



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements Audit Report

City of Seattle

King County

For the period January 1, 2014 through December 31, 2014

Published August 6, 2015

Report No. 1014749





Washington State Auditor's Office

August 6, 2015

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,

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

**City of Seattle
King County
January 1, 2014 through December 31, 2014**

2014-001 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.

In 2013 the certified public accounting firm reported the same significant deficiency and our Office reported the same issue as a finding.

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 because reconciliation at a later date is often more difficult and time-consuming.

Cause of Condition

City did not make timely account reconciliations of the Seattle City Employees' Retirement System a priority.

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 adopt procedures to ensure that the monthly analysis of general ledger accounts becomes a routine procedure. A key accounting system goal should be to provide timely, accurate financial information for management.

City's Response

As part of the 2014 yearend process, the Seattle City Employees' Retirement System (SCERS) worked with the City's Citywide Accounting unit to reconcile SCERS' General Ledger with the Bank of New York's (BNY) investment summaries. This involved creating new accounts in the City's financial system to allow for clearer alignment and reconciliation with BNY. In 2015, SCERS will begin reconciling with BNY's investment summaries on a monthly basis. While there will still need to be journal entries as part of the yearend process, preparing monthly reconciliations will allow SCERS, and the City, to reflect information that is more accurate and timely.

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.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

**City of Seattle
King County
January 1, 2014 through December 31, 2014**

2014-002 The City's internal controls over financial reporting are not adequate to ensure the financial statements are accurate and complete.

Background

It is the responsibility of City management to design, implement and maintain internal controls to ensure financial statements are fairly presented and provide reasonable assurance regarding the reliability of financial reporting. Our audit identified a significant deficiency in internal controls over financial statement reporting that affected the City's ability to produce reliable financial statements.

Governmental Auditing Standards, prescribed by the Comptroller General of the United States, require the auditor to communicate significant deficiencies, defined in the Applicable Laws and Regulations section below, as a finding.

Description of Condition

Our audit identified deficiencies in internal controls over financial reporting that represent a significant deficiency:

Year-end financial statement preparation

- Although the City has a process for reviewing journal entries, the financial statements and schedules, these reviews were not effective in ensuring the financial statements and schedules were accurate in all respects.

Capital Assets

- Capital assets were not reviewed to ensure all retired assets were removed from its accounting system.
- The depreciation calculation did not clearly distinguish between individual costs added throughout the years and life spans for newly constructed and demolished buildings. Instead, the value of the new asset was added to the book value of the old assets.

- Departments were not consistently using the same method when determining the proper life span.

Business Taxes

- Citywide Accounting used its general ledger to prepare the financial statements; however, it did not reconcile this revenue to its general ledger to ensure accurate financial reporting. Further the City only reconciled its business tax revenue to receipts for three of the 12 months.

Expenditures

- City departments did not consistently follow guidance provided by Citywide Accounting to accrue expenditures in the proper accounting period and ensure expenditures were classified correctly.
- Citywide Accounting did not reconcile the expenditures reported at the department level to ensure they were properly classified on City's financial statements within the other governmental funds.
- Although the Police Department reviewed its expenditures before posting them to City's accounting system, it did not review the expenditures to ensure they were posted correctly on a monthly basis. Further, we noted the Parks Department and Human Service Department retained no documentation of their monthly reviews.

Cause of Condition

The City's operations are highly decentralized, and internal controls vary greatly from department to department. The City lacks adequate central monitoring controls to ensure departments are consistently applying the same accounting treatment for an account balance. Further, departments lack adequate controls to ensure accurate financial reporting.

In addition, the City did not perform an effective review to ensure the financial statements were accurately prepared and presented.

Effect of Condition

We identified the following errors during our audit of the City's financial statements:

- Health and Human Services expenditures were overstated by \$72.7 million. The Economic Environment and General Government expenditures were understated by the same amount. The City subsequently corrected these errors.

- Due From Other Governments were understated by \$1.49 million. In 2013 the City also understated the same account by \$1.3 million. As a result, the net effect is an understatement of \$136,014.
- The restricted fund balance reported in the Low Income Housing Fund is understated by \$4.7 million. The committed fund balance is overstated by the same amount.
- The Water Fund was not disclosed as a major proprietary fund in the Notes to the Financial Statements.
- The likely understatement for Accumulated Depreciation for Building and Improvements is approximately \$2 million, which caused Building and Improvements to be overstated on the Statement of Net Position by the same amount. Current Depreciation expenses were also understated by the same amount
- Two demolished assets totaling \$112,068 were reported in the Building and Improvement Fund. The projected likely overstatement of the Building and Improvement fund is approximately \$3.5 million.
- Intangible assets were understated by \$400,000 for a building use easement.
- Subsequent to our review, the City reconciled its business tax revenue to receipts for the remaining nine months of 2014. As a result, the City identified an error understating the business tax by \$1 million.
- Business taxes and excise taxes were understated by \$35.6 million and \$7.6 million respectively. The other taxes were overstated by \$43.3 million. These errors were subsequently corrected.
- General Fund General Government expenditures were understated by \$7,788. The likely understatement is \$421,985.

In addition, we identified less significant errors in the financial statements and notes to the financial statements that we reported to management during the audit.

Recommendation

We recommend the City establish controls to ensure:

- Departments have controls in place to ensure consistent accounting treatment for the same account balance and the reported financial statement balances are valid, accurate, complete and adequately supported.

- Trainings are provided to department staff responsible for financial reporting to ensure Citywide accounting policies and procedures are followed.
- A detailed review process of the financial statements is established for accurate preparation and reporting of the City's financial statements.

City's Response

The City would like to thank the State Auditor's Office for their detailed conclusions, open dialogue and communications throughout the audit cycle. The City's ongoing efforts to improve our control environment only benefit from our working relationship with the State Auditor's Office.

The City's financial reporting team provided to the Auditor's staff more timely and sophisticated information about the City's 2014 performance than has been provided in the recent past. Over the 2013 and 2014 reporting cycles, the reporting team's efforts to realign assignments, upgrade our production reporting tools, and redefine and add year-end financial reporting processes created several efficiency benefits. These benefits came at a cost in that standard controls failed to keep pace with the accelerated timing of production. The delayed timing of controls led to issues where draft financials submitted to the Auditor's staff included errors in presentation and completeness that our controls failed to detect. However, we believe the errors identified during the audit are immaterial to 2014's financial statement presentation.

The City recognizes the importance of addressing concerns noted in the Auditor's finding and will make every effort to strengthen and resolve these internal controls issues before the next reporting cycle.

Auditor's Remarks

We thank the City for its cooperation and assistance during the audit. We will review the status of these issues during our next 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 material weaknesses and significant deficiencies 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, 2014 through December 31, 2014

This schedule presents the status of findings reported in prior audit periods. The status listed below is the representation of the City of Seattle. The State Auditor's Office has reviewed the status as presented by the City.

Audit Period: January 1, 2013 through December 31, 2013	Report Ref. No.: 1012218	Finding Ref. No.: 1
Finding Caption: 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: 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. The certified public accounting firm recommended the City establish and follow appropriate routine internal controls to analyze general ledger accounts on a monthly basis.		
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input checked="" type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>As part of the 2014 yearend process, SCERS worked with the City's Citywide Accounting unit to reconcile SCERS' General Ledger with the Bank of New York's (BNY) investment summaries. This involved creating new accounts in the City's financial system to allow for clearer alignment and reconciliation with BNY. In 2015, SCERS will begin reconciling with BNY's investment summaries on a monthly basis. While there will still need to be journal entries as part of the yearend process, preparing monthly reconciliations will allow SCERS, and the City, to reflect information that is more accurate and timely.</i>		

**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, 2014 through December 31, 2014**

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, 2014, 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 29, 2015.

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 2013 basic financial statements, on which we issued our report dated June 26, 2014.

As discussed in Note 1 to the financial statements, during the year ended December 31, 2014, the City implemented Governmental Accounting Standards Board Statement No. 67, *Financial*

Reporting for Pension Plans – an amendment of GASB Statement No. 25, Statement No. 69, Government Combinations and Disposals of Government Operations and Statement No. 70, Nonexchange Financial Guarantees.

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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Findings 2014-001 and 2014-002 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 FINDINGS

The City's response to the findings 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.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

June 29, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Seattle King County January 1, 2014 through December 31, 2014

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 20.

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, 99 percent, and 97 percent, respectively, of the assets and deferred outflows, net position, and revenues of the business-type activities.
- The Seattle City Employees' Retirement System, which represents 64 percent, 75 percent, and 22 percent, respectively, of the assets and deferred outflows, net position, and revenues of the aggregate discretely presented component units and remaining fund information.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Light, Water, Drainage and Wastewater, and Solid Waste funds and the Seattle City Employees' Retirement System are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Water, Drainage and Wastewater, and Solid Waste funds and the Seattle City Employees' Retirement System were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Seattle, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2014, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, Statement No. 69, *Government*

Combinations and Disposals of Government Operations and Statement No. 70, *Nonexchange Financial Guarantees*. Our opinion is not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all of the information required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2013, from which such partial information was derived.

We and other auditors have previously audited the City's 2013 financial statements and, based on our audit and the reports of the other auditors, we expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregately discretely presented component units and remaining fund information in our report dated June 26, 2014. In our opinion, the summarized comparative information for the governmental activities and governmental funds presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 21 through 41, budgetary comparison information on pages 158 through 160 and pension trust fund information on pages 161 through 162 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 29, 2015 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.



JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

June 29, 2015

FINANCIAL SECTION

**City of Seattle
King County
January 1, 2014 through December 31, 2014**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014

Statement of Activities – 2014

Balance Sheet – Governmental Funds – 2014

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2014

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances to the Statement of Activities – 2014

Statement of Net Position – Proprietary Funds – 2014

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2014

Statement of Cash Flows – Proprietary Funds – 2014

Statement of Fiduciary Net Position – Fiduciary Funds – 2014

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2014

Notes to Financial Statements – 2014

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
– General Fund – 2014

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
– Transportation Fund – 2014

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
– Low-Income Housing Fund – 2014

Notes to Required Supplementary Information – 2014

Pension Plan Information – Schedule of Funding Progress – 2014

Pension Plan Information – Schedule of Employer Contributions – 2014

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards – 2014

Notes to the Schedule of Expenditures of Federal Awards – 2014

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, 2014. 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.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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 fund statements follow the governmental fund statements in this report.

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

FINANCIAL HIGHLIGHTS

- At the end of fiscal year 2014 the City's net position totaled \$5.583 billion, with governmental activities accounting for 63.1 percent and business-type activities 36.9 percent, approximately a 2 to 1 ratio.
- Net investment in capital assets, net of depreciation and related debt, accounts for 86.7 percent, \$4.839 billion, of the City's total net position. In one year the value of the City's capital assets grew 10.0 percent, \$440.5 million. Of these assets the City's governmental activities controls \$3.089 billion, with the remaining \$1.750 billion supporting business-type activities.
- The City's remaining net position, 13.3 percent, is available to meet the City's ongoing obligations to citizens and creditors. This balance of restricted and unrestricted net position lost (10.2) percent of its value during 2014, decreasing \$(84.9) million to end the year at \$744.0 million. The City's governmental activities were the primary factor driving this change, accounting for 76.0 percent of the total decrease. At the end of 2014 the governmental activities reported a \$(16.4) million deficit in the unrestricted balance.
- During 2014 the positive change in City's net position totaled \$355.7 million, leading to a 6.8 percent increase over 2013's ending net position of \$5.227 billion. Governmental activities contributed \$134.3 million, 37.8 percent of the change, while the net position of business-type activities account for the remaining two thirds change, \$221.3 million in 2014.
- The City's governmental funds reported a combined ending fund balance of \$679.6 million for 2014, a reduction of (3.9) percent from the prior year's balance of \$707.3 million. The \$(27.7) million decrease in governmental fund balance reported for 2014 is a significant change from 2013 when governmental funds contributed \$68.9 million to the fund balance.
- Of the total decrease in 2014's governmental fund balance, 82.5 percent directly impacted the unassigned fund balance available for all purpose spending. 2014 reported \$75.3 million of unassigned fund, (23.3) percent lower than 2013's reported balance, a reduction of \$(22.9) million.
- Approximately 65.8 percent of the governmental fund balances is externally restricted for specific purposes. During 2014 the level of restrictions on the governmental fund balances fell by \$(12.0) million, reporting a year-end balance of \$446.9 million, a (2.60) percent decrease from 2013.
- Governmental fund balances reported two reservations with year over year growth. At the end of 2014 \$15.6 million is assigned for specific purposes by City's management, a 20.3 percent change over the \$13.0 million balance reported in 2013. The total amount committed by City Council is \$137.1 million, a 3.1 percent change over the \$133.0 million reported within the governmental fund balances from the prior year.
- The City's governmental funds generated revenues totaling \$1.750 billion in the fiscal year ended December 31, 2014, an increase of approximately \$104.3 million, 6.34 percent, from the prior year's balance of \$1.645 billion. Expenditures in governmental funds amounted to \$1.828 billion, an increase of approximately \$125.2 million, 7.35 percent, compared to \$1.703 billion in 2013. In the aggregate, expenditures for governmental funds exceeded revenues by approximately \$(78.7) million. The City's General Fund reported an excess of revenues over expenditures totaling \$263.3 million, while the other major and nonmajor governmental funds reported a deficiency of revenues totaling \$(341.9) million.
- During the year, general obligation bonded debt for limited tax (LTGO) and unlimited tax (UTGO) bonds were issued to finance the City's various capital improvement projects. At the end of the fiscal year 2014 the City had \$4.416 billion in outstanding bonded debt that included general obligation and revenue bonds, compared to \$4.259 billion in 2013. This represents an increase of approximately \$156.7 million, 3.7 percent.

The City of Seattle

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 \$5.583 billion.

Statement of Net Position

Table A-1

CONDENSED STATEMENT OF NET POSITION (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2014	Restated 2013	2014	2013	2014	Restated 2013
ASSETS						
Current and Other Assets	\$ 983,515	\$ 982,466	\$ 1,522,551	\$ 1,373,408	\$ 2,506,066	\$ 2,355,874
Capital Assets and Construction in Progress, Net of Accumulated Depreciation	3,915,087	3,733,918	4,979,382	4,683,737	8,894,469	8,417,655
Total Assets	4,898,602	4,716,384	6,501,933	6,057,145	11,400,535	10,773,529
DEFERRED OUTFLOWS OF RESOURCES						
	456,252	436,014	47,858	52,371	504,110	488,385
LIABILITIES						
Current Liabilities	308,485	300,907	411,184	388,086	719,669	688,993
Noncurrent Liabilities	1,059,202	1,017,856	3,921,491	3,755,471	4,980,693	4,773,327
Total Liabilities	1,367,687	1,318,763	4,332,675	4,143,557	5,700,362	5,462,320
DEFERRED INFLOWS OF RESOURCES						
	466,094	446,877	155,157	125,336	621,251	572,213
NET POSITION						
Net Investment in Capital Assets	3,088,501	2,889,659	1,750,495	1,508,831	4,838,996	4,398,490
Restricted	448,935	460,885	58,039	57,404	506,974	518,289
Unrestricted	(16,363)	36,212	253,427	274,387	237,064	310,599
Total Net Position	\$ 3,521,073	\$ 3,386,756	\$ 2,061,961	\$ 1,840,622	\$ 5,583,034	\$ 5,227,378

The largest portion of the City's net position, 86.7 percent, reflects an investment of \$4.839 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, \$507.0 million, 9.1 percent, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$237.1 million, 4.3 percent, may be used to meet the government's obligation to citizens and creditors.

The net position for the business-type activities increased 12.0 percent between 2013 and 2014, from \$1.841 billion to \$2.062 billion. The increase in net position is attributed primarily to the performance of the City Light Utility, which accounted for 54.82 percent, or \$121.3 million of the total \$221.3 million change in net position for business-type activities.

Table A-2

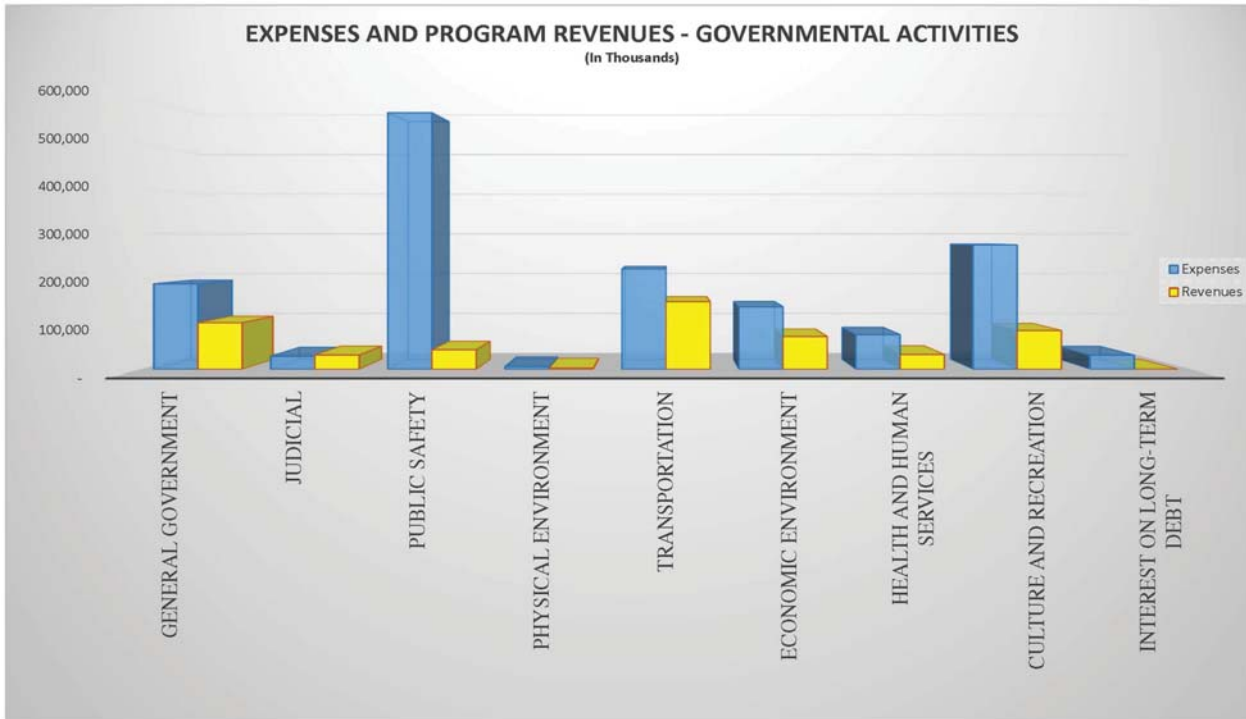
**CHANGES IN NET POSITION RESULTING FROM
CHANGES IN REVENUES AND EXPENSES
(In Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2014	Restated 2013	2014	2013	2014	Restated 2013
Revenues						
Program Revenues						
Charges for Services	\$ 357,810	\$ 325,964	\$ 1,685,506	\$ 1,619,118	\$ 2,043,316	\$ 1,945,082
Operating Grants and Contributions	123,986	135,407	6,155	7,055	130,141	142,462
Capital Grants and Contributions	37,895	42,468	48,129	63,760	86,024	106,228
General Revenues						
Property Taxes	431,458	423,927	—	—	431,458	423,927
Sales Taxes	199,735	181,171	—	—	199,735	181,171
Business Taxes	431,436	408,913	—	—	431,436	408,913
Other Taxes	86,226	76,360	—	—	86,226	76,360
Other	13,551	15,349	19,013	5,876	32,564	21,225
Total Revenues	1,682,097	1,609,559	1,758,803	1,695,809	3,440,900	3,305,368
Expenses						
Governmental Activities						
General Government	189,034	161,041	—	—	189,034	161,041
Judicial	28,874	33,517	—	—	28,874	33,517
Public Safety	568,843	515,129	—	—	568,843	515,129
Physical Environment	5,853	10,740	—	—	5,853	10,740
Transportation	222,199	165,742	—	—	222,199	165,742
Economic Environment	138,169	125,191	—	—	138,169	125,191
Health and Human Services	76,562	71,256	—	—	76,562	71,256
Culture and Recreation	275,566	267,043	—	—	275,566	267,043
Interest on Long-Term Debt	31,170	26,417	—	—	31,170	26,417
Business-Type Activities						
Light	—	—	798,161	780,930	798,161	780,930
Water	—	—	221,944	215,600	221,944	215,600
Drainage and Wastewater	—	—	298,633	290,147	298,633	290,147
Solid Waste	—	—	159,501	156,653	159,501	156,653
Planning and Development	—	—	58,304	53,080	58,304	53,080
Downtown Parking Garage	—	—	7,458	8,159	7,458	8,159
Fiber Leasing	—	—	27	54	27	54
Total Expenses	1,536,270	1,376,076	1,544,028	1,504,623	3,080,298	2,880,699
Excess Before Special Item and Transfers	145,827	233,483	214,775	191,186	360,602	424,669
Special Item - Environmental Remediation	—	—	(4,949)	(24,169)	(4,949)	(24,169)
Transfers	(11,512)	(10,861)	11,512	10,861	—	—
Changes in Net Position	134,315	222,622	221,338	177,878	355,653	400,500
Net Position - Beginning of Year	3,386,756	3,164,134	1,840,622	1,662,745	5,227,378	4,826,879
Net Position - End of Year	\$ 3,521,071	\$ 3,386,756	\$ 2,061,960	\$ 1,840,623	\$ 5,583,031	\$ 5,227,379

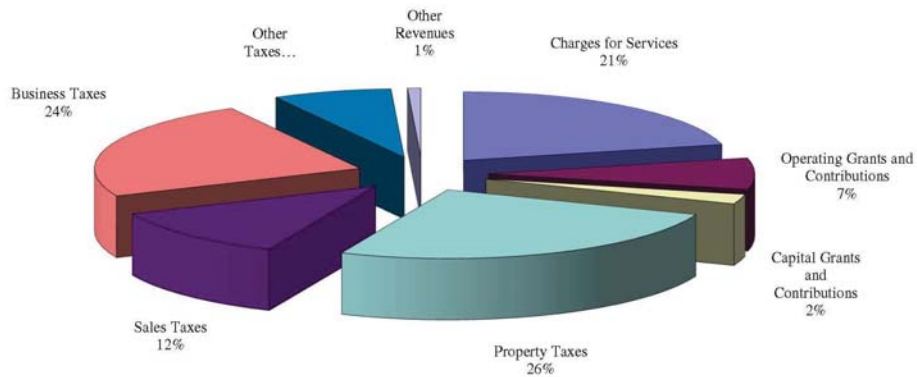
Analysis of Changes in Net Position

In 2014 the City's total net position increased by \$355.7 million, 6.8 percent. The increase is explained in the following discussion of governmental and business-type activities.

Governmental Activities



REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



Total \$1,682.1 Million

Management's Discussion and Analysis

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

Revenues reported at the citywide level were up 4.1 percent year over year, totaling \$3.441 billion in 2014. Out of the \$135.5 million of additional revenues reported in 2014, the City's governmental activities accounted for 53.5 percent of the change. The following table lists the general revenues ranked by the size of their 2014 collections, and highlights the change in general revenues between the 2013 and 2014 financial statements.

2014 Rank	General Tax Revenues	Amount (In Millions)	Percent of Change	Amount of Change (In Millions)
1	Property Taxes	\$ 431.5	1.8%	\$ 7.5
2	Business Taxes	431.4	5.5	22.5
3	Sales Taxes	199.7	10.2	18.6
4	Other Taxes	16.8	49.2	5.5
5	Excise Taxes	65.4	6.2	3.8

The City's tax revenues continue to provide the most significant source of revenue for governmental activities, with property, sales and business tax contributing 91.4 percent of all general revenues, and 63.2 percent of the governmental activities general and program revenue combined. The year over year growth in these three tax streams was 4.8 percent or \$48.6 million, and contributed 85.8 percent of the total revenue growth in governmental activities. Other taxes recorded by the City contributed \$9.9 million to the increase in revenues from governmental activities, 12.9 percent more than reported the previous year.

Direct program revenues collected supporting the City's governmental activities were \$519.7 million, 33.8 percent of the total cost, with the remaining \$1.017 billion covered by the City's general resources.

The City's charges for services are the largest component of reported program revenues, and comprise 68.9 percent of program revenue generated by governmental activities. For governmental activities charges for services contribute 21.3 percent of total revenues, with year over year revenues collected for service charges up \$31.8 million, a 9.8 percent increase that raises the total service charge collection to 357.8 million.

Expenses reported at the citywide level were up 6.9 percent year over year, totaling 3.080 billion in 2014. Of the \$199.6 million increase in 2014's expenses 80.3 percent can be attributed to the growth in expenses related to governmental-activities. Net program expenses for all functions within the City's governmental activities totaled \$1.536 billion for 2014, a 11.6 percent increase over 2013's costs of \$1.376 billion. The following table lists city functions/programs ranked by the size of their 2014 expenses, and highlights the growth in costs between the 2013 and 2014 financial statements.

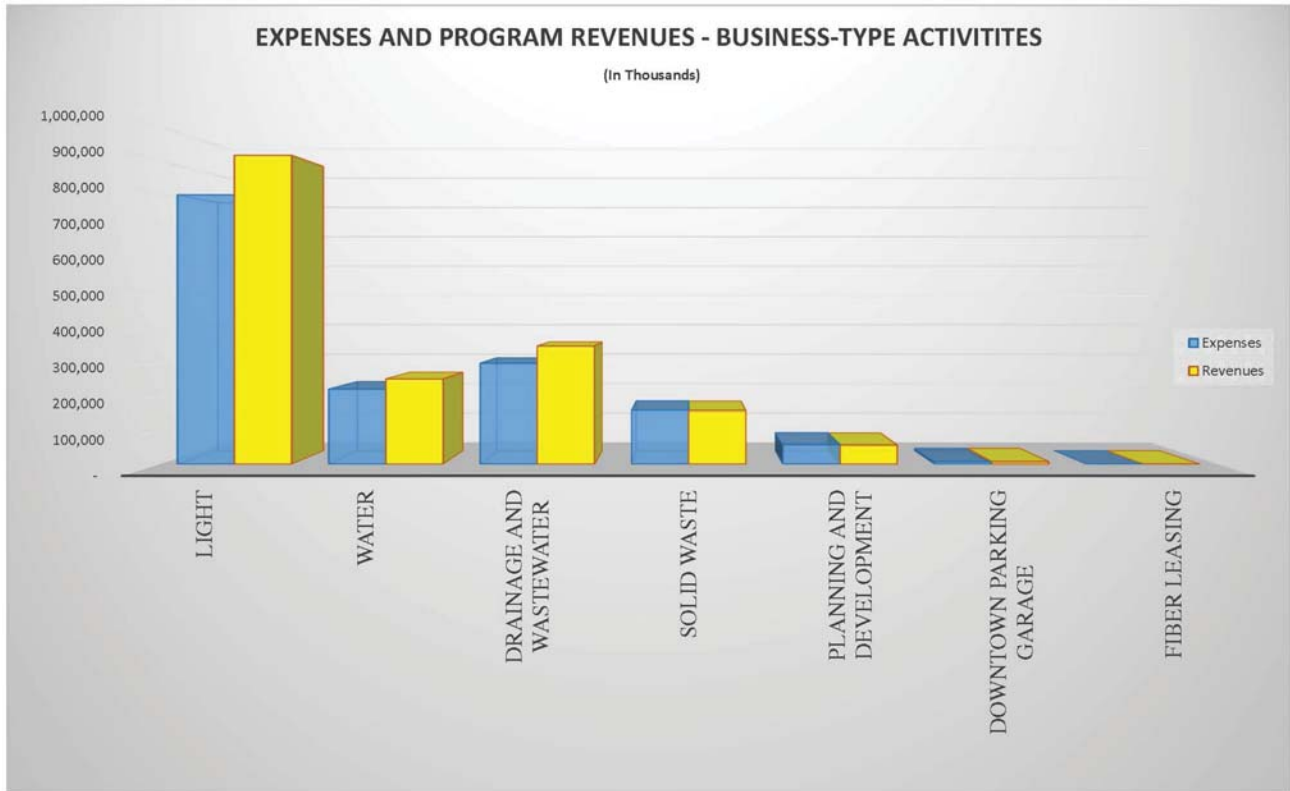
2014 Rank	Citywide Function/Program	Amount (In Millions)	Percent of Change	Amount of Change (In Millions)
1	Public Safety	\$ 568.8	10.4%	\$ 53.7
2	Culture and Recreation	275.6	3.2	8.5
3	Transportation	222.2	34.1	56.5
4	General Government	189.0	17.4	28.0
5	Economic Environment	138.2	10.4	13.0
6	Health and Human Services	76.6	7.4	5.3

Within the City's governmental activities expenses three functions were the primary driver in the year over year changes. Public safety expenses increased \$53.7 million, transportation increased \$56.4 million, and the general government function \$28.0 million. This accounts for 86.0 percent of the total increase in expenses for the City's governmental activities.

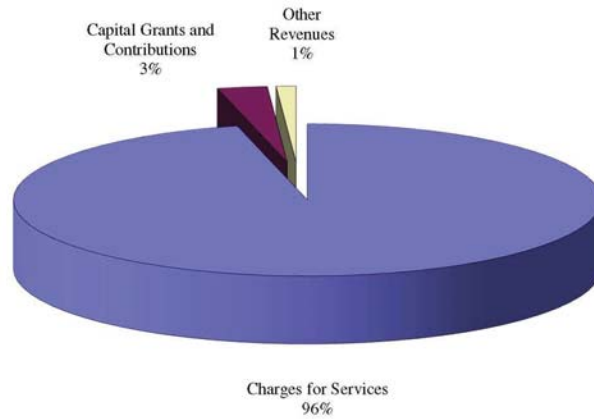
The City's largest governmental expense is the public safety function, totaling 18.5 percent of all citywide expenses and reaching a record level of \$568.8 million for 2014. The public safety function is 37.0 percent of the total expense in the City's governmental activities, and more than double the costs of any other function with the next highest costs reported in culture and recreation at \$275.6 million.

The City's overall capitalization of 2014's expenses from the governmental funds was down (6.1) percent, from \$204.8 million to \$192.2 million. This reflects the net costs of depreciation \$115.0 million, and the additional operating assets and equipment, and changes in work in progress totaling 307.3 million.

Business-Type Activities



REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



Total \$1,758.8 Million

Management's Discussion and Analysis

Business-Type Activities. At year end the City's net position for business-type activities was \$2.062 billion, a 12.0 percent increase totaling \$221.3 million. Of this amount \$8.2 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 a \$121.3 million increase in net position for 2014. A \$44.2 million increase in total operating revenues was primarily due to higher surplus energy available for sale and higher wholesale power prices. An increase in operating expenses of \$23.1 million was due to higher long-term purchased power expenses and higher operating costs related to transmission, conservation, administration, and depreciation. Investment income was higher by \$7.1 million due to favorable swing between years in unrealized fair value gains. Capital contributions and grants were lower by \$21.3 million due to lower in-kind contributions for various construction projects.

The Water Utility experienced an increase of \$31.5 million in net position for 2014. Operating revenues increased \$7.4 million mainly due to increases in direct service revenues; operating expenses increased \$7.9 million in 2014. Factors affecting this change included additional City utility taxes, depreciation and amortization, general, administrative, and utility systems management.

The Drainage and Wastewater Utility net position increased \$48.5 million in 2014. Operating revenues increased by \$8.2 million primarily due to rate increases in 2014 for drainage revenues. The increase was offset by a rise in operating expenses of \$9.1 million. The increase in operating expenses was attributed to several factors including an increase in King County's treatment rate, general, administrative, and City business and occupation taxes.

The Solid Waste Utility realized a net increase of \$1.9 million in net position in 2014. Operating revenues decreased by \$2.2 million mainly due to the rate stabilization fund. Operating expenses increased \$3.4 million. This increase was related to contractual solid waste collection costs and taxes paid to the City.

The City of Seattle

FINANCIAL ANALYSIS OF CITY FUNDS

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

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

	Major Funds					
	General Fund		Transportation Fund		Low-Income Housing Fund	
	2014	2013	2014	2013	2014	2013
Revenues						
Taxes	\$ 926,003	\$ 866,464	\$ 78,477	\$ 75,816	\$ 17,943	\$ 17,952
Licenses and Permits	25,027	22,005	5,066	5,130	—	—
Grants, Shared Revenues, and Contributions	35,666	48,183	46,244	51,755	2,840	2,088
Charges for Services	61,080	50,587	98,365	102,475	—	810
Fines and Forfeits	31,960	41,043	19	8	—	—
Parking Fees and Space Rent	38,223	38,547	84	70	—	—
Program Income, Interest, and Miscellaneous Revenues	42,794	31,346	2,235	122	32,660	11,072
Total Revenues	1,160,753	1,098,175	230,490	235,376	53,443	31,922
Expenditures	897,493	855,584	382,909	321,778	29,181	30,631
Other Financing Sources and Uses						
Long-Term Debt Issued and Refunding Payments, Net	—	—	—	—	—	—
Sales of Capital Assets	—	22,748	2,108	54	—	—
Transfers In (Out)	(255,085)	(231,371)	162,996	108,964	—	—
Total Other Financing Sources and Uses	(255,085)	(208,623)	165,104	109,018	—	—
Fund Balances						
Nonspendable	474	375	1,580	1,345	—	—
Restricted	99,991	99,659	33,816	27,330	99,003	79,264
Committed	76,493	83,155	50,952	44,988	6,416	1,893
Assigned	5,685	5,325	—	—	—	—
Unassigned	134,492	120,446	—	—	—	—
Total Fund Balances	\$ 317,135	\$ 308,960	\$ 86,348	\$ 73,663	\$ 105,419	\$ 81,157

Management's Discussion and Analysis

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

	Nonmajor Funds			
	Special Revenue Funds		Debt Service Funds	
	2014	2013	2014	2013
Revenues				
Taxes	\$ 84,719	\$ 82,985	\$ 17,706	\$ 15,930
Licenses and Permits	—	—	—	—
Grants, Shared Revenues, and Contributions	69,986	69,637	979	1,020
Charges for Services	50,346	46,975	—	—
Fines and Forfeits	5,163	56	—	—
Parking Fees and Space Rent	25,227	23,523	357	323
Program Income, Interest, and Miscellaneous Revenues	3,533	2,005	718	571
Total Revenues	<u>238,974</u>	<u>225,181</u>	<u>19,760</u>	<u>17,844</u>
Expenditures	362,177	341,555	83,009	79,854
Other Financing Sources and Uses				
Long-Term Debt Issued and Refunding Payments, Net	—	—	48	4,928
Sales of Capital Assets	20	102	—	—
Transfers In (Out)	136,830	132,750	63,238	62,045
Total Other Financing Sources and Uses	<u>136,850</u>	<u>132,852</u>	<u>63,286</u>	<u>66,973</u>
Fund Balances				
Nonspendable	594	564	—	—
Restricted	87,384	85,725	15,665	15,629
Committed	3,245	2,948	—	—
Assigned	9,933	7,661	—	—
Unassigned	(3,582)	(12,972)	—	—
Total Fund Balances	<u>\$ 97,574</u>	<u>\$ 83,926</u>	<u>\$ 15,665</u>	<u>\$ 15,629</u>

	Nonmajor Funds				Total Governmental Funds	
	Capital Projects Funds		Permanent Funds		2014	2013
	2014	2013	2014	2013		
Revenues						
Taxes	\$ 24,272	\$ 24,352	\$ —	\$ —	\$ 1,149,120	\$ 1,083,499
Licenses and Permits	—	—	—	—	30,093	27,135
Grants, Shared Revenues, and Contributions	5,646	12,101	—	—	161,361	184,784
Charges for Services	11,396	—	—	—	221,187	200,847
Fines and Forfeits	—	—	—	—	37,142	41,107
Parking Fees and Space Rent	—	—	—	—	63,891	62,463
Program Income, Interest, and Miscellaneous Revenues	4,785	351	32	(5)	86,757	45,462
Total Revenues	<u>46,099</u>	<u>36,804</u>	<u>32</u>	<u>(5)</u>	<u>1,749,551</u>	<u>1,645,297</u>
Expenditures	73,457	73,576	5	22	1,828,231	1,703,000
Other Financing Sources and Uses						
Long-Term Debt Issued and Refunding Payments, Net	54,557	105,006	—	—	54,605	109,934
Sales of Capital Assets	—	—	—	—	2,128	22,904
Transfers In (Out)	(113,723)	(78,592)	—	(10)	(5,744)	(6,214)
Total Other Financing Sources and Uses	<u>(59,166)</u>	<u>26,414</u>	<u>—</u>	<u>(10)</u>	<u>50,989</u>	<u>126,624</u>
Fund Balances						
Nonspendable	—	—	2,050	2,050	4,698	4,334
Restricted	110,921	151,134	101	90	446,881	458,831
Committed	—	—	—	—	137,106	132,984
Assigned	—	—	—	—	15,618	12,986
Unassigned	(55,649)	(9,340)	—	(16)	75,261	98,118
Total Fund Balances	<u>\$ 55,272</u>	<u>\$ 141,794</u>	<u>\$ 2,151</u>	<u>\$ 2,124</u>	<u>\$ 679,564</u>	<u>\$ 707,253</u>

The City of Seattle

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources available for spending. This information is useful in assessing the City's financing requirements. In particular, 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.

For 2014 total governmental fund revenues totaled \$1.750 billion. Of this amount the General Fund contributed 66.3 percent, the City's major governmental funds (transportation and low income housing) generated 16.2 percent, and the combining other non-major governmental funds 17.4 percent. Taxes account for 65.7 percent of all governmental revenues. Taxes are recorded across the City's governmental funds although 80.6 percent of all taxes are collected within the General Fund.

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 2013 and 2014 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 2014. At the end of 2014 the total fund balance of the General Fund was \$317.1 million, an increase of \$8.2 million in 2013 compared to 2014.

Total revenues for the General Fund amounted to \$1.161 billion, an increase of \$62.6 million or 5.7 percent higher than 2013. The increase is mostly attributable to higher tax revenues, with collections growing at 6.9 percent for the General Fund, generating an additional \$59.5 million to raise total collections to \$926.0 million for 2014. In aggregate all other revenues recorded in the General Fund contributed \$234.8 million, support from these other revenues held constant year over year at 21.4 percent of total General Fund revenues.

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. Initiative 747 and related state laws continue have continued to mute property tax growth as a result of the cap on property tax growth of 1.0 percent plus new construction. Strong growth in the assessed value of property, and newly constructed inventory continued to maintain the level of property tax collections for 2014.

Real Estate Excise Tax (REET) revenues, taxes collected on real estate transactions, contribute 81.6 percent of the City's total excise tax collections. The City's local real estate market continued to maintain strength in both the commercial and private sections, a 10.2 percent increase in 2014's REET revenues brought total collections to \$53.3 million in 2014. REET revenues are recorded within the City's Cumulative Reserve Subfund (CRS), and support many of the City's general government capital investments.

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 \$431.4 million collected, 46.9 percent 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 \$129.9 million in business taxes, of which Seattle City Light paid 34.9 percent, and Seattle Public Utilities paid 65.1 percent. Additional utility taxes totaling \$55.6 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 91.6 percent of all sales taxes, and year over year grew 10.2 percent to reach \$182.9 million. The additional sales tax distributions from the state are resources for criminal justice and brokered natural gas activities, which in 2014 generated a \$15.1 million collection.

For 2014 total governmental fund expenditures totaled \$1.828 billion. Of this amount the General Fund account for 49.1 percent, the City's major governmental funds (transportation and low income housing) consumed 22.5 percent, and the combining other non-major governmental funds 28.3 percent.

General Fund expenditures increased 4.9 percent in 2014 from \$855.6 million to \$897.5 million. Public safety accounts for 57.8 percent of the General Fund's total expenditures in 2014. Public safety's two largest expenditures were for police and fire protection. For 2014 the Police Department incurred \$305.7 million and the Fire Department incurred \$186.1 million of expenditures.

Management's Discussion and Analysis

At the end of the current fiscal year the City's governmental funds reported a combined ending fund balance of \$679.6 million, a decrease of \$(27.7) million in comparison to 2013. Approximately \$75.3 million of this amount represents an unassigned fund balance available for all purpose spending; \$9.9 million is assigned for specific purposes by City's management, and \$137.1 million is committed by City Council. Approximately 65.8 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 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 had increased \$12.7 million, 17.2 percent. The \$230.1 million of revenues collected include excess property tax levy, a commercial parking tax, employee hours tax, grants and contributions, and charges for services. Expenditures totaled \$382.9 million for 2014, up \$61.1 million, 19.0 percent from 2013. The Transportation Fund's other financing sources contributed \$165.1 million of additional resources in 2014, a 51.4 percent increase in support that counters the growth in expenditures.

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 2014 fund balance of \$105.4 million reflects an increase of \$24.3 million from 2013. The change in fund balance was driven by relative stability in the funds expenditures, and a significant increase in revenues. Revenues from 2013 to 2014 increased \$21.5 million. A contributing factor of the increase is Council's passage of Ordinance 124388 which adjusted the contribution amounts for downtown affordable housing and childcare incentive programs and to establish automatic inflationary adjustments. A one-time collection from Amazon on the development of two office towers in South Lake Union contributed nearly \$9.0 million in additional revenues for 2014. The fund's expenditures decreased by \$1.5 million, (4.7) 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 2014 the other special revenue funds (SRF) reported a \$13.6 million increase in fund balance. SRF expenditures increased \$20.6 million to \$362.2 million for 2014. The 6.0 percent increase in expenditures was mirrored by a 6.1 percent rise in program revenues of \$13.8 million to \$239.0 million. Overall the deficiency of revenues over expenditures slightly increases from \$116.4 million in 2013, to \$123.2 million in 2014. The inability of revenues to cover expenditures is supplemented by other financing sources and uses which contributed \$136.8 million of resources in 2014. The 16.3 percent increase in fund balance was driven by changes in fund balance from the Education Development Services Fund totaling \$6.4 million, the 2012 Library Levy \$3.1 million, and the School Zone Automated Camera Fund totaling \$1.5 million. The most significant shift in the SRF's fund balance designation during 2014 was the reduction of the deficit in the unassigned fund balance, falling from a deficit of \$13.0 million in 2013 to end at \$3.6 million for 2014.

The fund balance in the capital projects funds decreased \$86.5 million, (61.0) percent, from \$141.8 million to \$55.3 million at the end of 2014. 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, with the exception of funds with a deficit balance reported as unassigned.

The Alaska Way Seawall Construction fund expended 100 percent of the beginning fund balance and by year end had generated a \$35.6 million deficit in unassigned fund balance. Expenditures during the year nearly tripled, increasing \$51.0 million from \$25.9 million in 2013 to \$76.9 million in 2014 as construction activity accelerated. The City's Central Waterfront Improvement (CWI) fund also saw a slightly increased spending level during 2014, increasing to \$9.9 million in 2014. In 2014 revenue had yet to materialize to support these expenditures, with CWI's deficit fund balance nearly doubling from \$10.0 million to \$19.4 million in 2014.

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**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	\$ 872,664	\$ —	\$ —	\$ —	\$ —
Licenses and Permits	16,841	—	—	—	8,186
Grants, Shared Revenues, and Contributions	28,793	—	—	—	—
Charges for Services	50,494	8,777	—	19	—
Fines and Forfeits	30,456	5	—	—	—
Parking Fees and Space Rent	37,290	—	—	53	—
Program Income, Interest, and Miscellaneous Revenues	4,741	12	22	26	64
Total Revenues	1,041,279	8,794	22	98	8,250
Expenditures	734,694	9,960	—	5,378	8,675
Other Financing Sources and Uses					
Sales of Capital Assets	—	—	—	—	—
Transfers In (Out)	(238,990)	—	—	—	(278)
Total Other Financing Sources and Uses	(238,990)	—	—	—	(278)
Fund Balances					
Nonspendable	125	—	—	—	—
Restricted	491	—	—	—	866
Committed	4,802	13,409	—	1,149	3,252
Assigned	3,641	—	193	—	—
Unassigned	44,528	—	—	—	—
Total Fund Balances	\$ 53,587	\$ 13,409	\$ 193	\$ 1,149	\$ 4,118
	Cumulative Reserve	Neighborhood Matching	Bluefield Habitat Maintenance	Development Rights	Emergency
Revenues					
Taxes	\$ 53,338	\$ —	\$ —	\$ —	\$ —
Licenses and Permits	0	—	—	—	—
Grants, Shared Revenues, and Contributions	1,976	—	—	—	—
Charges for Services	1,558	—	—	—	—
Fines and Forfeits	0	—	—	—	—
Parking Fees and Space Rent	339	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	1,471	—	3	—	1
Total Revenues	58,682	—	3	—	1
Expenditures	40,292	2,855	—	—	—
Other Financing Sources and Uses					
Sales of Capital Assets	—	—	—	—	—
Transfers In (Out)	(29,668)	—	—	—	1,867
Total Other Financing Sources and Uses	(29,668)	—	—	—	1,867
Fund Balances					
Nonspendable	2	—	—	—	—
Restricted	56,577	—	—	—	—
Committed	10,218	5,161	208	22	—
Assigned	—	—	—	—	—
Unassigned	41,413	—	—	—	48,551
Total Fund Balances	\$ 108,210	\$ 5,161	\$ 208	\$ 22	\$ 48,551

Management's Discussion and Analysis

**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	—	19	—	—	—
Fines and Forfeits	—	—	—	—	—
Parking Fees and Space Rent	—	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	—	—	6,265	—	24,702
Total Revenues	—	19	6,265	—	24,702
Expenditures	—	16	5,409	1,577	16,852
Other Financing Sources and Uses					
Sales of Capital Assets	—	—	—	—	—
Transfers In (Out)	—	—	—	—	—
Total Other Financing Sources and Uses	—	—	—	—	—
Fund Balances					
Nonspendable	—	—	327	—	—
Restricted	—	—	—	—	29,980
Committed	—	125	5,394	237	31,637
Assigned	—	—	—	—	—
Unassigned	—	—	—	—	—
Total Fund Balances	\$ —	\$ 125	\$ 5,721	\$ 237	\$ 61,617

	Total General Fund			
	Group Term Life Insurance	Library ^a	2014	2013
Revenues				
Taxes	\$ —	\$ —	\$ 926,002	\$ 866,464
Licenses and Permits	—	—	25,027	22,005
Grants, Shared Revenues, and Contributions	—	4,898	35,667	48,183
Charges for Services	—	213	61,080	50,587
Fines and Forfeits	—	1,499	31,960	41,043
Parking Fees and Space Rent	—	541	38,223	38,547
Program Income, Interest, and Miscellaneous Revenues	5,255	231	42,793	31,346
Total Revenues	5,255	7,382	1,160,752	1,098,175
Expenditures	5,254	66,531	897,493	855,584
Other Financing Sources and Uses				
Sales of Capital Assets	—	—	—	22,748
Transfers In (Out)	—	11,984	(255,085)	(231,371)
Total Other Financing Sources and Uses	—	11,984	(255,085)	(208,623)
Fund Balances				
Nonspendable	—	20	474	375
Restricted	—	12,077	99,991	99,659
Committed	426	453	76,493	83,155
Assigned	—	1,851	5,685	5,325
Unassigned	—	—	134,492	120,446
Total Fund Balances	\$ 426	\$ 14,401	\$ 317,135	\$ 308,960

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.

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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 \$121.3 million in 2014 compared to \$112.7 million in 2013, an increase of \$8.6 million (7.6 percent). Higher net wholesale energy sales, retail electric sales, and investment earnings were offset in part by higher power related expenses, conservation, general and administrative, and depreciation. Lower transfers from/(to) Rate Stabilization Account (RSA) and capital contributions also decreased revenues.

Net cash provided by operating activities increased by \$67.9 million to \$297.6 million in 2014, compared to \$229.7 million in 2013. Increased cash inflows was resulted from rate increase effective at the beginning of the year, Bonneville Power Administration pass-through rate adjustment, and higher net wholesale energy sales. The higher cash inflows were offset by greater debt service payments, capital construction projects, ongoing operations and transfer to the RSA. Net operating cash decreased by \$65.5 million to \$128.3 million in 2014. Restricted assets increased by \$71.4 million to \$298.4 million in 2014, compared to \$227.0 million in 2013. This increase was primarily due to new debt issued in 2014.

Capital assets, net of accumulated depreciation and amortization, were \$2.728 billion and \$2.541 billion in 2014 and 2013, a net increase of \$187.3 million. The majority of the Utilities' capital asset additions were in the distribution plant and work-in-progress related to distribution systems. The net increase in capital assets was partially offset by a \$47.6 million increase in accumulated depreciation and amortization.

Total liabilities were \$2.278 billion in 2014 and \$2.209 billion in 2013, the majority being revenue bonds payables. The noncurrent portion of the revenue bonds payables were \$1.925 billion in 2014 and \$1.870 billion in 2013. In November 2014, the Utility issued a total of \$265.2 million of revenue and refunding revenue bonds. Interest expense related to these bonds was \$89.6 million in 2014 and \$89.0 million in 2013.

City Light's total net position was \$1.276 billion in 2014 and \$1.154 billion in 2013.

Water Utility. The Utility realized an operating income of \$58.5 million in 2014 compared to \$59.0 million in 2013. Operating revenues increased by \$7.4 million and operating expenses increased by \$7.9 million between 2014 and 2013. The Utility realized a net income of \$31.5 million in 2014 compared to net income of \$28.1 million in 2013. The net income in 2014 was primarily due to increase in direct services revenue, offset by related operating expenses.

Net cash provided by operating activities increased to \$127.9 million in 2014 from \$116.8 million in 2013, an increase of \$11.1 million. Total operating and restricted cash and investments were \$100.2 million in 2014 compared to \$94.6 million in 2013, an increase of \$5.6 million. This increase in cash and investments was primarily due to increased customer receipts.

Utility plant, net of accumulated depreciation, and other capital assets for the year ended December 31, 2014, amounted to \$1.205 billion, an increase of \$8.4 million in 2014. Major capital assets additions in 2014 included water infrastructure improvements and rehabilitation, technology infrastructure improvements, and water conservation projects.

The Water Utility had \$853.5 million in outstanding revenue bonds in 2014 compared to \$887.0 million at year end 2013. The decrease was due to principal payments.

The Water Utility's total net position was \$393.0 million in 2014 and \$361.5 million in 2013.

Drainage and Wastewater Utility. The Utility realized an operating income of \$57.8 million in 2014 compared to \$58.6 million in 2013. Operating revenues increased by \$8.2 million and operating expenses increased by \$9.1 million between 2014 and 2013. The Utility realized a net income of \$48.5 million in 2014 and \$24.6 million in 2013. The increase in net income was mainly due to a \$19.2 million reduction in environmental remediation expenses.

Net cash provided by operating activities increased to \$88.6 million compared to \$79.2 million in 2013. Total operating and restricted cash and investments were \$200.7 million in 2014 compared to \$122.4 million in 2013. This increase in cash and investments was primarily due to new debt issued in 2014 and increase in customer receipts.

Utility plant, net of accumulated depreciation, and other capital assets increased to \$843.8 million in 2014 from \$765.5 million in 2013, an increase of \$78.3 million. Capital outlays of \$95.3 million were offset by depreciation expense of \$22.2 million.

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The Drainage and Wastewater Utility had \$618.9 million outstanding revenue and refunding bond liabilities in 2014, as compared to \$525.3 million in 2013. Total liabilities, including revenue bonds, were \$812.1 million in 2014 and \$705.5 million in 2013.

Total net position for the Drainage and Wastewater Utility was \$344.1 million in 2014 and \$295.6 million in 2013.

Solid Waste Utility. The Utility realized an operating income of \$1.8 million in 2014 compared to \$7.5 million in 2013. Operating revenues decreased by \$2.2 million and operating expenses increased by \$3.4 million between 2014 and 2013. The Utility realized a net income of \$1.9 million in 2014 compared to \$3.3 million in 2013. The net income in 2014 was primarily due to a rate increase offset by transfer to rate stabilization fund and related operating expenses.

Net cash provided by operating activities increased to \$22.9 million in 2014 compared to \$19.6 million in 2013. Total operating and restricted cash and investments were \$81.6 million in 2014 and \$33.3 million in 2013. The \$48.3 million increase in operating and restricted cash and investments is primarily due to new debt issued in 2014 and increase in customer receipts.

The Solid Waste Utility had \$166.9 million outstanding revenue bond liabilities in 2014 compared to \$115.9 million in 2013. The increase was due to new debt issued in 2014.

Total net position for the Solid Waste Utility was \$34.2 million in 2014 and \$32.3 million in 2013.

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 2014 is \$2.343 billion; SCERS represents 99.1 percent of this amount.

SCERS assets held in trust for the payment of future benefits does not exceed the estimate of actuarially accrued liabilities as of December 31, 2014. The fund uses the services of both active and index fund professional money managers. SCERS net position increased in value by \$105.8 million, 4.7 percent, during 2014. For year ending 2014 the member and employer contributions totaled \$154.0 million; income from investment activity totaled \$130.8 million. Total benefit payment for 2014 increased by \$8.8 million to \$150.2 million. In 2014 the number of retirees and beneficiaries receiving benefits was 6020, which increased by 140, 2.4 percent compared to 2013.

At December 31, 2014, 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 \$14.7 million and \$5.1 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 2014 Adopted Budget (Ordinance 124349) authorizing a \$4.820 billion budget for the City's annual operations. The General subfund's budgeted expenditures account for 21.2 percent or \$1.024 billion of the total adopted budget. When considering additional budgets for general support transferred and other subfund expenditures reporting within the General Fund's presentation, 2014's total appropriation budget for the General Fund is \$1.351 billion, 28.0 percent of the City's total adopted budget.

The General Fund's 2014 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 final revised budget for the General Fund was \$1.461 billion, a 7.6 percent increase over Council's adopted budget.

The most significant budget activities are described below:

- At year-end 2014 actual expenditures and transfers of \$1.327 billion were \$135.0 million less than budgeted. Of this amount \$97.3 million of the budget will be carried over into 2015 to cover outstanding encumbrances, grants, and capital spending.
- The overall change in the General Fund's carryforward budget from 2013 to 2014 decreased (16.1) percent, from \$97.3 million to \$84.0 million. Nearly 59.6 percent of 2014's carryforward budget is within the Cumulative Reserve Subfunds, with 36.2

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million reported in the Real Estate Excise Tax (REET I and REET II) Subfunds, and 11.6 million in the Unrestricted Cumulative Reserve Subfund. The General Subfund accounted for the remaining 24.8 percent of the carryforward budget, with Police and Fire Departments contributing \$14.8 million of this amount.

- The final budget for the REET I and REET II Cumulative Reserve Subfunds, which includes expenditures and transfers, was \$93.9 million. Approximately 62.3 percent, \$58.5 million of the budget was expended in 2014. The carryforward budget balances for the REET I and REET II Cumulative Reserve Subfunds funds is \$36.2 million and will be used to support capital activity in 2015.
- City Council authorized an additional \$35.9 million of supplemental appropriations for the General subfund in 2014, 94.4 percent were revisions for the General subfund. Budget revisions totaling \$18.3 million applied directly to the Seattle Police Department, \$12.3 million to the Seattle Fire Department, seven executive offices received supplemental appropriations totaling \$2.6 million.
- In 2014 the total revised budget for grant resources within the General Fund totaled \$31.1 million, with actual grant revenue generating \$17.6 million during the year. The adopted budget provided \$1.6 million in additional grant resources and \$17.0 million of budget was carryforward from 2013. Through supplemental legislation the Council authorized an additional \$12.4 million of grant funding during the year. This includes \$11.8 million for the City's public safety functions, supporting 36 projects.
- The General Fund's budget for the public safety function increased 7.3 percent in 2014, totaling \$576.3 million. Adjusting this budget to exclude Fire and Police Pension budgets, the public safety budget for just governmental funds was \$537.6 million, a 6.4 percent increase year over year. The actual costs of current expenditures and capital outlay the City's public safety function totaled \$525.0 million, consuming 97.7 percent of the resources budgeted for 2014, of which 99.0 percent is for current operations and 1.0 percent on capital outlay. The 5.4 percent year over year increase in current expenditures totaling \$26.6 million was 70.4 percent of the total budgeted increase of \$37.8 million. Detailed information on the City's two major public safety departments follows:
 - The Police Department's 2014 final budget was \$319.7 million, a 3.1 percent increase from the 2013 budget level. The Department expended 95.6 percent of its budget during the year, with actual expenditures increasing 3.6 percent, from \$295.1 million in 2013 to \$310.1 million in 2014. Patrol operations were budgeted at \$122.6 million for all five city precincts, a 1.5 percent increase over 2013's budget. Patrol operations for 2014 consumed 98.1 percent of the budgeted resources and accounted for 40.0 percent of the entire Department's annual operating costs. Of the remaining budget, \$8.9 million will carryforward into 2015 for grant purposes.
 - The Fire Department's 2014 final budget was \$192.0 million, a 4.3 percent increase from the 2013 budget level of \$184.1 million. The Department expended 97.0 percent of its budget during the year, with actual expenditures increasing 4.1 percent, from \$178.7 million in 2013 to \$186.1 million in 2014. Fire Operations for 2014 consumed 99.9 percent of the \$149.5 million in budgeted resources and accounted for 80.0 percent of the entire Department's annual operating costs. Of the remaining budget, \$5.9 million will carryforward into 2014 for grant purposes.
- For 2014 the General Fund reports actual revenues of \$1.161 billion, a 5.7 percent increase, \$62.6 million larger than 2013's total balance. The General subfund generated 89.7 percent of these revenues, \$1.041 billion, which was 3.0 percent greater than Council's last revised budget of \$1.041 billion budgeted. A driving factor for the year over year increase in revenues is from the City's tax collection which totaled \$926.0 million. The General subfund's 2014 total tax revenues of \$872.7 million were 4.1 million over budget, and \$54.6 million or 6.7 percent higher than reported in 2013. 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	
	2014	Restated 2013	2014	2013	2014	Restated 2013
Land	\$ 571,054	\$ 552,003	\$ 162,685	\$ 159,031	\$ 733,739	\$ 711,034
Plant in Service, Excluding Land	—	—	4,164,713	4,066,334	4,164,713	4,066,334
Buildings and Improvements	1,583,440	1,587,244	28,063	30,067	1,611,503	1,617,311
Machinery and Equipment	126,435	126,413	919	1,471	127,354	127,884
Infrastructure	1,062,176	1,068,908	—	—	1,062,176	1,068,908
Construction in Progress	557,211	383,859	535,574	345,097	1,092,785	728,956
Other Capital Assets	14,758	15,491	87,429	81,738	102,187	97,229
Total Capital Assets	\$ 3,915,074	\$ 3,733,918	\$ 4,979,383	\$ 4,683,738	\$ 8,894,457	\$ 8,417,656

Capital assets, net of depreciation, for governmental activities increased by \$171.1 million in 2014. The main increase is attributable to the following:

- The Department of Transportation capitalized \$50.2 million for various infrastructure assets (roads, bridges, sidewalks, signs, illuminations, and others). The balance of construction in progress increased \$159.9 million, a dramatic shift from 2013 when construction in progress had decreased \$(64.8) million.
- The Department of Parks and Recreation spent \$8.4 million in the improvement of Building 30 at Magnuson Park and capitalized \$38.9 million for various community parks improvements and renovations.

Capital assets, net of depreciation, for business-type activities increased by \$291.7 million in 2014. Major increases included the following:

- Seattle City Light capital assets, net of accumulated depreciation, increased by \$187.3 million in 2014. This increase was primarily comprised of \$107.8 million for distribution plant underground and overhead system, transformers and poles, and streetlights and meters. Construction in progress increased by \$86.9 million due to new customer billing system costing \$13.1 million; investments in the boundary dam power generation, \$12.7 million; Denny power substation, \$11.8 million; and \$49.3 million for various projects predominantly in distribution.
- Drainage and Wastewater Utility net capital assets increased by \$78.3 million compared to last year. Major increases were for replacement, rehabilitation, and construction of new sewer pipelines for \$14.1 million; \$6.5 million to replace damage culverts at 35th Avenue Northeast; \$5.6 million to relocate flood plain & divert portion of creek flow to create natural creek mouth at Beer Sheva Park; and \$2.5 million of drainage improvement at Portland avenue south constructed in coordination with Duwamish Bike Trail project.
- 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.
- Waste Utility net capital assets increased by \$23.3 million for the year ended December 31, 2014. The fund spent \$30.9 million for construction projects in progress; only \$1.5 million was capitalized as assets. During 2014 the Solid Waste Utility also retired \$18.4 million of assets.
- 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.
- Water Utility net capital assets increased by \$8.3 million over the last year. Major increases are new assets placed in service, Water & technology infrastructure improvement and rehabilitation \$16.5 million; water conservation projects \$1.9 million;

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bridges, water distribution system, water main and water transmission pipelines improvements \$3.9 million. Construction in Progress increased by \$23.5 over last year.

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 2014 the City had \$4.416 billion in outstanding bonded debt that included general obligation and revenue bonds, compared to \$4.259 billion in 2013. This represents an increase of approximately \$156.7 million (3.7 percent).

The special assessments bonds that the City issued in 2006, without lending its full faith and credit but obligated in some manner for the design and construction of the South Lake Union Streetcar, had the outstanding balance of \$10.4 million. In 2014 LTGO and UTGO bonds were issued to finance various capital improvement projects including Seawall, North Precinct, Golf, South Park Bridge, Seattle Symphony and various IT projects. Additionally, the part of the 2014 LTGO bonds proceeds was used for used for the refunding of the 2002 special obligation bonds, series A & B, originally issued by Seattle Chinatown-International District Preservation and Development Authority.

The City also issued revenue bonds: \$265.2 million for the Light Fund, \$133.2 million for the Water Fund and \$95 million for the Solid Waste 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 2014 assessed value of taxable properties based on the latest report for the City is \$145.091 billion. At the end of 2014 the net outstanding general obligation debt of the City that includes bonds, compensated absences net of sick leave, and guarantees of indebtedness amounted to \$1.011 billion, well below the limit of \$10.882 billion, rendering the City's legal debt margin of \$9.870 billion. Within the 7.5 percent limitation, state law restricts outstanding LTGO bonds to 1.5 percent of assessed value. At year-end 2014 the LTGO net outstanding debt was \$883.5 million.

The City is self-insured for workers compensation and for most health care costs. The City carries general liability insurance with a self-insured retention. For these claims, including those incurred but not reported, the City recognized a total liability of \$110.4 million (\$82.7 million for governmental activities and \$27.7 million for business-type activities) at the end of the year.

In addition, City utilities and Department of Parks and Recreation recognized a combined \$121.2 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

The Seattle metro area has rebounded from the recession at a much quicker pace than the nation as a whole. Through February 2015, Seattle metro area (King and Snohomish Counties) employment was up 14.2 percent from its post-recession low in February 2010, compared to an 8.8 percent gain in U.S. employment over the same period. Areas of strength during the recovery have included aerospace, 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 2012 and has declined by 3,300 jobs since then. Despite this modest drop in employment, in 2014 the Boeing Company, the region's largest employer, delivered a record 723 jets and booked orders for 1,432 new planes. At the end of 2014 Boeing had a backlog of over 5,000 planes on order.

Thus far during the recovery, the city of Seattle has been one of the fastest growing areas in the Puget Sound Region, in part because of a surge in construction focused in multi-family housing and office space. The construction boom generated a 28.7 percent increase in sales tax revenue from construction activity in 2012 and gains of 9.3 percent and 17.2 percent in 2013 and 2014, respectively. A

Management's Discussion and Analysis

key driver of recent growth in Seattle, including the growth in construction activity, has been Amazon, which has been hiring aggressively since the Great Recession ended. Amazon currently leases or owns about 4.2 million square feet of office space in Seattle's South Lake Union neighborhood. It is currently building two of three proposed 1.1 million square foot office towers.

With the recent upturn in aerospace employment now behind us, regional employment growth is predicted to slow going forward, and 2014 is likely to be the peak year for employment growth (at 3.0 percent) during the current cycle. The Puget Sound Economic Forecaster predicts that employment growth will average a modest 1.7 percent per year over the next five years. Personal income growth is forecast to range between five and six percent, which is approximately three percent per year faster than the rate of inflation.

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).

Government-Wide Financial Statements

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STATEMENT OF NET POSITION December 31, 2014 (In Thousands)

	Primary Government				
	Governmental Activities	Business-Type Activities	Comparative Totals		Component Units
			2014	Restated 2013	
ASSETS					
<i>Current Assets</i>					
Operating Cash and Equity in Pooled Investments	\$ 655,422	\$ 346,223	\$ 1,001,645	\$ 1,021,975	\$ 2,886
Restricted Cash and Equity in Pooled Investments	20,014	—	20,014	17,176	—
Investments	—	—	—	—	65,430
Receivables, Net of Allowances	101,623	214,875	316,498	319,446	—
Internal Balances	27,483	(27,483)	—	—	—
Due from Other Governments	95,324	6,645	101,969	124,855	—
Inventories	3,355	37,079	40,434	41,169	—
Prepaid and Other Current Assets	2,284	641	2,925	2,828	—
Total Current Assets	905,505	577,980	1,483,485	1,527,449	68,316
<i>Noncurrent Assets</i>					
Restricted Cash and Equity in Pooled Investments	58,383	503,655	562,038	382,520	—
Contracts and Notes	8,394	1,573	9,967	4,811	—
Conservation Costs, Net	—	259,660	259,660	246,312	—
Landfill Closure and Postclosure Costs, Net	—	13,004	13,004	14,741	—
Environmental Costs and Recoveries	—	35,293	35,293	34,098	—
Net Pension Asset	11,233	—	11,233	16,238	—
Regulatory Asset	—	18,250	18,250	19,741	—
Other Charges and Noncurrent Assets	—	113,137	113,137	109,960	—
Capital Assets, Net of Accumulated Depreciation					
Land and Land Rights	571,056	162,685	733,741	711,036	—
Plant in Service, Excluding Land	—	4,164,715	4,164,715	4,066,335	—
Buildings and Improvements	1,583,439	28,061	1,611,500	1,617,308	—
Machinery and Equipment	125,164	919	126,083	127,336	—
Infrastructure	1,062,176	—	1,062,176	1,068,908	—
Construction in Progress	557,212	535,573	1,092,785	729,504	—
Other Capital Assets	16,040	87,428	103,468	97,229	3
Total Noncurrent Assets	3,993,097	5,923,953	9,917,050	9,246,077	3
Total Assets	4,898,602	6,501,933	11,400,535	10,773,526	68,319
DEFERRED OUTFLOWS OF RESOURCES	456,252	47,858	504,110	488,384	—
Total Assets and Deferred Outflows of Resources	5,354,854	6,549,791	11,904,645	11,261,910	68,319

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

The City of Seattle

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STATEMENT OF NET POSITION
December 31, 2014
(In Thousands)

	Primary Government				
	Governmental Activities	Business-Type Activities	Comparative Totals		Component Units
			2014	Restated 2013	
LIABILITIES					
<i>Current Liabilities</i>					
Accounts Payable	\$ 117,571	\$ 76,422	\$ 193,993	\$ 197,035	\$ 2,015
Salaries, Benefits, and Taxes Payable	34,229	16,604	50,833	42,918	—
Contracts Payable	10,044	—	10,044	11,066	—
Due to Other Governments	6,832	11,589	18,421	19,076	—
Interest Payable	9,037	56,264	65,301	69,089	—
Taxes Payable	51	9,375	9,426	12,263	—
Deposits Payable	848	—	848	482	—
Unearned Revenues and Other Credits	8,301	30,702	39,003	30,897	—
Current Portion of Long-Term Debt					
Bonds Payable	68,150	165,990	234,140	226,562	—
Compensated Absences Payable	23,365	3,360	26,725	22,772	—
Notes and Contracts Payable	1,944	2,327	4,271	4,294	—
Claims Payable	22,328	33,302	55,630	44,691	—
Habitat Conservation Program Liability	—	1,138	1,138	805	—
Landfill Closure and Postclosure Liability	—	1,064	1,064	987	—
Other Current Liabilities	5,785	3,048	8,833	6,055	—
Total Current Liabilities	308,485	411,185	719,670	688,992	2,015
<i>Noncurrent Liabilities</i>					
Bonds Payable, Net of Unamortized Premiums, Discounts, and Other	803,128	3,682,955	4,486,083	4,301,241	—
Bond Interest Payable	—	—	—	—	—
Special Assessment Bonds with Governmental Commitment	10,395	—	10,395	13,005	—
Compensated Absences Payable	81,078	30,543	111,621	97,574	—
Claims Payable	61,014	114,911	175,925	178,111	—
Notes and Contracts Payable	12,741	31,562	44,303	48,879	—
Landfill Closure and Postclosure Liability	—	14,990	14,990	15,974	—
Vendor Deposits Payable	—	1,056	1,056	814	—
Habitat Conservation Program Liability	—	6,492	6,492	5,425	—
Unearned Revenues and Other Credits	—	23,544	23,544	20,687	—
Arbitrage Rebate Liability	10	—	10	12	—
Unfunded Other Post Employment Benefits	87,045	15,208	102,253	88,943	—
Other Noncurrent Liabilities	3,791	227	4,018	2,662	—
Total Noncurrent Liabilities	1,059,202	3,921,488	4,980,690	4,773,327	—
Total Liabilities	1,367,687	4,332,673	5,700,360	5,462,319	2,015
DEFERRED INFLOWS OF RESOURCES	466,094	155,157	621,251	572,213	—

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

Government-Wide Financial Statements

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STATEMENT OF NET POSITION December 31, 2014 (In Thousands)

	Primary Government				
	Governmental Activities	Business-Type Activities	Comparative Totals		Component Units
			2014	Restated 2013	
NET POSITION					
Net Investment in Capital Assets	\$ 3,088,501	\$ 1,750,495	\$ 4,838,996	\$ 4,398,491	\$ 3
Restricted for					
Debt Service	15,665	—	15,665	15,629	—
Capital Projects	167,498	—	167,498	212,930	291
Rate Stabilization Account	—	25,047	25,047	25,000	—
Education and Development Services	45,812	—	45,812	39,388	17,753
Special Deposits	—	—	—	(441)	—
Conservation and Environmental Costs	—	7,065	7,065	7,157	—
Bonneville Power Administration Projects	—	—	—	443	—
External Infrastructure Costs	—	7,061	7,061	7,131	—
Muckleshoot Settlement	—	—	—	166	—
Other Charges	—	18,866	18,866	17,948	—
Health Care Reserve	29,980	—	29,980	24,771	—
Transportation Programs	33,816	—	33,816	27,330	—
Low-Income Housing Programs	99,003	—	99,003	79,264	—
Other Purposes	55,109	—	55,109	59,431	104
Nonexpendable	2,052	—	2,052	2,141	27,877
Unrestricted	(16,363)	253,427	237,064	310,599	20,276
Total Net Position	3,521,073	2,061,961	5,583,034	5,227,378	66,304
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 \$ 5,354,854	 \$ 6,549,791	 \$ 11,904,645	 \$ 11,261,910	 \$ 68,319

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

The City of Seattle

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STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014
(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	\$ 207,308	\$ (18,274)	\$ 91,011	\$ 11,832	\$ —
Judicial	28,874	—	31,256	160	—
Public Safety	567,507	1,336	25,733	17,412	—
Physical Environment	5,853	—	78	2,349	—
Transportation	217,554	4,645	101,074	15,817	32,549
Economic Environment	138,169	—	35,776	33,657	2,888
Health and Human Services	76,562	—	10	32,451	—
Culture and Recreation	275,566	—	72,873	10,308	2,458
Interest on Long-Term Debt	31,170	—	—	—	—
Total Governmental Activities	1,548,563	(12,293)	357,811	123,986	37,895
BUSINESS-TYPE ACTIVITIES					
Light	793,560	4,602	883,149	3,783	28,368
Water	219,794	2,150	242,786	182	8,932
Drainage and Wastewater	296,630	2,003	337,882	978	10,752
Solid Waste	158,768	733	157,495	953	78
Planning and Development	55,498	2,805	56,743	259	—
Downtown Parking Garage	7,458	—	7,435	—	—
Fiber Leasing	27	—	16	—	—
Total Business-Type Activities	1,531,735	12,293	1,685,506	6,155	48,130
Total Government-Wide Activities	\$ 3,080,298	\$ —	\$ 2,043,317	\$ 130,141	\$ 86,025
COMPONENT UNITS	\$ 5,458	\$ —	\$ 204	\$ 4,505	\$ —

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

Government-Wide Financial Statements

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STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014
(In Thousands)

Net Revenue (Expense) and Changes in Net Position					
Primary Government					
	Governmental Activities	Business-Type Activities	Comparative Totals		Component Units
			2014	Restated 2013	
GOVERNMENTAL ACTIVITIES					
General Government	\$ (86,191)	\$ —	\$ (86,191)	\$ (59,910)	
Judicial	2,542	—	2,542	7,187	
Public Safety	(525,698)	—	(525,698)	(467,832)	
Physical Environment	(3,426)	—	(3,426)	(2,507)	
Transportation	(72,759)	—	(72,759)	(12,694)	
Economic Environment	(65,848)	—	(65,848)	(79,913)	
Health and Human Services	(44,101)	—	(44,101)	(38,565)	
Culture and Recreation	(189,927)	—	(189,927)	(191,586)	
Interest on Long-Term Debt	(31,170)	—	(31,170)	(26,417)	
Total Governmental Activities	(1,016,578)	—	(1,016,578)	(872,237)	
BUSINESS-TYPE ACTIVITIES					
Light	—	117,138	117,138	111,717	
Water	—	29,956	29,956	27,834	
Drainage and Wastewater	—	50,979	50,979	47,760	
Solid Waste	—	(975)	(975)	3,682	
Planning and Development	—	(1,301)	(1,301)	(4,563)	
Downtown Parking Garage	—	(23)	(23)	(1,140)	
Fiber Leasing	—	(11)	(11)	21	
Total Business-Type Activities	—	195,763	195,763	185,311	
Total Government-Wide Activities	(1,016,578)	195,763	(820,815)	(686,926)	
COMPONENT UNITS					\$ (749)
General Revenues					
Property Taxes	431,458	—	431,458	423,928	—
Sales Taxes	199,735	—	199,735	181,171	—
Business Taxes	431,436	—	431,436	408,913	—
Excise Taxes	65,364	—	65,364	61,524	—
Other Taxes	16,771	—	16,771	11,240	—
Penalties and Interest on Delinquent Taxes	4,091	—	4,091	3,596	—
Unrestricted Investment Earnings (Loss)	11,791	16,254	28,045	2,540	3,734
Gain on Sale of Capital Assets	1,761	2,759	4,520	18,684	—
Special Item - Environmental Remediation	—	(4,949)	(4,949)	(24,169)	—
Transfers	(11,512)	11,512	—	(2)	—
Total General Revenues (Loss), Special Item, and Transfers	1,150,895	25,576	1,176,471	1,087,425	3,734
Changes in Net Position	134,317	221,339	355,656	400,499	2,985
Net Position - Beginning of Year	3,386,756	1,840,622	5,227,378	4,817,344	63,319
Prior-Year Adjustments	—	—	—	9,535	—
Net Position - Beginning of Year as Restated	3,386,756	1,840,622	5,227,378	4,826,879	63,319
Net Position - End of Year	\$ 3,521,073	\$ 2,061,961	\$ 5,583,034	\$ 5,227,378	\$ 66,304

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

MAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

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

The City of Seattle

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BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014
(In Thousands)

	<u>General</u>	<u>Transportation</u>	<u>Low-Income Housing</u>
ASSETS			
Cash and Equity in Pooled Investments	\$ 216,746	\$ 58,366	\$ 104,120
Receivables, Net of Allowances			
Taxes	64,268	2,994	427
Accounts	5,967	5,357	292
Contracts and Notes	395	—	—
Special Assessments	—	—	—
Interest and Dividends	(478)	144	83
Unbilled and Others	10	695	—
Due from Other Funds	15,910	48,156	744
Interfund Loans	38,105	—	—
Due from Other Governments	53,398	19,189	1,643
Inventories	—	—	—
Prepaid and Other Current Assets	416	1,578	—
Deposits With Vendor	2	—	—
Advances to Other Funds	—	—	—
Charges and Other Assets	—	—	—
Total Assets	<u>394,739</u>	<u>136,479</u>	<u>107,309</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>7,775</u>	<u>—</u>	<u>403,923</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 402,514</u>	<u>\$ 136,479</u>	<u>\$ 511,232</u>
LIABILITIES			
Accounts Payable	\$ 32,781	\$ 30,884	\$ 869
Contracts Payable	273	8,710	—
Due to Other Funds	11,275	4,094	579
Due to Other Governments	1,806	—	—
Salaries, Benefits, and Taxes Payable	22,207	3,373	—
Interest Payable	4	16	—
Deposits Payable	(4)	457	90
Revenue Collected/Billed in Advance - Current	2,043	1,937	30
Other Current Liabilities	3,073	—	—
Advances from Other Funds	—	—	—
Total Liabilities	<u>73,458</u>	<u>49,471</u>	<u>1,568</u>
DEFERRED INFLOWS OF RESOURCES	<u>11,921</u>	<u>660</u>	<u>404,245</u>

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

Fund Financial Statements

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BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014
(In Thousands)

	Other Governmental	Comparative Totals	
		2014	Restated 2013
ASSETS			
Cash and Equity in Pooled Investments	\$ 251,398	\$ 630,630	\$ 649,283
Receivables, Net of Allowances			
Taxes	1,555	69,244	66,314
Accounts	5,399	17,015	13,476
Contracts and Notes	—	395	238
Special Assessments	11,568	11,568	13,546
Interest and Dividends	207	(44)	(188)
Unbilled and Others	1,244	1,949	1,503
Due from Other Funds	9,023	73,833	53,962
Interfund Loans	—	38,105	—
Due from Other Governments	20,935	95,165	116,613
Inventories	569	569	535
Prepaid and Other Current Assets	—	1,994	1,664
Deposits With Vendor	—	2	2
Advances to Other Funds	—	—	5,545
Charges and Other Assets	—	—	—
Total Assets	301,898	940,425	922,493
DEFERRED OUTFLOWS OF RESOURCES			
	44,135	455,833	434,968
Total Assets and Deferred Outflows of Resources	\$ 346,033	\$ 1,396,258	\$ 1,357,461
LIABILITIES			
Accounts Payable	\$ 25,969	\$ 90,503	\$ 97,149
Contracts Payable	1,060	10,043	11,066
Due to Other Funds	42,432	58,380	42,040
Due to Other Governments	5,022	6,828	7,377
Salaries, Benefits, and Taxes Payable	5,435	31,015	26,298
Interest Payable	26	46	34
Deposits Payable	202	745	482
Revenue Collected/Billed in Advance - Current	4,290	8,300	8,530
Other Current Liabilities	2,219	5,292	2,057
Advances from Other Funds	31,611	31,611	195
Total Liabilities	118,266	242,763	195,228
DEFERRED INFLOWS OF RESOURCES			
	57,104	473,930	454,977

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

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014
(In Thousands)

	<u>General</u>	<u>Transportation</u>	<u>Low-Income Housing</u>
FUND BALANCES			
Nonspendable	\$ 474	\$ 1,580	\$ —
Restricted	99,991	33,816	99,003
Committed	76,493	50,952	6,416
Assigned	5,685	—	—
Unassigned	134,492	—	—
Total Fund Balance	<u>317,135</u>	<u>86,348</u>	<u>105,419</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 402,514</u>	<u>\$ 136,479</u>	<u>\$ 511,232</u>

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

Fund Financial Statements

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BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014
(In Thousands)

	Other Governmental	Comparative Totals	
		2014	Restated 2013
FUND BALANCES			
Nonspendable	\$ 2,644	\$ 4,698	\$ 4,334
Restricted	214,072	446,882	458,833
Committed	3,245	137,106	132,985
Assigned	9,933	15,618	12,986
Unassigned	(59,231)	75,261	98,118
Total Fund Balance	<u>170,663</u>	<u>679,565</u>	<u>707,256</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 346,033</u>	<u>\$ 1,396,258</u>	<u>\$ 1,357,461</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.	\$ 3,208,929	\$ 3,047,403
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	9,536	3,406
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.	498,046	479,993
Net pension asset net of pension obligations	11,233	16,238
Deferred inflows and outflows of resources	8,255	8,985
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	(14,243)	(21,973)
Accrued Interest Payable	(5,819)	(6,227)
Current Portion of Long-Term Debt	(48,504)	(57,081)
Compensated Absences Payable	(22,770)	(18,951)
General Obligation Bonds Payable	(507,635)	(511,836)
Less Bond Discount and Premium	(40,586)	(41,290)
Special Assessment Bonds	(10,395)	(13,005)
Notes and Other Long-Term Liabilities	(19,349)	(17,567)
Compensated Absences - Long-Term	(75,020)	(63,659)
Claims Payable - Long-Term	(40,233)	(35,063)
Workers' Compensation	(26,167)	(18,427)
Arbitrage	(10)	(12)
Unfunded Other Post Employment Benefits	(83,760)	(71,435)
MOHAI Liabilities	—	—
Net Adjustments	<u>2,841,508</u>	<u>2,679,499</u>
Net Position of Governmental Activities	<u>\$ 3,521,073</u>	<u>\$ 3,386,755</u>

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

The City of Seattle

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**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014
(In Thousands)**

	General	Transportation	Low-Income Housing
REVENUES			
Taxes	\$ 926,003	\$ 78,477	\$ 17,943
Licenses and Permits	25,027	5,066	—
Grants, Shared Revenues, and Contributions	35,666	46,244	2,840
Charges for Services	61,080	98,365	—
Fines and Forfeits	31,960	19	—
Parking Fees and Space Rent	38,223	84	—
Program Income, Interest, and Miscellaneous Revenues	42,794	2,235	32,660
Total Revenues	1,160,753	230,490	53,443
EXPENDITURES			
Current			
General Government	195,598	—	—
Judicial	29,158	—	—
Public Safety	519,122	—	—
Physical Environment	6,538	—	—
Transportation	9,779	102,153	—
Economic Environment	21,540	—	29,181
Health and Human Services	945	—	—
Culture and Recreation	72,371	—	—
Capital Outlay			
General Government	12,305	—	—
Public Safety	5,914	—	—
Transportation	—	278,550	—
Economic Environment	6	—	—
Culture and Recreation	24,213	—	—
Debt Service			
Principal	3	2,051	—
Interest	1	155	—
Bond Issuance Cost	—	—	—
Other	—	—	—
Total Expenditures	897,493	382,909	29,181
Excess (Deficiency) of Revenues over Expenditures	263,260	(152,419)	24,262
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	—	2,108	—
Transfers In	20,027	189,540	—
Transfers Out	(275,112)	(26,544)	—
Total Other Financing Sources (Uses)	(255,085)	165,104	—
Net Change in Fund Balance	8,175	12,685	24,262
Fund Balances - Beginning of Year	308,960	73,663	81,157
Fund Balances - End of Year	\$ 317,135	\$ 86,348	\$ 105,419

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

Fund Financial Statements

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**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014
(In Thousands)**

	Other Governmental	Comparative Totals	
		2014	2013
REVENUES			
Taxes	\$ 126,697	\$ 1,149,120	\$ 1,083,499
Licenses and Permits	—	30,093	27,135
Grants, Shared Revenues, and Contributions	76,611	161,361	184,783
Charges for Services	61,742	221,187	200,847
Fines and Forfeits	5,163	37,142	41,107
Parking Fees and Space Rent	25,584	63,891	62,463
Program Income, Interest, and Miscellaneous Revenues	9,068	86,757	45,463
Total Revenues	304,865	1,749,551	1,645,297
EXPENDITURES			
Current			
General Government	9,064	204,662	209,006
Judicial	—	29,158	27,642
Public Safety	6,656	525,778	504,836
Physical Environment	871	7,409	11,935
Transportation	2,805	114,737	97,676
Economic Environment	89,358	140,079	128,644
Health and Human Services	77,079	78,024	73,151
Culture and Recreation	172,987	245,358	276,197
Capital Outlay			
General Government	23,294	35,599	5,043
Public Safety	19,248	25,162	10,275
Transportation	—	278,550	234,188
Economic Environment	—	6	—
Culture and Recreation	30,920	55,133	41,185
Debt Service			
Principal	59,691	61,745	56,194
Interest	26,415	26,571	26,206
Bond Issuance Cost	259	259	822
Other	—	—	—
Total Expenditures	518,647	1,828,230	1,703,000
Excess (Deficiency) of Revenues over Expenditures	(213,782)	(78,679)	(57,703)
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	50,455	50,455	101,115
Refunding Debt Issued	—	—	43,945
Premium on Bonds Issued	4,150	4,150	9,377
Payment to Refunded Bond Escrow Agent	—	—	(44,504)
Sales of Capital Assets	20	2,128	22,903
Transfers In	233,099	442,666	422,670
Transfers Out	(146,755)	(448,411)	(428,881)
Total Other Financing Sources (Uses)	140,969	50,988	126,625
Net Change in Fund Balance	(72,813)	(27,691)	68,922
Fund Balances - Beginning of Year	243,476	707,256	638,334
Fund Balances - End of Year	\$ 170,663	\$ 679,565	\$ 707,256

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

The City of Seattle

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**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, 2014
(In Thousands)**

	Comparative Totals	
	2014	Restated 2013
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balance - total governmental funds	\$ (27,691)	\$ 68,922
Governmental funds report capital outlay as expenditures and proceeds from the disposition of capital assets as other financing sources. However, in the statement of activities the cost of those assets is allocated over the estimated useful life and reported as depreciation expense and the gain or loss is reported as income.		
Depreciation expense for the year	(115,034)	(107,705)
Capital outlay reported as expenditures	307,271	312,501
Retirement and sale of capital assets	(1,306)	(5,891)
Capital assets received as donations	(20,504)	310
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These are comprised of:		
Unavailable resources - property taxes	(264)	—
Reduction of long-term receivable	1,393	7,800
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	(50,455)	(101,115)
Premium on general obligation bonds	(4,150)	(9,377)
Proceeds from bond refunding	—	(43,945)
Principal payments bonds/notes	61,745	56,194
Amortization of bond premium	3,819	—
Amortization of loss on refunding	(465)	—
Minimum capital lease payments	117	—
Bond interest	464	10,244
Remittance to refunding escrow using refunding proceeds	—	44,504
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	(15,180)	(4,417)
Injury and damage claims	(6,675)	1,832
Workers' compensation	(18)	(2,750)
Arbitrage	2	4
Unfunded OPEB liabilities	(12,325)	(9,387)
Net pension asset	(5,006)	(360)
Environmental liability	95	(568)
MOHAI liability	—	8,500
Loan to agencies	4,654	—
Debt guarantee of SISC 2004 bonds	(4,225)	—
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	(8,185)	(4,491)
Net revenue of internal service funds activities reported with governmental activities	26,239	1,819
Change in Net Position of Governmental Activities	\$ 134,316	\$ 222,624

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

MAJOR PROPRIETARY FUNDS

The **Light Fund** (City Light) accounts for the operations of the City-owned electric utility. City Light owns and operates certain generating, transmission, and distribution facilities and supplies electricity to approximately 408,000 customers in the Seattle and certain surrounding communities. City Light also supplies electrical energy to other City agencies at rates prescribed by City ordinances.

The **Water Fund** accounts for the operations of the City-owned water utility. It maintains three separate sources of water supply, namely the Tolt and Cedar River watersheds, and Seattle wellfields; approximately 182 miles of supply mains, and distribution storage capacity of 339 million gallons in reservoirs, tanks, and standpipes. The distribution system serves a population of about 1.4 million people.

The **Drainage and Wastewater Fund** accounts for the operations of the City-owned sewer and drainage utility facilities and pumping stations. Those facilities and stations are necessary to collect the sewage of the City and discharge it into King County's treatment and disposal systems. The utility maintains about 1,893 miles of sewers and drainage mainlines, 75 percent of which are separate sanitary sewers and storm mainlines. In addition, the City manages 66 pumping stations.

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

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

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

The City of Seattle

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**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2014	2013	2014	2013
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 128,343	\$ 193,769	\$ 43,553	\$ 28,901
Restricted Cash and Equity in Pooled Investments	—	—	—	10
Receivables, Net of Allowances				
Accounts	70,850	61,511	13,519	13,899
Interest and Dividends	—	—	910	895
Unbilled	64,630	78,837	13,651	13,965
Energy Contracts, Notes, and Other Contracts	—	—	107	120
Due from Other Funds	1,482	26	760	704
Due from Other Governments	2,271	2,464	583	1,510
Materials and Supplies Inventory	30,829	32,020	5,139	5,072
Prepayments and Other Current Assets	474	492	72	72
Total Current Assets	298,879	369,119	78,294	65,148
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	298,389	227,038	56,623	65,689
Notes and Contracts Receivable	—	—	414	521
Conservation Costs, Net	228,107	214,280	31,552	32,032
Landfill Closure and Postclosure Costs, Net	—	—	—	—
Environmental Costs and Recoveries	38,600	34,798	—	—
External Infrastructure Costs	—	—	—	—
Regulatory Asset	—	—	10,988	12,211
Other Charges	52,934	51,943	4,779	5,627
Capital Assets				
Land and Land Rights	70,558	68,188	44,261	43,269
Plant in Service, Excluding Land	3,936,000	3,795,314	1,791,609	1,773,792
Less Accumulated Depreciation	(1,611,477)	(1,563,905)	(681,103)	(646,741)
Buildings and Improvements	—	—	—	—
Less Accumulated Depreciation	—	—	—	—
Machinery and Equipment	—	—	—	—
Less Accumulated Depreciation	—	—	—	—
Construction in Progress	250,979	164,051	48,906	25,343
Other Property, Net	82,258	77,322	1,569	1,185
Total Noncurrent Assets	3,346,348	3,069,029	1,309,598	1,312,928
Total Assets	3,645,227	3,438,148	1,387,892	1,378,076
DEFERRED OUTFLOWS OF RESOURCES				
	19,318	26,012	18,914	20,165
Total Assets and Deferred Outflows of Resources	\$ 3,664,545	\$ 3,464,160	\$ 1,406,806	\$ 1,398,241

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

Fund Financial Statements

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**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2014	2013	2014	2013
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 101,301	\$ 74,503	\$ 32,395	\$ 20,863
Restricted Cash and Equity in Pooled Investments	—	—	—	—
Receivables, Net of Allowances				
Accounts	18,042	21,171	12,933	13,068
Interest and Dividends	460	448	69	21
Unbilled	18,272	18,043	417	410
Energy Contracts, Notes, and Other Contracts	76	49	—	—
Due from Other Funds	984	1,015	244	287
Due from Other Governments	2,374	2,267	967	932
Materials and Supplies Inventory	1,043	939	68	108
Prepayments and Other Current Assets	35	35	18	18
Total Current Assets	142,587	118,470	47,111	35,707
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	99,432	47,873	49,173	12,456
Notes and Contracts Receivable	1,159	1,210	—	—
Conservation Costs, Net	—	—	—	—
Landfill Closure and Postclosure Costs, Net	—	—	13,004	14,741
Environmental Costs and Recoveries	3,970	4,850	—	—
External Infrastructure Costs	19,328	19,617	—	—
Regulatory Asset	4,236	3,543	3,026	3,987
Other Charges	35,159	34,026	937	1,066
Capital Assets				
Land and Land Rights	19,767	19,475	15,218	15,218
Plant in Service, Excluding Land	941,062	902,671	132,528	149,171
Less Accumulated Depreciation	(296,915)	(286,172)	(46,989)	(57,795)
Buildings and Improvements	—	—	—	—
Less Accumulated Depreciation	—	—	—	—
Machinery and Equipment	—	—	—	—
Less Accumulated Depreciation	—	—	—	—
Construction in Progress	178,366	128,552	53,945	24,554
Other Property, Net	1,558	970	2,044	2,262
Total Noncurrent Assets	1,007,122	876,615	222,886	165,660
Total Assets	1,149,709	995,085	269,997	201,367
DEFERRED OUTFLOWS OF RESOURCES	6,479	6,054	3,146	139
Total Assets and Deferred Outflows of Resources	\$ 1,156,188	\$ 1,001,139	\$ 273,143	\$ 201,506

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2014	2013	2014	2013
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 40,630	\$ 27,628	\$ 346,222	\$ 345,664
Restricted Cash and Equity in Pooled Investments	—	—	—	10
Receivables, Net of Allowances				
Accounts	907	976	116,251	110,625
Interest and Dividends	31	17	1,470	1,381
Unbilled	—	—	96,970	111,255
Energy Contracts, Notes, and Other Contracts	—	—	183	169
Due from Other Funds	905	1,067	4,375	3,099
Due from Other Governments	451	517	6,646	7,690
Materials and Supplies Inventory	—	—	37,079	38,139
Prepayments and Other Current Assets	42	—	641	617
Total Current Assets	42,966	30,205	609,837	618,649
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	38	47	503,655	353,103
Notes and Contracts Receivable	—	—	1,573	1,731
Conservation Costs, Net	—	—	259,659	246,312
Landfill Closure and Postclosure Costs, Net	—	—	13,004	14,741
Environmental Costs and Recoveries	—	—	42,570	39,648
External Infrastructure Costs	—	—	19,328	19,617
Regulatory Asset	—	—	18,250	19,741
Other Charges	—	—	93,809	92,662
Capital Assets				
Land and Land Rights	12,881	12,881	162,685	159,031
Plant in Service, Excluding Land	—	—	6,801,199	6,620,948
Less Accumulated Depreciation	—	—	(2,636,484)	(2,554,613)
Buildings and Improvements	60,132	60,132	60,132	60,132
Less Accumulated Depreciation	(32,070)	(30,066)	(32,070)	(30,066)
Machinery and Equipment	14,766	14,821	14,766	14,821
Less Accumulated Depreciation	(13,847)	(13,350)	(13,847)	(13,350)
Construction in Progress	3,377	2,597	535,573	345,097
Other Property, Net	—	—	87,429	81,739
Total Noncurrent Assets	45,277	47,062	5,931,231	5,471,294
Total Assets	88,243	77,267	6,541,068	6,089,943
DEFERRED OUTFLOWS OF RESOURCES				
	—	—	47,857	52,370
Total Assets and Deferred Outflows of Resources	\$ 88,243	\$ 77,267	\$ 6,588,925	\$ 6,142,313

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

Fund Financial Statements

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STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014
(In Thousands)

	Governmental Activities - Internal Service Funds	
	2014	Restated 2013
ASSETS		
<i>Current Assets</i>		
Operating Cash and Equity in Pooled Investments	\$ 24,792	\$ 27,029
Restricted Cash and Equity in Pooled Investments	20,014	17,166
Receivables, Net of Allowances		
Accounts	240	216
Interest and Dividends	89	47
Unbilled	24	251
Energy Contracts, Notes, and Other Contracts	—	—
Due from Other Funds	9,517	5,997
Due from Other Governments	159	554
Materials and Supplies Inventory	2,786	2,495
Prepayments and Other Current Assets	425	547
Total Current Assets	58,046	54,302
<i>Noncurrent Assets</i>		
Restricted Cash and Equity in Pooled Investments	58,383	29,417
Notes and Contracts Receivable	—	—
Conservation Costs, Net	—	—
Landfill Closure and Postclosure Costs, Net	—	—
Environmental Costs and Recoveries	—	—
External Infrastructure Costs	—	—
Regulatory Asset	—	—
Other Charges	—	—
Capital Assets	—	—
Land and Land Rights	108,832	95,996
Plant in Service, Excluding Land	—	—
Less Accumulated Depreciation	—	—
Buildings and Improvements	717,627	700,310
Less Accumulated Depreciation	(211,791)	(195,212)
Machinery and Equipment	223,388	208,675
Less Accumulated Depreciation	(135,206)	(125,456)
Construction in Progress	3,309	2,202
Other Property, Net	—	—
Total Noncurrent Assets	764,542	715,932
Total Assets	822,588	770,234
DEFERRED OUTFLOWS OF RESOURCES		
Total Assets and Deferred Outflows of Resources	\$ 822,588	\$ 770,395

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2014	2013	2014	2013
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 63,298	\$ 59,622	\$ 8,736	\$ 6,681
Salaries, Benefits, and Payroll Taxes Payable	9,213	7,457	2,543	2,101
Compensated Absences Payable	1,980	2,003	467	427
Due to Other Funds	10,903	9,721	5,146	4,093
Due to Other Governments	—	—	—	69
Interest Payable	29,970	32,096	16,207	16,779
Taxes Payable	7,813	10,520	707	705
General Obligation Bonds Due Within One Year	—	—	—	—
Revenue Bonds Due Within One Year	104,915	99,670	35,015	33,545
Claims Payable	27,676	17,083	1,196	1,203
Notes and Contracts Payable	—	—	1,125	1,125
Habitat Conservation Program Liability	—	—	1,138	805
Landfill Closure and Postclosure Liability	—	—	—	—
Unearned Revenues and Other Credits	19,821	12,921	3,289	1,567
Other Current Liabilities	2,467	3,513	—	—
Total Current Liabilities	278,056	254,606	75,569	69,100
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	—	—	—	—
Compensated Absences Payable	16,768	15,509	4,845	4,428
Claims Payable	42,895	54,868	3,802	3,673
Public Works Trust Loan	—	—	14,996	16,121
Landfill Closure and Postclosure Liability	—	—	—	—
Vendor and Other Deposits Payable	—	—	—	18
Habitat Conservation Program Liability	—	—	6,493	5,425
Unearned Revenues and Other Credits	6,902	6,275	347	337
Unfunded Other Post Employment Benefits	7,569	7,582	2,565	2,552
Other Noncurrent Liabilities	134	125	15	76
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	—	—	—	—
Revenue Bonds Payable, Net of Amortized Premium, Discount and Other	1,925,192	1,870,308	877,256	915,557
Bond Interest Payable	—	—	—	—
Total Noncurrent Liabilities	1,999,460	1,954,667	910,319	948,187
Total Liabilities	2,277,516	2,209,273	985,888	1,017,287
DEFERRED INFLOWS OF RESOURCES	111,486	100,672	27,876	19,418

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

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STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2014	2013	2014	2013
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 10,178	\$ 11,945	\$ 10,976	\$ 8,906
Salaries, Benefits, and Payroll Taxes Payable	2,417	2,188	805	731
Compensated Absences Payable	446	398	149	146
Due to Other Funds	9,221	5,536	1,246	1,661
Due to Other Governments	11,589	11,624	—	—
Interest Payable	7,226	6,934	2,149	2,337
Taxes Payable	299	334	471	592
General Obligation Bonds Due Within One Year	—	—	—	—
Revenue Bonds Due Within One Year	18,215	15,825	4,895	3,495
Claims Payable	3,566	3,727	811	1,566
Notes and Contracts Payable	1,202	1,116	—	—
Habitat Conservation Program Liability	—	—	—	—
Landfill Closure and Postclosure Liability	—	—	1,064	987
Unearned Revenues and Other Credits	2,888	3,569	4,704	4,309
Other Current Liabilities	581	440	—	—
Total Current Liabilities	67,828	63,636	27,270	24,730
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	—	—	—	—
Compensated Absences Payable	4,625	4,126	1,542	1,509
Claims Payable	72,795	70,158	900	723
Public Works Trust Loan	16,566	17,243	—	—
Landfill Closure and Postclosure Liability	—	—	14,990	15,974
Vendor and Other Deposits Payable	1,018	536	—	—
Habitat Conservation Program Liability	—	—	—	—
Unearned Revenues and Other Credits	—	—	—	—
Unfunded Other Post Employment Benefits	2,505	2,378	895	870
Other Noncurrent Liabilities	59	104	20	2,356
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	—	—	—	—
Revenue Bonds Payable, Net of Amortized Premium, Discount and Other	646,693	547,321	177,522	117,805
Bond Interest Payable	—	—	—	—
Total Noncurrent Liabilities	744,261	641,866	195,869	139,237
Total Liabilities	812,089	705,502	223,139	163,967
DEFERRED INFLOWS OF RESOURCES	—	—	15,795	5,247

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2014	2013	2014	2013
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 2,266	\$ 2,823	\$ 95,454	\$ 89,977
Salaries, Benefits, and Payroll Taxes Payable	1,626	1,323	16,604	13,800
Compensated Absences Payable	318	224	3,360	3,198
Due to Other Funds	511	379	27,027	21,390
Due to Other Governments	—	—	11,589	11,693
Interest Payable	711	1,509	56,263	59,655
Taxes Payable	85	81	9,375	12,232
General Obligation Bonds Due Within One Year	2,950	1,857	2,950	1,857
Revenue Bonds Due Within One Year	—	—	163,040	152,535
Claims Payable	53	54	33,302	23,633
Notes and Contracts Payable	—	—	2,327	2,241
Habitat Conservation Program Liability	—	—	1,138	805
Landfill Closure and Postclosure Liability	—	—	1,064	987
Unearned Revenues and Other Credits	—	—	30,702	22,366
Other Current Liabilities	—	—	3,048	3,953
Total Current Liabilities	8,520	8,250	457,243	420,322
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	6,494	5,050	6,494	5,050
Compensated Absences Payable	2,763	2,792	30,543	28,364
Claims Payable	132	128	120,524	129,550
Public Works Trust Loan	—	—	31,562	33,364
Landfill Closure and Postclosure Liability	—	—	14,990	15,974
Vendor and Other Deposits Payable	38	47	1,056	601
Habitat Conservation Program Liability	—	—	6,493	5,425
Unearned Revenues and Other Credits	16,295	14,075	23,544	20,687
Unfunded Other Post Employment Benefits	1,674	1,388	15,208	14,770
Other Noncurrent Liabilities	—	—	228	2,661
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	56,292	59,440	56,292	59,440
Revenue Bonds Payable, Net of Amortized Premium, Discount and Other	—	—	3,626,663	3,450,991
Bond Interest Payable	—	—	—	—
Total Noncurrent Liabilities	83,688	82,920	3,933,597	3,766,877
Total Liabilities	92,208	91,170	4,390,840	4,187,199
DEFERRED INFLOWS OF RESOURCES	—	—	155,157	125,337

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

Fund Financial Statements

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**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014
(In Thousands)**

	Governmental Activities - Internal Service Funds	
	2014	Restated 2013
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	\$ 8,036	\$ 9,108
Salaries, Benefits, and Payroll Taxes Payable	3,213	2,821
Compensated Absences Payable	595	624
Due to Other Funds	2,454	447
Due to Other Governments	4	6
Interest Payable	3,172	3,172
Taxes Payable	51	32
General Obligation Bonds Due Within One Year	—	15,089
Revenue Bonds Due Within One Year	21,559	—
Claims Payable	577	598
Notes and Contracts Payable	—	—
Habitat Conservation Program Liability	—	—
Landfill Closure and Postclosure Liability	—	—
Unearned Revenues and Other Credits	—	—
Other Current Liabilities	57	45
Total Current Liabilities	39,718	31,942
<i>Noncurrent Liabilities</i>		
Advances from Other Funds/Interfund Notes Payable		
Compensated Absences Payable	6,058	5,553
Claims Payable	1,434	1,427
Public Works Trust Loan	—	—
Landfill Closure and Postclosure Liability	—	—
Vendor and Other Deposits Payable	104	213
Habitat Conservation Program Liability	—	—
Unearned Revenues and Other Credits	—	—
Unfunded Other Post Employment Benefits	3,284	2,737
Other Noncurrent Liabilities	3	2
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	254,907	237,683
Revenue Bonds Payable, Net of Amortized Premium, Discount and Other	—	—
Bond Interest Payable	—	—
Total Noncurrent Liabilities	265,790	247,615
Total Liabilities	305,508	279,557
DEFERRED INFLOWS OF RESOURCES	—	—

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2014	2013	2014	2013
NET POSITION				
Net Investment in Capital Assets	\$ 1,100,783	\$ 906,092	\$ 351,175	\$ 327,187
Restricted for				
Rate Stabilization Account	25,047	25,000	—	—
Special Deposits and Other	—	—	—	—
Conservation and Environmental Costs	—	—	7,065	7,157
Bonneville Power Administration Projects	—	—	—	—
External Infrastructure Costs	—	—	—	—
Muckleshoot Settlement	—	—	—	—
Other Charges	—	—	4,726	5,018
Unrestricted	149,715	223,125	30,075	22,175
Total Net Position	1,275,545	1,154,217	393,041	361,537
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 3,664,547	\$ 3,464,162	\$ 1,406,805	\$ 1,398,242

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

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STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2014	2013	2014	2013
NET POSITION				
Net Investment in Capital Assets	\$ 301,793	\$ 271,756	\$ 10,748	\$ 18,080
Restricted for				
Rate Stabilization Account	—	—	—	—
Special Deposits and Other	—	—	—	—
Conservation and Environmental Costs	—	—	—	—
Bonneville Power Administration Projects	—	—	—	—
External Infrastructure Costs	7,061	7,131	—	—
Muckleshoot Settlement	—	—	—	—
Other Charges	14,140	13,393	—	147
Unrestricted	21,104	3,354	23,462	14,066
Total Net Position	344,098	295,634	34,210	32,293
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,156,187</u>	<u>\$ 1,001,136</u>	<u>\$ 273,144</u>	<u>\$ 201,507</u>

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2014	Restated 2013	2014	2013
NET POSITION				
Net Investment in Capital Assets	\$ (14,004)	\$ (14,283)	\$ 1,750,495	\$ 1,508,832
Restricted for				
Rate Stabilization Account	—	—	25,047	25,000
Special Deposits and Other	—	—	—	—
Conservation and Environmental Costs	—	—	7,065	7,157
Bonneville Power Administration Projects	—	—	—	—
External Infrastructure Costs	—	—	7,061	7,131
Muckleshoot Settlement	—	—	—	—
Other Charges	—	—	18,866	18,558
Unrestricted	10,039	380	234,395	263,100
Total Net Position	(3,965)	(13,903)	2,042,929	1,829,778
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 88,243	\$ 77,267	\$ 6,588,926	\$ 6,142,314
Total Net Position as above			\$ 2,042,929	\$ 1,829,778
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			19,032	10,846
Net Position of Business-Type Activities			\$ 2,061,961	\$ 1,840,624

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2014
(In Thousands)

	Governmental Activities - Internal Service Funds	
	2014	Restated 2013
Net Investment in Capital Assets	\$ 459,033	\$ 435,506
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	58,045	55,333
Total Net Position	517,078	490,839
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 822,586	\$ 770,396

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

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2014
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2014	2013	2014	2013
OPERATING REVENUES				
Charges for Services and Other Revenues	\$ 886,444	\$ 842,230	\$ 242,947	\$ 235,594
OPERATING EXPENSES				
Long-Term Purchased Power	214,262	203,126	—	—
Short-Term Wholesale Power Purchases	14,912	19,759	—	—
Generation	34,962	39,957	—	—
Transmission	52,833	48,213	—	—
Distribution	59,753	59,568	—	—
Conservation and Other Power Expenses	58,151	47,872	—	—
Planning and Development	—	—	1,447	1,085
Utility Systems Management	—	—	14,576	13,889
Field Operations	—	—	27,315	30,007
Project Delivery	—	—	4,332	4,563
Customer Services	37,621	39,177	6,252	7,609
Wastewater Treatment	—	—	—	—
Solid Waste Collection	—	—	—	—
Operations and Maintenance	—	—	—	—
General and Administrative	75,774	71,751	38,916	31,657
City Business and Occupation Taxes	44,588	42,806	30,657	28,776
Other Taxes	35,420	36,515	9,484	9,036
Amortization of Landfill and Postclosure Costs	—	—	—	—
Depreciation and Other Amortization	105,813	102,261	51,466	49,909
Total Operating Expenses	734,089	711,005	184,445	176,531
Operating Income (Loss)	152,355	131,225	58,502	59,063
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	7,933	805	3,082	1,536
Interest Expense	(83,855)	(85,176)	(41,525)	(43,396)
Amortization of Bonds Premiums and Discounts, Net	11,151	11,339	3,286	3,323
Amortization of Refunding Loss	(3,752)	(4,246)	(1,251)	(1,251)
Bond Issuance Costs	(1,473)	(1,225)	—	—
Gain (Loss) on Sale of Capital Assets	1,877	2,201	(720)	(310)
Contributions and Grants	3,783	3,184	182	803
Others, Net	4,942	4,915	1,017	905
Total Nonoperating Revenues (Expenses)	(59,394)	(68,203)	(35,929)	(38,390)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	92,961	63,022	22,573	20,673
Capital Contributions and Grants	28,368	49,696	8,932	7,518
Transfers In	—	—	—	—
Transfers Out	—	—	—	—
Environmental Remediation	—	—	—	—
Change in Net Position	121,329	112,718	31,505	28,191
Net Position - Beginning of Year	1,154,217	1,041,500	361,536	333,344
Prior-Year Adjustment	—	—	—	—
Net Position - Beginning of Year as Restated	1,154,217	1,041,500	361,536	333,344
Net Position - End of Year	\$ 1,275,546	\$ 1,154,218	\$ 393,041	\$ 361,535

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

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**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2014
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2014	2013	2014	2013
OPERATING REVENUES				
Charges for Services and Other Revenues	\$ 342,000	\$ 333,760	\$ 157,498	\$ 159,742
OPERATING EXPENSES				
Long-Term Purchased Power	—	—	—	—
Short-Term Wholesale Power Purchases	—	—	—	—
Generation	—	—	—	—
Transmission	—	—	—	—
Distribution	—	—	—	—
Conservation and Other Power Expenses	—	—	—	—
Planning and Development	1,787	2,335	163	86
Utility Systems Management	11,374	10,546	1,661	2,256
Field Operations	26,431	27,177	7,216	7,644
Project Delivery	8,100	10,020	546	691
Customer Services	4,403	4,109	5,035	5,649
Wastewater Treatment	140,307	139,434	—	—
Solid Waste Collection	—	—	96,867	95,325
Operations and Maintenance	—	—	—	—
General and Administrative	25,034	17,046	14,493	12,190
City Business and Occupation Taxes	40,266	38,852	17,716	16,838
Other Taxes	4,329	4,340	2,505	2,934
Amortization of Landfill and Postclosure Costs	—	—	1,301	1,340
Depreciation and Other Amortization	22,190	21,254	8,187	7,318
Total Operating Expenses	<u>284,221</u>	<u>275,113</u>	<u>155,690</u>	<u>152,271</u>
Operating Income (Loss)	57,779	58,647	1,808	7,471
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	4,009	2,010	750	(72)
Interest Expense	(20,617)	(21,361)	(5,798)	(5,226)
Amortization of Bonds Premiums and Discounts, Net	1,542	1,396	478	256
Amortization of Refunding Loss	(384)	(374)	(109)	(23)
Bond Issuance Costs	—	—	—	—
Gain (Loss) on Sale of Capital Assets	(817)	(167)	2,420	(52)
Contributions and Grants	978	1,975	953	592
Others, Net	170	121	1,338	317
Total Nonoperating Revenues (Expenses)	<u>(15,119)</u>	<u>(16,400)</u>	<u>32</u>	<u>(4,208)</u>
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	42,660	42,247	1,840	3,263
Capital Contributions and Grants	10,752	6,546	78	—
Transfers In	—	—	—	—
Transfers Out	—	—	—	—
Environmental Remediation	(4,949)	(24,169)	—	—
Change in Net Position	48,463	24,624	1,918	3,263
Net Position - Beginning of Year	295,634	271,011	32,293	29,031
Prior-Year Adjustment	—	—	—	—
Net Position - Beginning of Year as Restated	<u>295,634</u>	<u>271,011</u>	<u>32,293</u>	<u>29,031</u>
Net Position - End of Year	<u>\$ 344,097</u>	<u>\$ 295,635</u>	<u>\$ 34,211</u>	<u>\$ 32,294</u>

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

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2014
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2014	2013	2014	2013
OPERATING REVENUES				
Charges for Services and Other Revenues	\$ 65,547	\$ 56,311	\$ 1,694,436	\$ 1,627,637
OPERATING EXPENSES				
Long-Term Purchased Power	—	—	214,262	203,126
Short-Term Wholesale Power Purchases	—	—	14,912	19,759
Generation	—	—	34,962	39,957
Transmission	—	—	52,833	48,213
Distribution	—	—	59,753	59,568
Conservation and Other Power Expenses	—	—	58,151	47,872
Planning and Development	—	—	3,397	3,506
Utility Systems Management	—	—	27,611	26,691
Field Operations	—	—	60,962	64,828
Project Delivery	—	—	12,978	15,274
Customer Services	—	—	53,311	56,544
Wastewater Treatment	—	—	140,307	139,434
Solid Waste Collection	—	—	96,867	95,325
Operations and Maintenance	50,899	46,850	50,899	46,850
General and Administrative	11,580	10,648	165,797	143,292
City Business and Occupation Taxes	16	15	133,243	127,287
Other Taxes	35	33	51,773	52,858
Amortization of Landfill and Postclosure Costs	—	—	1,301	1,340
Depreciation and Other Amortization	2,589	2,622	190,245	183,364
Total Operating Expenses	65,119	60,168	1,423,564	1,375,088
Operating Income (Loss)	428	(3,857)	270,872	252,549
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	479	(75)	16,253	4,204
Interest Expense	(2,939)	(3,074)	(154,734)	(158,233)
Amortization of Bonds Premiums and Discounts, Net	198	238	16,655	16,552
Amortization of Refunding Loss	—	—	(5,496)	(5,894)
Bond Issuance Costs	—	—	(1,473)	(1,225)
Gain (Loss) on Sale of Capital Assets	—	—	2,760	1,672
Contributions and Grants	259	501	6,155	7,055
Others, Net	—	—	7,467	6,258
Total Nonoperating Revenues (Expenses)	(2,003)	(2,410)	(112,413)	(129,611)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	(1,575)	(6,267)	158,459	122,938
Capital Contributions and Grants			48,130	63,760
Transfers In	11,512	10,860	11,512	10,860
Transfers Out	—	—	—	—
Environmental Remediation	—	—	(4,949)	(24,169)
Change in Net Position	9,937	4,593	213,152	173,389
Net Position - Beginning of Year	(13,903)	(18,495)	1,829,777	1,656,391
Prior-Year Adjustment	—	—	—	—
Net Position - Beginning of Year as Restated	(13,903)	(18,495)	1,829,777	1,656,391
Net Position - End of Year	\$ (3,966)	\$ (13,902)	2,042,929	1,829,780
Accumulated Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			19,032	10,846
Net Position of Business-Type Activities			\$ 2,061,961	\$ 1,840,626
Change in Net Position as above			\$ 213,152	\$ 173,389
Current Year Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			8,185	4,491
Adjusted Change in Net Position of Business-Type Activities			\$ 221,337	\$ 177,880

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

Fund Financial Statements

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**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2014
(In Thousands)**

	Governmental Activities - Internal Service Funds	
	2014	Restated 2013
OPERATING REVENUES		
Charges for Services and Other Revenues	\$ 214,971	\$ 204,295
OPERATING EXPENSES		
Long-Term Purchased Power	—	—
Short-Term Wholesale Power Purchases	—	—
Generation	—	—
Transmission	—	—
Distribution	—	—
Conservation and Other Power Expenses	—	—
Planning and Development	—	—
Utility Systems Management	—	—
Field Operations	—	—
Project Delivery	—	—
Customer Services	—	—
Wastewater Treatment	—	—
Solid Waste Collection	—	—
Operations and Maintenance	143,593	136,686
General and Administrative	18,979	17,741
City Business and Occupation Taxes	4	4
Other Taxes	419	410
Amortization of Landfill and Postclosure Costs		
Depreciation and Other Amortization	34,600	33,877
Total Operating Expenses	197,595	188,718
Operating Income (Loss)	17,376	15,577
NONOPERATING REVENUES (EXPENSES)		
Investment and Interest Income	1,376	(154)
Interest Expense	(10,609)	(9,743)
Amortization of Bonds Premiums and Discounts, Net	2,802	(63)
Amortization of Refunding Loss	(161)	(80)
Bond Issuance Costs	(107)	(63)
Gain (Loss) on Sale of Capital Assets	938	896
Contributions and Grants	—	794
Others, Net	—	8
Total Nonoperating Revenues (Expenses)	(5,761)	(8,405)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	11,615	7,172
Capital Contributions and Grants	20,392	31,873
Transfers In	301	—
Transfers Out	(6,069)	(4,650)
Environmental Remediation	—	—
Change in Net Position	26,239	34,395
Net Position - Beginning of Year	490,839	456,445
Prior-Year Adjustment	—	—
Net Position - Beginning of Year as Restated	490,839	456,445
Net Position - End of Year	\$ 517,078	\$ 490,840

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2014
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2014	2013	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 869,121	\$ 814,227	\$ 256,195	\$ 240,904
Cash Paid to Suppliers	(315,600)	(335,199)	(25,846)	(29,818)
Cash Paid to Employees	(173,595)	(170,130)	(62,566)	(56,625)
Cash Paid for Taxes	(82,344)	(79,245)	(39,863)	(37,631)
Net Cash from Operating Activities	297,582	229,653	127,920	116,830
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Principal Payments on Long-Term Debt and Interfund Loans	(37,257)	(17,911)	—	—
Interest Paid on Long-Term Debt	(33,693)	(16,796)	—	—
Operating Grants Received	5,207	1,761	202	833
Transfers In	—	—	—	—
Transfers Out	—	—	—	—
Receipts for Energy Conservation Augmentation	6,722	3,602	—	—
Payments for Energy Conservation Augmentation	(33,111)	(30,992)	—	—
Loans Provided to Other Funds	—	—	—	—
Proceeds from Interfund Loans	—	—	—	—
Payments for Environmental Liabilities	—	—	—	—
Net Cash from Noncapital Financing Activities	(92,132)	(60,336)	202	833
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Sale of Bonds and Other Long-Term Debt	299,397	204,412	—	1,413
Principal Payments on Long-Term Debt and Refunding	(62,413)	(73,929)	(34,432)	(33,873)
Capital Expenses and Other Charges Paid	(285,447)	(261,255)	(52,164)	(38,279)
Interest Paid on Long-Term Debt	(56,443)	(69,324)	(41,620)	(43,129)
Capital Fees and Grants Received	24,281	33,120	4,388	5,393
Payment to Trustee for Defeased Bonds	(127,102)	(15,153)	—	—
Interest Received for Suburban Infrastructure Improvements	2,063	1,821	—	—
Debt Issuance Costs	(1,663)	(1,225)	—	—
Proceeds from Sale of Capital Assets	2,006	2,097	196	287
Net Cash from Capital and Related Financing Activities	(205,321)	(179,436)	(123,632)	(108,188)
CASH FLOWS FROM INVESTING ACTIVITIES ^a				
Interest and Investment Income (Loss)	5,797	(1,074)	1,086	(276)
Net Cash from Investing Activities	5,797	(1,074)	1,086	(276)
Net Increase (Decrease) in Cash and Equity in Pooled Investments	5,926	(11,193)	5,576	9,199
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	420,807	432,001	94,599	85,401
End of Year	\$ 426,733	\$ 420,807	\$ 100,175	\$ 94,600
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 128,343	\$ 193,769	\$ 43,553	\$ 28,901
Current Restricted Cash and Equity in Pooled Investments	—	—	—	10
Noncurrent Restricted Cash and Equity in Pooled Investments	298,389	227,038	56,623	65,689
Total Cash at the End of the Year	\$ 426,732	\$ 420,807	\$ 100,176	\$ 94,600

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

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

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2014
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2014	2013	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 346,022	\$ 329,790	\$ 175,239	\$ 167,646
Cash Paid to Suppliers	(155,801)	(156,949)	(109,584)	(108,635)
Cash Paid to Employees	(57,034)	(50,923)	(22,087)	(20,673)
Cash Paid for Taxes	(44,635)	(42,716)	(20,642)	(18,757)
Net Cash from Operating Activities	88,552	79,202	22,926	19,581
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Principal Payments on Long-Term Debt and Interfund Loans	—	—	—	—
Interest Paid on Long-Term Debt	—	—	—	—
Operating Grants Received	1,029	1,946	838	896
Transfers In	—	—	—	—
Transfers Out	—	—	—	—
Receipts for Energy Conservation Augmentation	—	—	—	—
Payments for Energy Conservation Augmentation	—	—	—	—
Loans Provided to Other Funds	—	—	—	—
Proceeds from Interfund Loans	—	—	—	—
Payments for Environmental Liabilities	(1,850)	(1,903)	—	—
Net Cash from Noncapital Financing Activities	(821)	43	838	896
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Sale of Bonds and Other Long-Term Debt	144,425	1,740	107,496	—
Principal Payments on Long-Term Debt and Refunding	(42,524)	(16,310)	(49,017)	(3,330)
Capital Expenses and Other Charges Paid	(89,353)	(83,635)	(29,590)	(10,522)
Interest Paid on Long-Term Debt	(25,429)	(24,204)	(6,977)	(5,709)
Capital Fees and Grants Received	1,887	4,381	78	—
Payment to Trustee for Defeased Bonds	—	—	—	—
Interest Received for Suburban Infrastructure Improvements	—	—	—	—
Debt Issuance Costs	(865)	—	(630)	—
Proceeds from Sale of Capital Assets	222	644	2,420	203
Net Cash from Capital and Related Financing Activities	(11,637)	(117,384)	23,780	(19,358)
CASH FLOWS FROM INVESTING ACTIVITIES ^a				
Interest and Investment Income (Loss)	2,262	(135)	703	(78)
Net Cash from Investing Activities	2,262	(135)	703	(78)
Net Increase (Decrease) in Cash and Equity in Pooled Investments	78,356	(38,274)	48,247	1,041
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	122,376	160,650	33,320	32,279
End of Year	\$ 200,732	\$ 122,376	\$ 81,567	\$ 33,320
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 101,301	\$ 74,503	\$ 32,395	\$ 20,863
Current Restricted Cash and Equity in Pooled Investments	—	—	—	—
Noncurrent Restricted Cash and Equity in Pooled Investments	99,432	47,873	49,173	12,456
Total Cash at the End of the Year	\$ 200,733	\$ 122,376	\$ 81,568	\$ 33,319

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

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2014
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2014	2013	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 69,905	\$ 61,226	\$ 1,716,482	\$ 1,613,793
Cash Paid to Suppliers	(31,367)	(26,087)	(638,198)	(656,688)
Cash Paid to Employees	(31,075)	(29,619)	(346,357)	(327,970)
Cash Paid for Taxes	(1,676)	(1,609)	(189,160)	(179,958)
Net Cash from Operating Activities	5,787	3,911	542,767	449,177
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Principal Payments on Long-Term Debt and Interfund Loans	(5,050)	(3,181)	(42,307)	(21,092)
Interest Paid on Long-Term Debt	—	—	(33,693)	(16,796)
Operating Grants Received	194	435	7,470	5,871
Transfers In	11,512	10,860	11,512	10,860
Transfers Out	—	—	—	—
Receipts for Energy Conservation Augmentation	—	—	6,722	3,602
Payments for Energy Conservation Augmentation	—	—	(33,111)	(30,992)
Loans Provided to Other Funds	—	—	—	—
Proceeds from Interfund Loans	6,494	5,101	6,494	5,101
Payments for Environmental Liabilities	—	—	(1,850)	(1,903)
Net Cash from Noncapital Financing Activities	13,150	13,215	(78,763)	(45,349)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Sale of Bonds and Other Long-Term Debt	—	—	551,318	207,565
Principal Payments on Long-Term Debt and Refunding	(1,857)	(1,262)	(190,243)	(128,704)
Capital Expenses and Other Charges Paid	(813)	(3,082)	(457,367)	(396,773)
Interest Paid on Long-Term Debt	(3,740)	(4,259)	(134,209)	(146,625)
Capital Fees and Grants Received	—	—	30,634	42,894
Payment to Trustee for Defeased Bonds	—	—	(127,102)	(15,153)
Interest Received for Suburban Infrastructure Improvements	—	—	2,063	1,821
Debt Issuance Costs	—	—	(3,158)	(1,225)
Proceeds from Sale of Capital Assets	—	—	4,844	3,231
Net Cash from Capital and Related Financing Activities	(6,410)	(8,603)	(323,220)	(432,969)
CASH FLOWS FROM INVESTING ACTIVITIES ^a				
Interest and Investment Income (Loss)	468	(83)	10,316	(1,646)
Net Cash from Investing Activities	468	(83)	10,316	(1,646)
Net Increase (Decrease) in Cash and Equity in Pooled Investments	12,995	8,440	151,100	(30,787)
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	27,675	19,234	698,778	729,565
End of Year	<u>\$ 40,670</u>	<u>\$ 27,674</u>	<u>\$ 849,878</u>	<u>\$ 698,778</u>
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 40,630	\$ 27,628	\$ 346,222	\$ 345,664
Current Restricted Cash and Equity in Pooled Investments	—	—	—	10
Noncurrent Restricted Cash and Equity in Pooled Investments	38	47	503,655	353,103
Total Cash at the End of the Year	<u>\$ 40,668</u>	<u>\$ 27,675</u>	<u>\$ 849,877</u>	<u>\$ 698,777</u>

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

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2014
(In Thousands)

	Governmental Activities - Internal Service Funds	
	2014	Restated 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 212,069	\$ 204,801
Cash Paid to Suppliers	(77,565)	(80,414)
Cash Paid to Employees	(82,954)	(73,900)
Cash Paid for Taxes	(404)	(428)
Net Cash from Operating Activities	51,146	50,059
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt and Interfund Loans		
Interest Paid on Long-Term Debt		
Operating Grants Received	473	794
Transfers In	301	—
Transfers Out	(6,069)	(4,650)
Receipts for Energy Conservation Augmentation	—	—
Payments for Energy Conservation Augmentation	—	—
Loans Provided to Other Funds	—	(50)
Payments for Environmental Liabilities	—	—
Net Cash from Noncapital Financing Activities	(5,295)	(3,906)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Bonds and Other Long-Term Debt	(205)	2,643
Principal Payments on Long-Term Debt and Refunding	14,926	(14,637)
Capital Expenses and Other Charges Paid	(22,384)	(19,778)
Interest Paid on Long-Term Debt	(10,942)	(10,506)
Capital Fees and Grants Received	—	—
Payment to Trustee for Defeased Bonds	—	—
Interest Received for Suburban Infrastructure Improvements	—	—
Debt Issuance Costs	(107)	(63)
Proceeds from Sale of Capital Assets	1,103	915
Net Cash from Capital and Related Financing Activities	(17,609)	(41,426)
CASH FLOWS FROM INVESTING ACTIVITIES ^a		
Interest and Investment Income (Loss)	1,335	(167)
Net Cash from Investing Activities	1,335	(167)
Net Increase (Decrease) in Cash and Equity in Pooled Investments	29,577	4,560
CASH AND EQUITY IN POOLED INVESTMENTS		
Beginning of Year	73,612	69,052
End of Year	\$ 103,189	\$ 73,612
CASH AT THE END OF THE YEAR CONSISTS OF		
Operating Cash and Equity in Pooled Investments	\$ 24,792	\$ 27,029
Current Restricted Cash and Equity in Pooled Investments	20,014	17,166
Noncurrent Restricted Cash and Equity in Pooled Investments	58,383	29,417
Total Cash at the End of the Year	\$ 103,189	\$ 73,612

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

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2014
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2014	2013	2014	2013
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 152,355	\$ 131,224	\$ 58,501	\$ 59,062
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	105,813	102,261	51,466	49,909
Depreciation Charged to O&M Accounts	2,289	2,030	—	—
Amortization of Other Liabilities and Other Operating Expenses	22,165	19,533	—	—
Nonoperating Revenues and Expenses	5,193	4,852	2,222	2,549
Changes in Operating Assets and Liabilities				
Accounts Receivable	(9,339)	970	380	1,149
Unbilled Receivables	14,208	(7,822)	315	(2,466)
Other Receivables	17	408	—	—
Due from Other Funds	(1,457)	840	(56)	(467)
Due from Other Governments	193	396	781	(579)
Materials and Supplies Inventory	1,192	(2,936)	(67)	(903)
Accounts Payable	3,676	(3,101)	2,055	977
Salaries, Benefits, and Payroll Taxes Payable	1,786	2,660	442	360
Compensated Absences Payable	1,236	574	458	133
Due to Other Funds	1,152	1,930	1,054	92
Due to Other Governments	—	—	(69)	69
Claims Payable	(1,380)	2,115	122	(247)
Taxes Payable	(2,707)	321	2	94
Unearned Revenues and Other Credits	7,527	—	1,665	(141)
Other Assets and Liabilities	(10,707)	(8,319)	191	252
Rate Stabilization	4,369	(18,285)	8,458	6,985
Total Adjustments	145,226	98,427	69,419	57,766
Net Cash from Operating Activities	\$ 297,581	\$ 229,651	\$ 127,920	\$ 116,828
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
In-Kind Capital Contributions	\$ 3,623	\$ 22,283	\$ 4,670	\$ 1,901
Amortization of Debt Related Costs, Net	7,399	7,094	—	—
Change in Valuation of Power Exchange Assets or Liabilities	—	(673)	—	—
Allowance for Funds Used During Construction	5,757	3,815	—	—
Power Exchange Revenues	25,321	5,245	—	—
Power Exchange Expenses	(25,592)	(4,994)	—	—
Power Revenue Netted against Power Expenses	6,098	6,465	—	—
Power Expense Netted against Power Revenues	(17,051)	(14,884)	—	—
Settlement from Nextel	—	—	—	—
Total Noncash Investing, Capital, and Financing Activities	\$ 5,555	\$ 24,351	\$ 4,670	\$ 1,901

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

Fund Financial Statements

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2014
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2014	2013	2014	2013
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 57,779	\$ 58,647	\$ 1,806	\$ 7,469
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	22,190	21,254	8,187	7,318
Depreciation Charged to O&M Accounts	—	—	—	—
Amortization of Other Liabilities and Other Operating Expenses	—	—	—	—
Nonoperating Revenues and Expenses	1,384	1,269	2,115	919
Changes in Operating Assets and Liabilities				
Accounts Receivable	3,129	(3,737)	360	(814)
Unbilled Receivables	(229)	(1,315)	(7)	(90)
Other Receivables	—	—	—	—
Due from Other Funds	32	(335)	43	(37)
Due from Other Governments	268	1,080	79	(311)
Materials and Supplies Inventory	(104)	(111)	39	41
Accounts Payable	(1,767)	820	2,070	568
Salaries, Benefits, and Payroll Taxes Payable	229	485	74	121
Compensated Absences Payable	548	123	35	45
Due to Other Funds	3,684	678	(415)	739
Due to Other Governments	(36)	1,181	—	—
Claims Payable	256	(1,897)	3	25
Taxes Payable	(35)	45	(122)	303
Unearned Revenues and Other Credits	—	—	—	—
Other Assets and Liabilities	1,223	1,012	(1,891)	(1,962)
Rate Stabilization	—	—	10,549	5,247
Total Adjustments	<u>30,772</u>	<u>20,552</u>	<u>21,119</u>	<u>12,112</u>
Net Cash from Operating Activities	<u>\$ 88,551</u>	<u>\$ 79,199</u>	<u>\$ 22,925</u>	<u>\$ 19,581</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
In-Kind Capital Contributions	\$ 7,263	\$ 4,521	\$ —	\$ —
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>\$ 7,263</u>	<u>\$ 4,521</u>	<u>\$ —</u>	<u>\$ —</u>

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2014
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2014	2013	2014	2013
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 429	\$ (3,857)	\$ 270,870	\$ 252,545
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	2,589	2,622	190,245	183,364
Depreciation Charged to O&M Accounts	—	—	2,289	2,030
Amortization of Other Liabilities and Other Operating Expenses	—	—	22,165	19,533
Nonoperating Revenues and Expenses	—	—	10,914	9,589
Changes in Operating Assets and Liabilities				
Accounts Receivable	134	(254)	(5,336)	(2,686)
Unbilled Receivables	—	—	14,287	(11,693)
Other Receivables	—	—	17	408
Due from Other Funds	162	(255)	(1,276)	(254)
Due from Other Governments	65	(84)	1,386	502
Materials and Supplies Inventory	—	—	1,060	(3,909)
Accounts Payable	(557)	873	5,477	137
Salaries, Benefits, and Payroll Taxes Payable	303	268	2,834	3,894
Compensated Absences Payable	66	259	2,343	1,134
Due to Other Funds	131	33	5,606	3,472
Due to Other Governments	—	—	(105)	1,250
Claims Payable	4	11	(995)	7
Taxes Payable	5	(7)	(2,857)	756
Unearned Revenues and Other Credits	2,220	3,965	11,412	3,824
Other Assets and Liabilities	236	337	(10,948)	(8,680)
Rate Stabilization	—	—	23,376	(6,053)
Total Adjustments	5,358	7,768	271,894	196,625
Net Cash from Operating Activities	<u>\$ 5,787</u>	<u>\$ 3,911</u>	<u>\$ 542,764</u>	<u>\$ 449,170</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
In-Kind Capital Contributions	\$ —	\$ —	\$ 15,556	\$ 28,705
Amortization of Debt Related Costs, Net	—	—	7,399	7,094
Change in Valuation of Power Exchange Assets or Liabilities	—	—	—	(673)
Allowance for Funds Used During Construction	—	—	5,757	3,815
Power Exchange Revenues	—	—	25,321	5,245
Power Exchange Expenses	—	—	(25,592)	(4,994)
Power Revenue Netted against Power Expenses	—	—	6,098	6,465
Power Expense Netted against Power Revenues	—	—	(17,051)	(14,884)
Settlement from Nextel	—	—	—	—
Total Noncash Investing, Capital, and Financing Activities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 17,488</u>	<u>\$ 30,773</u>

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2014
(In Thousands)

	Governmental Activities - Internal Service Funds	
	2014	Restated 2013
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 17,376	\$ 15,577
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities		
Depreciation and Amortization	34,600	33,877
Depreciation Charged to O&M Accounts		
Amortization of Other Liabilities and Other Operating Expenses		
Nonoperating Revenues and Expenses	—	2
Changes in Operating Assets and Liabilities		
Accounts Receivable	(25)	(117)
Unbilled Receivables	227	(247)
Other Receivables	—	—
Due from Other Funds	(3,519)	1,039
Due from Other Governments	395	(199)
Materials and Supplies Inventory	(343)	(316)
Accounts Payable	(1,072)	763
Salaries, Benefits, and Payroll Taxes Payable	392	619
Compensated Absences Payable	477	291
Due to Other Funds	2,008	(67)
Due to Other Governments	(1)	(31)
Claims Payable	(13)	166
Taxes Payable	19	(14)
Unearned Revenues and Other Credits	—	—
Other Assets and Liabilities	625	(1,284)
Rate Stabilization	—	—
Total Adjustments	33,770	34,482
Net Cash from Operating Activities	\$ 51,146	\$ 50,059
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
In-Kind Capital Contributions	\$ 30,935	\$ 31,873
Amortization of Debt Related Costs, Net	253	(143)
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
Total Noncash Investing, Capital, and Financing Activities	\$ 31,188	\$ 31,735

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

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**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2014
(In Thousands)**

	Pension Trust Funds	S. L. Denny Private-Purpose Trust	Agency Funds
ASSETS			
Cash and Equity in Pooled Investments	\$ 14,490	\$ 215	\$ 10,653
Short-Term Investments	113,206	—	—
Securities Lending Collateral	25,232	—	—
Investments at Fair Value			
U.S. Government Obligations	175,686	—	—
Mortgage-Backed Securities	118,076	—	—
Government Related and Other	63,275	—	—
Domestic Corporate Bonds	181,903	—	—
Domestic Stocks	750,864	—	—
International Stocks	590,548	—	—
Real Estate	243,558	—	—
Alternative/Venture Capital	106,759	—	—
Total Investments at Fair Value	2,230,669	—	—
Receivables			
Members	2,901	—	—
Employers	4,204	—	—
Due from Other Funds	—	—	—
Other	891	—	11
Interest and Dividends	4,059	—	—
Sales Proceeds	6,237	—	—
Total Receivables	18,292	—	11
Total Assets	2,401,889	215	10,664
LIABILITIES			
Accounts Payable and Other Liabilities	3,377	—	844
Salaries, Benefits, and Payroll Taxes Payable	—	—	2,599
Deposits Payable	—	—	7,207
Claims/Judgments Payable	—	—	13
Securities Lending Collateral	28,229	—	—
Investment Commitments Payable	27,737	—	—
Total Liabilities	59,343	—	10,663
Net Position Held in Trust for Pension Benefits and Other Purposes	\$ 2,342,546	\$ 215	\$ 1

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

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**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended December 31, 2014
(In Thousands)**

	<u>Pension Trust Funds</u>	<u>S.L. Denny Private-Purpose Trust</u>
ADDITIONS		
Contributions		
Employer	\$ 127,865	\$ —
Plan Member	63,970	—
Total Contributions	<u>191,835</u>	<u>—</u>
Investment Income		
From Investment Activities		
Net Appreciation (Depreciation) in Fair Value of Investments	94,618	—
Interest	11,621	3
Dividends	25,681	—
Total Investment Activities Income	<u>131,920</u>	<u>3</u>
Investment Activities Expenses		
Investment Management Fees	7,802	—
Investment Consultant Fees	333	—
Investment Custodial Fees	342	—
Total Investment Activities Expenses	<u>8,477</u>	<u>—</u>
Net Income from Investment Activities	123,443	3
From Securities Lending Activities		
Securities Lending Income	24	—
Borrower Rebates	216	—
Total Securities Lending Income	<u>240</u>	<u>—</u>
Securities Lending Expenses		
Management Fees	60	—
Total Securities Lending Expenses	<u>60</u>	<u>—</u>
Net Income from Securities Lending Activities	<u>180</u>	<u>—</u>
Total Net Investment Income	123,623	3
Other Income	2,127	—
Total Additions	<u>317,585</u>	<u>3</u>
DEDUCTIONS		
Benefits	186,416	—
Refund of Contributions	15,104	—
Administrative Expense	6,358	—
Total Deductions	<u>207,878</u>	<u>—</u>
Change in Net Position	109,707	3
Net Position - Beginning of Year	2,232,841	212
Net Position - End of Year	<u>\$ 2,342,548</u>	<u>\$ 215</u>

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

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

Indicators of Financial Accountability

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

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

Joint Venture

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

Organizations Excluded: Related Organizations

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

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

ACCOUNTING STANDARDS

In 2014, the City implemented GASB Statement No. 67, Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25. This Statement replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trust or equivalent arrangements.

In 2014, the City implemented GASB Statement No. 69, Government Combinations and Disposals of Government Operations. This Statement establishes accounting and financial reporting standards for mergers, acquisitions and transfers of operations (i.e., government combinations). The Statement also provides guidance on how to determine the gain or loss on a disposal of government operations. Implementation of Statement No. 69 did not impact the City's financial statements.

In 2014, the City implemented GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. This Statement establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions (i.e., nonexchange financial guarantees). The issuer of the guaranteed obligation can be a legally separate entity or individual, including a blended or discretely presented component unit. Implementation of Statement No. 70 did not have a significant impact on the financial statements.

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.

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 activities within governmental funds or within enterprise funds of the City are eliminated. The effect of interfund services provided and used between functions are not eliminated, such as the sale of utility services to the general government and to other funds. This avoids misstatement of program revenues of the selling function and expenses of the various users. Operating income or loss reported by internal service funds in the fund financial statements are allocated back to the City departments either as a reduction or addition to their expenses by function.

Fund Financial Statements

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

The City reports the following major governmental funds:

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

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

The 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 City of Seattle

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

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

Proprietary Fund Financial Statements

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal activity. The principal operating revenues of the City's Light, Water, Solid Waste, Drainage and Wastewater Utilities, the Downtown Parking Garage, the 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, 2013, from which the summarized information was derived.

Use of Estimates

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

BUDGETS AND BUDGETARY ACCOUNTING

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

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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.

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.

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

Claims Payable

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

Other Accrued Liabilities

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

Interfund Activity and Contracts/Advances

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

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

Unearned Revenues

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

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

General Fund Stabilization and Other Reserves

The City created the Revenue Stabilization Account (RSA) to fund activities that would otherwise be reduced in scope, suspended or eliminated due to unanticipated shortfalls in the General Subfund revenues. Any use of the RSA shall be accompanied with an ordinance approved by the City Council. The City shall replenish the RSA through (1) transfers by ordinance from other city funds; (2) automatic transfer of 0.5 percent of forecasted tax revenues; and (3) 50 percent of unanticipated excess fund balance of the General Subfund. At no time shall the maximum funding level exceed 5 percent of the General Subfund tax revenues forecast. At the end of fiscal year 2014, the RSA reported an ending fund balance of \$41.4 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 2014, the Emergency Subfund reported an ending fund balance of \$48.6 million.

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A summary of governmental fund balances at December 31, 2014, is as follows:

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

Fund Balances	General	Transportation	Low-Income Housing	Other Governmental	Total
Nonspendable					
Petty Cash	\$ 51	\$ 1	\$ —	\$ 25	\$ 77
Prepaid Items and Advances	422	1,578	—	—	2,000
Inventory	—	—	—	569	569
Permanent Funds	—	—	—	2,050	2,050
Restricted					
General	491	—	—	5,675	6,166
Capital and Continuing Programs	56,577	—	—	112,156	168,733
Health Care Reserve	29,980	—	—	—	29,980
Library	12,077	—	—	8,033	20,110
Transportation	—	33,816	—	5,149	38,965
Low-Income Housing	—	—	99,003	—	99,003
Human Services	—	—	—	1,601	1,601
Office of Housing	—	—	—	48	48
Seattle Center	—	—	—	1,588	1,588
Parks and Recreation	—	—	—	57	57
Debt Service	—	—	—	15,665	15,665
Municipal Arts	—	—	—	6,734	6,734
Educational and Developmental Services	—	—	—	45,811	45,811
Pike Place Market Renovation	—	—	—	3,591	3,591
Legal Settlement	—	—	—	306	306
Cable Television Franchise	866	—	—	—	866
General Trust	—	—	—	4,363	4,363
General Donation and Gift Trusts	—	—	—	3,193	3,193
Permanent Funds	—	—	—	101	101
Committed					
General	4,802	—	—	—	4,802
Capital and Continuing Programs	10,218	—	—	—	10,218
Municipal Arts	1,149	—	—	—	1,149
Health Care Reserve	31,637	—	—	—	31,637
Employee Benefit Trust Funds	6,182	—	—	—	6,182
Library	453	—	—	—	453
Cable Television Franchise	3,252	—	—	—	3,252
Judgment and Claims	13,409	—	—	—	13,409
Transportation	—	50,952	—	—	50,952
Neighborhood Matching	5,161	—	—	—	5,161
Bluefield Habitat Maintenance	208	—	—	—	208
Development Rights	22	—	—	—	22
Low-Income Housing	—	—	6,415	—	6,415
Human Services	—	—	—	2,160	2,160
Seattle Center	—	—	—	1,085	1,085
Assigned					
General	3,641	—	—	—	3,641
Municipal Jail	193	—	—	—	193
Library	1,851	—	—	—	1,851
Office of Housing	—	—	—	1,566	1,566
Human Services	—	—	—	5,954	5,954
Parks and Recreation	—	—	—	2,413	2,413
Unassigned					
General	44,528	—	—	—	44,528
Revenue Stabilization Account	41,413	—	—	—	41,413
Emergency Subfund	48,551	—	—	—	48,551
Seattle Streetcar	—	—	—	(3,582)	(3,582)
Capital and Continuing Programs	—	—	—	(55,649)	(55,649)
Total	\$ 317,134	\$ 86,347	\$ 105,418	\$ 170,662	\$ 679,561

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

(2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY INFORMATION

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

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

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

Table 2-1 **APPROPRIATION CHANGES – GENERAL FUND**
(In Thousands)

	2014
Annual Budget	\$ 1,350,449
Carryovers	
Encumbrances	3,059
Continuing Appropriations	94,276
Intrafund Eliminations	(26,990)
Budget Revisions	41,168
Total Budget	\$ 1,461,962

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.

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

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

DEFICITS IN FUND BALANCES AND NET POSITION

The Downtown Parking Garage Fund reported a net position deficit of \$26.6 million at December 31, 2014, a decrease of \$44 thousand from the prior year. This is attributed to the insufficiency of revenues to fully cover its operating expenses, including annual depreciation charge of \$2.0 million and interest expenses on debt service of \$2.9 million. The fund was provided interfund loan of \$6.5 million to cover negative cash at the end of December 31, 2014 compared to \$5.1 million in 2013. Ordinance 124123 authorizing a cash loan of no more than \$5.0 million was amended with Ordinance 124348 to increase the cash loan authority to \$9.5 million that may be provided to Downtown Parking Garage Fund to cover negative cash. The City's Facilities Operating Division is evaluating ways to increase revenues and decrease expenses to resolve the ongoing condition. However, we expect the negative fund equity position will continue because operating revenues were not intended to cover depreciation expense.

The Seattle Streetcar Fund reported a deficit fund balance of \$3.6 million as of December 31, 2014. The fund was created by ordinance 122424 in 2007 and later amended in 2009 by Ordinance 123102 to increase the authorized interfund loan allowance from the City's Consolidated Residual Cash Pool to a maximum of \$3.7 million. This loan is to be repaid no later than December 31, 2018 from the sale of surplus property, grants, donations, transfers, and other monies as authorized by ordinance.

The Central Waterfront Improvement Fund had deficit fund balance of \$19.4 million as of December 31, 2014. 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 123761 permits this fund to use up to \$2.4 million at any one time from the City's cash pool. This ordinance was amended by Ordinance 124033 and Ordinance 124345 to increase the allowable amount of the interfund loan from the City's Consolidated Residual Cash Pool to \$31.2 million. This loan is to be repaid no later than December 31, 2016 from grants, donations, transfers and other monies as authorized by ordinance.

The Alaskan Way Viaduct Seawall Construction Fund had a deficit fund balance of \$35.4 million as of December 31, 2014. This fund was created by Ordinance 124125 authorizing the issuance of and sale of unlimited tax general obligation bonds and bond anticipation notes, and authorizing the loan of funds from various City funds, to pay all or part of the costs of the design, construction, renovation, improvement and replacement of the Alaskan Way seawall and associated public infrastructure, as authorized at the November 6, 2012 election. In addition, Ordinance 124125 authorized an interfund loan of up to \$29.0 million which was amended to \$85.0 million by Ordinance 124745. This loan shall be repaid no later than December 31, 2018 from the issuance of the unlimited tax general obligation bonds.

The 2015 Multipurpose LTGO Bond Fund had a deficit fund balance of \$704 thousand at December 31, 2014. Ordinance 124631 authorized a loan through the City's Consolidated Cash Pool of \$2.0 million for bridge financing of the Golf Master Plan implementation project. The loan is to be repaid with proceeds from the sale of 2015 limited tax general obligation bonds and is to be repaid no later than December 31, 2015.

(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, 2014, 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, 2014, 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, 2014, the City's investment pool held the following investments.

Table 3-1

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

Investments	Fair Value as of December 31, 2014	Weighted Average Maturity (Days)
Repurchase Agreements	\$ 73,812	2
U.S. Treasury and U.S. Government-Backed Securities	252,188	800
U.S. Government Agency Securities	550,290	1,208
U.S. Government Agency Mortgage-Backed Securities	171,390	2,054
Commercial Paper	319,418	44
Municipal Bonds	227,248	976
Non-negotiable CD	30,000	30
Total	\$ 1,624,346	
Weighted Average Maturity of the City's Pooled Investments		894

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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 statute the City may purchase only eligible investments as authorized by RCW 35.39, 39.58, 39.59, 39.60, 43.84.080, 43.180.190 and 43.250. Eligible investments include but are not limited to: obligations of the U.S. government; obligations of U.S. government agencies, or of corporations wholly owned by the U.S. government; obligations of government-sponsored corporations which are, or may become, eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve; banker’s acceptances purchased on the secondary market rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs), at the time of purchase. If the bankers’ acceptance is rated by more than two NRSROs, it must have the highest rating from all of the organizations; commercial paper adherent with policies and procedures of the State Investment Board regarding commercial paper (RCW 39.59.020(4), RCW 43.84.080(7)); certificates of deposit with financial institutions qualified by the Washington Public Deposit Protection Commission; and, obligations of the state of Washington or its political subdivisions. Non-U.S. government 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. Finally, the City monitors the credit worthiness of its investments over time until they mature, or are potentially sold.

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: 25 percent maximum allocation of the portfolio to certificates of deposit, with a 10 percent maximum allocation per bank; 25 percent maximum allocation of the portfolio to bankers’ acceptances, with a 5 percent maximum per issuer; 25 percent maximum allocation of the portfolio to commercial paper, with a 5 percent maximum per issuer; and 25 percent maximum allocation of the portfolio to municipal securities, with a 5 percent maximum allocation per issuer. The City is not limited in its asset allocation to obligations of the following: the U.S. government, U.S. government agencies, or corporations wholly owned by the U.S. government. U.S. government agency collateralized mortgage obligations and pass-through securities combined are limited to a maximum asset allocation of 25 percent of the total portfolio without a maximum allocation per issuer.

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

Issuer	Fair Value	Percent of Total Investments
Federal Home Loan Mortgage Corporation (Freddie Mac)	\$ 268,574	17%
Federal National Mortgage Association (Fannie Mae)	249,772	15
Federal Farm Credit Bank	121,677	7
Federal Home Loan Bank	81,657	5

Custodial Credit Risk - Investments. The custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the City will not have access to, or be able to recover, its investments or collateral securities that are in the possession of an outside party. The City 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 trading counterparty or the trading 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. The City did not transact in Tri-Party repo during 2014.

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	\$ 175,686
Domestic Corporate Bonds	181,903
Other Fixed Income	180,923
Domestic Stocks	743,020
International Stocks	590,548
Real Estate	243,558
Alternative Investments	106,759
Total	\$ 2,222,397

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.

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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	\$ 118,203	\$ 20,440	\$ 55,824	\$ 31,535	\$ 10,404
Treasury Inflation-Protected Securities	47,100	16,842	5,498	9,596	15,164
Agencies	5,432	—	2,339	869	2,224
Municipal	4,951	1,455	438	402	2,656
Mortgage-Backed					
Government Pass-Throughs	78,783	27,206	—	3,674	47,903
Corporate Pass-Throughs	12,958	—	—	—	12,958
Government Collateralized Mortgage Obligations	26,335	1,857	4,461	2,152	17,865
Corporate					
Bonds	112,564	55,500	25,801	16,668	14,595
Asset-Backed	11,243	3,155	3,240	2,674	2,174
Private Placements	58,095	1,939	15,196	13,495	27,465
Foreign Sovereign					
Bonds	62,847	20,389	3,846	18,548	20,064
Total Portfolio	\$ 538,511	\$ 148,783	\$ 116,643	\$ 99,613	\$ 173,472

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

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

Table 3-5

**SCERS' FIXED INCOME RATINGS BY STANDARD AND POOR'S
(In Thousands)**

Investment Type	AAA	AA	A	BBB	BB	B	CCC and Below	Not Rated
U.S. Government								
Treasury Notes and Bonds	\$ —	\$ 99,993	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 18,209
Treasury Inflation-Protected Securities	—	30,259	—	—	—	—	—	16,842
Agencies	—	5,363	—	—	—	—	—	69
Municipal	858	1,185	1,453	—	—	—	—	1,455
Mortgage-Backed								
Government Pass-Throughs	—	51,577	—	—	—	—	—	27,206
Corporate Pass-Throughs	2,333	564	1,966	1,503	21	—	—	6,572
Government CMO's	—	14,307	262	281	1	—	426	11,057
Corporate								
Bonds	1,794	6,356	35,936	29,849	1,284	—	—	37,345
Asset-Backed	5,162	1,942	23	—	—	94	728	3,292
Private Placements	2,730	11,055	17,037	13,098	3,159	2,362	702	7,953
Foreign Sovereign								
Bonds	2,580	2,199	4,724	2,141	—	—	—	51,203
Total Portfolio	\$ 15,457	\$ 224,800	\$ 61,401	\$ 46,872	\$ 4,465	\$ 2,456	\$ 1,856	\$ 181,203

Table 3-6

SCERS' ASSET ALLOCATION

<u>Asset Class</u>	<u>Actual</u>	<u>Target</u>
Cash and Cash Equivalents	2.7%	—%
Equities		
Domestic	32.9	25.0
International	25.3	26.0
Fixed Income	21.3	20.0
Alternative	7.3	16.0
Real Estate	10.5	13.0
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, 2014, 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	2014		2013	
	Fair Values of Securities Lent	Collateral	Fair Values of Securities Lent	Collateral
U.S. Government and Agencies	\$ 2,616	\$ 2,666	\$ 14,906	\$ 15,247
U.S. Corporate Fixed Income	1,504	1,535	1,461	1,503
U.S. Equities	12,104	12,520	—	—
International Fixed Income	219	225	—	—
International Equity	10,571	11,282	—	—
Total Securities Lent	\$ 27,014	\$ 28,228	\$ 16,367	\$ 16,750

Collateral	2014	2013
Repurchase Agreements	\$ 24,690	\$ 13,052
Asset-Backed Securities	1,110	1,267
Payable/Receivable	2,429	2,431
Total Collateral	\$ 28,229	\$ 16,750
Fair Value of Collateral Held	\$ 25,229	\$ 13,595

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 2014 Revenues	December 31 2014 Receivables
Property Taxes	\$ 431,458	\$ 8,758
General Business and Occupation Taxes	431,436	58,796
Totals	\$ 862,894	\$ 67,554

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 \$1.80 per \$1,000 of assessed value for general operations and Firemen's Pension Fund in 2014. In addition, the levy included \$1.247 per \$1,000 of assessed value for debt service and other voter-approved levies. The total 2014 levy was \$3.05 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 2013 for collection in 2014 at \$0.335 per \$1,000 of assessed value.

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

INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

The following table shows the current interfund balances at December 31, 2014, as reported in the fund financial statements.

Table 4-2

DUE FROM AND TO OTHER FUNDS ^a
(In Thousands)

Receivable Fund	Payable Fund(s)	Amount
General	Drainage and Wastewater	\$ 4,189
	Nonmajor Enterprise	5
	Nonmajor Governmental	3,646
	Internal Service	168
	Fiduciary	13
	Transportation	54
	Light	4,323
	Solid Waste	903
	Water	<u>2,610</u>
	Total General Fund	15,911
Transportation	Drainage and Wastewater	2,820
	Nonmajor Enterprise	118
	General	6,220
	Nonmajor Governmental	34,715
	Internal Service	30
	Light	3,106
	Solid Waste	4
	Water	<u>1,143</u>
	Total Transportation Fund	48,156
	Light	Drainage and Wastewater
General		117
Nonmajor Governmental		23
Internal Service		178
Transportation		243
Solid Waste		159
Water		<u>316</u>
Total Light Fund ^b		1,481
Water	Drainage and Wastewater	189
	General	15
	Nonmajor Governmental	0
	Internal Service	15
	Light	527
	Solid Waste	<u>14</u>
	Total Water Fund	760
Low-Income Housing	Nonmajor Governmental	300
	Light	<u>445</u>
	Total Low-Income Housing Fund	745
Solid Waste	Drainage and Wastewater	40
	General	5
	Internal Service	4
	Light	169
	Water	<u>27</u>
	Total Solid Waste Fund	245
Drainage and Wastewater	Nonmajor Enterprise	18
	General	15
	Nonmajor Governmental	1
	Internal Service	15
	Transportation	136
	Light	562
	Solid Waste	1
	Water	<u>236</u>
Total Drainage and Wastewater Fund	984	

Table 4-2

DUE FROM AND TO OTHER FUNDS ^a (continued)
(In Thousands)

<u>Receivable Fund</u>	<u>Payable Fund(s)</u>	<u>Amount</u>
Nonmajor Governmental	Drainage and Wastewater	\$ 240
	General	1,730
	Nonmajor Governmental	1,925
	Internal Service	1,549
	Fiduciary	—
	Low-Income Housing	579
	Transportation	2,546
	Light	404
	Solid Waste	25
	Water	26
		<u>Total Nonmajor Governmental Funds</u>
Fiduciary	General	25
	Internal Service	16
	Light	109
		<u>Total Fiduciary Funds</u>
Nonmajor Enterprise	Drainage and Wastewater	561
	General	187
	Nonmajor Governmental	39
	Internal Service	2
	Transportation	68
	Light	44
	Solid Waste	1
	Water	1
	<u>Total Nonmajor Enterprise Funds</u>	<u>903</u>
Internal Service	Drainage and Wastewater	734
	Nonmajor Enterprise	194
	General	2,942
	Nonmajor Governmental	1,996
	Internal Service	96
	Fiduciary	2
	Transportation	1,061
	Light	1,221
	Solid Waste	92
	Water	781
	<u>Total Internal Service Funds</u>	<u>9,119</u>
Grand Total		<u>\$ 87,478</u>

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.

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**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	2015 UTGO Alaskan Way Viaduct Fund	\$ 15,000
	Central Waterfront Improvement Fund	16,610
	Downtown Parking Garage Fund	6,494
Total City		<u>\$ 38,104</u>

The interfund loans for the Downtown Parking Garage, the 2015 UTGO Alaskan Way Viaduct Seawall Fund, and the Central Waterfront Improvement Fund have been approved by the City Council through ordinance. The 2015 UTGO Alaskan Way Viaduct Seawall Fund loan was approved by Ordinances 124125 and 124745 and is to be repaid no later than December 31, 2018 by the issuance of unlimited tax general obligation bonds. The Central Waterfront Improvement Fund loan was approved by Ordinances 123761, 124033, and 124345 and is to be repaid no later than December 31, 2016 from grants, donations, transfers, and other monies as authorized by ordinance. The Downtown Parking Garage's loan authorized by Ordinances 123694, 124123, and 124348 is to be repaid by December 31, 2015 either from operating revenues of the Garage or available General Fund resources.

**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 Enterprise</u>	<u>Nonmajor Governmental</u>	<u>Transportation</u>	
General Fund	\$ —	\$ 88	\$ 11,512	\$ 241,981	\$ 69,000	\$ 322,581
Internal Service	6,069	—	—	—	—	6,069
Nonmajor Governmental	1,394	213	—	25,184	120,540	147,331
Transportation	—	—	—	26,544	—	26,544
Total Transfers	<u>\$ 7,463</u>	<u>\$ 301</u>	<u>\$ 11,512</u>	<u>\$ 293,709</u>	<u>\$ 189,540</u>	<u>\$ 502,525</u>

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Governmental Activities

**Table 4-5 DEFERRED OUTFLOWS/INFLOWS OF RESOURCES
GOVERNMENTAL FUNDS
(In Thousands)**

<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	\$ 7,775	\$ —	\$ 403,923	\$ 44,135	\$ 455,833
Total Deferred Outflows of Resources	<u>\$ 7,775</u>	<u>\$ —</u>	<u>\$ 403,923</u>	<u>\$ 44,135</u>	<u>\$ 455,833</u>
Deferred Inflows of Resources					
Housing Loan Guarantees	\$ 7,775	\$ —	\$ 403,993	\$ 44,134	\$ 455,902
Property Taxes	4,146	660	322	1,481	6,609
Special Assessment	—	—	—	11,489	11,489
Total Deferred Inflows of Resources	<u>\$ 11,921</u>	<u>\$ 660</u>	<u>\$ 404,315</u>	<u>\$ 57,104</u>	<u>\$ 474,000</u>

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 2014 total taxes outstanding of \$6.6 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.

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

Deferred Outflows/Inflows of Resources	Governmental Funds	Internal Service Funds	Government-Wide Adjustment	Total
Deferred Outflows of Resources				
Housing Loan Guarantees	\$ 455,833	\$ —	\$ —	\$ 455,833
Debt Service	—	—	419	419
Total Deferred Outflows of Resources	<u>\$ 455,833</u>	<u>\$ —</u>	<u>\$ 419</u>	<u>\$ 456,252</u>
Deferred Inflows of Resources				
Housing Loan Guarantees	\$ 455,902	\$ —	\$ —	\$ 455,902
Property Taxes	6,609	—	(6,609)	—
Special Assessment	11,488	—	(1,226)	10,262
Total Deferred Inflows of Resources	<u>\$ 473,999</u>	<u>\$ —</u>	<u>\$ (7,835)</u>	<u>\$ 466,164</u>

Business-Type Activities

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

Deferred Outflows/Inflows of Resources	City Light	Seattle Public Utilities			Total
		Water	Drainage and Wastewater	Solid Waste	
Deferred Outflows of Resources					
Charges on Advance Refunding	\$ 19,318	\$ 18,914	\$ 6,479	\$ 3,146	\$ 47,857
Total Deferred Outflows of Resources	<u>\$ 19,318</u>	<u>\$ 18,914</u>	<u>\$ 6,479</u>	<u>\$ 3,146</u>	<u>\$ 47,857</u>
Deferred Inflows of Resources					
Revenue Stabilization Account	\$ 89,355	\$ 27,875	\$ —	\$ 15,795	\$ 133,025
Regulatory Credits	22,130	—	—	—	22,130
Total Deferred Inflows of Resources	<u>\$ 111,485</u>	<u>\$ 27,875</u>	<u>\$ —</u>	<u>\$ 15,795</u>	<u>\$ 155,155</u>

Revenue Stabilization Account

Funding of revenue stabilization accounts (RSAs) from operating cash effectively defers operating revenues. For the City Light (SCL) the balance of the RSA was \$89.4 million and \$85.0 million for 2014 and 2013, respectively. For the Seattle Public Utilities the balance of the RSA was \$43.7 million and \$24.7 million for 2014 and 2013, 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 \$22.1 million and \$15.7 million for 2014 and 2013, 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 2014	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
Sales	\$ 13.3	\$ 11.9	\$ 1.4
Purchases	—	—	—
Total	\$ 13.3	\$ 11.9	\$ 1.4
Year 2013	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
Sales	\$ 19.4	\$ 22.4	\$ (3.0)
Purchases	1.5	1.7	0.20
Total	\$ 20.9	\$ 24.1	\$ (2.8)

Fair value measurements at December 31, 2014 and 2013 used an income valuation technique consisting of Kiorex Forward Curves 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 2014 and 2013. 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.

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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	\$ 552,003	\$ 20,395	\$ 1,344	\$ 571,054
Construction in Progress	383,859	313,486	140,134	557,211
Other Capital Assets	11,522	295	—	11,817
Total Capital Assets Not Being Depreciated	<u>947,384</u>	<u>334,176</u>	<u>141,478</u>	<u>1,140,082</u>
CAPITAL ASSETS BEING DEPRECIATED				
Buildings and Improvements	2,280,215	53,993	106	2,334,102
Machinery and Equipment	338,590	33,915	9,716	362,789
Infrastructure	1,790,329	50,274	—	1,840,603
Other Capital Assets	5,935	187	—	6,122
Total Capital Assets Being Depreciated	<u>4,415,069</u>	<u>138,369</u>	<u>9,822</u>	<u>4,543,616</u>
Accumulated Depreciation				
Buildings and Improvements	692,971	57,705	14	750,662
Machinery and Equipment	212,177	33,707	9,530	236,354
Infrastructure	721,421	57,006	—	778,427
Other Capital Assets	1,966	1,215	—	3,181
Total Accumulated Depreciation	<u>1,628,535</u>	<u>149,633</u>	<u>9,544</u>	<u>1,768,624</u>
Total Capital Assets Being Depreciated, Net	<u>2,786,534</u>	<u>(11,264)</u>	<u>278</u>	<u>2,774,992</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,733,918</u>	<u>\$ 322,912</u>	<u>\$ 141,756</u>	<u>\$ 3,915,074</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.

Notes to Financial Statements

Table 6-1

CHANGES IN CAPITAL ASSETS ^a (continued) (In Thousands)

	Restated Balance January 1	Additions	Deletions	Balance December 31
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 159,031	\$ 3,654	\$ —	\$ 162,685
Construction in Progress	345,097	493,743	303,266	535,574
Other Capital Assets	4,417	972	218	5,171
Total Capital Assets Not Being Depreciated	<u>508,545</u>	<u>498,369</u>	<u>303,484</u>	<u>703,430</u>
CAPITAL ASSETS BEING DEPRECIATED				
Plant in Service, Excluding Land	6,620,948	283,515	103,264	6,801,199
Buildings	60,131	—	—	60,131
Machinery and Equipment	14,820	33	88	14,765
Other Capital Assets	79,546	5,709	1,438	83,817
Total Capital Assets Being Depreciated	<u>6,775,445</u>	<u>289,257</u>	<u>104,790</u>	<u>6,959,912</u>
Accumulated Depreciation				
Plant in Service, Excluding Land	2,554,614	187,012	105,140	2,636,486
Buildings	30,064	2,004	—	32,068
Machinery and Equipment	13,349	585	88	13,846
Other Capital Assets	2,225	2	668	1,559
Total Accumulated Depreciation	<u>2,600,252</u>	<u>189,603</u>	<u>105,896</u>	<u>2,683,959</u>
Total Capital Assets Being Depreciated, Net	<u>4,175,193</u>	<u>99,654</u>	<u>(1,106)</u>	<u>4,275,953</u>
Business-Type Activities Capital Assets, Net	<u>\$ 4,683,738</u>	<u>\$ 598,023</u>	<u>\$ 302,378</u>	<u>\$ 4,979,383</u>

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

Table 6-2

DEPRECIATION EXPENSE BY FUNCTION (In Thousands)

GOVERNMENTAL ACTIVITIES

General Government	\$ 2,162
Public Safety	14,205
Transportation	59,157
Economic Environment	19
Culture and Recreation	39,490
Subtotal	<u>115,033</u>
Capital assets held by internal service funds are charged to the various functions based on their usage of the assets	<u>34,600</u>
Total Governmental Activities	<u>\$ 149,633</u>

BUSINESS-TYPE ACTIVITIES

Light	\$ 112,350
Water	46,445
Solid Waste	7,026
Drainage and Wastewater	21,193
Planning and Development	512
Parking Garage	2,077
Total Business-Type Activities	<u>\$ 189,603</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 2014 and 2013. The tables present the accrued compensated absences grouped by governmental activities, business-type activities, and pension trust funds at the end of 2014 and 2013.

GOVERNMENTAL ACTIVITIES

Governmental Funds

Unpaid compensated absences associated with governmental fund operations of \$97.8 million and \$82.6 million at December 31, 2014 and 2013, respectively, have been recorded in the government-wide financial statements.

Internal Service Funds

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

	2014	2013
Finance and Administrative Services	\$ 4,881	\$ 4,148
Information Technology	1,741	1,737
Totals	\$ 6,622	\$ 5,885

BUSINESS-TYPE ACTIVITIES

Enterprise Funds

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

	2014	2013
Light	\$ 18,747	\$ 17,512
Water	5,313	4,854
Drainage and Wastewater	5,071	4,524
Solid Waste	1,690	1,655
Planning and Development	3,081	3,015
Totals	\$ 33,902	\$ 31,560

PENSION TRUST FUNDS

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

	2014	2013
Employees' Retirement	\$ 123	\$ 127
Firemen's Pension	85	73
Police Relief and Pension	56	60
Totals	\$ 264	\$ 260

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)**

Net Capital Lease Assets	Capital Assets Governmental Activities
Machinery and Equipment	\$ 199
Less Accumulated Depreciation	(99)
December 31, 2014	\$ 100
Minimum Capital Lease Payments	Long-Term Liabilities Governmental Activities
2014	\$ 123
Total Minimum Lease Payments	123
Less Interest	(18)
Principal	\$ 105

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 \$5.1 million and \$4.6 million in 2014 and 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 lease payments of \$307,910 and \$318,382 in 2014 and 2013, respectively. Rents are paid as they become due and payable.

The City leases office equipment under various non-cancelable long-term operating lease agreements. The minimum payments made for these operating leases totaled \$633,452 in 2014.

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Minimum payments under the leases are:

Table 8-2

OPERATING LEASE COMMITMENTS GOVERNMENTAL ACTIVITIES (In Thousands)

Minimum Lease Payments							
Year Ending December 31	Department of Finance & Admin Services	Seattle Center	Department of Parks & Recreation	Department of Planning & Development	Office of Art & Cultural Affairs	Department of Transportation	Total
2015	\$ 5,222	\$ 314	\$ 562	\$ 33	\$ 3	\$ 5	\$ 6,139
2016	3,833	320	562	23	3	—	4,741
2017	3,578	326	574	8	3	—	4,489
2018	2,408	333	572	—	2	—	3,315
2019	1,504	340	441	—	—	—	2,285
2020-2024	3,554	173	44	—	—	—	3,771
Total	<u>\$ 20,099</u>	<u>\$ 1,806</u>	<u>\$ 2,755</u>	<u>\$ 64</u>	<u>\$ 11</u>	<u>\$ 5</u>	<u>\$ 24,740</u>

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

	Year Ending December 31, 2014	
	2014	2013
Minimum Rentals:	\$ 6,084	\$ 4,487
Less: Sublease Rentals	(57)	(57)
	<u>\$ 6,027</u>	<u>\$ 4,430</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 \$1,551,760 in 2014 and \$1,333,827 in 2013.

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 2014 and 2013 were: \$367,701 and \$365,844 for the Water Fund; \$100,237 and \$100,325 for the Drainage and Wastewater Fund, and \$199,195 and \$192,417 for the Solid Waste Fund. Rents are paid as they become due and payable.

Minimum payments under the leases are:

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

Year Ending December 31	Minimum Payments				
	City Light	Water	Drainage & Wastewater	Solid Waste	Total
2015	\$ 1,415	\$ 363	\$ 97	\$ 195	\$ 2,070
2016	1,424	315	84	157	1,980
2017	1,351	105	31	2	1,489
2018	1,003	105	31	—	1,139
2019	941	105	31	—	1,077
2020 - 2024	—	74	5	—	79
2025 - 2029	—	59	—	—	59
Total	\$ 6,134	\$ 1,126	\$ 279	\$ 354	\$ 7,893

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)**

	2014	2013
Non-City Property Occupied by City Departments	\$ 5.2	\$ 5.1
City-Owned Property Occupied by City Departments	53.2	52.5
City-Owned Property Leased to Non-City Tenants	2.3	2.4
Total	\$ 60.7	\$ 60.0

Additionally, in 2014 the SeaPark Garage and the Seattle Municipal Tower Building generated \$2.8 million total parking revenues, which were recorded in the Finance and Administrative Services Fund.

Also, in 2014 the City recognized \$7.4 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 2014 was \$1.339 billion. The amount of bonds outstanding at December 31, 2014 was \$872.5 million. The following paragraphs discuss the general obligation bonds issued and refunded/defeased during 2014.

In April 2014, the City issued the following series of General Obligation Bonds: (1) \$62.8 million LTGO Improvement Bonds, 2014. The bonds mature from November 2014 through May 2034 with an average coupon rate of 4.3 percent; (2) \$16.4 million UTGO Improvement Bonds, 2014, fully amortizing in December 2043 with an average coupon rate of 4.0 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, North Precinct, Golf, South Park Bridge, Seattle Symphony, and various IT projects. In addition, the part of the 2014 LTGO bonds proceeds was used for the refunding of the 2002 special obligation bonds, series A & B, originally issued by Seattle Chinatown-International District Preservation and Development Authority.

City had no short-term general obligation debt at the end of 2014.

The following table presents the individual general obligation bonds outstanding as of December 31, 2014, and other relevant information on each outstanding bond issue.

Table 9-1

**GENERAL OBLIGATION BONDS
(In Thousands)**

Name and Purpose of Issue	Issuance	Maturity	Effective	Bond	Redemptions		Bonds
	Date	Date	Interest	Issuance	2014	To Date ^a	Outstanding
			Rate				December 31
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	\$ 697	\$ 13,042	\$ — ^b
Refunding, 2004	05/24/04	07/01/04-20	4.118	91,805	6,830	91,805	—
Various Purpose and Refunding, 2005	03/23/05	08/01/05-28	4.167	129,540	6,385	85,390	44,150
Various Purpose and Refunding, 2006	04/26/06	03/01/07-26	4.254	24,905	1,515	12,750	12,155
Various Purpose and Refunding, 2007	05/02/07	10/01/07-28	4.251	95,550	4,070	19,575	75,975
Various Purpose and Refunding, 2008	07/02/08	12/01/08-28	4.398	139,830	3,175	37,850	101,980
Various Purpose and Refunding, 2009	03/25/09	11/01/09-05/01/34	3.574	99,860	12,895	52,755	47,105
Improvement and Refunding, 2010, Series A ^b	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	9,480	28,640	106,755
Various Purpose, 2011	03/16/11	03/01/11-31	4.431	79,185	7,835	17,940	61,245
Various Purpose and Refunding, 2012	05/16/12	09/01/12-32	4.603	75,590	3,005	5,765	69,825
Improvement, 2013, Series A	06/04/13	10/01/14-33	3.617	42,315	4,200	4,200	38,115
Improvement and Refunding, 2013, Series B	06/04/13	01/01/14-25	1.341	55,075	1,745	1,745	53,330
Improvement and Refunding, 2014	04/10/14	11/1/14-05/1/2034	4.329	62,770	—	—	62,770
Total Limited Tax General Obligation Bonds				1,111,372	61,832	371,457	739,915

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

Name and Purpose of Issue	Issuance Date	Maturity Date	Effective Interest Rate	Bond Issuance	Redemptions		Bonds Outstanding December 31
					2014	To Date ^a	
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	\$ 235	\$ 53,070	\$ 795
Refunding, 2007	05/02/07	12/01/07-18	3.886	60,870	6,555	31,910	28,960
Refunding-Variou s UTGO Bonds, 2012	05/16/12	12/01/12-21	4.603	46,825	4,495	9,455	37,370
Improvement, 2013	06/04/13	12/01/14-42	4.110	50,000	910	910	49,090
Improvement, 2014	04/10/14	12/01//14-43	4.004	16,400	—	—	16,400
Total Unlimited Tax General Obligation Bonds				227,960	12,195	95,345	132,615
Total General Obligation Bonds				<u>\$1,339,332</u>	<u>\$ 74,027</u>	<u>\$466,802</u>	<u>\$ 872,530</u>

- a Includes all bonds that matured to date and all called, refunded, and defeased bonds on issues that have outstanding balances at the beginning of the year.
- b Issued as direct-pay Build America Bonds, created under Section 1531 of the American Recovery and Reinvestment Act of 2009 whereby state or local governmental issuers of this type of bonds receives a federal subsidy through Treasury Department and the Internal Revenue Service in an amount equal to 35 percent of the total coupon interest payable to investors or buyers of the bonds. However, starting in fiscal year 2014, the subsidy payments have been reduced as a result of sequestration mandated by the U.S Congress. The subsidy cuts are expected to last through fiscal year 2024.

The requirements to amortize the general obligation bonds as of December 31, 2014, 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	
2015	\$ 68,150	\$ 35,177	\$ 2,950	\$ 2,823	\$ 109,100
2016	68,030	32,392	3,280	2,676	106,378
2017	70,060	29,535	3,630	2,512	105,737
2018	68,920	26,463	4,010	2,331	101,724
2019	60,335	23,459	4,415	2,130	90,339
2020 - 2024	250,770	81,481	29,055	6,891	368,197
2025 - 2029	144,950	32,188	9,130	656	186,924
2030 - 2034	57,525	10,391	—	—	67,916
2035 - 2043	27,320	5,536	—	—	32,856
Total	<u>\$ 816,060</u>	<u>\$ 276,622</u>	<u>\$ 56,470</u>	<u>\$ 20,019</u>	<u>\$ 1,169,171</u>

The City of Seattle

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 2014 was \$10.4 million. There were no new bond issues in 2014.

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
					2014	To Date	
Local Improvement District No. 6750 Bonds, 2006	09/13/06	12/15/07-26	4.102	\$ 21,925	-	\$ 2,610	\$ 10,395

Local Improvement District No. 6750 Assessment Collection Information

Calendar/Fiscal Year End Dec. 31	Assessment Installment Payments Billed ^a	Assessment Installment Payments Collected ^b	Unpaid Principal Balance of Assessments ^c	Assessment Installments that are Delinquent ^d
2006	\$ 1,243,211	\$ 3,818,560	\$ 21,031,677	\$ —
2007	1,228,415	2,469,222	19,547,593	53,008
2008	1,221,349	2,172,726	18,261,638	149,411
2009	1,202,504	2,433,616	16,761,182	163,623
2010	1,199,958	2,092,158	15,535,847	152,307
2011	1,194,120	1,991,483	14,265,404	194,705
2012	1,189,621	1,900,225	13,038,066	264,692
2013	1,186,600	2,046,315	11,819,398	249,080
2014	1,186,600	1,781,162	10,572,835	291,124

^a Represents installment payments due and billed in the current calendar year. Source: King County Report SLD270- "Current Install."

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

^c Represents principal balance of assessments that is outstanding and unpaid, including amounts that are not yet due and payable at year-end. Source: King County Report SLD270 - "Future Install."

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

Notes to Financial Statements

The requirements to amortize the special assessments with governmental commitment as of December 31, 2014, 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
2015	\$ —	\$ 434	\$ 434
2016	—	434	434
2017	—	434	434
2018	—	434	434
2019	—	434	434
2020 - 2024	—	2,169	2,169
2025 - 2026	10,395	868	11,263
Total	<u>\$ 10,395</u>	<u>\$ 5,207</u>	<u>\$ 15,602</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 \$2.0 million and \$0.2 million in principal and interest, respectively, in 2014. The outstanding balance on the notes at December 31, 2014, is \$14.6 million. The following table presents the annual debt service requirements to maturity on the notes as of the end of 2014.

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

December 31	Principal	Interest	Total
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	1,275	45	1,320
2020 - 2024	4,438	84	4,522
2025 - 2029	1,725	22	1,747
2030 - 2031	632	2	634
Total	<u>\$ 14,579</u>	<u>\$ 517</u>	<u>\$ 15,096</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 2014 was approximately \$4.747 billion. The total outstanding amount at December 31, 2014, was \$3.543 billion. During 2014 an additional \$493.8 million of revenue bonds were issued.

On November 5, 2014, the City issued \$265.2 million Municipal Light and Power Improvement and Refunding Revenue Bonds (Parity) to advance refund \$125.0 million of the outstanding 2004 bond series and fund certain capital improvements and conservation programs for the City's light system. Also \$615 thousand 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.

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The following table presents the individual revenue bonds outstanding as of December 31, 2014, 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
					2014	To Date	
MUNICIPAL LIGHT AND POWER (ML&P) BONDS							
2004 Parity	12/23/04	08/01/05-29	4.159	\$ 284,855	\$ 141,075	\$ 284,855	\$ —
2008 Parity	12/30/08	04/01/09-29	5.522	257,375	15,340	71,575	185,800
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	43,730	130,460	466,410
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	11,985	30,275	266,040
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	4,755	8,525	284,755
2012 Parity, Series B, Refunding	07/17/12	12/01/14	0.750	9,355	4,780	9,355	—
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	3,025	3,025	187,730
2014 Parity	11/05/14	09/01/44	3.098	265,210	—	—	265,210
Total Light Bonds				2,441,915	224,690	538,070	1,903,845
MUNICIPAL WATER BONDS							
2003 Parity, Refunding	05/12/03	09/01/03-33	4.083	271,320	1,940	257,040	14,280
2004 Parity	10/25/04	09/01/05-34	4.580	84,750	1,960	84,750	—
2005 Parity, Refunding	12/28/05	09/01/06-29	4.482	138,040	5,285	30,195	107,845
2006 Parity, Refunding	10/23/06	02/01/08-37	4.424	189,970	5,110	26,930	163,040
2008 Parity, Refunding	12/15/08	08/01/09-38	4.978	205,080	5,460	30,525	174,555
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	5,290	23,660	58,100
2012 Parity, Refunding	05/30/12	09/01/12-34	2.631	238,770	8,500	12,205	226,565
Total Water Bonds				1,318,770	33,545	465,305	853,465
MUNICIPAL DRAINAGE AND WASTEWATER BONDS							
2004 Parity	10/28/04	09/01/05-34	4.583	62,010	8,870	62,010	—
2006 Refunding	11/01/06	02/01/07-37	4.423	121,765	20,630	42,280	79,485
2008 Parity	04/16/08	06/01/09-38	4.830	84,645	1,640	8,925	75,720
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	3,480	16,935	19,745
2012 Parity & Refunding	06/27/12	09/01/12-42	3.327	222,090	4,945	13,860	208,230
2014 Parity & Refunding	06/17/14	05/01/15-44	3.578	133,180	—	—	133,180
Total Drainage and Wastewater Bonds				762,905	39,565	144,010	618,895
SOLID WASTE BONDS							
2007 Revenue & Refunding	12/12/07	02/01/08-33	4.505	82,175	43,270	53,510	28,665
2011 Revenue	06/22/11	08/01/12-36	4.227	45,750	1,080	2,890	42,860
2014 Revenue & Refunding	06/12/14	05/01/15-39	3.337	95,350	—	—	95,350
Total Solid Waste Bonds				223,275	44,350	56,400	166,875
Total Utility Revenue Bonds				\$4,746,865	\$ 342,150	\$1,203,785	\$ 3,543,080

^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.

Notes to Financial Statements

The requirements to amortize the revenue bonds as of December 31, 2014, 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	
2015	\$ 104,915	\$ 89,457	\$ 35,015	\$ 41,836	\$ 18,215	\$ 29,156	\$ 4,895	\$ 7,241	\$ 330,730
2016	101,550	86,427	36,700	40,126	19,080	28,371	5,120	7,533	324,907
2017	102,770	81,316	38,450	38,333	20,000	27,530	5,355	7,299	321,053
2018	103,425	76,422	40,315	36,455	20,910	26,579	5,540	7,104	316,750
2019	100,245	71,413	42,335	34,485	21,905	25,550	5,815	6,827	308,575
2020 - 2024	500,905	281,587	228,435	139,105	116,050	111,342	31,395	29,748	1,438,567
2025 - 2029	358,120	166,086	211,160	83,296	132,560	81,114	40,200	21,114	1,093,650
2030 - 2034	208,675	100,781	137,235	40,170	124,065	48,641	46,010	10,238	715,815
2035 - 2039	208,595	49,359	76,730	11,947	102,350	21,464	22,545	2,495	495,485
2040 - 2044	114,645	10,783	7,090	418	43,760	4,192	—	—	180,888
Total	<u>\$ 1,903,845</u>	<u>\$ 1,013,631</u>	<u>\$ 853,465</u>	<u>\$ 466,171</u>	<u>\$ 618,895</u>	<u>\$ 403,939</u>	<u>\$ 166,875</u>	<u>\$ 99,599</u>	<u>\$ 5,526,420</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 two loan agreements to borrow \$8.1 million from the Washington State Department of Commerce under its Public Works Trust Loan program at 1.5 percent interest per year and a repayment of 18 to 19 years. Proceeds from these loans were used to finance the Myrtle and Beacon Reservoir projects. As of December 31, 2014, these loans have an outstanding balance of \$5.0 million.

In 2009, the Fund entered into a loan agreement to borrow \$3.0 million from the Washington State Department of Commerce under its Public Works Trust Loan program at 1.5 percent per annum and payable in 19 years. Proceeds from this loan were used to finance the West Seattle Reservoir project. As of December 31, 2014, this loan has an outstanding balance of \$2.1 million.

Also in 2009, the Fund entered into two loan agreements, totaling \$9.0 million, to borrow from the Washington State Department of Commerce under its Public Works Trust Loan program to be used to finance the Maple Leaf Reservoir project. The first loan, in the amount of \$5.9 million, was funded with resources from the American Recovery and Reinvestment Act of 2009 (ARRA) at 1.0 percent annual interest and payable in 19 years. The second loan, in the amount of \$3.0 million, bears interest of 1.5 percent per annum and a repayment period of 19 years. As of December 31, 2014, these loans have an outstanding balance of \$9.0 million.

Amounts paid for all loans in 2014 were \$1,124,987 in principal and \$223,823 in interest. Total loans outstanding as of December 31, 2014 are \$16.1 million. The minimum debt service requirements to maturity are included in Table 9-8.

Drainage and Wastewater

During 2004, the Fund entered into a loan agreement to borrow up to \$3.7 million from the Washington State Department of Commerce under the Public Works Trust Loan program for the construction of certain capital improvements. Amounts borrowed under the agreement accrue interest at 0.5 percent per annum and are to be repaid in 19 annual installments plus interest. Proceeds from this loan were used to finance the Thornton Creek Natural Drainage Systems. As of December 31, 2014, this loan has an outstanding balance of \$2.0 million.

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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, 2014, the loan has an outstanding balance of \$2.1 million.

In 2006, the Fund entered into a loan agreement with the Washington State Department of Commerce under its Public Works Trust Loan program to borrow up to \$3.4 million to support the construction of the South Park Flood Control and Local Drainage program. Amounts borrowed under the agreement accrue interest at 0.5 percent per annum and are to be repaid over 19 years. As of December 31, 2014, the loan has an outstanding balance of \$2.2 million.

In 2008, the Fund entered into a loan agreement with the Washington State Department of Ecology to borrow up to \$7.0 million to support the construction and site improvements of the Thornton Creek Water Quality Channel. Amounts borrowed under this agreement accrue interest at 1.5 percent per annum and are to be repaid over 20 years beginning in 2011. As of December 31, 2014, the loan has an outstanding balance of \$5.7 million.

In 2009, the Fund entered into a loan agreement with the Washington State Department of Ecology to borrow up to \$1.4 million to support the Ballard Green Streets project. This loan was funded with resources from the ARRA which provides a 50-percent forgivable provision. Amounts borrowed under this agreement accrue interest at 2.9% per annum and are to be repaid by December 2020. As of December 31, 2014, the loan has an outstanding balance of \$0.4 million.

In 2011, the Fund was approved for a Public Works Trust Loan of \$4.0 million from the Washington State Department of Commerce for construction and site improvements in the Midvale area of Seattle. Amounts borrowed under this agreement accrue interest at 0.5 percent per annum and are to be repaid by June 2032. As of December 31, 2014, the loan has an outstanding balance of \$3.6 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, 2014, the loan has an outstanding balance of \$1.9 million.

Amounts paid to all loans in 2014 were \$1,138,134 in principal and \$207,849 in interest. Total loans outstanding as of December 31, 2014 are \$17.8 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	
2015	\$ 1,125	\$ 209	\$ 1,202	\$ 202	\$ 2,738
2016	1,125	194	1,212	191	2,722
2017	1,125	179	1,223	178	2,705
2018	1,125	163	1,235	164	2,687
2019	1,125	149	1,246	150	2,670
2020 - 2024	5,625	517	6,102	549	12,793
2025 - 2029	3,770	174	4,446	239	8,629
2030 - 2034	1,101	22	1,101	31	2,255
Total	\$ 16,121	\$ 1,607	\$ 17,767	\$ 1,704	\$ 37,199

Notes to Financial Statements

The following table shows the long-term liability activities during the year ended December 31, 2014.

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable					
General Obligation Bonds	\$ 809,060	\$ 79,170	\$ 72,170	\$ 816,060	\$ 68,150
Issuance Premiums and Discounts, Net	53,919	7,054	5,755	55,218	—
Special Assessment Bonds with Governmental Commitment ^b	13,005	—	2,610	10,395	—
Total Bonds Payable	<u>875,984</u>	<u>86,224</u>	<u>80,535</u>	<u>881,673</u>	<u>68,150</u>
Notes and Contracts					
Capital Leases	2	103	—	105	31
Other Notes and Contracts	16,631	—	2,051	14,580	1,912
Total Notes and Contracts	<u>16,633</u>	<u>103</u>	<u>2,051</u>	<u>14,685</u>	<u>1,943</u>
Environmental Liability ^c					
General Contamination Cleanup	934	—	246	688	—
Compensated Absences	88,786	15,657	—	104,443	23,365
Claims Payable					
Workers' Compensation	28,174	4	—	28,178	8,085
General Liability	44,775	6,235	—	51,010	10,776
Health Care Claims	3,027	440	—	3,467	—
Total Claims Payable ^d	<u>75,976</u>	<u>6,679</u>	<u>—</u>	<u>82,655</u>	<u>18,861</u>
Arbitrage Rebate Liability	12	—	2	10	—
Unfunded Other Post Employment Benefits	74,172	12,872	—	87,044	—
Other Noncurrent Liabilities	216	3,575	—	3,791	—
Total Long-Term Liabilities from Governmental Activities	<u>\$ 1,132,713</u>	<u>\$ 125,110</u>	<u>\$ 82,834</u>	<u>\$ 1,174,989</u>	<u>\$ 112,319</u>
BUSINESS-TYPE ACTIVITIES					
Bonds Payable					
General Obligation Bonds	\$ 58,327	\$ —	\$ 1,857	\$ 56,470	\$ 2,950
Revenue Bonds	3,391,490	493,740	342,150	3,543,080	163,040
Issuance Premiums and Discounts, Net	215,007	34,388	—	249,395	—
Total Bonds Payable	<u>3,664,824</u>	<u>528,128</u>	<u>344,007</u>	<u>3,848,945</u>	<u>165,990</u>
Notes and Contracts - Other	35,606	—	1,717	33,889	2,326
Environmental Liability ^c					
General Contamination Cleanup	120,759	—	243	120,517	25,831
Compensated Absences	31,560	2,343	—	33,903	3,360
Claims Payable					
Workers' Compensation	10,774	—	37	10,737	3,100
General Liability	15,294	665	—	16,959	4,372
Total Claims Payable ^d	<u>26,068</u>	<u>665</u>	<u>37</u>	<u>27,696</u>	<u>7,472</u>
Unearned Revenues	20,687	2,857	—	23,544	—
Habitat Conservation Program Liability	6,230	1,401	0	7,631	1,138
Landfill Closure and Postclosure Costs	16,961	—	907	16,054	1,064
Unfunded Other Post Employment Benefits	14,770	437	—	15,207	—
Other Noncurrent Liabilities	3,261	—	1,977	1,284	—
Total Long-Term Liabilities from Business-Type Activities	<u>\$ 3,940,726</u>	<u>\$ 535,831</u>	<u>\$ 348,888</u>	<u>\$ 4,128,670</u>	<u>\$ 207,181</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 of Seattle

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 2014.

General Government

There was no refunding in 2014.

City Light

The Department issued \$265.2 million of revenue and refunding bonds, which provided both new money to the Department and advance refund \$125.4 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.

The refunding resulted in the recognition of a loss on refunding of \$1.3 million, and the economic gain totaled \$19.0 million at net present value. The arbitrage yield for the bonds is 2.58 percent. The debt service for the 2014 bonds requires a cash flow over the life of the bonds of \$414.4 million, including \$149.2 million in interest. The difference between the cash flows required to service the old and new debt and to complete the refunding totaled \$20.5 million.

Solid Waste

The Department issued \$95.4 million of revenue and refunding bonds, of which \$40.9 million was used to refund the 2007 bond series. Additionally, the Bonds were issued to finance certain capital projects as well as scheduled principal payments for existing bond debt.

The refunding resulted in an economic gain of \$2.3million and reduced the total debt service requirements by \$2.5 million.

Notes to Financial Statements

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 2014	Defeased Outstanding December 31
GENERAL OBLIGATION BONDS							
Limited Tax (Non-Voted)							
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	3/23/2005	08/01/05-28	4.603	129,540	20,160	—	20,160
REVENUE BONDS							
Municipal Light and Power							
2004 Parity, Refunded 7/17/12	12/23/04	08/01/05-29	4.230	284,855	166,770	166,770	—
Municipal Water							
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	49,950	49,950	—
2006 Parity	11/01/06	02/01/07-37	4.423	121,765	16,330	—	16,330
Municipal Solid Waste							
2007 Parity	12/12/07	02/01/08-33	4.505	82,175	40,855	—	40,855
Total Refunded/Defeased Bonds				<u>\$ 856,900</u>	<u>\$ 404,755</u>	<u>\$ 327,410</u>	<u>\$ 77,345</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, 2013 and 2014 respectively. As of December 31, 2014, arbitrage rebate liability on general obligation bonds and revenue bonds are \$10 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, discharges from storm drains, and combined sewer outflows. The City is one of four parties who are conducting a remedial investigation and feasibility study that will delineate cleanup actions. The EPA approved the remedial investigation report. The feasibility study is anticipated to be completed by 2016. 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 for public comment. The remaining scope of cleanup by potentially responsible parties has been decided by the EPA in the 2014 Record of Decision. The City's ultimate liability is indeterminate.

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

The City is also responsible for investigation and cleanup at the Port of Seattle Terminal 117. The City agreed to pay 40 percent of the costs to clean up the uplands and river sediment parts of the site and 100 percent of the costs to clean up contamination in adjacent streets. The City's ultimate liability is indeterminate for Terminal 117.

- North Boeing Field/Georgetown Steam Plant. The City, King County, and Boeing have signed an Administrative Order issued by the DOE requiring them to investigate and possibly remove contamination in an area that encompasses North Boeing Field, the City's Georgetown Steam Plant, and the King County Airport. This site was also the subject of the lawsuit brought by the City against Boeing. Boeing has agreed to pay 67 percent of the costs for DOE's implementation of the order. The order requires completion and then implementation of a remedial investigation and feasibility study work plan. The final remedial investigation work plan was issued in November 2013. In January 2015, all parties executed the First Amendment to the North Boeing Field/Georgetown Steam Plant Agreed Order, making all parties responsible for conducting and completing remedial action at the site. The City is responsible for 1/3 of the costs. The implementation of the work is scheduled for 2015. 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 2015 followed by the feasibility study in late 2015. A Clean-up Action Plan is expected from the DOE in about 2016.
- 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 a Draft Cleanup Action Plan in June 2014. The City and developer are negotiating with DOE to finalize the two reports. DOE approved an interim cleanup action by the developer on his portion of site property. That cleanup is expected to be complete in 2015. In 2012, the City executed an agreement regarding the developer's interim action that settles City liabilities for the interim cleanup costs but not City liabilities for the permanent cleanup. The City has asked DOE to approve an interim cleanup on its portion of the site property and awaits DOE's decision about that cleanup.

Notes to Financial Statements

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 \$0.8 million and \$0.1 million, at December 31, 2014 and 2013, 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, at December 31, 2014 and 2013, respectively.

The changes in the provision for environmental liability (in millions) at December 31, 2014 and 2013 are as follows:

	2014	2013
Beginning Environmental Liability, Net of Recovery	\$ 121.7	\$ 115.7
Payments or Amortization	(8.5)	(4.9)
Incurred Environmental Liability	8.0	10.9
Ending Environmental Liability, Net of Recovery	\$ 121.2	\$ 121.7

The provision for environmental liability (in millions) included in current and noncurrent liability at December 31, 2014 and 2013, is as follows:

	2014	2013
Environmental Liability, Current	\$ 25.8	\$ 17.1
Environmental Liability, Noncurrent	95.4	104.6
Total	\$ 121.2	\$ 121.7

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

	Employees' Retirement	Firemen's Pension	Police Relief and Pension	LEOFF Plan 1	LEOFF Plan 2
Actuarial Valuation Date	1/1/2014	1/1/2014	1/1/2014	6/30/2013	6/30/2013
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 \$ ^c	Level \$	Level % ^c	N/A
Period	30.0 years	30.0 years	30.0 years	12.0 years	N/A
Remaining Period	29.0 years		23.0 years	11.0 years	
Approach	Closed	Open	Closed	Closed	Open
Actuarial Assumptions					
Inflation Rate (CPI)	3.25%	2.50% ^d	2.50% ^d	3.00%	3.00%
Investment Rate of Return	7.50%	5.25% ^d	3.75% ^d	7.80%	7.50%
Projected Salary Increases - General	4.00%	3.00% ^d	3.00% ^d	3.75%	3.75%
Projected Salary Increases - Step Merit	N/A	N/A	N/A	Varies ^e	Varies ^e
Postretirement Benefit Increases	1.50%	2.50% ^f	2.50% ^f	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 %; Amortization is Level \$.

^d Long-term assumption; 2015 and beyond

^e For specific information, please refer to the 2014 Actuarial Valuation Report issued by the Washington Office of the State Actuary.

^f 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, 2014:

Retirees and Beneficiaries Receiving Benefits	6,020
Terminated Plan Members Entitled To But Not Yet Receiving Benefits, Vested	1,188
Active Plan Members, Vested and Non-vested	8,746

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.

The City of Seattle

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 actuarial valuations.

Contribution rates for 2013 were 10.03 percent for members and 12.89 percent for the employer. Plan member and employer contributions for 2013 are \$60,342,581 and \$77,073,667 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, 2014, and covers calendar year 2013. Based on this valuation, the Actuarial Value of Assets (AVA) is \$2.094 billion; the Actuarial Accrued Liability (AAL) is \$3.260 billion; the Unfunded Actuarial Accrued Liability (UAAL) is \$1.166 billion; and the Funded Ratio was 64.2 percent.

An actuarial study with valuation date of January 1, 2015, is presently underway, and expected to be available at the Retirement Office after July 1, 2015.

The three-year trend information (in thousands) is presented directly below. The Annual Pension Cost (APC) and Net Pension Obligation (NPO) for years ending 2013 and 2012 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)
2011	\$72,346	\$50,301	70%	\$(7,122)
2012	67,062	62,515	93	(2,575)
2013	83,770	77,074	92	4,121

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
2013	\$ 83,830	\$ (199)	\$ 139	\$ 83,770	\$ 77,074	\$ 6,696	\$ (2,575)	\$ 4,121

Notes to Financial Statements

Seattle City Employees' Retirement System's net pension asset decreased from a net asset of \$2.6 million to a net obligation of \$4.1 million, a decrease of \$6.7 million as calculated in the following table.

Table 11-2 **ANNUAL PENSION COST AND NET PENSION OBLIGATION**
SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM
For the Year Ended December 31, 2013
(In Thousands)

	<u>2013</u>	<u>2012</u>
Total Normal Cost Rate	14.95%	14.99%
Employee Contribution Rate	10.03	10.03
Employer Normal Cost Rate	<u>4.92</u>	<u>4.96</u>
Total Employer Contribution Rate a	12.89%	11.01%
Amortization Payment Rate	7.97	6.05
Amortization Period (Year)	38 years	Does Not Amortize
GASB 27 Amortization Rate	9.10	6.88
Total Annual Required Contribution (ARC) Rate b	14.02	11.84
Covered Employee Payroll c	\$ 597,934	\$ 567,806
ARC	83,830	67,228
Interest on Net Pension Obligation (NPO)	(199)	(552)
Adjustment to ARC	<u>139</u>	<u>385</u>
Annual Pension Cost (APC)	<u>\$ 83,770</u>	<u>\$ 67,062</u>
Employer Contribution	\$ 77,074	\$ 62,515
Change in NPO	\$ 6,696	\$ 4,547
NPO at Beginning of Year	<u>(2,575)</u>	<u>(7,122)</u>
NPO at End of Year	<u>\$ 4,121</u>	<u>\$ (2,575)</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
\$ 2,094,300	\$ 3,260,100	\$ 1,165,800	64.2%	\$ 597,934	195.0%

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 829 fire and 739 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 \$9.6 million in 2014 and \$9.9 million in 2013; and for Police Relief and Pension, \$11.5 million in 2014 and \$12.0 million in 2013.

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, 2014:

	Firemen’s Pension	Police Relief and Pension
Retirees and Beneficiaries Receiving Benefits	726	748
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	—	—
Active Plan Members, Vested	23	13
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, 2015, which reflects the 2014 fiscal year information, are presently underway and will be available at the Police and Fire Pension offices after July 1, 2015.

Three-year trend information (in thousands) for the Firemen’s Pension and the Police Relief and Pension Funds as of the January 1, 2014, 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	2011	\$ 7,333	113%	\$ (6,652)
	2012	7,491	138	(9,479)
	2013	5,100	120	(10,564)
Police Relief and Pension Fund	2011	8,537	131	(2,825)
	2012	6,956	120	(4,184)
	2013	6,499	109	(4,790)

The City of Seattle

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	\$ 12,731	\$ 84,344	\$ 71,613	15.0%	N/A	N/A
Police Relief and Pension Fund	3,202	92,615	89,413	3.0	N/A	N/A

In July 1994 the City adopted a funding policy under Ordinance 117216 that is designed to fully fund the AAL of the Firemen’s Pension Fund by the year 2018 plus additional contributions, if necessary, to fund benefit payments in excess of contributions to fully fund all retirement benefit liabilities by December 31, 2018. In 2006 the Board of Directors amended the fully funded date from 2018 to December 31, 2023. The level contributions were set aside in the Firemen’s Pension Actuarial Account with a fund balance of \$9.8 million as of December 31, 2013. 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, 2013, based on the actuarial valuation as of January 1, 2014, was \$84.3 million for Firemen’s Pension and \$92.6 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 \$10.5 million net pension asset at December 31, 2013. The net pension obligation of the Police Relief and Pension Fund is a \$4.8 million net pension asset at December 31, 2013.

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, 2013
(In Thousands)

	Firemen’s Pension			Police Relief and Pension		
	2013	2012	2011	2013	2012	2011
Annual Required Contribution (ARC)						
Annual Normal Cost - Beginning of Year	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Amortization of UAAL - Beginning of Year	5,054	7,103	6,940	6,167	6,630	8,206
Interest to End of Year a	189	284	278	231	265	328
ARC at End of Year	5,243	7,387	7,218	6,398	6,895	8,534
Interest on NPO	(355)	(266)	(229)	(156)	(113)	(7)
Adjustment to ARC	512	370	344	257	174	10
Annual Pension Cost (APC)	5,400	7,491	7,333	6,499	6,956	8,537
Employer Contribution b	6,485	10,318	8,262	7,105	8,315	11,195
Change in NPO	(1,085)	(2,827)	(929)	(606)	(1,359)	(2,658)
NPO at Beginning of Year	(9,479)	(6,652)	(5,723)	(4,184)	(2,825)	(167)
NPO at End of Year	\$ (10,564)	\$ (9,479)	\$ (6,652)	\$ (4,790)	\$ (4,184)	\$ (2,825)

a Represents the assumed interest rate that year: 4.0% in 2012, 3.75% in 2013. The interest is net of investment expenses.

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

Notes to Financial Statements

Following are the Firemen's Pension and the Police Relief and Pension financial statements for fiscal year ending December 31, 2014.

Table 11-4

**STATEMENT OF FIDUCIARY NET POSITION
FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS
December 31, 2014
(In Thousands)**

	Firemen's Pension	Police Relief and Pension	2014	2013
ASSETS				
Cash and Equity in Pooled Investments	\$ 6,559	\$ 5,206	\$ 11,765	\$ 11,232
Investments at Fair Value				
Domestic Stocks	7,844	—	7,844	6,923
Government and Other	429	—	429	—
Receivables				
Due from Other Funds	—	—	—	0
Other	410	480	890	748
Interest and Dividends	6	—	6	6
Total Receivables	416	480	896	754
Total Assets	15,248	5,686	20,934	18,909
LIABILITIES				
Accounts Payable and Other Liabilities	506	585	1,091	2,976
Total Liabilities	506	585	1,091	2,976
Net Position Held in Trust for Pension Benefits	\$ 14,742	\$ 5,101	\$ 19,843	\$ 15,933

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, 2014
(In Thousands)**

	Defined Benefit		Postemployment Healthcare		2014	2013
	Firemen's Pension	Police Relief and Pension	Firemen's Pension	Police Relief and Pension		
ADDITIONS						
Contributions						
Employer	\$ 7,588	\$ 9,188	\$ 9,567	\$ 11,533	\$ 37,876	\$ 36,010
Investment Income						
From Investment Activities						
Net Appreciation (Depreciation) in Fair Value of Investments	938	—	—	—	938	(49)
Interest	36	—	—	—	36	66
Dividends	138	—	—	—	138	36
Total Net Investment Income	1,112	—	—	—	1,112	53
Other Income	1,439	688	—	—	2,127	1,517
Total Additions	10,139	9,876	9,567	11,533	41,115	37,580
DEDUCTIONS						
Benefits	7,579	7,499	9,567	11,533	36,178	38,060
Administrative Expense	550	477	—	—	1,027	1,155
Total Deductions	8,129	7,976	9,567	11,533	37,205	39,215
Change in Net Position	2,010	1,900	—	—	3,910	(1,635)
Net Position - Beginning of Year	12,731	3,202	—	—	15,933	17,568
Net Position - End of Year	<u>\$ 14,741</u>	<u>\$ 5,102</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 19,843</u>	<u>\$ 15,933</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.

Notes to Financial Statements

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. Regardless of a member's employment status, DRS pays 5.5 percent annual interest compounded quarterly on employee contributions remain in the retirement fund. 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:

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

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

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

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

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.

Effective June 12, 2014:

- Engrossed House Bill 2456 eliminates expiration date on the statutory provision in the LEOFF definition of fire fighter that includes emergency medical technicians (EMTs). This correction allows EMTs continued eligibility for membership in LEOFF.
- Senate Bill 6201 allows LEOFF 2 members to use funds from certain tax qualified plans to purchase a life annuity from the LEOFF 2 trust fund at the time of retirement.

Notes to Financial Statements

There were no other material changes in benefit provisions for the fiscal year ended June 30, 2014. LEOFF pension benefit provisions have been established by RCW 41.26.

There are 45 participating employers in LEOFF Plan 1 and 362 participating employers in Plan 2 as of June 30, 2014. Membership in LEOFF consisted of the following as of the latest actuarial valuation date of June 30, 2013:

	<u>Plan 1</u>	<u>Plan 2</u>
Retirees and Beneficiaries Receiving Benefits	7,729	2,782
Terminated Members Entitled To But Not Yet Receiving Benefits	1	698
Active Plan Members, Vested	143	14,389
Active Plan Members, Nonvested	—	2,298
Total	<u>7,873</u>	<u>20,167</u>

All law enforcement officers and fire fighters of the City of Seattle participate in LEOFF. Current active members (vested and non-vested) are 44 under Plan 1 and 2,251 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.

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.

The City of Seattle

Required contribution rates for cities (expressed as a percentage of current year covered payroll) at the close of fiscal year 2014 are as follows:

	LEOFF Actual Contribution Rates	
	Plan 1	Plan 2
Employer (includes an administrative expense rate of 0.16 percent)	0.18%	5.23%
Employee	—	8.41
State of Washington Contributions	—	3.36

Administration of the LEOFF plans was funded by an employer rate of 0.18 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 2014 the state contributed \$55.5 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
2012	\$ —	N/A	\$ 97.3	137%
2013	—	N/A	94.7	144
2014	—	N/A	116.9	121

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
2012	\$ 10	\$ 12,454
2013	9	12,912
2014	8	13,912

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, 2014</u>	<u>June 30, 2013</u>
Plan 1	\$ 23,420	\$ 27,340
Plan 2	2,266,386	2,136,678

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, 2014</u>	<u>June 30, 2013</u>
Plan 1	\$ 5,695.389	\$ 5,112.449
Plan 2	6,975.121	5,494.917

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, 2014. The amount of expected contributions and changes in net obligation for Firemen’s Pension and Police Pension and Relief are also based on an actuarial valuation date of January 1, 2014, 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	\$ 4,392,000	\$ 14,948,599	\$ 18,919,352	\$ 38,259,951
Interest on Net OPEB Obligation	1,542,000	895,294	769,966	3,207,260
Adjustment to Annual Required Contribution	<u>(2,403,000)</u>	<u>(1,290,664)</u>	<u>(1,264,973)</u>	<u>(4,958,637)</u>
Annual OPEB Cost (Expense)	3,531,000	14,553,229	18,424,345	36,508,574
Expected Contribution (Employer-Paid Benefits)	<u>1,006,000</u>	<u>9,899,000</u>	<u>11,972,000</u>	<u>22,877,000</u>
Increase in Net OPEB Obligation	2,525,000	4,654,229	6,452,345	13,631,574
Net OPEB Obligation – Beginning of Year	<u>44,303,000</u>	<u>23,874,507</u>	<u>20,532,414</u>	<u>88,709,921</u>
Net OPEB Obligation – End of Year	<u>\$ 46,828,000</u>	<u>\$ 28,528,736</u>	<u>\$ 26,984,759</u>	<u>\$ 102,341,495</u>

Notes to Financial Statements

The City's annual OPEB cost, percentage of annual OPEB cost contributed, and the net OPEB obligation for each plan based on an actuarial valuation of January 1, 2014, for Healthcare Blended Premium Subsidy, Firemen's Pension (LEOFF1) and Police Relief and Pension (LEOFF1) are displayed below for the last three years prior to the valuation date.

	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Healthcare Blended Premium Subsidy	12/31/2011	\$ 7,435,000	32.9%	\$ 39,542,000
	12/31/2012	7,733,000	38.4	44,303,000
	12/31/2013	3,531,000	28.5	46,828,000
Firemen's Pension (LEOFF1)	12/31/2011	14,796,251	69.0	19,992,129
	12/31/2012	13,353,301	71.0	23,874,507
	12/31/2013	14,553,229	68.0	28,528,736
Police Relief and Pension (LEOFF1)	12/31/2011	16,087,490	72.0	16,585,463
	12/31/2012	15,779,894	75.0	20,532,414
	12/31/2013	18,424,345	65.0	26,984,759

Funded Status and Funding Progress

Based on the actuarial valuation dates for each of the plans, the unfunded actuarial accrued liability (UAAL) was equal to the actuarial accrued liability (AAL) due to the City's pay-as-you-go policy. Following is the funded status (in thousands) for each of the plans for the last three years:

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Normal AAL (b)	UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
Healthcare Blended Premium Subsidy	1/1/2012	—	\$ 74,729	\$ 74,729	—	\$ 891,552	8.4%
	1/1/2013	—	78,945	78,945	—	941,986	8.4
	1/1/2014	—	41,819	41,819	—	1,003,520	4.2
Firemen's Pension (LEOFF1)	1/1/2012	—	236,301	236,301	—	N/A	N/A
	1/1/2013	—	266,522	266,522	—	N/A	N/A
	1/1/2014	—	264,733	264,733	—	N/A	N/A
Police Relief and Pension (LEOFF1)	1/1/2012	—	252,098	252,098	—	N/A	N/A
	1/1/2013	—	295,990	295,990	—	N/A	N/A
	1/1/2014	—	291,524	291,524	—	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	1/1/2014	1/1/2014	1/1/2014
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 1/1/2014	30-year, closed as of 1/1/2007
Remaining Amortization Period	30 years	30 years	23 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	3.48%	3.75%	3.75%
Medical Inflation		6.3%, grading down to 4.3% in 2083 and beyond.	6.23 %, grading down to 4.3% in 2082 and beyond.
Traditional and Preventive Plans	8.0% in 2014 and 7.5% in 2015		
Group Health Standard and Deductible Plans	7.5%, grading down to 5.2% in 2086 and beyond		
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	45% of members electing coverage are assumed to be married or have a registered domestic partner. Male spouses are assumed to be two years older than their female spouses. It is assumed that children have aged off and have \$0 liability.	N/A	N/A

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 130.80% for retirees and 133.18% for spouses.		
Preventive Plan	The average medical claim is based on an average loss ratio (claim vs. premium) of 122.68% and 139.85%.		
	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 108.06% and 108.77% for retirees and spouses respectively.		
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 (NMT) program. The City is its sole and managing member. SIF is a qualified Community Development Entity (CDE) and the Primary Allocatee. Twelve subsidiaries have been established since the program's inception. Financial results presented herewith for 2014 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, 2014

(in Thousands)

	Discretely Presented Component Units					
	Seattle Public Library Foundation		Seattle Investment Fund LLC		Total	
	2014	2013	2014	2013	2014	2013
ASSETS						
Cash and Other Assets	\$ 2,140	\$ 3,484	\$ 746	\$ 628	\$ 2,886	\$ 4,112
Investments	65,424	61,157	6	5	65,430	61,162
Capital Assets, Net	3	3	—	—	3	3
Total Assets	67,567	64,644	752	633	68,319	65,277
LIABILITIES						
Current Liabilities	1,839	1,940	176	18	2,015	1,958
Total Liabilities	1,839	1,940	176	18	2,015	1,958
NET POSITION						
Net Investment in Capital Assets	3	3	—	—	3	3
Restricted	46,025	43,680	—	—	46,025	43,680
Unrestricted	19,700	19,021	576	615	20,276	19,636
Total Net Position	<u>\$ 65,728</u>	<u>\$ 62,704</u>	<u>\$ 576</u>	<u>\$ 615</u>	<u>\$ 66,304</u>	<u>\$ 63,319</u>

The City of Seattle

Table 12-2 CONDENSED STATEMENT OF ACTIVITIES SEATTLE PUBLIC LIBRARY FOUNDATION AND SEATTLE INVESTMENT FUND LLC

For the Year Ended December 31, 2014

(In Thousands)

	Discretely Presented Component Units					
	Seattle Public Library Foundation		Seattle Investment Fund LLC		Total	
	2014	2013	2014	2013	2014	2013
PROGRAM REVENUES						
Contributions/Endowment Gain	\$ 4,505	\$ 6,254	\$ —	\$ —	\$ 4,505	\$ 6,254
Placement/Management Fee Income	-	-	204	204	204	204
Total Program Revenues	4,505	6,254	204	204	4,709	6,458
GENERAL REVENUES						
Investment Income	3,734	7,900	—	—	3,734	7,900
Total Program Support and Revenues	8,239	14,154	204	204	8,443	14,358
EXPENSES						
Support to Seattle Public Library	4,269	7,936	—	—	4,269	7,936
Management and General	574	455	243	642	817	1,097
Fundraising	372	299	—	—	372	299
Total Expenses	5,215	8,690	243	642	5,458	9,332
Change in Net Position	3,024	5,464	(39)	(438)	2,985	5,026
NET POSITION						
Net Position - Beginning of Year	62,704	57,240	615	1,053	63,319	58,293
Net Position - End of Year	\$ 65,728	\$ 62,704	\$ 576	\$ 615	\$ 66,304	\$ 63,319

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, 2014, 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 2014, WDC paid \$1.1 million to the City of Seattle.

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

(14) COMMITMENTS

GENERAL

Capital Improvement Program

The City adopted the 2014-2015 Capital Improvement Program (CIP) which functions as a capital financing plan totaling \$5.223 billion for the years 2014-2019. The adopted CIP for 2014 was \$923.4 million, consisting of \$508.7 million for City-owned utilities and \$414.7 million for nonutility departments. The utility allocations are: \$291.2 million for City Light, \$67.0 million for Water, \$97.7 million for Drainage and Wastewater, \$28.9 million for Solid Waste, and \$23.9 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, 2014 and 2013 are shown in the following table.

Table 14-1 LONG-TERM PURCHASED POWER (In Millions)

	2014	2013
Bonneville Block	\$ 78.1	\$ 70.1
Bonneville Slice	77.5	80.0
Lucky Peak, including royalties	6.3	5.2
British Columbia - High Ross Agreement	13.4	13.4
Grant County Public Utility District	3.2	3.0
Grand Coulee Project Hydro Authority	6.0	5.5
Bonneville South Fork Tolt billing credit	(3.30)	(3.30)
Renewable energy - State Line Wind	23.7	23.8
Renewable energy - other	7.1	4.5
Exchanges and loss returns energy at fair value	8.9	9.2
Long-term purchased power booked out	(6.70)	(8.30)
Total	\$ 214.2	\$ 203.1

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, the same as the previous fiscal year. The cost of Slice power is based on SCL's same percentage of the expected costs of the System and is subject to true-up adjustments based on actual costs with specified exceptions.

Bonneville's Residential Exchange Program (REP) was established as a mechanism to distribute financial benefits of the Federal Columbia River Power System to residential customers of the region's investor owned utilities (IOUs). In May 2007, the Ninth Circuit Court (the Court) rulings found the 2000 REP Settlement Agreements with IOUs inconsistent with the Northwest Power Act. To remedy this inconsistency, the court ruled that refunds be issued to non IOUs through 2019. SCL received \$5.7 million in both 2014 and 2013 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 for operational and administrative services in both 2014 and 2013. These amounts are recorded as offsets to purchased power expense. SCL paid \$3.2 million for energy from Lucky Peak in both 2014 and 2013.

SCL's receivables from Lucky Peak were less than \$0.1 million at December 31, 2014 and 2013, respectively. SCL's payables to Lucky Peak were \$0.3 million and \$0.4 million at December 31, 2014 and 2013, 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 2014 and 2013 resource portfolio met the 3 percent target.

Energy Exchange

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

Fair Value of Exchange Energy

Exchange energy receivable and the related regulatory gains at December 31, 2014 and 2013, were valued using Kiodes Forward Curves and Dow Jones U.S. Daily Electricity Price Indices for settled deliveries. An income valuation technique that uses interest rate forecasts from HIS Global Insight is used to discount for present value based on the interest rate for U.S. Government Treasury constant maturities, bond-equivalent yields by the future month of the transactions.

The City of Seattle

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 2015 through 2065, undiscounted, are shown in the following table.

Table 14-2 ESTIMATED FUTURE PAYMENTS UNDER PURCHASED POWER, TRANSMISSION, AND RELATED CONTRACTS (In Millions)

Year Ending December 31	Estimated Payments ^a
2015	\$ 286.6
2016	302.8
2017	307.3
2018	324.8
2019	336.5
2020 - 2024	1,766.1
2025 - 2029	1,204.1
Thereafter (through 2065)	239.0
Total	<u>\$ 4,767.2</u>

^a 2015 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.

Federal Energy Regulatory Commission Fees

Estimated Federal land use and administrative fees related to hydroelectric licenses total \$258.9 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 to the license implementation process, which imposes mitigation of endangered species including water quality standards and conservation management.

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

The cost projections for such mitigation over the expected 42-year life of the license, included in the Department's license application, were estimated to be \$399.1 million adjusted to 2014 dollars, of which \$21.2 million were expended through 2014. 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, 2014, to be \$127.8 million, of which \$110.9 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 2014. 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 2014 dollars. SCL's labor and other overhead costs associated with the activities required by the settlement agreements for the licenses are not included in the estimates.

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

Endangered Species

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

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

SCL, with the support of City Council, elected to take a proactive approach to address issues identified within the ESA. SCL is carrying out an ESA Early Action program in cooperation with agencies, tribes, local governments, and watershed groups for bull trout, Chinook salmon, and steelhead in the South Fork Tolt and Skagit Watersheds. The ESA Early Action program is authorized by City Council but is separate from any current FERC license requirements. The program includes habitat acquisition, management, and restoration. The ESA Early Action has been successful in protecting listed species. Total costs for SCL's share of the Early Action program from inception in 1999 through December 31, 2014 are estimated to be \$9.0 million. \$0.9 million has been allocated for the program in the 2015 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 \$2.5 million and \$2.4 million to Pend Oreille County, and \$1.0 million and \$1.0 million to Whatcom County in 2014 and 2013, 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 \$107.9 million (in 2014 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 2014 is \$78.6 million. The remaining \$29.3 million to complete the HCP is comprised of a \$7.6 million liability and an estimate of \$21.6 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 four reservoirs is expected to be approximately \$155.8 million through the year 2018; costs beyond 2018 are not estimable as of the date of this report. As of December 31, 2014 and 2013, total cumulative costs incurred were \$146.8 million and \$140.9 million, respectively.

The City of Seattle

Wholesale Water Supply Contracts

SPU has wholesale contracts with Cascade Water Alliance ("CWA") and twenty individual water districts and municipalities. Seventeen wholesale customers have full and partial requirements contracts which obligate the City to meet the wholesale customers' demand that is not already met by their independent sources of supply. Two wholesale customers including CWA have block contracts which obligate the City to provide water up to a combined maximum of 41.85 Millions of Gallons per Day (MGD) per year. Two other wholesale customers have emergency intertie agreements and do not purchase water from Seattle on a regular basis. CWA contract expires in 2063 while other wholesale contracts run through 2061. SPU also has a contract with the City of North Bend to provide untreated water supply up to an average annual amount of 1.1 MGD through 2066 for use in supplementing stream flows.

Drainage and Wastewater Fund

Wastewater Disposal Agreement

SPU has a wastewater disposal agreement with the King County Department of Natural Resources Wastewater Treatment Division (WTD), which expires in 2036. The monthly wastewater disposal charge paid to WTD is based on the WTD's budgeted cost for providing the service. The charges are determined by water consumption and the number of single-family residences as reported by SPU and other component agencies. Payments made by SPU were \$139.7 million and \$137.7 million for fiscal years 2014 and 2013, respectively.

Solid Waste Fund

Contractual Obligations

SPU contracts with private companies for the collection of residential and commercial garbage, yard waste, food waste, and recycling. Effective March 30, 2009 SPU entered into new contracts with Waste Management and 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 2014 and 2013 were \$75.6 million and \$74.7 million, respectively.

In 1990, SPU entered into a contract with Waste Management of Washington, Inc. formerly known as Washington Waste Systems for the disposal of non-recyclable City waste. This contract is scheduled to end on March 31, 2028, however the City may terminate this contract at its option without cause on March 31, 2019. The Fund paid WWS \$12.9 million and \$13.3 million under this contract in 2014 and 2013, respectively.

The City also has negotiated a long-term yard waste processing contract with Cedar Grove Composting, Inc. (CGC). This contract expired on March 30, 2014. Total payments to CGC in 2014 and 2013 were \$0.4 million and \$2.7 million, respectively.

Effective April 1, 2014 the City entered into contracts with PacifiClean Environmental of Washington, LLC and Lenz Enterprises, Inc. to process yard and food waste into marketable products. The contracts are scheduled to end on March 31, 2020 however the city may, at its option, extend the contract in two year increments up to March 31, 2024. Total payments under the terms of these contracts for 2014 were \$3.4 million.

Effective April 1, 2009, the City commenced a contract for recycling processing with Rabanco, LTD. The company is responsible for processing recyclables from both commercial and residential customers. The contract is scheduled to end on March 31, 2016 with an option to extend the contract for a three-year period at that time. Total payment for recycling processing were \$2.4 million in both year 2014 and 2013.

Landfill Closure and Post-closure Care

At December 31, 2014, accrued landfill closure and post-closure costs consist primarily of monitoring, maintenance, and repair costs. It is the City Council's policy to include the fund's share of all landfill closure and post-closure costs in the revenue requirements used to set future solid waste rates. Therefore, SPU uses regulatory accounting and total estimated landfill closure and post-closure care costs are accrued and also reflected as a future costs in accordance with generally accepted accounting principles. 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. Landfill closure costs were fully amortized in 2009 and landfill post-closure costs will continue to amortize until 2024. In prior years, SPU delivered its refuse to two leased disposal sites: the Midway and Kent-Highlands landfills. Subsequent to signing the original lease agreement, federal and state requirements for closure of landfill sites were enacted. SPU stopped disposing of municipal waste in the Midway site in 1983 and in the Kent-Highlands site in 1986.

(15) CONTINGENCIES

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

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. Beginning in June 2014 the limit was increased to \$60.0 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 2014 to resolve litigation. No structured settlements were entered into by the City in 2014. No large liability settlements were received in 2014. No settlements made in 2014, 2013, or 2012 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 Seattle Department of Human Resources estimates case reserves for workers' compensation using statistical techniques and historical experience. In 2014 the City's independent actuary estimated the ultimate settlement costs for lawsuits, workers' compensation, other claims, and health care at year-end 2013. The total undiscounted IBNR amount increased by \$5.6 million in 2014, the IBNR amount was \$40.4 million in 2014 and \$34.8 million in 2013.

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

Claims liabilities include claim adjustment expenditures if specific and incremental to a claim. Recoveries from unsettled claims, such as salvage or subrogation, and on settled claims are deposited in the General Fund and do not affect reserves for general government. Workers' compensation annual subrogation recoveries amounted to \$0.2 million in 2014 and \$0.3 million in 2013. 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 0.931 percent for 2014 and 0.675 percent for 2013, the City's average annual rate of return on investments. The total discounted liability at December 31, 2014, was \$109.5 million consisting of \$67.0 million for general liability, \$3.5 million for health care, and \$39.0 million for workers' compensation.

Table 15-1

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

	General Liability		Health Care		Workers' Compensation		Total City	
	2014	2013	2014	2013	2014	2013	2014	2013
UNDISCOUNTED								
Balance - Beginning of Fiscal Year	\$ 61,659	\$ 67,732	\$ 3,047	\$ 2,265	\$ 40,085	\$ 36,024	\$ 104,791	\$ 106,021
Less Payments and Expenses During the Year	(12,953)	(16,589)	(142,880)	(134,747)	(13,363)	(12,954)	(169,196)	(164,290)
Plus Claims and Changes in Estimates	20,567	10,516	143,332	135,529	13,660	17,015	177,559	163,060
Balance - End of Fiscal Year	<u>\$ 69,273</u>	<u>\$ 61,659</u>	<u>\$ 3,499</u>	<u>\$ 3,047</u>	<u>\$ 40,382</u>	<u>\$ 40,085</u>	<u>\$ 113,154</u>	<u>\$ 104,791</u>
UNDISCOUNTED BALANCE AT END OF FISCAL YEAR CONSISTS OF								
Governmental Activities	\$ 52,765	\$ 45,960	\$ 3,499	\$ 3,047	\$ 29,190	\$ 28,997	\$ 85,454	\$ 78,004
Business-Type Activities	16,508	15,699	—	—	11,192	11,088	27,700	26,787
Fiduciary Activities	—	—	—	—	—	—	—	—
Balance - End of Fiscal Year	<u>\$ 69,273</u>	<u>\$ 61,659</u>	<u>\$ 3,499</u>	<u>\$ 3,047</u>	<u>\$ 40,382</u>	<u>\$ 40,085</u>	<u>\$ 113,154</u>	<u>\$ 104,791</u>
DISCOUNTED/RECORDED BALANCE AT END OF FISCAL YEAR CONSISTS OF								
Governmental Activities	\$ 51,010	\$ 44,776	\$ 3,467	\$ 3,027	\$ 28,178	\$ 28,174	\$ 82,655	\$ 75,977
Business-Type Activities	15,959	15,294	—	—	10,805	10,774	26,764	26,068
Fiduciary Activities	—	—	—	—	—	—	—	—
Balance - End of Fiscal Year	<u>\$ 66,969</u>	<u>\$ 60,070</u>	<u>\$ 3,467</u>	<u>\$ 3,027</u>	<u>\$ 38,983</u>	<u>\$ 38,948</u>	<u>\$ 109,419</u>	<u>\$ 102,045</u>

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

- **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.
- **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 \$2.3 million in payments in the Pacific Northwest Refund Case, has been paid to the California parties.

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 City Light, 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. In March 2014, the trial judge issued a 569 page initial decision which generally denied the City's and the California parties' claims. The City filed a brief objecting to the Initial Decision in May 2014 and the parties are awaiting a final decision from FERC. Prior to and during the FERC trial, the City settled claims with fourteen entities for a combined total settlement of \$4.5 million. On February 17, 2015, the 9th Circuit issued an order reactivating six dormant appeals that were stayed pending results of the related FERC litigation. A briefing schedule was issued by the 9th Circuit requiring all briefs completed by early May and oral argument to occur during the week of June 15, 2015.

- **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 and sued the City when they were not produced. The Trial court held some records were improperly withheld. Both parties appealed and oral argument was heard by the Washington Supreme Court in May 2013. The Court issued its decision on July 12, 2014 holding that SPD violated the PRA and remanded for further proceedings regarding penalties and attorney fees. The plaintiff moved for attorney fees and costs for the Supreme Court appeal. The Court awarded the plaintiff costs and fees of \$52.4 thousand which the City has paid. 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, 2014, twelve projects remained outstanding with a combined total amount of \$25.3 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 guaranteed the following bonds issued by public development authorities chartered by the City which are not component units of the City. The guarantees extend through the life of the bonds.

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

The City has not paid debt service on any of the guaranteed bonds during fiscal year 2014.

Museum Development Authority

Special obligation refunding bonds. Series 2014 issued on April 29 2014, in the amount of 44,375,000. The outstanding amount as of December 31 2014 is \$44,375,000. 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. The outstanding amount as of December 31 2014 is \$2,410,000. The bonds will be fully retired on November 1, 2017.

Seattle Chinatown-International District Preservation and Development Authority

Refunding bonds issued on September 26, 2007, in the amount of \$7,355,000. The outstanding amount as of December 31, 2014, was \$5,465,000. The bonds will be fully retired by August 1, 2026.

Seattle Indian Services Commission

Special obligation revenue refunding bonds issued on November 1, 2004, in the amount of \$5,210,000. The outstanding amount as of December 31 2014 is \$3,525,000. The bonds will be fully retired on November 1, 2024.

Event Notice Relating to Seattle Indian Services Commission

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

The City's 2015 Adopted Budget includes funding to pay debt service on the Commission's guaranteed bonds in accordance with the City's unconditional obligation. Effective for fiscal year 2015 the City will transfer funds on behalf of the Commission to pay the scheduled debt payments of the principal and interest on its special obligation refunding bonds issued on November 1, 2004. The first debt service payment is scheduled to occur on 5/1/2015 in the amount of \$75 thousand.

As of Dec 31, 2014, the Commission's remaining principal and interest amounts the City guaranteed are \$3,525,000 and \$898,630 respectively. Based on the expected cash outflows and discount rate equal to the interest earned from the City's consolidated cash pool (0.862%), the City has recognized a liability of \$4.2 million on the Government-Wide Financial Statements. Until the Commission's revenue conditions improve the City will continue to make the scheduled debt payments through the life of the bonds, with a final maturity date of 11/01/2024.

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

GOVERNMENTAL ACTIVITIES

Various departments recorded prior period adjustments to Fixed Asset related accounts. These include: 1) Department of Parks and Recreation (DPR) reported an additional \$9.2 million capitalization of Land and Equipment, net of accumulated depreciation, 2) DPR reported \$1.9 million addition to Construction in Progress, 3) Seattle Center reported \$0.2 million reduction to Construction in Progress, and 4) the Seattle Police Department reported \$1.4 million reduction to Construction in Progress.

(17) SUBSEQUENT EVENTS

On May 21, 2015, pursuant to City Ordinances 124125 and 124637 the City issued (1) \$160.9 million of Limited Tax General Obligation (LTGO) Improvement and Refunding Bonds with an average coupon rate of 4.871 percent and a final maturity of June 1, 2035; (2) \$169.1 million of Unlimited Tax General Obligation (UTGO) Improvement Bonds with an average coupon rate of 4.122 percent and a final maturity of December 1, 2044; and (3) \$28.2 million of LTGO Improvement Bonds with an average coupon rate of 3.454 percent and a final maturity of April 1, 2035.

On June 10, 2015, pursuant to City Council Resolution 31586 the City issued \$340.8 million of Water System Improvement and Refunding Revenue Bonds with an average coupon rate of 4.531 percent and a final maturity of May 1, 2045.

On June 25, 2015, pursuant to City Council Resolution 31589 the City issued \$35.8 million of Solid Waste Revenue Bonds with an average coupon rate of 4.478 percent and a final maturity of February 1, 2040.

Required Supplementary Information

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

The budgetary basis of accounting is substantially the same as the modified accrual basis of accounting in all governmental funds except for the treatment of appropriations that do not lapse, those whose budgets were approved by the City Budget Office to carry over to the following year. These appropriations are included with expenditures in the City's budgetary basis of accounting.

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

C-1

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2014
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes				
General Property Taxes	\$ 267,091	\$ 267,091	\$ 268,745	\$ 1,654
Retail Sales and Use Taxes	188,058	188,058	199,735	11,677
Business Taxes	265,497	265,497	265,830	333
Excise Taxes	55,640	55,640	57,739	2,099
Other Taxes		—	4,024	4,024
Interfund Business Taxes	129,518	129,518	129,929	411
Total Taxes	905,804	905,804	926,002	20,198
Licenses and Permits	23,887	23,887	28,014	4,127
Grants, Shared Revenues, and Contributions	38,112	50,941	30,769	(20,172)
Charges for Services	46,581	54,323	60,867	6,544
Fines and Forfeits	35,033	35,033	30,460	(4,573)
Parking Fees and Space Rent	37,000	37,000	37,682	682
Program Income, Interest, and Miscellaneous Revenues	218,827	218,860	213,004	(5,856)
Total Revenues	1,305,244	1,325,848	1,326,798	950
EXPENDITURES AND ENCUMBRANCES				
Current				
General Government	404,016	404,457	370,366	34,091
Judicial	28,819	29,433	29,158	275
Public Safety	499,808	529,238	520,199	9,039
Physical Environment	6,972	7,579	6,854	725
Transportation	9,686	9,686	9,779	(93)
Economic Environment	23,076	29,827	22,422	7,405
Health and Human Services	937	1,024	1,020	4
Culture and Recreation	6,712	6,795	6,715	80
Capital Outlay				
General Government	43,056	43,527	12,305	31,222
Public Safety	15,913	17,964	5,914	12,050
Physical Environment	—	—	—	—
Transportation	13,589	13,589	—	13,589
Economic Environment	5,307	283	7	276
Culture and Recreation	47,254	47,600	24,076	23,524
Debt Service				
Interest	505	505	—	505
Total Expenditures and Encumbrances	1,105,650	1,141,507	1,008,815	132,692
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	199,594	184,341	317,983	(131,742)
OTHER FINANCING SOURCES (USES)				
Sales of Capital Assets	4,578	4,578	—	(4,578)
Transfers In	9,517	9,528	7,466	(2,062)
Transfers Out	(315,143)	(320,456)	(322,585)	(2,129)
Total Other Financing Sources (Uses)	(301,048)	(306,350)	(315,119)	(8,769)
Net Change in Fund Balance	\$ (101,454)	\$ (122,009)	2,864	\$ (8,769)
Budgetary Fund Balance - Beginning of Year			231,258	
Net Change in Encumbrances			(2,048)	
Net Change in Unappropriable Reserves			41,844	
Budgetary Fund Balance - End of Year			273,918	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			24,388	
Encumbrances			4,426	
Reimbursements				
Budgeted as Revenues			173,429	
Budgeted as Expenditures			(173,429)	
GASB Statement No. 54 Reporting Adjustment				
Library Fund Balances			14,402	
Fund Balance (GAAP) - End of Year			\$ 317,134	

Required Supplementary Information

C-2

TRANSPORTATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2014
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes				
General Property Taxes	\$ 42,232	\$ 42,232	\$ 42,718	\$ 486
Business Taxes	32,807	32,807	35,677	2,870
Other Taxes	—	—	81	81
Total Taxes	<u>75,039</u>	<u>75,039</u>	<u>78,476</u>	<u>3,437</u>
Licenses and Permits	9,456	9,456	5,066	(4,390)
Grants, Shared Revenues, and Contributions	49,747	49,492	46,244	(3,248)
Charges for Services	68,517	71,921	98,365	26,444
Fines and Forfeits	—	—	19	19
Parking Fees and Space Rent	—	—	84	84
Program Income, Interest, and Miscellaneous Revenues	244	2,126	2,235	109
Total Revenues	<u>203,003</u>	<u>208,034</u>	<u>230,489</u>	<u>22,455</u>
EXPENDITURES AND ENCUMBRANCES				
Current				
Transportation	106,129	113,981	104,424	9,557
Capital Outlay				
Transportation	485,340	406,453	278,550	127,903
Debt Service				
Principal	2,051	2,051	2,051	—
Interest	155	155	155	—
Total Expenditures and Encumbrances	<u>593,675</u>	<u>522,640</u>	<u>385,180</u>	<u>137,460</u>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(390,672)	(314,606)	(154,691)	(115,005)
OTHER FINANCING SOURCES (USES)				
Sales of Capital Assets	1,977	1,977	2,108	131
Transfers In	194,862	194,862	189,540	(5,322)
Transfers Out	(27,112)	(27,112)	(26,544)	568
Total Other Financing Sources (Uses)	<u>169,727</u>	<u>169,727</u>	<u>165,104</u>	<u>(4,623)</u>
Net Change in Fund Balance	<u>\$ (220,945)</u>	<u>\$ (144,879)</u>	10,413	<u>\$ (119,628)</u>
Budgetary Fund Balance - Beginning of Year			(6,174)	
Net Change in Encumbrances			2,272	
Net Change in Unappropriable Reserves			<u>(49,141)</u>	
Budgetary Fund Balance - End of Year			(42,630)	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			<u>128,977</u>	
Fund Balance (GAAP) - End of Year			<u>\$ 86,347</u>	

C-3

LOW-INCOME HOUSING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2014
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General Property Taxes	\$ 18,963	\$ 18,963	\$ 17,943	\$ (1,020)
Grants, Shared Revenues, and Contributions	20,669	21,816	2,840	(18,976)
Charges for Services	2,508	2,508	—	(2,508)
Program Income, Interest, and Miscellaneous Revenues	36,857	37,074	32,660	(4,414)
Total Revenues	78,997	80,361	53,443	(26,918)
EXPENDITURES AND ENCUMBRANCES				
Current				
Economic Environment	144,272	145,637	29,181	116,456
Total Expenditures and Encumbrances	144,272	145,637	29,181	116,456
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(65,275)	(65,276)	24,262	89,538
OTHER FINANCING SOURCES (USES)				
Sales of Capital Assets	—	—	—	—
Total Other Financing Sources (Uses)	—	—	—	—
Net Change in Fund Balance	\$ (65,275)	\$ (65,276)	24,262	\$ 89,538
Budgetary Fund Balance - Beginning of Year			(20,119)	
Net Change in Unappropriable Reserves			(14,454)	
Budgetary Fund Balance - End of Year			(10,311)	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			115,730	
Fund Balance (GAAP) - End of Year			\$ 105,419	

C-4

PENSION PLAN INFORMATION
SCHEDULE OF FUNDING PROGRESS

December 31, 2014

(In Thousands)

Retirement System	Actuarial Valuation Date January 1	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Seattle City Employees' Retirement System (SCERS)	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	567,806	194.6
	2014	2,094,300	3,260,100	1,165,800	64.2	597,934	195.0
Firemen's Pension Fund	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
	2014	12,371	84,344	71,613	15.0	N/A	N/A
Police Relief and Pension Fund	2009	423	132,118 ^e	131,695 ^e	—	N/A	N/A
	2010	280	129,393	129,113	—	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
	2014	3,202	92,615	89,413	3.0	N/A	N/A

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

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

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

^d The funding ratio had been 62.0%, based on previous, January 1, 2010 actuarial valuation. The increase in the funding ratio is due mainly to the adoption of the asset smoothing method.

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

Required Supplementary Information

C-5

PENSION PLAN INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS

December 31, 2014

(In Thousands)

Retirement System	Fiscal Year Ending December 31	Covered Employee Payroll ^a	Actual Employer Contributions ^b	Actual Employer Contribution Percentage ^b	Annual Required Contribution (ARC) ^c	Percentage of ARC Contributed ^c
Seattle City Employees' Retirement System (SCERS)	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	567,806	62,515	11.01	11.84	93
	2013	597,934	77,074	12.89	14.02	92
Firemen's Pension Fund	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
	2013	N/A	6,485	N/A	5,243	124
Police Relief and Pension Fund	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
	2013	N/A	7,105	N/A	6,398	111

^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.

City of Seattle
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Aging Cluster							
Administration For Community Living, Department Of Health And Human Services (via Department of Social and Health Services)	Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers	93.044	1469-93697	2,213,141	-	2,213,141	
Administration For Community Living, Department Of Health And Human Services (via Department of Social and Health Services)	Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	1469-93697	2,411,862	-	2,411,862	
Administration For Community Living, Department Of Health And Human Services (via Department of Social and Health Services)	Nutrition Services Incentive Program	93.053	1469-93697	602,875	-	602,875	
				Total Aging Cluster:		5,227,878	
CDBG - Entitlement Grants Cluster							
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B08MCS30005	-	20,643	20,643	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B10MCS30005	-	375,027	375,027	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B11MCS30005	-	284,503	284,503	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B12MCS30005	-	1,655,502	1,655,502	3

The accompanying notes are an integral part of this statement.

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures		Note
				From Pass- Through Awards	From Direct Awards	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B13MCS30005	-	41,293	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B14MCS30005	-	7,549,824	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B14MCS30005/ B15MCS30005	-	743,599	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B15MCS30005	-	60,890	3
Total CDBG - Entitlement Grants Cluster:				-	10,731,280	10,731,280
Child Nutrition Cluster						
Food And Nutrition Service, Department Of Agriculture (via Superintendent of Public Instruction)	Summer Food Service Program for Children	10.559	17804	508,007	-	508,007
Total Child Nutrition Cluster:				508,007	-	508,007
Economic Development Cluster						
Economic Development Administration, Department Of Commerce (via Puget Sound Regional Council)	Economic Adjustment Assistance	11.307	07 79 06777	185,084	-	185,084
Total Economic Development Cluster:				185,084	-	185,084
Federal Transit Cluster						
Federal Transit Administration (fta), Department Of Transportation (via King County)	Federal Transit_Capital Investment Grants	20.500	WA-04-0080-00	3,191,043	-	3,191,043
Federal Transit Administration (fta), Department Of Transportation (via King County)	Federal Transit_Capital Investment Grants	20.500	WA-04-0099-01	659,088	-	659,088
Total CFDA 20.500:				3,850,131	-	3,850,131

Expenditures

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Note
Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Formula Grants	20.507	WA-90-X442-03	-	168,959	168,959	
Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Formula Grants	20.507	WA-90-X559-00	-	300,000	300,000	
Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Formula Grants	20.507	WA-90-0447-03	-	101,926	101,926	
Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Formula Grants	20.507	WA-90-0474-00	-	137,398	137,398	
Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Formula Grants	20.507	WA-95-X070-00	-	102,789	102,789	
Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Formula Grants	20.507	WA-90-0544-00	-	666,567	666,567	
Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Formula Grants	20.507	WA-95-X075-00	-	295,549	295,549	
Federal Transit Administration (fta), Department Of Transportation (via King County)	Federal Transit_Formula Grants	20.507	WA-90-0522-01	620,464	-	620,464	
Total CFDA 20.507:				620,464	1,773,188	2,393,653	
Total Federal Transit Cluster:				4,470,595	1,773,188	6,243,784	
Highway Planning and Construction Cluster							
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	BHM-1399(004)	72,540	-	72,540	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	BHM-1551(001)	307,654	-	307,654	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	BHM-1552(003)	3,178	-	3,178	

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures		
				From Pass- Through Awards	From Direct Awards	Total
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	BHM-1577(016)	903,204	-	903,204
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	BRM-1560(001)	1,160,195	-	1,160,195
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	BRM-1577(015)	(180)	-	(180)
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	BRM-1613(005)	1,046,757	-	1,046,757
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	CM-1140(048)	6,543	-	6,543
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	CM-1526(002)	103,701	-	103,701
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	CM-STPE- 9999(205)	12,754	-	12,754
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	ER-1101(016)	95,365	-	95,365
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	HSIP- 000S(341)	14,352	-	14,352
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	HSIP- 000S(342)	27,626	-	27,626

Expenditures

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Note
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	HSIP- 000S(368)	476,143	-	476,143	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	HSIP-1750(002)	408,382	-	408,382	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	SRTS- 1140(058)	47,203	-	47,203	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	SRTS- 1520(001)	90,607	-	90,607	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	SRTS- 1615(004)	8,109	-	8,109	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	SRTS- 1730(001)	7,883	-	7,883	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	SRTS-HLP- 1140(049)	309,405	-	309,405	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	SRTS-HLP- 1140(050)	404,805	-	404,805	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	STPE- EN10(027)	839	-	839	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	STPE- EN10(029)	52,493	-	52,493	

Expenditures

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures		Total	Note
				From Pass- Through Awards	From Direct Awards		
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	STPH- 0099(088)	2,892	-	2,892	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	STPUL- 1140(054)	216,907	-	216,907	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	STPUL- 1577(017)	1,125,248	-	1,125,248	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	STPUL- 9917(015)	(3,555)	-	(3,555)	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	TAP-1140(057)	12,897	-	12,897	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	TIGER-IV- STPUL- 9999(648)	4,498,522	-	4,498,522	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	TIGER-STPUL- 9999(580)	1,399,197	-	1,399,197	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	VPPP- 1140(052)	35,397	-	35,397	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	TAP-1140(059)	67,482	-	67,482	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	SRTS- 1140(062)	18,296	-	18,296	

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures		Total	Note
				From Pass- Through Awards	From Direct Awards		
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	CM-TAP- 1775(001)	405,229	-	405,229	
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	LA-7507 & LA- 7509	371,495	-	371,495	
Total Highway Planning and Construction Cluster:				13,709,563	-	13,709,563	
Highway Safety Cluster							
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation	State and Community Highway Safety	20.600	PS14-03	-	78,435	78,435	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	22,175	-	22,175	
Total CFDA 20.600:				22,175	78,435	100,611	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Traffic Safety Commission)	Occupant Protection Incentive Grants	20.602	N/A	2,990	-	2,990	
Total Highway Safety Cluster:				25,165	78,435	103,601	
JAG Program Cluster							
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX- 3203	-	515	515	
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX- 0526	-	173,433	173,433	
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX- 0715	-	296,819	296,819	
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX- 1034	-	42,044	42,044	
Total JAG Program Cluster:				-	512,812	512,812	

Federal Agency (Pass-Through Agency)		Expenditures						
		Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Note
Medicaid Cluster								
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Department of Social and Health Services)	Medical Assistance Program	93.778	1016LS-69	546,071	-	546,071		
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Department of Social and Health Services)	Medical Assistance Program	93.778	1369-78313	4,467,172	-	4,467,172		
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Department of Social and Health Services)	Medical Assistance Program	93.778	1369-78313-03	45,896	-	45,896		
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Department of Social and Health Services)	Medical Assistance Program	93.778	1369-78944	575,384	-	575,384		
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Department of Social and Health Services)	Medical Assistance Program	93.778	1469-14540	4,460,725	-	4,460,725		
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Department of Social and Health Services)	Medical Assistance Program	93.778	1469-14606	606,862	-	606,862		
		Total Medicaid Cluster:			10,702,110	-	10,702,110	
Other Programs								
Food And Nutrition Service, Department Of Agriculture (via Superintendent of Public Instruction)	Child and Adult Care Food Program	10.558	17020077	1,153,366	-	1,153,366		
Food And Nutrition Service, Department Of Agriculture (via Department of Social and Health Services)	Senior Farmers Market Nutrition Program	10.576	1369-78313	2,299	-	2,299		

Expenditures

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Note
Food And Nutrition Service, Department Of Agriculture (via Department of Social and Health Services)	Senior Farmers Market Nutrition Program	10.576	1469-14540	57,432	-	57,432	7
Total CFDA 10.576:				59,731	-	59,731	
National Telecommunications And Information Administration, Department Of Commerce (via Department Of Commerce)	ARRA - State Broadband Data and Development Grant Program	11.558	15-55100-025	150,000	-	150,000	6
Office Of Economic Adjustment, Department Of Defense	Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	12.607	HQ0005121004 4	-	21,529	21,529	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Emergency Solutions Grant Program	14.231	E12-MC-53- 0001	-	674	674	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Emergency Solutions Grant Program	14.231	E13-MC-53- 0001	-	476,354	476,354	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Emergency Solutions Grant Program	14.231	E14-MC-53- 0001	-	490,864	490,864	
Total CFDA 14.231:				-	967,892	967,892	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0027B0T00 100	-	515,899	515,899	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0052B0T00 0802	-	(3,726)	(3,726)	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Supportive Housing Program	14.235	WA0244B0T00 1100	-	137,205	137,205	
Total CFDA 14.235:				-	649,378	649,378	

Expenditures

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Note
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M09-MC-53020	-	11,740	11,740	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M10-MC-53020	-	48,861	48,861	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M12-MC-53020	-	483,947	483,947	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M13-MC-53020	-	33,232	33,232	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M14-MC-35- 0200	-	245,784	245,784	3
		Total CFDA 14.239:		-	823,564	823,564	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Housing Opportunities for Persons with AIDS	14.241	WAH12-F001	-	852,232	852,232	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Housing Opportunities for Persons with AIDS	14.241	WAH13-F001	-	842,544	842,544	
		Total CFDA 14.241:		-	1,694,776	1,694,776	
Department Of Housing And Urban Development	Community Development Block Grants/Brownfields Economic Development Initiative	14.246	B-99-BD-53- 0015	-	9,493	9,493	4
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0015L0T00 1205	-	111,877	111,877	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0024L0T00 1306	-	115,412	115,412	

Expenditures

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Note
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0027L0T00 1306	-	57,199	57,199	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0052L0T00 1306	-	157,989	157,989	
Office Of Community Planning And Development, Department Of Housing And Urban Development (via King County)	Continuum of Care Program	14.267	5637344	286,738	-	286,738	
Office Of Community Planning And Development, Department Of Housing And Urban Development (via King County)	Continuum of Care Program	14.267	N/A	47,131	-	47,131	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0002L0T00 1306	-	107,482	107,482	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0010L0T00 1205	-	45,389	45,389	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0010L0T00 1306	-	122,559	122,559	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0012L0T00 1205	-	234,659	234,659	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0012L0T00 1306	-	210,029	210,029	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0013L0T00 1205	-	35,251	35,251	

Expenditures

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass-Through Awards		Total	Note
				From Pass-Through Awards	From Direct Awards		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0013L0T00 1306	-	46,581	46,581	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0014L0T00 1205	-	15,707	15,707	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0014L0T00 1306	-	11,458	11,458	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0018L0T00 1205	-	184,354	184,354	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0018L0T00 1306	-	50,106	50,106	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0024L0T00 1205	-	83,798	83,798	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0026L0T00 1205	-	187,558	187,558	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0026L0T00 1306	-	984,588	984,588	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0027L0T00 1205	-	779,803	779,803	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0028L0T00 1205	-	43,473	43,473	

Expenditures

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass-Through Awards		From Direct Awards		Total	Note
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0028L0T00 1306	-	-	20,236	20,236		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0029L0T00 1205	-	-	65,752	65,752		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0029L0T00 1306	-	-	15,724	15,724		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA002L0T001 205	-	-	587,585	587,585		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0031L0T00 1205	-	-	163,275	163,275		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0031L0T00 1306	-	-	341,124	341,124		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0032L0T00 1205	-	-	443,471	443,471		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0037L0T00 1205	-	-	27,690	27,690		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0037L0T00 1306	-	-	72,364	72,364		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0039L0T00 1205	-	-	300,054	300,054		

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0039L0T00 1306	-	227,395	227,395	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0040L0T00 1205	-	137,905	137,905	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0043L0T00 1205	-	587,064	587,064	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0043L0T00 1306	-	238,008	238,008	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0045L0T00 1205	-	10,871	10,871	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0045L0T00 1306	-	101,053	101,053	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0050L0T00 1306	-	61,608	61,608	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0051L0T00 1205	-	20,376	20,376	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0051L0T00 1306	-	266,899	266,899	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0052L0T00 1205	-	393,911	393,911	

Expenditures

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass-Through Awards		Total	Note
				From Pass-Through Awards	From Direct Awards		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0053L0T00 1205	-	351,032	351,032	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0053L0T00 1306	-	171,407	171,407	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0061L0T00 1205	-	25,778	25,778	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0061L0T00 1306	-	73,033	73,033	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0201L0T00 1204	-	466,905	466,905	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0213L0T00 1202	-	104,450	104,450	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0213L0T00 1303	-	38,672	38,672	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0214L0T00 1205	-	243,488	243,488	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0214L0T00 1303	-	90,647	90,647	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0228L0T00 1202	-	13,292	13,292	

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures		Total	Note
				From Pass- Through Awards	From Direct Awards		
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0228L0T00 1303	-	13,160	13,160	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0239L0T00 1202	-	292,351	292,351	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0242L0T00 1201	-	474,359	474,359	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0243L0T00 1201	-	27,395	27,395	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0243L0T00 1302	-	1,350	1,350	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0244L0T00 1301	-	251,159	251,159	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0259L0T00 1200	-	117,186	117,186	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0260L0T00 1200	-	586,683	586,683	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0260L0T00 1301	-	55,420	55,420	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0261L0T00 1200	-	101,242	101,242	

Expenditures

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Note
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0261LO700 1301	-	209	209	
Office Of Fair Housing And Equal Opportunity, Department Of Housing And Urban Development		14.401	FF-210-K11- 1006	-	33,286	33,286	
Department Of Housing And Urban Development		14.704	CCPWA0068- 11	-	1,858,155	1,858,155	
Office Of Public And Indian Housing, Department Of Housing And Urban Development (via Seattle Housing Authority)		14.850	9917	359,744	-	359,744	
Office For Victims Of Crime, Department Of Justice		16.320	2013-VT-BX- K009	-	252,894	252,894	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice		16.543	2011-MC-CX- K029	-	73,962	73,962	
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice		16.543	2012-MC-FX- K016	-	377,971	377,971	
Violence Against Women Office, Department Of Justice		16.590	2009-WE-AX- 0008	-	277,423	277,423	
Bureau Of Justice Assistance, Department Of Justice		16.607	N/A	-	8,359	8,359	
Bureau Of Justice Assistance, Department Of Justice (via Washington Association of Sheriffs and Police Chiefs)		16.609	2013-GP-BX- 0004	1,668	-	1,668	
			Total CFDA 14.267:	333,869	11,166,854	11,500,723	
			Total CFDA 16.543:	-	451,933	451,933	

Expenditures

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Note
Office Of Community Oriented Policing Services, Department Of Justice	Public Safety Partnership and Community Policing Grants	16.710	2012-ULWX-0037	-	44,237	44,237	
Office Of Community Oriented Policing Services, Department Of Justice	Public Safety Partnership and Community Policing Grants	16.710	2013-UL-WX-0024	-	215,973	215,973	
Total CFDA 16.710:				-	260,210	260,210	
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	-	80,608	80,608	
Bureau Of Justice Assistance, Department Of Justice (via George Mason University)	Byrne Criminal Justice Innovation Program	16.817	2012CKWXK026	29,925	-	29,925	
Bureau Of Justice Assistance, Department Of Justice	Byrne Criminal Justice Innovation Program	16.817	2012-AJ-BX-0006	-	250,032	250,032	
Total CFDA 16.817:				29,925	250,032	279,957	
Criminal Division, Department Of Justice	Equitable Sharing Program	16.922	N/A	-	2,860,259	2,860,259	
Federal Transit Administration (fta), Department Of Transportation	Alternatives Analysis	20.522	WA-39-0006-00	-	269,943	269,943	
Federal Transit Administration (fta), Department Of Transportation	Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions	20.523	WA-88-0002-00	-	3,316	3,316	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Traffic Safety Commission)	National Priority Safety Programs	20.616	N/A	12,382	-	12,382	
Office Of The Secretary (ost) Administration Secretariate, Department Of Transportation (via WA Department of Transportation)	National Infrastructure Investments	20.933	TIGER-IV-STPUL-9999(648)	5,800,734	-	5,800,734	
Department of the Treasury	Equitable Sharing	21.UNKN OWN	N/A	-	791,635	791,635	
Region 10, Environmental Protection Agency	Puget Sound Watershed Management Assistance	66.120	PO-00J09401-0	-	122,444	122,444	

The accompanying notes are an integral part of this statement.

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Region 10, Environmental Protection Agency	Puget Sound Watershed Management Assistance	66.120	PO-00J009901- 0	-	146,046	146,046	
	Total CFDA 66.120:			-	268,490	268,490	
Region 10, Environmental Protection Agency (via Department of Ecology)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	G1200277 (PC- 00J27601-0)	6,023	-	6,023	
Region 10, Environmental Protection Agency (via Department of Ecology)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	G1300125	88,597	-	88,597	
Region 10, Environmental Protection Agency (via Department of Ecology)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	G1300084	532,417	-	532,417	
Region 10, Environmental Protection Agency (via Department of Ecology)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	G1300029	55,573	-	55,573	
	Total CFDA 66.123:			682,609	-	682,609	
Region 9, Environmental Protection Agency	Environmental Protection Consolidated Grants for the Insular Areas - Program Support	66.600	AF-83496001	-	21,491	21,491	
Region 9, Environmental Protection Agency	Environmental Protection Consolidated Grants for the Insular Areas - Program Support	66.600	PO-00J09101	-	198,718	198,718	
	Total CFDA 66.600:			-	220,209	220,209	
Department Of Energy (via Department of Commerce)	Weatherization Assistance for Low-Income Persons	81.042	F13-43103-404	107,792	-	107,792	
Department Of Energy (via Department of Commerce)	Weatherization Assistance for Low-Income Persons	81.042	F13-43104-404	199,598	-	199,598	
	Total CFDA 81.042:			307,390	-	307,390	

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Department Of Energy (via Department of Commerce)	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	F14-52117-013	9,500	-	9,500	
Department Of Energy (via Department of Commerce)	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	UF14-521	13,500	-	13,500	
			Total CFDA 81.117:	23,000	-	23,000	
Department Of Energy	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	123360 DE- EE0003573	-	1,430,471	1,430,471	6
Office Of Minority Health, Department Of Health And Human Services (via Department of Health)	Cooperative Agreements to Improve the Health Status of Minority Populations	93.004	N19557	293	-	293	
Administration For Community Living, Department Of Health And Human Services (via 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	12,620	-	12,620	
Administration For Community Living, Department Of Health And Human Services (via Department of Social and Health Services)	Special Programs for the Aging_ Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	1469-93697	18,387	-	18,387	
			Total CFDA 93.041:	31,007	-	31,007	
Administration For Community Living, Department Of Health And Human Services (via Department of Social and Health Services)	Special Programs for the Aging_ Title III, Part D_Disease Prevention and Health Promotion Services	93.043	1469-93697	74,249	-	74,249	
Administration For Community Living, Department Of Health And Human Services (via Department of Social and Health Services)	National Family Caregiver Support, Title III, Part E	93.052	1469-93697	763,403	-	763,403	

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Administration For Community Living, Department Of Health And Human Services (via Department of Social and Health Services)	Medicare Enrollment Assistance Program	93.071	1369-92778	20,550	-	20,550	
Administration For Community Living, Department Of Health And Human Services (via Department of Social and Health Services)	Medicare Enrollment Assistance Program	93.071	1469-28486	552	-	552	
Administration For Community Living, Department Of Health And Human Services (via Department of Social and Health Services)	Affordable Care Act – Aging and Disability Resource Center	93.517	1369-78479	58,278	-	58,278	
Administration For Children And Families, Department Of Health And Human Services (via Department of Commerce)	Low-Income Home Energy Assistance	93.568	F13-43101-404	1,569,473	-	1,569,473	
Administration For Children And Families, Department Of Health And Human Services (via Other Educational Agencies)	Head Start	93.600	14-1093-02	244,855	-	244,855	
Administration For Community Living, Department Of Health And Human Services (via Department of Social and Health Services)	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs – financed by Prevention and Public Health Funds	93.734	1269-63897	31,102	-	31,102	
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Seattle Children's Hospital)	PPHF: Community Transformation Grants - Small Communities Program financed solely by Public Prevention and Health Funds	93.737	1H75DP004595-01	26,612	-	26,612	
Department Of Homeland Security (via Department of Parks and Recreation)	Boating Safety Financial Assistance	97.012	N/A	21,188	-	21,188	
	Total CFDA 93.071:			21,102		21,102	

Expenditures

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass-Through Awards		Total	Note
				From Pass-Through Awards	From Direct Awards		
Department Of Homeland Security (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	OSHA 29 CRF 1910.178	466	-	466	
Department Of Homeland Security (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	WA TR1-03/07/2014	11,224	-	11,224	
Department Of Homeland Security (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	WA0TF1-11-25-2014	11,546	-	11,546	
Department Of Homeland Security (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	WATF-1, FAS14	2,211	-	2,211	
Department Of Homeland Security (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	WA-TF1-10/14 & 12/14	1,105	-	1,105	
Department Of Homeland Security (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	WA-TF1-11/19/14	1,229	-	1,229	
Department Of Homeland Security (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	WATF1-12-14-13	1,594	-	1,594	
			Total CFDA 97.025:	29,374	-	29,374	
Department Of Homeland Security (via WA Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	E08-822	10,275	-	10,275	5
Department Of Homeland Security (via WA Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 4168	26,047	-	26,047	5
Department Of Homeland Security (via WA Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-WA-1734	1,248	-	1,248	5
Department Of Homeland Security (via WA Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-WA-4056	1,336	-	1,336	5
			Total CFDA 97.036:	38,906	-	38,906	
Department Of Homeland Security (via WA Military Department)	Hazard Mitigation Grant	97.039	E11-278	5,511	-	5,511	

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Department Of Homeland Security (via WA Military Department)	Hazard Mitigation Grant	97.039	E13-031	14,028	-	14,028	
Total CFDA 97.039:				19,539	-	19,539	
Department Of Homeland Security (via WA Military Department)	Emergency Management Performance Grants	97.042	EMW-2013-EP- 00050-S01	184,439	-	184,439	
Department Of Homeland Security (via WA Military Department)	Emergency Management Performance Grants	97.042	EMW-2014-EP- 00033-S01	167,224	-	167,224	
Total CFDA 97.042:				351,663	-	351,663	
Department Of Homeland Security	Assistance to Firefighters Grant	97.044	EMW-2013-FO- 05607	-	50,328	50,328	
Department Of Homeland Security (via WA Military Department)	P re-Disaster Mitigation	97.047	EMS-2011-PC- 0004	120,393	-	120,393	
Department Of Homeland Security (via Marine Exchange of Puget Sound)	Port Security Grant Program	97.056	2009-PU-T9- K044	845,466	-	845,466	
Department Of Homeland Security (via Marine Exchange of Puget Sound)	Port Security Grant Program	97.056	2009-PU-T9- K044-23	700,430	-	700,430	
Department Of Homeland Security (via Marine Exchange of Puget Sound)	Port Security Grant Program	97.056	2009-PU-T9- K044-25	989,900	-	989,900	
Department Of Homeland Security (via Marine Exchange of Puget Sound)	Port Security Grant Program	97.056	2009-PU-T9- K044-54	196,769	-	196,769	
Department Of Homeland Security (via Marine Exchange of Puget Sound)	Port Security Grant Program	97.056	2010-PU-T0- K033	854,871	-	854,871	
Department Of Homeland Security (via Marine Exchange of Puget Sound)	Port Security Grant Program	97.056	EMW-2011-PU- K00268-S01	1,442,266	-	1,442,266	
Department Of Homeland Security (via Marine Exchange of Puget Sound)	Port Security Grant Program	97.056	EMW-2011-PU- K00268-S01-22	729,535	-	729,535	

Expenditures

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Note
Department Of Homeland Security (via Marine Exchange of Puget Sound)	Port Security Grant Program	97.056	EMW-2011-PU-K00268-S01-23	14,071	-	14,071	
Department Of Homeland Security (via Marine Exchange of Puget Sound)	Port Security Grant Program	97.056	EMW-2011-PU-K00268-S01-24	633,217	-	633,217	
Department Of Homeland Security	Port Security Grant Program	97.056	EMW-2012-PU-00362	-	1,353,405	1,353,405	
Department Of Homeland Security	Port Security Grant Program	97.056	EMW-2013-PU-00156	-	56,150	56,150	
Department Of Homeland Security	Port Security Grant Program	97.056	EMW-2013-PU-00345-S01	-	202,606	202,606	
Department Of Homeland Security	Port Security Grant Program	97.056	EMW-2013-PU-00407	-	87,373	87,373	
Department Of Homeland Security	Port Security Grant Program	97.056	EMW-2014-PU-00496	-	119,009	119,009	
Total CFDA 97.056:				6,406,524	1,818,543	8,225,067	
Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	FFY11-CCP-001	11,242	-	11,242	
Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	FFY11-SHSP-004	29,857	-	29,857	
Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	FFY11-SHSP-008	43,773	-	43,773	
Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	FFY11-SHSP-LE001	4,483	-	4,483	
Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	FFY11-SHSP-LE002	103,126	-	103,126	
Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	FFY12-SHSP-0004	190,000	-	190,000	
Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	FFY12-SHSP-006	175,000	-	175,000	
Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	FFY12-SHSP-011	79,999	-	79,999	
Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	FFY12-SHSP-10	55,000	-	55,000	
Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	FFY13-SHSP-SFD	144,850	-	144,850	

The accompanying notes are an integral part of this statement.

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures		Note
				From Pass- Through Awards	From Direct Awards	
Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	FFY13-SHSP- SPD	167,970	-	167,970
Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	KC FFY11- SHSP-TE-001 / E12-253	63,621	-	63,621
Department Of Homeland Security (via WA Military Department)	Homeland Security Grant Program	97.067	E12-165	271,563	-	271,563
Department Of Homeland Security (via WA Military Department)	Homeland Security Grant Program	97.067	E12-190	233,092	-	233,092
Department Of Homeland Security (via WA Military Department)	Homeland Security Grant Program	97.067	E14-093	311,630	-	311,630
Department Of Homeland Security (via WA Military Department)	Homeland Security Grant Program	97.067	E15-091	74,149	-	74,149
Department Of Homeland Security (via WA Military Department)	Homeland Security Grant Program	97.067	EMW-2011-SS- 00030-S01	1,498,297	-	1,498,297
Department Of Homeland Security (via WA Military Department)	Homeland Security Grant Program	97.067	EMW-2012-SS- 00115-S01	889,066	-	889,066
Department Of Homeland Security (via WA Military Department)	Homeland Security Grant Program	97.067	EMW-2013-SS- 00025-S01	53,452	-	53,452
			Total CFDA 97.067:	4,400,170	-	4,400,170
Department Of Homeland Security (via WA Military Department)	Metropolitan Medical Response System	97.071	E13-014	173,671	-	173,671
Department Of Homeland Security	Homeland Security Biowatch Program	97.091	2011-OH-091- 000028-3	-	161,668	161,668
Department Of Homeland Security	Homeland Security Biowatch Program	97.091	DHS-2014-OHA- BIOWATCH	-	311,439	311,439
			Total CFDA 97.091:	-	473,108	473,108
Department Of Homeland Security (via WA Military Department)	Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	2010-CA-T0- 0009	272,793	-	272,793

Federal Agency (Pass-Through Agency)		Federal Program	CFDA Number	Other Award Number	Expenditures		Note
					From Pass- Through Awards	From Direct Awards	
Department Of Homeland Security (via WA Military Department)	Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	EMW-2011-CA- 00019	558,323	-	558,323	
Department Of Homeland Security (via WA Military Department)	Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	FY2011 RCPGP	22,664	-	22,664	
Transit Services Programs Cluster			Total CFDA 97.111:	853,779	-	853,779	
Federal Transit Administration (fta), Department Of Transportation	New Freedom Program	20.521	WA-57-X021-00	-	14,500	14,500	
TRIO Cluster			Total Transit Services Programs Cluster:	-	14,500	14,500	
Office Of Postsecondary Education, Department Of Education	TRIO_Upward Bound	84.047	P047A120661	-	441,045	441,045	
WIA Cluster			Total TRIO Cluster:	-	441,045	441,045	
Employment Training Administration, Department Of Labor (via Workforce Development Council)	WIA Youth Activities	17.259	13/137-YTH	665,658	-	665,658	
Employment Training Administration, Department Of Labor (via Workforce Development Council)	WIA Youth Activities	17.259	14/180-YTH	72,744	-	72,744	
Total WIA Cluster:			Total WIA Cluster:	738,402	-	738,402	
Total Federal Awards Expended:			Total Federal Awards Expended:	59,716,805	40,543,948	100,260,750	

CITY OF SEATTLE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

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

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.

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 to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

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

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

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