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City of Redmond, Washington

Comprehensive Annual **Financial Report**

For the fiscal year ended December 31, 2016

2016

VISION

Work together to realize Redmond's future as a city with two vibrant urban centers, improve connections to our neighbors, and provide high quality, responsive services in partnership with an engaged community.



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CITY OF REDMOND, WASHINGTON
COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

PREPARED BY THE FINANCE DEPARTMENT

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DEPARTMENT ADMINISTRATIVE COORDINATOR

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**City of Redmond
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Executive Director/CEO



ELECTED OFFICIALS



MAYOR
JOHN MARCHIONE

CITY COUNCIL



ANGELA BIRNEY



BYRON SHUTZ



KIMBERLY ALLEN
VICE PRESIDENT



HANK MYERS



DAYLE (HANK) MARGESON
PRESIDENT



DAVID CARSON



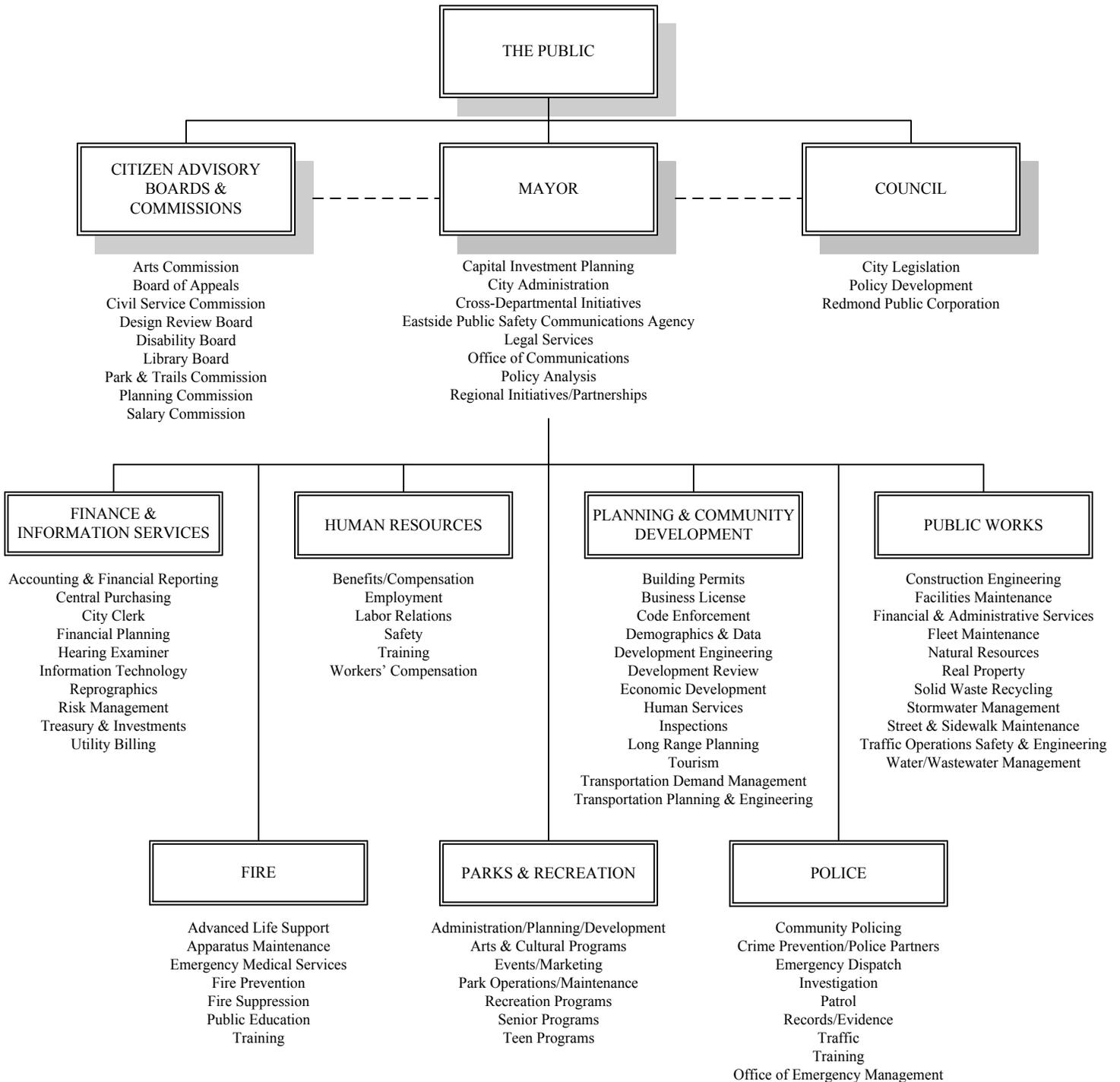
JOHN STILIN

EXECUTIVE STAFF & LEGAL COUNSEL

DEPUTY CITY ADMINISTRATOR
DEPUTY CITY ADMINISTRATOR
FINANCE & INFORMATION SERVICES DIRECTOR
FIRE CHIEF
HUMAN RESOURCES DIRECTOR
PARKS & RECREATION DIRECTOR
PLANNING & COMMUNITY DEVELOPMENT DIRECTOR
POLICE CHIEF
PUBLIC WORKS DIRECTOR
CITY ATTORNEY
BOND ATTORNEY
PROSECUTOR

JANE CHRISTENSON
ERIKA VANDENBRANDE
MICHAEL E. BAILEY
TOMMY SMITH
MELLODY MATTHES
MAXINE WHATTAM
ROB ODLE
KRISTI WILSON
LINDA DE BOLDT
OGDEN MURPHY WALLACE
PACIFICA LAW GROUP
LARRY MITCHELL

ORGANIZATIONAL STRUCTURE CITY OF REDMOND





June 28, 2017

Mayor Marchione,
The Redmond City Council, and
Citizens of Redmond, Washington:

I am pleased to provide the Comprehensive Annual Financial Report of the City of Redmond for the fiscal year ended December 31, 2016. This report is published annually as the official annual financial report and complies with State law (RCW 43.09.230) requiring annual reports for Washington municipal governments to be certified and filed with the Washington State Auditor's Office.

As management for the City, we are responsible for both the accuracy of the data, and the completeness and fairness of the presentation, including all related disclosures. The City operates under a system of accounting internal controls that are concerned with the safeguarding of assets and the reliability of financial records. The definition of accounting control assumes reasonable, but not absolute, assurance that the objectives expressed in it will be accomplished by the system. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits expected to be derived.

Cities and counties of the State of Washington use the Budgeting, Accounting and Reporting System (BARS) developed and prescribed by the Office of the State Auditor. State law provides for an annual independent audit to be conducted by the Office of the State Auditor. This report includes the auditor's opinion with respect to the city's financial statements.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of *Management's Discussion and Analysis (MD&A)*. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Redmond's MD&A can be found immediately following the independent auditor's report.

Profile of the Government

Incorporated in 1912, Redmond is the nineteenth largest city in the state of Washington encompassing an area of 17.15 square miles east of downtown Seattle on the east side of Lake Washington. Redmond has grown from a population of 1,453 in 1960 to a 2016 population of 60,560.

Redmond is a non-charter code city, operating under Section 35A of the Revised Code of Washington. It has a Mayor/Council form of government. The Mayor and the seven member City Council are elected for staggered four-year terms and are elected at-large. Members of the City Council are responsible for establishing the general direction and policies for the City and for providing the resources necessary to carry out those policies. As the City's chief administrator, the Mayor is responsible for carrying out the policy and direction set by the City Council. This includes the enforcement of laws and ordinances, the execution of contracts and agreements, and maintenance of peace and order in the City.

The City of Redmond provides a full range of municipal services, including police and fire, emergency medical services, planning and zoning, street maintenance and construction, parks and recreation, and general administrative services. The City operates enterprise funds for water and wastewater services and stormwater management.

This report includes all funds, agencies, and boards and commissions that are controlled by, or dependent on, the City's executive and legislative departments. Included as blended component units in the Capital Improvements Program Fund is Redmond Community Facilities District 2014-1 (CFD 2014-1) which was created for the purpose of financing the construction of a pedestrian / bicycle bridge over State Route 520 at the Overlake Transit Station and Redmond Community Facilities District 2016-1 (CFD 2016-1) which was created for the purpose of financing multimodal improvements on 154th Avenue NE and NE 51st Street, and NE 31st Street and 156th Avenue NE. Additional information on the reporting entity can be found in the Notes to the Financial Statements.

The City prepares a biennial budget on the modified accrual basis in accordance with the Revised Code of Washington (RCW) 35A.34. Biennial budgets must be adopted by the City Council prior to the first of each odd-numbered calendar year. Reviews are conducted at mid-biennium and any changes for the second half of the biennium are adopted by the City Council.

The biennial budget serves as the foundation for the City of Redmond's financial planning and control. The budget is prepared by fund, City priority and department. A budget increase, decrease or the addition of new personnel to a fund must be authorized by the City Council. Appropriation changes within a fund may be authorized by the Mayor.

Local Economy

Redmond has evolved from a small town with logging and farming as its chief industries into a city of very diverse industries. Led by a significant technology industry, the local economy also includes light manufacturing, business parks, a large outdoor mall adjacent to the downtown retail core, and, most recently space exploration companies. The largest employer in Redmond is Microsoft which has its world headquarters and about 34 thousand employees located in the City. Other significant employers in our city include Terex (formerly Genie Industries) (2,656 employees), Eurest Dining Services @ Microsoft (1,041 employees), Aerotek Inc. (978 employees), Nintendo of America (945 employees), AT&T Mobility (826 employees) and United Parcel Service (757 employees).

Like most cities across the country, Redmond saw a significant decline in economic activity and tax revenues during the 2008/2009 recession. Since that time the recovery has been slow but steady. We are seeing significant investments in the local economy (in the form of commercial developments) and the city's tax revenues are showing some growth as a result. Sales taxes in 2016 continues to recover from lackluster performance and is projected to grow from 2015 levels. The recovery reflects the City's focus on economic development and creating a City that is a place to live and invest. Such a focus resulted in Redmond being named one of the top four cities to live in the Northwest by ForRent.com.

Several significant projects continue in the downtown area and have included large multi-use developments and new hotel facilities. The city is continuing to make major investments in roadways, utility infrastructure and parks facilities in pursuit of the transformation of its two urban centers (the historic downtown and the "Overlake" area which is the primary location of technology firms). The City is dedicating time and effort to welcome light rail into Overlake in 2023 and Downtown in 2024, adding another element to a vibrant and growing Redmond.

Long-term Financial Planning and Relevant Financial Policies

In line with the City Council's financial strategy to maintain a diversified and stable revenue system, the city consistently develops long term financial plans and adjusts revenue strategies accordingly. Three of these revenue sources, utility tax rate, business license fees, and developer fees, were increased by Council vote in 2006. In 2007 voters approved three Levy Lid Lifts to provide additional revenue in 2008. In adopting the 2017-2018 budget the council again increased business license fees to keep up with rising costs.

Beginning early in 2008, the Mayor and Council initiated a "Budgeting by Priorities" process. This process helped to align community priorities with efficient delivery of city services through the development of the 2009/2010 biennium budget. It also includes performance indicators to gauge the degree of success in addressing the community priorities with city resources. This process has been used since that time, including the past five biennial budgets.

City financial policies restrict the use of borrowed funds to capital improvements that can't be financed from current revenues. Debt is not used for current operations. The City issued bonds in 2008 for significant transportation improvements to support development in the downtown and to improve its utility systems. The City again issued bonds to finance acquisition of park land in the downtown in early 2011. In 2013 the city refinanced the capital lease obligation to Redmond Community Properties for the construction of its city hall with the issuance of limited tax general obligation bonds. This resulted in transfer of ownership of City Hall from Redmond Community Properties to the City, and a total savings of more than \$1.5 million in debt service payments. In 2014 the City issued \$22.95 million in bonds to finance significant investment in storm water management systems. During 2015 and 2016, the City refunded the bonds issued in 2008 and borrowed \$6 million to complete a priority transportation project in the downtown. The refunding of the 2008 bonds saved more than \$240,000 per year for the next ten years. More information about city bonds and debt can be found in the Notes to the Financial Statements in this report.

To ensure the City keeps abreast of and incorporates economic conditions into its financial plans, revenues are projected for the next six years and the forecast is updated annually (and available on the city's website). Operating expenses are supported by ongoing revenues per City policy. Short-term financial planning is inherent in the development of the City's biennial budget. In addition, the City's long-term capital needs and potential funding sources are assessed as part of its "Capital Investment Strategy". In this effort the city forecasts capital needs consistent with its vision and its comprehensive land use plan through the year 2030.

Major Initiatives

The City continues to invest in the significant capital facilities that are necessary to realize the City's vision of two urban centers, connected to great neighborhoods. Projects in 2016 included the completion of the Cleveland Streetscape and the Redmond Central Connector phase 1 projects as a part of the revitalization of Downtown. In addition, the design of Redmond's Downtown Park design was completed to get ready for construction of the City premier's gathering place. Other investments were made in the City's many parks such as reconstruction of restrooms at Farrel-McWhirter Park and adding arena lights for horsemanship classes. Community park improvements included the phase 2 Perrigo Park development project, the goal of which is to continue to supply the community with extraordinary places to recreate. On the transportation side, continuation of changing the Downtown two-way streets – Cleveland and Redmond Way – into two way streets will get the City ready for light rail service in a few years.

Large community events continue to build the sense of community in Redmond. Derby Days, held in mid-July, celebrates Redmond's bicycling heritage. The festival features the Criterium, which is the City's oldest event and the nation's longest running bicycle race, a 5K run/walk, parades, live entertainment, and much more. Redmond Lights, is the City's annual year-end holiday celebration, running from early December through early January. In 2014 a new, multi-day community event was added. "So-Bazaar" is a market and imaginative platform for local artists, artisans, chefs, and entertainers.

National Night Out, "America's Night Out Against Crime" began in 1984 in an effort to promote involvement in crime prevention activities, police-community partnerships, neighborhood camaraderie and send a message to criminals letting them know that neighborhoods are organized and fighting back. National Night Out takes place annually, on the first Tuesday of August. The event celebrates safety and crime prevention successes and works to expand and strengthen programs to help make neighborhoods a safer place year round. In Redmond, it has continued to grow into a significant point of connection between the city, its neighborhoods and among the neighbors themselves.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Redmond for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2015. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current
2016 Comprehensive Annual Financial Report vi City of Redmond

comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report could not have been accomplished without the efforts and dedication of City staff. I am very proud of those who have devoted numerous hours of service to the community in this effort. I would like to express my appreciation to the staff, including personnel from various departments and agencies who assisted in its preparation. Also, I would like to thank the Mayor and the City Council for their continued interest and support in planning and conducting the financial operations of the City in a committed and responsible manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Malisa Files". The signature is fluid and cursive, with a large initial "M" and a long, sweeping underline.

Malisa Files
Finance Director



**Office of the Washington State Auditor
Pat McCarthy**

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 28, 2017

Mayor and City Council
City of Redmond
Redmond, 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 remaining fund information of the City of Redmond, King County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 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.

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, 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 remaining fund information of the City of Redmond, King County, Washington, as of December 31, 2016, 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 – Correction of Prior Year Misstatement

As discussed in Note 19 to the financial statements, the 2015 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 12, budgetary comparison information on page 69, pension plan information on pages 70 through 79, pension trust fund information on pages 80 through 82, and information on postemployment benefits other than pensions on page 83 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 information listed as combining and individual financial statements and schedules on pages 84 through 119 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to 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 financial statements or to the 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.

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 28, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Sincerely,

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

Management's Discussion And Analysis

The management discussion and analysis section of the City of Redmond's Comprehensive Annual Financial Report provides an overview of the City's financial activities for the year ending December 31, 2016, and resulting changes in the financial position as of December 31, 2016. For a better understanding of Redmond's finances for the previous year, readers should consider this information in conjunction with the preceding letter of transmittal, the financial statements and notes to the financial statements that follow.

Financial Highlights

In 2016, the City held a steady course focusing on the vision of two vibrant urban centers by continuing work in the downtown corridor, planning for future development in the Overlake area and connecting established neighborhoods. As shown below, the City continues its legacy of prudent financial management.

- The assets and deferred outflows of resources of the City of Redmond exceeded its liabilities at fiscal year-end by \$891.2 million (net position), an increase of \$107.3 million or 13.6% over 2015. Of this amount, a majority (\$679.5 million) is a net investment in capital assets. The unrestricted net position totals \$117.3 million and may be used to meet the city's ongoing obligations to citizens and creditors. In addition, the restricted net position totals \$94.4 million and is earmarked for debt service, capital projects and special revenue funds.
- The addition of two blended component units - Redmond CFD 2014-1 and Redmond CFD 2016-1 increased total net position \$49.0 million. For additional information, see Note 13 Component Units, Note 17 Accounting and Reporting Changes, and Note 19 Prior Period Adjustments.
- At December 31, 2016, the City's governmental activities reported combined ending net position of \$493.4 million, an increase of \$88.0 million over 2015. Approximately 8.3% of this amount (\$41.1 million) is available for spending at the City's discretion (*unrestricted net position*).
- The City of Redmond's total outstanding long-term debt increased by \$8.2 million during the fiscal year. This is primarily due to the issuance of new general obligation bonds of \$6.0 million to support transportation projects, and an increase of 6.8 million in net pension liability, compensated absences, and other post-employment benefits, reduced by \$4.6 million in principal payments and amortization of premiums. See notes 7 and 11 to the financial statements for more information.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Redmond's basic financial statements, which are comprised of three components: 1) government wide financial statements, 2) fund financial statements and 3) notes to the financial statements. Other supplementary information, intended to furnish additional detail to support the basic financial statements, is also contained in the report.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Redmond's finances, in a manner similar to a private-sector business.

The **Statement of Net Position** presents financial information on all of the City of Redmond's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Redmond is improving or deteriorating.

The **Statement of Activities** presents information designed to show how the City's net position changed during the year. The statement distinguishes revenue generated by specific functions from revenue provided by taxes and other sources not related to a specific function. The revenue generated by the specific functions (charges for services, grants, and contributions) is compared to the expenses for those functions to show the degree to which each function supports itself or relies on taxes and other general funding sources for support. All activity on this statement is reported on the accrual basis of accounting, requiring that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of when cash is received or disbursed. Items such as (but not limited to) uncollected taxes, unpaid vendor invoices for goods or services received during the year, and earned but unused vacation leave are included in the statement of activities as revenue and expenses even though no cash has changed hands.

Both the government-wide financial statements distinguish functions of the City of Redmond that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Redmond include general government (finance, executive and human resources), security (police and fire), physical environment, economic environment, transportation, mental/physical health, and culture and recreation. The City's business-type activities are limited to water/wastewater and stormwater utilities. Governmental activities are primarily supported by taxes, charges for services, and grants. Business-type activities are primarily self-supporting through user fees and charges.

Fund Financial Statements

The annual financial report includes fund financial statements in addition to the government-wide financial statements. While the government-wide statements present the City's finances based on the type of activity, general government versus business-type, the fund financial statements are presented by fund type such as the general fund, special revenue funds, and proprietary funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or meet certain objectives. Funds are often set up in accordance with special regulations, restrictions or limitations. The City of Redmond, like other state and local governments, uses fund accounting to ensure and show compliance with finance-related legal requirements. The City's funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions as are reported as governmental activities in the government-wide financial statements. These reports use a different "basis of accounting" than that used in government-wide financial statements. The governmental fund statements focus on near-term revenues/financial resources and expenditures while the government-wide financial statements include both near-term and long-term revenues/financial resources and expenses. The information in the governmental fund statements can be used to evaluate the City's near-term financing requirements and immediate fiscal health. Comparing the governmental fund statements with the government-wide statements can help the reader better understand the long-term impact of the City's current year financing decisions. To assist in this comparison, reconciliations between the governmental fund statements and the government-wide financial statements are included with the governmental

fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances.

The City of Redmond maintains fourteen individual governmental funds. The City's two major governmental funds – the general fund and the capital investments program fund – are presented separately in the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances. The remaining governmental funds are combined in this statement into a single column labeled other governmental funds. Individual fund data for each of the other governmental funds can be found in combining statements later in this report.

The City maintains budgetary control over its operating funds through the adoption of a biennial budget. Budgets are adopted at the fund level for all funds in accordance with state law. All budgetary comparison schedules are included following the other governmental funds' combining statements in this report.

Following is a brief analysis of each of the City's major governmental funds:

The General Fund is the primary operating fund of the City through which all receipts and payments of ordinary City operations are processed, unless they are required to be accounted for in another fund. At the end of 2016, the fund balance of the General Fund was \$38.6 million, which represents an increase from the prior year of \$1.4 million.

General Fund revenues increased by \$3.6 million (3.9%) in 2016. The key elements of this increase are as follows:

- Taxes increased by \$3.3 million including growth in property taxes by \$0.4 million due to a rise in new construction and the 1% levy increase allowed by law. Redmond also experienced growth in sales tax including a net increase of \$2.4 million due to the economic activity, major retailer opening in Redmond and increased contributions for criminal justice.
- Charges for services decreased by \$0.9 million.
- Licenses and permits grew by \$0.8 million.

General Fund expenditures increased \$4.0 million (4.7%) over 2015, due to an increase in staffing costs related to the development surge, retroactive payments from a new Fire contract and one-time capital outlays.

The Capital Investments Program Fund (CIP Fund) accounts for financial resources to be used for the acquisition, construction, and preservation of major capital facilities other than those financed by proprietary funds. At the end of 2016, the fund balance of the Capital Investments Program Fund was \$33.4 million, which represents an increase from the prior year of \$7.9 million.

- Capital Investment Program Fund revenues increased by \$10.8 million (171.2%) in 2016, primarily due to the addition of the two Redmond Community Facilities Districts, blended component units as discussed in Note 13 Component Units, and an increase of \$8.6 million in charges for services related to planning fees.
- Capital Investment Program Fund expenditures increased by \$2.5 million (11.6%) in 2016, due to projects such as the design of Downtown Park, the construction of the one-way street conversion of Redmond Way and Cleveland Streets and renovation of the Public Safety Building.
- Capital Investments Program Fund net transfers between other funds increased by \$7.2 million primarily due to additional transfers from the General Fund to support capital investment fund projects, some of which are mentioned above.

Proprietary funds are used by governments to account for their business-type activities. Business-type activities provide specific goods or services to a group of customers that are paid for by fees charged to those customers. There is a direct relationship between the fees paid and the services received.

The City of Redmond has two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to account for goods and services provided to citizens and the community. Internal service funds are used to account for goods and services provided internally to various City departments. The same basis of accounting is used for proprietary funds in both the government-wide statements and the individual fund statements.

Enterprise funds of the City are used to report the same functions presented as business-type activities in the government-wide statements with the fund statements providing more detail than is reported in the government-wide statements. The enterprise fund statements provide separate information for the City's water/wastewater utility, an Urban Planned Development (UPD) water/wastewater utility outside the City limits, and the City's stormwater utility.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles, insurance premiums and claims, medical self-insurance, worker's compensation self-insurance program, and information technology. Internal service fund activities are predominantly governmental and have been included in the governmental activities columns of the government-wide Statement of Net Position and Statement of Activities.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. Fiduciary funds are not included in the government-wide financial statements because their assets are not available to support the City of Redmond's activities.

The City has two types of fiduciary funds, a pension fund and agency funds. The accounting for the pension fund is on the accrual basis. Agency funds are custodial in nature and do not include revenues and expenses as they do not measure the results of operations.

Notes to the financial statements

The notes to the financial statements provide additional information that is important for a full understanding of the data in the government-wide and fund financial statements. The notes are located immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits, and lifetime medical benefits to uniformed personnel hired before October 1, 1977. Required supplementary information may be found immediately following the notes to the financial statements.

The combining statements for other governmental funds, internal service funds, and agency-type fiduciary funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

Statement of Net Position

The Statement of Net Position can serve as a useful indicator of the City's financial position. The City of Redmond's net position at December 31, 2015 and 2016 total \$783.9 million and \$891.2 million, respectively. The City's overall net position increased \$107.3 million (13.6%) from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

By far, the largest portion of the City's net position (\$679.5 million; 76.2%) reflects net investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to citizens. Accordingly, these assets are not available for future spending. Although investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position (\$94.4 million; 10.6%) represents resources that are subject to external restrictions on how they may be used. The largest portion of these funds is restricted for capital projects (\$65.5 million), net pension asset (\$6.7 million), and police, fire and advance life support (\$7.5 million). The remaining balance of \$117.3 million (13.2%) is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

Following is a condensed version of the government-wide Statement of Net Position for 2016 compared to 2015.

City of Redmond's Net Position (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 166,873	\$ 104,691	\$ 94,272	\$ 86,755	\$ 261,145	\$ 191,446
Net pension asset	6,655	11,084	-	-	6,655	11,084
Capital assets, net of accumulated depreciation	425,963	395,396	347,628	336,859	773,591	732,255
Total assets	\$ 599,491	\$ 511,171	\$ 441,900	\$ 423,614	\$ 1,041,391	\$ 934,785
Deferred outflows:						
Debt refunding	3,501	2,323	-	-	3,501	2,323
Pensions	8,499	4,203	1,062	625	9,561	4,828
Total assets and deferred outflows	\$ 611,491	\$ 517,697	\$ 442,962	\$ 424,239	\$ 1,054,453	\$ 941,936
Long-term liabilities	\$ 75,599	\$ 71,669	\$ 34,847	\$ 36,889	\$ 110,446	\$ 108,558
Net pension liability	26,931	21,885	6,145	5,122	33,076	27,007
Other liabilities	14,974	12,268	4,009	2,876	18,983	15,144
Total liabilities	\$ 117,504	\$ 105,822	\$ 45,001	\$ 44,887	\$ 162,505	\$ 150,709
Deferred inflows - Pensions	582	6,514	185	783	767	7,297
Total liabilities and deferred inflows	\$ 118,086	\$ 112,336	\$ 45,186	\$ 45,670	\$ 163,272	\$ 158,006
Net investment in capital assets	\$ 366,768	\$ 334,538	\$ 312,718	\$ 304,494	\$ 679,486	\$ 639,032
Restricted	85,499	42,937	8,917	8,917	94,416	51,855
Unrestricted	41,138	27,885	76,141	65,158	117,279	93,043
Total net position	\$ 493,405	\$ 405,361	\$ 397,776	\$ 378,569	\$ 891,181	\$ 783,930

Changes in net position

The change in net position table illustrates the increases or decreases in net position of the City resulting from its operating activities. Following is a condensed version of the City's changes in net position. The table shows the revenues, expenses, and related changes in net position in tabular form for the governmental activities separate from the business-type activities for 2016 and 2015.

City of Redmond's Changes in Net Position (in thousands)

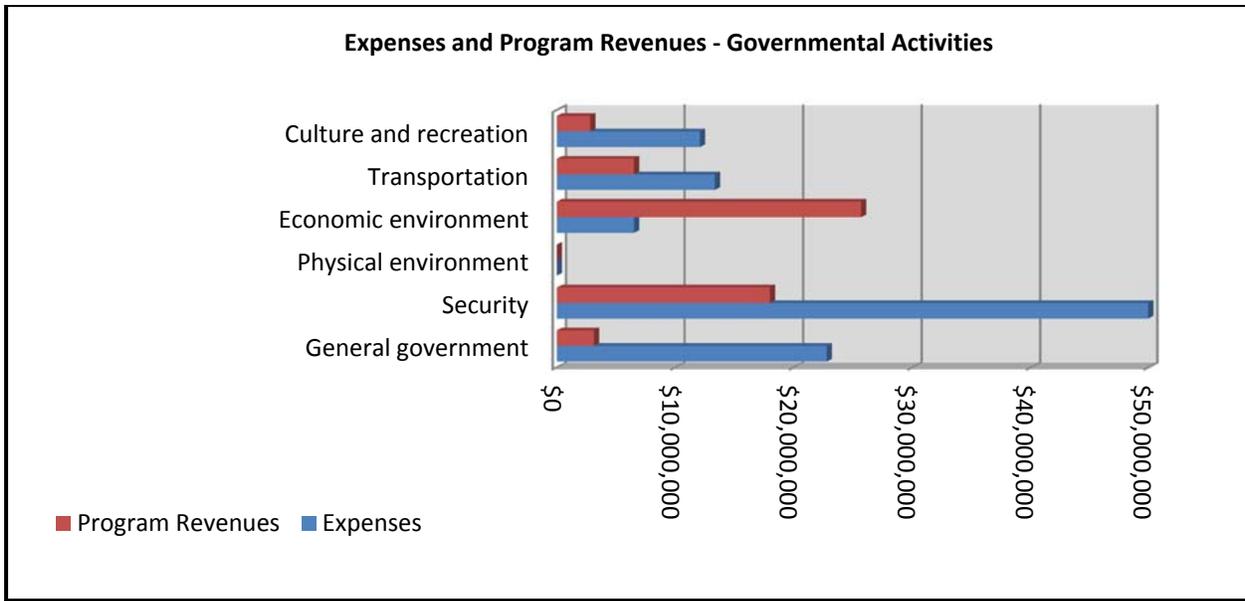
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 47,229	\$ 39,907	\$ 54,486	\$ 54,544	\$ 101,715	\$ 94,451
Operating grants and contributions	3,841	1,898	787	2,671	4,628	4,569
Capital grants and contributions	5,003	3,913	13,779	8,433	18,782	12,346
General revenues:						
Property taxes	23,967	23,564	-	-	23,967	23,564
Sales taxes	27,979	25,385	-	-	27,979	25,385
Other taxes	24,490	23,171	-	-	24,490	23,171
Investment interest	1,896	765	612	434	2,508	1,199
Miscellaneous	32,992	4,880	175	279	33,167	5,159
Total revenues	\$ 167,397	\$ 123,483	\$ 69,839	\$ 66,361	\$ 237,236	\$ 189,844
Expenses:						
General government	\$ 22,766	\$ 21,021	\$ -	\$ -	\$ 22,766	\$ 21,021
Security	53,615	49,832	-	-	53,615	49,832
Economic environment	6,509	6,137	-	-	6,509	6,137
Transportation	13,327	13,339	-	-	13,327	13,339
Culture and recreation	12,065	12,358	-	-	12,065	12,358
Interest on long term debt	2,615	2,731	1,302	917	3,917	3,648
Water/Wastewater	-	-	34,227	32,648	34,227	32,648
UPD Water/Wastewater	-	-	5,887	5,900	5,887	5,900
Stormwater	-	-	9,216	7,989	9,216	7,989
Total expenses	\$ 110,897	\$ 105,418	\$ 50,632	\$ 47,454	\$ 161,529	\$ 152,872
Increase/(Decrease) in net position	56,500	18,065	19,207	18,907	75,707	36,972
Net position - beginning	405,361	381,914	378,569	365,125	783,930	747,039
Prior period adjustments	31,544	22,209	-	-	31,544	22,209
Changes in accounting principles-GASB 68	-	(16,827)	-	(5,463)	-	(22,290)
Net position - ending	\$ 493,405	\$ 405,361	\$ 397,776	\$ 378,569	\$ 891,181	\$ 783,930

Governmental activities

During the 2016 fiscal year, net position for governmental activities increased \$88.0 million (21.7%), compared to \$23.5 million (6.1%) in 2015. Key elements of the increase are as follows:

- Total assets and deferred outflows from Governmental activities increased by \$93.8 million (18.1%).
 - Cash and investments increased \$44.8 million from 2015 to 2016 (52.0%), primarily due to addition of the two Redmond Community Facilities Districts.
 - Special assessments receivable of \$17.8 million were added for the two Community Facilities Districts. Taxes receivable decreased \$1.4 million (16.6%), and all other receivables, inventory and prepaid expenses increased \$1.0 million (21.7%).
 - Investment in capital assets increased by \$30.6 million (7.7%), which is consistent with the City's plans for investments in infrastructure and technology and includes assets contributed by developers as a result of the City's development surge.
 - Net pension asset decreased \$4.4 million, and deferred outflows for pensions increased \$4.3 million. See Note 7 – Pensions for additional information.
 - Deferred outflows for debt refunding increased \$1.2 million due to refunding \$11.7 million in 2008 LTGO bonds.
- Total liabilities and deferred inflows from Governmental activities increased by \$5.8 million (5.1%).
 - Debt increased by \$3.9 million due to issuance of \$6.0 million in LTGO Bonds, offset by principal payments on debt previously held by the City. See Note 11 to the financial statements for more information.
 - Net pension liability increased by \$5.1 million. See Note 7 – Pensions for additional information.
 - Other current liabilities increased by \$2.7 million, primarily due to year-end accounts payable related to projects such as the Redmond Central Connector and the Couplet Conversion.
- Total revenue increased between 2015 and 2016 by \$43.9 million or 35.5%.
 - Total tax revenues increased by \$4.3 million (5.9%) compared to 2015 due to growth in property taxes related to new construction, sales taxes and excise taxes in 2016 as compared to 2015.
 - Program revenues increased by \$10.4 million (22.6%) due to increased economic activity in the City resulting in additional impact fees restricted to capital investment projects.
 - Miscellaneous revenue increases of \$28.1 million include contributed capital of \$14.8 million for capital projects, and \$15.3 million in special assessments revenue for Redmond Community Facilities District 2016-1.
 - Total expenses increased by \$5.5 million (5.1%), primarily attributable to capital construction to further the goals of the City's Capital Investment Strategy.

The graph that follows compares program revenues to program expenses from the Statement of Activities and illustrates the impact of various city functions on net position from operations before taxes, for the governmental activities for 2016.



General Fund Budgetary Highlights

The City of Redmond budgets on a biennial basis and in comparing the original budget to the final budget for 2015-2016, several changes took place including:

- Recognizing the difference between budgeted and actual beginning fund balances.
- Recognizing the City's pension obligation under GASB 68 of \$0.9 million. Recognizing additional funds (\$0.1 million) received from King County for Basic Life Support services specifically related to retroactive payments for a new Fire contract, costs related to the Fair Labor Standards Act, equipment and student training.
- Recognizing revenue and expenses related to the development surge being experienced by the City.
- Recognizing grant revenues for capital projects, special programs and community event contributions in the City's Public Works, Fire, Parks and Planning Departments.
- Refinancing long term general obligation debt as well as borrowing new money for transportation projects of \$30 million.
- Other miscellaneous adjustments for insurance reimbursements and utility changes.

Total actual revenues came in \$4.7 million (2.5%) over budget, including fund balances, due to various factors, including:

- Sales and use tax accounted for most of the net change, coming in \$1.8 million or 3.7% over budgeted levels. Increased economic activity from construction and retail sectors has grown since 2015 including opening of a major retailer in east Redmond.
- Development revenue also increased over the year due to the development surge being experienced by the City. Development revenue increased by \$0.3 million over 2013-2014 levels.
- After a few years of being below budget, utility tax revenue increased from a budgeted \$19 million in 2015-2016 to end the biennium at approximately \$21 million. This \$2 million increase represented a 10.5% rise over budgeted amounts.

- State entitlement revenue made up the remaining differences in the increases between budget and actuals in 2016. Liquor board profits, liquor excise and criminal justice entitlements made up the bulk of the \$400,000 revenue over the projected budget.

Total actual expenditures were \$12.9 million (7.4%) under budget in the General Fund due to:

- Of the \$12.9 million under expenditures, \$9 million is due to regular salary savings in the general government and security of persons and property categories including approximately \$2 million in the City's salary and benefit contingency which is budgeted to mitigate labor contract settlement agreements that are higher than anticipated.
- In the transportation category, approximately \$2.8 million was underspent compared to budget due to savings in the salary and benefit and professional services categories. The City embarked on facility master planning efforts that will not be complete until 2017.
- Approximately \$2.6 million in capital outlay expenditures remained unspent at the end of the 2015-2016 biennium. These underexpenditures were due to the lag time between ordering fire engine replacements and when they are delivered. The City expects for the expenditures to occur on fire vehicle replacements in 2017.

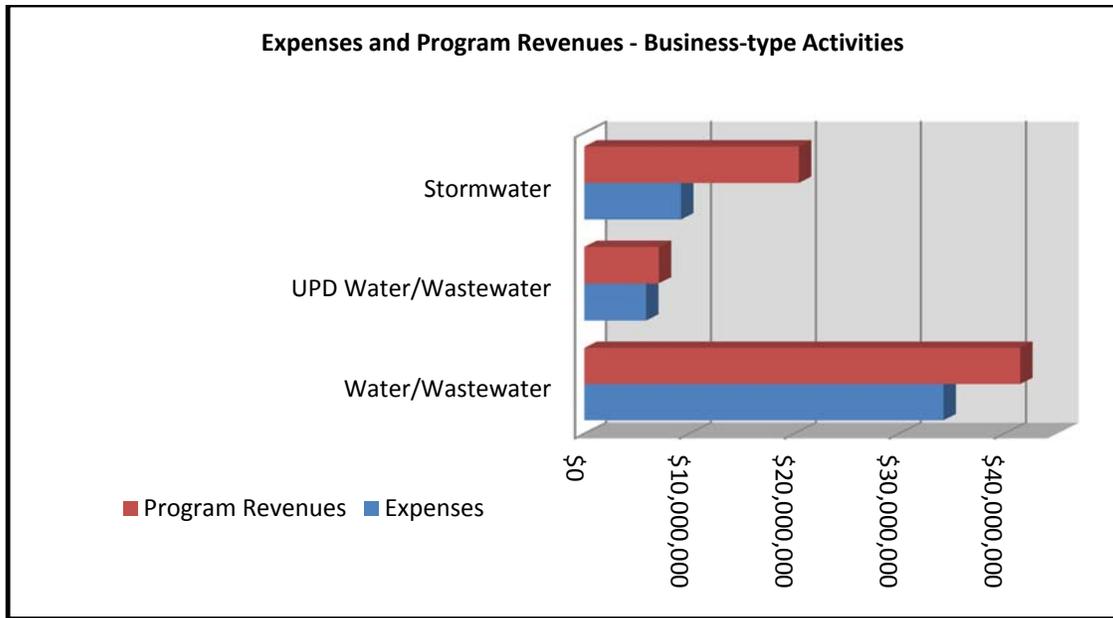
Business-type Activities

Business-type activities account for 44.6% of the City's net position. Business-type activities of the City's utilities increased the City of Redmond's net position by \$19.2 million (2.5%).

Key elements of this increase are as follows:

- Investment in capital assets increased \$10.8 million or 3.2% between 2015 and 2016.
- The Water/Wastewater utility showed operating income of \$1.4 million in 2016 compared to \$3.0 million in 2015, while the Novelty Hill Water/Wastewater utilities showed an operating income of \$0.5 million compared to \$1.0 million in 2015. This is primarily related to a higher level of development activities than seen in the previous year. When non-operating income and capital contributions are included, the change in net position is \$7.3 million for the Water/Wastewater utility and \$1.4 million for the UPD Water/Wastewater utility.
- The Storm water utility showed operating income of \$3.2 million in 2016 compared to \$4.0 million in 2015, primarily due to increases in administrative and general, maintenance and operations and depreciation expenses, primarily due to delivery of significant capital projects. When non-operating income and capital contributions are included, the change in net position is \$10.5 million, compared to \$8.3 million in 2015. This is primarily due to increases in grant revenues and capital contributions. The City continues to do significant work in the Overlake and Downtown urban centers including of the two-way street conversion and infrastructure related to future light rail stations. The graph that follows compares program revenues to program expenses from the Statement of Activities and illustrates the revenues by source separately for the business-type activities for 2016.

The graph that follows compares program revenues to program expenses from the Statement of Activities and illustrates the revenues by source separately for the business-type activities for 2016:



City of Redmond's Capital Assets (net of depreciation)

The City of Redmond's investment in capital assets for its governmental and business-type activities (not including investment in joint ventures) as of December 31, 2016, amounts to \$773.6 million (net of accumulated depreciation) an increase of \$41.3 million from 2015. Investment in capital assets includes land, art and construction in progress, which are not subject to depreciation. The other capital assets, buildings and building improvements, improvements other than buildings, machinery and equipment, and infrastructure are subject to depreciation.

Governmental type capital assets (net of depreciation) totaled \$426.0 million in 2016, an increase of \$30.6 million from 2015. Business-type capital assets (net of depreciation) totaled \$347.6 million, an increase of \$10.8 million from 2015. In addition to the effects of depreciation, these increases are the result of land acquisitions, improvements to buildings, contributed capital, and construction in progress. More information on the City's Capital Assets can be found in Note 6 – Capital Assets, in the Notes to the Financial Statements.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land & Land Rights	\$ 134,330	\$ 126,464	\$ 27,224	\$ 25,620	\$ 161,554	\$ 152,084
Buildings/ Bldg. Improvements	53,536	55,021	29,567	30,326	83,103	85,347
Improvements other than Buildings	20,070	19,895	280,169	268,996	300,239	288,891
Machinery and Equipment	14,257	10,436	901	921	15,158	11,357
Construction in Progress	29,625	17,626	9,767	10,996	39,392	28,622
Infrastructure	173,595	165,405	-	-	173,595	165,405
Art	549	549	-	-	549	549
Total	\$ 425,962	\$ 395,396	\$ 347,628	\$ 336,859	\$ 773,590	\$ 732,255

City of Redmond's Outstanding Debt

At the end of 2016, the City of Redmond had total bonded debt outstanding of \$88.0 million. Of this amount, \$60.4 million is general obligation bonds (City Hall, Bear Creek Parkway, transportation and parks); and \$27.6 million is revenue bonded debt for the water/wastewater and stormwater utilities.

City of Redmond's Long-term Debt (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 60,380	\$ 58,530	\$ -	\$ -	\$ 60,380	\$ 58,530
G.O. bond premiums	4,626	3,140	-	-	4,626	3,140
Revenue bonds	-	-	27,630	29,170	27,630	29,170
Revenue bond issuance premiums	-	-	3,009	3,195	3,009	3,195
Public Works Trust Fund loans	1,417	1,511	4,272	4,412	5,689	5,923
Other post-employment benefits	4,648	4,032	-	-	4,648	4,032
Compensated absences	4,528	4,456	591	563	5,119	5,019
Net pension liability	26,931	21,885	6,145	5,122	33,076	27,007
Total	<u>\$ 102,530</u>	<u>\$ 93,554</u>	<u>\$ 41,647</u>	<u>\$ 42,462</u>	<u>\$ 144,177</u>	<u>\$ 136,016</u>

In September 2013 the City issued \$33.1 million in limited tax general obligation refunding bonds to advance refund \$32.8 million of outstanding 2004 Limited Tax General Obligation Lease Revenue Bonds for City Hall and the parking garage. The refunding resulted in deferred outflows of \$1.5 million. In December, 2015, the City issued \$9,280,000 in limited tax general obligation refunding bonds with an interest rate of 3.00% to advance refund \$8,940,000 of outstanding 2008 Limited Tax General Obligation Bonds. The refunding resulted in deferred outflows of \$1.0 million. In January, 2016, the City issued \$11,630,000 in limited tax general obligation refunding bonds with an interest rate of 2.0%-5.0% to advance refund \$11,675,000 of outstanding 2008 Limited Tax General Obligation Bonds. The refunding resulted in deferred outflows of \$1,386,462. The remaining combined deferred outflows of \$3.5 million for debt refunding is reported as deferred outflows of resources in the Statement of Net Position.

In January, 2016, the City also issued \$6,000,000 in new limited tax general obligation bonds with an interest rate of 2.0%-5.0% to provide funds to finance the costs of transportation improvements.

As discussed in Note 7, Net pension liability increased \$6.1 million.

For further details related to the outstanding debt please refer to note 11 – Long-term Obligations, in the Notes to the Financial Statements.

Economic Factors and Next Year's Budget and Rates

The City of Redmond budget is an important part of Redmond's Six-Year Financial Plan that is focused on the mission of the City of two robust urban centers – Downtown and Overlake and connected neighborhoods. The Six-Year Financial Plan builds upon the City's sound financial strategy by providing a framework that allows the City to "catch up" with needed maintenance, "keep up" with growth and demands for service and "step up" to some of the needs and opportunities that become available. Through innovation and efficiencies, Redmond continues to

provide quality services that meet or exceed the expectations of our community members. Strong financial stewardship and quality customer service is a hallmark of Redmond city government and is evidenced by the City's AAA bond rating.

In addition, planning and construction continues in the Downtown area with conversion of the two one-way arterial streets to two way thoroughfares and Downtown Park. With the passage of the Sound Transit 3 initiative, the City anticipates light rail to become a part of the Overlake neighborhood and then make its way Downtown by 2025. The City has fostered relationships, both private and with other government organizations, to ensure Downtown and Overlake continue to be a thriving neighborhoods. Redmond's success in partnering with other entities is evidenced by the two Community Facility Districts to build a pedestrian bridge in conjunction with Microsoft and Sound Transit as well as make needed transportation improvements with Microsoft. Continuing to accommodate growth in its urban centers, means that Redmond will continue to protect single-family neighborhoods by replacing aging infrastructure and providing mobility options for its residents.

In 2016, General Fund revenue ended the year slightly over expectations mostly due to growth in sales tax receipts as a result of a more robust economy, a development surge and location of a major retailer in the eastern portion of the City. Departments successfully managed their expenditures, and as a result, General Fund expenditures were approximately 6% below the authorized budget. The City experienced growth in licenses and permits due to a surge in commercial development activity which began in 2014 and is anticipated to last through 2018. In future years, Redmond anticipates making progress on its capital improvement goals by continuing the work in downtown Redmond on the new Downtown Park (beginning construction in 2017) and converting the Redmond Way and Cleveland one-way streets into two-way thoroughfares (construction began in 2016). The City will continue to make investments in transportation improvements, parks and trails, infrastructure rehabilitation and safety improvements as well as continue the planning to welcome light rail into the City.

The City's Six-Year Financial Plan provides adequate funding for all City services while continuing to seek efficiencies in service delivery. In addition, the Capital Investment Program continues to remain strong with projects aligned with the City's vision, long-range plans and in partnership with neighboring organizations.

Requests for Information

This financial report is designed to provide a general overview of the City of Redmond's finances for readers with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional information, may be addressed to the Director of Finance & Information Services, City of Redmond, PO Box 97010, Redmond, WA 98073-9710.

CITY OF REDMOND
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 25,714,821	\$ 16,811,727	\$ 42,526,548
Investments (Note 3)	105,328,042	62,407,570	167,735,612
Receivables:			
Taxes	7,188,459	-	7,188,459
Accounts	336,136	5,140,603	5,476,739
Interest	304,657	205,798	510,455
Special assessments	17,809,000	-	17,809,000
Due from other governments	4,454,240	619,422	5,073,662
Inventory	35,885	98,557	134,442
Prepaid insurance	478,408	-	478,408
Net pension asset	6,655,365	-	6,655,365
Restricted assets:			
Deposit cash	454,815	55,681	510,496
Deposit investments	4,768,898	-	4,768,898
Revenue bond reserve	-	2,809,909	2,809,909
Rate stabilization fund	-	6,107,077	6,107,077
Advance on service contract	-	15,444	15,444
Capital assets (Note 6):			
Land, artwork, construction in progress	164,503,895	36,990,770	201,494,665
Depreciable capital assets, net	261,457,745	310,637,610	572,095,355
Total assets	<u>599,490,366</u>	<u>441,900,168</u>	<u>1,041,390,534</u>
Deferred outflow of resources:			
Debt refunding	3,501,237	-	3,501,237
Pensions	8,499,453	1,061,494	9,560,947
Total deferred outflows	<u>12,000,690</u>	<u>1,061,494</u>	<u>13,062,184</u>
Total assets and deferred outflows	<u>611,491,056</u>	<u>442,961,662</u>	<u>1,054,452,718</u>
LIABILITIES			
Payables:			
Accounts/claims	6,981,409	1,721,011	8,702,420
Employee wages	2,663,281	762,715	3,425,996
Interest	195,818	107,217	303,035
Due to other governments	634,989	1,361,977	1,996,966
Unearned revenues	439,148	-	439,148
Customer deposits	4,060,064	55,681	4,115,745
Noncurrent liabilities (Note 11):			
Due within one year	7,906,956	1,590,000	9,496,956
Due in more than one year	67,692,065	33,256,580	100,948,645
Net pension liability	26,931,151	6,145,104	33,076,255
Total liabilities	<u>117,504,881</u>	<u>45,000,285</u>	<u>162,505,166</u>
Deferred inflow of resources:			
Pensions	581,516	185,360	766,876
Total deferred inflows	<u>581,516</u>	<u>185,360</u>	<u>766,876</u>
Total liabilities and deferred inflows	<u>118,086,397</u>	<u>45,185,645</u>	<u>163,272,042</u>
NET POSITION			
Net investment in capital assets (Note 6)	366,767,495	312,717,766	679,485,261
Restricted for:			
Net pension asset	6,655,365	-	6,655,365
Advance life support	822,663	-	822,663
Cable access	907,126	-	907,126
Parks	618,658	-	618,658
Police	4,980,314	-	4,980,314
Fire	1,732,965	-	1,732,965
Debt service	2,182,564	2,809,909	4,992,473
Capital projects	65,535,431	-	65,535,431
Tourism	640,194	-	640,194
Planning-Transportation	755,959	-	755,959
Recycling	667,858	-	667,858
Rate stabilization fund	-	6,107,077	6,107,077
Unrestricted	41,138,067	76,141,265	117,279,332
Total Net Position	<u>\$ 493,404,659</u>	<u>\$ 397,776,017</u>	<u>\$ 891,180,676</u>

The notes to the financial statements are an integral part of this statement

CITY OF REDMOND
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

Function/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 22,766,450	\$ 3,121,710	\$ 4,230	\$ -	\$ (19,640,510)	\$ -	\$ (19,640,510)
Security	53,614,696	16,442,060	1,522,709	-	(35,649,927)	-	(35,649,927)
Economic environment	6,509,168	24,641,474	946,333	69,625	19,148,264	-	19,148,264
Transportation	13,326,951	372,214	1,201,344	4,933,510	(6,819,883)	-	(6,819,883)
Culture and recreation	12,065,286	2,651,408	166,299	-	(9,247,579)	-	(9,247,579)
Interest on long-term debt	2,615,229	-	-	-	(2,615,229)	-	(2,615,229)
Total governmental activities	<u>110,897,780</u>	<u>47,228,866</u>	<u>3,840,915</u>	<u>5,003,135</u>	<u>(54,824,864)</u>	<u>-</u>	<u>(54,824,864)</u>
Business-type activities							
Water/Wastewater	34,226,585	35,665,631	71,373	5,775,182	-	7,285,601	7,285,601
UPD Water/Wastewater	5,887,383	6,427,720	-	672,369	-	1,212,706	1,212,706
Stormwater	9,216,236	12,392,611	715,715	7,331,069	-	11,223,159	11,223,159
Total business-type activities	<u>49,330,204</u>	<u>54,485,962</u>	<u>787,088</u>	<u>13,778,620</u>	<u>-</u>	<u>19,721,466</u>	<u>19,721,466</u>
Total government	<u>\$ 160,227,984</u>	<u>\$ 101,714,828</u>	<u>\$ 4,628,003</u>	<u>\$ 18,781,755</u>	<u>(54,824,864)</u>	<u>19,721,466</u>	<u>(35,103,398)</u>
General revenues:							
Taxes							
Property					23,967,392	-	23,967,392
Sales					27,978,577	-	27,978,577
Business and Occupation					15,739,069	-	15,739,069
Excise					8,750,977	-	8,750,977
Investment interest					2,037,743	736,362	2,774,105
Gain (loss) in change of fair value					(141,583)	(124,283)	(265,866)
Miscellaneous					18,216,748	175,321	18,392,069
Interest expense					-	(1,301,877)	(1,301,877)
Contributions/Gain on capital assets					14,775,496	-	14,775,496
Total general revenues					<u>111,324,419</u>	<u>(514,477)</u>	<u>110,809,942</u>
Change in net position					56,499,555	19,206,989	75,706,544
Net position-beginning					405,361,056	378,569,028	783,930,084
Prior Period Adjustments					31,544,048	-	31,544,048
Net position-ending					<u>\$ 493,404,659</u>	<u>\$ 397,776,017</u>	<u>\$ 891,180,676</u>

The notes to the financial statements are an integral part of this statement

CITY OF REDMOND
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016

	General	Capital Improvements Program Fund	Other Governmental Funds	Governmental Funds Total
ASSETS				
Cash and cash equivalents	\$ 7,593,186	\$ 11,933,232	\$ 2,574,543	\$ 22,100,961
Investments	28,403,663	50,496,431	11,160,584	90,060,678
Receivables:				
Taxes	6,113,441	-	1,075,018	7,188,459
Accounts	233,034	1,631	101,471	336,136
Interest	102,260	126,049	32,294	260,603
Special assessments	-	17,809,000	-	17,809,000
Due from other funds	820,166	-	-	820,166
Due from other governments	43,203	2,269,547	2,141,491	4,454,241
Restricted assets:				
Deposit investments	4,755,710	3,188	10,000	4,768,898
Cash	454,814	-	-	454,814
Total Assets	\$ 48,519,477	\$ 82,639,078	\$ 17,095,401	\$ 148,253,956
LIABILITIES				
Accounts/claims payable	\$ 3,125,731	\$ 2,170,258	\$ 152,327	\$ 5,448,316
Employee wages payable	2,139,314	34,110	336,982	2,510,406
Due to other funds	-	-	820,166	820,166
Due to other governments	368,161	208,907	7,924	584,992
Payable from restricted assets:				
Deposits payable	4,046,876	3,188	10,000	4,060,064
Unearned revenues	280,007	-	159,141	439,148
Total Liabilities	9,960,089	2,416,463	1,486,540	13,863,092
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-special assessments	-	46,867,049	-	46,867,049
Total deferred inflows	-	46,867,049	-	46,867,049
FUND BALANCES (DEFICITS)				
Spendable:				
Restricted	6,379,366	10,853,904	13,842,304	31,075,574
Committed	6,462,389	-	1,766,557	8,228,946
Assigned	11,936,704	22,501,663	-	34,438,367
Unassigned	13,780,929	-	-	13,780,929
Total Fund Balances (deficits)	38,559,388	33,355,567	15,608,861	87,523,816
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 48,519,477	\$ 82,639,079	\$ 17,095,401	
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 not reported in the funds.				420,290,810
Internal service funds are used by management to charge the costs of certain activities, such as insurance, information services, and fleet maintenance, to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the Statement of Net Position.				20,702,111
Some liabilities, including bonds, loans, and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds. (Note 2)				(72,018,286)
The Net Pension Asset, Net Pension Liability, and deferred inflows and deferred outflows are reported in the government-wide statement of net position but not in the governmental balance sheet				(9,960,841)
Special assessments are susceptible to full accrual in the government-wide statements, but are reported as deferred inflows in the governmental funds.				46,867,049
Net position of governmental activities				\$ 493,404,659

CITY OF REDMOND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Capital Improvements Program Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 66,557,909	\$ -	\$ 9,878,107	\$ 76,436,016
Licenses and permits	10,479,358	-	1,213,859	11,693,217
Contributions	93,397	40,000	35,836	169,233
Intergovernmental	3,340,581	5,003,135	331,100	8,674,816
Charges for services	13,923,030	10,488,273	10,479,750	34,891,053
Fines and forfeitures	554,575	-	90,023	644,598
Investment income	387,030	309,418	130,843	827,291
Net Change in Fair Value of Investment	13,947	(57,944)	(25,856)	(69,853)
Miscellaneous	469,869	1,295,871	296,767	2,062,507
Total Revenues	<u>95,819,696</u>	<u>17,078,753</u>	<u>22,430,429</u>	<u>135,328,878</u>
EXPENDITURES				
Current:				
General government	16,272,324	4,948	-	16,277,272
Security of persons and property	45,215,599	-	6,731,198	51,946,797
Transportation	9,310,822	-	1,331,096	10,641,918
Economic environment	4,742,255	-	1,675,645	6,417,900
Social Services	896,911	-	274,757	1,171,668
Culture and recreation	8,211,622	-	2,485,476	10,697,098
Capital outlay	4,058,896	22,967,989	1,170,694	28,197,579
Debt service:				
Principal	94,451	705,000	3,400,000	4,199,451
Interest and debt issue costs	3,778	191,287	2,312,248	2,507,313
Total Expenditures	<u>88,806,658</u>	<u>23,869,225</u>	<u>19,381,114</u>	<u>132,056,996</u>
Excess (deficiency) of revenues Over (under) expenditures	<u>7,013,038</u>	<u>(6,790,472)</u>	<u>3,049,315</u>	<u>3,271,881</u>
OTHER FINANCING SOURCES (USES)				
G.O. bonds proceeds	-	-	6,000,000	6,000,000
Premium on G.O. bonds issued	-	-	1,052,491	1,052,491
Refunding bonds issued	-	-	11,630,000	11,630,000
Premium on refunding bonds issued	-	-	1,431,462	1,431,462
Payment to refunded bond escrow agent	-	-	(12,964,924)	(12,964,924)
Disposition of capital assets	2,009,702	-	47,500	2,057,202
Transfers in (Note 10)	860,213	15,333,822	6,019,658	22,213,693
Transfers out (Note 10)	(8,492,091)	(726,289)	(12,827,237)	(22,045,617)
Total other financing sources and uses	<u>(5,622,176)</u>	<u>14,607,533</u>	<u>388,950</u>	<u>9,374,307</u>
Net change in fund balances	<u>1,390,862</u>	<u>7,817,061</u>	<u>3,438,265</u>	<u>12,646,188</u>
Fund balances-beginning	<u>37,168,526</u>	<u>25,538,506</u>	<u>12,170,596</u>	<u>74,877,628</u>
Fund balances-ending	<u>\$ 38,559,388</u>	<u>\$ 33,355,567</u>	<u>\$ 15,608,861</u>	<u>\$ 87,523,816</u>

The notes to the financial statements are an integral part of this statement

CITY OF REDMOND
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, 2016

Amounts reported for governmental funds in the statement of activities are different because:

Net change in fund balances-total governmental funds.	\$	12,646,188
Governmental funds report capital outlays as expenditures. However in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$28,197,579, contributions of \$7,304,091 and interfund transfers of \$1,599,202, exceed depreciation expense of \$9,487,876 and disposals of \$2,076,419 in the current period.		25,536,577
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (Note 2)		52,211,183
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt is an expenditure in the governmental funds, yet the repayment reduces long-term liabilities in the statement of net position. Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of activities: This is the amount by which proceeds exceeded repayments. (Note 2)		(2,063,458)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, information services, and fleet maintenance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		(367,166)
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. (Note 2)		(668,640)
Pension expenses reported in the governmental fund statements are not reported as expenditures in the statement of activities.		748,919
A prior period adjustment for Redmond Community Facilities District 2014-1 is reported in the entity-wide statements but not in the governmental funds statements		(31,544,048)
Change in net position of governmental activities	\$	<u><u>56,499,555</u></u>

The notes to the financial statements are an integral part of this statement

CITY OF REDMOND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2016

Page 1 of 2

	Business-type Activities Enterprise Funds			Totals	Governmental Activities Internal Service Funds
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 7,099,617	\$ 3,960,485	\$ 5,751,625	\$ 16,811,727	\$ 3,613,859
Investments	24,798,275	14,891,102	22,718,193	62,407,570	15,267,364
Accounts and contracts receivable	3,346,710	541,132	1,252,761	5,140,603	-
Interest receivable	86,998	48,536	70,264	205,798	44,054
Due from other Governments	18,599	-	600,823	619,422	-
Inventory	98,557	-	-	98,557	35,885
Prepaid insurance	-	-	-	-	478,408
Restricted assets:					
Customer deposits:					
Cash and cash equivalents	16,373	32,000	7,308	55,681	-
Revenue Bond Reserve:					
Investments	1,175,500	-	1,634,409	2,809,909	-
Rate stabilization fund:					
Investments	4,177,811	1,929,266	-	6,107,077	-
Total current assets	40,818,440	21,402,521	32,035,383	94,256,344	19,439,570
Noncurrent assets:					
Advance on service contract	12,249	3,195	-	15,444	-
Capital assets:					
Land and land rights	4,421,753	3,274,106	19,528,444	27,224,303	584,292
Buildings	25,377,864	11,031,564	1,549,496	37,958,924	715,786
Improvements other than buildings	173,191,819	64,514,809	127,124,393	364,831,021	356,198
Equipment	579,608	262,471	663,251	1,505,330	13,471,581
Construction in progress	4,149,043	55,703	5,561,721	9,766,467	140,767
Less accumulated depreciation	(57,594,009)	(17,145,175)	(18,918,481)	(93,657,665)	(9,597,794)
Total capital assets (net of depreciation)	150,126,078	61,993,478	135,508,824	347,628,380	5,670,830
Total noncurrent assets	150,138,327	61,996,673	135,508,824	347,643,824	5,670,830
Total assets	190,956,767	83,399,194	167,544,207	441,900,168	25,110,400
Deferred outflow of resources:					
Pension GASB 68	519,876	159	541,459	1,061,494	493,996
Total deferred outflows	519,876	159	541,459	1,061,494	493,996
Total assets and deferred outflows	\$ 191,476,643	\$ 83,399,353	\$ 168,085,666	\$ 442,961,662	\$ 25,604,396

The notes to the financial statements are an integral part of this statement

CITY OF REDMOND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2016

Page 2 of 2

	Business-type Activities Enterprise Funds			Totals	Governmental Activities Internal Service Funds
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management		
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 1,033,411	\$ 36,608	\$ 650,992	\$ 1,721,011	\$ 1,533,092
Employee wages payable	167,568	1,106	121,337	290,011	152,875
Compensated absences	288,073	-	184,631	472,704	220,252
Due to other governments	24,365	5	1,337,607	1,361,977	49,999
Current portion of revenue bonds payable	790,000	-	800,000	1,590,000	-
Accrued interest payable	26,070	-	81,147	107,217	-
Current liabilities payable from restricted assets:					
Customer deposits payable	16,373	32,000	7,308	55,681	-
Total current liabilities	<u>2,345,860</u>	<u>69,719</u>	<u>3,183,022</u>	<u>5,598,601</u>	<u>1,956,218</u>
Noncurrent liabilities:					
Revenue bonds payable, net	5,876,801	-	23,172,151	29,048,952	-
Loans payable	-	-	4,089,452	4,089,452	-
Compensated absences	72,018	-	46,158	118,176	55,063
Net Pension Liability	3,143,453	1,297	3,000,354	6,145,104	2,821,778
Total noncurrent liabilities	<u>9,092,272</u>	<u>1,297</u>	<u>30,308,115</u>	<u>39,401,684</u>	<u>2,876,841</u>
Total liabilities	<u>11,438,132</u>	<u>71,016</u>	<u>33,491,137</u>	<u>45,000,285</u>	<u>4,833,059</u>
Deferred inflow of resources:					
Pension GASB 68	150,771	198	34,391	185,360	69,226
Total deferred inflows	<u>150,771</u>	<u>198</u>	<u>34,391</u>	<u>185,360</u>	<u>69,226</u>
Total liabilities and deferred inflows	<u>11,588,903</u>	<u>71,214</u>	<u>33,525,528</u>	<u>45,185,645</u>	<u>4,902,285</u>
NET POSITION					
Net investment in capital assets	143,459,277	61,993,478	107,265,011	312,717,766	5,670,830
Restricted for debt service	1,175,500	-	1,634,409	2,809,909	-
Restricted for rate stabilization	4,177,811	1,929,266	-	6,107,077	-
Unrestricted	31,075,152	19,405,395	25,660,718	76,141,265	15,031,281
Total net position	<u>\$ 179,887,740</u>	<u>\$ 83,328,139</u>	<u>\$ 134,560,138</u>	<u>\$ 397,776,017</u>	<u>\$ 20,702,111</u>

The notes to the financial statements are an integral part of this statement

CITY OF REDMOND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2016

	Business-type Activities- Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management		
Operating revenues:					
Charges for services	\$ 21,524,344	\$ 4,420,223	\$ 12,385,888	\$ 38,330,455	\$ 16,874,332
Metro service	14,141,290	2,007,497	-	16,148,787	-
Charges for replacement	-	-	-	-	2,458,497
Charges for insurance	-	-	-	-	1,184,997
Total operating revenues	<u>35,665,634</u>	<u>6,427,720</u>	<u>12,385,888</u>	<u>54,479,242</u>	<u>20,517,826</u>
Operating expenses:					
Administrative and general	3,074,358	371,020	2,730,204	6,175,582	-
Purchased water	7,509,076	1,104,077	-	8,613,153	-
Metro service	13,977,580	2,006,767	-	15,984,347	-
Supplies	-	-	-	-	338,685
Maintenance and operations	4,925,344	880,536	3,810,668	9,616,548	20,455,039
Taxes	741,588	152,912	196,191	1,090,691	-
Depreciation and amortization	3,998,639	1,372,071	2,479,173	7,849,883	1,101,141
Total operating expenses	<u>34,226,585</u>	<u>5,887,383</u>	<u>9,216,236</u>	<u>49,330,204</u>	<u>21,894,865</u>
Operating income (loss)	<u>1,439,049</u>	<u>540,337</u>	<u>3,169,652</u>	<u>5,149,038</u>	<u>(1,377,039)</u>
Nonoperating revenues (expenses):					
Interest and investment revenue	304,909	172,397	259,056	736,362	163,278
Net change in fair value of the investment	(54,063)	(30,279)	(39,941)	(124,283)	(22,604)
Grant income	71,373	-	715,715	787,088	-
Interest expense	(322,709)	-	(979,168)	(1,301,877)	-
Gain (Loss) on disposal of capital assets	-	-	-	-	206,035
Insurance recovery	-	-	-	-	495,753
Lease and other revenue	96,502	78,819	6,723	182,044	335,487
Total nonoperating revenues (expenses)	<u>96,012</u>	<u>220,937</u>	<u>(37,615)</u>	<u>279,334</u>	<u>1,177,949</u>
Income before contributions and transfers	1,535,061	761,274	3,132,037	5,428,372	(199,090)
Capital contributions	5,775,182	672,369	7,331,069	13,778,620	-
Transfers out	-	-	-	-	(168,076)
Change in net position	<u>7,310,243</u>	<u>1,433,643</u>	<u>10,463,106</u>	<u>19,206,992</u>	<u>(367,166)</u>
Total net position - beginning, as previously reported	172,577,497	81,894,496	124,097,032	378,569,025	21,069,277
Total net position - ending	<u>\$ 179,887,740</u>	<u>\$ 83,328,139</u>	<u>\$ 134,560,138</u>	<u>\$ 397,776,017</u>	<u>\$ 20,702,111</u>

The notes to the financial statements are an integral part of this statement

CITY OF REDMOND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2016

Page 1 of 2

	Business-type Activities- Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 35,464,633	\$ 6,396,708	\$ 12,178,988	\$ 54,040,329	\$ 18,140,112
Cash received for replacement	-	-	-	-	2,458,497
Cash payments to suppliers	(23,130,081)	(3,299,916)	(1,366,847)	(27,796,844)	(4,622,175)
Cash payments to employees	(3,992,906)	927	(3,040,851)	(7,032,830)	(15,751,172)
Cash payments to other governments	(731,136)	(153,083)	(128,718)	(1,012,937)	15,186
Cash payments from other governments	-	-	-	-	-
Internal activity - payments to other funds	(2,287,453)	(1,085,387)	(2,194,934)	(5,567,774)	(571,834)
Other operating receipts	(4,824)	(1)	(6,206)	(11,031)	(5,295)
Net cash provided (used) by operating activities	<u>5,318,233</u>	<u>1,859,248</u>	<u>5,441,432</u>	<u>12,618,913</u>	<u>(336,681)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in/transfers out	-	-	-	-	(168,076)
Grant proceeds	57,399	-	299,008	356,407	-
Other non-operating revenues (expenses)	-	-	-	-	831,249
Net cash provided by noncapital financing activities	<u>57,399</u>	<u>-</u>	<u>299,008</u>	<u>356,407</u>	<u>663,173</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(3,034,374)	(60,082)	(5,904,586)	(8,999,042)	(785,949)
Proceeds from sale of other assets	96,504	78,818	6,727	182,049	206,035
Cash payments to suppliers	9,172	(13,451)	(152,736)	(157,015)	-
Cash payments to other governments	-	-	1,057,079	1,057,079	-
Cash received from customers	-	-	(28,214)	(28,214)	-
Capital contributions	1,878,610	-	2,302,990	4,181,600	-
Grant Proceeds	-	-	173,100	173,100	-
Interest paid on other debt	-	-	(152,356)	(152,356)	-
Principal paid on other debt	-	-	(140,338)	(140,338)	-
Interest paid on revenue bonds	(349,888)	-	(989,760)	(1,339,648)	-
Principal paid on revenue bonds	(755,000)	-	(785,000)	(1,540,000)	-
Net cash provided (used) for capital and related financing activities	<u>(2,154,976)</u>	<u>5,285</u>	<u>(4,613,094)</u>	<u>(6,762,785)</u>	<u>(579,914)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Internal activity, net investment purchases	(971,139)	(582,392)	480,732	(1,072,799)	1,128,809
Interest on investments	230,047	130,321	205,138	565,506	133,323
Net cash provided (used) in investing activities	<u>(741,092)</u>	<u>(452,071)</u>	<u>685,870</u>	<u>(507,293)</u>	<u>1,262,132</u>
Net increase (decrease) in cash and cash equivalents	2,479,564	1,412,462	1,813,216	5,705,242	1,008,710
Cash and cash equivalents-beginning of year	4,636,426	2,580,023	3,945,717	11,162,166	2,605,159
Cash and cash equivalents-end of year	<u>\$ 7,115,990</u>	<u>\$ 3,992,485</u>	<u>\$ 5,758,933</u>	<u>\$ 16,867,408</u>	<u>\$ 3,613,869</u>

The notes to the financial statements are an integral part of this statement

CITY OF REDMOND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2016

Page 2 of 2

	Business-type Activities- Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management		
Cash and cash equivalents					
Operating fund cash	\$ 7,099,617	\$ 3,960,485	\$ 5,751,625	\$ 16,811,727	\$ 3,613,859
Customer deposits	16,373	32,000	7,308	55,681	-
Cash and cash equivalents-end of year	<u>\$ 7,115,990</u>	<u>\$ 3,992,485</u>	<u>\$ 5,758,933</u>	<u>\$ 16,867,408</u>	<u>\$ 3,613,859</u>
Reconciliation of operating income to net cash provided by operating activities					
Operating income (loss)	\$ 1,439,046	\$ 540,337	\$ 3,169,652	\$ 5,149,035	\$ (1,377,039)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	3,998,639	1,372,071	2,479,173	7,849,883	1,101,141
Decrease (increase) in accounts receivable	(200,998)	(31,012)	(206,900)	(438,910)	80,783
Decrease (increase) in inventory	8,992	-	-	8,992	1,127
Decrease (increase) in prepaid expenses	-	-	-	-	(25,237)
Increase (decrease) in accounts payable	13,757	(22,903)	(24,863)	(34,009)	3,215
Increase (decrease) due to other governments	10,453	(171)	67,473	77,755	15,186
Increase (decrease) in employee wages payable	3,596	927	(14,709)	(10,186)	(146,790)
Increase (decrease) in compensated absences payable	49,572	-	(22,188)	27,384	16,228
Increase (decrease) in customer deposits payable	-	-	-	-	-
Increase (decrease) in GASB 68 adjustment	(4,824)	(1)	(6,206)	(11,031)	(5,295)
Increase (decrease) in unearned revenue	-	-	-	-	-
Net cash provided (used) by operating activities	<u>\$ 5,318,233</u>	<u>\$ 1,859,248</u>	<u>\$ 5,441,432</u>	<u>\$ 12,618,913</u>	<u>\$ (336,681)</u>
Noncash investing, capital and financing activities:					
Developers contributed infrastructure valued at	\$ 3,896,572	\$ 672,369	\$ 5,028,079	\$ 9,597,020	\$ -
Fair value of investments decreased by	(130,723)	(72,925)	(105,582)	(309,230)	(66,192)

The notes to the financial statements are an integral part of this statement

CITY OF REDMOND
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
As of December 31, 2016

	Firefighters Pension Fund	Agency Funds*
ASSETS		
Cash and cash equivalents	\$ 333,123	\$ 1,422,681
Investments:		
U.S. Government Securities	1,136,099	790,864
Money Market Funds	112,856	78,561
Local Government Investment Pool	163,989	114,156
Receivables:		
Accounts Receivable	-	5,608
Interest	143	-
Total Assets	1,746,210	2,411,870
LIABILITIES		
Due to other governments	\$ -	\$ 718,547
Custodial	-	423,600
Trust account	-	1,269,723
Total Liabilities	-	2,411,870
NET POSITION		
Net position restricted for pensions	1,746,210	-
Total Net Position	\$ 1,746,210	\$ -

CITY OF REDMOND
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For the year ended December 31, 2016

	Firefighters Pension Fund
ADDITIONS	
Intergovernmental revenue	\$ 154,159
Investment interest	14,993
Total additions	169,152
DEDUCTIONS	
Benefit payments	27,772
Administrative expenses	1,500
Total deductions	29,272
Change in net position	139,880
Net position-beginning	1,606,330
Net position-ending	\$ 1,746,210

The notes to the financial statements are an integral part of these statements

* Beginning in 2016 the Redmond Community Facilities District 2014-1 is reported as a blended component unit in the governmental Capital Improvements Program Fund. See the Combining Statement of Fiduciary Net Position, the Combining Statement of Changes in Assets and Liabilities All Agency Funds, Note 17 Accounting and Reporting Changes, and Note 19 Prior Period Adjustments for more information.

NOTE 1: Summary of Significant Accounting Policies

The City of Redmond was incorporated on December 31, 1912 and operates under the laws of the State of Washington applicable to a Non-Charter Mayor/Council form of government (elected Mayor and City Council composed of seven members). Both Mayor and Council are elected to four-year terms. The City provides general government services including public safety, highways and streets, parks and recreation, planning and zoning, permits and inspection, sanitation, general administrative, and water and wastewater services.

The accounting and reporting policies of the City of Redmond conform to generally accepted accounting principles for governments and are regulated by the Washington State Auditor's Office.

The City's Comprehensive Annual Financial Report (CAFR) is prepared in accordance with Governmental Accounting Standards Board (GASB) Statements and the following notes detail the City's significant accounting policies.

Reporting Entity

The City's CAFR includes the financial statements for the City of Redmond and its component units; entities for which the City is considered to be financially accountable. The City has two blended component units, Redmond Community Facilities District 2014-1 (CFD 2014-1), which was created in 2014 for the purpose of financing the construction of a pedestrian/bicycle bridge over SR 520 at the Overlake Transit Station, and Redmond Community Facilities District 2016-1 (CFD 2016-1), which was created in 2016 for the purpose of financing multimodal improvements on 154th Avenue NE and NE 51st Street, and NE 31st Street and 156th Avenue NE. The CFDs are reported as blended component units in the Capital Investments Program funds of the City of Redmond because the City appoints a majority of the Board members, has the ability to impose its will on the organizations through the ability to appoint, hire, reassign or dismiss those persons responsible for the day-to-day operation of the organizations, and the CFD's provide services almost entirely to the City. (See Note 13 - Component Units for additional information.)

Basic Financial Statements

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

The government-wide financial statements report information on all of the non-fiduciary activities of the primary government and its component units. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related

cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Under the modified accrual basis of accounting, property taxes, sales taxes, utility taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Grant revenue is recognized for cost reimbursement grants when the expenditure occurs in accordance with GASB Statement 33. When the expenditure is incurred, grant revenue is considered to have been earned and therefore available and recognized as revenue. Entitlement grant revenue is not tied to expenditures and is recognized when the City is entitled to receive it according to the grant agreement.

Financial Statement Presentation

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. It accounts for all financial resources and transactions except those required to be accounted for in another fund.

The Capital Investments Program Fund accounts for financial resources to be used for the acquisition, construction, and preservation of major capital facilities other than those financed by proprietary funds.

The City reports the following major proprietary funds:

The Water/Wastewater Fund accounts for the activities of providing water and sewer services to its citizens.

The UPD Water/Wastewater Fund accounts for the activities of providing water and sewer services to an urban planned development outside the City limits. Both of these utilities' operations are self-supported through user charges.

The Stormwater Management Fund accounts for the operation, construction, and maintenance of the City's stormwater management system. The utility's operations are self-supported through fees.

Additionally, the City reports the following fund types:

Internal Service Funds account for fleet maintenance, information technology, and insurance services provided to other departments of the City on a cost reimbursement basis.

Agency Funds account for assets held by the City as an agent for private individuals or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of the results of operations. The City has three Agency Funds: Intergovernmental Custodial, Municipal Employees Benefit Trust, and Contractor's Deposits.

The Pension Trust Fund accounts for the activities of the Firefighter's Pension Fund, which accumulates resources for excess pension benefit payments to qualified firefighters.

Special Revenue Funds are used to account for specific revenues that are restricted to or reserved for expenditures for particular purposes.

Debt Service Funds account for the accumulation of resources for and the payment of general obligation and special assessment bonds.

The City does not have any permanent funds.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Direct expenses of the functional categories are included in the government-wide Statement of Activities while indirect expense allocations are eliminated. Indirect expenses are primarily charged to the various functions through the use of internal service funds for fleet maintenance and information technology. Elimination of payments to internal service funds are treated as expense reductions. No other indirect expenses are allocated to the various governmental functions. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The proprietary fund statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's utility funds and internal service funds are charges to customers for sales and services, vehicle replacement, and insurance. The City also recognizes as operating revenue the portion of utility connection fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, taxes, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Budgets and Budgetary Accounting

The City of Redmond budgets its funds in accordance with the Revised Code of Washington (RCW) 35A.34. In compliance with the code, budgets for all funds are established with the exception of the LID Control and the LID Guaranty Debt Service Funds, and Fiduciary funds. Budgets established for proprietary funds are "management budgets" and as such are not required to be shown in this report.

The biennial budget is proposed by the Mayor and adopted by the City Council with legal budgetary control at the fund level for all funds. Expenditures and other financing uses may not exceed budgeted appropriations at these levels. The Mayor may authorize transfers within all funds. The City Council must approve by ordinance any additional appropriations which increase the total at the fund level. Any unexpended appropriation balances lapse at the end of the biennium.

In addition to authorizing the budget, the City Council biennially approves the Capital Investments Program. This is a six-year plan for capital project expenditures and anticipated revenue sources. Expenditures and revenues for these projects are budgeted in the Capital Projects Funds and Enterprise Funds.

The City prepares all biennial budgets on the modified accrual basis which conforms to generally accepted accounting principles. The CAFR includes budgetary comparisons for the general and capital projects governmental funds with legally adopted budgets.

The budget process and the time limits under which a budget must be developed are established by State law. The City uses a "budgeting for outcomes" format and follows the procedures outlined below in the year preceding the first year of the two-year budget to establish its biennial budget:

- In winter, community meetings are held to affirm or revise the City's budget priorities. The Mayor appoints staff and citizens to teams which interpret these priorities and develop the primary factors that the City should support to pursue the given priority. These factors are used by staff to develop budget offers.
- In spring, the Mayor develops and submits a budget calendar to the City Council for approval.

- In June, the City Clerk publishes notice for the first public hearing. Also around mid-year staff prepares a six-year forecast and reviews this forecast with the City Council at a public meeting.
- Throughout the summer, City staff create budget offers and review revenue and expenditure estimates.
- In October, preliminary budget estimates are made available to the public.
- Sixty days before the ensuing fiscal year, the Mayor files the preliminary budget with the City Clerk's office.
- During the first two weeks of November, the City Clerk publishes notice of the filing of the preliminary budget and publishes notice of public hearings.
- The City Council holds a series of study sessions to review the preliminary budget to determine if they wish to make any modifications to the Mayor's recommended programs.
- Public hearings are held prior to the adoption of the budget for the public to comment on recommended programs and to offer ideas for new programs.
- Prior to the beginning of the first calendar year of the biennial budget, the City Council, by a majority of the members present, adopts a final operating budget by ordinance.
- The Final Budget document is printed and distributed and posted on the City's website after adoption.

Assets, Liabilities, and Net Position

Cash and Investments

It is the City's policy to invest temporary cash surpluses. These investments are reported on the Statement of Net Position and the governmental funds Balance Sheet as cash and cash equivalents or investments. Included in cash and cash equivalents are currency on hand, demand deposits with banks or other financial institutions, investments with the Local Government Investment Pool, investments in U.S. Government Mutual Funds and investments with original maturities of three months or less. Interest is allocated to each fund on the basis of investments owned.

In accordance with City policy and Washington State law, authorized investment purchases include Certificates of Deposit with financial institutions qualified by the Washington Public Deposit Protection Commission, US Treasury and Agency Securities, Bankers' Acceptances, Bonds of Washington State and any local government in Washington State which have, at the time of purchase, one of the three highest credit ratings of a nationally recognized rating agency, repurchase agreements, the State Investment Pool (which is a 2a7-like pool), and mutual funds used specifically for debt issues related to arbitrage.

The City reports its deposit and investment risk disclosures in accordance with GASB 40 and GASB 72 (see Note 3).

In accordance with GASB 31 and GASB 79, investments in external 2a7-like pools, money market investments, and participating interest-earning investment contracts with remaining maturities of one year or less at the time of purchase are stated at amortized cost. All other investments including the Firefighter's Pension Fund are stated at fair value.

Receivables

The City of Redmond recognizes receivables in its financial statements based on the accounting requirements for that statement. These receivables are as follows:

Property Taxes

The City's property tax collections records show that approximately 99% of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years. The City performs an analysis of all uncollected property taxes to test materiality of the uncollected balance as well as the collectability. Based on this analysis the City will determine the classification of the uncollected portion of property taxes; revenue versus uncollected property taxes. When property taxes become three years

delinquent, the County is required by State statute to foreclose on the property. Historically, all taxes have been collected; therefore no allowance for uncollectible taxes is recorded.

Sales Taxes

There is a running two-month lag in remittance of sales tax to the City. Sales taxes collected in November and December are not remitted by the State to the City until January and February of the following year and they are reported as receivables at year-end. There is no allowance for uncollectible sales taxes because all sales taxes are required by law to be collected by businesses at the time of sale and remitted to the State.

Investment Interest

Interest receivable consists of interest earned on investments at the end of the year, accrued interest on investments purchased between interest dates, and accrued interest and penalties on special assessments receivable. In proprietary funds and the government-wide Statement of Net Position, investment interest is recorded as receivable, regardless of its payment date. In the governmental fund statements and schedules, investment interest is recorded as receivable if it will be paid to the City within 60 days of year-end.

Accounts Receivable

Customer accounts receivable consist of amounts owed by private individuals or organizations for goods and services provided. Unbilled services provided to utility customers are estimated at year-end and included in accounts receivable. Uncollectible amounts are considered immaterial and the direct write-off method is used.

Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Inventories

Inventories are defined as assets which may be held for internal consumption or for resale. The City uses the following policies in valuing and recording inventory items:

In proprietary funds a perpetual inventory is maintained, in which the cost is held in an asset account when inventory items are purchased, and expensed when the item is consumed. The first-in, first-out valuation method, which approximates market, is used to value the inventory. A physical inventory is taken at year-end. No inventory is maintained in governmental funds; however, the internal service fund inventories are included in the "Governmental Activities" on the Statement of Net Position.

Restricted Assets

Restricted assets include those monies reserved for customers' deposits, bond reserve monies and impact fees.

Advance on Service Contract

For fiscal years prior to December 31, 2012, the City amortized under guidance provided by FASB 71 the Tolt Pipeline project and the Tolt Meter project with the City of Seattle. In further review, this is not a deferred outflow of resources but rather an advance on a service contract.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities

column of the government-wide Statement of Net Position and in the respective funds. Capital assets are defined by the City as land, buildings, machinery, equipment, software, vehicles, transportation and utility infrastructure and other improvements with an original cost of \$10,000 or more each and an estimated useful life of more than one year, and all artwork regardless of its initial cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land, construction in progress, and works of art are not depreciated. Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings/Building improvements	50
Other improvements	15-50
Vehicles	3-15
Machinery and equipment	6-20
Utility infrastructure	10-100
Streets, paths, trails	50
Street lights and traffic signals	30

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time in lieu of overtime and sick leave benefits. Twenty-five percent of unused sick leave is payable at retirement or death. Any outstanding sick leave is lost at resignation; therefore, outstanding sick leave at year-end is not accrued because the payment cannot be deemed probable nor can the amount be reasonably estimated. All vacation and compensatory time is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits

Lifetime full medical coverage is provided to uniformed Police and Fire personnel who became members of the Law Enforcement Officers and Fire Fighters (LEOFF 1) retirement system prior to October 1, 1977. A liability for the accumulated unfunded actuarially required contribution is reported in the Statement of Net Position. The actual medical costs are reported as expenditures in the year they are incurred, and are paid out of the General Fund.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. Deferred charges on debt refunding result from the difference in the carrying value of refunded debt and the reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows related to pension plans are discussed in detail in Note 7: Pension Plans.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category. Deferred inflows related to pension plans are discussed in detail in Note 7: Pension Plans.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Fund balances are categorized as Nonspendable or Spendable amounts as follows:

Nonspendable Fund Balance: fund resources that are in a form that either *never* could be spent or in a form that is *temporarily* not spendable. This can include resources that are spendable in form but are under legal restrictions that temporarily or permanently bar spending.

Spendable amounts are further segregated into categories based on the degree to which the uses of resources are constrained.

- *Restricted Fund Balance*: fund resources that are subject to restrictions that are *legally enforceable* by *outside parties*. This includes resources raised through enabling legislation.
- *Committed Fund Balance*: fund resources that are legally limited by the resolution by the City Council. A resolution must be taken to impose limitations on the use of these resources, and another resolution is required to modify or eliminate those limitations.
- *Assigned Fund Balance*: fund resources that are limited by the mayor, or department directors based on delegation, for its intended use. This type of limitation can be imposed by the highest level of decision making within the entity or a designee, but little or no formal action is required to modify or eliminate those limitations.
- *Unassigned Fund Balance*: Unrestricted fund balance not committed or assigned in the General Fund is considered unassigned. Also negative fund balance in any other governmental fund is unassigned. The city only reports positive unassigned fund balance in the General Fund.

Flow assumption: When expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the City's policy to use restricted resources first. When expenditure is incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's policy to spend committed resources first, then assigned and unassigned, in that order. However, prior to the commencement of any project, the flow assumption is reviewed to ensure that the proper resources are being used.

NOTE 2:

Reconciliation of Government-Wide and Fund Financial Statements

Explanation of aggregated differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes reconciliation between total fund balance and total net position as reported in the government-wide statement of net position. The details of the aggregated differences are presented below.

Some liabilities, including bonds, loans and compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:

G.O Bonds payable	\$ (60,380,000)
Unamortized bond premiums	(4,625,635)
Deferred outflows on refunding	3,501,237
Loans payable	(1,416,761)
Accrued interest payable	(195,818)
Compensated absences	(4,252,816)
Other post-employment benefits	(4,648,494)
Net adjustment to reduce fund balance - total governmental funds	
To arrive at net position – governmental activities	<u>\$ (72,018,286)</u>

The net pension asset, net pension liability, and deferred inflows and deferred outflows are reported in the government-wide statement of net position but not in the governmental balance sheet

Net pension asset	\$ 6,655,365
Deferred outflows of resources	8,005,457
Net pension liability	(24,109,373)
Deferred inflows of resources	(512,290)
	<u>\$ (9,960,841)</u>

Explanation of aggregated differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The details of the aggregated differences are presented below.

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Developer/Private asset contributions	\$ 5,344,134
Unavailable revenue – special assessments	46,867,049
Net adjustment to increase net change in fund balances - governmental funds to arrive at change in net position- governmental activities	<u>\$ 52,211,183</u>

Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, and governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the government-wide statement of activities:

Principal repayments:	
General obligation bonds	\$ 15,780,000
Public Works Trust Fund Loans repayment	94,451
Amortization/(addition) of debt premiums	(1,485,903)
Amortization of deferred outflows on refunding	(142,419)
Proceeds from long-term debt issuance	(17,630,000)
Deferred outflows from long-term debt issuance	1,320,413
Net adjustment to decrease net change in fund balances- governmental funds to arrive at change in net position- governmental activities	<u>\$ 2,063,458</u>

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:

Change in accrued interest payable	\$ 4,003
Change in compensated absences payable	(56,371)
Change in other post-employment benefits payable	(616,272)
Net adjustment to decrease net change in fund balances- governmental funds to arrive at change in net position- governmental activities	<u>\$ (668,640)</u>

NOTE 3: Deposits and Investments

Deposits

As of December 31, 2016 the carrying amount of the City's cash demand deposits with KeyBank was \$1,108,025 and the in-transit items were \$192,215. The carrying amount and bank balance of the City's cash demand deposits at U.S. Bank at December 31, 2016 was \$766,476. \$5,022,554 was held at Opus Bank in a certificate of deposit and \$10,904,923 was held in public funds money market accounts at KeyBank, Opus and Wells Fargo Banks. \$1,190,876 retained from contractors pending acceptance of City construction projects was held in escrow or savings accounts at various banks. \$146,205 was held in a City of Redmond Client Trust Account at Wells Fargo. Petty cash totaled \$48,500, of which \$35,770 was allocated to various City offices.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City of Redmond's deposits are entirely covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington State Public Deposit Protection Commission (WPDPC). The FDIC insures the first \$250,000 of the City's deposits. The deposit balances over \$250,000 are insured by the WPDPC. State statute permits additional amounts to be assessed on a pro rata basis to members of the WPDPC pool in the event the pool's collateral should be insufficient to cover a loss.

Investments

Investments are stated at fair value, based on quoted market prices in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in the fair-value of investment is recognized as an increase or decrease to the investment assets and investment income. Interest income on investments is recognized in non-operating revenue as earned. Changes in fair value of investments are recognized on the Statements of Revenues, Expenses, and Changes in Net Position.

Interest Rate Risk

As a means of limiting its exposure to interest rate risk, the City's policy requires that it diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer. The City coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date.

Credit Risk

State law and City policy limit investments to those authorized by State Statute including commercial paper and bonds of the State of Washington and any local government in the State of Washington which have, at the time of

investment, one of the three highest credit ratings of a nationally recognized rating agency. The City further limits its holdings in commercial paper to 10% of the portfolio and 10% per issuer, and local government bonds to 25% of the portfolio and 10% of issuer. At December 31, 2016 the City held no investments in commercial paper. Additionally, the City restricts its investment in mutual fund bonds to be used for arbitrage purposes only.

Concentration of Credit Risk

The City diversifies its investments by security type and institution. 100% of the City’s portfolio may be invested in US Treasury Notes, Bonds or Certificates, US Government Sponsored Corporations, or the State Investment Pool. 50% of the portfolio may be invested in Certificates of Deposit with no more than 10% held by any one issuer and not exceeding 20% of the issuer’s net worth. 25% of the portfolio may be invested in Bankers Acceptances (10% per issuer), State of Washington or Local Government Bonds (10% per issuer), and Repurchase Agreements (25% per dealer). 10% of the portfolio may be invested in Commercial Paper and other authorized investments. On December 31, 2016 more than five percent of the City’s investments were held in Federal Farm Credit Bank, Federal Home Loan Bank, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation bonds.

Investments Measured at Amortized Cost

Investments reported as cash equivalents:

	<u>Amortized Cost</u>	<u>Less Than 1 Year</u>
Money Market	\$ 10,904,923	\$ 10,904,923
Certificate of Deposit	5,022,554	5,022,554
Local Government Investment Pool	26,533,033	26,533,033
Total	<u>\$ 42,460,510</u>	<u>\$ 42,460,510</u>

The Washington State Local Government Investment Pool (LGIP) operates in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940 and is similar to a money market fund recognized by the Securities and Exchange Commission. The LGIP manages a portfolio of securities that meet the maturity, quality, diversification, liquidity and market value calculation requirements set forth by the Governmental Accounting Standard Board (GASB) for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The funds are limited to high quality obligations with regulated maximum and average maturities to minimize both market and credit risk. Investments are reported on trade date basis in accordance with generally accepted accounting principles (GAAP).

The LGIP transacts with its participants at a stable net asset value per share of \$1.00, the same method used for reporting. Participants may contribute or withdraw funds on a daily basis. Participants must inform the Office of the State Treasurer (OST) of any contribution or withdrawal over one million dollars no later than 9 a.m. on the same day the transaction is made. Contributions or withdrawals for one million dollars or less can be requested at any time prior to 10am, at the sole discretion of OST. All participants are required to file with the State Treasurer documentation containing the names and titles of the officials authorized to contribute or withdraw funds. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

Investments Measured at Fair Value

The City measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Prices quoted in active markets for identical securities,
- Level 2: Quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3: Unobservable inputs for an asset or liability.

The fair values and levels noted in the following table have been provided by the City’s investment custodian, Wells Fargo Bank, who obtains information through Interactive Data (IDC). IDC evaluates the various securities and obtains feeds from a number of live data and market sources including active market makers and inter-dealer brokers, relative credit information, observed market movements and sector news. IDC reviews sources on the basis of their historical accuracy for individual issues and maturity ranges.

At December 31, 2016, the City had the following investments measured at fair value:

Investment Type	Fair Value Measurement Using			Total
	Quoted Prices Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
U.S. Agency Securities	\$ -	\$ 165,381,266	\$ -	\$ 165,381,266
U.S. Treasury Securities	16,995,670	-	-	16,995,670
Local Government Bonds	-	1,441,084	-	1,441,084
Total	\$ 16,995,670	\$ 166,822,350	\$ -	\$ 183,818,020

The table below identifies the types of investments, concentration of investments in any one issuer, and maturities of the City's investment portfolio as of December 31, 2016:

Investment Type	Fair Value	Maturities		% of Total Portfolio
		Less Than 1 Year	1 to 5 Years	
Federal Farm Credit Bank	\$ 38,323,909	\$ 9,003,560	\$ 29,320,349	18.22%
Federal Home Loan Bank	23,944,490	8,999,730	14,944,760	11.38%
Federal Home Loan Mortgage Corporation	55,985,719	9,010,190	46,975,529	26.62%
Federal National Mortgage Association	47,127,148	2,001,380	45,125,768	22.40%
Local Government Bonds	1,441,084	1,441,084	-	0.69%
Treasury Notes	16,995,670	11,996,950	4,998,720	8.08%
Subtotal	183,818,020	42,452,894	141,365,126	87.39%
Local Government Investment Pool*	26,533,033	26,533,033	-	12.61%
Total	\$ 210,351,053	\$68,985,927	\$ 141,365,126	100.00%
Percentage of Total Portfolio		32.80%	67.20%	100.00%

*The fair value of the investments in the Washington State Local Government Investment Pool are the same as the amortized cost of the pool shares, and are considered Cash and Cash Equivalents.

The table below identifies the credit risk of the City's investment portfolio as of December 31, 2016:

Investment Type	Fair Value	Ratings	
		S&P	Moody's
U.S. Agency Securities			
Federal Farm Credit Bank	\$ 38,323,909	AA+	AAA
Federal Home Loan Bank	23,944,490	AA+	AAA
Federal Home Loan Mortgage Corporation	55,985,719	AA+	AAA
Federal National Mortgage Association	47,127,148	AA+	AAA
Subtotal	165,381,266		
Local Government Bonds			
King Cnty Wash School Dist No. 411	1,441,084	AA+	AAA
U.S. Treasury Securities			
U.S. Treasury Notes	16,995,670	AA+	AAA
Total	\$ 183,818,020		

Reconciliation of cash and investments by type to the financial statements is detailed in the following tables:

Cash & Investments by Type

Opus Bank-certificate of deposit	\$ 5,022,554
Opus Bank-money market	5,074,775
KeyBank-money market	3,740,414
Wells Fargo-money market	2,089,734
State Investment Pool (LGIP)	26,533,033
KeyBank public checking	1,108,025
Deposits/Debits in transit at 12/31/2016	184,461

Checks/Credits in transit at 12/31/2016	(1,099,474)
U.S. Bank deposit in transit	766,476
Petty Cash/Advance Travel	35,770
Wells Fargo Wright Runstad trust account	146,205
Contractors' Retainage Money Market	1,190,876
Federal Home Loan Bank	23,944,490
Federal Farm Credit Bank	38,323,909
Federal Home Loan Mortgage Corporation	55,985,719
Federal National Mortgage Association	47,127,148
Local Gov't Bonds	1,441,084
US Treasury Notes	16,995,670
Grand Total Cash & Investments by Type	\$228,610,867

	Cash & Equivalents*	Restricted Cash	Rate Stabilization Fund	Investments	Restricted Investments
Governmental Funds					
General Fund	\$ 7,593,186	\$ 454,814	\$ -	\$ 28,403,663	\$ 4,755,710
Capital Investments Program Fund	11,933,232	-	-	50,496,431	3,188
Other Governmental Funds	2,574,543	-	-	11,160,584	10,000
Proprietary Funds					
Water/Wastewater	7,099,617	16,373	4,177,811	24,798,275	1,175,500
UPD Water/Wastewater	3,960,485	32,000	1,929,266	14,891,102	-
Stormwater Management	5,751,625	7,308	-	22,718,193	1,634,409
Internal Service Funds	3,613,859	-	-	15,267,364	-
Fiduciary Funds					
Firefighter's Pension Fund	333,123	-	-	-	1,412,944
Agency Funds	1,422,681	-	-	-	983,581
	\$ 44,282,351	\$ 510,495	\$ 6,107,077	\$167,735,612	\$ 9,975,332
Grand Total Cash & Investments by Statements					\$228,610,867

NOTE 4:
Governmental Fund Balances

Governmental fund balances are classified as either spendable or non-spendable. Spendable fund balances are further categorized as restricted, committed, assigned, and unassigned. Restricted amounts are restricted by contract or grant document, committed amounts committed by codification by the City Council and the assigned are assigned by action by the City's mayor or department director based on delegated authority. The breakdown of what makes up each of the fund balance categories from the governmental Balance Sheet that is designated for a particular purpose is shown below.

Restricted For:	
Advance life support	\$ 822,663
Cable access	907,126
Capital projects	10,853,904
Debt service	2,182,564
Fire	1,202,721
Parks	618,658
Planning-transportation	8,275,002
Police	4,450,070
Reserves	454,814
Solid waste recycling	667,858
Tourism	640,194
Total	\$ 31,075,574

Committed For:

Arts	\$	307,272
Capital equipment replacement		2,921,633
Development Review		1,110,224
Fire equipment		1,896,304
Parks maintenance		1,308,680
Police		8,500
Recreation activities		656,333
Travel		20,000
Total	\$	<u>8,228,946</u>

Assigned For:

Capital projects	\$	22,501,663
Community events		12,771
Maintenance		1,011,788
Human services fund		22,320
Parks		39,965
Real Property Fund		1,980,286
Reserves		6,707,246
Transportation		849,830
Business tax		1,312,498
Total	\$	<u>34,438,367</u>

NOTE 5:
Receivables

Property Taxes

The King County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections are distributed on a daily basis.

	Property Tax Calendar
January 1	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100 percent of market value.
October 31	Second installment is due.

Property taxes are recorded as a receivable when levied. During the year, property tax revenues are recognized when cash is received. At year-end, property tax revenues are recognized for December collections to be distributed by the county treasurer in January and February.

Under Washington State law a city may levy property taxes up to \$3.60 per \$1,000 of assessed valuation. The assessed value was \$17,305,359,936 for the City in 2016.

The City of Redmond's maximum property tax levy rate has been reduced from \$3.60 to \$3.10, or \$.50, as a result of annexing to the King County Library District in May, 1990. In addition to the limitation previously noted, the City's levy rate is also subject to the following:

Washington State law in RCW 84.55.010 limits the growth of regular property taxes to one percent per year or IPD, whichever is less, after adjustments for new construction and annexations, unless an increase greater than this limit is approved by the voters. If the assessed valuation increases by more than one percent due to revaluation, the levy rate will be decreased.

The Washington State Constitution limits the total regular property tax levy to a maximum of one percent of assessed valuation or \$10 per \$1,000 of the market value of a property. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one percent limit.

Accordingly, the City levied \$1.41 per \$1,000 of assessed value for general governmental services and no additional voter-approved excess tax levy.

NOTE 6: Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government				
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated:				
Land	\$ 126,464,300	\$ 9,922,006	\$ (2,056,627)	\$ 134,329,679
Construction in Progress	17,625,762	23,956,328	(11,956,753)	29,625,337
Art	548,878	-	-	548,878
Total capital assets, not being depreciated	<u>\$ 144,638,940</u>	<u>\$ 33,878,334</u>	<u>\$ (14,013,380)</u>	<u>\$ 164,503,894</u>
Capital Assets, Being Depreciated:				
Buildings/Building Improvements	\$ 76,195,709	\$ 106,168	\$ -	\$ 76,301,877
Improvements Other than Buildings	33,296,483	1,328,163	-	34,624,646
Machinery and Equipment	28,968,524	6,077,207	(2,554,728)	32,491,003
Infrastructure	260,666,965	13,257,118	(28,190)	273,895,893
Total capital assets, being depreciated	<u>\$ 399,127,681</u>	<u>\$ 20,768,656</u>	<u>\$ (2,582,918)</u>	<u>\$ 417,313,419</u>
Less Accumulated Depreciation for:				
Buildings/Building Improvements	\$ (21,174,622)	\$ (1,591,095)	\$ -	\$ (22,765,717)
Improvements Other than Buildings	(13,401,402)	(1,153,341)	-	(14,554,743)
Machinery and Equipment	(18,533,430)	(2,116,356)	2,415,395	(18,234,391)
Infrastructure	(95,261,048)	(5,728,226)	688,451	(100,300,823)
Total accumulated depreciation	<u>\$ (148,370,502)</u>	<u>\$ (10,589,018)</u>	<u>\$ 3,103,846</u>	<u>\$ (155,855,674)</u>
Total capital assets, being depreciated, net	<u>\$ 250,757,179</u>	<u>\$ 10,179,638</u>	<u>\$ 520,928</u>	<u>\$ 261,457,745</u>
Governmental activities capital assets, net	<u>\$ 395,396,119</u>	<u>\$ 44,057,972</u>	<u>\$ (13,492,452)</u>	<u>\$ 425,961,639</u>

NET INVESTMENT IN CAPITAL ASSETS

Governmental Activities	
Capital assets not being depreciated	\$ 164,503,894
Capital assets being depreciated	417,313,419
Less accumulated depreciation	(155,855,674)
Less GO Bonds	(60,380,000)
Less bond premium	(4,625,634)
Plus unspent bond proceeds	3,727,014
Less Public Works Trust Fund loans	(1,416,761)
Plus deferred outflow on refunding bonds	<u>3,501,237</u>
Governmental Activities, net investment in capital assets	<u>\$ 366,767,495</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General Government	\$ 1,218,274
Security	1,185,254
Physical Environment	28,120
Transportation, Including Depreciation of General Infrastructure Assets	6,855,500
Economic Environment	61,633
Culture and Recreation	1,240,237
Total Depreciation Expense – Governmental Activities	\$ <u>10,589,018</u>

	Beginning Balance	Increases	Decreases	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital assets, not Being depreciated:				
Land	\$ 25,620,274	\$ 1,604,029	\$ -	\$ 27,224,303
Construction In Progress	10,996,454	8,916,246	(10,146,233)	9,766,467
Total capital assets, not being depreciated	<u>\$ 36,616,728</u>	<u>\$ 10,520,275</u>	<u>\$ (10,146,233)</u>	<u>\$ 36,990,770</u>
Capital Assets, Being Depreciated:				
Buildings/Building Improvements	\$ 37,958,924	\$ -	\$ -	\$ 37,958,924
Improvements Other Than Buildings	346,744,668	18,174,616	(88,263)	364,831,021
Machinery and Equipment	1,457,925	47,405	-	1,505,330
Total capital assets, being depreciated	<u>\$ 386,161,517</u>	<u>\$ 18,222,021</u>	<u>\$ (88,263)</u>	<u>\$ 404,295,275</u>
Less Accumulated Depreciation for:				
Buildings/Building Improvements	\$ (7,632,609)	\$ (759,179)	\$ -	\$ (8,391,788)
Improvements Other than Buildings	(77,749,493)	(7,000,937)	88,263	(84,662,167)
Machinery and Equipment	(537,428)	(66,279)	-	(603,707)
Total accumulated depreciation	<u>\$ (85,919,530)</u>	<u>\$ (7,826,395)</u>	<u>\$ 88,263</u>	<u>\$ (93,657,662)</u>
Total capital assets, being depreciated, net	<u>\$ 300,241,987</u>	<u>\$ 10,395,626</u>	<u>\$ -</u>	<u>\$ 310,637,613</u>
Business-Type activities capital assets, net	<u>\$ 336,858,715</u>	<u>\$ 20,915,901</u>	<u>\$ (10,146,233)</u>	<u>\$ 347,628,383</u>

NET INVESTMENT IN CAPITAL ASSETS

Business-Type Activities	
Capital assets not being depreciated	\$ 36,990,770
Capital assets being depreciated	404,295,275
Less accumulated depreciation	(93,657,662)
Less Revenue bonds	(27,630,000)
Less bond premium	(3,008,952)
Less PWTF loan	(4,271,662)
Business-Type Activities, net investment in capital assets	\$ <u>312,717,767</u>

Depreciation expense was charged to Business-Type Activities as follows:

Business-Type Activities		
Water/Wastewater	\$	3,975,151
UPD Water/Wastewater		1,372,071
Stormwater		2,479,173
Total Depreciation Expense – Business-type Activities	\$	<u>7,826,395</u>

The Business-Type Activities also had \$23,487 in amortization expense that is included with depreciation expense in the financial statements.

Depreciation allocates the cost of capital assets over their estimated useful lives. This results in the cost of the asset being expensed to the operating statements to more closely match the revenue the asset is generating. In 2016 the City reviewed the estimated useful lives of approximately \$44 million worth of capitalized “improvements other than buildings” assets for stormwater funds, such as Overlake village south detention vault and Bear Creek rehabilitation and habitat improvement project. The estimated useful lives of some of these assets were revised from a standard of 40 years to 25, 50, 75, and 100 years, depending on the type of asset, actual experience, and intended use. As a result of this adjustment actual depreciation expense for these assets as \$757,602, which was \$343,179 less than if the previous 40 year useful life was applied. The City plans to work with a consultant in 2017 to review the useful lives for all other utility assets.

Type of Assets	Useful Life-Prior Year	Useful Life-Current Year
Storm drains and appurtenances	40	100
Vault	40	100
Mains Pipes	40	100
Habitat Improvements	40	100
Filters	40	25
General Plant	40	50
Culvert	40	75
Ponds	40	100
Electric Pump Equipment	40	25

Note 7: Pension Plans

The following table represents the aggregate pension amounts for all plans subject to the requirements of the [GASB Statement 68, Accounting and Financial Reporting for Pensions](#) for the year 2016:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ 33,076,255
Pension assets*	\$ 6,655,365
Deferred outflows of resources	\$ 9,560,947
Deferred inflows of resources	\$ 766,876
Pension expense/expenditures**	\$ 5,228,149

*Includes \$1,060,487 pension asset for the Firefighters Pension Plan, presented in the section following State Sponsored Pension Plans.

**Includes \$6,493 pension expense for the Firefighters Pension Plan.

State Sponsored Pension Plans

Substantially all of the City’s full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
 Communications Unit
 P.O. Box 48380
 Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 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

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	6.00%
Administrative Fee	0.18%	-
Total	11.18%	6.00%

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 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. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	-
Administrative Fee	0.18%	-
Employee PERS Plan 3	-	varies
Total	11.18%	6.12%

The City’s actual PERS plan contributions were \$1,640,436 to PERS Plan 1 and \$2,112,355 to PERS Plan 2/3 for the year ended December 31, 2016.

Public Safety Employees’ Retirement System (PSERS)

PSERS Plan 2 was created by the 2004 Legislature and became effective July 1, 2006. To be eligible for membership, an employee must work on a full time basis and:

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in [RCW 10.93.020](#); or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS membership includes:

- PERS 2 or 3 employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006 to September 30 2006; and
- Employees hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

PSERS covered employers include:

- Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol),
- Washington State Counties,
- Washington State Cities (except for Seattle, Spokane, and Tacoma),
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

Contributions

The **PSERS Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2016 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	Employer	Employee
PSERS Plan 2	6.59%	6.59%
PERS Plan 1 UAAL	4.77%	-
Administrative Fee	0.18%	-
Total	11.54%	6.59%

The City's actual plan contributions were \$17,958 to PSERS Plan 2 and \$12,998 to PERS Plan 1 for the year ended December 31, 2016.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

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:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

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

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 2016. 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

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 2016 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	Employer	Employee
State and local governments	5.05%	8.41%
Administrative Fee	0.18%	-
Total	5.23%	8.41%
Ports and Universities	8.41%	8.41%
Administrative Fee	0.18%	-
Total	8.59%	8.41%

The City's actual contributions to the plan were \$1,339,697 for the year ended December 31, 2016.

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, 2016, the state contributed \$60,375,158 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$842,172.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. 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 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016.

Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3.0% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

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.

- For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.
- Valuation software was corrected on how the nonduty disability benefits for LEOFF Plan 2 active members is calculated.
- New LEOFF Plan 2 benefit definitions were added within the OSA valuation software to model legislation signed into law during the 2015 legislative session.

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 (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). 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, 2016, 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.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below 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 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.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 18,318,327	\$ 15,190,592	\$ 12,498,984
PERS 2/3	32,873,317	17,854,484	(9,294,290)
PSERS 2	135,383	31,179	(43,046)
LEOFF 1	(406,059)	(683,554)	(920,750)
LEOFF 2	13,772,709	(4,911,324)	(18,993,660)

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 June 30, 2016, the City reported a total pension liability of \$33,076,255 for its proportionate share of the net pension liabilities, and a total pension asset of \$5,594,878 for its proportionate share of the net pension assets as follows:

	Liability (or Asset)
PERS 1	\$ 15,190,592
PERS 2/3	17,854,484
PSERS 2	31,179
LEOFF 1	(683,554)
LEOFF 2	(4,911,324)

The amount of the asset reported above for LEOFF Plans 1 and 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 asset, the related State support, and the total portion of the net pension asset that was associated with the City were as follows:

	LEOFF 1 Asset	LEOFF 2 Asset
Employer's proportionate share	683,554	4,911,324
State's proportionate share of the net pension asset associated with the employer	4,623,539	3,201,825
TOTAL	5,307,093	8,113,149

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

	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportion
PERS 1	0.277269%	0.282854%	0.005585%
PERS 2/3	0.349456%	0.354613%	0.005157%
PSERS 2	0.092909%	0.073365%	-0.019544%
LEOFF 1	0.061310%	0.066346%	0.005036%
LEOFF 2	0.905449%	0.844407%	-0.061042%

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 2016. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2016, 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 2016, the state of Washington contributed 39.46 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 60.54 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2016, the City recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 1,113,326
PERS 2/3	2,587,197
PSERS 2	22,288
LEOFF 1	(138,859)
LEOFF 2	1,637,705
TOTAL	\$ 5,221,656

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ 382,475	\$ -
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 833,846	\$ -
TOTAL	\$ 1,216,321	\$ -

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 950,739	\$ 589,406
Net difference between projected and actual investment earnings on pension plan investments	\$ 2,184,874	\$ -
Changes of assumptions	\$ 184,541	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 274,897	\$ -
Contributions subsequent to the measurement date	\$ 1,065,100	\$ -
TOTAL	\$ 4,660,150	\$ 589,406

PSERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,620	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ 6,430	\$ -
Changes of assumptions	\$ 121	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ 1,682
Contributions subsequent to the measurement date	\$ 9,236	\$ -
TOTAL	\$ 26,408	\$ 1,682

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ 69,482	\$ -
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ -	\$ -
TOTAL	\$ 69,482	\$ -

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 672,984	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ 1,764,836	\$ -
Changes of assumptions	\$ 18,518	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 411,573	\$ 175,793
Contributions subsequent to the measurement date	\$ 720,676	\$ -
TOTAL	\$ 3,588,586	\$ 175,793

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31:	PERS 1		PERS 2/3		PSERS 2		LEOFF 1		LEOFF 2		Total	
	Inflows	Outflows	Inflows	Outflows	Inflows	Outflows	Inflows	Outflows	Inflows	Outflows	Inflows	Outflows
2017	-	(94,173)	(184,190)	294,113	(290)	2,097	-	(14,359)	(41,855)	58,359	(226,335)	246,037
2018	-	(94,173)	(184,190)	294,113	(290)	2,097	-	(14,359)	(41,855)	58,359	(226,335)	246,037
2019	-	351,262	(184,190)	1,924,318	(290)	6,058	-	60,176	(41,855)	1,540,597	(226,335)	3,882,412
2020	-	219,560	(36,837)	1,082,505	(290)	4,747	-	38,023	(41,855)	1,086,331	(78,982)	2,431,167
2021	-	-	-	-	(290)	2,142	-	-	(8,373)	124,265	(8,663)	126,407
2022	-	-	-	-	(232)	30	-	-	-	-	(232)	30
Total Deferred (Inflows)/Outflows	-	382,475	(589,406)	3,595,050	(1,682)	17,172	-	69,482	(175,793)	2,867,910	(766,881)	6,932,090

Firefighters' Pension Plan

The City is the administrator of the Firefighters' Pension Plan (FPP), a single-employer defined benefit pension plan established in conformance with Revised Code of Washington (RCW) 41.18. The Pension Board consists of five members: the Mayor, who is the chairman of the board, the City Clerk, the City Treasurer, and two regularly employed firefighters elected by secret ballot of the firefighters, each of whom serve two-year terms. Costs of administering the Plan are paid from the Firefighters' Pension Plan. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Retirement benefit provisions are established in state statute and may be amended only by the State Legislature. Membership is limited to firefighters employed prior to March 1, 1970 when the LEOFF retirement system was established. The City's obligation under the Plan consists of paying the difference between pension and medical benefits provided by LEOFF and those provided by the FPP for covered firefighters who retire after March 1, 1970. Benefits and refunds of the Plan are recognized when due and payable in accordance with the terms of the Plan.

At December 31, 2016, there are two inactive plan members currently receiving benefits, one inactive plan member not receiving benefits because LEOFF benefits exceed those provided by FPP, and there are no active plan members. The pension plan is closed to new entrants.

Under State law, the FPP is provided an allocation of 25% of all moneys received by the State from taxes on fire insurance premiums, interest earnings, member contributions made prior to the inception of LEOFF, and City contributions required to meet projected future pension obligations. These on-behalf tax revenues were recognized in the general fund and expensed out to the Firefighters' Pension Plan. The fire insurance premium for 2016 was \$154,159, which was sufficient to pay the 2016 Firefighter's Pension Plan expenses of \$29,271.

The financial activity of the Firefighters' Pension Plan is presented in the Statement of Net Position – Fiduciary Funds, and the Statement of Changes in Net Position – Fiduciary Funds. No separate stand-alone financial report is issued for the Firefighters' Pension Plan. Although the City administers the pension plan, it is funded 100% by a percentage of the tax on fire insurance premiums which is received from the state annually.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Firefighters' Pension Plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Investment Policy

The Firefighter's Pension Plan follows the City's policy to invest temporary cash surpluses. These investments are reported on the Statement of Net Position - Fiduciary Funds as cash and cash equivalents or investments. Included in cash and cash equivalents are currency on hand, demand deposits with banks or other financial institutions, investments with the Local Government Investment Pool, investments in U.S. Government Mutual Funds and investments with original maturities of three months or less. Interest is allocated to the fund on the basis of investments owned.

In accordance with City policy and Washington State law, authorized investment purchases include Certificates of Deposit with financial institutions qualified by the Washington Public Deposit Protection Commission, US Treasury and Agency Securities, Bankers' Acceptances, Bonds of Washington State and any local government in Washington State which have, at the time of purchase, one of the three highest credit ratings of a nationally recognized rating agency, repurchase agreements, the State Investment Pool (which is a 2a7-like pool), and mutual funds used specifically for debt issues related to arbitrage.

In accordance with GASB 31, investments in external 2a7-like pools, money market investments, and participating interest-earning investment contracts with remaining maturities of one year or less at the time of purchase are stated at amortized cost. All other investments including the Firefighter's Pension Plan are stated at fair value.

The City reports its deposit and investment risk disclosures in accordance with GASB 40 and GASB 72. See Note 3 – Deposits and Investments for detail.

Net Pension Liability

The Net Pension Liability was measured as of January 1, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The components of the City's net pension liability (asset) for the Firefighter's Pension Plan at December 31, 2016 are as follows:

Total pension liability	\$ 685,451
Less: Plan fiduciary net position	<u>(1,745,938)</u>
City's net pension liability (asset)	<u><u>\$ (1,060,487)</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	 254.71%

**City of Redmond
Firefighter's Pension Plan
Changes in Net Pension Liability**

Firefighters' Pension Plan	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 1/1/2016	\$ 567,121	\$ 1,606,330	\$ (1,039,209)
Changes for the year:			
Service Cost	-	-	-
Interest	17,704	-	17,704
Changes in benefit terms	-	-	-
Differences between expected and actual experience	128,397	-	128,397
Changes of assumptions	-	-	-
Contributions – employer	-	154,159	(154,159)
Contributions – employees	-	-	-
Net investment income	-	14,720	(14,720)
Benefit payments, including refunds of contributions	(27,771)	(27,771)	-
Administrative expense	-	(1,500)	1,500
Other changes	-	-	-
Net changes	118,330	139,608	(21,278)
Balance at 12/31/2016	685,451	1,745,938	(1,060,487)

The Schedule of Changes in Net Pension Liability and Schedule of Contributions presented in Required Supplementary Information following the notes to the financial statements presents ten-year trend information about whether the net pension liability (asset) is increasing or decreasing over time and the factors affecting the changes.

Annual Money-weighted Rate of Return

For 2016, the money-weighted rate of return for the Firefighter's Pension Plan investments was 0.88%. The annual money-weighted rate of return on pension plan investments is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. The Schedule of Investment Returns presented in Required Supplementary information following the notes to the financial statements presents ten-year trend information for the annual money-weighted rate of return.

Discount Rate and Investment Earnings

The discount rate is the single rate that reflects (1) the long-term expected rate of return on pension plan investments that are expected to be used to finance payment of benefits, to the extent that the pension Plan's Fiduciary net Position is projected to be sufficient to make projected benefit payments and pension plan assets are expected to be invested using a strategy to achieve that return, and (2) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another scale), to the extent that conditions for use of the long-term expected rate of return are not met. Since the Fiduciary net Position is projected to be positive in all future years, the discount rate is equal to the Investment Earnings assumption of 3.2%.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Firefighters' Pension Plan, calculated using the discount rate of 3.2%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.2%) or 1-percentage-point higher (4.2%) than the current rate:

	<u>1% Decrease (2.2%)</u>	<u>Current Discount Rate (3.2%)</u>	<u>1% Increase (4.2%)</u>
City's net pension liability (asset)	\$ (984,671)	(1,060,487)	\$(1,129,952)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Salary Increases (inflation only)	3.5%
Investment earnings	3.2%
Growth in membership	0.0%
Postretirement benefit increases	
Related to salaries	3.5%
Related to Consumer Price Index	2.5%
Actuarial Cost Method	Entry Age Normal
Valuation of Assets	Market value basis

Future fire insurance premium tax revenues are assumed to increase at the rate of 2.5% per year and are assumed to stop after 2020.

Mortality rates were based on the RP-2000 Mortality Table (combined healthy) projected to 2019 using 50% of Projection Scale AA, with ages set back one year for males and forward one year for females (set forward two years for disabled members).

Municipal Employees Benefit Trust

By majority vote, City employees approved the City's withdrawal from the Social Security System pursuant to U.S.C.A., Section 418 (g) effective January 1, 1975. Permanent employees working 1,040 or more hours per year are eligible but not required to participate in the plan. Temporary employees working less than 1,040 hours per year are required to participate in the plan. Participating permanent employees may choose to defer income tax in accordance with Internal Revenue Code Section 401K, on all, part or none of their contribution while temporary employees may not defer income tax on any of their contribution. There were 829 permanent and 294 temporary participants with account balances at December 31, 2016.

The Municipal Employees Benefit Trust Plan is a defined contribution plan with participants contributing an amount equal to the current Social Security rate (7.65%). One hundred percent of the contributions made by employees hired before April 1, 1986 go to MEBT. Employees hired on or after April 1, 1986 contribute 6.2% to MEBT and 1.45% to Medicare. Permanent employees may make additional contributions up to the limit set by the Internal Revenue Code. The City contributes 7.65% for permanent employees and 4.75% for temporary employees. Of the City's contribution, 1.45% goes to Medicare for employees hired on or after April 1, 1986. Eighty percent of the remaining City contribution goes to MEBT and 20% to administrative fees. The City's contribution is based on the payroll for all employees who are eligible to participate in the plan, regardless of the number of participants. The City's payroll for participating employees in 2016 was \$56,801,159. Employee contributions were \$3,538,489. City contributions were \$3,538,489. The City's total payroll was \$62,419,723.

Plan assets consisting of stocks, bonds, and guaranteed insurance contracts, are not the property of the City and are not subject to the claims of the City's general creditors. The Plan is administered by the Plan Committee consisting of seven employee members appointed by the City. The Plan Committee administers the MEBT Plan according to the Plan Document adopted by the City and all applicable IRS regulations. Plan provisions may be

established or amended by a majority vote of the Plan Committee. Employees who elect not to participate in the Municipal Employees Benefit Trust plan retain the disability and survivor income insurance provided by the Standard Insurance Company.

Actuarial determinations are not required because (1) long term disability insurance and survivor income insurance are provided by a group insurance policy with Standard Insurance Company, and (2) each participant shall at his normal retirement date instruct the Plan Committee to (a) acquire a non-forfeitable, non-transferable annuity contract, (b) pay retirement benefits in monthly or annual installments (no contributions by the City or the participant shall be added to his account after retirement), (c) pay a single sum in cash, or (d) elect to defer any or all retirement benefits to a later date.

NOTE 8: Other Postemployment Benefits

Plan Description

As required by the Revised Code of Washington (RCW) Chapter 41.26, the City provides lifetime medical care for members of the Law Enforcement Officers and Firefighters (LEOFF) retirement system hired before October 1, 1977 under a defined benefit healthcare plan administered by the City. The members' necessary hospital, medical, and nursing care expenses not payable by worker's compensation, social security, insurance provided by another employer, other pension plan, or any other similar source are covered. Most medical coverage for eligible retirees is provided by one of the City's employee medical insurance programs. Under the authorization of the LEOFF Disability Board, direct payment is made for other retiree medical expenses not covered by standard medical plan benefit provisions. Financial reporting for the LEOFF retiree healthcare plan is included in the City's Comprehensive Annual Financial Report.

Funding Policy

Funding for LEOFF retiree healthcare costs is provided entirely by the City as required by RCW. The City's funding policy is based upon pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years as of January 1, 2009. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB. The net OPEB obligation of \$4,648,496 is included as a noncurrent liability on the Statement of Net Position.

	Fiscal Year Ending 12/31/2014	Fiscal Year Ending 12/31/2015	Fiscal Year Ending 12/31/2016
Determination of Annual Required Contribution:			
1-Annual Normal Cost (BOY)	\$ 57,908	\$ 40,376	\$ -
2-Amortization of UAAL (BOY)	849,114	1,024,563	1,067,289
3-Interest to EOY [(1) + (2)] x (i)*	36,281	37,273	37,355
4-ARC at EOY [(1)+(2)+(3)]	<u>\$ 943,303</u>	<u>\$ 1,102,212</u>	<u>\$ 1,104,644</u>
5-Interest on Net OPEB Obligation	\$ 124,607	\$ 122,106	\$ 141,128
6-Adjustment to ARC	191,739	209,907	249,409
7-Annual OPEB Cost [(4)+(5)-(6)]	<u>\$ 876,171</u>	<u>\$ 1,014,411</u>	<u>\$ 996,363</u>
8-Employer Contributions	502,601	470,928	380,091
9-Change in Net OPEB Obligation [(7) - (8)]	373,570	543,483	616,272
10-Net OPEB Obligation-BOY [(11) prior year]	<u>\$ 3,115,171</u>	<u>\$ 3,488,741</u>	<u>\$ 4,032,224</u>
Net OPEB Obligation-end of year [(9) + (10)]	<u><u>\$ 3,488,741</u></u>	<u><u>\$ 4,032,224</u></u>	<u><u>\$ 4,648,496</u></u>

* 'i' is the assumed interest rate that year: 4.0% in 2014, 3.5% in 2015, 3.5% in 2016.

The City's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Contribution as a Percentage of OPEB Cost	Net OPEB Obligation
12/31/2014	\$ 876,171	57%	\$ 3,488,741
12/31/2015	\$ 1,014,411	46%	\$ 4,032,224
12/31/2016	\$ 996,363	38%	\$ 4,648,496

As of January 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The City's funding progress, the accrued liability for benefits, the actuarial value of the assets, the unfunded actuarial accrued liability (UAAL), the covered payroll, and the UAAL as a percentage of covered payroll for 2016 and preceding years were as follows:

Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL As a Percentage of Covered Payroll
Dec. 31, 2006	-	8,512,284	8,512,284	-	764,518	1,113%
Dec. 31, 2007	-	8,512,284	8,512,284	-	557,587	1,527
Dec. 31, 2008	-	8,512,284	8,512,284	-	446,200	1,908
Dec. 31, 2009	-	9,290,267	9,290,267	-	442,308	2,100
Dec. 31, 2010	-	9,430,652	9,430,652	-	461,106	2,045
Dec. 31, 2011	-	9,549,490	9,549,490	-	480,703	1,987
Dec. 31, 2012	-	14,420,000	14,420,000	-	262,000	5,504
Dec. 31, 2013	-	14,664,000	14,664,000	-	249,000	5,889
Dec. 31, 2014	-	14,893,000	14,893,000	-	249,000	5,981
Dec. 31, 2015	-	17,029,000	17,029,000	-	23,000	74,039
Dec. 31, 2016	-	17,255,000	17,255,000	-	-	N/A

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the January 1, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions used included a 3.50% discount rate, which is based upon the long-term investment yield on the investments that are expected to be used to finance payment of benefits. A medical inflation rate of 7.4% in 2015, grading down to an ultimate rate of 4.1%, was used along with a long-term care inflation rate of 4.75%.

The UAAL is being amortized on a closed basis at the assumed discount rate. The remaining amortization period at January 1, 2015 was 24 years.

Note 9: Construction Commitments

At December 31, 2016 the City had significant contractual obligations on construction projects:

(In thousands)	
Transportation Projects	\$9,894
Transportation Maintenance	69
General Government	111
Utilities Projects	<u>3,291</u>
Total	<u><u>\$13,365</u></u>

Note 10: Interfund Transfers

Interfund transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, to move receipts for debt service from the fund collecting the receipts to a debt service fund as debt service payments become due, and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers at December 31, 2016 were as follows:

		Transfer from				
		General Fund	Capital Investments Program Fund	Other Governmental Funds	Internal Service Funds	Total
Transfer to	General Fund	\$ -	\$ 550,000	\$ 142,137	\$ 168,076	\$ 860,213
	Capital Investments Program Fund	2,648,722	-	12,685,100	-	15,333,822
	Other Governmental Funds	5,843,369	176,289	-	-	6,019,658
	Total	\$ 8,492,091	\$ 726,289	\$ 12,827,237	\$ 168,076	\$ 22,213,693

Note 11: Long-Term Obligations

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds have been issued for general government activities and are being repaid from debt service funds.

In 2013 the City issued \$33,085,000 in limited tax general obligation refunding bonds with an interest rate of 3.75% to advance refund \$32,760,000 of outstanding 2004 Limited Tax General Obligation Lease Revenue Bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$1,530,533. This amount is being charged to operations through the year 2035 using the straight-line method. The remaining balance of \$1,304,660 is reported as a deferred outflow in the statement of net position.

In November, 2015, the City Council of the City of Redmond adopted ordinance 2809, providing for the issuance of two series of Limited Tax General Obligation and Refunding Bonds in the aggregate principal amount of not to exceed \$31,000,000 to provide funds to finance the costs of transportation improvements, to refund certain

outstanding limited tax general obligations of the City, and to finance costs of issuance of each series of bonds. In December, 2015, the City issued \$9,280,000 in limited tax general obligation refunding bonds with an interest rate of 3.00% to advance refund \$8,940,000 of outstanding 2008 Limited Tax General Obligation Bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$951,425. This amount is being charged to operations through the year 2035 using the straight-line method. The remaining balance of \$876,164 is reported as a deferred outflow in the statement of net position. In January, 2016, the City issued \$11,630,000 in limited tax general obligation refunding bonds with an interest rate of 2.0%-5.0% to advance refund \$11,675,000 of outstanding 2008 Limited Tax General Obligation Bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$1,386,462. This amount is being charged to operations through the year 2035 using the straight-line method. The remaining balance of \$1,320,413 is reported as a deferred outflow in the statement of net position. In January, 2016, the City also issued \$6,000,000 in limited tax general obligation bonds with an interest rate of 2.0%-5.0% to provide funds to finance the costs of transportation improvements.

General obligation bonds outstanding at December 31, 2016 are as follows:

	Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/2016
2008 LTGO Bonds	9/4/2008	12/1/2028	3.5% - 5.0%	\$ 33,935,000	\$ 30,825,000	\$ 3,110,000
2011 LTGO Bonds	3/16/2011	12/1/2021	2.0% - 4.5%	8,035,000	4,050,000	3,985,000
2013 LTGO Refunding Bonds	9/12/2013	12/1/2035	1.75% - 5.0%	33,085,000	6,325,000	26,760,000
2015 LTGO Refunding Bonds	12/15/2015	12/1/2028	3.0%	9,280,000	-	9,280,000
2016 LTGO Refunding Bonds	1/21/2016	12/1/2024	2.0% - 5.0%	11,630,000	200,000	11,430,000
2016 LTGO Bonds	1/21/2016	12/1/2035	2.0% - 5.0%	6,000,000	185,000	5,815,000
Total General Obligation Bonds				\$ 101,965,000	\$ 41,585,000	\$ 60,380,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Governmental Activities		
Year Ending December 31	Principal	Interest
2017	4,190,000	2,325,019
2018	4,320,000	2,196,019
2019	4,450,000	2,059,119
2020	4,610,000	1,899,719
2021	3,935,000	1,724,844
2022-2026	17,200,000	6,678,156
2027-2031	13,295,000	3,313,431
2032-2036	8,380,000	984,700
	\$ 60,380,000	\$ 21,181,007

Revenue Bonds

The City issues revenue bonds to finance construction projects for the City's utilities. Revenue bonds are payable from revenues generated by the user fees, and are backed by the Water/Wastewater and Stormwater utilities. Revenue bonds generally require a cash reserve be maintained of 120% of the current portion of revenue bonds payable, plus interest.

Revenue bonds outstanding at year end are as follows:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Issued</u>	<u>Redemptions to Date</u>	<u>Outstanding 12/31/2016</u>
2008 Water/ Wastewater Bonds	12/3/2008	12/1/2023	4.0% - 5.0%	\$ 11,755,000	\$ 5,255,000	\$ 6,500,000
2014 Stormwater Bonds	7/24/2014	12/1/2034	3.26% - 4.25%	\$ 22,950,000	\$ 1,820,000	\$ 21,130,000
Total Revenue Bonds				\$ <u>34,705,000</u>	\$ <u>7,075,000</u>	\$ <u>27,630,000</u>

Annual debt service requirements to maturity for revenue bonds are as follows:

<u>Business-type Activities</u>		
<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2017	1,590,000	1,286,598
2018	1,650,000	1,224,198
2019	1,710,000	1,158,098
2020	1,795,000	1,087,535
2021	1,865,000	1,011,160
2022-2026	7,420,000	3,756,550
2027-2031	6,710,000	2,141,800
2032-2036	4,890,000	425,180
	<u>\$ 27,630,000</u>	<u>\$ 12,091,119</u>

Public Works Trust Fund Loans

The City's governmental activities currently have one State of Washington Public Works Trust Fund Loan with principal outstanding of \$1,416,763. The interest rate is 0.25%. This loan is considered an obligation of the general government and is being repaid from General Fund revenues which are transferred to the Capital Investments Program Fund where the loan payments are recorded.

The City's business type activities currently have one on State of Washington Public Works Trust Fund Loan outstanding. In 2012 the City Council of the City of Redmond adopted the Resolution #1371 in 2012 accepting a Washington State Department of Ecology (DOE) loan for funding towards the Redmond Way Water Quality Facility. The loan amount of \$4,412,000 was drawn down on September 2, 2015. The loan bears interest at the rate of 2.6% per annum, calculated on the basis of a 365 day year. The final loan amount will be repaid from the City's utility funds in equal installments semiannually over a term of twenty years.

Public Works Trust Fund Loans outstanding at December 31, 2016 are as follows:

Year Ending	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2017	94,451	3,542	182,210	110,483
2018	94,451	3,306	187,005	105,689
2019	94,451	3,070	191,925	100,769
2020	94,451	2,834	196,975	95,719
2021	94,451	2,597	202,158	90,536
2022-2026	472,254	9,445	1,093,432	370,037
2027-2031	472,254	3,542	1,245,056	218,412
2032-2036	-	-	972,902	51,526
	<u>\$1,416,763</u>	<u>\$ 28,336</u>	<u>\$4,271,663</u>	<u>\$1,143,171</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
G.O. Bonds	\$ 58,530,000	\$ 17,630,000	\$ (15,780,000)	\$ 60,380,000	\$ 4,190,000
Premiums	3,139,732	2,483,953	(998,050)	4,625,635	-
Total bonds payable	61,669,732	20,113,953	(16,778,050)	65,005,635	4,190,000
PWTF loans	1,511,212	-	(94,451)	1,416,761	94,451
Other post-employment benefits payable	4,032,222	616,272	-	4,648,494	-
Compensated absences	4,455,533	3,937,646	(3,865,048)	4,528,131	3,622,505
Net pension liability	21,885,095	5,046,054	-	26,931,149	-
Governmental activity long-term liabilities	<u>\$ 93,553,794</u>	<u>\$ 29,713,925</u>	<u>\$ (20,737,549)</u>	<u>\$ 102,530,170</u>	<u>\$ 7,906,956</u>
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds	\$ 29,170,000	\$ -	\$ (1,540,000)	\$ 27,630,000	\$ 1,590,000
For issuance premiums	3,194,706	-	(185,755)	3,008,951	-
Total Bonds Payable	32,364,706	-	(1,725,755)	30,638,951	1,590,000
PWTF loans	4,412,000	-	(140,338)	4,271,662	182,210
Compensated absences	563,495	408,390	(381,005)	590,880	472,704
Net pension liability	5,121,872	1,023,232	-	6,145,104	-
Business-type activity long-term liabilities	<u>\$ 42,462,073</u>	<u>\$ 1,431,622</u>	<u>\$ (2,247,098)</u>	<u>\$ 41,646,597</u>	<u>\$ 2,244,914</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$2,821,778 of internal service funds net pension liability and \$275,315 compensated absences are included in the above amounts. Compensated absences for governmental activities are liquidated in the governmental fund from which the employee's salary is paid. Governmental funds typically used to liquidate compensated absences are the General Fund, Recreation Activities Fund, Advanced Life Support Fund, and the Recycling Fund.

Arbitrage

Arbitrage occurs when the City invests funds borrowed at tax-exempt rates of interest in higher yielding taxable securities. These interest earnings in excess of interest expense must be remitted to the federal government. At the fund level, the City recognizes this liability only when it is due and payable. The City had no arbitrage excess earnings liability in 2016.

Additional information on the City's long-term liabilities is provided in the City's Debt Manual which is available at:

<http://www.redmond.gov/Government/FinancesandBudget/FinancialReports/>.

NOTE 12: Leases

Operating Leases:

Copier Leases

Operating lease obligations are primarily for rental of copy machines. Total expenditures for leases were \$11,543 for the year ended December 31, 2016.

The future minimum lease payments are as follows:

Year Ending December 31	Amount
2017	\$ 48,589
2018	48,589
2019	48,589
2020	48,589
2021	48,589
Total	\$ 242,945

Note 13: Component Units

RCW 36.145 authorizes cities to form Community Facilities Districts (CFD's) when the owners of one hundred percent (100%) of the land to be included in the district petition the city to do so. The Community Facilities Districts are independently governed, special purpose districts, vested with the corporate authority included under Article VII, section 9 of the state Constitution to make local improvements by special assessments.

The City has formed two Community Facilities Districts:

Redmond Community Facilities District 2014-1 is a special purpose district formed on July 15, 2014 by Resolution No. 1411 of the City Council of the City of Redmond, Washington, in response to a petition from Microsoft Corporation to form a community facilities district for the purpose of financing the construction of a pedestrian/bicycle bridge over SR 520 at the Overlake Transit Station and the construction of canopy coverage for waiting areas at the Overlake Transit Station. Construction of the improvements will be financed through special assessments of \$33,300,000 levied against specific Microsoft Corporation properties. The assessment will be paid in fifteen equal annual installments, with the first installment due in November, 2015. The project will be advance-funded by Microsoft in annual installments between December 2014 and December 2017. The design and construction of the project elements will be administered by Sound Transit. Sound Transit has agreed to pay any cost of the

improvements in excess of the assessed amounts. The improvements will be capital assets of the City of Redmond.

Redmond Community Facilities District 2016-1 is a special purpose district formed on June 21, 2016 by Resolution No. 1453 of the City Council of the City of Redmond, Washington, in response to a petition from Microsoft Corporation to form a community facilities district for the purpose of financing multimodal improvements of eastbound and westbound left-turn lanes at the intersection of 154th Avenue NE and NE 51st Street along with bicycle lanes along NE 51st Street from 154th Avenue NE to the SR 520 eastbound on-ramp; and separately, multimodal improvements including bicycle lanes along NE 31st Street from the roundabout just east of SR 520 to 156th Avenue NE along with improvements to the intersection of NE 31st Street and 156th Avenue NE. Construction of the improvements will be financed through special assessments of \$15,618,000 levied against specific Microsoft Corporation properties. The assessment will be paid in fifteen equal annual installments, with the first installment due in November, 2017. The project will be advance-funded by Microsoft in annual installments between December 2016 and December 2017. The design and construction of the project will be administered by the City. The improvements will be capital assets of the City of Redmond.

Each Community Facilities District's Board of Supervisors consists of three members of the Redmond City Council and two representatives nominated by the petitioner (Microsoft). The City Finance Director is the Treasurer for the CFD's, and City staff provides accounting and reporting services. Because the City appoints a majority of the Board members, has the ability to impose its will on the organizations through the ability to appoint, hire, reassign or dismiss those persons responsible for the day-to-day operation of the organizations, and the CFD's provide services almost entirely to the City, the CFD's are reported as blended component units in the Capital Investments Program funds in the City of Redmond's Comprehensive Annual Financial Report for the fiscal year ended December 31, 2016.

Questions concerning the CFD's or requests for financial statements may be addressed to Redmond Community Facilities District Treasurer, c/o Director of Finance, City of Redmond, PO Box 97010, Redmond, WA 98073-9710.

NOTE 14: Joint Ventures and Operations

Water Storage and Pumping Facility

In February 1990, the City of Redmond joined with the City of Bellevue to construct, operate, and maintain a joint-use water storage and pumping facility located on the common boundary of the two cities. The City of Redmond has an undivided interest in the facility of 44%, and the City of Bellevue has an undivided interest of 56%. The City of Redmond's share of costs to construct the joint-use facility totaled \$2,078,539 and is reported on the business-type activity financial statements as improvements other than buildings. The City recognizes depreciation expense annually. Accumulated depreciation totals \$1,615,024 with a net book value of \$463,515. The city reimbursed the City of Bellevue \$30,148 for its share of operating costs in 2016.

Budget monitoring information can be obtained from the City of Bellevue Budget Department, 450 – 110th Avenue NE, Bellevue, WA 98004.

Cascade Water Alliance

In April 1999, the City of Redmond entered into an interlocal agreement with seven other water providers in the region to create the Cascade Water Alliance. The purpose of the Alliance is to provide water supply to meet current and future needs of the Alliance's members in a cost-effective and environmentally responsible manner.

The Alliance is governed by a Board of Directors consisting of one individual representative appointed by resolution of the member's legislative authority. Each member entity must pay annual dues based on the number of units served by the water system within their jurisdiction. The City of Redmond's dues for 2016 were \$596,715. The City of Redmond also paid the Alliance \$2,233,860 in 2016 for Regional Capital Facilities Charges (RCFCs) for new hookups to the water system that Redmond collected from new customers.

A member may withdraw from the Alliance with a resolution of its legislative authority expressing such intent. The Board will then determine the withdrawing member's obligations to the Alliance, as well as the withdrawing member's allocable share of the Alliance's then-existing obligations. The member's withdrawal shall be effective upon payment of obligations. Members do not hold legal ownership rights in any assets owned by the Alliance.

In 2011, the CWA's Board passed a resolution offering to purchase the outstanding RCFCs credits from its members at a discounted rate. These credits were awarded to its members who transferred or retained an independent water supply in excess of its needs. The Alliance's members were allowed to use such credits to apply against future RCFCs. The CWA offered to buy out the RCFC credits at \$2,500 per Cascade Equivalent Residential Unit (CERU) from its members. The City of Redmond chose the one-time redemption option. The payment was finalized and the total of \$ 3,076,875 was sent to the City of Redmond in December 2012. Such receipt was reported as capital contributions in the city's Water/Wastewater fund on the proprietary funds' Statement of Revenues, Expenses, and Changes in Fund Net Position. These monies will be held to be used to call the outstanding revenue bonds issued in 2008 when these become callable in 2019.

Audited financial information can be obtained from Cascade Water Alliance, 520 - 112th Avenue NE, Suite 400, Bellevue, WA 98004.

Eastside Narcotics Task Force (ENTF)

The Eastside Narcotics Task Force (ENTF) was a coalition of the Cities of Redmond, Bellevue, and Kirkland, the King County Prosecutor's Office, the Washington State Patrol, and the US Postal Service for the purpose of mutual support in the fight against drug crimes. Dissolution of the Task Force occurred on June 30th, 2016, due to lack of funding resulting from the legalization of marijuana. There were no significant events pertaining to ENTF either before, during, or after dissolution. After remaining liabilities are settled the City will receive a net disbursement of \$23,407 for its share of the remaining funds, which is restricted to law enforcement uses only.

Budget monitoring information can be obtained from Eastside Narcotics Task Force, c/o Carl Krikorian, Police Fiscal Manager, Bellevue Police Department, 450 – 110th Avenue NE, Bellevue, WA 98004 or P.O. Box 90012, Bellevue, WA 98009.

A Regional Coalition for Housing (ARCH)

In November 1992, the City of Redmond joined the Cities of Kirkland, Bellevue, and King County to establish A Regional Coalition for Housing (ARCH). The agreement was recently amended in 2010. Since its inception, King County, the Cities of Redmond, Bellevue, Kirkland, Bothell, Clyde Hill, Hunts Point, Issaquah, Kenmore, Mercer Island, Newcastle, Sammamish, Woodinville, Yarrow Point, and Beaux Arts Village joined ARCH.

ARCH's purpose is to cooperatively formulate affordable housing goals and policies and to foster efforts to provide affordable housing for low and moderate-income households by combining public funding with private-sector resources. ARCH assists member governments in developing housing policies, strategies, programs, and development regulations; identifies and prioritizes projects which the member cities fund directly through their own grants, Community Development Block Grants and US Department of Housing and Urban Development's (HUD) grants.

ARCH is governed by an Executive Board composed of a Chief Executive Officer from each member. The Executive Board is responsible for review and approval of all budgetary, financial, policy and contractual matters. The Board is assisted by an administrative staff and a Citizen Advisory Board.

Each member city provides operating funding and contributes operating revenues as specified in the annual budget for ARCH. Contributions from the member cities are based on each member's population. Contributions by member agencies are held in the ARCH Housing Trust Fund Account and dispersed by the Administering Agency for approved projects. In 2016 the city contributed \$72,587 for operations or 11.117% of the total contributions for operations by all members. The City has accumulated \$393,133 in the Trust Fund for funding affordable housing projects.

Members may withdraw from the ARCH agreement by giving one year's written notice to the Executive Board, by December 31st of any year, of its intention to terminate, effective December 31st of the following year. Members remain legally and financially responsible for any obligation incurred while a member of ARCH. Upon dissolution, the agreement provides for distribution of all property and assets among the members based on the percentage

of the total annual contributions during the period of the agreement paid by each member. The City's share of assets is deemed immaterial and thus is not reflected in the financial statements.

Budget monitoring information can be obtained from ARCH, c/o Art Sullivan, 16225 NE 87th Street, A-3, Redmond, WA 98052.

EPSCA

The Eastside Public Safety Communications Agency (EPSCA), an emergency regional radio access service provider operation, was established on May 26, 1992, by an interlocal agreement among the Cities of Redmond, Bellevue, Kirkland, and Mercer Island. The Agreement was amended in 1993, to include the City of Issaquah as an additional Principal. EPSCA began principal operations of the 800 MHz radio system in December 1995.

EPSCA is governed by an Executive Board, which is comprised of the Chief Executive Officers of the Principals. The Executive Board is responsible for review and approval of all budgetary, financial, and contractual matters.

An Operations Committee, composed of the Chief of Police and Fire Chief of each Principal, reports to the Board and oversees budget preparation, rates, revenues, expenditures, policies and other operational issues. The Committee also includes representation from non-Principal EPSCA user agencies.

EPSCA has developed an Eastside radio communications system which is integrated with a regional radio communications network. Its capital funding derives from a September 15th, 1992 voter-approved King County excess property tax levy of \$57,016,764. EPSCA's portion of the levy was \$10,004,469.

Operating revenues derive from fees charged to the Principals for communications services and from subscriber fees for communications services. The City of Redmond paid \$136,704 to EPSCA in 2015 for the 800 MHz radios that are in use throughout the City. These fees would change when the access fee rate change or when radios are added or removed from the system.

The interlocal agreement among the Eastside cities provides for a weighted vote according to the proportion of each Principal's system radios in relation to the total number of system radios used by all Principals.

As of December 31st, 2015, the weighted vote percentage was shown as follows:

Redmond	23.807%
Bellevue	46.341%
Kirkland	18.399%
Mercer Island	6.098%
Issaquah	5.356%

These percentages are reviewed and adjusted annually at January 1st, based on the number of radios on the system in use by current Principals as of December 31st of the preceding year. Upon dissolution, the interlocal agreement provides for distribution of assets among the Principals based on weighted voting percentages in force at the time of dissolution.

Budget monitoring and compiled financial statements for EPSCA can be obtained from EPSCA, c/o Jessie Morgan, MS PSEPS, P.O. Box 97010, Redmond, WA 98073-9710.

Hazardous Materials Unit and Response Team (HazMat)

In January 1984, the City of Redmond joined the Cities of Bellevue, Kirkland, Bothell, and King County Fire Protection Districts 16 and 36 to form a Hazardous Materials Unit and Response Team (HazMat). The agreement was recently modified on July 13th, 2004. Current members are the Cities of Redmond, Bellevue, Kirkland, Bothell, Snoqualmie, along with Eastside Fire & Rescue, Woodinville Fire & Life Safety District, and King County Fire Districts 27 & 45.

The purpose of the HazMat agreement is to provide equipment and personnel for improving the quality of emergency services through development of the cooperative HazMat unit as a normal function of fire protection services. Eastside is better prepared to respond to any HazMat incident with low frequency but high risk through this existing collaborative model

The HazMat team is governed by a Joint Board which is composed of the Fire Chiefs of the member agencies plus one member from the HazMat team. The Joint Board is responsible for formulating policy, establishing annual budgets, and acquiring, holding, and disposing of real and personal property. With the exception of the member from the HazMat team, each representative on the Joint Board has a vote on all matters. The City of Bellevue has the administrative authority for operations conducted pursuant to the agreement and provides administrative and secretarial support to the Joint Board.

Members withdrawing from the agreement relinquish all rights to any reserve funds, equipment, or material purchased. Upon dissolution, the agreement provides for distribution of assets among the members based on the percentage of the total annual charges paid by each member during the period of the agreement.

The HazMat team has no outstanding debt or leases in 2016. Operating revenues are provided by an annual charge assessed each member based on each member's property values and number of emergency incidents. The City of Redmond paid the HazMat team \$12,253 for 2016's contract fee.

Budget monitoring information can be obtained from Eastside Hazardous Materials Joint Board, c/o Babette Bechtold, Bellevue Fire Department, P.O. Box 90012, Bellevue, WA 98004.

Community Connectivity Consortium

The Community Connectivity Consortium is a public corporation organized pursuant to the ordinances and approvals of the Consortium members and RCW 35.21.730 through 35.21.759 and RCW 39.34. The Consortium was created in 2011 and is governed by sixteen public agencies who are voting members: cities of Redmond, Bellevue, Kirkland, Renton, Auburn, Kent, Tukwila, Lake Washington School District, University of Washington, Bellevue College, Bellevue School District, Evergreen Hospital, Renton School District, Valley Communication Center, NORCOM, and King County. The Consortium sets the terms and conditions for sharing fiber optic installation projects, outlines how the parties will work together on fiber projects and establishes the original backbone of the Fiber Consortium network through contributions of budget, fiber assets, conduit, right of way and staff expertise. It has built over 35 miles of fiber optic cable, creating strategic connection points along the way. The partners use the fiber network to connect schools and universities to enhance learning; to connect hospitals, medical facilities and clinics to improve health care; connect government facilities for public safety, transportation and other needs; and to provide an open access network to serve the public with wireless and broadband access.

The City of Redmond petitioned to join the Consortium as a non-voting member on May 14th, 2012, and became a voting member at the following year. Redmond has the option to participate in fiber projects with project agreement that documents scope, roles and responsibilities, ownership, share of the overall project cost, etc.

In 2016 a fiber ring was designed and implemented, and as a result, a local loop connecting Redmond, Lake Washington School District, Kirkland and Bellevue was completed. Redmond has now connected to the Bellevue node of the ring, which opens up opportunities to access a variety of service providers for data center colocation, cloud services, internet, etc.

As a member, Redmond paid approximately \$5,355 for its annual dues in 2016. The Board can recommend new projects or services with increased dues and all members get to vote on the recommended budget each May. Besides getting the connectivity any member needs, members with similar interests may share the cost of new projects with one another. Redmond has equitable interest in the projects it chooses to participate in. If the City decides to leave the Consortium, the assets Redmond acquired under any project agreements remains Redmond's.

For additional information, please contact Brenda Cooper, Board Chair, CIO City of Kirkland, bcooper@kirklandwa.gov.

North King County Regional Public Safety Communication Agency (NORCOM)

In November 2007, the City of Kirkland, with the Cities of Bellevue, Bothell, Clyde Hill, Medina, Mercer Island, and Snoqualmie, along with Eastside Fire and Rescue, King County Fire Protection Districts 27 and 45, King and Kittitas County Fire Protection District 51, Northshore Fire Department, Shoreline Fire Department, and Woodinville Fire and Life Safety District entered into an interlocal agreement to establish and maintain a consolidated emergency service communications center to the public for emergency medical services, fire and police.

In 2008, the City of Redmond joined as a subscriber. Prior to the interlocal agreement, the formation efforts were carried out under a Joint Powers Agreement originally approved in 2005 and amended in 2006 and 2007. On July 1st, 2009, the separate dispatch operations of the Cities of Bellevue and Kirkland were combined and began operating as the North East King County Regional Public Safety Communications Agency (or NORCOM). NORCOM includes 911 telephone answering, computer aided dispatch of fire, police and EMS resources, public safety field technology and a records management system.

Operating revenues are provided by user fees charged to each member based on average call volume. The City of Redmond paid \$601,307 to NORCOM for calls for services and \$42,093 for subscriber's fees in 2016. Redmond will become a principal agency on January 1st, 2017.

Additional financial information can be obtained from NORCOM, c/o Gwen Pilo, Finance Manager, P.O. Box 50911, Bellevue, WA 98015-0911.

Redmond LOOP Partnership between the City of Redmond and King County Metro

The Redmond LOOP is a two-year "Alternative Transit" pilot project developed as part of King County Metro's Redmond Education Hill, SE Redmond, and Downtown neighborhoods. The LOOP shuttle service agreement was finalized in September 2016 and is scheduled to expire in October 2018. The shuttle operates from Monday through Friday from 9am to 3:30pm using a designated route with Flexible Service Areas.

The objective of the Redmond LOOP Partnership is to improve mobility and increase travel options and access to public transportation in the City. This alternative to traditional transit service is designed to meet community transportation needs not met by fixed-route or other traditional transit service, or in locations where fixed-route bus service is cost prohibitive.

The City's responsibilities are to contract with a vendor to provide drivers, backup drivers, and dispatch services, to ensure that the vendor meets Metro requirements; to assist with operational issues such as permitting and signage in the right-of-way, lead marketing, outreach, and branding.

\$125,000 of City funding for this project was approved as part of 2015-2016 budget. King County Metro contributes up to \$40,000 per year towards eligible City costs, in addition to vehicles, maintenance, and other support under this contract.

Either party may terminate the agreement by providing the other party written notice via certified mail. All costs incurred before proper notification of termination will be borne by the parties in accordance with the terms of the agreement.

For additional information, please contact Chester Knapp, Senior Planner, City of Redmond, MS: 4SPL, 15670 NE 85th Street, Redmond, WA 98073-9710.

North Sound Metro SWAT and Crisis Negotiating Team

In 2016, Redmond joined the North Sound Metro Special Weapons and Tactics (SWAT) and Crisis Negotiating Team (CNT), which is a regional team made up of the following cities: Bothell, Edmonds, Kirkland, Lake Forest Park, Lynnwood, Mill Creek, Monroe, Mountlake Terrace, Mukilteo and Redmond. Redmond joined this team for the purpose of combining resources to create a specially trained and equipped unit to respond to and resolve criminal activity of a high risk nature. The Executive Board is comprised of the Police Chiefs of all participating cities. The Board reviews and approves changes and updates to the SWAT Policy and Procedures Manual and gives approval and direction on operational matters.

Operating revenues are provided by contributions from the participating cities based on population. The City of Redmond's dues were \$4,174 for 2016. Upon termination of the SWAT team, any funds or jointly purchased assets will be distributed to the participating cities. The City's share of assets is deemed immaterial and thus is not reflected in the financial statements.

Budget monitoring information can be obtained from Assistant Chief Jim Lawless, City of Edmonds, 250 – 5th Avenue North, Edmonds, WA 98020.

NOTE 15: Contingencies and Litigation

As of December 31, 2016, there were a number of damage claims and lawsuits pending against the City. However, in our opinion, neither the potential liability from any single claim or lawsuit, nor the aggregate potential liability resulting from all pending claims nor lawsuits, would affect materially, the financial condition of the City.

NOTE 16: Risk Management

The city is exposed to various risks of loss such as: theft, damage, destruction of assets, errors & omissions, injuries or property damage to others, employees' health, and natural disasters. The city has three internal service funds to account for and finance its self-insured risks of loss. The city purchases commercial insurance for claims in excess of anticipated self-insured losses. All funds of the city participate in the self-insurance programs and make payments to the self-insurance funds based on estimates of the amounts needed to pay excess insurance and related risk management and service costs, prior and current year claims paid in the current year, and to maintain adequate reserves for catastrophic losses in a given year.

Property and Liability Claims Program:

The self-insured portion of the Insurance Claims and Reserve Fund provides coverage up to a maximum of \$25,000 per occurrence for related claims and expenses. There was one (1) claim that settled in 2016 which exceeded the city's self-insurance limit; in 2015 there were no claims which exceeded the city's self-insurance limit; in 2014 there was one (1) claim which exceeded the city's self-insurance limit. Reserves for open claims are established by an independent claims adjusting firm on a case reserve basis based on the assessment of the settlement potential and costs specifically associated with a particular claim, given the information available at the time. Cases are reviewed at least monthly and are subject to periodic audits. Lawsuits are reviewed and handled directly by the city Attorney or the excess insurer's appointed legal counsel.

The city's current approach to risk management stems from 2010 when the city conducted a comprehensive review of its property and liability risk programs. As a result, the city issued a request for proposal (RFP) for a broker/consultant and selected Bannon Carlson & Kessel, Inc. Bannon Carlson & Kessel, Inc. then conducted a search for service providers to meet the city's needs. This resulted in the city selecting Travelers Insurance for liability coverage and retaining Affiliated FM for property coverage. As a result, the city's risk program changed from a \$100,000 self-insured retention for general liability claims to a \$25,000 deductible. A deductible limit applies to all claim costs while a self-insured retention only applies to any judgment or settlement. The liability limits were extended to \$20 million for general liability as described in the table below. There was one (1) claim which settled in excess of deductible amounts in 2016; in 2015 there were no claims which exceeded the deductible amounts; in 2014 there was one (1) claim which exceeded the deductible amounts.

Property insurance coverage has remained with Travelers since September 1, 2013.

Medical Self Insurance Program:

For 2016 the Medical Self-Insurance Fund provided coverage up to a maximum of \$150,000 per person per calendar year with the Excess Insurance covering an Unlimited Major Medical Maximum. There was one (1) claimant who exceeded the per-person limit in 2016; in 2015 there were six (6) claimants who exceeded the per-person limit; in 2014 there were three (3) claimants who exceeded the per-person limit. All funds of the city from which employee wages are paid make premium payments to the Medical Self-Insurance Fund based on health insurance rates derived from actual fund experience and historical and market trend rates.

Council authorized the city to self-insure workers' compensation benefits effective January 1, 1998 for employee injuries and illnesses. For 2016 the city self-insures \$500,000 of each accident or illness and purchases excess insurance above that, up to the statutory requirements. No reported claim for 2016, 2015, or 2014 exceeded the city's self-insurance coverage. Claims handling is currently contracted to an independent, qualified third party administrator (TPA).

As of December 31, 2016, the city had reserves of \$1,319,242 in the Insurance Fund, \$9,266,983 in the Medical Self-Insurance Fund, and \$625,325 in the Workers' Compensation Fund to provide against risk of future loss. Claims liabilities of \$35,586 have been reported in the Insurance Fund, \$929,111 in the Medical Self-Insurance Fund, and \$163,574 in the Workers' Compensation Fund based on estimates provided by the city's third party administrators. Historical claims liabilities for incurred but not reported (IBNR) in the Insurance Claims and Reserve Fund average 15% to 17% of paid claims for the year. Reported claims liabilities are based on the requirements of GASB Statement 10, which requires that a liability for claims be 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.

Changes in the self-insurance funds' claims liabilities in 2015 and 2016 were:

	Insurance Fund	Medical Insurance Fund	Workers' Compensation Fund
December 31, 2015:			
Unpaid claims, beginning of fiscal year	\$ -	\$ 1,205,600	\$ 38,878
Claims incurred (including IBNRs)	296,689	8,313,432	397,015
Claims payments	(296,689)	(8,528,758)	(394,407)
Unpaid claims-December 31, 2015:	<u>\$ -</u>	<u>\$ 990,274</u>	<u>\$ 41,486</u>
December 31, 2016:			
Unpaid claims, beginning of fiscal year	\$ -	\$ 990,274	\$ 41,486
Claims incurred (including IBNRs)	238,921	9,079,930	652,406
Claims payments	(203,335)	(9,141,093)	(530,318)
Unpaid claims-December 31, 2016:	<u>\$ 35,586</u>	<u>\$ 929,111</u>	<u>\$ 163,574</u>

Commercial insurance policies were purchased to protect the city from claims which exceed the coverage provided by the self-insurance funds.

	Coverage	Self-Insured Retention
Property policy limit	\$150,000,000	\$100,000
Earth movement	\$50,000,000	3%/\$100,000 minimum per location
Flood	\$50,000,000	\$100,000
Employee theft	\$1,000,000	\$10,000
General liability – per occurrence	\$1,000,000	\$25,000
General liability – aggregate	\$2,000,000	
Law enforcement	\$1,000,000	\$25,000
Employment related practices	\$1,000,000	\$25,000
Auto liability	\$1,000,000	\$25,000
Umbrella excess liability (excess of general liability, auto, law enforcement liability)	\$20,000,000	\$10,000
Employment-related practices excess	\$9,000,000	
Underground storage tank liability	\$1,000,000	\$5,000
Blanket fidelity (employee dishonesty)	\$1,000,000	\$10,000 deductible
Excess workers' compensation	statutory	\$500,000
Excess medical insurance	unlimited	\$150,000

NOTE 17: Accounting and Reporting Changes

Change in reporting entity

For the fiscal years ending December 31, 2015 and 2014, Redmond CFD 2014-1 was reported as a component unit in the City of Redmond's fiduciary funds. In 2016 a second CFD was created, which led to further analysis of the reporting structure of these new and unusual entities. Because the City appoints a majority of the Board members, has the ability to impose its will on the organizations through the ability to appoint, hire, reassign or dismiss those persons responsible for the day-to-day operation of the organizations, and the CFD's provide services almost entirely to the City, it was determined to be appropriate to report both CFD's as blended component units in the City's Capital Investments Program funds. CFD 2014-1 is no longer included in the Fiduciary Funds Statements. The analysis of revenue recognition also resulted in changes in how the assessment revenue is recognized, resulting in a prior period adjustment of \$31,544,048 to beginning net position in the Statement of Activities. Questions concerning the CFD's or requests for financial statements may be addressed to Redmond Community Facilities District Treasurer, c/o Director of Finance, City of Redmond, PO Box 97010, Redmond, WA 98073-9710.

GASB Statement Implementation

The following GASB Statements became effective in 2016:

GASB Statement No. 72, Fair Value Measurement and Application provides guidance for determining a fair value measurement for financial reporting purposes, and for applying fair value to certain investments and disclosures related to all fair value measurements. Note 3 – Deposits and Investments discusses the Fair Value Hierarchy and how this hierarchy is applied to City deposits and investments.

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. The City of Redmond does not have any such pension plans. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes, and clarifies the information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported, accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions, and the timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments identifies the hierarchy of generally accepted accounting principles (GAAP) in the current governmental financial reporting environment, reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 77, Tax Abatement Disclosures requires governments that enter into tax abatement agreements to disclose specific information about the agreements. The City of Redmond does not currently have any tax abatement agreements.

GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local

governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The City of Redmond does not have any pension plans that are within the scope of this statement.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The City of Redmond's external investment pool, the Local Government Investment Pool, meets the criteria in this Statement and measures all of its investments at amortized cost. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. These disclosures for the City of Redmond are included in Note 3 – Deposits and Investments.

Capital Assets Useful Lives

In 2016 the City reviewed the estimated useful lives of approximately \$44 million worth of capitalized "improvements other than buildings" assets for stormwater funds, such as Overlake village south detention vault and Bear Creek rehabilitation and habitat improvement project. The estimated useful lives of some of these assets were revised from a standard of 40 years to 25, 50, 75, and 100 years, depending on the type of asset, actual experience, and intended use. As a result of this adjustment actual depreciation expense for these assets as \$757,602, which was \$343,179 less than if the previous 40 year useful life was applied. The City plans to work with a consultant in 2017 to review the useful lives for all other utility assets. See Note 6 Capital Assets for additional information.

NOTE 18: Subsequent Events

City Council

City Council Vice President Kimberly Allen resigned, effective January 31, 2017. Tanika Padhye was appointed to position 4 of the Redmond City Council in March 2017, and will serve the remainder of Kimberly Allen's term until the November 2017 election. John Stilin was appointed by the City Council to the position of Vice President, effective March 21, 2017.

Finance and Information Services Department

Effective April 1, 2017, the Finance and Information Services Department became two separate departments:

The **Finance Department** includes Financial Planning, Treasury, Procurement and Contracting, Accounting and Reporting, Accounts Payable, and Payroll. The former Deputy Finance Director, Malisa Files, has been appointed Finance Director.

The **Technology and Information Services Department** includes Information Services, City Clerk, and Risk Management. The former Finance Director, Mike Bailey, has been appointed the Technology and Information Services Director.

Redmond Community Facilities District 2014-1

Redmond Community Facilities District 2014-1, Microsoft and Sound Transit are currently negotiating amendments to previous agreements and assessments, to allow for redesign of the planned bridge. The project is "on hold" until these negotiations are completed, necessary hearings take place, and approvals are obtained.

Redmond Community Facilities District 2016-1

Redmond Community Facilities District 2016-1, Microsoft and the City are currently designing the 40th Street Trunk Line which will change the agreements and assessments related to CFD 2016-1. The original project will go forward and the new project will be added when the necessary agreements, hearings and approvals take place.

NOTE 19: Prior Period Adjustments

Redmond CFD 2014-1

For the fiscal years ending December 31, 2015 and 2014, Redmond CFD 2014-1 was reported as a component unit in the City of Redmond's fiduciary funds. In 2016 a second CFD was created, which led to further analysis of the reporting structure of these new and unusual entities. Because the City appoints a majority of the Board members, has the ability to impose its will on the organizations through the ability to appoint, hire, reassign or dismiss those persons responsible for the day-to-day operation of the organizations, and the CFD's provide services almost entirely to the City, it was determined to be appropriate to report both CFD's as blended component units in the City's Capital Investments Program funds. CFD 2014-1 is no longer included in the Fiduciary Funds Statements. The analysis of revenue recognition also resulted in changes in how the assessment revenue is recognized, resulting in a prior period adjustment of \$31,544,048 to beginning net position in the Statement of Activities.

NOTE 20: Budget to GAAP Reconciliation

Differences Between 2015-2016 Biennium Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	General Fund
REVENUES AND OTHER SOURCES:	
Budget and Actual Statement 2015/2016 Biennium	\$ 194,101,638
Less: 2015 Revenues and other sources	<u>(95,412,027)</u>
Statement of Revenues and Expenditures	<u>\$ 98,689,611</u>
EXPENDITURES AND OTHER USES:	
Budget and Actual Statement 2015/2016 Biennium	\$ 190,285,693
Less: 2015 Expenditures and other uses	<u>(92,986,944)</u>
Statement of Revenues and Expenditures	<u>\$ 97,298,749</u>

City of Redmond
Schedule of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual - General Fund
For the year ended December 31, 2016

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual	2016 Actual	Actual 2015-2016 Biennium	Variance with Final Budget Positive (Negative)
REVENUES						
Taxes	\$ 126,573,121	\$ 126,573,121	\$ 63,338,221	\$ 66,557,909	\$ 129,896,130	\$ 3,323,009
Licenses and permits	19,884,410	19,972,775	9,720,283	10,479,358	20,199,641	226,866
Contributions	659,991	659,991	66,687	93,397	160,084	(499,907)
Intergovernmental	3,607,494	4,530,744	3,103,642	3,340,581	6,444,223	1,913,479
Charges for services	28,434,052	28,581,271	14,815,209	13,923,030	28,738,239	156,968
Fines and forfeitures	1,118,006	1,118,006	613,556	554,575	1,168,131	50,125
Investment income	845,167	809,693	307,514	387,030	694,544	(115,149)
Net change in fair value of investment	-	-	(99,443)	13,947	(85,496)	(85,496)
Miscellaneous	1,042,978	1,078,118	304,097	469,869	773,966	(304,152)
Total Revenues	<u>182,165,219</u>	<u>183,323,719</u>	<u>92,169,766</u>	<u>95,819,696</u>	<u>187,989,462</u>	<u>4,665,743</u>
EXPENDITURES						
Current						
General government	36,750,182	35,701,973	16,414,295	16,272,324	32,686,619	3,015,354
Security of persons and property	91,872,018	92,587,742	44,684,473	45,215,599	89,900,072	2,687,670
Physical environment	-	-	16,957	10,550	27,507	(27,507)
Transportation	19,684,762	20,813,095	8,752,185	9,300,272	18,052,457	2,760,638
Economic development	9,735,608	9,526,887	4,648,988	4,742,255	9,391,243	135,644
Social Services	1,651,753	1,875,048	882,947	896,911	1,779,858	95,190
Culture and recreation	18,296,080	18,079,785	8,841,562	8,211,622	17,053,184	1,026,601
Capital outlay	7,123,808	7,123,808	488,709	4,058,896	4,547,605	2,576,203
Debt service						
Principal	1,179,912	777,223	94,451	94,451	188,902	588,321
Interest and Issuance Costs	-	-	4,014	3,778	7,792	(7,792)
Total Expenditures	<u>186,294,123</u>	<u>186,485,561</u>	<u>84,828,581</u>	<u>88,806,658</u>	<u>173,635,239</u>	<u>12,850,322</u>
Excess (deficiency) of revenues over (under) expenditures	(4,128,904)	(3,161,842)	7,341,185	7,013,038	14,354,223	17,516,065
OTHER FINANCING SOURCES (USES)						
Insurance recoveries	-	-	7,460	-	7,460	7,460
Disposition of capital assets	304,480	444,640	-	2,009,702	2,009,702	1,565,062
Transfers in	8,257,435	8,257,435	3,234,801	860,213	4,095,014	(4,162,421)
Transfers out	(15,668,970)	(16,581,659)	(8,158,363)	(8,492,091)	(16,650,454)	(68,795)
Total other financing sources and uses	<u>(7,107,055)</u>	<u>(7,879,584)</u>	<u>(4,916,102)</u>	<u>(5,622,176)</u>	<u>(10,538,278)</u>	<u>(2,658,694)</u>
Net change in fund balance	(11,235,959)	(11,041,426)	2,425,083	1,390,862	3,815,945	14,857,371
Fund balance-beginning	<u>33,312,726</u>	<u>35,911,896</u>	<u>34,817,143</u>	<u>37,168,526</u>	<u>34,817,143</u>	<u>(1,094,753)</u>
Prior period adjustment	-	-	(73,700)	-	(73,700)	(73,700)
Fund balance-ending	<u>\$ 22,076,767</u>	<u>\$ 24,870,470</u>	<u>\$ 37,168,527</u>	<u>\$ 38,559,388</u>	<u>\$ 38,559,388</u>	<u>\$ 13,688,918</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Redmond
 Schedule of Proportionate Share of the Net Pension Liability
 PERS 1
 As of June 30, 2016
 Last 10 Fiscal Years*

		<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Employer's proportion of the net pension liability (asset)</u>	%	0.279429%	0.277269%	0.282854%
<u>Employer's proportionate share of the net pension liability (asset)</u>	\$	14,076,367	14,503,747	15,190,592
TOTAL	\$	14,076,367	14,503,747	15,190,592
<u>Employer's covered employee payroll **</u>	\$	30,276,307	31,572,345	33,640,475
<u>Employer's proportionate share of the net pension liability as a percentage of covered employee payroll</u>	%	46.49%	45.94%	45.16%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	%	61.19%	59.10%	57.03%

* Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

** 2014 and 2015 have been corrected

REQUIRED SUPPLEMENTARY INFORMATION

City of Redmond
 Schedule of Proportionate Share of the Net Pension Liability
 PERS 2, 3
 As of June 30, 2016
 Last 10 Fiscal Years*

		<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Employer's proportion of the net pension liability (asset)</u>	%	0.344517%	0.349456%	0.354613%
<u>Employer's proportionate share of the net pension liability (asset)</u>	\$	6,963,932	12,486,262	17,854,484
TOTAL	\$	6,963,932	12,486,262	17,854,484
<u>Employer's covered employee payroll</u>	\$	29,576,019	31,081,296	33,183,481
<u>Employer's proportionate share of the net pension liability as a percentage of covered employee payroll</u>	%	23.55%	40.17%	53.81%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	%	93.29%	89.20%	85.82%

* Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

REQUIRED SUPPLEMENTARY INFORMATION

City of Redmond
 Schedule of Proportionate Share of the Net Pension Liability
 PSERS
 As of June 30, 2016
 Last 10 Fiscal Years*

		<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Employer's proportion of the net pension liability (asset)</u>	%	0.090607%	0.092909%	0.073365%
<u>Employer's proportionate share of the net pension liability (asset)</u>	\$	(13,121)	16,958	31,179
TOTAL	\$	(13,121)	16,958	31,179
<u>Employer's covered employee payroll</u>	\$	246,193	268,804	242,743
<u>Employer's proportionate share of the net pension liability as a percentage of covered employee payroll</u>	%	-5.33%	6.31%	12.84%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	%	105.01%	95.08%	90.41%

* Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

REQUIRED SUPPLEMENTARY INFORMATION

City of Redmond
 Schedule of Proportionate Share of the Net Pension Liability
 LEOFF 1
 As of June 30, 2016
 Last 10 Fiscal Years*

		<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Employer's proportion of the net pension liability (asset)</u>	%	0.058235%	0.061310%	0.066346%
<u>Employer's proportionate share of the net pension liability (asset)</u>	\$	(706,269)	(738,921)	(683,554)
<u>State's proportionate share of the net pension liability (asset) associated with the employer</u>	\$	(4,777,186)	(4,998,043)	(4,623,539)
TOTAL	\$	(5,483,455)	(5,736,964)	(5,307,093)
<u>Employer's covered employee payroll</u>	\$	245,905	182,331	-
<u>Employer's proportionate share of the net pension liability as a percentage of covered employee payroll</u>	%	-287.21%	-405.26%	N/A
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	%	126.91%	127.36%	123.74%

* Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

REQUIRED SUPPLEMENTARY INFORMATION

City of Redmond
 Schedule of Proportionate Share of the Net Pension Liability
 LEOFF 2
 As of June 30, 2016
 Last 10 Fiscal Years*

		<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Employer's proportion of the net pension liability (asset)</u>	%	0.863922%	0.905449%	0.844407%
<u>Employer's proportionate share of the net pension liability (asset)</u>	\$	(11,464,616)	(9,306,205)	(4,911,324)
<u>State's proportionate share of the net pension liability (asset) associated with the employer</u>	\$	(7,414,046)	(6,153,272)	(3,201,826)
TOTAL	\$	(18,878,662)	(15,459,477)	(8,113,150)
<u>Employer's covered employee payroll</u>	\$	24,071,949	26,361,527	25,582,420
<u>Employer's proportionate share of the net pension liability as a percentage of covered employee payroll</u>	%	-47.63%	-35.30%	-19.20%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	%	116.75%	111.67%	106.04%

* Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

REQUIRED SUPPLEMENTARY INFORMATION

City of Redmond
 Schedule of Employer Contributions
 PERS 1
 As of December 31, 2016
 Last 10 Fiscal Years*

	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Statutorily or contractually required contributions</u>	\$ 1,261,298	1,444,684	1,653,434
<u>Contributions in relation to the statutorily or contractually required contributions</u>	\$ (1,261,298)	(1,444,684)	(1,653,434)
<u>Contribution deficiency (excess)</u>	\$ -	-	-
<u>Covered employer payroll **</u>	\$ 30,895,042	32,615,637	34,388,717
<u>Contributions as a percentage of covered employee payroll</u>	% 4.08%	4.43%	4.81%

* Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

** 2014 and 2015 have been corrected

REQUIRED SUPPLEMENTARY INFORMATION

City of Redmond
 Schedule of Employer Contributions
 PERS 2, 3
 As of December 31, 2016
 Last 10 Fiscal Years*

	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Statutorily or contractually required contributions</u>	\$ 1,515,304	1,814,140	2,112,355
<u>Contributions in relation to the statutorily or contractually required contributions</u>	\$ (1,515,304)	(1,814,140)	(2,112,355)
<u>Contribution deficiency (excess)</u>	\$ -	-	-
<u>Covered employer payroll</u>	\$ 30,326,719	32,160,083	33,906,036
<u>Contributions as a percentage of covered employee payroll</u>	% 5.00%	5.64%	6.23%

* Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

REQUIRED SUPPLEMENTARY INFORMATION

City of Redmond
 Schedule of Employer Contributions
 PSERS
 As of December 31, 2016
 Last 10 Fiscal Years*

	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Statutorily or contractually required contributions</u>	\$ 16,737	15,367	17,958
<u>Contributions in relation to the statutorily or contractually required contributions</u>	\$ (16,737)	(15,367)	(17,958)
<u>Contribution deficiency (excess)</u>	\$ -	-	-
<u>Covered employer payroll</u>	\$ 263,961	237,629	272,507
<u>Contributions as a percentage of covered employee payroll</u>	% 6.34%	6.47%	6.59%

* Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

REQUIRED SUPPLEMENTARY INFORMATION

City of Redmond
 Schedule of Employer Contributions
 LEOFF 1
 As of December 31, 2016
 Last 10 Fiscal Years*

	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Statutorily or contractually required contributions</u>	\$ -	-	-
<u>Contributions in relation to the statutorily or contractually required contributions</u>	\$ -	-	-
<u>Contribution deficiency (excess)</u>	\$ -	-	-
<u>Covered employer payroll</u>	\$ 242,276	57,888	-
<u>Contributions as a percentage of covered employee payroll</u>	% 0.00%	0.00%	0.00%

* Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

REQUIRED SUPPLEMENTARY INFORMATION

City of Redmond
 Schedule of Employer Contributions
 LEOFF 2
 As of December 31, 2016
 Last 10 Fiscal Years*

	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Statutorily or contractually required contributions</u>	\$ 1,243,996	1,350,946	1,339,697
<u>Contributions in relation to the statutorily or contractually required contributions</u>	\$ (1,243,996)	(1,350,946)	(1,339,697)
<u>Contribution deficiency (excess)</u>	\$ -	-	-
<u>Covered employer payroll</u>	\$ 24,634,822	26,751,402	26,528,575
<u>Contributions as a percentage of covered employee payroll</u>	% 5.05%	5.05%	5.05%

* Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

Required Supplementary Information

City of Redmond
Firefighter's Pension Plan
Schedule of Changes in Net Pension Liability
Last 10 Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Pension Liability⁽¹⁾										
Service cost (Entry Age Normal Cost)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	17,704	15,014	10,399	17,645	17,590	20,627	20,705	28,542	28,580	24,961
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	128,397	97,140	154,238	(231,779)	(1,918)	(98,267)	(6,793)	223,274	(18,525)	38,329
Changes of assumptions	-	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds of contributions	(27,771)	(28,466)	(12,372)	(12,224)	(15,672)	(18,834)	(13,912)	(11,124)	(10,055)	(13,146)
Net Change in Total Pension Liability	118,330	83,688	152,265	(226,358)	-	(96,474)	-	240,692	-	50,144
Total Pension Liability - Beginning	567,121	483,433	331,168	557,526	557,526	654,000	654,000	413,308	413,308	363,164
Total Pension Liability - Ending (a)	\$ 685,451	\$ 567,121	\$ 483,433	\$ 331,168	\$ 557,526	\$ 557,526	\$ 654,000	\$ 654,000	\$ 413,308	\$ 413,308
Discount rate used to measure total pension liability at end of year	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	7.00%	7.00%
Plan Fiduciary Net Position										
Contributions - Employer	\$ 154,159	\$ 146,358	\$ 145,808	\$ 138,204	\$ 127,252	\$ 135,412	\$ 133,868	\$ 119,354	\$ 121,832	\$ 106,728
Contributions - Member	-	-	-	-	-	-	-	-	-	-
Net Investment Income	14,720	9,511	10,994	12,269	8,757	9,043	128	24,919	30,027	32,031
Benefit payments, including refunds of contributions	(27,771)	(28,466)	(12,372)	(12,224)	(15,672)	(18,834)	(13,912)	(11,124)	(10,055)	(13,146)
Administrative Expense	(1,500)	(5,500)	(5,261)	(1,350)	(5,264)	(1,000)	(7,000)	-	-	(1,262)
Other	-	-	-	-	-	-	-	(2,750)	(6,684)	(1,329)
Net Change in Plan Fiduciary Net Position:	139,608	121,903	139,169	136,899	115,073	124,621	113,084	130,399	135,120	123,022
Money weighted rate of return net of investment expenses	0.88%	0.62%	0.78%	0.97%	0.76%	0.88%	0.01%	2.85%	3.62%	5.99%
Plan Fiduciary Net Position - Beginning	1,606,330	1,484,427	1,345,258	1,208,359	1,093,286	968,665	855,581	725,182	590,062	467,040
Plan Fiduciary Net Position - Ending (b)	\$ 1,745,938	\$ 1,606,330	\$ 1,484,427	\$ 1,345,258	\$ 1,208,359	\$ 1,093,286	\$ 968,665	\$ 855,581	\$ 725,182	\$ 590,062
Net Pension Liability (Asset) - Ending (a) - (b)	\$ (1,060,487)	\$ (1,039,209)	\$ (1,000,994)	\$ (1,014,090)	\$ (650,833)	\$ (535,760)	\$ (314,665)	\$ (201,581)	\$ (311,874)	\$ (176,754)
Plan fiduciary net position as a percentage of the total pension liability	254.71%	283.24%	307.06%	406.22%	216.74%	196.10%	148.11%	130.82%	175.46%	142.77%
Covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,040	\$ 91,040	\$ 85,323	\$ 82,200
Net pension liability (asset) as a percentage of covered employee payroll	n/a	n/a	n/a	n/a	n/a	n/a	-345.63%	-221.42%	-365.52%	-215.03%

Required Supplementary Information

City of Redmond
Firefighter's Pension Plan
Schedule of Contributions
Last 10 Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (13,832)	\$ (13,832)	\$ (15,979)	\$ -	\$ 606
Actual contribution in relation to the above	\$ 154,159	\$ 146,358	\$ 145,808	\$ 138,204	\$ 127,252	\$ 135,412	\$ 133,868	\$ 119,354	\$ 121,832	\$ 106,728
Contribution deficiency (excess)	\$ 154,159	\$ 146,358	\$ 145,808	\$ 138,204	\$ 127,252	\$ 149,244	\$ 147,700	\$ 135,333	\$ 121,832	\$ 106,122
Covered employee payroll	n/a	n/a	n/a	n/a	n/a	n/a	\$ 91,040	\$ 91,040	\$ 85,323	\$ 82,200
Contributions as a % of covered employee payroll	n/a	n/a	n/a	n/a	n/a	n/a	162.2%	148.7%	142.8%	129.1%

Notes to Schedule

Valuation date: January 1, 2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost
Amortization method	Level amortization of the Net Pension Liability as a level dollar amount over a five-year period.
Asset valuation method	Market value
Salary increases	3.50%
Investment rate of return	3.20%
Growth in membership	0%
Postretirement benefit increases	
1. Related to salaries	3.50%
2. Related to Consumer Price Index	2.50%
Retirement age	65
Mortality	Based on the RP-2000 Mortality Table (combined healthy) for males.

Required Supplementary Information

City of Redmond
Firefighter's Pension Plan
Schedule of Investment Returns
Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Annual money-weighted rate of return, net of investment expense	0.88%	0.62%	0.78%	0.97%	0.76%	0.88%	0.01%	2.85%	3.62%	5.99%

Required Supplementary Information

**LEOFF I Medical Benefits
Schedule of Funding Progress**

Fiscal Year Ended	Actuarial Value of Assets	Actuarial Accrued Liabilities Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL As a Percentage of Covered Payroll
Dec. 31, 2007	\$ -	\$ 8,512,284	\$ 8,512,284	0%	\$ 557,587	1527%
Dec. 31, 2008	\$ -	\$ 8,512,284	\$ 8,512,284	0%	\$ 446,200	1908%
Dec. 31, 2009	\$ -	\$ 9,290,267	\$ 9,290,267	0%	\$ 442,308	2100%
Dec. 31, 2010	\$ -	\$ 9,430,652	\$ 9,430,652	0%	\$ 461,106	2045%
Dec. 31, 2011	\$ -	\$ 9,549,490	\$ 9,549,490	0%	\$ 480,703	1987%
Dec. 31, 2012	\$ -	\$ 14,420,000	\$ 14,420,000	0%	\$ 262,000	5504%
Dec. 31, 2013	\$ -	\$ 14,664,000	\$ 14,664,000	0%	\$ 249,000	5889%
Dec. 31, 2014	\$ -	\$ 14,893,000	\$ 14,893,000	0%	\$ 249,000	5981%
Dec. 31, 2015	\$ -	\$ 17,029,000	\$ 17,029,000	0%	\$ 23,000	74039%
Dec. 31, 2016	\$ -	\$ 17,255,000	\$ 17,255,000	0%	\$ -	N/A

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are restricted to/committed for expenditures for particular purposes.

The Recreation Activities Fund provides salaries, equipment and supplies needed to conduct year-round recreational programs. Funding comes from class fees, sports leagues, and transfers from the General Fund.

The Development Review Fund was established in 2013 to provide support services for large, private development in the City. Funding is provided through fees negotiated with developers.

The Cable Access Fund was established in 2003 to monitor expenditures for cable access equipment, public education, service enhancement, and government access to television. The primary source of revenues is fees and contributions from cable television subscribers.

The Operating Grants Fund includes expenditures for special studies and pilot programs to support commute trip reduction in partnership with area employers. It is funded by federal, state, and local grants, private contributions and a portion of the business tax surcharge.

The Advanced Life Support Fund accounts for the provision of Advanced Life Support (ALS) services (paramedic) within the City and Fire District 34 areas. The City provides these services in contract with King County Medic One and the County provides the resources for this service.

The Aid Car Donation Fund accounts for donations of monies for the acquisition, maintenance and repair of a medical emergency aid car and other fire department emergency equipment and supplies.

The Real Estate Excise Tax Fund accounts for proceeds of the ½ of 1% Real Estate Excise Tax. This tax is collected by King County at the time property is sold in the City of Redmond and then remitted to the City. These funds must be used for construction of capital projects.

The Felony Seizure Fund accounts for monies and proceeds from the sale of property seized during drug and felony investigations. These funds are legally required to be expended on drug and felony related police activities.

The Tourism Fund is supported by a 1% special excise tax on overnight lodging in Redmond. This tax provides resources to support tourism development and promotion activities in Redmond.

The Solid Waste Recycling Fund accounts for monies received primarily through garbage franchise fees. Fund expenditures made are to develop, administer and improve solid waste collection and education.

Debt Service Funds

Debt Service Funds account for the accumulation of resources for and the payment of general obligation and special assessment bonds.

The Special Levy Fund accounts for the debt service on the voter-approved general obligation bonds. There are currently no bond issues outstanding that are paid from this fund. In 1994 the City issued bonds to purchase land and build a new fire station. These bonds were refunded in 2008. These bonds were retired in 2013.

The Regular Levy Fund accounts for the debt service on City Council approved (councilmanic) general obligation debt. These currently include 2008 long-term general obligation bonds to fund the Bear Creek Parkway expansion as well as refunding the 1998 Fire bonds, 2011 long-term general obligation bonds to fund Park improvements, and 2013 City Hall refunding bonds.

CITY OF REDMOND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2016

Page 1 of 4

	Special Revenue Funds			
	Recreation Activities	Development Review	Cable Access	Operating Grants
ASSETS				
Cash and cash equivalents	\$ 162,828	\$ 188,201	\$ 173,564	\$ 146,309
Investments	678,578	795,829	733,943	618,695
Receivables:				
Taxes	-	-	-	-
Accounts	39,357	-	-	62,114
Interest	1,979	2,299	2,117	1,786
Due from other governments	-	151,715	-	19,100
Restricted assets:				
Deposit investment	10,000	-	-	-
Total Assets	\$ 892,742	\$ 1,138,044	\$ 909,624	\$ 848,004
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 22,745	\$ 8,326	\$ 2,498	\$ 64,965
Employee wages payable	44,523	19,494	-	27,080
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Payable from restricted assets:				
Deposits payable	10,000	-	-	-
Deferred-unearned revenue	159,141	-	-	-
Total Liabilities	236,409	27,820	2,498	92,045
Fund balances				
Nonspendable	-	-	-	-
Spendable:				
Restricted	-	-	907,126	755,959
Committed	656,333	1,110,224	-	-
Total Fund Balances	656,333	1,110,224	907,126	755,959
Total Liabilities and Fund Balances	\$ 892,742	\$ 1,138,044	\$ 909,624	\$ 848,004

CITY OF REDMOND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2016

Page 2 of 4

	Special Revenue Funds		
	Advanced Life Support	Aid Car/ Dispatch Donation	Real Estate Excise Tax
ASSETS			
Cash and cash equivalents	\$ -	\$ 40,730	\$ 1,242,219
Investments	-	172,233	5,252,661
Receivables:			
Taxes	-	-	1,008,938
Accounts	-	-	-
Interest	-	496	15,225
Due from other governments	1,872,370	-	-
Restricted assets:			
Deposit investment	-	-	-
Total Assets	\$ 1,872,370	\$ 213,459	\$ 7,519,043
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 14,312	\$ -	\$ -
Employee wages payable	215,229	-	-
Due to other funds	820,166	-	-
Due to other governments	-	-	-
Payable from restricted assets:			
Deposits payable	-	-	-
Deferred-unearned revenue	-	-	-
Total Liabilities	1,049,707	-	-
Fund balances			
Nonspendable	-	-	-
Spendable:			
Restricted	822,663	213,459	7,519,043
Committed	-	-	-
Total Fund Balances	822,663	213,459	7,519,043
Total Liabilities and Fund Balances	\$ 1,872,370	\$ 213,459	\$ 7,519,043

CITY OF REDMOND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2016

Page 3 of 4

	Special Revenue Funds			
	Felony Seizure	Tourism	Solid Waste Recycling	Total
ASSETS				
Cash and cash equivalents	\$ 26,973	\$ 70,644	\$ 106,624	\$ 2,158,092
Investments	114,060	582,666	450,887	9,399,552
Receivables:				
Taxes	-	-	66,080	1,075,018
Accounts	-	-	-	101,471
Interest	329	1,684	1,298	27,213
Due from other governments	-	-	98,306	2,141,491
Restricted assets:				
Deposit investment	-	-	-	10,000
Total Assets	\$ 141,362	\$ 654,994	\$ 723,195	\$ 14,912,837
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ 14,800	\$ 24,681	\$ 152,327
Employee wages payable	-	-	30,656	336,982
Due to other funds	-	-	-	820,166
Due to other governments	7,924	-	-	7,924
Payable from restricted assets:				
Deposits payable	-	-	-	10,000
Deferred-unearned revenue	-	-	-	159,141
Total Liabilities	7,924	14,800	55,337	1,486,540
Fund balances				
Nonspendable	-	-	-	-
Spendable:				
Restricted	133,438	640,194	667,858	11,659,740
Committed	-	-	-	1,766,557
Total Fund Balances	133,438	640,194	667,858	13,426,297
Total Liabilities and Fund Balances	\$ 141,362	\$ 654,994	\$ 723,195	\$ 14,912,837

CITY OF REDMOND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2016

Page 4 of 4

	Debt Service Fund		Total Nonmajor Governmental Funds
	Regular Levy GO Bonds	Total	
ASSETS			
Cash and cash equivalents	\$ 416,451	\$ 416,451	\$ 2,574,543
Investments	1,761,032	1,761,032	11,160,584
Receivables:			
Taxes	-	-	1,075,018
Accounts	-	-	101,471
Interest	5,081	5,081	32,294
Due from other governments	-	-	2,141,491
Restricted assets:			
Deposit investment	-	-	10,000
Total Assets	\$ 2,182,564	\$ 2,182,564	17,095,401
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 152,327
Employee wages payable	-	-	336,982
Due to other funds	-	-	820,166
Due to other governments	-	-	7,924
Payable from restricted assets:			
Deposits payable	-	-	10,000
Deferred-unearned revenue	-	-	159,141
Total Liabilities	-	-	1,486,540
Fund balances			
Nonspendable	-	-	-
Spendable:			
Restricted	2,182,564	2,182,564	13,842,304
Committed	-	-	1,766,557
Total Fund Balances	2,182,564	2,182,564	15,608,861
Total Liabilities and Fund Balances	\$ 2,182,564	\$ 2,182,564	\$ 17,095,401

CITY OF REDMOND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2016

Page 1 of 4

	Special Revenue Funds			
	Recreation Activities	Development Review	Cable Access	Operating Grants
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	2,088	1,104,234	-	107,537
Contributions	29,227	-	4,230	-
Intergovernmental	-	-	-	225,130
Charges for services	2,289,547	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	9,167	7,246	7,685	6,624
Net change in fair value of investment	(915)	(2,336)	(765)	(792)
Miscellaneous	312,904	-	-	-
Total Revenues	2,642,018	1,109,144	11,150	338,499
EXPENDITURES				
Current				
Security of persons and property	110	69,719	-	-
Transportation	-	-	-	1,331,096
Economic environment	-	591,819	41,779	-
Social Services	274,757	-	-	-
Culture and recreation	2,485,426	-	-	50
Capital outlay	-	-	76,732	-
Debt service:				
Principal	-	-	-	-
Interest and debt issue costs	-	-	-	-
Total Expenditures	2,760,293	661,538	118,511	1,331,146
Excess (deficiency) of revenues over (under) expenditures	(118,275)	447,606	(107,361)	(992,647)
OTHER FINANCING SOURCES (USES)				
G.O. bonds proceeds	-	-	-	-
Premium on G.O. bonds issued	-	-	-	-
Refunding bonds issued	-	-	-	-
Premium on refunding bonds issued	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Disposition of capital assets	-	-	-	-
Transfers in	-	-	-	1,016,976
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	1,016,976
Net change in fund balances	(118,275)	447,606	(107,361)	24,329
Fund balances-beginning	774,608	662,618	1,014,487	731,630
Fund balances-ending	<u>\$ 656,333</u>	<u>\$ 1,110,224</u>	<u>\$ 907,126</u>	<u>\$ 755,959</u>

CITY OF REDMOND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2016

Page 2 of 4

	Special Revenue Funds		
	Advanced Life Support	Aid Car/ Dispatch Donations	Real Estate Excise Tax
REVENUES			
Taxes	\$ -	\$ -	\$ 8,200,143
Licenses and Permits	-	-	-
Contributions	704	1,675	-
Intergovernmental	1,290	-	-
Charges for services	7,002,080	-	-
Fines and forfeitures	-	14,200	-
Investment income	108	2,241	63,148
Net change in fair value of investment	-	207	(13,376)
Miscellaneous	897	51,186	-
Total Revenues	7,005,079	69,509	8,249,915
EXPENDITURES			
Current			
Security of persons and property	6,636,994	24,114	-
Transportation	-	-	-
Economic environment	-	-	-
Social Services	-	-	-
Culture and recreation	-	-	-
Capital outlay	866,414	227,548	-
Debt service:			
Principal	-	-	-
Interest and debt issue costs	-	-	-
Total Expenditures	7,503,408	251,662	-
Excess (deficiency) of revenues over (under) expenditures	(498,329)	(182,153)	8,249,915
OTHER FINANCING SOURCES (USES)			
G.O. bonds proceeds	-	-	-
Premium on G.O. bonds issued	-	-	-
Refunding bonds issued	-	-	-
Premium on refunding bonds issued	-	-	-
Payment to refunded bond escrow agent	-	-	-
Disposition of capital assets	47,500	-	-
Transfers in	-	-	-
Transfers out	-	-	(5,685,100)
Total other financing sources (uses)	47,500	-	(5,685,100)
Net change in fund balances	(450,829)	(182,153)	2,564,815
Fund balances-beginning	1,273,492	395,612	4,954,228
Fund balances-ending	\$ 822,663	\$ 213,459	\$ 7,519,043

CITY OF REDMOND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2016

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	Special Revenue Funds			
	Felony Seizure	Tourism	Solid Waste Recycling	Total
REVENUES				
Taxes	\$ -	\$ 406,076	\$ -	\$ 8,606,219
Licenses and Permits	-	-	-	1,213,859
Contributions	-	-	-	35,836
Intergovernmental	-	-	104,680	331,100
Charges for services	-	-	802,582	10,094,209
Fines and forfeitures	75,823	-	-	90,023
Investment income	805	6,194	4,506	107,724
Net change in fair value of investment	(408)	(1,151)	(837)	(20,373)
Miscellaneous	-	-	(70,649)	294,338
Total Revenues	76,220	411,119	840,282	20,752,935
EXPENDITURES				
Current				
Security of persons and property	261	-	-	6,731,198
Transportation	-	-	-	1,331,096
Economic environment	-	208,671	833,376	1,675,645
Social Services	-	-	-	274,757
Culture and recreation	-	-	-	2,485,476
Capital outlay	-	-	-	1,170,694
Debt service:				
Principal	-	-	-	-
Interest and debt issue costs	-	-	-	-
Total Expenditures	261	208,671	833,376	13,668,866
Excess (deficiency) of revenues over (under) expenditures	75,959	202,448	6,906	7,084,069
OTHER FINANCING SOURCES (USES)				
G.O. bonds proceeds	-	-	-	-
Premium on G.O. bonds issued	-	-	-	-
Refunding bonds issued	-	-	-	-
Premium on refunding bonds issued	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Disposition of capital assets	-	-	-	47,500
Transfers in	-	-	-	1,016,976
Transfers out	-	(142,137)	-	(5,827,237)
Total other financing sources (uses)	-	(142,137)	-	(4,762,761)
Net change in fund balances	75,959	60,311	6,906	2,321,308
Fund balances-beginning	57,479	579,883	660,952	11,104,989
Fund balances-ending	\$ 133,438	\$ 640,194	\$ 667,858	\$ 13,426,297

CITY OF REDMOND
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2016

Page 4 of 4

	Debt Service Fund		Total
	Regular Levy GO Bonds	Total	Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 1,271,888	\$ 1,271,888	\$ 9,878,107
Licenses and Permits	-	-	1,213,859
Contributions	-	-	35,836
Intergovernmental	-	-	331,100
Charges for services	385,541	385,541	10,479,750
Fines and forfeitures	-	-	90,023
Investment income	23,119	23,119	130,843
Net change in fair value of investment	(5,483)	(5,483)	(25,856)
Miscellaneous	2,429	2,429	296,767
Total Revenues	1,677,494	1,677,494	22,430,429
EXPENDITURES			
Current			
Security of persons and property	-	-	6,731,198
Transportation	-	-	1,331,096
Economic environment	-	-	1,675,645
Social Services	-	-	274,757
Culture and recreation	-	-	2,485,476
Capital outlay	-	-	1,170,694
Debt service:			
Principal	3,400,000	3,400,000	3,400,000
Interest and debt issue costs	2,312,248	2,312,248	2,312,248
Total Expenditures	5,712,248	5,712,248	19,381,114
Excess (deficiency) of revenues over (under) expenditures	(4,034,754)	(4,034,754)	3,049,315
OTHER FINANCING SOURCES (USES)			
G.O. bonds proceeds	6,000,000	6,000,000	6,000,000
Premium on G.O. bonds issued	1,052,491	1,052,491	1,052,491
Refunding bonds issued	11,630,000	11,630,000	11,630,000
Premium on refunding bonds issued	1,431,462	1,431,462	1,431,462
Payment to refunded bond escrow agent	(12,964,924)	(12,964,924)	(12,964,924)
Disposition of capital assets	-	-	47,500
Transfers in	5,002,682	5,002,682	6,019,658
Transfers out	(7,000,000)	(7,000,000)	(12,827,237)
Total other financing sources (uses)	5,151,711	5,151,711	388,950
Net change in fund balances	1,116,957	1,116,957	3,438,265
Fund balances-beginning	1,065,607	1,065,607	12,170,596
Fund balances-ending	\$ 2,182,564	\$ 2,182,564	\$ 15,608,861

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL IMPROVEMENTS PROGRAM CAPITAL PROJECTS FUNDS
For the year ended December 31, 2016

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual	2016 Actual	Actual 2015-2016 Biennium	Variance with Final Budget Positive (Negative)
REVENUES						
Intergovernmental	\$ 10,842,122	\$ 13,842,122	\$ 3,913,775	\$ 5,003,135	\$ 8,916,910	\$ (4,925,212)
Contributions	248,133	248,133	68,500	40,000	108,500	(139,633)
Charges for services	8,926,684	8,926,684	1,945,511	10,488,273	12,433,784	3,507,100
Investment income	667,574	667,574	255,961	309,418	565,379	(102,195)
Net change in fair value of investment	-	-	(65,807)	(57,944)	(123,751)	(123,751)
Miscellaneous	374,156	374,156	178,602	1,295,871	1,474,473	1,100,317
Total Revenues	<u>21,058,669</u>	<u>24,058,669</u>	<u>6,296,542</u>	<u>17,078,753</u>	<u>23,375,295</u>	<u>(683,374)</u>
EXPENDITURES						
Current						
General government	-	-	-	4,948	4,948	(4,948)
Physical environment	20,000	20,000	-	-	-	20,000
Capital outlay	50,378,946	50,378,946	20,438,118	22,967,989	43,406,107	6,972,839
Debt service						
Principal	-	1,385,000	751,886	705,000	1,456,886	(71,886)
Interest	-	409,176	218,847	191,288	410,135	(959)
Total Expenditures	<u>50,398,946</u>	<u>52,193,122</u>	<u>21,408,851</u>	<u>23,869,225</u>	<u>45,278,076</u>	<u>6,915,046</u>
Excess (deficiency) of revenues over (under) expenditures	(29,340,277)	(28,134,453)	(15,112,309)	(6,790,472)	(21,902,781)	6,231,672
OTHER FINANCING SOURCES (USES)						
Bond/loan proceeds	5,250,000	5,250,000	-	-	-	(5,250,000)
Transfers in	20,301,961	20,811,961	10,409,639	15,333,822	25,743,461	4,931,500
Transfers out	(10,227,883)	(10,227,883)	(3,046,300)	(726,289)	(3,772,589)	6,455,294
Total other financing sources and uses	<u>15,324,078</u>	<u>15,834,078</u>	<u>7,363,339</u>	<u>14,607,533</u>	<u>21,970,872</u>	<u>6,136,794</u>
Net change in fund balance	(14,016,199)	(12,300,375)	(7,748,970)	7,817,061	68,091	12,368,466
Fund balance-beginning	28,338,986	33,783,941	33,783,942	25,538,506	33,783,942	1
Prior period adjustment	-	-	(496,466)	-	(496,466)	(496,466)
Fund balance-ending	<u>\$ 14,322,787</u>	<u>\$ 21,483,566</u>	<u>\$ 25,538,506</u>	<u>\$ 33,355,567</u>	<u>\$ 33,355,567</u>	<u>\$ 11,872,001</u>

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
RECREATION ACTIVITIES SPECIAL REVENUE FUND
For the year ended December 31, 2016

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual	2016 Actual	Actual 2015-2016 Biennium	Variance with Final Budget Positive (Negative)
REVENUES						
Licenses and permits	\$ -	\$ -	\$ -	\$ 2,088	\$ 2,088	\$ 2,088
Charges for services	4,665,269	4,665,269	2,338,196	2,289,547	4,627,743	(37,526)
Contributions	16,208	16,208	28,004	29,227	57,231	41,023
Investment income	24,312	24,312	9,432	9,167	18,599	(5,713)
Net change in fair value of investment	-	-	(2,281)	(915)	(3,196)	(3,196)
Miscellaneous	615,914	615,914	308,854	312,904	621,758	5,844
Total Revenues	<u>5,321,703</u>	<u>5,321,703</u>	<u>2,682,205</u>	<u>2,642,018</u>	<u>5,324,223</u>	<u>2,520</u>
EXPENDITURES						
General government	464,843	-	-	-	-	-
Security of persons and property	-	-	-	110	110	(110)
Social Services	280,711	527,017	273,505	274,757	548,262	(21,245)
Culture and recreation	4,920,253	5,138,790	2,378,644	2,485,426	4,864,070	274,720
Total Expenditures	<u>5,665,807</u>	<u>5,665,807</u>	<u>2,652,149</u>	<u>2,760,293</u>	<u>5,412,442</u>	<u>253,365</u>
Excess (deficiency) of revenues over (under) expenditures	(344,104)	(344,104)	30,056	(118,275)	(88,219)	255,885
Net change in fund balance	(344,104)	(344,104)	30,056	(118,275)	(88,219)	255,885
Fund balance-beginning	629,564	744,551	744,552	774,608	744,552	1
Fund balance-ending	<u>\$ 285,460</u>	<u>\$ 400,447</u>	<u>\$ 774,608</u>	<u>\$ 656,333</u>	<u>\$ 656,333</u>	<u>\$ 255,886</u>

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEVELOPMENT REVIEW FUND
For the year ended December 31, 2016

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual	2016 Actual	Actual 2015-2016 Biennium	Variance with Final Budget Positive (Negative)
REVENUES						
Licenses and permits	\$ 700,344	\$ 1,974,904	\$ 1,099,484	\$ 1,104,234	\$ 2,203,718	\$ 228,814
Charges for services	946	946	-	-	-	(946)
Investment income	3,531	3,531	4,122	7,246	11,368	7,837
Net change in fair value of investment	-	-	(1,358)	(2,336)	(3,694)	(3,694)
Total Revenues	<u>704,821</u>	<u>1,979,381</u>	<u>1,102,248</u>	<u>1,109,144</u>	<u>2,211,392</u>	<u>232,011</u>
EXPENDITURES						
Security of persons and property	-	-	-	69,719	69,719	(69,719)
Economic Environment	1,249,188	1,753,597	709,390	591,819	1,301,210	452,387
Total Expenditures	<u>1,249,188</u>	<u>1,753,597</u>	<u>709,390</u>	<u>661,538</u>	<u>1,370,929</u>	<u>382,668</u>
Excess (deficiency) of revenues over (under) expenditures	(544,367)	225,784	392,858	447,606	840,463	614,679
Net change in fund balance	(544,367)	225,784	392,858	447,606	840,463	614,679
Fund balance-beginning	700,131	269,761	269,761	662,618	269,761	-
Fund balance-ending	<u>\$ 155,764</u>	<u>\$ 495,545</u>	<u>\$ 662,619</u>	<u>\$ 1,110,224</u>	<u>\$ 1,110,224</u>	<u>\$ 614,679</u>

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CABLE ACCESS SPECIAL REVENUE FUND
For the year ended December 31, 2016

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual	2016 Actual	Actual 2015-2016 Biennium	Variance with Final Budget Positive (Negative)
REVENUES						
Contributions	\$ -	\$ -	\$ 7,879	\$ 4,230	\$ 12,109	\$ 12,109
Investment income	(10,000)	(20,000)	9,061	7,685	16,746	36,746
Net change in fair value of investment	-	-	(2,642)	(765)	(3,407)	(3,407)
Total Revenues	<u>(10,000)</u>	<u>(20,000)</u>	<u>14,298</u>	<u>11,150</u>	<u>25,448</u>	<u>45,448</u>
EXPENDITURES						
Economic Environment	130,950	266,910	99,809	41,779	141,588	125,322
Capital outlay	50,000	50,000	69,121	76,732	145,853	(95,853)
Total Expenditures	<u>180,950</u>	<u>316,910</u>	<u>168,930</u>	<u>118,511</u>	<u>287,441</u>	<u>29,469</u>
Excess (deficiency) of revenues over (under) expenditures	(190,950)	(336,910)	(154,632)	(107,361)	(261,993)	74,917
Net change in fund balance	(190,950)	(336,910)	(154,632)	(107,361)	(261,993)	74,917
Fund balance-beginning	959,974	1,169,118	1,169,119	1,014,487	1,169,119	1
Fund balance-ending	<u>\$ 769,024</u>	<u>\$ 832,208</u>	<u>\$ 1,014,487</u>	<u>\$ 907,126</u>	<u>\$ 907,126</u>	<u>\$ 74,918</u>

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
OPERATING GRANTS SPECIAL REVENUE FUND
For the year ended December 31, 2016

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual	2016 Actual	Actual 2015-2016 Biennium	Variance with Final Budget Positive (Negative)
REVENUES						
Intergovernmental	\$ 953,203	\$ 953,203	\$ 174,831	\$ 225,130	\$ 399,961	\$ (553,242)
Licenses and Permits	-	-	104,264	107,537	211,801	211,801
Investment income	10,569	10,569	6,455	6,624	13,079	2,510
Net change in fair value of investment	-	-	(2,080)	(792)	(2,872)	(2,872)
Total Revenues	<u>963,772</u>	<u>963,772</u>	<u>283,470</u>	<u>338,499</u>	<u>621,969</u>	<u>(341,803)</u>
EXPENDITURES						
Transportation	3,450,104	3,399,575	1,292,403	1,331,096	2,623,499	776,076
Culture and recreation	-	-	45	50	95	(95)
Total Expenditures	<u>3,450,104</u>	<u>3,399,575</u>	<u>1,292,448</u>	<u>1,331,146</u>	<u>2,623,594</u>	<u>775,981</u>
Excess (deficiency) of revenues over (under) expenditures	(2,486,332)	(2,435,803)	(1,008,978)	(992,647)	(2,001,625)	434,178
OTHER FINANCING SOURCES (USES)						
Transfers in	<u>2,023,642</u>	<u>2,023,642</u>	<u>1,006,666</u>	<u>1,016,976</u>	<u>2,023,642</u>	-
Total other financing sources (uses)	<u>2,023,642</u>	<u>2,023,642</u>	<u>1,006,666</u>	<u>1,016,976</u>	<u>2,023,642</u>	-
Net change in fund balance	(462,690)	(412,161)	(2,312)	24,329	22,017	434,178
Fund balance-beginning	503,763	733,942	733,942	731,630	733,942	-
Fund balance-ending	<u>\$ 41,073</u>	<u>\$ 321,781</u>	<u>\$ 731,630</u>	<u>\$ 755,959</u>	<u>\$ 755,959</u>	<u>\$ 434,178</u>

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ADVANCED LIFE SUPPORT SPECIAL REVENUE FUND
For the year ended December 31, 2016

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual	2016 Actual	Actual 2015-2016 Biennium	Variance with Final Budget Positive (Negative)
REVENUES						
Intergovernmental	\$ -	\$ -	\$ 8,062	\$ 1,290	\$ 9,352	\$ 9,352
Charges for services	13,216,371	13,989,269	6,594,002	7,002,080	13,596,082	(393,187)
Investment income	-	-	252	108	360	360
Contributions	-	-	15	704	719	719
Miscellaneous	-	-	-	897	897	897
Total Revenues	<u>13,216,371</u>	<u>13,989,269</u>	<u>6,602,331</u>	<u>7,005,079</u>	<u>13,607,410</u>	<u>(381,859)</u>
EXPENDITURES						
Security of persons and property	12,296,028	12,296,028	6,454,742	6,636,994	13,091,736	(795,708)
Capital outlay	-	-	-	866,414	866,414	(866,414)
Total Expenditures	<u>12,296,028</u>	<u>12,296,028</u>	<u>6,454,742</u>	<u>7,503,408</u>	<u>13,958,150</u>	<u>(1,662,122)</u>
Excess (deficiency) of revenues over (under) expenditures	920,343	1,693,241	147,589	(498,329)	(350,740)	(2,043,981)
OTHER FINANCING SOURCES (USES)						
Disposition of capital assets	-	-	-	47,500	47,500	47,500
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,500</u>	<u>47,500</u>	<u>47,500</u>
Net change in fund balance	920,343	1,693,241	147,589	(450,829)	(303,240)	(1,996,481)
Fund balance-beginning	451,250	1,125,903	1,125,903	1,273,492	1,125,903	-
Fund balance-ending	<u>\$ 1,371,593</u>	<u>\$ 2,819,144</u>	<u>\$ 1,273,492</u>	<u>\$ 822,663</u>	<u>\$ 822,663</u>	<u>\$ (1,996,481)</u>

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
AID CAR DISPATCH SPECIAL REVENUE FUND
For the year ended December 31, 2016

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual	2016 Actual	Actual 2015-2016 Biennium	Variance with Final Budget Positive (Negative)
REVENUES						
Contributions	\$ 8,104	\$ 8,104	\$ 1,922	\$ 1,675	\$ 3,597	\$ (4,507)
Fines and forfeitures	-	-	5,100	14,200	19,300	19,300
Investment income	6,686	6,686	3,166	2,241	5,407	(1,279)
Net change in fair value of investment	-	-	(1,006)	207	(799)	(799)
Miscellaneous	145,874	145,874	52,317	51,186	103,503	(42,371)
Total Revenues	<u>160,664</u>	<u>160,664</u>	<u>61,499</u>	<u>69,509</u>	<u>131,008</u>	<u>(29,656)</u>
EXPENDITURES						
Security of persons and property	60,000	60,000	30,852	24,114	54,966	5,034
Capital outlay	150,000	150,000	11,017	227,548	238,565	(88,565)
Total Expenditures	<u>210,000</u>	<u>210,000</u>	<u>41,869</u>	<u>251,662</u>	<u>293,531</u>	<u>(83,531)</u>
Excess (deficiency) of revenues over (under) expenditures	(49,336)	(49,336)	19,630	(182,153)	(162,523)	(113,187)
Net change in fund balance	(49,336)	(49,336)	19,630	(182,153)	(162,523)	(113,187)
Fund balance-beginning	333,138	375,981	375,982	395,612	375,982	1
Fund balance-ending	<u>\$ 283,802</u>	<u>\$ 326,645</u>	<u>\$ 395,612</u>	<u>\$ 213,459</u>	<u>\$ 213,459</u>	<u>\$ (113,186)</u>

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
REAL ESTATE EXCISE TAX SPECIAL REVENUE FUND
For the year ended December 31, 2016

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual	2016 Actual	Actual 2015-2016 Biennium	Variance with Final Budget Positive (Negative)
REVENUES						
Taxes	\$ 8,363,600	\$ 8,863,600	\$ 7,151,603	\$ 8,200,143	\$ 15,351,746	\$ 6,488,146
Investment income	-	-	42,880	63,148	106,028	106,028
Net change in fair value of investment	-	-	(11,006)	(13,376)	(24,382)	(24,382)
Total Revenues	<u>8,363,600</u>	<u>8,863,600</u>	<u>7,183,477</u>	<u>8,249,915</u>	<u>15,433,392</u>	<u>6,569,792</u>
OTHER FINANCING SOURCES (USES)						
Transfers out	(12,190,883)	(12,690,883)	(7,947,283)	(5,685,100)	(13,632,383)	(941,500)
Total other financing sources (uses)	<u>(12,190,883)</u>	<u>(12,690,883)</u>	<u>(7,947,283)</u>	<u>(5,685,100)</u>	<u>(13,632,383)</u>	<u>(941,500)</u>
Net change in fund balance	(3,827,283)	(3,827,283)	(763,806)	2,564,815	1,801,009	5,628,292
Fund balance-beginning	4,504,932	5,718,034	5,718,034	4,954,228	5,718,034	-
Fund balance-ending	<u>\$ 677,649</u>	<u>\$ 1,890,751</u>	<u>\$ 4,954,228</u>	<u>\$ 7,519,043</u>	<u>\$ 7,519,043</u>	<u>\$ 5,628,292</u>

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FELONY SEIZURE SPECIAL REVENUE FUND
For the year ended December 31, 2016

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual	2016 Actual	Actual 2015-2016 Biennium	Variance with Final Budget Positive (Negative)
REVENUES						
Fines and forfeitures	\$ 6,000	\$ 6,000	\$ 10,801	\$ 75,823	\$ 86,624	\$ 80,624
Investment income	1,200	1,200	494	805	1,299	99
Net change in fair value of investment	-	-	(121)	(408)	(529)	(529)
Total Revenues	<u>7,200</u>	<u>7,200</u>	<u>11,174</u>	<u>76,220</u>	<u>87,394</u>	<u>80,194</u>
EXPENDITURES						
Security of persons and property	-	-	10,540	261	10,800	(10,800)
Total Expenditures	<u>-</u>	<u>-</u>	<u>10,540</u>	<u>261</u>	<u>10,800</u>	<u>(10,800)</u>
Excess (deficiency) of revenues over (under) expenditures	7,200	7,200	634	75,959	76,594	69,394
Net change in fund balance	7,200	7,200	634	75,959	76,594	69,394
Fund balance-beginning	34,765	56,844	56,844	57,479	56,844	-
Fund balance-ending	<u>\$ 41,965</u>	<u>\$ 64,044</u>	<u>\$ 57,478</u>	<u>\$ 133,438</u>	<u>\$ 133,438</u>	<u>\$ 69,394</u>

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
TOURISM SPECIAL REVENUE FUND
For the year ended December 31, 2016

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual	2016 Actual	Actual 2015-2016 Biennium	Variance with Final Budget Positive (Negative)
REVENUES						
Taxes	\$ 774,676	\$ 774,676	\$ 387,138	\$ 406,076	\$ 793,214	\$ 18,538
Investment income	9,855	9,855	4,833	6,194	11,027	1,172
Net change in fair value of investment	-	-	(1,553)	(1,151)	(2,704)	(2,704)
Total Revenues	<u>784,531</u>	<u>784,531</u>	<u>390,418</u>	<u>411,119</u>	<u>801,537</u>	<u>17,006</u>
EXPENDITURES						
Economic development	444,980	444,980	161,552	208,671	370,223	74,757
Capital Outlay	-	-	-	-	-	-
Total Expenditures	<u>444,980</u>	<u>444,980</u>	<u>161,552</u>	<u>208,671</u>	<u>370,223</u>	<u>74,757</u>
Excess (deficiency) of revenues over (under) expenditures	339,551	339,551	228,866	202,448	431,314	91,763
OTHER FINANCING SOURCES (USES)						
Transfers out	(280,000)	(280,000)	(137,863)	(142,137)	(280,000)	-
Total other financing sources (uses)	<u>(280,000)</u>	<u>(280,000)</u>	<u>(137,863)</u>	<u>(142,137)</u>	<u>(280,000)</u>	<u>-</u>
Net change in fund balance	59,551	59,551	91,003	60,311	151,314	91,763
Fund balance-beginning	485,359	488,880	488,880	579,883	488,880	-
Fund balance-ending	<u>\$ 544,910</u>	<u>\$ 548,431</u>	<u>\$ 579,883</u>	<u>\$ 640,194</u>	<u>\$ 640,194</u>	<u>\$ 91,763</u>

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SOLID WASTE RECYCLING SPECIAL REVENUE FUND
For the year ended December 31, 2016

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual	2016 Actual	Actual 2015-2016 Biennium	Variance with Final Budget Positive (Negative)
REVENUES						
Intergovernmental	\$ 267,300	\$ 267,300	\$ 160,590	\$ 104,680	\$ 265,270	\$ (2,030)
Charges for services	1,237,119	1,397,119	553,222	802,582	1,355,804	(41,315)
Investment income	5,359	5,359	4,176	4,506	8,682	3,323
Net change in fair value of investment	-	-	(1,256)	(837)	(2,093)	(2,093)
Miscellaneous	-	-	70,904	(70,649)	255	255
Total Revenues	<u>1,509,778</u>	<u>1,669,778</u>	<u>787,636</u>	<u>840,282</u>	<u>1,627,918</u>	<u>(41,860)</u>
EXPENDITURES						
Physical environment	<u>1,549,058</u>	<u>1,549,058</u>	<u>640,223</u>	<u>833,376</u>	<u>1,473,599</u>	<u>75,459</u>
Total Expenditures	<u>1,549,058</u>	<u>1,549,058</u>	<u>640,223</u>	<u>833,376</u>	<u>1,473,599</u>	<u>75,459</u>
Excess (deficiency) of revenues over (under) expenditures	(39,280)	120,720	147,413	6,906	154,319	33,599
Net change in fund balance	(39,280)	120,720	147,413	6,906	154,319	33,599
Fund balance-beginning	<u>466,405</u>	<u>513,539</u>	<u>513,539</u>	<u>660,952</u>	<u>513,539</u>	<u>-</u>
Fund balance-ending	<u>\$ 427,125</u>	<u>\$ 634,259</u>	<u>\$ 660,952</u>	<u>\$ 667,858</u>	<u>\$ 667,858</u>	<u>\$ 33,599</u>

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
REGULAR LEVY DEBT SERVICE FUND
For the year ended December 31, 2016

	Original Budget 2015-2016	Final Budget 2015-2016	2015 Actual	2016 Actual	Actual 2015-2016 Biennium	Variance with Final Budget Positive (Negative)
REVENUES						
Taxes	\$ 2,513,966	\$ 2,513,966	\$ 1,242,078	\$ 1,271,888	\$ 2,513,966	\$ -
Charges for services	770,447	770,447	384,905	385,541	770,446	(1)
Investment income	-	-	9,091	23,119	32,210	32,210
Net change in fair value of investment	-	-	(2,691)	(5,483)	(8,174)	(8,174)
Miscellaneous	-	-	-	2,429	2,429	2,429
Total Revenues	<u>3,284,413</u>	<u>3,284,413</u>	<u>1,633,383</u>	<u>1,677,494</u>	<u>3,310,877</u>	<u>26,464</u>
EXPENDITURES						
Principal	10,749,112	6,110,000	2,910,000	3,400,000	6,310,000	(200,000)
Interest	1,830	5,292,749	2,463,314	2,312,248	4,775,562	517,187
Total Expenditures	<u>10,750,942</u>	<u>11,402,749</u>	<u>5,373,314</u>	<u>5,712,248</u>	<u>11,085,562</u>	<u>317,187</u>
Excess (deficiency) of revenues over (under) expenditures	(7,466,529)	(8,118,336)	(3,739,931)	(4,034,754)	(7,774,685)	343,651
OTHER FINANCING SOURCES (USES)						
G.O. bonds proceeds	-	6,000,000	-	6,000,000	6,000,000	-
Premium on G.O. bonds issued	-	1,052,491	-	1,052,491	1,052,491	-
Refunding bonds issued	-	23,057,525	9,280,000	11,630,000	20,910,000	(2,147,525)
Premium on refunding bonds issued	-	-	716,063	1,431,462	2,147,525	2,147,525
Payment to refunded bond escrow agent	-	(22,856,349)	(9,996,063)	(12,964,924)	(22,960,987)	(104,638)
Transfers in	7,464,698	7,867,387	4,774,341	5,002,682	9,777,023	1,909,636
Transfers out	-	(7,000,000)	-	(7,000,000)	(7,000,000)	-
Total other financing sources (uses)	<u>7,464,698</u>	<u>8,121,054</u>	<u>4,774,341</u>	<u>5,151,711</u>	<u>9,926,052</u>	<u>1,804,998</u>
Net change in fund balance	(1,831)	2,718	1,034,410	1,116,957	2,151,367	2,148,649
Fund balance-beginning	29,396	31,197	31,197	1,065,607	31,197	-
Fund balance-ending	<u>\$ 27,565</u>	<u>\$ 33,915</u>	<u>\$ 1,065,607</u>	<u>\$ 2,182,564</u>	<u>\$ 2,182,564</u>	<u>\$ 2,148,649</u>

Internal Service Funds

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to another department or agency of the City.

The **Fleet Maintenance Fund** accounts for the cost of maintaining all City vehicles and construction equipment except fire equipment. All costs, including depreciation, are included in establishing the rate to be charged to each department.

The **Insurance Fund** accounts for the payment of all City insurance premiums and claims for which each City department is charged.

The **Medical Self-Insurance Fund** accounts for all revenues, expenses and reserves associated with the City's medical self-insurance program.

The **Worker's Compensation Fund** accounts for all revenues, expenses, and reserves associated with the City's self-insurance program workman's compensation.

The **Information Technology Fund** accounts for the costs of information technology implementation, management, and support for all City departments.

CITY OF REDMOND
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 December 31, 2016

Page 1 of 2

	Fleet Maintenance	Insurance	Medical Self-Insurance
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,046,957	\$ 176,468	\$ 1,946,057
Investments	4,410,742	746,226	8,229,218
Receivables:			
Interest	12,726	2,153	23,746
Inventory	35,885	-	-
Prepaid Insurance	-	478,408	-
Total current assets	5,506,310	1,403,255	10,199,021
Noncurrent assets:			
Land	584,292	-	-
Construction in progress	27,248	-	-
Buildings	510,196	-	-
Improvements other than buildings	248,876	-	-
Equipment	12,678,081	-	-
Less accumulated depreciation	(9,207,186)	-	-
Total capital assets (net of depreciation)	4,841,507	-	-
Total noncurrent assets	4,841,507	-	-
Total Assets	\$ 10,347,817	\$ 1,403,255	\$ 10,199,021
Deferred outflow of resources:			
Pension GASB 68	81,490	8,126	142
Total deferred outflows	81,490	8,126	142
Total assets and deferred outflows	10,429,307	1,411,381	10,199,163
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 48,782	\$ 37,921	\$ 930,846
Employee wages payable	25,772	2,196	-
Compensated absences	49,544	4,833	-
Due to other governments	-	-	-
Total current liabilities	124,098	44,950	930,846
Noncurrent liabilities:			
Compensated absences	12,386	1,208	-
Net Pension Liability	436,444	45,331	1,157
Total noncurrent liabilities	448,830	46,539	1,157
Total Liabilities	572,928	91,489	932,003
Deferred inflow of resources:			
Pension GASB 68	(1,597)	650	177
Total deferred inflows	(1,597)	650	177
Total liabilities and deferred inflows	571,331	92,139	932,180
NET POSITION			
Net investment in capital assets	4,841,507	-	-
Unrestricted	5,016,469	1,319,242	9,266,983
Total net position	\$ 9,857,976	\$ 1,319,242	\$ 9,266,983

The notes to the financial statements are an integral part of this statement.

CITY OF REDMOND
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 December 31, 2016

Page 2 of 2

	Workers' Compensation	Information Technology	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 185,453	\$ 258,924	\$ 3,613,859
Investments	784,221	1,096,957	15,267,364
Receivables:			
Interest	2,263	3,166	44,054
Inventory	-	-	35,885
Prepaid Insurance	-	-	478,408
Total current assets	971,937	1,359,047	19,439,570
Noncurrent assets:			
Land	-	-	584,292
Construction in progress	-	113,519	140,767
Buildings	-	205,590	715,786
Improvements other than buildings	-	107,322	356,198
Equipment	-	793,500	13,471,581
Less accumulated depreciation	-	(390,608)	(9,597,794)
Total capital assets (net of depreciation)	-	829,323	5,670,830
Total noncurrent assets	-	829,323	5,670,830
Total Assets	\$ 971,937	\$ 2,188,370	\$ 25,110,400
Deferred outflow of resources:			
Pension GASB 68	19,425	384,813	493,996
Total deferred outflows	19,425	384,813	493,996
Total assets and deferred outflows	991,362	2,573,183	25,604,396
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 218,383	\$ 297,160	\$ 1,533,092
Employee wages payable	4,253	120,654	152,875
Compensated absences	6,204	159,671	220,252
Due to other governments	49,999	-	49,999
Total current liabilities	278,839	577,485	1,956,218
Noncurrent liabilities:			
Compensated absences	1,551	39,918	55,063
Net Pension Liability	91,599	2,247,247	2,821,778
Total noncurrent liabilities	93,150	2,287,165	2,876,841
Total Liabilities	371,989	2,864,650	4,833,059
Deferred inflow of resources:			
Pension GASB 68	(5,952)	75,948	69,226
Total deferred inflows	(5,952)	75,948	69,226
Total liabilities and deferred inflows	366,037	2,940,598	4,902,285
NET POSITION			
Net investment in capital assets	-	829,323	5,670,830
Unrestricted	625,325	(1,196,738)	15,031,281
Total net position	\$ 625,325	\$ (367,415)	\$ 20,702,111

The notes to the financial statements are an integral part of this statement.

CITY OF REDMOND
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 For the year ended December 31, 2016

Page 1 of 2

	Fleet Maintenance	Insurance	Medical Self-Insurance
Operating revenues:			
Charges for services	\$ 73,170	\$ 1,084,229	\$ 10,886,476
Charges for replacement	2,458,497	-	-
Charges for insurance	-	-	-
Total operating revenues	2,531,667	1,084,229	10,886,476
Operating expenses:			
Supplies	214,769	-	-
Maintenance and operations	1,283,049	1,017,365	11,824,064
Depreciation and amortization	987,275	-	-
Total Operating Expenses	2,485,093	1,017,365	11,824,064
Operating income (loss)	46,574	66,864	(937,588)
Nonoperating revenues (expenses):			
Interest and investment revenue	45,800	8,670	89,532
Net change in fair value of the investment	(8,121)	(1,534)	(11,346)
Gain (Loss) on disposal of capital assets	206,035	-	-
Insurance recovery	-	203,756	291,997
Lease and other revenue	7,125	-	328,362
Total nonoperating revenues (expenses)	250,839	210,892	698,545
Income (loss) before contributions and transfers	297,413	277,756	(239,043)
Transfers out	-	-	(168,076)
Change in net position	297,413	277,756	(407,119)
Total net position - beginning, as previously reported	9,560,563	1,041,486	9,674,102
Total net position - ending	\$ 9,857,976	\$ 1,319,242	\$ 9,266,983

The notes to the financial statements are an integral part of this statement.

CITY OF REDMOND
 COMBINING STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 For the year ended December 31, 2016

Page 2 of 2

	Workers' Compensation	Information Technology	Total
Operating revenues:			
Charges for services	\$ -	\$ 4,830,458	\$ 16,874,333
Charges for replacement	-	-	2,458,497
Charges for insurance	1,184,996	-	1,184,996
Total operating revenues	1,184,996	4,830,458	20,517,826
Operating expenses:			
Supplies	130	123,786	338,685
Maintenance and operations	1,055,682	5,274,879	20,455,039
Depreciation and amortization	-	113,866	1,101,141
Total Operating Expenses	1,055,812	5,512,531	21,894,865
Operating income (loss)	129,184	(682,073)	(1,377,039)
Nonoperating revenues (expenses):			
Interest and investment revenue	7,513	11,763	163,278
Net change in fair value of the investment	(1,586)	(17)	(22,604)
Gain (Loss) on disposal of capital assets	-	-	206,035
Insurance recovery	-	-	495,753
Lease and other revenue	-	-	335,487
Total nonoperating revenues (expenses)	5,927	11,746	1,177,949
Income (loss) before contributions and transfers	135,111	(670,327)	(199,090)
Transfers out	-	-	(168,076)
Change in net position	135,111	(670,327)	(367,166)
Total net position - beginning, as previously reported	490,214	302,912	21,069,277
Total net position - ending	\$ 625,325	\$ (367,415)	\$ 20,702,111

The notes to the financial statements are an integral part of this statement.

CITY OF REDMOND
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 For the Year Ended December 31, 2016

Page 1 of 2

	Fleet Maintenance	Insurance	Medical Self-Insurance
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 73,172	\$ 1,084,231	\$ 10,967,252
Cash received for replacement	2,458,495	-	-
Cash payments to suppliers	(680,987)	(1,059,516)	(596,439)
Cash payments to employees	(627,788)	(54,218)	(11,294,615)
Cash payments to other governments	(149)	-	-
Internal activity - payments to other funds	(198,010)	(17,746)	-
Other operating receipts	(998)	(92)	-
Net cash provided (used) by operating activities	1,023,735	(47,341)	(923,802)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in/transfers out	-	-	(168,076)
Other non-operating revenues (expenses)	7,125	203,756	620,368
Net cash provided by noncapital financing activities	7,125	203,756	452,292
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(677,008)	-	-
Proceeds from sale of capital assets	206,035	-	-
Net cash provided (used) for capital and related financing activities	(470,973)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Internal activity, net investment purchases	(214,151)	(90,591)	892,968
Interest on investments	34,432	6,471	75,192
Net cash provided (used) in investing activities	(179,719)	(84,120)	968,160
Net increase (decrease) in cash and cash equivalents	380,168	72,295	496,650
Cash and cash equivalents-beginning of year	666,789	104,173	1,449,407
Cash and cash equivalents-end of year	\$ 1,046,957	\$ 176,468	\$ 1,946,057
Cash and cash equivalents			
Operating fund cash	\$ 1,046,957	\$ 176,468	\$ 1,946,057
Cash and cash equivalents-end of year	\$ 1,046,957	\$ 176,468	\$ 1,946,057

Reconciliation of operating income to net cash provided by operating activities:

Operating income (loss)	\$ 46,576	\$ 66,866	\$ (937,595)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	987,275	-	-
Decrease (increase) in accounts receivable	-	-	80,783
Decrease (increase) in inventory	1,127	-	-
Decrease (increase) in prepaid expenses	-	(25,237)	-
Increase (decrease) in accounts payable	(18,940)	(88,724)	(66,748)
Increase (decrease) due to other governments	(149)	-	-
Increase (decrease) in employee wages payable	2,187	84	(11)
Increase (decrease) in compensated absences payable	6,657	(238)	(231)
Increase (decrease) in GASB 68 Adjustment	(998)	(92)	-
Net cash provided (used) by operating activities	\$ 1,023,735	\$ (47,341)	\$ (923,802)

Noncash investing, capital and financing activities:

Fair value of investments decreased by	(19,123)	(3,235)	(35,678)
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The notes to the financial statements are an integral part of this statement

CITY OF REDMOND
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 For the Year Ended December 31, 2016

Page 2 of 2

	Workers' Compensation	Information Technology	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,184,997	\$ 4,830,460	\$ 18,140,112
Cash received for replacement	-	-	2,458,495
Cash payments to suppliers	(216,094)	(2,069,147)	(4,622,183)
Cash payments to employees	(811,132)	(2,963,419)	(15,751,172)
Cash payments to other governments	15,335	-	15,186
Internal activity - payments to other funds	(16,971)	(339,107)	(571,834)
Other operating receipts	(292)	(3,913)	(5,295)
Net cash provided (used) by operating activities	155,843	(545,126)	(336,691)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in/transfers out	-	-	(168,076)
Other non-operating revenues (expenses)	-	-	831,249
Net cash provided by noncapital financing activities	-	-	663,173
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(108,941)	(785,949)
Proceeds from sale of capital assets	-	-	206,035
Net cash provided (used) for capital and related financing activities	-	(108,941)	(579,914)
CASH FLOWS FROM INVESTING ACTIVITIES			
Internal activity, net investment purchases	(86,494)	627,077	1,128,809
Interest on investments	5,243	11,985	133,323
Net cash provided (used) in investing activities	(81,251)	639,062	1,262,132
Net increase (decrease) in cash and cash equivalents	74,592	(15,005)	1,008,700
Cash and cash equivalents-beginning of year	110,861	273,929	2,605,159
Cash and cash equivalents-end of year	\$ 185,453	\$ 258,924	\$ 3,613,859
Cash and cash equivalents			
Operating fund cash	\$ 185,453	\$ 258,924	\$ 3,613,859
Cash and cash equivalents-end of year	\$ 185,453	\$ 258,924	\$ 3,613,859

Reconciliation of operating income to net cash provided by operating activities:

Operating income (loss)	\$ 129,185	\$ (682,071)	\$ (1,377,039)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	-	113,866	1,101,141
Decrease (increase) in accounts receivable	-	-	80,783
Decrease (increase) in inventory	-	-	1,127
Decrease (increase) in prepaid expenses	-	-	(25,237)
Increase (decrease) in accounts payable	8,139	169,478	3,205
Increase (decrease) due to other governments	15,335	-	15,186
Increase (decrease) in employee wages payable	1,257	(150,307)	(146,790)
Increase (decrease) in compensated absences payable	2,219	7,821	16,228
Increase (decrease) in GASB 68 Adjustment	(292)	(3,913)	(5,295)
Net cash provided (used) by operating activities	\$ 155,843	\$ (545,126)	\$ (336,691)

Noncash investing, capital and financing activities:

Fair value of investments decreased by	(3,400)	(4,756)	(66,192)
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The notes to the financial statements are an integral part of this statement

Agency Funds

Agency Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

The **Intergovernmental Custodial Fund** accounts for revenues which are transferred to other governmental agencies.

The **Municipal Employees Benefit Trust (MEBT)** accounts for retirement monies until they are transferred to an investment firm. In 1975, City employees voted to replace the Federal Social Security Program with this private retirement plan.

The **Contractor's Deposit Fund** accounts for cash bond deposits received from contractors or private parties and amounts retained from contractor's payments on City projects as a performance guarantee.

CITY OF REDMOND
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 AGENCY FUNDS
 December 31, 2016

	Inter- Governmental Custodial	MEBT	Contractor's Deposits	Redmond Community Facilities District 2014-1*	Total
ASSETS					
Cash and cash equivalents	\$ 135,975	\$ 80,791	\$ 1,205,915	\$ -	\$ 1,422,681
Accounts receivable	5,608	-	-	-	5,608
Investments	576,964	342,809	63,808	-	983,581
Total assets	<u>\$ 718,547</u>	<u>\$ 423,600</u>	<u>\$ 1,269,723</u>	<u>\$ -</u>	<u>\$ 2,411,870</u>
LIABILITIES					
Due to other governments	\$ 718,547	\$ -	\$ -	\$ -	\$ 718,547
Custodial	-	423,600	-	-	423,600
Trust account	-	-	1,269,723	-	1,269,723
Total liabilities	<u>\$ 718,547</u>	<u>\$ 423,600</u>	<u>\$ 1,269,723</u>	<u>\$ -</u>	<u>\$ 2,411,870</u>

* The Redmond Community Facilities District 2014-1 is now reported as a blended component unit in the governmental Capital Improvements Program Fund. See Note 17 Accounting and Reporting Changes and Note 19 Prior Period Adjustments for more information.

CITY OF REDMOND
 COMBINING STATEMENT OF CHANGES
 IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended December 31, 2016

	1/1/16 BALANCE	ADDITIONS	DELETIONS	12/31/16 BALANCE
INTERGOVERNMENTAL CUSTODIAL				
ASSETS				
Cash and cash equivalents	\$ 36,817	\$ 3,048,710	\$ 2,949,552	\$ 135,975
Investments	232,397	1,049,037	704,470	576,964
Accounts receivable	-	5,608	-	5,608
Total Assets	<u>\$ 269,214</u>	<u>\$ 4,103,355</u>	<u>\$ 3,654,022</u>	<u>\$ 718,547</u>
LIABILITIES				
Accounts payable	\$ (1,779)	\$ 1,779	\$ -	\$ -
Due to other governments	270,993	5,173,242	4,725,688	718,547
Total Liabilities	<u>\$ 269,214</u>	<u>\$ 5,175,021</u>	<u>\$ 4,725,688</u>	<u>\$ 718,547</u>
MEBT				
ASSETS				
Cash and cash equivalents	\$ 51,975	\$ 10,258,803	\$ 10,229,987	\$ 80,791
Investments	328,079	1,850,744	1,836,014	342,809
Total Assets	<u>\$ 380,054</u>	<u>\$ 12,109,547</u>	<u>\$ 12,066,001</u>	<u>\$ 423,600</u>
LIABILITIES				
Custodial	\$ 380,054	\$ 8,845,983	\$ 8,802,437	\$ 423,600
Total Liabilities	<u>\$ 380,054</u>	<u>\$ 8,845,983</u>	<u>\$ 8,802,437</u>	<u>\$ 423,600</u>
REDMOND COMMUNITY FACILITIES DISTRICT 2014-1*				
ASSETS				
Cash and cash equivalents	\$ 1,691,749	\$ -	\$ 1,691,749	\$ -
Investments	10,647,423	-	10,647,423	-
Interest receivable	24,222	-	24,222	-
Construction in progress	938,943	-	938,943	-
Total Assets	<u>\$ 13,302,337</u>	<u>\$ -</u>	<u>\$ 13,302,337</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ 727	\$ -	\$ 727	\$ -
Custodial	13,301,610	-	13,301,610	-
Total Liabilities	<u>\$ 13,302,337</u>	<u>\$ -</u>	<u>\$ 13,302,337</u>	<u>\$ -</u>
CONTRACTORS DEPOSIT				
ASSETS				
Cash and cash equivalents	\$ 964,648	\$ 1,309,107	\$ 1,067,840	\$ 1,205,915
Investments	219,215	509,105	664,512	63,808
Total Assets	<u>\$ 1,183,863</u>	<u>\$ 1,818,212</u>	<u>\$ 1,732,352</u>	<u>\$ 1,269,723</u>
LIABILITIES				
Trust account	\$ 1,183,863	\$ 1,209,650	\$ 1,123,790	\$ 1,269,723
Accounts payable	-	-	-	-
Total Liabilities	<u>\$ 1,183,863</u>	<u>\$ 1,209,650</u>	<u>\$ 1,123,790</u>	<u>\$ 1,269,723</u>
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 2,745,189	\$ 14,616,620	\$ 15,939,128	\$ 1,422,681
Investments	11,427,114	3,408,886	13,852,419	983,581
Accounts receivable	-	5,608	-	5,608
Interest receivable	24,222	-	24,222	-
Construction in progress	938,943	-	938,943	-
Total Assets	<u>\$ 15,135,468</u>	<u>\$ 18,031,114</u>	<u>\$ 30,754,712</u>	<u>\$ 2,411,870</u>
LIABILITIES				
Accounts payable	\$ (1,052)	\$ 1,779	\$ 727	\$ -
Due to other governments	270,993	5,173,242	4,725,688	718,547
Custodial	13,681,664	8,845,983	22,104,047	423,600
Trust accounts	1,183,863	1,209,650	1,123,790	1,269,723
Total Liabilities	<u>\$ 15,135,468</u>	<u>\$ 15,230,654</u>	<u>\$ 27,954,252</u>	<u>\$ 2,411,870</u>

* The Redmond Community Facilities District 2014-1 is now reported as a blended component unit in the governmental Capital Improvements Program Fund. See Note 17 Accounting and Reporting Changes and Note 19 Prior Period Adjustments for more information.

CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL FUNDS

CITY OF REDMOND
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 COMPARATIVE SCHEDULES BY SOURCE
 DECEMBER 31, 2016 and 2015

	2016	2015
Governmental funds capital assets:		
Land	\$ 133,745,387	\$ 125,880,008
Buildings	75,586,091	75,576,215
Improvements other than buildings	34,268,448	32,940,285
Machinery and equipment	19,019,422	15,228,675
Artwork	548,878	548,878
Infrastructure	273,895,893	260,666,965
Construction in progress	29,484,570	17,534,392
Total governmental funds capital assets	\$ 566,548,689	\$ 528,375,418
Investments in governmental funds capital assets by source:		
General fund	\$ 333,601,295	\$ 318,438,721
Special revenue funds	9,345,121	9,774,658
Impact fees	50,123,406	39,732,184
Federal grants	26,684,657	19,139,505
General obligation bonds	80,669,373	87,669,373
Private gifts	66,124,837	53,620,977
Total governmental funds capital assets	\$ 566,548,689	\$ 528,375,418

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

CITY OF REDMOND
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
December 31, 2016

Page 1 of 2

Function and Activity	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>	<u>Machinery and Equipment</u>
General government				
Finance	\$ -	\$ -	\$ -	\$ 3,749,428
Planning	-	-	-	1,234,940
General government	42,538,161	36,574,075	8,140,840	(1,134,953)
Public works/general	<u>4,227,462</u>	<u>2,592,361</u>	<u>319,688</u>	<u>242,122</u>
Total general government	<u>46,765,623</u>	<u>39,166,436</u>	<u>8,460,528</u>	<u>4,091,537</u>
Security				
Police	-	7,531,872	92,458	2,154,054
Fire	<u>3,263,488</u>	<u>17,930,731</u>	<u>287,807</u>	<u>11,796,954</u>
Total security	<u>3,263,488</u>	<u>25,462,603</u>	<u>380,265</u>	<u>13,951,008</u>
Transportation	<u>45,460,834</u>	<u>-</u>	<u>-</u>	<u>319,783</u>
Culture and recreation				
Parks and recreation	38,148,629	9,134,527	25,227,655	623,435
Senior center	<u>106,814</u>	<u>1,822,525</u>	<u>200,000</u>	<u>33,660</u>
Total culture and recreation	<u>38,255,443</u>	<u>10,957,052</u>	<u>25,427,655</u>	<u>657,095</u>
Total governmental funds capital assets	<u>\$ 133,745,388</u>	<u>\$ 75,586,091</u>	<u>\$ 34,268,448</u>	<u>\$ 19,019,423</u>

CITY OF REDMOND
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 December 31, 2016

Page 2 of 2

Function and Activity	<u>Artwork</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General government				
Finance	\$ -	\$ -	\$ -	\$ 3,749,428
Planning	-	-	404,454	1,639,394
General government	92,998	15,154,300	(15,616,623)	85,748,798
Public works/general	-	-	(2,734,707)	4,646,926
Total general government	<u>92,998</u>	<u>15,154,300</u>	<u>(17,946,876)</u>	<u>95,784,546</u>
Security				
Police	-	-	10,566,294	20,344,678
Fire	-	-	165,157	33,444,137
Total security	<u>-</u>	<u>-</u>	<u>10,731,451</u>	<u>53,788,815</u>
Transportation	<u>-</u>	<u>250,253,067</u>	<u>31,397,946</u>	<u>327,431,630</u>
Culture and recreation				
Parks and recreation	455,879	8,488,525	5,302,049	87,380,699
Senior center	-	-	-	2,162,999
Total culture and recreation	<u>455,879</u>	<u>8,488,525</u>	<u>5,302,049</u>	<u>89,543,698</u>
Total governmental funds capital assets	<u>\$ 548,877</u>	<u>\$ 273,895,892</u>	<u>\$ 29,484,570</u>	<u>\$ 566,548,689</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

CITY OF REDMOND
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
 DECEMBER 31, 2016

Function and Activity	Governmental Funds Capital Assets 1-1-2016	Additions	Deductions	Governmental Funds Capital Assets 12-31-2016
General government				
Finance	\$ 3,449,723	\$ 299,705	\$ -	\$ 3,749,428
Planning	1,465,699	173,695	-	1,639,394
General government	75,511,657	10,313,873	76,732	85,748,798
Public works/general	7,157,968	1,152,008	3,663,050	4,646,926
Total general government	<u>87,585,047</u>	<u>11,939,281</u>	<u>3,739,782</u>	<u>95,784,546</u>
Security				
Police	14,108,425	6,236,253	-	20,344,678
Fire	30,247,090	4,723,705	1,526,658	33,444,137
Total security	<u>44,355,515</u>	<u>10,959,958</u>	<u>1,526,658</u>	<u>53,788,815</u>
Transportation	<u>309,115,481</u>	<u>26,708,297</u>	<u>8,392,149</u>	<u>327,431,629</u>
Culture and recreation				
Parks and recreation	85,156,376	4,228,517	2,004,193	87,380,700
Senior center	2,162,999	-	-	2,162,999
Total culture and recreation	<u>87,319,375</u>	<u>4,228,517</u>	<u>2,004,193</u>	<u>89,543,699</u>
Total governmental funds capital assets	<u>\$ 528,375,418</u>	<u>\$ 53,836,053</u>	<u>\$ 15,662,782</u>	<u>\$ 566,548,689</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.

Statistical Section

This part of the City of Redmond's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	121
Revenue Capacity These schedules contain information to help the reader assess the City's tax revenue sources.	127
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	132
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	139
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	141

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

Schedule 1

Net Position by Component (in thousands)

Last Ten Fiscal Years

Accrual Basis of Accounting

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 231,771	\$ 238,895	\$ 256,114	\$ 257,663	\$ 266,802	\$ 276,636	\$ 281,614	\$ 292,662	\$ 334,538	\$ 366,768
Restricted	24,320	24,203	25,938	29,689	24,278	23,862	32,721	33,146	42,938	85,499
Unrestricted	67,326	77,758	83,798	57,264	60,788	59,691	55,938	56,107	27,885	41,138
Total governmental activities net position	\$ 323,417	\$ 340,856	\$ 365,850	\$ 344,616	\$ 351,868	\$ 360,189	\$ 370,273	\$ 381,915	\$ 405,361	\$ 493,405
Business-type activities										
Net investment in capital assets	\$ 212,565	\$ 228,193	\$ 234,272	\$ 242,798	\$ 256,195	\$ 264,018	\$ 282,586	\$ 287,209	\$ 304,494	\$ 312,718
Restricted	-	7,686	1,372	2,221	2,221	3,367	3,851	6,917	6,917	8,917
Unrestricted	35,988	37,126	48,280	51,970	50,415	57,802	58,123	70,999	67,158	76,141
Total business-type activities net position	\$ 248,553	\$ 273,005	\$ 283,924	\$ 296,989	\$ 308,831	\$ 325,187	\$ 344,560	\$ 365,125	\$ 378,569	\$ 397,776
Primary government										
Net investment in capital assets	\$ 444,336	\$ 467,088	\$ 490,386	\$ 500,461	\$ 522,997	\$ 540,654	\$ 564,200	\$ 579,871	\$ 639,032	\$ 679,486
Restricted	24,320	31,889	27,310	31,910	49,458	27,229	36,572	40,063	49,855	94,416
Unrestricted	103,314	114,884	132,078	109,234	88,244	117,493	114,061	127,106	95,043	117,279
Total primary government net position	\$ 571,970	\$ 613,861	\$ 649,774	\$ 641,605	\$ 660,699	\$ 685,376	\$ 714,833	\$ 747,040	\$ 783,930	\$ 891,181

Schedule 2

Changes in Net Position (in thousands)

Last Ten Fiscal Years

Accrual Basis of Accounting

Page 1 of 2

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 13,390	\$ 14,823	\$ 18,222	\$ 19,571	\$ 22,195	\$ 16,791	\$ 18,474	\$ 16,852	\$ 21,021	\$ 22,767
Security	41,105	40,940	40,319	36,764	37,563	45,901	46,494	46,622	49,832	53,615
Physical Environment	3,360	3,962	3,763	5,283	4,382	3,197	2,991	2,950	286	-
Economic environment	3,488	3,689	4,664	5,719	5,155	4,979	4,738	4,984	5,851	6,509
Transportation	10,616	16,502	16,530	42,052	13,093	14,695	12,240	12,645	13,339	13,327
Mental/physical health	98	97	12	13	890	-	-	-	-	-
Culture and Recreation	9,551	11,104	11,103	14,457	12,819	12,080	12,677	12,754	12,358	12,065
Interest on long-term debt	1,990	2,045	1,891	1,813	3,506	3,310	2,433	2,837	2,731	2,615
Total governmental activities expenses	83,598	93,162	96,504	125,672	99,603	100,953	100,047	99,644	105,418	110,898
Business-type activities:										
Water/wastewater	22,528	26,467	27,085	25,191	27,519	28,397	30,505	31,032	32,592	34,227
UPD Water/wastewater	5,466	5,908	4,963	5,542	5,752	6,121	5,988	5,981	5,900	5,887
Stormwater	6,188	6,580	6,746	6,407	7,061	7,249	6,935	7,581	7,989	9,216
Total business-type activities net position	34,182	38,955	38,794	37,140	40,332	41,767	43,428	44,594	46,481	49,330
Total primary government expenses	\$ 117,780	\$ 132,117	\$ 135,298	\$ 162,812	\$ 139,935	\$ 142,720	\$ 143,475	\$ 144,238	\$ 151,899	\$ 160,228
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 3,040	\$ 3,066	\$ 3,198	\$ 3,355	\$ 8,640	\$ 3,738	\$ 3,416	\$ 3,331	\$ 3,114	\$ 3,122
Security	13,223	13,881	15,764	13,776	15,825	16,450	15,566	15,140	17,993	16,442
Physical Environment	372	379	421	468	590	1,032	1,025	553	-	-
Economic environment	12,874	14,256	16,573	9,132	3,491	13,487	14,649	14,857	15,142	24,642
Transportation	1,398	433	13	11	2,971	1,129	1,203	1,242	392	372
Culture and Recreation	1,774	1,793	2,050	2,171	3,351	2,555	2,284	2,587	2,713	2,651
Operating grants and contributions	5,903	7,383	2,830	8,334	760	4,571	1,350	1,718	1,898	3,841
Capital grants and contributions	5,227	5,240	19,834	3,419	2,513	1,648	3,180	4,147	3,913	5,003
Total governmental activities program revenues	43,811	46,431	60,683	40,666	37,551	44,168	42,680	44,047	45,718	56,073

Schedule 2 (continued)

Changes in Net Position (in thousands)

Last Ten Fiscal Years

Accrual Basis of Accounting

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-type activities:										
Charges for services:										
Water/wastewater	26,127	24,960	26,577	25,451	27,977	29,688	32,747	33,055	35,637	35,665
UPD Water/wastewater	5,525	5,098	4,829	5,362	5,850	6,600	6,682	6,798	6,947	6,428
Stormwater	11,315	10,715	10,656	11,002	11,154	11,117	11,494	11,737	11,961	12,393
Operating grants and contributions	523	19	58	602	599	1,194	5,013	5,678	2,671	787
Capital grants and contributions	21,160	20,735	6,681	7,060	6,403	9,449	6,900	8,442	8,433	13,779
Total business-type activities										
program revenues	64,650	61,527	48,801	49,477	51,983	58,048	62,836	65,710	65,649	69,052
Total primary government										
program revenues	\$ 108,461	\$ 107,958	\$ 109,484	\$ 90,143	\$ 89,534	\$ 102,216	\$ 105,516	\$ 109,757	\$ 111,367	\$ 125,125

Net (Expense)/Revenue

Governmental activities	\$ (39,787)	\$ (46,733)	\$ (35,821)	\$ (85,007)	\$ (62,080)	\$ (56,786)	\$ (57,368)	\$ (55,597)	\$ (59,700)	\$ (54,825)
Business-type activities	30,470	22,571	10,007	12,337	11,180	16,280	19,408	21,116	19,168	19,722
Total primary government net expense	(9,317)	(24,162)	(25,814)	(72,670)	(50,900)	(40,506)	(37,960)	(34,481)	(40,532)	(35,103)

General Revenues and Other Changes in Net Position

Governmental Activities:

Taxes

Property taxes	13,039	18,589	19,446	20,930	21,978	22,611	22,234	22,817	23,564	23,967
Sales taxes	24,420	20,675	18,996	19,038	24,895	20,722	22,584	22,131	25,385	27,979
Other	27,404	19,578	19,263	18,664	19,338	20,221	20,473	19,396	23,170	24,490
Investment interest	5,135	4,087	2,087	1,114	937	632	162	836	765	1,896
Miscellaneous	4,203	1,121	1,008	4,103	2,063	1,049	1,991	1,136	1,682	18,217
Contribution/disposal of capital assets	(384)	121	14	(76)	88	118	7	922	3,198	14,775
Transfers	-	-	-	-	-	-	-	-	-	-
Total governmental activities	73,817	64,171	60,814	63,773	69,299	65,353	67,451	67,238	77,764	111,324

Business-type activities:

Investment interest	1,668	1,740	737	623	519	(9)	227	400	434	(690)
Miscellaneous	143	140	176	105	143	177	(262)	(950)	(694)	175
Transfers	-	-	-	-	-	-	-	-	-	-
Total business-type activities	1,811	1,880	913	728	662	168	(35)	(550)	(260)	(515)
Total primary government	\$ 75,628	\$ 66,051	\$ 61,727	\$ 64,501	\$ 69,961	\$ 65,521	\$ 67,416	\$ 66,688	\$ 77,504	\$ 110,809

Change in Net Position

Governmental activities	\$ 34,030	\$ 17,439	\$ 24,994	\$ (21,234)	\$ 7,252	\$ 8,566	\$ 10,084	\$ 11,641	\$ 18,064	\$ 56,499
Business-type activities	32,280	24,452	10,919	13,065	11,842	16,449	19,373	20,566	18,908	19,207
Total primary government	\$ 66,310	\$ 41,891	\$ 35,913	\$ (8,169)	\$ 19,094	\$ 25,015	\$ 29,457	\$ 32,207	\$ 36,972	\$ 75,706

Schedule 3

Fund Balances, Governmental Funds (in thousands)

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 32	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	14,653	16,177	6,489	4,504	-	-	-	-	-	-
Nonspendable**	-	-	-	-	-	-	-	-	-	-
Spendable**:										
Restricted	-	-	-	-	6,139	7,087	7,083	7,380	7,106	6,379
Committed	-	-	-	-	16,689	8,266	8,997	8,947	9,442	6,462
Assigned	-	-	-	-	-	11,472	12,364	10,166	11,019	11,937
Unassigned	-	-	-	-	11,105	11,977	8,792	8,324	9,601	13,781
Total*	<u>\$ 14,685</u>	<u>\$ 16,177</u>	<u>\$ 6,489</u>	<u>\$ 4,504</u>	<u>\$ 33,933</u>	<u>\$ 38,802</u>	<u>\$ 37,236</u>	<u>\$ 34,817</u>	<u>\$ 37,168</u>	<u>\$ 38,559</u>
All Other Governmental Funds										
Reserved	\$ 1,608	\$ 1,526	\$ 1,244	\$ 273	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	32,280	38,603	31,914	27,499	-	-	-	-	-	-
Capital projects funds	37,125	47,384	61,866	47,277	-	-	-	-	-	-
Nonspendable**	-	-	-	-	-	-	-	-	-	-
Spendable**:										
Restricted	-	-	-	-	20,752	16,775	25,638	25,220	24,163	24,696
Committed	-	-	-	-	23,029	-	1,222	1,014	1,437	1,767
Assigned	-	-	-	-	-	20,542	16,929	18,777	12,109	22,502
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds*:	<u>\$ 71,013</u>	<u>\$ 87,513</u>	<u>\$ 95,024</u>	<u>\$ 75,049</u>	<u>\$ 43,781</u>	<u>\$ 37,317</u>	<u>\$ 43,789</u>	<u>\$ 45,011</u>	<u>\$ 37,709</u>	<u>\$ 48,965</u>

*In 2011 The substantial increase in the fund balance of the General Fund and decrease in the fund balance of All Other Governmental Funds resulted from the implementation of GASB 54.

**Starting with the fiscal year ending December 31, 2011 the City implemented GASB 54 which required a new classification for fund balances.

Schedule 4

Changes in Fund Balances, Governmental Funds

(in thousands)

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

Page 1 of 2

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 64,271	\$ 58,256	\$ 57,101	\$ 57,958	\$ 66,211	\$ 63,555	\$ 65,291	\$ 64,344	\$ 72,119	\$ 76,436
Licenses and permits	9,920	8,297	7,057	6,523	6,510	7,509	8,871	9,168	10,924	11,693
Contributions from property owners	3,677	2,629	10,554	6,474	270	987	518	470	173	169
Intergovernmental	17,459	18,077	26,569	18,465	18,404	19,999	19,907	21,669	7,361	8,675
Charges for services	9,258	12,325	15,448	8,880	9,860	13,046	12,571	12,102	26,631	34,891
Fines and forfeitures	826	864	1,053	1,038	2,204	1,952	812	637	629	645
Investment income	4,406	3,752	2,237	1,238	856	514	(18)	525	466	757
Miscellaneous	1,256	1,298	1,045	601	972	917	611	1,463	915	2,063
Total revenues	111,073	105,498	121,064	101,177	105,287	108,479	108,563	110,378	119,218	135,329
Expenditures										
General government	12,384	13,785	18,087	15,132	12,943	14,948	15,391	14,621	16,414	16,277
Security (persons/property)	40,155	39,775	43,229	41,858	42,191	44,126	44,583	47,251	51,181	51,947
Physical environment	3,382	3,817	3,728	3,475	4,405	3,098	3,038	3,249	657	-
Transportation	6,712	6,685	9,260	6,552	8,200	8,958	8,097	8,063	10,045	10,642
Economic environment	3,382	3,907	4,343	4,649	4,864	4,830	4,624	5,293	5,620	6,418
Social Services	98	97	12	13	890	-	-	-	1,156	1,172
Culture and Recreation	8,690	9,901	10,060	10,913	10,642	11,159	11,606	11,869	11,220	10,697
Capital outlay	23,865	39,832	28,016	34,282	24,591	17,470	10,472	15,108	21,007	28,198
Debt service:										
Principal	2,540	2,448	3,109	3,008	3,584	4,955	4,262	3,666	3,756	4,199
Interest and debt issue costs	2,041	2,565	3,420	3,298	3,575	1,925	2,337	2,776	2,686	2,507
Total expenditures	103,249	122,812	123,264	123,180	115,885	111,469	104,410	111,896	123,742	132,057
Excess of revenues over (under) expenditures	\$ 7,824	\$ (17,314)	\$ (2,200)	\$ (22,003)	\$ (10,598)	\$ (2,990)	\$ 4,153	\$ (1,518)	\$ (4,524)	\$ 3,272

Schedule 4 (continued)

Changes in Fund Balances, Governmental Funds

(in thousands)

Last Ten Fiscal Years

Modified Accrual Basis of Accounting

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Other Finance Sources (Uses)										
Insurance recoveries	\$ -	\$ 111	\$ -	\$ 8	\$ 3	\$ -	\$ -	\$ 45	\$ 7	\$ -
Proceeds from borrowing	-	36,560	-	-	8,643	1,794	34,522	-	9,996	20,114
Bond proceeds to refunding trustee	-	(1,328)	-	-	-	-	(34,291)	-	(9,996)	(12,965)
Disposition of capital assets	3,196	-	49	45	18	53	26	84	-	2,057
Transfers in	23,294	12,929	27,681	19,536	25,071	18,091	24,853	14,263	19,425	22,214
Transfers out	(23,161)	(12,966)	(27,707)	(19,547)	(24,976)	(18,544)	(24,357)	(14,070)	(19,289)	(22,046)
Total other financing sources (uses)	<u>3,329</u>	<u>35,306</u>	<u>23</u>	<u>42</u>	<u>8,759</u>	<u>1,394</u>	<u>753</u>	<u>322</u>	<u>143</u>	<u>9,374</u>
Net change in fund balances	<u>\$ 11,153</u>	<u>\$ 17,992</u>	<u>\$ (2,177)</u>	<u>\$ (21,961)</u>	<u>\$ (1,839)</u>	<u>\$ (1,596)</u>	<u>\$ 4,906</u>	<u>\$ (1,196)</u>	<u>\$ (4,381)</u>	<u>\$ 12,646</u>
Debt service as a percentage of noncapital expenditures	5.77%	6.04%	6.85%	7.09%	7.84%	7.32%	7.02%	6.66%	6.27%	6.46%

Schedule 5

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Total Taxable Assessed Valuation	Total Direct Tax Rate*
2007	\$ 9,821,026,886	\$ 1,359,505,337	\$ 11,180,532,223	\$ 1.18
2008	\$ 12,739,900,548	\$ 1,332,371,332	\$ 14,072,271,880	\$ 1.47
2009	\$ 13,205,438,085	\$ 1,333,419,562	\$ 14,538,857,647	\$ 1.35
2010	\$ 11,966,374,536	\$ 1,362,914,250	\$ 13,329,288,786	\$ 1.58
2011	\$ 11,283,288,467	\$ 1,509,947,105	\$ 12,793,235,572	\$ 1.72
2012	\$ 10,962,633,787	\$ 1,712,255,548	\$ 12,674,889,335	\$ 1.78
2013	\$ 11,110,361,194	\$ 1,863,285,684	\$ 12,973,646,878	\$ 1.73
2014	\$ 12,192,519,668	\$ 1,942,543,498	\$ 14,135,063,166	\$ 1.63
2015	\$ 13,995,021,898	\$ 1,892,398,680	\$ 15,887,420,578	\$ 1.49
2016	\$ 15,345,755,231	\$ 1,959,604,705	\$ 17,305,359,936	\$ 1.41

Source: King County Accounting Division
Real and personal property has been assessed at 100% of the estimated value.

* Tax rates are per \$1,000 of assessed value.

Schedule 6

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

	City Direct Rates			Overlapping Rates										Total Direct and Overlapping Rate
	General Fund	General Obligation Debt Service	Total Direct Rate*	WA State	King County	Port Of Seattle	School District #414	Hospital District #2	King Co. Library	Emer. Medical Service	Redmond Capital Facilities Area**	King Co. Ferry*** District	King Co. Flood*** District	
2007	1.15	0.03	1.18	2.33	1.29	0.23	2.57	0.50	0.50	0.21	0.05	-	-	8.86
2008	1.45	0.02	1.47	2.13	1.21	0.22	2.33	0.45	0.45	0.30	0.05	0.06	0.10	8.76
2009	1.33	0.02	1.35	1.96	1.10	0.20	2.23	0.40	0.42	0.27	0.04	0.05	0.09	8.11
2010	1.56	0.02	1.58	2.22	1.28	0.22	2.80	0.46	0.49	0.30	0.04	0.003	0.11	9.50
2011	1.70	0.02	1.72	2.28	1.34	0.22	2.98	0.48	0.57	0.30	0.05	0.004	0.11	10.05
2012	1.76	0.02	1.78	2.42	1.42	0.23	3.53	0.49	0.57	0.30	0.05	0.004	0.12	10.91
2013	1.73	-	1.73	2.57	1.54	0.23	3.75	0.52	0.57	0.30	0.05	0.004	0.13	11.39
2014	1.63	-	1.63	2.47	1.52	0.22	3.51	0.47	0.56	0.34	0.04	0.003	0.15	10.91
2015	1.49	-	1.49	2.29	1.34	0.19	3.30	0.40	0.50	0.30	0.04	0.003	0.14	9.99
2016	1.41	-	1.41	2.17	1.47	0.17	3.11	0.38	0.48	0.28	0.04	0.003	0.13	9.64

Source: King County Accounting Division.

*Tax rates are per \$1,000 of assessed value.

Initiative 747 passed in November 2001, and subsequent actions by the Washington State Legislature in 2007 limited the annual optional increase in property tax levies to the lesser of one percent or the implicit price deflator.

**New taxing district as of 2007.

***New taxing districts as of 2008.

Schedule 7

Principal Property Taxpayers
Current Year and Ten Years Ago

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value*	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value**
Microsoft (includes MSNBC)	\$ 2,501,768,907	1	14.46%	\$ 2,316,225,030	1	20.72%
AvalonBay Communities Inc	276,603,000	2	1.60%	-	-	-
Puget Sound Energy	200,796,165	3	1.16%	113,466,334	3	1.01%
Nintendo	162,087,154	4	0.94%	52,095,796	8	0.47%
Bre WA Office Owner LLC	135,949,400	5	0.79%	-	-	-
AT&T Mobility LLC	124,123,763	6	0.72%	-	-	-
BRE Properties	122,017,000	7	0.71%	80,226,000	5	0.72%
Essex Redmond Hill CW LLP	116,829,000	8	0.68%	-	-	-
Bear Creek Associates	100,805,000	9	0.58%	-	-	-
G&I VII Redmond Town Center	77,073,266	10	0.45%	-	-	-
ASN-Washington Holding	72,367,000		0.42%	96,662,000	4	0.86%
Hines Reit Daytona Laguna	63,483,000		0.37%	-	-	-
Bre Select Hotels Redmond LLC	59,485,553		0.34%	-	-	-
PS Business Parks LP (formerly Yett Family Partnership)	56,540,200		0.33%	59,272,700	7	0.53%
Arden Realty	55,392,455		0.32%	-	-	-
Safeco Insurance	-		-	-	-	-
PPR Redmond Retail LLC (Redmond Town Center)	-		-	177,509,657	2	1.59%
Archstone Communities Trust	-		-	68,218,000	6	0.61%
Verizon	-		-	47,467,400	9	0.42%
Aerojet General Corporation (General Dynamics)	-		-	23,698,402	10	0.21%
TOTAL	\$ 4,125,320,863		23.84%	\$ 3,034,841,319		27.14%

Source: King County Accounting Division.

* In 2016 the estimated value of real and personal property in the City of Redmond was \$17,305,359,936.

** In 2007 the estimated value of real and personal property in the City of Redmond was \$11,180,532,223.

Schedule 8

Property Tax Levies and Collections

Last Ten Calendar Years

Fiscal Year	Taxes Levied for the Fiscal Year*	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 12,957,835	\$ 12,856,101	99.2149%	\$ 100,768	\$ 12,956,869	99.993%
2008	18,692,476	18,510,492	99.0264%	180,705	18,691,197	99.993%
2009	19,537,575	19,322,310	98.8982%	214,135	19,536,445	99.994%
2010	21,034,558	20,844,302	99.0955%	187,053	21,031,355	99.985%
2011	22,025,065	21,853,561	99.2213%	170,638	22,024,199	99.996%
2012	22,468,221	22,311,302	99.3016%	155,437	22,466,739	99.993%
2013	22,307,557	22,156,984	99.3250%	144,658	22,301,642	99.973%
2014	22,859,121	22,717,813	99.3818%	126,046	22,843,859	99.933%
2015	23,582,383	23,424,013	99.3284%	121,847	23,545,859	99.845%
2016	24,271,904	24,070,897	99.1719%	4,983	24,075,880	99.192%

Source: King County Assessor and City of Redmond Finance Department

Schedule 9

Summary of Sales Tax Revenues Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Retail Trade Sales Tax										
Electronics and Appliances	\$ 638,768	\$ 531,796	\$ 1,087,674	\$ 1,445,772	\$ 1,087,674	\$ 1,869,159	\$ 1,903,851	\$ 1,340,660	\$ 1,384,435	\$ 1,610,518
Furniture	262,470	436,382	266,049	288,418	266,049	338,453	361,114	396,235	431,383	437,312
General Merchandise	1,515,512	911,412	1,343,640	1,363,100	1,343,640	1,400,435	1,434,422	1,368,845	1,271,899	1,344,487
Miscellaneous Retail Trade	146,303	470,973	612,515	683,478	612,515	692,829	661,752	682,805	647,039	796,026
Other	4,356,254	4,196,636	2,375,512	2,501,637	2,375,512	2,557,826	2,765,333	2,900,178	3,091,632	3,129,752
Total - Retail Trade	6,919,307	6,547,199	5,685,390	6,282,405	5,685,390	6,858,702	7,126,472	6,688,723	6,826,388	7,318,095
Other Sectors Sales Tax										
Accommodation & Food Services	1,739,732	1,777,479	1,689,694	1,784,896	1,689,694	2,057,634	2,164,327	2,295,177	2,511,185	2,720,525
Construction	3,125,692	3,783,006	3,771,855	2,486,201	3,771,855	2,957,652	4,051,349	3,720,225	3,437,489	4,596,327
Information	4,814,199	1,051,283	1,385,499	974,378	1,385,499	1,452,926	1,422,008	1,537,307	3,206,629	2,038,313
Miscellaneous	2,229,314	1,867,005	1,621,406	1,650,525	1,621,406	1,937,798	2,036,384	2,334,976	2,627,185	11,243,537
Service	1,490,641	1,827,122	1,388,234	1,604,083	1,388,234	1,802,839	1,742,126	1,698,195	2,436,498	2,485,679
Wholesale	2,526,034	2,127,576	2,395,461	2,976,015	2,395,461	2,138,684	2,276,487	2,157,140	2,466,591	2,782,336
Total - Other Sectors Sales Tax	15,925,612	12,433,471	12,252,149	11,476,098	12,252,149	12,347,533	13,692,681	13,743,020	16,685,577	25,866,717
Adjustments *	-	118,361	-							
Total - Retail Trade & Other Sectors	\$22,844,919	\$19,099,031	\$17,937,539	\$17,758,503	\$17,937,539	\$19,206,235	\$20,819,153	\$20,431,743	\$23,511,965	\$33,184,812
Sales Taxes - Miscellaneous **	1,575,433	1,576,329	1,278,411	1,279,366	1,278,411	1,469,886	1,739,060	1,699,683	1,873,176	2,064,707
Total Sales Tax	\$24,420,352	\$20,675,360	\$19,215,950	\$19,037,869	\$19,215,950	\$20,676,121	\$22,558,213	\$22,131,426	\$25,385,141	\$35,249,519

Notes:

* Includes One-Time Adjustments in 2008, also includes an SST Mitigation payment of \$85,660 in 2008.

** Sales Tax - Miscellaneous includes Sales Tax-Criminal Justice, Washington State Use Tax and Hotel/Motel Tax.

Schedule 10

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-Type Activities		Total Primary Government	Percentage Of Per Capita Personal Income*	Debt Per Capita**
	General Obligation Bonds	Special Assessment Bonds	Public Works Trust Fund Loans	Capital Leases	Private Contract	Revenue Bonds	Loans			
2007	\$ 40,531,384	\$ 585,000	\$ 1,867,058	\$ -	\$ -	\$ -	\$ 465,385	\$ 43,448,827	1.49%	\$ 857
2008	72,455,000	530,000	1,495,340	-	-	11,755,000	85,356	86,320,696	2.91%	1,682
2009	70,040,000	170,000	1,161,728	-	-	11,190,000	-	82,561,728	2.74%	1,591
2010	67,540,000	-	828,118	-	-	10,600,000	-	78,968,118	2.59%	1,471
2011	72,270,000	-	548,686	-	-	9,985,000	-	82,803,686	2.72%	1,501
2012	68,920,000	-	2,140,792	-	-	9,345,000	-	80,405,792	2.51%	1,452
2013	65,280,000	-	1,843,885	-	-	8,680,000	-	75,803,885	2.26%	1,358
2014	64,394,621	-	1,677,549	-	-	30,660,000	-	96,732,170	2.67%	1,676
2015	58,530,000	-	1,511,212	-	-	29,170,000	4,412,000	93,623,212	2.30%	1,582
2016	60,380,000	-	1,416,763	-	-	27,630,000	4,271,663	93,698,426	2.13%	1,547

* 2016 per capita income of \$72,530 from US Bureau of Economic Analysis.

** 2016 population total of 60,560 from State of Washington Office of Financial Management.

Schedule 11

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Actual Taxable Value of Property*</u>	<u>Per Capita</u>
2007	\$ 40,531,384	0.36%	\$ 800
2008	72,455,000	0.51%	1,412
2009	70,040,000	0.48%	1,350
2010	67,540,000	0.51%	1,258
2011	72,270,000	0.56%	1,310
2012	68,920,000	0.54%	1,245
2013	65,280,000	0.50%	1,169
2014	61,780,000	0.44%	1,071
2015	58,530,000	0.37%	989
2016	60,380,000	0.35%	997

Source: King County Accounting Division.

* In 2016 the estimated value of real and personal property in the City of Redmond was \$17,305,359,936

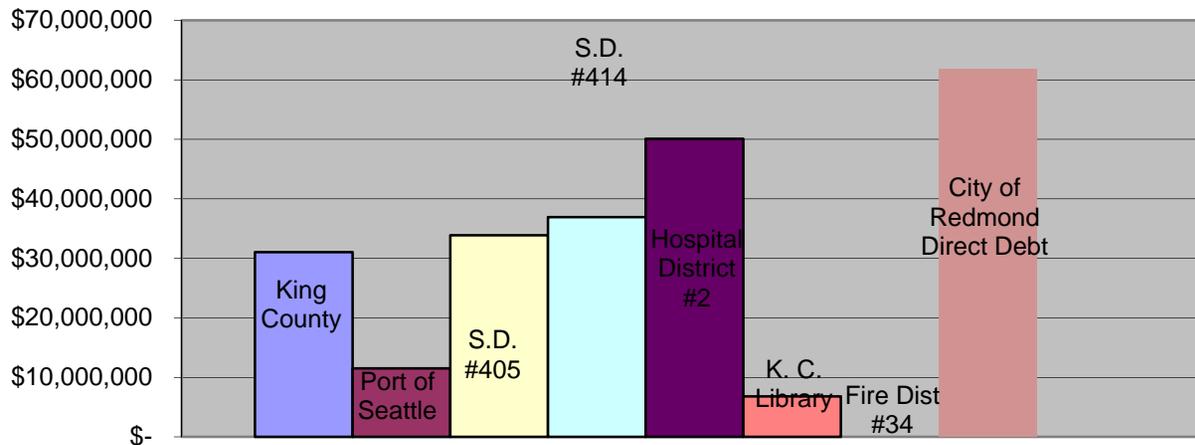
Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Schedule 12

Direct and Overlapping Governmental Activities Debt

As of December 31, 2016

	Net Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Overlapping Debt:			
King County	\$ 764,587,000	4.06%	\$ 31,042,232
Port of Seattle	283,620,000	4.06%	11,514,972
School District #405	749,554,010	4.52%	33,879,841
School District #414	116,013,205	31.83%	36,927,003
Hospital District #2	207,937,008	24.09%	50,092,025
King County Rural Library	97,581,556	6.98%	6,811,193
Fire District #34	-	-	-
Total Overlapping Debt	2,219,292,779		170,267,266
Direct Debt: City of Redmond**	61,796,763	100.00%	61,796,763
Total Direct and Overlapping Debt	\$ 2,281,089,542		\$ 232,064,029



*Applicable percentage is determined by the ration of assessed valuation of taxable property in overlapping unit to valuation of property subject to taxation in the City of Redmond.

**City of Redmond Overlapping Debt - [prev. year] Tax Roll

Source: King County Finance Office; King County Assessor

Schedule 13

Legal Debt Margin Information (in thousands)
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 838,540	\$ 955,493	\$ 990,408	\$ 998,139	\$ 934,746	\$ 970,751	\$ 1,055,921	\$ 1,190,433	\$ 1,191,557	\$ 1,397,331
Total net debt applicable to limit	40,287	72,182	69,767	67,267	71,996	70,785	67,124	63,458	60,041	61,797
Legal debt margin	\$ 798,253	\$ 883,311	\$ 920,641	\$ 930,872	\$ 862,750	\$ 899,966	\$ 988,797	\$ 1,126,975	\$ 1,131,516	\$ 1,335,534
Total net debt applicable to limit as a percentage of debt limit	4.80%	4.80%	7.04%	6.74%	7.70%	7.29%	6.36%	5.33%	5.04%	4.42%

Note: Under State law voters may approve general obligation debt issues of up to 7.5% of assessed valuation. This 7.5% debt capacity is allocated evenly among general government, parks/open space, and utilities resulting in a 2.5% limit for each. Within the 2.5% limit, the City Council has authority to issue bonds without voter approval for a combined total of up to 1.5% of the City's assessed valuation.

	General Capacity		Special Purpose Capacity		Total Capacity
	Councilmanic	Excess Levy	Parks and Open Space	Utility Purposes	
December 31, 2016 Assessed Value: \$18,631,080,894					
2.50% of Assessed Value	\$ -	\$ 465,777,022	\$ 465,777,022	\$ 465,777,022	\$ 1,397,331,067
1.50% of Assessed Value	279,466,213	(279,466,213)	-	-	-
Statutory Debt Limit	279,466,213	186,310,809	465,777,022	465,777,022	1,397,331,067
Debt Outstanding:					
Bonds	61,796,763	-	-	-	61,796,763
Total Debt Outstanding	61,796,763	-	-	-	61,796,763
Less amount available in Debt Service Fund	-	-	-	-	-
Net Debt Outstanding	61,796,763	-	-	-	61,796,763
Remaining Debt Capacity	\$ 217,669,450	\$ 186,310,809	\$ 465,777,022	\$ 465,777,022	\$ 1,335,534,304

*Property assessed at 100% of the estimated value.

Schedule 14

Pledged-Revenue Coverage

Last Ten Fiscal Years

Page 1 of 3

Fiscal Year	Water/Wastewater Revenue Bonds						Special Assessment Bonds				
	Gross Revenue **	Less:	Net Available Revenue	Debt Service		Coverage ****	Special Assessment Collections	Debt Service			
		Operating Expenses ***		Principal	Interest			Principal	Interest	Coverage	
2007*	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ 244,988	\$ 195,000	\$ 39,378	\$ 1.05	
2008	37,014,274	28,868,139	8,146,135	-	-	N/A	286,814	55,000	28,775	3.40	
2009	40,094,938	28,376,280	11,718,658	565,000	532,513	10.68	92,929	360,000	25,796	0.24	
2010^	38,542,022	26,557,555	11,984,467	590,000	512,887	10.87	-	170,000	8,820	-	
2011	41,162,374	29,963,912	11,198,462	615,000	489,288	10.14	-	-	-	-	
2012	45,741,065	30,807,455	14,933,610	640,000	464,688	13.52	-	-	-	-	
2013	46,932,427	32,346,978	14,585,449	665,000	439,088	13.21	-	-	-	-	
2014 ^φ	47,944,999	33,038,457	14,906,542	970,000	762,950	8.60	-	-	-	-	
2015	50,427,052	34,943,803	15,483,249	1,490,000	1,383,348	5.39	-	-	-	-	
2016	52,703,080	36,965,009	15,738,071	1,680,338 #	1,491,404 #	4.96	-	-	-	-	

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

The stormwater utility and the water/wastewater utility are combined into the waterworks utility for purposes of the 2008 debt issuance.

* Revenue bond coverage ratio is not applicable as bonds were called early and paid off.

** Includes operating and investment income excluding unrealized gains or losses on investments.

*** Excludes depreciation and amortization, includes operating transfers out.

**** The 1993 Refunding Bond Issue required coverage of 1.25. The 2008 Revenue Bond Issue requires coverage of 1.20.

^φ In 2014 the City issued the utility system revenue bonds not to exceed \$26.70 million.

This debt issuance is to provide funds to finance certain costs of additions, betterments, and extensions to the City's combined water supply, wastewater, storm, and surface water drainage system.

[^] The Special Assessment bonds were paid in full in 2010

[#] This includes \$4,412,000 loan funded by the Washington State Department of Ecology towards the Redmond Way Water Quality Facility.

Historical Operating Results - Debt Service Coverage (Unaudited)

	2012	2013	2014	2015	2016
Income (loss) before contributions and transfers	\$ 6,377,286	\$ 11,669,167	\$ 11,781,117	\$ 9,256,897	\$ 4,667,095
Adjustments:					
Interest and Fiscal Charges	438,741	412,866	669,491	916,981	1,301,877
Depreciation Expense	4,838,721	5,093,496	5,575,052	5,637,461	6,477,812
Grants (related to capital expenditures)	(1,071,419)	(4,810,737)	(5,266,408)	(2,364,078)	(350,933)
Rate Stabilization Account Transfers	(1,146,447)	(483,450)	(800,000)	(1,250,000)	-
Capital Facilities Charges	5,759,744	2,988,782	3,538,986	3,743,038	4,181,600
Net Revenue Available for Debt Services	\$ 15,196,626	\$ 14,870,124	\$ 15,498,238	\$ 15,940,299	\$ 16,277,451
Outstanding Parity Bonds Annual Debt Service	\$ 1,104,688	\$ 1,104,088	\$ 1,732,950	\$ 2,873,348	\$ 3,171,742
Debt Service Coverage	\$ 13.8	\$ 13.5	\$ 8.9	\$ 5.6	\$ 5.1
Net Revenues Available for Other Purposes	\$ 14,091,938	\$ 13,766,036	\$ 13,765,288	\$ 13,066,951	\$ 13,105,709

Schedule 14

Pledged-Revenue Coverage

Page 2 of 3

The following tables provide historical information regarding the number of water, wastewater and stormwater utility customers (accounts) for the past five years.

NUMBER OF WATER CUSTOMERS

	2011	2012	2013	2014	2015	2016
Single Family	11,129	11,203	11,372	11,524	11,688	11,890
Multifamily	208	210	208	208	209	210
Commercial	942	937	893 ⁽¹⁾	897 ⁽¹⁾	891	885
Irrigation	186	191	199	209	217	221
Other ⁽²⁾	10	10	12	13	15	19
Total	12,475	12,551	12,684	12,851	13,020	13,225

(1) Transfer of accounts to the City of Kirkland from an earlier annexation.

(2) Multi-use (commercial, multifamily, irrigation.)

NUMBER OF WASTEWATER CUSTOMERS

	2011	2012	2013	2014	2015	2016
Single Family	10,583	10,665	10,830	11,000	11,175	11,378
Multifamily	205	211	233	209	210	213
Commercial	885	887	880 ⁽¹⁾	881 ⁽¹⁾	877	869
Irrigation	1	1	1	1	1	1
Other ⁽²⁾	10	10	18	14	16	19
Total	11,684	11,774	11,962	12,105	12,279	12,480

(1) Transfer of accounts to the City of Kirkland from an earlier annexation.

(2) Multi-use (commercial, multifamily, irrigation.)

NUMBER OF STORMWATER CUSTOMERS

Stormwater	2011	2012	2013	2014	2015	2016
Residential	10,710	10,790	10,932	11,087	11,244	11,428
Other ⁽¹⁾	1,157	1,161	1,154	1,211	1,223	1,220
Total	11,867	11,951	12,086	12,298	12,467	12,648

(1) Commercial and multifamily

Schedule 14

Pledged-Revenue Coverage

Page 3 of 3

**LARGEST CUSTOMERS OF THE SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2016 (1)**

Customer	Water Consumption (000'S)	Water Billings	Wastewater Billings	King County (2)	Stormwater Billings	Total Revenue	% of Total Gross Revenue
MICROSOFT	30,498	\$ 1,668,258	\$ 328,522	\$ 1,040,078	\$ 1,077,832	\$ 4,114,690	7.99%
CITY OF REDMOND	4,044	308,747	22,223	61,242	1,292,629	1,684,841	3.27%
UNISEA INC	4,687	143,674	79,386	340,514	46,825	610,399	1.19%
SIXTY-01 APARTMENT COMPLEX	4,484	208,091	68,368	211,585	64,173	552,217	1.07%
DIG-KW REDMOND, LLC	3,838	165,572	53,399	175,461	47,971	442,403	0.86%
ESSEX REDMOND HILL NE LP	3,625	151,723	55,296	173,239	51,002	431,260	0.84%
ESSEX REDMOND HILL CWLP	2,964	127,495	48,765	153,468	46,667	376,395	0.73%
CAMBRIAN APARTMENTS 04WA009	3,337	152,641	53,172	160,616	-	366,429	0.71%
EASTSIDE RETIREMENT ASSN	2,841	126,077	38,695	124,558	65,716	355,046	0.69%
KING COUNTY PARKS/MARYMOOR	2,722	177,438	-	-	-	177,438	0.34%
	<u>63,040</u>	<u>\$ 3,229,716</u>	<u>\$ 747,826</u>	<u>\$ 2,440,761</u>	<u>\$ 2,692,815</u>	<u>\$ 9,111,118</u>	<u>17.69%</u>

(1) Based on percentage of total Gross Revenue

(2) Reflects the amount paid to King County for wastewater treatment. King County wastewater treatment rates are passed directly to City customers.

Schedule 15

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Redmond Population*	Redmond Personal Income (in thousands)**	King County Per Capita Personal Income***	School Enrollment#	Number of Housing Units	Unemployment Rate##
2007	50,680	\$ 2,924,743	\$ 57,710	8,126	22,869	3.0
2008	51,320	\$ 2,983,796	\$ 58,141	8,098	23,144	3.6
2009	51,890	\$ 2,952,749	\$ 56,904	8,369	23,323	6.6
2010	53,680	\$ 2,959,700	\$ 55,136	8,789	24,227	7.0
2011	55,150	\$ 3,189,711	\$ 57,837	9,060	24,671	5.6
2012	55,360	\$ 3,326,582	\$ 60,090	9,288	24,770	4.5
2013	55,840	\$ 3,505,077	\$ 62,770	9,413	24,872	3.5
2014	57,700	\$ 3,974,203	\$ 68,877	9,628	25,549	3.8
2015	59,180	\$ 4,292,325	\$ 72,530	9,879	26,141	4.0
2016	60,560	\$ 4,392,417	\$ 72,530	10,402	26,509	3.2

* State of Washington, Office of Financial Management.

** King County Per Capita Personal Income applied to Redmond population. Information is one year behind, 2016 will be updated in the 2017 CAFR

*** King County Per Capita Personal Income as provided by Bureau of Economic Analysis. BEA is one year behind, 2016 will be updated in the 2017 CAFR

Lake Washington School District total as of October, 2016; includes schools with Redmond addresses, although some are located in unincorporated King County. Statistics are not available to determine the number of students from the Redmond/King County populace.

State of Washington, Department of Employment Security (figures are prorated on Redmond's relationship to the County's unemployment rate).

Schedule 16

Principal Employers

Current Year and Nine Years Ago

Employer	2016			2007		
	Employees	Rank	Percentage of Total City Employment**	Employees	Rank	Percentage of Total City Employment***
Microsoft Corporation	34,351	1	45.58%	32,911	1	42.68%
Terex (formerly Genie Industries)	2,656	2	3.52%	3,472	2	4.50%
Eurest Dining Services @ Microsoft	1,041	3	1.38%	697	9	0.90%
Aerotek, Inc.	978	4	1.30%			
Nintendo of America Inc. (includes Nintendo Software Technology)	945	5	1.25%	767	8	0.99%
AT&T Mobility	826	6	1.10%	1,412	4	1.83%
United Parcel Service	757	7	1.00%			
Lake Washington School District *				1,013	6	1.31%
Honeywell International Inc.	701	8	0.93%	819	7	1.06%
CBRE, Inc.	491	9	0.65%			
Alstom Grid LLC	411	10	0.55%			
Volt Technical Resources, LLC				1,914	3	2.48%
Group Health *				1,031	5	1.34%
Wyndham Vacation Ownership				631	10	0.82%
TOTAL	43,157		57.27%	44,667		57.93%

Source: City of Redmond Finance Dept., Business License Division

*Employer exempt from business license requirement

**Total city employment including exempt businesses listed is 75,363 for 2016.

Schedule 17

Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Function/Program										
General Government										
Executive	11.50	11.00	14.00	13.00	13.00	12.00	12.00	15.00	19.00	20.00
Finance and Information Services	62.60	63.60	59.97	55.81	56.81	54.50	54.50	53.50	56.00	57.00
Human Resources	9.63	9.63	13.43	11.50	11.50	11.50	11.50	11.50	11.54	11.54
Legal	4.25	4.25	4.25	4.25	4.25	3.75	3.75	3.75	3.75	3.75
Planning and Community Development	50.81	58.31	50.72	43.65	43.65	61.91	61.91	73.89	71.89	77.89
Security										
Police	115.50	127.50	128.40	127.30	127.10	129.10	128.10	129.30	130.41	129.41
Fire	149.20	171.20	168.50	164.50	160.50	160.25	160.25	160.50	163.50	164.50
Culture and Recreation	54.12	62.22	62.67	61.55	61.54	60.56	60.56	60.69	61.02	61.02
Public Works	75.75	77.75	79.05	72.71	72.76	66.23	66.23	66.23	72.02	75.98
Water/Wastewater	39.60	39.60	40.60	39.29	39.25	34.16	34.16	37.53	38.44	34.95
UPD Water/Wastewater	5.94	5.94	5.94	-	-	-	-	-	-	-
Stormwater Management	29.77	29.77	28.77	31.67	31.67	30.85	30.85	27.60	26.90	26.93
Total	608.67	660.77	656.30	625.23	622.03	624.81	623.81	639.49	654.47	662.97

Source: City Budget Office

Schedule 18

Operating Indicators by Function/Program
Last Ten Fiscal Years*

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Calls dispatched	24,276	24,286	27,030	27,531	23,215	22,640	23,768	24,586	25,508	25,682
Parking violations	1,189	1,137	1,116	1,179	858	893	1,042	907	937	469
Traffic violations	7,381	9,381	10,532	13,574	7,990	5,033	4,875	5,036	5,990	5,080
Fire										
Calls for service (fire and aid)	9,896	10,508	10,740	10,404	9,587	9,783	9,941	10,653	9,864	10,955
Average response time (fire & aid) - minutes & seconds	7:14	6:30	6:30	6:24	6:43	6:41	5:12	5:16	6:44	5:38
Fire prevention maintenance inspections	1,394 **	1,500	2,587	1,606	1,690	1,452	1,658	841*	2,127	1,442
Operations inspections ***	19	495	-	256	1,353	-	-	-	598	246
Culture and Recreation	#									
Preschool registrations	25,000	21,412	19,456	20,093	19,540	19,186	22,569	24,874	24,990	5,958
Youth registrations	24,377	26,415	18,046	19,118	23,244	21,651	27,525	21,344	23,092	16,105
Teen program registrations	28,047	25,097	18,722	19,512	15,764	13,329	16,272	16,048	17,027	17,739
Adult program registrations	61,450 ##	59,959	43,151	41,920	45,313	43,945	43,180	39,379	38,633	47,408
Senior Center participants	45,028	45,807	37,443	41,785	45,050	44,742	46,279	46,241	44,771	48,544
Utility Services ###										
Residential units served	13,195	13,563	13,669	13,972	14,236	14,473	14,773	15,033	15,240	15,428
Commercial units served	1,451	1,474	1,482	1,429	1,434	1,439	1,407	1,428	1,437	1,431
Water										
Average daily demand (gallons)	6,520,473	6,506,569	6,754,372	5,900,305	5,877,325	6,132,129	6,441,596	6,594,716	7,095,464	unavailable ^o

* The Fire Prevention Maintenance inspection program was re-structured through a LEAN initiative process during 2014, resulting in a reduced number of inspections completed for the year.

** Program was suspended January 2007 - March 2008

*** Data is no longer separated for maintenance inspections

New programs were added in 2007

Method of calculation changed in 2007 to more accurately assess number of visitors

Sewage treatment provided by King County Wastewater Treatment Division

^o Average daily demand number won't be available until April 2017.

Schedule 19

Capital Asset Statistics by Function/Program Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of police vehicles	49	50	45	59	59	59	59	61	59	53
Fire										
Number of stations	6	6	6	6	6	7	7	7	7	7
Number of fire engines	11	11	9	9	8	8	8	8	8	8
Number of aid vehicles	15	15	16	15	16	16	16	16	16	16
Transportation										
Center lane miles of paved roads	137	138	138	142	143	143	146	146	148	149
Traffic signals	90	91	95	98	102	103	104	104	105	106
Street lights	1,132	1,290	1,286	1,279	1,343	1,456	1,512	1,554	1,604	1,638
Bridges	9	9	9	9	18	18	18	18	18	18
Culture and Recreation										
Number of developed parks	30	30	30	30	30	31	31	36	35	36
Number of undeveloped parks	7	7	8	8	8	11	11	15	13	15
Acres of developed parks	1,200	1,172	1,203	1,204	1,205	1,205	1,205	1,232	1,217	1,232
Acres of undeveloped parks	105	105	106	106	106	114	114	155	105	155
Miles of developed trails	44	44	44	36	37	37	37	36	45	36
Utility Services										
Water										
Storage Capacity (millions of gallons)	31.8	31.8	31.8	31.8	31.8	31.8	31.8	31.8	31.8	31.8
Number of wells	5	5	5	5	5	5	5	5	5	5
Miles of main	309	315	327	328	331	332	329	333	328	336
Sewer										
Number of manholes	6,733	6,937	6,645	6,651	6,716	6,760	6,801	6,901	6,977	7,050
Miles of main	214	219	211	212	214	215	216	219	221	229
Number of pump/lift stations	23	23	23	23	23	24	23	23	23	23
Stormwater										
# of manholes/catch basins	9,951	10,327	10,475	10,529	10,578	10,674	10,830	11,050	11,169	11,444
Miles of pipe	167	172	173	174	175	178	179	183	185	189
Oil water separators	24	24	24	24	24	24	24	24	24	24