



**Office of the Washington State Auditor**  
**Pat McCarthy**

**Financial Statements and Federal Single Audit  
Report**  
**City of Seattle**

**For the period January 1, 2017 through December 31, 2017**

**Published September 27, 2018**

**Report No. 1022321**





**Office of the Washington State Auditor  
Pat McCarthy**

September 27, 2018

Mayor and City Council  
City of Seattle  
Seattle, Washington

**Report on Financial Statements and Federal Single Audit**

Please find attached our report on the City of Seattle's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the City's financial condition.

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

## TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Schedule of Federal Award Findings and Questioned Costs.....	6
Summary Schedule of Prior Audit Findings .....	9
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	14
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance .....	17
Independent Auditor's Report on Financial Statements.....	21
Financial Section.....	26
Corrective Action Plan for Findings Reported Under Uniform Guidance .....	205
About the State Auditor's Office.....	206

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## City of Seattle January 1, 2017 through December 31, 2017

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Seattle are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units and remaining fund information and each major fund in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

#### Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City’s compliance with requirements applicable to each of its major federal programs.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

### **Identification of Major Federal Programs:**

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
14.218	CDBG - Entitlement Grants Cluster – Community Development Block Grants/Entitlement Grants
14.267	Continuum of Care Program
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction
20.500	Federal Transit Cluster – Federal Transit Capital Investment Grants
20.507	Federal Transit Cluster – Federal Transit Formula Grants
66.458	Clean Water State Revolving Fund Cluster – Capitalization Grants for Clean Water State Revolving Funds

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$2,337,510.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

See finding 2017-001

**SCHEDULE OF FEDERAL AWARD FINDINGS AND  
QUESTIONED COSTS**

**City of Seattle  
January 1, 2017 through December 31, 2017**

**2017-001    The City did not have adequate internal controls in place to ensure compliance with federal reporting requirements of the Community Development Block Grant.**

<b>CFDA Number and Title:</b>	14.218 Community Development Block Grants/Entitlement Grants
<b>Federal Grantor Name:</b>	U. S. Department of Housing and Urban Development
<b>Federal Award/Contract Number:</b>	Various
<b>Pass-through Entity Name:</b>	NA
<b>Pass-through Award/Contract Number:</b>	NA
<b>Questioned Cost Amount:</b>	\$0

***Description of Condition***

The objective of the Community Development Block Grant program is to develop viable urban communities by providing decent housing and a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income. During 2017, the City of Seattle spent \$8,112,214 in federal grant money through this program.

To comply with the reporting requirements, the City must submit financial and performance reports to the federal Department of Housing and Urban Development (HUD). The SF-425 Federal Financial Report (FFR) is one of the required financial reports. The federal Office of Management and Budget (OMB) requires the quarterly submission of the FFR report to obtain financial information from federal-money recipients.

During our audit, we found that the City’s Human Service Department did not have controls in place to ensure it prepared and submitted the quarterly FFRs. As a result, the Department did not submit any FFRs for 2017.

We consider this control deficiency to be a material weakness.

This issue was not reported as a finding in the prior audit.

### ***Cause of Condition***

The Human Service Department staff who managed the grant planned to perform research to ensure the reports were properly prepared before submittal. However, they ultimately did not ensure these quarterly reports were prepared and submitted.

### ***Effect of Condition and Questioned Costs***

The City did not comply with the grant's financial reporting requirements to submit quarterly FFRs.

HUD uses the financial reports to assess program funding. Failure to report the necessary information to the grantor delays this assessment.

### ***Recommendation***

We recommend the City strengthen internal controls by monitoring program staff to ensure all reports required by the grant are prepared and submitted to the granting agency by the applicable deadlines.

### ***City's Response***

*SF-425 is a Federal Financial Report that is required to be completed and submitted to the Department of Housing and Urban Development (HUD) on a quarterly basis. However, no reports were prepared in 2017.*

*The Human Services Department acknowledges the 2017 CDBG Report, SF-425, was not completed and submitted to HUD on a quarterly basis. At this point in time, the 2017 reports are complete. HSD is implementing measures to ensure that the report continues to be completed consistently on a quarterly basis, moving forward.*

### ***Auditor's Remarks***

We appreciate the City's commitment to resolve this finding and thank the City for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

### ***Applicable Laws and Regulations***

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, paragraph 11.

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516 Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303 Internal controls, establishes internal control requirements for management of Federal awards to non-Federal entities.

Title 2 CFR Part 200, Uniform Guidance, section 302, Financial management, establishes requirements for financial management systems and reporting accurate, current and complete financial results of Federal awards.

Title 2 CFR Part 200, Uniform Guidance, section 327, Financial reporting, establishes requirements for reporting financial information related to Federal awards.

Federal Financial Report, SF-425 (OMB Number 4040-0014) Instructions state, in part, the submission of interim FFRs will be on a quarterly, semi-annual, or annual basis, as directed by the Federal agency. A final FFS shall be submitted at the completion of the award agreement.

U. S. Department of Housing and Urban Development Information Bulletin Issue. No. CPD-2015-05 established the quarterly FFR reporting requirement.





**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**City of Seattle**  
**January 1, 2017 through December 31, 2017**

This schedule presents the status of federal findings reported in prior audit periods.

<b>Audit Period:</b> January 1, 2016 through December 31, 2016	<b>Report Ref. No.:</b> 1020019	<b>Finding Ref. No.:</b> 2016-001
<b>Finding Caption:</b> The City did not maintain adequate processes and controls within the Customer Care and Billings system to ensure proper security roles were maintained and provide reliable reporting.		
<b>Background:</b> The certified public accountant firm’s report identified the following significant deficiency in internal controls over financial reporting: “The financial internal control documentation associated with the CCB [Customer Care and Billings] implementation was incomplete as of the financial statement date. In addition, the Department’s internal audit personnel was involved in the design and rollout of the IT [Information Technology] security controls in the system. It was also noted that reliable billing system reports were not available in the new system and the processes and controls surrounding the billing/revenue adjustments was not consistently maintained during 2016.”		
<b>Status of Corrective Action: (check one)</b> <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
<b>Corrective Action Taken:</b> <i>During 2017 and to date, General Accounting Division, worked with Seattle City Light CIS-Operations, Seattle Public Utilities, Corporate Performance, and other stakeholders to produce critical CCB reports used for reporting revenues and consumption. Significant progress was made and may of the CCB reports will be implemented into production by the end of the second quarter 2018. Work to produce remaining additional CCB reports will continue during 2018. In the interim, reliable revenue and consumption data continued to be extracted from CCB to meet financial reporting requirements.</i>		

<b>Audit Period:</b> January 1, 2016 through December 31, 2016		<b>Report Ref. No.:</b> 1020019	<b>Finding Ref. No.:</b> 2016-002
<b>Finding Caption:</b> The Seattle City Employees' Retirement System did not have adequate internal controls in its accounting, which caused delays in its annual financial statement preparation.			
<b>Background:</b> The certified public accountant firm's audit identified the following significant deficiency in internal controls over financial reporting: <u>"Account Reconciliations and Reporting"</u> During the year, the investment and securities lending general ledger accounts were not analyzed and reconciled with subsidiary information on a periodic basis. These periodic reconciliations, together with the posting of correcting journal entries, help ensure timely and accurate interim financial information that can be used to monitor and control operations. In addition, timely reconciliation of accounts is most cost efficient, since reconciliation at a later date is often more difficult and time consuming. A key accounting system goal should be to provide timely, accurate financial information for management."			
<b>Status of Corrective Action: (check one)</b> <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
<b>Corrective Action Taken:</b> <i>In 2017, SCERS worked with its custodian bank to receive more timely reporting of securities lending. In 2017, SCERS analyzed, reconciled, and posted correcting journal entries on a regular basis and as a result, SCERS' external auditors, Clifton Larson Allen LLP, removed this internal control note from its 2017 "Communication Of Internal Control Related Matters" memo.</i>			
<b>Audit Period:</b> January 1, 2016 through December 31, 2016	<b>Report Ref. No.:</b> 1020019	<b>Finding Ref. No.:</b> 2016-003	<b>CFDA Number(s):</b> 14.218
<b>Federal Program Name and Granting Agency:</b> Community Development Block Grants/Entitlement Grants, U.S. Department of Housing and Urban Development		<b>Pass-Through Agency Name:</b> NA	
<b>Finding Caption:</b> The City did not have adequate internal controls in place to ensure compliance with federal requirements over allowable costs and subrecipient monitoring.			

**Background:**

This issue was reported as a finding in 2015 and was considered partially corrected in 2016.

City of Seattle’s Human Services Department did not have adequate internal controls related to allowable costs and subrecipient monitoring to ensure compliance with federal requirements for its CDBG program. As a result, we reported a total of \$3,291,160 in questioned costs.

**Status of Corrective Action: (check one)**

- Fully Corrected     
  Partially Corrected     
  Not Corrected     
  Finding is considered no longer valid

**Corrective Action Taken:**

*HSD is aware of the audit findings relating to lack of internal controls in place to ensure compliance with federal subrecipient monitoring requirements for CoC, CDBG, and HOPWA programs. As part of our long-term plan from 2015 audit findings, HSD implemented the following corrective action plans in early 2017:*

- *Developed and implemented a new monitoring practice and policy manual/checklist, for how the department will ensure compliance with the grant agreement and federal requirements. This includes performing a risk-assessment by evaluating each subrecipient’s risk of non-compliance with grant agreement and federal requirements.*
- *HSD verified and confirmed all 2015 questioned costs to subrecipients were expended in accordance with the grant agreements and will review all 2016 proposed likely and questioned costs and assure that they were also expended in accordance with grant agreements.*
- *HSD hired a fiscal specialist to perform subrecipient Monitoring with Program Specialists, conducting site visits, performing risk assessments on all subrecipients required by the Uniform Guidance, and providing on-going training to program specialists to ensure they have an adequate understanding of federal subrecipient monitoring. HSD also hired a CPA firm to conduct Uniform Guidance Training for its fiscal and program specialist teams.*

<b>Audit Period:</b> January 1, 2016 through December 31, 2016	<b>Report Ref. No.:</b> 1020019	<b>Finding Ref. No.:</b> 2016-004	<b>CFDA Number(s):</b> 14.241
<b>Federal Program Name and Granting Agency:</b> Housing Opportunity for Persons with AIDS, U.S. Department of Housing and Urban Development		<b>Pass-Through Agency Name:</b> NA	

**Finding Caption:**

The City did not have adequate internal controls in place to ensure compliance with federal requirements over allowable costs and subrecipient monitoring.

**Background:**

City of Seattle’s Human Services Department did not have adequate internal controls related to allowable costs and subrecipient monitoring to ensure compliance with federal requirements for its Housing Opportunity for Persons with AIDS program. As a result, we reported a total of \$101,972 in questioned costs.

**Status of Corrective Action: (check one)**

- Fully Corrected       Partially Corrected       Not Corrected       Finding is considered no longer valid

**Corrective Action Taken:**

*HSD is aware of the audit findings relating to lack of internal controls in place to ensure compliance with federal subrecipient monitoring requirements for CoC, CDBG, and HOPWA programs. As part of our long-term plan from 2015 audit findings, HSD implemented the following corrective action plans in early 2017:*

- Developed and implemented a new monitoring practice and policy manual/checklist, for how the department will ensure compliance with the grant agreement and federal requirements. This includes performing a risk-assessment by evaluating each subrecipient’s risk of non-compliance with grant agreement and federal requirements.*
- HSD verified and confirmed all 2015 questioned costs to subrecipients were expended in accordance with the grant agreements and will review all 2016 proposed likely and questioned costs and assure that they were also expended in accordance with grant agreements.*
- HSD hired a fiscal specialist to perform subrecipient Monitoring with Program Specialists, conducting site visits, performing risk assessments on all subrecipients required by the Uniform Guidance, and providing on-going training to program specialists to ensure they have an adequate understanding of federal subrecipient monitoring. HSD also hired a CPA firm to conduct Uniform Guidance Training for its fiscal and program specialist teams.*

<b>Audit Period:</b> January 1, 2016 through December 31, 2016	<b>Report Reference No.:</b> 1020019	<b>Finding Ref. No.:</b> 2016-005	<b>CFDA Number(s):</b> 14.267
<b>Federal Program Name and Granting Agency:</b> Continuum of Care, U.S. Department of Housing and Urban Development		<b>Pass-Through Agency Name:</b> none	
<b>Finding Caption:</b> The City did not have adequate internal controls in place to ensure compliance with federal requirements over allowable cost and subrecipient monitoring.			
<b>Background:</b> This issue was reported as a finding in 2015 and was considered partially corrected in 2016. City of Seattle's Human Services Department did not have adequate internal controls related to allowable costs and subrecipient monitoring to ensure compliance with federal requirements for its Continuum of Care program. As a result, we reported a total of \$1,180,042 in known questioned costs and \$5,457,692 in likely questioned costs.			
<b>Status of Corrective Action: (check one)</b> <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
<b>Corrective Action Taken:</b> <i>HSD is aware of the audit findings relating to lack of internal controls in place to ensure compliance with federal subrecipient monitoring requirements for CoC, CDBG, and HOPWA programs. As part of our long-term plan from 2015 audit findings, HSD implemented the following corrective action plans in early 2017:</i> <ul style="list-style-type: none"> <li><i>Developed and implemented a new monitoring practice and policy manual/checklist, for how the department will ensure compliance with the grant agreement and federal requirements. This includes performing a risk-assessment by evaluating each subrecipient's risk of non-compliance with grant agreement and federal requirements.</i></li> <li><i>HSD verified and confirmed all 2015 questioned costs to subrecipients were expended in accordance with the grant agreements and will review all 2016 proposed likely and questioned costs and assure that they were also expended in accordance with grant agreements.</i></li> <li><i>HSD hired a fiscal specialist to perform subrecipient Monitoring with Program Specialists, conducting site visits, performing risk assessments on all subrecipients required by the Uniform Guidance, and providing on-going training to program specialists to ensure they have an adequate understanding of federal subrecipient monitoring. HSD also hired a CPA firm to conduct Uniform Guidance Training for its fiscal and program specialist teams.</i></li> </ul>			

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**City of Seattle  
January 1, 2017 through December 31, 2017**

Mayor and City Council  
City of Seattle  
Seattle, Washington

We have audited, 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, the 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, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 25, 2018.

Our report includes a reference to other auditors who audited the financial statements of the Light, Water, Drainage and Wastewater, and Solid Waste funds, and the Seattle City Employees' Retirement System, as described in our report on the City's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. 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* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with those funds and the Seattle City Employees' Retirement System.

The prior year comparative information has been derived from the City's 2016 basic financial statements, on which we issued our report dated August 11, 2017.

As discussed in Note 1 to the financial statements, during the year ended December 31, 2017, the City implemented Governmental Accounting Standards Board Statement No. 73, *Accounting and*

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we, and the other auditors of the Light fund, did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we have reported to the management of the City in a separate special investigation letter dated May 31, 2018.

## **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy  
State Auditor  
Olympia, WA

September 25, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE**

**City of Seattle**  
**January 1, 2017 through December 31, 2017**

Mayor and City Council  
City of Seattle  
Seattle, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM**

We have audited the compliance of the City of Seattle, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2017. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

### **City's Response to Findings**

The City's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not

for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2017-001 to be a material weakness.

### **City's Response to Findings**

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other

purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

September 25, 2018

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Seattle January 1, 2017 through December 31, 2017

Mayor and City Council  
City of Seattle  
Seattle, Washington

### REPORT ON THE FINANCIAL STATEMENTS

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, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 26.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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, 98 percent, and 98 percent, respectively, of the assets and deferred outflows, net position, and revenues of the business-type activities.
- The Seattle City Employees' Retirement System, which represents 64 percent, 73 percent, and 28 percent, respectively, of the assets and deferred outflows, net position, 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, 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, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 1 to the financial statements, in 2017, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Report on Summarized Comparative Information***

The financial statements include partial prior year comparative information. Such information does not include all of the information required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2016, from which such partial information was derived.

We and other auditors have previously audited the City's 2016 financial statements and, based on our audit and the reports of the other auditors, we expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information in our report dated August 11, 2017.

In our opinion, the summarized comparative information for the governmental activities and governmental funds presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 26 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 our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an



integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy

State Auditor

Olympia, WA

September 25, 2018

## FINANCIAL SECTION

### City of Seattle January 1, 2017 through December 31, 2017

#### REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2017

#### BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2017

Statement of Activities – 2017

Balance Sheet – Governmental Funds - 2017

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2017

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and  
Changes in Fund Balance to the Statement of Activities – 2017

Statement of Net Position – Proprietary Funds – 2017

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds  
– 2017

Statement of Cash Flows – Proprietary Funds – 2017

Statement of Fiduciary Net Position – Fiduciary Funds – 2017

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2017

Notes to Financial Statements – 2017

#### REQUIRED SUPPLEMENTARY INFORMATION

Notes to Required Supplementary Information – Schedule of Revenues, Expenditures and  
Changes in Fund Balance – Budget to Actual – 2017

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
– General Fund – 2017

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
– Transportation Fund – 2017

Notes to Required Supplementary Information – Pension Plan Information – 2017

Pension Plan Information– Schedule of Changes in Total Pension Liability and Related  
Ratios – Police Relief and Pension Fund, Firefighter's Pension Fund – 2017

Pension Plan Information – Schedule of Proportionate Share of Net Pension Liability –  
Seattle City Employees’ Retirement System, Law Enforcement Officers’ and Fire  
Fighters’ Retirement System Plan 1, Law Enforcement Officers’ and Fire Fighters’  
Retirement System Plan 2 – 2017

Pension Plan Information – Schedule of Employer Contributions – Seattle City  
Employees’ Retirement System, Law Enforcement Officers’ and Fire Fighters’  
Retirement System Plan 1, Law Enforcement Officers’ and Fire Fighters’ Retirement  
System Plan 2 – 2017

## **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2017

Notes to the Schedule of Expenditures of Federal Awards – 2017

# **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, 2017. 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 and the City's basic financial statements following this section. All dollar amount are expressed in thousands unless otherwise indicated.

## **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 Position presents information on all City assets, deferred outflows of resources, liabilities, deferred inflows of resources, with the difference between these elements reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the City's financial health.

The Statement of Activities presents changes in net position during the current reporting period. All changes to net position 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 functions 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, fiber leasing, 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 near-term inflows and outflows of spendable resources, as well as fund balances at the end of the fiscal year. Such information may be useful in assessing the City's near-term financing requirements.

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 two 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 and Transportation 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 fund statements follow the governmental fund 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 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 governmental and enterprise funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information.

### 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 the required supplementary information with the goal of providing the user with a better understanding of the City's economic condition.

## FINANCIAL HIGHLIGHTS

- At the end of fiscal year 2017 the City's net position totaled \$5.738 billion, with governmental activities accounting for 60.9 percent and business-type activities 39.1 percent, consistently reporting a 2 to 1 ratio year over year.
- Net investment in capital assets grew 3.5 percent, increasing \$189.7 million, to a total reported balance of \$5.645 billion for 2017. Of these assets the City's governmental activities controls \$3.365 billion, with the remaining \$2.280 billion supporting business-type activities.
- Restricted net position of \$780.0 million is available to meet the City's ongoing obligations to citizens and creditors. Governmental activities accounted for 72.8 percent of the \$95.4 million increase in the restricted balances. The City restricted significant resources for capital projects, low-income, transportation, and education programs, debt service and other purposes.
- The City's non-current liabilities account for 90.5 percent of all liabilities recorded. During 2017 these liabilities increased \$750.4 million, 9.8 percent between years. The City's business activities contributed significantly to the increase in the long-term liabilities with an increase to revenue bonds payable of \$469.6 million. The overall change in long-term liabilities is also reflected in the \$687.2 million deficit reported under the City's unrestricted net position.
- Expenses reported at the citywide level were up 7.2 percent year over year, totaling \$3.689 billion in 2017. Of the \$247.1 million increase in 2017's expenses 53.3 percent can be attributed to the growth in expenses related to governmental-activities. Expenses for all functions within the City's governmental activities totaled \$1.911 billion for 2017, a 7.4 percent increase over 2016's costs of \$1.779 billion.
- The City's governmental funds reported a combined ending fund balance of \$1,115.3 million for 2017, an increase of 12.2 percent from the prior year's restated balance of \$994.4 million. Of the total fund balance, 11.6 percent is reported as unassigned balance, totaling \$130.0 million for year-end 2017. The General Fund contributes \$152.2 million to unassigned fund balance which was then offset by the special revenue and capital project funds reporting a combined deficit of \$22.3 million in unassigned fund balances that offset the total across the City's governmental funds.
- Revenue generated by the City's governmental funds totaled \$2.210 billion for the fiscal year ended December 31, 2017, an increase of approximately \$110.6 million, or 5.3 percent from the prior year's balance of \$2.099 billion. The increase is primarily driven by \$95.2 million of additional tax collections in 2017, a 6.7 percent increase that pushed the total tax collection to \$1.517 billion in 2017.
- Expenditures in governmental funds amounted to \$2.184 billion, an increase of approximately \$41.3 million, or 2.0 percent, compared to \$2.143 billion in 2016. In the aggregate, expenditures for governmental funds exceeded revenues by approximately \$25.8 million. The City's General Fund reported an excess of revenues over expenditures totaling \$320.8 million, while the other major and nonmajor governmental funds reported a deficiency of revenues over expenditures totaling \$295 million.
- The City's governmental funds received a significant contribution from other financing sources and uses totaling \$95.1 million for 2017. These resources offset the operating deficit and directly contributed to the City's governmental fund balance which totals \$1,115.3 million at year end.
- The General Fund is the chief operating fund of the City. For 2017 the General Fund reported a balance of \$495.1 million, or 44.4 percent of the entire governmental fund balance. The General Fund accounts for 63.6 percent of revenues, and 49.6 percent of total governmental expenditures. The unassigned balance in the City's General Fund grew \$3.1 million, an 2.0 percent increase that pushed the General Fund's total unassigned balance to a record level, \$152.2 million for 2017.
- In 2017 the City issued \$100.1 million in General Obligation Bonds, and \$914.3 million of Revenue Bonds. Of the amount issued in 2017, \$19.4 million was used to partially refund general obligation bonds, and \$163.6 million of revenue bonds. The City's outstanding general obligation bonds totaled \$1.013 billion and the utility revenue bonds 4.226 billion at year end 2017.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve as a useful indicator of a government's financial position. Table A-1 is a condensed version of the statement of net position for the City of Seattle.

**Statement of Net Position**

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	Restated 2016
<b>ASSETS</b>						
Current and Other Assets	\$ 1,601,692	\$ 1,416,754	\$ 1,980,443	\$ 1,536,233	\$ 3,582,135	\$ 2,952,987
Capital Assets and Construction in Progress, Net of Accumulated Depreciation	4,389,411	4,264,107	6,158,882	5,788,126	10,548,293	10,052,233
Total Assets	5,991,103	5,680,861	8,139,325	7,324,359	14,130,428	13,005,220
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	186,218	199,750	156,605	192,059	342,823	391,809
<b>LIABILITIES</b>						
Current Liabilities	369,099	372,400	431,972	416,478	801,071	788,878
Noncurrent Liabilities	2,265,286	1,998,338	5,403,343	4,919,917	7,668,629	6,918,255
Total Liabilities	2,634,385	2,370,738	5,835,315	5,336,395	8,469,700	7,707,133
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	49,299	7,205	215,998	165,812	265,297	173,017
<b>NET POSITION</b>						
Net Investment in Capital Assets	3,365,060	3,269,646	2,280,370	2,186,129	5,645,430	5,455,775
Restricted	694,502	625,046	85,527	59,575	780,029	684,621
Unrestricted	(565,925)	(392,023)	(121,280)	(231,495)	(687,205)	(623,518)
Total Net Position	\$ 3,493,637	\$ 3,502,669	\$ 2,244,617	\$ 2,014,209	\$ 5,738,254	\$ 5,516,878

At the close of the current fiscal year the City's total net position was 5.738 billion. The \$9.0 million net position decrease for governmental activities accounted for 4.1 percent of the City's total year over year change in net position.

The net position for the business-type activities also increased 11.4 percent between 2016 and 2017, from \$2.014 billion to \$2.245 billion. In 2017 the City's business activities contributed an additional \$230.4 million to the City's net position, and accounted for 104.1 percent to the City's overall increase in net position.

The City's net position reports an investment of \$5.645 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 funding sources, as capital assets cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$780.0 million, or 13.6 percent, represents resources that are subject to external restrictions on how they may be used.

City's unrestricted net position reports a deficit of resources totaling \$687.2 million. This deficit is the direct result of the City's recognition of the net pension liability associated with the implementation of GASB statement 68. This deficit will require future resources to meet the government's obligation to citizens and creditors

Table A-2

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 389,814	\$ 347,240	\$ 1,922,513	\$ 1,785,230	\$ 2,312,327	\$ 2,132,470
Operating Grants and Contributions	130,777	134,856	1,834	4,583	132,611	139,439
Capital Grants and Contributions	36,161	31,076	70,020	86,997	106,181	118,073
General Revenues						
Property Taxes	582,622	542,854	—	—	582,622	542,854
Sales Taxes	280,963	263,285	—	—	280,963	263,285
Business Taxes	516,881	482,850	—	—	516,881	482,850
Other Taxes	137,706	133,636	—	—	137,706	133,636
Other	25,972	8,889	17,963	60,907	43,935	69,796
Total Revenues	<u>2,100,896</u>	<u>1,944,686</u>	<u>2,012,330</u>	<u>1,937,717</u>	<u>4,113,226</u>	<u>3,882,403</u>
<b>Expenses</b>						
Governmental Activities						
General Government	222,089	226,438	—	—	222,089	226,438
Judicial	32,075	32,025	—	—	32,075	32,025
Public Safety	577,738	577,631	—	—	577,738	577,631
Physical Environment	15,539	12,559	—	—	15,539	12,559
Transportation	384,724	276,867	—	—	384,724	276,867
Economic Environment	147,005	175,132	—	—	147,005	175,132
Health and Human Services	119,463	104,687	—	—	119,463	104,687
Culture and Recreation	364,425	330,985	—	—	364,425	330,985
Interest on Long-Term Debt	47,777	42,942	—	—	47,777	42,942
Business-Type Activities						
Light	—	—	914,785	858,929	914,785	858,929
Water	—	—	235,142	227,988	235,142	227,988
Drainage and Wastewater	—	—	363,682	335,051	363,682	335,051
Solid Waste	—	—	192,062	167,957	192,062	167,957
Planning and Development	—	—	72,914	67,964	72,914	67,964
Downtown Parking Garage	—	—	—	5,222	—	5,222
Fiber Leasing	—	—	36	8	36	8
Total Expenses	<u>1,910,835</u>	<u>1,779,266</u>	<u>1,778,621</u>	<u>1,663,119</u>	<u>3,689,456</u>	<u>3,442,385</u>
Excess Before Special Item and Transfers	190,061	165,420	233,709	274,598	423,770	440,018
Special Item - Environmental Remediation	—	—	(9,619)	(66,187)	(9,619)	(66,187)
Transfers	(5,317)	15,469	6,321	(15,469)	1,004	—
Changes in Net Position	184,744	180,889	230,409	192,942	415,155	373,831
Net Position - Beginning of Year	3,502,669	3,321,778	2,014,208	1,821,264	5,516,877	5,143,042
Restatements/Prior-Year Adjustments	(193,776)	—	—	—	(193,776)	—
Net Position - Beginning of Year as Restated	3,308,893	3,321,778	2,014,208	1,821,264	5,323,101	5,143,042
Net Position - End of Year	<u>\$ 3,493,637</u>	<u>\$ 3,502,667</u>	<u>\$ 2,244,617</u>	<u>\$ 2,014,206</u>	<u>\$ 5,738,254</u>	<u>\$ 5,516,873</u>

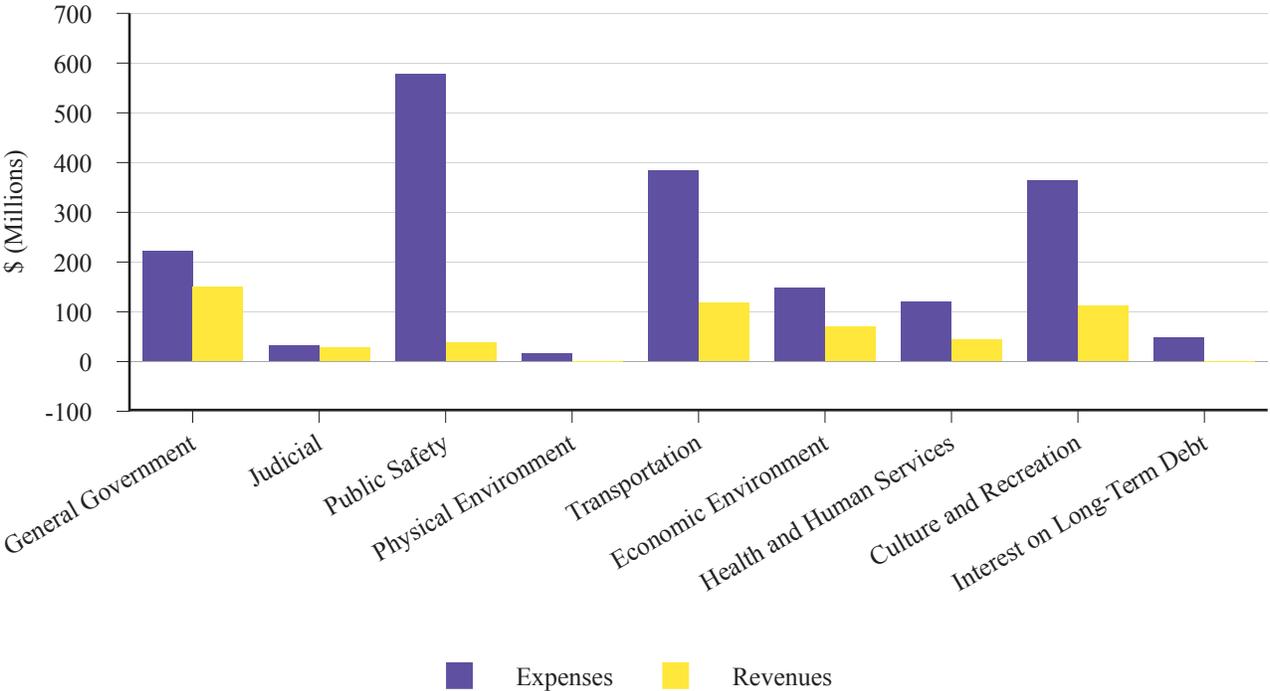
**Analysis of Changes in Net Position**

In 2017 the City’s total net position increased by \$415.2 million, or 7.5 percent. The factors contributing to the increase are explained in the following discussion of governmental and business-type activities.

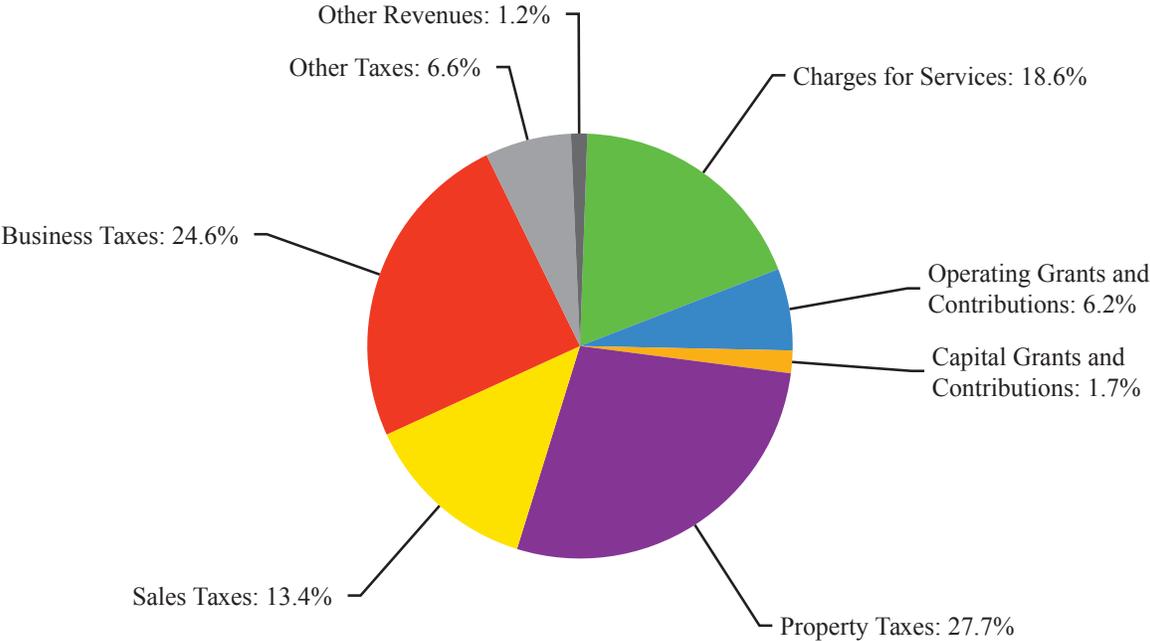


Governmental Activities

Expenditures and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Total \$2.101 billion

**Governmental Activities.** The charts on the previous page present the City’s governmental expenses and revenues by function and its revenue by source.

The City’s revenues reported at the citywide level were up 5.9 percent year over year, totaling \$4.113 billion in 2017. Out of the \$230.8 million of additional revenues reported in 2017, the City’s governmental activities accounted for 67.7 percent of the change. The following table lists the general revenues ranked by the size of their 2017 collections, and highlights the change in general revenues between the 2016 and 2017 financial statements.

2017 Rank	General Tax Revenues	Amount (In Millions)	Percent of Change	Amount of Change (In Millions)
1	Property Taxes	\$582.6	7.3%	\$39.8
2	Business Taxes	\$516.9	7.0%	\$34.0
3	Sales Taxes	\$281.0	6.7%	\$17.7
4	Excise Taxes	\$115.7	0.9%	\$1.0
5	Other Taxes	\$22.0	15.9%	\$3.0

The City’s tax revenues continue to provide the most significant source of revenue for governmental activities, with property, sales and business tax contributing 89.4 percent of all general revenues, and 65.7 percent of the governmental activities general and program revenue combined.

The year over year growth in sales tax was 6.7 percent, or \$17.7 million, and contributed 11.3 percent of the total revenue growth in governmental activities. Excise taxes collected by the City contributed an additional \$1.0 million to the year over year increase, 7.4 percent of 2016’s total revenue growth of \$156.2 million in governmental activities. Another continuing driver behind the General Fund’s sales tax growth is the local construction boom, with 25 percent of sales tax receipts directly attributable to construction.

Direct program revenues collected supporting the City’s governmental activities were \$556.8 million, or 29.1 percent of the the City’s expenses for governmental activities, with the remaining \$1.354 billion covered by the City’s general resources. The City’s charges for services are the largest component of reported program revenues, and comprise 70.0 percent of program revenue generated by governmental activities. For governmental activities charges for services contribute 18.6 percent of total revenues, with year over year revenues collected for service charges up \$42.6 million, a 12.3 percent increase that raises total service charge collection to \$389.8 million.

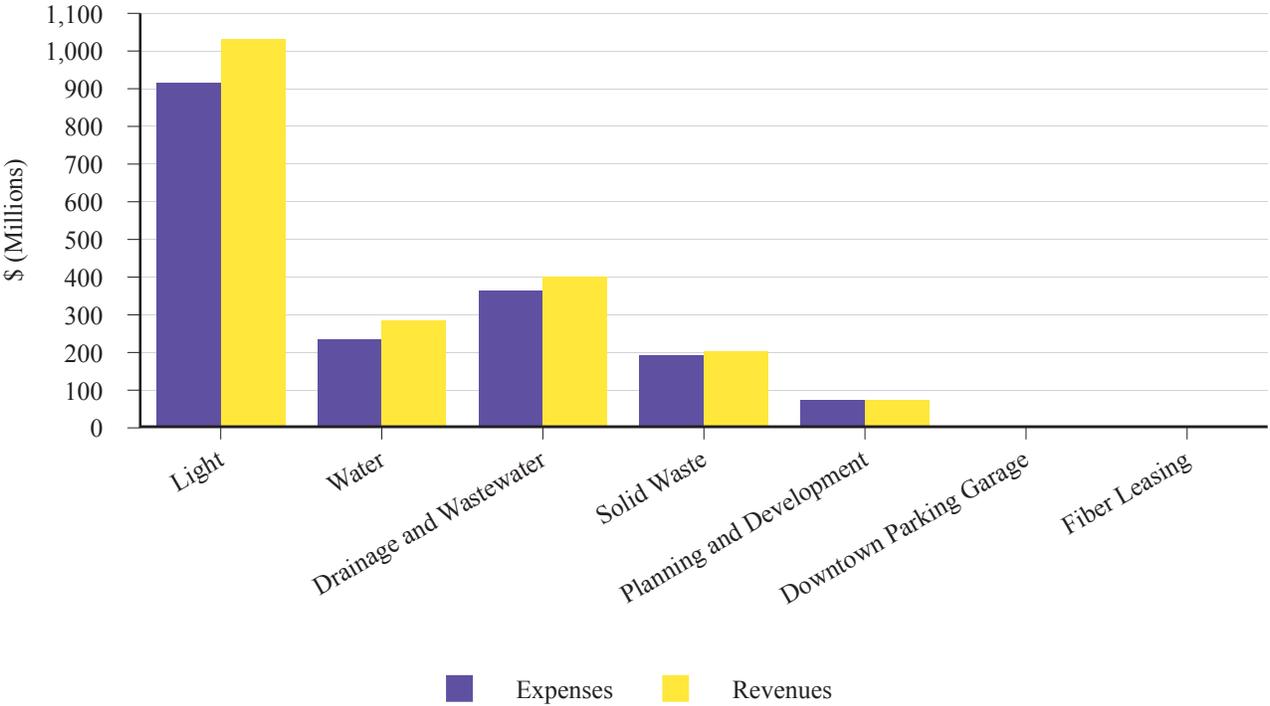
Expenses reported at the citywide level were up 7.2 percent year over year, totaling \$3.689 billion in 2017. Of the \$247.1 million increase in 2017’s expenses 53.3 percent can be attributed to the growth in expenses related to governmental activities. Net program expenses for all functions within the City’s governmental activities totaled \$1.911 billion for 2017, a 7.4 percent increase over 2016’s costs of \$1.779 billion. The following table lists city functions and programs ranked by the size of their 2017 expenses, and highlights the growth in costs between the 2016 and 2017 financial statements.

2017 Rank	Citywide Function/Program	Amount (In Millions)	Percent of Change	Amount of Change (In Millions)
1	Public Safety	\$577.7	0.0%	\$0.1
2	Culture and Recreation	\$364.4	10.1%	\$33.4
3	Transportation	\$384.7	39.0%	\$107.9
4	General Government	\$222.1	(1.9)%	\$(4.3)
5	Economic Environment	\$147.0	(16.1)%	\$(28.1)
6	Health and Human Services	\$119.5	14.1%	\$14.8

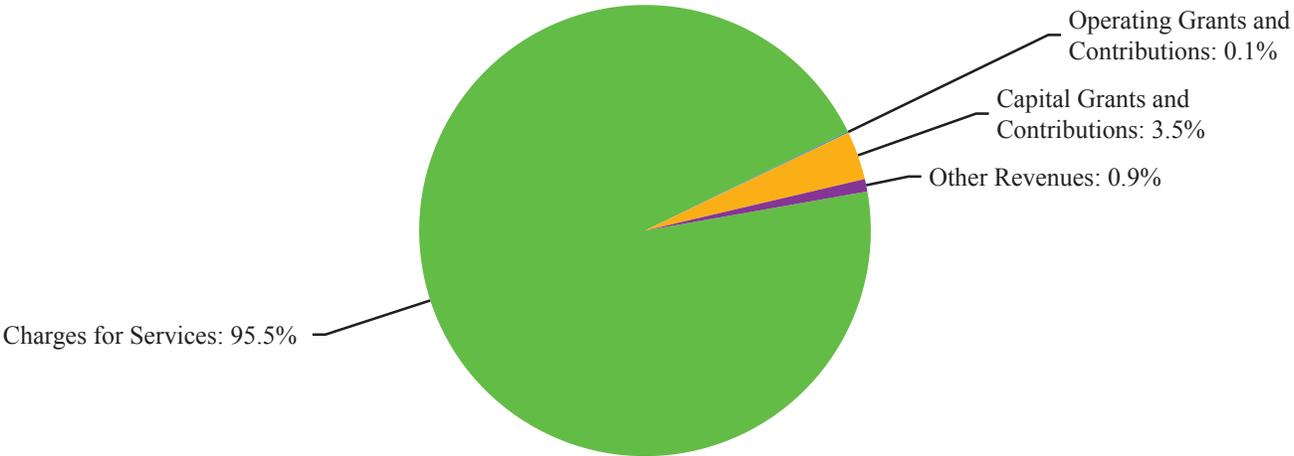
The City’s largest governmental expense continues to be the public safety function, totaling \$577.7 million for 2017, contributing 15.7 percent of all citywide expenses, and 30.2 percent of expense in the City’s governmental activities.

Business-Type Activities

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



Total \$2.012 billion

**Business-Type Activities.** At year end the City's net position for business-type activities was \$2.245 billion, a 11.4 percent increase totaling \$230.4 million. Of this amount, \$46.4 million reflects the consolidation of internal service fund activities related to enterprise funds. Key factors for the change are described below:

The City Light Utility realized a \$120.4 million change in total net position for 2017. Primary causes include higher retail electric sales attributable to rate increases, including the 1.5 percent rate surcharge. The net position change was also impacted by lower net short-term wholesale power revenues, higher long-term purchased power, bad debt, administrative & general, taxes and depreciation.

Operating income generated \$137.2 million, up \$29.8 million, or 27.8 percent from 2016. Operating revenues were \$989.7 million, gaining 9.6 percent year over year. Operating expenses increased \$56.7 million. Retail power revenues were higher due to several factors including the 5.6 percent across-the-board rate increase effective January 1, 2017 and the RSA rate surcharge, effective August 1, 2016. Higher consumption due to the colder weather during the first two months of the year also contributed to higher revenues. Operating expenses saw an overall increase in part to a \$5 million increase in long-term purchased power - Bonneville and other. The Bonneville costs increase was the result of a change to Block power purchases only.

The Water Utility realized a \$51.2 million change in net position for 2017. Operating income increased to \$61.0 million, increasing \$6.3 million year over year. The operating revenues increased, \$11,533 thousand, a 4.6 percent increase from 2016. The higher operating revenues were driven by increases in direct service revenue of \$10.4 million and wholesale revenue of \$3.1 million resulting from increased consumption. For 2017, the increase in operating expenses, of \$5.2 million included \$2.2 million in general and administrative services, \$2.2 million in taxes, \$1.0 million in project delivery.

The Drainage and Waste Water Utility realized a \$30.7 million change in net position for 2017. Operating revenues generated \$400.3 million, a 6.7 percent increase from 2016. Operating expenses totaled \$344.6 million, an \$24.2 million or 7.6 percent increase year over year. The additional operating expenditures were 96 percent of the increase in operating revenues. For 2017 wastewater revenues had an average rate increase of 5.4 percent, generating an additional \$11.3 million revenue. Drainage revenues also increased \$11.8 million for an average rate increase of 10 percent. The income from the revenue gains were offset by an increase in the Utilities operating expense of \$8.8 million resulting from a 5.5 percent increase in King County's wastewater treatment rate. Overall the Utilities operations experienced a net increase in costs of \$24.2 million.

The Solid Waste Utility realized a \$11.9 million change in net position for 2017. Operating income generated \$209.6 million, a 14.1 percent increase from 2016. Operating expenses totaled \$191.1 million, increasing 11.9 percent increase adding \$20.3 million to operating expenses. There were several key factors affecting the increase in operating revenues. There was an 7.2 percent rate increase for residential and commercial garbage, and composing services effective April 1, 2017. This resulted in residential and commercial solid waste collection service revenue gains of \$12.3 million, including \$8.2 million in residential garbage collection and \$4.1 million in commercial collection revenue. Additionally, there was a \$7.0 million increase in the solid waste disposal services. These gains were offset by increasing in operating expenses of \$20.3 million with the largest being \$6 million in taxes due to increased revenues. Additional increases included \$4.6 million in depreciation and amortization; \$3.2 million increase in utility systems management; \$2.9 million in crease in solid waste collection; \$2.5 million increase in general and administrative; and \$1.7 million increase in field operations.

**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**  
**Page 1 of 2**

**REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY**  
**GOVERNMENTAL FUNDS**  
**(In Thousands)**

	<b>Major Funds</b>			
	<b>General Fund</b>		<b>Transportation Fund</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Revenues</b>				
Taxes	\$ 1,107,598	\$ 1,047,643	\$ 139,410	\$ 134,381
Licenses and Permits	35,462	33,059	8,212	7,241
Grants, Shared Revenues, and Contributions	26,908	36,533	33,369	35,080
Charges for Services	69,373	61,386	74,764	104,541
Fines and Forfeits	30,300	32,096	172	165
Parking Fees and Space Rent	39,155	38,856	244	259
Program Income, Interest, and Miscellaneous Revenues	95,928	80,472	698	825
Total Revenues	1,404,724	1,330,045	256,869	282,492
<b>Expenditures</b>	1,083,903	1,021,753	382,407	404,971
<b>Other Financing Sources and Uses</b>				
Long-Term Debt Issued and Refunding Payments, Net	—	—	—	—
Sales of Capital Assets	7,550	96	—	—
Transfers In (Out)	(275,818)	(269,528)	131,608	149,019
Total Other Financing Sources and Uses	(268,268)	(269,432)	131,608	149,019
<b>Fund Balances</b>				
Nonspendable	350	401	1	1
Restricted	181,951	155,523	5,890	923
Committed	131,385	102,522	97,717	96,614
Assigned	29,172	28,646	—	—
Unassigned	152,224	155,290	—	—
Total Fund Balances	\$ 495,082	\$ 442,382	\$ 103,608	\$ 97,538

Table A-3  
Page 2 of 2

REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY  
GOVERNMENTAL FUNDS  
(In Thousands)

	Nonmajor Funds			
	Special Revenue Funds		Debt Service Funds	
	2017	2016	2017	2016
<b>Revenues</b>				
Taxes	\$ 239,967	\$ 211,486	\$ 30,411	\$ 28,614
Licenses and Permits	—	1,443	—	—
Grants, Shared Revenues, and Contributions	80,517	78,843	1,465	983
Charges for Services	104,625	88,486	—	—
Fines and Forfeits	12,497	13,878	—	—
Parking Fees and Space Rent	31,661	29,333	347	351
Program Income, Interest, and Miscellaneous Revenues	18,060	15,100	1,049	977
Total Revenues	487,327	438,569	33,272	30,925
<b>Expenditures</b>	549,043	546,742	90,057	82,227
<b>Other Financing Sources and Uses</b>				
Long-Term Debt Issued and Refunding Payments, Net	—	—	54	—
Sales of Capital Assets	77	27	—	—
Transfers In (Out)	145,290	179,645	56,626	51,150
Total Other Financing Sources and Uses	145,367	179,672	56,680	51,150
<b>Fund Balances</b>				
Nonspendable	693	688	—	—
Restricted	404,714	327,919	11,290	11,395
Committed	17,548	12,778	—	—
Assigned	11,963	9,819	—	—
Unassigned	(3,256)	(3,192)	—	—
Total Fund Balances	\$ 431,662	\$ 348,012	\$ 11,290	\$ 11,395

	Nonmajor Funds				Total Governmental Funds	
	Capital Projects Funds		Permanent Funds		2017	2016
	2017	2016	2017	2016		
<b>Revenues</b>						
Taxes	\$ 38	\$ 69	\$ —	\$ —	\$ 1,517,424	\$ 1,422,193
Licenses and Permits	—	—	—	—	43,674	41,743
Grants, Shared Revenues, and Contributions	25,350	15,339	—	—	167,609	166,778
Charges for Services	(51)	—	—	—	248,711	254,413
Fines and Forfeits	2	15	—	—	42,971	46,154
Parking Fees and Space Rent	—	—	—	—	71,407	68,799
Program Income, Interest, and Misc. Revenues	2,480	1,981	33	20	118,248	99,375
Total Revenues	27,819	17,404	33	20	2,210,044	2,099,455
<b>Expenditures</b>	78,832	87,239	2	5	2,184,244	2,142,937
<b>Other Financing Sources and Uses</b>						
Long-Term Debt Issued and Refunding Payments, Net	84,605	135,407	—	—	84,659	135,407
Sales of Capital Assets	77	—	—	—	7,704	123
Transfers In (Out)	(54,926)	(78,358)	—	—	2,780	31,928
Total Other Financing Sources and Uses	29,756	57,049	—	—	95,143	167,458
<b>Fund Balances</b>						
Nonspendable	—	—	2,050	2,050	3,094	3,140
Restricted	90,499	126,631	158	127	694,502	622,518
Committed	—	—	—	—	246,650	211,914
Assigned	—	—	—	—	41,135	38,465
Unassigned	(19,014)	(33,890)	—	—	129,954	118,208
Total Fund Balances	\$ 71,485	\$ 92,741	\$ 2,208	\$ 2,177	\$ 1,115,335	\$ 994,245

### 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 all purpose spending at the end of the fiscal year. Governmental funds reported by the City include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds.

In 2017 the City's governmental funds generated \$2.210 billion in revenues, and recorded \$2.184 billion in expenditures. The 5.3 percent growth in revenue is driven by an overall increase in tax collections of \$95.2 million. Year over year expenditures remained relatively consistent with the expenditure increase, raising 2.0 percent, \$41.9 million. The City's governmental funds received a significant contribution from other financing sources and uses, totaling \$95.1 million for 2017. These resources offset the operating deficit and directly contributed to the 12.2 percent increase in the City's governmental fund balance which totals \$1,115.3 million at year-end. Table A-3 provides a summary of activities for the governmental fund types at year-end 2017.

The General Fund accounts for 63.6 percent of revenues, and 49.6 percent of total governmental expenditures. The General Fund is the chief operating fund of the City. For the City's implementation of GASB Statement No. 73 the City's Firemen's Pension Fund and the Police Relief and Pension Fund are now reported with the City's General Fund. This is in addition to the Library Fund which has been reporting as part of the General Fund for the GAAP reporting. For comparability, all amounts presented for fiscal year 2016 and 2017 in this discussion and analysis reflect these change unless noted otherwise. Table A-4 provides a summary of activities for the general subfunds at year-end 2017.

In 2017, one of the City's special revenue funds continued to meet the criteria for reporting as major governmental funds. The Transportation Operating Fund is included in the fund financial statement section of the CAFR alongside the presentation of the General Fund and the combined non-major governmental funds.

The Transportation Operating 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 Transportation Operating Fund reports a fund balance of \$103.6 million, 6.2 percent greater than reported for 2016. While expenditures grew at 5.4 percent, revenues increased 9.1 percent. The \$256.9 million of revenues collected include the excess property tax levy, a commercial parking tax, grants and contributions, and charges for services. The \$25.6 million increase in revenue collections relates directly to the Transportation Operating Fund's 3.7 percent increase in overall tax collections, and 28.5 percent gain in revenues from charges for services. Transportation Operating Fund's expenditures account for nearly 17.5 percent of all governmental fund expenditures, totaling \$382.4 million for 2017. The Fund's other financing sources contributed \$131.6 million of additional resources in 2017, declining 11.0 percent from 2015's level, a \$16.4 million total decrease in other financing support that partially offsets the growth in revenues.

Revenues for the City's non-major governmental funds totaled \$548.5 million, increasing \$61.5 million, a 12.6 percent gain over 2016's collection of \$486.9 million. The overall net increase of revenue reported in the City's non-major governmental funds was a mix of both increases and decreases of revenues across the City's various non-major governmental fund types. The City's special revenue funds recorded an additional \$48.8 million of revenues for 2017, accounting for 88.9 percent of all non-major governmental fund revenues.

Expenditures for non-major governmental funds totaled \$717.9 million for 2016, a 0.2 percent increase year over year. Special revenue funds accounted for \$48.8 million of the total change, and had similar year over year growth in expenditures of 0.4 percent. The overall net increase reported in expenditures for non-major governmental funds was a mix of a large increase in current operating costs, \$19.8 million, and smaller increases in the capital outlay and debt service expenditures. The year over year changes in expenditure classes were consistent across the City's various non-major governmental fund types.

The overall fund balance for non-major governmental funds increased \$62.3 million. With special revenue funds contributing \$83.7 million to the Fund Balance, and the City's capital project funds consuming \$21.3 million of fund balance resources in 2016. The shifting income impacted overall ownership of the non-major governmental fund balance. In 2015 the capital project funds controlled 20.4 percent of the balance which dropped to 13.8 percent by year end 2016.

The total fund balance of the non-major governmental funds was \$516.6 million at year end 2017. Included in this amount are two capital project funds and one special revenue fund reporting deficit fund positions. Within the capital fund presentation the 2017 Multipurpose Long-Term General Obligation Bond reports a \$12.4 million deficit and Central Waterfront Improvement reports a \$21.5 million deficit for 2017. The one special revenue fund currently reporting a fund deficit is the Seattle StreetCar that ended the year with a \$3.2 million deficit balance.

Table A-4  
Page 1 of 2

REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY  
GENERAL FUND SUBFUNDS  
(In Thousands)

	General	Judgment/ Claims	Municipal Jail	Arts Account	Cable Television Franchise
<b>Revenues</b>					
Taxes	\$ 1,029,112	\$ —	\$ —	\$ —	\$ 43
Licenses and Permits	26,244	—	—	—	9,219
Grants, Shared Revenues, and Contributions	22,317	—	—	50	—
Charges for Services	60,216	8,568	—	20	—
Fines and Forfeits	28,968	—	—	—	—
Parking Fees and Space Rent	38,351	—	—	69	—
Program Income, Interest, and Miscellaneous Revenues	8,881	—	—	144	145
<b>Total Revenues</b>	<b>1,214,089</b>	<b>8,568</b>	<b>—</b>	<b>283</b>	<b>9,407</b>
<b>Expenditures</b>	<b>852,620</b>	<b>18,822</b>	<b>—</b>	<b>8,124</b>	<b>9,713</b>
<b>Other Financing Sources and Uses</b>					
Sales of Capital Assets	—	—	—	—	—
Transfers In (Out)	(354,178)	12,000	—	9,314	(640)
<b>Total Other Financing Sources and Uses</b>	<b>(354,178)</b>	<b>12,000</b>	<b>—</b>	<b>9,314</b>	<b>(640)</b>
<b>Fund Balances</b>					
Nonspendable	52	—	—	—	—
Restricted	806	—	—	—	—
Committed	15,343	5,228	—	4,107	2,804
Assigned	27,822	—	—	—	—
Unassigned	41,744	—	—	—	—
<b>Total Fund Balances</b>	<b>\$ 85,767</b>	<b>\$ 5,228</b>	<b>\$ —</b>	<b>\$ 4,107</b>	<b>\$ 2,804</b>

	Cumulative Reserve	Neighborhood Matching	Bluefield Habitat Maintenance	Development Rights	Emergency
<b>Revenues</b>					
Taxes	\$ 77,407	\$ —	\$ —	\$ —	\$ —
Licenses and Permits	—	—	—	—	—
Grants, Shared Revenues, and Contributions	1,740	—	—	—	—
Charges for Services	229	—	—	—	—
Fines and Forfeits	3	—	—	—	—
Parking Fees and Space Rent	168	—	—	—	—
Program Income, Interest, and Miscellaneous	5,704	—	3	—	—
<b>Total Revenues</b>	<b>85,251</b>	<b>—</b>	<b>3</b>	<b>—</b>	<b>—</b>
<b>Expenditures</b>	<b>38,753</b>	<b>3,916</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Other Financing Sources and Uses</b>					
Sales of Capital Assets	5,180	—	—	—	—
Transfers In (Out)	(13,276)	2,986	—	—	1,698
<b>Total Other Financing Sources and Uses</b>	<b>(8,096)</b>	<b>2,986</b>	<b>—</b>	<b>—</b>	<b>1,698</b>
<b>Fund Balances</b>					
Nonspendable	1	—	—	—	—
Restricted	125,895	—	—	—	—
Committed	33,122	1,934	215	23	—
Assigned	—	—	—	—	—
Unassigned	50,224	—	—	—	61,703
<b>Total Fund Balances</b>	<b>\$ 209,242</b>	<b>\$ 1,934</b>	<b>\$ 215</b>	<b>\$ 23</b>	<b>\$ 61,703</b>



## Management's Discussion and Analysis

**Table A-4**                      **REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY**  
**Page 2 of 2**                    **GENERAL FUND SUBFUNDS**  
(In Thousands)

	Transit Benefit	Special Employment Program	Industrial Insurance	Unemployment Compensation	Health Care
<b>Revenues</b>					
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —
Licenses and Permits	—	—	—	—	—
Grants, Shared Revenues, and Contributions	—	—	—	—	—
Charges for Services	—	42	—	—	—
Fines and Forfeits	—	—	—	—	—
Parking Fees and Space Rent	—	—	—	—	—
Program Income, Interest, and Miscellaneous	—	—	5	133	32,034
<b>Total Revenues</b>	<b>—</b>	<b>42</b>	<b>5</b>	<b>133</b>	<b>32,034</b>
<b>Expenditures</b>	<b>1,446</b>	<b>45</b>	<b>488</b>	<b>—</b>	<b>31,550</b>
<b>Other Financing Sources and Uses</b>					
Sales of Capital Assets	—	—	—	—	—
Transfers In (Out)	—	—	247	(733)	—
<b>Total Other Financing Sources and Uses</b>	<b>—</b>	<b>—</b>	<b>247</b>	<b>(733)</b>	<b>—</b>
<b>Fund Balances</b>					
Nonspendable	—	—	290	—	—
Restricted	—	—	—	—	43,944
Committed	—	122	5,502	1,487	30,339
Assigned	—	—	—	—	—
Unassigned	(1,446)	—	—	—	—
<b>Total Fund Balances</b>	<b>\$ (1,446)</b>	<b>\$ 122</b>	<b>\$ 5,792</b>	<b>\$ 1,487</b>	<b>\$ 74,283</b>

	<b>Total General Fund</b>					
	Group Term Life Insurance	Library	Firemen's Pension	Police Relief and Pension	2017	Restated 2016
<b>Revenues</b>						
Taxes	\$ —	\$ —	\$ 1,034	\$ —	\$ 1,107,596	\$ 1,047,643
Licenses and Permits	—	—	—	—	35,463	33,059
Grants, Shared Revenues, and Contributions	—	2,801	—	—	26,908	36,533
Charges for Services	—	297	—	—	69,372	61,386
Fines and Forfeits	—	1,328	—	—	30,299	32,096
Parking Fees and Space Rent	—	567	—	—	39,155	38,856
Program Income, Interest, and Miscellaneous	5,443	245	21,160	22,031	95,928	80,472
<b>Total Revenues</b>	<b>5,443</b>	<b>5,238</b>	<b>22,194</b>	<b>22,031</b>	<b>1,404,721</b>	<b>1,330,045</b>
<b>Expenditures</b>	<b>5,350</b>	<b>75,133</b>	<b>18,527</b>	<b>19,415</b>	<b>1,083,902</b>	<b>1,021,753</b>
<b>Other Financing Sources and Uses</b>						
Sales of Capital Assets	—	2,370	—	—	7,550	96
Transfers In (Out)	—	66,764	—	—	(275,818)	(269,528)
<b>Total Other Financing Sources and Uses</b>	<b>—</b>	<b>69,134</b>	<b>—</b>	<b>—</b>	<b>(268,268)</b>	<b>(269,432)</b>
<b>Fund Balances</b>						
Nonspendable	—	7	—	—	350	401
Restricted	—	11,305	—	—	181,950	155,523
Committed	549	2,849	19,065	8,697	131,386	102,521
Assigned	—	1,350	—	—	29,172	28,646
Unassigned	—	—	—	—	152,225	155,290
<b>Total Fund Balances</b>	<b>\$ 549</b>	<b>\$ 15,511</b>	<b>\$ 19,065</b>	<b>\$ 8,697</b>	<b>\$ 495,083</b>	<b>\$ 442,381</b>

## 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 a change in net position of \$120.4 million in 2017 compared to \$85.3 million in 2016, a increase of \$35.1 million or 41.1 percent. Primary causes include higher retail electric sales attributable to rate increases, including the 1.5 percent rate surcharge. The net position change was also impacted by lower net short-term wholesale power revenues, and higher long-term purchased power, bad debt, administrative and general expenses, taxes and depreciation.

Net cash provided by operating activities increased 48.3 percent to \$371.9 million in 2017, compared to \$250.8 million in 2016. Although current assets, cash, and investments increased 77.2 percent to \$129.1 million in 2017. Increased operating cash inflows resulted was a result of several factors. The first a 5.6 percent system average rate increase effective in January 2017 and RSA rate surcharges. The higher cash inflows were offset by greater debt service payments, capital construction projects, and ongoing operations. Restricted assets increased by \$30.4 million, 13.7 percent, to \$252.4 million in 2017 compared to \$222.0 million in 2016. During 2017 construction funds increased by \$8.4 million and represent the balance of unspent proceeds from the 2016A Clean Renewable Energy Bonds issued in January 2016 and 2017C revenue bonds issued September 2017.

Capital assets, net of accumulated depreciation and amortization, were \$3.509 billion and \$3.215 billion in 2017 and 2016, a significant increase of \$294.8 million. The majority of the Utilities' capital asset additions were in the distribution plant and construction work-in-progress.

Total liabilities were \$3.144 billion in 2017 and \$2.903 billion in 2016, the majority being revenue bonds payables. The noncurrent portion of the revenue bonds payables were \$2.417 billion in 2017 and \$2.165 billion in 2016. The Department issued total new debt in the amount of \$309.6 million consisting of revenue bonds to fund a portion of the ongoing capital improvement program and refunding revenue bonds. Interest expense related to the utilities bonds remained relatively stable, reporting \$85.1 million in 2017 and \$84.4 million in 2016.

City Light's total net position was \$1.338 billion in 2017 and \$1.218 billion in 2016.

**Water Utility.** The Utility realized an operating income of \$61.0 million in 2017 compared to \$54.7 million in 2016. Operating revenues decreased by \$11,532.6 thousand and operating expenses increased by \$5.2 million between 2017 and 2016. The Utility realized a net income of \$51.2 million in 2017 compared to net income of \$43.3 million in 2016. The 18.4 percent growth in net income for 2017 was primarily due to increases in donated plant, capital contributions for other meters and services in capital grants.

Net cash provided by operating activities increased to \$124.1 million in 2017 from \$116.4 million in 2016, a decrease of 6.7 percent totaling \$7.8 million. Total operating and restricted cash and investments rose to \$217.9 million in 2017 compared to \$111.2 million in 2016, a increase of 95.9 percent totaling \$106.7 million. This resulted from a decrease in the Utilities restricted cash and equity in pooled investments of \$23.2 million, which was used to fund plant assets and construction in progress.

Utility plant, net of accumulated depreciation, and other capital assets for the year ended December 31, 2017, amounted to \$1.305 billion, a 2.2 percent increase 2016. Major capital assets additions in 2017 included infrastructure improvements, rehabilitation, facility improvements and water reservoir coverings.

The Water Utility had \$915.7 million in non-current outstanding revenue bonds in 2017 compared to \$856.4 million at year end 2016. The reduction in liabilities is directly due to annual interest and principal payments servicing the Utilities debt in 2016.

The increase in net investment in capital assets from additional utility plant assets in service and increases to the balance of construction in progress pushed the Water Utility's total net position to \$454.6 million in 2017 up from \$403.4 million in 2016.

**Drainage and Wastewater Utility.** The Utility realized an operating income of \$55.6 million in 2017 compared to \$54.6 million in 2016. Operating revenues increased by \$25.2 million, 6.7 percent, totaling \$400.3 million. Operating expenses increased 7.6 percent, growing \$24.2 million to total \$344.6 million for 2017.

The Utility realized a dramatic change in net income, increasing to \$30.7 million in 2017 compared to \$2.6 million in 2016. The dramatic change in net income is primarily due to an increase in average rates of 5.4%.

Net cash provided by operating activities increased 13.1 percent to \$98.0 million in 2017 compared to \$86.7 million in 2016. Total operating and restricted cash and investments were \$378.7 million in 2017 compared to \$175.2 million in 2016. This increase in cash and investments was primarily from increase operating income.

Utility plant, net of accumulated depreciation, and other capital assets increased to \$1.109 billion in 2017 from \$1,062.2 million in 2016, a 4.4 percent increase.

The Drainage and Wastewater Utility had a noncurrent \$883.7 million outstanding revenue and refunding bond liabilities in 2017, as compared to \$717.7 million in 2016. Total liabilities, including revenue bonds, were \$1.244 billion in 2017 and \$1,044.2 million in 2016. The most significant factor affecting this change is the addition of revenue bonds.

Total net position for the Drainage and Wastewater Utility was \$363.2 million in 2017 and \$332.5 million in 2016.

**Solid Waste Utility.** The Utility realized an operating income of \$18.6 million in 2017 compared to \$12.9 million in 2016. Operating revenues increased by \$26.0 million and operating expenses remained relatively stable, increasing 11.9 percent or \$20.3 million between 2017 and 2016. The Utility realized a net income of \$11.9 million in 2017 compared to \$9.6 million in 2016. The increase in net income in 2016 is driven by the 7.2 percent rate increase for residential and commercial garbage, and composting services effective April 1, 2017.

Net cash provided by operating activities was \$41.0 million, a 71.6 percent decrease in 2017 compared to the \$23.9 million reported in 2016. Total operating and restricted cash and investments were \$108.3 million in 2017 and \$91.5 million in 2016. The \$16.7 million increase in operating and restricted cash and investments results from a variety of causes. \$12.2 million increase is attributed to a transfer of operating cash to the rate stabilization account of 6.6 million, and the issuance of revenue and refunding bonds in 2016 resulting in a \$5.0 million increase in available construction funds.

The Solid Waste Utility had noncurrent portion of \$215.2 million outstanding revenue bond liabilities in 2017 compared to \$223 million in 2016. This decrease is attributed to the regularly scheduled principal payments for existing bond debt.

Total net position for the Solid Waste Utility was \$32.9 million in 2017 and \$21.0 million in 2016.

### Fiduciary Funds

The City maintains fiduciary funds for the assets of the Seattle City Employees' Retirement System (SCERS), the S. L. Denny Private-Purpose Trust Fund, and various agency funds. Due to the City's implementation of GASB 73 the City's Firemen's Pension Fund and the Police Relief and Pension Fund are reported with the City's General Fund for 2016 and 2015's restated presentation. The net position of the combined fiduciary funds at the end of 2017 is \$2.853 billion; SCERS represents 99.99 percent of this amount.

SCERS assets held in trust for the payment of future benefits does not exceed its proportionate share of the total pension liability as of December 31, 2017. The fund uses the services of both active and index fund professional money managers. SCERS net position increased in value by \$364.4 million, or 14.6 percent, during 2017. For year ending 2017 the member and employer contributions totaled \$185.8 million; net income from investment activity totaled \$389.1 million. Total benefit payment for 2017 increased by \$10.3 million to \$179.2 million. In 2017 the number of retirees and beneficiaries receiving benefits was 6,382, which increased by 160, compared to 2016.

### 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 in the budgetary discussion below includes the General Operating Fund and sixteen additional Council authorized General Subfunds, see table A-4 for additional details on General Subfund activities. Its also important to note that for budgetary comparisons purposes the General Funds presentation on schedules C-1 and D-11 report actual expenditure and revenue totals without the elimination of reimbursements collected internally through the City's personnel compensation trust funds.

As reported in the budget to actuals schedules of the required supplementary information, the General Fund's original budget is comprised of the adopted budget and carryforward budgets from previous years. The final budget presentation adds the additional supplemental legislation for budget revisions and authorized budget transfers.

City Council passed the 2017 Adopted Budget (Ordinance 124927) authorizing \$5.1 billion of total budget appropriations for entirety of the City's annual operations, approximately a 5.9 percent increase year over year. This includes appropriations for expenditures, expenses and transfers of general operating support. Both the City's governmental and business activities are included in this total budget.

## **Expenditures and Other Financing Uses:**

The 2016 annually adopted budget for current expenditures, capital outlay, and transfers out from the General Fund totaled \$1.454 billion, The annual budgeted amount of transfers out account for 25.7 percent of all budgeted resources in the General Fund.

The General Fund's 2017 adopted appropriations for expenditures totaled \$1.081 billion, with \$101.5 million in carryforward budget expenditures and \$64.3 million of budget revisions for a final expenditure budget of \$1.247 billion. Actual expenditures against those budgets in 2016 totaled \$903.3 million, of which the City's General Operating Fund accounted for 90.1 percent of those total expenditures.

The General Fund's carryforward budget expenditures of \$101.5 million are comprised of \$26.4 million from the General Operating Fund and \$75.1 million from the General Subfunds. Carryforward budgets for capital outlay account for 86.5 percent or \$87.8 million.

The General Fund's budgeted revisions of expenditures totaled \$64.3 million, comprised of \$56.0 million from the General Operating Fund and \$8.3 million from the General Subfunds. Revisions for current expenditure budgets accounted for 90.5 percent or \$58.2 million of the total budget revisions. All budget revisions are passed through City council ordinance.

## **Revenues and Other Financing Sources:**

The 2017 annually adopted budget estimated total revenues and transfers into the General Fund at \$1.440 billion. The annual budgeted amount of taxes accounts for 69.5 percent of all budgeted available resources in the General Fund. The General Fund actual tax collections totaled \$1.048 billion or 103.7 percent of the estimated amount.

The General Fund's 2017 adopted revenue estimates totaled \$1.408 billion, with \$25.0 million of carryforward budget revenues and \$18.7 million of budget revisions for a final revenue estimate \$1.452 billion . Actual revenue collections against those budgets estimates in 2016 totaled \$1.274 billion, of which the City's General Operating Fund accounted for 90.2 percent of those total expenditures.

The General Fund's carryforward revenue estimate of \$25.0 million is comprised of \$18.8 million from the General Operating Fund and \$6.2 million from the General Subfunds. Carryforward revenue budgets for grant activity account for 85.7 percent or \$21.4 million.

The General Fund's revised revenue estimates authorized by legislation totaled \$18.7 million, comprised of \$17.8 million from the General Operating Fund. Budget revisions associated with grant activity account for 92.1 percent or \$17.3 million.

When considering additional budgets for general support transferred and other subfund expenditures reporting within the General Fund's presentation, 2017's total appropriation budget for the General Fund was \$1.247 billion. The final revised budget for expenditures in the General Operating Fund in 2017 was \$860.7 million, with appropriations for transfers of general operating support accounting for an additional \$350.0 million of budgeted resources. For additional budget to actual details on all programs within the General Fund schedule D11 presents a compilation of programs from the General Operating Fund and the General Subfunds. The most significant program changes are highlighted below.

Executive department expenditures increased in-line with budget projections, increasing \$2.4 million or 5.5 percent year over year. An eighth executive office was added to the executive programs in 2016. The addition of the Office of Planning and Community Development resulted from the re-organization of the Department of Planning, accounts for 55.8 percent of the total increase in program costs. These \$1.3 million costs were previously budgeted and expensed in the City's non-major enterprise fund.

The General Fund's budget for the public safety function increased 4.2 percent in 2017, totaling \$601.7 million. The actual costs of current expenditures and capital outlay of the City's public safety function totaled \$612.6 million, consuming 101.8 percent of the resources budgeted for 2017, of which 99.8 percent is for current operations and 0.2 percent on capital outlay. The 4.2

## Management's Discussion and Analysis

percent year over year increase in current expenditures totaling \$23.7 million was in line with the budgeted increase. Detailed information on the City's two major public safety departments follows:

The Police Department's 2017 final budget was \$344.2 million, a 2.4 percent increase from the 2016 budget level. The Department expended 96.0 percent of its budget during the year, with actual expenditures increasing 2.5 percent, from \$322.3 million in 2016 to \$330.5 million in 2017. Overall expenditures were relatively stable. Although a significant change between the budgets of several divisions reflected organization changes. The Chief of Staff and the Professional Standards programs saw expenditures increase year over year by \$(32.7) million, while the Deputy Chief Operations and Special Operation Bureau reported \$41.6 million less in expenditures for 2017. Patrol operations were budgeted at \$121.9 million for all five city precincts, a 0.1 percent decrease from 2016's budget. Patrol operations for 2017 consumed 99.2 percent of the budgeted resources and accounted for 36.6 percent percent of the entire Department's annual operating costs.

The Fire Department's 2017 final budget was \$218.4 million, a 5.1 percent increase from the 2016 budget level of \$207.2 million. The Department expended 95.9 percent of its budget during the year, with actual expenditures increasing \$8.2 million, from \$198.8 million in 2016 to \$207.0 million in 2017. Fire Operations for 2017 consumed 96.8 percent of the \$167.9 million in budgeted resources and accounted for 81.1 percent of the entire Department's annual operating costs. Of the remaining budget, \$8.1 million will carryforward into 2018 for grant purposes.

For 2017 the General Fund reports budgeted revenues of \$1.555 billion, a 3.7 percent increase, \$58.1 million larger than 2016's total budget. The General Operating Fund alone accounts for 78.7 percent or \$1.147 billion of this total budget. For 2016 the General Operating Fund collected 100.2 percent of the budgeted revenue estimate.

## 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	
	2017	2016	2017	2016	2017	2016
Land	\$ 590,619	\$ 573,101	\$ 175,446	\$ 169,536	\$ 766,065	\$ 742,637
Plant in Service, Excluding Land	—	—	5,135,222	4,871,176	5,135,222	4,871,176
Buildings and Improvements	1,489,189	1,529,177	—	—	1,489,189	1,529,177
Machinery and Equipment	181,695	192,837	138	72	181,833	192,909
Infrastructure	1,130,676	1,152,872	—	—	1,130,676	1,152,872
Construction in Progress	982,194	798,377	768,143	668,983	1,750,337	1,467,360
Other Capital Assets	15,038	17,743	79,933	78,359	94,971	96,102
Total Capital Assets	\$ 4,389,411	\$ 4,264,107	\$ 6,158,882	\$ 5,788,126	\$ 10,548,293	\$ 10,052,233

Capital assets, net of depreciation for governmental activities increased by \$125.3 million. Major increases included the following:

The Department of Transportation capitalized \$40.6 million for various infrastructure assets (roads, bridges, sidewalks, signs, illuminations, and others). The Department of Parks and Recreation capitalized \$24.7 million for various community parks improvements.

Capital assets, net of depreciation, for business-type activities increased by \$370.8 million. Major increases included the following:

Seattle City Light capital assets, net of accumulated depreciation and amortization, increased by \$294.8 million in 2017. This increase was primarily comprised of \$16.6 million for hydroelectric production plant, \$91.8 million of distribution plant and \$24.4 million for transmission plant. There also continues significant construction efforts currently underway, with the overall reported increase in construction in progress totaling \$196.8 million for 2017.

The Drainage and Wastewater Utility's net capital assets also increased, adding \$47.1 million in 2017. Reducing the combined sewer overflows in Henderson North sewer and implementation of the Seawall Replacement accounted for an additional \$86.7 million of capital activity coming into service in 2017.

The Water Utility's net capital asset for the year ended 2017 with a \$28.0 million increase. The increase is mostly due to infrastructure improvements, rehabilitation, facility improvements and water reservoir coverings.

The Solid Waste Utility's net capital assets totaled \$227 million for 2017, a slight decrease over 2016. The increase of \$10.6 million in construction in progress and other plant assets was offset \$11.3 million in accumulated depreciation.

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 2017 the City had \$5.238 billion in outstanding bonded debt that included general obligation and revenue bonds, compared to \$4.819 billion in 2016. This represents an increase of approximately \$41.9 million, 1 percent. 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, had the outstanding balance of \$6.1 million. In 2017 LTGO and UTGO bonds were issued to finance various capital improvement projects including Alaskan Way Corridor, Seawall, Fire Stations, Precinct, Pike Place Market and other IT projects.

The City also issued revenue bonds: \$485.5 million for the Light Fund, \$234.1 million for the Wastewater Fund and \$194.7 million for the Water Fund to finance certain capital improvements and conservation programs. The City's bond ratings remained similar to the ratings for the previous year. The City's 2016 UTGO bonds were rated Aaa by Moody's Investors Service (Moody's), AAA by Fitch Ratings (Fitch), and AAA by Standard & Poor's (S&P), which are the highest possible ratings. The City's 2016 LTGO bonds were rated Aa1 by Moody's, AA+ by Fitch, and AAA by S&P. Subsequently, however, the City's credit rating on its LTGO bonds was upgraded by the three rating agencies in 2017. As such, the City's 2017 LTGO bonds are now rated Aaa by Moody's Investors Service (Moody's), AAA by Fitch Ratings (Fitch), and AAA by Standard & Poor's (S&P). In addition, the City's utilities have stellar credit ratings for revenue debt, reflecting sound finances and good management.

The City's limited and unlimited general obligation debt is capped at 7.5 percent of the assessed value of taxable properties by state law. The 2017 assessed value based on the latest report for the City is \$214.109 billion. At the end of 2017 the net outstanding general obligation debt of the City that includes bonds, compensated absences net of sick leave, and guarantees of indebtedness amounted to \$1.127 billion, well below the limit of \$16.058 billion, rendering the City's legal debt margin at \$14.930 billion for year-end 2017. Within the 7.5 percent limitation, state law restricts outstanding LTGO bonds to 1.5 percent of assessed value. At year end 2017 the LTGO net outstanding debt was \$859.1 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 \$107 million (\$76.9 million for governmental activities and \$30.1 million for business-type activities) at the end of the year. In addition, City utilities and Department of Parks and Recreation recognized a combined \$235.9 million in estimated environmental liabilities. Other obligations were accrued for compensation absences related to 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 statement.

## ECONOMIC FACTORS

**U.S. Economy.** The nation's recovery from the Great Recession is now nine years old, making it the third longest expansion in the post-World War II period. The average length of post-war expansions is five years. Although employment growth during the recovery has been relatively strong, on many dimensions, including gross domestic product (GDP) growth, wage gains, and productivity, the recovery has disappointed. Real GDP growth has averaged 2.1 percent per year, the slowest pace of any post-war expansion.

Forecasters expect the economy to continue expanding at a modest pace, with real GDP growing at a two to two-and-a-half percent rate. Most forecasters do not see a recession on the horizon, at least in the short-term. Most expansions end when the economy overheats, which causes a rise in inflation, which in turn spurs the Federal Reserve to raise interest rates to slow the economy. Thanks in large part to the depth of the Great Recession and the weakness of the recovery, there are few signs that the economy is overheating. There is probably more risk to the U.S. recovery from forces outside of the U.S. than from domestic factors.

**Seattle metropolitan area economy.** Since the Great Recession ended in June 2009, the Seattle metro area economy has outperformed the national economy by a considerable margin. This is reflected in the region's healthy job growth and low unemployment rate. Seattle metro area (King and Snohomish Counties) employment has grown at a 2.7 percent annual rate during the recovery, compared to 1.7 percent for the nation. The region has also outpaced the U.S. in both income and wage growth during the recovery.

Industries instrumental in the region's recovery include aerospace, professional, scientific, and technical services, software publishers, health services, and mail order and internet retail. During the recovery, the region's growth has been concentrated in the city of Seattle, the region's major business and professional service center and home to Amazon.com's rapidly growing headquarters. Strong job growth in Seattle and the growing popularity of in-city living has led to a surge in construction activity focused in multi-family housing and office development. The value of permits issued for construction activity in Seattle increased from \$1.5 billion in 2010 to \$3.7 billion in 2016 and \$5.1 billion in 2017.

### 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 206-233-7825).

**STATEMENT OF NET POSITION**  
**December 31, 2017**  
*(In Thousands)*

	Primary Government				Component Units
	Governmental Activities	Business-Type Activities	Comparative Totals		
			2017	2016	
<b>ASSETS</b>					
<i>Current Assets</i>					
Operating Cash and Equity in Pooled Investments	\$ 1,051,488	\$ 487,574	\$ 1,539,062	\$ 1,322,426	\$ 5,807
Restricted Cash and Equity in Pooled Investments	7,968	—	7,968	4,691	
Investments	—	—	—	—	69,091
Receivables, Net of Allowances	151,376	263,253	414,629	381,581	
Internal Balances	28,911	(28,911)	—	—	
Due from Other Governments	85,461	8,962	94,423	111,915	
Inventories	4,356	40,902	45,258	45,603	
Prepaid and Other Current Assets	6,373	489	6,862	6,409	
<b>Total Current Assets</b>	<b>1,335,933</b>	<b>772,269</b>	<b>2,108,202</b>	<b>1,872,625</b>	<b>74,898</b>
<i>Noncurrent Assets</i>					
Restricted Cash and Equity in Pooled Investments	73,330	682,561	755,891	446,654	
Contracts and Notes	11,149	2	11,151	9,182	
Conservation Costs, Net	—	290,969	290,969	284,624	
Landfill Closure and Postclosure Costs, Net	—	20,239	20,239	10,994	
Environmental Costs and Recoveries	—	83,408	83,408	72,938	
Net Pension Asset	181,280	—	181,280	124,652	
Regulatory Asset	—	17,379	17,379	16,775	
Other Charges and Noncurrent Assets	—	113,616	113,616	114,541	
Capital Assets, Net of Accumulated Depreciation					
Land and Land Rights	590,619	175,446	766,065	742,637	
Plant in Service, Excluding Land	—	5,135,222	5,135,222	4,871,176	
Buildings and Improvements	1,489,189	—	1,489,189	1,529,177	
Machinery and Equipment	181,695	138	181,833	192,909	1
Infrastructure	1,130,676	—	1,130,676	1,152,872	
Construction in Progress	982,194	768,143	1,750,337	1,467,360	
Other Capital Assets	15,038	79,933	94,971	96,102	
<b>Total Noncurrent Assets</b>	<b>4,655,170</b>	<b>7,367,056</b>	<b>12,022,226</b>	<b>11,132,593</b>	<b>1</b>
<b>Total Assets</b>	<b>5,991,103</b>	<b>8,139,325</b>	<b>14,130,428</b>	<b>13,005,218</b>	<b>74,899</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
	186,218	156,605	342,823	391,809	
<b>Total Assets and Deferred Outflows of Resources</b>	<b>6,177,321</b>	<b>8,295,930</b>	<b>14,473,251</b>	<b>13,397,027</b>	<b>74,899</b>

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



STATEMENT OF NET POSITION  
December 31, 2017  
(In Thousands)

	Primary Government				Component Units
	Governmental Activities	Business-Type Activities	Comparative Totals		
			2017	2016	
<b>LIABILITIES</b>					
<i>Current Liabilities</i>					
Accounts Payable	\$ 146,181	\$ 33,530	\$ 179,711	\$ 225,468	\$ 1,354
Salaries, Benefits, and Taxes Payable	50,044	26,877	76,921	67,255	
Contracts Payable	1,345	—	1,345	5,083	
Due to Other Governments	7,296	18,072	25,368	20,069	
Interest Payable	8,921	58,385	67,306	61,461	
Taxes Payable	75	11,618	11,693	9,595	
Deposits Payable	—	—	—	—	
Unearned Revenues	19,349	40,992	60,341	56,505	
Current Portion of Long-Term Debt					
Bonds Payable	85,040	191,825	276,865	260,090	
Compensated Absences Payable	22,543	2,674	25,217	24,045	
Notes and Contracts Payable	1,402	4,811	6,213	3,926	
Claims Payable	22,539	18,812	41,351	39,128	
Habitat Conservation Program Liability	—	710	710	968	
Landfill Closure and Postclosure Liability	—	1,605	1,605	1,643	
Other Current Liabilities	4,364	22,061	26,425	13,642	
Total Current Liabilities	369,099	431,972	801,071	788,878	1,354
<i>Noncurrent Liabilities</i>					
Bonds Payable, Net of Unamortized Premiums, Discounts, and Other	1,009,911	4,432,049	5,441,960	4,980,938	
Bond Interest Payable	—	—	—	—	
Special Assessment Bonds with Governmental Commitment	6,075	—	6,075	7,505	
Compensated Absences Payable	77,975	28,927	106,902	100,161	
Claims Payable	55,105	246,468	301,573	280,554	
Notes and Contracts Payable	8,128	72,215	80,343	47,310	
Landfill Closure and Postclosure Liability	—	22,475	22,475	13,062	
Vendor Deposits Payable	148	1,702	1,850	2,853	
Habitat Conservation Program Liability	—	4,823	4,823	7,792	
Unearned Revenues	—	32,498	32,498	26,832	
Arbitrage Rebate Liability	—	—	—	—	
Unfunded Other Post Employment Benefits	153,995	17,128	171,123	149,826	
Net Pension Liability	951,462	544,207	1,495,669	1,297,983	
Other Noncurrent Liabilities	2,487	851	3,338	3,438	
Total Noncurrent Liabilities	2,265,286	5,403,343	7,668,629	6,918,254	—
Total Liabilities	2,634,385	5,835,315	8,469,700	7,707,132	1,354
<b>DEFERRED INFLOWS OF RESOURCES</b>					
	49,299	215,998	265,297	173,017	

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

# Government-Wide Financial Statements

B-1  
Page 3 of 3

## STATEMENT OF NET POSITION December 31, 2017 (In Thousands)

	Primary Government				Component Units
	Governmental Activities	Business-Type Activities	Comparative Totals		
			2017	2016	
<b>NET POSITION</b>					
Net Investment in Capital Assets	\$ 3,365,060	\$ 2,280,370	\$ 5,645,430	\$ 5,455,775	\$ 1
Restricted for					
Debt Service	11,290	—	11,290	11,395	
Capital Projects	221,363	—	221,363	145,717	
Rate Stabilization Account	—	25,000	25,000	25,000	
Education and Development Services	80,525	—	80,525	53,174	
Special Deposits	—	—	—	—	
Conservation and Environmental Costs	—	8,275	8,275	8,148	
Bonneville Power Administration Projects	—	—	—	—	
External Infrastructure Costs	—	7,099	7,099	7,232	
Muckleshoot Settlement	—	—	—	—	
Other Charges	—	45,153	45,153	19,195	
Health Care Reserve	43,944	—	43,944	38,188	
Transportation Programs	61,942	—	61,942	29,834	
Low-Income Housing Programs	179,970	—	179,970	154,247	
Other Purposes	95,468	—	95,468	190,441	52,529
Nonexpendable	—	—	—	2,050	
Unrestricted	(565,925)	(121,280)	(687,205)	(623,518)	21,015
<b>Total Net Position</b>	3,493,637	2,244,617	5,738,254	5,516,878	73,545
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 \$ 6,177,321	 \$ 8,295,930	 \$ 14,473,251	 \$ 13,397,027	 \$ 74,899

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

**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2017**  
*(In Thousands)*

Functions/Programs	Program Expenses		Program Revenues		
	Expenses	Indirect Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>					
General Government	\$ 246,463	\$ (24,374)	\$ 119,548	\$ 29,122	\$ 362
Judicial	32,075	—	27,555	117	—
Public Safety	576,040	1,698	28,669	10,028	—
Physical Environment	15,539	—	10	(317)	—
Transportation	378,265	6,459	77,958	22,191	17,405
Economic Environment	147,005	—	53,196	14,923	1,414
Health and Human Services	119,463	—	745	42,311	—
Culture and Recreation	364,425	—	82,133	12,402	16,980
Interest on Long-Term Debt	47,777	—	—	—	—
Total Governmental Activities	1,927,052	(16,217)	389,814	130,777	36,161
<b>BUSINESS-TYPE ACTIVITIES</b>					
Light	912,006	2,779	987,812	(319)	45,308
Water	232,297	2,845	262,777	125	22,064
Drainage and Wastewater	362,690	992	396,283	1,566	2,648
Solid Waste	175,845	16,217	203,038	357	—
Planning and Development	67,115	5,799	72,595	105	—
Downtown Parking Garage	—	—	—	—	—
Fiber Leasing	36	—	8	—	—
Total Business-Type Activities	1,749,989	28,632	1,922,513	1,834	70,020
Total Government-Wide Activities	\$ 3,677,041	\$ 12,415	\$ 2,312,327	\$ 132,611	\$ 106,181
<b>COMPONENT UNITS</b>	\$ 6,256		\$ 344	\$ 3,167	\$ —

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

**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2017**  
*(In Thousands)*

	Net Revenue (Expense) and Changes in Net Position				
	Primary Government				
	Governmental Activities	Business-Type Activities	Comparative Totals		Component Units
		2017	2016		
<b>GOVERNMENTAL ACTIVITIES</b>					
General Government	\$ (73,057)	\$ —	\$ (73,057)	\$ (100,271)	
Judicial	(4,403)	—	(4,403)	(2,282)	
Public Safety	(539,041)	—	(539,041)	(539,195)	
Physical Environment	(15,846)	—	(15,846)	(9,113)	
Transportation	(267,170)	—	(267,170)	(165,537)	
Economic Environment	(77,472)	—	(77,472)	(108,504)	
Health and Human Services	(76,407)	—	(76,407)	(64,041)	
Culture and Recreation	(252,910)	—	(252,910)	(234,207)	
Interest on Long-Term Debt	(47,777)	—	(47,777)	(42,942)	
<b>Total Governmental Activities</b>	<b>(1,354,083)</b>	<b>—</b>	<b>(1,354,083)</b>	<b>(1,266,092)</b>	
<b>BUSINESS-TYPE ACTIVITIES</b>					
Light	—	118,016	118,016	83,275	
Water	—	49,824	49,824	41,914	
Drainage and Wastewater	—	36,815	36,815	67,248	
Solid Waste	—	11,333	11,333	9,708	
Planning and Development	—	(216)	(216)	11,413	
Downtown Parking Garage	—	—	—	133	
Fiber Leasing	—	(28)	(28)	—	
<b>Total Business-Type Activities</b>	<b>—</b>	<b>215,744</b>	<b>215,744</b>	<b>213,691</b>	
<b>Total Government-Wide Activities</b>	<b>(1,354,083)</b>	<b>215,744</b>	<b>(1,138,339)</b>	<b>(1,052,401)</b>	
					<b>\$ (2,745)</b>
<b>COMPONENT UNITS</b>					
General Revenues					
Property Taxes	582,622	—	582,622	542,853	
Sales Taxes	280,963	—	280,963	263,285	
Business Taxes	516,881	—	516,881	482,850	
Excise Taxes	115,674	—	115,674	114,627	
Other Taxes	22,032	—	22,032	19,009	
Penalties and Interest on Delinquent Taxes	—	—	—	—	
Unrestricted Investment Earnings (Loss)	18,339	18,046	36,385	21,887	9,494
Gain on Sale of Capital Assets	7,633	(83)	7,550	47,911	
Special Item - Environmental Remediation	—	(9,619)	(9,619)	(66,187)	
Transfers	(5,317)	6,321	1,004	—	
<b>Total General Revenues (Loss), Special Item, and Transfers</b>	<b>1,538,827</b>	<b>14,665</b>	<b>1,553,492</b>	<b>1,426,235</b>	<b>9,494</b>
Changes in Net Position	184,744	230,409	415,153	373,834	6,749
Net Position - Beginning of Year	3,502,669	2,014,208	5,516,877	5,143,044	66,796
Restatements/Prior-Year Adjustments	(193,776)	—	(193,776)	—	
Net Position - Beginning of Year as Restated	3,308,893	2,014,208	5,323,101	5,143,044	66,796
Net Position - End of Year	\$ 3,493,637	\$ 2,244,617	\$ 5,738,254	\$ 5,516,878	\$ 73,545

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017  
(In Thousands)**

	General Fund	Transportation	Other Governmental	Comparative Totals	
				2017	2016
<b>ASSETS</b>					
Cash and Equity in Pooled Investments	\$ 406,761	\$ 73,706	\$ 560,962	\$ 1,041,429	\$ 957,581
Receivables, Net of Allowances	89,522	16,829	41,601	147,952	124,646
Due from Other Funds	17,084	23,157	10,722	50,963	86,289
Due from Other Governments	63,913	5,719	15,712	85,344	96,547
Interfund Loans and Advances	72	24,201	15,463	39,736	39,572
Other Current Assets	285	—	635	920	1,035
<b>Total Assets</b>	<b>577,637</b>	<b>143,612</b>	<b>645,095</b>	<b>1,366,344</b>	<b>1,305,670</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Total Assets and Deferred Outflows of Resources	\$ 577,637	\$ 143,612	\$ 645,095	\$ 1,366,344	\$ 1,305,670
<b>LIABILITIES</b>					
Accounts Payable	\$ 34,280	\$ 23,152	\$ 28,175	\$ 85,607	\$ 113,889
Contracts Payable	126	719	500	1,345	5,083
Salaries, Benefits, and Taxes Payable	29,411	4,929	7,985	42,325	39,262
Due to Other Funds	8,183	2,572	25,773	36,528	75,998
Due to Other Governments	2,083	—	5,198	7,281	7,266
Revenues Collected in Advance	4,160	6,966	8,223	19,349	14,951
Interfund Loans and Advances	—	—	39,590	39,590	38,322
Other Current Liabilities	362	488	2,794	3,644	2,098
<b>Total Liabilities</b>	<b>78,605</b>	<b>38,826</b>	<b>118,238</b>	<b>235,669</b>	<b>296,869</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
	3,950	1,178	10,212	15,340	14,559
<b>FUND BALANCES</b>					
Nonspendable	\$ 350	\$ 1	\$ 2,743	\$ 3,094	\$ 3,141
Restricted	181,951	5,890	506,661	694,502	622,516
Committed	131,385	97,717	17,548	246,650	211,913
Assigned	29,172	—	11,963	41,135	38,465
Unassigned	152,224	—	(22,270)	129,954	118,207
<b>Total Fund Balances</b>	<b>495,082</b>	<b>103,608</b>	<b>516,645</b>	<b>1,115,335</b>	<b>994,242</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 577,637</b>	<b>\$ 143,612</b>	<b>\$ 645,095</b>	<b>\$ 1,366,344</b>	<b>\$ 1,305,670</b>

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017  
(In Thousands)**

	Comparative Totals	
	2017	Restated 2016
Governmental Fund Balance	\$ 1,115,335	\$ 994,242
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 3,663,566	\$ 3,344,900
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	13,587	9,600
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 position. 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 position, and the latter amounts are included in governmental activities.	395,295	394,486
Net pension asset net of pension obligations	181,280	124,652
Deferred inflows and outflows of resources	81,171	172,041
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	(13,853)	(13,298)
Accrued Interest Payable	(6,426)	(5,367)
Current Portion of Long-Term Debt	(59,414)	(56,411)
Compensated Absences Payable	(21,149)	(19,414)
General Obligation Bonds Payable	(725,188)	(715,581)
Less Bond Discount and Premium	(58,713)	(66,528)
Special Assessment Bonds	(6,075)	(7,505)
Net Pension Liability	(776,193)	(582,280)
Notes and Other Long-Term Liabilities	(13,881)	(14,662)
Compensated Absences - Long-Term	(66,115)	(62,659)
Claims Payable - Long-Term	(34,308)	(32,455)
Workers' Compensation	(27,495)	(25,050)
Arbitrage	—	—
Unfunded Other Post Employment Benefits	(147,787)	(129,818)
Net Adjustments	2,378,302	2,314,651
Net Position of Governmental Activities	\$ 3,493,637	\$ 3,308,893

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

B-4

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2017  
(In Thousands)**

	General Fund	Transportation	Other Governmental	Comparative Totals	
				2017	Restated 2016
<b>REVENUES</b>					
Taxes	\$ 1,107,598	\$ 139,410	\$ 270,416	\$ 1,517,424	\$ 1,422,194
Licenses and Permits	35,462	8,212	—	43,674	41,743
Grants, Shared Revenues, and Contributions	26,908	33,369	107,332	167,609	166,779
Charges for Services	69,373	74,764	104,574	248,711	254,412
Fines and Forfeits	30,300	172	12,499	42,971	46,154
Concessions, Parking Fees and Space Rent	39,155	244	32,008	71,407	68,798
Program Income, Interest, and Miscellaneous Revenues	95,928	698	21,622	118,248	99,369
Total Revenues	1,404,724	256,869	548,451	2,210,044	2,099,449
<b>EXPENDITURES</b>					
Current					
General Government	258,400	—	63,223	321,623	264,284
Judicial	31,658	—	—	31,658	31,519
Public Safety	610,762	—	1,028	611,790	590,681
Physical Environment	15,668	—	462	16,130	13,575
Transportation	12,041	177,363	6,491	195,895	227,666
Economic Environment	31,411	—	120,051	151,462	179,831
Health and Human Services	—	—	120,943	120,943	104,209
Culture and Recreation	83,033	—	234,928	317,961	305,986
Capital Outlay					
General Government	15,278	—	40,655	55,933	29,342
Public Safety	1,373	—	1,391	2,764	21,527
Physical Environment	—	—	—	—	—
Transportation	—	203,447	—	203,447	240,216
Economic Environment	53	—	57	110	7
Culture and Recreation	24,222	—	36,364	60,586	47,390
Debt Service					
Principal	3	1,522	56,358	57,883	53,308
Interest	1	75	35,475	35,551	32,768
Bond Issuance Cost	—	—	508	508	627
Other	—	—	—	—	—
Total Expenditures	1,083,903	382,407	717,934	2,184,244	2,142,936
Excess (Deficiency) of Revenues over Expenditures	320,821	(125,538)	(169,483)	25,800	(43,487)
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-Term Debt Issued	—	—	93,880	93,880	145,139
Refunding Debt Issued	—	—	—	—	—
Premium on Bonds Issued	—	—	10,198	10,198	22,177
Payment to Refunded Bond Escrow Agent	—	—	(19,419)	(19,419)	(31,909)
Sales of Capital Assets	7,550	—	154	7,704	123
Transfers In	27,698	158,143	315,663	501,504	550,752
Transfers Out	(303,516)	(26,535)	(168,673)	(498,724)	(518,825)
Total Other Financing Sources (Uses)	(268,268)	131,608	231,803	95,143	167,457
Net Change in Fund Balance	52,553	6,070	62,320	120,943	123,970
Fund Balances - Beginning of Year	442,382	97,538	454,325	994,245	870,272
Restatements/Prior-Year Adjustments	147	—	—	147	—
Fund Balances - Beginning of Year as Restated	442,529	97,538	454,325	994,392	870,272
Fund Balances - End of Year	\$ 495,082	\$ 103,608	\$ 516,645	\$ 1,115,335	\$ 994,242

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, 2017  
(In Thousands)**

	Comparative Totals	
	2017	2016
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balance - total governmental funds	\$ 120,943	\$ 123,970
Governmental funds report capital outlay as expenditures and proceeds from the disposition of capital assets as other financing sources. However, in the statement of activities the cost of those assets is allocated over the estimated useful life and reported as depreciation expense and the gain or loss is reported as income.		
Depreciation expense for the year	(118,029)	(118,345)
Capital outlay reported as expenditures	242,344	275,669
Retirement and sale of capital assets	(125)	(6)
Capital assets received as donations	13,426	2,188
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These are comprised of:		
Unavailable resources - property taxes	749	(2,587)
Reduction of long-term receivable	(1,331)	(831)
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 position. 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	(93,880)	(144,691)
Premium on general obligation bonds	(10,198)	(22,177)
Proceeds from bond refunding	—	—
Principal payments bonds/notes	57,821	53,262
Amortization of bond premium	15,828	7,679
Amortization of loss on refunding	(1,362)	(1,549)
Minimum capital lease payments	165	29
Bond interest	(1,078)	612
Remittance to refunding escrow using refunding proceeds	19,419	31,908
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	(5,190)	2,093
Injury and damage claims	(2,167)	6,526
Workers' compensation	(2,445)	2,076
Arbitrage	—	9
Unfunded OPEB liabilities	(17,969)	(16,598)
Net pension asset	(33,544)	3,506
Environmental liability	(1,043)	481
Loan to agencies	—	—
Debt guarantee of SISC 2004 bonds	416	433
Pension Expense - GASB68	(21,441)	(24,852)
WA State's LEOFF Contribution	9,399	9,344
Pension Expense - GASB 73	13,226	
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	(10,020)	(9,234)
Net revenue of internal service funds activities reported with governmental activities	10,830	1,975
Change in Net Position of Governmental Activities	\$ 184,744	\$ 180,890
Initial Recording of Net Pension Liability/Asset Related Items	—	—
Adjusted Total Change in Net Position of Governmental Activities	184,744	180,890

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



**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2017**  
*(In Thousands)*

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>L i g h t</b>		<b>W a t e r</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 129,131	\$ 72,868	\$ 54,637	\$ 39,106
Restricted Cash and Equity in Pooled Investments	—	—	—	—
Receivables, Net of Allowances				
Accounts	86,240	89,277	13,644	15,317
Interest and Dividends	—	384	834	984
Unbilled	89,374	76,604	15,679	14,534
Energy Contracts, Notes, and Other Contracts	—	—		20
Due from Other Funds	2,316	5,052	747	908
Due from Other Governments	2,576	3,077	2,296	953
Materials and Supplies Inventory	33,619	35,984	5,741	5,667
Prepayments and Other Current Assets	365	3,242	72	72
<b>Total Current Assets</b>	<b>343,621</b>	<b>286,488</b>	<b>93,650</b>	<b>77,561</b>
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	252,423	221,987	163,253	72,094
Notes and Contracts Receivable	—	—		375
Conservation Costs, Net	262,237	252,432	28,732	32,192
Landfill Closure and Postclosure Costs, Net	—	—	—	—
Environmental Costs and Recoveries	96,927	86,092	—	—
External Infrastructure Costs	—	—	—	—
Regulatory Asset	—	—	9,944	10,473
Other Charges	57,662	57,706	3,097	3,464
<i>Capital Assets</i>				
Land and Land Rights	76,553	75,025	48,319	45,138
Plant in Service, Excluding Land	4,593,145	4,410,258	2,009,173	1,921,380
Less Accumulated Depreciation	(1,823,394)	(1,735,289)	(791,510)	(771,218)
Buildings and Improvements	—	—	—	—
Less Accumulated Depreciation	—	—	—	—
Machinery and Equipment	—	—	—	—
Less Accumulated Depreciation	—	—	—	—
Construction in Progress	589,347	392,461	36,971	79,611
Other Property, Net	73,799	72,226	1,663	1,663
<b>Total Noncurrent Assets</b>	<b>4,178,699</b>	<b>3,832,898</b>	<b>1,509,642</b>	<b>1,395,172</b>
<b>Total Assets</b>	<b>4,522,320</b>	<b>4,119,386</b>	<b>1,603,292</b>	<b>1,472,733</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>83,179</b>	<b>94,939</b>	<b>36,512</b>	<b>46,224</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 4,605,499</b>	<b>\$ 4,214,325</b>	<b>\$ 1,639,804</b>	<b>\$ 1,518,957</b>

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

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2017**  
*(In Thousands)*

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Drainage and Wastewater</b>		<b>Solid Waste</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 164,470	\$ 121,117	\$ 55,716	\$ 36,174
Restricted Cash and Equity in Pooled Investments	—	—	—	—
Receivables, Net of Allowances				
Accounts	20,049	19,803	14,398	15,461
Interest and Dividends	295	504	—	116
Unbilled	21,416	19,399	236	236
Energy Contracts, Notes, and Other Contracts	1	56	—	—
Due from Other Funds	709	2,497	746	518
Due from Other Governments	2,688	9,722	1,005	1,041
Materials and Supplies Inventory	1,383	1,136	158	155
Prepayments and Other Current Assets	35	34	18	18
Total Current Assets	211,046	174,268	72,277	53,719
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	214,213	54,122	52,534	55,329
Notes and Contracts Receivable	2	1,049	—	—
Conservation Costs, Net	—	—	—	—
Landfill Closure and Postclosure Costs, Net	—	—	20,239	10,994
Environmental Costs and Recoveries	2,050	2,149	—	—
External Infrastructure Costs	18,448	18,742	—	—
Regulatory Asset	5,630	4,406	1,805	1,896
Other Charges	33,836	33,937	571	693
<i>Capital Assets</i>				
Land and Land Rights	23,691	22,490	26,883	26,883
Plant in Service, Excluding Land	1,319,572	1,194,642	247,059	252,386
Less Accumulated Depreciation	(358,505)	(340,989)	(60,318)	(59,995)
Buildings and Improvements	—	—	—	—
Less Accumulated Depreciation	—	—	—	—
Machinery and Equipment	—	—	—	—
Less Accumulated Depreciation	—	—	—	—
Construction in Progress	122,607	184,074	10,904	6,038
Other Property, Net	2,027	2,027	2,444	2,444
Total Noncurrent Assets	1,383,571	1,176,649	302,121	296,668
Total Assets	1,594,617	1,350,917	374,398	350,387
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	20,176	28,026	7,162	8,908
Total Assets and Deferred Outflows of Resources	\$ 1,614,793	\$ 1,378,943	\$ 381,560	\$ 359,295

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

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2017**  
*(In Thousands)*

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Nonmajor Funds</b>		<b>Comparative Totals</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 83,619	\$ 70,354	\$ 487,573	\$ 339,619
Restricted Cash and Equity in Pooled Investments	—	—	—	—
Receivables, Net of Allowances				
Accounts	1,088	976	135,419	140,834
Interest and Dividends	—	79	1,129	2,067
Unbilled	—	—	126,705	110,773
Energy Contracts, Notes, and Other Contracts	—	—	1	76
Due from Other Funds	1,108	1,781	5,626	10,756
Due from Other Governments	398	551	8,963	15,344
Materials and Supplies Inventory	—	—	40,901	42,942
Prepayments and Other Current Assets	—	751	490	4,117
<b>Total Current Assets</b>	<b>86,213</b>	<b>74,492</b>	<b>806,807</b>	<b>666,528</b>
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	139	92	682,562	403,624
Notes and Contracts Receivable	—	—	2	1,424
Conservation Costs, Net	—	—	290,969	284,624
Landfill Closure and Postclosure Costs, Net	—	—	20,239	10,994
Environmental Costs and Recoveries	—	—	98,977	88,241
External Infrastructure Costs	—	—	18,448	18,742
Regulatory Asset	—	—	17,379	16,775
Other Charges	—	—	95,166	95,800
<i>Capital Assets</i>				
Land and Land Rights	—	—	175,446	169,536
Plant in Service, Excluding Land	—	—	8,168,949	7,778,666
Less Accumulated Depreciation	—	—	(3,033,727)	(2,907,491)
Buildings and Improvements	—	—	—	—
Less Accumulated Depreciation	—	—	—	—
Machinery and Equipment	14,430	14,360	14,430	14,360
Less Accumulated Depreciation	(14,292)	(14,288)	(14,292)	(14,288)
Construction in Progress	8,314	6,799	768,143	668,983
Other Property, Net	—	—	79,933	78,360
<b>Total Noncurrent Assets</b>	<b>8,591</b>	<b>6,963</b>	<b>7,382,624</b>	<b>6,708,350</b>
<b>Total Assets</b>	<b>94,804</b>	<b>81,455</b>	<b>8,189,431</b>	<b>7,374,878</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	9,576	13,962	156,605	192,059
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 104,380</b>	<b>\$ 95,417</b>	<b>\$ 8,346,036</b>	<b>\$ 7,566,937</b>

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

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2017  
(In Thousands)

	Governmental Activities - Internal Service Funds	
	2017	2016
<b>ASSETS</b>		
<i>Current Assets</i>		
Operating Cash and Equity in Pooled Investments	\$ 10,062	\$ 25,230
Restricted Cash and Equity in Pooled Investments	7,968	4,691
Receivables, Net of Allowances		
Accounts	489	577
Interest and Dividends	—	44
Unbilled	38	667
Energy Contracts, Notes, and Other Contracts	—	—
Due from Other Funds	19,894	17,296
Due from Other Governments	117	26
Materials and Supplies Inventory	4,356	2,660
Prepayments and Other Current Assets	5,452	1,256
Total Current Assets	48,376	52,447
<i>Noncurrent Assets</i>		
Restricted Cash and Equity in Pooled Investments	73,330	43,031
Notes and Contracts Receivable	—	—
Conservation Costs, Net	—	—
Landfill Closure and Postclosure Costs, Net	—	—
Environmental Costs and Recoveries	—	—
External Infrastructure Costs	—	—
Regulatory Asset	—	—
Other Charges	—	—
Capital Assets		
Land and Land Rights	108,842	108,842
Plant in Service, Excluding Land	—	—
Less Accumulated Depreciation	—	—
Buildings and Improvements	724,331	717,228
Less Accumulated Depreciation	(261,273)	(244,860)
Machinery and Equipment	267,142	270,246
Less Accumulated Depreciation	(138,383)	(135,590)
Construction in Progress	24,187	9,357
Other Property, Net	1,001	208
Total Noncurrent Assets	799,177	768,462
Total Assets	847,553	820,909
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	72,023	35,215
Total Assets and Deferred Outflows of Resources	\$ 919,576	\$ 856,124

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

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2017  
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2017	2016	2017	2016
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	\$ 60,387	\$ 72,336	\$ 6,486	\$ 7,486
Salaries, Benefits, and Payroll Taxes Payable	15,272	10,757	3,971	3,462
Compensated Absences Payable	1,500	2,572	418	390
Due to Other Funds	11,953	11,137	7,770	8,609
Due to Other Governments	—	—	125	—
Interest Payable	30,994	31,407	12,942	11,928
Taxes Payable	10,050	8,212	755	694
General Obligation Bonds Due Within One Year	—	—	—	—
Revenue Bonds Due Within One Year	118,805	111,230	41,020	39,345
Claims Payable	10,936	8,611	2,028	2,151
Notes and Contracts Payable	—	—	2,050	1,125
Habitat Conservation Program Liability	—	—	711	968
Landfill Closure and Postclosure Liability	—	—	—	—
Unearned Revenues and Other Credits	27,132	28,814	4,004	4,307
Other Current Liabilities	20,761	10,304	504	44
Total Current Liabilities	307,790	295,380	82,784	80,509
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	—	—	—	—
Compensated Absences Payable	15,708	15,782	4,411	4,355
Claims Payable	96,105	91,980	5,252	3,489
Public Works Trust Loan	—	—	28,877	23,654
Landfill Closure and Postclosure Liability	—	—	—	—
Vendor and Other Deposits Payable	—	—	—	—
Habitat Conservation Program Liability	—	—	4,823	7,792
Unearned Revenues and Other Credits	9,161	8,374	278	301
Unfunded Other Post Employment Benefits	8,601	7,935	2,824	2,719
Net Pension Liability	288,808	317,773	86,689	93,080
Other Noncurrent Liabilities	392	115	114	102
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	—	—	—	—
Revenue Bonds Payable, Net of Amortized Premium, Discount and Other	2,417,420	2,165,265	915,683	856,408
Bond Interest Payable	—	—	—	—
Total Noncurrent Liabilities	2,836,195	2,607,224	1,048,951	991,900
Total Liabilities	3,143,985	2,902,604	1,131,735	1,072,409
<b>DEFERRED INFLOWS OF RESOURCES</b>	123,596	94,180	53,509	43,183

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

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2017  
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2017	2016	2017	2016
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	\$ 4,921	\$ 8,519	\$ 7,857	\$ 9,857
Salaries, Benefits, and Payroll Taxes Payable	4,067	3,611	1,499	1,226
Compensated Absences Payable	428	399	149	139
Due to Other Funds	11,540	12,637	3,006	2,049
Due to Other Governments	17,947	12,789	—	—
Interest Payable	12,155	8,166	2,294	2,399
Taxes Payable	239	405	574	239
General Obligation Bonds Due Within One Year	—	—	—	—
Revenue Bonds Due Within One Year	25,225	21,570	6,775	6,545
Claims Payable	4,938	5,104	740	841
Notes and Contracts Payable	2,761	1,223	—	—
Habitat Conservation Program Liability	—	—	—	—
Landfill Closure and Postclosure Liability	—	—	1,605	1,643
Unearned Revenues and Other Credits	900	2,635	8,957	5,797
Other Current Liabilities	773	585	—	—
Total Current Liabilities	85,894	77,643	33,456	30,735
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	—	—	—	—
Compensated Absences Payable	4,516	4,459	1,575	1,556
Claims Payable	141,268	136,978	17,084	11,023
Public Works Trust Loan	43,338	14,130	—	—
Landfill Closure and Postclosure Liability	—	—	22,475	13,062
Vendor and Other Deposits Payable	1,563	2,605	—	—
Habitat Conservation Program Liability	—	—	—	—
Unearned Revenues and Other Credits	—	—	—	—
Unfunded Other Post Employment Benefits	2,758	2,719	985	885
Net Pension Liability	81,147	87,690	29,618	31,901
Other Noncurrent Liabilities	242	266	—	—
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	—	—	—	—
Revenue Bonds Payable, Net of Amortized Premium, Discount and Other	883,717	717,709	215,229	223,028
Bond Interest Payable	—	—	—	—
Total Noncurrent Liabilities	1,158,549	966,556	286,966	281,455
Total Liabilities	1,244,443	1,044,199	320,422	312,190
<b>DEFERRED INFLOWS OF RESOURCES</b>	7,164	2,279	28,241	26,138

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

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2017**  
*(In Thousands)*

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2017	2016	2017	2016
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	\$ 239	\$ 573	\$ 79,890	\$ 98,771
Salaries, Benefits, and Payroll Taxes Payable	2,068	1,971	26,877	21,027
Compensated Absences Payable	178	225	2,673	3,725
Due to Other Funds	2,323	953	36,592	35,385
Due to Other Governments	—	—	18,072	12,789
Interest Payable	—	1	58,385	53,901
Taxes Payable	—	—	11,618	9,550
General Obligation Bonds Due Within One Year	—	—	—	—
Revenue Bonds Due Within One Year	—	—	191,825	178,690
Claims Payable	169	183	18,811	16,890
Notes and Contracts Payable	—	—	4,811	2,348
Habitat Conservation Program Liability	—	—	711	968
Landfill Closure and Postclosure Liability	—	—	1,605	1,643
Unearned Revenues and Other Credits	—	—	40,993	41,553
Other Current Liabilities	23	28	22,061	10,961
<b>Total Current Liabilities</b>	<b>5,000</b>	<b>3,934</b>	<b>514,924</b>	<b>488,201</b>
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	—	1,200	—	1,200
Compensated Absences Payable	2,716	2,697	28,926	28,849
Claims Payable	275	353	259,984	243,823
Public Works Trust Loan	—	—	72,215	37,784
Landfill Closure and Postclosure Liability	—	—	22,475	13,062
Vendor and Other Deposits Payable	139	92	1,702	2,697
Habitat Conservation Program Liability	—	—	4,823	7,792
Unearned Revenues and Other Credits	23,059	18,157	32,498	26,832
Unfunded Other Post Employment Benefits	1,959	1,859	17,127	16,117
Net Pension Liability	57,944	63,529	544,206	593,973
Other Noncurrent Liabilities	103	31	851	514
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	—	—	—	—
Revenue Bonds Payable, Net of Amortized Premium, Discount and Other	—	—	4,432,049	3,962,410
Bond Interest Payable	—	—	—	—
<b>Total Noncurrent Liabilities</b>	<b>86,195</b>	<b>87,918</b>	<b>5,416,856</b>	<b>4,935,053</b>
<b>Total Liabilities</b>	<b>91,195</b>	<b>91,852</b>	<b>5,931,780</b>	<b>5,423,254</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>3,487</b>	<b>32</b>	<b>215,997</b>	<b>165,812</b>

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

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 December 31, 2017  
 (In Thousands)

	Governmental Activities - Internal Service Funds	
	2017	2016
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts Payable	\$ 14,216	\$ 12,810
Salaries, Benefits, and Payroll Taxes Payable	7,718	6,967
Compensated Absences Payable	1,393	905
Due to Other Funds	2,815	2,958
Due to Other Governments	15	14
Interest Payable	2,494	2,193
Taxes Payable	75	45
General Obligation Bonds Due Within One Year	26,981	26,508
Revenue Bonds Due Within One Year	—	—
Claims Payable	355	418
Notes and Contracts Payable	—	—
Habitat Conservation Program Liability	—	—
Landfill Closure and Postclosure Liability	—	—
Unearned Revenues and Other Credits	—	—
Other Current Liabilities	282	146
Total Current Liabilities	56,344	52,964
<i>Noncurrent Liabilities</i>		
Advances from Other Funds/Interfund Notes Payable		
Compensated Absences Payable	11,860	8,654
Claims Payable	1,143	1,310
Public Works Trust Loan	—	—
Landfill Closure and Postclosure Liability	—	—
Vendor and Other Deposits Payable	148	156
Habitat Conservation Program Liability	—	—
Unearned Revenues and Other Credits	—	—
Unfunded Other Post Employment Benefits	6,208	3,893
Net Pension Liability	175,269	121,731
Other Noncurrent Liabilities	3	23
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	226,011	236,417
Revenue Bonds Payable, Net of Amortized Premium, Discount and Other	—	—
Bond Interest Payable	—	—
Total Noncurrent Liabilities	420,642	372,184
Total Liabilities	476,986	425,148
<b>DEFERRED INFLOWS OF RESOURCES</b>	936	152

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



**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2017**  
*(In Thousands)*

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>L i g h t</b>		<b>W a t e r</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 1,382,845	\$ 1,310,525	\$ 473,343	\$ 435,254
Restricted for				
Rate Stabilization Account	25,000	25,000	—	—
Special Deposits and Other	—	—	—	—
Conservation and Environmental Costs	—	—	8,275	8,148
Bonneville Power Administration Projects	—	—	—	—
External Infrastructure Costs	—	—	—	—
Muckleshoot Settlement	—	—	—	—
Other Charges	—	—	4,770	4,640
Unrestricted	(69,927)	(117,984)	(31,828)	(44,677)
Total Net Position	<u>1,337,918</u>	<u>1,217,541</u>	<u>454,560</u>	<u>403,365</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 4,605,499</u>	<u>\$ 4,214,325</u>	<u>\$ 1,639,804</u>	<u>\$ 1,518,957</u>

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

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 December 31, 2017  
 (In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2017	2016	2017	2016
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 379,865	\$ 403,957	\$ 35,863	\$ 29,523
Restricted for				
Rate Stabilization Account	—	—	—	—
Special Deposits and Other	—	—	—	—
Conservation and Environmental Costs	—	—	—	—
Bonneville Power Administration Projects	—	—	—	—
External Infrastructure Costs	7,099	7,232	—	—
Muckleshoot Settlement	—	—	—	—
Other Charges	40,141	14,555	244	—
Unrestricted	(63,919)	(93,279)	(3,210)	(8,556)
Total Net Position	363,186	332,465	32,897	20,967
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 1,614,793	\$ 1,378,943	\$ 381,560	\$ 359,295

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2017**  
*(In Thousands)*

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Nonmajor Funds</b>		<b>Comparative Totals</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 8,453	\$ 6,870	\$ 2,280,369	\$ 2,186,129
Restricted for				
Rate Stabilization Account	—	—	25,000	25,000
Special Deposits and Other	—	—	—	—
Conservation and Environmental Costs	—	—	8,275	8,148
Bonneville Power Administration Projects	—	—	—	—
External Infrastructure Costs	—	—	7,099	7,232
Muckleshoot Settlement	—	—	—	—
Other Charges	—	—	45,155	19,195
Unrestricted	1,245	(3,337)	(167,639)	(267,833)
Total Net Position	9,698	3,533	2,198,259	1,977,871
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 104,380	\$ 95,417	\$ 8,346,036	\$ 7,566,937
Total Net Position as above			\$ 2,198,259	\$ 1,977,871
Adjustment to Reflect the Consolidation of Internal Service Fund Activities to Enterprise Funds			46,358	36,338
Net Position of Business-type Activities			\$ 2,244,617	\$ 2,014,209

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

STATEMENT OF NET POSITION  
**PROPRIETARY FUNDS**  
 December 31, 2017  
*(In Thousands)*

	Governmental Activities - Internal Service Funds	
	2017	2016
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 476,206	\$ 464,045
Restricted for		
Rate Stabilization Account	—	—
Special Deposits and Other	—	—
Conservation and Environmental Costs	—	—
Bonneville Power Administration Projects	—	—
External Infrastructure Costs	—	—
Muckleshoot Settlement	—	—
Other Charges	—	—
Unrestricted	(34,552)	(33,221)
Total Net Position	441,654	430,824
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 919,576	\$ 856,124

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

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2017  
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2017	2016	2017	2016
<b>OPERATING REVENUES</b>				
Charges for Services and Other Revenues	\$ 989,711	\$ 903,175	\$ 262,896	\$ 251,364
<b>OPERATING EXPENSES</b>				
Long-Term Purchased Power	224,857	219,795	—	—
Short-Term Wholesale Power Purchases	15,223	15,048	—	—
Generation	40,072	36,803	—	—
Transmission	52,514	53,488	—	—
Distribution	60,402	63,522	—	—
Conservation and Other Power Expenses	57,792	53,466	—	—
Planning and Development	—	—	1,499	2,141
Utility Systems Management	—	—	15,741	15,350
Field Operations	—	—	30,218	29,502
Project Delivery	—	—	7,776	6,789
Customer Services	49,390	42,636	8,280	7,990
Wastewater Treatment	—	—	—	—
Solid Waste Collection	—	—	—	—
Operations and Maintenance	—	—	—	—
General and Administrative	128,687	104,998	43,698	41,534
City Business and Occupation Taxes	54,414	48,456	32,924	31,347
Other Taxes	40,351	36,747	10,746	10,143
Amortization of Landfill and Postclosure Costs	—	—	—	—
Depreciation and Other Amortization	128,768	120,807	51,003	51,844
Total Operating Expenses	852,470	795,766	201,885	196,640
Operating Income (Loss)	137,241	107,409	61,011	54,724
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment and Interest Income	6,797	6,046	4,090	2,635
Interest Expense	(85,113)	(84,365)	(39,632)	(36,918)
Amortization of Bonds Premiums and Discounts, Net	16,084	15,333	4,625	4,158
Amortization of Refunding Gain (Loss)	(4,899)	(4,641)	(1,392)	(1,597)
Bond Issuance Costs	(1,511)	(1,435)	—	—
Gain (Loss) on Sale of Capital Assets	553	48	(1,020)	406
Contributions and Grants	(319)	2,529	125	265
Others, Net	6,236	6,001	1,324	1,190
Total Nonoperating Revenues (Expenses)	(62,172)	(60,484)	(31,880)	(29,861)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	75,069	46,925	29,131	24,863
Capital Contributions and Grants	45,308	38,399	22,064	18,393
Transfers In	—	—	—	—
Transfers Out	—	—	—	—
Environmental Remediation	—	—	—	—
Change in Net Position	120,377	85,324	51,195	43,256
Net Position - Beginning of Year	1,217,541	1,132,217	403,365	360,109
Prior-Year Adjustment	—	—	—	—
Net Position - Beginning of Year as Restated	1,217,541	1,132,217	403,365	360,109
Net Position - End of Year	\$ 1,337,918	\$ 1,217,541	\$ 454,560	\$ 403,365

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

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2017  
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2017	2016	2017	2016
<b>OPERATING REVENUES</b>				
Charges for Services and Other Revenues	\$ 400,284	\$ 375,041	\$ 209,644	\$ 183,666
<b>OPERATING EXPENSES</b>				
Long-Term Purchased Power	—	—	—	—
Short-Term Wholesale Power Purchases	—	—	—	—
Generation	—	—	—	—
Transmission	—	—	—	—
Distribution	—	—	—	—
Conservation and Other Power Expenses	—	—	—	—
Planning and Development	1,052	1,494	213	233
Utility Systems Management	15,656	12,371	8,619	5,409
Field Operations	30,466	28,860	9,359	7,627
Project Delivery	12,582	10,494	114	658
Customer Services	6,902	6,501	6,318	6,312
Wastewater Treatment	162,759	154,001	—	—
Solid Waste Collection	—	—	107,530	104,639
Operations and Maintenance	—	—	—	—
General and Administrative	31,618	30,135	18,888	16,410
City Business and Occupation Taxes	46,724	44,311	24,583	19,025
Other Taxes	5,230	4,836	3,213	2,820
Amortization of Landfill and Postclosure Costs	—	—	1,374	1,369
Depreciation and Other Amortization	31,657	27,403	10,855	6,283
Total Operating Expenses	<u>344,646</u>	<u>320,406</u>	<u>191,066</u>	<u>170,785</u>
Operating Income (Loss)	55,638	54,635	18,578	12,881
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment and Interest Income	5,028	3,096	1,059	519
Interest Expense	(29,142)	(22,779)	(9,069)	(5,269)
Amortization of Bonds Premiums and Discounts, Net	2,924	2,127	1,024	913
Amortization of Refunding Gain (Loss)	(482)	(512)	(204)	(112)
Bond Issuance Costs	—	—	—	—
Gain (Loss) on Sale of Capital Assets	238	147	146	4
Contributions and Grants	1,566	1,054	357	604
Others, Net	1,922	777	39	84
Total Nonoperating Revenues (Expenses)	<u>(17,946)</u>	<u>(16,090)</u>	<u>(6,648)</u>	<u>(3,257)</u>
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	37,692	38,545	11,930	9,624
Capital Contributions and Grants	2,648	30,205	—	—
Transfers In	—	—	—	—
Transfers Out	—	—	—	—
Environmental Remediation	(9,619)	(66,187)	—	—
Change in Net Position	30,721	2,563	11,930	9,624
Net Position - Beginning of Year	332,465	329,902	20,967	11,343
Prior-Year Adjustment	—	—	—	—
Net Position - Beginning of Year as Restated	<u>332,465</u>	<u>329,902</u>	<u>20,967</u>	<u>11,343</u>
Net Position - End of Year	<u>\$ 363,186</u>	<u>\$ 332,465</u>	<u>\$ 32,897</u>	<u>\$ 20,967</u>

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

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2017  
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2017	2016	2017	2016
<b>OPERATING REVENUES</b>				
Charges for Services and Other Revenues	\$ 74,351	\$ 86,356	\$ 1,936,886	\$ 1,799,602
<b>OPERATING EXPENSES</b>				
Long-Term Purchased Power	—	—	224,857	219,795
Short-Term Wholesale Power Purchases	—	—	15,223	15,048
Generation	—	—	40,072	36,803
Transmission	—	—	52,514	53,488
Distribution	—	—	60,402	63,522
Conservation and Other Power Expenses	—	—	57,792	53,466
Planning and Development	—	—	2,764	3,868
Utility Systems Management	—	—	40,016	33,130
Field Operations	—	—	70,043	65,989
Project Delivery	—	—	20,472	17,941
Customer Services	—	—	70,890	63,439
Wastewater Treatment	—	—	162,759	154,001
Solid Waste Collection	—	—	107,530	104,639
Operations and Maintenance	60,938	60,910	60,938	60,910
General and Administrative	14,702	11,720	237,593	204,797
City Business and Occupation Taxes	—	12	158,645	143,151
Other Taxes	—	25	59,540	54,571
Amortization of Landfill and Postclosure Costs	—	—	1,374	1,369
Depreciation and Other Amortization	32	1,751	222,315	208,088
Total Operating Expenses	<u>75,672</u>	<u>74,418</u>	<u>1,665,739</u>	<u>1,558,015</u>
Operating Income (Loss)	(1,321)	11,938	271,147	241,587
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment and Interest Income	1,072	510	18,046	12,806
Interest Expense	(13)	(2,012)	(162,969)	(151,343)
Amortization of Bonds Premiums and Discounts, Net	—	148	24,657	22,679
Amortization of Refunding Gain (Loss)	—	198	(6,977)	(6,664)
Bond Issuance Costs	—	—	(1,511)	(1,435)
Gain (Loss) on Sale of Capital Assets	—	47,497	(83)	48,102
Contributions and Grants	105	131	1,834	4,583
Others, Net	2	2	9,523	8,054
Total Nonoperating Revenues (Expenses)	<u>1,166</u>	<u>46,474</u>	<u>(117,480)</u>	<u>(63,218)</u>
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	(155)	58,412	153,667	178,369
Capital Contributions and Grants	—	—	70,020	86,997
Transfers In	6,320	18,263	6,320	18,263
Transfers Out	—	(33,732)	—	(33,732)
Environmental Remediation	—	—	(9,619)	(66,187)
Change in Net Position	<u>6,165</u>	<u>42,943</u>	<u>220,388</u>	<u>183,710</u>
Net Position - Beginning of Year	3,533	(39,410)	1,977,871	1,794,161
Prior-Year Adjustment	—	—	—	—
Net Position - Beginning of Year as Restated	<u>3,533</u>	<u>(39,410)</u>	<u>1,977,871</u>	<u>1,794,161</u>
Net Position - End of Year	<u>\$ 9,698</u>	<u>\$ 3,533</u>	<u>2,198,259</u>	<u>1,977,871</u>
Accumulated Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			46,358	36,338
Net Position of Business-Type Activities			<u>\$ 2,244,617</u>	<u>\$ 2,014,209</u>
Change in Net Position as above			<u>\$ 220,388</u>	<u>\$ 183,710</u>
Current Year Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			10,020	9,234
Adjusted Change in Net Position of Business-Type Activities			<u>\$ 230,408</u>	<u>\$ 192,944</u>

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

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2017  
(In Thousands)**

	Governmental Activities - Internal Service Funds	
	2017	2016
<b>OPERATING REVENUES</b>		
Charges for Services and Other Revenues	\$ 413,134	\$ 311,591
<b>OPERATING EXPENSES</b>		
Long-Term Purchased Power	—	—
Short-Term Wholesale Power Purchases	—	—
Generation	—	—
Transmission	—	—
Distribution	—	—
Conservation and Other Power Expenses	—	—
Planning and Development	—	—
Utility Systems Management	—	—
Field Operations	—	—
Project Delivery	—	—
Customer Services	—	—
Wastewater Treatment	—	—
Solid Waste Collection	—	—
Operations and Maintenance	281,998	214,933
General and Administrative	65,414	32,198
City Business and Occupation Taxes	5	5
Other Taxes	602	516
Amortization of Landfill and Postclosure Costs	—	—
Depreciation and Other Amortization	40,307	37,851
Total Operating Expenses	388,326	285,503
Operating Income (Loss)	24,808	26,088
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment and Interest Income	1,172	841
Interest Expense	(10,546)	(10,103)
Amortization of Bonds Premiums and Discounts, Net	3,814	3,751
Amortization of Refunding Gain (Loss)	(1,818)	(1,830)
Bond Issuance Costs	(32)	(6)
Gain (Loss) on Sale of Capital Assets	55	(308)
Contributions and Grants	—	—
Others, Net	12	28
Total Nonoperating Revenues (Expenses)	(7,343)	(7,627)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	17,465	18,461
Capital Contributions and Grants	2,465	(17,996)
Transfers In	—	5,700
Transfers Out	(9,100)	(22,158)
Environmental Remediation	—	—
Change in Net Position	10,830	(15,993)
Net Position - Beginning of Year	430,824	446,817
Prior-Year Adjustment	—	—
Net Position - Beginning of Year as Restated	430,824	446,817
Net Position - End of Year	\$ 441,654	\$ 430,824

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



**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2017**  
**(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2017	2016	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 957,243	\$ 871,771	\$ 270,799	\$ 257,434
Cash Paid to Suppliers	(327,197)	(353,029)	(40,174)	(31,926)
Cash Paid to Employees	(165,244)	(181,004)	(63,103)	(67,426)
Cash Paid for Taxes	(92,910)	(86,914)	(43,406)	(41,718)
Net Cash from Operating Activities	371,892	250,824	124,116	116,364
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Principal Payments on Long-Term Debt and Interfund Loans	(36,809)	(10,351)	—	—
Interest Paid on Long-Term Debt	(8,229)	(9,111)	—	—
Operating Grants Received	(319)	2,530	22	283
Transfers In	—	—	—	—
Transfers Out	—	—	—	—
Bonneville Receipts for Conservation	5,162	9,358	—	—
Payments to Vendors on Behalf of Customers for Conservation	(31,759)	(32,210)	—	—
Loans Provided to Other Funds	—	—	—	—
Proceeds from Interfund Loans	—	—	—	—
Payments for Environmental Liabilities	—	—	—	—
Net Cash from Noncapital Financing Activities	(71,954)	(39,784)	22	283
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from Sale of Bonds and Other Long-Term Debt	485,530	360,240	223,549	3,562
Principal Payments on Long-Term Debt and Refunding	(104,365)	(97,099)	(147,562)	(42,442)
Capital Expenses and Other Charges Paid	(389,802)	(375,247)	(70,112)	(76,611)
Interest Paid on Long-Term Debt	(88,056)	(85,468)	(38,712)	(38,559)
Capital Fees and Grants Received	40,580	37,544	12,440	9,887
Payment to Trustee for Defeased Bonds	(163,588)	(178,818)	—	—
Interest Received for Suburban Infrastructure Improvements	2,323	2,526	—	—
Debt Issuance Costs	(1,511)	(1,435)	(718)	—
Proceeds from Sale of Capital Assets	794	404	1,415	519
Net Cash from Capital and Related Financing Activities	(218,095)	(337,353)	(19,700)	(143,644)
<b>CASH FLOWS FROM INVESTING ACTIVITIES <sup>a</sup></b>				
Interest and Investment Income (Loss)	4,857	3,550	2,252	623
Net Cash from Investing Activities	4,857	3,550	2,252	623
Net Increase (Decrease) in Cash and Equity in Pooled Investments	86,700	(122,763)	106,690	(26,374)
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>				
Beginning of Year	294,854	417,618	111,200	137,574
End of Year	\$ 381,554	\$ 294,855	\$ 217,890	\$ 111,200
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>				
Operating Cash and Equity in Pooled Investments	\$ 129,131	\$ 72,868	\$ 54,637	\$ 39,106
Current Restricted Cash and Equity in Pooled Investments	—	—	—	—
Noncurrent Restricted Cash and Equity in Pooled Investments	252,423	221,987	163,253	72,094
Total Cash at the End of the Year	\$ 381,554	\$ 294,855	\$ 217,890	\$ 111,200

<sup>a</sup> 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.

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2017**  
*(In Thousands)*

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2017	2016	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 407,355	\$ 370,806	\$ 210,265	\$ 189,184
Cash Paid to Suppliers	(195,323)	(169,184)	(117,856)	(118,253)
Cash Paid to Employees	(61,860)	(66,269)	(25,017)	(25,139)
Cash Paid for Taxes	(52,176)	(48,702)	(26,403)	(21,907)
Net Cash from Operating Activities	97,996	86,651	40,989	23,885
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Principal Payments on Long-Term Debt and Interfund Loans	—	—	—	—
Interest Paid on Long-Term Debt	—	—	—	—
Operating Grants Received	1,617	1,796	707	378
Transfers In	—	—	—	—
Transfers Out	—	—	—	—
Bonneville Receipts for Conservation	—	—	—	—
Payments to Vendors on Behalf of Customers for Conservation	—	—	—	—
Loans Provided to Other Funds	—	—	—	—
Proceeds from Interfund Loans	—	—	—	—
Payments for Environmental Liabilities	(4,987)	(958)	—	1,358
Net Cash from Noncapital Financing Activities	(3,370)	838	707	1,736
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from Sale of Bonds and Other Long-Term Debt	294,268	183,723	—	40,848
Principal Payments on Long-Term Debt and Refunding	(88,051)	(92,869)	(6,454)	(25,987)
Capital Expenses and Other Charges Paid	(78,190)	(116,611)	(10,401)	(24,752)
Interest Paid on Long-Term Debt	(29,362)	(27,236)	(9,424)	(9,824)
Capital Fees and Grants Received	7,484	11,361	—	—
Payment to Trustee for Defeased Bonds	—	—	—	—
Interest Received for Suburban Infrastructure Improvements	—	—	—	—
Debt Issuance Costs	(1,160)	(556)	—	(267)
Proceeds from Sale of Capital Assets	348	197	156	18
Net Cash from Capital and Related Financing Activities	105,337	(41,991)	(26,123)	(19,964)
<b>CASH FLOWS FROM INVESTING ACTIVITIES <sup>a</sup></b>				
Interest and Investment Income (Loss)	3,481	1,261	1,174	491
Net Cash from Investing Activities	3,481	1,261	1,174	491
Net Increase (Decrease) in Cash and Equity in Pooled Investments	203,444	46,759	16,747	6,148
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>				
Beginning of Year	175,239	128,480	91,503	85,355
End of Year	<u>\$ 378,683</u>	<u>\$ 175,239</u>	<u>\$ 108,250</u>	<u>\$ 91,503</u>
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>				
Operating Cash and Equity in Pooled Investments	\$ 164,470	\$ 121,117	\$ 55,716	\$ 36,174
Current Restricted Cash and Equity in Pooled Investments	—	—	—	—
Noncurrent Restricted Cash and Equity in Pooled Investments	214,213	54,122	52,534	55,329
Total Cash at the End of the Year	<u>\$ 378,683</u>	<u>\$ 175,239</u>	<u>\$ 108,250</u>	<u>\$ 91,503</u>

<sup>a</sup> 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, 2017**  
**(In Thousands)**

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Nonmajor Funds</b>		<b>Comparative Totals</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Customers	\$ 80,015	\$ 86,628	\$ 1,925,677	\$ 1,775,823
Cash Paid to Suppliers	(36,873)	(36,086)	(717,423)	(708,478)
Cash Paid to Employees	(34,511)	(35,645)	(349,735)	(375,483)
Cash Paid for Taxes	—	(1,415)	(214,895)	(200,656)
Net Cash from Operating Activities	8,631	13,482	643,624	491,206
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Principal Payments on Long-Term Debt and Interfund Loans	(1,200)	(6,400)	(38,009)	(16,751)
Interest Paid on Long-Term Debt	—	—	(8,229)	(9,111)
Operating Grants Received	105	131	2,132	5,118
Transfers In	6,320	17,094	6,320	17,094
Transfers Out	—	(33,732)	—	(33,732)
Bonneville Receipts for Conservation	—	—	5,162	9,358
Payments to Vendors on Behalf of Customers for Conservation	—	—	(31,759)	(32,210)
Loans Provided to Other Funds	—	—	—	—
Proceeds from Interfund Loans	—	—	—	—
Payments for Environmental Liabilities	—	—	(4,987)	400
Net Cash from Noncapital Financing Activities	5,225	(22,907)	(69,370)	(59,834)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from Sale of Bonds and Other Long-Term Debt	—	—	1,003,347	588,373
Principal Payments on Long-Term Debt and Refunding	—	(3,280)	(346,432)	(261,677)
Capital Expenses and Other Charges Paid	(1,615)	(2,101)	(550,120)	(595,322)
Interest Paid on Long-Term Debt	(1)	(2,676)	(165,555)	(163,763)
Capital Fees and Grants Received	—	—	60,504	58,792
Payment to Trustee for Defeased Bonds	—	(52,468)	(163,588)	(231,286)
Interest Received for Suburban Infrastructure Improvements	—	—	2,323	2,526
Debt Issuance Costs	—	—	(3,389)	(2,258)
Proceeds from Sale of Capital Assets	—	85,171	2,713	86,309
Net Cash from Capital and Related Financing Activities	(1,616)	24,646	(160,197)	(518,306)
<b>CASH FLOWS FROM INVESTING ACTIVITIES <sup>a</sup></b>				
Interest and Investment Income (Loss)	1,072	504	12,836	6,429
Net Cash from Investing Activities	1,072	504	12,836	6,429
Net Increase (Decrease) in Cash and Equity in Pooled Investments	13,312	15,725	426,893	(80,505)
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>				
Beginning of Year	70,446	54,721	743,242	823,748
End of Year	\$ 83,758	\$ 70,446	\$ 1,170,135	\$ 743,243
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>				
Operating Cash and Equity in Pooled Investments	\$ 83,619	\$ 70,354	\$ 487,573	\$ 339,619
Current Restricted Cash and Equity in Pooled Investments	—	—	—	—
Noncurrent Restricted Cash and Equity in Pooled Investments	139	92	682,562	403,624
Total Cash at the End of the Year	\$ 83,758	\$ 70,446	\$ 1,170,135	\$ 743,243

<sup>a</sup> 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.

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2017**  
*(In Thousands)*

	<b>Governmental Activities - Internal Service Funds</b>	
	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers	\$ 412,431	\$ 304,672
Cash Paid to Suppliers	(192,432)	(99,984)
Cash Paid to Employees	(138,509)	(140,776)
Cash Paid for Taxes	(600)	(564)
Net Cash from Operating Activities	80,890	63,348
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Principal Payments on Long-Term Debt and Interfund Loans	—	—
Interest Paid on Long-Term Debt	—	—
Operating Grants Received	—	—
Transfers In	—	5,700
Transfers Out	(9,100)	(22,159)
Bonneville Receipts for Conservation	—	—
Payments to Vendors on Behalf of Customers for Conservation	—	—
Loans Provided to Other Funds	—	—
Payments for Environmental Liabilities	—	—
Net Cash from Noncapital Financing Activities	(9,100)	(16,459)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Sale of Bonds and Other Long-Term Debt	7,335	2,109
Principal Payments on Long-Term Debt and Refunding	(26,518)	(23,776)
Capital Expenses and Other Charges Paid	(28,987)	(35,333)
Interest Paid on Long-Term Debt	(10,244)	(10,302)
Capital Fees and Grants Received	2,465	—
Payment to Trustee for Defeased Bonds	—	—
Interest Received for Suburban Infrastructure Improvements	—	—
Debt Issuance Costs	(32)	(6)
Proceeds from Sale of Capital Assets	1,382	679
Net Cash from Capital and Related Financing Activities	(54,599)	(66,629)
<b>CASH FLOWS FROM INVESTING ACTIVITIES <sup>a</sup></b>		
Interest and Investment Income (Loss)	1,218	839
Net Cash from Investing Activities	1,218	839
Net Increase (Decrease) in Cash and Equity in Pooled Investments	18,409	(18,901)
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>		
Beginning of Year	72,951	91,853
End of Year	\$ 91,360	\$ 72,952
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>		
Operating Cash and Equity in Pooled Investments	\$ 10,062	\$ 25,230
Current Restricted Cash and Equity in Pooled Investments	7,968	4,691
Noncurrent Restricted Cash and Equity in Pooled Investments	73,330	43,031
Total Cash at the End of the Year	\$ 91,360	\$ 72,952

<sup>a</sup> 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, 2017**  
*(In Thousands)*

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2017	2016	2017	2016
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 137,241	\$ 107,409	\$ 61,011	\$ 54,724
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities</b>				
Depreciation and Amortization	128,768	120,807	51,003	51,844
Depreciation Charged to O&M Accounts	7,375	6,509	—	—
Amortization of Other Liabilities and Other Operating Expenses	68,024	40,870	—	—
Nonoperating Revenues and Expenses	6,213	6,063	2,531	2,541
Changes in Operating Assets and Liabilities				
Accounts Receivable	3,037	(16,857)	1,672	(918)
Unbilled Receivables	(12,770)	(6,068)	(1,145)	(699)
Other Receivables	3,261	(1,898)	—	—
Due from Other Funds	2,737	—	162	(15)
Due from Other Governments	501	—	(595)	472
Materials and Supplies Inventory	8,073	(3,144)	(74)	(566)
Accounts Payable	(11,951)	(4,961)	(1,000)	(2,777)
Salaries, Benefits, and Payroll Taxes Payable	4,515	—	509	(1,188)
Compensated Absences Payable	(1,145)	(471)	84	(553)
Due to Other Funds	816	(2,937)	(839)	2,963
Due to Other Governments	—	—	125	—
Claims Payable	6,449	(2,684)	1,640	792
Taxes Payable	1,838	3,136	61	(52)
Unearned Revenues and Other Credits	(895)	—	—	(269)
Other Assets and Liabilities	17,542	4,908	3,417	4,301
Rate Stabilization	2,263	142	5,554	5,764
Total Adjustments	234,651	143,415	63,105	61,640
Net Cash from Operating Activities	\$ 371,892	\$ 250,824	\$ 124,116	\$ 116,364
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>				
In-Kind Capital Contributions	\$ 483	\$ 1,489	\$ 8,978	\$ 7,621
Amortization of Debt Related Costs, Net	11,185	10,693	—	—
Change in Valuation of Power Exchange Assets or Liabilities	—	—	—	—
Allowance for Funds Used During Construction	11,978	10,168	—	—
Power Exchange Revenues	14,975	15,832	—	—
Power Exchange Expenses	(14,995)	(15,848)	—	—
Power Revenue Netted against Power Expenses	5,436	6,568	—	—
Power Expense Netted against Power Revenues	(9,846)	(5,910)	—	—
Settlement from Nextel	—	—	—	—
Total Noncash Investing, Capital, and Financing Activities	\$ 19,216	\$ 22,992	\$ 8,978	\$ 7,621

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

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2017  
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2017	2016	2017	2016
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 55,638	\$ 54,635	\$ 18,578	\$ 12,881
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities</b>				
Depreciation and Amortization	31,657	27,403	10,855	6,283
Depreciation Charged to O&M Accounts	—	—	—	—
Amortization of Other Liabilities and Other Operating Expenses	2,762	10,643	—	795
Nonoperating Revenues and Expenses	3,287	1,972	713	676
Changes in Operating Assets and Liabilities				
Accounts Receivable	(246)	601	1,063	(2,230)
Unbilled Receivables	(2,017)	(687)	—	123
Other Receivables	—	—	—	—
Due from Other Funds	1,787	(1,632)	(228)	(281)
Due from Other Governments	6,281	(3,657)	(314)	169
Materials and Supplies Inventory	(246)	70	(3)	(53)
Accounts Payable	(3,599)	(2,178)	(2,000)	(3,985)
Salaries, Benefits, and Payroll Taxes Payable	456	(1,398)	273	(287)
Compensated Absences Payable	86	(140)	30	(40)
Due to Other Funds	(1,097)	4,387	957	155
Due to Other Governments	5,158	57	—	—
Claims Payable	(408)	1,088	5,961	1,441
Taxes Payable	(166)	95	335	(132)
Unearned Revenues and Other Credits	—	—	3,160	836
Other Assets and Liabilities	(1,337)	(4,608)	1,210	672
Rate Stabilization	—	—	399	6,862
Total Adjustments	42,358	32,016	22,411	11,004
Net Cash from Operating Activities	\$ 97,996	\$ 86,651	\$ 40,989	\$ 23,885
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>				
In-Kind Capital Contributions	\$ —	\$ 17,948	\$ —	\$ —
Amortization of Debt Related Costs, Net	—	—	—	—
Change in Valuation of Power Exchange Assets or Liabilities	—	—	—	—
Allowance for Funds Used During Construction	—	—	—	—
Power Exchange Revenues	—	—	—	—
Power Exchange Expenses	—	—	—	—
Power Revenue Netted against Power Expenses	—	—	—	—
Power Expense Netted against Power Revenues	—	—	—	—
Settlement from Nextel	—	—	—	—
Total Noncash Investing, Capital, and Financing Activities	\$ —	\$ 17,948	\$ —	\$ —

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

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2017**  
*(In Thousands)*

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Nonmajor Funds</b>		<b>Comparative Totals</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ (1,321)	\$ 11,938	\$ 271,147	\$ 241,587
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities</b>				
Depreciation and Amortization	32	1,751	222,315	208,088
Depreciation Charged to O&M Accounts	—	—	7,375	6,509
Amortization of Other Liabilities and Other Operating Expenses	2,347	3,748	73,133	56,056
Nonoperating Revenues and Expenses	—	—	12,744	11,252
Changes in Operating Assets and Liabilities				
Accounts Receivable	(713)	(149)	4,813	(19,553)
Unbilled Receivables	—	—	(15,932)	(7,331)
Other Receivables	—	—	3,261	(1,898)
Due from Other Funds	1,352	345	5,810	(1,583)
Due from Other Governments	154	(192)	6,027	(3,208)
Materials and Supplies Inventory	—	—	7,750	(3,693)
Accounts Payable	(335)	(809)	(18,885)	(14,710)
Salaries, Benefits, and Payroll Taxes Payable	98	(1,252)	5,851	(4,125)
Compensated Absences Payable	(28)	(479)	(973)	(1,683)
Due to Other Funds	1,370	379	1,207	4,947
Due to Other Governments	—	—	5,283	57
Claims Payable	(92)	(97)	13,550	540
Taxes Payable	—	(85)	2,068	2,962
Unearned Revenues and Other Credits	4,902	(896)	7,167	(329)
Other Assets and Liabilities	865	(720)	21,697	4,553
Rate Stabilization	—	—	8,216	12,768
Total Adjustments	<u>9,952</u>	<u>1,544</u>	<u>372,477</u>	<u>249,619</u>
Net Cash from Operating Activities	<u>\$ 8,631</u>	<u>\$ 13,482</u>	<u>\$ 643,624</u>	<u>\$ 491,206</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>				
In-Kind Capital Contributions	\$ —	\$ —	\$ 9,461	\$ 27,058
Amortization of Debt Related Costs, Net	—	—	11,185	10,693
Change in Valuation of Power Exchange Assets or Liabilities	—	—	—	—
Allowance for Funds Used During Construction	—	—	11,978	10,168
Power Exchange Revenues	—	—	14,975	15,832
Power Exchange Expenses	—	—	(14,995)	(15,848)
Power Revenue Netted against Power Expenses	—	—	5,436	6,568
Power Expense Netted against Power Revenues	—	—	(9,846)	(5,910)
Settlement from Nextel	—	—	—	—
Total Noncash Investing, Capital, and Financing Activities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 28,194</u>	<u>\$ 48,561</u>

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

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2017**  
*(In Thousands)*

	Governmental Activities - Internal Service Funds	
	2017	2016
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ 24,808	\$ 26,088
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities</b>		
Depreciation and Amortization	40,307	37,851
Depreciation Charged to O&M Accounts	—	—
Amortization of Other Liabilities and Other Operating Expenses	17,939	1,386
Nonoperating Revenues and Expenses	12	—
Changes in Operating Assets and Liabilities		
Accounts Receivable	84	(302)
Unbilled Receivables	629	(321)
Other Receivables	—	—
Due from Other Funds	(1,329)	(6,379)
Due from Other Governments	(91)	110
Materials and Supplies Inventory	(1,289)	1,382
Accounts Payable	1,406	1,291
Salaries, Benefits, and Payroll Taxes Payable	751	1,288
Compensated Absences Payable	3,696	2,569
Due to Other Funds	(1,414)	(196)
Due to Other Governments	1	(24)
Claims Payable	(228)	(433)
Taxes Payable	31	(44)
Unearned Revenues and Other Credits	—	—
Other Assets and Liabilities	(4,423)	(918)
Rate Stabilization	—	—
Total Adjustments	56,082	37,260
Net Cash from Operating Activities	\$ 80,890	\$ 63,348
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
In-Kind Capital Contributions	\$ 8,075	\$ —
Amortization of Debt Related Costs, Net	1,964	1,914
Change in Valuation of Power Exchange Assets or Liabilities	—	—
Allowance for Funds Used During Construction	—	—
Power Exchange Revenues	—	—
Power Exchange Expenses	—	—
Power Revenue Netted against Power Expenses	—	—
Power Expense Netted against Power Revenues	—	—
Settlement from Nextel	—	—
Total Noncash Investing, Capital, and Financing Activities	\$ 10,039	\$ 1,914

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



**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**December 31, 2017**  
*(In Thousands)*

	Employees' Retirement Fund	S. L. Denny Private-Purpose Trust	Agency Funds
<b>ASSETS</b>			
Cash and Equity in Pooled Investments	\$ 5,513	\$ 222	\$ 7,512
Short-Term Investments	111,309	—	—
<b>Receivables</b>			
Members	4,327	—	—
Employers	5,657	—	—
Interest and Dividends	4,103	—	—
Sales Proceeds	162,413	—	—
Other	—	—	112
Total Receivables	176,500	—	112
<b>Investments at Fair Value</b>			
Fixed Income	676,019	—	—
Equity	1,604,859	—	—
Real Estate	304,854	—	—
Alternative Investments	230,045	—	—
Total Investments at Fair Value	2,815,777	—	—
Securities Lending Collateral	11,359	—	—
Total Assets	3,120,458	222	7,624
<b>LIABILITIES</b>			
Accounts Payable and Other Liabilities	3,322	—	25
Salaries, Benefits, and Payroll Taxes Payable	—	—	1,410
Deposits Payable	—	—	6,169
Claims/Judgments Payable	—	—	20
Securities Lending Collateral	11,351	—	—
Investment Commitments Payable	252,914	—	—
Total Liabilities	267,587	—	7,624
Net Position Restricted for Pensions	\$ 2,852,871	\$ 222	\$ —

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

**B-10**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**For the Year Ended December 31, 2017**  
*(In Thousands)*

	<b>Employees' Retirement Fund</b>	<b>S.L. Denny Private-Purpose Trust</b>
<b>ADDITIONS</b>		
<b>Contributions</b>		
Employer	\$ 112,103	\$ —
Plan Member	73,650	—
Total Contributions	185,753	—
<b>Investment Income</b>		
From Investment Activities		
Net Appreciation (Depreciation) in Fair Value of Investments	363,468	—
Interest	13,471	3
Dividends	22,510	—
Total Investment Activities Income	399,449	3
Investment Activities Expenses		
Investment Management Fees	9,783	—
Investment Consultant Fees	295	—
Investment Custodial Fees	304	—
Total Investment Activities Expenses	10,382	—
Net Income from Investment Activities	389,067	3
From Securities Lending Activities		
Securities Lending Income	134	—
Borrower Rebates	(44)	—
Total Securities Lending Income	90	—
Securities Lending Expenses		
Management Fees	20	—
Total Securities Lending Expenses	20	—
Net Income from Securities Lending Activities	70	—
Total Net Investment Income	389,137	3
Other Income	—	—
Total Additions	574,890	3
<b>DEDUCTIONS</b>		
Benefits	179,227	—
Refund of Contributions	19,159	—
Administrative Expense	12,131	—
Total Deductions	210,517	—
Change in Net Position	364,373	3
Net Position - Beginning of Year	2,488,498	219
Net Position - End of Year	\$ 2,852,871	\$ 222

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

# NOTES TO FINANCIAL STATEMENTS

## December 31, 2017

### (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 units 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.

#### Organizations Excluded: Related Organizations

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

- Housing Authority of the City of Seattle
- City of Seattle Industrial Development Corporation
- Burke-Gilman Place Public Development Authority

## ACCOUNTING STANDARDS

In 2017, the City fully implemented GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement applies to pension plans that either do not have any dedicated assets associated with them or have assets that are not in an irrevocable trust meeting certain requirements. The Statement requires a liability for pension obligations, known as the Total Pension Liability to be recognized on the balance sheets of participating employers. The City's Firemen's Pension and Police Relief Pension were impacted by this statement. The application of this statement resulted in a net restatement to the 2017 beginning balance of (\$193,776) million.

In 2017, the City implemented GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This statement applies to Other Postemployment Benefits (OPEB) administered through trusts. This statement also includes requirements for reporting assets accumulated for providing defined benefit OPEB through OPEB plans that are not administered through trusts. The implementation of GASB Statement No. 74 has no impact on the City's financial statements.

In 2017, the City implemented GASB Statement No. 80, Blending requirements for Certain Component Units - An Amendment of GASB Statement No. 14. This statement amends the blending requirements for the the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 has no impact on the City's financial statements.

In 2017, the City implemented GASB Statement No. 81, Irrevocable Split-Interest Agreements. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The implementation of GASB 81 has no impact on the City's financial statements.

In 2017, the City implemented GASB Statement No. 82, Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73. This statement addresses issues regarding (1) the presentation of payroll -related measures in required supplementary information, (2) the selection of assumptions and treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Pension information is reported in accordance with this statement.

In 2016, the City implemented GASB Statement No. 72, Fair Value Measurement and Application. This Statement defines fair value and provides guidance for determining a fair value measurement for financial reporting purposes. This statement also requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement. These assets were previously required to be measured at fair value.

In 2016, the City implemented GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. This Statement supersedes Statement No. 55 and reduces the GAAP hierarchy to two categories. It requires the City to follow GASB statements as applicable; for clarifications, the City is required to refer to the reference materials in this sequence - GASB Technical Bulletins, GASB Implementation Guides and Literature of the AICPA cleared by GASB. The implementation of GASB Statement No. 76 has no impact on the City's financial statements.

In 2016, the City implemented GASB Statement No. 77, Tax Abatement Disclosures. This Statement requires governments that enter tax abatement agreements to disclose the following information about the agreements: Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients. The gross dollar amount of taxes abated during the period. Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

In 2016, the City implemented GASB Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for

financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement.

### GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide financial statements consist of the Statement of Net Position 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 Position

The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The difference between government-wide (1) assets and deferred outflows of resources and (2) liabilities and deferred inflows of resources is net position. Net position is displayed in three components: net investment in capital assets, restricted, and unrestricted.

The amount reported as net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, deferred inflow and outflow resources attributable to capital assets, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Net position is restricted when constraints placed on net position 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 bylaw through constitutional provisions or enabling legislation. Unrestricted net position is the amounts remaining that are not “net investment in capital assets” 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 are revenues derived directly from the program itself. These revenues include (1) charges for services, (2) grants and contributions, and (3) capital grants and contributions. Taxes and other revenues not included as program revenues are reported as general revenues.

Interfund activities within governmental funds or within enterprise funds of the City are eliminated. The effects of interfund services provided and used between functions are not eliminated, 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 Position and the Statement of Changes in Fiduciary Net Position. 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 City reports the following major proprietary funds:

The Light Fund accounts for operating the City's electric utility which owns and operates generating, transmission, and distribution facilities. The Light Fund supplies electricity to approximately 423,000 customers in the Seattle area as well as to other city agencies.

The Water Fund accounts for operating the City's water utility. The Water Fund maintains approximately 1,873 miles of transmission and distribution system pipelines and 354.5 million gallons of distribution storage capacity in the Cedar and South Fork Tolt River watersheds. The distribution system serves a population of about 1.4 million people businesses in Seattle and the surrounding area.

The Drainage and Wastewater Fund accounts for operating the City's sewer and drainage utility facilities and its pumping stations. These facilities and pumping stations 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, compostables, and other recyclable materials; operation of 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 Solid Waste Fund.

Additionally, the City reports the following fund types:

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. Fiduciary funds include pension trust fund for the Employees' Retirement Fund. 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 S. L. Denny Fund, a private-purpose trust, which holds a nonexpendable gift. Investment income is available to aid disabled firemen.

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, liabilities, deferred outflows of resources, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Basis of accounting refers to the timing of when revenues, 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 inflows of resources. 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 unearned 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 reported as an asset 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 unearned 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 Construction and Inspections 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.

### **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 position 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.

### **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, 2016, from which the summarized information was derived.

### **Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. The City used significant estimates in determining reported allowance for doubtful accounts, unbilled revenues, power exchanges, asset life, claims payable, environmental liabilities, employee benefits, post-employment benefits, and other contingencies. Actual results may differ from those estimates.

## 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, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE

### 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 the market approach valuation technique. 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. Additional information on fair value measurement may be found in Note 3.

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.
- 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.
- All transactions are done on a delivery-versus-payment basis.
- The standard of prudence to be used by investment personnel shall be the "Prudent Investor Rule" promulgated under the Uniform Prudent Investor Act (UPIA) of 1994.
- Investments shall generally be held until maturity except for a security with declining credit may be sold early to minimize the loss of principal; a security swap that would improve the quality, yield, or duration of the portfolio; liquidity needs of the portfolio require that a security be sold early.



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 position 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.

### 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.

### Inventories and Supplies

Inventories and supplies consist of expendable materials and supplies held for consumption. These amounts are recorded as expenditures in governmental funds at the time these 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 position. For proprietary funds these amounts are expensed as consumed. Unconsumed amounts are generally valued using the weighted-average cost method.

### 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. Additionally, construction in progress can be declared: complete, held for future use, or abandon. Associated costs related to these declarations are reclassified as: capital assets, assets held for future use, or expense, respectively. Furthermore, the cost of renewals and betterments are capitalized, while the cost of current maintenance and repairs are immediately expensed.

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 acquisition value (an entry price) 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 Position.

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

In addition to the capital asset conventions followed by governmental funds, regulated enterprise funds use industry-specific accounting techniques such as: mass-asset accounting and recording provisions for cost-of-removal of capital assets. The result of these techniques can be the reporting of accumulated depreciation in excess of the costs of capital assets.

## 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.

## Other Charges

Other charges include preliminary costs of projects and information systems and programmatic conservation costs. Costs related to projects that are ultimately constructed are transferred to utility plant while costs related to abandoned projects are expensed. 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.

## 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.

## Deferred Outflows/Inflows of Resources

A deferred outflow of resources is defined as a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. A deferred inflow of resources is defined as an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time.

## Accumulated Compensated Absences

Compensated absences consist of: vacation pay, sick pay, and other compensated absences. Vacation pay is comprised of unused vacation earned by employees. Vacation is earned based upon their date of hire and years of service and may accumulate earned vacation up to a maximum of 480 hours. Unused vacation balances remaining at retirement or termination are considered vested and payable to the employee. Sick pay is comprised of unused sick pay earned by employees. Employees earn up to 12 days of sick leave per year; there is no limit to the amount of sick leave an employee can accumulate. Employees terminated due to retirement can receive a portion of their unused sick leave balance as a cash benefit payable to either the City's Health Reimbursement Arrangement - Voluntary Employees' Beneficiary Association, the City's 457 Plan and Trust, or the employee. 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 other compensated absences are vested and payable at retirement or termination. Compensated absences, including payroll taxes, are reported as current and noncurrent liabilities in the Statement of Net Position. Actual balances are accrued for all types of compensated absences except sick leave, the liability for which is generally estimated using the termination method.

## Claims Payable

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 Contingencies).

## Other Accrued Liabilities

Other accrued liabilities include deposits, interest payable on obligations, lease-purchase agreements, and revenues collected in advance.

## 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 Position 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.

## Unearned Revenues

Unearned revenues include amounts collected or billed in advance of providing the service. The balances consist primarily of contract revenues, 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.

## 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 establish, modify, or rescind constraints on committed fund balances;
- Assigned fund balances are constraints imposed by City Management for specific purposes. These constraints are authorized, through the budgeting process, by the Director of the City Budget Office in accordance with SMC 3.14.100. Fund balances of special revenue funds that are neither considered restricted or committed are considered an assigned fund balance; and
- 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.

The flow assumption is to consider restricted amounts have been spent when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. The flow assumption of the City is to reduce committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

## 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 0.5 percent of forecasted tax revenues; 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 2017, the RSA reported an ending fund balance of \$50.2 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

# The City of Seattle

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 2017, the Emergency Subfund reported an ending fund balance of \$61.7 million.

A summary of governmental fund balances at December 31, 2017, is as follows:

**Table 1-1**

**GOVERNMENTAL FUND**  
*(In Thousands)*

Fund Balances	General	Transportation	Other Governmental	Total
Nonspendable				
Not in spendable form <sup>a</sup>	\$ 350	\$ 1	\$ 693	\$ 1,044
Legally or contractually required to be maintained intact	—	—	2,050	2,050
Restricted				—
General	806	—	4,335	5,141
Capital and Continuing Programs	125,896	—	95,467	221,363
Library	11,305	—	7,941	19,246
Transportation	—	5,890	56,052	61,942
Low-Income Housing	—	—	179,970	179,970
Health Care Reserve	43,944	—	—	43,944
Parks and Recreation	—	—	41,780	41,780
Legal Settlement	—	—	—	—
Pike Place Market Renovation	—	—	368	368
Seattle Center	—	—	2,769	2,769
Wheelchair Accessibility	—	—	3,078	3,078
Election Vouchers	—	—	—	—
Human Services	—	—	4,587	4,587
Office of Housing	—	—	—	—
Department of Education	—	—	80,525	80,525
Municipal Arts	—	—	10,704	10,704
Debt Service	—	—	11,290	11,290
General Trust	—	—	4,268	4,268
General Donation and Gift Trusts	—	—	3,369	3,369
Permanent Funds	—	—	158	158
Committed				—
General	15,342	—	3,094	18,436
Capital and Continuing Programs	33,122	—	—	33,122
Library	2,849	—	—	2,849
Transportation	—	97,717	—	97,717
Low-Income Housing	—	—	—	—
Judgment and Claims	5,228	—	—	5,228
Cable Television Franchise	2,804	—	—	2,804
Neighborhood Marching	1,934	—	—	1,934
Bluefield Habitat Maintenance	215	—	—	215
Developmental Rights	23	—	—	23
Employee Benefit Trust Funds	7,660	—	—	7,660
Health Care Reserve	30,339	—	—	30,339
Seattle Center	—	—	4,881	4,881
Human Services	—	—	9,573	9,573
Municipal Arts	4,107	—	—	4,107
Fire and Police Pension	27,762	—	—	27,762
Assigned				—
General	27,822	—	—	27,822
Library	1,350	—	—	1,350
Transportation	—	—	—	—
Parks and Recreation	—	—	6,292	6,292
Human Services	—	—	2,121	2,121
Office of Housing	—	—	3,550	3,550

Unassigned				—
General	41,743	—	—	41,743
Capital and Continuing Programs	—	—	(19,014)	(19,014)
Library	—	—	—	—
Low-Income Housing	—	—	—	—
Revenue Stabilization Account	50,224	—	—	50,224
Emergency Subfund	61,703	—	—	61,703
Employee Benefit Trust Funds	(1,446)	—	—	(1,446)
Health Care Reserve	—	—	—	—
Parks and Recreation	—	—	—	—
Seattle Streetcar	—	—	(3,256)	(3,256)
Human Services	—	—	—	—
Office of Housing	—	—	—	—
<b>Total</b>	<u>\$ 495,082</u>	<u>\$ 103,608</u>	<u>\$ 516,645</u>	<u>\$ 1,115,335</u>

<sup>a</sup> Resource that cannot be spent due to their form, such as inventory and prepaid items.

## **(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 through the adopted budget ordinance. 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, multi-year appropriations made for capital projects, grants, or endowments.

**Table 2-1**

#### **APPROPRIATION CHANGES – GENERAL FUND** *(In Thousands)*

	<b>2017</b>
Annual Budget	\$ 1,620,331
Carryovers	
Encumbrances	6,581
Continuing Appropriations	115,336
Intrafund Eliminations	(29,817)
Budget Revisions	84,257
Budget Transfers	4
<b>Total Budget</b>	<u>\$ 1,796,692</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 multi-year expenditures identified in the CIP. These expenditures are legally authorized through the annual operating budget or by specific project ordinances during the year.

The CDBG planning process allocates the annual grant awarded by the federal government. Allocations are made to 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 re-appropriate 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 thousand. 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 POSITION**

The Central Waterfront Improvement Fund reported a deficit fund balance of \$17.7 million as of December 31, 2017. Ordinance 123142 created this fund with specific intent that multiple partnership, both intergovernmental and private be established for funding the urgent and necessary repairs to the Seawall and other infrastructure along the Waterfront. In recognition of this urgency, Ordinance 123761 permits this fund to use up to \$2.4 million at any one time from the City's cash pool. This ordinance was amended by Ordinance 124033 and Ordinance 124345 to increase the allowable amount of the inter-fund loan from the City's Consolidated Residual Cash Pool to \$31.2 million. At year end, \$22 million of the loan authorization was used to cover the funds deficit cash position. Ordinance 125188 amending to extend the duration of the inter-fund loan of \$32.2 million to be repaid no later than December 31, 2019.

The Parks Capital Fund reported a deficit fund balance of \$780 thousand as of December 31, 2017. Ordinance 124634 created this fund for depositing revenues received by the City from the Seattle Park District. The creation of this fund to which revenues may be deposited, and from which associated expenditures may be paid including capital costs for the purpose of accounting separately of the capital expenditures funded by the Seattle Park District or other sources. The fund also receives earnings on its positive cash balances and pay interest on its negative balances.

The Park District Loan Capital Sub Fund reported a deficit fund balance of \$10.8 thousand as of December 31, 2016. Ordinance 124652 created this fund to provide funding to Park District budgeted operational and capital programs in 2015. It also authorizes the City to enter into a loan agreement with the Seattle Park District. Inter-fund loans totaling \$7.5 million and \$2.5 million will be made to a sub-fund within the Parks and Recreation Fund and a sub-fund within the Parks Capital Fund. The Park District will use those resources to fund operational and capital projects in the Parks Department. The parks District will repay the loan of \$10.0 Million plus accrued interest over eight years.

2018 LTGO Bond Fund which approves the principal proceeds and any premium received from the sale and delivery of the bonds for paying the costs of various elements of the City's capital improvement program. At the end of 2017 the fund reported a deficit fund balance of \$509 thousand.

The Seattle Streetcar Fund reported a deficit fund balance of \$3.3 million as of December 31, 2017. The fund was created by Ordinance 122424 in 2007 and later amended in 2009 by Ordinance 123102 to increase the authorized inter-fund loan allowance

from the City's Consolidated Residual Cash Pool to a maximum of \$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 Fiber Leasing Fund reported a deficit fund balance of \$39.0 thousand as of December 31, 2016. The fund was created by Ordinance 123931 with the intent to account for the activities associated with management's use of the City's excess fiber and fiber infrastructure. The reported deficit is the result of a partial contract settlement between the City and the Contractor.

### (3) CASH AND INVESTMENTS

#### CASH AND EQUITY IN POOLED INVESTMENTS

Per Seattle Municipal Code, SMC 5.06.010 Investment Authority, the Director of Finance and Administrative Services (FAS) is authorized to invest all moneys in the City Treasury. Cash resources of all City funds are combined into a common investment pool that is managed by FAS. Each fund's share of the pooled investments 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 of one of the City's depository institutions, the City's deposits or related collateral securities may not be returned in a timely manner. As of December 31, 2017, the City did not have custodial credit risk. The City's deposits are covered by 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, 2017, 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 the City's investments in the City's name.

The City reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value is defined in Statement No. 72 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique.

Valuation techniques to determine fair value should be consistent with one or more of three approaches: the market approach, cost approach, and income approach. The City uses a combination of the market and cost approach for the valuation of pooled investments.

The City's overnight repurchase agreement with Wells Fargo Bank, N.A. is accounted for at cost. The City is a participant in the Local Government Investment Pool (LGIP) authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts the rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee. Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The LGIP

is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. The Office of State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, or online at <http://www.tre.wa.gov>.

The remainder of City's investments are purchases in the over-the-counter U.S. bond market. The City uses market pricing for its over-the-counter investments as provided by its contractual custodial agent, Wells Fargo Institutional Retirement & Trust, and its third-party investment accounting vendor FIS AvantGard LLC. Both Wells Fargo and FIS contract with Interactive Data Pricing and Reference Data, Inc. for securities pricing.

As a basis for considering market participant assumptions in fair value measurements, Statement No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Department can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability. Valuation adjustments such as for nonperformance risk or inactive markets could cause an instrument to be classified as Level 3 that would otherwise be classified as Level 1 or Level 2.

The City's investments in U.S. Treasuries are Level 1 assets. The remainder of the City's investments are Level 2 assets. The City does not invest in Level 3 assets.

As of December 31, 2017, the City's investment pool held the following investments:

**Table 3-1**

**INVESTMENTS AND MATURITIES  
TREASURY RESIDUAL POOLED INVESTMENTS  
(In Thousands)**

Investments	Value as of December 31, 2017	Fair Value Measurements Using			Measured at Amortized Cost	Weighted Average Maturity (Days)
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs		
Bank Note	\$ 47,988	\$ —	\$ 47,988	\$ —	\$ —	293
Commercial Paper	251,665	—	251,665	—	—	32
Local Government Investment Pool	120,655	—	—	—	120,655	1
Municipal Bonds	366,133	—	366,133	—	—	1,593
Repurchase Agreements	138,385	—	—	—	138,385	2
U.S. Government Agency Mortgage-Backed Securities	243,661	—	243,661	—	—	1,742
U.S. Government Agency Securities	693,622	—	693,622	—	—	1,199
U.S. Treasury and U.S. Government-Backed Securities	475,684	463,218	12,466	—	—	89
<b>Total</b>	<b>\$ 2,337,793</b>	<b>\$ 463,218</b>	<b>\$ 1,615,535</b>	<b>\$ —</b>	<b>259,040</b>	
Weighted Average Maturity of the City's Pooled Investments						896

**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. To mitigate interest rate risk the City intentionally immunizes its known and expected cash flow needs. To best accomplish meeting its investment objectives, the City has divided the Pool into two separate portfolios: Operating and Strategic.



The Operating Portfolio is invested to meet reasonably expected liquidity needs over a period of twelve to eighteen months. This portfolio has low duration and high liquidity. Consistent with this profile, and for the purpose of comparing earnings yield, its benchmark is the net earnings rate of the State of Washington's Local Government Investment Pool (LGIP).

The Strategic Portfolio consists of cash that is in excess of known and expected liquidity needs. Accordingly, this portfolio is invested in debt securities with longer maturities than the Operating Portfolio, which over a market cycle, is expected to provide a higher return and greater investment income. Consistent with this profile, and for the purpose of comparing duration, yield and total return, the benchmark for the Strategic portfolio is the Barclays U.S. Government 1-7 year index. The duration of the Strategic Portfolio is targeted between 75.0 percent and 125.0 percent of the benchmark.

To further mitigate interest rate risk a minimum of 60% of the Operating Portfolio and 30% of the Strategic Portfolio must be invested in asset types with high liquidity, specifically U.S. Government obligations, U.S. Government Agency obligations, LGIP, Demand Accounts, Repo, Sweep, and Commercial Paper.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investments must adhere to state statutes. State statute and the City's Statement of Investment Policy do not stipulate credit quality requirements for U.S. Government or U.S. Government Agency Obligations, but provide for minimum credit ratings for investments in municipal bonds, commercial paper and corporate notes. State statute limits the maximum maturity and percentage allocation of investments in commercial paper and corporate notes but not for municipals. The City's investment policy limits the maximum percentage allocation that can be invested in municipal bonds, commercial paper and bank notes. In addition, commercial paper, bank, and corporate note purchases must adhere to the investment policies and procedures adopted by the Washington State Investment Board (Policy No. 2.05.500 adopted 3/16/95 and revised again 9/15/16) that includes the following credit and maximum maturity constraints:

- A commercial paper issuer must be rated with the highest short-term credit rating of any two Nationally Recognized Statistical Ratings Organizations (NRSROs), at the time of purchase (P-1, A-1+, A-1, F1+, F1, by Moody's, S&P and Fitch, respectively). If the commercial paper is rated by more than two NRSROs, it must have the highest rating from all of the organizations.
- Commercial Paper investments may not have maturities exceeding 270 days. Any Commercial Paper purchased with a maturity longer than 100 days must also have an underlying long-term credit rating at the time of purchase in one of the two highest rating categories of a NRSRO.
- Bank notes or corporate notes at the time of purchase must have a credit rating of not less than "A" by any nationally recognized rating agency and must mature within 5.5 years.
- Commercial paper, bank and corporate notes combined may not exceed 25% of the total portfolio.
- No single issuer of commercial paper may exceed 3% of the total portfolio.
- No single issuer of bank or corporate notes rated AA or better by all rating agencies may exceed 3% of the total portfolio.
- No single issuer of bank or corporate notes rated single A by all rating agencies may exceed 2% of the total portfolio.
- Investments in a single credit issuer, consisting of commercial paper, bank and corporate notes combined, may not exceed 3% of the total portfolio.

The City subscribes to asset-backed commercial paper research from Moody's Investors Service and public finance and non-U.S. bank research from Fitch Ratings. The City conducts internal due diligence of commercial paper, bank note and municipal issuers, and maintains an "approved list" of issuers. Finally, the City monitors the credit worthiness of its investments over time until they mature, or are potentially sold.

**Concentration Risk.** State statute and the City's Statement of Investment Policy do not stipulate concentration limits for holdings of U.S. Government or U.S. Government Agency Obligations. However, as noted under credit risk, the City's Statement of Investment Policy outlines maximum percentage allocations for municipal securities, commercial paper as well as bank notes and corporate notes.

Table 3-2

**CONCENTRATION OF CREDIT RISK**  
*(In Thousands)*

Issuer	Fair Value	Percent of Total Investments
Autobahn FDG LLC ABCP	\$ 14,980	0.6%
BMW US CAP CP	24,982	1.1
Canadian NATL RR	40,976	1.8
CDP Financial Inc CP	10,491	0.4
Federal Farm Credit Bank, Federal Home Loan Bank	428,914	18.3
Federal Home Loan Mtg Corp, Farmer Mac, FN DUS MBS	186,194	8.0
Federal National Mortgage Assoc (Fannie Mae), FNA, and FNMA Dus Aces, FN Dus Pool	322,175	13.8
Henkel of Amer Inc CP	24,993	1.1
Kells FDG LLC ABCP	50,366	2.2
Kells FDG LLC CP	24,989	1.1
Municipal Bonds	366,133	15.7
OKB CP	39,900	1.7
Paccar Finl Corp CP	19,989	0.9
Royal Bank of Canada	19,979	0.9
Sweep-Rep	138,385	5.9
Toronto Dominion Bank	28,009	1.2
Us Treasury (HUD Debenture, US Treasury Bonds)	475,684	20.1
Washington State Treasurer's Investment Pool	120,654	5.2
Total Investments	<u>\$ 2,337,793</u>	<u>100.0%</u>

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 mitigates custodial credit risk for its investments by having its investment securities held by the City's contractual custodial agent. In April 2016 the City transferred its custody relationship from BNY Mellon to Wells Fargo under the State of Washington's statewide custody provider program arranged by the State Treasurer's Office. The City mitigates counterparty risk by settling trades through its custodian on a delivery-versus-payment method. The City's contractual custodial agent.

By investment policy, the City maintains a list of approved securities dealers for transacting business. The City also conducts its own due diligence as to the financial wherewithal of its counterparties.

Foreign Currency Risk. The City's pooled investments do not include securities denominated 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 BY FAIR VALUE LEVEL	Value as of December 31, 2017	Fair Value Measurements Using			Level 3 Inputs
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Equity	745,312	745,768	(472)		16
Fixed Income	503,457	109,723	393,734		—
Total Investments by fair value level	1,248,769	855,491	393,262		16
<b>INVESTMENTS MEASURED AT THE NET ASSET VALUE (NAV)</b>					
Equity	868,953				
Fixed Income	176,524				
Real Estate	304,829				
Alternative Investments	230,045				
Total Investments measured at the NAV	1,580,351				
Total Investments	2,829,120				
Securities lending collateral	11,359				
<b>INVESTMENTS</b>					
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period	
Equity	868,953	—	Daily, Monthly	1-30 Days	
Fixed Income	176,524	—	Monthly	5-30 Days	
Real Estate	304,829	61,906	Quarterly, N/A	45 Days, N/A	
Alternative Investments	230,045	217,378	Monthly, N/A	75 Days, N/A	
Total Investments measured at the NAV	1,580,351	279,284			

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	N/A
Agencies	\$ 1,936	\$ —	\$ 1,936	\$ —	\$ —	\$ —
Derivatives	1,800	(261)	2,109	(48)	—	—
Asset Backed Security	39,887	—	18,894	19,458	1,536	—
Commingled Funds	—	—	—	—	—	—
Corporate Debt	307,815	21,002	101,628	156,468	28,718	—
Foreign Sovereign	29,142	331	7,055	13,456	8,300	—
Mortgage Backed Security	180,602	—	203	9,473	170,926	—
Municipal	4,622	89	—	708	3,825	—
Pooled Fund	—	—	—	—	—	—
Treasury Inflation Linked Securities	—	—	—	—	—	—
Treasury Notes and Bonds	110,215	1,774	45,569	32,454	30,418	—
Total Fixed Income	\$ 676,019	\$ 22,935	\$ 177,394	\$ 231,969	\$ 243,723	\$ 0

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	Fair Value	AAA	AA	A	BBB	BB	B	CCC and Below	Not Rated
Agencies	1,936	—	1,936	—	—	—	—	—	—
Derivatives	1,800	—	—	—	—	—	—	—	1,800
Asset Backed Security	39,887	31,744	1,338	—	—	—	—	413	6,393
Commingled Funds	—	—	—	—	—	—	—	—	—
Corporate Debt	307,815	873	11,022	45,897	105,048	53,883	55,828	14,204	21,059
Foreign Sovereign	29,142	—	—	2,296	7,042	7,541	5,595	857	5,811
Mortgage Backed Security	180,602	1,817	80,026	497	515	—	—	—	97,747
Municipal	4,622	1,185	733	1,930	774	—	—	—	—
Pooled Fund	—	—	—	—	—	—	—	—	—
Treasury Inflation Linked Securities	—	—	—	—	—	—	—	—	—
Treasury Notes and Bonds	110,215	—	110,215	—	—	—	—	—	—
<b>Total Fixed Income</b>	<b>676,019</b>	<b>35,619</b>	<b>205,270</b>	<b>50,620</b>	<b>113,379</b>	<b>61,424</b>	<b>61,423</b>	<b>15,474</b>	<b>132,810</b>

**Table 3-6 SCERS' ASSET ALLOCATION**

Asset Class	Actual	Target
Cash and short-term Investments	(0.2)%	—%
Equity	60.2	57.0
Fixed Income	26.1	23.0
Alternative	2.3	5.0
Real Estate	11.6	15.0
<b>Total</b>	<b>100.0 %</b>	<b>100.0%</b>

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 position 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, 2017, the fair value of securities on loan was \$11.0 million. Associated cash collateral totaling \$11.4 million was received. The fair market value of reinvested collateral was \$11.4 million at December 31, 2017, which includes an unrealized gain totaling \$8,329.

**Table 3-7**

**SCERS' SECURITIES LENT AND COLLATERAL**

*(In Thousands)*

Type of Securities Lent	2017		2016	
	Fair Values of Securities Lent	Collateral	Fair Values of Securities Lent	Collateral
U.S. Government and Agencies	\$ 1,940	\$ 1,982	\$ 1,274	\$ 1,292
U.S. Corporate Fixed Income	560	570	7,275	7,538
U.S. Equities	8,529	8,799	2,242	2,295
International Fixed Income	—	—	—	—
International Equity	—	—	—	—
<b>Total Securities Lent</b>	<b>\$ 11,029</b>	<b>\$ 11,351</b>	<b>\$ 10,791</b>	<b>\$ 11,125</b>
<b>Collateral</b>		<b>2017</b>		<b>2016</b>
Repurchase Agreements		\$ 11,359		\$ 11,131
Asset-Backed Securities		0		0
Payable/Receivable		(9)		(6)
<b>Total Collateral</b>		<b>\$ 11,350</b>		<b>\$ 11,125</b>
Fair Value of Collateral Held		\$ 11,350		\$ 11,125

**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, INTERFUND TRANSACTIONS, AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

Table 4-1

**TAX REVENUES AND RECEIVABLES**

*(In Thousands)*

	December 31 2017 Revenues	December 31 2017 Receivables
Property Taxes	\$ 582,622	\$ 10,350
General Business and Occupation Taxes	516,881	74,638
Totals	<u>\$ 1,099,503</u>	<u>\$ 84,988</u>

**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 \$1.35 per \$1,000 of assessed value for general operations and Firemen's Pension Fund in 2017. In addition, the levy included \$1.28 per \$1,000 of assessed value for debt service and other voter-approved levies. The total 2017 levy was \$2.62 per \$1,000 of assessed value. Not included in this total are the levy for the newly authorized Seattle Metropolitan Park District (SMPD) and the King County levy for Medic One/Emergency Medical Services. The SMPD is a separate taxing authority under state law and was levied at a rate of \$0.28 per \$1,000 assessed value. The Medic One/Emergency Medical Services levy, from which the City receives a direct, proportional distribution of proceeds, was renewed by voters at election in November 2013 for collection in 2014 at \$0.335 per \$1,000 of assessed value. Due to assessed value growth, the rate in 2017 decreased to \$0.26 per \$1,000 of assessed value.

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 position for proprietary funds.

The following table shows the current interfund balances at December 31, 2017, as reported in the fund financial statements.

Table 4-2

**DUE FROM AND TO OTHER FUNDS <sup>a</sup>**

*(In Thousands)*

## Notes to Financial Statements

Receivable Fund	Payable Fund(s)	Amount
<b>General</b>	Drainage and Wastewater	\$ 4,131
	Nonmajor Enterprise	3
	Nonmajor Governmental	3,362
	Internal Service	202
	Low-Income Housing	—
	Transportation	129
	Light	4,722
	Solid Waste	1,779
	Water	<u>2,756</u>
	Total General Fund	\$ 17,084
<b>Transportation</b>	Drainage and Wastewater	3,074
	Nonmajor Enterprise	4
	General	4,344
	Nonmajor Governmental	12,470
	Internal Service	104
	Light	1,804
	Solid Waste	28
	Water	<u>1,329</u>
	Total Transportation Fund	\$ 23,157
<b>Light</b>	Drainage and Wastewater	542
	General	55
	Nonmajor Governmental	236
	Internal Service	297
	Fiduciary	550
	Solid Waste	294
	Water	<u>342</u>
	Total Light Fund	\$ 2,316
<b>Water</b>	Drainage and Wastewater	486
	Nonmajor Governmental	1
	Internal Service	19
	Light	91
	Solid Waste	<u>150</u>
Total Water Fund	\$ 747	
<b>Solid Waste</b>	Drainage and Wastewater	686
	Nonmajor Governmental	—
	Internal Service	6
	Light	32
	Water	<u>22</u>
	Total Solid Waste Fund	\$ 746
	Nonmajor Governmental	4
	Internal Service	22
	Transportation	278
	Light	268
Solid Waste	123	
Water	<u>14</u>	
Total Drainage and Wastewater Fund	\$ 709	

Table 4-2

**DUE FROM AND TO OTHER FUNDS <sup>a</sup> (continued)**  
*(In Thousands)*

Receivable Fund	Payable Fund(s)	Amount
Nonmajor Governmental	Drainage and Wastewater	\$ 106
	Nonmajor Enterprise	5
	General	1,593
	Nonmajor Governmental	7,005
	Internal Service	390
	Fiduciary	—
	Low-Income Housing	—
	Transportation	74
	Light	1,468
	Solid Waste	41
	Water	40
	<b>Total Nonmajor Governmental Funds</b>	<b>\$ 10,722</b>
Nonmajor Enterprise	Drainage and Wastewater	553
	General	9
	Solid Waste	1
	Nonmajor Governmental	1
	Internal Service	439
	Light	102
	Water	3
	<b>Total Nonmajor Enterprise Funds</b>	<b>\$ 1,108</b>
Internal Service	Drainage and Wastewater	1,961
	Nonmajor Enterprise	2,310
	General	2,173
	Nonmajor Governmental	2,697
	Internal Service	1,335
	Fiduciary	5
	Transportation	2,091
	Light	3,466
	Solid Waste	591
	Water	3,265
	<b>Total Internal Service Funds</b>	<b>\$ 19,894</b>
Grand Total		<b>\$ 76,483</b>

<sup>a</sup> Some amounts may have rounding or classification differences with Balance Sheet or Statement of Net Position.



**Table 4-3**

**ADVANCES, NOTES, AND LOANS FROM AND TO OTHER FUNDS**

*(In Thousands)*

<u>Advances, Notes, and Loans From</u>	<u>Advances, Notes, and Loans To</u>	<u>Amount</u>
General Fund	Local Improvement District No. 6750	\$ 72
Parks and Recreation Fund	Seattle Metropolitan Parks District	6,980
Municipal Arts Fund	2018 Multipurpose Long-Term General Obligation Bond	483
2008 Parks Levy Fund	Parks Capital Fund	8,000
Transportation Fund	Central Waterfront Improvement Fund	22,001
	Seattle Streetcar	2,200
Total City		<u>\$ 39,736</u>

The interfund loan for the Central Waterfront Improvement Fund has been approved by the City Council through Ordinance 125188 and is to be repaid by December 31, 2019. The interfund loan to the Parks Capital Fund was approved by the City Council through Ordinance 125202 and is to be repaid no later than December 31, 2019. The advances to the Local Improvement District No. 6750, 2018 Multipurpose Long-Term General Obligation Bond, and the Seattle Streetcar were for the purpose of cash flow and are to be paid back in 2018. The loan to the Seattle Metropolitan Parks District Fund was approved by the Board of Commissioners of the Park District in their Resolution 3. The money is to be paid back over 8 years from property taxes.

**Table 4-4**

**INTERFUND TRANSFERS**

*(In Thousands)*

<u>Transfers In</u>	<u>Transfers Out</u>					
	<u>General</u>	<u>Internal Service</u>	<u>Nonmajor Governmental</u>	<u>Nonmajor Enterprise</u>	<u>Transportation</u>	<u>Total</u>
General Fund	\$ —	\$ 9,100	\$ 18,598	\$ —	\$ —	\$ 27,698
Internal Service	—	—	—	—	—	0
Nonmajor Enterprise	6,320	—	—	—	—	6,320
Nonmajor Governmental	241,733	—	47,395	—	26,535	315,663
Transportation	55,463	—	102,680	—	—	158,143
Total Transfers	<u>\$ 303,516</u>	<u>\$ 9,100</u>	<u>\$ 168,673</u>	<u>\$ 0</u>	<u>\$ 26,535</u>	<u>\$ 507,824</u>

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.

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

**Governmental Activities**

Table 4-5

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES  
GOVERNMENTAL FUNDS**

*(In Thousands)*

Deferred Outflows/Inflows of Resources	General	Transportation	Nonmajor Governmental	Total
Deferred Outflows of Resources				
Total Deferred Outflows of Resources	\$ —	\$ —	\$ —	\$ —
Deferred Inflows of Resources				
Property Taxes	\$ 3,950	\$ 1,178	\$ 2,357	\$ 7,485
Special Assessment	—	—	7,855	7,855
Total Deferred Inflows of Resources	\$ 3,950	\$ 1,178	\$ 10,212	\$ 15,340

**Special Assessment**

The Local Improvement District 6750 Fund recorded a deferred outflow of resources which reflects the total expected future collections from the District. The assessment expected to be collected during the upcoming fiscal period is adjustment from the deferred outflow of resources and recognized as revenue within our government-wide presentation.

**Debt Service**

The governmental funds loss on debt refunding of \$1.5 million, previously reported as an asset, is now reported as a Deferred Inflow of Resources on the government-wide financial statement and will continue to be amortized as a component of interest expense. The internal service funds also recorded a loss on debt refunding of \$1.8 million, previously reported as an asset, it's now reported as a deferred outflow of resources on the combined Statement of Net Position and will be amortized over the life of the bonds.

**Property Taxes**

For 2017 total taxes outstanding of \$7.4 million were recorded as a tax receivable asset within our governmental funds. Unable to meet the revenue recognition criteria our governmental funds recorded the balance of the tax receivable asset as a Deferred Inflow of Resources. The reconciliation of our governmental fund financial statements to government-wide financial statements shows an adjustment to remove the deferred inflow of resources recorded by the governmental funds, and record the tax revenues to the Statement of Activities.

**Pension Plans**

As a result of implementing GASB Statement No. 68, Accounting and Financial Reporting for Pensions in fiscal year 2015, the City recognized deferred inflows and outflows of resources related to its pension plans. Detailed information about these deferred inflows and outflows of resources can be acquired in Note 11.

Table 4-6

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES  
GOVERNMENTAL ACTIVITIES**

(In Thousands)

Deferred Outflows/Inflows of Resources	Governmental Funds	Internal Service Funds	Government- Wide Adjustment	Total
Deferred Outflows of Resources				
Debt Service	\$ —	\$ 1,818	\$ 1,553	\$ 3,371
Pension Plans	—	70,205	112,642	182,847
Total Deferred Outflows of Resources	<u>\$ —</u>	<u>\$ 72,023</u>	<u>\$ 114,195</u>	<u>\$ 186,218</u>
Deferred Inflows of Resources				
Property Taxes	\$ 7,485	\$ —	\$ (7,453)	\$ 32
Special Assessment	7,855	—	(1,127)	6,728
Pension Plans	—	936	41,603	42,539
Total Deferred Inflows of Resources	<u>\$ 15,340</u>	<u>\$ 936</u>	<u>\$ 33,023</u>	<u>\$ 49,299</u>

### Business-Type Activities

Table 4-7

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES  
BUSINESS-TYPE ACTIVITIES**

(In Thousands)

Deferred Outflows/Inflows of Resources	City Light	Seattle Public Utilities			Construction & Inspections	Total
		Water	Drainage and Wastewater	Solid Waste		
Deferred Outflows of Resources						
Pension Plans	\$ 46,911	\$ 14,051	\$ 13,479	\$ 4,858	\$ 9,576	\$ 88,875
Charges on Advance Refunding	36,268	22,461	6,697	2,304	—	67,730
Total Deferred Outflows of Resources	<u>\$ 83,179</u>	<u>\$ 36,512</u>	<u>\$ 20,176</u>	<u>\$ 7,162</u>	<u>\$ 9,576</u>	<u>\$ 156,605</u>
Deferred Inflows of Resources						
Pension Plans	\$ 23,765	\$ 6,998	\$ 7,164	\$ 2,499	\$ 3,488	\$ 43,914
Revenue Stabilization Account	68,398	46,511	—	25,742	—	140,651
Regulatory Credits	31,433	—	—	—	—	31,433
Total Deferred Inflows of Resources	<u>\$ 123,596</u>	<u>\$ 53,509</u>	<u>\$ 7,164</u>	<u>\$ 28,241</u>	<u>\$ 3,488</u>	<u>\$ 215,998</u>

### Revenue Stabilization Account

Funding of revenue stabilization accounts (RSAs) from operating cash effectively defers operating revenues. For the City Light (SCL) the balance of the RSA was \$68.4 million and \$66.1 million for 2017 and 2016, respectively. For the Seattle Public Utilities the balance of the RSA was \$72.2 million and \$66.3 million for 2017 and 2016, respectively.

### Regulatory Credits

Regulatory credits are the result of SCL (as affirmed by Seattle City Council Resolution No. 30942) recognizing the effects of reporting the fair value of exchange contracts in future periods for rate making purposes and maintaining regulatory accounts to spread the accounting impact of these accounting adjustments. For SCL the balance of the credits were \$31.4 million and \$27.3 million for 2017 and 2016, respectively.

## (5) SHORT-TERM ENERGY CONTRACTS AND DERIVATIVE INSTRUMENTS

Seattle City Light (SCL) engages in an ongoing process of resource optimization, which involves the economic selection from available energy resources to serve 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 stream flows, 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 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 millions) 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, 2017 and 2016:

2017	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
Sales	\$ 20.0	\$ 19.1	\$ 0.9
Purchases	3.3	3.1	(0.2)
Total	\$ 23.3	\$ 22.2	\$ 0.7
2016	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
Sales	\$ 23.3	\$ 26.6	\$ (3.3)
Purchases	2.2	2.4	0.2
Total	\$ 25.5	\$ 29.0	\$ (3.1)

Fair value measurements at December 31, 2017 and 2016 used an income valuation technique consisting of Kiodes Forward Curves, which is considered a level 2 input in accordance with GASB Statement No. 72, Fair Value Measurement and Application.

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 2017 and 2016. 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 GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

**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 <sup>a</sup>  
(In Thousands)

	Restated Balance January 1	Additions	Deletions	Balance December 31
<b>GOVERNMENTAL ACTIVITIES <sup>b</sup></b>				
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 573,100	\$ 19,184	\$ 1,665	\$ 590,619
Construction in Progress	798,376	263,523	79,705	982,194
Other Capital Assets	13,187	—	2,998	10,189
Total Capital Assets Not Being Depreciated	<u>1,384,663</u>	<u>282,707</u>	<u>84,368</u>	<u>1,583,002</u>
CAPITAL ASSETS BEING DEPRECIATED				
Buildings and Improvements	2,384,213	31,197	23,067	2,392,343
Machinery and Equipment	458,818	11,450	16,744	453,524
Infrastructure	2,046,668	42,721	—	2,089,389
Other Capital Assets	9,103	935	380	9,658
Total Capital Assets Being Depreciated	<u>4,898,802</u>	<u>86,303</u>	<u>40,191</u>	<u>4,944,914</u>
Accumulated Depreciation				
Buildings and Improvements	855,033	61,007	12,886	903,154
Machinery and Equipment	265,981	20,285	14,437	271,829
Infrastructure	893,796	64,917	—	958,713
Other Capital Assets	4,546	614	351	4,809
Total Accumulated Depreciation	<u>2,019,356</u>	<u>146,823</u>	<u>27,674</u>	<u>2,138,505</u>
Total Capital Assets Being Depreciated, Net	<u>2,879,446</u>	<u>(60,520)</u>	<u>12,517</u>	<u>2,806,409</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,264,109</u>	<u>\$ 222,187</u>	<u>\$ 96,885</u>	<u>\$ 4,389,411</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 169,535	\$ 5,936	\$ 25	\$ 175,446
Construction in Progress	668,982	592,031	492,870	768,143
Other Capital Assets	6,133	0	—	6,133
Total Capital Assets Not Being Depreciated	<u>844,650</u>	<u>597,967</u>	<u>492,895</u>	<u>949,722</u>
CAPITAL ASSETS BEING DEPRECIATED				
Plant in Service, Excluding Land	7,778,666	492,064	101,781	8,168,949
Buildings	0	—	—	0
Machinery and Equipment	14,360	89	28	14,421
Other Capital Assets	73,596	2,362	795	75,163
Total Capital Assets Being Depreciated	<u>7,866,622</u>	<u>494,515</u>	<u>102,604</u>	<u>8,258,533</u>
Accumulated Depreciation				
Plant in Service, Excluding Land	2,907,490	227,702	101,465	3,033,727
Buildings	0	0	—	0
Machinery and Equipment	14,288	23	28	14,283
Other Capital Assets	1,370	8	15	1,363
Total Accumulated Depreciation	<u>2,923,148</u>	<u>227,733</u>	<u>101,508</u>	<u>3,049,373</u>
Total Capital Assets Being Depreciated, Net	<u>4,943,474</u>	<u>266,782</u>	<u>1,096</u>	<u>5,209,160</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,788,124</u>	<u>\$ 864,749</u>	<u>\$ 493,991</u>	<u>\$ 6,158,882</u>

<sup>a</sup> Some amounts may have rounding differences with Statement of Net Position.

<sup>b</sup> 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)*

<b>GOVERNMENTAL ACTIVITIES</b>	
General Government	\$ 2,135
Public Safety	3,453
Transportation	70,422
Economic Environment	188
Culture and Recreation	41,869
Subtotal	118,067
Capital assets held by internal service funds are charged to the various functions based on their usage of the assets	28,756
Total Governmental Activities	\$ 146,823
<b>BUSINESS-TYPE ACTIVITIES</b>	
Light	\$ 139,078
Water	47,706
Solid Waste	11,333
Drainage and Wastewater	29,593
Planning and Development	23
Parking Garage	0
Total Business-Type Activities	\$ 227,733

**(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 2017 and 2016. The tables present the accrued compensated absences grouped by governmental activities, business-type activities, and pension trust funds at the end of 2017 and 2016.

**GOVERNMENTAL ACTIVITIES**

**Governmental Funds**

Unpaid compensated absences associated with governmental fund operations of \$87.3 million and \$82.1 million at December 31, 2017 and 2016, respectively, have been recorded in the government-wide financial statements.

**Internal Service Funds**

**Table 7-1**

**COMPENSATED ABSENCES IN INTERNAL SERVICE FUNDS**  
*(In Thousands)*

	2017	2016
Finance and Administrative Services	\$ 5,129	\$ 4,984
Information Technology	8,125	4,575
Totals	\$ 13,254	\$ 9,559

**BUSINESS-TYPE ACTIVITIES**

**Enterprise Funds**

Table 7-2

**COMPENSATED ABSENCES IN ENTERPRISE FUNDS**

*(In Thousands)*

	<u>2017</u>	<u>2016</u>
Light	\$ 17,209	\$ 18,388
Water	4,829	4,745
Drainage and Wastewater	4,944	4,858
Solid Waste	1,725	1,695
Planning and Development	2,895	2,922
Totals	<u>\$ 31,602</u>	<u>\$ 32,608</u>

**PENSION TRUST FUNDS**

Table 7-3

**COMPENSATED ABSENCES IN PENSION TRUST FUNDS**

*(In Thousands)*

	<u>2017</u>	<u>2016</u>
Employees' Retirement	\$ 237	\$ 163
Totals	<u>\$ 237</u>	<u>\$ 163</u>

Table 9-9 of Note 9, Long-Term Debt, presents compensated absences in governmental activities and business-type activities in the aggregate and 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)*

<u>Net Capital Lease Assets</u>	<u>Capital Assets Governmental Activities</u>
Machinery and Equipment	\$ 298
Less Accumulated Depreciation	(197)
December 31, 2017	<u>\$ 101</u>
<u>Minimum Capital Lease Payments</u>	<u>Long-Term Liabilities Governmental Activities</u>
2017	\$ 126
Total Minimum Lease Payments	126
Less Interest	(21)
Principal	<u>\$ 105</u>



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 \$9.7 million and \$8.9 million in 2017 and 2016 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 and renewed to 2015 and reviewed again for another five years with new expiration date of July 30, 2020. The renewed lease agreement requires a fixed rent of \$26.2 thousand per month subject to increases on each July 1 beginning in 2016 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 lease payments of \$317.2 thousand and \$311.5 thousand in 2017 and 2016, respectively. Rents are paid as they become due and payable.

The City leases office equipment under various non-cancelable long-term operating lease agreements. The minimum payments made for these operating leases totaled \$992.7 thousand in 2017.

Minimum payments under the leases are:

**Table 8-2**

**OPERATING LEASE COMMITMENTS  
GOVERNMENTAL ACTIVITIES**

*(In Thousands)*

Minimum Lease Payments							
Year Ending December 31	Department of Finance & Admin Services	Seattle Center	Department of Parks & Recreation	Department of Planning & Development	Office of Art & Cultural Affairs	Department of Transportation	Total
2018	\$ 9,144	\$ 320	\$ 626	\$ 17	\$ —	\$ 12	\$ 10,119
2019	7,578	326	530	17	—	11	8,462
2020	5,149	333	111	17	—	—	5,610
2021	5,150	—	107	—	—	—	5,257
2022	4,834	—	56	—	—	—	4,890
2022-2026	15,618	—	—	—	—	—	15,618
Total	<u>\$ 47,473</u>	<u>\$ 979</u>	<u>\$ 1,430</u>	<u>\$ 51</u>	<u>\$ —</u>	<u>\$ 23</u>	<u>\$ 49,956</u>

The following schedule shows the composition of total rental expense for all operating leases except those with terms of a month or less that were not renewed:

	<b>For the Year Ended December 31, 2017</b>	
	<u>2017</u>	<u>2016</u>
Minimum Rentals:	\$ 10,638	\$ 9,319
Less: Sublease Rentals	(58)	(57)
	<u>\$ 10,580</u>	<u>\$ 9,262</u>

**Business-Type Activities**

Seattle City Light leases office equipment and smaller facilities for various purposes through long-term operating lease agreements. Expense for these operating leases totaled \$1.7 million in 2017 and \$1.6 million in 2016.

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 2017 and 2016 were: \$330.2 thousand and \$367.7 thousand for the Water Fund; \$97.6 thousand and \$106.6 thousand for the Drainage and Wastewater Fund, and \$176.3 thousand and \$205.3 thousand for the Solid Waste Fund. Rents are paid as they become due and payable.

Minimum payments under the leases for the years ending December 31, 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
2018	\$ 1,531	\$ 120	\$ 46	\$ 7	\$ 1,704
2019	1,148	121	46	5	1,320
2020	960	121	47	5	1,133
2021	3	36	14	3	56
2022	—	12	—	—	12
2023 - 2027	—	59	—	—	59
2028 - 2031	—	35	—	—	35
Total	\$ 3,642	\$ 504	\$ 153	\$ 20	\$ 4,319

**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)**

	2017	2016
Non-City Property Occupied by City Departments	\$ 9.9	\$ 9.1
City-Owned Property Occupied by City Departments	54.1	53.7
City-Owned Property Leased to Non-City Tenants	2.4	2.4
Total	\$ 66.4	\$ 65.2

Additionally, in 2017 the SeaPark Garage and the Seattle Municipal Tower Building generated \$3.2 million total parking revenues, which were recorded in the Finance and Administrative Services Fund.

**(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 2017 was \$1.685 billion. The amount of bonds outstanding at December 31, 2017 was \$1.013 billion. The following paragraphs discuss the general obligation bonds issued and refunded/defeased during 2017.

In June 2017, the City issued the following series of General Obligation Bonds: (1) \$73.1 million LTGO Improvement Bonds, 2017, Series A. The bonds mature from November 2017 through November 2047 with an average coupon rate of 4.4 percent; (2) \$14.6 million UTGO Refunding Bonds, 2017, maturing in December 2018 with an average coupon rate of 5.0 percent; (3) \$12.4 million LTGO Improvement Bonds, 2017, Series B (Taxable) with the final maturity date of November 1, 2037 with an average coupon rate of 3.1 percent. The proceeds of these LTGO and UTGO bonds are used to pay all or part of the costs of construction and acquisition of various City capital projects, including Alaskan Way Corridor, Seawall, Fire Stations, and other IT projects. In addition, the 2017 UTGO bonds proceeds was used in whole for the refunding of the 2007 UTGO bonds.

City had no short-term general obligation debt at the end of 2017.

The following table presents the individual general obligation bonds outstanding as of December 31, 2017, 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
					2017	To Date <sup>a</sup>	
<b>LIMITD TAX GENERAL OBLIGATION (LTGO) BONDS - NON-VOTED</b>							
Various Purpose and Refunding, 2007	05/02/07	10/01/07-28	4.251	95,550	1,935	95,550	—
Various Purpose and Refunding, 2008	07/02/08	12/01/08-28	4.398	139,830	4,800	134,065	5,765
Various Purpose and Refunding, 2009	03/25/09	11/01/09-05/01/34	3.574	99,860	4,175	89,960	9,900
Improvement and Refunding, 2010, Series A <sup>b</sup>	03/31/10	08/01/10-30	3.039	66,510	—	—	66,510
Improvement and Refunding, 2010, Series B	03/31/10	08/01/10-31	3.125	135,395	11,565	61,945	73,450
Various Purpose, 2011	03/16/11	03/01/11-31	3.645	79,185	3,160	26,985	52,200
Various Purpose and Refunding, 2012	05/16/12	09/01/12-32	2.703	75,590	5,020	18,690	56,900
Improvement, 2013, Series A	06/04/13	10/01/14-33	2.375	42,315	4,505	17,320	24,995
Improvement and Refunding, 2013, Series B	06/04/13	01/01/14-25	1.427	55,075	7,645	27,045	28,030
Improvement and Refunding, 2014	04/10/14	11/1/14-05/1/34	2.497	62,770	7,505	21,425	41,345
Improvement and Refunding, 2015, Series A	05/21/15	12/1/15-06/01/35	2.401	160,945	6,820	14,265	146,680
Improvement and Refunding, 2015, Series B (Taxable)	05/21/15	04/1/16-35	3.452	28,175	1,130	2,250	25,925
Improvement and Refunding, 2016, Series A	05/25/16	04/1/17-36	2.188	103,660	5,825	5,825	97,835
Improvement and Refunding, 2016, Series B (Taxable)	05/25/16	04/1/17-36	2.801	6,070	245	245	5,825
Improvement and Refunding, 2017, Series A	6/14/2017	11/01/17-47	2.964	73,080	—	—	73,080
Improvement and Refunding, 2017, Series B (Taxable)	6/14/2017	11/01/17-37	3.038	12,400	—	—	12,400
Total Limited Tax General Obligation Bonds				\$1,236,410	\$ 64,330	\$ 515,570	\$ 720,840

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

Name and Purpose of Issue	Issuance Date	Maturity Date	Effective Interest Rate	Bond Issuance	Redemptions		Bonds Outstanding December 31
					2017	To Date <sup>a</sup>	
<b>UNLIMITED TAX GENERAL OBLIGATION (UTGO) BONDS - VOTED</b>							
Refunding-Variou s UTGO Bonds, 1998, Series A	03/17/98	09/01/98-17	4.470%	\$ 53,865	\$ 285	\$ 53,865	\$ 0
Refunding, 2007	05/02/07	12/01/07-18	3.886	60,870	15,055	60,870	0
Refunding-Variou s UTGO Bonds, 2012	05/16/12	12/01/12-21	1.276	46,825	5,050	23,950	22,875
Improvement, 2013	06/04/13	12/01/14-42	3.280	50,000	1,000	3,805	46,195
Improvement, 2014	04/10/14	12/01/14-43	3.672	16,400	330	965	15,435
Improvement, 2015	05/21/15	12/01/16-44	3.575	169,135	3,040	5,935	163,200
Improvement, 2016	05/25/16	12/01/18-45	3.084	36,740	—	—	36,740
Improvement, 2017	6/14/2017	12/01/17-18	0.088	14,605	7,355	7,355	7,250
Total Unlimited Tax General Obligation Bonds				\$ 448,440	\$ 32,115	\$ 156,745	\$ 291,695
Total General Obligation Bonds				\$1,684,850	\$ 96,445	\$ 672,315	\$ 1,012,535

<sup>a</sup> 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.

<sup>b</sup> 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. However, starting in fiscal year 2014, the subsidy payments have been reduced as a result of sequestration mandated by the U.S Congress. The subsidy cuts are expected to last through fiscal year 2024.

The requirements to amortize the general obligation bonds as of December 31, 2017, 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	
2018	\$ 85,040	\$ 43,315	\$ —	\$ —	\$ 128,355
2019	77,510	39,326	—	—	116,836
2020	72,035	36,048	—	—	108,083
2021	74,735	32,702	—	—	107,437
2022	62,500	29,437	—	—	91,937
2023 - 2027	269,050	105,449	—	—	374,499
2028 - 2032	163,225	59,573	—	—	222,798
2033 - 2037	101,095	32,220	—	—	133,315
2038 - 2047	107,345	18,371	—	—	125,716
Total	\$ 1,012,535	\$ 396,441	\$ —	\$ —	\$ 1,408,976

**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 2017 was \$6.1 million. There were no new bond issues in 2017.

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
					2017	To Date	
Local Improvement District No. 6750 Bonds, 2006	12/13/06	12/15/07-26	4.102	\$ 21,925	\$ 1,430	\$ 15,850	\$ 6,075

**Local Improvement District No. 6750**  
Assessment Collection Information

Calendar/Fiscal Year End Dec. 31	Assessment Installment Payments Billed <sup>a</sup>	Assessment Installment Payments Collected <sup>b</sup>	Unpaid Principal Balance of Assessments	Assessment Installments that are Delinquent <sup>d</sup>
2006	\$ —	\$ —	\$ —	—
2007	1,243,211	2,469,222	21,031,677	
2008	1,228,415	2,172,726	19,547,593	53,008
2009	1,221,349	2,433,616	18,261,638	149,411
2010	1,202,504	2,092,158	16,761,182	163,623
2011	1,199,958	1,991,483	15,535,847	152,307
2012	1,194,120	1,900,225	14,265,404	194,705
2013	1,189,621	2,046,315	13,038,066	264,692
2014	1,186,600	1,781,162	11,819,398	249,080
2015	1,186,600	1,996,091	10,572,835	291,124
2016	1,148,384	1,768,274	9,153,197	287,510
2017	1,126,841	1,492,796	7,854,542	359,974

<sup>a</sup> Represents installment payments due and billed in the current calendar year. Source: King County Report SLD270- “Current Install.”

<sup>b</sup> Represents total amount received in respect of assessments in calendar year, including payments of assessment installments (consisting of both principal and interest) due and billed in current calendar year, plus amounts received as prepayments of outstanding principal balances of unpaid assessments and amounts received in respect of delinquent installments. Source: Seattle Oracle Financial System.

<sup>c</sup> Represents principal balance of assessments that is outstanding and unpaid, including amounts that are not yet due and payable at year-end. Source: King County Report SLD270 – “Future Install.”

<sup>d</sup> Represents cumulative amount of the principal portion of installment payments that were due and billed in any calendar year, but which remained unpaid at year-end. Source: King County Report SLD270 – “Delinquent Install.”

The requirements to amortize the special assessments with governmental commitment as of December 31, 2017, are shown below.

Table 9-4

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

<b>Year Ending December 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ —	\$ 257	\$ 257
2019	—	257	257
2020	—	257	257
2021	—	257	257
2022	—	257	257
2023 - 2025	—	771	771
2026	6,075	257	7,822
<b>Total</b>	<b>\$ 6,075</b>	<b>\$ 2,313</b>	<b>\$ 9,878</b>

**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. The City paid \$1.5 million and \$0.1 million in principal and interest, respectively, in 2017. The outstanding balance on the notes at December 31, 2017, is \$9.4 million. The following table presents the annual debt service requirements to maturity on the notes as of the end of 2017.

Table 9-5

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

<b>December 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 1,355	\$ 59	\$ 1,414
2019	1,275	45	1,320
2020	1,275	32	1,307
2021	973	19	992
2022	918	15	933
2023 - 2027	2,329	34	2,363
2028 - 2030	984	7	991
2031	316	1	317
<b>Total</b>	<b>\$ 9,425</b>	<b>\$ 212</b>	<b>\$ 9,637</b>

**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 2017 was approximately \$5.965 billion. The total outstanding amount at December 31, 2017, was \$4.226 billion. During 2017 an additional \$914.3 million of revenue bonds were issued.

In January 2017, City Light issued \$100.0 million of tax exempt Municipal Light and Power (ML&P) Multi-Modal Revenue Bonds (2017A&B Bonds) and in September 2017 issued \$385.5 million of tax exempt Municipal Light and Power (ML&P) Improvement and Refunding Revenue Bonds (2017C Bonds). The 2017A&B Bonds had coupon interest rates ranging from .97% to 1.38% during 2017 and mature serially from November 1, 2017 to November 1, 2046. The 2017A&B Multi-Modal Bonds bear interest rates at variable rates that fluctuate based on the London Interbank Offered Rate (LIBOR) plus a certain number of basis points. The 2017C Bonds had coupon interest rates ranging from 4.00% to 5.00% and mature serially from September 1, 2018 through September 1, 2043 with term bonds maturing annually from September 1, 2044 to September 1, 2047. The arbitrage yield was 4.033% for the 2017A&B Bonds and 2.63% for the 2017C Bonds. Arbitrage yield, when used in computing the present worth of all payments of principal and interest on the Bonds in the manner prescribed by the Internal Revenue Code, produces an amount equal to the issue price of the Bonds. Proceeds from the 2017A&B Bonds were used to finance certain capital improvement and conservation programs. Proceeds from the 2017C Bonds were used to refund \$145.1 million of the 2011A Bonds, to finance certain capital improvement and conservation programs, and to make a deposit to the reserve fund.

In January 2017, the Water Fund issued \$194,685,000 of Water System Improvement and Refunding Revenue Bonds with varying annual principal payments due beginning 2018 and ending in 2046, at interest rates ranging from 4.0% to 5.0%. A portion of the proceeds were used to fully refund the 2006 bonds. As a result of the refunding, the fund reduced total debt service requirements by \$20.1 million resulting in an economic gain of \$16.4 million.

In June 2017, the Drainage Wastewater Fund issued \$234,125,000 of Drainage and Wastewater Improvement and Refunding Revenue Bonds with varying annual principal payments due beginning 2018 and ending in 2047, at interest rates ranging from 4.0 percent and 5.0 percent. A portion of the proceeds were used to fully refund the remaining 2006 bonds. As a result of the refunding, the Fund reduced total debt service requirements by \$7.5 million resulting in an economic gain of \$5.5 million.

The following table presents the individual revenue bonds outstanding as of December 31, 2017, and other pertinent information on each outstanding bond issue.

**Table 9-6**  
**Page 1 of 2**

**REVENUE BONDS**  
*(In Thousands)*

Name and Purpose of Issue	Issuance Date	Maturity Dates	Effective Interest Rates <sup>c</sup>	Bond Issuance	Redemptions		Bonds Outstanding December 31
					2017	To Date <sup>a</sup>	
<b>MUNICIPAL LIGHT AND POWER (ML&amp;P) BONDS</b>							
2008 Parity	12/30/08	04/01/09-29	5.522%	\$ 257,375	\$ 10,460	\$ 236,310	\$ 21,065
2010 Parity, Series A <sup>b</sup>	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	50,670	306,630	290,240
2010 Parity, Series C <sup>c</sup>	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	159,040	215,570	80,745
2011 Parity, Series B <sup>d</sup>	02/08/11	02/01/11-27	1.957	10,000	—	—	10,000
2012 Parity, Series A	07/17/12	06/01/41	3.147	293,280	17,245	49,385	243,895
2012 Parity, Series C <sup>d</sup>	07/17/12	06/01/33	0.586	43,000	—	—	43,000
2013 Parity	07/09/13	07/01/43	4.051	190,755	3,150	12,060	178,695
2014 Parity	11/05/14	09/01/44	3.098	265,210	7,320	33,060	232,150
2015 Parity, Series A	07/09/15	05/01/45	3.566	171,850	6,360	10,725	161,125
2015 Parity, Series B-1	07/23/15	05/01/45	.69-	50,000	—	—	50,000
2015 Parity, Series B-2	07/23/15	05/01/45	1.55	50,000	—	—	50,000
2016 Parity, Series A <sup>d</sup>	01/28/16	01/01/41	69-1.55 1.029	31,870	—	—	31,870
2016 Parity, Series B, Refunding	01/28/16	04/01/29	2.080	116,875	—	1,535	115,340
2016 Parity, Series C, Refunding	09/28/16	10/01/46	2.926	160,815	2,100	2,100	158,715
2017 Parity, Series A d	01/27/17	11/01/46	.	50,000	890	890	49,110
2017 Parity, Series B	01/27/17	11/01/46	974-1.3	50,000	890	890	49,110
2017 Parity, Series C, Refunding	09/28/17	09/01/47	974-1.3 316	385,530	—	—	385,530
Total Light Bonds				3,214,645	258,125	869,155	2,345,490

Table 9-6  
Page 2 of 2

REVENUE BONDS  
(In Thousands)

Name and Purpose of Issue	Issuance Date	Maturity Dates	Effective Interest Rates <sup>c</sup>	Bond Issuance	Redemptions		Bonds Outstanding December 31
					2017	To Date <sup>a</sup>	
<b>MUNICIPAL WATER BONDS</b>							
2006 Parity, Refunding	10/23/06	02/01/08-37	4.424%	189,970	112,990	189,970	0
2008 Parity, Refunding	12/15/08	08/01/09-38	4.978	205,080	6,340	198,410	6,670
2010 Parity, Series A <sup>b</sup>	01/21/10	08/01/19-40	3.718	109,080	—	—	109,080
2010 Parity, Series B, Refunding	01/21/10	08/01/10-27	3.298	81,760	5,970	40,875	40,885
2012 Parity, Refunding	05/30/12	09/01/12-34	2.631	238,770	11,845	46,210	192,560
2015 Parity, Refunding	06/10/15	11/1/15-45	3.183	340,840	9,275	26,505	314,335
2017 Parity, Refunding	01/25/17	08/01/17-46	2.992	194,685	—	—	194,685
Total Water Bonds				1,360,185	146,420	501,970	858,215
<b>MUNICIPAL DRAINAGE AND WASTEWATER BONDS</b>							
2006 Refunding	11/01/06	02/01/07-37	4.423%	121,765	70,215	121,765	—
2008 Parity	04/16/08	06/01/09-38	4.830	84,645	1,875	82,670	1,975
2009 Parity, Series A <sup>b</sup>	12/17/09	11/01/17-39	3.538	102,535	3,025	3,025	99,510
2009 Parity & Refunding, Series B	12/17/09	11/01/10-27	2.907	36,680	905	25,205	11,475
2012 Parity & Refunding	06/27/12	09/01/12-42	3.327	222,090	7,270	34,640	187,450
2014 Parity & Refunding	06/17/14	05/01/15-44	3.578	133,180	1,930	5,590	127,590
2016 Parity & Refunding	06/22/16	10/1/16-46	2.921	160,910	1,570	1,780	159,130
2017 Parity & Refunding	06/28/17	07/01/18-47	3.148	234,125	—	—	234,125
Total Drainage and Wastewater Bonds				1,095,930	86,790	274,675	821,255
<b>SOLID WASTE BONDS</b>							
2007 Revenue & Refunding	12/12/07	02/01/08-33	4.505%	82,175	2,800	81,360	815
2011 Revenue	06/22/11	08/01/12-36	4.227	45,750	1,245	6,455	39,295
2014 Revenue & Refunding	06/12/14	05/01/15-39	3.337	95,350	1,310	3,805	91,545
2015 Revenue	06/25/15	02/01/16-40	3.650	35,830	810	1,440	34,390
2016 Revenue & Refunding	06/30/16	12/01/16-41	2.793	35,335	380	380	34,955
Total Solid Waste Bonds				294,440	6,545	93,440	201,000
Total Utility Revenue Bonds				\$5,965,200	\$ 497,880	\$1,739,240	\$ 4,225,960

<sup>a</sup> 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.

<sup>b</sup> 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.

<sup>c</sup> 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.

<sup>d</sup> Issued as taxable New Clean Renewable Energy Bonds.

<sup>e</sup> Interest rates for fixed rate Parity Bonds are the True Interest Costs. Interest rates for variable rate Parity Bonds are the minimum and maximum rates for the reporting year.

The requirements to amortize the revenue bonds as of December 31, 2017, 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	
2018	\$ 118,805	\$ 100,484	\$ 41,020	\$ 40,273	\$ 25,225	\$ 36,620	\$ 6,775	\$ 9,103	\$ 378,305
2019	114,610	96,076	43,080	38,260	26,425	35,413	7,120	8,757	369,741
2020	114,105	90,338	45,625	36,100	27,575	34,170	7,045	8,405	363,363
2021	113,410	85,139	46,235	33,892	27,300	32,862	7,400	8,045	354,283
2022	113,035	79,637	48,725	31,594	28,610	31,509	7,775	7,668	348,553
2023 – 2027	526,525	314,339	231,010	121,865	155,485	135,476	45,250	31,976	1,561,926
2028 – 2032	344,855	215,036	186,220	70,790	168,780	96,620	56,540	20,094	1,158,935
2033 – 2037	363,700	143,175	125,615	35,510	155,560	60,084	45,180	8,317	937,141
2038 – 2042	351,290	68,528	60,900	12,514	127,110	28,792	17,915	1,034	668,083
2043 – 2047	185,155	15,183	29,785	2,704	79,185	6,952	—	—	318,964
Total	<u>\$ 2,345,490</u>	<u>\$ 1,207,935</u>	<u>\$ 858,215</u>	<u>\$ 423,502</u>	<u>\$ 821,255</u>	<u>\$ 498,498</u>	<u>\$ 201,000</u>	<u>\$ 103,399</u>	<u>\$ 6,459,294</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 & Wastewater Fund have availed of these loans to enhance and protect the City’s water, drainage, and wastewater systems.

Water

In 2008, the Fund entered into two loan agreements to borrow \$8.1 million from the Washington State Department of Commerce under its Public Works Trust Loan program at 1.5 percent interest per year and a repayment of 18 to 19 years. Proceeds from these loans were used to finance the Myrtle and Beacon Reservoir projects. As of December 31, 2017, these loans have an outstanding balance of \$3.7 million.

In 2009, the Fund entered into a loan agreement to borrow \$3.0 million from the Washington State Department of Commerce under its Public Works Trust Loan program at 1.5 percent per annum and payable in 19 years. Proceeds from this loan were used to finance the West Seattle Reservoir project. As of December 31, 2017, this loan has an outstanding balance of \$1.6 million.

Also in 2009, the Fund entered into two loan agreements, totaling \$9.0 million, to borrow from the Washington State Department of Commerce under its Public Works Trust Loan program to be used to finance the Maple Leaf Reservoir project. The first loan, in the amount of \$5.9 million, was funded with resources from the American Recovery and Reinvestment Act of 2009 (ARRA) at 1.0 percent annual interest and payable in 19 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, 2017, these loans have an outstanding balance of \$7.4 million.

In 2014, the Fund entered into a loan agreement, totaling \$12.0 million, to borrow from the Washington State Department of Commerce under its Public Work Loan program at 1.5 percent per annum and payable in 20 years. Proceeds from this loan will be used to finance the Morse Lake Pump project. An initial draw on \$7.3 million was done in 2015. Subsequent draws on \$3.6 million were done in 2016. In 2017, an additional draw on \$1.2 million was done, and the Fund entered into the second portion of loan agreements to borrow \$6.1 million. As of December 31, 2017, this loan has an outstanding balance of \$18.2 million.

Amounts paid for all loans in 2017 were \$1,124,987 in principal and \$215,720 in interest. Total loans outstanding as of December 31, 2017 are \$30.9 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 the 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 19 annual installments plus interest. Proceeds from this loan were used to finance the Thornton Creek Natural Drainage Systems. As of December 31, 2017, this loan has an outstanding balance of \$1.4 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, 2017, the loan has an outstanding balance of \$1.7 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 19 years. As of December 31, 2017, the loan has an outstanding balance of \$1.6 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 2011. As of December 31, 2017, the loan has an outstanding balance of \$4.7 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. Amounts borrowed under this agreement accrue interest at 2.9% per annum and are to be repaid by December 2020. As of December 31, 2017, the loan has an outstanding balance of \$0.2 million.

In 2011, the Fund was approved for a Public Works Trust 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, 2017, the loan has an outstanding balance of \$3.0 million.

In 2012, the Fund entered into a loan agreement with the Washington State Department of Ecology to borrow up to \$1.9 million to support the design and construction of the storm water facility for the Capitol Hill Water Quality Project. Amounts borrowed under this agreement accrue interest at 2.6 percent per annum and are to be repaid over 20 years. As of December 31, 2017, the loan has an outstanding balance of \$1.6 million. In 2017, the Fund entered into a loan agreement with the Washington State Department of Ecology to borrow up to \$39.4 million for construction of storage facilities to reduce the frequency and volume of Henderson North Combined Sewer Overflow. Amounts borrowed under this agreement accrue interest at 2.4% per annum and are to be repaid by February 2037. The Fund has drawn \$32.0 million in 2017. As of December 31, 2017, the loan has an outstanding balance of \$32.0 million.

Amounts paid to all loans in 2017 were \$1,223,366 principal and \$177,584 in interest. Total loans outstanding as of December 31, 2017 are \$46.1 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	
2018	\$ 2,050	\$ 774	\$ 2,761	\$ 1,213	\$ 6,798
2019	2,050	407	2,526	877	5,860
2020	2,050	379	2,569	831	5,829
2021	2,050	350	2,539	786	5,725
2022	2,050	321	2,582	741	5,694
2022 - 2027	9,588	1,173	12,599	2,998	26,358
2028 - 2032	6,783	593	11,001	1,786	20,163
2033 - 2037	4,306	184	9,522	637	14,649
Total	<u>\$ 30,927</u>	<u>\$ 4,181</u>	<u>\$ 46,099</u>	<u>\$ 9,869</u>	<u>\$ 91,076</u>

The following table shows the long-term liability activities during the year ended December 31, 2017.

Table 9-9

CHANGES IN LONG-TERM LIABILITIES <sup>a</sup>  
(In Thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds Payable					
General Obligation Bonds	\$ 1,008,895	\$ 100,085	\$ 96,445	\$ 1,012,535	\$ 85,040
Issuance Premiums and Discounts, Net	91,032	11,328	19,944	82,416	—
Special Assessment Bonds with Governmental Commitment <sup>b</sup>	7,505	—	1,430	6,075	—
Total Bonds Payable	1,107,432	111,413	117,819	1,101,026	85,040
Notes and Contracts					
Capital Leases	158	5	58	105	47
Other Notes and Contracts	10,945	—	1,520	9,425	1,355
Total Notes and Contracts	11,103	5	1,578	9,530	1,402
Compensated Absences	91,632	8,886	—	100,518	22,543
Claims Payable					
General Contamination Cleanup <sup>c</sup>	372	357	—	729	—
Workers' Compensation	26,792	2,202	—	28,994	8,927
General Liability	45,740	2,180	—	47,920	10,405
Health Care Claims	—	—	—	—	—
Total Claims Payable <sup>d</sup>	72,904	4,739	—	77,643	19,332
Arbitrage Rebate Liability	—	—	—	—	—
Unfunded Other Post Employment Benefits	133,710	20,285	—	153,995	—
Net Pension Liability	704,010	247,452	—	951,462	—
Other Noncurrent Liabilities	3,081	—	446	2,635	—
Total Long-Term Liabilities from Governmental Activities	\$ 2,123,872	\$ 392,780	\$ 119,843	\$ 2,396,809	\$ 128,317
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds Payable					
General Obligation Bonds	\$ 0	\$ —	\$ 0	\$ —	\$ —
Revenue Bonds	3,809,500	914,340	497,880	4,225,960	191,825
Issuance Premiums and Discounts, Net	331,600	101,736	35,422	397,914	—
Total Bonds Payable	4,141,100	1,016,076	533,302	4,623,874	191,825
Notes and Contracts - Other	40,133	36,893	—	77,026	4,811
Compensated Absences	32,574	—	973	31,601	2,674
Claims Payable					
General Contamination Cleanup <sup>c</sup>	218,147	17,022	—	235,169	9,189
Workers' Compensation	10,578	994	—	11,572	3,668
General Liability	18,053	486	—	18,539	5,955
Total Claims Payable <sup>d</sup>	246,778	18,502	0	265,280	18,812
Unearned Revenues	26,832	5,666	—	32,498	—
Habitat Conservation Program Liability	8,760	—	3,226	5,534	710
Landfill Closure and Postclosure Costs	14,705	9,374	0	24,079	1,605
Unfunded Other Post Employment Benefits	16,116	1,012	—	17,128	—
Net Pension Liability	593,973	0	49,766	544,207	—
Other Noncurrent Liabilities	3,211	—	658	2,553	—
Total Long-Term Liabilities from Business-Type Activities	\$ 5,124,182	\$ 1,087,523	\$ 587,925	\$ 5,623,780	\$ 220,437

<sup>a</sup> Some amounts may have rounding differences with the Statement of Net Position.

<sup>b</sup> The Special Assessment Bonds carry neither premiums nor discounts.

<sup>c</sup> See Note 10, Environmental Liabilities for a detailed discussion.

<sup>d</sup> See Note 15, Contingencies, for a discussion of risk management, environmental, and other matters. The table in Note 16 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 \$9.6 million and \$6.9 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 Construction and Inspections (DCI) for general liability. The General Fund pays for DCI'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 position. 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 refunding activities that occurred in 2016.

#### General Government

The refunding portion of the \$103.7 million LTGO Improvement and Refunding Bonds, 2016 A, issued by the City on 5/25/2016, were used partially to refund the 2006 and 2009 LTGO bonds. The aggregate total debt service of the refunded bonds would require a cash flow of \$34.4 million to maturity. With this refunding, the aggregate total debt service of the refunding bonds require a cash flow of \$31.1million, which results in a saving of \$3.3 million in debt service The net present value of this saving is \$2.8 million.

#### City Light

The Department issued \$116.9 million of tax exempt Municipal Light and Power (ML&P) Refunding Revenue Bonds (2016 B Bonds) to refund \$122.8 million of the 2008 Bonds. In September, the Department also issued \$160.8 million tax exempt Municipal Light and Power (ML&P) Improvement and Refunding Revenue Bonds(2016 C Bonds), of which a portion of the proceeds were used to refund \$32.0 million of the 2010B Bonds. The difference between the cash flows required to service the old and new debt and to complete the refunding for the 2016A&B Bonds and the 2016C Bonds totaled \$22.1 million and \$1.8 million, and the aggregate economic gain on refunding totaled \$19.4 million and \$2.0 million at present value, respectively. The accounting loss on refunding for the 2016B Bonds was \$16.1 million and was \$3.0 million for the 2016C Bonds.

#### Drainage and Wastewater

The Department issued \$160.9 million of Drainage and Wastewater Improvement and Refunding Revenue Bonds, of which a portion of the proceeds were used to partially refund the 2008 bonds. As a result of this refunding, the Department reduced total debt service requirements by \$16.5 million resulting in an economic gain of \$12.8 million.

# The City of Seattle

## Solid Waste

The Department issued \$35.3 million of Solid Waste Revenue and Refunding Bonds, of which \$19.9 million was used to refund the 2007 bond that was partially refunded in 2014.

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	LTD Amount Transferred To Trustee	Trustee Redemptions To Date 2017	Defeased Outstanding December 31
<b>GENERAL OBLIGATION BONDS</b>							
Limited Tax (Non-Voted)							
Various Purpose and Refunding, 2007, Refunded 5/21/15	05/02/07	10/01/07-28	4.251	95,550	13,823	12,515	—
Various Purpose and Refunding, 2008, Refunded 5/21/15	07/02/08	12/01/08-28	4.398	139,830	97,837	0	84,740
Various Purpose and Refunding, 2009, Refunded 5/25/16	03/25/09	11/01/09-05/ 01/34	3.574	99,860	24,090	—	24,090
Unlimited Tax (Voted)							
Refunding, 2007	05/02/07	12/01/07-18	3.886	60,870	15,055	15,055	0
<b>REVENUE BONDS</b>							
Municipal Light and Power							
2008 Parity	12/30/08	04/01/09-29	5.522	257,375	122,785	—	122,785
2010 Parity, Series B	05/26/10	02/01/11-26	3.413	596,870	32,020	—	32,020
Municipal Water							
2006 Parity	10/23/06	02/01/08-37	4.424	189,970	39,055	—	39,055
2008 Parity	12/15/08	02/01/09-38	4.978	205,080	149,770	—	149,770
Municipal Drainage and Wastewater							
2006 Parity	11/01/06	02/01/07-37	4.423	121,765	81,550	81,550	0
2008 Parity	04/16/08	06/01/08-38	4.830	84,645	68,380	—	68,380
Municipal Solid Waste							
2007 Parity	12/12/07	02/01/08-33	4.505	82,175	60,705	60,705	0
Total Refunded/Defeased Bonds				<u>\$ 1,933,990</u>	<u>\$ 705,070</u>	<u>\$ 169,825</u>	<u>\$ 520,840</u>

## ARBITRAGE

Since 1995 the City has been reviewing arbitrage rebate liability on its outstanding tax-exempt bonds and certificates of participation under Section 148(f) of the Internal Revenue Code. For bonds that have reached their installment computation dates (bonds outstanding for five years initially and every five years thereafter until the last of the bond issue matures), the City paid arbitrage rebate of \$19.0 thousand on its general obligation bonds in 2011 and none thereafter. As of December 31, 2017, the City reported no arbitrage rebate liability on its general obligation bonds and \$392.0 thousand on its revenue bonds.

## (10) ENVIRONMENTAL LIABILITIES

Following is a brief description of the significant sites:

- The Harbor Island Superfund Site. In 1983, the U.S. Environmental Protection Agency (EPA) designated this site as a federal Superfund site. 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. The City is one of four parties who are conducting a remedial investigation and feasibility study that will delineate cleanup actions. The feasibility study will be issued in 2018. The City's ultimate liability is indeterminate.
- The Lower Duwamish Waterway Superfund Site. In 2001, the EPA designated this site as a federal Superfund site for contaminated sediments. The City's involvement is attributable to its land ownership/use of property along the river, discharges from storm drains, and combined sewer overflows. The City is one of four parties who signed an Administrative Order on Consent (AOC) with the EPA and Washington State Department of Ecology (DOE) to conduct a remedial investigation and feasibility study to prepare a site remedy. The EPA approved the feasibility study in November 2012 and, in February 2013, issued the Proposed Plan for cleanup of the Lower Duwamish Waterway Superfund Site. In December 2014, the EPA indicated its preferred clean-up alternative, with an estimated cost of \$342.0 million, in the final Record of Decision. The City's ultimate liability is indeterminate.

In November 2012, the EPA issued general notification letters to over 200 parties informing them of their potential liability for the Lower Duwamish Waterway cleanup. The original parties of the AOC have agreed to invite some of those parties to participate in an alternative dispute resolution process (the "allocation process") to resolve their respective shares of past and future costs. The City has hired an allocator and the allocation process officially began in April 2014. The City agreed to administer the allocator's contract. Parties participating in the allocation process will share the cost of the allocator and the process.

The City was also responsible for investigation and cleanup at the Port of Seattle Terminal 117. The City agreed to pay 40 percent of the costs to clean up the uplands and river sediment parts of the site and 100 percent of the costs to clean up contamination in adjacent streets. The remedial work is now completed and monitoring is ongoing.

- South Park Marina. DOE has notified the City that it is a Potentially Liable Party for contamination at the South Park Marina, which is adjacent to Terminal 117. Negotiations with the property owner and with DOE are underway. The City's ultimate liability are indeterminate.
- 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 possibly remove contamination in an area that encompasses North Boeing Field, the City's Georgetown Steam Plant, and the King County Airport. This site was also the subject of the lawsuit brought by the City against Boeing. Boeing has agreed to pay 67 percent of the costs for DOE's implementation of the order. The order requires completion and then implementation of a remedial investigation and feasibility study work plan. The final remedial investigation work plan was issued in November 2013. In January 2015, all parties executed the First Amendment to the North Boeing Field/Georgetown Steam Plant Agreed Order, making all parties responsible for conducting and completing remedial action at the site. The City is responsible for 1/3 of the costs. The implementation of the work is ongoing. Boeing and the City will each pay 100 percent of costs for remedial action at their own facilities.
- Gas Works Park Sediment Site. In April 2002, the DOE named the City and another party, Puget Sound Energy, as partially responsible parties for contamination at the Gas Works Sediments Site in North Lake Union. The City and Puget Sound Energy signed an Agreed Order with the DOE in 2005 to initiate two remedial investigations and feasibility studies for the sediment site -one in the western portion of the site led by the City, and another in the eastern portion of the site led by Puget Sound Energy. Subsequently, in fall of 2012, the City and Puget Sound Energy entered into a Settlement, Release, and Cost Allocation Agreement that puts Puget Sound Energy in the lead for all additional cleanup work at the site; the east-west split is no longer in place. Based on the 2012 Agreement, the City pays for 20 percent of the Shared Costs incurred by Puget Sound Energy for the cleanup work. The remedial investigation and feasibility study include 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. Puget Sound Energy collected additional environmental data in 2013 and the draft remedial investigation and feasibility study was submitted in March 2016. A revised draft remedial investigation and feasibility study is anticipated to be submitted to DOE in late 2018 or 2019 and include a Clean-up Action Plan.

- South Park Landfill. The City and a private developer are under an Agreed Order with the DOE to perform a remedial investigation and feasibility study and to draft a Cleanup Action Plan for the historic South Park Landfill site under the State Model Toxics Control Act. The City and developer submitted a draft Remedial Investigation and Feasibility Study report in April 2012 and a Draft Cleanup Action Plan in June 2014. The City and developer are negotiating with DOE to finalize the two reports. Negotiations are underway to finalize a Consent Decree for the site with other potentially liable parties, DOE, and the Attorney General’s office. DOE approved an amendment of the Agreed Order to allow the City to construct an interim cleanup action on the City-owned portion of the landfill property. That interim cleanup is expected to be done in the 2019-2020 time frame. DOE also approved an interim cleanup action by the developer on his portion of site property. That cleanup was complete in 2015. In 2012, the City executed an agreement regarding the developer’s interim action that settles City liabilities for the interim cleanup costs but not City liabilities for the permanent cleanup.

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 changes in the provision for environmental liability (in millions) at December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Beginning Environmental Liability, Net of Recovery	\$ 218.5	\$ 121.3
Payments or Amortization	(6.9)	(13.3)
Incurred Environmental Liability	24.3	110.5
	<u>235.9</u>	<u>218.5</u>
Ending Environmental Liability, Net of Recovery	\$ 235.9	\$ 218.5

The provision for environmental liability (in millions) included in current and noncurrent liability at December 31, 2017 and 2016, is as follows:

	<u>2017</u>	<u>2016</u>
Environmental Liability, Current	\$ 9.2	\$ 7.1
Environmental Liability, Noncurrent	226.7	211.4
	<u>235.9</u>	<u>218.5</u>
Total	\$ 235.9	\$ 218.5

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.

### SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM

#### Plan Description

The Seattle City Employees' Retirement System (SCERS) is a cost sharing multiple employer retirement plan established and administered by the City in accordance with Seattle Municipal Code (SMC) 4.36.

The System is administered by the Retirement System Board of Administration (the Board.) The Board consists of seven members including the Chair of the Finance Committee of the Seattle City Council, the City of Seattle Finance Director, the City of Seattle Personnel Director, two active members and one retired member of the System who are elected by other system members, and one outside board member who is appointed by the other six board members. Elected and appointed board members serve for three-year terms.

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 (there are currently fewer than 50 members in this category). There are currently 6,534 retirees and beneficiaries receiving benefits, and 9,283 active members of the System. There are 1,312 terminated, vested employees entitled to future benefits.

SCERS provides retirement, death, and disability benefits, post-retirement benefit increase including an automatic 1.5% annual cost-of living adjustment (COLA) increase and a 65% restoration of purchasing power benefit. 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.

The City adopted a second tier for SCERS in 2016. Starting January 1, 2017, new eligible employees will join this second tier. The tier is a defined benefit plan much like the original tier but has a lower contribution rate for members and calculates final average salary based on the highest 60 consecutive months of services. Other changes related to the new tier can be found in the Seattle Municipal Code 4.36.

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](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 position 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. Fair value is defined as the amount at which an investment could be exchanged in a current arm's length transaction between willing parties in which the parties each act knowledgeably and prudently. All investments are valued based on objective, observable, unadjusted quoted market prices in an active market on the measurement date, if available. In the absence of such data, valuations are based upon those of comparable securities in active markets. For illiquid or hard to value investments such as real estate, private equity, and other private investments, valuations are based upon data provided by the respective investment managers. These private asset valuations are generally based upon estimated current values and/or independent appraisals.

Investment income consists of realized and unrealized appreciation and (depreciation) in the fair value of investments, interest and dividend income earned, less investment expense, plus income from securities lending activities, less deduction for security lending expenses. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Securities and securities transactions are reflected in the financial statements on a trade-date basis. Investments are made in accordance with the Prudent Person Rule as defined by the State of Washington RCW 35.39.060.

### **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 annual actuarial valuations.

Actuarially determined contribution rates for 2015 were 10.03 percent for members and 15.73 percent for the employer. Plan member and employer contributions for 2015 are \$65,779,216 and \$101,153,403 respectively. There are no long-term contracts for contributions outstanding and no legally required reserves.

The actuarial valuation and measurement dates of the latest study is January 1, 2016 and December 31 2016 respectively. Based on this valuation, the Total Pension Liability (TPL) is \$3.793 billion; the Fiduciary Net Position (FNP) is \$2.488 billion; the Net Pension Liability (NPL) is \$1.305 billion; and the Funded Ratio was 64.0 percent for the plan.

An actuarial study with valuation date of January 1, 2017, is presently underway, and expected to be available at the Retirement Office after July 1, 2018.

### **Information about the Net Pension Liability**

#### **Assumptions and Other Inputs**

The net pension liability was determined by the actuarial valuation as of January 1, 2016, with the results rolled forward to the December 31, 2016, measurement date. The actuarial assumptions that determined the total pension liability as of December 31, 2016 were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2013.

Mortality rates were calculated and projected based on the RP-2000 mortality tables and using generational project of improvement using Projection Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return and target allocation for each major asset class as of December 31, 2016 are summarized in the following table:

**Table 11-1**

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Equity: Public	4.99%	48.0%
Equity: Private	6.25	9.0
Fixed Income: Broad	0.62	18.0
Fixed Income: Credit	3.79	5.0
Real Assets: Real Estate	3.25	12.0
Real Assets: Infrastructure	2.75	3.0
Diversifying Strategies	3.25	5.0
		100.0%

The above table reflects the expected (30 year) real rate of return for each major asset class. The expected inflation rate is projected at 3.25 percent for the same time period.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the participating governmental entity contribution will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods on projected benefit payment to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the City’s proportionate share of the net pension liability, calculated using the discount rate of 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be when the discount rate moves one percentage point lower and higher (in thousands).

	1% Lower 6.5%	Current Discount Rate 7.5%	1% Higher 8.5%
Net Pension Liability	\$ 1,764,959	\$ 1,304,140	\$ 916,659

**Changes in the Net Pension Liability**

At December 31, 2016, the plan reported the collective net liability of \$1.305 billion, of which the City recorded \$1.304 billion for its proportionate share of the collective net pension liability. The City's proportion is based on the City's contributions to the plan. The following table shows the changes in the City's proportionate share of the net pension liability for the year ended December 31, 2016, which was rolled forward to come up with the net pension liability as of December 31, 2017.

**Table 11-2 SCHEDULE OF CHANGES IN NET PENSION LIABILITY**

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2015	\$ 3,609,644,751	\$ 2,311,402,048	\$ 1,298,242,703
Changes for the Year			
Service Cost	106,376,035	—	106,376,035
Interest on Total Pension Liability	267,817,432	—	267,817,432
Effect of Plan Changes	—	—	—
Effect of Economic/Demographic	(7,648,398)	—	(7,648,398)
Effect of Assumptions Changes or Inputs	—	—	—
Benefit Payments	(168,849,021)	(168,849,021)	—
Refund Contributions	(16,445,050)	(16,445,050)	—
Administrative Expenses	—	(9,244,178)	9,244,178
Member Contributions	—	71,705,628	(71,705,628)
Employers Contributions	—	108,378,578	(108,378,578)
Net Investment Income	—	189,808,210	(189,808,210)
Balance at December 31, 2016	\$ 3,790,895,749	\$ 2,486,756,215	\$ 1,304,139,534

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources**

For the year ended December 31, 2017, the City recognized its proportionate share of pension expense in the amount of \$176.0 million. At December 31, 2017, the City reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to the pension plan as follows (in thousands).

**Table 11-3**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,261	\$ 6,258
Change of Assumption	—	—
Net Difference Between Projected and Actual Earnings	103,488	—
Changes in Employer Proportion and Differences Between Contributions and Proportionate Share of Pension Expense	41,251	41,775
Contributions Made Subsequent to Measurement Date	111,653	—
Total	\$ 257,653	\$ 48,033

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized in pension expense in the fiscal years ended December 31 as follows (in thousands).

Table 11-4

Year Ended December 31	
<b>2017</b>	37,307
<b>2018</b>	37,307
<b>2019</b>	28,722
<b>2020</b>	(4,658)
<b>2021</b>	(710)
<b>Thereafter</b>	—

**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 768 fire and 688 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 \$10.3 million in 2017 and \$11.1 million in 2016; and for Police Relief and Pension, \$13.2 million in 2017 and \$13.5 million in 2016.

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.

Current membership in Firemen’s Pension and Police Relief and Pension consisted of the following at December 31, 2016:

	Firemen's Pension	Police Relief and Pension
Retirees and Beneficiaries Receiving Benefits	645	713
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	—	—
Active Plan Members, Vested	8	5
Active Plan Members, Non-vested	—	—

These pension plans do not issue separate financial reports.

### Summary of Significant Accounting Policies

The City fully implemented Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, Amendments to Certain Provisions of GASB Statements 67 and 68, for its fiscal year 2017.

In accordance with Statement No. 73, the City has determined that the Fireman's Pension and Police Relief Funds are not reported as governmental funds, and therefore accounted for as part of the General Fund. The financial statements for the Firemen's Pension and Police Relief and Pension Funds were prepared using the current financial resources measurement focus and the modified accrual basis of accounting as described in Note 1.

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.

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

In July 1994 the City adopted a funding policy under Ordinance 117216 that is designed to fully fund the AAL of the Firemen's Pension Fund by the year 2018 plus additional contributions, if necessary, to fund benefit payments in excess of contributions to fully fund all retirement benefit liabilities by December 31, 2018. 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 \$14.0 million as of December 31, 2017. The funding policy does not fund for future medical liabilities. No similar program has been established for the Police Relief and Pension Fund.

The Total Pension Liability (TPL) as of December 31, 2017, based on the actuarial valuation as of January 1, 2017, was \$98.6 million for Firemen's Pension and \$92.9 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-7.

### Information about the Total Pension Liability

#### Assumptions and Other Inputs

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date.

Mortality rates were calculated and projected based on the PR-2000 Mortality Table and using generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females (set forward two years for disabled members).

The expected inflation rate and salary increases including inflation are projected at 2.25 percent and 2.75 percent respectively.

**Discount Rate**

The discount rate used to measure total pension liability was 3.5 percent. GASB 73 requires the discount rate used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method) to be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The Bond Buyer General Obligation 20-bond municipal bond index for bonds that mature in 20 years is 3.44 percent as of December 31, 2017. Rounding this to the nearest .25 percent results in a discount rate of 3.50 percent.

**Sensitivity of the Total Pension Liability to Changes in the Discount Rate**

The following presents the Total Pension Liability, calculated using the discount rate of 3.5 percent, as well as what the Total Pension Liability would be when the discount rate moves one percentage point lower and higher (in thousands).

		1% Lower 2.5%	Current Discount Rate 3.5%	1% Higher 4.5%
Fire Pension Plan	Total Pension Liability	\$ 107,893	\$ 98,573	\$ 90,546
Police Relief Pension	Total Pension Liability	100,497	92,956	86,397

**Changes in the Total Pension Liability**

At December 31, 2017, the Firemen’s Pension and the Police Relief and Pension plans reported the pension liability of \$98.6 million and \$93.0 million respectively.

	Total Pension Liability Firemen’s Pension	Total Pension Liability Police Relief and Pension
Balance at December 31, 2016	\$ 100,317,174	\$ 93,459,068
Changes for the Year		
Service Cost	--	0
Interest on Total Pension Liability	3,622,840	3,400,808
Effect of Plan Changes	0	0
Effect of Economic/Demographic	0	0
Effect of Assumptions Changes or Inputs	2,118,458	1,689,315
Benefit Payments	-7,485,092 )	(5,593,165 )
Balance at December 31, 2017	<u>\$ 98,573,380</u>	<u>\$ 92,956,026</u> =

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources**

For the year ended December 31, 2017, the City recognized pension expenses in the amount of \$5.1 million and \$4.7 million for the Firemen’s Pension and the Police Relief and Pension plans respectively. At December 31 2017, there were no deferred outflows of resources and deferred inflows of resources related to these pension plans.

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

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) 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 ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

**Contributions (LEOFF Plan 1)**

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2016. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

**Contributions (LEOFF Plan 2)**

The LEOFF Plan 2 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:



<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee</b>
January - June 2017:		
State and local governments	5.05%	8.41%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.23%</b>	<b>8.41%</b>
Ports and Universities	8.41%	8.41%
Administrative Fee	0.18%	
<b>Total</b>	<b>8.59%</b>	<b>8.41%</b>
July - December 2017:		
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.43%</b>	<b>8.75%</b>
Ports and Universities	8.75%	8.75%
Administrative Fee	0.18%	
<b>Total</b>	<b>8.93%</b>	<b>8.75%</b>

The City's actual contributions to the plan were \$15.3 million for the year ended December 31, 2017.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2017, the state contributed \$62.2 million to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$9.43 million.

### Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2007-2012 Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 3 percent total economic inflation; 3.75 percent salary inflation
- Salary increases: In addition to the base 3.75 percent salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.5 percent

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

### Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates. Based on these assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

**Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

**Estimated Rates of Return by Asset Class**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB’s most recent long-term estimate of broad economic inflation.

**Table 11-9**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>% Long-Term Expected Real Rate of Return Arithmetic</b>
Fixed Income	20.0%	1.7%
Tangible Assets	5.0	4.9
Real Estate	15.0	5.8
Global Equity	37.0	6.3
Private Equity	23.0	9.3
	100%	

**Sensitivity of NPL**

The table below presents the City’s proportionate share of the net pension liability/ (assets) calculated using the discount rate of 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate (in thousands).

	<b>City's Proportionate Share of Net Pension Liability (Asset)</b>		
	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<b>6.5%</b>	<b>7.5%</b>	<b>8.5%</b>
Plan 1	(40,041)	(53,981)	(65,952)
Plan 2	27,544	(127,282)	(253,427)

**Pension Plan Fiduciary Net Position**

Detailed information about the State’s pension plans’ fiduciary net position is available in the separately issued DRS financial report.

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2017, the City reported an asset of \$181.3 million for its proportionate share of the net pension liabilities/ (assets) as follows (in thousands):

	<b>City's Proportionate Share of Net Pension Liability (Asset)</b>
Plan 1	(53,981)
Plan 2	(127,282)

The amount of the liability/ (asset) reported above for LEOFF Plan 2 reflects a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability/(asset), the related State support, and the total portion of the net pension liability/(asset) that was associated with the City were as follows(in thousands):

	<b>Proportionate Share of Plan 2 Net Pension Liability (Asset)</b>
Employer's Proportionate Share	\$ (127,282)
State's Proportionate Share Associated with the Employer	(82,565)
Total	\$ (209,847)

At June 30, the City’s proportionate share of the collective net pension liabilities was as follows:

	<b>Proportionate Share as of June 30, 2017</b>	<b>Proportionate Share as of June 30, 2016</b>	<b>Change in Proportion</b>
Plan 1	3.55%	3.55%	— %
Plan 2	9.17%	9.3%	(0.13)%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer’s proportionate share of the collective pension amounts reported by the DRS in the Schedules of Employer and Nonemployer Allocations for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2016. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2017, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2017, the state of Washington contributed 39.35 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.65 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

**Pension Expense**

For the year ended December 31, 2017, the City recognized its proportionate share of pension expense as follows (in thousands):

	<u>Pension Expense</u>	
Plan 1	\$	(8,624)
Plan 2		(3,386)
Total	\$	<u>(12,010)</u>

### Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, the City reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

**Table 11-10**

	<u>Plan 1</u>		<u>Plan 2</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ —	\$ —	\$ 5,594	\$ 4,827
Net difference between projected and actual investment earnings on pension plan investments	—	5,016	—	28,576
Changes of assumptions	—	—	153	—
Changes in proportion and differences between contributions and proportionate share of contributions	—	—	—	—
Contributions subsequent to the measurement date	—	—	8,259	—
<b>TOTAL</b>	<u>\$ —</u>	<u>\$ 5,016</u>	<u>\$ 14,006</u>	<u>\$ 33,403</u>

Deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

**Table 11-11**

Year ended December 31:	<u>Plan 1</u>	<u>Plan 2</u>
<b>2018</b>	\$ (3,148)	\$ (13,206)
<b>2019</b>	849	2,895
<b>2020</b>	(339)	(2,039)
<b>2021</b>	(2,378)	(12,489)
<b>2022</b>	—	(503)
<b>2023</b>	—	(2,313)

### 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.** The City of Seattle Health Care Blended Premium Subsidy plan is a single employer defined benefit OPEB plan. 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 are single employer defined benefit OPEB plans and 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, Firemen's Pension and Police Pension and Relief are based on an actuarial valuation date of January 1, 2017, which covers the last three years prior to the valuation date.

Table 11-12

**ANNUAL OPEB COST AND NET OPEB OBLIGATION  
For the Year Ended December 31, 2017**

	<b>Healthcare Blended Premium Subsidy</b>	<b>Firemen's Pension (LEOFF1)</b>	<b>Police Relief and Pension (LEOFF1)</b>	<b>Total</b>
Annual Required Contribution	\$ 8,090,000	\$ 16,897,826	\$ 23,810,157	\$ 48,797,983
Interest on Net OPEB Obligation	1,671,000	1,657,509	2,003,538	5,332,047
Adjustment to Annual Required Contribution	<u>(2,791,000)</u>	<u>(2,389,481)</u>	<u>(3,705,801)</u>	<u>(8,886,282)</u>
Annual OPEB Cost (Expense)	6,970,000	16,165,854	22,107,894	45,243,748
Expected Contribution (Employer-Paid Benefits)	<u>2,289,000<sup>a</sup></u>	<u>10,331,010<sup>a</sup></u>	<u>13,202,775<sup>a</sup></u>	<u>25,822,785</u>
Increase in Net OPEB Obligation	4,681,000	5,834,844	8,905,119	19,420,963
Net OPEB Obligation – Beginning of Year	<u>54,074,000</u>	<u>44,200,236</u>	<u>53,427,690</u>	<u>151,701,926</u>
Net OPEB Obligation – End of Year	<u>\$ 58,755,000</u>	<u>\$ 50,035,080<sup>a</sup></u>	<u>\$ 62,332,809<sup>a</sup></u>	<u>\$ 171,122,889</u>

<sup>a</sup> Estimated employer contributions based upon expected benefit payments in 2017. Estimated amounts will be replaced at year end with actual amounts.

The City's annual OPEB cost, percentage of annual OPEB cost contributed, and the net OPEB obligation for Healthcare Blended Premium Subsidy, Firemen's Pension (LEOFF1) and Police Relief and Pension (LEOFF1) are displayed below for the last three years.

	<b>Valuation Date</b>	<b>Fiscal Year</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
Healthcare Blended Premium Subsidy	1/1/2015	12/31/2015	\$ 3,695,000	28.5%	\$ 49,382,000
	1/1/2015	12/31/2016	6,710,000	30.9	54,074,000
	1/1/2016	12/31/2017	6,970,000	32.8	58,755,000
Firemen's Pension (LEOFF1)	1/1/2015	12/31/2015	16,829,195	66.0	39,058,762
	1/1/2016	12/31/2016	16,244,474	69.0	44,200,236
	1/1/2017	12/31/2017	16,165,854 <sup>a</sup>	63.9 <sup>a</sup>	50,035,080
Police Relief and Pension (LEOFF1)	1/1/2015	12/31/2015	22,648,572	52.0	43,992,150
	1/1/2016	12/31/2016	22,938,540	62.0	53,427,690
	1/1/2017	12/31/2017	22,107,894 <sup>a</sup>	59.7 <sup>a</sup>	62,332,809

<sup>a</sup> Estimated employer contributions based upon expected benefit payments in 2017. Estimated amounts will be replaced at year end with actual amounts.

**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. 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	1/1/2015	—	\$ 44,375	\$ 44,375	—	\$ 1,037,855	4.3%
	1/1/2016	—	65,739	65,739	—	1,125,664	5.8
	1/1/2017	—	70,061	70,061	—	1,153,806	6.1
Firemen's Pension (LEOFF1)	1/1/2015	—	320,273	320,273	—	N/A	N/A
	1/1/2016	—	311,364	311,364	—	N/A	N/A
	1/1/2017	—	301,276	301,276	—	N/A	N/A
Police Relief and Pension (LEOFF1)	1/1/2015	—	358,269	358,269	—	N/A	N/A
	1/1/2016	—	357,024	357,024	—	N/A	N/A
	1/1/2017	—	330,871	330,871	—	N/A	N/A

### Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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 11-13**

### OPEB INFORMATION

Description	Healthcare Blended Premium Subsidy	Firemen's Pension (LEOFF1)	Police Relief and Pension (LEOFF1)
Actuarial Valuation Date	1/1/2017	1/1/2017	1/1/2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level amount over past and future service, open	30-year, open as of 1/1/2012	30-year, closed as of 1/1/2007
Remaining Amortization Period	30 years	30 years	20 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	3.09%	3.50%	3.75%
Medical Inflation		7.3 %, grading down to 4.1% in 2070 and beyond.	7.3 % grading down to an ultimate of 4.1% in 2070.
Long-Term Care Inflation Rate	N/A	4.50%	4.50%
Dental Inflation Rate	N/A	Minimum of 5.0 % of medical inflation.	N/A

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 RP-2000 Combined Healthy Table with male ages set back one year and female ages set forward one year. Rates are projected generationally Scale BB. For general service active employees are based on RP-2000 Table for Males, with ages set back six years and RP-2000 Table for Females with ages set back six years. General service retired employees are based on RP2000 Combined Healthy Males with ages set back two years and RP-2000 Combined Healthy Females with ages set back one year. Rates are generations for both males and females using Projection Scale AA.	For active and service-retired members, used RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Project Scale BB, with ages set back one year for males and forward one year for females. For disabled members, used RP-2000 Mortality Table (combined healthy) using 100% of Project Scale BB, with ages set forward two years.	For active and service-retired members, used RP-2000 Mortality Table (combined healthy) using 100% of Project Scale BB, with ages set back one year for males and forward one year for females. For disabled members, used RP-2000 Mortality Table (combined healthy) using 100% of Project Scale AA, with ages set forward two years.

Table 11-13

OPEB INFORMATION (continued)

Description	Healthcare Blended Premium Subsidy	Firemen's Pension (LEOFF1)	Police Relief and Pension (LEOFF1)
Assumptions (continued):			
Marital Status	45% of members electing coverage are assumed to be married or have a registered domestic partner. Male spouses are assumed to be two years older than their female spouses. It is assumed that children have aged off and have \$0 liability.	N/A	N/A
Morbidity Factors		N/A	N/A
Traditional Plan	The average medical claim is based on an average loss ratio (claim vs. premium) of 138.64%.		
Preventive Plan	The average medical claim is based on an average loss ratio (claim vs. premium) of 133.11%		
Group Health Standard and Deductible Plans	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. Also note that the average loss ratios for the above The average medical claim for the Group Health Standard & Deductible plans is based on an average loss ratio (claim vs. premium) of 131.64% and 148.72% for retirees and spouses respectively		
Other Considerations	Active employees covered under the Group Health Standard or Deductible plans are assumed to elect the same plan at retirement; of those covered under the City of Seattle Traditional or Preventive plans, 50% are assumed to switch to the Group Health Standard plan and the remaining 50% are assumed to continue coverage under the same plan. Upon retirement, firefighters are assumed to be covered under the City of Seattle Preventive plan (50%) or Group Health Standard Plan (50%). 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: The Seattle Public Library Foundation, 1000 Fourth Avenue, Seattle, WA 98104, or by telephone at 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 (NMTTC) program. The City is its sole and managing member. SIF is a qualified Community Development Entity (CDE) and the Primary Allocatee. Twelve subsidiaries have been established since the program's inception. Financial results presented herewith for 2016 are unaudited at this time; 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.

Table 12-1

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

**December 31, 2017**

*(in Thousands)*

	Discretely Presented Component Units					
	Seattle Public Library Foundation		Seattle Investment Fund LLC		Total	
	2017	2016	2017	Restated 2016	2017	Restated 2016
<b>ASSETS</b>						
Cash and Other Assets	\$ 4,440	\$ 6,216	\$ 1,367	\$ 1,540	\$ 5,807	\$ 7,756
Investments	69,083	60,893	8	8	69,091	60,901
Capital Assets, Net	1	1	—	—	1	1
Total Assets	73,524	67,110	1,375	1,548	74,899	68,658
<b>LIABILITIES</b>						
Current Liabilities	1,322	1,596	32	266	1,354	1,862
Total Liabilities	1,322	1,596	32	266	1,354	1,862
<b>NET POSITION</b>						
Net Investment in Capital Assets	1	1	—	—	1	1
Restricted	52,529	47,571	—	—	52,529	47,571
Unrestricted	19,672	17,942	1,343	1,282	21,015	19,224
Total Net Position	<u>\$ 72,202</u>	<u>\$ 65,514</u>	<u>\$ 1,343</u>	<u>\$ 1,282</u>	<u>\$ 73,545</u>	<u>\$ 66,796</u>

Table 12-2

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

For the Year Ended December 31, 2017

*(In Thousands)*

	Discretely Presented Component Units					
	Seattle Public Library Foundation		Seattle Investment Fund LLC		Total	
	2017	2016	2017	Restated 2016	2017	Restated 2016
<b>PROGRAM REVENUES</b>						
Contributions/Endowment Gain	\$ 3,167	\$ 11,675	\$ —	\$ —	\$ 3,167	\$ 11,675
Placement/Management Fee Income	—	—	344	344	344	344
Total Program Revenues	3,167	11,675	344	344	3,511	12,019
<b>GENERAL REVENUES</b>						
Investment Income	9,494	4,138	—	—	9,494	4,138
Total Program Support and Revenues	12,661	15,813	344	344	13,005	16,157
<b>EXPENSES</b>						
Support to Seattle Public Library	4,888	11,626	—	—	4,888	11,626
Management and General	666	698	283	498	949	1,196
Fundraising	419	402	—	—	419	402
Total Expenses	5,973	12,726	283	498	6,256	13,224
Change in Net Position	6,688	3,087	61	(154)	6,749	2,933
<b>NET POSITION</b>						
Net Position - Beginning of Year	65,514	62,427	1,282	1,436	66,796	63,863
Net Position - End of Year	<u>\$ 72,202</u>	<u>\$ 65,514</u>	<u>\$ 1,343</u>	<u>\$ 1,282</u>	<u>\$ 73,545</u>	<u>\$ 66,796</u>

**BLENDED COMPONENT UNIT**

**Seattle Park District**

The Seattle Park District is a metropolitan park district authorized by Chapter 35.61 of the Revised Code of Washington. The Seattle Park District has the same boundaries as the City of Seattle. On August 5, 2014 voters in the City of Seattle approved Proposition 1 to use property taxes collected to provide funding for City parks and recreation including maintaining parklands and facilities, operating community centers and recreation programs, and developing new neighborhood parks on previously acquired sites. The Park District is governed by the Seattle City Council acting ex officio as the District Board. The Seattle Department of Parks and Recreation provides services on behalf of the Seattle Park District under an interlocal agreement between City and District through City Ordinance 124468.

The Seattle Park District is reported as a special revenue fund in the City's financial statement. Financial Reporting for this fund can be found in the nonmajor governmental funds combining statements located in this reports. In addition, separate financial statements are available from Seattle City Hall, 600 Fourth Avenue, 2nd Floor, Seattle, WA 98104 or by calling 206-684-8805.

## (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 agency to receive the employment and training funds for the 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, 2017, 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 2017, WDC paid \$105 thousand 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 by accessing its website <http://www.seakingwdc.org/annual-reports/> or by telephone at 206-448-0474.

## (14) COMMITMENTS

### Financial Guarantees

The City has extended nonexchange financial guarantees in the form of contingent loan agreements with other owner/developers of affordable housing. The City will provide credit support, such as assumption of monthly payments for certain bonds and lines of credit issued by these agencies in the event of financial distress. Any guarantee payments made become liabilities of the guaranteed contract holders to be paid back after regaining financial stability. The City's program, managed by the Office of Housing currently has loan agreements outstanding of \$551.6 million. These agreements have maturity ranges up to 50 years. All projects are currently self-supporting and the City has not made any payments pursuant to these agreements. It is unlikely that the City will make any payments in relation to these guarantees based on available information at the end of December 31, 2017 and the standards prescribed under GASB Statement No. 70 - *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

### Capital Improvement Program

The City adopted the 2017-2018 Capital Improvement Program (CIP) which functions as a capital financing plan totaling \$6.595 billion for the years 2017-2022. The adopted CIP for 2017 was \$1.108 billion, consisting of \$664.6 million for City-owned utilities and \$443.1 million for non-utility departments. The utility allocations are: \$410.2 million for City Light, \$88.6 million for Water, \$125.9 million for Drainage and Wastewater, \$11.1 million for Solid Waste, and \$28.8 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 (SCL)

Expenses associated with energy received under long-term purchased power agreements at December 31, 2017 and 2016 are shown in the following table.

Table 14-1

LONG-TERM PURCHASED POWER

(In Millions)

	2017	2016
Bonneville Block	\$ 103.8	\$ 80.0
Bonneville Slice	64.3	80.7
Lucky Peak, including royalties	9.3	6.9
British Columbia - High Ross Agreement	13.4	13.4
Grant County Public Utility District	1.9	2.3
Columbia Basin Hydropower	6.8	6.2
Bonneville South Fork Tolt billing credit	(3.3)	(3.3)
Renewable energy - State Line Wind	22.1	24.8
Renewable energy - other	7.7	8.7
Exchanges and loss returns energy at fair value	3.7	5.5
Long-term purchased power booked out	(4.9)	(5.4)
Total	<u>\$ 224.8</u>	<u>\$ 219.8</u>

**Purchased and Wholesale Power**

***Bonneville Power Administration***

SCL purchased electric energy from the U.S. Department of Energy, Bonneville Power Administration (BPA), under the Block and Slice Power Sales Agreement, a 17-year contract, for the period October 1, 2011 through September 30, 2028. Effective October 1, 2017 there was an amendment to the agreement whereby SCL no longer participates as a Slice customer and will now exclusively purchase Block. Block quantities are expected to be recalculated periodically during the term of 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 SCL 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 initial 3.65663 slice percentage, no later than 15 days prior to the first day of each federal fiscal year, beginning with fiscal year 2012. The current Slice percentage is 3.62643 percent, and the same as the previous fiscal year. The cost of Slice power is based on SCL's same percentage of the expected costs of the System and is subject to true-up adjustments based on actual costs with specified exceptions.

Bonneville'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 (the Court) rulings found the 2000 REP Settlement Agreements with IOUs inconsistent with the Northwest Power Act. To remedy this inconsistency, the court ruled that refunds be issued to non IOUs through 2019. SCL received \$5.7 million in both 2017 and 2016 in billing credits related to both the Block and Slice agreements as a result of the Court decision.

***Lucky Peak***

In 1984, SCL entered into a purchase 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 FERC license expires in 2030. The agreement, which expires in 2038, obligates SCL 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.

SCL incurred \$9.3 million and \$6.9 million in 2017 and 2016, respectively, including operations costs and royalty payments to the irrigation district. SCL provided and billed Lucky Peak \$0.3 million for operational and administrative services in both 2017 and 2016. These amounts are recorded as offsets to purchased power expense.

SCL's receivables from Lucky Peak were less than \$0.1 million at December 31, 2017 and 2016, respectively. SCL's payables to Lucky Peak were \$0.8 million and \$0.1 million at December 31, 2017 and 2016, respectively.

***British Columbia-High Ross Agreement***

In 1984, an agreement was reached between the Province of British Columbia and the City under which British Columbia will provide SCL 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 80 years. In addition to the direct costs of energy under the agreement, SCL 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 are included in utility plant-in-service as an intangible asset and are being amortized to purchase power expense over 35 years through 2035.

***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 9 percent by 2016, and at least 15 percent by 2020. SCL’s 2017 and 2016 resource portfolio met the 9 percent target.

***Energy Exchange***

Northern California Power Agency (NCPA) and SCL executed a long-term Capacity and Energy Exchange Agreement in March 1993. SCL 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 includes financial settlement and termination options. In a letter NCPA dated May 17, 2011, NCPA gave seven year’s advance written notice to the Department terminating the agreement effective no later than May 31, 2018.

***Fair Value of Exchange Energy***

Exchange energy receivable and the related regulatory gains at December 31, 2017 and 2016, were valued using Kiindex Forward Curves and Dow Jones U.S. Daily Electricity Price Indices for settled deliveries. An income valuation technique that uses interest rate forecasts from HIS Global Insight is used to discount for present value based on the interest rate for U.S. Government Treasury constant maturities, bond-equivalent yields by the future month of the transactions.

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

SCL’s estimated payments for purchased power and transmission, Renewable Energy Credits (RECs) and other contracts for the period from 2018 through 2065, undiscounted, are shown in the following table.

**Table 14-2**

**ESTIMATED FUTURE PAYMENTS UNDER  
PURCHASED POWER, TRANSMISSION, AND RELATED  
CONTRACTS  
(In Millions)**

<b>Year Ending December 31</b>	<b>Estimated Payments <sup>a</sup></b>
2018	\$ 282.0
2019	290.7
2020	304.7
2021	287.6
2022	281.5
2023-2027	1,317.8
2028-2032	262.7
Thereafter (through 2065)	142.1
<b>Total</b>	<b>\$ 3,169.1</b>

- <sup>a</sup> 2018 to 2019 includes estimated REP recoveries from Bonneville.
- <sup>b</sup> British Columbia - High Ross direct cost payment ends in 2020.
- <sup>c</sup> BPA transmission contract expires July 31, 2025.
- <sup>d</sup> BPA Block and Slice contract expires September 30, 2028.

### ***Federal Energy Regulatory Commission Fees***

Estimated Federal land use and administrative fees related to hydroelectric licenses total \$203.5 million through 2055; these estimates are subject to change. The estimated portion of fees attributed to the Skagit and Tolt licenses are excluded after 2025, at which time their current FERC licenses expire. The estimated portion of Boundary fees is included through 2055, the year in which the current license issued by FERC expires. The current Boundary FERC license and related issues are discussed below.

### ***New Boundary License***

SCL's FERC license for the Boundary Project expired on September 30, 2011 and a new license was issued on March 20, 2013 with a 42 year life for a total cost of \$48.6 million. The terms and conditions of the new license have been evaluated. SCL is in the license implementation process, which imposes mitigation of endangered species including water quality standards and conservation management.

As part of the application process, SCL negotiated a settlement with external parties such as owners of other hydroelectric projects, Indian tribes, conservation groups, and other government agencies. The settlement sought to preserve SCL's operational flexibility at Boundary Dam while providing for natural resource protection, mitigation, and enhancement measures.

The cost projections for such mitigation over the expected 42-year life of the license, included in the Department's license application, were estimated to be \$371.0 million adjusted to 2017 dollars, of which \$42.9 million were expended through 2017. Projected mitigation cost estimates are subject to revision as more information becomes available.

### ***Skagit and South Fork Tolt Licensing Mitigation and Compliance***

In 1995, the 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 licenses, SCL 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, 2017, to be \$136.3 million, of which \$122.1 million had been expended. Total South Fork Tolt license mitigation costs were estimated at \$1.9 million, of which \$1.3 million were expended through 2017. 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 2017 dollars. SCL's 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.

### ***Endangered Species***

Several fish species that inhabit waters where hydroelectric projects are owned by SCL, or where SCL purchases power, have been listed under the ESA as threatened or endangered. Although the species were listed after FERC licenses were issued for all of SCL's hydroelectric projects, the ESA listings still affect operations of SCL's Boundary, Skagit, 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, SCL'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.

SCL, with the support of City Council, elected to take a proactive approach to address issues identified within the ESA. SCL 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 SCL's share of the Early Action program from inception in 1999 through December 31, 2017 are estimated to be \$13.2 million. \$1.1 million has been allocated for the program in the 2018 budget.

### ***Project Impact Payments***

Effective August 2010, SCL renewed its contract with Pend Oreille County and committed to pay a total of \$19.0 million over 10 years ending in 2019 to Pend Oreille County for impacts on county governments from the operations of SCL's hydroelectric projects. Effective February 2009, the Department renewed its contract with Whatcom County committing to pay a total of \$15.8 million over 15 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 impact payments totaled \$1.8 million and \$1.7 million to Pend Oreille County, and \$1.1 million to Whatcom County in 2017 and 2016, respectively.

## **SEATTLE PUBLIC UTILITIES (SPU)**

### **Water Fund**

#### ***Habitat Conservation Program Liability***

SPU has 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 operations of SPU and SCL in the Cedar River Watershed while allowing SPU 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 \$110.4 million (in 2017 dollars) over a period of 50 years (from the year 2000 through the year 2050).

Expenditures are being funded from a combination of SPU's operating revenues and issuance of revenue bonds. The total amount expended for the HCP through 2017 is \$91.0 million. The remaining \$19.4 million to complete the HCP is comprised of an \$5.5 million liability and an estimate of \$13.92 million for construction and operating commitments. The construction activities will add to SPU's capital assets and the operating activities are mainly research, monitoring, and maintenance of the HCP Program that will be expensed as incurred.

#### ***Distribution System Reservoirs***

SPU 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 six reservoirs is expected to be approximately \$207.2 million through the year 2022; costs beyond 2022 are not estimable as of the date of this report. As of December 31, 2017 and 2016, total cumulative costs incurred were \$166.8 million and \$157.9 million, respectively.

#### ***Wholesale Water Supply Contracts***

SPU has wholesale contracts with Cascade Water Alliance (CWA) and twenty individual water districts and municipalities. Seventeen wholesale customers have full and partial requirements contracts which obligate the City to meet the wholesale customers' demand that is not already met by their independent sources of supply. Two wholesale customers including CWA have block contracts which obligate the City to provide water up to a combined maximum of 41.85 Millions of Gallons per Day (MGD) per year. Two other wholesale customers have emergency intertie agreements and do not purchase water from Seattle on a regular basis. CWA contract expires in 2063 while other wholesale contracts run through 2062. SPU also has a contract



with the City of North Bend to provide untreated water supply up to an average annual amount of 1.1 MGD through 2066 for use in supplementing stream flows.

## **Drainage and Wastewater Fund**

### ***Wastewater Disposal Agreement***

SPU has a wastewater disposal agreement with the King County Department of Natural Resources Wastewater Treatment Division (WTD), which expires in 2036. The monthly wastewater disposal charge paid to WTD is based on the WTD'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. Payments made by the Fund were \$157 million and \$153.4 million for fiscal years 2017 and 2016, respectively.

## **Solid Waste Fund**

### ***Contractual Obligations***

SPU contracts with private companies for the collection of residential and commercial garbage, yard waste, food waste, and recycling. Effective March 30, 2009 SPU entered into new contracts with Waste Management and Recology CleanScapes for residential and commercial collection. The contracts are scheduled to end on March 31, 2019. Total payments under these contracts for residential and commercial collection in 2017 and 2016 were \$78.7 million and \$77.8 million, respectively.

In 1990, SPU entered into a contract with Waste Management of Washington, Inc. (f/k/a Washington Waste Systems) for the disposal of non-recyclable City waste. This contract is scheduled to end on March 31, 2028, however the City may terminate this contract at its option without cause on March 31, 2019. Total payments under the terms of this contract for waste disposal in 2017 and 2016 were \$15.0 million and \$13.2 million, respectively.

Effective April 1, 2014, the City entered into contracts with PacifiClean Environmental of Washington, LLC and Lenz Enterprises, Inc. to process yard and food waste into marketable products. The contracts are scheduled to end on March 31, 2020, however the city may, at its option, extend the contract in two year increments up to March 31, 2024. The City terminated the services with PacifiClean effective August 31, 2017 due to failed operations, prior to the end of the original contract term. The City awarded a new contract to Cedar Grove Composting, effective September 1, 2017, to provide additional services. Total payments under the terms of these contracts for 2017 and 2016 were \$4.4 million and \$4.5 million, respectively.

Effective April 1, 2009, the City commenced a contract for recycling processing with Rabanco, LTD. The company is responsible for processing recyclables from both commercial and residential customers. The contract is scheduled to end on March 31, 2016 with an option to extend the contract for a three-year period at that time. The City elected to proceed with a solicitation process, and as a result, negotiated a new long term contract with Rabanco, LTD. This contract became effective April 1, 2016 and will expire March 31, 2021. The City may, at its option, extend the contract in three year increments up to March 31, 2027. Total payment, net of recycling revenue in 2017 and 2016 were \$0.3 million and \$1.0 million, respectively. This variance resulted from fluctuations in recycling commodity pricing.

### ***Landfill Closure and Post-closure Care***

At December 31, 2017, accrued landfill closure and post-closure costs consist primarily of monitoring, maintenance, and estimated construction costs related to I-5 improvement projects. It is the City Council's policy to include Fund's share of all landfill closure and post-closure costs in the revenue requirements used to set future solid waste rates. Therefore, the Fund uses regulatory accounting and total estimated landfill closure and post-closure care costs are accrued and also reflected as a future costs in the accompanying financial statements, in accordance with generally accepted accounting principles.

These costs are being amortized as they are recovered from rate payers. These costs are regulatory assets even though the Fund chooses to present them separately on the Statement of Net Position. Actual costs for closure and post-closure care may be higher due to inflation, changes in technology, or changes in regulations. Such amounts would be added to the liability and accrued when identified. Landfill closure costs were fully amortized in 2009 and landfill post-closure costs will continue to amortize until 2024.

In prior years, the Fund delivered its refuse to two leased disposal sites: the 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 in the Midway site in 1983 and in 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.

In addition, the City purchases excess general liability insurance coverage on a year to year basis, effective January 1, 1999. The City's self-insured retention for each claim involving general liability was limited to \$6.5 million per occurrence of such claims in both 2017 and 2016. From June 1, 2014 through May 2016, the City's self-insured retention was \$60 million, and was increased to \$85 million for the policy year beginning on June 1, 2016. Effective June 1, 2017, the City's self-insured retention increased to \$100 million.

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 other miscellaneous policies. Bonds are purchased for public officials, notaries public, pension exposures, and specific projects and activities as necessary.

The City purchased two annuity contracts for a total of \$0.5 million in to resolve litigations, entered into one settlement agreement which structured \$0.5 million of a \$3.5 million settlement, and received one large liability settlement for \$1.1 million. The City had no settled claims exceeding coverage in the last three years.

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 Seattle Department of Human Resources estimates case reserves for workers' compensation using statistical techniques and historical experience. In 2017 the City's independent actuary estimated the ultimate settlement costs for lawsuits, workers' compensation, other claims, and health care at year-end 2016. The total undiscounted IBNR amount decreased by \$0.6 million in 2017, the IBNR amount was \$30.9 million in 2017 and \$31.5 million in 2016.

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 initially pays for lawsuits, claims, and related expenses and then receives reimbursements from City Light, Water, Drainage and Wastewater, Solid Waste, and the retirement 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 \$0.2 million and \$0.5 million in 2017 and 2016, respectively. 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 1.404 percent for 2017 and 1.137 percent for 2016, the City's average annual rates of return on investments. The total discounted liability at December 31, 2017, was \$107.1 million consisting of \$63.3 million for general liability, \$3.2 million for health care, and \$40.6 million for workers' compensation.

Table 15-1

**RECONCILIATION OF CHANGES IN  
AGGREGATE LIABILITIES FOR CLAIMS**

*(In Thousands)*

	General Liability		Health Care		Workers' Compensation		Total City	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>UNDISCOUNTED</b>								
Balance - Beginning of Fiscal Year	\$ 63,810	\$ 65,216	\$ 2,966	\$ 4,379	\$ 38,592	\$ 41,310	\$ 105,368	\$ 110,905
Less Payments and Expenses During the Year	(23,954)	(21,180)	(172,651)	(162,137)	(15,932)	(14,394)	(212,537)	(197,711)
Plus Claims and Changes in Estimates	27,987	19,774	172,986	160,724	19,613	11,676	220,586	192,174
Balance - End of Fiscal Year	<u>\$ 67,843</u>	<u>\$ 63,810</u>	<u>\$ 3,301</u>	<u>\$ 2,966</u>	<u>\$ 42,273</u>	<u>\$ 38,592</u>	<u>\$ 113,417</u>	<u>\$ 105,368</u>
<b>UNDISCOUNTED BALANCE AT END OF FISCAL YEAR CONSISTS OF</b>								
Governmental Activities	\$ 47,907	\$ 44,849	\$ 3,301	\$ 2,966	\$ 28,652	\$ 27,664	\$ 79,860	\$ 75,479
Business-Type Activities	19,882	18,905	—	—	13,621	10,928	33,503	29,833
Fiduciary Activities	54	56	—	—	—	—	54	56
Balance - End of Fiscal Year	<u>\$ 67,843</u>	<u>\$ 63,810</u>	<u>\$ 3,301</u>	<u>\$ 2,966</u>	<u>\$ 42,273</u>	<u>\$ 38,592</u>	<u>\$ 113,417</u>	<u>\$ 105,368</u>
<b>DISCOUNTED/RECORDED BALANCE AT END OF FISCAL YEAR CONSISTS OF</b>								
Governmental Activities	\$ 44,671	\$ 42,828	\$ 3,250	\$ 2,925	\$ 27,495	\$ 26,778	\$ 75,416	\$ 72,531
Business-Type Activities	18,539	18,054	—	—	13,071	10,578	31,610	28,632
Fiduciary Activities	50	53	—	—	—	—	50	53
Balance - End of Fiscal Year	<u>\$ 63,260</u>	<u>\$ 60,935</u>	<u>\$ 3,250</u>	<u>\$ 2,925</u>	<u>\$ 40,566</u>	<u>\$ 37,356</u>	<u>\$ 107,076</u>	<u>\$ 101,216</u>

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

- 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 February 2011, the City agreed to a settlement, which was eventually approved by the trial court and by FERC. Under the settlement, the City has resolved this matter for \$9.0 million, none of which needed to be immediately paid by the City. As part of the settlement, the City assigned its accounts receivable from the California Independent Systems Operator to the California Parties, which was valued at approximately \$1.4 million at the time of the settlement agreement. The balance of over \$7.6 million is contingent upon the City recovering monies in the Pacific Northwest Refund Case, discussed below. To date, approximately \$2.3 million in cash settlements has been paid to the California plaintiffs.
  - Pacific Northwest Refund Case, and Appeals and Related Litigation: In a proceeding before FERC, various buyers of energy, including the City, sought refunds from various sellers on energy sales in the Pacific Northwest between December 1999 and June 2001. The case was tried at FERC between August and October of 2013. In March 2014, the FERC administrative law judge issued an Initial Decision denying all refunds. In May 2014, the City filed a brief objecting to the Initial Decision, and the parties are now awaiting a final decision from FERC. Prior to the FERC trial, the City settled refund claims with twelve entities, with a combined total settlement amount of \$4.6 million. In February 2015, after hearing argument in a related case, the Ninth Circuit sua sponte reactivated certain City Light appeals previously stayed at the Ninth Circuit that were primarily related to City Light's appeal of the FERC's determination that the Mobile-Sierra presumption applied to the contracts at issue and whether FERC had improperly excluded certain evidence that City Light had presented to overcome the Mobile-Sierra presumption. After a truncated briefing schedule, oral arguments were heard in June 2015. On December 17, 2015, the Ninth Circuit issued its opinion finding that the Mobile-Serra presumption does apply to the issues in this case. The Ninth Circuit also determined that it did not have jurisdiction over the evidentiary issues. On December 31, 2015, FERC issued its decision largely confirming the Initial

Decision issued by the administrative law judge on March 28, 2014. City Light filed its notice of appeal to the Ninth Circuit on February 22, 2016. On October 2016, City Light settled all remaining claims in this longstanding litigation for a non-material amount. On November 4, 2016, The Ninth Circuit granted City Lights' motion to voluntarily dismiss its appeal.

- **Sound Transit Condemnation Actions:** In 2016, City Light is a defendant in a series of condemnation actions by the Central Puget Sound Regional Transit Authority ("Sound Transit"). Sound Transit is working in concert with the City of Bellevue on multiple transportation projects which negatively affect City Light's East Side Lines transmission corridor, which is a 100 plus mile corridor between 150'-160' wide that runs contiguously from Maple Valley to City Light's Skagit Project in Skagit and Whatcom Counties. There are currently four condemnation actions for the specific area along 124th Street in Bellevue. City Light has contested Sound Transit's ability to condemn publicly owned property, but on December 20, 2016, a trial court hearing one of the condemnation actions entered an order denying City Light's motion for summary judgment contesting Sound Transit's Authority to condemn public property and simultaneously entered an order finding public use and necessity over portions of City Light's easement area. City Light appealed the decision to the Court of Appeal on December 21, 2016 and it has sought direct review by the Washington Supreme Court of the trial court's order denying City Light's motion for summary judgment. On February 13, 2017, another trial court hearing the second filed condemnation action entered an order on public use and necessity allowing Sound Transit to proceed with the condemnation in that action. On March 10, 2017, City Light filed a notice of appeal of that decision to the Washington State Supreme Court. On March 14, 2017, Sound Transit filed motions for public use and necessity in the two remaining condemnation actions. City Light filed oppositions in both cases. No decisions from the court's hearing those cases have been received to date. In the event the appeal is unsuccessful, the value of the land sought to be condemned by Sound Transit from City Light is significant, but indeterminate.
- **Deformation Mitigation for N. Thomas Street (North Portal):** City Light is moving five 13.8 kV and 26kV feeders in Thomas Street at 6th Avenue to protect them for deformation caused by the tunneling activities. City Light anticipates that the total costs for this work will be \$3.1 million. City Light has requested that WSDOT reimburse it for those costs, and has sent a proposed task order for that purpose, but, to date, WSDOT has not agreed to reimburse City Light. City Light's ultimate recovery amount is unknown.
- **Centralia Steam Plant Project Asbestos Claims:** In 2013, the City received notice of a lawsuit that had been filed against PacifiCorp (the successor in interest of the former operator of the Centralia Steam Plant Project) by an employee of a contractor who worked at the Project between April 26, 1971 and December 3, 1971. The claimant alleges he developed mesothelioma as a result of his exposure to asbestos during the time he worked at the Project. PacifiCorp provided notice to the City, and all the other former owners of the Project that, as a former owner of the Project, it could liable for any liabilities resulting from the construction not covered by insurance in proportion to its ownership share. Based on the agreement for the construction and ownership of the Project, City Light owned 8 percent of the Project during the material times. Recently, the City received additional notice indicating that two additional decedent estates have filed lawsuits against the former operator alleging similar claims. The City is not named in any of the litigation. In 2016, the two of the lawsuits were settled without any involvement of the City, and the third lawsuit was dismissed on summary judgment based on the expiration of the construction statute of repose.
- **Beacon, Myrtle, Maple Leaf and West Seattle Reservoir Leaks:** In 2011 the designer of the Beacon, Myrtle, Maple Leaf and West Seattle reservoirs, notified SPU about possible seismic deficiencies in the designs for the four reservoirs, specifically that the structural calculations it had used did not meet the applicable building code requirements. In response, SPU undertook a rigorous and thorough seismic analysis, focusing first on the West Seattle reservoir, to understand the nature and severity of the seismic deficiencies. Based on that analysis, SPU hired an engineering firm to evaluate and undertake design repairs for the four reservoirs to correct any seismic issues. Repairs on the West Seattle reservoir are nearly complete. It is estimated that the total cost of the work, including analysis, design and construction, will be approximately \$25.0 million. To date, the designer has worked closely and cooperatively with SPU throughout the seismic review and retrofit design process, and negotiations between SPU and the designer are ongoing concerning payment of repair costs. In early 2015, SPU and the designer agreed on a partial settlement of \$3.2 million for the West Seattle reservoir repairs. In January 2016, SPU and the designer agreed on a partial settlement of \$5.5 million for the construction and design costs related to the Maple Leaf and Myrtle reservoirs. The designer also agreed in that partial settlement to make the final payment of \$850.0 thousand related to SPU costs associated with the Lighter Weight Roof Change. The Beacon Reservoir design of repairs is complete and construction project has been awarded to the same contractor who repaired the other three reservoirs. Design costs for Beacon are approximately \$135.0 thousand and the expected construction contract award is approximately \$7.3 million. Additional claims for costs such as construction management, materials lab and seismic expert

design costs remain outstanding. SPU has also submitted its claim for its additional seismic deficiency review costs, internal design costs, and internal construction costs for all four reservoirs to the designer. The combined total of these costs for West Seattle are \$3.5 million. The actual costs to date, plus estimated costs to completion are projected for the Myrtle reservoir at \$557.8 thousand, the Maple Leaf reservoir at \$1.7 million, and the Beacon reservoir at \$2.7 million. SPU's ultimate recovery amount is unknown.

- Western Avenue and Pioneer Square Water Mains: SPU has filed a lawsuit against the State of Washington ("WSDOT") and its contractor Seattle Tunnel Partners ("STP") for damage to its water mains in Western Avenue, between Yesler Way and Madison Avenue, and elsewhere in Pioneer Square. As a result of the damage, the water main in Western Avenue had to be replaced. The amount of the claim arising from the Western Avenue water main is approximately \$11.0 million, and the claim arising from the damage to the other water mains in Pioneer Square could be significantly higher. WSDOT and STP have answered and denied that they are responsible and/or that the water mains have been damaged. WSDOT and STP tendered the claim to their insurer, which denied the claim, but has not responded further. The parties are now actively engaged in pretrial discovery. SPU's ultimate amount to be recovered is unknown.

There may be other litigation or claims involving alleged substantial sums of money owing; however, the prospect of material adverse outcomes therein is remote or unknown. 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, 2017, seven projects remained outstanding with a combined total amount of \$9.8 million. BEDI grant funds amount to \$0.5 million, and are used as a loan loss reserve.

### **GUARANTEES OF THE INDEBTEDNESS OF OTHERS**

The City has guaranteed the following bonds issued by public development authorities chartered by the City which are not component units of the City. The guarantees extend through the life of the bonds.

In the event that these public development authorities have insufficient funds to make scheduled debt payments of the principal of and interest on these guaranteed bonds, the City is obligated to transfer sufficient funds to make the payment. Public development authorities for whom the City has made all or part of a debt service payment shall reimburse the City for all money drawn on their behalf.

#### ***Museum Development Authority***

Special obligation refunding bonds. Series 2014 issued on April 29 2014, in the amount of \$44.4 million. The outstanding amount as of December 31, 2017 is \$39.0 million. The bonds will be fully retired by April 1, 2031.

***Seattle Chinatown-International District Preservation and Development Authority***

Refunding bonds issued on September 26, 2007, in the amount of \$7.4 million. The outstanding amount as of December 31, 2017, was \$4.34 million. The bonds will be fully retired by August 1, 2026.

***Seattle Indian Services Commission***

Special obligation revenue refunding bonds issued on November 1, 2004, in the amount of \$5.2 million. The outstanding amount as of December 31 2017 is \$2.62 million. The bonds will be fully retired on November 1, 2024.

**Event Notice Relating to Seattle Indian Services Commission**

In 2014 the Seattle Indian Services Commission experienced unforeseen conditions that leave it unable to fulfill its debt obligations on bonds guaranteed by the City. Due to the interruption and suspension of the Commission’s pledged revenues for debt service the City is now obligated to temporarily service the Commission’s debt.

The City’s 2015 Adopted Budget and thereon includes funding to pay debt service on the Commission’s guaranteed bonds in accordance with the City’s unconditional obligation. Effective for fiscal year 2015 the City will transfer funds on behalf of the Commission to pay the scheduled debt payments of the principal and interest on its special obligation refunding bonds issued on November 1, 2004. The first debt service payment occurred on May 1, 2015 in the amount of \$75.0 thousand.

As of Dec 31, 2017, the Commission’s remaining principal and interest amounts the City guaranteed are \$2.62 million and \$242.0 thousand respectively. Based on the expected cash outflows and discount rate equal to the interest earned from the City’s consolidated cash pool (1.394 percent), the City has recognized a liability of \$2.9 million on the Government-Wide Financial Statements. Until the Commission’s revenue conditions improve the City will continue to make the scheduled debt payments through the life of the bonds, with a final maturity date of November 1, 2024.

**(16) TAX ABATEMENTS**

**Table 16-1  
Page 1 of 2  
Tax Abatement by Programs  
For the Year Ended December 31, 2017  
(In Thousands)**

Primary Government		Other Governments		
City of Seattle		King County		State of Washington
Multifamily Property Tax Exemption (MFTE)	Historic Properties Incentives	Current Use	Single-family Dwelling Improvement	High Technology

<b>1) Purpose of program.</b>	Supports mixed-income residential development in the urban centers, the MFTE program ensures affordability as the community grows.	Provides property tax abatements through the legislature's encouragement to maintain, improve and preserve privately owned historic landmarks.	Provide property tax abatements to landowners to voluntarily preserve open space, farmland or forestland.	Provides property tax abatements to encourage home improvements to single-family dwellings.	Provides a deferral and ultimate waiver of sales and use tax to encourage the creation of high-wage, high-skilled jobs in Washington. The deferral applies to sales and use tax arising from the construction or expansion of a qualified research and development facility or a pilot scale manufacturing facility used in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, or environmental technology.
<b>2) Tax being abated.</b>	Real Property Tax	Real Property Tax	Real Property Tax	Real Property Tax	Sales and Use Tax
<b>3) Authority under which abatement agreements are entered into.</b>	SMC Chapter 5.73 and RCW Chapter 84.14, in addition, each owner of a participating MFTE property must enter a legally binding agreement with the City of Seattle, which is then recorded with King County. The agreement details the	Chapter 84.26 RCW, RCW 84.26.020(2) and RCW 84.26.050(2)	RCW 84.33.130 and RCW 84.34.010	RCW 84.36.400	Chapter 82.63 RCW

**4) Criteria to be eligible to receive abatement.**

MFTE is to incentivize the creation of affordable housing by providing a property tax exemption on new multifamily buildings in exchange of setting aside 20-25 percent of the homes as income- and rent-restricted.

The property must meet four criteria to qualify for special valuation to receive a reduction in property taxes. The property must: (1) be a historic property; (2) fall within a class of historic property determined eligible for special valuation by the local legislative authority; (3) be rehabilitated at a cost which meets the definition set forth in RCW 84.26.020(2) within 24 months prior to the application for special valuation; and (4) be protected by an agreement between the owner and the local review board as described in RCW 84.26.050(2).

Through four programs:  
Public Benefit Rating System (PBRs) enrollment and associated tax savings are based on a point system. Points are awarded for each PBRs resource category a property qualifies for such as protecting buffers to streams and wetlands, ground water protection, preserving significant wildlife habitat, conserving farmland and native forestland and preserving historic landmarks.  
Timber Land enrollment requires a property to have between 5 and 20 acres of manageable forestland, and be zoned RA, F or A. Land participating in this program must be devoted primarily to the growth, harvest and management of forest crops for commercial purposes and must be managed according to an approved forest stewardship plan.  
Farm and Agricultural Land enrollment requires land to be used for the production of livestock or agricultural commodities for commercial purposes.  
Forestland enrollment requires a property to have more than 20 acres of eligible forestland primarily devoted to the growth and harvest of timber.

Make improvement to single-family dwellings.

Businesses must apply for a deferral certificate prior to being issued a building permit for the project(s) or before taking possession of machinery and equipment.



Table 16-1  
Page 2 of 2

**Tax Abatement by Programs**  
**For the Year Ended December 31, 2017**  
*(In Thousands)*

	Primary Government		Other Governments		
	City of Seattle		King County		
	Multifamily Property Tax Exemption (MFTE)	Historic Properties Incentives	Current Use	Single-family Dwelling Improvement	
<b>5) How recipients' taxes are reduced.</b>	The entire appraised value of a participating property's residential improvements is exempt.	An owner of property desiring special valuation shall apply to the assessor of the County in which the property is located. The application form shall include a statement that the applicant is aware of the potential tax liability involved when the property ceases to be eligible for special valuation. Applications shall be made no later than October 1 of the calendar year preceding the first assessment year for which classification is requested.	An owner of land desiring current use classification must submit an application to the County Assessor.	Abatements are obtained through application by the property owner, including proof that the improvements have been made and equal 100 percent of the additional property tax resulting from the increase in assessed value as a result of the improvements, not to exceed 30 percent of the pre-improvement value of the structure.	Eligible projects will receive a sales and use tax deferral certificate issued by Department of Revenues, which allows vendors and contractors to sell to the approved business without charging sales tax. An annual survey must be filed by May 31, of the year in which the project is certified and for the following seven years.
<b>6) How amount of abatement is determined.</b>	The entire appraised value of a participating property's residential improvements is tax exempt. Therefore, the case by case value of the exemption is dependent on each individual property's appraised value.	The County Assessor shall, for 10 consecutive assessment years following the calendar year in which application is made, place a special valuation on property classified as eligible historic property. At the conclusion of special valuation, the cost shall be considered new construction.	A participating property is assessed at a "current use" value, which is lower than the "highest and best use" assessment value that would otherwise apply to the property.	Any physical improvement to single-family dwellings upon real property shall be exempt from taxation for the three assessment years subsequent to the completion of the improvement.	Vendors and contractors waive the sales and use tax for the approved businesses.

7) Provisions for recapturing abated taxes.	If a property fails to comply with affordability restriction, the Director of Housing has the authority to cancel a tax exemption, and the Assessor has the authority to impose fines, collect back taxes, and charge interest on back taxes.	When property classified and valued as eligible historic property under RCW 84.26.070 becomes disqualified for the valuation, additional taxes, applicable penalties and interest are collected.	When land no longer meets the requirements for the respective classifications, abated taxes and applicable penalties and interest are collected.	N/A	If the investment project is used for any other purpose at any time during the calendar year in which the investment is certified as operationally complete, or during the next seven calendar years, a portion of the deferred taxes must be repaid immediately. The portion due is determined by a sliding scale ranging from 100 percent recapture in the year the project is operationally complete to 12.5 percent recapture in year eight.						
8) Types of commitments made by the City other than to reduce taxes.	N/A	N/A	N/A	N/A	N/A						
9) Gross amount of City's revenues being reduced.	\$	3	\$	3,046	\$	145	\$	753	\$	19,415	
									<b>Total Revenue Reduction</b>	\$	23,362

<sup>a</sup> For the MFTE program, any change in tax revenue to the City is not the direct result of the exemption but rather the associated deferral on adding the new construction value of MFTE properties to the King County property tax base until after each project's exemption period has terminated.

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

### GOVERNMENTAL ACTIVITIES

For fiscal year 2017, the City fully implemented GASB 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, Amendments to Certain Provisions of GASB Statements 67 and 68. GASB73 requires a liability for pension obligations, known as the Total Pension Liability to be recognized on the balance sheets of participating employers. Therefore, the liability was recognized and reported retroactively for the City's Firemen's Pension and Police Relief and Pension plans in the government-wide financial statements. This adjustment resulted a restatement to the 2017 beginning net position of the Governmental Activities. The net effect to the 2017 beginning net position is a reduction of \$227.3 million, which comprises of the total pension liability of \$193.8 million and reversal of the net pension assets of 33.5 million recognized in fiscal year 2016 under GASB 25 and 27.

## (18) SUBSEQUENT EVENTS

On May 22, 2018, pursuant to City Council Bill 119110, the City issued (1) \$23.21 million of Limited Tax General Obligation (LTGO) Improvement Bonds A with an average coupon rate of 4.597 percent and a final maturity of December 1, 2038; (2) \$26.7 million of LTGO Improvement Taxable Bonds B with an average coupon rate of 3.612 percent and a final maturity of November 1, 2038.

On June 5, 2018, pursuant to City Council Ordinance 125459 and related Pricing Certificate, the city issued \$263.8 million Municipal Light and Power (ML&P) Improvement Revenue Bonds, 2018, Series A, with average coupon rates of 4.076% and a final maturity of January 1, 2048.

**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 appropriations that do not lapse, those whose budgets were approved by the City Budget Office to carry over to the following year. These appropriations 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.

# Required Supplementary Information

C-1

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL For the Year Ended December 31, 2017 (In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Taxes				
General Property Taxes	\$ 290,932	\$ 290,932	\$ 294,720	\$ 3,788
Retail Sales and Use Taxes	246,197	246,197	254,522	8,325
Business Taxes	307,206	307,206	302,371	(4,835)
Excise Taxes	75,095	75,095	83,447	8,352
Other Taxes	9,207	9,207	12,583	3,376
Interfund Business Taxes	155,410	155,410	159,955	4,545
Total Taxes	<u>1,084,047</u>	<u>1,084,047</u>	<u>1,107,598</u>	<u>23,551</u>
Licenses and Permits	45,876	45,876	35,462	(10,414)
Grants, Shared Revenues, and Contributions	37,817	49,043	24,107	(24,936)
Charges for Services	51,579	53,223	69,076	15,853
Fines and Forfeits	29,527	29,527	28,972	(555)
Parking Fees and Space Rent	43,231	43,231	38,588	(4,643)
Program Income, Interest, and Miscellaneous Revenues	249,280	249,838	301,915	52,077
Total Revenues	<u>1,541,357</u>	<u>1,554,785</u>	<u>1,605,718</u>	<u>50,933</u>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Current				
General Government	473,367	506,457	466,581	39,876
Judicial	31,983	31,983	31,658	325
Public Safety	566,867	590,417	611,201	(20,784)
Physical Environment	14,419	15,644	16,111	(467)
Transportation	12,500	12,500	12,041	459
Economic Environment	38,371	43,651	33,459	10,192
Health and Human Services	—	—	—	—
Culture and Recreation	11,987	12,196	11,074	1,122
Capital Outlay				
General Government	49,999	51,962	15,278	36,684
Public Safety	11,058	11,294	1,373	9,921
Physical Environment	2,826	2,826	—	2,826
Transportation	28,091	23,937	—	23,937
Economic Environment	220	220	53	167
Culture and Recreation	78,980	85,116	23,544	61,572
Debt Service				
Principal	—	—	—	—
Interest	—	—	—	—
Total Expenditures and Encumbrances	<u>1,320,668</u>	<u>1,388,203</u>	<u>1,222,373</u>	<u>165,830</u>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	220,689	166,582	383,345	216,763
<b>OTHER FINANCING SOURCES (USES)</b>				
Sales of Capital Assets	3,487	3,487	5,180	1,693
Transfers In	34,399	46,729	12,753	(33,976)
Transfers Out	(421,284)	(437,903)	(355,335)	82,568
Total Other Financing Sources (Uses)	<u>(383,398)</u>	<u>(387,687)</u>	<u>(337,402)</u>	<u>50,285</u>
Net Change in Fund Balance	<u>\$ (162,709)</u>	<u>\$ (221,105)</u>	<u>45,943</u>	<u>\$ 267,048</u>
Budgetary Fund Balance - Beginning of Year			338,448	
Net Change in Encumbrances			(756)	
Net Change in Unappropriable Reserves			(81,659)	
Budgetary Fund Balance - End of Year			<u>301,976</u>	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			170,224	
Encumbrances			7,371	
Reimbursements				
Budgeted as Revenues			206,232	
Budgeted as Expenditures			(206,232)	
GASB Statement No. 54 Reporting Adjustment				
Library Fund Balances			<u>15,511</u>	
Fund Balance (GAAP) - End of Year			<u>\$ 495,082</u>	

C-2

**TRANSPORTATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2017**  
*(In Thousands)*

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Taxes				
General Property Taxes	\$ 96,984	\$ 96,984	\$ 96,396	\$ (588)
Retail Sales and Use Taxes	—	—	—	—
Business Taxes	41,048	41,048	43,014	1,966
Excise Taxes	—	—	—	—
Other Taxes	—	—	—	—
Interfund Business Taxes	—	—	—	—
Total Taxes	<u>138,032</u>	<u>138,032</u>	<u>139,410</u>	<u>1,378</u>
Licenses and Permits	(190)	(190)	8,212	8,402
Grants, Shared Revenues, and Contributions	42,305	62,838	33,369	(29,469)
Charges for Services	64,371	67,763	74,763	7,000
Fines and Forfeits	—	—	172	172
Parking Fees and Space Rent	(200)	(200)	244	444
Program Income, Interest, and Miscellaneous Revenues	25,206	25,206	698	(24,508)
Total Revenues	<u>269,524</u>	<u>293,449</u>	<u>256,868</u>	<u>(36,581)</u>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
Current				
General Government	—	—	—	—
Judicial	—	—	—	—
Public Safety	—	—	—	—
Physical Environment	—	—	—	—
Transportation	172,381	175,764	181,775	(6,011)
Economic Environment	—	—	—	—
Health and Human Services	—	—	—	—
Culture and Recreation	—	—	—	—
Capital Outlay				
General Government	—	—	—	—
Public Safety	—	—	—	—
Transportation	852,184	887,118	203,447	683,671
Economic Environment	—	—	—	—
Culture and Recreation	—	—	—	—
Debt Service				
Principal	1,522	1,522	1,522	—
Interest	75	75	75	—
Bond Issuance Cost	—	—	—	—
Other	—	—	—	—
Total Expenditures and Encumbrances	<u>1,026,162</u>	<u>1,064,479</u>	<u>386,819</u>	<u>677,660</u>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(756,638)	(771,030)	(129,951)	641,079
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term Debt Issued	—	—	—	—
Sales of Capital Assets	—	—	—	—
Transfers In	392,452	394,275	159,145	(235,130)
Transfers Out	(100,893)	(102,026)	(26,535)	75,491
Total Other Financing Sources (Uses)	<u>291,559</u>	<u>292,249</u>	<u>132,610</u>	<u>(159,639)</u>
Net Change in Fund Balance	<u>\$ (465,079)</u>	<u>\$ (478,781)</u>	2,659	<u>\$ 481,440</u>
Budgetary Fund Balance - Beginning of Year			(29,386)	
Net Change in Encumbrances			3,410	
Net Change in Unappropriable Reserves			(76,523)	
Budgetary Fund Balance - End of Year			<u>(99,840)</u>	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			203,448	
Encumbrances			—	
Reimbursements				
Budgeted as Revenues			—	
Budgeted as Expenditures			—	
Fund Balance (GAAP) - End of Year			<u>\$ 103,608</u>	

**PENSION PLAN INFORMATION**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Firemen's and Police Relief and Pension funds are both pension plans that fail to meet the requirements of GASB Statement 68. The Firemen's and Police Relief and Pension funds continue to apply GASB Statement 27 until GASB Statement 73 becomes effective, and the required supplementary information (C4, C5) reports the long-term actuarial data on the 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.

Under GASB Statement 68, the City's cost-sharing multiple-employer plans are the Seattle City Employees' Retirement System (SCERS), the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1 (LEOFF1) and the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF2). As required by GASB Statement 68 the required supplementary information (C6, C7) reports a 10 year Schedule of Proportionate Share of the Net Pension Liability as of the plan's measurement date of the collective net pension liability, and a 10 year Schedule of Employer Contribution as of the City's most recent fiscal year-end.

PENSION PLAN INFORMATION

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AND RELATED RATIOS

December 31, 2017

(In Thousands)

*Police Relief and Pension Fund*

Year Ended	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Service Cost	\$ —	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	3,401	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	—	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or (losses)	—	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	1,689	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(5,593)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in pension liability	(503)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	93,459	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending	92,956	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered payroll	—	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability as a % of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

This schedule will be built prospectively until it contains ten years of data.

*Firefighters' Pension Fund*

Year Ended	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Service Cost	\$ —	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	3,623	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	—	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or (losses)	—	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	2,118	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(7,485)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in pension liability	(1,744)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	100,317	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending	98,573	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered payroll	—	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability as a % of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

This schedule will be built prospectively until it contains ten years of data.



**C-4**  
**Page 1 of 3**

**PENSION PLAN INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**Seattle City Employees' Retirement System**  
**December 31, 2016**  
**Last Ten Fiscal Years <sup>a</sup>**  
**(In Thousands)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Employer's proportion of the net pension liability (asset)	99.93%	99.91%	99.89%	N/A	N/A
Employer's proportionate share of the net pension liability	1,304,140	1,297,983	1,106,800	N/A	N/A
Employer's covered employee payroll	708,562	638,354	626,403	N/A	N/A
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	184.05%	203.33%	176.69%	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	65.60%	64.03%	67.70%	N/A	N/A
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Employer's proportion of the net pension liability (asset)	N/A	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability	N/A	N/A	N/A	N/A	N/A
Employer's covered employee payroll	N/A	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A	N/A	N/A	N/A

<sup>a</sup> This schedule will be built prospectively until it contains ten years of data.

**PENSION PLAN INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1**  
**June 30, 2017**  
**Last Ten Fiscal Years <sup>a</sup>**  
*(In Thousands)*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Employer's proportion of the net pension asset	3.55 %	3.55 %	3.55 %	3.55 %	N/A
Employer's proportionate share of the net pension asset	(53,981)	(36,619)	(42,771)	(43,065)	N/A
Employer's covered employee payroll	2,023	2,542	3,930	4,905	N/A
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	(2,668.36)%	(1,440.33)%	(1,088.29)%	(878.02)%	N/A
Plan fiduciary net position as a percentage of the total pension asset	135.96 %	123.74 %	127.36 %	126.91 %	N/A
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Employer's proportion of the net pension asset	N/A	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension asset	N/A	N/A	N/A	N/A	N/A
Employer's covered employee payroll	N/A	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension asset	N/A	N/A	N/A	N/A	N/A

<sup>a</sup> This schedule will be built prospectively until it contains ten years of data.

C-4  
Page 3 of 3

**PENSION PLAN INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2**  
**June 30, 2017**  
**Last Ten Fiscal Years <sup>a</sup>**  
**(In Thousands)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Employer's proportion of the net pension asset	9.17 %	9.36 %	9.31 %	9.40 %	N/A
Employer's proportionate share of the net pension asset	(127,282)	(54,489)	(95,637)	(125,076)	N/A
LEOFF 2 employers only - State's proportionate share of the net pension asset associated with the employer	(82,565)	(35,523)	(64,124)	(82,876)	N/A
<b>Total</b>	(209,847)	(90,012)	(159,761)	(207,952)	N/A
Employer's covered employee payroll	283,991	273,333	268,461	255,273	N/A
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	(44.82)%	(19.94)%	(35.62)%	(49.00)%	N/A
Plan fiduciary net position as a percentage of the total pension asset	113.36 %	106.04 %	111.67 %	116.75 %	N/A
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Employer's proportion of the net pension asset	N/A	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension asset	N/A	N/A	N/A	N/A	N/A
LEOFF 2 employers only - State's proportionate share of the net pension asset associated with the employer	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	N/A	N/A	N/A	N/A	N/A
Employer's covered employee payroll	N/A	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension asset	N/A	N/A	N/A	N/A	N/A

<sup>a</sup> This schedule will be built prospectively until it contains ten years of data.

**PENSION PLAN INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**Seattle City Employees' Retirement System**  
**December 31, 2017**  
**Last Ten Fiscal Years**  
*(In Thousands)*

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Contractually required employer contributions	107,900	100,614	89,363	N/A	N/A
Contributions in relation to the statutorily or contractually required contributions	108,500	100,614	89,363	N/A	N/A
Contribution deficiency (excess)	(600)	—	—	N/A	N/A
Covered employer payroll	708,562	638,354	626,403	N/A	N/A
Contributions as a percentage of covered employee payroll	15.31%	15.76%	14.27%	N/A	N/A
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Contractually required employer contributions	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the statutorily or contractually required contributions	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	N/A	N/A	N/A	N/A	N/A
Covered employer payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A

<sup>a</sup> This schedule will be built prospectively until it contains ten years of data.

C-5

Page 2 of 3

**PENSION PLAN INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1**  
**December 31, 2017**  
**Last Ten Fiscal Years <sup>a</sup>**  
**(In Thousands)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily or contractually required contributions <sup>b</sup>	—	—	—	—	N/A
Contributions in relation to the statutorily or contractually required contributions <sup>b</sup>	—	—	—	—	N/A
Contribution deficiency (excess)	—	—	—	—	N/A
Covered employer payroll	2,023	2,542	3,930	4,905	N/A
Contributions as a percentage of covered employee payroll	—%	—%	—%	—%	N/A
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Statutorily or contractually required contributions <sup>b</sup>	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the statutorily or contractually required contributions <sup>b</sup>	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	N/A	N/A	N/A	N/A	N/A
Covered employer payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A

<sup>a</sup> This schedule will be built prospectively until it contains ten years of data.

<sup>b</sup> LEOFF Plan 1 is fully funded, and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation.

**PENSION PLAN INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2**  
**December 31, 2017**  
**Last Ten Fiscal Years <sup>a</sup>**  
**(In Thousands)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily or contractually required contributions	15,300	14,332	13,638	13,249	N/A
Contributions in relation to the statutorily or contractually required contributions	15,300	14,332	13,638	13,249	N/A
Contribution deficiency (excess)	—	—	—	—	N/A
Covered employer payroll	283,991	273,333	268,461	255,273	N/A
Contributions as a percentage of covered employee payroll	5.23%	5.24%	5.08%	5.19%	N/A
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Statutorily or contractually required contributions	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the statutorily or contractually required contributions	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	N/A	N/A	N/A	N/A	N/A
Covered employer payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A

<sup>a</sup> This schedule will be built prospectively until it contains ten years of data.

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
National Institute Of Food And Agriculture, Department Of Agriculture (via Washington State Department of Health)	Food Insecurity Nutrition Incentive Grants Program	10.331	N21725-0 ORDINANCE 124962	317,266	-	317,266	-	
Food And Nutrition Service, Department Of Agriculture (via Washington Office of Superintendent of Public Instruction)	Child and Adult Care Food Program	10.558	159842	793,900	-	793,900	675,977	
Food And Nutrition Service, Department Of Agriculture (via Washington Office of Superintendent of Public Instruction)	Child and Adult Care Food Program	10.558	159842	236,467	-	236,467	-	
<b>Child Nutrition Cluster</b>				<b>1,030,366</b>	<b>-</b>	<b>1,030,366</b>	<b>675,977</b>	
Food And Nutrition Service, Department Of Agriculture (via Washington Office of Superintendent of Public Instruction)	Summer Food Service Program for Children	10.559	17804	563,463	-	563,463	518,013	
<b>Total Child Nutrition Cluster:</b>				<b>563,463</b>	<b>-</b>	<b>563,463</b>	<b>518,013</b>	
Food And Nutrition Service, Department Of Agriculture (via Washington State Department of Social and Health Services)	Senior Farmers Market Nutrition Program	10.576	1669-68461	51,400	-	51,400	-	6
National Oceanic And Atmospheric Administration, Department Of Commerce (via Washington State Recreation And Conservation Office)	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	NA17NMF438018 1	541,360	-	541,360	-	
Office Of Economic Adjustment, Department Of Defense	Community Economic Adjustment Assistance for Realignment or Closure of a Military Installation	12.607	HQ00051210044	-	2,575	2,575	-	
<b>CDBG - Entitlement Grants Cluster</b>								
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B15MC530005	-	65,422	65,422	-	

The accompanying notes are an integral part of this schedule.

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Total	Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards				
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	389,737	-	389,737	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B14/B15/B16/B17 MC530005	-	1,002,710	-	1,002,710	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B14/B15/MC5300 05	-	175,784	-	175,784	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B16MC530005	-	20,733	-	20,733	17,767	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	699,295	-	699,295	696,015	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	102,000	-	102,000	10,000	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B14MC530005	-	20,900	-	20,900	20,900	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B16MC530005	-	61,682	-	61,682	61,682	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	203,000	-	203,000	203,000	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B10MC530005	-	50,000	-	50,000	50,000	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	394,580	-	394,580	394,580	

The accompanying notes are an integral part of this schedule.



**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Total	Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards				
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	466,786	466,786	466,786		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	1,900,459	1,900,459	1,900,459		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	478,730	478,730	478,730		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	465,653	465,653	465,653		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	121,734	121,734	-		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	752,441	752,441	-		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	78,290	78,290	-		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	160,202	160,202	-		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	19,500	19,500	-		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	30,000	30,000	-		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	213,036	213,036	-		

The accompanying notes are an integral part of this schedule.

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Total	Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards				
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B15MC530005	-	248,580	-	248,580	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B17MC530005	-	90,960	-	90,960	-	
	<b>Total CDBG - Entitlement Grants Cluster:</b>			-	<b>8,212,214</b>	<b>4,765,572</b>	<b>8,212,214</b>	<b>4,765,572</b>	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Emergency Solutions Grant Program	14.231	E14-MC-53-0001	-	6,228	-	6,228	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Emergency Solutions Grant Program	14.231	E14-MC-53-0001	-	768,872	748,223	768,872	748,223	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Emergency Solutions Grant Program	14.231	E14-MC-53-0001	-	71,699	71,699	71,699	71,699	
	<b>Total CFDA 14.231:</b>			-	<b>846,799</b>	<b>819,923</b>	<b>846,799</b>	<b>819,923</b>	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M16-MC-530200	-	258,047	-	258,047	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M13MC53020	-	460,015	-	460,015	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M14-MC350200	-	16,008	-	16,008	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M15-MC-530200	-	714,015	-	714,015	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	NA	-	280,518	-	280,518	-	

The accompanying notes are an integral part of this schedule.

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Expenditures					Total	Passed through to Subrecipients	Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards			
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	NA	-	215,331	215,331	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M17-MC35-0200	-	226,225	226,225	-	
			<b>Total CFDA 14.239:</b>	-	<b>2,170,159</b>	<b>2,170,159</b>	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Housing Opportunities for Persons with AIDS	14.241	WAH15-F001	-	29,509	29,509	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Housing Opportunities for Persons with AIDS	14.241	WAH15-F001	-	932,315	932,315	932,315	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Housing Opportunities for Persons with AIDS	14.241	WAH14-F001	-	62,178	62,178	62,178	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Housing Opportunities for Persons with AIDS	14.241	WAH16F001	-	15,224	15,224	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Housing Opportunities for Persons with AIDS	14.241	WAH16F001	-	200,875	200,875	200,875	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Housing Opportunities for Persons with AIDS	14.241	WAH15-F001	-	18,131	18,131	-	
			<b>Total CFDA 14.241:</b>	-	<b>1,258,233</b>	<b>1,258,233</b>	<b>1,195,369</b>	
Office Of Community Planning and Development, Department of Housing and Urban Development	Community Development Block Grants/Brownfield Economic Development Initiative	14.246	B-99-BD-53-0015	-	1,439	1,439	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0037LOT0016 09	-	71,912	71,912	69,412	

The accompanying notes are an integral part of this schedule.

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0015LOT0015 08	-	94,397	94,397	93,882	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0032LOT0014 07	-	370	370	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0032LOT0015 08	-	421,535	421,535	415,572	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0287LOT0016 02	-	104,329	104,329	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0002LOT001 609	-	108,260	108,260	108,260	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0014LOT001 609	-	12,620	12,620	12,620	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0052LOT001 609	-	2,835	2,835	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0214LOT001 606	-	149,465	149,465	148,869	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0243LOT001 605	-	2,921	2,921	2,810	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0344LOT0015 00	-	2,743	2,743	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0010LOT001 609	-	78,636	78,636	74,743	

The accompanying notes are an integral part of this schedule.

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0012L0T00	-	151,527	151,527	146,965	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0018L0T0016 09	-	18,831	18,831	18,101	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0043L0T0015 08	-	78,444	78,444	78,444	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0024L0T0016 09	-	110,113	110,113	107,490	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0014L0T0015 08	-	12,511	12,511	12,511	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0045L0T0016 09	-	2,725	2,725	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0029L0T0015 08	-	23,732	23,732	22,125	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0053L0T0016 09	-	1,588	1,588	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0052L0T0015 08	-	379,232	379,232	372,698	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0028L0T0015 02	-	255,815	255,815	253,086	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0012L0T0015 08	-	372,122	372,122	368,800	

The accompanying notes are an integral part of this schedule.

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Total	Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards				
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0002L0T0015 08	-	534,946	534,946	531,277		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0213L0T0016 06	-	1,198	1,198	-		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0045L0T0015 08	-	32,315	32,315	31,658		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0227L0T0016 03	-	405,518	405,518	397,460		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0228L0T0016 09	-	17,274	17,274	16,630		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0013L0T0015 08	-	51,118	51,118	51,118		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0239L0T0016 06	-	217,778	217,778	215,057		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0244L0T0016 04	-	279,633	279,633	272,665		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0037L0T0015 08	-	47,912	47,912	47,863		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0053L0T0015 08	-	359,173	359,173	357,932		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0260L0T0016 04	-	597	597	-		

The accompanying notes are an integral part of this schedule.

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Total	Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards				
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0018L0T0015 08	-	211,634		211,634	208,580	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0201L0T0015 07	-	528,122		528,122	525,598	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0213L0T0015 05	-	161,133		161,133	158,702	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0295L0T00	-	610,736		610,736	607,305	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0214L0T0015 05	-	269,734		269,734	267,529	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0260L0T0014 02	-	54		54	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0260L0T0015 03	-	657,241		657,241	651,365	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0318L0T00	-	272,791		272,791	269,032	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0319L0T0016 01	-	256,082		256,082	256,082	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0259L0T0014 02	-	373		373	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0259L0T0015 03	-	143,719		143,719	140,722	

The accompanying notes are an integral part of this schedule.

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0346L0T0016 01	-	319,359	319,359	319,234	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0363L0T0016 00	-	85,833	85,833	85,833	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0364L0T0016 00	-	48,032	48,032	45,266	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0228L0T0015 05	-	21,559	21,559	21,028	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0239L0T0015 05	-	109,758	109,758	109,183	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0243L0T0015 04	-	26,218	26,218	25,689	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0242L0T0014 03	-	268	268	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0242L0T0015 04	-	527,446	527,446	521,401	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0296L0T0015 01	-	154,914	154,914	153,017	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0296L0T0015 01	-	220,335	220,335	219,253	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0244L0T0015 03	-	315,342	315,342	310,162	

The accompanying notes are an integral part of this schedule.



**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0318L0T0015 00	-	83,200	83,200	83,200	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0296L0T0015 01	-	363,714	363,714	362,149	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0287L0T0015 01	-	1,164,832	1,164,832	1,155,534	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0316L0T0015 00	-	75,608	75,608	70,383	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0349L0T0015 00	-	116,150	116,150	113,714	
Office Of Community Planning And Development, Department Of Housing And Urban Development (via King County)	Continuum of Care Program	14.267	N/A	91,837	-	91,837	-	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	wa0010I0001508	-	45,098	45,098	42,812	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0024L0T0015 08	-	93,000	93,000	92,414	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0319L0T0015 00	-	276,860	276,860	274,646	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0347L0T0015 00	-	257,932	257,932	255,718	
			<b>Total CFDA 14.267:</b>	<b>91,837</b>	<b>11,821,202</b>	<b>11,913,039</b>	<b>11,573,603</b>	
Office Of Fair Housing And Equal Opportunity, Department Of Housing And Urban Development	Fair Housing Assistance Program State and Local	14.401	FF-210-K13-1006	-	26,062	26,062	-	

The accompanying notes are an integral part of this schedule.

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Office Of Fair Housing And Equal Opportunity, Department Of Housing And Urban Development	Fair Housing Assistance Program State and Local	14.401	FF-201-K16-1006	-	52,100	52,100	-	
			<b>Total CFDA 14.401:</b>	-	<b>78,162</b>	<b>78,162</b>	-	
Office Of Public And Indian Housing, Department Of Housing And Urban Development (via Seattle Housing Authority)	Public and Indian Housing	14.850	CHANGE ORDER 9/INTER LOCAL	377,587	-	377,587	-	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice	Community-Based Violence Prevention Program	16.123	2014-NY-FX- K003	-	373,037	373,037	162,855	
Office For Victims Of Crime, Department Of Justice	Services for Trafficking Victims	16.320	2015-VT-BX- K052	-	241,255	241,255	1,143	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice	Missing Children's Assistance	16.543	2015-MC-FX- K039	-	607,162	607,162	55,799	
National Institute Of Justice, Department Of Justice	National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2016-CK-BX- 0005	-	6,540	6,540	-	
Violence Against Women Office, Department Of Justice	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2009-WE-AX- 0008	-	349,385	349,385	260,907	
Violence Against Women Office, Department Of Justice	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2009-WE-AX- 0008	-	92,766	92,766	77,846	
Bureau Of Justice Assistance, Department Of Justice (via Washington Association of Sheriffs and Police Chiefs)	Project Safe Neighborhoods	16.609	PSN-2015-002	22,523	-	22,523	-	
Office Of Community Oriented Policing Services, Department Of Justice	Public Safety Partnership and Community Policing Grants	16.710	2013-LU-WX- 0024	-	179,648	179,648	-	
			<b>Total CFDA 16.590:</b>	-	<b>442,151</b>	<b>442,151</b>	<b>338,752</b>	

The accompanying notes are an integral part of this schedule.

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Office Of Community Oriented Policing Services, Department Of Justice	Public Safety Partnership and Community Policing Grants	16.710	2014-ULWX- 0015	-	401,547	401,547	-	
			<b>Total CFDA 16.710:</b>	-	<b>581,195</b>	<b>581,195</b>	-	
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0630	-	5,306	5,306	-	
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0526	-	293	293	-	
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-1034	-	151,961	151,961	142,315	
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0552	-	133,832	133,832	132,756	
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DE-BX- K007	-	83,776	83,776	-	
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0138	-	196,987	196,987	100,386	
			<b>Total CFDA 16.738:</b>	-	<b>572,154</b>	<b>572,154</b>	<b>375,457</b>	
National Institute Of Justice, Department Of Justice	Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	2016-CD-BX- 0075	-	6,840	6,840	-	
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Competitive Grant Program	16.751	2015-DG-BX- K011	-	204,611	204,611	-	
Bureau Of Justice Assistance, Department Of Justice	Second Chance Act Reentry Initiative	16.812	2015-CZ-BX- 0013	-	173,991	173,991	-	
Criminal Division, Department Of Justice	Equitable Sharing Program	16.922	N/A	-	511,621	511,621	-	
Criminal Division, Department Of Justice	Equitable Sharing Program	16.922	N/A	-	27,037	27,037	-	
Criminal Division, Department Of Justice	Equitable Sharing Program	16.922	N/A	-	3,261	3,261	-	

The accompanying notes are an integral part of this schedule.

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures						Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients	
Criminal Division, Department Of Justice	Equitable Sharing Program	16.922	N/A	-	42,988	42,988	-	
Criminal Division, Department Of Justice		16.922	N/A	-	2,139	2,139	-	
			<b>Total CFDA 16.922:</b>	-	<b>587,046</b>	<b>587,046</b>	-	
<b>Highway Planning and Construction Cluster</b>								
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	LA-7507 & LA- 7509	6,007	-	6,007	-	
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	BRM-1560(001)	4,869,303	-	4,869,303	-	
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	SRTS-1140(058)	1,688	-	1,688	-	
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	TAP-1140(057)	498,761	-	498,761	-	
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	TAP-1140(059)	61,492	-	61,492	-	
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	SRTS-1140(062)	16,682	-	16,682	-	
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	POMVIP- 0522(060)	2,001	-	2,001	-	
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	TAP-1595(001)	100,889	-	100,889	-	

The accompanying notes are an integral part of this schedule.

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Passed through to Subrecipients	
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	BHM-1758(002)	7,439	-	-	7,439
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	BROS-1140(066)	1,133,426	-	-	1,133,426
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	CM-1450(004)	863,299	-	-	863,299
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	STPUL- 1140(065)	838,450	-	-	838,450
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	GCB2370	148,757	-	-	148,757
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	CM-1551(002)	4,591,201	-	-	4,591,201
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	HSIP-000S(469)	1,266	-	-	1,266
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	HSIP-000S(471)	1,396	-	-	1,396
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	GSB2380	33,275	-	-	33,275
<b>Total Highway Planning and Construction Cluster:</b>				<b>13,175,331</b>	<b>-</b>	<b>-</b>	<b>13,175,331</b>

The accompanying notes are an integral part of this schedule.

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
<b>Federal Transit Cluster</b>								
Federal Transit Administration (fta), Department Of Transportation (via King County)	Federal Transit Capital Investment Grants	20.500	WA-03-0245	27,244	-	27,244	-	
Federal Transit Administration (fta), Department Of Transportation (via King County)	Federal Transit Capital Investment Grants	20.500	WA-04-0099	78,375	-	78,375	-	
FEDERAL TRANSIT ADMINISTRATION, DEPARTMENT OF (via King County)	Federal Transit Capital Investment Grants	20.500	WA-03-0245	11,979	-	11,979	-	
			<b>Total CFDA 20.500:</b>	<b>117,598</b>	-	<b>117,598</b>	-	
Federal Transit Administration (fta), Department Of Transportation	Federal Transit Formula Grants	20.507	WA-2016-013-00	-	194,057	194,057	-	
Federal Transit Administration (fta), Department Of Transportation	Federal Transit Formula Grants	20.507	WA-2017-085-00	-	9,266	9,266	-	
Federal Transit Administration (fta), Department Of Transportation (via King County)	Federal Transit Formula Grants	20.507	WA-95-X043	21,157	-	21,157	-	
Federal Transit Administration (fta), Department Of Transportation	Federal Transit Formula Grants	20.507	WA-2017-004-00	-	600,000	600,000	-	
Federal Transit Administration (fta), Department Of Transportation	Federal Transit Formula Grants	20.507	WA-90-X559-00	-	178,544	178,544	-	
			<b>Total CFDA 20.507:</b>	<b>21,157</b>	<b>981,867</b>	<b>1,003,024</b>	-	
			<b>Total Federal Transit Cluster:</b>	<b>138,755</b>	<b>981,867</b>	<b>1,120,621</b>	-	
<b>Transit Services Programs Cluster</b>								
Federal Transit Administration (fta), Department Of Transportation (via Washington State Department of Transportation)	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	GCB2685	81,801	-	81,801	81,801	
			<b>Total Transit Services Programs Cluster:</b>	<b>81,801</b>	-	<b>81,801</b>	<b>81,801</b>	

**Highway Safety Cluster**

The accompanying notes are an integral part of this schedule.

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures						Total	Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards					
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	CP17-05	78,157	-	78,157	-	-		
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	MX617-02	45,209	-	45,209	-	-		
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	MAP-21	3,844	-	3,844	-	-		
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	MAP-21	3,044	-	3,044	-	-		
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	MAP-21	3,949	-	3,949	-	-		
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	MAP-21	7,730	-	7,730	-	-		
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	MAP-21	796	-	796	-	-		
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	MAP-21	10,014	-	10,014	-	-		
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	2018-HVE-2352	9,726	-	9,726	-	-		
	<b>Total Highway Safety Cluster:</b>			<b>162,469</b>	-	<b>162,469</b>	-	-		

The accompanying notes are an integral part of this schedule.

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Department Of The Treasury, Department Of The Treasury	Equitable Sharing	21.016	N/A	-	245,636	245,636	-	
National Endowment For The Arts	Promotion of the Arts Grants to Organizations and Individuals	45.024	14-4292-7070	-	18,000	18,000	-	
National Science Foundation (via University of Washington)	Education and Human Resources	47.076	DRL 1516562	129,941	-	129,941	-	
<b>Clean Water State Revolving Fund Cluster</b>								
Office Of Water, Environmental Protection Agency (via Washington State Department of Ecology)	Capitalization Grants for Clean Water State Revolving Funds	66.458	WQC-2016- SeaPUD-00192	2,364,654	-	2,364,654	-	4
<b>Total Clean Water State Revolving Fund Cluster:</b>				<b>2,364,654</b>	<b>-</b>	<b>2,364,654</b>	<b>-</b>	
Department Of Energy (via Washington State Department of Commerce)	Weatherization Assistance for Low-Income Persons	81.042	F15-92301-001	122,017	-	122,017	-	
Department Of Energy (via Washington State Department of Commerce)	Weatherization Assistance for Low-Income Persons	81.042	F15-43104-404	41,731	-	41,731	-	
Department Of Energy (via Washington State Department of Commerce)	Weatherization Assistance for Low-Income Persons	81.042	F17-53104-404	824	-	824	-	
Department Of Energy (via Washington State Department of Commerce)	Weatherization Assistance for Low-Income Persons	81.042	F16-43103-404	281,387	-	281,387	-	
Department Of Energy (via Washington State Department of Commerce)	Weatherization Assistance for Low-Income Persons	81.042	F17-53103-404	14,075	-	14,075	-	
Department Of Energy (via Washington State Department of Commerce)	Weatherization Assistance for Low-Income Persons	81.042	F15-92301-001	27,549	-	27,549	-	
Department Of Energy (via Washington State Department of Commerce)	Weatherization Assistance for Low-Income Persons	81.042	F15-43104-404	13,219	-	13,219	-	
Department Of Energy (via Washington State Department of Commerce)	Weatherization Assistance for Low-Income Persons	81.042	F17-53104-404	345	-	345	-	
Department Of Energy (via Washington State Department of Commerce)	Weatherization Assistance for Low-Income Persons	81.042	F16-43103-404	85,842	-	85,842	-	

The accompanying notes are an integral part of this schedule.



**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Department Of Energy (via Washington State Department of Commerce)	Weatherization Assistance for Low-Income Persons	81.042	F17-53103-404	5,896	-	5,896	-	
			<b>Total CFDA 81.042:</b>	<b>592,885</b>	<b>-</b>	<b>592,885</b>	<b>-</b>	
Department Of Energy	Conservation Research and Development	81.086	Award No. DE- EE0007556	-	268,609	268,609	-	
<b>TRIO Cluster</b>								
Office Of Postsecondary Education, Department Of Education	TRIO Upward Bound	84.047	POA7A120661- 15	-	139,476	139,476	-	
Office Of Postsecondary Education, Department Of Education	TRIO Upward Bound	84.047	P047A170231	-	254,114	254,114	-	
			<b>Total TRIO Cluster:</b>	<b>-</b>	<b>393,590</b>	<b>393,590</b>	<b>-</b>	
Office Of Elementary And Secondary Education, Department Of Education	Twenty-First Century Community Learning Centers	84.287	991104	-	263,654	263,654	-	
Administration For Community Living, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	1469-93697	17,886	-	17,886	17,886	
Administration For Community Living, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	1469-93697	83,619	-	83,619	83,619	
<b>Aging Cluster</b>								
Administration For Community Living, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	1669-53835	800,404	-	800,404	286,650	
Administration For Community Living, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	1669-53835	1,435,781	-	1,435,781	768,871	
			<b>Total CFDA 93.044:</b>	<b>2,236,184</b>	<b>-</b>	<b>2,236,184</b>	<b>1,055,521</b>	

The accompanying notes are an integral part of this schedule.

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Administration For Community Living, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	1669-53835	1,860,293	-	1,860,293	1,755,293	
Administration For Community Living, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	1669-53835	909,337	-	909,337	864,337	
Administration For Community Living, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Nutrition Services Incentive Program	93.053	1669-53835	590,421	-	590,421	590,421	
	<b>Total CFDA 93.045:</b>			<b>2,769,630</b>	<b>-</b>	<b>2,769,630</b>	<b>2,619,630</b>	
Administration For Community Living, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Alzheimer's Disease Demonstration Grants to States	93.051	1469-26576	19,917	-	19,917	16,452	
	<b>Total Aging Cluster:</b>			<b>5,596,235</b>	<b>-</b>	<b>5,596,235</b>	<b>4,265,572</b>	
Administration For Community Living, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	National Family Caregiver Support, Title III, Part E	93.052	1469-93697	287,204	-	287,204	135,347	
Administration For Community Living, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	National Family Caregiver Support, Title III, Part E	93.052	1469-93697	483,262	-	483,262	376,687	
	<b>Total CFDA 93.052:</b>			<b>770,466</b>	<b>-</b>	<b>770,466</b>	<b>512,034</b>	
Administration For Community Living, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Medicare Enrollment Assistance Program	93.071	1469-28486	29,176	-	29,176	26,885	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Public Health - Seattle & King County)	Partnerships to Improve Community Health	93.331	PHSKC Agreement # 1046 CDJIP	89,165	-	89,165	-	

The accompanying notes are an integral part of this schedule.

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Administration on Aging, Department of Health and Human Services (via Washington State Department of Social and Health Services)	Affordable Care Act – Aging and Disability Resource Center	93.517	1369-78479	14,506	-	14,506	335	
Administration For Children And Families, Department Of Health And Human Services (via Washington State Department of Commerce)	Low-Income Home Energy Assistance	93.568	F 16-43101-404	500,506	-	500,506	-	
Administration For Children And Families, Department Of Health And Human Services (via Washington State Department of Commerce)	Low-Income Home Energy Assistance	93.568	F 17-53101-404	162,405	-	162,405	-	
Administration For Children And Families, Department Of Health And Human Services (via Washington State Department of Commerce)	Low-Income Home Energy Assistance	93.568	F 16-43101-404	116,677	-	116,677	-	
Administration For Children And Families, Department Of Health And Human Services (via Washington State Department of Commerce)	Low-Income Home Energy Assistance	93.568	F 17-53101-404	68,026	-	68,026	-	
			<b>Total CFDA 93.568:</b>	<b>847,615</b>	<b>-</b>	<b>847,615</b>	<b>-</b>	
Administration For Children And Families, Department Of Health And Human Services (via Washington State Department of Commerce)	Community Services Block Grant	93.569	F 16-32101-005	175,676	-	175,676	-	
<b>Medicaid Cluster</b>								
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1669-68461	5,179,006	-	5,179,006	1,909,951	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1769-93487	4,920,217	-	4,920,217	2,136,940	

The accompanying notes are an integral part of this schedule.

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1669-53835	27,298	-	27,298	481	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1769-93487	31,727	-	31,727	539	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1669-68461	265,487	-	265,487	-	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1769-93487	232,159	-	232,159	-	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1669-68461	369,947	-	369,947	96,872	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1769-93487	474,572	-	474,572	138,364	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1669-68461	5,701	-	5,701	-	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1669-67762	677,194	-	677,194	644,946	

The accompanying notes are an integral part of this schedule.

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1769-93487	706,940	-	706,940	673,276	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1669-67762	64,648	-	64,648	61,569	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1769-93487	63,466	-	63,466	60,444	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1669-67762	3,105	-	3,105	2,957	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1769-93487	3,999	-	3,999	3,808	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1669-74059	110,759	-	110,759	95,137	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	CONTRACT# 100	26,106	-	26,106	-	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1769-81057	100,000	-	100,000	-	

The accompanying notes are an integral part of this schedule.

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1769-95402	407,076	-	407,076	46,034	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1669-74059	132,706	-	132,706	1,172	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1769-93487	116,165	-	116,165	4,705	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via University of Washington)	Medical Assistance Program	93.778	UWSC8526	94,698	-	94,698	38,533	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via University of Washington)	Money Follows the Person Rebalancing Demonstration	93.791	UWSC8526	36,345	-	36,345	-	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Money Follows the Person Rebalancing Demonstration	93.791	1669-68461	1,486	-	1,486	-	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Washington State Department of Social and Health Services)	Money Follows the Person Rebalancing Demonstration	93.791	1769-93487	1,402	-	1,402	-	
United States Coast Guard (uscg), Department Of Homeland Security (via Washington State Parks and Recreation Commission)	Boating Safety Financial Assistance	97.012	3317-FAS-170153	39,308	-	39,308	-	
			<b>Total CFDA 93.791:</b>	<b>39,233</b>	<b>-</b>	<b>39,233</b>	<b>-</b>	
			<b>Total Medicaid Cluster:</b>	<b>14,012,975</b>	<b>-</b>	<b>14,012,975</b>	<b>5,915,730</b>	

The accompanying notes are an integral part of this schedule.

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	SFD-Pierce Co MOA for WA Task Force 1	45,150	-	45,150	5
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	SFD-Pierce Co MOA for WA Task Force 1	586	-	586	5
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	SFD-Pierce Co MOA for WA Task Force 1	1,305	-	1,305	5
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	SFD-Pierce Co MOA for WA Task Force 1	484,124	-	484,124	5
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	SFD-Pierce Co MOA for WA Task Force 1	110,908	-	110,908	5
<b>Total CFDA 97.025:</b>				<b>642,074</b>	<b>-</b>	<b>642,074</b>	
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	WADR 4243	32,570	-	32,570	5
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	E08-822, 1734-Dr WA	19,098	-	19,098	5
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 4309 PW-156	24,983	-	24,983	5
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-WA-4056	11,697	-	11,697	5
<b>Total CFDA 97.036:</b>				<b>88,347</b>	<b>-</b>	<b>88,347</b>	

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington State Military Department)	Hazard Mitigation Grant	97.039	N/A	30,217	-	30,217	-	5
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington State Military Department)	Emergency Management Performance Grants	97.042	EMW-2016-EP-00002-S01	214,142	-	214,142	-	5
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington State Military Department)	Emergency Management Performance Grants	97.042	EMS-2017-EP-00004-S01	147,124	-	147,124	-	5
<b>Total CFDA 97.042:</b>				<b>361,266</b>	<b>-</b>	<b>361,266</b>	<b>-</b>	
<b>Research &amp; Development Cluster</b>								
Federal Emergency Management Agency (fema), Department Of Homeland Security (via University of Arizona)	Assistance to Firefighters Grant	97.044	EMW-2013-FP-00351	21,286	-	21,286	-	5
<b>Total Research &amp; Development Cluster:</b>				<b>21,286</b>	<b>-</b>	<b>21,286</b>	<b>-</b>	
Federal Emergency Management Agency (fema), Department Of Homeland Security	Port Security Grant Program	97.056	EMW-2015-PU-00230	-	445,502	445,502	21,518	5
Federal Emergency Management Agency (fema), Department Of Homeland Security	Port Security Grant Program	97.056	EMW-2016-PU-00029	-	1,016,319	1,016,319	14,430	5
Federal Emergency Management Agency (fema), Department Of Homeland Security	Port Security Grant Program	97.056	EMW-2016-PU-00223-S01	-	59	59	-	5
<b>Total CFDA 97.056:</b>				<b>-</b>	<b>1,461,880</b>	<b>1,461,880</b>	<b>35,948</b>	
Federal Emergency Management Agency (fema), Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	FFY15-SHSP-SFD	40,777	-	40,777	-	5
Federal Emergency Management Agency (fema), Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	FFY16-SHSP-SFD	240,282	-	240,282	93,917	5

The accompanying notes are an integral part of this schedule.



**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington State Military Department)	Homeland Security Grant Program	97.067	E16-078	133,594	-	133,594	3,144	5
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington State Military Department)	Homeland Security Grant Program	97.067	E17-089	483,497	-	483,497	278,141	5
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington State Military Department)	Homeland Security Grant Program	97.067	EMW-2015-SS-00013-S01	824,682	-	824,682	194,346	5
Federal Emergency Management Agency (fema), Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	EMW-2015-SS-00013-S01	28,612	-	28,612	-	5
Federal Emergency Management Agency (fema), Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	EMW-2015-SS-00013-S01	34,537	-	34,537	-	5
Federal Emergency Management Agency (fema), Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	EMW-2015-SS-00013-S01	51,422	-	51,422	-	5
Federal Emergency Management Agency (fema), Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	EMW-2015-SS-00013-S01	52,538	-	52,538	6,738	5
Federal Emergency Management Agency (fema), Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	EMW-2016-SS-00005-S01	55,547	-	55,547	-	5
Federal Emergency Management Agency (fema), Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	EMW-2016-SS-00005-S01	137,128	-	137,128	123,203	5
Federal Emergency Management Agency (fema), Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	EMW-2016-SS-00005-S01	55,573	-	55,573	-	5

The accompanying notes are an integral part of this schedule.

**City of Seattle**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Federal Emergency Management Agency (fema), Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	EMW-2016-SS- 00005-S01	41,294	-	41,294	37,436	5
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington State Military Department)	Homeland Security Grant Program	97.067	EMW-2016-SS- 000005-S01	316,605	-	316,605	20,912	5
Federal Emergency Management Agency (fema), Department Of Homeland Security (via Washington State Military Department)	Homeland Security Grant Program	97.067	EMW-2014-SS- 0016-S01	-	-	-	41,314	8
			<b>Total CFDA 97.067:</b>	<b>2,496,089</b>	<b>-</b>	<b>2,496,089</b>	<b>799,151</b>	
Office Of Health Affairs (oha), Department Of Homeland Security	Homeland Security Biowatch Program	97.091	2011-OH-091- 000028-06	-	536,416	536,416	-	
Office Of Health Affairs (oha), Department Of Homeland Security	Homeland Security Biowatch Program	97.091	2011-OH-091- 000028-07	-	543,879	543,879	-	
			<b>Total CFDA 97.091:</b>	<b>-</b>	<b>1,080,295</b>	<b>1,080,295</b>	<b>-</b>	
			<b>Total Federal Awards Expended:</b>	<b>45,016,692</b>	<b>32,900,295</b>	<b>77,916,987</b>	<b>32,237,876</b>	

**CITY OF SEATTLE**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2017**

**NOTE 1 - BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the City's financial statements. Expenditures represent only the federally funded portions of the program. The City uses the modified accrual basis in its governmental funds and the full accrual basis of accounting in its proprietary funds.

**NOTE 2 - PROGRAM COST**

The amounts shown as expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City's portion may be more than shown.

**NOTE 3 – SECTION 108 LOANS**

The City participates in HUD's Section 108 Loan Guarantee Program (Section 108). As of December 31, 2017, the outstanding loans due to HUD totaled \$9.8 million. A summary of projects with outstanding loan balances is as follows:

Project	Outstanding Loan Balances as of December 31, 2017
Lewiston Hotel	\$ 545,000
Thornton Creek	\$ 1,912,000
Bush Hotel	\$ 1,248,000
Lake Dell	\$ 790,000
Claremont Apartments	\$ 1,846,000
INSCAPE	\$ 2,599,000
12th Avenue Arts	\$ 833,000
	<u>\$ 9,773,000</u>

These loans are not considered to have continuing compliance requirements under 2 CFR §200.502(b) of the Uniform Guidance, and therefore, are only reported on the SEFA in the year in which funds are expended and drawn.

The City did not establish any new loans neither in 2017 nor in 2016.

**NOTE 4 – EPA CLEAN WATER STATE REVOLVING FUND (CFDA 66.458)**

The City receives Federal revolving grant funds from the U.S. Environmental Protection Agency (EPA) Office of Water. These funds are passed to the City through the Washington State Department of Ecology as loans under CFDA 66.458, Capitalization Grants for Clean Water State Revolving Fund. The EPA has stated in the Compliance Supplement that these loans are not considered to have continuing compliance requirements, and that the amount of Federal funds expended to be reported on the Schedule of Expenditures of Federal Awards (SEFA) should include project expenditures incurred under these loans during the audit period.

The expenditures of these funds were not reported on the prior years' SEFAs. The following schedule presents a summary of the federal awards expended under CFDA 66.458 during reporting years 2015 through 2017:

Reporting Year	Expenditures Incurred
2015	\$15,612,937.44
2016	17,760,345.09
2017	2,364,653.89
	<u>\$35,737,936.42</u>

**NOTE 5 - GRANTS FROM FEMA, DEPARTMENT OF HOMELAND SECURITY**

The City reports these funds on the SEFA when grant proceeds were received rather than when expenditures were incurred due to the nature of project acceptance and reimbursement from the federal agency.

**NOTE 6 – NONCASH AWARDS – FOOD VOUCHERS**

The amount reported for the USDA Senior Farmers Market Nutrition Program includes \$51,400 allocated for food vouchers provided through the Washington Department of Social and Health Services. Distribution of vouchers is overseen by the City's Aging and Disability Services (ADS) Division of the Human Services Department.

**NOTE 7 – INDIRECT COST RATE**

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 8 – EQUIPMENT AND SUPPLIES PASSED THROUGH TO SUBRECIPIENTS**

The City purchases and transfers supplies and equipment to the subrecipients. These purchases are reported as grant expenditures on the SEFA the year they occur and are reported in the "Passed Through to Subrecipients" column the year the assets are transferred to subrecipients.



City of Seattle

Jenny A. Durkan, Mayor

Human Services Department

Jason Johnson, Interim Director

## CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

City of Seattle

January 1, 2017 through December 31, 2017

This schedule presents the corrective action planned by the City for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

<b>Finding ref number:</b> 2017-001	<b>Finding caption:</b> The City did not have adequate internal controls in place to ensure compliance with federal reporting requirements of the Community Development Block Grant.
<b>Name, address, and telephone of City’s contact person:</b> Tina Inay, Risk Manager, OOC City of Seattle, Human Services Department 700 5 <sup>th</sup> Avenue, SMT-58-00 Seattle, WA 98104 206-684-7622	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>(If the auditee does not concur with the finding, the auditee must list the reasons for non-concurrence).</i> <b>Reporting</b> <i>SF-425 is a Federal Financial Report that is required to be completed and submitted to the Department of Housing and Urban Development (HUD) on a quarterly basis. However, no reports were prepared in 2017. The Human Services Department acknowledges the 2017 CDBG Report, SF-425, was not completed and submitted to HUD on a quarterly basis. At this point in time, the 2017 reports are complete. HSD is implementing measures to ensure that the report continues to be completed consistently on a quarterly basis, moving forward.</i>	
<b>Anticipated date to complete the corrective action:</b> <i>No later than 3<sup>rd</sup> quarter, 2018.</i>	

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

<b>Contact information for the State Auditor's Office</b>	
<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>