



Office of the Washington State Auditor
Pat McCarthy

**Financial Statements and Federal Single Audit
Report**
City of Seattle

For the period January 1, 2015 through December 31, 2015

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Office of the Washington State Auditor

Pat McCarthy

August 19, 2019

Mayor and City Council
City of Seattle
Seattle, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Seattle's financial statements and compliance with federal laws and regulations.

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

Sincerely,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Seattle January 1, 2015 through December 31, 2015

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Seattle are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of 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 in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We identified deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We identified deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.

- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City's compliance with requirements applicable to each of its major federal programs.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
14.218	CDBG - Entitlement Grants Cluster – Community Development Block Grants/Entitlement Grants
14.239	Home Investment Partnerships Program
14.267	Continuum of Care Program
16.922	Equitable Sharing Program
66.458	Clean Water State Revolving Fund Cluster – Capitalization Grants for Clean Water State Revolving Funds
93.778	Medicaid Cluster – Medical Assistance Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$3,000,000.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

See finding 2015-003.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See finding 2015-001 and 2015-002.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

City of Seattle

January 1, 2015 through December 31, 2015

2015-003 The City did not have adequate internal controls in place to ensure accurate financial reporting on the Schedule of Expenditures of Federal Awards.

Background

City management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting. These controls should ensure financial events are identified properly and presented completely. Controls should also ensure the criteria and accounting methodology applied to financial events are correct.

Local governments in Washington that spend federal funds must prepare a Schedule of Expenditures of Federal Awards (SEFA) as part of the annual financial report. Federal regulations require grantees to identify, in their accounts, all federal money spent on the SEFA each fiscal year.

Our audit identified a deficiency in internal controls that adversely affected the City's ability to produce a reliable SEFA. Because of its effect on the City's financial reporting, we consider this a significant deficiency.

Description of Condition

When preparing the SEFA, the Citywide Accounting department relied on other City departments' supporting documentation and information to ensure accurate presentation. During the 2017 audit, Citywide Accounting brought to our attention that a department did not report its 2015 grant expenditures for the CFDA 66.458 Capitalization Grants for Clean Water State Revolving Funds, which were funded by the U.S. Environmental Protection Agency (EPA)

Cause of Condition

The City did not clearly understand the SEFA reporting requirements for the grant under the *Budgeting, Accounting and Reporting System (BARS) Manual* and *Uniform Guidance*. The Department treated this grant as a federal loan and reported the 2015 expenditures upon its first drawdown in 2017.

Effect of Condition

Inaccurate financial reports limit access to financial information used by City officials, the public, state and federal agencies and other interested parties. In addition, these conditions delay the audit process and increase audit costs.

The City understated its 2015 SEFA by \$15,612,937 because it did not include expenditures for the CFDA 66.458 Capitalization Grants for Clean Water State Revolving Funds. The correct amount makes this a major program required to be audited for fiscal year 2015.

The City subsequently corrected the misstatement. Our Office completed the review of this grant, and updated and reissued our financial audit report and federal single audit report in 2019

Recommendations

We recommend the City dedicate sufficient time and resources to strengthen internal controls over SEFA preparation to ensure the information received from the departments is accurate and based on federal expenditures.

We further recommend the City to train departmental staff responsible for SEFA preparation to review the BARS Manual and Uniform Guidance to ensure expenditures are reported in the correct year.

City's Response

The City acknowledges the Auditor's concerns regarding inadequate internal controls over financial reporting on the SEFA. As relates to the specific deficiency, the Department of Ecology Loan for the Henderson North Combined Sewer Overflow Reductions project, the auditor asserts that the loan drawdowns covering 2015 and 2016 were not recorded in those years. The City disputes the finding for 2015. Because the loan in question was not awarded to the City until 2016, expenditures of federal funds were not known when the SEFA was prepared for 2015. Further, the City received guidance from the EPA indicating that the triggering action for audit purposes is when an SRF borrower submits an invoice/disbursement/payment request to the state. The City did not submit a disbursement until 7/31/2016.

Regarding 2016, the City acknowledges that the drawdown request submitted in 2016 but received in 2017 was not included in the 2016 SEFA. As federal (EPA) and State (Department of Ecology) agencies have provided conflicting guidelines, the City will work to clarify rules and procedures for reporting retroactive awards on the SEFA. The City appreciate SAO's guidance on this issue.

Auditor's Remarks

Per OMB Circular A-133 Compliance Supplement 2015 Part 4 for the CFDA 66.458 Capitalization Grants for Clean Water State Revolving Funds (CWSRF), Environmental Protection Agency (EPA) requires the grantees to include project expenditures during the audit period when they were incurred, regardless of when the grantee received reimbursement. EPA further clarifies that if a subrecipient incurs expenditures under an approved CWSRF loan in one audit period for which it is not reimbursed by the State until a subsequent audit period, those expenditures should be reported on the subrecipient's SEFA in the year in which the outlay was made, regardless of when the subrecipient received reimbursement.

We thank the City for its commitment to fiscal accountability and accurate financial reporting.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 510 – Financial Statements, establishes criteria and requirements related to the preparation of the schedule of expenditures of Federal awards.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, paragraph 11.

Budget, Accounting and Reporting Standards (BARS) manual 4.8.5 establishes reporting requirements related to the schedule of expenditures of Federal awards.

Title 2 CFR Part 200, Uniform Guidance, section 302 – Financial Management, requires grantees to identify, in their accounts, all Federal awards received and expended and the Federal programs under which the awards were received.

Title 2 CFR Part 200, Uniform Guidance, section 514 – Scope of Audit, requires the audit be conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) and encompass the financial statements and schedule of expenditure of Federal awards (SEFA).

OMB Circular A-133 Compliance Supplement 2015 Part 4 Environmental Protection Agency (EPA) CFDA 66.458 Capitalization Grants for Clean Water State Revolving Funds IV. Other Information requires the grantees to include project expenditures during the audit period when they were incurred, regardless of when the grantee received reimbursement.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

City of Seattle

January 1, 2015 through December 31, 2015

2015-001 The City did not have adequate internal controls in place to ensure compliance with federal subrecipient monitoring requirements.

CFDA Number and Title:	14.218 Community Development Block Grants/Entitlement Grants
Federal Grantor Name:	U. S. Department of Housing and Urban Development
Federal Award/Contract Number:	B10MC530005, B11MC530005, B12MC530005, B13MC530005, B14MC530005, B15MC530005
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Questioned Cost Amount:	\$928,647

Description of Condition

The objective of the Community Development Block Grant program is to develop viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income. The City of Seattle spent \$11.6 million in grant funds from the U. S. Department of Housing and Urban Development. The City's Human Service Department passed on \$3.8 million to five subrecipients during 2015 to provide homeless assistance to City's residents.

Federal regulations require the City to perform risk evaluations to evaluate subrecipients' risk of noncompliance to determine the appropriate level of monitoring. It also requires the City to monitor the subrecipients' activities to ensure that the subawards are used for authorized purposes which can be accomplished by either requiring subrecipient invoices to contain supporting documentation or reviewing supporting documentation during on-site visits. That monitoring, particularly the on-site visits, is important to ensure that the subrecipients' administration of programs are appropriate and in compliance with applicable requirements, including those related to allowable and supported costs.

The City requires the subrecipients to submit detailed general ledger reports as part of the request for payment and has a policy for semi-annual on-site visits to review documentation included in the report to ensure the costs are allowable and supported.

The City's process for subrecipient monitoring is not working as intended. During our audit, we found:

- The Human Service Department did not perform risk assessments for the three subrecipients we selected for review.
- For two of the three subrecipients reviewed, the Human Service Department did not obtain supporting documentation with the requests for payment, nor did they perform on-site visits, where a review of documentation to support the costs reimbursed would have been done.

We consider these deficiencies in internal controls to be significant deficiencies.

Cause of Condition

The Departments were not aware that risk evaluations are required for all subrecipients receiving money from federal awards.

The Grants and Contracts Specialists who are responsible for approving subrecipient payments and performing on-site visits did not have the necessary training and resources to perform adequate reviews.

Effect of Condition and Questioned Costs

Without adequate internal controls in place, the Department cannot ensure that the subrecipients used the program funds in accordance with the grant agreement and federal requirements.

The Human Service Department paid \$928,647 to two subrecipients without performing on-site visits or requiring adequate supporting documentation for costs incurred. As a result, we are questioning the total amount paid to these subrecipients.

Recommendation

We recommend that the Departments establish internal controls to ensure compliance with the subrecipient monitoring requirements including:

- Conduct a risk assessment to evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate monitoring activities.

- Provide training to program specialists to ensure they have an adequate understanding of federal subrecipient monitoring requirements and Department policies.
- Require subrecipients to provide adequate documentation to support the costs incurred or perform on-site visits that includes a review of source documentation.

City's Response

The City understands the Auditor's concerns regarding inadequate internal controls in place and is taking immediate and long-term corrective actions to ensure compliance with federal subrecipient monitoring requirements going forward.

Auditor's Remarks

We thank the City for its assistance during the audit and will follow up on corrective actions taken during the next audit.

Applicable Laws and Regulations

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively. .

Material weakness in internal control over compliance.

A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of the event is either reasonably possible or probable as defined as follows:

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

Remote. The chance of the future event or events occurring is slight.

Probable. The future event or events are likely to occur.

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

Title 2 Code of Federal Regulations Section 200.303 Internal controls.

The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

Title 2 Code of Federal Regulations Subpart D Post Federal Award Requirements
Section 200.331 Requirements for pass-through entities states in part:

All pass-through entities must:

(b) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:

- (1) The subrecipient's prior experience with the same or similar subawards;
- (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F—Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;
- (3) Whether the subrecipient has new personnel or new or substantially changed systems; and
- (4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

- (1) Reviewing financial and performance reports required by the pass-through entity.
- (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.

(e) Depending upon the pass-through entity's assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:

(1) Providing subrecipients with training and technical assistance on program-related matters; and

(2) Performing on-site reviews of the subrecipient's program operations;

(3) Arranging for agreed-upon-procedures engagements as described in §200.425 Audit services.

(f) Verify that every subrecipient is audited as required by Subpart F—Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements.

(g) Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.

(h) Consider taking enforcement action against noncompliant subrecipients as described in §200.338 Remedies for noncompliance of this part and in program regulations.

Title 2 Code of Federal Regulations Subpart E Cost Principles Sections 200.400 through 200.403 General Provisions and Basic Considerations states in part:

§200.400 Policy guide.

The application of these cost principles is based on the fundamental premises that:

- (a) The non-Federal entity is responsible for the efficient and effective administration of the Federal award through the application of sound management practices.
- (b) The non-Federal entity assumes responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.
- (c) The non-Federal entity, in recognition of its own unique combination of staff, facilities, and experience, has the primary responsibility for employing whatever form of sound organization and management techniques may be necessary in order to assure proper and efficient administration of the Federal award.
- (d) The application of these cost principles should require no significant changes in the internal accounting policies and practices of the non-Federal entity. However, the accounting practices of the non-Federal entity must be consistent with these cost principles and support the accumulation of costs as required by the principles, and must provide for adequate documentation to support costs charged to the Federal award.

§200.402 Composition of costs.

Total cost. The total cost of a Federal award is the sum of the allowable direct and allocable indirect costs less any applicable credits.

§200.403 Factors affecting allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.
- (g) Be adequately documented. See also §§200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

City of Seattle

January 1, 2015 through December 31, 2015

2015-002 The City did not have adequate internal controls in place to ensure compliance with federal subrecipient monitoring requirements.

CFDA Number and Title:	14.267 Continuum of Care Program
Federal Grantor Name:	U.S. Department of Housing and Urban Development (HUD)
Federal Award/Contract Number:	Multiple awards
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Questioned Cost Amount:	\$1,566,880

Background

The City of Seattle's Human Service Department administers the Continuum of Care Program. This program is designed to promote communitywide commitment to the goal of ending homelessness by providing housing and supportive services to homeless individuals and families. The Department spent \$11.4 million in Continuum of Care funds, of which \$10.6 million was passed on to subrecipients who perform the primary activities of this program.

Description of Condition

Federal regulations require the City to monitor subrecipients' activities to ensure that subwards are used for authorized purposes which can be accomplished by subrecipients submitting invoices containing supporting source documentation or reviewing supporting source documentation during on-site visits. That monitoring, particularly the on-site visits, is important to ensure that subrecipients' administration of programs are appropriate and in compliance with federal requirements, including those related to allowable costs and activities.

During the current audit, we found:

- The Department utilized a monitoring log to track on-site visits for subrecipients by project. However, the log excluded 36 of the 82 projects

during 2015. Without a complete and current log, the Department cannot ensure site visits are performed and tracked for all subrecipients' projects.

- The Department's policy is to perform semi-annual site visits; however, it did not perform on-site visits that included a fiscal review of invoices or other documentation required to support the costs incurred for eight of the 16 projects reviewed. For the fiscal reviews that were conducted, documentation was not always sufficiently complete to establish that site visits were adequately performed.

We consider these control deficiencies to be material weaknesses.

Cause of Condition

The Grants and Contracts Specialists who perform on-site visits did not have the necessary training and resources to perform adequate financial review.

Effect of Condition and Questioned Costs

By reimbursing subrecipients for costs claimed without receiving adequate documentation or otherwise monitoring the subrecipients' use of funding, the City is unable to ensure costs charge to the grant are allowable. As a result, we are questioning \$1,566,880 of costs paid to eight subrecipient projects.

Recommendation

We recommend the Department establish internal controls to ensure compliance with the subrecipient monitoring requirements including:

- Providing training to program specialists to ensure they have an adequate understanding of federal subrecipient monitoring requirements and Department policies.
- Requiring subrecipients to provide adequate documentation to support the costs incurred or perform on-site visits that includes a review of source documentation.
- Retaining sufficient documentation to demonstrate compliance with federal subrecipient monitoring requirements.

City's Response

The City understands the Auditor's concerns regarding inadequate internal controls in place and is taking immediate and long-term corrective actions to ensure compliance with federal subrecipient monitoring requirements going forward.

Auditor's Remarks

We thank the City for its assistance during the audit and will follow up on corrective actions taken during the next audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) establishes reporting requirements for audit findings.

2 CFR 200.516 Audit Reporting, states in part:

(a) Audit findings reported. The auditor must report the following as audit findings in a schedule of findings and questioned costs:

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

(2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows: . . .

Deficiency in internal control over compliance. A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively. .

Material weakness in internal control over compliance. A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of the event is either reasonably possible or probable as defined as follows:

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

Remote. The chance of the future event or events occurring is slight.

Probable. The future event or events are likely to occur.

Significant deficiency in internal control over compliance. A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet

important enough to merit attention by those charged with governance.

Title 2 Code of Federal Regulations Section 200.303 Internal controls.

The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

U.S. Office of Management and Budget Circular A-133 Subpart D--Federal Agencies and Pass-Through Entities §___.400 (d)...

(d) Pass-through entity responsibilities. A pass-through entity shall perform the following for the Federal awards it makes:

(1) Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award.

(2) Advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.

(3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of

contracts or grant agreements and that performance goals are achieved.

(4) Ensure that subrecipients expending \$300,000 (*\$500,000 for fiscal years ending after December 31, 2003*) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.

(5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

(6) Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records.

(7) Require each subrecipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with this part.

24 CFR 85.20 Standards for Financial Management Systems.

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

(1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

(2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

(3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

(4) Budget control. Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. If unit cost data are required, estimates based on available documentation will be accepted whenever possible.

(5) Allowable cost. Applicable OMB cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs.

(6) Source documentation. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**City of Seattle
King County
January 1, 2015 through December 31, 2015**

This schedule presents the status of findings reported in prior audit periods.

Audit Period: January 1, 2014 through December 31, 2014	Report Ref. No.: 1014749	Finding Ref. No.: 2014-001
Finding Caption: The Seattle City Employees' Retirement System does not have adequate internal controls in its accounting, which caused delays in its annual financial statement preparation.		
Background: The certified public accounting firm's audit identified a significant deficiency in internal controls over financial reporting related to account reconciliations. In 2013, the certified public accounting firm reported the same significant deficiency and our office reported the same issue as a finding.		
Status of Corrective Action: (check one) <div style="display: flex; justify-content: space-around;"><div><input checked="" type="checkbox"/> Fully Corrected</div><div><input type="checkbox"/> Partially Corrected</div><div><input type="checkbox"/> No Corrective Action Taken</div><div><input type="checkbox"/> Finding is considered no longer valid</div></div>		
Corrective Action Taken: <i>In 2015, the Seattle City Employees' Retirement System (SCERS) instituted a monthly reconciliation process with SCERS' custodial bank, BNY Mellon. This reconciliation includes monthly updates to SCERS' General Ledger to reflect the value of investment assets on a more timely basis. This change has also greatly reduced the number of journal entries required for SCERS' yearend process and reduced delays in yearend financial statement preparation.</i>		

Audit Period: January 1, 2014 through December 31, 2014	Report Ref. No.: 1014749	Finding Ref. No.: 2014-002
Finding Caption: The City's internal controls over financial reporting are not adequate to ensure the financial statements are accurate and complete.		

Background:

Our audit identified deficiencies in internal controls over financial reporting that represent a significant deficiency resulting in immaterial errors. City subsequently corrected most of the errors. Control deficiencies are identified in the following areas:

- Year-end financial statement preparation
- Capital assets
- Business taxes
- Expenditures

Status of Corrective Action: (check one)

☒ Fully
Corrected

☐ Partially
Corrected

☐ No Corrective
Action Taken

☐ Finding is considered no
longer valid

Corrective Action Taken:

The City's financial reporting team, Citywide Accounting (CWA), is taking steps to strengthen the control environment. Although staff turnover and retirements in 2015 had slowed progress these improvements will continue to be an ongoing emphasis. With the transition of staff during the current year-end production cycle management had placed emphasis on areas with an elevated level of risk and specifically those areas previously noted by the auditor.

As new staff transition into new responsibilities the City will continue to invest in training and educating our employee's responsible for financial reporting. This team is also actively participating in the ongoing redevelopment of the City's financial system. This upgrade project will have a direct impact on CWA's ability to strengthen our financial reporting controls, and provide timely, relevant information to the accountants who can ensure compliance with those internal controls.

Audit Period: January 1, 2014 through December 31, 2014	Report Ref. No.: 1015224	Finding Ref. No.: 2014-001	CFDA Number: 93.568
Federal Program Name and Granting Agency: U.S. Department of Health and Human Services		Pass-Through Agency Name: Washington State Department of Commerce	
Finding Caption: City of Seattle's Office of Housing did not have adequate internal controls to ensure compliance with federal requirements for its Homewise program.			

Background:

City of Seattle's Office of Housing did not have adequate internal controls related to allocable costs and time-and-effort certifications to ensure compliance with federal requirements for its Homewise program. As a result, we reported a total of \$88,784 in questioned cost.

Status of Corrective Action: (check one)

☐ Fully
Corrected

☒ Partially
Corrected

☐ No Corrective
Action Taken

☐ Finding is considered no
longer valid

Corrective Action Taken:

The Seattle Office of Housing is currently awaiting a determination from the Washington State Department of Commerce to resolve this finding.

The major sources of funding for the HomeWise program include Seattle City Light (SCL) and a variety of state and federal sources that flow through the Washington State Department of Commerce. In 2014, SCL represented approximately half of all HomeWise capital costs. Therefore, in 2014, the Office of Housing (OH) requested that SCL pay for half of HomeWise administrative and program support costs. Unfortunately, SCL capped the administrative amount at less than their pro-rata share, which created this issue.

However, it is important to recognize that SCL dollars directly result in the HomeWise program's ability to generate additional units. SCL capital funds stretch state and federal dollars further. Often, the combination of SCL capital funds and other grant funds creates a large enough subsidy to incentivize multi-family property owners to participate. Because of this leverage, the Department of Commerce grants are reaching more units than they would otherwise.

In response to the recommendation that the cost allocation be equitably divided, OH, with the involvement of the City Budget Office, secured the commitment from SCL that they will pay their pro-rata share of administrative and program support costs. As of January 1, 2016, SCL is paying the appropriate share of these expenses. OH has also added the process of completing time and effort certifications.

**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
January 1, 2015 through December 31, 2015**

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, as of and for the year ended December 31, 2015, 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, 2016. As discussed in Note 1 to the financial statements, during the year ended December 31, 2015, the City implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

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

The prior year comparative information has been derived from the City's 2014 basic financial statements, on which we issued our report dated June 29, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2015-003 that we consider to be significant deficiencies.

COMPLIANCE AND OTHER MATTERS

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

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

CITY'S 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.



Pat McCarthy

State Auditor

Olympia, WA

June 28, 2016, except as to the Schedule of Expenditures of Federal Awards and the matters discussed in Schedule of Audit Findings 2015-003, for which the date is September 25, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

City of Seattle
January 1, 2015 through December 31, 2015

Mayor and City Council
City of Seattle
Seattle, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of the City of Seattle, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2015-001 and 2015-002. We also noted certain matters that we will report to the management of the City in a separate letter dated September 29, 2016. Our opinion on each major federal program is not modified with respect to these matters.

City's Response to Findings

The City's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Other Matters – Report Reissuance

This report, which replaces a previously issued report, has been reissued to report on CFDA 66.458 Capitalization Grants for Clean Water State Revolving Funds as an additional major program.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2015-002 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2015-001 to be a significant deficiency.

We also noted certain matters that we will report to the management of the City in a separate letter dated September 29, 2016.

City's Response to Findings

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report 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.



Pat McCarthy

State Auditor

Olympia, WA

September 29, 2016, except for our report on the Capitalization Grants for Clean Water State Revolving Funds, for which the date is September 25, 2018.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Seattle January 1, 2015 through December 31, 2015

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, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 39.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

- The Light Fund, Water Fund, Drainage and Wastewater Fund, and Solid Waste Fund, which are major funds that collectively represent 99 percent, 99 percent, and 97 percent, respectively, of the assets and deferred outflows, net position, and revenues of the business-type activities.

- The Seattle City Employees' Retirement System, which represents 61 percent, 76 percent, and 11 percent, respectively, of the assets and deferred outflows, net position, and revenues of the aggregate discretely presented component units and remaining fund information.

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

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

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

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Seattle, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2015, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Report on Summarized Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all of the information required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2014, from which such partial information was derived.

We and other auditors have previously audited the City's 2014 financial statements and, based on our audit and the reports of the other auditors, we expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregately discretely presented component units and remaining fund information in our report dated June 29, 2015.

In our opinion, the summarized comparative information for the governmental activities and governmental funds presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information on pages 181 through 184 and pension plan information on pages 185 through 193 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of

the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2016 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 "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

June 28, 2016, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is September 25, 2018

FINANCIAL SECTION

City of Seattle January 1, 2015 through December 31, 2015

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2015

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2015

Statement of Activities – 2015

Balance Sheet – Governmental Funds – 2015

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental
Funds – 2015

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities – 2015

Statement of Net Position – Proprietary Funds – 2015

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2015

Statement of Cash Flows – Proprietary Funds – 2015

Statement of Fiduciary Net Position – Fiduciary Funds – 2015

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2015

Notes to Financial Statements – 2015

REQUIRED SUPPLEMENTARY INFORMATION

Notes to Required Supplementary Information - Schedule of Revenues, Expenditures and
Changes in Fund Balances – Budget to Actual

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
– General Fund – 2015

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
– Transportation Fund – 2015

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

– Low-Income Housing Fund – 2015
Notes to Required Supplementary Information - Pension Plan Information — 2015
Pension Plan Information – Schedule of Funding Progress – 2015
Pension Plan Information – Schedule of Employer Contributions – 2015
Pension Plan Information – Schedule of Proportionate Share of Net Pension Liability –
2015
Pension Plan Information – Schedule of Employer Contributions – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2015
Notes to the Schedule of Expenditures of Federal Awards – 2015

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, 2015. 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 and the City's basic financial statements following this section. All dollar amount are expressed in thousands unless otherwise indicated.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in the governmental funds. These statements, however, focus on near-term inflows and outflows of spendable resources, as well as fund balances at the end of the fiscal year. Such information may be useful in assessing the City's near-term financing requirements.

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

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

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Combining Statements

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

Statistical Information

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

FINANCIAL HIGHLIGHTS

- At the end of fiscal year 2015 the City's net position totaled \$5.124 billion, with governmental activities accounting for 64.5 percent and business-type activities 35.5 percent, approximately a 2 to 1 ratio.
- Net investment in capital assets grew 4.6 percent, increasing \$224.6 million, to a total reported balance of \$5.060 billion for 2015. Of these assets the City's governmental activities controls \$3.144 billion, with the remaining \$1.916 billion supporting business-type activities.
- Restricted net position, \$615.6 million, is available to meet the City's ongoing obligations to citizens and creditors. Governmental activities accounted for 98.9 percent of the \$108.6 million increase in the restricted balances. Significant resources are restricted for the City's Capital Projects, Low-Income, Transportation, and Education programs, debt service and other purposes.
- Non-current liabilities increased \$1.502 billion between years due to the implementation of GASB statement 68 and the recognition of the City's net pension liability. This change is also reflected in the \$552.4 million deficit reported under the City's unrestricted net position.
- Expenses reported at the citywide level were up 3.1 percent year over year, totaling \$3.175 billion in 2015. Of the \$94.2 million increase in 2015's expenses only 10.9 percent can be attributed to the growth in expenses related to governmental-activities. Net program expenses for all functions within the City's governmental activities totaled \$1.547 billion for 2015, a 0.7 percent increase over 2014's costs of \$1.536 billion.
- The City's governmental funds reported a combined ending fund balance of \$850.7 million for 2015, an increase of 25.2 percent from the prior year's balance of \$679.6 million. Of the total fund balance 12.9 percent is reported as unassigned balance, totaling \$109.6 million for year end 2015. The General Fund contributed \$143.8 million but was offset by the special revenue and capital project funds which reported a combined deficit of \$34.2 million in unassigned fund balances that offset the total across the City's governmental funds.
- Revenue generated by the City's governmental funds totaled \$1.819 billion for the fiscal year ended December 31, 2015, an increase of approximately \$69.8 million, 4.0 percent, from the prior year's balance of \$1.750 billion. The increase is primarily driven by \$84.0 million of additional tax collections in 2015, a 7.3 percent increase that pushed the total tax collection to \$1.233 billion in 2015.
- The City's governmental funds received a significant contribution from other financing sources and uses, totaling \$251.5 million for 2015. These resources offset the operating deficit and directly contributed to the City's governmental fund balance which totals \$850.7 million at year end.
- Expenditures in governmental funds amounted to \$1.9 billion, an increase of approximately \$71.5 million, 3.9 percent, compared to \$1.828 billion in 2014. In the aggregate, expenditures for governmental funds exceeded revenues by approximately \$80.3 million. The City's General Fund reported an excess of revenues over expenditures totaling \$385.9 million, while the other major and nonmajor governmental funds reported a deficiency of revenues over expenditures totaling \$396.4 million.
- The General Fund is the chief operating fund of the City. For 2015 the General Fund reported a balance of \$383.9 million, 45.1 percent of the entire governmental fund balance. The General Fund accounts for 67.0 percent of revenues, and 45.6 percent of total governmental expenditures. The unassigned balance in the City's General Fund grew \$9.3 million, a 6.9 percent increase that pushed the total unassigned balance to a record level, \$143.8 million for 2015.
- In 2015 the City issued \$358.3 million in General Obligation Bonds, and \$648.5 million of Revenue Bonds. Of the amount issued in 2015, \$155.0 million was used to partially refund general obligation bonds, and \$305.4 million of revenue bonds. The City's outstanding general obligation bonds totaled \$1.019 billion and the utility revenue bonds 3.721 billion at year end 2015.

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.

Statement of Net Position

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

	Governmental Activities		Business-Type Activities		Total	
	2015	Restated 2014	2015	2014	2015	Restated 2014
ASSETS						
Current and Other Assets	\$ 1,091,481	\$ 905,505	\$ 647,713	\$ 577,980	\$ 1,739,194	\$ 1,483,485
Capital Assets and Construction in Progress, Net of Accumulated Depreciation	4,337,252	3,989,902	6,290,342	5,923,953	10,627,593	9,913,855
Total Assets	5,428,732	4,895,407	6,938,055	6,501,933	12,366,787	11,397,340
DEFERRED OUTFLOWS OF RESOURCES	579,349	456,252	117,201	47,858	696,550	504,110
LIABILITIES						
Current Liabilities	346,715	308,485	443,050	411,184	789,765	719,669
Noncurrent Liabilities	1,835,754	1,059,202	4,647,421	3,921,491	6,483,175	4,980,692
Total Liabilities	2,182,469	1,367,687	5,090,471	4,332,674	7,272,940	5,700,361
DEFERRED INFLOWS OF RESOURCES	523,316	466,094	143,521	155,157	666,838	621,251
NET POSITION						
Net Investment in Capital Assets	3,144,486	3,085,306	1,915,893	1,750,495	5,060,379	4,835,801
Restricted	556,405	448,935	59,193	58,039	615,599	506,973
Unrestricted	(398,596)	(16,363)	(153,822)	253,427	(552,418)	237,064
Total Net Position	\$ 3,302,296	\$ 3,517,877	\$ 1,821,264	\$ 2,061,960	\$ 5,123,560	\$ 5,579,838

At the close of the current fiscal year the City's total net position was \$5.124 billion. This is the first time in 14 years of reporting Government-wide statements that the City's overall total net position has fallen year over year.

City's unrestricted net position reports a deficit of \$552.4 million. This deficit reflects the City's recognition of the net pension liability associated with the implementation of GASB statement 68. This deficit will require future resources to meet the government's obligation to citizens and creditors.

The City's net position reports an investment of \$5.060 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, \$615.6 million, 12.0 percent, represents resources that are subject to external restrictions on how they may be used. The net position for the business-type activities decreased 11.67 percent between 2014 and 2015, from \$2.062 billion to \$1.821 billion. The decrease in net position is also directly related to the recognition of the net pension liability.

Table A-2

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

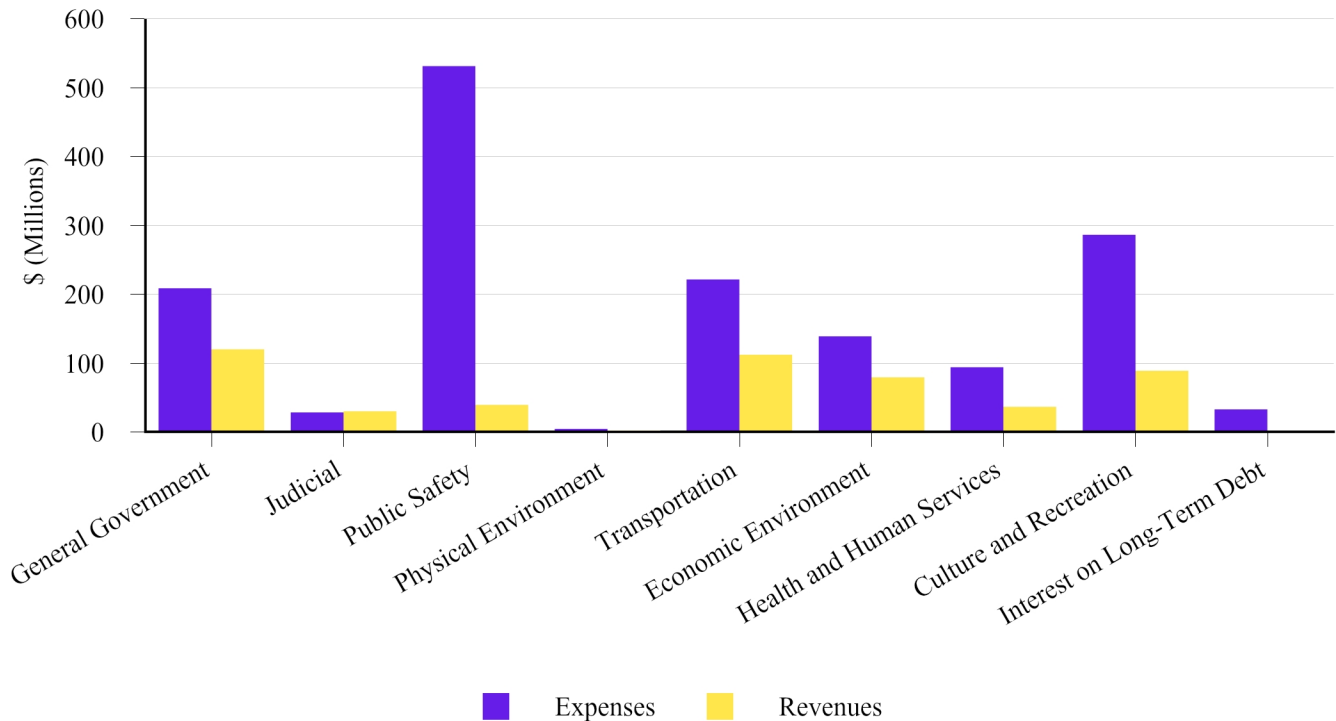
	Governmental Activities		Business-Type Activities		Total	
	2015	Restated 2014	2015	2014	2015	Restated 2014
Revenues						
Program Revenues						
Charges for Services	\$ 341,171	\$ 357,810	\$ 1,740,144	\$ 1,685,506	\$ 2,081,315	\$ 2,043,316
Operating Grants and Contributions	136,980	123,986	7,087	6,155	144,068	130,141
Capital Grants and Contributions	29,358	37,895	60,114	48,129	89,473	86,025
General Revenues						
Property Taxes	420,691	431,458	—	—	420,691	431,458
Sales Taxes	239,189	199,735	—	—	239,189	199,735
Business Taxes	454,086	431,437	—	—	454,086	431,437
Other Taxes	118,831	82,135	—	—	118,831	82,135
Other	18,273	17,642	16,705	19,013	34,978	36,655
Total Revenues	1,758,580	1,682,098	1,824,050	1,758,803	3,582,630	3,440,901
Expenses						
Governmental Activities						
General Government	208,638	189,034	—	—	208,638	189,034
Judicial	28,477	28,874	—	—	28,477	28,874
Public Safety	531,524	568,843	—	—	531,524	568,843
Physical Environment	4,351	5,853	—	—	4,351	5,853
Transportation	221,443	222,199	—	—	221,443	222,199
Economic Environment	138,878	138,169	—	—	138,878	138,169
Health and Human Services	94,122	76,562	—	—	94,122	76,562
Culture and Recreation	286,395	275,566	—	—	286,395	275,566
Interest on Long-Term Debt	32,694	31,170	—	—	32,694	31,170
Business-Type Activities						
Light	—	—	837,860	798,161	837,860	798,161
Water	—	—	228,241	221,944	228,241	221,944
Drainage and Wastewater	—	—	316,486	298,633	316,486	298,633
Solid Waste	—	—	173,312	159,501	173,312	159,501
Planning and Development	—	—	64,673	58,304	64,673	58,304
Downtown Parking Garage	—	—	7,401	7,458	7,401	7,458
Fiber Leasing	—	—	35	27	35	27
Total Expenses	1,546,521	1,536,270	1,628,008	1,544,029	3,174,529	3,080,298
Excess Before Special Item and Transfers	212,059	145,828	196,042	214,774	408,101	360,603
Special Item - Environmental Remediation	—	—	(4,975)	(4,949)	(4,975)	(4,949)
Transfers	(8,931)	(11,512)	8,931	11,512	—	—
Changes in Net Position	203,128	134,316	199,998	221,338	403,126	355,654
Net Position - Beginning of Year	3,517,878	3,386,757	2,061,960	1,840,622	5,579,838	5,227,379
Restatements/Prior-Year Adjustments	(418,709)	(3,195)	(440,694)	—	(859,403)	(3,195)
Net Position - Beginning of Year as Restated	3,099,170	3,383,562	1,621,266	1,840,622	4,720,436	5,224,184
Net Position - End of Year	<u>\$ 3,302,297</u>	<u>\$ 3,517,878</u>	<u>\$ 1,821,264</u>	<u>\$ 2,061,960</u>	<u>\$ 5,123,561</u>	<u>\$ 5,579,838</u>

Analysis of Changes in Net Position

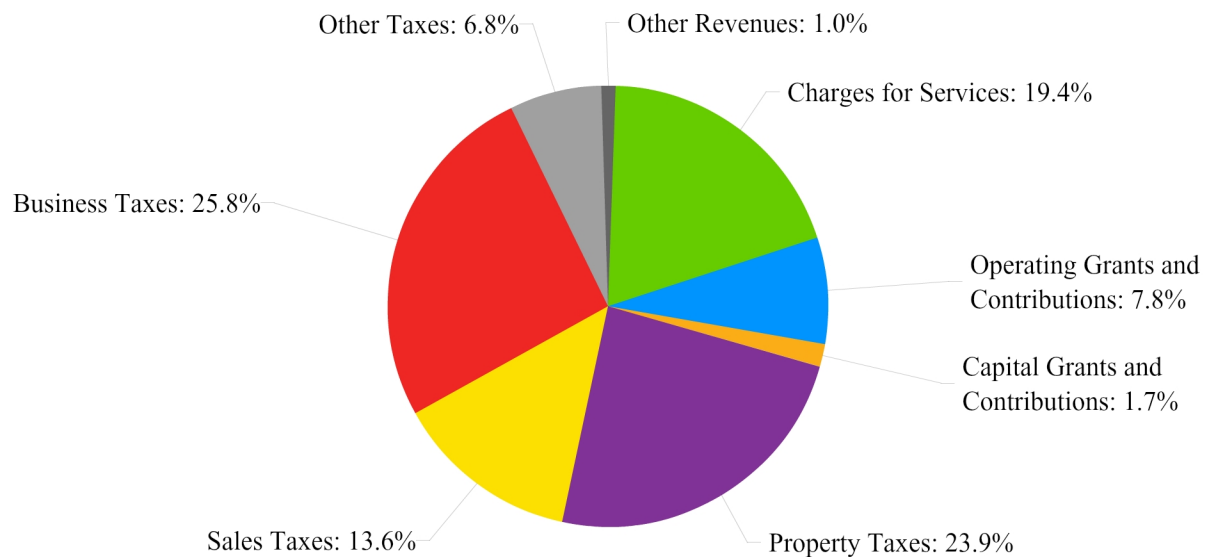
In 2015 the City's total net position decreased by \$456.3 million, 8.2 percent. The factors contributing to the decrease are explained in the following discussion of governmental and business-type activities.

Governmental Activities

Expenditures and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Total \$1.759 billion

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

The City's revenues reported at the citywide level were up 4.1 percent year over year, totaling \$3.583 billion in 2015. Out of the \$141.7 million of additional revenues reported in 2015, the City's governmental activities accounted for 54.0 percent of the change. The following table lists the general revenues ranked by the size of their 2015 collections, and highlights the change in general revenues between the 2014 and 2015 financial statements.

2015 Rank	General Tax Revenues	Amount (In Millions)	Percent of Change	Amount of Change (In Millions)
1	Business Taxes	\$454.1	5.2%	\$22.6
2	Property Taxes	\$420.7	(2.5)%	\$(10.8)
3	Sales Taxes	\$239.2	19.8%	\$39.5
5	Excise Taxes	\$101.1	54.7%	\$35.7
4	Other Taxes	\$17.7	5.6%	\$1.0

The City's tax revenues continue to provide the most significant source of revenue for governmental activities, with property, sales and business tax contributing 89.0 percent of all general revenues, and 63.3 percent of the governmental activities general and program revenue combined.

For the first time in 2015 the City's collection of business taxes replaces property taxes as the number one general tax resource. The 2.5 percent decline in property tax collected is a result of several factors. The voter approved 2008 Parks Levy which collected tax proceeds over six years expired in 2014, resulting in a \$21.3 million reduction in property tax collections. An additional voter approved levy that facilitated the Pike Place Market's renovation also expired in 2014, contributing \$7.7 million to the decline. Offsetting the reduction from the expiring levies is \$17.1 million collected in the first year of the Seattle Preschool Services Levy.

The year over year growth in sales tax was 19.8 percent or \$39.5 million, and contributed 51.6 percent of the total revenue growth in governmental activities. Excise taxes collected by the City contributed an additional \$35.7 million to the increase, 40.5 percent of the total revenue growth in governmental activities. Both increases can be partially attributed to a voter approved proposition in November 2014 to expand Metro bus services in Seattle which is supported by a \$60 increase to vehicle license fees, and a 0.1 percent increase in the sales tax rate collected. The primary force behind the General Fund's sales tax growth is the local construction boom, with 25 percent of sales tax receipts directly attributable to construction.

Direct program revenues collected supporting the City's governmental activities were \$507.5 million, 32.8 percent of the the City's expenses for governmental activities, with the remaining \$1.039 billion covered by the City's general resources. The City's charges for services are the largest component of reported program revenues, and comprise 67.2 percent of program revenue generated by governmental activities. For governmental activities charges for services contribute 19.4 percent of total revenues, with year over year revenues collected for service charges down \$16.6 million, a 4.7 percent decrease that lowers the total service charge collection to \$341.2 million.

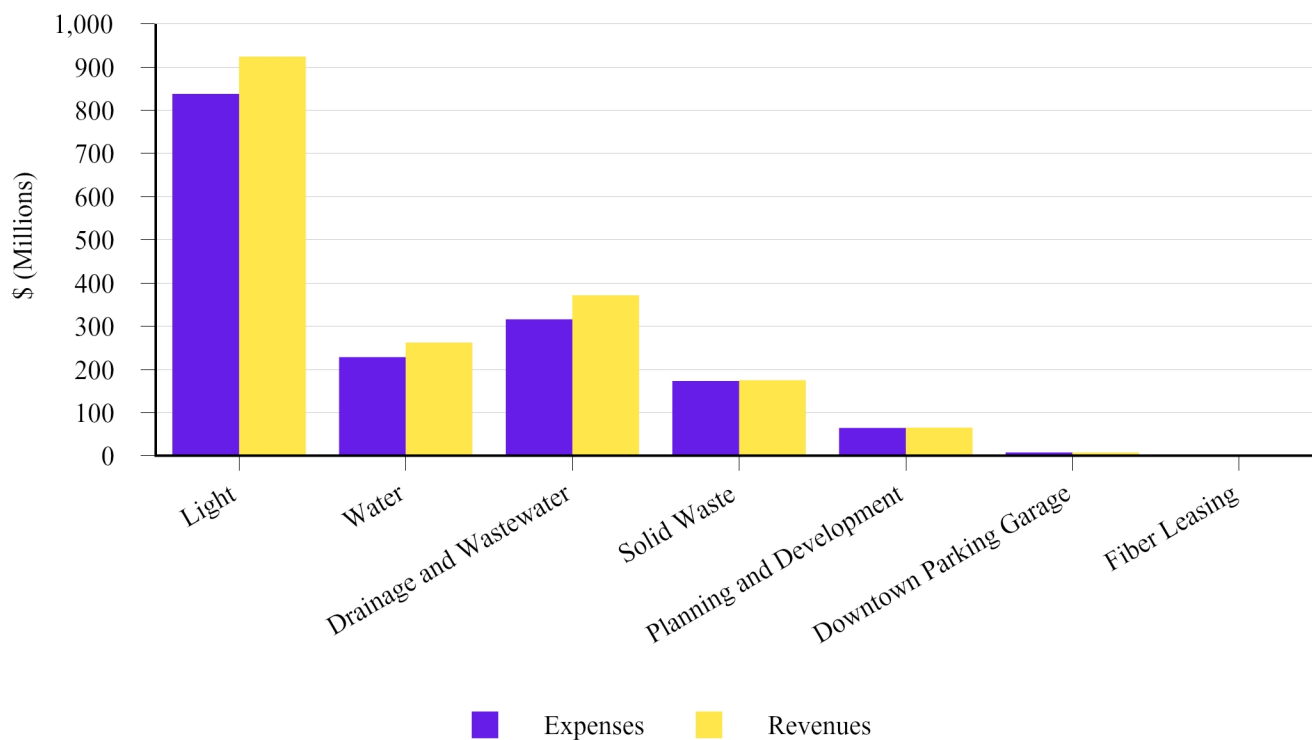
Expenses reported at the citywide level were up 3.1 percent year over year, totaling \$3.175 billion in 2015. Of the \$94.2 million increase in 2015's expenses only 10.9 percent can be attributed to the growth in expenses related to governmental activities. Net program expenses for all functions within the City's governmental activities totaled \$1.547 billion for 2015, a 0.7 percent increase over 2014's costs of \$1.536 billion. The following table lists city functions and programs ranked by the size of their 2015 expenses, and highlights the growth in costs between the 2014 and 2015 financial statements.

2015 Rank	Citywide Function/Program	Amount (In Millions)	Percent of Change	Amount of Change (In Millions)
1	Public Safety	\$531.5	(6.6)%	\$(37.3)
2	Culture and Recreation	\$286.4	3.9%	\$10.8
3	Transportation	\$221.4	(0.3)%	\$(0.8)
4	General Government	\$208.6	10.4%	\$19.6
5	Economic Environment	\$138.9	0.5%	\$0.7
6	Health and Human Services	\$94.1	22.9%	\$17.6

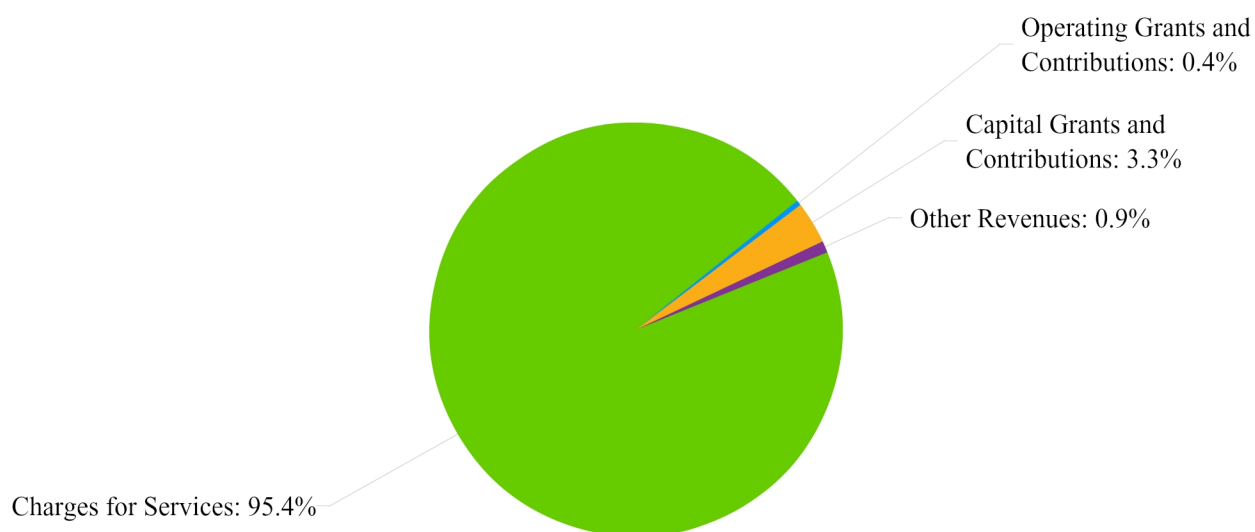
The City's largest governmental expense continues to be the public safety function, totaling \$531.5 million for 2015, contributing 16.7 percent of all citywide expenses, and 34.4 percent of expense in the City's governmental activities.

Business-Type Activities

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



Total \$1.824 billion

Business-Type Activities. At year end the City's net position for business-type activities was \$1.821 billion, a 11.67 percent decrease totaling \$240.7 million. Of this amount \$27.1 million reflects the consolidation of internal service fund activities related to enterprise funds. Key factors for the change are described below:

The Enterprise funds beginning net position of \$2.043 billion was adjusted to \$1.602 billion to reflect the City's implementation of GASB statement 68. The impact of this one-time \$440.7 million reduction to net position was offset by a \$191.9 million change in net position during the year.

The City Light Utility realized a \$90.5 million change in net position for 2015. The change was due in large part to lower net wholesale energy sales compared to 2014. Higher retail electric sales, transfers to and from the revenue stabilization account, and capital contributions were offset by lower power related revenues, and higher distribution, administrative and general, taxes, and depreciation, in addition to the lower net surplus power sales. Operating income generated \$110.8 million, down \$41.5 million from 2014. Operating revenues remained relatively consistent at \$882.9 million, falling only \$3.6 million. Operating expenses increased \$37.9 million, and contributed 91.4 percent of the decrease in the operating income. Retail power revenues at \$736.6 million increased \$15.8 million. Retail power revenues were higher due to the 4.2 percent across-the-board rate increase effective January 1, 2015 and the 0.9 percent Bonneville pass-through rate adjustment effective in October 2015 despite lower consumption from warmer weather during most of 2015.

The Water Utility realized a \$38.2 million change in net position for 2015. Operating income remained relatively consistent at \$58.4 million, decreasing 0.2 percent. The increase in operating revenues and expenses are very closely aligned, with additional operating revenues supporting 98.6 percent of the increase in operating expenses. Operating revenues increased approximately \$9.0 million, 3.7 percent over 2014. This change was driven by an increase in direct service revenue of \$7.1 million resulting from an increase in consumption and \$2.2 million increase in other revenues. 2015 was not a typical year for water consumption. The area experienced very dry conditions a month earlier than expected. As a result, the Fund implemented the Water Shortage Contingency Plan in coordination with other large cities in the area. This voluntary reduction plan along with cooler temperatures later in the summer pushed consumption down. However, the early summer spike was large enough to provide increased revenues.

The Drainage and Waste Water Utility realized a \$52.1 million change in net position for 2015. Operating income generated \$363.8 million, a 6.4 percent increase from 2014. Operating expenses totaled \$302.1 million, a 6.3 percent increase. The additional operating expenditures were only 82.2 percent of the increase in operating revenues. The additional revenue is due to a \$12.9 million increase in wastewater revenues from an average rate increase of 5.2 percent and an increase in consumption of 3.7 percent. The largest operating expense increase was related to Wastewater treatment costs, which increased by \$10.0 million due to a 5.6 percent increase in King County's treatment rate and a 3.7 percent increase in consumption.

The Solid Waste Utility realized a \$1.4 million change in net position for 2015. Operating income generated \$174.8 million, a 11.0 percent increase from 2014. Operating expenses totaled \$169.7 million, a 9.0 percent increase. The additional operating expenditures were only 81.3 percent of the increase in operating revenues. Current year operating revenues increased \$17.3 million compared to the prior year. There were several key factors affecting this change. There was an approximate 5.9 percent rate increase for residential and commercial garbage, and composting services effective April 1, 2015. This resulted in residential and commercial solid waste collection service revenue gains of \$9.1 million, including \$5.9 million in residential garbage collection and \$3.2 million in commercial collection revenue. The gains in residential and commercial revenues were offset by a transfer to the rate stabilization fund of \$2.5 million as compared to a \$10.5 million transfer in 2014, a reduction of \$8.0 million. Operating expenses in 2015 increased \$14.0 million compared to 2014. The largest operating expense increase was an \$8.5 million increase for the environmental cleanup of the South Park Landfill. Additional increases included \$3.2 million in collection expense directly related to increased revenues.

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	
	2015	2014	2015	2014	2015	2014
Revenues						
Taxes	\$ 987,815	\$ 926,003	\$ 84,791	\$ 78,477	\$ 17,934	\$ 17,943
Licenses and Permits	27,119	25,027	6,043	5,066	—	—
Grants, Shared Revenues, and Contributions	32,198	35,666	35,320	46,244	7,001	2,840
Charges for Services	61,637	61,080	71,989	98,365	27,037	—
Fines and Forfeits	32,769	31,960	258	19	—	—
Parking Fees and Space Rent	39,154	38,223	95	84	—	—
Program Income, Interest, and Miscellaneous Revenues	38,041	42,794	513	2,235	9,526	32,660
Total Revenues	1,218,733	1,160,753	199,009	230,490	61,498	53,442
Expenditures	902,663	897,493	400,184	382,909	30,146	29,181
Other Financing Sources and Uses						
Long-Term Debt Issued and Refunding Payments, Net	—	—	—	—	—	—
Sales of Capital Assets	18,274	—	—	2,108	—	—
Transfers In (Out)	(267,679)	(255,085)	185,825	162,996	—	—
Total Other Financing Sources and Uses	(249,405)	(255,085)	185,825	165,104	—	—
Fund Balances						
Nonspendable	474	473	515	1,579	—	—
Restricted	136,626	99,991	14,001	33,816	135,079	99,003
Committed	97,296	76,493	56,481	50,952	1,692	6,415
Assigned	5,767	5,685	—	—	—	—
Unassigned	143,763	134,492	—	—	—	—
Total Fund Balances	\$ 383,927	\$ 317,135	\$ 70,997	\$ 86,348	\$ 136,771	\$ 105,419

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

	Nonmajor Funds			
	Special Revenue Funds		Debt Service Funds	
	2015	2014	2015	2014
Revenues				
Taxes	\$ 123,676	\$ 84,719	\$ 18,658	\$ 17,706
Licenses and Permits	976	—	—	—
Grants, Shared Revenues, and Contributions	76,149	69,986	978	979
Charges for Services	61,134	50,346	—	—
Fines and Forfeits	5,965	5,163	—	—
Parking Fees and Space Rent	27,837	25,227	348	357
Program Income, Interest, and Miscellaneous Revenues	7,765	3,533	999	718
Total Revenues	303,502	238,974	20,984	19,760
Expenditures	429,345	362,177	75,380	83,009
Other Financing Sources and Uses				
Long-Term Debt Issued and Refunding Payments, Net	—	—	—	48
Sales of Capital Assets	44	20	—	—
Transfers In (Out)	167,968	136,830	50,278	63,238
Total Other Financing Sources and Uses	168,012	136,851	50,278	63,286
Fund Balances				
Nonspendable	661	594	—	—
Restricted	128,797	87,384	11,548	15,665
Committed	10,775	3,245	—	—
Assigned	11,004	9,933	—	—
Unassigned	(11,496)	(3,582)	0	0
Total Fund Balances	\$ 139,742	\$ 97,573	\$ 11,548	\$ 15,665

	Nonmajor Funds				Total Governmental Funds	
	Capital Projects Funds		Permanent Funds		2015	2014
	2015	2014	2015	2014		
Revenues						
Taxes	\$ 259	\$ 24,272	\$ —	\$ —	\$ 1,233,134	\$ 1,149,119
Licenses and Permits	—	—	—	—	34,137	30,093
Grants, Shared Revenues, and Contributions	9,510	5,646	—	—	161,155	161,361
Charges for Services	3,260	11,396	—	—	225,056	221,187
Fines and Forfeits	16	—	—	—	39,008	37,142
Parking Fees and Space Rent	9	—	—	—	67,444	63,891
Program Income, Interest, and Miscellaneous Revenues	2,538	4,785	22	33	59,403	86,757
Total Revenues	15,592	46,100	22	33	1,819,339	1,749,551
Expenditures	61,955	73,457	11	5	1,899,684	1,828,231
Other Financing Sources and Uses						
Long-Term Debt Issued and Refunding Payments, Net	235,338	54,557	—	—	235,338	54,605
Sales of Capital Assets	912	—	—	—	19,231	2,129
Transfers In (Out)	(139,505)	(113,723)	—	—	(3,113)	(5,744)
Total Other Financing Sources and Uses	96,745	(59,166)	—	—	251,456	50,989
Fund Balances						
Nonspendable	—	—	2,050	2,050	3,700	4,697
Restricted	128,192	110,921	112	101	554,355	446,883
Committed	—	—	—	—	166,243	137,105
Assigned	—	—	—	—	16,772	15,618
Unassigned	(22,663)	(55,649)	—	—	109,605	75,261
Total Fund Balances	\$ 105,529	\$ 55,272	\$ 2,162	\$ 2,151	\$ 850,675	\$ 679,564

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.

In 2015 the City's governmental funds generated \$1.819 billion in revenues, and recorded \$1.9 billion in expenditures. The 4.0 percent growth in revenue is driven by an overall increase in tax collections of \$84.0 million. Year over year expenditures remained relative consistent increasing only 3.9 percent, \$71.5 million. The City's governmental funds received a significant contribution from other financing sources and uses, totaling \$251.5 million for 2015. These resources offset the operating deficit and directly contributed to the 25.2 percent increase to the City's governmental fund balance which totals \$850.7 million at year end. Table A-3 provides a summary of activities for the governmental fund types at year-end 2015.

The General Fund accounts for 67.0 percent of revenues, and 43.8 percent of total governmental expenditures. 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 2014 and 2015 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 2015.

Consistent with prior reporting periods two of the City's special revenue funds continue to meet the criteria for reporting as major governmental funds. The Transportation Operating Fund and the Low income Housing Fund are included in the fund financial statement section of the CAFR alongside the presentation of the General Fund and the combined nonmajor governmental funds.

The Transportation Operating 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 Transportation Operating Fund reports a fund balance of \$71.0 million, 17.8 percent less than reported for 2014. While expenditures grew at 4.5 percent, revenues dropped 13.7 percent. The \$199.0 million of revenues collected include the excess property tax levy, a commercial parking tax, grants and contributions, and charges for services. The \$31.5 million decline in revenue collections relates directly to the Transportation Operating Fund's 26.8 percent drop in revenues from charges for services and 23.62 percent in the shared revenues. These revenue reductions were slightly offset by the expected growth in revenue from taxes, and licenses and permits. Transportation Operating Fund's expenditures account for nearly 21.1 percent of all governmental fund expenditures, totaling \$400.2 million for 2015. The Fund's other financing sources contributed \$185.8 million of additional resources in 2015, growing 12.6 percent, a \$20.7 million increase in support that counters the growth in expenditure and decline in revenues.

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 2015 fund balance of \$136.8 million reflects another year with a significant increase, \$31.4 million, over 2014's balance. The change in fund balance was driven by relative stability in the funds expenditures, growing 3.3 percent to reach \$30.1 million, combined with the continued strength of revenue collections which totaled \$61.5 million. A contributing factor of the increase is Council's passage of Ordinance 124388 which adjusted the contribution amounts for downtown affordable housing and childcare incentive programs and to establish automatic inflationary adjustments.

Revenues for the City's nonmajor governmental funds totaled \$340.1 million, increasing \$35.2 million, an 11.6 percent gain over 2014's collection of \$303.5 million. The overall net increase of revenue reported in the City's nonmajor governmental funds was a mix of both increases and decreases of revenues across the City's various nonmajor governmental fund types. The City's special revenue funds recorded an additional \$64.5 million of revenues for 2015, pushing total revenues up to \$303.5 million and accounting for 89.2 percent of all nonmajor governmental fund revenues.

For 2015 two additional funds are reported within the City's special revenue funds, increasing the number reported to 20. The newly created Wheelchair Accessible Services Fund and the Department of Education and Early Learning Fund generated a combined \$4.3 million in additional revenues for 2015. The Wheelchair Accessible Services Fund relies upon the collection of a 10-cent per ride surcharge for all rides originating in the City of Seattle with Transportation Network Companies, non-wheelchair-accessible taxis and for-hire companies. The Department of Education and Early Learning fund reported 98.2 percent of its revenues as Grants, Shared Revenues and Contributions. This was expected as the newly formed Department and fund was previously part of Office of Education within the Department of Neighborhoods operations and reported within the General Fund.

18 of the 20 special revenue funds reported contribute to 2015's growth in revenues. Only the Human Services Operating Fund and the Pike Place Market Renovation Fund report a combined \$8.6 million decline in revenues. The Pike Place Market Renovation Fund had received the proceeds of a six-year voter approved levy that facilitated the Pike Place Market's renovation. 2015 tax proceeds collected through the fund dropped from \$7.8 million to \$94 thousand, collections which now only relate to remaining delinquent collections.

Three funds were the primary driver of revenue growth for special revenue funds. With the Seattle Transportation Benefit District fund increasing revenues \$30.8 million, the Preschool Levy fund adding 14.4 million and the Parks and Recreation Fund \$12.7 million. The significant increase in revenues for the special revenue funds is offset by the 66.2 percent reduction of revenues recorded in the capital project funds.

For 2015 capital project funds reported revenues of \$15.6 million, down significantly from the \$46.1 million reported in 2014. Two funds combined to contribute to the \$33.2 million drop in revenues. Revenues generated by the Park's Mitigation and Remediation fund decreased \$11.9 million, 98.4 percent of the \$12.1 million reported in 2014.

The reduction of revenues in the Parks Mitigation and Remediation fund reflected one time mitigation payments from the State of Washington collected in 2014. The decline of revenues in the fund was expected for 2015, and aligned with a significant reduction in expenditure activities.

The Seattle Center and Parks Multipurpose Levy experienced the most substantial decline of all capital project funds, a \$21.3 million decrease year over year. The voter approved 2008 Parks Levy, collecting tax proceeds over six years expired in 2014. 2015's tax collections subsequently dropped 99.0 percent in the fund. The fund did not reflect a substantial reduction to expenditures, and instead began to heavily rely on the remaining fund balance to provide the needed resources for ongoing projects.

Expenditures of the City's nonmajor governmental funds totaled \$568.4 million, increasing \$49.8 million, a 9.6 percent gain over 2014's expenditures of \$518.7 million. The overall net increase in reported expenditures for nonmajor governmental funds was a mix of a large increase in current operating costs, \$82.5 million, and offsetting decreases in the capital outlay and debt service expenditures, a \$32.7 million reduction. The year over year changes in expenditure classes were consistent across the City's various nonmajor governmental fund types.

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	\$ 914,634	\$ —	\$ —	\$ —	\$ —
Licenses and Permits	18,607	—	—	—	8,512
Grants, Shared Revenues, and Contributions	23,594	—	—	—	—
Charges for Services	54,909	4,773	—	—	—
Fines and Forfeits	30,877	—	—	—	450
Parking Fees and Space Rent	38,309	—	—	15	—
Program Income, Interest, and Miscellaneous Revenues	4,967	2	1	41	153
Total Revenues	1,085,897	4,775	1	56	9,115
Expenditures	754,721	9,419	—	5,642	8,586
Other Financing Sources and Uses					
Sales of Capital Assets	—	—	—	—	—
Transfers In (Out)	(321,291)	—	(194)	5,954	(190)
Total Other Financing Sources and Uses	(321,291)	—	(194)	5,954	(190)
Fund Balances					
Nonspendable	95	—	—	—	—
Restricted	11,162	—	—	—	—
Committed	4,208	8,765	—	1,517	4,458
Assigned	3,791	—	—	—	—
Unassigned	44,343	—	—	—	—
Total Fund Balances	\$ 63,599	\$ 8,765	\$ —	\$ 1,517	\$ 4,458

	Cumulative Reserve	Neighborhood Matching	Bluefield Habitat Maintenance	Development Rights	Emergency
Revenues					
Taxes	\$ 73,181	\$ —	\$ —	\$ —	\$ —
Licenses and Permits	—	—	—	—	—
Grants, Shared Revenues, and Contributions	1,558	—	—	—	—
Charges for Services	1,706	—	—	—	—
Fines and Forfeits	1	—	—	—	—
Parking Fees and Space Rent	246	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	884	—	2	—	—
Total Revenues	77,576	—	2	—	—
Expenditures	30,218	3,416	—	—	—
Other Financing Sources and Uses					
Sales of Capital Assets	18,275	—	—	—	—
Transfers In (Out)	(21,744)	1,557	—	—	5,646
Total Other Financing Sources and Uses	(3,469)	1,557	—	—	5,646
Fund Balances					
Nonspendable	2	—	—	—	—
Restricted	82,381	—	—	—	—
Committed	24,492	3,302	210	22	—
Assigned	—	—	—	—	—
Unassigned	45,223	—	—	—	54,197
Total Fund Balances	\$ 152,098	\$ 3,302	\$ 210	\$ 22	\$ 54,197

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	—	8	—	—	—
Fines and Forfeits	—	—	—	—	—
Parking Fees and Space Rent	—	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	—	—	721	59	25,876
Total Revenues	—	8	721	59	25,876
Expenditures	—	8	—	—	15,726
Other Financing Sources and Uses					
Sales of Capital Assets	—	—	—	—	—
Transfers In (Out)	—	—	—	1,100	—
Total Other Financing Sources and Uses	—	—	—	1,100	—
Fund Balances					
Nonspendable	—	—	350	—	—
Restricted	—	—	—	—	29,980
Committed	—	124	6,091	1,396	41,787
Assigned	—	—	—	—	—
Unassigned	—	—	—	—	—
Total Fund Balances	\$ —	\$ 124	\$ 6,441	\$ 1,396	\$ 71,767

Total General Fund				
	Group Term Life Insurance	Library ^a	2015	2014
Revenues				
Taxes	\$ —	\$ —	\$ 987,815	\$ 926,002
Licenses and Permits	—	—	27,119	25,027
Grants, Shared Revenues, and Contributions	—	7,046	32,198	35,667
Charges for Services	—	241	61,637	61,080
Fines and Forfeits	—	1,441	32,769	31,960
Parking Fees and Space Rent	—	584	39,154	38,223
Program Income, Interest, and Miscellaneous Revenues	5,161	174	38,041	42,793
Total Revenues	5,161	9,486	1,218,733	1,160,752
Expenditures	5,121	69,805	902,662	897,493
Other Financing Sources and Uses				
Sales of Capital Assets	—	—	18,275	—
Transfers In (Out)	—	61,483	(267,679)	(255,085)
Total Other Financing Sources and Uses	—	61,483	(249,404)	(255,085)
Fund Balances				
Nonspendable	—	27	474	474
Restricted	—	13,104	136,627	99,991
Committed	466	458	97,296	76,493
Assigned	—	1,976	5,767	5,685
Unassigned	—	—	143,763	134,492
Total Fund Balances	\$ 466	\$ 15,565	\$ 383,927	\$ 317,135

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

Proprietary Funds

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

City Light Utility. The Utility realized a change in net position of \$90.5 million in 2015 compared to \$121.3 million in 2014, a decrease of \$30.8 million, 25.4 percent. This decrease was mainly due to lower net wholesale energy sales compared to 2014. Higher retail electric sales, transfers from/(to) RSA, and capital contributions were offset by lower power related revenues. The decrease of net position was also attributed to higher distribution expenses, general and administrative, taxes and depreciation.

Net cash provided by operating activities decreased by \$69.5 million to \$228.1 million in 2015, compared to \$297.6 million in 2014. Net operating cash increased by \$24.2 million to \$152.5 million in 2015. Increased operating cash inflows was resulted from rate increase effective at the beginning of the year, Bonneville Power Administration pass-through rate adjustment, transfers from the RSA, and reimbursement from the Construction account for capital expenditures. The higher cash inflows were offset by greater debt service payments, capital construction projects, and ongoing operations. Restricted assets decreased by \$33.3 million to \$265.1 million in 2015, compared to \$298.4 million in 2014. This decrease was primarily due to the funding of ongoing capital improvement program.

Capital assets, net of accumulated depreciation and amortization, were \$2.961 billion and \$2.728 billion in 2015 and 2014, a net increase of \$233.1 million. The majority of the Utilities' capital asset additions were in the distribution plant and work-in-progress. The net increase in capital assets was partially offset by a \$59.0 million increase in accumulated depreciation and amortization.

Total liabilities were \$2.733 billion in 2015 and \$2.278 billion in 2014, the majority being revenue bonds payables. The noncurrent portion of the revenue bonds payables were \$2.091 billion in 2015 and \$1.925 billion in 2014. In July 2015, the Utility issued a total of \$271.9 million of revenue bonds. Interest expense related to these bonds was \$93.7 million in 2015 and \$89.6 million in 2014.

City Light's total net position was \$1.132 billion in 2015 and \$1.276 billion in 2014.

Water Utility. The Utility realized an operating income of \$58.4 million in 2015 compared to \$58.5 million in 2014. Operating revenues increased by \$9.0 million and operating expenses increased by \$9.2 million between 2015 and 2014. The Utility realized a net income of \$38.2 million in 2015 compared to net income of \$31.5 million in 2014. The net income in 2015 was primarily due to an increase in direct services revenue related to the very dry weather conditions driving a spike in water usage. This increase was offset by related operating expenses.

Net cash provided by operating activities increased to \$124.0 million in 2015 from \$127.9 million in 2014, a decrease of \$3.9 million. Total operating and restricted cash and investments were \$137.6 million in 2015 compared to \$100.2 million in 2014, an increase of \$37.4 million. This increase in cash and investments was primarily due to bond proceeds and transfers to the rate stabilization fund.

Utility plant, net of accumulated depreciation, and other capital assets for the year ended December 31, 2015, amounted to \$1.241 billion, an increase of \$35.8 million from 2014. Capital outlays of \$83.7 million were offset by depreciation expenses of \$50.0 million. Major capital assets additions in 2015 included infrastructure improvements, rehabilitation, facility improvements and water reservoir coverings.

The Water Utility had \$851.6 million in outstanding revenue bonds in 2015 compared to \$853.5 million at year end 2014. The decrease was due to principal payments.

The Water Utility's total net position was \$360.1 million in 2015 and \$393.0 million in 2014. The reduction resulted in part to the recording of the net pension liability as required by the GASB Statement 68 for reporting pensions.

Drainage and Wastewater Utility. The Utility realized an operating income of \$61.7 million in 2015 compared to \$57.8 million in 2014. Operating revenues increased by \$21.8 million and operating expenses increased by \$17.9 million between 2015 and 2014. The Utility realized a net income of \$52.1 million in 2015 and \$48.5 million in 2014. The increase in net income is the result of a rate increase offset by an increase in treatment costs.

Net cash provided by operating activities decreased to \$84.7 million in 2015 compared to \$88.6 million in 2014. Total operating and restricted cash and investments were \$128.5 million in 2015 compared to \$200.7 million in 2014. This decrease in cash and investments was primarily used for capital expenditures.

Utility plant, net of accumulated depreciation, and other capital assets increased to \$947.9 million in 2015 from \$843.8 million in 2014, an increase of \$104.1 million. Capital outlays of \$119.1 million were offset by depreciation expenses of \$23.5 million.

The Drainage and Wastewater Utility had \$600.7 million outstanding revenue and refunding bond liabilities in 2015, as compared to \$618.9 million in 2014. Total liabilities, including revenue bonds, were \$872.9 million in 2015 and \$812.1 million in 2014.

Total net position for the Drainage and Wastewater Utility was \$329.9 million in 2015 and \$344.1 million in 2014. The reduction resulted in part to the recording of the net pension liability as required by the GASB Statement 68 for reporting pensions.

Solid Waste Utility. The Utility realized an operating income of \$5.0 million in 2015 compared to \$1.8 million in 2014. Operating revenues increased by \$17.3 million and operating expenses increased by \$14.0 million between 2015 and 2014. The Utility realized a net income of \$1.4 million in 2015 compared to \$1.8 million in 2014. The net income in 2015 was primarily due to a rate increase offset by a transfer to the rate stabilization fund and related operating expenses.

Net cash provided by operating activities increased to \$30.8 million in 2015 compared to \$22.9 million in 2014. Total operating and restricted cash and investments were \$85.4 million in 2015 and \$81.6 million in 2014. The \$3.8 million increase in operating and restricted cash and investments is primarily due to new debt issued in 2015 offset by capital expenditures.

The Solid Waste Utility had \$197.8 million outstanding revenue bond liabilities in 2015 compared to \$166.9 million in 2014. The increase was due to new debt issued in 2015.

Total net position for the Solid Waste Utility was \$11.3 million in 2015 and \$34.2 million in 2014. The reduction resulted in part to the recording of the net pension liability as required by the GASB Statement 68 for reporting pensions.

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 2015 is \$2.333 billion; SCERS represents 98.7 percent of this amount.

SCERS assets held in trust for the payment of future benefits does not exceed its proportionate share of the total pension liability as of December 31, 2015. The fund uses the services of both active and index fund professional money managers. SCERS net position decreased in value by \$9.7 million, 0.4 percent, during 2015. For year ending 2015 the member and employer contributions totaled \$166.9 million; net income from investment activity totaled \$6.5 million. Total benefit payment for 2015 increased by \$9.2 million to \$159.3 million. In 2015 the number of retirees and beneficiaries receiving benefits was 6222, which increased by 202, compared to 2014.

At December 31, 2015, the net positions of assets held in trust in the Firemen's Pension Fund and the Police Relief and Pension Fund for the payment of future benefits were \$14.9 million and \$4.7 million, respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

City Council passed the 2015 Adopted and 2016 Endorsed Budget (Ordinance 124648) authorizing a \$4.8 billion budget for the City's annual operations. The General subfund's budgeted expenditures account for 21.7 percent or \$1.045 billion of the total adopted budget. When considering additional budgets for general support transferred and other subfund expenditures reporting within the General Fund's presentation, 2015's total appropriation budget for the General Fund is \$1.345 billion, 25.8 million greater than the previous year.

The General Fund's 2015 revised appropriation budget differed from the original budget due to supplemental appropriations approved by the City Council during the year and carryforward budgets from the prior year. For budgetary comparisons the General Funds presentation on schedules C-1 and D-11 report actual expenditure and revenue totals without the elimination of reimbursements collected internally through the City's personnel compensation trust funds.

The final revised budget for the General Fund was \$1.488 billion, a 10.6 percent increase over Council's adopted budget. The most significant budget activities are described below:

- At year-end 2015 actual expenditures and transfers of \$1.331 billion were \$156.8 million less than budgeted. Of this amount \$90.6 million of the budget will be carried over into 2015 to cover outstanding encumbrances, grants, and capital spending.
- The overall change in the General Fund's carryforward budget from 2014 to 2015 decreased 16.1 percent, from \$84.0 million to \$70.5 million. Nearly 67.7 percent of 2015's carryforward budget is within the Cumulative Reserve Subfunds, with \$44.7 million reported in the Real Estate Excise Tax (REET I and REET II) Subfunds, and \$12.2 million in the Unrestricted Cumulative Reserve Subfund. The General Subfund accounted for the remaining 37.2 percent of the carryforward budget, with Police and Fire Departments contributing \$16.9 million of this amount.
- The final budget for the REET I and REET II Cumulative Reserve subfunds, which includes expenditures and transfers, was \$92.9 million, of this amount \$75.7 million is budgeted for capital projects. Approximately 50.5 percent, \$47.3 million of the budget was expended in 2015. The carryforward budget balances for the REET I and REET II Cumulative Reserve Subfunds funds is \$44.7 million and will be used to support capital activity in 2015.
- City Council authorized an additional \$55.7 million of supplemental appropriations for the General Fund in 2015, 90.4 percent were revisions for the General subfund. Budget revisions totaling \$22.5 million applied directly to the Seattle Police Department, \$10.6 million to the Seattle Fire Department, seven executive offices received supplemental appropriations totaling \$5.5 million.
- In 2015 the total revised budget for grant resources within the General Fund totaled \$47.5 million, with actual grant revenue generating \$17.7 million during the year. The adopted budget provided \$12.3 million in additional grant resources for the Cumulative Reserve subfunds, and \$15.9 million of budget was carryforward from 2014. Through supplemental legislation the Council authorized an additional \$18.4 million of grant funding during the year. This includes \$12.3 million for the City's public safety functions, supporting 22 projects of which 20 are new in 2015.
- The General Fund's budget for the public safety function increased 1.7 percent in 2015, totaling \$555.2 million. The actual costs of current expenditures and capital outlay of the City's public safety function totaled \$531.9 million, consuming 95.8 percent of the resources budgeted for 2015, of which 99.4 percent is for current operations and 0.6 percent on capital outlay. The 1.5 percent year over year increase in current expenditures totaling \$7.9 million was in line with the budgeted increase. Detailed information on the City's two major public safety departments follows:
 - The Police Department's 2015 final budget was \$324.5 million, a 1.5 percent increase from the 2014 budget level. The Department expended 96.2 percent of its budget during the year, with actual expenditures increasing 2.3 percent, from \$305.4 million in 2014 to \$312.3 million in 2015. Patrol operations were budgeted at \$128.0 million for all five city precincts, a 2.4 percent increase over 2014's budget. Patrol operations for 2015 consumed 98.8 percent of the budgeted resources and accounted for 40.5 percent of the entire Department's annual operating costs. Of the remaining budget, \$4.8 million will carryforward into 2015 for grant purposes.
 - The Fire Department's 2015 final budget was \$194.8 million, a 1.4 percent increase from the 2014 budget level of \$192.0 million. The Department expended 95.2 percent of its budget during the year, with actual expenditures falling 0.4 percent, from \$186.1 million in 2014 to \$185.4 million in 2015. Fire Operations for 2015 consumed 99.9 percent of the \$153.0 million in budgeted resources and accounted for 82.5 percent of the entire Department's annual operating costs. Of the remaining budget, \$7.5 million will carryforward into 2014 for grant purposes.
- For 2015 the General Fund reports actual revenues of \$1.397 billion, a 5.2 percent increase, \$72.8 million larger than 2014's total balance. The General subfund generated 77.8 percent of these revenues, \$1.086 billion, which was 1.0 percent greater than Council's last revised budget of \$1.076 billion, and 4.2 percent greater than the previous years collection.

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	
	2015	Restated 2014	2015	2014	2015	Restated 2014
Land	\$ 572,081	\$ 571,056	\$ 167,712	\$ 162,685	\$ 739,793	\$ 733,740
Plant in Service, Excluding Land	—	—	4,482,056	4,164,715	4,482,056	4,164,715
Buildings and Improvements	1,547,815	1,583,860	26,057	28,061	1,573,872	1,611,921
Machinery and Equipment	126,798	124,830	441	919	127,239	125,749
Infrastructure	1,031,128	1,062,206	—	—	1,031,128	1,062,206
Construction in Progress	813,955	553,900	646,162	535,573	1,460,117	1,089,474
Other Capital Assets	16,428	16,040	77,901	87,428	94,329	103,469
Total Capital Assets	<u>\$ 4,108,205</u>	<u>\$ 3,911,892</u>	<u>\$ 5,400,329</u>	<u>\$ 4,979,382</u>	<u>\$ 9,508,535</u>	<u>\$ 8,891,274</u>

Capital assets, net of depreciation, for governmental activities increased by \$196.3 million in 2015. The main increase is attributable to the following:

- The Department of Transportation capitalized \$29.7 million for various infrastructure assets (roads, bridges, sidewalks, signs, illuminations, and others). Construction in Progress increased \$260.1 million over the prior year.
- The Department of Parks and Recreation capitalized various community parks improvements, renovation and restorations such as Magnuson Park renovation at \$4.7 million; Washington park at \$2.3 million; Zoo parking garage at \$2.0 million; Maple Leaf parks reservoir at \$3.7 million; and other community parks and buildings improvements and renovation at \$12.2 million.

Capital assets, net of depreciation, for business-type activities increased by \$420.9 million. Major increases included the following:

- Seattle City Light's net capital assets increased by \$233.1 million in 2015. This increase was primarily comprised of \$140.2 million for distribution plant underground and overhead system: transmissions, transformers and poles, and streetlights and meters at \$25.7 million; hydroelectric productions at \$59.3 million; General and Intangibles at \$54.6 million. Construction in progress increased by \$67.5 over last year.
- The Drainage and Wastewater Utility's net capital assets increased by \$104.1 million compared to last year. Major increases were for the construction of 2 million gallons of storage for the combine sewer system in the Windermere drainage basin at \$59.4 million; construction of two combined sewer overflow facilities in the South Genesee area at \$45.2 million; replacement of sewer pipelines at \$9.0 million; development of a natural drainage system at Venema Creek at \$6.1 million and Implementation of a permanent solution to storm water flooding and side sewer backups in the Madison Valley area.
- The Solid Waste Utility's net capital asset for the year ended December 31, 2015 is \$205.7 million. This represents an increase of approximately 49.0 million over the last year. Waste Utility spent \$55.2 million for construction of multi-year projects; \$2.4 million related to these projects were capitalized as an asset. Capital assets placed in service during the year include the following: \$1.4 million for heavy equipment purchases; \$0.7 million for IT infrastructure upgrades and \$0.3 million for additions to the South Transfer Station.
- The Water Utility's net capital assets increased by \$35.8 million for the year ended December 31, 2015 compared to 2014. The Water utility capitalized the following: \$14.7 million for water infrastructure improvements and rehabilitation; \$14.7 million for facility improvements to Landsburg site; \$10.9 million for reservoir covering and improvement; \$3.2 million for distribution infrastructure system improvement; \$2.4 million for purchases of heavy equipment and technology infrastructure improvement totaling \$2.3 million. Construction in progress increase by \$26.1 million over the last year.

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

DEBT ADMINISTRATION

At the end of the fiscal year 2015 the City had \$4.740 billion in outstanding bonded debt that included general obligation and revenue bonds, compared to \$4.416 billion in 2014. This represents an increase of approximately \$324.1 million, 7.3 percent. The special assessments bonds that the City issued in 2006, without lending its full faith and credit but obligated in some manner for the design and construction of the South Lake Union Streetcar, had the outstanding balance of \$8.8 million. In 2015 LTGO and UTGO bonds were issued to finance various capital improvement projects including Bridge Rehab, South Park Bridge, Alaska Way Corridor, Fire Facilities, Golf and other IT projects. In addition, the part of the 2015 LTGO bonds proceeds was used for the partial refunding of the 2005, 2006, 2007 and 2008 bonds.

The City also issued revenue bonds: \$271.9 million for the Light Fund, \$340.8 million for the Water Fund and \$35.8 million for the Solid Waste Fund to finance certain capital improvements and conservation programs. The City's bond ratings remained similar to the ratings for the previous year. The City's UTGO bonds are rated Aaa by Moody's Investors Service (Moody's), AAA by Fitch Ratings (Fitch), and AAA by Standard & Poor's (S&P), which are the highest possible ratings. The City's LTGO bonds are rated Aa1 by Moody's, AA+ by Fitch, and AAA by S&P. In addition, the City's utilities have very high ratings for revenue debt, reflecting sound finances and good management.

The City's limited and unlimited general obligation debt is capped at 7.5 percent of assessed value by state law. The 2015 assessed value of taxable properties based on the latest report for the City is \$163.924 billion. At the end of 2015 the net outstanding general obligation debt of the City that includes bonds, compensated absences net of sick leave, and guarantees of indebtedness amounted to \$1.150 billion, well below the limit of \$12.294 billion, rendering the City's legal debt margin of \$11.144 billion. Within the 7.5 percent limitation, state law restricts outstanding LTGO bonds to 1.5 percent of assessed value. At year end 2015 the LTGO net outstanding debt was \$862.1 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 \$107.3 million (\$81.6 million for governmental activities and \$25.8 million for business-type activities) at the end of the year. In addition, City utilities and Department of Parks and Recreation recognized a combined \$121.3 million in estimated environmental liabilities. Other obligations were accrued for compensation absences for sick leave and other notes and contracts. The other notes and contracts included draws from the State's Public Works Trust Loan (PWTL) Program which are serviced with revenues from two participating City departments, one with a governmental type fund and one whose PWTL activities are reported in two of its business-type funds.

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

ECONOMIC FACTORS

In June 2016 the nation's recovery from the Great Recession will be seven years old, making it one of the longest expansions during post-World War II period. Although employment growth during the recovery has been relatively healthy, on many dimensions, including GDP growth, wage growth and productivity, the recovery has disappointed. Despite the weakness at the national level, the Seattle metro area has had a healthy recovery, in large part due to its strong technology sector. Through April 2016, Seattle metro area (King and Snohomish Counties) employment was up 18.0 percent from its post-recession low in February 2010, compared to a 10.9 percent gain in U.S. employment over the same period. The metro area's seasonally adjusted unemployment rate was 4.8 percent in April, 0.2 percent below the national rate of 5.0 percent.

Industries instrumental in the region's recovery include aerospace, professional, scientific, and technical services, health services, and mail order and internet retail. Aerospace provided a big lift to the local economy during the early stages of the recovery, adding 14,000 jobs in 2011 and 2012. However, aerospace employment peaked in November 2012 and has been declining slowly since then. In 2016 the rate of decline has accelerated, with the Boeing Company, the region's largest employer expected to cut as many as 8,000 jobs during the year in an effort to contain costs. The software industry, which includes Microsoft, has added 5,900 jobs from its low point in early 2010. The industry making the greatest contribution to the recovery has been mail order and internet retail, which is dominated by Amazon.com. This industry has added approximately 20,000 jobs at a relatively steady pace during the recovery.

Thus far during the recovery, the region's growth has been concentrated in the city of Seattle, the region's major business and professional service center and home to Amazon.com's rapidly growing headquarters. Strong job growth in Seattle and the growing popularity of in-city living has led to a surge in construction activity focused in multi-family housing and office development. The

value of permits issued for construction activity in Seattle has grown from \$1.5 billion in 2010 to \$3.8 billion in 2015, an increase of 147 percent.

With the aerospace industry now cutting jobs, employment growth is predicted to slow going forward. 2015 is expected to be the peak year for employment growth (at 3.0 percent) during the current cycle. The Puget Sound Economic Forecaster predicts that employment growth will average a modest 1.4 percent per year over the next five years. Personal income growth is forecast to range between 4.6 and a 4.8 percent, 2.6 percent per year faster than the rate of inflation.

Financial Contact

The City's financial statements are designed to provide users with a general overview of the City's finances as well as to demonstrate the City's accountability to its citizens, investors, creditors, and other customers. If you have a question about the report, please contact the City of Seattle, Department of Finance and Administrative Services, Citywide Accounting and Payroll Services Division, P.O. Box 94669, Seattle, WA 98124-4669 (Telephone 206-233-7825).

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STATEMENT OF NET POSITION

December 31, 2015

(In Thousands)

	Primary Government				
	Governmental Activities	Business-Type Activities	Comparative Totals		Component Units
			2015	Restated 2014	
ASSETS					
Current Assets					
Operating Cash and Equity in Pooled Investments	\$ 831,616	\$ 392,611	\$ 1,224,227	\$ 1,001,645	\$ 5,139
Restricted Cash and Equity in Pooled Investments	12,178	—	12,178	20,014	—
Investments	—	—	—	—	61,214
Receivables, Net of Allowances	114,557	230,028	344,585	316,499	—
Internal Balances	26,794	(26,794)	—	—	—
Due from Other Governments	100,641	10,863	111,504	101,969	—
Inventories	4,042	39,250	43,292	40,433	—
Prepaid and Other Current Assets	1,653	1,755	3,408	2,925	—
Total Current Assets	1,091,481	647,713	1,739,194	1,483,485	66,353
Noncurrent Assets					
Restricted Cash and Equity in Pooled Investments	51,984	431,139	483,123	562,038	—
Contracts and Notes	8,617	1,500	10,117	9,967	—
Conservation Costs, Net	—	275,337	275,337	259,660	—
Landfill Closure and Postclosure Costs, Net	—	12,326	12,326	13,004	—
Environmental Costs and Recoveries	—	33,286	33,286	35,293	—
Net Pension Asset	168,446	—	168,446	11,233	—
Regulatory Asset	—	17,520	17,520	18,250	—
Other Charges and Noncurrent Assets	—	118,905	118,905	113,137	—
Capital Assets, Net of Accumulated Depreciation					
Land and Land Rights	572,081	167,712	739,793	733,740	—
Plant in Service, Excluding Land	—	4,482,056	4,482,056	4,164,715	—
Buildings and Improvements	1,547,815	26,057	1,573,872	1,611,921	—
Machinery and Equipment	126,798	441	127,239	125,749	—
Infrastructure	1,031,128	—	1,031,128	1,062,206	—
Construction in Progress	813,955	646,162	1,460,117	1,089,474	—
Other Capital Assets	16,428	77,901	94,329	103,469	2
Total Noncurrent Assets	4,337,252	6,290,342	10,627,594	9,913,856	2
Total Assets	5,428,733	6,938,055	12,366,788	11,397,341	66,355
DEFERRED OUTFLOWS OF RESOURCES	579,349	117,201	696,550	504,110	—
Total Assets and Deferred Outflows of Resources	6,008,082	7,055,256	13,063,338	11,901,451	66,355

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

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STATEMENT OF NET POSITION

December 31, 2015

(In Thousands)

	Primary Government					
	Governmental Activities	Business-Type Activities	Comparative Totals		Component Units	
			2015	Restated 2014		
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 148,355	\$ 86,931	\$ 235,286	\$ 193,994	\$ 2,529	
Salaries, Benefits, and Taxes Payable	40,411	24,644	65,055	50,833	—	
Contracts Payable	5,453	—	5,453	10,044	—	
Due to Other Governments	7,399	12,732	20,131	18,421	—	
Interest Payable	8,391	56,946	65,337	65,301	—	
Taxes Payable	90	10,877	10,967	9,426	—	
Deposits Payable	—	—	—	848	—	
Unearned Revenues	13,954	35,291	49,245	39,003	—	
Current Portion of Long-Term Debt						
Bonds Payable	74,465	175,640	250,105	234,140	—	
Compensated Absences Payable	20,579	5,020	25,599	26,724	—	
Notes and Contracts Payable	1,770	2,338	4,108	4,271	—	
Claims Payable	23,709	26,093	49,802	55,630	—	
Habitat Conservation Program Liability	—	906	906	1,138	—	
Landfill Closure and Postclosure Liability	—	1,522	1,522	1,064	—	
Other Current Liabilities	2,139	4,110	6,249	8,833	—	
Total Current Liabilities	346,715	443,050	789,765	719,670	2,529	
Noncurrent Liabilities						
Bonds Payable, Net of Unamortized Premiums, Discounts, and Other	972,182	3,879,789	4,851,971	4,486,083	—	
Bond Interest Payable	—	—	—	—	—	
Special Assessment Bonds with Governmental Commitment	8,825	—	8,825	10,395	—	
Compensated Absences Payable	70,577	33,398	103,975	111,621	—	
Claims Payable	58,436	120,420	178,856	175,926	—	
Notes and Contracts Payable	11,049	36,570	47,619	44,303	—	
Landfill Closure and Postclosure Liability	—	14,163	14,163	14,990	—	
Vendor Deposits Payable	225	1,824	2,049	1,056	—	
Habitat Conservation Program Liability	—	7,156	7,156	6,493	—	
Unearned Revenues	—	25,778	25,778	23,544	—	
Arbitrage Rebate Liability	9	—	9	10	—	
Unfunded Other Post Employment Benefits	116,550	15,980	132,530	102,252	—	
Net Pension Liability	594,563	512,237	1,106,800	—	—	
Other Noncurrent Liabilities	3,339	105	3,444	4,019	—	
Total Noncurrent Liabilities	1,835,755	4,647,420	6,483,175	4,980,692	—	
Total Liabilities	2,182,470	5,090,470	7,272,940	5,700,362	2,529	
DEFERRED INFLOWS OF RESOURCES	523,316	143,521	666,837	621,251	—	

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

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STATEMENT OF NET POSITION
December 31, 2015
(In Thousands)

	Primary Government				
	Governmental Activities	Business-Type Activities	Comparative Totals		Component Units
			2015	Restated 2014	
NET POSITION					
Net Investment in Capital Assets	\$ 3,144,486	\$ 1,915,893	\$ 5,060,379	\$ 4,835,801	\$ 2
Restricted for					
Debt Service	11,548	—	11,548	15,665	—
Capital Projects	210,572	—	210,572	167,498	301
Rate Stabilization Account		25,000	25,000	25,047	—
Education and Development Services	50,251	—	50,251	45,811	15,241
Special Deposits	—	—	—	—	—
Conservation and Environmental Costs	—	7,497	7,497	7,065	—
Bonneville Power Administration Projects	—	—	—	—	—
External Infrastructure Costs	—	7,218	7,218	7,061	—
Muckleshoot Settlement	—	—	—	—	—
Other Charges	—	19,479	19,479	18,866	—
Health Care Reserve	29,980	—	29,980	29,980	—
Transportation Programs	14,001	—	14,001	33,816	—
Low-Income Housing Programs	135,079	—	135,079	99,003	—
Other Purposes	102,925	—	102,925	55,109	85
Nonexpendable	2,050	—	2,050	2,052	28,853
Unrestricted	(398,596)	(153,822)	(552,418)	237,064	19,343
Total Net Position	3,302,296	1,821,265	5,123,561	5,579,838	63,825
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 6,008,082	\$ 7,055,256	\$ 13,063,338	\$ 11,901,451	\$ 66,354

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

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STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015
(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	\$ 229,134	\$ (20,496)	\$ 104,651	\$ 15,235	\$ —
Judicial	28,477	—	30,030	152	—
Public Safety	530,093	1,430	26,227	13,037	—
Physical Environment	4,351	—	16	937	—
Transportation	216,403	5,040	67,948	24,173	20,027
Economic Environment	138,878	—	41,875	30,732	6,700
Health and Human Services	94,122	—	64	36,619	—
Culture and Recreation	286,395	—	70,360	16,096	2,631
Interest on Long-Term Debt	32,694	—	—	—	—
Total Governmental Activities	1,560,547	(14,026)	341,171	136,981	29,358
BUSINESS-TYPE ACTIVITIES					
Light	832,751	5,109	880,788	4,595	39,375
Water	225,980	2,261	251,977	217	10,394
Drainage and Wastewater	314,172	2,315	359,839	1,482	10,346
Solid Waste	172,504	808	174,365	584	—
Planning and Development	61,140	3,533	65,278	210	—
Downtown Parking Garage	7,401	—	7,885	—	—
Fiber Leasing	35	—	12	—	—
Total Business-Type Activities	1,613,983	14,026	1,740,144	7,088	60,115
Total Government-Wide Activities	\$ 3,174,530	\$ —	\$ 2,081,315	\$ 144,069	\$ 89,473
COMPONENT UNITS					
	\$ 7,383	\$ —	\$ 274	\$ 4,084	\$ —

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

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STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015
(In Thousands)

	Net Revenue (Expense) and Changes in Net Position				
	Primary Government				
	Governmental Activities	Business-Type Activities	Comparative Totals		Component Units
			2015	Restated 2014	
GOVERNMENTAL ACTIVITIES					
General Government	\$ (88,752)	\$ —	\$ (88,752)	\$ (86,191)	
Judicial	1,705	—	1,705	2,542	
Public Safety	(492,260)	—	(492,260)	(525,698)	
Physical Environment	(3,398)	—	(3,398)	(3,425)	
Transportation	(109,295)	—	(109,295)	(72,759)	
Economic Environment	(59,571)	—	(59,571)	(65,848)	
Health and Human Services	(57,439)	—	(57,439)	(44,101)	
Culture and Recreation	(197,308)	—	(197,308)	(189,928)	
Interest on Long-Term Debt	(32,694)	—	(32,694)	(31,170)	
Total Governmental Activities	(1,039,012)	—	(1,039,012)	(1,016,578)	
BUSINESS-TYPE ACTIVITIES					
Light	—	86,898	86,898	117,139	
Water	—	34,347	34,347	29,956	
Drainage and Wastewater	—	55,180	55,180	50,979	
Solid Waste	—	1,637	1,637	(976)	
Planning and Development	—	815	815	(1,302)	
Downtown Parking Garage	—	484	484	(24)	
Fiber Leasing	—	(23)	(23)	(11)	
Total Business-Type Activities	—	179,338	179,338	195,761	
Total Government-Wide Activities	(1,039,012)	179,338	(859,674)	(820,817)	
COMPONENT UNITS					\$ (3,024)
General Revenues					
Property Taxes	420,691	—	420,691	431,458	—
Sales Taxes	239,189	—	239,189	199,735	—
Business Taxes	454,086	—	454,086	431,437	—
Excise Taxes	101,098	—	101,098	65,364	—
Other Taxes	17,733	—	17,733	16,770	—
Penalties and Interest on Delinquent Taxes	—	—	—	4,091	—
Unrestricted Investment Earnings (Loss)	9,202	13,938	23,140	28,045	546
Gain on Sale of Capital Assets	9,071	2,767	11,838	4,520	—
Special Item - Environmental Remediation	—	(4,975)	(4,975)	(4,949)	—
Transfers	(8,931)	8,931	—	—	—
Total General Revenues (Loss), Special Item, and Transfers	1,242,139	20,661	1,262,800	1,176,471	546
Changes in Net Position	203,127	199,999	403,126	355,654	(2,478)
Net Position - Beginning of Year	3,517,878	2,061,960	5,579,838	5,227,379	66,304
Restatements/Prior-Year Adjustments	(418,709)	(440,694)	(859,403)	(3,195)	—
Net Position - Beginning of Year as Restated	3,099,169	1,621,266	4,720,435	5,224,184	66,304
Net Position - End of Year	\$ 3,302,296	\$ 1,821,265	\$ 5,123,561	\$ 5,579,838	\$ 63,826

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

MAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

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

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**BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015
(In Thousands)**

					Comparative Totals	
	General Fund	Transportation	Low-Income Housing	Other Governmental	2015	2014
ASSETS						
Cash and Equity in Pooled Investments	\$ 300,584	\$ 58,734	\$ 137,627	\$ 306,982	\$ 803,927	\$ 630,630
Receivables, Net of Allowances	79,481	10,708	586	21,326	112,101	100,127
Due from Other Funds	16,976	35,772	223	16,851	69,822	73,833
Due from Other Governments	58,901	13,234	241	28,130	100,506	95,165
Interfund Loans and Advances	12,267	—	—	24,165	36,432	38,105
Other Current Assets	422	514	—	608	1,544	2,565
Total Assets	468,631	118,962	138,677	398,062	1,124,332	940,425
DEFERRED OUTFLOWS OF RESOURCES						
	7,775	—	427,316	47,022	482,113	455,833
Total Assets and Deferred Outflows of Resources	<u>\$ 476,406</u>	<u>\$ 118,962</u>	<u>\$ 565,993</u>	<u>\$ 445,084</u>	<u>\$ 1,606,445</u>	<u>\$ 1,396,258</u>
LIABILITIES						
Accounts Payable	\$ 35,355	\$ 30,553	\$ 1,482	\$ 42,344	\$ 109,734	\$ 90,503
Contracts Payable	303	4,150	—	1,001	5,454	10,043
Salaries, Benefits, and Taxes Payable	24,216	3,555	—	6,961	34,732	31,015
Due to Other Funds	15,193	4,508	61	37,079	56,841	58,380
Due to Other Governments	2,339	—	—	5,021	7,360	6,828
Revenues Collected in Advance	3,024	4,126	—	6,803	13,953	8,300
Interfund Loans and Advances	—	—	—	28,790	28,790	31,611
Other Current Liabilities	236	430	55	646	1,367	6,083
Total Liabilities	80,666	47,322	1,598	128,645	258,231	242,763
DEFERRED INFLOWS OF RESOURCES						
	11,813	643	427,624	57,456	497,536	473,930
FUND BALANCES						
Nonspendable	\$ 474	\$ 515	\$ —	\$ 2,712	\$ 3,701	\$ 4,698
Restricted	136,627	14,001	135,079	268,652	554,359	446,882
Committed	97,296	56,481	1,692	10,774	166,243	137,106
Assigned	5,767	—	—	11,004	16,771	15,618
Unassigned	143,763	—	—	(34,159)	109,604	75,261
Total Fund Balances	383,927	70,997	136,771	258,983	850,678	679,565
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 476,406</u>	<u>\$ 118,962</u>	<u>\$ 565,993</u>	<u>\$ 445,084</u>	<u>\$ 1,606,445</u>	<u>\$ 1,396,258</u>

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

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BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015
(In Thousands)

	Comparative Totals	
	2015	Restated 2014
Governmental Fund Balance	\$ 850,675	\$ 679,566
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 3,381,844	\$ 3,205,733
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	10,459	9,536
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.	419,713	498,046
Net pension asset net of pension obligations	168,446	11,233
Deferred inflows and outflows of resources	53,661	8,256
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Claims Payable - Current	(14,669)	(14,243)
Accrued Interest Payable	(6,000)	(5,819)
Current Portion of Long-Term Debt	(52,412)	(48,503)
Compensated Absences Payable	(19,897)	(22,770)
General Obligation Bonds Payable	(671,701)	(507,635)
Less Bond Discount and Premium	(56,496)	(40,586)
Special Assessment Bonds	(8,825)	(10,395)
Net Pension Liability	(493,179)	—
Notes and Other Long-Term Liabilities	(17,089)	(19,349)
Compensated Absences - Long-Term	(64,269)	(75,020)
Claims Payable - Long-Term	(37,610)	(40,233)
Workers' Compensation	(27,126)	(26,167)
Arbitrage	(9)	(10)
Unfunded Other Post Employment Benefits	(113,220)	(83,760)
Net Adjustments	2,451,621	2,838,313
Net Position of Governmental Activities	\$ 3,302,296	\$ 3,517,878

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

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**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2015
(In Thousands)**

					Comparative Totals	
	General	Transportation	Low-Income Housing	Other Governmental	2015	2014
REVENUES						
Taxes	\$ 987,815	\$ 84,791	\$ 17,934	\$ 142,593	\$ 1,233,133	\$ 1,149,120
Licenses and Permits	27,119	6,043	—	976	34,138	30,093
Grants, Shared Revenues, and Contributions	32,198	35,320	7,001	86,640	161,159	161,361
Charges for Services	61,637	71,989	27,037	64,393	225,056	221,187
Fines and Forfeits	32,769	258	—	5,982	39,009	37,142
Concessions, Parking Fees and Space Rent	39,154	95	—	28,195	67,444	63,891
Program Income, Interest, and Miscellaneous Revenues	38,041	512	9,526	11,322	59,401	86,757
Total Revenues	1,218,733	199,008	61,498	340,101	1,819,340	1,749,551
EXPENDITURES						
Current						
General Government	202,162	—	—	22,559	224,721	204,662
Judicial	29,351	—	—	—	29,351	29,158
Public Safety	528,582	—	—	8,486	537,068	525,778
Physical Environment	6,292	—	—	1,022	7,314	7,409
Transportation	9,240	120,004	—	26,445	155,689	114,737
Economic Environment	18,885	—	30,146	92,690	141,721	140,079
Health and Human Services	76	—	—	96,192	96,268	78,024
Culture and Recreation	75,092	—	—	193,887	268,979	245,358
Capital Outlay						
General Government	13,495	—	—	16,463	29,958	35,599
Public Safety	3,103	—	—	9,994	13,097	25,162
Transportation	—	278,151	—	—	278,151	278,550
Economic Environment	—	—	—	—	—	6
Culture and Recreation	16,380	—	—	19,332	35,712	55,133
Debt Service						
Principal	2	1,912	—	48,795	50,709	61,745
Interest	2	117	—	28,880	28,999	26,571
Bond Issuance Cost	—	—	—	1,946	1,946	259
Other	—	—	—	—	—	—
Total Expenditures	902,662	400,184	30,146	566,691	1,899,683	1,828,230
Excess (Deficiency) of Revenues over Expenditures	316,071	(201,176)	31,352	(226,590)	(80,343)	(78,679)
OTHER FINANCING SOURCES (USES)						
Long-Term Debt Issued	—	—	—	350,255	350,255	50,455
Refunding Debt Issued	—	—	—	—	—	—
Premium on Bonds Issued	—	—	—	40,113	40,113	4,150
Payment to Refunded Bond Escrow Agent	—	—	—	(155,030)	(155,030)	—
Sales of Capital Assets	18,275	—	—	956	19,231	2,128
Transfers In	21,924	208,106	—	268,552	498,582	442,666
Transfers Out	(289,603)	(22,281)	—	(189,811)	(501,695)	(448,411)
Total Other Financing Sources (Uses)	(249,404)	185,825	—	315,035	251,456	50,988
Net Change in Fund Balance	66,667	(15,351)	31,352	88,445	171,113	(27,691)
Fund Balances - Beginning of Year	317,260	86,348	105,419	170,538	679,565	707,255
Fund Balances - End of Year	\$ 383,927	\$ 70,997	\$ 136,771	\$ 258,983	\$ 850,678	\$ 679,565

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

**B-5 RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015
(In Thousands)**

	Comparative Totals	
	2015	Restated 2014
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balance - total governmental funds	\$ 171,111	\$ (27,692)
Governmental funds report capital outlay as expenditures and proceeds from the disposition of capital assets as other financing sources. However, in the statement of activities the cost of those assets is allocated over the estimated useful life and reported as depreciation expense and the gain or loss is reported as income.		
Depreciation expense for the year	(116,042)	(115,034)
Capital outlay reported as expenditures	302,294	307,271
Retirement and sale of capital assets	(11,540)	(1,306)
Capital assets received as donations	2,417	(20,504)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These are comprised of:		
Unavailable resources - property taxes	2,582	(264)
Reduction of long-term receivable	985	1,393
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	(350,255)	(50,455)
Premium on general obligation bonds	(40,113)	(4,150)
Proceeds from bond refunding	—	—
Principal payments bonds/notes	50,677	61,745
Amortization of bond premium	7,065	3,819
Amortization of loss on refunding	(1,454)	(465)
Minimum capital lease payments	49	117
Bond interest	(192)	464
Remittance to refunding escrow using refunding proceeds	155,030	—
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	13,624	(15,180)
Injury and damage claims	2,197	(6,675)
Workers' compensation	(959)	(18)
Arbitrage	1	2
Unfunded OPEB liabilities	(29,460)	(12,325)
Net pension asset	18,806	(5,006)
Environmental liability	130	95
Loan to agencies	—	4,654
Debt guarantee of SISC 2004 bonds	453	(4,225)
Pension Expense - GASB68	7,748	—
WA State's LEOFF Contribution	9,145	—
Internal service funds are used by management to charge the cost of Fleets and Facilities, Information Technology, and Engineering Services to individual funds. Adjustments reflect the consolidation of internal service funds activities to governmental funds:		
Operating loss (income) allocated to enterprise funds	(8,072)	(8,185)
Net revenue of internal service funds activities reported with governmental activities	16,901	26,239
Change in Net Position of Governmental Activities	\$ 203,128	\$ 134,315
Initial Recording of Net Pension Liability/Asset Related Items	(418,709)	—
Adjusted Total Change in Net Position of Governmental Activities	(215,581)	134,315

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

MAJOR PROPRIETARY FUNDS

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

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

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

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

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

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

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STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2015	2014	2015	2014
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 152,488	\$ 128,343	\$ 42,330	\$ 43,553
Restricted Cash and Equity in Pooled Investments	—	—	—	—
Receivables, Net of Allowances				
Accounts	75,683	70,494	14,305	13,519
Interest and Dividends	414	356	962	910
Unbilled	70,536	64,630	13,834	13,651
Energy Contracts, Notes, and Other Contracts	—	—	112	107
Due from Other Funds	3,538	1,482	893	760
Due from Other Governments	2,533	2,270	557	583
Materials and Supplies Inventory	32,839	30,829	5,102	5,139
Prepayments and Other Current Assets	1,619	474	72	72
Total Current Assets	339,650	298,878	78,167	78,294
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	265,130	298,390	95,244	56,623
Notes and Contracts Receivable	—	—	395	413
Conservation Costs, Net	243,779	228,108	31,558	31,552
Landfill Closure and Postclosure Costs, Net	—	—	—	—
Environmental Costs and Recoveries	35,306	38,600	—	—
External Infrastructure Costs	—	—	—	—
Regulatory Asset	—	—	11,756	10,988
Other Charges	60,411	52,934	3,930	4,779
Capital Assets				
Land and Land Rights	72,670	70,558	44,453	44,261
Plant in Service, Excluding Land	4,168,237	3,936,000	1,844,527	1,791,609
Less Accumulated Depreciation	(1,671,849)	(1,612,870)	(724,570)	(681,103)
Buildings and Improvements	—	—	—	—
Less Accumulated Depreciation	—	—	—	—
Machinery and Equipment	—	—	—	—
Less Accumulated Depreciation	—	—	—	—
Construction in Progress	319,831	252,371	75,007	48,906
Other Property, Net	72,551	82,258	1,594	1,569
Total Noncurrent Assets	3,566,066	3,346,349	1,383,894	1,309,597
Total Assets	3,905,716	3,645,227	1,462,061	1,387,891
DEFERRED OUTFLOWS OF RESOURCES				
	49,735	19,318	39,309	18,914
Total Assets and Deferred Outflows of Resources	\$ 3,955,451	\$ 3,664,545	\$ 1,501,370	\$ 1,406,805

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

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STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2015	2014	2015	2014
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 100,901	\$ 101,301	\$ 42,220	\$ 32,395
Restricted Cash and Equity in Pooled Investments	—	—	—	—
Receivables, Net of Allowances				
Accounts	19,879	18,042	13,201	12,933
Interest and Dividends	427	460	88	69
Unbilled	18,712	18,272	360	417
Energy Contracts, Notes, and Other Contracts	579	76	30	—
Due from Other Funds	865	983	238	244
Due from Other Governments	6,430	2,374	983	967
Materials and Supplies Inventory	1,207	1,043	102	68
Prepayments and Other Current Assets	35	35	18	18
Total Current Assets	149,035	142,586	57,240	47,111
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	27,579	99,432	43,135	49,173
Notes and Contracts Receivable	1,105	1,159	—	—
Conservation Costs, Net	—	—	—	—
Landfill Closure and Postclosure Costs, Net	—	—	12,326	13,004
Environmental Costs and Recoveries	4,115	3,970	1,358	—
External Infrastructure Costs	19,035	19,328	—	—
Regulatory Asset	4,048	4,236	1,715	3,026
Other Charges	34,714	35,159	815	937
Capital Assets				
Land and Land Rights	22,490	19,767	15,218	15,218
Plant in Service, Excluding Land	1,102,624	941,062	133,782	132,528
Less Accumulated Depreciation	(317,154)	(296,915)	(53,540)	(46,989)
Buildings and Improvements	—	—	—	—
Less Accumulated Depreciation	—	—	—	—
Machinery and Equipment	—	—	—	—
Less Accumulated Depreciation	—	—	—	—
Construction in Progress	138,238	178,366	108,235	53,945
Other Property, Net	1,713	1,558	2,044	2,044
Total Noncurrent Assets	1,038,507	1,007,122	265,088	222,886
Total Assets	1,187,542	1,149,708	322,328	269,997
DEFERRED OUTFLOWS OF RESOURCES				
	15,269	6,479	6,328	3,146
Total Assets and Deferred Outflows of Resources	\$ 1,202,811	\$ 1,156,187	\$ 328,656	\$ 273,143

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

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STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2015	2014	2015	2014
ASSETS				
<i>Current Assets</i>				
Operating Cash and Equity in Pooled Investments	\$ 54,672	\$ 40,630	\$ 392,611	\$ 346,222
Restricted Cash and Equity in Pooled Investments	—	—	—	—
Receivables, Net of Allowances				
Accounts	855	907	123,923	115,895
Interest and Dividends	51	31	1,942	1,826
Unbilled	—	—	103,442	96,970
Energy Contracts, Notes, and Other Contracts	—	—	721	183
Due from Other Funds	957	905	6,491	4,374
Due from Other Governments	359	451	10,862	6,645
Materials and Supplies Inventory	—	—	39,250	37,079
Prepayments and Other Current Assets	12	42	1,756	641
Total Current Assets	56,906	42,966	680,998	609,835
<i>Noncurrent Assets</i>				
Restricted Cash and Equity in Pooled Investments	50	38	431,138	503,656
Notes and Contracts Receivable	—	—	1,500	1,572
Conservation Costs, Net	—	—	275,337	259,660
Landfill Closure and Postclosure Costs, Net	—	—	12,326	13,004
Environmental Costs and Recoveries	—	—	40,779	42,570
External Infrastructure Costs	—	—	19,035	19,328
Regulatory Asset	—	—	17,519	18,250
Other Charges	—	—	99,870	93,809
Capital Assets				
Land and Land Rights	12,881	12,881	167,712	162,685
Plant in Service, Excluding Land	—	—	7,249,170	6,801,199
Less Accumulated Depreciation	—	—	(2,767,113)	(2,637,877)
Buildings and Improvements	60,132	60,132	60,132	60,132
Less Accumulated Depreciation	(34,075)	(32,070)	(34,075)	(32,070)
Machinery and Equipment	14,771	14,766	14,771	14,766
Less Accumulated Depreciation	(14,330)	(13,846)	(14,330)	(13,846)
Construction in Progress	4,852	3,377	646,163	536,965
Other Property, Net	—	—	77,902	87,429
Total Noncurrent Assets	44,281	45,278	6,297,836	5,931,232
Total Assets	101,187	88,244	6,978,834	6,541,067
DEFERRED OUTFLOWS OF RESOURCES	6,561	—	117,202	47,857
Total Assets and Deferred Outflows of Resources	\$ 107,748	\$ 88,244	\$ 7,096,036	\$ 6,588,924

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

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STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015
(In Thousands)

	Governmental Activities - Internal Service Funds	
	2015	2014
ASSETS		
<i>Current Assets</i>		
Operating Cash and Equity in Pooled Investments	\$ 27,690	\$ 24,792
Restricted Cash and Equity in Pooled Investments	12,178	20,014
Receivables, Net of Allowances		
Accounts	274	240
Interest and Dividends	43	88
Unbilled	346	24
Energy Contracts, Notes, and Other Contracts	—	—
Due from Other Funds	10,917	9,517
Due from Other Governments	136	159
Materials and Supplies Inventory	4,042	2,786
Prepayments and Other Current Assets	109	425
Total Current Assets	55,735	58,045
<i>Noncurrent Assets</i>		
Restricted Cash and Equity in Pooled Investments	51,984	58,383
Notes and Contracts Receivable	—	—
Conservation Costs, Net	—	—
Landfill Closure and Postclosure Costs, Net	—	—
Environmental Costs and Recoveries	—	—
External Infrastructure Costs	—	—
Regulatory Asset	—	—
Other Charges	—	—
Capital Assets		
Land and Land Rights	108,852	108,832
Plant in Service, Excluding Land	—	—
Less Accumulated Depreciation	—	—
Buildings and Improvements	715,937	717,627
Less Accumulated Depreciation	(227,993)	(211,792)
Machinery and Equipment	233,956	223,388
Less Accumulated Depreciation	(135,429)	(135,206)
Construction in Progress	31,038	3,309
Other Property, Net	—	—
Total Noncurrent Assets	778,345	764,541
Total Assets	834,080	822,586
DEFERRED OUTFLOWS OF RESOURCES	17,796	—
Total Assets and Deferred Outflows of Resources	\$ 851,876	\$ 822,586

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

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STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2015	2014	2015	2014
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 77,849	\$ 63,298	\$ 10,262	\$ 8,736
Salaries, Benefits, and Payroll Taxes Payable	10,248	9,213	4,649	2,543
Compensated Absences Payable	3,631	1,979	457	468
Due to Other Funds	10,964	10,903	5,646	5,146
Due to Other Governments	—	—	—	—
Interest Payable	34,010	29,970	12,364	16,207
Taxes Payable	9,365	7,813	746	707
General Obligation Bonds Due Within One Year	—	—	—	—
Revenue Bonds Due Within One Year	105,915	104,915	41,615	35,015
Claims Payable	16,392	27,676	2,249	1,196
Notes and Contracts Payable	—	—	1,125	1,125
Habitat Conservation Program Liability	—	—	906	1,138
Landfill Closure and Postclosure Liability	—	—	—	—
Unearned Revenues and Other Credits	23,259	19,821	4,553	3,289
Other Current Liabilities	2,980	2,467	30	—
Total Current Liabilities	294,613	278,055	84,602	75,570
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	—	—	—	—
Compensated Absences Payable	19,354	16,767	4,841	4,845
Claims Payable	42,339	42,895	2,600	3,802
Public Works Trust Loan	—	—	21,217	14,996
Landfill Closure and Postclosure Liability	—	—	—	—
Vendor and Other Deposits Payable	—	—	25	—
Habitat Conservation Program Liability	—	—	7,156	6,493
Unearned Revenues and Other Credits	6,400	6,902	324	347
Unfunded Other Post Employment Benefits	8,052	7,569	2,703	2,565
Net Pension Liability	271,797	—	82,685	—
Other Noncurrent Liabilities	—	134	4	15
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	—	—	—	—
Revenue Bonds Payable, Net of Amortized Premium, Discount and Other	2,090,831	1,925,192	899,911	877,256
Bond Interest Payable	—	—	—	—
Total Noncurrent Liabilities	2,438,773	1,999,459	1,021,466	910,319
Total Liabilities	2,733,386	2,277,514	1,106,068	985,889
DEFERRED INFLOWS OF RESOURCES	89,847	111,486	35,193	27,876

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

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STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2015	2014	2015	2014
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 10,696	\$ 10,178	\$ 13,843	\$ 10,976
Salaries, Benefits, and Payroll Taxes Payable	5,010	2,417	1,514	805
Compensated Absences Payable	432	446	150	149
Due to Other Funds	8,250	9,221	1,893	1,246
Due to Other Governments	12,732	11,589		—
Interest Payable	6,994	7,226	2,902	2,149
Taxes Payable	310	299	372	471
General Obligation Bonds Due Within One Year	—	—	—	—
Revenue Bonds Due Within One Year	19,080	18,215	5,750	4,895
Claims Payable	4,813	3,566	2,375	811
Notes and Contracts Payable	1,212	1,202	—	—
Habitat Conservation Program Liability	—	—	—	—
Landfill Closure and Postclosure Liability	—	—	1,522	1,063
Unearned Revenues and Other Credits	2,518	2,888	4,961	4,704
Other Current Liabilities	641	581	397	—
Total Current Liabilities	72,688	67,828	35,679	27,269
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	—	—	—	—
Compensated Absences Payable	4,567	4,625	1,584	1,542
Claims Payable	72,919	72,795	8,048	900
Public Works Trust Loan	15,353	16,566	—	—
Landfill Closure and Postclosure Liability	—	—	14,163	14,990
Vendor and Other Deposits Payable	1,749	1,018	—	—
Habitat Conservation Program Liability	—	—	—	—
Unearned Revenues and Other Credits	—	—	—	—
Unfunded Other Post Employment Benefits	2,580	2,505	860	895
Net Pension Liability	77,047	—	28,188	—
Other Noncurrent Liabilities	101	59	—	20
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	—	—	—	—
Revenue Bonds Payable, Net of Amortized Premium, Discount and Other	625,905	646,693	210,310	177,522
Bond Interest Payable	—	—	—	—
Total Noncurrent Liabilities	800,221	744,261	263,153	195,869
Total Liabilities	872,909	812,089	298,832	223,138
DEFERRED INFLOWS OF RESOURCES	—	—	18,481	15,795

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

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STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2015	2014	2015	2014
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	\$ 1,384	\$ 2,266	\$ 114,034	\$ 95,454
Salaries, Benefits, and Payroll Taxes Payable	3,223	1,626	24,644	16,604
Compensated Absences Payable	350	318	5,020	3,360
Due to Other Funds	572	510	27,325	27,026
Due to Other Governments	—	—	12,732	11,589
Interest Payable	676	711	56,946	56,263
Taxes Payable	85	85	10,878	9,375
General Obligation Bonds Due Within One Year	3,280	2,950	3,280	2,950
Revenue Bonds Due Within One Year	—	—	172,360	163,040
Claims Payable	265	53	26,094	33,302
Notes and Contracts Payable	—	—	2,337	2,327
Habitat Conservation Program Liability	—	—	906	1,138
Landfill Closure and Postclosure Liability	—	—	1,522	1,063
Unearned Revenues and Other Credits	—	—	35,291	30,702
Other Current Liabilities	63	—	4,111	3,048
Total Current Liabilities	9,898	8,519	497,480	457,241
<i>Noncurrent Liabilities</i>				
Advances from Other Funds/Interfund Notes Payable	7,600	6,494	7,600	6,494
Compensated Absences Payable	3,052	2,763	33,398	30,542
Claims Payable	368	132	126,274	120,524
Public Works Trust Loan	—	—	36,570	31,562
Landfill Closure and Postclosure Liability	—	—	14,163	14,990
Vendor and Other Deposits Payable	50	38	1,824	1,056
Habitat Conservation Program Liability	—	—	7,156	6,493
Unearned Revenues and Other Credits	19,054	16,295	25,778	23,544
Unfunded Other Post Employment Benefits	1,784	1,674	15,979	15,208
Net Pension Liability	52,520	—	512,237	—
Other Noncurrent Liabilities	—	—	105	228
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	52,833	56,293	52,833	56,293
Revenue Bonds Payable, Net of Amortized Premium, Discount and Other	—	—	3,826,957	3,626,663
Bond Interest Payable	—	—	—	—
Total Noncurrent Liabilities	137,261	83,689	4,660,874	3,933,597
Total Liabilities	147,159	92,208	5,158,354	4,390,838
DEFERRED INFLOWS OF RESOURCES	—	—	143,521	155,157

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015
(In Thousands)

	Governmental Activities - Internal Service Funds	
	2015	2014
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	\$ 11,519	\$ 8,036
Salaries, Benefits, and Payroll Taxes Payable	5,679	3,213
Compensated Absences Payable	682	595
Due to Other Funds	3,155	2,454
Due to Other Governments	38	4
Interest Payable	2,392	3,172
Taxes Payable	90	51
General Obligation Bonds Due Within One Year	23,776	21,559
Revenue Bonds Due Within One Year	—	—
Claims Payable	472	577
Notes and Contracts Payable	—	—
Habitat Conservation Program Liability	—	—
Landfill Closure and Postclosure Liability	—	—
Unearned Revenues and Other Credits	—	—
Other Current Liabilities	336	57
Total Current Liabilities	48,139	39,718
<i>Noncurrent Liabilities</i>		
Advances from Other Funds/Interfund Notes Payable		
Compensated Absences Payable	6,308	6,058
Claims Payable	1,688	1,434
Public Works Trust Loan	—	—
Landfill Closure and Postclosure Liability	—	—
Vendor and Other Deposits Payable	225	104
Habitat Conservation Program Liability	—	—
Unearned Revenues and Other Credits	—	—
Unfunded Other Post Employment Benefits	3,330	3,284
Net Pension Liability	101,384	—
Other Noncurrent Liabilities	1	3
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	243,984	254,907
Revenue Bonds Payable, Net of Amortized Premium, Discount and Other	—	—
Bond Interest Payable	—	—
Total Noncurrent Liabilities	356,920	265,790
Total Liabilities	405,059	305,508
DEFERRED INFLOWS OF RESOURCES		
	—	—

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

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STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2015	2014	2015	2014
NET POSITION				
Net Investment in Capital Assets	\$ 1,169,562	\$ 1,100,783	\$ 388,809	\$ 351,175
Restricted for				
Rate Stabilization Account	25,000	25,047	—	—
Special Deposits and Other	—	—	—	—
Conservation and Environmental Costs	—	—	7,496	7,064
Bonneville Power Administration Projects	—	—	—	—
External Infrastructure Costs	—	—	—	—
Muckleshoot Settlement	—	—	—	—
Other Charges	—	—	5,030	4,726
Unrestricted	(62,344)	149,715	(41,226)	30,075
Total Net Position	1,132,218	1,275,545	360,109	393,040
Total Liabilities, Deferred Inflows of Resources, and				
Net Position	\$ 3,955,451	\$ 3,664,545	\$ 1,501,370	\$ 1,406,805

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

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STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2015	2014	2015	2014
NET POSITION				
Net Investment in Capital Assets	\$ 353,150	\$ 301,793	\$ 16,277	\$ 10,748
Restricted for				
Rate Stabilization Account	—	—	—	—
Special Deposits and Other	—	—	—	—
Conservation and Environmental Costs	—	—	—	—
Bonneville Power Administration Projects	—	—	—	—
External Infrastructure Costs	7,218	7,061	—	—
Muckleshoot Settlement	—	—	—	—
Other Charges	14,449	14,140	—	—
Unrestricted	(44,915)	21,104	(4,934)	23,462
Total Net Position	329,902	344,098	11,343	34,210
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 1,202,811	\$ 1,156,187	\$ 328,656	\$ 273,143

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

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STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2015	2014	2015	2014
NET POSITION				
Net Investment in Capital Assets	\$ (11,904)	\$ (14,004)	\$ 1,915,894	\$ 1,750,495
Restricted for				
Rate Stabilization Account	—	—	25,000	25,047
Special Deposits and Other	—	—	—	—
Conservation and Environmental Costs	—	—	7,496	7,064
Bonneville Power Administration Projects	—	—	—	—
External Infrastructure Costs	—	—	7,218	7,061
Muckleshoot Settlement	—	—	—	—
Other Charges	—	—	19,479	18,866
Unrestricted	(27,507)	10,040	(180,926)	234,396
Total Net Position	(39,411)	(3,964)	1,794,161	2,042,929
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 107,748	\$ 88,244	\$ 7,096,036	\$ 6,588,924
Total Net Position as above			\$ 1,794,161	\$ 2,042,929
Adjustment to Reflect the Consolidation of Internal Service Fund Activities to Enterprise Funds			27,104	19,032
Net Position of Business-type Activities			\$ 1,821,265	\$ 2,061,961

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015
(In Thousands)

	Governmental Activities - Internal Service Funds	
	2015	2014
Net Investment in Capital Assets	\$ 469,961	\$ 459,033
Restricted for		
Rate Stabilization Account	—	—
Special Deposits and Other	—	—
Conservation and Environmental Costs	—	—
Bonneville Power Administration Projects	—	—
External Infrastructure Costs	—	—
Muckleshoot Settlement	—	—
Other Charges	—	—
Unrestricted	(23,144)	58,045
Total Net Position	446,817	517,078
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 851,876	\$ 822,586

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

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**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2015
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2015	2014	2015	2014
OPERATING REVENUES				
Charges for Services and Other Revenues	\$ 882,857	\$ 886,444	\$ 251,977	\$ 242,946
OPERATING EXPENSES				
Long-Term Purchased Power	213,621	214,262	—	—
Short-Term Wholesale Power Purchases	26,812	14,912	—	—
Generation	34,822	34,962	—	—
Transmission	54,289	52,833	—	—
Distribution	65,052	59,753	—	—
Conservation and Other Power Expenses	53,897	58,151	—	—
Planning and Development	—	—	1,582	1,447
Utility Systems Management	—	—	14,622	14,576
Field Operations	—	—	31,367	27,315
Project Delivery	—	—	6,664	4,332
Customer Services	38,302	37,621	8,034	6,252
Wastewater Treatment	—	—	—	—
Solid Waste Collection	—	—	—	—
Operations and Maintenance	—	—	—	—
General and Administrative	92,108	75,774	38,947	38,916
City Business and Occupation Taxes	45,534	44,588	32,133	30,657
Other Taxes	35,580	35,420	10,214	9,484
Amortization of Landfill and Postclosure Costs	—	—	—	—
Depreciation and Other Amortization	112,000	105,813	50,043	51,466
Total Operating Expenses	772,017	734,089	193,606	184,445
Operating Income (Loss)	110,840	152,355	58,371	58,501
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	6,270	7,933	2,838	3,082
Interest Expense	(84,721)	(83,855)	(39,393)	(41,525)
Amortization of Bonds Premiums and Discounts, Net	12,176	11,151	3,940	3,286
Amortization of Refunding Loss	(2,933)	(3,752)	(1,649)	(1,251)
Bond Issuance Costs	(966)	(1,473)	—	—
Gain (Loss) on Sale of Capital Assets	921	1,876	2,518	(720)
Contributions and Grants	4,595	3,783	217	182
Others, Net	4,952	4,942	969	1,017
Total Nonoperating Revenues (Expenses)	(59,706)	(59,395)	(30,560)	(35,929)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	51,134	92,960	27,811	22,572
Capital Contributions and Grants	39,375	28,368	10,394	8,932
Transfers In	—	—	—	—
Transfers Out	—	—	—	—
Environmental Remediation	—	—	—	—
Change in Net Position	90,509	121,328	38,205	31,504
Net Position - Beginning of Year	1,275,545	1,154,217	393,040	361,536
Prior-Year Adjustment	(233,836)	—	(71,136)	—
Net Position - Beginning of Year as Restated	1,041,709	1,154,217	321,904	361,536
Net Position - End of Year	\$ 1,132,218	\$ 1,275,545	\$ 360,109	\$ 393,040

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

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2015
(In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2015	2014	2015	2014
OPERATING REVENUES				
Charges for Services and Other Revenues	\$ 363,779	\$ 342,000	\$ 174,788	\$ 157,498
OPERATING EXPENSES				
Long-Term Purchased Power	—	—	—	—
Short-Term Wholesale Power Purchases	—	—	—	—
Generation	—	—	—	—
Transmission	—	—	—	—
Distribution	—	—	—	—
Conservation and Other Power Expenses	—	—	—	—
Planning and Development	1,750	1,787	203	163
Utility Systems Management	11,249	11,374	10,617	1,661
Field Operations	29,593	26,431	6,950	7,216
Project Delivery	9,790	8,100	1,103	546
Customer Services	6,472	4,403	6,592	5,035
Wastewater Treatment	150,326	140,307	—	—
Solid Waste Collection	—	—	100,042	96,867
Operations and Maintenance	—	—	—	—
General and Administrative	22,064	25,034	14,250	14,493
City Business and Occupation Taxes	42,876	40,266	17,987	17,716
Other Taxes	4,549	4,329	2,588	2,506
Amortization of Landfill and Postclosure Costs	—	—	1,300	1,301
Depreciation and Other Amortization	23,452	22,190	8,109	8,188
Total Operating Expenses	302,121	284,221	169,741	155,692
Operating Income (Loss)	61,658	57,779	5,047	1,806
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	3,646	4,009	725	751
Interest Expense	(22,156)	(20,616)	(5,651)	(5,798)
Amortization of Bonds Premiums and Discounts, Net	1,709	1,542	736	478
Amortization of Refunding Loss	(394)	(384)	(179)	(109)
Bond Issuance Costs	—	—	—	—
Gain (Loss) on Sale of Capital Assets	(229)	(817)	(443)	2,420
Contributions and Grants	1,482	978	584	953
Others, Net	1,003	170	565	1,338
Total Nonoperating Revenues (Expenses)	(14,939)	(15,118)	(3,663)	33
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	46,719	42,661	1,384	1,839
Capital Contributions and Grants	10,346	10,752	—	78
Transfers In	—	—	—	—
Transfers Out	—	—	—	—
Environmental Remediation	(4,975)	(4,949)	—	—
Change in Net Position	52,090	48,464	1,384	1,917
Net Position - Beginning of Year	344,098	295,634	34,210	32,293
Prior-Year Adjustment	(66,286)	—	(24,251)	—
Net Position - Beginning of Year as Restated	277,812	295,634	9,959	32,293
Net Position - End of Year	\$ 329,902	\$ 344,098	\$ 11,343	\$ 34,210

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

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**STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2015
 (In Thousands)**

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2015	2014	2015	2014
OPERATING REVENUES				
Charges for Services and Other Revenues	\$ 74,566	\$ 65,548	\$ 1,747,967	\$ 1,694,436
OPERATING EXPENSES				
Long-Term Purchased Power	—	—	213,621	214,262
Short-Term Wholesale Power Purchases	—	—	26,812	14,912
Generation	—	—	34,822	34,962
Transmission	—	—	54,289	52,833
Distribution	—	—	65,052	59,753
Conservation and Other Power Expenses	—	—	53,897	58,151
Planning and Development	—	—	3,535	3,397
Utility Systems Management	—	—	36,488	27,611
Field Operations	—	—	67,910	60,962
Project Delivery	—	—	17,557	12,978
Customer Services	—	—	59,400	53,311
Wastewater Treatment	—	—	150,326	140,307
Solid Waste Collection	—	—	100,042	96,867
Operations and Maintenance	56,058	50,899	56,058	50,899
General and Administrative	13,519	11,580	180,888	165,797
City Business and Occupation Taxes	17	16	138,547	133,243
Other Taxes	37	35	52,968	51,774
Amortization of Landfill and Postclosure Costs	—	—	1,300	1,301
Depreciation and Other Amortization	2,519	2,589	196,123	190,246
Total Operating Expenses	72,150	65,119	1,509,635	1,423,566
Operating Income (Loss)	2,416	429	238,332	270,870
NONOPERATING REVENUES (EXPENSES)				
Investment and Interest Income	459	480	13,938	16,255
Interest Expense	(2,787)	(2,939)	(154,708)	(154,733)
Amortization of Bonds Premiums and Discounts, Net	198	198	18,759	16,655
Amortization of Refunding Loss	—	—	(5,155)	(5,496)
Bond Issuance Costs	—	—	(966)	(1,473)
Gain (Loss) on Sale of Capital Assets	—	—	2,767	2,759
Contributions and Grants	210	259	7,088	6,155
Others, Net	310	—	7,799	7,467
Total Nonoperating Revenues (Expenses)	(1,610)	(2,002)	(110,478)	(112,411)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	806	(1,573)	127,854	158,459
Capital Contributions and Grants	—	—	60,115	48,130
Transfers In	12,337	11,512	12,337	11,512
Transfers Out	(3,406)	—	(3,406)	—
Environmental Remediation	—	—	(4,975)	(4,949)
Change in Net Position	9,737	9,939	191,925	213,152
Net Position - Beginning of Year	(3,964)	(13,903)	2,042,929	1,829,777
Prior-Year Adjustment	(45,184)	—	(440,693)	—
Net Position - Beginning of Year as Restated	(49,148)	(13,903)	1,602,236	1,829,777
Net Position - End of Year	\$ (39,411)	\$ (3,964)	1,794,161	2,042,929
Accumulated Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			27,104	19,032
Net Position of Business-Type Activities			\$ 1,821,265	\$ 2,061,961
Change in Net Position as above			\$ 191,925	\$ 213,152
Current Year Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			8,072	8,185
Adjusted Change in Net Position of Business-Type Activities			\$ 199,997	\$ 221,337

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

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2015
(In Thousands)**

	Governmental Activities - Internal Service Funds	
	2015	2014
OPERATING REVENUES		
Charges for Services and Other Revenues	\$ 242,748	\$ 214,971
OPERATING EXPENSES		
Long-Term Purchased Power	—	—
Short-Term Wholesale Power Purchases	—	—
Generation	—	—
Transmission	—	—
Distribution	—	—
Conservation and Other Power Expenses	—	—
Planning and Development	—	—
Utility Systems Management	—	—
Field Operations	—	—
Project Delivery	—	—
Customer Services	—	—
Wastewater Treatment	—	—
Solid Waste Collection	—	—
Operations and Maintenance	155,609	143,593
General and Administrative	23,157	18,979
City Business and Occupation Taxes	4	4
Other Taxes	468	419
Amortization of Landfill and Postclosure Costs		
Depreciation and Other Amortization	35,507	34,600
Total Operating Expenses	214,745	197,595
Operating Income (Loss)	28,003	17,376
NONOPERATING REVENUES (EXPENSES)		
Investment and Interest Income	517	1,376
Interest Expense	(8,953)	(10,609)
Amortization of Bonds Premiums and Discounts, Net	2,974	2,802
Amortization of Refunding Loss	(1,105)	(161)
Bond Issuance Costs	(45)	(107)
Gain (Loss) on Sale of Capital Assets	1,381	938
Contributions and Grants	—	—
Others, Net	62	—
Total Nonoperating Revenues (Expenses)	(5,169)	(5,761)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	22,834	11,615
Capital Contributions and Grants	(53)	20,392
Transfers In	341	301
Transfers Out	(6,159)	(6,069)
Environmental Remediation	—	—
Change in Net Position	16,963	26,239
Net Position - Beginning of Year	517,078	490,839
Prior-Year Adjustment	(87,224)	—
Net Position - Beginning of Year as Restated	429,854	490,839
Net Position - End of Year	\$ 446,817	\$ 517,078

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

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2015
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2015	2014	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 838,498	\$ 869,121	\$ 261,206	\$ 256,195
Cash Paid to Suppliers	(354,870)	(315,600)	(32,734)	(25,846)
Cash Paid to Employees	(177,028)	(173,595)	(62,301)	(62,566)
Cash Paid for Taxes	(78,548)	(82,344)	(42,169)	(39,863)
Net Cash from Operating Activities	228,052	297,582	124,002	127,920
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Principal Payments on Long-Term Debt and Interfund Loans	(12,259)	(37,257)	—	—
Interest Paid on Long-Term Debt	(10,482)	(33,693)	—	—
Operating Grants Received	4,594	5,207	235	202
Transfers In	—	—	—	—
Transfers Out	—	—	—	—
Bonneville Receipts for Conservation	2,225	6,722	—	—
Payments to Vendors on Behalf of Customers for Conservation	(35,230)	(33,111)	—	—
Loans Provided to Other Funds	—	—	—	—
Proceeds from Interfund Loans	—	—	—	—
Payments for Environmental Liabilities	—	—	—	—
Net Cash from Noncapital Financing Activities	(51,152)	(92,132)	235	202
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Sale of Bonds and Other Long-Term Debt	283,730	299,397	391,564	—
Principal Payments on Long-Term Debt and Refunding	(92,656)	(62,413)	(364,182)	(34,670)
Capital Expenses and Other Charges Paid	(338,872)	(285,448)	(84,404)	(51,926)
Interest Paid on Long-Term Debt	(79,225)	(56,443)	(43,581)	(41,620)
Capital Fees and Grants Received	34,686	24,281	8,876	4,388
Payment to Trustee for Defeased Bonds	—	(127,102)	—	—
Interest Received for Suburban Infrastructure Improvements	2,110	2,063	—	—
Debt Issuance Costs	(966)	(1,663)	(1,907)	—
Proceeds from Sale of Capital Assets	1,077	2,006	5,987	196
Net Cash from Capital and Related Financing Activities	(190,116)	(205,322)	(87,647)	(123,632)
CASH FLOWS FROM INVESTING ACTIVITIES ^a				
Interest and Investment Income (Loss)	4,102	5,797	807	1,086
Net Cash from Investing Activities	4,102	5,797	807	1,086
Net Increase (Decrease) in Cash and Equity in Pooled Investments	(9,114)	5,925	37,397	5,576
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	426,732	420,807	100,177	94,599
End of Year	\$ 417,618	\$ 426,732	\$ 137,574	\$ 100,175
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 152,488	\$ 128,343	\$ 42,330	\$ 43,553
Current Restricted Cash and Equity in Pooled Investments	—	—	—	—
Noncurrent Restricted Cash and Equity in Pooled Investments	265,130	298,389	95,244	56,622
Total Cash at the End of the Year	\$ 417,618	\$ 426,732	\$ 137,574	\$ 100,175

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

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

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2015
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2015	2014	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 358,746	\$ 346,022	\$ 183,505	\$ 175,240
Cash Paid to Suppliers	(169,893)	(155,801)	(109,107)	(109,584)
Cash Paid to Employees	(57,019)	(57,034)	(22,675)	(22,087)
Cash Paid for Taxes	(47,181)	(44,634)	(20,942)	(20,642)
Net Cash from Operating Activities	84,653	88,553	30,781	22,927
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Principal Payments on Long-Term Debt and Interfund Loans	—	—	—	—
Interest Paid on Long-Term Debt	—	—	—	—
Operating Grants Received	799	1,029	818	838
Transfers In	—	—	—	—
Transfers Out	—	—	—	—
Bonneville Receipts for Conservation	—	—	—	—
Payments to Vendors on Behalf of Customers for Conservation	—	—	—	—
Loans Provided to Other Funds	—	—	—	—
Proceeds from Interfund Loans	—	—	—	—
Payments for Environmental Liabilities	(1,791)	(1,850)	(1,358)	—
Net Cash from Noncapital Financing Activities	(992)	(821)	(540)	838
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Sale of Bonds and Other Long-Term Debt	—	144,425	39,274	107,496
Principal Payments on Long-Term Debt and Refunding	(19,229)	(42,524)	(4,820)	(49,017)
Capital Expenses and Other Charges Paid	(117,458)	(89,353)	(53,841)	(29,590)
Interest Paid on Long-Term Debt	(27,614)	(25,429)	(7,732)	(6,977)
Capital Fees and Grants Received	5,773	1,887	—	78
Payment to Trustee for Defeased Bonds	—	—	—	—
Interest Received for Suburban Infrastructure Improvements	—	—	—	—
Debt Issuance Costs	—	(865)	(298)	(630)
Proceeds from Sale of Capital Assets	687	222	257	2,420
Net Cash from Capital and Related Financing Activities	(157,841)	(11,637)	(27,160)	23,780
CASH FLOWS FROM INVESTING ACTIVITIES ^a				
Interest and Investment Income (Loss)	1,927	2,262	706	703
Net Cash from Investing Activities	1,927	2,262	706	703
Net Increase (Decrease) in Cash and Equity in Pooled Investments	(72,253)	78,357	3,787	48,248
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	200,733	122,376	81,568	33,320
End of Year	\$ 128,480	\$ 200,733	\$ 85,355	\$ 81,568
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 100,901	\$ 101,301	\$ 42,220	\$ 32,395
Current Restricted Cash and Equity in Pooled Investments	—	—	—	—
Noncurrent Restricted Cash and Equity in Pooled Investments	27,579	99,432	43,135	49,173
Total Cash at the End of the Year	\$ 128,480	\$ 200,733	\$ 85,355	\$ 81,568

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

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

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2015
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2015	2014	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 79,580	\$ 69,905	\$ 1,721,535	\$ 1,716,483
Cash Paid to Suppliers	(33,311)	(31,367)	(699,915)	(638,198)
Cash Paid to Employees	(33,977)	(31,075)	(353,000)	(346,357)
Cash Paid for Taxes	(1,585)	(1,676)	(190,425)	(189,159)
Net Cash from Operating Activities	10,707	5,787	478,195	542,769
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Principal Payments on Long-Term Debt and Interfund Loans	(6,494)	(5,050)	(18,753)	(42,307)
Interest Paid on Long-Term Debt	—	—	(10,482)	(33,693)
Operating Grants Received	118	194	6,564	7,470
Transfers In	8,931	11,512	8,931	11,512
Transfers Out	—	—	—	—
Bonneville Receipts for Conservation	—	—	2,225	6,722
Payments to Vendors on Behalf of Customers for Conservation	—	—	(35,230)	(33,111)
Loans Provided to Other Funds	—	—	—	—
Proceeds from Interfund Loans	7,600	6,494	7,600	6,494
Payments for Environmental Liabilities	—	—	(3,149)	(1,850)
Net Cash from Noncapital Financing Activities	10,155	13,150	(42,294)	(78,763)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from Sale of Bonds and Other Long-Term Debt	—	—	714,568	551,318
Principal Payments on Long-Term Debt and Refunding	(2,950)	(1,857)	(483,837)	(190,481)
Capital Expenses and Other Charges Paid	(1,478)	(814)	(596,053)	(457,131)
Interest Paid on Long-Term Debt	(2,823)	(3,740)	(160,975)	(134,209)
Capital Fees and Grants Received	—	—	49,335	30,634
Payment to Trustee for Defeased Bonds	—	—	—	(127,102)
Interest Received for Suburban Infrastructure Improvements	—	—	2,110	2,063
Debt Issuance Costs	—	—	(3,171)	(3,158)
Proceeds from Sale of Capital Assets	—	—	8,008	4,844
Net Cash from Capital and Related Financing Activities	(7,251)	(6,411)	(470,015)	(323,222)
CASH FLOWS FROM INVESTING ACTIVITIES^a				
Interest and Investment Income (Loss)	442	467	7,984	10,315
Net Cash from Investing Activities	442	467	7,984	10,315
Net Increase (Decrease) in Cash and Equity in Pooled Investments	14,053	12,993	(26,130)	151,099
CASH AND EQUITY IN POOLED INVESTMENTS				
Beginning of Year	40,668	27,675	849,876	698,777
End of Year	\$ 54,721	\$ 40,668	\$ 823,746	\$ 849,876
CASH AT THE END OF THE YEAR CONSISTS OF				
Operating Cash and Equity in Pooled Investments	\$ 54,671	\$ 40,630	\$ 392,610	\$ 346,222
Current Restricted Cash and Equity in Pooled Investments	—	—	—	—
Noncurrent Restricted Cash and Equity in Pooled Investments	50	38	431,138	503,654
Total Cash at the End of the Year	\$ 54,721	\$ 40,668	\$ 823,748	\$ 849,876

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

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

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2015
(In Thousands)

	Governmental Activities - Internal Service Funds	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 241,134	\$ 212,069
Cash Paid to Suppliers	(82,522)	(77,565)
Cash Paid to Employees	(87,809)	(82,954)
Cash Paid for Taxes	(433)	(404)
Net Cash from Operating Activities	70,370	51,146
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt and Interfund Loans	—	—
Interest Paid on Long-Term Debt	—	—
Operating Grants Received	88	473
Transfers In	341	301
Transfers Out	(6,159)	(6,069)
Bonneville Receipts for Conservation	—	—
Payments to Vendors on Behalf of Customers for Conservation	—	—
Loans Provided to Other Funds	—	—
Payments for Environmental Liabilities	—	—
Net Cash from Noncapital Financing Activities	(5,730)	(5,295)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Bonds and Other Long-Term Debt	8,913	(205)
Principal Payments on Long-Term Debt and Refunding	(16,945)	14,926
Capital Expenses and Other Charges Paid	(60,211)	(22,384)
Interest Paid on Long-Term Debt	(9,733)	(10,942)
Capital Fees and Grants Received	(141)	—
Payment to Trustee for Defeased Bonds	—	—
Interest Received for Suburban Infrastructure Improvements	—	—
Debt Issuance Costs	(45)	(107)
Proceeds from Sale of Capital Assets	1,623	1,103
Net Cash from Capital and Related Financing Activities	(76,539)	(17,609)
CASH FLOWS FROM INVESTING ACTIVITIES ^a		
Interest and Investment Income (Loss)	562	1,335
Net Cash from Investing Activities	562	1,335
Net Increase (Decrease) in Cash and Equity in Pooled Investments	(11,337)	29,577
CASH AND EQUITY IN POOLED INVESTMENTS		
Beginning of Year	103,189	73,612
End of Year	<u>\$ 91,852</u>	<u>\$ 103,189</u>
CASH AT THE END OF THE YEAR CONSISTS OF		
Operating Cash and Equity in Pooled Investments	\$ 27,690	\$ 24,792
Current Restricted Cash and Equity in Pooled Investments	12,178	20,014
Noncurrent Restricted Cash and Equity in Pooled Investments	51,984	58,383
Total Cash at the End of the Year	<u>\$ 91,852</u>	<u>\$ 103,189</u>

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

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

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2015
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	L i g h t		W a t e r	
	2015	2014	2015	2014
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 110,840	\$ 152,355	\$ 58,371	\$ 58,501
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	112,000	105,813	50,043	51,466
Depreciation Charged to O&M Accounts	6,310	2,289	—	—
Amortization of Other Liabilities and Other Operating Expenses	25,932	22,165	1,692	—
Nonoperating Revenues and Expenses	5,047	5,193	2,204	2,222
Changes in Operating Assets and Liabilities				
Accounts Receivable	(5,247)	(9,339)	(786)	380
Unbilled Receivables	(5,906)	14,208	(184)	315
Other Receivables	(1,145)	17	—	—
Due from Other Funds	(2,056)	(1,457)	(133)	(56)
Due from Other Governments	(262)	193	(77)	781
Materials and Supplies Inventory	(2,010)	1,192	37	(67)
Accounts Payable	14,551	3,676	1,526	2,055
Salaries, Benefits, and Payroll Taxes Payable	1,035	1,786	2,107	442
Compensated Absences Payable	4,238	1,236	(15)	458
Due to Other Funds	61	1,152	500	1,054
Due to Other Governments	—	—	—	(69)
Claims Payable	(11,840)	(1,380)	(149)	122
Taxes Payable	1,552	(2,707)	39	2
Unearned Revenues and Other Credits	2,937	7,527	1,241	1,665
Other Assets and Liabilities	(4,622)	(10,707)	268	191
Rate Stabilization	(23,363)	4,370	7,318	8,458
Total Adjustments	117,212	145,227	65,631	69,419
Net Cash from Operating Activities	\$ 228,052	\$ 297,582	\$ 124,002	\$ 127,920
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
In-Kind Capital Contributions	\$ 1,398	\$ 3,623	\$ 1,602	\$ 4,670
Amortization of Debt Related Costs, Net	9,243	7,399	—	—
Change in Valuation of Power Exchange Assets or Liabilities	—	—	—	—
Allowance for Funds Used During Construction	8,947	5,757	—	—
Power Exchange Revenues	16,950	25,321	—	—
Power Exchange Expenses	(17,584)	(25,592)	—	—
Power Revenue Netted against Power Expenses	6,550	6,098	—	—
Power Expense Netted against Power Revenues	(8,453)	(17,051)	—	—
Settlement from Nextel	—	—	—	—
Total Noncash Investing, Capital, and Financing Activities	\$ 17,051	\$ 5,555	\$ 1,602	\$ 4,670

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2015
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Drainage and Wastewater		Solid Waste	
	2015	2014	2015	2014
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 61,658	\$ 57,779	\$ 5,047	\$ 1,806
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	23,452	22,190	8,109	8,187
Depreciation Charged to O&M Accounts	—	—	—	—
Amortization of Other Liabilities and Other Operating Expenses	1,577	—	577	—
Nonoperating Revenues and Expenses	2,285	1,384	1,076	2,115
Changes in Operating Assets and Liabilities				
Accounts Receivable	(1,836)	3,129	(268)	360
Unbilled Receivables	(440)	(229)	57	(6)
Other Receivables	—	—	—	—
Due from Other Funds	119	32	7	43
Due from Other Governments	(3,856)	268	(250)	79
Materials and Supplies Inventory	(164)	(104)	(34)	39
Accounts Payable	518	(1,766)	2,867	2,070
Salaries, Benefits, and Payroll Taxes Payable	2,593	229	709	74
Compensated Absences Payable	(73)	548	44	36
Due to Other Funds	(971)	3,685	648	(415)
Due to Other Governments	1,144	(36)	—	—
Claims Payable	(1,960)	256	8,711	3
Taxes Payable	11	(35)	(100)	(122)
Unearned Revenues and Other Credits	370	—	257	—
Other Assets and Liabilities	226	1,223	638	(1,891)
Rate Stabilization	—	—	2,686	10,549
Total Adjustments	22,995	30,773	25,734	21,120
Net Cash from Operating Activities	<u>\$ 84,653</u>	<u>\$ 88,553</u>	<u>\$ 30,781</u>	<u>\$ 22,927</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
In-Kind Capital Contributions	\$ 4,583	\$ 7,263	\$ —	\$ —
Amortization of Debt Related Costs, Net	—	—	—	—
Change in Valuation of Power Exchange Assets or Liabilities	—	—	—	—
Allowance for Funds Used During Construction	—	—	—	—
Power Exchange Revenues	—	—	—	—
Power Exchange Expenses	—	—	—	—
Power Revenue Netted against Power Expenses	—	—	—	—
Power Expense Netted against Power Revenues	—	—	—	—
Settlement from Nextel	—	—	—	—
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 4,583</u>	<u>\$ 7,263</u>	<u>\$ —</u>	<u>\$ —</u>

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

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2015
(In Thousands)

	Business-Type Activities - Enterprise Funds			
	Nonmajor Funds		Comparative Totals	
	2015	2014	2015	2014
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 2,416	\$ 429	\$ 238,332	\$ 270,870
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities				
Depreciation and Amortization	2,519	2,588	196,123	190,245
Depreciation Charged to O&M Accounts	—	—	6,310	2,289
Amortization of Other Liabilities and Other Operating Expenses	774	—	30,552	22,165
Nonoperating Revenues and Expenses	310	—	10,922	10,914
Changes in Operating Assets and Liabilities				
Accounts Receivable	144	134	(7,993)	(5,336)
Unbilled Receivables	—	—	(6,473)	14,287
Other Receivables	—	—	(1,145)	17
Due from Other Funds	(52)	162	(2,115)	(1,276)
Due from Other Governments	92	65	(4,353)	1,386
Materials and Supplies Inventory	—	—	(2,171)	1,060
Accounts Payable	(883)	(557)	18,579	5,477
Salaries, Benefits, and Payroll Taxes Payable	1,597	303	8,041	2,835
Compensated Absences Payable	321	66	4,515	2,343
Due to Other Funds	62	132	300	5,607
Due to Other Governments	—	—	1,144	(104)
Claims Payable	447	4	(4,791)	(995)
Taxes Payable	—	5	1,502	(2,856)
Unearned Revenues and Other Credits	2,759	2,220	7,564	11,412
Other Assets and Liabilities	201	236	(3,289)	(10,949)
Rate Stabilization	—	—	(13,359)	23,376
Total Adjustments	8,291	5,358	239,863	271,898
Net Cash from Operating Activities	\$ 10,707	\$ 5,787	\$ 478,195	\$ 542,768
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
In-Kind Capital Contributions	\$ —	\$ —	\$ 7,583	\$ 15,556
Amortization of Debt Related Costs, Net	—	—	9,243	7,399
Change in Valuation of Power Exchange Assets or Liabilities	—	—	—	—
Allowance for Funds Used During Construction	—	—	8,947	5,757
Power Exchange Revenues	—	—	16,950	25,321
Power Exchange Expenses	—	—	(17,584)	(25,592)
Power Revenue Netted against Power Expenses	—	—	6,550	6,098
Power Expense Netted against Power Revenues	—	—	(8,453)	(17,051)
Settlement from Nextel	—	—	—	—
Total Noncash Investing, Capital, and Financing Activities	\$ —	\$ —	\$ 23,236	\$ 17,488

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

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STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2015
(In Thousands)

	Governmental Activities - Internal Service Funds	
	2015	2014
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 28,003	\$ 17,376
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities		
Depreciation and Amortization	35,507	34,600
Depreciation Charged to O&M Accounts	—	—
Amortization of Other Liabilities and Other Operating Expenses	1,819	—
Nonoperating Revenues and Expenses	62	—
Changes in Operating Assets and Liabilities	—	—
Accounts Receivable	(35)	(25)
Unbilled Receivables	(321)	227
Other Receivables	—	—
Due from Other Funds	(1,400)	(3,519)
Due from Other Governments	23	395
Materials and Supplies Inventory	(1,257)	(343)
Accounts Payable	3,483	(1,072)
Salaries, Benefits, and Payroll Taxes Payable	2,466	392
Compensated Absences Payable	337	477
Due to Other Funds	700	2,008
Due to Other Governments	34	(1)
Claims Payable	149	(13)
Taxes Payable	39	19
Unearned Revenues and Other Credits	—	—
Other Assets and Liabilities	761	625
Rate Stabilization	—	—
Total Adjustments	42,367	33,770
Net Cash from Operating Activities	\$ 70,370	\$ 51,146
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
In-Kind Capital Contributions	\$ 7,521	\$ 30,935
Amortization of Debt Related Costs, Net	(477)	253
Change in Valuation of Power Exchange Assets or Liabilities	—	—
Allowance for Funds Used During Construction	—	—
Power Exchange Revenues	—	—
Power Exchange Expenses	—	—
Power Revenue Netted against Power Expenses	—	—
Power Expense Netted against Power Revenues	—	—
Settlement from Nextel	—	—
Total Noncash Investing, Capital, and Financing Activities	\$ 7,044	\$ 31,187

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

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FIDUCIARY FUNDS**PRIVATE-PURPOSE TRUST FUND**

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

Descriptions for the pension trust funds and agency funds are provided in the Combining and Individual Fund and Other Supplementary Information section.

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

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STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2015
(In Thousands)

	Pension Trust Funds	S. L. Denny Private-Purpose Trust	Agency Funds
ASSETS			
Cash and Equity in Pooled Investments	\$ 21,442	\$ 217	\$ 10,260
Short-Term Investments	186,630	—	—
Receivables			
Members	3,496	—	—
Employers	4,788	—	—
Interest and Dividends	3,457	—	—
Sales Proceeds	6,175	—	—
Other	880	—	48
Total Receivables	18,796	—	48
Investments at Fair Value			
Fixed Income	599,675	—	—
Equity	1,134,206	—	—
Real Estate	270,796	—	—
Alternative Investments	114,896	—	—
Total Investments at Fair Value	2,119,573	—	—
Securities Lending Collateral	50,952	—	—
Total Assets	2,397,393	217	10,308
LIABILITIES			
Accounts Payable and Other Liabilities	3,696	—	782
Salaries, Benefits, and Payroll Taxes Payable	—	—	2,376
Deposits Payable	—	—	7,135
Claims/Judgments Payable	—	—	15
Securities Lending Collateral	53,633	—	—
Investment Commitments Payable	7,448	—	—
Total Liabilities	64,777	—	10,308
Net Position Restricted for Pensions	\$ 2,332,616	\$ 217	\$ —

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

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STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended December 31, 2015
(In Thousands)

	Pension Trust Funds	S.L. Denny Private-Purpose Trust
ADDITIONS		
Contributions		
Employer	\$ 138,743	\$ —
Plan Member	65,779	—
Total Contributions	204,522	—
Investment Income		
From Investment Activities		
Net Appreciation (Depreciation) in Fair Value of Investments	(23,062)	—
Interest	11,428	2
Dividends	27,989	—
Total Investment Activities Income	16,355	2
Investment Activities Expenses		
Investment Management Fees	9,096	—
Investment Consultant Fees	295	—
Investment Custodial Fees	354	—
Total Investment Activities Expenses	9,745	—
Net Income from Investment Activities	6,610	2
From Securities Lending Activities		
Securities Lending Income	57	—
Borrower Rebates	674	—
Total Securities Lending Income	731	—
Securities Lending Expenses		
Management Fees	183	—
Total Securities Lending Expenses	183	—
Net Income from Securities Lending Activities	548	—
Total Net Investment Income	7,158	2
Other Income	2,124	—
Total Additions	213,804	2
DEDUCTIONS		
Benefits	198,238	—
Refund of Contributions	16,671	—
Administrative Expense	8,826	—
Total Deductions	223,735	—
Change in Net Position	(9,931)	2
Net Position - Beginning of Year	2,342,547	215
Net Position - End of Year	\$ 2,332,616	\$ 217

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

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

Indicators of Financial Accountability

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

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

Joint Venture

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

Organizations Excluded: Related Organizations

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

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

ACCOUNTING STANDARDS

In 2015, the City implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures. The City has determined that Seattle City Employees' Retirement System (SCERS) and Law Enforcement Officers' and Fire Fighters' Retirement System are subject the requirements of Statement No. 68. The requirements of Statements No.25 and No.50 remain applicable to the City's other pension plans that are not administered through trust or equivalent arrangements.

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

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

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

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

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

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Statement of Net Position

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

The amount reported as net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, deferred inflow and outflow resources attributable to capital assets, 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 bylaw through constitutional provisions or enabling legislation. Unrestricted net position is the amounts remaining that are not “net investment in capital assets” or “restricted.”

Statement of Activities

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

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

Fund Financial Statements

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

The Water Fund accounts for operating the City's water utility. The Water Fund maintains approximately 1,900 miles of transmission and distribution system pipelines and 350 million gallons of distribution storage capacity in the Cedar and Tolt Rivers and Highline Well Field watersheds. The distribution system serves a population of about 1.3 million people.

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-wide Financial Statements

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

Governmental Fund Financial Statements

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

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

Proprietary Fund Financial Statements

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

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

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

Fiduciary Fund Financial Statements

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

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

Prior-Year Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City of Seattle's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Use of Estimates

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

BUDGETS AND BUDGETARY ACCOUNTING

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

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

Cash and Investments

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

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

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

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

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

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

- The City seeks to preserve principal while maximizing income and maintaining liquidity to meet the City's need for cash.
- Investment decisions should further the City's social policies established by ordinance or policy resolutions of the City Council.
- A City social policy shall take precedence over furthering the City's financial objectives when expressly authorized by City Council resolution, except where otherwise provided by law or trust principles.

- Securities purchased shall have a maximum maturity of fifteen years, and the average maturity of all securities shall be less than five years.
- All transactions are done on a delivery-versus-payment basis.
- The standard of prudence to be used by investment personnel shall be the “Prudent Person Rule” and will be applied in the context of managing an overall portfolio.
- Securities shall not be purchased with trading or speculation as the dominant criterion for the selection of the security.

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

Receivables

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

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

Inventories and Supplies

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

Capital Assets

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

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

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

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

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

Restricted Assets

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

Other Charges

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

Prepaid Items

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

Deferred Outflows/Inflows of Resources

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

Accumulated Compensated Absences

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

or union contracts. Unused other compensated absences are vested and payable at retirement or termination. Compensated absences, including payroll taxes, are reported as current and noncurrent liabilities in the Statement of Net Position. Actual balances are accrued for all types of compensated absences except sick leave, the liability for which is generally estimated using the termination method.

Claims Payable

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

Other Accrued Liabilities

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

Interfund Activity and Contracts/Advances

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

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

Unearned Revenues

Unearned revenues include amounts collected or billed in advance of providing the service. The balances consist primarily of contract revenues, mortgages receivable, grant funds received in advance of expenditures, portions of local improvement districts special assessments that are due in succeeding years in governmental funds, and the amounts loaned by the Housing and Community Development Revenue Sharing Fund, a special revenue fund, under authorized federal loan programs.

Fund Balances

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

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

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

General Fund Stabilization and Other Reserves

The City created the Revenue Stabilization Account (RSA) to fund activities that would otherwise be reduced in scope, suspended or eliminated due to unanticipated shortfalls in the General Subfund revenues. Any use of the RSA shall be accompanied with an ordinance approved by the City Council. The City shall replenish the RSA through (1) transfers by ordinance from other city funds; (2) automatic transfer of 0.5 percent of forecasted tax revenues; and (3) 50 percent of unanticipated excess fund balance of the General Subfund. At no time shall the maximum funding level exceed 5 percent of the General Subfund tax revenues forecast. At the end of fiscal year 2015, the RSA reported an ending fund balance of \$45.2 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 2015, the Emergency Subfund reported an ending fund balance of \$54.2 million.

A summary of governmental fund balances at December 31, 2015, is as follows:

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

Fund Balances	General	Transportation	Low-Income Housing	Other Governmental	Total
Nonspendable					
General	\$ 95	\$ —	\$ —	\$ —	\$ 95
Capital and Continuing Programs	2	—	—	—	2
Library	27	—	—	—	27
Transportation	—	515	—	—	515
Employee Benefit Trust Funds	350	—	—	—	350
Parks and Recreation	—	—	—	388	388
Seattle Center	—	—	—	274	274
Permanent Funds	—	—	—	2,050	2,050
Restricted					
General	11,162	—	—	5,578	16,740
Capital and Continuing Programs	82,380	—	—	128,192	210,572
Library	13,104	—	—	9,582	22,686
Transportation	—	14,001	—	22,652	36,653
Low-Income Housing	—	—	135,079	—	135,079
Health Care Reserve	29,980	—	—	—	29,980
Parks and Recreation	—	—	—	1,679	1,679
Legal Settlement	—	—	—	223	223
Pike Place Market Renovation	—	—	—	2,857	2,857
Seattle Center	—	—	—	1,821	1,821
Wheelchair Accessibility	—	—	—	724	724
Human Services	—	—	—	4,727	4,727
Office of Housing	—	—	—	48	48
Department of Education	—	—	—	63,670	63,670
Municipal Arts	—	—	—	8,519	8,519
Debt Service	—	—	—	11,548	11,548
General Trust	—	—	—	3,801	3,801
General Donation and Gift Trusts	—	—	—	2,917	2,917
Permanent Funds	—	—	—	112	112
Committed					
General	4,208	—	—	—	4,208
Capital and Continuing Programs	24,492	—	—	—	24,492
Library	458	—	—	—	458
Transportation	—	56,481	—	—	56,481
Low-Income Housing	—	—	1,692	—	1,692
Judgment and Claims	8,765	—	—	—	8,765
Cable Television Franchise	4,458	—	—	—	4,458
Neighborhood Marching	3,302	—	—	—	3,302
Bluefield Habitat Maintenance	210	—	—	—	210
Developmental Rights	22	—	—	—	22
Employee Benefit Trust Funds	8,078	—	—	—	8,078
Health Care Reserve	41,787	—	—	—	41,787
Seattle Center	—	—	—	2,704	2,704
Human Services	—	—	—	8,071	8,071
Municipal Arts	1,517	—	—	—	1,517
Assigned					
General	3,791	—	—	—	3,791
Library	1,976	—	—	—	1,976
Parks and Recreation	—	—	—	3,215	3,215
Human Services	—	—	—	5,954	5,954
Office of Housing	—	—	—	1,835	1,835
Unassigned					
General	44,343	—	—	—	44,343
Capital and Continuing Programs	—	—	—	(22,795)	(22,795)
Revenue Stabilization Account	45,223	—	—	—	45,223
Emergency Subfund	54,198	—	—	—	54,198
Parks and Recreation	—	—	—	(8,175)	(8,175)
Seattle Streetcar	—	—	—	(3,188)	(3,188)
Total	\$ 383,928	\$ 70,997	\$ 136,771	\$ 258,983	\$ 850,679

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

(2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY INFORMATION

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

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

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

Table 2-1

APPROPRIATION CHANGES – GENERAL FUND (In Thousands)

	2015
Annual Budget	\$ 1,373,947
Carryovers	
Encumbrances	4,376
Continuing Appropriations	79,864
Intrafund Eliminations	(18,261)
Budget Revisions	65,353
Budget Transfers	4
Total Budget	\$ 1,505,283

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

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

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

The City Council may by ordinance abrogate, decrease, or re-appropriate 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 thousand. Total transfers out may not

exceed 25 percent of the original budgeted allowance. For capital items the affected budget is both the original appropriated budget for the current year and the unexpended budget carried over from prior years. Within a budget control level, departments may transfer appropriations without the City Budget Office's approval.

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

DEFICITS IN FUND BALANCES AND NET POSITION

The Downtown Parking Garage Fund reported a net position deficit of \$26.1 million at December 31, 2015, a decrease of \$484 thousand from the prior year. This is attributed to the insufficiency of revenues to fully cover its operating expenses, including annual depreciation charge of \$2.1 million and interest expenses on debt service of \$2.8 million. The original loan ordinance 124123 authorized a cash loan of no more than \$5.0 million; this was amended by Ordinance 124348 to increase the cash loan authority to a maximum of \$9.5 million that could be provided to Downtown Parking Garage Fund to cover negative cash. At the end of December 31, 2015 the fund was provided of \$7.6 million to cover the negative cash position, a \$1.2 million increase over the \$6.4 million provided in 2014. The City's Facilities Operating Division is evaluating ways to resolve the deficit condition which may include selling the parking garage asset in 2016.

The Seattle Streetcar Fund reported a deficit fund balance of \$3.2 million as of December 31, 2015. The fund was created by Ordinance 122424 in 2007 and later amended in 2009 by Ordinance 123102 to increase the authorized interfund loan allowance from the City's Consolidated Residual Cash Pool to a maximum of \$3.7 million. This loan is to be repaid no later than December 31, 2018 from the sale of surplus property, grants, donations, transfers, and other monies as authorized by ordinance.

The Central Waterfront Improvement Fund reported a deficit fund balance of \$18.5 million as of December 31, 2015. Ordinance 123142 created this fund with specific intent that multiple partnerships, both intergovernmental and private be established for funding the urgent and necessary repairs to the Seawall and other infrastructure along the Waterfront. In recognition of this urgency, Ordinance 123761 permits this fund to use up to \$2.4 million at any one time from the City's cash pool. This ordinance was amended by Ordinance 124033 and Ordinance 124345 to increase the allowable amount of the interfund loan from the City's Consolidated Residual Cash Pool to \$31.2 million. At year end \$18.4 million of the loan authorization was used to cover the funds deficit cash position. This loan is to be repaid no later than December 31, 2016 from grants, donations, transfers and other monies as authorized by ordinance.

In 2014 the 2016 Multipurpose LTGO Bond Fund was created by ordinance 124648. At the end of 2015 the fund reported a deficit fund balance of \$4.2 million. Ordinance 124842 authorized a maximum interfund loan of \$2.7 million for bridge financing of the North Precinct project. At year end \$2.4 million of the loan authorization was used to cover the funds deficit cash position. The loan will be repaid from the proceeds of the sale of LTGO bonds in 2016.

(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, 2015, 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, 2015, 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, 2015, 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, 2015	Weighted Average Maturity (Days)
Repurchase Agreements	\$ 55,063	4
U.S. Treasury and U.S. Government-Backed Securities	455,758	487
U.S. Government Agency Securities	482,719	1,213
U.S. Government Agency Mortgage-Backed Securities	219,807	1,906
Commercial Paper	219,945	25
Municipal Bonds	277,613	1,084
Bank Note	49,379	879
Total	<u>\$ 1,760,284</u>	
Weighted Average Maturity of the City's Pooled Investments		896

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. To mitigate interest rate risk the City intentionally immunizes its known and expected cash flow needs. To best accomplish meeting its investment objectives, the City has divided the Pool into two separate portfolios: Operating and Strategic.

The Operating Portfolio is invested to meet reasonably expected liquidity needs over a period of twelve to eighteen months. This portfolio has low duration and high liquidity. Consistent with this profile, and for the purpose of comparing earnings yield, its benchmark is the net earnings rate of the State of Washington's Local Government Investment Pool (LGIP).

The Strategic Portfolio consists of cash that is in excess of known and expected liquidity needs. Accordingly, this portfolio is invested in debt securities with longer maturities than the Operating Portfolio, which over a market cycle, is expected to provide a higher return and greater investment income. Consistent with this profile, and for the purpose of comparing duration, yield and total return, the benchmark for the Strategic portfolio is the Barclays U.S. Government 1-7 year index. The duration of the Strategic Portfolio is targeted between 75 and 125 percent of the benchmark.

To further mitigate interest rate risk a minimum of 60 percent of the Operating Portfolio and 30 percent of the Strategic Portfolio must be invested in asset types with high liquidity, specifically U.S. Government obligations, U.S. Government Agency obligations, LGIP, Demand Accounts, Repo, Sweep, and Commercial Paper.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statute and the City's Statement of Investment Policy do not stipulate credit quality requirements for U.S. Government or U.S. Government Agency Obligations. The City has credit risk exposure from its holdings of senior unsecured bank notes, commercial paper, and taxable municipal bonds. To mitigate credit risk the City's investments are subject to the following restrictions:

- Maximum of 5 percent of the Pool invested in a single issuer of commercial paper, bank notes, or municipal bonds.
- Maximum of 50 percent of the Pool invested in sectors sensitive to credit risk, specifically commercial paper, bank notes and municipal bonds.
- Maximum of 25 percent of the Pool invested in commercial paper.
- Commercial paper purchases must adhere to the investment policies and procedures adopted by the Washington State Investment Board (Policy No. 2.05.500 adopted 3/16/95, revised 9/17/15).
 - The issuer must be rated with the highest short-term credit rating of any two Nationally Recognized Statistical Ratings Organizations (NRSROs), at the time of purchase (P-1, A-1+, A-1, F1+, F1, by Moody's, S&P and Fitch, respectively). If the commercial paper is rated by more than two NRSROs, it must have the highest rating from all of the organizations.
 - Commercial Paper investments may not have maturities exceeding 180 days.
 - Any Commercial Paper purchased with a maturity longer than 100 days must also have an underlying long-term credit rating at the time of purchase in one of the two highest rating categories of a NRSRO.
- Municipal Bonds at the time of purchase must have one of the three highest credit ratings of a nationally recognized rating agency. The Office of the State Treasurer interprets the three highest credit ratings as AAA, AA and A including gradations within each category. For example, the lowest credit rating allowable is A3 by Moody's and A- by S&P and Fitch.
- Bank notes at the time of purchase must have a credit rating of not less than "A" by a nationally recognized rating agency.

The City subscribes to asset-backed commercial paper research from Moody's Investors Service and public finance and non-U.S. bank research from Fitch Ratings. The City conducts internal due diligence of commercial paper, bank note and municipal issuers, and maintains an "approved list" of issuers. Finally, the City monitors the credit worthiness of its investments over time until they mature, or are potentially sold.

Concentration Risk. State statute and the City's Statement of Investment Policy do not stipulate concentration limits for holdings of U.S. Government or U.S. Government Agency Obligations. As noted under credit risk the City will not hold more than 5 percent of a single issuer of commercial paper, senior unsecured bank notes, or municipal bonds.

Table 3-2

CONCENTRATION OF CREDIT RISK

(In Thousands)

Issuer	Fair Value	Percent of Total Investments
Federal National Mortgage Association (Fannie Mae), FNA, and FNMA DUS	\$ 243,749	14%
Federal Home Loan Mortgage Corporation (Freddie Mac)	220,614	13
Federal Home Loan Bank	133,886	8
Federal Farm Credit Bank	104,276	6

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

By investment policy, the City maintains a list of approved securities dealers for transacting business. 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
Fixed Income	\$ 599,494
Equity	1,126,488
Real Estate	270,796
Alternative Investments	114,896
Total	\$ 2,111,674

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	N/A
Agencies	\$ 5,911	\$ 7	\$ 3,943	\$ 8	\$ 1,953	\$ —
Alternative Investment	96	(1)	—	99	(13)	11
Asset Backed Security	24,422	—	6,664	7,661	10,097	—
Commingled Funds	47,843	—	—	—	—	47,843
Corporate Debt	150,486	4,141	61,695	53,989	30,427	234
Foreign Sovereign	22,840	2,725	4,737	11,777	3,601	—
Mortgage Backed Security	135,151	66	8,895	6,443	119,747	—
Municipal	4,914	—	310	553	4,051	—
Pooled Fund	70,062	—	—	—	—	70,062
Treasury Inflation Linked Securities	21,404	534	5,239	8,572	7,059	—
Treasury Notes and Bonds	116,364	3,778	38,039	46,776	27,771	—
Total Fixed Income	<u>\$ 599,493</u>	<u>\$ 11,250</u>	<u>\$ 129,522</u>	<u>\$ 135,878</u>	<u>\$ 204,693</u>	<u>\$ 118,150</u>

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

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

Table 3-5

SCERS' FIXED INCOME RATINGS BY STANDARD AND POOR'S

(In Thousands)

Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	CCC and Below	Not Rated
Agencies	\$ 5,911	\$ —	\$ 5,733	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 178
Alternative Investment	96	—	—	—	—	—	—	—	96
Asset Backed Security	24,422	9,738	6,416	571	248	851	762	2,245	3,591
Commingled Funds	47,843	—	—	—	—	—	—	—	47,843
Corporate Debt	150,486	1,794	7,904	35,470	68,237	21,778	8,690	3,068	3,546
Foreign Sovereign	22,840	395	2,100	8,274	3,290	2,727	—	162	5,892
Mortgage Backed Security	135,151	971	81,410	3,413	2,181	665	1,820	3,603	41,088
Municipal	4,914	1,222	2,096	1,107	130	14	58	—	286
Pooled Fund	70,062	—	—	—	—	—	—	—	70,062
Treasury Inflation Linked Securities	21,404	—	21,404	—	—	—	—	—	—
Treasury Notes and Bonds	116,364	—	116,362	—	—	—	—	—	2
Total Fixed Income	<u>\$ 599,493</u>	<u>\$ 14,120</u>	<u>\$ 243,425</u>	<u>\$ 48,835</u>	<u>\$ 74,086</u>	<u>\$ 26,035</u>	<u>\$ 11,330</u>	<u>\$ 9,078</u>	<u>\$ 172,584</u>

Table 3-6

SCERS' ASSET ALLOCATION

Asset Class	Actual	Target
Cash and short-term Investments	8.5%	—%
Equity	48.8	48.0
Fixed Income	26.0	23.0
Alternative	5.0	17.0
Real Estate	11.7	12.0
Total	100.0%	100.0%

Concentration of Credit Risk. The Investment Committee reviews its portfolio holdings quarterly with the Investment Consultant to ensure compliance with the specified targets and performance results. Rebalancing of the portfolio back to the target percentages is undertaken to ensure compliance with the specified targets. The Retirement Board provides its investment managers with a set of investment guidelines that specify eligible investments, minimum diversification standards, and applicable restrictions necessary for diversification. In general, these guidelines require that investments in any issuer may not exceed 5 percent of the net 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, 2015, SCERS has no credit risk exposure to borrowers; amounts owed to borrowers exceed the amount the borrower owes.

Table 3-7

SCERS' SECURITIES LENT AND COLLATERAL

(In Thousands)

Type of Securities Lent	2015		2014	
	Fair Values of Securities Lent	Collateral	Fair Values of Securities Lent	Collateral
U.S. Government and Agencies	\$ 11,574	\$ 11,785	\$ 2,616	\$ 2,666
U.S. Corporate Fixed Income	4,202	4,287	1,504	1,535
U.S. Equities	36,197	37,090	12,104	12,520
International Fixed Income	525	541	219	225
International Equity	—	—	10,571	11,282
Total Securities Lent	<u>\$ 52,498</u>	<u>\$ 53,703</u>	<u>\$ 27,014</u>	<u>\$ 28,228</u>
Collateral		2015		2014
Repurchase Agreements		\$ 50,450		\$ 24,690
Asset-Backed Securities		1,055		1,110
Payable/Receivable		2,128		2,429
Total Collateral		<u>\$ 53,633</u>		<u>\$ 28,229</u>
Fair Value of Collateral Held		\$ 50,942		\$ 25,229

REVERSE REPURCHASE AGREEMENTS

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

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

Table 4-1

TAX REVENUES AND RECEIVABLES

(In Thousands)

	December 31 2015 Revenues	December 31 2015 Receivables
Property Taxes	\$ 420,691	\$ 8,215
General Business and Occupation Taxes	454,086	64,958
Totals	<u>\$ 874,777</u>	<u>\$ 73,173</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 \$1.62 per \$1,000 of assessed value for general operations and Firemen's Pension Fund in 2015. In addition, the levy included \$1.00 per \$1,000 of assessed value for debt service and other voter-approved levies. The total 2015 levy was \$2.62 per \$1,000 of assessed value. Not included in this total is the King County levy for Medic One/Emergency Medical Services, from which the City receives a direct, proportional distribution of proceeds. This was renewed by voters at election in November 2013 for collection in 2014 at \$0.335 per \$1,000 of assessed value and remained at \$0.30 per \$1,000 of assessed value in 2015.

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, 2015, as reported in the fund financial statements.

Table 4-2

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

Receivable Fund	Payable Fund(s)	Amount
General	Drainage and Wastewater	\$ 4,066
	Nonmajor Enterprise	50
	Nonmajor Governmental	2,284
	Internal Service	1,731
	Fiduciary	12
	Transportation	120
	Light	5,232
	Solid Waste	632
	Water	2,849
	Total General Fund	\$ 16,976
Transportation	Drainage and Wastewater	677
	Nonmajor Enterprise	166
	General	5,378
	Nonmajor Governmental	24,129
	Internal Service	83
	Transportation	2,821
	Light	1,908
	Solid Waste	124
	Water	485
	Total Transportation Fund	\$ 35,771
Light	Drainage and Wastewater	1,392
	General	210
	Nonmajor Governmental	36
	Internal Service	110
	Transportation	1
	Solid Waste	732
	Water	1,056
	Total Light Fund	\$ 3,537
Water	Drainage and Wastewater	373
	General	—
	Nonmajor Governmental	—
	Internal Service	1
	Light	384
	Solid Waste	134
	Total Water Fund	\$ 892
Low-Income Housing	Nonmajor Governmental	—
	Light	223
	Total Low-Income Housing Fund	\$ 223
Solid Waste	Drainage and Wastewater	1
	General	—
	Internal Service	—
	Light	215
	Water	22
	Total Solid Waste Fund	\$ 238
Drainage and Wastewater	Nonmajor Enterprise	13
	General	—
	Nonmajor Governmental	4
	Internal Service	6
	Transportation	116
	Light	591
	Solid Waste	11
	Water	123
	Total Drainage and Wastewater Fund	\$ 864

Table 4-2

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

Receivable Fund	Payable Fund(s)	Amount
Nonmajor Governmental	Drainage and Wastewater	\$ 401
	General	6,364
	Nonmajor Governmental	8,253
	Internal Service	423
	Fiduciary	—
	Low-Income Housing	61
	Transportation	578
	Light	611
	Solid Waste	39
	Water	120
	Total Nonmajor Governmental Funds	\$ 16,850
Fiduciary	Drainage and Wastewater	1
	Light	102
	Water	1
	Total Fiduciary Funds	\$ 104
Nonmajor Enterprise	Drainage and Wastewater	633
	General	87
	Nonmajor Governmental	14
	Internal Service	60
	Transportation	33
	Light	129
	Solid Waste	1
	Water	1
	Total Nonmajor Enterprise Funds	\$ 958
Internal Service	Drainage and Wastewater	715
	Nonmajor Enterprise	341
	General	3,002
	Nonmajor Governmental	2,465
	Internal Service	641
	Fiduciary	1
	Transportation	976
	Light	1,575
	Solid Waste	229
	Water	972
	Total Internal Service Funds	\$ 10,917
Grand Total		\$ 87,330

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

Table 4-3

ADVANCES, NOTES, AND LOANS FROM AND TO OTHER FUNDS

(In Thousands)

Advances, Notes, and Loans From	Advances, Notes, and Loans To	Amount
General Fund	Housing Community Development Revenue Sharing	\$ 2,275
	2016 LTGO Bond Fund	2,350
	Downtown Parking Garage Fund	7,600
	File Local Agency Fund	42
Parks and Recreation Fund	Seattle Metropolitan Parks District	3,764
	Park District Loan Capital Fund	2,000
Alaskan Way Seawall Construction Fund	Central Waterfront Improvement Fund	18,401
Total City		<u>\$ 36,432</u>

The interfund loans for the Downtown Parking Garage, the 2016 LTGO Bond Fund, and the Central Waterfront Improvement Fund have all been approved by the City Council through ordinance. The 2016 LTGO Bond Fund loan was approved by Ordinance 124842 and is to be repaid no later than December 31, 2016 by the issuance of long-term tax general obligation bonds. The Central Waterfront Improvement Fund loan was approved by Ordinances 123761, 124033, and 124345 and is to be repaid no later than December 31, 2016 from grants, donations, transfers. The Downtown Parking Garage's loan was authorized by Ordinances 123694, 124123, 124348, and 125003. It is to be repaid by December 31, 2016 using proceeds from the proposed sale of the Garage. The advances from the General Fund to the Housing Community Development Revenue Sharing Fund and the File Local Agency Fund were for the purpose of cash flow and were paid back in 2016. The loans to the Seattle Metropolitan Parks District Fund and the Park District Loan Capital Fund were approved by the Board of Commissioners of the Park District in their Resolution 3. The money is to be paid back over 8 years from property taxes.

Table 4-4

INTERFUND TRANSFERS

(In Thousands)

Transfers In	Transfers Out					Total
	General	Internal Service	Nonmajor Enterprise	Nonmajor Governmental	Transportation	
General Fund	\$ —	\$ 6,159	\$ 2,906	\$ 12,859	\$ —	\$ 21,924
Internal Service	341	—	—	—	—	341
Nonmajor Enterprise	12,337	—	—	—	—	12,337
Nonmajor Governmental	212,012	—	500	33,758	22,281	268,551
Transportation	64,913	—	—	143,193	—	208,106
Total Transfers	<u>\$ 289,603</u>	<u>\$ 6,159</u>	<u>\$ 3,406</u>	<u>\$ 189,810</u>	<u>\$ 22,281</u>	<u>\$ 511,259</u>

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Governmental Activities

Table 4-5

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES GOVERNMENTAL FUNDS

(In Thousands)

Deferred Outflows/Inflows of Resources	General	Transportation	Low-Income Housing	Nonmajor Governmental	Total
Deferred Outflows of Resources					
Housing Loan Guarantees	\$ 7,775	\$ —	\$ 427,316	\$ 47,021	\$ 482,112
Total Deferred Outflows of Resources	<u>\$ 7,775</u>	<u>\$ —</u>	<u>\$ 427,316</u>	<u>\$ 47,021</u>	<u>\$ 482,112</u>
Deferred Inflows of Resources					
Housing Loan Guarantees	\$ 7,775	\$ —	\$ 427,316	\$ 47,021	\$ 482,112
Property Taxes	4,039	643	308	1,282	6,272
Special Assessment	—	—	—	9,153	9,153
Total Deferred Inflows of Resources	<u>\$ 11,814</u>	<u>\$ 643</u>	<u>\$ 427,624</u>	<u>\$ 57,456</u>	<u>\$ 497,537</u>

Housing Loan Guarantees

This balance represents the portfolio of all outstanding housing development loans made through the City's Office of Housing. The loan activity and the associated loan guarantees were recorded with the Low-Income Housing Fund, the Community Development Block Grant Program Funds, and General Fund (Fund 00161). The deferred outflow and deferred inflow of resources are segregated on the balance sheets of the original funds that generated the activity. The deferred outflow of resources represents the loans issued and subject to ongoing use criteria. Although these loans are not expected to be repaid unless the property is sold or there is a change in purpose that would result in a contract default. A default due to compliance would generate a loan balance receivable for the City, and would immediately place a legal obligation on the City for repayment of the loan proceeds. This obligation is presented as the deferred inflow of resources. The result of a loan default scenario would have a net zero impact on the City's net position.

Special Assessment

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

Debt Service

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

Property Taxes

For 2015 total taxes outstanding of \$6.2 million were recorded as a tax receivable asset within our governmental funds. Unable to meet the revenue recognition criteria our governmental funds recorded the balance of the tax receivable asset as a Deferred Inflow of Resources. The reconciliation of our governmental fund financial statements to government-wide financial statements shows an adjustment to remove the deferred inflow of resources recorded by the governmental funds, and record the tax revenues to the Statement of Activities.

Pension Plans

As a result of implementing GASB Statement No. 68, Accounting and Financial Reporting for Pensions in fiscal year 2015, the City recognized deferred inflows and outflows of resources related to its pension plans. Detailed information about these deferred inflows and outflows of resources can be acquired in Note 11.

Table 4-6

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES GOVERNMENTAL ACTIVITIES

(In Thousands)

Deferred Outflows/Inflows of Resources	Governmental Funds	Internal Service Funds	Government-Wide Adjustment	Total
Deferred Outflows of Resources				
Housing Loan Guarantees	\$ 482,112	\$ —	\$ —	\$ 482,112
Debt Service	—	5,455	3,064	8,519
Pension Plans	—	12,341	76,377	88,718
Total Deferred Outflows of Resources	<u>\$ 482,112</u>	<u>\$ 17,796</u>	<u>\$ 79,441</u>	<u>\$ 579,349</u>
Deferred Inflows of Resources				
Housing Loan Guarantees	\$ 482,112	\$ —	\$ —	\$ 482,112
Property Taxes	6,272	—	(6,272)	—
Special Assessment	9,153	—	(2,455)	6,698
Pension Plans	—	—	34,506	34,506
Total Deferred Inflows of Resources	<u>\$ 497,537</u>	<u>\$ —</u>	<u>\$ 25,779</u>	<u>\$ 523,316</u>

Business-Type Activities

Table 4-7

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES BUSINESS-TYPE ACTIVITIES

(In Thousands)

Deferred Outflows/Inflows of Resources	City Light	Seattle Public Utilities			Planning and Development	Total
		Water	Drainage and Wastewater	Solid Waste		
Deferred Outflows of Resources						
Unrealized Contributions and Losses Related to Pension	\$ 33,350	\$ 9,856	\$ 9,184	\$ 3,360	\$ 6,561	\$ 62,311
Charges on Advance Refunding	\$ 16,385	\$ 29,453	\$ 6,085	\$ 2,968	—	\$ 54,891
Total Deferred Outflows of Resources	<u>\$ 49,735</u>	<u>\$ 39,309</u>	<u>\$ 15,269</u>	<u>\$ 6,328</u>	<u>\$ 6,561</u>	<u>\$ 117,202</u>
Deferred Inflows of Resources						
Revenue Stabilization Account	\$ 65,993	\$ 35,193	\$ —	\$ 18,481	\$ —	\$ 119,667
Regulatory Credits	23,854	—	—	—	—	23,854
Total Deferred Inflows of Resources	<u>\$ 89,847</u>	<u>\$ 35,193</u>	<u>\$ —</u>	<u>\$ 18,481</u>	<u>\$ —</u>	<u>\$ 143,521</u>

Revenue Stabilization Account

Funding of revenue stabilization accounts (RSAs) from operating cash effectively defers operating revenues. For the City Light (SCL) the balance of the RSA was \$66.0 million and \$89.4 million for 2015 and 2014, respectively. For the Seattle Public Utilities the balance of the RSA was \$53.7 million and \$43.7 million for 2015 and 2014, respectively.

Regulatory Credits

Regulatory credits are the result of SCL (as affirmed by Seattle City Council Resolution No. 30942) recognizing the effects of reporting the fair value of exchange contracts in future periods for rate making purposes and maintaining regulatory accounts to spread the accounting impact of these accounting adjustments. For SCL the balance of the credits were \$23.9 million and \$22.1million for 2015 and 2014, respectively.

(5) SHORT-TERM ENERGY CONTRACTS AND DERIVATIVE INSTRUMENTS

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

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

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

2015	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
Sales	\$ 13.3	\$ 13.5	\$ (0.2)
Purchases	1.4	1.3	(0.1)
Total	\$ 14.7	\$ 14.8	\$ (0.3)
2014	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
Sales	\$ 13.3	\$ 11.9	\$ 1.4
Purchases	—	—	—
Total	\$ 13.3	\$ 11.9	\$ 1.4

Fair value measurements at December 31, 2015 and 2014 used an income valuation technique consisting of Kiorex Forward Curves and interest rates from HIS Global Insight that are used to calculate discount rates.

All derivative instruments not considered as normal purchases and normal sales are to be recorded within the financial statements using derivative accounting according to GASB Statement No. 53. In 2010, the City Council adopted a resolution granting SCL authority to enter into certain physical put and call options that would not be considered normal purchases and normal sales under GASB Statement No. 53. SCL did not have any such activity for 2015 and 2014. 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	\$ 571,581	\$ 1,508	\$ 1,008	\$ 572,081
Construction in Progress	553,899	323,024	62,968	813,955
Other Capital Assets	11,521	—	—	11,521
Total Capital Assets Not Being Depreciated	1,137,001	324,532	63,976	1,397,557
CAPITAL ASSETS BEING DEPRECIATED				
Buildings and Improvements	2,336,096	31,967	24,677	2,343,386
Machinery and Equipment	363,994	36,896	23,359	377,531
Infrastructure	1,836,472	29,724	—	1,866,196
Other Capital Assets	7,191	134	—	7,325
Total Capital Assets Being Depreciated	4,543,753	98,721	48,036	4,594,438
Accumulated Depreciation				
Buildings and Improvements	750,134	59,318	13,881	795,571
Machinery and Equipment	238,003	35,077	22,347	250,733
Infrastructure	778,542	56,526	—	835,068
Other Capital Assets	2,183	235	—	2,418
Total Accumulated Depreciation	1,768,862	151,156	36,228	1,883,790
Total Capital Assets Being Depreciated, Net	2,774,891	(52,435)	11,808	2,710,648
Governmental Activities Capital Assets, Net	\$ 3,911,892	\$ 272,097	\$ 75,784	\$ 4,108,205
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 162,685	\$ 5,495	\$ 468	\$ 167,712
Construction in Progress	536,966	628,560	519,364	646,162
Other Capital Assets	5,171	179	—	5,350
Total Capital Assets Not Being Depreciated	704,822	634,234	519,832	819,224
CAPITAL ASSETS BEING DEPRECIATED				
Plant in Service, Excluding Land	6,801,199	506,745	58,775	7,249,169
Buildings	60,131	—	—	60,131
Machinery and Equipment	14,765	—	7	14,758
Other Capital Assets	83,816	1,340	11,246	73,910
Total Capital Assets Being Depreciated	6,959,911	508,085	70,028	7,397,968
Accumulated Depreciation				
Plant in Service, Excluding Land	2,637,878	196,423	67,188	2,767,113
Buildings	32,068	2,006	—	34,074
Machinery and Equipment	13,846	501	30	14,317
Other Capital Assets	1,559	75	275	1,359
Total Accumulated Depreciation	2,685,351	199,005	67,493	2,816,863
Total Capital Assets Being Depreciated, Net	4,274,560	309,080	2,535	4,581,105
Business-Type Activities Capital Assets, Net	\$ 4,979,382	\$ 943,314	\$ 522,367	\$ 5,400,329

^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	\$ 2,139
Public Safety	13,961
Transportation	59,292
Economic Environment	20
Culture and Recreation	40,629
Subtotal	116,041
Capital assets held by internal service funds are charged to the various functions based on their usage of the assets	35,115
Total Governmental Activities	\$ 151,156

BUSINESS-TYPE ACTIVITIES

Light	\$ 120,476
Water	46,592
Solid Waste	6,907
Drainage and Wastewater	22,513
Planning and Development	437
Parking Garage	2,080
Total Business-Type Activities	\$ 199,005

(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 2015 and 2014. The tables present the accrued compensated absences grouped by governmental activities, business-type activities, and pension trust funds at the end of 2015 and 2014.

GOVERNMENTAL ACTIVITIES

Governmental Funds

Unpaid compensated absences associated with governmental fund operations of \$84.2 million and \$97.8 million at December 31, 2015 and 2014, respectively, have been recorded in the government-wide financial statements.

Internal Service Funds

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

	2015	2014
Finance and Administrative Services	\$ 5,092	\$ 4,881
Information Technology	1,898	1,741
Totals	<u>\$ 6,990</u>	<u>\$ 6,622</u>

BUSINESS-TYPE ACTIVITIES

Enterprise Funds

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

	2015	2014
Light	\$ 22,985	\$ 18,747
Water	5,298	5,313
Drainage and Wastewater	4,998	5,071
Solid Waste	1,734	1,690
Planning and Development	3,402	3,081
Totals	<u>\$ 38,417</u>	<u>\$ 33,902</u>

PENSION TRUST FUNDS

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

	2015	2014
Employees' Retirement	\$ 165	\$ 123
Firemen's Pension	81	85
Police Relief and Pension	60	56
Totals	<u>\$ 306</u>	<u>\$ 264</u>

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

(8) LEASES

CAPITAL LEASES

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

Table 8-1

CAPITAL LEASES

(In Thousands)

Net Capital Lease Assets	Capital Assets Governmental Activities
Machinery and Equipment	\$ 259
Less Accumulated Depreciation	(106)
December 31, 2015	\$ 153
Minimum Capital Lease Payments	Long-Term Liabilities Governmental Activities
2015	\$ 177
Total Minimum Lease Payments	177
Less Interest	(26)
Principal	\$ 151

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 \$7.1 million and \$5.1 million in 2015 and 2014 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 and renewed to 2015 and reviewed again for another five years with new expiration date of July 30, 2020. The renewed lease agreement requires a fixed rent of \$25,956 per month subject to increases on each July 1 beginning in 2016 and every year thereafter by the percentage of change, if any, in the Consumer Price Index (CPI) for All Urban Consumers, United States Average for All Items (1982 - 84 = 100) published by the Bureau of Labor Statistics, United States Department of Labor CPI from the CPI last published in the preceding year, but not to exceed five percent for any lease year. If there is a decline in the CPI, the fixed rent during the succeeding year will be equal to the fixed rent during the immediate preceding year. All other amounts required by the landlord to be paid by Seattle Center on the lease shall constitute additional rent. On a triple net lease Seattle Center will pay all impositions on the lease, insurance premiums, utilities, taxes, operating expenses, maintenance charges, repair costs, and other charges, costs, and expenses which arise or may be contemplated during the lease term. Seattle Center paid lease payments of \$311,472 and \$307,910 in 2015 and 2014, respectively. Rents are paid as they become due and payable.

The City leases office equipment under various non-cancelable long-term operating lease agreements. The minimum payments made for these operating leases totaled \$793,407 in 2015.

Minimum payments under the leases are:

Table 8-2

OPERATING LEASE COMMITMENTS GOVERNMENTAL ACTIVITIES

(In Thousands)

Minimum Lease Payments							
Year Ending December 31	Department of Finance & Admin Services	Seattle Center	Department of Parks & Recreation	Department of Planning & Development	Office of Art & Cultural Affairs	Department of Transportation	Total
2016	\$ 9,187	\$ 311	\$ 562	\$ 23	\$ 3	\$ 12	\$ 10,098
2017	3,368	318	574	8	3	12	4,283
2018	1,999	324	572	—	2	12	2,909
2019	1,773	331	441	—	—	11	2,556
2020	1,364	169	44	—	—	—	1,577
2021-2025	3,714	—	—	—	—	—	3,714
Total	<u>\$ 21,405</u>	<u>\$ 1,453</u>	<u>\$ 2,193</u>	<u>\$ 31</u>	<u>\$ 8</u>	<u>\$ 47</u>	<u>\$ 25,137</u>

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

For the Year Ended December 31, 2015		
	2015	2014
Minimum Rentals:	\$ 8,042	\$ 6,084
Less: Sublease Rentals	(57)	(57)
	<u>\$ 7,985</u>	<u>\$ 6,027</u>

Business-Type Activities

Seattle City Light leases office equipment and smaller facilities for various purposes through long-term operating lease agreements. Expense for these operating leases totaled \$1,645,905 in 2015 and \$1,551,760 in 2014.

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 2015 and 2014 were: \$367,731 and \$367,701 for the Water Fund; \$106,557 and \$100,237 for the Drainage and Wastewater Fund, and \$205,257 and \$199,195 for the Solid Waste Fund. Rents are paid as they become due and payable.

Minimum payments under the leases are:

Table 8-3

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

Year Ending December 31	Minimum Payments				
	City Light	Water	Drainage & Wastewater	Solid Waste	Total
2016	\$ 1,470	\$ 331	\$ 96	\$ 176	\$ 2,073
2017	1,397	119	44	7	1,567
2018	1,018	120	45	5	1,188
2019	944	120	45	5	1,114
2020	—	36	14	3	53
2021 - 2025	—	59	—	—	59
2026 - 2030	—	47	—	—	47
Total	<u>\$ 4,829</u>	<u>\$ 832</u>	<u>\$ 244</u>	<u>\$ 196</u>	<u>\$ 6,101</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)

	2015	2014
Non-City Property Occupied by City Departments	\$ 6.6	\$ 5.2
City-Owned Property Occupied by City Departments	53.4	53.2
City-Owned Property Leased to Non-City Tenants	2.3	2.3
Total	<u>\$ 62.3</u>	<u>\$ 60.7</u>

Additionally, in 2015 the SeaPark Garage and the Seattle Municipal Tower Building generated \$2.9 million total parking revenues, which were recorded in the Finance and Administrative Services Fund.

Also, in 2015 the City recognized \$7.9 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 2015 was \$1.593 billion. The amount of bonds outstanding at December 31, 2015 was \$1.019 billion. The following paragraphs discuss the general obligation bonds issued and refunded/deceased during 2015.

In May 2015, the City issued the following series of General Obligation Bonds: (1) \$160.9 million LTGO Improvement Bonds, 2015, Series A. The bonds mature from December 2015 through June 2035 with an average coupon rate of 4.9 percent; (2) \$169.1 million UTGO Improvement Bonds, 2015, maturing in December 2044 with an average coupon rate of 4.1 percent; (3) \$28.2 million LTGO Improvement Bonds, 2015, Series B (Taxable) with the final maturity date of April 1, 2035 with an average coupon rate of 3.5 percent. The proceeds of these LTGO and UTGO bonds are used to pay all or part of the costs of construction and acquisition of various City capital projects, including Bridge Rehab, South Park Bridge, Alaska Way Corridor, Fire Facilities, Golf and other IT projects. In addition, the part of the 2015 LTGO bonds proceeds was used for the partial refunding of the 2005, 2006, 2007 and 2008 bonds.

City had no short-term general obligation debt at the end of 2015.

The following table presents the individual general obligation bonds outstanding as of December 31, 2015, and other relevant information on each outstanding bond issue.

Table 9-1

GENERAL OBLIGATION BONDS (In Thousands)

Name and Purpose of Issue	Issuance	Maturity	Effective Interest	Bond	Redemptions		Bonds Outstanding
	Date	Date	Rate	Issuance	2015	To Date ^a	December 31
LIMITD TAX GENERAL OBLIGATION (LTGO) BONDS - NON-VOTED							
Various Purpose and Refunding, 2005	3/23/2005	08/01/05-28	4.167%	\$ 129,540	\$ 44,150	\$ 129,540	\$ —
Various Purpose and Refunding, 2006	4/26/2006	03/01/07-26	4.254	24,905	6,060	18,810	6,095
Various Purpose and Refunding, 2007	5/2/2007	10/01/07-28	4.251	95,550	18,675	38,250	57,300
Various Purpose and Refunding, 2008	7/2/2008	12/01/08-28	4.398	139,830	87,585	125,435	14,395
Various Purpose and Refunding, 2009	3/25/2009	11/01/09-05/01/34	3.574	99,860	4,960	57,715	42,145
Improvement and Refunding, 2010, Series A ^b	3/31/2010	08/01/10-30	4.394	66,510	—	—	66,510
Improvement and Refunding, 2010, Series B	3/31/2010	08/01/10-31	4.394	135,395	10,425	39,065	96,330
Various Purpose, 2011	3/16/2011	03/01/11-31	4.431	79,185	2,865	20,805	58,380
Various Purpose and Refunding, 2012	5/16/2012	09/01/12-32	4.603	75,590	3,115	8,880	66,710
Improvement, 2013, Series A	6/4/2013	10/01/14-33	3.617	42,315	4,240	8,440	33,875
Improvement and Refunding, 2013, Series B	6/4/2013	01/01/14-25	1.341	55,075	8,805	10,550	44,525
Improvement and Refunding, 2014	4/10/2014	11/1/14-05/1/2034	4.329	62,770	6,785	6,785	55,985
Improvement and Refunding, 2015, Series A	5/21/2015	12/1/15-06/01/2035	4.871	160,945	1,350	1,350	159,595
Improvement and Refunding, 2015, Series B (Taxable)	5/21/2015	04/1/16-04/01/2035	3.454	28,175	—	—	28,175
Total Limited Tax General Obligation Bonds				\$1,195,645	\$ 199,015	\$ 465,625	\$ 730,020

Table 9-1

GENERAL OBLIGATION BONDS (continued)

(In Thousands)

Name and Purpose of Issue	Issuance	Maturity	Effective Interest	Bond	Redemptions		Bonds Outstanding
	Date	Date	Rate	Issuance	2015	To Date ^a	December 31
UNLIMITED TAX GENERAL OBLIGATION (UTGO) BONDS - VOTED							
Refunding-Various UTGO Bonds, 1998, Series A	03/17/98	09/01/98-17	4.470%	\$ 53,865	\$ 245	\$ 53,315	\$ 550
Refunding, 2007	05/02/07	12/01/07-18	3.886	60,870	6,815	38,725	22,145
Refunding-Various UTGO Bonds, 2012	05/16/12	12/01/12-21	4.603	46,825	4,630	14,085	32,740
Improvement, 2013	06/04/13	12/01/14-42	4.110	50,000	935	1,845	48,155
Improvement, 2014	04/10/14	12/01/14-43	4.004	16,400	315	315	16,085
Improvement, 2015	05/21/15	12/01/16-44	4.122	169,135	—	—	169,135
Total Unlimited Tax General Obligation Bonds				\$ 397,095	\$ 12,940	\$ 108,285	\$ 288,810
Total General Obligation Bonds				\$1,592,740	\$ 211,955	\$ 573,910	\$ 1,018,830

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

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

The requirements to amortize the general obligation bonds as of December 31, 2015, 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.

ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY
GENERAL OBLIGATION BONDS

Table 9-2

(In Thousands)

Year Ending December 31	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2016	\$ 73,995	\$ 41,275	\$ 3,280	\$ 2,676	\$ 121,226
2017	76,220	38,161	3,630	2,512	120,523
2018	75,320	34,823	4,010	2,331	116,484
2019	66,860	31,376	4,415	2,130	104,781
2020	61,020	28,625	4,840	1,909	96,394
2021 - 2025	269,805	104,148	31,330	5,439	410,722
2026 - 2030	152,975	54,502	2,015	199	209,691
2031 - 2035	89,345	28,776	—	—	118,121
2036 - 2044	99,770	20,059	—	—	119,829
Total	\$ 965,310	\$ 381,745	\$ 53,520	\$ 17,196	\$ 1,417,771

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 2015 was \$8.8 million. There were no new bond issues in 2015.

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
					2015	To Date	
Local Improvement District No. 6750 Bonds, 2006	09/13/06	12/15/07-26	4.102	\$ 21,925	\$ 1,570	\$ 13,100	\$ 8,825

Local Improvement District No. 6750 Assessment Collection Information

Calendar/Fiscal Year End Dec. 31	Assessment Installment Payments Billed ^a	Assessment Installment Payments Collected ^b	Unpaid Principal Balance of Assessments ^c	Assessment Installments that are Delinquent ^d
2006	\$ 1,243,211	\$ 3,818,560	\$ 21,031,677	\$ —
2007	1,228,415	2,469,222	19,547,593	53,008
2008	1,221,349	2,172,726	18,261,638	149,411
2009	1,202,504	2,433,616	16,761,182	163,623
2010	1,199,958	2,092,158	15,535,847	152,307
2011	1,194,120	1,991,483	14,265,404	194,705
2012	1,189,621	1,900,225	13,038,066	264,692
2013	1,186,600	2,046,315	11,819,398	249,080
2014	1,186,600	1,781,162	10,572,835	291,124
2015	1,148,384	1,996,091	9,153,197	287,510

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

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

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

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

The requirements to amortize the special assessments with governmental commitment as of December 31, 2015, 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
2016	\$ —	\$ 371	\$ 371
2017	—	371	371
2018	—	371	371
2019	—	371	371
2020	—	371	371
2021 - 2025	—	1,852	1,852
2026	8,825	370	9,195
Total	\$ 8,825	\$ 4,077	\$ 12,902

NOTES AND CONTRACTS PAYABLE – GOVERNMENTAL ACTIVITIES

The Seattle Department of Transportation (SDOT) has outstanding notes drawn in several years from the Washington State's Public Works Trust Loan program administered by the Washington State Public Works Board, a division of the Department of Commerce (formerly Department of Community, Trade, and Economic Development). The notes were drawn at varying low annual interest rates ranging from 0.5 percent to 3.0 percent. The proceeds of the loan support City road and bridge improvements. The City paid \$1.9 million and \$0.1 million in principal and interest, respectively, in 2015. The outstanding balance on the notes at December 31, 2015, is \$12.7 million. The following table presents the annual debt service requirements to maturity on the notes as of the end of 2015.

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

December 31	Principal	Interest	Total
2016	\$ 1,723	\$ 101	\$ 1,824
2017	1,519	78	1,597
2018	1,355	59	1,414
2019	1,275	45	1,320
2020	1,275	32	1,307
2021 - 2025	3,515	58	3,573
2026 - 2030	1,689	17	1,706
2031	316	1	317
Total	\$ 12,667	\$ 391	\$ 13,058

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 2015 was approximately \$4.954 billion. The total outstanding amount at December 31, 2015, was \$3.721 billion. During 2015 an additional \$648.5 million of revenue bonds were issued.

In July 2015, City Light issued \$171.9 million of tax exempt Municipal Light and Power (ML&P) Revenue Bonds (2015A Bonds), and \$100.0 million of tax exempt variable rate Municipal Light and Power (ML&P) Revenue Bonds (2015B Bonds). The 2015A Bonds had coupon interest rates ranging from 4.00 to 5.00 percent and mature serially from May 1, 2016 to May 1, 2040 with term Bonds maturing May 1, 2045. The 2015B Bonds had coupon interest rates ranging from 0.69 to 0.71 percent during 2015 with term bonds maturing annually from May 1, 2026 to May 1, 2045. The 2015B Bonds bear interest at the adjusted Securities Industry and Financial Markets Association (SIFMA) interest rate which is the SIFMA Index plus the Index floating rate spread. The arbitrage yield was 3.52 percent for the 2015A Bonds and 3.47 percent for the 2015B Bonds. Arbitrage yield, when used in computing the present worth of all payments of principal and interest on the Bonds in the manner prescribed by the Internal Revenue Code, produces an amount equal to the issue price of the Bonds. Proceeds from the 2015 Bonds are being used to finance certain capital improvement and conservation programs and to make a deposit to the Reserve Fund.

In June 2015, Water issued \$340.8 million of Waster System Improvement and Refunding Revenue Bonds with varying annual principal payments due beginning 2015 and ending in 2014, at interest rates ranging from 2.0 percent to 5.0 percent.

In June 2015, Solid Waste issued \$35.8 million of Solid Waste Revenue Bonds with varying annual principal payments due beginning 2016 and ending in 2040, at interest rates ranging from 2.0 percent and 5.0 percent.

The following table presents the individual revenue bonds outstanding as of December 31, 2015, and other pertinent information on each outstanding bond issue.

Table 9-6

REVENUE BONDS

(In Thousands)

Name and Purpose of Issue	Issuance	Maturity	Effective	Bond	Redemptions		Bonds
	Date	Dates	Interest	Issuance	2015	To Date	Outstanding
			Rates				December 31
MUNICIPAL LIGHT AND POWER (ML&P) BONDS							
2008 Parity	12/30/08	04/01/09-2	5.522%	\$ 257,375	\$ 16,335	\$ 87,910	\$ 169,465
2010 Parity, Series A ^b	05/26/10	02/01/11-4	3.566	181,625	—	—	181,625
2010 Parity, Series B	05/26/10	02/01/11-26	3.413	596,870	45,225	175,685	421,185
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	13,005	43,280	253,035
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	12,205	20,730	272,550
2012 Parity, Series C ^d	07/17/12	06/01/33	0.586	43,000	—	—	43,000
2013 Parity	07/09/13	07/01/43	4.051	190,755	2,885	5,910	184,845
2014 Parity	11/05/14	09/01/44	3.098	265,210	15,260	15,260	249,950
2015 Parity, Series A	07/09/15	05/01/45	3.566	171,850	—	—	171,850
2015 Parity, Series B	07/23/15	05/01/45	.69-.71	50,000	—	—	50,000
2015 Parity, Series C	07/23/15	05/01/45	.69-.71	50,000	—	—	50,000
Total Light Bonds				2,419,555	104,915	348,775	2,070,780
MUNICIPAL WATER BONDS							
2003 Parity, Refunding	05/12/03	09/01/03-3	4.083%	271,320	14,280	271,320	0
2005 Parity, Refunding	12/28/05	09/01/06-2	4.482	138,040	107,845	138,040	—
2006 Parity, Refunding	10/23/06	02/01/08-3	4.424	189,970	44,420	71,350	118,620
2008 Parity, Refunding	12/15/08	08/01/09-3	4.978	205,080	155,510	186,035	19,045
2010 Parity, Series A ^b	01/21/10	08/01/19-4	3.718	109,080	—	—	109,080
2010 Parity, Series B, Refunding	01/21/10	08/01/10-2	3.298	81,760	5,510	29,170	52,590
2012 Parity, Refunding	05/30/12	09/01/12-3	2.631	238,770	10,825	23,030	215,740
2015 Parity, Refunding	06/10/15	11/1/15-45	3.183	340,840	4,350	4,350	336,490
Total Water Bonds				1,574,860	342,740	723,295	851,565
MUNICIPAL DRAINAGE AND WASTEWATER BONDS							
2006 Refunding	11/01/06	02/01/07-3	0.044	121,765	4,520	46,800	74,965
2008 Parity	04/16/08	06/01/09-3	0.048	84,645	1,705	10,630	74,015
2009 Parity, Series A ^b	12/17/09	11/01/17-39	0.035	102,535	—	—	102,535
2009 Parity & Refunding, Series B	12/17/09	11/01/10-27	0.029	36,680	3,600	20,535	16,145
2012 Parity & Refunding	06/27/12	09/01/12-4	0.033	222,090	6,590	20,450	201,640
2014 Parity & Refunding	06/17/14	05/01/15-4	0.036	133,180	1,800	1,800	131,380
Total Drainage and Wastewater Bonds				700,895	18,215	100,215	600,680
SOLID WASTE BONDS							
2007 Revenue & Refunding	12/12/07	02/01/08-3	0.045	82,175	2,535	56,045	26,130
2011 Revenue	06/22/11	08/01/12-3	0.042	45,750	1,130	4,020	41,730
2014 Revenue & Refunding	06/12/14	05/01/15-3	0.033	95,350	1,230	1,230	94,120
2015 Revenue	06/25/15	02/01/16-4	0.037	35,830	—	—	35,830
Total Solid Waste Bonds				259,105	4,895	61,295	197,810
Total Utility Revenue Bonds				\$4,954,415	\$ 470,765	\$1,233,580	\$ 3,720,835

^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, 2015, 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	
2016	\$ 105,915	\$ 96,845	\$ 41,615	\$ 40,348	\$ 19,080	\$ 28,371	\$ 5,750	\$ 9,282	\$ 347,206
2017	109,130	89,131	39,345	38,593	20,000	27,530	6,165	8,861	338,755
2018	109,590	83,924	39,625	36,699	20,910	26,579	6,380	8,563	332,270
2019	106,210	78,612	41,620	34,752	21,905	25,550	6,700	8,238	323,587
2020	105,570	73,200	44,095	32,660	22,825	24,480	6,605	7,907	317,342
2021 - 2025	522,910	286,399	227,475	129,448	118,680	105,653	38,415	34,129	1,463,109
2026 - 2030	343,870	172,945	196,920	75,482	132,790	74,596	49,215	23,497	1,069,315
2031 - 2035	263,975	109,082	133,275	36,284	119,310	42,654	51,155	11,378	767,113
2036 - 2040	259,415	52,049	74,545	11,362	91,475	16,822	27,425	2,415	535,508
2041 - 2045	144,195	10,763	13,050	1,347	33,705	2,549	—	—	205,609
Total	<u>\$ 2,070,780</u>	<u>\$ 1,052,950</u>	<u>\$ 851,565</u>	<u>\$ 436,975</u>	<u>\$ 600,680</u>	<u>\$ 374,784</u>	<u>\$ 197,810</u>	<u>\$ 114,270</u>	<u>\$ 5,699,814</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 & Wastewater Fund have availed of these loans to enhance and protect the City's water, drainage, and wastewater systems.

Water

In 2008, the Fund entered into two loan agreements to borrow \$8.1 million from the Washington State Department of Commerce under its Public Works Trust Loan program at 1.5 percent interest per year and a repayment of 18 to 19 years. Proceeds from these loans were used to finance the Myrtle and Beacon Reservoir projects. As of December 31, 2015, these loans have an outstanding balance of \$4.6 million.

In 2009, the Fund entered into a loan agreement to borrow \$3.0 million from the Washington State Department of Commerce under its Public Works Trust Loan program at 1.5 percent per annum and payable in 19 years. Proceeds from this loan were used to finance the West Seattle Reservoir project. As of December 31, 2015, this loan has an outstanding balance of \$1.9 million.

Also in 2009, the Fund entered into two loan agreements, totaling \$9.0 million, to borrow from the Washington State Department of Commerce under its Public Works Trust Loan program to be used to finance the Maple Leaf Reservoir project. The first loan, in the amount of \$5.9 million, was funded with resources from the American Recovery and Reinvestment Act of 2009 (ARRA) at 1.0 percent annual interest and payable in 19 years. The second loan, in the amount of \$3.0 million, bears interest of 1.5 percent per annum and a repayment period of 19 years. As of December 31, 2015, these loans have an outstanding balance of \$8.5 million.

In 2014, the Fund entered into a loan agreement, totaling \$12.0 million, to borrow from the Washington State Department of Commerce under its Public Work Loan program at 1.5 percent per annum and payable in 20 years. Proceeds from this loan will be used to finance the Morse Lake Pump project. An initial draw on \$7.3 million was done in 2015. As of December 31, 2015, this loan has an outstanding balance of \$7.3 million.

Amounts paid for all loans in 2015 were \$1,124,987 in principal and \$208,784 in interest. Total loans outstanding as of December 31, 2015 are \$22.3 million. The minimum debt service requirements to maturity are included in Table 9-8.

Drainage and Wastewater

During 2004, the Fund entered into a loan agreement to borrow up to \$3.7 million from the Washington State Department of Commerce under the Public Works Trust Loan program for the construction of certain capital improvements. Amounts borrowed under the agreement accrue interest at 0.5 percent per annum and are to be repaid in 19 annual installments plus interest. Proceeds from this loan were used to finance the Thornton Creek Natural Drainage Systems. As of December 31, 2015, this loan has an outstanding balance of \$1.8 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, 2015, the loan has an outstanding balance of \$1.9 million.

In 2006, the Fund entered into a loan agreement with the Washington State Department of Commerce under its Public Works Trust Loan program to borrow up to \$3.4 million to support the construction of the South Park Flood Control and Local Drainage program. Amounts borrowed under the agreement accrue interest at 0.5 percent per annum and are to be repaid over 19 years. As of December 31, 2015, the loan has an outstanding balance of \$2.0 million.

In 2008, the Fund entered into a loan agreement with the Washington State Department of Ecology to borrow up to \$7.0 million to support the construction and site improvements of the Thornton Creek Water Quality Channel. Amounts borrowed under this agreement accrue interest at 1.5 percent per annum and are to be repaid over 20 years beginning in 2011. As of December 31, 2015, the loan has an outstanding balance of \$5.4 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. Amounts borrowed under this agreement accrue interest at 2.9 percent per annum and are to be repaid by December 2020. As of December 31, 2015, the loan has an outstanding balance of \$0.3 million.

In 2011, the Fund was approved for a Public Works Trust Loan of \$4.0 million from the Washington State Department of Commerce for construction and site improvements in the Midvale area of Seattle. Amounts borrowed under this agreement accrue interest at 0.5 percent per annum and are to be repaid by June 2032. As of December 31, 2015, the loan has an outstanding balance of \$3.4 million.

In 2012, the Fund entered into a loan agreement with the Washington State Department of Ecology to borrow up to \$1.9 million to support the design and construction of the storm water facility for the Capitol Hill Water Quality Project. Amounts borrowed under this agreement accrue interest at 2.6 percent per annum and are to be repaid over 20 years. As of December 31, 2015, the loan has an outstanding balance of \$1.8 million.

Amounts paid to all loans in 2015 were \$1,201,646 principal and \$202,574 in interest. Total loans outstanding as of December 31, 2015 are \$16.6million. 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	
2016	\$ 1,125	\$ 194	\$ 1,212	\$ 191	\$ 2,722
2017	1,125	179	1,223	178	2,705
2018	1,492	538	1,235	164	3,429
2019	1,492	253	1,246	150	3,141
2020	1,492	233	1,258	136	3,119
2021 - 2025	7,461	856	5,886	484	14,687
2026 - 2030	4,849	402	3,937	182	9,370
2031 - 2035	2,571	149	570	17	3,307
2036 - 2037	735	17	—	—	752
Total	<u>\$ 22,342</u>	<u>\$ 2,821</u>	<u>\$ 16,567</u>	<u>\$ 1,502</u>	<u>\$ 43,232</u>

The following table shows the long-term liability activities during the year ended December 31, 2015.

Table 9-9

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable					
General Obligation Bonds	\$ 816,060	\$ 358,255	\$ 209,005	\$ 965,310	\$ 74,465
Issuance Premiums and Discounts, Net	55,218	41,026	14,907	81,337	—
Special Assessment Bonds with Governmental Commitment ^b	10,395	—	1,570	8,825	—
Total Bonds Payable	881,673	399,281	225,482	1,055,472	74,465
Notes and Contracts					
Capital Leases	105	78	32	151	47
Other Notes and Contracts	14,580	—	1,912	12,668	1,723
Total Notes and Contracts	14,685	78	1,944	12,819	1,770
Compensated Absences	104,443	68,157	81,444	91,156	20,579
Claims Payable					
General Contamination Cleanup ^c	688	—	108	580	—
Workers' Compensation	28,178	1,108	—	29,286	9,040
General Liability	51,010	1,269	—	52,279	14,669
Health Care Claims	3,467	—	3,467	—	—
Total Claims Payable ^d	83,343	2,377	3,575	82,145	23,709
Arbitrage Rebate Liability	10	—	1	9	—
Unfunded Other Post Employment Benefits	87,044	29,506	—	116,550	—
Net Pension Liability	—	594,563	—	594,563	—
Other Noncurrent Liabilities	3,791	—	227	3,564	—
Total Long-Term Liabilities from Governmental Activities	\$ 1,174,989	\$ 1,093,962	\$ 312,673	\$ 1,956,278	\$ 120,523
BUSINESS-TYPE ACTIVITIES					
Bonds Payable					
General Obligation Bonds	\$ 56,470	\$ —	\$ 2,950	\$ 53,520	\$ 3,280
Revenue Bonds	3,543,080	648,520	470,765	3,720,835	172,360
Issuance Premiums and Discounts, Net	249,395	31,678	—	281,073	—
Total Bonds Payable	3,848,945	680,198	473,715	4,055,428	175,640
Notes and Contracts - Other	33,889	5,018	—	38,907	2,337
Compensated Absences	33,903	39,640	35,126	38,417	5,020
Claims Payable					
General Contamination Cleanup ^c	120,517	234	—	120,751	16,371
Workers' Compensation	10,737	84	—	10,821	3,810
General Liability	16,959	—	2,017	14,942	5,912
Total Claims Payable ^d	148,213	318	2,017	146,514	26,093
Unearned Revenues	23,544	2,234	—	25,778	—
Habitat Conservation Program Liability	7,631	431	—	8,062	906
Landfill Closure and Postclosure Costs	16,054	—	369	15,685	1,522
Unfunded Other Post Employment Benefits	15,207	772	—	15,979	—
Net Pension Liability	—	512,237	—	512,237	—
Other Noncurrent Liabilities	1,284	645	—	1,929	—
Total Long-Term Liabilities from Business-Type Activities	\$ 4,128,670	\$ 1,241,493	\$ 511,227	\$ 4,858,936	\$ 211,518

^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 15, 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 \$6.9 million and \$2.1 million, respectively, and are liquidated from each fund's own resources. Notes and contracts (including public works trust loans), compensated absences, and workers' compensation other than those pertaining to the internal service funds are liquidated using the respective governmental funds of operating City departments, including those funded by the General Fund. General liability and health care claims relating to internal service funds are liquidated using the General Fund. Liabilities for compensated absences for governmental activities in governmental funds that have department operating budgets, though they are reported as a general obligation of the City, are paid from these funds when these compensated absences are used by the employees or cashed out by them at termination or retirement. Arbitrage rebate liabilities in governmental activities are paid as they become due and usually come from available resources in governmental funds that received the related bond proceeds and investment earnings from the proceeds.

In addition to paying for debt service on the bond issues for business-type City operations, each business-type fund liquidates its respective other long-term liabilities, with the exception of the Department of Planning and Development (DPD) for general liability. The General Fund pays for DPD's general liability, if any. Environmental liabilities of governmental activity funds are paid from the governmental funds while environmental liabilities of business-type activity funds are paid respectively from the utility funds. Purchased power obligations are obligations of City Light and therefore paid from the Light Fund. For further discussion on purchased power, see Note 14, Commitments.

ADVANCE AND CURRENT REFUNDINGS

In order to lower interest costs the City refunded and defeased certain bonds. To do so, the City issued new refunding bonds to refund certain prior bond issues and also used its own resources to defease certain prior bond issues. In most cases, City resources and the proceeds of refunding bonds are placed in irrevocable trusts for the purchase of federal, state, and local government securities to provide for all future debt service on the old bonds. As a result, the old bonds including those refunded are considered defeased, and the corresponding liabilities are not included in the statement of net 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 refunding activities that occurred in 2015.

General Government

The refunding portion of the 160.9 million LTGO Improvement and Refunding Bonds, 2015 A, issued by the City on 5/21/2015, were used partially to refund 2005, 2006, 2007 and 2008 LTGO bonds. The aggregate total debt service of the refunded bonds would require a cash flow of \$195.7 million to maturity. With this refunding, the aggregate total debt service of the refunding bonds require a cash flow of \$179.2 million, which results in a saving of 16.5 million in debt service. The net present value of this saving is \$13.5 million.

City Light

There was no refunding in 2015.

Water

The Department issued \$340.8 million of revenue and refunding bonds, of which a portion of the proceeds was used to fully refund the 2003 bonds and partially refund 2005, 2006 and 2008 bonds. As a result of the refunding, the fund reduced total debt service requirements by \$40.2 million resulting in an economic gain of \$30.8 million. Additionally, the Bonds were issued to finance certain capital projects as well as scheduled principal payments for existing bond debt.

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	LTD Amount Transferred To Trustee	Trustee Redemptions To Date 2015	Defeased Outstanding December 31
GENERAL OBLIGATION BONDS							
Limited Tax (Non-Voted)							
Various Purpose and Refunding, 2005, Refunded 5/16/12	03/23/05	08/01/05-28	4.167	\$ 129,540	\$ 58,514	\$ 58,514	\$ —
Various Purpose and Refunding, 2006, Refunded 5/21/15	04/26/06	03/01/07-26	4.254	24,905	5,016	201	4,815
Various Purpose and Refunding, 2007, Refunded 5/21/15	05/02/07	10/01/07-28	4.251	\$ 95,550	\$ 13,823	\$ 1,308	\$ 12,515
Various Purpose and Refunding, 2008, Refunded 5/21/15	07/02/08	12/01/08-28	4.398	\$ 139,830	\$ 97,837	\$ 13,097	\$ 84,740
REVENUE BONDS							
Municipal Water							
2003 Parity	05/12/03	09/01/03-33	4.083	271,230	14,280	14,280	—
2005 Parity	12/28/05	09/01/06-29	4.482	138,040	102,305	102,305	—
2006 Parity	10/23/06	02/01/08-37	4.424	189,970	39,055	—	39,055
2008 Parity	12/15/08	02/01/09-38	4.978	205,080	149,770	—	149,770
Municipal Drainage and Wastewater							
2006 Parity	11/01/06	02/01/07-37	4.423	121,765	16,330	—	16,330
Municipal Solid Waste							
2007 Parity	12/12/07	02/01/08-33	4.505	82,175	40,855	—	40,855
Total Refunded/Defeased Bonds				<u>\$ 1,398,085</u>	<u>\$ 537,785</u>	<u>\$ 189,705</u>	<u>\$ 348,080</u>

ARBITRAGE

Since 1995 the City has been reviewing arbitrage rebate liability on its outstanding tax-exempt bonds and certificates of participation under Section 148(f) of the Internal Revenue Code. For bonds that have reached their installment computation dates (bonds outstanding for five years initially and every five years thereafter until the last of the bond issue matures), the City paid arbitrage rebate of \$19 thousand on its general obligation bonds in 2011 and none in 2012, 2013 and 2014 respectively. As of December 31, 2015, arbitrage rebate liability on general obligation bonds and revenue bonds are \$8 thousand and none, respectively.

(10) ENVIRONMENTAL LIABILITIES

Following is a brief description of the significant sites:

- The Harbor Island Superfund Site. In 1983, the U.S. Environmental Protection Agency (EPA) designated this site as a federal Superfund site. The City and other entities are sharing costs of investigating contamination in the East Waterway alongside Harbor Island. The City's involvement stems from its sale of transformers to a company on Harbor Island, discharges from storm drains, and combined sewer outflows. The City is one of four parties who are conducting a remedial investigation and feasibility study that will delineate cleanup actions. The EPA approved the remedial investigation report. The final feasibility study will be issued in 2016. The City's ultimate liability is indeterminate.
- The Lower Duwamish Waterway Superfund Site. In 2001, the EPA designated this site as a federal Superfund site for contaminated sediments. The City's involvement is attributable to its land ownership/use of property along the river. The City is one of four parties who signed an Administrative Order on Consent (AOC) with the EPA and Washington State Department of Ecology (DOE) to conduct a remedial investigation and feasibility study to prepare a site remedy. The EPA approved the feasibility study in November 2012. In February 2013, the EPA issued the Proposed Plan for cleanup of the Lower Duwamish Waterway Superfund Site for public comment. The remaining scope of cleanup by potentially responsible parties has been decided by the EPA in the 2014 Record of Decision. The City's ultimate liability is indeterminate.

In November 2012, the EPA issued general notification letters to over 200 parties informing them of their potential liability for the Lower Duwamish Waterway cleanup. The original parties of the AOC have agreed to invite some of those parties to participate in an alternative dispute resolution process (the "allocation process") to resolve their respective shares of past and future costs. The City has hired an allocator and the allocation process officially began in April 2014. The City agreed to administer the allocator's contract. Parties participating in the allocation process will share the cost of the allocator and the process.

The City is also responsible for investigation and cleanup at the Port of Seattle Terminal 117. The City agreed to pay 40 percent of the costs to clean up the uplands and river sediment parts of the site and 100 percent of the costs to clean up contamination in adjacent streets. The cleanup of the sediments and the upland is complete. The cleanup of the streets began in 2015 and is expected to be finished in 2016.

- North Boeing Field/Georgetown Steam Plant. The City, King County, and Boeing have signed an Administrative Order issued by the DOE requiring them to investigate and possibly remove contamination in an area that encompasses North Boeing Field, the City's Georgetown Steam Plant, and the King County Airport. This site was also the subject of the lawsuit brought by the City against Boeing. Boeing has agreed to pay 67 percent of the costs for DOE's implementation of the order. The order requires completion and then implementation of a remedial investigation and feasibility study work plan. The final remedial investigation work plan was issued in November 2013. In January 2015, all parties executed the First Amendment to the North Boeing Field/Georgetown Steam Plant Agreed Order, making all parties responsible for conducting and completing remedial action at the site. The City is responsible for 1/3 of the costs. The implementation of the work is ongoing and will continue into the first quarter of 2016. Boeing and the City will each pay 100 percent of costs for remedial action at their own facilities.
- Gas Works Park Sediment Site. In April 2002 the DOE named the City and another party, Puget Sound Energy, as partially responsible parties for contamination at the Gas Works Sediments Site in North Lake Union. The City and Puget Sound Energy signed an Agreed Order with the DOE in 2005 to initiate two remedial investigations and feasibility studies for the sediment site—one in the western portion of the site led by the City, and another in the eastern portion of the site led by Puget Sound Energy. Subsequently, in fall of 2012, the City and Puget Sound Energy entered into a Settlement, Release, and Cost Allocation Agreement that puts Puget Sound Energy in the lead for all additional cleanup work at the site; the east-west split is no longer in place. Based on the 2012 Agreement, the City pays for 20 percent of the Shared Costs incurred by Puget Sound Energy for the cleanup work. The remedial investigation and feasibility study include an evaluation of the nature and extent of contamination on the site, an evaluation of multiple alternatives for remediating the sediments, and a recommended preferred alternative. Puget Sound Energy collected additional environmental data in 2013 and the remedial investigation and feasibility study is expected to be completed in late 2016 or early 2017. A Clean-up Action Plan is expected from the DOE in 2017.
- South Park. The City and a private developer are under an Agreed Order with the DOE to perform a remedial investigation and feasibility study and to draft a Cleanup Action Plan for the historic South Park Landfill site under the State Model Toxics

Control Act. The City and developer submitted a draft Remedial Investigation and Feasibility Study report in April 2012 and a Draft Cleanup Action Plan in June 2014. The City and developer are negotiating with DOE to finalize the two reports. Negotiations are underway to finalize a Consent Decree for the site with other potentially liable parties, DOE and the Attorney General's office. DOE recently approved an amendment of the Agreed Order to allow the City to construct an interim cleanup action on the City-owned portion of the landfill property. That interim cleanup is expected to be done in the 2018-19 timeframe. DOE also approved an interim cleanup action by the developer on his portion of site property. That cleanup was complete in 2015. In 2012, the City executed an agreement regarding the developer's interim action that settles City liabilities for the interim cleanup costs but not City liabilities for the permanent cleanup.

The City has 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 \$2.1 million and \$0.8 million, at December 31, 2015 and 2014, respectively. The City's estimate for not-yet-realized recoveries from other parties for their share of remediation work that offset the City's estimated environmental liability was zero, at December 31, 2015 and 2014, respectively.

The changes in the provision for environmental liability (in millions) at December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Beginning Environmental Liability, Net of Recovery	\$ 121.2	\$ 121.7
Payments or Amortization	\$ (10.7)	\$ (8.5)
Incurred Environmental Liability	<u>10.8</u>	<u>8.0</u>
Ending Environmental Liability, Net of Recovery	<u><u>\$ 121.3</u></u>	<u><u>\$ 121.2</u></u>

The provision for environmental liability (in millions) included in current and noncurrent liability at December 31, 2015 and 2014, is as follows:

	<u>2015</u>	<u>2014</u>
Environmental Liability, Current	\$ 16.4	\$ 25.8
Environmental Liability, Noncurrent	<u>104.9</u>	<u>95.4</u>
Total	<u><u>\$ 121.3</u></u>	<u><u>\$ 121.2</u></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.

SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The Seattle City Employees' Retirement System (SCERS) is a cost sharing multiple employer retirement plan established and administered by the City in accordance with Seattle Municipal Code (SMC) 4.36.

The System is administered by the Retirement System Board of Administration (the Board.) The Board consists of seven members including the Chair of the Finance Committee of the Seattle City Council, the City of Seattle Finance Director, the City of Seattle Personnel Director, two active members and one retired member of the System who are elected by other system members, and one outside board member who is appointed by the other six board members. Elected and appointed board members serve for three-year terms.

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, 2015:

Retirees and Beneficiaries Receiving Benefits	6,020
Active Plan Members, Vested and Non-vested	8,746
Terminated Plan Members Entitled To But Not Yet Receiving Benefits, Vested	1,188
Terminated Plan Members not Entitled To Benefits beyond Contributions and Accumulated Interest, Non-vested	935

SCERS provides retirement, death, and disability benefits, post-retirement benefit increase including an automatic 1.5% annual cost-of living adjustment (COLA) increase and a 65% restoration of purchasing power benefit. 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

Implementation of GASB Statement No. 68

The City implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions for its fiscal year 2015 financial reporting. This statement addresses accounting and financial reporting requirements by the City as an employer for its pension plans. The City has determined that the Seattle City Employees' Retirement System is subject to the requirements of Statement No. 68, and therefore elected to use the prior fiscal year end as the measurement date for reporting its net pension liability.

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 annual actuarial valuations.

Actuarially determined contribution rates for 2014 were 10.03 percent for members and 14.31 percent for the employer. Plan member and employer contributions for 2014 are \$63,969,504 and \$89,988,898 respectively. There are no long-term contracts for contributions outstanding and no legally required reserves.

The actuarial valuation and measurement dates of the latest study is January 1, 2014 and December 31 2014 respectively. Based on this valuation, the Total Pension Liability (TPL) is \$3.431 billion; the Fiduciary Net Position (FNP) is \$2.323 billion; the Net Pension Liability (NPL) is \$1.108 billion; and the Funded Ratio was 67.7 percent for the plan.

An actuarial study with valuation date of January 1, 2015, is presently underway, and expected to be available at the Retirement Office after July 1, 2016.

Information about the Net Pension Liability

Assumptions and Other Inputs

The net pension liability was determined by the actuarial valuation as of January 1, 2014, with the results rolled forward to the December 31, 2014, measurement date. The actuarial assumptions that determined the total pension liability as of December 31, 2014 were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2013.

Mortality rates were calculated and projected based on the RP-2000 mortality tables and using generational project of improvement using Projection Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return and target allocation for each major asset class as of December 31, 2014 are summarized in the following table:

Table 11-1

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Equity: Public	4.93%	51.0%
Equity: Private	6.50	7.0
Fixed Income: Broad	1.35	20.0
Fixed Income: Inflation Linked	1.25	5.0
Real Assets: Real Estate	3.25	13.0
Diversifying Strategies	3.75	4.0
		100.0%

The above table reflects the expected (30 year) real rate of return for each major asset class. The expected inflation rate is projected at 3.25 percent for the same time period.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the participating governmental entity contribution will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods on projected benefit payment to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability, calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be when the discount rate moves 1 percentage point lower and higher(in thousands).

	1% Lower 6.5%	Current Discount Rate 7.5%	1% Higher 8.5%
Net Pension Liability	\$ 1,527,372	\$ 1,106,800	\$ 753,122

Changes in the Net Pension Liability

At December 31, 2015, the plan reported the collective net liability of \$1.108 billion, of which the City recorded \$1.107 billion for its proportionate share of the collective net pension liability. The City's proportion is based on the City's contributions to the plan. The following table shows the changes in the City's proportionate share of the net pension liability for the year ended December 31, 2014, which was rolled forward to come up with the net pension liability as of Dec 31, 2015.

Table 11-2 SCHEDULE OF CHANGES IN NET PENSION LIABILITY

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2013	\$ 3,256,575,534	\$ 2,214,469,886	\$ 1,042,105,648
Changes for the Year			
Service Cost	93,941,143	—	93,941,143
Interest on Total Pension Liability	241,619,711	—	241,619,711
Effect of Plan Changes	—	—	—
Effect of Economic/Demographic	—	—	—
Effect of Assumptions Changes or Inputs	—	—	—
Benefit Payments	(150,073,945)	(150,073,945)	—
Refund Contributions	(15,087,001)	(15,087,001)	—
Administrative Expenses	—	(5,324,900)	5,324,900
Member Contributions	—	63,899,138	(63,899,138)
Employers Contributions	—	89,889,910	(89,889,910)
Net Investment Income	—	122,375,634	(122,375,634)
Balance at December 31, 2014	\$ 3,426,975,442	\$ 2,320,148,722	\$ 1,106,826,720

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2015, the City recognized its proportionate share of pension expense in the amount of \$120.1 million. At December 31 2015, the City reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to the pension plan as follows (in thousands)

Table 11-3

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ —	\$ —
Change of Assumption	—	—
Net Difference Between Projected and Actual Earnings	34,476	—
Contributions Made Subsequent to Measurement Date	100,666	—
Total	\$ 135,142	\$ —

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized in pension expense in the fiscal years ended Dec 31 as follows (in thousands)

Table 11-4

Year Ended December 31

2016	\$	8,619
2017		8,619
2018		8,619
2019		8,619
Thereafter		—

FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS

Table 11-5

PLAN INFORMATION

	Firemen's Pension	Police Relief and Pension
Actuarial Valuation Date	1/1/2015	1/1/2015
Actuarial Cost Method	Entry Age	Entry Age
Asset Valuation Method	Fair Value	Fair Value
Amortization		
Method	Level \$ ^a	Level \$ ^a
Period	30.0 years	30.0 years
Remaining Period		22.0 years
Approach	Open	Closed
Actuarial Assumptions		
Inflation Rate (CPI)	2.25% ^b	2.25% ^b
Investment Rate of Return	6.00%	3.50%
Projected Salary Increases - General	2.75% ^b	2.75% ^b
Projected Salary Increases - Step Merit	N/A	N/A
Postretirement Benefit Increases	2.25% ^b	2.25% ^b

^a Funding is Level %; Amortization is Level \$.

^b Long-term assumption; 2016 and beyond for the CPI and 2018 and beyond for projected salary increase.

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 802 fire and 699 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 \$11.1 million in 2015 and \$9.6 million in 2014; and for Police Relief and Pension, \$12.6 million in 2014 and \$11.5 million in 2014.

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, 2015:

	<u>Firemen's Pension</u>	<u>Police Relief and Pension</u>
Retirees and Beneficiaries Receiving Benefits	700	740
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	—	—
Active Plan Members, Vested	17	11
Active Plan Members, Non-vested	—	—

These pension plans do not issue separate financial reports.

Summary of Significant Accounting Policies

The City has determined that the Firemen's Pension and Police Relief and Pension Funds do not meet the criteria set forth in paragraph 4 of Statement No. 68 and therefore the requirements of Statement No. 27 and Statement No 50 remain applicable.

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

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

Contributions and Reserves

Since both pension plans were closed to new members effective October 1, 1977, the City is not required to adopt a plan to fund the actuarial accrued liability (AAL). An actuarial fund was established for the Firemen's Pension in July 1994 and is discussed in more detail below; the City funds the Police Relief and Pension Fund as benefits become due. Contributions are no longer required from plan members or the City departments they represent. Under state law, partial funding of the Firemen's Pension Fund may be provided by an annual tax levy of up to \$0.225 per \$1,000 of assessed value of all taxable property of the City.

The Firemen's Pension Fund also receives a share of the state tax on fire insurance premiums. Additional funding through the General Fund adopted budget is provided to both pension funds as necessary. The Police Relief and Pension Fund also receives police auction proceeds of unclaimed property. Administrative costs for the Firemen's Pension are financed by the General Fund and fire insurance premium tax. Administrative costs for the Police Relief and Pension are financed by police auction proceeds and the General Fund. Contribution rates are not applicable to these plans. Actuarial studies with valuations dates of January 1, 2016, which reflects the 2015 fiscal year information, are presently underway and will be available at the Police and Fire Pension offices after July 1, 2016.

Three-year trend information (in thousands) for the Firemen's Pension and the Police Relief and Pension Funds as of the January 1, 2015, actuarial valuation are:

Retirement System	Fiscal Year Ending December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
Firemen's Pension Fund	2013	\$ 5,100	120%	\$ (10,564)
	2014	4,909	173	(14,132)
	2015	5,007	191 ^a	(18,687)
Police Relief and Pension Fund	2013	6,499	109	(4,790)
	2014	5,994	157	(8,194)
	2015	6,445	149 ^a	(11,351)

^a Assumed amounts will be replaced with actual amounts.

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	\$ 14,741	\$ 82,001	\$ 67,260	18.0%	N/A	N/A
Police Relief and Pension Fund	5,101	99,293	94,192	5.0	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 \$11.0 million as of December 31, 2015. 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, 2015, based on the actuarial valuation as of January 1, 2015, was \$82.0 million for Firemen's Pension and \$99.3 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 \$18.7 million net pension asset at December 31, 2015. The net pension obligation of the Police Relief and Pension Fund is a \$11.4 million net pension asset at December 31, 2015.

Table 11-6

**ANNUAL PENSION COST AND NET PENSION OBLIGATION
FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS
For the Year Ended December 31, 2015
(In Thousands)**

	Firemen's Pension			Police Relief and Pension		
	2015	2014	2013	2015	2014	2013
Annual Required Contribution (ARC)						
Annual Normal Cost - Beginning of Year	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Amortization of UAAL - Beginning of Year	4,610	4,553	5,054	6,000	5,658	6,167
Interest to End of Year ^a	276	239	189	210	212	231
ARC at End of Year	4,886	4,792	5,243	6,210	5,870	6,398
Interest on NPO	(848)	(554)	(355)	(287)	(179)	(156)
Adjustment to ARC	969	671	512	522	303	257
Annual Pension Cost (APC)	5,007	4,909	5,400	6,445	5,994	6,499
Employer Contribution ^b	9,563 ^c	8,477	6,485	9,602 ^c	9,398	7,105
Change in NPO	(4,556)	(3,568)	(1,085)	(3,157)	(3,404)	(606)
NPO at Beginning of Year	(14,132)	(10,564)	(9,479)	(8,194)	(4,790)	(4,184)
NPO at End of Year	<u>\$ (18,688)</u>	<u>\$ (14,132)</u>	<u>\$ (10,564)</u>	<u>\$ (11,351)</u>	<u>\$ (8,194)</u>	<u>\$ (4,790)</u>

^a Represents the assumed interest rate that year: 3.75% in 2013, 3.75% in 2014, and 3.5% in 2015. The interest is net of investment expenses.

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

^c Assumed amounts will be replaced with actual amounts.

Following are the Firemen's Pension and the Police Relief and Pension financial statements for fiscal year ending December 31, 2015.

Table 11-7

**STATEMENT OF FIDUCIARY NET POSITION
FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS
For the Year Ended December 31, 2015
(In Thousands)**

	Firemen's Pension	Police Relief and Pension	2015	2014
ASSETS				
Cash and Equity in Pooled Investments	\$ 7,871	\$ 4,628	\$ 12,499	\$ 11,765
Investments at Fair Value				
Equity	7,718	—	7,718	7,844
Fixed Income	181	—	181	429
Receivables				
Due from Other Funds	—	—	—	—
Other	430	450	880	890
Interest and Dividends	8	—	8	6
Total Receivables	438	450	888	896
Total Assets	16,208	5,078	21,286	20,934
LIABILITIES				
Accounts Payable and Other Liabilities	1,285	406	1,691	1,091
Total Liabilities	1,285	406	1,691	1,091
Net Position Held in Trust for Pension Benefits	<u>\$ 14,923</u>	<u>\$ 4,672</u>	<u>\$ 19,595</u>	<u>\$ 19,843</u>

Table 11-8

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS
For the Year Ended December 31, 2015
(In Thousands)**

	Defined Benefit		Postemployment Healthcare			
	Firemen's Pension	Police Relief and Pension	Firemen's Pension	Police Relief and Pension	2015	2014
ADDITIONS						
Contributions Employer	\$ 6,204	\$ 7,726	\$ 11,108	\$ 12,552	\$ 37,590	\$ 37,876
Investment Income						
From Investment Activities						
Net Appreciation (Depreciation) in Fair Value of Investments	(129)	—	—	—	(129)	938
Interest	49	—	—	—	49	36
Dividends	153	—	—	—	153	138
Total Net Investment Income	73	—	—	—	73	1,112
Other Income	1,422	703	—	—	2,125	2,127
Total Additions	7,699	8,429	11,108	12,552	39,788	41,115
DEDUCTIONS						
Benefits	6,902	8,326	11,108	12,552	38,888	36,178
Administrative Expense	615	533	—	—	1,148	1,027
Total Deductions	7,517	8,859	11,108	12,552	40,036	37,205
Change in Net Position	182	(430)	—	—	(248)	3,910
Net Position - Beginning of Year	14,741	5,102	—	—	19,843	15,933
Net Position - End of Year	\$ 14,923	\$ 4,672	\$ —	\$ —	\$ 19,595	\$ 19,843

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

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions (LEOFF Plan 1)

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2015. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions (LEOFF Plan 2)

The LEOFF Plan 2 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

	LEOFF Plan 2 Actual Contribution Rates	
	Employer	Employee
State and Local Governments	5.23%	8.41%
Ports and Universities	8.59	8.41

The actual contributions to the plan were \$14.2 million for the year ended December 31, 2015.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2015, the state contributed \$58,339,032 to LEOFF Plan 2.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2007-2012 Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 3 percent total economic inflation; 3.75 percent salary inflation
- Salary increases: In addition to the base 3.75 percent salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.5 percent

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- The OSA updated demographic assumptions, consistent with the changes from the 2007-2012 Experience Study Report, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the 2007-2012 Experience Study Report.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Table 11-9

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20.0%	1.7%
Tangible Assets	5.0	4.4
Real Estate	15.0	5.8
Global Equity	37.0	6.6
Private Equity	23.0	9.6
	100%	

Sensitivity of NPL

The table below presents the City's proportionate share of the net pension liability/ (assets) calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate (in thousands).

	City's Proportionate Share of Net Pension Liability (Asset)		
	1% Decrease	Current Discount Rate	1% Increase
	6.5%	7.5%	8.5%
Plan 1	(27,363)	(42,770)	(55,903)
Plan 2	95,774	(95,637)	(239,681)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, the City reported an asset of \$138.4 million for its proportionate share of the net pension liability/ (assets) as follows (in thousands):

	City's Proportionate Share of Net Pension Liability (Asset)
Plan 1	(42,770)
Plan 2	(95,637)

The amount of the liability/ (asset) reported above for LEOFF Plan 2 reflects a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability/(asset), the related State support, and the total portion of the net pension liability/(asset) that was associated with the City were as follows(in thousands):

	Proportionate Share of Plan 2 Net Pension Liability (Asset)
Employer's Proportionate Share	\$ (95,637)
State's Proportionate Share Associated with the Employer	(64,124)
Total	<u>\$ (159,761)</u>

At June 30, the City's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share as of June 30, 2015	Proportionate Share as of June 30, 2014	Change in Proportion
Plan 1	3.54%	3.55%	(0.01)%
Plan 2	9.31%	9.43%	(0.12)%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the Schedules of Employer and Nonemployer Allocations for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2015, the state of Washington contributed 39.80 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.20 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2015, the City recognized its proportionate share of pension expense as follows (in thousands):

	Pension Expense
Plan 1	\$ (8,466)
Plan 2	6,419
Total	<u>\$ (2,047)</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the City reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

Table 11-10

	Plan 1		Plan 2	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ —	\$ —	\$ 8,375	\$ —
Net difference between projected and actual investment earnings on pension plan investments	—	7,221	—	28,977
Changes of assumptions	—	—	252	—
Changes in proportion and differences between contributions and proportionate share of contributions	—	—	—	—
Contributions subsequent to the measurement date	—	—	7,260	—
TOTAL	\$ —	\$ 7,221	\$ 15,887	\$ 28,977

Deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Table 11-11

Year ended December 31:	Plan 1	Plan 2
2016	\$ (2,802)	\$ (9,669)
2017	(2,802)	(9,669)
2018	(2,802)	(9,669)
2019	1,185	6,665
2020	—	1,659
2021	—	332

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 for 2015 is based on a roll forward of the 2014 valuation with no changes to valuation inputs (assumptions, methods, healthcare information, or census data). The amount of expected contributions and changes in net obligation for Firemen's Pension and Police Pension and Relief are also based on an actuarial valuation date of January 1, 2015, which covers the last three years prior to the valuation date.

Table 11-12 **ANNUAL OPEB COST AND NET OPEB OBLIGATION**
For the Year Ended December 31, 2015

	Healthcare Blended Premium Subsidy	Firemen's Pension (LEOFF1)	Police Relief and Pension (LEOFF1)	Total
Annual Required Contribution	\$ 4,605,000	\$ 17,413,692	\$ 23,621,460	\$ 45,640,152
Interest on Net OPEB Obligation	1,630,000	1,166,815	1,186,345	3,983,160
Adjustment to Annual Required Contribution	(2,540,000)	(1,751,312)	(2,159,233)	(6,450,545)
Annual OPEB Cost (Expense)	3,695,000	16,829,195	22,648,572	43,172,767
Expected Contribution (Employer-Paid Benefits)	1,141,000	10,251,000 ^a	13,226,000 ^a	24,618,000
Increase in Net OPEB Obligation	2,554,000	6,578,195	9,422,572	18,554,767
Net OPEB Obligation – Beginning of Year	46,828,000	33,337,567	33,895,578	114,061,145
Net OPEB Obligation – End of Year	<u>\$ 49,382,000</u>	<u>\$ 39,915,762 ^a</u>	<u>\$ 43,318,150 ^a</u>	<u>\$ 132,615,912</u>

^a Estimated employer contributions based upon expected benefit payments in 2015. Estimated amounts will be replaced at year end with actual amounts.

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, 2015, for Healthcare Blended Premium Subsidy, Firemen's Pension (LEOFF1) and Police Relief and Pension (LEOFF1) are displayed below for the last three years prior to the valuation date.

	Valuation Date	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Healthcare Blended Premium Subsidy	1/1/2013	12/31/2013	\$ 7,733,000	38.4%	\$ 44,303,000
	1/1/2014	12/31/2014	3,531,000	28.5	46,828,000
	1/1/2015	12/31/2015	3,695,000	30.9	49,382,000
Firemen's Pension (LEOFF1)	1/1/2013	12/31/2013	14,553,229	68.0	28,528,736
	1/1/2014	12/31/2014	14,375,831	66.5	33,337,567
	1/1/2015	12/31/2015	16,829,195	60.9	39,915,762
Police Relief and Pension (LEOFF1)	1/1/2013	12/31/2013	18,424,345	65.0	26,984,759
	1/1/2014	12/31/2014	18,443,819	62.5	33,895,578
	1/1/2015	12/31/2015	22,648,572	58.4	43,318,150

Funded Status and Funding Progress

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

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Normal AAL (b)	UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
Healthcare Blended Premium Subsidy	1/1/2013	—	\$ 78,945	\$ 78,945	—	\$ 941,986	8.4%
	1/1/2014	—	41,819	41,819	—	1,003,520	4.2
	1/1/2015	—	44,375	44,375	—	1,037,855	4.3
Firemen's Pension (LEOFF1)	1/1/2013	—	266,522	266,522	—	N/A	N/A
	1/1/2014	—	264,733	264,733	—	N/A	N/A
	1/1/2015	—	320,273	320,273	—	N/A	N/A
Police Relief and Pension (LEOFF1)	1/1/2013	—	295,990	295,990	—	N/A	N/A
	1/1/2014	—	291,524	291,524	—	N/A	N/A
	1/1/2015	—	358,269	358,269	—	N/A	N/A

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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 11-13 OPEB INFORMATION

Description	Healthcare Blended Premium Subsidy	Firemen's Pension (LEOFF1)	Police Relief and Pension (LEOFF1)
Actuarial Valuation Date	1/1/2015	1/1/2015	1/1/2015
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization Method	Level amount over past and future service, open	30-year, open as of 1/1/2012	30-year, closed as of 1/1/2007
Remaining Amortization Period	30 years	30 years	22 years
Records and Data	City records	Supplied by the City	Supplied by the City
Replacement of Terminated Employees	Open to new retirees	Closed. No new members permitted.	Closed. No new members permitted.
Valuation of Assets	N/A. No assets as of valuation date.	N/A. No assets as of valuation date.	N/A. No assets as of valuation date.
Assumptions:			
Discount Rate	3.48%	3.50%	3.50%
Medical Inflation		7.7 %, grading down to 4.1% in 2070 and beyond.	7.7 % grading down to an ultimate of 4.1% in 2070.
Traditional and Preventive Plans	8.0% in 2014 and 7.5% in 2015		
Group Health Standard and Deductible Plans	7.5%, grading down to 5.2% in 2086 and beyond		
Long-Term Care Inflation Rate	N/A	4.75%	4.75%
Dental Inflation Rate	N/A	Minimum of 5.0 % of medical inflation.	Minimum of 5.0% of medical inflation.
Participation/Service Retirement	40% of actives who retire are assumed to participate.	All actives are assumed to retire at the valuation date.	All actives are assumed to retire at the valuation date.
Mortality	LEOFF employees are based on the actuarial RP-2000 Combined Healthy Table with male ages set back one year and female ages set forward one year. Rates are projected using 50% of Scale AA to 2019 (LEOFF 1) or 2034 (LEOFF 2). For general service active employees are based on RP-2000 Table for Males with ages set back three years and RP-2000 Table for Females with ages set back three years. General service retired employees are based on RP2000 Combined Healthy Males with ages set back one year and RP-2000 Combined Healthy Females with ages set back one year. Rates are generations for both males and females using Projection Scale AA.	For active and service-retired members, used RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Project Scale BB, with ages set back one year for males and forward one year for females. For disabled members, used RP-2000 Mortality Table (combined healthy) using 100% of Project Scale BB, with ages set forward two years.	For active and service-retired members, used RP-2000 Mortality Table (combined healthy) using 100% of Project Scale BB, with ages set back one year for males and forward one year for females. For disabled members, used RP-2000 Mortality Table (combined healthy) using 100% of Project Scale AA, with ages set forward two years.

Table 11-13

OPEB INFORMATION (continued)

Description	Healthcare Blended Premium Subsidy	Firemen's Pension (LEOFF1)	Police Relief and Pension (LEOFF1)
Assumptions (continued):			
Marital Status	45% of members electing coverage are assumed to be married or have a registered domestic partner. Male spouses are assumed to be two years older than their female spouses. It is assumed that children have aged off and have \$0 liability.	N/A	N/A
Morbidity Factors		N/A	N/A
Traditional Plan	The average medical claim is based on an average loss ratio (claim vs. premium) of 130.80% for retirees and 133.18% for spouses.		
Preventive Plan	The average medical claim is based on an average loss ratio (claim vs. premium) of 122.68% and 139.85%.		
	For the above two plans, because the retirees' spouses pay a lower premium for their health care coverage than the retirees, the net cost to the City for the spouse coverage is greater than for a retiree of the same gender and age. The morbidity factors were adjusted to reflect this discrepancy.		
Group Health Standard and Deductible Plans	The average medical claim for the Group Health Standard & Deductible plans is based on an average loss ratio (claim vs. premium) of 108.06% and 108.77% for retirees and spouses respectively		
Other Considerations	Active employees with current spouse and/or dependent coverage are assumed to elect the same plan and coverage. After retirement, it is assumed that children will have aged off of coverage and will have \$0 liability.	N/A	N/A

(12) COMPONENT UNITS

DISCRETELY PRESENTED COMPONENT UNITS

Seattle Public Library Foundation

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

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

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

Seattle Investment Fund LLC

The Seattle Investment Fund LLC (SIF) was established by Ordinance 123146 for the purpose of implementing the U.S. Treasury Department's New Market Tax Credit (NMTC) program. The City is its sole and managing member. SIF is a qualified Community Development Entity (CDE) and the Primary Allocatee. Twelve subsidiaries have been established since the program's inception. Financial results presented herewith for 2015 are unaudited at this time; detailed information on the program and complete audited financial statements are available by contacting the City's Office of Economic Development at 700 Fifth Avenue, Seattle, WA 98104 or by telephone at 206-684-8090.

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

Table 12-1

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

December 31, 2015

(in Thousands)

Discretely Presented Component Units

	Seattle Public Library Foundation		Seattle Investment Fund LLC		Total	
	2015	2014	2015	2014	2015	2014
ASSETS						
Cash and Other Assets	\$ 3,525	\$ 2,140	\$ 1,614	\$ 746	\$ 5,139	\$ 2,886
Investments	61,208	65,424	6	6	61,214	65,430
Capital Assets, Net	2	3	—	—	2	3
Total Assets	64,735	67,567	1,620	752	66,355	68,319
LIABILITIES						
Current Liabilities	2,308	1,839	221	176	2,529	2,015
Total Liabilities	2,308	1,839	221	176	2,529	2,015
NET POSITION						
Net Investment in Capital Assets	2	3	—	—	2	3
Restricted	44,481	46,025	—	—	44,481	46,025
Unrestricted	17,944	19,700	1,399	576	19,343	20,276
Total Net Position	<u>\$ 62,427</u>	<u>\$ 65,728</u>	<u>\$ 1,399</u>	<u>\$ 576</u>	<u>\$ 63,826</u>	<u>\$ 66,304</u>

Table 12-2

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

For the Year Ended December 31, 2015

(In Thousands)

	Discretely Presented Component Units					
	Seattle Public Library Foundation		Seattle Investment Fund LLC		Total	
	2015	2014	2015	2014	2015	2014
PROGRAM REVENUES						
Contributions/Endowment Gain	\$ 4,084	\$ 4,505	\$ —	\$ —	\$ 4,084	\$ 4,505
Placement/Management Fee Income	—	—	274	204	274	204
Total Program Revenues	4,084	4,505	274	204	4,358	4,709
GENERAL REVENUES						
Investment Income	(574)	3,734	1,120	—	546	3,734
Total Program Support and Revenues	3,510	8,239	1,394	204	4,904	8,443
EXPENSES						
Support to Seattle Public Library	5,778	4,269	—	—	5,778	4,269
Management and General	644	574	571	243	1,215	817
Fundraising	389	372	—	—	389	372
Total Expenses	6,811	5,215	571	243	7,382	5,458
Change in Net Position	(3,301)	3,024	823	(39)	(2,478)	2,985
NET POSITION						
Net Position - Beginning of Year	65,728	62,704	576	615	66,304	63,319
Net Position - End of Year	\$ 62,427	\$ 65,728	\$ 1,399	\$ 576	\$ 63,826	\$ 66,304

Fiduciary-Type Component Units

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

BLENDED COMPONENT UNIT

Seattle Transportation Benefit District

The Seattle Transportation Benefit District (STBD), a quasi-municipal corporation, was established through City Ordinance 123397 in September 2010 pursuant to RCW 35.21.225 which grants cities the authority to establish such a district. Transportation benefit districts are able to acquire, construct, improve, provide, and fund transportation improvement within district boundaries consistent with any existing state, regional and local transportation plan. RCW 36.73.065 gives districts the authority to impose taxes, fees, charges and tolls to fund this work. Beginning May 1, 2011, the STBD began collecting a \$20 vehicle registration fee on eligible vehicles registered within its boundaries which are the same as the City's. In November 2014 voters elected to

raise revenue to preserve King County Metro Transit service through an additional \$60 vehicle registration fee and a 0.1 percent increase in the sales tax. 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.

Seattle Park District

The Seattle Park District is a metropolitan park district authorized by Chapter 35.61 of the Revised Code of Washington. The Seattle Park District has the same boundaries as the City of Seattle. On August 5, 2014 voters in the City of Seattle approved Proposition 1 to use property taxes collected to provide funding for City parks and recreation including maintaining parklands and facilities, operating community centers and recreation programs, and developing new neighborhood parks on previously acquired sites. The Park District is governed by the Seattle City Council acting ex officio as the District Board. The Seattle Department of Parks and Recreation provides services on behalf of the Seattle Park District under an interlocal agreement between City and District through City Ordinance 124468.

The Seattle Park District is reported as a special revenue fund in the City's financial statement. Financial Reporting for this fund can be found in the nonmajor governmental funds combining statements located in this reports. In addition, separate financial statements are available from Seattle City Hall, 600 Fourth Avenue, 2nd Floor, Seattle, WA 98104 or by calling 206-684-8805.

(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 agency to receive the employment and training funds for the 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 of the disallowed amount. As of December 31, 2015, 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 2015, WDC paid \$0.7 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 by accessing its website <http://www.seakingwdc.org/annual-reports/> or by telephone at 206-448-0474.

(14) COMMITMENTS

GENERAL

Capital Improvement Program

The City adopted the 2015-2016 Capital Improvement Program (CIP) which functions as a capital financing plan totaling \$5.221 billion for the years 2015-2020. The adopted CIP for 2015 was \$1.050 billion, consisting of \$666.8 million for City-owned utilities and \$383.5 million for non-utility departments. The utility allocations are: \$395.9 million for City Light, \$76.7 million for Water, \$114.3 million for Drainage and Wastewater, \$51.6 million for Solid Waste, and \$28.3 million for Seattle Public Utilities' technology projects. Expenditures may vary significantly based upon facility requirements and unforeseen events. A substantial portion of contractual commitments relates to these amounts.

CITY LIGHT (SCL)

Expenses associated with energy received under long-term purchased power agreements at December 31, 2015 and 2014 are shown in the following table.

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

	2015	2014
Bonneville Block	\$ 78.7	\$ 78.1
Bonneville Slice	77.8	77.5
Lucky Peak, including royalties	6.3	6.3
British Columbia - High Ross Agreement	13.4	13.4
Grant County Public Utility District	3.2	3.2
Grand Coulee Project Hydro Authority	6.6	6.1
Bonneville South Fork Tolt billing credit	(3.3)	(3.3)
Renewable energy - State Line Wind	20.8	23.7
Renewable energy - other	8.7	7.1
Exchanges and loss returns energy at fair value	6.1	8.9
Long-term purchased power booked out	(4.7)	(6.7)
Total	<u>\$ 213.6</u>	<u>\$ 214.3</u>

Purchased and Wholesale Power

Bonneville Power Administration

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

The terms of the Slice product specify that SCL will receive a percentage of the actual output of the Federal Columbia River Power System (the System). The percentage is adjusted annually with a Slice Adjustment Ratio no greater than 1.0 times the initial 3.65663 slice percentage, no later than 15 days prior to the first day of each federal fiscal year, beginning with fiscal year 2012. The current Slice percentage is 3.62643 percent, and the previous fiscal year was 3.62763 percent. The cost of Slice power is based on SCL's same percentage of the expected costs of the System and is subject to true-up adjustments based on actual costs with specified exceptions.

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

Act. To remedy this inconsistency, the court ruled that refunds be issued to non IOUs through 2019. SCL received \$5.7 million in both 2015 and 2014 in billing credits related to both the Block and Slice agreements as a result of the Court decision.

Lucky Peak

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

SCL provided and billed Lucky Peak \$0.3 million for operational and administrative services in both 2015 and 2014. These amounts are recorded as offsets to purchased power expense. SCL paid \$3.4 and \$3.2 million for energy from Lucky Peak in 2015 and 2014, respectively.

SCL's receivables from Lucky Peak were less than \$0.1 million at December 31, 2015 and 2014, respectively. SCL's payables to Lucky Peak were \$0.5 million and \$0.3 million at December 31, 2015 and 2014, respectively.

British Columbia-High Ross Agreement

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

Renewable Energy Purchase and/or Exchanges

The Energy Independence Act, Chapter 19.285 Revised Code of Washington, requires all qualifying utilities in Washington State to meet certain annual targets of eligible new renewable resources and/or equivalent renewable energy credits as a percentage of total energy delivered to retail customers. The annual targets are: at least 3 percent by 2012, at least 9 percent by 2016, and at least 15 percent by 2020. SCL's 2015 and 2014 resource portfolio met the 3 percent target.

Energy Exchange

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

Fair Value of Exchange Energy

Exchange energy receivable and the related regulatory gains at December 31, 2015 and 2014, were valued using Kiindex Forward Curves and Dow Jones U.S. Daily Electricity Price Indices for settled deliveries. An income valuation technique that uses interest rate forecasts from HIS Global Insight is used to discount for present value based on the interest rate for U.S. Government Treasury constant maturities, bond-equivalent yields by the future month of the transactions.

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

SCL's estimated payments for purchased power and transmission, Renewable Energy Credits (RECs) and other contracts for the period from 2016 through 2065, undiscounted, are shown in the following table.

Table 14-2

ESTIMATED FUTURE PAYMENTS UNDER PURCHASED POWER, TRANSMISSION, AND RELATED CONTRACTS (In Millions)

Year Ending December 31	Estimated Payments ^a
2016	\$ 286.0
2017	291.2
2018	305.8
2019	317.8
2020	339.6
2021 - 2025	1,675.2
2026 - 2030 b,	850.2
Thereafter (through 2065)	185.2
Total	\$ 4,251.0

^a 2016 to 2019 includes estimated REP recoveries from BPA.

^b BPA transmission contract expires July 31, 2025.

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

Federal Energy Regulatory Commission Fees

Estimated Federal land use and administrative fees related to hydroelectric licenses total \$190.6 million through 2055; these estimates are subject to change. The estimated portion of fees attributed to the Skagit and Tolt licenses are excluded after 2025, at which time their current FERC licenses expire. The estimated portion of Boundary fees is included through 2055, the year in which the current license issued by FERC expires. The current Boundary FERC license and related issues are discussed below.

New Boundary License

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

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

The cost projections for such mitigation over the expected 42-year life of the license, included in the Department's license application, were estimated to be \$381.5 million adjusted to 2015 dollars, of which \$32.0 million were expended through 2015. Projected mitigation cost estimates are subject to revision as more information becomes available.

Skagit and South Fork Tolt Licensing Mitigation and Compliance

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

Total Skagit license mitigation costs from the effective date until expiration of the federal operating license were estimated at December 31, 2015, to be \$130.2 million, of which \$114.5 million had been expended. Total South Fork Tolt license mitigation costs were estimated at \$1.8 million, of which \$1.3 million were expended through 2015. 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 2015 dollars. SCL's labor and other overhead costs associated with the activities required by the settlement agreements for the licenses are not included in the estimates.

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

Endangered Species

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

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

SCL, with the support of City Council, elected to take a proactive approach to address issues identified within the ESA. SCL is carrying out an ESA Early Action program in cooperation with agencies, tribes, local governments, and watershed groups for bull trout, Chinook salmon, and steelhead in the South Fork Tolt and Skagit Watersheds. The ESA Early Action program is authorized by City Council but is separate from any current FERC license requirements. The program includes habitat acquisition, management, and restoration. The ESA Early Action has been successful in protecting listed species. Total costs for SCL's share of the Early Action program from inception in 1999 through December 31, 2015 are estimated to be \$10.7 million. \$1.6 million has been allocated for the program in the 2016 budget.

Project Impact Payments

Effective August 2010, SCL renewed its contract with Pend Oreille County and committed to pay a total of \$19.0 million over 10 years ending in 2019 to Pend Oreille County for impacts on county governments from the operations of SCL's hydroelectric projects. Effective February 2009, the Department renewed its contract with Whatcom County committing to pay a total of \$15.8 million over 15 years ending in 2023. The payments compensate the counties and certain school districts and towns located in these counties, for loss of revenues and additional financial burdens associated with the projects. The Boundary Project, located on the Pend Oreille River, affects Pend Oreille County, and Skagit River hydroelectric projects affect Whatcom County. The impact payments totaled \$2.5 million and \$2.5 million to Pend Oreille County, and \$1.0 million and \$1.0 million to Whatcom County in 2015 and 2014, respectively.

SEATTLE PUBLIC UTILITIES (SPU)

Water Fund

Habitat Conservation Program Liability

SPU has prepared a comprehensive environmental management plan for its Cedar River Watershed. The purpose of the Habitat Conservation Plan (HCP) is to protect all species of concern that may be affected by the operations of SPU and SCL in the Cedar River Watershed while allowing SPU to continue to provide high quality drinking water to the region. The federal government has accepted the HCP. The total cost of implementing the HCP is expected to be \$108.9 million (in 2015 dollars) over a period of 50 years (from the year 2000 through the year 2050).

Expenditures are being funded from a combination of SPU's operating revenues and issuance of revenue bonds. The total amount expended for the HCP through 2015 is \$82.0 million. The remaining \$26.9 million to complete the HCP is comprised of an \$8.0 million liability and an estimate of \$18.9 million for construction and operating commitments. The construction activities will add to SPU's capital assets and the operating activities are mainly research, monitoring, and maintenance of the HCP Program that will be expenses as incurred.

Distribution System Reservoirs

SPU is required by the Washington State Department of Health (DOH) to complete a program to cover its open, above-ground distribution system reservoirs by the year 2020. The total cost of burying four reservoirs is expected to be approximately \$164.5 million through the year 2018; costs beyond 2018 are not estimable as of the date of this report. As of December 31, 2015 and 2014, total cumulative costs incurred were \$156.5 million and \$146.8 million, respectively.

Wholesale Water Supply Contracts

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

Drainage and Wastewater Fund

Wastewater Disposal Agreement

SPU has a wastewater disposal agreement with the King County Department of Natural Resources Wastewater Treatment Division (WTD), which expires in 2036. The monthly wastewater disposal charge paid to WTD is based on the WTD's budgeted cost for providing the service. The charges are determined by water consumption and the number of single-family residences as reported by SPU and other component agencies. Payments made by SPU were \$148.6 million and \$139.7 million for fiscal years 2015 and 2014, respectively.

Solid Waste Fund

Contractual Obligations

SPU contracts with private companies for the collection of residential and commercial garbage, yard waste, food waste, and recycling. Effective March 30, 2009 SPU entered into new contracts with Waste Management and CleanScapes for residential and commercial collection. The contracts are scheduled to end on March 31, 2019. Total payments under these contracts for residential and commercial collection in 2015 and 2014 were \$77.2million and \$75.6 million, respectively.

In 1990, SPU entered into a contract with Waste Management of Washington, Inc. formerly known as Washington Waste Systems for the disposal of non-recyclable City waste. This contract is scheduled to end on March 31, 2028, however the City may terminate this contract at its option without cause on March 31, 2019. The Fund paid WWS \$12.8 million and \$12.9 million under this contract in 2015 and 2014, respectively.

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

Effective April 1, 2014 the City entered into contracts with PacifiClean Environmental of Washington, LLC and Lenz Enterprises, Inc. to process yard and food waste into marketable products. The contracts are scheduled to end on March 31, 2020 however the city may, at its option, extend the contract in two year increments up to March 31, 2024. Total payments under the terms of these contracts for 2015 and 2014 were \$4.4 million and \$3.4 million, respectively.

Effective April 1, 2009, the City commenced a contract for recycling processing with Rabanco, LTD. The company is responsible for processing recyclables from both commercial and residential customers. The contract is scheduled to end on March 31, 2016 with an option to extend the contract for a three-year period at that time. The City elected to proceed with a solicitation process, and as a result, negotiated a new long term contract with Rabanco, LTD. This contract became effective April 1, 2016 and will expire March 31, 2021. The City may at its option extend the contract in three year increments up to March 31, 2027. Total payment for recycling processing in 2015 and 2014 were \$2.6 million and \$2.4 million, respectively.

Landfill Closure and Post-closure Care

At December 31, 2015, accrued landfill closure and post-closure costs consist primarily of monitoring, maintenance, and repair costs. It is the City Council's policy to include the fund's share of all landfill closure and post-closure costs in the revenue requirements used to set future solid waste rates. Therefore, SPU uses regulatory accounting and total estimated landfill closure and post-closure care costs are accrued and also reflected as a future costs in accordance with generally accepted accounting principles. These costs are being amortized as they are recovered from rate payers. Actual costs for closure and post-closure care may be higher due to inflation, changes in technology, or changes in regulations. Such amounts would be added to the liability and accrued when identified. Landfill closure costs were fully amortized in 2009 and landfill post-closure costs will continue to amortize until 2024. In prior years, SPU delivered its refuse to two leased disposal sites: the Midway and Kent-Highlands landfills. Subsequent to signing the original lease agreement, federal and state requirements for closure of landfill sites were enacted. SPU stopped disposing of municipal waste in the Midway site in 1983 and in the Kent-Highlands site in 1986.

(15) CONTINGENCIES

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

Effective January 1, 1999, the City obtained excess general liability insurance coverage for occurrences on or after said date, which covered losses over \$2.5 million per occurrence self-insured retention, with a \$25.0 million annual aggregate. The City's self-insurance retention was increased to \$5.0 million per occurrence on February 1, 2002. On June 1, 2007, the annual aggregate was increased to \$30.0 million and remained same through May 2011. Beginning on June 1, 2009, the City's self-insured retention was increased to \$6.5 million per occurrence, following the increase in the annual aggregate to \$40.0 million beginning June 1, 2011.

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 2015 to resolve litigation. No structured settlements were entered into by the City in 2015. No large liability settlements were received in 2015. The City had no settled claims exceeding coverage in the last three years.

Claims liabilities are based on the estimated ultimate cost of settling claims, which include case reserve estimates and incurred but not reported (IBNR) claims. Liabilities for lawsuits and other claims are assessed and projected annually using historical claims, lawsuit data, and current reserves. The Seattle Department of Human Resources estimates case reserves for workers' compensation using statistical techniques and historical experience. In 2015 the City's independent actuary estimated the ultimate settlement costs for lawsuits, workers' compensation, other claims, and health care at year-end 2014. The total undiscounted IBNR amount increased by \$1.8 million in 2015, the IBNR amount was \$42.2 million in 2015 and \$40.4 million in 2014.

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

Claims liabilities include claim adjustment expenditures if specific and incremental to a claim. Recoveries from unsettled claims, such as salvage or subrogation, and on settled claims are deposited in the General Fund and do not affect reserves for general government. Workers' compensation annual subrogation recoveries amounted to \$0.3 million in both 2015 and in 2014. All workers' compensation recoveries are deposited into the General Fund. Lawsuit and other claim recoveries of payments reimbursed for the utilities are deposited into the paying utility fund and do not affect the utility reserves.

Claim liabilities recorded in the financial statements are discounted at 0.931 percent for 2015 and 2014, the City's average annual rate of return on investments. The total discounted liability at December 31, 2015, was \$106.8 million consisting of \$62.4 million for general liability, \$4.3 million for health care, and \$40.1 million for workers' compensation.

Table 15-1

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

	General Liability		Health Care		Workers' Compensation		Total City	
	2015	2014	2015	2014	2015	2014	2015	2014
UNDISCOUNTED								
Balance - Beginning of Fiscal Year	\$ 69,273	\$ 61,659	\$ 3,499	\$ 3,047	\$ 40,382	\$ 40,085	\$ 113,154	\$ 104,791
Less Payments and Expenses During the Year	(15,301)	(12,953)	(149,797)	(142,880)	(14,513)	(13,363)	(179,611)	(169,196)
Plus Claims and Changes in Estimates	11,244	20,567	150,677	143,332	15,441	13,660	177,362	177,559
Balance - End of Fiscal Year	<u>\$ 65,216</u>	<u>\$ 69,273</u>	<u>\$ 4,379</u>	<u>\$ 3,499</u>	<u>\$ 41,310</u>	<u>\$ 40,382</u>	<u>\$ 110,905</u>	<u>\$ 113,154</u>
UNDISCOUNTED BALANCE AT END OF FISCAL YEAR CONSISTS OF								
Governmental Activities	\$ 50,129	\$ 52,765	\$ 4,379	\$ 3,499	\$ 30,165	\$ 29,190	\$ 84,673	\$ 85,454
Business-Type Activities	15,087	16,508	—	—	11,145	11,192	26,232	27,700
Fiduciary Activities	—	—	—	—	—	—	—	—
Balance - End of Fiscal Year	<u>\$ 65,216</u>	<u>\$ 69,273</u>	<u>\$ 4,379</u>	<u>\$ 3,499</u>	<u>\$ 41,310</u>	<u>\$ 40,382</u>	<u>\$ 110,905</u>	<u>\$ 113,154</u>
DISCOUNTED/RECORDED BALANCE AT END OF FISCAL YEAR CONSISTS OF								
Governmental Activities	\$ 47,950	\$ 51,010	\$ 4,330	\$ 3,467	\$ 29,286	\$ 28,178	\$ 81,566	\$ 82,655
Business-Type Activities	14,431	15,959	—	—	10,821	10,805	25,252	26,764
Fiduciary Activities	—	—	—	—	—	—	—	—
Balance - End of Fiscal Year	<u>\$ 62,381</u>	<u>\$ 66,969</u>	<u>\$ 4,330</u>	<u>\$ 3,467</u>	<u>\$ 40,107</u>	<u>\$ 38,983</u>	<u>\$ 106,818</u>	<u>\$ 109,419</u>

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

- City Light Energy Crisis Litigation. The City is involved in various legal proceedings relating to the enormous price spikes in energy costs in California and the rest of the West Coast in 2000 and 2001.
 - California Refund Case, Appeals and Related Litigation: In February 2011, the City agreed to a settlement, which was eventually approved by the trial court and by FERC. Under the settlement, the City has 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 Systems 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 the City recovering monies in the Pacific Northwest Refund Case, discussed below. To date, approximately \$2,282,490 in cash settlements has been paid to the California plaintiffs.
 - Pacific Northwest Refund Case, and Appeals and Related Litigation: In a proceeding before FERC, various buyers of energy, including the City, sought refunds from various sellers on energy sales in the Pacific Northwest between December 1999 and June 2001. The case was tried at FERC between August and October of 2013. In March 2014, the FERC administrative law judge issued an Initial Decision denying all refunds. In May 2014, the City filed a brief objecting to the Initial Decision, and the parties are now awaiting a final decision from FERC. Prior to the FERC trial, the City settled refund claims with twelve entities, with a combined total settlement amount of \$4.6 million. In February 2015, after hearing argument in a related case, the Ninth Circuit sua sponte reactivated certain City Light appeals previously stayed at the Ninth Circuit that were primarily related to City Light's appeal of the FERC's determination that the Mobile-Sierra presumption applied to the contracts at issue and whether FERC had improperly excluded certain evidence that City Light had presented in order to overcome the Mobile-Sierra presumption. After a truncated briefing

schedule, oral arguments were heard in June 2015. On December 17, 2015, the Ninth Circuit issued its opinion finding that the Mobile-Serra presumption does apply to the issues in this case. The Ninth Circuit also determined that it did not have jurisdiction over the evidentiary issues. On December 31, 2015, FERC issued its decision largely confirming the Initial Decision issued by the administrative law judge on March 28, 2014. City Light filed its notice of appeal to the Ninth Circuit on February 22, 2016.

- **Boundary Unit 55 Delay Claims:** City Light entered into a generator rebuild contract with Toshiba International Corporation for Units 55 and 56 at the City's Boundary Hydroelectric Project. The rebuild contract specified a turnover date of March 29, 2013 for Unit 55. Toshiba was materially late on a number of matters, which triggered liquidated damage claims under the contract with Toshiba. The liquidated damages clause allows for \$11,000 per day, and the City has made liquidated damages claims against Toshiba for the period of March 29 - July 17, 2013. These claims total \$1,210,000 and are currently being negotiated with Toshiba. The ultimate recovery amount is indeterminate.
- **Centralia Steam Plant Project Asbestos Claims:** In 2013, the City received notice of a lawsuit that had been filed against PacifiCorp (the successor in interest of the former operator of the Centralia Steam Plant Project) by an employee of a contractor who worked at the Project between April 26, 1971 and December 3, 1971. The claimant alleges he developed mesothelioma as a result of his exposure to asbestos during the time he worked at the Project. PacifiCorp provided notice to the City, and all the other former owners of the Project that, as a former owner of the Project, it could be liable for any liabilities resulting from the construction not covered by insurance in proportion to its ownership share. Based on the agreement for the construction and ownership of the Project, City Light owned 8 percent of the Project during the material times. Recently, the City received additional notice indicating that two additional decedent estates have filed lawsuits against the former operator alleging similar claims. The City is not named in any of the litigation and trial dates for these cases against the former operator are set for various times in 2016. The City's ultimate liability is indeterminate.
- **Utility Tax Refund:** In November 2010, a wireless telecommunications subsidiary company served dozens of cities in Washington, including Seattle, with utility tax refund requests. Then, on April 25, 2012, the subsidiary company filed a lawsuit in King County Superior Court against more than 100 cities. The lawsuit is an appeal of the cities' denial of or failure to respond to the refund request. The City of Seattle initially was not a defendant in the lawsuit, but the company amended its complaint in August to add Seattle and some other cities. The lawsuit arises from the company being sued in a class action for improperly charging its customers for local utility taxes on wireless internet services. Those services may not have been taxable and the company should not have been paying the tax or charging its customers for the tax. As part of the settlement of the class action law suit, the company was required to present refund claims to the cities that may have received utility tax on wireless internet services. The company's claim against the City of Seattle was about \$5 million. In May 2013, the court granted motions to dismiss Seattle and most other cities on procedural grounds. However, the City continued with an audit of the company. That audit determined that the taxpayer was owed a \$3,009,965.79 telephone utility tax credit. In October 2015, the taxpayer waived its rights to appeal the City's tax assessment. This case has been closed.
- **Public Records Request Claim:** The parent company of a local television station in Seattle, made public records request for in-car videos and sued the City when they were not produced. The trial court held some records were improperly withheld. Both parties appealed. On June 12, 2014, the Court issued its decision holding that SPD violated the PRA in denying the plaintiff's requests for databases and for the actual videos. The Court remanded for further proceedings regarding penalties and attorney fees. The plaintiff moved for attorney fees and costs for the Supreme Court appeal. The Court awarded the plaintiff costs and fees of \$52,375.61, which the City has paid. In November 2015 the plaintiff's successor in interest agreed to settle this case for \$174,182.98 in addition to \$53,000 paid to the plaintiff last year for attorney fees and costs awarded at the Supreme Court level. The settlement was finalized on December 14, 2015.
- **Beacon, Myrtle, Maple Leaf and West Seattle Reservoir Leaks:** In 2011 the designer of the Beacon, Myrtle, Maple Leaf and West Seattle reservoirs, notified SPU about possible seismic deficiencies in the designs for the four reservoirs, specifically that the structural calculations it had used did not meet the applicable building code requirements. In response, SPU undertook a rigorous and thorough seismic analysis, focusing first on the West Seattle reservoir, to understand the nature and severity of the seismic deficiencies. Based on that analysis, SPU hired an engineering firm to evaluate and undertake design repairs for the four reservoirs to correct any seismic issues. Repairs on the West Seattle reservoir are nearly complete. It is estimated that the total cost of the work, including analysis, design and construction, will be approximately \$25 million. The designer has to date worked closely and cooperatively with SPU throughout the seismic review and retrofit design process, and negotiations between SPU and the designer are ongoing concerning payment of repair costs. In early 2015, SPU and the designer agreed on a partial settlement of \$3,248,171 for the West Seattle reservoir repairs. In January 2016, SPU and the designer agreed on a partial settlement of \$5,497,275 for the construction and design

costs related to the Maple Leaf and Myrtle reservoirs. The designer also agreed in that partial settlement to make the final payment of \$850,000 related to SPU costs associated with the Lighter Weight Roof Change.

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, 2015, seven projects remained outstanding with a combined total amount of \$11.5 million. BEDI grant funds amount to \$0.5 million, of which a portion is being held as loan loss reserve.

GUARANTEES OF THE INDEBTEDNESS OF OTHERS

The City has guaranteed the following bonds issued by public development authorities chartered by the City which are not component units of the City. The guarantees extend through the life of the bonds.

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

Museum Development Authority

Special obligation refunding bonds. Series 2014 issued on April 29 2014, in the amount of 44,375,000. The outstanding amount as of December 31, 2015 is \$42,700,000. The bonds will be fully retired by April 1, 2031.

Seattle Chinatown-International District Preservation and Development Authority

Refunding bonds issued on September 26, 2007, in the amount of \$7,355,000. The outstanding amount as of December 31, 2015, was \$5,105,000. The bonds will be fully retired by August 1, 2026.

Seattle Indian Services Commission

Special obligation revenue refunding bonds issued on November 1, 2004, in the amount of \$5,210,000. The outstanding amount as of December 31 2015 is \$3,235,000. The bonds will be fully retired on November 1, 2024.

Event Notice Relating to Seattle Indian Services Commission

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

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

As of Dec 31, 2015, the Commission's remaining principal and interest amounts the City guaranteed are \$3,235,000 and \$749,193 respectively. Based on the expected cash outflows and discount rate equal to the interest earned from the City's consolidated cash pool (1.134 percent), the City has recognized a liability of \$3.8 million on the Government-Wide Financial Statements. Until the Commission's revenue conditions improve the City will continue to make the scheduled debt payments through the life of the bonds, with a final maturity date of 11/01/2024.

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

GOVERNMENTAL ACTIVITIES

Prior-period adjustments in government-wide financial statement included the following: (1) A reduction of construction in progress (CIP) from prior years in the amount of \$3.312 million was due to over and under recording of non-CIP expenses. (2) An easement for a building amounting to \$400 thousand in capital assets was not recorded as intangible assets in 2014. (3) Additional immaterial corrections to various Other Assets netted a total reduction of \$283 thousand. These changes in capitalization of construction in progress, intangible and other asset resulted in a restatement that decreased the net capital assets reported in 2014 by \$3.195 million.

Transportation Department reclassified capital assets of \$4.2 million from infrastructure to building. Parks and Recreation and Seattle Center also reclassified capital assets of \$1.4 million from building to land for \$525 thousand, improvement for \$236 thousand and equipment for \$601 thousand. These reclassifications resulted as a restatement to the 2014 government-wide financial statements for governmental activities.

In consideration of the reporting requirements of Statement GASB Statement No. 68, Accounting and Financial Reporting for Pensions, the City recorded its proportionate share of the initial net pension liability/asset and applicable deferred inflows and outflows of resources as a restatement of the beginning net position for fiscal year 2015. The net effects as a result of this adjustment to the beginning net position of governmental activities was a decrease of \$418.7 million.

BUSINESS-TYPE ACTIVITIES

Seattle City Light reclassified its 2014 presentation by removing work in process from accumulated depreciation in the amount of \$1.3 million to construction in progress. The reclassification had no impact on the net capital assets.

In consideration of the reporting requirements of Statement GASB Statement No. 68, Accounting and Financial Reporting for Pensions, the City recorded its proportionate share of the initial net pension liability/asset and applicable deferred inflows and outflows of resources as a restatement of the beginning net position for fiscal year 2015. The net effects as a result of this adjustment to the beginning net position of business activities was a decrease of \$440.7 million.

(17) SUBSEQUENT EVENTS

On January 28, 2016, pursuant to City Council Resolution 31646, the City issued (1) \$31.9 million of Municipal Light and Power (ML&P) Revenue Bonds, 2016A, Taxable New Clean Renewable Energy Bonds (CREBS), with an average coupon rate of 4.050 percent and a final maturity of January 1, 2041; (2) \$116.9 of ML&P Refunding Revenue Bonds, 2016B, with an average coupon rate of 5.000 percent through March 31, 2029 and 4.000 percent thereafter, with a final maturity of April 1, 2029.

On April 6, 2016, pursuant to Mayor Ed Murray's announcement in May 2015, the City began its three-year-transition toward a consolidated IT office, called the Seattle Information Technology Department (Seattle IT), which is designed to increase IT efficiencies and reduce costs. Seattle IT is responsible for the delivery of IT services for the entire City government. The City is currently evaluating the impact this transition will have on its financial statements.

On May 25, 2016, pursuant to City Council Resolutions 31665 and 31666, the City issued (1) \$103.7 million of Limited Tax General Obligation (LTGO) Improvement and Refunding Bonds A with an average coupon rate of 4.388 percent and a final maturity of April 1, 2036; (2) \$6.1 million of LTGO Improvement Taxable Bonds B with an average coupon rate of 2.723 percent and a final maturity of April 1, 2036; and (3) \$36.7 million of Unlimited Tax General Obligation (UTGO) Improvement Bonds with an average coupon rate of 4.075 percent and a final maturity of December 1, 2045.

On June 22, 2016, pursuant to City Council Resolution 31674 the City issued \$160.9 million of Drainage Wastewater Refunding and Revenue Bonds with an average coupon rate of 4.092 percent and a final maturity of April 1, 2046.

**SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL****NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

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

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

C-1

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2015
(In Thousands)

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Taxes				
General Property Taxes	\$ 271,288	\$ 271,288	\$ 273,044	\$ (1,756)
Retail Sales and Use Taxes	206,443	206,443	221,646	(15,203)
Business Taxes	282,661	282,661	277,947	4,714
Excise Taxes	56,207	56,207	80,219	(24,012)
Other Taxes	—	—	—	—
Interfund Business Taxes	133,542	133,542	134,959	(1,417)
Total Taxes	950,141	950,141	987,815	(37,674)
Licenses and Permits	27,131	27,131	27,119	12
Grants, Shared Revenues, and Contributions	30,306	46,133	25,152	20,981
Charges for Services	53,778	57,085	61,401	(4,316)
Fines and Forfeits	30,756	30,756	31,323	(567)
Parking Fees and Space Rent	38,169	38,169	38,570	(401)
Program Income, Interest, and Miscellaneous Revenues	228,159	228,187	225,215	2,972
Total Revenues	1,358,440	1,377,602	1,396,595	(18,993)
EXPENDITURES AND ENCUMBRANCES				
Current				
General Government	417,752	425,446	391,314	34,132
Judicial	29,491	29,491	29,351	140
Public Safety	512,695	544,346	528,788	15,558
Physical Environment	6,401	8,792	6,643	2,149
Transportation	9,240	9,240	9,240	—
Economic Environment	24,156	26,553	19,938	6,615
Health and Human Services	76	76	76	—
Culture and Recreation	7,109	7,109	7,195	(86)
Capital Outlay				
General Government	37,725	37,725	13,495	24,230
Public Safety	9,885	10,884	3,103	7,781
Physical Environment	—	—	—	—
Transportation	12,505	12,505	—	12,505
Economic Environment	—	—	—	—
Culture and Recreation	38,807	42,286	15,458	26,828
Debt Service				
Principal	—	—	—	—
Interest	—	256	—	256
Total Expenditures and Encumbrances	1,105,842	1,154,709	1,024,601	130,108
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	252,598	222,893	371,994	(149,101)
OTHER FINANCING SOURCES (USES)				
Sales of Capital Assets	7,447	7,447	18,274	(10,827)
Transfers In	13,948	13,948	9,065	4,883
Transfers Out	(287,089)	(298,652)	(338,227)	39,575
Total Other Financing Sources (Uses)	(265,694)	(277,257)	(310,888)	33,631
Net Change in Fund Balance	<u>\$ (13,096)</u>	<u>\$ (54,364)</u>	61,106	<u>\$ (115,470)</u>
Budgetary Fund Balance - Beginning of Year			273,919	
Net Change in Encumbrances			30	
Net Change in Unappropriable Reserves			(68,026)	
Budgetary Fund Balance - End of Year			267,029	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			96,937	
Encumbrances			4,396	
Reimbursements				
Budgeted as Revenues			187,347	
Budgeted as Expenditures			(187,347)	
GASB Statement No. 54 Reporting Adjustment				
Library Fund Balances			15,565	
Fund Balance (GAAP) - End of Year			<u>\$ 383,927</u>	

C-2

TRANSPORTATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2015
(In Thousands)

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Taxes				
General Property Taxes	\$ 43,700	\$ 43,700	\$ 43,608	\$ (92)
Retail Sales and Use Taxes	—	—	—	—
Business Taxes	38,449	38,449	41,179	2,730
Excise Taxes	—	—	—	—
Other Taxes	—	—	4	4
Interfund Business Taxes	—	—	—	—
Total Taxes	82,149	82,149	84,791	2,642
Licenses and Permits	157	157	6,043	5,886
Grants, Shared Revenues, and Contributions	28,634	45,071	35,320	(9,751)
Charges for Services	32,071	37,863	71,989	34,126
Fines and Forfeits	—	—	258	258
Parking Fees and Space Rent	(124)	(124)	95	219
Program Income, Interest, and Miscellaneous Revenues	(339)	(339)	512	851
Total Revenues	142,548	164,777	199,008	34,231
EXPENDITURES AND ENCUMBRANCES				
Current				
General Government	—	—	—	—
Judicial	—	—	—	—
Public Safety	—	—	—	—
Physical Environment	—	—	—	—
Transportation	140,372	148,605	120,004	28,601
Economic Environment	—	—	—	—
Health and Human Services	—	—	—	—
Culture and Recreation	—	—	—	—
Capital Outlay				
General Government	—	—	—	—
Public Safety	—	—	—	—
Transportation	299,183	348,408	278,151	70,257
Economic Environment	—	—	—	—
Culture and Recreation	—	—	—	—
Debt Service				
Principal	1,912	1,912	1,912	—
Interest	244	244	117	127
Bond Issuance Cost	—	—	—	—
Other	—	—	—	—
Total Expenditures and Encumbrances	441,711	499,169	400,184	98,985
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(299,163)	(334,392)	(201,176)	(64,754)
OTHER FINANCING SOURCES (USES)				
Long-term Debt Issued	—	—	—	—
Sales of Capital Assets	(2,095)	(2,095)	—	2,095
Transfers In	312,635	340,468	208,106	(132,362)
Transfers Out	(24,388)	(23,262)	(22,281)	981
Total Other Financing Sources (Uses)	286,152	315,111	185,825	(129,286)
Net Change in Fund Balance	<u>\$ (13,011)</u>	<u>\$ (19,281)</u>	(15,351)	<u>\$ (194,040)</u>
Budgetary Fund Balance - Beginning of Year			(42,629)	
Net Change in Encumbrances			2,169	
Net Change in Unappropriable Reserves			25,415	
Budgetary Fund Balance - End of Year			(30,396)	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			101,393	
Encumbrances			—	
Reimbursements			—	
Budgeted as Revenues			—	
Budgeted as Expenditures			—	
Fund Balance (GAAP) - End of Year			<u>\$ 70,997</u>	

C-3

LOW-INCOME HOUSING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2015
(In Thousands)

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Taxes				
General Property Taxes	\$ 23,424	\$ 24,040	\$ 17,934	\$ (6,106)
Retail Sales and Use Taxes	—	—	—	—
Business Taxes	—	—	—	—
Excise Taxes	—	—	—	—
Other Taxes	—	—	—	—
Interfund Business Taxes	—	—	—	—
Total Taxes	23,424	24,040	17,934	(6,106)
Licenses and Permits	—	—	—	—
Grants, Shared Revenues, and Contributions	3,739	21,782	7,001	(14,781)
Charges for Services	14,347	16,002	27,037	11,035
Fines and Forfeits	—	—	—	—
Parking Fees and Space Rent	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	3,024	8,759	9,526	767
Total Revenues	44,534	70,583	61,498	(9,085)
EXPENDITURES AND ENCUMBRANCES				
Current				
General Government	—	—	—	—
Judicial	—	—	—	—
Public Safety	—	—	—	—
Physical Environment	—	—	—	—
Transportation	—	—	—	—
Economic Environment	44,534	159,654	30,146	129,508
Health and Human Services	—	—	—	—
Culture and Recreation	—	—	—	—
Capital Outlay				
General Government	—	—	—	—
Public Safety	—	—	—	—
Physical Environment	—	—	—	—
Transportation	—	—	—	—
Economic Environment	—	—	—	—
Culture and Recreation	—	—	—	—
Total Expenditures and Encumbrances	44,534	159,654	30,146	129,508
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	—	(89,071)	31,352	120,423
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	—	—	—	—
Refunding Debt Issued	—	—	—	—
Premium on Bonds Issued	—	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—
Sales of Capital Assets	—	15	—	(15)
Transfers In	—	—	—	—
Transfers Out	—	—	—	—
Total Other Financing Sources (Uses)	—	15	—	(15)
Net Change in Fund Balance	\$ —	\$ (89,056)	31,352	\$ 120,408
Budgetary Fund Balance - Beginning of Year			(10,312)	
Net Change in Encumbrances			(26,286)	
Net Change in Unappropriable Reserves			(13,511)	
Budgetary Fund Balance - End of Year			(18,757)	
Adjustments to Conform to Generally Accepted Accounting Principles				
Reserves Not Available for Appropriation			129,242	
Encumbrances			26,286	
Reimbursements			—	
Budgeted as Revenues			—	
Budgeted as Expenditures			—	
Fund Balance (GAAP) - End of Year			\$ 136,771	

PENSION PLAN INFORMATION**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Firemen's and Police Relief and Pension funds are both pension plans that fail to meet the requirements of GASB Statement 68. The Firemen's and Police Relief and Pension funds continue to apply GASB Statement 27, and the required supplementary information (C4, C5) reports the long-term actuarial data on the 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.

Under GASB Statement 68, the City's cost-sharing multiple-employer plans are the Seattle City Employees' Retirement System(SCERS), the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1(LEOFF1) and the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF2). As required by GASB Statement 68 the required supplementary information (C6, C7) reports a 10 year Schedule of Proportionate Share of the Net Pension Liability as of the plan's measurement date of the collective net pension liability, and a 10 year Schedule of Employer Contribution as of the City's most recent fiscal year-end.

C-4

PENSION PLAN INFORMATION
SCHEDULE OF FUNDING PROGRESS
December 31, 2015
(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	UAAL as a Percentage of Covered Payroll
Firemen's Pension Fund	2010	13,273	143,499	130,226	9.0	N/A	N/A
	2011	11,430	126,794	115,364	9.0	N/A	N/A
	2012	10,877	138,611	127,734	8.0	N/A	N/A
	2013	12,943	106,424	93,481	12.0	N/A	N/A
	2014	12,371	84,344	71,613	15.0	N/A	N/A
	2015	14,741	82,001	67,260	18.0	N/A	N/A
Police Relief and Pension Fund	2010	280	129,393	129,113	—	N/A	N/A
	2011	1,105	137,497	136,392	1.0	N/A	N/A
	2012	3,746	111,458	107,712	3.0	N/A	N/A
	2013	4,625	104,729	100,104	4.0	N/A	N/A
	2014	3,202	92,615	89,413	3.0	N/A	N/A
	2015	5,101	99,293	94,192	5.0	N/A	N/A

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

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

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PENSION PLAN INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
December 31, 2015
(In Thousands)

Retirement System	Fiscal Year Ending December 31	Covered Employee Payroll	Actual Employer Contributions	Actual Employer Contribution Percentage	Annual Required Contribution (ARC)	Percentage of ARC Contributed
Firemen's Pension Fund	2010	N/A	7,255	N/A	7,975	91
	2011	N/A	8,262	N/A	7,218	114
	2012	N/A	10,318	N/A	7,387	140
	2013	N/A	6,485	N/A	5,243	124
	2014	N/A	8,477	N/A	4,792	177
	2015	N/A	9,563 ^a	N/A	4,866	196
Police Relief and Pension Fund	2010	N/A	9,843	N/A	7,907	124
	2011	N/A	11,195	N/A	8,534	131
	2012	N/A	8,315	N/A	6,895	121
	2013	N/A	7,105	N/A	6,398	111
	2014	N/A	9,398	N/A	5,870	160
	2015	N/A	9,602 ^a	N/A	6,210	155

^a Assumed amounts will be replaced at year end with actual amounts.

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PENSION PLAN INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Seattle City Employees' Retirement System
December 31, 2014
Last Ten Fiscal Years ^a
(In Thousands)

	2014	2013	2012	2011	2010
Employer's proportion of the net pension liability (asset)	99.89%	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability	1,106,800	N/A	N/A	N/A	N/A
Employer's covered employee payroll	626,403	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	176.69%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	67.70%	N/A	N/A	N/A	N/A
	2009	2008	2007	2006	2005
Employer's proportion of the net pension liability (asset)	N/A	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability	N/A	N/A	N/A	N/A	N/A
Employer's covered employee payroll	N/A	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	N/A	N/A	N/A	N/A

^a This schedule will be built prospectively until it contains ten years of data

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PENSION PLAN INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1
June 30, 2015
Last Ten Fiscal Years ^a
(In Thousands)

	2015	2014	2013	2012	2011
Employer's proportion of the net pension asset	3.55 %	3.55 %	N/A	N/A	N/A
Employer's proportionate share of the net pension asset	(42,771)	(43,065)	N/A	N/A	N/A
Employer's covered employee payroll	3,930	4,905	N/A	N/A	N/A
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	(1,088.32)%	(877.98)%	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension asset	127.36 %	126.91 %	N/A	N/A	N/A
	2010	2009	2008	2007	2006
Employer's proportion of the net pension asset	N/A	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension asset	N/A	N/A	N/A	N/A	N/A
Employer's covered employee payroll	N/A	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension asset	N/A	N/A	N/A	N/A	N/A

^a This schedule will be built prospectively until it contains ten years of data

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PENSION PLAN INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2
June 30, 2015
Last Ten Fiscal Years ^a
(In Thousands)

	2015	2014	2013	2012	2011
Employer's proportion of the net pension asset	9.31 %	9.40 %	N/A	N/A	N/A
Employer's proportionate share of the net pension asset	(95,637)	(125,076)	N/A	N/A	N/A
LEOFF 2 employers only - State's proportionate share of the net pension asset associated with the employer	(64,124)	(82,876)	N/A	N/A	N/A
Total	(159,761)	(207,952)	N/A	N/A	N/A
Employer's covered employee payroll	268,461	255,273	N/A	N/A	N/A
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	(35.62)%	(49.00)%	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension asset	111.67 %	116.75 %	N/A	N/A	N/A
	2010	2009	2008	2007	2006
Employer's proportion of the net pension asset	N/A	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension asset	N/A	N/A	N/A	N/A	N/A
LEOFF 2 employers only - State's proportionate share of the net pension asset associated with the employer	N/A	N/A	N/A	N/A	N/A
Total	N/A	N/A	N/A	N/A	N/A
Employer's covered employee payroll	N/A	N/A	N/A	N/A	N/A
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension asset	N/A	N/A	N/A	N/A	N/A

^a This schedule will be built prospectively until it contains ten years of data

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PENSION PLAN INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Seattle City Employees' Retirement System
December 31, 2015
Last Ten Fiscal Years
(In Thousands)

	2015	2014	2013	2012	2011
Contractually required employer contributions	89,363	N/A	N/A	N/A	N/A
Contributions in relation to the statutorily or contractually required contributions	(89,363)	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	—	N/A	N/A	N/A	N/A
Covered employer payroll	626,403	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	14.27%	N/A	N/A	N/A	N/A
	2010	2009	2008	2007	2006
Contractually required employer contributions	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the statutorily or contractually required contributions	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	N/A	N/A	N/A	N/A	N/A
Covered employer payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A

^a This schedule will be built prospectively until it contains ten years of data

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PENSION PLAN INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1
December 31, 2015
Last Ten Fiscal Years
(In Thousands)

	2015	2014	2013	2012	2011
Statutorily or contractually required contributions ^b	—	—	N/A	N/A	N/A
Contributions in relation to the statutorily or contractually required contributions ^b	—	—	N/A	N/A	N/A
Contribution deficiency (excess)	—	—	N/A	N/A	N/A
Covered employer payroll	3,930	4,905	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	—%	—%	N/A	N/A	N/A
	2010	2009	2008	2007	2006
Statutorily or contractually required contributions ^b	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the statutorily or contractually required contributions ^b	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	N/A	N/A	N/A	N/A	N/A
Covered employer payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A

^a This schedule will be built prospectively until it contains ten years of data

^b LEOFF Plan 1 is fully funded, and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation.

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PENSION PLAN INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2
December 31, 2015
Last Ten Fiscal Years
(In Thousands)

	2015	2014	2013	2012	2011
Statutorily or contractually required contributions	13,638	13,249	N/A	N/A	N/A
Contributions in relation to the statutorily or contractually required contributions	13,638	13,249	N/A	N/A	N/A
Contribution deficiency (excess)	—	—	N/A	N/A	N/A
Covered employer payroll	268,461	255,273	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	5.08%	5.19%	N/A	N/A	N/A
	2010	2009	2008	2007	2006
Statutorily or contractually required contributions	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the statutorily or contractually required contributions	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	N/A	N/A	N/A	N/A	N/A
Covered employer payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A

^a This schedule will be built prospectively until it contains ten years of data

City of Seattle
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

Federal Agency (Pass-Through Agency)	Expenditures						Note
	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	
Food And Nutrition Service, Department Of Agriculture (via Department of Social and Health Services)	Child and Adult Care Food Program	10.558	159842	267,787	-	267,787	-
	Child and Adult Care Food Program	10.558	17020077	890,193	-	890,193	-
	Total CFDA 10.558:			1,157,980	-	1,157,980	-
Child Nutrition Cluster							
Food And Nutrition Service, Department Of Agriculture (via Department of Social and Health Services)	Summer Food Service Program for Children	10.559	17804	(1,920)	-	(1,920)	-
Food And Nutrition Service, Department Of Agriculture (via Department of Social and Health Services)	Summer Food Service Program for Children	10.559	17804	633,579	-	633,579	528,594
Total Child Nutrition Cluster:			631,659	-	-	631,659	528,594
Food And Nutrition Service, Department Of Agriculture (via King County)	Senior Farmers Market Nutrition Program	10.576	1469-14510	5,757	-	5,757	-
Food And Nutrition Service, Department Of Agriculture (via Department of Social and Health Services)	Senior Farmers Market Nutrition Program	10.576	1469-14540	52,040	-	52,040	-
Total CFDA 10.576:			57,797	-	-	57,797	-
Economic Development Cluster							
Economic Development Administration, Department Of Commerce (via Puget Sound Regional Council)	Economic Adjustment Assistance	11.307	07 79 06777	114,916	-	114,916	114,916
Total Economic Development Cluster:			114,916	-	-	114,916	114,916

The accompanying notes are an integral part of this schedule.

Office Of Economic Adjustment, Department Of Defense	12.607	HQ00051210044	-	9,349	9,349	-
CDBG - Entitlement Grants Cluster						
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B10MC530005	-	1,952	1,952	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B11MC530005	-	124,243	124,243	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B11MC530005	-	944,622	944,622	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B12MC530005	-	511,494	511,494	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B12MC530005	-	699,784	699,784	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B13MC530005	-	11,494	11,494	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B13MC530005	-	42,487	42,487	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B13MC530005	-	69,000	69,000	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B14MC530005	-	7,554	7,554	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B14MC530005	-	30,000	30,000	3

The accompanying notes are an integral part of this schedule.

Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B14MC530005	-	500,000	500,000	500,000	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B14MC530005	-	76,771	76,771	76,771	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B14MC530005	-	63,000	63,000	63,000	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B14MC530005	-	82,101	82,101	82,101	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B14MC530005	-	19,248	19,248	19,248	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B14MC530005	-	265,000	265,000	265,000	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B15/B14/B13MC530005	-	906,045	906,045	-	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B15MC530005	-	192,301	192,301	192,301	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B15MC530005	-	256,003	256,003	-	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B15MC530005	-	85,791	85,791	-	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B15MC530005	-	182,351	182,351	-	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B15MC530005	-	14,171	14,171	-	3

The accompanying notes are an integral part of this schedule.

Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B15MC530005	-	216,989	216,989	64,960	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B15MC530005	-	12,100	12,100	12,100	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B15MC530005	-	301,160	301,160	-	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B15MC530005	-	5	5	-	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B15MC530005	-	449,917	449,917	449,917	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B15MC530005	-	466,786	466,786	466,786	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B15MC530005	-	478,730	478,730	478,730	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B15MC530005	-	1,124,405	1,124,405	1,124,405	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B15MC530005	-	465,653	465,653	465,653	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B15MC530005	-	795,154	795,154	795,154	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B15MC530005	-	121,945	121,945	-	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	14.218	B15MC530005	-	681,965	681,965	-	3

The accompanying notes are an integral part of this schedule.

Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B15MC530005	-	235,000	235,000	-	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B15MC530005	-	685,615	685,615	685,615	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B15MC530005	-	20,000	20,000	20,000	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B15MC530005	-	354,500	354,500	354,500	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B15MC530005	-	92,000	92,000	-	3
Total CDBG - Entitlement Grants Cluster:				-	11,587,335	11,587,335	8,521,316	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Emergency Solutions Grant Program	14.231	E13MC530001	-	674	674	674	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Emergency Solutions Grant Program	14.231	E14-MC-53-0001	-	289,593	289,593	284,525	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Emergency Solutions Grant Program	14.231	E14-MC-53-0001	-	666,657	666,657	665,191	
Total CFDA 14.231:				-	956,924	956,924	950,390	
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	SUPPORTIVE HOUSING PROGRAM	14.235	WA0027B0T00100	-	130,523	130,523	121,496	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M07-MC53020	-	10,000	10,000	10,000	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M09MC53020	-	10,000	10,000	10,000	3

The accompanying notes are an integral part of this schedule.

Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M10MC53020	-	193,834	193,834	193,834	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M10-MC-53-0200	-	321,098	321,098	321,098	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M11MC53020	-	58,807	58,807	58,807	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M12MC53020	-	116,641	116,641	116,641	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M12MC53020	-	1,538,249	1,538,249	1,538,249	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M13MC53020	-	1,212,019	1,212,019	1,212,019	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M-13-MC-53-0200	-	375,327	375,327	375,327	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M14-MC350200	-	548,152	548,152	548,152	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M14-MC-35-0200	-	89,928	89,928	-	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M14-MC-530200	-	400,040	400,040	400,040	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M15-MC-35-02000	-	226,225	226,225	-	3
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M15-MC-530200	-	339,337	339,337	339,337	3

The accompanying notes are an integral part of this schedule.

Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M15-MC-530200	-	904,553	904,553	904,553
Total CFDA 14.239:					6,344,209	6,344,209	6,028,057
Office Of Community Planning And Development, Department Of Housing And Urban Development	Housing Opportunities for Persons with AIDS	14.241	WAH13-F001	-	35,880	35,880	-
Office Of Community Planning And Development, Department Of Housing And Urban Development	Housing Opportunities for Persons with AIDS	14.241	WAH13-F001	-	775,682	775,682	775,682
Office Of Community Planning And Development, Department Of Housing And Urban Development	Housing Opportunities for Persons with AIDS	14.241	WAH13-F001	-	36,999	36,999	36,999
Office Of Community Planning And Development, Department Of Housing And Urban Development	Housing Opportunities for Persons with AIDS	14.241	WAH14-F001	-	22,986	22,986	-
Office Of Community Planning And Development, Department Of Housing And Urban Development	Housing Opportunities for Persons with AIDS	14.241	WAH14-F001	-	758,192	758,192	758,192
Office Of Community Planning And Development, Department Of Housing And Urban Development	Housing Opportunities for Persons with AIDS	14.241	WAH14-F001	-	28,553	28,553	28,553
Total CFDA 14.241:					1,658,292	1,658,292	1,599,426
Department of Housing and Urban Development	Brownfield Economic Development Initiative	14.246	B-99-BD-53-0015	-	6,720	6,720	-
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0002LOT001306	-	483,107	483,107	470,792
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0002LOT001407	-	106,961	106,961	105,606
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA00061LOT001407	-	51,444	51,444	50,537

The accompanying notes are an integral part of this schedule.

Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0010LOT001306	-	45,591	45,591	43,161
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0010LOT001407	-	121,270	121,270	119,631
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0012LOT001306	-	239,587	239,587	231,092
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0012LOT001407	-	190,484	190,484	188,179
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0013LOT001306	-	33,431	33,431	33,111
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0013LOT001407	-	32,709	32,709	32,146
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0014LOT001306	-	13,964	13,964	13,964
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0014LOT001407	-	14,973	14,973	14,973
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0015LOT001306	-	107,940	107,940	107,425
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0018LOT001306	-	138,713	138,713	135,585
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0018LOT001407	-	50,073	50,073	49,396
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0024LOT001306	-	65,894	65,894	63,575

The accompanying notes are an integral part of this schedule.

Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0024L0T0014 07	-	108,342	108,342	105,635
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0026L0T0013 06	-	110,627	110,627	100,095
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0026L0T0014 07	-	679,829	679,829	668,279
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0027L0T0013 06	-	781,489	781,489	704,121
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0027L0T0014 07	-	58,457	58,457	50,841
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0028L0T0013 06	-	37,042	37,042	35,851
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0028L0T0014 07	-	13,696	13,696	13,533
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0029L0T0013 06	-	87,589	87,589	86,153
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0029L0T0014 07	-	28,008	28,008	27,675
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0031L0T0013 06	-	166,226	166,226	159,288
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0032L0T0013 06	-	443,471	443,471	432,912
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0037L0T0013 06	-	32,636	32,636	32,247

The accompanying notes are an integral part of this schedule.

Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0037L0T001306	-	68,416	68,416	66,129
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0039L0T001306	-	261,501	261,501	254,865
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0039L0T001407	-	136,314	136,314	134,055
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0040L0T001407	-	452,184	452,184	444,222
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0043L0T001205	-	178,743	178,743	168,471
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	wa0043L0T001306	-	76,535	76,535	74,807
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0045L0T001306	-	13,397	13,397	13,397
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0045L0T001407	-	105,037	105,037	102,712
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0050L0T001306	-	161,632	161,632	-
Office Of Community Planning And Development, Department Of Housing And Urban Development (via King County)	Continuum of Care Program	14.267	WA0050L0T001407	59,754	-	59,754	-
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0050L0T001407	-	271,593	271,593	-
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0051L0T001306	-	28,079	28,079	27,047

The accompanying notes are an integral part of this schedule.

Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0051LOT001407	-	233,176	233,176	227,741
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0052LOT001306	-	380,624	380,624	371,085
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0052LOT001407	-	147,345	147,345	143,208
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0053LOT001407	-	360,745	360,745	351,947
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0053LOT001407	-	191,073	191,073	188,384
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0061LOT001306	-	8,337	8,337	8,435
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0201LOT001305	-	475,803	475,803	464,791
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0213LOT001303	-	104,995	104,995	102,579
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0213LOT001404	-	23,669	23,669	23,042
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0214LOT001303	-	239,033	239,033	233,066
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0214LOT001404	-	78,087	78,087	76,642
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0227LOT001401	-	345,365	345,365	340,211

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Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0228L0T001303	-	17,703	17,703	17,734
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0228L0T001404	-	11,818	11,818	11,573
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0239L0T001202	-	68,908	68,908	67,797
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0239L0T001404	-	203,912	203,912	200,622
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0242L0T001302	-	481,643	481,643	471,625
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0243L0T001302	-	26,045	26,045	25,409
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0243L0T001403	-	4,541	4,541	4,285
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0244L0T001301	-	229,048	229,048	222,189
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0244L0T001402	-	281,177	281,177	275,560
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0259L0T001301	-	127,178	127,178	124,078
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0260L0T001301	-	541,303	541,303	532,662
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0261L0T001301	-	110,463	110,463	108,072

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Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA0287LOT001300	-	62,970	62,970	62,019
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA295LOT001400	-	322,926	322,926	316,856
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA296LOT001400	-	895	895	-
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WA296LOT001400	-	58,071	58,071	57,355
Office Of Community Planning And Development, Department Of Housing And Urban Development	Continuum of Care Program	14.267	WAA0043LOT001407	-	239,682	239,682	234,706
Total CFDA 14.267:				59,754	11,373,521	11,433,276	10,625,183
Office Of Fair Housing And Equal Opportunity, Department Of Housing And Urban Development	Fair Housing Assistance Program_State and Local	14.401	FF-210-K13-1006	-	45,000	45,000	-
Department of Housing and Urban Development	HUD Community Challenge Planning & DOT Tiger II Planning Grant	14.704	CCPWA0068-11	-	231,926	231,926	-
Office Of Public And Indian Housing, Department Of Housing And Urban Development (via Seattle Housing Authority)	Public and Indian Housing	14.850	9917_CHANGE ORDER 7	359,744	-	359,744	359,744
Office For Victims Of Crime, Department Of Justice	Services for Trafficking Victims	16.320	2011-VT-BX-K005	-	(6,679)	(6,679)	-
Office For Victims Of Crime, Department Of Justice	Services for Trafficking Victims	16.320	2013-VT-BX-K009	-	245,631	245,631	-
Office For Victims Of Crime, Department Of Justice	Services for Trafficking Victims	16.320	2015-VT-BX-K052	-	737	737	-
Total CFDA 16.320:				-	239,689	239,689	-
Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice	Missing Children's Assistance	16.543	2012-MC-FX-K016	-	494,933	494,933	-

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Office Of Juvenile Justice And Delinquency Prevention, Department Of Justice	Missing Children's Assistance	16.543	2015-MC-FX-K039	-	21,379	21,379	-
			Total CFDA 16.543:	-	516,312	516,312	-
Violence Against Women Office, Department Of Justice	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2009-WE-AX-0008	-	265,234	265,234	230,317
Bureau Of Justice Assistance, Department Of Justice (via Washington Association of Sheriffs and Police Chiefs)	Project Safe Neighborhoods	16.609	2013-GP-BX-0004	4,701	-	4,701	-
Bureau Of Justice Assistance, Department Of Justice (via Washington Association of Sheriffs and Police Chiefs)	Project Safe Neighborhoods	16.609	PSN-2015-002	3,863	-	3,863	-
			Total CFDA 16.609:	8,564	-	8,564	-
Office Of Community Oriented Policing Services, Department Of Justice	Public Safety Partnership and Community Policing Grants	16.710	2012-ULWX-0037	-	18,461	18,461	-
Office Of Community Oriented Policing Services, Department Of Justice	Public Safety Partnership and Community Policing Grants	16.710	2013-UL-WX-0024	-	566,028	566,028	-
Office Of Community Oriented Policing Services, Department Of Justice	Public Safety Partnership and Community Policing Grants	16.710	2014-ULWX-0015	-	447,936	447,936	-
			Total CFDA 16.710:	-	1,032,425	1,032,425	-
Violence Against Women Office, Department Of Justice	Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	16.736	2013-WH-AX-0035	-	76,265	76,265	71,334
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0526	-	98,103	98,103	98,103
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0715	-	213,431	213,431	213,431

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Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-1034	-	293,028	293,028	293,028
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0552	-	97,975	97,975	97,975
	Total CFDA 16.738:			-	702,536	702,536	702,536
Bureau Of Justice Assistance, Department Of Justice	Byrne Criminal Justice Innovation Program	16.817	2014-NY-FX- K003	-	18,749	18,749	-
Bureau Of Justice Assistance, Department Of Justice	Byrne Criminal Justice Innovation Program	16.817	2012-AJ-BX-0006	-	391,760	391,760	-
	Total CFDA 16.817:			-	410,510	410,510	-
Criminal Division, Department Of Justice	Equitable Sharing Program	16.922	N/A	-	3,850	3,850	-
Criminal Division, Department Of Justice	Equitable Sharing Program	16.922	N/A	-	652,706	652,706	-
Criminal Division, Department Of Justice	Equitable Sharing Program	16.922	N/A	-	34,204	34,204	-
Criminal Division, Department Of Justice	Equitable Sharing Program	16.922	N/A	-	9,867	9,867	-
Criminal Division, Department Of Justice	Equitable Sharing Program	16.922	N/A	-	588,844	588,844	-
Criminal Division, Department Of Justice	Equitable Sharing Program	16.922	N/A	-	752,487	752,487	-
Criminal Division, Department Of Justice	Equitable Sharing Program	16.922	N/A	-	238,301	238,301	-
Criminal Division, Department Of Justice	Equitable Sharing Program	16.922	N/A	-	25,620	25,620	-
Criminal Division, Department Of Justice	Equitable Sharing Program	16.922	N/A	-	225,262	225,262	-
	Total CFDA 16.922:			-	2,531,141	2,531,141	-
WIA/WIOA Cluster							
Employment Training Administration, Department Of Labor (via Puget Sound Regional Council)	WIA/WIOA Youth Activities	17.259	14/180-YTH	318,730	-	318,730	200,904
Employment Training Administration, Department Of Labor (via Puget Sound Regional Council)	WIA/WIOA Youth Activities	17.259	14/185-YTH	94,037	-	94,037	51,557

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Employment Training Administration, Department Of Labor (via Puget Sound Regional Council)	WIA/WIOA Youth Activities	17.259	15/121-YTH	93,287	-	93,287	16,149
Total WIA/WIOA Cluster:				506,054	-	506,054	268,610
Highway Planning and Construction Cluster							
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	BHM-1577(016)	434,090	-	434,090	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	BHM-1758(002)	69,362	-	69,362	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	BRM-1560(001)	371,605	-	371,605	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	BRM-1613(005)	645,589	-	645,589	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	BROS-1140(066)	30,658	-	30,658	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	CM-1450(004)	38,408	-	38,408	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	CM-TAP- 1775(001)	837,640	-	837,640	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S(341)	316,096	-	316,096	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	HSIP-1750(002)	50,950	-	50,950	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	LA-7507 & LA- 7509	112,541	-	112,541	-

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Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	POMV/IP-0522(060)	373,867	-	373,867	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	SRTS-1140(050)	14,054	-	14,054	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	SRTS-1140(058)	376,976	-	376,976	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	SRTS-1140(062)	77,073	-	77,073	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	SRTS-1615(004)	143,857	-	143,857	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	SRTS-1730(001)	133,547	-	133,547	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	STPE-EN10(029)	2,342	-	2,342	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	STPUL-1140(054)	45	-	45	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	STPUL-1140(065)	4,284	-	4,284	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	STPUL-1201(022)	1,328,276	-	1,328,276	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	STPUL-1569(002)	1,991,460	-	1,991,460	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	STPUL-1577(017)	3,828	-	3,828	-

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Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	STPUL-1816(001)	5,000	-	5,000	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	TAP-1140(057)	18,568	-	18,568	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	TAP-1140(059)	31,633	-	31,633	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	TAP-1595(001)	24,243	-	24,243	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	TIGER-IV-STPUL-9999(648)	1,455,827	-	1,455,827	-
Federal Highway Administration (fhwa), Department Of Transportation (via WA Department of Transportation)	Highway Planning and Construction	20.205	VPPP-1140(052)	586	-	586	-
Total Highway Planning and Construction Cluster:				8,892,404	-	8,892,404	-
Federal Transit Cluster							
Federal Transit Administration (fta), Department Of Transportation (via King County)	Federal Transit_Capital Investment Grants	20.500	WA-04-0080-00	37,243	-	37,243	-
Federal Transit Administration (fta), Department Of Transportation (via King County)	Federal Transit_Capital Investment Grants	20.500	WA-04-0099-01	2,561	-	2,561	-
Total CFDA 20.500:				39,804	-	39,804	-
Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Formula Grants	20.507	WA-90-X442-03	-	375,918	375,918	-
Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Formula Grants	20.507	WA-90-X442-04	-	58,926	58,926	-
Federal Transit Administration (fta), Department Of Transportation (via King County)	Federal Transit_Formula Grants	20.507	WA-90-0522-04	1,038,752	-	1,038,752	-
Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Formula Grants	20.507	WA-90-0544-00	-	183,433	183,433	-

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Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Formula Grants	20.507	WA-90-X447-04	-	24,449	24,449	-
Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Formula Grants	20.507	WA-90-X474-00	-	6,110	6,110	-
Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Formula Grants	20.507	WA-90-X560-00	-	515,019	515,019	-
Federal Transit Administration (fta), Department Of Transportation (via King County)	Federal Transit_Formula Grants	20.507	WA-95-X043	49,157	-	49,157	-
Federal Transit Administration (fta), Department Of Transportation (via King County)	Federal Transit_Formula Grants	20.507	WA-95-X069-02	2,442	-	2,442	-
Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Formula Grants	20.507	WA-95-X070-00	-	777,822	777,822	-
Federal Transit Administration (fta), Department Of Transportation	Federal Transit_Formula Grants	20.507	WA-95-X075-00	-	704,416	704,416	-
Total CFDA 20.507:				1,090,351	2,646,093	3,736,443	-
Total Federal Transit Cluster:				1,130,155	2,646,093	3,776,248	-
Transit Services Programs Cluster							
Federal Transit Administration (fta), Department Of Transportation	New Freedom Program	20.521	WA-57-X021-00	-	168,058	168,058	-
Total Transit Services Programs Cluster:				-	168,058	168,058	-
Federal Transit Administration (fta), Department Of Transportation	Alternatives Analysis	20.522	WA-39-0006-00	-	44,501	44,501	-
Highway Safety Cluster							
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Traffic Safety Commission)	State and Community Highway Safety	20.600	CFDA 20.600	5,311	-	5,311	-
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Traffic Safety Commission)	State and Community Highway Safety	20.600	Contract WTSC	1,983	-	1,983	-
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Traffic Safety Commission)	State and Community Highway Safety	20.600	Contract WTSC	20,992	-	20,992	-

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National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Traffic Safety Commission)	20.600	N/A	296	-	296	-
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Traffic Safety Commission)	20.600	PS15-02	37,482	-	37,482	-
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Traffic Safety Commission)	20.600	WTSC Contract	189	-	189	-
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Traffic Safety Commission)	20.600	WTSC Contract	13,594	-	13,594	-
Total CFDA 20.600:			79,848	-	79,848	-
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Traffic Safety Commission)	20.616	CFDA 20.616	2,627	-	2,627	-
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Traffic Safety Commission)	20.616	Contract WTSC	407	-	407	-
Total CFDA 20.616:			3,034	-	3,034	-
Total Highway Safety Cluster:			82,882	-	82,882	-
Pipeline And Hazardous Materials Safety Administration, Department Of Transportation (via WA Military Department)	20.703	E15-213 FFY 2014 HMEP	8,000	-	8,000	-
Office Of The Secretary (ost) Administration Secretariate, Department Of Transportation (via WA Department of Transportation)	20.933	TIGER-IV-STPUL-9999(648)	2,291,073	-	2,291,073	-
National Endowment For The Arts	45.024	15-5400-7072	-	10,000	10,000	-
Institute Of Museum And Library Services (via Westchester Library System)	45.312	LG-07-13-0374-13	4,968	-	4,968	-

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Region 10, Environmental Protection Agency	Puget Sound Watershed Management Assistance	66.120	PO-00J09401-0	-	117,901	117,901	92,950
Region 10, Environmental Protection Agency (via Department of Ecology)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	G1300084	17,583	-	17,583	-
Region 10, Environmental Protection Agency (via Department of Ecology)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	G1300125	63,597	-	63,597	79,520
Region 10, Environmental Protection Agency (via Department of Ecology)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	G1400223	50,000	-	50,000	-
Clean Water State Revolving Fund Cluster				Total CFDA 66.123:	-	131,180	79,520
ASSISTANT ADMINISTRATOR FOR WATER, ENVIRONMENTAL PROTECTION AGENCY (via Washington State Department of Ecology)	Capitalization Grants for Clean Water State Revolving Funds	66.458	WQC-2016-SeaPUD-00192	15,612,937	-	15,612,937	-
Drinking Water State Revolving Fund Cluster				Total Clean Water State Revolving Fund Cluster:	-	15,612,937	-
Office Of Water, Environmental Protection Agency (via Office of Water)	Capitalization Grants for Drinking Water State Revolving Funds	66.468	DM13-952-135	1,442,835	-	1,442,835	-
Region 9, Environmental Protection Agency	Environmental Protection Consolidated Grants for the Insular Areas - Program Support	66.600	PO-00J09101	-	147,659	147,659	103,496
Department Of Energy (via State of WA Department of Commerce)	Weatherization Assistance for Low-Income Persons	81.042	F13-43103-404	154,994	-	154,994	-
Department Of Energy (via State of WA Department of Commerce)	Weatherization Assistance for Low-Income Persons	81.042	F13-43103-404	219,007	-	219,007	-

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Department Of Energy (via State of WA Department of Commerce)	Weatherization Assistance for Low-Income Persons	81.042	F13-43104-404	75,606	-	75,606	-
Department Of Energy (via State of WA Department of Commerce)	Weatherization Assistance for Low-Income Persons	81.042	F13-43104-404	78,774	-	78,774	-
Department Of Energy (via State of WA Department of Commerce)	Weatherization Assistance for Low-Income Persons	81.042	F15-43103-404	22,436	-	22,436	-
Department Of Energy (via State of WA Department of Commerce)	Weatherization Assistance for Low-Income Persons	81.042	F15-43103-404	41,812	-	41,812	-
Total CFDA 81.042:				592,629	-	592,629	-
Department Of Energy (via State of WA Department of Commerce)	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	F14-52117-005	18,063	-	18,063	-
Department Of Energy (via State of WA Department of Commerce)	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117	F14-52117-013	8,500	-	8,500	-
Total CFDA 81.117:				26,563	-	26,563	-
TRIO Cluster							
Office Of Postsecondary Education, Department Of Education	TRIO_ Upward Bound	84.047	P047A120661	-	189,694	189,694	-
Office Of Postsecondary Education, Department Of Education	TRIO_ Upward Bound	84.047	P047A120661-15	-	276,048	276,048	-
Total TRIO Cluster:				-	465,743	465,743	-
Office Of Elementary And Secondary Education, Department Of Education	Twenty-First Century Community Learning Centers	84.287	991104	-	69,601	69,601	-
Administration For Community Living, Department Of Health And Human Services (via Department of Social and Health Services)	Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	1469-93697	18,387	-	18,387	18,387

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Administration For Community Living, Department Of Health And Human Services (via Department of Social and Health Services)	93.043	1469-93697	133,117	-	133,117	133,117
Aging Cluster						
Administration For Community Living, Department Of Health And Human Services (via Department of Social and Health Services)	93.044	1569-29892	583,594	-	583,594	119,773
Administration For Community Living, Department Of Health And Human Services (via Department of Social and Health Services)	93.044	1569-29892	1,455,287	-	1,455,287	830,421
Total CFDA 93.044:			2,038,881	-	2,038,881	950,194
Administration For Community Living, Department Of Health And Human Services (via Department of Social and Health Services)	93.045	1469-93697	1,056,504	-	1,056,504	1,022,694
Administration For Community Living, Department Of Health And Human Services (via Department of Social and Health Services)	93.045	1469-93697	2,053,277	-	2,053,277	1,910,669
Total CFDA 93.045:			3,109,781	-	3,109,781	2,933,362
Administration For Community Living, Department Of Health And Human Services (via Department of Social and Health Services)	93.053	1469-93697	572,461	-	572,461	572,461
Total Aging Cluster:			5,721,123	-	5,721,123	4,456,018
Administration For Community Living, Department Of Health And Human Services (via Department of Social and Health Services)	93.051	1469-26576	3,007	-	3,007	3,007
Administration For Community Living, Department Of Health And Human Services (via Department of Social and Health Services)	93.052	1469-93697	80,990	-	80,990	44,412
Administration For Community Living, Department Of Health And Human Services (via Department of Social and Health Services)	93.052	1469-93697	659,146	-	659,146	517,486
Total CFDA 93.052:			740,136	-	740,136	561,898

The accompanying notes are an integral part of this schedule.

Administration For Community Living, Department Of Health And Human Services (via Department of Social and Health Services)	93.071	Medicare Enrollment Assistance Program	1369-92778	2,927	-	2,927	2,927
Administration For Community Living, Department Of Health And Human Services (via Department of Social and Health Services)	93.071	Medicare Enrollment Assistance Program	1469-28486	31,899	-	31,899	31,370
Total CFDA 93.071:				34,826	-	34,826	34,297
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Public Health Seattle & King County (PHSKC))	93.331	Partnerships to Improve Community Health	CDIP3923	29,700	-	29,700	-
Centers For Disease Control And Prevention, Department Of Health And Human Services (via Department of Social and Health Services)	93.331	Partnerships to Improve Community Health	CDIP3933	52,242	-	52,242	-
Total CFDA 93.331:				81,943	-	81,943	-
Administration For Community Living, Department Of Health And Human Services (via Department of Social and Health Services)	93.517	Affordable Care Act – Aging and Disability Resource Center	1369-78479	148,814	-	148,814	4,029
Administration For Children And Families, Department Of Health And Human Services (via State of WA Department of Commerce)	93.568	Low-Income Home Energy Assistance	F15-43101-404	359,431	-	359,431	-
Administration For Children And Families, Department Of Health And Human Services (via State of WA Department of Commerce)	93.568	Low-Income Home Energy Assistance	F15-43101-404	422,346	-	422,346	-
Total CFDA 93.568:				781,777	-	781,777	-
Administration For Children And Families, Department Of Health And Human Services (via State of WA Department of Commerce)	93.569	Community Services Block Grant	F15-32100-005	164,769	-	164,769	-
Administration For Community Living, Department Of Health And Human Services (via Department of Social and Health Services)	93.734	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs – financed by Prevention and Public Health Funds (PPHF)	1269-63897	26,168	-	26,168	14,600

The accompanying notes are an integral part of this schedule.

Medicaid Cluster

Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Department of Social and Health Services)	Medical Assistance Program	93.778	1469-14540	(25,185)	-	(25,185)	12,125
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Department of Social and Health Services)	Medical Assistance Program	93.778	1469-14540	528,399	-	528,399	199,510
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Department of Social and Health Services)	Medical Assistance Program	93.778	1469-14540	4,405,271	-	4,405,271	1,565,097
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Department of Social and Health Services)	Medical Assistance Program	93.778	1469-14606	5,180	-	5,180	-
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Department of Social and Health Services)	Medical Assistance Program	93.778	1469-14606	48,563	-	48,563	46,251
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Department of Social and Health Services)	Medical Assistance Program	93.778	1469-14606	567,877	-	567,877	532,384
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Department of Social and Health Services)	Medical Assistance Program	93.778	1569-39250	3,643	-	3,643	-
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Department of Social and Health Services)	Medical Assistance Program	93.778	1569-39250	52,265	-	52,265	49,808
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Department of Social and Health Services)	Medical Assistance Program	93.778	1569-39250	496,858	-	496,858	480,625

The accompanying notes are an integral part of this schedule.

Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Department of Social and Health Services)	Medical Assistance Program	93.778	1569-41456	157,423	-	157,423	14,033
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Department of Social and Health Services)	Medical Assistance Program	93.778	1569-41456	471,613	-	471,613	237,415
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Department of Social and Health Services)	Medical Assistance Program	93.778	1569-41456	3,800,567	-	3,800,567	1,467,287
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Department of Social and Health Services)	Medical Assistance Program	93.778	D37368D	2,577	-	2,577	-
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Department of Social and Health Services)	Medical Assistance Program	93.778	UWSC8526	4,950	-	4,950	-
Total Medicaid Cluster:				10,520,001	-	10,520,001	4,604,534
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via Department of Social and Health Services)	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	MW11_002A_2014	12,955	-	12,955	9,000
Department Of Homeland Security	Non-Profit Security Program	97.008	E15-091	-	151	151	-
Department Of Homeland Security (via King County)	Boating Safety Financial Assistance	97.012	3314-FAS-140153	29,700	-	29,700	-
Department Of Homeland Security (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	FFY14-SHSP-SFD	880	-	880	-
Department Of Homeland Security (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	FUSARCON15-JULY2015	3,548	-	3,548	-
Department Of Homeland Security (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	FUSARDT15-JULY2015	1,299	-	1,299	-

The accompanying notes are an integral part of this schedule.

Department Of Homeland Security (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	FUSARLOG15- JULY15	4,949	-	4,949	-
Department Of Homeland Security (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	PECM-DHS FUNDS USAR	18,183	-	18,183	-
Department Of Homeland Security (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	PECM-DHS USAR DRIL OCT 2015	3,349	-	3,349	-
Department Of Homeland Security (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	PECM-DHS USAR-DEC 2015	1,885	-	1,885	-
Department Of Homeland Security (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	TN 14-078	2,324	-	2,324	-
Department Of Homeland Security (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	TN: 14-109, 10/9/15	1,375	-	1,375	-
Department Of Homeland Security (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	TRAINING #14- 009	2,018	-	2,018	-
Department Of Homeland Security (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	training #14- 027/089	7,554	-	7,554	-
Department Of Homeland Security (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	Training #14-055	427	-	427	-
Department Of Homeland Security (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	TRAINING #14- 069	908	-	908	-
Department Of Homeland Security (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	TRAINING #14- 083	2,483	-	2,483	-
Department Of Homeland Security (via Pierce County)	National Urban Search and Rescue (US&R) Response System	97.025	WATF-#14-110	707	-	707	-
Total CFDA 97.025:				51,890	-	51,890	-
Department Of Homeland Security (via WA Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	n/a	1,709	-	1,709	5
Department Of Homeland Security (via WA Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1361-DR-WA	62,663	-	62,663	5

The accompanying notes are an integral part of this schedule.

Department Of Homeland Security (via WA Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D12-085	29,795	-	29,795	-	5
Department Of Homeland Security (via WA Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-WA-1734	11,858	-	11,858	-	5
Department Of Homeland Security (via WA Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-WA-1825	2,942	-	2,942	-	5
Department Of Homeland Security (via WA Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	E07-754	27,461	-	27,461	-	5
Department Of Homeland Security (via King County)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	E07-893	138,973	-	138,973	-	5
Total CFDA 97.036:				275,402	-	275,402	-	
Department Of Homeland Security (via WA Military Department)	Emergency Management Performance Grants	97.042	EMW-2014-EP-00033-S01	174,298	-	174,298	-	
Department Of Homeland Security (via WA Military Department)	Emergency Management Performance Grants	97.042	EMW-2015-EP-00028-S01	180,002	-	180,002	-	
Total CFDA 97.042:				354,299	-	354,299	-	
Department Of Homeland Security	Assistance to Firefighters Grant	97.044	EMW-2009-FO-04048	-	(20,860)	(20,860)	-	
Department Of Homeland Security	Assistance to Firefighters Grant	97.044	EMW-2013-FO-05607	-	344,952	344,952	-	
Department Of Homeland Security (via University of Arizona)	Assistance to Firefighters Grant	97.044	EMW-2013-FP-00351	33,432	-	33,432	-	
Total CFDA 97.044:				33,432	324,092	357,524	-	
Department Of Homeland Security (via WA Military Department)	Pre-Disaster Mitigation	97.047	EMS-2011-PC-0004	14,685	-	14,685	-	
Department Of Homeland Security (via Marine Exchange of Puget Sound)	Port Security Grant Program	97.056	2009-PU-T9-K044	(15,747)	-	(15,747)	-	

The accompanying notes are an integral part of this schedule.

Department Of Homeland Security	Port Security Grant Program	97.056	DHS Contract#EMW-2013-PU-00156	-	87,851	87,851	-
Department Of Homeland Security	Port Security Grant Program	97.056	EMW-2013-PU-00345-S01	-	1,087,841	1,087,841	-
Department Of Homeland Security	Port Security Grant Program	97.056	EMW-2013-PU00407	-	531,808	531,808	-
Department Of Homeland Security	Port Security Grant Program	97.056	EMW-2014-PU-00496	-	643,405	643,405	-
Department Of Homeland Security	Port Security Grant Program	97.056	EMW-2015-PU-00230	-	7,339	7,339	-
Total CFDA 97.056:				(15,747)	2,358,243	2,342,496	-
Department Of Homeland Security (via WA Military Department)	Homeland Security Grant Program	97.067	E12-165	82,948	-	82,948	-
Department Of Homeland Security (via WA Military Department)	Homeland Security Grant Program	97.067	E12-190	(26,424)	-	(26,424)	-
Department Of Homeland Security (via WA Military Department)	Homeland Security Grant Program	97.067	E14-093	417,970	-	417,970	-
Department Of Homeland Security (via WA Military Department)	Homeland Security Grant Program	97.067	E15-091	253,545	-	253,545	-
Department Of Homeland Security (via WA Military Department)	Homeland Security Grant Program	97.067	EMW-2012-SS-00115-S01	160,295	-	160,295	-
Department Of Homeland Security (via WA Military Department)	Homeland Security Grant Program	97.067	EMW-2013-SS-00025-S01	1,641,844	-	1,641,844	-
Department Of Homeland Security (via WA Military Department)	Homeland Security Grant Program	97.067	EMW-2014-SS-0016-S01	301,590	-	301,590	-
Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	FFY13-SHSP-SFD	92,650	-	92,650	-
Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	FFY13-SHSP-SPD	24,106	-	24,106	-
Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	FFY13-SHSP-SPD	87,289	-	87,289	-
Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	FFY13-SHSP-SPD	129,294	-	129,294	-
Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	FFY13-SHSP-SPD	193,841	-	193,841	-

The accompanying notes are an integral part of this schedule.

Department Of Homeland Security (via Pierce County)	Homeland Security Grant Program	97.067	FFY14-SHSP- SFD	155,382	-	155,382	-
Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	FFY14-SHSP- SPD	1,446	-	1,446	-
Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	FFY14-SHSP- SPD	32,065	-	32,065	-
Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	FFY14-SHSP- SPD	40,000	-	40,000	-
Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	FFY14-SHSP- SPD	62,425	-	62,425	-
Department Of Homeland Security (via King County)	Homeland Security Grant Program	97.067	FFY14-SHSP- SPD	100,356	-	100,356	-
Total CFDA 97.067:				3,750,623	-	3,750,623	-
Department Of Homeland Security (via WA Military Department)	Buffer Zone Protection Program (BZPP)	97.078	2010-BF-T0-0022	359	-	359	-
Department Of Homeland Security	Homeland Security Blowatch Program	97.091	2011-OH-091- 000028-05	-	263,465	263,465	-
Department Of Homeland Security	Homeland Security Blowatch Program	97.091	DHS-2014-OHA- BIOWATCH	-	229,874	229,874	-
Total CFDA 97.091:				-	493,339	493,339	-
Total Federal Awards Expended:				55,993,759	44,963,291	100,957,048	40,236,771

CITY OF SEATTLE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the City's financial statements. Expenditures represent only the federally funded portions of the program. The City uses the modified accrual basis in its governmental funds and the full accrual basis of accounting in its proprietary funds.

NOTE 2 - PROGRAM COST

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

NOTE 3 - REVOLVING LOAN - PROGRAM INCOME

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

NOTE 4 - FEDERAL LOANS

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

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

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

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

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

The City did not establish any new loans neither in 2015 nor in 2014.

In 2015, the City paid off five projects including 211 First Ave, the Buttnick Building, the City Loan Building, 17th and Jackson and the Cadillac Hotel.

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

NOTE 5 - GRANTS FROM FEMA, DEPARTMENT OF HOMELAND SECURITY

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

NOTE 6 – NONCASH AWARDS – FOOD VOUCHERS

The amount reported for the USDA Senior Farmers Market Nutrition Program includes \$52,040 allocated for food vouchers provided through the Washington Department of Social and Health Services. Distribution of vouchers is overseen by the City's Aging and Disability Services (ADS) Division of the Human Services Department.

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

City of Seattle
King County

January 1, 2015 through December 31, 2015

This schedule presents the corrective action planned by the City for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Finding ref number: 2015-001	Finding caption: The City does did not have adequate internal controls in place to ensure compliance with federal subrecipient monitoring requirements.
Name, address, and telephone of auditee contact person: Abdiwali Mohamed 700 5 th Ave, Suite 5800 P.O. Box 34215 Seattle, WA 98124-4215 206-684-4167	
<i>Corrective action the auditee plans to take in response to the finding:</i> <i>In response to the Auditor's above noted concerns, the Department is taking the following immediate and long-term actions:</i> <i>Immediate Action Steps (to be completed by 09-30-2017)</i> <ul style="list-style-type: none">• <i>Ensure questioned costs by physically verifying internally and externally with subrecipients used the program funds in accordance with the grant agreement and federal requirements by 01-31-2017</i>• <i>Continue providing training to program specialists to ensure they have an adequate understanding of federal subrecipient monitoring requirements and Department policies</i>• <i>Meet our long-term plan of developing and implementing a new monitoring practice and policy manual/checklist, for how the department will ensure compliance with the grant agreement and federal requirements by 09-30-2017</i>• <i>Perform a risk-assessment by evaluating each subrecipient's risk of non-compliance to ensure appropriate monitoring activities are performed</i>• <i>Hire an Accountant/Fiscal Monitor in 2017 to perform subrecipient monitoring with</i>	

<p><i>Grants and Contracts Specialists.</i></p> <p><u>Long-term Actions Steps: (January 2017 through December 2018)</u></p> <ul style="list-style-type: none"> • <i>Continue to develop and implement a strategy for streamlining contracts that includes consolidating the number of contracts and moving to multi-year contracts where appropriate</i> • <i>Develop and implement a strategy for continued separation of job functions such as the re-assignment of staff based on skills and competency</i> • <i>Develop and implement a plan for increasing fiscal/compliance monitoring and oversight that aligns with the grant agreements and federal requirements</i> 	
<p>Anticipated date to complete the corrective action:</p> <p>Immediate Action Steps by 9/30/2017 and Long-Term Action Steps by 12/31/2018</p>	
<p>Finding ref number:</p> <p>2015-002</p>	<p>Finding caption:</p> <p>The City did not have adequate internal controls in place to ensure compliance with federal subrecipient monitoring requirements.</p>
<p>Name, address, and telephone of auditee contact person:</p> <p>Abdiwali Mohamed 700 5th Ave, Suite 5800 P.O. Box 34215 Seattle, WA 98124-4215 206-684-4167</p>	
<p>Corrective action the auditee plans to take in response to the finding:</p> <p><i>In response to the Auditor's above noted concerns, the Department is taking the following immediate and long-term actions:</i></p> <p><i>Immediate Action Steps (complete by 09-30-2017)</i></p> <ul style="list-style-type: none"> • <i>Ensure questioned costs by physically verifying internally and externally with subrecipients used the program funds in accordance with the grant agreement and federal requirements by 01-31-2017</i> • <i>Continue providing training to program specialists to ensure they have an adequate understanding of federal subrecipient monitoring requirements and Department policies</i> • <i>Meet our long-term plan of developing and implementing a new monitoring practice and policy manual/checklist, for how the department will ensure compliance with the grant agreement and federal requirements by 09-30-2017</i> • <i>Perform a risk-assessment by evaluating each subrecipient's risk of non-compliance to ensure appropriate monitoring activities are performed</i> • <i>Hire an Accountant/Fiscal Monitor in 2017 to perform subrecipient monitoring with</i> 	

<p><i>Grants and Contracts Specialists.</i></p> <p><u>Long-term Actions Steps: (January 2017 through December 2018)</u></p> <ul style="list-style-type: none"> • <i>Continue to develop and implement a strategy for streamlining contracts that includes consolidating the number of contracts and moving to multi-year contracts where appropriate</i> • <i>Develop and implement a strategy for continued separation of job functions such as the re-assignment of staff based on skills and competency</i> • <i>Develop and implement a plan for increasing fiscal/compliance monitoring and oversight that aligns with the grant agreements and federal requirements</i> 	
<p>Anticipated date to complete the corrective action:</p> <p>Immediate Action Steps by 9/30/2017 and Long-Term Action Steps by 12/31/2018</p>	
<p>Finding ref number:</p> <p>2015-003</p>	<p>Finding caption:</p> <p>The City did not have adequate internal controls in place to ensure accurate financial reporting on the Schedule of Expenditures of Federal Awards.</p>
<p>Name, address, and telephone of auditee contact person:</p> <p>Linda Johnson 700 Fifth Avenue, Suite 4900 Seattle, WA 98104 (206) 684-5179</p>	
<p>Corrective action the auditee plans to take in response to the finding:</p> <p><i>The City acknowledges the Auditor's concerns regarding inadequate internal controls over financial reporting on the SEFA. As relates to the specific deficiency, the Department of Ecology Loan for the Henderson North Combined Sewer Overflow Reductions project, the auditor asserts that the loan drawdowns covering 2015 and 2016 were not recorded in those years. The City disputes the finding for 2015. Because the loan in question was not awarded to the City until 2016, expenditures of federal funds were not known when the SEFA was prepared for 2015. Further, the City received guidance from the EPA indicating that the triggering action for audit purposes is when an SRF borrower submits an invoice/disbursement/payment request to the state. The City did not submit a disbursement until 7/31/2016.</i></p> <p><i>Regarding 2016, the City acknowledges that the drawdown request submitted in 2016 but received in 2017 was not included in the 2016 SEFA. As federal (EPA) and State (Department of Ecology) agencies have provided conflicting guidelines, the City will work to clarify rules and procedures for reporting retroactive awards on the SEFA. The City appreciate SAO's guidance on this issue.</i></p>	
<p>Anticipated date to complete the corrective action: 9/30/2019</p>	

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov