

Washington State Auditor's Office
Financial Statements Audit Report

City of Seattle
King County

Audit Period
January 1, 2013 through December 31, 2013

Report No. 1012218

Issue Date
July 17, 2014



Washington State Auditor
Troy Kelley

Independence • Respect • Integrity



**Washington State Auditor
Troy Kelley**

July 17, 2014

Mayor and City Council
City of Seattle
Seattle, Washington

Report on Financial Statements

Please find attached our report on the City of Seattle's financial statements.

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

Sincerely,

TROY KELLEY
STATE AUDITOR

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King County
January 1, 2013 through December 31, 2013**

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Schedule of Audit Findings and Responses

City of Seattle
King County
January 1, 2013 through December 31, 2013

- 1. The Seattle City Employees' Retirement System does not have adequate internal controls in its accounting which caused delays in its annual financial statement preparation.**

Background

It is the responsibility of City management to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting.

A certified public accounting firm audited the fund financial statements of the Seattle City Employees' Retirement System and provided its report to our Office. In accordance with auditing standards, we are responsible for reporting internal control deficiencies that affect the City's financial reporting.

Description of Condition

The certified public accounting firm's audit identified the following significant deficiency in internal controls over financial reporting:

Account Reconciliations

During the year, the general ledger accounts were not analyzed and reconciled with subsidiary information on a monthly basis. These monthly reconciliations, together with the posting of correcting journal entries, help ensure timely and accurate interim financial information that can be used to monitor and control operations. In addition, timely reconciliation of accounts is most cost efficient since reconciliation at a later date is often more difficult and time consuming.

Effect of Condition

Timely reconciliations of general ledger accounts were not performed throughout the year. Further, untimely reconciliations caused a delay in preparing the financial statements.

Recommendation

The certified public accounting firm recommended the City establish and follow appropriate routine internal controls to analyze general ledger accounts on a monthly basis.

City's Response

Seattle City Employees Retirement System will work with the City's Central Accounting unit to establish a common understanding of how investments and investment activities should be reflected in the City's General Ledger. Once that is determined we will establish protocols for monthly reconciliation between our investment custodian's reports and the General Ledger. We plan to produce a mid-year set of financials in order to both reconcile year to date figures and serve as a starting point for ongoing monthly reconciliations. All of these actions should result in a more timely and orderly production of the 2014 yearend financial statements.

Auditor's Remarks

We appreciate the City's commitment to resolve the identified condition and thank City personnel for their cooperation and assistance during the audit.

Applicable Laws and Regulations

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, as follows:

.07 For purposes of generally accepted auditing standards, the following terms have the meanings attributed as follows:

. . . Material weakness. A deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial

statements will not be prevented, or detected and corrected, on a timely basis.

Significant deficiency. A deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Status of Prior Audit Findings

**City of Seattle
King County
January 1, 2013 through December 31, 2013**

The status of findings contained in the prior years' audit reports of the City of Seattle is provided below:

- 1. The City of Seattle lacks adequate internal controls over cost accounting and cash handling, which increases the risk of errors in financial reports.**

Report No. 1010306, dated June 28, 2013

Background

A certified public accounting firm audited the fund financial statements of City Light Department and identified significant deficiencies in internal controls over financial reporting related to property records, billable work, surplus sales, and cash handling.

Status

The certified public accounting firm did not report any significant deficiencies related to these areas in the most recent audit of the Seattle City Light.

- 2. The City of Seattle lacks adequate internal controls over financial transactions, which increases the risk of errors in financial reports.**

Report No. 1010306, dated June 28, 2013.

Background

A certified public accounting firm audited the fund financial statements of the Seattle Public Utilities Department's Water, Drainage and Wastewater, and Solid Waste funds and identified significant deficiencies in internal control over financial reporting related to construction in progress, uncorrected immaterial error in liability reporting, corrected immaterial error in reporting of bond amortization, and reporting of insignificant unbilled engineering services.

Status

The certified public accounting firm did not report any significant deficiencies related to these areas in the most recent audit of the Seattle Public Utilities.

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

**City of Seattle
King County
January 1, 2013 through December 31, 2013**

Mayor and City Council
City of Seattle
Seattle, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Seattle, King County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 26, 2014.

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

The prior year comparative information has been derived from the City's 2012 basic financial statements, on which we issued our report dated June 28, 2013.

As discussed in Note 1 to the financial statements, during the year ended December 31, 2013, the City implemented Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an*

amendment of GASB Statement No. 53, Statement No. 65, Items Previously Reported as Assets and Liabilities and Statement No. 66, Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We and the other auditors did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 1, that we consider to be significant deficiencies.

COMPLIANCE AND OTHER MATTERS

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

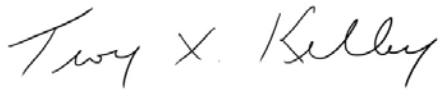
The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

CITY'S REPOSE TO FINDING

The City's response to the finding identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

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



TROY KELLEY
STATE AUDITOR

June 26, 2014

Independent Auditor's Report on Financial Statements

**City of Seattle
King County
January 1, 2013 through December 31, 2013**

Mayor and City Council
City of Seattle
Seattle, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Seattle, King County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 12.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of:

- The Light Fund, Water Fund, Drainage and Wastewater Fund, and Solid Waste Fund, which are major funds that collectively represent 99 percent, 100 percent, and 98 percent, respectively, of the assets and deferred outflows, net position, and revenues of the business-type activities.
- The Seattle City Employees' Retirement System, which represents 63 percent, 73 percent, and 29 percent, respectively, of the assets and deferred outflows, net position, and revenues of the aggregate discretely presented component units and remaining fund information.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Light, Water, Drainage and Wastewater, and Solid Waste funds and the Seattle City Employees' Retirement System are based solely on the reports of the other auditors. We conducted our audit

in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Water, Drainage and Wastewater, and Solid Waste funds and the Seattle City Employees' Retirement System were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained and the reports of other auditors are sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Seattle, King County, Washington as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The partial prior year comparative information has been derived from the City's 2012 financial statements and, in our report dated June 28, 2013, based on our audit and the reports of other auditors, we expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregately discretely presented component units and remaining fund information. Such information does not include all of the information required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2012, from which such partial information was derived.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2013, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, Statement

No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53*, Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 32, budgetary comparison information on pages 141 through 143 and pension trust fund information on pages 144 through 145 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of historical context. We and the other auditors have applied certain limited procedures to the preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing

of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

June 26, 2014

Financial Section

**City of Seattle
King County
January 1, 2013 through December 31, 2013**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2013

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2013

Statement of Activities – 2013

Balance Sheet – 2013

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – 2013

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities – 2013

Statement of Net Position – Proprietary Funds – 2013

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2013

Statement of Cash Flows – Proprietary Funds – 2013

Statement of Fiduciary Net Position – Fiduciary Funds – 2013

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2013

Notes to Financial Statements – 2013

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund – 2013

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Transportation Fund – 2013

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Low-Income Housing Fund – 2013

Pension Plan Information – Schedule of Funding Progress – 2013

Pension Plan Information – Schedule of Employer Contributions – 2013

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards – 2013

Notes to the Schedule of Expenditures of Federal Awards – 2013

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, 2013. 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 2013 the City's net position totaled \$5.218 billion. Net investment in capital assets, net of depreciation and related debt, account for 84.1 percent of this amount (\$4.389 billion). The remaining net position of \$828.9 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position increased by \$400.5 million (8.3 percent) during the fiscal year. The governmental net position increased by \$222.6 million (7.1 percent) over the amount reported in 2012. The business-type net position increased \$177.9 million (10.7 percent) in 2013.
- For 2013 the City's governmental funds reported a combined ending fund balance of \$707.2 million, an increase of \$68.9 million in comparison to 2012. \$98.1 million of this fund balance represents an unassigned fund balance available for all purpose spending; \$12.9 million is assigned for specific purposes by City's management, and \$132.9 million is committed by City Council. Approximately 64.9 percent of the total fund balances is externally restricted for specific purposes, and the remainder constitutes nonspendable items such as petty cash, inventories, and prepaid amounts.
- The City's governmental funds generated revenues totaling \$1.645 billion in the fiscal year ended December 31, 2013, an increase of approximately \$79.9 million (5.1 percent) from the prior year's balance of \$1.565 billion. Expenditures in governmental funds amounted to \$1.703 billion, an increase of approximately \$120.9 million (7.6 percent) compared to \$1.582 billion expended in 2012. In the aggregate, expenditures for governmental funds exceeded revenues by approximately \$57.7 million. The City's General Fund reported an excess of revenues over expenditures totaling \$242.6 million, while the other major and nonmajor governmental funds reported a deficiency of revenues totaling \$300.3 million.
- At the end of the fiscal year 2013 the City had \$4.259 billion in outstanding bonded debt that included general obligation and revenue bonds, compared to \$4.190 billion in 2012. This represents an increase of approximately \$68.4 million (1.6 percent). During the year, general obligation bonded debt for limited tax (LTGO) and unlimited tax (UTGO) bonds were issued to finance various capital improvement projects and partial refunding of the 2004 LTGO bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that recover all or a significant portion of their

costs through user fees and charges (business-type activities). The governmental 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 near-term inflows and outflows of spendable resources, as well as fund balances at the end of the fiscal year. Such information may be useful in assessing the City's near-term financing requirements.

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

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

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Combining Statements

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

Statistical Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial position. Table A-1 is a condensed version of the statement of net position for the City of Seattle. At the close of the current fiscal year the City's total net position was \$5.218 billion.

Statement of Net Position

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

	Governmental Activities		Business-Type Activities		Total	
	2013	Restated 2012	2013	Restated 2012	2013	Restated 2012
ASSETS						
Current and Other Assets	\$ 982,465	\$ 888,826	\$ 1,373,407	\$ 1,393,330	\$ 2,355,872	\$ 2,282,156
Capital Assets and Construction in Progress, Net of Accumulated Depreciation	3,724,381	3,540,034	4,683,738	4,431,982	8,408,119	7,972,016
Total Assets	<u>4,706,846</u>	<u>4,428,860</u>	<u>6,057,145</u>	<u>5,825,312</u>	<u>10,763,991</u>	<u>10,254,172</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>436,014</u>	<u>410,759</u>	<u>52,371</u>	<u>57,972</u>	<u>488,385</u>	<u>468,731</u>
LIABILITIES						
Current Liabilities	300,907	278,013	388,086	370,012	688,993	648,025
Noncurrent Liabilities	1,017,855	983,126	3,755,471	3,725,624	4,773,326	4,708,750
Total Liabilities	<u>1,318,762</u>	<u>1,261,139</u>	<u>4,143,557</u>	<u>4,095,636</u>	<u>5,462,319</u>	<u>5,356,775</u>
DEFERRED INFLOWS OF RESOURCES	<u>446,877</u>	<u>423,881</u>	<u>125,336</u>	<u>124,903</u>	<u>572,213</u>	<u>548,784</u>
NET POSITION						
Net Investment in Capital Assets	2,880,124	2,783,738	1,508,831	1,391,130	4,388,955	4,174,868
Restricted	460,885	406,454	57,404	56,210	518,289	462,664
Unrestricted	36,212	(35,593)	274,388	215,405	310,600	179,812
Total Net Position	<u>\$ 3,377,221</u>	<u>\$ 3,154,599</u>	<u>\$ 1,840,623</u>	<u>\$ 1,662,745</u>	<u>\$ 5,217,844</u>	<u>\$ 4,817,344</u>

The largest portion of the City's net position (84.1 percent) reflects an investment of \$4.389 billion in capital assets, such as land, buildings, and equipment, less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay the debt must be provided from other funding sources, as capital assets cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$518.3 million (9.9 percent), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$310.6 million (6.0 percent), may be used to meet the government's obligation to citizens and creditors.

The net position for the business-type activities increased between 2012 and 2013 from \$1.663 billion to \$1.841 billion. The increase in net position is attributed primarily to the performance of the City Light Utility, which accounted for 63.4 percent, or \$112.7 million of the total \$177.9 million change in net position for business-type activities.

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

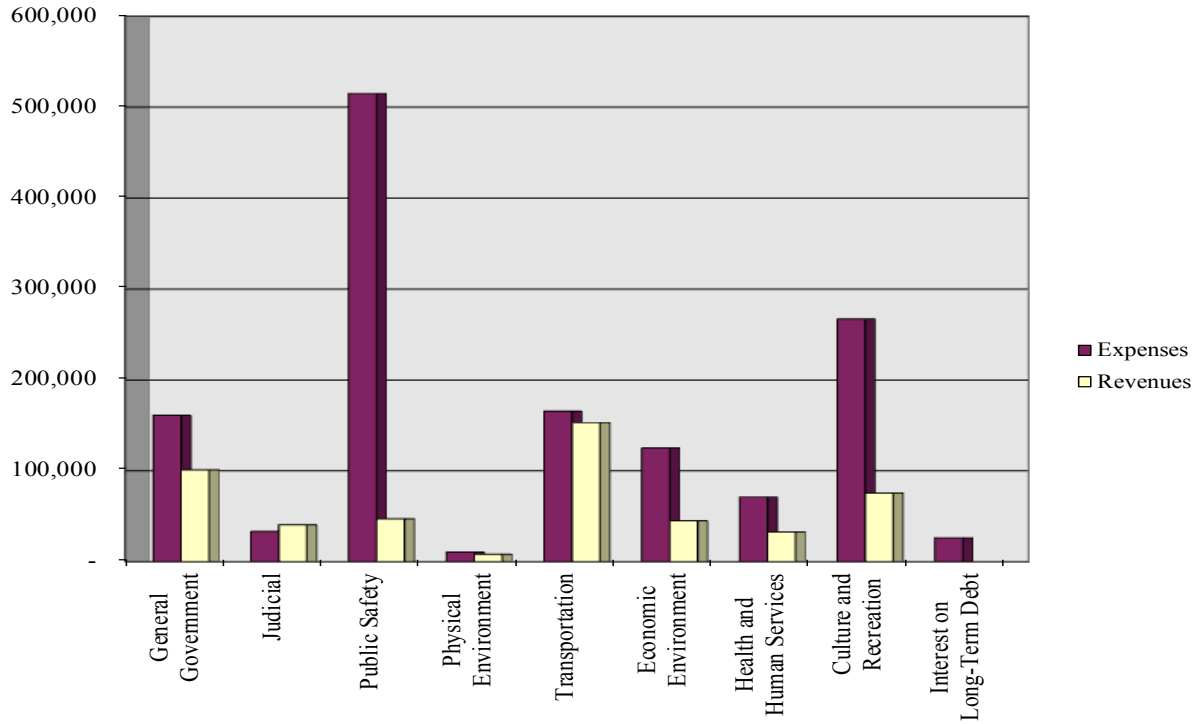
	Governmental Activities		Business-Type Activities		Total	
	2013	Restated 2012	2013	Restated 2012	2013	Restated 2012
Revenues						
Program Revenues						
Charges for Services	\$ 325,964	\$ 274,798	\$ 1,619,118	\$ 1,512,436	\$ 1,945,082	\$ 1,787,234
Operating Grants and Contributions	135,407	130,377	7,055	6,749	142,462	137,126
Capital Grants and Contributions	42,468	48,092	63,760	48,438	106,228	96,530
General Revenues						
Property Taxes	423,927	412,872	-	-	423,927	412,872
Sales Taxes	181,171	169,681	-	-	181,171	169,681
Business Taxes	408,913	358,931	-	-	408,913	358,931
Other Taxes	76,360	101,784	-	-	76,360	101,784
Other	15,349	7,960	5,876	12,408	21,225	20,368
Total Revenues	<u>1,609,559</u>	<u>1,504,495</u>	<u>1,695,809</u>	<u>1,580,031</u>	<u>3,305,368</u>	<u>3,084,526</u>
Expenses						
Governmental Activities						
General Government	161,041	164,040	-	-	161,041	164,040
Judicial	33,517	26,121	-	-	33,517	26,121
Public Safety	515,129	475,747	-	-	515,129	475,747
Physical Environment	10,740	6,357	-	-	10,740	6,357
Transportation	165,742	133,511	-	-	165,742	133,511
Economic Environment	125,191	125,917	-	-	125,191	125,917
Health and Human Services	71,256	65,266	-	-	71,256	65,266
Culture and Recreation	267,043	239,003	-	-	267,043	239,003
Interest on Long-Term Debt	26,417	39,998	-	-	26,417	39,998
Business-Type Activities						
Light	-	-	780,930	731,459	780,930	731,459
Water	-	-	215,600	203,610	215,600	203,610
Drainage and Wastewater	-	-	290,147	272,423	290,147	272,423
Solid Waste	-	-	156,653	150,115	156,653	150,115
Planning and Development	-	-	53,080	46,542	53,080	46,542
Downtown Parking Garage	-	-	8,159	7,701	8,159	7,701
Fiber Leasing	-	-	54	-	54	-
Total Expenses	<u>1,376,076</u>	<u>1,275,960</u>	<u>1,504,623</u>	<u>1,411,850</u>	<u>2,880,699</u>	<u>2,687,810</u>
Excess Before Special Item and Transfers	233,483	228,535	191,186	168,181	424,669	396,716
Special Item - Environmental Remediation	-	-	(24,169)	(37,066)	(24,169)	(37,066)
Transfers	(10,861)	(10,095)	10,861	10,095	-	-
Changes in Net Position	222,622	218,440	177,878	141,210	400,500	359,650
Net Position - Beginning of Year	3,154,599	2,936,159	1,662,745	1,521,535	4,817,344	4,457,694
Net Position - End of Year	<u>\$ 3,377,221</u>	<u>\$ 3,154,599</u>	<u>\$ 1,840,623</u>	<u>\$ 1,662,745</u>	<u>\$ 5,217,844</u>	<u>\$ 4,817,344</u>

Analysis of Changes in Net Position

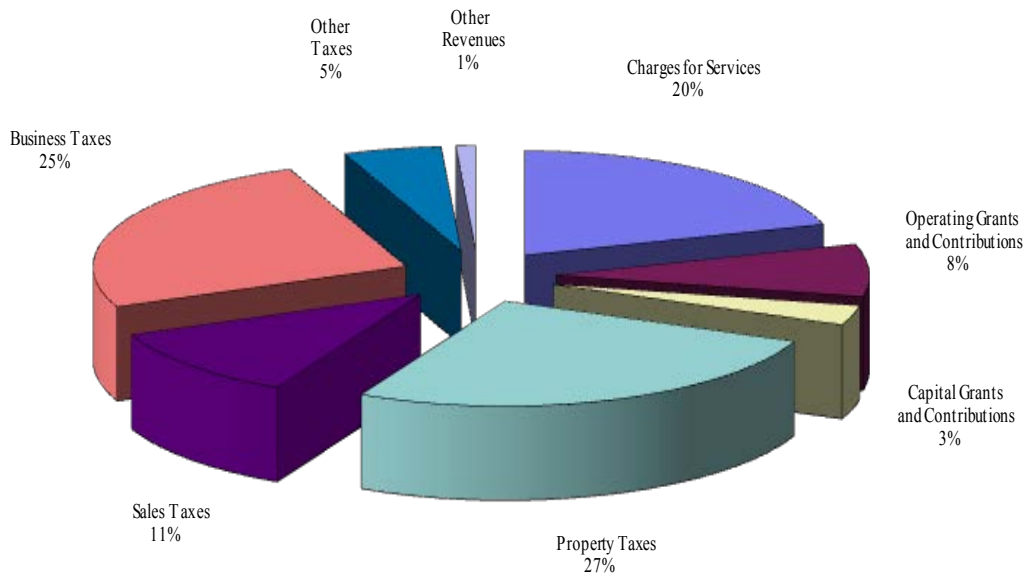
In 2013 the City's total net position increased by \$400.5 million (8.3 percent). The increase is explained in the following discussion of governmental and business-type activities.

Governmental Activities

EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES
(In Thousands)



REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



Total \$1,609.6 Million

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

Net program expenses for all functions within the City’s governmental activities totaled \$1.376 billion for 2013, a 7.8 percent increase over 2012’s costs of \$1.276 billion. Net expense after programs revenues for 2013 was 64.4 percent, relatively unchanged from 2012’s coverage level of 64.6 percent, highlighting that the change in program expenses was accompanied by a similar change in program revenues.

The following table lists functions/programs ranked by the size of their 2013 expenses, and highlights the growth in costs between the 2012 and 2013 financial statements.

<u>2013 Rank</u>	<u>Citywide Function/Program</u>	<u>Amount (In Millions)</u>	<u>Percent of Change</u>	<u>Amount of Change (In Millions)</u>
1	Public Safety	\$ 514.0	8.3 %	\$ 39.3
2	Culture and Recreation	267.0	11.7	28.0
3	General Government	178.4	(3.1)	(5.5)
4	Transportation	165.7	24.1	32.3
5	Economic Environment	125.1	(0.6)	(0.7)
6	Health and Human Services	71.3	9.2	28.0

The City’s overall capitalization of 2013’s expenses from the governmental funds was down 3.0 percent, from \$211.1 million to \$204.8 million. This reflects the net costs of depreciation \$107.7 million, and the additional operating assets and equipment, and changes in work in progress totaling \$312.5 million.

The Department of Transportation contributed 73.0 percent of the governmental fund’s total capitalized expenses for 2013. The overall amount capitalized for Transportation was down 12.4 percent, falling from \$170.4 million in 2012, to \$149.2 million in 2013. This is one of the primary factors contributing to the 24.1 percent cost increase for the City’s transportation function.

Seattle’s Police and Fire Departments program costs account for 91.0 percent of public safety expenses, and experienced a year over year increase in program operations of nearly \$34.1 million. In 2013 the Seattle Fire Department capitalized expenses of \$5.7 million, a significant increase from the \$15 thousand in equipment capitalized the year before. After several years of continued capitalization growth, the Seattle Police Department’s 2013 activity resulted in the overall value of their capitalized assets decreasing \$1.0 million. These two public safety departments added a net value of \$4.7 million in assets to the City’s net position in 2013.

The costs of the City’s culture and recreation function are mainly comprised of three operating departments; the Department of Parks and Recreation, the Seattle Center, and the Seattle Public Library. The 2013 increase in operating costs for these departments was \$26.7 million. The amount of capitalized expenses for the Department of Parks and Recreation was \$40.9 million, up 47.6 percent from 2012, and was the second largest contributor to the increase in capital assets. Several departments in 2013 only incurred additional expenses for the depreciation of assets currently on the City’s books. The Seattle Center and Seattle Public Library depreciated and expensed \$12.6 million of value in the culture and recreation function.

The executive offices and the Department of Information Technology depreciated an additional \$2.1 million of value for the general government function. The Finance and Administrative Services Department continued to maintain a constant level of capitalization, contributing \$26.7 million of capital in 2013, and \$27.4 million in 2012.

Direct program revenues collected supporting the City’s governmental functions were \$503.8 million, 36.6 percent of the total cost, with the remaining \$872.0 million covered by the City’s general resources.

General revenues such as the property, business, and sales taxes are not shown by function because they are used to support citywide program activities. For 2013 general revenues collected by the City provided an additional \$1.087 billion of resources, a 3.6 percent increase over 2012's collections. The following table lists the general revenues ranked by the size of their 2013 collections, and highlights the change in general revenues between the 2012 and 2013 financial statements.

2013 Rank	General Tax Revenues	Amount (In Millions)	Percent of Change	Amount of Change (In Millions)
1	Property Taxes	\$ 423.9	0.8 %	\$ 3.2
2	Business and Occupation Taxes	408.9	6.1	23.6
3	Sales Taxes	181.1	6.8	11.5
4	Excise Taxes	61.5	12.6	6.9
5	Other Taxes	11.2	(41.0)	(7.8)

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 levies. Strong growth in the assessed value of property in the city of Seattle continued to maintain the level of property tax collections for 2013. Initiative 747 and related state laws will continue contributing to muted property tax growth as a result of the cap on property tax growth of 1.0 percent plus new construction.

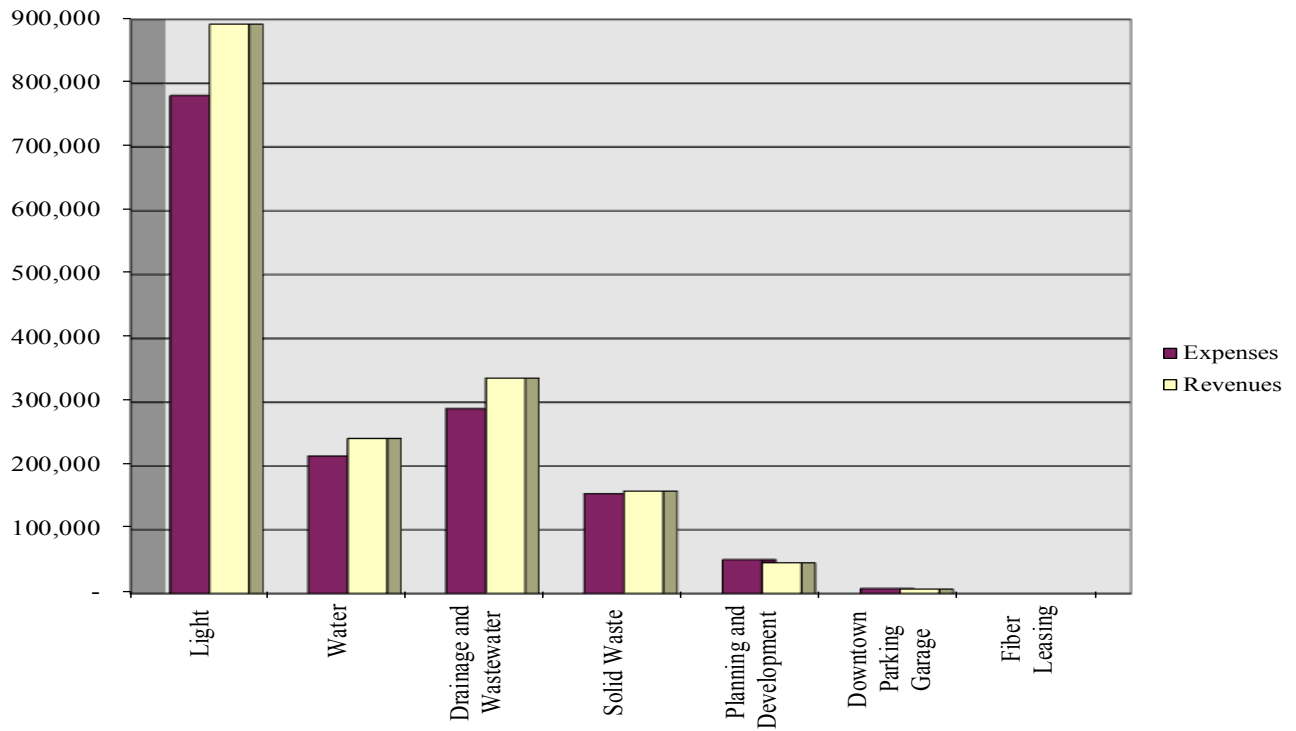
The business and occupation (B&O) tax is levied by the City on the gross receipts of most business activities occurring in Seattle. The City also levies a B&O tax on the gross income derived from sales of utility services within Seattle. Of the \$408.9 million, 45.5 percent of the collection is generated by taxes assessed on private business activities, with an additional 8.3 percent from commercial parking taxes and 1.9 percent from admission taxes. The City's utilities paid \$123.6 million in taxes, of which Seattle City Light paid 34.4 percent, and Seattle Public Utilities paid 65.6 percent. Additional utility taxes totaling \$57.3 million were generated from gas, garbage, cable, telephone, and steam power service suppliers.

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. The City's local share of the sales tax accounts for \$165.9 million, 91.6 percent. The additional sales tax distributions from the state are resources for criminal justice and brokered natural gas activities, which in 2013 generated a \$15.2 million collection.

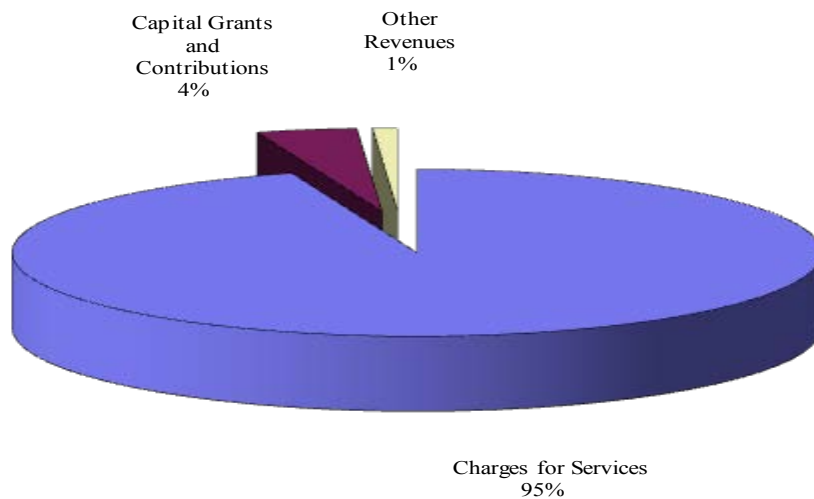
Real Estate Excise Tax (REET) revenues, taxes collected on real estate transactions, are the largest single component of excise tax and supports many of the City's general government capital investments. The City's local real estate market maintained its strength in 2013 fueled by a very strong commercial sector, and REET revenues remained relatively unchanged with collections totaling \$48.4 million in 2013. The 12.6 percent increase in revenues between 2012 and 2013's is due to the Seattle Transportation Benefit District's fee collections of \$7.4 million reported as excise taxes.

Business-Type Activities

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



REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



Total \$1,695.8 Million

Business-Type Activities. At year end the City’s net position for business-type activities was \$1.830 billion, a 10.5 percent increase totaling \$173.4 million. Of this amount \$4.5 million reflects the consolidation of internal service fund activities related to enterprise funds. Key factors for the change were as follows:

The City Light Utility realized an \$112.7 million increase in net position for 2013. A \$41.9 million increase in total operating revenues was mainly the result of the 4.4 percent across-the-board rate increase effective January 1, 2013 and the 1.2 percent Bonneville Power Administration pass-through rate adjustment effective in October 2013. An increase in operating expenses of \$49.0 million was due to higher power wholesale prices and higher operating costs related to distribution, customer service, conservation, administration, taxes, and depreciation. Capital contributions and grants were higher by \$17.9 million due to higher in-kind contributions for various construction projects.

The Water Utility experienced an increase of \$28.2 million in net position for 2013. Operating revenues increased \$22.1 million, reflecting increases in direct service revenues, wholesale/commercial revenues, and ancillary service revenue. Operating expenses increased \$12.8 million in 2013. Factors affecting this change included additional City utility taxes, depreciation and amortization, general, administrative, and field operations.

The Drainage and Wastewater Utility net position increased \$24.6 million in 2013. Operating revenues increased by \$29.8 million primarily due to rate increases in 2013 for both wastewater and drainage revenues. The increase was offset by a rise in operating expenses of \$16.4 million. The increase in operating expenses was attributed to several factors including an increase in King County’s treatment rate, City business and occupation taxes.

The Solid Waste Utility realized a net increase of \$3.3 million in net position in 2013. Operating revenues increased by \$2.8 million mainly due to a rate increase in 2013. Operating expenses for 2013 increased \$4.8 million. This increase was related to contractual solid waste collection costs and taxes paid to the City.

The Planning and Development Fund net position increased \$5.7 million in 2013 to end the year at \$12.6 million. Operating revenues increased by \$7.1 million while the operating expenses increased by \$6.5 million. The revenue increase mirrored the continued strengthening of building construction activities, while the increase in operating expenses was the result of staffing increases and technology improvements. Operating contributions and grants increased by \$0.5 million. Transfers in from other City funds increased to \$10.8 million.

The Downtown Parking Garage Fund realized a decrease of \$1.2 million in net position. It continues to have insufficient revenues to fully cover its expenses including depreciation, which is not specifically included in its revenue structure. As the fund has served its public purpose, Facilities Operations Division is evaluating several options for the fund. For 2013 the fund’s ending net position is a \$26.5 million deficit.

The Fiber Leasing Fund was established in 2012 through Ordinance 123758. The purpose of the fund is to lease excess fiber and fiber infrastructure capacity owned by the City and consenting Fiber Partners. Revenues and expenditures for 2013 were immaterial.

FINANCIAL ANALYSIS OF CITY FUNDS

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

Table A-3 REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY

GOVERNMENTAL FUNDS

(In Thousands)

	Major Funds					
	General Fund		Transportation Fund		Low-Income Housing Fund	
	2013	2012	2013	2012	2013	2012
Revenues						
Taxes	\$ 866,464	\$ 846,011	\$ 75,816	\$ 72,391	\$ 17,952	\$ 18,039
Licenses and Permits	22,005	20,672	5,130	4,566	-	-
Grants, Shared Revenues, and Contributions	48,183	43,669	51,755	51,939	2,088	5,316
Charges for Services	50,587	51,388	102,475	78,176	810	395
Fines and Forfeits	41,043	34,243	8	27	-	-
Parking Fees and Space Rent	38,547	35,369	70	82	-	-
Program Income, Interest, and Miscellaneous Revenues	31,346	29,909	122	271	11,072	5,955
Total Revenues	<u>1,098,175</u>	<u>1,061,261</u>	<u>235,376</u>	<u>207,452</u>	<u>31,922</u>	<u>29,705</u>
Expenditures	855,584	772,904	321,779	309,828	30,631	36,473
Other Financing Sources and Uses						
Long-Term Debt Issued and Refunding Payments, Net	-	-	-	6,000	-	-
Sales of Capital Assets	22,748	754	54	120	-	-
Transfers In (Out)	(231,371)	(218,894)	108,964	85,873	-	46
Total Other Financing Sources and Uses	<u>(208,623)</u>	<u>(218,140)</u>	<u>109,018</u>	<u>91,993</u>	<u>-</u>	<u>46</u>
Fund Balances						
Nonspendable	375	555	1,345	218	-	-
Restricted	99,659	82,520	27,330	24,313	79,264	75,344
Committed	83,155	79,508	44,988	26,517	1,893	4,522
Assigned	5,325	6,417	-	-	-	-
Unassigned	120,446	105,992	-	-	-	-
Total Fund Balances	<u>\$ 308,960</u>	<u>\$ 274,992</u>	<u>\$ 73,663</u>	<u>\$ 51,048</u>	<u>\$ 81,157</u>	<u>\$ 79,866</u>

Table A-3

REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY
GOVERNMENTAL FUNDS (continued)

(In Thousands)

	Nonmajor Funds			
	Special Revenue Funds		Debt Service Funds	
	2013	2012	2013	2012
Revenues				
Taxes	\$ 82,985	\$ 59,544	\$ 15,930	\$ 16,908
Licenses and Permits	-	-	-	-
Grants, Shared Revenues, and Contributions	69,637	67,374	1,020	1,044
Charges for Services	46,975	52,632	-	-
Fines and Forfeits	56	70	-	-
Parking Fees and Space Rent	23,523	21,350	323	306
Program Income, Interest, and Miscellaneous Revenues	2,005	4,372	571	572
Total Revenues	<u>225,181</u>	<u>205,342</u>	<u>17,844</u>	<u>18,830</u>
Expenditures	341,555	320,820	79,854	75,151
Other Financing Sources and Uses				
Long-Term Debt Issued and Refunding Payments, Net	-	-	4,928	-
Sales of Capital Assets	102	56	-	-
Transfers In (Out)	132,750	136,413	62,045	56,488
Total Other Financing Sources and Uses	<u>132,852</u>	<u>136,469</u>	<u>66,973</u>	<u>56,488</u>
Fund Balances				
Nonspendable	564	350	-	-
Restricted	85,725	57,769	15,629	10,666
Committed	2,948	9,209	-	-
Assigned	7,661	12,583	-	-
Unassigned	(12,972)	(12,463)	-	-
Total Fund Balances	<u>\$ 83,926</u>	<u>\$ 67,448</u>	<u>\$ 15,629</u>	<u>\$ 10,666</u>

	Nonmajor Funds				Total Governmental Funds	
	Capital Projects Funds		Permanent Funds		2013	2012
	2013	2012	2013	2012		
Revenues						
Taxes	\$ 24,352	\$ 31,715	\$ -	\$ -	\$ 1,083,499	\$ 1,044,608
Licenses and Permits	-	-	-	-	27,135	25,238
Grants, Shared Revenues, and Contributions	12,101	8,433	-	-	184,784	177,775
Charges for Services	-	4	-	-	200,847	182,595
Fines and Forfeits	-	-	-	-	41,107	34,340
Parking Fees and Space Rent	-	-	-	-	62,463	57,107
Program Income, Interest, and Miscellaneous Revenues	351	2,549	(5)	21	45,462	43,649
Total Revenues	<u>36,804</u>	<u>42,701</u>	<u>(5)</u>	<u>21</u>	<u>1,645,297</u>	<u>1,565,312</u>
Expenditures	73,576	66,863	23	19	1,703,002	1,582,058
Other Financing Sources and Uses						
Long-Term Debt Issued and Refunding Payments, Net	105,006	31,651	-	-	109,934	37,651
Sales of Capital Assets	-	1,352	-	-	22,904	2,282
Transfers In (Out)	(78,592)	(67,876)	(10)	(10)	(6,214)	(7,960)
Total Other Financing Sources and Uses	<u>26,414</u>	<u>(34,873)</u>	<u>(10)</u>	<u>(10)</u>	<u>126,624</u>	<u>31,973</u>
Fund Balances						
Nonspendable	-	-	2,050	2,050	4,334	3,173
Restricted	151,134	153,680	90	112	458,831	404,404
Committed	-	-	-	-	132,984	119,756
Assigned	-	-	-	-	12,986	19,000
Unassigned	(9,340)	(1,528)	(16)	-	98,118	92,001
Total Fund Balances	<u>\$ 141,794</u>	<u>\$ 152,152</u>	<u>\$ 2,124</u>	<u>\$ 2,162</u>	<u>\$ 707,253</u>	<u>\$ 638,334</u>

Governmental Funds

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

As of the end of the current fiscal year the City's governmental funds reported a combined ending fund balance of \$707.2 million, an increase of \$68.9 million in comparison to 2012. Approximately \$98.1 million of this amount represents an unassigned fund balance available for all purpose spending; \$12.9 million is assigned for specific purposes by City's management, and \$132.9 million is committed by City Council. Approximately 64.9 percent of the total fund balances is externally restricted for specific purposes, and the remainder constitutes nonspendable items such as petty cash, inventories, and prepaid amounts.

Revenues for governmental funds overall totaled approximately \$1.645 billion in the fiscal year ended December 31, 2013, an increase of approximately \$79.9 million or 5.1 percent from the prior year's balance of \$1.565 billion. Expenditures in governmental funds amounted to \$1.703 billion, an increase of approximately \$120.9 million or 7.6 percent compared to \$1.582 billion spent in 2012. In the aggregate, expenditures for governmental funds exceeded revenues by approximately \$57.7 million.

The **General Fund** is the chief operating fund of the City. The Library Fund, previously reported as a special revenue fund, was determined to no longer meet the definition of a special revenue fund, as defined by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result, the Library Fund is now reported as part of the General Fund for the GAAP reporting. For comparability, all amounts presented for fiscal year 2012 and 2013 in this discussion and analysis reflect this change unless noted otherwise. Table A-4 provides a summary of activities for the general subfunds at year-end 2013. At the end of 2013 the total fund balance of the General Fund was \$308.9 million, an increase of \$33.9 million in 2013 compared to 2012.

Total revenues for the General Fund amounted to \$1.098 billion, an increase of \$36.9 million or 3.5 percent higher than 2012. The increase is mostly attributable to higher tax revenues, which increased by \$38.9 million or 3.7 percent, between 2012 and 2013.

General Fund expenditures increased 10.7 percent in 2013 from \$772.9 million to \$855.5 million. Public safety accounts for 58.7 percent of the General Fund's total expenditures in 2013. Public safety's two largest expenditures were for police and fire protection. For 2013 the Police Department incurred \$295.1 million and the Fire Department incurred \$178.7 million of expenditures.

The **Transportation Fund**, a special revenue fund, develops, maintains, and operates the transportation system inclusive of streets, bridges, ramps, retaining walls, sea walls, bike trails, street lights, and other road infrastructure. At the end of the fiscal year the fund balance increased by \$22.6 million. The \$235.4 million of revenues collected include excess property tax levy, a commercial parking tax, employee hours tax, grants and contributions, and charges for services. Transportation's expenditures totaled \$321.8 million for 2013, up \$12.0 million or 3.9 percent from 2012. The Transportation Fund's other financing sources contributed \$109.8 million of additional resources in 2013.

The **Low-Income Housing Fund**, a special revenue fund and one of the major governmental funds of the City, manages activities undertaken by the City to preserve, rehabilitate, or replace low-income housing. It also accounts for seven-year housing levies approved by voters, most recently in 2009. The 2013 fund balance of \$81.2 million reflects a decrease of \$1.3 million from 2012. Revenues from 2012 to 2013 increased by \$2.2 million or 7.4 percent. The fund's expenditures decreased by \$5.8 million or 16.0 percent year over year. The decrease in expenditures is attributed to the cyclical nature of the fund. Multifamily construction projects can span several years from acquisition to final construction. Further driving the variations is the cyclical nature of downtown construction and their associated costs.

In 2013 the other **special revenue funds** (SRF) reported a \$16.5 million increase in fund balance. SRF expenditures increased \$20.7 million to \$341.5 million for 2013, although this was mirrored by a rise in program revenues of \$19.8 million to \$225.1 million. Overall the deficiency of revenues over expenditures slightly increases from \$115.5 million in 2012, to \$116.4 million in 2013. The inability of revenues to cover expenditures is supplemented by other financing sources and uses which contributed \$132.8 million of resources in 2013 and was the driving factor behind the increase in fund balance.

The fund balance in the **capital projects funds** decreased \$10.4 million or 6.8 percent from \$152.2 million to \$141.8 million at the end of 2013. The decrease is due mainly to the City's effort to accelerate capital spending from the multipurpose long-term general obligation bond funds. The fund balance in the capital projects funds is all restricted for the City's capital improvement programs. The 2008 to 2012 Multipurpose Long-Term General Obligation Bond funds expended approximately 59.3 percent or \$48.5 million of their combined fund balance, while the 2013 Multipurpose and Alaska Way Seawall Construction funds added \$48.4 million of fund balance in their first year of financial reporting.

Table A-4

REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY

GENERAL FUND SUBFUNDS

(In Thousands)

	General	Judgment/ Claims	Municipal Jail	Arts Account	Cable Television Franchise
Revenues					
Taxes	\$ 818,057	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	14,114	-	-	-	7,891
Grants, Shared Revenues, and Contributions	40,354	-	-	-	-
Charges for Services	41,477	7,632	-	-	-
Fines and Forfeits	39,471	-	-	-	17
Parking Fees and Space Rent	37,649	-	-	73	-
Program Income, Interest, and Miscellaneous Revenues	2,006	101	(1)	-	(19)
Total Revenues	993,128	7,733	(1)	73	7,889
Expenditures	707,437	10,378	-	5,186	8,447
Other Financing Sources and Uses					
Sales of Capital Assets	-	-	-	-	900
Transfers In (Out)	(283,965)	(65)	(1,000)	4,803	(190)
Total Other Financing Sources and Uses	(283,965)	(65)	(1,000)	4,803	710
Fund Balances					
Nonspendable	46	-	-	-	-
Restricted	380	-	-	-	867
Committed	6,977	14,640	-	578	3,954
Assigned	2,451	-	1,671	-	-
Unassigned	47,989	-	-	-	-
Total Fund Balances	\$ 57,843	\$ 14,640	\$ 1,671	\$ 578	\$ 4,821

	Cumulative Reserve	Neighborhood Matching	Bluefield Habitat Maintenance	Development Rights	Emergency
Revenues					
Taxes	\$ 48,407	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-
Grants, Shared Revenues, and Contributions	2,686	-	-	-	-
Charges for Services	1,232	-	-	-	-
Fines and Forfeits	-	-	-	-	-
Parking Fees and Space Rent	340	-	-	-	-
Program Income, Interest, and Miscellaneous Revenues	934	-	(1)	-	-
Total Revenues	53,599	-	(1)	-	-
Expenditures	36,142	2,605	-	-	-
Other Financing Sources and Uses					
Sales of Capital Assets	21,848	-	-	-	-
Transfers In (Out)	(11,140)	2,891	-	-	(68)
Total Other Financing Sources and Uses	10,708	2,891	-	-	(68)
Fund Balances					
Nonspendable	2	-	-	-	-
Restricted	61,793	-	-	-	-
Committed	15,909	4,511	205	22	-
Assigned	-	-	-	-	-
Unassigned	30,397	-	-	-	42,060
Total Fund Balances	\$ 108,101	\$ 4,511	\$ 205	\$ 22	\$ 42,060

Table A-4

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

	Transit Benefit	Special Employment Program	Industrial Insurance	Unemployment Compensation	Health Care
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-
Grants, Shared Revenues, and Contributions	-	-	-	-	-
Charges for Services	-	38	-	-	-
Fines and Forfeits	-	-	-	-	-
Parking Fees and Space Rent	-	-	-	-	-
Program Income, Interest, and Miscellaneous Revenues	-	-	-	-	23,223
Total Revenues	-	38	-	-	23,223
Expenditures	-	35	932	659	14,767
Other Financing Sources and Uses					
Sales of Capital Assets	-	-	-	-	-
Transfers In (Out)	-	-	-	-	-
Total Other Financing Sources and Uses	-	-	-	-	-
Fund Balances					
Nonspendable	-	-	307	-	-
Restricted	-	-	-	-	24,771
Committed	-	122	4,556	1,814	28,996
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	\$ -	\$ 122	\$ 4,863	\$ 1,814	\$ 53,767

	Group Term Life Insurance	Library ^a	Total General Fund	
			2013	2012
Revenues				
Taxes	\$ -	\$ -	\$ 866,464	\$ 846,011
Licenses and Permits	-	-	22,005	20,672
Grants, Shared Revenues, and Contributions	-	5,143	48,183	43,669
Charges for Services	-	208	50,587	51,388
Fines and Forfeits	-	1,555	41,043	34,243
Parking Fees and Space Rent	-	485	38,547	35,369
Program Income, Interest, and Miscellaneous Revenues	5,068	35	31,346	29,909
Total Revenues	5,068	7,426	1,098,175	1,061,261
Expenditures	5,068	63,928	855,584	772,904
Other Financing Sources and Uses				
Sales of Capital Assets	-	-	22,748	754
Transfers In (Out)	-	57,363	(231,371)	(218,894)
Total Other Financing Sources and Uses	-	57,363	(208,623)	(218,140)
Fund Balances				
Nonspendable	-	20	375	555
Restricted	-	11,848	99,659	82,520
Committed	425	446	83,155	79,508
Assigned	-	1,203	5,325	6,417
Unassigned	-	-	120,446	105,992
Total Fund Balances	\$ 425	\$ 13,517	\$ 308,960	\$ 274,992

^a As result of GASB Statement No. 54, the Library Fund no longer meets the definition for a special revenue fund and is reported as part of the General Fund for the GAAP reporting.

Proprietary Funds

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

City Light Utility. The Utility realized a change in net position of \$112.7 million in 2013 compared to \$104.0 million in 2012, an increase of \$8.7 million (8.4 percent). Higher retail power sales, RSA unearned revenue transferred-in, power related revenues, and capital contributions added to the positive change in net position. These were partially offset by higher expenses for generation, customer service, administrative and general, taxes, depreciation, and interest, and lower investment earnings.

Net cash provided by operating activities decreased by \$13.8 million to \$229.7 million in 2013, compared to \$243.5 million in 2012. In combination with other cash activities, net operating cash increased by \$37.5 million to \$193.8 million in 2013. Restricted assets decreased by \$48.7 million to \$227.0 million in 2013, compared to \$275.7 million in 2012. This decrease was the result of reductions to the rate stabilization and construction accounts, offset by increases to the bond reserve and debt service accounts.

Capital assets, net of accumulated depreciation and amortization, were \$2.541 billion and \$2.352 billion in 2013 and 2012, a net increase of \$188.9 million. The majority of the Utilities' capital asset additions were in the hydroelectric production, transmission and distribution systems. The net increase in capital assets was partially offset by a \$52.7 million increase in accumulated depreciation and amortization.

Total liabilities were \$2.209 billion in 2013 and \$2.106 billion in 2012, the majority being revenue bonds payables. The noncurrent portion of the revenue bonds payables were \$1.870 billion in 2013 and \$1.792 billion in 2012. In July 2013, the Utility issued a total of \$190.8 million of revenue and refunding revenue bonds. Interest expense related to these bonds was \$89.0 million in 2013 and \$85.1 million in 2012.

City Light's total net position was \$1.154 billion in 2013 and \$1.042 billion in 2012.

Water Utility. The Utility realized an operating income of \$59.0 million in 2013 compared to \$49.8 million in 2012. Operating revenues increased by \$22.1 million and operating expenses increased by \$12.8 million between 2013 and 2012. The Utility realized a net income of \$28.1 million in 2013 compared to net income of \$20.7 million in 2012. The net income in 2013 was primarily due to increases in all services, offset by related operating expenses.

Net cash provided by operating activities increased to \$116.8 million in 2013 from \$103.2 million in 2012, an increase of \$13.6 million. Total operating and restricted cash and investments were \$94.6 million in 2013 compared to \$85.4 million in 2012, an increase of \$9.2 million. This increase in cash and investments was primarily due to increased customer receipts partially offset by additional operating payments, debt service payments, and capital investments.

Utility plant, net of accumulated depreciation, and other capital assets for the year ended December 31, 2013, amounted to \$1.197 billion, a decrease of \$8.1 million in 2013. Capital outlays of \$37.8 million were offset by depreciation expenses of \$49.9 million.

The Water Utility had \$887.0 million in outstanding revenue bonds in 2013 compared to \$919.6 million at year end 2012. The decrease was due to principal payments.

The Water Utility's total net position was \$361.5 million in 2013 and \$333.3 million in 2012.

Drainage and Wastewater Utility. The Utility realized an operating income of \$58.6 million in 2013 compared to \$45.3 million in 2012. Operating revenues increased by \$29.8 million and operating expenses increased by \$16.4 million between 2013 and 2012. The Utility realized a net income of \$24.6 million in 2013 and \$0.8 million in 2012. The increase in net income is the result of increased revenues and expenses caused by rate increases.

Net cash provided by operating activities increased to \$79.2 million compared to \$72.6 million in 2012. Total operating and restricted cash and investments were \$122.4 million in 2013 compared to \$160.7 million in 2012. The \$38.3 million to capital outlays and debt service principal and interest payments.

Utility plant, net of accumulated depreciation, and other capital assets increased to \$765.5 million in 2013 from \$699.1 million in 2012, an increase of \$66.4 million. Capital outlays of \$87.2 million were offset by depreciation expense of \$21.3 million.

The Drainage and Wastewater Utility had \$525.3 million outstanding revenue and refunding bond liabilities in 2013, as compared to \$540.5 million in 2012. Total liabilities, including revenue bonds, were \$705.5 million in 2013 and \$714.5 million in 2012.

Total net position for the Drainage and Wastewater Utility was \$295.6 million in 2013 and \$271.0 million in 2012.

Solid Waste Utility. The Utility realized an operating income of \$7.5 million in 2013 compared to \$9.4 million in 2012. Operating revenues increased by \$2.8 million and operating expenses increased by \$4.8 million between 2013 and 2012. The Utility realized a net income of \$3.3 million in 2013 compared to \$7.7 million in 2012. The net income in 2013 was primarily due to a rate increase effective January 2013 offset by increased interest expense.

Net cash provided by operating activities increased to \$19.6 million in 2013 compared to \$13.9 million in 2012. Total operating and restricted cash and investments were \$33.3 million in 2013 and \$32.3 million in 2012. The \$1.0 million increase in operating and restricted cash and investments is primarily due to capital outlays and debt service payments offsetting cash provided by operating activities.

The Solid Waste Utility had \$115.9 million outstanding revenue bond liabilities in 2013 compared to \$119.2 million in 2012. The decline was due to \$3.3 million of principal payments paid in 2013.

Total net position for the Solid Waste Utility was \$32.3 million in 2013 and \$29.0 million in 2012.

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. The net position of the combined fiduciary funds at the end of 2013 is \$2.233 billion; SCERS represents 99.3 percent of this amount.

SCERS assets held in trust for the payment of future benefits do not exceed the estimate of actuarially accrued liabilities as of December 31, 2013. The fund uses the services of both active and index fund professional money managers. SCERS net position increased in value by \$263.2 million (13.2 percent) during 2013. For year ending 2013 the member and employer contributions totaled \$137.4 million; income from investment activity totaled \$289.8 million. Total investment activity expense and benefit payment for 2013 increased by \$1.3 million and \$7.3 million, respectively. In 2013 the net increase in the number of retirees receiving benefits was 2.9 percent.

At December 31, 2013, the net positions of assets held in trust in the Firemen's Pension Fund and the Police Relief and Pension Fund for the payment of future benefits were \$12.7 million and \$3.2 million, respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

City Council passed the 2013 Adopted Budget (Ordinance 124058) authorizing a \$4.066 billion budget for the City's annual operations. The General Subfund accounted for 23.3 percent or \$948.6 million of the total budget. When considering additional budgets for general support transferred and other subfund expenditures reporting within the General Fund's presentation, 2013's total appropriation budget for the General Fund is \$1.347 billion, 33.1 percent of the City's total budget.

The General Fund's 2013 revised appropriation budget differed from the original budget due to supplemental appropriations approved by the City Council during the year and carryforward budgets from the prior year. The revised budget for the General Fund was \$1.429 billion, a 6.2 percent increase over Council's adopted budget.

The most significant budget activities are described below:

- At year-end 2013 actual expenditures and transfers of \$1.275 billion were \$154.9 million less than budgeted. Of this amount \$119.8 million of the budget will be carried over into 2014 to cover outstanding encumbrances, grants, and capital spending.
- The overall change in the General Fund's carryforward budget from 2013 to 2014 decreased 3.3 percent, from \$123.8 million to \$119.8 million. The majority of the 2013's carryforward budget is within the General Subfund, 23.4 percent, the Real Estate Excise Tax (REET I and REET II) Cumulative Reserve Subfunds at 31.1 percent, and the Unrestricted Cumulative Reserve Subfund accounts for 28.5 percent of the total balance.
- The total appropriation budget for the REET I and REET II Cumulative Reserve Subfunds, which includes expenditures and transfers, was \$73.1 million. Approximately 48.9 percent, \$35.8 million of the budget was expended in 2013. The carryforward budget balance for the REET I and REET II Cumulative Reserve Subfunds funds is \$37.2 million and will be used capital appropriations in 2014.

- City Council authorized an additional \$82.6 million of supplemental appropriations for 2013. \$44.0 million were revisions for the general subfunds; 70.0 percent of these budget revisions applied directly to the Seattle Police Department, 6.0 percent for the Seattle Fire Department, 7.0 percent to Finance General, and 3.0 percent to the executive offices.
- In 2013 the total revised budget for grant projects within the General Fund totaled \$62.3 million. The adopted budget provided \$7.2 million in additional grant resources and \$40.3 million of budget was carryforward from 2012. \$14.7 million of additional grant funding was authorized through supplemental ordinances by the City Council. This includes \$7.3 million for the Seattle Police Department to fund 16 additional projects and \$2.4 million for the Seattle Fire Department to fund 6 additional grant projects.
- The costs of the City's general government functions reported within the General Fund were 5.9 percent higher than reported in 2012, increasing \$19.7 million to \$354.0 million for 2013. Of this total budget 93.8 percent is appropriated for current expenditures. The 2013 combined budget increased 4.6 percent and actual expenditures increased 7.4 percent from 2012. Approximately 91.1 percent of \$387.5 million in budget resources for current expenditures was consumed in 2013.
- The General Fund's budget for the public safety function increased 4.9 percent in 2013. The costs or current expenditures and capital outlay totaled \$502.8 million, consuming 95.7 percent of the total resources budgeted for 2013, of which 97.9 percent is for current operations and 2.1 percent on capital outlay. The 7.8 percent year over year increase in actual expenditures totaling \$36.4 million outpaced the budgeted increase of \$22.3 million. This reflects the accelerated spending and completion of long-term projects with carryforward budget balances, like the 2013 completion of the Fire Department's Chief Seattle Fire Boat. Detailed information on the City's two major public safety departments follows:
 - The Police Department's 2013 final budget was \$310.1 million, a 7.3 percent increase from the 2012 budget level. The Department expended 95.2 percent of its budget during the year, with actual expenditures increasing 9.5 percent, from \$269.6 million in 2012 to \$295.1 million in 2013. Patrol operations were budgeted at \$120.9 million for all five city precincts, a 6.2 percent increase over 2012's budget. Patrol operations for 2013 consumed 99.9 percent of the budgeted resources and accounted for 42.0 percent of the entire Department's annual operating costs. Of the remaining budget, \$11.3 million will carryforward into 2014 for grant purposes.
 - The Fire Department's 2013 final budget was \$184.1 million, remaining relatively unchanged from the 2012 budget level of \$183.8 million. The Department expended 97.1 percent of its budget during the year, with actual expenditures increasing 4.9 percent, from \$170.1 million in 2012 to \$178.4 million in 2013. Fire Operations for 2013 consumed 99.9 percent of the \$141.7 million in budgeted resources and accounted for 76.9 percent of the entire Department's annual operating costs. Of the remaining budget, \$5.7 million will carryforward into 2014 for grant purposes.
- For 2013 the General Fund reports actual revenues of \$1.261 billion, 3.4 percent, or \$41.1 million larger than 2012's total balance, and within 0.8 percent of the \$1.251 billion budgeted. A driving factor for the year over year increase in revenues is from the City's tax collection. 2013's total tax revenues of \$866.5 million were \$18.9 million over budget, and \$20.4 million or 2.4 percent higher than reported in 2012. Revenue reported for grants and contributions was \$43.0 million, only 64.4 percent of the budgeted \$66.8 million, which is expected due to grant awards that span multiple years where 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	
	2013	Restated 2012	2013	2012	2013	Restated 2012
	Land	\$ 542,837	\$ 537,723	\$ 159,031	\$ 155,063	\$ 701,868
Plant in Service, Excluding Land	-	-	4,066,335	3,908,086	4,066,335	3,908,086
Buildings and Improvements	1,587,242	1,559,633	30,066	32,070	1,617,308	1,591,703
Machinery and Equipment	125,766	115,960	1,471	1,604	127,237	117,564
Infrastructure	1,068,908	1,004,595	-	-	1,068,908	1,004,595
Construction in Progress	384,137	307,994	345,097	258,587	729,234	566,581
Other Capital Assets	15,491	14,129	81,738	76,572	97,229	90,701
Total Capital Assets	<u>\$ 3,724,381</u>	<u>\$ 3,540,034</u>	<u>\$ 4,683,738</u>	<u>\$ 4,431,982</u>	<u>\$ 8,408,119</u>	<u>\$ 7,972,016</u>

Capital assets, net of depreciation, for governmental activities increased by \$184.3 million in 2013. The main increase is attributable to the following:

- The Department of Transportation capitalized \$117.4 million for various infrastructure assets (roads, bridges, sidewalks, signs, illuminations, and others). Construction in progress decreased \$64.8 million over last year.
- The Department of Parks and Recreation spent \$7.1 million in the improvement of Building 11 at Magnuson Park and capitalized \$15.6 million for various community parks improvements and renovations.

Capital assets, net of depreciation, for business-type activities increased by \$247.8 million in 2013. Major increases included the following:

- City Light capital assets, net of accumulated depreciation, increased by \$184.8 million in 2013. This increase was primarily comprised of \$119.5 million for distribution plant assets.
- Drainage and Wastewater Utility net capital assets increased by \$66.3 million compared to last year. Major capital asset placed in service was for the completion of storm-water detention pond and the construction of swales in the Cascade Neighborhood.
- Solid Waste Utility net capital assets increased by \$4.3 million for the year ended December 31, 2013 due to the completion of the new South Transfer Station and IT infrastructure upgrades.
- Water Utility net capital assets decreased by \$8.2 million compared to last year. Major decreases included are new assets placed in service, \$37.9 million, accumulated depreciation, \$45.1 million, and retirement of capital assets, \$1.0 million.

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 2013 the City had \$4.259 billion in outstanding bonded debt that included general obligation and revenue bonds, compared to \$4.190 billion in 2012. This represents an increase of approximately \$68.4 million (1.6 percent). The special assessments bonds that the City issued in 2006, without lending its full faith and credit but obligated in some manner for the design and construction of the South Lake Union Streetcar, unchanged. In 2013 LTGO and UTGO bonds were issued to finance various capital improvement projects including Seawall, Fire Facilities, North Precinct, Golf, Rainier Beach Community Center, Magnuson Park Building and various IT projects. Additionally, the part of the taxable 2013 LTGO bonds proceeds was used for the partial refunding of the 2004 LTGO bonds.

The City also issued revenue bonds: \$190.8 million for the Light Fund to finance certain capital improvements and conservation programs. The City's bond ratings remained similar to the ratings for the previous year. The City's 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), which are the highest possible ratings. The City's LTGO bonds are rated Aa1 by Moody's, AA+ by Fitch, and AAA by S&P. In addition, the City's utilities have very high ratings for revenue debt, reflecting sound finances and good management.

The City's limited and unlimited general obligation debt is capped at 7.5 percent of assessed value by state law. The 2013 assessed value of taxable properties based on the latest report for the City is \$128.8 billion. At the end of 2013 the net outstanding general obligation debt of the City that includes bonds, compensated absences net of sick leave, and guarantees of indebtedness amounted to \$1.035 billion, well below the limit of \$9.661 billion, rendering the City's legal debt margin of \$8.651 billion. Within the 7.5 percent limitation, state law restricts outstanding LTGO bonds to 1.5 percent of assessed value. At year-end 2013 the LTGO net outstanding debt was \$887.0 million.

The City is self-insured for workers compensation and for most health care costs. The City carries general liability insurance with a self-insured retention. For these claims, including those incurred but not reported, the City recognized a total liability of \$102.0 million (\$76.0 million for governmental activities and \$26.0 million for business-type activities) at the end of the year. In addition, City utilities and Department of Parks and Recreation recognized a combined \$121.7 million in estimated environmental liabilities. Other obligations were accrued for compensation absences for sick leave and other notes and contracts. The other notes and contracts included draws from the State's Public Works Trust Loan (PWTL) Program which are serviced with revenues from two participating City departments, one with a governmental-type fund and one whose PWTL activities are reported in two of its business-type funds.

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

ECONOMIC FACTORS

U.S. Economy. 2013 was a year of modest economic growth as the U.S. economy continued its slow recovery from the Great Recession of 2008-2009. Although the recovery has been sluggish when compared to most other recoveries, it has been typical of recoveries from recessions caused by financial crises, which tend to be weak and protracted. Leading the recovery has been business investment in equipment and software, a rise in exports which has boosted the manufacturing sector, and a modest upturn in consumption. Housing has finally turned around, and is now a modest contributor to growth instead of a drag on it.

The economy entered 2013 with significant fiscal headwinds from federal government policies that took effect on January 1, 2013. These included the expiration of the two percent payroll tax cut, the expiration of the Bush income tax cuts for high income taxpayers, and an increase in the capital gains tax rate. In addition sequester driven spending cuts went into effect in March 2013. The combined impact of this fiscal tightening is estimated at 1.0 percent to 1.5 percent of gross domestic product (GDP).

The economy was also hampered by an unexpected mid-year increase in interest rates that slowed the nascent housing recovery and a 17-day shutdown of the federal government in October. Despite these headwinds, the economy managed a 1.9 percent increase in GDP in 2013 and added 2.3 million jobs during the year. As of December 2013 the economy had created 7.7 million jobs during the recovery, replacing 89.0 percent of the jobs lost during the recession.

Looking to the future, economists expect growth to pick up in 2014, aided in part by a strengthening housing recovery and a significant drop in fiscal drag from 2013 levels, and to continue improving in 2015 and 2016. Risks to this relatively optimistic forecast come largely from outside of the U.S. They include a slowing of growth and possible financial crisis in China, continued weakness in the Eurozone, and an escalation of the confrontation with Russia over the Ukraine.

Seattle Metro Area Economy. The Seattle metro area has rebounded from the recession at a much quicker pace than the nation as a whole. Through December 2013, Seattle metro area (King and Snohomish Counties) employment was up 10.1 percent from its post-recession low in February 2010, compared to a 6.0 percent gain in U.S. employment over the same period. Areas of strength during the recovery have included aerospace, software publishing, professional, scientific, and technical services, health services, and mail order and internet retail.

Aerospace provided a big lift to the local economy during the early stages of the recovery, adding 14,000 jobs in 2011 and 2012. However, aerospace employment peaked in November 2011 and has declined by 2,000 jobs since then. Despite this modest drop in employment, in 2013 the Boeing Company, the region's largest employer, delivered a record 648 jets and booked orders for 1,355 new planes. At the end of 2013 Boeing had a record backlog of 5,080 planes on order. This represents 7.8 years of production at 2013 levels.

During the early stages of the recovery, the city of Seattle was one of the fastest growing areas in the Puget Sound Region, in part because of a surge in construction focused largely in multi-family housing. At the end of 2013, there were over 13,000 new housing units under construction in Seattle, the highest level in at least 25 years. The construction boom generated a 28.7 percent increase in sales tax revenue from construction activity in 2012 and a 9.3 percent gain in 2013. A key driver of the recent growth in Seattle, including the growth in construction activity, has been Amazon, which has been

hiring aggressively for several years. Amazon now occupies 3.2 million square feet of office space in Seattle's South Lake Union neighborhood.

With the recent upturn in aerospace employment now behind us, regional employment growth is predicted to slow going forward, with 2013 expected to be the peak year for employment growth (at 2.8 percent) during the current cycle. The Puget Sound Economic Forecaster predicts that employment growth will average a modest 1.8 percent per year over the next five years. Personal income growth is forecast to range between five and five-and-a-half percent, which is approximately three percent per year faster than the rate of inflation.

General Subfund. In 2013, general government revenues and other financing sources into the General Subfund totaled approximately \$1.138 billion, of which \$22.7 million is a one-time sale of capital assets. General Subfund revenues and other financing sources are projected to be \$1.005 billion in 2014 and \$1.027 billion in 2015.

In 2013 total Seattle tax revenue increased by 2.8 percent from 2012 levels. Retail sales tax revenue increased by 6.6 percent in 2013, led by construction, business and professional services, and accommodation and food services. The B&O tax experienced a more modest revenue increase of 4.3 percent, a figure which masks the healthy 6.7 percent growth of the B&O tax base in 2013. Countering the growth of the tax base was a steep decline in revenue associated with economic activity that had occurred in prior years, largely in the form of audit payments, refunds, and late payments. The City expects revenue growth in 2014 and 2015 of 5.2 percent and 4.3 percent for the sales tax and 6.5 percent and 5.2 percent for the B&O tax.

Financial Contact

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

STATEMENT OF NET POSITION

December 31, 2013

(In Thousands)

	Primary Government		Comparative Totals		Component Units
	Governmental Activities	Business-Type Activities	2013	Restated 2012	
ASSETS					
<i>Current Assets</i>					
Operating Cash and Equity in Pooled Investments	\$ 676,312	\$ 345,663	\$ 1,021,975	\$ 862,661	\$ 4,142
Restricted Cash and Equity in Pooled Investments	17,166	10	17,176	19,203	-
Investments	-	-	-	-	61,162
Receivables, Net of Allowances	96,013	223,433	319,446	299,065	-
Internal Balances	21,829	(21,829)	-	-	-
Due from Other Governments	117,167	7,688	124,855	130,836	-
Inventories	3,030	38,139	41,169	36,962	-
Prepaid and Other Current Assets	2,213	616	2,829	2,057	-
Total Current Assets	933,730	593,720	1,527,450	1,350,784	65,304
<i>Noncurrent Assets</i>					
Restricted Cash and Equity in Pooled Investments	29,417	353,103	382,520	485,213	-
Contracts and Notes	3,080	1,731	4,811	5,285	-
Conservation Costs, Net	-	246,312	246,312	237,463	-
Landfill Closure and Postclosure Costs, Net	-	14,741	14,741	16,081	-
Environmental Costs and Recoveries	-	34,098	34,098	42,930	-
Net Pension Asset	16,238	-	16,238	16,599	-
Regulatory Asset	-	19,741	19,741	23,068	-
Other Charges and Noncurrent Assets	-	109,961	109,961	104,733	-
Capital Assets, Net of Accumulated Depreciation					
Land and Land Rights	542,837	159,031	701,868	692,786	-
Plant in Service, Excluding Land	-	4,066,335	4,066,335	3,908,086	-
Buildings and Improvements	1,587,242	30,066	1,617,308	1,591,703	-
Machinery and Equipment	125,766	1,471	127,237	117,564	3
Infrastructure	1,068,908	-	1,068,908	1,004,595	-
Construction in Progress	384,137	345,097	729,234	566,581	-
Other Capital Assets	15,491	81,738	97,229	90,701	-
Total Noncurrent Assets	3,773,116	5,463,425	9,236,541	8,903,388	3
Total Assets	4,706,846	6,057,145	10,763,991	10,254,172	65,307
DEFERRED OUTFLOWS OF RESOURCES					
	436,014	52,371	488,385	468,731	-
Total Assets and Deferred Outflows of Resources	\$ 5,142,860	\$ 6,109,516	\$ 11,252,376	\$ 10,722,903	\$ 65,307

STATEMENT OF NET POSITION

December 31, 2013

(In Thousands)

	Primary Government		Comparative Totals		Component Units
	Governmental Activities	Business-Type Activities	2013	Restated 2012	
LIABILITIES					
<i>Current Liabilities</i>					
Accounts Payable	\$ 117,904	\$ 79,131	\$ 197,035	\$ 178,849	\$ 1,988
Salaries, Benefits, and Taxes Payable	29,119	13,799	42,918	34,574	-
Contracts Payable	11,066	-	11,066	10,814	-
Due to Other Governments	7,382	11,693	19,075	18,688	-
Interest Payable	9,433	59,656	69,089	70,397	-
Taxes Payable	32	12,231	12,263	11,521	-
Deposits Payable	482	-	482	651	-
Unearned Revenues	8,530	22,367	30,897	31,198	-
Current Portion of Long-Term Debt					
Bonds Payable	72,170	154,392	226,562	208,137	-
Compensated Absences Payable	19,575	3,197	22,772	23,524	-
Notes and Contracts Payable	2,053	2,241	4,294	4,348	-
Claims Payable	21,059	23,633	44,692	44,864	-
Habitat Conservation Program Liability	-	805	805	1,164	-
Landfill Closure and Postclosure Liability	-	987	987	1,398	-
Other Current Liabilities	2,102	3,954	6,056	7,898	-
Total Current Liabilities	300,907	388,086	688,993	648,025	1,988
<i>Noncurrent Liabilities</i>					
Bonds Payable, Net of					
Unamortized Premiums, Discounts, and Other	790,809	3,510,432	4,301,241	4,256,697	-
Bond Interest Payable	-	-	-	593	-
Special Assessment Bonds with Governmental Commitment	13,005	-	13,005	13,005	-
Compensated Absences Payable	69,211	28,363	97,574	90,979	-
Claims Payable	54,917	123,194	178,111	173,682	-
Notes and Contracts Payable	15,514	33,364	48,878	49,163	-
Landfill Closure and Postclosure Liability	-	15,974	15,974	17,219	-
Vendor Deposits Payable	213	601	814	224	-
Habitat Conservation Program Liability	-	5,425	5,425	5,747	-
Unearned Revenues	-	20,687	20,687	16,469	-
Arbitrage Rebate Liability	12	-	12	17	-
Unfunded Other Post Employment Benefits	74,172	14,771	88,943	76,120	-
Other Noncurrent Liabilities	2	2,660	2,662	8,835	-
Total Noncurrent Liabilities	1,017,855	3,755,471	4,773,326	4,708,750	-
Total Liabilities	1,318,762	4,143,557	5,462,319	5,356,775	1,988
DEFERRED INFLOWS OF RESOURCES	446,877	125,336	572,213	548,784	-

STATEMENT OF NET POSITION
December 31, 2013
(In Thousands)

	<u>Primary Government</u>		<u>Comparative Totals</u>		<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2013</u>	<u>Restated 2012</u>	
NET POSITION					
Net Investment in Capital Assets	\$ 2,880,124	\$ 1,508,831	\$ 4,388,955	\$ 4,174,868	\$ 3
Restricted for					
Debt Service	15,629	-	15,629	10,666	-
Capital Projects	212,930	-	212,930	202,898	69
Rate Stabilization Account	-	25,000	25,000	25,000	-
Education and Development Services	39,388	-	39,388	28,540	16,182
Special Deposits	-	(441)	(441)	723	-
Conservation and Environmental Costs	-	7,157	7,157	6,560	-
Bonneville Power Administration Projects	-	443	443	448	-
External Infrastructure Costs	-	7,131	7,131	7,182	-
Muckleshoot Settlement	-	166	166	240	-
Other Charges	-	17,948	17,948	16,057	-
Health Care Reserve	24,772	-	24,772	19,951	-
Transportation Programs	27,330	-	27,330	24,313	-
Low-Income Housing Programs	79,264	-	79,264	75,344	-
Other Purposes	59,431	-	59,431	42,692	-
Nonexpendable	2,141	-	2,141	2,050	27,429
Unrestricted	36,212	274,388	310,600	179,812	19,636
Total Net Position	<u>3,377,221</u>	<u>1,840,623</u>	<u>5,217,844</u>	<u>4,817,344</u>	<u>63,319</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 5,142,860</u>	<u>\$ 6,109,516</u>	<u>\$ 11,252,376</u>	<u>\$ 10,722,903</u>	<u>\$ 65,307</u>

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013
(In Thousands)

Functions/Programs	Program Expenses			Program Revenues	
	Expenses	Indirect Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES					
General Government	\$ 178,434	\$ (17,393)	\$ 85,923	\$ 15,206	\$ -
Judicial	33,517	-	40,545	160	-
Public Safety	514,002	1,127	19,245	27,413	638
Physical Environment	10,740	-	47	8,187	-
Transportation	161,433	4,309	100,830	13,209	39,009
Economic Environment	125,191	-	12,250	31,674	1,355
Health and Human Services	71,256	-	8	32,683	-
Culture and Recreation	267,043	-	67,116	6,875	1,466
Interest on Long-Term Debt	26,417	-	-	-	-
Total Governmental Activities	1,388,033	(11,957)	325,964	135,407	42,468
BUSINESS-TYPE ACTIVITIES					
Light	776,636	4,294	839,767	3,184	49,696
Water	213,400	2,200	235,114	803	7,518
Drainage and Wastewater	288,097	2,050	329,386	1,975	6,546
Solid Waste	155,902	751	159,741	592	-
Planning and Development	50,418	2,662	48,016	501	-
Downtown Parking Garage	8,159	-	7,019	-	-
Fiber Leasing	54	-	75	-	-
Total Business-Type Activities	1,492,666	11,957	1,619,118	7,055	63,760
Total Government-Wide Activities	\$ 2,880,699	\$ -	\$ 1,945,082	\$ 142,462	\$ 106,228
COMPONENT UNITS	\$ 9,332	\$ -	\$ 204	\$ 6,254	\$ -

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013
(In Thousands)

Net Revenue (Expense) and Changes in Net Position					
Primary Government					
Comparative Totals					
Governmental Activities	Business-Type Activities	2013	Restated 2012	Component Units	
GOVERNMENTAL ACTIVITIES					
General Government	\$ (59,912)	\$ -	\$ (59,912)	\$ (68,975)	
Judicial	7,188	-	7,188	7,785	
Public Safety	(467,833)	-	(467,833)	(429,864)	
Physical Environment	(2,506)	-	(2,506)	(1,718)	
Transportation	(12,694)	-	(12,694)	656	
Economic Environment	(79,912)	-	(79,912)	(81,835)	
Health and Human Services	(38,565)	-	(38,565)	(34,049)	
Culture and Recreation	(191,586)	-	(191,586)	(174,696)	
Interest on Long-Term Debt	(26,417)	-	(26,417)	(39,998)	
Total Governmental Activities	(872,237)	-	(872,237)	(822,694)	
BUSINESS-TYPE ACTIVITIES					
Light	-	111,717	111,717	100,627	
Water	-	27,835	27,835	18,481	
Drainage and Wastewater	-	47,760	47,760	35,334	
Solid Waste	-	3,680	3,680	7,566	
Planning and Development	-	(4,563)	(4,563)	(5,122)	
Downtown Parking Garage	-	(1,140)	(1,140)	(1,112)	
Fiber Leasing	-	21	21	-	
Total Business-Type Activities	-	185,310	185,310	155,774	
Total Government-Wide Activities	(872,237)	185,310	(686,927)	(666,920)	
COMPONENT UNITS					
					\$ (2,874)
General Revenues					
Property Taxes	423,927	-	423,927	412,872	-
Sales Taxes	181,171	-	181,171	169,681	-
Business Taxes	408,913	-	408,913	358,931	-
Excise Taxes	61,524	-	61,524	54,637	-
Other Taxes	11,240	-	11,240	44,352	-
Penalties and Interest on Delinquent Taxes	3,596	-	3,596	2,795	-
Unrestricted Investment Earnings (Loss)	(1,663)	4,204	2,541	18,247	7,900
Gain on Sale of Capital Assets	17,012	1,672	18,684	2,121	-
Special Item - Environmental Remediation	-	(24,169)	(24,169)	(37,066)	-
Transfers	(10,861)	10,861	-	-	-
Total General Revenues (Loss), Special Item, and Transfers	1,094,859	(7,432)	1,087,427	1,026,570	7,900
Changes in Net Position	222,622	177,878	400,500	359,650	5,026
Net Position - Beginning of Year	3,154,599	1,662,745	4,817,344	4,477,135	58,293
Prior-Year Adjustments	-	-	-	(19,441)	-
Net Position - Beginning of Year as Restated	3,154,599	1,662,745	4,817,344	4,457,694	58,293
Net Position - End of Year	\$ 3,377,221	\$ 1,840,623	\$ 5,217,844	\$ 4,817,344	\$ 63,319

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013
(In Thousands)

	<u>General</u>	<u>Transportation</u>	<u>Low-Income Housing</u>
ASSETS			
Cash and Equity in Pooled Investments	\$ 237,739	\$ 32,937	\$ 81,423
Receivables, Net of Allowances			
Taxes	60,526	3,191	454
Accounts	5,698	2,267	104
Contracts and Notes	238	-	-
Special Assessments	-	-	-
Interest and Dividends	(635)	192	51
Unbilled and Others	39	210	-
Due from Other Funds	17,365	30,310	190
Interfund Loans	-	-	-
Due from Other Governments	55,719	45,233	205
Inventories	-	-	-
Prepaid and Other Current Assets	320	1,343	-
Deposits With Vendor	2	-	-
Advances to Other Funds	5,545	-	-
Charges and Other Assets	-	-	-
Total Assets	<u>382,556</u>	<u>115,683</u>	<u>82,427</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>7,771</u>	<u>-</u>	<u>383,980</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 390,327</u></u>	<u><u>\$ 115,683</u></u>	<u><u>\$ 466,407</u></u>
LIABILITIES			
Accounts Payable	\$ 40,767	\$ 25,805	\$ 746
Contracts Payable	184	8,556	-
Due to Other Funds	4,080	1,904	107
Due to Other Governments	2,313	-	-
Salaries, Benefits, and Taxes Payable	18,831	2,618	-
Interest Payable	4	22	-
Deposits Payable	(85)	271	76
Revenue Collected/Billed in Advance - Current	1,468	2,159	-
Other Current Liabilities	1,796	-	-
Advances from Other Funds	-	-	-
Total Liabilities	<u>69,358</u>	<u>41,335</u>	<u>929</u>
DEFERRED INFLOWS OF RESOURCES	<u>12,009</u>	<u>685</u>	<u>384,321</u>

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013
(In Thousands)

	<u>Other Governmental</u>	<u>Comparative Totals</u>	
		<u>2013</u>	<u>Restated 2012</u>
ASSETS			
Cash and Equity in Pooled Investments	\$ 297,184	\$ 649,283	\$ 568,457
Receivables, Net of Allowances			
Taxes	2,144	66,315	67,043
Accounts	5,407	13,476	13,946
Contracts and Notes	-	238	-
Special Assessments	13,546	13,546	13,303
Interest and Dividends	204	(188)	382
Unbilled and Others	1,253	1,502	3,569
Due from Other Funds	6,096	53,961	35,950
Interfund Loans	-	-	850
Due from Other Governments	15,456	116,613	120,670
Inventories	535	535	553
Prepaid and Other Current Assets	-	1,663	741
Deposits With Vendor	-	2	2
Advances to Other Funds	-	5,545	4,881
Charges and Other Assets	-	-	4
Total Assets	<u>341,825</u>	<u>922,491</u>	<u>830,351</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>43,216</u>	<u>434,967</u>	<u>409,197</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 385,041</u>	<u>\$ 1,357,458</u>	<u>\$ 1,239,548</u>
LIABILITIES			
Accounts Payable	\$ 29,831	\$ 97,149	\$ 85,001
Contracts Payable	2,326	11,066	8,315
Due to Other Funds	35,948	42,039	28,484
Due to Other Governments	5,064	7,377	8,208
Salaries, Benefits, and Taxes Payable	4,849	26,298	20,962
Interest Payable	8	34	778
Deposits Payable	220	482	651
Revenue Collected/Billed in Advance - Current	4,904	8,531	11,219
Other Current Liabilities	261	2,057	3,274
Advances from Other Funds	195	195	2,550
Total Liabilities	<u>83,606</u>	<u>195,228</u>	<u>169,442</u>
DEFERRED INFLOWS OF RESOURCES	<u>57,962</u>	<u>454,977</u>	<u>431,772</u>

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013
(In Thousands)

	<u>General</u>	<u>Transportation</u>	<u>Low-Income Housing</u>
FUND BALANCES			
Nonspendable	\$ 375	\$ 1,345	\$ -
Restricted	99,659	27,330	79,264
Committed	83,155	44,988	1,893
Assigned	5,325	-	-
Unassigned	<u>120,446</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>308,960</u>	<u>73,663</u>	<u>81,157</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 390,327</u>	<u>\$ 115,683</u>	<u>\$ 466,407</u>

**BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013
(In Thousands)**

	<u>Other Governmental</u>	<u>Comparative Totals</u>	
		<u>2013</u>	<u>Restated 2012</u>
FUND BALANCES			
Nonspendable	\$ 2,614	\$ 4,334	\$ 3,173
Restricted	252,578	458,831	404,404
Committed	2,948	132,984	119,756
Assigned	7,661	12,986	19,000
Unassigned	<u>(22,328)</u>	<u>98,118</u>	<u>92,001</u>
Total Fund Balance	<u>243,473</u>	707,253	638,334
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 385,041</u>		
 Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		3,037,868	2,877,051
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		3,406	(4,072)
Internal service funds are used by management to charge the costs of Fleets and Facilities, Information Technology, and Engineering Services to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. Adjustments to reflect the consolidation of internal service fund (ISF) activities related to enterprise funds and prior-year adjustment (B-6) are added back to ISF total net position, and the latter amounts are included in governmental activities.		479,993	450,090
Net pension asset net of pension obligations		16,239	16,599
Deferred inflows and outflows of resources		8,985	9,425
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		(21,972)	(22,038)
Accrued Interest Payable		(6,227)	(7,106)
Current Portion of Long-Term Debt		(57,081)	(49,223)
Compensated Absences Payable		(18,951)	(19,987)
General Obligation Bonds Payable		(511,835)	(477,939)
Less Bond Discount and Premium		(41,290)	(43,138)
Special Assessment Bonds		(13,005)	(13,005)
Notes and Other Long-Term Liabilities		(17,567)	(19,007)
Compensated Absences - Long-Term		(63,658)	(58,206)
Claims Payable - Long-Term		(35,063)	(36,487)
Workers' Compensation		(18,427)	(16,127)
Arbitrage		(12)	(17)
Unfunded Other Post Employment Benefits		(71,435)	(62,048)
MOHAI Liabilities		-	(8,500)
Net Adjustments		<u>2,669,968</u>	<u>2,516,265</u>
Net Position of Governmental Activities		<u>\$ 3,377,221</u>	<u>\$ 3,154,599</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended December 31, 2013

(In Thousands)

	<u>General</u>	<u>Transportation</u>	<u>Low-Income Housing</u>
REVENUES			
Taxes	\$ 866,464	\$ 75,816	\$ 17,952
Licenses and Permits	22,005	5,130	-
Grants, Shared Revenues, and Contributions	48,183	51,755	2,088
Charges for Services	50,587	102,475	810
Fines and Forfeits	41,043	8	-
Parking Fees and Space Rent	38,547	70	-
Program Income, Interest, and Miscellaneous Revenues	31,346	122	11,072
Total Revenues	1,098,175	235,376	31,922
EXPENDITURES			
Current			
General Government	178,403	-	-
Judicial	27,642	-	-
Public Safety	492,509	-	-
Physical Environment	11,318	-	-
Transportation	11,321	85,296	-
Economic Environment	19,157	-	30,631
Health and Human Services	63	-	-
Culture and Recreation	69,559	-	-
Capital Outlay			
General Government	5,043	-	-
Public Safety	10,275	-	-
Transportation	-	234,188	-
Economic Environment	-	-	-
Culture and Recreation	30,290	-	-
Debt Service			
Principal	4	2,112	-
Interest	-	183	-
Bond Issuance Cost	-	-	-
Other	-	-	-
Total Expenditures	855,584	321,779	30,631
Excess (Deficiency) of Revenues over Expenditures	242,591	(86,403)	1,291
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	-	-	-
Refunding Debt Issued	-	-	-
Premium on Bonds Issued	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-
Sales of Capital Assets	22,748	54	-
Transfers In	16,762	133,703	-
Transfers Out	(248,133)	(24,739)	-
Total Other Financing Sources (Uses)	(208,623)	109,018	-
Net Change in Fund Balance	33,968	22,615	1,291
Fund Balances - Beginning of Year	274,992	51,048	79,866
Fund Balances - End of Year	<u>\$ 308,960</u>	<u>\$ 73,663</u>	<u>\$ 81,157</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended December 31, 2013

(In Thousands)

	Other Governmental	Comparative Totals	
		2013	2012
REVENUES			
Taxes	\$ 123,267	\$ 1,083,499	\$ 1,044,608
Licenses and Permits	-	27,135	25,238
Grants, Shared Revenues, and Contributions	82,758	184,784	177,775
Charges for Services	46,975	200,847	182,595
Fines and Forfeits	56	41,107	34,340
Parking Fees and Space Rent	23,846	62,463	57,107
Program Income, Interest, and Miscellaneous Revenues	2,922	45,462	43,649
Total Revenues	279,824	1,645,297	1,565,312
EXPENDITURES			
Current			
General Government	13,426	191,829	180,187
Judicial	-	27,642	26,654
Public Safety	1,502	494,011	461,235
Physical Environment	617	11,935	7,748
Transportation	1,059	97,676	92,212
Economic Environment	78,856	128,644	128,711
Health and Human Services	73,088	73,151	67,103
Culture and Recreation	162,135	231,694	216,508
Capital Outlay			
General Government	17,177	22,220	10,684
Public Safety	10,825	21,100	27,743
Transportation	-	234,188	228,272
Economic Environment	-	-	69
Culture and Recreation	55,400	85,690	55,507
Debt Service			
Principal	54,078	56,194	53,523
Interest	26,023	26,206	25,339
Bond Issuance Cost	822	822	258
Other	-	-	305
Total Expenditures	495,008	1,703,002	1,582,058
Excess (Deficiency) of Revenues over Expenditures	(215,184)	(57,705)	(16,746)
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	101,115	101,115	108,085
Refunding Debt Issued	43,945	43,945	-
Premium on Bonds Issued	9,377	9,377	21,140
Payment to Refunded Bond Escrow Agent	(44,503)	(44,503)	(91,574)
Sales of Capital Assets	102	22,904	2,282
Transfers In	225,307	375,772	334,611
Transfers Out	(109,114)	(381,986)	(342,571)
Total Other Financing Sources (Uses)	226,229	126,624	31,973
Net Change in Fund Balance	11,045	68,919	15,227
Fund Balances - Beginning of Year	232,428	638,334	623,107
Fund Balances - End of Year	\$ 243,473	\$ 707,253	\$ 638,334

**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, 2013
(In Thousands)**

	Comparative Totals	
	2013	Restated 2012
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balance - total governmental funds	\$ 68,919	\$ 15,227
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	(107,705)	(103,733)
Capital outlay reported as expenditures	312,501	322,916
Retirement and sale of capital assets	(5,891)	(4,628)
Capital assets received as donations	310	78
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	7,800	(7,635)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance cost, premium, discount, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are the result of the differences in the treatment of long-term debt and related items:		
Proceeds of general obligation bonds	(101,115)	(26,835)
Premium on general obligation bonds	(9,377)	(21,140)
Proceeds from bond refunding	(43,945)	(75,250)
Principal payments bonds/notes	56,194	53,523
Bond interest	10,244	(2,914)
Remittance to refunding escrow using refunding proceeds	44,504	91,574
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	(4,417)	608
Injury and damage claims	1,832	13,047
Workers' compensation	(2,750)	(1,000)
Arbitrage	5	27
Unfunded OPEB liabilities	(9,387)	(4,378)
Net pension asset	(360)	(31,078)
Environmental liability	(568)	(326)
MOHAI liability	8,500	-
Internal service funds are used by management to charge the cost of Fleets and Facilities, Information Technology, and Engineering Services to individual funds. Adjustments reflect the consolidation of internal service funds activities to governmental funds:		
Operating loss (income) allocated to enterprise funds	(4,491)	(4,595)
Net revenue of internal service funds activities reported with governmental activities	1,819	4,952
Change in Net Position of Governmental Activities	\$ 222,622	\$ 218,440

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2013	Restated 2012	2013	Restated 2012
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 193,769	\$ 156,305	\$ 28,901	\$ 12,461
Restricted Cash and Equity in Pooled Investments	-	-	10	10
Receivables, Net of Allowances				
Accounts	61,511	62,481	13,899	15,049
Interest and Dividends	-	224	895	1,126
Unbilled	78,837	71,015	13,965	11,500
Energy Contracts, Notes, and Other Contracts	-	-	120	115
Due from Other Funds	26	865	704	238
Due from Other Governments	2,464	2,860	1,510	742
Materials and Supplies Inventory	32,020	29,085	5,072	4,169
Prepayments and Other Current Assets	492	675	72	133
Total Current Assets	369,119	323,510	65,148	45,543
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	227,038	275,697	65,689	72,929
Notes and Contracts Receivable	-	-	521	645
Conservation Costs, Net	214,280	201,081	32,032	36,382
Landfill Closure and Postclosure Costs, Net	-	-	-	-
Environmental Costs and Recoveries	37,116	27,766	-	-
External Infrastructure Costs	-	-	-	-
Regulatory Asset	-	-	12,211	13,801
Other Charges	49,625	50,099	5,627	3,117
Capital Assets				
Land and Land Rights	68,188	65,123	43,269	42,911
Plant in Service, Excluding Land	3,795,314	3,593,397	1,773,792	1,741,105
Less Accumulated Depreciation	(1,563,905)	(1,511,169)	(646,741)	(603,283)
Buildings and Improvements	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Machinery and Equipment	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Construction in Progress	164,051	132,370	25,343	23,359
Other Property, Net	77,322	72,474	1,184	933
Total Noncurrent Assets	3,069,029	2,906,838	1,312,927	1,331,899
Total Assets	3,438,148	3,230,348	1,378,075	1,377,442
DEFERRED OUTFLOWS OF RESOURCES				
	26,012	29,966	20,165	21,416
Total Assets and Deferred Outflows of Resources	<u>\$ 3,464,160</u>	<u>\$ 3,260,314</u>	<u>\$ 1,398,240</u>	<u>\$ 1,398,858</u>

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2013	Restated 2012	2013	Restated 2012
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 74,503	\$ 60,208	\$ 20,863	\$ 21,224
Restricted Cash and Equity in Pooled Investments	-	-	-	-
Receivables, Net of Allowances				
Accounts	21,171	17,434	13,068	12,255
Interest and Dividends	448	122	21	15
Unbilled	18,043	16,728	411	321
Energy Contracts, Notes, and Other Contracts	49	47	-	-
Due from Other Funds	1,015	680	287	250
Due from Other Governments	2,267	4,853	932	924
Materials and Supplies Inventory	939	828	108	148
Prepayments and Other Current Assets	35	45	18	134
Total Current Assets	118,470	100,945	35,708	35,271
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	47,873	100,443	12,456	11,055
Notes and Contracts Receivable	1,210	1,260	-	-
Conservation Costs, Net	-	-	-	-
Landfill Closure and Postclosure Costs, Net	-	-	14,741	16,081
Environmental Costs and Recoveries	4,850	23,189	-	-
External Infrastructure Costs	19,617	20,223	-	-
Regulatory Asset	3,543	3,702	3,987	5,565
Other Charges	34,026	30,215	1,066	1,074
Capital Assets				
Land and Land Rights	19,475	19,583	15,218	14,565
Plant in Service, Excluding Land	902,671	861,228	149,171	145,168
Less Accumulated Depreciation	(286,172)	(265,807)	(57,795)	(52,553)
Buildings and Improvements	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Machinery and Equipment	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Construction in Progress	128,552	83,224	24,554	19,634
Other Property, Net	970	903	2,262	2,262
Total Noncurrent Assets	876,615	878,163	165,660	162,851
Total Assets	995,085	979,108	201,368	198,122
DEFERRED OUTFLOWS OF RESOURCES				
	6,054	6,428	139	163
Total Assets and Deferred Outflows of Resources	<u>\$ 1,001,139</u>	<u>\$ 985,536</u>	<u>\$ 201,507</u>	<u>\$ 198,285</u>

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2013	Restated 2012	2013	Restated 2012
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 27,628	\$ 19,226	\$ 345,664	\$ 269,424
Restricted Cash and Equity in Pooled Investments	-	-	10	10
Receivables, Net of Allowances				
Accounts	976	657	110,625	107,876
Interest and Dividends	17	9	1,381	1,496
Unbilled	-	-	111,256	99,564
Energy Contracts, Notes, and Other Contracts	-	-	169	162
Due from Other Funds	1,067	812	3,099	2,845
Due from Other Governments	517	432	7,690	9,811
Materials and Supplies Inventory	-	-	38,139	34,230
Prepayments and Other Current Assets	-	3	617	990
Total Current Assets	30,205	21,139	618,650	526,408
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	47	8	353,103	460,132
Notes and Contracts Receivable	-	-	1,731	1,905
Conservation Costs, Net	-	-	246,312	237,463
Landfill Closure and Postclosure Costs, Net	-	-	14,741	16,081
Environmental Costs and Recoveries	-	-	41,966	50,955
External Infrastructure Costs	-	-	19,617	20,223
Regulatory Asset	-	-	19,741	23,068
Other Charges	-	-	90,344	84,505
Capital Assets				
Land and Land Rights	12,881	12,881	159,031	155,063
Plant in Service, Excluding Land	-	-	6,620,948	6,340,898
Less Accumulated Depreciation	-	-	(2,554,613)	(2,432,812)
Buildings and Improvements	60,132	60,131	60,132	60,131
Less Accumulated Depreciation	(30,066)	(28,061)	(30,066)	(28,061)
Machinery and Equipment	14,821	14,980	14,821	14,980
Less Accumulated Depreciation	(13,350)	(13,376)	(13,350)	(13,376)
Construction in Progress	2,597	-	345,097	258,587
Other Property, Net	-	-	81,738	76,572
Total Noncurrent Assets	47,062	46,563	5,471,293	5,326,314
Total Assets	77,267	67,702	6,089,943	5,852,722
DEFERRED OUTFLOWS OF RESOURCES				
	-	-	52,370	57,973
Total Assets and Deferred Outflows of Resources	\$ 77,267	\$ 67,702	\$ 6,142,313	\$ 5,910,695

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013
(In Thousands)

	Governmental Activities - Internal Service Funds	
	2013	Restated 2012
ASSETS		
<i>Current Assets</i>		
Operating Cash and Equity in Pooled Investments	\$ 27,029	\$ 24,779
Restricted Cash and Equity in Pooled Investments	17,166	19,193
Receivables, Net of Allowances		
Accounts	216	99
Interest and Dividends	47	34
Unbilled	251	4
Energy Contracts, Notes, and Other Contracts	-	-
Due from Other Funds	5,997	6,986
Due from Other Governments	554	355
Materials and Supplies Inventory	2,495	2,179
Prepayments and Other Current Assets	547	324
Total Current Assets	54,302	53,953
<i>Noncurrent Assets</i>		
Restricted Cash and Equity in Pooled Investments	29,417	25,081
Notes and Contracts Receivable	-	-
Conservation Costs, Net	-	-
Landfill Closure and Postclosure Costs, Net	-	-
Environmental Costs and Recoveries	-	-
External Infrastructure Costs	-	-
Regulatory Asset	-	-
Other Charges	-	-
Capital Assets		
Land and Land Rights	95,996	95,996
Plant in Service, Excluding Land	-	-
Less Accumulated Depreciation	-	-
Buildings and Improvements	700,310	662,945
Less Accumulated Depreciation	(195,212)	(179,433)
Machinery and Equipment	208,675	203,592
Less Accumulated Depreciation	(125,456)	(120,263)
Construction in Progress	2,202	147
Other Property, Net	-	-
Total Noncurrent Assets	715,932	688,065
Total Assets	770,234	742,018
DEFERRED OUTFLOWS OF RESOURCES	161	28
Total Assets and Deferred Outflows of Resources	\$ 770,395	\$ 742,046

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2013	Restated 2012	2013	Restated 2012
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 59,622	\$ 58,266	\$ 6,681	\$ 5,705
Salaries, Benefits, and Payroll Taxes Payable	7,457	6,300	2,100	1,741
Compensated Absences Payable	2,003	1,882	427	405
Due to Other Funds	9,721	7,791	4,093	4,000
Due to Other Governments	-	-	69	-
Interest Payable	32,096	29,516	16,779	17,446
Taxes Payable	10,519	10,198	705	611
General Obligation Bonds Due Within One Year	-	-	-	-
Revenue Bonds Due Within One Year	99,670	91,840	33,545	32,630
Claims Payable	17,083	16,294	1,203	1,313
Notes and Contracts Payable	-	-	1,125	1,188
Habitat Conservation Program Liability	-	-	805	1,164
Landfill Closure and Postclosure Liability	-	-	-	-
Unearned Revenues	12,921	9,465	1,567	2,107
Other Current Liabilities	3,513	2,520	-	102
Total Current Liabilities	254,605	234,072	69,099	68,412
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	-	-	-	-
Compensated Absences Payable	15,509	15,055	4,428	4,317
Claims Payable	54,868	53,542	3,673	3,811
Public Works Trust Loan	-	-	16,121	15,881
Landfill Closure and Postclosure Liability	-	-	-	-
Vendor and Other Deposits Payable	-	-	18	18
Habitat Conservation Program Liability	-	-	5,425	5,747
Unearned Revenues	6,275	6,000	337	358
Unfunded Other Post Employment Benefits	7,582	6,079	2,552	2,086
Other Noncurrent Liabilities	124	119	76	25
General Obligation Bonds, Due Serially	-	-	-	-
Less Bonds Due Within One Year	-	-	-	-
Bond Discount and Premium, Net	-	-	-	-
Bond Interest Payable	-	-	-	-
Revenue Bonds	1,863,325	1,778,600	887,010	919,640
Less Bonds Due Within One Year	(99,670)	(91,840)	(33,545)	(32,630)
Bond Discount and Premium, Net	106,653	104,717	62,092	65,416
Total Noncurrent Liabilities	1,954,666	1,872,272	948,187	984,669
Total Liabilities	2,209,271	2,106,344	1,017,286	1,053,081
DEFERRED INFLOWS OF RESOURCES	100,672	112,470	19,418	12,433

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2013	Restated 2012	2013	Restated 2012
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 11,945	\$ 11,125	\$ 8,906	\$ 8,338
Salaries, Benefits, and Payroll Taxes Payable	2,188	1,703	731	610
Compensated Absences Payable	398	377	146	138
Due to Other Funds	5,536	4,858	1,661	922
Due to Other Governments	11,624	10,443	-	-
Interest Payable	6,935	7,113	2,337	2,403
Taxes Payable	334	289	592	289
General Obligation Bonds Due Within One Year	-	-	-	-
Revenue Bonds Due Within One Year	15,825	15,215	3,495	3,330
Claims Payable	3,727	4,138	1,566	2,069
Notes and Contracts Payable	1,116	1,085	-	-
Habitat Conservation Program Liability	-	-	-	-
Landfill Closure and Postclosure Liability	-	-	987	1,398
Unearned Revenues	3,570	2,647	4,309	5,758
Other Current Liabilities	440	453	-	-
Total Current Liabilities	63,638	59,446	24,730	25,255
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	-	-	-	-
Compensated Absences Payable	4,126	4,023	1,509	1,472
Claims Payable	70,158	67,719	723	744
Public Works Trust Loan	17,243	16,609	-	-
Landfill Closure and Postclosure Liability	-	-	15,974	17,219
Vendor and Other Deposits Payable	536	33	-	-
Habitat Conservation Program Liability	-	-	-	-
Unearned Revenues	-	-	-	-
Unfunded Other Post Employment Benefits	2,379	1,944	870	711
Other Noncurrent Liabilities	104	209	2,356	2,297
General Obligation Bonds, Due Serially	-	-	-	-
Less Bonds Due Within One Year	-	-	-	-
Bond Discount and Premium, Net	-	-	-	-
Bond Interest Payable	-	-	-	-
Revenue Bonds	525,280	540,495	115,875	119,205
Less Bonds Due Within One Year	(15,825)	(15,215)	(3,495)	(3,330)
Bond Discount and Premium, Net	37,866	39,262	5,425	5,681
Total Noncurrent Liabilities	641,867	655,079	139,237	143,999
Total Liabilities	705,505	714,525	163,967	169,254
DEFERRED INFLOWS OF RESOURCES	-	-	5,247	-

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2013	Restated 2012	2013	Restated 2012
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 2,823	\$ 1,950	\$ 89,977	\$ 85,384
Salaries, Benefits, and Payroll Taxes Payable	1,323	1,055	13,799	11,409
Compensated Absences Payable	224	203	3,198	3,005
Due to Other Funds	379	296	21,390	17,867
Due to Other Governments	-	-	11,693	10,443
Interest Payable	1,509	2,100	59,656	58,578
Taxes Payable	81	88	12,231	11,475
General Obligation Bonds Due Within One Year	1,857	1,262	1,857	1,262
Revenue Bonds Due Within One Year	-	-	152,535	143,015
Claims Payable	54	53	23,633	23,867
Notes and Contracts Payable	-	-	2,241	2,273
Habitat Conservation Program Liability	-	-	805	1,164
Landfill Closure and Postclosure Liability	-	-	987	1,398
Unearned Revenues	-	-	22,367	19,977
Other Current Liabilities	-	-	3,953	3,075
Total Current Liabilities	8,250	7,007	420,322	394,192
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	5,050	3,181	5,050	3,181
Compensated Absences Payable	2,792	2,553	28,364	27,420
Claims Payable	128	118	129,550	125,934
Public Works Trust Loan	-	-	33,364	32,490
Landfill Closure and Postclosure Liability	-	-	15,974	17,219
Vendor and Other Deposits Payable	47	8	601	59
Habitat Conservation Program Liability	-	-	5,425	5,747
Unearned Revenues	14,075	10,110	20,687	16,468
Unfunded Other Post Employment Benefits	1,388	1,092	14,771	11,912
Other Noncurrent Liabilities	-	-	2,660	2,650
General Obligation Bonds, Due Serially	58,327	59,589	58,327	59,589
Less Bonds Due Within One Year	(1,857)	(1,262)	(1,857)	(1,262)
Bond Discount and Premium, Net	2,970	3,209	2,970	3,209
Bond Interest Payable	-	593	-	593
Revenue Bonds	-	-	3,391,490	3,357,940
Less Bonds Due Within One Year	-	-	(152,535)	(143,015)
Bond Discount and Premium, Net	-	-	212,036	215,076
Total Noncurrent Liabilities	82,920	79,191	3,766,877	3,735,210
Total Liabilities	91,170	86,198	4,187,199	4,129,402
DEFERRED INFLOWS OF RESOURCES	-	-	125,337	124,903

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013
(In Thousands)

	Governmental Activities - Internal Service Funds	
	2013	Restated 2012
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	\$ 9,108	\$ 8,345
Salaries, Benefits, and Payroll Taxes Payable	2,821	2,202
Compensated Absences Payable	624	533
Due to Other Funds	446	513
Due to Other Governments	6	37
Interest Payable	3,172	3,935
Taxes Payable	32	46
General Obligation Bonds Due Within One Year	15,089	14,637
Revenue Bonds Due Within One Year	-	-
Claims Payable	598	578
Notes and Contracts Payable	-	-
Habitat Conservation Program Liability	-	-
Landfill Closure and Postclosure Liability	-	-
Unearned Revenues	-	-
Other Current Liabilities	45	1,549
	31,941	32,375
<i>Noncurrent Liabilities</i>		
Advances from Other Funds/Interfund Notes Payable	-	-
Compensated Absences Payable	5,553	5,352
Claims Payable	1,427	1,281
Public Works Trust Loan	-	-
Landfill Closure and Postclosure Liability	-	-
Vendor and Other Deposits Payable	213	165
Habitat Conservation Program Liability	-	-
Unearned Revenues	-	-
Unfunded Other Post Employment Benefits	2,737	2,160
Other Noncurrent Liabilities	2	185
General Obligation Bonds, Due Serially	240,143	245,788
Less Bonds Due Within One Year	(15,089)	(14,637)
Bond Discount and Premium, Net	12,629	12,932
Bond Interest Payable	-	-
Revenue Bonds	-	-
Less Bonds Due Within One Year	-	-
Bond Discount and Premium, Net	-	-
	247,615	253,226
Total Noncurrent Liabilities	247,615	253,226
Total Liabilities	279,556	285,601
DEFERRED INFLOWS OF RESOURCES	-	-

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2013	Restated 2012	2013	Restated 2012
NET POSITION				
Net Investment in Capital Assets	\$ 906,092	\$ 832,772	\$ 327,187	\$ 317,267
Restricted for				
Rate Stabilization Account	25,000	25,000	-	-
Special Deposits and Other	(441)	723	-	-
Conservation and Environmental Costs	-	-	7,157	6,560
Bonneville Power Administration Projects	-	-	443	448
External Infrastructure Costs	-	-	-	-
Muckleshoot Settlement	-	-	166	240
Other Charges	-	-	4,408	4,028
Unrestricted	223,566	183,005	22,175	4,801
Total Net Position	<u>1,154,217</u>	<u>1,041,500</u>	<u>361,536</u>	<u>333,344</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 3,464,160</u>	<u>\$ 3,260,314</u>	<u>\$ 1,398,240</u>	<u>\$ 1,398,858</u>

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2013	Restated 2012	2013	Restated 2012
NET POSITION				
Net Investment in Capital Assets	\$ 271,756	\$ 242,182	\$ 18,080	\$ 15,153
Restricted for				
Rate Stabilization Account	-	-	-	-
Special Deposits and Other	-	-	-	-
Conservation and Environmental Costs	-	-	-	-
Bonneville Power Administration Projects	-	-	-	-
External Infrastructure Costs	7,131	7,182	-	-
Muckleshoot Settlement	-	-	-	-
Other Charges	13,393	11,775	147	254
Unrestricted	3,354	9,872	14,066	13,624
Total Net Position	<u>295,634</u>	<u>271,011</u>	<u>32,293</u>	<u>29,031</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,001,139</u>	<u>\$ 985,536</u>	<u>\$ 201,507</u>	<u>\$ 198,285</u>

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2013	Restated 2012	2013	Restated 2012
NET POSITION				
Net Investment in Capital Assets	\$ (14,283)	\$ (16,244)	\$ 1,508,832	\$ 1,391,130
Restricted for				
Rate Stabilization Account	-	-	25,000	25,000
Special Deposits and Other	-	-	(441)	723
Conservation and Environmental Costs	-	-	7,157	6,560
Bonneville Power Administration Projects	-	-	443	448
External Infrastructure Costs	-	-	7,131	7,182
Muckleshoot Settlement	-	-	166	240
Other Charges	-	-	17,948	16,057
Unrestricted	380	(2,252)	263,541	209,050
Total Net Position	<u>(13,903)</u>	<u>(18,496)</u>	<u>1,829,777</u>	<u>1,656,390</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 77,267</u>	<u>\$ 67,702</u>	<u>\$ 6,142,313</u>	<u>\$ 5,910,695</u>
Total Net Position as above			\$ 1,829,777	\$ 1,656,390
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			<u>10,846</u>	<u>6,355</u>
Net Position of Business-Type Activities			<u>\$ 1,840,623</u>	<u>\$ 1,662,745</u>

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013
(In Thousands)

	Governmental Activities - Internal Service Funds	
	2013	Restated 2012
NET POSITION		
Net Investment in Capital Assets	\$ 435,506	\$ 404,494
Restricted for		
Rate Stabilization Account	-	-
Special Deposits and Other	-	-
Conservation and Environmental Costs	-	-
Bonneville Power Administration Projects	-	-
External Infrastructure Costs	-	-
Muckleshoot Settlement	-	-
Other Charges	-	-
Unrestricted	<u>55,333</u>	<u>51,951</u>
Total Net Position	<u>490,839</u>	<u>456,445</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 770,395</u>	<u>\$ 742,046</u>

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2013
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2013	Restated 2012	2013	Restated 2012
OPERATING REVENUES				
Charges for Services and Other Revenues	\$ 842,230	\$ 800,273	\$ 235,594	\$ 213,474
OPERATING EXPENSES				
Long-Term Purchased Power	203,126	204,133	-	-
Short-Term Wholesale Power Purchases	19,759	11,764	-	-
Generation	39,957	32,289	-	-
Transmission	48,213	46,979	-	-
Distribution	59,568	60,855	-	-
Conservation and Other Power Expenses	47,872	38,851	-	-
Pre-Capital Planning and Development	-	-	1,085	1,038
Utility Systems Management	-	-	13,889	13,739
Field Operations	-	-	30,007	24,332
Project Delivery	-	-	4,563	4,865
Customer Services	39,177	31,296	7,609	7,383
Wastewater Treatment	-	-	-	-
Solid Waste Collection	-	-	-	-
Operations and Maintenance	-	-	-	-
General and Administrative	71,751	66,114	31,658	29,623
City Business and Occupation Taxes	42,806	40,928	28,776	25,938
Other Taxes	36,515	33,957	9,036	8,064
Amortization of Landfill and Postclosure Costs	-	-	-	-
Depreciation and Other Amortization	102,262	94,810	49,909	48,706
Total Operating Expenses	711,006	661,976	176,532	163,688
Operating Income (Loss)	131,224	138,297	59,062	49,786
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	805	5,217	1,536	2,842
Interest Expense	(85,176)	(81,567)	(43,396)	(44,650)
Amortization of Bonds Premiums and Discounts, Net	11,339	10,201	3,324	2,719
Amortization of Refunding Loss	(4,246)	(4,709)	(1,251)	(1,273)
Bond Issuance Costs	(1,225)	(2,715)	-	-
Gain (Loss) on Sale of Capital Assets	2,201	182	(309)	273
Contributions and Grants	3,184	2,838	803	544
Others, Net	4,915	4,465	905	2,042
Total Nonoperating Revenues (Expenses)	(68,203)	(66,088)	(38,388)	(37,503)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	63,021	72,209	20,674	12,283
Capital Contributions and Grants	49,696	31,803	7,518	8,383
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Environmental Remediation	-	-	-	-
Change in Net Position	112,717	104,012	28,192	20,666
Net Position - Beginning of Year	1,041,500	946,781	333,344	312,678
Prior-Year Adjustment	-	(9,293)	-	-
Net Position - Beginning of Year as Restated	1,041,500	937,488	333,344	312,678
Net Position - End of Year	<u>\$ 1,154,217</u>	<u>\$ 1,041,500</u>	<u>\$ 361,536</u>	<u>\$ 333,344</u>

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2013
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2013	Restated 2012	2013	Restated 2012
OPERATING REVENUES				
Charges for Services and Other Revenues	\$ 333,760	\$ 304,002	\$ 159,742	\$ 156,927
OPERATING EXPENSES				
Long-Term Purchased Power	-	-	-	-
Short-Term Wholesale Power Purchases	-	-	-	-
Generation	-	-	-	-
Transmission	-	-	-	-
Distribution	-	-	-	-
Conservation and Other Power Expenses	-	-	-	-
Pre-Capital Planning and Development	2,335	2,101	86	94
Utility Systems Management	10,546	17,304	2,256	3,082
Field Operations	27,177	19,588	7,644	7,533
Project Delivery	10,020	12,363	691	819
Customer Services	4,109	6,056	5,649	5,726
Wastewater Treatment	139,434	125,744	-	-
Solid Waste Collection	-	-	95,325	91,786
Operations and Maintenance	-	-	-	-
General and Administrative	17,046	14,692	12,190	11,192
City Business and Occupation Taxes	38,852	35,375	16,839	15,538
Other Taxes	4,340	4,172	2,934	2,666
Amortization of Landfill and Postclosure Costs	-	-	1,340	1,358
Depreciation and Other Amortization	21,254	21,289	7,318	7,703
Total Operating Expenses	275,113	258,684	152,272	147,497
Operating Income (Loss)	58,647	45,318	7,470	9,430
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	2,010	3,270	(72)	296
Interest Expense	(21,361)	(21,704)	(5,226)	(2,891)
Amortization of Bonds Premiums and Discounts, Net	1,396	897	256	256
Amortization of Refunding Loss	(374)	(324)	(23)	(23)
Bond Issuance Costs	-	-	-	-
Gain (Loss) on Sale of Capital Assets	(168)	41	(52)	133
Contributions and Grants	1,975	2,062	592	754
Others, Net	121	6	317	(282)
Total Nonoperating Revenues (Expenses)	(16,401)	(15,752)	(4,208)	(1,757)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	42,246	29,566	3,262	7,673
Capital Contributions and Grants	6,546	8,252	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Environmental Remediation	(24,169)	(37,066)	-	-
Change in Net Position	24,623	752	3,262	7,673
Net Position - Beginning of Year	271,011	270,259	29,031	21,358
Prior-Year Adjustment	-	-	-	-
Net Position - Beginning of Year as Restated	271,011	270,259	29,031	21,358
Net Position - End of Year	\$ 295,634	\$ 271,011	\$ 32,293	\$ 29,031

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2013
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2013	Restated 2012	2013	Restated 2012
OPERATING REVENUES				
Charges for Services and Other Revenues	\$ 56,311	\$ 48,734	\$ 1,627,637	\$ 1,523,410
OPERATING EXPENSES				
Long-Term Purchased Power	-	-	203,126	204,133
Short-Term Wholesale Power Purchases	-	-	19,759	11,764
Generation	-	-	39,957	32,289
Transmission	-	-	48,213	46,979
Distribution	-	-	59,568	60,855
Conservation and Other Power Expenses	-	-	47,872	38,851
Pre-Capital Planning and Development	-	-	3,506	3,233
Utility Systems Management	-	-	26,691	34,125
Field Operations	-	-	64,828	51,453
Project Delivery	-	-	15,274	18,047
Customer Services	-	-	56,544	50,461
Wastewater Treatment	-	-	139,434	125,744
Solid Waste Collection	-	-	95,325	91,786
Operations and Maintenance	46,850	39,082	46,850	39,082
General and Administrative	10,648	10,944	143,293	132,565
City Business and Occupation Taxes	15	14	127,288	117,793
Other Taxes	33	31	52,858	48,890
Amortization of Landfill and Postclosure Costs	-	-	1,340	1,358
Depreciation and Other Amortization	2,622	2,972	183,365	175,480
Total Operating Expenses	60,168	53,043	1,375,091	1,284,888
Operating Income (Loss)	(3,857)	(4,309)	252,546	238,522
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	(75)	164	4,204	11,789
Interest Expense	(3,074)	(3,182)	(158,233)	(153,994)
Amortization of Bonds Premiums and Discounts, Net	238	203	16,553	14,276
Amortization of Refunding Loss	-	-	(5,894)	(6,329)
Bond Issuance Costs	-	-	(1,225)	(2,715)
Gain (Loss) on Sale of Capital Assets	-	(10)	1,672	619
Contributions and Grants	501	551	7,055	6,749
Others, Net	-	-	6,258	6,231
Total Nonoperating Revenues (Expenses)	(2,410)	(2,274)	(129,610)	(123,374)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	(6,267)	(6,583)	122,936	115,148
Capital Contributions and Grants	-	-	63,760	48,438
Transfers In	10,860	10,095	10,860	10,095
Transfers Out	-	-	-	-
Environmental Remediation	-	-	(24,169)	(37,066)
Change in Net Position	4,593	3,512	173,387	136,615
Net Position - Beginning of Year	(18,496)	(21,817)	1,656,390	1,529,259
Prior-Year Adjustment	-	(191)	-	(9,484)
Net Position - Beginning of Year as Restated	(18,496)	(22,008)	1,656,390	1,519,775
Net Position - End of Year	\$ (13,903)	\$ (18,496)	1,829,777	1,656,390
Accumulated Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			10,846	6,355
Net Position of Business-Type Activities			\$ 1,840,623	\$ 1,662,745
Change in Net Position as above			\$ 173,387	\$ 136,615
Current Year Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			4,491	4,595
Adjusted Change in Net Position of Business-Type Activities			\$ 177,878	\$ 141,210

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2013
(In Thousands)**

	Governmental Activities - Internal Service Funds	
	2013	Restated 2012
OPERATING REVENUES		
Charges for Services and Other Revenues	\$ 204,295	\$ 198,187
OPERATING EXPENSES		
Long-Term Purchased Power	-	-
Short-Term Wholesale Power Purchases	-	-
Generation	-	-
Transmission	-	-
Distribution	-	-
Conservation and Other Power Expenses	-	-
Pre-Capital Planning and Development	-	-
Utility Systems Management	-	-
Field Operations	-	-
Project Delivery	-	-
Customer Services	-	-
Wastewater Treatment	-	-
Solid Waste Collection	-	-
Operations and Maintenance	136,686	131,902
General and Administrative	17,741	15,105
City Business and Occupation Taxes	4	4
Other Taxes	411	342
Amortization of Landfill and Postclosure Costs	-	-
Depreciation and Other Amortization	33,877	34,667
Total Operating Expenses	188,719	182,020
Operating Income (Loss)	15,576	16,167
NONOPERATING REVENUES (EXPENSES)		
Investment and Interest Income	(154)	612
Interest Expense	(9,744)	(11,576)
Amortization of Bonds Premiums and Discounts, Net	(63)	1,227
Amortization of Refunding Loss	(80)	(217)
Bond Issuance Costs	(63)	(99)
Gain (Loss) on Sale of Capital Assets	896	(5)
Contributions and Grants	795	1,678
Others, Net	8	27
Total Nonoperating Revenues (Expenses)	(8,405)	(8,353)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	7,171	7,814
Capital Contributions and Grants	31,873	15,533
Transfers In	-	1,864
Transfers Out	(4,650)	(4,000)
Environmental Remediation	-	-
Change in Net Position	34,394	21,211
Net Position - Beginning of Year	456,445	436,132
Prior-Year Adjustment	-	(898)
Net Position - Beginning of Year as Restated	456,445	435,234
Net Position - End of Year	\$ 490,839	\$ 456,445

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2013
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2013	Restated 2012	2013	Restated 2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 814,227	\$ 786,874	\$ 240,904	\$ 218,394
Cash Paid to Suppliers	(335,199)	(304,866)	(29,818)	(24,593)
Cash Paid to Employees	(170,131)	(162,965)	(56,625)	(57,023)
Cash Paid for Taxes	(79,245)	(75,530)	(37,631)	(33,573)
Net Cash from Operating Activities	229,652	243,513	116,830	103,205
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	1,761	2,915	833	539
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Receipts for Energy Conservation Augmentation	3,602	7,477	-	-
Payments for Energy Conservation Augmentation	(30,992)	(24,136)	-	-
Proceeds from Interfund Loans	-	-	-	-
Principal Payments on Interfund Loans	-	-	-	-
Loans Provided to Other Funds	-	-	-	-
Payments for Environmental Liabilities	-	-	-	-
Net Cash from Noncapital Financing Activities	(25,629)	(13,744)	833	539
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Sale of Bonds and Other Long-Term Debt	204,412	387,564	1,413	284,588
Principal Payments on Long-Term Debt and Refunding	(91,840)	(88,995)	(33,873)	(313,407)
Capital Expenditures and Other Charges Paid	(261,255)	(252,121)	(38,279)	(43,230)
Interest Paid on Long-Term Debt	(86,120)	(84,748)	(43,128)	(45,291)
Capital Fees and Grants Received	33,120	33,733	5,393	5,160
Payment to Trustee for Defeased Bonds	(15,153)	(170,493)	-	-
Interest Received for Suburban Infrastructure Improvements	1,821	1,298	-	-
Debt Issuance Costs	(1,225)	(2,715)	-	(1,384)
Proceeds from Sale of Capital Assets	2,096	140	287	448
Net Cash from Capital and Related Financing Activities	(214,144)	(176,337)	(108,187)	(113,116)
CASH FLOWS FROM INVESTING ACTIVITIES ^a				
Interest and Investment Income (Loss)	(1,074)	3,972	(276)	644
Net Cash from Investing Activities	(1,074)	3,972	(276)	644
Net Increase (Decrease) in Cash and Equity in Pooled Investments	(11,195)	57,404	9,200	(8,728)
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	432,002	374,598	85,400	94,128
End of Year	\$ 420,807	\$ 432,002	\$ 94,600	\$ 85,400
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 193,769	\$ 156,305	\$ 28,901	\$ 12,461
Current Restricted Cash and Equity in Pooled Investments	-	-	10	10
Noncurrent Restricted Cash and Equity in Pooled Investments	227,038	275,697	65,689	72,929
Total Cash at the End of the Year	\$ 420,807	\$ 432,002	\$ 94,600	\$ 85,400

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2013
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2013	Restated 2012	2013	Restated 2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 329,790	\$ 308,773	\$ 167,646	\$ 160,233
Cash Paid to Suppliers	(156,950)	(148,169)	(108,635)	(109,592)
Cash Paid to Employees	(50,923)	(48,798)	(20,673)	(18,587)
Cash Paid for Taxes	(42,716)	(39,186)	(18,757)	(18,108)
Net Cash from Operating Activities	79,201	72,620	19,581	13,946
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	1,946	1,702	896	340
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Receipts for Energy Conservation Augmentation	-	-	-	-
Payments for Energy Conservation Augmentation	-	-	-	-
Proceeds from Interfund Loans	-	-	-	-
Principal Payments on Interfund Loans	-	-	-	-
Loans Provided to Other Funds	-	-	-	-
Payments for Environmental Liabilities	(1,903)	(1,001)	-	-
Net Cash from Noncapital Financing Activities	43	701	896	340
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Sale of Bonds and Other Long-Term Debt	1,740	255,886	-	-
Principal Payments on Long-Term Debt and Refunding	(16,310)	(173,902)	(3,330)	(2,960)
Capital Expenditures and Other Charges Paid	(83,635)	(56,117)	(10,523)	(14,696)
Interest Paid on Long-Term Debt	(24,204)	(22,492)	(5,709)	(6,081)
Capital Fees and Grants Received	4,381	3,106	-	-
Payment to Trustee for Defeased Bonds	-	-	-	-
Interest Received for Suburban Infrastructure Improvements	-	-	-	-
Debt Issuance Costs	-	(1,573)	-	(171)
Proceeds from Sale of Capital Assets	644	44	203	133
Net Cash from Capital and Related Financing Activities	(117,384)	4,952	(19,359)	(23,775)
CASH FLOWS FROM INVESTING ACTIVITIES ^a				
Interest and Investment Income (Loss)	(135)	1,329	(78)	311
Net Cash from Investing Activities	(135)	1,329	(78)	311
Net Increase (Decrease) in Cash and Equity in Pooled Investments	(38,275)	79,602	1,040	(9,178)
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	160,651	81,049	32,279	41,457
End of Year	\$ 122,376	\$ 160,651	\$ 33,319	\$ 32,279
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 74,503	\$ 60,208	\$ 20,863	\$ 21,224
Current Restricted Cash and Equity in Pooled Investments	-	-	-	-
Noncurrent Restricted Cash and Equity in Pooled Investments	47,873	100,443	12,456	11,055
Total Cash at the End of the Year	\$ 122,376	\$ 160,651	\$ 33,319	\$ 32,279

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2013
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2013	2012	2013	Restated 2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 61,225	\$ 49,760	\$ 1,613,792	\$ 1,524,034
Cash Paid to Suppliers	(26,087)	(24,050)	(656,689)	(611,270)
Cash Paid to Employees	(29,619)	(25,108)	(327,971)	(312,481)
Cash Paid for Taxes	(1,609)	(1,457)	(179,958)	(167,854)
Net Cash from Operating Activities	3,910	(855)	449,174	432,429
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	435	509	5,871	6,005
Transfers In	10,860	10,095	10,860	10,095
Transfers Out	-	-	-	-
Receipts for Energy Conservation Augmentation	-	-	3,602	7,477
Payments for Energy Conservation Augmentation	-	-	(30,992)	(24,136)
Proceeds from Interfund Loans	5,101	3,181	5,101	3,181
Principal Payments on Interfund Loans	(3,181)	(2,250)	(3,181)	(2,250)
Loans Provided to Other Funds	-	-	-	-
Payments for Environmental Liabilities	-	-	(1,903)	(1,001)
Net Cash from Noncapital Financing Activities	13,215	11,535	(10,642)	(629)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Sale of Bonds and Other Long-Term Debt	-	-	207,565	928,038
Principal Payments on Long-Term Debt and Refunding	(1,262)	(1,257)	(146,615)	(580,521)
Capital Expenditures and Other Charges Paid	(3,081)	(7)	(396,773)	(366,171)
Interest Paid on Long-Term Debt	(4,259)	(4,094)	(163,420)	(162,706)
Capital Fees and Grants Received	-	-	42,894	41,999
Payment to Trustee for Defeased Bonds	-	-	(15,153)	(170,493)
Interest Received for Suburban Infrastructure Improvements	-	-	1,821	1,298
Debt Issuance Costs	-	-	(1,225)	(5,843)
Proceeds from Sale of Capital Assets	-	-	3,230	765
Net Cash from Capital and Related Financing Activities	(8,602)	(5,358)	(467,676)	(313,634)
CASH FLOWS FROM INVESTING ACTIVITIES ^a				
Interest and Investment Income (Loss)	(82)	164	(1,645)	6,420
Net Cash from Investing Activities	(82)	164	(1,645)	6,420
Net Increase (Decrease) in Cash and Equity in Pooled Investments	8,441	5,486	(30,789)	124,586
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	19,234	13,748	729,566	604,980
End of Year	\$ 27,675	\$ 19,234	\$ 698,777	\$ 729,566
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 27,628	\$ 19,226	\$ 345,664	\$ 269,424
Current Restricted Cash and Equity in Pooled Investments	-	-	10	10
Noncurrent Restricted Cash and Equity in Pooled Investments	47	8	353,103	460,132
Total Cash at the End of the Year	\$ 27,675	\$ 19,234	\$ 698,777	\$ 729,566

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2013
(In Thousands)

	Governmental Activities - Internal Service Funds	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 204,801	\$ 197,887
Cash Paid to Suppliers	(80,414)	(72,718)
Cash Paid to Employees	(73,900)	(73,760)
Cash Paid for Taxes	(429)	(380)
	50,058	51,029
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Grants Received	794	1,678
Transfers In	-	1,864
Transfers Out	(4,650)	(4,000)
Receipts for Energy Conservation Augmentation	-	-
Payments for Energy Conservation Augmentation	-	-
Proceeds from Interfund Loans	-	-
Principal Payments on Interfund Loans	-	-
Loans Provided to Other Funds	(50)	-
Payments for Environmental Liabilities	-	-
	(3,906)	(458)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Bonds and Other Long-Term Debt	2,643	-
Principal Payments on Long-Term Debt and Refunding	(14,637)	(16,002)
Capital Expenditures and Other Charges Paid	(19,778)	(10,534)
Interest Paid on Long-Term Debt	(10,506)	(12,086)
Capital Fees and Grants Received	-	55
Payment to Trustee for Defeased Bonds	-	-
Interest Received for Suburban Infrastructure Improvements	-	-
Debt Issuance Costs	(63)	-
Proceeds from Sale of Capital Assets	915	(5)
	(41,426)	(38,572)
CASH FLOWS FROM INVESTING ACTIVITIES ^a		
Interest and Investment Income (Loss)	(167)	620
	(167)	620
Net Increase (Decrease) in Cash and Equity in Pooled Investments	4,559	12,619
CASH AND EQUITY IN POOLED INVESTMENTS		
Beginning of Year	69,053	56,434
End of Year	\$ 73,612	\$ 69,053
CASH AT THE END OF THE YEAR CONSISTS OF		
Operating Cash and Equity in Pooled Investments	\$ 27,029	\$ 24,779
Current Restricted Cash and Equity in Pooled Investments	17,166	19,193
Noncurrent Restricted Cash and Equity in Pooled Investments	29,417	25,081
	\$ 73,612	\$ 69,053

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2013
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2013	Restated 2012	2013	Restated 2012
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 131,224	\$ 138,297	\$ 59,062	\$ 49,786
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	123,825	114,689	49,909	48,706
Nonoperating Revenues and Expenses	4,852	-	2,549	3,192
Changes in Operating Assets and Liabilities				
Accounts Receivable	970	(2,086)	1,149	(1,517)
Unbilled Receivables	(7,822)	867	(2,466)	(552)
Other Receivables	408	2,023	-	(279)
Due from Other Funds	840	(54)	(467)	673
Due from Other Governments	396	(3,968)	(579)	(241)
Materials and Supplies Inventory	(2,936)	(1,850)	(903)	(348)
Accounts Payable	(3,101)	7,673	977	578
Salaries, Benefits, and Payroll Taxes Payable	2,660	1,107	360	275
Compensated Absences Payable	574	751	133	(27)
Due to Other Funds	1,930	515	93	(553)
Due to Other Governments	-	-	69	-
Claims Payable	2,115	16,712	(247)	(470)
Taxes Payable	321	661	94	87
Unearned Revenues	-	-	(141)	214
Other Assets and Liabilities	(8,319)	(18,605)	253	185
Rate Stabilization	(18,285)	(13,219)	6,985	3,496
Total Adjustments	<u>98,428</u>	<u>105,216</u>	<u>57,768</u>	<u>53,419</u>
Net Cash from Operating Activities	<u>\$ 229,652</u>	<u>\$ 243,513</u>	<u>\$ 116,830</u>	<u>\$ 103,205</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
In-Kind Capital Contributions	\$ 22,283	\$ 528	\$ 1,901	\$ 3,476
Amortization of Debt Related Costs, Net	7,094	5,498	-	-
Change in Valuation of Power Exchange Assets or Liabilities	(673)	334	-	-
Allowance for Funds Used During Construction	3,815	3,524	-	-
Power Exchange Revenues	5,245	3,964	-	-
Power Exchange Expenses	(4,994)	(4,204)	-	-
Power Revenue Netted against Power Expenses	6,465	4,812	-	-
Power Expense Netted against Power Revenues	(14,884)	(10,063)	-	-
Settlement from Nextel	-	-	-	-
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 24,351</u>	<u>\$ 4,393</u>	<u>\$ 1,901</u>	<u>\$ 3,476</u>

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2013
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2013	Restated 2012	2013	Restated 2012
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 58,647	\$ 45,318	\$ 7,470	\$ 9,430
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	21,254	21,289	7,318	7,703
Nonoperating Revenues and Expenses	1,269	2,428	919	412
Changes in Operating Assets and Liabilities				
Accounts Receivable	(3,736)	2,517	(814)	(554)
Unbilled Receivables	(1,315)	(814)	(90)	51
Other Receivables	-	-	-	-
Due from Other Funds	(335)	1,190	(37)	(191)
Due from Other Governments	1,080	(190)	(311)	430
Materials and Supplies Inventory	(111)	(258)	41	(6)
Accounts Payable	820	2,487	567	(2,333)
Salaries, Benefits, and Payroll Taxes Payable	485	302	121	76
Compensated Absences Payable	124	(25)	45	(9)
Due to Other Funds	678	161	739	(308)
Due to Other Governments	1,181	104	-	-
Claims Payable	(1,897)	(1,968)	25	(19)
Taxes Payable	45	42	303	95
Unearned Revenues	-	-	-	-
Other Assets and Liabilities	1,012	37	(1,962)	(831)
Rate Stabilization	-	-	5,247	-
Total Adjustments	<u>20,554</u>	<u>27,302</u>	<u>12,111</u>	<u>4,516</u>
Net Cash from Operating Activities	<u>\$ 79,201</u>	<u>\$ 72,620</u>	<u>\$ 19,581</u>	<u>\$ 13,946</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
In-Kind Capital Contributions	\$ 4,521	\$ 1,983	\$ -	\$ -
Amortization of Debt Related Costs, Net	-	-	-	-
Change in Valuation of Power Exchange Assets or Liabilities	-	-	-	-
Allowance for Funds Used During Construction	-	-	-	-
Power Exchange Revenues	-	-	-	-
Power Exchange Expenses	-	-	-	-
Power Revenue Netted against Power Expenses	-	-	-	-
Power Expense Netted against Power Revenues	-	-	-	-
Settlement from Nextel	-	-	-	-
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 4,521</u>	<u>\$ 1,983</u>	<u>\$ -</u>	<u>\$ -</u>

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2013
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2013	2012	2013	Restated 2012
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (3,857)	\$ (4,309)	\$ 252,546	\$ 238,522
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	2,622	2,973	204,928	195,360
Nonoperating Revenues and Expenses	-	-	9,589	6,032
Changes in Operating Assets and Liabilities				
Accounts Receivable	(255)	280	(2,686)	(1,360)
Unbilled Receivables	-	33	(11,693)	(415)
Other Receivables	-	-	408	1,744
Due from Other Funds	(255)	(289)	(254)	1,329
Due from Other Governments	(84)	74	502	(3,895)
Materials and Supplies Inventory	-	-	(3,909)	(2,462)
Accounts Payable	873	532	136	8,937
Salaries, Benefits, and Payroll Taxes Payable	268	202	3,894	1,962
Compensated Absences Payable	259	36	1,135	726
Due to Other Funds	33	76	3,473	(109)
Due to Other Governments	-	-	1,250	104
Claims Payable	11	2	7	14,257
Taxes Payable	(7)	15	756	900
Unearned Revenues	3,965	(513)	3,824	(299)
Other Assets and Liabilities	337	33	(8,679)	(19,181)
Rate Stabilization	-	-	(6,053)	(9,723)
Total Adjustments	<u>7,767</u>	<u>3,454</u>	<u>196,628</u>	<u>193,907</u>
Net Cash from Operating Activities	<u>\$ 3,910</u>	<u>\$ (855)</u>	<u>\$ 449,174</u>	<u>\$ 432,429</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
In-Kind Capital Contributions	\$ -	\$ -	\$ 28,705	\$ 5,987
Amortization of Debt Related Costs, Net	-	-	7,094	5,498
Change in Valuation of Power Exchange Assets or Liabilities	-	-	(673)	334
Allowance for Funds Used During Construction	-	-	3,815	3,524
Power Exchange Revenues	-	-	5,245	3,964
Power Exchange Expenses	-	-	(4,994)	(4,204)
Power Revenue Netted against Power Expenses	-	-	6,465	4,812
Power Expense Netted against Power Revenues	-	-	(14,884)	(10,063)
Settlement from Nextel	-	-	-	-
Total Noncash Investing, Capital, and Financing Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,773</u>	<u>\$ 9,852</u>

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2013
(In Thousands)

	Governmental Activities - Internal Service Funds	
	2013	2012
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 15,576	\$ 16,167
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities		
Depreciation and Amortization	33,877	34,667
Nonoperating Revenues and Expenses	2	-
Changes in Operating Assets and Liabilities		
Accounts Receivable	(117)	636
Unbilled Receivables	(247)	80
Other Receivables	-	-
Due from Other Funds	1,038	(1,212)
Due from Other Governments	(199)	236
Materials and Supplies Inventory	(316)	192
Accounts Payable	763	(681)
Salaries, Benefits, and Payroll Taxes Payable	619	312
Compensated Absences Payable	291	74
Due to Other Funds	(67)	2
Due to Other Governments	(31)	29
Claims Payable	166	49
Taxes Payable	(13)	(35)
Unearned Revenues	-	-
Other Assets and Liabilities	(1,284)	513
Rate Stabilization	-	-
Total Adjustments	34,482	34,862
Net Cash from Operating Activities	\$ 50,058	\$ 51,029
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
In-Kind Capital Contributions	\$ 31,873	\$ 15,478
Amortization of Debt Related Costs, Net	(143)	1,010
Change in Valuation of Power Exchange Assets or Liabilities	-	-
Allowance for Funds Used During Construction	-	-
Power Exchange Revenues	-	-
Power Exchange Expenses	-	-
Power Revenue Netted against Power Expenses	-	-
Power Expense Netted against Power Revenues	-	-
Settlement from Nextel	5	27
Total Noncash Investing, Capital, and Financing Activities	\$ 31,735	\$ 16,515

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2013
(In Thousands)

	Pension Trust Funds	S. L. Denny Private-Purpose Trust	Agency Funds
ASSETS			
Cash and Equity in Pooled Investments	\$ 11,274	\$ 212	\$ 10,857
Short-Term Investments	42,433	-	-
Securities Lending Collateral	13,595	-	-
Investments at Fair Value			
U.S. Government Obligations	170,501	-	-
Mortgage-Backed Securities	115,344	-	-
Government Related and Other	63,253	-	-
Domestic Corporate Bonds	168,108	-	-
Domestic Stocks	707,110	-	-
International Stocks	624,912	-	-
Real Estate	231,617	-	-
Alternative/Venture Capital	106,263	-	-
Total Investments at Fair Value	2,187,108	-	-
Receivables			
Members	2,737	-	-
Employers	2,992	-	40
Other	748	-	-
Interest and Dividends	4,178	-	-
Sales Proceeds	5,727	-	-
Total Receivables	16,382	-	40
Total Assets	2,270,792	212	10,897
LIABILITIES			
Accounts Payable and Other Liabilities	4,854	-	666
Salaries, Benefits, and Payroll Taxes Payable	-	-	2,291
Deposits Payable	-	-	7,929
Claims/Judgments Payable	-	-	11
Securities Lending Collateral	16,750	-	-
Investment Commitments Payable	16,347	-	-
Total Liabilities	37,951	-	10,897
Net Position Held in Trust for Pension Benefits and Other Purposes	\$ 2,232,841	\$ 212	\$ -

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended December 31, 2013
(In Thousands)

	Pension Trust Funds	S.L. Denny Private-Purpose Trust
ADDITIONS		
Contributions		
Employer	\$ 113,083	\$ -
Plan Member	60,343	-
Total Contributions	173,426	-
Investment Income		
From Investment Activities		
Net Appreciation (Depreciation) in Fair Value of Investments	267,395	-
Interest	9,355	-
Dividends	22,364	-
Total Investment Activities Income	299,114	-
Investment Activities Expenses		
Investment Management Fees	7,606	-
Investment Consultant Fees	499	-
Investment Custodial Fees	284	-
Total Investment Activities Expenses	8,389	-
Net Income from Investment Activities	290,725	-
From Securities Lending Activities		
Securities Lending Income	12	-
Borrower Rebates	64	-
Total Securities Lending Income	76	-
Securities Lending Expenses		
Management Fees	19	-
Total Securities Lending Expenses	19	-
Net Income from Securities Lending Activities	57	-
Total Net Investment Income	290,782	-
Other Income	606	-
Total Additions	464,814	-
DEDUCTIONS		
Benefits	179,484	-
Refund of Contributions	15,278	-
Administrative Expense	6,214	-
Total Deductions	200,976	-
Change in Net Position	263,838	-
Net Position - Beginning of Year	1,969,003	212
Net Position - End of Year	\$ 2,232,841	\$ 212

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

(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.

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 2013, the City implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. This Statement amends: (1) certain requirements for inclusion of component units in the financial reporting entity, (2) the criteria for blending component units into the primary government's financial statements, and (3) the reporting of equity interests in component units. Implementation of GASB Statement No. 61 required no changes for the reporting of components units.

In 2013, the City implemented GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53*. This Statement sets forth criteria that establish when an effective hedging relationship continues when replacement of a swap counterparty or a swap counterparty's credit support provider occurs, thereby allowing continue application of hedge accounting rules. Implementation of GASB Statement No. 64 did not impact the City's financial statements.

In 2013, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. Implementation of GASB Statement No. 65 resulted in: the reclassification of several items previously reported as assets and liabilities, and the restatement of net position as (1) assets and deferred outflows of resources less (2) liabilities and deferred inflows of resources.

In 2013, the City implemented GASB Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*. This Statement amends: (1) GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type and (2) GASB Statement No. 62 by modifying the specific guidance on accounting for (a) operating lease payments, (b) investment of purchased loans, and (c) servicing fees related to mortgage loans. Implementation of GASB Statement No. 66 did not have a significant impact on the City's financial statements.

In 2012, the City implemented GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. Service Concession Arrangements were identified within the City's governmental funds, reported on the government-wide financial statements with additional disclosures reported in Note 14.

In 2012, the City implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This Statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. Implementation of GASB Statement No. 62 did not have a significant impact on the City's financial statements.

In 2012, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Revised language on the face of the financial statements and throughout this report reflects the requirements of this Statement.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Statement of Net Position

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

The amount reported as net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Net position is restricted when constraints placed on net position use are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the amounts remaining that are not “net investment in capital assets” or “restricted.”

Statement of Activities

The Statement of Activities displays the degree to which the direct expenses of a given function or segment is funded by program revenues. Direct expenses are those that are clearly identifiable to a specific function. Direct expenses include depreciation on capital assets that are clearly associated with a given function. In general, expenses related to personnel functions are reported as indirect expenses. Program revenues are revenues derived directly from the program itself. These revenues include (1) charges for services, (2) grants and contributions, and (3) capital grants and contributions. Taxes and other revenues not included as program revenues are reported as general revenues.

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

Fund Financial Statements

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

The City reports the following major governmental funds:

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

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

The **Low-Income Housing Fund** accounts for activities undertaken by the City that include, but is not limited to: preserving affordable rental units, providing operating and maintenance relief, rental assistance, homebuyer assistance, and acquisition and opportunity loans. These activities are supported by various ordinances and levies dating back to 1981.

The City reports the following major proprietary funds:

The **Light Fund** accounts for operating the City's electric utility which owns and operates generating, transmission, and distribution facilities. The Light Fund supplies electricity to approximately 408,000 customers in the Seattle area as well as to other city agencies.

The **Water Fund** accounts for operating the City's water utility. The Water Fund maintains more than 182 miles of water supply mains and 339 million gallons of distribution storage capacity in the Cedar and Tolt Rivers and Highline Well Field watersheds. The distribution system serves a population of about 1.4 million people.

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

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

Additionally, the City reports the following fund types:

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

Fiduciary funds account for assets held in a trustee or agency capacity. Fiduciary funds include:

Pension trust funds comprising: the Employees' Retirement Fund, the Firemen's Pension Fund, and the Police Relief and Pension Fund. The Employees' Retirement Fund receives employees' payroll deductions for retirement and the City's matching contributions. It pays pension benefits to retired City employees. The Firemen's Pension Fund accounts for revenues from a portion of the state-levied fire insurance premium tax and significantly from pension and benefits contributions of the General Fund. It pays medical and pension benefits to sworn firemen. The Police Relief and Pension Fund receives support almost entirely from the General Fund to pay for sworn police personnel's medical and pension benefits that are not covered by the state's Law Enforcement Officers' and Fire Fighters' Retirement System and/or industrial insurance.

The **S. L. Denny Fund**, a private-purpose trust, which holds a nonexpendable gift. Investment income is available to aid disabled firemen.

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-wide Financial Statements

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

Governmental Fund Financial Statements

Financial statements for governmental funds are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter (generally 60 days) to pay current liabilities. Revenues that are measurable but not available are recorded as receivables and offset by unearned 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 unearned revenues. Licenses, fines, penalties, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are accrued as earned.

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

Proprietary Fund Financial Statements

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal activity. The principal operating revenues of the City's Light, Water, Solid Waste, Drainage and Wastewater Utilities, the Downtown Parking Garage, the 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.

Fiduciary Fund Financial Statements

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

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

Prior-Year Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City of Seattle's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Use of Estimates

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

BUDGETS AND BUDGETARY ACCOUNTING

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

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

Cash and Investments

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

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

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

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

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

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

- The City seeks to preserve principal while maximizing income and maintaining liquidity to meet the City's need for cash.
- Investment decisions should further the City's social policies established by ordinance or policy resolutions of the City Council.
- A City social policy shall take precedence over furthering the City's financial objectives when expressly authorized by City Council resolution, except where otherwise provided by law or trust principles.
- Securities purchased shall have a maximum maturity of fifteen years, and the average maturity of all securities shall be less than five years.
- All transactions are done on a delivery-versus-payment basis.

- The standard of prudence to be used by investment personnel shall be the “Prudent Person Rule” and will be applied in the context of managing an overall portfolio.
- Securities shall not be purchased with trading or speculation as the dominant criterion for the selection of the security.

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

Inventories and Supplies

Inventories and supplies consist of expendable materials and supplies held for consumption. These amounts are recorded as expenditures in governmental funds at the time these items are purchased. This is known as the purchase method. However, any significant inventories in a governmental fund may also be reported as assets, as allowed by GAAP, and are equally offset by a fund balance reserve to indicate that they do not constitute available spendable resources even though they are included in net current position. For proprietary funds these amounts are expensed as consumed. Unconsumed amounts are generally valued using the weighted-average cost method.

Capital Assets

The City classifies assets with an estimated useful life in excess of one year as capital assets. As a general rule, items with an initial individual cost of \$5,000 or more are capitalized. Additionally, construction in progress can be declared: complete, held for future use, or abandon. Associated costs related to these declarations are reclassified as: capital assets, assets held for future use, or expense, respectively. Furthermore, the cost of renewals and betterments are capitalized, while the cost of current maintenance and repairs are immediately expensed.

Governmental infrastructure assets include long-lived capital assets, such as roads, bridges, and tunnels that normally can be preserved for a significantly greater number of years than most capital assets. Estimated historical costs are established based on the City’s street reports to the state. Works of art are valued at historical cost. In cases where the historical cost is not available, the method used is “backtrending,” i.e., deflating the current replacement cost using the appropriate price index. Donated capital assets are valued at 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 Position.

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

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

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

Restricted Assets

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

Other Charges

Other charges include preliminary costs of projects and information systems and programmatic conservation costs. Cost related to projects that are ultimately constructed are transferred to utility plant while costs related to abandoned projects are expensed. Conservation program costs in the Light and Water Utilities which result in long-term benefits and reduce or postpone other capital expenditures are capitalized and amortized over their expected useful lives due to the Utilities' capital financing plans and rate-setting methodology. Costs of administering the overall program are expensed as incurred.

Prepaid Items

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

Deferred Outflows/Inflows of Resources

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

Accumulated Compensated Absences

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

Claims Payable

A liability for claims is reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims liabilities are discounted at the City's average investment rate of return (Note 16).

Other Accrued Liabilities

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

Interfund Activity and Contracts/Advances

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

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

Unearned Revenues

Unearned revenues include amounts collected 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. Unearned revenues 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.

Fund Balances

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

- Nonspendable fund balances are either not in spendable form or are legally or contractually required to remain intact;
- Restricted fund balances are restricted for specific purposes by the enabling legislation or external resource providers such as creditors, grantors, or laws or regulations of other governments;
- Committed fund balances can only be used for specific purposes ordained by the City Council. The Council can by ordinance establish, modify, or rescind constraints on committed fund balances;
- Assigned fund balances are constraints imposed by City Management for specific purposes. These constraints are authorized, through the budgeting process, by the Director of the City Budget Office in accordance with SMC 3.14.100. Fund balances of special revenue funds that are neither considered restricted or committed are considered an assigned fund balance; and
- Unassigned fund balances represent balances that are available for any purpose. These balances are only reported in the City's General Fund unless a deficit occurs in any other fund.

A summary of governmental fund balances at December 31, 2013, is as follows:

Table 1-1 **GOVERNMENTAL FUND BALANCES ^a**
(In Thousands)

<u>Fund Balances</u>	<u>General</u>	<u>Transportation</u>	<u>Low-Income Housing</u>	<u>Other Governmental</u>	<u>Total</u>
Nonspendable					
Petty Cash	\$ 52	\$ 2	\$ -	\$ 29	\$ 83
Prepaid Items and Advances	323	1,343	-	-	1,666
Inventory	-	-	-	535	535
Permanent Funds	-	-	-	2,050	2,050
Restricted					
General	379	-	-	-	379
Capital and Continuing Programs	61,794	-	-	151,134	212,928
Health Care Reserve	24,771	-	-	-	24,771
Library	11,848	-	-	4,912	16,760
Transportation	-	27,330	-	1,731	29,061
Low-Income Housing	-	-	79,264	-	79,264
Human Services	-	-	-	2,091	2,091
Seattle Center	-	-	-	9,470	9,470
Parks and Recreation	-	-	-	82	82
Debt Service	-	-	-	15,629	15,629
Municipal Arts	-	-	-	5,788	5,788
Educational and Developmental Services	-	-	-	39,388	39,388
Pike Place Market Renovation	-	-	-	4,901	4,901
Business Improvement Areas	-	-	-	3,235	3,235
Legal Settlement	-	-	-	428	428
Cable Television Franchise	866	-	-	-	866
Block Grants	-	-	-	1,553	1,553
General Trust	-	-	-	7,555	7,555
General Donation and Gift Trusts	-	-	-	4,683	4,683
Committed					
General	6,978	-	-	-	6,978
Capital and Continuing Programs	15,909	-	-	-	15,909
Municipal Arts	577	-	-	-	577
Health Care Reserve	28,996	-	-	-	28,996
Employee Benefit Trust Funds	6,917	-	-	-	6,917
Library	447	-	-	-	447
Cable Television Franchise	3,954	-	-	-	3,954
Judgement and Claims	14,640	-	-	-	14,640
Transportation	-	44,988	-	-	44,988
Neighborhood Matching	4,511	-	-	-	4,511
Bluefield Habitat Maintenance	205	-	-	-	205
Development Rights	22	-	-	-	22
Low-Income Housing	-	-	1,893	-	1,893
Human Services	-	-	-	1,519	1,519
Seattle Center	-	-	-	1,429	1,429
Assigned					
General	2,450	-	-	-	2,450
Municipal Jail	1,671	-	-	-	1,671
Library	1,203	-	-	-	1,203
Office of Housing	-	-	-	1,578	1,578
Human Services	-	-	-	2,234	2,234
Parks and Recreation	-	-	-	3,850	3,850
Unassigned					
General	47,989	-	-	-	47,989
Rate Stabilization Account	30,397	-	-	-	30,397
Emergency Subfund	42,060	-	-	-	42,060
Permanent Funds	-	-	-	(16)	(16)
Central Waterfront Improvement	-	-	-	(9,340)	(9,340)
Seattle Streetcar	-	-	-	(3,820)	(3,820)
Seattle Center	-	-	-	(9,152)	(9,152)
Total	\$ 308,959	\$ 73,663	\$ 81,157	\$ 243,476	\$ 707,255

^a Some amounts may have rounding differences with Balance Sheet.

General Fund Stabilization and Other Reserves

The City created the Revenue Stabilization Account (RSA) to fund activities that would otherwise be reduced in scope, suspended or eliminated due to unanticipated shortfalls in the General Subfund revenues. Any use of the RSA shall be accompanied with an ordinance approved by the City Council. The City shall replenish the RSA through (1) transfers by ordinance from other city funds; (2) automatic transfer of 0.5 percent of forecasted tax revenues; and (3) 50 percent of unanticipated excess fund balance of the General Subfund. At no time shall the maximum funding level exceed 5 percent of the General Subfund tax revenues forecast. At the end of fiscal year 2013, the RSA reported an ending fund balance of \$30.4 million.

The City maintains the Emergency Subfund to pay for unanticipated or unplanned expenditures that occur during the course of the fiscal year. Any use of the Emergency Subfund shall be accompanied with an ordinance approve by three-fourths of the City Council. At the beginning of each year, sufficient funds shall be appropriated to the Emergency Subfund so that its balance equals thirty-seven and one-half cents per thousand dollars of assessed value, which is the maximum amount allowed by state law. The City may also choose to reimburse the Emergency Subfund during the year for any expenditure incurred, by transferring unexpended and unencumbered balance from another City fund or subfund, or from other reimbursements the City may receive. At the end of fiscal year 2013, the Emergency Subfund reported an ending fund balance of \$42.1 million.

(2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY INFORMATION

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

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

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

Table 2-1

APPROPRIATION CHANGES – GENERAL FUND

(In Thousands)

	<u>2013</u>
Annual Budget	\$ 1,233,266
Carryovers	
Encumbrances	3,727
Continuing Appropriations	120,123
Budget Revisions	<u>82,597</u>
Total Budget	<u>\$ 1,439,713</u>

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

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

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

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

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

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

DEFICITS IN FUND BALANCES AND NET POSITION

The Downtown Parking Garage Fund reported a net position deficit of \$26.5 million at December 31, 2013, a decrease of \$1.3 million in net position from the prior year. This is attributed to the insufficiency of revenues to fully cover its operating expenses that include annual depreciation of \$2.0 million and annual interest expenses on debt service of \$3.1 million. The fund was provided interfund loan of \$5.0 million to cover negative cash at the end of December 31, 2013 compared to \$3.2 million in 2012. Ordinance 124123 authorized cash loan of not more than \$5.0 million was amended with Ordinance 124348 to authorize the cash loan up to \$9.5 million that maybe provided to Downtown Parking Garage Fund to cover negative cash. Facilities Operating Division is evaluating ways to increase revenues and decrease expenses. We expect the net position deficit will continue because operating revenues are not designed to cover depreciation expense.

The Seattle Streetcar Fund 10810 had a deficit fund balance of \$3.8 million as of December 31, 2013. The fund was created by Ordinance 122424 in 2007 and later amended in 2009 by Ordinance 123102 to increase the allowable amount of the interfund loan from the City's Consolidated Residual Cash Pool 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 Central Waterfront Improvement Fund had a deficit fund balance of \$9.3 million at December 31, 2013. Ordinance 123142 created this fund with specific intent that multiple partnerships, both intergovernmental and private be established for funding the urgent and necessary repairs to the Seawall and other infrastructure along the Waterfront. In recognition of this urgency Ordinance 124345 which superseded Ordinances 123761 and 124033 permits this fund to use up to \$31.2 million at any one time from the City's cash pool. This loan is to be repaid no later than December 31, 2016 from grants, donations, transfers, and other monies as authorized by ordinance.

(3) CASH AND INVESTMENTS

CASH AND EQUITY IN POOLED INVESTMENTS

Per Seattle Municipal Code, SMC 5.06.010 Investment Authority, the Director of Finance and Administrative Services (FAS) is authorized to invest all moneys in the City Treasury. Cash resources of all City funds are combined into a common investment pool that is managed by FAS. Each fund's share of the pooled investments is included in the participating fund's balance sheet under the caption "Cash and Equity in Pooled Investments." The pool operates like a demand deposit account in that all City funds may deposit cash at any time and also withdraw cash up to their respective fund balance out of the pool without prior notice or penalty.

Custodial Credit Risk – Deposits. The custodial credit risk of deposits is the risk that in the event of bank failure of one of the City's depository institutions, the City's deposits or related collateral securities may not be returned in a timely manner. As of December 31, 2013, the City did not have custodial credit risk. The City's deposits are covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Association (NCUA) as well as protection provided by the Washington State Public Deposit Protection Commission (PDPC) as established in RCW 39.58. The PDPC makes and enforces regulations and administers a program to ensure public funds deposited in banks and thrifts are protected if a financial institution becomes insolvent. The PDPC approves which banks, credit unions, and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. This secures public treasurers' deposits when they exceed the amount insured by the FDIC or NCUA by requiring banks, credit unions, and thrifts to pledge securities as collateral.

As of December 31, 2013, the City held \$95,000 in its cash vault. Additional small amounts of cash were held in departmental revolving fund accounts with the City's various custodial banks, all of which fell within the NCUA/FDIC's \$250,000 standard maximum deposit insurance amount. Any of the City's cash not held in its vault, or a local depository, was held in the City's operating fund (investment pool), and at the close of every business day, any cash remaining in the operating fund is swept into an overnight repurchase agreement that matures the next day.

CITY TREASURY INVESTMENTS

Note 1 describes the investment policies of the City. Banks or trust companies acting as the City's agents hold all of the City's investments in the City's name. As of December 31, 2013, the City's investment pool held the following investments.

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

<u>Investments</u>	<u>Fair Value as of December 31, 2013</u>	<u>Weighted Average Maturity (Days)</u>
Repurchase Agreements	\$ 44,756	2
U.S. Treasury and U.S. Government-Backed Securities	227,660	902
U.S. Government Agency Securities	666,790	880
U.S. Government Agency Mortgage-Backed Securities	186,841	2,077
Commercial Paper	154,963	47
Municipal Bonds	156,813	818
Total	<u>\$ 1,437,823</u>	
Weighted Average Maturity of the City's Pooled Investments		915

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

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

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

backed by issuers having short-term ratings of MIG1, VMIG1, and P1 by Moody’s Investors Service; A1+ and A1 by Standard & Poor’s; and F1 and F1+ by Fitch Ratings.

The City invests in U.S. Treasury securities which are considered free of credit risk, and in securities backed by the full faith and credit of the U.S. government, such as bonds issued by the Department of Housing and Urban Development (HUD). 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. Material credit risk in the City’s investment portfolio resides in its holdings of commercial paper and municipal securities. In accordance with state statutes and its internal investment policy, the City manages that credit risk by purchasing securities backed by issuers having long-term and short-term credit ratings as noted above. The City also subscribes to asset-backed commercial paper research from Moody’s Investors Service and Fitch Ratings, conducts internal due diligence of commercial paper and municipal issuers, and maintains an “approved list” of commercial paper issuers based upon internal and external credit research.

Concentration Risk. Concentration risk is the risk of loss attributed to the magnitude of investments in a single issuer. In accordance with its investment policy and state statutes, the City manages concentration risk by limiting its investments in any one issuer as follows: 10 percent of the portfolio per bank for certificates of deposit or bankers’ acceptances; and 5 percent per commercial paper or municipal bond issuer. U.S. government agency collateralized mortgage obligations and pass-through securities are limited to a maximum asset allocation of 25 percent of the total portfolio. The City is not limited in its allocation to obligations of: the U.S. government, U.S. government agencies, or corporations wholly owned by the U.S. government.

Table 3-2

CONCENTRATION OF CREDIT RISK

(In Thousands)

Issuer	Fair Value	Percent of Total Investments
Federal Home Loan Mortgage Corporation (Freddie Mac)	\$ 393,130	27 %
Federal National Mortgage Association (Fannie Mae)	329,390	23
Federal Home Loan Bank	86,498	6

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

The City mitigates counterparty custodial risk from repurchase agreements by using a third-party custodian for tri-party repos. The City conforms with the industry standard requiring execution of a master repurchase agreement with each counterparty prior to transacting a repurchase agreement, execution of a third-party custodial agreement between the City, the broker, and the clearing bank, before transacting a third-party repurchase agreement, and over-collateralizing by a minimum of 102 percent. By investment policy, the underlying securities the City is willing to accept as collateral must have the highest credit ratings of at least two NRSROs. Throughout 2013, the collateral underlying the City’s repurchase agreements excluded securities other than U.S. Treasury, agencies, and agency mortgage-backed pass-throughs.

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.

Foreign Currency Risk. The City’s pooled investments do not include securities denominated in foreign currencies.

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

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

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

Table 3-3 **SCERS' INVESTMENTS**
(In Thousands)

Investments	Amount
U.S. Government Obligations	\$ 170,501
Domestic Corporate Bonds	168,108
Other Fixed Income	178,597
Domestic Stocks	697,755
International Stocks	624,912
Real Estate	231,758
Alternative Investments	106,263
Total	<u>\$ 2,177,894</u>

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

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

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

Investment Type	Fair Value	Investment Maturities (In Years)			
		<1	1 - 5	6 - 10	>10
U.S. Government					
Treasuries, Notes, and Bonds	\$ 122,317	\$ 611	\$ 36,786	\$ 49,301	\$ 35,619
Treasury Inflation-Protected Securities	37,842	-	-	30,323	7,519
Agencies	4,679	-	1,804	845	2,030
Municipal	4,455	-	391	1,640	2,424
Mortgage-Backed					
Government Pass-Throughs	76,560	-	29,645	3,608	43,307
Corporate Pass-Throughs	12,795	-	-	-	12,795
Government Collateralized Mortgage Obligations	17,224	-	3,269	637	13,318
Corporate					
Bonds	129,671	13,437	55,416	43,032	17,786
Asset-Backed	16,419	-	6,841	3,307	6,271
Private Placements	23,547	1,720	13,829	1,091	6,907
Foreign Sovereign					
Bonds	63,364	1,262	23,326	27,092	11,684
Total Portfolio	<u>\$ 508,873</u>	<u>\$ 17,030</u>	<u>\$ 171,307</u>	<u>\$ 160,876</u>	<u>\$ 159,660</u>

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

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

Table 3-5

SCERS' FIXED INCOME RATINGS BY STANDARD AND POOR'S

(In Thousands)

<u>Investment Type</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>CCC and Below</u>	<u>Not Rated</u>
U.S. Government								
Treasury Notes and Bonds	\$ -	\$ 104,680	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,637
Treasury Inflation-Protected Securities	-	21,566	-	-	-	-	-	16,276
Agencies	-	4,663	-	-	-	-	-	15
Municipal	793	668	1,712	-	-	-	-	1,282
Mortgage-Backed								
Government Pass-Throughs	-	38,159	-	-	-	-	-	38,403
Corporate Pass-Throughs	1,850	570	1,281	1,975	165	-	-	6,954
Government CMO's	218	12,077	872	681	1,652	244	970	510
Corporate								
Bonds	666	9,460	42,601	36,484	2,779	-	-	37,681
Asset-Backed	6,525	2,967	266	162	432	1,049	904	4,115
Private Placements	2,579	3,819	5,365	5,592	68	-	394	5,730
Foreign Sovereign								
Bonds	5,923	3,145	3,023	1,957	600	-	-	48,716
Total Portfolio	<u>\$ 18,554</u>	<u>\$ 201,774</u>	<u>\$ 55,120</u>	<u>\$ 46,851</u>	<u>\$ 5,696</u>	<u>\$ 1,293</u>	<u>\$ 2,268</u>	<u>\$ 177,319</u>

Table 3-6

SCERS' ASSET ALLOCATION

<u>Asset Class</u>	<u>Actual</u>	<u>Target</u>
Cash and Cash Equivalents	0.4 %	0.0 %
Equities		
Domestic	32.4	31.0
International	28.0	27.0
Fixed Income	21.1	20.0
Alternative	7.7	10.0
Real Estate	10.4	12.0
Total	<u>100.0 %</u>	<u>100.0 %</u>

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

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

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

SECURITIES LENDING TRANSACTIONS

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

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

The market value of the required collateral must meet or exceed 102 percent of the market value of the securities loaned, providing a margin against a decline in the market value of the collateral, and is limited to a volume of less than \$75.0 million. The contractual agreement with the SCERS' custodian provides indemnification in the event the borrower fails to return the securities lent or fails to pay SCERS' income distribution by the securities' issuers while the securities are on loan. Cash and U.S. government securities were received as collateral for these loans.

SCERS invests cash collateral received; accordingly, any investment made with cash collateral is reported as an asset. A corresponding liability is recorded as SCERS must return the cash collateral to the borrower upon the expiration of the loan. As of December 31, 2013, SCERS has no credit risk exposure to borrowers; amounts owed to borrowers exceed the amount the borrower owes.

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

Type of Securities Lent	2013		2012	
	Fair Values of Securities Lent	Collateral	Fair Values of Securities Lent	Collateral
U.S. Government and Agencies	\$ 14,906	\$ 15,247	\$ 5,264	\$ 5,374
U.S. Corporate Fixed Income	1,461	1,503	470	481
U.S. Equities	-	-	7,349	7,550
Total Securities Lent	\$ 16,367	\$ 16,750	\$ 13,083	\$ 13,405

Collateral	2013	2012
Repurchase Agreements	\$ 13,052	\$ 9,580
Asset-Backed Securities Payable/Receivable	1,267	1,395
	2,431	2,430
Total Collateral	\$ 16,750	\$ 13,405
Fair Value of Collateral Held	\$ 13,595	\$ 10,153

REVERSE REPURCHASE AGREEMENTS

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

(4) RECEIVABLES, INTERFUND TRANSACTIONS, AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Table 4-1

TAX REVENUES AND RECEIVABLES

(In Thousands)

	December 31 2013 <u>Revenues</u>	December 31 2013 <u>Receivables</u>
Property Taxes	\$ 423,928	\$ 8,979
General Business and Occupation Taxes	<u>408,913</u>	<u>55,077</u>
Totals	<u>\$ 832,841</u>	<u>\$ 64,056</u>

TAXING POWERS AND LIMITATIONS

State law limits the regular property tax rate for general City operations to \$3.60 per \$1,000 of assessed value. This includes \$3.375 for general municipal purposes and an additional \$0.225 for the Firemen's Pension Fund and for general municipal purposes under conditions spelled out in state law. From 1997 through 2001 state law limited the annual growth in the City's regular property tax levy to the lesser of 106 percent or the annual rate of inflation. The passage of Initiative 747 in November 2001 reduced the 106 percent to 101 percent. In early November 2007, the State Supreme Court upheld a lower court ruling that Initiative 747 was unconstitutional. This decision would have returned the growth limit factor to 106 percent. On November 29, 2007, the legislature, in special session, passed and the governor signed into law language identical to that of Initiative 747. Thus, the limit factor remains 101 percent. The growth limit does not count tax revenues from new construction or property remodeled within the last year. With simple-majority voter approval, the City can levy additional property taxes above the 101 percent annual growth limit, as long as the City's regular levy rate per \$1,000 of assessed value does not exceed the \$3.60 limit. Excess tax levies for capital purposes require a 60-percent approval by voters and do not fall under either of the limits. The City levied \$1.90 per \$1,000 of assessed value for general operations and Firemen's Pension Fund in 2013. In addition, the levy included \$1.38 per \$1,000 of assessed value for debt service and other voter-approved levies. The total 2013 levy was \$3.28 per \$1,000 of assessed value. Not included in this total is the levy for Medic One/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 2013.

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

INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

The following table shows the current interfund balances at December 31, 2013, as reported in the fund financial statements.

Table 4-2

DUE FROM AND TO OTHER FUNDS ^a

(In Thousands)

<u>Receivable Fund</u>	<u>Payable Fund(s)</u>	<u>Amount</u>
General	Drainage and Wastewater	\$ 3,699
	Nonmajor Enterprise	23
	Nonmajor Governmental	5,927
	Internal Service	136
	Fiduciary	23
	Transportation	48
	Light	4,041
	Solid Waste	1,184
	Water	<u>2,285</u>
		Total General Fund
Transportation	Drainage and Wastewater	425
	Nonmajor Enterprise	105
	General	681
	Nonmajor Governmental	25,159
	Internal Service	46
	Light	3,023
	Solid Waste	89
	Water	<u>783</u>
	Total Transportation Fund	30,311
Light	General	4
	Nonmajor Governmental	1
	Internal Service	5
	Fiduciary	8
	Water	<u>8</u>
	Total Light Fund ^b	26
Water	Drainage and Wastewater	307
	General	9
	Internal Service	2
	Transportation	47
	Light	317
	Solid Waste	<u>23</u>
	Total Water Fund	705
Low-Income Housing	Light	<u>190</u>
		Total Low-Income Housing Fund
Solid Waste	General	6
	Nonmajor Governmental	22
	Internal Service	1
	Light	115
	Water	<u>142</u>
	Total Solid Waste Fund	286
Drainage and Wastewater	Nonmajor Enterprise	21
	General	11
	Nonmajor Governmental	49
	Internal Service	1
	Transportation	360
	Light	421
	Solid Waste	6
	Water	<u>146</u>
	Total Drainage and Wastewater Fund	1,015

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

^b Some amounts vary from the Statement of Net Position due to differential classification within the proprietary funds.

Table 4-2

DUE FROM AND TO OTHER FUNDS ^a (continued)

(In Thousands)

Receivable Fund	Payable Fund(s)	Amount
Nonmajor Governmental	Drainage and Wastewater	\$ 255
	General	916
	Nonmajor Governmental	3,866
	Internal Service	147
	Fiduciary	1
	Low-Income Housing	107
	Transportation	314
	Light	365
	Solid Waste	97
	Water	28
	Total Nonmajor Governmental Funds	6,096
Fiduciary	General	23
	Internal Service	2
	Light	16
	Total Fiduciary Funds	41
Nonmajor Enterprise	Drainage and Wastewater	265
	General	267
	Nonmajor Governmental	39
	Internal Service	7
	Transportation	42
	Light	435
	Solid Waste	9
	Water	1
	Total Nonmajor Enterprise Funds	1,065
Internal Service	Drainage and Wastewater	370
	Nonmajor Enterprise	230
	General	2,134
	Nonmajor Governmental	850
	Internal Service	102
	Fiduciary	1
	Transportation	889
	Light	791
	Solid Waste	102
Water	527	
	Total Internal Service Funds	5,996
Grand Total		<u>\$ 63,097</u>

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

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

Table 4-3

**ADVANCES, NOTES, AND LOANS FROM AND TO OTHER FUNDS
(In Thousands)**

<u>Advances, Notes, and Loans From</u>	<u>Advances, Notes, and Loans To</u>	<u>Amount</u>
General Fund	Seattle Center Fund Seattle City Employees' Retirement Fund Downtown Parking Garage Fund	\$ 193 300 5,050
Total City		\$ 5,543

The interfund loans for the Seattle Center and the Downtown Parking Garage have been approved by the City Council through ordinance. The Seattle Center's loan was approved by Ordinances 123644 and 124031 and is due to current economic conditions that prevent the Seattle Center's cash receipts from being sufficient to maintain a consistent positive cash balance. The Downtown Parking Garage's loan was authorized by Ordinances 123694 and 124123 and is to be repaid by December 31, 2014 either from operating revenues of the Garage or the General Fund. The loan to the Seattle City Employees' Retirement System was necessitated by the implementation of a more aggressive investment strategy for 2013 that resulted in a higher balance remaining in investments instead of being held in cash. The policy will be adjusted to maximize investments and maintain a positive cash balance. The loan was only for one day and did not require a special ordinance.

Table 4-4

**INTERFUND TRANSFERS
(In Thousands)**

<u>Transfers In</u>	<u>Transfers Out</u>				<u>Total</u>
	<u>General</u>	<u>Internal Service</u>	<u>Nonmajor Governmental</u>	<u>Transportation</u>	
General Fund	\$ -	\$ 4,000	\$ 12,762	\$ -	\$ 16,762
Nonmajor Enterprise	10,860	-	-	-	10,860
Nonmajor Governmental	183,694	650	16,225	24,739	225,308
Transportation	53,580	-	80,124	-	133,704
Total Transfers	\$ 248,134	\$ 4,650	\$ 109,111	\$ 24,739	\$ 386,634

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Governmental Activities

Table 4-5

**DEFERRED OUTFLOWS/INFLOWS OF RESOURCES
GOVERNMENTAL FUNDS
(In Thousands)**

<u>Deferred Outflows/Inflows of Resources</u>	<u>General</u>	<u>Transportation</u>	<u>Low-Income Housing</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Deferred Outflows of Resources					
Housing Loan Guarantees	\$ 7,771	\$ -	\$ 383,980	\$ 43,216	\$ 434,967
Total Deferred Outflows of Resources	\$ 7,771	\$ -	\$ 383,980	\$ 43,216	\$ 434,967
Deferred Inflows of Resources					
Housing Loan Guarantees	\$ 7,771	\$ -	\$ 383,980	\$ 43,216	\$ 434,967
Property Taxes	4,238	685	341	1,610	6,874
Special Assessment	-	-	-	13,136	13,136
Total Deferred Inflows of Resources	\$ 12,009	\$ 685	\$ 384,321	\$ 57,962	\$ 454,977

Housing Loan Guarantees

This balance represents the portfolio of all outstanding housing development loans made through the City’s Office of Housing. The loan activity and the associated loan guarantees were recorded with the Low-Income Housing Fund, the Community Development Block Grant Program Funds, and directly within Office of Housing’s operating fund. The deferred outflow and deferred inflow of resources are segregated on the balance sheets of the original funds that generated the activity. The deferred outflow of resources represents the loans issued and subject to ongoing use criteria. Although these loans are not expected to be repaid unless the property is sold or there is a change in purpose that would result in a contract default. A default due to compliance would generate a loan balance receivable for the City, and would immediately place a legal obligation on the City for repayment of the loan proceeds. This obligation is presented as the deferred inflow of resources. The result of a loan default scenario would have a net zero impact on the City’s net position.

Special Assessment

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

Debt Service

The governmental funds loss on debt refunding of \$884 thousand, previously reported as an asset, is now reported as a Deferred Inflow of Resources on the government-wide financial statement and will continue to be amortized as a component of interest expense. The internal service funds also recorded a loss on debt refunding of \$161 thousand, previously reported as an asset, it’s now reported as a deferred outflow of resources on the combined Statement of Net Position and will be amortized over the life of the bonds.

Property Taxes

For 2013 total taxes outstanding of \$6.9 million were recorded as a tax receivable asset within our governmental funds. Unable to meet the revenue recognition criteria our governmental funds recorded the balance of the tax receivable asset as a Deferred Inflow of Resources. The reconciliation of our governmental fund financial statements to government-wide financial statements shows an adjustment to remove the deferred inflow of resources recorded by the governmental funds, and record the tax revenues to the Statement of Activities.

**Table 4-6 DEFERRED OUTFLOWS/INFLOWS OF RESOURCES
GOVERNMENTAL ACTIVITIES
(In Thousands)**

<u>Deferred Outflows/Inflows of Resources</u>	<u>Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Government-Wide Adjustment</u>	<u>Total</u>
Deferred Outflows of Resources				
Housing Loan Guarantees	\$ 434,967	\$ -	\$ -	\$ 434,967
Debt Service	-	161	884	1,045
Total Deferred Outflows of Resources	\$ 434,967	\$ 161	\$ 884	\$ 436,012
Deferred Inflows of Resources				
Housing Loan Guarantees	\$ 434,967	\$ -	\$ -	\$ 434,967
Property Taxes	6,874	-	(6,874)	-
Special Assessment	13,136	-	(1,226)	11,910
Total Deferred Inflows of Resources	\$ 454,977	\$ -	\$ (8,100)	\$ 446,877

Business-Type Activities

Table 4-7 **DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**
BUSINESS-TYPE ACTIVITIES
(In Thousands)

Deferred Outflows/Inflows of Resources	City Light	Seattle Public Utilities			Total
		Water	Drainage and Wastewater	Solid Waste	
Deferred Outflows of Resources					
Charges on Advance Refunding	\$ 26,012	\$ 20,165	\$ 6,054	\$ 139	\$ 52,370
Total Deferred Outflows of Resources	\$ 26,012	\$ 20,165	\$ 6,054	\$ 139	\$ 52,370
Deferred Inflows of Resources					
Revenue Stabilization Account	\$ 84,986	\$ 19,418	\$ -	\$ 5,247	\$ 109,651
Regulatory Credits	15,686	-	-	-	15,686
Total Deferred Inflows of Resources	\$ 100,672	\$ 19,418	\$ -	\$ 5,247	\$ 125,337

Revenue Stabilization Account

Funding of revenue stabilization accounts (RSAs) from operating cash effectively defers operating revenues. For the City Light (SCL) the balance of the RSA was \$85.0 million and \$103.3 million for 2013 and 2012, respectively. For the Seattle Public Utilities the balance of the RSA was \$24.7 million and \$12.4 million for 2013 and 2012, respectively.

Regulatory Credits

Regulatory credits are the result of SCL (as affirmed by Seattle City Council Resolution No. 30942) recognizing the effects of reporting the fair value of exchange contracts in future periods for rate making purposes and maintaining regulatory accounts to spread the accounting impact of these accounting adjustments. For SCL the balance of the credits were \$15.7 million and \$9.2 million for 2013 and 2012, respectively.

(5) SHORT-TERM ENERGY CONTRACTS AND DERIVATIVE INSTRUMENTS

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

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

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

Year 2013	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
Sales	\$ 19.4	\$ 22.4	\$ (3.0)
Purchases	1.5	1.7	0.2
Total	\$ 20.9	\$ 24.1	\$ (2.8)
Year 2012	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
Sales	\$ 28.5	\$ 26.4	\$ 2.1
Purchases	8.7	8.0	(0.7)
Total	\$ 37.2	\$ 34.4	\$ 1.4

Fair value measurements at December 31, 2013 and 2012 used an income valuation technique consisting of Kiorex Forward Curves and Platts M2M Power Curves respectively, and interest rates from HIS Global Insight that are used to calculate discount rates.

All derivative instruments not considered as normal purchases and normal sales are to be recorded within the financial statements using derivative accounting according to GASB Statement No. 53. In 2010, the City Council adopted a resolution granting SCL authority to enter into certain physical put and call options that would not be considered normal purchases and normal sales under GASB Statement No. 53. SCL did not have any such activity for 2013 and 2012. In addition, the City Council has deferred recognition of the effects of reporting the fair value of derivative financial instruments for rate-making purposes, and SCL maintains regulatory accounts to defer the accounting impact of these accounting adjustments in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

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

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

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

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

(6) CAPITAL ASSETS

Table 6-1

CHANGES IN CAPITAL ASSETS ^a

(In Thousands)

	Restated Balance January 1	Additions	Deletions	Balance December 31
GOVERNMENTAL ACTIVITIES ^b				
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 537,722	\$ 5,886	\$ 771	\$ 542,837
Construction in Progress	307,994	299,608	224,013	383,589
Total Capital Assets Not Being Depreciated	845,716	305,494	224,784	926,426
CAPITAL ASSETS BEING DEPRECIATED				
Buildings and Improvements	2,202,072	126,204	48,061	2,280,215
Machinery and Equipment	319,870	44,324	25,703	338,491
Infrastructure	1,672,909	117,420	-	1,790,329
Other Capital Assets	15,911	1,546	-	17,457
Total Capital Assets Being Depreciated	4,210,762	289,494	73,764	4,426,492
Accumulated Depreciation				
Buildings and Improvements	642,439	55,560	5,021	692,978
Machinery and Equipment	203,908	32,785	24,523	212,170
Infrastructure	668,314	53,107	-	721,421
Other Capital Assets	1,781	185	-	1,966
Total Accumulated Depreciation	1,516,442	141,637	29,544	1,628,535
Total Capital Assets Being Depreciated, Net	2,694,320	147,857	44,220	2,797,957
Governmental Activities Capital Assets, Net	<u>\$ 3,540,036</u>	<u>\$ 453,351</u>	<u>\$ 269,004</u>	<u>\$ 3,724,383</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 155,062	\$ 4,621	\$ 653	\$ 159,030
Construction in Progress	258,585	400,487	317,893	341,179
Other Capital Assets	4,098	319	-	4,417
Total Capital Assets Not Being Depreciated	417,745	405,427	318,546	504,626
CAPITAL ASSETS BEING DEPRECIATED				
Plant in Service, Excluding Land	6,340,899	316,621	36,571	6,620,949
Buildings	60,131	-	-	60,131
Machinery and Equipment	14,980	484	644	14,820
Other Capital Assets	75,433	13,510	9,397	79,546
Total Capital Assets Being Depreciated	6,491,443	330,615	46,612	6,775,446
Accumulated Depreciation				
Plant in Service, Excluding Land	2,432,811	181,792	59,990	2,554,613
Buildings	28,060	2,004	-	30,064
Machinery and Equipment	13,377	616	644	13,349
Other Capital Assets	2,959	124	858	2,225
Total Accumulated Depreciation	2,477,207	184,536	61,492	2,600,251
Total Capital Assets Being Depreciated, Net	4,014,236	146,079	(14,880)	4,175,195
Business-Type Activities Capital Assets, Net	<u>\$ 4,431,981</u>	<u>\$ 551,506</u>	<u>\$ 303,666</u>	<u>\$ 4,679,821</u>

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

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

Table 6-2

DEPRECIATION EXPENSE BY FUNCTION

(In Thousands)

GOVERNMENTAL ACTIVITIES

General Government	\$ 4,567
Public Safety	9,524
Transportation	54,593
Economic Environment	23
Culture and Recreation	<u>38,997</u>
Subtotal	107,704
Capital assets held by internal service funds are charged to the various functions based on their usage of the assets	<u>33,933</u>
Total Governmental Activities	<u>\$ 141,637</u>

BUSINESS-TYPE ACTIVITIES

Light	\$ 109,842
Water	45,085
Solid Waste	6,332
Drainage and Wastewater	20,657
Planning and Development	611
Parking Garage	<u>2,009</u>
Total Business-Type Activities	<u>\$ 184,536</u>

(7) COMPENSATED ABSENCES

The following discussion on the general liabilities of the City and the tables for the other City funds present the accrued compensated absences at the end of 2013 and 2012. The tables present the accrued compensated absences grouped by governmental activities, business-type activities, and pension trust funds at the end of 2013 and 2012.

GOVERNMENTAL ACTIVITIES

Governmental Funds

Unpaid compensated absences associated with governmental fund operations of \$82.6 million and \$78.1 million at December 31, 2013 and 2012, respectively, have been recorded in the government-wide financial statements. These amounts include unpaid holiday, compensatory, merit, and furlough time of \$17.7 million and \$16.2 million at the end of 2013 and 2012, respectively; accumulated unpaid vacation pay of \$51.2 million and \$48.5 million at the end of 2013 and 2012, respectively; and the balance for sick leave (estimated based on the termination method) of \$13.7 million and \$13.4 million at December 31, 2013 and 2012, respectively.

Internal Service Funds

Table 7-1

COMPENSATED ABSENCES IN INTERNAL SERVICE FUNDS

(In Thousands)

	<u>2013</u>	<u>2012</u>
Finance and Administrative Services	\$ 4,435	\$ 4,148
Information Technology	<u>1,741</u>	<u>1,737</u>
Totals	<u>\$ 6,176</u>	<u>\$ 5,885</u>

BUSINESS-TYPE ACTIVITIES

Enterprise Funds

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

	<u>2013</u>	<u>2012</u>
Light	\$ 17,512	\$ 16,616
Water	4,854	4,722
Drainage and Wastewater	4,524	4,400
Solid Waste	1,655	1,610
Planning and Development	3,015	2,756
Totals	<u>\$ 31,560</u>	<u>\$ 30,104</u>

PENSION TRUST FUNDS

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

	<u>2013</u>	<u>2012</u>
Employees' Retirement	\$ 127	\$ 111
Firemen's Pension	73	64
Police Relief and Pension	60	54
Totals	<u>\$ 260</u>	<u>\$ 229</u>

Table 9-9 of Note 9, Long-Term Debt, presents compensated absences in governmental activities and business-type activities in the aggregate and the amount estimated to be due within the year.

(8) LEASES

CAPITAL LEASES

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

Table 8-1

CAPITAL LEASES

(In Thousands)

<u>Net Capital Lease Assets</u>	<u>Capital Assets Governmental Activities</u>
Machinery and Equipment	\$ 20
Less Accumulated Depreciation	<u>(18)</u>
December 31, 2013	<u>\$ 2</u>
<u>Minimum Capital Lease Payments</u>	<u>Long-Term Liabilities Governmental Activities</u>
2014	<u>\$ 2</u>
Total Minimum Lease Payments	2
Less Interest	<u>-</u>
Principal	<u>\$ 2</u>

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

OPERATING LEASES

Governmental Activities

The City, through its Facilities Operations Division, manages buildings and facilities that are owned by the City and has operating lease commitments on real property owned by private entities. Many lease commitments on private properties are for a term of five years or longer and may be renewed as required by the City tenant departments. The lease agreements show a periodic schedule of rental amounts. Facilities Operations Division paid rentals of approximately \$4.6 million in 2013 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 in the amount of \$318,382 in 2013 on the lease. Rents are paid as they become due and payable.

Minimum payments under the leases are:

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

Year Ending December 31	Minimum Lease Payments		
	Facilities Operations	Seattle Center	Total
2014	\$ 3,679	\$ 308	\$ 3,987
2015	3,097	181	3,278
2016	1,572	-	1,572
2017	1,029	-	1,029
2018	132	-	132
2019	44	-	44
Total	<u>\$ 9,553</u>	<u>\$ 489</u>	<u>\$ 10,042</u>

Business-Type Activities

Seattle City Light leases office equipment and smaller facilities for various purposes through long-term operating lease agreements. Expense for these operating leases totaled \$1.3 million in both 2013 and 2012.

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 2013 and 2012 were: \$365,844 and \$393,513 for the Water Fund; \$100,325 and \$110,248 for the Drainage and Wastewater Fund, and \$192,417 and \$183,979 for the Solid Waste Fund. Rents are paid as they become due and payable.

Minimum payments under the leases are:

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

Year Ending December 31	Minimum Payments				
	City Light	Water	Drainage & Wastewater	Solid Waste	Total
2014	\$ 1.0	\$ 0.4	\$ 0.1	\$ 0.2	\$ 1.7
2015	1.1	0.4	0.1	0.2	1.8
2016	1.0	0.3	0.1	0.2	1.6
2017	0.9	0.1	-	-	1.0
2018	0.1	0.1	-	-	0.2
2019 - 2023	-	0.2	0.1	-	0.3
2024 - 2028	-	0.1	-	-	0.1
Total	<u>\$ 4.1</u>	<u>\$ 1.6</u>	<u>\$ 0.4</u>	<u>\$ 0.6</u>	<u>\$ 6.7</u>

LEASE REVENUES - GOVERNMENTAL ACTIVITIES

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

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

	<u>2013</u>	<u>2012</u>
Non-City Property Occupied by City Departments	\$ 5.1	\$ 5.2
City-Owned Property Occupied by City Departments	52.5	51.4
City-Owned Property Leased to Non-City Tenants	<u>2.4</u>	<u>2.6</u>
Total	<u>\$ 60.0</u>	<u>\$ 59.2</u>

Additionally, in 2013 the SeaPark Garage and the Seattle Municipal Tower Building generated \$2.7 million total parking revenues, which were recorded in the Finance and Administrative Services Fund.

Also, in 2013 the City recognized \$7.0 million in parking revenues in the Downtown Parking Garage Fund, an enterprise fund, from the operation of the garage at Pacific Place.

(9) LONG-TERM DEBT

GENERAL OBLIGATION BONDS

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

The original amount of general obligation bonds issued for bonds outstanding at the end of 2013 was \$1.321 billion. The amount of bonds outstanding at December 31, 2013 was \$867.4 million. The following paragraphs discuss the general obligation bonds issued and refunded/defeased during 2013.

In June 2013, the City issued the following series of General Obligation Bonds: (1) \$42.3 million LTGO Improvement Bonds, 2013A. The bonds mature from October 2014 through October 2033 with an average coupon rate of 3.6 percent; (2) \$55.1 million LTGO Improvement Bonds, 2013B (Taxable), which matures from January 2014 through January 2025 with an average coupon rate of 1.3 percent; and (3) \$50.0 million UTGO Improvement Bonds, 2013, fully amortizing in December 2042 with an average coupon rate of 4.1 percent. The proceeds of these LTGO and UTGO bonds are used to pay all or part of the costs of construction and acquisition of various City capital projects, including Seawall, Fire Facilities, North Precinct, Golf, Rainier Beach Community Center, Magnuson Park Building, and various IT projects. In addition, the part of the taxable 2013B LTGO bonds proceeds was used for the partial refunding of the 2004 LTGO bonds.

City had no short-term general obligation debt at the end of 2013.

The following table presents the individual general obligation bonds outstanding as of December 31, 2013, and other relevant information on each outstanding bond issue.

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

Name and Purpose of Issue	Issuance Date	Maturity Date	Effective Interest Rate	Bond Issuance	Redemptions		Bonds Outstanding December 31
					2013	To Date ^a	
LIMITED TAX GENERAL OBLIGATION (LTGO) BONDS - NON-VOTED							
Deferred Interest Parking Garage, 1998, Series E	11/12/98	12/15/01-14	4.714 %	\$ 13,042	\$ 1,262	\$ 12,345	\$ 697 ^b
Various Purpose and Refunding, 2003	02/26/03	08/01/04-23	3.469	60,855	1,175	60,855	-
Refunding, 2004	05/24/04	07/01/04-20	4.118	91,805	49,055	84,975	6,830
Various Purpose and Refunding, 2005	03/23/05	08/01/05-28	4.167	129,540	6,075	79,005	50,535
Various Purpose and Refunding, 2006	04/26/06	03/01/07-26	4.254	24,905	1,430	11,235	13,670
Various Purpose and Refunding, 2007	05/02/07	10/01/07-28	4.251	95,550	2,495	15,505	80,045
Various Purpose and Refunding, 2008	07/02/08	12/01/08-28	4.398	139,830	7,880	34,675	105,155
Various Purpose and Refunding, 2009	03/25/09	11/01/09-05/01/34	3.574	99,860	12,040	39,860	60,000
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	9,500	19,160	116,235
Various Purpose, 2011	03/16/11	03/01/11-31	4.431	79,185	7,545	10,105	69,080
Various Purpose and Refunding, 2012	05/16/12	09/01/12-32	4.603	75,590	2,540	2,760	72,830
Improvement, 2013, Series A	06/04/13	10/01/14-33	3.617	42,315	-	-	42,315
Improvement and Refunding, 2013, Series B	06/04/13	01/01/14-25	1.341	55,075	-	-	55,075
Total Limited Tax General Obligation Bonds				1,109,457	100,997	370,480	738,977
UNLIMITED TAX GENERAL OBLIGATION (UTGO) BONDS - VOTED							
Refunding-Variou s UTGO Bonds, 1998, Series A	03/17/98	09/01/98-17	4.470	53,865	875	52,835	1,030
Refunding, 2007	05/02/07	12/01/07-18	3.886	60,870	6,305	25,355	35,515
Refunding-Variou s UTGO Bonds, 2012	05/16/12	12/01/12-21	4.603	46,825	4,365	4,960	41,865
Improvement, 2013	06/04/13	12/01/14-42	4.110	50,000	-	-	50,000
Total Unlimited Tax General Obligation Bonds				211,560	11,545	83,150	128,410
Total General Obligation Bonds				<u>\$ 1,321,017</u>	<u>\$ 112,542</u>	<u>\$ 453,630</u>	<u>\$ 867,387</u>

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

^b The accreted value of the outstanding bonds as of December 31, 2013, is \$1,482,661.40. 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 receives a federal subsidy through Treasury Department and the Internal Revenue Service in an amount equal to 35 percent of the total coupon interest payable to investors or buyers of the bonds.

The requirements to amortize the general obligation bonds as of December 31, 2013, are presented in the following table. Debt service for the LTGO bonds is met by transfers generally from the General Fund and certain special revenue funds and by reimbursements from proprietary funds of the City. Debt service for the UTGO bonds is covered by property tax levies that authorized the bond issues and were approved by at least 60 percent of the voters in elections in which the number of voters exceeded 40 percent of the voters in the most recent election preceding the election to vote on the bond issue.

Table 9-2

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

Year Ending December 31	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2014	\$ 71,473	\$ 34,477	\$ 1,857	\$ 3,739	\$ 111,546
2015	58,902	31,753	2,950	2,823	96,428
2016	59,590	29,325	3,280	2,676	94,871
2017	61,255	26,843	3,630	2,512	94,240
2018	59,675	24,170	4,010	2,331	90,186
2019 - 2023	243,030	85,522	26,625	8,223	363,400
2024 - 2028	170,495	35,043	15,975	1,455	222,968
2029 - 2033	61,945	10,202	-	-	72,147
2034 - 2038	11,840	3,583	-	-	15,423
2039 - 2042	10,855	1,107	-	-	11,962
Total	<u>\$ 809,060</u>	<u>\$ 282,025</u>	<u>\$ 58,327</u>	<u>\$ 23,759</u>	<u>\$ 1,173,171</u>

SPECIAL ASSESSMENTS BONDS WITH GOVERNMENTAL COMMITMENT

The bonds are special fund obligations of the City, the debt service of which will be paid from collections from related local improvement district (LID) assessments levied against the benefited properties located within the boundaries of the LID. Though guaranteed by the City's LID Guaranty Fund, this type of special assessment bonds does not constitute an obligation of any political subdivision thereof other than the City, and neither the full faith and credit nor the taxing power of the City is pledged to the payment of the bonds. The amount of special assessment bonds outstanding at the end of 2013 was \$13.0 million. There were no new bond issues in 2013.

The following table shows more detail on the outstanding issue.

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

Name of Issue	Issuance Date	Maturity Date	Effective Interest Rate	Bond Issuance	Redemptions		Bonds Outstanding December 31
					2013	To Date	
Local Improvement District No. 6750 Bonds, 2006	09/13/06	12/15/07-26	4.102	\$ 21,925	\$ -	\$ 8,920	\$ 13,005

The requirements to amortize the special assessments with governmental commitment as of December 31, 2013, are shown below.

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

Year Ending December 31	Principal	Interest	Total
2014	\$ -	\$ 537	\$ 537
2015	-	537	537
2016	-	537	537
2017	-	537	537
2018	-	537	537
2019 - 2023	-	2,148	2,148
2024 - 2026	13,005	1,611	14,616
Total	<u>\$ 13,005</u>	<u>\$ 6,444</u>	<u>\$ 19,449</u>

NOTES AND CONTRACTS PAYABLE – GOVERNMENTAL ACTIVITIES

The Seattle Department of Transportation (SDOT) has outstanding notes drawn in several years from the Washington State’s Public Works Trust Loan program administered by the Washington State Public Works Board, a division of the Department of Commerce (formerly Department of Community, Trade, and Economic Development). The notes were drawn at varying low annual interest rates ranging from 0.5 percent to 3.0 percent. The proceeds of the loan support City road and bridge improvements. The City paid \$2.1 million and \$0.2 million in principal and interest, respectively, in 2013. The outstanding balance on the notes at December 31, 2013, is \$16.6 million. The following table presents the annual debt service requirements to maturity on the notes as of the end of 2013.

**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
2014	\$ 2,051	\$ 155	\$ 2,206
2015	1,912	126	2,038
2016	1,723	101	1,824
2017	1,519	78	1,597
2018	1,355	59	1,414
2019 - 2023	5,360	122	5,482
2024 - 2028	1,762	26	1,788
2029 - 2033	947	5	952
Total	<u>\$ 16,629</u>	<u>\$ 672</u>	<u>\$ 17,301</u>

REVENUE BONDS

The City also issues revenue bonds to provide financing for the capital programs of the four utilities of the City, namely, City Light and the utilities grouped under Seattle Public Utilities, which are Water, Drainage and Wastewater, and Solid Waste. The City does not pledge its full faith and credit for the payment of debt service on revenue bonds. Payment of debt service on the bonds issued for each utility is derived solely from the revenues generated by the related utility. The original amount of revenue bonds issued for bonds outstanding at the end of 2013 was approximately \$4.505 billion. The total outstanding amount at December 31, 2013, was \$3.391 billion. During 2013 an additional \$190.8 million of revenue bonds were issued.

City Light

On July 9, 2013, the City issued \$190.8 million Municipal Light and Power Improvement and Refunding Revenue Bonds (Parity) to advance refund \$14.2 million of the outstanding 2004 bond series and finance certain capital improvements to the City’s light system. Also \$2.4 million was used to make a deposit to the Reserve Fund. Further discussion on the advance refunding is shown in the Advance and Current Refunding sections of this note.

The business-type funds had no short-term debt at December 31, 2013.

The following table presents the individual revenue bonds outstanding as of December 31, 2013, and other pertinent information on each outstanding bond issue.

Table 9-6

REVENUE BONDS

(In Thousands)

Name and Purpose of Issue	Issuance Date	Maturity Dates	Effective Interest Rates	Bond Issuance	Redemptions		Bonds Outstanding December 31
					2013	To Date ^a	
MUNICIPAL LIGHT AND POWER (ML&P) BONDS							
2003 Parity, Refunding	08/20/03	11/01/04-28	3.517	\$ 251,850	\$ 4,410	\$ 251,850	\$ -
2004 Parity	12/23/04	08/01/05-29	4.159	284,855	32,485	143,780	141,075
2008 Parity	12/30/08	04/01/09-29	5.522	257,375	14,500	56,235	201,140
2010 Parity, Series A ^b	05/26/10	02/01/21-40	3.566	181,625	-	-	181,625
2010 Parity, Series B	05/26/10	02/01/11-26	3.413	596,870	41,880	86,730	510,140
2010 Parity, Series C ^c	05/26/10	02/01/11-40	3.112	13,275	-	-	13,275
2011 Parity, Series A, Refunding	02/08/11	02/01/11-36	4.544	296,315	4,555	18,290	278,025
2011 Parity, Series B ^d	02/08/11	02/01/11-27	1.957	10,000	-	-	10,000
2012 Parity, Series A	07/17/12	06/01/41	3.147	293,280	3,770	3,770	289,510
2012 Parity, Series B, Refunding	07/17/12	12/01/14	0.750	9,355	4,430	4,575	4,780
2012 Parity, Series C ^d	07/17/12	06/01/33	0.586	43,000	-	-	43,000
2013 Parity	07/09/13	07/01/43	4.051	190,755	-	-	190,755
Total Light Bonds				2,428,555	106,030	565,230	1,863,325
MUNICIPAL WATER BONDS							
2003 Parity, Refunding	05/12/03	09/01/03-33	4.083	271,320	9,265	255,100	16,220
2004 Parity	10/25/04	09/01/05-34	4.580	84,750	1,870	82,790	1,960
2005 Parity, Refunding	12/28/05	09/01/06-29	4.482	138,040	5,050	24,910	113,130
2006 Parity, Refunding	10/23/06	02/01/08-37	4.424	189,970	4,865	21,820	168,150
2008 Parity, Refunding	12/15/08	08/01/09-38	4.978	205,080	5,190	25,065	180,015
2010 Parity, Series A ^b	01/21/10	08/01/19-40	3.718	109,080	-	-	109,080
2010 Parity, Series B, Refunding	01/21/10	08/01/10-27	3.298	81,760	5,130	18,370	63,390
2012 Parity, Refunding	05/30/12	09/01/12-34	2.631	238,770	1,260	3,705	235,065
Total Water Bonds				1,318,770	32,630	431,760	887,010
MUNICIPAL DRAINAGE AND WASTEWATER BONDS							
2004 Parity	10/28/04	09/01/05-34	4.583	62,010	1,390	53,140	8,870
2006 Refunding	11/01/06	02/01/07-37	4.423	121,765	4,090	21,650	100,115
2008 Parity	04/16/08	06/01/09-38	4.830	84,645	1,575	7,285	77,360
2009 Parity, Series A ^b	12/17/09	11/01/17-39	3.538	102,535	-	-	102,535
2009 Parity & Refunding, Series B	12/17/09	11/01/10-27	2.907	36,680	3,360	13,455	23,225
2012 Parity & Refunding	06/27/12	09/01/12-42	3.327	222,090	4,800	8,915	213,175
Total Drainage and Wastewater Bonds				629,725	15,215	104,445	525,280
SOLID WASTE BONDS							
2007 Revenue & Refunding	12/12/07	02/01/08-33	4.505	82,175	2,295	10,240	71,935
2011 Revenue	06/22/11	08/01/12-36	4.227	45,750	1,035	1,810	43,940
Total Solid Waste Bonds				127,925	3,330	12,050	115,875
Total Utility Revenue Bonds				\$ 4,504,975	\$ 157,205	\$ 1,113,485	\$ 3,391,490

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

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

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

^d Issued as taxable New Clean Renewable Energy Bonds.

The requirements to amortize the revenue bonds as of December 31, 2013, are presented below.

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

Year Ending December 31	Light		Water		Drainage and Wastewater		Solid Waste		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2014	\$ 99,670	\$ 90,136	\$ 33,545	\$ 43,369	\$ 15,825	\$ 25,282	\$ 3,495	\$ 5,549	\$ 316,871
2015	101,800	85,444	35,015	41,836	16,415	24,620	3,665	5,372	314,167
2016	100,455	80,394	36,700	40,126	17,220	23,899	3,855	5,185	307,834
2017	101,625	75,337	38,450	38,334	18,070	23,124	4,045	4,989	303,974
2018	102,225	70,500	40,315	36,455	18,905	22,252	4,260	4,783	299,695
2019 - 2023	490,590	278,923	228,295	150,521	102,510	96,859	22,850	20,621	1,391,169
2024 - 2028	386,205	160,946	212,460	93,715	114,185	70,687	28,730	14,317	1,081,245
2029 - 2033	192,830	91,893	156,465	47,512	105,810	41,868	36,285	6,772	679,435
2034 - 2038	182,400	45,575	91,845	16,435	90,805	17,433	8,690	883	454,066
2039 - 2043	105,525	10,076	13,920	1,237	25,535	2,304	-	-	158,597
Total	<u>\$ 1,863,325</u>	<u>\$ 989,224</u>	<u>\$ 887,010</u>	<u>\$ 509,540</u>	<u>\$ 525,280</u>	<u>\$ 348,328</u>	<u>\$ 115,875</u>	<u>\$ 68,471</u>	<u>\$ 5,307,053</u>

NOTES AND CONTRACTS PAYABLE – BUSINESS-TYPE ACTIVITIES

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

Water

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, 2013, this loan has an outstanding balance of \$5.4 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, 2013, this loan has an outstanding balance of \$2.2 million.

Also in 2009, the Fund entered into two loan agreements to borrow, totaling \$9.0 million, from the same program to be used to finance the Maple Lead Reservoir project. The first loan, in the amount of \$5.9 million, was funded with resources from the American Recovery and Reinvestment Act of 2009 (ARRA) at 1.0 percent annual interest and payable in 19 years. The second loan, in the amount of \$3.0 million, bears interest of 1.5 percent per annum and a repayment period of 19 years. As of December 31, 2013, these loans have an outstanding balance of \$9.6 million.

Amounts paid for all loans in 2013 totaled \$1.2 million and \$234 thousand, in principal and interest, respectively. The combined outstanding balance of the loans at December 31, 2013 is \$17.2 million. The minimum debt service requirements to maturity are included in Table 9-8.

Drainage and Wastewater

During 2004, the Fund entered into a loan agreement to borrow up to \$3.7 million from the Washington State Department of Commerce under its Public Works Trust Loan program for the construction of certain capital improvements. Amounts borrowed under the agreement accrue interest at 0.5 percent per annum and are to be repaid in 20 annual installments plus interest. Proceeds from this loan were used to finance the Thornton Creek Natural Drainage Systems. As of December 31, 2013, this loan has an outstanding balance of \$2.2 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, 2013, the loan has an outstanding balance of \$2.2 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, 2013, the loan has an outstanding balance of \$2.4 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, 2013, the loan has an outstanding balance of \$6.1 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, 2013, the loan has an outstanding balance of \$0.5 million.

In 2011, the Fund was approved for a public works trust fund loan of \$4.0 million from the Washington State Department of Commerce for construction and site improvements in the Midvale area of Seattle. Amounts borrowed under this agreement accrue interest at 0.5 percent per annum and are to be repaid by June 2032. In 2013, the Fund made an additional draw of \$426 thousand. As of December 31, 2013, the loan has an outstanding balance of \$3.8 million.

In 2012, the Fund entered into a loan agreement with the Washington State Department of Ecology to borrow up to \$1.9 million to support the design and construction of the storm water facility for the Capitol Hill Water Quality Project. Amounts borrowed under this agreement accrue interest at 2.6 percent per annum and are to be repaid over 20 years. As of December 31, 2013, the loan has an outstanding balance of \$1.3 million.

Amounts paid to all loans in 2013 totaled \$1.1 million in principal and approximately \$191 thousand in interest. Total loans outstanding as of December 31, 2013 are \$18.4 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	
2014	\$ 1,125	\$ 224	\$ 1,116	\$ 167	\$ 2,632
2015	1,125	209	1,162	208	2,704
2016	1,125	194	1,189	179	2,687
2017	1,125	179	1,199	165	2,668
2018	1,125	163	1,210	153	2,651
2019 - 2023	5,625	593	5,989	568	12,775
2024 - 2028	4,367	230	4,713	271	9,581
2029 - 2033	1,629	39	1,737	49	3,454
2034 - 2038	-	-	44	1	45
Total	<u>\$ 17,246</u>	<u>\$ 1,831</u>	<u>\$ 18,359</u>	<u>\$ 1,761</u>	<u>\$ 39,197</u>

The following table shows the long-term liability activities during the year ended December 31, 2013.

Table 9-9 **CHANGES IN LONG-TERM LIABILITIES ^a**
(In Thousands)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
Bonds Payable					
General Obligation Bonds	\$ 772,950	\$ 147,390	\$ 111,280	\$ 809,060	\$ 72,170
Issuance Premiums and Discounts, Net	56,070	9,692	11,843	53,919	-
Special Assessment Bonds with Governmental Commitment ^b	13,005	-	-	13,005	-
Total Bonds Payable	<u>842,025</u>	<u>157,082</u>	<u>123,123</u>	<u>875,984</u>	<u>72,170</u>
Notes and Contracts					
Capital Leases	6	-	4	2	2
Other Notes and Contracts	18,742	-	2,111	16,631	2,051
Total Notes and Contracts	<u>18,748</u>	<u>-</u>	<u>2,115</u>	<u>16,633</u>	<u>2,053</u>
Environmental Liability ^c					
General Contamination Cleanup	259	675	-	934	-
Compensated Absences	84,078	4,708	-	88,786	19,575
Claims Payable					
Workers' Compensation	25,258	2,916	-	28,174	8,320
General Liability	47,387	-	2,612	44,775	12,739
Health Care Claims	2,248	779	-	3,027	-
Total Claims Payable ^d	<u>74,893</u>	<u>3,695</u>	<u>2,612</u>	<u>75,976</u>	<u>21,059</u>
Arbitrage Rebate Liability	17	-	5	12	-
Unfunded Other Post Employment Benefits	64,208	9,964	-	74,172	-
Other Noncurrent Liabilities	6,350	-	6,134	216	-
Total Long-Term Liabilities from Governmental Activities	<u>\$ 1,090,578</u>	<u>\$ 176,124</u>	<u>\$ 133,989</u>	<u>\$ 1,132,713</u>	<u>\$ 114,857</u>
BUSINESS-TYPE ACTIVITIES					
Bonds Payable					
General Obligation Bonds	\$ 59,589	\$ -	\$ 1,262	\$ 58,327	\$ 1,857
Revenue Bonds	3,357,940	190,755	157,205	3,391,490	152,535
Issuance Premiums and Discounts, Net	218,285	-	3,278	215,007	-
Total Bonds Payable	<u>3,635,814</u>	<u>190,755</u>	<u>161,745</u>	<u>3,664,824</u>	<u>154,392</u>
Notes and Contracts - Other	34,763	843	-	35,606	2,241
Environmental Liability ^c					
General Contamination Cleanup	115,388	5,371	-	120,759	17,134
Compensated Absences	30,425	1,135	-	31,560	3,197
Claims Payable					
Workers' Compensation	9,637	1,137	-	10,774	3,182
General Liability	18,369	-	3,075	15,294	3,317
Total Claims Payable ^d	<u>28,006</u>	<u>1,137</u>	<u>3,075</u>	<u>26,068</u>	<u>6,499</u>
Unearned Revenues	16,469	4,218	-	20,687	-
Habitat Conservation Program Liability	6,911	-	681	6,230	805
Landfill Closure and Postclosure Costs	18,617	-	1,656	16,961	987
Unfunded Other Post Employment Benefits	11,912	2,858	-	14,770	-
Other Noncurrent Liabilities	2,711	550	-	3,261	-
Total Long-Term Liabilities from Business-Type Activities	<u>\$ 3,901,016</u>	<u>\$ 206,867</u>	<u>\$ 167,157</u>	<u>\$ 3,940,726</u>	<u>\$ 185,255</u>

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

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

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

^d See Note 16, Contingencies, for a discussion of risk management, environmental, and other matters. The table in Note 16 also includes information on workers' compensation and health care.

The City's internal service funds predominantly serve governmental funds. For this reason the above totals in the governmental activities include the long-term liabilities for these funds. At the end of the year compensated absences and claims payable of these funds amounted to approximately \$3.2 million and \$2.0 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 15, Commitments.

ADVANCE AND CURRENT REFUNDINGS

In order to lower interest costs the City refunded and defeased certain bonds. To do so, the City issued new refunding bonds to refund certain prior bond issues and also used its own resources to defease certain prior bond issues. In most cases, City resources and the proceeds of refunding bonds are placed in irrevocable trusts for the purchase of federal, state, and local government securities to provide for all future debt service on the old bonds. As a result, the old bonds including those refunded are considered defeased, and the corresponding liabilities are not included in the statement of net position. In some cases, like for City Light and Water bonds in the past three years, proceeds are kept with the City as restricted cash until the refunded bonds are called, usually within 90 days. The following paragraph discusses the advance and current refundings that occurred in 2013.

General Government

The portion of the \$55.1 million LTGO Improvement Bonds, 2013B, issued by the City on June 4, 2013, were used partially to refund 2004 LTGO Refunding of 1996 A for \$42.6 million. The aggregate total debt service on the refunded bonds requires a cash flow of \$51.2 million, including \$8.7 million in interest. The aggregate total debt service on the refunding bonds requires a cash flow of \$45.9 million, including interest of \$1.9 million. The difference between the cash flows required to service the old and the new debt and complete the refunding totaled approximately \$5.3 million, and the aggregate economic gain amounted to approximately \$4.1 million at net present value.

City Light

The refunding portion of the \$203.5 million in 2013 provided both new money to the Department and advance refunded \$14.2 million of the outstanding 2004 bond series. In addition to advance refunding a portion of the 2004 bond series, the Bonds were issued to finance certain capital improvements and conversation programs for the Light System of the City of Seattle and to make a deposit to the Reserve fund of \$2.4 million.

The refunding resulted in the recognition of a loss on refunding of \$800 thousand, and the economic gain totaled \$700 thousand at net present value. The arbitrage yield for the bonds is 3.91 percent. The debt service for the 2013 bonds requires a cash flow over the life of the bonds of \$352.2 million, including \$161.4 million in interest. The difference between the cash flows required to service the old and new debt and to complete the refunding totaled \$1.4 million.

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 2013	Defeased Outstanding December 31
GENERAL OBLIGATION BONDS							
Limited Tax (Non-Voted)							
Various Purpose and Refunding, 2003, Defeased 4/4/07	02/26/03	08/01/04-23	3.469 %	\$ 48,480	\$ 2,715	\$ 2,715	\$ -
Various Purpose and Refunding, 2003, Defeased 8/30/07					3,180	3,180	-
Various Purpose and Refunding, 2003, Defeased 12/17/08					6,480	6,480	-
Various Purpose and Refunding, 2003, Refunded 5/16/12					5,320	5,320	-
Refunding, 2004, Refunded 6/4/13	05/24/04	07/01/04-20	4.118	91,805	42,565	-	42,565
Various Purpose and Refunding, 2005, Refunded 5/16/12	03/23/05	08/01/05-28	4.603	129,540	20,160	-	20,160
REVENUE BONDS							
Municipal Light and Power							
2003 Parity, Refunding, Refunded 7/17/12	08/20/03	11/01/04-28	4.440	251,850	121,435	121,435	-
2004 Parity, Refunded 7/17/12	12/23/04	08/01/05-29	4.230	284,855	41,750	-	41,750
Municipal Water							
2003 Parity Refunding, Refunded 5/30/12	05/12/03	12/31/03-33	4.083	271,320	151,340	151,340	-
2004 Parity, Refunded 5/30/12	10/25/04	09/01/05-34	4.580	84,750	68,125	-	68,125
Municipal Drainage and Wastewater							
2004 Parity, Refunded 6/27/12	10/28/04	09/01/05-34	4.583	62,010	42,540	-	42,540
Total Refunded/Defeased Bonds				<u>\$ 1,224,610</u>	<u>\$ 505,610</u>	<u>\$ 290,470</u>	<u>\$ 215,140</u>

ARBITRAGE

Since 1995 the City has been reviewing arbitrage rebate liability on its outstanding tax-exempt bonds and certificates of participation under Section 148(f) of the Internal Revenue Code. For bonds that have reached their installment computation dates (bonds outstanding for five years initially and every five years thereafter until the last of the bond issue matures), the City paid arbitrage rebate of \$19 thousand on its general obligation bonds in 2011 and none in 2012. As of December 31, 2013, arbitrage rebate liability on general obligation bonds and revenue bonds are \$12 thousand and none, respectively.

(10) ENVIRONMENTAL LIABILITIES

Following is a brief description of the significant sites:

- The Harbor Island Superfund Site. In 1983, the U.S. Environmental Protection Agency (EPA) designated this site as a federal Superfund site. The City and other entities are sharing costs of investigating contamination in the East Waterway alongside Harbor Island. The City's involvement stems from its sale of transformers to a company on Harbor Island. The City is one of four parties who are conducting a remedial investigation and feasibility study that will delineate cleanup actions. The EPA approved the remedial investigation report. The City's ultimate liability is indeterminate.
- The Lower Duwamish Waterway Superfund Site. In 2001, the EPA designated this site as a federal Superfund site for contaminated sediments. The City's involvement is attributable to its land ownership/use of property along the river. The City is one of four parties who signed an Administrative Order on Consent (AOC) with the EPA and Washington State Department of Ecology (DOE) to conduct a remedial investigation and feasibility study to prepare a site remedy. The EPA approved the feasibility study in November 2012. In February 2013, the EPA issued the Proposed Plan for cleanup of the Lower Duwamish Waterway Superfund Site indicating EPA's preferred alternative cleanup with an estimated cost of \$305.0 million. The Proposed Plan is subject to public comment. At this time, the cost of certain additional undefined requirements by the EPA is unknown. The City's ultimate liability is indeterminate.

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

- North Boeing Field/Georgetown Steam Plant. The City, King County, and Boeing have signed an Administrative Order issued by the DOE requiring them to investigate and possibly remove contamination in an area that encompasses North Boeing Field, the City's Georgetown Steam Plant, and the King County Airport. This site was also the subject of the lawsuit brought by the City against Boeing. Boeing has agreed to pay 67 percent of the costs for DOE's implementation of the order. The order requires completion and then implementation of a remedial investigation and feasibility study work plan. The final remedial investigation work plan was issued in November 2013. Boeing and the City will each pay 100 percent of costs for remedial action at their own facilities.
- Gas Works Park Sediment Site. In April 2002 the DOE named the City and another party, Puget Sound Energy, as partially responsible parties for contamination at the Gas Works Sediments Site in North Lake Union. The City and Puget Sound Energy signed an Agreed Order with the DOE in 2005 to initiate two remedial investigations and two feasibility studies for the sediment site—one in the western portion of the site led by the City, and another in the eastern portion of the site led by Puget Sound Energy. Subsequently, in fall of 2012, the City and Puget Sound Energy entered into a Settlement, Release, and Cost Allocation Agreement that puts Puget Sound Energy in the lead for all additional cleanup work at the site; the east-west split is no longer in place. Based on the 2012 Agreement, the City pays for 20 percent of the Shared Costs incurred by Puget Sound Energy for the cleanup work. One set of remedial investigation and feasibility study reports include an evaluation of the nature and extent of contamination on the site, an evaluation of multiple alternatives for remediating the sediments, and a recommended preferred alternative. Puget Sound Energy collected additional environmental data in 2013 and the second remedial investigation is expected to be completed in 2014 followed by the feasibility study in 2015. A Clean-up Action Plan is expected from the DOE in about 2016.
- 7th Avenue South Pump Station. The City acquired land in the South Park area of Seattle to construct the 7th Avenue South Pump Station. The land was determined to be contaminated subsequent to the purchase. The City has voluntarily agreed to clean up the contamination in order to continue with the planned construction of the pump station. The cleanup was completed in 2012.
- South Park. The City and a private developer are under an Agreed Order with the DOE to perform a remedial investigation and feasibility study and to draft a Cleanup Action Plan for the historic South Park Landfill site under the State Model Toxics Control Act. The City and developer submitted a draft remedial investigation and feasibility study report in April 2012 and are negotiating with DOE to finalize the report and move forward to draft a Cleanup Action Plan. DOE has approved an interim cleanup action by the developer on his portion of site property to take place in 2014. In 2012, the City executed an agreement regarding the developer's interim action that settles City liabilities for the interim cleanup costs but not City liabilities for the permanent cleanup.

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

The City is aggressively pursuing other third parties that may have contributed to the contamination of the sites noted above. The City's estimate for realized recoveries was \$0.1 million and \$0.7 million, at December 31, 2013 and 2012, respectively. 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 zero and \$0.5 million, at December 31, 2013 and 2012, respectively.

The changes in the provision for environmental liability (in millions) at December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Beginning Environmental Liability, Net of Recovery	\$ 115.7	\$ 34.7
Payments or Amortization	(4.9)	(8.6)
Incurred Environmental Liability	<u>10.9</u>	<u>89.6</u>
Ending Environmental Liability, Net of Recovery	<u>\$ 121.7</u>	<u>\$ 115.7</u>

The provision for environmental liability (in millions) included in current and noncurrent liability at December 31, 2013 and 2012, is as follows:

	<u>2013</u>	<u>2012</u>
Environmental Liability, Current	\$ 17.1	\$ 16.7
Environmental Liability, Noncurrent	<u>104.6</u>	<u>99.0</u>
Total	<u>\$ 121.7</u>	<u>\$ 115.7</u>

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

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

City of Seattle employees are covered in one of the following defined benefit pension plans: Seattle City Employees' Retirement System (SCERS), Firemen's Pension Fund, Police Relief and Pension Fund, and Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF). The first three plans are considered part of the City's reporting entity and are reported as pension trust funds. The State of Washington through the Department of Retirement Systems (DRS) administers and reports LEOFF Plans 1 and 2.

Table 11-1

PENSION PLAN INFORMATION

	<u>Employees' Retirement</u>	<u>Firemen's Pension</u>	<u>Police Relief and Pension</u>	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
Actuarial Valuation Date	1/1/2013	1/1/2013	1/1/2013	6/30/2012	6/30/2012
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Frozen Initial Liability	Aggregate ^a
Asset Valuation Method	5-Year Smoothing Method	Fair Value	Fair Value	8-Year Graded Smoothed Fair Value ^b	8-Year Graded Smoothed Fair Value ^b
Amortization Method	Level %	Level \$	Level \$	Level % ^c	N/A
Amortization Period	Does Not Amortize ^d	30.0 years	30.0 years	12.0 years	N/A
Amortization Approach	Open	Open	Closed	Closed	Open
Actuarial Assumptions					
Inflation Rate (CPI)	3.50%	2.50% ^e	2.50% ^e	3.00%	3.00%
Investment Rate of Return	7.75%	3.75%	3.75%	7.90%	7.50%
Projected Salary Increases - General	4.00%	3.25% ^e	3.25% ^e	3.75%	3.75%
Projected Salary Increases - Step Merit	N/A	N/A	N/A	Varies ^f	Varies ^f
Postretirement Benefit Increases	1.50%	2.50% ^g	2.50% ^g	3.00%	3.00%

^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 As of the January 1, 2013 valuation, the Contribution Rate of 22.92% is not sufficient to amortize the UAAL based on the 2013 valuation over the maximum allowable period of 30 years. Please refer to the complete actuarial study available from SCERS for details.

^e Long-term assumption.

^f For specific information, please refer to the 2012 Actuarial Valuation Report issued by the Washington Office of the State Actuary.

^g Other post benefits increase at the same rate as the CPI and the CPI is assumed to increase in the loan term at the rate of 2.5% per annum.

SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM

Plan Description

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

All employees of the City of Seattle are eligible for membership in the system with the exception of law enforcement officers and fire fighters who are covered under the statewide LEOFF plans administered by the state Department of Retirement Systems. Employees of METRO and the King County Health Department who established membership in the system when these organizations were City of Seattle departments were allowed to continue their membership. Current membership in SCERS consisted of the following at December 31, 2013:

Retirees and Beneficiaries Receiving Benefits	5,880
Terminated Plan Members Entitled To But Not Yet Receiving Benefits, Vested	1,170
Active Plan Members, Vested and Non-vested	8,604

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 position are recognized when the transactions or events occur. Employee and employer contributions are reported in the period in which the contributions are due. Member benefits, including refunds, are due and payable by the plan in accordance with plan terms.

Investments, including securities lending transactions as discussed in Note 3, are reported at fair value. Fair value is the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. All investments, with the exception of real estate and private equity, are valued based on closing market prices or broker quotes. Securities not having a quoted market price have been valued based on yields currently available on comparable securities of issuers with similar credit ratings. The fair value of real estate investments is based on estimated current values and independent appraisals. The fair value of private equities are based on management's valuation of estimates and assumptions from information and representations provided by the respective general partners, in the absence of readily ascertainable market values. 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 position 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 2012 were 10.03 percent for members and 11.01 percent for the employer. Plan member and employer contributions for 2012 are \$57,086,346 and \$62,515,432, 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. Beginning in 2010, actuarial studies are performed annually. The valuation date of the latest study is January 1, 2013, and covers calendar year 2012. Based on this valuation, the Actuarial Value of Assets (AVA) is \$1.920 billion; the Actuarial Accrued Liability (AAL) is \$3.025 billion; the Unfunded Actuarial Accrued Liability (UAAL) is \$1.105 billion; and the Funded Ratio was 63.5 percent.

An actuarial study with valuation date of January 1, 2014, is presently underway, and expected to be available at the Retirement Office after July 1, 2014.

The three-year trend information (in thousands) is presented directly below. The Annual Pension Cost (APC) and Net Pension Obligation (NPO) for years ending 2012 and 2011 are presented in Table 11-2.

Fiscal Year Ending December 31	Annual Pension Cost (APC)	Total Employer Contribution	Percentage of APC Contributed	Net Pension Obligation (NPO)
2010	\$ 93,924	\$ 45,225	48 %	\$ (29,167)
2011	72,346	50,301	70	(7,122)
2012	67,062	62,515	93	(2,575)

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

Fiscal Year Ending December 31	Annual Required Contribution (ARC) at End of Year	Interest on NPO	ARC Adjustment	Annual Pension Cost (APC)	Total Employer Contributions	Change in NPO	NPO Beginning Balance	NPO Ending Balance
2012	\$67,228	\$(552)	\$385	\$67,062	\$62,515	\$4,547	\$(7,122)	\$(2,575)

Seattle City Employees' Retirement System's net pension asset decreased from \$7.1 million to \$2.6 million, a decrease of \$4.5 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, 2012
(In Thousands)

	<u>2012</u>		<u>2011</u>
Total Normal Cost Rate	14.99	%	15.19
Employee Contribution Rate	<u>10.03</u>		<u>9.03</u>
Employer Normal Cost Rate	<u>4.96</u>		<u>6.16</u>
Total Employer Contribution Rate ^a	11.01	%	9.03
Amortization Payment Rate	6.05		2.87
Amortization Period (Year)	Does Not Amortize		Does Not Amortize
GASB 27 Amortization Rate	6.88		6.95
Total Annual Required Contribution (ARC) Rate ^b	11.84		13.11
Covered Employee Payroll ^c	\$ 567,806		\$ 557,046
ARC	\$ 67,228		\$ 73,028
Interest on Net Pension Obligation (NPO)	(552)		(2,260)
Adjustment to ARC	<u>385</u>		<u>1,578</u>
Annual Pension Cost (APC)	<u>\$ 67,062</u>		<u>\$ 72,346</u>
Employer Contribution	\$ 62,515		\$ 50,301
Change in NPO	\$ 4,547		\$ 22,045
NPO at Beginning of Year	<u>(7,122)</u>		<u>(29,167)</u>
NPO at End of Year	<u>\$ (2,575)</u>		<u>\$ (7,122)</u>

^a Beginning with the January 1, 2013 actuarial valuation report, GASB calculations take into account the lag between determination of the actuarial contribution rate and the date of expected contribution rate. For example, the January 1, 2011 valuation calculates the contribution rate beginning January 1 2012. The change was made due to SCER's new funding policy, adopted in 2011, to contribute the actuarially determined contribution rate.

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

Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
\$1,920,100	\$3,025,300	\$1,105,000	63.5%	\$567,806	194.6%

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

The City’s contracts with all labor unions that represent members of SCERS describe how contribution rates would be changed in the event higher contributions are needed to improve the financial status of the Employees’ Retirement Fund. If a contribution rate increase is needed, the City intends to apply the same formula to non-represented employees. As described in Seattle Municipal Code 4.36.110, the City will match the match the normal contributions made by members. The City will also contribute, in excess of these matching contributions, the actuarially determined contributions necessary to guarantee benefits payable.

FIREMEN’S PENSION AND POLICE RELIEF AND PENSION FUNDS

Plan Description

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

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

All law enforcement officers and fire fighters of the City who served before March 1, 1970, are participants of these pension plans, and may be eligible for a supplemental retirement benefit plus disability benefits under these plans. Those officers and fire fighters hired between March 1, 1970, and September 30, 1977, are not eligible for a supplemental retirement benefit, but may be eligible for disability benefits under this plan. Eligible law enforcement officers may retire with full benefits after 25 years of service at any age and fire fighters at age 50 after completing 25 years of service. These pension plans provide death benefits for eligible active and retired employees. In addition, these plans provide medical benefits in accordance with state statutes and City ordinances to active and retired members from the City. Currently 920 fire and 964 police retirees meet these eligibility requirements. The City fully reimburses the amount of valid claims for medical and hospitalization costs incurred by active members and pre-Medicare retirees. The City also reimburses the full amount of premiums for part B of Medicare for each retiree eligible for Medicare. Total postemployment medical benefits for Firemen’s Pension were \$9.5 million in 2012 and \$10.2 million in 2011; and for Police Relief and Pension, \$11.8 million in 2012 and \$11.7 million in 2011.

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

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

Current membership in Firemen's Pension and Police Relief and Pension consisted of the following at December 31, 2013:

	Firemen's Pension	Police Relief and Pension
Retirees and Beneficiaries Receiving Benefits	748	769
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	-	-
Active Plan Members, Vested	27	21
Active Plan Members, Non-vested	-	-

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 position 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. Actuarial studies with valuations dates of January 1, 2014, are presently underway and will be available at the Police and Fire Pension offices after July 1, 2014.

Three-year trend information (in thousands) for the Firemen's Pension and the Police Relief and Pension Funds as of the January 1, 2013, actuarial valuation are:

Retirement System	Fiscal Year Ending December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
Firemen's Pension Fund	2010	\$ 8,098	90 %	\$ (5,723)
	2011	7,333	113	(6,652)
	2012	7,491	138	(9,479)
Police Relief and Pension Fund	2010	7,872	125	(167)
	2011	8,537	131	(2,825)
	2012	6,956	120	(4,184)

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

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

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
Firemen's Pension Fund	\$12,943	\$106,424	\$ 93,481	12.0%	N/A	N/A
Police Relief and Pension Fund	4,625	104,729	100,104	4.0	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 \$9.7 million as of December 31, 2012. 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, 2012, based on the actuarial valuation as of January 1, 2013, was \$106.4 million for Firemen's Pension and \$104.7 million for Police Relief and Pension. The Police Relief and Pension AAL is funded on a pay-as-you-go basis. Annual requirements are funded through the City's adopted budget, and any budget requirements exceeding the adopted budget are fully covered by supplemental appropriations.

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 \$9.5 million net pension asset at December 31, 2012. The net pension obligation of the Police Relief and Pension Fund is a \$4.2 million net pension asset at December 31, 2012.

**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, 2012
(In Thousands)**

	Firemen's Pension			Police Relief and Pension		
	2012	2011	2010	2012	2011	2010
Annual Required Contribution (ARC)						
Annual Normal Cost - Beginning of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization of UAAL - Beginning of Year	7,103	6,940	7,668	6,630	8,206	7,602
Interest to End of Year ^a	284	278	307	265	328	304
ARC at End of Year	7,387	7,218	7,975	6,895	8,534	7,906
Interest on NPO	(266)	(229)	(263)	(113)	(7)	72
Adjustment to ARC	370	344	386	174	10	(106)
Annual Pension Cost (APC)	7,491	7,333	8,098	6,956	8,537	7,872
Employer Contribution ^b	10,318	8,262	7,255	8,315	11,195	9,842
Change in NPO	(2,827)	(929)	843	(1,359)	(2,658)	(1,970)
NPO at Beginning of Year	(6,652)	(5,723)	(6,566)	(2,825)	(167)	1,803
NPO at End of Year	<u>\$ (9,479)</u>	<u>\$ (6,652)</u>	<u>\$ (5,723)</u>	<u>\$ (4,184)</u>	<u>\$ (2,825)</u>	<u>\$ (167)</u>

^a The assumed interest rate is 4.0% for all years; it is net of investment expenses.

^b Beginning in 2009, administrative expenses paid by the fund are subtracted from employer contributions.

Following are the Firemen's Pension and the Police Relief and Pension financial statements for fiscal year ending December 31, 2013.

Table 11-4

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

December 31, 2013

(In Thousands)

	<u>Firemen's Pension</u>	<u>Police Relief and Pension</u>	<u>2013</u>	<u>2012</u>
ASSETS				
Cash and Equity in Pooled Investments	\$ 6,688	\$ 4,544	\$ 11,232	\$ 18,133
Investments at Fair Value				
Domestic Stocks	6,923	-	6,923	-
Receivables				
Due from Other Funds	-	-	-	1,125
Other	345	403	748	712
Interest and Dividends	6	-	6	433
Total Receivables	<u>351</u>	<u>403</u>	<u>754</u>	<u>2,270</u>
Total Assets	13,962	4,947	18,909	20,403
LIABILITIES				
Accounts Payable and Other Liabilities	<u>1,231</u>	<u>1,745</u>	<u>2,976</u>	<u>2,835</u>
Total Liabilities	<u>1,231</u>	<u>1,745</u>	<u>2,976</u>	<u>2,835</u>
Net Position Held in Trust for Pension Benefits	<u>\$ 12,731</u>	<u>\$ 3,202</u>	<u>\$ 15,933</u>	<u>\$ 17,568</u>

Table 11-5

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS**

For the Year Ended December 31, 2013

(In Thousands)

	Defined Benefit		Postemployment Healthcare		2013	2012
	Firemen's Pension	Police Relief and Pension	Firemen's Pension	Police Relief and Pension		
ADDITIONS						
Contributions Employer	\$ 7,123	\$ 7,016	\$ 9,899	\$ 11,972	\$ 36,010	\$ 39,062
Investment Income						
From Investment Activities						
Net Appreciation (Depreciation) in Fair Value of Investments	(49)	-	-	-	(49)	17
Interest	977	-	-	-	977	76
Dividends	36	-	-	-	36	-
Total Net Investment Income	964	-	-	-	964	93
Other Income	-	606	-	-	606	2,043
Total Additions	8,087	7,622	9,899	11,972	37,580	41,198
DEDUCTIONS						
Benefits	7,661	8,528	9,899	11,972	38,060	37,084
Administrative Expense	638	517	-	-	1,155	1,169
Total Deductions	8,299	9,045	9,899	11,972	39,215	38,253
Change in Net Position	(212)	(1,423)	-	-	(1,635)	2,945
Net Position - Beginning of Year	12,943	4,625	-	-	17,568	14,623
Net Position - End of Year	<u>\$ 12,731</u>	<u>\$ 3,202</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,933</u>	<u>\$ 17,568</u>

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

Plan Description

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

LEOFF was established in 1970 by the state legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned 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 an exception. Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the legislature. 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 2012 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, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

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

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted, indexed to the Seattle Consumer Price Index. LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. The credit can only be purchased at the time of retirement and cannot be used to qualify for any retirement eligibility or benefit reductions based upon years of service. This credit is to be used exclusively to provide the member with a monthly annuity that is paid in addition to the member's retirement allowance.

Plan 2 retirement benefits are vested after an employee completes 5 years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service or at the age of 53 with 5 years of service, with an allowance of 2 percent of the FAS per year of service (the 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.

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 one time duty-related death benefit is provided to beneficiary or the estate of a LEOFF Plan 1 member.

Plan 1 disability benefit 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 benefit or service retirement benefit.

Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53 unless the disability is duty-related and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

Plan 2 members who leave service because of a line-of-duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, Plan 2 members who leave service because of a line-of-duty disability may be eligible to receive a retirement allowance of at least 10 percent of final average salary and two percent per year of service beyond 5 years. The first 10 percent of the FAS is not subject to federal income tax.

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

Effective June 10, 2010:

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

Effective July 1, 2011:

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

Effective June 7, 2012:

- Engrossed House Bill 2771 amends the retirement statutes to clarify that governmental contractors are not employers under the system, unless otherwise qualifying, and that the determination of whether an employee/employer relationship has been established shall be based solely on the relationship between the contracted employee and the governmental employer. Applicable to LEOFF, PERS, PSERS, SERS, and TRS.
- Senate Bill 6134 changes the initial timeline to transfer service credit under RCW 41.26.435 from June 30, 2014, to June 30, 2012. Applicable to LEOFF 2.

Effective July 28, 2013:

- Substitute House Bill 1868 allows catastrophically disabled LEOFF 2 members to be reimbursed for premiums of medical insurance other than those which are provided by the employer, COBRA, or Medicare A and/or B. The reimbursement is limited to payments made after June 20, 2013 that do not exceed the premium reimbursement amounts authorized by COBRA.

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, 2013. LEOFF pension benefit provisions have been established by RCW 41.26.

There are 51 participating employers in LEOFF Plan 1 and 374 participating employers in Plan 2 as of June 30, 2013. Membership in LEOFF consisted of the following as of the latest actuarial valuation date of June 30, 2012:

	<u>Plan 1</u>	<u>Plan 2</u>
Retirees and Beneficiaries Receiving Benefits	7,845	2,344
Terminated Members Entitled To But Not Yet Receiving Benefits	-	689
Active Plan Members, Vested	186	14,087
Active Plan Members, Nonvested	-	2,633
Total	<u>8,031</u>	<u>19,753</u>

All law enforcement officers and fire fighters of the City of Seattle participate in LEOFF. Current active members (vested and non-vested) are 50 under Plan 1 and 2,233 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 2013.

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 2013 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	-	8.46
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 2013 the state contributed \$54.2 million to LEOFF Plan 2.

Employer Contributions Required and Paid

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

Year	Plan 1		Plan 2	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2011	\$ -	N/A	\$ 84.0	157 %
2012	-	N/A	97.3	137
2013	-	N/A	94.7	144

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
2011	\$ 12	\$ 11,728
2012	10	12,454
2013	9	12,912

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:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Plan 1	\$ 27,340	\$ 33,351
Plan 2	2,136,678	1,997,577

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:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Plan 1	\$ 5,112,449	\$ 4,869,838
Plan 2	5,494,917	4,642,917

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

DEFERRED COMPENSATION PLAN

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

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

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

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

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description and Funding Policy

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

employees for underwriting purposes. The City provides implicit subsidy of the post-retirement health insurance costs and funds the subsidy on a pay-as-you-go basis. The postemployment benefit provisions are established and may be amended by City ordinances.

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

Annual OPEB Cost and Net OPEB Obligation

The amount of expected contributions and change in net obligation for the City of Seattle Healthcare Blended Premium Subsidy is based on an actuarial valuation date of January 1, 2012; this valuation is performed on alternate years. The actuarial valuation date of January 1, 2012 also included disclosure information for 2011 which was based on the January 1, 2010 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, 2013, which covers the last three years prior to the valuation date.

Table 11-6 ANNUAL OPEB COST AND NET OPEB OBLIGATION

	Healthcare Blended Premium Subsidy	Firemen's Pension (LEOFF1)	Police Relief and Pension (LEOFF1)	Total
Annual Required Contribution	\$ 8,064,000	\$ 13,665,296	\$ 16,137,310	\$ 37,866,606
Interest on Net OPEB Obligation	1,340,000	799,685	663,419	2,803,104
Adjustment to Annual Required Contribution	<u>(1,969,000)</u>	<u>(1,111,680)</u>	<u>(1,020,835)</u>	<u>(4,101,515)</u>
Annual OPEB Cost (Expense)	7,435,000	13,353,301	15,779,894	36,568,195
Expected Contribution (Employer-Paid Benefits)	<u>2,441,000</u>	<u>9,470,923</u>	<u>11,832,943</u>	<u>23,744,866</u>
Increase in Net OPEB Obligation	4,994,000	3,882,378	3,946,951	12,823,329
Net OPEB Obligation – Beginning of Year	<u>34,548,000</u>	<u>19,992,129</u>	<u>16,585,463</u>	<u>71,125,592</u>
Net OPEB Obligation – End of Year	<u>\$ 39,542,000</u>	<u>\$ 23,874,507</u>	<u>\$ 20,532,414</u>	<u>\$ 83,948,921</u>

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, 2012, for Healthcare Blended Premium Subsidy and January 1, 2013, for Firemen's Pension (LEOFF1) and Police Relief and Pension (LEOFF1) are displayed below for the last three years. The January 1, 2012 valuation for the Healthcare Blended Premium Subsidy also included disclosure information for January 1, 2011 based on the January 1, 2010 valuation.

	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Healthcare Blended Premium Subsidy	12/31/2009	\$ 10,368,000	30.9%	\$ 27,612,000
	12/31/2010	10,825,000	35.9	34,548,000
	12/31/2011	7,435,000	32.9	39,542,000
Firemen's Pension (LEOFF1)	12/31/2010	14,674,740	71.0	15,387,992
	12/31/2011	14,796,251	69.0	19,992,129
	12/31/2012	13,353,301	71.0	23,874,507
Police Relief and Pension (LEOFF1)	12/31/2010	16,025,887	75.0	12,157,319
	12/31/2011	16,087,490	72.0	16,585,463
	12/31/2012	15,779,894	75.0	20,532,414

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, 2012 valuation for the Healthcare Blended Premium Subsidy also included disclosure information for 2011 based on the January 1, 2010 valuation. Following is the funded status (in thousands) for each of the plans for the last three years:

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Normal AAL (b)	UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
Healthcare Blended Premium Subsidy	1/1/2010	-	\$ 93,519	\$ 93,519	-	\$869,116	10.8%
	1/1/2011	-	99,394	99,394	-	866,207	11.5
	1/1/2012	-	74,729	74,729	-	891,552	8.4
Firemen's Pension (LEOFF1)	1/1/2011	-	241,443	241,443	-	N/A	N/A
	1/1/2012	-	236,301	236,301	-	N/A	N/A
	1/1/2013	-	266,522	266,522	-	N/A	N/A
Police Relief and Pension (LEOFF1)	1/1/2010	-	261,040	261,040	-	N/A	N/A
	1/1/2012	-	252,098	252,098	-	N/A	N/A
	1/1/2013	-	295,990	295,990	-	N/A	N/A

Actuarial Methods and Assumptions

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

Table 11-7

OPEB INFORMATION

Description	Healthcare Blended Premium Subsidy	Firemen's Pension (LEOFF1)	Police Relief and Pension (LEOFF1)
Actuarial Valuation Date	1/1/2012	1/1/2013	1/1/2013
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level amount over past and future service	30-year, open as of 1/1/2012	30-year, closed as of 1/1/2007
Remaining Amortization Period	30 years	30 years	24 years
Records and Data	City records	Supplied by the City	Supplied by the City
Replacement of Terminated Employees	Open to new retirees	Closed. No new members permitted.	Closed. No new members permitted.
Valuation of Assets	N/A. No assets as of valuation date.	N/A. No assets as of valuation date.	N/A. No assets as of valuation date.
Assumptions:			
Discount Rate	3.88%	3.75%	3.75%
Medical Inflation		7.5%, grading down to 4.3% in 2082 and beyond.	7.5%, grading down to 4.3% in 2082 and beyond.
Traditional and Preventive Plans	9.0%		
Group Health Standard and Deductible Plans	8.5%		
Long-Term Care Inflation Rate	N/A	4.75%	4.75%
Dental Inflation Rate	N/A	Minimum of 5.0 % of medical inflation.	Minimum of 5.0% of medical inflation.
Participation/Service Retirement	40% of actives who retire are assumed to participate.	All actives are assumed to retire at the valuation date.	All actives are assumed to retire at the valuation date.
Mortality	LEOFF employees are based on the actuarial RP-2000 Combined Healthy Table with male ages set back one year and female ages set forward one year. Rates are projected using 50% of Scale AA to 2019 (LEOFF 1) or 2034 (LEOFF 2). For general service active employees are based on RP-2000 Table for Males with ages set back three years and RP-2000 Table for Females with ages set back three years. General service retired employees are based on RP2000 Combined Healthy Males with ages set back one year and RP-2000 Combined Healthy Females with ages set back one year. Rates are generations for both males and females using Projection Scale AA.	For active and service-retired members, RP-2000 Mortality Table (combined healthy) project to 2019 using 50% of Project Scale AA, with ages set back one year for males and forward one year for females. For disabled members, RP-2000 Mortality Table (combined healthy) projected to 2019 using 50% of Project Scale AA, with ages set forward two years.	For active and service-retired members, RP-2000 Mortality Table (combined healthy) project to 2019 using 50% of Project Scale AA, with ages set back one year for males and forward one year for females. For disabled members, RP-2000 Mortality Table (combined healthy) projected to 2019 using 50% of Project Scale AA, with ages set forward two years.
Marital Status	60% of members electing coverage are assumed to be married or have a registered domestic partner. Male spouses are assumed to be two years older than their female spouses. It is assumed that children have aged off and have \$0 liability.	N/A	N/A

Table 11-7

OPEB INFORMATION (continued)

Description	Healthcare Blended Premium Subsidy	Firemen’s Pension (LEOFF1)	Police Relief and Pension (LEOFF1)
Assumptions (continued):			
Morbidity Factors		N/A	N/A
Traditional Plan	The average medical claim is based on an average loss ratio (claim vs. premium) of 128.05 for retirees and 142.17 for spouses.		
Preventive Plan	The average medical claim is based on an average loss ratio (claim vs. premium) of 127.61% and 142.06%. For the above two plans, because the retirees’ spouses pay a lower premium for their health care coverage than the retirees, the net cost to the City for the spouse coverage is greater than for a retiree of the same gender and age. The morbidity factors were adjusted to reflect this discrepancy.		
Group Health Standard and Deductible Plans	The average medical claim for the Group Health Standard & Deductible plans is based on an average loss ratio (claim vs. premium) of 147.08% for retirees and spouses.		
Other Considerations	Active employees with current spouse and/or dependent coverage are assumed to elect the same plan and coverage. After retirement, it is assumed that children will have aged off of coverage and will have \$0 liability.	N/A	N/A

(12) COMPONENT UNITS

DISCRETELY PRESENTED COMPONENT UNITS

Seattle Public Library Foundation

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

The City is not financially accountable for the Foundation. The Foundation is considered a nonmajor component unit in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14*, and is presented discretely in the City’s financial statements because (1) the economic resources received or held by the Foundation are entirely for the direct benefit of the Seattle Public Library; (2) the Seattle Public Library is legally entitled to access a majority of the economic resources received or held by the Foundation; and (3) the economic resources received or held by the Foundation are significant to the Seattle Public Library.

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

Seattle Investment Fund LLC

The Seattle Investment Fund LLC (SIF) was established by Ordinance 123146 for the purpose of implementing the U.S. Treasury Department's New Market Tax Credit (NMTC) program. The City is its sole and managing member. SIF is a qualified Community Development Entity (CDE) and the Primary Allocatee. Nine subsidiaries have been established since the program's inception. Financial results presented herewith for 2013 are unaudited at this time; detailed information on the program and complete audited financial statements are available by contacting the City's Office of Economic Development at 700 Fifth Avenue, Seattle, WA 98104 or by telephone at 206-684-8090.

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

Table 12-1

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

December 31, 2013

(In Thousands)

	Discretely Presented Component Units					
	Seattle Public Library Foundation		Seattle Investment Fund LLC		Total	
	2013	2012	2013	2012	2013	2012
ASSETS						
Cash and Other Assets	\$ 3,484	\$ 3,191	\$ 658	\$ 1,242	\$ 4,142	\$ 4,433
Investments	61,157	56,080	5	5	61,162	56,085
Capital Assets, Net	3	4	-	-	3	4
Total Assets	64,644	59,275	663	1,247	65,307	60,522
LIABILITIES						
Current Liabilities	1,940	2,035	48	194	1,988	2,229
Total Liabilities	1,940	2,035	48	194	1,988	2,229
NET POSITION						
Net Investment in Capital Assets	3	4	-	-	3	4
Restricted	43,680	38,960	-	-	43,680	38,960
Unrestricted	19,021	18,276	615	1,053	19,636	19,329
Total Net Position	<u>\$ 62,704</u>	<u>\$ 57,240</u>	<u>\$ 615</u>	<u>\$ 1,053</u>	<u>\$ 63,319</u>	<u>\$ 58,293</u>

Table 12-2

CONDENSED STATEMENT OF ACTIVITIES
SEATTLE PUBLIC LIBRARY FOUNDATION AND
SEATTLE INVESTMENT FUND LLC
For the Year Ended December 31, 2013
(In Thousands)

	Discretely Presented Component Units					
	Seattle Public Library Foundation		Seattle Investment Fund LLC		Total	
	2013	2012	2013	2012	2013	2012
PROGRAM REVENUES						
Contributions/Endowment Gain	\$ 6,254	\$ 4,705	\$ 204	\$ -	\$ 6,458	\$ 4,705
Placement/Management Fee Income	-	-	-	841	-	841
Total Program Revenues	6,254	4,705	204	841	6,458	5,546
GENERAL REVENUES						
Investment Income	7,900	5,737	-	-	7,900	5,737
Total Program Support and Revenues	14,154	10,442	204	841	14,358	11,283
EXPENSES						
Support to Seattle Public Library	7,936	4,138	-	-	7,936	4,138
Management and General	455	572	642	430	1,097	1,002
Fundraising	299	248	-	-	299	248
Total Expenses	8,690	4,958	642	430	9,332	5,388
Change in Net Position	5,464	5,484	(438)	411	5,026	5,895
NET POSITION						
Net Position - Beginning of Year	57,240	51,756	1,053	642	58,293	52,398
Net Position - End of Year	<u>\$ 62,704</u>	<u>\$ 57,240</u>	<u>\$ 615</u>	<u>\$ 1,053</u>	<u>\$ 63,319</u>	<u>\$ 58,293</u>

Fiduciary-Type Component Units

Firemen's Pension Fund and the Police Relief and Pension Fund are determined to be nonmajor discrete component units (GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*). In accordance with GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures - an amendment of GASB Statement No. 25 and No. 27*, these funds are reported in Note 11, Pensions, Deferred Compensation, and Other Postemployment Benefits, and in the Fiduciary Funds section.

BLENDED COMPONENT UNIT

Seattle Transportation Benefit District

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

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

(13) JOINT VENTURES

SEATTLE-KING COUNTY WORKFORCE DEVELOPMENT COUNCIL

The Seattle-King County Workforce Development Council (WDC) is a joint venture between King County and the City of Seattle. It was established as a nonprofit corporation in the State of Washington on July 1, 2000, as authorized under the Workforce Investment Act (WIA) of 1998. It functions as the Department of Labor pass-through agency to receive the employment and training funds for the Seattle-King County area. The King County Executive and the Mayor of the City of Seattle, serving as the chief elected officials (CEO) of the local area, have the joint power to appoint the members of the WDC board of directors and the joint responsibility for administrative oversight. An ongoing financial responsibility exists because the CEO is potentially liable to the grantor for disallowed costs. If expenditure of funds is disallowed by the grantor agency, the WDC can recover the funds in the following order: (1) the agency creating the liability; (2) the insurance carrier; (3) future program years; and (4) as a final recourse, King County and the City of Seattle who each will be responsible for one-half of the disallowed amount. As of December 31, 2013, there are no outstanding program eligibility issues that may lead to a City of Seattle liability.

The WDC contracts with the City of Seattle which provides programs related to the WIA Youth In-School Program and Seattle Conservation Corps Program. For the year 2013, WDC paid \$1.1 million to the City of Seattle.

The WDC issues independent financial statements that may be obtained from its offices at 2003 Western Avenue, Suite 250, Seattle, WA 98121-2162, by accessing its website at <http://www.seakingwdc.org/reports/reports-publications.html>, or by telephone at 206-448-0474.

(14) SERVICE CONCESSION ARRANGEMENTS

In 2012, the City disclosed the public-private agreements it was involved in that met the criteria of a Service Concession Arrangement (SCA) under GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. For 2013, the City revisited its analysis to identify new and/or ongoing Service Concession Arrangements based on the requirements of the statement. Significant consideration, one of the required criteria of an SCA, is considered 1 percent of the City's previously reported Net Position applied independently to Governmental and Business-Type activities. In 2013, the City was not involved in any Service Concession Arrangements meeting the established criteria.

(15) COMMITMENTS

GENERAL

Capital Improvement Program

The City adopted the 2013-2014 Capital Improvement Program (CIP) which functions as a capital financing plan totaling \$5.015 billion for the years 2013-2018. The adopted CIP for 2013 was \$774.9 million, consisting of \$454.6 million for City-owned utilities and \$320.3 million for nonutility departments. The utility allocations are: \$282.7 million for City Light, \$49.8 million for Water, \$87.3 million for Drainage and Wastewater, \$11.1 million for Solid Waste, and \$23.7 million for Seattle Public Utilities' technology projects. Expenditures may vary significantly based upon facility requirements and unforeseen events. A substantial portion of contractual commitments relates to these amounts.

CITY LIGHT (SCL)

Expenses associated with energy received under long-term purchased power agreements at December 31, 2013 and 2012 are shown in the following table.

Table 15-1 **LONG-TERM PURCHASED POWER**
(In Millions)

	<u>2013</u>	<u>2012</u>
Bonneville Block	\$ 70.1	\$ 69.2
Bonneville Slice	80.0	80.1
Lucky Peak, including royalties	5.2	7.2
British Columbia - High Ross Agreement	13.4	13.4
Grant County Public Utility District	3.0	3.0
Grand Coulee Project Hydro Authority	5.5	5.4
Bonneville South Fork Tolt billing credit	(3.3)	(3.3)
Renewable energy - State Line Wind	23.8	24.3
Renewable energy - other	4.5	4.4
Exchanges and loss returns energy at fair value	9.2	5.7
Long-term purchased power booked out	<u>(8.3)</u>	<u>(5.3)</u>
Total	<u>\$ 203.1</u>	<u>\$ 204.1</u>

Purchased and Wholesale Power

Bonneville Power Administration

SCL purchased electric energy from the U.S. Department of Energy, Bonneville Power Administration (BPA), under the Block and Slice Power Sales Agreement, a 17-year contract, for the period October 1, 2011 through September 30, 2028. Block quantities, Slice percentage, and Bonneville rates are expected to be recalculated periodically during the term of the contract. Rates will be developed and finalized every two years. Accordingly, certain estimates and assumptions were used in the calculations in the estimated future payments table below.

The terms of the Slice product specify that SCL will receive a percentage of the actual output of the Federal Columbia River Power System (the System). The percentage is adjusted annually with a Slice Adjustment Ratio no greater than 1.0 times the initial 3.65663 slice percentage, no later than 15 days prior to the first day of each federal fiscal year, beginning with fiscal year 2012. The current Slice percentage is 3.62763 percent and the previous fiscal year was 3.63323 percent. The cost of Slice power is based on SCL's same percentage of the expected costs of the System and is subject to true-up adjustments based on actual costs with specified exceptions.

Bonneville's Residential Exchange Program (REP) was established as a mechanism to distribute financial benefits of the Federal Columbia River Power System to residential customers of the region's investor owned utilities (IOUs). In May 2007, the Ninth Circuit Court (the Court) rulings found the 2000 REP Settlement Agreements with IOUs inconsistent with the Northwest Power Act. SCL received \$5.7 million in both 2013 and 2012 in billing credits related to both the Block and Slice agreements as a result of the Court decision.

Lucky Peak

In 1984, SCL entered into a purchase power agreement with four irrigation districts to acquire 100 percent of the net surplus output of a hydroelectric facility that began commercial operation in 1988 at the existing Army Corps of Engineers Lucky Peak Dam on the Boise River near Boise, Idaho. The irrigation districts are owners and license holders of the project, and the FERC license expires in 2030. The agreement, which expires in 2038, obligates SCL to pay all ownership and operating costs, including debt service, over the term of the contract, whether or not the plant is operating or operable.

SCL provided and billed Lucky Peak \$0.3 million and \$0.5 million for services in 2013 and 2012, respectively. These amounts are recorded as offsets to purchased power expense. SCL paid \$3.2 million and \$3.4 million for energy from Lucky Peak in 2013 and 2012, respectively.

SCL's receivables from Lucky Peak were less than \$0.1 million at December 31, 2013 and 2012, respectively. SCL's payables to Lucky Peak were \$0.4 million and \$0.5 million at December 31, 2013 and 2012, respectively.

British Columbia-High Ross Agreement

In 1984, an agreement was reached between the Province of British Columbia and the City under which British Columbia will provide SCL with energy equivalent to that which would have resulted from an addition to the height of Ross Dam. Delivery of this energy began in 1986 and is to be received for 80 years. In addition to the direct costs of energy under the agreement, SCL incurred costs of approximately \$8.0 million in prior years related to the proposed addition and was obligated to help fund the Skagit Environmental Endowment Commission through four annual \$1.0 million payments. These other costs are included in utility plant-in-service as an intangible asset and are being amortized to purchase power expense over 35 years through 2035.

Renewable Energy Purchase and/or Exchanges

The Energy Independence Act, Chapter 19.285 Revised Code of Washington, requires all qualifying utilities in Washington State to meet certain annual targets of eligible new renewable resources and/or equivalent renewable energy credits as a percentage of total energy delivered to retail customers. The annual targets are: at least 3 percent by 2012, at least 9 percent by 2016, and at least 15 percent by 2020. SCL's 2013 and 2012 resource portfolio met the 3 percent target. Long-term renewable purchase or exchange agreements were executed with the Sacramento Municipal Utility District in 2007, Waste Management Renewable Energy, LLC in 2009, the existing Stateline Wind Project contract, assigned to JP Morgan in 2010, and the King County Wastewater Treatment Division in 2010.

Energy Exchange

Northern California Power Agency (NCPA) and SCL executed a long-term Capacity and Energy Exchange Agreement in March 1993. SCL delivers energy to NCPA from June through October 15. NCPA returns energy under conditions specified in the contract at a 1.2:1 ratio of exchange power from November through April. The agreement includes financial settlement and termination options. In a letter NCPA dated May 17, 2011, NCPA gave seven year's advance written notice to the Department terminating the agreement effective no later than May 31, 2018.

Fair Value of Exchange Energy

Exchange energy receivable and the related regulatory gains at December 31, 2013 and 2012, were valued using Kiindex Forward Curves and Dow Jones U.S. Daily Electricity Price Indices for settled deliveries. An income valuation technique that uses interest rate forecasts from HIS Global Insight is used to discount for present value based on the interest rate for Treasury constant maturities, bond-equivalent yields by the future month of the transactions.

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

SCL's estimated payments for purchased power and transmission, Renewable Energy Credits (RECs) and other contracts for the period from 2014 through 2065, undiscounted, are shown in the following table.

Table 15-2 ESTIMATED FUTURE PAYMENTS UNDER PURCHASED POWER, TRANSMISSION, AND RELATED CONTRACTS (In Millions)

<u>Year Ending December 31</u>	<u>Estimated Payments ^a</u>
2014	\$ 279.6
2015	289.4
2016	303.9
2017	308.7
2018	327.5
2019 - 2023	1,764.8
2024 - 2028 ^{b, c}	1,562.4
2029 - 2033	115.9
2034 - 2038 ^d	90.6
2039 - 2043	32.2
2044 - 2048	37.4
2049 - 2065	38.9
Total	<u>\$ 5,151.3</u>

^a 2014 to 2019 includes estimated REP recoveries from BPA.

^b BPA transmission contract expires July 31, 2025.

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

^d Lucky Peak contract expires September 30, 2038.

Federal Energy Regulatory Commission Fees

Estimated Federal land use and administrative fees related to hydroelectric licenses total \$271.1 million through 2055; these estimates are subject to change. The estimated portion of fees attributed to the Skagit and Tolt licenses are excluded after 2025, at which time their current FERC licenses expire. The estimated portion of Boundary fees is included through 2055, the year in which the current license issued by FERC expires. The current Boundary FERC license and related issues are discussed below.

New Boundary License

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

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

The cost projections for such mitigation over the expected 42-year life of the license, included in the Department's license application, were estimated to be \$395.0 million adjusted to 2013 dollars, of which \$8.0 million were expended through 2013. Projected mitigation cost estimates are subject to revision as more information becomes available.

Skagit and South Fork Tolt Licensing Mitigation and Compliance

In 1995, the FERC issued a license for operation of the Skagit hydroelectric facilities through April 30, 2025. On July 20, 1989, the FERC license for operation of the South Fork Tolt hydroelectric facilities through July 19, 2029, became effective. As a condition for both of these licenses, SCL has taken and will continue to take required mitigating and compliance measures.

Total Skagit license mitigation costs from the effective date until expiration of the federal operating license were estimated at December 31, 2013, to be \$125.7 million, of which \$107.8 million had been expended. Total South Fork Tolt license mitigation costs were estimated at \$1.8 million, of which \$1.3 million were expended through 2013. 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 2013 dollars. SCL's labor and other overhead costs associated with the activities required by the settlement agreements for the licenses are not included in the estimates.

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

Endangered Species

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

Federal Regulations in response to the listing of species affect flow in the entire Columbia River system. As a result of these regulations, SCL's power generation at its Boundary Project is reduced in the fall and winter when the region experiences its highest sustained energy demand. The Boundary Project's firm capability is also reduced.

SCL, with the support of City Council, elected to take a proactive approach to address issues identified within the ESA. SCL is carrying out an ESA Early Action program in cooperation with agencies, tribes, local governments, and watershed groups for bull trout, Chinook salmon, and steelhead in the South Fork Tolt and Skagit Watersheds. The ESA Early Action program is authorized by City Council but is separate from any current FERC license requirements. The program includes habitat acquisition, management, and restoration. The ESA Early Action has been successful in protecting listed species. Total costs for the Department's share of the Early Action program from inception in 1999 through December 31, 2013 are estimated to be \$7.5 million. \$0.6 million has been allocated for the program in the 2014 budget.

Project Impact Payments

Effective August 2010, SCL renewed its contract with Pend Oreille County and committed to pay a total of \$19.0 million over 10 years ending in 2019 to Pend Oreille County for impacts on county governments from the operations of SCL's hydroelectric projects. Effective February 2009, the Department renewed its contract with Whatcom County committing to pay a total of \$15.8 million over 15 years ending in 2023. The payments compensate the counties and certain school districts and towns located in these counties, for loss of revenues and additional financial burdens associated with the projects. The Boundary Project, located on the Pend Oreille River, affects Pend Oreille County, and Skagit River hydroelectric projects affect Whatcom County. The impact payments totaled \$2.4 million and \$1.6 million to Pend Oreille County, and \$1.0 million and \$1.0 million to Whatcom County in 2013 and 2012, respectively.

SEATTLE PUBLIC UTILITIES (SPU)

Water Fund

Habitat Conservation Program Liability

SPU has prepared a comprehensive environmental management plan for its Cedar River Watershed. The purpose of the Habitat Conservation Plan (HCP) is to protect all species of concern that may be affected by the operations of SPU and SCL in the Cedar River Watershed while allowing SPU to continue to provide high quality drinking water to the region. The federal government has accepted the HCP. The total cost of implementing the HCP is expected to be \$106.8 million (in 2013 dollars) over a period of 50 years (from the year 2000 through the year 2050).

Expenditures are being funded from a combination of SPU's operating revenues and issuance of revenue bonds. The total amount expended for the HCP through 2013 is \$76.2 million. The remaining \$30.6 million to complete the HCP is comprised of a \$6.2 million liability and an estimate of \$24.4 million for construction and operating commitments. The construction activities will add to SPU's capital assets and the operating activities are mainly research, monitoring, and maintenance of the HCP Program that will be expenses as incurred.

Distribution System Reservoirs

SPU is required by the Washington State Department of Health (DOH) to complete a program to cover its open, above-ground distribution system reservoirs by the year 2020. The total cost of burying five reservoirs is expected to be approximately \$143.7 million through the year 2016; costs beyond 2016 are not estimable as of the date of this report. As of December 31, 2013 and 2012, total cumulative costs incurred were \$140.9 million and \$139.1 million, respectively.

Wholesale Water Supply Contracts

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

Drainage and Wastewater Fund

Wastewater Disposal Agreement

SPU has a wastewater disposal agreement with the King County Department of Natural Resources Wastewater Treatment Division (WTD), which expires in 2036. The monthly wastewater disposal charge paid to WTD is based on the WTD's budgeted cost for providing the service. The charges are determined by water consumption and the number of single-family residences as reported by SPU and other component agencies. Payments made by SPU were \$137.7 million and \$124.5 million for fiscal years 2013 and 2012, respectively.

Solid Waste Fund

Contractual Obligations

SPU contracts with private companies for the collection of residential and commercial garbage, yard waste, and recycling. These contracts cover (1) the collection and delivery of waste to transfer stations, (2) the subsequent disposal of solid waste, (3) the processing of yard waste, and (4) the processing of recyclables.

Effective March 30, 2009 SPU 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 and commercial collection in 2013 and 2012 were \$74.7 million and \$71.5 million, respectively.

In 1990, SPU signed a 38-year contract with Washington Waste Systems (WWS) for the disposal of non-recyclable City waste. Through various renegotiations the contract price was reduced to \$39.65 per ton at March 31, 2009. The contract price is adjusted based on a formula driven by the Consumer Price Index resulting in the current rate of \$41.63 per ton. The Fund paid WWS \$13.3 million and \$13.1 million under this contract in 2013 and 2012, respectively.

The City also has 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 and the current tonnage rate is \$27.88 per ton. The first opt-out date under the contract occurred on March 30, 2013 at which time CGC agreed to a one-year extension of the contract expiring on March 30, 2014. The City has negotiated new contracts with two yard waste contractors unrelated to CGC and those long-term contracts are effective April 1, 2014. Total payments to CGC in 2013 and 2012 were \$2.7 million and \$2.6 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, from 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, 2016 with an option to extend the contract for a three-year period at that time. Total payment for recycling processing in 2013 and 2012 were \$2.4 million and \$2.3 million, respectively.

Landfill Closure and Post-closure Care

SPU delivered its refuse to two leased disposal sites: Midway (until 1983) and Kent-Highlands (until 1986) landfills. Current federal and state laws hold SPU accountable for certain cost related to closure and post closure of those landfill sites. In accordance with Generally Accepted Accounting Principles, total estimated landfill closure and post-closure care costs are accrued and reflected as a future costs. Pursuant to the City's policies, these costs are being amortized as they are recovered from rate payers. Actual costs for closure and post-closure care may be higher due to inflation, changes in technology, or changes in regulations. Such amounts would be added to the liability and accrued when identified. At December 31, 2013, accrued landfill closure and post-closure costs consisted primarily of monitoring, maintenance, and repair costs. Landfill closure costs were fully amortized in 2009 and landfill post-closure costs will continue to amortize until 2024.

(16) CONTINGENCIES

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

Since January 1, 1999, the City obtained excess general liability insurance coverage for occurrences on or after said date which covers losses over \$2.5 million per occurrence self-insured retention, with a \$25.0 million limit per occurrence and in the aggregate. Starting February 1, 2002 through 2006, the City's excess general liability insurance covers losses over \$5.0 million per occurrence self-insured retention, with a \$25.0 million limit per occurrence and in the aggregate. In June 2007 the limit was increased to \$30.0 million over a \$5.0 million self-insured retention. In June 2009 the self-insured retention was increased from \$5.0 million to \$6.5 million. Beginning in June 2011 the limit was increased to \$40.0 million over a \$6.5 million self-insured retention.

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

The City did not purchase annuity contracts in 2013 to resolve litigation. No structured settlements were entered into by the City in 2013. No large liability settlements were received in 2013. No settlements made in 2013, 2012, or 2011 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. In 2013 the City's independent actuary estimated the ultimate settlement costs for lawsuits, workers' compensation, and other claims at year-end 2012 and for health care as of year-end 2013. The total undiscounted IBNR amount remained relatively stable in 2013, the IBNR amount was \$34.8 million in 2013 and \$35.1 million in 2012, a decrease of \$0.3 million.

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

Claims liabilities include claim adjustment expenditures if specific and incremental to a claim. Recoveries from unsettled claims, such as salvage or subrogation, and on settled claims are deposited in the General Fund and do not affect reserves for general government. Workers' compensation annual subrogation recoveries amounted to \$0.3 million in 2013 and \$0.4 million in 2012. All workers' compensation recoveries are deposited into the General Fund. Lawsuit and other claim recoveries of payments reimbursed for the utilities are deposited into the paying utility fund and do not affect the utility reserves.

Claim liabilities recorded in the financial statements are discounted at 0.675 percent for 2013 and 0.784 percent for 2012, the City's average annual rates of return on investments. The total discounted liability at December 31, 2013, was \$102.0 million consisting of \$60.1 million for general liability, \$3.0 million for health care, and \$38.9 million for workers' compensation.

Table 16-1 **RECONCILIATION OF CHANGES IN**
AGGREGATE LIABILITIES FOR CLAIMS
(In Thousands)

	<u>General Liability</u>		<u>Health Care</u>		<u>Workers' Compensation</u>		<u>Total City</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
UNDISCOUNTED								
Balance - Beginning of Fiscal Year	\$ 67,732	\$ 84,223	\$ 2,265	\$ 1,778	\$ 36,024	\$ 34,481	\$ 106,021	\$ 120,482
Less Payments and Expenses								
During the Year	(16,589)	(10,092)	(134,747)	(105,068)	(12,954)	(12,628)	(164,290)	(127,788)
Plus Claims and Changes in Estimates	10,516	(6,399)	135,529	105,555	17,015	14,171	163,060	113,327
Balance - End of Fiscal Year	<u>\$ 61,659</u>	<u>\$ 67,732</u>	<u>\$ 3,047</u>	<u>\$ 2,265</u>	<u>\$ 40,085</u>	<u>\$ 36,024</u>	<u>\$ 104,791</u>	<u>\$ 106,021</u>
UNDISCOUNTED BALANCE AT END OF FISCAL YEAR CONSISTS OF								
Governmental Activities	\$ 45,960	\$ 48,811	\$ 3,047	\$ 2,265	\$ 28,997	\$ 26,075	\$ 78,004	\$ 77,151
Business-Type Activities	15,699	18,921	-	-	11,088	9,949	26,787	28,870
Fiduciary Activities	-	-	-	-	-	-	-	-
Balance - End of Fiscal Year	<u>\$ 61,659</u>	<u>\$ 67,732</u>	<u>\$ 3,047</u>	<u>\$ 2,265</u>	<u>\$ 40,085</u>	<u>\$ 36,024</u>	<u>\$ 104,791</u>	<u>\$ 106,021</u>
DISCOUNTED/RECORDED BALANCE AT END OF FISCAL YEAR CONSISTS OF								
Governmental Activities	\$ 44,776	\$ 47,387	\$ 3,027	\$ 2,248	\$ 28,174	\$ 25,258	\$ 75,977	\$ 74,893
Business-Type Activities	15,294	18,369	-	-	10,774	9,637	26,068	28,006
Fiduciary Activities	-	-	-	-	-	-	-	-
Balance - End of Fiscal Year	<u>\$ 60,070</u>	<u>\$ 65,756</u>	<u>\$ 3,027</u>	<u>\$ 2,248</u>	<u>\$ 38,948</u>	<u>\$ 34,895</u>	<u>\$ 102,045</u>	<u>\$ 102,899</u>

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

- **City Light Energy Crisis Litigation.** The City is involved in various legal proceedings relating to the enormous price spikes in energy costs in California and the rest of the West Coast in 2000 and 2001.

California Refund Case, Appeals, and Related Litigation. In 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. In February 2011 the City agreed to a settlement, which was eventually approved by the trial court and FERC. Under the settlement, the City resolved this matter for \$9.0 million, none of which was immediately paid by the City. As part of the settlement, the City assigned its accounts receivable from the California Independent System Operator to the California Parties, which was valued at approximately \$1.4 million at the time of the settlement agreement. The balance of over \$7.6 million is contingent upon City Light recovering monies in the Pacific Northwest Refund Case, discussed below. To date, the City has received \$2.6 million in payments in the Pacific Northwest Refund Case, half of which has been paid to the California parties pursuant to the settlement.

Pacific Northwest Refund Case and Appeal. In the proceeding before FERC various buyers of energy, including the City, sought refunds from various sellers on energy sales in the Pacific Northwest between December 1999 and June 2001. The case was tried at FERC between August and October of 2013. Two witnesses provided testimony on behalf of the City, and were cross-examined by the sellers. FERC has received the parties closing briefs and the City is awaiting the preliminary ruling from the trial judge. Prior to the FERC trial, the City settled refund claims with twelve entities, with a combined total settlement amount of \$2.6 million. During the middle of the FERC trial, the City also reached a settlement with Powerex Corp for \$2.0 million. The Powerex settlement was subsequently approved by FERC on March 7, 2014.

- **City Light Boundary Unit 55 Delay Claims.** The City entered into a generator rebuild contract with Toshiba International Corporation for Units 55 and 56 at the City's Boundary Hydroelectric Project. The rebuild contract specified a turnover date of March 29, 2013 for Unit 55. Toshiba was materially late on a number of matters, which

triggered liquidated damage claims under the contract with Toshiba. The liquidated damages clause allows for \$11 thousand per day, and the City has made liquidated damages claims against Toshiba for the period of March 29, 2013 through July 17, 2013. These claims total \$1.2 million and are currently being negotiated with Toshiba. The ultimate recovery amount is indeterminable as of the date of this note.

- **Utility Tax Refund.** A wireless telecommunications subsidiary company served dozens of cities in Washington including Seattle. In November 2010 the company made utility tax refund requests. Pursuant to the refund requests, a lawsuit was filed in King County Superior Court against more than 100 cities in April 2012 appealing the cities' denial or failure to respond. The City of Seattle was not a defendant in the initial complaint, but was added with some other cities in August 2012. The lawsuit arises from its parent company being sued in a class action for improperly charging its customers for local utility taxes on wireless internet services. Those services may not have been taxable. As part of the settlement of the class action lawsuit, the parent company was required to present refund claims to the cities; the claim against the City of Seattle is approximately \$5.0 million. In May 2013, the court granted motions to dismiss Seattle and most other cities. However, the City is continuing an audit of the company and after the conclusion of the audit, it is likely that the company will refile the lawsuit against Seattle and the other cities that have not settled. The likelihood of a material adverse outcome in this matter cannot be predicted.
- **Public Records Request Claim.** The parent company of a local television station in Seattle made public records request to the Seattle Police Department for in-car videos. On summary judgment, the court held that the City properly withheld the actual videos so there were no associated penalties. However, the court also ruled that the City wrongfully denied access to the Coban database and awarded a total penalty of \$88 thousand. The company appealed and oral argument was heard by the Washington Supreme Court in May 2013. Decision is pending. The City cannot predict whether a material adverse outcome will occur.
- **Leaks and Cracks in Reservoirs.** The City discovered leaks and cracks in various reservoirs. Discussions with the designer 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.

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, 2013, twelve projects remained outstanding with a combined total amount of \$29.5 million. BEDI grant funds amount to \$3.75 million, of which a portion is being held as loan loss reserves.

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 \$51,450,000 was outstanding at December 31, 2013. The bonds will be fully retired by April 1, 2031.

Pike Place Market Preservation and Development Authority

Special obligation refunding bonds issued on March 28, 2002, in the amount of \$5,925,000 of which \$3,145,000 was outstanding on December 31, 2013. 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, 2013, was \$2,480,000. 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, 2013, was \$2,235,000. The bonds will be fully retired by October 1, 2032.

Special obligation refunding bonds issued on September 26, 2007, in the amount of \$7,355,000. The outstanding amount at December 31, 2013, was \$5,810,000. 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, 2013, was \$1,330,000. 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 \$3,805,000 was outstanding as of December 31, 2013. The bonds will be fully retired on November 1, 2024.

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

Effective January 1, 2013, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify certain items previously reported as assets to be segregated as deferred outflows of resources, and certain items previously reported as liabilities to be segregated as deferred inflows of resources. This statement's impact on the City's comparative financial presentation is detailed below.

GOVERNMENTAL ACTIVITIES

The governmental funds' implementation of GASB Statement No. 65 resulted in: (1) reclassification of 2012's Deferred Revenues liability totaling \$432.0 million. Of the \$12.1 million reported in the General Fund's balance, \$4.4 million remained a liability, with \$1.6 million adjusted to Revenues Collected/Billed in Advance, and \$2.8 million to Other Current Liabilities. The remaining General Fund balance of \$7.7 million is reclassified to the Deferred Inflows of Resources. The Transportation Fund's 2012 Deferred Revenues balance of \$4.1 million continues to report as a liability and is reclassified to Revenues Collected/Billed in Advance. Additional balances within the Low-Income Housing Fund, the Housing and Community Development Revenue Sharing Fund, and the Human Services Operating Fund totaling \$401.5 million for are reclassified to Deferred Inflows of Resources due to their relations to the housing loan guarantee programs. An additional \$13.0 million reported as Deferred Revenues within the nonmajor governmental funds for the Local Improvement District 6750 Fund was reclassified to Deferred Inflows of Resources with the associated assets recorded as taxes receivable; (2) reclassification of 2012's Contracts and Notes asset balances. The General Fund's balance of \$7.7 million relates to a housing loan guarantee program within the Cumulative Reserve Subfunds and is reclassified to Deferred Outflows of Resources. Additional balances within the Low-Income Housing Fund, the Housing and Community Development Revenue Sharing Fund, and the Human Services Operating Fund totaling \$401.5 million for 2012 also relate to housing loan guarantees and have been reclassified to Deferred Outflows of Resources; and (3) the recognition of a \$7.8 million asset for property taxes receivable was recorded within the City's governmental funds for 2012. Although unable to meet the revenue recognition criteria the balance was recorded as a Deferred Inflows of Resources, with no net impact on the governmental fund balance.

Implementation of GASB Statement No. 65 for the government-wide presentation resulted in the following changes to the governmental activities: (1) \$4.4 million reduction in 2012 beginning balance of net position for governmental activities due to the retro adjustment to the 2011 unamortized bond issuance costs; (2) \$76 thousand decrease in interest on long-term debt, representing the difference between the 2012 bond issuance costs and 2012 amortization of the unamortized bond issuance costs; (3) gain/loss on refunding debt of \$1.5 million previously reported as a Noncurrent Assets was reclassified as Deferred Outflows of Resources; (4) adjustment of 2011 unamortized bond issuance costs, resulting in reductions of 2012 ending balances of net position in the amount of \$904 thousand in the internal service funds, and \$179 thousand in the

Downtown Parking Garage Fund; and (5) a \$7.8 million adjustment to the balance of Deferred Inflows to recognize the additional tax revenue that was reported as a Deferred Inflows of Resources.

Additional prior-period adjustments for governmental activities unrelated to GASB Statement No. 65's implementation include: (1) general obligation bonds liability recorded in the Finance and Administrative Services Fund was overstated by \$805 thousand, which resulted in a prior-period adjustment in 2013 to accurately reflect the liability; (2) the 2012 accrual of property taxes receivable and tax revenue recorded in our government-wide presentation was overstated by \$6.5 million, the correction results in a reduction of the year-end receivable and net position; and (3) the City recently discovered transportation infrastructure assets had been underreported \$19.8 million since 2001 (roads \$11.7 million, signals and illuminations \$6.2 million, and others transportation assets of \$1.9 million). Net of the \$11.4 million in accumulated depreciation, this single adjustment to assets contributes \$8.4 million to the City's net position. Asset corrections were also made to accurately reflect a retirement of a \$3.8 million asset, net of \$3.3 million in depreciation; the adjustment to net position totals \$593 thousand. An update to the balance of construction in progress also shifted \$2.5 million from the Statement of Net Position to the Statement of Activities. Additional corrections within general government and public safety functions were also made to align the general ledger and asset management systems, these changes decreased net position \$1.1 million. The overall impact from capital activity adjustments positively impacted the City's net position \$4.3 million.

BUSINESS-TYPE ACTIVITIES

SCL's implementation of GASB Statement No. 65 resulted in: (1) Loss on Advanced Refunding of \$26.0 million and \$30.0 million, for 2013 and 2012, respectively, was reclassified as a Deferred Outflows of Resources from a contra-liability component of Revenue Bonds; (2) Deferred Revenue - Rate Stabilization Account of \$85.0 million and \$103.3 million, for 2013 and 2012, respectively, was reclassified as a Deferred Inflows of Resources; (3) Deferred Credits of \$15.7 million and \$9.2 million, for 2013 and 2012, respectively, were reclassified as Deferred Inflows of Resources from Current Liabilities; and (4) Unamortized Bond Issue Costs, Net, which had previously been recorded as a component of Noncurrent Assets and amortized over the life of the bonds, are now expensed as Nonoperating Expense in the period incurred. This resulted in an additional \$10.9 million expense and reduction of net position for 2012.

SPU's implementation of GASB Statement No. 65 resulted in: (1) Water Fund reclassifying Loss on Advanced Refunding of \$20.2 million and \$21.4 million, for 2013 and 2012, respectively, as a Deferred Outflows of Resources from a contra-liability component of Revenue Bonds; (2) Water Fund reclassifying Deferred Revenue - Rate Stabilization Account of \$19.4 million and \$12.4 million, for 2013 and 2012, respectively, as a Deferred Inflows of Resources; (3) Drainage and Wastewater Fund reclassifying Loss on Advanced Refunding of \$6.1 million and \$6.4 million, for 2013 and 2012, respectively, as a Deferred Outflows of Resources from a contra-liability component of Revenue Bonds; and (4) Solid Waste Fund reclassifying Loss on Advanced Refunding of \$139 thousand and \$163 thousand, for 2013 and 2012, respectively, as a Deferred Outflows of Resources from a contra-liability component of Revenue Bonds.

(18) SUBSEQUENT EVENTS

On February 2, 2014 City Council passed Ordinance 124429 authorizing a restatement of the guarantee and reimbursement agreement between the City and the Museum Development Authority. The original agreement obligated the City to guarantee the indebtedness of the Museum Development Authority's 2005 bond issue of \$60.7 million. On April 29, 2014, the Museum Development Authority completed a refunding of their 2005 bonds by issuing \$44.4 million of the special obligation bonds. The City's obligation to guarantee the indebtedness of the Museum Development Authority transfers from the original 2005 bond issue to the current 2014 refunding bond issue.

On April 10, 2014, pursuant to City Ordinances 124125 and 124341 the City issued (1) \$62.7 million of Limited Tax General Obligation (LTGO) Improvement Bonds with an average coupon rate of 4.330 percent and a final maturity of May 1, 2034; and (2) \$16.4 million of Unlimited Tax General Obligation (UTGO) Improvement Bonds with an average coupon rate of 4.004 percent and a final maturity of December 1, 2043.

On June 4, 2014, pursuant to City Council Resolution 31528 the City resolved to issue \$95.4 million of Solid Waste Revenue and Refunding Bonds with an average coupon rate of 4.520 percent and a final maturity of May 1, 2039.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2013
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes				
General Property Taxes	\$ 261,000	\$ 261,000	\$ 252,682	\$ (8,318)
Retail Sales and Use Taxes	172,207	172,207	181,171	8,964
Business Taxes	251,973	251,973	251,373	(600)
Excise Taxes	41,521	41,521	54,159	12,638
Other Taxes	-	-	3,468	3,468
Interfund Business Taxes	120,806	120,806	123,611	2,805
Total Taxes	847,507	847,507	866,464	18,957
Licenses and Permits	24,226	24,226	22,005	(2,221)
Grants, Shared Revenues, and Contributions	54,083	66,775	43,040	(23,735)
Charges for Services	51,021	54,143	50,379	(3,764)
Fines and Forfeits	33,856	33,856	39,488	5,632
Parking Fees and Space Rent	34,939	34,939	38,062	3,123
Program Income, Interest, and Miscellaneous Revenues	189,406	189,406	201,911	12,505
Total Revenues	1,235,038	1,250,852	1,261,349	10,497
EXPENDITURES AND ENCUMBRANCES				
Current				
General Government	378,225	387,535	352,950	34,585
Judicial	27,507	27,823	27,642	181
Public Safety	468,162	499,501	492,509	6,992
Physical Environment	3,859	5,325	11,318	(5,993)
Transportation	14,972	14,972	11,321	3,651
Economic Environment	20,489	25,576	19,157	6,419
Health and Human Services	-	92	63	29
Culture and Recreation	50,032	70,230	27,897	42,333
Capital Outlay				
General Government	25,468	25,493	1,095	24,398
Public Safety	22,118	25,484	10,275	15,209
Physical Environment	8,059	8,059	-	8,059
Transportation	5,504	5,504	-	5,504
Economic Environment	5,544	522	-	522
Culture and Recreation	14,292	14,292	8,029	6,263
Debt Service				
Interest	1,026	1,026	-	1,026
Total Expenditures and Encumbrances	1,045,257	1,111,434	962,256	149,178
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	189,781	139,418	299,093	159,675
OTHER FINANCING SOURCES (USES)				
Sales of Capital Assets	12,295	26,600	22,748	(3,852)
Transfers In	19,987	26,404	23,462	(2,942)
Transfers Out	(301,861)	(318,279)	(312,196)	6,083
Total Other Financing Sources (Uses)	(269,579)	(265,275)	(265,986)	(711)
Net Change in Fund Balance	\$ (79,798)	\$ (125,857)	33,107	\$ 158,964
Budgetary Fund Balance - Beginning of Year			184,266	
Net Change in Encumbrances			668	
Net Change in Unappropriable Reserves			(9,201)	
Budgetary Fund Balance - End of Year			208,840	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			83,543	
Encumbrances			3,060	
Reimbursements				
Budgeted as Revenues			170,599	
Budgeted as Expenditures			(170,599)	
GASB Statement No. 54 Reporting Adjustment				
Library Fund Balances			13,517	
Fund Balance (GAAP) - End of Year			\$ 308,960	

TRANSPORTATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2013
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes				
General Property Taxes	\$ 41,487	\$ 41,487	\$ 41,774	\$ 287
Business Taxes	31,291	31,291	33,930	2,639
Other Taxes	-	-	112	112
Total Taxes	<u>72,778</u>	<u>72,778</u>	<u>75,816</u>	<u>3,038</u>
Licenses and Permits	7,893	7,893	5,130	(2,763)
Grants, Shared Revenues, and Contributions	55,217	55,217	51,755	(3,462)
Charges for Services	53,892	53,892	102,475	48,583
Fines and Forfeits	-	-	8	8
Parking Fees and Space Rent	-	-	70	70
Program Income, Interest, and Miscellaneous Revenues	<u>-</u>	<u>-</u>	<u>122</u>	<u>122</u>
Total Revenues	189,780	189,780	235,376	45,596
EXPENDITURES AND ENCUMBRANCES				
Current				
Transportation	92,969	97,281	86,111	11,170
Capital Outlay				
Transportation	424,422	439,965	234,188	205,777
Debt Service				
Principal	2,313	2,313	2,112	201
Interest	<u>-</u>	<u>-</u>	<u>183</u>	<u>(183)</u>
Total Expenditures and Encumbrances	<u>519,704</u>	<u>539,559</u>	<u>322,594</u>	<u>216,965</u>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(329,924)	(349,779)	(87,218)	262,561
OTHER FINANCING SOURCES (USES)				
Sales of Capital Assets	-	-	54	54
Transfers In	141,965	141,965	133,703	(8,262)
Transfers Out	<u>(25,633)</u>	<u>(25,633)</u>	<u>(24,739)</u>	<u>894</u>
Total Other Financing Sources (Uses)	<u>116,332</u>	<u>116,332</u>	<u>109,018</u>	<u>(7,314)</u>
Net Change in Fund Balance	<u>\$ (213,592)</u>	<u>\$ (233,447)</u>	21,800	<u>\$ 255,247</u>
Budgetary Fund Balance - Beginning of Year			2,891	
Net Change in Encumbrances			815	
Net Change in Unappropriable Reserves			<u>(31,680)</u>	
Budgetary Fund Balance - End of Year			(6,174)	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			<u>79,837</u>	
Fund Balance (GAAP) - End of Year			<u>\$ 73,663</u>	

LOW-INCOME HOUSING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2013
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
General Property Taxes	\$ 18,994	\$ 18,994	\$ 17,952	\$ (1,042)
Grants, Shared Revenues, and Contributions	14,370	13,094	2,088	(11,006)
Charges for Services	4,639	4,664	810	(3,854)
Program Income, Interest, and Miscellaneous Revenues	29,037	29,037	11,072	(17,965)
Total Revenues	67,040	65,789	31,922	(33,867)
EXPENDITURES AND ENCUMBRANCES				
Current				
Economic Environment	132,276	131,024	30,631	100,393
Total Expenditures and Encumbrances	132,276	131,024	30,631	100,393
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(65,236)	(65,235)	1,291	66,526
OTHER FINANCING SOURCES (USES)				
Sales of Capital Assets	15	15	-	(15)
Total Other Financing Sources (Uses)	15	15	-	(15)
Net Change in Fund Balance	<u>\$ (65,221)</u>	<u>\$ (65,220)</u>	1,291	<u>\$ 66,511</u>
Budgetary Fund Balance - Beginning of Year			(9,366)	
Net Change in Unappropriable Reserves			(5,588)	
Budgetary Fund Balance - End of Year			(13,663)	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			94,820	
Fund Balance (GAAP) - End of Year			<u>\$ 81,157</u>	

PENSION PLAN INFORMATION
SCHEDULE OF FUNDING PROGRESS
December 31, 2013
(In Thousands)

Retirement System	Actuarial Valuation Date January 1	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL) ^a	Unfunded Actuarial Accrued Liabilities (UAAL) ^b	Funded Ratio	Covered Payroll ^c	UAAL as a Percentage of Covered Payroll
Seattle City Employees' Retirement System (SCERS)	2006	\$ 1,791,800	\$ 2,017,500	\$ 225,800	88.8 %	\$ 447,000	50.5 %
	2008	2,119,400	2,294,600	175,200	92.4	501,900	34.9
	2010	1,645,300	2,653,800	1,008,500	62.0	580,900	173.6
	2011	2,013,700	2,709,000	695,400	74.3	563,200	123.5
	2012	1,954,300	2,859,300	905,000	68.3	557,000	162.5
	2013	1,920,100	3,025,300	1,105,000	63.5 ^d	567,806	194.6
Firemen's Pension Fund	2008	9,005	168,384	159,379	5.0	N/A	N/A
	2009	11,498	141,621	130,123	8.0	N/A	N/A
	2010	13,273	143,499	130,226	9.0	N/A	N/A
	2011	11,430	126,794	115,364	9.0	N/A	N/A
	2012	10,877	138,611	127,734	8.0	N/A	N/A
	2013	12,943	106,424	93,481	12.0	N/A	N/A
Police Relief and Pension Fund	2008	805	138,897	138,092	1.0	N/A	N/A
	2009	423	132,118 ^e	131,695 ^e	0.0	N/A	N/A
	2010	280	129,393	129,113	0.0	N/A	N/A
	2011	1,105	137,497	136,392	1.0	N/A	N/A
	2012	3,746	111,458	107,712	3.0	N/A	N/A
	2013	4,625	104,729	100,104	4.0	N/A	N/A

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

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

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

^d The funding ratio had been 63.5%, based on previous, January 1, 2013 actuarial valuation. The increase in the funding ratio is due mainly to the adoption of the asset smoothing method.

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

PENSION PLAN INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
December 31, 2013
(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)	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
	2011	557,000	50,301	9.03	13.11	69
	2012 ^d	567,806	62,515	11.01	11.84	93
Firemen's Pension Fund	2007 ^e	N/A	8,633	N/A	\$ 9,533	91
	2008	N/A	15,027	N/A	10,673	141
	2009	N/A	11,422	N/A	8,266	138
	2010	N/A	7,255	N/A	7,975	91
	2011	N/A	8,262	N/A	7,218	114
	2012	N/A	10,318	N/A	7,387	140
Police Relief and Pension Fund	2007 ^e	N/A	5,885	N/A	\$ 7,783	76
	2008	N/A	9,723	N/A	9,248	105
	2009	N/A	7,939	N/A	8,635	95
	2010	N/A	9,843	N/A	7,907	124
	2011	N/A	11,195	N/A	8,534	131
	2012	N/A	8,315	N/A	6,895	121

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

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

^c The City makes employer contributions as a percentage of actual payroll for SCERS as set in City ordinance. Thus, as long as the percentage equals the percentage required by the most recent actuarial valuation, the dollar amount of the ARC is equal to the actual dollar amount of the employer contributions. The City ordinance does not permit a reduction in the employer contribution rate less than the employee contribution rate.

^d The latest actuarial valuation for SCERS was completed as of January 1, 2013.

^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.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2013

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Food And Nutrition Service, Department Of Agriculture/Other Educational Agencies	Child and Adult Care Food Program	10.558	N/A	49,276		49,276	
Food And Nutrition Service, Department Of Agriculture/Superintendent of Public Instruction	Child and Adult Care Food Program	10.558	17020077	1,187,161		1,187,161	
Total CFDA 10.558				1,236,437	0	1,236,437	
Food And Nutrition Service, Department Of Agriculture/WA Department of Agriculture	Summer Food Service Program for Children	10.559	N/A	43,452		43,452	
Food And Nutrition Service, Department Of Agriculture/Superintendent of Public Instruction	Summer Food Service Program for Children	10.559	17804	438,499		438,499	
Total CFDA 10.559				481,951	0	481,951	
Food And Nutrition Service, Department Of Agriculture/WA Department of Social and Health Services	Senior Farmers Market Nutrition Program	10.576	1269-55061	73,269		73,269	7
Food And Nutrition Service, Department Of Agriculture/WA Department of Social and Health Services	Senior Farmers Market Nutrition Program	10.576	1369-78313	4,294		4,294	
Total CFDA 10.576				77,564	0	77,564	
National Oceanic And Atmospheric Administration (noaa), Department Of Commerce/WA Recreation & Conservation Office	Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	11.438	12-1191A	104,000		104,000	
Office Of Economic Adjustment, Department Of Defense	Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	12.607	HQ00051210044		-37,513	-37,513	
Office Of Community Planning And Development, Department Of Housing And Urban Development/	Community Development Block Grants/Entitlement Grants	14.218	B02MC530005		2,215	2,215	3
Office Of Community Planning And Development, Department Of Housing And Urban Development/	Community Development Block Grants/Entitlement Grants	14.218	B03MC530005		123,378	123,378	3
Office Of Community Planning And Development, Department Of Housing And Urban Development/	Community Development Block Grants/Entitlement Grants	14.218	B10MC530005		2,338,855	2,338,855	3
Office Of Community Planning And Development, Department Of Housing And Urban Development/	Community Development Block Grants/Entitlement Grants	14.218	B11MC530005		53,853	53,853	3
Office Of Community Planning And Development, Department Of Housing And Urban Development/	Community Development Block Grants/Entitlement Grants	14.218	B12MC530005		2,280,539	2,280,539	3

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Office Of Community Planning And Development, Department Of Housing And Urban Development/	Community Development Block Grants/Entitlement Grants	14.218	B13MC530005		7,617,669	7,617,669	3
Total CFDA 14.218				0	12,416,508	12,416,508	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Emergency Solutions Grant Program	14.231	E11MC530001		704	704	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Emergency Solutions Grant Program	14.231	E12MC530001		337,634	337,634	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Emergency Solutions Grant Program	14.231	E13MC530001		199,065	199,065	
Total CFDA 14.231				0	537,403	537,403	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0002B0T00110 4		482,605	482,605	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0010B0T00110 4		34,559	34,559	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0012B0T00110 4		232,324	232,324	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0013B0T00110 4		34,874	34,874	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0014B0T00110 4		6,374	6,374	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0015B0T00110 4		118,910	118,910	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0018B0T00110 4		140,469	140,469	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0021B0T00110 4		7,428	7,428	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0024B0T00110 4		44,207	44,207	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0026B0T00110 4		140,127	140,127	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0027B0T00100		268,650	268,650	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0027B0T00110 4		781,850	781,850	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0028B0T00110 4		37,937	37,937	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0029B0T00110 4		80,540	80,540	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0031B0T00110 4		169,195	169,195	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0032B0T00110 4		443,471	443,471	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0037B0T00110 4		27,493	27,493	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0039B0T00110 4		188,981	188,981	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0040B0T00110 4		52,238	52,238	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0043B0T00110 4		79,232	79,232	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0045B0T00110 4		15,185	15,185	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0051B0T00110 4		34,475	34,475	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0052B0T00100 3		540	540	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0052B0T00110 4		312,773	312,773	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0053B0T00110 4		353,764	353,764	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0061B0T00110 4		36,211	36,211	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0201B0T00100 2		1,959	1,959	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0201B0T00110 3		462,500	462,500	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0213B0T00110 1		99,054	99,054	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0214B0T00110 1		235,734	235,734	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0228B0T00110 1		18,852	18,852	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0239B0T00110 1		63,741	63,741	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0242B0T00110 0		470,753	470,753	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0243L0T00120 1		13,943	13,943	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0244B0T00110 0		310,497	310,497	
Office Of Community Planning And Development, Department Of Housing And Urban Development/King County	Supportive Housing Program	14.235	5500109	367,200		367,200	
Total CFDA 14.235					367,200	5,801,443	6,168,643

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M10-MC-53-0200		59,000	59,000	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M11-MC-53-0200		208,601	208,601	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M12MC53020		164,902	164,902	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M12-MC-53-0200		45,519	45,519	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M13-MC-35-0200		250,218	250,218	3
Total CFDA 14.239				0	728,240	728,240	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Housing Opportunities for Persons with AIDS	14.241	WAH11-F001		842,996	842,996	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Housing Opportunities for Persons with AIDS	14.241	WAH12-F001		949,546	949,546	
Total CFDA 14.241				0	1,792,542	1,792,542	
Office Of Community Planning And Development, Department Of Housing And Urban Development/	Community Development Block Grants_Section 108 Loan Guarantees	14.248	N/A		1,000,000	1,000,000	4a
Department of Housing and Urban Development/	ARRA - Homelessness Prevention and Rapid Re-Housing Program	14.257	S09-MY-53-0001		-1,364	-1,364	6
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0010L0T00120	5	122,764	122,764	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0012L0T00120	5	220,603	220,603	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0013L0T00120	5	44,761	44,761	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0014L0T00120	5	9,715	9,715	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0018L0T00120	5	934	934	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0024L0T00120	5	92,734	92,734	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0026L0T00120	5	941,797	941,797	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0027L0T00120	5	58,885	58,885	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0028L0T00120	5	13,805	13,805	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0029L0T00120	5	31,161	31,161	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA002L0T001205		187	187	

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Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0031LOT001205		344,075	344,075	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0037LOT001205		77,310	77,310	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0039LOT001205		154,050	154,050	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0040LOT001205		550,437	550,437	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0043LOT001205		249,281	249,281	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0045LOT001205		103,579	103,579	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0051LOT001205		273,654	273,654	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0052LOT001205		139,898	139,898	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0053LOT001205		171,153	171,153	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0061LOT001205		47,089	47,089	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0213LOT001202		36,530	36,530	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0214LOT001205		80,027	80,027	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0228LOT001202		16,994	16,994	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0239LOT001202		200,702	200,702	
Total CFDA 14.267				0	3,982,125	3,982,125	
Office Of Fair Housing And Equal Opportunity, Department Of Housing And Urban Development	Fair Housing Assistance Program_State and Local	14.401	FF-210-K-11-1006		46,490	46,490	
Office Of Sustainable Housing And Community, Department Of Housing And Urban Development/Puget Sound Regional Council	Sustainable Communities Regional Planning Grant Program	14.703	WARIP0042-10	88,374		88,374	
Office Of Sustainable Housing And Community, Department Of Housing And Urban Development	Community Challenge Planning Grants and the Department of Transportation's TIGER II Planning Grants	14.704	CCPWA0068-11		664,315	664,315	
Office Of Public And Indian Housing, Department Of Housing And Urban Development/Seattle Housing Authority	Public and Indian Housing	14.850	9917	373,000		373,000	
Office For Victims Of Crime, Department Of Justice/	Services for Trafficking Victims	16.320	2011-VT-BX-K005		254,045	254,045	
Office For Victims Of Crime, Department Of Justice/	Services for Trafficking Victims	16.320	2013-VT-BX-K009		18	18	

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Total CFDA 16.320				0	254,062	254,062	
Violence Against Women Office, Department Of Justice/King County	Enhanced Training and Services to End Violence and Abuse of Women Later in Life	16.528	N/A	36,310		36,310	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice	Part E - Developing, Testing and Demonstrating Promising New Programs	16.541	2010-JL-FX-0372		20,925	20,925	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice	Missing Children's Assistance	16.543	2009-MC-CX-K016		18,227	18,227	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice	Missing Children's Assistance	16.543	2011-MC-CX-K029		124,155	124,155	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice	Missing Children's Assistance	16.543	2012-MC-FX-K016		360,875	360,875	
Total CFDA 16.543				0	503,257	503,257	
Violence Against Women Office, Department Of Justice/	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2009-WE-AX-0008		243,072	243,072	
Office Of Community Oriented Policing Services, Department Of Justice/	Public Safety Partnership and Community Policing Grants	16.710	2009-CK-WX-0231		25,130	25,130	
Office Of Community Oriented Policing Services, Department Of Justice/	Public Safety Partnership and Community Policing Grants	16.710	2010-CK-WX-0098		37,851	37,851	
Office Of Community Oriented Policing Services, Department Of Justice/	Public Safety Partnership and Community Policing Grants	16.710	2012-ULWX-0037		56,669	56,669	
Total CFDA 16.710				0	119,650	119,650	
Violence Against Women Office, Department Of Justice	Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	16.736	2013-WH-AX-0035		53,266	53,266	
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0630		166,842	166,842	
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-3203		257,742	257,742	
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0526		320,051	320,051	
Total CFDA 16.738				0	744,635	744,635	
Department Of Justice	ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units Of Local Government	16.804	2009-SB-B9-0769		1,321,368	1,321,368	6
Bureau Of Justice Assistance, Department Of Justice	Byrne Criminal Justice Innovation Program	16.817	2012-AJ-BX-0006		190,772	190,772	

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Bureau Of Justice Assistance, Department Of Justice/George Mason University	Byrne Criminal Justice Innovation Program	16.817	2012CKWXK026	30,100		30,100
Total CFDA 16.817				30,100	190,772	220,872
Criminal Division, Department Of Justice	Equitable Sharing Program	16.922	N/A		685,832	685,832
Employment Training Administration, Department Of Labor/Workforce Development Council	WIA Youth Activities	17.259	11/171- YIS,11/172-YOS	450,534		450,534
Employment Training Administration, Department Of Labor/Workforce Development Council	WIA Youth Activities	17.259	13/137-YTH	586,139		586,139
Total CFDA 17.259				1,036,673	0	1,036,673
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	LA-7507, LA-7509	151,641		151,641
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	ARRA-DEMO-STPD 1482(010)	70,775		70,775
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	BHM-1399(004)	978,222		978,222
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	BHM-1551(001)	434,714		434,714
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	BHM-1552(003)	273,345		273,345
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	BHM-1577(016)	42,712		42,712
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	BRM-1560(001)	64,400		64,400
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	BRM-1577(015)	488		488
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	BRM-1613(005)	191,938		191,938
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	CM-1140(048)	544,622		544,622
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	CM-1526(002)	209,776		209,776
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	CM-1775(001)	30,697		30,697
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	CM-STPE- 9999(205)	199,909		199,909

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Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	ER-1101(016)	322,898		322,898	
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	HSIP-000S(341)	9,136		9,136	
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	HSIP-000S(342)	43,124		43,124	
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	HSIP-000S(368)	465,374		465,374	
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	HSIP-1577(014)	50,726		50,726	
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	HSIP-1750(002)	56,299		56,299	
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	SRTS-1520(001)	47,814		47,814	
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	SRTS-HLP- 1140(049)	54,535		54,535	
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	SRTS-HLP- 1140(050)	87,659		87,659	
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	STPE-EN10(027)	84,844		84,844	
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	STPE-EN10(029)	20,206		20,206	
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	STPH-0099(088)	30,147		30,147	
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	STPUL-1731(002)	11,105		11,105	
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	STPUL-1816(001)	995,000		995,000	
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	TIGER-IV-STPUL- 9999(648)	955,652		955,652	
Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	TIGER-STPUL- 9999(580)	2,564,615		2,564,615	

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Federal Highway Administration (fhwa), Department Of Transportation/WA Department of Transportation	Highway Planning and Construction	20.205	VPPP-1140(052)	23,895		23,895
Total CFDA 20.205				9,016,269	0	9,016,269
Federal Railroad Administration (fra), Department Of Transportation/WA Department of Transportation	High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants	20.319	GCA-6772	6,013,511		6,013,511
Federal Transit Administration (fta), Department Of Transportation/King County	Federal Transit_Capital Investment Grants	20.500	WA-03-0245-00	277,539		277,539
Federal Transit Administration (fta), Department Of Transportation/King County	Federal Transit_Capital Investment Grants	20.500	WA-04-0080	1,393,695		1,393,695
Federal Transit Administration (fta), Department Of Transportation/King County	Federal Transit_Capital Investment Grants	20.500	WA-04-0099	71,612		71,612
Total CFDA 20.500				1,742,846	0	1,742,846
Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Formula Grants	20.507	WA-90-0447-03		191,060	191,060
Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Formula Grants	20.507	WA-90-0474-00		88,436	88,436
Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Formula Grants	20.507	WA-95-X024-01		907,952	907,952
Federal Transit Administration (fta), Department Of Transportation/King County	Federal Transit_Formula Grants	20.507	WA-90-0522	300,078		300,078
Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Formula Grants	20.507	WA-90-X442-02		558,692	558,692
Total CFDA 20.507				300,078	1,746,140	2,046,218
Federal Transit Administration (fta), Department Of Transportation	Alternatives Analysis	20.522	WA-39-0006-00		536,754	536,754
Department of Transportation /	Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions	20.523	WA-88-0002-00		346,567	346,567
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WA Traffic Safety Commission	State and Community Highway Safety	20.600	CP13-12	21,448		21,448
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WA Traffic Safety Commission	State and Community Highway Safety	20.600	N/A	311,091		311,091
Total CFDA 20.600				332,539	0	332,539
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WA Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	N/A	1,907		1,907
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WA Traffic Safety Commission	Occupant Protection Incentive Grants	20.602	N/A	2,958		2,958
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/WA Traffic Safety Commission	National Priority Safety Programs	20.616	N/A	10,436		10,436

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Office Of The Secretary (ost) Administration Secretariate, Department Of Transportation/WA Department of Transportation	ARRA - Surface Transportation _ Discretionary Grants for Capital Investment	20.932	TIGER-STPUL- 9999(580)	8,241,035		8,241,035	6
Office Of The Secretary (ost) Administration Secretariate, Department Of Transportation/WA Department of Transportation	National Infrastructure Investments	20.933	TIGER-IV-STPUL- 9999(648)	5,908,193		5,908,193	
Environmental Protection Agency/WA Department of Commerce	Puget Sound Watershed Management Assistance	66.120	T11-63500-011	59,759		59,759	
Environmental Protection Agency/	Puget Sound Watershed Management Assistance	66.120	PO-00J09401-0		167,926	167,926	
Environmental Protection Agency/	Puget Sound Watershed Management Assistance	66.120	PO-00J09901-0		300,631	300,631	
Total CFDA 66.120				59,759	468,557	528,316	
Region 10, Environmental Protection Agency/WA Department of Ecology	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	C1200277	113,977		113,977	
Region 10, Environmental Protection Agency/WA Department of Ecology	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	G1300029	102,442		102,442	
Total CFDA 66.123				216,419	0	216,419	
Office Of The Chief Financial Officer, Environmental Protection Agency	Congressionally Mandated Projects	66.202	XP-96047601		12,870	12,870	
Office Of Water, Environmental Protection Agency/WA Department of Commerce	ARRA - Capitalization Grants for Drinking Water State Revolving Funds	66.468	DR09-952-072	1,413,208		1,413,208	4b,6
Region 9, Environmental Protection Agency/	Environmental Protection Consolidated Grants for the Insular Areas - Program Support	66.600	AF-83496001-0		102,294	102,294	
Region 9, Environmental Protection Agency/	Environmental Protection Consolidated Grants for the Insular Areas - Program Support	66.600	EPA-R10-PS-1001		79,590	79,590	
Total CFDA 66.600				0	181,884	181,884	
Department Of Energy/WA Department of Commerce	Weatherization Assistance for Low-Income Persons	81.042	F12-43101-403	110,494		110,494	
Department Of Energy/WA Department of Commerce	Weatherization Assistance for Low-Income Persons	81.042	F13-43103-404	46,536		46,536	
Department Of Energy/WA Department of Commerce	Weatherization Assistance for Low-Income Persons	81.042	F13-43104-404	9,332		9,332	
Total CFDA 81.042				166,362	0	166,362	
Department Of Energy/WA Department of Commerce	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	F12-52117-007	6,344		6,344	
Department Of Energy	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-EE0000857		377,305	377,305	6

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Department Of Energy	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-EE0003573		6,979,723	6,979,723	6
Total CFDA 81.128				0	7,357,028	7,357,028	
Department of Energy/WA Department of Commerce	Low-Income Energy Efficiency Program	81.F11-43104-404	F11-43104-404	202,885		202,885	
Office Of Postsecondary Education, Department Of Education	TRIO_Upward Bound	84.047	P047A120661		439,337	439,337	
Office Of Minority Health, Department Of Health And Human Services/WA Department of Health	Cooperative Agreements to Improve the Health Status of Minority Populations	93.004	N19557	510		510	
Administration For Community Living, Department Of Health And Human Services/WA Department of Social and Health Services	Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	1269-44108	23,925		23,925	
Administration For Community Living, Department Of Health And Human Services/WA Department of Social and Health Services	Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	1369-64725	12,949		12,949	
Total CFDA 93.041				36,874	0	36,874	
Administration For Community Living, Department Of Health And Human Services/WA Department of Social and Health Services	Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	93.043	1269-44108	104,904		104,904	
Administration For Community Living, Department Of Health And Human Services/WA Department of Social and Health Services	Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	1169-36975	2,800		2,800	
Administration For Community Living, Department Of Health And Human Services/WA Department of Social and Health Services	Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	1369-64725	2,255,851		2,255,851	
Total CFDA 93.044				2,258,651	0	2,258,651	
Administration For Community Living, Department Of Health And Human Services/WA Department of Social and Health Services	Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	1269-44108	2,443,534		2,443,534	
Administration For Community Living, Department Of Health And Human Services/WA Department of Health	National Family Caregiver Support, Title III, Part E	93.052	N19557	4,734		4,734	
Administration For Community Living, Department Of Health And Human Services/WA Department of Social and Health Services	National Family Caregiver Support, Title III, Part E	93.052	1369-64725	749,991		749,991	
Total CFDA 93.052				754,725	0	754,725	
Administration For Community Living, Department Of Health And Human Services/WA Department of Social and Health Services	Nutrition Services Incentive Program	93.053	1269-44108	535,141		535,141	
Centers For Disease Control And Prevention, Department Of Health And Human Services/Universities and 4 Year Colleges	Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135	N/A	4,500		4,500	

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Administration For Community Living, Department Of Health And Human Services/WA Department of Social and Health Services	Affordable Care Act – Aging and Disability Resource Center	93.517	1369-78479	18,896		18,896
Administration For Children And Families, Department Of Health And Human Services/WA Department of Commerce	Low-Income Home Energy Assistance	93.568	F12-43101-404	1,039,950		1,039,950
Administration For Children And Families, Department Of Health And Human Services/WA Department of Commerce	Low-Income Home Energy Assistance	93.568	F13-43101-404	76,440		76,440
Total CFDA 93.568				1,116,390	0	1,116,390
Administration For Community Living, Department Of Health And Human Services/WA Department of Social and Health Services	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs – financed by 2012 Prevention and Public Health Funds (PPHF-2012)	93.734	1269-63897	36,499		36,499
Centers For Disease Control And Prevention, Department Of Health And Human Services/Seattle Children's Hospital	PPHF 2012: Community Transformation Grants - Small Communities Program financed solely by 2012 Public Prevention and Health Funds	93.737	1H75DP004595-01	21,388		21,388
Centers For Medicare And Medicaid Services, Department Of Health And Human Services/WA Department of Social and Health Services	Medical Assistance Program	93.778	1016LS-69	546,110		546,110
Centers For Medicare And Medicaid Services, Department Of Health And Human Services/WA Department of Social and Health Services	Medical Assistance Program	93.778	1164-26243	19,692		19,692
Centers For Medicare And Medicaid Services, Department Of Health And Human Services/WA Department of Social and Health Services	Medical Assistance Program	93.778	1169-31368	414		414
Centers For Medicare And Medicaid Services, Department Of Health And Human Services/WA Department of Social and Health Services	Medical Assistance Program	93.778	1269-55061	4,793,253		4,793,253
Centers For Medicare And Medicaid Services, Department Of Health And Human Services/WA Department of Social and Health Services	Medical Assistance Program	93.778	1269-55656	509,069		509,069
Centers For Medicare And Medicaid Services, Department Of Health And Human Services/WA Department of Social and Health Services	Medical Assistance Program	93.778	1369-78313	4,024,540		4,024,540
Centers For Medicare And Medicaid Services, Department Of Health And Human Services/WA Department of Social and Health Services	Medical Assistance Program	93.778	1369-78944	496,634		496,634
Centers For Medicare And Medicaid Services, Department Of Health And Human Services/King County	Medical Assistance Program	93.778	CHS2381	5,285		5,285
Centers For Medicare And Medicaid Services, Department Of Health And Human Services/King County	Medical Assistance Program	93.778	D40932D	171,229		171,229
Total CFDA 93.778				10,566,227	0	10,566,227
Department Of Homeland Security	Non-Profit Security Program	97.008	N/A		94,513	94,513

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Department Of Homeland Security/WA Department of Parks and Recreation	Boating Safety Financial Assistance	97.012	N/A	39,931		39,931	
Department Of Homeland Security/Pierce County	National Urban Search and Rescue (US&R) Response System	97.025	WA TF1-01/16/13	1,234		1,234	
Department Of Homeland Security/Pierce County	National Urban Search and Rescue (US&R) Response System	97.025	WA TF1-01/24/13	44,373		44,373	
Department Of Homeland Security/Pierce County	National Urban Search and Rescue (US&R) Response System	97.025	WA TF1-02/25/13	354		354	
Department Of Homeland Security/Pierce County	National Urban Search and Rescue (US&R) Response System	97.025	WA TF1-03/03/13	1,038		1,038	
Department Of Homeland Security/Pierce County	National Urban Search and Rescue (US&R) Response System	97.025	WA TF1-03/15/13	798		798	
Department Of Homeland Security/Pierce County	National Urban Search and Rescue (US&R) Response System	97.025	WA TF1-03/28/13	127		127	
Department Of Homeland Security/Pierce County	National Urban Search and Rescue (US&R) Response System	97.025	WA TF1-04/11/13	128		128	
Department Of Homeland Security/Pierce County	National Urban Search and Rescue (US&R) Response System	97.025	WA TF1-05/09/13	338		338	
Department Of Homeland Security/Pierce County	National Urban Search and Rescue (US&R) Response System	97.025	WA TF1-05/20/13	9,216		9,216	
Department Of Homeland Security/Pierce County	National Urban Search and Rescue (US&R) Response System	97.025	WA TF1-10/17/13	4,258		4,258	
Department Of Homeland Security/Pierce County	National Urban Search and Rescue (US&R) Response System	97.025	WA TF1-10/28/12	-29		-29	
Department Of Homeland Security/Pierce County	National Urban Search and Rescue (US&R) Response System	97.025	WA TF1-04/06/13	2,496		2,496	
Total CFDA 97.025				64,332	0	64,332	
Department Of Homeland Security/WA Military Department	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-WA-4056	1,083		1,083	5
Department Of Homeland Security/WA Military Department	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	2,056		2,056	5
Department Of Homeland Security/WA Military Department	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4056-DR-WA	71,944		71,944	5
Department Of Homeland Security/WA Military Department	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	E08-822	14,397		14,397	
Department Of Homeland Security/WA Military Department	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	E07-754	99,890		99,890	
Department Of Homeland Security/WA Military Department	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D09-045	463,094		463,094	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Department Of Homeland Security/WA Military Department	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D12-085	206,929		206,929	
Department Of Homeland Security/WA Military Department	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-WA-1817	1,693		1,693	5
Department Of Homeland Security/WA Military Department	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 4085DR	2,329		2,329	5
Total CFDA 97.036				863,416	0	863,416	
Department Of Homeland Security/WA Military Department	Hazard Mitigation Grant	97.039	E11-278	-37,570		-37,570	
Department Of Homeland Security/WA Military Department	Hazard Mitigation Grant	97.039	E13-031	44,270		44,270	
Department Of Homeland Security/WA Military Department	Hazard Mitigation Grant	97.039	N/A	12,781		12,781	5
Department Of Homeland Security/WA Military Department	Hazard Mitigation Grant	97.039	E11-143	85,517		85,517	
Total CFDA 97.039				104,999	0	104,999	
Department Of Homeland Security/WA Military Department	Emergency Management Performance Grants	97.042	EMW-2012-APP-00071	169,941		169,941	
Department Of Homeland Security/WA Military Department	Emergency Management Performance Grants	97.042	EMW-2013-EP-00050-S01	186,610		186,610	
Total CFDA 97.042				356,551	0	356,551	
Department Of Homeland Security	Assistance to Firefighters Grant	97.044	EM10-2012-FD-03517		394,680	394,680	
Department Of Homeland Security/WA Military Department	Pre-Disaster Mitigation	97.047	EMS-2011-PC-0004	103,699		103,699	
Department Of Homeland Security	Port Security Grant Program	97.056	EMW-2012-PJ-00362		168,695	168,695	
Department Of Homeland Security/Marine Exchange of Puget Sound	Port Security Grant Program	97.056	2009-PU-T9-K044	6,921,833		6,921,833	
Department Of Homeland Security/Marine Exchange of Puget Sound	Port Security Grant Program	97.056	2009-PU-T9-K044-23	268,636		268,636	
Department Of Homeland Security/Marine Exchange of Puget Sound	Port Security Grant Program	97.056	2009-PU-T9-K044-25	85,179		85,179	
Department Of Homeland Security/Marine Exchange of Puget Sound	Port Security Grant Program	97.056	2010-PU-T0-K033	1,221,739		1,221,739	
Department Of Homeland Security/Marine Exchange of Puget Sound	Port Security Grant Program	97.056	EMW-2011-PU-K00268-S01	789,207		789,207	
Department Of Homeland Security/Marine Exchange of Puget Sound	Port Security Grant Program	97.056	EMW-2011-PU-K00268-S01-22	810,579		810,579	
Department Of Homeland Security/Marine Exchange of Puget Sound	Port Security Grant Program	97.056	EMW-2011-PU-K00268-S01-24	165,331		165,331	
Department Of Homeland Security/Port of Tacoma	Port Security Grant Program	97.056	2008-GB-T8-K0065	2,020,207		2,020,207	
Department Of Homeland Security/Port of Tacoma	Port Security Grant Program	97.056	2008-GB-T8-K065	638,508		638,508	
Total CFDA 97.056				12,921,219	168,695	13,089,914	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Department Of Homeland Security/King County	Homeland Security Grant Program	97.067	FFY09-SHSP-LE-004	-15,987		-15,987
Department Of Homeland Security/King County	Homeland Security Grant Program	97.067	FFY10-SHSP-005	12,506		12,506
Department Of Homeland Security/King County	Homeland Security Grant Program	97.067	FFY10-SHSP-008	84,721		84,721
Department Of Homeland Security/King County	Homeland Security Grant Program	97.067	FFY10-SHSP-EQ-005	100,744		100,744
Department Of Homeland Security/King County	Homeland Security Grant Program	97.067	FFY10-SHSP-LE-001	38,409		38,409
Department Of Homeland Security/King County	Homeland Security Grant Program	97.067	FFY10-SHSP-LE-002	56,527		56,527
Department Of Homeland Security/King County	Homeland Security Grant Program	97.067	FFY11-SHSP-LE001	75,517		75,517
Department Of Homeland Security/King County	Homeland Security Grant Program	97.067	KC FFY10-SHSPTE-001 / E11-220	184,195		184,195
Department Of Homeland Security/King County	Homeland Security Grant Program	97.067	KC FFY11-SHSP-EG-003 / E12-253	400,000		400,000
Department Of Homeland Security/King County	Homeland Security Grant Program	97.067	KC FFY11-SHSP-TE-001 / E12-253	186,378		186,378
Department Of Homeland Security/King County	Homeland Security Grant Program	97.067	FFY11-SHSP-008	356,227		356,227
Department Of Homeland Security/King County	Homeland Security Grant Program	97.067	FFY11-SHSP-LE002	106,874		106,874
Department Of Homeland Security/King County	Homeland Security Grant Program	97.067	KC FFY10-SHSP-EG-002 / E11-220	86,317		86,317
Department Of Homeland Security/WA Military Department	Homeland Security Grant Program	97.067	2010-SS-T9-0015	795,811		795,811
Department Of Homeland Security/WA Military Department	Homeland Security Grant Program	97.067	E11-157	102,588		102,588
Department Of Homeland Security/WA Military Department	Homeland Security Grant Program	97.067	E12-190	510,061		510,061
Department Of Homeland Security/WA Military Department	Homeland Security Grant Program	97.067	E13-165	250,230		250,230
Department Of Homeland Security/WA Military Department	Homeland Security Grant Program	97.067	EMW-2011-SS-0030-S01	626,153		626,153
Department Of Homeland Security/Pierce County	Homeland Security Grant Program	97.067	WA TF1-07/23/13	593		593
Department Of Homeland Security/Port of Tacoma	Homeland Security Grant Program	97.067	PSGFY2007 / PSGFY2008	344,632		344,632
Total CFDA 97.067				4,302,499	0	4,302,499
Department of Homeland Security/WA Military Department	Metropolitan Medical Response System	97.071	E11-139	119,006		119,006
Department of Homeland Security/WA Military Department	Metropolitan Medical Response System	97.071	E13-014	93,938		93,938
Total CFDA 97.071				212,944	0	212,944
Department Of Homeland Security/WA Military Department	Buffer Zone Protection Program (BZPP)	97.078	2010-BF-T0-0022	921,062		921,062
Department Of Homeland Security/WA Military Department	Buffer Zone Protection Program (BZPP)	97.078	E13-038	36,120		36,120
Total CFDA 97.078				957,181	0	957,181
Department Of Homeland Security	Homeland Security Biowatch Program	97.091	2006-OH-091-000028		236,789	236,789
Department Of Homeland Security	Homeland Security Biowatch Program	97.091	2011-OH-091-000028-3		227,801	227,801

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Total CFDA 97.091				0	464,590	464,590	
Department Of Homeland Security/WA Military Department	Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	EMW-2011-CA-00019	189,471		189,471	
Department Of Homeland Security/WA Military Department	Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	2009-CA-T9-0008/E10-192	19,156		19,156	
Department Of Homeland Security/WA Military Department	Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	2010-CA-T0-0009	541,285		541,285	
Department Of Homeland Security/WA Military Department	Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	FFY2010 RCPGP / IA 2011-55	8,310		8,310	
Department Of Homeland Security/WA Military Department	Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	FFY2010 RCPGP / IA 2012-15	19,711		19,711	
Department Of Homeland Security/WA Military Department	Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	FY2011 RCPGP	22,136		22,136	
Total CFDA 97.111				800,068	0	800,068	
Total Federal Awards Expended:				76,091,426	43,278,644	119,370,077	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

CITY OF SEATTLE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City's financial statements. The City uses the modified accrual basis in its governmental funds and the full accrual basis of accounting in its proprietary funds.

NOTE 2 - PROGRAM COST

The amounts shown as expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City's portion may be more than shown.

NOTE 3 - REVOLVING LOAN - PROGRAM INCOME

The City has a revolving loan program for low income housing. Under this federal program, repayments to the City are considered program revenues (income) and loans to eligible recipients are considered expenditures.

NOTE 4 - FEDERAL LOANS

A) City of Seattle participates in the HUD Section 108 loan program. In the Section 108 loan program, HUD obtains funds from private investors at a very low cost (i.e., low interest rate). HUD, in turn provides nationwide including City of Seattle. The City re-lends the funds to private borrowers.

The City has used Section 108 loan funds in combination with proceeds from Federal Brownfields Economic Development Initiative (BEDI) grants. BEDI Grant funds have been applied to subsidize interest obligations on the Section 108 loans, provide loan loss reserves on the Section 108 loans and pay direct project costs.

The City established a \$15.5 million Section 108 loan fund with a companion \$1.75 million BEDI grant to finance six projects, known as 211 First Avenue, the Buttnick Building, the City Loan Building, Compass Center, the Cadillac Hotel and Northgate South Commons, LLC. Proceeds from this Section 108/BEDI loan fund were fully disbursed in 2008.

The City also established a \$10.0 million Section 108 loan fund with a companion \$2.0 million BEDI grant to finance four projects, known as 17th and Jackson, the Bush Hotel, Alpha Cine and Claremont Apartments. Proceeds from this Section 108/BEDI loan fund were fully disbursed in 2009.

In 2011, the City established a \$10 million Section 108 loan fund and used \$3 million of this fund to finance the INSCAPE project. In 2013, the City disbursed an additional \$1 million of that loan fund to finance what is known as the 12th Avenue Arts Project.

The Bank of New York serves as the City's Custodian, disbursing Section 108 and BEDI funds to borrowers, receiving loan repayments from the borrowers, and making the City's loan repayments to HUD.

B) City of Seattle Public Utilities Department was awarded funding under the Environmental Protection Agency Drinking Water State Revolving Fund program through the Washington State Department of Commerce in the amount of \$7,341,757.90. The amount included in the report represents the loan proceeds received in 2013.

NOTE 5 - GRANTS FROM FEMA, DEPARTMENT OF HOMELAND SECURITY

The City reports these funds on the SEFA when grant proceeds were received rather than when expenditures were incurred due to the nature of project acceptance and reimbursement from the federal agency.

NOTE 6 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

Expenditures for this program were funded by ARRA.

NOTE 7 – NONCASH AWARDS – FOOD VOUCHERS

The amount reported for the USDA Senior Farmers Market Nutrition Program includes \$53,760 allocated for food vouchers provided through the Washington Department of Social and Health Services. Distribution of vouchers is overseen by the City's Aging and Disability Services (ADS) Division of the Human Services Department.



ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

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