

OFFICIAL STATEMENT DATED MAY 2, 2012

New Issue
Book-Entry Only

	LTGO	UTGO
Moody's Rating:	Aa1	Aaa
Standard & Poor's Rating:	AAA	AAA
Fitch Rating:	AA+	AAA

(See "Other Bond Information—Ratings on the Bonds.")

In the opinion of Bond Counsel, under existing federal law and assuming compliance with applicable requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issue date of the Bonds, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals. However, while interest on the Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by corporations is taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by certain S corporations may be subject to tax, and interest on the Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. Receipt of interest on the Bonds may have other federal tax consequences for certain taxpayers. See "Legal and Tax Information" herein.

THE CITY OF SEATTLE, WASHINGTON

\$75,590,000
LIMITED TAX GENERAL OBLIGATION
IMPROVEMENT AND REFUNDING BONDS, 2012

\$46,825,000
UNLIMITED TAX GENERAL OBLIGATION
REFUNDING BONDS, 2012

DATED: DATE OF INITIAL DELIVERY

DUE: LTGO BONDS—SEPTEMBER 1, AS SHOWN ON PAGE i
UTGO BONDS—DECEMBER 1, AS SHOWN ON PAGE ii

The City of Seattle Limited Tax General Obligation Improvement and Refunding Bonds, 2012 (the "LTGO Bonds"), and Unlimited Tax General Obligation Refunding Bonds, 2012 (the "UTGO Bonds") will be issued as fully registered bonds under a book-entry only system, registered in the name of Cede & Co. as bondowner and nominee for The Depository Trust Company, New York, New York ("DTC"). The LTGO Bonds and the UTGO Bonds together are referred to in this Official Statement as the "Bonds."

DTC will act as initial securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry form in denominations of \$5,000 or any integral multiple thereof within a maturity of a series of the Bonds. Purchasers will not receive certificates representing their interest in the Bonds. Interest on the LTGO Bonds is payable semiannually on each March 1 and September 1, beginning September 1, 2012. Interest on the UTGO Bonds is payable semiannually on each June 1 and December 1, beginning December 1, 2012. The principal of and interest on the Bonds are payable by the City's Bond Registrar, currently the fiscal agent of the State of Washington (currently The Bank of New York Mellon in New York, New York), to DTC, which is obligated in turn to remit such payments to its participants for subsequent disbursement to beneficial owners of the Bonds, as described in "Description of the Bonds—Book-Entry Transfer System" and in Appendix D.

The LTGO Bonds are being issued to refund certain outstanding bonds of The City of Seattle (the "City"), to pay for part of the costs of various projects, and to pay the administrative costs of the refunding and the costs of issuing the LTGO Bonds. The UTGO Bonds are being issued to refund certain outstanding bonds of the City and to pay the administrative costs of the refunding and the costs of issuing the UTGO Bonds. See "Use of Proceeds."

The LTGO Bonds are subject to redemption prior to maturity as described herein. See "Description of the Bonds—Redemption of Bonds." The UTGO Bonds are not subject to redemption prior to maturity.

The Bonds are general obligations of the City. The LTGO Bonds are secured by the City's irrevocable pledge to include in its annual budget and to levy taxes annually within the constitutional and statutory tax limitations provided by law without a vote of the electors of the City on all of the taxable property within the City in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on the LTGO Bonds. The UTGO Bonds are secured by the City's irrevocable pledge to include in its annual budget and to levy taxes annually without limitation as to rate or amount on all of the taxable property within the City in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on the UTGO Bonds. The full faith, credit and resources of the City are pledged irrevocably for the annual levy and collection of the respective taxes pledged to the Bonds and the prompt payment of the principal of and interest on the Bonds.

The Bonds do not constitute a debt of the State of Washington or any political subdivision thereof other than the City.

The Bonds are offered for delivery by the initial purchaser(s) when, as and if issued, subject to the approving legal opinions of Foster Pepper PLLC, Seattle, Washington, Bond Counsel. The forms of Bond Counsel's opinions are attached hereto as Appendix A. It is expected that the Bonds will be available for delivery at DTC's facilities in New York, New York, or delivered to the Bond Registrar on behalf of DTC by Fast Automated Securities Transfer on or about May 16, 2012.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential in making an informed investment decision.

No dealer, broker, salesperson, or other person has been authorized by the City to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

The information set forth herein has been furnished by the City, DTC, and certain other sources that the City believes to be reliable. The information and expressions of opinion contained herein are subject to change without notice. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact or representations that the estimates will be realized. Summaries of documents do not purport to be complete statements of their provisions, and all such summaries are qualified by references to the entire contents of the summarized documents.

Neither the City's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to this Official Statement or any financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, this Official Statement and such projected financial information.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

The presentation of certain information, including tables of receipts from taxes and other revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as it may be shown by such financial and other information, will continue to be repeated in the future.

This Official Statement contains forecasts, projections, and estimates that are based upon expectations and assumptions that existed at the time such forecasts, projections, and estimates were prepared. In light of the important factors that may materially affect forecasted conditions, the inclusion in this Official Statement of such forecasts, projections, and estimates should not be regarded as a representation by the City that such forecasts, projections, and estimates will occur. Such forecasts, projections, and estimates are not intended as representations of fact or as guarantees of results. If and when included in this Official Statement, the words "plan," "expect," "forecast," "estimate," "budget," "project," "intends," "anticipates," and similar words are intended to identify forward-looking statements, and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic conditions, changes in political conditions, weather conditions, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation, and various other events, conditions, and circumstances, many of which are beyond the control of the City. These forward-looking statements speak only as of the date they were prepared.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon a specific exemption contained in such act, nor have they been registered under the securities laws of any state.

MATURITY SCHEDULE

THE CITY OF SEATTLE, WASHINGTON

\$75,590,000

LIMITED TAX GENERAL OBLIGATION IMPROVEMENT AND REFUNDING BONDS, 2012

Due September 1	Amounts	Interest Rates	Yields	CUSIP Numbers⁽¹⁾
2012	\$ 220,000	2.00%	0.230%	812626L23
2013	2,540,000	3.00	0.300	812626L31
2014	3,005,000	4.00	0.400	812626L49
2015	3,115,000	5.00	0.580	812626L56
2016	4,790,000	5.00	0.760	812626L64
2017	5,020,000	5.00	0.950	812626L72
2018	3,490,000	5.00	1.170	812626L80
2019	3,660,000	5.00	1.410	812626L98
2020	3,835,000	5.00	1.650	812626M22
2021	4,025,000	5.00	1.880	812626M30
2022	4,240,000	5.00	2.060 ⁽²⁾	812626M48
2023	4,120,000	5.00	2.200 ⁽²⁾	812626M55
2024	5,405,000	5.00	2.340 ⁽²⁾	812626M63
2025	5,345,000	5.00	2.480 ⁽²⁾	812626M71
2026	3,160,000	5.00	2.600 ⁽²⁾	812626M89
2027	3,315,000	3.00	3.082	812626M97
2028	3,015,000	4.00	3.140 ⁽²⁾	812626N21
2029	3,135,000	4.00	3.220 ⁽²⁾	812626N39
2030	3,255,000	4.00	3.280 ⁽²⁾	812626N47
2031	3,375,000	4.00	3.340 ⁽²⁾	812626N54
2032	3,525,000	4.00	3.400 ⁽²⁾	812626N62

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- (1) The CUSIP data herein are provided by CUSIP Global Services, managed on behalf of the American Bankers Association by Standard & Poor's. CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for CUSIP service. CUSIP numbers have been assigned by an independent company not affiliated with the City and are provided solely for convenience and reference. The CUSIP number for a specific maturity is subject to change after the issuance of the Bonds. Neither the City nor the successful bidder take responsibility for the accuracy of the CUSIP numbers.
- (2) Calculated to the March 1, 2022, par call date.

MATURITY SCHEDULE

THE CITY OF SEATTLE, WASHINGTON

\$46,825,000

UNLIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, 2012

Due December 1	Amounts	Interest Rates	Yields	CUSIP Numbers*
2012	\$ 595,000	3.00%	0.25%	812626J83
2013	4,365,000	3.00	0.28	812626J91
2014	4,495,000	3.00	0.40	812626K24
2015	4,630,000	4.00	0.56	812626K32
2016	4,815,000	5.00	0.73	812626K40
2017	5,050,000	5.00	0.94	812626K57
2018	5,305,000	5.00	1.14	812626K65
2019	5,575,000	5.00	1.34	812626K73
2020	5,850,000	5.00	1.59	812626K81
2021	6,145,000	5.00	1.78	812626K99

* The CUSIP data herein are provided by CUSIP Global Services, managed on behalf of the American Bankers Association by Standard & Poor's. CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for CUSIP service. CUSIP numbers have been assigned by an independent company not affiliated with the City and are provided solely for convenience and reference. The CUSIP number for a specific maturity is subject to change after the issuance of the Bonds. Neither the City nor the successful bidder take responsibility for the accuracy of the CUSIP numbers.

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THE CITY OF SEATTLE
CITY OFFICIALS AND CONSULTANTS

MAYOR AND CITY COUNCIL

Michael McGinn	Mayor
Sally Clark	President, City Council
Sally Bagshaw	Council Member
Tim Burgess	Council Member
Richard Conlin	Council Member
Jean Godden	Council Member
Bruce Harrell	Council Member
Nick Licata	Council Member
Mike O'Brien	Council Member
Tom Rasmussen	Council Member

CITY ADMINISTRATION

Glen Lee	Director of Finance
Peter Holmes	City Attorney

BOND COUNSEL

Foster Pepper PLLC
Seattle, Washington

FINANCIAL ADVISOR

Seattle-Northwest Securities Corporation
Seattle, Washington

BOND REGISTRAR

Washington State Fiscal Agent
The Bank of New York Mellon
New York, New York

OFFICIAL STATEMENT

THE CITY OF SEATTLE, WASHINGTON

\$75,590,000

**LIMITED TAX GENERAL OBLIGATION
IMPROVEMENT AND REFUNDING BONDS, 2012**

\$46,825,000

**UNLIMITED TAX GENERAL OBLIGATION
REFUNDING BONDS, 2012**

The purpose of this Official Statement, which includes the cover, inside cover, and appendices, is to set forth certain information concerning The City of Seattle, Washington (the “City”), a municipal corporation duly organized and existing under and by virtue of the laws of the State of Washington (the “State”), in connection with the offering of \$75,590,000 aggregate principal amount of its Limited Tax General Obligation Improvement and Refunding Bonds, 2012 (the “LTGO Bonds”), and \$46,825,000 aggregate principal amount of its Unlimited Tax General Obligation Refunding Bonds, 2012 (the “UTGO Bonds”), dated the date of their initial delivery. Together, the LTGO Bonds and the UTGO Bonds are referred to in this Official Statement as the “Bonds.”

The Bonds are to be issued by the City pursuant to Titles 35 and 39 of the Revised Code of Washington (“RCW”) and the Seattle City Charter, Ordinances 123751 and 121651, as amended by Ordinance 122286, and Resolutions 31377 (for the LTGO Bonds) and 31376 (for the UTGO Bonds) (collectively, the “Bond Legislation”).

Appendix A to this Official Statement is the forms of the legal opinions of Foster Pepper PLLC of Seattle, Washington (the “Bond Counsel”). Appendix B contains the City’s 2010 Comprehensive Annual Financial Report. Appendix C provides economic and demographic information for the City. Appendix D is a description provided on its website by The Depository Trust Company, New York, New York (“DTC”), of DTC procedures with respect to book-entry bonds. Capitalized terms that are not defined herein have the meanings set forth in the Bond Legislation.

DESCRIPTION OF THE BONDS

Registration and Denomination

The Bonds are issuable only as fully registered bonds under a book-entry transfer system, registered in the name of Cede & Co. as bondowner and nominee for DTC. DTC will act as initial securities depository for the Bonds. Purchasers will not receive certificates representing their interest in the Bonds purchased. The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof within a maturity of a series of the Bonds.

The Bonds will be dated the date of their initial delivery. The LTGO Bonds mature on September 1 in the years and amounts set forth on page i of this Official Statement. The UTGO Bonds mature on December 1 in the years and amounts set forth on page ii of this Official Statement. Interest on the LTGO Bonds is payable semiannually on each March 1 and September 1, beginning September 1, 2012, at the rates set forth on page i of this Official Statement. Interest on the UTGO Bonds is payable semiannually on each June 1 and December 1, beginning December 1, 2012, at the rates set forth on page i of this Official Statement. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

The principal of and interest on the Bonds are payable by the City’s Bond Registrar, currently the fiscal agent of the State of Washington (currently The Bank of New York Mellon in New York, New York), to DTC, which is obligated in turn to remit such payments to its participants for subsequent disbursement to beneficial owners of the Bonds, as described herein under “Book-Entry Transfer System” and in Appendix D.

Redemption of the Bonds

Optional Redemption—LTGO Bonds. The LTGO Bonds maturing on and before September 1, 2021, are not subject to redemption prior to maturity. The City reserves the right and option to redeem the LTGO Bonds maturing on and after September 1, 2022, prior to their stated maturity dates at any time on and after March 1, 2022, as a whole or in part, at a price of par plus accrued interest to the date fixed for redemption.

UTGO Bonds. The UTGO Bonds are not subject to redemption prior to maturity.

Selection of LTGO Bonds for Redemption. If fewer than all of the LTGO Bonds subject to redemption are to be optionally redeemed prior to maturity, the City will select the maturity or maturities to be redeemed. If fewer than all of the bonds of a single maturity of LTGO Bonds are to be redeemed prior to maturity, then:

- (i) if such LTGO Bonds are in book-entry form at the time of such redemption, DTC is required to select the specific LTGO Bonds in accordance with the Letter of Representations, and
- (ii) if such LTGO Bonds are not in book-entry form at the time of such redemption, the Bond Registrar is required to select the specific Bonds for redemption randomly or in such manner as the Bond Registrar in its discretion may deem to be fair and appropriate.

The portion of any LTGO Bond of an amount more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or any integral multiple thereof, to be selected, as the case may be, by DTC in accordance with the Letter of Representations or by the Bond Registrar in such manner as the Bond Registrar in its discretion may deem to be fair and appropriate.

Notice of Redemption. Notice of any intended redemption of LTGO Bonds will be given not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the registered owner of any LTGO Bond to be redeemed at the address appearing on the Bond Register at the time the Bond Registrar prepares the notice. The notice requirements will be deemed to have been fulfilled when notice is mailed, whether or not it actually is received by the owner of any LTGO Bond. As long as the LTGO Bonds are held in book-entry form, notices will be given in accordance with procedures established by DTC. See “Description of the Bonds—Book-Entry Transfer System” and Appendix D.

In the case of an optional redemption, the notice may state that the City retains the right to rescind the redemption notice and the related optional redemption of the LTGO Bonds by giving a notice of rescission to the affected registered owners at any time on or prior to the scheduled optional redemption date. Any notice of optional redemption that is so rescinded will be of no effect, and the LTGO Bonds for which the notice of optional redemption has been rescinded will remain outstanding.

Effect of Redemption. Interest on LTGO Bonds called for redemption will cease to accrue on the date fixed for redemption unless the notice of redemption has been duly rescinded or the LTGO Bonds called are not redeemed when presented pursuant to the call.

No Acceleration of the Bonds

The Bonds are not subject to acceleration upon the occurrence of a default. The City, therefore, would be liable only for principal and interest payments as they become due. In the event of multiple defaults in payment of principal or interest on the Bonds, the registered owners would be required to bring a separate action for each such payment not made. If the City encounters difficulties in making timely payment of debt service on its various general obligations, this could give rise to a difference in interests between registered owners of earlier and later maturing Bonds.

Purchase

The City reserves the right to purchase in the open market any of the Bonds at any time at any price acceptable to the City plus accrued interest to the date of purchase.

Book-Entry Transfer System

Book-Entry Bonds. DTC will act as initial securities depository for the Bonds. The ownership of one fully registered Bond for each maturity of each series of the Bonds, as set forth on pages i and ii of this Official Statement, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. See Appendix D for additional information. *As indicated therein, certain information in Appendix D has been obtained from DTC's website. The City makes no representation as to the accuracy or completeness of the information in Appendix D provided by DTC. Purchasers of the Bonds should confirm this information with DTC or its participants.*

Termination of Book-Entry Transfer System. If DTC resigns as the securities depository and the City is unable to retain a qualified successor to DTC, or if the City determines that a continuation of the book-entry transfer system is not in the best interest of the City, the City will deliver at no cost to the beneficial owners of the Bonds or their nominees Bonds in registered certificate form, in the denomination of \$5,000 or any integral multiple thereof within a maturity and a series of the Bonds. Thereafter, the principal of the Bonds will be payable upon the presentation and surrender thereof at the principal office of the Bond Registrar. Interest on the Bonds will be payable by check or draft mailed by the Bond Registrar on the interest payment date to the registered owners at the address appearing upon the Bond Register on the 15th day of the month next preceding an interest payment date, or, at the written request of a registered owner of \$1,000,000 or more in aggregate principal amount of Bonds, by wire transfer. The Bonds then will be transferable as provided in the Bond Legislation.

Refunding or Defeasance of Bonds

The City may issue refunding obligations or use money available from any other lawful source to redeem, retire, release, refund, or defease the Bonds (the "Defeased Bonds"). If sufficient money and/or Government Obligations (taking into account known earned income from the investment thereof) are set aside in a special fund pledged irrevocably to the redemption, retirement, release, refunding, or defeasance of the Defeased Bonds (the "Trust Account"), then all right and interest of the owners of the Defeased Bonds in the covenants of the Bond Legislation and in the fund and accounts pledged to the payment of the Defeased Bonds will cease and become void. Such owners thereafter will receive payment of the principal of and interest or redemption price on the Defeased Bonds from the Trust Account.

The term "Government Obligations" has the meaning given in RCW 39.53.010 RCW, currently: (i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, and bank certificates of deposit secured by such obligations; (ii) bonds, debentures, notes, participation certificates, or other obligations issued by the Banks for Cooperatives, the Federal Intermediate Credit Bank, the Federal Home Loan Bank system, the Export-Import Bank of the United States, Federal Land Banks or the Federal National Mortgage Association; (iii) public housing bonds and project notes fully secured by contracts with the United States; and (iv) obligations of financial institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, to the extent insured or to the extent guaranteed as permitted under any other provision of State law.

After the establishing and full funding of such a Trust Account, the City then may apply any money in any other fund or account established for the payment or redemption of the Defeased Bonds to any lawful purposes as it may determine.

USE OF PROCEEDS

LTGO Bonds. The LTGO Bonds are being issued to refund certain outstanding bonds of the City as described below under "Refunding Plan," to pay for part of the costs of various projects, and to pay the administrative costs of the refunding and the costs of issuing the LTGO Bonds.

UTGO Bonds. The UTGO Bonds are being issued to refund certain outstanding bonds of the City, as described below under “Refunding Plan,” and to pay the administrative costs of the refunding and the costs of issuing the UTGO Bonds.

Sources and Uses of Funds

The proceeds of the Bonds will be applied as follows:

	<u>LTGO BONDS</u>	<u>UTGO BONDS</u>
SOURCES OF FUNDS		
Par Amount of Bonds	\$ 75,590,000	\$ 46,825,000
Net Original Issue Premium	<u>12,580,545</u>	<u>9,128,405</u>
Total Sources of Funds	\$ 88,170,545	\$ 55,953,405
USES OF FUNDS		
Project Fund Deposit	\$ 31,081,282	—
Refunding Escrow Deposit	56,673,729	\$ 55,799,162
Costs of Issuance*	<u>415,534</u>	<u>154,243</u>
Total Uses of Funds	\$ 88,170,545	\$ 55,953,405

* Includes legal fees, financial advisory and rating agency fees, verification agent and escrow agent fees, printing costs, underwriters' discount, and other costs of issuing the Bonds and refunding the Refunded Bonds.

Refunding Plan

The City intends to refund all or a portion of the City’s outstanding callable Limited Tax General Obligation Improvement and Refunding Bonds, 2002, Limited Tax General Obligation Improvement and Refunding Bonds, 2003, and Limited Tax General Obligation Improvement and Refunding Bonds, 2005 (together, the “LTGO Refunded Bonds”), set forth below. The refunding is being undertaken to achieve debt service savings.

LTGO REFUNDED BONDS

Bond	Maturity Date	Par Amount	Interest Rate	Call Price	Call Date	CUSIP Number
<i>Limited Tax General Obligation Improvement and Refunding Bonds, 2002</i>						
Serials	07/01/2013	\$ 1,400,000	5.000%	100%	07/01/2012	812626F79
	07/01/2014	1,475,000	5.000	100	07/01/2012	812626F87
	07/01/2015	1,550,000	5.000	100	07/01/2012	812626F95
	07/01/2016	1,635,000	5.000	100	07/01/2012	812626G29
	07/01/2017	1,720,000	5.000	100	07/01/2012	812626G37
	07/01/2024	1,730,000	5.125	100	07/01/2012	812626KJ7
	07/01/2025	1,810,000	5.125	100	07/01/2012	812626KK4
Term Bond	07/01/2027	3,910,000	5.125	100	07/01/2012	812626KM0
Term Bond	07/01/2032	<u>11,690,000</u>	5.200	100	07/01/2012	812626KS7
Subtotal		\$ 26,920,000				
<i>Limited Tax General Obligation Improvement and Refunding Bonds, 2003</i>						
Serials	08/01/2014	\$ 440,000	4.000%	100%	08/01/2013	812626YP8
	08/01/2015	450,000	4.125	100	08/01/2013	812626YQ6
	08/01/2016	470,000	4.250	100	08/01/2013	812626YR4
	08/01/2017	490,000	4.250	100	08/01/2013	812626YS2
	08/01/2018	515,000	4.375	100	08/01/2013	812626YT0
	08/01/2019	540,000	4.500	100	08/01/2013	812626YU7
	08/01/2020	560,000	5.000	100	08/01/2013	812626YV5
	08/01/2021	590,000	5.000	100	08/01/2013	812626YW3
	08/01/2022	620,000	5.000	100	08/01/2013	812626YX1
	08/01/2023	<u>645,000</u>	5.000	100	08/01/2013	812626YY9
Subtotal		\$ 5,320,000				
<i>Limited Tax General Obligation Improvement and Refunding Bonds, 2005</i>						
Serials	08/01/2016	\$ 1,610,000 *	5.000%	100%	08/01/2015	812626PM5
	08/01/2017	1,695,000 *	5.000	100	08/01/2015	812626PN3
	08/01/2018	1,770,000 *	5.000	100	08/01/2015	812626PP8
	08/01/2019	1,865,000 *	5.000	100	08/01/2015	812626PQ6
	08/01/2020	1,950,000 *	4.375	100	08/01/2015	812626PR4
	08/01/2021	2,035,000 *	5.000	100	08/01/2015	812626PS2
	08/01/2022	2,145,000 *	5.000	100	08/01/2015	812626PT0
	08/01/2023	2,245,000 *	5.000	100	08/01/2015	812626PU7
	08/01/2024	2,360,000 *	5.000	100	08/01/2015	812626PV5
	08/01/2025	<u>2,485,000 *</u>	5.000	100	08/01/2015	812626PW3
Subtotal		\$ 20,160,000				
Total		\$ 52,400,000				

* Partial maturities.

The City intends to refund all of the City's outstanding callable Unlimited Tax General Obligation Improvement and Refunding Bonds, 2002 (the "UTGO Refunded Bonds," and together with the LTGO

Refunded Bonds, the “Refunded Bonds”), as set forth below. The refunding is being undertaken to achieve debt service savings.

UTGO REFUNDED BONDS

Bond	Maturity Date	Par Amount	Coupon	Call Price	Call Date	CUSIP Numbers
<i>Unlimited Tax General Obligation Improvement and Refunding Bonds, 2002</i>						
Serials	12/01/2013	\$ 5,040,000	4.000%	100%	12/01/2012	812626LR8
	12/01/2014	5,240,000	4.000	100	12/01/2012	812626LS6
	12/01/2015	5,450,000	4.000	100	12/01/2012	812626LT4
	12/01/2016	5,670,000	4.125	100	12/01/2012	812626LU1
	12/01/2017	5,900,000	4.200	100	12/01/2012	812626LV9
	12/01/2018	6,150,000	4.300	100	12/01/2012	812626LW7
	12/01/2019	6,415,000	4.400	100	12/01/2012	812626LX5
	12/01/2020	6,695,000	4.500	100	12/01/2012	812626LY3
	12/01/2021	7,000,000	4.600	100	12/01/2012	812626LZ0
Total		\$ 53,560,000				

The City will enter into a Refunding Trust Agreement with U.S. Bank, National Association, as Refunding Trustee, upon the delivery of the Bonds, to provide for the refunding of the Refunded Bonds. The Refunding Trust Agreement creates an irrevocable trust fund to be held by the Refunding Trustee and to be applied solely to the payment of the Refunded Bonds. A portion of the proceeds of the Bonds will be deposited with the Refunding Trustee and will be invested in Government Obligations that will mature and bear interest at rates sufficient to pay the principal of and accrued interest coming due on the redemption date of the Refunded Bonds.

The Government Obligations and earnings thereon will be held solely for the benefit of the registered owners of the Refunded Bonds.

The mathematical accuracy of (i) the computations of the adequacy of the maturing principal amounts of and interest on the Government Obligations to be held by the Refunding Trustee to pay principal of and interest on the Refunded Bonds as described above, and (ii) the computations supporting the conclusion of Bond Counsel that the Bonds are not “arbitrage bonds” under Section 148 of the Code, will be verified by Causey Demgen & Moore, Inc., independent certified public accountants.

SECURITY FOR THE BONDS

The Bonds are general obligations of the City. The full faith, credit and resources of the City are pledged irrevocably for the annual levy and collection of the taxes pledged to the Bonds and the prompt payment of the principal of and interest on the Bonds. The Bonds do not constitute a debt or indebtedness of the State or any political subdivision thereof other than the City.

LTGO Bonds

The LTGO Bonds are secured by the City’s irrevocable pledge to include in its budget and to levy taxes annually within the constitutional and statutory tax limitations provided by law without a vote of the electors of the City on all of the taxable property within the City in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on the LTGO Bonds.

UTGO Bonds

The UTGO Bonds are secured by the City's irrevocable pledge to include in its budget and to levy taxes annually without limitation as to rate or amount on all of the taxable property within the City in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on the UTGO Bonds.

GENERAL FUND REVENUE SOURCES

The following table sets forth sources of General Fund revenues for the years 2006 through 2010:

TABLE 1
GENERAL FUND REVENUE SOURCES
(\$000)

	2010	2009	2008	2007	2006
Taxes					
General Property	\$ 250,430	\$ 245,543	\$ 238,258	\$ 213,694	\$ 209,697
Retail Sales and Use	146,970	150,515	171,917	171,847	155,311
Business	223,482	228,960	217,304	225,470	197,955
Excise	28,998	27,879	36,257	77,101	58,572
Other	-	-	-	-	7,025
Penalties and Interest	3,202	3,644	2,193	3,859	3,004
Interfund Business	108,088	100,368	79,526	78,169	74,799
Total Taxes	\$ 761,170	\$ 756,909	\$ 745,455	\$ 770,140	\$ 706,363
License and Permits	\$ 20,401	\$ 19,333	\$ 18,269	\$ 22,680	\$ 19,953
Grants, Shared Revenues and Contributions	31,412	28,208	19,725	18,061	21,008
Charges for Services	66,863	69,018	62,547	64,750	52,924
Fines and Forfeits	30,936	28,519	22,110	19,498	18,320
Miscellaneous	43,242	40,421	46,557	62,750	44,389
Total General Fund Revenues	\$ 954,024	\$ 942,408	\$ 914,663	\$ 957,879	\$ 862,957

Source: City of Seattle Comprehensive Annual Financial Reports, 2006-2010

Major sources of General Fund revenues are described below.

General Property Taxes

The following provides a general description of the City's authority with regards to *ad valorem* property taxes and limitations on that authority, the method of determining the assessed value of real and personal property, tax collection procedures, and tax collection information.

Authorized Property Taxes. The City is authorized to levy both "regular" property taxes and "excess" property taxes.

- (i) *Regular Property Taxes.* Regular property taxes are subject to constitutional and statutory limitations as to rates and amounts and commonly are imposed by taxing districts for general municipal purposes, including the payment of debt service on limited tax general obligation indebtedness, such as the LTGO Bonds. Regular property taxes do not require voter approval except as described below.
- (ii) *Excess Property Taxes.* Excess property taxes are not subject to limitation as to rate or amount but must be authorized by a 60% approving popular vote, as provided in Article VII, Section 2, of the State Constitution and RCW 84.52.052. To be valid, such popular vote must have a minimum voter turnout of 40% of the number who voted at the last City general election, except that one-year excess tax levies

also are valid if the turnout is less than 40% and the measure receives a number of affirmative votes equal to or greater than 24% of the number who voted at the last City general election. Excess levies may be imposed without a popular vote when necessary to prevent impairment of the obligations of contracts when ordered to do so by a court of last resort. The issuance of the bonds ultimately being refunded by the UTGO Bonds and the excess property taxes to be levied to pay principal of and interest on such bonds were approved by the voters of the City on November 3, 1981. The UTGO Bonds are payable from such excess property taxes.

Regular Property Tax Limitations. Regular property tax levies are subject to rate limitations and amount limitations, as described below, and to the uniformity requirement of Article VII, Section 1, of the State Constitution, which specifies that a taxing district (such as the City) must levy the same rate on the same class of property throughout the district. The State Constitution provides that with certain limited exceptions, all real estate constitutes one class. Aggregate property taxes may vary within the City due to the overlapping of different taxing districts within the City. See “Representative Overlapping Levy Rates for City Residents, Collection Year 2012” for an example of the levy rates of taxing districts that overlap within the City.

Information relating to regular property tax limitations and requirements is based on existing statutes and constitutional provisions. Changes in such laws could alter the impact of other interrelated tax limitations on the City. Under existing laws and circumstances, none of the property tax limitations currently affect the ability of the City to levy regular property taxes at rates sufficient to pay the debt service on the LTGO Bonds.

- (i) *Maximum Regular Property Tax Rate Limitations.* The City’s effective maximum regular property tax levy for municipal purposes, including the payment of debt service on limited tax general obligation indebtedness such as the LTGO Bonds, is \$3.60 per \$1,000 of assessed value. This maximum rate limitation is derived from two statutes: RCW 84.52.043 limits the regular property tax levy of the City to \$3.375/\$1,000, and RCW 41.16.060 allows an additional \$0.225/\$1,000 as part of the regular tax levy for any municipal purpose if not required to fund certain firefighter pension programs. Based on the most recent actuarial valuation of the City’s firefighter pension programs, the City is not required to levy the additional \$0.225/\$1,000 for these programs, making that taxing authority available for general municipal purposes. However, the City has allocated a percentage of the regular tax levy to fund firefighter pension programs. See “The City of Seattle—Pension Plans.”

Certain regular property taxes are not included within the \$3.60/\$1,000 limitation. The limitation is exclusive of any levy for the maintenance of a local improvement guaranty fund, which may not exceed the greater of (a) 12% of the outstanding obligations guaranteed by the fund or (b) the total amount of delinquent assessments and interest accumulated on the delinquent assessments (RCW 35.54.060). The limitation also is exclusive of certain voter-approved regular property taxes: (a) up to \$0.50/\$1,000 for emergency medical services (authorized by RCW 84.52.069) and (b) up to \$0.50/\$1,000 to finance affordable housing for very low income households (authorized by RCW 84.52.105). The City currently does not levy property taxes for emergency medical services or for affordable housing. However, King County (the “County”) imposes an emergency medical services levy throughout the County, including within the City.

- (ii) *One Percent Aggregate Regular Property Tax Levy Rate Limitation.* Aggregate regular property tax levies by the State and all taxing districts, except port districts and public utility districts, are subject to a rate limitation of 1% of the true and fair value of property (or \$10.00/\$1,000). This requirement is imposed by Article VII, Section 2 of the State Constitution and RCW 84.52.050.
- (iii) *\$5.90/\$1,000 Aggregate Regular Property Tax Levy Rate Limitation.* Within the 1% limitation described above, aggregate regular property tax levies by all taxing districts except the State, port districts and public utility districts are subject to a rate limitation of \$5.90/\$1,000 of assessed value by RCW 84.52.043(2). This limitation is exclusive of the voter-approved levies for emergency medical services, very low income housing, the acquisition of conservation futures, certain metropolitan park district levies, certain ferry district levies, a criminal justice levy, and portions of certain fire district and flood control zone district levies.

If aggregate regular property tax levies exceed the \$5.90/\$1,000 limitation, then, in order to bring the aggregate levy into compliance, the levies imposed by the County at the request of “junior” taxing districts within the affected area are reduced or eliminated according to a detailed prioritized list (RCW 84.52.010). Junior taxing districts are defined by RCW 84.52.043 as taxing districts other than the State, counties, cities, towns, road districts, port districts, and public utility districts. If the 1% limitation is exceeded, those levies described as being outside the \$5.90/\$1,000 limitation are reduced or eliminated according to another detailed prioritized list.

- (iv) *Regular Property Tax Increase Limitation.* The regular property tax increase limitation (chapter 84.55 RCW), limits the total dollar amount of regular property taxes levied by an individual local taxing district such as the City to the amount of such taxes levied in the highest of the three most recent years multiplied by a limit factor, plus an adjustment to account for taxes on new construction, improvements and State-assessed property at the previous year’s rate. The limit factor is generally 101%, unless a higher limit factor is approved by a majority of the voters. If a newly created taxing district is authorized to levy regular property taxes, it can initiate its levy at the maximum permitted statutory levy rate, unless that rate would exceed any of the limitations described above.

RCW 84.55.092 allows the property tax levy to be set at the amount that would be allowed if the tax levy for taxes due in each year since 1986 had been set at the full amount allowed under chapter 84.55 RCW. This is sometimes referred to as “banked” levy capacity. A taxing district such as the City may levy an amount that is greater than what otherwise would be allowed by the tax increase limitation in chapter 84.55 RCW only with the approval of a majority of its voters. This is known as a “levy lid lift.” It does not authorize the taxing district to exceed the constitutional and statutory tax rate limitations described above. Under RCW 84.55.050, a levy lid lift may be for an indefinite period of time or for a limited period of time, may specify a rate of increase other than the limit factor for up to six consecutive years, or may be restricted to satisfaction of a limited purpose. These features, in any combination, may be included in the proposition presented to voters at the discretion of the taxing district.

The regular property tax increase limitation applies to the total dollar amount levied rather than to levy rates. Therefore, if a taxing district levies within the limits described above (without a voter-approved levy lid lift), increases in the assessed value of all property in the taxing district (excluding new construction, improvements and State-assessed property) that exceed the rate of growth in taxes allowed by the limit factor result in decreased regular tax levy rates. On the other hand, decreases in the assessed value of all property in the taxing district (including new construction, improvements and State-assessed property) or increases in such assessed value that are less than the rate of growth in taxes imposed, among other events, may result in increased regular tax levy rates.

Assessed Value Determination. The County Assessor (the “Assessor”) determines the value of all real and personal property throughout the County (including the City) that is subject to *ad valorem* taxation, with the exception of certain public service properties for which values are determined by the State Department of Revenue. The Assessor is an elected official whose duties and methods of determining value are prescribed and controlled by statute and by detailed regulations promulgated by the State Department of Revenue.

For tax purposes the assessed value of property is 100% of its true and fair value. Since 1996, all property in the County has been subject to on-site appraisal and revaluation every six years, and is revalued each year based on annual market adjustments. Personal property is valued each year based on affidavits filed by the property owner. The property is listed by the Assessor on a roll at its current assessed value and the roll is filed in the Assessor’s office. The Assessor’s determinations are subject to revision by the County Board of Appeals and Equalization and, if appealed, subject to further revision by the State Board of Tax Appeals. At the end of the assessment year, in order to levy taxes payable the following year, the City Council receives the Assessor’s final certificate of assessed value of property within the City.

Tax Collection Procedure. Property taxes are levied in specific amounts by the respective taxing districts. Certain taxing districts must levy their taxes through the county legislative authority, and other taxing districts (including the City) are authorized to levy taxes directly. The levies must be certified to the Assessor by

November 30. The rate for all taxes levied for all taxing districts is determined, calculated and fixed by the Assessor based upon the assessed value of the property within the various taxing districts. The Assessor extends the taxes to be levied within each taxing district on a tax roll which contains the total amount of taxes levied and to be collected. The tax roll is delivered to the King County Treasury Division Manager (an appointed official) who creates a tax account for each taxpayer and is responsible for the collection of taxes due to each account. All taxes are due and payable on April 30 of each tax year, but if the amount due from a taxpayer exceeds \$50, one-half may be paid then and the balance must be paid no later than October 31 of that year. The methods of giving notice of payment of taxes due, accounting for the money collected, dividing the taxes collected among the various taxing districts, giving notice of delinquency, and collection procedures are all covered by detailed statutes. Personal property taxes levied by the City are secured by a lien on the personal property assessed. A federal tax lien filed before the City levies the personal property taxes is senior to the City's personal property tax lien. In addition, a federal civil judgment lien (but not a federal tax lien) is senior to a lien for real property taxes levied by the City after the judgment lien has been recorded. In all other respects, and subject to the possible "homestead exemption" described below, the lien for property taxes is senior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law the County may commence foreclosure of a tax lien on real property after three years have passed since the first delinquency. State courts have not decided if the homestead law (chapter 6.13 RCW) gives the occupying homeowner a right to retain the first \$125,000 of proceeds of the forced sale of a family residence for delinquent general property taxes. The United States Bankruptcy Court for the Western District of Washington has held that the homestead exemption applies to the lien for property taxes, while the State Attorney General has taken the position that it does not.

The following tables set forth financial information regarding the City's tax collection record, *ad valorem* levy rates and an example of representative overlapping levy rates for one levy code area of the City.

**TABLE 2
CITY PROPERTY TAX COLLECTION RECORD**

Collection Year	Taxable Assessed Value	Ad Valorem Tax Levy	Tax Collected Year Due*	Total Collected As of 12/31/11*
2012	\$116,796,890,401	\$382,656,189	N/A	N/A
2011	119,424,060,925	365,494,860	98.45%	98.45%
2010	123,051,680,259	359,800,746	98.18%	99.52%
2009	137,195,493,756	354,064,528	98.12%	99.76%
2008	121,621,130,668	335,512,465	98.20%	99.97%
2007	106,208,487,451	339,875,863	98.28%	99.99%

* Based on adjusted levy amounts.

Source: King County Department of Assessments and Finance and City Department of Finance and Administrative Services

TABLE 3
AD VALOREM LEVY RATES AND LEVY AMOUNTS OF THE CITY

Collection Year	Levy Rates (Per \$ 1000 of Assessed Value)			Levy Amounts		
	General*	UTGO Bonds	Total	General*	UTGO Bonds	Total
2012	\$3.12958	\$0.14701	\$3.27659	\$365,625,854	\$17,030,335	\$382,656,189
2011	2.91279	0.14807	3.06086	347,951,272	17,543,588	365,494,860
2010	2.78928	0.13564	2.92492	343,232,198	16,568,548	359,800,746
2009	2.44741	0.13386	2.58127	335,813,292	18,251,236	354,064,528
2008	2.60108	0.17257	2.77365	314,771,853	20,740,612	335,512,465

* The General Levy is subject to the \$3.60 rate limit (see “General Property Taxes—Regular Property Tax Limitations”) and currently includes nonvoted regular levies and voted levy lid lifts for the Pike Place Market, low-income housing, families and education, parks and open space, fire facilities, and transportation. A levy lid lift to raise an additional \$17 million per year (in 2013 dollars) over seven years to support library services will appear on the August 2012 ballot.

Source: King County Department of Assessments

TABLE 4
REPRESENTATIVE OVERLAPPING LEVY RATES FOR CITY RESIDENTS
COLLECTION YEAR 2012
(Per \$1,000 of Assessed Value)

State Schools	\$2.42266
Seattle School District No. 1	2.40084
The City	3.27659
King County	1.41588
Port of Seattle	0.22982
Flood Zone	0.11616
Emergency Medical Services	0.30000
Ferry District	0.00372
Total	\$10.16567

Note: Levy rate paid by taxpayers within the City’s levy code area with the largest assessed value. This table includes both regular and excess property tax levies. Excess tax levies are not subject to the rate or amount limitations described under “Regular Property Tax Limitations.”

Source: King County Department of Assessments

Major Taxpayers. The following table presents the ten taxpayers within the City with the highest 2011 assessed value for tax collection year 2012.

**TABLE 5
2012 PRINCIPAL PROPERTY TAXPAYERS**

Taxpayer*	Type of Business	Assessed Value	Percentage of Total Assessed Value (%)
The Boeing Company	Aerospace	\$ 457,289,533	0.39
Union Square Limited Partnership	Real Estate	432,828,807	0.37
Qwest Corporation Inc.	Communications	429,151,431	0.37
Wright-Runstad & Co.	Real Estate	354,130,107	0.30
Columbia Center Property	Real Estate	277,271,002	0.24
City Centre Associates JV	Real Estate	273,159,172	0.23
Martin Selig	Real Estate	246,610,244	0.21
Puget Sound Energy	Utility	202,097,251	0.17
Seattle Sheraton	Hotel	195,227,459	0.17
Northwestern Mutual Life	Real Estate	188,481,000	0.16
Total		\$ 3,056,246,006	2.62
Total City Assessed Value for Tax Collection Year 2012		\$ 116,796,890,401	

* Includes taxpayers paying real and personal property taxes as property owners. Excludes governmental entities or taxpayers paying leasehold excise taxes based on rental payments for property they lease from governments.

Source: King County Department of Assessments

Retail Sales and Use Taxes

The State first levied a retail sales tax and a corresponding use tax on taxable retail sales and uses of personal property in 1935. Counties, cities and certain other municipal corporations are also authorized to levy various sales and use taxes. Neither the State nor local governments in the State collect an income tax.

A sales tax of 9.5% is charged on all gross retail sales in the City. The 9.5% is a composite of separate rates for several jurisdictions: 6.5% for the State, 0.85% for the City, 0.15% for the County for general purposes, 0.9% for the County to support public transportation, 0.9% for the Central Puget Sound Regional Transit Authority, 0.1% for the County to support chemical dependency or mental health programs and 0.1% for the support of criminal justice programs within the County. The first 10% of the criminal justice tax revenues is allocated to the County. The remaining 90% of the criminal justice tax revenues is allocated to the County and cities within the County based on population.

The sales tax currently is applied to a broad base of tangible personal property and selected services purchased by consumers, including construction (labor and materials), machinery and supplies used by businesses, services and repair of real and personal property, and many other transactions not taxed in other states. The use tax supplements the sales tax by taxing the use of certain services and by taxing the use of certain personal property on which a sales tax has not been paid (such as items purchased in a state that imposes no sales tax). The State Legislature, and the voters through the initiative process, have changed the base of the sales and use tax on occasion, and this may occur again in the future. Among the various items not currently subject to the sales and use tax are most personal services, motor vehicle fuel, most food for off-premises consumption, trade-ins and purchases for resale. Most lodging is not subject to the sales tax because the State Legislature has limited the total sales taxes that may be imposed on lodging.

Sales taxes on applicable retail sales are collected by the seller from the consumer. Use taxes are payable by the consumer upon the applicable rendering of service or use of personal property. The County collects any use tax imposed on the use of motor vehicles. Each seller (and the County) is required to hold taxes in trust until remitted to the State Department of Revenue, which usually occurs on a monthly basis. The State Department of Revenue administers and collects sales and use taxes from sellers, consumers and the County and makes disbursements to the City on a monthly basis. Disbursements lag two months behind collections. For a discussion of recent changes to sales and use taxes, see “Sales and Use Tax Streamlining” below.

Business Taxes

The City imposes a business and occupation (“B&O”) tax for the act or privilege of engaging in business activities. The City imposes this B&O tax at varying rates, depending on the class of business, based on the value of products, gross proceeds of sales or gross income of the business, as applicable. Certain businesses are exempted, and deductions and credits are allowed. State law limits the maximum rate at which cities may levy the B&O tax to 0.2%, but cities whose tax rates were higher than this level when the limit was imposed can maintain their current tax rates. Some additional rate increases are possible within the parameters set by State law, including voter approval. The City’s current rates range from 0.215% to 0.415%. The City’s tax is in addition to the B&O tax imposed by the State.

The City imposes a utility B&O tax on the investor-owned natural gas, telephone and steam utilities operating in the City at the 6% maximum rate permitted under State law without a vote of the electors and a utility B&O tax on cable television utilities operating in the City at the rate of 10%.

The City imposes a utility B&O tax on the City-owned electric utility at the 6% maximum rate permitted under State law without a vote of the electors and a utility B&O tax on the City-owned drainage utility and solid waste utility at the rate of 11.5%, on the City-owned wastewater utility at the rate of 12% and on the City-owned water utility at the rate of 15.54%. Under the City Charter, a City-owned utility may pay taxes to the City only if sufficient revenue is available after paying debt service and the cost of necessary betterments and replacements for the current year.

Real Estate Excise Taxes

The City imposes a real estate excise tax of one-half of 1% on sales of real property in the City. The proceeds are used for qualifying capital projects. A portion of the revenue is used for the payment of certain of the City’s general obligation bonds issued to finance those projects. The City’s tax is in addition to the current State real estate excise tax of 1.28%.

Miscellaneous

In 2010, parking fees and rents accounted for approximately 62% of miscellaneous revenues.

Legislative Changes Affecting City Taxes

Recent and pending changes in tax legislation at both the state and national level could affect City revenues. The authority of Washington local governments to impose taxes must be expressly granted by statute, and from time to time, city taxing powers are adjusted by the State Legislature or by initiative measures. The following are identified as pending developments in the law, but other legislation affecting the City’s taxing power may be pending or may arise at any time.

Streamlined Sales Tax Project. In 2003, the State Legislature approved legislation authorizing the State’s membership in the national Streamlined Sales and Use Tax Agreement (the “SSUTA”), in an effort to make sales and use taxes in the State more uniform with other states. Congress has required that state sales taxes be more uniform before Congress will permit taxation of interstate catalog and internet sales. In 2007, the State Legislature adopted legislation fully conforming to the SSUTA. Effective July 1, 2008, the sales tax system changed in the State from an origin-based system to a destination-based system. Under destination sourcing,

sales taxes are credited to the taxing jurisdiction where the purchaser takes delivery of the goods (which may differ from the point of sale with respect to goods delivered to the purchaser). The rate of the tax is now determined by the local rate in the destination taxing jurisdiction.

The State Legislature enacted certain provisions to mitigate net losses in sales and use tax collections of local taxing jurisdictions resulting from the change to a destination-based system. To qualify, the local taxing jurisdiction must be negatively impacted by the legislation and the local sales tax must be in effect before July 1, 2008, among other requirements. The State legislation requires the State Department of Revenue (the "Department") to determine each local jurisdiction's annual losses, and distributions are required to be made quarterly representing one-fourth of a jurisdiction's annual loss less voluntary compliance revenue from the previous quarter. Losses in sales tax revenues are based on a business-by-business comparison of sales patterns in each jurisdiction before and after the change to destination-based sales tax. Mitigation payments are distributed at the end of each quarter for the net loss experienced in the second preceding quarter. For example, mitigation payments were made on December 30, 2011, for July through September (third quarter) 2011.

When a jurisdiction's "voluntary compliance revenue" exceeds its loss of local sales tax revenue, the jurisdiction will cease receiving mitigation payments. "Voluntary compliance revenue" is the local sales tax revenue gain to each local taxing jurisdiction reported to the Department by sellers in other states voluntarily registered through the SSUTA. Money for mitigation is subject to appropriation by the State Legislature. The City has been positively impacted by the State legislation and has not been eligible to receive mitigation payments.

Business and Occupation Taxes. On June 29, 2011, the State Department of Revenue submitted a report to the Governor regarding "Tax Simplification," focusing on streamlining local business and occupation ("B&O") taxes and business license fees, among other things. The City cannot predict whether any of these recommendations will be adopted or implemented, whether the City would be required to participate or comply, or whether any such changes would have an impact on City collections of such revenues. The 2012 State Legislature considered additional proposals concerning the collection of B&O taxes by cities, but the results of that process and any resulting legislation cannot be predicted.

DEBT INFORMATION

The power of the City to contract debt of any kind is controlled and limited by State law. All debt must be incurred in accordance with detailed budget procedures and paid from identifiable receipts and revenues. The budget must be balanced for each fiscal year. It is unlawful for an officer or employee of the City to incur a current liability in excess of budgetary appropriations.

General Obligation Debt Capacity

Under State statutes, City unlimited tax general obligation indebtedness backed by excess property taxes such as the UTGO Bonds (subject to 60% approval by voters at an election with at least 40% turnout) is limited to 2.5% of assessed value for general purposes, 2.5% for certain utility purposes and 2.5% for open space, park facilities and capital facilities associated with economic development. Within the 2.5% of assessed value for general purposes, the City may, without a vote of the electors, incur general obligation indebtedness such as the LTGO Bonds in an amount not to exceed 1.5% of assessed value. The combination of unlimited tax and limited tax general obligation debt for general purposes cannot exceed 2.5% of assessed value and for all purposes may not exceed 7.5% of assessed value. These State laws are subject to constitutional limits.

The City may incur indebtedness within the constitutional and statutory limitations on indebtedness without a vote of the electorate in a number of ways. The most common are general obligation bonds, conditional sales contracts and financing leases with an option to purchase.

Debt Capacity and Debt Service Summaries

The following table sets forth the computation of the City's estimated legal debt capacity as of December 31, 2011, based on a total assessed value for collection of taxes in 2012 of \$117,503,213,124. Giving effect to the issuance of the Bonds and the defeasance of the Refunded Bonds, there remains \$1,073,879,637 of unlimited tax general obligation debt capacity for general purposes and \$828,320,005 of limited tax general obligation debt capacity. The subsequent tables show the annual principal and interest due on the Bonds and all outstanding general obligations of the City and the City's net direct and overlapping debt and debt ratios.

TABLE 6
ESTIMATED LEGAL DEBT CAPACITY⁽¹⁾
(as of December 31, 2011)

Assessed Value as of January 31, 2012 ⁽²⁾ \$117,503,213,124	General Capacity		Special Purpose Capacity		Total Capacity (7.5% of AV)
	A	B	Voter-Approved Open Space and Parks (2.5% of AV)	Voter-Approved Utility Purpose (2.5% of AV)	
	Non-Voted (1.5% of AV)	Voted (2.5% less Column A)			
2.5% of AV	\$ -	\$ 2,937,580,328	\$ 2,937,580,328	\$ 2,937,580,328	\$ 8,812,740,984
1.5% of AV	1,762,548,197	(1,762,548,197)	-	-	-
	\$ 1,762,548,197	\$ 1,175,032,131	\$ 2,937,580,328	\$ 2,937,580,328	\$ 8,812,740,984
Debt Outstanding ⁽³⁾					
The Bonds	\$ (75,590,000)	\$ (46,825,000)	\$ -	\$ -	\$ (122,415,000)
Outstanding Bonds ⁽⁴⁾	(770,080,000)	(108,310,000)	-	(1,350,000)	(879,740,000)
The Refunded Bonds	52,400,000	53,560,000	-	-	105,960,000
Accreted Value of 1998 E Bonds	(6,100,655)	-	-	-	(6,100,655)
Guarantee on PDA bonds ⁽⁵⁾	(77,075,000)	-	-	-	(77,075,000)
Compensated Absences ⁽⁶⁾	(79,673,741)	-	-	-	(79,673,741)
Total Debt Outstanding	\$ (956,119,396)	\$ (101,575,000)	\$ -	\$ (1,350,000)	\$ (1,059,044,396)
Available Net Assets in					
Redemption and Other Funds ⁽⁷⁾	\$ 10,226,457	\$ 422,506	\$ -	\$ -	\$ 10,648,963
Compensated Absences for Sick Leave ⁽⁶⁾	11,664,747	-	-	-	11,664,747
<i>Net Debt Outstanding</i>	<i>\$ (934,228,192)</i>	<i>\$ (101,152,494)</i>	<i>\$ -</i>	<i>\$ (1,350,000)</i>	<i>\$ (1,036,730,686)</i>
Legal Debt Margin	\$ 828,320,005	\$ 1,073,879,637	\$ 2,937,580,328	\$ 2,936,230,328	\$ 7,776,010,298

FOOTNOTES TO TABLE:

- (1) Debt limits are established by State law in RCW 39.36.020 and 35.42.200 within State constitutional limits. See “General Obligation Debt Capacity.” The figures in this table do not include \$20.6 million (December 31, 2011) 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 borrowed from the State and federal governments under chapter 39.36 RCW. 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% of the assessed value of taxable property without a vote of the people or a total of 5.0% of the assessed value of taxable property for general municipal purposes with a vote of the people. Inclusion of these loans does not cause the City to exceed this constitutional limitation.
- (2) Under RCW 39.36.015, the debt limitation for cities is based on the “last assessment for city purposes” And includes “the actual value of the taxable property” in the City, as those terms are used in State law This assessment was issued as of January 31, 2012, for taxes payable in 2012.
- (3) 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.
- (4) Excludes the 1998 Series E deferred interest bonds.
- (5) The City has guaranteed bonds issued by the following public corporations established by the City: the Pike Place Market Preservation and Development Authority, the Seattle Indian Services Commission, the Museum Development Authority, and the Seattle-Chinatown International District Preservation Development Authority.
- (6) As of December 31, 2010. 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.
- (7) As of December 31, 2010. Excludes available net assets in the Local Improvement Guaranty Fund and the Interfund Notes Payable Fund because special assessment bonds related to them, if any, are not included in the computation of legal debt margin.

**TABLE 7
SUMMARY OF GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

	Unlimited Tax						Limited Tax						Unlimited and Limited		
	Outstanding Bonds ⁽¹⁾			The UTGO Bonds			Outstanding Bonds ⁽²⁾			The LTGO Bonds			Total (Incl.UTGO Bonds & LTGO Bonds)		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 12,375,000	\$ 2,369,288	\$ 14,744,288	\$ 595,000	\$ 1,140,669	\$ 1,735,669	\$ 56,087,187	\$ 36,228,604	\$ 92,315,792	\$ 220,000	\$ 1,009,954	\$ 1,229,954	\$ 69,277,187	\$ 40,748,515	\$ 110,025,702
2013	7,180,000	1,854,394	9,034,394	4,365,000	2,088,000	6,453,000	58,268,589	32,572,188	90,840,777	2,540,000	3,458,300	5,998,300	72,353,589	39,972,882	112,326,471
2014	6,790,000	1,557,294	8,347,294	4,495,000	1,957,050	6,452,050	54,885,220	29,348,186	84,233,406	3,005,000	3,382,100	6,387,100	69,175,220	36,244,630	105,419,849
2015	7,060,000	1,266,106	8,326,106	4,630,000	1,822,200	6,452,200	44,254,398	26,170,104	70,424,503	3,115,000	3,261,900	6,376,900	59,059,398	32,520,311	91,579,709
2016	7,355,000	963,081	8,318,081	4,815,000	1,637,000	6,452,000	41,920,276	24,051,281	65,971,557	4,790,000	3,106,150	7,896,150	58,880,276	29,757,513	88,637,788
2017	7,660,000	647,319	8,307,319	5,050,000	1,396,250	6,446,250	43,031,751	22,086,555	65,118,305	5,020,000	2,866,650	7,886,650	60,761,751	26,996,773	87,758,524
2018	7,680,000	326,400	8,006,400	5,305,000	1,143,750	6,448,750	42,917,458	20,037,395	62,954,853	3,495,000	2,615,650	6,110,650	59,397,458	24,123,195	83,520,653
2019	-	-	-	5,575,000	878,500	6,453,500	45,097,582	18,009,257	63,106,838	3,660,000	2,441,150	6,101,150	54,332,582	21,328,907	75,661,488
2020	-	-	-	5,850,000	599,750	6,449,750	45,472,582	15,913,719	61,386,300	3,835,000	2,258,150	6,093,150	55,157,582	18,771,619	73,929,200
2021	-	-	-	6,145,000	307,250	6,452,250	48,810,650	13,954,426	62,765,076	4,025,000	2,066,400	6,091,400	58,980,650	16,328,076	75,308,726
2022	-	-	-	-	-	-	43,425,551	11,823,425	55,248,976	4,240,000	1,865,150	6,105,150	47,665,551	13,688,575	61,354,126
2023	-	-	-	-	-	-	41,675,551	9,834,650	51,510,201	4,120,000	1,653,150	5,773,150	45,795,551	11,487,800	57,283,351
2024	-	-	-	-	-	-	41,874,737	7,880,234	49,754,971	5,400,000	1,447,150	6,847,150	47,274,737	9,327,384	56,602,121
2025	-	-	-	-	-	-	43,754,737	5,905,343	49,660,080	5,345,000	1,176,900	6,521,900	49,099,737	7,082,243	56,181,980
2026	-	-	-	-	-	-	26,109,737	3,831,636	29,941,373	3,160,000	909,650	4,069,650	29,269,737	4,741,286	34,011,023
2027	-	-	-	-	-	-	16,209,737	2,627,635	18,837,372	3,315,000	751,650	4,066,650	19,524,737	3,379,285	22,904,022
2028	-	-	-	-	-	-	15,299,737	1,906,259	17,205,996	3,015,000	652,200	3,667,200	18,314,737	2,558,459	20,873,196
2029	-	-	-	-	-	-	11,189,737	1,237,619	12,427,356	3,135,000	531,600	3,666,600	14,324,737	1,769,219	16,093,956
2030	-	-	-	-	-	-	10,104,737	794,529	10,899,266	3,255,000	406,200	3,661,200	13,359,737	1,200,729	14,560,466
2031	-	-	-	-	-	-	9,844,737	365,324	10,210,061	3,375,000	276,000	3,651,000	13,219,737	641,324	13,861,061
2032	-	-	-	-	-	-	420,000	55,750	475,750	3,525,000	141,000	3,666,000	3,945,000	196,750	4,141,750
2033	-	-	-	-	-	-	440,000	34,250	474,250	-	-	-	440,000	34,250	474,250
2034	-	-	-	-	-	-	465,000	11,625	476,625	-	-	-	465,000	11,625	476,625
Total	\$ 56,100,000	\$ 8,983,881	\$ 65,083,881	\$46,825,000	\$ 12,970,419	\$ 59,795,419	\$ 741,559,689	\$ 284,679,993	\$ 1,026,239,682	\$ 75,590,000	\$ 36,277,054	\$111,867,054	\$ 920,074,689	\$ 342,911,347	\$ 1,262,986,036

(1) Excludes the UTGO Refunded Bonds.

(2) Excludes the LTGO Refunded Bonds. Includes debt service on Public Works Assistance Account Loans.

TABLE 8
NET DIRECT AND OVERLAPPING DEBT

Outstanding Direct Debt ⁽¹⁾	
Unlimited Tax Bonds ⁽²⁾	\$ 56,100,000
The UTGO Bonds	46,825,000
Limited Tax Bonds ⁽³⁾	723,780,655
The LTGO Bonds	75,590,000
Less: Cash and Investments in Debt Service Funds ⁽⁴⁾	<u>(10,648,963)</u>
Net Direct Debt	\$ 891,646,692
Estimated Overlapping Debt	
King County ⁽⁵⁾⁽⁶⁾	\$ 460,429,469
Port of Seattle ⁽⁷⁾	123,630,702
Seattle School District No. 001 ⁽⁵⁾	204,910,030
Highline School District No. 401 ⁽⁵⁾	<u>15,971</u>
Total Estimated Overlapping Debt	<u>\$ 788,986,172</u>
Total Estimated Net Direct and Overlapping Debt	<u>\$ 1,680,632,864</u>

(1) Estimated as of December 31, 2011. Excludes public corporation bonds guaranteed by the City.

(2) Excludes the UTGO Refunded Bonds.

(3) Includes outstanding capital lease purchase agreements and the accreted value of the 1998E Bonds. Excludes the Public Works Assistance Account loans. Excludes the LTGO Refunded Bonds.

(4) As of December 31, 2010.

(5) As of December 31, 2011. Allocated to the City according to its share of 2012 assessed values.

(6) Excludes limited tax general obligation indebtedness payable first from revenues other than general revenues of the County, such as sales tax and sewer revenue.

(7) As of December 31, 2011. Allocated to the City based on its share of 2012 assessed values.

TABLE 9
CITY BONDED DEBT RATIOS
(Assessed Value as of December 31, 2011)

Assessed Value for 2012 Collections ⁽¹⁾	\$117,503,213,124
2011 Population Estimate ⁽²⁾	612,100
Assessed Valuation	100% of True and Fair Value
Net Direct Debt	\$891,646,692
Net Direct and Overlapping	\$1,680,632,864
Net Direct Debt to Assessed Value	0.76%
Net Direct and Overlapping Debt to Assessed Value	1.43%
Per Capita Assessed Value	\$191,967
Per Capita Net Direct Debt	\$1,457
Per Capita Net Direct and Overlapping Debt	\$2,746

(1) Source: King County Assessor.

(2) Source: State of Washington Office of Financial Management's 2011 estimate.

THE CITY OF SEATTLE

The following provides general information about the City.

Municipal Government

Incorporated in 1869, the City is the largest city in the Pacific Northwest and is the seat of King County.

The City is a general purpose government that provides a broad range of services typical of local municipalities, such as streets, parks, libraries, human services, law enforcement, fire fighting and emergency medical services, planning, zoning, animal control, municipal court, and utilities. King County also provides certain services throughout the County and within the City, including courts of general jurisdiction, felony prosecution and defense, jail, public health, and transit services.

The City is organized under the mayor-council form of government and operates under its City Charter. The mayor, the city attorney, nine City Council members, and eight Municipal Court judges are all elected to four-year terms.

Mayor. The Mayor serves as the chief executive officer of the City. The Mayor presents to the City Council annual statements of the financial and governmental affairs of the City, budgets, and capital improvement plans. The Mayor signs, or causes to be signed on behalf of the City, all deeds, contracts and other instruments.

City Council. The City Council is the policy-making legislative body of the City. The nine City Council members are elected at-large to four-year staggered terms and serve on a full-time basis. The City Council sets tax levies, sets utility rates, makes appropriations and adopts and approves the annual operating budget for the City.

Municipal Court. The State Constitution provides for the existence of county superior courts as the courts of general jurisdiction and authorizes the State Legislature to create other courts of limited jurisdiction. The Seattle Municipal Court has limited jurisdiction over a variety of cases, including misdemeanor criminal cases, traffic and parking infractions, collection of fines, violation of no-contact or domestic violence protection orders, and civil actions for enforcement of City fire and housing codes. The Municipal Court has eight judges. Municipal Court employees report to the judges.

Financial Management

City financial management functions are provided by the Department of Finance and Administrative Services.

Accounting. The accounting and reporting policies of the City conform to generally accepted accounting principles for municipal governments and are regulated by the State Auditor's Office, which maintains a resident staff at the City to perform a continual current audit as well as an annual post-fiscal year audit of City financial operations. The Accounting Services Division of the Department of Finance and Administrative Services maintains general supervision over the accounting functions of the City.

Auditing. The State Auditor is required to examine the affairs of all local governments at least once every three years; the City is audited annually. The examination must include, among other things, the financial condition and resources of the City, compliance with the laws and Constitution of the State, and the methods and accuracy of the accounts and reports of the City. Reports of the State Auditor's examinations are required to be filed in the office of the State Auditor and in the Department of Finance and Administrative Services. The City's Comprehensive Annual Financial Report may be obtained from the Department of Finance and Administrative Services and is available at <http://www.seattle.gov/cafrs/default.htm>, which website address is not incorporated herein by reference. The City's Comprehensive Annual Financial Report for 2010 is attached as Appendix B.

In 2005, pursuant to an initiative approved by the State's voters, the State Auditor's Office was given authority to conduct independent performance audits of State and local government entities. The Office of the City

Auditor also reviews the performance of a wide variety of City activities such as management of city trees, district councils, span of control, City-wide collections, special events permitting, and specific departmental activities.

Municipal Budget. City operations are guided by a budget prepared under the direction of the Mayor by the City Budget Office pursuant to State statute (chapter 35.32A RCW). The proposed budget is submitted to the City Council by the Mayor each year not later than 90 days prior to the beginning of the next fiscal year. Currently the fiscal year of the City is January 1 through December 31. The City Council considers the proposed budget, holds public hearings on its contents, and may alter and revise the budget at its discretion, subject to the State requirement that budgeted revenues must at least equal expenditures. The City Council is required to adopt a balanced budget at least 30 days before the beginning of the next fiscal year, which may be amended or supplemented from time to time by ordinance. The 2012 budget was adopted on November 21, 2011.

The City's adopted General Subfund budget was \$893.6 million in 2011 and \$918.0 million in 2012. Total general government tax revenue increased by about 1.2% from 2009 to 2010 (see Table 1). According to the City's November 2011 forecast, total General Fund revenues are expected to be about 2.5% and 2.9% higher in 2011 and 2012, respectively.

Investments

Authorized Investments. Chapter 35.39 RCW permits the investment by cities and towns of their inactive funds or other funds in excess of current needs in the following: United States bonds; United States certificates of indebtedness; State bonds or warrants; general obligation or utility revenue bonds of its own or of any other city or town in the State; its own bonds or warrants of a local improvement district that are within the protection of the local improvement guaranty fund law; and any other investment authorized by law for any other taxing district. Under chapter 39.59 RCW, a city or town also may invest in the following: bonds of any local government in the State that have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency; general obligation bonds of any other state or local government of any other state that have at the time of the investment one of the three highest credit ratings of a nationally recognized rating agency; registered warrants of a local government in the same county as the government making the investment; and any investments authorized by law for the State Treasurer or any local government of the State other than a metropolitan municipal corporation (other than bank certificates of deposit of banks or bank branches not located in the State). Under chapter 43.84 RCW, the State Treasurer (and, under chapter 39.59 RCW, cities and towns) may invest in the following: obligations of the United States or its agencies and of any corporation wholly owned by the government of the United States; State, county, municipal or school district general obligation bonds or general obligation warrants of taxing districts of the State, if within the statutory limitation of indebtedness; motor vehicle fund warrants; Federal Home Loan Bank notes and bonds, Federal Land Bank bonds, Fannie Mae notes, debentures and guaranteed certificates of participation and obligation of any other government-sponsored corporation whose obligations are eligible for collateral for advances to Federal Reserve System member banks; bankers' acceptances purchased in the secondary market; negotiable certificates of deposit of any national or state commercial or mutual savings bank or savings and loan association doing business in the United States; and commercial paper.

Money available for investment may be invested on an individual fund basis or may, unless otherwise restricted by law, be commingled within one common investment portfolio. All income derived from such investment may be either apportioned to and used by the various participating funds or for the benefit of the general government in accordance with City ordinances or resolutions.

Authorized Investments for Bond Proceeds. Funds derived from the sale of bonds or other instruments of indebtedness will be invested or used in such manner as the initiating ordinances, resolutions, or bond covenants may lawfully prescribe. In addition to the eligible investments discussed above, bond proceeds may also be invested, subject to certain restrictions, in mutual funds with portfolios consisting of (i) only United States government bonds or United States government guaranteed bonds issued by federal agencies with average maturities of less than four years; bonds of the State or of any local government in the State that have at the time of the investment one of the four highest credit ratings of a nationally recognized rating agency; general obligation bonds of any other state or local government of any other state that have at the time of the

investment one of the four highest credit ratings of a nationally recognized rating agency; (ii) bonds of states and local governments or other issuers authorized by law for investment by local governments that have at the time of investment one of the two highest credit ratings of a nationally recognized rating agency; or (iii) securities otherwise authorized by law for investment by local governments.

City Investments. The information in this section does not pertain to pension funds that are administered by the City (see “Pension Plans”), and certain refunding bond proceeds that are administered by trustee service providers.

All cash-related transactions for the City, including its utilities, are administered by the Department of Finance and Administrative Services. City cash is deposited into a single bank account and cash expenditures are paid from a consolidated disbursement account. Investments of temporarily idle cash may be made, according to existing City Council-approved policies, by the Treasury Division of the Department of Finance and Administrative Services in securities described under “Authorized Investments.”

State statutes, City ordinances and Department of Finance and Administrative Services policies require the City to minimize market risks by safekeeping all purchased securities according to governmental standards for public institutions and by maintaining safety and liquidity above consideration for returns. Current City investment policies require periodic reporting on the City’s investment portfolio to the Mayor and the City Council. The City’s investment operations are reviewed by the City Auditor and by the State Auditor.

As of December 31, 2011, the combined investment portfolios of the City totaled \$1,274 million at book value. The City’s Investment Pool is constituted solely of City funds. The City does not invest any funds in other pools, with the exception of tax collection receipts initially held by King County. For the 12-month period ending December 31, 2011, the yield on the City’s investment portfolio was 0.91%. As of December 31, 2011, the average maturity of the portfolio was 822 days. Approximately 12%, or \$154.4 million, was invested in securities with maturities of three months or less. The City held no securities with maturities longer than 15 years. Investments were allocated as follows:

Government-Sponsored Enterprises	77.4%
Taxable Municipal Bonds	8.2
Commercial Paper	6.1
Repurchase Agreements	5.2
U.S. Treasuries	3.0
Mortgage-Backed Securities	0.1

Interfund Loans. The City municipal code authorizes the Director of Finance, after consultation with the Director of Administrative Services, the Budget Director, and the City Council Finance Committee Chair, to approve interfund loans for a duration of up to 90 days and to establish a rate of interest on such loans. Extension or renewal of interfund loans requires City Council approval by ordinance. The Director of Finance also is authorized by City ordinance to make loans to individual funds participating in a common investment portfolio by carrying funds in a negative cash position for a period of up to 90 days, or for a longer period upon approval by ordinance, to the extent that such loans can be supported prudently by the common investment portfolio and the borrowing fund is reasonably expected to be able to repay the loan. Loans of this type bear interest at the common investment portfolio’s rate of return.

Risk Management

The City purchases excess liability insurance to address general, automobile, professional, public official, and other exposures. The policies provide \$40 million limits above a \$6.5 million self-insured retention per occurrence, but coverage excludes partial or complete failure of any dam. The City also purchases all risk property insurance, including earthquake and flood perils, that provide up to \$500 million in limits subject to a schedule of deductibles. City hydroelectric generation and transmission equipment and certain other utility systems and equipment are not covered by the property insurance policy.

The City insures a primary level of fiduciary, crime liability, inland marine, and various commercial general liability, medical, accidental death and dismemberment, and miscellaneous exposures. Surety bonds are

purchased for certain public officials, notary publics, and workers who are permanently and totally disabled from a workplace injury or occupational disease.

Pension Plans

City employees are covered by one of the following defined benefit pension plans: Seattle City Employees' Retirement System ("SCERS"), Firefighter's Pension Fund, Police Relief and Pension Fund, and Law Enforcement Officers' and Fire Fighters' Retirement System ("LEOFF"). The first three are administered by the City; the State administers LEOFF through the Department of Retirement Systems.

Nearly all permanent non-uniformed City employees, employees of the Seattle Public Library and certain grandfathered employees of the County (and a predecessor agency of the County) participate in SCERS, a single-employer public employee retirement system. SCERS estimated its total assets to be \$1.813 billion as of January 1, 2011.

Actuarial data for SCERS are determined through actuarial valuation. Historically, these reports were prepared biennially, but in 2011 the City began preparing them annually. Unlike most public pension systems, SCERS used the market value of assets to calculate its funding ratio in the past. Consequently, the full impact of annual asset losses occurring in recent years was reflected in each actuarial valuation. From January 1, 2008, to January 1, 2010, the valuation ratio was reported as having fallen from 92.4% to 62.0%.

To improve its ability to manage short-term market volatility, the City adopted a five-year asset smoothing methodology in 2011. The most recent actuarial valuation of SCERS was conducted by Milliman, Inc. as of January 1, 2011, and reflects the following assumptions: investment return, 7.75%; price inflation, 3.50%; expected annual average membership growth, 1.00%; and wage inflation, 3.50%. Based on this valuation, the actuarial value of net assets available for benefits was \$2.014 billion and the actuarial accrued liability was \$2.709 billion. The unfunded actuarial accrued liability declined from \$1.008 billion on January 1, 2010, to \$695.4 million on January 1, 2011. The funding ratio increased from 62.0% on January 1, 2010, to 74.3%, due to a variety of factors listed below, including the adoption of the five-year asset smoothing methodology.

SOURCES OF CHANGE	FUNDING RATIO
<i>January 1, 2010, Actuarial Valuation</i>	62.0%
Expected Valuation to Valuation Change	(0.6%)
Asset Gain/(Loss) on Market Value	3.0%
Salary Less/(Greater) than Expected	2.2%
Assumptions Changes (Demographic)	0.6%
Asset Smoothing Adoption	7.5%
Other	<u>(0.4%)</u>
Total Change	12.3%
<i>January 1, 2011, Actuarial Valuation</i>	74.3%

According to the January 1, 2010, actuarial valuation, the actuarial required contribution ("ARC") was calculated to be 25.03% of pay based on the then-current mark to market valuation methodology. Although the total contribution rate increased from 16.06% to 18.06% from 2010 to 2011, it was still insufficient to fully amortize the system's unfunded actuarial accrued liability. With the adoption of the smoothing methodology, the January 1, 2011, actuarial valuation showed that the ARC would be 21.30% for 2012. Subsequent revisions to this valuation, including lowering the credit interest rate from 5.75% to 4.47%, further reduced the ARC to 21.04%. The credit interest rate is the rate at which member contributions earn interest if such contributions are withdrawn from the system.

On November 21, 2011, the City Council passed Resolution 31334 affirming the City's intent to fully fund the actuarial required contribution each year with its budget. The City's adopted 2012 Budget fully funds the ARC. Under the City's existing collective bargaining contracts, most of which expire at the end of 2013,

increases in the employee contribution rate are limited to a total of 2.00%. The City is exploring options for managing the system more cost-effectively in the long term.

Contribution rates for SCERS increased from 2010 to 2012 as shown below:

<u>YEAR</u>	<u>EMPLOYER</u>	<u>EMPLOYEE</u>	<u>TOTAL</u>
2009	8.03%	8.03%	16.06%
2010	8.03%	8.03%	16.06%
2011	9.03%	9.03%	18.06%
2012	11.01%	10.03%	21.04%

Employee and employer contributions are expected to be \$60.2 million in 2012, of which approximately 34% is from general government departments. City utilities pay the employer share for their employees.

The Firefighter's Pension Fund and the Police Relief and Pension Fund are single-employer pension plans that were established by the City in compliance with State law. Since the effective date of LEOFF in 1970, no payroll for employees was covered under these City plans, and the primary liability for pension benefits for these City plans shifted from the City to the State. However, the City was still liable for all benefits of employees in service at that time plus certain future benefits. The City is not required to adopt a plan to fund the actuarial accrued liability of these City plans.

In 1994, the City established an actuarial fund for the Firefighter's Pension Fund and adopted a policy of fully funding the actuarial accrued liability by the year 2018 (which was subsequently extended to 2023). For 2011, the City has elected to make the annual required contribution but not to make any additional contribution toward funding the actuarial accrued liability of the Firefighter's Pension Fund. As of January 1, 2011, the actuarial value of net assets available for benefits in the Firefighter's Pension Fund was \$11.4 million, and the actuarial accrued liability was \$126.8 million. As a result, the unfunded actuarial accrued liability was \$115.4 million and the funding ratio was 9.0%. The City's employer contribution to the fund in 2010 was \$7.3 million; there were no current member contributions.

The City funds the Police Relief and Pension Fund as benefits become due. As of January 1, 2011, the unfunded actuarial accrued liability in the Police Relief and Pension Fund was \$136.4 million. The City's employer contribution to the fund in 2011 was \$8.7 million; there were no current member contributions.

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 afterward are Plan 2 members. Membership in LEOFF includes all full-time, fully compensated local law enforcement officers and firefighters in the State.

Actuarial data for LEOFF are determined annually by the Office of the State Actuary. The most recent actuarial valuation of LEOFF was conducted as of June 30, 2010. Based on this valuation, the actuarial accrued surplus of Plan 1 was \$1.180 billion and the funded ratio was 127%; the actuarial accrued surplus of Plan 2 was \$1.179 billion and the funded ratio was 124%.

Employee and employer contribution rates (calculated as a percentage of covered payroll) are developed by the Office of the State Actuary to fully fund LEOFF. The contribution rates for Plan 1 are currently zero for employees and 0.16% for employers, all of which is allocated to administrative expenses. The contribution rates for Plan 2 are currently 6.36% for employees, 5.24% for employers (which includes 0.16% for administrative expenses), and 3.38% for the State. The City's employer contributions in 2010 were \$14,000 for Plan 1 and \$12.1 million for Plan 2.

For additional information regarding the City's retirement plans, see Note 11 to the City's Comprehensive Annual Financial Report for 2010, attached as Appendix B.

Post-Employment Retirement Benefits

The City has liability for two types of other post-employment benefits (“OPEB”): (i) an implicit rate subsidy for health insurance covering employees retiring under SCERS or LEOFF Plan 2 and dependents of employees retiring under LEOFF Plan 1 and (ii) medical benefits for eligible beneficiaries of the City’s Firefighter’s Pension Fund and Police Relief and Pension Fund. The implicit rate subsidy is the difference between (i) what retirees pay for their health insurance as a result of being included with active employees for rate-setting purposes and (ii) the estimated required premiums if their rates were set based on claims experience of the retirees as a group separate from active employees. The City has assessed its OPEB liability in order to satisfy the expanded reporting requirements specified by the Governmental Accounting Standards Board Statement No. 45 (“GASB 45”). While GASB 45 requires reporting and disclosure of the unfunded OPEB liability, it does not require that it be funded. The City funds its OPEB on a pay-as-you-go basis.

As of January 1, 2010, the unfunded actuarial accrued liability for the implicit rate subsidy was \$93.5 million; the City’s contribution in 2010 was \$3.2 million. As of January 1, 2011, the unfunded actuarial accrued liability for OPEB in the City’s Firefighter’s Pension Fund was \$241.4 million; the annual contribution in 2010 was \$10.4 million. As of January 1, 2011, the unfunded actuarial accrued liability for OPEB in the Police Relief and Pension Fund was \$261.0 million; the annual contribution in 2010 was \$12.0 million.

For additional information regarding the City’s OPEB, see Note 11 to the City’s Comprehensive Annual Financial Report for 2010 attached as Appendix B.

Labor Relations

The City has 28 separate departments and offices with approximately 11,500 regular and temporary employees. Twenty-six different unions and 47 bargaining units represent approximately 76% of the City’s regular employees. The City has agreements with the coalition of City unions (representing most of the non-uniformed employees) that expire at the end of 2013. Agreements with the Seattle Dispatchers’ Guild; International Association of Machinists and Aerospace Workers, District Lodge 160, Local 289 and 79; Firefighters Local 27; Fire Chiefs Local 2898; and the Seattle Police Management Association expired at the end of 2011. Two agreements with the International Brotherhood of Electrical Workers Local 77 expire on January 22, 2013. The City’s labor agreement with the Seattle Police Officers’ Guild expired at the end of 2010. The City is actively negotiating renewals of these contracts. Negotiations also continue for two new bargaining units that have not been covered by contracts in the past; the Seattle Prosecuting Attorneys and WSCCCE, Local 21 (City Light).

INITIATIVE AND REFERENDUM

State-Wide Measures

Under the State Constitution, Washington voters may initiate legislation (either directly to the voters, or to the State Legislature and then, if not enacted, to the voters) and require that legislation passed by the State Legislature be referred to the voters. Any law approved in this manner by a majority of the voters may not be amended or repealed by the State Legislature within a period of two years following enactment, except by a vote of two-thirds of all the members elected to each house of the State Legislature. After two years, the law is subject to amendment or repeal by the State Legislature in the same manner as other laws. The Washington State Constitution may not be amended by initiative.

Initiatives and referenda are submitted to the voters upon receipt of a petition signed by at least 8% (initiative) and 4% (referenda) of the number of voters registered and voting for the office of Governor at the preceding regular gubernatorial election.

In recent years, several State-wide initiative petitions to repeal or reduce the growth of taxes and fees, including City taxes, have garnered sufficient signatures to reach the ballot. Some of those tax and fee initiative measures have been approved by the voters and, of those, some remain in effect while others have been invalidated by the courts. Tax and fee initiative measures continue to be filed, but it cannot be predicted whether any more such

initiatives might gain sufficient signatures to qualify for submission to the State Legislature and/or the voters or, if submitted, whether they ultimately would become law.

Local Measures

Under the City Charter, Seattle voters may initiate City Charter amendments and local legislation, including modifications to existing legislation, and through referendum may prevent legislation passed by the City Council from becoming law.

LEGAL AND TAX INFORMATION

No Litigation Affecting the Bonds or Taxing Authority

There is no litigation pending with process properly served on the City questioning the validity of the Bonds or the power and authority of the City to issue the Bonds or the power and authority of the City to levy and collect the taxes pledged to the Bonds.

Other Litigation

Various lawsuits and claims are pending against the City involving claims for money damages. (See the discussion of claims in Appendix B—The City’s 2010 Comprehensive Annual Financial Report—Note 14, Contingencies.) Based on its past experience, the City has concluded that its ability to repay the Bonds on a timely basis will not be impaired by the aggregate amount of uninsured liabilities of the City and the timing of any anticipated payments of judgments that might result from suits and claims.

Approval of Counsel

Legal matters incident to the authorization, issuance and sale of Bonds by the City are subject to the approving legal opinions of Foster Pepper PLLC, Seattle, Washington, Bond Counsel. Forms of the opinions of Bond Counsel with respect to the Bonds are attached hereto as Appendix A. The opinion of Bond Counsel is given based on factual representations made to Bond Counsel and under existing law as of the date of initial delivery of the Bonds. Bond Counsel assumes no obligation to revise or supplement its opinion to reflect any facts or circumstances that may thereafter come to its attention or any changes in law that may thereafter occur. The opinion of Bond Counsel is an expression of its professional judgment on the matters expressly addressed in its opinion and does not constitute a guarantee of result. Bond Counsel will be compensated only upon the issuance and sale of the Bonds.

Limitations on Remedies

Any remedies available to the owners of the Bonds upon the occurrence of an event of default under the Bond Ordinance are in many respects dependent upon judicial actions which are in turn often subject to discretion and delay and could be both expensive and time-consuming to obtain. If the City fails to comply with its covenants under the Bond Legislation or to pay principal of or interest on the Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the owners of the Bonds.

In addition to the limitations on remedies contained in the Bond Legislation, the rights and obligations under the Bonds and the Bond Legislation may be limited by and are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, and other laws relating to or affecting creditors’ rights, to the application of equitable principles, and the exercise of judicial discretion in appropriate cases. The opinions to be delivered by Foster Pepper PLLC, as Bond Counsel, concurrently with the issuance of the Bonds, will be subject to limitations regarding bankruptcy, insolvency, and other laws relating to or affecting creditors’ rights. The various other legal opinions to be delivered concurrently with the issuance of the Bonds will be similarly qualified. Copies of the proposed forms of opinions of Bond Counsel are set forth in Appendix A.

Tax Exemption

Exclusion from Gross Income. In the opinion of Bond Counsel, under existing federal law and assuming compliance with applicable requirements of the Code that must be satisfied subsequent to the issue date of the Bonds, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals.

Continuing Requirements. The City is required to comply with certain requirements of the Code after the date of issuance of the Bonds in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of proceeds of the Bonds and the facilities financed or refinanced with proceeds of the Bonds, limitations on investing gross proceeds of the Bonds in higher yielding investments in certain circumstances, and the requirement to comply with the arbitrage rebate requirement to the extent applicable to the Bonds. The City has covenanted in the Bond Legislation to comply with those requirements, but if the City fails to comply with those requirements, interest on the Bonds could become taxable retroactive to the date of issuance of the Bonds. Bond Counsel has not undertaken and does not undertake to monitor the City's compliance with such requirements.

Corporate Alternative Minimum Tax. While interest on the Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, under Section 55 of the Code, tax-exempt interest, including interest on the Bonds, received by corporations is taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations (as defined for federal income tax purposes). Under the Code, alternative minimum taxable income of a corporation will be increased by 75% of the excess of the corporation's adjusted current earnings (including any tax-exempt interest) over the corporation's alternative minimum taxable income determined without regard to such increase. A corporation's alternative minimum taxable income, so computed, that is in excess of an exemption of \$40,000, which exemption will be reduced (but not below zero) by 25% of the amount by which the corporation's alternative minimum taxable income exceeds \$150,000, is then subject to a 20% minimum tax.

A small business corporation is exempt from the corporate alternative minimum tax for any taxable year beginning after December 31, 1997, if its average annual gross receipts during the three-taxable-year period beginning after December 31, 1993, did not exceed \$5,000,000, and its average annual gross receipts during each successive three-taxable-year period thereafter ending before the relevant taxable year did not exceed \$7,500,000.

Tax on Certain Passive Investment Income of S Corporations. Under Section 1375 of the Code, certain excess net passive investment income, including interest on the Bonds, received by an S corporation (a corporation treated as a partnership for most federal tax purposes) that has Subchapter C earnings and profits at the close of the taxable year may be subject to federal income taxation at the highest rate applicable to corporations if more than 25% of the gross receipts of such S corporation is passive investment income.

Foreign Branch Profits Tax. Interest on the Bonds may be subject to the foreign branch profits tax imposed by Section 884 of the Code when the Bonds are owned by, and effectively connected with a trade or business of, a United States branch of a foreign corporation.

Possible Consequences of Tax Compliance Audit. The Internal Revenue Service (the "IRS") has established a general audit program to determine whether issuers of tax-exempt obligations, such as the Bonds, are in compliance with requirements of the Code that must be satisfied in order for interest on those obligations to be, and continue to be, excluded from gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS would commence an audit of the Bonds. Depending on all the facts and circumstances and the type of audit involved, it is possible that commencement of an audit of the Bonds could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of its ultimate outcome.

Certain Other Federal Tax Consequences

Bonds Not “Qualified Tax-Exempt Obligations” for Financial Institutions. Section 265 of the Code provides that 100% of any interest expense incurred by banks and other financial institutions for interest allocable to tax-exempt obligations acquired after August 7, 1986, will be disallowed as a tax deduction. However, if the tax-exempt obligations are obligations other than private activity bonds, are issued by a governmental unit that, together with all entities subordinate to it, does not reasonably anticipate issuing more than \$10,000,000 of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) in the current calendar year, and are designated by the governmental unit as “qualified tax-exempt obligations,” only 20% of any interest expense deduction allocable to those obligations will be disallowed.

The City is a governmental unit that, together with all subordinate entities, reasonably anticipates issuing more than \$10,000,000 of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) during the current calendar year and has not designated the Bonds as “qualified tax-exempt obligations” for purposes of the 80% financial institution interest expense deduction. Therefore, no interest expense of a financial institution allocable to the Bonds is deductible for federal income tax purposes.

Reduction of Loss Reserve Deductions for Property and Casualty Insurance Companies. Under Section 832 of the Code, interest on the Bonds received by property and casualty insurance companies will reduce tax deductions for loss reserves otherwise available to such companies by an amount equal to 15% of tax-exempt interest received during the taxable year.

Effect on Certain Social Security and Retirement Benefits. Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take receipts or accruals of interest on the Bonds into account in determining gross income.

Other Possible Federal Tax Consequences. Receipt of interest on the Bonds may have other federal tax consequences as to which prospective purchasers of the Bonds should consult their own tax advisors.

Potential Future Federal Tax Law Changes. From time to time, legislative proposals are introduced in Congress which, if enacted, could require changes in the description of federal tax matters relating to the Bonds set forth above or adversely affect the market value of the Bonds. It cannot be predicted whether future legislation may be proposed or enacted that would affect the federal tax treatment of interest received on the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors regarding any proposed or pending legislation that would change the federal tax treatment of interest on the Bonds.

Original Issue Discount. The LTGO Bonds maturing on September 1, 2027, have been sold at a price reflecting original issue discount (“Discount Bonds”). Under existing law, the original issue discount in the selling price of each Discount Bond, to the extent properly allocable to each owner of such Discount Bond, is excluded from gross income for federal income tax purposes with respect to such owner. The original issue discount is the excess of the stated redemption price at maturity of such Discount Bond over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of the Discount Bonds of such maturity were sold.

Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Discount Bond during any accrual period generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such Discount Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of a Discount Bond will be treated as gain from the sale or exchange of such Discount Bond.

The portion of original issue discount that accrues in each year to an owner of a Discount Bond may result in certain collateral federal income tax consequences. The accrual of such portion of the original issue discount will be included in the calculation of alternative minimum tax liability as described above, and may result in an alternative minimum tax liability even though the owner of such Discount Bond will not receive a corresponding cash payment until a later year.

Owners who purchase Discount Bonds in the initial public offering but at a price different from the first offering price at which a substantial amount of those Discount Bonds were sold to the public, or who do not purchase Discount Bonds in the initial public offering, should consult their own tax advisors with respect to the tax consequences of the ownership of such Discount Bonds. Owners of Discount Bonds who sell or otherwise dispose of such Discount Bonds prior to maturity should consult their own tax advisors with respect to the amount of original issue discount accrued over the period such Discount Bonds have been held and the amount of taxable gain or loss to be recognized upon that sale or other disposition of Discount Bonds. Owners of Discount Bonds also should consult their own tax advisors with respect to state and local tax consequences of owning such Discount Bonds.

Original Issue Premium. The LTGO Bonds maturing on September 1 in the years 2012 through and including 2026 and 2028 through and including 2032 and the UTGO Bonds have been sold at prices reflecting original issue premium (“Premium Bonds”). An amount equal to the excess of the purchase price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity. The amount of amortizable premium allocable to an interest accrual period for a Premium Bond will offset a like amount of qualified stated interest on such Premium Bond allocable to that accrual period, and may affect the calculation of alternative minimum tax liability described above. As premium is amortized, the purchaser’s basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis is reduced, no federal income tax deduction is allowed. Purchasers of Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Premium Bonds.

Continuing Disclosure Undertaking

Basic Undertaking to Provide Annual Financial Information and Notice of Listed Events. To meet the requirements of paragraph (b)(5) of United States Securities and Exchange Commission (“SEC”) Rule 15c2-12 (“Rule 15c2-12”), as applicable to a participating underwriter for the Bonds, the City will undertake in the Bond Legislation (the “Undertaking”) for the benefit of holders of the Bonds, as follows.

Annual Financial Information. The City will provide or cause to be provided, either directly or through a designated agent, to the Municipal Securities Rulemaking Board (the “MSRB”), in an electronic format as prescribed by the MSRB:

- (i) Annual financial information and operating data of the type included in this Official Statement as generally described below under “Type of Annual Information Undertaken to be Provided”; and
- (ii) Timely notice (not in excess of ten business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds:
 - (a) principal and interest payment delinquencies;
 - (b) non-payment related defaults, if material;
 - (c) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (d) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (e) substitution of credit or liquidity providers, or their failure to perform;

- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701—TEB), or other material notices or determinations with respect to the tax status of the Bonds;
- (g) modifications to rights of holders of the Bonds, if material;
- (h) Bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers;
- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership, or similar event of the City, as such “Bankruptcy Events” are defined in Rule 15c2-12;
- (m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

The City also will provide or cause to be provided to the MSRB timely notice of a failure by the City to provide required annual financial information on or before the date specified below.

Type of Annual Financial Information Undertaken to be Provided. The annual financial information that the City undertakes to provide will consist of:

- (i) annual financial statements of the City, prepared in accordance with generally accepted accounting principles applicable to governmental units (except as otherwise noted therein), as such principles may be changed from time to time and as permitted by State law, which statements will not be audited, except that if and when audited financial statements are otherwise prepared and available to the City they will be provided;
- (ii) a statement of authorized, issued and outstanding general obligation debt of the City;
- (iii) the assessed value of the property within the City subject to *ad valorem* taxation; and
- (iv) *ad valorem* tax levy rates and amounts and percentage of taxes collected.

Annual financial information, as described above, will be provided to the MSRB not later than the last day of the ninth month after the end of each fiscal year of the City (currently, a fiscal year ending December 31), as such fiscal year may be changed as required or permitted by State law, commencing with the City’s fiscal year ended December 31, 2011. The annual financial information may be provided in a single or multiple documents, and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the SEC.

Amendment of Undertaking. The Undertaking is subject to amendment after the primary offering of the Bonds without the consent of any holder of any Bond, or any broker, dealer, municipal securities dealer, participating underwriter, rating agency, or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12.

The City will give notice to the MSRB of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended information will include a narrative explanation of the effect of that change on the type of information to be provided.

Termination of Undertaking. The City's obligations under the Undertaking will terminate upon the legal defeasance, prior repayment, or payment in full of all of the then outstanding Bonds. In addition, the City's obligations under the Undertaking will terminate if those provisions of Rule 15c2-12 that require the City to comply with the Undertaking become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the City, and the City provides timely notice of such termination to the MSRB.

Remedy for Failure to Comply with Undertaking. The City has agreed to proceed with due diligence to cause any failure to comply with the Undertaking to be corrected as soon as practicable after the City learns of that failure. No failure by the City or any other obligated person to comply with the Undertaking will constitute a default in respect of the Bonds. The sole remedy of any holder of a Bond will be to take such actions as that holder deems necessary, including seeking an order of specific performance from an appropriate court, to compel the City or other obligated person to comply with the Undertaking.

Other Continuing Disclosure Undertakings of the City. The City has entered into undertakings to provide annual information and the notice of the occurrence of certain events with respect to all bonds issued by the City subject to Rule 15c2-12. The City believes that it has not failed to comply, in any material respect, with all such undertakings.

OTHER BOND INFORMATION

Ratings on the Bonds

The LTGO Bonds have been rated "Aa1," "AAA," and "AA+" by Moody's Investors Service, Standard & Poor's Ratings Services, and Fitch Ratings, respectively. The UTGO Bonds have been rated "Aaa," "AAA," and "AAA" by Moody's Investors Service, Standard & Poor's Ratings Services, and Fitch Ratings, respectively.

The ratings reflect only the views of the rating agencies and an explanation of the significance of the ratings may be obtained from the respective rating agencies. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. There is no assurance that the ratings will be retained for any given period of time or that the ratings will not be revised downward, suspended or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward revision, suspension or withdrawal of the ratings will be likely to have an adverse effect on the market price of the Bonds.

Purchaser(s) of the Bonds

The LTGO Bonds are being purchased by JP Morgan Securities LLC at a price of \$87,913,043.13 and will be reoffered at a price of \$88,170,545.00. The UTGO Bonds are being purchased by Morgan Stanley & Co. LLC at a price of \$55,896,616.73 and will be reoffered at a price of \$55,953,405.15.

The purchaser of each series of the Bonds may offer and sell such series of the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the initial offering prices corresponding to the yields set forth on pages i and ii hereof, and such initial offering prices may be changed from time to time by such purchaser. After the initial public offering, the public offering prices may be varied from time to time.

In connection with the offering of the Bonds, the purchaser of each series of the Bonds may overallocate or effect transactions which stabilize or maintain the market price of such series of the Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued or recommenced at any time.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, the purchaser of the UTGO Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. LLC will distribute municipal securities to retail investors through the financial advisor network of a

APPENDIX A
FORMS OF LEGAL OPINIONS

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[FORM OF BOND COUNSEL OPINION]

The City of Seattle, Washington

Re: The City of Seattle, Washington, \$75,590,000
Limited Tax General Obligation Improvement and Refunding Bonds, 2012

We have served as bond counsel to The City of Seattle, Washington (the “City”), in connection with the issuance of the above-referenced bonds (the “Bonds”), and in that capacity have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion. As to matters of fact material to this opinion and of which attorneys within the firm involved in the issuance of the Bonds have no independent knowledge, we have relied upon representations contained in the certified proceedings and other certifications of public officials furnished to us.

The Bonds are issued by the City pursuant to the laws of the State of Washington Ordinance No. 121651, as amended by Ordinance 122286, Ordinance 123751 and Resolution 31377 (collectively, the “Bond Legislation”) for general City purposes to provide the funds to refund certain outstanding bonds of the City, to pay for part of the costs of various projects authorized in the Bond Legislation, and to pay the costs of issuance and sale of the Bonds, all as set forth in the Bond Legislation. Reference is made to the Bond Legislation for the definitions of capitalized terms used and not otherwise defined herein.

Under the Internal Revenue Code of 1986, as amended (the “Code”), the City is required to comply with certain requirements after the date of issuance of the Bonds in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Bond proceeds and the facilities financed or refinanced with Bond proceeds, limitations on investing gross proceeds of the Bonds in higher yielding investments in certain circumstances and the arbitrage rebate requirement to the extent applicable to the Bonds. The City has covenanted in the Bond Legislation to comply with those requirements, but if the City fails to comply with those requirements, interest on the Bonds could become taxable retroactive to the date of issuance of the Bonds. We have not undertaken and do not undertake to monitor the City’s compliance with such requirements.

As of the date of initial delivery of the Bonds to the purchaser thereof and full payment therefor, it is our opinion that under existing law:

1. The City is a duly organized and legally existing first class city under the laws of the State of Washington;
2. The City has duly authorized and approved the Bond Legislation, the Bonds have been duly authorized and executed by the City and the Bonds are issued in full compliance with the provisions of the Constitution and laws of the State of Washington, the Bond Legislation and other ordinances and resolutions of the City relating thereto;

3. The Bonds constitute valid general obligations of the City payable from annual *ad valorem* taxes to be levied within the constitutional and statutory tax limitations provided by law without a vote of the electors of the City on all of the taxable property within the City, except only to the extent that enforcement of payment may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and by the application of equitable principles if equitable remedies are sought; and

4. Assuming compliance by the City after the date of issuance of the Bonds with applicable requirements of the Code, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals; however, while interest on the Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by corporations is to be taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by certain S corporations may be subject to tax, and interest on the Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. We express no opinion regarding any other federal tax consequences of receipt of interest on the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

We express no opinion herein concerning the completeness or accuracy of any official statement, offering circular or other sales or disclosure material relating to the issuance of the Bonds or otherwise used in connection with the Bonds.

We bring to your attention the fact that the foregoing opinions are expressions of our professional judgment on the matters expressly addressed and do not constitute guarantees of result.

Respectfully submitted,



[FORM OF BOND COUNSEL OPINION]

The City of Seattle, Washington

Re: The City of Seattle, Washington, \$46,825,000
Unlimited Tax General Obligation Refunding Bonds, 2012

We have served as bond counsel to The City of Seattle, Washington (the “City”), in connection with the issuance of the above-referenced bonds (the “Bonds”), and in that capacity have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion. As to matters of fact material to this opinion and of which attorneys within the firm involved in the issuance of the Bonds have no independent knowledge, we have relied upon representations contained in the certified proceedings and other certifications of public officials furnished to us.

The Bonds are issued by the City pursuant to the laws of the State of Washington, Ordinance 121651, as amended by Ordinance 122286, and Resolution 31376 (collectively, the “Bond Legislation”) to provide the funds to refund certain outstanding bonds of the City and to pay the costs of issuance and sale of the Bonds, all as set forth in the Bond Legislation. Reference is made to the Bond Legislation for the definitions of capitalized terms used and not otherwise defined herein.

Under the Internal Revenue Code of 1986, as amended (the “Code”), the City is required to comply with certain requirements after the date of issuance of the Bonds in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Bond proceeds and the facilities financed or refinanced with Bond proceeds, limitations on investing gross proceeds of the Bonds in higher yielding investments in certain circumstances and the arbitrage rebate requirement to the extent applicable to the Bonds. The City has covenanted in the Bond Legislation to comply with those requirements, but if the City fails to comply with those requirements, interest on the Bonds could become taxable retroactive to the date of issuance of the Bonds. We have not undertaken and do not undertake to monitor the City’s compliance with such requirements.

As of the date of initial delivery of the Bonds to the purchaser thereof and full payment therefor, it is our opinion that under existing law:

1. The City is a duly organized and legally existing first class city under the laws of the State of Washington;
2. The City has duly authorized and approved the Bond Legislation, the Bonds have been duly authorized and executed by the City and the Bonds are issued in full compliance with the provisions of the Constitution and laws of the State of Washington, the Bond Legislation and other ordinances and resolutions of the City relating thereto;

3. The Bonds constitute valid general obligations of the City payable from annual *ad valorem* taxes to be levied without limitation as to rate or amount on all of the taxable property within the City, except only to the extent that enforcement of payment may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and by the application of equitable principles if equitable remedies are sought; and

4. Assuming compliance by the City after the date of issuance of the Bonds with applicable requirements of the Code, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals; however, while interest on the Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by corporations is to be taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by certain S corporations may be subject to tax, and interest on the Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. We express no opinion regarding any other federal tax consequences of receipt of interest on the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

We express no opinion herein concerning the completeness or accuracy of any official statement, offering circular or other sales or disclosure material relating to the issuance of the Bonds or otherwise used in connection with the Bonds.

We bring to your attention the fact that the foregoing opinions are expressions of our professional judgment on the matters expressly addressed and do not constitute guarantees of result.

Respectfully submitted,

APPENDIX B

THE CITY'S 2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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The City of Seattle, Washington
Comprehensive Annual
Financial Report
For the Fiscal Year Ended
December 31, 2010



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The City of Seattle
Washington

**Comprehensive Annual
Financial Report**
For the Fiscal Year Ended
December 31, 2010



Department of Finance and Administrative Services

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Introduction

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Comprehensive Annual Financial Report

For the Year Ended December 31, 2010

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CAPITAL ASSETS

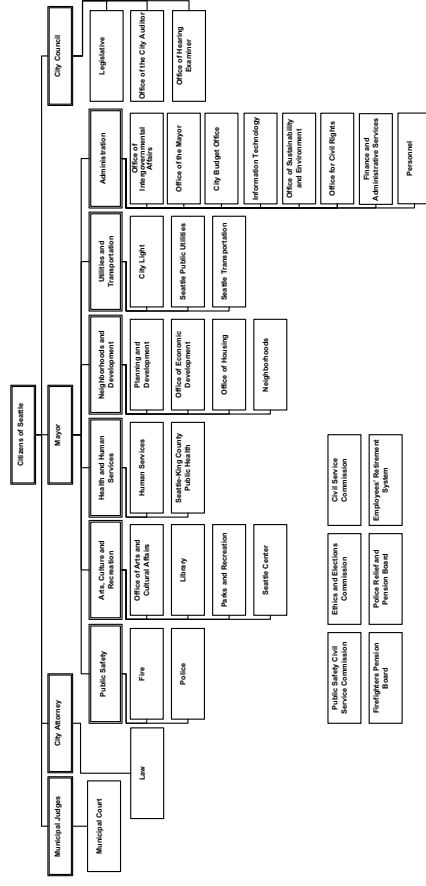
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CITY ORGANIZATION CHART



CITY OF SEATTLE ELECTED OFFICIALS



Mike McGinn
Mayor



Peter Holmes
City Attorney

CITY COUNCIL



Sally Bagshaw



Tim Burgess



Sally Clark



Richard Conlin
Council President



Jean Godden



Bruce Harrel



Nick Licata



Mike O'Brien



Tom Rasmussen

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

August 31, 2011

The Honorable Mayor and
Members of the City Council:

I am pleased to submit to you the 2010 Comprehensive Annual Financial Report (CAFR) of the City of Seattle, Washington. The Department of Finance and Administrative Services prepared this report to present the financial position of the City of Seattle on December 31, 2010, and the results of its operations, the cash flows of its proprietary fund types, and changes in plan net assets of its pension and private-purpose trust funds for the year then ended. The financial statements and supporting schedules have been prepared in accordance with generally accepted accounting principles and meet the requirements of the State Auditor and the City Charter.

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

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

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

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PROFILE OF THE GOVERNMENT

The City of Seattle was incorporated on December 2, 1869. The City operates under a City Charter adopted on March 12, 1946 and last amended by the voters on November 6, 2007, providing for a nonpartisan Mayor-Council form of government. The City Council is composed of nine members elected at large to four-year terms. The City provides the full range of municipal services authorized by its charter and operates four rate-funded utilities.

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

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

BUDGETS AND BUDGETARY ACCOUNTING

The City Council approves the City's operating budget and two separate but related fiscal plans: the Capital Improvement Program (CIP) plan and the Community Development Block Grant (CDBG) program allocation.

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

The CIP plan is proposed by the Mayor and adopted by the City Council at least 30 days before the beginning of the fiscal year. The CIP is a six-year plan for capital project expenditures and anticipated financing by fund source. It is revised and extended annually. The City Council adopts the CIP as a planning document and appropriates the multi-year expenditures identified in the CIP through the adoption of the annual budget or subsequent supplemental budgets. The CIP is consistent with the City's Comprehensive Plan and includes information required by the State's Growth Management Act.

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

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

NATIONAL AND LOCAL ECONOMY

U.S. Economy

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

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

Puget Sound Region Economy

The impact of national recessions on the Puget Sound Region's economy varies depending on the national recession's characteristics. For example, the 2001 recession was much more severe regionally than nationally, because the recession included a steep drop in air travel as a result of the September 11, 2001 terrorist attack. This caused a sharp falloff in the demand for commercial airliners, which led to substantial layoffs at Boeing. On the other hand, the region's economy performed better than the national economy during 1990-91 national recession, in part because Boeing employment held steady during the recession.

The impact of the 2007-09 recession on the local economy has been similar in severity to its impact on the national economy. While job loss was higher locally, the region's unemployment rate did not rise as high as the national rate and the region's housing market performed somewhat better than the nation's. Locally, the most severe job losses were in construction, manufacturing outside of aerospace, and finance. The only major industry to see a significant increase in employment during the downturn was education and health services.

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

The region's recovery is expected to be weak by historical standards, with growth picking-up gradually over time. The Puget Sound Economic Forecaster expects weak growth for the remainder of 2011, followed by a modest improvement in 2012. Regional employment is projected to increase by only 1.5% in 2011 before rising to a more recovery-like 2.8% in 2012. Housing will recover more slowly than the rest of the economy, with housing starts not expected to move comfortably above recession levels until 2014. Nevertheless, the state's chief economist thinks that the recovery will be stronger in Washington than nationally, in part because Boeing and Microsoft have held up better during the downturn than have most of the nation's large employers.

Once the recovery takes hold, the economy's rate of growth will probably not return to pre-recession levels because consumers need to pay down debt and rebuild savings, and the federal government needs to get its budget under control.

INITIATIVES

2011 Adopted Budget

The 2011 Adopted Budget, the first budget prepared under the leadership of Mayor Mike McGinn, totals \$3.9 billion, including the City's \$888 million General Fund. The Adopted Budget reflects the priorities of Mayor McGinn.

Prioritizing Public Safety

The 2011 Adopted Budget places a high priority on funding for the City's traditional public safety functions – the Seattle Police Department (SPD) and the Seattle Fire Department (SFD). In fact, this program area is the only operational program in the General Fund that is actually seeing expenditure increases in 2011 from 2010 levels. SPD will have an all-time high of 585 sworn officers assigned to patrol in 2011, up from the current record-high levels of 555 officers in 2010. And, SFD will maintain the current firefighting strength of 990 active personnel and make no reductions to companies assigned to neighborhood fire stations. The 2011 Adopted Budget does include reductions for the police and fire functions. In identifying these reductions, emphasis was placed on preserving the highest priority direct services.

Police

The 2011 Adopted Budget for SPD achieves savings to the General Fund primarily by not hiring and adding the 62 additional patrol officers that the City had contemplated adding between 2010 and 2012, in support of the Neighborhood Policing Plan (NPP). The Adopted Budget mitigates the impact of the decision to suspend the implementation of the additional officers called for under the NPP by redeploying to patrol 30 officers currently performing other non-patrol functions, such as traffic enforcement, investigations, mounted patrol, homeland security, as well as officers staffing the desks at precinct stations during the evenings and weekends. This allows SPD to increase the number of sworn officers assigned to patrol from the current record-high levels of 555 to a new record-high level of 585. Even with these proactive steps, SPD is continuing to develop additional options to meet the performance goals established by the NPP as the City continues to face the prospect of constrained resources.

Fire

By emphasizing internal and management efficiencies, SFD's 2011 Adopted Budget maintains the City's on-duty firefighting strength and makes no operational reductions to neighborhood fire stations. The largest source of budget savings in the SFD budget is salary savings resulting from existing labor agreements with the Firefighters' Union, Local 27 and the Fire Chiefs' Union, Local 2898 to lower the minimum cost of living adjustment from a more traditional 2% floor to a 0% floor.

In addition, SFD will capture overtime savings in 2011 by modifying its training delivery methods. On-duty personnel will conduct some of SFD's training activities, while still remaining in compliance with federal, state, and local training mandates. SFD will also capture management-level savings by reducing the minimum on-duty staffing level by one Battalion Chief, allowing it to avoid approximately 255 overtime shifts each year.

Safe Communities Require More than Police and Fire Services

The 2011 Adopted Budget recognizes that maintaining safe and healthy neighborhoods extends beyond maintaining the City's police and fire services. Services provided by Human Service Department: the Department of Parks and Recreation; and the Seattle Public Library are also essential in offering residents, particularly children and youth, opportunities to thrive. In addition, the Department of Neighborhoods brings City services to the neighborhoods where people live and work, creating additional access to City government.

Human Services Department

In the 2011 Adopted Budget, the Human Services Department (HSD) focused its reduction on strategies in areas that would preserve direct services to the greatest extent possible. In addition to substantial administrative reductions, HSD made some programmatic changes. In prioritizing these programs, HSD is guided by the Strategic Investment Plan (SIP). The SIP is updated on a regular basis and uses a variety of factors to rank the programmatic areas funded by HSD. Program with a high ranking are fully funded, reflecting the City's high priority on maintaining human services even during a year of significant financial strain.

Department of Parks and Recreation

The City's Department of Parks and Recreation (DPR) also plays a vital role in providing all residents, but especially children and youth, a safe and healthy environment to play, exercise, and grow. A vibrant parks system is important in creating active and safe neighborhood gathering spaces. Unfortunately, DPR continues to struggle with the challenge of maintaining the City's parks facilities. Over the years, DPR has been charged with maintaining a growing number of parks facilities, while the funding available to support these activities has not kept pace. The 2011 Adopted Budget makes no exception to this trend.

To preserve direct services and access to facilities, DPR focused on reducing administrative and maintenance costs, enhancing partnerships with community groups, and a re-aligning the Parks fee structure. These efforts are largely successful in that the 2011 Adopted Budget preserves funding to keep swimming pools open and lifeguards at all of the City's public beaches. In addition, DPR will continue to operate 15 of the 22 wading pools located throughout the City. And, 20 community centers will provide the same operating hours as in 2010. Nonetheless, the 2011 Adopted Budget includes some very difficult decisions related to reduced programming and hours of operations at some Parks facilities.

The 2011 Adopted Budget recommends limiting the use of 5 out of 26 community centers, including Alki, Ballard, Laurelhurst, Queen Anne, and Green Lake. In addition, office hours at the Green Lake and Mount Baker Small Craft Centers will be reduced. Drop-in hours at some of the community center facilities will also be limited. In order to alleviate the reliance of the community centers on the General Fund for continued future operations, DPR will explore partnership opportunities for management, operations, planning, and fundraising for the community centers. In addition, alternate management, operation, and staffing models for the community centers will be explored.

Finally, the 2011 Adopted Budget initiates an agreement between the Office of Arts and Cultural Affairs (OACA) and DPR to use existing admissions tax resources that were dedicated to the Arts Account in the 2010 Adopted Budget to fund arts programming currently offered by DPR, including downtown parks arts programming, outdoor neighborhood parks activation projects, and the Langston Hughes Performing Arts Center operations. This will ensure the continuation of a wide variety of public arts experiences throughout the City while relieving pressure on the General Fund.

Seattle Public Library

The Seattle Public Library (Library) shares the Mayor's desire to preserve direct public services as much as possible. The 2011 Adopted Budget for the Library assumes reductions from status quo levels and modest revenue enhancements for 2011, yet preserves all current service hours. The Library accomplishes this primarily by consolidating the management of branch libraries. In addition, the Adopted Budget assumes the one-week system-wide closure (the week before Labor Day) that was first instituted in 2009 will continue in 2011.

Department of Neighborhoods

The 2011 Adopted budget for the Department of Neighborhoods (DON) includes reductions based on criteria which attempted to keep the highest priority community services whole.

DON plays an important role in connecting residents to City services. DON's 13 Neighborhood Service Centers (NSCs), which are geographically dispersed throughout the City, provide information about City services and coordination with Neighborhood District Councils, and support the community in resolving a range of issues related to public safety, human services, and housing. In addition, seven of the NSCs also function as payment and information centers offering residents a location to pay Seattle City Light and Seattle Public Utility bills, obtain pet licenses, pay traffic tickets, apply for U.S. passports, or to find information about City services and jobs. From a financial standpoint, the payment and information centers generate enough revenue to cover approximately 70% of their operating costs. The six non-payment sites do not generate any revenues and are supported entirely by the General Fund.

To achieve budget savings in DON, the 2011 Adopted Budget reflects the closure of all six non-payment NSCs. These sites were selected for closure because they offer a more limited range of services than do the payment sites. The remaining seven payment sites (West Seattle, Delridge, University District, Central District, Lake City, Southeast, and Ballard), which are geographically spread throughout the city, will continue to provide access to City services for residents in the neighborhoods in which they live and work, allowing them to avoid trips to the City's downtown campus.

Non-General Funds

The City's General Fund is not the only City fund that is experiencing budget challenges. Several other City funds are also struggling to maintain services in an environment of constrained resources, including the Department of Planning and Development, Seattle Public Utilities, Seattle City Light, and the Seattle Department of Transportation.

Seattle Department of Transportation

The Seattle Department of Transportation (SDOT) budget is facing the dual challenge of reductions to its General Fund base of approximately \$40.1 million, as well as its non-General Fund resources, including gas tax revenues. These funding constraints come at the same time that SDOT is attempting to overcome a long-standing backlog of maintenance and upgrades of the City's \$1.3 billion worth of transportation infrastructure, as well as plan a transportation system that is capable of moving people and goods to support the economic health of the City.

In preparing the 2011 Adopted Budget, Mayor McGinn seeks to address SDOT's immediate funding challenges, as well as identifying funding to continue efforts to develop a transportation system that meets future demands, including those priorities and investments identified in the Pedestrian Master Plan and the Bicycle Master Plan. The 2011 Adopted Budget for SDOT relies on several strategies to meet these objectives. The first strategy includes maximizing resources available for direct service by implementing internal efficiencies and controlling costs. The second strategy includes reducing programmatic costs where possible and prudent, including deferring some maintenance; using alternative and more cost-effective methods to deliver service; and reductions in deliverables. Another approach includes identifying areas in which user fees could be enhanced to improve cost-recovery or to better manage City assets.

Department of Planning and Development

The Department of Planning and Development (DPD) is responsible for land use and building regulations in the city, as well as long-range planning functions. It draws most of its funding from land use and building permit fees. Its code compliance and planning functions are primarily supported by the General Fund. Like the Seattle Department of Transportation, DPD's budget is struggling with the dual impacts of declines in its non-General Fund revenues sources as well as reductions in the support it receives from the General Fund. While the General Fund reductions are not insignificant, the more challenging problem for DPD is the severe decline in construction activity in the city and the resulting impacts on the level of

permit revenues. As of August 2010, the volume of incoming building permits was approximately 30% lower than the peak of development activity in 2007. Meanwhile, permit values, which drive revenues, are approximately 50% lower. Since 2007, DPD's building and land use revenues are down 49%, and revenues are anticipated to be relatively flat moving forward. In response to these challenges, DPD will be abrogating a number of positions. DPD will strive to minimize disruption of service levels and effects on service quality.

Seattle City Light

The Seattle City Light (SCL) budget is under stress following two consecutive years of extremely weak performance in its wholesale hydroelectric power revenues. In a typical year, SCL sells surplus hydroelectric power generated in the winter and spring, and purchases additional power to supplement its lower power generation capacity in the summer and fall. This 'power shaping' strategy allows SCL to respond to seasonal swings in supply and demand. And, the revenue generated through this mechanism allows SCL to charge ratepayers lower rates. Unfortunately, unexpectedly depressed energy prices in 2009 and unusually low precipitation levels in 2010 have meant that SCL has received substantially lower amounts of wholesale power revenue than it had assumed in its 2009 and 2010 budgets. For 2009, net wholesale revenue was lower by \$74 million, or 52%, than what was assumed in the budget. For 2010, the actual wholesale revenues are projected to be \$50.9 million, or 58%, below what was assumed in the budget. In response to these significant shortfalls, SCL has made reductions to its operating and capital programs, including the substantial deferral of maintenance, over the past two years. Unfortunately, many of these actions are not sustainable.

The 2011 Adopted Budget restores core maintenance activities that were deferred and addresses significant regulatory changes affecting the utility industry, while holding down rate increases during the recession. Legislation accompanying the Adopted Budget approved an across-the-board rate increase. The Adopted Budget also reflects the creation of a Rate Stabilization Account to help mitigate future risks to wholesale revenue. The 2011 Adopted Budget includes new systems to record real-time power sales, power grid control systems required as part of the new BPA Slice contract, and additional power marketing support to protect against risk and liability in energy trading transactions. The North American Electric Reliability Corporation (NERC) has established new security and operational procedures that carry significant penalties for non-compliance. The Adopted Budget includes resources to ensure compliance with evolving NERC requirements.

Seattle Public Utilities

Seattle Public Utilities (SPU), which oversees three utilities, Solid Waste, Water, and Drainage and Wastewater, is also feeling the effects of the recession. Revenues for all three utilities have come in below projections as a result of lower-than-anticipated water use and a greater-than-anticipated reduction in the amount of garbage requiring collection. The impacts of lower-than-expected revenue are compounded by the fact that SPU is also addressing the challenges of an aging infrastructure, the majority of which was built prior to 1970, and increased expenditure obligations as a result of more stringent federal and state regulatory requirements, such as the National Pollutant Discharge Elimination System. Collectively, these factors put upward pressure on SPU rates, at a time when SPU customers are feeling the effects of the sluggish economy, creating an extra incentive to keep rate increase as low as possible.

The 2011 Adopted Budget includes a significant number of operations and maintenance expenditure reductions and limits the number of new projects to primarily fund cost increases in core services and to respond to regulatory requirements. During development of the 2011 Adopted Budget, SPU reviewed operations to streamline the delivery of services and identified efficiencies that allow SPU to eliminate positions, without suspending any programs. Even with these proactive steps, SPU's budget assumes a series of rate increases for 2011.

Obligations under the Americans with Disabilities Act


In 2011, the City anticipates reaching agreement with the U.S. Department of Justice (DOJ) over a review of the City's compliance with the Americans with Disabilities Act (ADA). While the City is largely in compliance, there are some facilities that the DOJ has identified that need to be updated or modified to conform to ADA standards. In addition, the City will be undertaking a survey of its facilities to assess their compliance with the ADA. The 2011 Adopted Budget begins to address these costs, but additional costs are anticipated in the years to come.

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, 2009. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for the preparation of state and local government financial reports.

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

Sincerely,



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

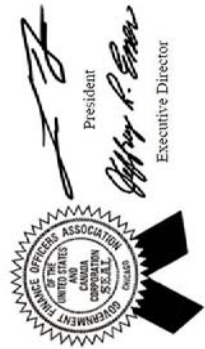
Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Seattle Washington

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2009

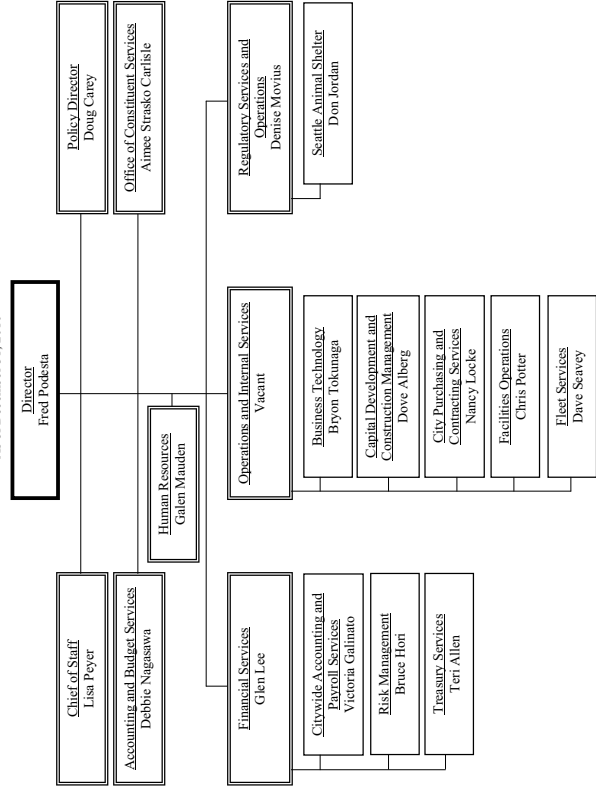
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards 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, 2009. This was the thirtieth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

City of Seattle Department of Finance and Administrative Services As of December 31, 2010



Financial Section

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Washington State Auditor Brian Sonntag

INDEPENDENT AUDITOR'S REPORT

August 31, 2011

Mayor and City Council
City of Seattle
Seattle, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Seattle, King County, Washington, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following funds:

- The Light Fund, Water Fund, Drainage and Wastewater Fund, and Solid Waste fund which are major funds that collectively represent 99 percent, 100 percent, and 99 percent, respectively, of the assets, net assets, and revenues of the business-type activities.
- The financial statements of the Seattle City Employees' Retirement System, which represent 73 percent, 79 percent, and 38 percent, respectively, of assets, net assets, and revenues of the aggregate discretely presented component unit and remaining fund information.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Light, Water, Drainage and Wastewater, and Solid Waste funds and the Seattle City Employees' Retirement System are based solely on the reports of the other auditors. The partial prior year comparative information has been derived from the City's 2009 financial statements and, in our report dated June 30, 2010, based on our audit and the reports of other auditors, we expressed unqualified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Water, Drainage and Wastewater, and Solid Waste funds and the Seattle City Employees' Retirement System were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units, and remaining fund information of the City of Seattle, King County, Washington, as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during the year ended December 31, 2010, the City has implemented the Governmental Accounting Standards Board Statement No. 51 - Accounting and Financial Reporting for Intangible Assets.

In accordance with *Government Auditing Standards*, we will also issue our report dated August 31, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 7 through 28, pension trust fund on pages 151 through 153 and budgetary comparison on pages 147 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 159 through 234 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

Management's Discussion and Analysis

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Seattle (City) presents this Management's Discussion and Analysis (MD&A) of its financial activities for the fiscal year ended December 31, 2010. 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 2010 the assets of the City of Seattle exceeded its liabilities by \$4.198 billion. Net assets invested in capital assets, net of depreciation and related debt, account for 89.6 percent of this amount (\$3.760 billion). The remaining net assets of \$5437.9 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$96.4 million (2.4 percent) during the fiscal year. The governmental net assets increased by \$61.8 million (2.3 percent) over the amount reported in 2009. The business-type net assets increased \$34.6 million (2.5 percent) in 2010.
- At the close of 2010 the City's governmental funds reported a combined ending fund balance of \$25.8 million, a decrease of \$31.0 million (5.6 percent). Of the major funds, the fund balance of the General Fund decreased \$30.4 million, the Transportation Fund decreased \$0.9 million, the Low-Income Housing Fund decreased \$9 thousand, and the fund balances of the other nonmajor governmental funds increased \$0.4 million. As the national economy stabilized and saw signs of recovery, the City saw stabilization and slight improvement in revenues over 2009. The City's three major tax revenues sources, property taxes, business taxes, and sales taxes increased by \$3.5 million and \$2.0 million and decreased by \$3.5 million, respectively, year over year. Approximately \$141.0 million (26.8 percent) of the combined ending fund balance is unreserved fund balance available to the City for discretionary spending.
- At the end of 2010 the unreserved fund balance for the General Fund was \$104.7 million or 14.2 percent of total General Fund expenditures of \$737.7 million. The General Fund's unreserved fund balance decreased by approximately \$13.9 million from the prior year's amount of \$118.6 million. Total revenues for the General Fund increased \$11.0 million or 1.2 percent and expenditures and other financing uses decreased \$52.0 million or 3.1 percent year over year.
- The City's total outstanding bonded debt increased by approximately \$270.2 million (7.3 percent) to \$3.985 billion during the current fiscal year. During the year, general obligation bonded debt for limited tax (LTGO) and unlimited tax (UTGO) increased by \$29.4 million while the total revenue bonds also increased by \$240.8 million. On the special assessment bonds the City issued in 2006 for the design and construction of the South Union Streetcar and backed by the collection of assessments from property owners within the local improvement district, a bond maturity and call payment of \$2.0 million (11.3 percent) in 2010 reduced the bonds outstanding further to \$15.7 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

Notes to the Financial Statements

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

Management's Discussion and Analysis

Required Supplementary Information

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

Combining Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve as a useful indicator of a government's financial position. Table A-1 is a condensed version of the statement of net assets for the City of Seattle. At the close of the current fiscal year the City's total assets exceeded liabilities by \$4.246 billion.

Statement of Net Assets

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

	Governmental Activities		Business-Type Activities		Total
	2010	2009	2010	2009	
Current and Other Assets	\$ 1,162,519	\$ 1,176,783	\$ 1,070,653	\$ 869,665	\$ 2,233,172
Capital Assets and Construction in Progress	3,235,762	3,070,181	4,039,155	3,817,640	7,274,917
Net Accumulated Depreciation	(4,398,281)	(4,246,964)	(5,169,808)	(4,717,305)	(9,508,089)
Total Assets	247,394	230,426	307,934	312,809	555,328
Current Liabilities	1,366,672	1,294,106	3,388,459	3,025,673	4,755,131
Noncurrent Liabilities	1,614,066	1,524,532	3,696,393	3,338,482	5,310,459
Total Liabilities	2,980,738	2,818,638	7,084,852	6,364,155	10,345,293
Net Assets	\$ 2,784,215	\$ 2,722,482	\$ 1,413,415	\$ 1,378,833	\$ 4,197,650
Invested in Capital Assets, Net of Related Debt	2,510,711	2,350,564	1,249,049	1,257,195	3,759,760
Restricted	179,843	225,157	79,372	71,801	259,215
Unrestricted	93,661	146,771	84,994	49,837	178,655
Total Net Assets	\$ 2,784,215	\$ 2,722,482	\$ 1,413,415	\$ 1,378,833	\$ 4,197,650

The largest portion of the City's net assets (89.6 percent) reflects an investment of \$3.760 billion in capital assets, such as land, buildings, and equipment, less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay the debt must be provided from other sources, as capital assets cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, \$259.2 million (6.2 percent), represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets, \$178.7 million (4.2 percent), may be used to meet the government's obligation to citizens and creditors. Unrestricted net assets for governmental activities decreased 36.2 percent from \$146.7 million in 2009 to \$93.7 million in 2010.

The net assets for the business-type activities increased between 2009 and 2010 from \$1.379 billion to \$1.413 billion. The increase in net assets is attributed primarily to the performance of the City Light Utility, which in 2010 generated \$733.0 million in charges for services and other revenues. City Light generated an operating income of \$60.5 million.

The City of Seattle

Table A-2

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

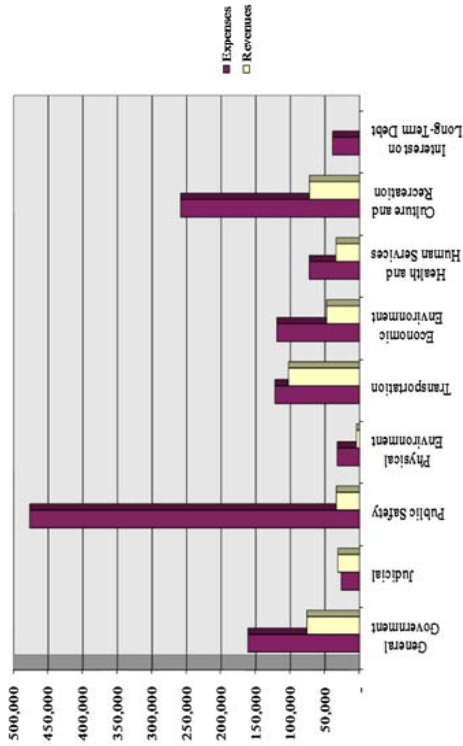
	Governmental Activities		Business-Type Activities		Total
	2010	2009	2010	2009	
Revenues	\$ 227,238	\$ 244,126	\$ 1,356,673	\$ 1,328,465	\$ 1,585,911
Program Revenues	18,619	194,322	3,533	3,533	187,487
Charges for Services	168,619	58,834	41,846	59,883	106,817
Operating Grants and Contributions	562,777	36,834	-	-	96,225
General Revenues	391,798	388,341	-	-	391,798
Property Taxes	146,970	150,515	-	-	150,515
Sales Taxes	331,570	329,572	-	-	331,570
Business Taxes	8,658	8,254	-	-	8,254
Other Taxes	44,780	6,476	8,994	9,332	53,774
Total Revenues	1,380,761	1,320,405	1,413,466	1,402,569	2,794,237
Expenses					
Governmental Activities					
General Government	161,329	106,732	-	-	161,329
Judicial	26,298	27,526	-	-	26,298
Public Safety	476,861	473,527	-	-	476,861
Physical Environment	32,171	32,543	-	-	32,171
Transportation	122,376	137,015	-	-	122,376
Community Development	1,025	1,025	-	-	1,025
Health and Human Services	72,688	75,788	-	-	72,688
Culture and Recreation	258,639	249,160	-	-	258,639
Interest on Long-Term Debt	38,929	36,825	-	-	38,929
Business-Type Activities					
Water	-	-	730,768	733,465	730,768
Wastewater	-	-	200,554	200,991	200,554
Drainage and Wastewater	-	-	245,589	244,995	245,589
Solid Waste	-	-	145,778	145,526	145,778
Planning and Development	-	-	47,699	55,954	47,699
Downtown Parking Garage	-	-	7,648	7,824	7,648
Total Expenses	1,308,878	1,238,056	1,387,026	1,387,923	2,695,904
Excess Before Special Item and Transfers	71,883	82,349	26,440	14,644	98,323
Special Item - Environmental Remediation Expenses	(10,100)	-	(1,948)	(4,289)	(1,948)
Transfers	3,000	(10,245)	10,100	10,245	3,000
Change in Net Assets	2,774,115	2,684,167	3,025,540	2,977,648	4,008,551
Net Assets - Beginning of Year	\$ 2,784,215	\$ 2,722,482	\$ 1,413,415	\$ 1,378,833	\$ 4,197,650
Net Assets - End of Year	\$ 5,558,330	\$ 5,406,649	\$ 4,438,955	\$ 4,356,481	\$ 8,895,205

Analysis of Changes in Net Assets

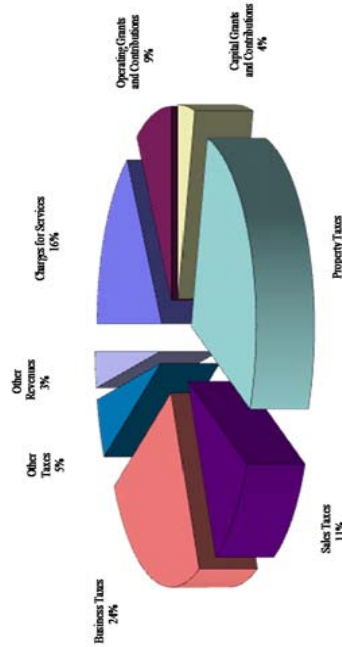
In 2010 the City's total net assets increased by \$96.4 million (2.4 percent). The increase is explained in the following discussion of governmental and business-type activities.

Governmental Activities

EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES
(In Thousands)



REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



Total \$1,380.8 Million

Governmental Activities. The charts on the previous pages 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, transportation, general government, economic environment, health and human services, physical environment, judicial functions, and interest on long-term debt. General revenues such as the property, business, and sales taxes are not shown by function because they are used to support Citywide program activities. Governmental activities increased the City's net assets by \$61.8 million in 2010 compared to an increase of \$72.1 million in 2009. Key factors in the change are as follows:

- Tax revenues collected and used to support Citywide programs increased 0.6 percent, from \$928.6 million to \$933.7 million for 2010.
- Program generated revenues were supported by growth in the operating and capital grants, sharply increasing 23.9 percent from \$141.2 million to \$175.0 million. The growth is attributed primarily to an increase of \$26.9 million in federal grant funds received under the American Recovery and Reinvestment Act of 2009 (ARRA). This helped offset the City's 6.9 percent decrease in the revenue generated by the City's charges for services.
- Year over year expenses for the governmental activities increased 5.7 percent, from \$1,238 billion for 2009 to \$1,308 billion for 2010.

The City Council authorized the acceptance of all grant funds. If a grant is not included as a part of the adopted budget, a separate ordinance is required. In 2010 over \$40.5 million in additional grant funds were appropriated. The majority of grant awards totaling \$18.2 million was awarded to the Office of Sustainability and Environment, \$5.9 million went to the Police Department, and \$4.3 million was awarded to the Department of Finance and Administrative Services. Revenue generated by grants and contributions increased by \$33.8 million in 2010 including \$29.9 million from the ARRA. Operating grants increased by 13.6 percent, and capital grants increased by 53.0 percent compared to 2009.

Property taxes, the largest source of revenue supporting governmental activities, increased by \$3.5 million or 0.9 percent compared to 2009. Property tax is levied primarily on real estate owned by individuals and businesses. While stable in nature, state law limits growth in the amount of tax that a jurisdiction can collect but does allow for additional voter-approved lid lifts.

The retail sales and use tax is imposed on the sale of most goods and certain services in Seattle. The tax is collected and remitted to the state. The state provides the City with its share on a monthly basis. Sales tax revenues decreased between 2009 and 2010 by \$3.5 million (2.4 percent).

Business taxes are the second largest contributor to governmental revenues. The business and occupation (B&O) tax is levied by the City on the gross receipts of most business activities occurring in Seattle. The City also levies a B&O tax on the gross income derived from sales of utility services within Seattle. In 2010, B&O tax revenues remained relatively constant at \$331.6 million, slightly increasing by \$2.0 million or 0.6 percent.

In 2010, total expenses for governmental activities were \$1,308 billion compared to \$1,238 billion in 2009, a 5.7 percent increase over 2009 expenses. General government expenses went up \$54.6 million, a 51.2 percent increase from 2009. Overall general government expenses were 12.3 percent and 8.6 percent of total expenses for governmental activities in 2010 and 2009, respectively. The City's contributions to health and dental insurance premiums, significant change in the actuarial value of the City's pension assets, coupled with a rise in transit subsidy were the major causes of the increase. Other expenses were mostly down across the board during 2010, in line with the City's ongoing attempts to reduce costs and balance budget.

Judicial expenses decreased \$1.2 million or 4.5 percent between 2009 and 2010. The decrease is attributed to the reduced staffing level and other discretionary costs at the Municipal Court.

Public safety expenses were \$476.9 million, a 0.7 percent increase over 2009 expenses. The increase is attributed to several factors: salaries and wages increases at the Police Department and the Fire Department, and increases in overtime and employee benefit expenses.

Physical environment expenses remained stable with a slight decrease of \$0.4 million between 2009 and 2010, totaling to \$32.2 million for 2010. The City continued to involve in the processing of the redevelopment levy proceeds and make the related intergovernmental contributions to the Pike Place Market Public Development Authority. The total contribution amounted to \$23.8 million during 2010.

Transportation expenses went down \$14.6 million (10.7 percent) to \$122.4 million for 2010. The shrink in spending on capital projects as well as a reduction in staffing level and associated costs were the biggest drivers for the decrease.

The 2010 economic environment expenses totaled \$119.6 million, an increase of \$20.7 million or 20.9 percent year over year. The primary contributing factor was the increase in program expenses for items such as funding for creating

Management's Discussion and Analysis

affordable rental housing, loans to low-income families, and consulting and contractor services to support the low-income housing programs.

Health and human services expenses showed a decrease of \$3.1 million or 4.1 percent to \$72.7 million for 2010. The decrease is mainly caused by reductions in employee expenses such as salaries and wage, health and dental premiums, and other employee benefit expenses.

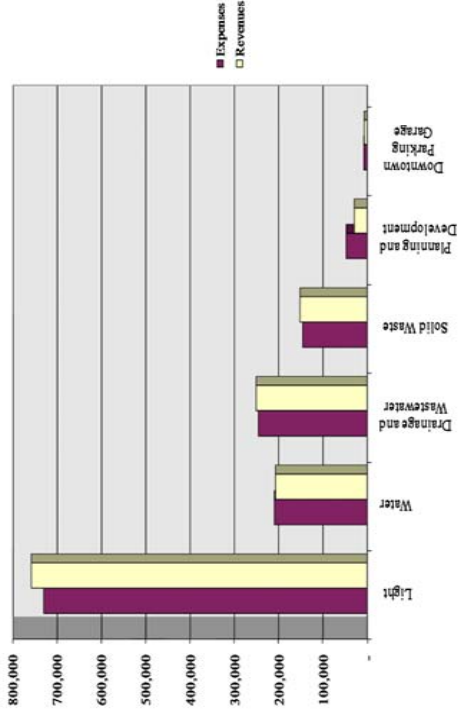
At \$258.6 million, culture and recreation expenses were down by \$9.5 million in 2010 or 3.8 percent lower than 2009. The City's Park and Recreation Fund accounts for 46.0 percent or \$119.0 million of the total culture and recreation expense. The 2010 appropriation in the adopted budget for parks operations was \$130.0 million for 1,002 full-time employees. Approximately 62.7 percent of the costs were funded by charter revenue received through the General Fund plus additional General Fund support, the other 37.3 percent was generated from fees collected for programs, grant funds, and other miscellaneous revenues.

Interest on long-term debt increased \$2.1 million from 2009 to 2010, rising from \$36.8 million to \$38.9 million. The primary reason for the increase is due to a refunding loss of approximately \$3.8 million, derived from refunding the City's 2001 and 2002 LTGO bond issues. Approximately, \$169.0 million of the debt was refunded and redeemed during 2010.

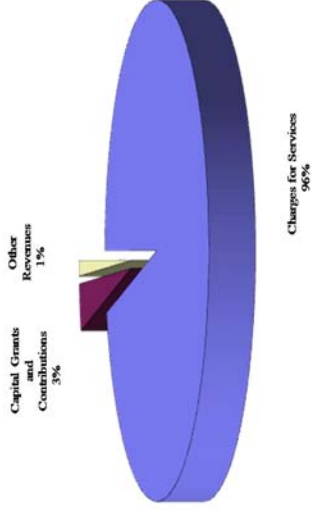
The City of Seattle

Business-Type Activities

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



REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



Total \$1,413.5 Million

Management's Discussion and Analysis

Business-Type Activities. Business-type activities increased the City's net assets by \$34.6 million to \$11.413 billion, an increase of 2.5 percent. The City's net assets increase included an adjustment of \$1.4 million to reflect the consolidation of internal service fund activities related to enterprise funds. Key factors for the change were as follows:

The City Light Utility realized a net increase of \$30.4 million in net assets in 2010. Total operating revenues increased by \$9.9 million. Retail power revenues increased by \$79.1 million primarily due to the 13.8 percent rate increase and 4.5 percent temporary rate surcharge implemented at the beginning of the year and in May 2010, respectively. Higher retail power revenues were offset by deferral of Rate Stabilization Account revenues of \$54.3 million, lower net wholesale energy revenues, lower capital contributions, and higher taxes. In addition, lower administrative and general, interest, and other expenses were offset by higher power-related costs.

The Water Utility experienced an increase of \$0.7 million in net assets in 2010. Operating revenues increased by \$3.8 million mainly due to an increase in water rates effective January 2010, a surcharge related to the hydrant settlement, and recognition of rate stabilization revenue. Operating expenses remained relatively constant in 2010. Overall branch expenses decreased \$4.9 million. This decrease was offset by an increase in City's business and occupation tax of \$2.4 million due to higher tax rate, depreciation and amortization increased by \$2.0 million and other taxes increased by \$0.5 million. Interest expenses increased by \$7.0 million and capital contributions and grants also increased by \$3.6 million in 2010.

The Drainage and Wastewater Utility net assets increased \$5.9 million in 2010. Operating revenues decreased by \$0.5 million due to a reduction of \$1.4 million in other operating revenues mainly related to other engineering services. This decrease was offset by an increase of \$0.9 million in wastewater revenues. Operating expenses decreased by \$0.7 million in 2010. The main factor affecting this change was a net decrease in spending of \$2.9 million for field operations, project delivery, customer services, and utility systems management expenses. This spending decrease was offset by increases in claims expense of \$1.6 million and tax expenses of \$0.6 million. Total contributions, grants, and environmental remediation expenses decreased \$1.0 million in 2010.

The Solid Waste Utility net assets increased \$6.0 million in 2010 as compared to a decrease of \$8.6 million in 2009. Operating revenues increased by \$15.3 million mainly due to rate increases in 2010. The operating revenues increase was offset by an increase of \$0.1 million in operating expenses. The increase in operating expenses was attributed to higher commercial solid waste collection contract costs of \$6.0 million, which was significantly reduced by a total saving of \$5.9 million in payroll, City's business and occupation taxes, and landfill closure costs.

The Planning and Development Fund net assets decreased by \$8.7 million in 2010 as compared to a decrease of \$11.1 million in 2009. Operating revenues decreased by \$5.1 million while the operating expenses also decreased by \$7.7 million. The revenue decrease was mainly due to continuous decline in building construction activities in 2010. Operating contributions and grants increased by \$0.2 million. Transfers in from other City funds decreased by \$0.1 million. Investment income declined by \$0.2 million in 2010.

The Downtown Parking Garage Fund experienced a decrease of \$1.1 million in net assets. It continues to have insufficient revenues to fully cover its expenses including depreciation, which is not specifically included in its revenue structure. Facilities Operations Division is changing the parking-fee structure in 2011.

The City of Seattle

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)**

	General Fund		Major Funds		Low-Income Housing Fund	
	2010	2009	2010	2009	2010	2009
Revenues	\$ 761,170	\$ 756,909	\$ 64,581	\$ 63,321	\$ 18,621	\$ 11,660
Taxes	20,401	19,333	6,113	8,905	-	-
Licenses and Permits	16,863	16,863	4,115	4,115	14,853	6,607
Charges for Services	66,863	69,018	60,215	57,647	107	72
Fines and Forfeits	30,936	28,519	9	3	-	-
Parking Fees and Space Rent	26,868	25,478	99	154	-	-
Program Income, Interest, and Miscellaneous Revenues	16,374	14,943	243	275	4,423	9,098
Total Revenues	95,024	942,408	178,075	167,004	38,004	27,457
Expenditures	737,702	737,604	254,108	277,816	41,581	23,287
Other Financing Sources and Uses	-	-	-	-	-	-
Long-Term Debt Issued and Refunding Payments, Net	-	1,524	-	1,250	-	-
Capital Leases Issued	-	-	-	-	-	-
Payments on Intergovernmental Agreements	-	-	-	-	-	-
Transfers In (Out)	21,309	616	-	-	-	-
Total Other Financing Sources and Uses	(246,732)	(280,908)	75,085	11,051	3,568	1,008
Fund Balances	61,549	77,755	33,206	34,154	64,047	56,115
Reserves Legally Segregated for Future Use	811	1,080	2	2	-	-
Reserves Not Available for Appropriation	104,676	118,611	-	-	11,103	19,044
Unreserved	-	-	-	-	-	-
Total Fund Balances	\$ 167,036	\$ 197,446	\$ 33,208	\$ 34,156	\$ 75,150	\$ 75,159

The City of Seattle

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 \$525.8 million, a decrease of \$31.0 million in comparison to 2009. Approximately \$141.0 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, including (1) payment on existing contracts and purchase orders, \$21.8 million; (2) funding of continuing projects and programs in future periods, \$343.3 million; (3) payment of debt service, \$13.8 million; and (4) a variety of other purposes, \$25.7 million.

Revenues for governmental funds overall totaled approximately \$1,417 billion in the fiscal year ended December 31, 2010, which represents an increase of approximately \$24.7 million or 1.8 percent from the prior fiscal year balance of \$1,392 billion. Expenditures in governmental funds amounted to \$1,528 billion, a decrease of approximately \$13.5 million or 0.9 percent compared to \$1,541 billion spent in 2009. In the aggregate, expenditures for governmental funds exceeded revenues by approximately \$111.0 million.

The **General Fund** is the chief operating fund of the City. It is comprised of fifteen subfunds: General, Judgment/Claims, Municipal Jail, Arts Account, Cable Television Franchise, Cumulative Reserve, Neighborhood Matching, Development Rights, Emergency, Transit Benefit, 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 2010.

At the end of 2010 the total fund balance of the General Fund was \$167.0 million. Fund balance decreased by \$30.4 million in 2010 compared to 2009.

Total revenues for the General Fund amounted to \$954.0 million, an increase of \$11.6 million, 1.2 percent higher than 2009. Tax revenues remained relatively steady, increasing by \$4.3 million or 0.6 percent, between 2009 and 2010.

Revenues derived from charges for services were the only source of income that decreased in 2010, down \$2.2 million. Program income, interest, and miscellaneous revenues were up \$1.4 million; parking fees and space rent were up \$1.4 million; and license revenue was up \$1.1 million.

General Fund expenditures seemingly unchanged in 2010. Public safety accounts for 59.7 percent of this amount in 2010. Public safety's two largest expenditures were for police and fire protection. For 2010 the Police Department incurred \$252.8 million and the Fire Department incurred \$158.7 million of expenditures.

The other financing sources and uses category decreased the General Fund's fund balance position by \$246.7 million in 2010 compared to \$278.8 million in 2009. One main reason for the change was due to the sale of the City's capital assets, which brought in a net proceed of \$21.3 million in 2010 compared to \$0.6 million in 2009.

The **Transportation Fund**, a special revenue fund, develops, maintains, and operates the transportation system inclusive of streets, bridges, ramps, retaining walls, sea walls, bike trails, street lights, and other road infrastructure. At the end of the fiscal year the fund balance decreased by \$0.9 million. The revenues collected of \$178.1 million include excess property tax levy, an employee hours tax, a commercial parking tax, grants and contributions, and charges for services. Transportation's expenditures totaled \$254.1 million for 2010, down \$23.7 million or 8.5 percent from 2009.

The **Low-Income Housing Fund**, a special revenue fund and one of the major governmental funds of the City, manages activities undertaken by the City to preserve, rehabilitate, or replace low-income housing. It also accounts for the seven-year housing levy approved by voters in 1995 and an additional seven-year levy that was approved by the voters in November 2002. The fund balance decreased slightly by \$9 thousand from 2009. Revenues from 2009 to 2010 increased by \$10.6 million (38.5 percent). The expenditures reflected the increase in revenues by rising \$18.3 million (78.6 percent) over the year. The increase in expenditures is attributed to the cyclical nature of the fund. Multifamily construction projects can span several years from acquisition to final construction. Further driving the variations is the cyclical nature of downtown construction and their associated costs.

In 2010 the other **special revenue funds** (SRF) showed an \$11.1 million or 17.0 percent decrease in fund balance as a result of operations. The drain on fund balance was primarily attributable to the Pike Place Market Renovation Fund, which its fund balance decreased by \$9.2 million to a negative \$2.0 million. Other notable decreases in fund balances were in the Key

Management's Discussion and Analysis

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

(In Thousands)

	Nonmajor Funds				Total Governmental Funds
	2010	2009	2010	2009	
	Special Revenue Funds	Debt Service Funds	Restated	Restated	
	2010	2009	2010	2009	
Revenues					
Taxes	\$ 37,011	\$ 33,490	\$ 16,362	\$ 18,071	
Licenses and Permits	76,696	72,890	882	2	
Grants, Shared Revenues, and Contributions	44,324	50,340	-	-	
Charges for Services	1,355	1,123	-	-	
Fines and Forfeits	19,646	16,425	245	228	
Parking Fees and Space Rent	1,747	3,458	647	1,379	
Program Income, Interest, and Miscellaneous Revenues	180,779	177,750	18,136	19,680	
Total Revenues	364,175	372,425	65,180	62,512	
Expenditures					
Other Financing Sources and Uses					
Long-Term Debt Issued and Refunding Payments, Net	4,800	12,000	-	42	
Capital Leases Issued	(23,825)	20	-	-	
Payments on Intergovernmental Agreements	191,344	198,036	45,635	39,735	
Sales of Capital Assets	172,320	193,136	45,635	39,777	
Total Other Financing Sources and Uses	192,599	303,166	91,270	79,554	
Fund Balances	19,923	32,774	10,640	12,049	
Reserves Legally Segregated for Future Use	9,107	11,379	-	-	
Reserves Not Available for Appropriation	25,160	21,113	-	-	
Unreserved	\$ 54,190	\$ 65,266	\$ 10,640	\$ 12,049	
Total Fund Balances					
	Capital Projects Funds	Permanent Funds	2010	2009	
	2010	2009	2010	2009	
Revenues					
Taxes	\$ 35,896	\$ 43,836	\$ -	\$ 933,641	\$ 927,287
Licenses and Permits	9,184	8,284	1	179,844	173,231
Grants, Shared Revenues, and Contributions	-	-	-	171,509	157,081
Charges for Services	-	-	-	32,300	29,645
Fines and Forfeits	-	119	-	46,858	42,404
Parking Fees and Space Rent	2,586	4,826	17	34,011	34,011
Program Income, Interest, and Miscellaneous Revenues	47,666	57,065	33	26,937	1,391,957
Total Revenues	64,829	67,493	50	1,527,694	1,541,187
Expenditures					
Other Financing Sources and Uses					
Long-Term Debt Issued and Refunding Payments, Net	83,810	80,801	-	88,610	95,617
Capital Leases Issued	-	-	-	(3,925)	20
Payments on Intergovernmental Agreements	-	-	-	21,310	(16,924)
Sales of Capital Assets	-	-	-	(6,099)	(2,620)
Transfers In (Out)	(53,680)	(71,001)	(10)	(6,099)	(6,620)
Total Other Financing Sources and Uses	30,130	9,800	(10)	79,996	76,707
Fund Balances	183,396	170,429	7	372,768	383,302
Reserves Legally Segregated for Future Use	-	-	26	12,087	14,637
Reserves Not Available for Appropriation	-	-	17	140,956	158,869
Unreserved	\$ 183,396	\$ 170,429	\$ 2,303	\$ 525,811	\$ 556,808
Total Fund Balances					

Management's Discussion and Analysis

Arena Settlement Proceeds Fund, \$2.9 million; the Housing and Community Development Revenue Sharing Fund, \$1.3 million; and the Education and Development Services Fund, \$1.4 million.

Total revenues for SRF were relatively stable, increasing 1.7 percent from \$177.7 million to \$180.8 million year over year.

SRF expenditures decreased \$8.3 million, down 2.2 percent from 2009. The decrease is primarily caused by the Park and Recreation Fund, which its expenditure decreased \$4.1 million from \$123.1 million to \$119.0 million. The expenditures in other special revenue funds were mostly down due to the Citywide budget cuts.

The other financing sources and uses category reduced considerably in 2010, down \$20.8 million or 10.8 percent compared to 2009. The receipt of bond proceeds in the Pike Place Market Renovation Fund was down \$7.2 million while the contributions to the Pike Place Market Preservation and Development Authority were up \$6.9 million, which resulted in \$14.1 million more in other financing uses compared to 2009. Also the Pike Place Market Renovation Fund recognized \$2.3 million more in transfers out than 2009 to meet the 2010 debt service obligations.

The total fund balances of the **debt service funds** decreased \$1.4 million (11.7 percent) to \$10.6 million at the end of 2010. To alleviate the City's budget shortfall, the City continued to use available fund balances in the debt service funds to service its general long-term obligation in 2010.

The fund balance in the **capital projects funds** increased \$13.0 million (7.6 percent) from \$170.4 million to \$183.4 million at the end of 2010. The increase was mainly due to the creation of the 2010 Multipurpose Long-Term General Obligation Bond Fund and the receipt of bond proceeds totaling \$83.8 million, leaving a fund balance of \$58.6 million. The reserves for capital improvement increased to \$180.2 million for 2010, up from \$163.8 million in 2009.

The 2010 fund balances of the **permanent funds** decreased by \$112 thousand, or 4.9 percent.

The City of Seattle

Table A-4 REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY
GENERAL FUND SUBFUNDS

(In Thousands)

	General	Judgment/ Claims	Municipal Jail	Arts Account
Revenues				
Taxes	\$ 737,534	\$ -	\$ -	\$ -
Licenses and Permits	7,496	-	-	-
Grants, Revenues, and Contributions	25,496	-	-	145
Charges for Services	57,030	9,681	-	-
Fines and Forfeits	30,936	-	-	-
Parking Fees and Space Rent	26,587	-	-	-
Program Income, Interest, and Miscellaneous Revenues	2,222	210	80	8
Total Revenues	893,804	9,891	80	153
Expenditures	645,996	6,082	214	3,947
Other Financing Sources and Uses	-	-	-	-
Long-Term Debt Issued and Premium on Bonds Issued	1	-	-	-
Sales of Capital Assets	(252,237)	-	-	-
Transfers In (Out)	(258,236)	-	-	-
Total Other Financing Sources and Uses				
Fund Balances	3,961	-	3,867	409
Reserves Legally Segregated for Future Use	1,511	-	(2,588)	307
Unreserved	2,450	16,355	3,609	716
Total Fund Balances	7,283	16,355	3,609	716

	Cable Television Franchise	Cumulative Reserve	Neighborhood Matching	Development Rights
Revenues				
Taxes	\$ -	\$ 23,636	\$ -	\$ -
Licenses and Permits	6,902	5,271	-	-
Grants, Revenues, and Contributions	-	152	-	-
Charges for Services	-	-	-	-
Fines and Forfeits	-	281	-	-
Parking Fees and Space Rent	36	383	-	-
Program Income, Interest, and Miscellaneous Revenues	6,938	29,723	-	-
Total Revenues				
Expenditures	7,793	51,181	3,069	-
Other Financing Sources and Uses				
Long-Term Debt Issued and Premium on Bonds Issued	-	21,308	-	-
Sales of Capital Assets	(150)	(15,524)	-	-
Transfers In (Out)	(150)	5,784	(98)	-
Total Other Financing Sources and Uses				
Fund Balances	-	36,258	3,275	-
Reserves Legally Segregated for Future Use	-	7,231	1,009	21
Unreserved	5,073	43,489	4,284	21
Total Fund Balances	\$ 5,073	\$ 43,489	\$ 4,284	\$ 21

Management's Discussion and Analysis

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

	GENERAL FUND SUBFUNDS				Total General Fund	
	Emergency	Transit Benefit	Special Employment Program	Industrial Insurance	2010	2009
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 761,170	\$ 756,909
Licenses and Permits	-	-	-	-	30,401	28,333
Charges for Services	-	-	-	-	66,863	69,018
Fines and Forfeits	-	-	-	-	30,936	28,519
Parking Fees and Space Rent	-	-	-	-	26,868	25,478
Program Income, Interest, and Miscellaneous Revenues	-	-	-	-	16,574	14,943
Total Revenues	-	-	-	3	954,024	942,408
Expenditures						
Other Financing Sources and Uses	-	-	\$ 5	761	-	-
Long-Term Debt Issued and Premium on Bonds Issued	-	-	-	-	-	-
Sales of Capital Assets	-	-	-	-	83	6,212
Transfers In (Out)	(32)	-	-	-	83	6,212
Total Other Financing Sources and Uses	(32)	-	5	761	-	-
Fund Balances						
Reserves Legally Segregated for Future Use	215	-	-	-	-	-
Reserves Not Available for Appropriation	45,286	-	-	-	-	-
Unassigned	45,501	-	-	-	83	6,212
Total Fund Balances	\$ 91,002	\$ -	\$ -	\$ -	\$ 83	\$ 6,212
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 761,170	\$ 756,909
Licenses and Permits	-	-	-	-	30,401	28,333
Charges for Services	-	-	-	-	66,863	69,018
Fines and Forfeits	-	-	-	-	30,936	28,519
Parking Fees and Space Rent	-	-	-	-	26,868	25,478
Program Income, Interest, and Miscellaneous Revenues	-	-	-	-	16,574	14,943
Total Revenues	-	-	-	3	954,024	942,408
Expenditures						
Other Financing Sources and Uses	1,279	17,363	12	737,702	737,702	737,604
Long-Term Debt Issued and Premium on Bonds Issued	-	-	-	-	-	1,524
Sales of Capital Assets	-	-	-	-	21,309	616
Transfers In (Out)	-	-	-	-	(266,041)	(280,905)
Total Other Financing Sources and Uses	-	-	-	-	(246,732)	(278,768)
Fund Balances						
Reserves Legally Segregated for Future Use	-	13,564	-	-	61,549	77,755
Reserves Not Available for Appropriation	638	19,792	426	811	104,811	113,680
Unassigned	638	33,356	426	167,016	167,016	197,440
Total Fund Balances	\$ 1,276	\$ 64,652	\$ 852	\$ 178,376	\$ 333,376	\$ 388,875

The City of Seattle

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 \$30.4 million in 2010 compared to \$34.2 million in 2009, or a decrease of \$3.8 million (11.1 percent). Higher retail power revenues were offset by deferral of Rate Stabilization Account (RSA) revenues, lower net wholesale energy revenues, lower capital contributions, and higher taxes. In addition, lower administrative and general interest and other expenses were offset by higher power-related expenses. Operating expenses were again held below the budgeted amount in 2010.

Net cash provided by operating activities increased by \$34.6 million to \$201.8 million in 2010 compared to \$167.2 million in 2009. Restricted assets increased by \$108.6 million to \$140.2 million in 2010 compared to \$31.6 million in 2009. During 2010, a RSA was funded in the amount of \$79.3 million in accordance with Ordinance 123260. Initial funding for the RSA included \$25.0 million transferred from the Contingency Reserve Account established in 2005 and cash from operations.

Capital assets, net of accumulated depreciation and amortization, were \$2,073 billion and \$1,956 billion in 2010 and 2009, respectively, a net increase of \$117.6 million. The majority of the capital asset additions was in the distribution system, intangible assets, and hydraulic production. These increases were offset by a \$66.8 million increase in accumulated depreciation and amortization. In 2010, the Utility adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The Utility has intangible assets that consist of easements, purchased and internally developed software, and transmission rights. In 2010, certain assets previously recorded as capitalized retooling costs and other deferred charges by the Utility met the criteria for intangible assets under GASB Statement No. 51 and have been reclassified to plant in service along with related accumulated amortization. Accordingly, such costs in 2009 Statement of Net Assets have been reclassified to be comparative with the 2010 presentation.

Total revenue bonds payables were \$1,537 billion in 2010 and \$1,383 billion in 2009, a net increase of \$153.7 million. In late May 2010, the Utility issued \$791.8 million of revenue and refunding revenue bonds. Interest expenses were \$69.4 billion in 2010 and \$69.1 million in 2009. Including long-term debt, the total liabilities were \$1.815 billion in 2010 and \$1,552 billion in 2009.

Total net assets were \$854.6 million in 2010 and \$824.3 million in 2009.

Water Utility. The net operating income of the Water Utility increased by \$3.9 million to \$31.0 million in 2010 as compared to \$27.1 million in 2009. Operating revenues increased by \$3.8 million and operating expenses decreased by \$41 thousand in 2010. The increase of net operating income was primarily due to higher water rates, surcharge, and recognition of rate stabilization revenue. The Utility realized a net income of \$0.7 million in 2010 compared to \$5.9 million in 2009.

Net cash provided by operating activities increased to \$75.4 million in 2010 from \$70.5 million in 2009, an increase of \$4.9 million. Total operating and restricted cash and investments were \$135.4 million in 2010 compared to \$47.3 million in 2009, an increase of \$88.1 million. This increase in cash and investments is primarily due to proceeds received from issuing bonds in January 2010.

Utility plant, net of accumulated depreciation, and other capital assets for the year ended December 31, 2010, amounted to \$1,205 billion. This represents a net increase of approximately \$29.8 million in 2010. The most significant asset acquisition was the West Seattle Reservoir covering project. The Water Utility has \$57.2 million in construction work in progress as of December 31, 2010.

The Water Utility had revenue bonds totaling \$1,006 billion in 2010 as compared to \$904.0 million in 2009. A portion of the proceeds from the 2010 Water System Improvement and Refunding Revenue Bonds issuance was used to refund \$61.8 million of the 1998 Water Revenue Bonds.

Total net assets were \$310.9 million in 2010 and \$310.2 million in 2009.

Drainage and Wastewater Utility. The Utility realized an operating income of \$19.6 million in 2010 as compared to \$19.4 million in 2009. Operating revenue decreased \$0.5 million and operating expenses decreased \$0.7 million between 2010 and 2009. The Utility realized a net income of \$5.9 million in 2010 and \$6.3 million in 2009. The net income in 2010 was primarily due to wastewater rate increases and a reduction in expenses.

Net cash provided by operating activities increased to \$48.3 million in 2010 from \$34.1 million in 2009. Total operating and restricted cash and investments were \$121.7 million in 2010 as compared to \$156.7 million in 2009, a decrease of \$35.0 million, primarily due to the spending of 2009 bonds proceeds on construction projects bonds issued in 2009.

Management's Discussion and Analysis

Utility plant, net of accumulated depreciation, and other capital assets increased to \$628.0 million in 2010 from \$593.7 million in 2009, an increase of \$34.3 million. Acquisition of new assets included installation of drainage and sewer pipes throughout several locations in the City and completion of Phase I of Madison Valley Long Term Solution Project that included the purchases of land. In addition, drainage improvements at 30th Street and Johns Street, and culvert repairs at NE 105th Street and 17th Avenue. Significant capital was spent on storm water and local drainage infrastructure as well as improvements to facilities and equipment.

The Drainage and Wastewater Utility had \$499.8 million outstanding revenue and refunding bond liabilities in 2010, as compared to \$513.1 million in 2009. There were no new bonds issued in 2010. In 2009 the City issued \$139.2 million of revenue and refunding bonds for its drainage and wastewater system. A portion of the proceeds from the issuance was set aside in the Utility's restricted cash and used in January 2010 to refund the remaining portion of the 1998 Revenue Bonds, totaling \$18.4 million. Total liabilities, including revenue bonds, were \$586.8 million in 2010 and \$586.3 million in 2009. Total net assets were \$252.3 million in 2010 and \$246.4 million in 2009.

Solid Waste Utility. The Utility realized an operating income of \$6.7 million in 2010 as compared to a loss of \$8.4 million in 2009. Operating revenue increased by \$15.3 million while operating expenses also increased by \$0.1 million between 2010 and 2009. The Utility realized a net income of \$6.0 million in 2010 and a net loss of \$8.6 million in 2009. The net income in 2010 was primarily due to increased revenues as a result of rate increase effective January 2010.

Net cash provided by operating activities increased to \$11.1 million in 2010 as compared to a cash outflow of \$0.1 million in 2009. Total operating and restricted cash and investments were \$22.1 million in 2010 as compared to \$32.2 million in 2009, a decrease of \$10.1 million, mainly due to capital spending on projects such as the construction of South Transfer Station.

Utility plant, net of accumulated depreciation, and other capital assets increased to \$80.3 million in 2010 from \$67.0 million in 2009, an increase of \$13.3 million. Major assets placed into service in 2010 included new solid waste containers and the solid waste data-integration computer application.

The Solid Waste Utility had \$78.5 million outstanding revenue bond liabilities in 2010, as compared to \$80.5 million in 2009. The decrease of \$2.0 million is due to principal payments made in 2010.

Total net assets were \$15.4 million in 2010 and \$9.4 million in 2009.

Fiduciary Funds

The City maintains fiduciary funds for the assets of the Seattle City Employees' Retirement System (SCERS), the Firemen's Pension Fund, the Police Relief and Pension Fund, the S.L. Denny Private Purpose Trust, and various agency funds. Total net assets of the combined fiduciary funds at the end of 2010 were \$11.825 billion. SCERS represents 99.5 percent of this amount.

SCERS assets that are held in trust for the payment of future benefits exceeded current amounts owed as of December 31, 2010, by \$1.813 billion. SCERS net fund assets increased in valuation by \$167.5 million (10.2 percent) during 2010. The primary drivers were the portfolio's allocation to equity; US equity returned 21.4 percent and foreign equity returned 12.8 percent. The fund uses the services of both active and index fund professional money managers. The fund experienced dividend and interest receipts of over \$15.7 million during 2010. Employee and employer contributions in 2010 decreased \$2.7 million over 2009 for total contributions of \$90.6 million. The largest part of the 2010 increase in total expenses (deductions) of \$11.4 million resulted from a \$5.5 million increase in retiree benefits and a \$5.0 million increase in contribution refunds as compared to 2009.

At December 31, 2010, 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 \$11.4 million and \$1.1 million, respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund's 2010 final appropriation budget, including support to other funds, was \$1.164 billion. This amount differed from the original budget due to supplemental appropriations approved by the City Council during the year. In fiscal year 2010 the General Fund's budget including carryforward budgets was \$1,089 billion. This was increased \$74.4 million (6.8 percent) during 2010 for supplemental appropriation authority approved by the Council.

The City of Seattle

The most significant budget activities are described below:

- At year-end 2010 actual expenditures were \$142.3 million less than budgeted. Of this amount \$108.6 million of the budget will be carried over into 2011 to cover outstanding encumbrances, grants, and capital spending.
- The total budget for the Real Estate Excise Tax (REET I and II) Cumulative Reserve Subfunds was \$43.8 million of which \$17.8 million of the budget was expended in 2010. The excess budget will be carried forward for continuing grants (\$2.0 million) and capital appropriation (\$24.0 million) in 2011.
- The majority of the carryforward budget for capital and grant projects is within the General Subfund, 38.2 percent, and the REET I and REET II Cumulative Reserve Subfunds at 16.6 percent and 7.1 percent, respectively. The amount of carryforward budgets from 2009 was \$92.4 million; this amount increased 19.2 percent to \$110.1 million for 2010. The budget carryforward for capital projects increased 8.1 percent, from \$61.8 million to \$66.8 million, and the carryforward budget for grant obligations increased 38.7 percent, from \$30.5 million to \$42.3 million for 2010.
- The City Council authorized the acceptance of all grant funds. If a grant is not included as a part of the adopted budget, a separate ordinance is required. In 2010 \$50.4 million in additional grant funding was authorized by the City Council. This includes \$17.9 million under agreement with the U.S. Department of Energy (DOE) for funds available under the Energy Efficiency and Conservation Block Grant (EECBG) program.
- 2010 current expenditures of the general government were \$173.0 million, which were 14.1 percent below the final budget of \$201.4 million. Grant budgets that will carry forward to 2011 contribute to the majority of the variation.
- Public safety expenditures in 2010 were 93.9 percent of the final budget or a \$28.7 million budget savings, which is also primarily due to the amount of available grant funding within the Police Department that will continue into 2011. Detail information follows:
 - The Police Department's 2010 budget was \$267.1 million. This amount breaks into \$3.5 million for capital programs, \$22.3 million for grant programs, and the remaining \$241.3 million for operations. The 2010 actual expenditures were \$252.8 million, breaking down into grants of \$10.6 million, capital expenditures for equipment of \$2.8 million, and the remaining \$239.4 million for operations.
 - The Fire Department's 2010 budget was \$164.0 million. This amount breaks into \$1.8 million for capital programs, \$4.8 million for grant programs, and the remaining \$157.4 million for operations. The 2010 actual expenditures were \$158.7 million, breaking down into grants of \$1.7 million, capital expenditures for equipment of \$590 thousand, and the remaining \$156.4 million for operations.
- The capital outlay spending in the general government and the culture and recreation functions of the City are reported significantly under budget. This is to be expected with the City loading budgets for projects that span multiple operating cycles and reporting periods. In 2010 the general government expended 33.5 percent of the budget, only \$9.0 million of the \$26.9 million budgeted. This was consistent within culture and recreation which reported spending only \$22.2 million of the \$38.0 million budgeted, or 58.5 percent of the 2010 capital outlay budget.
- General Fund actual revenues were \$67.3 million (6.6 percent) less than budget. Tax revenues were over budget by \$11.0 million (1.4 percent). Grants and contributions were \$51.4 million as compared to a budget of \$72.9 million because there are grants awarded that span multi-years and remaining budgets are carried over to the following year.

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	
	2010	2009	2010	2009	2010	2009
Land	\$ 530,894	\$ 512,043	\$ 160,118	\$ 147,718	\$ 691,012	\$ 659,761
Plant in Service, Excluding Land			3,508,899	3,312,259	3,312,259	3,312,259
Buildings and Improvements	1,569,118	1,515,118	36,079	38,083	1,605,197	1,553,201
Machinery and Equipment	113,860	124,099	4,001	5,585	117,861	129,684
Infrastructure	742,151	707,046			742,151	707,046
Construction in Progress	201,008	300,000	313,305	324,342	514,313	524,342
Other Capital Assets	11,961	11,775	17,755	19,633	29,710	31,408
Total Capital Assets	\$ 3,235,762	\$ 3,070,181	\$ 4,039,155	\$ 3,847,640	\$ 7,274,917	\$ 6,917,821

Capital assets, net of depreciation, for governmental activities increased by \$165.6 million in 2010. Major increases included the following:

- Seattle Center capitalized improvements to various facilities amounting to \$1.8 million. Theater Commons improvements cost \$4.7 million and Monorail improvements cost \$2.0 million. Construction in progress amounted to \$3.1 million at the end of 2010, a decrease of \$1.7 million over last year.
- The Department of Parks and Recreation (DPR) capitalized various community parks improvements such as: South Lake Union Park II at \$5.4 million; DeLridge Playfield renovation at \$2.4 million; Boat Moorage restoration at \$1.4 million; Rainier Beach Community Center at \$1.3 million; Hubbard Homestead Park at \$1.1 million; and other park facilities improvements, restorations, and renovations at \$27.9 million. DPR spent \$12.6 million for the purchase of land, such as: the Discovery Park Capelhart at \$7.1 million; Capitol Hill Urban Village at \$2.0 million; and other parcels at \$3.5 million. DPR received a transfer of parcels of land from the Facilities Operating Division in the amount of \$6.0 million. Construction in progress at December 31, 2010, stood at \$0.7 million.
- The Department of Transportation capitalized \$74.6 million for various infrastructure assets (roads, bridges, sidewalks, signs, illuminations, and others). \$0.2 million was spent for land and easement. Construction in progress at December 31, 2010, was \$23.1 million, an increase of \$74.8 million over the last year.
- The Facilities Operating Division (FOD) incurred \$25.7 million to complete additional improvements of various City buildings such as: Fire Station #2 at \$11.4 million, Fire Station #17 at \$9.6 million, Fire Station #33 at \$2.0 million, and Fire Station #41 at \$2.7 million. FOD spent \$24.6 million for the renovation of various fire stations such as Fire Station #28 at \$10.4 million, Fire Station #35 at \$5.1 million, Fire Station #37 at \$3.9 million, and Fire Station #39 at \$5.2 million. \$5.3 million was spent for the purchase of land for Fire Station #20. Construction in progress at December 31, 2010 was \$23.0 million, a decrease of \$25.2 million over the last year.
- The Library capitalized additions to the Central Library and the Green Lake Library at \$0.6 million. There is no construction in progress amount remaining at December 31, 2010.

Capital assets, net of depreciation, for business-type activities increased \$191.5 million as follows:

- City Light capital assets, net of accumulated depreciation, increased by \$117.6 million in 2010. These increases comprised of hydroelectric production plant, \$22.0 million; the transmission plant, \$6.4 million; the distribution plant, \$110.8 million (\$25.2 million for underground conductors, \$20.0 million for poles and towers, \$19.7 million for underground conduit, \$11.0 million for transformers, \$10.2 million for overhead conductors, \$5.8 million for streetlights, and \$5.0 million for overhead services); general plant, \$11.3 million; intangible assets, \$28.9 million; land and land rights, \$7.7 million; and accumulated depreciation and amortization, \$66.8 million. Construction in progress and other assets decreased \$0.8 million and \$2.0 million, respectively.
- Water Utility net capital assets increased by \$29.8 million in the current fiscal year. Major capital assets placed in service during 2010 included the following: \$34.8 million for West Seattle Reservoir covering project, \$12.5 million for water tanks and pump station improvements, \$5.4 million for Cedar River Watershed improvement, \$5.2 million for water pipeline upgrades and replacements. Construction in progress as of December 31, 2010, included the following:

\$27.5 million for water system improvements, rehabilitations, reservoir coverings, and environmental stewardship projects; \$11.7 million for water conservation projects; and \$8.2 million for design and construction of the sockeye hatchery at the Cedar River Watershed and Bullard Locks improvements.

- Drainage and Wastewater Utility net capital assets increased by \$34.4 million compared to last year. Major capital assets placed in service during 2010 included the following: \$5.2 million to replace sewer pipelines; \$3.9 million for storm improvements at several locations in the City; \$3.2 million for completion of Phase I of Madison Valley Long Term Solution Project and purchase of land in conjunction with the project; \$2.9 million to replace existing pipes; \$2.6 million for emergency rehab work on sewer mainline; \$2.1 million for storm improvements at 30th Street and John Street; \$1.6 million for culvert repairs; \$1.5 million for major enhancement to I-SCADA and IMS website application; \$1.5 million for pump station improvement and rehabilitation; \$1.1 million of donated sewer and drainage pipes from the City's Department of Transportation and Sound Transit. Major construction projects in progress at the end of 2010 included the following: \$6.9 million for improvements to mitigate flooding and sewer backup; \$5.1 million for detention project to reduce flooding near North 107th Street and Midvale; \$4.4 million to build a pump station; \$6.5 million for various sewer overflow improvements; \$1.5 million for storm drain improvements; and \$1.4 million for wastewater pump station improvement and rehabilitation.
- Solid Waste Utility net capital assets increased by \$13.3 million for the year ended December 31, 2010. The Utility spent \$17.8 million for construction projects, of which \$9.1 million was capitalized as assets and deferred charges. The increase in assets was offset by \$0.9 million for asset retirements and \$5.6 million for depreciation. Capital assets placed in service included \$5.6 million for the purchase of new solid waste containers and \$1.8 million for various management project applications and systems. Highlights of the construction in progress activity during 2010 included the following: \$9.3 million for the South Transfer Station rebuild and \$1.1 million for the North Transfer Station rebuild.
- Nonmajor enterprise funds net capital assets decreased by \$3.6 million. Capital assets of Downtown Parking Garage Fund and Planning and Development Fund decreased by \$2.0 million and \$1.6 million, respectively, due to depreciation.

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

DEBT ADMINISTRATION

At the end of the fiscal year 2010 the City had \$3,985 billion in outstanding bonded debt that included general obligation and revenue bonds, compared to \$3,715 billion in 2009. This represents an increase of approximately \$270.2 million (7.3 percent). Additionally, the special assessments bonds that the City issued in 2006, without lending its full faith and credit but obligated in some manner for the design and construction of the South Lake Union Streetcar, decreased to \$15.7 million. A maturity and bond call payment of \$2.0 million occurred in 2010 using special assessment collections from property owners within Local Improvement District No. 6750.

In 2010 the City issued LTGO bonds to finance various capital improvement projects including the Alaskan Way Viaduct (\$10.3 million), Tier-1 Storage Area Network (\$1.4 million), Pay Stations (\$1.8 million), King Street Station (\$0.5 million), Fire Stations (\$6.7 million), Golf Course Improvements (\$0.8 million), Pike Place Market Renovation (\$4.4 million), Bridge Rehabilitation (\$30.1 million), Bridge Seismic (\$12.0 million), Mercer Corridor West (\$8.9 million), Mercer Corridor-South Lake Union (\$3.1 million), Spokane Street Viaduct (\$6.7 million), and to advance refund the 2001 LTGO Bonds (\$85.7 million) and 2002 LTGO Bonds (\$29.5 million). The City also issued revenue bonds: \$791.8 million for the Light Fund to finance certain capital improvements and conservation programs and to advance refund certain higher-interest-bearing existing Municipal Light and Power parity bonds; and \$190.8 million for the Water Fund to be used for certain capital improvements projects and additions to the drainage and wastewater system and to fully refund the 1998 Water Revenue Bonds.

The City's bond ratings remained the same as in the previous year. The City's UTGO bonds are rated Aaa by Moody's Investors Service (Moody's), AAA by Fitch Ratings (Fitch), and AAA by Standard & Poor's (S&P). The City's LTGO bonds are rated Aa1 by Moody's, AA+ by Fitch, and AAA by S&P. The City maintained its high bond ratings on its Light, Water, Drainage and Wastewater, and Solid Waste revenue bonds by Moody's and S&P; these bonds are not rated by Fitch.

The City's limited and unlimited general obligation debt is capped at 7.5 percent of assessed value by state law. The 2011 assessed value of taxable properties for the City is \$120.117 billion. At the end of 2010 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 \$1,006 billion, well below the limit of \$9,009 billion, rendering the City's legal debt margin of \$8,003 billion. Within the 7.5 percent limitation, state law restricts outstanding LTGO bonds to 1.5 percent of assessed value. At year-end 2010 the net outstanding debt was \$883.5 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 \$121.5 million (\$90.0 million for governmental activities and \$31.5 million for business-type activities) at the end of the year. In addition, City utilities and Department of Parks and Recreation recognized a combined \$44.4 million

Management's Discussion and Analysis

in estimated environmental liabilities. Other obligations were accrued for compensation absences for sick leave and other notes and contracts. The other notes and contracts included draws from the State's Public Works Trust Loan (PWTL) Program which are serviced with revenues from two participating City departments, one with a governmental-type fund and one whose PWTL activities are reported in two of its business-type funds.

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

ECONOMIC FACTORS

With the recession ending in 2009, the U.S. economy showed signs of recovery and growth in early 2010. It hit a soft patch mid-year then stabilized towards the end of the year. Recent global developments slowed the economy's momentum in the first half of 2011. The Japan disaster, political upheavals in the Middle East, debt crises in some European governments, and severe weather in many parts of the country resulted in supply chain interruptions and commodity price hikes, and dampened consumer spending and employment growth. Projections for overall growth rate for 2011 has been reduced to 2.5 percent (as of June economic report), down from the 2.7 percent projection made earlier in the year. Commodity prices remain high but inflation is expected to ease in the second half of the year due to very low wage inflation. The Federal Reserve is not expected to raise rates before September 2012, and a more comprehensive deficit-reduction plan is also not expected from the federal government before the 2012 elections.

In Puget Sound, recovery from the recession will likely trail the nation. It entered recession later, and its downturn was deeper than the nation. Regional employment is predicted to advance at the same speed as the nation: 1.2 percent in 2011 and 2.4 percent in 2012. This is an improvement over the 1.9 percent decline in 2010. The housing market hit bottom in 2010 and is expected to bounce back slowly in 2011 at 4.0 percent and in greater strides in 2012 at 36.9 percent. Personal income is expected to continue to grow: 3.8 percent in 2011 and 5.1 percent in 2012. The growth in housing permits was at 22.9 percent in 2010; increases in 2011 and 2012 are projected at 4.0 percent and 36.9 percent, respectively. The Puget Sound economic recovery is predicted to be sustained but at a slow rate especially with regard to jobs and the unemployment rate.

General Subfund. In 2009, total government revenue into the General Subfund totaled approximately \$893.8 million. General Subfund revenue was projected to increase to \$897.4 million in 2010, stay flat at \$897.4 million in 2011, and then grow to \$924.3 million in 2012. It is important to note that the 2009 and 2010 revenues were artificially high due to contributions from the Revenue Stabilization Account, or "Rainy Day Fund", in amounts of \$8.9 million and \$11.3 million, respectively. Also in 2010, the former Department of Executive Administration (DEA) merged with the former Fleets and Facilities Department (FFD), along with various other City functions, to form the Department of Finance and Administrative Services (FAS). This merger resulted in 2011 and 2012 revenues, which formerly accrued to the General Subfund to support work administered by the former DEA, now going directly to FAS's operating fund. Removing these effects, and those from proposed policies designed to increase revenues, would show a meager 0.7 percent and 3.7 percent rates of growth in General Subfund revenue for 2011 and 2012.

The economic downturn, with record job losses and high unemployment rates, severely impacted the real estate sector and constrained consumer behavior. Construction activity also declined, adding further pressure to the sales tax base. The results were lower business and occupation and sales taxes which were projected to continue to grow but at low rates of 1.0 percent, 1.8 percent, and 3.9 percent for 2010, 2011, and 2012, respectively.

Revenue from on-street parking for 2010 was revised downward to \$26.5 million from the 2010 adopted budget figure of \$28.6 million. The City continues to evaluate its parking rates and rules to more flexibly use the price of parking across different parts of the City to increase revenues and help achieve parking management tools. Increases in parking revenues are expected due to the passing of an ordinance that allows the use of immobilizing parking boot on vehicles owned by individuals with four or more outstanding parking citations. The City anticipated increased payment compliance on citations and approximately \$1.7 million in additional citation revenue in 2011 and \$2.0 million in 2012, respectively.

Utilities. In 2010, Seattle City Light continued to experience depressed energy prices and unusually low precipitation levels and, as a result, received lower wholesale power and other revenues than anticipated. To offset those reductions in revenues, the utility was authorized to raise retail power rates by 13.8 percent in 2010. Per City Ordinance 125260, the utility also established the Rate Stabilization Account (RSA) to help mitigate future risks to wholesale revenue. The \$54.3 million transferred to the RSA in 2010 was supported by a 4.5 percent temporary rate surcharge implemented in May 2010 and debt service savings realized by the refunding of certain prior lien bonds. The 2011 adopted and 2012 endorsed budgets restore funding for core maintenance of power generating facilities which had been deferred in recent years.

The Seattle Public Utilities (SPU) saw its three utilities adversely impacted by the economic downturn. Customers generated fewer tons of garbage and used less water than assumed in earlier forecasts, and the trend is expected to continue in the next few years. Reduced revenues pose challenges for SPU to cover its fixed costs to operate the utilities; meet regulatory requirements associated with the National Pollutant Discharge Elimination System permits for stormwater and the combined sewer system; and to maintain aging infrastructure. In the 2010 adopted budget, SPU addressed its financial pressures by implementing moderate rate increases and by reducing operations and maintenance costs and capital programs,

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The City of Seattle

resulting in the reduction of 37 positions. SPU reduced an additional 10 positions as part of the mid-year budget review. A surcharge was also added to the water rate through December 2010 to recover costs related to the settlement of the hydrant court case.

Full Time-Equivalent (FTE) Positions. In the 2010 adopted budget, over 300 positions were eliminated citywide. Fourteen unions, representing approximately 4,282 employees, agreed to a 10-day unpaid furlough and the City extended a similar furlough to most non-represented employees. The furloughs significantly reduced the number of layoffs in 2010. Mid-year reductions in 2010 resulted in the unfunding of additional 53.2 FTEs citywide, of which 9.3 FTEs or 13 positions were filled and therefore subject to layoff effective July 2010. The 2011 adopted budget further eliminates 294 positions citywide. When the budget was adopted, 214 of the 294 positions were filled and would result in layoffs effective January 4, 2011.

Financial Contact

The City's financial statements are designed to provide users with a general overview of the City's finances as well as to demonstrate the City's accountability to its citizens, investors, creditors, and other customers. If you have a question about the report, please contact the City of Seattle, Department of Finance and Administrative Services, 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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The City of Seattle

STATEMENT OF NET ASSETS
December 31, 2010
(In Thousands)

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Page 1 of 3

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Restated 2009	
ASSETS				
Current Assets				
Operating Cash and Equity in Pooled Investments	\$ 499,188	\$ 117,531	\$ 616,719	\$ 1,904
Restricted Cash and Equity in Pooled Investments	7,587	9,325	8,636	-
Investments	86,000	212,578	298,578	47,289
Receivables, Net of Allowances	82,466	(1,109)	75,989	392
Internal Balances	88,406	10,100	86,528	-
Due to Other Governments	2,968	29,652	32,620	310
Inventories	1,040	2,918	3,958	15
Prepaid and Other Current Assets			2,042	-
Total Current Assets	700,465	359,258	1,039,723	49,600
Noncurrent Assets				
Restricted Cash and Equity in Pooled Investments	25,912	286,794	312,706	-
Investments	-	81,829	99,859	-
Restricted Investment Interest Receivable	-	131	111	-
Accounts Receivable	4,358	19,342	23,701	46
Contracts and Notes	375,385	375,385	320,469	-
Deferred Conservation Costs, Net	-	208,006	196,359	-
Deferred Landfill Closure and Postclosure Costs, Net	-	18,772	24,134	-
Deferred Environmental Costs and Recoveries	-	10,641	13,061	-
Other Deferred Costs and Recoveries	39,821	10,641	50,462	-
Other Deferred Charges and Noncurrent Assets	16,578	85,879	102,457	2,963
Capital Assets, Net of Accumulated Depreciation				
Land and Land Rights	530,894	160,118	691,012	-
Plant in Service, Excluding Land	-	3,508,899	3,312,259	-
Buildings and Improvements	1,560,118	36,079	1,605,197	-
Infrastructure	313,829	4,001	317,830	1
Construction in Progress	742,151	742,151	707,046	-
Other Capital Assets	11,961	312,303	580,081	-
Total Noncurrent Assets	3,697,816	4,750,550	8,448,366	2,964
Total Assets	4,398,281	5,109,808	9,508,089	52,564

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

STATEMENT OF NET ASSETS
December 31, 2010
(In Thousands)

B-1
Page 2 of 3

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Restated 2009	
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 82,051	\$ 64,630	\$ 146,681	\$ 1,169
Salaries, Benefits, and Taxes Payable	19,890	8,543	28,433	-
Contracts Payable	5,785	-	5,785	-
Due to Other Governments	9,167	9,232	18,419	-
Interest Payable	11,826	61,876	73,702	-
Trade Payable	149	11,246	11,395	-
Deposits Payable	782	782	11,823	-
Deferred Credits	4,523	19,870	24,393	-
Current Portion of Long-Term Debt			20,251	-
Bonds Payable	61,635	104,322	179,151	-
Deferred Compensation with Governmental Commitment	-	-	924	-
Deferred Bond Interest	-	1,058	924	-
Compensated Absences Payable	20,357	2,922	23,279	-
Notes and Contracts Payable	2,172	1,672	3,844	-
Claims Payable	28,530	20,127	48,657	-
Health Conservation Program Liability	-	-	1,329	-
Landfill Closure and Postclosure Liability	-	1,252	1,202	-
Arbitrage Rebate Liability	76	-	76	-
Other Current Liabilities	525	642	1,167	-
Total Current Liabilities	247,394	307,934	555,328	1,169
Noncurrent Liabilities				
Bonds Payable, Net of				
Unamortized Premiums, Discounts, and Other	773,257	3,144,626	3,917,883	-
Deferred Bond Interest	12,433	2,493	15,926	-
Deferred Compensation with Governmental Commitment	18,735	-	18,735	-
Compensated Absences Payable	63,004	25,991	88,995	-
Claims Payable	62,105	54,951	117,146	-
Notes and Contracts Payable	14,424	32,434	46,858	-
Landfill Closure and Postclosure Liability	-	19,362	19,362	-
Historic Deposits Payable	111	3,784	3,895	-
Health Conservation Program Liability	-	-	3,664	-
Muckleshoot Liability	-	495	495	-
Deferred Credits	389,942	40,107	430,049	-
Deferred Revenue - Rate Stabilization Account	-	54,266	54,266	-
Arbitrage Rebate Liability	46,448	8,710	55,158	-
Deferred Compensation Benefits	1,536	694	2,230	-
Other Noncurrent Liabilities	1,366,672	3,388,459	4,755,131	-
Total Noncurrent Liabilities	1,614,066	3,696,393	5,310,459	1,169

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

The City of Seattle

B-1
STATEMENT OF NET ASSETS
 December 31, 2010
(In Thousands)

	Primary Government		Comparative Totals		Component Units
	Governmental Activities	Business-Type Activities	2010	Restated 2009	
NET ASSETS	\$ 2,510,711	\$ 1,249,049	\$ 3,759,760	\$ 3,607,759	\$ 1
Invested in Capital Assets, Net of Related Debt	10,640	29,441	40,081	36,932	-
Debt Service	-	-	-	25,000	-
Contingency Reserve Account	138,189	-	138,189	166,784	87
Capital Projects	14,258	25,000	39,258	16,678	-
Retirement and Development Services	13,564	129	13,693	25,178	10,399
Deferred External Infrastructure Costs	-	6,806	6,806	6,364	-
Deferred External Infrastructure Costs	-	563	563	763	-
Deferred External Infrastructure Projects	-	7,514	7,514	8,019	-
Mickelthorn Settlement	-	348	348	460	-
Other Pensions	-	9,571	9,571	8,471	-
Nonexpendable	2,192	-	2,192	2,303	308
Unrestricted	93,661	84,994	178,655	196,538	26,872
Total Net Assets	\$ 2,784,215	\$ 1,413,415	\$ 4,197,630	\$ 4,101,255	\$ 51,395

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

The City of Seattle

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STATEMENT OF ACTIVITIES
 For the Year Ended December 31, 2010
(In Thousands)

Functions/Programs	Program Expenses			Program Revenues		
	Expenses	Indirect Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES	\$ 162,914	\$ (1,585)	\$ 60,333	\$ 15,271	\$ 348	
General Government	26,298	-	31,078	228	-	
Judicial	478,032	(1,171)	18,848	14,891	-	
Public Safety	32,171	-	1,985	2,536	-	
Physical Environment	121,689	687	55,680	13,149	33,798	
Transportation	19,595	-	4,419	3,287	10,876	
Economic Development	7,669	-	-	3,683	-	
Community Services	258,639	-	54,886	6,194	-	
Culture and Recreation	38,529	-	-	-	11,355	
Interest on Long-Term Debt	-	-	-	-	-	
Total Governmental Activities	1,310,947	(2,069)	227,238	118,619	56,377	
BUSINESS-TYPE ACTIVITIES						
Light	729,735	1,023	729,650	2,970	26,379	
Water	209,184	370	194,987	540	11,644	
Drainage and Wastewater	245,590	299	245,959	1,256	3,823	
Public Works	467,977	1,000	467,977	402	-	
Planning and Development	47,451	248	28,627	405	-	
Downtown Parking Garage	7,648	-	6,380	-	-	
Total Business-Type Activities	1,384,957	2,069	1,356,673	5,953	41,846	
Total Government-Wide Activities	\$ 2,695,904	\$ -	\$ 1,583,911	\$ 124,572	\$ 98,223	
COMPONENT UNITS	\$ 7,077	\$ -	\$ -	\$ 7,008	\$ -	

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

Government-wide Financial Statements

B-2 STATEMENT OF ACTIVITIES For the Year Ended December 31, 2010 (In Thousands)

	Net Revenue (Expense) and Changes in Net Assets			
	Primary Government		Comparative Totals	
	Governmental Activities	Business-Type Activities	2010	Restated 2009
GOVERNMENTAL ACTIVITIES				
General Government	\$ (85,377)	\$ -	\$ (85,377)	\$ (55,104)
Public Safety	3,107	-	3,107	3,107
Physical Environment	(443,123)	-	(443,123)	(437,915)
Economic Environment	(27,650)	-	(27,650)	(30,793)
Transportation	(19,749)	-	(19,749)	(40,818)
Public Works	(72,013)	-	(72,013)	(59,743)
Capital Programs	(8,608)	-	(8,608)	(10,868)
Community Services	(186,204)	-	(186,204)	(170,881)
Contingent Liabilities	-	-	-	-
Interest on Long-Term Debt	(38,929)	-	(38,929)	(36,825)
Total Governmental Activities	(906,644)	-	(906,644)	(852,713)
BUSINESS-TYPE ACTIVITIES				
Light	-	28,241	28,241	29,480
Water	-	(2,383)	(2,383)	(605)
Drainage and Wastewater	-	5,449	5,449	8,907
Solid Waste	-	3,874	3,874	5,531
Development	-	(18,877)	(18,877)	(27,351)
Downtown Parking Garage	-	(1,068)	(1,068)	(962)
Total Business-Type Activities	-	17,446	17,446	5,311
Total Government-Wide Activities	(906,644)	17,446	(889,198)	(847,402)
COMPONENT UNITS				\$ (69)
General Revenues				
Property Taxes	301,798	-	301,798	386,341
Sales Taxes	146,970	-	146,970	180,515
Business Taxes	331,570	-	331,570	329,572
Excise Taxes	28,815	-	28,815	27,710
Other Taxes	3,119	-	3,119	28,582
Penalties and Interest on Delinquent Taxes	3,475	-	3,475	13,857
Grants and Donations	8,797	-	8,797	10,425
Gain on Sale of Capital Assets	40,095	198	40,293	2,073
Special Item - Environmental Remediation Expenses	-	(1,948)	(1,948)	(4,289)
Transfers	(101,100)	10,100	-	-
Total General Revenues (Loss), Special Item, and Transfers	968,427	17,146	985,573	940,106
Changes in Net Assets	61,783	34,592	96,375	92,704
Net Assets - Beginning of Year	2,722,432	1,378,823	4,101,255	4,009,193
Prior-Year Adjustments	-	-	-	(642)
Net Assets - Beginning of Year as Restated	2,722,432	1,378,823	4,101,255	4,008,551
Net Assets - End of Year	\$ 2,784,215	\$ 1,413,415	\$ 4,197,630	\$ 4,101,255

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

Fund Financial Statements

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Fund Financial Statements

The City of Seattle

MAJOR GOVERNMENTAL FUNDS

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

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

The **Low-Income Housing Fund** manages activities undertaken by the City to preserve, rehabilitate, or replace low-income housing. It also accounts for a seven-year housing levy approved by the voters in 2009 to provide, produce, and/or preserve affordable housing in Seattle and to assist low-income tenants in Seattle. Operating costs in the administration of the levy are accounted for in the Office of Housing Fund, a nonmajor special revenue fund.

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2010
(In Thousands)**

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	General	Transportation	Low-Income Housing
ASSETS			
Cash and Equity in Pooled Investments	\$ 111,993	\$ 21,035	\$ 74,900
Receivables, Net of Allowances	56,523	2,627	593
Taxes	3,358	931	33
Contracts and Notes	-	-	-
Accounts Payable - Delinquent	-	-	-
Interest and Dividends	238	306	56
Unbilled and Others	68	711	-
Due from Other Funds	14,648	15,793	-
Due from Other Governments	41,317	27,552	701
Prepaid and Other Current Assets	820	58	-
Deposits With Vendor	2	-	-
Contracts and Notes - Noncurrent	7,978	-	298,493
Advances to Other Funds	1,020	-	-
Deferred Charges and Other Assets	-	-	-
Total Assets	\$ 237,965	\$ 69,013	\$ 374,776
LIABILITIES			
Accounts Payable	\$ 24,113	\$ 23,316	\$ 532
Contracts Payable	3,585	3,585	-
Due from Other Funds	5,638	3,782	14
Due to Other Governments	2,286	-	16
Salaries, Benefits, and Taxes Payable	12,776	1,655	-
Interest Payable	933	14	-
Deposits Payable	134	298	93
Receivables - Current	1,376	15	-
Other Current Liabilities	212	-	-
Advances from Other Funds	-	-	-
Deferred Revenues	22,829	3,360	298,971
Total Liabilities	70,929	35,805	299,626

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

The City of Seattle

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Page 2 of 4
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2010
(In Thousands)

	Other Governmental	2010	Restated 2009
ASSETS			
Cash and Equity in Pooled Investments	\$ 280,353	\$ 488,281	\$ 528,036
Receivables, Net of Allowances	2,707	62,450	63,624
Taxes	5,765	10,087	10,623
Accounts			6
Contracts and Notes	154	154	166
Interest and Dividends - Delinquent	265	865	926
Unbilled and Others	1,131	1,910	3,101
Due from Other Funds	4,580	35,021	29,730
Due from Other Governments	18,364	87,934	76,675
Prepayments	570	878	631
Deposits With Vendor	-	2	681
Deposits and Notes - Noncurrent	44,964	351,435	316,367
Advances to Other Funds	16,578	1,020	-
Deferred Charges and Other Assets	-	16,578	18,029
Total Assets	\$ 375,431	\$ 1,057,185	\$ 1,048,536
LIABILITIES			
Accounts Payable	\$ 27,383	\$ 75,344	\$ 67,544
Contracts Payable	15,872	25,385	22,778
Due to Other Funds	6,866	9,168	22,790
Due to Other Governments	4,214	18,645	8,206
Salaries, Benefits, and Taxes Payable	4	951	16,808
Interest Payable	197	888	888
Deposits Payable	3,166	4,782	813
Other Current Liabilities	1,020	378	360
Advances from Other Funds	64,607	389,767	365,271
Deferred Revenues			
Total Liabilities	125,014	531,374	491,728

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

The City of Seattle

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Page 3 of 4
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2010
(In Thousands)

	General	Transportation	Low-Income Housing
FUND BALANCES			
Reserves Legally Segregated for Future Use			
Capital Improvements	\$ 43,616	\$ 33,206	\$ 63,921
Continuing Appropriations	3,406	-	-
Debt Service	665	-	126
Reserves	13,564	-	-
Reserves Not Available for Appropriation	-	-	-
Endowments	-	-	-
Inventories	811	2	-
Unreserved Reported in Major Funds	57,666	-	-
Designated for Special Purpose	47,010	-	11,103
Special Revenue Funds	-	-	-
Undesignated	-	-	-
Permanent Funds	-	-	-
Total Fund Balance	167,036	33,208	75,150
Total Liabilities and Fund Balance	237,965	69,013	374,776

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

The City of Seattle

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Page 4 of 4
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2010
(In Thousands)

	2010	Restated 2009
FUND BALANCES		
Reserves Legally Segregated for Future Use		
Capital Improvements	\$ 182,342	\$ 257,226
Continuing Appropriations	16,772	88,936
Debt Service	13,792	20,585
Preumptions	2,149	3,510
Reserves for Stabilization	1,060	13,045
Reserves Not Available for Appropriation	-	-
Endowments	2,050	2,050
Gifts	8,643	10,891
Inventories	570	592
Unreported in City CA	11	1,104
Unreported in Major Funds		
Designated for Special Purpose		
Undesignated	-	48,556
Special Revenue Funds	58,113	89,099
Designated for Special Purpose	987	843
Undesignated	24,173	20,270
Permanent Funds	17	101
Total Fund Balance	250,417	556,808
Total Liabilities and Fund Balance	\$ 375,431	

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.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

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 are made to the net assets of internal service funds at the end of the reporting period and prior-year adjustment (B-6) are added back to ISF total net assets, and the latter amounts are included in governmental activities.

Net pension asset net of pension obligations

	2010	Restated 2009
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Claims Payable - Current	(27,964)	(29,164)
Accrued Interest Payable	(10,829)	(10,445)
Current Portion of Long-Term Debt	(47,171)	(45,751)
Accounts Payable	(1,000)	(1,000)
General Obligation Bonds Payable	(476,928)	(438,363)
Less Bond Discount and Premium	(23,974)	(13,492)
Special Assessment Bonds	(15,735)	(17,045)
Unamortized Losses on Refunding	4,063	-
Deferred Credits	(16,534)	3,405
Net Pension Liability	(16,740)	(16,740)
Compensated Absences - Long-Term	(59,827)	(59,915)
Claims Payable - Long-Term	(46,023)	(40,386)
Workers' Compensation	(15,793)	(13,940)
Arbitrage	(44)	(76)
Unfunded Other Post Employment Benefits	(61)	(205)
Net Adjustments	<u>2,356,404</u>	<u>2,165,021</u>
Net Assets of Governmental Activities	\$ 2,784,215	\$ 2,722,432

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

The City of Seattle

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Page 1 of 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010
(In Thousands)

	General	Transportation	Low-Income Housing
REVENUES			
Taxes	\$ 761,170	\$ 64,581	\$ 18,621
Licenses and Permits	20,401	6,113	14,852
Fees, Fines, and Penalties	66,963	40,215	107
Grants, Subsidies, Revenues, and Contributions	30,936	9	-
Fines and Forfeits	26,868	99	-
Parking Fees and Space Rent	16,374	243	4,423
Program Income, Interest, and Miscellaneous Revenues			
Total Revenues	954,024	178,075	38,004
EXPENDITURES			
Current			
General Government	172,796	-	-
Public Safety	26,306	-	-
Physical Environment	437,716	-	-
Transportation	8,704	81,921	-
Economic Environment	10,823	-	-
Capital Outlay	21,084	-	41,576
Culture and Recreation	26,598	-	-
General Government	9,001	-	-
Public Safety	2,658	-	-
Transportation	-	169,656	-
Economic Environment	-	-	5
Culture and Recreation	22,222	-	-
Debt Service	-	2,272	-
Principal	-	279	-
Interest	-	-	-
Advance Refunding to Escrow	-	-	-
Bond Issuance Cost	-	-	-
Total Expenditures	737,702	254,108	41,581
Excess (Deficiency) of Revenues over Expenditures	216,322	(76,033)	(3,577)
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	-	-	-
Refunding Debt Issued	-	-	-
Premium on Bonds Issued	-	-	-
Transfers In	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-
Payments on Intergovernmental Agreements	21,309	-	-
Sales of Capital Assets	(278,109)	88,952	3,568
Transfers In	(2,467,332)	(13,867)	-
Transfers Out			
Total Other Financing Sources (Uses)	(2,467,332)	75,085	3,568
Net Change in Fund Balance	(30,410)	(948)	(9)
Fund Balances - Beginning of Year	197,446	34,156	75,159
Fund Balances - End of Year	\$ 167,036	\$ 33,208	\$ 75,150

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

Fund Financial Statements

B-4 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS For the Year Ended December 31, 2010 (In Thousands)

	Other Governmental	Comparative Totals	Restated 2009
	2010	2010	2009
REVENUES			
Taxes	\$ 89,269	\$ 933,641	\$ 927,287
Licenses and Permits	86,762	26,514	28,298
Fees, Fines, and Penalties	44,328	17,562	17,562
Grants and Revenues	4,355	32,300	157,088
Fines and Forfeits	19,891	46,858	29,645
Parking Fees and Space Rent	4,997	26,037	42,404
Program Income, Interest, and Miscellaneous Revenues	246,598	1,416,701	1,391,957
Total Revenues	500,840	2,403,514	2,393,930
EXPENDITURES			
Current			
General Government	6,986	179,782	186,046
Police	7,286	72,309	72,309
Public Safety	354	445,002	431,413
Physical Environment	637	9,058	16,528
Transportation	60,770	93,381	111,531
Economic Environment	75,766	123,430	103,462
Health and Human Services	206,886	233,284	223,340
Culture and Recreation	7,798	16,799	24,651
Capital Outlay	19,157	21,815	20,781
General Government	-	169,636	179,231
Police	41,299	63,521	72,905
Public Safety	43,554	45,826	43,064
Transportation	24,317	24,507	24,107
Economic Environment	1,203	1,303	721
Culture and Recreation	494,303	1,527,694	1,541,187
Debt Service	-	-	-
Principal	-	-	-
Advance Refunding to Escrow	-	-	-
Interest	-	-	-
Bond Issuance Cost	-	-	-
Total Expenditures	(247,705)	(110,993)	(149,230)
Excess (Deficiency) of Revenues over Expenditures	253,135	1,492,521	1,544,700
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	85,325	85,325	87,810
Refunding Debt Issued	115,185	115,185	4,390
Premium on Bonds Issued	13,270	13,270	8,152
Proceeds from Bond Refunding	-	-	-
Payment to Refunded Bond Escrow Agent	(125,170)	(125,170)	(4,735)
Payments on Intergovernmental Agreements	(23,825)	(23,825)	(16,928)
Sales of Capital Assets	1	21,310	624
Transfers In	243,963	346,551	371,345
Transfers Out	(60,675)	(352,650)	(373,971)
Total Other Financing Sources (Uses)	248,075	79,996	76,707
Net Change in Fund Balance	370	(30,997)	(72,523)
Fund Balances - Beginning of Year	250,047	556,808	629,331
Fund Balances - End of Year	\$ 250,417	\$ 525,811	\$ 556,808

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

The City of Seattle

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, 2010 (In Thousands)

	2010	Comparative Totals Restated 2009
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balance - total governmental funds	\$ (30,997)	\$ (72,523)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense:		
Depreciation expense for the year	(87,702)	(86,762)
Capital outlay reported as expenditures	217,228	284,953
Retirement and sale of capital assets	(2,181)	(1,874)
Capital assets received as donations	-	5,042
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	(70)	11,369
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	(85,326)	(86,560)
Premium on general obligation bonds	(14,159)	(8,711)
Proceeds from bond refunding	(115,186)	(5,660)
Proceeds of long-term loans	19,869	-
Principal payments bonds/notes	45,825	43,064
Bond interest	(1,754)	1,522
Remittance to refunding escrow using City funds	125,169	-
Bond issuance costs	1,407	882
Remittance to refunding escrow using refunding proceeds	-	4,735
Amortization of debt expense	(401)	(338)
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	(2,337)	(7,301)
Injury and damage claims	(1,947)	3,468
Workers' compensation	(2,545)	(2,545)
Arbitrage	129	241
Unfunded OPEB liabilities	(12,649)	(12,128)
Net pension asset	(42,809)	2,129
Environmental liability	-	(1,572)
Internal service funds are used by management to charge the cost of Fleets and Facilities, Information Technology, and Engineering Services to individual funds. Adjustments reflect the consolidation of internal service funds activities to governmental funds:		
Operating loss (income) allocated to enterprise funds	(1,432)	4,895
Net revenue of internal service funds activities reported with governmental activities	55,445	(5,774)
Change in Net Assets of Governmental Activities	\$ 61,783	\$ 72,104

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

Fund Financial Statements

MAJOR PROPRIETARY FUNDS

The **Light Fund** (City Light) accounts for the operations of the City-owned electric utility. City Light owns and operates generating, transmission and distribution facilities and serves approximately 399,000 customers in the Seattle area.

The **Water Fund** accounts for the operations of the City-owned water utility. It maintains three separate sources of water supply, namely the Tolt and Cedar River watersheds, and Seattle wellfields; approximately 187 miles of supply mains, 1,714 miles of distribution lines and distribution storage capacity of 339 million gallons in reservoirs, tanks, and standpipes. The distribution system serves a population of about 664,000 people. The utility also sells to 25 surrounding cities and water districts that provide water to an additional 767,000 people.

The **Drainage and Wastewater Fund** accounts for the operations of the City-owned sewer and drainage utility facilities and pumping stations. Those facilities and stations are necessary to collect the sewage of the City and discharge it into King County's treatment and disposal systems. The utility maintains about 1,901 miles of sewers and drainage mainlines, one-half of which are separate sanitary sewers and storm mainlines. In addition, the City manages 66 pumping stations.

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

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

The City of Seattle

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STATEMENT OF NET ASSETS PROPRIETARY FUNDS December 31, 2010 (In Thousands)

	L i g h t			B u s i n e s s - T y p e A c t i v i t i e s - E n t e r p r i s e F u n d s		
	2010	2009	2010	2010	2009	W a t e r
ASSETS						
<i>Current Assets</i>						
Operating Cash and Equity in Pooled Investments	\$ 56,932	\$ 32,695	\$ 8,504	\$ 8,354		\$ 8,354
Receivables, Net of Allowances	18	2,511	100	511		511
Interest and Dividends	72,229	60,319	13,628	11,462		
Unbilled	122	79	-	-		
Energy Contracts, Notes, and Other Contracts	69,683	60,198	10,199	9,109		
Due from Other Funds	-	-	21	21		
Due from Other Investments	2,849	1,279	1,606	1,487		
Materials and Supplies Inventory	4,248	4,248	4,075	4,171		
Prepayments and Other Current Assets	1,709	1,332	1,185	38		
Total Current Assets	235,009	189,291	40,383	36,866		
<i>Noncurrent Assets</i>						
Restricted Cash and Equity in Pooled Investments	101,395	29,129	108,718	38,452		
Restricted Investments	38,788	-	18,098	-		
Financial Bond Issue Costs, Net	-	-	5	-		
Deferred Conservation Costs, Net	9,768	8,217	5,181	4,409		
Deferred Landfill Closure and Postclosure Costs, Net	178,437	162,137	29,569	34,222		
Deferred Environmental Costs and Recoveries	-	-	-	-		
Deferred External Infrastructure Costs	-	-	-	-		
Other Prepaid Charges	33,281	32,247	8,745	13,565		
Capital Assets						
Land and Land Rights	90,531	82,827	40,635	39,128		
Plant in Service, Excluding Land	3,205,420	3,025,981	1,627,959	1,531,299		
Less Accumulated Depreciation	(1,384,291)	(1,317,482)	(522,031)	(483,482)		
Buildings and Improvements	-	-	-	-		
Equipment	-	-	-	-		
Machinery and Equipment	-	-	-	-		
Less Accumulated Depreciation	-	-	-	-		
Construction in Progress	147,035	147,810	57,229	87,082		
Other Property, Net	14,411	16,383	913	865		
Total Noncurrent Assets	2,434,775	2,187,249	1,375,021	1,265,641		
Total Assets	2,669,784	2,376,540	1,415,404	1,302,507		

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

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

The City of Seattle

Fund Financial Statements

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STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2010
(In Thousands)

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STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2010
(In Thousands)

	Business-Type Activities - Enterprise Funds		Comparative Totals	
	2010	Restated 2009	2010	Restated 2009
ASSETS				
Current Assets				
Operating Cash and Equity in Pooled Investments	\$ 11,541	\$ 17,339	\$ 117,531	\$ 85,872
Restricted Cash and Equity in Pooled Investments	-	-	1,738	4,688
Receivables, Net of Allowances	3,113	3,647	117,821	102,211
Interest and Dividends	8	16	228	188
Unbilled	37	43	94,508	84,076
Energy Contracts, Notes, and Other Contracts	-	-	5	22
Due from Other Funds	643	898	7,618	5,780
Prepayments and Other Current Assets	472	318	10,918	9,780
Materials and Supplies Inventory	-	8	29,652	31,009
Prepayments and Other Current Assets	-	-	2,918	1,376
Total Current Assets	15,814	22,264	382,142	324,641
Noncurrent Assets				
Restricted Cash and Equity in Pooled Investments	6	13	286,794	127,433
Restricted Investments	-	-	81,829	99,859
Monetized Bond Sale Costs, Net	-	-	17,762	645
Nonmonetized Bond Sale Costs, Net	202	214	19,343	17,762
Deferred Conservation Costs, Net	-	-	208,006	196,359
Deferred Landfill Closure and Postclosure Costs, Net	-	-	18,772	24,134
Deferred Environmental Costs and Recoveries	-	-	15,521	15,563
Deferred External Infrastructure Costs	-	-	21,270	22,472
Capital Assets			64,609	61,940
Land and Land Rights	12,881	12,881	160,118	147,718
Plant in Service, Excluding Land	-	-	5,684,457	5,360,697
Less Accumulated Depreciation	-	-	(2,175,538)	(2,048,439)
Buildings and Improvements	60,117	60,131	(24,052)	(22,048)
Less Accumulated Depreciation	(24,052)	(24,052)	(22,048)	(22,048)
Machinery and Equipment	15,169	15,130	15,169	15,130
Less Accumulated Depreciation	(11,168)	(9,545)	(11,168)	(9,545)
Construction in Progress	-	-	312,303	324,362
Other Property, Net	-	-	17,755	19,653
Total Noncurrent Assets	53,169	56,776	4,755,430	4,413,368
Total Assets	68,983	79,040	5,137,572	4,738,009

	Business-Type Activities - Enterprise Funds		Comparative Totals	
	2010	2009	2010	2009
ASSETS				
Current Assets				
Operating Cash and Equity in Pooled Investments	\$ 30,284	\$ 23,595	\$ 10,270	\$ 3,889
Restricted Cash and Equity in Pooled Investments	1,620	1,666	-	-
Receivables, Net of Allowances	16,983	14,892	11,868	12,191
Interest and Dividends	81	60	17	33
Unbilled	14,226	14,569	363	157
Energy Contracts, Notes, and Other Contracts	-	-	-	-
Due from Other Funds	2,411	1,527	109	239
Prepayments and Other Current Assets	1,051	1,387	889	1,054
Materials and Supplies Inventory	609	548	139	154
Prepayments and Other Current Assets	12	6	12	-
Total Current Assets	67,259	58,501	23,677	17,719
Noncurrent Assets				
Restricted Cash and Equity in Pooled Investments	64,869	31,537	11,806	28,302
Restricted Investments	24,943	99,859	-	-
Monetized Bond Sale Costs, Net	126	645	-	-
Nonmonetized Bond Sale Costs, Net	3,228	3,375	964	1,006
Deferred Conservation Costs, Net	-	-	-	-
Deferred Landfill Closure and Postclosure Costs, Net	-	-	18,772	24,134
Deferred Environmental Costs and Recoveries	7,181	7,491	8,340	8,072
Deferred External Infrastructure Costs	21,270	22,472	-	-
Capital Assets	22,161	15,199	422	931
Land and Land Rights	14,280	11,091	1,791	1,791
Plant in Service, Excluding Land	776,878	738,819	74,200	64,598
Less Accumulated Depreciation	(228,849)	(211,904)	(40,387)	(35,571)
Buildings and Improvements	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Machinery and Equipment	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Construction in Progress	65,072	55,055	42,967	34,415
Other Property, Net	662	620	1,769	1,765
Total Noncurrent Assets	771,821	774,259	120,644	129,443
Total Assets	839,080	832,760	144,321	147,162

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

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

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STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2010
(In Thousands)

	Governmental Activities - Internal Service Funds	
	2010	Restated 2009
ASSETS		
Current Assets		
Operating Cash and Equity in Pooled Investments	\$ 10,908	\$ 6,636
Restricted Cash and Equity in Pooled Investments	7,587	3,948
Receivables, Net of Allowances	1,535	719
Accounts Receivable	33	38
Interest and Dividends	-	2
Unbilled	-	-
Energy Contracts, Notes, and Other Contracts	7,457	7,067
Due from Other Funds	48	49
Deferred Environmental Costs and Recoveries	2,398	2,425
Materials and Supplies Inventory	161	62
Prepayments and Other Current Assets	-	-
Total Current Assets	30,561	21,349
Noncurrent Assets		
Restricted Cash and Equity in Pooled Investments	25,912	30,825
Restricted Investments	-	-
Interest Receivable	-	-
Notes and Contracts Receivable	1,554	1,670
Deferred Conservation Costs, Net	-	-
Deferred Landfill Closure and Postclosure Costs, Net	-	-
Deferred Environmental Costs and Recoveries	-	-
Other Intangible Assets	-	-
Capital Assets		
Land and Land Rights	100,365	101,034
Plant in Service, Excluding Land	-	-
Less Accumulated Depreciation	-	-
Buildings and Equipment	688,502	693,376
Less Accumulated Depreciation	(154,958)	(141,375)
Machinery and Equipment	171,324	167,428
Less Accumulated Depreciation	(93,185)	(83,798)
Construction in Progress	9,584	7,876
Other Property, Net	-	-
Total Noncurrent Assets	719,099	686,696
Total Assets	749,660	708,045

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

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STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2010
(In Thousands)

	Business-Type Activities - Enterprise Funds		
	2010	2009	Water
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 38,597	\$ 41,554	\$ 5,322
Salaries, Benefits, and Payroll Taxes Payable	4,636	4,306	1,344
Compensated Absences Payable	1,561	1,330	400
Due to Other Funds	7,129	6,919	4,117
Due to Other Governments	-	-	-
Deferred Bond Interest	34,376	20,931	18,553
Taxes Payable	9,932	10,066	541
General Obligation Bonds Due Within One Year	58,685	80,735	29,140
Revenue Bonds Due Within One Year	10,926	7,896	1,118
Notes and Contracts Payable	-	-	858
Habitat Conservation Program Liability	-	-	715
Landfill Closure and Postclosure Liability	-	-	5,759
Deferred Credits	5,098	7,578	924
Other Current Liabilities	652	795	110
Total Current Liabilities	171,572	182,110	67,596
Noncurrent Liabilities			
Compensated Absences Payable	13,980	13,450	4,418
Public Works Trust Loan	36,500	32,771	4,088
Landfill Closure and Postclosure Liability	-	-	17,624
Vendor and Other Deposits Payable	-	-	-
Habitat Conservation Program Liability	-	-	90
Deferred Credits	-	-	3,764
Deferred Revenue - Rate Stabilization Account	18,452	21,148	3,664
Unfunded Other Post Employment Benefits	54,266	3,328	10,845
Other Noncurrent Liabilities	4,441	3,328	1,551
General Obligation Bonds Due Within One Year	114	120	201
Revenue Bonds Due Within One Year	-	-	-
Bond Discount and Premium, Net	-	-	-
Deferred Bond Interest	-	-	-
Less Accrued Interest Due Within One Year	-	-	-
Revenue Bonds Due Within One Year	1,583,977	1,383,650	1,006,300
Less Accumulated Depreciation	(1,583,977)	(1,383,650)	(1,006,300)
Bond Discount and Premium, Net	71,146	24,957	32,857
Deferred Loss on Advanced Refunding	(33,402)	(27,922)	(16,109)
Total Noncurrent Liabilities	1,643,587	1,370,176	1,036,927
Total Liabilities	1,815,159	1,552,286	1,104,523

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

The City of Seattle

Fund Financial Statements

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 December 31, 2010
 (In Thousands)

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
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	Business-Type Activities - Enterprise Funds			Business-Type Activities - Enterprise Funds		Comparative Totals	
	Drainage and Wastewater		Solid Waste	Restated		Restated	
	2010	2009	2010	2010	2009	2010	2009
LIABILITIES							
Current Liabilities							
Accounts Payable	\$ 9,037	\$ 5,065	\$ 9,729	\$ 879	\$ 63,716	\$ 62,656	\$ 8,151
Salaries, Benefits, and Payroll Taxes Payable	1,266	1,121	498	897	8,543	8,543	8,151
Compensated Absences Payable	6,604	4,928	1,471	771	23,656	23,656	18,290
Due to Other Governments	9,252	9,256	1,594	11	9,346	9,346	9,346
Interest Payable	6,587	6,025	1,594	720	61,831	45,068	45,068
Deferred Bond Interest	-	-	-	924	1,058	924	924
Taxes Payable	246	312	441	86	1,246	1,450	1,450
Revenue Bonds Due Within One Year	-	-	-	1,226	1,246	1,246	1,246
Revenue Bonds Due Within One Year	-	-	-	61	20,127	121,425	121,425
Claims Payable	13,175	13,285	2,075	49	1,672	1,477	1,477
Notes and Contracts Payable	6,308	6,837	1,182	-	-	-	-
Habitat Conservation Program Liability	814	762	-	-	-	-	-
Landfill Closure and Postclosure Liability	-	-	1,292	-	527	579	579
Deferred Loss on Advanced Refunding	4,420	1,122	8,065	-	19,870	16,290	16,290
Other Current Liabilities	-	-	-	20	642	925	925
Total Current Liabilities	58,065	49,048	26,480	5,847	330,676	328,663	328,663
Noncurrent Liabilities							
Compensated Absences Payable	3,927	3,489	1,473	2,612	25,991	25,991	25,991
Public Works Trust Loan	16,894	15,108	1,452	99	59,057	54,656	54,656
Landfill Closure and Postclosure Liability	14,810	12,549	19,362	-	32,434	22,383	22,383
Habitat Conservation Program Liability	527	713	-	13	19,362	23,923	23,923
Muckleshoot Liability	-	-	-	-	3,784	3,664	3,664
Deferred Credits	-	-	-	-	495	495	495
Deferred Revenue - Rate Stabilization Account	-	-	-	9,952	40,107	46,514	46,514
Unfunded Other Postemployment Benefits	1,377	973	517	656	54,266	6,611	6,611
Other Noncurrent Liabilities	72	48	307	-	604	303	303
General Obligation Bonds, Due Serially	-	-	-	63,319	62,093	63,319	63,319
Less Bonds Due Within One Year	-	-	-	(1,226)	(1,247)	(1,226)	(1,226)
Bond Discount and Premium, Net	-	-	-	3,614	3,614	3,614	3,614
Deferred Bond Interest	-	-	-	4,005	3,526	4,005	4,005
Revenue Bonds	-	-	-	(924)	3,121,350	2,880,575	2,880,575
Less Bonds Due Within One Year	409,785	513,070	78,490	-	(103,075)	(121,425)	(121,425)
(13,175)	(13,285)	(2,075)	-	-	116,637	65,307	65,307
Bond Discount and Premium, Net	8,933	9,310	3,101	-	-	-	-
Deferred Loss on Advanced Refunding	(4,420)	(1,122)	(299)	-	(54,146)	(49,201)	(49,201)
Total Noncurrent Liabilities	528,726	537,275	102,418	82,223	3,392,566	3,028,176	3,028,176
Total Liabilities	586,791	586,323	128,898	88,170	3,723,242	3,356,839	3,356,839

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

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The City of Seattle

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STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2010
(In Thousands)

	Governmental Activities - Internal Service Funds	
	2010	Restated 2009
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 5,905	\$ 8,045
Salaries, Benefits, and Payroll Taxes Payable	1,243	1,215
Unemployment Insurance Payable	1,424	1,406
Due to Other Funds	1,406	1,406
Due to Other Governments	-	286
Interest Payable	70	-
Deferred Bond Interest	49	95
Taxes Payable	-	-
General Obligation Bonds Due Within One Year	14,464	13,530
Revenue Bonds Due Within One Year	-	-
Claims Payable	567	488
Notes and Contracts Payable	-	-
Habitat Conservation Program Liability	-	-
Deferred Credits and Postclosure Liability	-	-
Deferred Grants	-	-
Other Current Liabilities	148	1
Total Current Liabilities	24,381	25,580
Noncurrent Liabilities		
Compensated Absences Payable	3,177	3,495
Claims Payable	1,153	993
Public Works Trust Loan	-	-
Landfill Closure and Postclosure Liability	-	-
Vendor and Professional Fees Payable	111	68
Habitat Conservation Program Liability	-	-
Muckleshoot Liability	-	-
Deferred Credits	-	-
Deferred Revenue - Rate Stabilization Account	1,257	947
Deferred Revenue - Employment Benefits	1,556	364
Other Noncurrent Liabilities	277,596	289,731
General Obligation Bonds, Due Serially	(14,464)	(13,530)
Less Bonds Due Within One Year	14,792	15,740
Bond Discount and Premium, Net	-	-
Deferred Bond Interest	-	-
Deferred Bond Interest Due Within One Year	-	-
Revenue Bonds	-	-
Less Bonds Due Within One Year	-	-
Bond Discount and Premium, Net	-	-
Deferred Loss on Advanced Refunding	-	-
Total Noncurrent Liabilities	285,172	297,803
Total Liabilities	309,553	323,383

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

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STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2010
(In Thousands)

	Business-Type Activities - Enterprise Funds		
	2010	2009	2010
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 737,531	\$ 733,612	\$ 275,466
Restricted for:			
Debt Service	-	-	16,684
Contingency Reserve Account	-	25,000	-
Rate Stabilization Account	25,000	-	-
Special Districts	129	978	-
Deferred Conservation and Environmental Costs	-	-	5,865
Bonnieville Power Administration Projects	-	-	563
Deferred External Infrastructure Costs	-	-	-
Muckleshoot Settlement	-	-	348
Deferred Changes	-	-	1,678
Unrestricted	91,965	64,714	10,272
Total Net Assets	\$ 854,625	\$ 824,254	\$ 310,881

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

The City of Seattle

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STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2010
(In Thousands)

	Business-Type Activities - Enterprise Funds		
	2010	2009	2010
Drainage and Wastewater			Solid Waste
	2010	2009	2010
NET ASSETS			
Invested in Capital Assets, Net of Related Debt Restricted for:	\$ 216,471	\$ 207,139	\$ 15,580
Debt Service	12,757	12,757	-
Contingency Reserve Account	-	-	-
State Capitalization Account	-	-	-
Special Projects and Other	-	-	-
Deferred Conservation and Environmental Costs	-	-	941
Bonnieville Power Administration Projects	7,514	8,019	-
Deferred External Infrastructure Costs	7,838	5,424	-
Mud/slurry Settlement	7,719	13,098	60
Unrestricted			(1,188)
Total Net Assets	\$ 252,289	\$ 246,437	\$ 15,423

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

The City of Seattle

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STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2010
(In Thousands)

	Business-Type Activities - Enterprise Funds		
	2010	2009	2010
Non-major Funds			Restated
	2010	2009	2010
NET ASSETS			
Invested in Capital Assets, Net of Related Debt Restricted for:	\$ 4,001	\$ 5,585	\$ 1,249,049
Debt Service	-	-	29,441
Contingency Reserve Account	-	-	21,796
State Capitalization Account	-	-	25,000
Special Projects and Other	-	-	928
Deferred Conservation and Environmental Costs	-	-	1,129
Bonnieville Power Administration Projects	-	-	6,806
Deferred External Infrastructure Costs	-	-	563
Mud/slurry Settlement	-	-	7,514
Unrestricted	(22,889)	(14,715)	8,019
Total Net Assets	\$ (18,888)	\$ (9,130)	\$ 1,414,330

Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds
Net Assets of Business-Type Activities

	(915)	
	\$ 1,413,415	\$ 1,378,823

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

The City of Seattle

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STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2010
(In Thousands)

	Governmental Activities - Internal Service Funds	
	2010	Restated 2009
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 401,775	\$ 353,499
Restricted for:		
Debt Service	-	-
Contingency Reserve Account	-	-
Special Deposits	-	-
Special Deposits and Other	-	-
Deferred Conservation and Environmental Costs	-	-
Bonnevile Power Administration Projects	-	-
Deferred External Infrastructure Costs	-	-
Track/Shot Settlement	-	-
Other Deferred Charges	-	-
Unrestricted	38,332	31,163
Total Net Assets	\$ 440,107	\$ 384,662

The City of Seattle

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STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2010
(In Thousands)

	Business-Type Activities - Enterprise Funds		
	2010	2009	2010
OPERATING REVENUES	\$ 732,978	\$ 723,128	\$ 195,203
Charges for Services and Other Revenues	-	-	-
OPERATING EXPENSES			
Long-Term Purchased Power	223,591	202,003	-
Short-Term Wholesale Power Purchases	24,484	24,571	-
Generation	2,628	2,628	-
Territorial	46,254	47,072	-
Distribution	54,630	57,005	-
Energy Management and Other Power Expenses	52,082	53,034	-
Pre-Capital Planning and Development	-	-	2,059
Facility Systems Management	-	-	14,906
Energy Services	-	-	20,276
Electricity	-	-	6,420
Power Delivery	-	-	5,055
Customer Services	36,137	35,662	7,667
Wastewater Treatment	-	-	-
Solid Waste Collection	-	-	-
Operations and Maintenance	56,166	73,217	-
Construction	38,649	33,664	27,794
City Business and Occupation Taxes	31,732	28,611	29,455
Other Taxes	-	-	7,036
Amortization of Landfill and Postclosure Costs	-	-	-
Depreciation and Other Amortization	86,369	80,693	48,085
Total Operating Expenses	672,462	664,156	164,238
Operating Income (Loss)	60,516	58,972	30,965
NONOPERATING REVENUES (EXPENSES)			
Investment and Interest Income	2,690	2,613	3,207
Interest Expense	(6,667)	(6,667)	(4,117)
Amortization of Bonds Premiums	10,387	3,560	(1,550)
Amortization of Refunding Loss	(5,136)	(4,577)	(1,368)
Amortization of Debt Costs	(1,231)	(1,431)	(258)
Gain (Loss) on Sale of Capital Assets	81	29	153
Contributions and Grants	2,470	1,697	4,726
Others, Net	2,884	(1,013)	1,508
Total Nonoperating Revenue (Expenses)	(56,524)	(68,227)	(41,900)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	3,992	(9,255)	(10,935)
Capital Contributions and Grants	26,379	43,413	11,644
Transfers In	-	-	-
Transfers Out	-	-	-
Environmental Remediation Expenses	-	-	-
Change in Net Assets	30,371	34,158	709
Net Assets - Beginning of Year	824,254	790,096	310,172
Prior-Year Adjustment	-	-	-
Net Assets - Beginning of Year as Restated	824,254	790,096	310,172
Net Assets - End of Year	\$ 854,625	\$ 824,254	\$ 310,881

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

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STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2010
(In Thousands)

	Governmental Activities - Internal Service Funds	
	2010	Restated 2009
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 401,775	\$ 353,499
Restricted for:		
Debt Service	-	-
Contingency Reserve Account	-	-
Special Deposits	-	-
Special Deposits and Other	-	-
Deferred Conservation and Environmental Costs	-	-
Bonnevile Power Administration Projects	-	-
Deferred External Infrastructure Costs	-	-
Track/Shot Settlement	-	-
Other Deferred Charges	-	-
Unrestricted	38,332	31,163
Total Net Assets	\$ 440,107	\$ 384,662

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

The City of Seattle

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STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2010
(In Thousands)

	Business-Type Activities - Enterprise Funds		
	2010	2009	2010
OPERATING REVENUES			
Charges for Services and Other Revenues	\$ 249,734	\$ 250,195	\$ 150,906
OPERATING EXPENSES			
Long-Term Purchased Power	-	-	-
Short-Term Wholesale Power Purchases	-	-	-
Retention	-	-	-
Distribution	-	-	-
Energy Management and Other Power Expenses	1,133	510	86
Pre-Capital Planning and Development	14,160	1,504	1,828
Utility Systems Management	8,557	7,509	8,522
Project Delivery	8,589	10,612	495
Customer Services	4,739	5,329	11,849
Wastewater Treatment	111,282	111,372	-
Solid Waste Collection	-	90,851	84,806
Operations and Maintenance	18,938	17,325	9,433
City Business and Occupation Taxes	29,177	28,861	14,183
Other Taxes	3,099	2,821	1,945
Amortization of Landfill and Postclosure Costs	-	1,609	2,845
Depreciation and Other Amortization	20,131	20,721	4,944
Total Operating Expenses	230,118	230,824	144,078
Operating Income (Loss)	19,616	19,371	(8,437)
NONOPERATING REVENUES (EXPENSES)			
Investment and Interest Income	2,895	653	213
Amortization of Bonds Premiums	(22,377)	(18,332)	(2,210)
Amortization of Refunding Loss	(274)	(251)	(23)
Amortization of Debt Costs	(139)	(118)	(42)
Gain (Loss) on Sale of Capital Assets	1,277	133	(9)
Contributions and Grants	3,181	263	782
Others, Net	-	-	1,259
Total Nonoperating Revenues (Expenses)	(15,659)	(16,940)	(714)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	3,977	2,431	5,986
Capital Contributions and Grants	3,823	8,129	-
Transfers In	-	-	-
Transfers Out	(1,948)	(4,289)	-
Environmental Remediation Expenses	-	-	-
Change in Net Assets	5,852	6,271	5,986
Net Assets - Beginning of Year	246,437	240,166	9,437
Prior-Year Adjustment	-	-	-
Net Assets - Beginning of Year as Restated	246,437	240,166	9,437
Net Assets - End of Year	\$ 252,289	\$ 246,437	\$ 15,423

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

The City of Seattle

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STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2010
(In Thousands)

	Business-Type Activities - Enterprise Funds		
	2010	2009	2010
OPERATING REVENUES			
Charges for Services and Other Revenues	\$ 36,992	\$ 42,411	\$ 1,342,745
OPERATING EXPENSES			
Long-Term Purchased Power	-	-	223,591
Short-Term Wholesale Power Purchases	-	-	24,484
Retention	-	-	4,676
Distribution	-	-	46,254
Energy Management and Other Power Expenses	-	-	57,005
Pre-Capital Planning and Development	-	-	52,082
Utility Systems Management	-	-	53,034
Project Delivery	-	-	3,278
Customer Services	-	-	30,886
Wastewater Treatment	-	-	39,596
Solid Waste Collection	-	-	15,578
Operations and Maintenance	-	-	58,834
City Business and Occupation Taxes	-	-	111,282
Other Taxes	-	-	90,851
Amortization of Landfill and Postclosure Costs	-	-	84,806
Depreciation and Other Amortization	-	-	12,062
Total Operating Expenses	38,047	46,145	1,411,598
Operating Income (Loss)	54,185	61,986	1,265,209
NONOPERATING REVENUES (EXPENSES)			
Investment and Interest Income	91	282	8,796
Amortization of Bonds Premiums	(3,352)	(5,200)	(14,670)
Amortization of Refunding Loss	202	202	13,218
Amortization of Debt Costs	-	(11)	(6,823)
Gain (Loss) on Sale of Capital Assets	-	(11)	(1,883)
Contributions and Grants	405	218	198
Others, Net	-	-	5,933
Total Nonoperating Revenues (Expenses)	(2,665)	(2,728)	(17,442)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	(19,838)	(22,303)	(16,838)
Capital Contributions and Grants	-	-	41,846
Transfers In	10,100	10,245	59,983
Transfers Out	-	-	10,100
Environmental Remediation Expenses	-	-	10,245
Change in Net Assets	(9,738)	(12,058)	33,160
Net Assets - Beginning of Year	(9,130)	3,571	1,381,170
Prior-Year Adjustment	-	(643)	-
Net Assets - Beginning of Year as Restated	(9,130)	2,928	1,381,170
Net Assets - End of Year	\$ (18,868)	\$ (9,130)	\$ 1,414,330

Accumulated Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds
 Net Assets of Business-Type Activities
 Change in Net Assets as above
 Current Year Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds
 Adjusted Change in Net Assets of Business-Type Activities

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

Fund Financial Statements

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STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2010
(In Thousands)

	2010	2009
OPERATING REVENUES		
Charges for Services and Other Revenues	\$ 1,566,330	\$ 1,606,012
OPERATING EXPENSES		
Long-Term Purchased Power	-	-
Short-Term Wholesale Power Purchases	-	-
Transmission	-	-
Distribution	-	-
Energy Management and Other Power Expenses	-	-
Pre-Capital Planning and Development	-	-
Utility Systems Management	-	-
Energy Conservation	-	-
Project Delivery	-	-
Customer Services	-	-
Wastewater Treatment	64,137	110,857
Solid Waste Collection	11,165	10,841
Operations and Maintenance	4	4
City Business and Occupation Taxes	328	333
Other Taxes	32,316	35,960
Amortization of Landfill and Postclosure Costs	137,944	157,495
Depreciation and Other Amortization	18,386	3,117
Total Operating Expenses	(12,084)	578
Operating Income (Loss)	1,002	664
NONOPERATING REVENUES (EXPENSES)		
Investment and Interest Income	-	-
Transfers, and Special Items	(125)	(97)
Amortization of Bonds Premiums	967	(538)
Amortization of Refunding Loss	2,356	149
Gain (Loss) on Sale of Capital Assets	-	-
Contributions and Grants	-	-
Others, Net	(8,384)	(13,795)
Total Nonoperating Revenues (Expenses)	10,002	(10,678)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	49,443	13,265
Capital Contributions and Grants	-	-
Transfers In	-	-
Transfers Out	(4,000)	(7,619)
Environmental Remediation Expenses	-	-
Change in Net Assets	55,443	(5,032)
Net Assets - Beginning of Year	384,662	133,548
Prior-Year Adjustment	-	256,146
Net Assets - End of Year as Restated	384,662	389,694
Net Assets - End of Year	\$ 440,107	\$ 384,662

The City of Seattle

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2010
(In Thousands)

	Business-Type Activities - Enterprise Funds		
	L E F T		
	2010	2009	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 734,185	\$ 676,967	\$ 193,875
Cash Paid to Suppliers	(271,388)	(253,456)	(35,081)
Cash Paid to Employees	(191,061)	(195,601)	(58,657)
Cash Paid for Taxes	(69,956)	(60,682)	(33,994)
Net Cash from Operating Activities	201,780	167,248	70,459
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Grants Received	2,916	1,614	525
Rental Income	-	-	-
Transfers In	-	-	-
Transfers Out	-	-	-
Receipts for Energy Conservation Augmentation	11	218	-
Proceeds from Energy Conservation Augmentation	(29,732)	(24,105)	-
Proceeds from Interfund Loans	-	-	-
Principal Payments on Interfund Loans	-	-	-
Loans Provided to Other Funds	-	-	-
Payments for Environmental Liabilities	-	-	-
Other Capital Outflows	-	-	-
Other Cash Outflows	-	2,936	5,586
Gain from Bankruptcy Distributions	5	29	(69)
Net Cash from Noncapital Financing Activities	(26,801)	(22,244)	3,422
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Sale of Bonds and Other Long-Term Debt	853,837	-	141,644
Proceeds from Sale of Capital Assets, Including	(146,325)	-	(122,320)
Capital Expenditures and Deferred Changes Paid	(96,997)	-	(61,482)
Interest Paid on Long-Term Debt	(51,045)	(70,514)	(42,044)
Capital Fees and Grants Received	15,620	22,952	1,605
Payment to Trustee for Deceased Bonds	(595,557)	-	-
Debt Issuance Costs	(3,415)	986	-
Proceeds from Sale of Capital Assets	90	(7)	(231)
Net Cash from Capital and Related Financing Activities	(43,504)	(412,597)	7,196
CASH FLOWS FROM INVESTING ACTIVITIES ^a			
Proceeds from Sale of Investments	136,164	125,779	60,400
Purchases of Investments	(175,034)	-	(78,500)
Interest Received on Investments	1,405	2,188	2,093
Net Cash from Investing Activities	(37,465)	127,967	131,992
Net Increase (Decrease) in Cash and Equity in Pooled Investments	94,010	(139,626)	70,005
CASH AND EQUITY IN POOLED INVESTMENTS			
Beginning of Year	64,335	203,961	47,317
End of Year	\$ 158,345	\$ 64,335	\$ 117,322
CASH AT THE END OF THE YEAR CONSISTS OF			
Operating Cash and Equity in Pooled Investments	\$ 56,932	\$ 32,695	\$ 8,504
Nonoperating Cash and Equity in Pooled Investments	101,395	29,129	108,818
Noncurrent Restricted Cash and Equity in Pooled Investments	-	-	-
Total Cash at the End of the Year	\$ 158,345	\$ 64,335	\$ 117,322

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

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

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

The City of Seattle

B-8 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2010
 (In Thousands)

	Business-Type Activities - Enterprise Funds		Comparative Totals
	2010	2009	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 39,682	\$ 39,582	\$ 1,371,517
Cash Paid to Suppliers	(24,523)	(29,663)	(557,978)
Cash Paid to Employees	(1,648)	(2,048)	(1,048,860)
Cash Paid for Taxes	(1,326)	(1,326)	(150,898)
Net Cash from Operating Activities	(1,1958)	(20,979)	324,638
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Grants Received	405	218	5,814
Rental Income	10,100	10,245	2
Transfers In	-	-	10,245
Transfers Out	-	-	-
Repayments for Energy Conservation Augmentation	-	-	10
Proceeds from Energy Conservation Augmentation	-	-	(29,732)
Proceeds from Interfund Loans	1,130	500	1,130
Principal Payments on Interfund Loans	(500)	-	(500)
Loans Provided to Other Funds	-	-	-
Payments for Environmental Liabilities	-	-	(2,794)
Other Cash Inflows	-	-	8,662
Other Cash Outflows	-	-	(66)
Gains from Bankruptcy Distributions	-	-	5
Net Cash from Noncapital Financing Activities	11,135	10,963	(7,369)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Sale of Bonds and Other Long-Term Debt	-	-	998,328
Principal Payments on Long-Term Debt and Refunding	(1,226)	(1,204)	(111,799)
Capital Expenditures and Deferred Charges Paid	(49)	(17)	(331,886)
Interest Paid on Long-Term Debt	(3,806)	(3,672)	(130,308)
Capital Fees and Grants Received	-	-	(140,142)
Payment to Trustee for Defeased Bonds	-	-	(998,537)
Interest Received for Suburban Infrastructure Improvements	-	-	980
Debt Issuance Costs	-	-	(772)
Proceeds from Sale of Capital Assets	-	-	(6,646)
Net Cash from Capital and Related Financing Activities	(5,081)	(4,893)	(152,829)
CASH FLOWS FROM INVESTING ACTIVITIES ^a			
Proceeds from Sale of Investments	-	-	305,164
Purchases of Investments	-	-	(287,934)
Interest Received on Investments	99	341	6,400
Net Cash from Investing Activities	99	341	23,630
Net Increase (Decrease) in Cash and Equity in Pooled Investments	(5,805)	(14,568)	188,070
CASH AND EQUITY IN POOLED INVESTMENTS			
Beginning of Year	17,352	31,920	217,993
End of Year	\$ 11,547	\$ 17,352	\$ 406,063
CASH AT THE END OF THE YEAR CONSISTS OF			
Operating Cash and Equity in Pooled Investments	\$ 11,541	\$ 17,339	\$ 117,531
Current Restricted Cash and Equity in Pooled Investments	-	-	4,688
Noncurrent Restricted Cash and Equity in Pooled Investments	6	13	286,794
Total Cash at the End of the Year	\$ 11,547	\$ 17,352	\$ 406,063

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

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

The City of Seattle

B-8 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2010
 (In Thousands)

	Business-Type Activities - Enterprise Funds		Comparative Totals
	2010	2009	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 251,066	\$ 246,179	\$ 137,445
Cash Paid to Suppliers	(126,921)	(135,661)	(97,021)
Cash Paid to Employees	(46,039)	(44,037)	(21,539)
Cash Paid for Taxes	(29,755)	(31,461)	(18,980)
Net Cash from Operating Activities	48,349	34,120	(95)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating Grants Received	1,186	300	573
Rental Income	-	-	446
Transfers In	-	-	-
Transfers Out	-	-	-
Repayments for Energy Conservation Augmentation	-	-	-
Proceeds from Energy Conservation Augmentation	-	-	-
Proceeds from Interfund Loans	-	-	-
Principal Payments on Interfund Loans	-	-	-
Loans Provided to Other Funds	-	-	-
Payments for Environmental Liabilities	(2,794)	(3,465)	-
Other Cash Inflows	4,358	4,358	1,401
Other Cash Outflows	(27)	(1,136)	-
Gains from Bankruptcy Distributions	-	-	-
Net Cash from Noncapital Financing Activities	2,723	(3,981)	2,420
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from Sale of Bonds and Other Long-Term Debt	2,847	122,855	(6,515)
Principal Payments on Long-Term Debt and Refunding	(13,870)	(13,870)	(17,788)
Capital Expenditures and Deferred Charges Paid	(55,570)	(44,576)	(6,818)
Interest Paid on Long-Term Debt	(24,106)	(19,721)	(4,191)
Capital Fees and Grants Received	2,727	4,466	409
Payment to Trustee for Defeased Bonds	-	-	-
Interest Received for Suburban Infrastructure Improvements	-	(765)	-
Debt Issuance Costs	-	-	-
Proceeds from Sale of Capital Assets	49	234	157
Net Cash from Capital and Related Financing Activities	(87,871)	52,293	(26,978)
CASH FLOWS FROM INVESTING ACTIVITIES ^a			
Proceeds from Sale of Investments	108,600	-	-
Purchases of Investments	(34,400)	-	-
Interest Received on Investments	2,574	781	720
Net Cash from Investing Activities	76,774	(98,019)	720
Net Increase (Decrease) in Cash and Equity in Pooled Investments	39,975	(15,887)	(23,933)
CASH AND EQUITY IN POOLED INVESTMENTS			
Beginning of Year	56,798	72,885	56,124
End of Year	\$ 96,773	\$ 56,998	\$ 32,191
CASH AT THE END OF THE YEAR CONSISTS OF			
Operating Cash and Equity in Pooled Investments	\$ 90,284	\$ 23,995	\$ 3,889
Current Restricted Cash and Equity in Pooled Investments	1,620	666	28,302
Noncurrent Restricted Cash and Equity in Pooled Investments	64,869	31,537	28,302
Total Cash at the End of the Year	\$ 96,773	\$ 56,998	\$ 32,191

^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.

The City of Seattle

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2010
(In Thousands)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 155,970	\$ 160,203
Cash Paid to Suppliers	(57,023)	(70,325)
Payments to Employees	(8,376)	(9,741)
Cash Paid for Taxes	(4,996)	(281)
Net Cash from Operating Activities	49,596	37,126
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Operating Grants Received	2,357	149
Rental Income	-	-
Transfers In	(4,000)	(7,619)
Transfers Out	-	-
Receipts for Energy Conservation Augmentation	-	-
Payments for Energy Conservation Augmentation	-	-
Proceeds from Interfund Loans	-	-
Principal Payments on Interfund Loans	-	-
Proceeds from Other Interfund Loans	(1,130)	(800)
Payments for Environmental Liabilities	-	-
Other Cash Inflows	-	-
Other Cash Outflows	-	-
Gains from Bankruptcy Distributions	-	-
Net Cash from Noncapital Financing Activities	(2,773)	(7,970)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Bonds and Other Long-Term Debt	-	9,396
Principal Payments on Long-Term Debt and Refunding	(12,195)	(10,527)
Capital Expenditures and Deferred Charges Paid	(20,277)	(27,300)
Interest Paid on Long-Term Debt	(13,030)	(14,100)
Proceeds from Sale of Capital Assets	348	124
Payment to Trustee for Defeased Bonds	-	-
Interest Received for Suburban Infrastructure Improvements	-	-
Debt Issuance Costs	-	-
Proceeds from Sale of Capital Assets	581	633
Net Cash from Capital and Related Financing Activities	(44,573)	(41,840)
CASH FLOWS FROM INVESTING ACTIVITIES^a		
Proceeds from Sale of Investments	-	-
Purchases of Investments	-	-
Interest Received on Investments	348	676
Net Cash from Investing Activities	348	676
Net Increase (Decrease) in Cash and Equity in Pooled Investments	2,998	(12,008)
CASH AND EQUITY IN POOLED INVESTMENTS		
Beginning of Year	41,409	53,417
End of Year	\$ 44,407	\$ 41,409
CASH AT THE END OF THE YEAR CONSISTS OF		
Operating Cash and Equity in Pooled Investments	\$ 10,998	\$ 6,656
Current Restricted Cash and Equity in Pooled Investments	7,587	3,948
Noncurrent Restricted Cash and Equity in Pooled Investments	25,912	30,825
Total Cash at the End of the Year	\$ 44,407	\$ 41,409

^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.

The City of Seattle

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2010
(In Thousands)

	2010	2009	2010	2009
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 60,516	\$ 58,972	\$ 30,965	\$ 27,091
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	88,172	82,572	48,085	46,099
Amortization of Deferred Power Costs	9,174	7,731	-	-
Changes in Operating Assets and Liabilities	(21,788)	(4,865)	(2,156)	8,689
Accounts Receivable	(1,487)	(1,487)	(1,096)	(175)
Prepaid Expenses	8,030	5,271	-	-
Bad Debt Expense	416	2,491	-	-
Power Revenue and Expense	(1,269)	(363)	22	20
Other Receivables	(1,104)	(1,104)	(129)	(830)
Due from Other Funds	(2,488)	(677)	647	677
Due from Other Governments	552	5,068	97	824
Materials Inventory	5,512	2,282	(2,157)	2,248
Accounts Payable	330	(5,396)	14	(2,136)
Salaries, Benefits, and Payroll Taxes Payable	751	1,126	(40)	654
Compensated Absences Payable	210	(243)	2,842	106
Due to Other Funds	-	-	(380)	164
Due from Other Governments	(3,094)	(866)	85	675
Chains Payable	(134)	1,459	88	195
Taxes Payable	(1,810)	1,470	(2,863)	195
Deferred Credits	4,059	-	-	-
Other Assets and Liabilities	54,266	10,755	771	(12,725)
Rate Subsidization Deferred Revenue	-	-	-	-
Total Adjustments	141,264	108,276	44,429	43,368
Net Cash from Operating Activities	\$ 201,780	\$ 167,248	\$ 75,394	\$ 70,459
SCHEDULE OF NONCASH ACTIVITIES				
In-Kind Capital Contributions	\$ 6,804	\$ 19,560	\$ -	\$ -
Amortization of Debt Related Costs, Net	4,220	(2,440)	-	-
Change in Valuation of Deferrals on Power Exchange	914	(1,497)	-	-
Allowance for Funds Used During Construction	5,145	3,833	-	-
Power Exchange Expenses	(29,002)	(27,699)	-	-
Power Revenue Netted against Power Expenses	17,426	7,241	-	-
Power Expense Netted against Power Revenues	(15,877)	(24,218)	-	-
Fair Value Adjustment of Long-Term Investments	-	-	10,039	(108)
Contributed Infrastructure	-	-	(8)	4,878
Total Noncash Activities	\$ 18,563	\$ 624	\$ 10,031	\$ 4,770

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

The City of Seattle

B-8 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2010
 (In Thousands)

	Business-Type Activities - Enterprise Funds		Comparative Totals	
	2010	2009		
Drainage and Wastewater	2010	2009	2010	
2010	2009	2010	2009	
Net Cash from Operating Activities	19,616	19,371	6,700	(8,437)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	20,131	20,721	6,916	7,789
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	(2,391)	(865)	323	(1,694)
Amortization of Deferred Power Costs	343	(1,046)	(266)	125
Changes in Operating Assets and Liabilities				
Accounts Receivable				
Prepaid Expenses				
Bad Debt Expense				
Power Revenue and Expense				
Other Receivables				
Due from Other Funds				
Due from Other Governments				
Materials and Supplies Inventory				
Accounts Payable				
Salaries, Benefits, and Payroll Taxes Payable				
Compensated Absences Payable				
Due to Other Funds				
Due to Other Governments				
Claims Payable				
Taxes Payable				
Deferred Credits				
Other Deferred Assets and Changes				
Other Assets and Liabilities				
Rate Stabilization Deferred Revenue				
Total Adjustments	28,733	14,749	4,373	8,342
Net Cash from Operating Activities	\$ 48,349	\$ 34,120	\$ 11,073	\$ (95)
SCHEDULE OF NONCASH ACTIVITIES				
In-Kind Capital Contributions				
Amortization of Debt Related Costs, Net				
Change in Valuation of Deferrals on Power Exchange				
Allowance for Funds Used During Construction				
Power Exchange Expenses				
Power Revenue Netted against Power Expenses				
Power Expense Netted against Power Revenues				
Fair Value Adjustment of Long-Term Investments				
Contributed Infrastructure				
Total Noncash Activities	\$ 1,139	\$ 1,860	\$ -	\$ -

Fund Financial Statements

B-8 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2010
 (In Thousands)

	Business-Type Activities - Enterprise Funds		Comparative Totals	
	2010	2009		
Drainage and Wastewater	2010	2009	2010	2009
2010	2009	2010	2009	
Net Cash from Operating Activities	19,616	19,371	6,700	(8,437)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	20,131	20,721	6,916	7,789
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	(2,391)	(865)	323	(1,694)
Amortization of Deferred Power Costs	343	(1,046)	(266)	125
Changes in Operating Assets and Liabilities				
Accounts Receivable				
Prepaid Expenses				
Bad Debt Expense				
Power Revenue and Expense				
Other Receivables				
Due from Other Funds				
Due from Other Governments				
Materials and Supplies Inventory				
Accounts Payable				
Salaries, Benefits, and Payroll Taxes Payable				
Compensated Absences Payable				
Due to Other Funds				
Due to Other Governments				
Claims Payable				
Taxes Payable				
Deferred Credits				
Other Deferred Assets and Changes				
Other Assets and Liabilities				
Rate Stabilization Deferred Revenue				
Total Adjustments	28,733	14,749	4,373	8,342
Net Cash from Operating Activities	\$ 48,349	\$ 34,120	\$ 11,073	\$ (95)
SCHEDULE OF NONCASH ACTIVITIES				
In-Kind Capital Contributions				
Amortization of Debt Related Costs, Net				
Change in Valuation of Deferrals on Power Exchange				
Allowance for Funds Used During Construction				
Power Exchange Expenses				
Power Revenue Netted against Power Expenses				
Power Expense Netted against Power Revenues				
Fair Value Adjustment of Long-Term Investments				
Contributed Infrastructure				
Total Noncash Activities	\$ 1,139	\$ 1,860	\$ -	\$ -

B-8 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2010
 (In Thousands)

	Business-Type Activities - Enterprise Funds		Comparative Totals	
	2010	2009		
Drainage and Wastewater	2010	2009	2010	2009
2010	2009	2010	2009	
Net Cash from Operating Activities	19,616	19,371	6,700	(8,437)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	20,131	20,721	6,916	7,789
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	(2,391)	(865)	323	(1,694)
Amortization of Deferred Power Costs	343	(1,046)	(266)	125
Changes in Operating Assets and Liabilities				
Accounts Receivable				
Prepaid Expenses				
Bad Debt Expense				
Power Revenue and Expense				
Other Receivables				
Due from Other Funds				
Due from Other Governments				
Materials and Supplies Inventory				
Accounts Payable				
Salaries, Benefits, and Payroll Taxes Payable				
Compensated Absences Payable				
Due to Other Funds				
Due to Other Governments				
Claims Payable				
Taxes Payable				
Deferred Credits				
Other Deferred Assets and Changes				
Other Assets and Liabilities				
Rate Stabilization Deferred Revenue				
Total Adjustments	28,733	14,749	4,373	8,342
Net Cash from Operating Activities	\$ 48,349	\$ 34,120	\$ 11,073	\$ (95)
SCHEDULE OF NONCASH ACTIVITIES				
In-Kind Capital Contributions				
Amortization of Debt Related Costs, Net				
Change in Valuation of Deferrals on Power Exchange				
Allowance for Funds Used During Construction				
Power Exchange Expenses				
Power Revenue Netted against Power Expenses				
Power Expense Netted against Power Revenues				
Fair Value Adjustment of Long-Term Investments				
Contributed Infrastructure				
Total Noncash Activities	\$ 1,139	\$ 1,860	\$ -	\$ -

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

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

Fund Financial Statements

The City of Seattle

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Page 8 of 8
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2010
(In Thousands)

FIDUCIARY FUNDS
PRIVATE-PURPOSE TRUST FUND

The S. L. Denny Fund holds a nonexpendable gift. The investment income is available for aid to disabled firemen. Descriptions for the pension trust funds and agency funds are provided in the Combining and Individual Fund and Other Supplementary Information section.

	2010	2009
	Governmental Activities -	Restated
	Internal Service Funds	Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 18,386	\$ 3,117
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities		
Depreciation and Amortization	32,316	35,960
Amortization of Deferred Power Costs	-	-
Changes in Operating Assets and Liabilities	(816)	(183)
Accounts Receivable	2	(2)
Accounts Payable	-	-
Bad Debt Expense	-	-
Power Revenue and Expense	-	-
Other Receivables	760	(177)
Due from Other Funds	(27)	(245)
Prepayments	27	-
Materials and Supplies Inventory	(2,140)	651
Accounts Payable	29	(1,413)
Salaries, Benefits, and Payroll Taxes Payable	(122)	361
Compensated Absences Payable	(182)	(1,070)
Due to Other Funds	238	177
Due from Governments	(45)	56
Taxes Payable	-	-
Deferred Credits	1,592	(355)
Other Deferred Assets and Charges	-	-
Prepays and Refundings	-	-
Rate Stabilization Deferred Revenue	-	-
Total Adjustments	31,610	34,009
Net Cash from Operating Activities	\$ 49,996	\$ 37,126
SCHEDULE OF NONCASH ACTIVITIES		
In-Kind Capital Contributions	\$ 783	\$ 474
Amortization of Debt Related Costs, Net	-	-
Change in Valuation of Defaults on Power Exchange	-	-
Allowance for Funds Used During Construction	-	-
Power Exchange Expenses	-	-
Power Revenue Netted against Power Expenses	-	-
Power Expense Netted against Power Revenues	-	-
Fair Value Adjustment of Long-Term Investments	-	-
Contributed Infrastructure	-	-
Total Noncash Activities	\$ 783	\$ 474

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

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

The City of Seattle

B-9 STATEMENT OF NET ASSETS

FIDUCIARY FUNDS
December 31, 2010
(In Thousands)

	Pension Trust Funds	S. L. Denny Private-Purpose Trust	Agency Funds
ASSETS			
Cash and Equity in Pooled Investments	\$ 29,033	\$ 208	\$ 16,916
Short-Term Investments	3,183	-	-
Securities Lending Collateral	33,896	-	-
Investments at Fair Value			
U.S. Government Obligations	198,597	-	-
Domestic Corporate Bonds	81,251	-	-
Domestic Stocks	27,208	-	-
Real Estate	186,162	-	-
Alternative/Venture Capital	165,781	-	-
Mezzanine Debt	49,094	-	-
Total Investments at Fair Value	1,806,428	-	-
Receivables			
Employer - Other	3,308	-	967
Interest and Dividends	1,753	-	-
Total Receivables	5,061	-	967
Total Assets	1,877,601	208	17,883
LIABILITIES			
Accounts Payable			1,646
Refunds Payable and Other	15,016	-	-
Salaries, Benefits, and Payroll Taxes Payable	-	-	6,493
Deposits Payable	-	-	9,736
Claims/Judgments Payable	37,295	-	8
Securities Lending Collateral			
Total Liabilities	52,311	-	17,883
Net Assets Held in Trust for Pension Benefits and Other Purposes	\$ 1,825,290	\$ 208	\$ -

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

B-10 STATEMENT OF CHANGES IN NET ASSETS

FIDUCIARY FUNDS
For the Year Ended December 31, 2010
(In Thousands)

	Pension Trust Funds	S. L. Denny Private-Purpose Trust
ADDITIONS		
Contributions	\$ 86,039	\$ -
Employer Plan Member	45,365	-
Total Contributions	131,404	-
Investment Income (Loss)		
From Investment Activities	197,315	-
Net Appreciation (Depreciation) in Fair Value of Investments	6,941	2
Interest	7,064	-
Dividends	-	-
Total Investment Activities Income (Loss)	213,020	2
Investment Activities Expenses		
From Investment Activities	4,050	-
Performance Measurement Fees	371	-
Investment Custodial Fees	112	-
Total Investment Activities Expenses	4,533	-
Net Income (Loss) from Investment Activities	208,487	2
From Securities Lending Activities		
Securities Lending Income	71	-
Securities Lending Expenses	(14)	-
Management Fees	21	-
Total Securities Lending Expenses	7	-
Net Income (Loss) from Securities Lending Activities	64	-
Total Net Investment Income (Loss)	208,551	2
Total Additions	339,955	2
DEDUCTIONS		
Benefits	154,318	-
Refund of Contributions	14,715	-
Administrative Expense	4,483	-
Total Deductions	173,516	-
Change in Net Assets	166,439	2
Net Assets - Beginning of Year	1,658,851	206
Net Assets - End of Year	\$ 1,825,290	\$ 208

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

Notes to Financial Statements

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Organizations Excluded: Related Organizations

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

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

ACCOUNTING STANDARDS

In 2010, the City implemented GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets. This statement establishes accounting and financial reporting standards for intangible assets. It provides guidance in the definition, recognition, and amortization of intangible assets, and requires intangible assets within its scope to be reported as capital assets. To allow comparative analysis of 2009 and 2010 balances, certain balances included in the 2009 balance sheets were reclassified to conform to the new requirements. Implementation of GASB Statement No. 51 in 2010, including reclassification of affected 2009 balances, did not have a significant impact on the City's financial statements.

GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, establishes accounting and financial reporting standards for all state and local governments that enter into derivative instruments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. The City implemented this statement early, in 2009. There was no significant impact on the City's financial statements.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Statement of Net Assets

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

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

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

Statement of Activities

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

Interfund activity within governmental funds of the City is eliminated, except for the effect of services provided by the business-type activities, such as the sale of utility services to the general government and to other funds. This avoids misstatement of program revenues of the selling function and expenses of the various users. Operating income or loss

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

The City of Seattle (the primary government for financial reporting purposes) consists of the funds, departments, agencies, boards and commissions (referred to in this note as organizations) over which the City exercises financial accountability, and component units over which the City is not financially accountable but is required to be reported due to the nature and significance of its relationship with the City. Additional information on the component unit may be found in Note 12. The City does not have other relationships with organizations of such nature and significance that exclusion would render the City's financial statements incomplete or misleading.

Indicators of Financial Accountability

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

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

Joint Venture

A joint venture is an organization that results from a contractual arrangement and is owned, operated, or governed by two or more participants as a separate activity. In addition to joint control, each participant must have either an ongoing financial interest or an ongoing financial responsibility. The City participates in a joint venture with King County with regard to the Seattle-King County Work Force Development Council. Additional information on the existing joint venture may be found in Note 13.

Notes to Financial Statements

reported by internal service funds in the fund financial statements are allocated back to the City departments either as a reduction or addition to their expenses by function.

Fund Financial Statements

Separate fund financial statements are provided to report additional and detailed information for governmental funds, proprietary funds, and fiduciary funds. Even though fiduciary funds are excluded from the government-wide financial statements, these funds are reported in the fund financial statements under the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets. Major individual governmental funds and major individual enterprise funds are presented in separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

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

The **Low-Income Housing Fund** accounts for activities undertaken by the City to rehabilitate, replace, and preserve low-income housing stock and to assist low-income tenants in Seattle. It is supported by a seven-year housing levy approved by the voters in 2009, and federal grants. The fund accounts for long-term housing loan assistance programs that are either deferred or amortized. Most of the loans are deferred and are payable in full on sale, on change of use, or at the end of the loan term. Terms will generally permit borrowers to further defer payment of principal, deferred interest, and contingent interest by extending the loan term. A majority of the current loans are deferred for 30 years and may be extended for an additional 25 years. Amortizing loans will be required if project budgets can afford repayment and meet required rent levels.

The City reports the following major proprietary funds:

The **Light Fund** (City Light) accounts for operating the City's electric utility which owns and operates generating, transmission, and distribution facilities. The Utility supplies electricity to approximately 399,000 customers in the Seattle area as well as to other city agencies.

The **Water Fund** accounts for operating the City's water utility. The Utility maintains more than 187 miles of water supply mains, 1,714 miles of distribution lines, and 339 million gallons of distribution storage capacity in the Cedar and Pitt Rivers and Highline Well Field watersheds. The distribution system serves a population of close to 664,000 people. The Utility also sells to 25 surrounding cities and water districts that provide water to an additional 767,000 people.

The **Drainage and Wastewater Fund** accounts for operating the City's sewer and drainage utility facilities and its pumping stations. These facilities, which consist of 1,901 miles of sewers and drainage mainlines and 66 pumping stations, are necessary to collect the sewage of the City and discharge it into the King County Department of Natural Resources Wastewater Treatment System for treatment and disposal.

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

Additionally, the City reports the following fund types:

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

Internal service funds account for support services provided to other City departments, such as motor pool, office space, managing the design and construction phases of capital improvement projects, telecommunications, data communications, radio systems, and the fiber optic network.

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

The City of Seattle

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

The **Firemen's Pension Fund** accounts for revenues from a portion of the state-level fire insurance premium tax and significantly from pension and benefits contributions of the General Fund. It pays medical and pension benefits to sworn firemen.

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

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-wide Financial Statements

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

Governmental Fund Financial Statements

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

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

Proprietary Fund Financial Statements

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

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

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

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the City has chosen flexible application and reporting in accordance with

Notes to Financial Statements

the election of each fund. City Light elected to apply all GASB pronouncements as well as all FASB statements and interpretations except where they conflict with GASB pronouncements. All other enterprise funds elected to apply all GASB pronouncements and those FASB statements and interpretations issued on or before November 30, 1989, except when they contradict GASB pronouncements.

Fiduciary Fund Financial Statements

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

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

BUDGETS AND BUDGETARY ACCOUNTING

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

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Investments

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

The City and the City Employees' Retirement System are also allowed under state law to make securities lending transactions. Gross income from securities lending transactions, as well as the various fees paid to the institution that oversees the lending activity, is recorded in the operating statements. Assets and liabilities include the value of the collateral that is being held. Under the authority of RCW 41.28.005 and the Seattle Municipal Code 4.36.130, the System's Board of Administration adopted investment policies that define eligible investments, which include securities lending transactions. Securities lent must be collateralized with cash or securities having 102 percent of the market value of the loaned securities. The City and the Retirement System cannot pledge or sell collateral securities without a borrower default.

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

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

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

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

- The City seeks to preserve principal while maximizing income and maintaining liquidity to meet the City's need for cash.
- Investment decisions should further the City's social policies established by ordinance or policy resolutions of the City Council.

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The City of Seattle

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

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

Receivables

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

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

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

Inventories

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

The costs are recorded as expenditures in governmental funds at the time individual inventory items are purchased. This is known as the purchase method. However, any significant inventories in a governmental fund may also be reported as assets, as allowed by GAAP, and are equally offset by a fund balance reserve to indicate that they do not constitute available spendable resources even though they are included in net current assets.

Inventories in the proprietary funds are expensed as consumed.

Capital Assets

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

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

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The City of Seattle

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

Utility plant in service	33 - 100 years
Buildings	25 - 50 years
Improvements other than buildings	25 - 50 years
Infrastructure	10 - 50 years
Machinery and equipment	2 - 25 years

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

Restricted Assets

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

Deferred Charges

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

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

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

Prepaid Items

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

Accumulated Compensated Absences

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

Vacation Pay

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

Sick Pay

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

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

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The City of Seattle

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

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

Other Compensated Absences

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

Risk Management

A liability for claims is reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims liabilities are discounted at the City's average investment rate of return (Note 15).

Other Accrued Liabilities

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

Interfund Activity and Contracts/Advances

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

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

Deferred Revenues

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

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

Reservations and Designations

A reservation is used to segregate a portion of fund balance that is either not appropriate for expenditures or is legally restricted for a specific future use. The amounts not appropriate 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

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revenues: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions. Taxes and other revenues that do not meet the criteria of program revenues are reported as general revenues.

Prior-Year Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City of Seattle's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

(2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY INFORMATION

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

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

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

Table 2-1

APPROPRIATION CHANGES – GENERAL FUND

(In Thousands)

	2010
Annual Budget	\$ 1,175,296
Carryovers	
Encumbrances	3,110
Revisions/Adjustments	88,590
Carryover Adjustments	(177,969)
Intrajudicial	
Budget Revisions	74,794
Total Budget	\$ 1,163,621

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

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

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

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

The City Budget Office may approve the transfer of appropriations. Beginning in 2003 the following restrictions to budget transfers within a budget year were imposed by ordinance. Total budget transfers into a budget control level may not exceed 10 percent of its original budgeted allowance, and in no case may they be greater than \$500,000. Total transfers out may not exceed 25 percent of the original budgeted allowance. For capital items the affected budget is both the original appropriated budget for the current year and the unexpended budget carried over from prior years. Within a budget control level, departments may transfer appropriations without the City Budget Office's approval.

Budgetary comparisons for proprietary funds may be requested from the Department of Finance and Administrative Services. Budget figures consist of the adopted annual budget, which includes appropriation carryovers from previous years, and any revisions adopted by ordinance during the year. The budgetary basis is substantially the same as the accounting basis in all governmental fund types except for the treatment of encumbrances that do not lapse, those whose budgets were approved by the City Budget Office to carry over to the following year, and are included with expenditures.

FUND BALANCE DESIGNATED FOR SPECIAL PURPOSES

Within the fund financial statements the City reports fund balances as "Unreserved Designated for Special Purposes" on the Balance Sheet of its governmental funds. In the General Fund the balances are comprised of amounts billed and collected internally by the City's Personnel Department for purposes of industrial insurance, unemployment compensation, special employment, life insurance, and health care. Also included are the designated but unreserved balances of the Cumulative Reserve Subfunds, the Neighborhood Matching Subfund, the Judgment and Claims Subfunds, Arts Account Subfund, and the Cable Television Franchise Subfund. These subfunds collect revenues and make disbursements as designated by law.

The designation in the Seattle Center Fund is for the repairs and maintenance of McCaw Hall, its kitchen equipment purchases, and its operations.

All amounts reported as designated for special purposes are legally segregated for specific future use. The total amount reported is broken down by fund and by year in the following table.

Notes to Financial Statements

Table 2-2 **FUND BALANCES DESIGNATED FOR SPECIAL PURPOSES**
(In Thousands)

Fund	2010	2009
General Fund		
Group Term Life Insurance	\$ 426	\$ 429
Health Care	19,792	24,249
Unemployment Compensation	628	1,907
Industrial Insurance	6,212	6,971
Special Employment Program	87	87
Judgmental Claims	7,782	-
Arts Account	16,354	11,227
Neighborhood Matching	307	-
Cable Television Franchise	1,009	-
Special Revenue Fund	5,073	3,686
Seattle Center McCaw Hall	987	843
	<u>\$ 58,653</u>	<u>\$ 49,399</u>

DEFICITS IN FUND BALANCES AND NET ASSETS

The Downtown Parking Garage Fund has negative fund net assets of \$22.3 million as of December 31, 2010. The negative fund balance is mostly attributable to cumulative depreciation expenses which were not planned to be covered by operating revenues. The management strategy for the Garage is to generate sufficient operating revenues to cover debt service payments and cash expenses, but not enough to cover depreciation expenses. Accordingly, the negative fund equity will continue. In recent years, negative operating cash flow has also contributed to the negative net assets. The City is currently addressing operating cash flow with a long-term plan which includes alternative parking rate strategies and may include City subsidies to the fund.

The Seattle Streetcar Fund has negative fund balance of \$3.5 million as of December 31, 2010. The fund was created by Ordinance 122424 and later amended by Ordinance 123102 to increase the amount of the interfund loan which now allows a loan from the City's Consolidated (Residual) Cash Pool of up to \$3.7 million. This loan is to be repaid no later than December 31, 2018, from the sale of surplus property, grants, donations, transfers, and other monies as authorized by ordinance.

The Pike Place Market Renovation Fund has a negative fund balance of \$2.0 million at December 31, 2010. This was caused by advancing funds to the Pike Place Market Preservation and Development Authority to expedite the completion of a construction project scheduled to be completed by July 2011. The agreement to provide interim financing was made pending receipt of property taxes. The negative balance was cured by the use of long-term general obligation bond proceeds in the amount of \$10.7 million received in March 2011.

(3) CASH AND INVESTMENTS

CASH AND EQUITY IN POOLED INVESTMENTS

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

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

The City has very limited custodial credit risk of its deposits due to insurance provided by the Federal Deposit Insurance Corporation (FDIC) as well as protection provided by the Washington State Public Deposit Protection Commission (PDDPC) as established in RCW 39.58. The PDDPC makes and enforces regulations and administers a program to ensure public funds

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deposited in banks and thrifts are protected if a financial institution becomes insolvent. The PDPC approves which banks and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. This secures public treasurers' deposits when they exceed the amount insured by the FDIC by requiring banks and thrifts to pledge securities as collateral.

As of December 31, 2010, the City held \$95,000 in its cash vault. Additional small amounts of cash were held in departmental revolving fund accounts with the City's various custodial banks, all of which fell within the FDIC's \$250,000 standard maximum deposit insurance pool. Any of the City's cash not held in its vault, or a local depository, was held in the City's operating fund (investment pool), and at the close of every business day, any cash remaining in the operating fund is swept into an overnight repurchase agreement that matures the next day.

CITY TREASURY INVESTMENTS

Note 1 describes the investment policies of the City. Banks or trust companies acting as the City's agents hold all of the City's investments in the City's name. As of December 31, 2010, the City's investment pool held the following investments.

Table 3-1 **INVESTMENTS AND MATURITIES**
TREASURY RESIDUAL POOLED INVESTMENTS AND
SECURITIES HELD FOR DEDICATED FUNDS
(In Thousands)

Investments	Fair Value as of December 31, 2010	Treasury Security Held for Dedicated Funds	Total Fair Value	Weighted Average Maturity (Days)
Repurchase Agreements	\$ 563,366	-	\$ 563,366	3
U.S. Treasury and U.S. Government-Backed Securities	39,625	-	39,625	398
U.S. Government Agency Securities	624,899	81,534	706,433	655
U.S. Government Agency Mortgage-Backed Securities	3,105	-	3,105	771
Commercial Paper	256,564	-	256,564	21
Municipal Bonds	1,020	-	1,020	215
Total	<u>\$ 981,379</u>	<u>\$ 81,534</u>	<u>\$ 1,062,913</u>	

Weighted Average Maturity of the Treasury Residual Pooled Investments and Securities Held for Dedicated Funds

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. The City's investment policy limits the maturity of individual securities to fifteen years and limits the weighted average maturity of the total investment portfolio to no longer than five years.

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

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

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

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and short-term credit ratings as noted above. The City also subscribes to asset-backed commercial paper research from Moody's Investors Service and Fitch Ratings, conducts internal due diligence of commercial paper and municipal issuers, and maintains an "approved list" of commercial paper issuers based upon internal and external credit research.

Concentration Risk. Concentration risk is the risk of loss attributed to the magnitude of investments in a single issuer other than the U.S. government or U.S. government-guaranteed issuer. In accordance with its investment policy and state statutes, the City manages concentration risk by limiting its investments in any one issuer as follows: 10 percent of the portfolio per bank for certificates of deposit or bankers' acceptances; 5 percent per commercial paper or municipal bond issuer; and 20 percent per U.S. government agency, excluding investments maturing less than one year from date of purchase. U.S. government agency collateralized mortgage obligations and pass-through securities are not subject to maximum agency limitations but are limited to a maximum asset allocation of 25 percent of the total portfolio. The City's investments in single issuers, including those maturing less than one year from date of purchase, and amounting to 5 percent or more of the total portfolio as of December 31, 2010, are shown in the following table.

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

Issuer	Fair Value	Percent of Total Investments
Federal National Mortgage Association (Fannie Mae)	\$ 276,374	26 %
Federal Home Loan Bank	218,645	21
Federal Home Loan Mortgage Corporation (Freddie Mac)	114,398	11
Fidelity Investments	101,411	10
Sheffield Receivables Corporation	54,343	5

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

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

The City mitigates counterparty custodial risk from repurchase agreements by using a third-party custodian for tri-party repos. The City conforms with industry standard requiring execution of a master repurchase agreement with each counterparty prior to transacting a repurchase agreement, execution of a third-party custodial agreement between the City, the broker, and the clearing bank, before transacting a third-party repurchase agreement, and over-collateralizing by a minimum of 102 percent. By investment policy, the underlying securities the City is willing to accept as collateral must have the highest credit ratings of at least two NRSROs. Throughout 2010, the collateral underlying the City's repurchase agreements excluded securities other than U.S. Treasury, agencies, and agency mortgage-backed pass-throughs.

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

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

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

The retirement fund investments are made in accordance with the Prudent Person Rule as defined by RCW 35.39.060.

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Table 3-3
SCERS' INVESTMENTS
(In Thousands)

Investments	Amount
U.S. Government Obligations	\$ 198,588
Domestic Corporate Bonds	81,251
Domestic Stocks	757,208
International Stocks	368,335
Other	3,183
Other Term Investment Funds	33,896
Securities Lending	49,094
Mezzanine Debt	186,162
Real Estate	165,781
Alternative Venture Capital	-
Total	\$ 1,843,498

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

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

Table 3-4
SCERS' FIXED INCOME PORTFOLIO
(In Thousands)

Investment Type	Fair Value	<1	1 - 5	6 - 10	>10
Fixed Income					
U.S. Government	\$ 42,505	\$ 7,835	\$ 15,071	\$ 15,432	\$ 4,167
Treasury Inflation-Protected Securities	1,463	-	-	-	1,463
Agencies	13,202	-	7,828	3,334	2,040
Municipal	1,448	-	164	266	1,018
Mortgage-Backed	40,368	-	371	8,523	31,474
Corporate Pass-Throughs	7,196	-	-	1,884	5,312
Government Collateralized Mortgage Obligations	2,173	-	-	98	2,075
Corporate Collateralized Debt and Loan Obligations	5,521	-	38	112	5,371
Corporate	30,738	777	10,798	18,670	9,493
Bond-Backed	13,686	805	4,391	2,832	5,656
Private Placements	17,065	701	7,301	3,599	5,264
Government/Sovereign Developed Markets	307	-	-	307	-
Foreign Government/Bonds	115	115	-	-	-
Total Portfolio	\$ 184,787	\$ 10,233	\$ 46,164	\$ 55,057	\$ 73,333

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

SCERS' investment policy does not limit fixed income investments based on ratings by nationally recognized rating agencies. Speculative investments are avoided based on the Prudent Person Rule as defined by RCW 35.39, and the policy specifies target percentages for diversification in order to minimize risk of large losses.

Notes to Financial Statements

Table 3-5 SCERS' FIXED INCOME RATINGS BY STANDARD AND POOR'S
(In Thousands)

Investment Type	AAA	AA	A	BBB	BB	B	CCC and Below	Not Rated
Fixed Income								
Mortgage-Backed Corporate Pass-Throughs	\$ 5,013	\$ -	\$ 190	\$ 77	\$ -	\$ -	\$ 17,744	\$ 144
Corporate Bonds	4,282	15,729	15,021	1,841	2,696	169	1,201	-
Asset-Backed Securities	5,633	2,717	18	668	1,475	3,283	1,080	1,201
CPDs and CLOs	6,682	2,193	3,917	744	1,423	2,689	1,59	159
Foreign Sovereign Bonds	-	-	-	-	15	-	133	68
Total Portfolio	\$ 17,278	\$ 6,712	\$ 19,836	\$ 16,560	\$ 2,591	\$ 6,064	\$ 5,378	\$ 3,661

Table 3-6 SCERS' ASSET ALLOCATION

Asset Class	Actual		Target	
	%	%	%	%
Cash and Cash Equivalents	0.9	1.0	1.0	1.0
Equities	41.0	38.0	38.0	38.0
Domestic	1.0	1.0	1.0	1.0
International	15.4	14.0	14.0	14.0
Bonds	52.6	56.0	56.0	56.0
Alternative	9.6	10.0	10.0	10.0
Mezzanine	2.7	5.0	5.0	5.0
Real Estate	10.2	12.0	12.0	12.0
Total	100.0	100.0	100.0	100.0

Concentration of Credit Risk. The Investment Committee reviews its portfolio holdings quarterly with the Investment Consultant to ensure compliance with the specified targets and performance results. Rebalancing of the portfolio back to the target percentages is undertaken to ensure compliance with the specified targets. The Retirement Board provides its investment managers with a set of investment guidelines that specify eligible investments, minimum diversification standards, and applicable restrictions necessary for diversification. In general, these guidelines require that investments in any issuer may not exceed 5 percent of the net asset value of a manager's portfolio. Managers do not have authority to depart from these guidelines.

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

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

SECURITIES LENDING TRANSACTIONS

The City cash pool and the Seattle City Employees' Retirement System are allowed to engage in securities lending transactions similar to that instituted by the Washington State Treasurer's Office and other municipal corporations in the State of Washington.

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

The market value of the required collateral must meet or exceed 102 percent of the market value of the securities loaned, providing a margin against a decline in the market value of the collateral. 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

The City of Seattle

distribution by the securities' issuers while the securities are on loan. Cash and U.S. government securities were received as collateral for these loans.

SCERS invests cash collateral received; accordingly, any investment made with cash collateral is reported as an asset. A corresponding liability is recorded as SCERS must return the cash collateral to the borrower upon the expiration of the loan.

In 2008 SCERS experienced a default on a cash collateral purchase as a result of the Lehman Brothers bankruptcy. In 2010, SCERS continued to work with the custodian through the bankruptcy process. The defaulted dollar value of the asset is de minimis to the overall portfolio value.

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

Type of Securities Lent	2010		2009	
	Fair Values of Securities Lent	Collateral	Fair Values of Securities Lent	Collateral
U.S. Government and Agencies	\$ 14,338	\$ 14,630	\$ 14,598	\$ 14,911
U.S. Corporate Fixed Income	2,867	2,937	1,211	1,229
U.S. Equities	19,275	19,728	23,557	24,298
Total Securities Lent	\$ 36,480	\$ 37,295	\$ 39,366	\$ 40,438
Collateral				
U.S. Corporate Obligations		\$ 3,500		\$ 20,500
Mutual Funds				5,535
Repurchase Agreements		31,796		1,875
Asset-Backed Securities		1,999		4,871
Certificates of Deposit		-		4,871
Total Collateral		\$ 37,295		\$ 40,438

REVERSE REPURCHASE AGREEMENTS

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

(4) RECEIVABLES AND INTERFUND TRANSACTIONS

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

	December 31 2010	December 31 2009
Revenues	\$ 391,798	\$ 20,763
Property Taxes		\$ 49,734
General Business and Occupation Taxes		\$ 49,734
Totals	\$ 723,368	\$ 70,497

TAXING POWERS AND LIMITATIONS

State law limits the regular property tax rate for general City operations to \$3.60 per \$1,000 of assessed value. This includes \$3.375 for general municipal purposes and an additional \$0.225 for the Firemen's Pension Fund and for general municipal purposes under conditions spelled out in state law. From 1997 through 2001 state law limited the annual growth in the City's regular property tax levy to the lesser of 106 percent or the annual rate of inflation. The passage of Initiative 747 in November 2001 reduced the 106 percent to 101 percent. In early November 2007 the State Supreme Court upheld a lower court ruling that Initiative 747 was unconstitutional. This decision would have returned the growth limit factor to

Notes to Financial Statements

106 percent. On November 29, 2007, the legislature, in special session, passed and the governor signed into law language identical to that of Initiative 747. Thus, the limit factor remains 101 percent. The growth limit does not count tax revenues from new construction or property remodelled within the last year. With simple-majority voter approval, the City can levy additional property taxes above the 101 percent annual growth limit, as long as the City's regular levy rate per \$1,000 of assessed value does not exceed the \$3.60 limit. Excess tax levies for capital purposes require a 60-percent approval by voters and do not fall under either of the limits. The City levied \$1.78 per \$1,000 for general operations and firemen's Pension Fund in 2010. In addition, the levy included \$1.14 per \$1,000 of assessed value for fire service and other voter-approved levies. The total 2010 levy was \$2.92 per \$1,000 of assessed value. Not included in this total is the levy for Emergency Medical Services, which was renewed by voters at election in November 2007 at \$0.30 per \$1,000 of assessed value and remained at \$0.30 per \$1,000 of assessed value in 2010.

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

INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

The following table shows the current interfund balances at December 31, 2010, as reported in the fund financial statements.

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Table 4-2

DUE FROM AND TO OTHER FUNDS^a

Receivable Fund		Payable Fund(s)		Amount
General		Drainage and Wastewater		\$ 3,900
		Nonmajor Enterprise		34
		Nonmajor Governmental		1,629
		Internal Service		473
		Low-Income Housing		6
		Transportation		293
		Light		4,138
		Solid Waste		3,019
		Water		3,019
Transportation		Total General Fund		14,648
		Drainage and Wastewater		151
		Nonmajor Enterprise		151
		Nonmajor Governmental		1,432
		Internal Service		10,481
		Transportation		20
		Light		1,862
		Solid Waste		1,727
		Water		1,727
		Total Transportation		15,792
Light		Drainage and Wastewater		739
		General		232
		Nonmajor Governmental		1,432
		Internal Service		571
		Transportation		41
		Solid Waste		105
		Water		1,146
		Total Light Fund		2,848
Water		Drainage and Wastewater		1,171
		General		40
		Internal Service		45
		Transportation		3
		Light		14
		Solid Waste		302
		Total Water Fund		1,605
Solid Waste		Drainage and Wastewater		1
		General		29
		Nonmajor Governmental		48
		Internal Service		13
		Light		15
		Water		3
		Total Solid Waste Fund		109
Drainage and Wastewater		Nonmajor Enterprise		17
		General		50
		Nonmajor Governmental		9
		Internal Service		35
		Transportation		2,163
		Light		59
		Solid Waste		6
		Water		59
		Total Drainage and Wastewater Fund		2,408
Nonmajor Governmental		Drainage and Wastewater		222
		General		1,520
		Nonmajor Governmental		2,138
		Internal Service		4
		Low-Income Housing		9
		Transportation		192
		Light		215
		Solid Waste		42
		Water		129
		Total Nonmajor Governmental Funds		4,578

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

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

Receivable Fund	Payable Fund(s)	Amount
Nonmajor Enterprise	Drainage and Wastewater	\$ 250
	General Governmental	16
	Internal Service	4
	Transportation	35
	Light	193
	Solid Waste	68
	Water	68
	Total Nonmajor Enterprise Funds	643
Internal Service	Drainage and Wastewater	78
	Nonmajor Enterprise	1,235
	General Governmental	1,179
	Internal Service	182
	Transportation	1,025
	Light	633
	Solid Waste	59
	Water	769
	Total Internal Service Funds	7,458
Grand Total		\$ 50,089

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

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

Table 4-3 ADVANCES FROM AND TO OTHER FUNDS
(In Thousands)

Advances From	Advances To	Amount
General Fund	Seattle Center Fund	\$ 1,020

The advance from the General Fund to the Seattle Center Fund was for the purpose of cash flow. It was repaid in 2011.

Table 4-4 INTERFUND TRANSFERS
(In Thousands)

	Transfers In		Transfers Out		Total
	General	Nonmajor Governmental	Internal Service	Transportation	
General Fund	\$ 3,568	\$ 6,067	\$ 4,000	\$ -	\$ 10,067
Housing	10,100	-	-	-	10,100
Nonmajor Enterprise	218,148	11,948	-	-	243,963
Nonmajor Governmental	46,293	42,600	-	-	88,953
Transportation	-	-	-	-	-
Total Transfers	\$ 278,109	\$ 60,675	\$ 4,000	\$ 13,867	\$ 356,651

Transfers are used to (1) move revenues from the fund wherein the statute or budget requires them to be collected to the fund wherein the statute or budget requires them to be expended, (2) move revenues from the fund with collection authority to the debt service fund as debt service principal and interest payments become due, and (3) apply unrestricted revenues collected in the General Fund to various programs accounted for in other funds in accordance with budgetary authorizations.

The City of Seattle

(5) SHORT-TERM ENERGY CONTRACTS AND DERIVATIVE INSTRUMENTS

The Seattle City Light (SCL) engages in an ongoing process of resource optimization relating to short-term energy contracts, which involves the economic selection from available energy resources to serve the SCL's load obligations and using these resources to capture available economic value. SCL makes frequent projections of electric loads at various points in time based on, among other things, estimates of factors such as customer usage and weather, as well as historical data and contract terms. SCL also makes recurring projections of resource availability at these points in time based on variables such as streamflows, availability of generating units, historic and forward market information, contract terms, and experience. On the basis of these projections, SCL purchases and sells wholesale electric capacity and energy to match expected resources to expected electric load requirements and to realize earnings from surplus energy resources. These transactions can be up to 18 months forward. Under these forward contracts, SCL commits to purchase or sell a specified amount of energy at a specified time, or during a specified time in the future. Except for limited intraday and interday trading to take advantage of owned hydro storage, SCL does not take market positions in anticipation of generating revenue. Energy transactions in response to forecasted seasonal resource and demand variations require approval by SCL's Risk Oversight Council.

Effective January 1, 2009, the City adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which requires that changes in fair values of investment derivative instruments be recorded on the statement of revenues, expenses, and changes in equity and that changes in fair values of effective hedging derivative instruments be recorded as deferrals on the balance sheet, except as provided by the normal purchase and normal sales exception on that standard. It is the City's policy to apply the normal purchase and normal sales exception of GASB Statement No. 53 as appropriate. Certain forward purchase and sale of electricity contracts in SCL meet the definition of a derivative instrument, but are intended to result in the purchase or sale of electricity delivered and used in the normal course of operations. Accordingly, SCL considers these forward contracts as normal purchases and normal sales under GASB Statement No. 53. These transactions are not required to be recorded at fair value in the financial statements.

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

	Year 2010	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
Sales	\$ 8,028	\$ 7,296	\$	\$ 732
Purchases	\$ 11,895	\$ 11,139	\$	\$ (756)
Total	\$ 19,923	\$ 18,435	\$	\$ (24)

	Year 2009	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
Sales	\$ 14,971	\$ 14,624	\$	\$ 347
Purchases	\$ 3,746	\$ 3,687	\$	\$ (59)
Total	\$ 18,717	\$ 18,311	\$	\$ 288

Fair value measurements at December 31, 2010 and 2009 used an income valuation technique consisting of Platts M2M Power Curves and interest rates from HIS Global Insight that are used to calculate discount rates. Risk, such as for nonperformance and inactive markets, was evaluated internally resulting in no valuation adjustments to forward power contracts.

All derivative instruments not considered as normal purchases and normal sales are to be recorded within the financial statements. In 2010, the City Council adopted a resolution granting SCL authority to enter into certain physical put and call options that would not be considered normal purchases and normal sales under GASB Statement No. 53. SCL did not have any such activity for 2010 and 2009. In addition, the City Council has deferred recognition of the effects of reporting the fair value of derivative financial instruments for rate-making purposes and maintains regulatory accounts to defer the accounting impact of these accounting adjustments in accordance with ASC 980-10-05, *Effect of Regulatory Accounting*.

Market Risk. Market risk is, in general, the risk of fluctuation in the market price of the commodity being traded and is influenced primarily by supply and demand. Market risk includes the fluctuation in the market price of associated derivative

Notes to Financial Statements

commodity instruments. Market risk may also be influenced by the number of active, creditworthy market participants, and to the extent that nonperformance by market participants of their contractual obligations and commitments affects the supply of or demand for, the commodity.

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

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

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

The City of Seattle

(6) CAPITAL ASSETS

Table 6-1
CHANGES IN CAPITAL ASSETS^a
(In Thousands)

	Revised Balance, January 1	Additions	Deletions	Balance, December 31
GOVERNMENTAL ACTIVITIES^b				
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 512,043	\$ 18,880	\$ 202,125	\$ 530,993
Construction in Progress	206,106	269,802	-	267,777
Total Capital Assets Not Being Depreciated	712,143	288,652	202,125	798,670
CAPITAL ASSETS BEING DEPRECIATED				
Buildings and Improvements	2,089,814	108,756	2,707	2,112,863
Machinery and Equipment	273,903	20,835	121,199	282,539
Infrastructure	1,240,448	74,662	-	1,315,010
Other Capital Assets	13,068	357	-	13,425
Total Capital Assets Being Depreciated	3,537,133	201,610	14,906	3,723,837
Accumulated Depreciation				
Buildings and Improvements	494,696	50,457	1,409	543,744
Machinery and Equipment	149,804	29,857	10,980	168,681
Infrastructure	577,466	39,466	-	577,466
Other Capital Assets	1,293	171	-	1,464
Total Accumulated Depreciation	1,179,095	120,043	12,389	1,286,749
Total Capital Assets Being Depreciated, Net	2,388,038	81,567	2,517	2,457,088
Governmental Activities Capital Assets, Net	\$ 3,070,181	\$ 370,219	\$ 204,642	\$ 3,235,758
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 147,717	\$ 12,400	\$ -	\$ 160,117
Construction in Progress	324,363	371,749	383,809	312,303
Total Capital Assets Not Being Depreciated	472,080	384,149	383,809	472,420
CAPITAL ASSETS BEING DEPRECIATED				
Plant in Service, Excluding Land	5,360,698	390,249	66,489	5,684,458
Buildings	60,131	-	-	60,131
Machinery and Equipment	15,130	48	9	15,169
Other Capital Assets	22,235	128	2,002	20,381
Total Capital Assets Being Depreciated	5,458,214	390,425	68,500	5,780,139
Accumulated Depreciation				
Plant in Service, Excluding Land	2,048,440	156,317	29,200	2,175,557
Buildings	22,048	2,004	-	24,052
Machinery and Equipment	9,545	1,632	9	11,168
Other Capital Assets	2,622	4	-	2,626
Total Accumulated Depreciation	2,082,655	159,957	29,209	2,213,403
Total Capital Assets Being Depreciated, Net	3,375,559	230,468	39,291	3,566,736
Business-Type Activities Capital Assets, Net	\$ 3,847,639	\$ 614,617	\$ 423,100	\$ 4,039,156

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

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

The City of Seattle

Table 6-2

DEPRECIATION EXPENSE BY FUNCTION
(In Thousands)

GOVERNMENTAL ACTIVITIES	
General Government	\$ 6,966
Public Safety	5,336
Transportation	40,265
Economic Environment	17
Culture and Recreation	35,118
Subtotal	87,702
Capital assets held by internal service funds are charged to the various functions based on their usage of the assets	32,341
Total Governmental Activities	\$ 120,043

BUSINESS-TYPE ACTIVITIES

Light	\$ 92,569
Water	9,864
Solid Waste	5,868
Drainage and Wastewater	17,280
Planning and Development	1,632
Parking Garage	2,094
Total Business-Type Activities	\$ 159,957

(7) COMPENSATED ABSENCES

The following discussion on the general liabilities of the City and the tables for the other City funds present the accrued compensated absences at the end of 2010 and 2009. The tables show the accrued liabilities by group between governmental activities, business-type activities, and pension trust funds, and further by type of funds, as applicable.

GOVERNMENTAL ACTIVITIES

Governmental Funds

Unpaid compensated absences associated with governmental fund operations of \$79.7 million and \$77.3 million at December 31, 2010 and 2009, respectively, have been recorded in the government-wide financial statements. These amounts include unpaid holiday, compensatory, merit, and furlough time of \$17.3 million and \$16.7 million at the end of 2010 and 2009, respectively; accumulated unpaid vacation pay of \$50.7 million and \$50.4 million at the end of 2010 and 2009, respectively; and the balance for sick leave (estimated based on the termination method) of \$11.7 million and \$10.2 million at December 31, 2010 and 2009, respectively.

Internal Service Funds

Table 7-1 COMPENSATED ABSENCES IN INTERNAL SERVICE FUNDS
(In Thousands)

	2010	2009
Fleets and Facilities	\$ 1,891	\$ 2,012
Information Technology	1,797	1,798
Totals	\$ 3,688	\$ 3,810

The City of Seattle

BUSINESS-TYPE ACTIVITIES

Enterprise Funds

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

	2010	2009
Light	\$ 15,540	\$ 14,789
Water	4,818	4,858
Drainage and Wastewater	4,282	3,824
Solid Waste	1,665	1,798
Planning and Development	2,665	2,876
Totals	\$ 28,911	\$ 28,001

PENSION TRUST FUNDS

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

	2010	2009
Employees' Retirement	\$ 74	\$ 71
Firemen's Pension	29	80
Police Relief and Pension	49	84
Totals	\$ 152	\$ 235

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

(8) LEASES

CAPITAL LEASES

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

Notes to Financial Statements

Table 8-1

CAPITAL LEASES (In Thousands)																											
<table border="0" style="width: 100%;"> <tr> <td style="border-top: 1px solid black;">Net Capital Lease Assets</td> <td style="text-align: right;">Capital Assets</td> </tr> <tr> <td>Machinery and Equipment</td> <td style="text-align: right;">\$ 20</td> </tr> <tr> <td>Less Accumulated Depreciation</td> <td style="text-align: right;">(6)</td> </tr> <tr> <td style="border-top: 1px solid black;">December 31, 2010</td> <td style="text-align: right; border-top: 1px solid black;">\$ 14</td> </tr> </table>	Net Capital Lease Assets	Capital Assets	Machinery and Equipment	\$ 20	Less Accumulated Depreciation	(6)	December 31, 2010	\$ 14	<table border="0" style="width: 100%;"> <tr> <td style="border-top: 1px solid black;">Minimum Capital Lease Payments</td> <td style="text-align: right;">Long-Term Liabilities</td> </tr> <tr> <td>2011</td> <td style="text-align: right;">Governmental Activities</td> </tr> <tr> <td>2012</td> <td style="text-align: right;">\$ 5</td> </tr> <tr> <td>2013</td> <td style="text-align: right;">5</td> </tr> <tr> <td>2014</td> <td style="text-align: right;">4</td> </tr> <tr> <td>2015</td> <td style="text-align: right;">2</td> </tr> <tr> <td style="border-top: 1px solid black;">Total Minimum Lease Payments</td> <td style="text-align: right; border-top: 1px solid black;">16</td> </tr> <tr> <td>Less Interest</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td style="border-top: 1px solid black;">Principal</td> <td style="text-align: right; border-top: 1px solid black;">\$ 14</td> </tr> </table>	Minimum Capital Lease Payments	Long-Term Liabilities	2011	Governmental Activities	2012	\$ 5	2013	5	2014	4	2015	2	Total Minimum Lease Payments	16	Less Interest	(2)	Principal	\$ 14
Net Capital Lease Assets	Capital Assets																										
Machinery and Equipment	\$ 20																										
Less Accumulated Depreciation	(6)																										
December 31, 2010	\$ 14																										
Minimum Capital Lease Payments	Long-Term Liabilities																										
2011	Governmental Activities																										
2012	\$ 5																										
2013	5																										
2014	4																										
2015	2																										
Total Minimum Lease Payments	16																										
Less Interest	(2)																										
Principal	\$ 14																										

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

OPERATING LEASES

Governmental Activities

The City, through its Fleets and Facilities Fund, manages buildings and facilities that are owned by the City and has operating lease commitments on real property owned by private entities. Many lease commitments on private properties are for a term of five years or longer and may be renewed as required by the City tenant departments. The lease agreements show a periodic schedule of rental amounts. Fleets and Facilities Fund paid rentals of approximately \$4.8 million and \$4.3 million in 2010 and 2009, respectively, on the lease commitments. There are no projected rent increases apart from lease agreements entered into by the City.

In addition, Seattle Center leases a building for office space and workshop on a type of lease called a "triple net lease" for its Technical Facilities Management. The original lease agreement expired on July 30, 2010 but was renewed for another five years with new expiration date of July 30, 2015. The renewed lease agreement requires a fixed rent of \$23,420 per month subject to increases on each July 1 beginning in 2011 and every year thereafter by the percentage of change, if any, in the Consumer Price Index (CPI) for All Urban Consumers, United States Average for All Items (1982 - 84 = 100) published by the Bureau of Labor Statistics, United States Department of Labor CPI from the CPI last published in the preceding year, but not to exceed five percent for any lease year. If there is a decline in the CPI, the fixed rent during the succeeding year will be equal to the fixed rent during the immediate preceding year. All other amounts required by the landlord to be paid by Seattle Center on the lease shall constitute additional rent. On a triple net lease Seattle Center will pay all impositions on the lease, insurance premiums, utilities, taxes, operating expenses, maintenance charges, repair costs, and other charges, costs, and expenses which arise or may be contemplated during the lease term. Seattle Center paid rent, including property taxes on the lease property, in the amount of approximately \$304,250 and \$300,793 in 2010 and 2009, respectively, on the lease. Rents are paid as they become due and payable.

The City of Seattle

Minimum payments under the leases are:

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

Year Ending December 31	Minimum Lease Payments		
	Fleets and Facilities	Seattle Center	Total
2011	\$ 4,530	\$ 285	\$ 4,824
2012	3,935	285	4,220
2013	3,541	285	3,826
2014	2,778	285	3,063
2015	1,941	167	2,108
2016 - 2017	2,070	-	2,070
Total	\$ 18,804	\$ 1,307	\$ 20,111

Business-Type Activities

In December 1994 the City entered into an agreement on behalf of the Seattle City Light Department for a ten-year lease of office facilities in downtown Seattle commencing February 1, 1996. In early 1996 the City purchased the building in which these facilities are located, thus becoming the Department's lessor. This lease extended through December 2006. Beginning in 2007 the Department made monthly lease payments to the City through the central cost allocation process, similar to all other payments for tenancy of the City property and through the budget process. The Department also leases office equipment and smaller facilities for various purposes through long-term operating lease agreements. Expense under all leases totaled \$1.1 million and \$0.6 million in 2010 and 2009, respectively.

The Seattle Public Utilities has non-cancelable operating lease commitments for real and personal property for its three funds: Water Fund, Drainage and Wastewater Fund, and Solid Waste Fund. The minimum payments made respectively in 2010 and 2009 were: \$375,965 and \$560,033 for the Water Fund; \$105,887 and \$103,574 for the Drainage and Wastewater Fund, and \$171,300 and \$164,667 for the Solid Waste Fund. Rents are paid as they become due and payable.

Minimum payments under the leases are:

Year Ending December 31	Minimum Payments			
	City Light	Water	Drainage & Wastewater	Solid Waste
2011	\$ 1,116	\$ 373	\$ 104	\$ 167
2012	1,186	369	101	164
2013	1,048	248	59	176
2014	1,045	248	62	182
2015	1,072	257	62	182
2016 - 2020	1,754	264	53	156
2021 - 2025	-	-	-	-
2026 - 2029	-	43	-	43
Total	\$ 7,268	\$ 1,871	\$ 444	\$ 1,015
				\$ 10,598

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

LEASE REVENUES - GOVERNMENTAL ACTIVITIES

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

Notes to Financial Statements

Table 8-4 MAJOR SOURCES OF RENTAL INCOME ON REAL PROPERTY MANAGED BY FLEETS AND FACILITIES

	2010	2009
None-City Property Occupied by City Departments	\$ 5.3	\$ 4.9
City-Owned Property Occupied by City Departments	54.2	53.9
City-Owned Property Leased to Non-City Tenants	2.8	2.9
Total	\$ 62.3	\$ 61.7

(In Millions)

Also, in 2010 the City recognized \$6.6 million in parking revenues in the Downtown Parking Garage Fund, an enterprise fund, from the operation of the garage at Pacific Place.

Additionally, in 2010 the SeaPark Garage and the Seattle Municipal Tower Building generated \$2.5 million total parking revenues, which were recorded in the Fleets and Facilities Fund.

Also, in 2010 the City recognized \$6.6 million in parking revenues in the Downtown Parking Garage Fund, an enterprise fund, from the operation of the garage at Pacific Place.

(9) LONG-TERM DEBT

GENERAL OBLIGATION BONDS

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

The original amount of general obligation bonds issued for bonds outstanding at the end of 2009 was \$1,372 billion. The amount of bonds outstanding at December 31, 2009, was \$834.4 million. The following paragraphs discuss the general obligation bonds issued during 2010. No outstanding general obligation bonds were defeased in 2010.

On March 31, 2010, the City issued the \$201.9 million LTGO Improvement and Refunding Bonds, 2010. This issue consists of Series A, Build America Bonds, in the amount of \$66.5 million with interest rates ranging from 4.0 percent to 5.0 percent maturing serially from August 1, 2010 through August 1, 2030; and Series B, tax-exempt bonds, in the amount of \$135.4 million with interest rates ranging from 2.5 percent to 5.0 percent maturing serially from August 1, 2010 through August 1, 2031. The proceeds of these LTGO bonds are used to pay all or part of the costs of construction and acquisition of various City capital projects, including the Alaskan Way Viaduct, Tier-1 Storage Area Network, Pay Stations, King Street Station, Fire Stations, Golf, Pike Place Market Renovation, Bridge Rehabilitation, Bridge Seismic, Mercer Corridor-South Lake Union, Mercer Corridor, West, Spokane Street Viaduct, and to partially refund \$85.9 million of the 2001 LTGO Various Purpose Bonds and \$30.3 million of the 2002 LTGO Improvement and Refunding Bonds. 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 2010.

The City of Seattle

The following table presents the individual general obligation bonds outstanding as of December 31, 2010, and other relevant information on each outstanding bond issue.

Table 9-1 GENERAL OBLIGATION BONDS (In Thousands)

Name and Purpose of Issue (LTGO) BONDS - NON-VOTED	Issuance Date	Maturity Date	Effective Interest Rate	Bond Issuance	Redemptions		Bonds Outstanding December 31
					2010	To Date ^a	
Refunding - Various LTGO Bonds, 1998, Series B	03/17/98	09/01/98-12	4.493 %	\$ 43.70	\$ 3,005	\$ 39,150	\$ 4,560
Deferred Interest Parking Garage, 1998, Series E	11/12/98	12/15/01-14	4.714	13,042	1,226	8,579	4,463
Various Purpose - Civic Center, South Police Precincts, Training Facilities, Information Technology, and Refunding, 2002	08/21/01	08/01/02-31	4.908	129,760	89,305	126,180	3,580
Improvement (Various) and Refunding, 2002	01/30/02	07/01/02-32	4.778	125,510	34,475	89,585	35,925
Various Purpose and Refunding, 2003	02/26/03	08/01/04-23	3.469	60,855	1,045	52,145	8,710
Refunding, 2004	05/24/04	07/01/04-20	4.118	91,805	5,590	23,865	67,940
Various Purpose and Refunding, 2005	03/25/05	08/01/05-28	4.167	129,540	8,225	40,620	88,920
Various Purpose and Refunding, 2005	05/14/05	08/01/05-28	4.167	129,540	8,225	40,620	88,920
Various Purpose and Refunding, 2006	05/02/06	10/01/07-28	4.251	95,550	2,286	7,610	87,940
Various Purpose and Refunding, 2008	07/02/08	12/01/08-28	4.398	139,830	6,555	11,905	127,925
Various Purpose and Refunding, 2009	03/25/09	11/01/09-05/01/34	3.574	99,860	7,265	7,575	92,285
Improvement and Refunding, 2010, Series A ^c	03/31/10	08/01/10-30	4.394	66,510	-	-	66,510
Improvement and Refunding, 2010, Series B	03/31/10	08/01/10-31	4.394	135,395	510	510	134,885
Total Limited Tax General Obligation Bonds				1,156,272	161,146	413,979	742,293
UNLIMITED TAX GENERAL OBLIGATION (UTGO) BONDS - VOTED							
Refunding-Various UTGO Bonds, 1998, Series A	03/17/98	09/01/98-17	4.470	53,865	1,300	49,130	4,735
Improvement (Library Facilities) and Refunding, 2002	09/26/02	12/01/03-21	3.892	117,025	4,500	53,969	63,065
Refunding, 2007	03/02/07	12/01/07-18	3.886	60,820	5,255	7,173	53,695
Total Unlimited Tax General Obligation Bonds				231,760	11,355	110,265	121,495
Total General Obligation Bonds				\$ 1,388,032	\$ 172,501	\$ 524,244	\$ 863,788

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

^b The accreted value of the outstanding bonds as of December 31, 2010, is \$8,014,381. The difference is also recognized as long-term accrued interest in the Downtown Parking Garage Fund, an enterprise fund, where the bond outstanding is also recorded.

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

The requirements to amortize the general obligation bonds as of December 31, 2010, are presented in the following table. Debt service for the LTGO bonds is met by transfers generally from the General Fund and certain special revenue funds and by reimbursements from proprietary funds of the City. Debt service for the UTGO bonds is covered by property tax levies that authorized the bond issues and were approved by at least 60 percent of the voters in elections in which the number of voters exceeded 40 percent of the voters in the most recent election preceding the election to vote on the bond issue.

Notes to Financial Statements

Table 9-2 ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION BONDS

Year Ending December 31	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2011	\$ 58,770	\$ 37,227	\$ 1,247	\$ 3,940	\$ 101,184
2012	62,240	34,441	1,257	4,094	102,032
2013	60,705	31,576	1,262	4,259	97,802
2014	57,135	28,629	1,857	5,740	87,361
2015	54,766	26,776	1,861	5,811	83,214
2016 - 2020	243,110	110,863	20,175	11,558	385,706
2021 - 2025	191,355	40,796	31,330	5,438	268,919
2026 - 2030	65,860	9,973	2,015	2,000	78,048
2031 - 2034	11,435	761	-	-	12,196
Total	\$ 801,695	\$ 320,341	\$ 62,093	\$ 36,052	\$ 1,220,181

SPECIAL ASSESSMENTS BONDS WITH GOVERNMENTAL COMMITMENT

The bonds are special fund obligations of the City, the debt service of which will be paid from collections from related local improvement district (LID) assessments levied against the benefited properties located within the boundaries of the LID. Though guaranteed by the City's LID Guaranty Fund, this type of special assessment bonds does not constitute an obligation of any political subdivision thereof other than the City, and neither the full faith and credit nor the taxing power of the City is pledged to the payment of the bonds. The amount of special assessment bonds outstanding at the end of 2010 was \$15.7 million. There were no new bond issues in 2010.

The following table shows more detail on the outstanding issue.

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

Name of Issue	Issuance Date	Maturity Date	Effective Interest Rate	Bond Issuance	Redemptions		Bonds Outstanding	
					2010	To Date	December 31	December 31
Local Improvement District No. 6750 Bonds, 2006	09/13/06	12/15/07-24	4.102	\$ 21,925	\$ 1,970	\$ 6,190	\$ 15,735	

The requirements to amortize the special assessments with governmental commitment as of December 31, 2010, are shown below.

Table 9-4 ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY
SPECIAL ASSESSMENT BONDS WITH GOVERNMENTAL COMMITMENT

Year Ending December 31	Principal		Interest		Total
	2010	2011	2010	2011	
2011	\$ -	\$ -	\$ -	\$ -	\$ -
2012	1,130	43	1,173	-	1,173
2013	1,220	47	1,267	-	1,267
2014	1,220	47	1,267	-	1,267
2015	1,220	47	1,267	-	1,267
2016 - 2020	6,085	250	6,335	-	6,335
2021 - 2024	4,860	207	5,067	-	5,067
Total	\$ 15,735	\$ 642	\$ 16,377	\$ -	\$ 16,377

The City of Seattle

NOTES AND CONTRACTS PAYABLE – GOVERNMENTAL ACTIVITIES

The Seattle Department of Transportation (SDOT) has outstanding notes drawn in several years from the Washington State's Public Works Trust Loan program administered by the Washington State Public Works Board, a division of the Department of Commerce (formerly Department of Community, Trade, and Economic Development). The notes were drawn at varying low annual interest rates ranging from 0.5 percent to 3.0 percent. The proceeds of the loan support City road and bridge improvements. No additional amount was drawn against the notes in 2010 and the City paid \$2.3 million and \$0.3 million in principal and interest, respectively, in 2010. The outstanding balance on the notes at December 31, 2010, is \$16.6 million. The following table presents the annual debt service requirements to maturity on the notes as of the end of 2010.

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

Year Ending December 31	Principal	Interest	Total
2011	\$ 2,169	\$ 278	\$ 2,447
2012	2,040	270	2,310
2013	2,000	260	2,260
2014	1,698	166	1,864
2015	1,560	136	1,696
2016 - 2020	5,386	334	5,720
2021 - 2023	1,752	34	1,786
Total	\$ 16,582	\$ 1,385	\$ 17,967

REVENUE BONDS

The City also issues revenue bonds to provide financing for the capital programs of the four utilities of the City, namely, City Light and the utilities grouped under Seattle Public Utilities, which are Water, Drainage and Wastewater, and Solid Waste. The City does not pledge its full faith and credit for the payment of debt service on revenue bonds. Payment of debt service on the bonds issued for each utility is derived solely from the revenues generated by the related utility. The original amount of revenue bonds issued for bonds outstanding at the end of 2009 was approximately \$4.075 billion. The total outstanding amount at December 31, 2009, was \$2.881 billion. During 2010 an additional \$982.6 million of revenue and refunding bonds were issued.

City Light

On May 26, 2010, the City issued \$791.8 million in Municipal Light and Power Revenue and Refunding Bonds, Series A, B, and C that bear interest at rates ranging from 2.0 percent to 5.6 percent and mature serially from February 1, 2011 to February 1, 2048. Series A, in the amount of \$181.6 million was issued as taxable Build America Bonds while Series B in the amount of \$596.9 million was issued as tax-exempt bonds. A third type, Series C with a par amount of \$13.5 million, was issued as a taxable Recovery Zone Economic Development Bonds. Proceeds in the amount of \$250.0 million in new money are to be used to finance certain capital improvements and conservation programs. The remaining proceeds of \$541.8 million were used to advance refund certain higher-interest-bearing existing Municipal Light and Power parity bonds. Further discussion on the refunding is shown in the Advance and Current Refundings section of this note.

Water

On January 21, 2010, the City issued a total of \$190.8 million in Water System Improvement and Refunding Revenue Bonds, Series A and B. With a par value of \$109.1 million, Series A is taxable Build America Bonds with varying principal payments due beginning on August 1, 2019 and ending on August 1, 2040 at interest rates ranging from 4.7 percent to 5.9 percent. Series B, on the other hand, is tax-exempt revenue bonds with a par value of \$81.8 million at interest rates ranging from 3.0 percent to 5.0 percent and varying annual principal payments due beginning on August 1, 2010 and ending on August 1, 2027. A portion of the proceeds from the issuance are being used for certain capital improvements projects and additions to the water system. The remaining proceeds were used to fully refund the 1998 Water Revenue Bonds. Further discussion on the refunding is shown in the Advance and Current Refundings section of this note.

The business-type funds had no short-term debt at December 31, 2010.

Notes to Financial Statements

The following table presents the individual revenue bonds outstanding as of December 31, 2010, and other pertinent information on each outstanding bond issue.

Name and Purpose of Issue	Issuance Date	Maturity Dates	Effective Interest Rates	Bond Issuance	Redemptions 2010	To Date ^a	Bonds Outstanding December 31
MUNICIPAL LIGHT AND POWER (ML&P) BONDS							
1997 Parity, Series A, Refunding	12/30/97	07/01/03-22	5.131	\$ 30,000	\$ 22,565	\$ 30,000	\$ -
1998 Parity, Series B	01/27/98	07/01/98-20	4.884	104,650	77,325	104,650	-
2000 Parity	10/29/98	06/01/04-24	4.919	90,000	72,590	90,000	-
2001 Parity	03/10/00	01/01/06-25	5.238	36,500	31,475	36,500	-
2002 Parity, Refunding	03/29/01	02/01/03-14	3.82	506,820	371,475	506,820	106,830
2003 Parity, Refunding	12/04/02	12/01/03-14	3.470	87,735	10,675	70,145	117,590
2004 Parity, Refunding	08/20/03	11/01/04-28	3.517	251,850	12,770	117,805	134,045
2008 Parity	12/23/04	08/01/09-29	4.159	284,855	9,285	40,120	244,735
2010 Parity, Series A ^b	12/30/08	04/01/09-29	5.222	257,375	9,210	15,570	241,805
2010 Parity, Series B	05/26/10	02/01/12-40	3.566	181,625	-	-	181,625
2010 Parity, Series C ^c	05/26/10	02/01/11-26	3.413	596,870	-	-	596,870
2010 Parity, Series C ^e	05/26/10	02/01/11-40	3.112	13,275	-	-	13,275
Total Light Bonds				2,500,765	638,045	963,990	1,536,775
MUNICIPAL WATER BONDS							
1998 Parity	07/07/98	10/01/99-27	5.110	80,000	61,825	80,000	-
2001 Parity	11/20/01	11/01/05-31	4.972	52,525	12,660	6,895	45,630
2003 Parity, Refunding	05/12/03	09/01/03-33	4.083	271,320	8,145	77,080	194,240
2004 Parity	10/25/04	09/01/05-34	4.580	84,750	1,615	9,320	75,430
2005 Parity, Refunding	12/28/05	09/01/06-29	4.482	138,040	4,390	10,440	127,600
2006 Parity, Refunding	10/23/06	02/01/08-37	4.424	189,970	4,285	7,870	182,100
2008 Parity, Refunding	12/15/08	12/15/09-38	4.753	206,080	3,580	11,195	193,885
2010 Parity, Series A ^b	01/21/10	08/01/19-40	5.700	109,080	-	-	109,080
2010 Parity, Series B, Refunding	01/21/10	08/01/10-27	4.403	81,760	3,425	3,425	78,335
Total Water Bonds				1,212,525	88,525	206,225	1,006,300
MUNICIPAL DRAINAGE AND WASTE-WATER BONDS							
2002 Parity	06/22/01	11/01/02-31	5.260	60,680	1,345	10,400	50,280
2002 Refunding	12/17/02	07/01/03-32	4.751	78,510	2,050	13,730	64,820
2004 Parity	10/28/04	09/01/05-34	4.609	62,010	1,235	6,575	55,435
2006 Refunding	11/01/06	02/01/07-37	4.180	121,765	3,565	9,940	111,825
2008 Parity	04/16/08	06/01/09-38	4.830	84,645	1,395	2,740	81,905
2009 Parity, Series A ^b	12/17/09	11/01/10-39	3.450	102,535	-	-	102,535
2009 Parity, & Refunding, Series B	12/17/09	11/01/10-27	3.000	36,680	3,695	3,695	32,985
Total Drainage and Wastewater Bonds				546,865	13,285	47,080	499,785
SOLID WASTE BONDS							
2007 Revenue & Refunding	12/12/07	02/01/08-33	4.505	82,175	1,980	3,685	78,490
Total Utility Revenue Bonds				4,342,330	741,855	1,220,980	3,121,350

^a Includes all bonds that matured to date and all called, refunded, and defeased bonds on issues that have outstanding balances at the beginning of the year.
^b Issued as taxable direct-pay Build America Bonds, created under Section 1531 of the American Recovery and Reinvestment Act of 2009 whereby state or local governmental issuers of this type of bonds receive a federal subsidy through Treasury Department and the Internal Revenue Service in an amount equal to 35 percent of the total coupon interest payable to investors or buyers of the bonds.
^c Issued as taxable Recovery Zone Economic Development issuers in an amount equal to 45 percent of the total coupon interest payable to investors or buyers of the bonds.

The City of Seattle

The requirements to amortize the revenue bonds as of December 31, 2010, are presented below.

Year Ending December 31	Light		Water		Drainage and Wastewater		Solid Waste		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2011	\$ 58,685	\$ 83,148	\$ 29,149	\$ 49,412	\$ 13,175	\$ 24,083	\$ 2,075	\$ 3,773	\$ 263,491
2012	53,348	77,325	32,785	46,709	14,605	23,043	2,295	3,555	282,325
2013	90,335	69,303	32,795	46,709	14,290	23,043	2,295	3,437	279,311
2014	91,565	65,011	34,240	45,252	14,935	22,456	2,415	3,313	276,304
2015	93,165	63,367	35,810	43,676	15,590	21,848	2,535	3,133	270,311
2016 - 2020	437,840	234,990	206,580	190,337	89,935	97,747	14,325	14,489	1,285,713
2021 - 2025	171,485	117,485	83,511	78,577	38,545	48,657	6,084	6,084	688,839
2026 - 2035	52,730	25,150	31,820	34,692	83,735	22,764	15,215	1,048	367,169
2036 - 2040	63,165	9,059	65,855	8,155	44,965	4,849	-	-	196,048
Total	\$ 1,536,775	\$ 799,483	\$ 1,006,300	\$ 679,847	\$ 499,785	\$ 363,685	\$ 78,490	\$ 50,037	\$ 5,014,402

NOTES AND CONTRACTS PAYABLE – BUSINESS-TYPE ACTIVITIES

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

Water

During 1993, the Fund entered into a loan agreement to borrow up to \$2.2 million from the Washington State Department of Commerce under its Public Works Trust Loan program for the construction of certain capital improvements. Amounts borrowed under the agreement accrue interest at 1.0 percent per annum and are to be repaid in 19 annual installments plus interest. Proceeds from this loan were used to finance the Magnolia Manor Reservoir project. As of December 31, 2010, this loan has an outstanding balance of \$0.4 million.

In 2008, the Fund entered into a loan agreement to borrow \$8.1 million from the same program at 1.5 percent interest per year and a repayment period of 17 to 18 years. Proceeds from this loan were used to finance the Myrtle and Beacon Reservoir projects. As of December 31, 2010, this loan has an outstanding balance of \$6.8 million.

In 2009, the Fund entered into a loan agreement to borrow \$3.0 million from the same program at 1.5 percent per annum and payable in 18 years. Proceeds from this loan were used to finance the West Seattle Reservoir project. As of December 31, 2010, this loan has an outstanding balance of \$2.7 million.

Also in 2009, the Fund entered into two loan agreements to borrow, totaling \$9.1 million, from the same program to be used to finance the Maple Lead Reservoir project. The first loan, in the amount of \$6.1 million, was funded with resources from the American Recovery and Reinvestment Act of 2009 (ARRA) at 1.0 percent annual interest and payable in 23 years. The second loan, in the amount of \$3.0 million, bears interest of 1.5 percent per annum and a repayment period of 19 years. In 2010, drawdown from these two loans amounted to \$8.6 million. As of December 31, 2010, these loans have an outstanding balance of \$8.6 million.

Amounts paid for all loans in 2010 totaled \$714,766 and \$197,353 in principal and interest, respectively. The combined outstanding balance of the loans at December 31, 2010 is \$18.5 million. The minimum debt service requirements to maturity are included in Table 9-8.

Drainage and Wastewater

During 2004, the Fund entered into a loan agreement to borrow up to \$3.7 million from the Washington State Department of Commerce under its Public Works Trust Loan program for the construction of certain capital improvements. Amounts borrowed under the agreement accrue interest at 0.5 percent per annum and are to be repaid in 20 annual installments plus interest. Proceeds from this loan were used to finance the Magnolia Manor Reservoir project. As of December 31, 2010, this loan has an outstanding balance of \$0.4 million.

Notes to Financial Statements

interest. Proceeds from this loan were used to finance the Thornton Creek Natural Drainage Systems. As of December 31, 2010, this loan has an outstanding balance of \$2.7 million.

In 2005, the Fund entered into a loan agreement with the Washington State Department of Ecology under its Public Works Trust Loan program to borrow up to \$2.7 million to support the construction of improvements of the High Point Natural Drainage Systems project. Amounts under this agreement accrue interest at 1.5 percent per annum and are to be repaid in 20 annual installments. As of December 31, 2010, the loan has an outstanding balance of \$2.5 million.

In 2006, the Fund entered into a loan agreement with the Washington State Department of Commerce under its Public Works Trust Loan program to borrow up to \$3.4 million to support the construction of the South Park Flood Control and Local Drainage program. Amounts borrowed under the agreement accrue interest at 0.5 percent per annum and are to be repaid over 20 years. As of December 31, 2010, the loan has an outstanding balance of \$3.0 million.

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

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

Amounts paid to all loans in 2010 totaled \$53,467 in principal and approximately \$53,000 in interest. Total loans outstanding as of December 31, 2010 are \$15.6 million. The minimum debt service requirements to maturity are included in Table 9-8.

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

Year Ending December 31	Water		Drainage and Wastewater		Total
	Principal	Interest	Principal	Interest	
2011	\$ 858	\$ 133	\$ 814	\$ 210	\$ 2,065
2012	858	216	887	174	2,235
2013	1,154	221	888	163	2,426
2014	1,036	206	885	153	2,280
2015	1,036	192	891	143	2,262
2016 - 2023	5,181	749	4,564	562	11,056
2024 - 2030	6,442	526	5,442	84	12,494
2031 - 2032	2,586	106	2,340	84	5,116
		9	-	-	601
Total	\$ 18,482	\$ 2,379	\$ 15,624	\$ 1,798	\$ 38,283

The City of Seattle

The following table shows the long-term liability activities during the year ended December 31, 2010.

Table 9-9 CHANGES IN LONG-TERM LIABILITIES^a
(In Thousands)

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 771,065	\$ 201,905	\$ 171,275	\$ 801,695	\$ 61,635
General Obligation Bonds					
Add (Deduct) Deferred Amounts		13,384	3,746	37,262	-
Issuance Premiums	27,624	-	-	(2)	-
Issuance Discounts	(2)	(7,893)	(3,830)	(4,065)	-
On Refunding	-	-	-	-	-
Special Limit Bonds with Governmental Commitment ^b	17,705	-	1,970	15,735	-
Total Bonds Payable	816,392	207,396	173,161	850,627	61,635
Notes and Contracts	18	-	4	14	4
Other Notes and Contracts	18,854	-	2,272	16,582	2,168
Total Notes and Contracts	18,872	-	2,276	16,596	2,172
Compensated Absences	81,146	75,553	73,337	83,362	20,338
Claims Payable	29,274	9,908	6,993	26,279	8,333
Workers' Compensation	50,053	8,988	6,993	49,044	6,511
Health Care Claims	3,648	3,683	3,647	3,684	3,684
Environmental Liability ^c	-	-	-	-	-
General Contamination Cleanup	-	797	-	797	-
Total Claims Payable ^d	84,975	23,272	17,523	90,724	28,530
Arbitrage Rebate Liability	205	-	129	76	76
Total Long-Term Liabilities from Governmental Activities	\$ 1,001,590	\$ 306,221	\$ 266,426	\$ 1,041,385	\$ 112,771
BUSINESS-TYPE ACTIVITIES					
Bonds Payable	\$ 63,319	\$ 982,610	\$ 1,226	\$ 62,093	\$ 1,247
General Obligation Bonds	2,880,575	-	741,855	3,121,350	103,075
Add (Deduct) Deferred Amounts		61,387	11,326	120,855	-
Issuance Premiums	70,794	(81)	(548)	(1,204)	-
Issuance Discounts	(1,671)	(18,605)	(13,660)	(34,936)	-
On Refunding	(49,200)	1,025,311	740,179	3,286,949	104,322
Total Bonds Payable	2,963,817	982,610	1,839,529	3,121,350	103,075
Accrued Interest - Deferred Interest Bonds	4,005	471	924	3,552	1,058
Notes and Contracts - Other	23,861	11,494	1,248	34,107	1,672
Total Notes and Contracts - Other	28,001	31,166	30,255	28,912	2,922
Compensated Absences	-	-	-	-	-
Claims Payable	8,509	3,423	2,344	9,669	3,187
Workers' Compensation	21,052	5,999	4,302	21,849	5,918
Environmental Liability ^c	-	-	-	-	-
General Contamination Cleanup	-	-	-	-	-
Total Claims Payable ^d	44,371	11,304	12,115	43,560	11,022
Muckleshoot Liability	74,013	19,826	18,761	75,078	20,127
Habitat Conservation Program Liability	495	-	-	495	-
Landfill Closure and Postclosure Costs	9,423	-	5,111	4,312	527
Total Long-Term Liabilities from Business-Type Activities	25,260	-	4,606	20,654	1,292
Total	\$ 3,128,875	\$ 1,082,268	\$ 801,054	\$ 3,416,059	\$ 131,920

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

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

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

^d See Note 15, Contingencies, for a discussion of risk management, environmental, and other matters. The table in Note 15 also includes information on workers' compensation and health care.

Notes to Financial Statements

The City's internal service funds predominantly serve governmental funds. For this reason, the above totals in the governmental activities include the long-term liabilities for these funds. At the end of the year compensated absences and claims payable of these funds amounted to approximately \$8.7 million and \$1.7 million, respectively, and are liquidated from each fund's own resources. Notes and contracts (including public works trust loans) compensated absences, and workers' compensation other than those pertaining to the internal service funds are liquidated using the respective governmental funds of operating City departments, including those funded by the General Fund. General liability and health care claims relating to internal service funds are liquidated using the General Fund. Liabilities for compensated absences for governmental activities in governmental funds that have department operating budgets, though they are reported as a general obligation of the City, are paid from these funds when these compensated absences are used by the employees or cashed out by them at termination or retirement. Arbitrage rebate liabilities in governmental activities are paid as they become due and usually come from available resources in governmental funds that received the related bond proceeds and investment earnings from the proceeds.

In addition to paying for debt service on the bond issues for business-type City operations, each business-type fund liquidates its respective other long-term liabilities, with the exception of the Department of Planning and Development (DPD) for general liability. The General Fund pays for DPD's general liability, if any. Environmental liabilities of governmental activity funds are paid from the governmental funds while environmental liabilities of business-type activity funds are paid respectively from the utility funds. Purchased power obligations are obligations of City Light and therefore paid from the Light Fund. For further discussion on purchased power, see Note 14, Commitments.

ADVANCE AND CURRENT REFUNDINGS

In order to lower interest costs the City refunded and defeased certain bonds. To do so, the City issued new refunding bonds to refund certain prior bond issues and also used its own resources to defease certain prior bond issues. In most cases, City resources and the proceeds of refunding bonds are placed in irrevocable trusts for the purchase of federal, state, and local government securities to provide for all future debt service on the old bonds. As a result, the old bonds including those refunded are considered defeased, and the corresponding liabilities are not included in the statement of net assets. In some cases, like for City Light and Water bonds in the past three years, proceeds are kept with the City as restricted cash until the refunded bonds are called, usually within 90 days. The following paragraphs discuss the advance and current refundings that occurred in 2010.

The refunding portion of the \$201.9 million LTGO Improvement and Refunding Bonds, 2010, issued by the City on March 31, 2010, in the amount of \$115.2 million were used to partially refund \$85.9 million of the 2001 LTGO Various Purpose Bonds and \$30.3 million of the 2002 LTGO Improvement and Refunding Bonds. The aggregate total debt service on the refunded bonds requires a cash flow of \$181.7 million, including \$65.5 million in interest. The aggregate total debt service on the refunding bonds requires a cash flow of \$167.2 million, including interest of \$52.0 million. The difference between the cash flows required to service the old and the new debt and complete the refunding totaled approximately \$14.5 million, and the aggregate economic gain amounted to approximately \$10.8 million at net present value.

Part of the proceeds totaling \$54.8 million of the \$596.9 million Series B 2010 Municipal Light and Power Revenue and Refunding Revenue Bonds were used to advance refund higher-interest-bearing Municipal Light and Power parity bonds, Series 1997, 1998A, 1998B, 2000, and 2001, with a combined principal of \$570.7 million. The aggregate total debt service on the refunded bonds requires a cash flow of \$817.6 million, including \$246.9 million in interest. The aggregate total debt service on the refunding bonds requires a cash flow of \$760.1 million, including interest of \$218.3 million. The difference between the cash flows required to service the old and the new debt and complete the refunding totaled approximately \$57.5 million, and the aggregate economic gain amounted to approximately \$51.8 million at net present value.

The Water System Improvement and Refunding Revenue Bonds, 2010, Series B, issued on January 21, 2010, in the amount of \$81.8 million refunded the remaining portion of the 1998 Water Revenue Bonds, totaling \$61.8 million. The aggregate total debt service on the refunded bonds requires a cash flow of \$95.4 million, including interest of \$33.6 million. The aggregate total debt service on the refunding bonds requires a cash flow of \$85.9 million, including interest of \$26.8 million. The difference between the cash flows required to service the old and the new debt and complete the refunding totaled approximately \$9.5 million, and the aggregate economic gain amounted to approximately \$6.7 million at net present value.

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

Table 9-10
REFUNDED/DEFEASED BONDS
(In Thousands)

Name of Issue	Issuance Date	Maturity Date	Effective Interest Rate	Original Bond Issuance	Amount Transferred To Trustee	Trustee Redemptions To Date 2010	Defeased Outstanding December 31
GENERAL OBLIGATION BONDS							
Limited Tax (Non-Votes)							
Refunding - Various LTGO Bonds, 1998, Series B, Defeased 9/26/05	03/17/98	09/01/98-12	4.493 %	\$ 43,710	\$ 620	\$ 420	\$ 200
Improvement (Various), 2001, Refunded 3/31/10	08/21/01	08/01/02-31	4.908	129,760	85,890	-	85,890
Improvement (Various) and Refunding, 2002, Defeased 9/26/05	01/30/02	07/01/02-32	4.778	125,510	8,470	2,935	5,535
Improvement (Various) and Refunding, 2002, Refunded 3/31/10	09/26/02	10/01/03-14	3.127	64,560	24,730	-	30,275
Various Purpose and Refunding, 2002, Defeased 12/17/08	02/26/03	08/01/04-23	3.469	60,855	2,715	530	2,185
Various Purpose and Refunding, 2003, Defeased 4/4/07							
Various Purpose and Refunding, 2003, Defeased 8/30/07							
Various Purpose and Refunding, 2003, Defeased 12/17/08							
Various Purpose and Refunding, 2005, Defeased 12/17/08	03/23/05	08/01/05-28	4.167	129,540	775	1,920	4,560
REVENUE BONDS							
Municipal Light and Power 1997 Parity	12/30/97	07/01/03-22	5.131	30,000	22,565	-	-
1998 Parity, Series A, Refunding	01/27/98	07/01/98-20	4.884	104,650	77,325	-	-
1998 Parity, Series B	10/29/98	06/01/04-24	4.919	90,000	72,590	-	-
2000 Parity	12/27/00	12/01/06-25	5.298	98,830	86,475	-	-
2001 Parity	03/29/01	05/01/04-26	5.082	503,700	311,730	-	311,730
Municipal Water 1998 Parity	07/07/98	10/01/99-27	5.110	80,000	61,825	-	-
Drainage and Wastewater 1998 Parity	06/11/98	11/01/10-27	5.122	24,170	18,395	-	-
Total Refunded/Defeased Bonds				\$ 1,485,285	\$ 814,040	\$ 353,865	\$ 460,175

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 2009 and in 2010 on its general obligation bonds and revenue bonds. At the end of 2010, the City recognized approximately \$76,000 in estimated arbitrage liability on the general obligation bonds and none on the revenue bonds.

(10) ENVIRONMENTAL LIABILITIES

Following is a brief description of the significant sites:

- The Harbor Island Superfund Site, Harbor Island was designated as a federal Superfund site by the Environmental Protection Agency (EPA) in 1983. The City and other entities are sharing costs of investigating contamination in the East Waterway alongside Harbor Island. The City's involvement stems from its role of transformers to a company on Harbor Island, discharges from storm drains, and combined sewer overflows. In 2006 the EPA issued an Administrative Order on Consent (AOC) for a supplemental Remedial Investigation and Feasibility Study (RI/FS). Subsequent to an agreement between the EPA, the Port of Seattle (Port), King County, and the City, the Port alone signed the order. Both the City and King County signed a Memorandum of Agreement with the Port to participate as cost share partners in the work required by the EPA. No specific requirements for remediation by Potentially Responsible Parties (PRPs) have been made by the EPA as of the date of this note. The Remedial Investigation is anticipated to be completed by 2014.
- The Lower Duwamish Waterway Superfund Site. The site was designated as a federal Superfund site by the EPA in 2001 for contaminated sediments due to land ownership or use of property along the river, discharges from storm drains, and combined sewer overflows into the river. The City is one of four parties who signed an AOC with the EPA and Washington State Department of Ecology (DOE) to conduct a RI/FS to prepare a site remedy. No specific requirements for remediation by PRPs have been made by the EPA as of the date of this note, except those related to specific early action sites. In order to manage the liability, the City is working with the EPA and other PRPs on a RI/FS to evaluate the risk to human health and the environment within the six-mile Superfund area. Identify the possible early action cleanup sites, and generally evaluate the feasibility of cleanup options for use in the ultimate remedial actions that the EPA will require. The Remedial Investigation document has been completed and the draft Feasibility Study was submitted to the EPA at the end of 2010. The EPA will likely complete their proposed plan in 2012 followed by a Record of Decision in 2013. The City and other PRPs have voluntarily agreed to initiate cleanup of two early action sites identified during the Remedial Investigation under AOC for Slip 4 and T-117. The City filed suit in King County Superior Court against the Boeing Company to require Boeing to pay its fair share of costs. The case settled in 2010 with Boeing paying part of the City's past costs and agreeing to pay a specific percentage of future costs related to the cleanup.
- North Boeing Field/Georgetown Steam Plant. The City, King County, and Boeing have signed an Administrative Order by the DOE requiring them to pay for DOE's investigation and possible removal of contamination in an area that encompasses North Boeing Field, the Georgetown Steam Plant, and the King County Airport. The three potentially liable parties have agreed to share costs equally on an interim basis for the current investigative phase. The contaminated areas will be cleaned up after the investigative phase, Boeing agreed to pay a specific percentage of DOE's costs and all costs for work on the property it uses, except Georgetown Steam Plant for which the City Light will bear the entire costs for cleanup.
- Gas Works Park Sediment Site. In 2002 the DOE named the City and Puget Sound Energy (PSE) as PRPs for contamination at the Gas Works Sediments Site in North Lake Union. The City and PSE signed an Agreed Order with the DOE in 2005 to initiate a City-led RI/FS in the western portion of the site and a PSE-led RI/FS in the eastern portion. The City is now working to complete the RI/FS for the western portion for submittal to the DOE. The RI/FS includes an evaluation of the nature and extent of contamination on the site, an evaluation of multiple alternatives for remediating the sediments, and a recommended preferred alternative. A Clean-up Action Plan is expected from the DOE in 2012 or 2013.
- 7th Avenue South Pump Station. The City acquired land in the South Park area of Seattle to construct the 7th Avenue South Pump Station. The land was determined to be contaminated subsequent to the purchase. The City has voluntarily agreed to clean up the contamination in order to continue with the planned construction of the pump station. The cleanup is anticipated to be completed in 2011.
- South Park. The DOE has indicated that it will require the cleanup and remediation of the historic South Park landfill sites under the State Model Toxics Control Act. No specific requirements for remediation by PRPs have been made by the DOE as of the date of this note. In order to manage the liability, the City is working with the DOE and other PRPs on a RI/FS to evaluate the risk to human health and the environment and to assess the feasibility of cleanup options for use in the ultimate remedial actions that the DOE may require. The RI/FS is anticipated to be completed in late 2011 or 2012.
- South Park Bus Barn. The South Park Bus Barn, located near the South Park Landfill, was entered into the DOE's Voluntary Cleanup Program. This parcel of property was purchased by the City in 2008, and currently no other PRP has been named. The remedial action was substantially completed in 2010.
- Maple Leaf Reservoir. In 2009, contaminated soils were discovered during the reconstruction of the Maple Leaf Reservoir. The City entered into the DOE's Voluntary Cleanup Program. The cleanup of Maple Leaf Reservoir's

lead-contaminated soils occurred under the supervision of the DOE and was completed in 2009. No liability was recorded because the cleanup work was essentially complete. The City received a "No Further Action" determination from DOE.

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

The City is aggressively pursuing other third parties that may have contributed to the contamination of the sites noted above. The City's estimate for not-yet-realized recoveries from other parties for their share of remediation work that offset the City's estimated environmental liability was \$1.7 million and \$2.4 million, at December 31, 2010 and 2009, respectively.

The changes in the provision for environmental liability, net of recovery (in thousands) at December 31, 2010 and 2009 are as follows:

	2010	Restated 2009
Environmental Liability – Beginning of Year	\$ 44,371	\$ 34,701
Payments or Amortization	(12,115)	(8,911)
Incurred Environmental Liability	12,101	18,581
Environmental Liability – End of Year	\$ 44,357	\$ 44,371

The provision for environmental liability (in thousands) included in current and noncurrent liability at December 31, 2010 and 2009, is as follows:

	2010	Restated 2009
Claims Payable, Current	\$ 11,022	\$ 12,373
Claims Payable, Noncurrent	33,335	31,998
Total	\$ 44,357	\$ 44,371

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

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

City of Seattle employees are covered in one of the following defined benefit pension plans: Seattle City Employees' Retirement System (SCERS), Fireman's Pension Fund, Police Relief and Pension Fund, and Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF). The first three plans are considered part of the City's reporting entity and are reported as pension trust funds. The State of Washington through the Department of Retirement Systems (DRS) administers and reports LEOFF Plans 1 and 2.

Table 11-1

Actuarial Valuation Date	PENSION PLAN INFORMATION				LEOFF Plan 2
	Employees' Retirement	Firmen's Pension	Police Relief and Pension	LEOFF Plan 1	
Actuarial Valuation Method	1/1/2011	1/1/2011	1/1/2011	6/30/2009	6/30/2009
Actuarial Cost Method	Entry-Age	Entry-Age	Entry-Age	Entry-Age	Aggregate ^a
Asset Valuation Method	5-Year Smoothing Method	Fair Value	Fair Value	8-Year Graded Smoothing Fair Value ^b	8-Year Graded Smoothing Fair Value ^b
Amortization Method	Level %	Level \$	Level \$	Level %/Level \$ ^c	N/A
Period	Does Not Amortize ^d	27.0 years	27.0 years	14.5 years	N/A
Approach	Open	Closed	Closed	Closed	N/A
Actuarial Assumptions					
Inflation Rate (CPI)	3.50%	2.50% ^e	2.50% ^e	3.50%	3.00%
Investment Rate of Return	7.75%	4.00%	4.00%	8.00%	8.00%
Projected Salary Increases - General	4.00%	3.50% ^e	3.50% ^e	4.00%	4.50% ^f
Projected Salary Increases - Step Merit	N/A	N/A	N/A	Varies ^f	Varies ^f
Postretirement Benefit Increases	1.50%	Varies ^g	Varies ^g	CPI Increase	CPI Increase (Maximum 3%)

^a The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities.
^b The actuarial value of assets is calculated under an adjusted market value method by starting with the market value of assets. For subsequent years the actuarial value of assets is determined by adjusting the market value of assets to reflect the difference between the actual investment return and the expected investment return during each of the last eight years or, if fewer, the completed years since adoption.
^c Funding is Level %; GASB is Level \$.
^d In 2011, the contribution rate (18.06%) is below the ARC computed January 1, 2011 actuarial valuation of 21.3%. If the contribution rate and ARC were to remain at these levels, the UAAL would not fully amortize in less than 30 years.
^e Long-term assumption is listed. Specific short-term assumptions are used through 2010.
^f For specific information, please refer to the 2009 Actuarial Valuation Report issued by the Washington Office of the State Actuary.
^g Based upon salary increase assumptions for benefits that increased based on salary. Based upon CPI assumptions for benefits that increased based upon CPI.

SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM
Plan Description

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

All employees of the City of Seattle are eligible for membership in the system with the exception of law enforcement officers and fire fighters who are covered under the statewide LEOFF plans administered by the state Department of Retirement Systems. Employees of METRO and the King County Health Department who established membership in the system when their organizations were City of Seattle departments were allowed to continue their membership. Current membership in SCERS consisted of the following at December 31, 2010:

Retirees and Beneficiaries Receiving Benefits	5,428
Terminated Plan Members Entitled To But Not Yet Receiving Benefits, Vested	1,649
Terminated Plan Members Who Have Restored Their Contributions Due to the Provisions of the Portability Statutes and May Be Eligible for Future Benefits, Vested	349
Active Plan Members, Vested and Non-vested	8,599

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

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

The Seattle City Employees' Retirement System issues an independent financial report. A copy of the report is available from the Seattle City Employees' Retirement System at 720 Third Avenue, Suite 900, Seattle, WA 98104; by telephone at 206-386-1293; or by accessing the website http://www.seattle.gov/retirement/annual_report.htm.

Summary of Significant Accounting Policies

Basis of Accounting

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

Investments, including securities lending transactions as discussed in Note 3, are reported at fair 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 is determined by the investment sponsor. Securities and securities lending transactions are reflected in the financial statements on a trade-date basis. The Retirement Board provides its investment managers with a set of investment guidelines. In general, these guidelines require that investments with any one issuer do not exceed 5 percent of the net asset value of a manager's portfolio.

Contributions and Reserves

Member and employer contribution rates are established by SMC 4.36.

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

Actuarially determined contribution rates for 2010 were 8.03 percent for members and 8.03 percent for the employer. Plan member and employer contributions for 2010 are \$45,364,624 and \$45,224,787, respectively. There are no long-term contracts for contributions outstanding and no legally required reserves.

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

Notes to Financial Statements

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

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

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

Fiscal Year Ending December 31	Annual Required Contribution (ARC)	Interest on NPO	ARC Adjustment	Total Employer Contributions	Change in NPO	NPO Beginning Balance	NPO Ending Balance
2010	\$95,744	\$(6,034)	\$4,214	\$45,225	\$48,699	\$(77,866)	\$(29,167)

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

Table 11-2 ANNUAL PENSION COST AND NET PENSION OBLIGATION SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM

For the Year Ended December 31, 2010
(In Thousands)

	2010	2009
Total Normal Cost Rate	15.23 %	13.32 %
Employee Contribution Rate	8.03	8.03
Employer Normal Cost Rate	7.20	5.29
Total Employer Contribution Rate	8.03 %	8.03 %
Amortization Payment Rate	0.83	2.74
Amortization Period (Year)	9.80	16.20
GASB 27 Amortization Rate	17.00	2.74
Total Annual Required Contribution (ARC) Rate ^b	17.00	8.03
Covered Employees Payroll ^c	\$ 563,198	\$ 580,948
ARC	\$ 95,744	\$ 46,650
Interest on Net Pension Obligation (NPO)	(6,034)	(6,056)
Adjustment to ARC	4,214	6,339
Annual Pension Cost (APC)	\$ 93,924	\$ 46,933
Employer Contribution	\$ 45,225	\$ 46,650
Change in NPO	\$ 48,699	\$ 283
NPO at Beginning of Year	\$(77,866)	\$(78,149)
NPO at End of Year	\$(29,167)	\$(77,866)

^a In 2011, the contribution rate (18.06%) is below the ARC computed January 1, 2011 actuarial valuation of 21.3%. If the contribution rate and ARC were to remain at these levels, the UAAL would not fully amortize in less than 30 years.
^b If the amortization period determined by the actual contribution rate exceeds the maximum amortization period required by GASB Statement No. 27, the ARC is determined using an amortization of the funding excess over 30 years.
^c Covered payroll includes compensation paid to all active employees on which contributions were made in the year preceding the valuation date.

The City of Seattle

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

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

Authority to change benefit and contribution rates rests with the City Council. City ordinance does not permit a reduction in the employer contribution rate to less than the employee rate. Trend information on SCERS employer contribution is shown in the Required Supplementary Information section, C-3.

The City's contracts with all labor unions that represent members of SCERS describe how contribution rates would be changed in the event higher contributions are needed to improve the financial status of the Employees' Retirement Fund. Under these contracts, the City and employees will share any contribution rate increase equally, up to a maximum increase of 2 percent in the employee contribution (in other words, the employee contribution can increase from the current 8.03 percent to 10.03 percent). If a contribution rate increase is needed, the City intends to apply the same formula to non-represented employees.

FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS

Plan Description

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

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

All law enforcement officers and fire fighters of the City who served before March 1, 1970, are participants of these pension plans, and may be eligible for a supplemental retirement benefit plus disability benefits under these plans. Those officers and fire fighters hired between March 1, 1970, and September 30, 1977, are not eligible for a supplemental retirement benefit, but may be eligible for disability benefits under this plan. Eligible law enforcement officers may retire with full benefits after 25 years of service at any age and fire fighters at age 50 after completing 25 years of service. These pension plans provide death benefits for eligible active and retired employees. In addition, these plans provide medical benefits in accordance with state statutes and City ordinances to active and retired members from the City. Currently 931 fire and 990 police retirees meet these eligibility requirements. The City fully reimburses the amount of valid claims for medical and hospitalization costs incurred by active members and pre-Medicare retirees. The City also reimburses the full amount of premiums for part B of Medicare for each retiree eligible for Medicare. Total postemployment medical benefits for Firemen's Pension were \$10.4 million in 2010 and \$9.1 million in 2009, and for Police Relief and Pension, \$12.0 million in 2010 and \$11.9 million in 2009.

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

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

Notes to Financial Statements

Current membership in Firemen's Pension and Police Relief and Pension consisted of the following at December 31, 2010:

	Firemen's Pension	Police Relief and Pension	
Retirees and Beneficiaries Receiving Benefits Terminated Plan Members Entitled To But Not Yet Receiving Benefits	828	838	
Active Plan Members, Vested	47	38	
Active Plan Members, Nonvested	-	-	

These pension plans do not issue separate financial reports.

Summary of Significant Accounting Policies

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

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

Contributions and Reserves

Since both pension plans were closed to new members effective October 1, 1977, the City is not required to adopt a plan to fund the actuarial accrued liability (AAL). An actuarial fund was established for the Firemen's Pension in July 1994 and is discussed in more detail below; the City funds the Police Relief and Pension Fund as benefits become due. Contributions are no longer required from plan members or the City departments they represent. Under state law, partial funding of the Firemen's Pension Fund may be provided by an annual tax levy of up to \$0.225 per \$1,000 of assessed value of all taxable property of the City. The Firemen's Pension Fund also receives a share of the state tax on fire insurance premiums. Additional funding through the General Fund adopted budget is provided to both pension funds as necessary. The Police Relief and Pension Fund also receives police auction proceeds of unclaimed property. Administrative costs for the Firemen's Pension are financed by the General Fund and fire insurance premium tax. Administrative costs for the Police Relief and Pension are financed by police auction proceeds and the General Fund. Contribution rates are not applicable to these plans.

Three-year trend information (in thousands) for the Firemen's Pension and the Police Relief and Pension Funds as of the January 1, 2011, actuarial valuation are:

	Fiscal Year Ending December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
Firemen's Pension Fund	2008	\$ 10,662	141 %	\$ (3,465)
	2009	8,320	137	(6,566)
	2010	8,098	90	(5,723)
Police Relief and Pension Fund	2008	9,224	105	1,398
	2009	8,343	95	1,803
	2010	7,872	125	(167)

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

The City of Seattle

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

	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (U/AAL)	Funded Ratio	Covered Payroll	U/AAL as Percentage of Covered Payroll
Firemen's Pension Fund	\$11,430	\$126,794	\$115,364	9.0%	N/A	N/A
Police Relief and Pension Fund	1,105	137,497	136,392	1.0	N/A	N/A

In July 1994 the City adopted a funding policy under Ordinance 117216 that is designed to fully fund the AAL of the Firemen's Pension Fund by the year 2018 plus additional contributions, if necessary, to fund benefit payments in excess of contributions to fully fund all retirement benefit liabilities by December 31, 2018. In 2006 the Board of Directors amended the fully funded date from 2018 to December 31, 2023. The level contributions were set aside in the Firemen's Pension Actuarial Account with a fund balance of \$9.6 million as of December 31, 2010. The funding policy does not fund for future medical liabilities. No similar program has been established for the Police Relief and Pension Fund.

The AAL as of December 31, 2010, based on the actuarial valuation as of January 1, 2011, was \$176.8 million for Firemen's Pension and \$137.5 million for Police Relief and Pension. The Police Relief and Pension AAL is funded on a pay-as-you-go basis. Annual requirements are funded through the City's adopted budget, and any budget requirements exceeding the adopted budget are fully covered by supplemental appropriations.

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

The net pension obligation of the Firemen's Pension Fund is a \$5.7 million net pension asset at December 31, 2010. The net pension obligation of the Police Relief and Pension Fund is a \$0.2 million net pension asset at December 31, 2010.

Table 11-3
ANNUAL PENSION COST AND NET PENSION OBLIGATION
FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS
For the Year Ended December 31, 2010
(In Thousands)

	Firemen's Pension			Police Relief and Pension		
	2010	2009	2008	2010	2009	2008
Annual Required Contribution (ARC)	\$ 7,668	\$ 7,909	\$ 10,153	\$ 7,602	\$ 8,005	\$ 8,797
Annual Normal Costs, Beginning of Year	307	356	520	304	360	451
Interest to End of Year	7,975	8,265	10,673	7,906	8,365	9,248
ARC at End of Year	(263)	(156)	46	72	63	97
Adjustment to ARC	386	211	(57)	(106)	(85)	(121)
Annual Pension Cost (APC)	8,098	8,320	10,662	7,872	8,343	9,224
Employer Contribution	7,255	11,421	15,027	9,842	7,938	9,723
Change in NPO	843	(3,101)	(4,365)	(1,970)	405	(499)
NPO at Beginning of Year	(6,566)	(3,465)	900	1,803	1,398	1,897
NPO at End of Year	\$ (5,723)	\$ (6,566)	\$ (3,465)	\$ (1,67)	\$ 1,803	\$ 1,398

Following are the Firemen's Pension and the Police Relief and Pension financial statements for fiscal year ending December 31, 2010.

The City of Seattle

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

Plan Description

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

LEOFF was established in 1970 by the state legislature. Membership includes all full-time, fully compensated, local law enforcement officers and fire fighters. Membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers who were first included prospectively effective July 27, 2003, being a major exception. Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance for Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the legislature for Plan 2. LEOFF retirement benefit provisions are established in state statute and may be amended only by the state legislature. The Washington State Department of Retirement Systems (DRS) administers LEOFF.

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. Employee contributions to Plans 1 and Plan 2 accrue interest at a rate specified by DRS. During fiscal year 2010 the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in Plan 1 and 2 can elect to withdraw total employee contributions and interest earnings upon separation from LEOFF-covered employment.

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

Term of Service	Percent of FAS
20+	2.0 %
10 - 19	1.5
5 - 9	1.0

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted, indexed to the Seattle Consumer Price Index. LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. The credit can only be purchased at the time of retirement and cannot be used to qualify for any retirement eligibility or benefit reductions based upon years of service. This credit is to be used exclusively to provide the member with a monthly annuity that is paid in addition to the member's retirement allowance.

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

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

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

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

Table 11-4

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

December 31, 2010
(In Thousands)

	Firemen's Pension	Police Relief and Pension	2010	2009
ASSETS				
Cash and Equity in Pooled Investments	\$ 13,098	\$ 3,052	\$ 16,150	\$ 16,241
Investments at Fair Value	9	-	9	-
U.S. Government Obligations				
Receivables	1	4	5	9
Employer - Other Interest and Dividends	7	-	7	-
Total Receivables	8	4	12	9
Total Assets	13,115	3,056	16,171	16,250
LIABILITIES				
Refunds Payable and Other	1,684	1,952	3,636	2,697
Total Liabilities	1,684	1,952	3,636	2,697
Net Assets Held in Trust for Pension Benefits	\$ 11,431	\$ 1,104	\$ 12,535	\$ 13,553

Table 11-5

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

For Year Ended December 31, 2010
(In Thousands)

	Defined Benefit Pension		Postemployment Health Care		2010	2009
	Firemen's Pension	Police Relief and Pension	Firemen's Pension	Police Relief and Pension		
ADDITIONS						
Contributions Employer	\$ 7,921	\$ 10,364	\$ 10,477	\$ 12,082	\$ 40,814	\$ 41,496
Investment Income						
From Investment Activities						
Net Appreciation (Depreciation) in Fair Value of Investments	(75)	-	-	-	(75)	(21)
Interest	98	-	-	-	98	165
Total Net Investment Income	23	-	-	-	23	144
Total Additions	7,944	10,364	10,477	12,082	40,837	41,640
DEDUCTIONS						
Benefits	9,121	9,017	10,477	12,082	40,667	38,915
Administrative Expense	666	522	-	-	1,188	1,093
Total Deductions	9,787	9,539	10,477	12,082	41,855	40,008
Change in Net Assets	(1,843)	825	-	-	(1,018)	1,632
Net Assets - Beginning of Year	13,274	279	-	-	13,553	11,921
Net Assets - End of Year	\$ 11,431	\$ 1,104	\$ -	\$ -	\$ 12,535	\$ 13,553

Notes to Financial Statements

Plan 2 members who leave service because of a line-of-duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, Plan 2 members who leave service because of a line-of-duty disability may be eligible to receive a retirement allowance of at least 10 percent of final average salary and two percent per year of service beyond 5 years. The first 10 percent of the FAS is not subject to federal income tax.

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

Effective July 26, 2009:

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

- House Bill 1616 gives domestic partners of LEOFF Plan 2 members the same pension rights and options as spouses.

Effective March 17, 2010:

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

Effective June 10, 2010:

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

Effective January 1, 2014:

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

There were no other material changes in benefit provisions for the fiscal year ended June 30, 2010. LEOFF pension benefit provisions have been established by RCW 41.26.

There are 69 participating employers in LEOFF Plan 1 and 372 participating employers in Plan 2 as of June 30, 2010. Membership in LEOFF consisted of the following as of the latest actuarial valuation date of June 30, 2009:

	Plan 1	Plan 2
Retirees and Beneficiaries Receiving Benefits	8,087	1,367
Terminated Members Entitled To But Not Yet Receiving Benefits	2	672
Active Plan Members, Vested	356	13,007
Active Plan Members, Nonvested	-	3,944
Total	8,445	18,990

The City of Seattle

All law enforcement officers and fire fighters of the City of Seattle participate in LEOFF. Current active members (vested and non-vested) are 87 under Plan 1 and 2,262 under Plan 2.

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

Summary of Significant Accounting Policies

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

Investments are presented at fair value. The fair value of investments is based on published market prices and quotations from national security exchanges and security pricing services or by the respective fund managers for securities that are not actively traded. Privately held mortgages are valued at cost which approximates fair market value. Certain pension trust fund investments, including real estate and private equity, are valued based on appraisals or by independent advisors. LEOFF pension plans contain no single investment (other than any issued or explicitly guaranteed by the U.S. government, or involving mutual funds or investment pools) that comprised more than five percent of DRS's net investments at the end of fiscal year 2010.

Contributions and Reserves

Funding Policy

The state legislature establishes laws pertaining to the creation and administration of LEOFF plans. Plan members together with their employers and the state provide funding for all costs of the system based upon actuarial valuations. The state establishes benefit levels and approves the actuarial assumptions used in determining contribution levels.

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

Required contribution rates for cities (expressed as a percentage of current year covered payroll) at the close of fiscal year 2010 are as follows:

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

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

The state legislature has the ability, by means of a special funding arrangement, to appropriate money from the state general fund to supplement the current service liability and fund the prior service costs of Plans 1 and 2 in accordance with the requirements of the Pension Funding Council and LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute. For fiscal year 2010 the state contributed \$51.4 million to Plan 2.

Employer Contributions Required and Paid

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

Notes to Financial Statements

Year	Plan 1		Plan 2	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2008	\$ -	N/A	\$ 102.1	117 %
2009	-	N/A	105.3	122
2010	-	N/A	112.2	114

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	
Year	2008	2009	2010	2010
Annual Required Contribution	\$ 15	\$ 15	\$ 10,649	\$ 11,520
Percentage Contributed	15	14	12,061	

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, 2010		June 30, 2009	
Plan 1	\$ 50,199	\$ 56,053		
Plan 2	1,704,680	1,542,388		

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, 2010		June 30, 2009	
Plan 1	\$ 4,534,925	\$ 4,298,667		
Plan 2	3,376,726	2,766,301		

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

DEFERRED COMPENSATION PLAN

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

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

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

The City of Seattle

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

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description and Funding Policy

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

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

Annual OPEB Cost and Net OPEB Obligation

The amount of expected contributions and change in net obligation for the City of Seattle Healthcare Blended Premium Subsidy is based on an actuarial valuation date of January 1, 2010; this valuation is performed on alternate years. The actuarial valuation date of January 1, 2010 also included disclosure information for 2009 which was based on the January 1, 2008 valuation. The amount of expected contributions and changes in net obligation for Firemen's Pension and Police Pension and Relief are based on an actuarial valuation date of January 1, 2011.

Table 11-6 ANNUAL OPEB COST AND NET OPEB OBLIGATION

	Healthcare Blended Premium Subsidy	Firemen's Pension (LEOFF1)	Police Relief and Pension (LEOFF1)	Total
Annual Required Contributions	\$ 10,709,000	\$ 14,886,043	\$ 16,189,609	\$ 41,784,652
Net OPEB Obligation	898,000	447,600	327,320	1,672,920
Adjustment to Annual Required Contribution	(1,239,000)	(658,903)	(481,842)	(2,379,745)
Annual OPEB Cost (Expense)	10,368,000	14,674,740	16,025,887	41,068,627
Expected Contribution (Employer-Paid Benefits)	3,202,000	10,476,744	12,051,575	25,730,319
Increase in Net OPEB Obligation	7,166,000	4,197,996	3,974,312	15,338,308
Net OPEB Obligation – Beginning of Year	20,446,000	11,189,996	8,183,007	39,819,003
Net OPEB Obligation – End of Year	\$ 27,612,000	\$ 15,387,992	\$ 12,157,319	\$ 55,157,311

Notes to Financial Statements

The City's annual OPEB cost, percentage of annual OPEB cost contributed, and the net OPEB obligation for each plan based on an actuarial valuation of January 1, 2010, for Healthcare Blended Premium Subsidy and January 1, 2011, for Firemen's Pension (LEOFF1) and Police Relief and Pension (LEOFF1) are displayed below for the current and latest two years. The January 1, 2010 valuation for the Healthcare Blended Premium Subsidy also included disclosure information for January 1, 2009 based on the January 1, 2008 valuation.

	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Healthcare Blended Premium Subsidy	12/31/2008	\$ 8,628,329	26.1%	\$ 14,353,000
	12/31/2009	9,047,000	32.7	20,446,000
	12/31/2010	10,368,000	30.9	27,612,000
Firemen's Pension (LEOFF1)	12/31/2008	13,250,373	64.0	6,344,860
	12/31/2009	13,996,040	65.0	11,189,996
	12/31/2010	14,674,740	71.0	15,387,992
Police Relief and Pension (LEOFF1)	12/31/2008	14,002,767	81.0	4,899,757
	12/31/2009	15,174,858	78.0	8,183,007
	12/31/2010	16,025,887	75.0	12,157,319

Funded Status and Funding Progress

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

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Normal AAL (b)	U/AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	U/AAL as a Percentage of Covered Payroll	
							(b-a) / (c)	((b-a) / c)
Healthcare Blended Premium Subsidy	1/1/2008	-	\$78,816	\$78,816	-	\$837,142	9.4%	
	1/1/2009	-	84,096	84,096	-	903,263	9.3	
	1/1/2010	-	93,519	93,519	-	869,116	10.8	
Firemen's Pension (LEOFF1)	1/1/2009	-	221,915	221,915	-	N/A	N/A	
	1/1/2010	-	242,493	242,493	-	N/A	N/A	
	1/1/2011	-	241,443	241,443	-	N/A	N/A	
Police Relief and Pension (LEOFF1)	1/1/2009	-	240,113	240,113	-	N/A	N/A	
	1/1/2010	-	264,219	264,219	-	N/A	N/A	
	1/1/2011	-	261,040	261,040	-	N/A	N/A	

Actuarial Methods and Assumptions

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

The City of Seattle

Table 11-7

OPEB INFORMATION

Description	Healthcare Blended Premium Subsidy	Firemen's Pension (LEOFF1)	Police Relief and Pension (LEOFF1)
Actuarial Valuation Date	1/1/2010	1/1/2011	1/1/2011
Actuarial Cost/Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level amount over past and future service	30-year, closed as of 1/1/2007	30-year, closed as of 1/1/2007
Remaining Amortization Period	30 years	26 years	26 years
Records and Data	City records	Supplied by the City	Supplied by the City
Replacement of Terminated Employees	Open to new retirees	Closed. No new members permitted.	Closed. No new members permitted.
Valuation of Assets	N/A. No assets as of valuation date.	N/A. No assets as of valuation date.	N/A. No assets as of valuation date.
Assumptions:			
Discount Rate	4.39%	4.0%	4.0%
Medical Inflation		7.8%, gending down to 4.7% in 2081 and beyond.	7.8%, gending down to 4.7% in 2081 and beyond.
Traditional and Preventive Plans	10.0%, decreasing by 0.5% each year for 10 years until it reaches an ultimate rate of 5.0%		
Group Health Standard and Deductible Plans	9.5%, decreasing by 0.5% each year for 9 succeeding years until it reaches an ultimate rate of 5.0%		
Long-Term Care Inflation Rate	N/A	4.75%	4.75%
Dental Inflation Rate	N/A	5.0% until 2076, then medical inflation thereafter.	5.0% until 2076, then medical inflation thereafter.
Participation/Service Retirement	40% of actives who retire are assumed to participate.	All actives are assumed to retire at the valuation date.	All actives are assumed to retire at the valuation date.
Mortality	LEOFF employees are based on the actuarial 2000 Combined Health Table for Males and Females. Mortality assumptions for females are based on the Group Annuity Mortality (GAM) 1994 Static Table (Final) with ages set forward one year for both males and females. The ages are set forward one year for males but with no age adjustment for females for retirees.	For active and service-retired members, RP-2000 Mortality Table (combined healthy) project to be using 50% of Project Scale AA. For disabled one year for males and forward one year for females. For disabled members, RP-2000 Mortality Table (combined healthy) project to be using 50% of Project Scale AA, with ages set forward two years.	For active and service-retired members, RP-2000 Mortality Table (combined healthy) project to be using 50% of Project Scale AA. For disabled one year for males and forward one year for females. For disabled members, RP-2000 Mortality Table (combined healthy) project to be using 50% of Project Scale AA, with ages set forward two years.
Marital Status	60% of members electing to be married or to have a registered domestic partner. Male spouses are assumed to be two years older than their female spouses.	N/A	N/A

Notes to Financial Statements

Table 11-7 OPEB INFORMATION (continued)

Description	Healthcare Blended Premium Subsidy	Fireman's Pension (LEO/FFI)	Police Retiree and Pension (LEO/FFI)
Morbidity Factors	N/A	N/A	N/A
Traditional Plan			
Preventive Plan			

Assumptions (continued):

Morbidity rate ranges assumed for ages 50 through 64 are as follows:
 104.3% for male
 107.5% for female
 76.8% for male
 76.8% for female
 138.9% to 229.8% for male spouses, and 102.3% to 169.3% for female spouses.

Morbidity rate ranges assumed for ages 50 through 64 are as follows:
 112.6% to 186.4% for male retirees, 82.9% to 137.3% for female retirees, 138.6% to 229.4% for male spouses, and 102.1% to 168.9% for female spouses.

For the above two plans, because the retirees' spouses pay a lower premium for their health care cost than the City for the spouse coverage is greater than for a retiree of the same gender and age. The morbidity factors were adjusted to reflect this discrepancy.

Group Health Standard and Deductible Plans

Morbidity rate ranges assumed for ages 50 through 64 for retirees and spouses are: 123.0% to 146.6% for males and 90.6% to 130.0% for females.

Other Considerations

Active employees with current spouse and/or dependent coverage are assumed to elect the same plan for their dependents. If a dependent is assumed that children will have aged off of coverage and will have \$0 liability.

(12) COMPONENT UNITS DISCRETELY PRESENTED COMPONENT UNITS Seattle Public Library Foundation

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

The City is not financially accountable for the Foundation. The Foundation is considered a nonmajor component unit in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14*, and is presented discretely in the City's financial statements because (1) the economic resources received or held by the Foundation are entirely for the direct benefit of the Seattle Public Library; (2) the Seattle Public Library is legally entitled to access a majority of the economic resources received or held by the Foundation; and (3) the economic resources received or held by the Foundation are significant to the Seattle Public Library.

The City of Seattle

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

Seattle Investment Fund LLC

The Seattle Investment Fund LLC (SIF) was established by Ordinance 123146 for the purpose of implementing the U.S. Treasury Department's New Market Tax Credit (NMTC) program. The City is its sole and managing member. SIF is a qualified Community Development Entity (CDE) and the Primary Allocatee. One subsidiary, Seattle Subsidiary Investment Fund I LLC (SSIF1), has been established. SSIF1 is a CDE and operates as a Subsidiary Allocatee. Detailed information on this program and complete audited financial statements are available by contacting the City's Office of Economic Development at 700 Fifth Avenue, Seattle, WA 98104 or by telephone at 206-684-8090.

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

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

**Table 12-1
CONDENSED STATEMENT OF NET ASSETS
SEATTLE PUBLIC LIBRARY FOUNDATION AND
SEATTLE INVESTMENT FUND LLC**

December 31, 2010
(In Thousands)

	Seattle Public Library Foundation		Discretely Presented Component Units Seattle Investment Fund LLC		Total
	2010	2009	2010	2009	
ASSETS					
Cash and Other Assets	\$ 4,974	\$ 4,634	\$ 300	\$ -	\$ 5,274
Invested in Capital Assets, Net of Related Debt	47,288	42,923	-	-	47,288
Capital Assets, Net	1	1	-	-	1
Total Assets	52,263	47,564	301	-	52,564
LIABILITIES					
Current Liabilities	1,168	814	1	-	1,169
Total Liabilities	1,168	814	1	-	1,169
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	1	1	-	-	1
Restricted	37,666	34,594	-	-	37,666
Unrestricted	13,428	12,155	300	-	13,728
Total Net Assets	\$ 51,095	\$ 46,750	\$ 300	\$ -	\$ 51,395
	\$ 46,750	\$ 46,750	\$ 46,750	\$ 46,750	\$ 46,750

Notes to Financial Statements

Table 12-2
CONDENSED STATEMENT OF ACTIVITIES
SEATTLE PUBLIC LIBRARY FOUNDATION AND
SEATTLE INVESTMENT FUND LLC
For Year Ended December 31, 2010

(In Thousands)

	Discretely Presented Component Units			
	Seattle Public Library Foundation	Seattle Investment Fund LLC	Total	Total
	2010	2009	2010	2009
PROGRAM REVENUES				
Contributions/Endowment Gain	6,708	2,353	-	-
Placement Fee Income	-	-	300	-
Total Program Revenues	6,708	2,353	300	-
GENERAL REVENUES				
Investment Income	4,714	6,565	-	-
Total Program Support and Revenues	11,422	8,918	300	-
EXPENSES				
Support to Seattle Public Library and General Fundraising	6,353	3,081	-	-
	384	384	-	-
	340	338	-	-
Total Expenses	7,077	3,814	-	-
Change in Net Assets	4,345	5,104	300	-
NET ASSETS				
Net Assets - Beginning of Year	46,750	41,646	-	-
Net Assets - End of Year	\$ 51,095	\$ 46,750	\$ 300	\$ 51,395
	\$ 46,750	-	-	\$ 46,750

BLENDED COMPONENT UNIT
Seattle Transportation Benefit District

The Seattle Transportation Benefit District (STBD) is a quasi-municipal corporation created in September 2010 by Ordinance 123397 pursuant to RCW 36.73. Consistent with state law, it has authority to establish fees and other revenue sources to provide funding to preserve and maintain transportation infrastructure; improve public safety; implement elements of the City's Transportation Strategic Plan and other planning documents; invest in bicycle, pedestrian, freight mobility, and transit enhancements; and provide people with choices to meet their mobility needs. STBD has no employees and its officers are either City Council members serving in an ex officio capacity or City employees. Ordinance 123586 authorized an interlocal agreement between STBD and the City and details their roles and responsibilities related to the collection and expenditure of revenues for transportation purposes. The operations of STBD are so intertwined with those of the City that it qualifies to be a blended component unit as defined in GASB Statement No. 39. Although STBD was established in 2010, its financial transactions start in 2011. Hence, no financial statements are available for 2010.

(13) JOINT VENTURES
SEATTLE-KING COUNTY WORKFORCE DEVELOPMENT COUNCIL

The Seattle-King County Workforce Development Council (WDC) is a joint venture between King County and the City of Seattle. It was established as a nonprofit corporation in the State of Washington on July 1, 2000, as authorized under the Workforce Investment Act (WIA) of 1998. It functions as the Department of Labor pass-through agency to receive the employment and training funds for the Seattle-King County area. The King County Executive and the Mayor of the City of Seattle, serving as the chief elected officials (CEO) of the local area, have the joint power to appoint the members of the

The City of Seattle

WDC board of directors and the joint responsibility for administrative oversight. An ongoing financial responsibility exists because the CFO is potentially liable to the grantor for disallowed costs. If expenditure of funds is disallowed by the grantor agency, the WDC can recover the funds in the following order: (1) the agency creating the liability; (2) the insurance carrier; (3) future program years; and (4) as a final recourse, King County and the City of Seattle, who each will be responsible for one-half of the disallowed amount. As of December 31, 2010, 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 2010, 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 98121-2162, by accessing its website at <http://www.seakingwdc.org/reports/reports-publications.html>, or by telephone at 206-448-0474.

(14) COMMITMENTS

GENERAL

Capital Improvement Program

The City adopted the 2010-2011 Capital Improvement Program (CIP) which functions as a capital financing plan totaling \$4.311 billion for the years 2010-2015. The adopted CIP for 2010 was \$717.8 million, consisting of \$444.4 million for City-owned utilities and \$273.4 million for nonutility departments. The utility allocations are: \$228.6 million for City Light, \$93.9 million for Water, \$79.4 million for Drainage and Wastewater, \$32.1 million for Solid Waste, and \$10.4 million for Seattle Public Utilities' technology projects. Expenditures may vary significantly based upon facility requirements and unforeseen events. A substantial portion of contractual commitments relates to these amounts.

Notes to Financial Statements

CITY LIGHT

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

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

	2010	2009
Bonneville Power Administration Block	237.3	237.6
Bonneville Power Administration Slice	361.1	379.4
Lucky Peak	32.6	36.9
British Columbia - High Ross Agreement	35.1	35.7
Renewable Energy - State Line Wind	39.8	40.2
Grant County Public Utility District	19.2	3.8
Grand Coulee Project Hydroelectric Authority	27.5	29.7
British Columbia - Boundary Encroachment	1.8	1.7
Renewable Energy - Other	9.7	14.8
Long-Term Purchased Power Booked Out	(16.9)	(16.9)
Total Long-Term Purchased Power	764.2	763.9

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 ten-year contract that expires September 30, 2011. The agreement provides power equal to the Utility's annual net requirement, defined as the difference between projected load and firm resources declared to serve that load. The Block product provides fixed amounts of power per month.

The Utility and BPA amended the Block agreement in 2006 to enable the Utility to participate in the BPA Flexible Priority Firm (PF) Program. Under the provisions of this program, which expired in 2009, the Block product was subject to a Flexible PF Charge on a power bill increasing the amount payable by the Utility for power service in a given month followed by reductions in the amount payable for power service in subsequent months until the charge was recovered. Participation in the program provided the Utility with a monthly discount on its Block bill whether or not the Flexible PF Charge was applied. In order to participate, the Utility was required to enter into an irrevocable standby letter of credit for \$16.5 million issued by the Bank of America with a term from October 1, 2006 through September 30, 2009; the letter of credit was not renewed. The Flexible PF Charge was not applied in 2010 or 2009.

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 with specified exceptions. Subsequent amendments to the contract provide that BPA will pay the Utility for qualified energy savings realized through specified programs and decrement Block purchases accordingly.

BPA's Residential Exchange Program (REP) was established as a mechanism to distribute financial benefits of the Federal Columbia River Power System to residential customers of the region's investor owned utilities (IOUs). In May 2007 the Ninth Circuit Court rulings found the 2000 REP Settlement Agreements with IOUs inconsistent with the Northwest Power Act. The Utility received \$6.0 million and \$10.9 million in 2010 and 2009, respectively in payments and billing credits related to both the Block and Slice agreements.

In December 2008 the Utility entered into a new contract to purchase both Block and Slice energy from BPA for the period October 1, 2011, through September 30, 2028. Block quantities, Slice percentage, and BPA rates are expected to be recalculated periodically during the contract. The Block quantities, Slice percentage, and BPA rates were not finalized as of the end of 2010. Accordingly, certain estimates and assumptions were used in the calculations in the estimated future payments table below.

The City of Seattle

Lucky Peak

In 1984 the Utility entered into a purchased-power agreement with four irrigation districts to acquire 100 percent of the net surplus output of a hydroelectric facility that began commercial operation in 1988 at the existing Army Corps of Engineers Lucky Peak Dam on the Boise River near Boise, Idaho. The irrigation districts are owners and license holders of the project, and the Federal Energy Regulatory Commission (FERC) license expires in 2030. The agreement, which expires in 2038, obligates the Utility to pay all ownership and operating costs, including debt service, over the term of the contract, whether or not the plant is operating or operable.

British Columbia-High Ross Agreement

In 1984 an agreement was reached between the Province of British Columbia and the City of Seattle under which British Columbia will provide the Utility with energy equivalent to that which would have resulted from an addition to the height of Ross Dam. Delivery of this energy began in 1986 and is to be received for 80 years.

In addition to the direct costs of energy under the agreement, the Utility incurred costs of approximately \$8.0 million in prior years related to the proposed addition and was obligated to help fund the Skagit Environmental Endowment Commission through four annual \$1.0 million payments. These other costs were included in the Utility plant-in-service as an intangible asset as defined in GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, and are being amortized to purchase power expense over 35 years through 2035.

Energy Exchanges

Northern California Power Agency (NCPA) and the Utility executed a long-term Capacity and Energy Exchange Agreement in March 1993. The Utility delivers energy to NCPA from June through October 15. NCPA returns energy under conditions specified in the contract at a 1.2:1 ratio of exchange power from November through April. The agreement, which includes a financial settlement option, may be terminated effective May 31, 2014, or any May 31 thereafter with seven years' advance written notice by either party.

Renewable Energy Purchase and/or Exchanges

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

Fair Value of Exchange Energy

Exchange energy receivable and the related deferred gains at December 31, 2010 and 2009, were based on a market valuation technique that utilized Platts M2M Power Curves, Dow Jones U.S. Daily Electricity Price Indexes for settled deliveries, and an income valuation technique that uses interest rate forecasts from HHS Global Insight that are used to calculate discount rates. Risk was evaluated internally resulting in no valuation adjustments.

Estimated Future Payments under Purchase Power and Transmission Contracts

The Utility's estimated payments under its contracts with BPA, the Public Utility Districts (PUDs), irrigation districts, Lucky Peak Project, British Columbia - High Ross Agreement, JP Morgan (assigned from Iberdrola Renewables, Inc. in 2010) and PacifiCorp for wind energy and net integration and exchange services, and others, and for transmission with BPA, and others for the period from 2011 through 2065, undiscounted, are shown in the following table.

Notes to Financial Statements

Table 14-2

ESTIMATED FUTURE PAYMENTS UNDER PURCHASED POWER CONTRACTS AND TRANSMISSION CONTRACTS

(In Thousands)

Year Ending December 31	Estimated Payments ^a
2011	\$ 261,682
2012	254,385
2013	258,101
2014	262,753
2015	267,786
2016 - 2020	1,473,395
2021 - 2025 ^b	1,427,046
2026 - 2030 ^c	755,255
2031 - 2035	51,967
2036 - 2040 ^d	32,529
2041 - 2045	3,231
2046 - 2065	17,242
Total	\$ 5,065,372

^a 2011 to 2015 includes estimated REP recoveries from BPA.

^b BPA transmission contract expires July 31, 2025.

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

^d Lucky Peak contract expires September 30, 2038.

Payments under these long-term power contracts totaled \$222.4 million and \$200.7 million in 2010 and 2009, respectively. Payments under the transmission agreements amounted to \$38.0 million and \$37.9 million in 2010 and 2009, respectively.

Skagit and South Fork Tolt Licensing, Mitigation and Compliance

In 1995 FERC issued a license for operation of the Skagit hydroelectric facilities through April 30, 2025. On July 20, 1989, the FERC license for operation of the South Fork Tolt hydroelectric facilities through July 19, 2029, became effective. As a condition for both of these licenses, the Utility has taken and will continue to take required mitigating and compliance measures. Total Skagit license mitigation costs from the effective date until expiration of the federal operating license were estimated at December 31, 2010, to be \$116.1 million, of which \$97.5 million had been expended. Total South Fork Tolt license mitigation costs were estimated at \$1.3 million, of which \$0.8 million was expended through 2010. In addition to the costs listed for South Fork Tolt mitigation, the license and associated settlement agreements required certain other actions related to wildlife studies and wetland mitigation for which no set dollar amount was listed. Requirements for these actions have been met, and no further expenditures need to be incurred for these items.

Capital improvement, other deferred costs, and operations and maintenance costs are included in the estimates related to the settlement agreements for both licenses. Amounts estimated are adjusted to 2010 dollars. Utility labor and other overhead costs associated with the activities required by the settlement agreements for the licenses are not included in the estimates.

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

Federal Energy Regulatory Commission Fees

Estimated federal land use and administrative fees related to hydroelectric licenses total \$229.3 million through 2061; these estimates are subject to change. The estimated portion of fees attributed to the Skagit and South Fork Tolt licenses are excluded after 2025, at which time their current FERC licenses expire. The estimated portion of Boundary fees is included through 2061, although the new license has not yet been approved by FERC. Boundary FERC application process and related issues are discussed below.

The City of Seattle

Application Process for New Boundary License

The Utility's FERC license for the Boundary Project expires on September 30, 2011. The Utility filed an application for a new license with FERC on September 29, 2009, and a proposed settlement agreement and revised exhibit addenda with FERC on March 28, 2010. The proposed settlement and revised exhibit addenda seek to preserve the Utility's operational flexibility at Boundary Dam while providing for natural resource protection, mitigation, and enhancement measures. While the Utility was preparing its initial license application, the Utility was also negotiating the proposed settlement with external parties, such as owners of other hydroelectric projects, Indian tribes, conservation groups, and other government agencies. When the Utility and the external parties agreed to the settlement, the Utility requested FERC to allow the settlement agreement and revised exhibit addenda to replace the initial September 2009 application as the Utility's application; FERC agreed to this request.

Implementation of the settlement will depend upon FERC's approval of the settlement terms as part of the new license. If the new FERC license is significantly different than the settlement terms, the settlement may be terminated. If FERC does not issue a new license before the expiration of the current license, FERC will issue a license annually that continues the conditions of the current license. If necessary, FERC will issue annual licenses until it issues the new long-term license.

Total application process costs are estimated at \$40.1 million, of which \$38.5 million had been expended and deferred as of December 31, 2010. A new license will require additional mitigation efforts for endangered species, including water quality standards. The cost projections for such mitigation, included in the Utility's license application, are estimated to be \$415.8 million over the 50-year life of the license.

Endangered Species

Several fish species that inhabit waters where hydroelectric projects are owned by the Utility or where the Utility purchases power have been listed under the Endangered Species Act (ESA) as threatened or endangered. Although the species were listed after FERC licenses were issued for all of the Utility's hydroelectric projects, the ESA listings still affect operations of City Light's Boundary, Skagit, Tolt, and Cedar Falls hydroelectric projects.

Federal regulations in response to the listing of species affect flow in the entire Columbia River system. As a result of these regulations, the Utility's power generation at its Boundary Project is reduced in the fall and winter when the region experiences its highest sustained energy demand. The Boundary Project's firm capability is also reduced.

The Utility, with the support of City Council, elected to take a proactive approach to address issues identified within the ESA. The Utility is carrying out an ESA Early Action program in cooperation with agencies, tribes, local governments, and watershed groups for bull trout, Chinook salmon, and steelhead in the South Fork Tolt and Skagit Watersheds. The ESA Early Action program is authorized by City Council but is separate from any current FERC license requirements. The ESA program includes habitat acquisition, management and restoration. The ESA Early Action has been successful in protecting listed species. Total costs for the Utility's share of the Early Action program from inception in 1999 through December 31, 2010 are estimated to be approximately \$5.0 million, and approximately \$0.8 million has been allocated for the program in the 2011 budget.

Project Impact Payments

Effective August 2010 the Utility committed to pay a total of \$190 million over ten years ending in 2019 to Pend Oreille County for impacts on county governments from the operations of the Utility's hydroelectric projects. This updated agreement superseded an expired agreement with Pend Oreille County. Effective February 2009, the Utility renewed its contract with Whatcom County committing to pay a total of \$15.8 million over fifteen years ending in 2023. The payments compensate the counties and certain school districts and towns located in these counties for loss of revenues and additional financial burdens associated with the projects. The Boundary Project located on the Pend Oreille River affects Pend Oreille County, and Skagit River hydroelectric projects affect Whatcom County. The combined impact compensation and retrospective payments totaled \$1.4 million to Pend Oreille County and \$0.9 million to Whatcom County in both 2010 and 2009.

SEATTLE PUBLIC UTILITIES (SPU)

Water Fund

Habitat Conservation Program Liability

SPU prepared a comprehensive environmental management plan for its Cedar River Watershed. The purpose of the Habitat Conservation Plan (HCP) is to protect all species of concern that may be affected by the operation of SPU and City Light in the Cedar River Watershed while allowing the City to continue to provide high quality drinking water to the region. The federal government has accepted the HCP. The total cost of implementing the HCP is expected to be \$101.8 million (in

2010 dollars) over a period of 50 years. Expenses are being funded from a combination of operating revenues and issuance of revenue bonds. The cost of HCP to SPU is \$70.2 million thru 2010. The remaining cost of \$31.6 million is comprised of a \$4.3 million liability and an estimate of \$27.3 million for construction and operating commitments. The construction activities will be capitalized and the operating activities will be expensed as incurred.

Distribution System Reservoirs

The Water Fund is required by the Washington State Department of Health (DOH) to complete a program to cover its open, above-ground distribution system reservoirs by the year 2020. The total cost of burying five reservoirs is expected to be approximately \$136.9 million through the year 2015, and the cost beyond 2015 is not estimable. The total cost incurred in 2010 and 2009 were \$111.5 million and \$94.3 million, respectively.

Untreated Water Supply Contract

The Seattle City Council authorized a contract with the City of North Bend to provide North Bend with untreated water for mitigation purposes. SPU executed the contract with North Bend on February 7, 2008. Under the contract SPU will supply water up to an annual average of 1.1 million gallons per day at the basic services rates until January 1, 2067.

Drainage and Wastewater Fund

Wastewater Disposal Agreement

SPU has a wastewater disposal agreement with the King County Department of Natural Resources Wastewater Treatment Division (the Division) expiring in 2036. The monthly wastewater disposal charge paid to the Division is based on the Division's budgeted cost for providing the service. The charges are determined by water consumption and the number of single-family residences as reported by SPU and other component agencies. The 2010 and 2009 payments to the Division were \$110.8 million and \$109.9 million, respectively.

Solid Waste Fund

Contractual Obligations

The City contracts with private companies for the collection of residential and commercial garbage, yard waste, and recycling. The residential and commercial collection contracts commenced in April 2000. The contracts were scheduled to end on March 31, 2007. In 2007 the City extended the contracts until March 29, 2009. Effective March 30, 2009, the City entered into new contracts with Waste Management and Cleanscapes for residential and commercial collection. The contracts are scheduled to end on March 31, 2019. Total payments under these contracts for residential collection during 2010 and 2009 were \$42.0 million and \$38.9 million, respectively. Commercial services paid under these contracts during 2010 and 2009 were \$34.1 million and \$24.2 million, respectively.

In 1990 the City signed a 38-year contract with Washington Waste Systems (WWS) for the disposal of nonrecyclable City waste. WWS agreed to reduce the contract price in exchange for extending the contract to March 29, 2009. Effective March 30, 2009 a new contract was negotiated with WWS resulting in a reduced rate of \$539.65 per ton. SPU paid WWS \$13.5 million in 2010 and \$14.7 million in 2009 under this contract.

The City also negotiated a long-term yard waste processing contract with Cedar Grove Composting, Inc. (CGC). The first opt-out date on the disposal contract was extended to March 29, 2009, in exchange for price reductions every two years beginning in 2003. The City renegotiated a new long-term yard waste processing contract with CGC in 2008 which became effective March 30, 2009. The new tonnage rate is \$26.37 per ton and the first opt-out date is in 2013. Total payments to CGC in 2010 and 2009 were \$2.4 million and \$2.3 million, respectively.

Effective April 1, 2009, the City commenced a new contract for recycling processing with Rabanco, LTD. The company is responsible for processing recyclables, including food waste for both commercial and residential customers. The new contract includes the collection of compostable materials, which is a service not originally provided by the City. The contract is scheduled to end on March 31, 2013, with an option to extend the contract for a three-year period at that time. Total payment for recycling processing under this contract in 2010 and 2009 were \$2.5 million and \$2.0 million, respectively.

Landfill Closure and Postclosure Care

At December 31, 2010, accrued landfill and postclosure costs consisted primarily of monitoring, maintenance, and repair costs. It is the City Council's policy to include the Fund's share of all landfill closure and postclosure costs in the revenue requirements used to set future solid waste rates. Therefore, total estimated landfill closure and postclosure care costs are

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accrued and also reflected as deferred costs in the accompanying financial statements. These costs are being amortized as they are recovered from ratepayers. Actual costs for closure and postclosure care may be higher due to inflation, changes in technology, or changes in regulations. Such amounts would be added to the liability and deferred costs when identified. Landfill closure costs were fully amortized in 2009 and landfill postclosure costs will continue to amortize until 2024.

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

(15) CONTINGENCIES

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

Since January 1, 1999, the City obtained excess general liability insurance coverage for occurrences on or after said date which covers losses over \$2.5 million per occurrence self-insured retention, with a \$25.0 million limit per occurrence and in the aggregate. Starting February 1, 2002 through 2006, the City's excess general liability insurance covers losses over \$5.0 million per occurrence self-insured retention, with a \$25.0 million limit per occurrence and in the aggregate. In June 2007 the limit was increased to \$30.0 million over a \$5.0 million self-insured retention. Beginning June 2009 the self-insured retention was increased to \$6.5 million with a \$30.0 million excess insurance limit.

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

The City did not purchase any annuity contracts in 2010 to resolve litigation. No structured settlements were entered into by the City in 2010. No large liability settlements were received in 2010. No settlements made in 2010, 2009, or 2008 were in excess of insurance coverage.

Claims liabilities are based on the estimated ultimate cost of settling claims, which include case reserve estimates and incurred but not reported (IBNR) claims. Liabilities for lawsuits and other claims are assessed and projected annually using historical claims, lawsuit data, and current reserves. The Personnel Department estimates case reserves for workers' compensation using statistical techniques and historical experience. The ultimate cost of settling claims was estimated for lawsuits, workers' compensation, and other claims based on independent actuarial studies performed in 2010 on data as of year-end 2009 and for health care as of year-end 2010. IBNR undiscounted totaled \$48.1 million and \$48.6 million at December 31, 2010 and 2009, respectively. The \$0.5 million decrease in the IBNR amount in 2010 compared to 2009 was mainly due to the higher estimates of liabilities by \$1.5 million, while the liability reserves also increased by \$8.6 million. This decrease of IBNR was offset by an increase of \$6.6 million in workers' compensation claims, which experienced higher liability estimates and lower liability reserves in 2010.

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

Claims liabilities include claim adjustment expenditures if specific and incremental to a claim. Recoveries from unsettled claims, such as salvage or subrogation, and on settled claims are deposited in the General Fund and do not affect reserves for general government. Workers' compensation annual subrogation recoveries amounted to \$0.2 million in 2010 and \$0.3 million in 2009. All workers' compensation recoveries are deposited into the General Fund. Lawsuit and other claim recoveries of payments reimbursed for the utilities are deposited into the paying utility fund and do not affect the utility reserves.

Claim liabilities recorded in the financial statements are discounted at 1.027 percent for 2010 and 1.650 percent for 2009, the City's average annual rates of return on investments. The total discounted liability at December 31, 2010, was \$121.4 million consisting of \$82.8 million for general liability, \$5.7 million for health care, and \$34.9 million for workers' compensation.

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

	General Liability		Health Care		Workers' Compensation		Total City	
	2010	2009	2010	2009	2010	2009	2010	2009
UNDISCOUNTED								
Balance - Beginning of Fiscal Year	\$ 83,959	\$ 98,220	\$ 3,707	\$ 3,281	\$ 32,604	\$ 30,811	\$ 120,270	\$ 132,312
Less Payments and Expenses	(11,089)	(22,298)	(88,489)	(82,006)	(14,428)	(14,158)	(114,009)	(118,462)
Plus Claims and Changes in Estimates	12,606	8,037	88,593	82,432	18,062	15,951	119,171	106,420
Balance - End of Fiscal Year	\$ 85,476	\$ 83,959	\$ 3,721	\$ 3,707	\$ 36,238	\$ 32,604	\$ 125,435	\$ 120,270
UNDISCOUNTED BALANCE AT END OF FISCAL YEAR CONSISTS OF								
Governmental Activities	\$ 62,924	\$ 61,893	\$ 3,721	\$ 3,707	\$ 26,212	\$ 23,530	\$ 92,857	\$ 89,130
Business-Type Activities	22,551	22,065	-	-	10,026	9,074	32,577	31,139
Fiduciary Activities	1	1	-	-	-	-	-	1
Balance - End of Fiscal Year	\$ 85,476	\$ 83,959	\$ 3,721	\$ 3,707	\$ 36,238	\$ 32,604	\$ 125,435	\$ 120,270
DISCOUNTED/RECORDED BALANCE AT END OF FISCAL YEAR CONSISTS OF								
Governmental Activities	\$ 60,964	\$ 59,043	\$ 3,684	\$ 3,648	\$ 25,279	\$ 22,274	\$ 89,937	\$ 84,975
Business-Type Activities	21,849	21,052	-	-	9,660	8,590	31,158	29,642
Fiduciary Activities	1	1	-	-	-	-	2	1
Balance - End of Fiscal Year	\$ 82,814	\$ 80,106	\$ 3,684	\$ 3,648	\$ 34,949	\$ 30,864	\$ 121,147	\$ 114,618

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

- Boeing West Substitution. In 2002 the Boeing Company discovered PCB contamination in soil adjacent to a City Light substation at Boeing's Plant 2. Boeing claims the contamination came from City Light equipment and that City Light is therefore liable for more than \$2.0 million that Boeing has spent and is still spending to investigate and remove contaminated material. City Light denies that its equipment was the source and considers its liability to be zero. However, whether or not City Light will ultimately be deemed liable is unknown.
- Storage Tanks. Seattle Public Utilities (SPU) anticipates future environmental cleanup costs related to lead-based paint and arsenic contamination surrounding several standing water tanks, as well as expected remediation efforts associated with underground fuel tank replacements. SPU's liability relating to City property remediation and to possible private claimants is indeterminate.
- City Light Energy Crisis Litigation. The City is involved in various legal proceedings relating to the enormous price spikes in energy costs in California and the rest of the West Coast in 2000 and 2001.
- California Refund Case, Appeals, and Related Litigation. In the proceeding before the Federal Energy Regulatory Commission (FERC) various public and private California entities sought refunds in markets that had been created by the State of California. City Light had sold energy in one of these markets. The City faced potential liability of approximately \$6.5 million, plus interest, subject to offsets. In 2001 FERC ordered refunds to the extent that actual energy prices exceeded rates that FERC determined to be "just and reasonable." On appeal the Court of Appeals for the Ninth Circuit held that FERC has no authority to order governmental entities such as the City to pay refunds. Following this ruling the three major California investor-owned utilities sought refunds from City Light and other governmental entities in federal district court on a breach of contract theory. In March 2007 the court dismissed all claims on procedural grounds. The investor-owned utilities appealed the dismissal and also filed a lawsuit in state court in California against the same governmental entities and on the same theory as in the federal action. In April 2007 the three major California investor-owned utilities refilled their claims in state court. In December 2007 the trial court denied a request to dismiss the case. The defendants, including the City, later moved for summary judgment. In April 2010, the trial court issued a tentative ruling deferring ruling on the summary judgment motion and staying all proceedings pending a ruling from the Ninth Circuit Court of Appeals in a related case (to which the City is not a party). Ultimately, the trial court did not stay the case, but continued the trial date, which was set in the fall of 2010. In February 2011 the City agreed to a proposed settlement, pending final approval by the trial court and FERC. Under the proposed settlement,

the City would resolve this matter for \$9.0 million, none of which would need to be immediately paid by City Light. If the settlement is approved by the trial court and FERC, City Light would assign its current accounts receivable from the California Independent System Operator to the California Parties, which is currently valued at approximately \$1.4 million. The remaining balance of over \$7.0 million would be contingent upon City Light recovering monies in the Pacific Northwest Refund Case, discussed below. It is impossible to predict whether a material adverse outcome will result.

Pacific Northwest Refund Case and Appeal. In the proceeding before FERC various sellers of energy, including the City, sought refunds on energy sales in the Pacific Northwest between May 2000 and June 2001. City Light's refund claims currently are in excess of \$100.0 million. In 2003 FERC declined to grant refunds on the grounds that there was no equitable way to do so. The City and other parties appealed to the Ninth Circuit. In August 2007 on appeal from an adverse decision by FERC, the Ninth Circuit held that FERC had abused its discretion in denying all refund relief in the Pacific Northwest and remanded the consideration of refunds to FERC. In December 2007 various sellers of energy filed petitions for rehearing in the Ninth Circuit. On April 9, 2009, the Ninth Circuit denied those petitions for rehearing and on April 16, 2009, the Ninth Circuit remanded the case to FERC. In September 2009 the sellers filed a Petition for a Writ of Certiorari in the United States Supreme Court. That petition was denied on January 11, 2010. FERC has yet to take any action on remand.

Business Tax Refunds. Two cases involving potential tax refunds were filed as follows: (1) A telecommunications company challenged approximately \$5.0 million, plus interest and penalties, in assessed utility and business and occupation taxes it paid into escrow, covering the period from January 1997 through March 2005. The Washington Supreme Court decided several issues affecting the claims in the case prior to the hearing date. The City settled with the company for approximately \$2.5 million in 2010. The City recovered \$2.5 million from the escrowed amount and the rest was refunded to the company. (2) A Seattle-based company appealed its business and occupation (B&O) tax assessment of \$1.5 million in 2008. The issue on appeal is whether the company is allowed to allocate the income earned from its 450 Seattle-based employees to a California Limited Liability Company. The California company has no employees and no property. The company performs services in Seattle and, pursuant to a contract with the California company, sends out invoices in the California company's name. The Regulatory Services and Operations Division assessed the Seattle company for the income. If the Seattle company prevails, it is possible that other companies will attempt to use similar strategies to avoid taxes and the Seattle company would be able to avoid paying the B&O tax it otherwise owes for 2009. The City prevailed in a hearing before the City of Seattle Hearing Examiner in March 2009. The company then appealed to the King County Superior Court and the City prevailed on February 23, 2010. The company appealed to the Court of Appeals. Oral argument in the court of appeals was heard on March 2, 2011. The court's decision is expected in three to five months. The losing party will likely seek review by the state supreme court.

Costs Charges to Ratepayers. The class action plaintiffs alleged that fire hydrant costs were improperly paid by the City's water utility ratepayers in Seattle and certain suburban cities. The plaintiffs sought refunds of the costs of fire hydrant service. Most of the issues in this case were resolved in prior years. In 2007 the City briefed and/or argued two issues on the appellate level: (1) the City's authority to increase an excise tax upon its water utility in the amount necessary for the General Fund to pay the ongoing costs of fire hydrants and (2) whether statutory interest or a significantly less expensive "cost of money" approach should be applied to refunds previously made by the City's water utility to ratepayers. In addition, the suburban cities appealed the trial court decision that their general funds should pay for fire hydrants.

In October 2008 the Washington Supreme Court ruled in the City's favor on the excise tax issue, holding that the City had the authority to impose the tax on its water utility. However, the Court disagreed with the position taken by the City on the interest rate issue, holding that the City must pay the statutory rate of 12 percent interest on refund payments. The King County Superior Court entered final judgment in the case in December 2008. The judgment required the General Fund to pay Seattle Public Utilities (SPU) \$13.6 million plus 3.18 percent interest from the date of the final judgment until paid. The judgment required SPU to pay \$4.1 million to plaintiffs' counsel in attorneys' fees, \$37,760 for reimbursement for plaintiffs' litigation expenses, and \$5,000 to the class representative. The judgment further required SPU to make refunds to water utility ratepayers for fire hydrant expenses that had been included in water bills for the period March 1, 2002, through December 31, 2004, plus 12 percent interest until paid. The total amount to be refunded to ratepayers was \$20.3 million plus 12 percent interest less the amounts listed above for attorneys' fees, litigation expenses, and class representative payments. Finally, the judgment required the City of Burien to pay SPU \$13,153, and required the City of Lake Forest Park to pay SPU \$14,171 plus interest on both payments of 3.18 percent interest from April 30, 2007, until paid. All outstanding payments in this matter were made in 2010.

Cedar River Sockeye Hatchery. A lawsuit was filed alleging that the National Marine Fisheries Service erred in issuing an incidental take permit to the City for SPU's planned construction and operation of a sockeye hatchery based on the Cedar River Habitat Conservation Plan. The City intervened as a defendant. The case was resolved in 2009 when the Ninth Circuit Court of Appeals upheld the trial court's decision in the City's favor.

Cedar River Watershed. A final settlement of claims by the Muckleshoot Tribe was approved by the United States District Court in 2006. The City paid the Tribe \$14.0 million required by the settlement. The City would have been obligated to pay up to another \$14.5 million to the Tribe, if the City had been unable to construct and/or operate a

sockeye hatchery on the Cedar River. The hatchery is now under construction with a target completion date of August 15, 2011. There is no longer any likelihood that the City would have to pay the Tribe in lieu of constructing the hatchery.

- **Underground Reservoirs Construction.** The City is seeking a recovery of money expended. During the course of construction of the new covered underground reservoirs, the City discovered leaking in the roofs of the reservoirs. The roof leaks have been repaired and the City sought to recover the costs of repairs from both the design company and the general contractor. Both the City and the general contractor filed claims with the City's builder's risk insurer; those claims were settled with the City receiving \$962,500 from the insurers. The City then agreed to a settlement with the general contractor in the amount of \$1.0 million and to a separate settlement with the design company in the amount of \$1.0 million. Final settlement documents are being circulated for signature at the date of this note.
- **Leaks and Cracks in Reservoirs.** The City discovered leaks in various reservoirs and cracks in a not-yet completed reservoir. Discussions with the designer and contractor have commenced to determine the cause of the leaks and cracks. Costs of repairs and/or damages are expected to exceed the material amount. The amount is indeterminable as of the date of this note.
- **Other Miscellaneous Lawsuit and Claim.** A lawsuit was filed by a former executive-level employee of the City's Personnel Department alleging discrimination based upon gender, national origin, sexual orientation, and retaliation. In early 2010 the plaintiff's employment was terminated for poor performance. The plaintiff amended her complaint to challenge the termination. The City settled this matter for an immaterial amount in 2011.

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

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

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

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

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

On December 31, 2010, ten accounts remained outstanding with a combined total amount of \$25.5 million. BEDI grant funds amounting to \$3.75 million are being held as loan loss reserves for the ten accounts.

GUARANTEES OF THE INDEBTEDNESS OF OTHERS

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

Museum Development Authority

Special obligation bonds issued on November 16, 2005, in the amount of \$60,720,000, of which \$56,420,000 was outstanding at December 31, 2010. The bonds will be fully retired by April 1, 2031.

Pike Place Market Preservation and Development Authority

Special obligation deferred-interest refunding bonds issued on March 7, 1991, in the amount of \$1,376,671, of which \$151,058 was outstanding at December 31, 2010. The bonds will be fully retired by November 1, 2011.

Special obligation refunding bonds issued on March 28, 2002, in the amount of \$5,925,000 of which \$4,585,000 was outstanding on December 31, 2010. The bonds will be fully retired on November 1, 2017.

Seattle Chinatown-International District Preservation and Development Authority

Special obligation bonds, Series A, issued on December 12, 2002, in the amount of \$7,700,000. The outstanding amount at December 31, 2010, was \$2,700,000. The bonds will be fully retired by October 1, 2032.

Special obligation bonds, Series B, issued on December 12, 2002, in the amount of \$2,790,000. The outstanding amount at December 31, 2010, was \$2,440,000. The bonds will be fully retired by October 1, 2032.

Special obligation refunding bonds issued on September 26, 2007, in the amount of \$7,555,000. The outstanding amount at December 31, 2010, was \$6,775,000. The bonds will be fully retired by August 1, 2026.

Seattle Indian Services Commission

Special obligation refunding bonds issued on March 28, 2002, in the amount of \$3,710,000. The amount outstanding at December 31, 2010, was \$2,185,000. The bonds will be fully retired on November 1, 2017.

Special obligation revenue refunding bonds issued on November 1, 2004, in the amount of \$5,210,000, of which \$4,585,000 was outstanding as of December 31, 2010. The bonds will be fully retired on November 1, 2024.

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

In 2007, 2008, and 2009, the City, in its Planning and Development Fund, incorrectly capitalized costs associated with preliminary project-study work that should have been reported as expenses. Therefore, restatements to the 2009 government-wide financial statements for business-type activities and the corresponding proprietary fund financial statements were required. The result of this was a prior-year adjustment of \$643 thousand and a restatement of the 2009 financial statements in the amount of \$312 thousand, for a total impact of \$955 thousand. The prior-period adjustment and the restatement represent a decrease in noncurrent assets - construction in progress, an increase in expenses, and an offsetting reduction to the 2009 net assets.

In 2009, Department of Transportation incorrectly recorded approximately \$743 thousand of infrastructure and expenses. Restatements to the 2009 government-wide financial statements for governmental activities were made.

In 2010, the City recognized its interpretation of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, relating to financial statement presentation for internal service funds was incorrect. Therefore, restatements to the 2009 internal service fund statements, General Bond Interest and Redemption Fund and, respectively, the corresponding proprietary fund statements, and nonmajor governmental fund statements were required. The result was a prior-period adjustment of \$256 million on the Fleets and Facilities Fund financial statements incorporating the capital assets, net of the long-term debt associated with the fund's support services provided to other City departments for office space. There was no impact to the government-wide financial statements for governmental activities.

Effective January 1, 2010, the City adopted GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, as discussed in Note 1. All intangible assets covered under GASB Statement No. 51 must be reported as capital assets. Certain assets, approximating \$157.6 million, net of accumulated amortization, were previously reported in noncurrent assets as capitalized licensing costs or other deferred charges and met the criteria as defined by GASB Statement No. 51. Therefore, reclassification to the 2009 government-wide financial statements for business-type activities and the corresponding proprietary fund Statement of Net Assets was made to be comparative with 2010 presentation.

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

Notes to Financial Statements

(17) SUBSEQUENT EVENTS

Bond Issues. On March 16, 2011, pursuant to City Ordinance 123480, the City issued \$79.2 million Limited Tax General Obligation (LTGO) Improvement Bonds with an average coupon rate of 4.43 percent and maturing on March 1, 2031. Included in this issue is a \$1.5 million Qualified Energy Conservation Bonds which the City elected to avail under Section 54D of the Internal Revenue Code. The proceeds of the bonds are used to pay for the costs of various capital projects, including some facility energy retrofits.

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

On June 22, 2011, pursuant to City Ordinance 123576, the City issued \$47.5 million Solid Waste Revenue Bonds with an average coupon rate of 4.78 percent and maturing on August 1, 2036. The proceeds of the bonds are used to finance certain capital improvement projects of the City's solid waste system.

In August 2011, Moody's Investors Service (Moody's) placed the City, along with approximately 161 other AAA-rated local government entities, on a "negative watch" list. This is the result of the City's credit ratings being indirectly linked to the U.S. federal government. The City has been notified that Moody's will be conducting a review of the City's overall credit rating in September 2011.

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Required Supplementary Information

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Required Supplementary Information

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

The budgetary basis of accounting is substantially the same as the modified accrual basis of accounting in all governmental funds except for the treatment of encumbrances that do not lapse, those whose budgets were approved by the City Budget Office to carry over to the following year. These encumbrances are included with expenditures in the City's budgetary basis of accounting.

The City of Seattle

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2010
(In Thousands)**

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes				
General Property Taxes	\$ 250,157	\$ 250,157	\$ 250,430	\$ 273
Retail Sales and Use Taxes	150,608	150,608	146,970	(3,638)
Business Taxes	233,043	233,043	223,482	(9,561)
Other Taxes	26,308	26,308	28,408	2,100
Intergovernmental	112,073	112,073	108,088	(3,985)
Total Taxes	772,189	772,189	761,170	(11,019)
Licenses and Permits	19,874	19,914	20,401	487
Grants, Shared Revenues, and Contributions	41,365	72,880	31,412	(41,468)
Interest and Dividends	1,000	1,000	1,000	0
Fees and Forfeits	30,382	30,382	30,936	554
Parking Fees and Space Rent	28,902	28,902	26,868	(2,034)
Program Income, Interest, and Miscellaneous Revenues	24,041	24,169	16,374	(7,795)
Total Revenues	987,389	1,021,365	954,024	(67,341)
EXPENDITURES AND ENCUMBRANCES				
Current				
General Government	200,173	201,414	173,004	28,410
Public Safety	26,836	26,836	28,679	1,843
Physical Environment	456,103	456,498	437,827	18,671
Transportation	9,384	27,608	8,704	18,904
Economic Environment	12,627	12,967	10,823	2,144
Culture and Recreation	25,979	29,485	21,319	8,166
Capital Projects	6,722	47,397	26,820	20,577
General Government	27,583	26,884	9,001	17,883
Public Safety	-	-	2,658	(2,658)
Transportation	4,258	4,075	-	4,075
Culture and Recreation	37,226	37,962	22,222	15,740
Total Expenditures and Encumbrances	806,791	881,026	738,678	142,348
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	180,598	140,339	215,346	75,007
OTHER FINANCING SOURCES (USES)				
Sales of Capital Assets	1,835	41,835	21,309	(20,526)
Transfers In	11,334	11,835	10,068	(1,767)
Transfers Out	(282,397)	(282,595)	(278,109)	4,486
Total Other Financing Sources (Uses)	(269,228)	(228,925)	(246,732)	(17,807)
Net Change in Fund Balance	(88,630)	(88,586)	(31,386)	\$ 57,200
Fund Balance - Beginning of Year			193,099	
Encumbrances Continued from Last Year			3,110	
Changes in Unappropriable Reserves			426	
Fund Balance (Budgetary) - End of Year			165,249	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			811	
Encumbrances			976	
Rearrangements			(147,911)	
Budgeted as Revenues			(147,911)	
Budgeted as Expenditures			147,911	
Pass-Through Receipts			(17)	
Budgeted as Revenues			(17)	
Budgeted as Expenditures			17	
Fund Balance (GAAP) - End of Year			\$ 167,036	

The City of Seattle

C-2 TRANSPORTATION FUND
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES – BUDGET AND ACTUAL
 For the Year Ended December 31, 2010**
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes				
General Property Taxes	\$ 40,910	\$ 40,910	\$ 39,612	\$ (1,298)
Business Taxes	20,216	20,216	24,817	3,901
Total Taxes	61,126	61,126	64,429	3,303
Licenses and Permits	65,164	65,164	64,581	(583)
Grants, Shared Revenues, and Contributions	1,978	1,978	6,113	4,135
Charges for Services	45,662	52,973	50,115	(2,858)
Fees and Forfeits	48,613	49,377	60,215	10,838
Program Income, Interest, and Miscellaneous Revenues	-	-	99	99
Total Revenues	161,417	169,492	181,375	11,883
EXPENDITURES AND ENCUMBRANCES				
Current				
Transportation	94,873	96,348	85,221	11,127
Capital Outlay	380,106	383,429	169,636	213,793
Debt Service	-	-	2,272	(2,272)
Interest	18,360	18,360	279	18,081
Total Expenditures and Encumbrances	493,339	498,137	257,408	240,729
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(331,922)	(328,645)	(76,033)	252,612
OTHER FINANCING SOURCES (USES)				
Transfers In	45,471	45,196	89,952	43,756
Transfers Out	-	-	(13,867)	(13,867)
Total Other Financing Sources (Uses)	45,471	45,196	75,085	29,889
Net Change in Fund Balance	\$ (286,451)	\$ (283,449)	(948)	\$ 282,501
Fund Balance - Beginning of Year			34,070	
Encumbrance Continued from Last Year			84	
Fund Balance (Budgetary) - End of Year			33,206	
Adjustments to Conform to Generally Accepted Accounting Principles				
Change in Accounting Principle for Appropriation Pass-Through Receipts			2	
Budgeted as Revenues			(3,300)	
Budgeted as Expenditures			3,300	
Fund Balance (GAAP) - End of Year			\$ 33,208	

The City of Seattle

C-3 LOW-INCOME HOUSING FUND
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES – BUDGET AND ACTUAL
 For the Year Ended December 31, 2010**
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes				
General Property Taxes	\$ 18,820	\$ 18,820	\$ 18,621	\$ (199)
Grants, Shared Revenues, and Contributions	28,398	29,205	14,893	(14,312)
Program Income, Interest, and Miscellaneous Revenues	10,138	11,249	4,423	(6,826)
Total Revenues	57,356	59,274	37,937	(19,339)
EXPENDITURES AND ENCUMBRANCES				
Current				
Economic Environment	40,227	53,551	41,701	11,850
Capital Outlay	84,384	72,878	5	72,873
Total Expenditures and Encumbrances	124,611	126,429	41,706	84,723
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(67,255)	(67,155)	(3,769)	63,386
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	3,568	3,568
Net Change in Fund Balance	\$ (67,255)	\$ (67,155)	(134)	\$ 65,430
Fund Balance - Beginning of Year			75,169	
Encumbrances			125	
Fund Balance (Budgetary and GAAP) - End of Year			\$ 75,150	

Required Supplementary Information

PENSION PLAN INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Defined benefit pension plans are required to provide two schedules of long-term actuarial data, Schedule of Funding Progress and Schedule of Employer Contributions as of the plans' reporting dates for the past six consecutive fiscal years. The information presented in these schedules was part of the latest actuarial valuations at the dates indicated in Note 11, Table 11-1.

The City of Seattle

C-4

**PENSION PLAN INFORMATION
SCHEDULE OF FUNDING PROGRESS
December 31, 2010
(In Thousands)**

Retirement System	Actuarial Valuation Date January 1	Actuarial Value of Assets	Actuarial Accrued Liabilities (UAA) ^a	Unfunded Actuarial Accrued Liabilities (UAA) ^b	Funded Ratio	Covered Payroll ^c	UAA as a Percentage of Covered Payroll						
								1998 ^d	1999	2000	2001	2002	2003
Seattle City Employees' Retirement System (SCERS)	1998 ^d	\$ 1,224,600	\$ 1,266,700	\$ 42,100	96.7 %	\$ 341,500	12.3 %						
	1999	1,375,000	1,326,600	(48,400)	103.6	370,400	(13.1)						
	2000	1,582,700	1,403,100	(179,600)	112.8	383,600	(46.5)						
	2001	1,383,700	1,581,400	197,700	87.5	405,100	48.8						
	2002	1,527,500	1,778,900	251,400	85.9	424,700	59.2						
	2003	1,791,800	2,017,500	225,800	88.8	447,000	50.5						
	2004	2,119,400	2,294,600	175,200	92.4	501,900	34.9						
	2005	1,645,300	2,653,800	1,008,500	62.0	580,900	173.6						
	2006	2,013,700	2,709,000	695,400	74.3 ^e	563,200	123.5						
	2007	3,573	98,471	94,898	4.0	N/A	N/A						
	2008	4,803	89,071	84,268	5.0	N/A	N/A						
Firemen's Pension Fund	2004	6,221	88,705	82,484	7.0	N/A	N/A						
	2005	8,717	107,295	98,578	8.0	N/A	N/A						
	2006	10,045	154,518	144,473	7.0	N/A	N/A						
	2007	9,005	168,384	159,379	5.0	N/A	N/A						
	2008	11,498	141,621	130,123	8.0	N/A	N/A						
	2009	13,273	143,499	130,226	9.0	N/A	N/A						
	2010	11,430	126,794	115,364	9.0	N/A	N/A						
	2011	801	65,418	64,617	1.0	N/A	N/A						
	2004	1,752	65,693	63,941	3.0	N/A	N/A						
	2005	1,967	69,935	67,968	3.0	N/A	N/A						
	2006	1,327	119,280	117,953	1.0	N/A	N/A						
2007	805	138,897	138,092	1.0	N/A	N/A							
2008	423	132,118 ^f	131,695	0.0	N/A	N/A							
2009	280	129,393	129,113	0.0	N/A	N/A							
2010	1,105	137,497	136,392	1.0	N/A	N/A							
2011													

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

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

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

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

^e The funding ratio had been 62.0%, based on previous, January 1, 2010 actuarial valuation. The increase in the funding ratio is due mainly to the adoption of the asset smoothing method.

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

Required Supplementary Information

**PENSION PLAN INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
December 31, 2010
(In Thousands)**

Retirement System	Fiscal Year Ending December 31	Covered Employee Payroll ^a	Actual Employer Contribution ^b	Actual Employer Contribution Percentage ^b	Annual Required Contribution (ARC) ^c	Percentage of ARC Contributed	
Seattle City Employees' Retirement System (SCERS)	2000	\$ 383,600	\$ 30,800	8.03 %	4.50 %	178 %	
	2001	405,100	32,700	8.03	3.04	264	
	2002	454,500	36,600	8.03	3.04	264	
	2003	424,700	34,200	8.03	8.03	100	
	2004	456,800	36,700	8.03	8.03	100	
	2005	447,000	35,900	8.03	8.03	100	
	2006	472,500	37,900	8.03	8.03	100	
	2007	501,900	40,300	8.03	8.03	100	
	2008	570,530	45,814	8.03	8.03	100	
	2009	580,948	46,650	8.03	8.03	100	
2010	563,198	45,225	8.03	17.00	47		
Firemen's Pension Fund	2003	N/A	9,167	N/A	\$ 9,167	100	
	2004	N/A	9,315	N/A	9,315	100	
	2005	N/A	9,704	N/A	9,704	100	
	2006	N/A	9,385	N/A	9,385	100	
	2007 ^e	N/A	8,633	N/A	9,533	91	
	2008	N/A	15,027	N/A	10,673	141	
	2009	N/A	11,422	N/A	8,266	138	
	2010	N/A	7,255	N/A	7,975	91	
	Police Relief and Pension Fund	2003	N/A	7,403	N/A	\$ 7,403	100
		2004	N/A	8,244	N/A	8,244	100
2005		N/A	7,187	N/A	7,187	100	
2006		N/A	6,056	N/A	6,056	100	
2007 ^e		N/A	5,885	N/A	7,783	76	
2008		N/A	9,723	N/A	9,248	105	
2009		N/A	7,939	N/A	8,655	95	
2010		N/A	9,843	N/A	7,907	124	

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

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

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

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

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

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

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**Nonmajor
Governmental Funds**

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Nonmajor Governmental Funds

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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The City of Seattle

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

DEBT SERVICE FUNDS

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

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

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

CAPITAL PROJECTS FUNDS

The **2005 Multipurpose Long-Term General Obligation Bond Fund** was established in 2004 to account for startup activities related to the acquisition of parking pay stations. The fund obtained a bridge loan in 2004 from the City's consolidated residual cash pool. The loan was repaid and additional capital improvement programs were funded in 2005 when the 2005 bonds were issued. The 2005 bond issue included financing for the Central Library Garage, Pier 59 Aquarium improvement, Fremont Bridge approaches and bridgeway, and SR519 projects (Ordinances 121329 and 121663).

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

The **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 Subfund and expended \$1 million for the improvement and construction of certain facilities. In 1991 the fund received \$8 million from the sale of limited tax levy general obligation bonds. In 1996 the fund received \$17.6 million from the sale of limited tax general obligation bonds (Ordinances 115453, 116797, 118108, 118184, 118225, and 118364).

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

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

The **City Facilities Renovation and Improvement Fund** received \$22.2 million of unlimited tax general obligation bond proceeds under the 1-2-3 Bond/Levy Program approved by voters in September 1984. It provides funds to renovate libraries, fire stations, Seattle Center facilities, harbor patrol stations, and other facilities (Ordinance 111717).

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

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Nonmajor Governmental Funds

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

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

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

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

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

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

The **Public Safety Information Technology Fund** was established in 1999 to account for part of the proceeds from the sale of limited tax general obligation bonds for the purpose of acquiring public safety information technology (Ordinance 119630).

The **2003 Fire Facilities Fund** was established to account for the 9-year additional property tax levy of \$167.2 million approved by the voters. The purpose of the levy is to pay all or part of the cost of neighborhood fire stations, support facilities, marine apparatus, emergency preparedness, and other emergency response facilities (Ordinance 121230).

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

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

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

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

The **2007 Multipurpose Long-Term General Obligation Bond Fund** was established in 2006 to account for the acquisition of real property in the Northgate area for future general municipal purposes and for the costs of improvements to the Seattle Aquarium. Funds for these projects were initially provided from interfund loans to be repaid from future proceeds of limited tax

The City of Seattle

general obligation bonds to be issued by the City (Ordinance 122121). The other part of the proceeds of the bond issue (Ordinance 122286) provided funding for the Parking Pay Stations, Alaska Tunnel/Seawall, Monorail Rehabilitation projects and the Zoo Garage construction.

The **2008 Multipurpose Long-Term General Obligation Bond Fund** was established in 2007 to account for capital costs related to the South Rainier Street Grade Separation, Spokane Street Viaduct, Mercer Corridor, and King Street Multimodal Terminal projects. Initial funds for these projects were provided from interfund loans to be repaid from proceeds of limited tax general obligation bonds issued in 2008 by the City (Ordinance 122417). The bond ordinance finally allocated the bond proceeds to the King Street Multimodal Terminal, Bridge Seismic, Rehabilitation and Replacement, Pay Stations, Fire Station projects, and the South Lake Union Property Proceeds Account (Ordinance 122553).

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

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

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.

The City of Seattle

D-2 COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
December 31, 2010
(In Thousands)

	Park and Recreation	Library	Seattle Streetcar	Key Arena Settlement Proceeds
ASSETS				
Cash and Equity in Pooled Investments	\$ 11,554	\$ 13,190	\$ 318	\$ 1,042
Receivables, Net of Allowances	-	-	-	-
Accounts Receivable	1,436	968	15	-
Contracts and Notes	-	-	-	-
Special Assessments - Delinquent	-	-	-	-
Interest and Dividends	1	7	-	-
Unbilled and Others	242	-	-	-
Due from Other Funds	1,385	86	5	10
Due from Other Governments	183	25	-	-
Inventories	311	-	-	-
Contracts and Notes - Noncurrent	-	-	-	-
Deferred Changes and Other Assets	-	-	-	-
Total Assets	\$ 15,112	\$ 14,276	\$ 338	\$ 1,052
LIABILITIES				
Accounts Payable	\$ 2,430	\$ 818	\$ -	\$ 14
Contracts Payable	386	-	-	-
Due to Other Funds	1,231	59	3,796	23
Salaries, Benefits, and Taxes Payable	1,814	994	-	-
Interest Payable	169	-	2	-
Revenue Collected/Billed in Advance - Current	740	-	-	-
Other Current Liabilities	166	-	-	-
Advances from Other Funds	-	-	-	-
Deferred Revenues	-	-	5	-
Total Liabilities	6,936	1,871	3,803	37
FUND BALANCES				
Reserves Legally Segregated for Future Use				
Capital Improvements	275	-	-	1,015
Continuing Appropriations	335	573	-	-
Debt Service	-	-	-	-
Encumbrances	369	-	-	-
Reserves Not Available for Appropriation				
Grants	311	8,526	-	-
Inventory	-	-	-	-
Petty Cash	4	7	-	-
Unreserved Fund Balance				
Designated for Special Purpose	6,882	3,299	(3,465)	-
Undesignated	-	-	-	-
Total Fund Balances	8,176	12,405	(3,465)	1,015
Total Liabilities and Fund Balances	\$ 15,112	\$ 14,276	\$ 338	\$ 1,052

The City of Seattle

D-1 COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SUMMARY BY FUND TYPE
December 31, 2010
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Comparative Totals	
	2010	2009	2010	2009	2010	2009
ASSETS						
Cash and Equity in Pooled Investments	\$ 75,718	\$ 10,571	\$ 191,864	\$ 2,200	\$ 280,353	\$ 285,066
Receivables, Net of Allowances	904	561	1,242	-	2,707	2,353
Accounts Receivable	5,765	-	-	-	5,765	5,101
Contracts and Notes	-	-	-	-	-	-
Special Assessments - Delinquent	-	-	154	1	154	164
Interest and Dividends	65	1	265	1	265	1,223
Unbilled and Others	1,131	-	4,150	-	4,150	4,150
Due from Other Funds	3,151	-	1,429	-	4,580	4,052
Due from Other Governments	15,548	4	2,812	-	18,364	15,880
Inventories	570	-	-	-	570	592
Contracts and Notes - Noncurrent	44,964	6	16,572	-	44,964	42,549
Deferred Changes and Other Assets	-	-	-	-	16,578	18,023
Total Assets	\$ 147,816	\$ 11,143	\$ 214,271	\$ 2,201	\$ 375,431	\$ 375,547
LIABILITIES						
Accounts Payable	\$ 24,060	\$ -	\$ 3,323	\$ -	\$ 27,383	\$ 31,882
Contracts Payable	736	-	1,456	-	15,842	14,317
Due to Other Funds	6,852	6	8,539	10	15,447	14,110
Salaries, Benefits, and Taxes Payable	4,214	2	8	-	6,866	5,945
Interest Payable	2	2	-	-	4,214	4,030
Revenue Collected/Billed in Advance - Current	183	-	14	-	4	3
Other Current Liabilities	2,938	-	150	-	3,197	2,152
Advances from Other Funds	1,020	-	-	-	1,020	1
Deferred Revenues	46,518	495	17,594	-	64,607	65,061
Total Liabilities	93,626	503	30,875	10	125,014	125,500
FUND BALANCES						
Reserves Legally Segregated for Future Use						
Capital Improvements	2,098	-	180,244	-	182,342	169,397
Continuing Appropriations	16,765	10,640	3,152	7	16,765	24,485
Debt Service	-	-	-	-	1,006	20,845
Encumbrances	1,060	-	-	-	1,060	84
Reserves Not Available for Appropriation						
Endowments	-	-	-	2,050	2,050	2,050
Grants	8,526	-	-	117	8,643	10,891
Inventory	570	-	-	-	570	522
Petty Cash	11	-	-	-	11	22
Unreserved Fund Balance						
Designated for Special Purpose	987	-	-	-	987	843
Undesignated	24,173	-	-	17	24,190	20,371
Total Fund Balances	54,190	10,640	183,396	2,191	250,417	250,047
Total Liabilities and Fund Balances	\$ 147,816	\$ 11,143	\$ 214,271	\$ 2,201	\$ 375,431	\$ 375,547

The City of Seattle

D-2 COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
December 31, 2010
(In Thousands)

	Pike Place Market Renovation	Seattle Center	Human Services Operating	Office of Housing
ASSETS				
Cash and Equity in Pooled Investments	\$ 177	\$ 1,100	\$ 14,228	\$ 590
Receivables, Net of Allowances	364	2,937	5	117
Taxes	-	-	-	-
Accounts	-	-	-	-
Notes and Notes	1	24	7	-
Interest and Dividends	-	815	74	-
Unbilled and Others	-	89	1,057	122
Due from Other Funds	-	-	12,860	147
Due from Other Governments	-	259	-	-
Inventory	-	-	1,062	-
Contracts and Notes - Noncurrent	-	-	-	-
Total Assets	\$ 542	\$ 5,224	\$ 29,293	\$ 976
LIABILITIES				
Accounts Payable	\$ 2,257	\$ 1,047	\$ 11,951	\$ 17
Contracts Payable	-	-	-	-
Due to Other Funds	4	149	278	10
Due to Other Governments	-	666	6,848	-
Salaries, Benefits, and Taxes Payable	-	-	610	97
Interest Payable	-	-	-	-
Due from Other Funds	-	13	-	-
Due from Other Governments	-	-	2,077	-
Revenue Collected/Billed in Advance - Current	-	1,020	-	-
Other Current Liabilities	-	433	1,062	149
Advances from Other Funds	294	-	-	-
Deferred Revenues	-	-	-	-
Total Liabilities	2,555	3,328	22,826	274
FUND BALANCES				
Reserves Legally Segregated for Future Use	-	-	-	-
Capital Improvements	2	-	-	-
Capital Appropriations	-	-	-	-
Debt Service	-	-	-	-
Encumbrances	-	-	-	30
Reserve Not Available for Appropriation	-	259	-	-
GRS	-	-	-	-
Other	-	-	-	-
Petty Cash	-	-	-	-
Unreserved Fund Balance	(2,015)	650	6,467	672
Designated for Special Purpose	-	-	-	-
Undesignated	(2,013)	1,896	6,467	702
Total Fund Balances	\$ 542	\$ 5,224	\$ 29,293	\$ 976
Total Liabilities and Fund Balances				

The City of Seattle

D-2 COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
December 31, 2010
(In Thousands)

	Housing and Community Development Revenue Sharing	Education and Development Services	Business Improvement Areas	General Trust
ASSETS				
Cash and Equity in Pooled Investments	\$ 1,201	\$ 18,993	\$ 773	\$ 3,055
Receivables, Net of Allowances	-	540	-	-
Taxes	62	-	120	-
Accounts	-	-	-	-
Notes and Notes	1	14	-	2
Interest and Dividends	-	-	-	-
Unbilled and Others	7	119	7	1
Due from Other Funds	2,021	58	-	-
Due from Other Governments	-	-	-	-
Inventory	-	-	-	-
Contracts and Notes - Noncurrent	43,902	-	-	-
Total Assets	\$ 47,194	\$ 19,724	\$ 901	\$ 3,059
LIABILITIES				
Accounts Payable	\$ 1,398	\$ 3,445	\$ 184	\$ 85
Contracts Payable	-	-	-	-
Due to Other Funds	600	350	-	516
Due to Other Governments	-	-	-	-
Salaries, Benefits, and Taxes Payable	-	-	-	16
Interest Payable	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Other Governments	171	-	-	-
Revenue Collected/Billed in Advance - Current	-	-	-	-
Other Current Liabilities	-	-	-	-
Advances from Other Funds	43,902	671	-	-
Deferred Revenues	-	-	-	-
Total Liabilities	46,071	4,466	184	617
FUND BALANCES				
Reserves Legally Segregated for Future Use	-	-	-	-
Capital Improvements	-	15,220	-	808
Capital Appropriations	-	-	-	-
Debt Service	-	-	-	-
Encumbrances	-	-	-	-
Reserve Not Available for Appropriation	-	-	-	-
GRS	-	-	-	-
Other	-	-	-	-
Petty Cash	-	-	-	-
Unreserved Fund Balance	1,123	38	717	1,634
Designated for Special Purpose	-	-	-	-
Undesignated	1,123	15,258	717	2,442
Total Fund Balances	\$ 47,194	\$ 19,724	\$ 901	\$ 3,059
Total Liabilities and Fund Balances				

The City of Seattle

D-2 Page 4 of 4
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE
 December 31, 2010
 (In Thousands)

	Comparative Totals	
	2010	2009
ASSETS		
Cash and Equity in Pooled Investments		
Receivables, Net of Allowances		
Taxes	\$ 5,820	\$ 75,718
Accounts	-	904
Contracts and Notes	105	5,765
Interest and Dividends	4	1,101
Unbilled and Others	3	65
Due from Other Funds	189	1,131
Due from Other Governments	74	3,286
Inventory	-	15,548
Contracts and Notes - Noncurrent	-	570
	-	44,904
	-	42,549
Total Assets	\$ 5,898	\$ 147,816
		\$ 154,819
LIABILITIES		
Accounts Payable	\$ 83	\$ 24,060
Due to Other Funds	11	386
Salaries, Benefits, and Taxes Payable	214	7,237
Interest Payable	16	6,852
Other Current Liabilities	1	4,030
Advances from Other Funds	-	3
Deferred Revenues	-	182
	-	2,988
	-	2,000
	-	166
	-	1,020
	-	43,974
Total Liabilities	110	93,626
		89,553
FUND BALANCES		
Reserve Legally Segregated for Future Use		
Capital Improvements	65	2,098
Debt Service	570	16,765
Encumbrances	661	1,886
Reserve Not Available for Appropriation	-	1,060
Gifts	-	8,526
Grants	-	576
Other	-	11
Unreserved Fund Balance	-	987
Designated for Special Purpose	5,062	3,109
Undesignated	-	24,173
Total Fund Balances	5,788	54,190
		65,266
Total Liabilities and Fund Balances	\$ 5,898	\$ 147,816
		\$ 154,819

The City of Seattle

D-3
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DEBT SERVICE
 December 31, 2010
 (In Thousands)

	Comparative Totals			
	2010	2009	2010	2009
ASSETS				
Cash and Equity in Pooled Investments				
Receivables, Net of Allowances				
Interest and Dividends	\$ 9,736	\$ 830	\$ 10,571	\$ 11,939
Due from Other Funds	561	-	561	510
Due from Other Governments	-	1	1	3
Deferred Charges and Other Assets	4	-	4	4
Total Assets	\$ 10,301	\$ 831	\$ 11,143	\$ 12,472
LIABILITIES				
Due to Other Governments	\$ 6	\$ -	\$ 6	\$ 12
Interest Payable	2	-	42	-
Deferred Revenues	489	-	495	411
Total Liabilities	497	-	503	423
FUND BALANCES				
Reserve Legally Segregated for Future Use				
Debt Service	9,804	831	10,640	12,049
Total Fund Balances	9,804	831	10,640	12,049
Total Liabilities and Fund Balances	\$ 10,301	\$ 831	\$ 11,143	\$ 12,472

The City of Seattle

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 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS
 December 31, 2010
 (In Thousands)

	2010 Multipurpose Long-Term Obligation Bond	Transportation Bond	Libraries for All	Public Safety Facilities and Equipment	Shoreline Park Improvement
ASSETS					
Cash and Equity in Pooled Investments	\$ 84	\$ 535	\$ -	\$ 569	\$ 826
Receivables, Net of Allowances	-	-	-	-	-
Special Assessments - Delinquent	-	-	-	-	-
Interest and Dividends	-	1	-	-	55
Due from Other Funds	-	-	-	-	3
Due from Other Governments	-	-	-	-	985
Deferred Charges and Other Assets	-	-	-	-	-
Total Assets	\$ 84	\$ 536	\$ -	\$ 569	\$ 1,869
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 20
Due to Other Funds	-	-	-	9	11
Due to Other Governments	-	-	-	-	-
Deposits Payable	-	-	-	-	-
Revenue Collected/Billed in Advance - Current	-	-	-	-	-
Deferred Revenues	-	-	-	-	-
Total Liabilities	-	-	-	9	31
FUND BALANCES					
Reserve, Legally Segregated for Future Use	-	6	-	560	1,838
Capital Improvements	84	530	-	-	-
Debt Service	-	-	-	-	-
Total Fund Balances	\$ 84	\$ 536	\$ -	\$ 560	\$ 1,838
Total Liabilities and Fund Balances	\$ 84	\$ 536	\$ -	\$ 569	\$ 1,869

The City of Seattle

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 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS
 December 31, 2010
 (In Thousands)

	Community Improvement	City Facilities Renovation and Improvement	Conservation Futures	Open Spaces and Trails Bond
ASSETS				
Cash and Equity in Pooled Investments	\$ 49	\$ 87	\$ 30	\$ 308
Receivables, Net of Allowances	-	-	-	-
Special Assessments - Delinquent	-	-	-	-
Interest and Dividends	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Other Governments	-	-	-	-
Deferred Charges and Other Assets	-	-	-	-
Total Assets	\$ 49	\$ 87	\$ 30	\$ 308
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-
Due to Other Governments	-	-	-	-
Deposits Payable	-	-	-	-
Revenue Collected/Billed in Advance - Current	-	-	-	-
Deferred Revenues	-	-	-	-
Total Liabilities	-	-	-	-
FUND BALANCES				
Reserve, Legally Segregated for Future Use	49	-	30	308
Capital Improvements	-	87	-	-
Debt Service	-	-	-	-
Total Fund Balances	\$ 49	\$ 87	\$ 30	\$ 308
Total Liabilities and Fund Balances	\$ 49	\$ 87	\$ 30	\$ 308

The City of Seattle

D-4 Page 3 of 6
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS
 December 31, 2010
 (In Thousands)

	Seattle Center and Parks Multipurpose Levy	Denry Triangle Public Agency	Seattle Center Redevelopment/ Parks Community Center	Municipal Civic Center
ASSETS				
Cash and Equity in Pooled Investments	\$ 30,981	\$ 101	\$ 3,250	\$ 1,275
Receivables, Net of Allowances	783	-	-	-
Taxes	23	-	3	1
Special Assessments - Delinquent	829	-	241	-
Interest and Dividends	1,510	-	-	-
Due from Other Funds	-	-	-	-
Due from Other Governments	-	-	-	-
Deferred Charges and Other Assets	-	-	-	-
Total Assets	\$ 34,126	\$ 101	\$ 3,494	\$ 1,276
LIABILITIES				
Accounts Payable	\$ 1,210	\$ -	\$ 535	\$ -
Contracts Payable	429	47	94	-
Due to Other Funds	8	-	-	-
Due to Other Governments	-	-	-	-
Deposit Payable	-	-	-	-
Revenue Collected/Billed in Advance - Current	150	-	-	-
Deferred Revenues	640	-	-	-
Total Liabilities	2,473	47	629	-
FUND BALANCES				
Reserves Legally Segregated for Future Use	31,653	54	2,865	1,276
Capital Improvements	-	-	-	-
Debt Service	-	-	-	-
Total Fund Balances	31,653	54	2,865	1,276
Total Liabilities and Fund Balances	\$ 34,126	\$ 101	\$ 3,494	\$ 1,276

The City of Seattle

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 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS
 December 31, 2010
 (In Thousands)

	South Police Stations	Public Safety Information Technology	2003 Fire Facilities	2002B Long-Term General Obligation Project
ASSETS				
Cash and Equity in Pooled Investments	\$ 9	\$ 895	\$ 26,094	\$ 632
Receivables, Net of Allowances	-	-	-	-
Taxes	-	-	459	-
Special Assessments - Delinquent	-	-	19	-
Interest and Dividends	-	-	160	-
Due from Other Funds	-	-	14	-
Due from Other Governments	-	-	-	-
Deferred Charges and Other Assets	-	-	-	-
Total Assets	\$ 9	\$ 895	\$ 26,746	\$ 632
LIABILITIES				
Accounts Payable	-	-	841	-
Contracts Payable	-	-	858	-
Due to Other Funds	-	317	184	-
Due to Other Governments	-	-	-	-
Deposit Payable	-	-	14	-
Revenue Collected/Billed in Advance - Current	-	-	-	-
Deferred Revenues	-	-	382	-
Total Liabilities	-	317	2,279	-
FUND BALANCES				
Reserves Legally Segregated for Future Use	9	531	24,467	632
Capital Improvements	-	-	-	-
Debt Service	-	-	-	-
Total Fund Balances	9	578	24,467	632
Total Liabilities and Fund Balances	\$ 9	\$ 895	\$ 26,746	\$ 632

The City of Seattle

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Page 5 of 6
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
December 31, 2010
(In Thousands)

	2003 Long-Term General Obligation Project	2006 Multipurpose Long-Term General Obligation Bond	Local Improvement, District No. 0750	2007 Multipurpose Long-Term General Obligation Bond	Comparative Totals
ASSETS					
Cash and Equity in Pooled Investments	\$ 335	\$ 83	\$ 285	\$ 1,858	\$ 185,151
Receivables, Net of Allowances	-	-	-	-	1,172
Special Assessments - Delinquent	-	-	154	-	154
Interest and Dividends	-	-	1	1	231
Due from Other Funds	-	-	-	-	1,138
Due from Other Governments	-	-	-	-	38
Deferred Charges and Other Assets	-	-	16,572	-	18,017
Total Assets	\$ 335	\$ 83	\$ 17,012	\$ 1,859	\$ 205,911
LIABILITIES					
Accounts Payable	-	-	-	31	6,853
Due to Other Funds	-	-	-	32	6,130
Due to Other Governments	-	-	-	-	6,640
Deposits Payable	-	-	-	-	27
Revenue Collected/Billed in Advance - Current	-	-	16,572	-	14
Deferred Revenues	-	-	-	-	152
Total Liabilities	-	-	16,572	63	35,482
FUND BALANCES					
Reserve, Legally Segregated for Future Use	-	-	101	889	163,779
Capital Improvements	335	83	339	907	6,650
Debt Service	-	-	-	-	-
Total Fund Balances	335	83	440	1,796	170,429
Total Liabilities and Fund Balances	\$ 335	\$ 83	\$ 17,012	\$ 1,859	\$ 205,911

The City of Seattle

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Page 6 of 6
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
December 31, 2010
(In Thousands)

	2008 Multipurpose Long-Term General Obligation Bond	2009 Multipurpose Long-Term General Obligation Bond	2010 Multipurpose Long-Term General Obligation Bond	Comparative Totals
ASSETS				
Cash and Equity in Pooled Investments	\$ 20,664	\$ 39,789	\$ 63,125	\$ 191,864
Receivables, Net of Allowances	-	-	-	1,242
Special Assessments - Delinquent	-	-	-	154
Interest and Dividends	16	31	47	231
Due from Other Funds	-	56	140	1,429
Due from Other Governments	3	300	-	2,812
Deferred Charges and Other Assets	-	-	-	16,572
Total Assets	\$ 20,683	\$ 40,176	\$ 63,312	\$ 214,271
LIABILITIES				
Accounts Payable	66	323	297	3,322
Due to Other Funds	487	70	-	1,426
Due to Other Governments	463	2,362	4,382	8,330
Deposits Payable	-	-	-	8
Revenue Collected/Billed in Advance - Current	-	-	-	14
Deferred Revenues	-	-	-	17,594
Total Liabilities	1,016	2,755	4,684	30,875
FUND BALANCES				
Reserve, Legally Segregated for Future Use	19,667	37,322	58,628	180,244
Capital Improvements	-	99	-	3,152
Debt Service	-	-	-	-
Total Fund Balances	19,667	37,421	58,628	183,396
Total Liabilities and Fund Balances	\$ 20,683	\$ 40,176	\$ 63,312	\$ 214,271

The City of Seattle

D-5 COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
PERMANENT
December 31, 2010
(In Thousands)

	H. H. Dearborn	Bench Maintenance Trust		Comparative Totals	
		2010	2009	2010	2009
ASSETS					
Cash and Equity in Pooled Investments	\$ 177	\$ 2,023	\$ 2,200	\$ 2,319	
Receivables, Net of Allowances	-	1	-	2	
Prepaid Expenses	-	-	-	24	
Due from Other Funds	-	-	-	-	
Total Assets	\$ 177	\$ 2,024	\$ 2,201	\$ 2,345	
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ -	\$ 39	
Due to Other Funds	10	-	10	3	
Total Liabilities	10	-	10	42	
FUND BALANCES					
Reserves Legally Segregated for Future Use	-	7	7	26	
Continuing Appropriations	50	2,000	2,050	2,050	
Reserves Not Available for Appropriation	117	17	117	106	
Endowments	-	-	-	10	
Unreserved Fund Balance	-	17	17	110	
Total Fund Balances	\$ 167	\$ 2,024	\$ 2,191	\$ 2,303	
Total Liabilities and Fund Balances	\$ 177	\$ 2,024	\$ 2,201	\$ 2,345	

D-6 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SUMMARY BY FUND TYPE
For the Year Ended December 31, 2010
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Comparative Totals	
					2010	Restated 2009
REVENUES						
Taxes	\$ 37,011	\$ 16,363	\$ 35,806	\$ -	\$ 89,269	\$ 95,397
Grants, Shared Revenues, and Contributions	76,696	882	9,184	-	86,762	81,177
Changes for Services	44,324	-	-	-	44,324	50,344
Fines and Forfeits	1,355	-	-	-	1,355	1,123
Parking Fees and Space Rent	19,646	245	-	-	19,891	16,772
Program Income, Interest, and Miscellaneous Revenues	1,747	647	2,586	17	4,997	9,695
Total Revenues	180,779	18,136	47,666	17	246,598	254,508
EXPENDITURES						
Current						
General Government	6,986	-	-	-	6,986	5,166
Public Safety	7,286	-	-	-	7,286	6,619
Physical Environment	354	-	-	-	354	278
Transportation	637	-	-	-	637	2,129
Economic Environment	60,770	-	-	-	60,770	59,317
Human Resources Services	71,456	-	-	-	71,456	74,520
Culture and Recreation	206,886	-	-	-	206,886	212,542
Capital Outlay	-	-	7,798	-	7,798	8,673
General Government	410	-	18,747	-	19,157	18,057
Public Safety	-	-	-	-	-	9
Transportation	6,886	-	34,294	119	41,299	48,027
Culture and Recreation	-	-	-	-	-	-
Debt Service	4	41,580	1,970	-	43,554	40,930
Principal	-	23,600	717	-	24,317	23,876
Interest	-	-	1,303	-	1,303	727
Bond Issuance Cost	-	-	-	-	-	-
Total Expenditures	364,175	65,180	64,829	119	494,303	502,480
Excess (Deficiency) of Revenues over Expenditures	(183,396)	(47,044)	(17,163)	(102)	(247,705)	(247,972)
OTHER FINANCING SOURCES (USES)						
Long-Term Debt Issued	4,375	-	80,950	-	85,325	85,089
Refunding Debt Issued	-	115,185	-	-	115,185	4,390
Premium on Bonds Issued	425	9,985	2,860	-	13,270	8,099
Capital Leases Issued	-	-	-	-	-	20
Payment to Refunded Bond Escrow Agent	(23,825)	(125,170)	-	-	(148,995)	(149,253)
Proceeds from Intergovernmental Agreements	-	-	-	-	-	(16,923)
Sales of Capital Assets	1	-	-	-	(23,823)	(16,923)
Transfers In	198,128	45,635	200	-	243,963	241,391
Transfers Out	(6,784)	-	(53,880)	(10)	(60,674)	(74,631)
Total Other Financing Sources (Uses)	172,320	45,635	30,130	(10)	248,075	242,703
Net Change in Fund Balance	(11,076)	(1,409)	12,967	(112)	370	(5,269)
Fund Balances - Beginning of Year	65,266	12,049	170,429	2,303	250,047	255,316
Fund Balances - End of Year	\$ 54,190	\$ 10,640	\$ 183,396	\$ 2,191	\$ 250,417	\$ 250,047

The City of Seattle

D-7 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE
 For the Year Ended December 31, 2010
 (In Thousands)

	Park and Recreation	Library	Seattle Streetcar	Key Arena Settlement Proceeds
REVENUES				
Taxes	\$ 1,270	\$ 3,270	\$ 131	\$ -
Grants, Shared Revenues, and Contributions	33,616	390	283	-
Charges for Services	5,564	1,299	-	-
Fines and Forfeits	283	416	-	-
Parking Fees and Space Rent	-	152	-	-
Program Income, Interest, and Miscellaneous Revenues	-	-	-	-
Total Revenues	40,735	5,537	414	-
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Physical Environment	-	-	-	-
Transportation	-	-	637	-
Human Resources Management	-	-	-	-
Health and Human Services	-	-	-	-
Culture and Recreation	118,787	52,587	-	569
Capital Outlay	-	-	-	-
Public Safety	-	-	-	-
Transportation	-	-	-	-
Culture and Recreation	177	474	-	831
Debt Service	-	-	-	-
Principal	-	4	-	-
Interest	-	-	-	-
Total Expenditures	118,964	53,065	637	1,400
Excess (Deficiency) of Revenues over Expenditures	(78,229)	(47,528)	(223)	(1,400)
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	-	-	-	-
Premium on Bonds Issued	-	-	-	-
Capital Leases Issued	-	-	-	-
Payments on Intergovernmental Agreements	-	-	-	-
Sales of Capital Assets	82,711	48,032	-	-
Transfers In	(1,916)	(632)	-	(1,492)
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	80,800	47,600	-	(1,492)
Net Change in Fund Balance	2,571	72	(223)	(2,892)
Fund Balances - Beginning of Year	5,605	12,333	(3,242)	3,907
Fund Balances - End of Year	\$ 8,176	\$ 12,405	\$ (3,465)	\$ 1,015

The City of Seattle

D-7 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE
 For the Year Ended December 31, 2010
 (In Thousands)

	Pike Place Market Renovation	Seattle Center	Human Services Operating	Office of Housing
REVENUES				
Taxes	\$ 12,372	\$ 45	\$ -	\$ 1,850
Grants, Shared Revenues, and Contributions	-	-	50,171	1,227
Charges for Services	-	5,695	1,337	914
Fines and Forfeits	-	-	51	-
Parking Fees and Space Rent	-	13,609	-	71
Program Income, Interest, and Miscellaneous Revenues	9	314	86	14
Total Revenues	12,381	19,783	51,645	4,032
EXPENDITURES				
Current				
General Government	-	-	6,986	-
Public Safety	-	-	5,595	-
Physical Environment	-	-	-	-
Transportation	-	-	-	-
Human Resources Management	-	-	-	-
Health and Human Services	-	-	35,802	4,256
Culture and Recreation	-	33,097	55,917	-
Capital Outlay	-	-	-	-
Public Safety	-	-	-	-
Transportation	-	-	-	-
Culture and Recreation	-	142	-	-
Debt Service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	-	33,239	104,300	4,256
Excess (Deficiency) of Revenues over Expenditures	12,381	(13,456)	(52,655)	(224)
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	4,375	-	-	-
Premium on Bonds Issued	425	-	-	-
Capital Leases Issued	-	-	-	-
Payments on Intergovernmental Agreements	(23,825)	-	-	-
Sales of Capital Assets	-	-	-	-
Transfers In	-	14,375	52,424	560
Transfers Out	(2,567)	(230)	-	-
Total Other Financing Sources (Uses)	(21,592)	14,145	52,424	560
Net Change in Fund Balance	(9,211)	689	(231)	336
Fund Balances - Beginning of Year	7,198	1,207	6,698	366
Fund Balances - End of Year	\$ (2,013)	\$ 1,896	\$ 6,467	\$ 702

Nonmajor Governmental Funds

D-7 **COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**
Page 3 of 4 **IN FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
For the Year Ended December 31, 2010
(In Thousands)

	Housing and Community Development Revenue Sharing	Education and Development Services	Business Improvement Areas	General Trust
REVENUES				
Taxes	\$ 12,614	\$ 16,575	\$ 6,214	\$ -
Grants, Shared Revenues, and Contributions	-	171	-	1,010
Charges for Services	-	-	-	-
Fines and Forfeits	-	-	-	3
Parking Fees and Space Rent	462	138	19	24
Program Income, Interest, and Miscellaneous Revenues	-	-	-	-
Total Revenues	13,076	16,884	6,233	1,037
EXPENDITURES				
Current				
General Government	-	264	-	-
Public Safety	-	-	-	1,216
Physical Environment	-	-	-	-
Transportation	14,353	-	6,115	-
Management	-	18,025	-	-
Health and Human Services	-	-	-	-
Culture and Recreation	-	-	-	-
Capital Outlay	-	-	-	-
Public Safety	-	-	-	215
Transportation	-	-	-	-
Culture and Recreation	-	-	-	-
Debt Service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	14,353	18,289	6,115	1,431
Excess (Deficiency) of Revenues over Expenditures	(1,277)	(1,405)	118	(394)
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	-	-	-	-
Premium on Bonds Issued	-	-	-	-
Capital Leases Issued	-	-	-	-
Payments on Intergovernmental Agreements	-	-	-	-
Sales of Capital Assets	-	-	-	22
Transfers In	-	-	-	(102)
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	(83)
Net Change in Fund Balance	(1,277)	(1,405)	118	(477)
Fund Balances - Beginning of Year	2,400	16,663	599	2,919
Fund Balances - End of Year	\$ 1,123	\$ 15,258	\$ 717	\$ 2,442

The City of Seattle

D-7 **COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**
Page 4 of 4 **IN FUND BALANCES**
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
For the Year Ended December 31, 2010
(In Thousands)

	Municipal Arts	General Donations and Gift Trust	2010	2009
REVENUES				
Taxes	\$ -	\$ 6,787	\$ 37,011	\$ 33,490
Grants, Shared Revenues, and Contributions	-	-	76,696	72,890
Charges for Services	2,089	-	44,324	50,344
Fines and Forfeits	-	-	1,355	1,123
Parking Fees and Space Rent	98	48	19,646	16,425
Program Income, Interest, and Miscellaneous Revenues	-	-	17,947	3,458
Total Revenues	2,187	6,835	180,779	177,730
EXPENDITURES				
Current				
General Government	-	-	6,986	5,166
Public Safety	-	211	7,286	6,619
Physical Environment	-	354	354	278
Transportation	-	-	637	2,179
Management	-	244	607	607
Health and Human Services	-	14	73,956	75,209
Culture and Recreation	1,487	359	206,886	212,542
Capital Outlay	-	-	-	-
Public Safety	-	195	410	315
Transportation	-	-	30	40
Culture and Recreation	357	4,905	6,886	9,917
Debt Service	-	-	-	-
Principal	-	-	4	2
Interest	-	-	-	-
Total Expenditures	1,844	6,282	364,175	372,425
Excess (Deficiency) of Revenues over Expenditures	343	553	(183,396)	(194,695)
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	-	-	4,375	11,175
Premium on Bonds Issued	-	-	425	825
Capital Leases Issued	-	-	-	20
Payments on Intergovernmental Agreements	-	-	(23,825)	(16,928)
Sales of Capital Assets	-	-	198,128	201,574
Transfers In	-	-	(6,784)	(3,580)
Transfers Out	-	(42)	-	-
Total Other Financing Sources (Uses)	-	(42)	172,320	193,136
Net Change in Fund Balance	343	511	(11,076)	(1,559)
Fund Balances - Beginning of Year	5,445	3,168	65,266	66,825
Fund Balances - End of Year	\$ 5,788	\$ 3,679	\$ 54,190	\$ 65,266

Nonmajor Governmental Funds

D-8 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS DEBT SERVICE

For the Year Ended December 31, 2010
(In Thousands)

	General Bond Interest and Redemption	Interfund Notes Payable - Local Improvement Districts		Local Improvement Guaranty	Comparative Totals	
		2010	2009		2010	Restated 2009
REVENUES						
Taxes	\$ 16,362	\$ -	\$ 16,362	\$ 18,071		
Grants, Shared Revenues, and Contributions	882	-	882	2		
Parking Fees and Space Rent	245	-	245	228		
Program Income, Interest, and Miscellaneous Revenues	640	-	640	1,379		
Total Revenues	18,129	-	18,136	19,680		
EXPENDITURES						
Debt Service						
Principal	41,580	-	41,580	39,428		
Interest	23,600	-	23,600	23,084		
Total Expenditures	65,180	-	65,180	62,512		
Excess (Deficiency) of Revenues over Expenditures	(47,051)	-	(47,044)	(42,832)		
OTHER FINANCING SOURCES (USES)						
Refunding Debt Issued	115,185	-	115,185	4,390		
Premium on Bonds Issued	9,985	-	9,985	387		
Payment to Refunded Bond Escrow Agent	(125,170)	-	(125,170)	(4,735)		
Transfers In	45,635	-	45,635	39,735		
Total Other Financing Sources (Uses)	45,635	-	45,635	39,777		
Net Change in Fund Balance	(1,416)	-	(1,409)	(3,055)		
Fund Balances - Beginning of Year	11,220	\$ 824	12,049	15,104		
Fund Balances - End of Year	\$ 9,804	\$ 831	\$ 10,640	\$ 12,049		

The City of Seattle

D-9 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS CAPITAL PROJECTS

For the Year Ended December 31, 2010
(In Thousands)

	2005 Multipurpose Long-Term General Obligation Bond	Transportation Bond	Libraries for All	Public Safety Facilities and Equipment	Shoreline Park Improvement
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Grants, Shared Revenues, and Contributions	-	-	-	-	985
Parking Fees and Space Rent	-	-	-	-	-
Program Income, Interest, and Miscellaneous Revenues	3	4	-	26	15
Total Revenues	3	4	-	26	1,000
EXPENDITURES					
Capital Outlay					
Other Government	-	-	-	-	-
Public Safety	-	-	-	113	-
Culture and Recreation	-	-	29	-	1,810
Debt Service	-	-	-	-	-
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Bond Issuance Cost	-	-	-	-	-
Total Expenditures	-	-	29	113	1,810
Excess (Deficiency) of Revenues over Expenditures	3	4	(29)	(87)	(810)
OTHER FINANCING SOURCES (USES)					
Long-Term Debt Issued	-	-	-	-	-
Premium on Bonds Issued	-	-	-	-	-
Transfers In	(1,268)	(257)	-	-	(131)
Total Other Financing Sources (Uses)	(1,268)	(257)	-	-	(131)
Net Change in Fund Balance	(1,265)	(253)	(29)	(87)	(941)
Fund Balances - Beginning of Year	1,349	789	29	647	2,779
Fund Balances - End of Year	\$ 84	\$ 536	\$ -	\$ 560	\$ 1,838

The City of Seattle

D-9 Nonmajor Governmental Funds
 Page 2 of 6 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS

For the Year Ended December 31, 2010
 (In Thousands)

	Community Improvement	City Facilities Renovation and Improvement	Conservation Futures	Open Spaces and Trails Bond
Taxes	\$ -	\$ -	\$ -	\$ -
Grants, Shared Revenues, and Contributions	-	-	-	-
Parking Fees and Space Rent	-	-	-	-
Program Income, Interest, and Miscellaneous Revenues	-	1	-	2
Total Revenues	-	1	-	2
EXPENDITURES				
Capital Outlay	-	-	-	-
General Government	-	-	-	-
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Debt Service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Bond Issuance Cost	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	-	1	-	2
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	-	-	-	-
Premium on Bonds Issued	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	1	-	2
Fund Balances - Beginning of Year	49	86	30	306
Fund Balances - End of Year	\$ 49	\$ 87	\$ 30	\$ 308

The City of Seattle

D-9 Nonmajor Governmental Funds
 Page 3 of 6 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS

For the Year Ended December 31, 2010
 (In Thousands)

	Seattle Center and Parks Multipurpose Levy	Denny Triangle Public Authority	Seattle Center Redevelopment/Parks Community Center	Municipal Civic Center
Taxes	\$ 24,089	\$ -	\$ -	\$ -
Grants, Shared Revenues, and Contributions	4,679	-	1,962	-
Parking Fees and Space Rent	-	-	-	-
Program Income, Interest, and Miscellaneous Revenues	260	1	36	10
Total Revenues	29,028	1	1,998	10
EXPENDITURES				
Capital Outlay	-	-	-	-
General Government	-	-	-	29
Public Safety	-	-	-	-
Culture and Recreation	25,335	-	3,796	-
Debt Service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Bond Issuance Cost	-	-	-	-
Total Expenditures	25,335	-	3,796	29
Excess (Deficiency) of Revenues over Expenditures	3,693	1	(1,798)	(19)
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	-	-	-	-
Premium on Bonds Issued	-	-	-	-
Transfers In	-	-	200	-
Transfers Out	(5,619)	(59)	-	-
Total Other Financing Sources (Uses)	(5,619)	(59)	200	-
Net Change in Fund Balance	(1,926)	(58)	(1,598)	(19)
Fund Balances - Beginning of Year	33,579	112	4,463	1,295
Fund Balances - End of Year	\$ 31,653	\$ 54	\$ 2,865	\$ 1,276

The City of Seattle

D-9 Nonmajor Governmental Funds

Page 4 of 6 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS

For the Year Ended December 31, 2010

(In Thousands)

	South Police Stations	Public Safety Information Technology	2003 Fire Facilities	2002B Long-Term General Obligation Project
REVENUES				
Taxes	\$ -	\$ -	\$ 11,782	\$ -
Grants, Shared Revenues, and Contributions	-	-	-	-
Parking Fees and Space Rent	-	-	-	-
Program Income, Interest, and Miscellaneous Revenues	-	1	184	7
Total Revenues	-	1	11,966	7
EXPENDITURES				
Capital Outlay				
General Government	-	842	18,634	-
Public Safety	-	-	-	-
Culture and Recreation	-	-	-	-
Debt Service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Bond Issuance Cost	-	-	-	-
Total Expenditures	-	842	18,634	-
Excess (Deficiency) of Revenues over Expenditures	-	(841)	(6,668)	7
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	-	-	-	-
Premium on Bonds Issued	-	-	-	-
Transfers In	(33)	(422)	(110)	(399)
Transfers Out	(33)	(422)	(110)	(399)
Total Other Financing Sources (Uses)	(66)	(844)	(220)	(798)
Net Change in Fund Balance	(66)	(843)	(6,888)	(791)
Fund Balances - Beginning of Year	42	1,841	31,245	1,024
Fund Balances - End of Year	\$ 9	\$ 578	\$ 24,467	\$ 632

The City of Seattle

D-9 Nonmajor Governmental Funds

Page 5 of 6 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS

For the Year Ended December 31, 2010

(In Thousands)

	2003 Long-Term General Obligation Project	2006 Multipurpose Long-Term General Obligation Bond	Local Improvement District No. 6750	2007 Multipurpose Long-Term General Obligation Bond
REVENUES				
Taxes	\$ -	\$ -	\$ 25	\$ -
Grants, Shared Revenues, and Contributions	-	-	1,258	-
Parking Fees and Space Rent	-	-	-	-
Program Income, Interest, and Miscellaneous Revenues	-	-	819	17
Total Revenues	-	-	2,102	17
EXPENDITURES				
Capital Outlay				
General Government	-	-	-	-
Public Safety	-	-	-	-
Culture and Recreation	534	-	-	699
Debt Service	-	-	1,970	-
Principal	-	-	717	-
Interest	-	-	-	-
Bond Issuance Cost	-	-	-	-
Total Expenditures	534	-	2,687	699
Excess (Deficiency) of Revenues over Expenditures	(534)	-	(585)	(682)
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	-	-	-	-
Premium on Bonds Issued	-	-	-	-
Transfers In	(727)	(680)	-	(984)
Transfers Out	(727)	(680)	-	(984)
Total Other Financing Sources (Uses)	(1,454)	(1,360)	-	(1,968)
Net Change in Fund Balance	(1,255)	(680)	(585)	(1,666)
Fund Balances - Beginning of Year	1,590	763	1,025	3,462
Fund Balances - End of Year	\$ 335	\$ 83	\$ 440	\$ 1,796

The City of Seattle

D-10 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
PERMANENT
For the Year Ended December 31, 2010
(In Thousands)

	Comparative Totals	
	2010	2009
REVENUES		
Grants, Shared Revenues, and Contributions		
Program Income, Interest, and Miscellaneous Revenues	\$ -	\$ -
Total Revenues	1	17
EXPENDITURES		
Capital Outlay		
Culture and Recreation	-	119
Total Expenditures	-	119
Excess (Deficiency) of Revenues over Expenditures	1	(102)
OTHER FINANCING SOURCES (USES)		
Transfers Out	(10)	(10)
Total Other Financing Sources (Uses)	(10)	(10)
Net Change in Fund Balance	(9)	(112)
Fund Balances - Beginning of Year	176	2,127
Fund Balances - End of Year	\$ 167	\$ 2,015

Nonmajor Governmental Funds

D-9 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
For the Year Ended December 31, 2010
(In Thousands)

	Comparative Totals	
	2010	2009
REVENUES		
Taxes		
Grants, Shared Revenues, and Contributions	\$ -	\$ 35,896
Parking Fees and Space Rent	-	9,184
Program Income, Interest, and Miscellaneous Revenues	208	2,586
Total Revenues	208	47,666
EXPENDITURES		
Capital Outlay		
General Government	5,955	7,798
Culture and Recreation	-	18,747
Debt Service	-	34,294
Principal	-	1,970
Interest	-	717
Bond Issuance Cost	-	1,303
Total Expenditures	5,955	64,829
Excess (Deficiency) of Revenues over Expenditures	(5,747)	(17,163)
OTHER FINANCING SOURCES (USES)		
Long-Term Debt Issued	-	80,950
Premium on Bonds Issued	-	2,860
Transfers In	(8,621)	(10,985)
Transfers Out	-	(53,880)
Total Other Financing Sources (Uses)	(8,621)	60,225
Net Change in Fund Balance	(14,368)	(12,967)
Fund Balances - Beginning of Year	34,035	49,889
Fund Balances - End of Year	\$ 19,667	\$ 183,396

Budget and Actual

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The City of Seattle

D-11 GENERAL FUND
Page 1 of 4 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2010
(In Thousands)

	Final Budget	Actual	Encumbrances	Variance
REVENUES				
Taxes				
General Property Taxes	\$ 250,157	\$ 230,430	\$ -	\$ 273
Hotel, Sales and Use Taxes	16,670	16,670	-	(6,563)
Business Taxes	233,043	223,482	-	(9,561)
Excise Taxes	26,308	28,998	-	2,690
Other Taxes	-	3,202	-	3,202
Interfund Business Taxes	112,073	108,088	-	(3,985)
Total Taxes	722,189	761,170	-	(11,019)
Licenses and Permits	72,880	72,880	-	-
Charges, Shared Revenues, and Contributions	72,880	31,412	-	(41,468)
Fines and Forfeits	30,382	30,936	-	(6,066)
Parking Fees and Space Rent	28,902	26,868	-	554
Program Income, Interest, and Miscellaneous Revenues	24,169	16,374	-	(2,034)
Total Revenues	1,021,365	954,024	-	(67,341)
EXPENDITURES AND ENCUMBRANCES				
CITY AUDITOR	1,168	945	-	223
CIVIL SERVICE COMMISSION	225	225	-	-
CRIMINAL JUSTICE				
Jail Services	18,445	15,077	-	2,468
Indigent Defense Services	5,457	5,457	-	-
Municipal Jail	4,081	214	-	3,867
Total Criminal Justice	27,983	21,648	-	6,335
ETHICS AND ELECTIONS	608	591	-	17
EXECUTIVE				
Sustainability and Environment	22,060	3,428	168	18,464
Mayor's Office	3,428	3,428	95	3,000
Department	9,467	9,467	-	3,083
Intergovernmental Relations	2,093	1,914	-	179
Civil Rights	2,545	2,321	-	224
Total Department	40,061	17,325	261	22,475

The City of Seattle

D-11 GENERAL FUND
Page 2 of 4 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2010
(In Thousands)

	Final Budget	Actual	Encumbrances	Variance
EXECUTIVE ADMINISTRATION				
Executive Management	\$ 2,576	\$ 2,537	\$ -	\$ 39
Financial Services	8,310	8,024	-	286
Business Technology	1,560	1,560	-	11
Records Management	5,406	5,392	-	14
Consumer Affairs	3,424	3,291	-	133
Animal Shelter	3,377	3,245	-	132
Contracting	-	-	-	-
Total Department	33,146	32,414	-	732
FINANCE	5,281	4,928	-	353
FINANCE GENERAL				
Appropriations to Special Purpose Funds	10,911	9,378	-	1,533
Reserves	25,485	24,033	-	1,452
Support to Operating Funds	45,052	41,051	-	4,001
Transferred Programs	4,665	2,568	-	2,097
Support to Parks Capital Expenditures	229	2	-	227
Total Finance General	86,342	77,037	-	9,305
FIRE				
Administration	14,736	14,069	40	627
Risk Management	12,609	12,546	36	67
Fire Operations	19,429	19,429	-	-
Fire Prevention	6,992	6,693	36	299
Grants and Reimbursables	8,541	4,865	-	3,676
Total Department	164,027	158,746	112	5,169
HEARING EXAMINER	556	550	-	26
LAW				
Administration	1,446	1,445	-	1
Civil Litigation	9,065	9,205	-	202
Criminal Prosecution	6,903	6,200	-	203
Total Department	18,226	17,760	-	466
LEGISLATIVE	12,711	11,415	115	1,181
MUNICIPAL COURT				
Court Operations	15,391	15,148	-	243
Corporate Services	6,036	5,867	-	169
Court Compliance	5,309	5,285	-	24
Total Department	26,736	26,300	-	436

The City of Seattle

D-11 GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended December 31, 2010
 (In Thousands)

	Final Budget	Actual	Encumbrances	Variance
NEIGHBORHOODS				
Director's Office	1,377	1,273	22	\$ 82
Customer Service and Operations	3,281	3,239	-	42
Community Building	3,015	3,153	35	138
Civilian Complaint Bureau	680	546	-	134
Youth Violence Prevention	3,655	3,296	10	349
Total Department	12,211	11,505	67	639
PERSONNEL				
Employment and Training	2,846	2,790	-	56
Employee Health Services	3,012	2,916	-	96
Citywide Personnel	2,994	2,915	-	79
Labor Relations and Class Compensation	3,329	3,329	-	-
Total Department	12,181	11,950	-	231
POLICE				
Chief of Police	22,613	11,926	-	10,687
Police Administration	1,873	1,870	-	3
Chief of Staff Program	25,779	23,888	-	1,891
Deputy Chief Operations	640	631	-	9
Special Operations Bureau	40,167	41,157	-	(990)
Patrol Operations Program	3,632	1,486	-	2,146
North Precinct Patrol	29,274	28,688	-	586
South Precinct Patrol	16,705	16,631	-	74
East Precinct Patrol	21,862	20,683	-	1,179
Southwest Precinct Patrol	14,714	13,823	-	891
Criminal Investigation Administration	8,451	9,208	-	(757)
Criminal Investigation	9,485	9,208	-	277
Narcotics Investigation	4,637	4,301	-	336
Special Investigations	4,190	4,178	-	12
Special Victims Program	6,247	5,741	-	506
Field Support Administration	33,283	32,901	-	382
Total Department	267,053	252,758	-	14,295
PUBLIC SAFETY CIVIL SERVICE COMMISSION				
	142	132	-	10

The City of Seattle

D-11 GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended December 31, 2010
 (In Thousands)

	Final Budget	Actual	Encumbrances	Variance
JUDGMENTS/CLAIMS				
Judgments and Claims	\$ 12,900	\$ 4,480	\$ -	\$ 8,420
Police Actions	2,100	1,602	-	498
Total Judgments/Claims	15,000	6,082	-	8,918
ARTS ACCOUNT				
CABLE TELEVISION FRANCHISE	4,469	3,947	409	113
CUMULATIVE RESERVE	7,985	7,794	-	191
Real Estate Excise Tax I	29,770	11,411	-	18,359
Real Estate Excise Tax II	13,997	6,384	-	7,613
Capital Projects Asset Preservation	4,688	2,711	-	1,977
Unrestricted	27,677	30,672	12	(2,995)
Total Cumulative Reserve	109,132	51,181	12	57,939
NEIGHBORHOOD MATCHING	7,726	3,069	-	4,657
TRANSIT BENEFIT	41	-	-	41
SPECIAL EMPLOYMENT	35	5	-	30
INDUSTRIAL INSURANCE	2,420	761	-	1,659
UNEMPLOYMENT COMPENSATION	2,341	1,279	-	1,062
HEALTH CARE	23,060	17,363	-	5,697
GROUP TERM LIFE INSURANCE	160	12	-	148
Total Expenditures and Encumbrances	881,026	737,702	976	142,348
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	140,339	216,322	(976)	75,007
OTHER FINANCING SOURCES (USES)				
Sales of Capital Assets	41,835	21,309	-	(20,526)
Transfers In	11,835	10,068	-	(1,767)
Transfers Out	(282,595)	(278,109)	-	(4,486)
Total Other Financing Sources (Uses)	(228,925)	(246,732)	-	(17,807)
Net Change in Fund Balance	\$ (88,586)	\$ (30,410)	\$ (976)	\$ 57,200
Fund Balance - Beginning of Year				197,446
Fund Balance - End of Year		\$ 167,036		

D-13 LOW-INCOME HOUSING FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2010
(In Thousands)

	Final Budget	Actual	Encumbrances	Variance
REVENUES				
Taxes				
General Property Taxes	\$ 18,820	\$ 18,621	\$ -	\$ (199)
Grants, Shared Revenues, and Contributions	29,493	14,463	-	(14,984)
Other Taxes	11,349	10,407	-	(942)
Total Taxes	59,662	43,491	-	(16,171)
Licenses and Permits	64,381	4,135	-	(60,246)
Grants, Shared Revenues, and Contributions	50,115	(2,858)	-	(52,973)
Charges for Services	60,715	10,838	-	(49,877)
Program Income, Interest, and Miscellaneous Revenues	99	99	-	-
Total Revenues	234,077	56,566	-	(177,511)
EXPENDITURES AND ENCUMBRANCES				
Community Development	46	-	-	46
Management and Administration	3,866	2,271	-	1,595
Multifamily Production and Preservation	96,241	29,123	-	67,118
Single Family	26,276	10,187	-	15,964
Total Expenditures and Encumbrances	126,429	41,581	125	84,723
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(65,564)	(3,577)	(125)	61,862
OTHER FINANCING SOURCES (USES)				
Transfers In	-	3,568	-	3,568
Net Change in Fund Balance	\$ (65,564)	(9)	\$ (125)	\$ 65,430
Fund Balance - Beginning of Year		75,150		
Fund Balance - End of Year	\$ 75,150			

D-12 TRANSPORTATION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2010
(In Thousands)

	Final Budget	Actual	Encumbrances	Variance
REVENUES				
Taxes				
General Property Taxes	\$ 40,910	\$ 39,612	\$ -	\$ (1,298)
Other Taxes	4,038	24,857	-	(3,180)
Total Taxes	44,948	64,469	-	(19,521)
Licenses and Permits	65,164	64,381	-	(783)
Grants, Shared Revenues, and Contributions	1,978	6,113	-	4,135
Charges for Services	52,973	50,115	-	(2,858)
Program Income, Interest, and Miscellaneous Revenues	49,377	60,715	-	10,838
Program Income, Interest, and Miscellaneous Revenues	99	99	-	-
Total Revenues	264,849	276,542	-	11,693
EXPENDITURES AND ENCUMBRANCES				
Bridges and Structures	7,245	7,225	-	20
Engineering Services	2,403	2,321	-	82
Mobility Operations	36,775	30,601	-	6,174
Right-of-Way Management	1,644	1,644	-	-
Street Maintenance	28,294	23,018	-	5,272
Urban Forestry	4,372	4,288	-	84
Department Management	3,581	(382)	-	3,963
General Expense	20,782	3,886	-	16,896
Major Maintenance/Replacement	120,696	75,209	-	45,487
Other Projects	6,000	4,000	-	2,000
Mobility Capital	86,956	42,967	-	43,989
Total Expenditures and Encumbrances	498,137	257,408	-	240,729
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(328,645)	(76,033)	-	252,612
OTHER FINANCING SOURCES (USES)				
Transfers In	45,196	88,952	-	43,756
Transfers Out	-	(13,867)	-	(13,867)
Total Other Financing Sources (Uses)	45,196	75,085	-	29,889
Net Change in Fund Balance	\$ (283,449)	(948)	\$ -	\$ 282,501
Fund Balance - Beginning of Year		34,156		
Fund Balance - End of Year	\$ 33,208			

The City of Seattle

Budget and Actual

D-14 PARK AND RECREATION FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended December 31, 2010
(In Thousands)

	Final Budget	Actual	Encumbrances	Variance
REVENUES				
Grants, Shared Revenues, and Contributions	\$ 1,830	\$ 1,270	\$ -	\$ (560)
Charges for Services	41,283	33,616	-	(7,667)
Fees and Forfeits	2	2	-	-
Program Fee	2,466	5,864	-	3,398
Paid in Advance Space Rent	303	283	-	(20)
Program Income, Interest, and Miscellaneous Revenues				
Total Revenues	45,882	40,735	-	(5,147)
EXPENDITURES AND ENCUMBRANCES				
Gasworks Park Contamination Remediation	2	-	-	2
Swimming, Boating, and Aquatics	7,952	7,699	-	253
Recreation Facilities and Programs	23,109	22,333	429	776
Facility and Structure Maintenance	13,822	12,438	32	1,384
Landscaping, Irrigation, and Restoration	2,489	2,429	7	60
Seattle Conservation Corps	4,412	3,264	13	1,135
Seattle Aquarium	11,113	7,213	-	3,900
Woodland Park Zoo	6,386	6,363	-	23
Planning, Development, and Acquisition	7,494	6,003	18	1,473
Judgments and Claims	1,682	1,682	-	-
Human Resources Administration	7,619	6,985	-	634
Policy Direction and Leadership	4,114	3,747	33	334
Golf	8,993	8,006	-	987
Golf Capital Reserve	448	3,654	-	448
Environmental Learning and Programs	3,655	6,168	-	1
Natural Resources Management	6,245	-	-	77
Total Expenditures and Encumbrances	131,637	118,964	604	12,069
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(85,755)	(78,229)	(604)	6,922
OTHER FINANCING SOURCES (USES)				
Sales of Capital Assets	-	1	-	1
Transfers In	84,429	82,715	-	(1,714)
Transfers Out	(1,049)	(1,591)	-	(867)
Total Other Financing Sources (Uses)	83,380	80,800	-	(2,580)
Net Change in Fund Balance	(2,375)	2,571	(604)	4,342
Fund Balance - Beginning of Year		5,605		
Fund Balance - End of Year		8,176		

D-15 LIBRARY FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended December 31, 2010
(In Thousands)

	Final Budget	Actual	Encumbrances	Variance
REVENUES				
Grants, Shared Revenues, and Contributions	\$ 4,320	\$ 3,270	\$ -	\$ (1,050)
Charges for Services	347	390	-	43
Fees and Forfeits	1,200	1,200	-	-
Program Fee	717	426	-	(291)
Paid in Advance Space Rent	18	152	-	134
Program Income, Interest, and Miscellaneous Revenues				
Total Revenues	6,384	5,537	-	(847)
EXPENDITURES AND ENCUMBRANCES				
Administrative Services	8,077	8,014	-	63
City Librarian's Office	2,446	2,348	-	98
Library Capital Improvements	197	23	-	174
Library Grants	1,515	61	-	1,454
Library Programs	40,091	38,426	-	1,665
Trusts and Memorials	10,659	3,260	-	7,399
Total Expenditures and Encumbrances	61,636	53,065	-	8,571
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(55,252)	(47,528)	-	7,724
OTHER FINANCING SOURCES (USES)				
Transfers In	48,454	48,032	-	(422)
Transfers Out	(452)	(452)	-	-
Total Other Financing Sources (Uses)	48,002	47,600	-	(402)
Net Change in Fund Balance	(7,230)	72	-	7,302
Fund Balance - Beginning of Year		12,333		
Fund Balance - End of Year		12,405		

The City of Seattle

D-16 SEATTLE CENTER FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2010
(In Thousands)

	Final Budget	Actual	Encumbrances	Variance
REVENUES				
Grants, Shared Revenues, and Contributions	\$ 33	\$ 45	\$ -	\$ 12
Charges for Services	6,778	5,695	-	(1,083)
Parking Fees and Space Rent	12,453	13,639	-	1,186
Program Income, Interest, and Miscellaneous Revenues	714	414	-	(300)
Total Revenues	20,150	19,783	-	(367)
EXPENDITURES AND ENCUMBRANCES				
Access	1,241	1,057	-	184
Administration	6,911	6,893	-	18
Cultural Facilities	276	242	-	34
Commercial Events	712	700	-	12
Festivals	1,188	1,176	-	12
Grounds	11,858	11,762	-	96
Judgments and Claims	608	608	-	-
Key Arena	6,101	5,594	-	507
McCaw Hall	3,743	3,542	-	201
Community Programs	2,140	2,090	-	50
Total Expenditures and Encumbrances	34,348	33,239	-	1,109
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(14,198)	(13,456)	-	742
OTHER FINANCING SOURCES (USES)				
Transfers In	14,428	14,375	-	(53)
Transfers Out	(229)	(230)	-	(1)
Total Other Financing Sources (Uses)	14,199	14,145	-	(54)
Net Change in Fund Balance	\$ 1	689	\$ -	\$ 688
Fund Balance - Beginning of Year		1,207		
Fund Balance - End of Year		\$ 1,896		

The City of Seattle

D-17 HUMAN SERVICES OPERATING FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2010
(In Thousands)

	Final Budget	Actual	Encumbrances	Variance
REVENUES				
Grants, Shared Revenues, and Contributions	\$ 98,030	\$ 60,955	\$ -	\$ (37,075)
Charges for Services	1,788	1,337	-	(451)
Fines and Forfeits	6,480	6,480	-	-
Program Income, Interest, and Miscellaneous Revenues	655	86	-	(569)
Total Revenues	100,515	62,429	-	(38,086)
EXPENDITURES AND ENCUMBRANCES				
Area Agency on Aging	68,241	39,213	-	29,028
Community Facilities	156	143	-	13
Domestic Violence and Sexual Assault Prevention	5,054	4,646	-	408
Early Learning and Family Support	14,854	13,947	-	907
Emergency and Transitional Services	32,470	26,222	-	6,248
Food Bank Administration	11,490	11,490	-	-
Public Health Services	11,153	11,149	-	4
Self-Sufficiency	2,108	1,976	-	132
Youth Development and Achievement	10,532	10,438	-	94
Total Expenditures and Encumbrances	154,978	115,084	-	39,894
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(54,463)	(52,655)	-	1,808
OTHER FINANCING SOURCES (USES)				
Transfers In	52,519	52,424	-	(95)
Net Change in Fund Balance	\$ (1,944)	(231)	\$ -	\$ 1,713
Fund Balance - Beginning of Year		6,698		
Fund Balance - End of Year		\$ 6,467		

Budget and Actual

D-18 OFFICE OF HOUSING FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN

FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended December 31, 2010

(In Thousands)

	Final Budget	Actual	Encumbrances	Variance
REVENUES				
Taxes				
General Property Taxes	\$ 97	\$ 1,850	\$ -	\$ 1,850
Grants, Shared Revenues, and Contributions	4,446	914	-	(3,532)
Charges for Services	-	27	-	27
Parking Fees and Space Rent	-	14	-	14
Program Income, Interest, and Miscellaneous Revenues	-	-	-	-
Total Revenues	5,418	4,022	-	(1,386)
EXPENDITURES AND ENCUMBRANCES				
Community Development	499	450	-	49
Management and Administration	1,589	1,308	-	281
Multifamily	1,668	1,305	15	338
Single Family	1,082	1,033	-	(111)
Total Expenditures and Encumbrances	4,928	4,256	15	657
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	490	(224)	(15)	(729)
OTHER FINANCING SOURCES (USES)				
Transfers In	672	560	-	(112)
Net Change in Fund Balance	<u>\$ 1,162</u>	<u>\$ 336</u>	<u>\$ (15)</u>	<u>\$ (841)</u>
Fund Balance - Beginning of Year		366		
Fund Balance - End of Year		<u>\$ 702</u>		

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**Nonmajor
Enterprise Funds**

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Nonmajor Enterprise Funds

NONMAJOR ENTERPRISE FUNDS

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

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

The City of Seattle

**E-1 COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS**

December 31, 2010
(In Thousands)

	2010	Planning and Development Restated 2009
ASSETS		
<i>Current Assets</i>		
Operating Cash and Equity in Pooled Investments	\$ 11,480	\$ 17,040
Receivables, Net of Allowances	3,034	3,566
Accounts Receivable and Dividends	37	43
Unbilled	643	898
Due from Other Funds	472	313
Due from Other Governments	-	8
Materials and Supplies Inventory	-	-
Total Current Assets	15,674	21,883
<i>Noncurrent Assets</i>		
Restricted Cash and Equity in Pooled Investments	6	13
Capital Assets	-	-
Land and Land Rights	-	-
Buildings and Improvements	-	-
Less Accumulated Depreciation	14,618	14,677
Machinery and Equipment	-	-
Less Accumulated Depreciation	(10,517)	(8,894)
Total Noncurrent Assets	4,007	5,598
Total Assets	19,681	27,481

The City of Seattle

E-1 Page 2 of 4
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 December 31, 2010
 (In Thousands)

	Downtown Parking Garage		Comparative Totals	
	2010	2009	2010	Restated 2009
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 61	\$ 299	\$ 11,541	\$ 17,339
Receivables, Net of Allowances	79	82	3,113	3,647
Accounts and Dividends	-	-	3	6
Unbilled	-	37	43	43
Due from Other Funds	-	-	643	898
Due from Other Governments	-	-	472	313
Materials and Supplies Inventory	-	-	-	8
Total Current Assets	140	381	15,814	22,264
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	202	214	6	13
Capital Assets				
Land and Land Rights	12,881	12,881	12,881	12,881
Buildings and Improvements	60,131	60,131	60,131	60,131
Less Accumulated Depreciation	(24,052)	(22,048)	(24,052)	(22,048)
Machinery and Equipment	651	(651)	15,169	15,130
Less Accumulated Depreciation	(651)	(651)	(11,688)	(9,282)
Total Noncurrent Assets	49,162	51,178	53,169	56,776
Total Assets	49,302	51,559	68,983	79,040

The City of Seattle

E-1 Page 3 of 4
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 December 31, 2010
 (In Thousands)

	Planning and Development	
	2010	Restated 2009
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	\$ 714	\$ 650
Accrued and Payroll Taxes Payable	78	897
Compensated Absences Payable	472	263
Due to Other Funds	272	182
Due to Other Governments	-	11
Interest Payable	-	-
Deferred Bond Interest	-	-
Telephone Payable	-	2
General Obligation Bonds Due Within One Year	61	49
Claims Payable	10	20
Other Current Liabilities	-	-
Total Current Liabilities	2,343	2,074
<i>Noncurrent Liabilities</i>		
Compensated Absences Payable	2,193	2,612
Claims Payable	123	19
Vendor Deposits Payable	6	35
General Obligation Bonds, Due Serially	-	-
Less Bonds Due Within One Year	-	-
Bond Discount and Premium, Net	-	-
Deferred Bond Interest	-	-
Deferred Credit Interest	10,810	9,952
Due Within One Year	822	656
Unfunded Other Post Employment Benefits	-	-
Total Noncurrent Liabilities	13,954	13,332
Total Liabilities	16,297	15,406
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	4,001	5,585
Unrestricted	(617)	6,490
Total Net Assets	\$ 3,384	\$ 12,075

The City of Seattle

E-2 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2010
(In Thousands)

	2010	2009	Restated 2009
OPERATING REVENUES			
Charges for Services and Other Fees	\$ 30,412	\$	\$ 35,549
OPERATING EXPENSES			
Operations and Maintenance	36,502		43,685
General and Administrative	11,564		12,062
City Business and Occupation Taxes	-		-
Other Taxes	-		2
Depreciation and Amortization	1,632		1,641
Total Operating Expenses	49,698		57,390
Operating Income (Loss)	(19,286)		(21,841)
NONOPERATING REVENUES (EXPENSES)			
Investment and Interest Income	90		272
Interest Expense	-		-
Amortization of Bonds Premiums	-		-
Amortization of Debt Costs	-		-
Contributions and Grants	405		218
Total Nonoperating Revenues (Expenses)	495		490
Income (Loss) Before Capital Contributions and Grants and Transfers	(18,791)		(21,351)
Transfers In	10,100		10,245
Change in Net Assets	(8,691)		(11,106)
Net Assets - Beginning of Year	12,075		23,824
Prior-Year Adjustment	-		(643)
Net Assets - Beginning of Year as Restated	12,075		23,181
Net Assets - End of Year	\$ 3,384		\$ 12,075

The City of Seattle

E-1 COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
December 31, 2010
(In Thousands)

	2010	2009	2010	2009
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 287	\$ 229	\$ 1,031	\$ 879
Salaries, Benefits, and Payroll Taxes Payable	-	-	784	897
Compensated Absences Payable	-	-	472	263
Due to Other Governments	1,221	589	1,493	11
Interest Payable	721	720	721	720
Deferred Bond Interest	1,058	924	1,058	924
Taxes Payable	86	85	86	87
General Obligation Bonds Due Within One Year	1,247	1,226	1,247	1,246
Other Current Liabilities	-	-	61	46
Total Current Liabilities	4,620	3,773	6,963	5,847
Noncurrent Liabilities				
Compensated Absences Payable	-	-	2,193	2,612
Claims Payable	-	-	123	99
Vendor and Other Deposits Payable	-	-	6	13
General Obligation Bonds Due Serially	62,093	63,419	62,093	63,419
General Obligation Bonds Due Serially	1,247	(1,247)	1,247	(1,247)
Bond Discount and Premium, Net	3,614	3,817	3,614	3,817
Deferred Bond Interest	3,552	4,005	3,552	4,005
Less Accrued Interest Due Within One Year	(1,058)	(924)	(1,058)	(924)
Deferred Credits	-	-	10,810	9,952
Unfunded Other Post Employment Benefits	-	-	822	656
Total Noncurrent Liabilities	66,954	68,991	80,908	82,323
Total Liabilities	71,574	72,764	87,871	88,170
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	-	-	4,001	5,585
Unrestricted	(22,272)	(21,205)	(22,889)	(14,715)
Total Net Assets	\$ (22,272)	\$ (21,205)	\$ (18,888)	\$ (9,130)

Nonmajor Enterprise Funds

E-2 **COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES**
IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2010
(In Thousands)

	2010	2009	2010	Restated 2009
OPERATING REVENUES				
Charges for Services and Other Fees	\$ 6,580	\$ 6,862	\$ 36,992	\$ 42,411
OPERATING EXPENSES				
Operations and Maintenance	2,438	2,464	38,940	46,149
General and Administrative	14	15	11,564	12,062
City Business and Occupation Taxes	31	32	14	15
Other Taxes	31	31	31	34
Depreciation and Amortization	2,004	2,082	3,636	3,726
Total Operating Expenses	4,487	4,596	54,185	61,986
Operating Income (Loss)	2,093	2,266	(17,193)	(19,575)
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	1	10	91	282
Interest Expense	(3,352)	(3,420)	(3,352)	(3,420)
Amortization of Bonds Premiums	202	203	202	203
Amortization of Debt Costs	(11)	(11)	(11)	(11)
Contributions and Grants	-	-	462	216
Total Nonoperating Revenues (Expenses)	(3,160)	(3,218)	(2,665)	(2,728)
Income (Loss) Before Capital Contributions and Grants and Transfers	(1,067)	(952)	(19,858)	(22,303)
Transfers In	-	-	10,100	10,245
Change in Net Assets	(1,067)	(952)	(9,758)	(12,058)
Net Assets - Beginning of Year	(21,205)	(20,253)	(9,130)	3,571
Prior-Year Adjustment	-	-	-	(645)
Net Assets - Beginning of Year as Restated	(21,205)	(20,253)	(9,130)	2,926
Net Assets - End of Year	\$ (22,272)	\$ (21,205)	\$ (18,888)	\$ (9,130)

The City of Seattle

E-3 **COMBINING STATEMENT OF CASH FLOWS**
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2010
(In Thousands)

	2010	Restated 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 31,810	\$ 31,472
Cash Paid to Suppliers	(22,168)	(27,123)
Cash Paid to Employees	(25,761)	(29,656)
Cash Paid for Taxes	(2)	-
Net Cash from Operating Activities	(16,121)	(25,307)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Grants	485	218
Proceeds from Interfund Loans	10,100	10,245
Principal Payments on Interfund Loans	-	-
Net Cash from Noncapital Financing Activities	10,505	10,463
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Paid on Long-Term Debt	-	-
Capital Expenditures and Deferred Charges Paid	(49)	(17)
Interest Paid on Long-Term Debt	-	-
Net Cash from Capital and Related Financing Activities	(49)	(17)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	98	329
Net Increase (Decrease) in Cash and Equity in Pooled Investments	(5,567)	(14,532)
CASH AND EQUITY IN POOLED INVESTMENTS		
Beginning of Year	17,053	31,585
End of Year	\$ 11,486	\$ 17,053
CASH AT THE END OF THE YEAR CONSISTS OF		
Operating Cash and Equity in Pooled Investments	\$ 11,480	\$ 17,040
Noncurrent Restricted Cash and Equity in Pooled Investments	6	13
Total Cash at the End of the Year	\$ 11,486	\$ 17,053

The City of Seattle

E-3 Page 2 of 4
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 For the Year Ended December 31, 2010
 (In Thousands)

	Downtown Parking Garage		Comparative Totals	
	2010	2009	2010	Restated 2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 7,872	\$ 8,110	\$ 39,682	\$ 39,582
Cash Paid to Suppliers	(2,385)	(2,540)	(24,553)	(29,663)
Cash Paid to Employees	-	-	(25,761)	(29,656)
Cash Paid for Taxes	(1,324)	(1,242)	(1,326)	(1,242)
Net Cash from Operating Activities	4,163	4,328	(11,958)	(20,979)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Operating Grants	-	-	405	218
Proceeds from Interfund Loans	1,130	500	10,100	10,240
Principal Payments on Interfund Loans	(500)	-	1,130	500
Net Cash from Noncapital Financing Activities	630	500	11,135	10,963
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal Paid on Long-Term Debt	(1,226)	(1,204)	(1,226)	(1,204)
Capital Expenditures and Deferred Charges Paid	(3,800)	(3,672)	(49)	(17)
Interest Paid on Long-Term Debt	(5,032)	(4,876)	(3,800)	(3,672)
Net Cash from Capital and Related Financing Activities	-	-	(5,081)	(4,893)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received on Investments	1	12	99	341
Net Increase (Decrease) in Cash and Equity in Pooled Investments	(238)	(36)	(5,805)	(14,568)
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	299	355	17,352	31,920
End of Year	\$ 61	\$ 299	\$ 11,547	\$ 17,352
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 61	\$ 299	\$ 11,541	\$ 17,339
Noncurrent Restricted Cash and Equity in Pooled Investments	-	-	6	13
Total Cash at the End of the Year	\$ 61	\$ 299	\$ 11,547	\$ 17,352

The City of Seattle

E-3 Page 3 of 4
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 For the Year Ended December 31, 2010
 (In Thousands)

	Planning and Development	
	2010	Restated 2009
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (19,286)	\$ (21,841)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities		
Depreciation and Amortization	1,632	1,641
Changes in Operating Assets and Liabilities		
Accounts Receivable	530	(7)
Unbilled Receivables	7	(43)
Due from Other Funds	257	513
Due to Other Funds	(159)	(513)
Materials and Supplies Inventory	8	(3)
Accounts Payable	94	(806)
Salaries, Benefits, and Payroll Taxes Payable	(113)	(534)
Compensated Absences Payable	(210)	137
Due to Other Governments	(11)	(31)
Claims Payable	37	14
Taxes Payable	(2)	2
Deferred Credits	858	(4,337)
Other Assets and Liabilities	149	53
Total Adjustments	3,165	(3,460)
Net Cash from Operating Activities	\$ (16,121)	\$ (25,307)

Nonmajor Enterprise Funds

E-3
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2010
(In Thousands)

	2010	2009	2010	2009
	\$	\$	\$	\$
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	2,093	2,266	(17,193)	(19,575)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	2,004	2,085	3,636	3,726
Change in Noncurrent Assets and Liabilities				
Accounts Receivable	3	(8)	533	(15)
Unbilled Receivables	-	-	7	(43)
Due from Other Funds	-	-	245	(203)
Due from Other Governments	-	-	(159)	513
Materials and Supplies Inventory	59	(71)	153	(7)
Accounts Payable	-	-	(113)	(574)
Salaries, Benefits, and Payroll Taxes Payable	-	-	(210)	(634)
Compensated Absences Payable	2	35	92	157
Due to Other Funds	-	-	(11)	(147)
Due to Other Governments	2	-	-	(31)
Due from Other Governments	-	-	2	23
Taxes Payable	-	21	-	-
Deferred Credits	-	-	858	(4,337)
Other Assets and Liabilities	-	-	149	53
Total Adjustments	2,070	2,062	5,235	(1,404)
Net Cash from Operating Activities	\$ 4,163	\$ 4,328	\$ (11,958)	\$ (20,979)

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Internal Service Funds

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Internal Service Funds

INTERNAL SERVICE FUNDS

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

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

The City of Seattle

**F-1 COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS**

December 31, 2010
(In Thousands)

		Fleets and Facilities	Information Technology	Comparative Totals 2010	Restated 2009	
ASSETS						
<i>Current Assets</i>						
Cash and Equity in Pooled Investments	\$	8,230	\$	10,908	\$	6,636
Receivables, Net of Allowances		7,587		7,587		3,948
Accounts Receivable, Net of Allowances		73	1,462	1,535		719
Interest and Dividends		15	18	33		38
Unbilled Other Funds		5,827	1,620	7,447		2
Due from Other Governments		363	119	482		7,086
Materials and Supplies Inventory		2,100	298	2,398		433
Prepayments and Other		72	89	161		62
Total Current Assets		24,267	6,294	30,561		21,349
<i>Noncurrent Assets</i>						
Restricted Cash and Equity in Pooled Investments		1,583	24,329	25,912		30,825
Capital Assets		1,506	48	1,554		1,670
Land and Land Rights		100,365	97	100,365		101,034
Buildings and Improvements		658,406	(2)	658,503		603,036
Less Accumulated Depreciation		(154,956)	(2)	(154,958)		(141,375)
Machinery and Equipment		167,383	34	167,417		131,383
Less Accumulated Depreciation		(72,384)	(2,904)	(75,288)		(63,748)
Construction in Progress		2,961	6,623	9,584		7,876
Total Noncurrent Assets		674,067	45,032	719,099		686,696
Total Assets		698,334	51,326	749,660		708,045
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable		3,015	2,890	5,905		8,045
Salaries, Benefits, and Payroll Taxes Payable		636	607	1,243		1,215
Due to Other Funds		501	923	1,424		1,606
Interest Payable		7	0	7		56
Accounts Payable		27	22	49		93
Current Portion of Long-Term Debt		11,599	2,865	14,464		13,530
General Obligation Bonds Due Within One Year		546	21	567		488
Claims Payable		287	224	511		316
Compensated Absences Payable		148	-	148		-
Other Current Liabilities		16,759	7,622	24,381		25,580
Total Current Liabilities		30,787	13,622	44,409		48,493
<i>Noncurrent Liabilities</i>						
Compensated Absences Payable		1,604	1,573	3,177		3,495
Claims Payable		1,111	42	1,153		993
Vendor and Other Deposits Payable		111	-	111		68
General Obligation Bonds, Due Serially		269,616	7,980	277,596		289,731
General Obligation Bonds, Due Within One Year		14,366	(2,426)	11,940		11,940
Bond Discount and Premium		14,366	426	14,792		15,740
Unfunded Other Post Employment Benefits		748	503	1,251		942
Other Noncurrent Liabilities		1,511	45	1,556		364
Total Noncurrent Liabilities		277,468	7,704	285,172		297,803
Total Liabilities		294,227	15,326	309,553		323,383
NET ASSETS						
Invested in Capital Assets, Net of Related Debt		387,050	14,725	401,775		353,499
Unrestricted		17,057	21,275	38,332		31,163
Total Net Assets		\$ 404,107	\$ 36,000	\$ 440,107		\$ 384,662

Internal Service Funds

F-2 **COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS**
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2010
(In Thousands)

	Fleets and Facilities	Information Technology	Comparative Totals Restated 2010	2009
OPERATING REVENUES				
Charges for Services	\$ 23,228	\$ 45,411	\$ 68,639	\$ 74,838
Rents, Parking, and Concessions	87,691	-	87,691	85,774
Total Operating Revenues	110,919	45,411	156,330	160,612
OPERATING EXPENSES				
Operations and Maintenance	60,447	33,684	94,131	110,357
Personnel and Administrative	6,660	4,303	11,163	10,841
City, State, and Federal Taxes	4	-	-	4
Other Taxes	325	3	328	333
Depreciation and Amortization	28,818	3,498	32,316	35,960
Total Operating Expenses	96,256	41,688	137,944	157,495
Operating Income	14,663	3,723	18,386	3,117
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	142	202	344	578
Income Taxes	(12,859)	(129)	(12,988)	(14,543)
Amortization of Bonds Premiums	888	174	1,062	656
Amortization of Debt Costs	(105)	(20)	(125)	(97)
Gain (Loss) on Sale of Capital Assets	967	967	967	(638)
Contributions and Grants	-	2,356	2,356	149
Total Nonoperating Revenues (Expenses)	(10,967)	2,883	(8,384)	(13,795)
Income (Loss) Before Contributions, Grants, and Transfers	3,696	6,306	10,002	(10,678)
Capital Contributions and Grants	49,443	-	49,443	13,265
Transfers Out	(4,000)	-	(4,000)	(7,619)
Change in Net Assets	49,139	6,306	55,445	(5,032)
Net Assets - Beginning of Year	354,968	29,694	384,662	133,548
Pre-Year Adjustment	-	-	-	2,581,146
Net Assets - Beginning of Year as Restated	354,968	29,694	384,662	389,694
Net Assets - End of Year	\$ 404,107	\$ 36,000	\$ 440,107	\$ 384,662

The City of Seattle

F-3 **COMBINING STATEMENT OF CASH FLOWS**
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2010
(In Thousands)

	Fleets and Facilities	Information Technology	Comparative Totals Restated 2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 111,016	\$ 44,954	\$ 155,970	\$ 160,203
Cash Paid to Suppliers	(40,263)	(16,763)	(57,023)	(70,325)
Cash Paid to Employees	(26,190)	(22,385)	(48,575)	(52,471)
Cash Paid for Taxes	(335)	(41)	(376)	(281)
Net Cash from Operating Activities	44,231	5,765	49,996	37,126
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Loans Provided to Other Funds	(1,130)	-	(1,130)	(600)
Operating Grants and Contributions Received	(4,000)	2,357	(1,643)	(149)
Transfers Out	-	-	-	(7,619)
Net Cash from Noncapital Financing Activities	(5,130)	2,357	(2,773)	(7,970)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Long-Term Debt	-	-	-	9,396
Principal Payments on Long-Term Debt	(11,205)	(990)	(12,195)	(10,527)
Capital Pledges and Grants Received	(10,508)	-	(10,508)	(20,274)
Capital Pledges	-	(9,769)	(9,769)	(27,346)
Interest Paid on Long-Term Debt	(12,859)	(171)	(13,030)	(14,160)
Proceeds from Sale of Capital Assets	581	-	581	633
Net Cash from Capital and Related Financing Activities	(33,643)	(10,930)	(44,573)	(41,840)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and Investment Income Received	140	208	348	676
Net Increase (Decrease) in Cash and Equity in Pooled Investments	5,598	(2,600)	2,998	(12,008)
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	11,802	29,607	41,409	53,417
End of Year	\$ 17,400	\$ 27,007	\$ 44,407	\$ 41,409
CASH AT THE END OF THE YEAR CONSISTS OF				
Current Assets, Cash and Equity in Pooled Investments	\$ 8,230	\$ 2,678	\$ 10,908	\$ 6,636
Current Restricted Cash and Equity in Pooled Investments	7,587	-	7,587	3,948
Noncurrent Restricted Cash and Equity in Pooled Investments	1,583	24,329	25,912	30,825
Total Cash at the End of the Year	\$ 17,400	\$ 27,007	\$ 44,407	\$ 41,409

Internal Service Funds

**F-3 COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2010
(In Thousands)**

	Fleets and Facilities		Information Technology		Comparative Totals Restated	
	2010	2009	2010	2009	2010	2009
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES						
Operating Income	\$ 14,663	\$ 3,723	\$ 18,386	\$ 3,117		
Adjustments to Reconcile Operating Income to Net Cash From Operating Activities						
Depreciation and Amortization	28,818	3,498	32,316	35,960		
Changes in Operating Assets and Liabilities						
Accounts Receivable	(43)	(773)	(816)	(183)		
Unbilled Receivables	2	2	2	(2)		
Due from other funds	22	51	73	(47)		
Due from Other Departments	(90)	41	(49)	246		
Materials and Supplies Inventory	(72)	99	27	(245)		
Accounts Payable	(1,279)	(861)	(2,140)	651		
Salaries, Benefits, and Payroll Taxes Payable	(10)	39	29	(1,413)		
Compensated Absences Payable	(121)	(15)	(122)	361		
Due to other funds	234	(34)	200	(1,177)		
Claims Payable	(7)	(38)	(45)	56		
Taxes Payable	1,754	(162)	1,592	(355)		
Other Assets and Liabilities						
Total Adjustments	29,568	2,042	31,610	34,009		
Net Cash from Operating Activities	\$ 44,231	\$ 5,765	\$ 49,996	\$ 37,126		
SCHEDULE OF NONCASH ACTIVITIES						
Amortization of Debt Related Costs, Net	\$ 783	\$ -	\$ 783	\$ 474		

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Fiduciary Funds

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Fiduciary Funds

FIDUCIARY FUNDS

PENSION TRUST FUNDS

The **Employees' Retirement Fund** receives employees' payroll deductions for retirement and the City's matching contributions. It pays pension benefits to retired City employees. It also accounts for the investments and related earnings in the City's employee retirement plan.

The **Firemon's Pension Fund** receives General Fund contributions and a portion of the state-levied fire insurance premium tax. These moneys pay for fire fighters' medical and pension benefits which are not covered by the State's Law Enforcement Officers' and Fire Fighters' Retirement System and/or industrial insurance.

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

AGENCY FUNDS

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

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

The **Multifamily Rental Housing Improvement Fund** (MRHF) accounts for monies arising from a settlement agreement, and duly ordered by the Superior Court of the State of Washington to be administered by the City. Disbursements are made, upon approval of the MRHF Committee, to improve building maintenance for the multifamily rental housing stock in the City; and to provide educational services and resources on landlord and tenant rights and responsibilities.

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

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

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

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The City of Seattle

G-1 COMBINING STATEMENT OF NET ASSETS
PENSION TRUST FUNDS
December 31, 2010
(In Thousands)

	Employees' Retirement	Firemen's Pension	Police Relief and Pension	Comparative Totals	
				2010	2009
ASSETS					
Cash and Equity in Pooled Investments	\$ 12,883	\$ 13,098	\$ 3,052	\$ 29,033	\$ 34,588
Short-Term Investments	3,183	-	-	3,183	11,027
Securities Lending Collateral	33,896	-	-	33,896	36,492
Investments at Fair Value	198,588	9	-	198,597	178,650
U.S. Government Obligations	81,251	-	-	81,251	108,951
Domestic Corporate Bonds	757,208	-	-	757,208	631,592
Domestic Stocks	186,125	-	-	186,125	183,025
Real Estate	186,162	-	-	186,162	159,010
Alternative/Venture Capital	165,781	-	-	165,781	159,010
Mezzanine Debt	49,094	-	-	49,094	57,795
Total Investments at Fair Value	1,806,419	9	-	1,806,428	1,624,966
Receivables	-	-	-	-	92
Employer - Due from Other Funds	3,303	1	4	3,308	3,240
Employer - Other	1,746	7	-	1,753	1,825
Interest and Dividends	-	-	-	-	-
Total Receivables	5,049	8	4	5,061	5,157
Equipment, at Cost, Net of Accumulated Depreciation	-	-	-	-	2
Total Assets	1,861,430	13,115	3,056	1,877,601	1,712,232
LIABILITIES					
Refunds Payable and Other	11,380	1,684	1,952	15,016	12,943
Securities Lending Collateral	37,295	-	-	37,295	40,438
Total Liabilities	48,675	1,684	1,952	52,311	53,381
Net Assets Held in Trust for Pension Benefits	\$ 1,812,755	\$ 11,431	\$ 1,104	\$ 1,825,290	\$ 1,658,851

G-2 COMBINING STATEMENT OF CHANGES
IN PLAN NET ASSETS
PENSION TRUST FUNDS
For the Year Ended December 31, 2010
(In Thousands)

	Employees' Retirement	Firemen's Pension	Police Relief and Pension	ADDITIONS	
				2010	2009
Contributions	\$ 45,225	\$ 7,921	\$ 10,364		
Employer Plan Member	45,365	-	-		
Total Contributions	90,590	7,921	10,364		
Investment Income (Loss)					
From Investment Activities	197,390	(75)	-		
Net Appreciation (Depreciation) in Fair Value of Investments	8,543	98	-		
Interest	7,064	-	-		
Dividends	-	-	-		
Total Investment Activities Income (Loss)	212,997	23	-		
Investment Activities Expenses					
Investment Management Fees	4,050	-	-		
Performance Measurement Fees	371	-	-		
Investment Custodial Fees	112	-	-		
Total Investment Activities Expenses	4,533	-	-		
Net Income (Loss) from Investment Activities	208,464	23	-		
From Securities Lending Activities					
Securities Lending Income	71	-	-		
Securities Lending Expenses					
Borrower Rebates	(14)	-	-		
Management Fees	21	-	-		
Total Securities Lending Expenses	7	-	-		
Net Income (Loss) from Securities Lending Activities	64	-	-		
Total Net Investment Income (Loss)	208,528	23	-		
Total Additions	299,118	7,944	10,364		
DEDUCTIONS					
Benefits	113,651	9,121	9,017		
Administrative Expenses	1,295	666	522		
Administrative Expense	3,295	-	-		
Total Deductions	118,241	9,787	9,539		
Change in Net Assets	167,457	(1,843)	825		
Net Assets - Beginning of Year	1,645,298	13,274	279		
Net Assets - End of Year	\$ 1,812,755	\$ 11,431	\$ 1,104		

The City of Seattle

G-2 COMBINING STATEMENT OF CHANGES
IN PLAN NET ASSETS
PENSION TRUST FUNDS
For the Year Ended December 31, 2010
(In Thousands)

	Postemployment Healthcare Firemen's Pension	Police Relief and Pension	Comparative Totals 2010	2009
ADDITIONS				
Contributions	\$ 10,477	\$ 12,052	\$ 86,039	\$ 88,146
Employer Plan Member	-	-	45,365	46,614
Total Contributions	10,477	12,052	131,404	134,760
Investment Income (Loss)				
From Investment Activities	-	-	197,315	183,503
Net Appreciation (Depreciation) in Fair Value of Investments	-	-	8,641	13,570
Interest	-	-	7,064	1,128
Dividends	-	-	-	-
Total Investment Income (Loss)	-	-	213,020	198,201
Investment Activities Expenses				
Investment Management Fees	-	-	4,050	3,015
Performance Measurement Fees	-	-	371	256
Investment Custodial Fees	-	-	112	95
Total Investment Activities Expenses	-	-	4,533	3,366
Net Income (Loss) from Investment Activities	-	-	208,487	194,835
From Securities Lending Activities				
Securities Lending Income	-	-	71	361
Securities Lending Expenses				
Borrower Rebates	-	-	(14)	75
Management Fees	-	-	21	70
Total Securities Lending Expenses	-	-	7	145
Net Income (Loss) from Securities Lending Activities	-	-	64	216
Total Net Investment Income (Loss)	10,477	12,052	339,955	329,811
Total Additions	10,477	12,052	208,551	195,051
DEDUCTIONS				
Benefits	10,477	12,052	154,318	147,054
Refund of Contributions	-	-	4,483	4,483
Administrative Expense	-	-	4,483	3,210
Total Deductions	10,477	12,052	173,516	160,307
Change in Net Assets	-	-	166,439	169,504
Net Assets - Beginning of Year	-	-	1,658,851	1,489,347
Net Assets - End of Year	\$ -	\$ -	\$ 1,825,290	\$ 1,658,851

The City of Seattle

G-3 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended December 31, 2010
(In Thousands)

	Balance January 1	Additions	Deductions	Balance December 31
GUARANTY DEPOSITS FUND				
<i>Assets</i>				
Cash	\$ 10,578	\$ 3,109	\$ 4,247	\$ 9,440
Total Assets	\$ 10,578	\$ 3,109	\$ 4,247	\$ 9,440
<i>Liabilities</i>				
Deposits Payable	\$ 10,578	\$ 3,900	\$ 5,038	\$ 9,440
Total Liabilities	\$ 10,578	\$ 3,900	\$ 5,038	\$ 9,440
PAYROLL WITHHOLDING FUND				
<i>Assets</i>				
Cash	\$ 9,850	\$ 241,872	\$ 240,333	\$ 2,389
Accounts Receivable	737	864	740	861
Total Assets	\$ 10,587	\$ 242,836	\$ 250,073	\$ 3,350
<i>Liabilities</i>				
Accounts Payable	\$ 2	\$ 3	\$ 2	\$ 3
Salaries, Benefits, and Payroll Taxes Payable	10,580	244,268	251,509	3,339
Claims/Judgments Payable	5	3	-	8
Total Liabilities	\$ 10,587	\$ 244,274	\$ 251,511	\$ 3,350
MULTIFAMILY RENTAL HOUSING IMPROVEMENT FUND				
<i>Assets</i>				
Cash	\$ -	\$ 346	\$ 50	\$ 296
Total Assets	\$ -	\$ 346	\$ 50	\$ 296
<i>Liabilities</i>				
Deposits Payable	\$ -	\$ 346	\$ 50	\$ 296
Total Liabilities	\$ -	\$ 346	\$ 50	\$ 296
SALARY FUND				
<i>Assets</i>				
Cash	\$ 2,041	\$ 587,607	\$ 586,500	\$ 3,148
Accounts Receivable	18	6	18	6
Total Assets	\$ 2,059	\$ 587,613	\$ 586,518	\$ 3,154
<i>Liabilities</i>				
Salaries, Benefits, and Payroll Taxes Payable	\$ 2,059	\$ 590,339	\$ 589,244	\$ 3,154
Total Liabilities	\$ 2,059	\$ 590,339	\$ 589,244	\$ 3,154

Fiduciary Funds

**G-3 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 For the Year Ended December 31, 2010
 (In Thousands)**

	Balance January 1	Additions	Deductions	Balance December 31
VOUCHER FUND				
<i>Assets</i>				
Cash	-	2,881,651	2,880,008	1,643
Total Assets	-	2,881,651	2,880,008	1,643
<i>Liabilities</i>				
Accounts Payable	-	2,943,276	2,941,633	1,643
Total Liabilities	-	2,943,276	2,941,633	1,643
PASS-THROUGH GRANTS FUND				
<i>Assets</i>				
Cash	-	14,084	14,084	-
Total Assets	-	14,084	14,084	-
<i>Liabilities</i>				
Accounts Payable	-	14,084	14,084	-
Total Liabilities	-	14,084	14,084	-
TOTALS - ALL AGENCY FUNDS				
<i>Assets</i>				
Cash and Equity in Pooled Investments	22,469	3,728,669	3,734,222	16,916
Accounts Receivable	755	970	738	967
Total Assets	23,224	3,729,639	3,734,960	17,883
<i>Liabilities</i>				
Accounts Payable	2	2,957,363	2,955,719	1,646
Salaries, Benefits, and Payroll Taxes Payable	12,639	834,607	840,753	6,493
Deposit Payable	10,578	4,246	5,088	9,736
Claims/Judgments Payable	-	3	-	-
Total Liabilities	23,224	3,796,219	3,801,560	17,883

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Capital Assets

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Capital Assets

**H-1 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
December 31, 2010
(In Thousands)**

	2010	Restated 2009
CAPITAL ASSETS		
Land	\$ 530,854	\$ 512,004
Buildings	1,314,129	1,290,709
Investments Other than Buildings	788,290	715,182
Equipment	111,216	106,475
Infrastructure	1,315,012	1,240,350
Construction in Progress	258,193	192,225
Other Capital Assets	13,424	13,067
Total Capital Assets	\$ 4,331,118	\$ 4,069,861
INVESTMENT IN CAPITAL ASSETS FROM		
General Fund	\$ 271,272	\$ 243,838
Special Revenue Funds	2,447,861	2,290,709
Capital Projects Funds	1,481,986	1,400,314
Donations	100,999	100,956
Total Investment in Capital Assets	\$ 4,331,118	\$ 4,069,861

The City of Seattle

**H-2 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION
December 31, 2010
(In Thousands)**

	Land	Buildings	Improvements
General Government	\$ 120,077	\$ 606,293	\$ 144,125
Security of Persons and Property	-	-	-
Transportation	114,076	9,694	-
Economic Environment	1,124	-	-
Judicial	-	-	-
Culture and Recreation	295,577	698,142	644,165
Total	\$ 530,854	\$ 1,314,129	\$ 788,290

Capital Assets

**H-2 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION**

Page 2 of 2
December 31, 2010
(In Thousands)

	Equipment	Infrastructure	Other Capital Assets	Total
General Government	\$ 49,206	\$ -	\$ -	\$ 919,701
Security of Persons and Property	30,918	-	-	30,918
Transportation	9,894	1,315,012	-	1,448,676
Economic Environment	253	-	-	1,377
Judicial	60	-	-	60
Culture and Recreation	20,885	-	13,424	1,672,193
Total	\$ 111,216	\$ 1,315,012	\$ 13,424	4,072,925
Construction in Progress				258,193
Total Investment in Capital Assets				\$ 4,331,118

The City of Seattle

**H-3 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION**

For the Year Ended December 31, 2010
(In Thousands)

	Restated Balance January 1	Additions	Deductions	Balance December 31
General Government	\$ 871,144	\$ 51,436	\$ 2,879	\$ 919,701
Security of Persons and Property	27,480	5,876	2,438	30,918
Transportation	1,373,780	74,896	-	1,448,676
Economic Environment	1,372	\$ -	-	1,377
Judicial	60	-	-	60
Culture and Recreation	1,603,800	68,944	551	1,672,193
Total	3,877,636	201,157	5,868	4,072,925
Construction in Progress	192,225	261,752	198,784	258,193
Total Investment in Capital Assets	\$ 4,069,861	\$ 462,909	\$ 201,652	\$ 4,331,118

Statistics

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STATISTICAL INFORMATION

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

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

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

Demographic and Economic Information

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

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

Operating Information

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

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

Table S-1

NET ASSETS BY COMPONENT
Last Nine Fiscal Years

(Accrual Basis of Accounting)
(In Thousands)

	2010	2009	2008	2007	2006
GOVERNMENTAL ACTIVITIES					
Invested in Capital Assets, Net of Related Debt	\$ 2,510,711	\$ 2,350,564	\$ 2,184,161	\$ 2,011,575	\$ 1,825,203
Restricted	179,843	225,157	271,204	194,618	183,340
Unrestricted	93,661	146,711	194,962	322,784	273,696
Total Governmental Activities Net Assets	\$ 2,784,215	\$ 2,722,432	\$ 2,650,327	\$ 2,528,977	\$ 2,282,239
BUSINESS-TYPE ACTIVITIES					
Invested in Capital Assets, Net of Related Debt	\$ 1,249,049	\$ 1,257,195	\$ 1,128,319	\$ 967,028	\$ 813,091
Restricted	79,372	71,801	63,913	48,561	59,161
Unrestricted	84,994	49,827	166,634	195,226	234,582
Total Business-Type Activities Net Assets	\$ 1,413,415	\$ 1,378,823	\$ 1,358,866	\$ 1,210,815	\$ 1,106,834
PRIMARY GOVERNMENT					
Invested in Capital Assets, Net of Related Debt	\$ 3,759,760	\$ 3,607,759	\$ 3,312,480	\$ 2,978,603	\$ 2,638,294
Restricted	259,215	296,958	335,117	243,179	242,501
Unrestricted	178,655	196,538	361,596	518,010	508,278
Total Primary Government Net Assets	\$ 4,197,630	\$ 4,101,255	\$ 4,009,193	\$ 3,739,792	\$ 3,389,073

2005 2004 2003 2002

	2005	2004	2003	2002
GOVERNMENTAL ACTIVITIES				
Invested in Capital Assets, Net of Related Debt	\$ 1,670,338	\$ 1,584,694	\$ 1,454,419	\$ 1,328,297
Restricted	144,746	147,506	140,508	142,598
Unrestricted	211,426	137,995	140,079	177,418
Total Governmental Activities Net Assets	\$ 2,033,273	\$ 1,824,015	\$ 1,721,006	\$ 1,511,613
BUSINESS-TYPE ACTIVITIES				
Invested in Capital Assets, Net of Related Debt	\$ 664,469	\$ 641,015	\$ 676,051	\$ 699,396
Restricted	147,980	114,795	178,897	278,815
Unrestricted	125,159	90,616	(33,219)	(162,022)
Total Business-Type Activities Net Assets	\$ 937,608	\$ 846,426	\$ 821,729	\$ 816,189
PRIMARY GOVERNMENT				
Invested in Capital Assets, Net of Related Debt	\$ 2,343,807	\$ 2,225,709	\$ 2,130,470	\$ 2,027,693
Restricted	290,489	216,121	305,405	384,713
Unrestricted	356,582	225,611	168,860	(84,604)
Total Primary Government Net Assets	\$ 2,970,881	\$ 2,670,441	\$ 2,542,735	\$ 2,327,802

The City of Seattle

Table S-2
CHANGES IN NET ASSETS
Last Eight Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

	2006	2005	2004	2003
EXPENSES				
<i>Governmental Activities</i>				
General Government	\$ 128,758	\$ 102,362	\$ 104,281	\$ 101,322
Judicial	20,344	18,429	19,169	19,211
Public Safety	354,083	325,416	322,244	298,120
Physical Environment	7,331	5,300	5,300	5,313
Public Works	87,919	86,646	86,646	86,646
Economic Environment	78,957	91,066	78,455	85,130
Health and Human Services	56,904	56,572	51,565	52,406
Culture and Recreation	215,081	199,169	196,280	164,488
Interest on Long-Term Debt	35,399	39,539	41,499	43,216
Total Governmental Activities Expenses	984,467	926,703	907,629	862,155
<i>Business-Type Activities</i>				
Light	699,164	683,476	772,827	777,631
Water	161,943	148,992	127,865	124,611
Drainage and Wastewater	199,378	178,447	168,689	156,786
Solid Waste	147,919	147,919	147,919	147,919
Public Works	15,203	43,487	45,320	37,114
Planning and Development	8,035	8,414	8,421	8,284
Downtown Parking Garage	8,035	8,414	8,421	8,284
Total Business-Type Activities Expenses	1,233,230	1,172,860	1,238,042	1,216,540
Total Primary Government Expenses	2,217,717	2,099,563	2,145,671	2,078,695
PROGRAM REVENUES				
<i>Governmental Activities</i>				
Charges for Services	51,071	47,954	48,887	47,394
General Government	17,852	17,852	18,662	16,637
Public Safety	14,422	12,788	10,372	9,703
Physical Environment	1,587	1,220	1,064	985
Transportation	25,306	28,956	17,970	16,699
Economic Environment	7,519	12,765	11,072	9,759
Health and Human Services	62,768	50,192	49,925	43,860
Culture and Recreation	93,850	93,656	86,701	82,391
Operating Grants and Contributions	52,174	66,991	55,051	37,007
Capital Grants and Contributions	326,611	330,400	294,179	264,435
Total Governmental Activities Program Revenues	666,991	666,991	585,611	544,435
<i>Business-Type Activities</i>				
Charges for Services	817,310	733,865	763,793	738,802
Light	153,171	145,865	141,305	129,414
Water	186,118	175,782	162,126	150,631
Drainage and Wastewater	144,744	144,744	144,744	144,744
Solid Waste	144,655	144,655	144,655	144,655
Public Works	6,608	6,180	6,185	5,529
Downtown Parking Garage	2,412	2,973	2,618	2,618
Operating Grants and Contributions	49,437	30,750	21,014	31,493
Capital Grants and Contributions	1,372,185	1,244,338	1,244,634	1,198,928
Total Business-Type Activities Program Revenues	1,698,796	1,574,738	1,538,813	1,463,363
Total Primary Government Program Revenues	2,365,787	2,241,729	2,124,424	2,007,838
NET (EXPENSE) REVENUE				
Governmental Activities	(657,856)	(596,933)	(613,460)	(597,720)
Business-Type Activities	830,565	777,835	777,022	718,925
Total Primary Government Net Expense	(82,291)	(119,098)	(136,438)	(178,795)

Statistics

Table S-2
CHANGES IN NET ASSETS
Last Eight Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

	2010	2009	2008	2007
EXPENSES				
<i>Governmental Activities</i>				
General Government	\$ 161,329	\$ 106,732	\$ 143,855	\$ 103,323
Judicial	26,298	27,526	26,762	24,030
Public Safety	476,861	473,527	455,701	396,669
Physical Environment	32,543	32,707	32,707	9,991
Public Works	138,646	138,646	138,646	138,646
Economic Environment	119,595	98,940	104,660	98,337
Health and Human Services	72,680	75,788	69,181	63,276
Culture and Recreation	258,639	249,160	257,578	224,455
Interest on Long-Term Debt	38,929	36,825	39,336	34,048
Total Governmental Activities Expenses	1,308,878	1,238,056	1,232,652	1,078,622
<i>Business-Type Activities</i>				
Light	730,758	733,405	791,837	764,786
Water	209,554	200,921	180,855	169,631
Drainage and Wastewater	245,389	244,295	231,318	225,833
Solid Waste	147,919	147,919	147,919	147,919
Public Works	47,668	55,954	56,882	46,138
Planning and Development	7,649	7,649	8,336	8,336
Downtown Parking Garage	7,649	7,649	8,336	8,336
Total Business-Type Activities Expenses	1,387,026	1,387,925	1,390,378	1,344,439
Total Primary Government Expenses	2,695,904	2,625,981	2,623,030	2,423,061
PROGRAM REVENUES				
<i>Governmental Activities</i>				
Charges for Services	60,333	58,127	102,697	69,636
General Government	18,848	22,740	16,254	21,850
Public Safety	1,985	1,745	1,632	1,660
Physical Environment	55,680	62,230	44,093	28,860
Transportation	4,419	11,922	17,440	25,100
Economic Environment	54,886	58,977	59,536	57,283
Health and Human Services	118,619	104,882	95,236	93,184
Culture and Recreation	56,377	36,834	31,577	31,577
Operating Grants and Contributions	402,234	385,342	390,509	349,018
Capital Grants and Contributions	402,234	385,342	390,509	349,018
Total Governmental Activities Program Revenues	1,000,000	950,000	1,000,000	950,000
<i>Business-Type Activities</i>				
Charges for Services	729,650	717,775	872,099	829,679
Light	194,987	190,283	163,996	159,967
Water	245,959	244,773	216,957	201,139
Drainage and Wastewater	150,870	135,393	124,353	121,913
Solid Waste	147,919	147,919	147,919	147,919
Public Works	6,800	6,800	6,800	6,800
Downtown Parking Garage	5,953	4,789	4,099	6,208
Operating Grants and Contributions	41,846	59,983	81,425	53,063
Capital Grants and Contributions	1,404,472	1,393,237	1,512,388	1,428,245
Total Business-Type Activities Program Revenues	1,806,706	1,778,579	1,902,897	1,777,263
Total Primary Government Program Revenues	2,806,706	2,728,579	2,902,897	2,727,263
NET (EXPENSE) REVENUE				
Governmental Activities	(906,644)	(852,714)	(842,143)	(729,604)
Business-Type Activities	17,446	5,312	122,010	83,806
Total Primary Government Net Expense	(889,198)	(847,402)	(720,133)	(645,798)

The City of Seattle

Statistics

Table S-2
 CHANGES IN NET ASSETS
 Last Eight Fiscal Years
 (Accrual Basis of Accounting)
 (In Thousands)

	2010	2009	2008	2007
GENERAL REVENUES, SPECIAL ITEM, AND TRANSFERS				
<i>Governmental Activities</i>				
Taxes				
Property Taxes	\$ 391,798	\$ 388,341	\$ 368,515	\$ 359,651
Sales Taxes	146,970	150,515	171,917	171,846
Business Taxes	331,570	329,572	330,369	332,238
Other Taxes	18,017	28,882	25,395	12,765
Penalties and Interest on Delinquent Taxes	3,475	3,867	2,410	4,276
Unrestricted Investment Earnings	4,685	8,898	24,140	33,155
Gain (Loss) on Sale of Capital Assets	40,095	(2,422)	15,461	891
Transfers	(10,100)	(10,245)	(10,803)	(10,612)
Total Governmental Activities	966,427	924,818	903,495	981,128
<i>Business-Type Activities</i>				
Unrestricted Investment Earnings	8,796	4,837	13,530	19,106
Gain on Sale of Capital Assets	198	4,495	1,708	276
Special Item - Environmental Remediation Expenses	(1,100)	(4,949)	10,803	10,612
Total Business-Type Activities	17,146	15,288	26,041	29,994
Total Primary Government	983,573	940,106	929,536	1,011,122
CHANGES IN NET ASSETS				
Governmental Activities	61,783	72,104	121,332	251,524
Business-Type Activities	34,592	20,600	148,051	113,800
Total Primary Government	\$ 96,375	\$ 92,704	\$ 269,403	\$ 365,324

Table S-2
 CHANGES IN NET ASSETS
 Last Eight Fiscal Years
 (Accrual Basis of Accounting)
 (In Thousands)

	2006	2005	2004	2003
GENERAL REVENUES, SPECIAL ITEM, AND TRANSFERS				
<i>Governmental Activities</i>				
Taxes				
Property Taxes	\$ 318,490	\$ 311,613	\$ 296,789	\$ 252,702
Sales Taxes	155,311	146,060	130,961	124,951
Business Taxes	311,015	280,139	253,733	248,467
Other Taxes	8,072	5,477	4,196	3,799
Penalties and Interest on Delinquent Taxes	4,929	4,656	4,196	4,131
Unrestricted Investment Earnings	3,349	2,125	1,941	9,370
Gain (Loss) on Sale of Capital Assets	22,021	10,288	5,366	4,323
Transfers	(35,353)	2,921	2,296	(6,569)
Total Governmental Activities	897,605	804,853	729,310	670,335
<i>Business-Type Activities</i>				
Unrestricted Investment Earnings	16,241	10,811	4,269	6,114
Gain on Sale of Capital Assets	1,823	438	2,100	7,469
Special Item - Environmental Remediation Expenses	(9,260)	8,456	9,738	9,569
Total Business-Type Activities	27,324	19,705	16,107	23,152
Total Primary Government	926,929	824,558	745,417	693,987
CHANGES IN NET ASSETS				
Governmental Activities	241,749	208,530	115,860	73,115
Business-Type Activities	166,259	91,183	24,699	5,540
Total Primary Government	\$ 408,008	\$ 299,713	\$ 140,559	\$ 78,655

Statistics

Table S-3 FUND BALANCES OF GOVERNMENTAL FUNDS
Last Nine Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

	2010	2009	2008	2007	2006
GENERAL FUND					
Reserved	\$ 62,360	\$ 78,835	\$ 140,325	\$ 129,350	\$ 91,018
Unreserved	104,676	118,611	131,085	197,678	150,280
Total General Fund	\$ 167,036	\$ 197,446	\$ 271,410	\$ 327,028	\$ 241,298
ALL OTHER GOVERNMENTAL FUNDS					
Reserved	\$ 322,495	\$ 319,104	\$ 261,463	\$ 226,965	\$ 218,682
Unreserved, Reported in Special Revenue Funds	36,263	40,157	96,337	39,589	41,694
Capital Projects Funds	-	-	-	(1,846)	(3,125)
Permanent Funds	17	101	121	83	-
Total All Other Governmental Funds	\$ 358,775	\$ 359,362	\$ 357,921	\$ 264,791	\$ 257,251

	2005	2004	2003	2002
GENERAL FUND				
Reserved	\$ 95,855	\$ 91,507	\$ 76,590	\$ 69,169
Unreserved	107,817	40,669	42,228	40,194
Total General Fund	\$ 203,672	\$ 132,176	\$ 118,818	\$ 109,363
ALL OTHER GOVERNMENTAL FUNDS				
Reserved, Reported in Special Revenue Funds	\$ 185,917	\$ 185,176	\$ 250,350	\$ 396,271
Capital Projects Funds	31,868	18,391	10,586	29,492
Permanent Funds	-	(3,138)	161	624
Total All Other Governmental Funds	\$ 217,285	\$ 200,448	\$ 261,097	\$ 426,424

The City of Seattle

Table S-4 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Nine Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

	2010	2009	2008	2007	2006
REVENUES					
Taxes	\$ 933,641	\$ 927,287	\$ 934,544	\$ 957,242	\$ 851,366
Licenses and Permits	26,500	26,298	29,091	24,142	28,348
Grants, Shared Revenues, and Contributions	179,842	173,231	133,772	130,869	158,922
Charges for Services	171,509	157,081	142,797	149,049	125,245
Fines and Forfeits	32,800	29,645	25,572	22,701	21,230
Interest on Bonds, Rent and Other Income	46,838	42,404	37,961	38,629	44,742
Miscellaneous Revenues	2,637	34,011	102,077	81,200	46,892
Total Revenues	1,416,701	1,391,957	1,405,814	1,412,529	1,276,745
EXPENDITURES					
Current					
General Government	179,782	186,046	195,947	154,672	160,282
Judicial	26,500	26,584	26,584	24,142	20,569
Public Safety	44,625	46,275	46,275	46,275	39,575
Physical Environment	16,966	16,528	16,528	10,752	7,574
Transportation	93,381	111,531	107,532	95,474	82,612
Economic Environment	123,430	103,462	109,903	103,350	83,327
Health and Human Services	73,956	76,471	70,032	64,490	58,723
Culture and Recreation	233,284	223,340	215,458	199,214	191,618
General Government	16,799	24,651	12,953	16,823	42,691
Judicial	-	-	-	-	-
Public Safety	21,815	20,781	12,643	38,345	3,928
Physical Environment	169,666	179,231	100,656	106,079	80,913
Transportation	28	28	22	270	6
Health and Human Services	63,521	72,905	72,322	88,641	85,438
Culture and Recreation	45,826	43,064	51,855	61,236	71,672
Debt Service	24,596	24,191	35,738	34,923	37,599
Principal	1,303	727	632	256	380
Interest	-	-	-	-	177
Other	-	-	-	-	-
Total Expenditures	1,527,694	1,541,187	1,476,973	1,381,314	1,279,914
Excess (Deficiency) of Revenues over Expenditures	(110,993)	(149,230)	(71,159)	31,215	(3,169)
OTHER FINANCING SOURCES (USES)					
Long-Term Debt Issued	85,325	87,810	84,960	36,365	49,635
Refunding Debt Issued	115,185	4,390	54,870	60,870	2,195
Premium on Bonds Issued	13,270	8,152	7,545	4,178	378
Capital Leases Issued	-	20	-	-	-
Payment to Refunded Bond Escrow Agent	(125,110)	(4,035)	(56,920)	(62,535)	(2,253)
Transfers from Other Governmental Funds	21,310	(10,625)	408	4,348	35,756
Sales of Capital Assets	2,130	624	-	-	-
Transfers In	346,551	371,345	350,078	306,914	282,578
Transfers Out	(352,650)	(373,971)	(332,260)	(288,087)	(287,529)
Total Other Financing Sources (Uses)	79,996	76,707	108,675	62,653	80,760
Net Change in Fund Balance	\$ (30,997)	\$ (72,523)	\$ 37,516	\$ 93,268	\$ 77,591
Debt Service as a Percentage of Noncapital Expenditures	5.47%	5.41%	9.46%	8.96%	10.22%

Table S-4 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Page 2 of 2
Last Nine Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

	2005	2004	2003	2002
REVENUES				
Taxes	\$ 799,928	\$ 731,373	\$ 667,039	\$ 659,155
Licenses and Permits	25,612	19,028	17,500	15,134
Grants, Shared Revenues, and Contributions	155,130	120,257	166,927	166,927
Charges for Services	127,436	112,690	108,770	108,770
Fines and Forfeits	19,759	19,498	17,697	17,697
Program Income	42,703	49,548	48,119	46,125
Miscellaneous Revenues	68,968	32,497	36,183	42,840
Total Revenues	1,239,536	1,106,482	1,020,332	1,056,648
EXPENDITURES				
Current				
General Government	136,309	135,100	137,943	119,166
Judicial	19,229	19,057	19,116	19,381
Public Safety	33,678	31,612	28,990	28,990
Physical Plant	6,900	5,814	5,990	5,904
Transportation	94,806	69,448	83,412	79,393
Economic Environment	95,186	82,525	91,244	100,908
Health and Human Services	57,017	51,177	52,058	51,742
Culture and Recreation	181,318	182,128	170,820	172,612
General Government	36,885	50,014	73,730	105,143
Judicial	6	-	-	125
Public Safety	4,829	5,804	3,433	775
Physical Environment	-	-	-	13
Transportation	61,555	43,788	18,452	27,039
Economic Environment	-	-	2	339
Health and Human Services	-	-	-	651
Culture and Recreation	77,023	97,426	184,961	177,547
Debt Service	92,198	50,736	45,241	42,993
Principal	36,462	40,254	42,101	37,785
Interest	4,388	799	381	1,087
Bond Issuance Cost	-	160	139	727
Other	-	-	-	-
Total Expenditures	1,243,347	1,148,900	1,230,694	1,255,008
Excess (Deficiency) of Revenues over Expenditures	(3,811)	(42,418)	(210,362)	(98,360)
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	60,840	91,805	59,481	238,485
Refunding Debt Issued	71,450	-	4,040	69,360
Premium on Bonds Issued	7,837	4,322	2,747	5,837
Capital Leases Issued	-	-	-	-
Payment to Refunded Bond Escrow Agent	(75,412)	(92,833)	(4,039)	(69,119)
Payment to Refunded Bond Escrow Agent	27,218	2,980	6,865	8,297
Interfund Transfers In	290,069	231,518	245,334	253,633
Sales of Capital Assets	(289,857)	(242,663)	(259,938)	(278,792)
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	92,145	(4,871)	54,490	227,701
Net Change in Fund Balance	\$ 88,334	\$ (47,289)	\$ (155,872)	\$ 29,341
Debt Service as a Percentage of Noncapital Expenditures	12.92%	10.02%	9.96%	11.99%

Table S-5

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

Year	General Property Tax	Retail Sales and Use Tax	Business Tax	Excise Tax	Other Taxes	Total Taxes
2002	\$ 264,880	\$ 127,206	\$ 244,641	\$ 27,448	\$ 8,588	\$ 672,862
2003	296,775	124,652	253,733	43,766	7,938	713,864
2004	296,775	130,961	253,733	43,766	6,137	731,372
2005	311,461	146,060	280,163	55,507	6,737	799,928
2006	318,366	155,311	311,015	58,572	8,103	851,367
2007	359,651	171,846	332,238	76,918	16,589	957,242
2008	387,081	192,612	359,572	87,464	18,569	1,035,698
2009	391,692	146,970	329,572	27,710	32,449	927,387
2010	391,692	146,970	331,570	28,815	34,594	933,641

Table S-6 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Total	Assessed and Estimated Actual Value ^a (In Thousands)	Total Tax Rate	Average Annual Growth	Assessed Value Per Capita
2001	\$ 61,417,305	\$ 4,206,170	\$ 65,623,475	\$ 3,940	14.05 %	15.514	\$ 115,514
2002	70,660,338	4,846,254	75,506,592	3,573	15.06 %	132,282	132,282
2003	75,582,369	4,545,919	80,128,288	3,401	6.12	140,109	140,109
2004	79,724,601	4,213,495	83,938,096	3,597	4.75	146,591	146,591
2005	84,444,434	4,076,463	88,520,897	3,788	8.41	152,882	152,882
2006	91,625,334	4,081,209	95,706,543	3,221	8.41	165,382	165,382
2007	101,524,467	4,686,021	106,210,488	3,221	10.97	181,312	181,312
2008	116,641,027	4,980,103	121,621,130	2,774	14.51	205,164	205,164
2009	132,576,786	5,254,068	137,830,854	2,581	13.32	228,955	228,955
2010	118,370,062	5,314,253	123,684,315	2,925	(10.26)	202,099	202,099

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

Statistics

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

Year of Levy	City of Seattle				Overlapping		Port of Seattle	Dollars Levied ^d (\$1,000)	Annual Growth		
	General Fund ^b	Special Service Funds	Debt Service	Fire Pension ^c	County	School					
2001	2.538	0.890	0.321	0.191	3.940	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	0.190	10,662	805,033	7.2 %
2003	2.250	0.600	0.356	0.195	3.401	2.897	1,349	0.259	10,301	825,422	2.5 %
2004	2.402	0.880	0.315	-	3.597	2.757	1,431	0.254	10,399	872,872	5.7 %
2005	2.351	0.933	0.301	-	3.585	2.690	1,382	0.233	10,212	901,496	3.3 %
2006	2.230	0.870	0.278	-	3.378	2.498	1,329	0.233	9,630	921,573	2.2 %
2007	2.084	1.091	0.252	-	3.427	2.325	1,290	0.206	9,280	985,615	6.9 %
2008	1.997	0.904	0.173	-	3.074	2.132	1,365	0.224	8,688	1,056,632	7.2 %
2009	2.084	1.005	0.144	-	3.247	1.895	1,349	0.217	8,688	1,096,438	3.0 %
2010	2.084	1.005	0.136	-	3.225	2.222	1,394	0.216	9,042	1,118,239	2.0 %

^a Source: King County Assessor and City of Seattle Budget Office.
^b For the purposes of this table the City's share of the Countywide Emergency Medical Service (EMS) levy is included in the General Fund's tax levy rate. EMS rate is 0.300 in 2010.
^c Fire Pension receives a percentage of the General Fund levy that is set by the City Council. However, starting in 2004, Seattle does not have a separate levy rate for this purpose.
^d Actual dollars levied may differ slightly from this figure due to certain property tax exemptions for low-income, elderly, and handicapped property owners.

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

Taxpayer ^f	2010			2001		
	Assessed Valuation ^g (In Millions)	Percentage of Assessed Valuation	Rank	Assessed Valuation ^g (In Millions)	Percentage of Assessed Valuation	Rank
The Boeing Company	\$ 483.7	0.39 %	1	\$ 368.1	0.56 %	5
Union Square Limited Partnership	427.5	0.35	2	414.0	0.63	4
Westcoast Paper, Inc.	351.2	0.29	3	569.6	0.94	1
Weyerhaeuser	351.7	0.29	4	2,071.7	0.41	7
Columbia Center Property	298.2	0.24	5	-	-	-
City Center Associates JV	269.8	0.22	6	-	-	-
Marin Selig	249.8	0.20	7	303.3	0.46	6
Puget Sound Energy/Gas	237.6	0.19	8	207.0	0.32	9
Bank of America	207.4	0.17	9	-	-	-
999 Third Avenue Property	-	-	10	478.7	0.73	3
Bank of America	-	-	-	434.7	0.66	2
EOP Northwest Properties	-	-	-	253.8	0.39	8
Benall Corporation	-	-	-	151.4	0.23	10
Block 24 Seattle LTD LP (Gerald Hines)	-	-	-	-	-	-

^e Source: King County Assessor.
^f The above listing includes taxpayers paying real and personal property taxes as property owners. It does not include taxpayers paying leasehold excise taxes based on rental payments for property they lease from other entities.
^g Assessed valuations for taxes collected in the succeeding year.

The City of Seattle

Table S-9 PRINCIPAL REVENUE SOURCES
Current Year and Nine Years Ago
(In Thousands)

	2010			2001 ^b		
	Amount	Percent of Revenue	Rank	Amount	Percent of Revenue	Rank
University of Washington	\$ 19,989	3.20 %	1	\$ 9,155	2.34 %	3
Northwest	19,117	3.06	2	-	-	-
The Boeing Company	14,364	2.30	3	9,155	2.34	2
City of Seattle	14,193	2.27	4	3,155	0.81	7
International Gateway/Subey	11,511	1.84	5	-	-	-
King County	5,469	0.88	6	4,886	1.25	4
City of Everett	4,823	0.77	8	4,758	1.22	5
U.S. Government (excluding the Veterans Administration)	4,746	0.76	9	3,306	0.84	6
2001 Sixth LLC	4,319	0.69	10	2,762	0.71	8
Unico Properties/Union Square Ltd.	-	-	-	1,916	0.48	9
Ash Grove Cement	-	-	-	1,271	0.32	10
Armed Forces Steel	-	-	-	2,432	0.62	10
King County Steel	-	-	-	-	-	-
East & Utah Associates L.P.	-	-	-	54,307	13.88 %	-
Total Top Ten	\$ 103,764	16.61 %	-	\$ 54,307	13.88 %	-

^a Source: Seattle City Light billing records.
^b Information for 2001 was not available.

WATER^c

	2010			2001		
	Amount	Percent of Revenue	Rank	Amount	Percent of Revenue	Rank
Cascade Water Alliance	\$ 19,280	10.62 %	1	\$ 2,586	2.49 %	4
Northshore Utility District	5,081	2.80	2	2,638	2.54	3
Highline Water District	3,113	1.72	3	1,314	1.27	7
University of Washington	2,670	1.47	4	2,217	2.14	6
Snoo Creek Water and Sewer District	2,606	1.44	5	1,069	1.03	5
Everett Water District	2,209	1.22	7	1,069	1.03	5
Port of Seattle	2,144	1.18	8	1,276	1.23	8
King County Water District #20	1,781	0.98	9	-	-	-
Seattle Housing Authority	1,166	0.64	10	1,037	1.00	10
City of Everett	-	-	-	7,284	7.02	2
City of Burien	-	-	-	2,952	2.84	2
City of Kirkland	-	-	-	-	-	-
Total Top Ten	\$ 42,603	23.48 %	-	\$ 24,926	24.02 %	-

^c Source: Seattle Public Utilities billing records.

Statistics

Table S-9
Page 2 of 2
PRINCIPAL REVENUE SOURCES
Current Year and Nine Years Ago
(In Thousands)

Customer Name	2010			2001		
	Amount	Percent of Revenue	Rank	Amount	Percent of Revenue	Rank
University of Washington	\$ 6,183	2.48 %	1	\$ 3,622	2.69 %	1
City of Seattle	5,707	2.29	2	1,206	0.90	4
Port of Seattle	3,193	1.28	3	2,755	2.05	2
Seattle Housing Authority	2,848	1.14	4	852	0.63	5
Seattle Public Schools	1,837	0.74	5	377	0.28	9
King County	1,827	0.74	6	481	0.36	7
BNSF Railway Co.	845	0.34	7	452	0.34	8
King County Facilities Management	823	0.33	8	370	0.28	10
Harborview Medical Center	736	0.29	9	1,465	1.09	3
Boeing Commercial Airplane Group	728	0.29	10			
Swedish Medical Center						
Seattle Parks Department						
Total Top Ten	\$ 24,036	9.64 %		\$ 12,126	9.03 %	

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

The City of Seattle

Table S-10
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year	Original Levy	Adjusted Levy ^a	Collected within the Fiscal Year of the Levy		Subsequent Adjustments to Date		Net Levy to Date	Subsequent Collections	Total Collections to Date	
			Amount	Percentage of Adjusted Levy	Amount	%			Amount	Percentage of Net Levy
2001	\$ 256,449,940	\$ 255,338,715	\$ 249,952,677	97.89 %	\$ (1,321)		\$ 255,337,394	\$ 5,384,427	\$ 255,337,104	100.00 %
2002	268,091,231	266,379,116	260,750,105	97.89	(187,238)		266,191,858	5,440,425	266,190,530	100.00
2003	270,978,698	269,473,186	264,040,918	97.98	(97,330)		269,375,856	5,332,114	269,373,032	100.00
2004	300,255,001	297,969,060	292,541,786	98.18	(70,202)		297,898,858	7,84,480	293,236,266	98.47
2005	317,085,518	310,405,215	307,177,892	98.97	(33,399)		312,727,208	4,534,446	308,146,618	98.21
2006	321,785,518	310,405,215	317,011,892	98.87	(243,885)		320,009,999	5,434,446	314,575,553	98.29
2007	361,810,037	360,253,854	354,036,495	98.27	(79,287)		360,009,999	5,862,537	359,899,032	99.75
2008	371,971,172	370,579,618	363,923,901	98.20	(36,134)		370,500,331	5,667,343	369,591,244	99.75
2009	391,665,366	389,564,212	382,220,305	98.11			389,528,078	5,194,082	387,414,387	99.46
2010	396,716,770	394,203,623	387,023,382	98.18			394,203,623	-	387,023,382	98.18

a Net of initial adjustments in year of levy.

Statistics

Table S-9
Page 2 of 2
PRINCIPAL REVENUE SOURCES
Current Year and Nine Years Ago
(In Thousands)

Customer Name	2010			2001		
	Amount	Percent of Revenue	Rank	Amount	Percent of Revenue	Rank
University of Washington	\$ 6,183	2.48 %	1	\$ 3,622	2.69 %	1
City of Seattle	5,707	2.29	2	1,206	0.90	4
Port of Seattle	3,193	1.28	3	2,755	2.05	2
Seattle Housing Authority	2,848	1.14	4	852	0.63	5
Seattle Public Schools	1,837	0.74	5	377	0.28	9
King County	1,827	0.74	6	481	0.36	7
BNSF Railway Co.	845	0.34	7	452	0.34	8
King County Facilities Management	823	0.33	8	370	0.28	10
Harborview Medical Center	736	0.29	9	1,465	1.09	3
Boeing Commercial Airplane Group	728	0.29	10			
Swedish Medical Center						
Seattle Parks Department						
Total Top Ten	\$ 24,036	9.64 %		\$ 12,126	9.03 %	

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

Customer Name	2010			2000 ^c		
	Amount	Percent of Revenue	Rank	Amount	Percent of Revenue	Rank
City of Seattle	\$ 876	0.59 %	1	\$ 168	0.20 %	1
Fred Meyer/QFC	865	0.59	2			
Starbucks	816	0.56	3			
Seattle Housing Authority	527	0.36	4			
Goodwill Industries	494	0.33	5	134	0.16	3
Seattle Public Schools	442	0.30	6			
University of Washington	438	0.30	7	108	0.13	5
Swedish Medical Center	389	0.29	8			
Pike Place Market	384	0.26	9			
Starbuck	357	0.24	10			
Salvation Army				140	0.17	2
King County Housing Authority				126	0.15	4
Maher Drywall, Inc.				82	0.10	6
City of West Seattle				79	0.09	7
Shultz Miller, Inc.				49	0.06	8
St. Vincent De Paul				49	0.06	9
McBride Construction Resources				45	0.05	10
Total Top Ten	\$ 5,412	3.67 %		\$ 972	1.16 %	

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

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

Table S-11
RATIOS OF OUTSTANDING DEBT BY TYPE
 Last Ten Fiscal Years
(In Thousands, except Per Capita)

Fiscal Year	Governmental Activities			
	General Obligation Bonds	Special Assessment Bonds	Capital Leases	
2001	\$ 708,495	\$ -	\$ 94	
2002	878,495	-	7	
2003	885,715	-	19	
2004	835,020	-	29	
2005	794,075	-	29	
2006	746,365	21,925	15	
2007	720,025	20,545	3	
2008	721,160	19,205	-	
2009	771,065	17,705	18	
2010	801,695	15,735	14	

Table S-12
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
 Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding (In Thousands)	Governmental Activities		Per Capita
		Value of Property	Percentage of Actual Taxable Value of Property	
2001	\$ 708,495	1.08	%	\$ 1,247
2002	878,495	1.16		1,539
2003	885,715	1.11		1,549
2004	835,020	1.55		1,458
2005	794,075	0.90		1,386
2006	746,365	0.78		1,306
2007	720,025	0.74		1,340
2008	721,160	0.59		1,216
2009	771,065	0.56		1,281
2010	801,695	0.65		1,310

Fiscal Year	General Bonded Debt Outstanding (In Thousands)	Percentage of Actual Taxable Value of Property	Business-Type Activities		Net Operating Income ^b	Percentage of Non-Operating Net Income ^b
			Per Capita	Annual Debt Service Payments		
2001	\$ 73,829	0.11	%	\$ 600	\$ 3,825	115.42
2002	73,540	0.10		531	4,127	123.93
2003	73,177	0.09		504	4,218	117.49
2004	72,174	0.13		540	4,859	116.41
2005	70,024	0.08		538	4,464	107.60
2006	70,024	0.07		506	4,124	107.60
2007	65,702	0.06		486	5,151	112.00
2008	64,524	0.05		581	4,654	112.99
2009	63,319	0.05		509	4,625	106.30
2010	62,093	0.05		509	4,578	111.74

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

Table S-13
DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT
 December 31, 2010

Governmental Unit	Net Debt Outstanding (In Thousands)	Percentage Applicable to Seattle ^c	Amount Applicable to Seattle (In Thousands)
Debt Repaid with Property Taxes			
King County ^d	\$ 1,140,426	36.35	\$ 414,545
Port of Seattle	335,500	36.35	121,954
Seattle School District No. 001	276,833	99.30	274,895
Highline School District No. 401	292,917	0.01	29
Subtotal Overlapping Debt	2,045,676		811,423
City of Seattle Direct Debt ^e	783,489	100.00	783,489
Total Direct and Overlapping Debt	\$ 2,829,165		\$ 1,594,912

^c Percentage rates were provided by King County except for City of Seattle.
^d Excludes proprietary fund debt, public facilities debt financed from special taxes and hotel and motel tax-financed debt.
^e Excludes general obligation bonds paid for from proprietary funds' operating revenues.

Table S-11
RATIOS OF OUTSTANDING DEBT BY TYPE
 Last Ten Fiscal Years
(In Thousands, except Per Capita)

Fiscal Year	Governmental Activities			
	General Obligation Bonds	Special Assessment Bonds	Capital Leases	
2001	\$ 708,495	\$ -	\$ 94	
2002	878,495	-	7	
2003	885,715	-	19	
2004	835,020	-	29	
2005	794,075	-	29	
2006	746,365	21,925	15	
2007	720,025	20,545	3	
2008	721,160	19,205	-	
2009	771,065	17,705	18	
2010	801,695	15,735	14	

Fiscal Year	Business-Type Activities			
	Light and Power Bonds	Water Bonds	Drainage and Wastewater Bonds	Light and Power Revenue Anticipation Notes
2001	\$ 1,469,662	\$ 607,490	\$ 191,725	\$ 182,210
2002	1,429,186	654,130	248,780	307,210
2003	1,521,526	731,485	244,410	29,230
2004	1,537,246	795,635	301,195	25,460
2005	1,472,650	776,790	334,870	7,976
2006	1,342,460	841,785	335,460	11,976
2007	1,342,460	841,785	335,460	23,776
2008	1,529,375	1,025,480	402,035	-
2009	1,383,050	903,985	513,070	-
2010	1,536,775	1,006,300	499,785	-

Fiscal Year	Total	Primary Government		Total Personal Income ^a
		Percentage of Personal Income	Debt Per Capita	
2001	\$ 3,269,725	12.79	%	\$ 25,568,477
2002	3,624,163	13.96		25,966,263
2003	3,491,762	13.37		26,115,814
2004	3,574,768	13.80		25,905,569
2005	3,443,009	13.32		25,857,198
2006	3,407,625	10.96		31,104,558
2007	3,407,625	10.96		31,104,558
2008	3,848,784	13.36		28,803,559
2009	3,732,682	12.78		29,201,816
2010	4,000,888	N/A		N/A

^a Personal income data is not available for 2010.

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

Year	Population ^a		Per Capita Income ^b		Median Age King County ^d	Public School Enrollment ^e	King County Average Annual Unemployment Rate
	King County	Seattle	King County	Region/ PMSA ^c			
2001	1,788,200	568,100	\$ 45,965	\$ 41,229	35.92	46,796	5.1 %
2002	1,774,300	570,800	44,135	40,735	36.12	46,390	6.5
2003	1,779,300	571,900	45,334	41,788	36.38	46,730	6.8
2004	1,788,300	573,600	49,533	45,122	36.60	46,416	4.6
2005	1,808,300	575,000	49,488	45,680	36.83	46,200	4.8
2006	1,835,300	578,700	53,488	49,275	36.93	46,231	4.2
2007	1,861,300	586,200	57,710	53,061	36.97	45,276	3.7
2008	1,884,200	592,800	58,141	53,999	37.00	45,085	4.3
2009	1,909,300	602,000	56,904	53,369	37.08	45,696	7.9
2010	1,933,400	612,000	N/A	N/A	37.24	46,813	8.8

^a As of April 1. Source: Washington State Office of Financial Management, "2010 Population Trends for Washington State" estimates only.
^b Source: U. S. Bureau of Economic Analysis, adjusted for years 2005 and 2006. 2010 is not available.
^c Source: U. S. Bureau of Economic Analysis includes Seattle, Bellevue, and Everett adjusted for years 2005 and 2006. 2010 is not available.
^d Source: Washington State Office of Financial Management.
^e Source: Seattle Public Schools.
^f Source: Washington State Employment Security Department.

Table S-18 FULL-TIME-EQUIVALENT^a
CITY GOVERNMENT EMPLOYEES
BY DEPARTMENT/OFFICE
Last Nine Fiscal Years

	2010	2009	2008	2007	2006
PUBLIC SAFETY					
Fire	1,153.55	1,163.05	1,163.05	1,146.05	1,142.80
Firemen's Pension Board					147.60
Law	156.10	154.10	155.10	152.10	147.60
Municipal Court	222.10	235.60	234.60	235.60	234.60
Police	1,922.25	1,859.75	1,851.75	1,851.25	1,840.25
Police Relief and Pension Board					3.00
Public Safety	1.00	3.00	3.00	3.00	1.00
ARTS, CULTURE, AND RECREATION					
Arts and Cultural Affairs	23.10	25.10	25.10	24.10	23.10
Library	511.82	527.46	533.41	529.03	506.17
Park and Recreation	1,078.45	1,078.45	1,078.45	1,078.45	1,078.45
Seattle Center	257.77	271.53	278.30	278.30	264.80
Human Services	326.35	337.85	323.85	323.60	314.85
NEIGHBORHOODS AND DEVELOPMENT					
Economic Development	20.00	19.50	24.60	10.50	21.60
Housing	40.50	41.00	41.50	41.75	41.75
Neighborhoods	86.00	86.00	86.00	86.00	86.00
Planning and Development	409.00	437.00	441.00	434.00	394.50
UTILITIES AND TRANSPORTATION					
City Light	1,830.10	1,881.83	1,821.33	1,753.33	1,753.10
Seattle Public Utilities	1,449.25	1,481.00	1,438.06	1,367.94	1,402.40
Transportation	792.00	798.50	778.00	675.50	642.25
ADMINISTRATION					
City Auditor	8.00	8.00	9.00	9.00	9.00
Civil Rights	22.50	22.50	22.50	22.50	22.50
Civil Service Commission	1.80	1.80	1.80	1.80	1.60
Employees' Retirement System	15.50	15.50	14.50	14.50	12.50
Ethics and Elections Commission	5.20	5.20	5.20	5.20	5.20
Executive Administration	24.00	24.00	24.00	24.00	24.00
Executive Services	316.00	316.00	316.00	316.00	316.00
Fleet and Facilities	295.50	317.00	308.00	304.50	299.00
Hearing Examiner	4.63	4.75	4.75	4.50	4.50
Information Technology	205.00	216.00	217.00	216.00	203.50
Intergovernmental Relations	11.50	10.50	10.50	10.50	10.50
Legislative	8.00	8.00	8.00	8.00	8.00
Management	28.50	24.50	25.50	24.50	22.50
Personnel	115.00	126.00	123.50	121.50	105.00
Policy and Management ^b		18.00	18.50	18.50	16.00
Sustainability and Environment	8.00	7.00	7.00	6.00	5.00
Total Full-Time Equivalents	11,315.51	11,482.92	11,372.35	11,034.50	10,885.01

^a Source: City of Seattle Adopted Budgets.
^b The Office of Policy and Management was disbanded in 2010. The Full-Time-Equivalents (FTEs) were transferred to the Office of the Mayor, Department of Executive Administration, Department of Neighborhoods, Legislative Department, and Seattle Fire Department. Three FTEs were abrogated.

Table S-17 PRINCIPAL INDUSTRIES^{g,h}
Current Year and Nine Years Ago

Industry	2010		2001	
	Number of Employees	Percentage of Employment	Number of Employees	Percentage of Employment
Retail Trade	106,800	9.4 %	119,600	10.2 %
Professional, Scientific and Technology Services	94,300	8.3	89,300	7.6
Local Government	89,100	7.9	84,600	7.2
Manufacturing Durable Goods	75,400	6.7	101,700	8.7
Food Services and Drinking Places	73,000	6.5	70,000	6.0
Administrative, Support and Waste Management	60,200	5.3	64,300	5.5
Wholesale Trade	58,600	5.2	65,800	5.6
State Government	54,900	4.9	52,000	4.4
Software Publishers	49,600	4.4		
Ambulatory Health Care Services	47,100	4.2	53,200	4.5
Transportation, Warehousing and Utilities			50,900	4.4
Total Top Ten Industries	709,000	62.8	751,400	64.1

^g Source: Washington Employment Security Department Labor Market and Economic Analysis.
^h Data is provided for King County, which includes the Seattle Metropolitan Area.

Statistics

Table S-18
Page 2 of 2
FULL-TIME-EQUIVALENT^a
CITY GOVERNMENT EMPLOYEES
BY DEPARTMENT/OFFICE
Last Nine Fiscal Years

	2005	2004	2003	2002
PUBLIC SAFETY				
Fire	1,127.05	1,117.00	1,109.75	1,125.65
Firemen's Pension Board	137.60	146.10	144.60	154.10
Law	226.10	229.35	227.85	255.69
Municipal Court	1,805.75	1,823.75	1,815.25	1,882.75
Police	3.00	3.00	3.00	4.00
Police Relief and Pension Board	1.00	1.00	1.00	1.00
Public Safety				
Arts, Culture, and Recreation	22.10	19.85	20.60	19.60
Arts and Cultural Affairs	478.36	452.31	445.80	462.35
Library	1,067.78	1,067.78	1,067.78	1,067.78
Parks and Recreation	233.90	284.82	287.62	301.46
Seattle Center				
Health and Human Services	305.10	324.35	327.85	344.98
Human Services				
NEIGHBORHOODS AND DEVELOPMENT				
Economic Development	21.00	23.00	23.75	40.50
Housing	41.75	43.25	43.50	47.25
Public Works	8.00	8.00	8.00	9.25
Planning and Development	374.00	370.25	348.75	344.50
UTILITIES AND TRANSPORTATION				
City Light	1,734.10	1,778.10	1,786.10	1,891.85
Seattle Public Utilities	1,399.40	1,327.90	1,366.73	1,286.73
Transportation	622.50	631.50	627.50	628.00
ADMINISTRATION				
City Auditor	9.00	11.00	11.00	11.00
Civil Rights	22.50	21.50	22.00	24.50
Civil Service Commission	1.60	1.60	1.50	2.00
Employee Retirement System	12.50	13.50	13.50	13.50
Ethics and Elections Commission	5.20	5.20	5.20	5.50
Executive Administration	235.60	245.60	245.60	292.60
Finance	335.50	335.00	335.00	335.00
Fleets and Facilities	294.50	321.50	313.00	334.00
Hearing Examiner	4.90	4.90	4.70	5.80
Information Technology	191.50	190.50	174.00	176.00
Intergovernmental Relations	10.50	11.50	11.50	12.50
Legislative	8.00	8.00	8.00	8.00
Management	22.50	23.50	23.50	22.00
Personnel	101.50	128.00	123.50	138.17
Policy and Management ^b	15.00	16.00	15.65	14.00
Sustainability and Environment	4.00	4.00	4.00	5.00
Total Full-Time Equivalents	10,632.26	10,779.60	10,828.66	11,099.02

^a Source: City of Seattle Adopted Budgets.

^b The Office of Policy and Management was disbanded in 2010. The Full-Time-Equivalents (FTEs) were transferred to the Office of the Mayor, Department of Executive Administration, Department of Neighborhoods, Legislative Department, and Seattle Fire Department. Three FTEs were abrogated.

The City of Seattle

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OPERATING INDICATORS
BY DEPARTMENT/OFFICE
Last Ten Fiscal Years

	2010	2009	2008	2007	2006
PUBLIC SAFETY					
Fire					
Property fire loss	\$11,021,455	\$22,217,971	\$16,351,377	\$17,664,500	\$18,340,656
Total City	\$18.11	\$36.91	\$27.52	\$32.76	\$31.69
Per capita					
Police					
Municipal Court filings and citations	9,908	10,724	9,461	12,003	12,882
Non-traffic criminal filings	4,752	5,124	5,100	5,124	5,124
Traffic criminal filings	1,343	1,422	1,167	1,390	1,496
DUI filings	5,501	6,111	6,437	7,880	7,310
Non-traffic infraction filings	6,437	6,111	6,437	7,880	7,310
Traffic infraction filings	6,437	6,111	6,437	7,880	7,310
Parking infraction filings	609,543	568,616	477,024	430,240	388,852
Arts, Culture, and Recreation					
Library					
Library cards in force	502,903	465,325	432,790	448,104	403,415
Parks and Recreation					
Park use permits issued	614	639	599	529	667
Amount	\$302,690	\$204,527	\$212,403	\$75,459	\$217,782
Facility use permits issued including pools	27,384	26,032	24,977	23,487	N/A
Number	\$5,014,973	\$4,957,236	\$2,571,854	\$2,374,230	N/A
Amount	26,661	26,190	23,577	22,113	2,314
Facility use permits issued excluding pools	\$4,480,703	\$4,469,322	\$2,127,367	\$1,997,402	\$790,551
Number	3,658	3,547	3,420	3,469	3,353
Picnic permits issued	\$303,075	\$249,110	\$228,965	\$229,715	\$220,595
Amount	125,891	161,937	147,911	144,760	144,760
Ball field usage	\$1,909,705	\$1,457,708	\$1,444,393	\$1,600,578	\$1,413,035
Scheduled hours	272	268	235	254	238
Weddings	\$89,350	\$91,238	\$80,955	\$87,900	\$82,079
Amount					
NEIGHBORHOODS AND DEVELOPMENT					
Planning and Development					
Permits	6,287	5,917	7,890	8,865	8,576
Value of issued permits	\$1,582,129,040	\$1,987,486,066	\$2,580,055,297	\$3,097,812,568	\$2,021,878,195
UTILITIES AND TRANSPORTATION					
City Light					
Customers	398,858	394,731	387,715	383,127	379,230
Operating revenues	\$732,977,819	\$723,128,042	\$877,392,652	\$832,524,784	\$831,810,233
Water					
Population served	1,431,252	1,419,390	1,401,000	1,338,974	1,454,586
Billed water consumption, daily average, in gallons	110,424,484	122,038,356	117,406,451	120,690,060	124,955,842
Operating revenues	\$195,203,465	\$191,369,588	\$164,405,030	\$160,161,307	\$155,175,008
Drainage and Wastewater					
Operating revenues	\$249,733,795	\$250,194,607	\$224,109,335	\$202,407,690	\$186,832,412
Solid Waste					
Customers	165,541	167,047	166,914	166,052	165,551
Residential garbage customers	126,593	127,971	122,503	119,667	117,899
Commercial garbage customers	8,462	8,462	9,747	8,505	8,481
Operating revenues	\$150,905,931	\$135,041,160	\$124,353,043	\$121,930,923	\$112,474,339

Table S-20
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CAPITAL ASSET STATISTICS
BY DEPARTMENT/OFFICE
Last Ten Fiscal Years

Table S-19
Page 2 of 2
OPERATING INDICATORS
BY DEPARTMENT/OFFICE
Last Ten Fiscal Years

	2005	2004	2003	2002	2001	2010	2009	2008	2007	2006
PUBLIC SAFETY										
Fire										
Treasury fine loss										
Total City	\$16,657,222	\$45,790,140	\$22,433,417	\$27,874,071	\$62,898,264	3	3	3	2	2
Per capita	\$29.13	\$80.07	\$39.23	\$49.48	\$110.72	162	162	162	162	162
Police										
Municipal Court filings and citations	12,098	10,704	10,502	10,283	12,948	2	2	2	1	1
Non-traffic criminal filings	2,098	N/A	N/A	N/A	N/A	1	1	1	1	1
Traffic criminal filings	1,487	N/A	N/A	N/A	N/A	33	33	33	33	33
DUI filings	6,416	N/A	N/A	N/A	N/A	2	2	2	1	1
Non-traffic infraction filings	7,416	6,415	17,106	17,106	24,715	1	1	1	1	1
Traffic infraction filings	59,700	56,551	77,104	74,016	85,100	1	1	1	1	1
Parking infractions	438,303	505,790	441,048	428,960	442,331	5	5	5	5	5
ARTS, CULTURE, AND RECREATION										
Library										
Library cards in force	454,990	386,127	352,194	377,720	494,353	270	270	270	265	252
Library amount	\$229,420	\$371,419	\$457,360	\$327,115	\$282,275	27	27	27	24	24
Number	N/A	N/A	N/A	N/A	N/A	4	4	4	4	4
Facility use permits issued including pools	N/A	N/A	N/A	N/A	N/A	27	27	27	24	24
Facility use permits issued excluding pools	N/A	N/A	N/A	N/A	N/A	4	4	4	4	4
Number	N/A	N/A	N/A	N/A	N/A	27	27	27	24	24
Amount	\$567,975	\$377,523	\$388,630	\$300,508	\$324,237	11,376,194	11,914,050	10,025,029	9,085,490	8,661,263
Picnic permits issued	3,273	3,028	2,921	3,205	3,764	2,280,511	2,294,601	2,446,355	2,352,381	2,273,440
Amount	\$218,045	\$194,404	\$175,663	\$172,942	\$129,018	14	13	13	13	13
Ball field usage	142,360	147,482	138,976	137,127	125,371	665	663	654	638	630
Scheduled hours	\$1,474,107	\$1,256,699	\$982,042	\$563,629	\$476,174	6,188	6,185	6,171	6,155	6,036
Amount	197	165	160	147	108	135	133	131	130	130
Number	869,670	\$36,770	\$38,820	\$34,065	\$29,445	30	30	30	30	30
Amount	7,178	7,209	6,683	5,223	6,646	38	38	38	38	38
Number issued	\$1,681,651,482	\$1,597,232,503	\$1,175,475,274	\$970,072,275	\$1,736,681,088	26	26	26	26	26
Value of issued permits	375,869	372,818	365,445	360,632	350,000	6	6	6	6	6
Operating revenues	\$748,552,561	\$777,918,589	\$741,761,472	\$709,330,438	\$632,453,970	2	2	2	2	2
Customers	1,350,346	1,348,200	1,330,327	1,340,012	1,327,742	2	2	2	2	2
Population served	118,854,138	127,252,423	130,670,298	126,694,524	123,000,000	8	8	8	8	8
Billed water consumption, daily average, in gallons	\$146,118,856	\$141,313,235	\$129,561,327	\$118,160,130	\$105,345,318	18	18	18	18	18
Operating revenues	\$176,482,071	\$162,117,805	\$150,721,637	\$144,485,761	\$136,238,195	5	5	5	5	5
Operating revenues	165,561	163,977	91,317	180,798	159,454	11	11	11	11	11
Customers	115,838	155,581	111,822	110,807	108,886	9	9	9	9	9
Residential garbage customers	8,097	8,618	8,710	8,586	8,992	9	9	9	9	9
Residential dumpsters customers	\$111,230,855	\$112,167,705	\$111,173,262	\$112,089,944	\$105,510,879	10,216	10,588	10,216	10,655	10,655
Commercial garbage customers										
Operating revenues										

^a As of 2010 the Parks and Recreation Department no longer manages aquarium specimens.

Statistics

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The City of Seattle

CAPITAL ASSET STATISTICS
BY DEPARTMENT/OFFICE
Last Ten Fiscal Years

CAPITAL ASSET STATISTICS
BY DEPARTMENT/OFFICE
Last Ten Fiscal Years

	2005	2004	2003	2002	2001
PUBLIC SAFETY					
Fire					
Boats	2	2	2	2	2
Lighting apparatus	162	163	162	170	177
Stations	33	33	33	33	33
Training tower	1	1	1	1	1
Alarm center	1	1	1	1	1
Utility shop	1	1	1	1	1
Police					
Precincts	5	5	5	5	4
Detached units	7	7	7	7	13
Vehicles					
Patrol cars	252	252	252	252	252
Patrol bicycles	48	48	48	48	48
Scouters	55	58	61	63	69
Trucks, vans, minibuses	79	69	67	67	62
Automobiles	189	187	181	181	173
Patrol boats	9	7	126	117	7
Bicycles	13	126	117	117	126
Horses	8	9	9	10	9
ARTS, CULTURE AND RECREATION					
Library					
Mobile and branch libraries	24	24	24	24	23
Mobile units	4	4	4	4	4
Books, audio and video materials, newspapers, and magazines - circulated	7,449,761	6,575,866	5,804,388	6,175,027	5,695,182
Collection, print and non-print	2,173,903	1,889,599	2,004,718	2,031,276	2,002,866
Parks and Recreation					
Major parks	13	13	13	13	13
Open space acres acquired since 1989	630	630	630	630	600
Total acreage	6,036	6,036	6,036	6,036	6,006
Children's play areas	130	130	130	130	130
Playgrounds	33	33	33	33	33
Community playgrounds	33	33	33	33	33
Community recreation centers	25	25	24	24	24
Visual and performing arts centers	6	6	6	6	6
Theaters	2	2	2	2	2
Community indoor swimming pools	2	2	2	2	2
Community outdoor pools (one saltwater)	2	2	2	2	2
Boatyards	18	18	18	18	18
Golf courses (includes one pitch and put)	5	5	5	5	5
Squares, plazas, triangles	62	62	62	62	62
Viewpoints	8	8	8	8	8
Walking beaches (life-guarded)	9	9	9	9	9
Bathing beaches	9	9	9	9	9
Aquarium specimens on exhibit ^a	14,600	14,577	14,577	20,825	20,825

^a As of 2010 the Parks and Recreation Department no longer manages aquarium specimens.

	2010	2009	2008	2007	2006
UTILITIES AND TRANSPORTATION					
City Light					
Plant capacity (KW)	1,920,700	1,920,700	1,920,700	1,920,700	1,920,700
Plant capacity (MW)	1,347,555	1,347,555	1,347,555	1,347,555	1,347,555
Total plant capacity (KW)	9,865,376	10,130,898	10,323,915	10,203,415	9,990,486
Total plant capacity (MW)	406,195	402,854	394,455	391,022	385,621
Water					
Fire hydrants, standpipes, tanks	27	27	30	30	29
Fire hydrants	18,503	18,473	18,436	18,398	18,347
Water mains	187	187	224	182	182
Supply, in miles	1,714	1,714	1,673	1,674	1,704
Distribution, in miles	338,869	302,880	370,000	377,080	377,080
Water storage, in thousand gallons	186,322	186,226	187,134	185,935	185,699
Meters					
Drainage and Wastewater					
Combined sewers, life-to-date, in miles	471	472	473	444	444
Sanitary sewers, life-to-date, in miles	957	956	958	985	985
Storm drains, life-to-date, in miles	473	473	473	472	472
Pumping stations	66	67	65	68	68
Solid Waste					
Transfer stations	2	2	2	2	2
Transportation					
Aerial streets, in miles	1,537	1,531	1,531	1,531	1,534
Non-aerial streets (paved and unpaved), in miles	2,411	2,412	2,412	2,412	2,412
Sidewalks, in miles	2,262	2,262	2,258	2,256	1,956
Stairways	507	498	494	482	482
Length of stairways, in feet	35,071	35,431	35,215	34,775	34,643
Street trees	24,009	23,926	23,666	23,407	23,211
City-maintained	40,000	40,000	40,000	35,000	34,000
Maintained by property owners	125,000	125,000	125,000	105,000	100,000
Total planted streets, in miles	1,666	1,666	1,666	1,666	1,666
Parking meters	1,053	1,040	1,030	1,001	991
Downtown	231	941	941	700	747
Outlying	85	97	97	300	353
Parking pay stations	998	856	850	1,215	925
Downtown ^a	1,227	1,315	1,127	630	565
Outlying ^a	4	4	4	4	4
Bridges (movable) - City-owned and -operated					
Bridges (fixed)	90	88	88	88	84
Partial City maintenance	44	54	55	55	55
Retaining walls/seawalls	592	592	582	582	582

^a City redefined areas starting in 2008.

Statistics

Table S-20
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		CAPITAL ASSET STATISTICS BY DEPARTMENT/OFFICE				
		Last Ten Fiscal Years				
		2005	2004	2003	2002	2001
UTILITIES AND TRANSPORTATION						
City Light						
Plant capacity (KW)		1,920,700	1,920,700	1,920,700	1,920,700	1,920,700
Plant capacity (MW)		1,788,080	1,788,080	1,788,080	1,788,080	1,788,080
Total system energy (1,000 KW) (firm load)		9,703,046	9,560,928	9,610,856	9,610,761	9,510,504
Meters		382,436	379,599	380,828	379,257	375,953
Water						
Reservoirs, standpipes, tanks		38	68	38	32	32
Water mains		18,475	18,762	18,356	18,635	18,345
Supply, in miles		181	181	173	171	171
Distribution, in miles		1,644	1,657	1,662	1,662	1,693
Water storage, in thousand gallons		494,080	494,080	506,570	506,570	506,570
Meters		182,037	181,038	180,149	179,268	179,530
Drainage and Wastewater						
Combined sewers, life-to-date, in miles		464	451	587	584	583
Sanitary sewers, life-to-date, in miles		968	972	908	825	906
Storm drains, life-to-date, in miles		47	46	461	461	459
Pumping stations		68	68	68	68	68
Solid Waste						
Transfer stations		2	2	2	2	2
Transportation						
Arterial streets, in miles		1,534	1,534	1,534	1,508	1,524
Non-arterial streets (paved and unpaved), in miles		2,412	2,412	2,412	2,412	2,706
Sidewalks, in miles		1,956	1,954	1,953	1,952	1,952
Starways		482	479	479	471	471
Length of stairways, in feet		32,445	33,083	32,787	32,787	32,787
Length of stairway trends		22,511	22,471	22,471	22,108	22,108
Street trees		34,000	34,000	31,000	31,000	31,000
City-maintained		100,000	100,000	100,000	90,000	90,000
Maintained by property owners		1,666	1,666	1,666	1,741	1,658
Total planted streets, in miles		1,000	1,000	1,000	1,000	1,000
Parking areas		2,819	4,298	7,136	6,836	6,720
Downtown		904	1,967	1,967	1,956	2,003
Outlying		758	500	N/A	N/A	N/A
Parking pay stations		318	N/A	N/A	N/A	N/A
Downtown ^a		4	4	4	4	4
Outlying ^a		84	85	85	86	86
Bridges (movable) - City-owned and -operated		61	58	58	58	58
Bridges (fixed)		582	561	561	586	586
Partial City maintenance						
Retaining walls/seawalls						

^a City redefined areas starting in 2008.

The City of Seattle

MISCELLANEOUS STATISTICS
December 31, 2010 - Unless Otherwise Indicated

CITY GOVERNMENT		December 2, 1869							
Date of incorporation		March 12, 1946							
Present charter adopted									
Form: Mayor-Council (Nonpartisan)									
GEOGRAPHICAL DATA									
Location:	Between Puget Sound and Lake Washington								
	12.5 nautical miles from Pacific Ocean								
	110 miles south of Canadian border								
Altitude:									
Sea level	521 feet								
Average elevation	10 feet								
Land area	83.1 square miles								
Climate									
Temperature									
30-year average, mean annual	52.4								
January 2010 average high	51.5								
January 2010 average low	42.5								
July 2010 average high	74.9								
July 2010 average low	54.2								
Rainfall									
30-year average, in inches	36.35								
2010-in inches	46.99								
POPULATION									
Year	City of Seattle	Metropolitan Area ^{ab}							
1910	237,194	N/A							
1920	315,685	N/A							
1930	365,583	N/A							
1940	368,302	N/A							
1950	467,591	844,572							
1960	557,087	1,107,203							
1970	530,831	1,424,611							
1980	493,846	1,607,618							
1990	516,259	1,972,947							
2000	563,374	2,279,100							
2001	568,100	2,376,900							
2002	570,800	2,402,300							
2003	571,900	2,416,800							
2004	572,600	2,433,100							
2005	573,000	2,464,100							
2006	578,700	2,507,100							
2007	586,200	2,547,600							
2008	592,800	2,580,800							
2009	602,000	2,613,600							
2010	612,000	2,644,500							
King County		1,933,400							
Percentage in Seattle		32							
VITAL STATISTICS									
Rates per thousand of residents									
Births (2009)									13.4
Deaths (2009)									7.0
PUBLIC EDUCATION (2010-11 School Year)									
Enrollment (October 1)									46,813
Teachers and other certified employees (October 1)									3,211
School programs									
Regular elementary programs									55
Regular middle school programs									9
Regular high school programs									10
K-8 school programs									10
Alternative/Non-traditional school programs									8
Total number of school programs									92
PROPERTY TAXES									
Assessed valuation (January 2010)									\$123,664,314,249
Tax levy (City)									\$359,800,747
EXAMPLE - PROPERTY TAX ASSESSMENTS									
Real value of property									\$448,500
Assessed value									\$448,500
Property Tax Levied By									
City of Seattle	\$2,924.92								
Emergency Medical Services	0.30000								
State of Washington	2.22553								
School District No. 1	1.98477								
King County	1.28409								
Port of Seattle	0.21597								
King County Ferry District	0.00348								
King County Flood Control Zone	0.10514								
Totals	\$9,041.80								
PORT OF SEATTLE									
Bonded indebtedness									
General obligation bonds									\$ 335,500,000
Utility revenue bonds									2,943,940,000
Passenger facility charges bonds									177,485,000
Commercial Paper									94,305,000
Waterfront (mileage)									
Salt water									13.4
Fresh water									0.7
Value of Land Facilities									
Waterfront									\$2,060,540,276
Sea-Tac International Airport									\$4,906,235,676
Marine Container Facilities/Capacities									
4 container terminals with 11 berths covering 507 acres									
2.14 million TEU's (20-ft. equivalent unit containers)									
1 grain facility, 1 general cargo facility, 1 barge terminal									
2 cruise terminals									
Sea-Tac International Airport									
Scheduled passenger airlines									26
Cargo airlines									5
Charter airlines									3
Loading bridges									74

Comprehensive Annual Financial Report 2010

Department of Finance and Administrative Services

Production Staff

Accounting Services Director

Victoria C. Galinato

Central Accounting Manager

Janice Marsters

Central Accounting

Jacqui Anderson, CPA - Inactive

Tessie Atayde, CPA

Emelita Reyes Barber, CPA

Fon Chang, CPA

Yu-Ting (Grace) Chou

Narei Diamo

Chau Du

Cam Huynh, CPA

Brandon W. Johns, CISA

Conrad Magbalot

Jackie Richards

Steve Spada

David Tran

Marie Tschirgi

Insun Whang

Jake Yoon

Production and Publishing

Yu-Ting (Grace) Chou

Jackie Richards

Administration Office

Michael vanDyck

Bruce Hori

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APPENDIX C
DEMOGRAPHIC AND ECONOMIC INFORMATION

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DEMOGRAPHIC AND ECONOMIC INFORMATION

Seattle is the largest city in the Pacific Northwest, serves as the County seat and is the center of the County's economic activity. King County is the largest county in the State in population, number of cities and employment, and the fourteenth most populated county in the United States. Of the State's population, nearly 30% reside in King County, and of the County's population, 32% live in the City of Seattle.

Population

Historical and current population figures for the State of Washington, the County, the two largest cities in the County, and the unincorporated areas of the County are given below.

POPULATION					
Year	<u>Washington</u>	<u>King County</u>	<u>Seattle</u>	<u>Bellevue</u>	<u>Unincorporated King County</u>
1980 ⁽¹⁾	4,130,163	1,269,749	493,846	73,903	503,100
1990 ⁽¹⁾	4,866,692	1,507,319	516,259	86,874	NA
2000 ⁽¹⁾	5,894,121	1,737,034	563,374	109,827	349,773
2001 ⁽²⁾	5,974,900	1,758,300	568,100	111,500	353,579
2002 ⁽²⁾	6,041,700	1,774,300	570,800	117,000	351,675
2003 ⁽²⁾	6,098,300	1,779,300	571,900	116,400	351,843
2004 ⁽²⁾	6,167,800	1,788,300	572,600	116,500	356,795
2005 ⁽²⁾	6,256,400	1,808,300	573,000	115,500	364,498
2006 ⁽²⁾	6,375,600	1,835,300	578,700	117,000	367,070
2007 ⁽²⁾	6,488,800	1,861,300	586,200	118,100	368,255
2008 ⁽²⁾	6,587,600	1,884,200	592,800	119,200	341,150
2009 ⁽²⁾	6,668,200	1,909,300	602,000	120,600	343,180
2010 ⁽²⁾	6,733,250	1,933,400	612,000	122,900	343,340
2011 ⁽²⁾	6,767,900	1,942,600	612,100	123,400	285,265

(1) Source: U.S. Department of Commerce, Bureau of Census

(2) Source: State of Washington, Office of Financial Management

Per Capita Income

The following table presents per capita personal income for the Seattle Primary Metropolitan Statistical Area ("PMSA"), the County, the State, and the United States.

PER CAPITA INCOME						
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Seattle PMSA	\$ 50,161	\$ 53,248	\$ 53,999	\$ 53,369	N/A	N/A
King County	54,370	57,409	58,141	56,904	N/A	N/A
State of Washington	39,570	42,192	44,106	41,837	42,589	44,294
United States	37,725	39,506	40,947	38,846	39,937	41,663

Source: U.S. Bureau of Economic Analysis, U.S. Department of Commerce

Construction

The table below lists the value of housing construction for which building permits have been issued by entities within the City of Seattle. The value of public construction is not included in this table.

CITY OF SEATTLE RESIDENTIAL BUILDING PERMIT VALUES

Year	New Single Family Units		New Multi-Family Units		Total Value(\$)
	Number	Value(\$)	Number	Value(\$)	
2005	533	94,398,888	3,185	278,146,082	372,544,970
2006	482	90,534,640	5,538	597,085,138	687,619,778
2007	775	153,268,586	5,939	681,283,338	834,551,924
2008	595	122,997,326	4,256	562,871,753	685,869,079
2009	216	47,666,932	562	67,880,407	115,547,339
2010	241	53,269,934	2,456	192,261,935	245,531,869
2011*	316	71,808,767	2,857	376,591,834	448,400,601

* Preliminary.

Source: U.S. Bureau of the Census

Retail Activity

The following table presents taxable retail sales in Seattle and King County.

THE CITY OF SEATTLE AND KING COUNTY TAXABLE RETAIL SALES (000)

<u>Year</u>	<u>King County</u>	<u>Seattle</u>
2005	\$ 40,498,328,830	\$ 14,236,200,469
2006	43,993,478,514	15,564,363,159
2007	47,766,338,768	17,030,512,254
2008	45,711,920,389	17,096,581,492
2009	39,594,903,520	15,101,407,742
2010	39,275,353,182	14,783,168,934
2011*	40,846,119,020	15,751,585,858

* Preliminary.

Source: Washington State Department of Revenue

Industry and Employment

The following table presents State-wide employment data in 2010 for certain major employers in the Puget Sound area.

PUGET SOUND AREA MAJOR EMPLOYERS

Employer	Employees*
The Boeing Company	76,500
U.S. Army Fort Lewis	51,000
Navy Region Northwest	41,300
Microsoft	40,300
University of Washington	27,900
Providence Health & Services	19,100
Wal-Mart Stores, Inc.	18,000
Fred Meyer Stores	13,500
King County Government	13,400
U.S. Postal Service	12,400
City of Seattle	10,700
MultiCare Health System	9,000
Franciscan Health System	8,200
Costco	8,200
Group Health Cooperative	8,100

* Excludes part-time or seasonal employment figures.

Source: *Puget Sound Book of Lists, 2012 (rounded)*

**KING COUNTY
RESIDENT CIVILIAN LABOR FORCE AND EMPLOYMENT
AND NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT***

	Annual Average				
	2007	2008	2009	2010	2011
Civilian Labor Force	1,071,850	1,094,310	1,115,900	1,107,060	1,105,550
Total Employment	1,030,140	1,042,790	1,021,540	1,006,000	1,015,970
Total Unemployment	41,710	51,520	94,360	101,060	89,580
Percent of Labor Force	3.9	4.7	8.5	9.1	8.1
NAICS INDUSTRY	2007	2008	2009	2010	2011
Total Nonfarm	1,156,242	1,133,200	1,151,950	1,217,567	1,200,600
Total Private	991,450	966,233	984,750	1,051,158	1,037,175
Goods Producing	149,983	148,158	160,442	186,475	188,358
Natural Resources and Mining	500	467	508	583	692
Construction	48,792	49,675	57,142	73,883	74,525
Manufacturing	100,717	98,017	102,792	112,000	113,133
Services Providing	1,006,258	985,042	991,508	1,031,092	1,012,242
Trade, Transportation, and Utilities	212,233	206,350	209,175	224,667	224,392
Information	80,050	79,408	80,192	79,767	75,642
Financial Activities	67,292	67,658	71,192	77,525	78,683
Professional and Business Services	184,592	176,675	176,792	194,242	189,925
Educational and Health Services	142,908	138,142	137,683	133,258	127,683
Leisure and Hospitality	112,133	108,700	108,117	113,358	111,750
Other Services	42,258	41,142	41,158	41,867	40,742
Government	164,792	166,967	167,200	166,408	163,425
Workers in Labor/Management Disputes	0	0	0	958	0
	Feb. 2012				
Civilian Labor Force	1,105,770				
Total Employment	1,022,300				
Total Unemployment	83,470				
Percent of Labor Force	7.5				

* Columns may not add to totals due to rounding.

Source: Washington State Employment Security Department

APPENDIX D
BOOK-ENTRY TRANSFER SYSTEM

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BOOK-ENTRY TRANSFER SYSTEM

The following information has been provided by DTC. The City makes no representation as to the accuracy or completeness thereof. Purchasers of the Bonds (the "beneficial owners") should confirm the following with DTC or its participants (the "Participants").

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and

proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within a maturity of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Bond Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the City or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The following information has been provided by the City.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this appendix concerning DTC and DTC's book-entry system has been obtained from sources the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

The Bond Registrar shall not be obligated to exchange or transfer any Bond during the 15 days preceding any principal or interest payment or redemption date.

The City and the Bond Registrar may treat DTC (or its nominee) as the sole and exclusive registered owner of the Bonds registered in such name for the purposes of payment of the principal of, premium, if any, or interest with respect to those Bonds, selecting Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to registered owners of Bonds under the Bond Legislation, registering the transfer of Bonds, obtaining any consent or other action to be taken by registered owners of Bonds, and for all other purposes whatsoever; and the City and the Bond Registrar shall not be affected by any notice to the contrary. The City and the Bond Registrar shall not have any responsibility or obligation to any direct or indirect DTC participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any such participant, or any other person which is not shown on the Bond Register as being a registered owner of Bonds, with respect to: (i) the Bonds; (ii) any records maintained by DTC or any such participant; (iii) the payment by DTC or such participant of any amount in respect of the principal of, premium, if any, or interest with respect to the Bonds; (iv) any notice which is permitted or required to be given to registered owners of Bonds under the Bond Legislation; (v) the selection by DTC or any such participant of any person to receive

payment in the event of a partial redemption of the Bonds; or (vi) any consent given or other action taken by DTC as registered owner of the Bonds.

