

Washington State Auditor's Office
Financial Statements Audit Report

City of Seattle
King County

Audit Period
January 1, 2012 through December 31, 2012

Report No. 1010306

Issue Date
August 26, 2013



WASHINGTON
TROY KELLEY
STATE AUDITOR



**Washington State Auditor
Troy Kelley**

August 26, 2013

Mayor and City Council
City of Seattle
Seattle, Washington

Report on Financial Statements

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

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

Sincerely,

**TROY KELLEY
STATE AUDITOR**

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King County
January 1, 2012 through December 31, 2012**

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Schedule of Audit Findings and Responses

City of Seattle
King County
January 1, 2012 through December 31, 2012

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

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 City Light Department (SCL) and provided their report to our Office. We are responsible for reporting internal control deficiencies that affect the City's financial reporting.

Description of Condition

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

Property records, billable work, and surplus sales:

The Seattle City Light Department does not regularly reconcile all property records to the general ledger, and on occasion does not follow established procedures for billing customers for work done on the customers behalf and does not currently have sufficient controls in place to effectively monitor surplus sales and salvage unit activities.

- Property records: During conversion to a new work order asset management system (WAMS), SCL's reconciliation of property records to the general ledger found that assets had been taken out of service but never removed from the general ledger. The Department also found assets removed from service that did not have property records.
- Billable work: Seattle City Light performs work for customers on their behalf. Billings are created at different stages of the work including upon completion of the project. Service representatives create billing requests, which notifies accounting to prepare customer bills. In 2011 this process was converted into the WAMS system. The audit found instances where:
 - Requests for billing were not initiated and therefore billings were never completed.
 - Billing requests inaccurately resulted in zero dollar charges, which were not subsequently corrected or investigated.

- Non-billable work, including certain operating expenses to other City departments, was recorded as billable during system conversion.
- Surplus sales and salvage: Several steps in the sales and receipt process for surplus sales and salvage activities are completed by one individual without segregation of duties.

Cash Handling:

Significant steps have been taken to address concerns reported in the 2011 audit. However, multiple SCL units have not modified their procedures and continue to lack the controls necessary to reduce the risk related to cash handling.

- The Department lacks formal, documented policies and procedures in place to track payment receipts and parties responsible for maintaining custody over the payments in some major cash handling processes.
- Numerous payment points throughout the Department's operations do not observe adequate segregation of duties, documentation and control of payment receipts.
- The Department is exposed to an elevated inherent safeguarding-of-asset risk because numerous individuals handle payments before deposit is made.

Cause of Condition

Property records, billable work, and surplus sales:

- Property records: property and equipment taken out of service in prior years were never eliminated from the general ledger and conversely, deletions from the general ledger were not reflected in property records.
- Billable work: billings to customers were either delayed or not billed due to not following established policies and procedures.

Cash handling:

- Not all units of the Seattle City Light have modified their procedures and continue to lack controls over cash handling.

Effect of Condition

Significant deficiencies in internal controls described above make it reasonably possible that financial statement errors could occur and not be detected by the City on a timely basis.

Recommendation

We and the other auditors recommend the City Light Department:

Property records, billable work, and surplus sales:

- Complete regular reconciliations between property records and asset management systems to general ledger.
- Incorporate additional procedural steps to existing policies and procedures surrounding billable work to ensure it is operating as intended.
- Modify current controls surrounding surplus sales and salvage activities to ensure proper segregation of duties exists and transactions are properly accounted for.

Cash handling:

- Establish individual lockboxes specifically for payments for utility billings, escrow payments, surplus sales, conservation programs, rental properties and miscellaneous.
- Require all payments to be submitted directly to appropriate payment processing facilities, such as neighborhood centers, service centers and designated lockboxes.

City's Response

Property records, billable work, and surplus sales:

Regarding Property Records, Management is aware of this situation and agrees with SAO's recommendation. Specific findings cited by SAO were self-identified by SCL in its process of reconciling asset and property records. This effort is being continued by a recently hired team dedicated to this task under a Strategic Initiative for this purpose.

Regarding Billable Work, Management agrees with SAO's recommendation. Management acknowledges that in the process of transferring multiple work-flow processes into the newly installed WAMS system and training many new users in its use, there were impacts in the associated function of billing for service work. It should be clarified that while conclusions on process are accurate, the specific exceptions cited involve minor amounts and we have the opportunity to correct these individual items as well as improve process oversights.

SCL's Accounting group completed in 2013 the hiring for three of its four top accountant positions that were vacant for much of 2012 during a hiring process that took six months to complete. With staff in place, a focus has been to review billing processes as they have been implemented through the WAMS system which is partly designed to enhance our ability to promptly and accurately bill for service work.

Regarding Salvage and Surplus Sales, refer to Management's response on Cash Handling.

Cash handling:

SCL is pleased with the progress that has been made in 2012 to strengthen the control weaknesses identified in the independent auditor's 2011 report. The implementation of the lockboxes has been successful, although some work remains to insure that payments are sent to those boxes rather than to legacy addresses. A program is in place to notify those customers who continue to send payments to the old address and further reduce the volume of payments not going through the lockbox. Similarly, SCL continues to work with City Treasury and FAS Summit team to refine the reporting provided from the lockbox information to aid the SCL org units in proper application of the payment.

Although some payments are still arriving outside of the lockbox, additional manual processes have been instituted to intercept these payments, and when they do occur, to log them, maintain chain of custody, prepare deposits and turn them over to Treasury. This manual process provides adequate controls over the receipt of cash in instances where the lockbox payment does not occur.

Changes to the surplus sales process (addressing segregation of duties and record keeping) have been implemented and training conducted.

Continued training of employees, testing, and monitoring of the process will continue in 2013.

Auditor's Remarks

We appreciate the City's commitment to resolve this finding and thank the City for its cooperation and assistance during the audit.

Applicable Laws and Regulations

RCW 43.09.200, Local government accounting – Uniform system of accounting.

Budgeting, Accounting and Reporting System (BARS) Manual - Part 3, Accounting, Chapter 1, Accounting Principles and General Procedures, Section B, Internal Control.

Schedule of Audit Findings and Responses

**City of Seattle
King County
January 1, 2012 through December 31, 2012**

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

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 Public Utilities Department's Water, Drainage and Wastewater and Solid Waste funds and provided their reports to our Office. We are responsible for reporting internal control deficiencies that affect the City's financial reporting.

Description of Condition

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

Each of the funds have numerous complex accounting transactions and management estimate accounts and unique operational issues and transactional streams, which require accounting personnel with a high level of accounting knowledge, professional judgment and analytical skills. Audit procedures noted several errors in financial calculations and reporting that occurred at yearend and throughout the year. The errors were the result of significant turnover in accounting positions during the year and attributable to a lack of written and institutionalized policies, procedures and fail-safes surrounding sensitive calculations and the monitoring of sensitive accounts that should be present to mitigate risks related to personnel issues.

These noted items include the following:

- A significant capital asset that was placed in service at the end of 2012 during interim audit procedures, which had not been identified by management and was not properly closed to Utility Plant. Management corrected the classification of this asset by using a manual adjustment after the cost accounting system had been closed. This was a re-categorization in the assets section of the Statements of Net Position, moving the asset from construction work in progress to capital assets. There was no impact to the Statement of Revenues, Expenses and Changes in Net Position.

- An error was noted in the computation of the Habitat Conservation Program deferral and liability as of December 31, 2011, resulting in an increased expense in 2012 related to amortization of the adjustment. This adjustment was proposed, but passed on by management.
- An error was noted in the computation of amortization on a new bond issued during the year, whereby a full year of amortization was taken instead of the period from issuance. This error was identified during initial audit procedures and corrected by management prior to final closing of the general ledger for the year.
- Unbilled engineering services revenue was not properly recorded during the year and no yearend analysis was completed related to this account to identify any unbilled services. The estimated adjustments related to this matter were insignificant and management passed on recording a correction.

No material misstatements were identified during the course of the audit.

Cause of Condition

Several of the key accounting positions were filled subsequent to yearend and Seattle Public Utilities (SPU) management continues to monitor the ongoing needs of its accounting and finance groups in order to identify and hire high quality individuals to address its goals of elevating the capability and quality of its departments.

The accounting and finance positions available to SPU are aligned with and match those of the City. This causes constraints and hampers SPU in its ability to hire and retain appropriate accounting personnel.

Effect of Condition

Significant deficiencies in internal controls described above make it reasonably possible that financial statement errors could occur and not be detected by the City.

Recommendation

The certified public accounting firm recommends SPU continue to work with the City to develop appropriate personnel policies that allow for the timely replacement of open positions. Additionally, the accounting department should implement policies, backups and other mitigating controls that can be immediately put into place when accounting positions with key control responsibilities are open. This will help to minimize the risk of error during transitions that occur in the normal course of business.

The certified public accounting firm recommends SPU work with City leadership to develop separate or expand existing job categories and positions applicable to SPU, particularly in the area of accounting and finance that would allow SPU management to create and hire positions more closely aligned with their business operations and needs. Additionally, we recommend SPU work with City leadership to review compensation and benefits policies to determine if they are appropriately aligned with broader markets to allow SPU to attract and retain high quality personnel. It is crucial that pathways for career progression be appropriately designed so that management level employees and those with professional certifications can be retained.

City's Response

Management feels it is important to note that there were no errors in the financial statements as a result of the observations noted above. However, management agrees that a more diligent analysis of these accounts is required to ensure that errors do not occur in the future.

Finance management recognizes that there is a higher level of complexity required for principal accountants responsible for utility financial reporting. The demand for highly experienced accountants in the Seattle area is growing and it is very difficult to hire and retain staff in the principal accountant role within the current compensation schedules. We will begin the work with Human Resources and City Personnel to pursue possible options, such as new classifications or new pay ranges, to better address the complexities required of these positions. In addition, we will continue our work with Human Resources and City Personnel to improve upon the timeliness of hiring new personnel and develop a plan for building a pool of available resources in times of shortages.

Independently, general accounting staff will develop desktop procedures and continue cross training staff to ensure the integrity of the financial reports during future employment transitions. Finally, we will develop and finalize policies and procedures for sensitive estimates.

Auditor's Remarks

We appreciate the City's commitment to resolve this finding and thank the City for its cooperation and assistance during the audit.

Applicable Laws and Regulations

RCW 43.09.200, Local government accounting – Uniform system of accounting.

Budgeting, Accounting and Reporting System (BARS) Manual - Part 3, Accounting, Chapter 1, Accounting Principles and General Procedures, Section B, Internal Control.

Status of Prior Audit Findings

City of Seattle King County January 1, 2012 through December 31, 2012

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

1. **The City of Seattle's internal controls related to accounting for federal grants revenue and expenditures, including those over equipment purchased with federal funds, are inadequate.**

Report No. 1008567 dated October 26, 2012

Background

We identified internal control deficiencies over the tracking of federal grant activity. The City lacked centralized procedures to ensure departments record all assets in the asset management system, and oversight for reviewing grant information reported on the Schedule of Expenditures of Federal Awards. These deficiencies adversely affected the City's ability to identify transactions related to federal grants, which in turn affected the City's ability to comply with grant requirements.

Status

Since October's audit recommendation the City has made an effort to emphasize to its decentralized department accounting staff the importance of accurately identifying and correctly coding chartfield attributes for the City's grant projects. This centralized effort to carefully review how and when departments are setting up projects, the frequency of these reviews and the timeliness of our centralized communication has created an awareness of the grant contract details for the department accountants, program managers and policy directors involved.

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

Report No. 1008567 dated October 26, 2012

Background

The certified public accounting firms' audits identified internal control deficiencies over Seattle City Light and Seattle Public Utilities customer billing accounts, including inadequate controls over systems to receive payment, and lack of formal policies and procedures for reviewing, approving and monitoring billing adjustments. These deficiencies increased the risk of misappropriation of funds due to employee adjustments and make it reasonably possible that financial statement errors could occur and not be detected by the City.

Status

The Utilities worked to strengthen the controls over system access, trained employees to make only appropriate account adjustments and use the appropriate adjustment reason codes, implemented stronger policies for abusers of the payment arrangement process and installed new reporting tools to monitor frequency and size of all account adjustments. The Utilities also strengthened and clarified eligibility requirements for discounted utility rates, simplified the application forms, installed procedures to ensure department employees are not approving their own eligibility and supervisory review of approved applications is being performed.

**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, 2012 through December 31, 2012

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, 2012, 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 28, 2013. 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*. The prior year comparative information has been derived from the City's 2011 basic financial statements, on which we issued our report dated October 26, 2012. During the year ended December 31, 2012, the City implemented Governmental Accounting Standards Board Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*.

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 and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We and the other auditors did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Audit Findings and Responses as Findings 1 and 2 that we consider to be significant deficiencies. A *significant deficiency* is a deficiency, or 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.

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 RESPONSE 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.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large, stylized 'X'.

TROY KELLEY
STATE AUDITOR

June 28, 2013

Independent Auditor's Report on Financial Statements

City of Seattle
King County
January 1, 2012 through December 31, 2012

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 17.

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, Water, Drainage and Wastewater and Solid Waste funds, which are major funds that collectively represent 99 percent, 100 percent and 92 percent, respectively, of the assets, net position and revenue of the business-type activities.
- The Seattle City Employees' Retirement System, which represents 62 percent, 72 percent and 29 percent, respectively, of the assets, net position and revenue 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 Light, Water, Drainage and Wastewater and Solid Waste funds and the Seattle City Employees' Retirement System were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Seattle, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The partial prior year comparative information has been derived from the City's 2011 financial statements and, in our report dated October 26, 2012, based on our audit and the reports of other auditors, we expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information. Such information does not include all of the information required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2011, from which such partial information was derived.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2012, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 18 through 38, budgetary comparison information on pages 144 through 146 and pension trust fund information on pages 147 through 149 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That

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

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive style with a large "X" between the first and last names.

TROY KELLEY
STATE AUDITOR

June 28, 2013

Financial Section

City of Seattle
King County
January 1, 2012 through December 31, 2012

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2012

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2012
Statement of Activities – 2012
Balance Sheet and Reconciliation of Governmental Funds Balance Sheet to the
Statement of Net Position – 2012
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental
Funds – 2012
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Balances of Governmental Funds to the Statement of Activities – 2012
Statement of Net Position – Proprietary Funds – 2012
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary
Funds – 2012
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Statement of Fiduciary Net Position – Fiduciary Funds – 2012
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Notes to Financial Statements – 2012

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and
Actual – General Fund – 2012
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and
Actual – Transportation Fund – 2012
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and
Actual – Low-Income Housing Fund – 2012
Pension Plan Information – Schedule of Funding Progress – 2012
Pension Plan Information – Schedule of Employer Contributions – 2012

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards – 2012
Notes to the Schedule of Expenditures of Federal Awards – 2012

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, 2012. This discussion and analysis focuses on significant financial issues, provides an overview of the City's financial activity, highlights significant changes in the City's financial position, and identifies material variances between the approved budget and actual spending.

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

FINANCIAL HIGHLIGHTS

- At the end of fiscal year 2012 the assets of the City of Seattle exceeded its liabilities by \$4.843 billion. Net investment in capital assets, net of depreciation and related debt, account for 85.8 percent of this amount (\$4.157 billion). The remaining net position of \$686.2 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position increased by \$366.0 million (8.2 percent) during the fiscal year. The governmental net position increased by \$223.2 million (7.6 percent) over the amount reported in 2011. The business-type net position increased \$142.8 million (9.3 percent) in 2012.
- At the close of 2012 the City's governmental funds reported a combined ending fund balance of \$638.3 million, an increase of \$15.2 million (2.4 percent). Of the major funds, the fund balance of the General Fund increased \$70.2 million, the Transportation Fund decreased \$10.4 million, the Low-Income Housing Fund also decreased \$6.7 million, and the fund balances of the other nonmajor governmental funds decreased \$37.9 million. The national and local economies continued to improve; the City experienced moderate growth in its major revenues over 2011. The City's three major tax revenues sources, property taxes, business taxes, and sales taxes were up by \$23.5 million, \$19.2 million, and \$11.1 million, respectively, year over year.
- At the end of 2012 the unassigned fund balance for the General Fund was \$106.0 million or 13.7 percent of total General Fund expenditures of \$772.9 million. The General Fund's unassigned fund balance increased by approximately \$26.2 million from the prior year's amount of \$79.8 million. Total revenues for the General Fund increased \$60.9 million or 6.1 percent and expenditures decreased \$2.3 million. Total other financing uses increased \$18.4 million.
- The City's total outstanding bonded debt increased by approximately \$41.5 million (1.0 percent) to \$4.19 billion during the current fiscal year. During the year, general obligation bonded debt for limited tax (LTGO) and unlimited tax (UTGO) decreased by \$50.4 million while the total revenue bonds increased by \$91.9 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government activities, judicial activities, public safety, physical environment, transportation, economic environment, health

and human services, and culture and recreation. The business-type activities of the City include an electric utility, a water utility, a waste disposal utility, a sewer and drainage utility, operations of regulatory and long-range planning and enforcement of policies and codes that include construction and land use, and parking facilities.

Fund Financial Statements

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

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

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

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

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Combining Statements

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

Statistical Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial position. Table A-1 is a condensed version of the statement of net position for the City of Seattle. At the close of the current fiscal year the City's total assets exceeded liabilities by \$4.843 billion.

Statement of Net Position

Table A-1

CONDENSED STATEMENT OF NET POSITION

(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2012	Restated 2011	2012	Restated 2011	2012	Restated 2011
Current and Other Assets	\$ 1,315,797	\$ 1,262,420	\$ 1,401,952	\$ 1,204,898	\$ 2,717,749	\$ 2,467,318
Capital Assets and Construction in Progress, Net of Accumulated Depreciation	3,535,808	3,348,694	4,431,982	4,234,862	7,967,790	7,583,556
Total Assets	4,851,605	4,611,114	5,833,934	5,439,760	10,685,539	10,050,874
Current Liabilities	273,780	243,625	379,198	349,425	652,978	593,050
Noncurrent Liabilities	1,408,532	1,421,373	3,780,903	3,559,316	5,189,435	4,980,689
Total Liabilities	1,682,312	1,664,998	4,160,101	3,908,741	5,842,413	5,573,739
Net Position						
Net Investment in Capital Assets	2,783,984	2,627,462	1,372,935	1,243,622	4,156,919	3,871,084
Restricted	406,454	419,675	84,848	81,904	491,302	501,579
Unrestricted	(21,145)	(101,021)	216,050	205,493	194,905	104,472
Total Net Position	\$ 3,169,293	\$ 2,946,116	\$ 1,673,833	\$ 1,531,019	\$ 4,843,126	\$ 4,477,135

The largest portion of the City's net position (85.8 percent) reflects an investment of \$4.157 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, \$491.3 million (10.2 percent), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$194.9 million (4.0 percent), may be used to meet the government's obligation to citizens and creditors. The governmental activities had a \$21.1 million deficit in unrestricted net position, due largely to employee and other postemployment benefit liabilities.

The net position for the business-type activities increased between 2011 and 2012 from \$1.531 billion to \$1.674 billion. The increase in net position is attributed primarily to the performance of the City Light Utility, which in 2012 generated \$800.3 million in charges for services and other revenues. City Light generated an operating income of \$138.3 million.

Table A-2

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

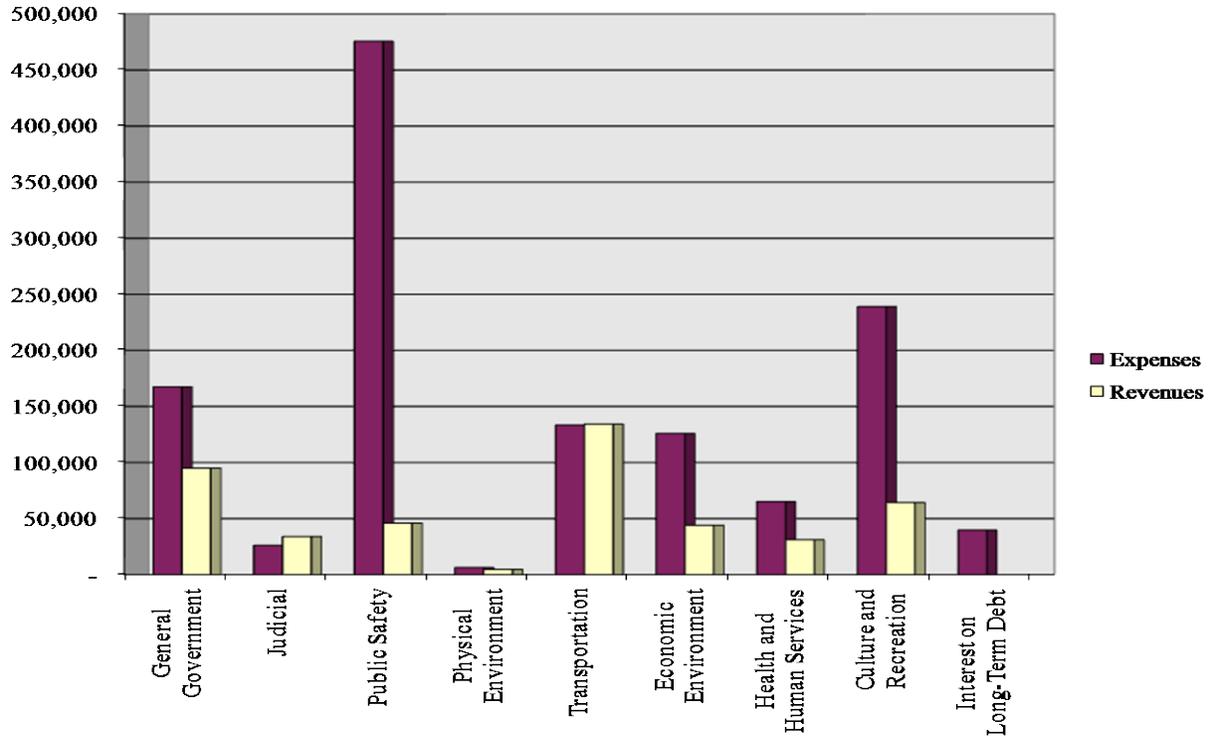
	Governmental Activities		Business-Type Activities		Total	
	2012	Restated 2011	2012	Restated 2011	2012	Restated 2011
Revenues						
Program Revenues						
Charges for Services	\$ 274,798	\$ 249,128	\$ 1,512,436	\$ 1,433,394	\$ 1,787,234	\$ 1,682,522
Operating Grants and Contributions	130,377	136,679	6,749	5,518	137,126	142,197
Capital Grants and Contributions	48,092	47,503	48,438	51,522	96,530	99,025
General Revenues						
Property Taxes	420,763	397,288	-	-	420,763	397,288
Sales Taxes	169,681	158,582	-	-	169,681	158,582
Business Taxes	358,931	339,703	-	-	358,931	339,703
Other Taxes	101,784	77,457	-	-	101,784	77,457
Other	7,960	19,760	12,408	12,002	20,368	31,762
Total Revenues	<u>1,512,386</u>	<u>1,426,100</u>	<u>1,580,031</u>	<u>1,502,436</u>	<u>3,092,417</u>	<u>2,928,536</u>
Expenses						
Governmental Activities						
General Government	167,363	179,498	-	-	167,363	179,498
Judicial	26,121	25,623	-	-	26,121	25,623
Public Safety	475,747	471,205	-	-	475,747	471,205
Physical Environment	6,357	10,697	-	-	6,357	10,697
Transportation	133,511	111,038	-	-	133,511	111,038
Economic Environment	125,917	101,242	-	-	125,917	101,242
Health and Human Services	65,266	71,399	-	-	65,266	71,399
Culture and Recreation	239,003	245,671	-	-	239,003	245,671
Interest on Long-Term Debt	39,829	40,425	-	-	39,829	40,425
Business-Type Activities						
Light	-	-	729,844	723,665	729,844	723,665
Water	-	-	203,610	198,929	203,610	198,929
Drainage and Wastewater	-	-	272,423	269,224	272,423	269,224
Solid Waste	-	-	150,115	149,157	150,115	149,157
Planning and Development	-	-	46,542	44,087	46,542	44,087
Downtown Parking Garage	-	-	7,712	7,740	7,712	7,740
Total Expenses	<u>1,279,114</u>	<u>1,256,798</u>	<u>1,410,246</u>	<u>1,392,802</u>	<u>2,689,360</u>	<u>2,649,600</u>
Excess Before Special Item and Transfers	233,272	169,302	169,785	109,634	403,057	278,936
Special Item - Environmental Remediation	-	-	(37,066)	538	(37,066)	538
Transfers	(10,095)	(9,373)	10,095	9,373	-	-
Changes in Net Position	<u>223,177</u>	<u>159,929</u>	<u>142,814</u>	<u>119,545</u>	<u>365,991</u>	<u>279,474</u>
Net Position - Beginning of Year	2,946,116	2,786,187	1,531,019	1,411,474	4,477,135	4,197,661
Net Position - End of Year	<u>\$ 3,169,293</u>	<u>\$ 2,946,116</u>	<u>\$ 1,673,833</u>	<u>\$ 1,531,019</u>	<u>\$ 4,843,126</u>	<u>\$ 4,477,135</u>

Analysis of Changes in Net Position

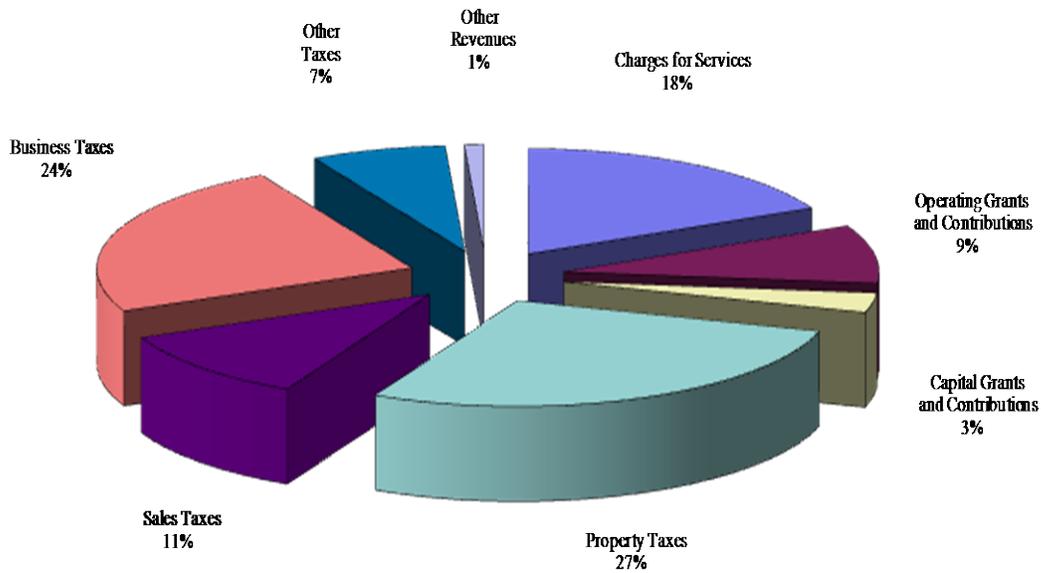
In 2012 the City's total net position increased by \$366.0 million (8.2 percent). The increase is explained in the following discussion of governmental and business-type activities.

Governmental Activities

EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES
(In Thousands)



REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



Total \$1,512.4 Million

Governmental Activities. The charts on the previous page present the City's governmental expenses and revenues by function and its revenue by source. Public safety is the largest governmental expense of the City, followed by culture and recreation, general government, transportation, economic environment, health and human services, judicial, physical environment functions, and interest on long-term debt. General revenues such as the property, business, and sales taxes are not shown by function because they are used to support citywide program activities. Governmental activities increased the City's net position by \$223.2 million in 2012 compared to an increase of \$159.9 million in 2011. Key factors in the change are as follows:

- Tax revenues collected and used to support citywide programs increased 8.0 percent, from \$973.0 million to \$1.051 billion for 2012.
- Program generated revenues were supported by the operating and capital grants, which totaled \$178.5 million. Total charges for services and other revenues grew from \$249.1 million in 2011 to \$274.8 million in 2012. The growth is attributed primarily to higher construction and design services revenues the City received from Sound Transit.
- Year over year expenses for the governmental activities increased 1.8 percent, from \$1.257 billion for 2011 to \$1.279 billion for 2012.

Property taxes, the largest source of revenue supporting governmental activities, totaled \$420.8 million in 2012. This reflects an increase of \$23.5 million or 8.0 percent compared to 2011's balance of \$397.2 million. 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.

Business taxes are the second largest contributor to governmental revenues. The business and occupation (B&O) tax is levied by the City on the gross receipts of most business activities occurring in Seattle. The City also levies a B&O tax on the gross income derived from sales of utility services within Seattle. In 2012, B&O tax revenues increased to \$358.9 million, a 5.7 percent increase over 2011.

The City Council authorizes the acceptance of all grant funds. If a grant is not included as a part of the adopted budget, a separate ordinance is required. The exception is grant contracts where funding is under \$15 thousand, which City departments can accept on their own behalf without an authorizing ordinance. In 2012 over \$54.5 million in additional grant funds were appropriated. The majority of the grant funds totaling \$15.2 million were appropriated to the Police Department and \$9.2 million to the Fire Department. Operating grants decreased \$6.3 million whereas capital grants increased \$589 thousand compared to 2011.

The retail sales and use tax is imposed on the sale of most goods and certain services in Seattle. The tax is collected and remitted to the state. The state provides the City with its share on a monthly basis. Sales tax revenues totaled \$169.7 million, an increase of \$11.1 million over 2011.

In 2012, total expenses for governmental activities were \$1.279 billion compared to \$1.257 billion, a 1.8 percent increase over 2011 expenses. General government expenses went down \$12.1 million, a 6.7 percent decrease over 2011. Overall general government expenses were 13.1 percent and 14.3 percent of total expenses for governmental activities in 2012 and 2011. The decrease is attributed mainly to a reduction in capital contributions to the Pike Place Market Public Development Authority, which decreased from \$17.8 million to \$6.1 million. The change in long-term liabilities was also a contributing factor to the decrease.

Judicial expenses remained stable, slightly increasing from \$25.6 million to \$26.1 million.

Public safety expenses totaled \$475.7 million, a 1.0 percent increase over 2011 expenses.

Physical environment expenses totaled \$6.4 million, a 40.6 percent decrease over 2011. The decrease is mainly caused by a \$4.6 million decrease in professional service costs, which are supported by a \$20 million Energy Efficiency and Conservation Block Grant.

Transportation's program expenses were up \$22.5 million (20.0 percent) to \$133.5 million. This increase reflects an increase in the Transportation Fund's capital program spending, up \$60.7 million over 2011. Of this amount, approximately \$20.0 million was not capitalizable and thus reported as 2012 expenses.

The 2012 program expenses for economic environment totaled \$125.9 million, an increase of \$24.7 million or 24.4 percent year over year. The increase was due to changes in program expenses for items such as funding for creating affordable rental housing, loans to low-income families, and consulting and contractor services to support the low-income housing programs.

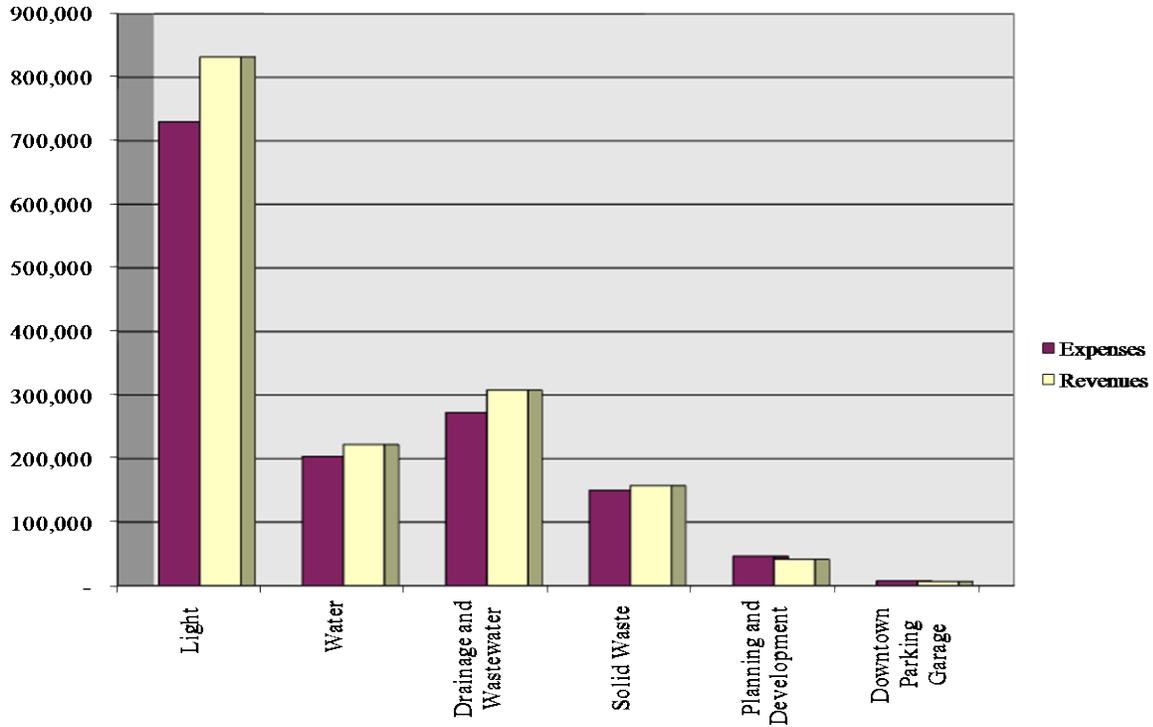
Health and human services expenses showed a decrease of \$6.1 million or 8.6 percent to \$65.3 million. The decrease is primarily a result of spending cuts in the City's public health and aging and disability service program.

Culture and recreation expenses were down \$6.7 million in 2012 or 2.7 percent lower than 2011. This decrease is due mainly to a payment of \$11.5 million made in 2011 to Museum of History and Industry (MOHAI), to which there was no payment in 2012. The City's Park and Recreation Fund accounted almost for 50.0 percent, or \$120.2 million of the total culture and recreation expenses.

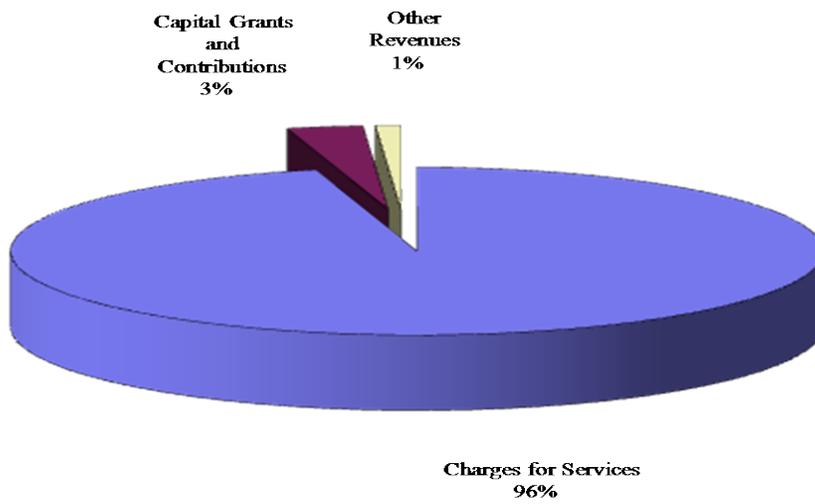
Interest on the City's long-term debt decreased approximately \$600 thousand in 2012, reflecting the City's debt refinancing activities.

Business-Type Activities

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



REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



Total \$1,580.0 Million

Business-Type Activities. At year end the City's net position for business-type activities was \$1.674 billion, a 9.3 percent increase totaling \$142.8 million. Of this amount \$4.6 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 \$13.4 million increase in net position for 2012. A \$28.1 million increase in total operating revenues. Retail power revenues increased by \$8.3 million and wholesale power revenues decreased by \$32.3 million. Retail power revenues were higher as a result of the 3.2 percent across-the-board rate increase effective January 1, 2012. Lower costs of power purchased from the Bonneville Power Administration, and lower customer service expenses were factors contributing to the growth in net income and change in net position. This growth was offset by lower revenues from net wholesale energy sales, a decrease in capital grant activity, and increases in depreciation and administrative and general expenses.

The Water Utility experienced an increase of \$20.7 million in net position for 2012. Operating revenues increased by \$18.9 million reflecting 2012's rate increases. Direct service revenue increased by \$15.2 million, and wholesale/commercial revenues increased by \$5.9 million. The increase was offset by a decrease of \$4.9 million in the revenue stabilization account. Operating expenses also increased by \$8.9 million in 2012. Notable factors affecting this change included a \$2.7 million increase in city utility taxes reflecting the overall revenue increase. Depreciation and amortization increased by \$2.4 million due to an increase in depreciable assets. Additional increases to expenses included \$2.3 million in the general and administrative, and \$1.5 million in field operations. Total contributions and grants increased by \$5.4 million over 2011 which was primarily due to contributions for water mains, meters and hydrants, and \$3.5 million in donated assets.

The Drainage and Wastewater Utility net position increased \$0.8 million in 2012. Operating revenues increased by \$25.0 million primarily due to rate increases in 2012 for both wastewater and drainage revenues. The increase was offset by a rise in operating expenses of \$5.4 million. The increase in operating expenses was attributed to several factors, the most significant of which was an increase of \$3.5 million in city utility taxes as overall revenues increased. Depreciation and other amortization also increased by \$1.3 million due to an increase in depreciable assets. Total amount of contributions, grants and special items decreased by \$36.8 million mainly due to an increase in environmental remediation expenses.

The Solid Waste Utility realized a net increase of \$7.7 million in net position in 2012. Operating revenues increased by \$2.7 million mainly due to a rate increase in 2012. Revenues from direct services increased \$6.1 million, although offset by a \$2.9 million decline in transfer station revenues. Operating expenses for 2012 remained relatively stable with a \$0.4 million increase overall. The largest operating expense increase was related to contractual solid waste collection costs which increased by \$1.5 million. Depreciation and amortization expense grew by \$0.3 million, and taxes paid to the City increased \$0.5 million due to higher tonnage tax rates. These increases were offset by a \$2.1 million reduction in general and administrative and customer service expenses, reflecting a large amount of unfilled employment vacancies within the utility.

The Planning and Development Fund net position increased \$4.6 million in 2012 to end the year at \$6.9 million. Operating revenues increased by \$5.1 million while the operating expenses also increased by \$1.9 million. The revenue increase was mainly due to a steady recovery in building construction activities in 2012. Operating contributions and grants decreased by \$0.1 million. Transfers in from other City funds increased by \$0.7 million.

The Downtown Parking Garage Fund realized a decrease of \$1.1 million in net position. It continues to have insufficient revenues to fully cover its expenses including depreciation, which is not specifically included in its revenue structure. Due to reduced downtown retail sales activities and poor economic conditions, Facilities Operations Division is evaluating the ways to increase revenues and decrease expenses for the fund. For 2012 the fund's ending net position is a \$25.2 million deficit.

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	
	2012	2011	2012	2011	2012	2011
Revenues						
Taxes	\$ 846,011	\$ 790,966	\$ 72,391	\$ 68,928	\$ 18,039	\$ 18,645
Licenses and Permits	20,672	18,817	4,566	4,149	-	-
Grants, Shared Revenues, and Contributions	43,669	47,503	51,939	41,031	5,316	11,176
Charges for Services	51,388	53,844	78,176	65,403	395	19
Fines and Forfeits	34,243	33,992	27	36	-	-
Parking Fees and Space Rent	35,369	31,301	82	38	-	-
Program Income, Interest, and Miscellaneous Revenues	29,909	23,921	271	107	5,955	8,281
Total Revenues	<u>1,061,261</u>	<u>1,000,344</u>	<u>207,452</u>	<u>179,692</u>	<u>29,705</u>	<u>38,121</u>
Expenditures	772,904	775,224	309,828	247,377	36,473	26,433
Other Financing Sources and Uses						
Long-Term Debt Issued and Refunding Payments, Net	-	-	6,000	248	-	-
Sales of Capital Assets	754	21,326	120	19,800	-	15
Transfers In (Out)	(218,894)	(221,112)	85,873	75,860	46	(265)
Total Other Financing Sources and Uses	<u>(218,140)</u>	<u>(199,786)</u>	<u>91,993</u>	<u>95,908</u>	<u>46</u>	<u>(250)</u>
Fund Balances						
Nonspendable	555	572	218	228	-	-
Restricted	82,520	58,917	24,313	18,851	75,344	77,772
Committed	79,508	58,713	26,517	42,352	4,522	8,816
Assigned	6,417	6,808	-	-	-	-
Unassigned	105,992	79,765	-	-	-	-
Total Fund Balances	<u>\$ 274,992</u>	<u>\$ 204,775</u>	<u>\$ 51,048</u>	<u>\$ 61,431</u>	<u>\$ 79,866</u>	<u>\$ 86,588</u>

Table A-3

REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY

GOVERNMENTAL FUNDS (continued)

(In Thousands)

	Nonmajor Funds			
	Special Revenue Funds		Debt Service Funds	
	2012	Restated 2011	2012	2011
Revenues				
Taxes	\$ 59,544	\$ 41,379	\$ 16,908	\$ 17,374
Licenses and Permits	-	-	-	-
Grants, Shared Revenues, and Contributions	67,374	65,024	1,044	530
Charges for Services	52,632	48,378	-	-
Fines and Forfeits	70	38	-	-
Parking Fees and Space Rent	21,350	19,339	306	326
Program Income, Interest, and Miscellaneous Revenues	4,372	3,919	572	655
Total Revenues	205,342	178,077	18,830	18,885
Expenditures	320,820	319,418	75,151	70,176
Other Financing Sources and Uses				
Long-Term Debt Issued and Refunding Payments, Net	-	10,687	-	-
Sales of Capital Assets	56	20	-	-
Transfers In (Out)	136,413	135,306	56,488	51,150
Total Other Financing Sources and Uses	136,469	146,013	56,488	51,150
Fund Balances				
Nonspendable	350	436	-	-
Restricted	57,769	40,281	10,666	10,499
Committed	9,209	8,988	-	-
Assigned	12,583	8,816	-	-
Unassigned	(12,463)	(12,064)	-	-
Total Fund Balances	\$ 67,448	\$ 46,457	\$ 10,666	\$ 10,499

	Nonmajor Funds				Total Governmental Funds	
	Capital Projects Funds		Permanent Funds		2012	Restated 2011
	2012	2011	2012	2011		
Revenues						
Taxes	\$ 31,715	\$ 35,889	\$ -	\$ -	\$ 1,044,608	\$ 973,181
Licenses and Permits	-	-	-	-	25,238	22,966
Grants, Shared Revenues, and Contributions	8,433	2,549	-	-	177,775	167,813
Charges for Services	4	-	-	-	182,595	167,644
Fines and Forfeits	-	-	-	-	34,340	34,066
Parking Fees and Space Rent	-	-	-	-	57,107	51,004
Program Income, Interest, and Miscellaneous Revenues	2,549	2,804	21	19	43,649	39,706
Total Revenues	42,701	41,242	21	19	1,565,312	1,456,380
Expenditures	66,863	40,828	19	30	1,582,058	1,479,486
Other Financing Sources and Uses						
Long-Term Debt Issued and Refunding Payments, Net	31,651	73,679	-	-	37,651	84,614
Sales of Capital Assets	1,352	-	-	-	2,282	41,161
Transfers In (Out)	(67,876)	(46,302)	(10)	(10)	(7,960)	(5,373)
Total Other Financing Sources and Uses	(34,873)	27,377	(10)	(10)	31,973	120,402
Fund Balances						
Nonspendable	-	-	2,050	2,050	3,173	3,286
Restricted	153,680	211,187	112	120	404,404	417,627
Committed	-	-	-	-	119,756	118,869
Assigned	-	-	-	-	19,000	15,624
Unassigned	(1,528)	-	-	-	92,001	67,701
Total Fund Balances	\$ 152,152	\$ 211,187	\$ 2,162	\$ 2,170	\$ 638,334	\$ 623,107

Governmental Funds

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

As of the end of the current fiscal year the City's governmental funds reported a combined ending fund balance of \$638.3 million, an increase of \$15.2 million in comparison to 2011. Approximately \$92.0 million of this amount represents an unassigned fund balance available for all purpose spending; \$19.0 million is assigned for specific purposes by City's management, and \$119.8 million is committed by City Council. Approximately 63.3 percent of the total fund balances is externally restricted for specific purposes, and the remainder constitutes nonspendable items such as petty cash, inventories, and prepaid amounts.

Revenues for governmental funds overall totaled approximately \$1.565 billion in the fiscal year ended December 31, 2012, an increase of approximately \$108.9 million or 7.5 percent from the prior year's balance of \$1.456 billion. Expenditures in governmental funds amounted to \$1.582 billion, an increase of approximately \$102.6 million or 6.9 percent compared to \$1.479 billion spent in 2011. In the aggregate, expenditures for governmental funds exceeded revenues by approximately \$16.7 million.

The **General Fund** is the chief operating fund of the City. The Library Fund, previously reported as a special revenue fund, was determined to no longer meet the definition of a special revenue fund, as defined by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result, the Library Fund is now reported as part of the General Fund for the GAAP reporting. For comparability, all amounts presented for fiscal year 2011 and 2012 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 2012. At the end of 2012 the total fund balance of the General Fund was \$275.0 million. The fund balance increased by \$70.2 million in 2012 compared to 2011.

Total revenues for the General Fund amounted to \$1.061 billion, an increase of \$60.9 million or 6.1 percent higher than 2011. The increase is mostly attributable to higher tax revenues, which increased by \$55.0 million or 7.0 percent, between 2011 and 2012.

Revenues derived from grants, shared revenues and contributions decreased \$3.8 million in 2012. However, all other revenue sources increased from 2011. Program income, interest, and miscellaneous revenues were up \$6.0 million; parking fees and space rent were up \$4.1 million; and licenses and permits revenues were up \$1.9 million.

General Fund expenditures decreased slightly in 2012 to \$772.9 million, 0.3 percent lower than 2011. Public safety accounts for 60.0 percent of the General Fund's total expenditures in 2012. Public safety's two largest expenditures were for police and fire protection. For 2012 the Police Department incurred \$269.6 million and the Fire Department incurred \$170.1 million of expenditures.

The net other financing uses increased significantly by \$18.3 million. The change in financing uses was offset by a one-time entry in 2011, recording approximately \$20.6 million in proceeds from the sales of capital assets.

The **Transportation Fund**, a special revenue fund, develops, maintains, and operates the transportation system inclusive of streets, bridges, ramps, retaining walls, sea walls, bike trails, street lights, and other road infrastructure. At the end of the fiscal year the fund balance decreased by \$10.4 million. The \$207.5 million of revenues collected include excess property tax levy, a commercial parking tax, employee hours tax, grants and contributions, and charges for services. Transportation's expenditures totaled \$309.8 million for 2012, up \$62.5 million or 25.2 percent from 2011 due to an increase in capital activity. The Transportation Fund's other financing sources contributed \$96.0 million in 2012, although mainly comprised of transfers in 2012 this included \$19.8 million recorded for capital assets sales.

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 2012 fund balance of \$79.9 million reflects a decrease of \$6.7 million from 2011. Revenues from 2011 to 2012 decreased by \$8.4 million or 22.1 percent. The expenditures increased by \$10.0 million or 37.0 percent year over year. The decrease in expenditures is attributed to the cyclical nature of the fund. Multifamily construction projects can span several years from acquisition to final construction. Further driving the variations is the cyclical nature of downtown construction and their associated costs.

In 2012 the other **special revenue funds** (SRF) showed a \$21.0 million increase in fund balance as a result of increased operating revenues and stable operating expenditures. In 2011 the Families and Education Levy passed and generated approximately \$31.6 million of additional revenue for the City in 2012.

SRF expenditures increased slightly, up \$1.4 million to \$320.8 million compared to 2011. The expenditures in special revenue funds were mostly up from 2011 except for the Pike Place Market Renovation Fund, which shows significant decrease in activities as the renovation of the Pike Place Market facilities is near completion.

The other financing sources category decreased \$9.5 million, down 6.5 percent compared to 2011. The decrease is attributable to no issuance of long-term debt in 2012, which totaled approximately \$10.0 million in 2011.

The total fund balance of the **debt service funds** and **permanent funds** remained relatively unchanged between years. The debt service fund balance increased \$167 thousand to \$10.7 million, and the permanent fund balances decreased \$8 thousand to \$2.2 million at the end of 2012.

The fund balance in the **capital projects funds** decreased \$59.0 million or 28.0 percent from \$211.2 million to \$152.2 million at the end of 2012. 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.

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	\$ 796,071	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	12,992	-	-	-	7,680
Grants, Shared Revenues, and Contributions	34,285	-	-	-	-
Charges for Services	41,467	8,423	-	-	-
Fines and Forfeits	32,754	-	-	-	-
Parking Fees and Space Rent	34,497	-	-	-	-
Program Income, Interest, and Miscellaneous Revenues	2,959	547	34	16	402
Total Revenues	955,025	8,970	34	16	8,082
Expenditures	661,826	5,255	-	4,633	7,991
Other Financing Sources and Uses					
Sales of Capital Assets	4	-	-	-	-
Transfers In (Out)	(266,599)	1,191	(1,000)	4,967	(190)
Total Other Financing Sources and Uses	(266,595)	1,191	(1,000)	4,967	(190)
Fund Balances					
Nonspendable	191	-	-	-	-
Restricted	432	-	-	-	1,579
Committed	9,998	17,351	-	887	3,090
Assigned	3,020	-	2,672	-	-
Unassigned	42,474	-	-	-	-
Total Fund Balances	\$ 56,115	\$ 17,351	\$ 2,672	\$ 887	\$ 4,669

	Cumulative Reserve	Neighborhood Matching	Bluefield Habitat Maintenance	Development Rights	Emergency
Revenues					
Taxes	\$ 49,940	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-
Grants, Shared Revenues, and Contributions	4,678	-	-	-	-
Charges for Services	1,269	-	-	-	-
Fines and Forfeits	-	-	-	-	-
Parking Fees and Space Rent	307	-	100	-	-
Program Income, Interest, and Miscellaneous Revenues	449	-	2	-	-
Total Revenues	56,643	-	102	-	-
Expenditures	21,193	2,513	-	-	-
Other Financing Sources and Uses					
Sales of Capital Assets	750	-	-	-	-
Transfers In (Out)	(6,307)	2,779	-	-	(1,973)
Total Other Financing Sources and Uses	(5,557)	2,779	-	-	(1,973)
Fund Balances					
Nonspendable	2	-	-	-	-
Restricted	49,217	-	-	-	-
Committed	9,260	4,225	205	22	68
Assigned	-	-	-	-	-
Unassigned	21,458	-	-	-	42,060
Total Fund Balances	\$ 79,937	\$ 4,225	\$ 205	\$ 22	\$ 42,128

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	-	43	-	-	-
Fines and Forfeits	-	-	-	-	-
Parking Fees and Space Rent	-	-	-	-	-
Program Income, Interest, and Miscellaneous Revenues	-	-	-	-	20,720
Total Revenues	-	43	-	-	20,720
Expenditures	-	43	233	399	9,374
Other Financing Sources and Uses					
Sales of Capital Assets	-	-	-	-	-
Transfers In (Out)	-	-	-	-	-
Total Other Financing Sources and Uses	-	-	-	-	-
Fund Balances					
Nonspendable	-	-	273	-	83
Restricted	-	-	-	-	19,951
Committed	-	119	5,523	2,473	25,278
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	\$ -	\$ 119	\$ 5,796	\$ 2,473	\$ 45,312

	Group Term Life Insurance	Library ^a	Total General Fund	
			2012	2011
Revenues				
Taxes	\$ -	\$ -	\$ 846,011	\$ 790,966
Licenses and Permits	-	-	20,672	18,817
Grants, Shared Revenues, and Contributions	-	4,706	43,669	47,503
Charges for Services	-	186	51,388	53,844
Fines and Forfeits	-	1,489	34,243	33,992
Parking Fees and Space Rent	-	465	35,369	31,301
Program Income, Interest, and Miscellaneous Revenues	4,630	150	29,909	23,921
Total Revenues	4,630	6,996	1,061,261	1,000,344
Expenditures	4,642	54,802	772,904	775,224
Other Financing Sources and Uses				
Sales of Capital Assets	-	-	754	21,326
Transfers In (Out)	-	48,238	(218,894)	(221,112)
Total Other Financing Sources and Uses	-	48,238	(218,140)	(199,786)
Fund Balances				
Nonspendable	-	6	555	572
Restricted	-	11,341	82,520	58,917
Committed	425	584	79,508	58,713
Assigned	-	725	6,417	6,808
Unassigned	-	-	105,992	79,765
Total Fund Balances	\$ 425	\$ 12,656	\$ 274,992	\$ 204,775

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

Proprietary Funds

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

City Light Utility. The Utility realized net income of \$105.6 million in 2012 compared to \$92.2 million in 2011, an increase of \$13.4 million (14.5 percent). Higher retail power sales, lower costs of power purchased from the Bonneville Power Administration, and lower customer service expenses were factors contributing to the growth in net income. This growth was offset by lower revenues from net wholesale energy sales, a decrease in capital grant activity, and increases in depreciation and administrative and general expenses.

Net cash provided by operating activities decreased by \$49.1 million to \$243.5 million in 2012, compared to \$292.6 million in 2011. Restricted assets increased by \$66.5 million to \$275.7 million in 2012, compared to \$209.2 million in 2011. In 2012 revenue from surplus power sales was less than the forecasted. To supplement the shortfall in revenue \$36.2 million was withdrawn from the Rate Stabilization Account's deferred revenue balance to supplement revenues. Interest income of \$1.0 million was earned on the RSA. The estimated excess of operating cash to achieve a debt service coverage ratio of 1.85 was \$22.0 million and this amount was transferred to the RSA from operating cash in December 2012 in accordance with Ordinance 124059. The net 2012 RSA cash transferred to operating cash was \$13.2 million.

Capital assets, net of accumulated depreciation and amortization, were \$2.352 billion and \$2.200 billion in 2012 and 2011, a net increase of \$152.0 million. The majority of the Utilities' capital asset additions were in the distribution system, transmission plant, hydraulic production, and other intangible assets. The net increase in capital assets was partially offset by a \$53.8 million increase in accumulated depreciation and amortization.

Total revenue bonds payables were \$1.779 billion in 2012 and \$1.680 billion in 2011, a net increase of \$99.0 million. In July 2012, the Utility issued a total of \$345.6 million of revenue and refunding revenue bonds. Interest expense was \$81.6 million in 2012 and \$79.9 million in 2011. Including long-term debt, the total liabilities were \$2.189 billion in 2012 and \$2.033 billion in 2011.

City Light's total net position was \$1.052 billion in 2012 and \$946.8 million in 2011.

Water Utility. The Utility realized an operating income of \$50.1 million in 2012 compared to \$40.1 million in 2011. Operating revenues increased by \$18.9 million and operating expenses increased by \$8.9 million between 2012 and 2011. The Utility realized a net income of \$20.7 million in 2012 compared to net income of \$1.8 million in 2011. The net income in 2012 was primarily due to a water rate increase, offset by \$8.9 million increase in operating expenses.

Net cash provided by operating activities increased to \$103.2 million in 2012 from \$83.9 million in 2011, an increase of \$19.3 million. Total operating and restricted cash and investments were \$85.4 million in 2012 compared to \$94.1 million in 2011, a decrease of \$8.7 million. This decrease in cash and investments was primarily due to use of construction funds for capital improvement projects.

Utility plant, net of accumulated depreciation, and other capital assets for the year ended December 31, 2012, amounted to \$1.205 billion. This represents a net increase of approximately \$1.3 million in 2012. Major capital assets additions in 2012 included reservoir coverings and improvements, water infrastructure and rehabilitation, and various improvements for bridge, water distribution system, water main, and water transmission pipelines.

The Water Utility had \$919.6 million in outstanding revenue bonds in 2012 compared to \$977.2 million at year end 2011. The decrease of \$57.6 million was due to a combination of principal payments and the issuance of new bonds. The 2012 bond issue was used to fully refund the 2001 bonds and partially refund the 2003 and 2004 bonds.

The Water Utility's total net position was \$333.3 million in 2012 and \$312.7 million in 2011.

Drainage and Wastewater Utility. The Utility realized an operating income of \$45.5 million in 2012 compared to \$25.9 million in 2011. Operating revenues increased by \$25.0 million and operating expenses increased by \$5.4 million between 2012 and 2011. The Utility realized a net income of \$0.8 million in 2012 and \$18.0 million in 2011. The drop in 2012's net income is due to an increase in environmental remediation expenses, offset by the increase in wastewater and drainage rates.

Net cash provided by operating activities increased to \$72.6 million compared to \$38.4 million in 2011. Total operating and restricted cash and investments were \$160.7 million in 2012 compared to \$81.0 million in 2011. The \$79.7 million increase is primarily due to issuance of a new bond in 2012.

Utility plant, net of accumulated depreciation, and other capital assets increased to \$699.1 million in 2012 from \$663.4 million in 2011, an increase of \$35.7 million. Acquisition of new assets included completion of the Madison Valley

Phase II project, installation of sewer pipes throughout several locations in the city, and building and water quality improvements near 7th and Riverside in South Park. There was also emergency rehabilitation work on sewer mainlines, improvements to surface water system field equipment, and replacement of a sluice gate in the Windermere basin.

The Drainage and Wastewater Utility had \$540.5 million outstanding revenue and refunding bond liabilities in 2012, as compared to \$486.6 million in 2011. In 2012 the City issued \$222.1 million of revenue bonds for its drainage and wastewater system and refunded \$151.9 million of 2001 and 2002 bonds, and partially 2004 bonds. Total liabilities, including revenue bonds, were \$707.1 million in 2012 and \$572.0 million in 2011.

Total net position for the Drainage and Wastewater Utility was \$271.0 million in 2012 and \$270.3 million in 2011.

Solid Waste Utility. The Utility realized an operating income of \$9.5 million in 2012 compared to \$7.1 million in 2011. Operating revenues increased by \$2.7 million and operating expenses increased by \$0.4 million between 2012 and 2011. The Utility realized a net income of \$7.7 million in 2012 compared to \$5.9 million in 2011. The net income in 2012 was primarily due to a rate increase effective January 2012.

Net cash provided by operating activities decreased to \$13.7 million in 2012 compared to \$17.9 million in 2011. Total operating and restricted cash and investments were \$32.3 million in 2012 and \$41.5 million in 2011. The \$9.2 million decrease in operating and restricted cash and investments is primarily due to construction payments on the South Transfer Station rebuild project.

Utility plant, net of accumulated depreciation, and other capital assets increased to \$129.1 million in 2012 from \$117.9 million in 2011, an increase of \$11.2 million. The majority assets placed in service in 2012 included the South Transfer Station rebuild project, land acquisition related to the South Transfer Station, and information technology upgrades.

The Solid Waste Utility had \$119.2 million outstanding revenue bond liabilities in 2012 compared to \$122.2 million in 2011. The decline was due to \$3.0 million of principal payments paid in 2012.

Total net position for the Solid Waste Utility was \$29.0 million in 2012 and \$21.4 million in 2011.

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 2012 is \$1.969 billion; SCERS represents 99.1 percent of this amount.

SCERS assets held in trust for the payment of future benefits do not exceed the estimate of actuarially accrued liabilities as of December 31, 2012. The fund uses the services of both active and index fund professional money managers. SCERS net position increased in value by \$198.0 million (11.3 percent) during 2012. For year ending 2012 the member and employer contributions totaled \$119.6 million; income from investment activity totaled \$230.7 million which was an increase from a loss in 2011 of \$8.3 million. Total expense for 2012 increased by \$8.2 million as compared to 2011. This increase is primarily attributed to a \$10.1 million increase in retiree benefits offset by a \$1.8 million reduction in contribution refunds. In 2012 the net increase in the number of retirees receiving benefits was 2.4 percent.

At December 31, 2012, the net positions of assets held in trust in the Firemen's Pension Fund and the Police Relief and Pension Fund for the payment of future benefits were \$12.9 million and \$4.6 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.

The General Fund's 2012 final appropriation budget, including support to other funds, was \$1.344 billion. This amount differed from the original budget due to supplemental appropriations approved by the City Council during the year and carry forward budgets from the prior year. In fiscal year 2012 the General Fund's original budget was \$1.281 billion.

The most significant budget activities are described below:

- At year-end 2012 actual expenditures and transfers were \$160.7 million less than budgeted. Of this amount \$123.9 million of the budget will be carried over into 2013 to cover outstanding encumbrances, grants, and capital spending.
- The total expenditures and encumbrances budget for the Real Estate Excise Tax (REET I and II) Cumulative Reserve Subfunds was \$55.1 million of which \$31.7 million of the budget was expended in 2012. The unspent budget will be carried forward for capital appropriation in 2013.
- The majority of the carryforward budget is within the General Subfund, 41.4 percent, and the REET I and REET II Cumulative Reserve Subfunds at 11.9 percent and 7.0 percent, respectively. The amount of carryforward budgets from 2011 was \$99.3 million; this amount increased 24.8 percent in 2012 to \$123.9 million.
- In 2012 \$28.6 million in additional grant funding was authorized in supplemental ordinances by the City Council. This includes \$13.3 million under agreement with the U.S. Department of Homeland Security (DHS) for funds available under the Port Security Grant Program (PSGP).
- 2012 current expenditures of the general government were \$328.7 million, which were 10.9 percent below the final budget of \$368.9 million. The excess budget is primarily due to the actual health care and judgment/claim costs that came in significantly less than forecasted and carryforward budgets for the City's multi-year grant projects.
- The current expenditures and capital outlay spending of the public safety in 2012 came in at \$466.4 million, \$36.3 million under the final budget of \$502.7 million, which is also primarily due to the amount of available grant funding within the Fire and Police departments that will continue into 2013. Detail information follows:
 - The Police Department's 2012 budget was \$289.0 million. This amount breaks into \$1.2 million for continuing and capital programs, \$25.5 million for grant programs, and the remaining \$262.3 million for operations. The 2012 actual expenditures were \$269.6 million, breaking down into grants of \$9.8 million, expenditures for capital and continuing projects of \$0.4 million, and the remaining \$259.4 million for operations.
 - The Fire Department's 2012 budget was \$183.8 million. This amount breaks into \$1.1 million for capital continuing programs, \$15.7 million for grant programs, and the remaining \$167.0 million for operations. The 2012 actual expenditures were \$170.1 million, breaking down into grants of \$3.6 million, expenditures for continuing and capital projects of \$0.4 million, and the remaining \$166.1 million for operations.
- The capital outlay spending in the general government and the culture and recreation functions of the City are reported significantly under budget. This is to be expected with the City loading budgets for projects that span multiple operating cycles and reporting periods. In 2012 the general government expended 21.7 percent of the budget, only \$5.6 million of the \$26.0 million budgeted. This was consistent within culture and recreation which reported spending only \$14.4 million of the \$50.0 million budgeted, or 28.7 percent of the 2012 capital outlay budget.
- General Fund actual revenues came in at \$1.220 billion, \$2.7 million higher than budget. 2012's total tax revenues of \$846.0 million were \$39.5 million over budget. Revenue recorded for grants and contributions was \$39.0 million compared to a budget of \$78.8 million, this was mainly 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	
	2012	Restated	2012	2011	2012	Restated
		2011				2011
Land	\$ 537,852	\$ 534,093	\$ 155,063	\$ 133,634	\$ 692,915	\$ 667,727
Plant in Service, Excluding Land	-	-	3,908,086	3,688,841	3,908,086	3,688,841
Buildings and Improvements	1,559,739	1,531,238	32,070	34,074	1,591,809	1,565,312
Machinery and Equipment	117,285	124,119	1,604	2,447	118,889	126,566
Infrastructure	996,293	808,074	-	-	996,293	808,074
Construction in Progress	310,509	340,504	258,587	312,968	569,096	653,472
Other Capital Assets	14,130	11,871	76,572	62,770	90,702	74,641
Total Capital Assets	<u>\$ 3,535,808</u>	<u>\$ 3,349,899</u>	<u>\$ 4,431,982</u>	<u>\$ 4,234,734</u>	<u>\$ 7,967,790</u>	<u>\$ 7,584,633</u>

Capital assets, net of depreciation, for governmental activities increased by \$185.9 million in 2012. The main increase is attributable to the following:

- The Department of Transportation capitalized \$264.3 million for various infrastructure assets (roads, bridges, sidewalks, signs, illuminations, and others). Construction in progress decreased \$56.6 million over last year.
- The Department of Parks and Recreation capitalized various community parks improvements and renovations at \$33.5 million.

Capital assets, net of depreciation, for business-type activities increased by \$197.2 million in 2012. Major increases included the following:

- City Light capital assets, net of accumulated depreciation, increased by \$151.9 million in 2012. This increase was primarily comprised of \$119.1 million for distribution plant assets.
- Drainage and Wastewater Utility net capital assets increased by \$35.7 million compared to last year. Major capital asset placed in service was for the completion of the Madison Valley Phase II project, sewer pipelines replacement and building pump station in the amount of \$14.7 million.
- Solid Waste Utility net capital assets increased by \$11.2 million for the year ended December 31, 2012. The Utility spent \$17.1 million relating to ongoing construction projects, including \$65.7 million for the new South Transfer Station.
- Water Utility net capital assets increased by \$1.3 million compared to last year. Major capital assets placed in service was the reservoir coverings and improvements in the amount of \$45.5 million.

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

DEBT ADMINISTRATION

At the end of the fiscal year 2012 the City had \$4.190 billion in outstanding bonded debt that included general obligation and revenue bonds, compared to \$4.149 billion in 2011. This represents an increase of approximately \$41.5 million (1.0 percent). Additionally, the special assessments bonds that the City issued in 2006, without lending its full faith and credit but obligated in some manner for the design and construction of the South Lake Union Streetcar, decreased to \$13.0 million. In 2012 LTGO bonds were issued to finance various capital improvement projects including Mercer (\$4.39 million), Linden (\$4.335 million), Seawall (\$2.46 million), AWV-Parking/Program Management (\$2.51 million), Golf (\$3.775 million), Rainier Beach Community Center (\$5.9 million), Magnuson Park (\$2.795 million), Library IT (\$0.67 million), Refinanced 2002 Bonds (\$25.04 million), Refinanced 2003 Bonds (\$4.68 million) and Refinanced 2005 Bonds (\$19.035 million) for a total of \$75.59 million. Additionally, 2012 UTGO Refinancing Bonds from 2002 totaled \$46.83 million.

The City also issued revenue bonds: \$345.6 million for the Light Fund to finance certain capital improvements and conservation programs and to advance refund certain higher-interest-bearing existing Municipal Light and Power parity

bonds; and \$222.1 million to finance certain capital improvement projects of the City's Municipal Drainage and Wastewater system; additionally, \$238.8 million in Water Fund bonds were issued. 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). The City's LTGO bonds are rated Aa1 by Moody's, AA+ by Fitch, and AAA by S&P. The City maintained its high bond ratings on its Light, Water, Drainage and Wastewater, and Solid Waste revenue bonds by Moody's and S&P; these bonds are not rated by Fitch.

The City's limited and unlimited general obligation debt is capped at 7.5 percent of assessed value by state law. The 2013 assessed value of taxable properties for the City is \$117.7 billion. At the end of 2012 the net outstanding general obligation debt of the City that includes bonds, compensated absences net of sick leave, and guarantees of indebtedness amounted to \$986.8 million, well below the limit of \$8.826 billion, rendering the City's legal debt margin of \$7.840 billion. Within the 7.5 percent limitation, state law restricts outstanding LTGO bonds to 1.5 percent of assessed value. At year-end 2012 the LTGO net outstanding debt was \$898.1 million.

The City is self-insured for workers compensation and for most health care costs. The City carries general liability insurance with a self-insured retention. For these claims, including those incurred but not reported, the City recognized a total liability of \$102.9 million (\$74.9 million for governmental activities and \$28.0 million for business-type activities) at the end of the year. In addition, City utilities and Department of Parks and Recreation recognized a combined \$115.6 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 (PWT) Program which are serviced with revenues from two participating City departments, one with a governmental-type fund and one whose PWT activities are reported in two of its business-type funds.

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

ECONOMIC FACTORS

U.S. Economy. The worst recession in 80 years ended in June 2009, and the U.S. economy has been slowly recovering since then. The recovery has been led by business investment in equipment and software, a rise in exports, which has boosted the manufacturing sector, and a modest upturn in consumption. Housing is finally turning around, and is now a modest contributor to growth instead of a drag. Home sales, prices, and new home construction are now on the upswing. Since employment hit bottom in February 2010, the economy created 5.4 million jobs through December 2012, replacing 61 percent of the jobs lost during the downturn.

The economy picked up steam in the fourth quarter of 2011 and entered 2012 with modest momentum. However, it was soon slowed by a first quarter rise in energy prices, the end of a quiet period for the Eurozone as Spain and Italy faced rising interest rates for their debt, a slowdown in growth in emerging economies, and uncertainty over U.S. fiscal policies.

Following the mid-year slowdown, economic growth revived again in the fourth quarter. Contributing to the revival were the institution of a third round of quantitative easing (QE3) by the Federal Reserve in September, a new agreement by the European Central Bank to purchase sovereign debt that ushered in a period of calm in the Eurozone, and an increase in oil in gas production in the U.S. The pick-up in growth occurred despite the "fiscal cliff" looming at the end of the year.

Looking to the future, economists expect the recovery to remain sluggish. History tells us that recessions caused by financial crises are followed by weak recoveries, and thus far the current recovery is unfolding as expected. Despite improvements in the financial markets, credit remains tight and consumers are under stress due to large declines in wealth, a weak job market, and sluggish income growth. An ongoing drag on the economy is the uncertainty and political discord surrounding federal fiscal policy.

Seattle Metro Area Economy. The Seattle metro area has rebounded from the recession more strongly than the nation. Through December 2012, Seattle metro area (King and Snohomish Co.) employment was up 6.6 percent from its post-recession low in February 2010, compared to a 4.2 percent gain in U.S. employment over the same period. Areas of strength in the local economy include aerospace, software publishing, professional, scientific, and technical services, health services, and mail order and internet retail.

Boeing, the region's largest employer with over 85,000 employees, has been a key force in the region's recovery. At the end of 2012, Boeing had a backlog of over 4,000 planes on order, representing over seven years of production. The firm is phasing in a series of production increases for its 737, 777, and 787 models in 2011-2014, work on the Air Force tanker is ramping up, and a redesign of the 737 that will add new fuel efficient engines has been approved by Boeing's board. However, Boeing's new 787 has been grounded due to battery problems. Boeing is currently working on a fix for that problem.

The city of Seattle has been one of the fastest growing parts of the region, in part because of a construction boom focused largely in multi-family housing. The boom yielded a 29 percent increase in sales tax revenue from construction in 2012. In addition, Amazon, which has moved into its new South Lake Union office complex, has been hiring aggressively.

Despite a relatively healthy start, the region's recovery is expected to be weak by historical standards. The Puget Sound Economic Forecaster expects employment to increase at an average rate of 2.1 percent per year over the next five years. This is a much slower rate of growth than is typical during recoveries, and is lower than the 2.5 percent average annual growth rate posted over the past 40 years (which includes periods of recession). Housing has lagged the recovery of the rest of the economy, but in 2012 signs of a turnaround emerged. For example, average home prices as measured by the Case-Shiller index hit bottom in February 2012 after which they increased by 8.3 percent through December.

General Subfund. In 2012, general government revenues and other financing sources into the General Subfund totaled approximately \$964.3 million. General Subfund revenues and other financing sources are projected to be \$946.79 million in 2013 and \$987.24 million in 2014.

In 2012 the City saw continued recovery in tax revenues over 2011. Notable increases are the retail sales and business and occupation taxes, posting gains of 7.5 percent and 8.2 percent, respectively. A sharp rebound in construction activity coupled with moderate growth in professional, scientific, and tourism industries were the major contributing factors to the gains of these tax revenues. The growth of sales tax and business occupation tax revenues is expected to average 3.5 percent and 4.8 percent respectively over the 2013-2014 period. Looking forward, revenue is expected to continue growing at a modest but gradually increasing pace.

On-street parking and parking enforcement continued to be a source of revenue changes in 2012. Continuing in 2012 the City accelerated its transition to a data-driven, performance based approach to managing on-street parking, making numerous rate, boundary and time-limit changes throughout the City's paid parking areas. Overall, the changes, initiated in 2011 and continued in 2012, increased on-street parking revenues approximately \$4.3 million over 2011 to \$34.4 million. Scheduled loss of paid parking spaces due to the multi-year construction activity related to the Alaskan Way Viaduct replacement project, reconfiguration of the Mercer St. corridor, and several other road construction projects will negatively affect on the street parking revenues throughout the 2013-2014 period. The City also implemented a scofflaw booting program to improve payment compliance on parking citations in 2011. Revenues from the scofflaw booting program and the City's camera enforcement program performed as anticipated in 2012 and are expected to remain fairly stable in 2013 and 2014 at roughly \$1.5 million annually. Overall total enforcement revenues slightly increased to \$31.8 million in 2012 from \$31.3 million in 2011.

Utilities. Utility tax receipts from public utilities increased due mainly to scheduled rate increases in 2012. Water retail and drainage and wastewater rates went up by 8.7 percent and 4.2 percent respectively in 2012. These rate increases have led to higher utility tax revenues to the General Subfund in 2012. The utility rates are again slated to increase in 2013 and 2014, which will lead to higher tax revenues to the General Subfund in the 2013-2014 period. Utility tax receipts from private utilities slightly decreased in 2012 by 2.1 million. The decrease was attributable to lower gross income of private utility firms, which was negatively affected by low fuel prices, a lackluster economy and increased competition.

In 2012, Seattle City Light experienced an increase in retail power sales and a decrease in net wholesale energy revenues. Retail power revenues were higher as a result of the 3.2 percent across-the-board rate increase effective January 1, 2012. In 2010, the utility established, per City Ordinance 123260, a Rate Stabilization Account (RSA) to help mitigate future risks to fluctuations in wholesale revenue. During 2012, lower energy surplus available for sale combined with lower wholesale power prices were prime factors in the decline of net wholesale energy revenues compared to 2011. Operating revenues were augmented by transfers from and to the RSA. A net \$13.2 million of RSA deferred revenue was transferred into the operating fund to supplement lower than expected net wholesale revenues in accordance with Ordinance 124059 to achieve a debt service coverage ratio of 1.85. The debt service coverage ratio in 2012 was 1.81.

Seattle Public Utilities (SPU). In 2012, SPU experienced the effects of an upturn in the economy with improved revenues in all lines of business. Water revenues were higher as a result of an 8.7 percent retail rate increase and an 18.0 percent wholesale rate increase, both effective January 1, 2012. Total billed water demand also increased 1.6 percent in 2012 over 2011; however over the long-term demand is expected to decrease by roughly 1.0 percent a year. Wastewater and drainage revenues were higher as a result of a 3.9 percent sewer rate increase and an 11.4 percent drainage rate increase, both effective January 1, 2012. In addition, billed wastewater demand increased 3.6 percent in 2012 over 2011. Solid waste rates were increased by 6.5 percent for residential service effective January 1, 2012.

Full Time-Equivalent (FTE) Positions. Per Position Authorization Ordinance 123910, in the 2012 adopted budget, 109 net positions were eliminated citywide. The 2013 endorsed budget, presented with the 2012 adopted budget, includes 115 estimated additional positions.

Financial Contact

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

STATEMENT OF NET POSITION

December 31, 2012

(In Thousands)

	Primary Government		Comparative Totals		Component Units
	Governmental Activities	Business-Type Activities	2012	Restated 2011	
ASSETS					
<i>Current Assets</i>					
Operating Cash and Equity in Pooled Investments	\$ 593,237	\$ 269,424	\$ 862,661	\$ 827,846	\$ 4,455
Restricted Cash and Equity in Pooled Investments	19,193	10	19,203	15,933	-
Investments	-	-	-	-	56,085
Receivables, Net of Allowances	91,159	208,269	299,428	286,182	-
Internal Balances	15,583	(15,583)	-	-	-
Due from Other Governments	120,978	9,681	130,659	96,818	-
Inventories	2,732	34,230	36,962	36,976	-
Prepaid and Other Current Assets	1,067	865	1,932	1,694	-
Total Current Assets	843,949	506,896	1,350,845	1,265,449	60,540
<i>Noncurrent Assets</i>					
Restricted Cash and Equity in Pooled Investments	25,081	460,132	485,213	392,568	-
Unamortized Debt Costs	4,501	20,473	24,974	23,830	-
Contracts and Notes	412,625	1,905	414,530	373,941	-
Deferred Conservation Costs, Net	-	237,463	237,463	220,448	-
Deferred Landfill Closure and Postclosure Costs, Net	-	16,081	16,081	17,656	-
Deferred Environmental Costs and Recoveries	-	46,624	46,624	7,421	-
Net Pension Asset	16,599	-	16,599	47,677	-
Other Deferred Charges and Noncurrent Assets	13,042	112,378	125,420	118,328	-
Capital Assets, Net of Accumulated Depreciation					
Land and Land Rights	537,852	155,063	692,915	667,727	-
Plant in Service, Excluding Land	-	3,908,086	3,908,086	3,688,841	-
Buildings and Improvements	1,559,739	32,070	1,591,809	1,565,312	-
Machinery and Equipment	117,285	1,604	118,889	125,618	4
Infrastructure	996,293	-	996,293	808,073	-
Construction in Progress	310,509	258,587	569,096	653,343	-
Other Capital Assets	14,130	76,572	90,702	74,642	-
Total Noncurrent Assets	4,007,656	5,327,038	9,334,694	8,785,425	4
Total Assets	4,851,605	5,833,934	10,685,539	10,050,874	60,544

The accompanying notes are an integral part of this financial statement.

STATEMENT OF NET POSITION

December 31, 2012

(In Thousands)

	Primary Government		Comparative Totals		Component Units
	Governmental Activities	Business-Type Activities	2012	Restated 2011	
LIABILITIES					
<i>Current Liabilities</i>					
Accounts Payable	\$ 99,779	\$ 79,070	\$ 178,849	\$ 150,366	\$ 2,236
Salaries, Benefits, and Taxes Payable	23,165	11,409	34,574	29,891	-
Contracts Payable	10,814	-	10,814	4,870	-
Due to Other Governments	8,211	10,443	18,654	20,994	-
Interest Payable	11,815	57,199	69,014	71,253	-
Taxes Payable	46	11,475	11,521	12,067	-
Deposits Payable	651	-	651	679	-
Deferred Credits	4,753	29,165	33,918	25,521	-
Current Portion of Long-Term Debt					
Bonds Payable	68,935	144,277	213,212	202,988	-
Deferred Bond Interest	-	1,378	1,378	1,213	-
Compensated Absences Payable	20,519	3,005	23,524	21,505	-
Notes and Contracts Payable	2,075	2,273	4,348	3,960	-
Claims Payable	20,997	23,867	44,864	42,957	-
Habitat Conservation Program Liability	-	1,164	1,164	533	-
Landfill Closure and Postclosure Liability	-	1,398	1,398	1,645	-
Other Current Liabilities	2,020	3,075	5,095	2,608	-
Total Current Liabilities	273,780	379,198	652,978	593,050	2,236
<i>Noncurrent Liabilities</i>					
Bonds Payable, Net of					
Unamortized Premiums, Discounts, and Other	758,552	3,431,102	4,189,654	4,062,661	-
Deferred Bond Interest	-	593	593	1,672	-
Special Assessment Bonds with Governmental Commitment	13,005	-	13,005	14,305	-
Compensated Absences Payable	63,559	27,420	90,979	92,806	-
Claims Payable	54,154	119,528	173,682	109,105	-
Notes and Contracts Payable	16,673	32,490	49,163	46,934	-
Landfill Closure and Postclosure Liability	-	17,219	17,219	18,317	-
Vendor Deposits Payable	165	59	224	78	-
Habitat Conservation Program Liability	-	5,747	5,747	4,515	-
Deferred Credits	432,014	16,479	448,493	422,576	-
Deferred Revenue - Rate Stabilization Account	-	115,704	115,704	125,497	-
Arbitrage Rebate Liability	17	-	17	44	-
Unfunded Other Post Employment Benefits	64,208	11,912	76,120	71,355	-
Other Noncurrent Liabilities	6,185	2,650	8,835	10,824	-
Total Noncurrent Liabilities	1,408,532	3,780,903	5,189,435	4,980,689	-
Total Liabilities	1,682,312	4,160,101	5,842,413	5,573,739	2,236

The accompanying notes are an integral part of this financial statement.

STATEMENT OF NET POSITION

December 31, 2012

(In Thousands)

	Primary Government		Comparative Totals		Component Units
	Governmental Activities	Business-Type Activities	2012	Restated 2011	
NET POSITION					
Net Investment in Capital Assets	\$ 2,783,984	\$ 1,372,935	\$ 4,156,919	\$ 3,871,084	\$ 4
Restricted for					
Debt Service	10,666	31,428	42,094	39,940	-
Capital Projects	202,898	-	202,898	242,096	68
Rate Stabilization Account	-	25,026	25,026	25,007	-
Education and Development Services	28,540	-	28,540	14,260	11,874
Special Deposits	-	723	723	428	-
Deferred Conservation and Environmental Costs	-	6,278	6,278	6,089	-
Bonneville Power Administration Projects	-	448	448	463	-
Deferred External Infrastructure Costs	-	6,834	6,834	7,114	-
Muckleshoot Settlement	-	230	230	294	-
Other Deferred Charges	-	13,881	13,881	13,068	-
Health Care Reserve	19,951	-	19,951	17,115	-
Transportation Programs	24,313	-	24,313	18,851	-
Low-Income Housing Programs	75,344	-	75,344	77,772	-
Other Purposes	42,692	-	42,692	37,032	-
Nonexpendable	2,050	-	2,050	2,050	27,018
Unrestricted	(21,145)	216,050	194,905	104,472	19,344
Total Net Position	\$ 3,169,293	\$ 1,673,833	\$ 4,843,126	\$ 4,477,135	\$ 58,308

The accompanying notes are an integral part of this financial statement.

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012
(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	\$ 183,902	\$ (16,539)	\$ 79,048	\$ 15,847	\$ 171
Judicial	26,121	-	33,748	158	-
Public Safety	474,742	1,005	19,277	21,990	4,616
Physical Environment	6,357	-	-	4,639	-
Transportation	129,160	4,351	81,972	13,727	38,468
Economic Environment	125,917	-	7,303	34,611	2,168
Health and Human Services	65,266	-	-	31,217	-
Culture and Recreation	239,003	-	53,450	8,188	2,669
Interest on Long-Term Debt	39,829	-	-	-	-
Total Governmental Activities	1,290,297	(11,183)	274,798	130,377	48,092
BUSINESS-TYPE ACTIVITIES					
Light	725,433	4,411	797,445	2,838	31,803
Water	201,804	1,806	213,164	544	8,383
Drainage and Wastewater	270,815	1,608	297,443	2,062	8,252
Solid Waste	149,488	627	156,927	754	-
Planning and Development	43,811	2,731	40,869	551	-
Downtown Parking Garage	7,712	-	6,588	-	-
Total Business-Type Activities	1,399,063	11,183	1,512,436	6,749	48,438
Total Government-Wide Activities	\$ 2,689,360	\$ -	\$ 1,787,234	\$ 137,126	\$ 96,530
COMPONENT UNITS	\$ 5,373	\$ -	\$ 841	\$ 4,705	\$ -

The accompanying notes are an integral part of this financial statement.

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012
(In Thousands)

Net Revenue (Expense) and Changes in Net Position					
Primary Government					
		Comparative Totals			
Governmental Activities	Business-Type Activities	2012	Restated 2011	Component Units	
GOVERNMENTAL ACTIVITIES					
General Government	\$ (72,297)	\$ -	\$ (72,297)	\$ (81,926)	
Judicial	7,785	-	7,785	7,582	
Public Safety	(429,864)	-	(429,864)	(433,942)	
Physical Environment	(1,718)	-	(1,718)	(2,007)	
Transportation	656	-	656	(5,270)	
Economic Environment	(81,835)	-	(81,835)	(54,812)	
Health and Human Services	(34,049)	-	(34,049)	(36,295)	
Culture and Recreation	(174,696)	-	(174,696)	(176,393)	
Interest on Long-Term Debt	(39,829)	-	(39,829)	(40,425)	
Total Governmental Activities	(825,847)	-	(825,847)	(823,488)	
BUSINESS-TYPE ACTIVITIES					
Light	-	102,242	102,242	87,976	
Water	-	18,481	18,481	(1,056)	
Drainage and Wastewater	-	35,334	35,334	15,115	
Solid Waste	-	7,566	7,566	5,743	
Planning and Development	-	(5,122)	(5,122)	(8,343)	
Downtown Parking Garage	-	(1,124)	(1,124)	(1,803)	
Total Business-Type Activities	-	157,377	157,377	97,632	
Total Government-Wide Activities	(825,847)	157,377	(668,470)	(725,856)	
COMPONENT UNITS					
					\$ 173
General Revenues					
Property Taxes	420,763	-	420,763	397,288	-
Sales Taxes	169,681	-	169,681	158,582	-
Business Taxes	358,931	-	358,931	339,703	-
Excise Taxes	54,637	-	54,637	35,203	-
Other Taxes	44,352	-	44,352	39,014	-
Penalties and Interest on Delinquent Taxes	2,795	-	2,795	3,240	-
Unrestricted Investment Earnings	6,458	11,789	18,247	16,614	5,737
Gain on Sale of Capital Assets	1,502	619	2,121	15,148	-
Special Item - Environmental Remediation	-	(37,066)	(37,066)	538	-
Transfers	(10,095)	10,095	-	-	-
Total General Revenues (Loss), Special Item, and Transfers	1,049,024	(14,563)	1,034,461	1,005,330	5,737
Changes in Net Position	223,177	142,814	365,991	279,474	5,910
Net Position - Beginning of Year	2,946,116	1,531,019	4,477,135	4,200,726	52,398
Prior-Year Adjustments	-	-	-	(3,065)	-
Net Position - Beginning of Year as Restated	2,946,116	1,531,019	4,477,135	4,197,661	52,398
Net Position - End of Year	\$ 3,169,293	\$ 1,673,833	\$ 4,843,126	\$ 4,477,135	\$ 58,308

The accompanying notes are an integral part of this financial statement.

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012
(In Thousands)

	<u>General</u>	<u>Transportation</u>	<u>Low-Income Housing</u>
ASSETS			
Cash and Equity in Pooled Investments	\$ 195,159	\$ 27,488	\$ 79,825
Receivables, Net of Allowances			
Taxes	54,726	2,044	104
Accounts	4,100	1,295	206
Special Assessments - Delinquent	-	-	-
Interest and Dividends	43	146	41
Unbilled and Others	2,039	281	-
Due from Other Funds	11,905	15,857	1,069
Interfund Loans	850	-	-
Due from Other Governments	58,425	47,418	923
Inventories	-	-	-
Prepaid and Other Current Assets	515	216	-
Deposits With Vendor	2	-	-
Contracts and Notes - Noncurrent	7,741	-	357,530
Advances to Other Funds	4,881	-	-
Deferred Charges and Other Assets	-	-	-
Total Assets	<u>\$ 340,386</u>	<u>\$ 94,745</u>	<u>\$ 439,698</u>
LIABILITIES			
Accounts Payable	\$ 27,222	\$ 29,159	\$ 2,063
Contracts Payable	139	6,437	-
Due to Other Funds	5,845	1,669	175
Due to Other Governments	2,853	10	17
Salaries, Benefits, and Taxes Payable	14,853	2,010	-
Interest Payable	752	24	-
Deposits Payable	66	332	93
Revenue Collected/Billed in Advance - Current	1,330	-	-
Other Current Liabilities	241	-	-
Advances from Other Funds	-	-	-
Deferred Revenues	12,093	4,056	357,484
Total Liabilities	65,394	43,697	359,832

The accompanying notes are an integral part of this financial statement.

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012
(In Thousands)

	<u>Other Governmental</u>	<u>Comparative Totals</u>	
		<u>2012</u>	<u>Restated 2011</u>
ASSETS			
Cash and Equity in Pooled Investments	\$ 265,985	\$ 568,457	\$ 574,933
Receivables, Net of Allowances			
Taxes	1,105	57,979	62,368
Accounts	8,345	13,946	13,015
Special Assessments - Delinquent	265	265	195
Interest and Dividends	147	377	549
Unbilled and Others	1,249	3,569	2,121
Due from Other Funds	7,119	35,950	44,943
Interfund Loans	-	850	-
Due from Other Governments	13,858	120,624	84,955
Inventories	553	553	609
Prepaid and Other Current Assets	10	741	780
Deposits With Vendor	-	2	2
Contracts and Notes - Noncurrent	43,974	409,245	368,494
Advances to Other Funds	-	4,881	-
Deferred Charges and Other Assets	13,042	13,042	14,271
Total Assets	<u>\$ 355,652</u>	<u>\$ 1,230,481</u>	<u>\$ 1,167,235</u>
LIABILITIES			
Accounts Payable	\$ 26,557	\$ 85,001	\$ 65,266
Contracts Payable	1,739	8,315	4,871
Due to Other Funds	20,795	28,484	32,969
Due to Other Governments	5,293	8,173	10,647
Salaries, Benefits, and Taxes Payable	4,099	20,962	18,555
Interest Payable	(2)	774	786
Deposits Payable	160	651	678
Revenue Collected/Billed in Advance - Current	3,423	4,753	5,061
Other Current Liabilities	230	471	430
Advances from Other Funds	2,550	2,550	-
Deferred Revenues	58,380	432,013	404,865
Total Liabilities	123,224	592,147	544,128

The accompanying notes are an integral part of this financial statement.

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012
(In Thousands)

	<u>General</u>	<u>Transportation</u>	<u>Low-Income Housing</u>
FUND BALANCES			
Nonspendable	\$ 555	\$ 218	\$ -
Restricted	82,520	24,313	75,344
Committed	79,508	26,517	4,522
Assigned	6,417	-	-
Unassigned	105,992	-	-
Total Fund Balance	<u>274,992</u>	<u>51,048</u>	<u>79,866</u>
Total Liabilities and Fund Balance	<u>\$ 340,386</u>	<u>\$ 94,745</u>	<u>\$ 439,698</u>

The accompanying notes are an integral part of this financial statement.

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012
(In Thousands)

	<u>Other Governmental</u>	<u>Comparative Totals</u>	
		<u>2012</u>	<u>Restated 2011</u>
FUND BALANCES			
Nonspendable	\$ 2,400	\$ 3,173	\$ 3,286
Restricted	222,227	404,404	417,627
Committed	9,209	119,756	118,869
Assigned	12,583	19,000	15,624
Unassigned	<u>(13,991)</u>	<u>92,001</u>	<u>67,701</u>
Total Fund Balance	<u>232,428</u>	638,334	623,107
Total Liabilities and Fund Balance	<u>\$ 355,652</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.		2,872,825	2,676,976
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		18,268	12,013
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.		450,189	434,372
Net pension asset net of pension obligations		16,599	47,677
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		(22,038)	(27,431)
Accrued Interest Payable		(7,106)	(6,627)
Current Portion of Long-Term Debt		(49,223)	(49,569)
Compensated Absences Payable		(19,987)	(18,240)
General Obligation Bonds Payable		(477,135)	(509,408)
Less Bond Discount and Premium		(43,138)	(25,792)
Special Assessment Bonds		(13,005)	(14,305)
Unamortized Losses on Refunding		1,533	593
Deferred Credits		3,569	3,399
Notes and Other Long-Term Liabilities		(19,007)	(14,733)
Compensated Absences - Long-Term		(58,206)	(60,562)
Claims Payable - Long-Term		(36,487)	(43,985)
Workers' Compensation		(16,127)	(15,155)
Arbitrage		(17)	(44)
Unfunded Other Post Employment Benefits		(62,048)	(57,670)
MOHAI Liabilities		(8,500)	(8,500)
Net Adjustments		<u>2,530,959</u>	<u>2,323,009</u>
Net Position of Governmental Activities		<u>\$ 3,169,293</u>	<u>\$ 2,946,116</u>

The accompanying notes are an integral part of this financial statement.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended December 31, 2012

(In Thousands)

	<u>General</u>	<u>Transportation</u>	<u>Low-Income Housing</u>
REVENUES			
Taxes	\$ 846,011	\$ 72,391	\$ 18,039
Licenses and Permits	20,672	4,566	-
Grants, Shared Revenues, and Contributions	43,669	51,939	5,316
Charges for Services	51,388	78,176	395
Fines and Forfeits	34,243	27	-
Parking Fees and Space Rent	35,369	82	-
Program Income, Interest, and Miscellaneous Revenues	29,909	271	5,955
Total Revenues	<u>1,061,261</u>	<u>207,452</u>	<u>29,705</u>
EXPENDITURES			
Current			
General Government	162,740	-	-
Judicial	26,654	-	-
Public Safety	458,957	-	-
Physical Environment	7,328	-	-
Transportation	12,031	79,442	-
Economic Environment	17,633	-	36,473
Health and Human Services	-	-	-
Culture and Recreation	59,712	-	-
Capital Outlay			
General Government	5,642	-	-
Public Safety	7,457	-	-
Transportation	-	228,262	-
Economic Environment	69	-	-
Culture and Recreation	14,676	-	-
Debt Service			
Principal	4	1,919	-
Interest	1	205	-
Bond Issuance Cost	-	-	-
Other	-	-	-
Total Expenditures	<u>772,904</u>	<u>309,828</u>	<u>36,473</u>
Excess (Deficiency) of Revenues over Expenditures	288,357	(102,376)	(6,768)
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	-	6,000	-
Premium on Bonds Issued	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-
Sales of Capital Assets	754	120	-
Transfers In	12,262	117,866	46
Transfers Out	(231,156)	(31,993)	-
Total Other Financing Sources (Uses)	<u>(218,140)</u>	<u>91,993</u>	<u>46</u>
Net Change in Fund Balance	70,217	(10,383)	(6,722)
Fund Balances - Beginning of Year	<u>204,775</u>	<u>61,431</u>	<u>86,588</u>
Fund Balances - End of Year	<u>\$ 274,992</u>	<u>\$ 51,048</u>	<u>\$ 79,866</u>

The accompanying notes are an integral part of this financial statement.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended December 31, 2012

(In Thousands)

	Other Governmental	Comparative Totals	
		2012	Restated 2011
REVENUES			
Taxes	\$ 108,167	\$ 1,044,608	\$ 973,181
Licenses and Permits	-	25,238	22,966
Grants, Shared Revenues, and Contributions	76,851	177,775	167,813
Charges for Services	52,636	182,595	167,644
Fines and Forfeits	70	34,340	34,066
Parking Fees and Space Rent	21,656	57,107	51,004
Program Income, Interest, and Miscellaneous Revenues	7,514	43,649	39,706
Total Revenues	266,894	1,565,312	1,456,380
EXPENDITURES			
Current			
General Government	17,447	180,187	193,697
Judicial	-	26,654	25,855
Public Safety	2,278	461,235	451,734
Physical Environment	420	7,748	11,190
Transportation	739	92,212	90,966
Economic Environment	74,605	128,711	106,234
Health and Human Services	67,103	67,103	73,100
Culture and Recreation	156,796	216,508	211,523
Capital Outlay			
General Government	5,042	10,684	13,862
Public Safety	20,286	27,743	8,320
Transportation	10	228,272	167,590
Economic Environment	-	69	-
Culture and Recreation	40,831	55,507	50,383
Debt Service			
Principal	51,600	53,523	47,909
Interest	25,133	25,339	26,754
Bond Issuance Cost	258	258	369
Other	305	305	-
Total Expenditures	462,853	1,582,058	1,479,486
Excess (Deficiency) of Revenues over Expenditures	(195,959)	(16,746)	(23,106)
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	102,085	108,085	79,433
Premium on Bonds Issued	21,140	21,140	5,181
Payment to Refunded Bond Escrow Agent	(91,574)	(91,574)	-
Sales of Capital Assets	1,408	2,282	41,161
Transfers In	204,437	334,611	292,224
Transfers Out	(79,422)	(342,571)	(297,597)
Total Other Financing Sources (Uses)	158,074	31,973	120,402
Net Change in Fund Balance	(37,885)	15,227	97,296
Fund Balances - Beginning of Year	270,313	623,107	525,811
Fund Balances - End of Year	\$ 232,428	\$ 638,334	\$ 623,107

The accompanying notes are an integral part of this financial statement.

**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, 2012
(In Thousands)**

	Comparative Totals	
	2012	Restated 2011
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balance - total governmental funds	\$ 15,227	\$ 97,296
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense:		
Depreciation expense for the year	(95,385)	(87,150)
Capital outlay reported as expenditures	306,489	216,082
Retirement and sale of capital assets	(775)	(29,790)
Capital assets received as donations	78	(496)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	256	(58)
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	(26,835)	(79,185)
Premium on general obligation bonds	(21,140)	(5,181)
Proceeds from bond refunding	(75,250)	-
Principal payments bonds/notes	53,523	47,910
Bond interest	(2,914)	(1,033)
Bond issuance costs	563	376
Remittance to refunding escrow using refunding proceeds	91,574	-
Amortization of debt expense	(394)	(347)
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	608	873
Injury and damage claims	13,047	1,968
Workers' compensation	(1,000)	1,160
Arbitrage	27	32
Unfunded OPEB liabilities	(4,378)	(12,473)
Net pension asset	(31,078)	7,856
Environmental liability	(326)	19
MOHAI liability	-	(8,500)
Internal service funds are used by management to charge the cost of Fleets and Facilities, Information Technology, and Engineering Services to individual funds. Adjustments reflect the consolidation of internal service funds activities to governmental funds:		
Operating loss (income) allocated to enterprise funds	(4,595)	(2,675)
Net revenue of internal service funds activities reported with governmental activities	5,855	13,245
Change in Net Position of Governmental Activities	\$ 223,177	\$ 159,929

The accompanying notes are an integral part of this financial statement.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2012	2011	2012	2011
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 156,305	\$ 165,411	\$ 12,461	\$ 7,298
Restricted Cash and Equity in Pooled Investments	-	-	10	68
Receivables, Net of Allowances				
Accounts	62,481	51,930	15,049	13,532
Interest and Dividends	224	277	1,126	1,134
Unbilled	71,015	71,883	11,500	10,947
Energy Contracts, Notes, and Other Contracts	-	-	115	16
Due from Other Funds	865	565	350	911
Due from Other Governments	2,860	6,721	630	755
Materials and Supplies Inventory	29,085	29,463	4,169	3,821
Prepayments and Other Current Assets	675	567	61	77
Total Current Assets	323,510	326,817	45,471	38,559
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	275,697	209,187	72,929	86,762
Unamortized Bond Issue Costs, Net	10,908	9,931	4,595	4,918
Notes and Contracts Receivable	-	-	645	465
Deferred Conservation Costs, Net	201,081	190,543	36,382	29,905
Deferred Landfill Closure and Postclosure Costs, Net	-	-	-	-
Deferred Environmental Costs and Recoveries	27,325	2,625	-	-
Deferred External Infrastructure Costs	-	-	-	-
Other Deferred Charges	50,540	40,060	10,979	17,974
Capital Assets				
Land and Land Rights	65,123	63,128	42,911	41,554
Plant in Service, Excluding Land	3,593,397	3,424,798	1,741,105	1,664,690
Less Accumulated Depreciation	(1,511,169)	(1,457,324)	(603,283)	(559,487)
Buildings and Improvements	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Machinery and Equipment	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Construction in Progress	132,370	110,306	23,359	56,020
Other Property, Net	72,474	59,402	933	928
Total Noncurrent Assets	2,917,746	2,652,656	1,330,555	1,343,729
Total Assets	3,241,256	2,979,473	1,376,026	1,382,288

The accompanying notes are an integral part of this financial statement.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2012	2011	2012	2011
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 60,208	\$ 29,122	\$ 21,224	\$ 18,567
Restricted Cash and Equity in Pooled Investments	-	1,571	-	-
Receivables, Net of Allowances				
Accounts	17,434	19,951	12,255	11,702
Interest and Dividends	122	67	15	31
Unbilled	16,728	15,914	321	371
Energy Contracts, Notes, and Other Contracts	47	45	-	-
Due from Other Funds	699	1,871	250	58
Due from Other Governments	4,835	2,345	924	945
Materials and Supplies Inventory	828	570	148	142
Prepayments and Other Current Assets	10	21	116	108
Total Current Assets	100,911	71,477	35,253	31,924
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	100,443	50,356	11,055	22,890
Unamortized Bond Issue Costs, Net	3,450	3,089	1,341	1,403
Notes and Contracts Receivable	1,260	1,306	-	-
Deferred Conservation Costs, Net	-	-	-	-
Deferred Landfill Closure and Postclosure Costs, Net	-	-	16,081	17,656
Deferred Environmental Costs and Recoveries	23,189	7,399	4,135	6,270
Deferred External Infrastructure Costs	20,223	20,578	-	-
Other Deferred Charges	29,455	24,618	1,181	827
Capital Assets				
Land and Land Rights	19,583	14,280	14,565	1,791
Plant in Service, Excluding Land	861,228	831,909	145,168	76,636
Less Accumulated Depreciation	(265,807)	(246,247)	(52,553)	(46,134)
Buildings and Improvements	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Machinery and Equipment	-	-	-	-
Less Accumulated Depreciation	-	-	-	-
Construction in Progress	83,224	62,822	19,634	83,820
Other Property, Net	903	671	2,262	1,769
Total Noncurrent Assets	877,151	770,781	162,869	166,928
Total Assets	978,062	842,258	198,122	198,852

The accompanying notes are an integral part of this financial statement.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2012	Restated 2011	2012	Restated 2011
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 19,226	\$ 13,748	\$ 269,424	\$ 234,146
Restricted Cash and Equity in Pooled Investments	-	-	10	1,639
Receivables, Net of Allowances				
Accounts	657	894	107,876	98,009
Interest and Dividends	9	9	1,496	1,518
Unbilled	-	33	99,564	99,148
Energy Contracts, Notes, and Other Contracts	-	-	162	61
Due from Other Funds	812	524	2,976	3,929
Due from Other Governments	432	507	9,681	11,273
Materials and Supplies Inventory	-	-	34,230	33,996
Prepayments and Other Current Assets	3	-	865	773
Total Current Assets	21,139	15,715	526,284	484,492
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	8	-	460,132	369,195
Unamortized Bond Issue Costs, Net	179	191	20,473	19,532
Notes and Contracts Receivable	-	-	1,905	1,771
Deferred Conservation Costs, Net	-	-	237,463	220,448
Deferred Landfill Closure and Postclosure Costs, Net	-	-	16,081	17,656
Deferred Environmental Costs and Recoveries	-	-	54,649	16,294
Deferred External Infrastructure Costs	-	-	20,223	20,578
Other Deferred Charges	-	-	92,155	83,479
Capital Assets				
Land and Land Rights	12,881	12,881	155,063	133,634
Plant in Service, Excluding Land	-	-	6,340,898	5,998,033
Less Accumulated Depreciation	-	-	(2,432,812)	(2,309,192)
Buildings and Improvements	60,131	60,131	60,131	60,131
Less Accumulated Depreciation	(28,061)	(26,057)	(28,061)	(26,057)
Machinery and Equipment	14,980	15,336	14,980	15,336
Less Accumulated Depreciation	(13,376)	(12,761)	(13,376)	(12,761)
Construction in Progress	-	-	258,587	312,968
Other Property, Net	-	-	76,572	62,770
Total Noncurrent Assets	46,742	49,721	5,335,063	4,983,815
Total Assets	67,881	65,436	5,861,347	5,468,307

The accompanying notes are an integral part of this financial statement.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012
(In Thousands)

	Governmental Activities - Internal Service Funds	
	2012	Restated 2011
ASSETS		
<i>Current Assets</i>		
Operating Cash and Equity in Pooled Investments	\$ 24,779	\$ 18,767
Restricted Cash and Equity in Pooled Investments	19,193	14,294
Receivables, Net of Allowances		
Accounts	99	735
Interest and Dividends	34	42
Unbilled	4	84
Energy Contracts, Notes, and Other Contracts	-	-
Due from Other Funds	6,986	5,774
Due from Other Governments	355	592
Materials and Supplies Inventory	2,179	2,371
Prepayments and Other Current Assets	324	139
Total Current Assets	53,953	42,798
<i>Noncurrent Assets</i>		
Restricted Cash and Equity in Pooled Investments	25,081	23,373
Unamortized Bond Issue Costs, Net	932	898
Notes and Contracts Receivable	-	-
Deferred Conservation Costs, Net	-	-
Deferred Landfill Closure and Postclosure Costs, Net	-	-
Deferred Environmental Costs and Recoveries	-	-
Deferred External Infrastructure Costs	-	-
Other Deferred Charges	-	-
Capital Assets		
Land and Land Rights	95,996	95,674
Plant in Service, Excluding Land	-	-
Less Accumulated Depreciation	-	-
Buildings and Improvements	662,945	650,307
Less Accumulated Depreciation	(179,433)	(164,519)
Machinery and Equipment	203,592	195,991
Less Accumulated Depreciation	(120,263)	(106,499)
Construction in Progress	147	763
Other Property, Net	-	-
Total Noncurrent Assets	688,997	695,988
Total Assets	742,950	738,786

The accompanying notes are an integral part of this financial statement.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2012	2011	2012	2011
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 58,266	\$ 50,220	\$ 5,705	\$ 5,127
Salaries, Benefits, and Payroll Taxes Payable	6,300	5,192	1,741	1,466
Compensated Absences Payable	1,882	1,684	405	402
Due to Other Funds	7,791	8,305	4,000	4,553
Due to Other Governments	-	-	-	-
Interest Payable	29,516	31,173	17,446	18,172
Deferred Bond Interest	-	-	-	-
Taxes Payable	10,198	10,859	611	523
General Obligation Bonds Due Within One Year	-	-	-	-
Revenue Bonds Due Within One Year	91,840	88,850	32,630	31,425
Claims Payable	16,294	8,350	1,313	1,626
Notes and Contracts Payable	-	-	1,188	858
Habitat Conservation Program Liability	-	-	1,164	533
Landfill Closure and Postclosure Liability	-	-	-	-
Deferred Credits	18,653	7,373	2,107	1,980
Other Current Liabilities	2,520	1,054	102	-
Total Current Liabilities	243,260	213,060	68,412	66,665
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	-	-	-	-
Compensated Absences Payable	15,055	14,502	4,317	4,347
Claims Payable	53,542	35,305	3,811	3,967
Public Works Trust Loan	-	-	15,881	16,766
Landfill Closure and Postclosure Liability	-	-	-	-
Vendor and Other Deposits Payable	-	-	18	-
Habitat Conservation Program Liability	-	-	5,747	4,515
Deferred Credits	6,011	6,739	358	380
Deferred Revenue - Rate Stabilization Account	103,271	116,490	12,433	9,007
Unfunded Other Post Employment Benefits	6,079	5,884	2,086	2,033
Other Noncurrent Liabilities	119	156	25	4
General Obligation Bonds, Due Serially	-	-	-	-
Less Bonds Due Within One Year	-	-	-	-
Bond Discount and Premium, Net	-	-	-	-
Deferred Bond Interest	-	-	-	-
Less Accrued Interest Due Within One Year	-	-	-	-
Revenue Bonds	1,778,600	1,680,095	919,640	977,160
Less Bonds Due Within One Year	(91,840)	(88,850)	(32,630)	(31,425)
Bond Discount and Premium, Net	104,717	77,610	65,416	30,950
Deferred Loss on Advanced Refunding	(29,966)	(28,299)	(22,832)	(14,759)
Total Noncurrent Liabilities	1,945,588	1,819,632	974,270	1,002,945
Total Liabilities	2,188,848	2,032,692	1,042,682	1,069,610

The accompanying notes are an integral part of this financial statement.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2012	2011	2012	2011
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 11,125	\$ 8,638	\$ 8,338	\$ 10,671
Salaries, Benefits, and Payroll Taxes Payable	1,703	1,401	610	534
Compensated Absences Payable	377	374	138	137
Due to Other Funds	4,858	4,697	922	1,139
Due to Other Governments	10,443	10,339	-	-
Interest Payable	7,113	6,452	2,403	2,693
Deferred Bond Interest	-	-	-	-
Taxes Payable	289	246	289	285
General Obligation Bonds Due Within One Year	-	-	-	-
Revenue Bonds Due Within One Year	15,215	13,695	3,330	2,960
Claims Payable	4,138	5,723	2,069	678
Notes and Contracts Payable	1,085	904	-	-
Habitat Conservation Program Liability	-	-	-	-
Landfill Closure and Postclosure Liability	-	-	1,398	1,645
Deferred Credits	2,647	3,266	5,758	7,841
Other Current Liabilities	453	18	-	-
Total Current Liabilities	59,446	55,753	25,255	28,583
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	-	-	-	-
Compensated Absences Payable	4,023	4,051	1,472	1,482
Claims Payable	67,719	15,122	744	1,553
Public Works Trust Loan	16,609	17,694	-	-
Landfill Closure and Postclosure Liability	-	-	17,219	18,317
Vendor and Other Deposits Payable	33	14	-	-
Habitat Conservation Program Liability	-	-	-	-
Deferred Credits	-	-	-	-
Deferred Revenue - Rate Stabilization Account	-	-	-	-
Unfunded Other Post Employment Benefits	1,944	1,895	711	693
Other Noncurrent Liabilities	209	151	2,297	1,909
General Obligation Bonds, Due Serially	-	-	-	-
Less Bonds Due Within One Year	-	-	-	-
Bond Discount and Premium, Net	-	-	-	-
Deferred Bond Interest	-	-	-	-
Less Accrued Interest Due Within One Year	-	-	-	-
Revenue Bonds	540,495	486,610	119,205	122,165
Less Bonds Due Within One Year	(15,215)	(13,695)	(3,330)	(2,960)
Bond Discount and Premium, Net	39,262	8,556	5,681	5,938
Deferred Loss on Advanced Refunding	(7,474)	(4,152)	(163)	(186)
Total Noncurrent Liabilities	647,605	516,246	143,836	148,911
Total Liabilities	707,051	571,999	169,091	177,494

The accompanying notes are an integral part of this financial statement.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2012	Restated 2011	2012	Restated 2011
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 1,950	\$ 1,418	\$ 85,384	\$ 76,074
Salaries, Benefits, and Payroll Taxes Payable	1,055	853	11,409	9,446
Compensated Absences Payable	203	200	3,005	2,797
Due to Other Funds	296	2,470	17,867	21,164
Due to Other Governments	-	-	10,443	10,339
Interest Payable	721	721	57,199	59,211
Deferred Bond Interest	1,378	1,213	1,378	1,213
Taxes Payable	88	73	11,475	11,986
General Obligation Bonds Due Within One Year	1,262	1,257	1,262	1,257
Revenue Bonds Due Within One Year	-	-	143,015	136,930
Claims Payable	53	55	23,867	16,432
Notes and Contracts Payable	-	-	2,273	1,762
Habitat Conservation Program Liability	-	-	1,164	533
Landfill Closure and Postclosure Liability	-	-	1,398	1,645
Deferred Credits	-	-	29,165	20,460
Other Current Liabilities	-	29	3,075	1,101
Total Current Liabilities	7,006	8,289	403,379	372,350
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	3,181	-	3,181	-
Compensated Absences Payable	2,553	2,520	27,420	26,902
Claims Payable	118	114	125,934	56,061
Public Works Trust Loan	-	-	32,490	34,460
Landfill Closure and Postclosure Liability	-	-	17,219	18,317
Vendor and Other Deposits Payable	8	-	59	14
Habitat Conservation Program Liability	-	-	5,747	4,515
Deferred Credits	10,110	10,594	16,479	17,713
Deferred Revenue - Rate Stabilization Account	-	-	115,704	125,497
Unfunded Other Post Employment Benefits	1,092	1,064	11,912	11,569
Other Noncurrent Liabilities	-	-	2,650	2,220
General Obligation Bonds, Due Serially	59,589	60,846	59,589	60,846
Less Bonds Due Within One Year	(1,262)	(1,257)	(1,262)	(1,257)
Bond Discount and Premium, Net	3,209	3,411	3,209	3,411
Deferred Bond Interest	1,971	2,885	1,971	2,885
Less Accrued Interest Due Within One Year	(1,378)	(1,213)	(1,378)	(1,213)
Revenue Bonds	-	-	3,357,940	3,266,030
Less Bonds Due Within One Year	-	-	(143,015)	(136,930)
Bond Discount and Premium, Net	-	-	215,076	123,054
Deferred Loss on Advanced Refunding	-	-	(60,435)	(47,396)
Total Noncurrent Liabilities	79,191	78,964	3,790,490	3,566,698
Total Liabilities	86,197	87,253	4,193,869	3,939,048

The accompanying notes are an integral part of this financial statement.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012
(In Thousands)

	Governmental Activities - Internal Service Funds	
	2012	Restated 2011
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	\$ 8,345	\$ 9,026
Salaries, Benefits, and Payroll Taxes Payable	2,202	1,890
Compensated Absences Payable	533	469
Due to Other Funds	513	511
Due to Other Governments	37	7
Interest Payable	3,935	4,629
Deferred Bond Interest	-	-
Taxes Payable	46	82
General Obligation Bonds Due Within One Year	19,712	15,230
Revenue Bonds Due Within One Year	-	-
Claims Payable	578	585
Notes and Contracts Payable	-	-
Habitat Conservation Program Liability	-	-
Landfill Closure and Postclosure Liability	-	-
Deferred Credits	-	-
Other Current Liabilities	1,549	1,077
Total Current Liabilities	37,450	33,506
<i>Noncurrent Liabilities</i>		
Advances from Other Funds/Interfund Notes Payable	-	-
Compensated Absences Payable	5,352	5,343
Claims Payable	1,281	1,225
Public Works Trust Loan	-	-
Landfill Closure and Postclosure Liability	-	-
Vendor and Other Deposits Payable	165	64
Habitat Conservation Program Liability	-	-
Deferred Credits	-	-
Deferred Revenue - Rate Stabilization Account	-	-
Unfunded Other Post Employment Benefits	2,160	2,116
Other Noncurrent Liabilities	185	104
General Obligation Bonds, Due Serially	246,593	263,133
Less Bonds Due Within One Year	(19,712)	(15,230)
Bond Discount and Premium, Net	12,932	12,393
Deferred Bond Interest	-	-
Less Accrued Interest Due Within One Year	-	-
Revenue Bonds	-	-
Less Bonds Due Within One Year	-	-
Bond Discount and Premium, Net	-	-
Deferred Loss on Advanced Refunding	-	-
Total Noncurrent Liabilities	248,956	269,148
Total Liabilities	286,406	302,654

The accompanying notes are an integral part of this financial statement.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2012	2011	2012	2011
NET POSITION				
Net Investment in Capital Assets	\$ 842,603	\$ 732,940	\$ 303,630	\$ 290,542
Restricted for				
Debt Service	-	-	16,739	16,684
Rate Stabilization Account	25,000	25,000	26	7
Special Deposits and Other	723	428	-	-
Deferred Conservation and Environmental Costs	-	-	6,278	6,089
Bonneville Power Administration Projects	-	-	448	463
Deferred External Infrastructure Costs	-	-	-	-
Muckleshoot Settlement	-	-	230	294
Other Deferred Charges	-	-	3,830	4,109
Unrestricted	184,082	188,413	2,163	(5,510)
Total Net Position	<u>\$ 1,052,408</u>	<u>\$ 946,781</u>	<u>\$ 333,344</u>	<u>\$ 312,678</u>

The accompanying notes are an integral part of this financial statement.

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

December 31, 2012

(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2012	2011	2012	2011
NET POSITION				
Net Investment in Capital Assets	\$ 230,457	\$ 223,132	\$ 15,180	\$ 15,340
Restricted for				
Debt Service	14,689	12,757	-	-
Rate Stabilization Account	-	-	-	-
Special Deposits and Other	-	-	-	-
Deferred Conservation and Environmental Costs	-	-	-	-
Bonneville Power Administration Projects	-	-	-	-
Deferred External Infrastructure Costs	6,834	7,114	-	-
Muckleshoot Settlement	-	-	-	-
Other Deferred Charges	9,954	8,512	97	447
Unrestricted	9,077	18,744	13,754	5,571
Total Net Position	\$ 271,011	\$ 270,259	\$ 29,031	\$ 21,358

The accompanying notes are an integral part of this financial statement.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2012	Restated 2011	2012	Restated 2011
NET POSITION				
Net Investment in Capital Assets	\$ (18,935)	\$ (18,332)	\$ 1,372,935	\$ 1,243,622
Restricted for				
Debt Service	-	-	31,428	29,441
Rate Stabilization Account	-	-	25,026	25,007
Special Deposits and Other	-	-	723	428
Deferred Conservation and Environmental Costs	-	-	6,278	6,089
Bonneville Power Administration Projects	-	-	448	463
Deferred External Infrastructure Costs	-	-	6,834	7,114
Muckleshoot Settlement	-	-	230	294
Other Deferred Charges	-	-	13,881	13,068
Unrestricted	619	(3,485)	209,695	203,733
Total Net Position	<u>\$ (18,316)</u>	<u>\$ (21,817)</u>	1,667,478	1,529,259
Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			<u>6,355</u>	<u>1,760</u>
Net Position of Business-Type Activities			<u>\$ 1,673,833</u>	<u>\$ 1,531,019</u>

The accompanying notes are an integral part of this financial statement.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012
(In Thousands)

	Governmental Activities - Internal Service Funds	
	2012	Restated 2011
NET POSITION		
Net Investment in Capital Assets	\$ 404,593	\$ 397,841
Restricted for		
Debt Service	-	-
Rate Stabilization Account	-	-
Special Deposits and Other	-	-
Deferred Conservation and Environmental Costs	-	-
Bonneville Power Administration Projects	-	-
Deferred External Infrastructure Costs	-	-
Muckleshoot Settlement	-	-
Other Deferred Charges	-	-
Unrestricted	<u>51,951</u>	<u>38,291</u>
Total Net Position	<u>\$ 456,544</u>	<u>\$ 436,132</u>

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2012
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2012	2011	2012	2011
OPERATING REVENUES				
Charges for Services and Other Revenues	\$ 800,273	\$ 772,157	\$ 213,474	\$ 194,573
OPERATING EXPENSES				
Long-Term Purchased Power	204,133	206,853	-	-
Short-Term Wholesale Power Purchases	11,764	11,433	-	-
Generation	32,289	29,297	-	-
Transmission	46,979	47,878	-	-
Distribution	60,855	58,311	-	-
Energy Management and Other Power Expenses	38,851	38,353	-	-
Pre-Capital Planning and Development	-	-	1,038	1,331
Utility Systems Management	-	-	13,739	14,717
Field Operations	-	-	24,332	22,836
Project Delivery	-	-	4,865	4,311
Customer Services	31,296	43,120	7,383	7,454
Wastewater Treatment	-	-	-	-
Solid Waste Collection	-	-	-	-
Operations and Maintenance	-	-	-	-
General and Administrative	66,114	57,727	29,545	27,274
City Business and Occupation Taxes	40,928	40,008	25,938	23,280
Other Taxes	33,957	33,605	8,064	7,232
Amortization of Landfill and Postclosure Costs	-	-	-	-
Depreciation and Other Amortization	94,810	88,805	48,493	46,062
Total Operating Expenses	661,976	655,390	163,397	154,497
Operating Income (Loss)	138,297	116,767	50,077	40,076
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	5,217	4,944	2,842	2,888
Interest Expense	(81,567)	(79,930)	(44,655)	(46,589)
Amortization of Bonds Premiums and Discounts, Net	10,207	9,950	2,719	1,907
Amortization of Refunding Loss	(4,709)	(4,911)	(1,315)	(1,349)
Amortization of Debt Costs	(1,106)	(1,146)	(244)	(258)
Gain (Loss) on Sale of Capital Assets	182	304	273	544
Contributions and Grants	2,838	1,398	544	435
Others, Net	4,465	3,853	2,042	1,047
Total Nonoperating Revenues (Expenses)	(64,473)	(65,538)	(37,794)	(41,375)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	73,824	51,229	12,283	(1,299)
Capital Contributions and Grants	31,803	40,927	8,383	3,096
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Environmental Remediation	-	-	-	-
Change in Net Position	105,627	92,156	20,666	1,797
Net Position - Beginning of Year	946,781	854,625	312,678	310,881
Prior-Year Adjustment	-	-	-	-
Net Position - Beginning of Year as Restated	946,781	854,625	312,678	310,881
Net Position - End of Year	\$ 1,052,408	\$ 946,781	\$ 333,344	\$ 312,678

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2012
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2012	2011	2012	2011
OPERATING REVENUES				
Charges for Services and Other Revenues	\$ 304,002	\$ 278,957	\$ 156,927	\$ 154,200
OPERATING EXPENSES				
Long-Term Purchased Power	-	-	-	-
Short-Term Wholesale Power Purchases	-	-	-	-
Generation	-	-	-	-
Transmission	-	-	-	-
Distribution	-	-	-	-
Energy Management and Other Power Expenses	-	-	-	-
Pre-Capital Planning and Development	2,101	2,565	94	134
Utility Systems Management	17,304	16,574	3,082	2,734
Field Operations	19,588	18,874	7,533	7,572
Project Delivery	12,363	11,368	819	781
Customer Services	6,056	5,207	5,726	6,071
Wastewater Treatment	125,744	125,252	-	-
Solid Waste Collection	-	-	91,786	90,248
Operations and Maintenance	-	-	-	-
General and Administrative	14,658	17,368	11,174	12,914
City Business and Occupation Taxes	35,375	32,449	15,538	15,051
Other Taxes	4,172	3,582	2,666	2,789
Amortization of Landfill and Postclosure Costs	-	-	1,358	1,341
Depreciation and Other Amortization	21,157	19,832	7,659	7,423
Total Operating Expenses	<u>258,518</u>	<u>253,071</u>	<u>147,435</u>	<u>147,058</u>
Operating Income (Loss)	45,484	25,886	9,492	7,142
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	3,270	2,820	296	321
Interest Expense	(21,704)	(21,130)	(2,891)	(3,012)
Amortization of Bonds Premiums and Discounts, Net	897	377	256	195
Amortization of Refunding Loss	(351)	(274)	(23)	(23)
Amortization of Debt Costs	(139)	(139)	(62)	(52)
Gain (Loss) on Sale of Capital Assets	41	13	133	64
Contributions and Grants	2,062	2,310	754	718
Others, Net	6	93	(282)	559
Total Nonoperating Revenues (Expenses)	<u>(15,918)</u>	<u>(15,930)</u>	<u>(1,819)</u>	<u>(1,230)</u>
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	29,566	9,956	7,673	5,912
Capital Contributions and Grants	8,252	7,476	-	23
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Environmental Remediation	(37,066)	538	-	-
Change in Net Position	752	17,970	7,673	5,935
Net Position - Beginning of Year	270,259	252,289	21,358	15,423
Prior-Year Adjustment	-	-	-	-
Net Position - Beginning of Year as Restated	<u>270,259</u>	<u>252,289</u>	<u>21,358</u>	<u>15,423</u>
Net Position - End of Year	<u>\$ 271,011</u>	<u>\$ 270,259</u>	<u>\$ 29,031</u>	<u>\$ 21,358</u>

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2012
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2012	Restated 2011	2012	Restated 2011
OPERATING REVENUES				
Charges for Services and Other Revenues	\$ 48,734	\$ 43,004	\$ 1,523,410	\$ 1,442,891
OPERATING EXPENSES				
Long-Term Purchased Power	-	-	204,133	206,853
Short-Term Wholesale Power Purchases	-	-	11,764	11,433
Generation	-	-	32,289	29,297
Transmission	-	-	46,979	47,878
Distribution	-	-	60,855	58,311
Energy Management and Other Power Expenses	-	-	38,851	38,353
Pre-Capital Planning and Development	-	-	3,233	4,030
Utility Systems Management	-	-	34,125	34,025
Field Operations	-	-	51,453	49,282
Project Delivery	-	-	18,047	16,460
Customer Services	-	-	50,461	61,852
Wastewater Treatment	-	-	125,744	125,252
Solid Waste Collection	-	-	91,786	90,248
Operations and Maintenance	39,082	36,430	39,082	36,430
General and Administrative	10,944	10,984	132,435	126,267
City Business and Occupation Taxes	14	13	117,793	110,801
Other Taxes	31	28	48,890	47,236
Amortization of Landfill and Postclosure Costs	-	-	1,358	1,341
Depreciation and Other Amortization	2,972	3,591	175,091	165,713
Total Operating Expenses	53,043	51,046	1,284,369	1,261,062
Operating Income (Loss)	(4,309)	(8,042)	239,041	181,829
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	164	105	11,789	11,078
Interest Expense	(3,182)	(3,273)	(153,999)	(153,934)
Amortization of Bonds Premiums and Discounts, Net	203	203	14,282	12,632
Amortization of Refunding Loss	-	-	(6,398)	(6,557)
Amortization of Debt Costs	(11)	(11)	(1,562)	(1,606)
Gain (Loss) on Sale of Capital Assets	(10)	-	619	925
Contributions and Grants	551	657	6,749	5,518
Others, Net	-	-	6,231	5,552
Total Nonoperating Revenues (Expenses)	(2,285)	(2,319)	(122,289)	(126,392)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	(6,594)	(10,361)	116,752	55,437
Capital Contributions and Grants	-	-	48,438	51,522
Transfers In	10,095	9,373	10,095	9,373
Transfers Out	-	-	-	-
Environmental Remediation	-	-	(37,066)	538
Change in Net Position	3,501	(988)	138,219	116,870
Net Position - Beginning of Year	(21,817)	(18,888)	1,529,259	1,414,330
Prior-Year Adjustment	-	(1,941)	-	(1,941)
Net Position - Beginning of Year as Restated	(21,817)	(20,829)	1,529,259	1,412,389
Net Position - End of Year	\$ (18,316)	\$ (21,817)	1,667,478	1,529,259
Accumulated Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			6,355	1,760
Net Position of Business-Type Activities			\$ 1,673,833	\$ 1,531,019
Change in Net Position as above			138,219	116,870
Current Year Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			4,595	2,675
Adjusted Change in Net Position of Business-Type Activities			\$ 142,814	\$ 119,545

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2012
(In Thousands)**

	Governmental Activities - Internal Service Funds	
	2012	Restated 2011
OPERATING REVENUES		
Charges for Services and Other Revenues	\$ 198,187	\$ 185,559
OPERATING EXPENSES		
Long-Term Purchased Power	-	-
Short-Term Wholesale Power Purchases	-	-
Generation	-	-
Transmission	-	-
Distribution	-	-
Energy Management and Other Power Expenses	-	-
Pre-Capital Planning and Development	-	-
Utility Systems Management	-	-
Field Operations	-	-
Project Delivery	-	-
Customer Services	-	-
Wastewater Treatment	-	-
Solid Waste Collection	-	-
Operations and Maintenance	131,902	131,844
General and Administrative	15,105	12,010
City Business and Occupation Taxes	4	4
Other Taxes	342	337
Amortization of Landfill and Postclosure Costs	-	-
Depreciation and Other Amortization	34,667	32,655
Total Operating Expenses	<u>182,020</u>	<u>176,850</u>
Operating Income (Loss)	16,167	8,709
NONOPERATING REVENUES (EXPENSES)		
Investment and Interest Income	612	485
Interest Expense	(11,576)	(12,638)
Amortization of Bonds Premiums and Discounts, Net	1,227	1,169
Amortization of Refunding Loss	-	-
Amortization of Debt Costs	(310)	(89)
Gain (Loss) on Sale of Capital Assets	(5)	2,339
Contributions and Grants	1,678	1,048
Others, Net	27	7,689
Total Nonoperating Revenues (Expenses)	<u>(8,347)</u>	<u>3</u>
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	7,820	8,712
Capital Contributions and Grants	14,728	8,533
Transfers In	1,864	-
Transfers Out	(4,000)	(4,000)
Environmental Remediation	-	-
Change in Net Position	20,412	13,245
Net Position - Beginning of Year	436,132	424,011
Prior-Year Adjustment	-	(1,124)
Net Position - Beginning of Year as Restated	<u>436,132</u>	<u>422,887</u>
Net Position - End of Year	<u>\$ 456,544</u>	<u>\$ 436,132</u>

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2012
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 786,874	\$ 825,562	\$ 218,394	\$ 194,415
Cash Paid to Suppliers	(251,532)	(261,132)	(24,593)	(24,912)
Cash Paid to Employees	(216,299)	(199,511)	(57,023)	(54,454)
Cash Paid for Taxes	(75,530)	(72,281)	(33,573)	(31,108)
Net Cash from Operating Activities	243,513	292,638	103,205	83,941
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	2,915	1,921	539	441
Rental Income	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Receipts for Energy Conservation Augmentation	7,477	9,901	-	-
Payments for Energy Conservation Augmentation	(24,136)	(27,670)	-	-
Proceeds from Interfund Loans	-	-	-	-
Principal Payments on Interfund Loans	-	-	-	-
Payments for Environmental Liabilities	-	-	-	-
Net Cash from Noncapital Financing Activities	(13,744)	(15,848)	539	441
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Sale of Bonds and Other Long-Term Debt	387,564	323,519	284,588	-
Principal Payments on Long-Term Debt and Refunding	(88,995)	(61,650)	(313,407)	(29,998)
Capital Expenditures and Deferred Charges Paid	(252,121)	(197,005)	(43,230)	(50,989)
Interest Paid on Long-Term Debt	(84,748)	(85,038)	(47,426)	(49,601)
Capital Fees and Grants Received	33,733	21,362	5,160	1,739
Payment to Trustee for Defeased Bonds	(170,493)	(104,165)	-	-
Interest Received for Suburban Infrastructure Improvements	1,298	1,303	-	-
Debt Issuance Costs	(2,715)	(1,452)	(1,384)	-
Proceeds from Sale of Capital Assets	140	315	448	267
Net Cash from Capital and Related Financing Activities	(176,337)	(102,811)	(115,251)	(128,582)
CASH FLOWS FROM INVESTING ACTIVITIES ^a				
Proceeds from Sale of Investments	-	234,522	-	18,100
Purchases of Investments	-	(195,652)	-	-
Interest Received on Investments	3,972	3,404	2,779	2,906
Net Cash from Investing Activities	3,972	42,274	2,779	21,006
Net Increase (Decrease) in Cash and Equity in Pooled Investments	57,404	216,253	(8,728)	(23,194)
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	374,598	158,345	94,128	117,322
End of Year	\$ 432,002	\$ 374,598	\$ 85,400	\$ 94,128
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 156,305	\$ 165,411	\$ 12,461	\$ 7,298
Current Restricted Cash and Equity in Pooled Investments	-	-	10	68
Noncurrent Restricted Cash and Equity in Pooled Investments	275,697	209,187	72,929	86,762
Total Cash at the End of the Year	\$ 432,002	\$ 374,598	\$ 85,400	\$ 94,128

^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 this financial statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2012
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 308,773	\$ 272,773	\$ 160,233	\$ 158,896
Cash Paid to Suppliers	(148,169)	(148,865)	(109,809)	(102,296)
Cash Paid to Employees	(48,798)	(49,701)	(18,587)	(20,211)
Cash Paid for Taxes	(39,186)	(35,822)	(18,108)	(18,461)
Net Cash from Operating Activities	72,620	38,385	13,729	17,928
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	1,702	2,205	340	723
Rental Income	-	-	-	2
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Receipts for Energy Conservation Augmentation	-	-	-	-
Payments for Energy Conservation Augmentation	-	-	-	-
Proceeds from Interfund Loans	-	-	-	-
Principal Payments on Interfund Loans	-	-	-	-
Payments for Environmental Liabilities	(1,001)	(2,848)	-	-
Net Cash from Noncapital Financing Activities	701	(643)	340	725
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Sale of Bonds and Other Long-Term Debt	255,886	3,818	-	48,457
Principal Payments on Long-Term Debt and Refunding	(173,902)	(14,020)	(2,960)	(2,075)
Capital Expenditures and Deferred Charges Paid	(56,117)	(49,442)	(14,479)	(42,132)
Interest Paid on Long-Term Debt	(24,378)	(24,308)	(6,081)	(3,775)
Capital Fees and Grants Received	3,106	2,939	-	-
Payment to Trustee for Defeased Bonds	-	-	-	-
Interest Received for Suburban Infrastructure Improvements	-	-	-	-
Debt Issuance Costs	(1,573)	-	(171)	(166)
Proceeds from Sale of Capital Assets	44	112	133	112
Net Cash from Capital and Related Financing Activities	3,066	(80,901)	(23,558)	421
CASH FLOWS FROM INVESTING ACTIVITIES ^a				
Proceeds from Sale of Investments	-	24,600	-	-
Purchases of Investments	-	-	-	-
Interest Received on Investments	3,215	2,835	311	307
Net Cash from Investing Activities	3,215	27,435	311	307
Net Increase (Decrease) in Cash and Equity in Pooled Investments	79,602	(15,724)	(9,178)	19,381
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	81,049	96,773	41,457	22,076
End of Year	\$ 160,651	\$ 81,049	\$ 32,279	\$ 41,457
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 60,208	\$ 29,122	\$ 21,224	\$ 18,567
Current Restricted Cash and Equity in Pooled Investments	-	1,571	-	-
Noncurrent Restricted Cash and Equity in Pooled Investments	100,443	50,356	11,055	22,890
Total Cash at the End of the Year	\$ 160,651	\$ 81,049	\$ 32,279	\$ 41,457

^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 this financial statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2012
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2012	Restated 2011	2012	Restated 2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 49,760	\$ 44,304	\$ 1,524,034	\$ 1,495,950
Cash Paid to Suppliers	(24,050)	(22,772)	(558,153)	(559,977)
Cash Paid to Employees	(25,108)	(24,045)	(365,815)	(347,922)
Cash Paid for Taxes	(1,457)	(1,355)	(167,854)	(159,027)
Net Cash from Operating Activities	(855)	(3,868)	432,212	429,024
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Grants Received	509	657	6,005	5,947
Rental Income	-	-	-	2
Transfers In	10,095	9,373	10,095	9,373
Transfers Out	-	-	-	-
Receipts for Energy Conservation Augmentation	-	-	7,477	9,901
Payments for Energy Conservation Augmentation	-	-	(24,136)	(27,670)
Proceeds from Interfund Loans	3,181	2,250	3,181	2,250
Principal Payments on Interfund Loans	(2,250)	(1,130)	(2,250)	(1,130)
Payments for Environmental Liabilities	-	-	(1,001)	(2,848)
Net Cash from Noncapital Financing Activities	11,535	11,150	(629)	(4,175)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Sale of Bonds and Other Long-Term Debt	-	-	928,038	375,794
Principal Payments on Long-Term Debt and Refunding	(1,257)	(1,247)	(580,521)	(108,990)
Capital Expenditures and Deferred Charges Paid	(7)	-	(365,954)	(339,568)
Interest Paid on Long-Term Debt	(4,094)	(3,940)	(166,727)	(166,662)
Capital Fees and Grants Received	-	-	41,999	26,040
Payment to Trustee for Defeased Bonds	-	-	(170,493)	(104,165)
Interest Received for Suburban Infrastructure Improvements	-	-	1,298	1,303
Debt Issuance Costs	-	-	(5,843)	(1,618)
Proceeds from Sale of Capital Assets	-	-	765	806
Net Cash from Capital and Related Financing Activities	(5,358)	(5,187)	(317,438)	(317,060)
CASH FLOWS FROM INVESTING ACTIVITIES ^a				
Proceeds from Sale of Investments	-	-	-	277,222
Purchases of Investments	-	-	-	(195,652)
Interest Received on Investments	164	106	10,441	9,558
Net Cash from Investing Activities	164	106	10,441	91,128
Net Increase (Decrease) in Cash and Equity in Pooled Investments	5,486	2,201	124,586	198,917
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	13,748	11,547	604,980	406,063
End of Year	\$ 19,234	\$ 13,748	\$ 729,566	\$ 604,980
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 19,226	\$ 13,748	\$ 269,424	\$ 234,146
Current Restricted Cash and Equity in Pooled Investments	-	-	10	1,639
Noncurrent Restricted Cash and Equity in Pooled Investments	8	-	460,132	369,195
Total Cash at the End of the Year	\$ 19,234	\$ 13,748	\$ 729,566	\$ 604,980

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2012
(In Thousands)

	Governmental Activities - Internal Service Funds	
	2012	Restated 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 197,887	\$ 187,849
Cash Paid to Suppliers	(72,718)	(70,260)
Cash Paid to Employees	(73,760)	(68,174)
Cash Paid for Taxes	(380)	(309)
Net Cash from Operating Activities	51,029	49,106
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Grants Received	1,678	1,048
Rental Income	-	-
Transfers In	1,864	-
Transfers Out	(4,000)	(4,000)
Receipts for Energy Conservation Augmentation	-	-
Payments for Energy Conservation Augmentation	-	-
Proceeds from Interfund Loans	-	-
Principal Payments on Interfund Loans	-	-
Payments for Environmental Liabilities	-	-
Net Cash from Noncapital Financing Activities	(458)	(2,952)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Bonds and Other Long-Term Debt	-	-
Principal Payments on Long-Term Debt and Refunding	(16,002)	(15,633)
Capital Expenditures and Deferred Charges Paid	(17,266)	(9,156)
Interest Paid on Long-Term Debt	(12,086)	(12,747)
Capital Fees and Grants Received	6,787	593
Payment to Trustee for Defeased Bonds	-	-
Interest Received for Suburban Infrastructure Improvements	-	-
Debt Issuance Costs	-	-
Proceeds from Sale of Capital Assets	(5)	2,339
Net Cash from Capital and Related Financing Activities	(38,572)	(34,604)
CASH FLOWS FROM INVESTING ACTIVITIES ^a		
Proceeds from Sale of Investments	-	-
Purchases of Investments	-	-
Interest Received on Investments	620	477
Net Cash from Investing Activities	620	477
Net Increase (Decrease) in Cash and Equity in Pooled Investments	12,619	12,027
CASH AND EQUITY IN POOLED INVESTMENTS		
Beginning of Year	56,434	44,407
End of Year	\$ 69,053	\$ 56,434
CASH AT THE END OF THE YEAR CONSISTS OF		
Operating Cash and Equity in Pooled Investments	\$ 24,779	\$ 18,767
Current Restricted Cash and Equity in Pooled Investments	19,193	14,294
Noncurrent Restricted Cash and Equity in Pooled Investments	25,081	23,373
Total Cash at the End of the Year	\$ 69,053	\$ 56,434

^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 this financial statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2012
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2012	2011	2012	2011
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 138,297	\$ 116,767	\$ 50,077	\$ 40,076
Adjustments to Reconcile Net Operating Income (Loss) to				
Net Cash from Operating Activities				
Depreciation and Amortization	94,810	88,805	48,493	46,062
Depreciation on Fleet Allocated to Construction Work in Progress	2,110	1,920	-	-
Amortization of Deferred Power Costs	17,769	12,373	-	-
Nonoperating Revenues and Expenses	-	-	3,192	2,156
Changes in Operating Assets and Liabilities				
Accounts Receivable	(3,107)	5,746	(1,517)	86
Unbilled Receivables	867	(2,200)	(552)	(748)
Bad Debt Expense	(328)	14,091	-	-
Power Revenue and Expense	1,349	(9,155)	-	-
Other Receivables	2,023	1,107	(279)	(460)
Due from Other Funds	(54)	2,284	561	705
Due from Other Governments	(3,968)	(82)	(129)	572
Materials and Supplies Inventory	(1,850)	(3,542)	(348)	254
Accounts Payable	7,673	2,026	578	(196)
Salaries, Benefits, and Payroll Taxes Payable	1,107	556	275	107
Compensated Absences Payable	751	646	(27)	(69)
Due to Other Funds	515	1,176	(553)	(2,406)
Due to Other Governments	-	-	-	-
Claims Payable	16,712	2,433	(470)	(145)
Taxes Payable	661	927	87	(18)
Deferred Credits	-	-	-	-
Other Deferred Assets and Charges	(27,116)	(6,426)	-	-
Other Assets and Liabilities	8,511	961	321	(598)
Rate Stabilization Deferred Revenue	(13,219)	62,225	3,496	(1,437)
Total Adjustments	105,216	175,871	53,128	43,865
Net Cash from Operating Activities	\$ 243,513	\$ 292,638	\$ 103,205	\$ 83,941
NONCASH INVESTING, CAPITAL, AND FINANCING				
ACTIVITIES				
In-Kind Capital Contributions	\$ 528	\$ 9,817	\$ -	\$ -
Amortization of Debt Related Costs, Net	4,392	3,893	-	-
Change in Valuation of Power Exchange Assets or Liabilities	334	181	-	-
Allowance for Funds Used During Construction	3,524	4,280	-	-
Power Exchange Revenues	3,964	7,378	-	-
Power Exchange Expenses	(4,204)	(7,568)	-	-
Power Revenue Netted against Power Expenses	4,812	6,330	-	-
Power Expense Netted against Power Revenues	(10,063)	(13,494)	-	-
Fair Value Adjustment of Long-Term Investments	-	-	-	8
Contributed Infrastructure	-	-	3,476	1,095
Settlement from Nextel	-	-	-	-
Total Noncash Investing, Capital, and Financing Activities	\$ 3,287	\$ 10,817	\$ 3,476	\$ 1,103

The accompanying notes are an integral part of this financial statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2012
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2012	2011	2012	2011
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 45,484	\$ 25,886	\$ 9,492	\$ 7,142
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	21,157	19,832	9,017	8,764
Depreciation on Fleet Allocated to Construction Work in Progress	-	-	-	-
Amortization of Deferred Power Costs	-	-	-	-
Nonoperating Revenues and Expenses	2,428	1,293	412	1,227
Changes in Operating Assets and Liabilities				
Accounts Receivable	2,517	(2,968)	(554)	166
Unbilled Receivables	(814)	(1,688)	51	(8)
Bad Debt Expense	-	-	-	-
Power Revenue and Expense	-	-	-	-
Other Receivables	45	(1,351)	-	-
Due from Other Funds	1,172	540	(191)	51
Due from Other Governments	(172)	(984)	430	(45)
Materials and Supplies Inventory	(258)	38	(6)	(4)
Accounts Payable	2,487	(399)	(2,333)	942
Salaries, Benefits, and Payroll Taxes Payable	302	135	76	36
Compensated Absences Payable	(25)	142	(9)	13
Due to Other Funds	161	(1,907)	(308)	(331)
Due to Other Governments	104	1,087	-	-
Claims Payable	(1,968)	(312)	582	(403)
Taxes Payable	42	1	95	(157)
Deferred Credits	(179)	(1,032)	(2,078)	(229)
Other Deferred Assets and Charges	-	-	-	-
Other Assets and Liabilities	137	72	(947)	764
Rate Stabilization Deferred Revenue	-	-	-	-
Total Adjustments	<u>27,136</u>	<u>12,499</u>	<u>4,237</u>	<u>10,786</u>
Net Cash from Operating Activities	<u>\$ 72,620</u>	<u>\$ 38,385</u>	<u>\$ 13,729</u>	<u>\$ 17,928</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
In-Kind Capital Contributions	\$ -	\$ -	\$ -	\$ -
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	-	-	-	-
Fair Value Adjustment of Long-Term Investments	-	4	-	-
Contributed Infrastructure	1,983	4,209	-	23
Settlement from Nextel	-	-	-	-
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 1,983</u>	<u>\$ 4,213</u>	<u>\$ -</u>	<u>\$ 23</u>

The accompanying notes are an integral part of this financial statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2012
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2012	Restated 2011	2012	Restated 2011
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (4,309)	\$ (8,042)	\$ 239,041	\$ 181,829
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	2,973	3,591	176,450	167,054
Depreciation on Fleet Allocated to Construction Work in Progress	-	-	2,110	1,920
Amortization of Deferred Power Costs	-	-	17,769	12,373
Nonoperating Revenues and Expenses	-	-	6,032	4,676
Changes in Operating Assets and Liabilities				
Accounts Receivable	280	117	(2,381)	3,147
Unbilled Receivables	33	3	(415)	(4,641)
Bad Debt Expense	-	-	(328)	14,091
Power Revenue and Expense	-	-	1,349	(9,155)
Other Receivables	-	-	1,789	(704)
Due from Other Funds	(289)	120	1,199	3,700
Due from Other Governments	74	(35)	(3,765)	(574)
Materials and Supplies Inventory	-	-	(2,462)	(3,254)
Accounts Payable	532	386	8,937	2,759
Salaries, Benefits, and Payroll Taxes Payable	202	69	1,962	903
Compensated Absences Payable	36	55	726	787
Due to Other Funds	76	(143)	(109)	(3,611)
Due to Other Governments	-	-	104	1,087
Claims Payable	2	(15)	14,858	1,558
Taxes Payable	15	(13)	900	740
Deferred Credits	(513)	(197)	(2,770)	(1,458)
Other Deferred Assets and Charges	-	-	(27,116)	(6,426)
Other Assets and Liabilities	33	236	8,055	1,435
Rate Stabilization Deferred Revenue	-	-	(9,723)	60,788
Total Adjustments	<u>3,454</u>	<u>4,174</u>	<u>193,171</u>	<u>247,195</u>
Net Cash from Operating Activities	<u>\$ (855)</u>	<u>\$ (3,868)</u>	<u>\$ 432,212</u>	<u>\$ 429,024</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
In-Kind Capital Contributions	\$ -	\$ -	\$ 528	\$ 9,817
Amortization of Debt Related Costs, Net	-	-	4,392	3,893
Change in Valuation of Power Exchange Assets or Liabilities	-	-	334	181
Allowance for Funds Used During Construction	-	-	3,524	4,280
Power Exchange Revenues	-	-	3,964	7,378
Power Exchange Expenses	-	-	(4,204)	(7,568)
Power Revenue Netted against Power Expenses	-	-	4,812	6,330
Power Expense Netted against Power Revenues	-	-	(10,063)	(13,494)
Fair Value Adjustment of Long-Term Investments	-	-	-	12
Contributed Infrastructure	-	-	5,459	5,327
Settlement from Nextel	-	-	-	-
Total Noncash Investing, Capital, and Financing Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,746</u>	<u>\$ 16,156</u>

The accompanying notes are an integral part of this financial statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2012
(In Thousands)

	Governmental Activities - Internal Service Funds	
	2012	Restated 2011
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 16,167	\$ 8,709
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities		
Depreciation and Amortization	34,667	32,655
Depreciation on Fleet Allocated to Construction Work in Progress	-	-
Amortization of Deferred Power Costs	-	-
Nonoperating Revenues and Expenses	-	-
Changes in Operating Assets and Liabilities		
Accounts Receivable	636	800
Unbilled Receivables	80	(84)
Bad Debt Expense	-	-
Power Revenue and Expense	-	-
Other Receivables	-	-
Due from Other Funds	(1,212)	1,683
Due from Other Governments	236	(110)
Materials and Supplies Inventory	192	27
Accounts Payable	(681)	3,121
Salaries, Benefits, and Payroll Taxes Payable	312	647
Compensated Absences Payable	74	2,124
Due to Other Funds	2	(913)
Due to Other Governments	29	7
Claims Payable	49	90
Taxes Payable	(35)	33
Deferred Credits	-	-
Other Deferred Assets and Charges	-	-
Other Assets and Liabilities	513	317
Rate Stabilization Deferred Revenue	-	-
Total Adjustments	<u>34,862</u>	<u>40,397</u>
Net Cash from Operating Activities	<u>\$ 51,029</u>	<u>\$ 49,106</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
In-Kind Capital Contributions	\$ 14,728	\$ 7,941
Amortization of Debt Related Costs, Net	917	1,080
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	-	-
Fair Value Adjustment of Long-Term Investments	-	-
Contributed Infrastructure	-	-
Settlement from Nextel	27	7,688
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 15,672</u>	<u>\$ 16,709</u>

The accompanying notes are an integral part of this financial statement.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2012
(In Thousands)

	Pension Trust Funds	S. L. Denny Private-Purpose Trust	Agency Funds
ASSETS			
Cash and Equity in Pooled Investments	\$ 21,577	\$ 212	\$ 12,325
Short-Term Investments	47,639	-	-
Securities Lending Collateral	10,155	-	-
Investments at Fair Value			
U.S. Government Obligations	97,064	-	-
Mortgage-Backed Securities	150,552	-	-
Government Related and Other	113,394	-	-
Domestic Corporate Bonds	20,593	-	-
Domestic Stocks	581,330	-	-
International Stocks	554,959	-	-
Real Estate	216,761	-	-
Alternative/Venture Capital	179,703	-	-
Total Investments at Fair Value	1,914,356	-	-
Receivables			
Members	2,453	-	-
Employers	2,230	-	123
Due from Other Funds	1,125	-	-
Other	712	-	-
Interest and Dividends	2,726	-	-
Sales Proceeds	3,087	-	-
Total Receivables	12,333	-	123
Total Assets	2,006,060	212	12,448
LIABILITIES			
Accounts Payable	-	-	1,166
Refunds Payable and Other	3,159	-	-
Salaries, Benefits, and Payroll Taxes Payable	-	-	3,417
Deposits Payable	-	-	7,855
Claims/Judgments Payable	-	-	10
Securities Lending Collateral	14,748	-	-
Investment Commitments Payable	19,150	-	-
Total Liabilities	37,057	-	12,448
Net Position Held in Trust for Pension Benefits and Other Purposes	\$ 1,969,003	\$ 212	\$ -

The accompanying notes are an integral part of this financial statement.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended December 31, 2012
(In Thousands)

	Pension Trust Funds	S.L. Denny Private-Purpose Trust
ADDITIONS		
Contributions		
Employer	\$ 101,578	\$ -
Plan Member	57,086	-
Total Contributions	158,664	-
Investment Income		
From Investment Activities		
Net Appreciation (Depreciation) in Fair Value of Investments	204,271	-
Interest	9,858	2
Dividends	23,654	-
Total Investment Activities Income	237,783	2
Investment Activities Expenses		
Investment Management Fees	6,314	-
Performance Measurement Fees	499	-
Investment Custodial Fees	250	-
Total Investment Activities Expenses	7,063	-
Net Income from Investment Activities	230,720	2
From Securities Lending Activities		
Securities Lending Income	16	-
Borrower Rebates	83	-
Total Securities Lending Income	99	-
Securities Lending Expenses		
Management Fees	25	-
Total Securities Lending Expenses	25	-
Net Income from Securities Lending Activities	74	-
Total Net Investment Income	230,794	2
Other Income	2,044	-
Total Additions	391,502	2
DEDUCTIONS		
Benefits	171,219	-
Refund of Contributions	14,914	-
Administrative Expense	4,513	-
Total Deductions	190,646	-
Change in Net Position	200,856	2
Net Position - Beginning of Year	1,768,147	210
Net Position - End of Year	\$ 1,969,003	\$ 212

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

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

Indicators of Financial Accountability

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

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

Joint Venture

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

Organizations Excluded: Related Organizations

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

Housing Authority of the City of Seattle

City of Seattle Industrial Development Corporation

Burke-Gilman Place Public Development Authority

ACCOUNTING STANDARDS

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

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

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

In 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes accounting and financial reporting standards for all governments that report governmental funds. It provides clearer fund balance classifications and clarifies the existing governmental fund type definitions. New fund balance classifications include nonspendable, restricted, committed, assigned, and unassigned. Details for the City’s fund balance classifications are found under the Fund Balances section of this note.

The Library Fund, previously a special revenue fund, was determined to no longer meet the definition of a special revenue fund, as defined by GASB Statement No. 54. As a result, the Library Fund is now reported as part of the General Fund for the GAAP reporting.

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 financial and capital resources. The difference between government-wide assets and liabilities 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.

For permanent endowments, net position is displayed showing the nonexpendable and the expendable components separately. Nonexpendable net position is those that are required to be retained in perpetuity and are reported as restricted net position. Unrestricted net position is those 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 include charges for services, grants, and contributions that are restricted for specific purposes. Taxes and other revenues not included as program revenues are reported as general revenues.

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

Fund Financial Statements

Separate fund financial statements are provided to report additional and detailed information for governmental funds, proprietary funds, and fiduciary funds. Even though fiduciary funds are excluded from the government-wide financial statements, these funds are reported in the fund financial statements under the Statement of Fiduciary Net 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 to rehabilitate, replace, and preserve low-income housing stock and to assist low-income tenants in Seattle. It is supported by a seven-year housing levy approved by the voters in 2009 and federal grants. The fund accounts for long-term housing loan assistance programs that are either deferred or amortized. Most of the loans are deferred and are payable in full on sale, on change of use, or at the end of the loan term. Terms will generally permit borrowers to further defer payment of principal, deferred interest, and contingent interest by extending the loan term. A majority of the current loans are deferred for 50 years and may be extended for an additional 25 years. Amortizing loans will be required if project budgets can afford repayment and meet required rent levels.

The City reports the following major proprietary funds:

The **Light Fund** (City Light) accounts for operating the City's electric utility which owns and operates generating, transmission, and distribution facilities. The Utility supplies electricity to approximately 403,000 customers in the Seattle area as well as to other city agencies.

The **Water Fund** accounts for operating the City's water utility. The Utility maintains more than 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 670,000 people. The Utility also sells to 29 surrounding cities and water districts that provide water to an additional 634,000 people.

The **Drainage and Wastewater Fund** accounts for operating the City’s sewer and drainage utility facilities and its pumping stations. These facilities, which consist of 1,893 miles of sewers and drainage mainlines and 66 pumping

stations, are necessary to collect the sewage of the City and discharge it into the King County Department of Natural Resources Wastewater Treatment System for treatment and disposal.

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

Additionally, the City reports the following fund types:

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

Internal service funds account for support services provided to other City departments, such as motor pool, office space, 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. The City has three pension trust funds:

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

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-wide Financial Statements

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

Governmental Fund Financial Statements

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

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

Proprietary Fund Financial Statements

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

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

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

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.

BUDGETS AND BUDGETARY ACCOUNTING

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

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

Cash and Investments

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

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

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

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

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

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

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

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

Receivables

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

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

Inventories

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

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

Inventories in the proprietary funds are expensed as consumed.

Capital Assets

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

Governmental infrastructure assets include long-lived capital assets, such as roads, bridges, and tunnels that normally can be preserved for a significantly greater number of years than most capital assets. Estimated historical costs are established based on the City's street reports to the state. Works of art are valued at historical cost. In cases where the historical cost is not available, the method used is "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

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

Restricted Assets

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

Deferred Charges

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

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

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

Prepaid Items

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

Accumulated Compensated Absences

Compensated absences, including payroll taxes, are reported as current and noncurrent liabilities in the Statement of Net 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.

Vacation Pay

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

Sick Pay

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

The City is mandated, upon retirement of a represented employee who is covered by an agreement between the City and an individual union, that is part of the Coalition of City Unions, that has been duly ratified by members and upon receipt of a signed hold harmless agreement and membership form, to contribute on behalf of such employee to the City's Health Reimbursement Arrangement - Voluntary Employees' Beneficiary Association (HRA-VEBA) program an amount equal to 35 percent of the member's unused sick leave balance. If the eligible employee fails to submit the signed hold harmless agreement and the membership enrollment form by their last working day of employment, their entire sick leave balance is forfeited.

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

Other Compensated Absences

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

Risk Management

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

Other Accrued Liabilities

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

Interfund Activity and Contracts/Advances

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

Deferred Revenues

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

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

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 or resolution, establish, modify, or rescind constraints on committed fund balances;
- Assigned fund balances are constraints imposed by City Management for specific purposes. Fund balances of special revenue funds that are neither considered restricted or committed are considered an assigned fund balance; and
- Unassigned fund balances represent balances that are available for any purpose. These balances are only reported in the City's General Fund unless a deficit occurs in any other fund.

A summary of governmental fund balances at December 31, 2012, is as follows:

Table 1-1

GOVERNMENTAL FUND BALANCES

(In Thousands)

Fund Balances	General	Transportation	Low-Income Housing	Other Governmental	Total
Nonspendable					
Petty Cash	\$ 51	\$ 2	\$ -	\$ 25	\$ 78
Prepaid Items and Advances	503	216	-	-	719
Inventory	-	-	-	324	324
Permanent Funds	-	-	-	2,050	2,050
Restricted					
Capital and Continuing Programs	49,217	-	-	153,681	202,898
Health Care Reserve	19,951	-	-	-	19,951
Library	11,341	-	-	-	11,341
Transportation	-	24,313	-	-	24,313
Low-Income Housing	-	-	75,344	-	75,344
Debt Service	-	-	-	10,666	10,666
Municipal Arts	-	-	-	6,575	6,575
Educational and Developmental Services	-	-	-	28,540	28,540
Business Improvement Areas	-	-	-	4,793	4,793
General Trust	-	-	-	4,158	4,158
General Donation and Gift Trusts	-	-	-	4,887	4,887
Other Purposes	2,011	-	-	8,927	10,938
Committed					
General	9,998	-	-	-	9,998
Capital and Continuing Programs	9,260	-	-	-	9,260
Health Care Reserve	25,278	-	-	-	25,278
Employee Benefit Trust Funds	8,540	-	-	-	8,540
Library	584	-	-	-	584
Judgement and Claims	17,351	-	-	-	17,351
Transportation	-	26,517	-	-	26,517
Low-Income Housing	-	-	4,522	-	4,522
Human Services	-	-	-	881	881
Parks and Recreation	-	-	-	60	60
Seattle Center	-	-	-	8,268	8,268
Other Purposes	8,497	-	-	-	8,497
Assigned					
General	3,020	-	-	-	3,020
Municipal Jail	2,672	-	-	-	2,672
Library	725	-	-	-	725
Office of Housing	-	-	-	1,931	1,931
Human Services	-	-	-	2,893	2,893
Parks and Recreation	-	-	-	7,760	7,760
Unassigned					
General	42,474	-	-	-	42,474
Rate Stabilization Account	21,458	-	-	-	21,458
Emergency Subfund	42,060	-	-	-	42,060
Central Waterfront Improvement	-	-	-	(1,528)	(1,528)
Seattle Streetcar	-	-	-	(3,367)	(3,367)
Seattle Center	-	-	-	(9,096)	(9,096)
Total	\$ 274,991	\$ 51,048	\$ 79,866	\$ 232,428	\$ 638,333

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 0.25 percent of forecasted tax revenues for 2012 and 0.5 percent thereafter; 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 2012, the RSA reported an ending fund balance of \$21.7 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 2012, the Emergency Subfund reported an ending fund balance of \$42.1 million.

Program Revenues

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

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, 2011, from which the summarized information was derived.

(2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY INFORMATION

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

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

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

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

	<u>2012</u>
Annual Budget	\$ 1,181,881
Carryovers	
Encumbrances	2,551
Continuing Appropriations	96,657
Budget Revisions	<u>63,229</u>
Total Budget	<u>\$ 1,344,318</u>

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

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

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

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

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

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

DEFICITS IN FUND BALANCES AND NET POSITION

The Downtown Parking Garage Fund had negative net position of \$25.2 million as of December 31, 2012. The negative fund equity is mostly attributable to cumulative depreciation expenses which were not planned to be covered by Parking Garage's operating revenues. The 2012 payment for interest and principal was \$3.18 million compared to \$2.25 million in 2011. Ordinance 123694 authorizes the Parking Garage to carry a cash loan of not more than \$4 million at any given time until December 31, 2012. This has been amended by Ordinance 124123 which authorizes the Parking Garage to carry a cash loan of not more than \$5 million at any given time until December 31, 2014. In addition, the City appropriated \$2,813,058 to support the Parking Garage fund when needed in 2013. The management strategy for the Parking Garage is to generate sufficient operating revenues to cover debt service payments and cash expenses. The Parking Garage operating revenues are not designed to cover depreciation expenses. Accordingly, the Parking Garage's negative fund equity will continue.

The Seattle Streetcar Fund 10810 had negative fund balance of \$3.37 million as of December 31, 2012. The fund was created by Ordinance 122424 in 2007 and later amended in 2009 by Ordinance 123102 to increase the allowable amount of the interfund loan from the City's Consolidated Residual Cash Pool to \$3.65 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 negative fund balance of \$1.53 million at December 31, 2012. 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 loan is to be repaid no later than December 31, 2016 from grants, donations, transfers, and other monies as authorized by ordinance.

(3) CASH AND INVESTMENTS

CASH AND EQUITY IN POOLED INVESTMENTS

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

Custodial Credit Risk – Deposits. The custodial credit risk of deposits is the risk that in the event of bank failure of one of the City's depository institutions, the City's deposits or related collateral securities may not be returned in a timely manner. As of December 31, 2012, 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, 2012, 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, 2012, 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, 2012	Weighted Average Maturity (Days)
Repurchase Agreements	\$ 162,391	2
U.S. Treasury and U.S. Government-Backed Securities	67,448	482
U.S. Government Agency Securities	647,690	535
U.S. Government Agency Mortgage-Backed Securities	156,167	2,162
Commercial Paper	176,955	40
Municipal Bonds	182,164	549
Total	<u>\$ 1,392,815</u>	
Weighted Average Maturity of the City's Pooled Investments		592

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

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

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

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

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

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

Issuer	Fair Value	Percent of Total Investments
Federal National Mortgage Association (Fannie Mae)	\$ 301,416	22 %
Federal Home Loan Bank	258,633	19
Federal Home Loan Mortgage Corporation (Freddie Mac)	206,792	15

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

The City mitigates counterparty custodial risk from repurchase agreements by using a third-party custodian for tri-party repos. The City conforms with the industry standard requiring execution of a master repurchase agreement with each counterparty prior to transacting a repurchase agreement, execution of a third-party custodial agreement between the City, the broker, and the clearing bank, before transacting a third-party repurchase agreement, and over-collateralizing by a minimum of 102 percent. By investment policy, the underlying securities the City is willing to accept as collateral must have the highest credit ratings of at least two NRSROs. Throughout 2012, the collateral underlying the City’s repurchase agreements excluded securities other than U.S. Treasury, agencies, and agency mortgage-backed pass-throughs.

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

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

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

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

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

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

Investments	Amount
U.S. Government Obligations	\$ 97,032
Domestic Corporate Bonds	150,552
Other Fixed Income	133,987
Domestic Stocks	581,330
International Stocks	554,959
Real Estate	216,761
Alternative Investments	179,703
Total	\$ 1,914,324

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

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

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

Investment Type	Fair Value	Investment Maturities (In Years)			
		<1	1 - 5	6 - 10	>10
U.S. Government					
Treasuries, Notes, and Bonds	\$ 68,869	\$ 7	\$ 29,206	\$ 17,095	\$ 22,561
Treasury Inflation-Protected Securities	18,968	-	-	17,799	1,169
Agencies	5,072	100	592	2,554	1,826
Municipal	4,123	429	976	1,337	1,381
Mortgage-Backed					
Government Pass-Throughs	87,333	6,224	33,483	2,201	45,425
Corporate Pass-Throughs	11,385	-	391	-	10,994
Government Collateralized Mortgage Obligations	14,675	5,668	218	351	8,438
Corporate					
Bonds	103,924	10,119	39,933	41,382	12,490
Asset-Backed	19,927	6,173	10,165	1,943	1,646
Private Placements	21,154	1,913	10,419	4,665	4,157
Other	5,548	450	3,965	63	1,070
Foreign Sovereign					
Bonds	20,593	-	8,254	12,113	226
Total Portfolio	\$ 381,571	\$ 31,083	\$ 137,602	\$ 101,503	\$ 111,383

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	\$ -	\$ 68,863	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6
Agencies	-	3,565	1,507	-	-	-	-	-
Securities-Other	-	1,169	-	-	-	-	-	-
Municipal	-	238	3,290	-	-	-	-	595
Mortgage-Backed								
Government Pass-Throughs	-	87,333	-	-	-	-	-	-
Corporate Pass-Throughs	3,381	645	1,244	2,353	85	-	-	3,677
Government CMO's	625	11,364	398	761	-	179	930	418
Corporate								
Bonds	17,799	6,912	44,386	45,206	5,297	12,338	-	-
Asset-Backed	12,156	2,312	156	3,144	245	377	755	783
Private Placements	3,062	2,871	3,896	6,892	43	22	424	3,945
Other	-	1,621	3,804	-	123	-	-	-
Foreign Sovereign								
Bonds	297	1,015	2,154	6,910	-	-	-	-
Total Portfolio	<u>\$ 37,320</u>	<u>\$ 187,908</u>	<u>\$ 60,835</u>	<u>\$ 65,266</u>	<u>\$ 5,793</u>	<u>\$ 12,916</u>	<u>\$ 2,109</u>	<u>\$ 9,424</u>

Table 3-6

SCERS' ASSET ALLOCATION

Asset Class	Actual	Target
Cash and Cash Equivalents	3.1 %	0.0 %
Equities		
Domestic	29.4	25.0
International	28.1	27.0
Fixed Income	19.3	20.0
Alternative	9.1	10.0
Real Estate	11.0	12.0
Covered Calls	0.0	6.0
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, 2012, 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)

<u>Type of Securities Lent</u>	<u>2012</u>		<u>2011</u>	
	<u>Fair Values of Securities Lent</u>	<u>Collateral</u>	<u>Fair Values of Securities Lent</u>	<u>Collateral</u>
U.S. Government and Agencies	\$ 5,264	\$ 5,374	\$ 100	\$ 102
U.S. Corporate Fixed Income	470	481	1,660	1,705
U.S. Equities	7,349	7,550	4,970	5,104
Total Securities Lent	<u>\$ 13,083</u>	<u>\$ 13,405</u>	<u>\$ 6,730</u>	<u>\$ 6,911</u>
<u>Collateral</u>	<u>2012</u>		<u>2011</u>	
U.S. Corporate Obligations		\$ -		\$ 3,500
Repurchase Agreements		9,579		1,829
Asset-Backed Securities		1,395		1,582
Payable/Receivable		2,430		-
Total Collateral		<u>\$ 13,404</u>		<u>\$ 6,911</u>
Fair Value of Collateral Held		\$ 10,153		\$ 3,490

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 AND INTERFUND TRANSACTIONS

Table 4-1

TAX REVENUES AND RECEIVABLES

(In Thousands)

	December 31 2012 <u>Revenues</u>	December 31 2012 <u>Receivables</u>
Property Taxes	\$ 420,763	\$ 17,185
General Business and Occupation Taxes	<u>358,931</u>	<u>55,243</u>
Totals	<u>\$ 779,694</u>	<u>\$ 72,428</u>

TAXING POWERS AND LIMITATIONS

State law limits the regular property tax rate for general City operations to \$3.60 per \$1,000 of assessed value. This includes \$3.375 for general municipal purposes and an additional \$0.225 for the Firemen's Pension Fund and for general municipal purposes under conditions spelled out in state law. From 1997 through 2001 state law limited the annual growth in the City's regular property tax levy to the lesser of 106 percent or the annual rate of inflation. The passage of Initiative 747 in November 2001 reduced the 106 percent to 101 percent. In early November 2007, the State Supreme Court upheld a lower court ruling that Initiative 747 was unconstitutional. This decision would have returned the growth limit factor to 106 percent. On November 29, 2007, the legislature, in special session, passed and the governor signed into law language identical to that of Initiative 747. Thus, the limit factor remains 101 percent. The growth limit does not count tax revenues from new construction or property remodeled within the last year. With simple-majority voter approval, the City can levy additional property taxes above the 101 percent annual growth limit, as long as the City's regular levy rate per \$1,000 of assessed value does not exceed the \$3.60 limit. Excess tax levies for capital purposes require a 60-percent approval by voters and do not fall under either of the limits. The City levied \$1.97 per \$1,000 of assessed value for general operations and Firemen's Pension Fund in 2012. In addition, the levy included \$1.31 per \$1,000 of assessed value for debt service and other voter-approved levies. The total 2012 levy was \$3.27 per \$1,000 of assessed value. Not included in this total is the levy for Emergency Medical Services, which was renewed by voters at election in November 2007 at \$0.30 per \$1,000 of assessed value and remained at \$0.30 per \$1,000 of assessed value in 2012.

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, 2012, 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	\$ 3,313
	Nonmajor Enterprise	22
	Nonmajor Governmental	740
	Internal Service	121
	Low-Income Housing	173
	Transportation	451
	Light	4,161
	Solid Waste	523
	Water	2,401
		<hr/>
	Total General Fund	11,905
Transportation	Drainage and Wastewater	158
	Nonmajor Enterprise	124
	General	1,122
	Nonmajor Governmental	13,516
	Internal Service	52
	Light	443
	Solid Waste	7
	Water	436
		<hr/>
	Total Transportation Fund	15,858
Light	Drainage and Wastewater	346
	General	840
	Nonmajor Governmental	5
	Internal Service	50
	Fiduciary	7
	Transportation	15
	Solid Waste	201
	Water	238
	<hr/>	
	Total Light Fund ^b	1,702
Water	Drainage and Wastewater	48
	General	113
	Nonmajor Governmental	64
	Transportation	64
	Light	58
	Solid Waste	3
	<hr/>	
	Total Water Fund	350
Low-Income Housing	General	262
	Light	807
	<hr/>	
	Total Low-Income Housing Fund	1,069
Solid Waste	Nonmajor Governmental	25
	Light	37
	Water	187
	<hr/>	
	Total Solid Waste Fund	249
Drainage and Wastewater	Nonmajor Enterprise	19
	General	29
	Nonmajor Governmental	8
	Transportation	143
	Light	290
	Solid Waste	3
	Water	207
	<hr/>	
	Total Drainage and Wastewater Fund	699

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

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

Table 4-2

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

<u>Receivable Fund</u>	<u>Payable Fund(s)</u>	<u>Amount</u>
Nonmajor Governmental	Drainage and Wastewater	\$ 118
	Nonmajor Enterprise	2
	General	806
	Nonmajor Governmental	5,570
	Internal Service	145
	Low-Income Housing	2
	Transportation	54
	Light	351
	Solid Waste	55
	Water	17
		<u>Total Nonmajor Governmental Funds</u>
Fiduciary	General	79
	Light	41
		<u>Total Fiduciary Funds</u>
Nonmajor Enterprise	Drainage and Wastewater	563
	General	43
	Nonmajor Governmental	41
	Internal Service	9
	Transportation	51
	Light	104
	<u>Total Nonmajor Enterprise Funds</u>	811
Internal Service	Drainage and Wastewater	311
	Nonmajor Enterprise	130
	General	2,553
	Nonmajor Governmental	826
	Internal Service	136
	Transportation	891
	Light	1,500
	Solid Waste	130
	Water	513
	<u>Total Internal Service Funds</u>	6,990
Grand Total		<u>\$ 46,873</u>

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

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

Table 4-3

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

<u>Advances, Notes, and Loans From</u>	<u>Advances, Notes, and Loans To</u>	<u>Amount</u>
General Fund	Seattle Center Fund	\$ 1,700
	Central Waterfront Improvement Fund	850
	Downtown Parking Garage Fund	3,181
Total City		<u>\$ 5,731</u>

These interfund loans have all been approved by the City Council through ordinance. The Seattle Center's loan was approved by Ordinances 123644 and 124031 and is due to current economic conditions that prevent the Seattle Center's cash receipts from being sufficient to maintain a consistent positive cash balance. The Central Waterfront Improvement Fund's loan was approved by Ordinance 123761 and is intended to cover current costs that could be covered by a future Local Improvement District. The Downtown Parking Garage's loan was authorized by Ordinances 123694 and 124123 and is to be repaid by December 31, 2014 either from operating revenues of the Garage or the General Fund.

Table 4-4

INTERFUND TRANSFERS

(In Thousands)

Transfers In	Transfers Out				Total
	General	Internal Service	Nonmajor Governmental	Transportation	
General Fund	\$ -	\$ 4,000	\$ 162	\$ 8,100	\$ 12,262
Internal Service	1,864	-	-	-	1,864
Low-Income Housing	46	-	-	-	46
Nonmajor Enterprise	10,095	-	-	-	10,095
Nonmajor Governmental	174,818	-	5,726	23,893	204,437
Transportation	44,333	-	73,533	-	117,866
Total Transfers	\$ 231,156	\$ 4,000	\$ 79,421	\$ 31,993	\$ 346,570

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.

(5) SHORT-TERM ENERGY CONTRACTS AND DERIVATIVE INSTRUMENTS

The Seattle City Light (SCL) engages in an ongoing process of resource optimization, which involves the economic selection from available energy resources to serve the SCL's load obligations and using these resources to capture available economic value. SCL makes frequent projections of electric loads at various points in time based on, among other things, estimates of factors such as customer usage and weather, as well as historical data and contract terms. SCL also makes recurring projections of resource availability at these points in time based on variables such as 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 thousands) the aggregate contract amounts, fair value, and unrealized gain (loss) of SCL's commodity derivative instruments qualifying as normal purchases and normal sales at December 31:

Year 2012	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
Sales	\$ 28,553	\$ 26,434	\$ 2,119
Purchases	8,677	8,001	(676)
Total	<u>\$ 37,230</u>	<u>\$ 34,435</u>	<u>\$ 1,443</u>
Year 2011	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
Sales	\$ 16,444	\$ 16,861	\$ (417)
Purchases	6,028	5,752	(276)
Total	<u>\$ 22,472</u>	<u>\$ 22,613</u>	<u>\$ (693)</u>

Fair value measurements at December 31, 2012 and 2011 used an income valuation technique consisting of Kiorex Forward Curves and Platts M2M Power Curves respectively, and interest rates from HIS Global Insight that are used to calculate discount rates.

All derivative instruments not considered as normal purchases and normal sales are to be recorded within the financial statements using derivative accounting according to GASB Statement No. 53. In 2010, the City Council adopted a resolution granting SCL authority to enter into certain physical put and call options that would not be considered normal purchases and normal sales under GASB Statement No. 53. SCL did not have any such activity for 2012 and 2011. In addition, the City Council has deferred recognition of the effects of reporting the fair value of derivative financial instruments for rate-making purposes, and SCL maintains regulatory accounts to defer the accounting impact of these accounting adjustments in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

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

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

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

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

(6) CAPITAL ASSETS

Table 6-1

CHANGES IN CAPITAL ASSETS ^a

(In Thousands)

	Restated Balance January 1	Additions	Deletions	Balance December 31
GOVERNMENTAL ACTIVITIES ^b				
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 534,093	\$ 4,534	\$ 775	\$ 537,852
Construction in Progress	340,504	297,290	327,285	310,509
Total Capital Assets Not Being Depreciated	874,597	301,824	328,060	848,361
CAPITAL ASSETS BEING DEPRECIATED				
Buildings and Improvements	2,120,879	82,279	1,011	2,202,147
Machinery and Equipment	305,357	25,169	10,283	320,243
Infrastructure	1,422,806	234,300	-	1,657,106
Other Capital Assets	13,479	2,432	-	15,911
Total Capital Assets Being Depreciated	3,862,521	344,180	11,294	4,195,407
Accumulated Depreciation				
Buildings and Improvements	589,641	53,360	593	642,408
Machinery and Equipment	181,238	30,480	8,760	202,958
Infrastructure	614,732	46,080	-	660,812
Other Capital Assets	1,608	173	-	1,781
Total Accumulated Depreciation	1,387,219	130,093	9,353	1,507,959
Total Capital Assets Being Depreciated, Net	2,475,302	214,087	1,941	2,687,448
Governmental Activities Capital Assets, Net	<u>\$ 3,349,899</u>	<u>\$ 515,911</u>	<u>\$ 330,001</u>	<u>\$ 3,535,809</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 133,634	\$ 21,571	\$ 143	\$ 155,062
Construction in Progress	312,968	372,622	427,005	258,585
Other Capital Assets	3,368	730	-	4,098
Total Capital Assets Not Being Depreciated	449,970	394,923	427,148	417,745
CAPITAL ASSETS BEING DEPRECIATED				
Plant in Service, Excluding Land	5,998,033	382,313	39,447	6,340,899
Buildings	60,131	-	-	60,131
Machinery and Equipment	15,169	173	362	14,980
Other Capital Assets	62,046	14,446	1,059	75,433
Total Capital Assets Being Depreciated	6,135,379	396,932	40,868	6,491,443
Accumulated Depreciation				
Plant in Service, Excluding Land	2,309,192	173,918	50,299	2,432,811
Buildings	26,056	2,004	-	28,060
Machinery and Equipment	12,722	1,007	352	13,377
Other Capital Assets	2,644	857	542	2,959
Total Accumulated Depreciation	2,350,614	177,786	51,193	2,477,207
Total Capital Assets Being Depreciated, Net	3,784,765	219,146	(10,325)	4,014,236
Business-Type Activities Capital Assets, Net	<u>\$ 4,234,735</u>	<u>\$ 614,069</u>	<u>\$ 416,823</u>	<u>\$ 4,431,981</u>

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

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

Table 6-2

DEPRECIATION EXPENSE BY FUNCTION

(In Thousands)

GOVERNMENTAL ACTIVITIES

General Government	\$ 4,787
Public Safety	5,900
Transportation	46,792
Economic Environment	12
Culture and Recreation	<u>37,894</u>
Subtotal	95,385
Capital assets held by internal service funds are charged to the various functions based on their usage of the assets	<u>34,708</u>
Total Governmental Activities	<u>\$ 130,093</u>

BUSINESS-TYPE ACTIVITIES

Light	\$ 104,567
Water	44,026
Solid Waste	6,493
Drainage and Wastewater	19,689
Planning and Development	1,007
Parking Garage	<u>2,004</u>
Total Business-Type Activities	<u>\$ 177,786</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 2012 and 2011. The tables show the accrued liabilities by group between governmental activities, business-type activities, and pension trust funds, and further by type of funds, as applicable.

GOVERNMENTAL ACTIVITIES

Governmental Funds

Unpaid compensated absences associated with governmental fund operations of \$78.1 million and \$78.8 million at December 31, 2012 and 2011, respectively, have been recorded in the government-wide financial statements. These amounts include unpaid holiday, compensatory, merit, and furlough time of \$16.2 million and \$16.8 million at the end of 2012 and 2011, respectively; accumulated unpaid vacation pay of \$48.5 million and \$49.7 million at the end of 2012 and 2011, respectively; and the balance for sick leave (estimated based on the termination method) of \$13.4 million and \$12.3 million at December 31, 2012 and 2011, respectively.

Internal Service Funds

Table 7-1

COMPENSATED ABSENCES IN INTERNAL SERVICE FUNDS

(In Thousands)

	<u>2012</u>	<u>2011</u>
Finance and Administrative Services	\$ 4,148	\$ 4,077
Information Technology	<u>1,737</u>	<u>1,734</u>
Totals	<u>\$ 5,885</u>	<u>\$ 5,811</u>

BUSINESS-TYPE ACTIVITIES

Enterprise Funds

Table 7-2

COMPENSATED ABSENCES IN ENTERPRISE FUNDS

(In Thousands)

	<u>2012</u>	<u>2011</u>
Light	\$ 16,616	\$ 16,186
Water	4,722	4,749
Drainage and Wastewater	4,400	4,425
Solid Waste	1,610	1,619
Planning and Development	<u>2,756</u>	<u>2,720</u>
Totals	<u>\$ 30,104</u>	<u>\$ 29,699</u>

PENSION TRUST FUNDS

Table 7-3

COMPENSATED ABSENCES IN PENSION TRUST FUNDS

(In Thousands)

	<u>2012</u>	<u>2011</u>
Employees' Retirement	\$ 111	\$ 121
Firemen's Pension	64	30
Police Relief and Pension	<u>54</u>	<u>39</u>
Totals	<u>\$ 229</u>	<u>\$ 190</u>

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

(8) LEASES

CAPITAL LEASES

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

Table 8-1

CAPITAL LEASES

(In Thousands)

<u>Net Capital Lease Assets</u>	<u>Capital Assets Governmental Activities</u>
Machinery and Equipment	\$ 20
Less Accumulated Depreciation	<u>(14)</u>
December 31, 2012	<u>\$ 6</u>
<u>Minimum Capital Lease Payments</u>	<u>Long-Term Liabilities Governmental Activities</u>
2013	\$ 5
2014	<u>2</u>
Total Minimum Lease Payments	7
Less Interest	<u>(1)</u>
Principal	<u>\$ 6</u>

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

OPERATING LEASES

Governmental Activities

The City, through its Facilities Operations Division, manages buildings and facilities that are owned by the City and has operating lease commitments on real property owned by private entities. Many lease commitments on private properties are for a term of five years or longer and may be renewed as required by the City tenant departments. The lease agreements show a periodic schedule of rental amounts. Facilities Operations Division paid rentals of approximately \$4.5 million in 2012 on the lease commitments. There are no projected rent increases apart from lease agreements entered into by the City.

In addition, Seattle Center leases a building for office space and workshop on a type of lease called a “triple net lease” for its Technical Facilities Management. The original lease agreement expired on July 30, 2010 but was renewed for another five years with new expiration date of July 30, 2015. The renewed lease agreement requires a fixed rent of \$23,420 per month subject to increases on each July 1 beginning in 2011 and every year thereafter by the percentage of change, if any, in the Consumer Price Index (CPI) for All Urban Consumers, United States Average for All Items (1982 - 84 = 100) published by the Bureau of Labor Statistics, United States Department of Labor CPI from the CPI last published in the preceding year, but not to exceed five percent for any lease year. If there is a decline in the CPI, the fixed rent during the succeeding year will be equal to the fixed rent during the immediate preceding year. All other amounts required by the landlord to be paid by Seattle Center on the lease shall constitute additional rent. On a triple net lease Seattle Center will pay all impositions on the lease, insurance premiums, utilities, taxes, operating expenses, maintenance charges, repair costs, and other charges, costs, and expenses which arise or may be contemplated during the lease term. Seattle Center paid rent in the amount of approximately \$297 thousand in 2012 on the lease. Rents are paid as they become due and payable.

Minimum payments under the leases are:

Table 8-2

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

Year Ending December 31	Minimum Lease Payments		
	Facilities Operations	Seattle Center	Total
2013	\$ 4,190	\$ 297	\$ 4,487
2014	2,772	297	3,069
2015	1,936	175	2,111
2016	1,277	-	1,277
2017	828	-	828
Total	<u>\$ 11,003</u>	<u>\$ 769</u>	<u>\$ 11,772</u>

Business-Type Activities

In December 1994 the City entered into an agreement on behalf of the Seattle City Light Department for a ten-year lease of office facilities in downtown Seattle commencing February 1, 1996. In early 1996 the City purchased the building in which these facilities are located, thus becoming the Department's lessor. This lease extended through December 2006. Beginning in 2007 the Department made monthly lease payments to the City through the central cost allocation process, similar to all other payments for tenancy of the City property and through the budget process. The Department also leases office equipment and smaller facilities for various purposes through long-term operating lease agreements. Expense under all leases totaled \$1.3 million and \$1.1 million in 2012 and 2011, respectively.

The Seattle Public Utilities has non-cancelable operating lease commitments for real and personal property for its three funds: Water Fund, Drainage and Wastewater Fund, and Solid Waste Fund. The minimum payments made respectively in 2012 and 2011 were: \$393,513 and \$384,595 for the Water Fund; \$110,248 and \$108,115 for the Drainage and Wastewater Fund, and \$183,979 and \$177,747 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				Total
	City Light	Water	Drainage & Wastewater	Solid Waste	
2013	\$ 1,148	\$ 275	\$ 70	\$ 180	\$ 1,673
2014	1,039	249	59	176	1,523
2015	1,051	257	62	182	1,552
2016	984	221	53	156	1,414
2017	847	11	-	-	858
2018 - 2022	-	57	-	-	57
2023 - 2027	-	57	-	-	57
2028	-	23	-	-	23
Total	<u>\$ 5,069</u>	<u>\$ 1,150</u>	<u>\$ 244</u>	<u>\$ 694</u>	<u>\$ 7,157</u>

LEASE REVENUES - GOVERNMENTAL ACTIVITIES

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

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

	<u>2012</u>	<u>2011</u>
Non-City Property Occupied by City Departments	\$ 5.2	\$ 5.1
City-Owned Property Occupied by City Departments	51.4	51.2
City-Owned Property Leased to Non-City Tenants	<u>2.6</u>	<u>2.3</u>
Total	<u>\$ 59.2</u>	<u>\$ 58.6</u>

Additionally, in 2012 the SeaPark Garage and the Seattle Municipal Tower Building generated \$2.6 million total parking revenues, which were recorded in the Finance and Administrative Services Fund.

Also, in 2012 the City recognized \$6.6 million in parking revenues in the Downtown Parking Garage Fund, an enterprise fund, from the operation of the garage at Pacific Place.

(9) LONG-TERM DEBT

GENERAL OBLIGATION BONDS

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

The original amount of general obligation bonds issued for bonds outstanding at the end of 2011 was \$1.467 billion. The amount of bonds outstanding at December 31, 2011 was \$883.0 million. The following paragraphs discuss the general obligation bonds issued during 2012. No outstanding general obligation bonds were defeased in 2012.

On May 16, 2012, the City issued the \$75.6 million LTGO Various Purpose & Refunding Bonds, 2012, with an interest rate of 4.6 percent which mature serially from September 1, 2012 through September 1, 2032. On that day there were also \$46.8 million in UTGO refunding bonds issued. The proceeds of these LTGO bonds are used to pay all or part of the costs of construction and acquisition of various City capital projects, including Mercer, Linden, Seawall, Parking/program Management, Golf, Rainier Beach Community Center, Magnuson Park and Library Information Technology. In addition, 2002 Bonds were refunded as part of the 2012 issue as follows: 2002 LTGO for \$25.0 million, 2003 LTGO at \$4.7 million, and 2005 LTGO for \$19.0 million. The UTGO Refunding was of the 2002 UTGO bond issue.

The City had no short-term general obligation debt at the end of 2012.

The following table presents the individual general obligation bonds outstanding as of December 31, 2012, and other relevant information on each outstanding bond issue.

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

Name and Purpose of Issue	Issuance Date	Maturity Date	Effective Interest Rate	Bond Issuance	Redemptions		Bonds Outstanding December 31
					2012	To Date ^a	
LIMITED TAX GENERAL OBLIGATION (LTGO) BONDS - NON-VOTED							
Refunding - Various LTGO Bonds, 1998, Series B	03/17/98	09/01/98-12	4.493 %	\$ 43,710	\$ 1,390	\$ 43,710	\$ -
Deferred Interest Parking Garage, 1998, Series E	11/12/98	12/15/01-14	4.714	13,042	1,257	11,083	1,959 ^b
Improvement (Various) and Refunding, 2002	01/30/02	07/01/02-32	4.778	125,510	4,625	125,510	-
Various Purpose and Refunding, 2003	02/26/03	08/01/04-23	3.469	60,855	1,130	59,680	1,175
Refunding, 2004	05/24/04	07/01/04-20	4.118	91,805	6,180	35,920	55,885
Various Purpose and Refunding, 2005	03/23/05	08/01/05-28	4.167	129,540	5,770	72,930	56,610
Various Purpose and Refunding, 2006	04/26/06	03/01/07-26	4.254	24,905	1,815	9,805	15,100
Various Purpose and Refunding, 2007	05/02/07	10/01/07-28	4.251	95,550	2,860	13,010	82,540
Various Purpose and Refunding, 2008	07/02/08	12/01/08-28	4.398	139,830	8,065	26,795	113,035
Various Purpose and Refunding, 2009	03/25/09	11/01/09-05/01/34	3.574	99,860	11,590	27,820	72,040
Improvement and Refunding, 2010, Series A ^c	03/31/10	08/01/10-30	4.394	66,510	-	-	66,510
Improvement and Refunding, 2010, Series B	03/31/10	08/01/10-31	4.394	135,395	6,440	9,660	125,735
Various Purpose, 2011	03/16/11	03/01/11-31	4.431	79,185	2,560	2,560	76,625
Various Purpose and Refunding, 2012	05/16/12	09/01/12-32	4.603	75,590	220	220	75,370
Total Limited Tax General Obligation Bonds				1,181,287	53,902	438,703	742,584
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	1,460	51,960	1,905
Improvement (Library Facilities) and Refunding, 2002	09/26/02	12/01/03-21	3.892	117,025	4,845	117,025	-
Refunding, 2007	05/02/07	12/01/07-18	3.886	60,870	6,070	19,050	41,820
Refunding-Variou s UTGO Bonds, 2012	05/16/12	12/01/12-21	4.603	46,825	595	595	46,230
Total Unlimited Tax General Obligation Bonds				278,585	12,970	188,630	89,955
Total General Obligation Bonds				<u>\$ 1,459,872</u>	<u>\$ 66,872</u>	<u>\$ 627,333</u>	<u>\$ 832,539</u>

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

^b The accreted value of the outstanding bonds as of December 31, 2012, is \$3,930,035. The difference is also recognized as long-term accrued interest in the Downtown Parking Garage Fund, an enterprise fund, where the bond outstanding is also recorded.

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

The requirements to amortize the general obligation bonds as of December 31, 2012, 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	
2013	\$ 68,935	\$ 35,483	\$ 1,262	\$ 4,259	\$ 109,939
2014	65,095	32,311	1,857	3,740	103,003
2015	54,245	29,535	2,950	2,824	89,554
2016	53,925	26,949	3,280	2,676	86,830
2017	55,660	24,379	3,630	2,512	86,181
2018 - 2022	245,630	84,539	24,340	9,438	363,947
2023 - 2027	167,265	33,422	21,615	2,536	224,838
2028 - 2032	61,290	6,320	655	33	68,298
2033 - 2034	905	46	-	-	951
Total	\$ 772,950	\$ 272,984	\$ 59,589	\$ 28,018	\$ 1,133,541

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 2012 was \$13.0 million. There were no new bond issues in 2012.

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
					2012	To Date	
Local Improvement District No. 6750 Bonds, 2006	09/13/06	12/15/07-24	4.102	\$ 21,925	\$ 1,300	\$ 8,920	\$ 13,005

The requirements to amortize the special assessments with governmental commitment as of December 31, 2012, 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
2013	\$ 1,220	\$ 36	\$ 1,256
2014	1,220	48	1,268
2015	1,220	48	1,268
2016	1,220	49	1,269
2017	1,220	49	1,269
2018 - 2022	4,860	203	5,063
2023 - 2024	2,045	85	2,130
Total	\$ 13,005	\$ 518	\$ 13,523

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. Additional amount of \$0.2 million was drawn against the notes in 2011 and the City paid \$2.1 million and \$0.2 million in principal and interest, respectively, in 2012. The outstanding balance on the notes at December 31, 2012, is \$13.3 million. The following table presents the annual debt service requirements to maturity on the notes as of the end of 2012.

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,071	\$ 200	\$ 2,271
2014	1,699	166	1,865
2015	1,560	136	1,696
2016	1,370	109	1,479
2017	1,167	83	1,250
2018 - 2022	4,034	171	4,205
2023	566	6	572
Total	<u>\$ 12,467</u>	<u>\$ 871</u>	<u>\$ 13,338</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 2011 was approximately \$4.291 billion. The total outstanding amount at December 31, 2011, was \$3.266 billion. During 2012 an additional \$806.5 million of revenue bonds were issued.

City Light

On July 17, 2012, pursuant to City Ordinance 123752, the City issued \$345.6 million Municipal Light and Power Improvement and Refunding Revenue Bonds (Parity), which included 2012A Tax Exempt Bonds in (\$293.3 million), 2012B Taxable Bonds (\$9.4 million) and 2012C Taxable Clean Renewable Energy Bonds (\$43 million). Further discussion on the refunding is shown in the Advance and Current Refundings section of this note.

Water

On May 30, 2012, pursuant to City Ordinance 121939, the City issued \$238.8 million Water System Refunding Revenue Bonds with an average coupon rate of 2.631 percent and maturing on September 1, 2034. Proceeds of the bonds were used to refund \$263.8 million of prior lien bonds, Series 2001 Parity, 2003 Parity, Refunding, and 2004 Parity. Further discussion on the refunding is shown in the Advance and Current Refundings section of this note.

Drainage and Wastewater

On June 27, 2012, pursuant to City Ordinances 121938 and 123753, the City issued \$222.1 million in Drainage and Wastewater Improvement and Refunding Revenue Bonds (Parity). The bonds were issued with an average coupon rate of 3.327 percent and maturing on September 1, 2042. A portion of the proceeds were used to refund \$151.9 million of prior lien bonds, Series 2001, 2002 and 2004, and the remainder of proceeds were used to finance certain capital projects. Further discussion on the refunding is shown in the Advance and Current Refundings section of this note.

The business-type funds had no short-term debt at December 31, 2012.

The following table presents the individual revenue bonds outstanding as of December 31, 2012, 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
					2012	To Date ^a	
MUNICIPAL LIGHT AND POWER (ML&P) BONDS							
2002 Parity, Refunding	12/04/02	12/01/03-14	3.470	\$ 87,735	\$ 13,450	\$ 87,735	\$ -
2003 Parity, Refunding	08/20/03	11/01/04-28	3.517	251,850	125,635	247,440	4,410
2004 Parity	12/23/04	08/01/05-29	4.159	284,855	48,145	111,295	173,560
2008 Parity	12/30/08	04/01/09-29	5.522	257,375	13,485	41,735	215,640
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	35,500	44,850	552,020
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	10,770	13,735	282,580
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	-	-	293,280
2012 Parity, Series B, Refunding	07/17/12	12/01/14	0.750	9,355	145	145	9,210
2012 Parity, Series C ^d	07/17/12	06/01/33	0.586	43,000	-	-	43,000
Total Light Bonds				2,325,535	247,130	546,935	1,778,600
MUNICIPAL WATER BONDS							
2001 Parity	11/20/01	11/01/05-31	4.972	52,525	44,320	52,525	-
2003 Parity, Refunding	05/12/03	09/01/03-33	4.083	271,320	160,240	245,835	25,485
2004 Parity	10/25/04	09/01/05-34	4.580	84,750	69,905	80,920	3,830
2005 Parity, Refunding	12/28/05	09/01/06-29	4.482	138,040	4,820	19,860	118,180
2006 Parity, Refunding	10/23/06	02/01/08-37	4.424	189,970	4,640	16,955	173,015
2008 Parity, Refunding	12/15/08	08/01/09-38	4.978	205,080	4,940	19,875	185,205
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	4,980	13,240	68,520
2012 Parity, Refunding	05/30/12	09/01/12-34	2.631	238,770	2,445	2,445	236,325
Total Water Bonds				1,371,295	296,290	451,655	919,640
MUNICIPAL DRAINAGE AND WASTEWATER BONDS							
2001 Parity	07/01/01	11/01/02-31	5.260	60,680	48,880	60,680	-
2002 Refunding	12/17/02	07/01/03-32	4.751	78,550	62,675	78,550	-
2004 Parity	10/28/04	09/01/05-34	4.583	62,010	43,880	51,750	10,260
2006 Refunding	11/01/06	02/01/07-37	4.423	121,765	3,895	17,560	104,205
2008 Parity	04/16/08	06/01/09-38	4.830	84,645	1,515	5,710	78,935
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	3,245	10,095	26,585
2012 Parity & Refunding	06/27/12	09/01/12-42	3.327	222,090	4,115	4,115	217,975
Total Drainage and Wastewater Bonds				768,955	168,205	228,460	540,495
SOLID WASTE BONDS							
2007 Revenue & Refunding	12/12/07	02/01/08-33	4.505	82,175	2,185	7,945	74,230
2011 Revenue	06/22/11	08/01/12-36	4.227	45,750	775	775	44,975
Total Solid Waste Bonds				127,925	2,960	8,720	119,205
Total Utility Revenue Bonds				\$ 4,593,710	\$ 714,585	\$ 1,235,770	\$ 3,357,940

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

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

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

^d Issued as taxable New Clean Renewable Energy Bonds.

The requirements to amortize the revenue bonds as of December 31, 2012, 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	
2013	\$ 91,840	\$ 86,447	\$ 32,630	\$ 44,793	\$ 15,215	\$ 25,837	\$ 3,330	\$ 5,708	\$ 305,800
2014	96,645	82,173	33,545	43,369	15,825	25,282	3,495	5,549	305,883
2015	98,915	77,345	35,015	41,836	16,415	24,620	3,665	5,371	303,182
2016	97,455	72,410	36,700	40,126	17,220	23,899	3,855	5,185	296,850
2017	98,475	67,504	38,450	38,334	18,070	23,124	4,045	4,989	292,991
2018 - 2022	476,230	266,770	219,315	161,417	100,670	101,743	22,170	21,737	1,370,052
2023 - 2027	403,350	150,455	222,345	104,763	98,505	76,594	27,355	15,688	1,099,055
2028 - 2032	184,555	76,946	169,805	55,464	113,360	51,391	34,675	8,383	694,579
2033 - 2037	151,815	37,157	104,430	21,606	39,670	32,305	16,615	1,568	405,166
2038 - 2042	79,320	6,622	27,405	2,626	105,545	9,257	-	-	230,775
Total	<u>\$ 1,778,600</u>	<u>\$ 923,829</u>	<u>\$ 919,640</u>	<u>\$ 554,334</u>	<u>\$ 540,495</u>	<u>\$ 394,052</u>	<u>\$ 119,205</u>	<u>\$ 74,178</u>	<u>\$ 5,304,333</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

During 1993, the Fund entered into a loan agreement to borrow up to \$2.2 million from the Washington State Department of Commerce under its Public Works Trust Loan program for the construction of certain capital improvements. Amounts borrowed under the agreement accrue interest at 1.0 percent per annum and are to be repaid in 19 annual installments plus interest. Proceeds from this loan were used to finance the Magnolia Manor Reservoir project. As of December 31, 2012, this loan has an outstanding balance of \$0.1 million.

In 2008, the Fund entered into a loan agreement to borrow \$8.1 million from the same program at 1.5 percent interest per year and a repayment period of 17 to 18 years. Proceeds from this loan were used to finance the Myrtle and Beacon Reservoir projects. As of December 31, 2012, this loan has an outstanding balance of \$5.9 million.

In 2009, the Fund entered into a loan agreement to borrow \$3.0 million from the same program at 1.5 percent per annum and payable in 18 years. Proceeds from this loan were used to finance the West Seattle Reservoir project. As of December 31, 2012, this loan has an outstanding balance of \$2.4 million.

Also in 2009, the Fund entered into two loan agreements to borrow, totaling \$9.1 million, from the same program to be used to finance the Maple Lead Reservoir project. The first loan, in the amount of \$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, 2012, these loans have an outstanding balance of \$8.7 million.

Amounts paid for all loans in 2012 totaled \$858 thousand and \$231 thousand, in principal and interest, respectively. The combined outstanding balance of the loans at December 31, 2012 is \$17.1 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 its Public Works Trust Loan program for the construction of certain capital improvements. Amounts borrowed under the agreement accrue interest at 0.5 percent per annum and are to be repaid in 20 annual installments plus interest. Proceeds from this loan were used to finance the Thornton Creek Natural Drainage Systems. As of December 31, 2012, this loan has an outstanding balance of \$2.4 million.

In 2005, the Fund entered into a loan agreement with the Washington State Department of Ecology under its Public Works Trust Loan program to borrow up to \$2.7 million to support the construction of improvements of the High Point Natural Drainage Systems project. Amounts under this agreement accrue interest at 1.5 percent per annum and are to be repaid in 20 annual installments. As of December 31, 2012, the loan has an outstanding balance of \$2.3 million.

In 2006, the Fund entered into a loan agreement with the Washington State Department of Commerce under its Public Works Trust Loan program to borrow up to \$3.4 million to support the construction of the South Park Flood Control and Local Drainage program. Amounts borrowed under the agreement accrue interest at 0.5 percent per annum and are to be repaid over 20 years. As of December 31, 2012, the loan has an outstanding balance of \$2.6 million.

In 2008, the Fund entered into a loan agreement with the Washington State Department of Ecology to borrow up to \$7.0 million to support the construction and site improvements of the Thornton Creek Water Quality Channel. Amounts borrowed under this agreement accrue interest at 1.5 percent per annum and are to be repaid over 20 years beginning in 2010. As of December 31, 2012, the loan has an outstanding balance of \$6.4 million.

In 2009, the Fund entered into a loan agreement with the Washington State Department of Ecology to borrow up to \$1.4 million to support the Ballard Green Streets project. This loan was funded with resources from the ARRA which provides a 50-percent forgivable provision. In 2010, the Fund borrowed \$0.7 million of which \$0.4 million is forgivable. More draw downs are anticipated in the future. As of December 31, 2012, the loan has an outstanding balance of \$0.5 million.

In 2011, the Fund was approved for a public works trust fund loan of \$4.0 million from the Washington State Department of Commerce for construction and site improvements in the Midvale area of Seattle. Amounts borrowed under this agreement accrue interest at 0.5 percent per annum and are to be repaid by June 2032. As of December 31, 2012, the loan has an outstanding balance of \$3.6 million.

Amounts paid to all loans in 2012 totaled \$914 thousand in principal and approximately \$195 thousand in interest. Total loans outstanding as of December 31, 2012 are \$17.7 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	
2013	\$ 1,188	\$ 367	\$ 1,075	\$ 186	\$ 2,816
2014	1,069	210	1,083	175	2,537
2015	1,069	196	1,092	163	2,520
2016	1,070	181	1,101	152	2,504
2017	1,070	167	1,110	140	2,487
2018 - 2022	5,348	616	5,538	521	12,023
2023 - 2027	4,686	258	4,541	250	9,735
2028 - 2032	1,569	38	2,144	40	3,791
Total	<u>\$ 17,069</u>	<u>\$ 2,033</u>	<u>\$ 17,684</u>	<u>\$ 1,627</u>	<u>\$ 38,413</u>

The following table shows the long-term liability activities during the year ended December 31, 2012.

Table 9-9

CHANGES IN LONG-TERM LIABILITIES ^a

(In Thousands)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
Bonds Payable					
General Obligation Bonds	\$ 822,110	\$ 122,415	\$ 171,575	\$ 772,950	\$ 68,935
Add (Deduct) Deferred Amounts					
Issuance Premiums	38,187	21,709	3,824	56,072	-
Issuance Discounts	(2)	-	-	(2)	-
On Refunding	(593)	(940)	-	(1,533)	-
Special Assessment Bonds with Governmental Commitment ^b	14,305	-	1,300	13,005	-
Total Bonds Payable	<u>874,007</u>	<u>143,184</u>	<u>176,699</u>	<u>840,492</u>	<u>68,935</u>
Notes and Contracts					
Capital Leases	10	-	4	6	4
Other Notes and Contracts	14,662	6,000	1,920	18,742	2,071
Total Notes and Contracts	<u>14,672</u>	<u>6,000</u>	<u>1,924</u>	<u>18,748</u>	<u>2,075</u>
Compensated Absences	84,612	72,867	73,401	84,078	20,519
Claims Payable					
Workers' Compensation	24,209	1,049	-	25,258	7,849
General Liability	60,918	-	13,531	47,387	10,900
Health Care Claims	1,764	484	-	2,248	2,248
Environmental Liability ^c					
General Contamination Cleanup	60	199	-	259	-
Total Claims Payable ^d	<u>86,951</u>	<u>1,732</u>	<u>13,531</u>	<u>75,152</u>	<u>20,997</u>
Arbitrage Rebate Liability	44	-	27	17	-
Total Long-Term Liabilities from Governmental Activities	<u>\$ 1,060,286</u>	<u>\$ 223,783</u>	<u>\$ 265,582</u>	<u>\$ 1,018,487</u>	<u>\$ 112,526</u>
BUSINESS-TYPE ACTIVITIES					
Bonds Payable					
General Obligation Bonds	\$ 60,846	\$ -	\$ 1,257	\$ 59,589	\$ 1,262
Revenue Bonds	3,266,031	806,495	714,585	3,357,941	143,015
Add (Deduct) Deferred Amounts					
Issuance Premiums	127,647	121,241	25,494	223,394	-
Issuance Discounts	(1,184)	-	454	(1,638)	-
On Refunding	(47,395)	(19,579)	(3,067)	(63,907)	-
Total Bonds Payable	<u>3,405,945</u>	<u>908,157</u>	<u>738,723</u>	<u>3,575,379</u>	<u>144,277</u>
Accrued Interest - Deferred Interest Bonds	2,884	-	913	1,971	1,378
Notes and Contracts - Other	36,222	313	1,772	34,763	2,273
Compensated Absences	29,699	10,424	9,698	30,425	3,006
Claims Payable					
Workers' Compensation	9,265	3,029	2,657	9,637	2,995
General Liability	21,222	2,786	5,639	18,369	4,225
Environmental Liability ^c					
General Contamination Cleanup	34,624	91,042	10,278	115,388	16,646
Total Claims Payable ^d	<u>65,111</u>	<u>96,857</u>	<u>18,574</u>	<u>143,394</u>	<u>23,866</u>
Habitat Conservation Program Liability	5,048	4,370	2,507	6,911	1,164
Landfill Closure and Postclosure Costs	19,962	-	1,345	18,617	1,398
Total Long-Term Liabilities from Business-Type Activities	<u>\$ 3,564,871</u>	<u>\$ 1,020,121</u>	<u>\$ 773,532</u>	<u>\$ 3,811,460</u>	<u>\$ 177,362</u>

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

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

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

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

The City's internal service funds predominantly serve governmental funds. For this reason the above totals in the governmental activities include the long-term liabilities for these funds. At the end of the year compensated absences and claims payable of these funds amounted to approximately \$5.6 million and \$1.8 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 2012.

General Government

The refunding portion of the \$122.4 million LTGO Various Purpose and Refunding, 2012, and UTGO Refunding- Various UTGO Bonds, 2012, Improvement and Refunding Bonds 2012, issued by the City on May 16, 2012, were used partially refund 2002 LTGO Refunding of 1992 for \$7.8 million, 2002 LTGO bonds for \$19.1 million, 2003 LTGO of \$5.3 million, 2005 LTGO of \$20.2 million and \$53.6 million 2002 UTGO. The aggregate total debt service on the refunded bonds requires a cash flow of \$149.9 million, including \$43.9 million in interest. The aggregate total debt service on the refunding bonds requires a cash flow of \$132.3 million, including interest of \$36.2 million. The difference between the cash flows required to service the old and the new debt and complete the refunding totaled approximately \$17.6 million, and the aggregate economic gain amounted to approximately \$15.4 million at net present value.

City Light

The refunding portion of the \$214.4 million in 2012 provided both new money to the Department and advance refunded \$158.1 million of the outstanding 2002 bond series and portions of the 2003 and 2004 bond series. In addition to advance refunding the 2002, 2003 and 2004 bond series, the Bonds were issued to finance certain capital improvements and conversation programs for the Light System of the City of Seattle and to make a deposit to the Reserve fund of \$12.6 million.

The refunding resulted in the recognition of a loss on refunding of \$10.6 million, and the economic gain totaled \$20.2 million at net present value. The arbitrage yield for the bonds is as follows: 2012A tax exempt ML&P bonds 2.99 percent, 2012B taxable ML& P bonds 0.63 percent, and 2012C taxable Clean Renewable Energy bonds 0.45 percent.

Water

The Water System Refunding Revenue Bonds (Parity) issued on May 30, 2012 in the amount of \$238.8 million were used to refund \$44.3 million of 2001 Parity bonds; \$151.3 million of 2003 bonds, and \$68.1 million of 2004 bonds. The difference between the cash flows required to service the old and new debt and complete the refunding totaled approximately \$46.7 million, and the economic gain amount to approximately \$45.5 million at present value.

Drainage and Wastewater

The refunding portion of the \$222.1 million 2012 Parity and Refunding Drainage and Wastewater Improvement and Refunding Revenue Bonds, in the amount of \$151.9 million, was used to refund \$48.9 million of 2001 bonds, \$60.4 million of 2002 bonds, and \$42.5 million of 2004 bonds. The difference between the cash flows required to service and old and new debt and complete the refunding totaled approximately \$32.3 million, and the economic gain amounted to approximately \$24.3 million at present value.

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 2012	Defeased Outstanding December 31
GENERAL OBLIGATION BONDS							
Limited Tax (Non-Voted)							
Refunding - Various LTGO Bonds, 1998, Series B, Defeased 9/26/05	03/17/98	09/01/98-12	4.493 %	\$ 43,710	\$ 620	\$ 620	\$ -
Improvement (Various) and Refunding, 2002, Defeased 9/26/05	01/30/02	07/01/02-32	4.778	124,820	8,470	8,470	-
Improvement (Various) and Refunding, 2002, Refunded 3/31/10					30,275	30,275	-
Improvement (Various) and Refunding, 2002, Refunded 5/16/12					26,920	26,920	-
Various Purpose and Refunding, 2002, Series B Defeased 12/17/08	09/26/02	10/01/03-14	3.127	64,560	64,560	64,560	-
Various Purpose and Refunding, 2003, Defeased 4/4/07	02/26/03	08/01/04-23	3.469	48,480	2,715	795	1,920
Various Purpose and Refunding, 2003, Defeased 8/30/07					3,180	780	2,400
Various Purpose and Refunding, 2003, Defeased 12/17/08					6,480	4,000	2,480
Various Purpose and Refunding, 2003, Refunded 5/16/12					5,320	-	5,320
Various Purpose and Refunding, 2005, Refunded 5/16/12	03/23/05	08/01/05-28	4.603	129,540	20,160	-	20,160
Unlimited Tax (Voted)							
Improvement (Library Facilities) and Refunding, 2002, Refunded 5/16/12	09/26/02	12/01/03-21	4.603	117,025	53,560	53,560	-
REVENUE BONDS							
Municipal Light and Power							
2002 Parity, Refunding, Refunded 7/17/12	12/04/02	12/01/03-14	3.470	87,735	9,140	9,140	-
2003 Parity, Refunding, Refunded 7/17/12	08/20/03	11/01/04-28	4.440	251,850	121,435	-	121,435
2004 Parity, Refunded 7/17/12	12/23/04	08/01/05-29	4.230	284,855	27,560	-	27,560
Municipal Water							
2001 Parity, Refunded 5/30/12	11/20/01	11/01/05-31	4.972	52,525	44,320	44,320	-
2003 Parity Refunding, Refunded 5/30/12	05/12/03	12/31/03-33	4.083	271,320	151,340	-	151,340
2004 Parity, Refunded 5/30/12	10/25/04	09/01/05-34	4.580	84,750	68,125	-	68,125
Municipal Drainage and Wastewater							
2001 Parity, Refunded 6/27/12	07/03/01	11/01/02-31	5.260	60,680	48,880	48,880	-
2002 Parity Refunding, Refunded 6/27/12	12/17/02	07/01/03-32	4.751	78,550	60,440	60,440	-
2004 Parity, Refunded 6/27/12	10/28/04	09/01/05-34	4.583	62,010	42,540	-	42,540
Total Refunded/Defeased Bonds				<u>\$ 1,762,410</u>	<u>\$ 796,040</u>	<u>\$ 352,760</u>	<u>\$ 443,280</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 no arbitrage rebate in 2010 on its general obligation bonds and revenue bonds. In 2011, the City paid arbitrage rebate of \$19 thousand on its general obligation bonds and none on revenue bonds. As of December 31, 2012, arbitrage rebate liability on general obligation bonds and revenue bonds are \$17 thousand and none, respectively.

(10) ENVIRONMENTAL LIABILITIES

Following is a brief description of the significant sites:

- The Harbor Island Superfund Site. Harbor Island was designated as a federal Superfund site by the Environmental Protection Agency (EPA) in 1983. The City and other entities are sharing costs of investigating contamination in the East Waterway alongside Harbor Island. The City's involvement stems from its sale of transformers to a company on Harbor Island, discharges from storm drains, and combined sewer outflows. In 2006 the EPA issued an Administrative Order on Consent (AOC) for a supplemental Remedial Investigation and Feasibility Study (RI/FS). Subsequent to an agreement between the EPA, the Port of Seattle (Port), King County, and the City, the Port alone signed the order. Both the City and King County signed a Memorandum of Agreement with the Port to participate as cost share partners in the work required by the EPA. No specific requirements for remediation by Potentially Responsible Parties (PRPs) have been made by the EPA as of the date of this note. The RI/FS is anticipated to be completed by 2014.
- The Lower Duwamish Waterway Superfund Site. The site was designated as a federal Superfund site by the EPA in 2001 for contaminated sediments due to land ownership or use of property along the river, discharges from storm drains, and combined sewer outflows into the river. The City is one of four parties who signed an AOC with the EPA and Washington State Department of Ecology (DOE) to conduct a RI/FS to prepare a site remedy. In November 2012 the EPA approved the feasibility study which provides sufficient information to support selection of a remedy. The regulators recommended an option and the City recorded its share of the total estimated cost. The EPA issued general notification letters to parties informing them of their potential liability for the Lower Duwamish Waterway cleanup. The City and other three parties who signed the AOC with the EPA have agreed to invite some of those parties to participate in an alternative dispute resolution process to resolve their respective share of past and future costs. The EPA announced their proposed cleanup plan for public comment in February 2013. EPA is expected to issue a Record of Decision in 2014.

The City and other PRPs have voluntarily agreed to initiate cleanup of two early action sites identified during the Remedial Investigation under AOC for Slip 4 and Terminal 117. The cleanup work at Slip 4 was completed in February 2012 and monitoring is ongoing. For Terminal 117, the cleanup of the sediments and the upland is expected to begin in 2013 while the cleanup of the adjacent streets is anticipated to begin in 2014.

- 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 possible removal of contamination in an area that encompasses North Boeing Field, the Georgetown Steam Plant, and the King County Airport. This site was also the subject of the lawsuit brought by the City against Boeing. Boeing agreed to pay a specific percentage of the costs for DOE's implementation of the order. The order requires completion and then implementation of a RI/FS work plan. Boeing and the City will pay remediation costs at their own facilities. During the cleanup an abandoned structure containing oil was discovered. The structure was partly on the City's property and partially underground on property the City sold to King County in the 1960s. The City removed the oil from the part of the structure on its own property. King County plans to remove the part of the structure on its property and is seeking some level of reimbursement from the City. At this time the costs of removal are unknown and it has not been determined whether the City will share those costs. It is also unknown whether the DOE will require further work.
- Gas Works Park Sediment Site. In 2002 the DOE named the City and Puget Sound Energy (PSE) as PRPs for contamination at the Gas Works Sediments Site in North Lake Union. The City and PSE signed an Agreed Order with the DOE in 2005 to initiate a City-led RI/FS in the western portion of the site and a PSE-led RI/FS in the eastern portion. In fall of 2012 the City and PSE entered into a Settlement, Release, and Cost Allocation Agreement that puts PSE 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 20.0 percent of the shared costs incurred by PSE for the cleanup work. The RI/FS includes an evaluation of the nature and extent of contamination on the site, an evaluation of multiple alternatives for remediating the sediments, and a recommended preferred alternative. Recently the EPA has begun in-depth discussions with DOE and PSE is collecting additional site data. As a result, a Clean-up Action Plan is expected from the DOE in about 2016.
- 7th Avenue South Pump Station. The City acquired land in the South Park area of Seattle to construct the 7th Avenue South Pump Station. The land was determined to be contaminated subsequent to the purchase. The City has voluntarily agreed to clean up the contamination in order to continue with the planned construction of the pump station. The cleanup was completed in 2012.
- South Park. The DOE has indicated that it will require the cleanup and remediation of the historic South Park landfill sites under the State Model Toxics Control Act. No specific requirements for remediation by PRPs have been made by the DOE as of the date of this note. In order to manage the liability, the City is working with the DOE and other PRPs on a RI/FS to evaluate the risk to human health and the environment and to assess the feasibility of cleanup options for use in the ultimate remedial actions that the DOE may require. The RI/FS is anticipated to be completed in late 2013. One PRP is planning an interim cleanup action on the site to be constructed in the 2013-2014 timeframe but DOE has

not yet approved the plan. The City has reached a settlement agreement with the PRP who plans to conduct the interim action. The agreement settles City liabilities for the interim cleanup costs but not City liabilities for the permanent cleanup.

- **South Park Bus Barn.** The South Park Bus Barn, located near the South Park Landfill, was entered into the DOE's Voluntary Cleanup Program. This parcel of property was purchased by the City in 2008, and currently no other PRP has been named. The remedial action was substantially completed in 2010. The site is currently being monitored to verify the effectiveness of the remediation.

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 \$0.7 million and \$27 thousand, at December 31, 2012 and 2011, 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 \$0.5 million and \$0.3 million, at December 31, 2012 and 2011, respectively.

The changes in the provision for environmental liability (in thousands) at December 31, 2012 and 2011 are as follows:

	2012	2011
Beginning Environmental Liability, Net of Recovery	\$ 34,685	\$ 44,357
Payments or Amortization	(8,588)	(10,529)
Incurred Environmental Liability	<u>89,550</u>	<u>857</u>
Ending Environmental Liability, Net of Recovery	<u>\$ 115,647</u>	<u>\$ 34,685</u>

The provision for environmental liability (in thousands) included in current and noncurrent liability at December 31, 2012 and 2011, is as follows:

	2012	2011
Claims Payable, Current	\$ 16,646	\$ 7,537
Claims Payable, Noncurrent	<u>99,001</u>	<u>27,148</u>
Total	<u>\$ 115,647</u>	<u>\$ 34,685</u>

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

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

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

Table 11-1

PENSION PLAN INFORMATION

	<u>Employees' Retirement</u>	<u>Firemen's Pension</u>	<u>Police Relief and Pension</u>	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
Actuarial Valuation Date	1/1/2012	1/1/2012	1/1/2012	6/30/2011	6/30/2011
Actuarial Cost Method	Entry Age	Entry Age	Entry Age	Entry Age	Aggregate ^a
Asset Valuation Method	5-Year Smoothing Method	Fair Value	Fair Value	8-Year Graded Smoothed Fair Value ^b	8-Year Graded Smoothed Fair Value ^b
Amortization Method	Level %	Level \$	Level \$	Level %/Level \$ ^c	N/A
Amortization Period	Does Not Amortize ^d	30.0 years	30.0 years	12.5 years	N/A
Amortization Approach	Open	Closed	Closed	Closed	N/A
Actuarial Assumptions					
Inflation Rate (CPI)	3.50%	2.75% ^e	2.75% ^e	3.00%	3.00%
Investment Rate of Return	7.75%	4.00%	4.00%	7.90%	8.00%
Projected Salary Increases - General	4.00%	3.75% ^e	3.75% ^e	4.00%	4.50%
Projected Salary Increases - Step Merit	N/A	N/A	N/A	Varies ^f	Varies ^f
Postretirement Benefit Increases	1.50%	Varies ^g	Varies ^g	3.00%	CPI Increase

- ^a The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities.
- ^b The actuarial value of assets is calculated under an adjusted market value method by starting with the market value of assets. For subsequent years the actuarial value of assets is determined by adjusting the market value of assets to reflect the difference between the actual investment return and the expected investment return during each of the last eight years or, if fewer, the completed years since adoption.
- ^c Funding is Level %; GASB is Level \$.
- ^d As of the January 1, 2012 valuation, the Contribution Rate of 21.04% is not sufficient to amortize the UAAL over the maximum allowable period of 30 years. Please refer to the complete actuarial study available from SCERS for details.
- ^e Long-term assumption.
- ^f For specific information, please refer to the 2010 Actuarial Valuation Report issued by the Washington Office of the State Actuary.
- ^g Based upon salary increase assumptions for benefits that increased based on salary. Based upon CPI assumptions for benefits that increased based upon CPI.

SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM

Plan Description

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

All employees of the City of Seattle are eligible for membership in the system with the exception of law enforcement officers and fire fighters who are covered under the statewide LEOFF plans administered by the state Department of Retirement Systems. Employees of METRO and the King County Health Department who established membership in the system when these organizations were City of Seattle departments were allowed to continue their membership. Current membership in SCERS consisted of the following at December 31, 2012:

Retirees and Beneficiaries Receiving Benefits	5,714
Terminated Plan Members Entitled To But Not Yet Receiving Benefits, Vested	1,121
Active Plan Members, Vested and Non-vested	8,465

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. The fair value of investments in common stock, international equities, fixed income, international fixed income, and short-term investments is based on the quoted market price. The fair value of venture capital and real estate equities is determined by the investment sponsor. Securities and securities lending transactions are reflected in the financial statements on a trade-date basis. The Retirement Board provides its investment managers with a set of investment guidelines. In general, these guidelines require that investments with any one issuer do not exceed 5 percent of the net position value of a manager's portfolio.

Contributions and Reserves

Member and employer contribution rates are established by SMC 4.36.

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

Actuarially determined contribution rates for 2011 were 9.03 percent for members and 9.03 percent for the employer. Plan member and employer contributions for 2011 are \$50,415,119 and \$50,301,263, 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, 2012, and covers calendar year 2011. Based on this valuation, the Actuarial Value of Assets (AVA) is \$1.954 billion; the Actuarial Accrued Liability (AAL) is \$2.859 billion; the Unfunded Actuarial Accrued Liability (UAAL) is \$905.0 million; and the Funded Ratio was 68.3 percent.

An actuarial study with valuation date of January 1, 2013, is presently underway, and expected to be available at the Retirement Office after July 1, 2013.

The three-year trend information (in thousands) is presented directly below. The Annual Pension Cost (APC) and Net Pension Obligation (NPO) for years ending 2011 and 2010 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)
2009	\$ 46,933	\$ 46,650	99 %	\$ (77,866)
2010	93,924	45,225	48	(29,167)
2011	72,346	50,301	69	(7,122)

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
2011	\$73,028	\$(2,260)	\$1,578	\$72,346	\$50,301	\$22,045	\$(29,167)	\$(7,122)

Seattle City Employees' Retirement System's net pension asset decreased from \$29.2 million to \$7.1 million, a decrease of \$22.1 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, 2011
(In Thousands)**

	<u>2011</u>		<u>2010</u>	
Total Normal Cost Rate	15.19	%	15.23	%
Employee Contribution Rate	9.03		8.03	
Employer Normal Cost Rate	6.16		7.20	
Total Employer Contribution Rate ^a	9.03	%	8.03	%
Amortization Payment Rate	2.87		0.83	
Amortization Period (Year)	Does Not Amortize		Does Not Amortize	
GASB 27 Amortization Rate	6.95		9.80	
Total Annual Required Contribution (ARC) Rate ^b	13.11		17.00	
Covered Employee Payroll ^c	\$ 557,046		\$ 563,198	
ARC	\$ 73,028		\$ 95,744	
Interest on Net Pension Obligation (NPO)	(2,260)		(6,034)	
Adjustment to ARC	1,578		4,214	
Annual Pension Cost (APC)	<u>\$ 72,346</u>		<u>\$ 93,924</u>	
Employer Contribution	\$ 50,301		\$ 45,225	
Change in NPO	\$ 22,045		\$ 48,699	
NPO at Beginning of Year	<u>(29,167)</u>		<u>(77,866)</u>	
NPO at End of Year	<u>\$ (7,122)</u>		<u>\$ (29,167)</u>	

^a Contribution rates are based on the January 1, 2011, Valuation Date Study that covers the calendar year 2010.

^b If the amortization period determined by the actual contribution rate exceeds the maximum amortization period required by GASB Statement No. 27, the ARC is determined using an amortization of the funding excess over 30 years.

^c Covered payroll includes compensation paid to all active employees on which contributions were made in the year preceding the valuation date.

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

Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
\$1,954,300	\$2,859,300	\$905,000	68.3%	\$557,000	162.5%

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

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

FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS

Plan Description

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

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

All law enforcement officers and fire fighters of the City who served before March 1, 1970, are participants of these pension plans, and may be eligible for a supplemental retirement benefit plus disability benefits under these plans. Those officers and fire fighters hired between March 1, 1970, and September 30, 1977, are not eligible for a supplemental retirement benefit, but may be eligible for disability benefits under this plan. Eligible law enforcement officers may retire with full benefits after 25 years of service at any age and fire fighters at age 50 after completing 25 years of service. These pension plans provide death benefits for eligible active and retired employees. In addition, these plans provide medical benefits in accordance with state statutes and City ordinances to active and retired members from the City. Currently 920 fire and 964 police retirees meet these eligibility requirements. The City fully reimburses the amount of valid claims for medical and hospitalization costs incurred by active members and pre-Medicare retirees. The City also reimburses the full amount of premiums for part B of Medicare for each retiree eligible for Medicare. Total postemployment medical benefits for Firemen's Pension were \$10.2 million in 2011 and \$10.4 million in 2010; and for Police Relief and Pension, \$11.7 million in 2011 and \$12.0 million in 2010.

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, 2012:

	<u>Firemen's Pension</u>	<u>Police Relief and Pension</u>
Retirees and Beneficiaries Receiving Benefits	778	789
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	-	-
Active Plan Members, Vested	29	25
Active Plan Members, Nonvested	-	-

These pension plans do not issue separate financial reports.

Summary of Significant Accounting Policies

The Firemen's Pension and Police Relief and Pension Funds are accounted for as pension trust funds. The financial statements were prepared using the economic resources measurement focus and the full accrual basis of accounting as shown in Note 1. All assets, liabilities, and additions to and deductions from (including contributions, benefits, and refunds) plan net 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 December 1, 2013, are presently underway and will be available at the Police and Fire Pension offices after July 1, 2013.

Three-year trend information (in thousands) for the Firemen's Pension and the Police Relief and Pension Funds as of the January 1, 2012, actuarial valuation are:

<u>Retirement System</u>	<u>Fiscal Year Ending December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
Firemen's Pension Fund	2009	\$ 8,320	137 %	\$ (6,566)
	2010	8,098	90	(5,723)
	2011	7,333	113	(6,652)
Police Relief and Pension Fund	2009	8,343	95	1,803
	2010	7,872	125	(167)
	2011	8,537	131	(2,825)

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	\$10,877	\$138,611	\$127,734	8.0%	N/A	N/A
Police Relief and Pension Fund	3,746	111,458	107,712	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 \$9.6 million as of December 31, 2011. 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, 2011, based on the actuarial valuation as of January 1, 2012, was \$138.6 million for Firemen's Pension and \$111.5 million for Police Relief and Pension. The Police Relief and Pension AAL is funded on a pay-as-you-go basis. Annual requirements are funded through the City's adopted budget, and any budget requirements exceeding the adopted budget are fully covered by supplemental appropriations.

Trend information on employer contributions for the Firemen's Pension and the Police Relief and Pension plans is presented in the Required Supplementary Information section, C-5.

The net pension obligation of the Firemen's Pension Fund is a \$6.7 million net pension asset at December 31, 2011. The net pension obligation of the Police Relief and Pension Fund is a \$2.8 million net pension asset at December 31, 2011.

**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, 2011**

(In Thousands)

	Firemen's Pension			Police Relief and Pension		
	2011	2010	2009	2011	2010	2009
Annual Required Contribution (ARC)						
Annual Normal Cost - Beginning of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization of UAAL - Beginning of Year	6,940	7,668	7,909	8,206	7,602	8,005
Interest to End of Year ^a	278	307	356	328	304	360
ARC at End of Year	7,218	7,975	8,265	8,534	7,906	8,365
Interest on NPO	(229)	(263)	(156)	(7)	72	63
Adjustment to ARC	344	386	211	10	(106)	(85)
Annual Pension Cost (APC)	7,333	8,098	8,320	8,537	7,872	8,343
Employer Contribution ^b	8,262	7,255	11,421	11,195	9,842	7,938
Change in NPO	(929)	843	(3,101)	(2,658)	(1,970)	405
NPO at Beginning of Year	(5,723)	(6,566)	(3,465)	(167)	1,803	1,398
NPO at End of Year	<u>\$ (6,652)</u>	<u>\$ (5,723)</u>	<u>\$ (6,566)</u>	<u>\$ (2,825)</u>	<u>\$ (167)</u>	<u>\$ 1,803</u>

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

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

Following are the Firemen's Pension and the Police Relief and Pension financial statements for fiscal year ending December 31, 2012.

Table 11-4

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

December 31, 2012

(In Thousands)

	<u>Firemen's Pension</u>	<u>Police Relief and Pension</u>	<u>2012</u>	<u>2011</u>
ASSETS				
Cash and Equity in Pooled Investments	\$ 13,684	\$ 4,449	\$ 18,133	\$ 16,863
Investments at Fair Value				
U.S. Government Obligations	32	-	32	15
Receivables				
Due from Other Funds	-	1,125	1,125	-
Other	712	-	712	1
Interest and Dividends	5	396	401	12
Total Receivables	<u>717</u>	<u>1,521</u>	<u>2,238</u>	<u>13</u>
Total Assets	14,433	5,970	20,403	16,891
LIABILITIES				
Refunds Payable and Other	1,490	1	1,491	2,268
Securities Lending Collateral	-	1,344	1,344	-
Total Liabilities	<u>1,490</u>	<u>1,345</u>	<u>2,835</u>	<u>2,268</u>
Net Position Held in Trust for Pension Benefits	<u>\$ 12,943</u>	<u>\$ 4,625</u>	<u>\$ 17,568</u>	<u>\$ 14,623</u>

Table 11-5

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

For the Year Ended December 31, 2012

(In Thousands)

	Defined Benefit		Postemployment Healthcare		2012	2011
	Firemen's Pension	Police Relief and Pension	Firemen's Pension	Police Relief and Pension		
ADDITIONS						
Contributions Employer	\$ 9,404	\$ 8,354	\$ 9,471	\$ 11,833	\$ 39,062	\$ 40,011
Investment Income						
From Investment Activities						
Net Appreciation (Depreciation) in Fair Value of Investments	17	-	-	-	17	6
Interest	76	-	-	-	76	79
Total Net Investment Income	93	-	-	-	93	85
Other Income	1,553	490	-	-	2,043	2,343
Total Additions	11,050	8,844	9,471	11,833	41,198	42,439
DEDUCTIONS						
Benefits	8,345	7,435	9,471	11,833	37,084	39,306
Administrative Expense	639	530	-	-	1,169	1,045
Total Deductions	8,984	7,965	9,471	11,833	38,253	40,351
Change in Net Position	2,066	879	-	-	2,945	2,088
Net Position - Beginning of Year	10,877	3,746	-	-	14,623	12,535
Net Position - End of Year	<u>\$ 12,943</u>	<u>\$ 4,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,568</u>	<u>\$ 14,623</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 officers and fire fighters. Membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers who were first included prospectively effective July 27, 2003, being a major exception. Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the legislature for Plan 2. LEOFF retirement benefit provisions are established in state statute and may be amended only by the state legislature. The Washington State Department of Retirement Systems (DRS) administers LEOFF.

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. Employee contributions to Plans 1 and Plan 2 accrue interest at a rate specified by DRS. During fiscal year 2011 the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in Plan 1 and 2 can elect to withdraw total employee contributions and interest earnings upon separation from LEOFF-covered employment.

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

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

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

Plan 2 retirement benefits are vested after an employee completes 5 years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service or at the age of 53 with 5 years of service, with an allowance of 2 percent of the FAS per year of service (FAS is based on the highest consecutive 60 months). Plan 2 retirements prior to the age of 53 are reduced 3 percent for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted, indexed to the Seattle Consumer Price Index, capped at 3 percent annually. LEOFF Plan 2 members may purchase up to five years of additional service credit at retirement.

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

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

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

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

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

Effective March 17, 2010:

- Senate Bill 6546 provides that the Director of Fire Protection, who was previously a member of LEOFF Plan 2, now has the choice to continue membership in LEOFF Plan 2 while employed in this role. This position is otherwise covered by PERS.

Effective June 10, 2010:

- House Bill 1679 provides that the payment of medical insurance premiums for qualifying LEOFF Plan 2 and WSPRS members who are catastrophically disabled in the line of duty, and their spouses and dependent children will now be made for LEOFF Plan 2 members and for WSPRS members.
- House Bill 2196 provides that PERS Plan 1 members who retired on or after January 1, 1998, can use any service transferred from LEOFF Plan 1 to qualify for military service credit at no cost.

- House Bill 2519 gives additional benefits are provided to survivors of police officers, fire fighters, and state patrol officers killed in the line of duty.
- Senate Bill 6453 provides that shared leave can now be treated as reportable compensation for LEOFF Plan 2 members. Earnings can be used in the calculation of a member's benefit and service credit will be earned according to hours reported.

Effective 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 January 1, 2014:

- Engrossed Second Substitute Senate Bill 5688 provides that domestic partners registered with the state will be treated the same as married spouses, to the extent that treatment is not in conflict with federal law. The bill's effective date is January 1, 2014.

There were no other material changes in benefit provisions for the fiscal year ended June 30, 2011. LEOFF pension benefit provisions have been established by RCW 41.26.

There are 54 participating employers in LEOFF Plan 1 and 373 participating employers in Plan 2 as of June 30, 2012. Membership in LEOFF consisted of the following as of the latest actuarial valuation date of June 30, 2011:

	<u>Plan 1</u>	<u>Plan 2</u>
Retirees and Beneficiaries Receiving Benefits	7,932	2,015
Terminated Members Entitled To But Not Yet Receiving Benefits	1	655
Active Plan Members, Vested	250	13,692
Active Plan Members, Nonvested	<u>-</u>	<u>3,113</u>
Total	<u>8,183</u>	<u>19,475</u>

All law enforcement officers and fire fighters of the City of Seattle participate in LEOFF. Current active members (vested and non-vested) are 56 under Plan 1 and 2,207 under Plan 2.

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

Summary of Significant Accounting Policies

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

Investments are presented at fair value. The fair value of investments is based on published market prices and quotations from national security exchanges and security pricing services or by the respective fund managers for securities that are not

actively traded. Privately held mortgages are valued at cost which approximates fair market value. Certain pension trust fund investments, including real estate and private equity, are valued based on appraisals or by independent advisors. LEOFF pension plans contain no single investment (other than any issued or explicitly guaranteed by the U.S. government, or involving mutual funds or investment pools) that comprised more than five percent of DRS's net investments at the end of fiscal year 2012.

Contributions and Reserves

Funding Policy

The state legislature establishes laws pertaining to the creation and administration of LEOFF plans. Plan members together with their employers and the state provide funding for all costs of the system based upon actuarial valuations. The state establishes benefit levels and approves the actuarial assumptions used in determining contribution levels.

Starting on July 1, 2000, Plan 1 employers and employees will contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. Plan 2 employers and employees are required to pay at the level adopted by the Plan 2 Retirement Board in accordance with RCW 41.45. All employers are required to contribute at the level required by state law.

Required contribution rates for cities (expressed as a percentage of current year covered payroll) at the close of fiscal year 2012 are as follows:

	LEOFF Actual Contribution Rates	
	Plan 1	Plan 2
Employer (includes an administrative expense rate of 0.16 percent)	0.16 %	5.24 %
Employee	-	8.62
State of Washington Contributions	-	3.38

Administration of the LEOFF plans was funded by an employer rate of 0.16 percent of employee salaries.

The state legislature has the ability, by means of a special funding arrangement, to appropriate money from the state general fund to supplement the current service liability and fund the prior service costs of Plans 1 and 2 in accordance with the requirements of the Pension Funding Council and LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute. For fiscal year 2012 the state contributed \$52.8 million to Plan 2.

Employer Contributions Required and Paid

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

Year	Plan 1		Plan 2	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2010	\$ -	N/A	\$ 112.2	114 %
2011	-	N/A	84.0	157
2012	-	N/A	97.3	137

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
2010	\$ 14	\$ 12,061
2011	12	11,728
2012	10	12,452

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, 2012</u>	<u>June 30, 2011</u>
Plan 1	\$ 33,351	\$ 43,400
Plan 2	1,997,577	1,849,759

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, 2012</u>	<u>June 30, 2011</u>
Plan 1	\$ 4,869,838	\$ 5,141,273
Plan 2	4,642,917	4,534,925

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

DEFERRED COMPENSATION PLAN

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

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

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

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

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description and Funding Policy

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

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

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

Annual OPEB Cost and Net OPEB Obligation

The amount of expected contributions and change in net obligation for the City of Seattle Healthcare Blended Premium Subsidy is based on an actuarial valuation date of January 1, 2012; this valuation is performed on alternate years. The actuarial valuation date of January 1, 2012 also included disclosure information for 2011 which was based on the January 1, 2010 valuation. The amount of expected contributions and changes in net obligation for Firemen’s Pension and Police Pension and Relief are based on an actuarial valuation date of January 1, 2012.

Table 11-6 ANNUAL OPEB COST AND NET OPEB OBLIGATION

	<u>Healthcare Blended Premium Subsidy</u>	<u>Firemen’s Pension (LEOFF1)</u>	<u>Police Relief and Pension (LEOFF1)</u>	<u>Total</u>
Annual Required Contribution	\$ 8,064,000	\$ 15,106,487	\$ 16,332,593	\$ 39,503,080
Interest on Net OPEB Obligation	1,340,000	615,520	486,293	2,441,813
Adjustment to Annual Required Contribution	<u>(1,969,000)</u>	<u>(925,756)</u>	<u>(731,396)</u>	<u>(3,626,152)</u>
Annual OPEB Cost (Expense)	7,435,000	14,796,251	16,087,490	38,318,741
Expected Contribution (Employer-Paid Benefits)	<u>2,441,000</u>	<u>10,192,114</u>	<u>11,659,346</u>	<u>24,292,460</u>
Increase in Net OPEB Obligation	4,994,000	4,604,137	4,428,144	14,026,281
Net OPEB Obligation – Beginning of Year	<u>34,548,000</u>	<u>15,387,992</u>	<u>12,157,319</u>	<u>62,093,311</u>
Net OPEB Obligation – End of Year	<u>\$ 39,542,000</u>	<u>\$ 19,992,129</u>	<u>\$ 16,585,463</u>	<u>\$ 76,119,592</u>

The City’s annual OPEB cost, percentage of annual OPEB cost contributed, and the net OPEB obligation for each plan based on an actuarial valuation of January 1, 2012, for Healthcare Blended Premium Subsidy and January 1, 2012, for Firemen’s Pension (LEOFF1) and Police Relief and Pension (LEOFF1) are displayed below for years ending 2011, 2010, and 2009. The January 1, 2012 valuation for the Healthcare Blended Premium Subsidy also included disclosure information 2011 based on the January 1, 2010 valuation.

	<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Healthcare Blended Premium Subsidy	12/31/2009	\$ 10,368,000	30.9%	\$ 27,612,000
	12/31/2010	10,825,000	35.9	34,548,000
	12/31/2011	7,435,000	32.9	39,542,000
Firemen’s Pension (LEOFF1)	12/31/2009	13,996,040	65.0	11,189,996
	12/31/2010	14,674,740	71.0	15,387,992
	12/31/2011	14,796,251	69.0	19,992,129
Police Relief and Pension (LEOFF1)	12/31/2009	15,174,858	78.0	8,183,007
	12/31/2010	16,025,887	75.0	12,157,319
	12/31/2011	16,087,490	72.0	16,585,463

Funded Status and Funding Progress

Based on the actuarial valuation dates for each of the plans, the unfunded actuarial accrued liability (UAAL) was equal to the actuarial accrued liability (AAL) due to the City's pay-as-you-go policy. The January 1, 2012 valuation for the Healthcare Blended Premium Subsidy also included disclosure information for 2011 based on the January 1, 2010 valuation. Following is the funded status (in thousands) for each of the plans for years ending 2011, 2010, and 2009:

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Normal AAL (b)	UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
Healthcare Blended Premium Subsidy	1/1/2010	-	\$ 93,519	\$ 93,519	-	\$869,116	10.8%
	1/1/2011	-	99,394	99,394	-	866,207	11.5
	1/1/2012	-	74,729	74,729	-	891,552	8.4
Firemen's Pension (LEOFF1)	1/1/2010	-	242,493	242,493	-	N/A	N/A
	1/1/2011	-	241,443	241,443	-	N/A	N/A
	1/1/2012	-	236,301	236,301	-	N/A	N/A
Police Relief and Pension (LEOFF1)	1/1/2010	-	264,219	264,219	-	N/A	N/A
	1/1/2011	-	261,040	261,040	-	N/A	N/A
	1/1/2012	-	252,098	252,098	-	N/A	N/A

Actuarial Methods and Assumptions

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

Table 11-7

OPEB INFORMATION

Description	Healthcare Blended Premium Subsidy	Firemen's Pension (LEOFF1)	Police Relief and Pension (LEOFF1)
Actuarial Valuation Date	1/1/2012	1/1/2012	1/1/2012
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level amount over past and future service	30-year, closed as of 1/1/2007	30-year, closed as of 1/1/2007
Remaining Amortization Period	30 years	25 years	25 years
Records and Data	City records	Supplied by the City	Supplied by the City
Replacement of Terminated Employees	Open to new retirees	Closed. No new members permitted.	Closed. No new members permitted.
Valuation of Assets	N/A. No assets as of valuation date.	N/A. No assets as of valuation date.	N/A. No assets as of valuation date.
Assumptions:			
Discount Rate	3.88%	4.0%	4.0%
Medical Inflation		7.0%, grading down to 4.6% in 2081 and beyond.	7.0%, grading down to 4.6% in 2081 and beyond.
Traditional and Preventive Plans	9.0%		
Group Health Standard and Deductible Plans	8.5%		
Long-Term Care Inflation Rate	N/A	4.75%	4.75%
Dental Inflation Rate	N/A	Minimum of 5.0 % of medical inflation.	Minimum of 5.0% of medical inflation.
Participation/Service Retirement	40% of actives who retire are assumed to participate.	All actives are assumed to retire at the valuation date.	All actives are assumed to retire at the valuation date.
Mortality	LEOFF employees are based on the actuarial RP-2000 Combined Healthy Table with male ages set back one year and female ages set forward one year. Rates are projected using 50% of Scale AA to 2019 (LEOFF 1) or 2034 (LEOFF 2). For general service active employees are based on RP-2000 Table for Males with ages set back three years and RP-2000 Table for Females with ages set back three years. General service retired employees are based on RP2000 Combined Healthy Males with ages set back one year and RP-2000 Combined Healthy Females with ages set back one year. Rates are generations for both males and females using Projection Scale AA.	For active and service-retired members, RP-2000 Mortality Table (combined healthy) project to 2019 using 50% of Project Scale AA, with ages set back one year for males and forward one year for females. For disabled members, RP-2000 Mortality Table (combined healthy) projected to 2019 using 50% of Project Scale AA, with ages set forward two years.	For active and service-retired members, RP-2000 Mortality Table (combined healthy) project to 2019 using 50% of Project Scale AA, with ages set back one year for males and forward one year for females. For disabled members, RP-2000 Mortality Table (combined healthy) projected to 2019 using 50% of Project Scale AA, with ages set forward two years.
Marital Status	60% of members electing coverage are assumed to be married or have a registered domestic partner. Male spouses are assumed to be two years older than their female spouses. It is assumed that children have aged off and have \$0 liability.	N/A	N/A

Table 11-7

OPEB INFORMATION (continued)

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

(12) COMPONENT UNITS

DISCRETELY PRESENTED COMPONENT UNITS

Seattle Public Library Foundation

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

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

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

Seattle Investment Fund LLC

The Seattle Investment Fund LLC (SIF) was established by Ordinance 123146 for the purpose of implementing the U.S. Treasury Department's New Market Tax Credit (NMTC) program. The City is its sole and managing member. SIF is a qualified Community Development Entity (CDE) and the Primary Allocatee. Nine subsidiaries have been established since the program's inception; 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.

The following presents condensed financial statements for each of the discretely presented component units:

Table 12-1

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

December 31, 2012

(In Thousands)

	Discretely Presented Component Units					
	Seattle Public Library Foundation		Seattle Investment Fund LLC		Total	
	2012	2011	2012	2011	2012	2011
ASSETS						
Cash and Other Assets	\$ 3,191	\$ 8,224	\$ 1,264	\$ 976	\$ 4,455	\$ 9,200
Investments	56,080	45,204	5	3	56,085	45,207
Capital Assets, Net	4	-	-	-	4	-
Total Assets	59,275	53,428	1,269	979	60,544	54,407
LIABILITIES						
Current Liabilities	2,035	1,672	201	337	2,236	2,009
Total Liabilities	2,035	1,672	201	337	2,236	2,009
NET POSITION						
Net Investment in Capital Assets	4	-	-	-	4	-
Restricted	38,960	35,995	-	-	38,960	35,995
Unrestricted	18,276	15,761	1,068	642	19,344	16,403
Total Net Position	<u>\$ 57,240</u>	<u>\$ 51,756</u>	<u>\$ 1,068</u>	<u>\$ 642</u>	<u>\$ 58,308</u>	<u>\$ 52,398</u>

Table 12-2

CONDENSED STATEMENT OF ACTIVITIES
SEATTLE PUBLIC LIBRARY FOUNDATION AND
SEATTLE INVESTMENT FUND LLC
For the Year Ended December 31, 2012
(In Thousands)

	Discretely Presented Component Units					
	Seattle Public Library Foundation		Seattle Investment Fund LLC		Total	
	2012	2011	2012	2011	2012	2011
PROGRAM REVENUES						
Contributions/Endowment Gain	\$ 4,705	\$ 4,969	\$ -	\$ -	\$ 4,705	\$ 4,969
Placement/Management Fee Income	-	-	841	665	841	665
Total Program Revenues	4,705	4,969	841	665	5,546	5,634
GENERAL REVENUES						
Investment Income	5,737	454	-	-	5,737	454
Total Program Support and Revenues	10,442	5,423	841	665	11,283	6,088
EXPENSES						
Support to Seattle Public Library	4,138	4,069	-	-	4,138	4,069
Management and General	572	404	415	323	987	727
Fundraising	248	289	-	-	248	289
Total Expenses	4,958	4,762	415	323	5,373	5,085
Change in Net Position	5,484	661	426	342	5,910	1,003
NET POSITION						
Net Position - Beginning of Year	51,756	51,095	642	300	52,398	51,395
Net Position - End of Year	<u>\$ 57,240</u>	<u>\$ 51,756</u>	<u>\$ 1,068</u>	<u>\$ 642</u>	<u>\$ 58,308</u>	<u>\$ 52,398</u>

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, 2012, 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 2012, WDC paid \$1.2 million to the City of Seattle.

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

(14) SERVICE CONCESSION ARRANGEMENTS

The following represent the City's qualifying agreement:

- **Seacrest Boathouse.** Seacrest Boathouse is the last remaining public boathouse in Seattle. The City desired to continue concession operations at the boathouse, but the offered boat rentals and retail sales of fishing equipment were not profitable. The addition of a restaurant would increase revenue and have the site remain open for year-round operation. In 2002, the City entered into a seven-year agreement, later extended through 2012 with Alki Crab & Fish Co. (Alki Crab), under which Alki Crab agreed to provide building improvements and operate a boat and sports equipment rental service and restaurant at Seacrest Boathouse and Park. Alki Crab was required to operate and maintain the facility in accordance with the concession agreement. Alki Crab agreed to provide improvements totaling \$60 thousand over the course of the arrangement, and pay the City 5.0 percent of the revenues it earns from boathouse activities pursuant to the agreement. As of the end of 2012, the City is involved in resolving a dispute with the operator related to unauthorized changes and removal of certain improvements. Depending on the outcome, the final value of improvements actually provided may be less than the original estimate. The City reports the boathouse and marina as a capital asset with a carrying amount of \$646,737. 2012 was the final year of the service concession arrangement between the City and Alki Crab; no deferred inflows are reported.
- **Seattle Center Monorail (Monorail).** In 1994, the City entered into an agreement with Seattle Monorail Services (SMS), under which SMS has administered and operated the Monorail system for an initial period of 2.5 years that was later extended four times between 1996 and 2011 for a term ending 2014. The City determined that contracting with an outside service provider for Monorail operations and maintenance would enhance the efficiency of Monorail operations while resulting in cost savings for the City. SMS receives the revenues from user fees and charges, with a portion of this revenue used as installment payments due to the City the over the course of the arrangement. As of year-end 2012, the present value of these installment payments is estimated at \$598,100. SMS is required to operate and maintain the Monorail in accordance with the Monorail System Concession Agreement. Under this arrangement, the City is responsible for a share of total maintenance costs on the system. The City's 2013 Adopted and 2014 Endorsed budgets authorize maintenance costs of \$537,216 per year. The City reports the Monorail trains and tracks as a capital asset with a carrying amount of \$9,958,586 at year-end. Outstanding maintenance obligations are estimated to be higher than the total outstanding installment payments and therefore no deferred inflow is reported for 2012.
- **Tennis Facility at Magnuson Park.** In 2008, the City entered into an agreement with Seattle Court Sports Unlimited (SCSU), under which the group would construct and operate an indoor/outdoor public tennis facility for 20 years. This agreement supports the City's vision for the development of Magnuson Park including expanded recreational opportunities, while relieving the City of the associated financial liability. For the right to manage and operate the facility SCSU will pay the City agreed upon installment payments along with 10.0 percent of the revenues it earns from short term third party facility rentals. The construction of the facility is planned for completion in 2013.

(15) COMMITMENTS

GENERAL

Capital Improvement Program

The City adopted the 2012-2013 Capital Improvement Program (CIP) which functions as a capital financing plan totaling \$4.329 billion for the years 2012-2017. The adopted CIP for 2012 was \$711.0 million, consisting of \$428.4 million for City-owned utilities and \$282.6 million for nonutility departments. The utility allocations are: \$260.7 million for City Light, \$50.1 million for Water, \$89.0 million for Drainage and Wastewater, \$16.8 million for Solid Waste, and \$11.8 million for Seattle Public Utilities' technology projects. Expenditures may vary significantly based upon facility requirements and unforeseen events. A substantial portion of contractual commitments relates to these amounts.

CITY LIGHT

Energy received under long-term purchased-power agreements in average annual megawatts (aaMW) is shown in the following table.

Table 15-1

LONG-TERM PURCHASED POWER

(In Average Annual Megawatts)

	<u>2012</u>	<u>2011</u>
Bonneville Power Administration Block	269.8	247.6
Bonneville Power Administration Slice	371.6	461.9
Lucky Peak	45.7	44.4
British Columbia - High Ross Agreement	35.1	35.8
Renewable Energy - State Line Wind	41.6	47.2
Grant County Public Utility District	4.1	3.7
Grand Coulee Project Hydroelectric Authority	29.1	27.1
British Columbia - Boundary Encroachment	1.4	2.0
Renewable Energy - Other	8.6	9.7
Exchanges and Loss Returns Energy at fair value	16.4	17.7
Long-Term Purchased Power Booked Out	<u>(35.8)</u>	<u>(36.6)</u>
Total Long-Term Purchased Power	<u>787.6</u>	<u>860.5</u>

Purchased and Wholesale Power

Bonneville Power Administration

City Light (the Utility) purchased electric energy from the U.S. Department of Energy, Bonneville Power Administration (BPA), under the Block and Slice Power Sales Agreement, a seventeen-year contract for the period October 1, 2011 through September 30, 2028. Block quantities, Slice percentage, and BPA rates are expected to be recalculated periodically during the 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 the Utility 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 3.65663 initial Slice percentage, no later than fifteen days prior to the first day of each BPA's fiscal year, beginning with fiscal year 2012. The current Slice percentage is 3.63323, the same as the previous fiscal year. The cost of Slice power is based on the Utility's same percentage of the expected costs of the System and is subject to true-up adjustments based on actual costs with specified exceptions.

The previous ten-year contract to purchase both Block and Slice energy from BPA expired September 30, 2011. This agreement provided power equal to the Utility's annual net requirement, defined as the difference between projected load and firm resources declared to serve the load. The Block product provided fixed amounts of power per month. The Slice percentage was 4.6676 during the duration of the contract.

BPA's Residential Exchange Program (REP) was established as a mechanism to distribute financial benefits of the Federal Columbia River Power System to residential customers of the region's investor owned utilities (IOUs). In May 2007 the Ninth Circuit Court (the Court) rulings found the 2000 REP Settlement Agreements with IOUs inconsistent with the

Northwest Power Act. The Utility received \$5.7 million and \$5.9 million in 2012 and 2011, respectively in payments and billing credits related to both the Block and Slice agreements as a result of the Court decision.

Lucky Peak

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

The Utility provided and billed Lucky Peak \$0.5 million and \$0.3 million for services in 2012 and 2011, respectively. These amounts are recorded as offsets to purchased power expense. The Utility paid \$3.4 million and \$3.2 million for energy from Lucky Peak in 2012 and 2011, respectively.

The Utility's receivables from Luck Peak were less than \$0.1 million at December 31, 2012 and 2011, respectively. The Utility's payables to Lucky Peak were \$0.5 million and \$0.4 million at December 31, 2012 and 2011, respectively.

British Columbia-High Ross Agreement

In 1984 an agreement was reached between the Province of British Columbia and the City of Seattle under which British Columbia will provide the Utility with energy equivalent to that which would have resulted from an addition to the height of Ross Dam. Delivery of this energy began in 1986 and is to be received for eighty years.

In addition to the direct costs of energy under the agreement, the Utility incurred costs of approximately \$8.0 million in prior years related to the proposed addition and was obligated to help fund the Skagit Environmental Endowment Commission through four annual \$1.0 million payments. These other costs are included in the Utility plant-in-service as an intangible asset as defined in GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, and are being amortized to purchased power expense over thirty five years through 2035.

Energy Exchange

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

Renewable Energy Purchase and/or Exchanges

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

Fair Value of Exchange Energy

Exchange energy receivable and the related regulatory gains at December 31, 2012 and 2011, were valued using Kiorex Forward Curves and Platts M2M Power Curves, respectively, and Dow Jones U.S. Daily Electricity Price Indexes for settled deliveries. An income valuation technique that uses interest rate forecasts from HIS Global Insight is used to discount for present value based on the interest rate for Treasury constant maturities, bond-equivalent yields by the future month of the transactions.

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

The Utility's estimated payments for purchased power and transmission, Renewable Energy Credits (RECs) and other contracts for the period from 2013 through 2065, undiscounted, are shown in the following table.

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

<u>Year Ending December 31</u>	<u>Estimated Payments ^a</u>
2013	269,491
2014	284,306
2015	290,229
2016	293,813
2017	297,009
2018 - 2022	1,556,078
2023 - 2027 ^b	1,472,803
2028 - 2032 ^c	296,030
2033 - 2037	96,410
2038 - 2042 ^d	45,873
2043 - 2047	40,794
2048 - 2065	<u>50,875</u>
Total	<u>\$ 4,993,711</u>

^a 2013 to 2019 includes estimated REP recoveries from BPA.

^b BPA transmission contract expires July 31, 2025.

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

^d Lucky Peak contract expires September 30, 2038.

Payments under these long-term power contracts totaled \$210.1 million and \$215.4 million in 2012 and 2011, respectively. Payments under the transmission agreements amounted to \$36.4 million and \$38.9 million in 2012 and 2011, respectively.

Skagit and South Fork Tolt Licensing Mitigation and Compliance

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

Total Skagit license mitigation costs from the effective date until expiration of the federal operating license were estimated at December 31, 2012, to be \$124.5 million, of which \$105.9 million had been expended. Total South Fork Tolt license mitigation costs were estimated at \$1.7 million, of which \$1.2 million was expended through 2012. 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 2012 dollars. Utility labor and other overhead costs associated with the activities required by the settlement agreements for the licenses are not included in the estimates.

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

Federal Energy Regulatory Commission Fees

Estimated federal land use and administrative fees related to hydroelectric licenses total \$342.3 million through 2055; these estimates are subject to change. The estimated portion of fees attributed to the Skagit and South Fork Tolt licenses are excluded after 2025, at which time their current FERC licenses expire. The estimated portion of Boundary fees is included through 2055, the year in which the new license issued by FERC expires. The new Boundary FERC license and related issues are discussed below.

New Boundary License

The Utility's FERC license for the Boundary Project expired on September 30, 2011 and a new license was issued on March 30, 2013. The terms and conditions of the new license are currently under evaluation.

As part of the application process, the Utility 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 the Utility's operational flexibility at Boundary Dam while providing for natural resource protection, mitigation, and enhancement measures. If the license FERC approved is significantly different than the terms of the settlement, the Utility and/or other parties to the settlement may request a rehearing at FERC. Under those circumstances, FERC would determine the scope of the rehearing and could issue a stay of the entire license order. Any stay of the entire order would delay implementation of the order until such time as FERC concludes its proceedings. Alternatively, FERC could determine that the scope of any rehearing relates only to issues in dispute and could order implementation of the remaining issues in the license order. As noted above, the settlement is under evaluation by all parties as a result of the recently issued FERC license.

Total application process costs related to the new license are estimated at \$48.9 million, of which \$48.6 million had been expended and deferred as of December 31, 2012. The new license will require additional mitigation efforts for endangered species, including water quality standards. The cost projections for such mitigation over the expected fifty-year life of the license, included in the Utility's license application, were estimated to be \$438.1 million adjusted to 2012 dollars, of which \$3.5 million was expended through 2012. The new license was issued with a forty-two year life. Projected mitigation cost estimates are subject to revision as more information becomes available.

Endangered Species

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

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

The Utility, with the support of City Council, elected to take a proactive approach to address issues identified within the ESA. The Utility is carrying out an ESA Early Action program in cooperation with agencies, tribes, local governments, and watershed groups for bull trout, Chinook salmon, and steelhead in the South Fork Tolt and Skagit Watersheds. The ESA Early Action program is authorized by City Council but is separate from any current FERC license requirements. The program includes habitat acquisition, management, and restoration. The ESA Early Action has been successful in protecting listed species. Total costs for the Utility's share of the Early Action program from inception in 1999 through December 31, 2012 are estimated to be \$6.9 million, and \$0.8 million has been allocated for the program in the 2013 budget.

Project Impact Payments

Effective August 2010 the Utility renewed its contract with Pend Oreille County and committed to pay a total of \$19.0 million over ten years ending in 2019 to Pend Oreille County for impacts on county governments from the operations of the Utility's hydroelectric projects. Effective February 2009, the Utility renewed its contract with Whatcom County committing to pay a total of \$15.8 million over fifteen years ending in 2023. The payments compensate the counties and certain school districts and towns located in these counties, for loss of revenues and additional financial burdens associated with the projects. The Boundary Project located on the Pend Oreille River affects Pend Oreille County, and Skagit River hydroelectric projects affect Whatcom County. The impact payments totaled \$1.6 million and \$1.6 million to Pend Oreille County, and \$1.0 million and \$0.9 million to Whatcom County in 2012 and 2011, respectively.

SEATTLE PUBLIC UTILITIES (SPU)

Water Fund

Habitat Conservation Program Liability

SPU prepared a comprehensive environmental management plan for its Cedar River Watershed. The purpose of the Habitat Conservation Plan (HCP) is to protect all species of concern that may be affected by the operations of SPU and City Light in the Cedar River Watershed while allowing the City to continue to provide high quality drinking water to the region. The federal government has accepted the HCP. The total cost of implementing the HCP is expected to be \$106.8 million (in 2012 dollars) over a period of 50 years. Expenses are being funded from a combination of operating revenues and issuance of revenue bonds. The cost of HCP to SPU is \$72.4 million thru 2012. The remaining cost of \$34.4 million is comprised of a \$6.9 million liability and an estimate of \$27.5 million for construction and operating commitments. The construction activities will be capitalized and the operating activities will be expensed as incurred.

Distribution System Reservoirs

The Water Fund is required by the Washington State Department of Health (DOH) to complete a program to cover its open, above-ground distribution system reservoirs by the year 2020. The total cost of burying five reservoirs is expected to be approximately \$143.7 million through the year 2016, and the cost beyond 2016 is not estimable. The total cost incurred in 2012 and 2011 were \$139.1 million and \$112.4 million, respectively.

Wholesale Water Supply Contracts

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

Drainage and Wastewater Fund

Wastewater Disposal Agreement

SPU has a wastewater disposal agreement with the King County Department of Natural Resources Wastewater Treatment Division (the Division) expiring in 2036. The monthly wastewater disposal charge paid to the Division is based on the Division's budgeted cost for providing the service. The charges are determined by water consumption and the number of single-family residences as reported by SPU and other component agencies. The 2012 and 2011 payments to the Division were \$124.5 million and \$123.7 million, respectively.

Solid Waste Fund

Contractual Obligations

The City contracts with private companies for the collection of residential and commercial garbage, yard waste, and recycling. Effective March 30, 2009, the City entered into new contracts with Waste Management and Cleanscapes for residential and commercial collection. The contracts are scheduled to end on March 31, 2019. Total payments under these contracts for residential collection during 2012 and 2011 were \$40.8 million and \$40.4 million, respectively. Commercial services paid under these contracts during 2012 and 2011 were \$29.5 million and \$29.8 million, respectively.

In 1990 the City signed a 38-year contract with Washington Waste Systems (WWS) for the disposal of non-recyclable City waste. WWS agreed to reduce the contract price in exchange for extending the contract to March 29, 2009. Effective March 30, 2009, a new contract was negotiated with WWS resulting in a reduced rate of \$39.65 per ton. The contract provides for annual increases in the rate per ton based on a formula driven by the Consumer Price Index resulting in the current rate of \$40.99 per ton. SPU paid WWS \$13.0 million in 2012 and \$12.8 million in 2011 under this contract.

The City also negotiated a long-term yard waste processing contract with Cedar Grove Composting, Inc. (CGC). The first opt-out date on the disposal contract was extended to March 29, 2009, in exchange for price reductions every two years beginning in 2003. The City renegotiated a new long-term yard waste processing contract with CGC in 2008 which became effective March 30, 2009. The current tonnage rate is \$27.39 per ton and the first opt-out date is in 2013. The yearly payment to CGC in 2012 and 2011 were \$2.5 million and \$2.4 million, respectively.

Effective April 1, 2009, the City commenced a new contract for recycling processing with Rabanco, LTD. The company is responsible for processing recyclables, including food waste for both commercial and residential customers. The new contract includes the collection of compostable materials, which is a service not originally provided by the City. The contract is scheduled to end on March 31, 2013, with an option to extend the contract for a three-year period at that time. Total annual payment for recycling processing under this contract was \$2.3 million in 2012 and 2011.

Landfill Closure and Postclosure Care

At December 31, 2012, accrued landfill closure and postclosure costs consisted primarily of monitoring, maintenance, and repair costs. It is the City Council's policy to include the Fund's share of all landfill closure and postclosure costs in the revenue requirements used to set future solid waste rates. Therefore, total estimated landfill closure and postclosure care costs are accrued and also reflected as a future costs in the accompanying financial statements. These costs are being amortized as they are recovered from ratepayers. Actual costs for closure and postclosure care may be higher due to inflation, changes in technology, or changes in regulations. Such amounts would be added to the liability and accrued when identified. Landfill closure costs were fully amortized in 2009 and landfill postclosure costs will continue to amortize until 2024.

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

(16) CONTINGENCIES

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

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

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

The City did not purchase annuity contracts in 2012 to resolve litigation. No structured settlements were entered into by the City in 2012. No large liability settlements were received in 2012. No settlements made in 2012, 2011, or 2010 were in excess of insurance coverage.

Claims liabilities are based on the estimated ultimate cost of settling claims, which include case reserve estimates and incurred but not reported (IBNR) claims. Liabilities for lawsuits and other claims are assessed and projected annually using historical claims, lawsuit data, and current reserves. The Personnel Department estimates case reserves for workers' compensation using statistical techniques and historical experience. In 2012 the City's independent actuary estimated the ultimate settlement costs for lawsuits, workers' compensation, and other claims at year-end 2011 and for health care as of year-end 2012. The undiscounted IBNR amount totaled \$35.1 million and \$57.8 million at December 31, 2012 and 2011, respectively. The \$22.7 million decrease in the IBNR amount in 2012 compared to 2011 was mainly due to the lower City's estimated liabilities by \$16.5 million while the liability reserves increased by \$2.8 million. Changes in the reserves and liability estimates for workers' compensation claims accounted for the remaining \$3.4 million decrease in IBNR.

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 \$0.4 million in 2012 and \$0.3 million in 2011. 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 0.784 percent for 2012 and 0.824 percent for 2011, the City's average annual rates of return on investments. The total discounted liability at December 31, 2012, was \$102.9 million consisting of \$65.8 million for general liability, \$2.2 million for health care, and \$34.9 million for workers' compensation.

Table 16-1

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

	<u>General Liability</u>		<u>Health Care</u>		<u>Workers' Compensation</u>		<u>Total City</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
UNDISCOUNTED								
Balance - Beginning of Fiscal Year	\$ 84,223	\$ 85,476	\$ 1,778	\$ 3,721	\$ 34,481	\$ 36,238	\$ 120,482	\$ 125,435
Less Payments and Expenses								
During the Year	(10,092)	(18,267)	(105,068)	(85,674)	(12,628)	(13,325)	(127,788)	(117,266)
Plus Claims and Changes in Estimates	(6,399)	17,014	105,555	83,731	14,171	11,568	113,327	112,313
Balance - End of Fiscal Year	<u>\$ 67,732</u>	<u>\$ 84,223</u>	<u>\$ 2,265</u>	<u>\$ 1,778</u>	<u>\$ 36,024</u>	<u>\$ 34,481</u>	<u>\$ 106,021</u>	<u>\$ 120,482</u>
UNDISCOUNTED BALANCE AT END OF FISCAL YEAR CONSISTS OF								
Governmental Activities	\$ 48,811	\$ 62,462	\$ 2,265	\$ 1,778	\$ 26,075	\$ 24,936	\$ 77,151	\$ 89,176
Business-Type Activities	18,921	21,760	-	-	9,949	9,545	28,870	31,305
Fiduciary Activities	-	1	-	-	-	-	-	1
Balance - End of Fiscal Year	<u>\$ 67,732</u>	<u>\$ 84,223</u>	<u>\$ 2,265</u>	<u>\$ 1,778</u>	<u>\$ 36,024</u>	<u>\$ 34,481</u>	<u>\$ 106,021</u>	<u>\$ 120,482</u>
DISCOUNTED/RECORDED BALANCE AT END OF FISCAL YEAR CONSISTS OF								
Governmental Activities	\$ 47,387	\$ 60,917	\$ 2,248	\$ 1,764	\$ 25,258	\$ 24,209	\$ 74,893	\$ 86,890
Business-Type Activities	18,369	21,222	-	-	9,637	9,266	28,006	30,488
Fiduciary Activities	-	1	-	-	-	-	-	1
Balance - End of Fiscal Year	<u>\$ 65,756</u>	<u>\$ 82,140</u>	<u>\$ 2,248</u>	<u>\$ 1,764</u>	<u>\$ 34,895</u>	<u>\$ 33,475</u>	<u>\$ 102,899</u>	<u>\$ 117,379</u>

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

- **Boeing West Substation.** In 2002 the Boeing Company discovered PCB contamination in soil adjacent to a City Light substation at Boeing's Plant 2. Boeing initially claimed the contamination came from City Light equipment and that City Light therefore was liable for more than \$2.0 million that Boeing had spent and additional money Boeing was spending to investigate and remove contaminated material. City Light denied that its equipment was the source and considers its liability to be zero. Boeing has not reasserted its claim for several years. Whether or not City Light will ultimately be deemed liable is unknown.
- **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 approved by the trial court and FERC. Under the settlement, the City resolved this matter for

\$9.0 million, none of which needed to be immediately paid by the City. As part of the settlement, the City assigned its accounts receivable from the California Independent 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 \$1.8 million in payments in the Pacific Northwest Refund Case, half of which has been paid to the California parties pursuant to the settlement.

Pacific Northwest Refund Case and Appeal. In the proceeding before FERC various buyers of energy, including the City, sought refunds on energy sales in the Pacific Northwest between May 2000 and June 2001. City Light's claims currently are in excess of \$100.0 million. In 2003 FERC declined to grant refunds on the grounds that there was no equitable way to do so. The City and other parties appealed to the Ninth Circuit. In August 2007 the Ninth Circuit held that FERC had abused its discretion in denying all refund relief in the Pacific Northwest and remanded the case to FERC for further proceedings. In December 2007 various buyers of energy filed petitions for rehearing in the Ninth Circuit. On April 9, 2009, the Ninth Circuit denied those petitions for rehearing and on April 16, 2009, the Ninth Circuit issued the mandate remanding the case to FERC. In September 2009 the sellers filed a Petition for a Writ of Certiorari in the United States Supreme Court. That petition was denied on January 11, 2010. On remand, FERC has ordered a settlement process and has encouraged the parties to engage in settlement discussions. The City has engaged in settlement discussions with various entities from which it purchased power during 2000 and 2001. These discussions have resulted in settlement agreements with 12 entities with a combined settlement amount of \$2.5 million. As discussed above, to date \$1.8 million of this amount has been received by the City. The start of the administrative trial has been rescheduled from April 15, 2013 to May 7, 2013.

- **Business Tax Refunds.** A Seattle-based company appealed its business and occupation (B&O) tax assessment of \$1.5 million in 2008. The issue on appeal is whether the company is allowed to allocate the income earned from its 450 Seattle-based employees to a California Limited Liability Company. The California company has no employees and no property. The company performs services in Seattle and, pursuant to a contract with the California company, sends out invoices in the California company's name. The Regulatory Services and Operations Division assessed the Seattle company for the income. If the Seattle company prevails, it is possible that other companies will attempt to use similar structures to avoid taxes and the Seattle company would be able to avoid paying the B&O tax it would otherwise owe for 2009. The City prevailed in a hearing before the City of Seattle Hearing Examiner in June 2009. The company then appealed to the King County Superior Court and the City prevailed on February 23, 2010. The company appealed to the Court of Appeals. Oral argument in the court of appeals was heard on March 2, 2011. The Court of Appeals ruled in favor of the City on September 12, 2011. The company petitioned the Washington Supreme Court for review, and the Court declined to review the case on February 12, 2012. The Court's denial of petition for review terminates the appeal. The Revenue Department for the City can release the assessed taxes from the holding account.
- **Leaks and Cracks in Reservoirs.** The City discovered leaks in various reservoirs and cracks in a not-yet completed reservoir. Discussions with the designer and contractor have commenced to determine the cause of the leaks and cracks. Costs of repairs and/or damages are expected to exceed the material amount. The amount is indeterminable as of the date of this note.
- **Other Miscellaneous Lawsuit and Claim.** A lawsuit was filed due to a traffic accident involving a Seattle City Light vehicle. Another lawsuit involving alleged serious injuries from an electrical shock caused by a high voltage power line. Both lawsuits were settled in 2012 and 2013.

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, 2012, eleven accounts remained outstanding with a combined total amount of \$28.5 million. BEDI grant funds amount to \$3.75 million, of which a portion is being held as loan loss reserves for the eleven accounts.

GUARANTEES OF THE INDEBTEDNESS OF OTHERS

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

Museum Development Authority

Special obligation bonds issued on November 16, 2005, in the amount of \$60,720,000, of which \$53,190,000 was outstanding at December 31, 2012. The bonds will be fully retired by April 1, 2031.

Pike Place Market Preservation and Development Authority

Special obligation refunding bonds issued on March 28, 2002, in the amount of \$5,925,000 of which \$3,850,000 was outstanding on December 31, 2012. The bonds will be fully retired on November 1, 2017.

Seattle Chinatown-International District Preservation and Development Authority

Special obligation bonds, Series A, issued on December 12, 2002, in the amount of \$7,700,000. The outstanding amount at December 31, 2012, was \$2,555,000. The bonds will be fully retired by October 1, 2032.

Special obligation bonds, Series B, issued on December 12, 2002, in the amount of \$2,790,000. The outstanding amount at December 31, 2012, was \$2,305,000. The bonds will be fully retired by October 1, 2032.

Special obligation refunding bonds issued on September 26, 2007, in the amount of \$7,355,000. The outstanding amount at December 31, 2012, was \$6,145,000. The bonds will be fully retired by August 1, 2026.

Seattle Indian Services Commission

Special obligation refunding bonds issued on March 28, 2002, in the amount of \$3,710,000. The amount outstanding at December 31, 2012, was \$1,625,000. The bonds will be fully retired on November 1, 2017.

Special obligation revenue refunding bonds issued on November 1, 2004, in the amount of \$5,210,000, of which \$4,075,000 was outstanding as of December 31, 2012. The bonds will be fully retired on November 1, 2024.

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

In 2010 the City, in its Planning and Development Fund, incorrectly classified approximately \$167 thousand in capital outlay associated with Online Electrical Permitting System as current expenditures. The fund also identified its accounts receivable balances relating to Land Use Permits that were deemed to be uncollectible. These receivables span the years 2005 through 2010 totaling \$2.1 million were written off. The receivables write-offs included a correction of \$600 thousand bad debt write-offs that was done incorrectly in 2011 by reducing revenues. Therefore, restatements to the 2011 government-wide financial statements for business-type activities and the corresponding proprietary fund financial statements were required. The results were a prior-period adjustment totaling \$1.9 million and restatements of the 2011 financial statements in a total net amount of \$567 thousand. The prior-period adjustment and the restatements represent increases in revenues and expenses, decrease in accounts receivables, increase in machinery and equipment, and an offsetting reduction to the 2011 net position.

Ordinance 124037 was passed in November 2012 to authorize Department of Finance and Administrative Services (FAS) to transfer 198 vehicles that were leased from the City by Public Health - Seattle and King County. As a result, FAS restated 2011's capital assets by reducing the total net book value by \$1.1 million. This also created a \$514 thousand loss on the sale of capital assets for 2011. Additionally, refunding Public Health's capital replacement costs restated 2011's other revenues recorded by \$512 thousand, and increased the balance of other currently liabilities by \$1.1 million. FAS also recorded a

prior-period adjustment to reduce 2011's beginning balance of net position by \$1.1 million for distribution of 2010's accumulated balance of capital replacement costs.

In 2011, fund balance in the Judgment and Claims subfund was reported in the assigned fund balance classification. To better align with a method used to classify other funds' fund balances, the 2011 fund balance in the Judgment and Claims subfund has been reclassified from the assigned fund balance classification to the committed fund balance classification.

In mid 2012, the Seattle Transportation Benefit District (presented as a nonmajor governmental fund in the City's financial statements with the same name) received a bill from the King County Department of Elections for services provided during the November 2011 general election. While not a material omission, this cost was larger than anticipated and was not properly accrued in the 2011 period. To allow comparative analysis of 2012 and 2011 balances, 2011 comparative amounts were restated to show impact of the billed \$378 thousand as a decrease in restricted fund balance and net position where applicable for this fund.

In 2011, capitalized assets reported were over stated by \$1.1 million for buildings, and under reported improvements by \$462 thousand and equipment by \$460 thousand in equipment. The changes in the capitalization of building, improvements and equipment including accumulated depreciation, resulted in a restatement that decreases the capital asset balances reported in 2011 by \$577 thousand.

Certain other reclassifications were made in the financial statements for the prior year to conform to the presentation in the current year.

(18) SUBSEQUENT EVENTS

On June 4, 2013, pursuant to City Ordinances 124053 and 124125 the City issued (1) \$42.3 million of Limited Tax General Obligation (LTGO) Improvement Bonds with an average coupon rate of 3.671 percent and a final maturity of October 1, 2033; (2) \$55.1 million of taxable LTGO Improvement and Refunding Bonds, an average coupon rate of 1.341 percent and a final maturity of January 1, 2025; and (3) \$50.0 million of Unlimited Tax General Obligation Improvement Bonds, an average coupon rate of 4.11 percent and a final maturity of December 1, 2042.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2012
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes				
General Property Taxes	\$ 257,624	\$ 257,624	\$ 259,954	\$ 2,330
Retail Sales and Use Taxes	159,582	159,582	169,681	10,099
Business Taxes	240,670	240,670	243,784	3,114
Excise Taxes	33,744	33,744	54,797	21,053
Other Taxes	-	-	2,648	2,648
Interfund Business Taxes	114,848	114,848	115,147	299
Total Taxes	806,468	806,468	846,011	39,543
Licenses and Permits	18,671	18,671	20,672	2,001
Grants, Shared Revenues, and Contributions	50,152	78,763	38,964	(39,799)
Charges for Services	55,586	57,609	56,039	(1,570)
Fines and Forfeits	37,467	37,467	32,754	(4,713)
Parking Fees and Space Rent	32,412	32,412	34,903	2,491
Program Income, Interest, and Miscellaneous Revenues	186,089	186,089	190,872	4,783
Total Revenues	1,186,845	1,217,479	1,220,215	2,736
EXPENDITURES AND ENCUMBRANCES				
Current				
General Government	357,896	368,948	328,689	40,259
Judicial	26,720	26,720	26,654	66
Public Safety	462,585	489,148	458,957	30,191
Physical Environment	3,676	5,674	7,329	(1,655)
Transportation	12,250	12,250	12,031	219
Economic Environment	18,084	23,061	17,633	5,428
Culture and Recreation	6,128	6,168	5,219	949
Capital Outlay				
General Government	25,794	25,978	5,642	20,336
Public Safety	5,007	13,515	7,457	6,058
Physical Environment	10,109	10,109	-	10,109
Transportation	1,334	1,334	-	1,334
Economic Environment	5,853	1,522	69	1,453
Culture and Recreation	49,119	50,016	14,372	35,644
Total Expenditures and Encumbrances	984,555	1,034,443	884,052	150,391
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	202,290	183,036	336,163	153,127
OTHER FINANCING SOURCES (USES)				
Sales of Capital Assets	5,795	5,795	753	(5,042)
Transfers In	24,089	32,604	32,431	(173)
Transfers Out	(296,533)	(309,876)	(299,563)	10,313
Total Other Financing Sources (Uses)	(266,649)	(271,477)	(266,379)	5,098
Net Change in Fund Balance	\$ (64,359)	\$ (88,441)	69,784	\$ 158,225
Budgetary Fund Balance - Beginning of Year			139,778	
Net Change in Encumbrances			(1,175)	
Net Change in Unappropriable Reserves			(24,121)	
Budgetary Fund Balance - End of Year			184,266	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			74,342	
Encumbrances			3,728	
Reimbursements				
Budgeted as Revenues			165,950	
Budgeted as Expenditures			(165,950)	
GASB Statement No. 54 Reporting Adjustment				
Library Fund Balances			12,656	
Fund Balance (GAAP) - End of Year			\$ 274,992	

TRANSPORTATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2012
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes				
General Property Taxes	\$ 40,694	\$ 40,694	\$ 40,998	\$ 304
Business Taxes	24,608	24,608	31,204	6,596
Other Taxes	-	-	189	189
Total Taxes	<u>65,302</u>	<u>65,302</u>	<u>72,391</u>	<u>7,089</u>
Licenses and Permits	409	409	4,566	4,157
Grants, Shared Revenues, and Contributions	46,479	65,718	52,304	(13,414)
Charges for Services	109,065	119,516	78,176	(41,340)
Fines and Forfeits	-	-	27	27
Parking Fees and Space Rent	-	-	82	82
Program Income, Interest, and Miscellaneous Revenues	-	-	<u>271</u>	<u>271</u>
Total Revenues	<u>221,255</u>	<u>250,945</u>	<u>207,817</u>	<u>(43,128)</u>
EXPENDITURES AND ENCUMBRANCES				
Current				
Transportation	98,913	99,835	79,807	20,028
Capital Outlay				
Transportation	432,303	449,528	228,262	221,266
Debt Service				
Principal	-	-	1,919	(1,919)
Interest	<u>26,111</u>	<u>26,111</u>	<u>205</u>	<u>25,906</u>
Total Expenditures and Encumbrances	<u>557,327</u>	<u>575,474</u>	<u>310,193</u>	<u>265,281</u>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(336,072)	(324,529)	(102,376)	222,153
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	5,752	5,752	6,000	248
Sales of Capital Assets	-	-	120	120
Transfers In	82,715	85,256	117,866	32,610
Transfers Out	<u>-</u>	<u>(378)</u>	<u>(31,993)</u>	<u>(31,615)</u>
Total Other Financing Sources (Uses)	<u>88,467</u>	<u>90,630</u>	<u>91,993</u>	<u>1,363</u>
Net Change in Fund Balance	<u>\$ (247,605)</u>	<u>\$ (233,899)</u>	<u>(10,383)</u>	<u>\$ 223,516</u>
Budgetary Fund Balance - Beginning of Year			28,298	
Net Change in Encumbrances			50	
Net Change in Unappropriable Reserves			<u>(15,074)</u>	
Budgetary Fund Balance - End of Year			2,891	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			48,157	
Pass-Through Receipts				
Budgeted as Revenues			(365)	
Budgeted as Expenditures			<u>365</u>	
Fund Balance (GAAP) - End of Year			<u>\$ 51,048</u>	

LOW-INCOME HOUSING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2012
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
General Property Taxes	\$ 18,136	\$ 18,136	\$ 18,039	\$ (97)
Grants, Shared Revenues, and Contributions	20,130	18,820	5,316	(13,504)
Charges for Services	1,582	1,582	395	(1,187)
Program Income, Interest, and Miscellaneous Revenues	7,379	7,379	5,955	(1,424)
Total Revenues	47,227	45,917	29,705	(16,212)
EXPENDITURES AND ENCUMBRANCES				
Current				
Economic Environment	34,114	38,434	36,473	1,961
Capital Outlay				
Economic Environment	93,242	87,928	-	87,928
Total Expenditures and Encumbrances	127,356	126,362	36,473	89,889
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(80,129)	(80,445)	(6,768)	73,677
OTHER FINANCING SOURCES (USES)				
Transfers In	46	46	46	-
Net Change in Fund Balance	\$ (80,083)	\$ (80,399)	(6,722)	\$ 73,677
Budgetary Fund Balance - Beginning of Year			(6,715)	
Net Change in Encumbrances			60	
Net Change in Unappropriable Reserves			4,011	
Budgetary Fund Balance - End of Year			(9,366)	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			89,232	
Fund Balance (GAAP) - End of Year			\$ 79,866	

PENSION PLAN INFORMATION
SCHEDULE OF FUNDING PROGRESS
December 31, 2012
(In Thousands)

Retirement System	Actuarial Valuation Date January 1	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL) ^a	Unfunded Actuarial Accrued Liabilities (UAAL) ^b	Funded Ratio	Covered Payroll ^c	UAAL as a Percentage of Covered Payroll
Seattle City Employees' Retirement System (SCERS)	2004	\$ 1,527,500	\$ 1,778,900	\$ 251,400	85.9 %	\$ 424,700	59.2 %
	2006	1,791,800	2,017,500	225,800	88.8	447,000	50.5
	2008	2,119,400	2,294,600	175,200	92.4	501,900	34.9
	2010	1,645,300	2,653,800	1,008,500	62.0	580,900	173.6
	2011	2,013,700	2,709,000	695,400	74.3 ^d	563,200	123.5
	2012	1,954,300	2,859,300	905,000	68.3	557,000	162.5
Firemen's Pension Fund	2007	10,045	154,518	144,473	7.0	N/A	N/A
	2008	9,005	168,384	159,379	5.0	N/A	N/A
	2009	11,498	141,621	130,123	8.0	N/A	N/A
	2010	13,273	143,499	130,226	9.0	N/A	N/A
	2011	11,430	126,794	115,364	9.0	N/A	N/A
	2012	10,877	138,611	127,734	8.0	N/A	N/A
Police Relief and Pension Fund	2007	1,327	119,280	117,953	1.0	N/A	N/A
	2008	805	138,897	138,092	1.0	N/A	N/A
	2009	423	132,118 ^e	131,695 ^e	0.0	N/A	N/A
	2010	280	129,393	129,113	0.0	N/A	N/A
	2011	1,105	137,497	136,392	1.0	N/A	N/A
	2012	3,746	111,458	107,712	3.0	N/A	N/A

^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.

PENSION PLAN INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

December 31, 2012

(In Thousands)

Retirement System	Fiscal Year Ending December 31	Covered Employee Payroll ^a	Actual Employer Contribution ^b	Actual Employer Contribution Percentage ^b	Annual Required Contribution (ARC) ^c	Percentage of ARC Contributed
Seattle City Employees' Retirement System (SCERS)	2006	\$ 472,500	\$ 37,900	8.03 %	8.03 %	100 %
	2007	501,900	40,300	8.03	8.03	100
	2008	570,530	45,814	8.03	8.03	100
	2009	580,948	46,650	8.03	8.03	100
	2010 ^d	563,198	45,225	8.03	17.00	47
	2011	557,000	50,300	9.03	13.11	69
Firemen's Pension Fund	2006	N/A	9,385	N/A	\$ 9,385	100
	2007 ^e	N/A	8,633	N/A	9,533	91
	2008	N/A	15,027	N/A	10,673	141
	2009	N/A	11,422	N/A	8,266	138
	2010	N/A	7,255	N/A	7,975	91
	2011	N/A	8,262	N/A	7,218	114
Police Relief and Pension Fund	2006	N/A	6,056	N/A	\$ 6,056	100
	2007 ^e	N/A	5,885	N/A	7,783	76
	2008	N/A	9,723	N/A	9,248	105
	2009	N/A	7,939	N/A	8,635	95
	2010	N/A	9,843	N/A	7,907	124
	2011	N/A	11,195	N/A	8,534	131

^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, 2011.

^e Projected benefit payments and liabilities increased significantly between the 2005 actuarial valuation and the valuation completed in 2007. The primary contributing factor was the change in actuarial assumptions to reflect that long-run wages were expected to increase faster than the Consumer Price Index.

PENSION PLAN INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Defined benefit pension plans are required to provide two schedules of long-term actuarial data, Schedule of Funding Progress and Schedule of Employer Contributions as of the plans' reporting dates for the past six consecutive fiscal years. The information presented in these schedules was part of the latest actuarial valuations at the dates indicated in Note 11, Table 11-1.

City of Seattle
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2012

Grantor Agency/Program	Passthru Agency	J/F	CFDA#	CTR	DIT	DON	DPD	FAS
DEPARTMENT OF AGRICULTURE								
Child and Adult Care Food Program	Department of Agriculture	J	10.558					
Child and Adult Care Food Program	Other Educational Agencies	J	10.558					
Child and Adult Care Food Program	Super of Public Instruction	J	10.558					
Summer Food Service Program for Children	Super of Public Instruction	J	10.559					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Other Agencies	J	10.561					
Senior Farmers Market Nutrition Program	Department of Social and Health Services	J	10.576					
Sub Total				-	-	-	-	-
DEPARTMENT OF COMMERCE								
Economic Development_Support for Planning Organizations		F	11.302					
Economic Adjustment Assistance		F	11.307				20,000.00	
Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	State of Washington - Salmon Recovery Funding Board	J	11.438					
Public Safety Interoperable Communications Grant Program	Military Department	J	11.555		1,267,435.79			
Sub Total				-	1,267,435.79	-	20,000.00	-
DEPARTMENT OF DEFENSE OFFICE OF ECONOMIC ADJUSTMENT								
Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation		F	12.607					
Sub Total				-	-	-	-	-
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT								
Community Development Block Grants/Entitlement Grants		F	14.218					
Emergency Solutions Grant Program		F	14.231					
Supportive Housing Program		F	14.235					
Supportive Housing Program	King County	J	14.235					
Home Investment Partnerships Program		F	14.239					
Housing Opportunities for Persons with AIDS		F	14.241					
CDBG/Brownfields Economic Development Initiative		F	14.246					
CDBG_Section 108 Loan Guarantees		F	14.248					
ARRA - CDBG ARRA Entitlement Grants		F	14.253					
ARRA - Homelessness Prevention and Rapid Re-Housing Program		F	14.257					
Fair Housing Assistance Program_State and Local		F	14.401					
Sustainable Communities Regional Planning Grant Program	Puget Sound Regional Council	J	14.703				21,914.05	
Community Challenge Planning Grants and the Department of Transportation's TIGER II Planning Grants (B)		F	14.704					
Public and Indian Housing	Seattle Housing Authority	J	14.850					
Sub Total				-	-	-	21,914.05	-

City of Seattle
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2012

Grantor Agency/Program	Passthru Agency	J/F	CFDA#	CTR	DIT	DON	DPD	FAS
DEPARTMENT OF JUSTICE								
Services for Trafficking Victims		F	16.320					
Juvenile Accountability Block Grants	King County	J	16.523					
Enhanced Training and Services to End Violence and Abuse of Women Later in Life	King County	J	16.528					
Part E - Developing, Testing and Demonstrating Promising New Programs		F	16.541			102,550.00		
Missing Children's Assistance		F	16.543					
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program		F	16.590					
Bulletproof Vest Partnership Program		F	16.607					
Public Safety Partnership and Community Policing Grants		F	16.710					
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault		F	16.736					
Edward Byrne Memorial Justice Assistance Grant Program		F	16.738					
Paul Coverdell Forensic Sciences Improvement Grant Program		F	16.742					
ARRA - Recovery Act - Internet Crimes against Children Task Force Program (ICAC)		F	16.800					
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units of Local Government		F	16.804					
ARRA - Recovery Act - Edward Byrne Memorial Competitive Grant Program		F	16.808					
Sub Total				-	-	102,550.00	-	-
DEPARTMENT OF LABOR								
WIA Youth Activities	Workforce Development Council	J	17.259					
Sub Total				-	-		-	-
DEPARTMENT OF TRANSPORTATION								
Highway Planning and Construction	Department of Transportation	J	20.205					
High-Speed Rail Corridors and Intercity Passenger Rail Service	Department of Transportation	J	20.319					
Capital Assistance Grants	King County	J	20.500					
Federal Transit_Capital Investment Grants		F	20.507	573,677.00				
Federal Transit_Formula Grants		F	20.522					
Alternatives Analysis								
Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions		F	20.523					
State and Community Highway Safety	Traffic Safety Commission	J	20.600					
Alcohol Impaired Driving Countermeasures Incentive Grants I	Traffic Safety Commission	J	20.601					
Occupant Protection Incentive Grants	Traffic Safety Commission	J	20.602					
ARRA - Surface Transportation_Discretionary Grants for Capital Investment	Department of Transportation	J	20.932					
Sub Total				573,677.00	-		-	-
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION								
Employment Discrimination_State and Local Fair Employment Practices Agency Contracts		F	30.002					
Sub Total				-	-		-	-

**City of Seattle
Schedule of Expenditures of Federal Awards**

Grantor Agency/Program	Passthru Agency	J/F	CFDA#	CTR	DIT	DON	DPD	FAS
ENVIRONMENTAL PROTECTION AGENCY								
Puget Sound Watershed Management Assistance		F	66.120					
Puget Sound Watershed Management Assistance	Department of Commerce	J	66.120				114,943.23	
Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	Washington State Department of Ecology	J	66.123					
Congressionally Mandated Projects		F	66.202					
Office of Research and Development Consolidated Research/Training/Fellowships	Water Environment Research Foundation	J	66.511					
Environmental Protection Consolidated Grants for the Insular Areas-Program Support		F	66.600				290,223.96	
Sub Total							405,167.19	
DEPARTMENT OF ENERGY								
Weatherization Assistance for Low-Income Persons	Department of Commerce	J	81.042					
State Low Income Energy Efficiency Program	Department of Commerce	J	81.F11-43104-404					
ARRA - Weatherization Assistance for Low-Income Persons	Department of Commerce	J	81.042					
ARRA - Conservation Research and Development	Puget Sound Clean Air Agency	J	81.086					55,008.25
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance		F	81.117					
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	Department of Commerce	J	81.117				2,936.96	
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	Centralia College	J	81.122					
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)		F	81.128					
Sub Total							2,936.96	55,008.25
DEPARTMENT OF EDUCATION								
TRIO Upward Bound		F	84.047					
Sub Total								
DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Cooperative Agreements to Improve the Health Status of Minority Populations		J	93.004					
Special Programs for the Aging Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	Department of Health	J	93.041					
Special Programs for the Aging Title III, Part D_Disease Prevention and Health Promotion Services	Department of Social and Health Services	J	93.043					
Special Programs for the Aging Title III, Part B_Grants for Supportive Services and Senior Centers	Department of Social and Health Services	J	93.044					
Special Programs for the Aging Title III, Part C_Nutrition Services	Department of Social and Health Services	J	93.045					
National Family Caregiver Support, Title III, Part E	Department of Social and Health Services	J	93.052					
Nutrition Services Incentive Program	Department of Social and Health Services	J	93.053					
Environmental Public Health and Emergency Response	King County	J	93.070				7,773.23	
Affordable Care Act - Medicare Improvements for Patients and Providers		J	93.518					
Low-Income Home Energy Assistance	Department of Social and Health Services	J	93.568					
ARRA - Prevention and Wellness Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	Department of Commerce	J	93.724				21,833.62	
Medical Assistance Program	King County	J	93.778			125,311.55		
Medical Assistance Program	Department of Social and Health Services	J	93.778					
Sub Total						125,311.55	29,606.85	

City of Seattle
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2012

Grantor Agency/Program	Passthru Agency	J/F	CFDA#	CTR	DIT	DON	DPD	FAS
DEPARTMENT OF HOMELAND SECURITY								
Non-Profit Security Program		F	97.008					
Boating Safety Financial Assistance	Department of Parks and Recreation	J	97.012					
National Urban Search and Rescue (US&R) Response System	Pierce County	J	97.025					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Military Department	J	97.036		2,846.50			24,260.02
Hazard Mitigation Grant	Military Department	J	97.039					
Emergency Management Performance Grants	Military Department	J	97.042					
Assistance to Firefighters Grant		F	97.044					
Assistance to Firefighters Grant	Military Department	J	97.044					
Port Security Grant Program	Port of Tacoma	J	97.056		25,000.00			4,615,770.85
Port Security Grant Program	Marine Exchange of Puget Sound	J	97.056		36,157.08			
Homeland Security Grant Program	Military Department	J	97.067		107,785.24			
Homeland Security Grant Program	King County	J	97.067		25,024.59			70,832.79
Metropolitan Medical Response System	Military Department	J	97.071					
Buffer Zone Protection Program	Military Department	J	97.078					
Homeland Security Blowwatch Program		F	97.091					
Regional Catastrophic Preparedness Grant Program (RCPGP)	Military Department	J	97.111					
Sub Total				-	196,813.41	-	-	4,710,863.66
Federal Grants				573,677.00	1,464,249.20	227,861.55	479,625.05	4,765,871.91

City of Seattle
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2012

Grantor Agency/Program	Passthru Agency	J/F	CFDA#	HSD	SPL	PRK	SCL	SDOT
DEPARTMENT OF AGRICULTURE								
Child and Adult Care Food Program	Department of Agriculture	J	10.558	916,467.01				
Child and Adult Care Food Program	Other Educational Agencies	J	10.558	131,938.39				
Child and Adult Care Food Program	Super of Public Instruction	J	10.558	286,319.12				
Summer Food Service Program for Children	Super of Public Instruction	J	10.559	430,509.96				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Other Agencies	J	10.561	17,163.00				
Senior Farmers Market Nutrition Program	Department of Social and Health Services	J	10.576	20,035.77				
Sub Total				1,802,433.25				
DEPARTMENT OF COMMERCE								
Economic Development_Support for Planning Organizations		F	11.302					
Economic Adjustment Assistance		F	11.307					
Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	State of Washington - Salmon Recovery Funding Board	J	11.438					
Public Safety Interoperable Communications Grant Program	Military Department	J	11.555					
Sub Total								
DEPARTMENT OF DEFENSE OFFICE OF ECONOMIC ADJUSTMENT								
Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation		F	12.607					
Sub Total								
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT								
Community Development Block Grants/Entitlement Grants		F	14.218	4,872,780.57		493,000.00		
Emergency Solutions Grant Program		F	14.231	896,102.97				
Supportive Housing Program		F	14.235	9,164,311.54				
Supportive Housing Program	King County	J	14.235	384,112.00				
Home Investment Partnerships Program		F	14.239					
Housing Opportunities for Persons with AIDS		F	14.241	1,553,072.84				
CDBG/Brownfields Economic Development Initiative		F	14.246					
CDBG_Section 108 Loan Guarantees		F	14.248					
ARRA - CDBG ARRA Entitlement Grants		F	14.253	259,509.00				
ARRA - Homelessness Prevention and Rapid Re-Housing Program		F	14.257	439,927.96				
Fair Housing Assistance Program, State and Local		F	14.401					
Sustainable Communities Regional Planning Grant Program	Puget Sound Regional Council	J	14.703					
Community Challenge Planning Grants and the Department of Transportation's TIGER II Planning Grants (B)		F	14.704					
Public and Indian Housing	Seattle Housing Authority	J	14.850	373,000.00				
Sub Total				17,942,816.88		493,000.00		

**City of Seattle
Schedule of Expenditures of Federal Awards**

Grantor Agency/Program	Passthru Agency	JIF	CFDA#	HSD	SPL	PRK	SCL	SDOT
ENVIRONMENTAL PROTECTION AGENCY								
Puget Sound Watershed Management Assistance		F	66.120					
Puget Sound Watershed Management Assistance	Department of Commerce	J	66.120					
Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	Washington State Department of Ecology	J	66.123					
Congressionally Mandated Projects		F	66.202					
Office of Research and Development Consolidated Research/Training/Fellowships	Water Environment Research Foundation	J	66.511					
Environmental Protection Consolidated Grants for the Insular Areas-Program Support		F	66.600					
Sub Total				-	-	-	-	-
DEPARTMENT OF ENERGY								
Weatherization Assistance for Low-Income Persons	Department of Commerce	J	81.042					
State Low Income Energy Efficiency Program	Department of Commerce	J	81.F11-43104-404					
ARRA - Weatherization Assistance for Low-Income Persons	Department of Commerce	J	81.042					
ARRA - Conservation Research and Development	Puget Sound Clean Air Agency	J	81.086					
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance		F	81.117	20,000.00				
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	Department of Commerce	J	81.117					
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	Centralia College	J	81.122	34,610.99				
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)		F	81.128					175,843.66
Sub Total				-	-	-	54,610.99	175,843.66
DEPARTMENT OF EDUCATION								
TRIO Upward Bound		F	84.047	404,719.90				
Sub Total				404,719.90				
DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Cooperative Agreements to Improve the Health Status of Minority Populations	Department of Health	J	93.004	9,821.73				
Special Programs for the Aging Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	Department of Social and Health Services	J	93.041	22,567.00				
Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	Department of Social and Health Services	J	93.043	112,859.00				
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	Department of Social and Health Services	J	93.044	2,525,878.10				
Special Programs for the Aging Title III, Part C Nutrition Services	Department of Social and Health Services	J	93.045	2,482,155.04				
National Family Caregiver Support Title III, Part E	Department of Social and Health Services	J	93.052	780,906.00				
Nutrition Services Incentive Program	Department of Social and Health Services	J	93.053	579,496.00				
Environmental Public Health and Emergency Response	King County	J	93.070					
Affordable Care Act - Medicare Improvements for Patients and Providers	Department of Social and Health Services	J	93.518	30,662.07				
Low-Income Home Energy Assistance	Department of Commerce	J	93.568					
ARRA - Prevention and Wellness Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	King County	J	93.724	54,968.98				
Medical Assistance Program	King County	J	93.778					
Medical Assistance Program	Department of Social and Health Services	J	93.778	9,621,137.07				
Sub Total				16,220,450.99				

City of Seattle
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Grantor Agency/Program	Passthru Agency	J/F	CFDA#	HSD	SPL	PRK	SCL	SDOT
DEPARTMENT OF HOMELAND SECURITY								
Non-Profit Security Program		F	97.008	47,270.88				
Boating Safety Financial Assistance	Department of Parks and Recreation	J	97.012					
National Urban Search and Rescue (US&R) Response System	Pierce County	J	97.025					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Military Department	J	97.036	8,592.64	1,467.23	3,060.96	642,176.85	312,279.88
Hazard Mitigation Grant	Military Department	J	97.039			939,636.36		194,060.22
Emergency Management Performance Grants	Military Department	J	97.042					
Assistance to Firefighters Grant		F	97.044					
Assistance to Firefighters Grant	Military Department	J	97.044					
Port Security Grant Program	Port of Tacoma	J	97.056					
Port Security Grant Program	Marine Exchange of Puget Sound	J	97.056					
Homeland Security Grant Program	Military Department	J	97.067					
Homeland Security Grant Program	King County	J	97.067					
Metropolitan Medical Response System	Military Department	J	97.071					
Buffer Zone Protection Program	Military Department	J	97.078					
Homeland Security Blowatch Program		F	97.091					
Regional Catastrophic Preparedness Grant Program (RCPGP)	Military Department	J	97.111					
Sub Total				55,863.52	1,467.23	942,697.32	642,176.85	506,340.10
Federal Grants				38,002,319.04	1,467.23	1,450,622.99	696,787.84	32,139,133.79

City of Seattle
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 For the Year Ended December 31, 2012

Grantor Agency/Program	Passthru Agency	J/F	CFDA#	SFD	SPD	SPU	OSE	OED
DEPARTMENT OF AGRICULTURE								
Child and Adult Care Food Program	Department of Agriculture	J	10.558					
Child and Adult Care Food Program	Other Educational Agencies	J	10.558					
Child and Adult Care Food Program	Super of Public Instruction	J	10.558					
Summer Food Service Program for Children	Super of Public Instruction	J	10.559					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Other Agencies	J	10.561					
Senior Farmers Market Nutrition Program	Department of Social and Health Services	J	10.576					
Sub Total				-	-	-	-	-
DEPARTMENT OF COMMERCE								
Economic Development_ Support for Planning Organizations		F	11.302					(1,344.75)
Economic Adjustment Assistance		F	11.307					
Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	State of Washington - Salmon Recovery Funding Board	J	11.438			12,737.01		
Public Safety Interoperable Communications Grant Program	Military Department	J	11.555					
Sub Total				-	-	12,737.01	-	(1,344.75)
DEPARTMENT OF DEFENSE OFFICE OF ECONOMIC ADJUSTMENT								
Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation		F	12.607					
Sub Total				-	-	-	-	-
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT								
Community Development Block Grants/Entitlement Grants		F	14.218					5,848,734.72
Emergency Solutions Grant Program		F	14.231					
Supportive Housing Program		F	14.235					
Supportive Housing Program	King County	J	14.235					
Home Investment Partnerships Program		F	14.239					
Housing Opportunities for Persons with AIDS		F	14.241					
CDBG/Brownfields Economic Development Initiative		F	14.246					15,000.00
CDBG_Section 108 Loan Guarantees		F	14.248					
ARRA - CDBG ARRA Entitlement Grants		F	14.253					43,428.97
ARRA - Homelessness Prevention and Rapid Re-Housing Program		F	14.257					
Fair Housing Assistance Program_State and Local		F	14.401					
Sustainable Communities Regional Planning Grant Program	Puget Sound Regional Council	J	14.703					
Community Challenge Planning Grants and the Department of Transportation's TIGER II Planning Grants (B)		F	14.704					
Public and Indian Housing	Seattle Housing Authority	J	14.850					
Sub Total				-	-	-	-	5,907,163.69

City of Seattle
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For the Year Ended December 31, 2012

Grantor Agency/Program	Passthru Agency	J/F	CFDA#	SFD	SPD	SPU	OSE	OED
DEPARTMENT OF JUSTICE								
Services for Trafficking Victims		F	16.320		236,418.30			
Juvenile Accountability Block Grants	King County	J	16.523		15,585.08			
Enhanced Training and Services to End Violence and Abuse of Women Later in Life	King County	J	16.528					
Part E - Developing, Testing and Demonstrating Promising New Programs		F	16.541					
Missing Children's Assistance		F	16.543		389,231.19			
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program		F	16.590					
Bulletproof Vest Partnership Program		F	16.607		53,001.94			
Public Safety Partnership and Community Policing Grants		F	16.710		289,754.02			
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault		F	16.736					
Edward Byrne Memorial Justice Assistance Grant Program		F	16.738		994,169.39			
Paul Coverdell Forensic Sciences Improvement Grant Program		F	16.742		114,398.54			
ARRA - Recovery Act - Internet Crimes against Children Task Force Program (ICAC)		F	16.800		64,825.18			
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units of Local Government		F	16.804		231,705.75			
ARRA - Recovery Act - Edward Byrne Memorial Competitive Grant Program		F	16.808					
Sub Total				-	2,389,089.39	-	-	-
DEPARTMENT OF LABOR								
WIA Youth Activities	Workforce Development Council	J	17.259					30,919.00
Sub Total				-	-	-	-	30,919.00
DEPARTMENT OF TRANSPORTATION								
Highway Planning and Construction	Department of Transportation	J	20.205					
High-Speed Rail Corridors and Intercity Passenger Rail Service	Department of Transportation	J	20.319					
Capital Assistance Grants	King County	J	20.500					
Federal Transit_Capital Investment Grants		F	20.507					
Federal Transit_Formula Grants		F	20.522					
Alternatives Analysis								
Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions		F	20.523					
State and Community Highway Safety	Traffic Safety Commission	J	20.600		36,970.78			
Alcohol Impaired Driving Countermeasures Incentive Grants I	Traffic Safety Commission	J	20.601		4,727.79			
Occupant Protection Incentive Grants	Traffic Safety Commission	J	20.602		2,894.56			
ARRA - Surface Transportation_Discretionary Grants for Capital Investment	Department of Transportation	J	20.932					
Sub Total				-	44,593.13	-	-	-
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION								
Employment Discrimination_State and Local Fair Employment Practices Agency Contracts		F	30.002					
Sub Total				-	-	-	-	-

**City of Seattle
Schedule of Expenditures of Federal Awards**

Grantor Agency/Program	Passthru Agency	JIF	CFDA#	SFD	SPD	SPU	OSE	OED
ENVIRONMENTAL PROTECTION AGENCY								
Puget Sound Watershed Management Assistance	Department of Commerce	F	66.120			378,806.82		
Puget Sound Watershed Management Assistance	Department of Commerce	J	66.120					
Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	Washington State Department of Ecology	J	66.123			119,289.16		
Congressionally Mandated Projects		F	66.202			3,554.26		
Office of Research and Development Consolidated	Water Environment Research Foundation	J	66.511			42,047.73		
Environmental Protection Consolidated Grants for the Insular Areas-Program Support		F	66.600					
Sub Total				-	-	543,697.97	-	-
DEPARTMENT OF ENERGY								
Weatherization Assistance for Low-Income Persons	Department of Commerce	J	81.042					
State Low Income Energy Efficiency Program	Department of Commerce	J	81.F11-43104-404					
ARRA - Weatherization Assistance for Low-Income Persons	Department of Commerce	J	81.042					
ARRA - Conservation Research and Development	Puget Sound Clean Air Agency	J	81.086					
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance		F	81.117					
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	Department of Commerce	J	81.117					
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	Centralia College	J	81.122					
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)		F	81.128				3,766,799.12	
Sub Total				-	-	-	3,766,799.12	-
DEPARTMENT OF EDUCATION								
TRIO Upward Bound		F	84.047					
Sub Total				-	-	-	-	-
DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Cooperative Agreements to Improve the Health Status of Minority Populations	Department of Health	J	93.004					
Special Programs for the Aging Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	Department of Social and Health Services	J	93.041					
Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	Department of Social and Health Services	J	93.043					
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	Department of Social and Health Services	J	93.044					
Special Programs for the Aging Title III, Part C Nutrition Services	Department of Social and Health Services	J	93.045					
National Family Caregiver Support, Title III, Part E	Department of Social and Health Services	J	93.052					
Nutrition Services Incentive Program	Department of Social and Health Services	J	93.053					
Environmental Public Health and Emergency Response	King County	J	93.070					
Affordable Care Act - Medicare Improvements for Patients and Providers	Department of Social and Health Services	J	93.518					
Low-Income Home Energy Assistance	Department of Commerce	J	93.568					
ARRA - Prevention and Wellness Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	King County	J	93.724					418,588.99
Medical Assistance Program	King County	J	93.778					
Medical Assistance Program	Department of Social and Health Services	J	93.778					
Sub Total				-	-	-	-	418,588.99

City of Seattle
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2012

Grantor Agency/Program	Passthru Agency	J/F	CFDA#	SFD	SPD	SPU	OSE	OED
DEPARTMENT OF HOMELAND SECURITY								
Non-Profit Security Program		F	97.008					
Boating Safety Financial Assistance	Department of Parks and Recreation	J	97.012		58,154.68			
National Urban Search and Rescue (US&R) Response System	Pierce County	J	97.025	74,733.02				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Military Department	J	97.036	27,058.71	26,178.68	368,352.62		
Hazard Mitigation Grant	Military Department	J	97.039			22,614.81		
Emergency Management Performance Grants	Military Department	J	97.042		341,520.85			
Assistance to Firefighters Grant		F	97.044	95,755.65				
Assistance to Firefighters Grant	Military Department	J	97.044	63,679.73				
Port Security Grant Program	Port of Tacoma	J	97.056		2,836,243.85			
Port Security Grant Program	Marine Exchange of Puget Sound	J	97.056	2,425,624.44	1,628,788.86			
Homeland Security Grant Program	Military Department	J	97.067	1,800,219.72	2,192,545.77			
Homeland Security Grant Program	King County	J	97.067	474,149.78	1,638,021.75			
Metropolitan Medical Response System	Military Department	J	97.071	191,306.52				
Buffer Zone Protection Program	Military Department	J	97.078		624,800.88			
Homeland Security Blowatch Program		F	97.091	445,738.91				
Regional Catastrophic Preparedness Grant Program (RCPGP)	Military Department	J	97.111	261,291.62	1,109,123.45			
Sub Total				5,859,558.10	10,455,378.77	390,967.43	-	-
Federal Grants				5,859,558.10	12,889,061.29	947,402.41	3,766,799.12	6,355,326.93

City of Seattle
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2012

Grantor Agency/Program	Passthru Agency	J/F	CFDA#	OCR	OFH	Total	Footnote Ref.
DEPARTMENT OF AGRICULTURE							
Child and Adult Care Food Program	Department of Agriculture	J	10.558			916,467.01	1 & 2
Child and Adult Care Food Program	Other Educational Agencies	J	10.558			131,938.39	1 & 2
Child and Adult Care Food Program	Super of Public Instruction	J	10.558			286,319.12	1 & 2
Summer Food Service Program for Children	Super of Public Instruction	J	10.559			430,509.96	1 & 2
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Other Agencies	J	10.561			17,163.00	1 & 2
Senior Farmers Market Nutrition Program	Department of Social and Health Services	J	10.576			20,035.77	1 & 2
Sub Total				-	-	1,802,433.25	
DEPARTMENT OF COMMERCE							
Economic Development_Support for Planning Organizations		F	11.302			(1,344.75)	1 & 2
Economic Adjustment Assistance		F	11.307			20,000.00	1 & 2
Pacific Coast Salmon Recovery_Pacific Salmon Treaty Program	State of Washington - Salmon Recovery Funding Board	J	11.438			12,737.01	1 & 2
Public Safety Interoperable Communications Grant Program	Military Department	J	11.555			1,267,435.79	1 & 2
Sub Total				-	-	1,298,828.05	
DEPARTMENT OF DEFENSE OFFICE OF ECONOMIC ADJUSTMENT							
Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation		F	12.607		39,710.00	39,710.00	1 & 2
Sub Total				-	39,710.00	39,710.00	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Community Development Block Grants/Entitlement Grants		F	14.218		1,632,451.43	12,846,966.72	1 & 2
Emergency Solutions Grant Program		F	14.231			896,102.97	1 & 2
Supportive Housing Program		F	14.235			9,164,311.54	1 & 2
Supportive Housing Program	King County	J	14.235			384,112.00	1 & 2
Home Investment Partnerships Program		F	14.239		1,883,885.66	1,883,885.66	1, 2 & 3
Housing Opportunities for Persons with AIDS		F	14.241			1,553,072.84	1 & 2
CDBG/Brownfields Economic Development Initiative		F	14.246			15,000.00	1, 2 & 4
CDBG Section 108 Loan Guarantees		F	14.248			-	1, 2 & 4
ARRA - CDBG ARRA Entitlement Grants		F	14.253			302,937.97	1 & 2
ARRA - Homelessness Prevention and Rapid Re-Housing Program		F	14.257			439,927.96	1 & 2
Fair Housing Assistance Program, State and Local		F	14.401	229,586.00		229,586.00	1 & 2
Sustainable Communities Regional Planning Grant Program	Puget Sound Regional Council	J	14.703			21,914.05	1 & 2
Community Challenge Planning Grants and the Department of Transportation's TIGER II Planning Grants (B)		F	14.704		243,926.64	243,926.64	1 & 2
Public and Indian Housing	Seattle Housing Authority	J	14.850			373,000.00	1 & 2
Sub Total				229,586.00	3,760,263.73	28,354,744.35	

**City of Seattle
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2012**

Grantor Agency/Program	Passthru Agency	J/F	CFDA#	OCR	OFH	Total	Footnote Ref.
DEPARTMENT OF JUSTICE							
Services for Trafficking Victims		F	16.320			236,418.30	1 & 2
Juvenile Accountability Block Grants	King County	J	16.523			40,335.08	1 & 2
Enhanced Training and Services to End Violence and Abuse of Women Later in Life	King County	J	16.528			74,099.13	1 & 2
Part E - Developing, Testing and Demonstrating Promising New Programs		F	16.541			102,550.00	1 & 2
Missing Children's Assistance		F	16.543			389,231.19	1 & 2
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program		F	16.590			329,727.96	1 & 2
Bulletproof Vest Partnership Program		F	16.607			53,001.94	1 & 2
Public Safety Partnership and Community Policing Grants		F	16.710			289,754.02	1 & 2
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault		F	16.736			76,795.06	1 & 2
Edward Byrne Memorial Justice Assistance Grant Program		F	16.738			994,169.39	1 & 2
Paul Coverdell Forensic Sciences Improvement Grant Program		F	16.742			114,398.54	1 & 2
ARRA - Recovery Act - Internet Crimes against Children Task Force Program (ICAC)		F	16.800			64,825.18	1 & 2
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units of Local Government		F	16.804			231,705.75	1 & 2
ARRA - Recovery Act - Edward Byrne Memorial Competitive Grant Program		F	16.808			29,659.52	1 & 2
Sub Total				-		3,026,671.06	
DEPARTMENT OF LABOR							
WIA Youth Activities	Workforce Development Council	J	17.259			1,071,921.83	1 & 2
Sub Total				-		1,071,921.83	
DEPARTMENT OF TRANSPORTATION							
Highway Planning and Construction	Department of Transportation	J	20.205			5,379,650.17	1 & 2
High-Speed Rail Corridors and Intercity Passenger Rail Service	Department of Transportation	J	20.319			10,138,036.39	1 & 2
Capital Assistance Grants	King County	J	20.500			2,187,559.01	1 & 2
Federal Transit Capital Investment Grants		F	20.507			1,750,258.79	1 & 2
Federal Transit Formula Grants		F	20.522			48,802.00	1 & 2
Alternatives Analysis							
Capital Assistance Program for Reducing Energy Consumption and Greenhouse Gas Emissions		F	20.523			700,632.94	1 & 2
State and Community Highway Safety	Traffic Safety Commission	J	20.600			36,970.78	1 & 2
Alcohol Impaired Driving Countermeasures Incentive Grants I	Traffic Safety Commission	J	20.601			4,727.79	1 & 2
Occupant Protection Incentive Grants	Traffic Safety Commission	J	20.602			2,894.56	1 & 2
ARRA - Surface Transportation Discretionary Grants for Capital Investment	Department of Transportation	J	20.932			11,840,613.40	1 & 2
Sub Total				-		32,090,145.83	
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION							
Employment Discrimination State and Local Fair Employment Practices Agency Contracts		F	30.002	49,400.00		49,400.00	1 & 2
Sub Total				49,400.00		49,400.00	

**City of Seattle
Schedule of Expenditures of Federal Awards**

Grantor Agency/Program	Passtru Agency	J/F	CFDA#	OCR	OFH	Total	Footnote Ref.
ENVIRONMENTAL PROTECTION AGENCY							
Puget Sound Watershed Management Assistance	Department of Commerce	F	66.120			378,806.82	1 & 2
Puget Sound Watershed Management Assistance	Department of Commerce	J	66.120			114,943.23	1, 2 & 5
Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	Washington State Department of Ecology	J	66.123			119,289.16	1 & 2
Congressionally Mandated Projects		F	66.202			3,554.26	1 & 2
Office of Research and Development Consolidated Research/Training/Fellowships	Water Environment Research Foundation	J	66.511			42,047.73	1 & 2
Environmental Protection Consolidated Grants for the Insular Areas-Program Support		F	66.600			290,223.96	1 & 2
Sub Total				-		948,865.16	
DEPARTMENT OF ENERGY							
Weatherization Assistance for Low-Income Persons	Department of Commerce	J	81.042		316,970.74	316,970.74	1 & 2
State Low Income Energy Efficiency Program	Department of Commerce	J	81.F11-43104-404		84,872.96	84,872.96	1 & 2
ARRA - Weatherization Assistance for Low-Income Persons	Department of Commerce	J	81.042		1,573,681.92	1,573,681.92	1 & 2
ARRA - Conservation Research and Development	Puget Sound Clean Air Agency	J	81.086			55,008.25	1 & 2
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance		F	81.117			20,000.00	1 & 2
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	Department of Commerce	J	81.117			2,936.96	1 & 2
ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	Centralia College	J	81.122			34,610.99	1 & 2
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)		F	81.128		40,000.00	3,982,642.78	1 & 2
Sub Total				-	2,015,525.62	6,070,724.60	
DEPARTMENT OF EDUCATION							
TRIO_ Upward Bound		F	84.047			404,719.90	1 & 2
Sub Total				-		404,719.90	
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Cooperative Agreements to Improve the Health Status of Minority Populations	Department of Health	J	93.004			9,821.73	1 & 2
Special Programs for the Aging_ Title VII, Chapter 3_ Programs for Prevention of Elder Abuse, Neglect, and Exploitation	Department of Social and Health Services	J	93.041			22,567.00	1 & 2
Special Programs for the Aging_ Title III, Part D_ Disease Prevention and Health Promotion Services	Department of Social and Health Services	J	93.043			112,859.00	1 & 2
Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers	Department of Social and Health Services	J	93.044			2,525,878.10	1 & 2
Special Programs for the Aging_ Title III, Part C_ Nutrition Services	Department of Social and Health Services	J	93.045			2,482,155.04	1 & 2
National Family Caregiver Support, Title III, Part E	Department of Social and Health Services	J	93.052			780,906.00	1 & 2
Nutrition Services Incentive Program	Department of Social and Health Services	J	93.053			579,496.00	1 & 2
Environmental Public Health and Emergency Response	King County	J	93.070			7,773.23	1 & 2
Affordable Care Act - Medicare Improvements for Patients and Providers	Department of Social and Health Services	J	93.518			30,662.07	1 & 2
Low-Income Home Energy Assistance	Department of Commerce	J	93.568		1,473,216.26	1,473,216.26	1 & 2
ARRA - Prevention and Wellness Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	King County	J	93.724			495,391.59	1 & 2
Medical Assistance Program	King County	J	93.778			125,311.55	1 & 2
Medical Assistance Program	Department of Social and Health Services	J	93.778			9,621,137.07	1 & 2
Sub Total				-	1,473,216.26	18,267,174.64	

City of Seattle
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2012

Grantor Agency/Program	Passthru Agency	J/F	CFDA#	OCR	OFH	Total	Footnote Ref.
DEPARTMENT OF HOMELAND SECURITY							
Non-Profit Security Program		F	97.008			47,270.88	1 & 2
Boating Safety Financial Assistance	Department of Parks and Recreation	J	97.012			58,154.68	1 & 2
National Urban Search and Rescue (US&R) Response System	Pierce County	J	97.025			74,733.02	1 & 2
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Military Department	J	97.036			1,416,274.09	1, 2 & 6
Hazard Mitigation Grant	Military Department	J	97.039			1,156,311.39	1 & 2
Emergency Management Performance Grants	Military Department	J	97.042			341,520.85	1 & 2
Assistance to Firefighters Grant		F	97.044			95,755.65	1 & 2
Assistance to Firefighters Grant	Military Department	J	97.044			63,679.73	1 & 2
Port Security Grant Program	Port of Tacoma	J	97.056			7,477,014.70	1, 2 & 7
Port Security Grant Program	Marine Exchange of Puget Sound	J	97.056			4,090,570.38	1 & 2
Homeland Security Grant Program	Military Department	J	97.067			4,100,550.73	1, 2 & 8
Homeland Security Grant Program	King County	J	97.067			2,208,028.91	1, 2 & 8
Metropolitan Medical Response System	Military Department	J	97.071			191,306.52	1, 2 & 9
Buffer Zone Protection Program	Military Department	J	97.078			624,800.88	1 & 2
Homeland Security Biowatch Program		F	97.091			445,738.91	1 & 2
Regional Catastrophic Preparedness Grant Program (RCPGP)	Military Department	J	97.111			1,370,415.07	1 & 2
Sub Total				-	-	23,762,126.39	
Federal Grants				278,986.00	7,288,715.61	117,187,465.06	

CITY OF SEATTLE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

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

NOTE 4 - SECTION 108/BEDI PROGRAM

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). 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 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.

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 ENVIRONMENTAL PROTECTION AGENCY, PUGET SOUND WATERSHED MANAGEMENT ASSISTANCE, CFDA # 66.120

Department of Planning and Development issued a credit memo in the amount of \$1,432.86 to the grantor in 2012 for correcting a 2011 billing error (Summit project id UTDRDC). This correction is included in 2012 SEFA.

NOTE 6 - GRANTS FROM DEPARTMENT OF HOMELAND SECURITY, DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS), CDFA # 97.036

The City reports these grants when grant proceeds were received rather than when expenditures were incurred for GEN business unit. The reason is that not all expenditures were approved for reimbursements.

NOTE 7 - GRANTS FROM DEPARTMENT OF HOMELAND SECURITY, PORT SECURITY GRANT PROGRAM, CFDA # 97.056

Summit project id FCHSEAEQX is used for tracking Seattle Fire Department's shared costs (City matched expenditures) that are excluded from 2012 SEFA.

CITY OF SEATTLE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

NOTE 8 - GRANTS FROM DEPARTMENT OF HOMELAND SECURITY, HOMELAND SECURITY GRANT PROGRAM, CFDA # 97.067

Reduction of expenditures in the amount of \$849.41 for Summit project id D314AG006 is Department of Information Technology's shared cost (City matched expenditure) that is excluded from 2012 SEFA. In addition, the variance of \$51.53 will be trued up later for Summit project id D314AG004.

Expenditures also include \$1,598.14 for LTD true-up costs for Summit project id FRCPG08.

NOTE 9 - GRANTS FROM DEPARTMENT OF HOMELAND SECURITY, METROPOLITAN MEDICAL RESPONSE SYSTEM, CFDA # 97.071

Seattle Fire Department refunded \$6,414.51 (Summit project id FMMRS08) to the grantor. This refund is included in 2012 SEFA.



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.

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

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

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

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

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

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