



The City of Seattle Washington Comprehensive Annual Financial Report

December 31, 2004



The City of Seattle **Washington**

Comprehensive Annual Financial Report

December 31, 2004



Department of Executive Administration

Introduction

Comprehensive Annual Financial Report

For Year Ended December 31, 2004

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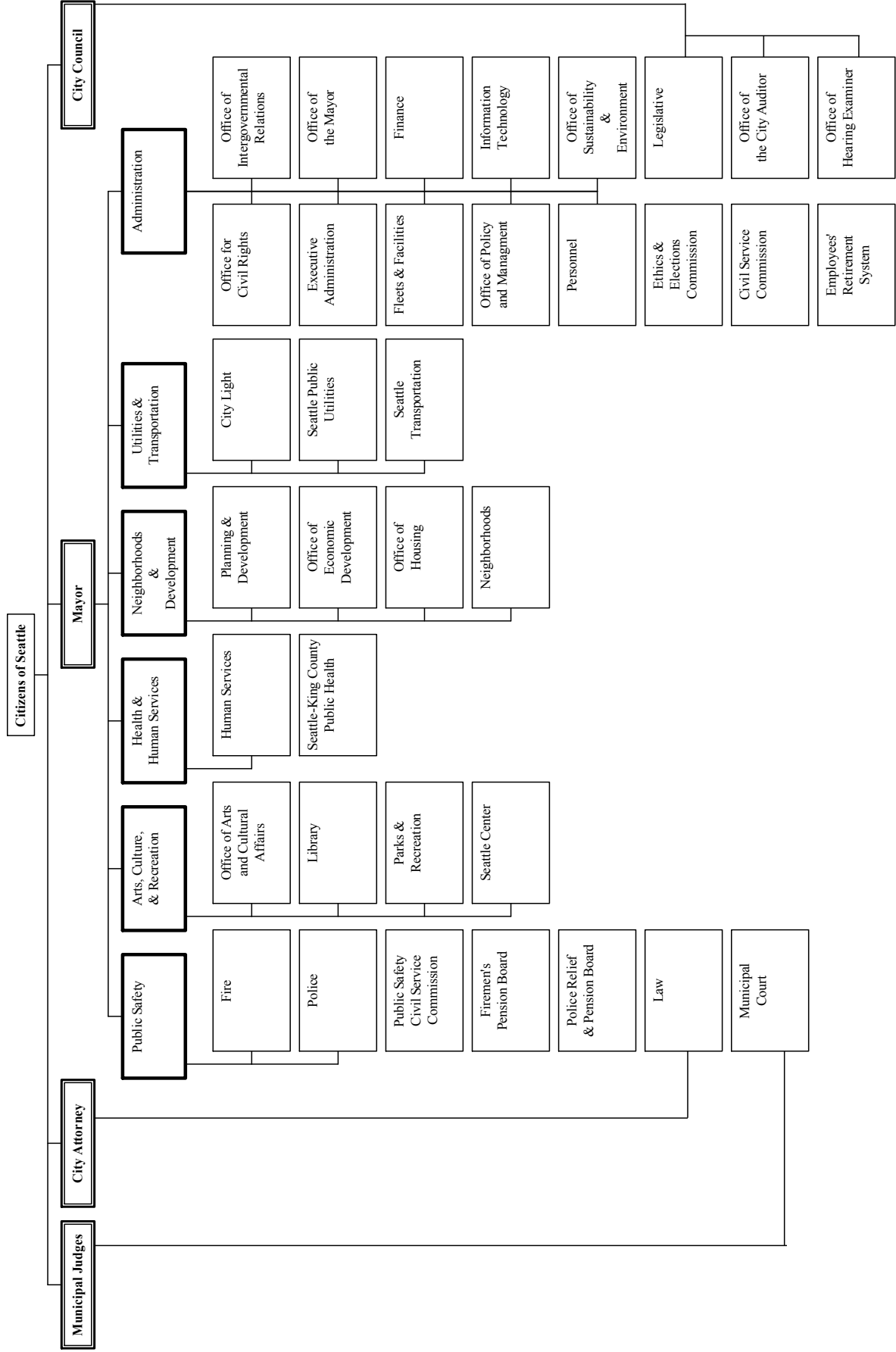
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CITY OF SEATTLE ELECTED OFFICIALS



Gregory J. Nickels
Mayor



Thomas A. Carr
City Attorney

CITY COUNCIL



Jim Compton



Richard Conlin



David Della



Jan Drago
Council President



Jean Godden



Nick Licata



Richard J. McIver



Tom Rasmussen



Peter Steinbrueck

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City of Seattle Department of Finance

Dwight Dively, Director
Gregory J. Nickels, Mayor



June 28, 2005

The Honorable Mayor and
Members of the City Council:

I am pleased to submit to you the 2004 Comprehensive Annual Financial Report (CAFR) of the City of Seattle, Washington. The Department of Executive Administration has prepared this report to present the financial position of the City of Seattle on December 31, 2004, and the results of its operations and the cash flows of its proprietary fund types and changes in plan net assets of its pension and private-purpose trust funds for the year then ended. The financial statements and supporting schedules have been prepared in accordance with generally accepted accounting principles and meet the requirements of the State Auditor and the City Charter.

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

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

This is the third year the City prepared the CAFR using the new financial reporting requirements as prescribed by the GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This new GASB statement requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditor.

Profile of the Government

The City of Seattle was incorporated on December 2, 1869. The City operates under a City Charter adopted on March 12, 1946, providing for a nonpartisan Mayor-Council form of government. The City Council is composed of nine members elected at large to four-year terms. The City provides the full range of municipal services authorized by its charter and operates four rate-funded utilities.

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

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

Budgets and Budgetary Accounting

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

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

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

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

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

Factors Affecting Financial Condition

The Puget Sound region was hit hard by the 2001 recession. Between December 2000 and September 2003 the region lost about 7 percent of its jobs, compared with 3 percent for the State of Washington and 2 percent for the nation. The recession had a major effect on the City of Seattle's revenues, especially certain General Fund tax revenues and revenues derived from tourism and entertainment that are deposited in funds such as the Seattle Center Fund.

The region began to recover from the recession in late 2003. Employment growth accelerated throughout 2004 and approximately half of the job losses due to the recession were recovered by the end of the year. Construction activity began to increase as new commercial, residential, and transportation projects were started. The region's housing market continued to exhibit strong growth, with the proceeds of the City's Real Estate Excise Tax setting an all-time record in 2004. Stronger than expected economic growth provided a boost to several General Fund revenues late in the year, with final sales tax receipts exceeding the November 2004 forecast by 2.1 percent. As a result of this late growth, the City deposited \$3.5 million into the Revenue Stabilization Account, which is intended to provide a cushion for future economic downturns.

Economic outlook

Most economic forecasts predict continued national economic growth through 2008. Employment forecasts for the Puget Sound region have been raised to about 2.5 percent in 2005 and 2.2 percent in 2006. Boeing has started to add jobs as sales of its 737 and new 787 aircraft accelerate. Microsoft continues to expand its facilities and add employees in the region. Several major employers, including Washington Mutual and Safeco, announced plans to expand their facilities in Seattle and to increase employment. Several new office, residential, and biotechnology projects are underway in the South Lake Union neighborhood.

This economic growth is reflected in forecasts of the City's revenues. Sales tax receipts are projected to grow by 4.9 percent in 2005 and 4.0 percent in 2006. The Business and Occupation (B&O) tax, which has a broader base than the sales tax, is forecast to grow by 5.1 percent in 2005 and 4.8 percent in 2006. Some utility revenues, notably electricity sales, are also expected to grow as economic activity generates more demand.

The two biggest threats to the regional economy are a national economic slowdown or a rapid increase in inflation. There is some concern that high oil prices and the budget and trade deficits could hurt the national economy and thus reduce demand for goods and services produced in the Puget Sound area. There are some signs that inflation is picking up both nationally and regionally, with the Seattle Consumer Price Index moving from the one-percent annual growth range in early 2004 to the two-percent range by late 2004. High inflation poses a problem for Washington governments because increases in property tax revenue are capped at one percent annually, plus the value of new construction, under the terms of Initiative 747.

MAJOR INITIATIVES

2005-2006 Budget: The 2005-2006 biennial budget was adopted in November 2004. Initial estimates suggested that projected 2005 General Fund expenses would exceed available revenues by about \$25 million due to a combination of slow revenue growth, operating costs for new voter-approved facilities, and the use of some one-time funds to balance the 2004 budget. The Mayor's Proposed Budget included some fee changes but no tax increases and was balanced by eliminating several lower-priority programs such as the City print shop. The City Council accepted most of the Mayor's proposals but increased certain utility taxes by 1.5 percent to restore some cuts in transportation, library, and other functions. The

Adopted 2005 General Fund Budget totals \$687.5 million and the Endorsed 2006 Budget is \$699.8 million. No cuts were made in uniformed police and fire staffing or library and community center hours.

Several non-General Fund budget issues also received considerable attention. The Water Utility in Seattle Public Utilities had no rate increase as a result of continued efficiencies found through its asset management program. The Fleets and Facilities Department established a new asset preservation program to create major maintenance reserves for City office buildings and shops. The deficit in the Seattle Center Fund was addressed by agreeing to sell certain surplus parking lots for private development. The overall 2005 Adopted Budget totals \$2.827 billion and the 2006 Endorsed Budget is \$2.836 billion.

Streetlights: In November 2003 the State Supreme Court ruled that the City's practice of having Seattle City Light pay for streetlights through utility rates was unconstitutional. This required the City's General Fund to assume about \$6.0 million of annual expenses for streetlights. This change in funding source was made the day after the Court's ruling. The Supreme Court remanded the case to the Superior Court for consideration of other issues and to determine whether refunds of prior streetlight payments would be needed.

In September 2004 the Superior Court issued its rulings on these issues. The Court found that the City used appropriate cost allocation methods to charge the Light Fund in virtually all cases but ordered that the General Fund could not charge the Light Fund for the costs of the Mayor's Office and a small business assistance program. The Court ordered refunds of four years of these payments. The City made these refunds in 2004 and discontinued the practice for future years. The City made a similar change for charges to other utility funds.

The Court also ruled that the City's 1% for Art program could not be applied to City Light. The Utility would be allowed to make art purchases in certain cases but could not participate in the general 1% program. The City has appealed this ruling and a decision is expected in 2005. While the appeal is pending, the City has suspended application of the 1% for Art program for the utilities.

Finally, the Court ordered refunds of the amounts paid by the Light Fund for streetlights prior to November 2003. The General Fund is to repay the Light Fund for these costs and the Light Fund is to issue rebates to customers. Approximately one-fourth of the General Fund repayment was made in 2004 and the remaining amount is split among 2005, 2006, and 2007. Since City Light must issue rebates in 2005, the last two years of the General Fund's repayments were financed with short-term debt issued early in 2005, which will be repaid in 2006 and 2007.

Fire Facilities and Emergency Response Program: In November 2003 the City's voters approved a nine-year \$167.0 million property tax levy lid lift to replace or remodel almost all of the City's fire stations, build a new Emergency Operations Center (EOC) and Fire Alarm Center (FAC), develop a Joint Training Facility, replace or refurbish the City's fire boats, and purchase or build a variety of emergency response equipment and facilities. The ballot measure passed with a 67 percent "yes" vote. Construction of the Training Facility began in 2004 and land for the combined main fire station, EOC, and FAC was acquired in the fall. Fireboat designs are underway with bidding expected in 2005.

Families and Education Levy Renewal: Seattle's voters approved an extension of the Families and Education levy lid lift in September 2004 with a 62 percent "yes" vote. This \$116.8 million seven-year levy will continue to provide funding to support children's and family services, with a new focus on improving academic achievement. Each component of the levy will have clear accountability measures so that funds can be directed to the most successful programs.

Civic Center: Seattle's new Civic Center was almost complete at the end of 2004. The plaza on the west side of the new City Hall will be finished in early 2005, which will complete construction of the new facilities started in the late 1990s. The Park 90/5 complex, which houses a variety of "back office" City functions, opened in mid-2004. The City is in the process of soliciting proposals to sell the Arctic and Alaska buildings, with their tenants expected to move into the Seattle Municipal Tower in 2006. The one remaining issue is the disposition or reuse of the block that formerly housed the Public Safety Building. The Building will be demolished in 2005 and it is likely that the site will be redeveloped with a combination of a public plaza and commercial office space and/or housing.

Other City Capital Projects: The Seattle Public Library continued to develop a variety of projects funded from the Libraries for All bonds. Most notably, the new Central Library opened in May 2004 and received resounding praise for its architecture and the accessibility of the collection. Several new or refurbished branch libraries also were completed in 2004. The Parks Department continues to develop new or expanded community centers and other facilities using funds from two voter-approved levy lid lifts. These funding sources also have paid for the purchase of additional open space throughout the City. Seattle Public Utilities completed the Cedar River treatment plant, which now means that both major sources of water for the City's system receive advanced water quality treatment.

Bond Issues: The City continued to take advantage of low-interest rates to finance new projects and to refund older bonds to capture interest rate savings. In April the City refunded \$91.8 of its 1996A Limited Tax General Obligation bonds at a true interest cost of 4.103 percent. The present value savings totaled \$5.1 million, or 5.81 percent. All of the City's General Obligation bond ratings were reaffirmed. No new general obligation bonds were issued in 2004.

The Water Utility sold \$84.8 million of new money bonds in October at a true interest cost of 4.579 percent. The Utility's ratings were reaffirmed.

The Drainage and Wastewater Utility sold \$62.0 million of new money bonds in October. The true interest cost was 4.586 percent and the Utility's ratings were reaffirmed.

Seattle City Light sold \$284.9 million of new money and refunding bonds in December 2004 at a true interest cost of 4.175 percent. The refunding portion of the sale generated present value savings of \$14.7 million, or 6.83 percent. Both Moody's and Standard and Poor's upgraded their outlook on City Light bonds.

Urban Area Security Initiative: The City of Seattle received a significant amount of federal funding under the Urban Area Security Initiative (UASI). Two different allocations, one directly to the City and one shared with other governments in the region, provided approximately \$30.0 million for Seattle in 2003/2004. Most of these funds will be devoted to equipment and training for the Police and Fire departments. Additional funds will be used to improve the security of the City's technology and to support emergency preparedness for the utilities.

Cash Management

The Treasury Services Unit of the Department of Executive Administration, administers all cash-related transactions for the City of Seattle. City cash (exclusive of pension fund cash administered by the Seattle City Employees' Retirement System and some debt refinancing proceeds administered by trustees) is deposited into a single concentration banking account.

Investments of temporarily idle cash are made according to City Council-mandated policies in U.S. Treasury and agency issues, certificates of deposit 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 sold on the secondary market, commercial paper purchased in the secondary market, repurchase and reverse repurchase transactions, the public funds investment account known as the Local Government Investment Pool (LGIP) in the State Treasury, and other securities as authorized by law. The City is allowed to engage in securities lending transactions, the fees for which are credited to the investment income account. City policies require the City to minimize market risks by safekeeping all purchased securities according to governmental standards for public institutions, to maintain liquidity by restricting the City's total investment portfolio to an average life of no more than five years, and to consider social goals in the placement of investments. A report on the performance of the investment program in meeting these policies is prepared monthly for review by the Director of Finance and the Director of Executive Administration and forwarded to the City Council's Finance and Budget Committee.

The market value of investments held in the pooled and dedicated funds' combined portfolio under the direct supervision of the Treasury Services Unit as of December 31, 2004, was \$782.6 million with earnings of \$14.7 million and a return on investment of 2.338 percent.

Risk Management

In 2004 the City purchased an excess liability insurance policy to address general, automobile, professional, public official, and other exposures. The policy has limits of \$25 million above a \$5 million self-insured retention for each occurrence. The City also purchased an all-risk property insurance policy that provides \$500 million in limits above a \$500,000 deductible (for most buildings) with \$100 million in earthquake and flood limits and \$100 million in terrorism limits, with boiler and machinery, building risk, and electronic data processing coverage endorsements. Hydroelectric and other utility producing/processing projects owned by the City are not covered by the property policy.

Insurance is also in place for excess workers compensation, fiduciary and crime liability, contractor's equipment, transportation, inland marine, fine arts, volunteers, and an assortment of commercial general liability, medical, accidental, death and dismemberment, and miscellaneous policies. Bonds are purchased for public officials, notary public, pension exposures, and specific projects and activities as necessary.

Pension Trust Fund Operations

The operation of the Seattle City Employees' Retirement System resulted in a net total investment return of \$172.0 million (11.5 percent). This compares to a 23.6 percent return in 2003 when the rebounding financial markets in the U.S. and abroad resulted in a net gain in value of \$291.0 million. The total net assets held at the end of 2004 were \$1.684 billion, an increase of \$157 million from 2003. The actuarial accrued liability at January 1, 2004, was \$1.779 billion with a \$251.4 million unfunded actuarial accrued liability.

Additional information on the City of Seattle's Pension Plans can be found in Note 10 in the notes to the financial statements.

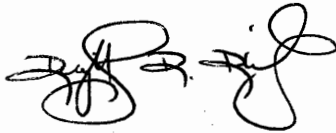
Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Seattle for its comprehensive annual financial report for the fiscal year ended December 31, 2003. The Certificate of

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

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

Sincerely,

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

Dwight D. Dively, Director
Department of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Seattle,
Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Seattle for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2003. This was the twenty-fourth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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



Nancy L. Ziehl

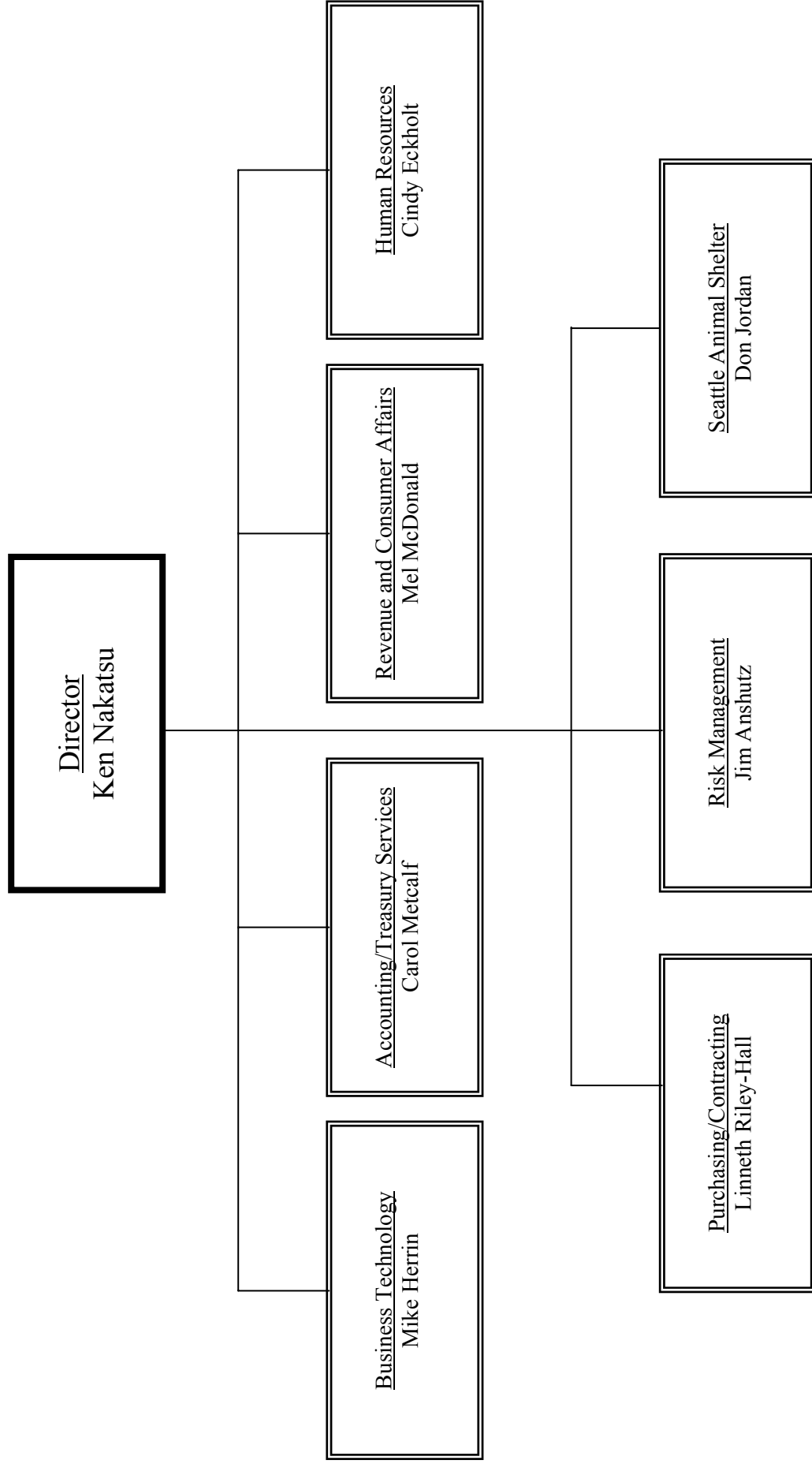
President

Jeffrey R. Emer

Executive Director

City of Seattle

DEPARTMENT OF EXECUTIVE ADMINISTRATION



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Financial Section

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INDEPENDENT AUDITOR'S REPORT

June 28, 2005

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City of Seattle, King County, Washington, as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the three major enterprise funds; Light, Water, and Drainage and Wastewater, which are discretely reported and also represent 96 percent and 88 percent, respectively, of the assets and revenues of the business-type activities. We also did not audit the financial statements of the Solid Waste fund, which represents 2 percent and 10 percent, respectively, of the assets and revenues of the business-type activities, and 3 percent and 14 percent, respectively, of the assets and revenues of the aggregate discretely presented component unit and remaining fund information. We also did not audit the Seattle City Employees' Retirement System, which statements represent 65 percent and 29 percent, respectively, of the assets and revenues of the aggregate discretely presented component unit and remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Light, Water, Solid Waste, and Drainage and Wastewater funds, and the Seattle City Employees' Retirement System, is 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of City of Seattle, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



As described in Note 1, during the year ended December 31, 2004, the City has implemented Governmental Accounting Standards Board Statement 39, Determining Whether Certain Organizations Are Component Units.

The management's discussion and analysis on pages 31 through 49, budgetary comparison information on pages 146 through 147 and pension trust fund information on pages 148 through 150 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining financial statements and supplemental information on pages 153 through 230 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining financial statements and supplemental information have been subjected to auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is written in a cursive, flowing style with a large initial "B".

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Seattle (City) presents this Management's Discussion and Analysis (MD&A) of its financial activities for the fiscal year ended December 31, 2004. This discussion and analysis focuses on significant financial issues, provides an overview of the City's financial activity, highlights significant changes in the City's financial position, and identifies material variances between the approved budget and actual spending.

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

FINANCIAL HIGHLIGHTS

- At the end of fiscal year 2004 the assets of the City of Seattle exceeded its liabilities by \$2.685 billion. Net assets invested in capital assets (net of depreciation and related debt) account for 84.2 percent of this amount (\$2.261 billion). The remaining net assets of \$424.3 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$142.2 million (5.6 percent) during the fiscal year. The governmental net assets increased by \$117.5 million (6.8 percent) over the amount reported in 2003. Business-type net assets increased by \$24.7 million (3.0 percent). The business-type increase included net income for the Water Utility of \$17.8 million and \$13.8 million for City Light, reduced by a net loss of \$5.0 million for the Drainage and Wastewater Utility and losses of \$1.4 million in the nonmajor funds. The balance of the offset is the result of the consolidation of the Internal Service Funds' activities related to the Enterprise Funds.
- At the close of 2004 the City's governmental funds reported a combined ending fund balance of \$332.6 million, a decrease of \$47.3 million (12.5 percent). The fund balance of the General Fund increased \$13.4 million and the fund balance of the Low-Income Housing Fund increased by \$8.7 million. The fund balances of the debt service funds increased by \$2.0 million while the fund balances of the remaining special revenue funds and the capital projects funds decreased by \$8.7 million and \$62.5 million, respectively. The decreases were largely due to the planned spend-down of fund balances in the special revenue funds as well as the spend-down of cash in the capital projects funds as construction continued or was completed on major governmental projects, such as the Central Library. Approximately \$55.9 million (16.8 percent) of the combined ending fund balance is unreserved fund balance available to the City for discretionary spending.
- At the end of 2004 the unreserved fund balance for the General Fund was \$40.7 million or 8.0 percent of total General Fund expenditures of \$509.4 million. The General Fund's unreserved fund balance decreased by approximately \$1.6 million from the prior year's amount of \$42.2 million, a 3.7 percent change. This change is largely attributed to the shift in funding of the City's streetlights from Seattle City Light to the General Fund.
- The City's total outstanding bonded debt increased by \$82.0 million (2.3 percent) during the current fiscal year to \$3.574 billion. Revenue bonds and anticipation notes increased by \$133.7 million. The increase included \$15.7 million for City Light, \$63.2 million for Water, and \$56.8 million for Drainage and Wastewater. This was offset by a decrease of \$2.0 million for Solid Waste. General obligation debt decreased by \$51.7 million in 2004. Key factors in the decrease were the defeasance and payoff of the 1994 Seattle Center Coliseum bonds, the 2004 refunding bond issue, and the principal payments on other bonds.
- Revenues from local tax sources including property, sales, business excise, miscellaneous other taxes, penalties and interest on taxes, increased by \$48.3 million to \$715.0 million, a 7.2 percent increase over 2003. Unrestricted investment earnings dropped by 37.8 percent from \$15.5 million to \$9.6 million. The decrease was due to two factors: the continued low interest rates coupled with the reduction in cash balances in the capital projects funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Readers may better understand the long-term impact of the government's near-term financing decisions by comparing the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison.

The City maintains numerous governmental funds that are organized according to type (general, special revenue, debt service, capital projects, and permanent funds). Information for the two major governmental funds is presented separately in the governmental funds balance sheet and in 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 the Low-Income Housing Fund. Information for each of the nonmajor governmental funds is provided in the combining statements in this report.

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

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

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

Fiduciary funds account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support City programs. The accounting used for fiduciary funds is similar to that used for proprietary funds. The City's fiduciary funds

Management's Discussion and Analysis

include the Employees' Retirement Fund, the Firemen's Pension Fund, the Police Relief and Pension Fund, the S. L. Denny Private-Purpose Trust Fund, and various agency funds.

Notes to the Financial Statements

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

Required Supplementary Information

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

Combining Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the third year that the City has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Financial information for the past two years in the GASB 34 format is presented below.

Statement of Net Assets

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

	Governmental Activities		Business-Type Activities		Total	
	2004	Restated 2003	2004	2003	2004	Restated 2003
Current and Other Assets	\$ 806,137	\$ 867,167	\$ 963,300	\$ 838,799	\$ 1,769,437	\$ 1,705,966
Capital Assets and Construction in Progress, Net of Accumulated Depreciation	2,385,606	2,260,807	2,945,448	2,881,747	5,331,054	5,142,554
Total Assets	3,191,743	3,127,974	3,908,748	3,720,546	7,100,491	6,848,520
Current Liabilities	241,375	230,665	293,909	251,066	535,284	481,731
Noncurrent Liabilities	1,111,868	1,176,303	2,768,411	2,647,751	3,880,279	3,824,054
Total Liabilities	1,353,243	1,406,968	3,062,320	2,898,817	4,415,563	4,305,785
Net Assets						
Invested in Capital Assets, Net of Related Debt	1,603,090	1,454,419	657,531	676,051	2,260,621	2,130,470
Restricted	101,326	126,508	98,074	178,897	199,400	305,405
Unrestricted (Deficit)	134,084	140,079	90,823	(33,219)	224,907	106,860
Total Net Assets	\$ 1,838,500	\$ 1,721,006	\$ 846,428	\$ 821,729	\$ 2,684,928	\$ 2,542,735

As noted earlier, net assets may serve as a useful indicator of a government's financial position. Table A-1 is a condensed version of the statement of net assets for the City of Seattle. At the close of the current fiscal year the City's total assets exceeded liabilities by \$2.685 billion.

The largest portion of the City's net assets (84.2 percent) reflects investment of \$2.261 billion in capital assets such as land, buildings, and equipment, less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay the debt must be provided from other sources, as capital assets cannot be used to liquidate these liabilities.

The City of Seattle

An additional portion of the City's net assets, \$199.4 million (7.4 percent), represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets, \$224.9 million (8.4 percent), may be used to meet the government's obligation to citizens and creditors.

In 2004 unrestricted net assets for governmental activities decreased by 4.3 percent from \$140.1 million in 2003 to \$134.1 million in 2004. The City's economic recovery from the previous year's recession boosted the total net assets; however, the decrease in unrestricted net assets is the result of a significant increase in net assets invested in capital, net of related debt and restricted net assets for governmental activities.

The unrestricted net assets for the business activities improved significantly between 2003 and 2004 from a deficit of \$33.2 million to a positive balance of \$90.8 million. The considerable increase in net assets is in part due to the Water Utility's rate increase and City Light's sale of energy to retail customers.

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

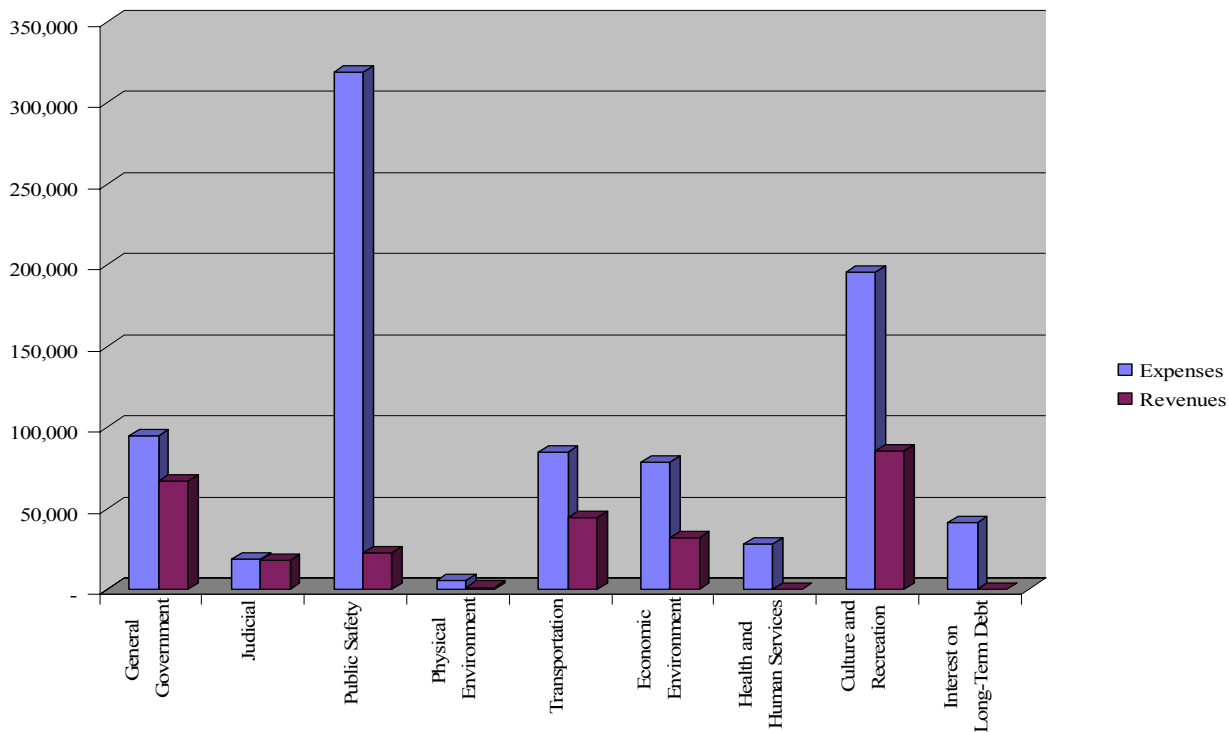
	Governmental Activities		Business-Type Activities		Total	
	2004	Restated 2003	2004	2003	2004	Restated 2003
Revenues						
Program Revenues						
Charges for Services	\$ 152,427	\$ 145,037	\$ 1,221,002	\$ 1,166,768	\$ 1,373,429	\$ 1,311,805
Operating Grants and Contributions	63,512	59,468	2,618	667	66,130	60,135
Capital Grants and Contributions	55,051	37,007	21,014	31,493	76,065	68,500
General Revenues						
Property Taxes	280,460	252,702	-	-	280,460	252,702
Sales Taxes	130,961	124,951	-	-	130,961	124,951
Business Taxes	253,733	248,467	-	-	253,733	248,467
Other Taxes	49,903	40,591	-	-	49,903	40,591
Other	7,662	13,693	6,369	13,583	14,031	27,276
Total Revenues	993,709	921,916	1,251,003	1,212,511	2,244,712	2,134,427
Expenses						
Governmental Activities						
General Government	94,917	101,322	-	-	94,917	101,322
Judicial	19,137	19,211	-	-	19,137	19,211
Public Safety	318,706	298,120	-	-	318,706	298,120
Physical Environment	5,530	5,513	-	-	5,530	5,513
Transportation	84,390	92,749	-	-	84,390	92,749
Economic Environment	78,455	85,130	-	-	78,455	85,130
Health and Human Services	28,145	29,483	-	-	28,145	29,483
Culture and Recreation	195,699	164,488	-	-	195,699	164,488
Interest on Long-Term Debt	41,499	43,216	-	-	41,499	43,216
Business-Type Activities						
Light	-	-	772,827	777,631	772,827	777,631
Water	-	-	127,865	124,611	127,865	124,611
Drainage and Wastewater	-	-	168,689	156,786	168,689	156,786
Solid Waste	-	-	112,920	112,114	112,920	112,114
Planning and Development	-	-	45,320	37,114	45,320	37,114
Downtown Parking Garage	-	-	8,421	8,284	8,421	8,284
Total Expenses	866,478	839,232	1,236,042	1,216,540	2,102,520	2,055,772
Excess (Deficiency) Before Transfers	127,231	82,684	14,961	(4,029)	142,192	78,655
Transfers	(9,738)	(9,569)	9,738	9,569	-	-
Increase in Net Assets	117,493	73,115	24,699	5,540	142,192	78,655
Net Assets - Beginning of Year	1,721,007	1,647,892	821,729	816,189	2,542,736	2,464,081
Nets Assets - End of Year	\$ 1,838,500	\$ 1,721,007	\$ 846,428	\$ 821,729	\$ 2,684,928	\$ 2,542,736

Analysis of Changes in Net Assets

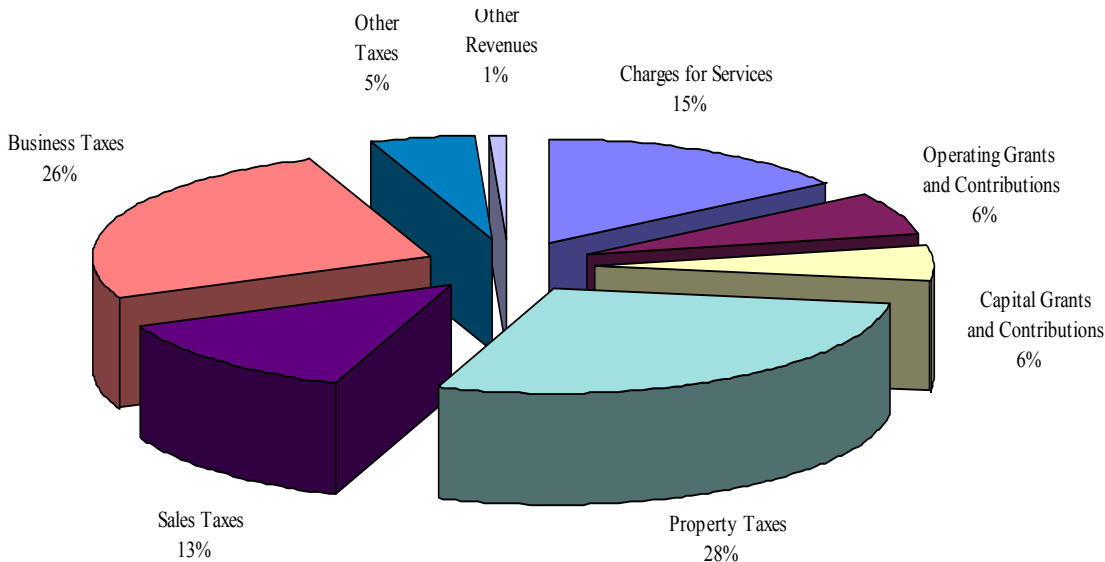
The City's total net assets increased by \$142.2 million in 2004. The increase is explained in the following discussion of governmental and business-type activities.

Governmental Activities

EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES



REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



Total \$993.7 Million

Governmental Activities. The charts on the previous page present the City's governmental expenses and revenues by function and its revenue by source. Public safety is the largest governmental expense of the City, followed by culture and recreation, general government, transportation, economic environment, health and human services, judicial, and physical environment. General revenues such as the property, business, and sales taxes are not shown by function because they are used to support citywide program activities. Governmental activities increased the City's net assets by \$117.5 million compared to an increase of \$73.1 million in 2003. Key factors in the change are as follows:

In 2004 total revenues for governmental activities were \$993.7 million, \$71.8 million or 7.8 percent higher than 2003.

Program revenue related to charges for services, which includes licenses and permits, fines and forfeits, and other service fees, increased by \$7.4 million in 2004. The 2004 adopted budget included increases to existing fees and fines as well as the creation of some new fees. In 2004 the City collected \$1.8 million from the new police alarm monitoring license and the related new false alarm fee. Parking ticket revenues increased by \$2.2 million as a result of several actions: improved staffing and expanded schedules; a change in collection agencies; and implementation of an amnesty program. In 2004 the revenue from parking meter collections increased by \$1.3 million. The City began installing parking pay stations in 2004. Additional pay stations will be installed in 2005 and 2006. Rates were increased from \$1.00 to \$1.50 as the pay stations were being deployed.

Grants and contributions increased by \$22 million compared to 2003. Capital grants and contributions went up by \$18.0 million. In 2004 the Library received \$26.5 million in donations, up \$18.2 million compared to 2003. Of the \$26.5 million, the Library Foundation contributed \$21.5 million. Operating grants and contributions increased by \$4.0 million, mainly due to federal grants related to the Urban Area Security Initiative programs funded by the Department of Homeland Security.

Property taxes, the largest source of revenue supporting governmental activities increased by \$27.8 million or 11.0 percent compared to 2003. Property tax is levied primarily on real estate owned by individuals and businesses. In 2004 the total property tax rate in Seattle was about 1.04 percent of assessed value. The City's General Fund receives 65 percent of the property tax revenue. In addition, several voter-approved levies support various City programs and projects. In November 2003 Seattle voters approved additional property taxes to finance the building and renovation of fire stations. Collections for the \$167 million fire levy began in 2004 with the City receiving in excess of \$24.4 million. The levy continues until 2012.

The retail sales and use (sales) tax is imposed on the sale of most goods and certain services in Seattle. The tax is collected and remitted to the state. The state provides the City with its share on a monthly basis. After a three-year decline reflecting the severe local recession, with the economy improving in 2004, the sales tax revenues increased by \$6.0 million or 4.8 percent.

Business taxes are the second largest contributor to governmental revenues. The business and occupation (B&O) tax, the major business tax, is levied by the City on the gross receipts of most business activity occurring in Seattle. The City also levies a B&O tax on the gross income derived from sales of utility services within Seattle. In 2004 business tax revenues increased by \$5.3 million or 2.1 percent.

Other tax revenues increased by \$9.3 million or 22.9 percent. The major contributor to the increase was the revenue from the real estate excise tax which was up \$10.7 million due to the strong housing market. This increase was offset by a falloff in revenue from audit activity and penalty and interest payments, down \$2.2 million.

Due to falling interest rates, investment earnings declined by approximately \$4.0 million, from \$9.4 million in 2003 to \$5.4 million in 2004. The average rate of return declined from 3.2 percent in 2003 to 2.3 percent in 2004. Revenue from the sale of capital assets also declined, down \$2.0 million.

In 2004 total expenses for governmental activities were \$866.5 million compared to \$839.2 million in 2003, \$27.2 million or 3.2 percent higher than 2003.

General government expenses were down \$6.4 million compared to 2003. Several items contributed to the decline. Due to the State Supreme Court's ruling that the City's practice of having the Light Fund pay for streetlights was unconstitutional, the 2004 adopted budget was amended in March. To cover part of the annual cost of operating the streetlights, there were across-the-board expenditure cuts for the general government departments. Earthquake repair work continued into 2004 but the amount spent in 2004 was about \$6 million less than in 2003. The Judgment Claims subfund spending was down in 2004; however, these costs were offset by an increase in the liabilities for workers' compensation and judgment and claims at year-end.

The decrease in judicial expenses of \$0.1 million were also the result of the across-the-board expenditure cuts that were made to address the shift in funding of the streetlight costs to the General Fund.

Public safety expenses increased by \$20.6 million, a 6.9 percent increase over 2003. The increase is attributed to three main reasons: (1) receipt of grants by the Police Department and the Fire Departments from the Department of Homeland

Management's Discussion and Analysis

Security under the Urban Areas Security Initiative (UASI) Program to combat the increased threat of terrorism; (2) the hiring of additional staff by both departments to provide security for Sound Transit construction and to administer the contract for deployment of life-support transport vehicles; and (3) increased costs of \$4.7 million for workers' compensation and judgment and claims.

Physical environment expenses remained relatively constant in 2004, up 0.3 percent to \$5.5 million.

Transportation expenses decreased by \$8.4 million in 2004. Due to a preliminary court ruling the City recorded a one-time expense of \$23.9 million in 2003, representing a liability for a streetlight refund to electric utility ratepayers. In 2004 the City began paying approximately \$6.2 million to cover the annual cost of operating the streetlights. In 2004 the Seattle Department of Transportation (SDOT) began a 3-year program to install 1,650 pay stations to replace a majority of the City's single space parking meters. During 2004 approximately 500 of the pay stations were installed at a cost of \$2.1 million. In 2004, SDOT was also working on an initiative to manage the City's right-of-way to promote mobility. Transfers from the Seattle Public Utilities and the Department of Planning and Development occurred as a part of the initiative. The department also spent about \$1.0 million on the Monorail plan review. Workers' compensation and judgment and claims costs associated with the transportation function increased in 2004, up \$2.7 million.

Economic environment expenses decreased by \$6.7 million. Block grant spending decreased by \$3.8 million in 2004 due to the delay in some Office of Economic Development and Office of Housing projects. As a result of some staff reductions and the elimination of the Neighborhood Leadership Program and the Seattle Neighborhood Group, the Department of Neighborhood's costs were down \$1.2 million. Low-Income Housing Fund expenditures were also down. The reduction in spending of \$2.6 million reflects the year-to-year fluctuations in the spending patterns inherent to the programs funded by the Investment Partnership Program grants.

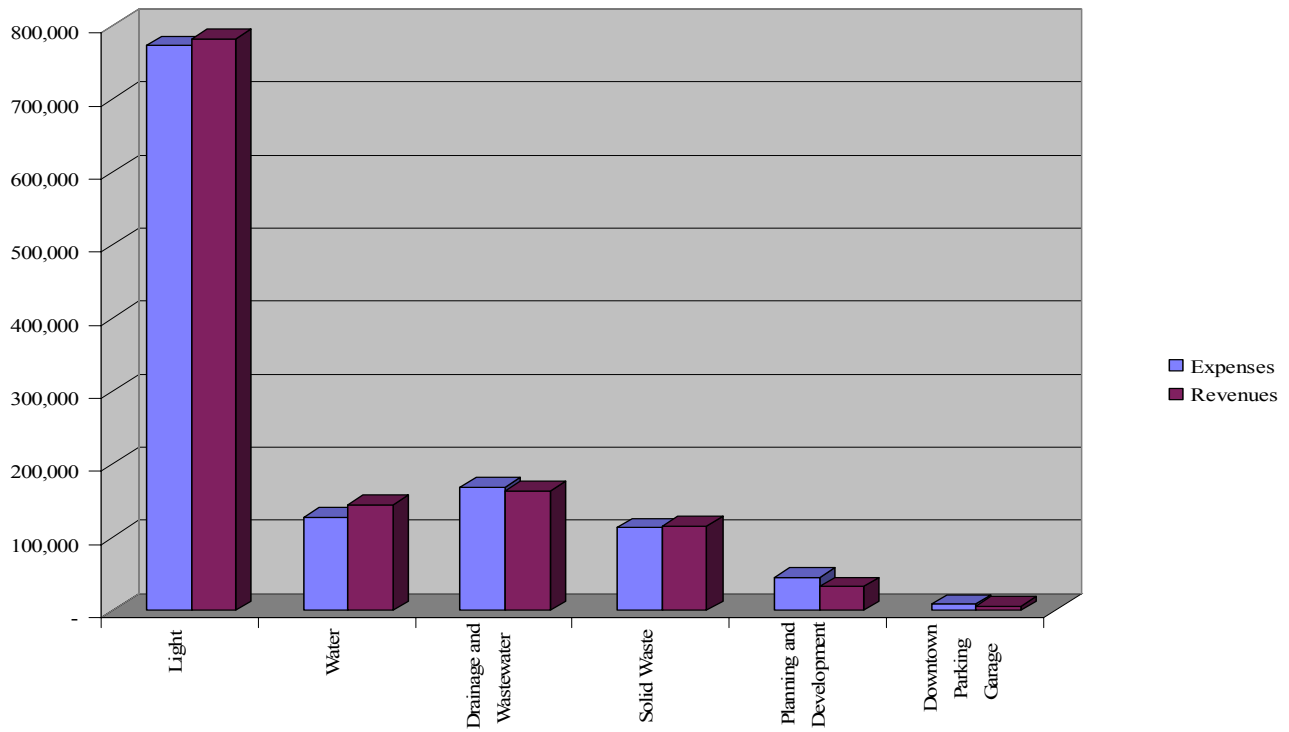
Health and human services expenses declined by \$1.3 million. The City's payments to King County for its share of health care costs went down in 2004.

At \$195.7 million, culture and recreation expenses were up \$31.2 million in 2004, an increase of 18.9 percent. In 2004 the construction of the new Central Library was completed, some new branch libraries were built, and older libraries were refurbished. Over \$10 million was expended for purchase of library materials, minor equipment, and supplies related to these various libraries. Depreciation expense increased \$5.1 million in 2004 as the City recently completed and placed several new buildings, including the Central Library and the McCaw Hall, into service. Workers' compensation and judgment and claims costs also increased significantly compared to 2003, up \$7.7 million. The Parks Department and Seattle Center also contributed to the increase.

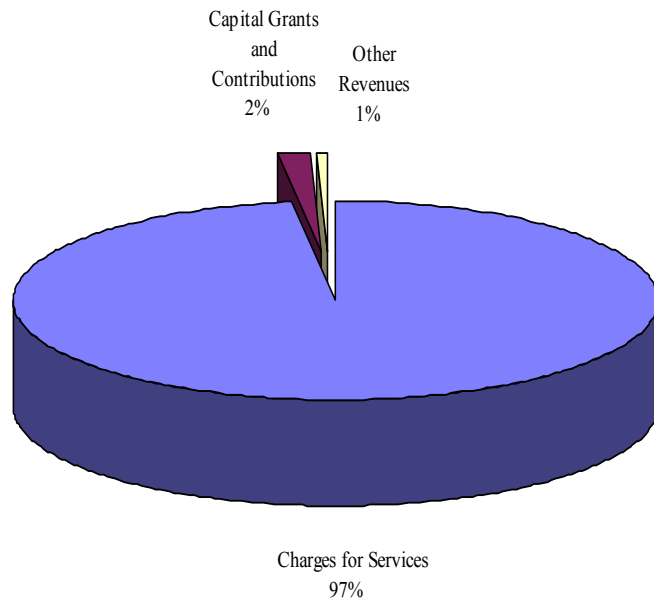
Interest on long-term debt went down by \$1.7 million or 4.0 percent as a result of a decrease in general obligation debt.

Business-Type Activities

EXPENSES AND PROGRAM REVENUES - BUSINESS-TYPE ACTIVITIES



REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



Total \$1,251.0 Million

Management's Discussion and Analysis

Business-Type Activities. Business-type activities increased the City's net assets by \$24.7 million to \$846.4 million, an increase of 3.0 percent. Key factors for the change are as follows:

The City Light Utility realized a net increase of \$13.8 million in net assets in 2004, an improvement of \$21.9 million from the net loss of \$8.1 million in 2003. Higher revenues from the sale of energy to retail customers account for most of the improvement in financial results. In 2004 City Light amortized the remaining power cost deferred from 2001. If power costs had not been deferred from 2001 and amortized over the 2002 - 2004 period, new income in 2004 would have been considerably higher.

The Water Utility experienced a net increase of \$17.8 million in net assets in 2004. This increase was primarily due to the rate increase effective January 1, 2004. Water consumption in 2004 was similar to that of 2003.

The Drainage and Wastewater Utility experienced a decrease of \$5.0 million in net assets in 2004. This decrease was largely due to the rise of expenses, such as operating expenses, depreciation, taxes, and interest due to a lesser amount of interest capitalized for construction projects.

The Solid Waste Utility net assets increased \$3.5 million in 2004 due primarily to a modest increase in operating revenues and grants received from the State of Washington to support SPU's Sustainable Buildings, Commercial Waste Reduction, Back Composting, and Illegal Dumping programs. In addition, certain expenses decreased, such as general and administrative, consultant costs, claims, information technology, and depreciation.

The Planning and Development Fund net assets decreased by \$2.6 million. The Downtown Parking Garage Fund experienced a decrease of \$2.2 million in net assets.

FINANCIAL ANALYSIS OF CITY FUNDS

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

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

	Major Funds			
	General Fund		Low-Income Housing Fund	
	2004	2003	2004	2003
Revenues				
Taxes	\$ 586,516	\$ 562,426	\$ 11,770	\$ 11,766
Licenses and Permits	13,752	15,955	-	1
Grants, Shared Revenues, and Contributions	22,278	16,624	6,175	4,882
Charges for Services	50,230	51,035	23	230
Fines and Forfeits	18,135	17,164	-	-
Parking Fees and Space Rent	26,847	27,328	32	31
Program Income, Interest, and Miscellaneous Revenues	12,832	17,056	9,551	5,994
Total Revenues	<u>730,590</u>	<u>707,588</u>	<u>27,551</u>	<u>22,904</u>
Expenditures	509,386	496,349	18,876	21,457
Other Financing Sources and Uses				
Long-Term Debt	-	-	-	-
Sales of Capital Assets	1,922	5,682	-	107
Transfers In (Out)	(209,769)	(207,465)	-	-
Total Other Financing Sources and Uses	<u>(207,847)</u>	<u>(201,783)</u>	<u>-</u>	<u>107</u>
Fund Balances				
Reserves Legally Segregated for Future Use	69,867	58,669	32,628	35,577
Reserves Not Available for Appropriation	21,640	17,921	-	-
Unreserved	40,669	42,228	14,004	2,381
Total Fund Balances	<u>\$ 132,176</u>	<u>\$ 118,818</u>	<u>\$ 46,632</u>	<u>\$ 37,958</u>

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

	Nonmajor Funds			
	Special Revenue Funds		Debt Service Funds	
	2004	2003	2004	2003
Revenues				
Taxes	\$ 33,466	\$ 32,655	\$ 25,765	\$ 27,756
Licenses and Permits	5,276	1,545	-	-
Grants, Shared Revenues, and Contributions	79,878	61,147	22	34
Charges for Services	62,437	60,244	-	-
Fines and Forfeits	2,660	2,334	-	-
Parking Fees and Space Rent	17,507	16,504	5,085	4,134
Program Income, Interest, and Miscellaneous Revenues	4,653	6,227	3,322	1,877
Total Revenues	<u>205,877</u>	<u>180,656</u>	<u>34,194</u>	<u>33,801</u>
Expenditures	367,292	375,922	94,175	90,712
Other Financing Sources and Uses				
Long-Term Debt	-	2,666	3,294	143
Sales of Capital Assets	652	1,076	-	-
Transfers In (Out)	152,084	173,389	58,652	57,319
Total Other Financing Sources and Uses	<u>152,736</u>	<u>177,131</u>	<u>61,946</u>	<u>57,462</u>
Fund Balances				
Reserves Legally Segregated for Future Use	24,922	19,548	14,935	12,970
Reserves Not Available for Appropriation	9,159	19,394	-	-
Unreserved	4,387	8,205	-	-
Total Fund Balances	<u>\$ 38,468</u>	<u>\$ 47,147</u>	<u>\$ 14,935</u>	<u>\$ 12,970</u>

	Nonmajor Funds				Total Governmental Funds	
	Capital Projects Funds		Permanent Funds		2004	2003
	2004	2003	2004	2003		
Revenues						
Taxes	\$ 57,526	\$ 32,436	\$ -	\$ -	\$ 715,043	\$ 667,039
Licenses and Permits	-	-	-	-	19,028	17,501
Grants, Shared Revenues, and Contributions	9,009	14,648	-	-	117,362	97,335
Charges for Services	-	228	-	-	112,690	111,737
Fines and Forfeits	-	-	-	-	20,795	19,498
Parking Fees and Space Rent	77	121	-	-	49,548	48,118
Program Income, Interest, and Miscellaneous Revenues	2,105	4,981	34	49	32,497	36,184
Total Revenues	<u>68,717</u>	<u>52,414</u>	<u>34</u>	<u>49</u>	<u>1,066,963</u>	<u>997,412</u>
Expenditures	119,499	222,833	154	500	1,109,382	1,207,773
Other Financing Sources and Uses						
Long-Term Debt	-	59,420	-	-	3,294	62,229
Sales of Capital Assets	406	-	-	-	2,980	6,865
Transfers In (Out)	(12,097)	(37,832)	(15)	(15)	(11,145)	(14,604)
Total Other Financing Sources and Uses	<u>(11,691)</u>	<u>21,588</u>	<u>(15)</u>	<u>(15)</u>	<u>(4,871)</u>	<u>54,490</u>
Fund Balances						
Reserves Legally Segregated for Future Use	101,296	110,928	31	12	243,679	237,704
Reserves Not Available for Appropriation	-	49,704	2,205	2,217	33,004	89,236
Unreserved	(3,137)	-	19	161	55,942	52,975
Total Fund Balances	<u>\$ 98,159</u>	<u>\$ 160,632</u>	<u>\$ 2,255</u>	<u>\$ 2,390</u>	<u>\$ 332,625</u>	<u>\$ 379,915</u>

Governmental Funds

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

As of the end of the current fiscal year the City's governmental funds reported combined ending fund balances of \$332.6 million, a decrease of \$47.3 million in comparison to 2003. Approximately \$56.0 million of this amount constitutes unreserved fund balance which is available for spending at the City's discretion within the purposes specified for the City's funds. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has been committed for other purposes such as (1) payment on existing contracts and purchase orders, \$40.1 million; (2) funding of continuing projects and programs in future periods, \$172.5 million; (3) payment of debt service, \$27.7 million; and (4) a variety of other purposes, \$36.3 million.

Revenues for governmental funds overall totaled approximately \$1.067 billion in the fiscal year ended December 31, 2004, which represents an increase of approximately 7.0 percent from the prior fiscal year. Expenditures in governmental funds amounted to \$1.109 billion, a decrease of approximately 8.1 percent during the same period. In the aggregate, expenditures for governmental funds exceeded revenues by approximately \$42.4 million.

The **General Fund** is the chief operating fund of the City. It is composed of sixteen subfunds: General, Judgment/Claims, Arts Account, Cable Television Franchise, Cumulative Reserve, Neighborhood Matching, City Hall, Development Rights, Police Support Facility, Emergency, Street Vacation Compensation, Special Employment Program, Industrial Insurance, Unemployment Compensation, Health Care, and Group Term Life Insurance. Table A-4 provides a summary of the status of the various subfunds at year-end 2004.

At the end of 2004 the total fund balance of the General Fund was \$132.2 million. Fund balance increased by \$13.4 million in 2004 compared to 2003.

Total revenues for the General Fund increased \$23.0 million, 3.3 percent higher than 2003. Tax revenues increased by \$24.1 million, an indicator of the economic recovery from the 2001 recession. The City Council approved a one-percent rate increase in property taxes for 2004 while robust activity in new construction and other homes sales contributed to an increase in real estate excise tax revenues. Sales tax revenues and B&O tax increases also contributed to the increase in total tax revenues.

Revenue from licenses and permits decreased by \$2.2 million. In 2004, while the new police alarm licensing fee brought in \$1.5 million, it was offset by a reduction in revenue from the move of street permit revenue (approximately \$2.7 million) to the Transportation Fund as well as a decrease in revenue of \$0.7 million in business license renewals. Due to a late change in the fee structure the penalty deadline for business license renewals was extended until February 1, 2005. Revenue from grants, shared revenues, and contributions increased by \$5.7 million. The majority of the increase was related to the Urban Areas Security Initiative (UASI) grant from the Department of Homeland Security. On the other hand, revenue from program income, interest, and miscellaneous revenue decreased \$4.2 million mostly due to declining investment earnings.

General Fund expenditures increased by \$13.0 million or 2.6 percent in 2004, from \$496.4 million to \$509.4 million. With the receipt of the UASI grant from the Department of Homeland Security, spending by the Police Department and the Fire Department on emergency preparedness and training increased. Both departments also incurred additional costs to provide security for the Monorail and Sound Transit construction projects. As a result of the Okeson streetlight lawsuit, in 2004 the General Fund began paying the \$6.2 million annual operating costs of the City's streetlights as well as an additional \$6.0 million in 2004 towards prior years' costs that are being refunded to rate payers. To offset some of the streetlight impact, the budgets of the general government departments were reduced in 2004. The spending for claims and lawsuits was also down in 2004 and the General Fund incurred a one-time cost of \$10.8 million for property for a Joint Training facility in 2003 whereas no comparable purchase was recorded in 2004.

Changes in the other financing sources and uses category reduced the General Fund's fund balance position in 2004. In 2003 net interfund transfers out of the General Fund to support other City Funds' activities were \$207.5 million. In 2004 net transfers out increased slightly to \$209.8 million. In 2003 the General Fund received \$5.7 million from the sale of capital assets. In 2004 the amount received was only \$1.9 million.

The **Low-Income Housing Fund**, a special revenue fund and one of the major governmental funds of the City, manages activities undertaken by the City to preserve, rehabilitate, or replace low-income housing. It also accounts for the seven-year housing levy approved by voters in 1995. An additional seven-year levy was approved by the voters in November 2002. At \$46.6 million, the Low-Income Housing Fund ended the year with a fund balance increase of \$8.7 million. Revenue increased by \$4.7 million compared to 2003. In 2004 the Low-Income Housing Fund received \$4.3 million proceeds from the sale of development rights to Washington Mutual, and grant revenues increased by \$1.3 million. These revenue

increases were offset by a decrease in investment earnings of \$1.3 million as a result of declining interest rates. Expenditures in 2004 were \$2.6 million lower than 2003. The decline is attributed to the Home Investment Partnership program.

In 2004 the other **special revenue funds** showed an \$8.7 million or 18.4 percent decrease in fund balance as a result of operations. The most significant changes occurred in the Education and Development Services Fund (\$9.1 million), Seattle Center Fund (\$2.5 million), Transportation Fund (\$1.3 million), Park and Recreation Fund (\$1.2 million), and the Municipal Arts Fund (\$1.1 million). On the positive side, the Library Fund increased by \$6.5 million. In the 2004 adopted budget the City planned to use the balances of various City funds on a one-time basis. These balances reflected past cost savings, revenues over-performance, or use of reserves.

Total revenues for the other special revenue funds were up \$25.2 million, 14.0 percent. Grants and contributions accounted for the majority of the increase, up \$18.7 million. The Library Fund recorded \$28.0 million in grants and contributions in 2004. Private donations from the Library Foundation accounted for the bulk of the increase. Taxes increased slightly up by \$0.8 million. Licenses and permits increased by \$3.7 million. In 2004 revenue from street permits was moved from the General Fund to the Transportation Fund, accounting for the majority of the increase. Charges for services went up by \$2.2 million and parking fees and space rent by \$1.0 million. Program income, interest and miscellaneous revenues declined by \$1.6 million.

Expenditures decreased by \$8.6 million, a 2.3 percent decline. In 2003 a one-time expenditure of \$20.0 million was incurred for a loan to the monorail project. The Library Fund spent \$11.4 million more in 2004 compared to 2003. The increase was due to spending on construction and improvements at various libraries as well as the purchase of additional books and materials and the increased cost to operate the new and expanded libraries. Although there are increases in expenditures for the Parks and Recreation Fund (\$3.5 million), Education and Development Services Fund (\$1.5 million), and Seattle Center (\$1.0 million), these were mostly offset by the decrease in spending for the Housing and Community Revenue Sharing Fund (\$3.8 million) and the Transportation Fund (\$1.0 million).

The Other Financing Sources and Uses category decreased by \$24.4 million in 2004, a 13.8 percent reduction from 2003. The two main reasons for the decrease are: (1) a \$20.5 million reduction in operating support from the General Fund due to both the planned spend-down of fund balances and budget cuts related to the Okeson streetlight litigation and (2) a \$2.6 million decrease in long-term debt issues related to draws from the Washington State Public Works Trust Loan made in 2003.

The fund balance in the **capital projects funds** continued to decline in 2004 as a result of construction activity, down \$62.5 million or 38.9 percent to \$98.2 million. The Libraries for All Fund and the Municipal Civic Center Fund accounted for the majority of the decline, down \$23.6 million and \$18.2 million respectively. In addition, the 2003 Long-Term General Obligation Project, Seattle Center and Parks Multipurpose Levy Fund, and the 2002B Long-Term General Obligation project accounted for \$9.6 million, \$6.9 million and \$6.7 million, respectively, while the Public Safety Technology Fund ended on a positive note with an increase of \$7.7 million.

Revenues for the capital projects funds were \$68.7 million in 2004. This is \$16.3 million or 31.1 percent higher than 2003 revenues. The increase is due to the new 2003 fire facilities levy approved by the voters in November 2003. The tax levy proceeds are being deposited into the Public Safety Information Technology Fund.

Expenditures for capital projects were \$119.5 million in 2004, a decrease of \$103.3 million or nearly half (46.4 percent) of the total expended in 2003. Several major projects were completed or nearly complete at the end of 2003. The City's opera house, the Marion Mc Caw Hall, opened in June 2003. Work on the new Central Library continued in 2003, and the Library opened in May 2004. The City's new Civic Center neared completion with the opening of City Hall in the summer of 2003. The City Hall Plaza was completed in early 2005.

The **debt service funds** showed an increase in fund balance of \$2.0 million, up 15.2 percent in 2004. The increase is attributed to an insurance recovery of \$1.8 million related to the 2001 earthquake plus interest earnings recognized in 2004. The **permanent funds** showed a balance of \$2.3 million at year-end, a minor decrease of \$0.1 million compared to 2003.

Management's Discussion and Analysis

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

	General	Judgment/ Claims	Arts Account	Cable Television Franchise	Cumulative Reserve	Neighborhood Matching
Revenues						
Taxes	\$ 547,855	\$ -	\$ -	\$ -	\$ 38,661	\$ -
Licenses and Permits	11,267	-	-	2,485	-	-
Grants, Shared Revenues, and Contributions	20,736	-	-	-	1,542	-
Charges for Services	39,428	10,217	-	-	2	-
Fines and Forfeits	18,132	3	-	-	-	-
Parking Fees and Space Rent	11,870	-	-	-	220	-
Program Income, Interest, and Miscellaneous Revenues	1,899	47	-	632	(1,185)	-
Total Revenues	<u>651,187</u>	<u>10,267</u>	<u>-</u>	<u>3,117</u>	<u>39,240</u>	<u>-</u>
Expenditures	466,029	5,432	-	-	14,908	3,728
Other Financing Sources and Uses						
Sales of Capital Assets	5	-	-	-	1,121	-
Transfers In (Out)	(173,872)	(1,199)	(248)	(3,253)	(19,007)	3,088
Total Other Financing Sources and Uses	<u>(173,867)</u>	<u>(1,199)</u>	<u>(248)</u>	<u>(3,253)</u>	<u>(17,886)</u>	<u>3,088</u>
Fund Balances						
Reserves Legally Segregated for Future Use	11,260	12,783	-	-	38,044	4,419
Reserves Not Available for Appropriation	2,688	-	-	-	-	-
Unreserved	19,588	-	-	1,465	(4,672)	897
Total Fund Balances	<u>\$ 33,536</u>	<u>\$ 12,783</u>	<u>\$ -</u>	<u>\$ 1,465</u>	<u>\$ 33,372</u>	<u>\$ 5,316</u>

	City Hall	Development Rights	Police Support Facility	Emergency	Street Vacation Compensation	Special Employment Program
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-	-
Grants, Shared Revenues, and Contributions	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	305
Fines and Forfeits	-	-	-	-	-	-
Parking Fees and Space Rent	13,150	-	1,607	-	-	-
Program Income, Interest, and Miscellaneous Revenues	-	180	-	(113)	-	-
Total Revenues	<u>13,150</u>	<u>180</u>	<u>1,607</u>	<u>(113)</u>	<u>-</u>	<u>305</u>
Expenditures	10,802	-	1,521	46	-	1,448
Other Financing Sources and Uses						
Sales of Capital Assets	-	-	-	-	794	-
Transfers In (Out)	(13,948)	(841)	(1,656)	1,505	(600)	-
Total Other Financing Sources and Uses	<u>(13,948)</u>	<u>(841)</u>	<u>(1,656)</u>	<u>1,505</u>	<u>194</u>	<u>-</u>
Fund Balances						
Reserves Legally Segregated for Future Use	-	-	-	47	28	-
Reserves Not Available for Appropriation	-	-	-	18,952	-	-
Unreserved	(2,306)	(661)	(61)	12,729	-	104
Total Fund Balances	<u>\$ (2,306)</u>	<u>\$ (661)</u>	<u>\$ (61)</u>	<u>\$ 31,728</u>	<u>\$ 28</u>	<u>\$ 104</u>

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

	Industrial Insurance	Unemployment Compensation	Health Care	Group Term Life Insurance	Total General Fund	
					2004	2003
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 586,516	\$ 562,426
Licenses and Permits	-	-	-	-	13,752	15,955
Grants, Shared Revenues, and Contributions	-	-	-	-	22,278	16,624
Charges for Services	278	-	-	-	50,230	51,035
Fines and Forfeits	-	-	-	-	18,135	17,164
Parking Fees and Space Rent	-	-	-	-	26,847	27,328
Program Income, Interest, and Miscellaneous Revenues	-	1,714	9,658	-	12,832	17,056
Total Revenues	278	1,714	9,658	-	730,590	707,588
Expenditures	433	-	4,667	372	509,386	496,349
Other Financing Sources and Uses						
Sales of Capital Assets	2	-	-	-	1,922	5,682
Transfers In (Out)	-	-	262	-	(209,769)	(207,465)
Total Other Financing Sources and Uses	2	-	262	-	(207,847)	(201,783)
Fund Balances						
Reserves Legally Segregated for Future Use	5	-	3,281	-	69,867	58,669
Reserves Not Available for Appropriation	-	-	-	-	21,640	17,921
Unreserved	4,745	2,193	6,648	-	40,669	42,228
Total Fund Balances	\$ 4,750	\$ 2,193	\$ 9,929	\$ -	\$ 132,176	\$ 118,818

Proprietary Funds

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

City Light Utility. The Utility realized net income of \$13.8 million in 2004 compared to a net loss of \$8.1 million in 2003. Revenue from sales of energy to retail customers accounts for the majority of the increase. Retail revenue was up \$24.5 million compared to 2003. At \$113.6 million, revenue from wholesale power sales (net of cost of wholesale purchases) remained fairly constant compared to the prior year. Lower power costs, in particular a reduction of \$26.1 million in the cost of power purchased from the Bonneville Power Administration, were partially offset by a slight increase in other operations and maintenance costs. Income from fees and grants were \$8.3 million lower than in 2003.

City Light incurred a net loss of \$73.3 million during the energy crisis of 2001 after deferral of \$300.0 million in excess power costs from 2001 to future years pursuant to SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*, and City of Seattle Ordinance No. 120385. In December 2004 the Utility amortized the final monthly installment of \$8.3 million. Without the deferral and amortization of power costs in 2004, net income would have been \$113.8 million.

Net cash provided by operating activities increased to \$242.2 million in 2004, compared to \$214.9 million in 2003, an increase of \$27.3 million. Restricted cash and investments were \$123.7 million in 2004, down from \$159.4 million in 2003. The decrease was largely due to the reduction in the amount of bond proceeds remaining at year-end. Operating cash balances at year-end increased from \$9.3 million in 2003 to \$60.7 million in 2004 reflecting positive cash flow from operations, net of the repayment of \$70 million in interdepartmental operating debt.

Utility plant and other capital assets were \$1.408 billion and \$1.391 billion in 2004 and 2003, respectively, a net increase of \$17 million. The majority of the capital asset additions were in the distribution system.

City Light issued \$284.9 million new improvement and revenue refunding bonds in 2004. \$215.3 million revenue bond proceeds were used to defease certain 1995A, 1996 and 1999 bonds. The remaining amount was used for construction and acquisition of capital and deferred assets. Total net revenue bonds payable were \$1.537 billion in 2004 and \$1.522 billion in 2003, a net increase of \$15.7 million. Interest expenses were \$73.8 million in 2004 and \$73.9 million in 2003. Debt service coverage ratios were 1.58 in 2004 and 1.56 in 2003. Including long-term debt, the total liabilities were \$1.722 billion in 2004 and \$1.770 billion in 2003.

Management's Discussion and Analysis

Total net assets were \$303.9 million in 2004 and \$290.1 million in 2003.

Water Utility. Operating income of the Water Utility increased to \$40.3 million in 2004 from \$34.9 million in 2003. Net income rose slightly to \$17.8 million in 2004 from \$16.9 million in 2003, an increase of \$0.9 million. The net income increase was primarily due to a rate increase and contributions from developers and other local governments for infrastructure projects, offset by the absence of a significant one-time gain in 2004 (\$6.8 million for the sale of a power transmission right-of-way easement to the Bonneville Power Administration received in 2003).

Net cash provided by operating activities rose to \$74.3 million in 2004 from \$72.2 million in 2003, an increase of \$2.1 million. Total operating and restricted cash and investments were \$124.8 million in 2004 compared to \$73.2 million in 2003, an increase of \$51.6 million. This increase in cash and investments resulted from proceeds of the sale of revenue bonds and deposits made into the revenue stabilization fund.

Utility plant and other capital assets were \$969.2 million and \$933.1 million in 2004 and 2003, respectively, an increase of \$36.1 million. Significant capital was spent on the construction of the new Cedar River water treatment facility and on pipeline, conservation, and distribution system improvements.

The Water Utility issued \$84.8 million in revenue bonds to finance the water system capital program. Total revenue bonds payable was \$794.6 million and \$731.5 million in 2004 and 2003, respectively. Interest expenses were \$29.4 million in 2004 and \$27.3 million in 2003. Bond covenants require net revenues for debt service at 125 percent for both 2004 and 2003, while actual net revenues for debt service were 169 percent for 2004 and 164 percent for 2003. Including revenue bonds payable, total liabilities were \$847.1 million and \$775.9 million in 2004 and 2003, respectively.

Total net assets were \$298.3 million in 2004 and \$280.5 million in 2003.

Drainage and Wastewater Utility. Operating income of the Utility increased to \$9.1 million in 2004 from \$7.4 million in 2003, a net increase of \$1.7 million. Operating revenues increased \$11.4 million and operating expenses increased \$9.7 million between 2004 and 2003. The Utility incurred a net loss of \$5.0 million in 2004 and \$4.3 million in 2003. This loss was caused primarily by increases in environmental charges and interest expenses.

Net cash provided by operating activities increased to \$19.7 million in 2004 from \$16.9 million in 2003. Total operating and restricted cash and investments were \$64.2 million in 2004 compared to \$26.0 million in 2003, an increase of \$38.2 million. This increase in cash and investments was associated with proceeds from the sale of revenue bonds.

Utility plant and other capital assets increased to \$475.7 million in 2004 from \$460.9 million in 2003, an increase of \$14.8 million. Significant investments in capital assets were for improvements to the wastewater collection and conveyance system, improvements to the drainage collection and conveyance system, and habitat projects.

The Utility issued \$62.0 million in revenue bonds to finance additions and improvements to the drainage and wastewater system. The total outstanding bond liabilities were \$301.2 million in 2004 and \$244.4 million in 2003, an increase of \$56.8 million. Interest expenses were \$10.8 million in 2004 and \$9.4 million in 2003. Debt service coverage ratio requirements were 125 percent for both 2004 and 2003, and actual debt service coverage ratios were 219 percent in 2004 and 212 percent in 2003. Total liabilities, including revenue bonds, were \$336.8 million in 2004 and \$271.8 million in 2003.

Total net assets were \$243.2 million in 2004 and \$248.2 million in 2003.

Fiduciary Funds

The City maintains fiduciary funds for the assets of the City of Seattle Employees' Retirement System (SCERS), the Firemen's Pension Fund, the Police Relief and Pension Fund, the S.L. Denny Private Purpose Trust Fund, and various agency funds. Total net assets of the combined fiduciary funds at the end of 2004 were \$1.692 billion. SCERS represents 99.5 percent of that amount.

SCERS assets that are held in trust for the payment of future benefits exceeded its current amounts owed as of December 31, 2004 by \$1.684 billion. Net assets increased by \$157.0 million during 2004, primarily due to gains in the equity markets in the U.S. and abroad. Total revenues (additions to net assets) for 2004 were \$245.8 million, which includes member and employer contributions of \$74.0 million and net investment income totaling \$171.8 million. In 2004 total expenses (deductions to net assets) were \$88.8 million. While payments for retiree benefits increased by \$3.7 million, this increase was offset largely by fewer refunds of contributions, resulting in a slight increase in total expenses of just \$0.2 million compared to 2003.

At December 31, 2004 the net assets held in trust in the Firemen's Pension Fund and the Police Relief and Pension Fund for the payment of future benefits were \$6.2 million and \$1.8 million respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's final expenditure budget for the General Fund differed from the original budget due to supplemental legislation/appropriations approved during the year. In fiscal year 2004 the General Fund's original budget was \$676.8 million. That original budget was increased by \$22.2 million (3.2 percent) in supplemental appropriations after a reduction for reimbursements received for Personnel's services (a \$98.6 million reduction for reimbursements).

The most significant budget revisions are described below:

- In November 2003, at about the time of the completion of the 2004 Budget, the State Supreme Court ruled that the City's practice of having the Light Fund pay for streetlights was unconstitutional and that these costs were the responsibility of the General Fund. In February 2004 the Mayor and various members of the City Council worked to explore options to address the streetlight funding issue as well as to prepare for upcoming 2005 budget pressures. The resulting ordinance, 121430, reduced the General Fund budget, including support to other funds, by a \$7.7 million. All General Fund supported-departments were impacted by the budget cut. Later, ordinance 121556 appropriated \$6.2 million to cover the 2004 estimated costs for streetlights.
- The City Council authorizes the acceptance of all grant funds. If a grant is not included as a part of the adopted budget, a separate ordinance is required. In 2004 over \$22 million in additional grant funds were appropriated. Most of the grant funds were for public safety purposes including over \$16 million in UASI/Homeland Security grants to increase the capacity of the Seattle urban area to prevent, respond to, and recover from threats or acts of terrorism.
- Funds were also appropriated during 2004 for earthquake repair. The funding is for damages resulting from the 2001 Nisqually earthquake. Many City facilities were damaged during the quake, and repair work continues.

At year-end 2004 actual expenditures were \$87.3 million less than budgeted. Of this amount, \$52.1 million of the budget was carried over into 2005 to cover outstanding encumbrances, grants, capital spending, and special carryovers. The balance of the expenditure budget, \$35.1 million, was lapsed. The Health Care Subfund contributed \$14.6 million to the underspending of budget in the General Fund because actual costs for employees' medical and dental coverage were significantly less than the budgeted amount. With a lapse amount of \$6.9 million, costs for the Special Employment Subfund were also significantly under budget. The Police Department was the only other department to lapse any significant budget, \$5.1 million.

During the year budgetary revenue estimates exceeded actual revenues by \$14 million. While tax revenues exceeded the budget by \$23.9 million, and fines and forfeits were \$2.3 million greater than budget, revenue from all other categories were less than budget. Of this amount, \$4.4 million is attributable to lower than anticipated space rental and parking fees, \$7.4 million is due to lower Special Employment Fund fees, and \$14.5 million is from reduced health care premiums. An additional \$10.0 million is related to incomplete grant projects and is expected to be collected in the future.

CAPITAL ASSETS

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

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

	Governmental Activities		Business-Type Activities		Total	
	2004	Restated 2003	2004	2003	2004	Restated 2003
Land	\$ 364,094	\$ 345,578	\$ 64,885	\$ 62,597	\$ 428,979	\$ 408,175
Plant in Service, Excluding Land	-	-	2,577,802	2,385,280	2,577,802	2,385,280
Buildings and Improvements	1,256,563	1,003,846	58,410	60,844	1,314,973	1,064,690
Machinery and Equipment	85,353	82,099	7,467	8,475	92,820	90,574
Infrastructure	459,465	460,482	-	-	459,465	460,482
Construction in Progress	212,524	362,436	221,767	350,041	434,291	712,477
Other Capital Assets	7,607	6,369	15,117	14,510	22,724	20,879
Total Capital Assets	\$ 2,385,606	\$ 2,260,810	\$ 2,945,448	\$ 2,881,747	\$ 5,331,054	\$ 5,142,557

Capital assets for governmental activities increased \$124.8 million in 2004. Major increases include the following:

Management's Discussion and Analysis

- Seattle Center completed construction of the Marion Oliver McCaw Hall in 2003. An additional \$2.3 million in construction costs were capitalized in 2004. Seattle Center also capitalized \$3.7 million for various other improvements.
- The Fleets and Facilities Department (FFD) purchased land at a cost of \$10.4 million with funds from the new 2003 fire levy for an emergency/fire alarm center. FFD completed construction of the new City Hall in 2003. Additional costs of \$1.2 were capitalized in 2004 as were \$24.6 million in other improvements. Over 70 percent of the improvement costs were for the Park 90/5 complex, which opened in mid-2004.
- The Parks Department completed construction work on the Yesler Community Center, the Sand Point Community Center, the High Point Community Center, the Jefferson Park Community Center expansion, the International Community Center, and the Southwest Community Center gym at a total cost of \$20.5 million. The Department also completed numerous parks improvements at a cost of \$53.1 million and purchased a few parcels of land for a total of \$2.5 million.
- The Transportation Department capitalized \$24.3 million for various infrastructure assets (roads, bridges, sidewalks, signs, signals, illuminations, and others) and \$0.1 million for land acquisition. Construction in progress increased by \$17.3 million.
- The Library completed construction of the new Central Library at a cost of \$152.6 million. The library opened in May 2004. The Library also completed construction work at several branch libraries, such as the Beacon Hill Library, the Northeast Library, the Rainier Beach Library, and the Columbia Library, spending an additional \$26.7 million. Construction in progress at December 31, 2004, was \$42.5 million.

Capital assets for business-type activities increased \$63.7 million, as follows:

- City Light capital assets increased by approximately \$17.3 million. These increases were mainly for improvements to the hydroelectric system, transmission plant, and distribution plant as well as for land and land rights. The hydroelectric system improvements were for the completion of the North Cascades Environmental Learning Center, upgrading exhibits at Newhalen, the Boundary rehabilitation project, improvement of Gorge Road, and other work. The transmission plant increases were mainly for circuit breaker replacements at substation switch yards. The distribution plant increases were for poles, overhead conductors for capacity additions and relocations, underground conduits, Broad Street substation network, Sound Transit, overhead and underground services meter additions, and streetlights.
- Water Utility capital assets increased \$37.6 million. Major capital outlays were for the completion of the Cedar River Treatment Facility, numerous computer hardware and software application upgrades, installation of new direct service meters and replacement meters, and improvements to the distribution of water mains.
- Drainage and Wastewater Utility capital assets increased \$11.6 million. Major capital improvements included the completion of Phase II of the Jackson Park Detention Pond, completion of the natural drainage system at 3rd and 107th Streets, completion of Phase II of the Delridge Basin, rehabilitation of sewer pipes, storm drain improvements, and rehabilitation of 5 pump stations.
- Nonmajor funds capital assets decreased \$2.8 million, largely due to depreciation.

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

DEBT ADMINISTRATION

At the end of the 2004 fiscal year the City had \$3.574 billion in outstanding bonded debt, compared to \$3.492 billion in 2003. This represents an increase of approximately \$82.0 million (2.3 percent).

In 2004 the City issued revenue bonds to finance various capital improvement projects, additions and conservation programs of the City's Light, Water and Drainage and Wastewater systems. Additional revenue anticipation notes were issued to finance ongoing capital projects for the Solid Waste Utility. To take advantage of the low-interest rates and improve cash flow, the City refinanced a general obligation bond issue and three series of revenue bonds for a total of \$305.1 million. By refinancing the debt the City will save \$29.7 million in principal and interest over the next 15 to 20 years. Additionally, the City defeased \$4.3 million of the 1994 Coliseum bonds, placing its own resources into an irrevocable trust to service the debt when it is due or called.

The City's unlimited tax general obligation bonds are rated Aaa by Moody's Investors Service, AAA by FitchRatings, and AAA by Standard & Poors. The City's limited tax general obligation bonds are rated Aa-1 by Moody's Investors Services, AA+ by FitchRatings, and AAA by Standard & Poors. The City maintained its high bond ratings on its Light, Water, Drainage and Wastewater, and Solid Waste revenue bonds. The City's limited and unlimited general obligation debt is capped at 7.5 percent of assessed value by state law. The 2005 assessed value for the City is \$88.3 billion. At year-end

2004 the net outstanding general obligation debt of the City that includes bonds, leases, compensated absences net of sick leave, and guarantees of indebtedness amounted to \$978.5 million, well below the limit of \$6.6 billion. Within the 7.5 percent limitation, state law restricts outstanding limited tax general obligation bonds to 1.5 percent of assessed value. At year-end 2004 the net outstanding limited tax general obligation was \$686.1 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 \$102.0 million at end of the year. In addition, the City's utilities recorded \$14.9 million in estimated environmental liabilities. At the end of 2004 City Light had \$35.7 million in liabilities related to its purchased power commitments. Other obligations were accrued compensated absences and other notes and contracts. The other notes and contracts included draws from the State's Public Works Trust Loan Program which are serviced with revenues from two participating City departments, one a governmental-type fund and another whose activities are reported in two of its business-type funds.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Puget Sound region endured a difficult economic recession beginning in 2001. The region lost 6.7 percent of its jobs between December 2000 and September 2003. The regional recession led to declines in many City revenues, including sales taxes, business and occupation (B&O) taxes, electricity sales, and water revenues.

The revenue effects of the poor regional economy have been exacerbated by a variety of other challenges. Changes in state law since 2000 have reduced Seattle's potential 2005 General Fund revenues by more than \$45 million. The largest component of this is due to Initiative 747, which was approved by the state's voters in 2001 and limits annual property tax revenue growth to 1 percent plus the value of new construction versus the previous limit of 6 percent plus new construction.

Revenues available for transportation projects were adversely affected by Initiative 776, which was approved by the state's voters in 2002. This Initiative eliminated the vehicle license fee collected by King County and shared with cities. The loss of this revenue, coupled with continuing declines in the value of gasoline tax revenues to cities, has created a looming funding crisis for transportation in Seattle and other Washington cities.

The State Supreme Court's decision in the Okeson v. Seattle case was handed down in November 2003. The Court ruled the City's practice of having the Light Fund pay for streetlights was unconstitutional and these costs were the responsibility of the General Fund. The Okeson case was remanded to Superior Court for further consideration of various issues. Most significantly, the Superior Court ruled that the General Fund must reimburse the Light Fund for \$23.1 million of streetlight costs incurred between December 1999 and November 2003. In addition, the Superior Court ruled certain other costs charged to the Light Fund were inappropriate. The City has appealed the decision related to the 1% for Art program.

The City's 2005-2006 budget reflects the fiscal realities facing the City while continuing commitments to core services. The budget is guided by the four priorities of Mayor Greg Nickels: transportation, public safety, economic development, and strong families and healthy communities. Regional economic growth, more efficient delivery of services, reductions or eliminations of lower-priority functions, and a small increase in some utility taxes allow for more focus on these priorities in the 2005 adopted budget.

The Mayor and City Council are committed to creating a sustainable budget for the General Fund and other City funds, including the utilities. The 2005-2006 General Fund Budget makes minimal reliance on fund balances or other one-time revenue sources. Revenues from nonrecurring sources, such as property sales, are dedicated to one-time projects rather than ongoing expenditures. Under current economic assumptions, the 2006 budget should be sustainable in future years.

The 2005-2006 budget reflects changes in some utility rates needed to continue services and to add resources to high-priority programs. Electrical rates have not been changed, pending a comprehensive review of City Light financial policies, revenue requirements, cost allocations, and rate design in the first half of 2005.

About 136 general government full-time-equivalent positions were eliminated in the 2005 budget.

General Fund revenues are projected to grow at a rate of 4.6 percent. At 26.8 percent, property taxes continue to be the largest source of General Fund revenue. The property tax forecast assumes no major policy changes and is projected to increase by the annual 1 percent growth limit plus new construction. The retail sales tax is expected to contribute 17.7 percent of the total General Fund revenues. After several years of decline, the retail sales tax showed improvement in 2004 and is expected to grow more strongly in 2005. Similarly, an improved economy is expected to boost B&O tax revenue in 2005. Approximately 17.4 percent of General Fund revenue is expected to come from the B&O tax. In 2005 there will be large increases in the utility tax revenue for all City utilities except City Light. These increases result from the City Council's decision to raise the utility tax rate from 10.0 percent to 11.5 percent for water, drainage, wastewater, the City's

Management's Discussion and Analysis

solid waste utility, and private garbage. In addition, the water utility tax is increased by an additional 4.0 percent to pay for the cost of shifting fire hydrant services from utility revenues to General Fund revenues. Customers will not be affected because the tax rate increase is offset by a decrease in water rates.

Financial Contact

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

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Government-wide Financial Statements

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STATEMENT OF NET ASSETS

Page 1 of 2

December 31, 2004

(In Thousands)

	Primary Government				Component Unit
	Governmental Activities	Business-Type Activities	Comparative Totals		Seattle Public Library Foundation
			2004	Restated 2003	
ASSETS					
<i>Current Assets</i>					
Operating Cash and Equity in Pooled Investments	\$ 342,636	\$ 99,411	\$ 442,047	\$ 396,143	\$ 8,372
Restricted Cash and Equity in Pooled Investments	-	22,420	22,420	53,770	-
Investments	-	-	-	-	39,044
Receivables, Net of Allowances	63,892	194,095	257,987	249,723	3,433
Internal Balances	(7,256)	7,256	-	-	-
Due from Other Governments	70,047	12,139	82,186	63,669	-
Inventories	3,032	23,573	26,605	26,255	-
Prepaid and Other Current Assets	1,860	560	2,420	2,675	-
<i>Noncurrent Assets</i>					
Restricted Cash and Equity in Pooled Investments	5	114,639	114,644	101,615	-
Restricted Investments	-	162,064	162,064	92,438	-
Unamortized Debt Costs	2,354	14,331	16,685	14,426	-
Contracts and Notes	255,050	334	255,384	236,790	-
Capitalized Purchased Power Commitment	-	35,663	35,663	45,130	-
Deferred Conservation Costs, Net	-	17,458	17,458	16,018	-
Deferred Landfill Closure and Postclosure Costs, Net	-	38,760	38,760	36,778	-
Capitalized Energy Management Services, Net	-	124,316	124,316	116,278	-
Deferred Power Costs	-	-	-	100,000	-
Net Pension Asset	74,501	-	74,501	74,501	-
Other Deferred Charges and Noncurrent Assets	16	96,281	96,297	79,757	6,168
Capital Assets, Net of Accumulated Depreciation					
Land and Land Rights	364,094	64,885	428,979	408,175	-
Plant in Service, Excluding Land	-	2,577,802	2,577,802	2,385,280	-
Buildings and Improvements	1,256,563	58,410	1,314,973	1,065,287	-
Machinery and Equipment	85,353	7,467	92,820	89,974	17
Infrastructure	459,465	-	459,465	460,482	-
Construction in Progress	212,524	221,767	434,291	712,477	-
Other Capital Assets	7,607	15,117	22,724	20,879	-
Total Assets	3,191,743	3,908,748	7,100,491	6,848,520	57,034

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

Government-wide Financial Statements

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STATEMENT OF NET ASSETS

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December 31, 2004

(In Thousands)

	Primary Government				Component Unit Seattle Public Library Foundation
			Comparative Totals		
	Governmental Activities	Business-Type Activities	2004	Restated 2003	
LIABILITIES					
<i>Current Liabilities</i>					
Accounts Payable	\$ 49,452	\$ 57,411	\$ 106,863	\$ 119,146	\$ 2
Salaries, Benefits, and Taxes Payable	25,322	11,061	36,383	30,009	-
Matured Bonds and Interest Payable	55	-	55	77	-
Contracts Payable	2,427	1,713	4,140	9,756	-
Due to Other Governments	11,045	7,948	18,993	18,647	-
Interest Payable	14,627	32,157	46,784	50,520	-
Street Refund Payable	-	19,998	19,998	-	-
Taxes Payable	21	9,573	9,594	10,678	-
Deposits Payable	1,004	-	1,004	1,888	-
Deferred Credits	3,261	17,182	20,443	27,316	-
Current Portion of Long-Term Debt					
Bonds and Revenue Anticipation Notes Payable	89,565	106,382	195,947	133,683	-
Accrued Interest - Deferred Interest Bonds	-	370	370	287	-
Compensated Absences Payable	11,941	1,383	13,324	13,769	-
Purchased Power Obligation	-	10,705	10,705	10,300	-
Notes and Contracts Payable	2,125	127	2,252	2,043	-
Claims Payable	29,968	12,137	42,105	49,330	-
Landfill Closure and Postclosure Liability	-	1,785	1,785	1,093	-
Arbitrage Rebate Liability	35	-	35	1,339	-
Other Current Liabilities	527	3,977	4,504	1,850	-
<i>Noncurrent Liabilities</i>					
Bonds and Anticipation Notes Payable, Net of Unamortized Premiums, Discounts, and Other	751,836	2,623,303	3,375,139	3,350,274	-
Accrued Interest - Deferred Interest Bonds	-	3,324	3,324	2,969	-
Compensated Absences Payable	42,691	18,176	60,867	56,685	-
Claims Payable	48,754	25,992	74,746	66,326	-
Notes and Contracts Payable	19,170	1,705	20,875	22,108	-
Purchased Power Obligation	-	24,958	24,958	34,830	-
Landfill Closure and Postclosure Liability	-	29,244	29,244	26,330	-
Vendor Deposits Payable	5	392	397	630	-
Deferred Credits	248,368	41,126	289,494	262,207	-
Arbitrage Rebate Liability	208	-	208	113	-
Other Noncurrent Liabilities	836	191	1,027	1,582	-
Total Liabilities	1,353,243	3,062,320	4,415,563	4,305,785	2
NET ASSETS					
Invested in Capital Assets, Net of Related Debt Restricted for	1,603,090	657,531	2,260,621	2,130,470	17
Deferred Power Costs	-	-	-	100,000	-
Debt Service	27,717	-	27,717	22,426	-
Capital Projects	59,230	-	59,230	79,739	17,574
Education and Development Services	8,841	-	8,841	17,897	9,245
Special Deposits and Other	3,282	98,074	101,356	82,952	176
Nonexpendable	2,256	-	2,256	2,391	23,106
Unrestricted	134,084	90,823	224,907	106,860	6,914
Total Net Assets	\$ 1,838,500	\$ 846,428	\$ 2,684,928	\$ 2,542,735	\$ 57,032

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

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2004
(In Thousands)

Functions/Programs	Program Expenses		Program Revenues		
	Expenses	Indirect Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES					
General Government	\$ 96,250	\$ (1,333)	\$ 43,857	\$ 22,267	\$ 662
Judicial	19,137	-	18,162	25	-
Public Safety	319,253	(547)	10,371	12,083	337
Physical Environment	5,530	-	1,065	-	276
Transportation	84,036	354	17,970	11,863	14,452
Economic Environment	78,455	-	11,072	15,482	5,302
Health and Human Services	28,145	-	5	49	6
Culture and Recreation	195,699	-	49,925	1,743	34,016
Interest on Long-Term Debt	41,499	-	-	-	-
Total Governmental Activities	868,004	(1,526)	152,427	63,512	55,051
BUSINESS-TYPE ACTIVITIES					
Light	772,115	712	763,793	1,191	16,673
Water	127,534	331	141,305	148	3,399
Drainage and Wastewater	168,431	258	162,126	274	938
Solid Waste	112,773	147	115,144	846	4
Planning and Development	45,242	78	32,449	159	-
Downtown Parking Garage	8,421	-	6,185	-	-
Total Business-Type Activities	1,234,516	1,526	1,221,002	2,618	21,014
Total Primary Government	\$ 2,102,520	\$ -	\$ 1,373,429	\$ 66,130	\$ 76,065
COMPONENT UNIT	\$ 23,521			\$ 11,229	

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

Government-wide Financial Statements

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STATEMENT OF ACTIVITIES

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For the Year Ended December 31, 2004

(In Thousands)

	Net Revenue (Expense) and Changes in Net Assets				Component Unit
	Primary Government				
	Comparative Totals				
	Governmental Activities	Business-Type Activities	2004	Restated 2003	
GOVERNMENTAL ACTIVITIES					
General Government	\$ (28,131)	\$ -	\$ (28,131)	\$ (32,491)	
Judicial	(950)	-	(950)	(2,445)	
Public Safety	(295,915)	-	(295,915)	(282,731)	
Physical Environment	(4,189)	-	(4,189)	(4,283)	
Transportation	(40,105)	-	(40,105)	(53,682)	
Economic Environment	(46,599)	-	(46,599)	(56,083)	
Health and Human Services	(28,085)	-	(28,085)	(29,240)	
Culture and Recreation	(110,015)	-	(110,015)	(93,549)	
Interest on Long-Term Debt	(41,499)	-	(41,499)	(43,216)	
Total Governmental Activities	(595,488)	-	(595,488)	(597,720)	
BUSINESS-TYPE ACTIVITIES					
Light	-	8,829	8,829	(12,694)	
Water	-	16,986	16,986	9,552	
Drainage and Wastewater	-	(5,351)	(5,351)	(5,358)	
Solid Waste	-	3,074	3,074	3,075	
Planning and Development	-	(12,712)	(12,712)	(9,462)	
Downtown Parking Garage	-	(2,236)	(2,236)	(2,725)	
Total Business-Type Activities	-	8,590	8,590	(17,612)	
Total Government-Wide Activities	(595,488)	8,590	(586,898)	(615,332)	
COMPONENT UNIT					\$ (12,292)
General Revenues					
Property Taxes	280,460	-	280,460	252,702	-
Sales Taxes	130,961	-	130,961	124,951	-
Business Taxes	253,733	-	253,733	248,467	-
Excise Taxes	43,766	-	43,766	32,661	-
Other Taxes	4,196	-	4,196	3,799	-
Penalties and Interest on Delinquent Taxes	1,941	-	1,941	4,131	-
Unrestricted Investment Earnings	5,366	4,269	9,635	15,484	661
Gain (Loss) on Sale of Capital Assets	2,296	2,100	4,396	11,792	-
Transfers	(9,738)	9,738	-	-	-
Total General Revenues and Transfers	712,981	16,107	729,088	693,987	661
Changes in Net Assets	117,493	24,697	142,190	78,655	(11,631)
Net Assets - Beginning of Year	1,732,807	821,729	2,554,536	2,327,804	68,663
Prior-Year Adjustments	(11,800)	-	(11,800)	136,277	-
Net Assets - Beginning of Year as Restated	1,721,007	821,729	2,542,736	2,464,081	68,663
Net Assets - End of Year	\$ 1,838,500	\$ 846,426	\$ 2,684,926	\$ 2,542,736	\$ 57,032

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

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Fund Financial Statements

MAJOR GOVERNMENTAL FUNDS

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

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

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

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2004
(In Thousands)

	General	Low-Income Housing	Other Governmental	Comparative Totals	
				2004	2003
ASSETS					
Cash and Equity in Pooled Investments	\$ 76,377	\$ 47,158	\$ 176,062	\$ 299,597	\$ 306,058
Cash with Fiscal Agent	-	-	55	55	77
Receivables, Net of Allowances					
Taxes	38,536	234	5,382	44,152	40,704
Accounts	2,168	-	6,671	8,839	7,307
Contracts and Notes	2	-	2	4	8
Special Assessments - Delinquent	-	-	-	-	1
Interests and Dividends	19	-	88	107	125
Unbilled and Others	196	-	1,277	1,473	2,918
Due from Other Funds	10,706	100	14,054	24,860	24,004
Interfund Loans	5,159	-	-	5,159	-
Due from Other Governments	41,805	192	25,219	67,216	52,443
Inventories	32	-	938	970	761
Prepaid and Other Current Assets	1,860	-	-	1,860	1,721
Contracts and Notes - Noncurrent	5,959	180,636	68,455	255,050	236,325
Advances to Other Funds/Interfund Notes Receivable	18,952	-	-	18,952	89,861
Deferred Charges and Other Assets	19,009	-	16	19,025	38
Total Assets	\$ 220,780	\$ 228,320	\$ 298,219	\$ 747,319	\$ 762,351
LIABILITIES					
Accounts Payable	\$ 17,072	\$ 446	\$ 27,343	\$ 44,861	\$ 58,414
Matured Long-Term Debt - Principal	-	-	55	55	75
Matured Long-Term Debt - Interest	-	-	-	-	2
Contracts Payable	117	-	2,262	2,379	6,114
Due to Other Funds	26,508	218	13,601	40,327	16,811
Due to Other Governments	5,498	86	5,461	11,045	11,657
Salaries, Benefits, and Taxes Payable	15,323	-	8,037	23,360	19,350
Accrued Interest Payable	-	-	-	-	40
Deposits Payable	646	68	290	1,004	1,888
Revenue Collected/Billed in Advance - Current	1,697	-	1,564	3,261	3,251
Other Current Liabilities	400	-	127	527	117
Advances from Other Funds	-	-	14,351	14,351	9,501
Deferred Revenues	21,343	180,870	71,313	273,526	255,219
Total Liabilities	88,604	181,688	144,404	414,696	382,439

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

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**BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2004
(In Thousands)**

	General	Low-Income Housing	Other Governmental	Comparative Totals	
				2004	2003
FUND BALANCES					
Reserves Legally Segregated for Future Use					
Capital Improvements	\$ 36,107	\$ -	\$ 102,494	\$ 138,601	\$ 136,323
Continuing Appropriations	11,256	352	22,342	33,950	26,454
Debt Service	12,783	-	14,935	27,718	22,426
Encumbrances	6,440	32,276	1,411	40,127	48,443
Health Care Union Rate Stabilization	3,281	-	-	3,281	4,055
Reserves Not Available for Appropriation					
Endowments	-	-	2,050	2,050	2,050
Gifts	-	-	9,289	9,289	2,892
Interfund Loans	18,952	-	-	18,952	-
Advances to Other Funds	-	-	-	-	80,653
Inventories	-	-	-	-	396
Petty Cash	2,688	-	25	2,713	3,245
Unreserved, Reported in					
Major Funds					
Designated for Special Purposes	21,081	-	-	21,081	35,834
Undesignated	19,588	14,004	-	33,592	8,775
Special Revenue Funds	-	-	4,387	4,387	8,205
Capital Projects Funds	-	-	(3,137)	(3,137)	-
Permanent Funds	-	-	19	19	161
Total Fund Balances	<u>132,176</u>	<u>46,632</u>	<u>153,815</u>	<u>332,623</u>	<u>379,912</u>
Total Liabilities and Fund Balances	<u>\$ 220,780</u>	<u>\$ 228,320</u>	<u>\$ 298,219</u>		

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,313,181	2,188,970
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	25,767	25,752
Internal service funds are used by management to charge the costs of Fleets and Facilities, Information Technology, and Engineering Services to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets. Adjustments to reflect the consolidation of internal service fund (ISF) activities related to enterprise funds and prior-year adjustment (B-6) are added back to ISF total net assets, and the latter amounts are included in governmental activities.	105,350	102,957
Negative net pension obligation shown as Net Pension Asset in governmental activities (Note 10).	74,501	74,501
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,012,922)</u>	<u>(1,051,085)</u>
Net Adjustments	<u>1,505,877</u>	<u>1,341,095</u>
Net Assets of Governmental Activities	<u>\$ 1,838,500</u>	<u>\$ 1,721,007</u>

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended December 31, 2004

(In Thousands)

	General	Low-Income Housing	Other Governmental	Comparative Totals	
				2004	2003
REVENUES					
Taxes	\$ 586,517	\$ 11,770	\$ 116,757	\$ 715,044	\$ 667,039
Licenses and Permits	13,752	-	5,276	19,028	17,500
Grants, Shared Revenues, and Contributions	22,278	6,175	88,909	117,362	97,334
Charges for Services	50,230	23	62,437	112,690	111,736
Fines and Forfeits	18,135	-	2,660	20,795	19,498
Parking Fees and Space Rent	26,847	32	22,669	49,548	48,119
Program Income, Interest, and Miscellaneous Revenues	12,832	9,551	10,114	32,497	36,183
Total Revenues	730,591	27,551	308,822	1,066,964	997,409
EXPENDITURES					
Current					
General Government	114,714	-	4,057	118,771	137,943
Judicial	19,057	-	-	19,057	19,116
Public Safety	306,434	-	3,678	310,112	296,290
Physical Environment	5,548	-	266	5,814	5,996
Transportation	12,939	-	87,523	100,462	83,412
Economic Environment	16,748	18,876	46,901	82,525	91,244
Health and Human Services	10,673	-	17,315	27,988	29,135
Culture and Recreation	3,182	-	178,946	182,128	170,820
Capital Outlay					
General Government	3,947	-	46,067	50,014	73,730
Public Safety	4,351	-	1,453	5,804	3,433
Transportation	-	-	12,774	12,774	18,459
Economic Environment	-	-	-	-	2
Culture and Recreation	11,633	-	85,793	97,426	184,961
Debt Service					
Principal	-	-	50,736	50,736	45,241
Advance Refunding to Escrow	-	-	4,558	4,558	5,368
Interest	-	-	40,254	40,254	42,101
Bond Issuance Cost	-	-	799	799	381
Other	160	-	-	160	139
Total Expenditures	509,386	18,876	581,120	1,109,382	1,207,771
Excess (Deficiency) of Revenues Over Expenditures	221,205	8,675	(272,298)	(42,418)	(210,362)
OTHER FINANCING SOURCES (USES)					
Long-Term Debt Issued	-	-	91,805	91,805	63,521
Premium on Bonds Issued	-	-	4,322	4,322	2,747
Payment to Refunded Bond Escrow Agent	-	-	(92,833)	(92,833)	(4,039)
Sales of Capital Assets	1,922	-	1,058	2,980	6,865
Transfers In	6,238	-	225,280	231,518	245,334
Transfers Out	(216,007)	-	(26,656)	(242,663)	(259,938)
Total Other Financing Sources (Uses)	(207,847)	-	202,976	(4,871)	54,490
Net Change in Fund Balances	13,358	8,675	(69,322)	(47,289)	(155,872)
Fund Balances - Beginning of Year	118,818	37,957	223,137	379,912	535,784
Fund Balances - End of Year	\$ 132,176	\$ 46,632	\$ 153,815	\$ 332,623	\$ 379,912

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, 2004
(In Thousands)**

	Comparative Totals	
	2004	2003
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balance - total governmental funds	\$ (47,289)	\$ (155,872)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense:		
Depreciation expense for the year	(61,342)	(55,577)
Capital outlay reported as expenditure	185,749	294,781
Retirement and sale of capital assets	(577)	(1,713)
Capital assets received as donations	381	36
The long-term loan receivable from Seattle Monorail project is recorded as deferred revenue in governmental funds.	-	20,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	14	(326)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premium, discount, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are the result of the differences in the treatment of long-term debt and related items:		
Proceeds of general obligation bonds	-	(56,815)
Proceeds of long-term intergovernmental loan	-	(2,567)
Premium on general obligation bonds	(4,322)	(2,746)
Proceeds from bond refunding	(91,805)	(4,040)
Proceeds from capital lease	-	(99)
Capital lease payments	39	31
Principal payments bonds/notes	50,697	45,218
Bond interest accruals	2,654	1,965
Remittance to refunding escrow using City funds	4,558	5,368
Bond issuance cost deferrals	799	401
Amortization of accounting loss on early extinguishment of long-term debt	(3,919)	(3,082)
Remittance to refunding escrow using refunding proceeds	92,833	4,039
Amortization of bond discounts, premiums, refunding losses, and debt expense	(260)	(223)
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	(2,908)	(2,148)
Injury and damage claims	(10,422)	(23,674)
Workers' compensation	(909)	2,755
Arbitrage	1,127	1,196
Internal service funds are used by management to charge the cost of Fleets and Facilities, Information Technology, and Engineering Services to individual funds. Adjustments reflect the consolidation of internal service funds activities to governmental funds:		
Operating loss (income) allocated to proprietary funds	552	(205)
Net revenue of internal service funds activities reported with governmental activities	1,843	6,412
Change in Net Assets of Governmental Activities	\$ 117,493	\$ 73,115

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

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MAJOR PROPRIETARY FUNDS

The **Light Fund** (City Light) accounts for the operations of the City-owned electric utility. City Light serves approximately 373,000 customers in the Seattle area. In 2004, about 685 average annual megawatts (aaMW) of energy were generated from owned hydroelectric production facilities and about 804 aaMW of energy were obtained through long-term purchased power and exchange agreements. The total system load for the year for City Light retail customers was about 1,097 aaMW. Net short-term wholesale power sales and others were about 392 aaMW.

The **Water Fund** accounts for the operations of the City-owned utility. The utility maintains three separate sources of water supply, namely Cedar and Tolt watersheds and Seattle wellfields; approximately 180 miles of supply mains and 456 million gallons of distribution storage capacity in reservoirs, tanks, and standpipes. The distribution system serves a population of about 630,000 people with an average daily billed consumption of 61 million gallons of water. SPU also sells 66 million gallons of water per day wholesale to 25 surrounding cities and water districts that provide water to an additional 720,000 people. The utility owns and manages a large portion of its watersheds and derives occasional supplementary revenues from timber sales.

The **Drainage and Wastewater Fund** accounts for the operations of the sewer and drainage utility facilities and its pumping stations. Those facilities and stations are necessary to collect the sewage of the City and discharge it into King County's treatment and disposal system. The utility maintains about 1,889 miles of sewers and drainage mainlines, nearly one-half of which are separate sanitary sewers and storm mainlines.

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

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2004

(In Thousands)

	<u>Light</u>		<u>Water</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 60,715	\$ 9,347	\$ 6,011	\$ 5,876
Restricted Cash and Equity in Pooled Investments	5,219	7,407	13,104	30,972
Receivables, Net of Allowances				
Accounts	78,403	75,650	9,538	9,345
Unbilled	61,804	61,195	7,272	6,883
Energy Contracts, Notes, and Other Contracts	1,825	5,496	98	147
Due from Other Funds	20,730	1,458	1,387	1,770
Due from Other Governments	9,513	5,481	1,384	1,200
Materials and Supplies Inventory	18,886	18,725	4,611	4,772
Prepayments and Other Current Assets	546	882	13	14
Total Current Assets	257,641	185,641	43,418	60,979
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	91,611	83,781	17,538	12,197
Restricted Investments	26,888	68,244	88,194	24,194
Restricted Receivables and Other	-	-	-	242
Unamortized Bond Issue Costs, Net	6,169	5,316	5,250	4,846
Notes and Contracts Receivable	-	-	334	465
Capitalized Purchased Power Commitment	35,663	45,130	-	-
Deferred Conservation Costs, Net	-	-	17,458	16,018
Deferred Landfill Closure and Postclosure Costs, Net	-	-	-	-
Prepaid Secondary Treatment Service	-	-	-	-
Capitalized Energy Management Services, Net	124,316	116,278	-	-
Deferred Power Costs	-	100,000	-	-
Capitalized Relicensing Costs	16,013	14,328	-	-
Other Deferred Charges	59,706	50,977	4,077	5,774
Capital Assets				
Land and Land Rights	40,646	39,771	15,073	13,656
Plant in Service, Excluding Land	2,249,506	2,152,681	1,207,315	1,058,829
Less Accumulated Depreciation	(980,740)	(914,979)	(326,684)	(304,584)
Building and Improvements	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Machinery and Equipment	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Construction in Progress	85,659	101,524	73,211	163,423
Other Property, Net	13,112	11,861	275	275
Total Noncurrent Assets	1,768,549	1,874,912	1,102,041	995,335
Total Assets	2,026,190	2,060,553	1,145,459	1,056,314

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

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STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2004

(In Thousands)

	Drainage and Wastewater		Nonmajor Funds	
	2004	2003	2004	2003
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 7,676	\$ 7,216	\$ 25,009	\$ 24,886
Restricted Cash and Equity in Pooled Investments	4,097	13,167	-	2,224
Receivables, Net of Allowances				
Accounts	10,497	9,014	13,083	11,326
Unbilled	10,829	10,140	266	378
Energy Contracts, Notes, and Other Contracts	10	16	-	-
Due from Other Funds	778	475	975	588
Due from Other Governments	1,022	720	220	229
Materials and Supplies Inventory	-	-	76	11
Prepayments and Other Current Assets	1	2	-	54
Total Current Assets	34,910	40,750	39,629	39,696
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	5,477	5,574	13	-
Restricted Investments	46,982	-	-	-
Restricted Receivables and Other	42	-	-	-
Unamortized Bond Issue Costs, Net	2,375	1,936	537	514
Notes and Contracts Receivable	-	-	-	-
Capitalized Purchased Power Commitment	-	-	-	-
Deferred Conservation Costs, Net	-	-	-	-
Deferred Landfill Closure and Postclosure Costs, Net	-	-	38,760	36,778
Prepaid Secondary Treatment Service	217	272	-	-
Capitalized Energy Management Services, Net	-	-	-	-
Deferred Power Costs	-	-	-	-
Capitalized Relicensing Costs	-	-	-	-
Other Deferred Charges	14,335	7,361	1,891	765
Capital Assets				
Land and Land Rights	7,375	7,379	1,791	1,791
Plant in Service, Excluding Land	556,521	508,035	36,803	33,656
Less Accumulated Depreciation	(144,343)	(129,929)	(20,576)	(18,429)
Building and Improvements	-	-	73,013	73,013
Less Accumulated Depreciation	-	-	(14,603)	(12,169)
Machinery and Equipment	-	-	10,582	10,532
Less Accumulated Depreciation	-	-	(3,115)	(2,057)
Construction in Progress	56,151	78,617	6,746	6,477
Other Property, Net	-	-	1,730	2,374
Total Noncurrent Assets	545,132	479,245	133,572	133,245
Total Assets	580,042	519,995	173,201	172,941

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

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2004

(In Thousands)

	Comparative Totals		Internal Service Funds	
	2004	2003	2004	2003
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 99,411	\$ 47,325	\$ 42,984	\$ 42,683
Restricted Cash and Equity in Pooled Investments	22,420	53,770	-	-
Receivables, Net of Allowances				
Accounts	111,521	105,335	85	83
Unbilled	80,171	78,596	5	7
Energy Contracts, Notes, and Other Contracts	1,933	5,659	-	-
Due from Other Funds	23,870	4,291	5,501	8,517
Due from Other Governments	12,139	7,630	2,831	3,596
Materials and Supplies Inventory	23,573	23,508	2,062	1,986
Prepayments and Other Current Assets	560	952	-	2
Total Current Assets	375,598	327,066	53,468	56,874
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	114,639	101,552	5	63
Restricted Investments	162,064	92,438	-	-
Restricted Receivables and Other	42	242	-	-
Unamortized Bond Issue Costs, Net	14,331	12,612	-	-
Notes and Contracts Receivable	334	465	-	-
Capitalized Purchased Power Commitment	35,663	45,130	-	-
Deferred Conservation Costs, Net	17,458	16,018	-	-
Deferred Landfill Closure and Postclosure Costs, Net	38,760	36,778	-	-
Prepaid Secondary Treatment Service	217	272	-	-
Capitalized Energy Management Services, Net	124,316	116,278	-	-
Deferred Power Costs	-	100,000	-	-
Capitalized Relicensing Costs	16,013	14,328	-	-
Other Deferred Charges	80,009	64,877	-	-
Capital Assets				
Land and Land Rights	64,885	62,597	81	81
Plant in Service, Excluding Land	4,050,145	3,753,201	-	-
Less Accumulated Depreciation	(1,472,343)	(1,367,921)	-	-
Building and Improvements	73,013	73,013	2,528	3,086
Less Accumulated Depreciation	(14,603)	(12,169)	(660)	(61)
Machinery and Equipment	10,582	10,532	146,958	143,755
Less Accumulated Depreciation	(3,115)	(2,057)	(79,953)	(78,653)
Construction in Progress	221,767	350,041	3,471	3,631
Other Property, Net	15,117	14,510	-	-
Total Noncurrent Assets	3,549,294	3,482,737	72,430	71,902
Total Assets	3,924,892	3,809,803	125,898	128,776

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

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STATEMENT OF NET ASSETS

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PROPRIETARY FUNDS

December 31, 2004

(In Thousands)

	Light		Water	
	2004	2003	2004	2003
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 37,530	\$ 32,132	\$ 5,782	\$ 10,014
Salaries, Benefits, and Payroll Taxes Payable	6,018	4,949	2,147	1,672
Contracts Payable	-	-	-	-
Compensated Absences Payable	480	496	359	339
Interfund Loans Payable	5,159	70,000	-	-
Due to Other Funds	5,273	5,892	2,070	2,399
Due to Other Governments	-	-	674	-
Interest Payable	16,226	19,798	11,659	11,132
Street Refund Payable	19,998	-	-	-
Deferred Interest on Long-Term Debt Due Within One Year	-	-	-	-
Taxes Payable	8,367	9,529	619	497
General Obligation Bonds Due Within One Year	-	-	-	-
Revenue Bonds Due Within One Year	64,596	53,820	22,470	21,600
Revenue Anticipation Notes	-	-	-	-
Energy and Other Contracts Payable	1,710	3,545	-	-
Claims Payable	6,098	3,166	1,938	1,032
Purchased Power Obligation	10,705	10,300	-	-
Notes and Contracts Payable	-	-	118	118
Landfill Closure and Postclosure Liability	-	-	-	-
Arbitrage Rebate Liability	-	-	-	-
Deferred Credits	2,901	10,743	2,463	2,194
Other Current Liabilities	2,910	1,502	-	-
Total Current Liabilities	187,971	225,872	50,299	50,997
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	-	5,159	-	-
Compensated Absences Payable	10,369	10,222	3,257	3,074
Claims Payable	9,507	10,491	5,651	5,297
Notes and Contracts Payable	-	-	-	-
Long-Term Purchased Power Obligation	35,663	45,130	-	-
Less Obligation Due Within One Year	(10,705)	(10,300)	-	-
Public Works Trust Loan	-	-	946	1,064
Landfill Closure and Postclosure Liability	-	-	-	-
Vendor and Other Deposits Payable	-	-	163	136
Deferred Credits	30,029	26,228	10,898	5,919
Other Noncurrent Liabilities	176	174	15	35
General Obligation Bonds, Due Serially	-	-	-	-
Less Bonds Due Within One Year	-	-	-	-
Bond Discount and Premium, Net	-	-	-	-
Accrued Interest on Deferred Interest Bonds	-	-	-	-
Less Accrued Interest Due Within One Year	-	-	-	-
Revenue Bonds and Anticipation Notes	1,537,246	1,521,526	794,635	731,485
Less Revenue Bonds Due Within One Year	(64,596)	(53,820)	(22,470)	(21,600)
Bond Discount and Premium, Net	40,103	28,240	14,799	11,241
Deferred Loss on Advanced Refunding	(53,460)	(38,495)	(11,080)	(11,834)
Total Noncurrent Liabilities	1,534,332	1,544,555	796,814	724,817
Total Liabilities	1,722,303	1,770,427	847,113	775,814
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	128,454	158,452	287,435	270,619
Restricted for Deferred Power Costs	-	100,000	-	-
Restricted for Other Purposes	72,157	56,831	13,015	12,988
Unrestricted	103,277	(25,157)	(2,107)	(3,107)
Total Net Assets	\$ 303,888	\$ 290,126	\$ 298,343	\$ 280,500

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

Net Assets of Business-Type Activities

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

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2004

(In Thousands)

	Drainage and Wastewater		Nonmajor Funds	
	2004	2003	2004	2003
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 2,850	\$ 3,088	\$ 9,359	\$ 9,680
Salaries, Benefits, and Payroll Taxes Payable	1,236	947	1,660	1,427
Contracts Payable	-	-	3	-
Compensated Absences Payable	201	190	343	333
Interfund Loans Payable	-	-	-	-
Due to Other Funds	2,512	3,182	1,131	2,704
Due to Other Governments	7,210	6,955	64	35
Interest Payable	3,628	3,180	644	724
Street Refund Payable	-	-	-	-
Deferred Interest on Long-Term Debt Due Within One Year	-	-	370	287
Taxes Payable	172	173	415	478
General Obligation Bonds Due Within One Year	-	-	1,050	1,003
Revenue Bonds Due Within One Year	6,325	5,225	11,941	3,770
Revenue Anticipation Notes	-	-	-	-
Energy and Other Contracts Payable	-	-	-	-
Claims Payable	3,602	932	499	220
Purchased Power Obligation	-	-	-	-
Notes and Contracts Payable	9	9	-	-
Landfill Closure and Postclosure Liability	-	-	1,785	1,093
Arbitrage Rebate Liability	-	-	-	82
Deferred Credits	271	273	11,547	10,740
Other Current Liabilities	41	91	1,026	140
Total Current Liabilities	28,057	24,245	41,837	32,716
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	-	-	-	-
Compensated Absences Payable	1,824	1,722	2,726	2,500
Claims Payable	10,167	7,588	667	579
Notes Payable	-	-	-	-
Long-Term Purchased Power Obligation	-	-	-	-
Less Obligation Due Within One Year	-	-	-	-
Public Works Trust Loan	759	28	-	-
Landfill Closure and Postclosure Liability	-	-	29,244	26,330
Vendor and Other Deposits Payable	231	406	(2)	25
Deferred Credits	199	-	-	-
Other Noncurrent Liabilities	-	195	-	-
General Obligation Bonds, Due Serially	-	-	72,174	73,177
Less Bonds Due Within One Year	-	-	(1,050)	(1,003)
Bond Discount and Premium, Net	-	-	320	333
Accrued Interest on Deferred Interest Bonds	-	-	3,694	3,256
Less Accrued Interest Due Within One Year	-	-	(370)	(287)
Revenue Bonds and Anticipation Notes	301,195	244,410	33,436	35,430
Less Revenue Bonds Due Within One Year	(6,325)	(5,225)	(11,941)	(3,770)
Bond Discount and Premium, Net	2,747	563	522	559
Deferred Loss on Advanced Refunding	(2,007)	(2,127)	(945)	(1,151)
Total Noncurrent Liabilities	308,790	247,560	128,475	135,978
Total Liabilities	336,847	271,805	170,312	168,694
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	232,093	237,375	9,549	9,605
Restricted for Deferred Power Costs	-	-	-	-
Restricted for Other Purposes	12,118	7,211	784	1,867
Unrestricted	(1,016)	3,604	(7,444)	(7,225)
Total Net Assets	\$ 243,195	\$ 248,190	\$ 2,889	\$ 4,247

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

Net Assets of Business-Type Activities

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

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STATEMENT OF NET ASSETS

Page 6 of 6

PROPRIETARY FUNDS

December 31, 2004

(In Thousands)

	Comparative Totals		Internal Service Funds	
	2004	2003	2004	2003
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 55,521	\$ 54,914	\$ 3,966	\$ 3,830
Salaries, Benefits, and Payroll Taxes Payable	11,061	8,995	1,962	1,664
Contracts Payable	3	-	48	97
Compensated Absences Payable	1,383	1,358	308	274
Interfund Loans Payable	5,159	70,000	-	-
Due to Other Funds	10,986	14,177	1,502	4,587
Due to Other Governments	7,948	6,990	-	-
Interest Payable	32,157	34,834	79	103
Street Refund Payable	19,998	-	-	-
Deferred Interest on Long-Term Debt Due Within One Year	370	287	-	-
Taxes Payable	9,573	10,677	21	1
General Obligation Bonds Due Within One Year	1,050	1,003	950	1,101
Revenue Bonds Due Within One Year	105,332	84,415	-	-
Revenue Anticipation Notes	-	-	-	-
Energy and Other Contracts Payable	1,710	3,545	-	-
Claims Payable	12,137	5,350	452	473
Purchased Power Obligation	10,705	10,300	-	-
Notes and Contracts Payable	127	127	348	246
Landfill Closure and Postclosure Liability	1,785	1,093	-	-
Arbitrage Rebate Liability	-	82	-	-
Deferred Credits	17,182	23,950	-	115
Other Current Liabilities	3,977	1,733	-	-
Total Current Liabilities	308,164	333,830	9,636	12,491
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	-	5,159	4,600	5,200
Compensated Absences Payable	18,176	17,518	2,990	2,878
Claims Payable	25,992	23,955	1,060	990
Notes Payable	-	-	743	810
Long-Term Purchased Power Obligation	35,663	45,130	-	-
Less Obligation Due Within One Year	(10,705)	(10,300)	-	-
Public Works Trust Loan	1,705	1,092	-	-
Landfill Closure and Postclosure Liability	29,244	26,330	-	-
Vendor and Other Deposits Payable	392	567	5	63
Deferred Credits	41,126	32,147	-	-
Other Noncurrent Liabilities	191	404	836	1,178
General Obligation Bonds, Due Serially	72,174	73,177	3,405	4,506
Less Bonds Due Within One Year	(1,050)	(1,003)	(950)	(1,101)
Bond Discount and Premium, Net	320	333	110	141
Accrued Interest on Deferred Interest Bonds	3,694	3,256	-	-
Less Accrued Interest Due Within One Year	(370)	(287)	-	-
Revenue Bonds and Anticipation Notes	2,666,512	2,532,851	-	-
Less Revenue Bonds Due Within One Year	(105,332)	(84,415)	-	-
Bond Discount and Premium, Net	58,171	40,603	-	-
Deferred Loss on Advanced Refunding	(67,492)	(53,607)	-	-
Total Noncurrent Liabilities	2,768,411	2,652,910	12,799	14,665
Total Liabilities	3,076,575	2,986,740	22,435	27,156
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	657,531	676,051	68,911	67,192
Restricted for Deferred Power Costs	-	100,000	-	-
Restricted for Other Purposes	98,074	78,897	-	-
Unrestricted	92,710	(31,885)	34,553	34,428
Total Net Assets	848,315	823,063	\$ 103,464	\$ 101,620
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds	(1,888)	(1,334)	-	-
Net Assets of Business-Type Activities	\$ 846,427	\$ 821,729	\$ 103,464	\$ 101,620

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES

IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended December 31, 2004

(In Thousands)

	<u>Light</u>		<u>Water</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
OPERATING REVENUES				
Charges for Services and Other Revenues	\$ 777,919	\$ 739,005	\$ 141,313	\$ 129,561
OPERATING EXPENSES				
Long-Term Purchased Power	229,416	240,505	-	-
Short-Term Wholesale Power Purchases	49,714	24,233	-	-
Generation	20,284	20,211	-	-
Transmission	36,283	34,511	-	-
Distribution	40,973	39,116	-	-
Energy Management and Other Power Expenses	18,312	32,154	-	-
Resource Management	-	-	7,398	7,561
Field Operations	-	-	26,120	25,489
Engineering Services	-	-	3,510	3,160
Customer Services	33,681	31,068	7,487	7,991
Wastewater Treatment	-	-	-	-
Solid Waste Collection	-	-	-	-
Operations and Maintenance	-	-	-	-
General and Administrative	46,043	47,393	11,270	12,069
City Business and Occupation Taxes	34,488	33,608	9,933	8,942
Other Taxes	26,956	27,999	5,572	4,622
Amortization of Deferred Power Costs	100,000	100,000	-	-
Amortization of Landfill and Postclosure Costs	-	-	-	-
Depreciation and Other Amortization	73,853	69,270	29,705	28,123
Total Operating Expenses	<u>710,003</u>	<u>700,068</u>	<u>100,995</u>	<u>97,957</u>
Operating Income (Loss)	67,916	38,937	40,318	31,604
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	2,481	3,813	1,023	809
Interest Expense	(73,824)	(73,935)	(29,383)	(25,948)
Amortization of Debt Costs	(2,481)	(3,120)	699	(957)
Gain (Loss) on Sale of Capital Assets	2,154	698	945	-
Others, Net	(349)	(661)	693	6,596
Total Nonoperating Revenues (Expenses)	<u>(72,019)</u>	<u>(73,205)</u>	<u>(26,023)</u>	<u>(19,500)</u>
Income (Loss) Before Contributions, Grants, and Transfers	(4,103)	(34,268)	14,295	12,104
Capital Contributions and Grants	16,673	25,090	3,399	4,749
Operating Contributions and Grants	1,191	1,044	148	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Change in Net Assets	13,761	(8,134)	17,842	16,853
Net Assets -Beginning of Year	<u>290,126</u>	<u>298,260</u>	<u>280,500</u>	<u>263,647</u>
Net Assets - End of Year	<u>\$ 303,887</u>	<u>\$ 290,126</u>	<u>\$ 298,342</u>	<u>\$ 280,500</u>
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds				
Change in Net Assets of Business-Type Activities				

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

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STATEMENT OF REVENUES, EXPENSES, AND CHANGES

Page 2 of 3

IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended December 31, 2004

(In Thousands)

	Drainage and Wastewater		Nonmajor Funds	
	2004	2003	2004	2003
OPERATING REVENUES				
Charges for Services and Other Revenues	\$ 162,118	\$ 150,722	\$ 154,678	\$ 148,730
OPERATING EXPENSES				
Long-Term Purchased Power	-	-	-	-
Short-Term Wholesale Power Purchases	-	-	-	-
Generation	-	-	-	-
Transmission	-	-	-	-
Distribution	-	-	-	-
Energy Management and Other Power Expenses	-	-	-	-
Resource Management	7,262	6,757	6,973	6,151
Field Operations	12,180	10,994	7,525	7,212
Engineering Services	3,105	3,278	747	220
Customer Services	6,011	5,949	5,323	5,497
Wastewater Treatment	83,711	85,041	-	-
Solid Waste Collection	-	-	59,521	58,616
Operations and Maintenance	-	-	40,355	32,998
General and Administrative	11,319	7,157	12,959	12,851
City Business and Occupation Taxes	15,793	14,727	14,742	14,848
Other Taxes	2,247	1,805	4,495	4,647
Amortization of Deferred Power Costs	-	-	-	-
Amortization of Landfill and Postclosure Costs	-	-	2,724	2,714
Depreciation and Other Amortization	11,407	7,616	6,335	6,540
Total Operating Expenses	153,035	143,324	161,699	152,294
Operating Income (Loss)	9,083	7,398	(7,021)	(3,564)
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	376	1,086	390	407
Interest Expense	(10,795)	(9,390)	(5,551)	(5,893)
Amortization of Debt Costs	(50)	(179)	60	73
Gain (Loss) on Sale of Capital Assets	-	-	272	19
Others, Net	(4,822)	(3,984)	(253)	(202)
Total Nonoperating Revenues (Expenses)	(15,291)	(12,467)	(5,082)	(5,596)
Income (Loss) Before Contributions, Grants, and Transfers	(6,208)	(5,069)	(12,103)	(9,160)
Capital Contributions and Grants	938	610	1,004	451
Operating Contributions and Grants	274	187	4	28
Transfers In	-	-	9,762	9,594
Transfers Out	-	-	(25)	(25)
Change in Net Assets	(4,996)	(4,272)	(1,358)	888
Net Assets -Beginning of Year	248,190	252,462	4,247	3,359
Net Assets - End of Year	\$ 243,194	\$ 248,190	\$ 2,889	\$ 4,247
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds				
Change in Net Assets of Business-Type Activities				

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES

IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended December 31, 2004

(In Thousands)

	Comparative Totals		Internal Service Funds	
	2004	2003	2004	2003
OPERATING REVENUES				
Charges for Services and Other Revenues	\$ 1,236,028	\$ 1,168,018	\$ 95,535	\$ 96,375
OPERATING EXPENSES				
Long-Term Purchased Power	229,416	240,505	-	-
Short-Term Wholesale Power Purchases	49,714	24,233	-	-
Generation	20,284	20,211	-	-
Transmission	36,283	34,511	-	-
Distribution	40,973	39,116	-	-
Energy Management and Other Power Expenses	18,312	32,154	-	-
Resource Management	21,633	20,469	-	-
Field Operations	45,825	43,695	-	-
Engineering Services	7,362	6,658	5,747	7,549
Customer Services	52,502	50,505	-	-
Wastewater Treatment	83,711	85,041	-	-
Solid Waste Collection	59,521	58,616	-	-
Operations and Maintenance	40,355	32,998	69,533	67,303
General and Administrative	81,591	79,470	8,164	7,354
City Business and Occupation Taxes	74,956	72,125	20	12
Other Taxes	39,270	39,073	206	213
Amortization of Deferred Power Costs	100,000	100,000	-	-
Amortization of Landfill and Postclosure Costs	2,724	2,714	-	-
Depreciation and Other Amortization	121,300	111,549	13,030	13,035
Total Operating Expenses	1,125,732	1,093,643	96,700	95,466
Operating Income (Loss)	110,296	74,375	(1,165)	909
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	4,270	6,115	658	960
Interest Expense	(119,553)	(115,166)	(211)	(286)
Amortization of Debt Costs	(1,772)	(4,183)	-	(7)
Gain (Loss) on Sale of Capital Assets	3,371	717	(108)	(830)
Others, Net	(4,731)	1,749	419	520
Total Nonoperating Revenues (Expenses)	(118,415)	(110,768)	758	357
Income (Loss) Before Contributions, Grants, and Transfers	(8,119)	(36,393)	(407)	1,266
Capital Contributions and Grants	22,014	30,900	-	-
Operating Contributions and Grants	1,617	1,259	841	110
Transfers In	9,762	9,594	8,003	9,141
Transfers Out	(25)	(25)	(6,593)	(4,104)
Change in Net Assets	25,249	5,335	1,844	6,413
Net Assets -Beginning of Year			101,620	95,207
Net Assets - End of Year			\$ 103,464	\$ 101,620
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds	(552)	205		
Change in Net Assets of Business-Type Activities	\$ 24,697	\$ 5,540		

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

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STATEMENT OF CASH FLOWS

Page 1 of 6

PROPRIETARY FUNDS

For the Year Ended December 31, 2004

(In Thousands)

	<u>Light</u>		<u>Water</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 791,009	\$ 751,993	\$ 141,226	\$ 130,250
Cash Paid to Suppliers	(334,940)	(394,281)	(27,212)	(7,850)
Cash Paid to Employees	(142,782)	(74,164)	(23,702)	(39,474)
Cash Paid for Taxes	(71,040)	(68,611)	(15,981)	(14,052)
Net Cash from Operating Activities	242,247	214,937	74,331	68,874
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds of Interfund Loan/Note	(70,000)	70,000	-	-
Payment of Interfund Loan/Note	-	-	-	-
Payment of Revenue Anticipation Note	-	(307,210)	-	-
Interest Paid on RAN and City of Seattle Loan/Note	(489)	(7,540)	-	-
Operating Grants Received	6,504	2,236	148	173
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Receipts for Energy Conservation Augmentation	8,628	10,716	-	-
Payments for Energy Conservation Augmentation	(17,165)	(17,911)	-	-
Intergovernmental Revenues and Other	-	-	692	6,596
Net Cash from Noncapital Financing Activities	(72,522)	(249,709)	840	6,769
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Draw-On Line of Credit - Revenue Anticipation Note	-	-	-	-
Proceeds from Sale of Bonds and Other Long-Term Debt	299,112	265,520	89,157	282,083
Principal Payments on Long-Term Debt and Refunding	(291,299)	(164,578)	(21,718)	(194,083)
Payment of Interfund Loan	-	-	-	-
Capital Expenditures and Deferred Charges Paid	(105,350)	(119,996)	(61,789)	(92,784)
Interest Paid On Long-Term Debt	(74,745)	(69,694)	(33,360)	(29,913)
Capital Fees and Grants Received	12,055	10,812	3,399	4,576
Debt Issuance Costs	-	-	(553)	-
Proceeds from Sale of Capital Assets	2,364	709	35	-
Other	-	-	-	-
Net Cash from Capital and Related Financing Activities	(157,863)	(77,227)	(24,829)	(30,121)
CASH FLOWS FROM INVESTING ACTIVITIES ^a				
Proceeds from Sale of Investments	83,237	40,651	24,436	-
Purchases of Investments	(41,881)	(108,897)	(88,194)	(24,436)
Interest Received on Investments	3,792	5,203	1,023	809
Net Cash from Investing Activities	45,148	(63,043)	(62,735)	(23,627)
Net Increase (Decrease) in Cash and Equity in Pooled Investments	57,010	(175,042)	(12,393)	21,895
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	100,535	275,577	49,046	27,150
End of Year	<u>\$ 157,545</u>	<u>\$ 100,535</u>	<u>\$ 36,653</u>	<u>\$ 49,045</u>
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 60,715	\$ 9,347	\$ 6,011	\$ 5,876
Current Assets Restricted Cash and Equity in Pooled Investments	5,219	7,407	13,104	30,972
Noncurrent Assets Restricted Cash and Equity in Pooled Investments	91,611	83,781	17,538	12,197
Total Cash at the End of the Year	<u>\$ 157,545</u>	<u>\$ 100,535</u>	<u>\$ 36,653</u>	<u>\$ 49,045</u>

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

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2004
(In Thousands)

	Drainage and Wastewater		Nonmajor Funds	
	2004	2003	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 159,341	\$ 149,842	\$ 153,213	\$ 153,334
Cash Paid to Suppliers	(110,760)	(91,200)	(95,077)	(91,170)
Cash Paid to Employees	(12,094)	(27,233)	(37,734)	(35,313)
Cash Paid for Taxes	(16,763)	(15,371)	(21,168)	(19,854)
Net Cash from Operating Activities	19,724	16,038	(766)	6,997
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds of Interfund Loan/Note	-	-	-	-
Payment of Interfund Loan/Note	-	(2,500)	-	-
Payment of Revenue Anticipation Note	-	-	-	-
Interest Paid on RAN and City of Seattle Loan/Note	-	(1)	-	-
Operating Grants Received	274	187	1,004	451
Transfers In	-	-	9,762	9,594
Transfers Out	-	-	(25)	(25)
Receipts for Energy Conservation Augmentation	-	-	-	-
Payments for Energy Conservation Augmentation	-	-	-	-
Intergovernmental Revenues and Other	(1,660)	-	-	-
Net Cash from Noncapital Financing Activities	(1,386)	(2,314)	10,741	10,020
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Draw-On Line of Credit - Revenue Anticipation Note	-	-	1,776	6,200
Proceeds from Sale of Bonds and Other Long-Term Debt	64,219	-	-	-
Principal Payments on Long-Term Debt and Refunding	(4,494)	(4,379)	(4,773)	(3,948)
Payment of Interfund Loan	-	-	-	-
Capital Expenditures and Deferred Charges Paid	(28,080)	(40,812)	(4,680)	(7,298)
Interest Paid On Long-Term Debt	(12,465)	(11,068)	(5,039)	(5,274)
Capital Fees and Grants Received	938	610	4	28
Debt Issuance Costs	(515)	-	-	-
Proceeds from Sale of Capital Assets	-	-	260	20
Other	-	-	-	-
Net Cash from Capital and Related Financing Activities	19,603	(55,649)	(12,452)	(10,272)
CASH FLOWS FROM INVESTING ACTIVITIES ^a				
Proceeds from Sale of Investments	5,200	-	-	-
Purchases of Investments	(52,078)	-	-	-
Interest Received on Investments	229	1,087	389	409
Net Cash from Investing Activities	(46,649)	1,087	389	409
Net Increase (Decrease) in Cash and Equity in Pooled Investments	(8,708)	(40,838)	(2,088)	7,154
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	25,957	66,795	27,110	19,956
End of Year	<u>\$ 17,249</u>	<u>\$ 25,957</u>	<u>\$ 25,022</u>	<u>\$ 27,110</u>
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 7,676	\$ 7,216	\$ 25,009	\$ 24,886
Current Assets Restricted Cash and Equity in Pooled Investments	4,097	13,167	13	2,224
Noncurrent Assets Restricted Cash and Equity in Pooled Investments	5,477	5,574	-	-
Total Cash at the End of the Year	<u>\$ 17,250</u>	<u>\$ 25,957</u>	<u>\$ 25,022</u>	<u>\$ 27,110</u>

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

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

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**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2004
(In Thousands)**

	Comparative Totals		Internal Service Funds	
	2004	2003	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 1,244,789	\$ 1,185,419	\$ 99,117	\$ 96,440
Cash Paid to Suppliers	(567,989)	(584,501)	(51,061)	(33,612)
Cash Paid to Employees	(216,312)	(176,184)	(34,940)	(45,741)
Cash Paid for Taxes	(124,952)	(117,888)	(205)	(19)
Net Cash from Operating Activities	335,536	306,846	12,911	17,068
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds of Interfund Loan/Note	(70,000)	70,000	-	5,200
Payment of Interfund Loan/Note	-	(2,500)	(600)	(5,950)
Payment of Revenue Anticipation Note	-	(307,210)	-	-
Interest Paid on RAN and City of Seattle Loan/Note	(489)	(7,541)	-	-
Operating Grants Received	7,930	3,047	841	109
Transfers In	9,762	9,594	8,003	9,142
Transfers Out	(25)	(25)	(6,593)	(4,105)
Receipts for Energy Conservation Augmentation	8,628	10,716	-	-
Payments for Energy Conservation Augmentation	(17,165)	(17,911)	-	-
Intergovernmental Revenues and Other	(968)	6,596	-	-
Net Cash from Noncapital Financing Activities	(62,327)	(235,234)	1,651	4,396
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Draw-On Line of Credit - Revenue Anticipation Note	1,776	6,200	-	-
Proceeds from Sale of Bonds and Other Long-Term Debt	452,488	547,603	-	-
Principal Payments on Long-Term Debt and Refunding	(322,284)	(366,988)	(1,101)	(1,466)
Payment of Interfund Loan	-	-	-	-
Capital Expenditures and Deferred Charges Paid	(199,899)	(260,890)	(13,616)	(16,501)
Interest Paid On Long-Term Debt	(125,609)	(115,949)	(266)	(318)
Capital Fees and Grants Received	16,396	16,026	-	-
Debt Issuance Costs	(1,068)	-	-	-
Proceeds from Sale of Capital Assets	2,659	729	-	-
Other	-	-	6	-
Net Cash from Capital and Related Financing Activities	(175,541)	(173,269)	(14,977)	(18,285)
CASH FLOWS FROM INVESTING ACTIVITIES ^a				
Proceeds from Sale of Investments	112,873	40,651	-	-
Purchases of Investments	(182,153)	(133,333)	-	-
Interest Received on Investments	5,433	7,508	658	960
Net Cash from Investing Activities	(63,847)	(85,174)	658	960
Net Increase (Decrease) in Cash and Equity in Pooled Investments	33,821	(186,831)	243	4,139
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	202,648	389,478	42,746	38,607
End of Year	<u>\$ 236,469</u>	<u>\$ 202,647</u>	<u>\$ 42,989</u>	<u>\$ 42,746</u>
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 99,411	\$ 47,325	\$ 42,984	\$ 42,683
Current Assets Restricted Cash and Equity in Pooled Investments	22,433	53,770	5	63
Noncurrent Assets Restricted Cash and Equity in Pooled Investments	114,626	101,552	-	-
Total Cash at the End of the Year	<u>\$ 236,470</u>	<u>\$ 202,647</u>	<u>\$ 42,989</u>	<u>\$ 42,746</u>

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

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2004
(In Thousands)

	<u>Light</u>		<u>Water</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 67,916	\$ 38,937	\$ 40,318	\$ 31,604
Adjustments to Reconcile Net Operating Income (Loss) to				
Net Cash from Operating Activities				
Depreciation and Amortization	73,853	69,270	29,705	28,123
Depreciation and Amortization Included in Operations and Maintenance	10,322	10,712	-	-
Amortization of Deferred Power Costs	100,000	100,000	-	-
Changes in Operating Assets and Liabilities				
Accounts Receivable	(2,753)	(6,392)	(194)	1,184
Unbilled Receivables	(609)	(1,116)	(389)	194
Other Receivables	3,671	(3,648)	296	(56)
Due from Other Funds	(19,271)	1,169	383	(1,045)
Due from Other Governments	(4,032)	(4,021)	(183)	167
Materials and Supplies Inventory	(161)	1,723	161	55
Accounts Payable	5,397	(19,558)	(3,426)	(1,296)
Salaries, Benefits, and Payroll Taxes Payable	1,070	281	475	315
Compensated Absences Payable	131	52	203	252
Due to Other Funds	(620)	(674)	(329)	(481)
Due to Other Governments	-	-	674	-
Claims Payable	1,948	3,181	1,269	2,494
Energy and Other Contracts Payable	(1,834)	(1,843)	-	-
Taxes Payable	(1,162)	988	122	110
Streetlight Refund Payable	19,998	-	-	-
Deferred Credits	(13,013)	15,754	5,000	6,960
Other Assets and Liabilities	1,396	10,122	246	294
Total Adjustments	<u>174,331</u>	<u>176,000</u>	<u>34,013</u>	<u>37,270</u>
Net Cash from Operating Activities	<u>\$ 242,247</u>	<u>\$ 214,937</u>	<u>\$ 74,331</u>	<u>\$ 68,874</u>
SCHEDULE OF NONCASH ACTIVITIES				
In-Kind Capital Contributions	\$ 298	\$ 9,220	\$ -	\$ -
Property Purchase	-	5,565	-	-
Disposal of Equipment	-	-	-	-
Fair Value Adjustment of Long-Term Investments	-	2	-	75
Total Noncash Activities	<u>\$ 298</u>	<u>\$ 14,787</u>	<u>\$ -</u>	<u>\$ 75</u>

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

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STATEMENT OF CASH FLOWS

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PROPRIETARY FUNDS

For the Year Ended December 31, 2004

(In Thousands)

	Drainage and Wastewater		Nonmajor Funds	
	2004	2003	2004	2003
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 9,083	\$ 7,398	\$ (7,021)	\$ (3,767)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	11,407	7,616	9,059	9,254
Depreciation and Amortization Included in Operations and Maintenance	-	-	-	-
Amortization of Deferred Power Costs	-	-	-	-
Changes in Operating Assets and Liabilities				
Accounts Receivable	(1,483)	(47)	(1,756)	2,778
Unbilled Receivables	(689)	(996)	112	(5)
Other Receivables	-	4	-	-
Due from Other Funds	84	(70)	(386)	320
Due from Other Governments	(301)	(376)	9	706
Materials and Supplies Inventory	-	-	(11)	2
Accounts Payable	(238)	(3,723)	(572)	(1,048)
Salaries, Benefits, and Payroll Taxes Payable	289	210	233	113
Compensated Absences Payable	114	205	236	117
Due to Other Funds	(670)	52	(1,572)	827
Due to Other Governments	255	5,271	28	(132)
Claims Payable	2,091	3,954	368	332
Energy and Other Contracts Payable	-	-	-	-
Taxes Payable	(1)	18	(64)	21
Streetlight Refund Payable	-	-	-	-
Deferred Credits	(2)	273	(156)	(550)
Other Assets and Liabilities	(215)	(3,751)	727	(1,971)
Total Adjustments	10,641	8,640	6,255	10,764
Net Cash from Operating Activities	\$ 19,724	\$ 16,038	\$ (766)	\$ 6,997
SCHEDULE OF NONCASH ACTIVITIES				
In-Kind Capital Contributions	\$ -	\$ -	\$ -	\$ -
Property Purchase	-	-	-	-
Disposal of Equipment	-	-	11	-
Fair Value Adjustment of Long-Term Investments	-	-	(93)	(23)
Total Noncash Activities	\$ -	\$ -	\$ (82)	\$ (23)

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2004
(In Thousands)

	<u>Comparative Totals</u>		<u>Internal Service Funds</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 110,296	\$ 74,172	\$ (1,164)	\$ 742
Adjustments to Reconcile Net Operating Income (Loss) to				
Net Cash from Operating Activities				
Depreciation and Amortization	124,024	114,263	13,030	13,035
Depreciation and Amortization Included in Operations and Maintenance	10,322	10,712	-	-
Amortization of Deferred Power Costs	100,000	100,000	-	-
Changes in Operating Assets and Liabilities				
Accounts Receivable	(6,186)	(2,477)	(2)	132
Unbilled Receivables	(1,575)	(1,923)	2	31
Other Receivables	3,967	(3,700)	-	-
Due from Other Funds	(19,190)	374	2,897	(257)
Due from Other Governments	(4,507)	(3,524)	764	797
Materials and Supplies Inventory	(11)	1,780	(75)	75
Accounts Payable	1,161	(25,625)	135	(2,616)
Salaries, Benefits, and Payroll Taxes Payable	2,067	919	296	175
Compensated Absences Payable	684	626	144	105
Due to Other Funds	(3,191)	(276)	(2,965)	2,187
Due to Other Governments	957	5,139	-	-
Claims Payable	5,676	9,961	50	512
Energy and Other Contracts Payable	(1,834)	(1,843)	(84)	262
Taxes Payable	(1,105)	1,137	-	1
Streetlight Refund Payable	19,998	-	-	-
Deferred Credits	(8,171)	22,437	(78)	43
Other Assets and Liabilities	2,154	4,694	(39)	1,844
Total Adjustments	<u>225,240</u>	<u>232,674</u>	<u>14,075</u>	<u>16,326</u>
Net Cash from Operating Activities	<u>\$ 335,536</u>	<u>\$ 306,846</u>	<u>\$ 12,911</u>	<u>\$ 17,068</u>
SCHEDULE OF NONCASH ACTIVITIES				
In-Kind Capital Contributions	\$ 298	\$ 9,220	\$ -	\$ -
Property Purchase	-	5,565	-	-
Disposal of Equipment	11	-	-	-
Fair Value Adjustment of Long-Term Investments	(93)	54	-	-
Total Noncash Activities	<u>\$ 216</u>	<u>\$ 14,839</u>	<u>\$ -</u>	<u>\$ -</u>

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

FIDUCIARY FUNDS

PRIVATE-PURPOSE TRUST FUND

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

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

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**STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
December 31, 2004
(In Thousands)**

	<u>Pension Trust Funds</u>	<u>S. L. Denny Private-Purpose Trust</u>	<u>Agency Funds</u>
ASSETS			
Cash and Equity in Pooled Investments	\$ 31,222	\$ 173	\$ 2,649
Short-Term Investments	26,378	-	-
Securities Lending Collateral	239,087	-	-
Investments at Fair Value			
U.S. Government Obligations	223,640	-	-
Domestic Corporate Bonds	104,046	-	-
Domestic Stocks	826,132	-	-
International Stocks	182,679	-	-
International Bonds	5	-	-
Real Estate	145,772	-	-
Alternative/Venture Capital	<u>155,977</u>	<u>-</u>	<u>-</u>
Total Investments at Fair Value	1,638,251	-	-
Receivables			
Due from Other Funds	-	-	581
Employer - Due from Other Funds	44	-	-
Employer - Other	3,576	-	-
Employee	1,459	-	-
Interest and Dividends	<u>2,938</u>	<u>-</u>	<u>3,445</u>
Total Receivables	8,017	-	4,026
Equipment, at Cost, Net of Accumulated Depreciation	<u>4</u>	<u>-</u>	<u>-</u>
Total Assets	1,942,959	173	6,675
LIABILITIES			
Accounts Payable	-	-	122
Due to Other Funds	-	-	1,323
Refunds Payable and Other - Due to Other Funds	720	-	-
Refunds Payable and Other - Other	10,715	-	-
Salaries, Benefits, and Payroll Taxes Payable	-	-	1,277
Deposits Payable	-	-	3,806
Claims/Judgments Payable	-	-	147
Securities Lending Collateral	<u>239,087</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>250,522</u>	<u>-</u>	<u>6,675</u>
Net Assets Held in Trust for Pension Benefits and Other Purposes	<u>\$ 1,692,437</u>	<u>\$ 173</u>	<u>\$ -</u>

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

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**STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
For the Year Ended December 31, 2004
(In Thousands)**

	<u>Pension Trust Funds</u>	<u>S.L. Denny Private-Purpose Trust</u>
ADDITIONS		
Contributions		
Employer	\$ 52,676	\$ -
Plan Member	37,192	-
Taxes and Other	<u>16,587</u>	<u>-</u>
Total Contributions	106,455	-
Investment Income (Loss)		
From Investment Activities		
Net Appreciation (Depreciation) in Fair Value of Investments	155,508	-
Interest	13,099	2
Dividends	<u>6,007</u>	<u>-</u>
Total Investment Activities Income (Loss)	174,614	2
Investment Activities Expenses		
Investment Management Fees	2,916	-
Performance Measurement Fees	85	-
Investment Custodial Fees	<u>212</u>	<u>-</u>
Total Investment Activities Expenses	<u>3,213</u>	<u>-</u>
Net Income (Loss) from Investment Activities	171,401	2
From Securities Lending Activities		
Securities Lending Income	2,674	-
Securities Lending Expenses		
Borrower Rebates	2,060	-
Management Fees	<u>153</u>	<u>-</u>
Total Securities Lending Expenses	<u>2,213</u>	<u>-</u>
Net Income (Loss) from Securities Lending Activities	<u>461</u>	<u>-</u>
Total Net Investment Income (Loss)	<u>171,862</u>	<u>2</u>
Total Additions	278,317	2
DEDUCTIONS		
Benefits	106,734	-
Refund of Contributions	9,792	-
Administrative Expense	2,465	-
Transfers Out	2	-
Total Deductions	<u>118,993</u>	<u>-</u>
Change in Net Assets	159,324	2
Net Assets - Beginning of Year	<u>1,533,113</u>	<u>171</u>
Net Assets - End of Year	<u>\$ 1,692,437</u>	<u>\$ 173</u>

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

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Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

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

Indicators of Financial Accountability

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

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

Joint Ventures

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. (Note 12)

The City participates in joint ventures with King County as follows:

Seattle-King County Department of Public Health

Seattle-King County Work Force Development Council

Organizations Excluded: Related Organizations

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

Housing Authority of the City of Seattle

City of Seattle Industrial Development Corporation

Burke-Gilman Place Public Development Authority

ACCOUNTING STANDARDS

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

In June 2001 the FASB issued Statement No. 143, *Accounting for Asset Retirement Obligations*. This statement addresses financial accounting and reporting for legal or contractual obligations associated with the retirement of tangible long-lived assets and the associated retirement costs. This statement requires the recording of the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the associated costs of the asset retirement obligation will be capitalized as part of the carrying amount of the related long-lived asset. The liability will be accreted to its present value each period and the related capitalized costs will be depreciated over the useful life of the related asset. Upon retirement of the asset, the retirement obligation is settled for its recorded amount or a gain or loss is incurred. The adoption of this statement by City Light on January 1, 2003, did not have a material effect on the Utility's financial position or operations.

In April 2002 the FASB issued Statement No. 145, *Rescission of FASB Statements Nos. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections*. Statement No. 145 rescinds various pronouncements regarding early extinguishment of debt and allows extraordinary accounting treatment for early extinguishment only when the provisions of Accounting Principles Board Opinion No. 30, *Reporting the Results of Operations, Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions* have been met. Statement No. 145 provisions regarding early extinguishment of debt generally apply to the Light Department for advance refundings using cash, and this statement was adopted by the Light Fund in 2003 without material impact to financial position or operations. For advance refundings made by issuance of new bonds, the transactions are accounted for in accordance with GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt* and GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*.

In April 2003 the FASB issued Statement No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. This statement amends Statement No. 133 for decisions made (1) as part of the Derivatives Implementation Group process that effectively required amendments to Statement No. 133, (2) in connection with other FASB projects dealing with financial instruments, and (3) in connection with implementation issues raised in relation to the application of the definition of a derivative (in particular, the meaning of an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors, the meaning of underlying, and the characteristics of a derivative that contain financing components). This statement is effective for contracts entered into or modified after June 30, 2003, except as stated below and for hedging relationships designated after June 30, 2003. The provisions of Statement No. 149 that relate to Statement No. 133 implementation issues that were effective for fiscal quarters that began prior to June 15, 2003, should continue to be applied in accordance with their respective dates. In addition, certain provisions relating to forward purchases or sales of "when-issued" securities or other securities that do not yet exist, should be applied to existing contracts as well as new contracts entered into after June 30, 2003. City Light has entered into certain forward contracts to purchase or sell power that may no longer meet the normal purchases and sales exception in accordance with the provisions of Statement No. 149. This statement requires that substantially all new forward contracts to purchase or sell power, which were entered into on or after July 1, 2003, be recorded as assets or liabilities at market value with an offsetting regulatory asset or liability as allowed under Statement No. 71, *Accounting for the Effects of Certain Types of Regulation*. The adoption of this statement did not have a material effect on City Light's financial position or operations.

In July 2003 the Emerging Issues Task Force (EITF) reached consensus on Issue No. 03-11, *Reporting Realized Gains and Losses on Derivative Instruments That Are Subject to FASB Statement No. 133 and Not Held for Trading Purposes as Defined in EITF Issue No. 02-3*. This EITF issue requires that revenues and expenses from City Light's settled energy contracts that are "booked out" (not physically delivered) should be reported on a net basis as part of operating revenues. The adoption of this statement did not have a material effect on City Light's financial position or operations.

In June 2003 the GASB issued Technical Bulletin No. 2003-1 (TB 03-1), *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets*, which supersedes Technical Bulletin 94-1 and clarifies guidance on derivative disclosures, pending the results of the GASB's project on reporting and measurement of derivatives and hedging activities. TB 03-1 applies to derivatives that are not reported at fair value on the statement of net assets and adopts the definition of derivatives established by the FASB in paragraphs 6 through 9 of Statement No. 133 as amended; those paragraphs make reference to reporting requirements applicable to embedded derivatives in paragraph 12 of that statement, as amended. TB 03-1 is not intended to apply to embedded derivatives except for the following transactions which are within the scope of TB 03-1: (1) a derivative transaction that involves either cash receipts or cash payments at inception equal to the derivative's fair value; (2) a prepaid interest rate swap. TB 03-1 is effective for fiscal years ending after June 15, 2003, and was adopted by the City in 2003 without material impact to financial position or operations.

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Statement of Net Assets

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

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

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

Statement of Activities

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

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

Fund Financial Statements

Separate fund financial statements are provided to report additional and detailed information for governmental funds, proprietary funds, and fiduciary funds. Even though fiduciary funds are excluded from the government-wide financial statements, these funds are reported in the fund financial statements under the statement of fiduciary net assets and the

statement of changes in fiduciary net assets. Major individual governmental funds and major individual enterprise funds are presented as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

The **Light Fund** (City Light) accounts for operating the City's electric utility, which owns and operates generating, transmission, and distribution facilities and serves more than 370,000 customers in the Seattle area.

The **Water Fund** accounts for operating the City's water utility. The Utility maintains more than 175 miles of water supply mains and more than 460 million gallons of distribution storage capacity in the Cedar and Tolt Rivers and Highline Well Field watersheds. The distribution system serves a population of over 1,300,000 people, with an average daily total consumption of about 130 million gallons of water.

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-wide Financial Statements

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

Governmental Fund Financial Statements

Financial statements for governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter (generally 60 days) to pay current liabilities. Revenues that are measurable but not available are recorded as receivables and offset by deferred revenues.

Property taxes, business and occupation taxes, and other taxpayer-assessed tax revenues due for the current year are considered measurable and available and are therefore recognized as revenues even though a portion of the taxes may be collected in the subsequent year. Special assessments are recognized as revenues only to the extent that those individual installments are considered as current assets. Intergovernmental revenues received as reimbursements for specific purposes are recognized when the expenditures are recognized. Intergovernmental revenues received but not earned are recorded as deferred revenues. Licenses, fines, penalties, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are accrued as earned.

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

Proprietary Fund Financial Statements

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

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

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

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

Fiduciary Fund Financial Statements

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

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

BUDGETS AND BUDGETARY ACCOUNTING

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

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Investments

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

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

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

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

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

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

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

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

Receivables

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

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

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

Inventories

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

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

Inventories in the proprietary funds are expensed as consumed.

Capital Assets

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

Governmental infrastructure assets include long-lived capital assets, such as roads, bridges, and tunnels, that normally can be preserved for a significantly greater number of years than most capital assets. Estimated historical costs were established based on the City's street reports to the state. Works of art have been valued at historical cost. In cases where the historical cost is not available the method used was "backtrending," i.e., deflating the current replacement cost using the appropriate price index. Donated capital assets are valued at their estimated fair market value at the time of donation. For proprietary funds, contributions of capital assets are reported under capital grants and contributions in the statement of revenues, expenses, and changes in fund net assets.

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

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

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

Restricted Assets

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

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

Deferred Charges

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

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

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

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

Accumulated Compensated Absences

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

Vacation Pay

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

Sick Pay

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

Other Compensated Absences

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

Risk Management

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

Other Accrued Liabilities

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

Interfund Activity and Contracts/Advances

Interfund activity and balances in the funds are eliminated or reclassified in the process of aggregating data for the statement of net assets and the statement of activities.

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

Deferred Revenues

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

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

Reservations and Designations

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

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

Program Revenues

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

(2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY INFORMATION

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

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

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

The 2005 Multipurpose Long-Term General Obligation Bond Fund has a negative fund balance of \$3.1 million. This deficit was foreseen at the creation of the fund in Ordinance 121329, which allows a loan from the City's Consolidated (Residual) Cash Pool of up to \$7 million dollars. It was in the City's best interest to fund and begin implementation of the Mercer Corridor and Pay Stations projects at that time, and there was sufficient cash in the City's Consolidated (Residual) Cash Pool or its participating funds to support a loan of up to \$7 million plus accrued interest to the 2005 Multipurpose LTGO Bond Fund. It was anticipated that bonds would be issued in 2005 to repay any loans as well as cover future expenditures. This bond issuance was authorized by Ordinance 121663.

The Downtown Parking Garage has negative fund equity of \$16.3 million. This is mostly attributable to the cumulative effects of annual depreciation expense which is not planned to be covered by operating revenues. The Garage has been generating sufficient revenues to cover operating expenses and debt service payments, but not depreciation and accrued interest. The negative fund balance situation will continue; however, the Garage is expected to cover future operating costs and debt service as they become due.

(3) CASH AND INVESTMENTS

The Federal Deposit Insurance Corporation (FDIC) insures the City's deposits up to \$100,000. All deposits not covered by FDIC insurance are covered by the Public Deposit Protection Commission (PDPC) of the state of Washington. The PDPC is a statutory authority established under RCW 39.58. It constitutes a multiple financial institution collateral pool. In the case of a loss by any public depository in the state, each public depository is liable for an amount up to 11 percent of its public deposits. Provisions of RCW 39.58.060 authorize the PDPC to make pro rata assessments in proportion to the maximum liability of each such depository as it existed on the date of loss. Therefore, PDPC protection is that of collateral, not of insurance.

Note 1 describes the investment policies of the City. Banks or trust companies acting as the City's agents hold most of the City's investments in the City's name. These investments are classified risk category 1. In some cases the trust department of the City's depository bank holds City investments in the City's name. These investments are classified risk category 2. Certain investments are uninsured and held by the trust department of the City's agent in the agent's name. These are classified risk category 3. The City currently has no investments in categories 2 and 3.

Table 3-1 INVESTMENTS BY RISK CATEGORY AND TYPE
(In Thousands)

	Fair Value			Carrying Amount
	Treasury Residual Investments	Securities Held for Dedicated Funds	Employees' Retirement System Investments	
CATEGORY 1 INVESTMENTS				
Repurchase Agreements	\$ 30,600	\$ -	\$ -	\$ 30,600
Commercial Paper	124,853	67,236	-	192,089
U.S. Government Obligations	49,351	-	223,188	272,539
Agencies	415,548	95,003	-	510,551
Corporate Bonds	-	-	104,046	104,046
Common Stocks	-	-	826,132	826,132
International Stocks	-	-	182,685	182,685
Total Category 1 Investments	620,352	162,239	1,336,051	2,118,642
INVESTMENTS NOT SUBJECT TO CREDIT RISK				
Realty Equities	-	-	145,772	145,772
Venture Capital	-	-	155,978	155,978
Short-Term Investment Funds	-	-	265,465	265,465
Total Investments Not Subject to Credit Risk	-	-	567,215	567,215
Total Investments	<u>\$ 620,352</u>	<u>\$ 162,239</u>	<u>\$ 1,903,266</u>	<u>\$ 2,685,857</u>

SECURITIES LENDING TRANSACTIONS

Gross income from securities lending transactions of the Seattle City Employee’s Retirement System (SCERS) are reported in the fund’s operating statements as well as the various fees paid to the institution that oversees the lending activity. Assets and liabilities include the value of the collateral that is being held.

Under the authority of Washington State RCW 41.28.005 and the Seattle Municipal Code 4.36.130, the SCERS Board of Administration adopted investment policies that define eligible investments, which include securities lending transactions. Through a custodial agent, SCERS participates in a securities lending program whereby securities are loaned for the purpose of generating additional income to SCERS. SCERS lends securities from its investment portfolio on a collateralized basis to third parties, primarily financial institutions. The market value of the required collateral must meet or exceed 102 percent of the market value of the securities loaned, providing a margin against a decline in the market value of the collateral. There are no restrictions on the amount of securities that may be loaned. The contractual agreement with the SCERS’ custodian provides indemnification in the event the borrower fails to return the securities lent or fails to pay SCERS income distribution by the securities’ issuers while the securities are on loan. Cash and U.S. government securities were received as collateral for these loans. SCERS cannot pledge or sell collateral securities without a borrower default. SCERS invests cash collateral received; accordingly, investments made with cash collateral appear as an asset. A corresponding liability is recorded as SCERS must return the cash collateral to the borrower upon the expiration of the loan. There have been no losses resulting from a default, and SCERS did not have negative credit exposure at December 31, 2004.

Table 3-2 **SECURITIES LENT AND COLLATERAL**
(In Thousands)

TYPE OF SECURITIES LENT	2004		2003	
	Fair Value of Securities Lent	Collateral	Fair Value of Securities Lent	Collateral
U.S. Government and Agencies	\$ 118,576	\$ 120,740	\$ 61,685	\$ 63,080
U.S. Corporate Fixed Income	17,192	17,553	16,555	16,928
U.S. Equities	97,843	100,795	66,363	68,219
Total Securities Lent	<u>\$ 233,611</u>	<u>\$ 239,088</u>	<u>\$ 144,603</u>	<u>\$ 148,227</u>
COLLATERAL REPORT		2004	2003	
U.S. Corporate Obligations		\$ 103,107		\$ 77,514
Bank Obligations		55,001		22,985
Repurchase Agreement		76,987		47,728
Commercial Paper		3,992		-
Total Collateral		<u>\$ 239,087</u>		<u>\$ 148,227</u>

REVERSE REPURCHASE AGREEMENTS

The City regularly enters into reverse repurchase agreements as part of its investment policies. These agreements are sales of securities with simultaneous agreements to repurchase them at a future date at the same prices plus contracted rates of interest. The fair value of the securities underlying the agreements normally exceeds the cash received, providing the dealers a margin against a decline in the fair value of the securities. If the dealers default on their obligations to resell these securities to the City or provide securities or cash of equal value, the City would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. The City has no reverse repurchase agreements at year-end.

Table 3-3

CASH AND INVESTMENTS
(In Thousands)

Cash and Equity in Pooled Investments		
Current Assets (Nonrestricted)	\$	476,035
Restricted		
Restricted Cash and Equity in Pooled Investments		137,064
Restricted Investments		<u>162,064</u>
 Total Cash and Equity in Pooled Investments	 \$	 775,163
 Investments		
Current Assets (Nonrestricted)		1,903,716
 Cash with Fiscal Agent		<u>55</u>
 Total - December 31, 2004	 \$	 <u>2,678,934</u>
 COMPOSITION		
Cash and Investments	\$	2,674,984
Cash with Fiscal Agent		55
Trustee Accounts		
Municipal Courts		396
Retainage on Public Works Contracts in Escrow		<u>3,499</u>
 Total Cash and Investments	 \$	 <u>2,678,934</u>

The City recorded the net increase (decrease) in the fair value of investments at December 31, 2004 and 2003, as a component of interest income, summarized as follows.

Table 3-4

INCREASE (DECREASE) IN FAIR VALUE OF INVESTMENTS
(In Thousands)

	<u>2004</u>	<u>2003</u>
Realized Interest Income	\$ 27,445	\$ 38,719
Net Increase (Decrease) in the Fair Value of Investments	<u>(5,399)</u>	<u>(155)</u>
 Totals	 <u>\$ 22,046</u>	 <u>\$ 38,564</u>

(4) RECEIVABLES AND INTERFUND TRANSACTIONS

Table 4-1

TAX REVENUES AND RECEIVABLES
(In Thousands)

	<u>2004</u> <u>Revenues</u>	<u>December 31</u> <u>2004</u> <u>Receivables</u>
Property Taxes	\$ 296,343	\$ 5,767
General Business and Occupation Taxes	<u>178,996</u>	<u>38,385</u>
 Totals	 <u>\$ 475,339</u>	 <u>\$ 44,152</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 1.06 percent or the annual rate of inflation. The passage of Initiative 747 in November 2001 reduced the 1.06 percent to 1.01 percent. The growth limit does not count tax revenues from new construction or property remodeled within the last year. With simple-majority voter approval, the City can levy additional property taxes above the 1.01 percent annual growth limit, as long as the City's regular levy rate per \$1,000 of assessed value does not exceed the \$3.60 limit. Excess tax levies for capital purposes require a 60-percent approval by voters and do not fall under either of the limits. The City levied \$2.16 per \$1,000 for general operations and Firemen's Pension Fund in 2004. In addition, the levy included \$1.20 per \$1,000 of assessed value for debt service and other voter-approved levies. The total 2004 levy was \$3.36 per \$1,000 of assessed value.

INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

The following table shows the current interfund balances at December 31, 2004, as reported in the fund financial statements.

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

Receivable Fund	Payable Fund(s)	Amount
General	Drainage and Wastewater	\$ 1,601
	Nonmajor Enterprise	606
	Fiduciary	455
	Nonmajor Governmental	3,188
	Internal Service	744
	Light	3,383
	Water	729
	Total General Fund	
Low-Income Housing	Fiduciary	100
Light	Drainage and Wastewater	105
	Nonmajor Enterprise	90
	Fiduciary	294
	General	19,522
	Nonmajor Governmental	177
	Internal Service	273
	Water	267
	Total Light Fund	
Water	Drainage and Wastewater	184
	Nonmajor Enterprise	24
	Fiduciary	82
	General	66
	Nonmajor Governmental	847
	Internal Service	8
	Light	176
	Total Water Fund	
Drainage and Wastewater	Nonmajor Enterprise	35
	Fiduciary	36
	General	60
	Nonmajor Governmental	569
	Internal Service	6
	Light	60
	Water	13
	Total Drainage and Wastewater Fund	

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

<u>Receivable Fund</u>	<u>Payable Fund(s)</u>	<u>Amount</u>
Nonmajor Governmental	Drainage and Wastewater	\$ 506
	Nonmajor Enterprise	215
	Fiduciary	336
	General	4,620
	Nonmajor Governmental	6,898
	Internal Service	390
	Low-Income Housing	129
	Light	668
	Water	292
		Total Nonmajor Governmental Funds
Nonmajor Enterprise	Drainage and Wastewater	56
	Nonmajor Enterprise	26
	Fiduciary	58
	General	259
	Nonmajor Governmental	284
	Internal Service	1
	Light	201
	Water	89
	Total Nonmajor Enterprise Funds	974
Internal Service	Drainage and Wastewater	60
	Nonmajor Enterprise	136
	Fiduciary	96
	General	1,974
	Nonmajor Governmental	1,602
	Internal Service	80
	Low-Income Housing	89
	Light	785
Water	679	
	Total Internal Service Funds	5,501
Fiduciary	Fiduciary	586
	General	3
	Nonmajor Governmental	35
	Light	1
	Total Fiduciary Funds	625
Grand Total		\$ 54,854

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

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

<u>Advances, Notes, and Loans From</u>	<u>Advances, Notes, and Loans To</u>	<u>Amount</u>
General	Park and Recreation	\$ 1,800
	Seattle Center	9,351
	2005 Multipurpose Long-Term General Obligation Bond	3,200
	Engineering Services	4,600
	City Light	5,159
Total City		\$ 24,110

Table 4-4

INTERFUND TRANSFERS
(In Thousands)

Transfers In	Transfers Out					Total
	General	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Fiduciary	
General Fund	\$ -	\$ 1,933	\$ -	\$ 4,305	\$ -	\$ 6,238
Nonmajor Governmental	198,242	24,725	25	2,288	2	225,282
Nonmajor Enterprise	9,762	-	-	-	-	9,762
Internal Service	8,003	-	-	-	-	8,003
Total Transfers	\$ 216,007	\$ 26,658	\$ 25	\$ 6,593	\$ 2	\$ 249,285

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

(5) CAPITAL ASSETS

Table 5-1

CHANGES IN CAPITAL ASSETS (In Thousands)

	<u>Restated Balance January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31</u>
GOVERNMENTAL ACTIVITIES ^a				
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 345,578	\$ 18,616	\$ 100	\$ 364,094
Construction in Progress	<u>362,436</u>	<u>180,598</u>	<u>330,510</u>	<u>212,524</u>
Total Capital Assets Not Being Depreciated	708,014	199,214	330,610	576,618
CAPITAL ASSETS BEING DEPRECIATED				
Buildings and Improvements	1,278,529	285,532	598	1,563,463
Machinery and Equipment	183,007	22,951	14,755	191,203
Infrastructure	813,149	24,280	-	837,429
Other Capital Assets	<u>6,964</u>	<u>1,134</u>	<u>-</u>	<u>8,098</u>
Total Capital Assets Being Depreciated	2,281,649	333,897	15,353	2,600,193
Accumulated Depreciation				
Buildings and Improvements	274,683	32,223	7	306,899
Machinery and Equipment	100,908	17,003	12,061	105,850
Infrastructure	352,667	25,296	-	377,963
Other Capital Assets	<u>595</u>	<u>(102)</u>	<u>-</u>	<u>493</u>
Total Accumulated Depreciation	<u>728,853</u>	<u>74,420</u>	<u>12,068</u>	<u>791,205</u>
Total Capital Assets Being Depreciated, Net	<u>1,552,796</u>	<u>259,477</u>	<u>3,285</u>	<u>1,808,988</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,260,810</u>	<u>\$ 458,691</u>	<u>\$ 333,895</u>	<u>\$ 2,385,606</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 62,597	\$ 2,293	\$ 4	\$ 64,886
Construction in Progress	<u>350,041</u>	<u>202,100</u>	<u>330,374</u>	<u>221,767</u>
Total Capital Assets Not Being Depreciated	412,638	204,393	330,378	286,653
CAPITAL ASSETS BEING DEPRECIATED				
Plant in Service, Excluding Land	3,753,201	331,386	34,442	4,050,145
Buildings	73,013	-	-	73,013
Machinery and Equipment	10,532	50	-	10,582
Other Capital Assets	<u>14,510</u>	<u>1,284</u>	<u>677</u>	<u>15,117</u>
Total Capital Assets Being Depreciated	3,851,256	332,720	35,119	4,148,857
Accumulated Depreciation				
Plant in Service, Excluding Land	1,367,921	123,893	19,470	1,472,344
Buildings	12,169	2,434	-	14,603
Machinery and Equipment	<u>2,057</u>	<u>1,081</u>	<u>22</u>	<u>3,116</u>
Total Accumulated Depreciation	<u>1,382,147</u>	<u>127,408</u>	<u>19,492</u>	<u>1,490,063</u>
Total Capital Assets Being Depreciated, Net	<u>2,469,109</u>	<u>205,312</u>	<u>15,627</u>	<u>2,658,794</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,881,747</u>	<u>\$ 409,705</u>	<u>\$ 346,005</u>	<u>\$ 2,945,447</u>

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

Table 5-2

DEPRECIATION EXPENSE BY FUNCTION (In Thousands)

GOVERNMENTAL ACTIVITIES

General Government	\$ 14,408
Public Safety	941
Judicial	64
Transportation	25,456
Economic Environment	10
Culture and Recreation	<u>20,463</u>
Subtotal	61,342
Capital assets held by internal service funds are charged to the various functions based on their usage of the assets	<u>13,078</u>
Total Governmental Activities	<u>\$ 74,420</u>

BUSINESS-TYPE ACTIVITIES

Light	\$ 75,209
Water	31,363
Solid Waste	2,657
Drainage and Wastewater	14,664
Planning and Development	972
Parking Garage	<u>2,543</u>
Total Business-Type Activities	<u>\$ 127,408</u>

(6) COMPENSATED ABSENCES

GOVERNMENTAL FUNDS

Unpaid compensated absences associated with governmental fund operations of \$51.3 million and \$48.4 million at December 31, 2004 and 2003, respectively, have been recorded in the government-wide statements. These amounts include unpaid holiday, compensatory, merit, and furlough time of \$11.1 million and \$11.0 million at the end of 2004 and 2003, respectively; accumulated unpaid vacation pay of \$31.4 million and \$29.3 million at the end of 2004 and 2003, respectively; and the balance for sick leave which was estimated based on the termination method.

PROPRIETARY FUNDS

Unpaid compensated absences for the proprietary and pension trust funds were \$23.1 million and \$22.2 million on December 31, 2004 and 2003, respectively, as follows:

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

	2004	2003
Enterprise Funds		
Light	\$ 10,849	\$ 10,718
Water	3,616	3,413
Drainage and Wastewater	2,025	1,911
Solid Waste	1,085	1,024
Planning and Development	1,984	1,809
Internal Service Funds		
Fleets and Facilities	1,622	1,603
Information Technology	1,170	1,073
Engineering Services	506	478
Pension Trust Funds		
Employees' Retirement	55	52
Firemen's Pension	114	91
Police Relief and Pension	62	62
Totals	\$ 23,087	\$ 22,234

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

(7) LEASES

CAPITAL LEASES

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

Table 7-1 CAPITAL LEASES
(In Thousands)

Net Capital Lease Assets	Capital Assets Governmental Activities
Machinery and Equipment	\$ 156
Less Accumulated Depreciation	(109)
December 31, 2004	\$ 47
Minimum Capital Lease Payments	Long-Term Liabilities Governmental Activities
2005	\$ 37
2006	16
2007	13
2008	3
Total Minimum Lease Payments	69
Less Interest	(7)
Principal	\$ 62

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

OPERATING LEASES

Governmental Activities

The City has operating lease commitments for both real and personal property managed by the Fleets and Facilities Department, which also manages the buildings and facilities owned by the City. Most leases for real property are maintained for a duration of three years and are renewable at the end of the lease period. Fleets and Facilities paid rentals of \$4.3 million and \$6.8 million in 2004 and 2003, respectively, on the leases. 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 lease agreement commenced on July 17, 2000, and expires on July 30, 2010, requiring a fixed rent of \$18,500 per month subject to increases on each July 1 beginning in 2001 and every year thereafter by the percentage of change, if any, in the Consumer Price Index (CPI) for All Urban Consumers, United States Average for All Items (1982 - 84 = 100) published by the Bureau of Labor Statistics, United States Department of Labor CPI from the CPI last published in the preceding year, but not to exceed five percent for any lease year. If there is a decline in the CPI, the fixed rent during the succeeding year will be equal to the fixed rent during the immediate preceding year. All other amounts required by the landlord to be paid by Seattle Center on the lease shall constitute additional rent. On a triple net lease, Seattle Center will pay all impositions on the lease, insurance premiums, utilities, taxes, operating expenses, maintenance charges, repair costs, and other charges, costs, and expenses which arise or may be contemplated during the lease term. Seattle Center paid rent of \$258,314 and \$252,803 for 2004 and 2003, respectively, on the lease. Rents are paid as they become due and payable.

Minimum payments under the leases are:

Table 7-2

**OPERATING LEASE COMMITMENTS
GOVERNMENTAL ACTIVITIES
(In Thousands)**

Year Ending December 31	Minimum Lease Payments		
	Fleets and Facilities	Seattle Center	Total
2005	\$ 2,799	\$ 243	\$ 3,042
2006	2,414	243	2,657
2007	1,500	243	1,743
2008	1,500	243	1,743
2009	1,500	243	1,743
Thereafter	-	142	142
Total	\$ 9,713	\$ 1,357	\$ 11,070

Business-Type Activities

In December 1994 the City entered into an agreement on behalf of the Seattle City Light Department for a ten-year lease of office facilities in downtown Seattle commencing February 1, 1996. In early 1996 the City purchased the building in which these facilities are located, thus becoming the Department’s lessor. The Department also has two other long-term operating leases for smaller facilities used for office and storage purposes. Expense under the leases totaled \$3.9 million and \$3.8 million in 2004 and 2003, respectively. Deferred credits related to the ten-year lease of office facilities in downtown Seattle totaled \$0.5 million and \$0.9 million at December 31, 2004, and December 31, 2003, respectively. There are no scheduled rent increases apart from these lease agreements.

Minimum payments under the leases are:

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

<u>Year Ending December 31</u>	<u>Minimum Payments</u>
2005	\$ 3,780
2006	508
2007	118
2008	91
2009	<u>4</u>
Total	<u>\$ 4,501</u>

LEASE REVENUES - GOVERNMENTAL ACTIVITIES

The Fleets and Facilities Department collects occupancy charges from the various tenants occupying real property owned or leased by the City. These tenants include other City departments, social service agencies, and private businesses. Social service agencies frequently pay occupancy charges at reduced rates in consideration of offsetting benefits accruing to the City as a result of the services they provide.

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

	<u>2004</u>
Non-City Property Subleased to City Departments	\$ 4.3 million
City-Owned Property Occupied by City Departments	23.3 million
City-Owned Property Leased to Non-City Tenants	8.7 million

The amounts in the above table include the following:

- The City owns the Seattle Municipal Tower Building. In 2004 the gross rental revenues of the building recognized in the General Fund amounted to \$15.2 million. Of this amount, \$8.4 million relates to City department tenants.
- The Police Support Facility provides rental space for tenants. The gross rental revenues of the facility recognized in 2004 in the General Fund amounted to \$2.0 million of which \$0.7 million relates to City department tenants.
- Other City buildings, including non-City owned buildings, generated \$19.1 million in gross rental revenues accounted for in the Fleets and Facilities Fund, an internal service fund. Of this amount, \$14.2 million relates to City department tenants.

Additionally, in 2004 the City recognized \$6.2 million in parking revenues in the Downtown Parking Garage Fund, an enterprise fund, from the operation of the garage at Pacific Place. The City obtained a beneficial transfer of ownership of the garage financed by the \$73.8 million limited tax general obligation bonds issued in 1998 for this purpose.

The Seattle Park Garage, acquired in March 2000, reported \$1.5 million of parking revenues in 2004 in the Fleets and Facilities Operating Fund. Garage operations in the Key Tower Building also generated \$1.5 million in parking revenues in 2004.

(8) LONG-TERM DEBT

GENERAL OBLIGATION BONDS

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

At the end of 2003 the original amount of general obligation bonds issued in prior years was \$1.2 billion. The amount of bonds outstanding at December 31, 2003, was \$958.9 million. The following two paragraphs discuss the bond defeasance activity and the general obligation bonds issued during 2004.

On April 1, 2004, the City defeased \$4.3 million of the 1994 LTGO Seattle Center Coliseum bonds. The City placed its own resources of \$4.6 million in an irrevocable trust to provide for future debt service payments on the bonds. The defeased bonds are included in Table 8-6 under the "Advance and Current Refundings" section of this note.

On May 24, 2004, the City issued the \$91.8 million LTGO refunding bonds with interest rates ranging from 2.0 percent to 5.0 percent and which mature serially from July 1, 2004, through January 1, 2020, to refund \$88.0 million of the LTGO bonds, 1996, Series A. The proceeds of the bond issuance were placed in an irrevocable trust for the purchase of federal, state, and local government securities to provide for future debt service on the refunded bonds, which are scheduled to be called on January 15, 2006. Further discussion on the refunding is shown in the "Advance and Current Refundings" section of this note.

The City had no short-term general obligation debt at the end of 2004.

The following table presents the individual general obligation bonds outstanding as of December 31, 2004, and other relevant information on each outstanding bond issue.

Table 8-1

GENERAL OBLIGATION BONDS
(In Thousands)

Name and Purpose of Issue	Issuance Date	Maturity Date	Effective Interest Rate	Bond Issuance	Redemptions		Bonds Outstanding December 31
					2004	To Date ^a	
LIMITED TAX GENERAL OBLIGATION (LTGO) BONDS - NON-VOTED							
Fire Apparatus, 1993	02/01/93	07/01/93-05	4.637 %	\$ 785	\$ 75	\$ 710	\$ 75
Seattle Center Coliseum, 1994	03/17/94	10/01/97-14	7.065	73,400	7,565	73,400	-
Seattle Community Center, Fire Apparatus, Police Equipment, 1994	06/09/94	12/01/95-04	4.550	15,850	125	15,850	-
Various Purpose-West Precinct, HRIS, 9th & Lenora & COPs Refunding, 1995	12/28/95	07/01/96-15	5.122	28,670	1,075	14,600	14,070
Various Purpose-Concert Hall, Key Tower, Police Support Facility, 1996 Series A	08/01/96	01/15/04-20	5.920	97,740	89,410	89,410	8,330
Various Purpose-Key Tower, Police Support Facility, 1996 Series B	08/01/96	01/15/97-04	7.235	16,790	2,345	16,790	-
Various Purpose-Key Tower, Police Support Facility, 1996 Series C	08/28/96	01/15/20-26	2.400 ^b	5,595 ^c	-	-	5,595
Various Purpose-Key Tower, Police Support Facility, 1996 Series D	10/06/99	01/15/23-24	1.650 ^b	51,925 ^c	-	-	51,925
Various Purpose-Sand Point, Convention Center, Transportation, 1997 Series A	02/06/97	08/01/97-17	5.199	26,670	1,690	10,625	16,045
SFMS Redevelopment, 1997 Series B	10/16/97	08/01/98-04	4.334	7,725	1,235	7,725	-
Refunding-Various LTGO Bonds, 1998 Series B	03/17/98	09/01/98-12	4.493	43,710	3,150	21,700	22,010
Summit, 1998 Series C	08/26/98	08/01/99-04	4.105	6,210	1,140	6,210	-
Deferred Interest Parking Garage, 1998 Series E	11/12/98	12/15/01-14	4.714	13,042	1,003	1,673	11,369 ^d
Parking Garage, 1998 Series F	11/12/98	12/15/14-28	5.148	60,805	-	-	60,805
Various Purpose-Civic Center, Galer St, 1999 Series B	10/19/99	12/01/00-28	5.677	85,500	4,475	19,900	65,600
Various Purpose-Civic Center, South Police Precincts, Training Facilities, Information Technology, Etc., 2001	08/21/01	08/01/02-31	4.908	129,760	4,685	16,510	113,250
Improvement (Various) and Refunding, 2002	01/30/02	07/01/02-32	4.778	125,510	4,715	10,295	115,215
Improvement (Various) and Refunding, 2002 Series B	09/26/02	10/01/03-14	3.127	64,560	1,840	3,640	60,920
Various Purpose and Refunding, 2003	02/26/03	08/01/04-23	3.469	60,855	1,080	1,080	59,775
Refunding, 2004	05/24/04	07/01/04-20	4.118	91,805	2,065	2,065	89,740
Total Limited Tax General Obligation Bonds				1,006,907	127,673	312,183	694,724
UNLIMITED TAX GENERAL OBLIGATION (UTGO) BONDS - VOTED							
Fire Station/Shops, 1968 Series 1	10/01/68	10/01/70-08	4.726	1,700	75	1,365	335
Sewer Improvement, 1968 Series 1	10/01/68	10/01/70-08	4.726	7,000	310	5,625	1,375
Refunding-Various UTGO Bonds, 1998 Series A	03/17/98	09/01/98-17	4.470	53,865	3,310	27,925	25,940
Library Facilities, 1999 Series A	07/01/99	12/01/00-18	5.135	100,000	4,135	17,260	82,740
Improvement (Library Facilities) and Refunding, 2002	09/26/02	12/01/03-21	3.892	117,025	8,000	14,945	102,080
Total Unlimited Tax General Obligation Bonds				279,590	15,830	67,120	212,470
Total General Obligation Bonds				\$ 1,286,497	\$ 143,503	\$ 379,303	\$ 907,194

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

^b Variable-rate bonds – interest rates in effect December 31, 2004. Effective September 3, 2003, the bonds were changed from weekly to term mode and interest became payable semiannually. These rates were used to calculate annual debt service interest requirements for these bonds.

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

^d The accreted value of the outstanding bonds as of December 31, 2004, is \$15,063,694. The difference is also recognized as long-term accrued interest in the Downtown Parking Garage Fund, an enterprise fund.

The requirements to amortize the general obligation bonds as of December 31, 2004, are presented in the following table. Debt service for the LTGO bonds is met by operating transfers generally from the General Fund and certain special revenue funds and by reimbursements from and allocations to proprietary funds of the City. Debt service for the UTGO bonds is covered by property tax levies that authorized the bond issues and were approved by at least 60 percent of the voters in elections in which the number of voters exceeded 40 percent of the voters in the most recent election preceding the election to vote on the bond issue.

**Table 8-2 ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION BONDS
(In Thousands)**

Year Ending December 31	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2005	\$ 88,615	\$ 37,953	\$ 2,000	\$ 3,676	\$ 132,244
2006	61,830	34,379	1,881	3,725	101,815
2007	46,915	31,700	1,960	3,782	84,357
2008	41,880	29,661	2,039	3,853	77,433
2009	42,665	27,757	1,205	3,934	75,561
2010-2014	198,375	110,324	6,949	21,149	336,797
2015-2019	165,325	64,263	18,960	13,618	262,166
2020-2024	105,285	29,246	30,185	7,579	172,295
2025-2029	63,365	12,416	10,400	840	87,021
2030-2032	17,360	1,551	-	-	18,911
Total	\$ 831,615	\$ 379,250	\$ 75,579	\$ 62,156	\$ 1,348,600

REVENUE BONDS AND REVENUE ANTICIPATION NOTES

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. At the end of 2003 the original amount of revenue bonds and anticipation notes issued in prior years was approximately \$3.7 billion. The total outstanding amount at December 31, 2003, was \$2.5 billion. During 2004 an additional \$431.7 million of revenue bonds and \$1.8 million of revenue anticipation notes were issued as noted in the following paragraphs.

City Light

On December 23, 2004, the City issued \$284.9 million in Municipal Light and Power (ML&P) Improvement and Refunding Revenue bonds that bear interest at rates ranging from 3.0 percent to 5.25 percent and mature serially from August 1, 2005, through August 1, 2025, with term bonds to mature from 2026 through 2029. Proceeds were used to finance certain capital improvements and conservation programs and to refund certain 1995 Series A, 1996, and 1999 ML&P parity bonds. See "Advance and Current Refundings" section of this note for further discussion on the refunding.

Water

On October 25, 2004, the City issued \$84.8 million in Water System Revenue bonds, with varying annual principal payments due from September 1, 2005, through September 1, 2034, with interest rates ranging from 3.0 percent to 5.0 percent. Proceeds of the issuance are used to finance certain capital improvement projects and conservation programs for the Utility.

Drainage and Wastewater

On October 28, 2004, the City issued \$62.0 million in Drainage and Wastewater Revenue bonds with varying annual principal payments due from September 1, 2005, through September 1, 2034, with varying interest rates ranging from 2.5 percent to 5.0 percent. Proceeds of the issuance are being used to finance certain capital improvements and additions to the drainage and wastewater system.

Solid Waste

On November 3, 2003, the City issued the Solid Waste Revenue bond anticipation notes (nonrevolving line of credit). The City may draw on the line of credit an amount not to exceed \$21.3 million maturing on July 1, 2005. The first draw on the line of credit was in the amount of \$6.2 million on November 3, 2003. In 2004 the City made another \$1.8 million draw on the line of credit. Interest on the draw is at a variable rate equal to either the LIBOR-based (London Inter-Bank Offering Rate) rate or the prime-based rate, as designated by the Director of Finance or designee.

The business-type funds had no short-term debt at December 31, 2004.

The following table presents the individual revenue bonds and anticipation notes outstanding as of December 31, 2004, and other pertinent information on each outstanding bond issue.

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

Name and Purpose of Issue	Issuance Date	Maturity Dates	Effective Interest Rates ^a	Bond Issuance	Redemptions		Bonds Outstanding December 31
					2004	To Date ^b	
MUNICIPAL LIGHT AND POWER (ML&P) BONDS							
1990 Subordinate Lien	11/27/90	11/01/96-15	1.10-5.25	\$ 25,000	\$ 1,100	\$ 7,400	\$ 17,600
1991 Subordinate Lien, Series A	11/20/91	05/01/11-16	.088-6.00	25,000	-	-	25,000
1991 Subordinate Lien, Series B	11/20/91	05/01/98-11	1.30-6.00	20,000	1,400	4,900	15,100
1993 Parity and Refunding	07/14/93	11/01/93-18	5.155	453,355	20,215	453,355	-
1993 Subordinate Lien	11/17/93	11/01/99-18	.088-6.00	22,000	900	5,100	16,900
1994 Parity	12/22/94	07/01/98-20	6.629	115,000	3,450	115,000	-
1995 Parity, Series A	09/28/95	09/01/99-20	5.633	60,000	53,875	60,000	-
1995 Parity, Series B	10/16/95	09/01/98-05	4.446	2,305	-	1,849	456
1996 Parity	10/31/96	10/01/02-21	5.670	30,000	26,175	27,945	2,055
1996 Subordinate Lien	12/11/96	06/01/02-21	1.00-5.75	19,800	715	2,060	17,740
1997 Parity	07/01/97	07/01/03-22	5.131	30,000	970	1,900	28,100
1998 Parity, Series A, Refunding	01/27/98	07/01/98-20	4.884	104,650	740	3,270	101,380
1998 Parity, Series B	10/29/98	06/01/04-24	4.919	90,000	2,615	2,615	87,385
1999 Parity	10/27/99	10/01/06-24	5.960	158,000	138,250	138,250	19,750
2000 Parity	12/27/00	12/01/06-25	5.298	98,830	-	-	98,830
2001 Parity	03/29/01	03/01/04-26	5.082	503,700	3,735	3,735	499,965
2002 Parity, Refunding	12/04/02	12/01/03-14	3.470	87,735	5,080	7,540	80,195
2003 Parity, Refunding	08/20/03	11/01/04-28	3.517	251,850	9,915	9,915	241,935
2004 Parity, Refunding	12/23/04	08/01/05-29	4.159	284,855	-	-	284,855
Total Light Bonds				2,382,080	269,135	844,834	1,537,246
MUNICIPAL WATER BONDS							
1995 Adjustable Rate	09/20/95	09/01/00-25	1.890	45,000	1,200	5,500	39,500
1997 Parity	04/08/97	08/01/97-26	5.712	53,000	1,110	7,195	45,805
1998 Parity	07/04/98	10/01/99-27	5.110	80,000	1,630	8,825	71,175
1999 Parity	06/23/99	03/01/00-29	5.373	100,000	1,840	8,520	91,480
1999 Parity, Series B	10/23/99	07/01/01-29	5.912	110,000	1,960	7,360	102,640
2001 Parity	11/20/01	11/01/05-31	4.972	52,525	-	-	52,525
2002 Adjustable Rate	05/15/02	05/15/03-32	1.980	65,000	1,200	2,400	62,600
2003 Parity, Refunding	05/12/03	09/01/03-33	4.083	271,320	12,660	27,160	244,160
2004 Parity	10/25/04	09/01/05-34	4.580	84,750	-	-	84,750
Total Water Bonds				861,595	21,600	66,960	794,635
MUNICIPAL SEWER (DRAINAGE AND WASTEWATER) BONDS							
1995 Improvement/Refunding	12/28/95	12/01/96-25	5.309	40,390	1,090	6,730	33,660
1998 Parity	05/15/98	11/01/98-18	5.122	24,170	480	3,020	21,150
1999 Parity	09/28/99	11/01/00-29	5.720	55,000	970	4,220	50,780
2001 Parity	06/22/01	11/01/02-31	5.260	60,680	1,065	3,095	57,585
2002 Improvement/Refunding	12/17/02	07/01/03-32	4.751	78,550	1,620	2,540	76,010
2004 Parity	10/28/04	09/01/05-34	4.609	62,010	-	-	62,010
Total Drainage and Wastewater Bonds				320,800	5,225	19,605	301,195
SOLID WASTE BONDS							
1999 Refunding	01/19/99	08/01/99-09	4.839	40,900	3,570	20,015	20,885
1999 Parity, Series B	10/26/99	11/01/00-19	5.732	5,500	200	925	4,575
Total Solid Waste Bonds				46,400	3,770	20,940	25,460
Total Utility Revenue Bonds				3,610,875	299,730	952,339	2,658,536
SOLID WASTE REVENUE ANTICIPATION NOTES							
2003	11/03/03	07/31/2005	2.200	7,976	-	-	7,976
Total Utility Revenue Bonds and Anticipation Notes				\$ 3,618,851	\$ 299,730	\$ 952,339	\$ 2,666,512

^a The ML&P subordinate lien bonds are variable rate bonds for which the life-to-date actual low and high rates are shown. The Municipal Water adjustable-rate bonds show the interest rate in effect at the end of 2004. These bonds are remarketed each week at market rates attained by remarketing agents, except for the 1990 and 1991B ML&P bonds which are in commercial paper mode and as such remarketed periodically for terms determined by the City at market rates obtained by remarketing agents. Solid Waste revenue anticipation notes are variable-rate interest notes in effect at December 31, 2004. Interest rates in effect at December 31, 2004, were used to calculate annual interest requirements for these obligations.

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

The requirements to amortize the revenue bonds and anticipation notes as of December 31, 2004, are presented below.

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

Year Ending December 31	Light		Water		Drainage and Wastewater		Solid Waste		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2005	\$ 64,596	\$ 68,319	\$ 22,470	\$ 36,333	\$ 6,325	\$ 14,681	\$ 11,941	\$ 1,470	\$ 226,135
2006	63,435	70,929	21,695	36,075	6,755	14,881	4,170	1,174	219,114
2007	66,755	68,044	19,590	35,215	7,035	14,601	4,390	956	216,586
2008	70,460	64,786	20,720	34,389	7,320	14,307	4,635	716	217,333
2009	74,260	61,327	21,645	33,486	7,670	13,971	4,885	717	217,961
2010-2014	384,140	253,831	124,395	152,129	44,095	64,106	1,480	819	1,024,995
2015-2019	375,240	160,822	157,290	121,248	56,315	51,994	1,935	354	925,198
2020-2024	319,765	74,116	184,565	80,590	63,700	36,161	-	-	758,897
2025-2029	118,595	10,413	157,550	38,604	66,335	19,272	-	-	410,769
2030-2034	-	-	64,715	9,311	35,645	4,318	-	-	113,989
Total	<u>\$ 1,537,246</u>	<u>\$ 832,587</u>	<u>\$ 794,635</u>	<u>\$ 577,380</u>	<u>\$ 301,195</u>	<u>\$ 248,292</u>	<u>\$ 33,436</u>	<u>\$ 6,206</u>	<u>\$ 4,330,977</u>

The following table shows the long-term liability activity during the year ended December 31, 2004.

Table 8-5 **CHANGES IN LONG-TERM LIABILITIES**
(In Thousands)

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable					
General Obligation Bonds	\$ 885,715	\$ 89,740	\$ 140,435	\$ 835,020	\$ 89,565
Add (Deduct) Deferred Amounts					
Issuance Premiums	6,804	4,322	1,690	9,436	-
Issuance Discounts	(3)	-	-	(3)	-
On Refunding	(1,916)	(5,056)	(3,919)	(3,053)	-
Total Bonds Payable	890,600	89,006	138,206	841,400	89,565
Notes and Contracts					
Capital Leases	94	-	32	62	32
Other Notes and Contracts	22,838	370	1,975	21,233	2,093
Total Notes and Contracts	22,932	370	2,007	21,295	2,125
Compensated Absences	51,579	48,715	45,662	54,632	11,942
Claims Payable					
Workers' Compensation	16,441	6,961	6,020	17,382	5,674
General Liability	61,952	17,743	26,779	52,916	15,871
Health Care Claims	7,958	8,424	7,958	8,424	8,424
Total Claims Payable	86,351	33,128	40,757	78,722	29,969
Arbitrage Rebate Liability	1,370	141	1,268	243	35
Total Long-Term Liabilities from Governmental Activities	<u>\$ 1,052,832</u>	<u>\$ 171,360</u>	<u>\$ 227,900</u>	<u>\$ 996,292</u>	<u>\$ 133,636</u>
BUSINESS-TYPE ACTIVITIES					
Bonds Payable					
General Obligation Bonds	\$ 73,177	\$ -	\$ 1,003	\$ 72,174	\$ 1,050
Revenue Bonds	2,526,651	429,685	297,800	2,658,536	97,356
Add (Deduct) Deferred Amounts					
Issuance Premiums	46,026	20,873	4,507	62,392	-
Issuance Discounts	(5,090)	-	(1,189)	(3,901)	-
On Refunding	(53,607)	(19,662)	(5,777)	(67,492)	-
Total Bonds Payable	2,587,157	430,896	296,344	2,721,709	98,406
Revenue Anticipation Notes Payable	6,200	1,776	-	7,976	7,976
Accrued Interest - Deferred Interest Bonds	3,257	725	287	3,695	370
Notes and Contracts - Other	1,220	740	128	1,832	127
Compensated Absences	18,875	21,870	21,186	19,559	1,383
Claims Payable					
Workers' Compensation	5,913	2,075	1,739	6,249	2,040
General Liability	11,696	7,194	1,891	16,999	6,147
Environmental Liability					
General Contamination Cleanup	11,554	4,995	1,669	14,880	3,950
NOAA Settlement	144	-	144	-	-
Total Claims Payable	29,307	14,264	5,443	38,128	12,137
Arbitrage Rebate Liability	82	-	82	-	-
Landfill Closure and Postclosure Costs	27,423	4,700	1,094	31,029	1,785
Purchased Power Obligation	45,130	-	9,467	35,663	10,705
Total Long-Term Liabilities from Business-Type Activities	<u>\$ 2,718,651</u>	<u>\$ 474,971</u>	<u>\$ 334,031</u>	<u>\$ 2,859,591</u>	<u>\$ 132,889</u>

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

The City's internal service funds predominantly serve governmental funds. For this reason the above totals in the governmental activities include the long-term liabilities for these funds. At the end of the year notes and contracts, compensated absences, and claims payable of these funds amounted to approximately \$1.1 million, \$3.3 million, and \$1.5 million, respectively, and are liquidated from each fund's own resources. Notes and contracts (including public works trust loan), compensated absences, and workers' compensation not pertaining to the internal service funds are liquidated as they become due and payable from governmental funds that provide budgets to operating City departments. These governmental funds include the General Fund, Park and Recreation Fund, Transportation Fund, Library Fund, Seattle Center Fund, Human Services Fund, and the Office of Housing Fund. All general liability and health care claims are liquidated using the General Fund, except for general liabilities that are to be liquidated from the Engineering Services Fund, an internal service fund, amounting to approximately \$288,000. Arbitrage rebate liabilities in governmental activities are paid as they are due and usually come from available resources in governmental funds that received the related bond proceeds and investment earnings from the proceeds.

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

ADVANCE AND CURRENT REFUNDINGS

In order to lower interest costs, the City refunded and defeased certain bonds. To do so, the City issued new refunding bonds and used its own resources. City resources and the proceeds of refunding bonds are placed in irrevocable trusts for the purchase of federal, state, and local government securities to provide for all future debt service on the old bonds. As a result, the old bonds including those refunded are considered defeased, and the corresponding liabilities are not included in the statement of net assets. The following paragraphs discuss the advance and current refundings that occurred in 2004.

The LTGO Refunding bonds, 2004, issued on May 24, 2004, in the amount of \$91.8, refunded \$88.0 million of the 1996 LTGO, Series A bonds. The aggregate total debt service on the refunded bonds requires a cash flow of \$138.8 million, including \$50.8 million in interest. The aggregate total debt service on the refunding bonds requires a cash flow of \$131.5 million including interest of \$39.7 million. The difference between the cash flows required to service the old and the new debt and complete the refunding totaled \$7.3 million, and the aggregate economic gain amounted to \$5.8 million at net present value.

The refunding portion of the 2004 ML&P Improvement and Refunding Revenue bonds issued in December 2004 in the amount of \$226.5 million, refunded \$53.6 million, \$25.2 million, and \$138.3 million of the 1995, Series A, 1996 and 1999 ML&P parity bonds respectively. The aggregate total debt service on the refunded bonds requires a cash flow of \$371.5 million including \$154.5 million in interest. The aggregate total debt service on the refunding bonds requires a cash flow of \$349.1 million, including \$122.6 million in interest. The difference between the cash flows required to service the old and the new debt and complete the refunding totaled \$22.4 million, and the aggregate economic gain amounted to \$12.1 million at net present value.

The City of Seattle

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

Table 8-6

REFUNDED/DEFEASED BONDS
(In Thousands)

Name of Issue	Issuance Date	Maturity Date	Effective Interest Rate	Original Bond Issuance	Amount Transferred To Trustee	Trustee Redemptions To Date 2004	Defeased Outstanding December 31
GENERAL OBLIGATION BONDS							
Limited Tax (Non-Voted)							
Seattle Center Coliseum, 1994 (defeased September 24, 2002)	03/17/94	10/01/97-14	7.065	\$ 73,400	\$ 26,140	\$ 26,140	\$ -
Seattle Center Coliseum, 1994 (refunded September 26, 2002)					13,080	13,080	-
Seattle Center Coliseum, 1994 (refunded February 26, 2003)					3,625	3,625	-
Seattle Center Coliseum, 1994 (defeased July 25, 2003)					4,935	4,935	-
Seattle Center Coliseum, 1994 (defeased April 1, 2004)					4,335	4,335	-
Total Defeased/Refunded - Seattle Center Coliseum, 1994				73,400	52,115	52,115	-
Various Purpose - Concert Hall, Key Tower, Police Support Facility, 1996 Series A	08/01/96	01/15/04-20	5.920	97,740	88,000	-	88,000
REVENUE BONDS							
Municipal Light and Power							
1977 Parity	08/01/77	08/01/77-05	5.343	29,000	21,300	19,100	2,200
1993 Parity and Refunding	07/14/93	11/01/93-18	5.155	453,355	182,345	140,410	41,935
1994 Parity	12/22/94	07/01/98-20	6.629	115,000	97,255	2,575	94,680
1995 Parity, Series A	09/28/95	09/01/99-20	5.633	60,000	53,610	1,770	51,840
1996 Parity	10/31/96	10/01/02-21	5.670	30,000	25,225	-	25,225
1999 Parity	10/27/99	10/01/06-23	5.960	158,000	138,250	-	138,250
Total Refunded/Defeased Bonds				\$ 1,016,495	\$ 658,100	\$ 215,970	\$ 442,130

ARBITRAGE

Since 1995 the City has been reviewing arbitrage rebate liability on its outstanding tax-exempt bonds and certificates of participation under Section 148(f) of the Internal Revenue Code. For bonds that have reached their installment computation dates (bonds outstanding for five years initially and every five years thereafter until the last of the bond issue matures) the City paid no arbitrage rebate in 2003 but paid \$1.3 million in 2004 on the City's general obligation bonds. The City paid approximately \$378,500 and none in 2003 and 2004, respectively, for ML&P revenue bonds; none in 2003 and 2004 for Water System revenue bonds, Drainage and Wastewater revenue bonds, but paid about \$82,300 in 2004 for Solid Waste revenue bonds but none for 2003. The City estimated and recognized as of the end of 2004 an arbitrage rebate liability of approximately \$243,000 on general obligation bonds, approximately \$35,000 of which is estimated to be due in 2005. There are no arbitrage liability at the end of 2004 on the ML&P revenue bonds, Water revenue bonds, Drainage and Wastewater revenue bonds, and Solid Waste revenue bonds.

(9) FUND EQUITY

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

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

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

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

Table 9-1 **RESERVED FUND BALANCES**
(In Thousands)

Governmental Funds	Legally Required Carryovers			Reserved for Encumbrances, Capital Improvements, Continuing Appropriations, and Debt Service	
	Outstanding Encumbrances	Continuing Appropriations	Total	Reported	Not Reported
BUDGETED					
General	\$ 13,797	\$ 38,338	\$ 52,135	\$ 69,867	\$ (17,732)
Special Revenue					
Annually Budgeted/Operating	44,547	74,698	119,245	48,350	70,895
Nonoperating	5,084	18,740	23,824	9,200	14,624
Capital Projects	27,223	164,383	191,606	101,296	90,310
Total Budgeted	90,651	296,159	386,810	228,713	158,097
NONBUDGETED					
Debt Service	-	14,935	14,935	14,935	-
Total Nonbudgeted	-	14,935	14,935	14,935	-
Total Reserved Fund Balances	<u>\$ 90,651</u>	<u>\$ 311,094</u>	<u>\$ 401,745</u>	<u>\$ 243,648</u>	<u>\$ 158,097</u>

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

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

SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM

Plan Description

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

All employees of the City of Seattle are eligible for membership in the system with the exception of law enforcement officers and fire fighters who are covered under the statewide LEOFF plans administered by the state Department of Retirement Systems. Employees of METRO and the King County Health Department who established membership in the system when these organizations were City of Seattle departments were allowed to continue their membership. Current membership in SCERS consisted of the following at December 31, 2004:

Retirees and Beneficiaries Receiving Benefits	4,927
Terminated Plan Members Entitled To But Not Yet Receiving Benefits, Vested	1,418
Terminated Plan Members Who Have Restored Their Contributions Due to the Provisions of the Portability Statutes and May Be Eligible for Future Benefits, Vested	234
Active Plan Members, Vested and Non-vested	8,570

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

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

Summary of Significant Accounting Policies

Basis of Accounting

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

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

Contributions and Reserves

Member and employer contribution rates are established by the SMC 4.36.

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

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

As of December 31, 2003, based on the actuarial valuation of January 1, 2004, the actuarial value of plan net assets available for benefits was \$1,527.5 million, and the actuarial accrued liability was \$1,778.9 million. The unfunded actuarial accrued liability (UAAL) was \$251.4 million and the funding ratio was 85.9 percent.

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

Fiscal Year Ending December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
2001	\$ 11,571	282 %	\$ (48,078)
2002	12,496	293	(72,183)
2003	31,883	107	(74,501)

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

Fiscal Year Ending December 31	Annual Required Contribution (ARC) at End of Year	Interest on NPO	ARC Adjustment	Annual Pension Cost (APC)	Total Employer Contributions	Change in NPO	NPO Beginning Balance	NPO Ending Balance
2003	\$ 34,100	\$ (5,775)	\$ 3,557	\$ 31,882	\$34,200	\$ (2,318)	\$ (72,183)	\$ (74,501)

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

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

FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS

Plan Description

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

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

All law enforcement officers and fire fighters of the City who served before March 1, 1970, are participants of these pension plans; and those hired between March 1, 1970, and September 30, 1977, are eligible for a supplemental retirement benefit plus sick benefits under these plans. Eligible law enforcement officers may retire with full benefits after 25 years of service at any age and fire fighters at age 50 after completing 25 years of service. These pension plans provide death and disability pension benefits plus sick benefits for eligible active and retired employees. In addition, these plans provide medical benefits in accordance with state statutes and City ordinances to active and retired members from the City. Currently 1,091 fire and 1,021 police retirees meet these eligibility requirements. The City fully reimburses the amount of valid claims for medical and hospitalization costs incurred by active members and pre-Medicare retirees. The City also reimburses the full amount of premiums for part B of Medicare for each retiree eligible for Medicare.

The only postemployment benefits the City provides, other than death benefits, are medical benefits in the Firemen's and Police Relief and Pension plans, and these are financed on a pay-as-you-go basis. Total postemployment medical benefits for Firemen's Pension were \$7.3 million in 2004 and \$6.7 million in 2003; and for Police Relief and Pension, \$7.6 million in 2004 and \$7.8 million in 2003.

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, 2004:

	<u>Firemen’s Pension</u>	<u>Police Relief and Pension</u>
Retirees and Beneficiaries Receiving Benefits	972	772
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	-	-
Active Plan Members, Vested	84	81
Active Plan Members, Nonvested	-	-

These pension plans do not issue separate financial reports.

Summary of Significant Accounting Policies

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

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

Contributions and Reserves

Since these two pension plans were closed to new members effective October 1, 1997, the City did not need to adopt a plan to fund the actuarial accrued liability (AAL) but is paying benefits as they become due. Contributions are no longer required from plan members or the City departments they represent. Under state law, partial funding of the Firemen’s Pension Fund may be provided by an annual tax levy of up to \$0.45 per \$1,000 of assessed value of all taxable property of the City. The Firemen’s Pension Fund also receives a share of the state tax on fire insurance premiums. Additional funding through the General Fund adopted budget is provided to both pension funds as necessary. The Police Relief and Pension Fund also gets police auction proceeds of unclaimed property. Administrative costs for Firemen’s Pension are financed by real estate property tax and fire insurance premium tax. Administrative costs for Police Relief and Pension are financed by police auction proceeds and General Fund support. Contribution rates are not applicable to these plans.

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

<u>Retirement System</u>	<u>Fiscal Year Ending December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
Firemen’s Pension Fund	2002	\$ 9,480	100 %	-
	2003	9,167	100	-
	2004	9,315	100	-
Police Relief and Pension Fund	2002	5,955	100	-
	2003	7,403	100	-
	2004	8,244	100	-

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

In July 1994 the City adopted a funding policy under Ordinance 117216 that is designed to fully fund the AAL of the Firemen’s Pension Fund by the year 2018 plus additional contributions, if necessary, to fund benefit payments in excess of contributions to fully fund all retirement benefit liabilities by December 31, 2018. The funding policy does not fund for future medical liabilities. The level contributions were set aside in the Firemen’s Pension Actuarial Account with a fund balance of \$5.4 million as of December 31, 2004. Level contribution has decreased to \$9.0 million from \$9.2 million based on the full actuarial valuation as of January 1, 2005. No similar program has been established for the Police Relief and Pension Fund.

Notes to Financial Statements

The AAL as of December 31, 2004, based on the actuarial valuation as of January 1, 2005, was \$88.7 million for Firemen's Pension and \$65.7 million for Police Relief and Pension. The Police Relief and Pension AAL is funded on a pay-as-you-go basis. Annual requirements are funded through the City's adopted budget, and any budget requirements exceeding the adopted budget are fully covered by supplemental appropriations.

Following are the Firemen's Pension and Police Relief and Pension financial statements for fiscal year ending December 31, 2004:

Table 10-1

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

December 31, 2004

(In Thousands)

	Firemen's Pension	Police Relief and Pension	2004	2003
ASSETS				
Cash and Equity in Pooled Investments	\$ 6,982	\$ 4,427	\$ 11,409	\$ 6,645
Investments at Fair Value				
U.S. Government Obligations	451	-	451	448
Receivables				
Employer - Due from Other Funds	11	-	11	8
Employer - Other	-	-	-	430
Interest and Dividends	2	-	2	2
Total Receivables	13	-	13	440
Equipment, at Cost, Net of Accumulated Depreciation	-	-	-	2
Total Assets	7,446	4,427	11,873	7,535
LIABILITIES				
Refunds Payable and Other - Due to Other Funds	8	29	37	35
Refunds Payable and Other - Other	1,218	2,646	3,864	1,898
Total Liabilities	1,226	2,675	3,901	1,933
Net Assets Held in Trust for Pension Benefits	<u>\$ 6,220</u>	<u>\$ 1,752</u>	<u>\$ 7,972</u>	<u>\$ 5,602</u>

Table 10-2

**STATEMENT OF CHANGES IN
PLAN NET ASSETS
FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS
For Year Ended December 31, 2004
(In Thousands)**

	<u>Defined Benefit</u>		<u>Postemployment Healthcare</u>		<u>Comparative Totals</u>	
	<u>Firemen's Pension</u>	<u>Police Relief and Pension</u>	<u>Firemen's Pension</u>	<u>Police Relief and Pension</u>	<u>2004</u>	<u>2003</u>
ADDITIONS						
Contributions						
Employer	\$ -	\$ 8,244	\$ -	\$ 7,613	\$ 15,857	\$ 15,186
Taxes and Other	9,315	-	7,269	-	16,584	15,879
Total Contributions	9,315	8,244	7,269	7,613	32,441	31,065
Investment Income						
From Investment Activities						
Net Appreciation (Depreciation) in Fair Value of Investments	(53)	-	-	-	(53)	(28)
Interest	130	-	-	-	130	131
Total Net Investment Income	77	-	-	-	77	103
Total Additions	9,392	8,244	7,269	7,613	32,518	31,168
DEDUCTIONS						
Benefits	7,609	6,954	7,269	7,613	29,445	28,162
Administrative Expense	365	338	-	-	703	755
Total Deductions	7,974	7,292	7,269	7,613	30,148	28,917
Change in Net Assets	1,418	952	-	-	2,370	2,251
Net Assets - Beginning of Year	4,802	800	-	-	5,602	3,351
Net Assets - End of Year	<u>\$ 6,220</u>	<u>\$ 1,752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,972</u>	<u>\$ 5,602</u>

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

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

Plan Description

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

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. Employee contributions to Plans 1 and Plan 2 accrue interest at a rate specified by the state Department of Retirement System (DRS). During fiscal year 2004 the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in Plans 1 and 2 can elect to withdraw total employee contributions and interest earnings thereon upon separation from LEOFF-covered employment.

LEOFF was established in 1970 by the state legislature. Membership includes all full-time, fully compensated, local law enforcement officers and firefighters. Membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers who were first included prospectively effective July 27, 2003, being a major exception. Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the legislature for

Plan 2. LEOFF retirement benefit provisions are established in state statute and may be amended only by the state legislature. The state of Washington, through DRS administers LEOFF.

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

<u>Term of Service</u>	<u>Percent of FAS</u>
20+ years	2.0 %
10 - 19 years	1.5
5 - 9 years	1.0

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. If membership was established in LEOFF after February 18, 1974, the service retirement benefit is capped at 60 percent of FAS. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index).

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

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

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

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

Legislation passed in 2004 allows members of Plan 2 who leave service because of a line-of-duty disability to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of Plan 2 who leave service because of a line-of-duty disability may be eligible to receive a retirement allowance of at least 10 percent of final average salary. If the two-percent-per-year-of-service disability benefit, actuarially reduced for the difference between age 53 and age at retirement, results in a greater benefit than the minimum 10 percent, the member receives the greater benefit. The first 10 percent of the FAS is not subject to federal income tax. The line-of-duty disability benefit applies to all Plan 2 members disabled in the line of duty on or after January 1, 2001.

There were no other material changes in LEOFF benefit provisions for the fiscal year ended June 30, 2004.

LEOFF pension benefit provisions have been established by RCW 41.26.

There are 488 participating employers in LEOFF as of June 30, 2004. Membership in LEOFF consisted of the following as of the latest actuarial valuation date of September 30, 2003:

	<u>Plan 1</u>	<u>Plan 2</u>
Retirees and Beneficiaries Receiving Benefits	8,054	316
Terminated Members Entitled To But Not Yet Receiving Benefits	14	439
Active Plan Members, Vested	991	10,557
Active Plan Members, Nonvested	-	4,003
Total	<u>9,059</u>	<u>15,315</u>

All law enforcement officers and fire fighters of the City of Seattle participate in LEOFF. Current active members (vested and non-vested) are 170 under Plan 1 and 2,068 under Plan 2.

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

Summary of Significant Accounting Policies

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

Investments are presented at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers at current exchange rates, as available. Privately held mortgages have been valued at cost which approximates fair market value. The fair value of real estate investments has been estimated based on independent appraisals. Venture capital and leveraged buy out investments are determined by independent investment advisors based on an analysis of the audited financial statements of the underlying partnerships. LEOFF pension plans have no investments of any commercial or industrial organization whose market value exceeds five percent or more of the plan's net assets.

Contributions and Reserves

Funding Policy

Employers, plan participants, and the state provide funding for all costs of the system based upon actuarial valuations. The state establishes benefit levels and approves the actuarial assumptions used in determining contribution levels.

Starting on July 1, 2000, Plan 1 employers and employees will contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Plan 2 employers and employees are required to pay at the level adopted by DRS in accordance with RCW 41.5. All employers are required to contribute at the level required by the state law.

Required contribution rates for cities (expressed as a percentage of current year covered payroll) effective September 1, 2004, are:

	LEOFF Actual Contribution Rates	
	Plan 1	Plan 2
Employer (includes an administrative expense of 0.19%)	0.19 %	3.25 %
Employee	0.00	5.09
State of Washington Contributions	0.00	2.02

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

The legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the requirements of the Pension Funding Council. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute. For fiscal year 2004 the state contributed \$20.2 million to LEOFF Plan 2.

Employer Contributions Required and Paid

LEOFF Annual Required Contributions (in millions) and percentage contributed in accordance with the funding policy were:

Year	Plan 1		Plan 2		
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	
2002	\$ -	N/A	\$ 43.7	91	%
2003	-	N/A	56.8	74	
2004	-	N/A	69.2	74	

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

	Plan 1	Plan 2
2002	\$ 38	\$ 4,217
2003	33	4,511
2004	28	4,941

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

Reserves

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

	June 30, 2004	June 30, 2003
Plan 1	\$106,753	\$117,838
Plan 2	915,700	832,078

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

	June 30, 2004	June 30, 2003
Plan 1	\$4,602,142	\$4,197,977
Plan 2	2,011,038	1,612,275

DEFERRED COMPENSATION PLAN

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

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

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

The City has little administrative involvement and does not perform the investing function for the plan. The City does not hold the assets in a trustee capacity and does not perform fiduciary accountability for the plan. Therefore, the City

employees' deferred compensation plan created in accordance with IRC 457 is not reported in the financial statements of the City.

(11) COMPONENT UNIT

SEATTLE PUBLIC LIBRARY FOUNDATION

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

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

Table 11-1

**CONDENSED STATEMENT OF NET ASSETS
SEATTLE PUBLIC LIBRARY FOUNDATION
December 31, 2004
(In Thousands)**

	<u>2004</u>	<u>2003</u>
ASSETS		
Cash, Investments, and Other Assets	\$ 57,017	\$ 68,636
Capital Assets, Net	<u>17</u>	<u>27</u>
Total Assets	57,034	68,663
LIABILITIES		
Current Liabilities	<u>2</u>	<u>-</u>
Total Liabilities	2	-
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	17	27
Restricted	50,101	62,254
Unrestricted	<u>6,914</u>	<u>6,382</u>
Total Net Assets	<u>\$ 57,032</u>	<u>\$ 68,663</u>

Table 11-2

**CONDENSED STATEMENT OF ACTIVITIES
SEATTLE PUBLIC LIBRARY FOUNDATION
For Year Ended December 31, 2004
(In Thousands)**

	2004	2003
EXPENSES		
Support to Seattle Public Library	\$ 22,677	\$ 8,500
Management and General	313	350
Fundraising	486	597
Depreciation	45	38
Total Expenses	23,521	9,485
PROGRAM REVENUES		
Contributions/Endowment Gain	11,229	9,298
Net Program (Expense) Received	(12,292)	(187)
GENERAL REVENUES		
Investment Income	661	1,631
Change in Net Assets	(11,631)	1,444
NET ASSETS		
Net Assets - Beginning of Year	68,663	67,219
Net Assets - End of Year	\$ 57,032	\$ 68,663

(12) JOINT VENTURES

SEATTLE-KING COUNTY DEPARTMENT OF PUBLIC HEALTH

The Seattle-King County Department of Public Health is a combined City and County health department providing personal and environmental health services throughout the county. The divisions are: Administrative Services, Community-Based Public Health Practice, Jail Health Services, Environmental Health Services, Prevention, Alcohol-Tobacco-Other Drug Prevention, and Community Health Services. King County is responsible for central administration of the department, with the City directly responsible for policy and funding control over the Seattle services. Both jurisdictions share ongoing financial responsibility for funding the department's administrative services, and the City does not have an equity interest. The formula for determining each jurisdiction's share is based on their budgeted expenditures of their respective divisions or programs in relation to the total budget. The King County Executive and the Mayor jointly appoint the Director of Public Health for a four-year term. The County and City Councils confirm the appointment. The Director of Public Health may be removed for cause by the King County Executive after consultation with the Mayor.

Table 12-1

**JOINT VENTURE FINANCIAL DATA
SEATTLE-KING COUNTY DEPARTMENT OF PUBLIC HEALTH
(In Thousands)**

Year Ended December 31	2004 Unaudited	2003 Audited
Assets	\$ 33,826	\$ 37,494
Liabilities	20,134	28,547
Fund balance	13,692	8,947
Revenues	150,657	163,953
Expenditures	176,839	181,014
Other Financing Sources (Uses) - Net	16,221	15,727
Net Increase (Decrease) in Fund Balance	(9,961)	(1,334)

Expenditures for Seattle services were \$31.3 million in 2004 and \$39.7 million in 2003. The City of Seattle accounts for its share of the department's expenditures in the General Fund. That support was \$10.1 million in 2004 and \$12.0 million in 2003. Included in that General Fund support was \$4.8 million in 2004 and \$7.0 million in 2003 for emergency health care services to low-income residents.

The Seattle-King County Department of Public Health is accounted for in the King County financial statements, which can be obtained by writing the King County Office of Financial Management, King County Administration Building, Seattle, WA 98104; by calling 206-296-7318; or by accessing the web site <http://www.metrokc.gov/finance/FM/CAFR/cafrhome.aspx>.

SEATTLE-KING COUNTY WORKFORCE DEVELOPMENT COUNCIL

The Seattle-King County Workforce Development Council (WDC) is a joint venture between King County and the City of Seattle. It was established as a nonprofit corporation in the State of Washington on July 1, 2000, as authorized under the Workforce Investment Act (WIA) of 1998. It functions as the Department of Labor pass-through agency to receive the employment and training funds for the Seattle-King County area. The King County Executive and the Mayor of the City of Seattle, serving as the chief elected officials (CEO) of the local area, have the joint power to appoint the members of the WDC board of directors and the joint responsibility for administrative oversight. An ongoing financial responsibility exists because the CEO is potentially liable to the grantor for disallowed costs. If expenditure of funds is disallowed by the grantor agency, the WDC can recover the funds in the following order: (1) the agency creating the liability; (2) the insurance carrier; (3) future program years; and (4) as a final recourse, from King County and the City of Seattle who each will be responsible for one-half of the disallowed amount. As of December 31, 2004, there are no outstanding program eligibility issues that may lead to a City of Seattle liability.

The WDC contracts with the City of Seattle which provides programs related to the WIA Youth In-School Program. For the year 2004 WDC paid \$0.9 million to the City of Seattle.

The WDC issues independent financial statements that may be obtained from its offices at 2003 Western Avenue, Suite 250, Seattle, WA 98121-2161.

(13) COMMITMENTS

GENERAL

Capital Improvement Program

The City adopted the 2004-2005 Capital Improvement Program (CIP), which functions as a capital financing plan for the years 2004-2009 totaling \$2.6 billion. The endorsed CIP for 2004 was \$422.4 million, consisting of \$249.8 million for City-owned utilities and \$172.6 million for nonutility departments. The utility allocations are: \$115.8 million for City Light, \$76.7 million for Water, \$37.0 million for Drainage and Wastewater, \$10.0 million for Solid Waste, and \$10.3 for Seattle Public Utilities' Technology Projects. Expenditures may vary significantly based upon facility requirements and unforeseen events. A substantial portion of contractual commitments relates to these amounts.

CITY LIGHT

Power received under long-term purchased power agreements in average annual megawatts (aaMW) is as follows:

Table 13-1

LONG-TERM PURCHASED POWER
(In Average Annual Megawatts)

	2004	2003
Bonneville Block	392.8	390.9
Bonneville Slice	137.8	147.1
Lucky Peak	31.3	33.4
British Columbia - Ross Dam	34.8	36.0
City of Klamath Falls	81.8	74.7
State Line Wind	39.7	24.7
Pend Oreille County Public Utility District	6.7	5.4
Grant County Public Utility District	36.0	35.5
Grand Coulee Project Hydroelectric Authority	28.9	26.9
British Columbia-Boundary Encroachment	1.5	1.6
Exchange Energy	12.4	12.4
Other	0.7	4.6
Total Long-Term Purchased Power	804.4	793.2

Purchased and Wholesale Power

Bonneville Power Administration

City Light (the Utility) purchases electric energy from the U.S. Department of Energy, Bonneville Power Administration (BPA), under the Block and Slice Power Sales Agreement, a 10-year contract that expires September 30, 2011. The agreement provides a block of power shaped to the Utility's monthly net requirements, defined as the difference between projected month load and firm resources available to serve that load. Additional amounts of power will be purchased and received throughout the term of the contract under the Slice portion of the contract. The terms of the Slice product specify that the Utility will receive a fixed percentage (4.6676 percent) of the actual output of the Federal Columbia River Power System. The cost of Slice power is based on the Utility's same percentage (4.6676 percent) of the expected costs of the system and is subject to true-up adjustments based on actual costs. Amendments to the contract through 2003 provide that Bonneville will pay the Utility for energy savings realized through specified programs.

Lucky Peak

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

British Columbia-Ross Dam

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

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

Estimated Future Payments under Purchase Power Contracts

The Utility's estimated payments under its contract with BPA, the PUD, irrigation districts, power exchange corporation, Lucky Peak Project, and British Columbia – High Ross Agreement, Klamath Falls and with PPMI and Pacificorp for wind energy and net integration and exchange services for the period from 2005 through 2065, undiscounted, are:

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

<u>Year Ending December 31</u>	<u>Estimated Payments</u>
2005	\$ 279,467
2006	292,037
2007	278,744
2008	276,267
2009	263,837
Thereafter ^a	<u>1,899,845</u>
Total	<u>\$ 3,290,197</u>

^a Bonneville Block and Slice contract expires October 1, 2011. Bonneville transmission contract expires July 31, 2025. BC Hydro – Ross Dam operations and maintenance costs estimated at \$166,830 per year from 2039 to 2065.

The effects of a proposed Regional Transmission Organization and other changes that could occur to transmission as a result of FERC's proposed standard market design are not reflected in the estimated future payments.

Payments under these long-term contracts totaled \$234.6 and \$251.8 million in 2004 and 2003, respectively. Payments under the transmission agreements amounted to \$30.7 and \$30.0 million in 2004 and 2003, respectively.

Skagit and South Fork Tolt Licensing Mitigation

In 1995 FERC issued a license for operation of the Skagit hydroelectric facilities through April 30, 2025. On July 20, 1989, the FERC license for operation of the South Fork Tolt hydroelectric facilities through July 19, 2029, became effective. As a condition for both of these licenses, the Utility has taken and will continue to take required mitigating measures. Total Skagit mitigating costs from the effective date until expiration of the federal operating license were estimated at December 31, 2004, to be \$122.3 million, of which \$76.2 million was expended; and estimated costs for South Fork Tolt, were \$4.1 million, and \$1.1 million was expended. Capital improvements, other deferred costs, and operations and maintenance costs are included in the estimates for both licenses.

Application Process for New Boundary License

The Utility's FERC license for the Boundary Project expires on September 20, 2011. The Utility intends to submit an application for a new license by October 2009. A new license may require additional mitigation efforts for endangered species, including water quality standards, the full extent of which is not known at this time. Application process costs are estimated at \$43.3 million; as of December 31, 2004, \$3.9 million was expended and deferred.

Project Impact Payments

Effective November 1999 the Utility committed to pay a total of \$11.6 million and \$7.8 million over ten years ending in 2008 to Pend Oreille County and Whatcom County, respectively, for the impacts on county governments from the operations of the Utility's hydroelectric projects. The payments compensate the counties and certain school districts and town located in these counties for lost revenues and additional financial burdens associated with the projects. The Boundary Project located on the Pend Oreille River affects Pend Oreille County, and Skagit River hydroelectric projects affect Whatcom County. The combined impact compensation, including an annual inflation factor of 3.1 percent, and retroactive payment totaled \$1.2 million and \$1.1 million to Pend Oreille County in 2004 and 2003, respectively, and \$0.8 million to Whatcom County in each year.

Streetlight Litigation

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

also provided that the City of Seattle General Fund will have to repay the Utility for the streetlight costs that would have been billed over the same period.

On October 8, 2004, a partial judgment in the streetlight litigation was entered in Superior Court in King County. The judgment included a remedy stipulation that required the City's General Fund to pay \$23.9 million to the Utility, an amount which represents billings for streetlight services that should have been made to the City from December 1999 through November 2003. The \$23.9 million payment also included compensation to the Utility for "loss of use" of funds, calculated as percentage of the difference between the amount that should have been billed to the City and the amount paid by ratepayers for streetlight services. The City's General Fund will pay the amount due on installment schedule through April 2005. In 2004 the Utility received payments totaling \$6.2 million from the City. An additional \$6.2 million was received in January 2005. The final payment of \$12.9 million is due on April 1, 2005.

The Utility will refund to ratepayers in Seattle and Tukwila the amount of streetlight costs billed to them from January 2000 through November 2003. Gross refunds are estimated to be \$21.5 million, plus \$2.6 million to compensate ratepayers for loss of use of funds. Plaintiff attorney fees totaling \$3.3 million and \$0.7 million in administrative costs related to the refunds will be deducted from the gross refund amount, leaving \$20.0 million to be refunded to ratepayers. Refunds to current customers will be made through credits on their electric utility bills. Currently inactive customers who received one or more billings during the period from January 2000 through November 2003 will receive refund checks on application to the Utility.

The Utility recorded the \$2.4 million difference between the \$23.9 million in payments from the City of Seattle and the \$21.5 million in customer refunds as other operating revenues in 2004.

The partial judgment entered on October 8, 2004, in the streetlight litigation also found that the City had inappropriately allocated to the Utility certain central costs and ordered the City to refund \$1.0 million in such costs, including an allowance for loss of use, to the Utility. Certain features of the City's 1% for Art ordinance, as applied to the Utility, were also found to be illegal. The City has filed an appeal relative to the 1% for Art finding.

SEATTLE PUBLIC UTILITIES (SPU)

Water Fund

Cedar River Watershed

Seattle Public Utilities prepared a comprehensive environmental management plan for its Cedar River Watershed. The purpose of the Habitat Conservation Plan (HCP) is to protect all species of concern that may be affected by the Seattle Public Utilities and City Light in the Cedar River Watershed while allowing the City to continue to provide high quality drinking water to the region. The Federal government has accepted the HCP. The total cost of implementing the HCP is expected to be \$90 million (in 2002 dollars) over a period of 50 years. Expenses are expected to be funded from a combination of operating revenues and debt.

The Water Fund negotiated an agreement relating to compliance with the Surface Water Treatment Rule on its Cedar River supply system, which requires it to evaluate ozonation and filtration and recommend changes to current treatment. A recommendation for ozonation compatible with filtration was provided to the Washington State Department of Health in November 1995 and approved in January 1996. The ozonation facility, completed in 2004 at a cost of \$113.4 million, was funded with a combination of operating revenue and debt. With its completion, all terms of the compliance agreement have been met.

Drainage and Wastewater Fund

National Oceanic and Atmospheric Administration (NOAA) Settlement

In 1991 the City of Seattle entered into a consent decree with the United States, the Muckleshoot Indian Tribe, the Suquamish Indian Tribe, and the State of Washington to make restitution of up to \$12.1 million for alleged damages to the natural resources of Elliott Bay and the Lower Duwamish River by combined sewer overflow and storm drain discharges (the NOAA Settlement). The Elliott Bay Duwamish Restoration Program Panel, of which the City is a member, was formed to direct the project activities to be performed in accordance with the decree.

The decree calls for payment of \$6.0 million for sediment remediation, \$2.5 million for habitat development, and \$0.1 million for reimbursement of costs for natural resources damage assessment. The Panel may allow for payment through in-kind services as approved. Additionally, up to \$2.5 million of real property and up to \$1.0 million of in-kind services for source control will be provided. SPU is charged with the responsibility of managing the City's obligation, which includes contributions from other departments.

Prior to December 31, 2003, the Fund settled a \$9.5 million liability through cash payments and in-kind services. An additional \$2.2 million of the liability was settled by the Parks Department on behalf of the Fund through a donation of real property. The remaining liability as of December 31, 2003, was \$144,000. During 2004 the Utility spent \$0.7 million, thus satisfying the obligation.

Duwamish Site

Separate from the NOAA settlement, the US Environmental Protection Agency (EPA) has indicated that it will require the clean-up and remediation of certain Duwamish sites under its "Superfund" authority. No specific requirements have been made from EPA at the time of this footnote. In order to manage the liability, the City is working with EPA and other potentially liable parties (PLP) on a Remedial Investigation (RI) and Feasibility Study (FS) to evaluate the risk to human health and the environment, identify the possible early action clean-up sites, and generally evaluate the feasibility of clean-up options for use in the ultimate remedial actions that EPA may require. Prior to the issuance of an EPA ruling on Duwamish River-wide liability, SPU, together with other PLPs, has voluntarily agreed to initiate clean-up of certain early action sites identified during the RI. The EPA is expected to provide a ruling on river-wide liability in 2008. At December 31, 2004, the reserve for estimated costs related to the Duwamish site totaled \$6.4 million, an increase of \$3.0 million over 2003. This reserve includes SPU's share of early action site study and clean-up expense at two sites between 2005 and 2008.

Gasworks Park Sediment Site

In April 2002 the Department of Ecology (DOE) named the City as a PLP at the Gas Works Park sediment site at North Lake Union. The City, with SPU as lead, is working with DOE and other PLPs to undertake a remedial investigation and feasibility study to investigate contamination; evaluate the risk to human health and environment; and evaluate site clean-up options. As of December 31, 2004, the reserve for estimated costs related to this site totaled \$1.2 million, an increase of \$0.3 over 2003. This reserve includes technical costs for the completion of the RI and FS and associated legal costs during the 2005-2006 period.

Wastewater Disposal Agreement

SPU has a wastewater disposal agreement with the King County Department of Natural Resources Wastewater Treatment Division expiring in 2036. The monthly wastewater disposal charge paid to the Division is based on the Division's budgeted cost for providing the service. The charges are determined by water consumption and the number of single-family residences as reported by SPU and other component agencies. The 2004 and 2003 payments to the Division were approximately \$83.1 million and \$79.2 million, respectively.

Solid Waste Fund

Contractual Obligations

The City contracts with private companies for the collection of residential garbage, yard waste, and recycling. The contracts include certain additional costs related to bulky items and backyard service. New residential collection contracts with two private companies were implemented in April 2000. The contracts end March 31, 2007, but the City retains the option to extend the contracts until March 31, 2008, or March 31, 2009. Total payments during 2004 and 2003 were approximately \$23.1 million and \$21.6 million, respectively.

In 1990 the City signed a 38-year contract with Washington Waste Systems (WWS) for the disposal of nonrecyclable City waste, including the City's commercial waste collected by two state-franchised haulers. In 1996 and again in 2001 the City renegotiated this contract to extend the first date at which it can choose to unilaterally terminate the contract from March 31, 2000, to March 31, 2009. In exchange, WWS agreed to change the contract prices from \$44.87 per ton in 1996 to \$41.57 per ton beginning April 15, 1997, and \$43.73 per ton beginning April 2002. In addition, WWS agreed to reduce the price escalator in the contract from 90 percent of the Seattle-Tacoma CPI to 80 percent, effective April 15, 1998, and to 70 percent of CPI beginning April 1, 2003. WWS also agreed to further reduce the CPI-designated tonnage rate by \$1.50 per ton for rates effective April 1, 2003, 2005, and 2007. The Utility paid WWS \$19.9 million in 2004 and \$17.7 million in 2003 under this contract.

For several years the City negotiated with the state-franchised haulers that have collected commercial waste in the City to bring them under contract with the City. The negotiations were successful and as of April 1, 2001, commercial garbage is collected under these new contracts. Payments under these contracts totaled approximately \$15.4 million and \$15.6 million in 2004 and 2003, respectively. The contracts will expire on March 31, 2008, but the City retains an option to extend them to March 31, 2009, or March 31, 2010. As part of these commercial collection contracts the City also negotiated a long-term yard waste processing contract with Cedar Grove Composting, Inc., and changes to the disposal contract. The first opt-out date on the disposal contract was pushed out from March 31, 2006, to March 31, 2009, for price reductions of \$1.50

per ton in 2003, an additional \$1.50 per ton in 2005, and a final \$1.50 per ton in 2007. Under this contract the Utility paid \$1.3 million and \$0.9 million in 2004 and 2003, respectively.

Landfill Closure and Postclosure Care

At December 31, 2004 and 2003, accrued landfill and postclosure costs consist primarily of monitoring, maintenance, and repair costs. It is the City Council's policy to include the Fund's share of all landfill closure and postclosure costs in the revenue requirements used to set future solid waste rates. Therefore, total estimated landfill closure and postclosure care costs are accrued and also reflected as deferred costs in the accompanying financial statements. These costs are being amortized as they are recovered from ratepayers. Actual costs for closure and postclosure care may be higher due to inflation, changes in technology, and changes in regulations.

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

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

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

(14) CONTINGENCIES

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

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

In 2004 the City purchased a new excess liability insurance policy to address general, automobile, professional, public official and other exposures. The policy has limits of \$25 million above a \$5 million self-insured retention for each occurrence. The City also purchased an all-risk property insurance policy that provides \$500 million in limits above a \$500,000 deductible (for most buildings) with \$100 million in earthquake and flood limits and \$100 million in terrorism limits, with boiler and machinery, builders risk, and electronic data processing coverage endorsements. Hydroelectric and other utility producing/processing projects owned by the City are not covered by the property policy. Insurance is also in place for excess workers compensation, fiduciary and crime liability, contractors' equipment, transportation, inland marine, fine arts, volunteers, and an assortment of commercial general liability, medical, accidental death and dismemberment, and miscellaneous policies. Bonds are purchased for public officials, notary public, pension exposures, and specific projects and activities as necessary.

The City did not purchase any annuity contracts in 2004 to resolve litigation but some were purchased in 2003 to fund certain settlements. No annuity contracts reverted back to the City in 2004 or 2003. No structured settlements were entered into by the City in 2004. No settlements were received from an insurer in 2004 or 2003; and no settlements made in 2004, 2003, or 2002 were in excess of insurance coverage.

Claims liabilities are based on the estimated ultimate cost of settling claims, which include case reserve estimates and incurred but not reported (IBNR) claims. Liabilities for lawsuits and other claims are assessed and projected annually using historical claims, lawsuit data, and current reserves. The Personnel Department estimates case reserves for workers' compensation using statistical techniques and historical experience. Ultimate cost of settling claims was estimated for

lawsuits, workers' compensation, and other claims based on independent actuarial studies performed as of year-end 2002, and as of year-end 2004 for health care. IBNR undiscounted totaled \$46.0 million and \$52.9 million at December 31, 2004 and 2003, respectively.

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

Claims liabilities include claim adjustment expenditures if specific and incremental to a claim. Recoveries from unsettled claims, such as salvage or subrogation, and on settled claims are deposited in the General Fund and do not affect reserves for general government. Workers' compensation subrogation recoveries in 2004 amounted to \$0.3 million, about the same level as in 2003. All workers' compensation recoveries are deposited into the General Fund. Lawsuit and other claim recoveries of payments reimbursed by the utilities are deposited into the paying utility fund and do not affect the utility reserves.

Claim liabilities recorded in the financial statements are discounted at 2.338 percent for 2004 and 3.161 percent for 2003, the City's average annual rates of return on investments. The total discounted liability at December 31, 2004, was \$102.0 million, consisting of \$69.9 million for general liability, \$8.4 million for health care, and \$23.6 million for workers' compensation.

RISK MANAGEMENT

Table 14-1

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

	General Liability		Health Care		Workers' Compensation		Total City	
	2004	2003	2004	2003	2004	2003	2004	2003
UNDISCOUNTED								
Balance - Beginning of Fiscal Year	\$ 92,479	\$ 64,204	\$ 8,210	\$ 3,284	\$ 24,804	\$ 30,500	\$ 125,493	\$ 97,988
Less Payments and Expenses								
During the Year	(9,135)	(10,594)	(80,979)	(73,739)	(10,987)	(8,962)	(101,101)	(93,295)
Plus Claims and Changes in Estimates	(7,035)	38,869	81,390	78,665	11,804	3,266	86,159	120,800
Balance - End of Fiscal Year	<u>\$ 76,309</u>	<u>\$ 92,479</u>	<u>\$ 8,621</u>	<u>\$ 8,210</u>	<u>\$ 25,621</u>	<u>\$ 24,804</u>	<u>\$ 110,551</u>	<u>\$ 125,493</u>
UNDISCOUNTED BALANCE AT END OF FISCAL YEAR CONSISTS OF								
Governmental Activities	\$ 57,472	\$ 67,409	\$ 8,621	\$ 8,210	\$ 17,517	\$ 18,236	\$ 83,610	\$ 93,855
Business-Type Activities	18,834	25,068	-	-	8,103	6,568	26,937	31,636
Fiduciary Activities	2	2	-	-	1	-	3	2
Balance - End of Fiscal Year	<u>\$ 76,308</u>	<u>\$ 92,479</u>	<u>\$ 8,621</u>	<u>\$ 8,210</u>	<u>\$ 25,621</u>	<u>\$ 24,804</u>	<u>\$ 110,550</u>	<u>\$ 125,493</u>
DISCOUNTED/RECORDED BALANCE AT END OF FISCAL YEAR CONSISTS OF								
Governmental Activities	\$ 52,629	\$ 61,952	\$ 8,424	\$ 7,958	\$ 16,158	\$ 16,416	\$ 77,211	\$ 86,326
Business-Type Activities	17,283	23,393	-	-	7,474	5,913	24,757	29,306
Fiduciary Activities	1	2	-	-	1	-	2	2
Balance - End of Fiscal Year	<u>\$ 69,913</u>	<u>\$ 85,347</u>	<u>\$ 8,424</u>	<u>\$ 7,958</u>	<u>\$ 23,633</u>	<u>\$ 22,329</u>	<u>\$ 101,970</u>	<u>\$ 115,634</u>

ENVIRONMENTAL

The following sites are in various stages of the federal government's Environmental Protection Agency (EPA) Superfund cleanup process or the parallel process under the state's Model Toxics Control Act (MTCA). In general, the total costs of

cleanup and of claims for payment of government response costs are difficult to estimate accurately, as is the City's ultimate share of responsibility.

- Harbor Island (upland site). Remediation of this Superfund site at the mouth of the Duwamish River is largely completed, but still may result in City liability. Seattle City Light (City Light) is alleged to have scrapped a relatively small number of transformers at the Seattle Iron & Metal facility on the island. No complaint has been filed against the City but it is possible that the City could be sued for contribution. The risk of litigation may have been reduced by the passage of time, and ultimate City liability is indeterminate.
- Harbor Island East Waterway (aquatic sediments). The EPA has identified several separate "operable units" of marine sediment contamination at the Harbor Island Superfund site. The Port of Seattle is in the process of dredging contaminated sediments from one of these operable units. The Port has sent notice that it considers the City a potentially responsible party (PRP) for some of the contamination. The City's alleged liability stems from discharges through the storm drainage system of Seattle Public Utilities (SPU). Although not considered likely, a complaint may be filed. Ultimate City liability is indeterminate.
- Harbor Island West Waterway (aquatic sediments). The EPA has informally notified the City that it considers the City responsible for discharges into the West Waterway from a City (SPU) storm drain. Ultimate City liability is indeterminate.
- Lower Duwamish Waterway Superfund Site. The Lower Duwamish Waterway was listed as a federal Superfund site in 2001 for contaminated sediments. In 2000 the City and three other parties entered into an administrative order on consent with the EPA and the Department of Ecology (Ecology) to conduct a remedial investigation/feasibility study regarding sediments in the Waterway. At some locations City Light's property ownership or use or releases from electrical equipment allegedly make City Light responsible for some of the sediment contamination. In particular, primarily due to City Light activities, the EPA named the City a PRP for cleanup of two areas within the Lower Duwamish Waterway Superfund site: Malarkey/T117 and Slip 4. The City has entered into an agreement with King County, which is also a PRP for Slip 4, to perform further investigation of contamination in the slip that is being required by the EPA. The City and King County are sharing the costs. Based on current information the total cost for cleanup of Slip 4 is estimated to be no more than \$8.0 million, which would be shared by the PRPs. The City is working toward a similar arrangement with the Port of Seattle regarding further investigation and cleanup of the Malarkey/T117 site. Based on current information, the total cost for cleanup of the Malarkey/T117 site is estimated to be no more than \$5.0 million, which would be shared by the PRPs. The City is likely to sign an administrative order on consent to participate in the removal of contaminated sediments at one or both of these locations. In addition, the Boeing Company alleges that City Light is responsible for contamination in sediments adjacent to Boeing Plant 2. Investigation of these allegations is ongoing. City Light's ultimate liability at these locations, if any, is indeterminate.
- Dallas Street. During source control investigations conducted by SPU's Drainage and Wastewater Utility in 2004 as part of its responsibilities under its National Pollutant Discharge Elimination System (NPDES) permit for stormwater, PCB contamination was found in street right-of-ways and some adjacent private properties. The contamination is near the Malarkey/T117 early action area and may have originated from historic operations at the Malarkey/T117 location. With Ecology's concurrence, SPU performed an emergency removal action to reduce public exposure to the contamination. SPU has developed a plan for further removal of contamination and installation of a drainage system that will eliminate the possibility of contaminated stormwater reaching the Duwamish. SPU anticipates seeking grants to cover some of the costs and also seeking contributions from other PRPs associated with the Malarkey/T117 early action area. The total cost of investigating and addressing the contamination is not expected to exceed \$5.0 million.
- Lower Duwamish Waterway Sediments. As noted above, the Lower Duwamish Waterway was listed as a federal Superfund site in 2001 for contaminated sediments. In 2000 the City and three other parties entered into an administrative order on consent with the EPA and Ecology to conduct a remedial investigation/feasibility study regarding sediments. As a result of discharges from City storm drains and combined sewers, SPU is alleged to be a PRP at several of the areas within the Lower Duwamish Waterway Superfund site, potentially including: Slip 4, Norfolk, Trotsky, and Diagonal/Duwamish. The EPA has not yet proposed an administrative order on consent for the Norfolk and Trotsky Early Action Areas, and there are no current estimates for the cleanup costs at those locations. Accordingly, SPU's ultimate liability, if any, for those sites is indeterminate. Cleanup of part of the Diagonal/Duwamish location was completed under a 1991 consent decree, using funds appropriated in prior years. There is a possibility that SPU will incur further financial liability for that location due to remaining contamination.
- Gas Works Park Sediments. In 2002 Ecology issued a Potentially Liable Party (PLP) notice to the Parks Department with regard to sediment contamination in the waters adjacent to Gas Works Park. The City is allegedly a PLP for the contamination in the lacustrine sediment adjacent to Gas Works Park and the Harbor Patrol properties in the North Lake Union area. City liability is premised upon its ownership of upland properties where historic activities allegedly generated contaminants now found in the lacustrine sediments, and as a result of discharges from storm drains and combined sewers. The City as a whole, with SPU as the lead, is working with Ecology on an agreed order to investigate the sediment contamination at the site. The City's liability, if any, is indeterminate.

- Gas Works Park. In 1999 the City and Puget Sound Energy (PSE) entered into a consent decree with Ecology to perform a cleanup of the Park under MTCA. In 2000 the City and PSE reached a final settlement to allocate cleanup costs at the Park. City liability, if any, for contamination of the sediments adjacent to the Park was not resolved in this settlement. As noted above, Ecology issued the City a PLP notice for sediment contamination in the waters adjacent to Gas Works Park in 2002. The City's liability, if any, is indeterminate.
- Puget Park. The Parks Department owns this site, which was contaminated with cement kiln dust. The City has already spent \$0.4 million on voluntary remedial measures in cooperation with other parties. Additional voluntary remedial measures are underway. The EPA and Ecology are concerned that contaminants still could be released from the site into the Lower Duwamish Waterway. Ultimate liability is undetermined.
- Water Tank Sites and Surrounding Properties. SPU is voluntarily investigating and/or performing environmental remediation, including soil remediation, at some of the approximately 16 locations of aboveground water storage tanks. SPU's past practices of removing lead-based paint materials and other building materials and using blasting materials, are the alleged source of metals (for example, lead and arsenic) on such sites. Ecology has received reports of contamination at some sites but has taken no enforcement action. In addition, SPU anticipates claims from some neighboring private property owners for property damage and other damages. Ultimate City liability relating to City property remediation and to possible private claimants is indeterminate. The project is expected to continue for several years.
- Kent Highlands Landfill. The Kent Highlands landfill is a closed Seattle municipal landfill that was designated as a federal Superfund site in 1990. The State Department of Ecology administers the site under MTCA pursuant to an agreement with the EPA. Extensive remedial actions were undertaken during the 1990s pursuant to a consent order with Ecology originally signed in 1987 and last amended in 1996. The site is still on the Superfund list but was designated "construction complete" in 1995. In September of 2003 Ecology issued a final periodic review for the landfill, which concluded that additional remedial investigation and possibly remedial actions are necessary at the landfill. The City disputes many of the conclusions in the report. Liability at this time is indeterminate.
- Montlake Landfill. SPU faces potential liability due to a King County project which will reroute storm water that currently goes to the West Point Treatment Plant and discharge it into the University Slough, which crosses property owned by the University where the former Montlake landfill was located. The landfill operated from about 1949 to 1964. The City's potential liability is due to its current operation of part of the storm drain system, its anticipated ownership of the new pipes once they are installed, and its former contribution of waste to the landfill. The University of Washington has periodically expressed concerns regarding future liability for releases from the landfill and now is concerned that increasing the flow of water into the Slough may increase the risk of contaminants being released from the landfill. The City and the University are trying to reach a mutually agreeable resolution. The amount of City liability, if any, is undetermined.
- South Park Landfill. King County performed an environmental investigation, focusing on soil, ground water and subsurface gas, in and around open space land the County owns in the South Park area of Seattle. Informally, the County has stated that it expects the City to share the costs of further investigation and, if necessary, cleanup. It has been alleged that between 1958 and 1968 the City used a portion of the property as a waste disposal site. No litigation has commenced and the City's liability, if any, is unknown.
- Other Potentially Contaminated Sites. There may be other parcels of land that may be designated Superfund sites or be designated under MTCA. Demands with respect to such sites may be made on the City by regulatory entities, or the City may choose to clean up these or other sites voluntarily, once they are identified. The City may also be interested in pursuing third parties for contribution.

OTHER MATTERS

- Endangered Species. Several fish species that inhabit waters where hydroelectric projects are owned by the City Light Department or where the Department purchases power have been listed under the Endangered Species Act (ESA) as threatened or endangered. On the Columbia River system, the National Oceanic and Atmospheric Administration Fisheries has developed a broad species recovery plan for listed salmon and steelhead, including recommendations for upstream and downstream fish passage requirements. As a result, the Department's power generation at its Boundary Project is reduced in the fall and winter when the region experiences its highest sustained energy demand. The Boundary Project's firm capability is also reduced. In Puget Sound both bull trout and Chinook salmon have been listed as threatened, and a draft recovery plan and proposed critical habitat for Puget Sound bull trout was issued by the U.S. Fish and Wildlife Service in July 2004. Bull trout are present in the waters of Skagit, Tolt, and Cedar River projects, and Chinook salmon occur downstream. While it is unknown how other listings will affect the Department's hydroelectric projects and operations, the Department is carrying out an ESA Early Action program in cooperation with agencies, tribes, local governments, and salmon groups that will assist in the recovery of bull trout and Chinook salmon on the Skagit and Tolt. On the Cedar the Department's activities are covered by a Habitat Conservation Plan that

authorizes operations with regard to all listed species. Hydroelectric projects must also satisfy the requirements of the Clean Water Act in order to obtain a Federal Energy Regulatory Commission license.

- **Oregon Tax Claim.** In 2001 the Oregon Department of Revenue assessed the City Light Department, along with another northwest municipal utility, an ad valorem property tax for each utility's respective interest in the capacity ownership agreements with the Bonneville Power Administration for the Pacific Northwest Third AC Intertie transmission line. The assessment was for tax year 2001 with a retroactive "omitted property" assessment for years 1997 through 2000. In January 2004 the Court issued a ruling in favor of the cities for the "omitted property" claims, eliminating the assessment prior to 2001. In June 2004, as a result of changes to the Oregon Tax Code, a new "omitted assessment" was made for years 1999 and 2000. Trial is expected in 2005 for the new assessment matter. Any decision by the Oregon Tax Court in this matter is likely to be appealed to the Oregon Supreme Court and, because of federal constitutional issues involved in this case, an appeal to the U.S. Supreme Court is also possible. Final resolution of the case in the near future is unlikely. Estimated exposure is approximately \$0.5 million per year, for the years 2001 through 2004.
- **Streetlight Litigation.** Three former City employees and one community representative filed a class action lawsuit seeking refund of streetlight charges and other charges included in electric rates that are alleged to be violations of the "State Accountancy Act." The litigation also challenged the City's charge of certain expenses to the Light Fund rather than the General Subfund. The Superior Court upheld many of the challenged charges to the Light Fund for assistance provided to City Light, while ruling other charges inappropriate. In 2003 the City recorded a liability of \$23.9 million in the government-wide financial statements as a result of the court ruling but has filed an appeal relative to the 1% for Art Funding.
- **Capitol Hill Branch Library.** This project involves the construction of the new Capitol Hill Branch Library. In November 2003 the contractor filed a claim in the amount of \$0.7 million for alleged contract changes, delays, and acceleration. The City has a claim against the contractor for liquidated damages of \$0.1 million due to untimely completion. The City conducted an audit of the claim and an independent schedule analysis. Trial is set for August 1, 2005. The likelihood of a material recovery or a material adverse outcome cannot be predicted.
- **Cedar River Habitat Conservation Plan.** In December 2003, the Muckleshoot Indian Tribe appealed the grant by the United States National Marine Fisheries Service (NMFS) of an incidental take permit to the City for City activities in the Cedar River watershed. The City diverts water from the Cedar River to supply the Seattle metropolitan area and also has a small hydroelectric facility on the river. Possible outcomes of the appeal include: requiring NMFS' successor agency to perform a new environmental assessment funded by SPU; modifying or revoking the permit, which could restrict the City's water use or expose the City to claims under the Endangered Species Act; and/or modifying the Habitat Conservation Plan. The likelihood and cost of an adverse outcome cannot be estimated at this time.
- **Temporary Employees.** The plaintiff class, comprised of current and former City temporary employees who worked over 916 hours in one year, alleges the City failed to follow and implement the Scannell consent decree in regularly reevaluating whether those temporary positions should be made permanent. They also allege the City has mislabeled temporary employees and consequently denied them benefits and pay they would be entitled to as regular employees under City ordinance and state law. The matter is set for trial in 2005 and may be delayed because the Court of Appeals has accepted discretionary review of one issue. Settlement negotiations are ongoing. Ultimate City liability, if any, is indeterminate.
- **World Trade Organization (WTO) Conference.** The WTO Conference was held in Seattle in 1999. This event spawned 407 claims and 26 lawsuits against the City. All but two lawsuits have been resolved for an aggregate nonmaterial amount. The two remaining lawsuits were consolidated on an issue common to both cases: plaintiff's challenge to the declaration of an emergency and the emergency order creating a limited access area. The Ninth Circuit very recently affirmed the District Court's dismissal of the plaintiffs' facial challenges to the relevant orders but reversed and remanded for trial the "as applied" claims regarding some police enforcement activity. Plaintiffs have petitioned for rehearing en banc. In a separate ruling, the Ninth Circuit Court also reversed the trial court's denial of class certification in one of the cases and remanded for further proceedings on that issue. The likelihood of material adverse outcome in this matter cannot be predicted.
- **North Cascade Environmental Learning Center Project.** This project is currently under construction. The contractor, RAS Construction, has filed a claim in excess of \$3.0 million. Based on an analysis of the claim, the City has several defenses to the claim and a right to a substantial amount of liquidated damages due to the failure of the contractor to complete the project in a timely fashion. However, this matter has been substantially complicated by the fact that the project had to be suspended in the fall of 2003 due to a landslide that blocked access to the site. The likelihood of a material adverse outcome in this matter cannot be predicted.
- **Olympic Sculpture Garden.** The Seattle Art Museum plans to develop a site (to be called the Olympic Sculpture Garden) adjacent to Elliott Bay. The site was the historic location of a bulk fuel transfer facility operated by Unocal. Unocal has performed remedial activities at the site. The City assumed specific liabilities when the site was sold to the Museum Development Authority, including liability for remaining contamination in the rights-of-way and tidelands. In

1999 the City's probable cost to address remaining contamination was estimated to be \$.04 million. Current information indicates that the City's costs may exceed that estimate by an unknown amount.

- **South Lake Union Combined Sewer Overflow (CSO) Pipeline Project.** This joint project of the City and King County is currently under construction. In the spring of 2003 the contractor, Frank Coluccio Construction Company (FCCC), encountered significant problems in excavating an access shaft that was being dug for one of the tunneling portions of the project. FCCC has given notice of a differing site condition and a claim in excess of \$0.5 million is expected to be filed. The likelihood of a material recovery or a material adverse outcome in this matter cannot be predicted.
- **Tribal Fish Damage Claims.** The Muckleshoot Indian Tribe and possibly other tribes may have a claim against SPU for damage to fish populations allegedly caused by installation in 1900 of a water diversion dam on the Cedar River. In 1982 a consultant for the United States Bureau of Indian Affairs estimated the value of such a claim at \$74.8 million. The Muckleshoot Indian Tribe has periodically raised the issue of a fish damage claim in meetings with City staff but has not filed a claim. Other tribes have pending claims against other municipalities and utilities for as much as \$1.0 billion. The legal and factual basis for a tribal fish damage claim is debatable and the City's ultimate liability, if any, cannot be estimated at this time.
- **Parking Citations.** The plaintiff makes individual and class allegations that the Seattle Police Department has improperly issued parking citations and that Seattle Municipal Court has improperly processed parking citations. Discovery is underway, and the likelihood of a material adverse cannot be predicted.
- **Impounding of Vehicles.** A class action was filed in June 2003 regarding legality of the City policy and practice of nondiscretionary impounding of vehicles of persons driving with suspended licenses. The matter is in discovery. It is impossible to predict whether a material adverse outcome will occur.

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

US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) SECTION 108 LOAN PROGRAM

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

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

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

Following are the outstanding HUD Section 108 loans:

Pine Street Development

In 1996 Pine Street Development received a loan of \$24,200,000 with a maturity date of August 1, 2015. This is a 20-year loan with interest-only payments due until 2005. The outstanding amount at December 31, 2004, was \$24,200,000.

Promenade 23 Associates

In 1996 Promenade 23 Associates received a loan of \$2,400,000 with a maturity date of August 1, 2015. The outstanding amount at December 31, 2004, was \$1,675,000.

Lewiston Hotel

In 2001 Lewiston Hotel received a loan of \$1,000,000 with a maturity date of August 1, 2020. The outstanding amount at December 31, 2004, was \$955,000.

211 First Ave Building, LP

In 2002, 211 First Ave Building, LP received a loan of \$1,592,000 with a maturity date of August 1, 2022. This is a 20-year loan with interest-only payments due until 2005. The outstanding amount at December 31, 2004, was \$1,592,000. BEDI grant funds in the amount of \$183,000 are being held as a loan loss reserve.

Buttnick Building, LP

In 2002 Buttnick Building, LP received a loan of \$3,616,000 with a maturity date of August 1, 2022. This is a 20-year loan with interest-only payments due until 2005. The outstanding amount at December 31, 2004, was \$3,616,000. BEDI grant funds in the amount of \$416,000 are being held as a loan loss reserve.

Triad City Loan LLC

In 2002 Triad City Loan LLC received a loan of \$2,808,000 with a maturity date of August 1, 2022. This is a 20-year loan with interest-only payments due until 2005. The outstanding amount at December 31, 2004, was \$2,808,000. BEDI grant funds in the amount of \$324,000 are being held as a loan loss reserve.

Compass Center Housing Development

In 2003 Compass Center Housing Development received a loan of \$1,300,000 with a maturity date of August 1, 2022. This is a 19-year loan. The Borrower used \$300,000 in CDBG Equity Fund to reduce the principal. The outstanding amount at December 31, 2004, was \$970,000. BEDI grant funds in the amount of \$148,000 are being held as a loan loss reserve.

Cadillac Hotel (Historic Seattle PDA)

In 2004 Cadillac Hotel received a loan of \$2,040,000 with a maturity date of August 1, 2022. This is an 18-year loan with interest only payments due until 2006. The outstanding amount at December 31, 2004, was \$2,040,000. BEDI grant funds in the amount of \$232,000 are being held as a loan loss reserve.

GUARANTEES OF THE INDEBTEDNESS OF OTHERS

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

Pike Place Market Preservation and Development Authority

Special obligation deferred interest refunding bonds issued on March 7, 1991, in the amount of \$1,376,671, of which \$1,097,886 was outstanding at December 31, 2004. The bonds will be fully retired by November 1, 2011.

Special obligation refunding bonds issued November 1, 1996, in the amount of \$6,210,000 to refund Series 1991A. The outstanding amount at December 31, 2004, was \$5,515,000. The bonds will be fully retired by December 1, 2021.

Special obligation refunding bonds issued on March 28, 2002, in the amount of \$5,925,000, \$5,480,000 of which was outstanding on December 31, 2004. The bonds will be fully retired on November 1, 2017.

Seattle Chinatown-International District Preservation and Development Authority

Special obligation refunding bonds issued on September 15, 1996, in the amount of \$9,000,000. The outstanding amount at December 31, 2004, was \$7,950,000. The bonds will be fully retired by August 1, 2026.

Special obligation bonds issued on December 12, 2002, in the amount of \$10,490,000, all of which was outstanding on December 31, 2004. The bonds will be fully retired by October 1, 2032.

Seattle Indian Services Commission

Special obligation refunding bonds issued on March 28, 2002, in the amount of \$3,710,000, \$3,625,000 of which was outstanding on December 31, 2004. The bonds will be fully retired on November 1, 2017.

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

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

In the government-wide financial statements, under governmental activities, prior-period adjustments were made as follows: a) Assets were increased by \$74.5 million for the actuarially determined negative net pension obligation with a corresponding increase to unrestricted net assets; b) Capital assets were increased by \$60.4 million to add the portion of the construction costs of the Benaroya Concert Hall that were funded from donations, with a corresponding increase in net assets invested in capital assets, and an increase in depreciation expense of \$1.3 million; c) Construction work in progress was decreased by \$10.4 million and general government expenses increased by \$10.4 million; and d) A lease previously reported as an operating lease was changed to a capital lease, resulting in a reduction of net assets by \$75 thousand.

Reclassifications were made as follows: a) Streetlight costs of \$21.2 million were changed from a general government cost to a transportation cost; b) The amortization of a refunding loss of \$3.1 million was moved from a general government cost to interest on long-term debt; and c) Costs of \$2.9 million were moved from general government to public safety.

In the governmental fund financial statements the following changes were made: a) The General Fund contribution of \$14.9 million to the Police Pension Fund was reclassified from a transfer out to a general government expenditure; b) An error in recording several housing grants as pass-through grants was corrected resulting in an increase of \$1.0 million in both economic environment expenditures and in grant revenues; c) A lease originally reported as an operating lease was reclassified as capital lease, resulting in an increase in culture and recreation expenditures and interest on debt service; and d) A \$20.0 million loan to the monorail project was reclassified from other financing sources and uses to a general government expenditure.

In the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities, reconciling items which were previously combined and presented as a group are now presented in greater detail as separate line items.

Other minor reclassifications were made to prior year balances to provide a presentation consistent with the current year.

(16) SUBSEQUENT EVENTS

On March 23, 2005, pursuant to City Ordinances 119020 (1998), 121651, and 121663, the City issued \$129.5 million in Limited Tax General Obligation (LTGO) and Refunding Bonds, 2005 Series. \$58.1 million of the bond issue provides funding for major improvement projects on the Seattle Aquarium at Pier 59, Mercer Corridor, SR519 and Bridgeway streets, north and south approaches to the Fremont Bridge, and the Central Library garage; for design and permitting costs related to the Alaskan Viaduct/Seawall repair; for acquisition and installation of parking pay stations; and for a portion of the City government's payment to City Light for street lighting costs from 2000 through 2004, as ruled by the King County Superior Court. The remaining \$71.4 million of the bond issue refunded \$9.7 million, \$10.5 million, and \$49.9 million of the 1995, 1997A, and 1999B Series of Various Purpose LTGO Bonds, whose call dates are July 1, 2006, August 1, 2007, and December 1, 2009, respectively. The proceeds on the refunding portion of the bond issue were placed in an irrevocable trust for the purchase of federal, state, and local government securities to provide for future debt service including the amounts to be called on the refunded bonds.

Ordinance 121779 passed in April 2005 extended the maturity date of the City's Solid Waste System Revenue Bond Anticipation Note, 2003, Nonrevolving Line of Credit from July 1, 2005, to December 31, 2006. The line of credit has a maximum amount of \$21.3 million and as of December 31, 2004, the Utility has made three draws for a total of \$7.976 million, leaving \$13.324 million available on the line of credit. Extension of the maturity date was necessary to support the Utility's revised capital improvement program spending plan.

A class action lawsuit was filed on behalf of city employees to whom the City purportedly failed to pay regular wages and overtime according to the time prescribed by law. It is unknown at this time whether the City's exposure is potentially material.

A lawsuit was filed seeking to require the General Fund to cover the costs for water provided to hydrants and to refund Water Utility customers for the water costs incurred prior to January 1, 2005. Additionally, the Water Department expenses for the 1% for Art program are being challenged.

In 2005 the plaintiffs in the streetlight litigation filed a motion for permission to file a late counterclaim for declaratory judgment to invalidate the franchise agreements by which City Light provides electrical power for residential and municipal purposes, including streetlights, to certain suburban cities. The likelihood of a material adverse outcome based upon this motion (or a similar yet-to-be-filed case based upon the same claims) cannot be predicted at this time.

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Required Supplementary Information

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

C-1

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2004
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes	\$ 562,587	\$ 562,587	\$ 586,516	\$ 23,929
Licenses and Permits	14,590	14,590	13,752	(838)
Grants, Shared Revenues, and Contributions	9,697	32,350	22,308	(10,042)
Charges for Services	65,394	59,468	50,230	(9,238)
Fines and Forfeits	15,172	15,814	18,136	2,322
Parking Fees and Space Rent	33,581	33,898	29,493	(4,405)
Program Income, Interest, and Miscellaneous Revenues	117,916	25,885	10,187	(15,698)
Total Revenues	818,937	744,592	730,622	(13,970)
EXPENDITURES AND ENCUMBRANCES				
Current				
General Government	246,456	147,165	120,287	26,878
Judicial	19,725	19,386	19,320	66
Public Safety	309,650	327,551	307,748	19,803
Physical Environment	5,631	5,687	5,670	17
Transportation	7,815	13,672	13,450	222
Economic Environment	16,858	21,892	21,391	501
Health and Human Services	11,050	10,972	10,910	62
Culture and Recreation	5,682	3,596	3,584	12
Capital Outlay				
General Government	9,788	10,674	5,111	5,563
Judicial	-	-	22	(22)
Public Safety	4,750	7,866	6,605	1,261
Transportation	5,829	2,915	-	2,915
Economic Environment	9,557	3,842	-	3,842
Health and Human Services	20	-	-	-
Culture and Recreation	24,009	25,180	12,657	12,523
Debt Service				
Bond Issuance Costs	-	-	25	(25)
Other	-	-	135	(135)
Total Expenditures and Encumbrances	676,820	600,398	526,915	73,483
Excess (Deficiency) of Revenues Over (Under) Expenditures and Encumbrances	142,117	144,194	203,707	59,513
OTHER FINANCING SOURCES (USES)				
Sales of Capital Assets	487	487	1,922	1,435
Transfers In	-	853	6,238	5,385
Transfers Out	(211,954)	(220,140)	(216,007)	4,133
Total Other Financing Sources (Uses)	(211,467)	(218,800)	(207,847)	10,953
Net Change in Fund Balance	\$ (69,350)	\$ (74,606)	(4,140)	\$ 70,466
Fund Balance - Beginning of Year			88,908	
Encumbrances Continued from Last Year			11,986	
Changes in Unappropriable Reserves			(3,719)	
Fund Balance (Budgetary) - End of Year			93,035	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			21,640	
Encumbrances			13,797	
Reimbursements				
Budgeted as Revenues			(30)	
Budgeted as Expenditures			3,734	
Ending Fund Balance - GAAP			\$ 132,176	

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

Required Supplementary Information

C-2

LOW-INCOME HOUSING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2004
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes	\$ 4,287	\$ 4,846	\$ 11,769	\$ 6,923
Grants, Shared Revenues, and Contributions	9,633	10,596	6,165	(4,431)
Charges for Services	222	222	23	(199)
Parking Fees and Space Rent	34	34	32	(2)
Program Income, Interest, and Miscellaneous Revenues	15,382	14,821	9,551	(5,270)
Total Revenues	29,558	30,519	27,540	(2,979)
EXPENDITURES AND ENCUMBRANCES				
Current				
Economic Environment	39,315	43,253	58,319	(15,066)
Capital Outlay				
Economic Environment	54,339	54,344	-	54,344
Total Expenditures and Encumbrances	93,654	97,597	58,319	39,278
Excess (Deficiency) of Revenues Over (Under) Expenditures and Encumbrances	(64,096)	(67,078)	(30,779)	36,299
OTHER FINANCING SOURCES (USES)				
Sales of Capital Assets	108	108	-	(108)
Net Change in Fund Balance	\$ (63,988)	\$ (66,970)	(30,779)	\$ 36,191
Fund Balance - Beginning of Year			665	
Encumbrances Continued from Last Year			37,293	
Fund Balance (Budgetary) - End of Year			7,179	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation Encumbrances			39,453	
Reimbursements			(10)	
Pass-Through Grants			10	
Receipts Budgeted as Revenues			10	
Ending Fund Balance - GAAP			\$ 46,632	

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

PENSION PLAN INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2004
(In Thousands)

The information presented in the required supplementary schedules was part of the latest actuarial valuations at the dates indicated below:

	Employees' Retirement	Firemen's Pension	Police Relief and Pension	LEOFF Plan 1	LEOFF Plan 2
Actuarial Valuation Date	01/01/04	01/01/04	01/01/04	09/30/02	09/30/02
Actuarial Cost Method	Entry Age	Projected Unit Credit	Projected Unit Credit	Entry Age	Aggregate ^a
Asset Valuation Method	Fair Value	Fair Value	Fair Value	8-Year Graded Smoothed Fair Value ^c	8-Year Graded Smoothed Fair Value ^c
Amortization					
Method	Level %	Level \$	Level \$	Level %/Level \$ ^b	N/A
Period	30.2 years	16.8 years	23.5 years	20 years	N/A
Approach	Open	Open	Open	Closed	N/A
Actuarial Assumptions					
Inflation Rate (CPI)	3.50%	4.00%	4.00%	3.50%	3.50%
Investment Rate of Return	7.75%	7.00%	7.00%	8.00%	8.00%
Projected Salary Increases	4.00%	4.00%	4.00%	11.70%	11.70%
Postretirement Benefit Increases	0.67%	CPI (Seattle) Increase 2% Minimum	CPI (Seattle) Increase 2% Minimum	CPI Increase	CPI Increase Maximum 3%

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

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

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

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

Required Supplementary Information

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PENSION PLAN INFORMATION SCHEDULE OF FUNDING PROGRESS

December 31, 2004

(In Thousands)

Retirement System	Actuarial Valuation Date December 31	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL) ^a	Unfunded Actuarial Accrued Liabilities (UAAL) ^b	Funded Ratio	Covered Payroll ^c	UAAL as a Percentage of Covered Payroll
Seattle City Employees' Retirement System (SCERS)	1997 ^d	\$1,224,600	\$ 1,266,700	\$ 42,100	96.7 %	\$341,500	12.3 %
	1998	1,375,000	1,326,600	(48,400)	103.6	370,400	(13.1)
	1999	1,582,700	1,403,100	(179,600)	112.8	383,600	(46.5)
	2000 ^e	1,493,100	1,490,300	(2,800)	100.2	405,000	(0.7)
	2001	1,383,700	1,581,400	197,700	87.5	405,100	48.8
	2003 ^f	1,527,500	1,778,900	251,400	85.9	424,700	59.2
2004							
Firemen's Pension Fund	1999	1,896	87,565	85,669	2.2	N/A	N/A
	2000	1,957	85,908	83,951	2.3	N/A	N/A
	2001	2,354	99,330	96,976	2.4	N/A	N/A
	2002	3,573	98,471	94,898	3.6	N/A	N/A
	2003	4,803	89,071	84,268	5.4	N/A	N/A
	2004	6,221	88,705	82,484	7.0	N/A	N/A
Police Relief and Pension Fund	1999	1,238	88,134	86,896	1.4	N/A	N/A
	2000	2,791	85,862	83,071	3.3	N/A	N/A
	2001	642	89,332	88,690	0.7	N/A	N/A
	2002	-	88,989	89,211	N/A	N/A	N/A
	2003	801	65,418	64,617	1.2	N/A	N/A
	2004	3,252	65,693	62,441	5.0	N/A	N/A

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

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

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

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

^e These numbers were provided by an actuarial study, rather than a full valuation (from SCERS annual report).

^f The actuarial valuation for SCERS is biennial. The last actuarial valuation was completed on January 1, 2004.

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

PENSION PLAN INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

December 31, 2004

(In Thousands)

Retirement System	Fiscal Year Ending December 31	Covered Employee Payroll ^a	Actual Employer Contribution ^b	Actual Employer Contribution % ^b	Annual Required Contribution (ARC) ^c	Percentage of ARC Contributed
Seattle City Employees' Retirement System (SCERS)	1999	\$ 370,400	\$ 29,700	8.03 %	4.50 %	178 %
	2000	383,600	30,800	8.03	4.50	178
	2001	405,100	32,700	8.03	3.04	264
	2002	454,500	36,600	8.03	3.04	264
	2003	424,700	34,200	8.03	8.03	100
	2004	456,808	36,800	8.03	8.03	100
Firemen's Pension Fund	1999	N/A	9,167	100	9,167	100
	2000	N/A	8,434	100	8,434	100
	2001	N/A	8,252	100	8,252	100
	2002	N/A	9,480	100	9,480	100
	2003	N/A	9,167	100	9,167	100
	2004	N/A	9,315	100	9,315	100
Police Relief and Pension Fund	1999	N/A	7,234	100	7,234	100
	2000	N/A	10,117	100	10,117	100
	2001	N/A	7,415	100	7,415	100
	2002	N/A	5,955	100	5,955	100
	2003	N/A	7,403	100	7,403	100
	2004	N/A	8,244	100	8,244	100

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

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

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

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

Combining Statements

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

The **SFMS Redevelopment Fund** was established in 1997 to account for the \$7.7 million proceeds of the 1997 limited tax general obligation bond issue, Series B, to pay for the cost of replacing the Seattle Financial Management System (SFMS). An additional \$6.2 million proceeds from the 1998 limited tax general obligation bond issue, Series C, was provided to pay for additional costs of the replacement project (Ordinance 118695). This fund completed its activities and was closed at the end of the year (Ordinance 121809).

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

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

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

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

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

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

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

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

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

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

DEBT SERVICE FUNDS

The **General Bond Interest and Redemption Fund** receives moneys from excess property tax levies to pay interest costs and principal redemptions on voter-approved general obligation bonds. It also receives moneys from the General Fund, the Executive

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

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

The **Local Improvement Guaranty Fund** receives surpluses and guarantees faithful compliance of bond covenants on completed or defeased LID bond funds. When required, it shall be funded by excess general property tax levies or by the General Fund. The City is legally obliged to maintain a fund level at 15 percent of net outstanding LID debt.

CAPITAL PROJECTS FUNDS

The **2005 Multipurpose Long-Term General Obligation Bond Fund** was established in 2004 to account for startup activities related to the acquisition of parking pay stations. The fund obtained a bridge loan in 2004 from the City's consolidated residual cash pool. The loan shall be repaid and additional capital improvement programs shall be funded in 2005 when the 2005 bonds are issued (Ordinances 121329, 121663).

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

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

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

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

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

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

The **Zoo Project Construction Fund** was established to receive \$31.5 million proceeds from a King County general obligation bond issue. These funds and \$10 million in donations provide money for improvements to the City's Woodland Park Zoo (Ordinance 112838).

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

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

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

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

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

The **Seattle Center Redevelopment/Parks Community Center Fund** was established in 1991 to provide partial funding for certain needed improvements to the Seattle Center and full City funding for certain improvements to selected community centers. It received the proceeds of the \$14.75 million limited tax general obligation bond issue and grant moneys from Washington State Department of Community Development. The fund also received the proceeds of the \$3.22 million sale of limited tax general obligation bond anticipation notes to finance preconstruction costs for redevelopment of the Seattle Center Coliseum during 1993 (Ordinances 115844 and 116720).

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

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

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

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

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

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

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

PERMANENT FUNDS

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

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

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COMBINING BALANCE SHEET
SUMMARY BY FUND TYPE
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2004
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Comparative Totals	
					2004	2003
ASSETS						
Cash and Equity in Pooled Investments	\$ 49,799	\$ 14,815	\$ 109,184	\$ 2,264	\$ 176,062	\$ 196,485
Cash with Fiscal Agent	-	55	-	-	55	77
Receivables, Net of Allowances						
Taxes	3,870	511	1,001	-	5,382	4,963
Accounts	6,672	-	-	-	6,672	4,765
Contracts and Notes	2	-	-	-	2	4
Special Assessments - Delinquent	-	-	-	-	-	1
Interest and Dividends	34	-	54	-	88	100
Unbilled and Others	1,277	-	-	-	1,277	2,762
Due from Other Funds	10,964	12	3,074	4	14,054	9,289
Due from Other Governments	24,737	136	346	-	25,219	21,703
Inventories	938	-	-	-	938	677
Contracts and Notes - Noncurrent	62,377	-	6,078	-	68,455	62,861
Advances to Other Funds	-	-	-	-	-	70,000
Deferred Charges and Other Assets	-	16	-	-	16	38
Total Assets	\$ 160,670	\$ 15,545	\$ 119,737	\$ 2,268	\$ 298,220	\$ 373,725
LIABILITIES						
Account Payable	\$ 21,044	\$ -	\$ 6,288	\$ 11	\$ 27,343	\$ 43,578
Matured Long-Term Debt - Principal	-	55	-	-	55	75
Matured Long-Term Debt - Interest	-	-	-	-	-	2
Contracts Payable	944	-	1,318	-	2,262	5,991
Due to Other Funds	9,943	25	3,631	2	13,601	10,298
Due to Other Governments	5,428	3	30	-	5,461	5,071
Salaries, Benefits, and Taxes Payable	8,004	-	33	-	8,037	6,454
Deposits Payable	290	-	-	-	290	270
Revenue Collected/Billed in Advance - Current	1,564	-	-	-	1,564	1,239
Other Current Liabilities	127	-	-	-	127	-
Advances from Other Funds	11,151	-	3,200	-	14,351	9,501
Deferred Revenues	63,707	527	7,079	-	71,313	68,107
Total Liabilities	122,202	610	21,579	13	144,404	150,586
FUND BALANCES						
Reserves Legally Segregated for Future Use						
Capital Improvements	1,199	-	101,296	-	102,495	111,481
Continuing Appropriations	22,343	-	-	-	22,343	11,453
Debt Service	-	14,935	-	-	14,935	13,280
Encumbrances	1,380	-	-	31	1,411	7,244
Reserves Not Available for Appropriation						
Endowments	-	-	-	2,050	2,050	2,050
Gifts	9,134	-	-	155	9,289	2,892
Inventories	-	-	-	-	-	396
Petty Cash	25	-	-	-	25	26
Advances to Other Funds	-	-	-	-	-	65,951
Unreserved Fund Balances	4,387	-	(3,137)	19	1,269	8,366
Total Fund Balances	38,468	14,935	98,159	2,255	153,817	223,139
Total Liabilities and Fund Balances	\$ 160,670	\$ 15,545	\$ 119,738	\$ 2,268	\$ 298,221	\$ 373,725

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COMBINING BALANCE SHEET

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NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE

December 31, 2004

(In Thousands)

	Park and Recreation	Transportation	Library	Seattle Monorail	Seattle Center
ASSETS					
Cash and Equity in Pooled Investments	\$ 1,024	\$ 4,669	\$ 16,181	\$ -	\$ 854
Receivables, Net of Allowances					
Taxes	3,789	-	-	-	-
Accounts	771	2,164	1,291	-	2,437
Contracts and Notes	-	-	-	-	-
Interest and Dividends	-	29	-	-	5
Unbilled and Others	65	797	-	-	199
Due from Other Funds	2,513	5,225	422	-	81
Due from Other Governments	159	6,514	397	-	3
Inventories	682	-	-	-	256
Contracts and Notes - Noncurrent	-	-	-	20,000	-
Advances to Other Funds	-	-	-	-	-
	\$ 9,003	\$ 19,398	\$ 18,291	\$ 20,000	\$ 3,835
LIABILITIES					
Account Payable	\$ 2,621	\$ 4,167	\$ 1,352	\$ -	\$ 669
Contracts Payable	446	481	-	-	-
Due to Other Funds	468	2,672	2,537	-	1,726
Due to Other Governments	-	-	-	-	-
Salaries, Benefits, and Taxes Payable	2,688	1,838	1,420	-	1,014
Deposits Payable	32	156	-	-	82
Revenue Collected/Billed in Advance - Current	194	16	-	-	-
Other Current Liabilities	127	-	-	-	-
Advances from Other Funds	1,800	-	-	-	9,351
Deferred Revenues	-	589	-	20,000	660
	8,376	9,919	5,309	20,000	13,502
FUND BALANCES					
Reserves Legally Segregated for Future Use					
Capital Improvements	441	-	-	-	-
Continuing Appropriations	-	9,477	3,484	-	-
Debt Service	-	-	-	-	-
Encumbrances	170	-	165	-	-
Reserves Not Available for Appropriation					
Gifts	-	-	9,103	-	-
Inventories	-	-	-	-	-
Petty Cash	16	2	7	-	-
Advances to Other Funds	-	-	-	-	-
Unreserved Fund Balances	-	-	223	-	(9,667)
	627	9,479	12,982	-	(9,667)
Total Liabilities and Fund Balances	\$ 9,003	\$ 19,398	\$ 18,291	\$ 20,000	\$ 3,835

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE

December 31, 2004

(In Thousands)

	Human Services Operating	Office of Housing	Housing and Community Development Revenue Sharing	Education and Development Services	Business Improvement Areas
ASSETS					
Cash and Equity in Pooled Investments	\$ 4,604	\$ 190	\$ 3,497	\$ 11,017	\$ 736
Receivables, Net of Allowances					
Taxes	-	-	-	81	-
Accounts	2	-	-	-	2
Contracts and Notes	-	-	-	-	-
Interest and Dividends	-	-	-	-	-
Unbilled and Others	216	-	-	-	-
Due from Other Funds	1,848	240	60	170	2
Due from Other Governments	12,759	44	4,589	19	-
Inventories	-	-	-	-	-
Contracts and Notes - Noncurrent	-	-	42,377	-	-
Advances to Other Funds	-	-	-	-	-
Total Assets	\$ 19,429	\$ 474	\$ 50,523	\$ 11,287	\$ 740
LIABILITIES					
Account Payable	\$ 8,303	\$ 21	\$ 1,473	\$ 1,604	\$ 598
Contracts Payable	-	-	-	-	-
Due to Other Funds	299	79	1,309	643	-
Due to Other Governments	5,309	-	-	119	-
Salaries, Benefits, and Taxes Payable	838	137	-	-	-
Deposits Payable	-	20	-	-	-
Revenue Collected/Billed in Advance - Current	1,354	-	-	-	-
Other Current Liabilities	-	-	-	-	-
Advances from Other Funds	-	-	-	-	-
Deferred Revenues	-	-	42,377	81	-
Total Liabilities	16,103	257	45,159	2,447	598
FUND BALANCES					
Reserves Legally Segregated for Future Use					
Capital Improvements	-	-	-	-	-
Continuing Appropriations	1,768	146	5,363	1,940	-
Debt Service	-	-	-	-	-
Encumbrances	-	71	1	-	-
Reserves Not Available for Appropriation					
Gifts	-	-	-	-	-
Inventories	-	-	-	-	-
Petty Cash	-	-	-	-	-
Advances to Other Funds	-	-	-	-	-
Unreserved Fund Balances	1,558	-	-	6,900	142
Total Fund Balances	3,326	217	5,364	8,840	142
Total Liabilities and Fund Balances	\$ 19,429	\$ 474	\$ 50,523	\$ 11,287	\$ 740

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COMBINING BALANCE SHEET

Page 3 of 3

NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE

December 31, 2004

(In Thousands)

	General Trust	Municipal Arts	General Donations and Gift Trust	Comparative Totals	
				2004	2003
ASSETS					
Cash and Equity in Pooled Investments	\$ 2,435	\$ 1,580	\$ 3,012	\$ 49,799	\$ 46,802
Receivables, Net of Allowances					
Taxes	-	-	-	3,870	3,600
Accounts	-	-	5	6,672	4,593
Contracts and Notes	1	-	1	2	4
Interest and Dividends	-	-	-	34	37
Unbilled and Others	-	-	-	1,277	2,687
Due from Other Funds	8	366	29	10,964	6,515
Due from Other Governments	240	13	-	24,737	21,208
Inventories	-	-	-	938	677
Contracts and Notes - Noncurrent	-	-	-	62,377	56,838
Advances to Other Funds	-	-	-	-	16,000
Total Assets	\$ 2,684	\$ 1,959	\$ 3,047	\$ 160,670	\$ 158,961
LIABILITIES					
Account Payable	\$ 114	\$ 38	\$ 84	\$ 21,044	\$ 24,171
Contracts Payable	-	17	-	944	1,624
Due to Other Funds	148	13	49	9,943	5,227
Due to Other Governments	-	-	-	5,428	5,071
Salaries, Benefits, and Taxes Payable	38	21	10	8,004	6,419
Deposits Payable	-	-	-	290	270
Revenue Collected/Billed in Advance - Current	-	-	-	1,564	1,239
Other Current Liabilities	-	-	-	127	-
Advances from Other Funds	-	-	-	11,151	9,501
Deferred Revenues	-	-	-	63,707	58,292
Total Liabilities	300	89	143	122,202	111,814
FUND BALANCES					
Reserves Legally Segregated for Future Use					
Capital Improvements	758	-	-	1,199	553
Continuing Appropriations	-	165	-	22,343	11,453
Debt Service	-	-	-	-	310
Encumbrances	303	668	2	1,380	7,232
Reserves Not Available for Appropriation					
Gifts	-	-	31	9,134	2,725
Inventories	-	-	-	-	396
Petty Cash	-	-	-	25	26
Advances to Other Funds	-	-	-	-	16,247
Unreserved Fund Balances	1,323	1,037	2,871	4,387	8,205
Total Fund Balances	2,384	1,870	2,904	38,468	47,147
Total Liabilities and Fund Balances	\$ 2,684	\$ 1,959	\$ 3,047	\$ 160,670	\$ 158,961

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COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS – DEBT SERVICE
December 31, 2004
(In Thousands)

	General Bond Interest and Redemption	Interfund Notes Payable – Local Improvement Districts	Local Improvement Guaranty	Comparative Totals	
				2004	2003
ASSETS					
Cash and Equity in Pooled Investments	\$ 14,109	\$ 465	\$ 241	\$ 14,815	\$ 12,859
Cash with Fiscal Agent	55	-	-	55	77
Receivables, Net of Allowances					
Taxes	511	-	-	511	577
Special Assessments - Delinquent	-	-	-	-	1
Due from Other Funds	10	1	1	12	27
Due from Other Governments	136	-	-	136	144
Deferred Charges and Other Assets	-	16	-	16	38
Total Assets	\$ 14,821	\$ 482	\$ 242	\$ 15,545	\$ 13,723
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 22
Matured Long-Term Debt - Principal	55	-	-	55	75
Matured Long-Term Debt - Interest	-	-	-	-	2
Due to Other Funds	-	25	-	25	39
Due to Other Governments	3	-	-	3	-
Deferred Revenues	511	16	-	527	615
Total Liabilities	569	41	-	610	753
FUND BALANCES					
Reserves Legally Segregated for Future Use Debt Service	14,252	441	242	14,935	12,970
Total Liabilities and Fund Balance	\$ 14,821	\$ 482	\$ 242	\$ 15,545	\$ 13,723

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COMBINING BALANCE SHEET

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NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS

December 31, 2004

(In Thousands)

	2005 Multipurpose Long-Term General Obligation Bond	Transportation Bond	Libraries for All	Public Safety Facilities and Equipment
ASSETS				
Cash and Equity in Pooled Investments	\$ 65	\$ 4,109	\$ 11,095	\$ 1,217
Receivables, Net of Allowances				
Taxes	-	-	-	-
Accounts	-	-	-	-
Interest and Dividends	-	-	-	-
Unbilled and Others	-	-	-	-
Due from Other Funds	-	263	2,412	3
Due from Other Governments	-	-	-	-
Contracts and Notes - Noncurrent	-	-	-	-
Advances to Other Funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ 65	\$ 4,372	\$ 13,507	\$ 1,220
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 1,134	\$ -
Contracts Payable	-	-	37	-
Due to Other Funds	2	-	335	4
Due to Other Governments	-	-	-	-
Salaries, Benefits, and Taxes Payable	-	-	32	-
Advances from Other Funds	3,200	-	-	-
Deferred Revenues	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	3,202	-	1,538	4
FUND BALANCES				
Reserves Legally Segregated for Future Use				
Capital Improvements	-	4,372	11,969	1,216
Reserves Not Available for Appropriation				
Advances to Other Funds	-	-	-	-
Unreserved Fund Balances	(3,137)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	(3,137)	4,372	11,969	1,216
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 65	\$ 4,372	\$ 13,507	\$ 1,220

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS

December 31, 2004

(In Thousands)

	<u>Shoreline Park Improvement</u>	<u>Community Improvement</u>	<u>City Facilities Renovation and Improvement</u>	<u>Capital Facilities Project</u>	<u>Conservation Futures</u>
ASSETS					
Cash and Equity in Pooled Investments	\$ 1,727	\$ 40	\$ 73	\$ 153	\$ 930
Receivables, Net of Allowances					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Interest and Dividends	54	-	-	-	-
Unbilled and Others	-	-	-	-	-
Due from Other Funds	4	-	-	-	2
Due from Other Governments	-	-	-	-	-
Contracts and Notes - Noncurrent	-	-	-	6,078	-
Advances to Other Funds	-	-	-	-	-
Total Assets	<u>\$ 1,785</u>	<u>\$ 40</u>	<u>\$ 73</u>	<u>\$ 6,231</u>	<u>\$ 932</u>
LIABILITIES					
Accounts Payable	\$ 54	\$ -	\$ -	\$ -	\$ -
Contracts Payable	49	-	2	-	-
Due to Other Funds	44	-	-	-	-
Due to Other Governments	-	-	-	-	-
Salaries, Benefits, and Taxes Payable	-	-	-	-	-
Advances from Other Funds	-	-	-	-	-
Deferred Revenues	-	-	-	6,078	-
Total Liabilities	147	-	2	6,078	-
FUND BALANCES					
Reserves Legally Segregated for Future Use					
Capital Improvements	1,638	40	71	153	932
Reserves Not Available for Appropriation					
Advances to Other Funds	-	-	-	-	-
Unreserved Fund Balances	-	-	-	-	-
Total Fund Balances	<u>1,638</u>	<u>40</u>	<u>71</u>	<u>153</u>	<u>932</u>
Total Liabilities and Fund Balances	<u>\$ 1,785</u>	<u>\$ 40</u>	<u>\$ 73</u>	<u>\$ 6,231</u>	<u>\$ 932</u>

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COMBINING BALANCE SHEET

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NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS

December 31, 2004

(In Thousands)

	Open Spaces and Trails Bond	Seattle Center and Parks Multipurpose Levy	Denny Triangle Public Amenity	Seattle Center Redevelopment/ Parks Community Center	Municipal Civic Center
ASSETS					
Cash and Equity in Pooled Investments	\$ 801	\$ 42,988	\$ 7	\$ 911	\$ 10,813
Receivables, Net of Allowances					
Taxes	-	675	-	-	-
Accounts	-	-	-	-	-
Interest and Dividends	-	-	-	-	-
Unbilled and Others	-	-	-	-	-
Due from Other Funds	2	100	-	2	38
Due from Other Governments	-	187	-	-	-
Contracts and Notes - Noncurrent	-	-	-	-	-
Advances to Other Funds	-	-	-	-	-
	\$ 803	\$ 43,950	\$ 7	\$ 913	\$ 10,851
LIABILITIES					
Accounts Payable	\$ -	\$ 2,240	\$ -	\$ 44	\$ 1,318
Contracts Payable	-	542	-	5	426
Due to Other Funds	12	2,028	-	107	347
Due to Other Governments	-	9	-	-	-
Salaries, Benefits, and Taxes Payable	-	-	-	-	-
Advances from Other Funds	-	-	-	-	-
Deferred Revenues	-	675	-	-	-
	12	5,494	-	156	2,091
FUND BALANCES					
Reserves Legally Segregated for Future Use					
Capital Improvements	791	38,456	7	757	8,760
Reserves Not Available for Appropriation					
Advances to Other Funds	-	-	-	-	-
Unreserved Fund Balances	-	-	-	-	-
	791	38,456	7	757	8,760
Total Fund Balances	791	38,456	7	757	8,760
Total Liabilities and Fund Balances	\$ 803	\$ 43,950	\$ 7	\$ 913	\$ 10,851

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS

December 31, 2004

(In Thousands)

	South Police Stations	Public Safety Information Technology	2001 Capital Facilities Bond	2002 Capital Facilities Bond
ASSETS				
Cash and Equity in Pooled Investments	\$ 583	\$ 17,833	\$ 667	\$ 22
Receivables, Net of Allowances				
Taxes	-	326	-	-
Accounts	-	-	-	-
Interest and Dividends	-	-	-	-
Unbilled and Others	-	-	-	-
Due from Other Funds	1	193	1	19
Due from Other Governments	-	159	-	-
Contracts and Notes - Noncurrent	-	-	-	-
Advances to Other Funds	-	-	-	-
Total Assets	<u>\$ 584</u>	<u>\$ 18,511</u>	<u>\$ 668</u>	<u>\$ 41</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 1,304	\$ 1	\$ -
Contracts Payable	104	-	-	-
Due to Other Funds	2	332	1	1
Due to Other Governments	-	21	-	-
Salaries, Benefits, and Taxes Payable	-	-	-	-
Advances from Other Funds	-	-	-	-
Deferred Revenues	-	326	-	-
Total Liabilities	106	1,983	2	1
FUND BALANCES				
Reserves Legally Segregated for Future Use				
Capital Improvements	478	16,528	666	40
Reserves Not Available for Appropriation				
Advances to Other Funds	-	-	-	-
Unreserved Fund Balances	-	-	-	-
Total Fund Balances	<u>478</u>	<u>16,528</u>	<u>666</u>	<u>40</u>
Total Liabilities and Fund Balances	<u>\$ 584</u>	<u>\$ 18,511</u>	<u>\$ 668</u>	<u>\$ 41</u>

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COMBINING BALANCE SHEET

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NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS

December 31, 2004

(In Thousands)

	2002B Long-Term General Obligation Project	2003 Long-Term General Obligation Project	Comparative Totals	
			2004	2003
ASSETS				
Cash and Equity in Pooled Investments	\$ 9,308	\$ 5,842	\$ 109,184	\$ 134,420
Receivables, Net of Allowances				
Taxes	-	-	1,001	786
Accounts	-	-	-	172
Interest and Dividends	-	-	54	63
Unbilled and Others	-	-	-	75
Due from Other Funds	20	14	3,074	2,743
Due from Other Governments	-	-	346	351
Contracts and Notes - Noncurrent	-	-	6,078	6,023
Advances to Other Funds	-	-	-	54,000
	<u>\$ 9,328</u>	<u>\$ 5,856</u>	<u>\$ 119,737</u>	<u>\$ 198,633</u>
Total Assets				
LIABILITIES				
Accounts Payable	\$ 137	\$ 56	\$ 6,288	\$ 19,377
Contracts Payable	153	-	1,318	4,367
Due to Other Funds	85	331	3,631	5,022
Due to Other Governments	-	-	30	-
Salaries, Benefits, and Taxes Payable	1	-	33	35
Advances from Other Funds	-	-	3,200	-
Deferred Revenues	-	-	7,079	9,200
	<u>376</u>	<u>387</u>	<u>21,579</u>	<u>38,001</u>
Total Liabilities				
FUND BALANCES				
Reserves Legally Segregated for Future Use				
Capital Improvements	8,952	5,470	101,296	110,928
Reserves Not Available for Appropriation				
Advances to Other Funds	-	-	-	49,704
Unreserved Fund Balances	-	-	(3,137)	-
	<u>8,952</u>	<u>5,470</u>	<u>98,159</u>	<u>160,632</u>
Total Fund Balances				
Total Liabilities and Fund Balances	<u>\$ 9,328</u>	<u>\$ 5,857</u>	<u>\$ 119,738</u>	<u>\$ 198,633</u>

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COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS – PERMANENT
December 31, 2004
(In Thousands)

	<u>H. H. Dearborn</u>	<u>Beach Maintenance Trust</u>	<u>Comparative Totals</u>	
			<u>2004</u>	<u>2003</u>
ASSETS				
Cash and Equity in Pooled Investments	\$ 205	\$ 2,059	\$ 2,264	\$ 2,404
Due from Other Funds	-	4	4	4
Total Assets	<u>\$ 205</u>	<u>\$ 2,063</u>	<u>\$ 2,268</u>	<u>\$ 2,408</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 11	\$ 11	\$ 8
Due to Other Funds	-	2	2	10
Total Liabilities	-	13	13	18
FUND BALANCES				
Reserves Legally Segregated for Future Use				
Encumbrances	-	31	31	12
Reserves Not Available for Appropriation				
Endowments	50	2,000	2,050	2,050
Gifts	155	-	155	167
Unreserved Fund Balances	-	19	19	161
Total Fund Balances	<u>205</u>	<u>2,050</u>	<u>2,255</u>	<u>2,390</u>
Total Liabilities and Fund Balances	<u>\$ 205</u>	<u>\$ 2,063</u>	<u>\$ 2,268</u>	<u>\$ 2,408</u>

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

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2004

(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Comparative Totals	
					2004	2003
REVENUES						
Taxes	\$ 33,466	\$ 25,765	\$ 57,526	\$ -	\$ 116,757	\$ 92,847
Licenses and Permits	5,276	-	-	-	5,276	1,545
Grants, Shared Revenues, and Contributions	79,878	22	9,009	-	88,909	75,829
Charges for Services	62,437	-	-	-	62,437	60,472
Fines and Forfeits	2,660	-	-	-	2,660	2,334
Parking Fees and Space Rent	17,507	5,085	77	-	22,669	20,759
Program Income, Interest, and Miscellaneous Revenues	4,653	3,322	2,105	34	10,114	13,134
Total Revenues	205,877	34,194	68,717	34	308,822	266,920
EXPENDITURES						
Current						
General Government	4,057	-	-	-	4,057	23,912
Public Safety	3,678	-	-	-	3,678	3,187
Physical Environment	266	-	-	-	266	212
Transportation	87,523	-	-	-	87,523	82,893
Economic Environment	46,901	-	-	-	46,901	51,613
Health and Human Services	17,315	-	-	-	17,315	16,554
Culture and Recreation	178,946	-	-	-	178,946	167,555
Capital Outlay						
General Government	-	-	46,067	-	46,067	60,842
Public Safety	49	-	1,404	-	1,453	2,931
Transportation	12,774	-	-	-	12,774	18,459
Culture and Recreation	13,628	-	72,011	154	85,793	168,616
Debt Service						
Principal	1,672	49,064	-	-	50,736	45,241
Advance Refunding to Escrow	-	4,558	-	-	4,558	5,368
Interest	483	39,754	17	-	40,254	42,102
Bond Issuance Cost	-	799	-	-	799	381
Other	-	-	-	-	-	101
Total Expenditures	367,292	94,175	119,499	154	581,120	689,967
Excess (Deficiency) of Revenues over Expenditures	(161,415)	(59,981)	(50,782)	(120)	(272,298)	(423,047)
OTHER FINANCING SOURCES (USES)						
Long-Term Debt Issued	-	91,805	-	-	91,805	63,521
Premiums on Bonds Issued	-	4,322	-	-	4,322	2,747
Payments to Bond Escrow Agent	-	(92,833)	-	-	(92,833)	(4,039)
Sales of Capital Assets	652	-	406	-	1,058	1,076
Transfers In	160,423	58,677	6,180	-	225,280	240,503
Transfers Out	(8,339)	(25)	(18,277)	(15)	(26,656)	(47,642)
Total Other Financing Sources (Uses)	152,736	61,946	(11,691)	(15)	202,976	256,166
Net Change in Fund Balances	(8,679)	1,965	(62,473)	(135)	(69,322)	(166,881)
Fund Balances - Beginning of Year	47,147	12,970	160,630	2,390	223,137	390,020
Fund Balances - End of Year	\$ 38,468	\$ 14,935	\$ 98,157	\$ 2,255	\$ 153,815	\$ 223,139

D-7 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 Page 1 of 3 IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE
 For the Year Ended December 31, 2004
 (In Thousands)

	Park and Recreation	Transportation	Library	SFMS Redevelopment	Seattle Monorail
REVENUES					
Taxes	\$ 25,822	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	738	4,538	-	-	-
Grants, Shared Revenues, and Contributions	260	23,315	28,007	-	-
Charges for Services	31,860	20,394	125	-	-
Fines and Forfeits	1,980	3	669	-	-
Parking Fees and Space Rent	2,144	56	155	-	-
Program Income, Interest, and Miscellaneous Revenues	123	568	155	-	223
Total Revenues	62,927	48,874	29,111	-	223
EXPENDITURES					
Current					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Physical Environment	-	-	-	-	-
Transportation	-	87,523	-	-	-
Economic Environment	-	-	-	-	-
Health and Human Services	-	-	-	-	-
Culture and Recreation	101,998	-	45,472	-	-
Capital Outlay					
Public Safety	-	-	-	-	-
Transportation	-	12,774	-	-	-
Culture and Recreation	374	-	12,568	-	-
Debt Service					
Principal	29	1,640	3	-	-
Interest	6	473	2	-	-
Total Expenditures	102,407	102,410	58,045	-	-
Excess (Deficiency) of Revenues over Expenditures	(39,480)	(53,536)	(28,934)	-	223
OTHER FINANCING SOURCES (USES)					
Long-Term Debt Issued	-	-	-	-	-
Sales of Capital Assets	-	-	424	-	-
Transfers In	38,715	53,070	35,030	-	-
Transfers Out	(423)	(840)	-	(16)	(533)
Total Other Financing Sources (Uses)	38,292	52,230	35,454	(16)	(533)
Net Change in Fund Balances	(1,188)	(1,306)	6,520	(16)	(310)
Fund Balances - Beginning of Year	1,815	10,785	6,462	16	310
Fund Balances - End of Year	\$ 627	\$ 9,479	\$ 12,982	\$ -	\$ -

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COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

Page 2 of 3

IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE

For the Year Ended December 31, 2004

(In Thousands)

	<u>Seattle Center</u>	<u>Human Services Operating</u>	<u>Office of Housing</u>	<u>Housing and Community Development Revenue Sharing</u>	<u>Education and Development Services</u>
REVENUES					
Taxes	\$ -	\$ 429	\$ -	\$ -	\$ 3,019
Licenses and Permits	-	-	-	-	-
Grants, Shared Revenues, and Contributions	23	12,754	689	13,422	-
Charges for Services	5,474	1,442	2,033	-	-
Fines and Forfeits	-	2	-	-	-
Parking Fees and Space Rent	15,152	-	-	-	-
Program Income, Interest, and Miscellaneous Revenues	1,085	535	-	1,496	287
Total Revenues	21,734	15,162	2,722	14,918	3,306
EXPENDITURES					
Current					
General Government	-	4,002	-	-	55
Public Safety	-	2,600	-	-	-
Physical Environment	-	-	-	-	-
Transportation	-	-	-	-	-
Economic Environment	-	20,935	2,642	13,621	5,179
Health and Human Services	-	11,016	-	372	5,673
Culture and Recreation	27,809	-	-	183	1,456
Capital Outlay					
Public Safety	-	-	-	-	-
Transportation	-	-	-	-	-
Culture and Recreation	76	-	-	371	-
Debt Service					
Principal	-	-	-	-	-
Interest	2	-	-	-	-
Total Expenditures	27,887	38,553	2,642	14,547	12,363
Excess (Deficiency) of Revenues over Expenditures	(6,153)	(23,391)	80	371	(9,057)
OTHER FINANCING SOURCES (USES)					
Long-Term Debt Issued	-	-	-	-	-
Sales of Capital Assets	-	228	-	-	-
Transfers In	9,958	23,541	-	-	-
Transfers Out	(6,319)	-	-	-	-
Total Other Financing Sources (Uses)	3,639	23,769	-	-	-
Net Change in Fund Balances	(2,514)	378	80	371	(9,057)
Fund Balances - Beginning of Year	(7,153)	2,948	137	4,993	17,897
Fund Balances - End of Year	\$ (9,667)	\$ 3,326	\$ 217	\$ 5,364	\$ 8,840

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS – SPECIAL REVENUE
For the Year Ended December 31, 2004
(In Thousands)**

					<u>Comparative Totals</u>	
	<u>Business Improvement Areas</u>	<u>General Trust</u>	<u>Municipal Arts</u>	<u>General Donations and Gift Trust</u>	<u>2004</u>	<u>2003</u>
REVENUES						
Taxes	\$ 4,196	\$ -	\$ -	\$ -	\$ 33,466	\$ 32,655
Licenses and Permits	-	-	-	-	5,276	1,545
Grants, Shared Revenues, and Contributions	-	512	9	887	79,878	61,147
Charges for Services	-	-	1,109	-	62,437	60,244
Fines and Forfeits	-	6	-	-	2,660	2,334
Parking Fees and Space Rent	-	-	-	-	17,507	16,504
Program Income, Interest, and Miscellaneous Revenues	33	37	36	75	4,653	6,227
Total Revenues	4,229	555	1,154	962	205,877	180,656
EXPENDITURES						
Current						
General Government	-	-	-	-	4,057	23,912
Public Safety	-	827	-	251	3,678	3,187
Physical Environment	-	-	-	266	266	212
Transportation	-	-	-	-	87,523	82,893
Economic Environment	4,247	-	-	277	46,901	51,613
Health and Human Services	-	-	-	254	17,315	16,554
Culture and Recreation	-	-	2,030	(2)	178,946	167,555
Capital Outlay						
Public Safety	-	32	-	17	49	42
Transportation	-	-	-	-	12,774	18,459
Culture and Recreation	-	-	239	-	13,628	9,365
Debt Service						
Principal	-	-	-	-	1,672	1,633
Interest	-	-	-	-	483	497
Total Expenditures	4,247	859	2,269	1,063	367,292	375,922
Excess (Deficiency) of Revenues over Expenditures	(18)	(304)	(1,115)	(101)	(161,415)	(195,266)
OTHER FINANCING SOURCES (USES)						
Long-Term Debt Issued	-	-	-	-	-	2,666
Sales of Capital Assets	-	-	-	-	652	1,076
Transfers In	-	109	-	-	160,423	180,910
Transfers Out	-	(121)	-	(87)	(8,339)	(7,521)
Total Other Financing Sources (Uses)	-	(12)	-	(87)	152,736	177,131
Net Change in Fund Balances	(18)	(316)	(1,115)	(188)	(8,679)	(18,135)
Fund Balances - Beginning of Year	160	2,700	2,985	3,092	47,147	65,282
Fund Balances - End of Year	<u>\$ 142</u>	<u>\$ 2,384</u>	<u>\$ 1,870</u>	<u>\$ 2,904</u>	<u>\$ 38,468</u>	<u>\$ 47,147</u>

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

NONMAJOR GOVERNMENTAL FUNDS – DEBT SERVICE

For the Year Ended December 31, 2004

(In Thousands)

	<u>General Bond Interest and Redemption</u>	<u>Interfund Notes Payable – Local Improvement Districts</u>	<u>Local Improvement Guaranty</u>	<u>Comparative Totals</u>	
				<u>2004</u>	<u>2003</u>
REVENUES					
Taxes	\$ 25,765	\$ -	\$ -	\$ 25,765	\$ 27,756
Grants, Shared Revenues, and Contributions	-	22	-	22	34
Parking Fees and Space Rent	5,085	-	-	5,085	4,134
Program Income, Interest, and Miscellaneous Revenues	3,309	9	4	3,322	1,877
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	34,159	31	4	34,194	33,801
EXPENDITURES					
Debt Service					
Principal	49,064	-	-	49,064	43,608
Advance Refunding to Escrow	4,558	-	-	4,558	5,368
Interest	39,754	-	-	39,754	41,605
Bond Issuance Cost	799	-	-	799	30
Other	-	-	-	-	101
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	94,175	-	-	94,175	90,712
Excess (Deficiency) of Revenues over Expenditures	(60,016)	31	4	(59,981)	(56,911)
OTHER FINANCING SOURCES (USES)					
Long-Term Debt Issued	91,805	-	-	91,805	4,040
Premiums on Bonds Issued	4,322	-	-	4,322	142
Payments to Bond Escrow Agent	(92,833)	-	-	(92,833)	(4,039)
Transfers In	58,677	-	-	58,677	57,358
Transfers Out	-	(25)	-	(25)	(39)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	61,971	(25)	-	61,946	57,462
Net Change in Fund Balances	1,955	6	4	1,965	551
Fund Balances - Beginning of Year	12,297	435	238	12,970	12,419
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances - End of Year	\$ 14,252	\$ 441	\$ 242	\$ 14,935	\$ 12,970

D-9 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 Page 1 of 5 IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS
 For the Year Ended December 31, 2004
 (In Thousands)

	2005 Multipurpose Long-Term General Obligation Bond	Transportation Bond	Libraries for All	Public Safety Facilities and Equipment
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Grants, Shared Revenues, and Contributions	-	3,000	-	-
Charges for Services	-	-	-	-
Parking Fees and Space Rent	-	-	41	-
Program Income, Interest, and Miscellaneous Revenues	-	54	360	36
Total Revenues	-	3,054	401	36
EXPENDITURES				
Capital Outlay				
General Government	-	-	-	-
Public Safety	-	-	-	9
Culture and Recreation	-	-	24,028	-
Debt Service				
Bond Issuance Cost	-	-	-	-
Interest	17	-	-	-
Total Expenditures	17	-	24,028	9
Excess (Deficiency) of Revenues over Expenditures	(17)	3,054	(23,627)	27
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	-	-	-	-
Premiums on Bonds Issued	-	-	-	-
Sales of Capital Assets	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	(3,120)	(620)	-	-
Total Other Financing Sources (Uses)	(3,120)	(620)	-	-
Net Change in Fund Balances	(3,137)	2,434	(23,627)	27
Fund Balances - Beginning of Year	-	1,938	35,596	1,189
Fund Balances - End of Year	\$ (3,137)	\$ 4,372	\$ 11,969	\$ 1,216

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COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

Page 2 of 5

IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS

For the Year Ended December 31, 2004

(In Thousands)

	Shoreline Park Improvement	Community Improvement	City Facilities Renovation and Improvement	Zoo Project Construction
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Grants, Shared Revenues, and Contributions	98	-	-	-
Charges for Services	-	-	-	-
Parking Fees and Space Rent	-	-	-	-
Program Income, Interest, and Miscellaneous Revenues	42	1	1	-
	140	1	1	-
Total Revenues				
EXPENDITURES				
Capital Outlay				
General Government	-	-	-	-
Public Safety	-	-	-	-
Culture and Recreation	2,021	155	-	1
Debt Service				
Bond Issuance Cost	-	-	-	-
Interest	-	-	-	-
	2,021	155	-	1
Total Expenditures				
Excess (Deficiency) of Revenues over Expenditures	(1,881)	(154)	1	(1)
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	-	-	-	-
Premiums on Bonds Issued	-	-	-	-
Sales of Capital Assets	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	(86)	-	-	-
	(86)	-	-	-
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	(1,967)	(153)	1	(1)
Fund Balances - Beginning of Year	3,605	193	70	1
Fund Balances - End of Year	\$ 1,638	\$ 40	\$ 71	\$ -

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS
For the Year Ended December 31, 2004
(In Thousands)

	Capital Facilities Project	Conservation Futures	Open Spaces and Trails Bond	Seattle Center and Parks Multipurpose Levy	Denny Triangle Public Amenity
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ 33,045	\$ -
Grants, Shared Revenues, and Contributions	-	-	-	5,653	-
Charges for Services	-	-	-	-	-
Parking Fees and Space Rent	-	-	-	6	-
Program Income, Interest, and Miscellaneous Revenues	2	13	14	700	-
Total Revenues	2	13	14	39,404	-
EXPENDITURES					
Capital Outlay					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Culture and Recreation	-	-	79	38,772	-
Debt Service					
Bond Issuance Cost	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	-	-	79	38,772	-
Excess (Deficiency) of Revenues over Expenditures	2	13	(65)	632	-
OTHER FINANCING SOURCES (USES)					
Long-Term Debt Issued	-	-	-	-	-
Premiums on Bonds Issued	-	-	-	-	-
Sales of Capital Assets	-	-	-	-	-
Transfers In	141	-	-	-	-
Transfers Out	-	-	(221)	(7,497)	-
Total Other Financing Sources (Uses)	141	-	(221)	(7,497)	-
Net Change in Fund Balances	143	13	(286)	(6,865)	-
Fund Balances - Beginning of Year	10	919	1,077	45,321	7
Fund Balances - End of Year	\$ 153	\$ 932	\$ 791	\$ 38,456	\$ 7

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COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

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IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS

For the Year Ended December 31, 2004

(In Thousands)

	Seattle Center Redevelopment/ Parks Community Center	Municipal Civic Center	South Police Stations	Public Safety Information Technology	2001 Capital Facilities Bond
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ 24,481	\$ -
Grants, Shared Revenues, and Contributions	-	35	-	223	-
Charges for Services	-	-	-	-	-
Parking Fees and Space Rent	-	-	-	30	-
Program Income, Interest, and Miscellaneous Revenues	16	310	16	210	16
Total Revenues	<u>16</u>	<u>345</u>	<u>16</u>	<u>24,944</u>	<u>16</u>
EXPENDITURES					
Capital Outlay					
General Government	-	23,141	426	16,329	470
Public Safety	-	-	-	1,395	-
Culture and Recreation	489	-	-	-	-
Debt Service					
Bond Issuance Cost	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	<u>489</u>	<u>23,141</u>	<u>426</u>	<u>17,724</u>	<u>470</u>
Excess (Deficiency) of Revenues over Expenditures	(473)	(22,796)	(410)	7,220	(454)
OTHER FINANCING SOURCES (USES)					
Long-Term Debt Issued	-	-	-	-	-
Premiums on Bonds Issued	-	-	-	-	-
Sales of Capital Assets	-	-	-	-	-
Transfers In	-	5,500	-	539	-
Transfers Out	-	(931)	(841)	(84)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>4,569</u>	<u>(841)</u>	<u>455</u>	<u>-</u>
Net Change in Fund Balances	(473)	(18,227)	(1,251)	7,675	(454)
Fund Balances - Beginning of Year	<u>1,230</u>	<u>26,987</u>	<u>1,729</u>	<u>8,853</u>	<u>1,120</u>
Fund Balances - End of Year	<u>\$ 757</u>	<u>\$ 8,760</u>	<u>\$ 478</u>	<u>\$ 16,528</u>	<u>\$ 666</u>

IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS – CAPITAL PROJECTS

For the Year Ended December 31, 2004

(In Thousands)

	2002 Capital Facilities Bond	2002B Long-Term General Obligation Project	2003 Long-Term General Obligation Project	Comparative Totals	
				2004	2003
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ 57,526	\$ 32,436
Grants, Shared Revenues, and Contributions	-	-	-	9,009	14,648
Charges for Services	-	-	-	-	228
Parking Fees and Space Rent	-	-	-	77	121
Program Income, Interest, and Miscellaneous Revenues	(4)	172	146	2,105	4,981
Total Revenues	(4)	172	146	68,717	52,414
EXPENDITURES					
Capital Outlay					
General Government	-	2,673	3,028	46,067	60,842
Public Safety	-	-	-	1,404	2,889
Culture and Recreation	89	4,125	2,252	72,011	158,751
Debt Service					
Bond Issuance Cost	-	-	-	-	351
Interest	-	-	-	17	-
Total Expenditures	89	6,798	5,280	119,499	222,833
Excess (Deficiency) of Revenues over Expenditures	(93)	(6,626)	(5,134)	(50,782)	(170,419)
OTHER FINANCING SOURCES (USES)					
Long-Term Debt Issued	-	-	-	-	56,815
Premiums on Bonds Issued	-	-	-	-	2,605
Sales of Capital Assets	406	-	-	406	-
Transfers In	-	-	-	6,180	2,235
Transfers Out	(273)	(91)	(4,513)	(18,277)	(40,067)
Total Other Financing Sources (Uses)	133	(91)	(4,513)	(11,691)	21,588
Net Change in Fund Balances	40	(6,717)	(9,647)	(62,473)	(148,831)
Fund Balances - Beginning of Year	-	15,669	15,116	160,630	309,463
Fund Balances - End of Year	\$ 40	\$ 8,952	\$ 5,469	\$ 98,157	\$ 160,632

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

NONMAJOR GOVERNMENTAL FUNDS – PERMANENT

For the Year Ended December 31, 2004

(In Thousands)

	<u>H. H. Dearborn</u>	<u>Beach Maintenance Trust</u>	<u>Comparative Totals</u>	
			<u>2004</u>	<u>2003</u>
REVENUES				
Program Income, Interest and Miscellaneous Revenues	\$ 3	\$ 31	\$ 34	\$ 49
EXPENDITURES				
Capital Outlay Culture and Recreation	<u>-</u>	<u>154</u>	<u>154</u>	<u>500</u>
Excess (Deficiency) of Revenues over Expenditures	3	(123)	(120)	(451)
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(15)</u>	<u>-</u>	<u>(15)</u>	<u>(15)</u>
Net Change in Fund Balances	(12)	(123)	(135)	(466)
Fund Balances - Beginning of Year	<u>217</u>	<u>2,173</u>	<u>2,390</u>	<u>2,856</u>
Fund Balances - End of Year	<u>\$ 205</u>	<u>\$ 2,050</u>	<u>\$ 2,255</u>	<u>\$ 2,390</u>

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NONMAJOR ENTERPRISE FUNDS

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

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

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

COMBINING STATEMENT OF NET ASSETS

NONMAJOR ENTERPRISE FUNDS

December 31, 2004

(In Thousands)

	Solid Waste		Planning and Development	
	2004	2003	2004	2003
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 7,410	\$ 7,757	\$ 16,590	\$ 15,868
Restricted Cash and Equity in Pooled Investments	-	2,224	-	-
Receivables, Net of Allowances				
Accounts	10,056	8,763	2,990	2,543
Unbilled	266	378	-	-
Due from Other Funds	299	188	672	396
Due from Other Governments	220	184	-	45
Materials and Supplies Inventory	18	11	58	-
Prepayments and Other	-	-	-	54
Total Current Assets	18,269	19,505	20,310	18,906
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	13	-	-	-
Unamortized Bond Issue Costs, Net	277	243	-	-
Deferred Landfill Closure and Postclosure Costs, Net	38,760	36,778	-	-
Other Deferred Charges	1,891	765	-	-
Capital Assets				
Land and Land Rights	1,791	1,791	-	-
Plant in Service, Excluding Land	36,803	33,656	-	-
Less Accumulated Depreciation	(20,576)	(18,429)	-	-
Buildings and Improvements	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Machinery and Equipment	-	-	9,931	9,881
Less Accumulated Depreciation	-	-	(2,977)	(2,027)
Construction in Progress	6,270	6,001	476	476
Other Property, Net	1,730	2,374	-	-
Total Noncurrent Assets	66,959	63,179	7,430	8,330
Total Assets	85,228	82,684	27,740	27,236

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COMBINING STATEMENT OF NET ASSETS

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NONMAJOR ENTERPRISE FUNDS

December 31, 2004

(In Thousands)

	<u>Downtown Parking Garage</u>		<u>Comparative Totals</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 1,009	\$ 1,261	\$ 25,009	\$ 24,886
Restricted Cash and Equity in Pooled Investments	-	-	-	2,224
Receivables, Net of Allowances				
Accounts	37	20	13,083	11,326
Unbilled	-	-	266	378
Due from Other Funds	4	4	975	588
Due from Other Governments	-	-	220	229
Materials and Supplies Inventory	-	-	76	11
Prepayments and Other	-	-	-	54
Total Current Assets	<u>1,050</u>	<u>1,285</u>	<u>39,629</u>	<u>39,696</u>
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	-	-	13	-
Unamortized Bond Issue Costs, Net	260	271	537	514
Deferred Landfill Closure and Postclosure Costs, Net	-	-	38,760	36,778
Other Deferred Charges	-	-	1,891	765
Capital Assets				
Land and Land Rights	-	-	1,791	1,791
Plant in Service, Excluding Land	-	-	36,803	33,656
Less Accumulated Depreciation	-	-	(20,576)	(18,429)
Buildings and Improvements	73,013	73,013	73,013	73,013
Less Accumulated Depreciation	(14,603)	(12,169)	(14,603)	(12,169)
Machinery and Equipment	651	651	10,582	10,532
Less Accumulated Depreciation	(138)	(30)	(3,115)	(2,057)
Construction in Progress	-	-	6,746	6,477
Other Property, Net	-	-	1,730	2,374
Total Noncurrent Assets	<u>59,183</u>	<u>61,736</u>	<u>133,572</u>	<u>133,245</u>
Total Assets	<u>60,233</u>	<u>63,021</u>	<u>173,201</u>	<u>172,941</u>

COMBINING STATEMENT OF NET ASSETS

NONMAJOR ENTERPRISE FUNDS

December 31, 2004

(In Thousands)

	Solid Waste		Planning and Development	
	2004	2003	2004	2003
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 7,303	\$ 8,614	\$ 1,901	\$ 896
Salaries, Benefits, and Payroll Taxes Payable	660	560	1,000	867
Contracts Payable	-	-	3	-
Compensated Absences Payable	108	102	235	231
Due to Other Funds	903	2,436	223	262
Due to Other Governments	-	-	64	35
Interest Payable	513	593	-	-
Accrued Interest on Deferred Interest Bonds Due Within One Year	-	-	-	-
Taxes Payable	342	405	-	-
General Obligation Bonds Due Within One Year	-	-	-	-
Revenue Bonds Due Within One Year	11,941	3,770	-	-
Claims Payable	466	194	33	26
Landfill Closure and Postclosure Liability	1,785	1,093	-	-
Arbitrage Rebate Liability	-	82	-	-
Deferred Credits	2,050	2,206	9,497	8,534
Other Current Liabilities	-	-	1,026	140
Total Current Liabilities	26,071	20,055	13,982	10,991
<i>Noncurrent Liabilities</i>				
Compensated Absences Payable	977	922	1,749	1,578
Claims Payable	599	529	68	50
Vendor and Other Deposits Payable	13	-	(15)	25
Landfill Closure and Postclosure Liability	29,244	26,330	-	-
General Obligation Bonds, Due Serially	-	-	-	-
Less Bonds Due Within One Year	-	-	-	-
Bond Discount and Premium, Net	-	-	-	-
Accrued Interest on Deferred Interest Bonds	-	-	-	-
Less Accrued Interest Due Within One Year	-	-	-	-
Revenue Bonds and Anticipation Notes	33,436	35,430	-	-
Less Revenue Bonds Due Within One Year	(11,941)	(3,770)	-	-
Bond Discount and Premium, Net	522	559	-	-
Deferred Loss on Advanced Refunding	(945)	(1,151)	-	-
Total Noncurrent Liabilities	51,905	58,849	1,802	1,653
Total Liabilities	77,976	78,904	15,784	12,644
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	2,119	1,275	7,430	8,330
Restricted for Other Purposes	784	1,867	-	-
Unrestricted	4,349	638	4,526	6,262
Total Net Assets	\$ 7,252	\$ 3,780	\$ 11,956	\$ 14,592

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COMBINING STATEMENT OF NET ASSETS

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NONMAJOR ENTERPRISE FUNDS

December 31, 2004

(In Thousands)

	<u>Downtown Parking Garage</u>		<u>Comparative Totals</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 155	\$ 170	\$ 9,359	\$ 9,680
Salaries, Benefits, and Payroll Taxes Payable	-	-	1,660	1,427
Contracts Payable	-	-	3	-
Compensated Absences Payable	-	-	343	333
Due to Other Funds	5	6	1,131	2,704
Due to Other Governments	-	-	64	35
Interest Payable	131	131	644	724
Accrued Interest on Deferred Interest Bonds Due Within One Year	370	287	370	287
Taxes Payable	73	73	415	478
General Obligation Bonds Due Within One Year	1,050	1,003	1,050	1,003
Revenue Bonds Due Within One Year	-	-	11,941	3,770
Claims Payable	-	-	499	220
Landfill Closure and Postclosure Liability	-	-	1,785	1,093
Arbitrage Rebate Liability	-	-	-	82
Deferred Credits	-	-	11,547	10,740
Other Current Liabilities	-	-	1,026	140
Total Current Liabilities	1,784	1,670	41,837	32,716
<i>Noncurrent Liabilities</i>				
Compensated Absences Payable	-	-	2,726	2,500
Claims Payable	-	-	667	579
Vendor and Other Deposits Payable	-	-	(2)	25
Landfill Closure and Postclosure Liability	-	-	29,244	26,330
General Obligation Bonds, Due Serially	72,174	73,177	72,174	73,177
Less Bonds Due Within One Year	(1,050)	(1,003)	(1,050)	(1,003)
Bond Discount and Premium, Net	320	333	320	333
Accrued Interest on Deferred Interest Bonds	3,694	3,256	3,694	3,256
Less Accrued Interest Due Within One Year	(370)	(287)	(370)	(287)
Revenue Bonds and Anticipation Notes	-	-	33,436	35,430
Less Revenue Bonds Due Within One Year	-	-	(11,941)	(3,770)
Bond Discount and Premium, Net	-	-	522	559
Deferred Loss on Advanced Refunding	-	-	(945)	(1,151)
Total Noncurrent Liabilities	74,768	75,476	128,475	135,978
Total Liabilities	76,552	77,146	170,312	168,694
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	-	-	9,549	9,605
Restricted for Other Purposes	-	-	784	1,867
Unrestricted	(16,319)	(14,125)	(7,444)	(7,225)
Total Net Assets	\$ (16,319)	\$ (14,125)	\$ 2,889	\$ 4,247

	Solid Waste		Planning and Development	
	2004	2003	2004	2003
OPERATING REVENUES				
Charges for Services and Other Fees	\$ 115,144	\$ 114,821	\$ 33,349	\$ 28,350
OPERATING EXPENSES				
Resource Management	6,973	6,151	-	-
Field Operations	7,525	7,212	-	-
Engineering Services	747	220	-	-
Customer Services	5,323	5,497	-	-
Solid Waste Collection	59,521	58,616	-	-
Operations and Maintenance	-	-	38,487	31,192
General and Administrative	6,200	6,801	6,658	5,925
City Business and Occupation Taxes	14,729	14,836	-	-
Other Taxes	4,466	4,621	-	-
Amortization of Landfill and Postclosure Costs	2,724	2,714	-	-
Depreciation and Amortization	2,836	3,276	956	802
Total Operating Expenses	111,044	109,944	46,101	37,919
Operating Income (Loss)	4,100	4,877	(12,752)	(9,569)
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	138	107	221	254
Interest Expense	(1,695)	(2,038)	-	-
Amortization of Debt Costs	71	71	-	-
Gain (Loss) on Sale of Capital Assets	261	19	-	-
Others - Net	(253)	(202)	-	-
Total Nonoperating Revenues (Expenses)	(1,478)	(2,043)	221	254
Income (Loss) Before Contributions, Grants, and Transfers	2,622	2,834	(12,531)	(9,315)
Capital Contributions and Grants	846	340	158	111
Operating Contributions and Grants	4	28	-	-
Transfers In	-	-	9,762	9,594
Transfers Out	-	-	(25)	(25)
Change in Net Assets	3,472	3,202	(2,636)	365
Net Assets - Beginning of Year	3,780	578	14,592	14,227
Net Assets - End of Year	\$ 7,252	\$ 3,780	\$ 11,956	\$ 14,592

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COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN

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FUND NET ASSETS

NONMAJOR ENTERPRISE FUNDS

For the Year Ended December 31, 2004

(In Thousands)

	Downtown Parking Garage		Comparative Totals	
	2004	2003	2004	2003
OPERATING REVENUES				
Charges for Services and Other Fees	\$ 6,185	\$ 5,559	\$ 154,678	\$ 148,730
OPERATING EXPENSES				
Resource Management	-	-	6,973	6,151
Field Operations	-	-	7,525	7,212
Engineering Services	-	-	747	220
Customer Services	-	-	5,323	5,497
Solid Waste Collection	-	-	59,521	58,616
Operations and Maintenance	1,868	1,806	40,355	32,998
General and Administrative	101	125	12,959	12,851
City Business and Occupation Taxes	13	12	14,742	14,848
Other Taxes	29	26	4,495	4,647
Amortization of Landfill and Postclosure Costs	-	-	2,724	2,714
Depreciation and Amortization	2,543	2,462	6,335	6,540
Total Operating Expenses	<u>4,554</u>	<u>4,431</u>	<u>161,699</u>	<u>152,294</u>
Operating Income (Loss)	1,631	1,128	(7,021)	(3,564)
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	31	46	390	407
Interest Expense	(3,856)	(3,855)	(5,551)	(5,893)
Amortization of Debt Costs	(11)	2	60	73
Gain (Loss) on Sale of Capital Assets	11	-	272	19
Others - Net	-	-	(253)	(202)
Total Nonoperating Revenues (Expenses)	<u>(3,825)</u>	<u>(3,807)</u>	<u>(5,082)</u>	<u>(5,596)</u>
Income (Loss) Before Contributions, Grants, and Transfers	(2,194)	(2,679)	(12,103)	(9,160)
Capital Contributions and Grants	-	-	1,004	451
Operating Contributions and Grants	-	-	4	28
Transfers In	-	-	9,762	9,594
Transfers Out	-	-	(25)	(25)
Change in Net Assets	(2,194)	(2,679)	(1,358)	888
Net Assets - Beginning of Year	<u>(14,125)</u>	<u>(11,446)</u>	<u>4,247</u>	<u>3,359</u>
Net Assets - End of Year	<u>\$ (16,319)</u>	<u>\$ (14,125)</u>	<u>\$ 2,889</u>	<u>\$ 4,247</u>

COMBINING STATEMENT OF CASH FLOWS

NONMAJOR ENTERPRISE FUNDS

For the Year Ended December 31, 2004

(In Thousands)

	Solid Waste		Planning and Development	
	2004	2003	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 113,816	\$ 119,697	\$ 32,673	\$ 27,570
Cash Paid to Suppliers	(72,281)	(72,563)	(20,914)	(16,808)
Cash Paid to Employees	(16,536)	(15,094)	(21,096)	(20,096)
Cash Paid for Taxes	(20,580)	(19,333)	-	-
Net Cash from Operating Activities	4,419	12,707	(9,337)	(9,334)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants	846	340	158	111
Transfers In	-	-	9,762	9,594
Transfers Out	-	-	(25)	(25)
Net Cash from Noncapital Financing Activities	846	340	9,895	9,680
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Draw-On Line of Credit - Revenue Anticipation Note	1,776	6,200	-	-
Principal Paid on Long-Term Debt	(3,770)	(3,585)	-	-
Capital Fees and Grants Received	4	28	-	-
Capital Expenditures and Deferred Charges Paid	(4,623)	(4,774)	(57)	(1,892)
Interest Paid on Long-Term Debt	(1,608)	(2,048)	-	-
Proceeds from Sale of Capital Assets	260	20	-	-
Net Cash from Capital and Related Financing Activities	(7,961)	(4,159)	(57)	(1,892)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received on Investments	138	107	221	254
Net Increase (Decrease) in Cash and Equity in Pooled Investments	(2,558)	8,995	722	(1,292)
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	9,981	986	15,868	17,160
End of Year	\$ 7,423	\$ 9,981	\$ 16,590	\$ 15,868
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 7,410	\$ 7,757	\$ 16,590	\$ 15,868
Current Assets Restricted Cash and Equity in Pooled Investments	13	2,224	-	-
Total Cash at the End of the Year	\$ 7,423	\$ 9,981	\$ 16,590	\$ 15,868

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COMBINING STATEMENT OF CASH FLOWS

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NONMAJOR ENTERPRISE FUNDS

For the Year Ended December 31, 2004

(In Thousands)

	<u>Downtown Parking Garage</u>		<u>Comparative Totals</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 6,724	\$ 6,067	\$ 153,213	\$ 153,334
Cash Paid to Suppliers	(1,882)	(1,799)	(95,077)	(91,170)
Cash Paid to Employees	(102)	(123)	(37,734)	(35,313)
Cash Paid for Taxes	(588)	(521)	(21,168)	(19,854)
Net Cash from Operating Activities	4,152	3,624	(766)	6,997
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants	-	-	1,004	451
Transfers In	-	-	9,762	9,594
Transfers Out	-	-	(25)	(25)
Net Cash from Noncapital Financing Activities	-	-	10,741	10,020
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Draw-On Line of Credit - Revenue Anticipation Note	-	-	1,776	6,200
Principal Paid on Long-Term Debt	(1,003)	(363)	(4,773)	(3,948)
Capital Fees and Grants Received	-	-	4	28
Capital Expenditures and Deferred Charges Paid	-	(632)	(4,680)	(7,298)
Interest Paid on Long-Term Debt	(3,431)	(3,226)	(5,039)	(5,274)
Proceeds from Sale of Capital Assets	-	-	260	20
Net Cash from Capital and Related Financing Activities	(4,434)	(4,221)	(12,452)	(10,272)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received on Investments	30	48	389	409
Net Increase (Decrease) in Cash and Equity in Pooled Investments	(252)	(549)	(2,088)	7,154
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	1,261	1,810	27,110	19,956
End of Year	<u>\$ 1,009</u>	<u>\$ 1,261</u>	<u>\$ 25,022</u>	<u>\$ 27,110</u>
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 1,009	\$ 1,261	\$ 25,009	\$ 24,886
Current Assets Restricted Cash and Equity in Pooled Investments	-	-	13	2,224
Total Cash at the End of the Year	<u>\$ 1,009</u>	<u>\$ 1,261</u>	<u>\$ 25,022</u>	<u>\$ 27,110</u>

COMBINING STATEMENT OF CASH FLOWS

NONMAJOR ENTERPRISE FUNDS

For the Year Ended December 31, 2004

(In Thousands)

	Solid Waste		Planning and Development	
	2004	2003	2004	2003
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 4,101	\$ 4,674	\$ (12,752)	\$ (9,569)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	5,560	5,990	956	802
Changes in Operating Assets and Liabilities				
Accounts Receivable	(1,293)	3,094	(447)	(335)
Unbilled Receivables	112	(5)	-	-
Due from Other Funds	(111)	197	(275)	123
Due from Other Governments	(36)	420	45	286
Materials and Supplies Inventory	(7)	2	(4)	-
Accounts Payable	(1,561)	(1,071)	1,004	6
Salaries, Benefits, and Payroll Taxes Payable	100	93	133	20
Compensated Absences Payable	61	13	175	104
Due to Other Funds	(1,533)	772	(38)	53
Due to Other Governments	-	(91)	28	(41)
Claims Payable	342	317	26	15
Taxes Payable	(64)	14	-	-
Deferred Credits	(156)	304	-	(854)
Other Assets and Liabilities	(1,096)	(2,016)	1,812	56
Total Adjustments	318	8,033	3,415	235
Net Cash from Operating Activities	\$ 4,419	\$ 12,707	\$ (9,337)	\$ (9,334)
SCHEDULE OF NONCASH ACTIVITIES				
Capital Assets Sold	\$ -	\$ -	\$ -	\$ -
Decrease in Fair Value of Investments	(93)	(23)	-	-
Total Noncash Activities	\$ (93)	\$ (23)	\$ -	\$ -

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COMBINING STATEMENT OF CASH FLOWS

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NONMAJOR ENTERPRISE FUNDS

For the Year Ended December 31, 2004

(In Thousands)

	<u>Downtown Parking Garage</u>		<u>Comparative Totals</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 1,630	\$ 1,128	\$ (7,021)	\$ (3,767)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	2,543	2,462	9,059	9,254
Changes in Operating Assets and Liabilities				
Accounts Receivable	(16)	19	(1,756)	2,778
Unbilled Receivables	-	-	112	(5)
Due from Other Funds	-	-	(386)	320
Due from Other Governments	-	-	9	706
Materials and Supplies Inventory	-	-	(11)	2
Accounts Payable	(15)	17	(572)	(1,048)
Salaries, Benefits, and Payroll Taxes Payable	-	-	233	113
Compensated Absences Payable	-	-	236	117
Due to Other Funds	(1)	2	(1,572)	827
Due to Other Governments	-	-	28	(132)
Claims Payable	-	-	368	332
Taxes Payable	-	7	(64)	21
Deferred Credits	-	-	(156)	(550)
Other Assets and Liabilities	11	(11)	727	(1,971)
Total Adjustments	<u>2,522</u>	<u>2,496</u>	<u>6,255</u>	<u>10,764</u>
Net Cash from Operating Activities	<u>\$ 4,152</u>	<u>\$ 3,624</u>	<u>\$ (766)</u>	<u>\$ 6,997</u>
SCHEDULE OF NONCASH ACTIVITIES				
Capital Assets Sold	\$ 11	\$ -	\$ 11	\$ -
Decrease in Fair Value of Investments	-	-	(93)	(23)
Total Noncash Activities	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ (82)</u>	<u>\$ (23)</u>

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INTERNAL SERVICE FUNDS

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

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

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

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COMBINING STATEMENT OF NET ASSETS

INTERNAL SERVICE FUNDS

December 31, 2004

(In Thousands)

	Fleets and Facilities	Information Technology	Engineering Services	Comparative Totals	
				2004	2003
ASSETS					
<i>Current Assets</i>					
Cash and Equity in Pooled Investments	\$ 21,501	\$ 21,143	\$ 340	\$ 42,984	\$ 42,683
Receivables, Net of Allowances					
Accounts	55	21	9	85	83
Unbilled	-	-	5	5	7
Due from Other Funds	3,692	1,484	325	5,501	8,517
Due from Other Governments	263	2,527	41	2,831	3,596
Materials and Supplies Inventory	1,581	481	-	2,062	1,986
Prepayments and Other	-	-	-	-	2
Total Current Assets	27,092	25,656	720	53,468	56,874
<i>Noncurrent Assets</i>					
Restricted Cash and Equity in Pooled Investments	5	-	-	5	63
Capital Assets					
Land and Land Rights	81	-	-	81	81
Buildings and Improvements	2,528	-	-	2,528	3,086
Less Accumulated Depreciation	(660)	-	-	(660)	(61)
Machinery and Equipment	118,585	24,583	3,790	146,958	143,755
Less Accumulated Depreciation	(59,991)	(16,254)	(3,708)	(79,953)	(78,653)
Construction in Progress	247	3,224	-	3,471	3,631
Total Noncurrent Assets	60,795	11,553	82	72,430	71,902
Total Assets	87,887	37,209	802	125,898	128,776
LIABILITIES					
<i>Current Liabilities</i>					
Accounts Payable	2,413	1,370	183	3,966	3,830
Salaries, Benefits, and Payroll Taxes Payable	878	731	353	1,962	1,664
Contracts Payable	13	35	-	48	97
Due to Other Funds	1,058	400	44	1,502	4,587
Interest Payable	5	74	-	79	103
Taxes Payable	20	3	(2)	21	1
Current Portion of Long-Term Debt					
General Obligation Bonds Due Within One Year	200	750	-	950	1,101
Contracts Payable	-	348	-	348	246
Claims Payable	379	18	55	452	473
Compensated Absences Payable	122	136	50	308	274
Deferred Credits	-	-	-	-	115
Total Current Liabilities	5,088	3,865	683	9,636	12,491
<i>Noncurrent Liabilities</i>					
Advances from Other Funds	-	-	4,600	4,600	5,200
Compensated Absences Payable	1,500	1,034	456	2,990	2,878
Claims Payable	783	37	240	1,060	990
Vendor and Other Deposits Payable	5	-	-	5	63
General Obligation Bonds, Due Serially	200	3,205	-	3,405	4,506
Less Bonds Due Within One Year	(200)	(750)	-	(950)	(1,101)
Bond Discount and Premium	-	110	-	110	141
Contracts Payable	-	743	-	743	810
Other Noncurrent Liabilities	37	799	-	836	1,178
Total Noncurrent Liabilities	2,325	5,178	5,296	12,799	14,665
Total Liabilities	7,413	9,043	5,979	22,435	27,156
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	60,591	8,238	82	68,911	67,192
Unrestricted	19,885	19,927	(5,259)	34,553	34,428
Total Net Assets	\$ 80,476	\$ 28,165	\$ (5,177)	\$ 103,464	\$ 101,620

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**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2004
(In Thousands)**

	Fleets and Facilities	Information Technology	Engineering Services	Comparative Totals	
				2004	2003
OPERATING REVENUES					
Charges for Services	\$ 19,530	\$ 25,798	\$ 7,128	\$ 52,456	\$ 53,409
Rents, Parking, and Concessions	43,079	-	-	43,079	42,966
Total Operating Revenues	62,609	25,798	7,128	95,535	96,375
OPERATING EXPENSES					
Operations and Maintenance	44,918	24,615	-	69,533	67,303
Engineering Services	-	-	5,747	5,747	7,549
General and Administrative	4,135	3,422	607	8,164	7,354
City Business and Occupation Taxes	20	-	-	20	12
Other Taxes	196	10	-	206	213
Depreciation and Amortization	10,334	2,630	66	13,030	13,035
Total Operating Expenses	59,603	30,677	6,420	96,700	95,466
Operating Income (Loss)	3,006	(4,879)	708	(1,165)	909
NONOPERATING REVENUES (EXPENSES)					
Investment and Interest Income	361	299	(2)	658	960
Interest Expense	(21)	(190)	-	(211)	(286)
Amortization of Debt Costs	-	-	-	-	(7)
Gain (Loss) on Sale of Capital Assets	(103)	(5)	-	(108)	(830)
Others, Net	114	303	2	419	520
Total Nonoperating Revenues (Expenses)	351	407	-	758	357
Income (Loss) Before Contributions, Grants, and Transfers	3,357	(4,472)	708	(407)	1,266
Operating Contributions and Grants	100	741	-	841	110
Transfers In	2,036	5,967	-	8,003	9,141
Transfers Out	(6,593)	-	-	(6,593)	(4,104)
Change in Net Assets	(1,100)	2,236	708	1,844	6,413
Total Net Assets -Beginning of Year	81,576	25,929	(5,885)	101,620	95,207
Total Net Assets - End of Year	\$ 80,476	\$ 28,165	\$ (5,177)	\$ 103,464	\$ 101,620

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2004

(In Thousands)

	Fleets and Facilities	Information Technology	Engineering Services	Comparative Totals	
				2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Customers	\$ 63,649	\$ 28,173	\$ 7,295	\$ 99,117	\$ 96,440
Cash Paid to Suppliers	(28,901)	(12,872)	(9,288)	(51,061)	(33,612)
Cash Paid to Employees	(22,014)	(15,759)	2,833	(34,940)	(45,741)
Cash Paid for Taxes	(196)	(6)	(3)	(205)	(19)
Net Cash from Operating Activities	12,538	(464)	837	12,911	17,068
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Proceeds of Interfund Advances	-	-	-	-	5,200
Payment of Interfund Advances	-	-	(600)	(600)	(5,950)
Interest Paid on Interfund Advances	-	-	-	-	-
Operating Grants and Contributions Received	100	741	-	841	109
Transfers In	2,036	5,967	-	8,003	9,142
Transfers Out	(6,593)	-	-	(6,593)	(4,105)
Net Cash from Noncapital Financing Activities	(4,457)	6,708	(600)	1,651	4,396
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal Payments on Long-Term Debt	(386)	(715)	-	(1,101)	(1,466)
Capital Fees and Grants Received	-	-	-	-	-
Capital Expenditures and Deferred Charges Paid	(10,335)	(3,248)	(33)	(13,616)	(16,501)
Interest Paid on Long-Term Debt	(29)	(237)	-	(266)	(318)
Other	11	(5)	-	6	-
Net Cash from Capital and Related Financing Activities	(10,739)	(4,205)	(33)	(14,977)	(18,285)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and Investment Income Received	361	299	(2)	658	960
Net Increase (Decrease) in Cash and Equity in Pooled Investments	(2,297)	2,338	202	243	4,139
CASH AND EQUITY IN POOLED INVESTMENTS					
Beginning of Year	23,803	18,805	138	42,746	38,607
End of Year	\$ 21,506	\$ 21,143	\$ 340	\$ 42,989	\$ 42,746
CASH AT THE END OF THE YEAR CONSISTS OF					
Current Assets Cash and Equity in Pooled Investments	\$ 21,501	\$ 21,143	\$ 340	\$ 42,984	\$ 42,683
Restricted Cash and Equity in Pooled Investments	5	-	-	5	63
Total Cash at the End of the Year	\$ 21,506	\$ 21,143	\$ 340	\$ 42,989	\$ 42,746

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COMBINING STATEMENT OF CASH FLOWS

Page 2 of 2

INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2004

(In Thousands)

	<u>Fleets and Facilities</u>	<u>Information Technology</u>	<u>Engineering Services</u>	<u>Comparative Totals</u>	
				<u>2004</u>	<u>2003</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 3,006	\$ (4,878)	\$ 708	\$ (1,164)	\$ 742
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities					
Depreciation and Amortization	10,334	2,630	66	13,030	13,035
Changes in Operating Assets and Liabilities					
Accounts Receivable	8	(15)	5	(2)	132
Unbilled Receivables	-	-	2	2	31
Due from Other Funds	945	1,773	179	2,897	(257)
Due from Other Governments	166	617	(19)	764	797
Materials and Supplies Inventory	83	(158)	-	(75)	75
Accounts Payable	692	(597)	40	135	(2,616)
Salaries, Benefits, and Payroll Taxes Payable	78	169	49	296	175
Compensated Absences Payable	19	97	28	144	105
Due to Other Funds	(2,692)	(88)	(185)	(2,965)	2,187
Claims Payable	86	(11)	(25)	50	512
Contracts Payable	(84)	-	-	(84)	262
Taxes Payable	-	3	(3)	-	1
Deferred Credits	(78)	-	-	(78)	43
Other Assets and Liabilities	(25)	(6)	(8)	(39)	1,844
Total Adjustments	<u>9,532</u>	<u>4,414</u>	<u>129</u>	<u>14,075</u>	<u>16,326</u>
Net Cash from Operating Activities	<u>\$ 12,538</u>	<u>\$ (464)</u>	<u>\$ 837</u>	<u>\$ 12,911</u>	<u>\$ 17,068</u>

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FIDUCIARY FUNDS

PENSION TRUST FUNDS

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

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

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

AGENCY FUNDS

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

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

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

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

The **Residual Cash Investment Fund** receives cash available for investment from all funds. The common investment portfolio is managed by the Department of Executive Administration, Accounting/Treasury Services, which prorates the interest earnings and changes in fair value and transfers them to participating funds based on Ordinance 110749 and subsequent updates.

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**COMBINING STATEMENT OF NET ASSETS
PENSION TRUST FUNDS
December 31, 2004
(In Thousands)**

	Employees' Retirement	Firemen's Pension	Police Relief and Pension	Comparative Totals	
				2004	2003
ASSETS					
Cash and Equity in Pooled Investments	\$ 19,813	\$ 6,982	\$ 4,427	\$ 31,222	\$ 18,400
Short-Term Investments	26,378	-	-	26,378	33,057
Securities Lending Collateral	239,087	-	-	239,087	148,227
Investments at Fair Value					
U.S. Government Obligations	223,189	451	-	223,640	179,787
Domestic Corporate Bonds	104,046	-	-	104,046	138,206
Domestic Stocks	826,132	-	-	826,132	753,245
International Stocks	182,679	-	-	182,679	172,921
International Bonds	5	-	-	5	11
Mortgages	-	-	-	-	53
Real Estate	145,772	-	-	145,772	114,774
Alternative/Venture Capital	155,977	-	-	155,977	126,301
Total Investments at Fair Value	1,637,800	451	-	1,638,251	1,485,298
Receivables					
Employer - Due from Other Funds	33	11	-	44	130
Employer - Other	3,576	-	-	3,576	478
Employee	1,459	-	-	1,459	1,916
Interest and Dividends	2,936	2	-	2,938	2,754
Total Receivables	8,004	13	-	8,017	5,278
Equipment, at Cost, Net of Accumulated Depreciation	4	-	-	4	7
Total Assets	1,931,086	7,446	4,427	1,942,959	1,690,267
LIABILITIES					
Refunds Payable and Other - Due to Other Funds	683	8	29	720	668
Refunds Payable and Other - Other	6,851	1,218	2,646	10,715	8,259
Securities Lending Collateral	239,087	-	-	239,087	148,227
Total Liabilities	246,621	1,226	2,675	250,522	157,154
Net Assets Held in Trust for Pension Benefits	\$ 1,684,465	\$ 6,220	\$ 1,752	\$ 1,692,437	\$ 1,533,113

**COMBINING STATEMENT OF CHANGES
IN PLAN NET ASSETS
PENSION TRUST FUNDS
For the Year Ended December 31, 2004
(In Thousands)**

	Employees' Retirement	Defined Benefit Firemen's Pension	Police Relief and Pension
ADDITIONS			
Contributions			
Employer	\$ 36,819	\$ -	\$ 8,244
Plan Member	37,192	-	-
Taxes and Other	3	9,315	-
Total Contributions	74,014	9,315	8,244
Investment Income (Loss)			
From Investment Activities			
Net Appreciation (Depreciation) in Fair Value of Investments	155,561	(53)	-
Interest	12,969	130	-
Dividends	6,007	-	-
Total Investment Activities Income (Loss)	174,537	77	-
Investment Activities Expenses			
Investment Management Fees	2,916	-	-
Performance Measurement Fees	85	-	-
Investment Custodial Fees	212	-	-
Total Investment Activities Expenses	3,213	-	-
Net Income (Loss) from Investment Activities	171,324	77	-
From Securities Lending Activities			
Securities Lending Income	2,674	-	-
Securities Lending Expenses			
Borrower Rebates	2,060	-	-
Management Fees	153	-	-
Total Securities Lending Expenses	2,213	-	-
Net Income (Loss) from Securities Lending Activities	461	-	-
Total Net Investment Income (Loss)	171,785	77	-
Total Additions	245,799	9,392	8,244
DEDUCTIONS			
Benefits	77,289	7,609	6,954
Refund of Contributions	9,792	-	-
Administrative Expense	1,762	365	338
Transfers Out	2	-	-
Total Deductions	88,845	7,974	7,292
Change in Net Assets	156,954	1,418	952
Net Assets - Beginning of Year	1,527,511	4,802	800
Net Assets - End of Year	\$ 1,684,465	\$ 6,220	\$ 1,752

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**COMBINING STATEMENT OF CHANGES
IN PLAN NET ASSETS
PENSION TRUST FUNDS
For the Year Ended December 31, 2004
(In Thousands)**

	<u>Postemployment Healthcare</u>		<u>Comparative Totals</u>	
	<u>Firemen's Pension</u>	<u>Police Relief and Pension</u>	<u>2004</u>	<u>2003</u>
ADDITIONS				
Contributions				
Employer	\$ -	\$ 7,613	\$ 52,676	\$ 49,387
Plan Member	-	-	37,192	36,243
Taxes and Other	7,269	-	16,587	15,879
Total Contributions	7,269	7,613	106,455	101,509
Investment Income (Loss)				
From Investment Activities				
Net Appreciation (Depreciation) in Fair Value of Investments	-	-	155,508	268,377
Interest	-	-	13,099	18,117
Dividends	-	-	6,007	7,727
Total Investment Activities Income (Loss)	-	-	174,614	294,221
Investment Activities Expenses				
Investment Management Fees	-	-	2,916	3,202
Performance Measurement Fees	-	-	85	94
Investment Custodial Fees	-	-	212	374
Total Investment Activities Expenses	-	-	3,213	3,670
Net Income (Loss) from Investment Activities	-	-	171,401	290,551
From Securities Lending Activities				
Securities Lending Income	-	-	2,674	2,121
Securities Lending Expenses				
Borrower Rebates	-	-	2,060	1,403
Management Fees	-	-	153	167
Total Securities Lending Expenses	-	-	2,213	1,570
Net Income (Loss) from Securities Lending Activities	-	-	461	551
Total Net Investment Income (Loss)	-	-	171,862	291,102
Total Additions	7,269	7,613	278,317	392,611
DEDUCTIONS				
Benefits	7,269	7,613	106,734	101,722
Refund of Contributions	-	-	9,792	13,218
Administrative Expense	-	-	2,465	2,593
Transfers Out	-	-	2	3
Total Deductions	7,269	7,613	118,993	117,536
Change in Net Assets	-	-	159,324	275,075
Net Assets - Beginning of Year	-	-	1,533,113	1,258,038
Net Assets - End of Year	\$ -	\$ -	\$ 1,692,437	\$ 1,533,113

G-3 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 Page 1 of 2 AGENCY FUNDS
 For the Year Ended December 31, 2004
 (In Thousands)

	Balance January 1	Additions	Deductions	Balance December 31
GUARANTY DEPOSITS FUND				
<i>Assets</i>				
Cash	\$ 3,804	\$ 8,122	\$ 8,094	\$ 3,832
Total Assets	<u>\$ 3,804</u>	<u>\$ 8,122</u>	<u>\$ 8,094</u>	<u>\$ 3,832</u>
<i>Liabilities</i>				
Accounts Payable	\$ -	\$ 26	\$ -	\$ 26
Deposits Payable	3,804	8,125	8,123	3,806
Total Liabilities	<u>\$ 3,804</u>	<u>\$ 8,151</u>	<u>\$ 8,123</u>	<u>\$ 3,832</u>
PAYROLL WITHHOLDING FUND				
<i>Assets</i>				
Cash	\$ 1,324	\$ 172,132	\$ 172,552	\$ 904
Due From Other Funds	523	543	523	543
Total Assets	<u>\$ 1,847</u>	<u>\$ 172,675</u>	<u>\$ 173,075</u>	<u>\$ 1,447</u>
<i>Liabilities</i>				
Accounts Payable	\$ -	\$ 168,119	\$ 168,025	\$ 94
Due to Other Funds	31	-	31	-
Salaries, Benefits, and Payroll Taxes Payable	1,674	90,126	90,594	1,206
Claims/Judgments Payable	142	12	7	147
Total Liabilities	<u>\$ 1,847</u>	<u>\$ 258,257</u>	<u>\$ 258,657</u>	<u>\$ 1,447</u>
SALARY FUND				
<i>Assets</i>				
Cash	\$ 63	\$ 443,837	\$ 443,829	\$ 71
Total Assets	<u>\$ 63</u>	<u>\$ 443,837</u>	<u>\$ 443,829</u>	<u>\$ 71</u>
<i>Liabilities</i>				
Accounts Payable	\$ -	\$ 809,822	\$ 809,822	\$ -
Salaries, Benefits, and Payroll Taxes Payable	63	10,466	10,458	71
Total Liabilities	<u>\$ 63</u>	<u>\$ 820,288</u>	<u>\$ 820,280</u>	<u>\$ 71</u>
VOUCHER FUND				
<i>Assets</i>				
Cash	\$ 2	\$ 2,177,308	\$ 2,177,308	\$ 2
Total Assets	<u>\$ 2</u>	<u>\$ 2,177,308</u>	<u>\$ 2,177,308</u>	<u>\$ 2</u>
<i>Liabilities</i>				
Accounts Payable	\$ 2	\$ 2,177,308	\$ 2,177,308	\$ 2
Total Liabilities	<u>\$ 2</u>	<u>\$ 2,177,308</u>	<u>\$ 2,177,308</u>	<u>\$ 2</u>

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COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Page 2 of 2

AGENCY FUNDS

For the Year Ended December 31, 2004

(In Thousands)

	Balance January 1	Additions	Deductions	Balance December 31
RESIDUAL CASH INVESTMENT FUND				
<i>Assets</i>				
Cash and Equity in Pooled Investments	\$ (1,600)	\$ 32,717	\$ 33,277	\$ (2,160)
Interest Receivable	2,792	4,969	4,316	3,445
Due from Other Funds	1	264	227	38
	<u>\$ 1,193</u>	<u>\$ 37,950</u>	<u>\$ 37,820</u>	<u>\$ 1,323</u>
Total Assets				
<i>Liabilities</i>				
Due to Other Funds	\$ 1,193	\$ 1,745	\$ 1,615	\$ 1,323
Total Liabilities	<u>\$ 1,193</u>	<u>\$ 1,745</u>	<u>\$ 1,615</u>	<u>\$ 1,323</u>
TOTALS - ALL AGENCY FUNDS				
<i>Assets</i>				
Cash and Equity in Pooled Investments	\$ 3,593	\$ 2,834,116	\$ 2,835,060	\$ 2,649
Interest Receivable	2,792	4,969	4,316	3,445
Due from Other Funds	524	807	750	581
	<u>\$ 6,909</u>	<u>\$ 2,839,892</u>	<u>\$ 2,840,126</u>	<u>\$ 6,675</u>
Total Assets				
<i>Liabilities</i>				
Accounts Payable	\$ 2	\$ 3,155,275	\$ 3,155,155	\$ 122
Due to Other Funds	1,224	1,745	1,646	1,323
Salaries, Benefits, and Payroll Taxes Payable	1,737	100,592	101,052	1,277
Deposits Payable	3,804	8,125	8,123	3,806
Claims/Judgments Payable	142	12	7	147
	<u>\$ 6,909</u>	<u>\$ 3,265,749</u>	<u>\$ 3,265,983</u>	<u>\$ 6,675</u>
Total Liabilities				

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Budget and Actual Schedules

Budget and Actual Schedules

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GENERAL FUND

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SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES ON A BUDGETARY BASIS (NON-GAAP) COMPARED TO BUDGET For the Year Ended December 31, 2004

(In Thousands)

	2004 Budget		Actual Expenditures	Unexpended Balances		
	Original	Final		Outstanding Encumbrances	Appropriations	
				Continuing	Lapsed	
EXPENDITURES						
ARTS AND CULTURAL AFFAIRS	\$ 2,826	\$ 2,826	\$ 2,470	\$ 355	\$ -	\$ 1
CITY AUDITOR	1,116	1,097	1,044	47	-	6
CIVIL SERVICE COMMISSION	159	163	154	-	-	9
CRIMINAL JUSTICE						
Indigent Defense Services	6,794	5,169	4,949	-	-	220
Jail Services	14,169	13,207	11,632	-	-	1,575
Total Criminal Justice	20,963	18,376	16,581	-	-	1,795
ETHICS AND ELECTIONS	564	554	439	-	-	115
EXECUTIVE						
Intergovernmental Relations	1,547	1,525	1,344	60	-	121
Sustainability and Environment	583	574	446	122	-	6
Mayor's Office	2,345	2,308	2,276	-	-	32
Economic Development	9,996	9,914	6,427	2,899	30	558
Civil Rights	2,132	2,325	1,793	57	473	2
Policy and Management	2,429	2,369	2,045	214	86	24
Total Department	19,032	19,015	14,331	3,352	589	743
EXECUTIVE ADMINISTRATION						
Executive Management	2,080	1,985	1,935	16	25	9
Financial Services	7,400	6,958	6,869	-	-	89
Business Technology	9,595	9,788	9,712	65	-	11
Revenue and Consumer Affairs	3,903	3,860	3,733	41	-	86
Animal Control	2,485	2,523	2,512	-	-	11
Contracting	3,703	3,533	3,351	96	16	70
Total Department	29,166	28,647	28,112	218	41	276
FINANCE	4,216	4,097	3,495	60	400	142
FINANCE GENERAL						
Appropriations to Special Purpose Funds	4,228	3,749	3,711	-	-	38
Reserves	12,407	16,694	15,807	558	315	14
Support to Operating Funds	17,959	17,975	17,974	-	-	1
Transferred Programs	50	50	50	-	-	-
Total Finance General	34,644	38,468	37,542	558	315	53

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
ON A BUDGETARY BASIS (NON-GAAP) COMPARED TO BUDGET
For the Year Ended December 31, 2004

(In Thousands)

	2004 Budget		Actual Expenditures	Unexpended Balances		
	Original	Final		Outstanding Encumbrances	Appropriations	
					Continuing	Lapsed
FIRE						
Resource Management	\$ 10,175	\$ 16,339	\$ 13,932	\$ 893	\$ 1,512	\$ 2
Employee Development	2,010	1,916	1,909	3	-	4
Operations	96,417	99,257	97,069	157	1,700	331
Fire Prevention	5,888	5,469	5,400	3	-	66
Total Department	114,490	122,981	118,310	1,056	3,212	403
HEARING EXAMINER	493	484	434	25	18	7
LAW						
Administration	1,200	1,200	1,193	-	-	7
Civil Law	6,551	6,704	6,701	-	-	3
Criminal Prosecution	4,862	5,118	5,019	-	99	-
Total Department	12,613	13,022	12,913	-	99	10
LEGISLATIVE	8,960	9,309	8,009	635	122	543
MUNICIPAL COURT						
Court Operations	10,984	11,064	11,036	24	-	4
Corporate Services	4,613	4,200	3,929	261	-	10
Court Compliance	4,128	4,122	4,092	-	-	30
Total Department	19,725	19,386	19,057	285	-	44
NEIGHBORHOODS						
Administration and Historic Preservation	2,525	2,397	2,229	166	-	2
Customer Service	1,783	1,963	1,860	14	88	1
Community Building	2,239	2,181	1,941	65	174	1
Research and Prevention	686	560	533	25	-	2
Office for Education	815	849	611	237	-	1
Total Department	8,048	7,950	7,174	507	262	7
PERSONNEL						
Employment and Training	2,512	2,294	2,137	51	40	66
Employee Health Services	2,903	3,049	2,620	230	198	1
Citywide Personnel	3,307	3,303	2,920	240	141	2
Labor Relations and Class Compensation	2,901	2,641	2,475	48	29	89
Total Department	11,623	11,287	10,152	569	408	158

Budget and Actual Schedules

H-1

GENERAL FUND

Page 3 of 4

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES ON A BUDGETARY BASIS (NON-GAAP) COMPARED TO BUDGET

For the Year Ended December 31, 2004

(In Thousands)

	2004 Budget		Actual Expenditures	Unexpended Balances		
	Original	Final		Outstanding Encumbrances	Appropriations	
				Continuing	Lapsed	
POLICE						
Chief of Police	\$ 4,412	\$ 16,096	\$ 5,769	\$ 1,914	\$ 8,347	\$ 66
Professional Accountability	1,330	1,330	1,312	-	-	18
Deputy Chief Administration	19,756	19,823	19,477	85	15	246
Deputy Chief Operations	4,217	4,105	3,700	258	-	147
Education and Training	3,842	3,842	3,674	67	3	98
Emergency Preparedness Administration	199	199	198	-	-	1
Emergency Management Operations	1,139	1,286	1,173	44	51	18
Field Support	432	383	376	-	-	7
Patrol Operations Administration	1,087	1,737	1,073	3	613	48
West Precinct Patrol	20,212	19,994	19,599	16	-	379
North Precinct Patrol	19,998	19,998	19,594	-	67	337
Metro Special Response	8,742	9,363	9,251	5	-	107
South Precinct Patrol	10,555	10,555	10,379	4	-	172
East Precinct Patrol	15,058	15,058	14,571	-	-	487
Southwest Precinct Patrol	10,406	10,406	10,042	-	-	364
Traffic Enforcement	12,018	12,027	11,981	15	18	13
Criminal Investigation Administration	4,142	4,278	4,022	20	-	236
Violent Crimes Investigations	7,122	7,122	6,807	4	-	311
Narcotics Investigations	3,131	3,626	3,197	-	-	429
Special Investigations	2,135	2,679	1,964	-	502	213
Communications Program	9,864	9,854	9,702	-	-	152
Information Technology	6,195	5,820	5,104	32	664	20
Data Center and Public Requests	2,934	2,948	2,937	3	-	8
Gender and Age Crime Investigations	4,421	4,460	3,755	-	17	688
Homeland Security	3,666	3,832	3,744	-	-	88
Records Files	2,705	2,679	2,263	-	-	416
Total Department	179,718	193,500	175,664	2,470	10,297	5,069
PUBLIC HEALTH						
Health Care for the Homeless	784	784	784	-	-	-
Oral Health	158	158	158	-	-	-
Primary Care	5,306	5,306	5,305	-	-	1
School Age Health	527	527	527	-	-	-
Budget and Financial Planning	75	75	75	-	-	-
Alcohol and Other Drugs	1,052	1,019	1,019	-	-	-
Chemical and Physical Hazards	58	167	106	-	-	61
Health Care Access	265	265	265	-	-	-
Methadone Vouchers	331	331	331	-	-	-
Asthma	175	65	65	-	-	-
Family Support Services	671	574	574	-	-	-
HIV/AIDS	653	653	653	-	-	-
Tuberculosis Control	199	199	199	-	-	-
Total Public Health	10,254	10,123	10,061	-	-	62

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
ON A BUDGETARY BASIS (NON-GAAP) COMPARED TO BUDGET
For the Year Ended December 31, 2004

(In Thousands)

	2004 Budget		Actual Expenditures	Unexpended Balances		
	Original	Final		Outstanding Encumbrances	Appropriations	
					Continuing	Lapsed
PUBLIC SAFETY CIVIL SERVICE COMMISSION	\$ 124	\$ 122	\$ 112	\$ -	\$ -	\$ 10
TRANSPORTATION	2,519	1,157	-	-	1,157	-
JUDGMENTS/CLAIMS						
Judgments and Claims	8,805	8,805	6,946	-	-	1,859
Police Actions	2,195	2,195	2,190	-	-	5
Total Judgments/Claims	11,000	11,000	9,136	-	-	1,864
CUMULATIVE RESERVE						
Real Estate Excise Tax I	11,746	10,470	2,998	1,226	6,246	-
Real Estate Excise Tax II	16,694	15,891	8,264	739	6,898	(10)
Unrestricted	6,961	8,817	3,638	216	4,961	2
South Lake Union Property	299	299	7	-	292	-
Total Cumulative Reserve	35,700	35,477	14,907	2,181	18,397	(8)
NEIGHBORHOOD MATCHING	9,158	8,691	3,728	1,474	2,945	544
CITY HALL	10,168	10,802	10,802	-	-	-
POLICE SUPPORT FACILITY	973	1,550	1,521	-	29	-
EMERGENCY	95	93	46	-	47	-
STREET VACATION COMPENSATION	150	-	-	-	-	-
SPECIAL EMPLOYMENT	15,278	8,350	1,448	-	-	6,902
INDUSTRIAL INSURANCE	12,870	701	437	5	-	259
UNEMPLOYMENT COMPENSATION	3,678	1,479	-	-	-	1,479
HEALTH CARE	95,551	19,239	4,667	-	-	14,572
GROUP TERM LIFE INSURANCE	946	452	372	-	-	80
Total Expenditures	676,820	600,398	513,118	13,797	38,338	35,145
OTHER FINANCING USES						
Transfers Out	211,954	220,140	216,007	-	-	4,133
Fund Totals	<u>\$ 888,774</u>	<u>\$ 820,538</u>	<u>\$ 729,125</u>	<u>\$ 13,797</u>	<u>\$ 38,338</u>	<u>\$ 39,278</u>

H-2

LOW-INCOME HOUSING FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
ON A BUDGETARY BASIS (NON-GAAP) COMPARED TO BUDGET
For the Year Ended December 31, 2004
(In Thousands)

	<u>2004 Budget</u>		<u>Actual</u> <u>Expenditures</u>	<u>Unexpended Balances</u>		
	<u>Original</u>	<u>Final</u>		<u>Outstanding</u> <u>Encumbrances</u>	<u>Appropriations</u>	
					<u>Continuing</u>	<u>Lapsed</u>
EXPENDITURES						
Homeownership and Sustainability	\$ 18,272	\$ 17,581	\$ 3,551	\$ 4,839	\$ 3,185	\$ 6,006
Multifamily	73,347	77,680	14,232	34,613	2,086	26,750
Management & Administration	<u>2,035</u>	<u>2,335</u>	<u>1,083</u>	<u>2</u>	<u>489</u>	<u>761</u>
Fund Totals	<u>\$ 93,654</u>	<u>\$ 97,596</u>	<u>\$ 18,866</u>	<u>\$ 39,454</u>	<u>\$ 5,760</u>	<u>\$ 33,516</u>

H-3

PARK AND RECREATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2004
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes	\$ 25,318	\$ 25,817	\$ 25,823	\$ 6
Licenses and Permits	747	747	739	(8)
Grants, Shared Revenues, and Contributions	263	263	260	(3)
Charges for Services	38,625	38,625	31,860	(6,765)
Fines and Forfeits	1,827	1,827	1,980	153
Parking Fees and Space Rent	3,870	3,893	2,267	(1,626)
Total Revenues	70,650	71,172	62,929	(8,243)
EXPENDITURES AND ENCUMBRANCES				
Current				
Culture and Recreation	106,551	105,563	102,786	2,777
Capital Outlay				
Culture and Recreation	2,724	2,641	424	2,217
Debt Service				
Principal	175	175	29	146
Interest	248	248	6	242
Total Expenditures and Encumbrances	109,698	108,627	103,245	5,382
Excess (Deficiency) of Revenues Over (Under) Expenditures and Encumbrances	(39,048)	(37,455)	(40,316)	(2,861)
OTHER FINANCING SOURCES (USES)				
Transfers In	35,228	33,733	38,715	4,982
Transfers Out	-	-	(423)	(423)
Total Other Financing Sources (Uses)	35,228	33,733	38,292	4,559
Net Change in Fund Balance	\$ (3,820)	\$ (3,722)	(2,024)	\$ 1,698
Fund Balance - Beginning of Year			(418)	
Encumbrances Continued from Last Year			1,820	
Changes in Unappropriable Reserves			(286)	
Fund Balance (Budgetary) - End of Year			(908)	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			699	
Encumbrances			837	
Ending Fund Balance - GAAP			\$ 628	

Budget and Actual Schedules

H-4

TRANSPORTATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2004
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Licenses and Permits	\$ 180	\$ 180	\$ 4,537	\$ 4,357
Grants, Shared Revenues, and Contributions	15,867	15,286	11,925	(3,361)
Charges for Services	38,833	38,953	20,394	(18,559)
Fines and Forfeits	-	-	3	3
Parking Fees and Space Rent	16,941	19,172	12,076	(7,096)
	71,821	73,591	48,935	(24,656)
EXPENDITURES AND ENCUMBRANCES				
Current				
Transportation	98,515	99,964	87,828	12,136
Capital Outlay				
Transportation	63,356	62,505	12,956	49,549
Debt Service				
Principal	-	-	1,640	(1,640)
Interest	2,266	2,266	473	1,793
	164,137	164,735	102,897	61,838
Excess (Deficiency) of Revenues Over (Under) Expenditures and Encumbrances	(92,316)	(91,144)	(53,962)	37,182
OTHER FINANCING SOURCES (USES)				
Proceeds of Long-Term Debt	849	849	-	(849)
Transfers In	47,903	47,394	53,070	5,676
Transfers Out	-	(840)	(840)	-
	48,752	47,403	52,230	4,827
Net Change in Fund Balance	\$ (43,564)	\$ (43,741)	(1,732)	\$ 42,009
Fund Balance - Beginning of Year			8,203	
Encumbrances Continued from Last Year			2,583	
Fund Balance (Budgetary) - End of Year			9,054	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			2	
Encumbrances			423	
Reimbursements				
Pass-Through Grants			(61)	
Receipts Budgeted as Revenues			61	
Ending Fund Balance - GAAP			\$ 9,479	

H-5

LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2004
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and Permits	\$ 50	\$ 50	\$ -	\$ (50)
Grants, Shared Revenues, and Contributions	12,515	33,354	28,007	(5,347)
Charges for Services	295	295	125	(170)
Fines and Forfeits	560	560	669	109
Parking Fees and Space Rent	43	409	310	(99)
Total Revenues	<u>13,463</u>	<u>34,668</u>	<u>29,111</u>	<u>(5,557)</u>
EXPENDITURES AND ENCUMBRANCES				
Current				
Culture and Recreation	34,379	42,709	46,293	(3,584)
Capital Outlay				
Culture and Recreation	27,709	29,529	15,324	14,205
Debt Service				
Principal	30	25	3	22
Interest	7	5	3	2
Total Expenditures and Encumbrances	<u>62,125</u>	<u>72,268</u>	<u>61,623</u>	<u>10,645</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Encumbrances	(48,662)	(37,600)	(32,512)	5,088
OTHER FINANCING SOURCES (USES)				
Sales of Capital Assets	30	424	424	-
Transfers In	32,970	34,027	35,030	1,003
Total Other Financing Sources (Uses)	<u>33,000</u>	<u>34,451</u>	<u>35,454</u>	<u>1,003</u>
Net Change in Fund Balance	<u>\$ (15,662)</u>	<u>\$ (3,149)</u>	<u>2,942</u>	<u>\$ 6,091</u>
Fund Balance - Beginning of Year			385	
Encumbrances Continued from Last Year			3,376	
Changes in Unappropriable Reserves			<u>(6,409)</u>	
Fund Balance (Budgetary) - End of Year			294	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			9,111	
Encumbrances			<u>3,577</u>	
Ending Fund Balance - GAAP			<u>\$ 12,982</u>	

Budget and Actual Schedules

H-6

SEATTLE CENTER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2004
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes	\$ 1,664	\$ 1,664	\$ -	\$ (1,664)
Grants, Shared Revenues, and Contributions	-	-	15	15
Charges for Services	6,515	6,515	5,474	(1,041)
Parking Fees and Space Rent	17,418	17,418	16,245	(1,173)
Total Revenues	25,597	25,597	21,734	(3,863)
EXPENDITURES AND ENCUMBRANCES				
Current				
Culture and Recreation	27,556	28,156	27,920	236
Capital Outlay				
Culture and Recreation	39	39	82	(43)
Debt Service				
Interest	-	-	1	(1)
Total Expenditures and Encumbrances	27,595	28,195	28,003	192
Excess (Deficiency) of Revenues Over (Under) Expenditures and Encumbrances	(1,998)	(2,598)	(6,269)	(3,671)
OTHER FINANCING SOURCES (USES)				
Transfers In	8,632	8,632	9,958	1,326
Transfers Out	(6,460)	(6,460)	(6,320)	140
Total Other Financing Sources (Uses)	2,172	2,172	3,638	1,466
Net Change in Fund Balance	\$ 174	\$ (426)	(2,631)	\$ (2,205)
Fund Balance - Beginning of Year			(7,205)	
Encumbrances Continued from Last Year			52	
Fund Balance (Budgetary) - End of Year			(9,784)	
Adjustments to Conform to Generally Accepted Accounting Principles				
Encumbrances			117	
Ending Fund Balance - GAAP			\$ (9,667)	

H-7

HUMAN SERVICES OPERATING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2004
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes	\$ (429)	\$ (429)	\$ 429	\$ 858
Grants, Shared Revenues, and Contributions	11,295	11,295	73,068	61,773
Charges for Services	-	-	1,441	1,441
Fines and Forfeits	-	-	2	2
Parking Fees and Space Rent	-	-	535	535
Total Revenues	10,866	10,866	75,475	64,609
EXPENDITURES AND ENCUMBRANCES				
Current				
General Government	4,032	4,351	4,002	349
Public Safety	3,064	3,112	2,775	337
Economic Environment	35,832	37,071	34,894	2,177
Health and Human Services	55,201	56,965	57,195	(230)
Capital Outlay				
Public Safety	270	270	-	270
Economic Environment	1,751	1,751	-	1,751
Health and Human Services	516	516	-	516
Total Expenditures and Encumbrances	100,666	104,036	98,866	5,170
Excess (Deficiency) of Revenues Over (Under) Expenditures and Encumbrances	(89,800)	(93,170)	(23,391)	69,779
OTHER FINANCING SOURCES (USES)				
Sales of Capital Assets	-	-	228	228
Transfers In	420	420	23,541	23,121
Total Other Financing Sources (Uses)	420	420	23,769	23,349
Net Change in Fund Balance	\$ (89,380)	\$ (92,750)	378	\$ 93,128
Fund Balance - Beginning of Year			2,948	
Fund Balance (Budgetary) - End of Year			3,326	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reimbursements				
Pass-Through Grants			(60,313)	
Receipts Budgeted as Revenues			60,313	
Ending Fund Balance - GAAP			\$ 3,326	

H-8

OFFICE OF HOUSING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2004
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Grants, Shared Revenues, and Contributions	\$ 876	\$ 876	\$ 689	\$ (187)
Charges for Services	2,770	2,770	2,033	(737)
Total Revenues	3,646	3,646	2,722	(924)
EXPENDITURES AND ENCUMBRANCES				
Current				
Economic Environment	3,628	3,628	2,782	846
Net Change in Fund Balance	\$ 18	\$ 18	(60)	\$ (78)
Fund Balance - Beginning of Year			122	
Encumbrances Continued from Last Year			16	
Fund Balance (Budgetary) - End of Year			78	
Adjustments to Conform to Generally Accepted Accounting Principles				
Encumbrances			139	
Ending Fund Balance - GAAP			\$ 217	

H-9

PARK AND RECREATION FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
ON A BUDGETARY BASIS (NON-GAAP) COMPARED TO BUDGET
For the Year Ended December 31, 2004
(In Thousands)

	<u>2004 Budget</u>		<u>Actual</u> <u>Expenditures</u>	<u>Unexpended Balances</u>		
	<u>Original</u>	<u>Final</u>		<u>Outstanding</u> <u>Encumbrances</u>	<u>Appropriations</u>	
					<u>Continuing</u>	<u>Lapsed</u>
EXPENDITURES						
Gasworks Park Contamination Remediation	\$ 777	\$ 777	\$ 170	\$ 170	\$ 608	\$ (171)
South Lake Union Wharf	13	13	-	-	13	-
Citywide Programs and Scheduling	10,071	10,040	9,452	100	20	468
Community Centers	11,185	11,106	10,273	53	58	722
Swimming, Boating, and Aquatics	6,513	6,565	6,548	16	-	1
Facility and Structure Maintenance	10,948	10,841	10,675	-	166	-
Park Cleaning, Landscaping, and Restoration	25,376	25,609	25,501	14	-	94
Seattle Conservation Corps	4,270	3,908	3,227	-	-	681
Seattle Aquarium	6,378	6,679	6,283	76	219	101
Woodland Park Zoo	8,756	7,916	7,109	163	-	644
Acquisition and Property Management	1,497	1,482	1,429	-	-	53
Planning, Engineering, and Development	6,459	6,363	5,797	-	-	566
Judgment and Claims	778	778	778	-	-	-
Finance and Administration	8,006	7,364	6,700	239	307	118
Policy Direction and Leadership	863	935	914	-	-	21
Golf	7,809	8,252	7,552	6	-	-
Total Expenditures	109,699	108,628	102,408	837	1,391	3,298
OTHER FINANCING USES						
Transfers Out	-	-	423	-	-	(423)
Fund Totals	<u>\$ 109,699</u>	<u>\$ 108,628</u>	<u>\$ 102,831</u>	<u>\$ 837</u>	<u>\$ 1,391</u>	<u>\$ 2,875</u>

Budget and Actual Schedules

H-10

TRANSPORTATION FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
ON A BUDGETARY BASIS (NON-GAAP) COMPARED TO BUDGET
For the Year Ended December 31, 2004
(In Thousands)

	<u>2004 Budget</u>		<u>Actual</u> <u>Expenditures</u>	<u>Unexpended Balances</u>		
	<u>Original</u>	<u>Final</u>		<u>Outstanding</u> <u>Encumbrances</u>	<u>Appropriations</u>	
					<u>Continuing</u>	<u>Lapsed</u>
EXPENDITURES						
Street Maintenance	\$ 19,993	\$ 19,993	\$ 17,878	\$ 22	\$ 480	\$ 1,614
Structure Management	8,787	9,224	4,783	43	4,272	126
Traffic Management	23,565	23,911	20,313	196	1,420	1,982
Traffic and Street Use Management	8,201	8,201	6,673	-	-	1,528
Neighborhood Traffic Services	1,071	1,046	573	-	336	137
Capital Projects Management	55,412	55,734	23,514	49	32,111	59
Policy, Planning, and Major Development	20,897	21,502	8,175	110	13,064	153
Urban Forestry	2,296	2,257	2,091	-	-	166
Resource Management	7,293	7,647	7,140	-	414	93
Department Management	3,304	3,281	2,486	2	-	792
General Expenses	<u>13,318</u>	<u>11,939</u>	<u>8,848</u>	<u>-</u>	<u>3,000</u>	<u>91</u>
Total Expenditures	164,137	164,734	102,474	423	55,096	6,741
OTHER FINANCING USES						
Transfers Out	<u>-</u>	<u>840</u>	<u>840</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Totals	<u>\$ 164,137</u>	<u>\$ 165,574</u>	<u>\$ 103,314</u>	<u>\$ 423</u>	<u>\$ 55,096</u>	<u>\$ 6,741</u>

H-11

LIBRARY FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
ON A BUDGETARY BASIS (NON-GAAP) COMPARED TO BUDGET
For the Year Ended December 31, 2004
(In Thousands)

	<u>2004 Budget</u>		<u>Actual</u> <u>Expenditures</u>	<u>Unexpended Balances</u>		
	<u>Original</u>	<u>Final</u>		<u>Outstanding</u> <u>Encumbrances</u>	<u>Appropriations</u>	
					<u>Continuing</u>	<u>Lapsed</u>
EXPENDITURES						
Library Projects	\$ 720	\$ 4,643	\$ 3,941	\$ 1,235	\$ (535)	\$ 2
Collections and Administration	14,741	14,945	14,638	159	11	137
Public Services	<u>21,763</u>	<u>22,103</u>	<u>21,491</u>	<u>25</u>	<u>586</u>	<u>1</u>
Fund Totals (Budgeted)	37,224	41,691	40,070	1,419	62	140
Trusts and Memorials	<u>24,901</u>	<u>30,578</u>	<u>17,976</u>	<u>2,158</u>	<u>10,445</u>	<u>(1)</u>
Fund Totals	<u>\$ 62,125</u>	<u>\$ 72,269</u>	<u>\$ 58,046</u>	<u>\$ 3,577</u>	<u>\$ 10,507</u>	<u>\$ 139</u>

H-12

SEATTLE CENTER FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
ON A BUDGETARY BASIS (NON-GAAP) COMPARED TO BUDGET
For the Year Ended December 31, 2004
(In Thousands)

	<u>2004 Budget</u>		<u>Actual</u> <u>Expenditures</u>	<u>Unexpended Balances</u>		
	<u>Original</u>	<u>Final</u>		<u>Outstanding</u> <u>Encumbrances</u>	<u>Appropriations</u>	
					<u>Continuing</u>	<u>Lapsed</u>
EXPENDITURES						
Nation's Best Gathering Place	\$ 10,499	\$ 10,754	\$ 10,741	\$ 10	\$ -	\$ 3
Cultural/Community Heart	5,549	6,142	6,027	6	-	109
Financially Successful	6,876	6,268	6,176	89	-	3
Great Place to Work	1,075	1,182	1,137	-	-	45
Administration	<u>3,596</u>	<u>3,847</u>	<u>3,805</u>	<u>12</u>	<u>-</u>	<u>30</u>
Total Expenditures	27,595	28,193	27,886	117	-	190
OTHER FINANCING USES						
Transfers Out	<u>6,460</u>	<u>6,460</u>	<u>6,320</u>	<u>-</u>	<u>-</u>	<u>140</u>
Fund Totals	<u>\$ 34,055</u>	<u>\$ 34,653</u>	<u>\$ 34,206</u>	<u>\$ 117</u>	<u>\$ -</u>	<u>\$ 330</u>

H-13

**HUMAN SERVICES OPERATING FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 ON A BUDGETARY BASIS (NON-GAAP) COMPARED TO BUDGET
 For the Year Ended December 31, 2004
 (In Thousands)**

	<u>2004 Budget</u>		<u>Actual</u>	<u>Unexpended Balances</u>		
	<u>Original</u>	<u>Final</u>		<u>Expenditures</u>	<u>Outstanding</u>	<u>Appropriations</u>
				<u>Encumbrances</u>	<u>Continuing</u>	<u>Lapsed</u>
EXPENDITURES						
Children, Youth, and Family Development	\$ 20,964	\$ 20,851	\$ 18,385	\$ -	\$ 774	\$ 1,692
Community Services	17,857	18,581	17,163	-	678	740
Domestic Violence	2,094	2,772	2,121	-	39	612
Leadership and Administration	4,032	4,351	4,002	-	14	335
Aging and Disability Services	<u>55,719</u>	<u>57,481</u>	<u>57,195</u>	<u>-</u>	<u>263</u>	<u>23</u>
Fund Totals	<u>\$ 100,666</u>	<u>\$ 104,036</u>	<u>\$ 98,866</u>	<u>\$ -</u>	<u>\$ 1,768</u>	<u>\$ 3,402</u>

H-14

OFFICE OF HOUSING FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
ON A BUDGETARY BASIS (NON-GAAP) COMPARED TO BUDGET
For the Year Ended December 31, 2004
(In Thousands)

	<u>2004 Budget</u>		<u>Actual</u> <u>Expenditures</u>	<u>Unexpended Balances</u>		
	<u>Original</u>	<u>Final</u>		<u>Outstanding</u> <u>Encumbrances</u>	<u>Appropriations</u>	
					<u>Continuing</u>	<u>Lapsed</u>
EXPENDITURES						
Home Ownership and Sustainability	\$ 993	\$ 993	\$ 627	\$ 15	\$ 84	\$ 267
Multifamily	1,242	1,242	869	58	91	223
Community Development	63	63	34	27	-	2
Corporate Services	1,331	1,331	1,113	40	-	178
Fund Totals	<u>\$ 3,628</u>	<u>\$ 3,628</u>	<u>\$ 2,642</u>	<u>\$ 140</u>	<u>\$ 176</u>	<u>\$ 670</u>

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Capital Assets

I-1

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY SOURCE

December 31, 2004

(In Thousands)

	2004	2003
CAPITAL ASSETS		
Land	\$ 364,012	\$ 345,497
Buildings	1,166,701	962,625
Improvements Other than Buildings	394,235	312,818
Equipment	44,245	39,252
Infrastructure	837,430	813,149
Construction in Progress	209,053	358,805
Other Capital Assets	8,098	6,964
Total Capital Assets	\$ 3,023,774	\$ 2,839,110
INVESTMENT IN CAPITAL ASSETS FROM		
General Fund	\$ 148,456	\$ 143,523
Special Revenue Funds	1,540,149	1,538,375
Capital Project Funds	1,263,283	1,085,671
Donations	71,886	71,541
Total Investment in Capital Assets	\$ 3,023,774	\$ 2,839,110

SCHEDULE BY FUNCTION

December 31, 2004

(In Thousands)

	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>
General Government	\$ 99,063	\$ 514,131	\$ 87,846
Security of Persons and Property	-	-	-
Transportation	47,905	25	-
Economic Environment	548	-	-
Judicial	-	-	-
Culture and Recreation	<u>216,496</u>	<u>652,545</u>	<u>306,389</u>
Total	<u>\$ 364,012</u>	<u>\$ 1,166,701</u>	<u>\$ 394,235</u>

I-2

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

Page 2 of 2

SCHEDULE BY FUNCTION

December 31, 2004

(In Thousands)

	<u>Equipment</u>	<u>Infrastructure</u>	<u>Other Capital Assets</u>	<u>Total</u>
General Government	\$ 17,923	\$ -	\$ -	\$ 718,963
Security of Persons and Property	9,335	-	-	9,335
Transportation	1,350	837,430	-	886,710
Economic Environment	177	-	-	725
Judicial	424	-	-	424
Culture and Recreation	15,036	-	8,098	1,198,564
Total	<u>\$ 44,245</u>	<u>\$ 837,430</u>	<u>\$ 8,098</u>	2,814,721
Construction in Progress				209,053
Total Investment in Capital Assets				<u>\$ 3,023,774</u>

I-3

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE OF CHANGES BY FUNCTION

For the Year Ended December 31, 2004

(In Thousands)

	<u>Balance January 1 Restated</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
General Government	\$ 678,800	\$ 40,489	\$ 328	\$ 718,961
Security of Persons and Property	6,113	3,753	532	9,334
Transportation	862,198	24,511	-	886,709
Economic Environment	725	-	-	725
Judicial	694	-	269	425
Culture and Recreation	<u>931,775</u>	<u>267,128</u>	<u>336</u>	<u>1,198,567</u>
Total	2,480,305	335,881	1,465	2,814,721
Construction in Progress	<u>358,805</u>	<u>178,984</u>	<u>328,736</u>	<u>209,053</u>
Total Investment in Capital Assets	<u>\$ 2,839,110</u>	<u>\$ 514,865</u>	<u>\$ 330,201</u>	<u>\$ 3,023,774</u>

Statistics

Table S-1 **GENERAL GOVERNMENTAL EXPENDITURES**
BY FUNCTION^{ab}

Last Ten Fiscal Years (In Thousands)

Fiscal Year	General Government	Judicial ^c	Public Safety ^c	Physical Environment	Transportation	Economic Environment ^{de}	Health and Human Services ^f	Culture and Recreation	Capital Outlay	Debt Service	Total Expenditures
1995	\$ 66,507	\$ 15,570	\$ 212,288	\$ 193	\$ 48,731	\$ 57,222	\$ 41,071	\$ 113,117	\$ 40,044	\$ 28,793	\$ 623,536
1996	77,816	15,873	218,502	185	48,929	59,275	40,445	117,734	39,757	38,190	786,263 ^g
1997	85,976	16,202	230,434	184	55,760	75,511	39,395	126,642	59,830	54,743	744,677
1998	60,499	17,270	240,089	184	56,932	73,818	40,103	132,029	59,212	59,546	739,682
1999	64,438	18,123	261,783	186	65,943	99,658	37,778	143,560	70,386	62,341	824,196
2000	46,719	18,441	263,783	397	61,928	84,341	37,411	155,229	52,940	69,416	790,605
2001	67,237	19,631	277,867	1,951	57,646	110,026	22,759	166,880	77,377	71,781	873,155
2002	114,377	19,381	281,728	5,404	79,393	113,111	22,986	172,612	54,911	112,073	975,976
2003	137,944	19,116	296,290	5,996	83,412	91,243	29,136	170,820	57,603	92,880	984,440
2004	118,771	19,057	310,112	5,814	100,462	82,525	27,988	182,128	46,382	96,490	989,729

^a Includes general, special revenue, and debt service funds. See Note 15.

^b Adjusted for prior-period restatements.

^c Judicial was part of Public Safety prior to 2002.

^d Does not include pass-through grants.

^e Economic Environment was Planning and Development and part of Housing and Human Services prior to 2002.

^f Health and Human Services was Health and the remainder of Housing and Human Services prior to 2002.

^g The repayment of the 1995 bond anticipation notes of \$125.0 million and related interest of \$4.6 million are included in the total expenditures but excluded in the debt service.

Table S-2 **GENERAL GOVERNMENTAL REVENUES**
BY SOURCE^{hi}

Last Ten Fiscal Years (In Thousands)

Fiscal Year	Taxes	Licenses and Permits	Grants and Shared Revenues ^j	Charges for Services	Fines and Forfeits	Miscellaneous Revenues	Total Revenues
1995	\$ 396,562	\$ 9,726	\$ 82,528	\$ 84,906	\$ 18,361	\$ 48,678	\$ 640,761
1996	435,956	8,914	73,268	73,029	17,020	73,340	681,527
1997	471,760	12,094	77,475	78,888	17,798	75,860	733,875
1998	497,040	14,367	101,030	69,060	17,677	83,079	782,253
1999	546,944	13,358	112,555	68,335	18,181	83,705	843,078
2000	597,401	13,744	77,283	73,868	18,437	93,503	874,236
2001	610,219	13,798	90,065	75,145	18,387	84,780	892,394
2002	619,850	15,134	97,997	107,676	17,697	75,158	933,512
2003	634,603	17,501	82,687	111,509	19,498	79,151	944,949
2004	657,518	19,028	108,353	112,690	20,795	79,829	998,213

^h Includes general, special revenue, and debt service funds.

ⁱ Adjusted for prior-period restatements.

^j Does not include pass-through grants.

Table S-3 PROPERTY TAX LEVIES AND COLLECTIONS ^a

Last Ten Fiscal Years

Fiscal Year ^b	Total Tax Levy		Collections				Delinquent Taxes		
			Current		Total		End Of Year		
	Original	Adjusted ^c	Amount	Ratio To Adjusted Levy	Delinquent	Amount	Ratio To Adjusted Levy	Amount	Ratio To Adjusted Levy
1995	\$144,412,086	\$143,124,442	\$140,323,409	98.04%	\$2,853,067	\$143,176,476	100.04%	\$4,412,531	3.08%
1996	160,003,930	158,986,416	155,879,461	98.05	2,855,931	158,735,392	99.84	4,663,650	2.93
1997	169,004,542	168,078,623	164,830,024	98.07	2,920,308	167,750,332	99.80	4,991,884	2.97
1998	168,869,947	168,259,967	164,668,052	97.87	3,314,827	167,982,879	99.84	5,268,966	3.13
1999	198,336,396	197,723,246	193,391,180	97.81	3,795,103	197,186,283	99.73	5,805,929	2.94
2000	227,521,963	226,775,889	221,866,901	97.84	4,125,612	225,992,513	99.65	6,589,305	2.91
2001	256,449,940	254,564,004	249,952,677	98.19	4,029,994	253,982,671	99.77	7,170,639	2.82
2002	268,091,231	266,278,588	260,750,105	97.92	4,893,592	265,643,697	99.76	7,815,853	2.94
2003	270,978,698	269,665,402	264,040,918	97.91	5,663,666	269,704,584	100.01	7,776,670	2.88
2004	300,255,001	297,838,674	292,541,786	98.22	5,617,905	298,159,691	100.11	7,455,652	2.50

^a Source: King County Department of Finance

^b City's fiscal year coincides with the levy year.

^c Includes the original levy and changes due to omits, cancellations, and supplements for all tax years that were decided on during the fiscal year.

Table S-4 ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY ^d

Last Ten Fiscal Years

Fiscal Year	Assessed and Estimated Actual Value ^e (In Thousands)			Average Annual Growth	Assessed Value Per Capita
	Real Property	Personal Property	Total		
1995	\$ 39,133,593	\$ 3,214,057	\$ 42,347,650	1.68%	\$ 79,466
1996	39,055,217	3,257,547	42,312,764	(0.08)	79,134
1997	39,892,419	3,444,580	43,336,999	2.42	80,762
1998	42,680,548	3,441,290	46,121,838	6.43	85,458
1999	47,644,309	3,593,322	51,237,631	11.09	94,797
2000	53,589,860	3,948,166	57,538,026	12.30	102,131
2001	61,417,305	4,206,170	65,623,475	14.05	115,514
2002	70,660,338	4,846,254	75,506,592	15.06	132,282
2003	75,582,369	4,545,919	80,128,288	6.12	140,109
2004	79,724,601	4,213,495	83,938,096	4.75	146,591

^d Source: King County Assessor.

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

Table S-5

**PROPERTY TAX RATES AND LEVIES
DIRECT AND OVERLAPPING GOVERNMENTS ^a**

Last Ten Fiscal Years (In Mills or Dollars per Thousand of Assessed Value)

Year of Levy	City of Seattle					State	County	School	Port of Seattle	Total	Dollars Levied ^d (\$1,000)	Annual Growth
	General Fund ^b	Special Revenue Funds	Debt Service Funds	Fire Pension ^c	City Total							
1995	2.453	0.396	0.290	0.315	3.454	3.419	2.253	1.725	0.295	11.146	\$ 471,970	3.7 %
1996	2.701	0.610	0.291	0.225	3.827	3.500	2.209	3.135	0.292	12.963	548,500	16.2
1997	2.824	0.607	0.285	0.225	3.941	3.525	2.132	3.095	0.283	12.976	562,331	2.5
1998	2.598	0.648	0.222	0.225	3.693	3.511	1.851	2.838	0.265	12.158	560,749	(0.3)
1999	2.819	0.587	0.287	0.225	3.918	3.359	1.774	3.207	0.239	12.497	640,317	14.2
2000	2.705	0.697	0.369	0.225	3.996	3.303	1.689	2.964	0.216	12.168	700,141	9.3
2001	2.538	0.890	0.321	0.191	3.940	3.145	1.552	2.621	0.190	11.448	751,258	7.3
2002	2.334	0.776	0.278	0.185	3.573	2.989	1.450	2.460	0.190	10.662	805,033	7.2
2003	2.250	0.600	0.356	0.195	3.401	2.897	1.349	2.395	0.259	10.301	825,422	2.5
2004	2.402	0.880	0.315	-	3.597	2.757	1.431	2.360	0.254	10.399	872,872	5.7

^a Source: King County Assessor and City of Seattle Budget Office.

^b For the purposes of this table, the City's share of the Countywide Emergency Medical Service (EMS) levy is included in the General Fund's tax levy rate. EMS rate is 0.237 in 2004.

^c Fire Pension receives a percentage of the General Fund levy that is set by the City Council. However, starting in 2004, Seattle does not have a separate levy rate for this purpose.

^d Actual dollars levied may differ slightly from this figure due to certain property tax exemptions for low-income, elderly, and handicapped property owners.

Table S-6

PRINCIPAL PROPERTY TAXPAYERS ^a

*(Over \$100 Million Assessed Valuation)
December 31, 2003*

Taxpayer ^b	Type of Business	Assessed Valuation ^c (In Millions)	Percentage of Total Assessed Valuation
Qwest Corporation, Inc.	Telephone Utility	\$607.5	0.69
EOP Northwest Properties	Real Estate	387.0	0.44
Union Square Limited Partnership	Real Estate	373.6	0.42
Bank of America	Financial Institution	366.7	0.42
The Boeing Company	Aircraft/Aerospace Manufacturing	330.6	0.37
Martin Selig	Real Estate	325.3	0.37
Washington Mutual Bank/Wright-Runstad	Financial Institution	265.2	0.30
Starwood Hotels & Resorts (Westin Hotel & W Seattle Hotel)	Hospitality	236.6	0.27
City Center Associates	Real Estate	226.7	0.26
Puget Sound Energy	Gas & Electric Utility	172.9	0.20
Gerald D. Hines	Real Estate	138.6	0.16
Seattle Sheraton	Hospitality	114.0	0.13

^a Source: King County Assessor.

^b The above listing includes taxpayers paying real and personal property taxes as property owners. It does not include taxpayers paying leasehold excise taxes based on rental payments for property they lease from governmental entities.

^c 2004 assessed valuations for taxes collected in 2005.

Table S-7

SPECIAL ASSESSMENT COLLECTIONS

Last Ten Fiscal Years

Year	Assessment Collections				Total Outstanding Assessments
	Current	Delinquent	Deferred	Total	
1995	\$ 7,732	\$ 13,247	\$ 34,670	\$ 55,649	\$ 137,345
1996	48,309	4,135	39,706	92,150	165,776
1997	39,187	171	-	39,358	126,418
1998	37,424	2,617	3,478	43,519	82,899
1999	42,852	2,067	-	44,919	37,980
2000	15,921	890	-	16,811	21,169
2001	16,371	450	-	16,821	4,348
2002	87,367	-	-	87,367	74,751
2003	7,536	2,348	26,188	36,072	38,679
2004	5,424	-	16,228	21,652	17,027

Table S-8

COMPUTATION OF LEGAL DEBT MARGIN

	General Capacity ^a		Special Purpose Capacity ^h		Total Capacity
	Councilmanic (1.5% of Assessed Value)	Voter-Approved (2.5% of Assessed Value)	Open Spaces and Parks (2.5% of Assessed Value)	Utility Purposes (2.5% of Assessed Value)	
Latest Certified Assessed Value - \$88,278,105,726 ^b					
2.50% of Assessed Value	\$ -	\$2,206,952,643	\$2,206,952,643	\$2,206,952,643	\$6,620,857,929
1.50% of Assessed Value	1,324,171,586	(1,324,171,586)	-	-	-
	1,324,171,586	882,781,057	2,206,952,643	2,206,952,643	6,620,857,929
Statutory Debt Limit Less Debt Outstanding ^c					
Bonds	(698,418,694) ^d	(191,593,043)	-	(20,876,957)	(910,888,694)
Leases	(61,623)	-	-	-	(61,623)
Guarantee on PDA Bonds ^e	(39,367,886)	-	-	-	(39,367,886)
Compensated Absences ^f	(51,333,717)	-	-	-	(51,333,717)
Total Debt Outstanding	(789,181,920)	(191,593,043)	-	(20,876,957)	(1,001,651,920)
Add:					
Available Net Assets In Redemption Funds ^g	12,290,996	1,960,546	-	-	14,251,542
Compensated Absences for Sick Leave ^f	8,897,143	-	-	-	8,897,143
Net Debt Outstanding	(767,993,781)	(189,632,497)	-	(20,876,957)	(978,503,235)
Legal Debt Margin	\$ 556,177,805	\$693,148,560	\$2,206,952,643	\$2,186,075,686	\$5,642,354,694

^a Debt limits are established by state law in RCW 39.36.020 and 35.42.200. These figures do not include \$20.1 million of outstanding City obligations to repay loans from the Washington State Public Works Assistance Account, as the State's statutory debt limits do not apply to amounts loaned by the state and federal governments under RCW 39.36. However, Public Works Assistance Account indebtedness does count within the limits in Article VIII of the State Constitution, which prohibits the City's debt from exceeding 1.5 percent of assessed value of taxable property without a vote of the people or a total of 5.0 percent of assessed value of taxable property for general municipal purposes with a vote of the people.

^b RCW 39.36.015 allows incorporated cities to use the "last assessment for city purposes." This assessment was issued as of March 9, 2005, for taxes payable in 2005.

^c State law and the State Auditor's Office require that the liabilities for warrants outstanding and other miscellaneous obligations of the General Fund, other tax-supported funds, and internal service funds be included as debt in calculating the legal debt margin, except when cash, investments, and other cash-equivalent assets in any of these individual funds exceed current liabilities.

^d \$15,063,694, the accreted value of the 1998, Series E bonds as of December 31, 2004, and not its par value outstanding of \$11,369,148, is recognized in this table.

^e The City guarantees Public Development Authority bonds which create contingent obligations. Currently the City is contingently liable on debt issued by the Pike Place Market Preservation and Development Authority, the Seattle-Chinatown International District Preservation Development Authority, and the Seattle Indian Service Commission.

^f The State Auditor's Office requires that the liability for compensated absences, to the extent that it is a certain obligation of a determined amount or employee vested, be included as debt in calculating the legal debt margin. All compensated absences except the sick leave estimate meet this criteria.

^g Does not include available net assets in the Local Improvement Guaranty Fund and Interfund Notes Payable Fund because special assessment bonds related to them, if any, are not included in the computation of legal debt margin.

Table S-9

**RATIO OF NET GENERAL OBLIGATION DEBT
TO ASSESSED VALUE AND NET DEBT PER CAPITA**

Last Ten Fiscal Years

Year	Population	Assessed Value (In Thousands)	Net Direct G.O. Debt ^a (In Thousands)	Net Overall G.O. Debt ^b (In Thousands)	Net G.O. Debt to Assessed Value		Net G.O. Debt Per Capita	
					Seattle	Overall	Seattle	Overall
1995	532,900	\$ 42,347,650	\$ 328,083	\$ 588,955	0.77%	1.39%	\$ 616	\$ 1,105
1996	534,700	42,312,764	494,590	842,588	1.17	1.99	925	1,576
1997	536,600	43,336,999	502,866	835,575	1.16	1.93	937	1,557
1998	539,700	46,121,838	557,945	876,163	1.21	1.90	1,034	1,623
1999	540,500	51,237,631	708,970	959,020	1.38	1.87	1,312	1,774
2000	563,374	57,538,026	679,216	954,130	1.18	1.66	1,206	1,694
2001	568,100	65,623,475	771,402	1,149,574	1.18	1.75	1,358	2,024
2002	570,800	75,506,592	940,272	1,339,175	1.25	1.77	1,647	2,346
2003	571,900	80,128,288	946,595	1,333,168	1.18	1.66	1,655	2,331
2004	572,600	83,938,096	892,943	1,404,477	1.06	1.67	1,559	2,453

^a Net Direct G.O. Debt is the total general obligation debt of Seattle less the net assets reserved to pay that debt.

^b Net Overall G.O. Debt is the total general obligation debt of Seattle and the portion of the general obligation debt of overlapping jurisdictions which is attributable to Seattle, less any net assets reserved to pay that debt.

Table S-10

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES**

Last Ten Fiscal Years (In Thousands)

Fiscal Year	Principal ^c	Interest ^d	Total Debt Service	Total General Expenditures ^{de}	Percentage of Debt Service to Total General Expenditures
1995	\$ 14,605	\$ 18,918	\$ 33,523	\$ 583,492	5.75 %
1996	17,360	19,789	37,149	746,506	4.98
1997	25,490	29,321	54,811	684,847	8.00
1998	29,985	28,411	58,396	680,470	8.58
1999	34,170	30,739	64,909	753,810	8.61
2000	30,215	41,641	71,856	737,665	9.74
2001	37,583	36,338	73,921	795,778	9.29
2002	43,045	39,268	82,313	921,065	8.94
2003	45,438	44,966	90,404	926,837	9.75
2004	51,168	41,612	92,780	943,347	9.84

^c Does not include redemption expenditures funded by new bond proceeds. A small portion of these amounts is funded by the Downtown Parking Garage Fund, an enterprise fund, and the Fleets and Facilities and Information Technology Funds, internal service funds where interest is recognized and bond liability is reduced for payments in the year on the related bonds.

^d Includes all expenditures in Table S-1 except capital outlay.

^e Total expenditures were adjusted for certain years to reflect prior-period restatements and reclassifications made in the following year.

Table S-11 COMPUTATION OF DIRECT AND OVERLAPPING DEBT ^a

December 31, 2003

Jurisdiction	Net Debt Outstanding ^b	Percentage Applicable to Seattle	Amount Applicable to Seattle
City of Seattle - Net Direct Debt	\$ 892,942,606	100.00 %	\$ 892,942,606
King County	925,169,965 ^c	35.59 ^d	329,267,991
Port of Seattle	397,285,000 ^c	35.59 ^d	141,399,732
School District 001	41,387,921 ^c	98.69 ^d	40,845,739
School District 401	<u>205,784,980 ^c</u>	0.01 ^d	<u>20,578</u>
Total Seattle Net Overlapping Debt	<u>1,569,627,866</u>		<u>511,534,040</u>
Total Direct and Overlapping Debt	<u>\$ 2,462,570,472</u>		<u>\$ 1,404,476,646</u>

^a Debts incurred by other governmental units, although overlapping, have no claim on any City revenues.

^b Net bonded debt outstanding is the total general obligation bond less direct fund reserves available to pay debt service.

^c Source: King County Department of Finance.

^d Source: King County Department of Assessments.

Table S-12 REVENUE BOND COVERAGE ^e

Last Ten Fiscal Years (In Thousands)

C I T Y L I G H T				D R A I N A G E A N D W A S T E W A T E R			
Fiscal Year	Net Revenue Available for Debt Service	Debt Service Requirements	Debt Service Coverage Ratio	Fiscal Year	Net Revenue Available for Debt Service	Debt Service Requirements	Debt Service Coverage Ratio
1995	\$ 109,852	\$ 59,664	1.84	1995	\$ 21,263	\$ 4,056	5.24
1996	144,099	68,001	2.12	1996	24,043	5,366	4.48
1997	157,402	71,035	2.22	1997	21,843	5,354	4.08
1998	105,024	69,898	1.50	1998	22,896	6,357	3.60
1999	143,339	75,370	1.90	1999	25,724	6,943	3.70
2000	104,630	83,206	1.26	2000	26,632	10,797	2.47
2001	87,604	61,552	1.42	2001	29,047	11,167	2.60
2002	177,825	110,665	1.61	2002	27,822	13,836	2.01
2003	164,482	105,719	1.56	2003	32,670	15,426	2.12
2004	195,379	123,373	1.58	2004	37,654	17,676	2.13

W A T E R				S O L I D W A S T E			
Fiscal Year	Net Revenue Available for Debt Service	Debt Service Requirements	Debt Service Coverage Ratio	Fiscal Year	Net Revenue Available for Debt Service	Debt Service Requirements	Debt Service Coverage Ratio
1995	\$ 36,470	\$ 21,242	1.72	1995	\$ 16,060	\$ 5,201	3.09
1996	40,749	20,745	1.96	1996	16,180	5,197	3.11
1997	40,381	22,020 ^f	1.83	1997	17,094	5,198	3.29
1998	50,929	25,492	2.00	1998	17,704	5,197	3.41
1999	51,296	31,177	1.65	1999	17,796	4,904	3.63
2000	66,648	41,316	1.61	2000	18,086	5,374	3.37
2001	60,978	44,540	1.37	2001	21,197	5,357	3.96
2002	70,992	47,116	1.51	2002	22,079	5,428	4.07
2003	77,238	47,122	1.64	2003	26,069	5,352	4.87
2004	86,507	51,091	1.69	2004	25,711	5,350	4.81

^e Source: City Utilities.

^f Average annual debt service requirement.

Table S-13

DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

Year	Population ^a		Per Capita Income ^b		Median Age King County ^d	Public School Enrollment ^e	King County
	King County	Seattle	King County	Region PMSA ^c			Average Annual Unemployment Rate ^f
1995	1,613,600	532,900	\$ 31,868	\$ 29,299	35.38	46,225	4.5 %
1996	1,628,800	534,700	34,203	31,356	35.71	47,075	4.9
1997	1,659,106	546,885	36,476	33,484	35.96	47,457	3.3
1998	1,686,266	552,511	40,519	36,616	36.27	47,609	2.9
1999	1,712,122	556,573	44,719	39,880	36.55	47,453	2.7
2000	1,737,034	563,374	45,536	40,686	35.30	46,926	3.6
2001	1,758,300	568,100	45,965	41,229	35.92	46,796	5.1
2002	1,774,300	570,800	44,135	40,735	36.13	46,390	6.5
2003	1,779,300	571,900	45,334	41,788	36.37	46,730	6.8
2004	1,788,300	572,600	N/A	N/A	36.60	46,416	4.6

^a As of April 1. Source: Washington State Office of Financial Management, "2004 Population Trends for Washington State" estimates only.

^b Source: U. S. Bureau of Economic Analysis, adjusted for prior-period restatements. 2004 is not available.

^c Source: Bureau of Economic Analysis, includes Seattle, Bellevue and Everett. 2004 is not available.

^d Source: Washington State Office of Financial Management.

^e Source: Seattle Public Schools.

^f Preliminary. Source: Washington State Employment Security Department.

Table S-14

PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS

Last Ten Fiscal Years

Year	Property Value ^g			Commercial Construction ^h		Residential Construction ^h		King County
	Commercial (In Thousands)	Residential (In Thousands)	Total (In Thousands)	Number of Units	Value (In Thousands)	Number of Units	Value (In Thousands)	Commercial Bank Deposits (In Thousands) ⁱ
1995	\$ 17,126,005	\$ 24,746,867	\$ 41,872,872	197	\$ 158,163	1,813	\$ 253,425	\$ 15,661,225
1996	16,699,202	25,153,434	41,852,636	198	149,771	1,888	278,556	16,344,421
1997	17,339,016	25,579,340	42,918,356	220	161,455	1,944	308,079	17,125,082
1998	18,341,260	27,397,544	45,738,804	244	181,742	1,905	309,145	19,650,474
1999	20,140,595	30,463,916	50,604,511	380	381,780	2,200	523,164	18,337,407
2000	22,764,184	34,146,276	56,910,460	78	214,335	1,239	260,836	18,678,000
2001	26,033,974	39,050,961	65,084,935	51	27,287	1,251	314,809	20,334,000
2002	29,981,381	44,972,071	74,953,452	54	90,749	1,458	395,303	22,262,000
2003	30,660,823	48,977,678	79,638,501	88	85,757	2,141	585,571	26,750,000
2004	33,790,677	53,976,607	87,767,284	84	85,515	2,033	551,008	28,840,000

^g Source: King County Department of Assessments, 2004 estimates only.

^h Source: King County Department of Development and Environmental Services.

ⁱ As of June 30. Source: Federal Deposit Insurance Corporation.

STATISTICAL DATA

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December 31, 2004 - Unless Otherwise Indicated

CITY GOVERNMENT

Date of incorporation	December 2, 1869
Present charter adopted	March 12, 1946
Form: Mayor-Council (Nonpartisan)	

GEOGRAPHICAL DATA

Location:	
Between Puget Sound and Lake Washington	
125 nautical miles from Pacific Ocean	
110 miles south of Canadian border	
Altitude:	
Sea level to 521 feet	
Average elevation 10 feet	
Land Area (Square Miles)	83.1
Climate	
Temperature	
30-year average, mean annual	52.4
January 2004 average high	44.8
January 2004 average low	35.7
July 2004 average high	78.3
July 2004 average low	58.0
Rainfall	
30-year average, in inches	36.35
2004, in inches	31.55

ELECTIONS (November 2)

Active registered voters	387,479
Percentage voted last general election	82.42
Total voted	319,373

CITY EMPLOYEES

General Government Administration (includes Judicial and Legal)	1,512
Public Safety	2,820
Utilities	2,956
Transportation	569
Housing and Human Services	358
Planning and Development	464
Cultural and Recreation	1,923
Total Employees	10,602

PENSION BENEFICIARIES

Employees' Retirement	4,927
Firemen's Pension	972
Police Pension	772

VITAL STATISTICS

Rates per thousand of residents	
Births (2003)	12.7
Deaths (2003)	8.0

FIRE PROTECTION

Personnel	
Uniformed	1,046
Other	72
Boats	2
Fire fighting apparatus	163
Stations	33
Fire loss - property	
Total City fire loss	\$45,790,140
Per capita	\$80.07
Training tower	1
Alarm center	1
Utility shop	1

LIBRARY (Municipal)

Personnel	
Full-time	320
Part-time	311
Central and branch libraries	24
Mobile units	4
Books, audio and video materials, newspapers, and magazines – circulated	6,575,866
Collection, print and non-print	1,889,599
Library cards in force	386,127

PARKS AND RECREATION

Personnel		
Full-time - permanent	793	
Part-time - permanent	167	
Temporary	901	
Major parks	13	
Open space acres acquired since 1989	630	
Total acreage	6,036	
Children's play areas	130	
Neighborhood playgrounds	38	
Community playfields	33	
Community recreation centers	25	
Visual and performing arts centers ^a	6	
Theaters ^a	2	
Community indoor swimming pools	8	
Outdoor heated pool (one saltwater)	2	
Boulevards	18	
Golf courses (includes one pitch and putt)	5	
Squares, plazas, triangles	62	
Viewpoints	8	
Bathing beaches (lifeguarded)	7	
Park use permits issued	658	\$371,419
Facility use permits issued ^b	N/A	\$377,523
Picnic permits issued	3,028	\$194,404
Ball field usage (scheduled hours)	147,482	\$1,236,699
Weddings	165	\$36,770
Aquarium specimens on exhibit		14,577

^a Activities under contract with private nonprofit organizations.

^b Includes permits with fee waivers.

STATISTICAL DATA

December 31, 2004- Unless Otherwise Indicated

BUILDING PERMITS

Year	Issued Permit Value	Number of Permits Issued
1995	\$ 561,011,739	5,329
1996	664,854,251	5,409
1997	995,315,670	5,923
1998	1,159,231,667	6,756
1999	1,669,777,218	6,770
2000	1,612,566,932	6,510
2001	1,736,825,632	6,658
2002	1,282,588,182	6,728
2003	1,175,475,274	6,683
2004	1,597,349,890	7,209

MUNICIPAL ELECTRIC PLANT

Personnel (Full Time Equivalents)	1,593
Customers	372,818
Plant capacity (KW)	1,888,700
Maximum system load (KW)	1,798,926
Total system energy (1,000 KW) (firm load)	9,560,928

Operating Revenue and Meters by Year

Year	Operating Revenue	Meters
1995	\$329,808,276	348,296
1996	356,670,693	350,088
1997	366,138,163	351,624
1998	363,913,130	354,721
1999	372,750,765	368,942
2000	505,628,699	372,329
2001	632,453,970	375,953
2002	709,330,438	379,257
2003	741,761,472	380,828
2004	777,918,589	383,883

MUNICIPAL WATER PLANT & GROUND WATER

Sources: Cedar and Tolt Rivers and Highline Well Field

Population served	1,348,200
Reservoirs, standpipes, tanks	38
Fire hydrants	18,762
Water mains	
Supply, in miles	181 Miles
Distribution, in miles	1,657 Miles
Billed water consumption, in gallons	
Daily average	127,725,423
Water storage, in gallons	494,080,000

Operating Revenue and Meters by Year

Year	Operating Revenue	Meters
1995	\$ 65,400,593	174,672
1996	68,940,665	174,987
1997	71,956,360	175,698
1998	82,847,279	176,006
1999	86,254,799	177,122
2000	105,358,307	178,122
2001	105,345,318	179,330
2002	118,160,130	179,268
2003	129,561,327	180,149
2004	141,313,235	181,038

MUNICIPAL DRAINAGE & WASTEWATER UTILITY

Established	April 1, 1956
Combined sewers, life-to-date, in miles	972
Sanitary sewers, life-to-date, in miles	451
Storm drains, life-to-date, in miles	467
Pumping stations	68

Operating Revenue by Year

Year	Operating Revenue
1995	\$114,457,794
1996	121,151,483
1997	119,363,778
1998	120,706,449
1999	125,697,879
2000	130,816,605
2001	136,238,195
2002	144,485,761
2003	150,452,288
2004	161,022,070

MUNICIPAL SOLID WASTE UTILITY

Transfer stations	2
Residential can customers	163,977
Residential dumpsters customers	155,581
Commercial customers	8,618

Operating Revenue by Year, CAFR Basis

Year	Operating Revenue ^a
1995	\$ 75,221,212
1996	77,349,623
1997	80,413,680
1998	81,451,385
1999	81,093,039
2000	85,257,112
2001	105,510,879
2002	112,089,944
2003	114,821,373
2004	115,143,857

^a Separately issued financial statements of the Utility consider transfers in as operating revenues. CAFR statements do not.

POLICE PROTECTION

Personnel	
Sworn	1,183
Student Officers	59
Civilian	477
Stations (5 precincts)	5
Vehicles	
Patrol cars	252
Motorcycles	48
Scooters	58
Trucks, vans, minibuses	69
Automobiles	187
Patrol boats	7
Bicycles	126
Horses	9
Intake filings and citations	
Non-traffic criminal filings	10,704
Non-traffic infraction filings	6,715
Traffic	56,556
Parking	505,790
Jail	County facilities

STATISTICAL DATA

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December 31, 2004 - Unless Otherwise Indicated

POPULATION

Year	City of Seattle	Seattle Metropolitan Area ^{ab}
1910	237,194	N/A
1920	315,685	N/A
1930	365,583	N/A
1940	368,302	N/A
1950	467,591	844,572
1960	557,087	1,107,203
1970	530,831	1,424,611
1980	493,846	1,607,618
1990	516,259	1,972,947
2000	563,374	2,279,100
2001	568,100	2,376,900
2002	570,800	2,402,300
2003	571,900	2,416,800
2004	572,600	2,433,100
King County		1,788,300
Percentage in Seattle		32%

^a Source: Washington State Office of Financial Management.

^b Based on population in King and Snohomish Counties.

PROPERTY TAXES

Assessed valuation (January 2004)	\$83,938,095,638
Tax levy (City)	\$280,335,406

EXAMPLE – PROPERTY TAX ASSESSMENTS

Real value of property	\$347,000
Assessed value at	\$347,000
	Dollars per Thousand
Property tax levied by:	Tax Due
City of Seattle	\$3.35967 \$1,165.81
Emergency medical services	.23717 82.30
State of Washington	2.75678 956.60
School District No. 1	2.36021 818.99
King County	1.43146 496.72
Port of Seattle	.25402 88.14
Totals	<u>\$10.39931</u> <u>\$3,608.56</u>

PUBLIC EDUCATION (2003-04 School Year)

Enrollment (October 1)	46,416
Teachers and other certified employees (October 1)	3,410
School programs	
Regular elementary programs	62
Regular middle school programs	10
Regular high school programs	10
Other school programs	19
Total number of school programs	101

STREETS, SIDEWALKS, AND BRIDGES

Arterial streets	1,534 Miles
Non-arterial streets - paved	2,404 Miles
Non-arterial streets - unpaved	8 Miles
Sidewalks	1,954 Miles
Stairways	479
Length of stairways	33,683 Feet
Number of stairway treads	22,471
Street trees	
City maintained	34,000
Maintained by property owners	100,000
Total platted streets	1,666 Miles
Traffic signals	1,000
Parking meters	
Downtown ^c	4,298
Outlying	1,967
Parking Pay Stations - Downtown	500
Bridges (movable)	
City-owned	4
City-operated	4
Bridges (fixed)	
City maintenance	85
Partial City maintenance	58
Retaining walls/seawalls	561

^c Includes Belltown, Central Business District, First Hill, International District, Pioneer Square, and the Waterfront.

PORT OF SEATTLE

Bonded indebtedness

General obligation bonds	\$ 397,285,000
Utility revenue bonds	2,199,900,000
PFC bonds	243,475,000
Commercial Paper	47,705,000

Waterfront (mileage)

Salt water	13.4
Fresh water	0.7

Value of land facilities

Waterfront	\$1,751,007,430
Sea-Tac International Airport	3,354,494,250

Marine Container Facilities/Capacities

3 container terminals with 10 berths covering 448 acres
 1.776 million TEU's (20-ft. equivalent unit containers)
 1 grain facility, 4 general cargo facilities

Sea-Tac International Airport

Scheduled passenger airlines	24
Cargo airlines	5
Charter airlines	1
Loading bridges	72

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Comprehensive Annual Financial Report 2004

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