12,157,319
	12/31/2011	16,087,490	72.0	16,585,463

Funded Status and Funding Progress

Based on the actuarial valuation dates for each of the plans, the unfunded actuarial accrued liability (UAAL) was equal to the actuarial accrued liability (AAL) due to the City's pay-as-you-go policy. The January 1, 2010 valuation for the Healthcare Blended Premium Subsidy also included disclosure information for 2009 based on the January 1, 2008 valuation. The funded status for the Police Relief and Pension (LEOFF1) AAL and UAAL was adjusted 1.9 percent in 2009 due to a change in assumption for the long-term-care model; the 2010 amount was adjusted upward 0.003 percent. Following is the funded status (in thousands) for each of the plans for the last three years:

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Normal AAL (b)	UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
Healthcare Blended Premium Subsidy	1/1/2008	-	\$ 78,816	\$ 78,816	-	\$837,142	9.4%
	1/1/2009	-	84,096	84,096	-	903,263	9.3
	1/1/2010	-	93,519	93,519	-	869,116	10.8
Firemen's Pension (LEOFF1)	1/1/2010	-	242,493	242,493	-	N/A	N/A
	1/1/2011	-	241,443	241,443	-	N/A	N/A
	1/1/2012	-	236,301	236,301	-	N/A	N/A
Police Relief and Pension (LEOFF1)	1/1/2010	-	264,219	264,219	-	N/A	N/A
	1/1/2011	-	261,040	261,040	-	N/A	N/A
	1/1/2012	-	252,098	252,098	-	N/A	N/A

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the time of the valuation and the pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of any assets. Significant methods and assumptions are as follows:

Table 11-7

OPEB INFORMATION

Description	Healthcare Blended Premium Subsidy	Firemen's Pension (LEOFF1)	Police Relief and Pension (LEOFF1)
Actuarial Valuation Date	1/1/2010	1/1/2012	1/1/2012
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level amount over past and future service	30-year, closed as of 1/1/2007	30-year, closed as of 1/1/2007
Remaining Amortization Period	30 years	25 years	25 years
Records and Data	City records	Supplied by the City	Supplied by the City
Replacement of Terminated Employees	Open to new retirees	Closed. No new members permitted.	Closed. No new members permitted.
Valuation of Assets	N/A. No assets as of valuation date.	N/A. No assets as of valuation date.	N/A. No assets as of valuation date.
Assumptions:			
Discount Rate	4.39%	4.0%	4.0%
Medical Inflation		7.0%, grading down to 4.6% in 2081 and beyond.	7.0%, grading down to 4.6% in 2081 and beyond.
Traditional and Preventive Plans	10.0%, decreasing by 0.5% each year for 10 years until it reaches an ultimate rate of 5.0%		
Group Health Standard and Deductible Plans	9.5% decreasing by 0.5% each year for 9 succeeding years until it reaches an ultimate rate of 5.0%		
Long-Term Care Inflation Rate	N/A	4.75%	4.75%
Dental Inflation Rate	N/A	Minimum of 5.0% of medical inflation.	Minimum of 5.0% of medical inflation.
Participation/Service Retirement	40% of actives who retire are assumed to participate.	All actives are assumed to retire at the valuation date.	All actives are assumed to retire at the valuation date.
Mortality	LEOFF employees are based on the actuarial 2000 Combined Health Table for Males and Females. Mortality assumptions for general service actives and retirees are based on the Group Annuity Mortality (GAM) 1994 Static Table (Final) with ages set forward one year for both males and females for actives; and ages set forward one year for males but with no age adjustment for females for retirees.	For active and service-retired members, RP-2000 Mortality Table (combined healthy) project to 2019 using 50% of Project Scale AA, with ages set back one year for males and forward one year for females. For disabled members, RP-2000 Mortality Table (combined healthy) projected to 2019 using 50% of Project Scale AA, with ages set forward two years.	For active and service-retired members, RP-2000 Mortality Table (combined healthy) project to 2019 using 50% of Project Scale AA, with ages set back one year for males and forward one year for females. For disabled members, RP-2000 Mortality Table (combined healthy) projected to 2019 using 50% of Project Scale AA, with ages set forward two years.
Marital Status	60% of members electing coverage are assumed to be married or to have a registered domestic partner. Male spouses are assumed to be two years older than their female spouses.	N/A	N/A

Table 11-7

OPEB INFORMATION (continued)

<u>Description</u>	<u>Healthcare Blended Premium Subsidy</u>	<u>Firemen's Pension (LEOFF1)</u>	<u>Police Relief and Pension (LEOFF1)</u>
Assumptions (continued):			
Morbidity Factors		N/A	N/A
Traditional Plan	Morbidity rate ranges assumed for ages 50 through 64 are as follows: 104.3% to 172.5% for male retirees, 76.8% to 127.1% for female retirees, 138.9% to 229.8% for male spouses, and 102.3% to 169.3% for female spouses.		
Preventive Plan	Morbidity rate ranges assumed for ages 50 through 64 are as follows: 112.6% to 186.4% for male retirees, 82.9% to 137.3% for female retirees, 138.6% to 229.4% for male spouses, and 102.1% to 168.9% for female spouses. For the above two plans, because the retirees' spouses pay a lower premium for their health care coverage than the retirees, the net cost to the City for the spouse coverage is greater than for a retiree of the same gender and age. The morbidity factors were adjusted to reflect this discrepancy.		
Group Health Standard and Deductible Plans	Morbidity rate ranges assumed for ages 50 through 64 for retirees and spouses are: 123.0% to 203.6% for males and 90.6% to 150.0% for females.		
Other Considerations	Active employees with current spouse and/or dependent coverage are assumed to elect the same plan and coverage. After retirement, it is assumed that children will have aged off of coverage and will have \$0 liability.	N/A	N/A

(12) COMPONENT UNITS

DISCRETELY PRESENTED COMPONENT UNITS

Seattle Public Library Foundation

The Seattle Public Library Foundation (Foundation) is a Washington non-profit corporation, a public charity organized exclusively for educational, charitable, and scientific purposes to benefit and support the Seattle Public Library. The Foundation provides goods, services, and facilities above the tax-based funding of the Seattle Public Library. The Foundation is located in Seattle, governed by a Board of Directors, and possesses all the requisite corporate powers to carry out the purposes for which it was formed.

The City is not financially accountable for the Foundation. The Foundation is considered a nonmajor component unit in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14*, and is presented discretely in the City's financial statements because (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 legally entitled to access a majority of the economic resources received or held by the Foundation; and (3) the economic resources received or held by the Foundation are significant to the Seattle Public Library.

The Foundation reports on a fiscal year-end consistent with the City, the primary government. The Foundation issues its own audited financial statements. To obtain complete audited statements for all years, please contact: Seattle Public Library Foundation, 1000 Fourth Avenue, Seattle, WA 98104, phone 206-386-4130.

Seattle Investment Fund LLC

The Seattle Investment Fund LLC (SIF) was established by Ordinance 123146 for the purpose of implementing the U.S. Treasury Department's New Market Tax Credit (NMTC) program. The City is its sole and managing member. SIF is a qualified Community Development Entity (CDE) and the Primary Allocatee. Three subsidiaries have been established since the program's inception; detailed information on the program and complete audited financial statements are available by contacting the City's Office of Economic Development at 700 Fifth Avenue, Seattle, WA 98104 or by telephone at 206-684-8090.

SIF is a limited liability corporation in accordance with RCW 35.21.735. It has no employees and administrative work is performed by the staff of the City's Office of Economic Development. The members of its Investment Committee and Advisory Board are selected by the Mayor and confirmed by the City Council. The City is not financially accountable for SIF, but under this structure the City may impose its will upon the organization. In accordance with GASB Statement No. 39, SIF is presented as a nonmajor discrete component unit of the City.

The following presents condensed financial statements for each of the discretely presented component units:

Table 12-1

**CONDENSED STATEMENT OF NET ASSETS
SEATTLE PUBLIC LIBRARY FOUNDATION AND
SEATTLE INVESTMENT FUND LLC**

December 31, 2011

(In Thousands)

	Discretely Presented Component Units					
	Seattle Public Library Foundation		Seattle Investment Fund LLC		Total	
	2011	2010	2011	2010	2011	2010
ASSETS						
Cash and Other Assets	\$ 8,224	\$ 4,974	\$ 976	\$ 300	\$ 9,200	\$ 5,274
Investments	45,204	47,288	3	1	45,207	47,289
Capital Assets, Net	-	1	-	-	-	1
Total Assets	53,428	52,263	979	301	54,407	52,564
LIABILITIES						
Current Liabilities	1,672	1,168	337	1	2,009	1,169
Total Liabilities	1,672	1,168	337	1	2,009	1,169
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	-	1	-	-	-	1
Restricted	35,995	37,666	-	-	35,995	37,666
Unrestricted	15,761	13,428	642	300	16,403	13,728
Total Net Assets	\$ 51,756	\$ 51,095	\$ 642	\$ 300	\$ 52,398	\$ 51,395

Table 12-2

**CONDENSED STATEMENT OF ACTIVITIES
SEATTLE PUBLIC LIBRARY FOUNDATION AND
SEATTLE INVESTMENT FUND LLC
For Year Ended December 31, 2011
(In Thousands)**

	Discretely Presented Component Units					
	Seattle Public Library Foundation		Seattle Investment Fund LLC		Total	
	2011	2010	2011	2010	2011	2010
PROGRAM REVENUES						
Contributions/Endowment Gain	\$ 4,969	\$ 6,708	\$ -	\$ -	\$ 4,969	\$ 6,708
Placement/Management Fee Income	-	-	665	300	665	300
Total Program Revenues	4,969	6,708	665	300	5,634	7,008
GENERAL REVENUES						
Investment Income	454	4,714	-	-	454	4,714
Total Program Support and Revenues	5,423	11,422	665	300	6,088	11,722
EXPENSES						
Support to Seattle Public Library	4,069	6,353	-	-	4,069	6,353
Management and General	404	384	323	-	727	384
Fundraising	289	340	-	-	289	340
Total Expenses	4,762	7,077	323	-	5,085	7,077
Change in Net Assets	661	4,345	342	300	1,003	4,645
NET ASSETS						
Net Assets - Beginning of Year	51,095	46,750	300	-	51,395	46,750
Net Assets - End of Year	<u>\$ 51,756</u>	<u>\$ 51,095</u>	<u>\$ 642</u>	<u>\$ 300</u>	<u>\$ 52,398</u>	<u>\$ 51,395</u>

BLENDED COMPONENT UNIT

Seattle Transportation Benefit District

The Seattle Transportation Benefit District (STBD), a quasi-municipal corporation, was established through City Ordinance 123397 in September 2010 pursuant to RCW 35.21.225 which grants cities the authority to establish such a district. Transportation benefit districts are able to acquire, construct, improve, provide, and fund transportation improvement within district boundaries consistent with any existing state, regional and local transportation plan. RCW 36.73.065 gives districts the authority to impose taxes, fees, charges and tolls to fund this work. Beginning May 1, 2011, the STBD began collecting a \$20 vehicle registration fee on eligible vehicles registered within its boundaries which are the same as the City's. The STBD is governed by the Seattle City Council members acting in an ex-officio capacity, and maintains no employees. STBD's sole purpose is to finance the City's transportation improvements and although it is a legally separate entity, the operations of STBD are so closely related to those of the City that it is reported as if it were part of the primary government.

The Seattle Transportation Benefit District is reported as a special revenue fund in the City's financial statements. Financial reporting for this fund can be found in the nonmajor governmental funds combining statements located in this report. In addition, separate financial statements for the STBD are available from Seattle City Hall, 600 Fourth Avenue, 2nd Floor, Seattle, WA 98104 or by calling 206-233-5005.

(13) JOINT VENTURES

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 (CEO) 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 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, King County and the City of Seattle who each will be responsible for one-half of the disallowed amount. As of December 31, 2011, 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 and Seattle Conservation Corps Program. For the year 2011, WDC paid \$1.1 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, by accessing its website at <http://www.seakingwdc.org/reports/reports-publications.html>, or by telephone at 206-448-0474.

(14) COMMITMENTS

GENERAL

Capital Improvement Program

The City adopted the 2011-2012 Capital Improvement Program (CIP) which functions as a capital financing plan totaling \$4.282 billion for the years 2011-2016. The adopted CIP for 2011 was \$761.2 million, consisting of \$463.9 million for City-owned utilities and \$297.3 million for nonutility departments. The utility allocations are: \$271.8 million for City Light, \$74.3 million for Water, \$79.8 million for Drainage and Wastewater, \$27.8 million for Solid Waste, and \$10.2 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

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

Table 14-1 **LONG-TERM PURCHASED POWER**
(In Average Annual Megawatts)

	2011	2010
Bonneville Power Administration Block	247.6	237.3
Bonneville Power Administration Slice	461.9	361.1
Lucky Peak	44.4	32.6
British Columbia - High Ross Agreement	35.8	35.1
Renewable Energy - State Line Wind	47.2	39.8
Grant County Public Utility District	3.7	19.2
Grand Coulee Project Hydroelectric Authority	27.1	27.5
British Columbia - Boundary Encroachment	2.0	1.8
Renewable Energy - Other	9.7	9.7
Exchanges and Loss Returns Energy at fair value	17.7	17.0
Long-Term Purchased Power Booked Out	(36.6)	(16.9)
Total Long-Term Purchased Power	860.5	764.2

Purchased and Wholesale Power

Bonneville Power Administration

City Light (the Utility) purchased electric energy from the U.S. Department of Energy, Bonneville Power Administration (BPA), under the Block and Slice Power Sales Agreement, a ten-year contract that expired September 30, 2011. The agreement provided 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 provided fixed amounts of power per month. The Slice percentage was 4.6676 percent during the duration of the contract.

In December 2008 the Utility entered into a contract to purchase both Block and Slice energy from BPA for the period October 1, 2011 through September 30, 2028. Block quantities, Slice percentage, and BPA rates are expected to be recalculated periodically during the contract. Rates will be developed and finalized every two years. Accordingly, certain estimates and assumptions were used in the calculations in the estimated future payments table below.

The terms of the Slice product specify that the Utility will receive a percentage of the actual output of the Federal Columbia River Power System (the System). The percentage is adjusted annually with a Slice Adjustment Ratio no greater than 1.0 times the 3.65663 initial Slice percentage, no later than fifteen days prior to the first day of each BPA's fiscal year, beginning with fiscal year 2012. Effective October 1, 2011, this percentage was 3.63323. The cost of Slice power is based on the Utility's same percentage of the expected costs of the System and is subject to true-up adjustments based on actual costs with specified exceptions.

BPA's Residential Exchange Program (REP) was established as a mechanism to distribute financial benefits of the Federal Columbia River Power System to residential customers of the region's investor owned utilities (IOUs). In May 2007 the Ninth Circuit Court rulings found the 2000 REP Settlement Agreements with IOUs inconsistent with the Northwest Power Act. The Utility received \$5.9 million and \$6.0 million in 2011 and 2010, respectively in payments and billing credits related to both the Block and Slice agreements.

Lucky Peak

In 1984 the Utility entered into a purchased-power agreement with four irrigation districts to acquire 100 percent of the net surplus output of a hydroelectric facility that began commercial operation 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.

British Columbia-High Ross Agreement

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 energy equivalent to that which would have resulted from an addition to the height of Ross Dam. Delivery of this energy began in 1986 and is to be received for eighty years.

In addition to the direct costs of energy 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 other costs were included in the Utility plant-in-service as an intangible asset as defined in GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, and are being amortized to purchased power expense over thirty five years through 2035.

Energy Exchange

Northern California Power Agency (NCPA) and the Utility executed a long-term Capacity and Energy Exchange Agreement in March 1993. The Utility delivers energy to NCPA from June through October 15. NCPA returns energy under conditions specified in the contract at a 1.2:1 ratio of exchange power from November through April. The agreement, which includes a financial settlement option, may be terminated effective May 31, 2014, or any May 31 thereafter with a seven-year advance written notice by either party. In a letter dated May 17, 2011 from NCPA, NCPA gave its seven-year advance written notice to the Utility terminating the agreement effective no later than May 31, 2018.

Renewable Energy Purchase and/or Exchanges

The Energy Independence Act, Chapter 19.285 Revised Code of Washington, requires all qualifying utilities in Washington State to meet certain annual targets of eligible new renewable resources and/or equivalent renewable energy credits as a percentage of total energy delivered to retail customers. The annual targets are: at least 3 percent by 2012, at least 9 percent by 2016, and at least 15 percent by 2020. The Utility's resource portfolio for 2011 met the 3 percent 2012 target. Long-term renewable purchase or exchange agreements were executed with the Sacramento Municipal Utility District in 2007, Waste Management Renewable Energy, LLC in 2009, the existing State Line Wind Project contract, assigned to JP Morgan in 2010, and the King County Wastewater Treatment Division in 2010.

Fair Value of Exchange Energy

Exchange energy receivable and the related deferred gains at December 31, 2011 and 2010, were based on a market valuation technique that utilized Platts M2M Power Curves, Dow Jones U.S. Daily Electricity Price Indexes for settled deliveries, and an income valuation technique that uses interest rate forecasts from HIS Global Insight that are used to calculate discount rates.

Estimated Future Payments under Purchased Power, Transmission, and Related Contracts

The Utility's estimated payments under its contracts with BPA, various public utility districts and irrigation districts, Lucky Peak Project, British Columbia – High Ross Agreement, JP Morgan (assigned from Iberdrola Renewables, Inc. in 2010) and PacifiCorp for wind energy and net integration and exchange services, and others, and for transmission with BPA, and others for the period from 2012 through 2065, undiscounted, are shown in the following table.

Table 14-2

**ESTIMATED FUTURE PAYMENTS UNDER
PURCHASED POWER, TRANSMISSION, AND RELATED CONTRACTS**

(In Thousands)

Year Ending December 31	Estimated Payments ^{a,b}
2012	\$ 257,890
2013	261,576
2014	273,186
2015	278,592
2016	285,274
2017 - 2021	1,543,401
2022 - 2026 ^c	1,471,818
2027 - 2031 ^d	540,632
2032 - 2036	61,948
2037 - 2041 ^e	23,757
2042 - 2046	2,409
2047 - 2065	12,603
Total	\$ 5,013,086

^a 2012 to 2016 includes estimated REP recoveries from BPA.

^b Effective 2011, SCL is including power-related contracts.

^c BPA transmission contract expires July 31, 2025.

^d BPA new Block and Slice contract expires September 30, 2028.

^e Lucky Peak contract expires September 30, 2038.

Payments under these long-term power contracts totaled \$215.4 million and \$222.4 million in 2011 and 2010, respectively. Payments under the transmission agreements amounted to \$38.9 million and \$38.0 million in 2011 and 2010, 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 license mitigation costs from the effective date until expiration of the federal operating license were estimated at December 31, 2011, to be \$121.4 million, of which \$102.2 million had been expended. Total South Fork Tolt license mitigation costs were estimated at \$1.7 million, of which \$1.2 million was expended through 2011. In addition to the costs listed for South Fork Tolt mitigation, the license and associated settlement agreements required certain other actions related to wildlife studies and wetland mitigation for which no set dollar amount was listed. Requirements for these actions have been met, and no further expenditures need to be incurred for these items.

Capital improvement, other deferred costs, and operations and maintenance costs are included in the estimates related to the settlement agreements for both licenses. Amounts estimated are adjusted to 2011 dollars. Utility labor and other overhead costs associated with the activities required by the settlement agreements for the licenses are not included in the estimates.

Hydroelectric projects must satisfy the requirements of the Endangered Species Act (ESA) and the Clean Water Act in order to obtain a FERC license. ESA and related issues are discussed below.

Federal Energy Regulatory Commission Fees

Estimated federal land use and administrative fees related to hydroelectric licenses total \$229.7 million through 2062; these estimates are subject to change. The estimated portion of fees attributed to the Skagit and South Fork Tolt licenses are excluded after 2025, at which time their current FERC licenses expire. The estimated portion of Boundary fees is included

through 2062, although the new license has not yet been approved by FERC. Boundary FERC application process and related issues are discussed below.

Application Process for New Boundary License

The Utility's FERC license for the Boundary Project expired on September 30, 2011. The Utility timely filed an application for a new license in 2009, and FERC has automatically granted an annual license and will continue to do so as long as the application remains pending. The terms and conditions of this annual license are the same as those of the expired license.

While the Utility was preparing its initial license application, the Utility was also negotiating a settlement with external parties, such as owners of other hydroelectric projects, Indian tribes, conservation groups, and other government agencies. The proposed settlement seeks to preserve the Utility's operational flexibility at Boundary Dam while providing for natural resource protection, mitigation, and enhancement measures. FERC agreed to allow the settlement agreement and revised exhibit addenda, submitted on March 10, 2010, to replace the initial September 2009 application as the Utility's application. Implementation of the settlement will depend upon FERC's approval of the settlement terms as part of the new license. If the new FERC license is significantly different than the settlement terms, the settlement may be terminated.

Total application process costs are estimated at \$48.5 million, of which \$48.3 million had been expended and deferred as of December 31, 2011. A new license will require additional mitigation efforts for endangered species, including water quality standards. The cost projections for such mitigation over the expected fifty-year life of the license, included in the Utility's license application, are estimated to be \$429.0 million, adjusted to 2011 dollars.

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. Although the species were listed after FERC licenses were issued for all of the Utility's hydroelectric projects, the ESA listings still affect operations of the Utility's Boundary, Skagit, South Fork Tolt, and Cedar Falls hydroelectric projects.

Federal regulations in response to the listing of species affect flow in the entire Columbia River system. As a result of these regulations, 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.

The Utility, with the support of City Council, elected to take a proactive approach to address issues identified within the ESA. The Utility is carrying out an ESA Early Action program in cooperation with agencies, tribes, local governments, and watershed groups for bull trout, Chinook salmon, and steelhead in the South Fork Tolt and Skagit Watersheds. The ESA Early Action program is authorized by City Council but is separate from any current FERC license requirements. The program includes habitat acquisition, management, and restoration. The ESA Early Action has been successful in protecting listed species. Total costs for the Utility's share of the Early Action program from inception in 1999 through December 31, 2011 are estimated to be approximately \$5.9 million, and approximately \$0.8 million has been allocated for the program in the 2012 budget.

Project Impact Payments

Effective August 2010 the Utility renewed its contract with Pend Oreille County and committed to pay a total of \$19.0 million over ten years ending in 2019 to Pend Oreille County for impacts on county governments from the operations of the Utility's hydroelectric projects. Effective February 2009, the Utility renewed its contract with Whatcom County committing to pay a total of \$15.8 million over fifteen years ending in 2023. The payments compensate the counties and certain school districts and towns located in these counties for loss of 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 payments totaled \$1.6 million and \$1.4 million to Pend Oreille County in 2011 and 2010, respectively, and \$0.9 million and \$0.9 million to Whatcom County in 2011 and 2010, respectively.

SEATTLE PUBLIC UTILITIES (SPU)

Water Fund

Habitat Conservation Program Liability

SPU 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 operation of SPU 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 \$101.6 million (in 2011 dollars) over a period of 50 years. Expenses are being funded from a combination of operating revenues and issuance

of revenue bonds. The cost of HCP to SPU is \$81.2 million thru 2011. The remaining cost of \$20.4 million is comprised of a \$5.0 million liability and an estimate of \$15.4 million for construction and operating commitments. The construction activities will be capitalized and the operating activities will be expensed as incurred.

Distribution System Reservoirs

The Water Fund is required by the Washington State Department of Health (DOH) 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 approximately \$123.2 million through the year 2016, and the cost beyond 2016 is not estimable. The total cost incurred in 2011 and 2010 were \$112.4 million and \$111.5 million, respectively.

Wholesale Water Supply Contracts

In 2011 SPU signed new water supply contracts with eight wholesale customers whose contracts expired in January 2011. Six of the customers signed full or partial requirements contracts that are very similar to the full and partial requirements contracts already in place with the majority of the Water utility's wholesale customers. These new full and partial requirements contracts do not change the City's obligation to supply water. All eight of these new contracts expire December 31, 2062.

Drainage and Wastewater Fund

Wastewater Disposal Agreement

SPU has a wastewater disposal agreement with the King County Department of Natural Resources Wastewater Treatment Division (the 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 2011 and 2010 payments to the Division were \$123.7 million and \$110.8 million, respectively.

Solid Waste Fund

Contractual Obligations

The City contracts with private companies for the collection of residential and commercial garbage, yard waste, and recycling. The residential and commercial collection contracts commenced in April 2000. The contracts were scheduled to end on March 31, 2007. In 2007 the City extended the contracts until March 29, 2009. Effective March 30, 2009, the City entered into new contracts with Waste Management and Cleanscapes for residential and commercial collection. The contracts are scheduled to end on March 31, 2019. Total payments under these contracts for residential collection during 2011 and 2010 were \$40.4 million and \$42.0 million, respectively. Commercial services paid under these contracts during 2011 and 2010 were \$29.8 million and \$34.1 million, respectively.

In 1990 the City signed a 38-year contract with Washington Waste Systems (WWS) for the disposal of non-recyclable City waste. WWS agreed to reduce the contract price in exchange for extending the contract to March 29, 2009. Effective March 30, 2009, a new contract was negotiated with WWS resulting in a reduced rate of \$39.65 per ton. SPU paid WWS \$12.8 million in 2011 and \$13.5 million in 2010 under this contract.

The City also negotiated a long-term yard waste processing contract with Cedar Grove Composting, Inc. (CGC). The first opt-out date on the disposal contract was extended to March 29, 2009, in exchange for price reductions every two years beginning in 2003. The City renegotiated a new long-term yard waste processing contract with CGC in 2008 which became effective March 30, 2009. The new tonnage rate is \$26.37 per ton and the first opt-out date is in 2013. The yearly payment to CGC was \$2.4 million in 2011 and 2010.

Effective April 1, 2009, the City commenced a new contract for recycling processing with Rabanco, LTD. The company is responsible for processing recyclables, including food waste for both commercial and residential customers. The new contract includes the collection of compostable materials, which is a service not originally provided by the City. The contract is scheduled to end on March 31, 2013, with an option to extend the contract for a three-year period at that time. Total payment for recycling processing under this contract in 2011 and 2010 were \$2.3 million and \$2.5 million, respectively.

Landfill Closure and Postclosure Care

At December 31, 2011, 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. Landfill closure costs were fully amortized in 2009 and landfill postclosure costs will continue to amortize until 2024.

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. SPU stopped disposing of municipal waste at the Midway site in 1983 and at the Kent-Highlands site in 1986.

(15) 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, with a \$25.0 million limit per occurrence and in the aggregate. Starting February 1, 2002 through 2006, 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 June 2007 the limit was increased to \$30.0 million over a \$5.0 million self-insured retention. In June 2009 the self-insured retention was increased from \$5.0 million to \$6.5 million. Beginning in June 2011 the limit was increased to \$40.0 million over a \$6.5 million self-insured retention.

The City also purchased an all-risk comprehensive property insurance policy that provides \$500.0 million in limits, subject to various deductible levels depending upon the type of asset and value of the building. This includes \$100.0 million in earthquake and flood limits. Hydroelectric and other utility producing and processing projects owned by the City are not covered by the property policy. The City also purchased insurance for excess workers' compensation, fiduciary and crime liability, inland marine transportation, volunteers, and an assortment of commercial general liability, medical, accidental death and dismemberment, and miscellaneous policies. Bonds are purchased for public officials, notaries public, pension exposures, and specific projects and activities as necessary.

The City did not purchase any annuity contracts in 2011 to resolve litigation. No structured settlements were entered into by the City in 2011. No large liability settlements were received in 2011. No settlements made in 2011, 2010, or 2009 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 in 2011 on data as of year-end 2010 and for health care as of year-end 2011. IBNR undiscounted totaled \$57.8 million and \$48.2 million at December 31, 2011 and 2010, respectively. The \$9.6 million increase in the IBNR amount in 2011 compared to 2010 was mainly due to the much lower City's liability reserves by \$12.6 million while the estimated liabilities also decreased by \$1.2 million. This increase of IBNR was offset by a decrease of \$1.8 million in workers' compensation claims, which experienced lower liability estimates and reserves in 2011.

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 originally pays for lawsuits, claims, and related expenses and receives reimbursements from City Light, Water, Drainage and Wastewater, Solid Waste, 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 annual subrogation recoveries amounted to \$0.3 million in 2011 and \$0.2 million in 2010. All workers' compensation recoveries are deposited into the General Fund. Lawsuit and other claim recoveries of payments reimbursed for 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 0.824 percent for 2011 and 1.027 percent for 2010, the City's average annual rates of return on investments. The total discounted liability at December 31, 2011, was

\$117.4 million consisting of \$82.1 million for general liability, \$1.8 million for health care, and \$33.5 million for workers' compensation.

Table 15-1 **RECONCILIATION OF CHANGES IN
AGGREGATE LIABILITIES FOR CLAIMS**
(In Thousands)

	<u>General Liability</u>		<u>Health Care</u>		<u>Workers' Compensation</u>		<u>Total City</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
UNDISCOUNTED								
Balance - Beginning of Fiscal Year	\$ 85,476	\$ 83,959	\$ 3,721	\$ 3,707	\$ 36,238	\$ 32,604	\$ 125,435	\$ 120,270
Less Payments and Expenses								
During the Year	(18,267)	(11,089)	(85,674)	(88,489)	(13,325)	(14,428)	(117,266)	(114,006)
Plus Claims and Changes in Estimates	17,014	12,606	83,731	88,503	11,568	18,062	112,313	119,171
Balance - End of Fiscal Year	<u>\$ 84,223</u>	<u>\$ 85,476</u>	<u>\$ 1,778</u>	<u>\$ 3,721</u>	<u>\$ 34,481</u>	<u>\$ 36,238</u>	<u>\$ 120,482</u>	<u>\$ 125,435</u>
UNDISCOUNTED BALANCE AT END OF FISCAL YEAR CONSISTS OF								
Governmental Activities	\$ 62,462	\$ 62,924	\$ 1,778	\$ 3,721	\$ 24,936	\$ 26,212	\$ 89,176	\$ 92,857
Business-Type Activities	21,760	22,551	-	-	9,545	10,026	31,305	32,577
Fiduciary Activities	1	1	-	-	-	-	1	1
Balance - End of Fiscal Year	<u>\$ 84,223</u>	<u>\$ 85,476</u>	<u>\$ 1,778</u>	<u>\$ 3,721</u>	<u>\$ 34,481</u>	<u>\$ 36,238</u>	<u>\$ 120,482</u>	<u>\$ 125,435</u>
DISCOUNTED/RECORDED BALANCE AT END OF FISCAL YEAR CONSISTS OF								
Governmental Activities	\$ 60,917	\$ 60,964	\$ 1,764	\$ 3,684	\$ 24,209	\$ 25,279	\$ 86,890	\$ 89,927
Business-Type Activities	21,222	21,849	-	-	9,266	9,669	30,488	31,518
Fiduciary Activities	1	1	-	-	-	1	1	2
Balance - End of Fiscal Year	<u>\$ 82,140</u>	<u>\$ 82,814</u>	<u>\$ 1,764</u>	<u>\$ 3,684</u>	<u>\$ 33,475</u>	<u>\$ 34,949</u>	<u>\$ 117,379</u>	<u>\$ 121,447</u>

Pending litigations, claims, and other matters are as follows:

- **Boeing West Substation.** In 2002 the Boeing Company discovered PCB contamination in soil adjacent to a City Light substation at Boeing's Plant 2. Boeing initially claimed the contamination came from City Light equipment and that City Light therefore was liable for more than \$2.0 million that Boeing had spent and additional money Boeing was spending to investigate and remove contaminated material. City Light denied that its equipment was the source and considers its liability to be zero. Boeing has not reasserted its claim for several years. Whether or not City Light will ultimately be deemed liable is unknown.
- **Storage Tanks.** Seattle Public Utilities (SPU) has addressed lead-based paint and arsenic contamination surrounding several standing water tanks, and no longer anticipates further liability associated with water tanks or underground fuel tank replacements.
- **City Light Energy Crisis Litigation.** The City is involved in various legal proceedings relating to the enormous price spikes in energy costs in California and the rest of the West Coast in 2000 and 2001.

California Refund Case, Appeals, and Related Litigation. In the proceeding before the Federal Energy Regulatory Commission (FERC) various public and private California entities sought refunds in markets that had been created by the State of California. City Light had sold energy in one of these markets. The City faced potential liability of approximately \$6.5 million, plus interest, subject to offsets. In 2001 FERC ordered refunds to the extent that actual energy prices exceeded rates that FERC determined to be "just and reasonable." On appeal the Court of Appeals for the Ninth Circuit held that FERC has no authority to order governmental entities such as the City to pay refunds. Following this ruling the three major California investor-owned utilities sought refunds from City Light and other governmental entities in federal district court on a breach of contract theory. In March 2007 the court dismissed all claims on procedural grounds. The investor-owned utilities appealed the dismissal and also filed a lawsuit in state court in California against the same governmental entities and on the same theory as in the federal action. In April 2007 the three major California investor-owned utilities refiled their claims in state court. In December 2007 the trial court denied a request to dismiss the case. The defendants, including the City, later moved for summary judgment. In April 2010 the trial court issued a tentative ruling deferring ruling on the summary judgment motion and staying all proceedings

pending a ruling from the Ninth Circuit Court of Appeals in a related case (to which the City is not a party). Ultimately, the trial court did not stay the case, but continued the trial date, which was set in the fall of 2010. In February 2011 the City agreed to a proposed settlement, which was approved by the trial court and FERC. Under the settlement, the City resolved the lawsuit for \$9.0 million, none of which was immediately paid by the City. Instead, the City assigned its accounts receivable from the California Independent System Operator to the California Parties. The remaining balance of over \$7.0 million was contingent upon City Light recovering monies in the Pacific Northwest Refund Case, discussed below. It is impossible to predict whether a material adverse outcome will result.

Pacific Northwest Refund Case and Appeal. In the proceeding before FERC various sellers of energy, including the City, sought refunds on energy sales in the Pacific Northwest between January 2000 and June 2001. City Light's refund claims currently are in excess of \$100.0 million. In 2003 FERC declined to grant refunds on the grounds that there was no equitable way to do so. The City and other parties appealed to the Ninth Circuit. In August 2007 the Ninth Circuit held that FERC had abused its discretion in denying all refund relief in the Pacific Northwest and remanded the consideration of refunds to FERC. In December 2007 various sellers of energy filed petitions for rehearing in the Ninth Circuit. On April 9, 2009, the Ninth Circuit denied those petitions for rehearing and on April 16, 2009, the Ninth Circuit remanded the case to FERC. In September 2009 the sellers filed a Petition for a Writ of Certiorari in the United States Supreme Court. That petition was denied on January 11, 2010. FERC appointed a settlement judge who is overseeing a settlement process. The City is participating in the settlement process, and has to date entered into settlement agreements with five sellers. However, those settlements are still awaiting approval by FERC. On September 21, 2012, the City filed testimony in the FERC remand proceedings, and is continuing to participate in settlement negotiations. Per the settlement in the California Refund Case referenced above, half of any settlement proceeds must be paid to the California parties.

- **Business Tax Refunds.** Two cases involving potential tax refunds were filed as follows. (1) A telecommunications company challenged approximately \$5.0 million, plus interest and penalties, in assessed utility and business and occupation taxes it paid into escrow, covering the period from January 1997 through March 2005. The Washington Supreme Court decided several issues affecting the claims in the case prior to the hearing date. The City settled with the company for approximately \$2.5 million in 2010. The City recovered \$2.5 million from the escrowed amount and the rest was refunded to the company. (2) A Seattle-based company appealed its business and occupation (B&O) tax assessment of \$1.5 million in 2008. The issue on appeal is whether the company is allowed to allocate the income earned from its 450 Seattle-based employees to a California Limited Liability Company. The California company has no employees and no property. The company performs services in Seattle and, pursuant to a contract with the California company, sends out invoices in the California company's name. The Regulatory Services and Operations Division assessed the Seattle company for the income. If the Seattle company prevails, it is possible that other companies will attempt to use similar structures to avoid taxes and the Seattle company would be able to avoid paying the B&O tax it would otherwise owe for 2009. The City prevailed in a hearing before the City of Seattle Hearing Examiner in June 2009. The company then appealed to the King County Superior Court and the City prevailed on February 23, 2010. The company appealed to the Court of Appeals. Oral argument in the court of appeals was heard on March 2, 2011. The Court of Appeals ruled in favor of the City on September 12, 2011. The company petitioned the Washington Supreme Court for review, and the Court declined to review the case on February 12, 2012. The Court's denial of petition for review terminates the appeal. The Revenue Department for the City can release the assessed taxes from the holding account.
- **Costs Charges to Ratepayers.** The class action plaintiffs alleged that fire hydrant costs were improperly paid by the City's water utility ratepayers in Seattle and certain suburban cities. The plaintiffs sought refunds of the costs of fire hydrant service. Most of the issues in this case were resolved in prior years. In 2007 the City briefed and/or argued two issues on the appellate level: (1) the City's authority to increase an excise tax upon its water utility in the amount necessary for the General Fund to pay the ongoing costs of fire hydrants and (2) whether statutory interest or a significantly less expensive "cost of money" approach should be applied to refunds previously made by the City's water utility to ratepayers. In addition, the suburban cities appealed the trial court decision that their general funds should pay for fire hydrants.

In October 2008 the Washington Supreme Court ruled in the City's favor on the excise tax issue, holding that the City had the authority to impose the tax on its water utility. However, the Court disagreed with the position taken by the City on the interest rate issue, holding that the City must pay the statutory rate of 12 percent interest on refund payments. The King County Superior Court entered final judgment in the case in December 2008. The judgment required the General Fund to pay Seattle Public Utilities (SPU) \$13.6 million plus 3.18 percent interest from the date of the final judgment until paid. The judgment required SPU to pay \$4.1 million to plaintiffs' counsel in attorneys' fees, \$37,760 for reimbursement for plaintiffs' litigation expenses, and \$5,000 to the class representative. The judgment further required SPU to make refunds to water utility ratepayers for fire hydrant expenses that had been included in water bills for the period March 1, 2002, through December 31, 2004, plus 12 percent interest until paid. The total amount to be refunded to ratepayers was \$20.3 million plus 12 percent interest less the amounts listed above for attorneys' fees, litigation expenses, and class representative payments. Finally, the judgment required the City of Burien to pay SPU \$131,533 and required the City of Lake Forest Park to pay SPU \$74,171 plus interest on both payments of 3.18 percent interest from April 30, 2007, until paid. All outstanding payments in this matter were made in 2010.

- Leaks and Cracks in Reservoirs. The City discovered leaks in various reservoirs and cracks in a not-yet completed reservoir. Discussions with the designer and contractor have commenced to determine the cause of the leaks and cracks. Costs of repairs and/or damages are expected to exceed the material amount. The amount is indeterminable as of the date of this note.
- Other Miscellaneous Lawsuit and Claim. A lawsuit was filed due to a traffic accident involving a Seattle City Light vehicle. Another lawsuit involving alleged serious injuries from an electrical shock caused by a high voltage power line. The likelihood of material adverse outcomes in these lawsuits are indeterminate.

There may be other litigation or claims involving alleged substantial sums of money owing; however, the prospect of material adverse outcomes 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, the Bank of New York. The Bank of New York 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 the loan servicing agent.

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, 2011, eleven accounts remained outstanding with a combined total amount of \$28.5 million. BEDI grant funds amount to \$3.75 million, of which a portion is being held as loan loss reserves for the eleven 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, of which \$54,845,000 was outstanding at December 31, 2011. The bonds will be fully retired by April 1, 2031.

Pike Place Market Preservation and Development Authority

Special obligation refunding bonds issued on March 28, 2002, in the amount of \$5,925,000 of which \$4,515,000 was outstanding on December 31, 2011. The bonds will be fully retired on November 1, 2017.

Seattle Chinatown-International District Preservation and Development Authority

Special obligation bonds, Series A, issued on December 12, 2002, in the amount of \$7,700,000. The outstanding amount at December 31, 2011, was \$2,630,000. 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, 2011, was \$2,375,000. The bonds will be fully retired by October 1, 2032.

Special obligation refunding bonds issued on September 26, 2007, in the amount of \$7,355,000. The outstanding amount at December 31, 2011, was \$6,465,000. The bonds will be fully retired by August 1, 2026.

Seattle Indian Services Commission

Special obligation refunding bonds issued on March 28, 2002, in the amount of \$3,710,000. The amount outstanding at December 31, 2011, was \$1,910,000. 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, of which \$4,335,000 was outstanding as of December 31, 2011. The bonds will be fully retired on November 1, 2024.

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

In 2010, the City recognized its interpretation of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, relating to financial statement presentation for internal service funds was incorrect. In 2010, a restatement to various fund statements was made based on estimates. In 2011, final amounts for 2010 were determined, requiring a restatement to the 2010 internal service fund statements and the corresponding proprietary fund statements. The result was a prior-period adjustment of \$23.4 million on the Finance and Administrative Services fund statements incorporating the capital assets, net of the long-term debt associated with the fund's support services provided to other City departments for facilities. There was no impact to the government-wide financial statements for governmental activities.

Effective January 1, 2011, the City adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as discussed in Note 1. This statement establishes accounting and financial reporting standards for all governments that report governmental funds. To allow for comparative analysis of 2011 and 2010 fund balances, certain balances included in the 2010 balance sheets were reclassified to conform to the new requirements. Additionally, the Library Fund, previously a special revenue fund, was determined to no longer meet the definition of a special revenue fund, as defined by GASB Statement No. 54. As a result, the Library Fund is now reported as a part of the General Fund for GAAP reporting. The impact is an increase to the General Fund's fund balance of \$12.2 million in 2011 and \$12.4 million in 2010.

In 2010, the Department of Information Technology incorrectly recorded depreciation expense in the amount of \$3.1 million. Therefore, a restatement to the 2010 government-wide statement of net assets and statement of activities for governmental activities was made.

In 2011, the City, in its Employees' Retirement Fund, changed its reporting practice regarding investment management fees. The investment management fees for investments other than securities lending transactions were previously netted against the net change in fair value investment income. In 2011, this expense was separated from the investment income classification and incorporated into the investment management fees expenses. To allow comparative analysis of 2011 and 2010, a reclassification was made to the 2010 combining statement of net assets of the fund in the amount of \$3.8 million.

In 2011, the City recognized its interpretation of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, relating to the financial statement classifications of net assets was incorrect. Therefore, a restatement to the 2010 government-wide statement of net assets for governmental activities was required. To allow comparative analysis of 2011 and 2010, a restatement of \$147.2 million increased the net assets restricted for special purposes and decreased the unrestricted net assets.

Certain other reclassifications were made in the financial statements for the prior year to conform to the presentation in the current year.

(17) SUBSEQUENT EVENTS

Bond Issues. On May 16, 2012, pursuant to City Ordinance 121651, as amended by Ordinance 122286; Ordinance 123751; and City Council Resolutions 31376 and 31377, the City issued (1) \$75.6 million of Limited Tax General Obligation (LTGO) Improvement and Refunding Bonds with an average coupon rate of 2.703 percent and a final maturity of September 1, 2032; and (2) \$46.8 million of Unlimited Tax General Obligation (UTGO) Refunding Bonds with an average coupon rate of 1.276 percent and a final maturity of December 1, 2021. The proceeds of the LTGO Improvement and Refunding Bonds are used to pay for a share of the costs of various projects and to refund 2002, 2003, and 2005 LTGO bonds. The proceeds of the UTGO Refunding Bonds are used to refund 2002 UTGO bonds.

On May 30, 2012, pursuant to City Ordinance 121939, as amended, and City Council Resolution 31382, the City issued \$238.8 million of Water System Refunding Revenue Bonds with an average coupon rate of 2.631 percent and a final maturity of September 1, 2034. The proceeds of the bonds are used to refund 2001, 2003, and 2004 Water System Revenue bonds.

On June 27, 2012, pursuant to City Ordinance 121938, as amended, Ordinance 123753, and City Council Resolution 31387, the City issued \$222.1 million of Drainage and Wastewater Improvement and Refunding Revenue Bonds with an average coupon rate of 3.327 percent and a final maturity of September 1, 2042. The proceeds of the bonds are used to pay for a share of the costs of various projects and to refund 2001, 2002, and 2004 Drainage and Wastewater Revenue bonds.

On July 17, 2012, pursuant to City Ordinance 121941, as amended by Ordinances 122838 and 123752; and City Council Resolution 31390, the City issued (1) \$293.3 million of Municipal Light and Power Improvement and Refunding Revenue Bonds, 2012A; (2) \$9.4 million of Municipal Light and Power Refunding Revenue Bonds, 2012B (taxable); and (3) \$43.0 million of Municipal Light and Power Improvement Revenue Bonds, 2012C (taxable New Clean Renewable Energy Bonds), with average coupon rates of 3.14757 percent, 0.749746 percent, and 0.58567 percent, respectively, and final maturities of June 1, 2041, December 1, 2041, and June 1, 2033, respectively. The proceeds of these bonds are used to pay a share of the costs of various projects and to refund 2002, 2003, and 2004 Municipal Light and Power Revenue bonds.

On April 17, 2012, Standard & Poor's revised its outlook on the City's general obligation bonds from negative to stable and affirmed the City's AAA rating.

City of Seattle Retirement Pension Actuarial Information. An actuarial study was issued on July 6, 2012 providing an actuarial valuation as of January 1, 2012. Actuarially determined contribution rates for 2012 are 10.03 percent for members and the employer, and are also estimated at 10.03 percent for 2013. Based on this new valuation, the actuarial value of plan net assets available for benefits has decreased by \$59.4 million to \$1.954 billion, and the actuarial accrued liability has increased by \$150.3 million to \$2.859 billion. The unfunded actuarial accrued liability (UAAL) is \$905.0 million as compared to \$695.4 million reported on the January 1, 2011 valuation. The funding ratio is currently 68.3 percent. Refer to Note 11, Pensions, Deferred Compensation, and Other Postemployment Benefits.

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Required Supplementary Information

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**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 that do not lapse, those whose budgets were approved by the City Budget Office to carry over to the following year. These encumbrances are included with expenditures in the City's budgetary basis of accounting.

As described in Note 1, Summary of Significant Accounting Policies, GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented in fiscal year 2011; the Library Fund no longer meets the definition for a special revenue fund and is now reported as part of the General Fund for the GAAP reporting. Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the General Fund, C-1, is presented on the budgetary basis for the legally adopted budget of the General Fund.

C-1

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2011
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes				
General Property Taxes	\$ 253,655	\$ 253,655	\$ 254,239	\$ 584
Retail Sales and Use Taxes	151,390	151,390	158,582	7,192
Business Taxes	233,270	233,270	231,162	(2,108)
Excise Taxes	33,180	33,180	35,316	2,136
Other Taxes	-	-	3,126	3,126
Interfund Business Taxes	111,073	111,073	108,541	(2,532)
Total Taxes	<u>782,568</u>	<u>782,568</u>	<u>790,966</u>	<u>8,398</u>
Licenses and Permits	18,375	18,375	18,817	442
Grants, Shared Revenues, and Contributions	55,197	79,069	43,384	(35,685)
Charges for Services	48,189	52,169	53,650	1,481
Fines and Forfeits	35,870	35,870	32,455	(3,415)
Parking Fees and Space Rent	35,324	35,324	30,635	(4,689)
Program Income, Interest, and Miscellaneous Revenues	<u>24,506</u>	<u>27,122</u>	<u>23,764</u>	<u>(3,358)</u>
Total Revenues	1,000,029	1,030,497	993,671	(36,826)
EXPENDITURES AND ENCUMBRANCES				
Current				
General Government	189,648	193,375	169,039	24,336
Judicial	26,107	26,386	25,937	449
Public Safety	458,111	475,199	445,940	29,259
Physical Environment	21,446	21,511	11,055	10,456
Transportation	14,095	14,095	12,529	1,566
Economic Environment	27,615	27,773	21,348	6,425
Culture and Recreation	5,779	5,779	5,554	225
Capital Outlay				
General Government	23,046	22,851	5,456	17,395
Public Safety	1,859	6,816	4,355	2,461
Culture and Recreation	<u>57,319</u>	<u>58,042</u>	<u>23,093</u>	<u>34,949</u>
Total Expenditures and Encumbrances	<u>825,025</u>	<u>851,827</u>	<u>724,306</u>	<u>127,521</u>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	175,004	178,670	269,365	90,695
OTHER FINANCING SOURCES (USES)				
Sales of Capital Assets	23,004	23,004	21,326	(1,678)
Transfers In	5,563	5,821	4,537	(1,284)
Transfers Out	<u>(280,145)</u>	<u>(280,578)</u>	<u>(272,264)</u>	<u>8,314</u>
Total Other Financing Sources (Uses)	<u>(251,578)</u>	<u>(251,753)</u>	<u>(246,401)</u>	<u>5,352</u>
Net Change in Fund Balance	<u>\$ (76,574)</u>	<u>\$ (73,083)</u>	22,964	<u>\$ 96,047</u>
Fund Balance - Beginning of Year			165,249	
Encumbrances Continued from Last Year			976	
Changes in Unappropriable Reserves			<u>247</u>	
Fund Balance (Budgetary) - End of Year			189,436	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation Encumbrances			564	
Reimbursements			2,551	
Budgeted as Revenues			158,820	
Budgeted as Expenditures			(158,820)	
Pass-Through Receipts				
Budgeted as Revenues			(1,125)	
Budgeted as Expenditures			1,125	
GASB Statement No. 54 Reporting Adjustment				
Library Fund Balances			<u>12,224</u>	
Fund Balance (GAAP) - End of Year			<u>\$ 204,775</u>	

Required Supplementary Information

C-2

TRANSPORTATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2011
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes				
General Property Taxes	\$ 40,141	\$ 40,141	\$ 40,325	\$ 184
Business Taxes	22,387	22,387	28,300	5,913
Other Taxes	-	-	303	303
Total Taxes	<u>62,528</u>	<u>62,528</u>	<u>68,928</u>	<u>6,400</u>
Licenses and Permits	1,917	1,917	4,149	2,232
Grants, Shared Revenues, and Contributions	48,228	60,213	43,326	(16,887)
Charges for Services	57,565	61,266	65,403	4,137
Fines and Forfeits	-	-	36	36
Parking Fees and Space Rent	-	-	38	38
Program Income, Interest, and Miscellaneous Revenues	-	-	107	107
Total Revenues	<u>170,238</u>	<u>185,924</u>	<u>181,987</u>	<u>(3,937)</u>
EXPENDITURES AND ENCUMBRANCES				
Current				
Transportation	220,133	223,255	79,722	143,533
Capital Outlay				
Transportation	316,633	331,283	167,590	163,693
Debt Service				
Principal	-	-	2,169	(2,169)
Interest	19,279	19,279	241	19,038
Total Expenditures and Encumbrances	<u>556,045</u>	<u>573,817</u>	<u>249,722</u>	<u>324,095</u>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(385,807)	(387,893)	(67,735)	320,158
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	4,200	4,200	248	(3,952)
Sales of Capital Assets	-	-	19,800	19,800
Transfers In	49,858	50,549	92,087	41,538
Transfers Out	-	-	(16,227)	(16,227)
Total Other Financing Sources (Uses)	<u>54,058</u>	<u>54,749</u>	<u>95,908</u>	<u>41,159</u>
Net Change in Fund Balance	<u>\$ (331,749)</u>	<u>\$ (333,144)</u>	28,173	<u>\$ 361,317</u>
Fund Balance - Beginning of Year			<u>33,206</u>	
Fund Balance (Budgetary) - End of Year			61,379	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			2	
Encumbrances			50	
Pass-Through Receipts				
Budgeted as Revenues			(2,295)	
Budgeted as Expenditures			<u>2,295</u>	
Fund Balance (GAAP) - End of Year			<u>\$ 61,431</u>	

C-3

LOW-INCOME HOUSING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2011
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes				
General Property Taxes	\$ 18,975	\$ 18,975	\$ 18,645	\$ (330)
Grants, Shared Revenues, and Contributions	16,023	18,136	11,176	(6,960)
Charges for Services	3,685	3,685	19	(3,666)
Program Income, Interest, and Miscellaneous Revenues	15,785	15,785	8,281	(7,504)
Total Revenues	54,468	56,581	38,121	(18,460)
EXPENDITURES AND ENCUMBRANCES				
Current				
Economic Environment	36,908	39,651	26,494	13,157
Capital Outlay				
Economic Environment	82,175	81,545	-	81,545
Total Expenditures and Encumbrances	119,083	121,196	26,494	94,702
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(64,615)	(64,615)	11,627	76,242
OTHER FINANCING SOURCES (USES)				
Sales of Capital Assets	-	-	15	15
Transfers Out	-	-	(265)	(265)
Total Other Financing Sources (Uses)	-	-	(250)	(250)
Net Change in Fund Balance	\$ (64,615)	\$ (64,615)	11,377	\$ 75,992
Fund Balance - Beginning of Year as Restated			75,025	
Encumbrances Continued from Last Year			125	
Fund Balance (Budgetary) - End of Year			86,527	
Adjustments to Conform to Generally Accepted Accounting Principles				
Encumbrances			61	
Fund Balance (GAAP) - End of Year			\$ 86,588	

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 11, Table 11-1.

C-4

PENSION PLAN INFORMATION
SCHEDULE OF FUNDING PROGRESS
December 31, 2011
(In Thousands)

Retirement System	Actuarial Valuation Date January 1	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)	2002	\$ 1,383,700	\$ 1,581,400	\$ 197,700	87.5 %	\$ 405,100	48.8 %
	2004	1,527,500	1,778,900	251,400	85.9	424,700	59.2
	2006	1,791,800	2,017,500	225,800	88.8	447,000	50.5
	2008	2,119,400	2,294,600	175,200	92.4	501,900	34.9
	2010	1,645,300	2,653,800	1,008,500	62.0	580,900	173.6
	2011	2,013,700	2,709,000	695,400	74.3 ^d	563,200	123.5
Firemen's Pension Fund	2007	10,045	154,518	144,473	7.0	N/A	N/A
	2008	9,005	168,384	159,379	5.0	N/A	N/A
	2009	11,498	141,621	130,123	8.0	N/A	N/A
	2010	13,273	143,499	130,226	9.0	N/A	N/A
	2011	11,430	126,794	115,364	9.0	N/A	N/A
	2012	10,877	138,611	127,734	8.0	N/A	N/A
Police Relief and Pension Fund	2007	1,327	119,280	117,953	1.0	N/A	N/A
	2008	805	138,897	138,092	1.0	N/A	N/A
	2009	423	132,118 ^e	131,695 ^e	0.0	N/A	N/A
	2010	280	129,393	129,113	0.0	N/A	N/A
	2011	1,105	137,497	136,392	1.0	N/A	N/A
	2012	3,746	111,458	107,712	3.0	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, 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 The funding ratio had been 62.0%, based on previous, January 1, 2010 actuarial valuation. The increase in the funding ratio is due mainly to the adoption of the asset smoothing method.

^e Reflects a \$514,000 actuarial adjustment for the 2009 AAL and UAAL.

Required Supplementary Information

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PENSION PLAN INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
December 31, 2011
(In Thousands)

Retirement System	Fiscal Year Ending December 31	Covered Employee Payroll ^a	Actual Employer Contribution ^b	Actual Employer Contribution Percentage ^b	Annual Required Contribution (ARC) ^c	Percentage of ARC Contributed
Seattle City Employees' Retirement System (SCERS)	2006	\$ 472,500	\$ 37,900	8.03 %	8.03 %	100 %
	2007	501,900	40,300	8.03	8.03	100
	2008	570,530	45,814	8.03	8.03	100
	2009	580,948	46,650	8.03	8.03	100
	2010 ^d	563,198	45,225	8.03	17.00	47
	2011	557,000	50,300	9.03	13.11	69
Firemen's Pension Fund	2006	N/A	9,385	N/A	\$ 9,385	100
	2007 ^e	N/A	8,633	N/A	9,533	91
	2008	N/A	15,027	N/A	10,673	141
	2009	N/A	11,422	N/A	8,266	138
	2010	N/A	7,255	N/A	7,975	91
	2011	N/A	8,262	N/A	7,218	114
Police Relief and Pension Fund	2006	N/A	6,056	N/A	\$ 6,056	100
	2007 ^e	N/A	5,885	N/A	7,783	76
	2008	N/A	9,723	N/A	9,248	105
	2009	N/A	7,939	N/A	8,635	95
	2010	N/A	9,843	N/A	7,907	124
	2011	N/A	11,195	N/A	8,534	131

^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 SCERS are expressed as a percentage of payroll after first recognizing the \$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.

^d The latest actuarial valuation for SCERS was completed as of January 1, 2011.

^e Projected benefit payments and liabilities increased significantly between the 2005 actuarial valuation and the valuation completed in 2007. The primary contributing factor was the change in actuarial assumptions to reflect that long-run wages were expected to increase faster than the Consumer Price Index.

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**Combining and Individual
Fund and Other
Supplementary Information**

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**Nonmajor
Governmental Funds**

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The **Park and Recreation Fund** accounts for the operation of the City's parks system. The fund continues to receive monies for charter revenues as required by the City Charter. Required charter revenue to the fund is ten percent of all business and occupation taxes, related fines, penalties, and other licenses. In 2009, the City changed the charter revenue allocation from direct method of allocating ten percent actual revenue receipts periodically to an indirect method of transferring a fixed amount from the General Fund as adopted by the City Council each year. At the end of each year, an analysis is performed to ensure that Park and Recreation Fund receives monies equal to or exceeding the ten percent charter revenue requirement. Transfers-in are recognized for these cash transfers in this fund. The fund also receives usage fees.

The **Seattle Streetcar Fund** accounts for payments to King County, based on certain formulas, for operating and maintaining the City's streetcar. The fund is supported by revenues from sponsorship agreements; federal, state, county or other grants or transfers; private funding, donations, or gifts; property sales proceeds or other moneys supported by ordinance (Ordinance 122424).

The **Key Arena Settlement Proceeds Fund** accounts for all proceeds received pursuant to the settlement of the Key Arena litigation which shall be used and applied in accordance with appropriations by the City Council (Ordinance 122834).

The **Pike Place Market Renovation Fund** accounts for the proceeds of a six-year tax levy (Market Levy) approved by the voters in 2008 received on behalf of the Pike Place Market Preservation and Development Authority (PPMPDA) to pay for the cost of renovating the Pike Place Market owned by PPMPDA under the Levy Proceeds Agreement by and between the City and PPMPDA (Ordinance 122737). It also accounts for the proceeds of bonds issued in part by the 2009, 2010, and 2011 Multipurpose Long-Term General Obligation Bond as temporary financing for the Pike Place Market renovation, whose bonds and interest are being paid from the Market Levy proceeds at bond maturity and interest payment dates (Ordinances 122848, 123156, and 123480).

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, in 2004, and again in 2011 to provide educational and developmental services to supplement the basic education activities financed by the State of Washington (Ordinances 118557, 121529, and 123567).

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

The **Seattle Transportation Benefit District Fund** accounts for the independent taxing district created and governed by the City Council. The purpose of the district is to fund transportation improvements within the boundaries of the City through an imposed \$20 vehicle registration fee. See Note 12, Component Units, for additional information pertaining to the district.

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, K-9 corps, climate action, and rescue of prostituted children.

DEBT SERVICE FUNDS

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 and other City funds to pay for interest costs and principal redemptions on councilmanic limited tax general obligation bonds.

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 Subfund, a General Fund subfund. 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 bridgeway, and SR519 projects (Ordinances 121329 and 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 **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 Subfund 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 unlimited tax general obligation bond proceeds under the 1-2-3 Bond/Levy Program approved by voters in September 1984. It provides funds to renovate libraries, fire stations, Seattle Center facilities, harbor patrol stations, and other facilities (Ordinance 111717).

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, and 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 Fund** was established to account for the 9-year additional property tax levy of \$167.2 million approved by the voters. The purpose of the levy is to pay all or part of the cost of neighborhood fire stations, support facilities, marine apparatus, emergency preparedness, and other emergency response facilities (Ordinance 121230).

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, Park 90/5 Facility Earthquake Repair, and the SR519 and Alaskan Way Viaduct/Seawall Projects of the Seattle Department of Transportation (Ordinance 120979).

The **2006 Multipurpose Long-Term General Obligation Bond Fund** was established to account for up to \$24.1 million proceeds of limited tax general obligation bonds issued in 2006 for funding for the costs of the Viaduct, Pier 59, Mercer Corridor, and South Lake Union Streetcar projects; as well as for the refinancing of earthquake repair costs of the Park 90/5 Facility (Ordinance 121982).

The **Local Improvement Fund, District No. 6750** was established in 2006 to account for the construction of a streetcar line serving downtown Seattle, Denny Triangle, and South Lake Union, to be funded from proceeds of local improvement bonds and special assessments upon property in the local improvement district (Ordinance 121951).

The **2007 Multipurpose Long-Term General Obligation Bond Fund** was established in 2006 to account for the acquisition of real property in the Northgate area for future general municipal purposes and for the costs of improvements to the Seattle Aquarium. Funds for these projects were initially provided from interfund loans to be repaid from future proceeds of limited tax general obligation bonds to be issued by the City (Ordinance 122121). The other part of the proceeds of the bond issue (Ordinance 122286) provided funding for the Parking Pay Stations, Alaska Tunnel/Seawall, Monorail Rehabilitation projects and the Zoo Garage construction.

The **2008 Multipurpose Long-Term General Obligation Bond Fund** was established in 2007 to account for capital costs related to the South Rainier Street Grade Separation, Spokane Street Viaduct, Mercer Corridor, and King Street Multimodal

Terminal projects. Initial funds for these projects were provided from interfund loans to be repaid from proceeds of limited tax general obligation bonds issued in 2008 by the City (Ordinance 122417). The bond ordinance finally allocated the bond proceeds to the King Street Multimodal Terminal, Bridge Seismic, Rehabilitation and Replacement, Pay Stations, Fire Station projects, and the South Lake Union Property Proceeds Account (Ordinance 122553).

The **2009 Multipurpose Long-Term General Obligation Bond Fund** was established in 2008 to account for the proceeds of the bonds issued in March 2009 to provide funding for the costs of capital projects including the Alaskan Way Viaduct/Seawall, North Precinct, Northgate Land, Northgate Park, Rainer Beach Community Center, Trails, Bridge Rehabilitation, King and Spokane Streets projects, and the Municipal Jail (Ordinance 122848).

The **2010 Multipurpose Long-Term General Obligation Bond Fund** was established in 2010 to account for the proceeds of the bonds issued in March 2010 to provide funding for the costs of capital projects relating to the Spokane Street Viaduct, Bridge Rehabilitation, Bridge Seismic Retrofit, Mercer Corridor-South Lake Union, Mercer Corridor West, King Street Station Multimodal Terminal, Alaskan Way Viaduct, Parking Pay Stations, Pike Place Market Renovation, Golf Course Improvements, and Tier-1 Storage Area Network (Ordinance 123156).

The **2011 Multipurpose Long-Term General Obligation Bond Fund** was established in 2011 to account for the proceeds of the bonds issued in March 2011 to provide funding for the costs of capital projects relating to the Spokane Street Viaduct, Bridge Rehabilitation and Seismic Retrofit, Parking and Program Management, Facility Energy Retrofits, Rainier Beach Community Center, King Street Station Multimodal Terminal, Seattle Center Renovations, Pike Place Market Renovation, Golf Course Improvements, and Alaska Way Viaduct and Seawall (Ordinance 123480).

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.

Nonmajor Governmental Funds

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**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SUMMARY BY FUND TYPE
December 31, 2011
(In Thousands)**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Comparative Totals	
					2011	2010
ASSETS						
Cash and Equity in Pooled Investments	\$ 62,133	\$ 10,445	\$ 233,330	\$ 2,167	\$ 308,075	\$ 267,163
Receivables, Net of Allowances						
Taxes	735	460	1,023	-	2,218	2,707
Accounts	7,999	-	-	-	7,999	4,797
Special Assessments - Delinquent	-	-	195	-	195	154
Interest and Dividends	68	1	166	3	238	258
Unbilled and Others	1,101	-	-	-	1,101	1,131
Due from Other Funds	3,151	-	155	-	3,306	4,494
Due from Other Governments	13,182	7	744	-	13,933	18,339
Inventories	609	-	-	-	609	570
Prepaid and Other Current Assets	42	-	-	-	42	-
Contracts and Notes - Noncurrent	44,761	-	-	-	44,761	44,964
Deferred Charges and Other Assets	-	6	14,265	-	14,271	16,578
Total Assets	\$ 133,781	\$ 10,919	\$ 249,878	\$ 2,170	\$ 396,748	\$ 361,155
LIABILITIES						
Accounts Payable	\$ 19,576	\$ -	\$ 4,246	\$ -	\$ 23,822	\$ 26,565
Contracts Payable	395	-	506	-	901	1,842
Due to Other Funds	7,782	-	18,536	-	26,318	15,518
Due to Other Governments	6,349	6	-	-	6,355	6,866
Salaries, Benefits, and Taxes Payable	3,526	-	-	-	3,526	3,220
Interest Payable	3	-	-	-	3	4
Deposits Payable	156	-	14	-	170	197
Revenue Collected/Billed in Advance - Current	2,857	-	270	-	3,127	3,138
Other Current Liabilities	189	-	-	-	189	166
Advances from Other Funds	-	-	-	-	-	1,020
Deferred Revenues	46,114	414	15,119	-	61,647	64,607
Total Liabilities	86,947	420	38,691	-	126,058	123,143
FUND BALANCES						
Nonspendable	436	-	-	2,050	2,486	2,387
Restricted	40,658	10,499	211,187	120	262,464	229,824
Committed	8,988	-	-	-	8,988	9,802
Assigned	8,816	-	-	-	8,816	7,910
Unassigned	(12,064)	-	-	-	(12,064)	(11,911)
Total Fund Balances	46,834	10,499	211,187	2,170	270,690	238,012
Total Liabilities and Fund Balances	\$ 133,781	\$ 10,919	\$ 249,878	\$ 2,170	\$ 396,748	\$ 361,155

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
December 31, 2011
(In Thousands)

	<u>Park and Recreation</u>	<u>Seattle Streetcar</u>	<u>Key Arena Settlement Proceeds</u>	<u>Pike Place Market Renovation</u>
ASSETS				
Cash and Equity in Pooled Investments	\$ 9,845	\$ 182	\$ 713	\$ 1,055
Receivables, Net of Allowances				
Taxes	-	-	-	294
Accounts	1,552	10	-	-
Interest and Dividends	1	-	-	1
Unbilled and Others	131	-	1	-
Due from Other Funds	1,378	-	2	-
Due from Other Governments	170	68	-	4
Inventories	369	-	-	-
Prepaid and Other Current Assets	42	-	-	-
Contracts and Notes - Noncurrent	-	-	-	-
Total Assets	<u>\$ 13,488</u>	<u>\$ 260</u>	<u>\$ 716</u>	<u>\$ 1,354</u>
LIABILITIES				
Accounts Payable	\$ 1,959	\$ -	\$ 9	\$ 1,695
Contracts Payable	395	-	-	-
Due to Other Funds	942	3,546	25	-
Due to Other Governments	-	-	-	-
Salaries, Benefits, and Taxes Payable	1,944	-	-	-
Interest Payable	1	2	-	-
Deposits Payable	135	-	-	-
Revenue Collected/Billed in Advance - Current	805	-	-	-
Other Current Liabilities	189	-	-	-
Advances from Other Funds	-	-	-	-
Deferred Revenues	1	-	-	237
Total Liabilities	6,371	3,548	34	1,932
FUND BALANCES				
Nonspendable	415	-	-	-
Restricted	286	-	682	-
Committed	440	-	-	-
Assigned	5,976	-	-	-
Unassigned	-	(3,288)	-	(578)
Total Fund Balances	<u>7,117</u>	<u>(3,288)</u>	<u>682</u>	<u>(578)</u>
Total Liabilities and Fund Balances	<u>\$ 13,488</u>	<u>\$ 260</u>	<u>\$ 716</u>	<u>\$ 1,354</u>

Nonmajor Governmental Funds

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**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
December 31, 2011
(In Thousands)**

	Seattle Center	Human Services Operating	Office of Housing	Housing and Community Development Revenue Sharing
ASSETS				
Cash and Equity in Pooled Investments	\$ 122	\$ 12,941	\$ 1,650	\$ 1,318
Receivables, Net of Allowances				
Taxes	-	-	-	-
Accounts	2,637	1	4	101
Interest and Dividends	24	17	-	1
Unbilled and Others	930	39	-	-
Due from Other Funds	102	1,351	-	2
Due from Other Governments	-	11,705	305	304
Inventories	240	-	-	-
Prepaid and Other Current Assets	-	-	-	-
Contracts and Notes - Noncurrent	-	662	-	44,099
	\$ 4,055	\$ 26,716	\$ 1,959	\$ 45,825
Total Assets				
LIABILITIES				
Accounts Payable	\$ 781	\$ 10,974	\$ 24	\$ 777
Contracts Payable	-	-	-	-
Due to Other Funds	1,244	241	20	252
Due to Other Governments	-	6,349	-	-
Salaries, Benefits, and Taxes Payable	774	665	100	-
Interest Payable	-	-	-	-
Deposits Payable	20	-	1	-
Revenue Collected/Billed in Advance - Current	-	1,892	-	89
Other Current Liabilities	-	-	-	-
Advances from Other Funds	-	-	-	-
Deferred Revenues	525	662	111	44,099
	3,344	20,783	256	45,217
Total Liabilities				
FUND BALANCES				
Nonspendable	21	-	-	-
Restricted	1,257	3,879	-	608
Committed	7,631	917	-	-
Assigned	-	1,137	1,703	-
Unassigned	(8,198)	-	-	-
	711	5,933	1,703	608
Total Fund Balances				
Total Liabilities and Fund Balances	\$ 4,055	\$ 26,716	\$ 1,959	\$ 45,825

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
December 31, 2011
(In Thousands)

	Education and Development Services	Business Improvement Areas	Seattle Transportation Benefit District	General Trust
ASSETS				
Cash and Equity in Pooled Investments	\$ 17,072	\$ 949	\$ 974	\$ 4,040
Receivables, Net of Allowances				
Taxes	441	-	-	-
Accounts	-	3,694	-	-
Interest and Dividends	12	1	1	2
Unbilled and Others	-	-	-	-
Due from Other Funds	176	2	14	-
Due from Other Governments	7	-	619	-
Inventories	-	-	-	-
Prepaid and Other Current Assets	-	-	-	-
Contracts and Notes - Noncurrent	-	-	-	-
Total Assets	<u>\$ 17,708</u>	<u>\$ 4,646</u>	<u>\$ 1,608</u>	<u>\$ 4,042</u>
LIABILITIES				
Accounts Payable	\$ 2,336	\$ 872	\$ -	\$ 29
Contracts Payable	-	-	-	-
Due to Other Funds	635	-	663	5
Due to Other Governments	-	-	-	-
Salaries, Benefits, and Taxes Payable	-	-	-	22
Interest Payable	-	-	-	-
Deposits Payable	-	-	-	-
Revenue Collected/Billed in Advance - Current	-	-	-	-
Other Current Liabilities	-	-	-	-
Advances from Other Funds	-	-	-	-
Deferred Revenues	477	-	-	-
Total Liabilities	3,448	872	663	56
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	14,260	3,774	945	3,986
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>14,260</u>	<u>3,774</u>	<u>945</u>	<u>3,986</u>
Total Liabilities and Fund Balances	<u>\$ 17,708</u>	<u>\$ 4,646</u>	<u>\$ 1,608</u>	<u>\$ 4,042</u>

Nonmajor Governmental Funds

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**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
December 31, 2011
(In Thousands)**

	Municipal Arts	General Donations and Gift Trust	Comparative Totals	
			2011	2010
ASSETS				
Cash and Equity in Pooled Investments	\$ 7,051	\$ 4,221	\$ 62,133	\$ 62,528
Receivables, Net of Allowances				
Taxes	-	-	735	904
Accounts	-	-	7,999	4,797
Interest and Dividends	5	3	68	58
Unbilled and Others	-	-	1,101	1,131
Due from Other Funds	50	74	3,151	3,065
Due from Other Governments	-	-	13,182	15,523
Inventories	-	-	609	570
Prepaid and Other Current Assets	-	-	42	-
Contracts and Notes - Noncurrent	-	-	44,761	44,964
	<u>\$ 7,106</u>	<u>\$ 4,298</u>	<u>\$ 133,781</u>	<u>\$ 133,540</u>
Total Assets				
LIABILITIES				
Accounts Payable	\$ 47	\$ 73	\$ 19,576	\$ 23,242
Contracts Payable	-	-	395	386
Due to Other Funds	162	47	7,782	7,178
Due to Other Governments	-	-	6,349	6,852
Salaries, Benefits, and Taxes Payable	17	4	3,526	3,220
Interest Payable	-	-	3	2
Deposits Payable	-	-	156	183
Revenue Collected/Billed in Advance - Current	-	71	2,857	2,988
Other Current Liabilities	-	-	189	166
Advances from Other Funds	-	-	-	1,020
Deferred Revenues	-	2	46,114	46,518
	<u>226</u>	<u>197</u>	<u>86,947</u>	<u>91,755</u>
Total Liabilities				
FUND BALANCES				
Nonspendable	-	-	436	337
Restricted	6,880	4,101	40,658	35,647
Committed	-	-	8,988	9,802
Assigned	-	-	8,816	7,910
Unassigned	-	-	(12,064)	(11,911)
	<u>6,880</u>	<u>4,101</u>	<u>46,834</u>	<u>41,785</u>
Total Fund Balances				
Total Liabilities and Fund Balances	<u>\$ 7,106</u>	<u>\$ 4,298</u>	<u>\$ 133,781</u>	<u>\$ 133,540</u>

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**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE
December 31, 2011
(In Thousands)**

	General Bond Interest and Redemption	Interfund Notes Payable – Local Improvement Districts	Local Improvement Guaranty	Comparative Totals	
				2011	2010
ASSETS					
Cash and Equity in Pooled Investments	\$ 9,600	\$ 8	\$ 837	\$ 10,445	\$ 10,571
Receivables, Net of Allowances					
Taxes	460	-	-	460	561
Interest and Dividends	-	-	1	1	1
Due from Other Governments	7	-	-	7	4
Deferred Charges and Other Assets	-	6	-	6	6
Total Assets	<u>\$ 10,067</u>	<u>\$ 14</u>	<u>\$ 838</u>	<u>\$ 10,919</u>	<u>\$ 11,143</u>
LIABILITIES					
Due to Other Governments	\$ 6	\$ -	\$ -	\$ 6	\$ 6
Interest Payable	-	-	-	-	2
Deferred Revenues	408	6	-	414	495
Total Liabilities	414	6	-	420	503
FUND BALANCES					
Restricted	9,653	8	838	10,499	10,640
Total Fund Balances	<u>9,653</u>	<u>8</u>	<u>838</u>	<u>10,499</u>	<u>10,640</u>
Total Liabilities and Fund Balances	<u>\$ 10,067</u>	<u>\$ 14</u>	<u>\$ 838</u>	<u>\$ 10,919</u>	<u>\$ 11,143</u>

Nonmajor Governmental Funds

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**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
December 31, 2011
(In Thousands)**

	2005	Multipurpose	Transportation	Public Safety	Shoreline Park	Community
	Obligation Bond	Bond	Facilities and	Improvement	Improvement	Improvement
	General	Equipment	Equipment	Equipment	Equipment	Equipment
ASSETS						
Cash and Equity in Pooled Investments	\$ 2	\$ 6	\$ 506	\$ 1,433	\$ 50	
Receivables, Net of Allowances						
Taxes	-	-	-	-	-	-
Special Assessments - Delinquent	-	-	-	-	-	-
Interest and Dividends	-	-	-	1	-	-
Due from Other Funds	-	-	-	-	-	-
Due from Other Governments	-	-	-	-	-	-
Deferred Charges and Other Assets	-	-	-	-	-	-
Total Assets	\$ 2	\$ 6	\$ 506	\$ 1,434	\$ 50	
LIABILITIES						
Accounts Payable	\$ -	\$ -	\$ -	\$ 7	\$ -	
Contracts Payable	-	-	-	-	-	-
Due to Other Funds	-	-	13	77	-	-
Due to Other Governments	-	-	-	-	-	-
Deposits Payable	-	-	-	-	-	-
Revenue Collected/Billed in Advance - Current	-	-	-	-	-	-
Deferred Revenues	-	-	-	-	-	-
Total Liabilities	-	-	13	84	-	
FUND BALANCES						
Restricted	2	6	493	1,350	50	
Total Fund Balances	2	6	493	1,350	50	
Total Liabilities and Fund Balances	\$ 2	\$ 6	\$ 506	\$ 1,434	\$ 50	

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
December 31, 2011
(In Thousands)

	City Facilities Renovation and Improvement	Conservation Futures	Open Spaces and Trails Bond	Seattle Center and Parks Multipurpose Levy
ASSETS				
Cash and Equity in Pooled Investments	\$ 87	\$ 31	\$ 311	\$ 36,716
Receivables, Net of Allowances				
Taxes	-	-	-	640
Special Assessments - Delinquent	-	-	-	-
Interest and Dividends	-	-	-	26
Due from Other Funds	-	-	-	68
Due from Other Governments	-	-	-	212
Deferred Charges and Other Assets	-	-	-	-
Total Assets	<u>\$ 87</u>	<u>\$ 31</u>	<u>\$ 311</u>	<u>\$ 37,662</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ 1,357
Contracts Payable	-	-	-	-
Due to Other Funds	-	-	-	1,633
Due to Other Governments	-	-	-	-
Deposits Payable	-	-	-	-
Revenue Collected/Billed in Advance - Current	-	-	-	270
Deferred Revenues	-	-	-	528
Total Liabilities	-	-	-	3,788
FUND BALANCES				
Restricted	<u>87</u>	<u>31</u>	<u>311</u>	<u>33,874</u>
Total Fund Balances	<u>87</u>	<u>31</u>	<u>311</u>	<u>33,874</u>
Total Liabilities and Fund Balances	<u>\$ 87</u>	<u>\$ 31</u>	<u>\$ 311</u>	<u>\$ 37,662</u>

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**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
December 31, 2011
(In Thousands)**

	Denny Triangle Public Amenity	Seattle Center Redevelopment/ Parks Community Center	Municipal Civic Center	South Police Stations
ASSETS				
Cash and Equity in Pooled Investments	\$ 46	\$ 2,370	\$ 1,285	\$ 2
Receivables, Net of Allowances				
Taxes	-	-	-	-
Special Assessments - Delinquent	-	-	-	-
Interest and Dividends	-	2	1	-
Due from Other Funds	-	2	-	-
Due from Other Governments	-	-	-	-
Deferred Charges and Other Assets	-	-	-	-
	<u>\$ 46</u>	<u>\$ 2,374</u>	<u>\$ 1,286</u>	<u>\$ 2</u>
Total Assets				
	<u>\$ 46</u>	<u>\$ 2,374</u>	<u>\$ 1,286</u>	<u>\$ 2</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 62	\$ -	\$ -
Contracts Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Other Governments	-	-	-	-
Deposits Payable	-	-	-	-
Revenue Collected/Billed in Advance - Current	-	-	-	-
Deferred Revenues	-	-	-	-
	<u>-</u>	<u>62</u>	<u>-</u>	<u>-</u>
Total Liabilities	-	62	-	-
FUND BALANCES				
Restricted	<u>46</u>	<u>2,312</u>	<u>1,286</u>	<u>2</u>
Total Fund Balances	<u>46</u>	<u>2,312</u>	<u>1,286</u>	<u>2</u>
Total Liabilities and Fund Balances	<u>\$ 46</u>	<u>\$ 2,374</u>	<u>\$ 1,286</u>	<u>\$ 2</u>

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
December 31, 2011
(In Thousands)

	Public Safety Information Technology	2003 Fire Facilities	2002B Long-Term General Obligation Project	2003 Long-Term General Obligation Project
ASSETS				
Cash and Equity in Pooled Investments	\$ 535	\$ 33,445	\$ 11	\$ 11
Receivables, Net of Allowances				
Taxes	-	383	-	-
Special Assessments - Delinquent	-	-	-	-
Interest and Dividends	-	23	-	-
Due from Other Funds	-	-	-	-
Due from Other Governments	-	532	-	-
Deferred Charges and Other Assets	-	-	-	-
Total Assets	<u>\$ 535</u>	<u>\$ 34,383</u>	<u>\$ 11</u>	<u>\$ 11</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 800	\$ -	\$ -
Contracts Payable	-	139	-	-
Due to Other Funds	-	62	-	-
Due to Other Governments	-	-	-	-
Deposits Payable	-	14	-	-
Revenue Collected/Billed in Advance - Current	-	-	-	-
Deferred Revenues	-	326	-	-
Total Liabilities	-	1,341	-	-
FUND BALANCES				
Restricted	<u>535</u>	<u>33,042</u>	<u>11</u>	<u>11</u>
Total Fund Balances	<u>535</u>	<u>33,042</u>	<u>11</u>	<u>11</u>
Total Liabilities and Fund Balances	<u>\$ 535</u>	<u>\$ 34,383</u>	<u>\$ 11</u>	<u>\$ 11</u>

Nonmajor Governmental Funds

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**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
December 31, 2011
(In Thousands)**

	2006 Multipurpose Long-Term General Obligation Bond	Local Improvement, District No. 6750	2007 Multipurpose Long-Term General Obligation Bond	2008 Multipurpose Long-Term General Obligation Bond
ASSETS				
Cash and Equity in Pooled Investments	\$ 64	\$ 169	\$ 771	\$ 15,434
Receivables, Net of Allowances				
Taxes	-	-	-	-
Special Assessments - Delinquent	-	195	-	-
Interest and Dividends	-	1	1	11
Due from Other Funds	-	-	-	-
Due from Other Governments	-	-	-	-
Deferred Charges and Other Assets	-	14,265	-	-
Total Assets	<u>\$ 64</u>	<u>\$ 14,630</u>	<u>\$ 772</u>	<u>\$ 15,445</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 3	\$ 522
Contracts Payable	-	-	-	132
Due to Other Funds	-	-	9	1,156
Due to Other Governments	-	-	-	-
Deposits Payable	-	-	-	-
Revenue Collected/Billed in Advance - Current	-	-	-	-
Deferred Revenues	-	14,265	-	-
Total Liabilities	-	14,265	12	1,810
FUND BALANCES				
Restricted	<u>64</u>	<u>365</u>	<u>760</u>	<u>13,635</u>
Total Fund Balances	<u>64</u>	<u>365</u>	<u>760</u>	<u>13,635</u>
Total Liabilities and Fund Balances	<u>\$ 64</u>	<u>\$ 14,630</u>	<u>\$ 772</u>	<u>\$ 15,445</u>

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
December 31, 2011
(In Thousands)

	2009 Multipurpose Long-Term General Obligation Bond	2010 Multipurpose Long-Term General Obligation Bond	2011 Multipurpose Long-Term General Obligation Bond	Comparative Totals	
				2011	2010
ASSETS					
Cash and Equity in Pooled Investments	\$ 22,714	\$ 46,598	\$ 70,733	\$ 233,330	\$ 191,864
Receivables, Net of Allowances					
Taxes	-	-	-	1,023	1,242
Special Assessments - Delinquent	-	-	-	195	154
Interest and Dividends	18	33	49	166	198
Due from Other Funds	31	19	35	155	1,429
Due from Other Governments	-	-	-	744	2,812
Deferred Charges and Other Assets	-	-	-	14,265	16,572
Total Assets	<u>\$ 22,763</u>	<u>\$ 46,650</u>	<u>\$ 70,817</u>	<u>\$ 249,878</u>	<u>\$ 214,271</u>
LIABILITIES					
Accounts Payable	\$ 525	\$ 533	\$ 437	\$ 4,246	\$ 3,323
Contracts Payable	88	126	21	506	1,456
Due to Other Funds	4,262	5,274	6,050	18,536	8,330
Due to Other Governments	-	-	-	-	8
Deposits Payable	-	-	-	14	14
Revenue Collected/Billed in Advance - Current	-	-	-	270	150
Deferred Revenues	-	-	-	15,119	17,594
Total Liabilities	4,875	5,933	6,508	38,691	30,875
FUND BALANCES					
Restricted	<u>17,888</u>	<u>40,717</u>	<u>64,309</u>	<u>211,187</u>	<u>183,396</u>
Total Fund Balances	<u>17,888</u>	<u>40,717</u>	<u>64,309</u>	<u>211,187</u>	<u>183,396</u>
Total Liabilities and Fund Balances	<u>\$ 22,763</u>	<u>\$ 46,650</u>	<u>\$ 70,817</u>	<u>\$ 249,878</u>	<u>\$ 214,271</u>

Nonmajor Governmental Funds

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**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
PERMANENT
December 31, 2011
(In Thousands)**

	<u>H. H. Dearborn</u>	<u>Beach Maintenance Trust</u>	<u>Comparative Totals</u>	
			<u>2011</u>	<u>2010</u>
ASSETS				
Cash and Equity in Pooled Investments	\$ 158	\$ 2,009	\$ 2,167	\$ 2,200
Receivables, Net of Allowances				
Interest and Dividends	-	3	3	1
Total Assets	<u>\$ 158</u>	<u>\$ 2,012</u>	<u>\$ 2,170</u>	<u>\$ 2,201</u>
LIABILITIES				
Due to Other Funds	\$ -	\$ -	\$ -	\$ 10
Total Liabilities	-	-	-	10
FUND BALANCES				
Nonspendable	50	2,000	2,050	2,050
Restricted	108	12	120	141
Total Fund Balances	<u>158</u>	<u>2,012</u>	<u>2,170</u>	<u>2,191</u>
Total Liabilities and Fund Balances	<u>\$ 158</u>	<u>\$ 2,012</u>	<u>\$ 2,170</u>	<u>\$ 2,201</u>

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

For the Year Ended December 31, 2011

(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Comparative Totals	
					2011	2010
REVENUES						
Taxes	\$ 41,379	\$ 17,374	\$ 35,889	\$ -	\$ 94,642	\$ 89,269
Grants, Shared Revenues, and Contributions	65,024	530	2,549	-	68,103	83,492
Charges for Services	48,378	-	-	-	48,378	43,934
Fines and Forfeits	38	-	-	-	38	56
Parking Fees and Space Rent	19,339	326	-	-	19,665	19,465
Program Income, Interest, and Miscellaneous Revenues	3,919	655	2,804	19	7,397	4,845
Total Revenues	178,077	18,885	41,242	19	238,223	241,061
EXPENDITURES						
Current						
General Government	25,199	-	-	-	25,199	30,811
Public Safety	6,564	-	-	-	6,564	7,286
Physical Environment	377	-	-	-	377	354
Transportation	683	-	-	-	683	637
Economic Environment	59,083	-	-	-	59,083	60,770
Health and Human Services	73,100	-	-	-	73,100	73,956
Culture and Recreation	153,425	-	-	-	153,425	154,299
Capital Outlay						
General Government	-	-	8,406	-	8,406	7,798
Public Safety	15	-	3,950	-	3,965	19,157
Culture and Recreation	595	-	26,031	30	26,656	40,825
Debt Service						
Principal	-	44,306	1,430	-	45,736	43,550
Interest	-	25,870	642	-	26,512	24,317
Bond Issuance Cost	-	-	369	-	369	1,303
Total Expenditures	319,041	70,176	40,828	30	430,075	465,063
Excess (Deficiency) of Revenues over Expenditures	(140,964)	(51,291)	414	(11)	(191,852)	(224,002)
OTHER FINANCING SOURCES (USES)						
Long-Term Debt Issued	10,005	-	69,180	-	79,185	85,325
Refunding Debt Issued	-	-	-	-	-	115,185
Premium on Bonds Issued	682	-	4,499	-	5,181	13,270
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	(125,170)
Sales of Capital Assets	20	-	-	-	20	1
Transfers In	144,231	51,150	219	-	195,600	195,931
Transfers Out	(8,925)	-	(46,521)	(10)	(55,456)	(60,242)
Total Other Financing Sources (Uses)	146,013	51,150	27,377	(10)	224,530	224,300
Net Change in Fund Balance	5,049	(141)	27,791	(21)	32,678	298
Fund Balances - Beginning of Year	41,785	10,640	183,396	2,191	238,012	237,714
Fund Balances - End of Year	\$ 46,834	\$ 10,499	\$ 211,187	\$ 2,170	\$ 270,690	\$ 238,012

Nonmajor Governmental Funds

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COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

Page 1 of 4

IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE

For the Year Ended December 31, 2011

(In Thousands)

	Park and Recreation	Seattle Streetcar	Key Arena Settlement Proceeds	Pike Place Market Renovation
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 12,422
Grants, Shared Revenues, and Contributions	340	406	-	-
Charges for Services	32,551	482	-	-
Fines and Forfeits	3	-	-	-
Parking Fees and Space Rent	4,997	-	-	-
Program Income, Interest, and Miscellaneous Revenues	1,160	(28)	-	17
Total Revenues	39,051	860	-	12,439
EXPENDITURES				
Current				
General Government	-	-	-	17,791
Public Safety	-	-	-	-
Physical Environment	-	-	-	-
Transportation	-	683	-	-
Economic Environment	-	-	-	-
Health and Human Services	-	-	-	-
Culture and Recreation	117,255	-	136	-
Capital Outlay				
Public Safety	-	-	-	-
Culture and Recreation	182	-	197	-
Total Expenditures	117,437	683	333	17,791
Excess (Deficiency) of Revenues over Expenditures	(78,386)	177	(333)	(5,352)
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	-	-	-	10,005
Premium on Bonds Issued	-	-	-	682
Sales of Capital Assets	20	-	-	-
Transfers In	78,230	-	-	-
Transfers Out	(923)	-	-	(3,900)
Total Other Financing Sources (Uses)	77,327	-	-	6,787
Net Change in Fund Balance	(1,059)	177	(333)	1,435
Fund Balances - Beginning of Year	8,176	(3,465)	1,015	(2,013)
Fund Balances - End of Year	\$ 7,117	\$ (3,288)	\$ 682	\$ (578)

D-7 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 Page 2 of 4
 IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE
 For the Year Ended December 31, 2011
 (In Thousands)

	Seattle Center	Human Services Operating	Office of Housing	Housing and Community Development Revenue Sharing
REVENUES				
Taxes	\$ -	\$ -	\$ 1,938	\$ -
Grants, Shared Revenues, and Contributions	45	50,668	1,127	9,412
Charges for Services	5,897	1,267	752	-
Fines and Forfeits	-	35	-	-
Parking Fees and Space Rent	14,315	-	27	-
Program Income, Interest, and Miscellaneous Revenues	109	366	333	378
Total Revenues	20,366	52,336	4,177	9,790
EXPENDITURES				
Current				
General Government	-	7,408	-	-
Public Safety	-	5,289	-	-
Physical Environment	-	-	-	-
Transportation	-	-	-	-
Economic Environment	-	37,203	3,946	10,305
Health and Human Services	-	55,281	-	-
Culture and Recreation	34,145	-	-	-
Capital Outlay				
Public Safety	-	-	-	-
Culture and Recreation	93	-	-	-
Total Expenditures	34,238	105,181	3,946	10,305
Excess (Deficiency) of Revenues over Expenditures	(13,872)	(52,845)	231	(515)
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	-	-	-	-
Premium on Bonds Issued	-	-	-	-
Sales of Capital Assets	-	-	-	-
Transfers In	12,920	52,311	770	-
Transfers Out	(233)	-	-	-
Total Other Financing Sources (Uses)	12,687	52,311	770	-
Net Change in Fund Balance	(1,185)	(534)	1,001	(515)
Fund Balances - Beginning of Year	1,896	6,467	702	1,123
Fund Balances - End of Year	\$ 711	\$ 5,933	\$ 1,703	\$ 608

Nonmajor Governmental Funds

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COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

Page 3 of 4

IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE

For the Year Ended December 31, 2011

(In Thousands)

	Education and Development Services	Business Improvement Areas	Seattle Transportation Benefit District	General Trust
REVENUES				
Taxes	\$ 16,612	\$ 10,407	\$ -	\$ -
Grants, Shared Revenues, and Contributions	202	-	-	1,149
Charges for Services	-	-	4,666	-
Fines and Forfeits	-	-	-	-
Parking Fees and Space Rent	-	-	-	-
Program Income, Interest, and Miscellaneous Revenues	145	25	(1)	1,251
	16,959	10,432	4,665	2,400
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	149	-	-	692
Physical Environment	-	-	-	-
Transportation	-	-	-	-
Economic Environment	-	7,375	-	-
Health and Human Services	17,808	-	-	-
Culture and Recreation	-	-	-	118
Capital Outlay				
Public Safety	-	-	-	(4)
Culture and Recreation	-	-	-	2
	17,957	7,375	-	808
Total Expenditures	17,957	7,375	-	808
Excess (Deficiency) of Revenues over Expenditures	(998)	3,057	4,665	1,592
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	-	-	-	-
Premium on Bonds Issued	-	-	-	-
Sales of Capital Assets	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	(3,720)	(48)
	-	-	(3,720)	(48)
Total Other Financing Sources (Uses)	-	-	(3,720)	(48)
Net Change in Fund Balance	(998)	3,057	945	1,544
Fund Balances - Beginning of Year	15,258	717	-	2,442
Fund Balances - End of Year	\$ 14,260	\$ 3,774	\$ 945	\$ 3,986

D-7 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 Page 4 of 4 IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE
 For the Year Ended December 31, 2011
 (In Thousands)

	Municipal Arts	General Donations and Gift Trust	Comparative Totals	
			2011	2010
REVENUES				
Taxes	\$ -	\$ -	\$ 41,379	\$ 37,011
Grants, Shared Revenues, and Contributions	-	1,675	65,024	73,426
Charges for Services	2,763	-	48,378	43,934
Fines and Forfeits	-	-	38	56
Parking Fees and Space Rent	-	-	19,339	19,220
Program Income, Interest, and Miscellaneous Revenues	72	92	3,919	1,595
Total Revenues	2,835	1,767	178,077	175,242
EXPENDITURES				
Current				
General Government	-	-	25,199	30,811
Public Safety	-	434	6,564	7,286
Physical Environment	-	377	377	354
Transportation	-	-	683	637
Economic Environment	-	254	59,083	60,770
Health and Human Services	-	11	73,100	73,956
Culture and Recreation	1,743	28	153,425	154,299
Capital Outlay				
Public Safety	-	19	15	410
Culture and Recreation	-	121	595	6,412
Total Expenditures	1,743	1,244	319,041	334,935
Excess (Deficiency) of Revenues over Expenditures	1,092	523	(140,964)	(159,693)
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	-	-	10,005	4,375
Premium on Bonds Issued	-	-	682	425
Sales of Capital Assets	-	-	20	1
Transfers In	-	-	144,231	150,096
Transfers Out	-	(101)	(8,925)	(6,352)
Total Other Financing Sources (Uses)	-	(101)	146,013	148,545
Net Change in Fund Balance	1,092	422	5,049	(11,148)
Fund Balances - Beginning of Year	5,788	3,679	41,785	52,933
Fund Balances - End of Year	\$ 6,880	\$ 4,101	\$ 46,834	\$ 41,785

Nonmajor Governmental Funds

**D-8 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE
For the Year Ended December 31, 2011
(In Thousands)**

	General Bond Interest and Redemption	Interfund Notes Payable – Local Improvement Districts	Local Improvement Guaranty	Comparative Totals	
				2011	2010
REVENUES					
Taxes	\$ 17,374	\$ -	\$ -	\$ 17,374	\$ 16,362
Grants, Shared Revenues, and Contributions	528	2	-	530	882
Parking Fees and Space Rent	326	-	-	326	245
Program Income, Interest, and Miscellaneous Revenues	647	1	7	655	647
Total Revenues	18,875	3	7	18,885	18,136
EXPENDITURES					
Debt Service					
Principal	44,306	-	-	44,306	41,580
Interest	25,870	-	-	25,870	23,600
Total Expenditures	70,176	-	-	70,176	65,180
Excess (Deficiency) of Revenues over Expenditures	(51,301)	3	7	(51,291)	(47,044)
OTHER FINANCING SOURCES (USES)					
Refunding Debt Issued	-	-	-	-	115,185
Premium on Bonds Issued	-	-	-	-	9,985
Payment to Refunded Bond Escrow Agent	-	-	-	-	(125,170)
Transfers In	51,150	-	-	51,150	45,635
Total Other Financing Sources (Uses)	51,150	-	-	51,150	45,635
Net Change in Fund Balance	(151)	3	7	(141)	(1,409)
Fund Balances - Beginning of Year	9,804	5	831	10,640	12,049
Fund Balances - End of Year	\$ 9,653	\$ 8	\$ 838	\$ 10,499	\$ 10,640

IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS

For the Year Ended December 31, 2011

(In Thousands)

	2005 Multipurpose Long-Term General Obligation Bond	Transportation Bond	Public Safety Facilities and Equipment	Shoreline Park Improvement	Community Improvement
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Grants, Shared Revenues, and Contributions	-	-	-	-	-
Program Income, Interest, and Miscellaneous Revenues	-	1	24	(44)	1
Total Revenues	-	1	24	(44)	1
EXPENDITURES					
Capital Outlay					
General Government	-	-	-	-	-
Public Safety	-	-	91	-	-
Culture and Recreation	-	-	-	444	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Bond Issuance Cost	-	-	-	-	-
Total Expenditures	-	-	91	444	-
Excess (Deficiency) of Revenues over Expenditures	-	1	(67)	(488)	1
OTHER FINANCING SOURCES (USES)					
Long-Term Debt Issued	-	-	-	-	-
Premium on Bonds Issued	-	-	-	-	-
Transfers In	-	-	-	-	-
Transfers Out	(82)	(531)	-	-	-
Total Other Financing Sources (Uses)	(82)	(531)	-	-	-
Net Change in Fund Balance	(82)	(530)	(67)	(488)	1
Fund Balances - Beginning of Year	84	536	560	1,838	49
Fund Balances - End of Year	\$ 2	\$ 6	\$ 493	\$ 1,350	\$ 50

Nonmajor Governmental Funds

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COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

Page 2 of 6

IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS

For the Year Ended December 31, 2011

(In Thousands)

	City Facilities Renovation and Improvement	Conservation Futures	Open Spaces and Trails Bond	Seattle Center and Parks Multipurpose Levy
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 24,145
Grants, Shared Revenues, and Contributions	-	-	-	550
Program Income, Interest, and Miscellaneous Revenues	-	1	3	324
Total Revenues	-	1	3	25,019
EXPENDITURES				
Capital Outlay				
General Government	-	-	-	-
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	20,212
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Bond Issuance Cost	-	-	-	-
Total Expenditures	-	-	-	20,212
Excess (Deficiency) of Revenues over Expenditures	-	1	3	4,807
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	-	-	-	-
Premium on Bonds Issued	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	(2,586)
Total Other Financing Sources (Uses)	-	-	-	(2,586)
Net Change in Fund Balance	-	1	3	2,221
Fund Balances - Beginning of Year	87	30	308	31,653
Fund Balances - End of Year	\$ 87	\$ 31	\$ 311	\$ 33,874

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS

For the Year Ended December 31, 2011
(In Thousands)

	Denny Triangle Public Amenity	Seattle Center Redevelopment/ Parks Community Center	Municipal Civic Center	South Police Stations
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Grants, Shared Revenues, and Contributions	-	202	-	-
Program Income, Interest, and Miscellaneous Revenues	-	23	11	-
Total Revenues	-	225	11	-
EXPENDITURES				
Capital Outlay				
General Government	-	-	1	-
Public Safety	-	-	-	-
Culture and Recreation	-	978	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Bond Issuance Cost	-	-	-	-
Total Expenditures	-	978	1	-
Excess (Deficiency) of Revenues over Expenditures	-	(753)	10	-
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	-	-	-	-
Premium on Bonds Issued	-	-	-	-
Transfers In	-	200	-	-
Transfers Out	(8)	-	-	(7)
Total Other Financing Sources (Uses)	(8)	200	-	(7)
Net Change in Fund Balance	(8)	(553)	10	(7)
Fund Balances - Beginning of Year	54	2,865	1,276	9
Fund Balances - End of Year	\$ 46	\$ 2,312	\$ 1,286	\$ 2

Nonmajor Governmental Funds

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COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

Page 4 of 6

IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS

For the Year Ended December 31, 2011

(In Thousands)

	Public Safety Information Technology	2003 Fire Facilities	2002B Long-Term General Obligation Project	2003 Long-Term General Obligation Project
REVENUES				
Taxes	\$ -	\$ 11,737	\$ -	\$ -
Grants, Shared Revenues, and Contributions	-	524	-	-
Program Income, Interest, and Miscellaneous Revenues	-	263	3	2
Total Revenues	-	12,524	3	2
EXPENDITURES				
Capital Outlay				
General Government	-	-	-	-
Public Safety	-	3,859	-	-
Culture and Recreation	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Bond Issuance Cost	-	-	-	-
Total Expenditures	-	3,859	-	-
Excess (Deficiency) of Revenues over Expenditures	-	8,665	3	2
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	-	-	-	-
Premium on Bonds Issued	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	(43)	(90)	(624)	(326)
Total Other Financing Sources (Uses)	(43)	(90)	(624)	(326)
Net Change in Fund Balance	(43)	8,575	(621)	(324)
Fund Balances - Beginning of Year	578	24,467	632	335
Fund Balances - End of Year	\$ 535	\$ 33,042	\$ 11	\$ 11

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS

For the Year Ended December 31, 2011
(In Thousands)

	2006 Multipurpose Long-Term General Obligation Bond	Local Improvement, District No. 6750	2007 Multipurpose Long-Term General Obligation Bond	2008 Multipurpose Long-Term General Obligation Bond
REVENUES				
Taxes	\$ -	\$ 7	\$ -	\$ -
Grants, Shared Revenues, and Contributions	-	1,273	-	-
Program Income, Interest, and Miscellaneous Revenues	1	717	12	157
Total Revenues	1	1,997	12	157
EXPENDITURES				
Capital Outlay				
General Government	20	-	-	4,142
Public Safety	-	-	-	-
Culture and Recreation	-	-	141	-
Debt Service				
Principal	-	1,430	-	-
Interest	-	642	-	-
Bond Issuance Cost	-	-	-	-
Total Expenditures	20	2,072	141	4,142
Excess (Deficiency) of Revenues over Expenditures	(19)	(75)	(129)	(3,985)
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	-	-	-	-
Premium on Bonds Issued	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	(907)	(2,047)
Total Other Financing Sources (Uses)	-	-	(907)	(2,047)
Net Change in Fund Balance	(19)	(75)	(1,036)	(6,032)
Fund Balances - Beginning of Year	83	440	1,796	19,667
Fund Balances - End of Year	\$ 64	\$ 365	\$ 760	\$ 13,635

Nonmajor Governmental Funds

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COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

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IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS

For the Year Ended December 31, 2011

(In Thousands)

	2009 Multipurpose Long-Term General Obligation Bond	2010 Multipurpose Long-Term General Obligation Bond	2011 Multipurpose Long-Term General Obligation Bond	Comparative Totals	
				2011	2010
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ 35,889	\$ 35,896
Grants, Shared Revenues, and Contributions	-	-	-	2,549	9,184
Program Income, Interest, and Miscellaneous Revenues	273	452	580	2,804	2,586
Total Revenues	273	452	580	41,242	47,666
EXPENDITURES					
Capital Outlay					
General Government	522	3,566	155	8,406	7,798
Public Safety	-	-	-	3,950	18,747
Culture and Recreation	1,243	23	2,990	26,031	34,294
Debt Service					
Principal	-	-	-	1,430	1,970
Interest	-	-	-	642	717
Bond Issuance Cost	-	-	369	369	1,303
Total Expenditures	1,765	3,589	3,514	40,828	64,829
Excess (Deficiency) of Revenues over Expenditures	(1,492)	(3,137)	(2,934)	414	(17,163)
OTHER FINANCING SOURCES (USES)					
Long-Term Debt Issued	-	-	69,180	69,180	80,950
Premium on Bonds Issued	-	-	4,499	4,499	2,860
Transfers In	-	19	-	219	200
Transfers Out	(18,041)	(14,793)	(6,436)	(46,521)	(53,880)
Total Other Financing Sources (Uses)	(18,041)	(14,774)	67,243	27,377	30,130
Net Change in Fund Balance	(19,533)	(17,911)	64,309	27,791	12,967
Fund Balances - Beginning of Year	37,421	58,628	-	183,396	170,429
Fund Balances - End of Year	<u>\$ 17,888</u>	<u>\$ 40,717</u>	<u>\$ 64,309</u>	<u>\$ 211,187</u>	<u>\$ 183,396</u>

**D-10 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
PERMANENT
For the Year Ended December 31, 2011
(In Thousands)**

	<u>H. H. Dearborn</u>	<u>Beach Maintenance Trust</u>	<u>Comparative Totals</u>	
			<u>2011</u>	<u>2010</u>
REVENUES				
Program Income, Interest, and Miscellaneous Revenues	\$ 1	\$ 18	\$ 19	\$ 17
Total Revenues	1	18	19	17
EXPENDITURES				
Capital Outlay Culture and Recreation	-	30	30	119
Total Expenditures	-	30	30	119
Excess (Deficiency) of Revenues over Expenditures	1	(12)	(11)	(102)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(10)	-	(10)	(10)
Total Other Financing Sources (Uses)	(10)	-	(10)	(10)
Net Change in Fund Balance	(9)	(12)	(21)	(112)
Fund Balances - Beginning of Year	167	2,024	2,191	2,303
Fund Balances - End of Year	\$ 158	\$ 2,012	\$ 2,170	\$ 2,191

Budget and Actual

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GENERAL FUND

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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN

FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended December 31, 2011

(In Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
REVENUES				
Taxes				
General Property Taxes	\$ 253,655	\$ 254,239	\$ -	\$ 584
Retail Sales and Use Taxes	151,390	158,582	-	7,192
Business Taxes	233,270	231,162	-	(2,108)
Excise Taxes	33,180	35,316	-	2,136
Other Taxes	-	3,126	-	3,126
Interfund Business Taxes	111,073	108,541	-	(2,532)
Total Taxes	782,568	790,966	-	8,398
Licenses and Permits	18,375	18,817	-	442
Grants, Shared Revenues, and Contributions	79,069	43,384	-	(35,685)
Charges for Services	52,169	53,650	-	1,481
Fines and Forfeits	35,870	32,455	-	(3,415)
Parking Fees and Space Rent	35,324	30,635	-	(4,689)
Program Income, Interest, and Miscellaneous Revenues	27,122	23,764	-	(3,358)
Total Revenues	1,030,497	993,671	-	(36,826)
EXPENDITURES AND ENCUMBRANCES				
CITY AUDITOR	1,072	905	98	69
CITY BUDGET OFFICE	4,158	3,864	14	280
CIVIL SERVICE COMMISSION	233	236	-	(3)
CRIMINAL JUSTICE				
Jail Services	18,332	13,961	-	4,371
Indigent Defense Services	6,044	5,551	-	493
Municipal Jail	6	-	-	6
Total Criminal Justice	24,382	19,512	-	4,870
ETHICS AND ELECTIONS	764	733	-	31
EXECUTIVE				
Sustainability and Environment	19,887	9,235	242	10,410
Mayor's Office	3,638	3,225	45	368
Economic Development	9,557	7,256	621	1,680
Intergovernmental Relations	2,092	1,888	-	204
Civil Rights	2,400	2,323	-	77
Total Department	37,574	23,927	908	12,739

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN

FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended December 31, 2011

(In Thousands)

	Final Budget	Actual	Encumbrances	Variance
FINANCE GENERAL				
Appropriations to Special Purpose Funds	\$ 29,865	\$ 27,402	\$ -	\$ 2,463
Reserves	28,985	27,320	149	1,516
Support to Operating Funds	41,238	41,190	-	48
Transferred Programs	2,133	778	21	1,334
Support to Parks Capital Expenditures	177	2	-	175
Total Finance General	102,398	96,692	170	5,536
FIRE				
Administration	15,318	14,245	-	1,073
Risk Management	2,703	2,625	61	17
Operations	133,840	132,961	341	538
Fire Prevention	6,465	6,408	-	57
Grants and Reimbursables	16,522	7,313	-	9,209
Total Department	174,848	163,552	402	10,894
HEARING EXAMINER	571	560	-	11
LAW				
Administration	1,758	1,603	-	155
Civil Law	10,439	9,995	63	381
Criminal Prosecution	6,352	6,013	-	339
Total Department	18,549	17,611	63	875
LEGISLATIVE	12,080	11,101	111	868
LIBRARY	220	207	-	13
MUNICIPAL COURT				
Court Operations	15,220	14,952	-	268
Corporate Services	6,082	5,837	82	163
Court Compliance	5,084	5,066	-	18
Total Department	26,386	25,855	82	449
NEIGHBORHOODS				
Director's Office	1,226	1,170	-	56
Customer Service and Operations	3,311	3,283	-	28
Community Building	2,610	2,532	-	78
Youth Violence Prevention	3,562	3,428	8	126
Total Department	10,709	10,413	8	288

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GENERAL FUND

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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN

FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended December 31, 2011

(In Thousands)

	Final Budget	Actual	Encumbrances	Variance
PERSONNEL				
Employment and Training	\$ 3,093	\$ 3,008	\$ 71	\$ 14
Employee Health Services	2,677	2,595	-	82
Citywide Personnel	1,864	1,855	-	9
Labor Relations and Class Compensation	3,915	3,795	-	120
	11,549	11,253	71	225
TOTAL DEPARTMENT				
POLICE				
Chief of Police	26,955	13,979	-	12,976
Professional Accountability	1,803	1,797	-	6
Chief of Staff Program	25,152	24,562	-	590
Deputy Chief Operations	867	862	-	5
Special Operations Bureau	40,631	40,203	-	428
Patrol Operations Program	1,820	1,808	-	12
West Precinct Patrol	29,039	28,910	-	129
North Precinct Patrol	30,294	30,147	-	147
South Precinct Patrol	17,310	17,225	-	85
East Precinct Patrol	22,580	22,470	-	110
Southwest Precinct Patrol	14,842	14,762	-	80
Criminal Investigation Administration	8,281	7,864	-	417
Violent Crimes Investigation	6,743	6,700	-	43
Narcotics Investigation	4,401	4,381	-	20
Special Investigations	4,086	4,065	-	21
Special Victims Program	5,845	5,819	-	26
Field Support Administration	35,075	33,702	369	1,004
	275,724	259,256	369	16,099
TOTAL DEPARTMENT				
PUBLIC SAFETY CIVIL SERVICE COMMISSION	149	137	-	12
JUDGMENTS/CLAIMS				
Judgments and Claims	13,750	10,899	-	2,851
Police Actions	4,630	3,394	-	1,236
	18,380	14,293	-	4,087
TOTAL JUDGMENTS/CLAIMS				
ARTS ACCOUNT	4,832	4,365	255	212
CABLE TELEVISION FRANCHISE	7,543	7,543	-	-
CUMULATIVE RESERVE				
Real Estate Excise Tax I	20,574	5,570	-	15,004
Real Estate Excise Tax II	10,787	6,164	-	4,623
Capital Projects Asset Preservation	8,697	4,665	-	4,032
Unrestricted	40,069	13,744	-	26,325
	80,127	30,143	-	49,984
TOTAL CUMULATIVE RESERVE				

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended December 31, 2011
 (In Thousands)

	Final Budget	Actual	Encumbrances	Variance
NEIGHBORHOOD MATCHING	\$ 7,475	\$ 3,018	\$ -	\$ 4,457
EMERGENCY	233	18	-	215
TRANSIT BENEFIT	415	-	-	415
SPECIAL EMPLOYMENT	221	-	-	221
INDUSTRIAL INSURANCE	3,439	189	-	3,250
UNEMPLOYMENT COMPENSATION	300	-	-	300
HEALTH CARE	22,256	11,571	-	10,685
GROUP TERM LIFE INSURANCE	5,240	4,801	-	439
Total Expenditures and Encumbrances	<u>851,827</u>	<u>721,755</u>	<u>2,551</u>	<u>127,521</u>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	178,670	271,916	(2,551)	90,695
OTHER FINANCING SOURCES (USES)				
Sales of Capital Assets	23,004	21,326	-	(1,678)
Transfers In	5,821	4,537	-	(1,284)
Transfers Out	<u>(280,578)</u>	<u>(272,264)</u>	-	<u>8,314</u>
Total Other Financing Sources (Uses)	<u>(251,753)</u>	<u>(246,401)</u>	-	<u>5,352</u>
Net Change in Fund Balance	<u>\$ (73,083)</u>	25,515	<u>\$ (2,551)</u>	<u>\$ 96,047</u>
Fund Balance - Beginning of Year		<u>167,036</u>		
Fund Balance - End of Year		<u>\$ 192,551</u>		

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TRANSPORTATION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2011
(In Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
REVENUES				
Taxes				
General Property Taxes	\$ 40,141	\$ 40,325	\$ -	\$ 184
Business Taxes	22,387	28,300	-	5,913
Other Taxes	-	303	-	303
Total Taxes	<u>62,528</u>	<u>68,928</u>	-	6,400
Licenses and Permits	1,917	4,149	-	2,232
Grants, Shared Revenues, and Contributions	60,213	43,326	-	(16,887)
Charges for Services	61,266	65,403	-	4,137
Fines and Forfeits	-	36	-	36
Parking Fees and Space Rent	-	38	-	38
Program Income, Interest, and Miscellaneous Revenues	-	107	-	107
Total Revenues	<u>185,924</u>	<u>181,987</u>	-	(3,937)
EXPENDITURES AND ENCUMBRANCES				
Bridges and Structures	7,646	7,003	-	643
Engineering Services	2,301	2,020	50	231
Mobility Operations	37,637	29,510	-	8,127
Right-of-Way Management	12,135	9,257	-	2,878
Street Maintenance	30,224	21,921	-	8,303
Urban Forestry	4,103	3,911	-	192
Department Management	702	(15)	-	717
General Expense	22,787	5,915	-	16,872
Major Maintenance/Replacement	125,079	46,892	-	78,187
Major Projects	204,710	84,107	-	120,603
Mobility Capital	85,442	39,151	-	46,291
Total Expenditures and Encumbrances	<u>532,766</u>	<u>249,672</u>	<u>50</u>	<u>283,044</u>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(346,842)	(67,685)	(50)	279,107
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	4,200	248	-	(3,952)
Sales of Capital Assets	-	19,800	-	19,800
Transfers In	50,549	92,087	-	41,538
Transfers Out	-	(16,227)	-	(16,227)
Total Other Financing Sources (Uses)	<u>54,749</u>	<u>95,908</u>	-	41,159
Net Change in Fund Balance	<u>\$ (292,093)</u>	<u>28,223</u>	<u>\$ (50)</u>	<u>\$ 320,266</u>
Fund Balance - Beginning of Year		<u>33,208</u>		
Fund Balance - End of Year		<u>\$ 61,431</u>		

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LOW-INCOME HOUSING FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2011
(In Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
REVENUES				
Taxes				
General Property Taxes	\$ 18,975	\$ 18,645	\$ -	\$ (330)
Grants, Shared Revenues, and Contributions	18,136	11,176	-	(6,960)
Charges for Services	3,685	19	-	(3,666)
Program Income, Interest, and Miscellaneous Revenues	<u>15,785</u>	<u>8,281</u>	<u>-</u>	<u>(7,504)</u>
Total Revenues	56,581	38,121	-	(18,460)
EXPENDITURES AND ENCUMBRANCES				
Community Development	46	-	-	46
Administration and Management	4,764	-	-	4,764
Multifamily Production and Preservation	90,965	15,069	51	75,845
Homeownership and Sustainability	<u>25,421</u>	<u>11,364</u>	<u>10</u>	<u>14,047</u>
Total Expenditures and Encumbrances	<u>121,196</u>	<u>26,433</u>	<u>61</u>	<u>94,702</u>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(64,615)	11,688	(61)	76,242
OTHER FINANCING SOURCES (USES)				
Sales of Capital Assets	-	15	-	15
Transfers Out	<u>-</u>	<u>(265)</u>	<u>-</u>	<u>(265)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(250)</u>	<u>-</u>	<u>(250)</u>
Net Change in Fund Balance	<u>\$ (64,615)</u>	11,438	<u>\$ (61)</u>	<u>\$ 75,992</u>
Fund Balance - Beginning of Year		<u>75,150</u>		
Fund Balance - End of Year		<u>\$ 86,588</u>		

D-14

PARK AND RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2011
(In Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
REVENUES				
Grants, Shared Revenues, and Contributions	\$ 605	\$ 340	\$ -	\$ (265)
Charges for Services	37,387	32,551	-	(4,836)
Fines and Forfeits	-	3	-	3
Parking Fees and Space Rent	1,335	4,997	-	3,662
Program Income, Interest, and Miscellaneous Revenues	1,111	1,160	-	49
Total Revenues	40,438	39,051	-	(1,387)
EXPENDITURES AND ENCUMBRANCES				
Gasworks Park Contamination Remediation	22	22	-	-
Swimming, Boating, and Aquatics	7,492	7,461	-	31
Recreation Facilities and Programs	21,866	21,496	-	370
Facility and Structure Maintenance	13,193	12,844	27	322
Park Cleaning, Landscaping, and Restoration	24,644	23,898	34	712
Seattle Conservation Corps	4,087	3,330	-	757
Seattle Aquarium	4,042	3,759	-	283
Woodland Park Zoo	6,484	6,327	-	157
Planning, Development, and Acquisition	7,229	5,970	-	1,259
Judgments and Claims	1,408	1,408	-	-
Finance and Administration	9,677	9,130	-	547
Policy Direction and Leadership	3,734	3,526	-	208
Golf	8,852	8,310	-	542
Golf Capital Reserve	435	-	-	435
Environmental Learning and Programs	3,749	3,687	-	62
Natural Resources Management	6,468	6,269	-	199
Total Expenditures and Encumbrances	123,382	117,437	61	5,884
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(82,944)	(78,386)	(61)	4,497
OTHER FINANCING SOURCES (USES)				
Sales of Capital Assets	-	20	-	20
Transfers In	79,606	78,230	-	(1,376)
Transfers Out	(1,057)	(923)	-	134
Total Other Financing Sources (Uses)	78,549	77,327	-	(1,222)
Net Change in Fund Balance	<u>\$ (4,395)</u>	<u>(1,059)</u>	<u>\$ (61)</u>	<u>\$ 3,275</u>
Fund Balance - Beginning of Year		<u>8,176</u>		
Fund Balance - End of Year		<u>\$ 7,117</u>		

D-15

LIBRARY FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2011
(In Thousands)

	Final Budget	Actual	Encumbrances	Variance
REVENUES				
Grants, Shared Revenues, and Contributions	\$ 6,184	\$ 4,120	\$ -	\$ (2,064)
Charges for Services	424	194	-	(230)
Fines and Forfeits	1,674	1,537	-	(137)
Parking Fees and Space Rent	938	667	-	(271)
Program Income, Interest, and Miscellaneous Revenues	(29)	156	-	185
Total Revenues	9,191	6,674	-	(2,517)
EXPENDITURES AND ENCUMBRANCES				
Administrative Services	8,283	8,283	-	-
City Librarian's Office	2,160	1,979	-	181
Library Capital Improvements	1	-	-	1
Library Grants	18	33	-	(15)
Library Services	39,650	38,888	-	762
Trusts and Memorials	11,719	4,287	-	7,432
Total Expenditures and Encumbrances	61,831	53,470	-	8,361
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(52,640)	(46,796)	-	5,844
OTHER FINANCING SOURCES (USES)				
Sales of Capital Assets	(474)	-	-	474
Transfers In	47,299	47,047	-	(252)
Transfers Out	(432)	(432)	-	-
Total Other Financing Sources (Uses)	46,393	46,615	-	222
Net Change in Fund Balance	\$ (6,247)	(181)	\$ -	\$ 6,066
Fund Balance - Beginning of Year		12,405		
Fund Balance - End of Year		\$ 12,224		

D-16

SEATTLE CENTER FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2011
(In Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
REVENUES				
Grants, Shared Revenues, and Contributions	\$ -	\$ 45	\$ -	\$ 45
Charges for Services	7,597	5,897	-	(1,700)
Parking Fees and Space Rent	13,115	14,315	-	1,200
Program Income, Interest, and Miscellaneous Revenues	37	109	-	72
Total Revenues	<u>20,749</u>	<u>20,366</u>	<u>-</u>	<u>(383)</u>
EXPENDITURES AND ENCUMBRANCES				
Access	1,103	1,102	-	1
Administration	7,473	7,465	-	8
Cultural Facilities	148	147	-	1
Commercial Events	923	922	-	1
Festivals	823	822	-	1
Campus Grounds	11,543	11,542	-	1
Judgments and Claims	932	931	-	1
Key Arena	5,490	5,488	-	2
McCaw Hall	3,842	3,841	-	1
Community Programs	1,979	1,978	-	1
Total Expenditures and Encumbrances	<u>34,256</u>	<u>34,238</u>	<u>-</u>	<u>18</u>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(13,507)	(13,872)	-	(365)
OTHER FINANCING SOURCES (USES)				
Transfers In	13,229	12,920	-	(309)
Transfers Out	(233)	(233)	-	-
Total Other Financing Sources (Uses)	<u>12,996</u>	<u>12,687</u>	<u>-</u>	<u>(309)</u>
Net Change in Fund Balance	<u>\$ (511)</u>	<u>(1,185)</u>	<u>\$ -</u>	<u>\$ (674)</u>
Fund Balance - Beginning of Year		<u>1,896</u>		
Fund Balance - End of Year		<u>\$ 711</u>		

D-17

HUMAN SERVICES OPERATING FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2011
(In Thousands)

	Final Budget	Actual	Encumbrances	Variance
REVENUES				
Grants, Shared Revenues, and Contributions	\$ 81,922	\$ 58,157	\$ -	\$ (23,765)
Charges for Services	1,385	1,267	-	(118)
Fines and Forfeits	25	35	-	10
Program Income, Interest, and Miscellaneous Revenues	62	366	-	304
Total Revenues	83,394	59,825	-	(23,569)
EXPENDITURES AND ENCUMBRANCES				
Area Agency on Aging	60,397	37,001	-	23,396
Community Facilities	480	165	-	315
Domestic Violence and Sexual Assault Prevention	4,947	4,450	-	497
Early Learning and Family Support	13,982	12,664	-	1,318
Emergency and Transitional Services	35,285	27,697	-	7,588
Leadership and Administration	8,052	7,621	13	418
Public Health Services	11,142	11,141	-	1
Self-Sufficiency	1,680	1,614	-	66
Youth Development and Achievement	10,500	10,317	-	183
Total Expenditures and Encumbrances	146,465	112,670	13	33,782
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(63,071)	(52,845)	(13)	10,213
OTHER FINANCING SOURCES (USES)				
Transfers In	51,963	52,311	-	348
Net Change in Fund Balance	<u>\$ (11,108)</u>	(534)	<u>\$ (13)</u>	<u>\$ 10,561</u>
Fund Balance - Beginning of Year		6,467		
Fund Balance - End of Year		<u>\$ 5,933</u>		

D-18

OFFICE OF HOUSING FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2011
(In Thousands)

	Final Budget	Actual	Encumbrances	Variance
REVENUES				
Taxes				
General Property Taxes	\$ -	\$ 1,938	\$ -	\$ 1,938
Grants, Shared Revenues, and Contributions	42	1,127	-	1,085
Charges for Services	4,036	752	-	(3,284)
Parking Fees and Space Rent	-	27	-	27
Program Income, Interest, and Miscellaneous Revenues	-	333	-	333
	4,078	4,177	-	99
EXPENDITURES AND ENCUMBRANCES				
Community Development	478	500	-	(22)
Administration and Management	1,846	1,310	-	536
Multifamily Production and Preservation	1,390	1,117	-	273
Homeownership and Sustainability	1,076	1,019	-	57
	4,790	3,946	-	844
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(712)	231	-	943
OTHER FINANCING SOURCES (USES)				
Transfers In	520	770	-	250
Net Change in Fund Balance	\$ (192)	1,001	\$ -	\$ 1,193
Fund Balance - Beginning of Year		702		
Fund Balance - End of Year		\$ 1,703		

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**Nonmajor
Enterprise Funds**

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NONMAJOR ENTERPRISE FUNDS

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, 2011
(In Thousands)

	<u>Planning and Development</u>	
	<u>2011</u>	<u>2010</u>
ASSETS		
<i>Current Assets</i>		
Operating Cash and Equity in Pooled Investments	\$ 13,738	\$ 11,480
Receivables, Net of Allowances		
Accounts	2,291	3,034
Interest and Dividends	9	8
Unbilled	33	37
Due from Other Funds	524	643
Due from Other Governments	507	472
Total Current Assets	17,102	15,674
<i>Noncurrent Assets</i>		
Restricted Cash and Equity in Pooled Investments	-	6
Unamortized Bond Issue Costs, Net	-	-
Capital Assets		
Land and Land Rights	-	-
Buildings and Improvements	-	-
Less Accumulated Depreciation	-	-
Machinery and Equipment	14,518	14,518
Less Accumulated Depreciation	(12,071)	(10,517)
Total Noncurrent Assets	2,447	4,007
Total Assets	19,549	19,681

Nonmajor Enterprise Funds

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COMBINING STATEMENT OF NET ASSETS

Page 2 of 4

NONMAJOR ENTERPRISE FUNDS

December 31, 2011

(In Thousands)

	Downtown Parking Garage		Comparative Totals	
	2011	2010	2011	2010
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 10	\$ 61	\$ 13,748	\$ 11,541
Receivables, Net of Allowances				
Accounts	105	79	2,396	3,113
Interest and Dividends	-	-	9	8
Unbilled	-	-	33	37
Due from Other Funds	-	-	524	643
Due from Other Governments	-	-	507	472
Total Current Assets	115	140	17,217	15,814
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	-	-	-	6
Unamortized Bond Issue Costs, Net	191	202	191	202
Capital Assets				
Land and Land Rights	12,881	12,881	12,881	12,881
Buildings and Improvements	60,131	60,131	60,131	60,131
Less Accumulated Depreciation	(26,057)	(24,052)	(26,057)	(24,052)
Machinery and Equipment	651	651	15,169	15,169
Less Accumulated Depreciation	(651)	(651)	(12,722)	(11,168)
Total Noncurrent Assets	47,146	49,162	49,593	53,169
Total Assets	47,261	49,302	66,810	68,983

COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
December 31, 2011
(In Thousands)

	<u>Planning and Development</u>	
	<u>2011</u>	<u>2010</u>
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	\$ 364	\$ 744
Salaries, Benefits, and Payroll Taxes Payable	853	784
Compensated Absences Payable	200	472
Due to Other Funds	124	272
Interest Payable	-	-
Deferred Bond Interest	-	-
Taxes Payable	-	-
General Obligation Bonds Due Within One Year	-	-
Claims Payable	55	61
Other Current Liabilities	29	10
Total Current Liabilities	<u>1,625</u>	<u>2,343</u>
<i>Noncurrent Liabilities</i>		
Compensated Absences Payable	2,520	2,193
Claims Payable	114	123
Vendor and Other Deposits Payable	-	6
General Obligation Bonds, Due Serially	-	-
Less Bonds Due Within One Year	-	-
Bond Discount and Premium, Net	-	-
Deferred Bond Interest	-	-
Less Accrued Interest Due Within One Year	-	-
Deferred Credits	10,594	10,810
Unfunded Other Post Employment Benefits	1,064	822
Total Noncurrent Liabilities	<u>14,292</u>	<u>13,954</u>
Total Liabilities	15,917	16,297
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	2,447	4,001
Unrestricted	1,185	(617)
Total Net Assets	<u>\$ 3,632</u>	<u>\$ 3,384</u>

Nonmajor Enterprise Funds

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COMBINING STATEMENT OF NET ASSETS

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NONMAJOR ENTERPRISE FUNDS

December 31, 2011

(In Thousands)

	Downtown Parking Garage		Comparative Totals	
	2011	2010	2011	2010
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 1,054	\$ 287	\$ 1,418	\$ 1,031
Salaries, Benefits, and Payroll Taxes Payable	-	-	853	784
Compensated Absences Payable	-	-	200	472
Due to Other Funds	2,346	1,221	2,470	1,493
Interest Payable	721	721	721	721
Deferred Bond Interest	1,213	1,058	1,213	1,058
Taxes Payable	73	86	73	86
General Obligation Bonds Due Within One Year	1,257	1,247	1,257	1,247
Claims Payable	-	-	55	61
Other Current Liabilities	-	-	29	10
	6,664	4,620	8,289	6,963
<i>Noncurrent Liabilities</i>				
Compensated Absences Payable	-	-	2,520	2,193
Claims Payable	-	-	114	123
Vendor and Other Deposits Payable	-	-	-	6
General Obligation Bonds, Due Serially	60,846	62,093	60,846	62,093
Less Bonds Due Within One Year	(1,257)	(1,247)	(1,257)	(1,247)
Bond Discount and Premium, Net	3,411	3,614	3,411	3,614
Deferred Bond Interest	2,885	3,552	2,885	3,552
Less Accrued Interest Due Within One Year	(1,213)	(1,058)	(1,213)	(1,058)
Deferred Credits	-	-	10,594	10,810
Unfunded Other Post Employment Benefits	-	-	1,064	822
	64,672	66,954	78,964	80,908
Total Liabilities	71,336	71,574	87,253	87,871
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	(20,907)	(21,019)	(18,460)	(17,018)
Unrestricted	(3,168)	(1,253)	(1,983)	(1,870)
Total Net Assets	\$ (24,075)	\$ (22,272)	\$ (20,443)	\$ (18,888)

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES

IN FUND NET ASSETS

NONMAJOR ENTERPRISE FUNDS

For the Year Ended December 31, 2011

(In Thousands)

	<u>Planning and Development</u>	
	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Charges for Services and Other Fees	\$ 36,467	\$ 30,412
OPERATING EXPENSES		
Operations and Maintenance	33,816	36,502
General and Administrative	10,984	11,564
City Business and Occupation Taxes	-	-
Other Taxes	-	-
Depreciation and Amortization	<u>1,554</u>	<u>1,632</u>
Total Operating Expenses	<u>46,354</u>	<u>49,698</u>
Operating Income (Loss)	(9,887)	(19,286)
NONOPERATING REVENUES (EXPENSES)		
Investment and Interest Income	105	90
Interest Expense	-	-
Amortization of Bonds Premiums	-	-
Amortization of Debt Costs	-	-
Contributions and Grants	<u>657</u>	<u>405</u>
Total Nonoperating Revenues (Expenses)	<u>762</u>	<u>495</u>
Income (Loss) Before Capital Contributions and Grants and Transfers	(9,125)	(18,791)
Transfers In	<u>9,373</u>	<u>10,100</u>
Change in Net Assets	248	(8,691)
Net Assets - Beginning of Year	<u>3,384</u>	<u>12,075</u>
Net Assets - End of Year	<u>\$ 3,632</u>	<u>\$ 3,384</u>

Nonmajor Enterprise Funds

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COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES

Page 2 of 2

IN FUND NET ASSETS

NONMAJOR ENTERPRISE FUNDS

For the Year Ended December 31, 2011

(In Thousands)

	Downtown Parking Garage		Comparative Totals	
	2011	2010	2011	2010
OPERATING REVENUES				
Charges for Services and Other Fees	\$ 5,937	\$ 6,580	\$ 42,404	\$ 36,992
OPERATING EXPENSES				
Operations and Maintenance	2,614	2,438	36,430	38,940
General and Administrative	-	-	10,984	11,564
City Business and Occupation Taxes	13	14	13	14
Other Taxes	28	31	28	31
Depreciation and Amortization	2,004	2,004	3,558	3,636
Total Operating Expenses	4,659	4,487	51,013	54,185
Operating Income (Loss)	1,278	2,093	(8,609)	(17,193)
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	-	1	105	91
Interest Expense	(3,273)	(3,352)	(3,273)	(3,352)
Amortization of Bonds Premiums	203	202	203	202
Amortization of Debt Costs	(11)	(11)	(11)	(11)
Contributions and Grants	-	-	657	405
Total Nonoperating Revenues (Expenses)	(3,081)	(3,160)	(2,319)	(2,665)
Income (Loss) Before Capital Contributions and Grants and Transfers	(1,803)	(1,067)	(10,928)	(19,858)
Transfers In	-	-	9,373	10,100
Change in Net Assets	(1,803)	(1,067)	(1,555)	(9,758)
Net Assets - Beginning of Year	(22,272)	(21,205)	(18,888)	(9,130)
Net Assets - End of Year	\$ (24,075)	\$ (22,272)	\$ (20,443)	\$ (18,888)

COMBINING STATEMENT OF CASH FLOWS

NONMAJOR ENTERPRISE FUNDS

For the Year Ended December 31, 2011

(In Thousands)

	<u>Planning and Development</u>	
	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 37,101	\$ 31,810
Cash Paid to Suppliers	(20,939)	(22,168)
Cash Paid to Employees	(24,045)	(25,761)
Cash Paid for Taxes	-	(2)
	<hr/>	<hr/>
Net Cash from Operating Activities	(7,883)	(16,121)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Grants	657	405
Transfers In	9,373	10,100
Proceeds from Interfund Loans	-	-
Principal Payments on Interfund Loans	-	-
	<hr/>	<hr/>
Net Cash from Noncapital Financing Activities	10,030	10,505
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Paid on Long-Term Debt	-	-
Capital Expenditures and Deferred Charges Paid	-	(49)
Interest Paid on Long-Term Debt	-	-
	<hr/>	<hr/>
Net Cash from Capital and Related Financing Activities	-	(49)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	105	98
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Equity in Pooled Investments	2,252	(5,567)
CASH AND EQUITY IN POOLED INVESTMENTS		
Beginning of Year	11,486	17,053
	<hr/>	<hr/>
End of Year	\$ 13,738	\$ 11,486
	<hr/>	<hr/>
CASH AT THE END OF THE YEAR CONSISTS OF		
Operating Cash and Equity in Pooled Investments	\$ 13,738	\$ 11,480
Noncurrent Restricted Cash and Equity in Pooled Investments	-	6
	<hr/>	<hr/>
Total Cash at the End of the Year	\$ 13,738	\$ 11,486
	<hr/>	<hr/>

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COMBINING STATEMENT OF CASH FLOWS

Page 2 of 4

NONMAJOR ENTERPRISE FUNDS

For the Year Ended December 31, 2011

(In Thousands)

	<u>Downtown Parking Garage</u>		<u>Comparative Totals</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 7,203	\$ 7,872	\$ 44,304	\$ 39,682
Cash Paid to Suppliers	(1,833)	(2,385)	(22,772)	(24,553)
Cash Paid to Employees	-	-	(24,045)	(25,761)
Cash Paid for Taxes	(1,355)	(1,324)	(1,355)	(1,326)
Net Cash from Operating Activities	4,015	4,163	(3,868)	(11,958)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants	-	-	657	405
Transfers In	-	-	9,373	10,100
Proceeds from Interfund Loans	2,250	1,130	2,250	1,130
Principal Payments on Interfund Loans	(1,130)	(500)	(1,130)	(500)
Net Cash from Noncapital Financing Activities	1,120	630	11,150	11,135
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal Paid on Long-Term Debt	(1,247)	(1,226)	(1,247)	(1,226)
Capital Expenditures and Deferred Charges Paid	-	-	-	(49)
Interest Paid on Long-Term Debt	(3,940)	(3,806)	(3,940)	(3,806)
Net Cash from Capital and Related Financing Activities	(5,187)	(5,032)	(5,187)	(5,081)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received on Investments	1	1	106	99
Net Increase (Decrease) in Cash and Equity in Pooled Investments	(51)	(238)	2,201	(5,805)
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	61	299	11,547	17,352
End of Year	<u>\$ 10</u>	<u>\$ 61</u>	<u>\$ 13,748</u>	<u>\$ 11,547</u>
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 10	\$ 61	\$ 13,748	\$ 11,541
Noncurrent Restricted Cash and Equity in Pooled Investments	-	-	-	6
Total Cash at the End of the Year	<u>\$ 10</u>	<u>\$ 61</u>	<u>\$ 13,748</u>	<u>\$ 11,547</u>

COMBINING STATEMENT OF CASH FLOWS

NONMAJOR ENTERPRISE FUNDS

For the Year Ended December 31, 2011

(In Thousands)

	Planning and Development	
	2011	2010
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (9,887)	\$ (19,286)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities		
Depreciation and Amortization	1,554	1,632
Changes in Operating Assets and Liabilities		
Accounts Receivable	743	530
Unbilled Receivables	3	7
Due from Other Funds	120	255
Due from Other Governments	(35)	(159)
Materials and Supplies Inventory	-	8
Accounts Payable	(381)	94
Salaries, Benefits, and Payroll Taxes Payable	69	(113)
Compensated Absences Payable	55	(210)
Due to Other Funds	(148)	90
Due to Other Governments	-	(11)
Claims Payable	(15)	37
Taxes Payable	-	(2)
Deferred Credits	(197)	858
Other Assets and Liabilities	236	149
Total Adjustments	2,004	3,165
Net Cash from Operating Activities	\$ (7,883)	\$ (16,121)

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COMBINING STATEMENT OF CASH FLOWS

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NONMAJOR ENTERPRISE FUNDS

For the Year Ended December 31, 2011

(In Thousands)

	<u>Downtown Parking Garage</u>		<u>Comparative Totals</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 1,278	\$ 2,093	\$ (8,609)	\$ (17,193)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	2,004	2,004	3,558	3,636
Changes in Operating Assets and Liabilities				
Accounts Receivable	(26)	3	717	533
Unbilled Receivables	-	-	3	7
Due from Other Funds	-	-	120	255
Due from Other Governments	-	-	(35)	(159)
Materials and Supplies Inventory	-	-	-	8
Accounts Payable	767	59	386	153
Salaries, Benefits, and Payroll Taxes Payable	-	-	69	(113)
Compensated Absences Payable	-	-	55	(210)
Due to Other Funds	5	2	(143)	92
Due to Other Governments	-	-	-	(11)
Claims Payable	-	-	(15)	37
Taxes Payable	(13)	2	(13)	-
Deferred Credits	-	-	(197)	858
Other Assets and Liabilities	-	-	236	149
Total Adjustments	<u>2,737</u>	<u>2,070</u>	<u>4,741</u>	<u>5,235</u>
Net Cash from Operating Activities	<u>\$ 4,015</u>	<u>\$ 4,163</u>	<u>\$ (3,868)</u>	<u>\$ (11,958)</u>

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Internal Service Funds

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INTERNAL SERVICE FUNDS

The **Finance and Administrative Services Fund** accounts for support services to other City departments in the areas of financial services, business technology, contracting and purchasing services, fleet management; building and related facility operations and maintenance; architecture, engineering, and space planning; and real estate management. Additional services provide for the City are regulatory services and operations; and the customer service bureau.

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 them; the City's telephone system, radio system, and fiber optic network; Citywide application infrastructure; and interactive media services.

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COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
December 31, 2011
(In Thousands)

	Finance and Administrative Services	Information Technology	Comparative Totals	
			2011	Restated 2010
ASSETS				
<i>Current Assets</i>				
Cash and Equity in Pooled Investments	\$ 14,256	\$ 4,511	\$ 18,767	\$ 13,336
Restricted Cash and Equity in Pooled Investments	14,294	-	14,294	7,587
Receivables, Net of Allowances				
Accounts	65	670	735	1,535
Interest and Dividends	23	19	42	33
Unbilled	84	-	84	-
Due from Other Funds	4,443	1,331	5,774	7,457
Due from Other Governments	333	259	592	482
Materials and Supplies Inventory	2,072	299	2,371	2,398
Prepayments and Other	78	61	139	161
Total Current Assets	35,648	7,150	42,798	32,989
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	1,912	21,461	23,373	23,484
Unamortized Bond Issue Costs, Net	871	27	898	987
Capital Assets				
Land and Land Rights	95,674	-	95,674	95,674
Buildings and Improvements	650,210	97	650,307	644,036
Less Accumulated Depreciation	(164,515)	(4)	(164,519)	(149,157)
Machinery and Equipment	149,212	50,559	199,771	177,761
Less Accumulated Depreciation	(85,117)	(24,086)	(109,203)	(98,172)
Construction in Progress	479	284	763	9,584
Total Noncurrent Assets	648,726	48,338	697,064	704,197
Total Assets	684,374	55,488	739,862	737,186
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	6,714	2,312	9,026	5,905
Salaries, Benefits, and Payroll Taxes Payable	1,276	614	1,890	1,243
Due to Other Funds	327	184	511	1,424
Due to Other Governments	7	-	7	-
Interest Payable	4,580	49	4,629	4,921
Taxes Payable	78	4	82	49
Current Portion of Long-Term Debt				
General Obligation Bonds Due Within One Year	12,255	2,975	15,230	14,464
Claims Payable	567	18	585	567
Compensated Absences Payable	295	174	469	511
Other Current Liabilities	2	-	2	148
Total Current Liabilities	26,101	6,330	32,431	29,232
<i>Noncurrent Liabilities</i>				
Compensated Absences Payable	3,783	1,560	5,343	3,177
Claims Payable	1,187	38	1,225	1,153
Vendor and Other Deposits Payable	64	-	64	111
General Obligation Bonds, Due Serially	258,018	5,115	263,133	277,596
Less Bonds Due Within One Year	(12,255)	(2,975)	(15,230)	(14,464)
Bond Discount and Premium	12,151	242	12,393	13,563
Unfunded Other Post Employment Benefits	1,472	644	2,116	1,251
Other Noncurrent Liabilities	59	45	104	1,556
Total Noncurrent Liabilities	264,479	4,669	269,148	283,943
Total Liabilities	290,580	10,999	301,579	313,175
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	376,644	22,273	398,917	391,982
Unrestricted	17,150	22,216	39,366	32,029
Total Net Assets	\$ 393,794	\$ 44,489	\$ 438,283	\$ 424,011

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**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2011
(In Thousands)**

	Finance and Administrative Services	Information Technology	Comparative Totals	
			2011	Restated 2010
OPERATING REVENUES				
Charges for Services	\$ 58,382	\$ 45,489	\$ 103,871	\$ 68,639
Rents, Parking, and Concessions	82,201	-	82,201	87,691
Total Operating Revenues	140,583	45,489	186,072	156,330
OPERATING EXPENSES				
Operations and Maintenance	96,263	35,581	131,844	94,131
General and Administrative	5,990	6,020	12,010	11,165
City Business and Occupation Taxes	4	-	4	4
Other Taxes	336	1	337	328
Depreciation and Amortization	28,598	4,057	32,655	31,939
Total Operating Expenses	131,191	45,659	176,850	137,567
Operating Income (Loss)	9,392	(170)	9,222	18,763
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	264	221	485	344
Interest Expense	(12,372)	(266)	(12,638)	(13,339)
Amortization of Bonds Premiums	985	184	1,169	1,009
Amortization of Debt Costs	(68)	(21)	(89)	(80)
Gain (Loss) on Sale of Capital Assets	2,853	-	2,853	581
Contributions and Grants	196	852	1,048	2,356
Others, Net	-	7,689	7,689	-
Total Nonoperating Revenues (Expenses)	(8,142)	8,659	517	(9,129)
Income (Loss) Before Contributions, Grants, and Transfers	1,250	8,489	9,739	9,634
Capital Contributions and Grants	8,533	-	8,533	57,097
Transfers Out	(4,000)	-	(4,000)	(4,000)
Change in Net Assets	5,783	8,489	14,272	62,731
Net Assets - Beginning of Year	388,011	36,000	424,011	384,662
Prior-Year Adjustment	-	-	-	(23,382)
Net Assets - Beginning of Year as Restated	388,011	36,000	424,011	361,280
Net Assets - End of Year	<u>\$ 393,794</u>	<u>\$ 44,489</u>	<u>\$ 438,283</u>	<u>\$ 424,011</u>

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2011

(In Thousands)

	Finance and Administrative Services	Information Technology	Comparative Totals	
			2011	Restated 2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 141,921	\$ 46,440	\$ 188,361	\$ 155,970
Cash Paid to Suppliers	(51,169)	(20,165)	(71,334)	(57,023)
Cash Paid to Employees	(45,528)	(22,646)	(68,174)	(48,575)
Cash Paid for Taxes	(289)	(20)	(309)	(376)
Net Cash from Operating Activities	44,935	3,609	48,544	49,996
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Loans Provided to Other Funds	-	-	-	(1,130)
Operating Grants and Contributions Received	196	852	1,048	2,357
Transfers Out	(4,000)	-	(4,000)	(4,000)
Net Cash from Noncapital Financing Activities	(3,804)	852	(2,952)	(2,773)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal Payments on Long-Term Debt	(12,584)	(3,049)	(15,633)	(12,195)
Capital Fees and Grants Received	593	-	593	348
Capital Expenditures and Deferred Charges Paid	(6,544)	(2,564)	(9,108)	(20,277)
Interest Paid on Long-Term Debt	(12,643)	(104)	(12,747)	(13,030)
Proceeds from Sale of Capital Assets	2,853	-	2,853	581
Net Cash from Capital and Related Financing Activities	(28,325)	(5,717)	(34,042)	(44,573)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Investment Income Received	256	221	477	348
Net Increase (Decrease) in Cash and Equity in Pooled Investments	13,062	(1,035)	12,027	2,998
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	17,400	27,007	44,407	41,409
End of Year	\$ 30,462	\$ 25,972	\$ 56,434	\$ 44,407
CASH AT THE END OF THE YEAR CONSISTS OF				
Current Assets Cash and Equity in Pooled Investments	\$ 14,256	\$ 4,511	\$ 18,767	\$ 13,336
Current Restricted Cash and Equity in Pooled Investments	14,294	-	14,294	7,587
Noncurrent Restricted Cash and Equity in Pooled Investments	1,912	21,461	23,373	23,484
Total Cash at the End of the Year	\$ 30,462	\$ 25,972	\$ 56,434	\$ 44,407

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COMBINING STATEMENT OF CASH FLOWS

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INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2011

(In Thousands)

	Finance and Administrative Services	Information Technology	Comparative Totals	
			2011	Restated 2010
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 9,392	\$ (170)	\$ 9,222	\$ 18,763
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	28,598	4,057	32,655	31,939
Changes in Operating Assets and Liabilities				
Accounts Receivable	8	792	800	(816)
Unbilled Receivables	(84)	-	(84)	2
Due from Other Funds	1,384	299	1,683	760
Due from Other Governments	30	(140)	(110)	(49)
Materials and Supplies Inventory	28	(1)	27	27
Accounts Payable	3,699	(578)	3,121	(2,140)
Salaries, Benefits, and Payroll Taxes Payable	640	7	647	29
Compensated Absences Payable	2,187	(63)	2,124	(122)
Due to Other Funds	(174)	(739)	(913)	(182)
Due to Other Governments	7	-	7	-
Claims Payable	96	(6)	90	238
Taxes Payable	51	(18)	33	(45)
Other Assets and Liabilities	(927)	169	(758)	1,592
Total Adjustments	35,543	3,779	39,322	31,233
Net Cash from Operating Activities	\$ 44,935	\$ 3,609	\$ 48,544	\$ 49,996
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Amortization of Debt Related Costs, Net	\$ 917	\$ 163	\$ 1,080	\$ 929
Settlement from Nextel	-	7,688	7,688	-

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Fiduciary Funds

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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. It also accounts for the investments and related earnings in the City's employee retirement plan.

The **Firemen's Pension Fund** receives General Fund contributions and a portion of the state-levied fire insurance premium tax. 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 **Multifamily Rental Housing Improvement Fund** (MRHF) accounts for monies arising from a settlement agreement, and duly ordered by the Superior Court of the State of Washington to be administered by the City. Disbursements are made, upon approval of the MRHF Committee, to improve building maintenance for the multifamily rental housing stock in the City; and to provide educational services and resources on landlord and tenant rights and responsibilities.

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.

The **Pass-Through Grants Fund** was established in 2006 to account for grants which are the equivalent of pure cash conduits. The City has no administrative and no direct involvement with the grant programs.

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COMBINING STATEMENT OF NET ASSETS

PENSION TRUST FUNDS

December 31, 2011

(In Thousands)

	Employees' Retirement	Firemen's Pension	Police Relief and Pension	Comparative Totals	
				2011	2010
ASSETS					
Cash and Equity in Pooled Investments	\$ 1,776	\$ 12,040	\$ 4,823	\$ 18,639	\$ 29,033
Short-Term Investments	62,878	-	-	62,878	3,183
Securities Lending Collateral	3,490	-	-	3,490	33,896
Investments at Fair Value					
U.S. Government Obligations	82,649	15	-	82,664	75,354
Mortgage-Backed Securities	130,050	-	-	130,050	95,242
Government Related and Other	21,304	-	-	21,304	86,956
Domestic Corporate Bonds	137,745	-	-	137,745	22,296
Domestic Stocks	506,950	-	-	506,950	757,208
International Stocks	417,843	-	-	417,843	368,335
Real Estate	208,281	-	-	208,281	191,756
Alternative/Venture Capital	183,043	-	-	183,043	209,281
Total Investments at Fair Value	1,687,865	15	-	1,687,880	1,806,428
Receivables					
Employer - Other	3,647	1	-	3,648	3,308
Interest and Dividends	2,281	12	-	2,293	1,753
Total Receivables	5,928	13	-	5,941	5,061
Total Assets	1,761,937	12,068	4,823	1,778,828	1,877,601
LIABILITIES					
Refunds Payable and Other	1,502	1,191	1,077	3,770	15,016
Securities Lending Collateral	6,911	-	-	6,911	37,295
Total Liabilities	8,413	1,191	1,077	10,681	52,311
Net Assets Held in Trust for Pension Benefits	\$ 1,753,524	\$ 10,877	\$ 3,746	\$ 1,768,147	\$ 1,825,290

**COMBINING STATEMENT OF CHANGES
IN PLAN NET ASSETS
PENSION TRUST FUNDS
For the Year Ended December 31, 2011
(In Thousands)**

	<u>Employees' Retirement</u>	<u>Defined Benefit Firemen's Pension</u>	<u>Police Relief and Pension</u>
ADDITIONS			
Contributions			
Employer	\$ 50,301	\$ 7,567	\$ 10,593
Plan Member	50,415	-	-
Total Contributions	100,716	7,567	10,593
Investment Income (Loss)			
From Investment Activities			
Net Appreciation (Depreciation) in Fair Value of Investments	(36,063)	6	-
Interest	8,586	79	-
Dividends	19,184	-	-
Total Investment Activities Income (Loss)	(8,293)	85	-
Investment Activities Expenses			
Investment Management Fees	6,984	-	-
Performance Measurement Fees	364	-	-
Investment Custodial Fees	144	-	-
Total Investment Activities Expenses	7,492	-	-
Net Income (Loss) from Investment Activities	(15,785)	85	-
From Securities Lending Activities			
Securities Lending Income	17	-	-
Borrower Rebates	43	-	-
Total Securities Lending Income	60	-	-
Securities Lending Expenses			
Management Fees	15	-	-
Total Securities Lending Expenses	15	-	-
Net Income (Loss) from Securities Lending Activities	45	-	-
Total Net Investment Income (Loss)	(15,740)	85	-
Other Income	-	1,257	1,086
Total Additions	84,976	8,909	11,679
DEDUCTIONS			
Benefits	124,062	8,901	8,554
Refund of Contributions	16,677	-	-
Administrative Expense	3,468	562	483
Total Deductions	144,207	9,463	9,037
Change in Net Assets	(59,231)	(554)	2,642
Net Assets - Beginning of Year	1,812,755	11,431	1,104
Net Assets - End of Year	<u>\$ 1,753,524</u>	<u>\$ 10,877</u>	<u>\$ 3,746</u>

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**COMBINING STATEMENT OF CHANGES
IN PLAN NET ASSETS
PENSION TRUST FUNDS
For the Year Ended December 31, 2011
(In Thousands)**

	Postemployment Healthcare		Comparative Totals	
	Firemen's Pension	Police Relief and Pension	2011	2010
ADDITIONS				
Contributions				
Employer	\$ 10,192	\$ 11,659	\$ 90,312	\$ 85,058
Plan Member	-	-	50,415	45,365
Total Contributions	10,192	11,659	140,727	130,423
Investment Income (Loss)				
From Investment Activities				
Net Appreciation (Depreciation) in Fair Value of Investments	-	-	(36,057)	201,072
Interest	-	-	8,665	8,640
Dividends	-	-	19,184	7,064
Total Investment Activities Income (Loss)	-	-	(8,208)	216,776
Investment Activities Expenses				
Investment Management Fees	-	-	6,984	7,806
Performance Measurement Fees	-	-	364	371
Investment Custodial Fees	-	-	144	112
Total Investment Activities Expenses	-	-	7,492	8,289
Net Income (Loss) from Investment Activities	-	-	(15,700)	208,487
From Securities Lending Activities				
Securities Lending Income	-	-	17	71
Borrower Rebates	-	-	43	14
Total Securities Lending Income	-	-	60	85
Securities Lending Expenses				
Management Fees	-	-	15	21
Total Securities Lending Expenses	-	-	15	21
Net Income (Loss) from Securities Lending Activities	-	-	45	64
Total Net Investment Income (Loss)	-	-	(15,655)	208,551
Other Income	-	-	2,343	981
Total Additions	10,192	11,659	127,415	339,955
DEDUCTIONS				
Benefits	10,192	11,659	163,368	154,318
Refund of Contributions	-	-	16,677	14,715
Administrative Expense	-	-	4,513	4,483
Total Deductions	10,192	11,659	184,558	173,516
Change in Net Assets	-	-	(57,143)	166,439
Net Assets - Beginning of Year	-	-	1,825,290	1,658,851
Net Assets - End of Year	\$ -	\$ -	\$ 1,768,147	\$ 1,825,290

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

For the Year Ended December 31, 2011

(In Thousands)

	Balance January 1	Additions	Deductions	Balance December 31
GUARANTY DEPOSITS FUND				
<i>Assets</i>				
Cash	\$ 9,440	\$ 5,230	\$ 7,290	\$ 7,380
Total Assets	<u>\$ 9,440</u>	<u>\$ 5,230</u>	<u>\$ 7,290</u>	<u>\$ 7,380</u>
<i>Liabilities</i>				
Deposits Payable	\$ 9,440	\$ 6,254	\$ 8,314	\$ 7,380
Total Liabilities	<u>\$ 9,440</u>	<u>\$ 6,254</u>	<u>\$ 8,314</u>	<u>\$ 7,380</u>
PAYROLL WITHHOLDING FUND				
<i>Assets</i>				
Cash	\$ 2,389	\$ 237,371	\$ 228,865	\$ 10,895
Accounts Receivable	961	2	963	-
Total Assets	<u>\$ 3,350</u>	<u>\$ 237,373</u>	<u>\$ 229,828</u>	<u>\$ 10,895</u>
<i>Liabilities</i>				
Accounts Payable	\$ 3	\$ 278	\$ 3	\$ 278
Salaries, Benefits, and Payroll Taxes Payable	3,339	252,891	245,622	10,608
Claims/Judgments Payable	8	2	1	9
Total Liabilities	<u>\$ 3,350</u>	<u>\$ 253,171</u>	<u>\$ 245,626</u>	<u>\$ 10,895</u>
MULTIFAMILY RENTAL HOUSING IMPROVEMENT FUND				
<i>Assets</i>				
Cash	\$ 296	\$ -	\$ 106	\$ 190
Total Assets	<u>\$ 296</u>	<u>\$ -</u>	<u>\$ 106</u>	<u>\$ 190</u>
<i>Liabilities</i>				
Deposits Payable	\$ 296	\$ -	\$ 106	\$ 190
Total Liabilities	<u>\$ 296</u>	<u>\$ -</u>	<u>\$ 106</u>	<u>\$ 190</u>
SALARY FUND				
<i>Assets</i>				
Cash	\$ 3,148	\$ 588,073	\$ 587,029	\$ 4,192
Accounts Receivable	6	278	6	278
Total Assets	<u>\$ 3,154</u>	<u>\$ 588,351</u>	<u>\$ 587,035</u>	<u>\$ 4,470</u>
<i>Liabilities</i>				
Salaries, Benefits, and Payroll Taxes Payable	\$ 3,154	\$ 594,231	\$ 592,915	\$ 4,470
Total Liabilities	<u>\$ 3,154</u>	<u>\$ 594,231</u>	<u>\$ 592,915</u>	<u>\$ 4,470</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, 2011

(In Thousands)

	Balance January 1	Additions	Deductions	Balance December 31
VOUCHER FUND				
<i>Assets</i>				
Cash	\$ 1,643	\$ 2,875,310	\$ 2,876,025	\$ 928
Total Assets	\$ 1,643	\$ 2,875,310	\$ 2,876,025	\$ 928
<i>Liabilities</i>				
Accounts Payable	\$ 1,643	\$ 2,932,452	\$ 2,933,167	\$ 928
Total Liabilities	\$ 1,643	\$ 2,932,452	\$ 2,933,167	\$ 928
PASS-THROUGH GRANTS FUND				
<i>Assets</i>				
Cash	\$ -	\$ 11,659	\$ 11,659	\$ -
Total Assets	\$ -	\$ 11,659	\$ 11,659	\$ -
<i>Liabilities</i>				
Accounts Payable	\$ -	\$ 11,659	\$ 11,659	\$ -
Total Liabilities	\$ -	\$ 11,659	\$ 11,659	\$ -
TOTALS - ALL AGENCY FUNDS				
<i>Assets</i>				
Cash and Equity in Pooled Investments	\$ 16,916	\$ 3,717,643	\$ 3,710,974	\$ 23,585
Accounts Receivable	967	280	969	278
Total Assets	\$ 17,883	\$ 3,717,923	\$ 3,711,943	\$ 23,863
<i>Liabilities</i>				
Accounts Payable	\$ 1,646	\$ 2,944,389	\$ 2,944,829	\$ 1,206
Salaries, Benefits, and Payroll Taxes Payable	6,493	847,122	838,537	15,078
Deposits Payable	9,736	6,254	8,420	7,570
Claims/Judgments Payable	8	2	1	9
Total Liabilities	\$ 17,883	\$ 3,797,767	\$ 3,791,787	\$ 23,863

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Capital Assets

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CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY SOURCE

December 31, 2011

(In Thousands)

	2011	Restated 2010
CAPITAL ASSETS		
Land	\$ 438,419	\$ 435,220
Buildings	825,534	814,813
Improvements Other than Buildings	645,712	654,015
Equipment	105,126	104,780
Infrastructure	1,422,806	1,315,012
Construction in Progress	339,740	258,318
Other Capital Assets	13,479	13,424
Total Capital Assets	\$ 3,790,816	\$ 3,595,582
INVESTMENT IN CAPITAL ASSETS FROM		
General Fund	\$ 266,847	\$ 271,221
Special Revenue Funds	2,524,045	2,357,846
Capital Project Funds	892,346	865,579
Donations	107,578	100,936
Total Investment in Capital Assets	\$ 3,790,816	\$ 3,595,582

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY FUNCTION

December 31, 2011

(In Thousands)

	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>
General Government	\$ 23,871	\$ 104,758	\$ 153
Security of Persons and Property	-	-	-
Transportation	116,756	9,694	-
Economic Environment	1,124	-	-
Judicial	-	-	-
Culture and Recreation	<u>296,668</u>	<u>711,082</u>	<u>645,559</u>
Total	<u>\$ 438,419</u>	<u>\$ 825,534</u>	<u>\$ 645,712</u>

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CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

Page 2 of 2

SCHEDULE BY FUNCTION

December 31, 2011

(In Thousands)

	Equipment	Infrastructure	Other Capital Assets	Total
General Government	\$ 41,540	\$ -	\$ -	\$ 170,322
Security of Persons and Property	31,533	-	-	31,533
Transportation	10,116	1,422,806	-	1,559,372
Economic Environment	101	-	-	1,225
Judicial	60	-	-	60
Culture and Recreation	21,776	-	13,479	1,688,564
Total	\$ 105,126	\$ 1,422,806	\$ 13,479	3,451,076
Construction in Progress				339,740
Total Investment in Capital Assets				\$ 3,790,816

H-3

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE OF CHANGES BY FUNCTION

For the Year Ended December 31, 2011

(In Thousands)

	<u>Restated Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
General Government	\$ 184,039	\$ 466	\$ 14,183	\$ 170,322
Security of Persons and Property	30,918	1,500	885	31,533
Transportation	1,448,676	110,696	-	1,559,372
Economic Environment	1,377	-	152	1,225
Judicial	60	-	-	60
Culture and Recreation	<u>1,672,194</u>	<u>20,905</u>	<u>4,535</u>	<u>1,688,564</u>
Total	3,337,264	133,567	19,755	3,451,076
Construction in Progress	<u>258,318</u>	<u>213,482</u>	<u>132,060</u>	<u>339,740</u>
Total Investment in Capital Assets	<u>\$ 3,595,582</u>	<u>\$ 347,049</u>	<u>\$ 151,815</u>	<u>\$ 3,790,816</u>

Statistics

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STATISTICAL INFORMATION

The Statistical Section provides financial statement users with additional historical perspective, context, and detail for them to use in evaluating the information contained within the financial statements, notes to the financial statements, and required supplementary information with the goal of providing the user a better understanding of the City's economic condition.

Financial Trends

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

- S-1 Net Assets by Component
- S-2 Changes in Net Assets
- S-3 Fund Balances of Governmental Funds
- S-4 Changes in Fund Balances of Governmental Funds

Revenue Capacity

These tables contain information to help the reader assess the City's most significant local revenue sources.

- S-5 Tax Revenues by Source
- S-6 Assessed Value and Estimated Actual Value of Taxable Property
- S-7 Direct and Overlapping Property Tax Rates
- S-8 Principal Property Taxpayers
- S-9 Principal Revenue Sources
- S-10 Property Tax Levies and Collections

Debt Capacity

These tables contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

- S-11 Ratios of Outstanding Debt by Type
- S-12 Ratios of Net General Bonded Debt Outstanding
- S-13 Direct and Overlapping Governmental Activities Debt
- S-14 Legal Debt Margin Information
- S-15 Pledged-Revenue Coverage

Demographic and Economic Information

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

- S-16 Demographic and Economic Statistics
- S-17 Principal Industries

Operating Information

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

- S-18 Full-Time-Equivalent City Government Employees by Department/Office
- S-19 Operating Indicators by Department/Office
- S-20 Capital Asset Statistics by Department/Office
Miscellaneous Statistics

Table S-1

NET ASSETS BY COMPONENT ^a

Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
GOVERNMENTAL ACTIVITIES					
Invested in Capital Assets, Net of Related Debt	\$ 2,629,246	\$ 2,513,808	\$ 2,350,564	\$ 2,184,161	\$ 2,011,575
Restricted	420,052	372,289	225,157	271,204	194,618
Unrestricted	<u>(99,947)</u>	<u>(98,786)</u>	<u>146,711</u>	<u>194,962</u>	<u>322,784</u>
Total Governmental Activities Net Assets	\$ 2,949,351	\$ 2,787,311	\$ 2,722,432	\$ 2,650,327	\$ 2,528,977
BUSINESS-TYPE ACTIVITIES					
Invested in Capital Assets, Net of Related Debt	\$ 1,243,494	\$ 1,228,030	\$ 1,257,195	\$ 1,128,319	\$ 967,028
Restricted	81,904	79,372	71,801	63,913	48,561
Unrestricted	<u>206,995</u>	<u>106,013</u>	<u>49,827</u>	<u>166,634</u>	<u>195,226</u>
Total Business-Type Activities Net Assets	\$ 1,532,393	\$ 1,413,415	\$ 1,378,823	\$ 1,358,866	\$ 1,210,815
PRIMARY GOVERNMENT					
Invested in Capital Assets, Net of Related Debt	\$ 3,872,740	\$ 3,741,838	\$ 3,607,759	\$ 3,312,480	\$ 2,978,603
Restricted	501,956	451,661	296,958	335,117	243,179
Unrestricted	<u>107,048</u>	<u>7,227</u>	<u>196,538</u>	<u>361,596</u>	<u>518,010</u>
Total Primary Government Net Assets	<u>\$ 4,481,744</u>	<u>\$ 4,200,726</u>	<u>\$ 4,101,255</u>	<u>\$ 4,009,193</u>	<u>\$ 3,739,792</u>
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
GOVERNMENTAL ACTIVITIES					
Invested in Capital Assets, Net of Related Debt	\$ 1,825,203	\$ 1,679,338	\$ 1,584,694	\$ 1,454,419	\$ 1,328,297
Restricted	183,340	142,509	101,326	126,508	105,898
Unrestricted	<u>273,696</u>	<u>211,426</u>	<u>137,995</u>	<u>140,079</u>	<u>77,418</u>
Total Governmental Activities Net Assets	\$ 2,282,239	\$ 2,033,273	\$ 1,824,015	\$ 1,721,006	\$ 1,511,613
BUSINESS-TYPE ACTIVITIES					
Invested in Capital Assets, Net of Related Debt	\$ 813,091	\$ 664,469	\$ 641,015	\$ 676,051	\$ 699,396
Restricted	59,161	147,980	114,795	178,897	278,815
Unrestricted	<u>234,582</u>	<u>125,159</u>	<u>90,616</u>	<u>(33,219)</u>	<u>(162,022)</u>
Total Business-Type Activities Net Assets	\$ 1,106,834	\$ 937,608	\$ 846,426	\$ 821,729	\$ 816,189
PRIMARY GOVERNMENT					
Invested in Capital Assets, Net of Related Debt	\$ 2,638,294	\$ 2,343,807	\$ 2,225,709	\$ 2,130,470	\$ 2,027,693
Restricted	242,501	290,489	216,121	305,405	384,713
Unrestricted	<u>508,278</u>	<u>336,585</u>	<u>228,611</u>	<u>106,860</u>	<u>(84,604)</u>
Total Primary Government Net Assets	<u>\$ 3,389,073</u>	<u>\$ 2,970,881</u>	<u>\$ 2,670,441</u>	<u>\$ 2,542,735</u>	<u>\$ 2,327,802</u>

^a In 2011, the City recognized its interpretation of GASB Statement No. 34, *Basic Financial Statement - and Management's Discussion and Analysis - for State and Local Governments*, relating to financial statement Net Assets classifications was incorrect. A restatement was made for 2010 to allow for comparability to the current. Restatements were not made to the presentation for years 2002-2009.

Table S-2
Page 1 of 4

CHANGES IN NET ASSETS
Last Nine Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

	2011	2010	2009	2008	2007
EXPENSES					
<i>Governmental Activities</i>					
General Government	\$ 177,765	\$ 182,058	\$ 106,732	\$ 143,855	\$ 103,323
Judicial	25,623	26,298	27,526	26,762	24,030
Public Safety	471,205	476,861	473,527	455,701	396,669
Physical Environment	10,697	8,346	32,543	7,707	9,991
Transportation	110,660	122,376	137,015	127,872	124,493
Economic Environment	101,242	119,595	98,940	104,660	98,337
Health and Human Services	71,399	72,680	75,788	69,181	63,276
Culture and Recreation	245,671	258,639	249,160	257,578	224,455
Interest on Long-Term Debt	40,425	38,929	36,825	39,336	34,048
Total Governmental Activities Expenses	1,254,687	1,305,782	1,238,056	1,232,652	1,078,622
<i>Business-Type Activities</i>					
Light	723,665	730,758	733,405	791,837	764,786
Water	198,929	209,554	200,921	180,855	169,631
Drainage and Wastewater	269,224	245,589	244,295	231,318	225,833
Solid Waste	149,157	141,852	145,526	120,941	119,714
Planning and Development	44,054	47,699	55,954	56,882	56,139
Downtown Parking Garage	7,740	7,648	7,824	8,545	8,336
Total Business-Type Activities Expenses	1,392,769	1,383,100	1,387,925	1,390,378	1,344,439
Total Primary Government Expenses	2,647,456	2,688,882	2,625,981	2,623,030	2,423,061
PROGRAM REVENUES					
<i>Governmental Activities</i>					
Charges for Services					
General Government	73,960	60,333	58,127	102,697	69,636
Judicial	33,048	31,078	28,376	22,032	19,851
Public Safety	18,939	18,848	22,740	16,254	21,850
Physical Environment	2	1,985	1,745	1,632	1,660
Transportation	64,331	55,680	62,230	44,093	28,860
Economic Environment	7,299	4,419	11,922	17,440	25,100
Health and Human Services	1,276	9	9	12	17
Culture and Recreation	50,273	54,886	58,977	59,586	57,283
Operating Grants and Contributions	136,679	118,619	104,382	95,236	93,184
Capital Grants and Contributions	47,503	56,377	36,834	31,527	31,577
Total Governmental Activities Program Revenues	433,310	402,234	385,342	390,509	349,018
<i>Business-Type Activities</i>					
Charges for Services					
Light	769,316	729,650	717,775	872,099	829,679
Water	194,342	194,987	190,283	163,996	159,967
Drainage and Wastewater	274,553	245,959	244,773	216,957	201,139
Solid Waste	154,159	146,944	135,393	124,353	121,913
Planning and Development	34,487	28,627	33,379	42,929	49,471
Downtown Parking Garage	5,937	6,580	6,862	6,530	6,805
Operating Grants and Contributions	5,518	5,953	4,789	4,099	6,208
Capital Grants and Contributions	51,522	41,846	59,983	81,425	53,063
Total Business-Type Activities Program Revenues	1,489,834	1,400,546	1,393,237	1,512,388	1,428,245
Total Primary Government Program Revenues	1,923,144	1,802,780	1,778,579	1,902,897	1,777,263
NET (EXPENSE) REVENUE					
Governmental Activities	(821,377)	(903,548)	(852,714)	(842,143)	(729,604)
Business-Type Activities	97,065	17,446	5,312	122,010	83,806
Total Primary Government Net Expense	(724,312)	(886,102)	(847,402)	(720,133)	(645,798)

Table S-2
Page 2 of 4

CHANGES IN NET ASSETS
Last Nine Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

	2006	2005	2004	2003
EXPENSES				
<i>Governmental Activities</i>				
General Government	\$ 128,758	\$ 102,362	\$ 104,281	\$ 101,322
Judicial	20,344	18,429	19,169	19,211
Public Safety	354,083	325,416	322,244	298,120
Physical Environment	7,331	6,614	5,530	5,513
Transportation	87,610	87,542	88,606	92,749
Economic Environment	78,957	91,060	78,455	85,130
Health and Human Services	56,904	56,572	51,565	52,406
Culture and Recreation	215,081	199,169	196,280	164,488
Interest on Long-Term Debt	35,399	39,539	41,499	43,216
Total Governmental Activities Expenses	984,467	926,703	907,629	862,155
<i>Business-Type Activities</i>				
Light	699,164	683,476	772,827	777,631
Water	161,943	148,992	127,865	124,611
Drainage and Wastewater	199,378	178,447	168,689	156,786
Solid Waste	114,527	110,044	112,920	112,114
Planning and Development	50,203	43,487	45,320	37,114
Downtown Parking Garage	8,035	8,414	8,421	8,284
Total Business-Type Activities Expenses	1,233,250	1,172,860	1,236,042	1,216,540
Total Primary Government Expenses	2,217,717	2,099,563	2,143,671	2,078,695
PROGRAM REVENUES				
<i>Governmental Activities</i>				
Charges for Services				
General Government	51,071	47,054	43,857	47,394
Judicial	17,852	16,794	18,162	16,637
Public Safety	14,422	12,788	10,372	9,703
Physical Environment	1,587	1,220	1,064	985
Transportation	25,306	28,936	17,970	16,699
Economic Environment	7,519	12,765	11,072	9,759
Health and Human Services	62	4	5	-
Culture and Recreation	62,768	50,192	49,925	43,860
Operating Grants and Contributions	93,850	93,656	86,701	82,391
Capital Grants and Contributions	52,174	66,991	55,051	37,007
Total Governmental Activities Program Revenues	326,611	330,400	294,179	264,435
<i>Business-Type Activities</i>				
Charges for Services				
Light	817,310	733,865	763,793	738,802
Water	153,171	145,865	141,305	129,414
Drainage and Wastewater	186,118	175,782	162,126	150,631
Solid Waste	112,474	111,228	115,144	114,821
Planning and Development	44,655	37,695	32,449	27,541
Downtown Parking Garage	6,608	6,180	6,185	5,559
Operating Grants and Contributions	2,412	2,973	2,618	667
Capital Grants and Contributions	49,437	30,750	21,014	31,493
Total Business-Type Activities Program Revenues	1,372,185	1,244,338	1,244,634	1,198,928
Total Primary Government Program Revenues	1,698,796	1,574,738	1,538,813	1,463,363
NET (EXPENSE) REVENUE				
Governmental Activities	(657,856)	(596,303)	(613,450)	(597,720)
Business-Type Activities	138,935	71,478	8,592	(17,612)
Total Primary Government Net Expense	(518,921)	(524,825)	(604,858)	(615,332)

Table S-2
Page 3 of 4

CHANGES IN NET ASSETS
Last Nine Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

	2011	2010	2009	2008	2007
GENERAL REVENUES, SPECIAL ITEM, AND TRANSFERS					
<i>Governmental Activities</i>					
Taxes					
Property Taxes	\$ 397,288	\$ 391,798	\$ 388,341	\$ 368,515	\$ 359,651
Sales Taxes	158,582	146,970	150,515	171,917	171,846
Business Taxes	339,703	331,570	329,572	330,369	332,238
Excise Taxes	35,203	28,815	27,710	36,091	76,918
Other Taxes	39,014	31,119	28,582	25,395	12,765
Penalties and Interest on Delinquent Taxes	3,240	3,475	3,867	2,410	4,276
Unrestricted Investment Earnings	5,536	4,685	8,898	24,140	33,155
Gain (Loss) on Sale of Capital Assets	14,224	40,095	(2,422)	15,461	891
Transfers	(9,373)	(10,100)	(10,245)	(10,803)	(10,612)
Total Governmental Activities	<u>983,417</u>	<u>968,427</u>	<u>924,818</u>	<u>963,495</u>	<u>981,128</u>
<i>Business-Type Activities</i>					
Unrestricted Investment Earnings	11,078	8,796	4,837	13,530	19,106
Gain on Sale of Capital Assets	924	198	4,495	1,708	276
Special Item - Environmental Remediation	538	(1,948)	(4,289)	-	-
Transfers	9,373	10,100	10,245	10,803	10,612
Total Business-Type Activities	<u>21,913</u>	<u>17,146</u>	<u>15,288</u>	<u>26,041</u>	<u>29,994</u>
Total Primary Government	1,005,330	985,573	940,106	989,536	1,011,122
CHANGES IN NET ASSETS					
Governmental Activities	162,040	64,879	72,104	121,352	251,524
Business-Type Activities	118,978	34,592	20,600	148,051	113,800
Total Primary Government	<u>\$ 281,018</u>	<u>\$ 99,471</u>	<u>\$ 92,704</u>	<u>\$ 269,403</u>	<u>\$ 365,324</u>

Table S-2
Page 4 of 4

CHANGES IN NET ASSETS
Last Nine Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

	2006	2005	2004	2003
GENERAL REVENUES, SPECIAL ITEM, AND TRANSFERS				
<i>Governmental Activities</i>				
Taxes				
Property Taxes	\$ 318,490	\$ 311,613	\$ 296,789	\$ 252,702
Sales Taxes	155,311	146,060	130,961	124,951
Business Taxes	311,015	280,139	253,733	248,467
Excise Taxes	58,397	55,507	43,766	32,661
Other Taxes	4,929	4,636	4,196	3,799
Penalties and Interest on Delinquent Taxes	3,349	2,125	1,941	4,131
Unrestricted Investment Earnings	22,021	10,288	5,366	9,370
Gain (Loss) on Sale of Capital Assets	35,353	2,921	2,296	4,323
Transfers	(9,260)	(8,456)	(9,738)	(9,569)
Total Governmental Activities	<u>899,605</u>	<u>804,833</u>	<u>729,310</u>	<u>670,835</u>
<i>Business-Type Activities</i>				
Unrestricted Investment Earnings	16,241	10,811	4,269	6,114
Gain on Sale of Capital Assets	1,823	438	2,100	7,469
Special Item - Environmental Remediation	-	-	-	-
Transfers	9,260	8,456	9,738	9,569
Total Business-Type Activities	<u>27,324</u>	<u>19,705</u>	<u>16,107</u>	<u>23,152</u>
Total Primary Government	926,929	824,538	745,417	693,987
CHANGES IN NET ASSETS				
Governmental Activities	241,749	208,530	115,860	73,115
Business-Type Activities	166,259	91,183	24,699	5,540
Total Primary Government	<u>\$ 408,008</u>	<u>\$ 299,713</u>	<u>\$ 140,559</u>	<u>\$ 78,655</u>

Table S-3

FUND BALANCES OF GOVERNMENTAL FUNDS ^a

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

(In Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
GENERAL FUND					
Nonspendable	\$ 572	\$ 401	\$ -	\$ -	\$ -
Restricted	58,917	63,695	-	-	-
Committed	46,268	44,240	-	-	-
Assigned	19,253	17,958	-	-	-
Unassigned	79,765	53,147	-	-	-
Reserved	-	-	78,835	140,325	129,350
Unreserved	-	-	118,611	131,085	197,678
Total General Fund	<u>\$ 204,775</u>	<u>\$ 179,441</u>	<u>\$ 197,446</u>	<u>\$ 271,410</u>	<u>\$ 327,028</u>
ALL OTHER GOVERNMENTAL FUNDS					
Nonspendable	\$ 2,714	\$ 2,447	\$ -	\$ -	\$ -
Restricted	359,087	306,545	-	-	-
Committed	60,156	41,379	-	-	-
Assigned	8,816	7,910	-	-	-
Unassigned	(12,064)	(11,911)	-	-	-
Reserved	-	-	319,104	261,463	226,965
Unreserved, Reported in					
Special Revenue Funds	-	-	40,157	96,337	39,589
Capital Projects Funds	-	-	-	-	(1,846)
Permanent Funds	-	-	101	121	83
Total All Other Governmental Funds	<u>\$ 418,709</u>	<u>\$ 346,370</u>	<u>\$ 359,362</u>	<u>\$ 357,921</u>	<u>\$ 264,791</u>
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
GENERAL FUND					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Reserved	91,018	95,855	91,507	76,590	69,169
Unreserved	150,280	107,817	40,669	42,228	40,194
Total General Fund	<u>\$ 241,298</u>	<u>\$ 203,672</u>	<u>\$ 132,176</u>	<u>\$ 118,818</u>	<u>\$ 109,363</u>
ALL OTHER GOVERNMENTAL FUNDS					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Reserved	218,682	185,917	185,176	250,350	396,271
Unreserved, Reported in					
Special Revenue Funds	41,694	31,368	18,391	10,586	29,492
Capital Projects Funds	(3,125)	-	(3,138)	-	37
Permanent Funds	-	-	19	161	624
Total All Other Governmental Funds	<u>\$ 257,251</u>	<u>\$ 217,285</u>	<u>\$ 200,448</u>	<u>\$ 261,097</u>	<u>\$ 426,424</u>

^a Beginning in fiscal year 2010, fund balance categories were changed to conform to the requirements of GASB Statement No. 54. Fund balance was not restated to the new categories for prior years.

Table S-5

TAX REVENUES BY SOURCE
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

Year	General Property Tax	Retail Sales and Use Tax	Business Tax	Excise Tax	Other Taxes	Total Taxes
2002	\$ 264,889	\$ 127,296	\$ 244,641	\$ 27,448	\$ 8,588	\$ 672,862
2003	268,300	124,952	248,468	32,661	7,930	682,311
2004	296,775	130,961	253,733	43,766	6,137	731,372
2005	311,461	146,060	280,163	55,507	6,737	799,928
2006	318,366	155,311	311,015	58,572	8,103	851,367
2007	359,651	171,846	332,238	76,918	16,589	957,242
2008	368,362	171,917	332,779	36,091	25,395	934,544
2009	387,041	150,515	329,572	27,710	32,449	927,287
2010	391,692	146,970	331,570	28,815	34,594	933,641
2011	397,439	158,582	339,703	35,203	42,254	973,181

Table S-6

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year	Assessed and Estimated Actual Value ^a (In Thousands)			Total Direct Tax Rate	Average Annual Growth	Assessed Value Per Capita
	Real Property	Personal Property	Total			
2002	\$ 70,660,338	\$ 4,846,254	\$ 75,506,592	\$ 3.573	15.06 %	\$ 132,282
2003	75,582,369	4,545,919	80,128,288	3.401	6.12	140,109
2004	79,724,601	4,213,495	83,938,096	3.597	4.75	146,591
2005	84,157,435	4,120,671	88,278,106	3.585	5.17	154,063
2006	91,625,334	4,081,299	95,706,633	3.378	8.41	165,382
2007	101,522,467	4,686,021	106,208,488	3.221	10.97	181,312
2008	116,641,027	4,980,103	121,621,130	2.774	14.51	205,164
2009	132,576,786	5,254,068	137,830,854	2.581	13.33	228,955
2010	118,370,062	5,314,253	123,684,315	2.925	(10.26)	202,099
2011	114,979,131	5,137,695	120,116,826	3.061	(2.88)	196,237

^a Real property has been assessed at 100 percent of estimated actual value.

Table S-7 DIRECT AND OVERLAPPING PROPERTY TAX RATES ^a
Last Ten Fiscal Years
(In Mills or Dollars per Thousand of Assessed Value)

Year of Levy	City of Seattle					Overlapping					Dollars Levied ^d (\$1,000)	Annual Growth
	General Fund ^b	Special Revenue Funds	Debt Service Funds	Fire Pension ^c	City Total	State	County	School	Port of Seattle	Total		
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
2006	2.230	0.870	0.278	-	3.378	2.498	1.329	2.192	0.233	9.630	921,573	2.2
2007	2.084	1.091	0.252	-	3.427	2.325	1.290	2.006	0.232	9.280	985,615	6.9
2008	1.997	0.904	0.173	-	3.074	2.132	1.363	1.895	0.224	8.688	1,056,632	7.2
2009	1.825	0.896	0.134	-	2.855	1.963	1.239	1.718	0.197	7.972	1,098,723	4.0
2010	2.084	1.005	0.136	-	3.225	2.222	1.394	1.985	0.216	9.042	1,118,329	2.0
2011	2.175	1.038	0.148	-	3.361	2.280	1.451	2.342	0.224	9.658	1,160,092	6.3

^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 0.300 in 2011.

^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-8 PRINCIPAL PROPERTY TAXPAYERS ^e
Current Year and Nine Years Ago

Taxpayer ^f	2011			2002		
	Assessed Valuation ^g (In Millions)	Percentage of Assessed Valuation	Rank	Assessed Valuation ^g (In Millions)	Percentage of Assessed Valuation	Rank
The Boeing Company	\$ 457.3	0.39 %	1			
Union Square Limited Partnership	432.8	0.37	2	\$ 350.4	0.44 %	4
Qwest Corporation, Inc.	429.2	0.37	3			
Wright-Runstad & Co.	354.1	0.30	4			
Columbia Center Property	277.3	0.24	5			
City Centre Associates JV	273.2	0.23	6			
Martin Selig	246.6	0.21	7	315.9	0.39	5
Puget Sound Energy-Gas/Electric	202.1	0.17	8	193.2	0.24	9
Seattle Sheraton	195.2	0.17	9	136.5	0.17	10
Northwestern Mutual Life Ins.	188.5	0.16	10			
U.S. West Communications				688.7	0.86	1
Bank of America				408.3	0.51	2
EOP Northwest Properties				358.6	0.45	3
Gerald D Hines				244.7	0.31	6
Washington Mutual Bank/Wright-Runstad				224.1	0.28	7
Bentall Corporation				214.8	0.27	8

^e Source: King County Assessor.

^f 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.

^g Assessed valuations for taxes collected in the succeeding year.

Table S-9
Page 1 of 2

PRINCIPAL REVENUE SOURCES
Current Year and Nine Years Ago
(In Thousands)

CITY LIGHT ^a						
Customer Name	2011			2002		
	Amount	Percent of Revenue	Rank	Amount	Percent of Revenue	Rank
Nucor Corporation	\$ 21,114	3.22 %	1			
University of Washington	21,017	3.20	2	\$ 13,855	2.46 %	2
City of Seattle	18,803	2.87	3	4,433	0.79	7
Boeing Company	13,932	2.12	4	13,554	2.41	3
International Gateway/Sabey	11,205	1.71	5			
King County ^b	9,970	1.52	6	5,631	1.00	6
US Government	6,837	1.04	7	5,928	1.05	5
Saint Gobain	5,715	0.87	8	8,541	1.52	4
2001 Sixth LLC	5,099	0.78	9			
Unico Properties/Union Square Ltd.	4,472	0.68	10	4,327	0.77	8
Nucor (Birmingham) Steel				13,927	2.48	1
Seattle Public Schools				1,592	0.28	9
Jorgensen Forge Co.				766	0.14	10
Total Top Ten	\$ 118,164	18.01 %		\$ 72,554	12.90 %	

^a Source: Seattle City Light billing records.

^b 2011 revenue for King County included Metro Transit due to the merger of King County and Metro Transit in 2004.

WATER ^c						
Customer Name	2011			2002		
	Amount	Percent of Revenue	Rank	Amount	Percent of Revenue	Rank
Cascade Water Alliance	\$ 18,052	10.00 %	1	\$ 13,814	11.70 %	1
Northshore Utility District	4,743	2.60	2	3,180	2.70	2
Highline Water District	3,112	1.70	3	2,835	2.40	4
University of Washington	2,690	1.50	4	1,648	1.40	7
Soos Creek Water and Sewer District	2,651	1.50	5	2,642	2.20	5
Woodinville Water District	2,510	1.40	6	2,839	2.40	3
City of Seattle	2,465	1.40	7	1,816	1.50	6
Port of Seattle	1,962	1.10	8			
King County Water District #20	1,705	0.90	9	1,210	1.00	9
City of Mercer Island	1,344	0.70	10			
Coal Creek Utility District				1,349	1.10	8
Cedar River Water & Sewer District				1,174	1.00	10
Total Top Ten	\$ 41,234	22.80 %		\$ 32,507	27.40 %	

^c Source: Seattle Public Utilities billing records.

Table S-9
Page 2 of 2

PRINCIPAL REVENUE SOURCES
Current Year and Nine Years Ago
(In Thousands)

DRAINAGE AND WASTEWATER ^a						
Customer Name	2011			2002		
	Amount	Percent of Revenue	Rank	Amount	Percent of Revenue	Rank
University of Washington	\$ 6,763	2.42 %	1	\$ 4,371	3.03 %	1
City of Seattle	6,414	2.30	2	1,616	1.12	3
Port of Seattle	3,634	1.30	3	1,204	0.83	4
Seattle Housing Authority	3,020	1.08	4	161	0.11	10
King County	2,430	0.87	5	1,807	1.25	2
Seattle Public Schools	1,311	0.47	6	934	0.65	5
BNSF Railway Co.	981	0.35	7	268	0.19	9
Darigold	870	0.31	8	609	0.42	7
Harborview Medical Center	789	0.28	9			
Swedish Medical Center	762	0.27	10	649	0.45	6
Virginia Mason Medical Center				461	0.32	8
Total Top Ten	\$ 26,974	9.65 %		\$ 12,080	8.37 %	

^a Source: Seattle Public Utilities (SPU) billing records.

SOLID WASTE ^b						
Customer Name	2011			2000 ^c		
	Amount	Percent of Revenue	Rank	Amount	Percent of Revenue	Rank
Fred Meyer/QFC	\$ 832	0.54 %	1			
City of Seattle	822	0.53	2	\$ 168	0.20 %	1
Starbucks	644	0.42	3			
Seattle Housing Authority	531	0.34	4			
Goodwill Industries	496	0.32	5	134	0.16	3
Swedish Medical Center	456	0.30	6			
Seattle Public Schools	414	0.27	7			
University of Washington	414	0.27	8	108	0.13	5
Pike Place Market	402	0.26	9			
Safeway	321	0.21	10			
Salvation Army				140	0.17	2
King County Housing Authority				126	0.15	4
Mehrer Drywall, Inc.				82	0.10	6
Emerald City Disposal				71	0.08	7
Shultz Miller, Inc.				49	0.06	8
St. Vincent De Paul				49	0.06	9
McBride Construction Resources				45	0.05	10
Total Top Ten	\$ 5,332	3.46 %		\$ 972	1.16 %	

^b Source: Seattle Public Utilities (SPU) billing records.

^c Using 2000 data, the latest and closest available in SPU. SPU changed its billing system in 2002, and data prior to this year were discarded unless revenue bonds were issued for the year or ensuing year.

Table S-10

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year	Original Levy	Adjusted Levy ^a	Collected within the Fiscal Year of the Levy			Subsequent Adjustments to Date		Total Collections to Date			
			Amount	Percentage of Adjusted Levy	%	Net Levy to Date	Subsequent Collections	Amount	Percentage of Net Levy	%	
2002	\$ 268,091,231	\$ 266,379,116	\$ 260,750,105	97.89	%	\$ (187,362)	\$ 266,191,754	\$ 5,440,993	\$ 266,191,098	100.00	%
2003	270,978,698	269,473,186	264,040,918	97.98		(98,469)	269,374,717	5,333,061	269,373,979	100.00	
2004	300,255,001	297,969,060	292,541,786	98.18		(76,853)	297,892,207	785,120	293,326,906	98.47	
2005	314,357,618	313,008,315	307,392,432	98.21		(164,160)	312,844,155	1,405,916	308,798,348	98.71	
2006	321,085,515	320,407,560	314,611,894	98.19		(237,754)	320,169,806	5,539,943	320,151,837	99.99	
2007	361,810,037	360,253,854	354,036,495	98.27		(192,082)	360,061,772	8,931,533	362,968,028	100.81	
2008	371,971,172	370,579,618	363,923,901	98.20		(20,565)	370,559,053	6,406,878	370,330,779	99.94	
2009	391,665,366	389,564,212	382,220,305	98.11		(39,352)	389,524,860	6,314,512	388,534,817	99.75	
2010	396,716,770	394,203,623	387,023,382	98.18		173,363	394,376,986	5,346,162	392,369,544	99.49	
2011	401,332,061	399,082,252	392,544,843	98.36		-	399,082,252	-	392,544,843	98.36	

^a Net of initial adjustments in year of levy.

Table S-11

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(In Thousands, except Per Capita)

Governmental Activities							
Fiscal Year	General Obligation Bonds	Special Assessment Bonds	Capital Leases				
2002	\$ 878,495	\$ -	\$ 7				
2003	885,715	-	19				
2004	835,020	-	62				
2005	794,075	-	29				
2006	746,365	21,925	15				
2007	720,025	20,545	3				
2008	721,160	19,205	-				
2009	771,065	17,705	18				
2010	801,695	15,735	14				
2011	822,110	14,305	10				

Business-Type Activities							
Fiscal Year	General Obligation Bonds	Light and Power Bonds	Water Bonds	Drainage and Wastewater Bonds	Solid Waste Bonds	Light and Power Revenue Anticipation Notes	Solid Waste Revenue Anticipation Notes
2002	\$ 73,540	\$ 1,429,186	\$ 654,130	\$ 248,780	\$ 32,815	\$ 307,210	\$ -
2003	73,177	1,521,526	731,485	244,410	29,230	-	6,200
2004	72,174	1,537,246	795,635	301,195	25,460	-	7,976
2005	71,124	1,472,650	776,790	294,870	21,495	-	11,976
2006	70,023	1,409,215	861,670	334,625	17,325	-	23,576
2007	65,702	1,342,460	841,785	325,460	91,695	-	-
2008	64,524	1,529,375	1,025,480	402,035	87,005	-	-
2009	63,319	1,383,050	903,985	513,070	80,470	-	-
2010	62,093	1,536,775	1,006,300	499,785	78,491	-	-
2011	60,846	1,680,095	977,160	486,610	122,165	-	-

Primary Government				
Fiscal Year	Total	Percentage of Personal Income ^a	Debt Per Capita	Total Personal Income ^a
2002	\$ 3,624,163	13.96 %	\$ 6,349	\$ 25,966,263
2003	3,491,762	13.37	6,106	26,115,814
2004	3,574,768	13.80	6,243	25,905,569
2005	3,443,009	13.32	6,009	25,857,198
2006	3,484,739	12.41	6,022	28,079,681
2007	3,407,675	10.96	5,813	31,104,558
2008	3,848,784	13.36	6,493	28,803,559
2009	3,732,682	12.78	6,200	29,201,816
2010	4,000,888	13.79	6,537	29,019,204
2011	4,163,301	N/A	6,802	N/A

^a Personal income data is not available for 2011.

Table S-12

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			
	General Bonded Debt Outstanding (In Thousands)	Percentage of Actual Taxable Value of Property ^a	Per Capita	
2002	\$ 878,495	1.16 %	\$ 1,539	
2003	885,715	1.11	1,549	
2004	835,020	0.99	1,458	
2005	794,075	0.90	1,386	
2006	746,365	0.78	1,290	
2007	720,025	0.68	1,228	
2008	721,160	0.59	1,216	
2009	771,065	0.56	1,281	
2010	801,695	0.65	1,310	
2011	822,110	0.70	1,343	

Fiscal Year	Business-Type Activities					
	General Bonded Debt Outstanding ^b (In Thousands)	Percentage of Actual Taxable Value of Property ^a	Per Capita	Annual Debt Service Payments	Net Operating Income ^c	Percentage of Debt Service to Net Operating Income ^c
2002	\$ 73,540	0.10 %	\$ 129	\$ 4,127	\$ 3,330	123.93 %
2003	73,177	0.09	128	4,218	3,590	117.49
2004	72,174	0.09	126	4,859	4,174	116.41
2005	71,124	0.08	124	4,885	4,154	117.60
2006	70,023	0.07	121	4,907	4,462	109.97
2007	65,702	0.06	112	5,151	4,599	112.00
2008	64,524	0.05	109	4,654	4,119	112.99
2009	63,319	0.05	105	4,625	4,351	106.30
2010	62,093	0.05	101	4,578	4,097	111.74
2011	60,846	0.05	99	4,520	3,282	137.72

^a Starting in 2011, estimated actual value of taxable property in the succeeding year is used for calculation.

^b General obligation bond debt service for the Downtown Parking Garage is being paid for by user fee revenues derived from the garage. The ultimate recourse for the payment of these bonds remains with the City's General Fund.

^c Excludes amortization.

Table S-13

DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT
December 31, 2011

Governmental Unit	Net Debt Outstanding (In Thousands)	Percentage Applicable to Seattle ^d	Amount Applicable to Seattle (In Thousands)
Debt Repaid with Property Taxes			
King County ^e	\$ 1,174,504	36.78 %	\$ 431,983
Port of Seattle	336,120	36.78	123,625
Seattle School District No. 001	204,175	99.32	202,787
Highline School District No. 401	282,847	0.01	28
Subtotal Overlapping Debt	1,997,646		758,423
City of Seattle Direct Debt	851,087	100.00	851,087
Total Direct and Overlapping Debt	\$ 2,848,733		\$ 1,609,510

^d Percentage rates were provided by King County except for City of Seattle.

^e Excludes proprietary fund debt, public facilities debt financed from special taxes and hotel and motel tax-financed debt.

Table S-14

LEGAL DEBT MARGIN INFORMATION

	General Capacity ^a		Special Purpose Capacity ^a		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 - \$117,503,213,124 ^b					
2.50% of Assessed Value	\$ -	\$ 2,937,580,328	\$ 2,937,580,328	\$ 2,937,580,328	\$ 8,812,740,984
1.50% of Assessed Value	1,762,548,197	(1,762,548,197)	-	-	-
	1,762,548,197	1,175,032,131	2,937,580,328	2,937,580,328	8,812,740,984
Statutory Debt Limit Less Debt Outstanding ^c					
Bonds	(774,830,000) ^d	(109,660,000)	-	(1,350,000)	(885,840,000)
Guarantee on PDA Bonds ^e	(77,075,000)	-	-	-	(77,075,000)
Compensated Absences ^f	(78,800,368)	-	-	-	(78,800,368)
Total Debt Outstanding	(930,705,368)	(109,660,000)	-	(1,350,000)	(1,041,715,368)
Add:					
Available Net Assets In Redemption Funds ^g	9,652,913	7,775	-	-	9,660,688
Compensated Absences for Sick Leave ^f	12,285,299	-	-	-	12,285,299
Net Debt Outstanding	(908,767,156)	(109,652,225)	-	(1,350,000)	(1,019,769,381)
LEGAL DEBT MARGIN	\$ 853,781,041	\$ 1,065,379,906	\$ 2,937,580,328	\$ 2,936,230,328	\$ 7,792,971,603
	Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Percentage of Net Debt to Debt Limit
	2002	\$ 6,009,621,624	\$ 1,050,516,663	\$ 4,959,104,961	17.48 %
	2003	6,295,357,173	1,058,206,882	5,237,150,291	16.81
	2004	6,620,857,929	978,203,235	5,642,354,694	14.77
	2005	7,177,997,496	992,974,845	6,185,022,651	13.83
	2006	7,965,636,558	943,898,454	7,021,738,104	11.85
	2007	9,121,584,801	923,986,450	8,197,598,351	10.13
	2008	10,337,314,041	925,481,168	9,411,832,873	8.95
	2009	9,276,323,568	976,777,408	8,299,546,160	10.53
	2010	9,008,761,941	1,005,384,736	8,003,377,205	11.16
	2011	8,812,740,984	1,019,769,381	7,792,971,603	11.57

^a Legal debt limits are established by the state constitution and by statutes, including RCW 39.36.020 and 35.42.200. These figures do not include \$14.7 million of outstanding City obligations to repay loans from the Washington State Public Works Assistance Account as reporting requirements by the state auditor currently do not include amounts loaned by the state and federal governments. The City's bond counsel does include state and federal loans in calculating debt capacity. The prescribed limits prohibit the City's debt from exceeding 1.5 percent of assessed value of taxable property without a vote of the people, and a total of 2.5 percent (statutory) and 5.0 percent (constitutional) 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 January 25, 2012, for taxes payable in 2012.

^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 \$6,100,655, the accreted value of the 1998, Series E, bonds as of December 31, 2011, and not its par value outstanding of \$3,216,308, 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 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 criterion. The City's bond counsel does not include compensated absences as debt for the purpose of calculating the City's debt capacity.

^g Does not include available net assets in the Local Improvement Guaranty Fund, Interfund Notes Payable Fund, and Local Improvement District No. 6750 Fund because special assessment bonds related to them, if any, are not included in the computation of legal debt margin.

Table S-15

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

(In Thousands)

CITY LIGHT PARITY AND JUNIOR LIEN BONDS ^a						
Fiscal Year	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Interest	Principal	
2002	\$ 708,202	\$ 530,377	\$ 177,825	\$ 72,373	\$ 38,292	1.61
2003	741,559	577,077	164,482	68,689	37,030	1.56
2004	775,245	579,866	195,379	73,668	49,705	1.58
2005	749,289	500,372	248,917	68,932	64,596	1.86
2006	835,005	512,882	322,123	72,408	63,435	2.37
2007	783,775	527,353	256,422	69,858	66,755	1.88
2008	798,108	519,471	278,637	65,218	70,460	2.05
2009	690,760	491,065	199,695	70,514	74,350	1.38
2010	702,053	491,641	210,412	51,012	67,360	1.78
2011	754,391	484,529	269,862	85,038	61,650	1.84

WATER ^b						
Fiscal Year	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Interest	Principal	
2002	\$ 118,160	\$ 47,168	\$ 70,992	\$ 30,415	\$ 16,701	1.51
2003	129,561	52,323	77,238	23,987	23,135	1.64
2004	141,313	54,806	86,507	31,891	19,200	1.69
2005	146,119	55,026	91,093	34,347	19,970	1.68
2006	155,175	64,312	90,863	31,030	21,490	1.73
2007	160,161	67,058	93,103	35,030	17,185	1.78
2008	164,405	81,909	82,496	36,266	19,985	1.47
2009	191,370	76,073	115,297	41,883	28,495	1.64
2010	195,204	79,487	115,717	47,325	25,425	1.59
2011	194,573	78,141	116,432	49,412	29,140	1.48

DRAINAGE AND WASTEWATER ^c						
Fiscal Year	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Interest	Principal	
2002	\$ 144,486	\$ 116,664	\$ 27,822	\$ 6,420	\$ 7,416	2.01
2003	150,722	118,052	32,670	7,023	8,403	2.12
2004	162,118	123,369	38,749	7,987	9,689	2.19
2005	176,482	126,763	49,719	8,055	10,168	2.73
2006	186,832	141,866	44,966	8,049	10,794	2.39
2007	202,408	164,246	38,162	7,824	10,849	2.04
2008	224,109	167,338	56,771	9,872	13,401	2.44
2009	250,194	183,127	67,067	17,102	12,915	2.23
2010	249,734	188,250	61,484	17,234	12,541	2.06
2011	278,957	196,454	82,503	12,129	17,379	2.80

SOLID WASTE ^d						
Fiscal Year	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Interest	Principal	
2002	\$ 112,090	\$ 90,011	\$ 22,079	\$ 1,945	\$ 3,405	4.13
2003	111,738	85,669	26,069	1,767	3,585	4.87
2004	112,168	86,457	25,711	1,580	3,770	4.81
2005	111,231	86,768	24,463	1,382	3,965	4.58
2006	112,474	89,980	22,494	1,175	4,170	4.21
2007	121,931	93,562	28,369	978	4,390	5.28
2008	124,353	90,616	33,737	3,048	4,690	4.36
2009	135,641	116,262	19,379	4,206	6,535	1.80
2010	146,980	118,270	28,710	3,865	1,980	4.91
2011	154,200	121,558	32,642	3,773	2,075	5.58

^a Debt coverage ratios prior to 2005 were based on debt service amounts on parity bonds only; beginning in 2005 the debt service for Junior Lien bonds was included. In 2008, all Junior Lien bonds were redeemed. Starting in 2009, calculation of debt coverage ratios was based again on debt service amounts on parity bonds. Operating expenses do not include interest, depreciation, or amortization expenses, except in 2002, 2003, and 2004 when the effect of \$100 million amortization of deferred power costs were also considered in the calculation of coverage ratio.

^b Operating expenses do not include City public utility taxes, depreciation and amortization, interest paid on revenue bonds, and drawdowns on the Bonneville Power Administration account. Coverage ratio was calculated based on the annual debt service requirement on senior lien bonds only.

^c Debt service coverage ratio was based on average annual debt service. Interest and principal shown were calculated to match the requirements of bond covenants. Operating expenses do not include City utility taxes, depreciation and amortization, interest, and claims.

^d Debt service requirements for outstanding bond anticipation notes (BAN) were not included in calculating bond coverage ratio. There were outstanding BANS in 2003-2006. Operating expenses do not include City utility taxes, depreciation and amortization, and interest.

Table S-16 **DEMOGRAPHIC AND ECONOMIC STATISTICS**
Last Ten Fiscal Years

Year	Population ^a		Per Capita Income ^b		Median Age King County ^d	Public School Enrollment ^e	King County Average Annual Unemployment Rate ^f
	King County	Seattle	King County	Region PMSA ^c			
2002	1,774,300	570,800	\$ 44,135	\$ 40,735	36.13	46,901	6.5 %
2003	1,779,300	571,900	45,334	41,788	36.38	46,699	6.8
2004	1,788,300	572,600	49,533	45,122	36.60	46,418	4.6
2005	1,808,300	573,000	49,488	45,680	36.83	46,239	4.8
2006	1,835,300	578,700	53,488	49,275	36.93	45,654	4.2
2007	1,861,300	586,200	57,710	53,061	36.97	45,262	3.7
2008	1,884,200	592,800	58,141	53,999	37.00	45,574	4.3
2009	1,909,300	602,000	56,904	53,369	37.08	45,944	7.9
2010	1,933,400	612,000	55,136	51,698	37.24	47,008	8.8
2011	1,942,600	612,100	N/A	N/A	37.28	48,496	8.1

^a As of April 1. Source: Washington State Office of Financial Management, “2011 Population Trends for Washington State” estimates only.

^b Source: U. S. Bureau of Economic Analysis, adjusted for years 2005 and 2006. 2011 is not available.

^c Source: U. S. Bureau of Economic Analysis includes Seattle, Bellevue, and Everett adjusted for years 2005 and 2006. 2011 is not available.

^d Source: Washington State Office of Financial Management.

^e Source: Seattle Public Schools.

^f Source: Washington State Employment Security Department.

Table S-17 **PRINCIPAL INDUSTRIES ^{gh}**
Current Year and Nine Years Ago

Industry	2011			2002		
	Number of Employees	Percentage of Employment	Rank	Number of Employees	Percentage of Employment	Rank
Professional and Business Services	206,058	14.7 %	1	178,533	13.3 %	1
Educational and Health Services	170,183	12.1	2	133,667	10.0	4
Manufacturing	158,692	11.3	3	164,067	12.3	2
Retail Trade	139,508	9.9	4	141,692	10.6	3
Leisure and Hospitality	133,558	9.5	5	117,467	8.8	5
Total Local Government	118,067	8.4	6	113,525	8.5	6
Information	85,792	6.1	7	72,917	5.5	9
Financial Activities	78,242	5.6	8	88,458	6.6	7
Wholesale Trade	67,300	4.8	9	67,867	5.1	10
Construction	63,500	4.5	10	75,808	5.7	8
Total Top Ten Industries	1,220,900	86.9 %		1,154,001	86.3 %	

^g Source: Washington Employment Security Department Labor Market and Economic Analysis.

^h Data is provided for King County, which includes the Seattle Metropolitan Area.

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FULL-TIME-EQUIVALENT ^a
CITY GOVERNMENT EMPLOYEES
BY DEPARTMENT/OFFICE
Last Ten Fiscal Years

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
PUBLIC SAFETY					
Fire	1,151.55	1,155.55	1,163.05	1,163.05	1,146.05
Firemen's Pension Board	4.00	4.00	4.00	4.00	4.00
Law	155.10	156.10	154.10	155.10	152.10
Municipal Court	214.10	222.10	235.60	234.60	235.60
Police	1,934.85	1,922.25	1,859.75	1,851.75	1,851.25
Police Relief and Pension Board	3.00	3.00	3.00	3.00	3.00
Public Safety	1.00	1.00	1.00	1.00	1.00
ARTS, CULTURE, AND RECREATION					
Arts and Cultural Affairs	20.60	23.10	25.10	25.10	24.10
Library	503.20	511.82	527.46	533.41	529.03
Parks and Recreation	890.89	1,002.49	1,002.90	1,002.95	989.45
Seattle Center	245.12	257.77	271.53	278.30	278.30
HEALTH AND HUMAN SERVICES					
Human Services	322.60	326.35	337.85	323.85	323.60
NEIGHBORHOODS AND DEVELOPMENT					
Economic Development	22.00	20.00	19.50	24.60	10.50
Housing	38.50	40.50	41.00	41.50	41.75
Neighborhoods	74.75	86.50	88.00	87.00	85.00
Planning and Development	398.01	409.00	437.00	441.00	434.00
UTILITIES AND TRANSPORTATION					
City Light	1,810.50	1,839.10	1,881.83	1,821.33	1,752.33
Seattle Public Utilities	1,420.75	1,449.25	1,481.00	1,458.06	1,367.94
Transportation	768.50	792.00	798.50	778.00	675.50
ADMINISTRATION					
City Auditor	8.00	8.00	8.00	9.00	9.00
Civil Rights	21.50	22.50	22.50	22.50	22.50
Civil Service Commission	1.80	1.80	1.80	1.80	1.80
Employees' Retirement System	15.50	15.50	15.50	14.50	14.50
Ethics and Elections Commission	5.20	5.20	5.20	5.20	5.20
Finance and Administrative Services ^b	523.75	579.00	601.00	597.00	588.50
Hearing Examiner	4.63	4.63	4.75	4.75	4.50
Information Technology	195.00	205.00	216.00	217.00	216.00
Intergovernmental Relations	11.50	11.50	10.50	10.50	10.50
Legislative	86.00	89.00	88.00	88.00	87.00
Mayor	28.50	28.50	24.50	25.50	24.50
Personnel	104.25	115.00	128.00	123.50	121.50
Policy and Management ^c	-	-	18.00	18.50	18.50
Sustainability and Environment	11.00	8.00	7.00	7.00	6.00
Total Full-Time Equivalents	<u>10,995.65</u>	<u>11,315.51</u>	<u>11,482.92</u>	<u>11,372.35</u>	<u>11,034.50</u>

^a Source: City of Seattle Adopted Budgets.

^b Department of Executive Administration, Department of Finance, and Fleets and Facilities Department were merged and created the Department of Finance and Administrative Services in 2010.

^c The Office of Policy and Management was disbanded in 2010. The Full-Time-Equivalents (FTEs) were transferred to the Office of the Mayor, Department of Executive Administration, Department of Neighborhoods, Legislative Department, and Seattle Fire Department. Three FTEs were abrogated.

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FULL-TIME-EQUIVALENT ^a
CITY GOVERNMENT EMPLOYEES
BY DEPARTMENT/OFFICE
Last Ten Fiscal Years

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
PUBLIC SAFETY					
Fire	1,142.80	1,127.05	1,117.00	1,109.75	1,125.65
Firemen's Pension Board	4.00	4.00	4.00	4.00	4.00
Law	147.60	137.60	146.10	144.60	154.10
Municipal Court	234.60	226.10	229.35	227.85	255.69
Police	1,840.25	1,805.75	1,823.75	1,815.25	1,882.75
Police Relief and Pension Board	3.00	3.00	3.00	3.00	4.00
Public Safety	1.00	1.00	1.00	1.00	1.00
ARTS, CULTURE, AND RECREATION					
Arts and Cultural Affairs	23.10	22.10	19.85	20.60	19.60
Library	506.17	478.56	452.31	445.80	462.35
Parks and Recreation	979.44	941.75	940.72	1,069.78	1,114.09
Seattle Center	264.80	253.90	284.82	287.62	301.46
HEALTH AND HUMAN SERVICES					
Human Services	314.85	305.10	324.35	327.85	344.98
NEIGHBORHOODS AND DEVELOPMENT					
Economic Development	21.60	21.00	23.00	23.75	40.50
Housing	41.75	41.75	43.25	43.50	57.25
Neighborhoods	86.50	86.25	87.00	92.13	98.75
Planning and Development	394.50	374.00	370.25	348.75	344.50
UTILITIES AND TRANSPORTATION					
City Light	1,752.10	1,734.10	1,778.10	1,786.10	1,801.85
Seattle Public Utilities	1,402.40	1,399.40	1,392.90	1,366.73	1,286.73
Transportation	642.25	622.50	631.50	627.50	628.00
ADMINISTRATION					
City Auditor	9.00	9.00	11.00	11.00	11.00
Civil Rights	22.50	22.50	21.50	22.00	24.50
Civil Service Commission	1.60	1.60	1.60	1.50	2.00
Employees' Retirement System	12.50	12.50	13.50	13.50	13.50
Ethics and Elections Commission	5.20	5.20	5.20	5.20	5.50
Finance and Administrative Services ^b	579.50	562.95	594.45	593.35	662.10
Hearing Examiner	4.50	4.90	4.90	4.70	5.80
Information Technology	203.50	191.50	190.50	174.00	176.00
Intergovernmental Relations	10.50	10.50	11.50	11.50	12.50
Legislative	85.00	83.70	81.70	79.70	79.70
Mayor	22.50	22.50	23.50	23.50	22.00
Personnel	105.00	101.50	128.00	123.50	138.17
Policy and Management ^c	16.00	15.00	16.00	15.65	14.00
Sustainability and Environment	5.00	4.00	4.00	4.00	5.00
Total Full-Time Equivalents	<u>10,885.01</u>	<u>10,632.26</u>	<u>10,779.60</u>	<u>10,828.66</u>	<u>11,099.02</u>

^a Source: City of Seattle Adopted Budgets.

^b Department of Executive Administration, Department of Finance, and Fleets and Facilities Department were merged and created the Department of Finance and Administrative Services in 2010.

^c The Office of Policy and Management was disbanded in 2010. The Full-Time-Equivalents (FTEs) were transferred to the Office of the Mayor, Department of Executive Administration, Department of Neighborhoods, Legislative Department, and Seattle Fire Department. Three FTEs were abrogated.

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**OPERATING INDICATORS
BY DEPARTMENT/OFFICE
Last Ten Fiscal Years**

	2011	2010	2009	2008	2007
PUBLIC SAFETY					
Fire					
Property fire loss					
Total City	\$11,476,891	\$11,021,455	\$22,217,971	\$16,351,377	\$17,664,500
Per capita	\$18.86	\$18.11	\$36.91	\$27.52	\$32.76
Police					
Municipal Court filings and citations					
Non-traffic criminal filings	8,481	9,908	10,724	9,461	12,003
Traffic criminal filings	1,109	4,752	5,344	5,124	5,100
DUI filings	1,667	1,343	1,422	1,167	1,390
Non-traffic infraction filings	4,787	5,501	6,111	6,437	7,880
Traffic infraction filings	46,136	55,108	57,960	69,949	74,490
Parking infractions	580,841	600,543	568,616	477,024	430,240
ARTS, CULTURE, AND RECREATION					
Library					
Library cards in force	456,534	502,903	465,325	432,790	448,104
Parks and Recreation					
Park use permits issued					
Number	670	614	639	599	529
Amount	\$454,327	\$302,690	\$204,527	\$212,403	\$75,459
Facility use permits issued including pools					
Number	26,051	27,384	26,922	24,977	23,487
Amount	\$6,147,176	\$5,014,973	\$4,957,236	\$2,571,854	\$2,374,230
Facility use permits issued excluding pools					
Number	25,472	26,661	26,190	23,577	22,113
Amount	\$5,573,454	\$4,480,703	\$4,469,322	\$2,127,367	\$1,997,402
Picnic permits issued					
Number	3,463	3,658	3,547	3,420	3,469
Amount	\$345,209	\$303,075	\$249,110	\$228,965	\$229,715
Ball field usage					
Scheduled hours	128,352	125,891	161,937	147,911	145,481
Amount	\$2,480,476	\$1,909,705	\$1,457,708	\$1,444,393	\$1,600,578
Weddings					
Number	233	272	268	235	254
Amount	\$80,900	\$89,350	\$91,238	\$80,955	\$87,900
NEIGHBORHOODS AND DEVELOPMENT					
Planning and Development					
Permits					
Number issued	7,075	6,287	5,917	7,890	8,865
Value of issued permits	\$2,144,525,229	\$1,582,129,040	\$1,987,486,066	\$2,580,055,297	\$3,097,812,568
UTILITIES AND TRANSPORTATION					
City Light					
Customers	400,351	398,858	394,731	387,715	383,127
Operating revenues	\$771,464,570	\$732,977,819	\$723,128,042	\$877,392,652	\$832,524,784
Water					
Population served	1,303,847	1,292,994	1,280,557	1,265,878	1,251,998
Billed water consumption, daily average, in gallons	110,200,000	110,424,484	122,038,356	117,406,451	120,690,060
Operating revenues	\$194,572,652	\$195,203,465	\$191,369,588	\$164,405,030	\$160,161,307
Drainage and Wastewater					
Operating revenues	\$278,956,907	\$249,733,795	\$250,194,607	\$224,109,335	\$202,407,690
Solid Waste					
Customers					
Residential garbage customers	166,637	165,541	167,047	166,914	166,052
Residential dumpsters customers	127,678	126,593	127,971	122,503	119,667
Commercial garbage customers	8,179	8,248	8,462	9,747	8,505
Operating revenues	\$154,200,068	\$150,905,931	\$135,641,160	\$124,353,043	\$121,930,923

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**OPERATING INDICATORS
BY DEPARTMENT/OFFICE
Last Ten Fiscal Years**

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
PUBLIC SAFETY					
Fire					
Property fire loss					
Total City	\$18,340,656	\$16,657,222	\$45,790,140	\$22,433,417	\$27,874,071
Per capita	\$31.69	\$29.13	\$80.07	\$39.23	\$49.48
Police					
Municipal Court filings and citations					
Non-traffic criminal filings	12,882	12,098	10,704	10,502	10,283
Traffic criminal filings	4,156	2,098	N/A	N/A	N/A
DUI filings	1,496	1,437	N/A	N/A	N/A
Non-traffic infraction filings	7,310	7,416	6,715	17,350	17,515
Traffic infraction filings	59,828	59,120	56,556	72,104	74,076
Parking infractions	385,852	438,303	505,790	441,048	428,960
ARTS, CULTURE, AND RECREATION					
Library					
Library cards in force	403,415	454,990	386,127	352,194	377,720
Parks and Recreation					
Park use permits issued					
Number	667	649	658	633	736
Amount	\$217,782	\$229,420	\$371,419	\$457,360	\$327,115
Facility use permits issued including pools					
Number	N/A	N/A	N/A	N/A	N/A
Amount	N/A	N/A	N/A	N/A	N/A
Facility use permits issued excluding pools					
Number	2,314	N/A	N/A	N/A	N/A
Amount	\$790,551	\$567,975	\$377,523	\$338,630	\$300,508
Picnic permits issued					
Number	3,253	3,273	3,028	2,921	3,205
Amount	\$220,595	\$218,045	\$194,404	\$175,663	\$172,942
Ball field usage					
Scheduled hours	144,760	142,360	147,482	138,976	137,127
Amount	\$1,413,035	\$1,474,107	\$1,236,699	\$982,042	\$563,629
Weddings					
Number	238	197	165	160	147
Amount	\$82,079	\$69,670	\$36,770	\$38,820	\$34,065
NEIGHBORHOODS AND DEVELOPMENT					
Planning and Development					
Permits					
Number issued	8,576	7,178	7,209	6,683	5,223
Value of issued permits	\$2,021,878,195	\$1,681,651,482	\$1,597,232,563	\$1,175,475,274	\$970,072,275
UTILITIES AND TRANSPORTATION					
City Light					
Customers	379,230	375,869	372,818	365,445	360,632
Operating revenues	\$831,810,233	\$748,552,561	\$777,918,589	\$741,761,472	\$709,330,438
Water					
Population served	1,236,849	1,221,601	1,216,705	1,214,692	1,211,425
Billed water consumption, daily average, in gallons	124,955,842	118,854,138	127,725,423	130,670,298	126,694,524
Operating revenues	\$155,175,008	\$146,118,856	\$141,313,235	\$129,561,327	\$118,160,130
Drainage and Wastewater					
Operating revenues	\$186,832,412	\$176,482,071	\$162,117,805	\$150,721,637	\$144,485,761
Solid Waste					
Customers					
Residential garbage customers	165,551	165,561	163,977	91,317	180,798
Residential dumpsters customers	117,899	115,838	155,581	111,822	110,807
Commercial garbage customers	8,481	8,697	8,618	8,710	8,856
Operating revenues	\$112,474,339	\$111,230,835	\$112,167,705	\$111,738,282	\$112,089,944

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CAPITAL ASSET STATISTICS

BY DEPARTMENT/OFFICE

Last Ten Fiscal Years

	2011	2010	2009	2008	2007
PUBLIC SAFETY					
Fire					
Boats	3	3	3	3	2
Fire-fighting apparatus	163	162	162	162	163
Stations	33	33	33	33	33
Training towers	2	2	2	2	1
Alarm center	1	1	1	1	1
Utility shop	1	1	1	1	1
Police					
Precincts	5	5	5	5	5
Detached units	7	7	7	7	7
Vehicles					
Patrol cars	270	270	270	270	265
Motorcycles	37	37	37	37	45
Scooters	67	63	58	58	50
Trucks, vans, minibuses	88	86	84	84	81
Automobiles	194	194	194	194	197
Patrol boats	10	10	10	10	10
Bicycles	154	154	146	146	137
Horses	7	8	8	8	8
ARTS, CULTURE AND RECREATION					
Library					
Central and branch libraries	27	27	27	27	24
Mobile units	4	4	4	4	4
Books, audio and video materials, newspapers, and magazines - circulated	10,932,677	11,376,194	11,914,050	10,025,029	9,085,490
Collection, print and non-print	2,403,693	2,280,511	2,294,601	2,446,355	2,352,381
Parks and Recreation					
Major parks	14	14	13	13	13
Open space acres acquired since 1989	695	665	663	654	638
Total acreage	6,251	6,188	6,185	6,171	6,155
Children's play areas	136	135	133	131	130
Neighborhood playgrounds	41	40	38	38	38
Community playfields	38	38	38	33	33
Community recreation centers	24	26	26	26	26
Visual and performing arts centers	6	6	6	6	6
Theaters	2	2	2	2	2
Community indoor swimming pools	8	8	8	8	8
Outdoor heated pools (one saltwater)	2	2	2	2	2
Boulevards	18	18	18	18	18
Golf courses (includes one pitch and putt)	5	5	5	5	5
Squares, plazas, triangles	64	64	64	62	62
Viewpoints	11	11	9	8	8
Bathing beaches (life-guarded)	9	9	9	9	9
Bathing beaches	9	9	9	9	9
Aquarium specimens on exhibit ^a	-	-	10,588	10,216	10,655

^a As of 2010 the Parks and Recreation Department no longer manages aquarium specimens.

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CAPITAL ASSET STATISTICS
BY DEPARTMENT/OFFICE
Last Ten Fiscal Years

	2006	2005	2004	2003	2002
PUBLIC SAFETY					
Fire					
Boats	2	2	2	2	2
Fire-fighting apparatus	163	163	163	163	170
Stations	33	33	33	33	33
Training tower	1	1	1	1	1
Alarm center	1	1	1	1	1
Utility shop	1	1	1	1	1
Police					
Precincts	5	5	5	5	5
Detached units	7	7	7	7	7
Vehicles					
Patrol cars	252	252	252	252	252
Motorcycles	50	48	48	41	41
Scooters	53	55	58	63	63
Trucks, vans, minibuses	81	79	69	67	67
Automobiles	194	189	187	181	181
Patrol boats	10	9	7	7	7
Bicycles	137	137	126	126	117
Horses	8	8	9	9	10
ARTS, CULTURE AND RECREATION					
Library					
Central and branch libraries	24	24	24	24	24
Mobile units	4	4	4	4	4
Books, audio and video materials, newspapers, and magazines - circulated	8,661,263	7,449,761	6,575,866	5,804,388	6,175,027
Collection, print and non-print	2,273,440	2,173,903	1,889,599	2,004,718	2,031,276
Parks and Recreation					
Major parks	13	13	13	13	13
Open space acres acquired since 1989	630	630	630	630	630
Total acreage	6,036	6,036	6,036	6,036	6,036
Children's play areas	130	130	130	130	130
Neighborhood playgrounds	38	38	38	38	38
Community playfields	33	33	33	33	33
Community recreation centers	26	25	25	24	24
Visual and performing arts centers	6	6	6	6	6
Theaters	2	2	2	2	2
Community indoor swimming pools	8	8	8	8	8
Outdoor heated pools (one saltwater)	2	2	2	2	2
Boulevards	18	18	18	18	18
Golf courses (includes one pitch and putt)	5	5	5	5	5
Squares, plazas, triangles	62	62	62	62	62
Viewpoints	8	8	8	8	8
Bathing beaches (life-guarded)	9	9	7	7	9
Bathing beaches	9	9	9	9	9
Aquarium specimens on exhibit ^a	10,655	14,600	14,577	14,577	20,825

^a As of 2010 the Parks and Recreation Department no longer manages aquarium specimens.

Table S-20

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CAPITAL ASSET STATISTICS

BY DEPARTMENT/OFFICE

Last Ten Fiscal Years

	2011	2010	2009	2008	2007
UTILITIES AND TRANSPORTATION					
City Light					
Plant capacity (KW)	1,991,600	1,920,700	1,920,700	1,920,700	1,920,700
Maximum system load (KW)	1,739,238	1,841,255	1,858,735	1,900,878	1,767,805
Total system energy (1,000 KW) (firm load)	10,121,611	9,865,376	10,139,898	10,323,915	10,203,415
Meters	407,614	406,195	402,854	394,455	391,022
Water					
Reservoirs, standpipes, tanks	27	27	27	30	30
Fire hydrants	18,550	18,503	18,473	18,436	18,398
Water mains					
Supply, in miles	182	187	187	224	182
Water storage, in thousand gallons	338,869	338,869	302,880	370,000	377,080
Meters	188,883	188,457	188,226	187,154	185,395
Drainage and Wastewater					
Combined sewers, life-to-date, in miles	471	471	472	473	444
Sanitary sewers, life-to-date, in miles	948	957	956	958	985
Storm drains, life-to-date, in miles	474	473	470	473	472
Pumping stations	67	66	67	65	68
Solid Waste					
Transfer stations	2	2	2	2	2
Transportation					
Arterial streets, in miles	1,540	1,537	1,531	1,531	1,531
Non-arterial streets (paved and unpaved), in miles	2,412	2,411	2,412	2,412	2,412
Sidewalks, in miles	2,256	2,262	2,262	2,258	2,256
Stairways	507	507	498	494	482
Length of stairways, in feet	35,122	35,061	35,181	35,215	34,775
Number of stairway treads	24,050	24,009	23,950	23,666	23,407
Street trees					
City-maintained	41,000	40,000	40,000	40,000	35,000
Maintained by property owners	125,000	125,000	125,000	125,000	105,000
Total platted streets, in miles	1,677	1,666	1,666	1,666	1,666
Traffic signals	1,060	1,053	1,040	1,030	1,001
Parking meters					
Downtown	93	231	941	941	700
Outlying	26	85	97	97	300
Parking pay stations					
Downtown ^b	973	998	856	850	1,215
Outlying ^b	1,198	1,227	1,315	1,127	630
Bridges (movable) - City-owned and -operated	4	4	4	4	4
Bridges (fixed)					
City maintenance	95	90	88	88	88
Partial City maintenance	44	44	54	55	55
Retaining walls/seawalls	592	592	592	582	582

^b City redefined areas starting in 2008.

Table S-20
Page 4 of 4

CAPITAL ASSET STATISTICS
BY DEPARTMENT/OFFICE
Last Ten Fiscal Years

	2006	2005	2004	2003	2002
UTILITIES AND TRANSPORTATION					
City Light					
Plant capacity (KW)	1,920,700	1,920,700	1,920,700	1,920,700	1,920,700
Maximum system load (KW)	1,822,342	1,714,080	1,798,926	1,645,998	1,689,666
Total system energy (1,000 KW) (firm load)	9,990,486	9,703,046	9,560,928	9,610,856	9,610,761
Meters	385,621	382,436	379,599	380,828	379,257
Water					
Reservoirs, standpipes, tanks	29	38	68	38	32
Fire hydrants	18,347	18,475	18,762	18,356	18,635
Water mains					
Supply, in miles	182	181	181	181	173
Water storage, in thousand gallons	377,080	494,080	494,080	506,570	506,570
Meters	183,699	182,037	181,038	180,149	179,268
Drainage and Wastewater					
Combined sewers, life-to-date, in miles	444	464	451	587	584
Sanitary sewers, life-to-date, in miles	985	968	972	908	825
Storm drains, life-to-date, in miles	472	474	467	461	461
Pumping stations	68	68	68	68	68
Solid Waste					
Transfer stations	2	2	2	2	2
Transportation					
Arterial streets, in miles	1,534	1,534	1,534	1,534	1,508
Non-arterial streets (paved and unpaved), in miles	2,412	2,412	2,412	2,412	2,412
Sidewalks, in miles	1,956	1,956	1,954	1,953	1,952
Stairways	482	482	479	479	471
Length of stairways, in feet	34,643	34,643	33,683	33,683	32,787
Number of stairway treads	23,211	23,211	22,471	22,471	22,108
Street trees					
City-maintained	34,000	34,000	34,000	34,000	31,000
Maintained by property owners	100,000	100,000	100,000	100,000	90,000
Total platted streets, in miles	1,666	1,666	1,666	1,666	1,741
Traffic signals	991	1,000	1,000	1,000	1,000
Parking meters					
Downtown	747	2,819	4,298	7,136	6,836
Outlying	353	904	1,967	1,967	1,956
Parking pay stations					
Downtown ^b	925	758	500	N/A	N/A
Outlying ^b	565	318	N/A	N/A	N/A
Bridges (movable) - City-owned and -operated	4	4	4	4	4
Bridges (fixed)					
City maintenance	84	84	85	85	86
Partial City maintenance	55	61	58	58	58
Retaining walls/seawalls	582	582	561	561	586

^b City redefined areas starting in 2008.

MISCELLANEOUS STATISTICS

December 31, 2011 - 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	521 feet
Average elevation	10 feet
Land area	83.1 square miles
Climate	
Temperature	
30-year average, mean annual	52.4
January 2011 average high	52.5
January 2011 average low	32.0
July 2011 average high	70.5
July 2011 average low	59.0
Rainfall	
30-year average, in inches	37.41
2011-in inches	36.39

POPULATION

Year	City of Seattle	Seattle Metropolitan Area ^{ab}
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
2006	578,700	2,507,100
2007	586,200	2,547,600
2008	592,800	2,580,800
2009	602,000	2,613,600
2010	612,000	2,644,500
2011	612,100	2,659,600
King County		1,942,600
Percentage in Seattle		32

^a Source: Washington State Office of Financial Management.

^b Based on population in King and Snohomish Counties.

ELECTIONS (November 8)

Active registered voters	373,630
Percentage voted last general election	52.87
Total voted	197,524

PENSION BENEFICIARIES

Employees' Retirement	5,580
Firemen's Pension	804
Police Pension	813

VITAL STATISTICS

Rates per thousand of residents	
Births (2010)	13.0
Deaths (2010)	6.8

PUBLIC EDUCATION (2011-12 School Year)

Enrollment (October 1)	48,496
Teachers and other certified employees (October 1)	3,364

School programs

Regular elementary programs	57
Regular middle school programs	9
Regular high school programs	12
K-8 school programs	10
Alternative/Non-traditional school programs	5
Total number of school programs	93

PROPERTY TAXES

Assessed valuation (January 2011)	\$119,424,060,925
Tax levy (City)	\$347,854,971

EXAMPLE – PROPERTY TAX ASSESSMENTS

Real value of property	\$453,300
Assessed value	\$453,300

Property Tax Levied By	Dollars per Thousand	Tax Due
City of Seattle	\$3.06086	\$1,387.49
Emergency Medical Services	0.30000	135.99
State of Washington	2.27990	1,033.48
School District No. 1	2.34209	1,061.67
King County	1.33816	606.59
Port of Seattle	0.22366	101.39
King County Ferry District	0.00360	1.63
King County Flood Control Zone	0.10976	49.75
Totals	\$9.65803	\$4,377.98

PORT OF SEATTLE

Bonded Indebtedness

General obligation bonds	\$ 336,120,000
Revenue bonds	2,967,980,000
Passenger facility charges bonds	167,395,000
Commercial Paper	42,655,000

Waterfront (mileage)

Salt water	13.4
Fresh water	0.7

Value of Land Facilities

Waterfront	\$2,189,929,646
Sea-Tac International Airport	\$5,062,065,776

Marine Container Facilities/Capacities

4 container terminals with 11 berths covering 526 acres
 2.034 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	3
Charter airlines	4
Loading bridges	74

Comprehensive Annual Financial Report 2011
Department of Finance and Administrative Services
Production Staff

Citywide Accounting and Payroll Services Director

Janice Marsters

Central Accounting

Jacqui Anderson, CPA - Inactive

Fon Chang

Grace Chou

Scott Clarke

Chau Du

Cam Huynh, CPA

Greg Klump

Conrad Magbalot

Hannah Mitchell-Shapiro

Mena Nguyen

Steve Spada

Marie Tschirgi

Jake Yoon

Additional assistance provided by

Julie Johnson

Michael VanDyck

Inson Whang

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