City of Redmond, Washington

Comprehensive Annual **Financial Report**

For the fiscal year ended December 31, 2017

2017

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.

City of Redmond
WASHINGTON

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CITY OF REDMOND, WASHINGTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

PREPARED BY THE FINANCE DEPARTMENT

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ACCOUNTING SERVICES MANAGER

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City of Redmond, Washington
Comprehensive Annual Financial Report
For the Year Ended December 31, 2017

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Redmond

Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morrill

Executive Director/CEO

ELECTED OFFICIALS

MAYOR
JOHN MARCHIONE

CITY COUNCIL

ANGELA BIRNEY

DAVID CARSON

DAYLE (HANK) MARGESON
PRESIDENT

HANK MYERS

TANIKA PADHYE

BYRON SHUTZ

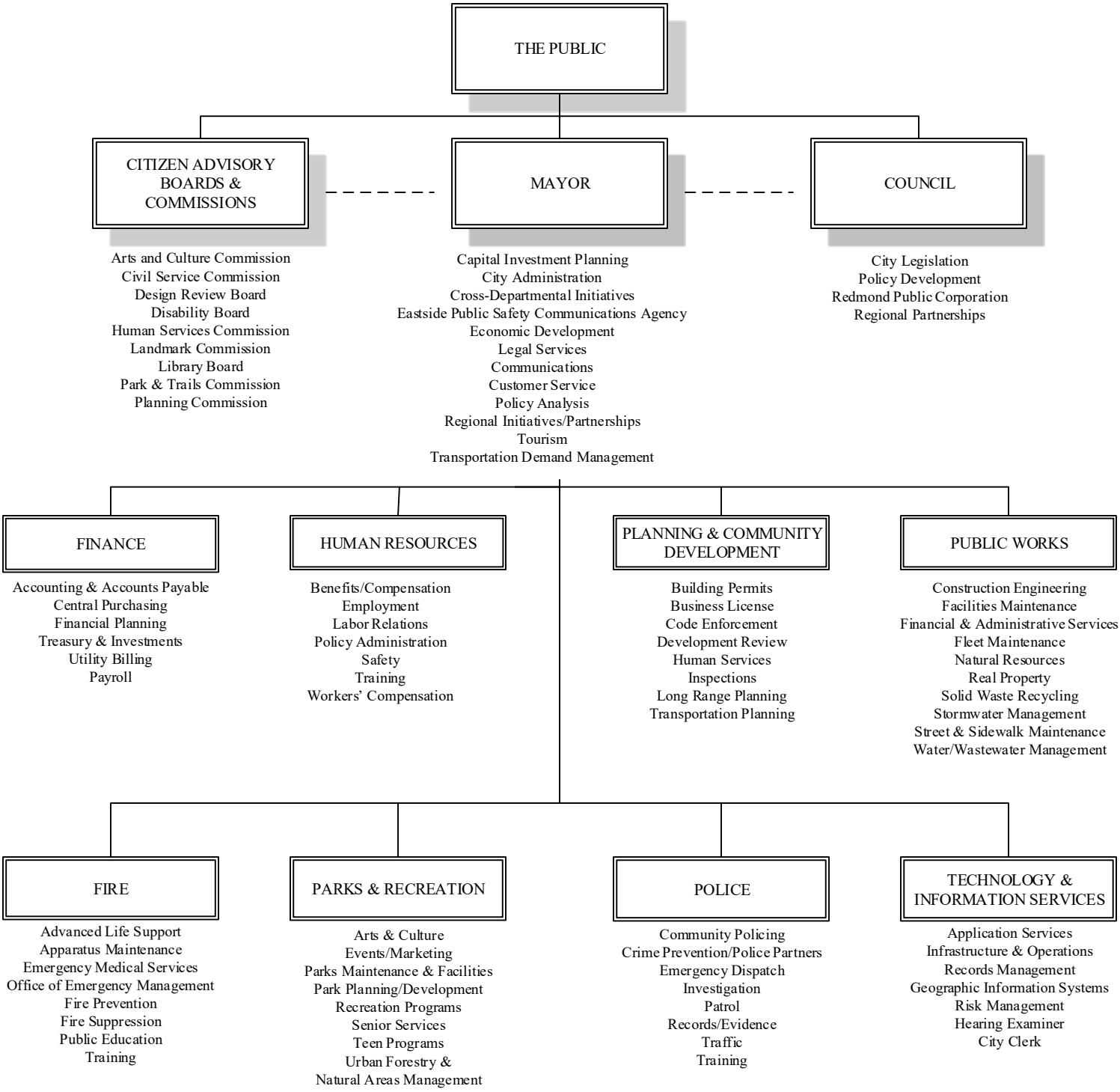
JOHN STILIN
VICE PRESIDENT

EXECUTIVE STAFF & LEGAL COUNSEL

DEPUTY CITY ADMINISTRATOR	JANE CHRISTENSON
DEPUTY CITY ADMINISTRATOR	ERIKA VANDENBRANDE
FINANCE DIRECTOR	MALISA FILES
FIRE CHIEF	TOMMY SMITH
HUMAN RESOURCES DIRECTOR	MELLODY MATTHES
PARKS & RECREATION DIRECTOR	MAXINE WHATTAM
PLANNING & COMMUNITY DEVELOPMENT DIRECTOR	KAREN ANDERSON
POLICE CHIEF	KRISTI WILSON
PUBLIC WORKS DIRECTOR (INTERIM)	MAXINE WHATTAM
TECHNOLOGY & INFORMATION SERVICES DIRECTOR	MICHAEL E. BAILEY
CITY ATTORNEY	OGDEN MURPHY WALLACE
BOND ATTORNEY	PACIFICA LAW GROUP
PROSECUTOR	LARRY MITCHELL

ORGANIZATIONAL STRUCTURE

CITY OF REDMOND



June 26, 2018

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, 2017. 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 17.17 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 2017 population of 62,292.

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.

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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 as well as the 40th Street Trunk Line project. 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 38 thousand employees located in the City. Other significant employers in our city include Terex (formerly Genie Industries) (2,136 employees), Eurest Dining Services @ Microsoft (1,241 employees), Nintendo of America (953 employees), AT&T Mobility (941 employees), Honeywell (867 employees) and United Parcel Service (797 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 2017 continues to recover from lackluster performance and is projected to grow through the 2018-2022 timeframe. The recovery reflects the City's focus on economic development and successful partnerships with regional organizations while creating a City that is a place to live and invest.

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 it comprehensive land use plan through the year 2030. The most recent Capital Investment Strategy looked out to 2040 in preparation for the upcoming update to the Comprehensive Plan.

Major Initiatives

Many of Redmond's long-range plans are coming to fruition with the help of our community and regional partners. Through the Community Facilities Districts, Redmond, Sound Transit and Microsoft are joining together to construct a pedestrian bridge at the Redmond Technology Center, mobility improvements on City streets and improved stormwater outflow through the 40th Street Trunk Line. In addition, construction has begun on the light rail lines that will run through Overlake and terminate in downtown Redmond to improve mobility for the approximately 117,000 people who work in the City daily.

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 2017 included major work on the Downtown Park, scheduled to open in 2018 as a part of the revitalization of Downtown. In addition, Redmond opened its new Customer Service Center in City Hall as a part of the City's customer service initiative along with a conferencing center that will be completed in 2018. Maintaining the rarely seen, but of vital community importance, utility infrastructure was a focus for 2017 including upgrading water telemetry systems and replacing/upgrading wastewater pump stations along with improvements to our natural areas.

Affordable housing continues to be a major focus as the City grows and changes. Affordable housing is supported by contributions to A Regional Coalition for Housing (ARCH) which allows Redmond to pool resources with other consortium members to promote affordable housing in the region. Beyond contributions to ARCH, Redmond has leased land to the John Gabriel Providence House to provide affordable housing to seniors and to Hopelink for their new headquarters to support needed human services in the area. Affordable housing is also aided by the Council approved multi-family tax exemptions for new housing developments.

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 addition, the City conducts "So-Bazaar" a multi-day 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 around. 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, 2016. 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 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,

Malisa Files
Finance Director

Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 26, 2018

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, 2017, 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

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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, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 18 to the financial statements, in 2017, the City adopted new accounting guidance, Governmental Accounting Standards Board 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*. 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 and required supplementary information listed in the table of contents 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 combining financial statements and schedules are presented for the 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.

Our audit was conducted for the sole purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory, Capital Assets Used in the Operation of Governmental Funds, and Statistical Sections are 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 26, 2018, 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,

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, 2017, and resulting changes in the financial position as of December 31, 2017. 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 2017, 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 and deferred inflows at fiscal year-end by $945.8 million (net position), an increase of $54.6 million or 6.1% over 2016. Of this amount, a majority ($725.4 million) is a net investment in capital assets. The unrestricted net position totals $115.3 million and may be used to meet the city's ongoing obligations to citizens and creditors. In addition, the restricted net position totals $105.1 million and is earmarked for debt service, capital projects and special revenue funds.
- Net position increased $1.7 million due to a change in reporting entity. Per GASB Statement No. 73, the Firefighters Pension Fund is now reported in the City's general fund instead of as a fiduciary fund. For additional information, see Note 18 Accounting and Reporting Changes.
- At December 31, 2017, the City's governmental activities reported combined ending net position of $527.4 million, an increase of $34.0 million over 2016. Approximately 6.6% of this amount ($35.0 million) is available for spending at the City's discretion (*unrestricted net position*).
- The City of Redmond's net investment in capital assets increased by $45.9 million during the fiscal year. The increase is primarily due to the development of the urban centers, including Downtown Park ($9.2 million), transitioning the two Downtown one-way streets to two-way ($10.7 million) and construction of the Overlake Station Stormwater Vault ($9.2 million). In addition to the more significant projects, the City made progress on the Redmond Central Connector Phase II, improvements to the Trinity Building at the Maintenance and Operations Center and encouraging a greener Redmond through LED street light replacement and solar paneling.

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), economic environment, transportation, 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 thirteen 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 2017, the fund balance of the General Fund was $39.3 million, which represents an increase from the prior year of $0.7 million.

General Fund revenues increased by $4.2 million (4.4%) in 2017. The key elements of this increase are as follows:

- Taxes increased by $1.2 million including growth in property taxes by $1.3 million due to a rise in new construction and the 1% levy increase allowed by law. In contrast, Redmond experienced a decrease in sales tax of $0.7 million due to a one-time audit conducted by the State's Department of Revenue on telecommunications companies which had the effect of shifting approximately $1.4 million of sales tax to other jurisdictions.
- Electric, garbage and gas utility taxes increased by $421,000 while cable and telephone utility taxes decreased by $255,000.
- Intergovernmental revenues increased by $1.3 million mostly due to additional money granted under the King County contract for basic life support services.
- In response to the development surge the City is experiencing, licenses and permits grew by $1.3 million.

General Fund expenditures increased $8.9 million (10.1%) over 2016, due to an increase in staffing costs as a result of a process improvement effort in the prosecutors office, retroactive payments from a new Police contract, investments in information technology and one-time expenses for capital equipment replacement, increased grants to support affordable housing and consultant work for planning studies.

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 2017, the fund balance of the Capital Investments Program Fund was $29.3 million, which represents a decrease from the prior year of $4.1 million.

- Capital Investment Program Fund revenues increased by $2.6 million (15.4%) in 2017, primarily due to an increase of $5.6 million in intergovernmental grant revenues, and an increase of $3.3 million in miscellaneous revenue related to special assessment revenues. Some of these revenues were offset by a reduction in impact fee revenues of $6.1 million.
- Capital Investment Program Fund expenditures increased by $4.5 million (18.6%) in 2017, due to the continuing construction of Downtown Park, converting the Downtown one-way streets to two-way, facility improvements and expansion of the Redmond Central Connector.
- Capital Investments Program Fund net transfers between other funds decreased by $10.0 million primarily due to transfers from the CIP Fund to the utility funds for projects funded by Community Facilities District 2016-1 and between the capital construction funds and the major maintanence funds in the general fund.

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 one type of fiduciary fund, called agency funds. 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, 2016 and 2017 total $891.2 million and $945.8 million, respectively. The City's overall net position increased $54.6 million (6.1%) 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 ($725.4 million; 76.7%) 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 ($105.1 million or 11.1%) 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 ($68.7 million), net pension asset ($14.5 million), and police, fire and advance life support ($7.0 million). The remaining balance of $115.3 million (12.2%) 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 2017 compared to 2016.

City of Redmond's Net Position (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	$ 168,558	$ 166,873	$ 104,392	$ 94,272	$ 272,950	$ 261,145
Net pension asset	14,539	6,655	-	-	14,539	6,655
Capital assets, net of accumulated depreciation	454,761	425,963	362,042	347,628	816,803	773,591
Total assets	$ 637,858	$ 599,491	$ 466,434	$ 441,900	$ 1,104,292	$ 1,041,391
Deferred outflows:						
Debt refunding	3,289	3,501	-	-	3,289	3,501
Pensions	4,836	8,499	693	1,062	5,529	9,561
Total assets and deferred outflows	$ 645,983	$ 611,491	$ 467,127	$ 442,962	$ 1,113,110	$ 1,054,453
Long-term liabilities	$ 72,589	$ 75,599	$ 32,890	$ 34,847	$ 105,479	$ 110,446
Net pension liability	20,735	26,931	4,761	6,145	25,496	33,076
Other liabilities	18,015	14,974	10,287	4,009	28,302	18,983
Total liabilities	$ 111,339	$ 117,504	$ 47,938	$ 45,001	$ 159,277	$ 162,505
Deferred inflows - Pensions	7,218	582	856	185	8,074	767
Total liabilities and deferred inflows	$ 118,557	$ 118,086	$ 48,794	$ 45,186	$ 167,351	$ 163,272
Net investment in capital assets	$ 396,280	$ 366,768	$ 329,089	$ 312,718	$ 725,369	$ 679,486
Restricted	96,149	85,499	8,917	8,917	105,066	94,416
Unrestricted	34,997	41,138	80,326	76,141	115,323	117,279
Total net position	$ 527,426	$ 493,405	$ 418,332	$ 397,776	$ 945,758	$ 891,181

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 2017 and 2016.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	$ 43,284	$ 47,229	$ 59,764	$ 54,486	$ 103,048	$ 101,715
Operating grants and contributions	5,360	3,841	1,342	787	6,702	4,628
Capital grants and contributions	10,624	5,003	6,677	13,779	17,301	18,782
General revenues:						
Property taxes	25,304	23,967	-	-	25,304	23,967
Sales taxes	27,398	27,979	-	-	27,398	27,979
Other taxes	22,807	24,490	-	-	22,807	24,490
Investment interest	1,303	1,896	722	612	2,025	2,508
Miscellaneous	16,790	32,992	3,543	175	20,333	33,167
Total revenues	$ 152,870	$ 167,397	$ 72,048	$ 69,839	$ 224,918	$ 237,236
Expenses:						
General government	$ 24,849	$ 22,766	$ -	$ -	$ 24,849	$ 22,766
Security	55,314	53,615	-	-	55,314	53,615
Economic environment	8,099	6,509	-	-	8,099	6,509
Transportation	14,882	13,327	-	-	14,882	13,327
Culture and recreation	14,920	12,065	-	-	14,920	12,065
Interest on long term debt	2,531	2,615	1,207	1,302	3,738	3,917
Water/Wastewater	-	-	33,790	34,227	33,790	34,227
UPD Water/Wastewater	-	-	6,474	5,887	6,474	5,887
Stormwater	-	-	10,021	9,216	10,021	9,216
Total expenses	$ 120,595	$ 110,897	$ 51,492	$ 50,632	$ 172,087	$ 161,529
Increase/(Decrease) in net position	32,275	56,500	20,556	19,207	52,831	75,707
Net position - beginning	493,405	405,361	397,776	378,569	891,181	783,930
Prior period adjustments	-	31,544	-	-	-	31,544
Changes in accounting principles	1,746	-	-	-	1,746	-
Net position - ending	$ 527,426	$ 493,405	$ 418,332	$ 397,776	$ 945,758	$ 891,181

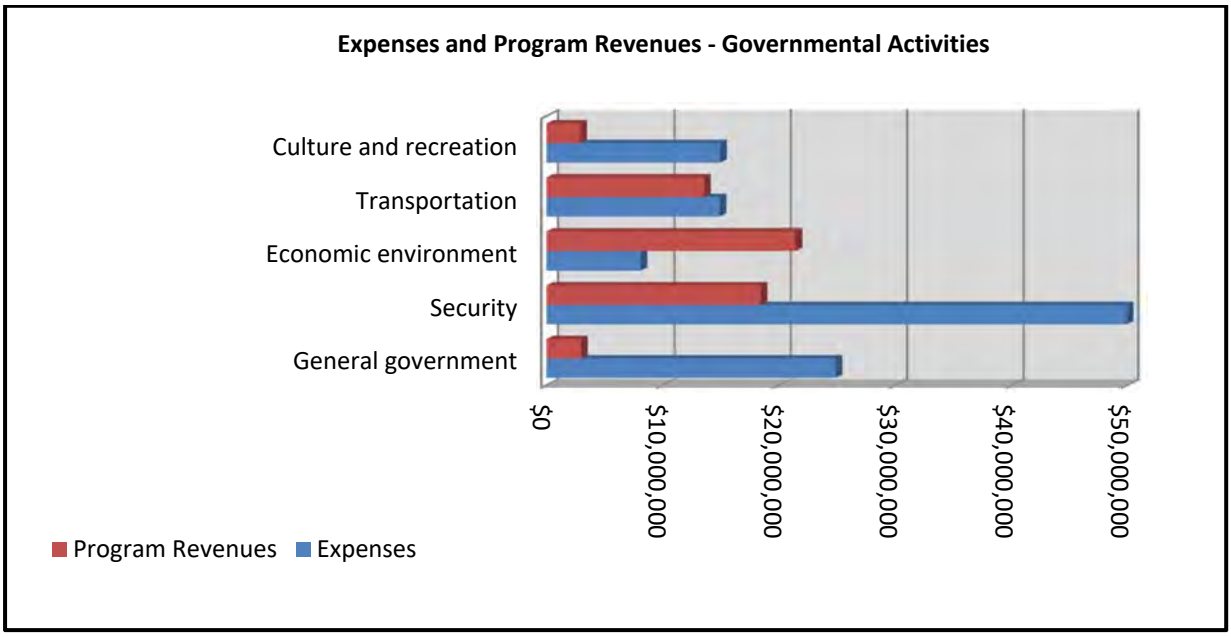
Governmental activities

During the 2017 fiscal year, net position for governmental activities increased $34.0 million (6.9%), compared to $88.0 million (21.7%) in 2016. Key elements of the increase are as follows:

- Total assets and deferred outflows from Governmental activities increased by $34.5 million (5.6%).
  - Cash and investments increased $3.6 million from 2016 to 2017 (2.7%). Changes in reporting entity per GASB 73 which required that the Firefighters Pension Fund be reported with the City's general fund resulted in a $1.7 million increase.
  - Special assessments receivable decreased $7.8 million due to payments received, and due from other governments increased $3.7 million (83.3%) due to grants dedicated to capital projects such as Downtown Park.
  - Investment in capital assets increased by $30.0 million (6.8%), 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 increased $7.9 million, and deferred outlows for pensions decreased $3.7 million. See Note 7 – Pensions for additional information.

- Total liabilities and deferred inflows from Governmental activities increased by $0.5 million (0.4%).
    - Debt decreased by $4.2 million due to principal payments on debt previously held by the City. See Note 11 to the financial statements for more information.
    - Net pension liability decreased by $6.2 million and deferred inflows for pensions increased $6.6 million. See Note 7 – Pensions for additional information.
    - Other current liabilities increased by $3.0 million, primarily due to year-end accounts payable related to capital projects and wages payable.
- Total revenue decreased between 2016 and 2017 by $14.5 million or 8.7%.
    - Total tax revenues decreased by $0.9 million (1.2%) compared to 2016, due to a decrease in sales tax offset by growth in property taxes related to new construction and excise taxes in 2016 as compared to 2017.
    - Program revenues increased by $3.2 million (5.7%) due to increased grant revenues related to capital projects.
    - Miscellaneous revenue decreases of $16.2 million are primarily due to higher special assessments revenues in 2016 as compared to 2017 for Redmond Community Facilities District 2016-1.
    - Total expenses increased by $9.7 million (8.7%), primarily attributable to capital construction to further the goals of the City's Capital Investment Strategy. Investments in Downtown Park and the Couplet conversion projects as well as facility improvements to the Public Safety Building all contributed to the increase in expenditures.

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 2017.



General Fund Budgetary Highlights

The City of Redmond budgets on a biennial basis and in comparing the original budget to the final budget for 2017-2018, several changes took place including:

- Recognizing the difference between budgeted and actual beginning fund balances.
- Establishing two new capital funds for the City's Community Facilities Districts (CFD 2014-1 and CFD 2016-1) and recognizing revenue and expenses related to the capital investments in those funds. A total of $31.6 million was budgeted in Fund CFD 2014-1 to support the design and construction of the Technology Center Pedestrian Bridge and $15.6 million in Fund CFD 2016-1 to fund various mobility and stormwater improvements.
- Recognizing revenue and expenses related to departmental reorganizations.
- Recognizing additional personnel related to lean process improvement efforts in the Prosecutors Office, a project manager to support capital investments funded by King County and additional development services employees to support light rail design and construction.
- Recognizing additional Real Estate Excise Tax collections to be invested in lease payments for the City's new community center and construction of the Customer Service Center at City Hall.
- Other miscellaneous adjustments for recognition of grants and increasing transfers between the City's major maintenance and capital investment funds.

Total actual revenues came in over budget by $0.3 million (4.5%) including fund balances. When comparing budget to actuals, some notable differences occurred, including:

- The City ended 2017 with $3 million over projected beginning fund balance. The increase in fund balance accounted for most of the net change in comparison to budgeted levels.
- Sales and use tax came in $0.6 million or 0.3% under budgeted levels. The decrease is primarily due to an audit adjustment by the Department of Revenue that corrected sales tax collections for goods and services that should not have been disbursed to Redmond.
- Permit revenue also slightly declined by $0.3 million in comparison to budget over the prior year. However, collections were forecasted to grow about 8.5% over 2016 collections and the numbers came in just slightly under the more robust forecast due to the development surge being experienced by the City. After several years of declining interest earnings, interest revenue increased from a budgeted $0.23 million in 2017 to end the year at approximately $0.44 million, a 32% increase. This growth is important as it marks a turning point toward a more robust economy.
- State entitlement revenue made up the remaining differences in the increases between budget and actuals in 2017. Liquor board profits, liquor excise and criminal justice entitlements made up the bulk of the $326,000 revenue over the projected budget. Other smaller increases included additional funds from state public safety grants,

Total actual expenditures were $3.4 million (3.7%) under budget, excluding ending fund balances, in the General Fund due to:

- Approximately $2.1 million of the underexpenditures is due to regular salary savings in the general government and security of persons and property categories including approximately $413,000 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 $850,000 was underspent compared to budget due to savings in the professional services categories including one-time money allocated to the North/South Corridor and the Leary Way Phase II studies. Approximately $1 million in

various expenditures remained unspent at the end of the year, including travel ($103,000), supplemental salaries ($142,000), electricity ($448,000), contributions to the medical self-inurance fund ($169,000) and miscellaneous expenses ($171,000).

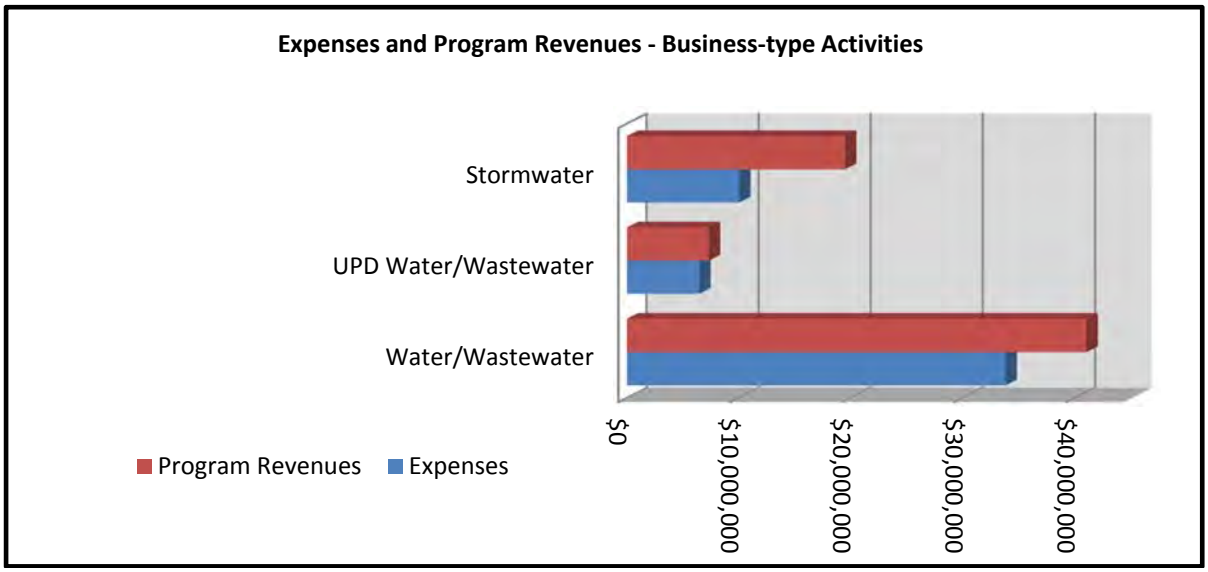
Business-type Activities

Business-type activities account for 44.2% of the City's net position. Business-type activities of the City's utilities increased the City of Redmond's net position by $20.6 million (2.3%).

Key elements of this increase are as follows:

- Net investment in capital assets increased $16.4 million or 5.2% between 2016 and 2017.
- The Water/Wastewater utility showed operating income of $5.0 million in 2017 compared to $1.4 million in 2016, while the Novelty Hill Water/Wastewater utilities showed an operating income of $0.8 million compared to $0.5 million in 2016. This is primarily related to a higher level of development activities as well as the continued build out of the Novelty Hill infrastructure. When non-operating income and capital contributions are included, the change in net position is $7.2 million for the Water/Wastewater utility and $1.1 million for the UPD Water/Wastewater utility.
- The Storm water utility showed operating income of $3.9 million in 2017 compared to $3.2 million in 2016, primarily due to a $1.5 million increase in operating revenues, offset by a $0.7 million increase in operating expenses, primarily due to delivery of significant capital projects. When non-operating income and capital contributions are included, the change in net position is $12.3 million, compared to $10.5 million in 2016. This is primarily due to increases in grant revenues and transfers in from the CIP Fund for projects funded by the Community Facilities District 2016-1. The City continues to do significant work in the Overlake and Downtown urban centers most notably the construction of the Station Vault in the Overlake area.
- In 2017 the City's business-type activities invested $816,762 in the Groundwater Protection Incentive Program, which is included as an intangible asset with an indefinite useful life. The program provides funds for retrofitting existing private infiltration facilities that are determined to pose a significant groundwater hazard in wellhead protection zones 1 and 2, to ensure a safe supply of drinking water for the City.

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 2017:



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, 2017, amounts to $818.2 million (net of accumulated depreciation) an increase of $44.6 million from 2016. 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 $456.1 million in 2017, an increase of $30.2 million from 2016. Business-type capital assets (net of depreciation) totaled $362.0 million, an increase of $14.4 million from 2016. 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	
	2017	2016	2017	2016	2017	2016
Land & Land Rights	$ 141,815	$ 134,330	$ 27,590	$ 27,224	$ 169,405	$ 161,554
Intangibles	-	-	817	-	817	-
Buildings/ Bldg. Improvements	62,207	53,536	28,808	29,567	91,015	83,103
Improvements other than Buildings	19,735	20,070	283,810	280,169	303,545	300,239
Machinery and Equipment	13,984	14,257	831	901	14,815	15,158
Construction in Progress	21,246	29,625	20,186	9,767	41,432	39,392
Infrastructure	195,226	173,595	-	-	195,226	173,595
Art	549	549	-	-	549	549
Total	$ 454,762	$ 425,962	$ 362,042	$ 347,628	$ 816,804	$ 773,590

City of Redmond's Outstanding Debt

At the end of 2017, the City of Redmond had total bonded debt outstanding of $82.1 million. Of this amount, $60.4 million is general obligation bonds (City Hall, Bear Creek Parkway, transportation and parks); and $26.0 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	
	2017	2016	2017	2016	2017	2016
General obligation bonds	$ 56,190	$ 60,380	$ -	$ -	$ 56,190	$ 60,380
G.O. bond premiums	4,259	4,626	-	-	4,259	4,626
Revenue bonds	-	-	26,040	27,630	26,040	27,630
Revenue bond issuance premiums	-	-	2,823	3,009	2,823	3,009
Public Works Trust Fund loans	1,322	1,417	4,090	4,272	5,412	5,689
Other post-employment benefits	5,512	4,648	-	-	5,512	4,648
Compensated absences	5,305	4,528	623	591	5,928	5,119
Net pension liability	20,735	26,931	4,761	6,145	25,496	33,076
Total	$ 93,323	$ 102,530	$ 38,337	$ 41,647	$ 131,660	$ 144,177

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 $3.3 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 decreased $6.2 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 Redmond's vision to realize the future as a City with two vibrant urban centers with connected neighbors and provide high quality responsive services in partnership with an engaged community.

The City's infrastructure investments reinforce the urban centers, Downtown and Overlake, as the primary growth areas and preserve the character of Redmond's residential neighborhoods. Light rail will be arriving at stations in the Overlake and Downtown Urban Centers in 2023 and 2024, respectively, generating additional growth. Also anchored by a new light rail station, the new Marymoor Village is further anticipated to add over 1,400 dwelling units and one million square feet of new office space by 2030.

Development of the Downtown urban center is progressing, with thousands of new housing units having come online and many hundreds more programmed over the next several years, complemented by strategic investments in new parks and reconfiguration of Redmond Way and Cleveland Street. Planning efforts are currently underway to refine design standards, zoning district regulations, parking management, and wellhead protection in the Downtown. Overlake is thoughtfully evolving into the envisioned urban center. Major proposed redevelopment of the Microsoft campus will generate new opportunities and new challenges for the city's infrastructure and services as more than 8,000 new jobs are located in the area. Other large projects like Esterra Park, for example, have seen this largely suburban area start to take on a more urban feel, replete with needs for large-scale infrastructure investments much like the recently-completed regional stormwater vaults and a the proposed pedestrian bridge over State Route 520. These improvements are in addition to major infrastructure investments by other entities, like Microsoft and Sound Transit.

Consistent with the Comprehensive Plan that articulates the vision for growth in the City centers, 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 2017, General Fund revenue ended the year slightly over expectations mostly due to growth in development review and permitting as a result of a more robust economy and a development surge in the region. Departments successfully managed their expenditures, and as a result, General Fund expenditures were approximately 3.4% below the authorized budget (excluding ending fund balances). 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 2020. In future years, Redmond anticipates making progress on its capital improvement goals by continuing the work in downtown Redmond on the new Downtown Park (anticipated opening in September 2018) and converting the Redmond Way and Cleveland one-way streets into two-way thoroughfares (construction finalized in 2018). Redmond will welcome four light rail stations into the City in 2023 and 2024. Currently, construction is underway for the Technology Center Station along with underground improvements and pedestrian friendly amenities. Light rail coupled with the recently announced refresh of the Microsoft Campus will help Redmond realize its vision.

Like many governments in the region, Redmond is investing resources to meet other challenges, such as affordable housing and homelessness. The City has hired a homelessness advocate who works hand in hand with public safety and social service providers to connect the City's homeless community with needed services. As the area becomes a more popular place to live housing becomes less and less affordable. The City partners with A Regional Coalition for Housing (ARCH) to build affordable units and looks for opportunities to directly invest in affordable housing through transit oriented developments (TOD) and unique buildings such as the recently opened John Gabriel House dedicated to affordable senior housing.

The City will continue to rely on its Comprehensive Plan to articulate the vision for growth in the urban centers that is supported by state law, regional planning approaches, several functional area plans, and numerous project-specific efforts that implement Redmond's vision.

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, City of Redmond, PO Box 97010, Redmond, WA 98073-9710.

CITY OF REDMOND
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 23,077,403	$ 15,845,456	$ 38,922,859
Investments (Note 3)	111,545,930	69,235,733	180,781,663
Receivables:			
Taxes	7,044,999	-	7,044,999
Accounts	1,017,013	8,728,880	9,745,893
Interest	377,092	246,255	623,347
Special assessments	10,000,000	-	10,000,000
Due from other governments	8,149,030	1,229,330	9,378,360
Inventory	39,700	116,870	156,570
Prepaid insurance	511,835	-	511,835
Net pension asset	14,539,022	-	14,539,022
Restricted assets:			
Deposit cash	797,622	58,473	856,095
Deposit investments	5,996,855	-	5,996,855
Revenue bond reserve	-	2,809,909	2,809,909
Rate stabilization fund	-	6,107,077	6,107,077
Advance on service contract	-	14,039	14,039
Capital assets (Note 6):			
Capital assets not being depreciated	163,609,679	48,593,132	212,202,811
Depreciable capital assets, net	291,151,798	313,448,605	604,600,403
Total assets	637,857,978	466,433,759	1,104,291,737
Deferred outflow of resources:			
Debt refunding	3,289,016	-	3,289,016
Pensions	4,835,597	692,659	5,528,256
Total deferred outflows	8,124,613	692,659	8,817,272
Total assets and deferred outflows	645,982,591	467,126,418	1,113,109,009
LIABILITIES			
Payables:			
Accounts/claims	9,118,986	2,024,924	11,143,910
Employee wages	3,210,385	378,221	3,588,606
Interest	184,930	102,019	286,949
Due to other governments	1,056,690	7,038,232	8,094,922
Unearned revenues	134,092	-	134,092
Customer deposits	4,310,347	58,473	4,368,820
Noncurrent liabilities (Note 11):			
Due within one year	8,658,789	2,335,613	10,994,402
Due in more than one year	63,929,997	31,240,296	95,170,293
Net pension liability	20,734,844	4,760,778	25,495,622
Total liabilities	111,339,060	47,938,556	159,277,616
Deferred inflow of resources:			
Pensions	7,217,933	855,993	8,073,926
Total deferred inflows	7,217,933	855,993	8,073,926
Total liabilities and deferred inflows	118,556,993	48,794,549	167,351,542
NET POSITION			
Net investment in capital assets (Note 6)	396,279,675	329,089,088	725,368,763
Restricted for:			
Net pension asset	14,539,022		14,539,022
Advance life support	1,033,246	-	1,033,246
Cable access	871,483	-	871,483
Parks	693,603	-	693,603
Police	4,739,343	-	4,739,343
Fire	1,249,091	-	1,249,091
Debt service	2,207,132	2,809,909	5,017,041
Capital projects	68,710,212	-	68,710,212
Tourism	690,778	-	690,778
Planning-Transportation	597,202	-	597,202
Recycling	838,435	-	838,435
Rate stabilization fund	-	6,107,077	6,107,077
Unrestricted	34,976,376	80,325,795	115,302,171
Total Net Position	$ 527,425,598	$ 418,331,869	$ 945,757,467

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, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Function/Program	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	$ 24,770,766	$ 2,981,592	$ -	$ -	$ (21,789,174)	$ -	$ (21,789,174)
Security	55,313,620	16,999,338	1,411,651	-	(36,902,631)	-	(36,902,631)
Economic environment	8,098,566	20,049,870	1,021,621	350,000	13,322,925	-	13,322,925
Transportation	14,882,212	582,582	2,683,393	10,273,719	(1,342,518)	-	(1,342,518)
Culture and recreation	14,997,984	2,670,734	242,908	-	(12,084,342)	-	(12,084,342)
Interest on long-term debt	2,531,394	-	-	-	(2,531,394)	-	(2,531,394)
Total governmental activities	120,594,542	43,284,116	5,359,573	10,623,719	(61,327,134)	-	(61,327,134)
Business-type activities							
Water/Wastewater	33,789,673	38,562,476	90,780	2,338,035	-	7,201,618	7,201,618
UPD Water/Wastewater	6,474,225	7,264,411	-	55,344	-	845,530	845,530
Stormwater	10,021,080	13,937,069	1,250,978	4,283,947	-	9,450,914	9,450,914
Total business-type activities	50,284,978	59,763,956	1,341,758	6,677,326	-	17,498,062	17,498,062
Total government	$ 170,879,520	$ 103,048,072	$ 6,701,331	$ 17,301,045	(61,327,134)	17,498,062	(43,829,072)
General revenues:							
Taxes							
Property					25,303,582	-	25,303,582
Sales					27,397,643	-	27,397,643
Business and Occupation					16,249,444	-	16,249,444
Excise					6,557,597	-	6,557,597
Investment interest					1,624,468	986,210	2,610,678
Gain (loss) in change of fair value					(321,670)	(264,315)	(585,985)
Miscellaneous					11,524,042	196,605	11,720,647
Interest expense					-	(1,206,727)	(1,206,727)
Contributions/Disposal of capital assets					8,612,773	-	8,612,773
Transfers, internal activities					(3,346,017)	3,346,017	-
Total general revenues					93,601,862	3,057,790	96,659,652
Change in net position					32,274,728	20,555,852	52,830,580
Net position-beginning					493,404,660	397,776,017	891,180,677
Change in accounting principle - GASB 73					1,746,210	-	1,746,210
Net position-ending					$ 527,425,598	$ 418,331,869	$ 945,757,467

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

CITY OF REDMOND
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017

	General	Capital Improvements Program Fund	Other Governmental Funds	Governmental Funds Total
ASSETS				
Cash and cash equivalents	$ 6,115,470	$ 11,960,147	$ 1,952,663	$ 20,028,280
Investments	27,752,949	58,836,897	9,955,382	96,545,228
Receivables:				
Taxes	6,611,289	-	433,710	7,044,999
Accounts	89,697	183,755	243,562	517,014
Interest	103,570	194,039	31,724	329,333
Special assessments	-	10,000,000	-	10,000,000
Due from other funds	555,429	-	-	555,429
Due from other governments	926,864	4,964,611	2,257,555	8,149,030
Restricted assets:				
Deposit investments	5,983,667	3,188	10,000	5,996,855
Cash	797,622	-	-	797,622
Total Assets	$ 48,936,557	$ 86,142,637	$ 14,884,596	$ 149,963,790
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts/claims payable	$ 2,111,399	$ 4,842,964	$ 182,398	$ 7,136,761
Employee wages payable	2,648,837	23,891	353,502	3,026,230
Due to other funds	-	-	555,430	555,430
Due to other governments	535,935	277,976	198,316	1,012,227
Payable from restricted assets:				
Deposits payable	4,297,159	3,188	10,000	4,310,347
Unearned revenues	16,283	-	117,809	134,092
Total Liabilities	9,609,613	5,148,019	1,417,455	16,175,087
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-special assessments		51,682,928		51,682,928
Total deferred inflows	-	51,682,928	-	51,682,928
FUND BALANCES (DEFICITS)				
Spendable:				
Restricted	7,423,610	12,878,183	10,793,090	31,094,883
Committed	8,158,789	-	2,674,051	10,832,840
Assigned	11,434,944	16,433,507	-	27,868,451
Unassigned	12,309,601	-	-	12,309,601
Total Fund Balances	39,326,944	29,311,690	13,467,141	82,105,775
Total Liabilities, Deferred Inflows, and Fund Balance	$ 48,936,557	$ 86,142,637	$ 14,884,596	

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.	448,482,104
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.	20,660,707
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)	(69,149,661)
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. (Note 2)	(6,356,255)
Special assessments are susceptible to full accrual in the government-wide statements, but are reported as deferred inflows in the governmental funds.	51,682,928
Net position of governmental activities	$ 527,425,598

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

CITY OF REDMOND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Capital Improvements Program Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 67,714,516	$ -	$ 7,793,751	$ 75,508,267
Licenses and permits	11,783,559	-	1,549,720	13,333,279
Contributions	139,343	-	33,196	172,539
Intergovernmental	4,662,643	10,623,719	524,391	15,810,753
Charges for services	14,334,027	4,342,456	10,591,821	29,268,304
Fines and forfeitures	641,771	-	40,763	682,534
Investment income	470,252	384,438	207,440	1,062,130
Net change in fair value of investment	(70,775)	(182,464)	(24,636)	(277,875)
Miscellaneous	374,140	4,545,992	451,820	5,371,952
Total Revenues	100,049,476	19,714,141	21,168,266	140,931,883
EXPENDITURES				
Current:				
General government	19,409,879	1,737	-	19,411,616
Security of persons and property	47,052,263	-	7,005,013	54,057,276
Transportation	10,394,170	-	1,751,187	12,145,357
Economic environment	6,624,617	-	1,470,093	8,094,710
Social Services	838,486	-	268,148	1,106,634
Culture and recreation	11,227,039	-	2,375,863	13,602,902
Capital outlay	2,099,991	27,418,223	43,916	29,562,130
Debt service:				
Principal	94,451	735,000	3,455,000	4,284,451
Interest and debt issue costs	3,542	162,788	2,163,731	2,330,061
Total Expenditures	97,744,438	28,317,748	18,532,951	144,595,137
Excess (deficiency) of revenues Over (under) expenditures	2,305,038	(8,603,607)	2,635,315	(3,663,254)
OTHER FINANCING SOURCES (USES)				
Disposition of capital assets	4,500	-	-	4,500
Transfers in (Note 10)	6,884,762	13,197,635	4,913,894	24,996,291
Transfers out (Note 10)	(10,172,954)	(8,637,905)	(9,690,929)	(28,501,788)
Total other financing sources and uses	(3,283,692)	4,559,730	(4,777,035)	(3,500,997)
Net change in fund balances	(978,654)	(4,043,877)	(2,141,720)	(7,164,251)
Fund balances-beginning	38,559,388	33,355,567	15,608,861	87,523,816
Change in accounting principle - GASB 73	1,746,210	-	-	1,746,210
Fund balances-ending	$ 39,326,944	$ 29,311,690	$ 13,467,141	$ 82,105,775

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, 2017

Net change in fund balances-total governmental funds.	$	(7,164,251)
Amounts reported for governmental funds in the statement of activities are different because:		
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 $29,562,130 and contributions of $6,484,882 exceed depreciation expense of $9,964,384 and disposals of $734,844 in the current period.		25,347,784
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (Note 2)		7,659,387
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. (Note 2)		4,439,356
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.		(41,404)
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)		(1,570,732)
Pension expenses reported in the governmental fund statements are not reported as expenditures in the statement of activities.		3,604,588
Change in net position of governmental activities	$	32,274,728

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

CITY OF REDMOND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2017

	Business-type Activities Enterprise Funds				Governmental Activities
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management	Totals	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	$ 6,546,370	$ 3,927,603	$ 5,371,483	$ 15,845,456	$ 3,049,123
Investments	27,253,582	17,277,440	24,704,711	69,235,733	15,000,702
Accounts and contracts receivable	5,271,680	587,339	2,869,861	8,728,880	500,000
Interest receivable	103,728	61,136	81,391	246,255	47,759
Due from other Governments	23,544	1,714	1,204,072	1,229,330	-
Inventory	116,870	-	-	116,870	39,700
Prepaid insurance	-	-	-	-	511,835
Restricted assets:					
Customer deposits:					
Cash and cash equivalents	16,373	32,000	10,100	58,473	-
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	44,685,458	23,816,498	35,876,027	104,377,983	19,149,119
Noncurrent assets:					
Advance on service contract	11,135	2,904	-	14,039	-
Capital assets:					
Land and land rights	4,622,689	3,274,106	19,693,444	27,590,239	584,292
Buildings	25,377,864	11,031,564	1,549,496	37,958,924	715,786
Improvements other than buildings	181,455,491	64,643,661	129,656,086	375,755,238	356,198
Intangible Assets	816,762	-	-	816,762	-
Equipment	628,859	262,471	603,947	1,495,277	13,915,072
Construction in progress	2,777,992	223,332	17,184,807	20,186,131	218,152
Less accumulated depreciation	(61,636,759)	(18,526,960)	(21,597,115)	(101,760,834)	(9,510,127)
Total capital assets (net of depreciation)	154,042,898	60,908,174	147,090,665	362,041,737	6,279,373
Total noncurrent assets	154,054,033	60,911,078	147,090,665	362,055,776	6,279,373
Total assets	198,739,491	84,727,576	182,966,692	466,433,759	25,428,492
Deferred outflow of resources:					
Pensions	311,263	159	381,237	692,659	306,715
Total deferred outflows	311,263	159	381,237	692,659	306,715
Total assets and deferred outflows	$ 199,050,754	$ 84,727,735	$ 183,347,929	$ 467,126,418	$ 25,735,207

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

CITY OF REDMOND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2017

	Business-type Activities Enterprise Funds				Governmental Activities
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management	Totals	Internal Service Funds
LIABILITIES					
Current liabilities:					
Accounts payable	$ 1,050,409	$ 80,393	$ 894,122	$ 2,024,924	$ 1,982,225
Employee wages payable	223,276	1,259	153,686	378,221	184,155
Compensated absences	283,582	-	215,026	498,608	268,031
Due to other governments	1,528,897	208,543	5,300,792	7,038,232	44,463
Current portion of loans payable	-	-	187,005	187,005	-
Current portion of revenue bonds payable	830,000	-	820,000	1,650,000	-
Accrued interest payable	22,870	-	79,149	102,019	-
Current liabilities payable from restricted assets:					
Customer deposits payable	16,373	32,000	10,100	58,473	-
Total current liabilities	3,955,407	322,195	7,659,880	11,937,482	2,478,874
Noncurrent liabilities:					
Revenue bonds payable, net	5,022,685	-	22,190,512	27,213,197	-
Loans payable	-	-	3,902,447	3,902,447	-
Compensated absences	70,895	-	53,757	124,652	67,007
Net pension liability	2,360,479	1,297	2,399,002	4,760,778	2,118,872
Total noncurrent liabilities	7,454,059	1,297	28,545,718	36,001,074	2,185,879
Total liabilities	11,409,466	323,492	36,205,598	47,938,556	4,664,753
Deferred inflow of resources:					
Pensions	530,081	198	325,714	855,993	409,747
Total deferred inflows	530,081	198	325,714	855,993	409,747
Total liabilities and deferred inflows	11,939,547	323,690	36,531,312	48,794,549	5,074,500
NET POSITION					
Net investment in capital assets	148,190,213	60,908,174	119,990,701	329,089,088	6,279,373
				-	
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	33,567,683	21,566,605	25,191,507	80,325,795	14,381,334
Total net position	$ 187,111,207	$ 84,404,045	$ 146,816,617	$ 418,331,869	$ 20,660,707

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, 2017

	Business-type Activities- Enterprise Funds				Governmental Activities- Internal Service Funds
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management	Totals	
Operating revenues:					
Charges for services	$ 22,653,437	$ 5,137,940	$ 13,937,069	$ 41,728,446	$ 19,083,479
Metro service	15,909,039	2,126,471	-	18,035,510	-
Charges for replacement	-	-	-	-	2,225,023
Charges for insurance	-	-	-	-	931,681
Total operating revenues	38,562,476	7,264,411	13,937,069	59,763,956	22,240,183
Operating expenses:					
Administrative and general	3,349,735	526,756	2,983,540	6,860,031	-
Purchased water	6,016,563	1,238,167	-	7,254,730	-
Metro service	14,938,067	2,139,629	-	17,077,696	-
Supplies	-	-	-	-	653,058
Maintenance and operations	4,425,164	1,014,420	4,064,364	9,503,948	22,435,146
Taxes	757,411	173,178	235,236	1,165,825	-
Depreciation and amortization	4,082,368	1,382,075	2,710,683	8,175,126	855,215
Total operating expenses	33,569,308	6,474,225	9,993,823	50,037,356	23,943,419
Operating income (loss)	4,993,168	790,186	3,943,246	9,726,600	(1,703,236)
Nonoperating revenues (expenses):					
Interest and investment revenue	402,319	237,574	346,317	986,210	195,211
Net change in fair value of the investment	(108,369)	(67,902)	(88,044)	(264,315)	(43,790)
Grant income	90,780	-	1,250,978	1,341,758	-
Interest expense	(285,822)	-	(920,905)	(1,206,727)	-
Gain (Loss) on disposal of capital assets	(220,365)	-	(27,257)	(247,622)	14,725
Insurance recovery	-	-	-	-	937,900
Lease and other revenue	104,665	83,440	8,500	196,605	398,306
Total nonoperating revenues (expenses)	(16,792)	253,112	569,589	805,909	1,502,352
Income before contributions and transfers	4,976,376	1,043,298	4,512,835	10,532,509	(200,884)
Capital contributions	2,338,035	55,344	4,283,947	6,677,326	-
Transfers in	-	-	6,093,928	6,093,928	159,480
Transfers out	(90,944)	(22,736)	(2,634,231)	(2,747,911)	-
Change in net position	7,223,467	1,075,906	12,256,479	20,555,852	(41,404)
Total net position - beginning	179,887,740	83,328,139	134,560,138	397,776,017	20,702,111
Total net position - ending	$ 187,111,207	$ 84,404,045	$ 146,816,617	$ 418,331,869	$ 20,660,707

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, 2017

	Business-type Activities-Enterprise Funds				Governmental Activities-
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	$ 36,637,506	$ 7,218,204	$ 13,260,679	$ 57,116,389	$ 19,515,160
Cash received for replacement	-	-	-	-	2,225,023
Cash payments to suppliers	(23,720,128)	(3,586,811)	(3,211,284)	(30,518,223)	(4,498,029)
Cash payments to employees	(3,596,759)	153	(2,710,229)	(6,306,835)	(17,487,880)
Cash payments to other governments	747,121	35,360	(152,328)	630,153	(5,536)
Internal activity - payments to other funds	(1,372,872)	(1,320,777)	(1,019,576)	(3,713,225)	(599,399)
Other operating receipts	(195,051)	-	(149,806)	(344,857)	1,008,332
Net cash provided (used) by operating activities	8,499,817	2,346,129	6,017,456	16,863,402	157,671
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in/transfers out	(90,944)	(22,736)	3,459,697	3,346,017	159,480
Grant proceeds	85,835	(1,714)	(7,520)	76,601	-
Net cash provided by noncapital financing activities	(5,109)	(24,450)	3,452,177	3,422,618	159,480
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(6,898,894)	(242,487)	(12,353,457)	(19,494,838)	(1,449,032)
Proceeds from sale of other assets	104,667	83,439	8,500	196,606	152,770
Cash payments to suppliers	9,009	32,401	206,660	248,070	-
Cash payments to other governments	-	-	4,062,488	4,062,488	-
Cash received from customers	-	-	(937,918)	(937,918)	-
Capital contributions	1,018,488	1,350	2,317,625	3,337,463	-
Grant Proceeds	-	-	655,250	655,250	-
Interest paid on other debt	-	-	(110,483)	(110,483)	-
Principal paid on other debt	-	-	(182,210)	(182,210)	-
Interest paid on revenue bonds	(313,138)	-	(974,058)	(1,287,196)	-
Principal paid on revenue bonds	(790,000)	-	(800,000)	(1,590,000)	-
Net cash provided (used) for capital and related financing activities	(6,869,868)	(125,297)	(8,107,603)	(15,102,768)	(1,296,262)
CASH FLOWS FROM INVESTING ACTIVITIES					
Internal activity, net investment purchases	(2,455,307)	(2,386,338)	(1,986,518)	(6,828,163)	266,662
Interest on investments	277,220	157,074	247,138	681,432	147,713
Net cash provided (used) in investing activities	(2,178,087)	(2,229,264)	(1,739,380)	(6,146,731)	414,375
Net increase (decrease) in cash and cash equivalents	(553,247)	(32,882)	(377,350)	(963,479)	(564,736)
Cash and cash equivalents-beginning of year	7,115,990	3,992,485	5,758,933	16,867,408	3,613,859
Cash and cash equivalents-end of year	$ 6,562,743	$ 3,959,603	$ 5,381,583	$ 15,903,929	$ 3,049,123

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, 2017

	Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Funds
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management	Totals	
Cash and cash equivalents					
Operating fund cash	$ 6,546,370	$ 3,927,603	$ 5,371,483	$ 15,845,456	$ 3,049,123
Customer deposits	16,373	32,000	10,100	58,473	-
Cash and cash equivalents-end of year	$ 6,562,743	$ 3,959,603	$ 5,381,583	$ 15,903,929	$ 3,049,123
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	$ 4,993,168	$ 790,186	$ 3,943,246	$ 9,726,600	$ (1,703,236)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	4,082,368	1,382,075	2,710,683	8,175,126	855,215
Decrease (increase) in accounts receivable	(1,924,970)	(46,207)	(679,180)	(2,650,357)	(500,000)
Decrease (increase) in inventory	(18,313)	-	-	(18,313)	(3,815)
Decrease (increase) in prepaid expenses	-	-	-	-	(33,427)
Increase (decrease) in accounts payable	7,989	11,384	36,470	55,843	449,133
Increase (decrease) due to other governments	1,504,532	208,538	82,908	1,795,978	(5,536)
Increase (decrease) in employee wages payable	55,708	153	32,349	88,210	31,282
Increase (decrease) in compensated absences payable	(5,614)	-	37,994	32,380	59,723
Increase (decrease) in customer deposits payable	-	-	2,792	2,792	-
Increase (decrease) in GASB 68 adjustment	(195,051)	-	(149,806)	(344,857)	(175,104)
Reclassify other income	-	-	-	-	1,183,436
Net cash provided (used) by operating activities	$ 8,499,817	$ 2,346,129	$ 6,017,456	$ 16,863,402	$ 157,671
Noncash investing, capital and financing activities:					
Developers contributed infrastructure valued at	$ 1,319,547	$ 53,994	$ 1,966,322	$ 3,339,863	$ -
Fair value of investments decreased by	(260,374)	(153,370)	(210,324)	(624,068)	(119,784)

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, 2017

		Agency Funds
ASSETS		
Cash and cash equivalents	$	717,762
Investments:		
U.S. Government Securities		469,195
Money Market Funds		17,404
Local Government Investment Pool		38,866
Receivables:		
Accounts Receivable		114
Total Assets		1,243,341
LIABILITIES		
Due to other governments	$	104,165
Custodial		423,457
Trust account		715,719
Total Liabilities		1,243,341
NET POSITION		
Total Net Position	$	-

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

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, wastewater and stormwater 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 14 - Component Units for additional information.)

Beginning in 2017, the Firefighters Pension Fund is included in the City's general fund, as a result of GASB Statement No. 73. In prior years it was reported in the fiduciary funds statements.

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 **Firefighters Pension Fund** is now reported in the General Fund, as reported in Note 7: Pensions.

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.

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 interfund 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 outcomes that the City should support to pursue the given priority. These outcomes 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 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:

Asset	Years
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. See Note 7: Pensions for additional detail.

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, and deferred outflows related to debt is discussed in detail in Note 11: Long-Term Obligations.

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	$	(56,190,000)
Unamortized bond premiums		(4,258,508)
Deferred outflows on refunding		3,289,016
Loans payable		(1,322,311)
Accrued interest payable		(184,930)
Compensated absences		(4,970,384)
Other post-employment benefits		(5,512,545)
Net adjustment to reduce fund balance - total governmental funds		
To arrive at net position – governmental activities	$	(69,149,661)

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	$	14,539,022
Deferred outflows of resources		4,528,882
Net pension liability		(18,615,972)
Deferred inflows of resources		(6,808,186)
	$	(6,356,255)

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	$	2,843,508
Unavailable revenue – special assessments		4,815,879
Net adjustment to increase net change in fund balances - governmental funds to arrive at change in net position- governmental activities	$	7,659,387

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	$	4,190,000
Public Works Trust Fund Loans repayment		94,451
Amortization/(addition) of debt premiums		367,126
Amortization of deferred outflows on refunding		(212,221)
Net adjustment to decrease net change in fund balances- governmental funds to arrive at change in net position- governmental activities	$	4,439,356

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	$	10,888
Change in compensated absences payable		(717,569)
Change in other post-employment benefits payable		(864,051)
Net adjustment to decrease net change in fund balances- governmental funds to arrive at change in net position- governmental activities	$	(1,570,732)

NOTE 3:
Deposits and Investments

Deposits

As of December 31, 2017 the carrying amount of the City's cash demand deposits with KeyBank was $16,809,755 and the in-transit items were $431,806. In addition, $7,278,630 was held in public funds money market accounts at Opus and Wells Fargo Banks. A total of $611,800 retained from contractors pending acceptance of City construction projects was held in escrow or savings accounts at various banks. Another $194,009 was held in a City of Redmond Client Trust Account at Wells Fargo. Petty cash totaled $48,500, of which $35,820 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, 2017 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. One hundred percent of the City's portfolio may be invested in US Treasury Notes, Bonds or Certificates, US Government Sponsored Corporations, or the State Investment Pool. Fifty percent 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. Twenty five percent 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). Ten percent of the portfolio may be invested in Commercial Paper and other authorized investments. On December 31, 2017 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:

	Amortized Cost	Less Than 1 Year
Money Market	$ 7,278,630	$ 7,278,630
Local Government Investment Pool	16,253,946	16,253,946
Total	$ 23,532,576	$ 23,532,576

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, 2017, the City had the following investments measured at fair value:

	Fair Value Measurement Using			
Investment Type	**Quoted Prices Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
U.S. Agency Securities	$ -	$ 191,235,330	$ -	$ 191,235,330
U.S. Treasury Securities	4,985,640			4,985,640
Total	$ 4,985,640	$ 191,235,330	$ -	$ 196,220,970

The following table identifies the types of investments, concentration of investments in any one issuer, and maturities of the City's investment portfolio as of December 31, 2017:

		Maturities		
Investment Type	**Fair Value**	**Less Than 1 Year**	**1 to 5 Years**	**% of Total Portfolio**
Federal Farm Credit Bank	$ 40,095,218	$ 15,364,708	$ 24,730,510	18.87%
Federal Home Loan Bank	38,338,125	12,960,130	25,377,995	18.04%
Federal Home Loan Mortgage Corporation	56,815,015	26,092,763	30,722,252	26.74%
Federal National Mortgage Association	55,986,972	11,946,100	44,040,872	26.35%
Treasury Notes	4,985,640	4,985,640	-	2.35%
Subtotal	196,220,970	71,349,341	124,871,629	92.35%
Local Government Investment Pools*	16,253,946	16,253,946	-	7.65%
Total	212,474,916	87,603,287	124,871,629	100.00%
Percentage of Total Portfolio		41.23%	58.77%	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 following table identifies the credit risk of the City's investment portfolio as of December 31, 2017:

		Ratings	
Investment Type	**Fair Value**	**S&P**	**Moody's**
Federal Farm Credit Bank	$ 40,095,218	AA+	AAA
Federal Home Loan Bank	38,338,125	AA+	AAA
Federal Home Loan Mortgage Corporation	56,815,015	AA+	AAA
Federal National Mortgage Association	55,986,972	AA+	AAA
Subtotal	191,235,330		
U.S. Treasury Securities			
U.S. Treasury Notes	4,985,640	AA+	AAA
Total	$196,220,970		

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

Cash & Investments by Type	
Opus Bank-money market	$ 7,158,671
Wells Sweep-money market	119,959
State Investment Pool (LGIP)	16,253,946
KeyBank public checking	16,809,755
Deposits/Debits in transit at 12/31/2017	431,809
Checks/Credits in transit at 12/31/2017	(1,119,054)
Petty Cash/Advance Travel	35,820
Wells Fargo Wright Runstad trust account	194,009
Contractors' Retainage Money Market	611,800
Federal Home Loan Bank	38,338,125
Federal Farm Credit Bank	40,095,218
Federal Home Loan Mortgage Corporation	56,815,015
Federal National Mortgage Association	55,986,972
US Treasury Notes	4,985,640
Grand Total Cash & Investments by Type	$236,717,685

Cash & Investments by Statements	**Cash & Equivalents***	**Restricted Cash**	**Rate Stabilization Fund**	**Investments**	**Restricted Investments**
Governmental Funds					
General Fund	$ 6,115,470	$ 797,622	$ -	$ 27,752,949	$ 5,983,667
Capital Improvements Program Fund	11,960,147	-	-	58,836,897	3,188
Other Governmental Funds	1,952,663	-	-	9,955,382	10,000
Proprietary Funds					
Water/Wastewater	6,546,370	16,373	4,177,811	27,253,582	1,175,500
UPD Water/Wastewater	3,927,603	32,000	1,929,266	17,277,440	-
Stormwater Management	5,371,483	10,100	-	24,704,711	1,634,409
Interal Service Funds	3,049,123	-	-	15,000,702	-
Fiduciary Funds					
Agency Funds	717,762	-	-	525,465	-
	$ 39,640,621	$ 856,095	$ 6,107,077	$ 181,307,128	$ 8,806,764
				Grand Total Cash & Investments by Statements	$ 236,717,685

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	$	1,033,246
Cable access		871,483
Capital projects		17,027,284
Debt service		2,207,132
Fire		649,883
Parks		693,603
Planning-transportation		597,202
Police		4,140,135
Reserves		454,814
Solid waste recycling		838,435
Tourism		690,778
Pensions		1,890,888
Total	$	31,094,883
Committed For:		
Arts	$	357,215
Capital equipment replacement		4,390,198
Development Review		2,001,907
Fire equipment		2,265,980
Parks maintenance		1,116,896
Police		8,500
Recreation activities		672,144
Travel		20,000
Total	$	10,832,840
Assigned For:		
Capital projects	$	16,433,507
Community events		24,783
Maintenance		1,203,209
Human services fund		19,838
Parks		388,104
Real Property Fund		422,045
Reserves		7,060,786
Transportation		1,036,125
Business tax		1,280,054
Total	$	27,868,451

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 $18,631,080,894 for the City in 2017.

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 $1.36 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, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government				
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated:				
Land	$ 134,329,679	$ 7,488,294	$ (2,898)	$ 141,815,075
Construction in Progress	29,625,337	27,495,607	(35,875,218)	21,245,726
Art	548,878	-	-	548,878
Total capital assets, not being depreciated	$ 164,503,894	$ 34,983,901	$ (35,878,116)	$ 163,609,679
Capital Assets, Being Depreciated:				
Buildings/Building Improvements	$ 76,301,877	$ 11,004,341	$ (1,113,400)	$ 86,192,818
Improvements Other than Buildings	34,624,646	999,239	-	35,623,885
Machinery and Equipment	32,491,003	2,206,585	(1,433,107)	33,264,481
Infrastructure	273,895,893	27,182,954	-	301,078,847
Total capital assets, being depreciated	$ 417,313,419	$ 41,393,119	$ (2,546,507)	$ 456,160,031
Less Accumulated Depreciation for:				
Buildings/Building Improvements	$ (22,765,717)	$ (1,599,069)	$ 378,556	$ (23,986,230)
Improvements Other than Buildings	(14,554,743)	(1,333,112)	-	(15,887,855)
Machinery and Equipment	(18,234,391)	(2,335,477)	1,288,484	(19,281,384)
Infrastructure	(100,300,823)	(5,551,941)	-	(105,852,764)
Total accumulated depreciation	$ (155,855,674)	$ (10,819,599)	$ 1,667,040	$ (165,008,233)
Total capital assets, being depreciated, net	$ 261,457,745	$ 30,573,520	$ (879,467)	$ 291,151,798
Governmental activities capital assets, net	$ 425,961,639	$ 65,557,421	$ (36,757,583)	$ 454,761,477

NET INVESTMENT IN CAPITAL ASSETS

Governmental Activities	
Capital assets not being depreciated	$ 163,609,679
Capital assets being depreciated	456,160,031
Less accumulated depreciation	(165,008,233)
Less GO Bonds	(56,190,000)
Less bond premium	(4,258,508)
Less Public Works Trust Fund loans	(1,322,310)
Plus deferred outflow on refunding bonds	3,289,016
Governmental Activities, net investment in capital assets	$ 396,279,675

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

Governmental Activities		
General Government	$	1,251,488
Security		1,504,128
Physical Environment		30,653
Transportation, Including Depreciation of General Infrastructure Assets		6,465,826
Economic Environment		61,494
Culture and Recreation		1,506,010
Total Depreciation Expense – Governmental Activities	$	10,819,599

	Beginning Balance	Increases	Decreases	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital assets, not Being depreciated:				
Land	$ 27,224,303	$ 365,936	$ -	$ 27,590,239
Construction In Progress	9,766,467	19,373,046	(8,953,382)	20,186,131
Intangible Assets	-	816,762	-	816,762
Total capital assets, not being depreciated	$ 36,990,770	$ 20,555,744	$ (8,953,382)	$ 48,593,132
Capital Assets, Being Depreciated:				
Buildings/Building Improvements	$ 37,958,924	$ -	$ -	$ 37,958,924
Improvements Other Than Buildings	364,831,021	11,972,097	(1,047,880)	375,755,238
Machinery and Equipment	1,505,330	104,759	(114,812)	1,495,277
Total capital assets, being depreciated	$ 404,295,275	$ 12,076,856	$ (1,162,692)	$ 415,209,439
Less Accumulated Depreciation for:				
Buildings/Building Improvements	$ (8,391,788)	$ (759,179)	$ -	$ (9,150,967)
Improvements Other than Buildings	(84,662,167)	(7,293,979)	10,748	(91,945,398)
Machinery and Equipment	(603,707)	(120,564)	59,802	(664,469)
Total accumulated depreciation	$ (93,657,662)	$ (8,173,722)	$ 70,550	$ (101,760,834)
Total capital assets, being depreciated, net	$ 310,637,613	$ 3,903,134	$ (1,092,142)	$ 313,448,605
Business-Type activities capital assets, net	$ 347,628,383	$ 24,458,878	$ (10,045,524)	$ 362,041,737

NET INVESTMENT IN CAPITAL ASSETS

Business-Type Activities		
Capital assets not being depreciated	$	48,593,132
Capital assets being depreciated		415,209,439
Less accumulated depreciation		(101,760,834)
Less Revenue bonds		(26,040,000)
Less bond premium		(2,823,197)
Less PWTF loan		(4,089,452)
Business-Type Activities, net investment in capital assets	$	329,089,088

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

DEPRECIATION EXPENSE BY FUNCTION

Business-Type Activities		
Water/Wastewater	$	4,081,255
UPD Water/Wastewater		1,381,784
Stormwater		2,710,683
Total Depreciation Expense – Business-type Activities	$	8,173,722

The Business-Type Activities also had $1,404 in amortization expense that is included with depreciation expense in the financial statements.

In 2017 the City's business-type activities invested $816,762 in the Groundwater Protection Incentive Program, which is included as an intangible asset with an indefinite useful life. The program provides funds for retrofitting existing private infiltration facilities that are determined through the City's assessment process to pose a significant groundwater hazard in wellhead protection zones 1 and 2, to meet State and City regulations for groundwater protection, to ensure a safe supply of drinking water for the City.

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 2017:

Aggregate Pension Amounts – All Plans	
Pension liabilities	$ (25,495,623)
Pension assets	$ 13,340,607
Deferred outflows of resources	$ 5,528,259
Deferred inflows of resources	$ (8,073,931)
Pension expense/expenditures	$ 2,637,784

State Sponsored Pension Plans

Substantially all City 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***
January – June 2017:		
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Total	**11.18%**	**6.00%**
July – December 2017:		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	**12.70%**	**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 2017 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2**
January – June 2017:		
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%**
July – December 2017:		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**12.70%**	**7.38%**

The City's actual PERS plan contributions were $1,783,983 to PERS Plan 1 and $2,461,861 to PERS Plan 2/3 for the year ended December 31, 2017.

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. In addition to the regular change in contribution rates on July 1, 2017, PSERS contribution rates changed again September 1, 2017 due to HB 1709, which allows PERS members meeting specific criteria to transfer service credit into PSERS as long as they and their employer pay the difference between the PERS and PSERS contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2017 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	**Employer**	**Employee**
January – June 2017:		
PSERS Plan 2	6.59%	6.59%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Total	**11.54%**	**6.59%**
July – August 2017:		
PSERS Plan 2	6.73%	6.73%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	**11.94%**	**6.73%**
September - December 2017:		
PSERS Plan 2	6.74%	6.74%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	**11.95%**	**6.74%**

The City's actual plan contributions were $7,514 to PSERS Plan 2 and $5,517 to PERS Plan 1 for the year ended December 31, 2017.

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.

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 2017 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	**Employer**	**Employee**
January – June 2017:		
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%**
July – December 2017:		
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
Total	**5.43%**	**8.75%**
Ports and Universities	8.75%	8.75%
Administrative Fee	0.18%	
Total	**8.93%**	**8.75%**

The City's actual contributions to the plan were $1,455,369 for the year ended December 31, 2017.

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, 2017, the state contributed $62,155,262 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is $910,160.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. 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* and the *2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, 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 plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the base minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

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. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

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, 2017, 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%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
	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	$ 16,143,997	$ 13,252,433	$ 10,747,720
PERS 2/3	32,952,751	12,231,429	(4,746,620)
PSERS 2	78,963	11,760	(40,931)
LEOFF 1	(753,256)	(1,015,491)	(1,240,691)
LEOFF 2	2,667,137	(12,325,116)	(24,540,178)

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, 2017, the City reported a total pension liability of $25,495,622 for its proportionate share of the net pension liabilities, and a total pension asset of $13,340,607 for its proportionate share of the net pension assets as follows:

	Liability (or Asset)
PERS 1	$ 13,252,433
PERS 2/3	12,231,429
PSERS 2	11,760
LEOFF 1	(1,015,491)
LEOFF 2	(12,325,116)

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	1,015,491	12,325,116
State's proportionate share of the net pension asset associated with the employer	6,868,753	7,995,073
TOTAL	7,884,243	20,320,189

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

	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
PERS 1	0.282854%	0.279288%	-0.003566%
PERS 2/3	0.354613%	0.352032%	-0.002581%
PSERS 2	0.073365%	0.060021%	-0.013344%
LEOFF 1	0.066346%	0.066931%	0.000585%
LEOFF 2	0.844407%	0.888184%	0.043777%

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 2017. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2017, 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 2017, the state of Washington contributed 39.35 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.65 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2017, the City recognized pension expense as follows:

	Pension Expense
PERS 1	$ 620,722
PERS 2/3	1,747,023
PSERS 2	15,176
LEOFF 1	(168,092)
LEOFF 2	422,955
TOTAL	$ 2,637,784

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, 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	$ -	$ 494,544
Changes of assumptions	$ -	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ -
Contributions subsequent to the measurement date	$ 941,484	$ -
TOTAL	$ 941,484	$ 494,544

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,239,332	$ 402,270
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ 3,260,605
Changes of assumptions	$ 129,921	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ 177,307	$ 94,997
Contributions subsequent to the measurement date	$ 1,373,839	$ -
TOTAL	$ 2,920,399	$ 3,757,872

PSERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,955	$ 835
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ 8,248
Changes of assumptions	$ 100	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ 3,736
Contributions subsequent to the measurement date	$ 3,410	$ -
TOTAL	$ 10,465	$ 12,819

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	$ -	$ 94,363
Changes of assumptions	$ -	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ -
Contributions subsequent to the measurement date	$ -	$ -
TOTAL	$ -	$ 94,363

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 541,712	$ 467,389
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ 2,767,075
Changes of assumptions	$ 14,842	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ 329,260	$ 479,869
Contributions subsequent to the measurement date	$ 770,097	$ -
TOTAL	$ 1,655,911	$ 3,714,333

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, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	PERS 1	PERS 2/3	PSERS 2	LEOFF 1	LEOFF 2
2018	(334,280)	(1,216,670)	(2,235)	(59,221)	(1,274,311)
2019	105,537	401,466	1,006	15,972	284,772
2020	(24,505)	(288,376)	(67)	(6,378)	(193,036)
2021	(241,296)	(1,326,504)	(2,198)	(44,736)	(1,171,488)
2022	-	95,118	(482)	-	(84,725)
Therafter	-	123,654	(1,788)	-	(389,731)
Total Deferred (Inflows)/Outflows	(494,544)	(2,211,312)	(5,764)	(94,363)	(2,828,519)

Firefighters' Pension Plan

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68* for the year 2017:

Aggregate Pension Amounts – All Plans		
Total pension liability	$	692,473
Pension assets	$	1,198,415
Deferred outflows of resources	$	-
Deferred inflows of resources	$	-
Pension expense/expenditures	$	30,721

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, 2017, there are three inactive plan members currently receiving benefits, and no active plan members. The pension plan is closed to new entrants.

Under State law, the FPP is provided an allocation of 25% of the taxes the state receives 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. The City's fire insurance premium contribution for 2017 was $156,156, and interest earnings were $19,243, which was sufficient to pay the 2017 Firefighter's Pension Plan expenses of $30,721. The financial activity of the Firefighters' Pension Plan is reported within the City's General Fund. No separate stand-alone financial report is issued for the Firefighters' Pension Plan.

The pension standards in GASB Statement No. 68 are applicable only to pension plans that are administered through trusts or equivalent arrangements in which:

a. Contributions from employers to the pension plan and earnings on those contributions are irrevocable.
b. Pension plan assets are dedicated to providing pensions to plan members in accordance with benefit terms.
c. Pension plan assets are legally protected from the creditors of employers, the plan administrator and plan members.

The Firefighter's Pension Plan does not meet the requirement "c" that assets be legally protected from the creditors of employers, the plan administrator and plan members. Therefore, the assets are not accumulated in a qualifying trust or equivalent arrangement as required for GASB 68 reporting purposes.

For purposes of measuring the total pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the net position of the Firefighters' Pension Plan and additions to/deductions from the plan's net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments 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 – Governmental Activities - 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 are stated at fair value, based on quoted market prices in accordance with GASB Statement No. 72, Fair Value Measurement and Application.

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.

Changes in the Total Pension Liability

Firefighters' Pension Plan	Total Pension Liability (a)
Balances at 1/1/2017	$ 685,451
Changes for the year:	
Service Cost	-
Interest	21,443
Changes in benefit terms	-
Differences between expected and actual experience	16,300
Changes of assumptions	-
Contributions – employer	-
Contributions – employees	-
Net investment income	-
Benefit payments, including refunds of contributions	(30,721)
Administrative expense	-
Other changes	-
Net changes	7,022
Balance at 12/31/2017	692,473

The Schedule of Changes in Total Pension Liability and Related Ratios presented in Required Supplementary Information following the notes to the financial statements presents ten-year trend information about whether the total pension liability is increasing or decreasing over time and the factors affecting the changes.

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 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 Total Pension Liability to Changes in the Discount Rate
The following presents the total pension liability of the Firefighters' Pension Plan, calculated using the discount rate of 3.2%, as well as what the total 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:

	1% Decrease (2.2%)	Current Discount Rate (3.2%)	1% Increase (4.2%)
Total Pension Liability	$ 764,973	692,473	$ 625,433

Actuarial Assumptions
The total pension liability was determined by an actuarial valuation as of January 1, 2018, 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 859 permanent and 327 temporary participants with account balances at December 31, 2017.

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 2017 was $60,885,488. Employee contributions were $3,769,819. City contributions were $3,769,819. The City's total payroll was $65,986,154.

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
The City provides post-retirement health care benefits 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, as required by the Revised Code of Washington (RCW Chapter 41.26). At the end of 2017 there were thirty LEOFF 1 retirees receiving these benefits and no active members. 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 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 fifteen years. The following table presents the components of the City's annual OPEB cost for the reporting year, the amount actually contributed to the plan and changes in the City's net OPEB.

The net OPEB obligation of $5,512,545 is included as a noncurrent liability on the Statement of Net Position.

	Fiscal Year Ending 12/31/2015	Fiscal Year Ending 12/31/2016	Fiscal Year Ending 12/31/2017**
Determination of Annual Required Contribution:			
Normal Cost at Year End	$ 40,376	$ -	$ -
Amortization of UAAL*	1,024,563	1,067,289	1,457,052
Annual Required Contribution (ARC)	1,064,939	1,067,289	1,457,052
Determination of Net OPEB Obligation:			
Annual Required Contribution	$ 1,064,939	$ 1,067,289	$ 1,457,052
Interest on Prior Year Net OPEB Obligation	159,379	178,483	185,940
Adjustments to ARC	(209,907)	(249,409)	(418,091)
Annual OPEB Cost	1,014,411	996,363	1,224,901
Contributions Made	470,928	380,091	360,852
Increase in Net OPEB Obligation	543,483	616,272	864,049
Net OPEB Obligation - beginning of year	$ 3,488,741	$ 4,032,224	$ 4,648,496
Net OPEB Obligation - end of year	$ 4,032,224	$ 4,648,496	$ 5,512,545

*Unfunded Actuarial Accrued Liability (UAAL)
**For the year ending December 31, 2017, the alternative measurement method permitted under GASB Statement No. 45 was used. Previous years were determined through an actuarial valuation.

The City's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

Fiscal Year Ended		Annual OPEB Cost	Contribution as a Percentage of OPEB Cost		Net OPEB Obligation
12/31/2015	$	1,014,411	46%	$	4,032,224
12/31/2016	$	996,363	38%	$	4,648,496
12/31/2017	$	1,224,901	42%	$	5,512,545

Funding Status and Funding Progress

As of December 31, 2017, the plan was 0% funded. The accrued liability for benefits was $16,200,071 and the value of assets was $0, resulting in a UAAL of $16,200,071.

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, 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
Dec. 31, 2017*	-	16,200,071	16,200,071	0%	-	N/A

**For the year ending December 31, 2017, the alternative measurement method permitted under GASB Statement No. 45 was used. Previous years were determined through an actuarial valuation.*

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included 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 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 accrued liabilities for benefits.

Actuarial Methods and Assumptions

Beginning in 2017, the City used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 55.3 was assumed for all active members for the purpose of determining the AAL and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the LEOFF 1 rates used in the June 30, 2014, actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2013. The results were based on grouped data with four active groupings and four inactive groupings. The actuarial cost method used to determine the AAL was the Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

Note 9:
Construction Commitments

At December 31, 2017 the City had significant contractual obligations on construction projects:

(In thousands)	
Transportation Projects	$404
Transportation Maintenance	14
General Government	611
Parks	3,871
Utilities Projects	1,468
Total	$6,368

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, 2017 were as follows:

		Transfer from				
		General Fund	Capital Improvements Program Fund	Other Governmental Funds	Proprietary Funds	Total
Transfer to	General Fund	$ -	$ 5,110,000	$ 1,592,874	$ 181,888	$ 6,884,762
	Capital Improvements Program Fund	5,099,580	-	8,098,055	-	13,197,635
	Other Governmental Funds	4,913,894	-	-	-	4,913,894
	Proprietary Funds	-	3,527,905	-	-	3,527,905
	Internal Service Funds	159,480	-	-	-	159,480
	Total	$ 10,172,954	$ 8,637,905	$ 9,690,929	$ 181,888	$ 28,683,676

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 $1,235,691 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 $802,713 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 $1,250,612 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, 2017 are as follows:

	Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/2017
2008 LTGO Bonds	9/4/2008	12/1/2028	3.5% - 5.0%	$ 33,935,000	$ 32,350,000	$ 1,585,000
2011 LTGO Bonds	3/16/2011	12/1/2021	2.0% - 4.5%	8,035,000	4,785,000	3,250,000
2013 LTGO Refunding Bonds	9/12/2013	12/1/2035	1.75% - 5.0%	33,085,000	7,915,000	25,170,000
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	320,000	11,310,000
2016 LTGO Bonds	1/21/2016	12/1/2035	2.0% - 5.0%	6,000,000	405,000	5,595,000
Total General Obligation Bonds				$ 101,965,000	$ 45,775,000	$ 56,190,000

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

	Governmental Activities	
Year Ending December 31	Principal	Interest
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	3,175,000	1,593,481
2023-2027	17,905,000	5,995,306
2028-2032	11,375,000	2,788,200
2033-2037	6,420,000	599,300
	$ 56,190,000	$ 18,855,988

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:

	Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/2017
2008 Water/ Wastewater Bonds	12/3/2008	12/1/2023	4.0% - 5.0%	$ 11,755,000	$ 6,045,000	$ 5,710,000
2014 Stormwater Bonds	7/24/2014	12/1/2034	3.26% - 4.25%	$ 22,950,000	$ 2,620,000	$ 20,330,000
Total Revenue Bonds				$ 34,705,000	$ 8,665,000	$ 26,040,000

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

Year Ending December 31	Principal	Interest
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	2,055,000	927,060
2023-2027	6,580,000	3,385,550
2028-2032	7,045,000	1,806,300
2033-2034	3,340,000	204,620
	$ 26,040,000	$ 10,804,521

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 $1,322,310. 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, 2017 are as follows:

	Governmental Activities		Business Type Activities	
Year Ending	Principal	Interest	Principal	Interest
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	94,451	2,361	207,477	85,217
2023-2027	472,254	8,264	1,122,202	341,266
2028-2032	377,801	2,361	1,277,816	185,652
2033-2037	-	-	703,894	27,840
	$ 1,322,310	$ 24,793	$ 4,089,452	$ 1,032,688

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
G.O. Bonds	$ 60,380,000	$ -	$ (4,190,000)	$ 56,190,000	$ 4,320,000
Premiums	4,625,635	-	(367,127)	4,258,508	-
Total bonds payable	65,005,635	-	(4,557,127)	60,448,508	4,320,000
PWTF loans	1,416,761	-	(94,451)	1,322,310	94,451
Other post-employment benefits payable	4,648,494	864,051	-	5,512,545	-
Compensated absences	4,528,131	5,208,897	(4,431,606)	5,305,422	4,244,339
Net pension liability	26,931,149	-	(6,196,305)	20,734,844	-
Governmental activity long-term liabilities	$ 102,530,170	$ 6,072,948	$ (15,279,491)	$ 93,323,629	$ 8,658,790

Business-Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
Revenue Bonds	$ 27,630,000	$ -	$ (1,590,000)	$ 26,040,000	$ 1,650,000
For issuance premiums	3,008,951	-	(185,755)	2,823,196	-
Total Bonds Payable	30,638,951	-	(1,775,755)	28,863,196	1,650,000
PWTF loans	4,271,662	-	(182,210)	4,089,452	187,005
Compensated absences	590,880	416,531	(384,151)	623,260	498,608
Net pension liability	6,145,104	-	(1,384,325)	4,760,779	-
Business-type activity long-term liabilities	$ 41,646,597	$ 416,531	$ (3,726,441)	$ 38,336,687	$ 2,335,613

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 $2,118,872 of internal service funds net pension liability and $335,038 compensated absences are included in the above amounts. Pension liabilities and compensated absences are liquidated from the fund from which the employee's salary is paid. Governmental funds used to liquidate compensated absences in prior years 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 2017.

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 $60,573 for the year ended December 31, 2017.

The future minimum lease payments are as follows:

Year Ending December 31		Amount
2018		62,579
2019		59,680
2020		50,983
2021		50,983
2022		-
Total	$	224,225

Note 13:
Tax Abatement

The State of Washington enters into various tax abatement agreements that have the effect of reducing the amount of tax revenue that flows through to the local jurisdictions. The reported figures are provided by the Department of Revenue and are estimates based upon calendar year 2016 as a proxy for fiscal year 2017. There are two state tax abatement programs that reduced the 2017 tax revenues of the City of Redmond, as follows:

High-Technology Sales and Use Tax Deferral Program
Chapter 82.63 RCW provides a deferral and ultimate waiver of sales and use tax to encourage the creation of high-wage, high-skilled jobs in Washington. The deferral applies to sales and use tax arising from the construction or expansion of a qualified research and development facility or a pilot scale manufacturing facility used in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, or environmental technology.

Businesses must apply for a deferral certificate prior to being issued a building permit for the project(s) or before taking possession of machinery and equipment. Eligible projects will receive a sales and use tax deferral certificate issued by the Department of Revenue, which allows vendors and contractors to sell to the approved business without charging sales tax. An annual survey must be filed with DOR by April 30 of the year in which the project is certified and for the following seven years. If the investment project is used for any other purpose at any time during the calendar year in which the investment is certified as operationally complete, or during the next seven calendar years, a portion of the deferred taxes must be repaid immediately. The portion due is determined by a sliding scale ranging from 100 percent recapture in the year the project is operationally complete to 12.5 percent recapture in year eight.

The estimated reduction in 2017 sales and use tax revenues for the City of Redmond as a result of this abatement program is $6,409,921.

Biotechnology Product and Medical Device Manufacturers Sales and Use Tax Deferral Program

Chapter 82.75 RCW provides a deferral and ultimate waiver of sales and use tax to encourage the creation of high-wage, high-skilled jobs in Washington. The deferral applies to sales and use tax arising from investments in construction or renovation of structures, or machinery and equipment used for biotechnology product or medical device manufacturing.

Applications for the deferral/waiver program must be received and approved by the Department of Revenue prior to starting construction or possessing machinery or equipment in Washington. Eligible projects will receive a sales and use tax deferral certificate issued by the Department of Revenue, which allows vendors and contractors to sell to the approved business without charging sales tax.

Sales and use tax may be deferred on three kinds of expenditures:

1. Qualified buildings;
2. Qualified machinery and equipment; and
3. Labor and services rendered in the planning, installation and construction of the project.

An annual survey must be filed with DOR by March 31 of the year in which the project is operationally complete and for the following seven years. The project must remain an eligible investment project for an eight year period in order for all deferred taxes to be waived. If the investment project is used for any other purpose at any time during the calendar year in which the investment is certified as operationally complete, or during the next seven calendar years, a portion of the deferred taxes must be repaid immediately. The portion due is determined by a sliding scale ranging from 100 percent recapture in the year the project is operationally complete to 12.5 percent recapture in year eight.

Because the Department of Revenue cannot disclose tax information for less than three taxpayers for either state or local estimates, the estimated reduction in 2017 sales and use tax revenues for the City of Redmond as a result of this abatement program is not available.

Note 14:
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 is due in fifteen equal annual installments, with the first installment due in November, 2015. The project was to be advance-funded by Microsoft in annual installments between December 2014 and December 2017. However, the final installment for 2017 has been delayed while the project is in review. 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 $24,618,000 levied against specific Microsoft Corporation properties. The assessment is due in fifteen equal annual installments, with the first installment due in November, 2017. The project has been 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, 2017.

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 15:
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 $1,700,244 with a net book value of $378,295. The city reimbursed the City of Bellevue $10,898 for its share of operating costs in 2017.

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 2017 were $635,220. The City of Redmond also paid the Alliance $555,463 in 2017 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.

Financial statement information can be obtained from Cascade Water Alliance, c/o Chris Paulucci, Finance and Administration Manager, 520 - 112th Avenue NE, Suite 400, Bellevue, WA 98004.

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 2017 the city contributed $74,039 for operations or 11.024% of the total contributions for operations by all members. The City has accumulated $727,584 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.

Eastside Public Safety Communications Agency (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 $118,226 to EPSCA in 2017 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, 2017, the weighted vote percentage was shown as follows**:**

Redmond	23.385%
Bellevue	47.292%
Kirkland	17.917%
Mercer Island	5.990%
Issaquah	5.417%

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 Kale Fong, 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. Member agencies have no equitable interest in the holdings of the consortium as stated in the agreement.
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.

The agreement may be terminated at any time upon the mutual agreement of all the members. A decision to withdraw will not relieve the withdrawing member of liability incurred prior to withdrawal. 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 2017. 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 $16,506 for 2017's contract fee.

The budget for 2018 has not yet been approved. The reserve equipment costs may increase as two vehicles were recently voted on for purchase. This will be subject to a vote of the policy board before any purchase takes place.

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 2017. . 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 $547,717 to NORCOM for calls for services and $11,977 for Code 3 Simulator License and first year maintenance fees in 2017. Redmond has become a principal agency on January 1, 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 December 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 Buff Brown, 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 $5,049 for 2017. 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 16:
Contingencies and Litigation

As of December 31, 2017, 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 17:
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 were no claims in 2017 which exceeded the city's self-insurance limit; 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. 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 were no claims in 2017 which exceeded the deductible amounts; in 2016, there was one (1) claim which settled in excess of deductible; in 2015, there were no claims which exceeded the deductible amounts.

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

Medical Self Insurance Program:

For 2017, the Medical Self-Insurance Fund provided coverage up to a maximum of $175,000 per person per calendar year with the Excess Insurance covering an Unlimited Major Medical Maximum. There were four (4) claimants who exceeded the per-person limit in 2017; 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. 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 2017, the city self-insures $500,000 of each accident or illness and purchases excess insurance above that, up to the statutory requirements. There was one (1) claim exceeded the excess insurance amount of 500,000; no reported claim for 2016 or 2015 exceeded the city's self-insurance coverage. Claims handling is currently contracted to an independent, qualified third party administrator (TPA).

As of December 31, 2017, the city had reserves of $1,165,094 in the Insurance Fund, $9,259,251 in the Medical Self-Insurance Fund, and $990 in the Workers' Compensation Fund to provide against risk of future loss. Claims liabilities of $3,016 have been reported in the Insurance Fund, $1,380,000 in the Medical Self-Insurance Fund, and $171,036 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 2016 and 2017 were:

	Insurance Fund	Medical Insurance Fund	Workers' Compensation Fund
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:	$ 35,586	$ 929,111	$ 163,574
December 31, 2017:			
Unpaid claims, beginning of fiscal year	$ 35,586	$ 929,111	$ 163,574
Claims incurred (including IBNRs)	388,161	9,312,098	1,806,802
Claims payments	(420,731)	(8,861,209)	(1,799,340)
Unpaid claims-December 31, 2017:	$ 3,016	$ 1,380,000	$ 171,036

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	$20,000,000	$10,000
(excess of general liability, auto, law enforcement liability)		
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 18:
Accounting and Reporting Changes

Change in accounting principle

Beginning in 2017 the Firefighters' Pension Fund is reported in the City's general fund in the governmental statements, as a result of GASB Statement No. 73. An adjustment of $1,746,210 is reflected as an adjustment for a change in accounting principle in the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. Prior to 2017 this fund was reported in the fiduciary funds statements.

Implementation of new Governmental Accounting Standards Board (GASB) pronouncements

Effective for fiscal year 2017 reporting, the City adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

REQUIRED SUPPLEMENTARY INFORMATION

City of Redmond
Schedule of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual - General Fund
For the year ended December 31, 2017

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual	Actual 2017-2018 Biennium	Variance with Final Budget Positive (Negative)
REVENUES					
Taxes	$ 135,292,662	$ 135,259,584	$ 67,714,516	$ 67,714,516	$ (67,545,068)
Licenses and permits	21,459,794	21,459,794	11,783,559	11,783,559	(9,676,235)
Contributions	214,782	239,782	139,343	139,343	(100,439)
Intergovernmental	5,762,464	5,762,102	4,662,643	4,662,643	(1,099,459)
Charges for services	29,661,578	29,661,940	14,334,027	14,334,027	(15,327,913)
Fines and forfeitures	1,182,000	1,182,000	641,771	641,771	(540,229)
Investment income	583,238	616,316	470,252	470,252	(146,064)
Net change in fair value of investment	-	-	(70,775)	(70,775)	(70,775)
Miscellaneous	944,404	955,404	374,140	374,140	(581,264)
Total Revenues	195,100,922	195,136,922	100,049,476	100,049,476	(95,087,446)
EXPENDITURES					
Current					
General government	38,827,658	38,628,180.00	19,409,879	19,409,879	19,218,301
Security of persons and property	96,406,444	93,836,532	47,052,263	47,052,263	46,784,269
Physical environment	13,938	13,938	-	-	13,938
Transportation	19,232,507	19,032,343	10,394,170	10,394,170	8,638,173
Economic development	12,097,478	12,666,673	6,624,617	6,624,617	6,042,056
Social Services	2,269,178	2,269,178	838,486	838,486	1,430,692
Culture and recreation	17,713,174	22,090,520	11,227,039	11,227,039	10,863,481
Capital outlay	3,628,281	3,666,548	2,099,991	2,099,991	1,566,557
Debt service					
Principal	195,750	195,750	94,451	94,451	101,299
Interest and Issuance Costs	-	-	3,542	3,542	(3,542)
Total Expenditures	190,384,408	192,399,662	97,744,438	97,744,438	94,655,224
Excess (deficiency) of revenues over (under) expenditures	4,716,514	2,737,260	2,305,038	2,305,038	(432,222)
OTHER FINANCING SOURCES (USES)					
Disposition of capital assets	260,000	260,000	4,500	4,500	(255,500)
Transfers in	18,377,576	7,039,309	6,884,762	6,884,762	(154,547)
Transfers out	(32,683,147)	(1,840,009)	(10,172,954)	(10,172,954)	(8,332,945)
Total other financing sources and uses	(14,045,571)	5,459,300	(3,283,692)	(3,283,692)	(8,742,992)
Net change in fund balance	(9,329,057)	8,196,560	(978,654)	(978,654)	(9,175,214)
Fund balance-beginning	33,040,680	35,287,663	38,559,388	38,559,388	3,271,725
Changes in Accounting Principles - GASB 73	-	-	1,746,210	1,746,210	1,746,210
Fund balance-ending	$ 23,711,623	$ 43,484,223	$ 39,326,944	$ 39,326,944	$ (4,157,279)

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

REQUIRED SUPPLEMENTARY INFORMATION

City of Redmond
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30, 2017
Last 10 Fiscal Years*

		2014	2015	2016	2017
Employer's proportion of the net pension liability (asset)	%	0.279429%	0.277269%	0.282854%	0.279288%
Employer's proportionate share of the net pension liability (asset)	$	14,076,367	14,503,747	15,190,592	13,252,433
TOTAL	$	14,076,367	14,503,747	15,190,592	13,252,433
Employer's covered employee payroll **	$	30,276,307	31,572,345	33,640,475	34,727,464
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	46.49%	45.94%	45.16%	38.16%
Plan fiduciary net position as a percentage of the total pension liability	%	61.19	59.10%	57.03%	61.24%

** 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
PERS 2, 3
As of June 30, 2017
Last 10 Fiscal Years*

		2014	2015	2016	2017
Employer's proportion of the net pension liability (asset)	%	0.344517%	0.349456%	0.354613%	0.352032%
Employer's proportionate share of the net pension liability (asset)	$	6,963,932	12,486,262	17,854,484	12,231,429
TOTAL	$	6,963,932	12,486,262	17,854,484	12,231,429
Employer's covered employee payroll	$	29,576,019	31,081,296	33,183,481	34,513,096
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	23.55%	40.17%	53.81%	35.44%
Plan fiduciary net position as a percentage of the total pension liability	%	93.29	89.20%	85.82%	90.97%

** 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, 2017
Last 10 Fiscal Years*

		2014	2015	2016	2017
Employer's proportion of the net pension liability (asset)	%	0.090607%	0.092909%	0.073365%	0.060021%
Employer's proportionate share of the net pension liability (asset)	$	(13,121)	16,958	31,179	11,760
TOTAL	$	(13,121)	16,958	31,179	11,760
Employer's covered employee payroll	$	246,193	268,804	242,743	212,505
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	-5.33%	6.31%	12.84%	5.53%
Plan fiduciary net position as a percentage of the total pension liability	%	105.01	95.08%	90.41%	96.26%

** 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, 2017
Last 10 Fiscal Years*

		2014	2015	2016	2017
Employer's proportion of the net pension liability (asset)	%	0.058235%	0.061310%	0.066346%	0.066931%
Employer's proportionate share of the net pension liability (asset)	$	(706,269)	(738,921)	(683,554)	(1,015,491)
State's proportionate share of the net pension liability (asset) associated with the employer	$	(4,777,186)	(4,998,043)	(4,623,539)	(6,868,753)
TOTAL	$	(5,483,455)	(5,736,964)	(5,307,093)	(7,884,244)
Employer's covered employee payroll	$	245,905	182,331	-	-
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	-287.21%	-405.26%	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	%	126.91%	127.36%	123.74%	135.96%

** 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, 2017
Last 10 Fiscal Years*

		2014	2015	2016	2017
Employer's proportion of the net pension liability (asset)	%	0.863922%	0.905449%	0.844407%	0.888184%
Employer's proportionate share of the net pension liability (asset)	$	(11,464,616)	(9,306,205)	(4,911,324)	(12,325,116)
State's proportionate share of the net pension liability (asset) associated with the employer	$	(7,414,046)	(6,153,272)	(3,201,826)	(7,995,073)
TOTAL	$	(18,878,662)	(15,459,477)	(8,113,150)	(20,320,189)
Employer's covered employee payroll	$	24,071,949	26,361,527	25,582,420	27,783,905
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	-47.63%	-35.30%	-19.20%	-44.36%
Plan fiduciary net position as a percentage of the total pension liability	%	116.75	111.67%	106.04%	113.36%

** 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, 2017
Last 10 Fiscal Years*

		2014	2015	2016	2017
Statutorily or contractually required contributions	$	1,261,298	1,444,684	1,653,434	1,789,500
Contributions in relation to the statutorily or contractually required contributions	$	(1,261,298)	(1,444,684)	(1,653,434)	(1,789,500)
Contribution deficiency (excess)	$	-	-	-	-
Covered employer payroll **	$	30,895,042	32,615,637	34,388,717	36,162,379
Contributions as a percentage of covered employee payroll	%	4.08%	4.43%	4.81%	4.95%

** 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 2, 3
As of December 31, 2017
Last 10 Fiscal Years*

		2014	2015	2016	2017
Statutorily or contractually required contributions	$	1,515,304	1,814,140	2,112,355	2,461,861
Contributions in relation to the statutorily or contractually required contributions	$	(1,515,304)	(1,814,140)	(2,112,355)	(2,461,861)
Contribution deficiency (excess)	$	-	-	-	-
Covered employer payroll	$	30,326,719	32,160,083	33,906,036	35,809,117
Contributions as a percentage of covered employee payroll	%	5.00%	5.64%	6.23%	6.87%

** 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, 2017
Last 10 Fiscal Years*

		2014	2015	2016	2017
Statutorily or contractually required contributions	$	16,737	15,367	17,958	7,514
Contributions in relation to the statutorily or contractually required contributions	$	(16,737)	(15,367)	(17,958)	(7,514)
Contribution deficiency (excess)	$	-	-	-	-
Covered employer payroll	$	263,961	237,629	272,507	112,895
Contributions as a percentage of covered employee payroll	%	6.34%	6.47%	6.59%	6.66%

** 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, 2017
Last 10 Fiscal Years*

		2014	2015	2016	2017
Statutorily or contractually required contributions	$	-	-	-	-
Contributions in relation to the statutorily or contractually required contributions	$	-	-	-	-
Contribution deficiency (excess)	$	-	-	-	-
Covered employer payroll	$	242,276	57,888	-	-
Contributions as a percentage of covered employee payroll	%	0.00%	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, 2017
Last 10 Fiscal Years*

		2014	2015	2016	2017
Statutorily or contractually required contributions	$	1,243,996	1,350,946	1,339,697	1,455,369
Contributions in relation to the statutorily or contractually required contributions	$	(1,243,996)	(1,350,946)	(1,339,697)	(1,455,369)
Contribution deficiency (excess)	$	-	-	-	-
Covered employer payroll	$	24,634,822	26,751,402	26,528,575	28,238,790
Contributions as a percentage of covered employee payroll	%	5.05%	5.05%	5.05%	5.15%

** 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 Changes in Total Pension Liability and Related Ratios
Firefighter's Pension Plan
Last 10 Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total pension liability - beginning	$ 685,451	$ 567,121	$ 483,433	$ 331,168	$ 557,526	$ 557,526	$ 654,000	$ 654,000	$ 413,308	$ 413,308
Service cost	-	-	-	-	-	-	-	-	-	-
Interest	21,443	17,704	15,014	10,399	17,645	17,590	20,627	20,705	28,542	28,580
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	16,300	128,397	97,140	154,238	(231,779)	(1,918)	(98,267)	(6,793)	223,274	(18,525)
Changes of assumptions	-	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds of contributions	(30,721)	(27,771)	(28,466)	(12,372)	(12,224)	(15,672)	(18,834)	(13,912)	(11,124)	(10,055)
Other changes										
Net change in total pension liability	7,022	118,330	83,688	152,265	(226,358)	-	(96,474)	-	240,692	-
Total pension liability - ending	$ 692,473	$ 685,451	$ 567,121	$ 483,433	$ 331,168	$ 557,526	$ 557,526	$ 654,000	$ 654,000	$ 413,308
Covered payroll	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 91,040	$ 91,040	$ 85,323
Total pension liability as a % of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	718.37%	718.37%	484.40%

Notes to Schedule:

There are no assets accumulated in a trust that meets the criteria of a qualified plan under GASB Statements 67/68.

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
Dec. 31, 2017	$ -	$ 16,200,071	$ 16,200,071	0%	$ -	N/A

Source: 2007 through 2016 actuarial valuations for the Retiree Medical and Long-Term Care Benefits for LEOFF 1 employers were prepared for the City of Redmond by Milliman.

2017 valuation calculations for the Medical and Long-Term Care Benefits were done using the Alternative Measurement Method for GASB 45 as directed by the Office of the State Actuary.

Notes to the Required Supplementary Information

Pensions

Change in Assumptions and Methods: Actuarial results that the Office of the State Actuary provided within the Department of Retirement Systems Participating Employer Financial Information report reflect the following changes in assumptions and methods:

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- The average expected remaining service lives calculation was revised. It is used to recognize the changes in pension expense to no longer discount future years of service back to the present day.

Other Postemployment Benefits

Change in Methods: 2017 valuation calculations for the Medical and Long-Term Care Benefits were done using the Alternative Measurement Method for GASB 45 as directed by the Office of the State Actuary. Actuarial valuations for prior years were prepared for the City of Redmond by Milliman.

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, 2017

	Special Revenue Funds			
	Recreation Activities	Development Review	Cable Access	Operating Grants
ASSETS				
Cash and cash equivalents	$ 80,521	$ 287,999	$ 148,015	$ 114,517
Cash with outside agency	-	-	-	-
Investments	745,050	1,416,863	728,184	563,388
Receivables:				
Taxes	-	-	-	-
Accounts	52,130	167,312	-	24,120
Interest	2,404	4,510	2,318	1,793
Due from other funds	-	-	-	-
Due from other governments	-	151,715	-	177,172
Restricted assets:				
Deposit investment	10,000	-	-	-
Cash	-	-	-	-
Total Assets	$ 890,105	$ 2,028,399	$ 878,517	$ 880,990
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 43,134	$ 1,340	$ 7,034	$ 59,534
Employee wages payable	47,018	25,152	-	27,128
Due to other funds	-	-	-	-
Due to other governments	-	-	-	197,126
Payable from restricted assets:				
Deposits payable	10,000	-	-	-
Deferred-unearned revenue	117,809	-	-	-
Total Liabilities	217,961	26,492	7,034	283,788
Fund balances				
Nonspendable	-	-	-	-
Spendable:				
Restricted	-	-	871,483	597,202
Committed	672,144	2,001,907	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	672,144	2,001,907	871,483	597,202
Total Liabilities and Fund Balances	$ 890,105	$ 2,028,399	$ 878,517	$ 880,990

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

CITY OF REDMOND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2017

	Special Revenue Funds		
	Advanced Life Support	Aid Car/ Dispatch Donation	Real Estate Excise Tax
ASSETS			
Cash and cash equivalents	$ -	$ 46,844	$ 638,361
Cash with outside agency	-	-	-
Investments	-	230,457	3,140,532
Receivables:			
Taxes	-	-	360,210
Accounts	-	-	-
Interest	-	734	9,998
Due from other funds	-	-	-
Due from other governments	1,842,502	-	-
Restricted assets:			
Deposit investment	-	-	-
Cash	-	-	-
Total Assets	$ 1,842,502	$ 278,035	$ 4,149,101
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 13,228	$ -	$ -
Employee wages payable	239,903	-	-
Due to other funds	555,430	-	-
Due to other governments	695	-	-
Payable from restricted assets:			
Deposits payable	-	-	-
Deferred-unearned revenue	-	-	-
Total Liabilities	809,256	-	-
Fund balances			
Nonspendable	-	-	-
Spendable:			
Restricted	1,033,246	278,035	4,149,101
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total Fund Balances	1,033,246	278,035	4,149,101
Total Liabilities and Fund Balances	$ 1,842,502	$ 278,035	$ 4,149,101

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

CITY OF REDMOND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2017

	Special Revenue Funds			
	Felony Seizure	Tourism	Solid Waste Recycling	Total
ASSETS				
Cash and cash equivalents	$ 21,595	$ 123,353	$ 119,595	$ 1,580,800
Cash with outside agency	-	-	-	-
Investments	106,240	606,856	588,367	8,125,937
Receivables:				
Taxes	-	-	73,500	433,710
Accounts	-	-	-	243,562
Interest	338	1,932	1,873	25,900
Due from other funds	-	-	-	-
Due from other governments	-	-	86,166	2,257,555
Restricted assets:				
Deposit investment	-	-	-	10,000
Cash	-	-	-	-
Total Assets	$ 128,173	$ 732,141	$ 869,501	$ 12,677,464
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ -	$ 40,770	$ 17,358	$ 182,398
Employee wages payable	-	593	13,708	353,502
Due to other funds	-	-	-	555,430
Due to other governments	495	-	-	198,316
Payable from restricted assets:				
Deposits payable	-	-	-	10,000
Deferred-unearned revenue	-	-	-	117,809
Total Liabilities	495	41,363	31,066	1,417,455
Fund balances				
Nonspendable	-	-	-	-
Spendable:				-
Restricted	127,678	690,778	838,435	8,585,958
Committed	-	-	-	2,674,051
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	127,678	690,778	838,435	11,260,009
Total Liabilities and Fund Balances	$ 128,173	$ 732,141	$ 869,501	$ 12,677,464

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

CITY OF REDMOND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2017

	Debt Service Fund		
	Regular Levy GO Bonds	Total	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ 371,863	$ 371,863	$ 1,952,663
Cash with outside agency	-	-	-
Investments	1,829,445	1,829,445	9,955,382
Receivables:			
Taxes	-	-	433,710
Accounts	-	-	243,562
Interest	5,824	5,824	31,724
Due from other funds	-	-	-
Due from other governments	-	-	2,257,555
Restricted assets:			
Deposit investment	-	-	10,000
Cash	-	-	-
Total Assets	$ 2,207,132	$ 2,207,132	14,884,596
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ -	$ -	$ 182,398
Employee wages payable	-	-	353,502
Due to other funds	-	-	555,430
Due to other governments	-	-	198,316
Payable from restricted assets:			
Deposits payable	-	-	10,000
Deferred-unearned revenue	-	-	117,809
Total Liabilities	-	-	1,417,455
Fund balances			
Nonspendable	-	-	-
Spendable:			
Restricted	2,207,132	2,207,132	10,793,090
Committed	-	-	2,674,051
Assigned	-	-	-
Unassigned	-	-	-
Total Fund Balances	2,207,132	2,207,132	13,467,141
Total Liabilities and Fund Balances	$ 2,207,132	$ 2,207,132	$ 14,884,596

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

CITY OF REDMOND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	Special Revenue Funds			
	Recreation Activities	Development Review	Cable Access	Operating Grants
REVENUES				
Taxes	$ -	$ -	$ -	$ -
Licenses and Permits	8,440	1,436,251	-	105,029
Contributions	32,471	-	-	-
Intergovernmental	-	-	-	418,018
Charges for services	2,291,266	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	11,918	16,923	9,451	6,081
Net change in fair value of investment	(2,551)	(6,938)	(2,157)	(1,448)
Miscellaneous	318,486	-	-	80,000
Total Revenues	2,660,030	1,446,236	7,294	607,680
EXPENDITURES				
Current				
Security of persons and property	-	152,758	-	-
Transportation	-	-	-	1,751,187
Economic environment	208	401,795	42,937	-
Social Services	268,148	-	-	-
Culture and recreation	2,375,863	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and debt issue costs	-	-	-	-
Total Expenditures	2,644,219	554,553	42,937	1,751,187
Excess (deficiency) of revenues over (under) expenditures	15,811	891,683	(35,643)	(1,143,507)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	985,000
Transfers out	-	-	-	(250)
Total other financing sources (uses)	-	-	-	984,750
Net change in fund balances	15,811	891,683	(35,643)	(158,757)
Fund balances-beginning	656,333	1,110,224	907,126	755,959
Fund balances-ending	$ 672,144	$ 2,001,907	$ 871,483	$ 597,202

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

CITY OF REDMOND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	Special Revenue Funds		
	Advanced Life Support	Aid Car/ Dispatch Donations	Real Estate Excise Tax
REVENUES			
Taxes	$ -	$ -	$ 6,048,227
Licenses and Permits	-	-	-
Contributions	-	725	-
Intergovernmental	1,270	-	-
Charges for services	7,066,621	-	-
Fines and forfeitures	-	12,900	-
Investment income	-	2,807	111,890
Net change in fair value of investment	-	(943)	(254)
Miscellaneous	-	53,234	-
Total Revenues	7,067,891	68,723	6,159,863
EXPENDITURES			
Current			
Security of persons and property	6,813,392	4,147	-
Transportation	-	-	-
Economic environment	-	-	-
Social Services	-	-	-
Culture and recreation	-	-	-
Capital outlay	43,916	-	-
Debt service:			
Principal	-	-	-
Interest and debt issue costs	-	-	-
Total Expenditures	6,857,308	4,147	-
Excess (deficiency) of revenues over (under) expenditures	210,583	64,576	6,159,863
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	(9,529,805)
Total other financing sources (uses)	-	-	(9,529,805)
Net change in fund balances	210,583	64,576	(3,369,942)
Fund balances-beginning	822,663	213,459	7,519,043
Fund balances-ending	$ 1,033,246	$ 278,035	$ 4,149,101

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

CITY OF REDMOND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	Special Revenue Funds			
	Felony Seizure	Tourism	Solid Waste Recycling	Total
REVENUES				
Taxes	$ -	$ 443,111	$ -	$ 6,491,338
Licenses and Permits	-	-	-	1,549,720
Contributions	-	-	-	33,196
Intergovernmental	-	-	105,103	524,391
Charges for services	-	-	848,010	10,205,897
Fines and forfeitures	27,863	-	-	40,763
Investment income	1,377	7,904	7,242	175,593
Net change in fair value of investment	(284)	(1,923)	(2,359)	(18,857)
Miscellaneous	-	-	100	451,820
Total Revenues	28,956	449,092	958,096	19,453,861
EXPENDITURES				
Current				
Security of persons and property	34,716	-	-	7,005,013
Transportation	-	-	-	1,751,187
Economic environment	-	267,252	757,901	1,470,093
Social Services	-	-	-	268,148
Culture and recreation	-	-	-	2,375,863
Capital outlay	-	-	-	43,916
Debt service:				
Principal	-	-	-	-
Interest and debt issue costs	-	-	-	-
Total Expenditures	34,716	267,252	757,901	12,914,220
Excess (deficiency) of revenues over (under) expenditures	(5,760)	181,840	200,195	6,539,641
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	985,000
Transfers out	-	(131,256)	(29,618)	(9,690,929)
Total other financing sources (uses)	-	(131,256)	(29,618)	(8,705,929)
Net change in fund balances	(5,760)	50,584	170,577	(2,166,288)
Fund balances-beginning	133,438	640,194	667,858	13,426,297
Fund balances-ending	$ 127,678	$ 690,778	$ 838,435	$ 11,260,009

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

CITY OF REDMOND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	Debt Service Fund		Total Nonmajor Governmental Funds
	Regular Levy GO Bonds	Total	
REVENUES			
Taxes	$ 1,302,413	$ 1,302,413	$ 7,793,751
Licenses and Permits	-	-	1,549,720
Contributions	-	-	33,196
Intergovernmental	-	-	524,391
Charges for services	385,924	385,924	10,591,821
Fines and forfeitures	-	-	40,763
Investment income	31,847	31,847	207,440
Net change in fair value of investment	(5,779)	(5,779)	(24,636)
Miscellaneous	-	-	451,820
Total Revenues	1,714,405	1,714,405	21,168,266
EXPENDITURES			
Current			
Security of persons and property	-	-	7,005,013
Transportation	-	-	1,751,187
Economic environment	-	-	1,470,093
Social Services	-	-	268,148
Culture and recreation	-	-	2,375,863
Capital outlay	-	-	43,916
Debt service:			
Principal	3,455,000	3,455,000	3,455,000
Interest and debt issue costs	2,163,731	2,163,731	2,163,731
Total Expenditures	5,618,731	5,618,731	18,532,951
Excess (deficiency) of revenues over (under) expenditures	(3,904,326)	(3,904,326)	2,635,315
OTHER FINANCING SOURCES (USES)			
Transfers in	3,928,894	3,928,894	4,913,894
Transfers out	-	-	(9,690,929)
Total other financing sources (uses)	3,928,894	3,928,894	(4,777,035)
Net change in fund balances	24,568	24,568	(2,141,720)
Fund balances-beginning	2,182,564	2,182,564	15,608,861
Fund balances-ending	$ 2,207,132	$ 2,207,132	$ 13,467,141

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

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, 2017

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual	Actual 2017-2018 Biennium	Variance with Final Budget Positive (Negative)
REVENUES					
Licenses and permits	$ 101,214	$ 101,214	$ 8,440	$ 8,440	$ (92,774)
Contributions	59,490	59,490	32,471	32,471	(27,019)
Charges for services	5,053,801	5,053,801	2,291,266	2,291,266	$ (2,762,535)
Investment income	12,642	1,642	11,918	11,918	10,276
Net change in fair value of investment	-	-	(2,551)	(2,551)	(2,551)
Miscellaneous	752,010	752,010	318,486	318,486	(433,524)
Total Revenues	5,979,157	5,968,157	2,660,030	2,660,030	(3,308,127)
EXPENDITURES					
Economic Environment	-	-	208	208	(208)
Social Services	550,460	550,460	268,148	268,148	282,312
Culture and recreation	5,616,801	5,605,801	2,375,863	2,375,863	3,229,938
Total Expenditures	6,167,261	6,156,261	2,644,219	2,644,219	3,512,042
Excess (deficiency) of revenues over (under) expenditures	(188,104)	(188,104)	15,811	15,811	203,915
Net change in fund balance	(188,104)	(188,104)	15,811	15,811	203,915
Fund balance-beginning	603,292	659,318	656,333	656,333	(2,985)
Fund balance-ending	$ 415,188	$ 471,214	$ 672,144	$ 672,144	$ 200,930

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

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEVELOPMENT REVIEW FUND
For the year ended December 31, 2017

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual	Actual 2017-2018 Biennium	Variance with Final Budget Positive (Negative)
REVENUES					
Licenses and permits	$ 2,535,174	$ 2,535,174	$ 1,436,251	$ 1,436,251	$ (1,098,923)
Investment income	-	-	16,923	16,923	16,923
Net change in fair value of investment	-	-	(6,938)	(6,938)	(6,938)
Total Revenues	2,535,174	2,535,174	1,446,236	1,446,236	(1,088,938)
EXPENDITURES					
Security of persons and property	3,005,953	3,005,953	152,758	152,758	2,853,195
Economic Environment	271,799	271,799	401,795	401,795	(129,996)
Total Expenditures	3,277,752	3,277,752	554,553	554,553	2,723,199
Excess (deficiency) of revenues over (under) expenditures	(742,578)	(742,578)	891,683	891,683	1,634,261
Net change in fund balance	(742,578)	(742,578)	891,683	891,683	1,634,261
Fund balance-beginning	742,578	1,113,675	1,110,224	1,110,224	3,451
Fund balance-ending	$ -	$ 371,097	$ 2,001,907	$ 2,001,907	$ 1,637,712

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

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, 2017

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual	Actual 2017-2018 Biennium	Variance with Final Budget Positive (Negative)
REVENUES					
Investment income	$ -	$ -	$ 9,451	$ 9,451	$ 9,451
Net change in fair value of investment	-	-	(2,157)	(2,157)	(2,157)
Total Revenues	-	-	7,294	7,294	7,294
EXPENDITURES					
Economic Environment	341,500	341,500	42,937	42,937	298,563
Capital outlay	140,000	140,000	-	-	140,000
Total Expenditures	481,500	481,500	42,937	42,937	438,563
Excess (deficiency) of revenues over (under) expenditures	(481,500)	(481,500)	(35,643)	(35,643)	445,857
Net change in fund balance	(481,500)	(481,500)	(35,643)	(35,643)	445,857
Fund balance-beginning	820,447	910,308	907,126	907,126	(3,182)
Fund balance-ending	$ 338,947	$ 428,808	$ 871,483	$ 871,483	$ 442,675

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

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, 2017

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual	Actual 2017-2018 Biennium	Variance with Final Budget Positive (Negative)
REVENUES					
Licenses and Permits	$ 208,000	$ 208,000	$ 105,029	$ 105,029	$ (102,971)
Intergovernmental	1,119,473	1,119,473	418,018	418,018	(701,455)
Investment income	7,541	7,541	6,081	6,081	(1,460)
Net change in fair value of investment	-	-	(1,448)	(1,448)	(1,448)
Miscellaneous	-	-	80,000	80,000	80,000
Total Revenues	1,335,014	1,335,014	607,680	607,680	(727,334)
EXPENDITURES					
Transportation	3,952,523	3,959,125	1,751,187	1,751,187	2,207,938
Total Expenditures	3,952,523	3,959,125	1,751,187	1,751,187	2,207,938
Excess (deficiency) of revenues over (under) expenditures	(2,617,509)	(2,624,111)	(1,143,507)	(1,143,507)	1,480,604
OTHER FINANCING SOURCES (USES)					
Transfers in	1,980,800	1,980,800	985,000	985,000	(995,800)
Transfers out	-	-	(250)	(250)	(250)
Total other financing sources (uses)	1,980,800	1,980,800	984,750	984,750	(996,050)
Net change in fund balance	(636,709)	(643,311)	(158,757)	(158,757)	484,554
Fund balance-beginning	744,312	758,641	755,959	755,959	(2,682)
Fund balance-ending	$ 107,603	$ 115,330	$ 597,202	$ 597,202	$ 481,872

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

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, 2017

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual	Actual 2017-2018 Biennium	Variance with Final Budget Positive (Negative)
REVENUES					
Intergovernmental	$ -	$ -	$ 1,270	$ 1,270	$ 1,270
Charges for services	13,819,017	14,325,628	7,066,621	7,066,621	(7,259,007)
Total Revenues	13,819,017	14,325,628	7,067,891	7,067,891	(7,257,737)
EXPENDITURES					
Security of persons and property	13,111,646	13,599,146	6,813,392	6,813,392	6,785,754
Capital outlay	-	-	43,916	43,916	(43,916)
Total Expenditures	13,111,646	13,599,146	6,857,308	6,857,308	6,741,838
Excess (deficiency) of revenues over (under) expenditures	707,371	726,482	210,583	210,583	(515,899)
Net change in fund balance	707,371	726,482	210,583	210,583	(515,899)
Fund balance-beginning	586,138	822,663	822,663	822,663	-
Fund balance-ending	$ 1,293,509	$ 1,549,145	$ 1,033,246	$ 1,033,246	$ (515,899)

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

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, 2017

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual	Actual 2017-2018 Biennium	Variance with Final Budget Positive (Negative)
REVENUES					
Contributions	$ 8,504	$ 8,504	$ 725	$ 725	$ (7,779)
Fines and forfeitures	-	-	12,900	12,900	12,900
Investment income	3,103	3,103	2,807	2,807	(296)
Net change in fair value of investment	-	-	(943)	(943)	(943)
Miscellaneous	119,579	119,579	53,234	53,234	(66,345)
Total Revenues	131,186	131,186	68,723	68,723	(62,463)
EXPENDITURES					
Security of persons and property	40,000	40,000	4,147	4,147	35,853
Capital outlay	120,000	120,000	-	-	120,000
Total Expenditures	160,000	160,000	4,147	4,147	155,853
Excess (deficiency) of revenues over (under) expenditures	(28,814)	(28,814)	64,576	64,576	93,390
Net change in fund balance	(28,814)	(28,814)	64,576	64,576	93,390
Fund balance-beginning	242,503	214,206	213,459	213,459	(747)
Fund balance-ending	$ 213,689	$ 185,392	$ 278,035	$ 278,035	$ 92,643

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

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, 2017

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual	Actual 2017-2018 Biennium	Variance with Final Budget Positive (Negative)
REVENUES					
Taxes	$ 9,400,000	$ 9,400,000	$ 6,048,227	$ 6,048,227	$ (3,351,773)
Investment income	30,000	30,000	111,890	111,890	81,890
Net change in fair value of investment	-	-	(254)	(254)	(254)
Total Revenues	9,430,000	9,430,000	6,159,863	6,159,863	(3,270,137)
OTHER FINANCING SOURCES (USES)					
Transfers out	(12,330,000)	(15,380,000)	(9,529,805)	(9,529,805)	5,850,195
Total other financing sources (uses)	(12,330,000)	(15,380,000)	(9,529,805)	(9,529,805)	5,850,195
Net change in fund balance	(2,900,000)	(5,950,000)	(3,369,942)	(3,369,942)	2,580,058
Fund balance-beginning	4,372,308	7,541,816	7,519,043	7,519,043	(22,773)
Fund balance-ending	$ 1,472,308	$ 1,591,816	$ 4,149,101	$ 4,149,101	$ 2,557,285

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

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, 2017

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual	Actual 2017-2018 Biennium	Variance with Final Budget Positive (Negative)
REVENUES					
Fines and forfeitures	$ 6,000	$ 6,000	$ 27,863	$ 27,863	$ 21,863
Investment income	1,200	1,200	1,377	1,377	177
Net change in fair value of investment	-	-	(284)	(284)	(284)
Total Revenues	7,200	7,200	28,956	28,956	21,756
EXPENDITURES					
Security of persons and property	-	-	34,716	34,716	(34,716)
Total Expenditures	-	-	34,716	34,716	(34,716)
Excess (deficiency) of revenues over (under) expenditures	7,200	7,200	(5,760)	(5,760)	(12,960)
Net change in fund balance	7,200	7,200	(5,760)	(5,760)	(12,960)
Fund balance-beginning	44,265	133,933	133,438	133,438	(495)
Fund balance-ending	$ 51,465	$ 141,133	$ 127,678	$ 127,678	$ (13,455)

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

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, 2017

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual	Actual 2017-2018 Biennium	Variance with Final Budget Positive (Negative)
REVENUES					
Taxes	$ 1,009,221	$ 1,009,221	$ 443,111	$ 443,111	$ (566,110)
Investment income	6,031	6,031	7,904	7,904	1,873
Net change in fair value of investment	-	-	(1,923)	(1,923)	(1,923)
Total Revenues	1,015,252	1,015,252	449,092	449,092	(566,160)
EXPENDITURES					
Economic development	444,980	444,980	267,252	267,252	177,728
Capital Outlay	-	-	-	-	-
Total Expenditures	444,980	444,980	267,252	267,252	177,728
Excess (deficiency) of revenues over (under) expenditures	570,272	570,272	181,840	181,840	(388,432)
OTHER FINANCING SOURCES (USES)					
Transfers out	(309,309)	(309,309)	(131,256)	(131,256)	178,053
Total other financing sources (uses)	(309,309)	(309,309)	(131,256)	(131,256)	178,053
Net change in fund balance	260,963	260,963	50,584	50,584	(210,379)
Fund balance-beginning	672,491	642,720	640,194	640,194	(2,526)
Fund balance-ending	$ 933,454	$ 903,683	$ 690,778	$ 690,778	$ (212,905)

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

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, 2017

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual	Actual 2017-2018 Biennium	Variance with Final Budget Positive (Negative)
REVENUES					
Intergovernmental	$ 230,390	$ 230,390	$ 105,103	$ 105,103	$ (125,287)
Charges for services	1,679,730	1,679,730	848,010	848,010	(831,720)
Investment income	5,575	5,575	7,242	7,242	1,667
Net change in fair value of investment	-	-	(2,359)	(2,359)	(2,359)
Miscellaneous	-	-	100	100	100
Total Revenues	1,915,695	1,915,695	958,096	958,096	(957,599)
EXPENDITURES					
Economic environment	1,925,697	1,925,697	757,901	757,901	1,167,796
Capital outlay	18,250	18,250	-	-	18,250
Total Expenditures	1,943,947	1,943,947	757,901	757,901	1,186,046
Excess (deficiency) of revenues over (under) expenditures	(28,252)	(28,252)	200,195	200,195	228,447
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	(29,618)	(29,618)	(29,618)
Total other financing sources (uses)	-	-	(29,618)	(29,618)	(29,618)
Net change in fund balance	(28,252)	(28,252)	170,577	170,577	198,829
Fund balance-beginning	650,086	667,858	667,858	667,858	-
Fund balance-ending	$ 621,834	$ 639,606	$ 838,435	$ 838,435	$ 198,829

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

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, 2017

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual	Actual 2017-2018 Biennium	Variance with Final Budget Positive (Negative)
REVENUES					
Taxes	$ 2,636,084	$ 2,636,084	$ 1,302,413	$ 1,302,413	$ (1,333,671)
Charges for services	771,465	771,465	385,924	385,924	(385,541)
Investment income	20,824	20,824	31,847	31,847	11,023
Net change in fair value of investment	-	-	(5,779)	(5,779)	(5,779)
Miscellaneous	-	-	-	-	-
Total Revenues	3,428,373	3,428,373	1,714,405	1,714,405	(1,713,968)
EXPENDITURES					
Principal	8,053,100	8,053,100	3,455,000	3,455,000	4,598,100
Interest	3,183,592	3,183,592	2,163,731	2,163,731	1,019,861
Total Expenditures	11,236,692	11,236,692	5,618,731	5,618,731	5,617,961
Excess (deficiency) of revenues over (under) expenditures	(7,808,319)	(7,808,319)	(3,904,326)	(3,904,326)	3,903,993
OTHER FINANCING SOURCES (USES)					
Transfers in	7,827,312	7,827,312	3,928,894	3,928,894	(3,898,418)
Total other financing sources (uses)	7,827,312	7,827,312	3,928,894	3,928,894	(3,898,418)
Net change in fund balance	18,993	18,993	24,568	24,568	5,575
Fund balance-beginning	226,109	2,190,199	2,182,564	2,182,564	(7,635)
Fund balance-ending	$ 245,102	$ 2,209,192	$ 2,207,132	$ 2,207,132	$ (2,060)

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

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, 2017

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual	Actual 2017-2018 Biennium	Variance with Final Budget Positive (Negative)
REVENUES					
Intergovernmental	$ 27,971,972	$ 27,971,972	$ 10,623,719	$ 10,623,719	$ (17,348,253)
Contributions	15,379,004	15,379,004	-	-	(15,379,004)
Charges for services	6,200,000	6,200,000	4,342,456	4,342,456	(1,857,544)
Investment income	458,379	458,379	384,438	384,438	(73,941)
Net change in fair value of investment	-	-	(182,464)	(182,464)	(182,464)
Miscellaneous	334,156	6,856,556	4,545,992	4,545,992	(2,310,564)
Total Revenues	50,343,511	56,865,911	19,714,141	19,714,141	(37,151,770)
EXPENDITURES					
Current					
General government	6,209,180	7,809,180	1,737	1,737	7,807,443
Culture and recreation	15,916,176	15,916,176	-	-	15,916,176
Capital outlay	-	84,964,782	27,418,223	27,418,223	57,546,559
Debt service					
Principal	-	-	735,000	735,000	(735,000)
Interest	-	-	162,788	162,788	(162,788)
Total Expenditures	22,125,356	108,690,138	28,317,748	28,317,748	80,372,390
Excess (deficiency) of revenues over (under) expenditures	28,218,155	(51,824,227)	(8,603,607)	(8,603,607)	43,220,620
OTHER FINANCING SOURCES (USES)					
Transfers in	22,727,018	24,327,018	13,197,635	13,197,635	(11,129,383)
Transfers out	(5,200,000)	(20,818,000)	(8,637,905)	(8,637,905)	12,180,095
Total other financing sources and uses	17,527,018	3,509,018	4,559,730	4,559,730	1,050,712
Net change in fund balance	45,745,173	(48,315,209)	(4,043,877)	(4,043,877)	44,271,332
Fund balance-beginning	15,985,789	74,200,983	33,355,567	33,355,567	(40,845,416)
Fund balance-ending	$ 61,730,962	$ 25,885,774	$ 29,311,690	$ 29,311,690	$ 3,425,916

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

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, 2017

	Fleet Maintenance	Insurance	Medical Self-Insurance
ASSETS			
Current assets:			
Cash and cash equivalents	$ 851,303	$ 125,466	$ 1,794,238
Investments	4,187,309	617,251	8,827,075
Receivables:			
Accounts and contracts	-	-	-
Interest	13,336	1,965	28,100
Inventory	39,700	-	-
Prepaid Insurance	-	511,835	-
Total current assets	5,091,648	1,256,517	10,649,413
Noncurrent assets:			
Land and land rights	584,292	-	-
Construction in progress	104,633	-	-
Buildings	510,196	-	-
Improvements other than buildings	248,876	-	-
Equipment	13,071,938	-	-
Less accumulated depreciation	(9,045,362)	-	-
Total capital assets (net of depreciation)	5,474,573	-	-
Total noncurrent assets	5,474,573	-	-
Total Assets	10,566,221	1,256,517	10,649,413
Deferred outflow of resources:			
Pension GASB 68	49,169	4,764	60
Total deferred outflows	49,169	4,764	60
Total assets and deferred outflows	10,615,390	1,261,281	10,649,473
LIABILITIES			
Current liabilities:			
Accounts payable	41,130	44,082	1,388,924
Employee wages payable	33,671	3,218	122
Compensated absences	48,864	7,529	-
Due to other governments	149	-	-
Total current liabilities	123,814	54,829	1,389,046
Noncurrent liabilities:			
Compensated absences	12,216	1,882	-
Net Pension Liability	315,137	32,714	850
Total noncurrent liabilities	327,353	34,596	850
Total Liabilities	451,167	89,425	1,389,896
Deferred inflow of resources:			
Pension GASB 68	57,170	6,762	326
Total deferred inflows	57,170	6,762	326
Total liabilities and deferred inflows	508,337	96,187	1,390,222
NET POSITION			
Net investment in capital assets	5,474,573	-	
Unrestricted	4,632,480	1,165,094	9,259,251
Total net position	$ 10,107,053	$ 1,165,094	$ 9,259,251

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, 2017

	Workers' Compensation	Information Technology	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 894	$ 277,222	$ 3,049,123
Investments	4,398	1,364,669	15,000,702
Receivables:			
Accounts and contracts	500,000	-	500,000
Interest	14	4,344	47,759
Inventory	-	-	39,700
Prepaid Insurance	-	-	511,835
Total current assets	505,306	1,646,235	19,149,119
Noncurrent assets:			
Land and land rights	-	-	584,292
Construction in progress	-	113,519	218,152
Buildings	-	205,590	715,786
Improvements other than buildings	-	107,322	356,198
Equipment	-	843,134	13,915,072
Less accumulated depreciation	-	(464,765)	(9,510,127)
Total capital assets (net of depreciation)	-	804,800	6,279,373
Total noncurrent assets	-	804,800	6,279,373
Total Assets	505,306	2,451,035	25,428,492
Deferred outflow of resources:			
Pension GASB 68	14,623	238,099	306,715
Total deferred outflows	14,623	238,099	306,715
Total assets and deferred outflows	519,929	2,689,134	25,735,207
LIABILITIES			
Current liabilities:			
Accounts payable	383,818	124,271	1,982,225
Employee wages payable	5,320	141,824	184,155
Compensated absences	7,306	204,332	268,031
Due to other governments	44,314	-	44,463
Total current liabilities	440,758	470,427	2,478,874
Noncurrent liabilities:			
Compensated absences	1,826	51,083	67,007
Net Pension Liability	73,576	1,696,595	2,118,872
Total noncurrent liabilities	75,402	1,747,678	2,185,879
Total Liabilities	516,160	2,218,105	4,664,753
Deferred inflow of resources:			
Pension GASB 68	2,779	342,710	409,747
Total deferred inflows	2,779	342,710	409,747
Total liabilities and deferred inflows	518,939	2,560,815	5,074,500
NET POSITION			
Net investment in capital assets	-	804,800	6,279,373
Unrestricted	990	(676,481)	14,381,334
Total net position	$ 990	$ 128,319	$ 20,660,707

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, 2017

	Fleet Maintenance	Insurance	Medical Self-Insurance
Operating revenues:			
Charges for services	$ 71,346	$ 1,052,622	$ 11,538,894
Charges for replacement	2,225,023	-	-
Charges for insurance	-	-	-
Total operating revenues	2,296,369	1,052,622	11,538,894
Operating expenses:			
Supplies	526,797	-	-
Maintenance and operations	992,186	1,230,602	12,299,353
Depreciation and amortization	745,502	-	-
Total Operating Expenses	2,264,485	1,230,602	12,299,353
Operating income (loss)	31,884	(177,980)	(760,459)
Nonoperating revenues (expenses):			
Interest and investment revenue	54,698	9,919	114,150
Net change in fair value of the investment	(11,576)	(1,290)	(29,043)
Gain (loss) on disposal of capital assets	20,688	-	-
Insurance recovery	-	15,203	422,697
Lease and other revenue	153,383	-	244,923
Total nonoperating revenues (expenses)	217,193	23,832	752,727
Income (loss) before contributions and transfers	249,077	(154,148)	(7,732)
Transfers in	-	-	-
Change in net position	249,077	(154,148)	(7,732)
Total net position - beginning, as previously reported	9,857,976	1,319,242	9,266,983
Total net position - ending	$ 10,107,053	$ 1,165,094	$ 9,259,251

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, 2017

	Workers' Compensation	Information Technology	Total
Operating revenues:			
Charges for services	$ -	$ 6,420,617	$ 19,083,479
Charges for replacement	-	-	2,225,023
Charges for insurance	931,681	-	931,681
Total operating revenues	931,681	6,420,617	22,240,183
Operating expenses:			
Supplies	950	125,311	653,058
Maintenance and operations	2,218,903	5,694,102	22,435,146
Depreciation and amortization	-	109,713	855,215
Total Operating Expenses	2,219,853	5,929,126	23,943,419
Operating income (loss)	(1,288,172)	491,491	(1,703,236)
Nonoperating revenues (expenses):			
Interest and investment revenue	989	15,455	195,211
Net change in fair value of the investment	3,368	(5,249)	(43,790)
Gain (loss) on disposal of capital assets	-	(5,963)	14,725
Insurance recovery	500,000	-	937,900
Lease and other revenue	-	-	398,306
Total nonoperating revenues (expenses)	504,357	4,243	1,502,352
Income (loss) before contributions and transfers	(783,815)	495,734	(200,884)
Transfers in	159,480	-	159,480
Change in net position	(624,335)	495,734	(41,404)
Total net position - beginning, as previously reported	625,325	(367,415)	20,702,111
Total net position - ending	$ 990	$ 128,319	$ 20,660,707

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, 2017

	Fleet Maintenance	Insurance	Medical Self-Insurance
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 71,346	$ 1,052,622	$ 11,538,894
Cash received for replacement	2,225,023	-	-
Cash payments to suppliers	(667,781)	(1,166,831)	(62,891)
Cash payments to employees	(662,933)	(68,018)	(11,778,262)
Cash payments to other governments	149	-	-
Internal activity - payments to other funds	(192,685)	(18,627)	-
Other operating receipts	(29,606)	12,060	667,544
Net cash provided (used) by operating activities	743,513	(188,794)	365,285
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in/transfers out	-	-	-
Net cash provided by noncapital financing activities	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(1,357,880)	-	-
Proceeds from sale of other assets	152,770	-	-
Net cash provided (used) for capital and related financing activities	(1,205,110)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Internal activity, net investment purchases	223,433	128,975	(597,857)
Interest on investments	42,510	8,817	80,753
Net cash provided (used) in investing activities	265,943	137,792	(517,104)
Net increase (decrease) in cash and cash equivalents	(195,654)	(51,002)	(151,819)
Cash and cash equivalents-beginning of year	1,046,957	176,468	1,946,057
Cash and cash equivalents-end of year	$ 851,303	$ 125,466	$ 1,794,238
Cash and cash equivalents			
Operating fund cash	851,303	125,466	1,794,238
Cash and cash equivalents-end of year	$ 851,303	$ 125,466	$ 1,794,238
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	$ 31,884	$ (177,980)	$ (760,459)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	745,502	-	-
Decrease (increase) in accounts receivable	-	-	-
Decrease (increase) in inventory	(3,815)	-	-
Decrease (increase) in prepaid expenses	-	(33,427)	-
Increase (decrease) in accounts payable	(7,652)	6,161	458,078
Increase (decrease) due to other governments	149	-	-
Increase (decrease) in employee wages payable	7,901	1,022	122
Increase (decrease) in compensated absences payable	(850)	3,370	-
Increase (decrease) in GASB 68 pension adjustment	(30,219)	(3,143)	(76)
Reclassify other income	613	15,203	667,620
Net cash provided (used) by operating activities	$ 743,513	$ (188,794)	$ 365,285
Noncash investing, capital and financing activities:			
Fair value of investments decreased by	(33,437)	(4,929)	(70,486)

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, 2017

	Worker's Compensation	Information Technology	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 431,681	$ 6,420,617	$ 19,515,160
Cash received for replacement	-	-	2,225,023
Cash payments to suppliers	(69,716)	(2,530,810)	(4,498,029)
Cash payments to employees	(1,964,227)	(3,014,440)	(17,487,880)
Cash payments to other governments	(5,685)	-	(5,536)
Internal activity - payments to other funds	(18,031)	(370,056)	(599,399)
Other operating receipts	495,510	(137,176)	1,008,332
Net cash provided (used) by operating activities	(1,130,468)	368,135	157,671
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Nonoperating transfers in/transfers out	159,480	-	159,480
Net cash provided by noncapital financing activities	159,480	-	159,480
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(91,152)	(1,449,032)
Proceeds from sale of other assets	-	-	152,770
Net cash provided (used) for capital and related financing activities	-	(91,152)	(1,296,262)
CASH FLOWS FROM INVESTING ACTIVITIES			
Internal activity, net investment purchases	779,823	(267,712)	266,662
Interest on investments	6,606	9,027	147,713
Net cash provided (used) in investing activities	786,429	(258,685)	414,375
Net increase (decrease) in cash and cash equivalents	(184,559)	18,298	(564,736)
Cash and cash equivalents-beginning of year	185,453	258,924	3,613,859
Cash and cash equivalents-end of year	$ 894	$ 277,222	$ 3,049,123
Cash and cash equivalents			
Operating fund cash	894	277,222	3,049,123
Cash and cash equivalents-end of year	$ 894	$ 277,222	$ 3,049,123
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	$ (1,288,172)	$ 491,491	$ (1,703,236)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	-	109,713	855,215
Decrease (increase) in accounts receivable	(500,000)	-	(500,000)
Decrease (increase) in inventory	-	-	(3,815)
Decrease (increase) in prepaid expenses	-	-	(33,427)
Increase (decrease) in accounts payable	165,435	(172,889)	449,133
Increase (decrease) due to other governments	(5,685)	-	(5,536)
Increase (decrease) in employee wages payable	1,067	21,170	31,282
Increase (decrease) in compensated absences payable	1,377	55,826	59,723
Increase (decrease) in GASB 68 pension adjustment	(4,490)	(137,176)	(175,104)
Other non-operating revenues (expenses)	500,000	-	1,183,436
Net cash provided (used) by operating activities	$ (1,130,468)	$ 368,135	$ 157,671
Noncash investing, capital and financing activities:			
Fair value of investments decreased by	(35)	(10,897)	(119,784)

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, 2017

	Inter-Governmental Custodial	MEBT	Contractor's Deposits	Total
ASSETS				
Cash and cash equivalents	$ 17,461	$ 71,062	$ 629,239	$ 717,762
Accounts receivable	114	-	-	114
Investments	86,590	352,395	86,480	525,465
Total assets	$ 104,165	$ 423,457	$ 715,719	$ 1,243,341
LIABILITIES				
Due to other governments	$ 104,165	$ -	$ -	$ 104,165
Custodial	-	423,457	-	423,457
Trust account	-	-	715,719	715,719
Total liabilities	$ 104,165	$ 423,457	$ 715,719	$ 1,243,341

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

CITY OF REDMOND
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended December 31, 2017

	1/1/17 BALANCE	ADDITIONS	DELETIONS	12/31/17 BALANCE
INTERGOVERNMENTAL CUSTODIAL				
ASSETS				
Cash and cash equivalents	$ 135,975	$ 1,937,646	$ 2,056,160	$ 17,461
Investments	576,964	86,590	576,964	86,590
Accounts receivable	5,608	13,752	19,246	114
Total Assets	$ 718,547	$ 2,037,988	$ 2,652,370	$ 104,165
LIABILITIES				
Accounts payable	$ -	$ -	$ -	$ -
Due to other governments	718,547	2,553,710	3,168,092	104,165
Total Liabilities	$ 718,547	$ 2,553,710	$ 3,168,092	$ 104,165
MEBT				
ASSETS				
Cash and cash equivalents	$ 80,791	$ 9,324,786	$ 9,334,515	$ 71,062
Investments	342,809	352,395	342,809	352,395
Total Assets	$ 423,600	$ 9,677,181	$ 9,677,324	$ 423,457
LIABILITIES				
Custodial	$ 423,600	$ 9,801,078	$ 9,801,221	$ 423,457
Total Liabilities	$ 423,600	$ 9,801,078	$ 9,801,221	$ 423,457
CONTRACTORS DEPOSIT				
ASSETS				
Cash and cash equivalents	$ 1,205,915	$ 212,053	$ 788,729	$ 629,239
Investments	63,808	86,480	63,808	86,480
Total Assets	$ 1,269,723	$ 298,533	$ 852,537	$ 715,719
LIABILITIES				
Trust account	$ 1,269,723	$ 338,829	$ 892,833	$ 715,719
Accounts payable	-	-	-	-
Total Liabilities	$ 1,269,723	$ 338,829	$ 892,833	$ 715,719
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	$ 1,422,681	$ 11,474,485	$ 12,179,404	$ 717,762
Investments	983,581	525,465	983,581	525,465
Accounts receivable	5,608	13,752	19,246	114
Total Assets	$ 2,411,870	$ 12,013,702	$ 13,182,231	$ 1,243,341
LIABILITIES				
Accounts payable	$ -	$ -	$ -	$ -
Due to other governments	718,547	2,553,710	3,168,092	104,165
Custodial	423,600	9,801,078	9,801,221	423,457
Trust accounts	1,269,723	338,829	892,833	715,719
Total Liabilities	$ 2,411,870	$ 12,693,617	$ 13,862,146	$ 1,243,341

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

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, 2017 and 2016

	2017	2016
Governmental funds capital assets:		
Land	$ 141,230,782	$ 133,745,387
Buildings	85,541,996	75,586,091
Improvements other than buildings	35,202,723	34,268,448
Machinery and equipment	19,349,410	19,019,422
Artwork	548,878	548,878
Infrastructure	301,078,847	273,895,893
Construction in progress	21,027,575	29,484,570
Total governmental funds capital assets	$ 603,980,211	$ 566,548,689
Investments in governmental funds capital assets by source:		
General fund	$ 357,363,670	$ 333,601,295
Special revenue funds	9,379,537	9,345,121
Impact fees	60,372,375	50,123,406
Federal grants	34,229,809	26,684,657
General obligation bonds	73,669,373	80,669,373
Private gifts	68,965,447	66,124,837
Total governmental funds capital assets	$ 603,980,211	$ 566,548,689

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, 2017

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment
General government				
Finance	$ -	$ -	$ -	$ 3,934,808
Planning	-	-	999,239	1,296,411
General government	51,533,626	37,993,140	8,075,876	(1,432,582)
Public works/general	2,619,673	2,592,361	319,688	291,495
Total general government	54,153,299	40,585,501	9,394,803	4,090,132
Security				
Police	-	17,182,112	92,458	2,245,499
Fire	3,263,488	17,930,731	287,807	11,934,840
Total security	3,263,488	35,112,843	380,265	14,180,339
Transportation	45,460,834	-	-	394,883
Culture and recreation				
Parks and recreation	38,246,348	8,021,127	25,227,655	650,397
Senior center	106,814	1,822,525	200,000	33,660
Total culture and recreation	38,353,162	9,843,652	25,427,655	684,057
Total governmental funds capital assets	$ 141,230,783	$ 85,541,996	$ 35,202,723	$ 19,349,411

CITY OF REDMOND
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
December 31, 2017

Function and Activity	Artwork	Infrastructure	Construction in Progress	Total
General government				
Finance	$ -	$ -	$ -	$ 3,934,808
Planning	-	-	1,465,164	3,760,814
General government	92,998	15,154,300	(17,221,514)	94,195,844
Public works/general	-	-	(13,194,867)	(7,371,650)
Total general government	92,998	15,154,300	(28,951,217)	94,519,816
Security				
Police	-	-	10,638,930	30,158,999
Fire	-	-	165,157	33,582,023
Total security	-	-	10,804,087	63,741,022
Transportation	-	277,436,021	24,605,130	347,896,868
Culture and recreation				
Parks and recreation	455,879	8,488,525	14,569,575	95,659,506
Senior center	-	-	-	2,162,999
Total culture and recreation	455,879	8,488,525	14,569,575	97,822,505
Total governmental funds capital assets	$ 548,877	$ 301,078,846	$ 21,027,575	$ 603,980,211

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, 2017

Function and Activity	Governmental Funds Capital Assets 1-1-2017	Additions	Deductions	Governmental Funds Capital Assets 12-31-2017
General government				
Finance	$ 3,749,428	$ 185,380	$ -	$ 3,934,808
Planning	1,639,394	2,121,420	-	3,760,814
General government	85,748,798	7,390,574	297,629	92,841,743
Public works/general	4,646,926	1,403,474	12,067,949	(6,017,549)
Total general government	95,784,546	11,100,848	12,365,578	94,519,816
Security				
Police	20,344,678	9,814,321	-	30,158,999
Fire	33,444,137	167,242	29,356	33,582,023
Total security	53,788,815	9,981,563	29,356	63,741,022
Transportation	327,431,629	45,782,575	25,317,337	347,896,867
Culture and recreation				
Parks and recreation	87,380,700	9,508,543	1,229,736	95,659,507
Senior center	2,162,999	-	-	2,162,999
Total culture and recreation	89,543,699	9,508,543	1,229,736	97,822,506
Total governmental funds capital assets	$ 566,548,689	$ 76,373,529	$ 38,942,007	$ 603,980,211

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.

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Financial Trends **119**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity **125**

These schedules contain information to help the reader assess the City's tax revenue sources.

Debt Capacity **130**

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.

Demographic and Economic Information **137**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information **139**

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.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Schedule 1

Net Position by Component (in thousands)
Last Ten Fiscal Years
Accrual Basis of Accounting

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	$ 238,895	$ 256,114	$ 257,663	$ 266,802	$ 276,636	$ 281,614	$ 292,662	$ 334,538	$ 366,768	$ 396,280
Restricted	24,203	25,938	29,689	24,278	23,862	32,721	33,146	42,938	85,499	96,170
Unrestricted	77,758	83,798	57,264	60,788	59,691	55,938	56,107	27,885	41,138	34,976
Total governmental activities net position	$ 340,856	$ 365,850	$ 344,616	$ 351,868	$ 360,189	$ 370,273	$ 381,915	$ 405,361	$ 493,405	$ 527,426
Business-type activities										
Net investment in capital assets	$ 228,193	$ 234,272	$ 242,798	$ 256,195	$ 264,018	$ 282,586	$ 287,209	$ 304,494	$ 312,718	$ 329,089
Restricted	7,686	1,372	2,221	2,221	3,367	3,851	6,917	6,917	8,917	8,917
Unrestricted	37,126	48,280	51,970	50,415	57,802	58,123	70,999	67,158	76,141	80,326
Total business-type activities net position	$ 273,005	$ 283,924	$ 296,989	$ 308,831	$ 325,187	$ 344,560	$ 365,125	$ 378,569	$ 397,776	$ 418,332
Primary government										
Net investment in capital assets	$ 467,088	$ 490,386	$ 500,461	$ 522,997	$ 540,654	$ 564,200	$ 579,871	$ 639,032	$ 679,486	$ 725,369
Restricted	31,889	27,310	31,910	49,458	27,229	36,572	40,063	49,855	94,416	105,087
Unrestricted	114,884	132,078	109,234	88,244	117,493	114,061	127,106	95,043	117,279	115,302
Total primary government net position	$ 613,861	$ 649,774	$ 641,605	$ 660,699	$ 685,376	$ 714,833	$ 747,040	$ 783,930	$ 891,181	$ 945,758

Schedule 2

Changes in Net Position (in thousands)
Last Ten Fiscal Years
Accrual Basis of Accounting

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	$ 14,823	$ 18,222	$ 19,571	$ 22,195	$ 16,791	$ 18,474	$ 16,852	$ 21,021	$ 22,767	$ 24,771
Security	40,940	40,319	36,764	37,563	45,901	46,494	46,622	49,832	53,615	55,314
Physical Environment	3,962	3,763	5,283	4,382	3,197	2,991	2,950	286	-	-
Economic environment	3,689	4,664	5,719	5,155	4,979	4,738	4,984	5,851	6,509	8,099
Transportation	16,502	16,530	42,052	13,093	14,695	12,240	12,645	13,339	13,327	14,882
Mental/physical health	97	12	13	890	-	-	-	-	-	-
Culture and Recreation	11,104	11,103	14,457	12,819	12,080	12,677	12,754	12,358	12,065	14,998
Interest on long-term debt	2,045	1,891	1,813	3,506	3,310	2,433	2,837	2,731	2,615	2,531
Total governmental activities expenses	93,162	96,504	125,672	99,603	100,953	100,047	99,644	105,418	110,898	120,595
Business-type activities:										
Water/wastewater	26,467	27,085	25,191	27,519	28,397	30,505	31,032	32,592	34,227	33,790
UPD Water/wastewater	5,908	4,963	5,542	5,752	6,121	5,988	5,981	5,900	5,887	6,474
Stormwater	6,580	6,746	6,407	7,061	7,249	6,935	7,581	7,989	9,216	10,021
Total business-type activities net position	38,955	38,794	37,140	40,332	41,767	43,428	44,594	46,481	49,330	50,285
Total primary government expenses	$ 132,117	$ 135,298	$ 162,812	$ 139,935	$ 142,720	$ 143,475	$ 144,238	$ 151,899	$ 160,228	$ 170,880
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 3,066	$ 3,198	$ 3,355	$ 8,640	$ 3,738	$ 3,416	$ 3,331	$ 3,114	$ 3,122	$ 2,982
Security	13,881	15,764	13,776	15,825	16,450	15,566	15,140	17,993	16,442	16,999
Physical Environment	379	421	468		590	1,032	1,025	553	-	-
Economic environment	14,256	16,573	9,132	3,491	13,487	14,649	14,857	15,142	24,642	20,050
Transportation	433	13	11	2,971	1,129	1,203	1,242	392	372	583
Culture and Recreation	1,793	2,050	2,171	3,351	2,555	2,284	2,587	2,713	2,651	2,671
Operating grants and contributions	7,383	2,830	8,334	760	4,571	1,350	1,718	1,898	3,841	5,360
Capital grants and contributions	5,240	19,834	3,419	2,513	1,648	3,180	4,147	3,913	5,003	10,623
Total governmental activities program revenues	46,431	60,683	40,666	37,551	44,168	42,680	44,047	45,718	56,073	59,268

Schedule 2 (continued)

Changes in Net Position (in thousands)
Last Ten Fiscal Years
Accrual Basis of Accounting

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-type activities:										
Charges for services:										
Water/wastewater	24,960	26,577	25,451	27,977	29,688	32,747	33,055	35,637	35,665	38,563
UPD Water/wastewater	5,098	4,829	5,362	5,850	6,600	6,682	6,798	6,947	6,428	7,264
Stormwater	10,715	10,656	11,002	11,154	11,117	11,494	11,737	11,961	12,393	13,937
Operating grants and contributions	19	58	602	599	1,194	5,013	5,678	2,671	787	1,342
Capital grants and contributions	20,735	6,681	7,060	6,403	9,449	6,900	8,442	8,433	13,779	6,677
Total business-type activities program revenues	61,527	48,801	49,477	51,983	58,048	62,836	65,710	65,649	69,052	67,783
Total primary government program revenues	$ 107,958	$ 109,484	$ 90,143	$ 89,534	$ 102,216	$ 105,516	$ 109,757	$ 111,367	$ 125,125	$ 127,051
Net (Expense)/Revenue										
Governmental activities	$ (46,733)	$ (35,821)	$ (85,007)	$ (62,080)	$ (56,786)	$ (57,368)	$ (55,597)	$ (59,700)	$ (54,825)	$ (61,327)
Business-type activities	22,571	10,007	12,337	11,180	16,280	19,408	21,116	19,168	19,722	17,498
Total primary government net expense	(24,162)	(25,814)	(72,670)	(50,900)	(40,506)	(37,960)	(34,481)	(40,532)	(35,103)	(43,829)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	18,589	19,446	20,930	21,978	22,611	22,234	22,817	23,564	23,967	25,303
Sales taxes	20,675	18,996	19,038	24,895	20,722	22,584	22,131	25,385	27,979	27,398
Other	19,578	19,263	18,664	19,338	20,221	20,473	19,396	23,170	24,490	22,807
Investment interest	4,087	2,087	1,114	937	632	162	836	765	1,896	1,303
Miscellaneous	1,121	1,008	4,103	2,063	1,049	1,991	1,136	1,682	18,217	11,524
Contribution/disposal of capital assets	121	14	(76)	88	118	7	922	3,198	14,775	8,613
Transfers	-	-	-	-	-	-	-	-	-	(3,346)
Total governmental activities	64,171	60,814	63,773	69,299	65,353	67,451	67,238	77,764	111,324	93,602
Business-type activities:										
Investment interest	1,740	737	623	519	(9)	227	400	434	(690)	(485)
Miscellaneous	140	176	105	143	177	(262)	(950)	(694)	175	197
Transfers	-	-	-	-	-	-	-	-	-	3,346
Total business-type activities	1,880	913	728	662	168	(35)	(550)	(260)	(515)	3,058
Total primary government	$ 66,051	$ 61,727	$ 64,501	$ 69,961	$ 65,521	$ 67,416	$ 66,688	$ 77,504	$ 110,809	$ 96,660
Change in Net Position										
Governmental activities	$ 17,439	$ 24,994	$ (21,234)	$ 7,252	$ 8,566	$ 10,084	$ 11,641	$ 18,064	$ 56,499	$ 32,275
Business-type activities	24,452	10,919	13,065	11,842	16,449	19,373	20,566	18,908	19,207	20,556
Total primary government	$ 41,891	$ 35,913	$ (8,169)	$ 19,094	$ 25,015	$ 29,457	$ 32,207	$ 36,972	$ 75,706	$ 52,831

Schedule 3

Fund Balances, Governmental Funds (in thousands)
Last Ten Fiscal Years
Modified Accrual Basis of Accounting

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved	16,177	6,489	4,504	-	-	-	-	-	-	-
Nonspendable**	-	-	-	-	-	-	-	-	-	-
Spendable**:										
Restricted	-	-	-	6,139	7,087	7,083	7,380	7,106	6,379	7,424
Committed	-	-	-	16,689	8,266	8,997	8,947	9,442	6,462	8,159
Assigned	-	-	-	-	11,472	12,364	10,166	11,019	11,937	11,435
Unassigned	-	-	-	11,105	11,977	8,792	8,324	9,601	13,781	12,309
Total*	$ 16,177	$ 6,489	$ 4,504	$ 33,933	$ 38,802	$ 37,236	$ 34,817	$ 37,168	$ 38,559	$ 39,327
All Other Governmental Funds										
Reserved	$ 1,526	$ 1,244	$ 273	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved, reported in:										
Special revenue funds	38,603	31,914	27,499	-	-	-	-	-	-	-
Capital projects funds	47,384	61,866	47,277	-	-	-	-	-	-	-
Nonspendable**	-	-	-	-	-	-	-	-	-	-
Spendable**:										
Restricted	-	-	-	20,752	16,775	25,638	25,220	24,163	24,696	23,671
Committed	-	-	-	23,029	-	1,222	1,014	1,437	1,767	2,674
Assigned	-	-	-	-	20,542	16,929	18,777	12,109	22,502	16,434
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds*:	$ 87,513	$ 95,024	$ 75,049	$ 43,781	$ 37,317	$ 43,789	$ 45,011	$ 37,709	$ 48,965	$ 42,779

*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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	$ 58,256	$ 57,101	$ 57,958	$ 66,211	$ 63,555	$ 65,291	$ 64,344	$ 72,119	$ 76,436	$ 75,508
Licenses and permits	8,297	7,057	6,523	6,510	7,509	8,871	9,168	10,924	11,693	13,333
Contributions from property owners	2,629	10,554	6,474	270	987	518	470	173	169	173
Intergovernmental	18,077	26,569	18,465	18,404	19,999	19,907	21,669	7,361	8,675	15,811
Charges for services	12,325	15,448	8,880	9,860	13,046	12,571	12,102	26,631	34,891	29,268
Fines and forfeitures	864	1,053	1,038	2,204	1,952	812	637	629	645	683
Investment income	3,752	2,237	1,238	856	514	(18)	525	466	757	784
Miscellaneous	1,298	1,045	601	972	917	611	1,463	915	2,063	5,372
Total revenues	105,498	121,064	101,177	105,287	108,479	108,563	110,378	119,218	135,329	140,932
Expenditures										
General government	13,785	18,087	15,132	12,943	14,948	15,391	14,621	16,414	16,277	19,412
Security (persons/property)	39,775	43,229	41,858	42,191	44,126	44,583	47,251	51,181	51,947	54,057
Physical environment	3,817	3,728	3,475	4,405	3,098	3,038	3,249	657	-	-
Transportation	6,685	9,260	6,552	8,200	8,958	8,097	8,063	10,045	10,642	12,145
Economic environment	3,907	4,343	4,649	4,864	4,830	4,624	5,293	5,620	6,418	8,095
Social Services	97	12	13	890	-	-	-	1,156	1,172	1,107
Culture and Recreation	9,901	10,060	10,913	10,642	11,159	11,606	11,869	11,220	10,697	13,603
Capital outlay	39,832	28,016	34,282	24,591	17,470	10,472	15,108	21,007	28,198	29,562
Debt service:										
Principal	2,448	3,109	3,008	3,584	4,955	4,262	3,666	3,756	4,199	4,284
Interest and debt issue costs	2,565	3,420	3,298	3,575	1,925	2,337	2,776	2,686	2,507	2,330
Total expenditures	122,812	123,264	123,180	115,885	111,469	104,410	111,896	123,742	132,057	144,595
Excess of revenues over (under) expenditures	$ (17,314)	$ (2,200)	$ (22,003)	$ (10,598)	$ (2,990)	$ 4,153	$ (1,518)	$ (4,524)	$ 3,272	$ (3,663)

Schedule 4 (continued)

Changes in Fund Balances, Governmental Funds
(in thousands)
Last Ten Fiscal Years
Modified Accrual Basis of Accounting

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	-	49	45	18	53	26	84	-	2,057	5
Transfers in	12,929	27,681	19,536	25,071	18,091	24,853	14,263	19,425	22,214	24,996
Transfers out	(12,966)	(27,707)	(19,547)	(24,976)	(18,544)	(24,357)	(14,070)	(19,289)	(22,046)	(28,502)
Total other financing sources (uses)	35,306	23	42	8,759	1,394	753	322	143	9,374	(3,501)
Net change in fund balances	$ 17,992	$ (2,177)	$ (21,961)	$ (1,839)	$ (1,596)	$ 4,906	$ (1,196)	$ (4,381)	$ 12,646	$ (7,164)
Debt service as a percentage of noncapital expenditures	6.04%	6.85%	7.09%	7.84%	7.32%	7.02%	6.66%	6.27%	6.46%	5.75%

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*
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
2017	$ 16,814,441,234	$ 1,858,395,290	$ 18,672,836,524	$ 1.35

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											
	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	Sound Transit	Total Direct and Overlapping Rate
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
2017	1.35	-	1.35	2.03	1.37	0.15	3.16	0.36	0.45	0.26	0.03	0.012	0.12	0.25	9.54

Source: King County Accounting Divison.

*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

	2017			2008		
Taxpayer	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)	$ 2,912,233,173	1	15.60%	$ 2,213,412,006	1	15.73%
AvalonBay Communities Inc	318,128,215	2	1.70%	-		-
Essex Property Trust Inc	300,393,000	3	1.61%			
BRE Properties	207,730,981	4	1.11%	92,118,000	5	0.65%
BRE WA Office Owner LLC	206,892,042	5	1.11%	-		-
Puget Sound Energy-Gas/Electric	196,173,539	6	1.05%	129,036,373	3	0.92%
SRI Ten RTC LLC	165,006,000	7	0.88%	-		-
AT&T Mobility LLC	149,102,514	8	0.80%	-		-
Bear Creek Associates	117,840,000	9	0.63%	-		-
Avalon Overlake LLC	117,760,510	10	0.63%	-		-
PPR Redmond Retail LLC (Redmond Town Center)	-		-	189,283,260	2	1.35%
ASN-Washington Holdings	-		-	105,560,000	4	0.75%
Tishman Speyer Archstone (formerly Archstone-Smith)	-		-	91,699,000	6	0.65%
PS Business Parks LP (formerly Yett Family Partnership)	-		-	62,226,400	7	0.44%
Nintendo	-		-	80,661,176	8	0.57%
Verizon	-		-	28,318,640	9	0.20%
Hines Reit Laguna Campus LL (formerly Allied Signal)	-		-	26,214,800	10	0.19%
TOTAL	$ 4,691,259,974		25.12%	$ 3,018,529,655		21.45%

Source: King County Accounting Division.

* In 2017 the estimated value of real and personal property in the City of Redmond was $18,672,836,524.

* * In 2008 the estimated value of real and personal property in the City of Redmond was $14,072,271,880.

Schedule 8

Property Tax Levies and Collections

Last Ten Calendar Years

		Collected within the Fiscal Year of the Levy			Total Collections to Date	
Fiscal Year	**Taxes Levied for the Fiscal Year***	**Amount**	**Percentage of Levy**	**Collections in Subsequent Years**	**Amount**	**Percentage of Levy**
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%
2017	25,061,925	24,912,458	99.4036%	83	24,912,541	99.404%

Source: King County Assessor and City of Redmond Finance Department

Schedule 9

Summary of Sales Tax Revenues
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Retail Trade Sales Tax										
Electronics and Appliances	$ 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	$ 153,599
Furniture	436,382	266,049	288,418	266,049	338,453	361,114	396,235	431,383	437,312	29,684
General Merchandise	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	137,726
Miscellaneous Retail Trade	470,973	612,515	683,478	612,515	692,829	661,752	682,805	647,039	796,026	70,026
Other	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	247,946
Total - Retail Trade	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	638,981
Other Sectors Sales Tax										
Accommodation & Food Services	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	2,837,909
Construction	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	5,144,526
Information	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	148,171
Miscellaneous	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	2,036,321
Service	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	3,761,665
Wholesale	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	3,078,976
Total - Other Sectors Sales Tax	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	17,007,568
Adjustments *	118,361	-	-	-	-	-	-	-	-	-
Total - Retail Trade & Other Sectors	$ 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	$ 17,646,549
Sales Taxes - Miscellaneous **	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	2,172,726
Total Sales Tax	$ 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	$ 19,819,275

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

	Governmental Activities					Business-Type Activities				
Fiscal Year	General Obligation Bonds ɵ	Special Assessment Bonds	Public Works Trust Fund Loans	Capital Leases	Private Contract	Revenue Bonds ɵ	Loans	Total Primary Government ɵ	Percentage Of Per Capita Personal Income*ɵ	Debt Per Capita**ɵ
2008	$ 73,747,432	$ 530,000	$ 1,495,340	$ -	$ -	$ 12,114,727	$ 85,356	$ 87,972,855	2.97%	1,714
2009	71,262,496	170,000	1,161,728	-	-	11,525,612	-	84,119,836	2.79%	1,624
2010	68,692,560	-	828,118	-	-	10,911,497	-	80,432,175	2.63%	1,498
2011	73,915,292	-	548,686	-	-	10,272,380	-	84,736,358	2.79%	1,536
2012	70,434,527	-	2,140,792	-	-	9,608,264	-	82,183,583	2.57%	1,485
2013	68,084,209	-	1,843,885	-	-	8,919,149	-	78,847,243	2.35%	1,412
2014	64,394,621	-	1,677,549	-	-	34,040,462	-	100,112,632	2.76%	1,735
2015	61,669,732	-	1,511,212	-	-	32,364,706	4,412,000	99,957,650	2.45%	1,689
2016	65,005,635	-	1,416,763	-	-	30,638,951	4,271,663	101,333,012	2.31%	1,673
2017	60,448,508	-	1,322,310	-	-	28,863,196	4,089,452	94,723,466	1.97%	1,521

* 2017 per capita income of $77,213 from US Bureau of Economic Analysis.

** 2017 population total of 62,292 from State of Washington Office of Financial Management.

ɵ The balances are restated retroactively in accordance with GFOA guidelines.

Schedule 11

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds**	Percentage of Actual Taxable Value of Property*	Per Capita**
2008	$ 73,747,432	0.52%	$ 1,437
2009	$ 71,262,496	0.49%	$ 1,373
2010	$ 68,692,560	0.52%	$ 1,280
2011	$ 73,915,292	0.58%	$ 1,340
2012	$ 70,434,527	0.56%	$ 1,272
2013	$ 68,084,209	0.52%	$ 1,219
2014	$ 64,394,620	0.46%	$ 1,116
2015	$ 61,669,732	0.39%	$ 1,042
2016	$ 65,005,635	0.38%	$ 1,073
2017	$ 60,448,508	0.32%	$ 970

Source: King County Accounting Division.

* In 2017 the estimated value of real and personal property in the City of Redmond was $18,672,836,524

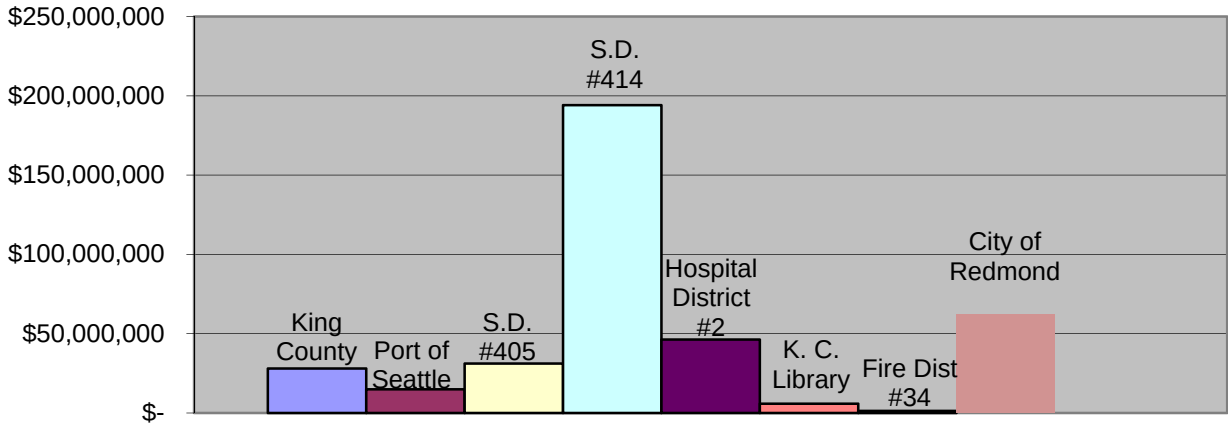
** The balances are restated retroactively in accordance with GFOA's guidelines.

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, 2017

	Net Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Overlapping Debt:			
King County	$ 724,994,000	3.86%	$ 27,984,768
Port of Seattle	388,360,000	3.86%	14,990,696
School District #405	710,675,421	4.38%	31,127,583
School District #414	630,671,790	30.79%	194,183,844
Hospital District #2	196,421,141	23.56%	46,276,821
King CountyRural Library	87,869,746	6.75%	5,931,208
Fire District #34	29,287,216	4.45%	1,303,281
Total Overlapping Debt	2,768,279,314		321,798,202
Direct Debt: City of Redmond**	61,770,818	100.00%	61,770,818
Total Direct and Overlapping Debt	$ 2,830,050,132		$ 383,569,020



*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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	$ 955,493	$ 990,408	$ 998,139	$ 934,746	$ 970,751	$ 1,055,921	$ 1,190,433	$ 1,191,557	$ 1,397,331	$ 1,554,537
Total net debt applicable to limit	72,182	69,767	67,267	71,996	70,785	67,124	63,458	60,041	61,797	57,512
Legal debt margin	$ 883,311	$ 920,641	$ 930,872	$ 862,750	$ 899,966	$ 988,797	$ 1,126,975	$ 1,131,516	$ 1,335,534	$ 1,497,025
Total net debt applicable to limit as a percentage of debt limit	4.80%	7.04%	6.74%	7.70%	7.29%	6.36%	5.33%	5.04%	4.42%	3.70%

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, 2017 Assessed Value: $20,727,172,765					
2.50% of Assessed Value	$ -	$ 518,179,319	$ 518,179,319	$ 518,179,319	$ 1,554,537,957
1.50% of Assessed Value	310,907,591	(310,907,591)	-	-	-
Statutory Debt Limit	$ 310,907,591	$ 207,271,728	$ 518,179,319	$ 518,179,319	$ 1,554,537,957
Debt Outstanding:					
Bonds	57,512,311	-	-	-	57,512,311
Total Debt Outstanding	$ 57,512,311	$ -	$ -	$ -	$ 57,512,311
Less amount available in Debt Service Fund	-	-	-	-	-
Net Debt Outstanding	$ 57,512,311	$ -	$ -	$ -	$ 57,512,311
Remaining Debt Capacity	$ 253,395,280	$ 207,271,728	$ 518,179,319	$ 518,179,319	$ 1,497,025,646

*Property assessed at 100% of the estimated value.

Schedule 14

Pledged-Revenue Coverage
Last Ten Fiscal Years

	Water/Wastewater Revenue Bonds						Special Assessment Bonds			
Fiscal Year	Gross Revenue *	Less: Operating Expenses **	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage ***	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage
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	-	-	-	-
2014ϕ	47,944,999	33,038,457	14,906,542	970,000	762,950	8.60	-	-	-	-
2015	50,884,102	34,943,803	15,940,299	1,490,000	1,383,348	5.60	-	-	-	-
2016	53,242,460	36,965,009	16,277,451	1,680,338 #	1,491,404 #	5.13	-	-	-	-
2017	56,753,725	36,770,880	19,982,845	1,772,210 #	1,397,381 #	6.31	-	-	-	-

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.

* 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	2017
Income (loss) before contributions and transfers	$ 6,377,286	$ 11,669,167	$ 11,781,117	$ 9,256,897	$ 4,667,095	$ 9,489,211
Adjustments:						
Interest and Fiscal Charges	438,741	412,866	669,491	916,981	1,301,877	1,206,727
Depreciation Expense	4,838,721	5,093,496	5,575,052	5,637,461	6,477,812	6,793,051
Grants (related to capital expenditures)	(1,071,419)	(4,810,737)	(5,266,408)	(2,364,078)	(350,933)	(842,257)
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	3,336,113
Net Revenue Available for Debt Services	$ 15,196,626	$ 14,870,124	$ 15,498,238	$ 15,940,299	$ 16,277,451	$ 19,982,845
Outstanding Parity Bonds Annual Debt Service	$ 1,104,688	$ 1,104,088	$ 1,732,950	$ 2,873,348	$ 3,171,742	$ 3,169,591
Debt Service Coverage	$ 13.8	$ 13.5	$ 8.9	$ 5.6	$ 5.1	$ 6.3
Net Revenues Available for Other Purposes	$ 14,091,938	$ 13,766,036	$ 13,765,288	$ 13,066,951	$ 13,105,709	$ 16,813,254

Schedule 14

Pledged-Revenue Coverage

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

	2012	2013	2014	2015	2016	2017
Single Family	11,203	11,372	11,524	11,688	11,890	11,980
Multifamily	210	208	208	209	210	212
Commercial	937	893 (1	897 (1)	891	885	876
Irrigation	191	199	209	217	221	225
Other (2)	10	12	13	15	19	20
Total	12,551	12,684	12,851	13,020	13,225	13,313

(1) Transfer of accounts to the City of Kirkland from an earlier annexation.
(2) Multi-use (commercial, multifamily, irrigation.)

NUMBER OF WASTEWATER CUSTOMERS

	2012	2013	2014	2015	2016	2017
Single Family	10,665	10,830	11,000	11,175	11,378	11,464
Multifamily	211	233	209	210	213	215
Commercial	887	880 (	881 (1)	877	869	859
Irrigation	1	1	1	1	1	1
Other (2)	10	18	14	16	19	20
Total	11,774	11,962	12,105	12,279	12,480	12,559

(1) Transfer of accounts to the City of Kirkland from an earlier annexation.
(2) Multi-use (commercial, multifamily, irrigation.)

NUMBER OF STORMWATER CUSTOMERS

Stormwater	2012	2013	2014	2015	2016	2017
Residential	10,790	10,932	11,087	11,244	11,428	11,580
Other (1)	1,161	1,154	1,211	1,223	1,220	1,244
Total	11,951	12,086	12,298	12,467	12,648	12,824

(1) Commercial and multifamily

Schedule 14
Pledged-Revenue Coverage

LARGEST CUSTOMERS OF THE SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2017 (1)

Customer	Water Consumption (000'S)	Water Billings	Wastewater Billings	King County (2)	Stormwater Billings	Total Revenue	% of Total Gross Revenue
MICROSOFT	32,774	$ 1,847,399	$ 335,494	$ 1,117,916	$ 1,337,981	$ 4,638,789	8.37%
CITY OF REDMOND	4,769	364,156	19,623	55,609	1,250,655	1,690,042	3.05%
UNISEA INC	4,885	154,739	82,148	369,290	62,298	668,475	1.21%
SIXTY-01 APARTMENT COMPLEX	4,596	220,014	68,219	222,138	139,926	650,296	1.17%
ESSEX REDMOND HILL NE LP	3,632	153,360	56,100	185,049	94,618	489,127	0.88%
DIG-KW REDMOND, LLC	3,466	148,119	50,883	175,878	55,167	430,046	0.78%
ESSEX REDMOND HILL CWLP	3,104	134,246	51,172	169,781	56,274	411,473	0.74%
CAMBRIAN APARTMENTS 04WA009	3,468	161,591	54,083	172,119	-	387,793	0.70%
EASTSIDE RETIREMENT ASSN	3,027	140,788	38,388	130,003	74,059	383,239	0.69%
KING COUNTY PARKS/MARYMOOR	2,972	197,172	-	-	-	197,172	0.36%
	66,693	$ 3,521,585	$ 756,110	$ 2,597,782	$ 3,070,976	$ 9,946,452	17.95%

(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##
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	$ -	$ -	9,879	26,141	4.0
2016	60,560	$ 4,392,417	$ 72,530	10,402	26,509	3.2
2017	62,292	$ 4,809,752	$ 77,213	10,694	27,169	4.7

* 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

	2017			2008		
Employer	Employees	Rank	Percentage of Total City Employment**	Employees	Rank	Percentage of Total City Employment***
Microsoft Corporation (includes Microsoft Open Tech., Payments & Tech. Licensing)	38,657	1	43.07%	34,406	1	43.36%
Terex (Washington and USA-formerly Genie Industries)	2,136	2	2.38%	2,427	2	3.06%
Eurest Dining Services @ Microsoft	1,241	4	1.38%	722	8	0.91%
Nintendo of America Inc. (includes Nintendo Software Technology & Technology Development)	953	5	1.06%	1,034	6	1.30%
AT&T Mobility (includes retail stores)	941	6	1.05%	1,392	4	1.75%
United Parcel Service	797	8	0.89%	648	10	0.82%
Lake Washington School District *	1,512	3	1.68%	1,129	5	1.42%
Honeywell	867	7	0.97%	731	7	0.92%
Stryker (includes Sales Corp.) Formerly Physio-Control	704	9	0.78%	669	9	0.84%
Mindtree Ltd	637	10	0.71%	-		-
Volt Technical Resources, LLC (includes VMC Consulting)	-		-	1,832	3	2.31%
TOTAL	48,445		53.97%	44,990		56.70%

Source: City of Redmond Finance Dept., Business License Division
*Employer exempt from business license requirement
**Total city employment including exempt businesses listed is 89,746 for 2016.
The data for 2017 is to be available in May 2018.
***Total city employment including exempt businesses listed was 79,349 for 2008.

Schedule 17

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

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Executive	11.00	14.00	13.00	13.00	12.00	12.00	15.00	19.00	20.00	23.00
Finance and Information Services	63.60	59.97	55.81	56.81	54.50	54.50	53.50	56.00	57.00	60.00
Human Resources	9.63	13.43	11.50	11.50	11.50	11.50	11.50	11.54	11.54	11.54
Legal	4.25	4.25	4.25	4.25	3.75	3.75	3.75	3.75	3.75	4.25
Planning and Community Development	58.31	50.72	43.65	43.65	61.91	61.91	73.89	71.89	77.89	82.33
Security										
Police	127.50	128.40	127.30	127.10	129.10	128.10	129.30	130.41	129.41	128.41
Fire	171.20	168.50	164.50	160.50	160.25	160.25	160.50	163.50	164.50	167.00
Culture and Recreation	62.22	62.67	61.55	61.54	60.56	60.56	60.69	61.02	61.02	62.02
Public Works	77.75	79.05	72.71	72.76	66.23	66.23	66.23	72.02	75.98	77.31
Water/Wastewater	39.60	40.60	39.29	39.25	34.16	34.16	37.53	38.44	34.95	35.24
UPD Water/Wastewater	5.94	5.94	-	-	-	-	-	-	-	-
Stormwater Management	29.77	28.77	31.67	31.67	30.85	30.85	27.60	26.90	26.93	27.01
Total	660.77	656.30	625.23	622.03	624.81	623.81	639.49	654.47	662.97	678.11

Source: City Budget Office

Schedule 18

Operating Indicators by Function/Program
Last Ten Fiscal Years*

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fire prevention										
maintenance inspections	1,500	2,587	1,606	1,690	1,452	1,658	841*	2,127	1,442	1,721
Operations inspections **	495	-	256	1,353	-	-	-	598	246	792
Culture and Recreation										
Preschool registrations	21,412	19,456	20,093	19,540	19,186	22,569	24,874	24,990	5,958	5,442
Youth registrations	26,415	18,046	19,118	23,244	21,651	27,525	21,344	23,092	16,105	16,939
Teen program registrations	25,097	18,722	19,512	15,764	13,329	16,272	16,048	17,027	17,739	20,314
Adult program registrations	59,959	43,151	41,920	45,313	43,945	43,180	39,379	38,633	47,408	54,044
Senior Center participants	45,807	37,443	41,785	45,050	44,742	46,279	46,241	44,771	48,544	69,275
Utility Services #										
Residential units served	13,563	13,669	13,972	14,236	14,473	14,773	15,033	15,240	15,428	15,502
Commercial units served	1,474	1,482	1,429	1,434	1,439	1,407	1,428	1,437	1,431	1,448
Water										
Average daily demand (gallons)	6,506,569	6,754,372	5,900,305	5,877,325	6,132,129	6,441,596	6,594,716	7,095,464	6,937,290	unavailable[e]

* 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.

** Data is no longer seperated for maintenance inspections

\# Sewage treatment provided by King County Wastewater Treatment Division

[e] The data for average daily demand on water for 2017 will be reported in the 2018's CAFR.

Schedule 19

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of police vehicles	50	45	59	59	59	59	61	59	53	59
Fire										
Number of stations	6	6	6	6	7	7	7	7	7	7
Number of fire engines	11	9	9	8	8	8	8	8	8	8
Number of aid vehicles	15	16	15	16	16	16	16	16	16	16
Transportation										
Center lane miles of paved roads	138	138	142	143	143	146	146	148	149	151
Traffic signals	91	95	98	102	103	104	104	105	106	107
Street lights	1,290	1,286	1,279	1,343	1,456	1,512	1,554	1,604	1,638	25
Bridges	9	9	9	18	18	18	18	18	18	
Culture and Recreation										
Number of developed parks	30	30	30	30	31	31	36	35	36	36
Number of undeveloped parks	7	8	8	8	11	11	15	13	15	15
Acres of developed parks	1,172	1,203	1,204	1,205	1,205	1,205	1,232	1,217	1,232	1,232
Acres of undeveloped parks	105	106	106	106	114	114	155	105	155	155
Miles of developed trails	44	44	36	37	37	37	36	45	36	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	32
Number of wells	5	5	5	5	5	5	5	5	5	5
Miles of main	315	327	328	331	332	329	333	328	336	337.75
Sewer										
Number of manholes	6,937	6,645	6,651	6,716	6,760	6,801	6,901	6,977	7,050	7,103
Miles of main	219	211	212	214	215	216	219	221	229	224
Number of pumplift stations	23	23	23	23	24	23	23	23	23	
Stormwater										
# of manholes/catch basins	10,327	10,475	10,529	10,578	10,674	10,830	11,050	11,169	11,444	11,550
Miles of pipe	172	173	174	175	178	179	183	185	189	189
Oil water separators	24	24	24	24	24	24	24	24	24	24

City of Redmond, Washington
Comprehensive Annual Financial Report
For the Year Ended December 31, 2017

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Redmond

Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morrill

Executive Director/CEO

ELECTED OFFICIALS

MAYOR
JOHN MARCHIONE

CITY COUNCIL

ANGELA BIRNEY

DAVID CARSON

DAYLE (HANK) MARGESON
PRESIDENT

HANK MYERS

TANIKA PADHYE

BYRON SHUTZ

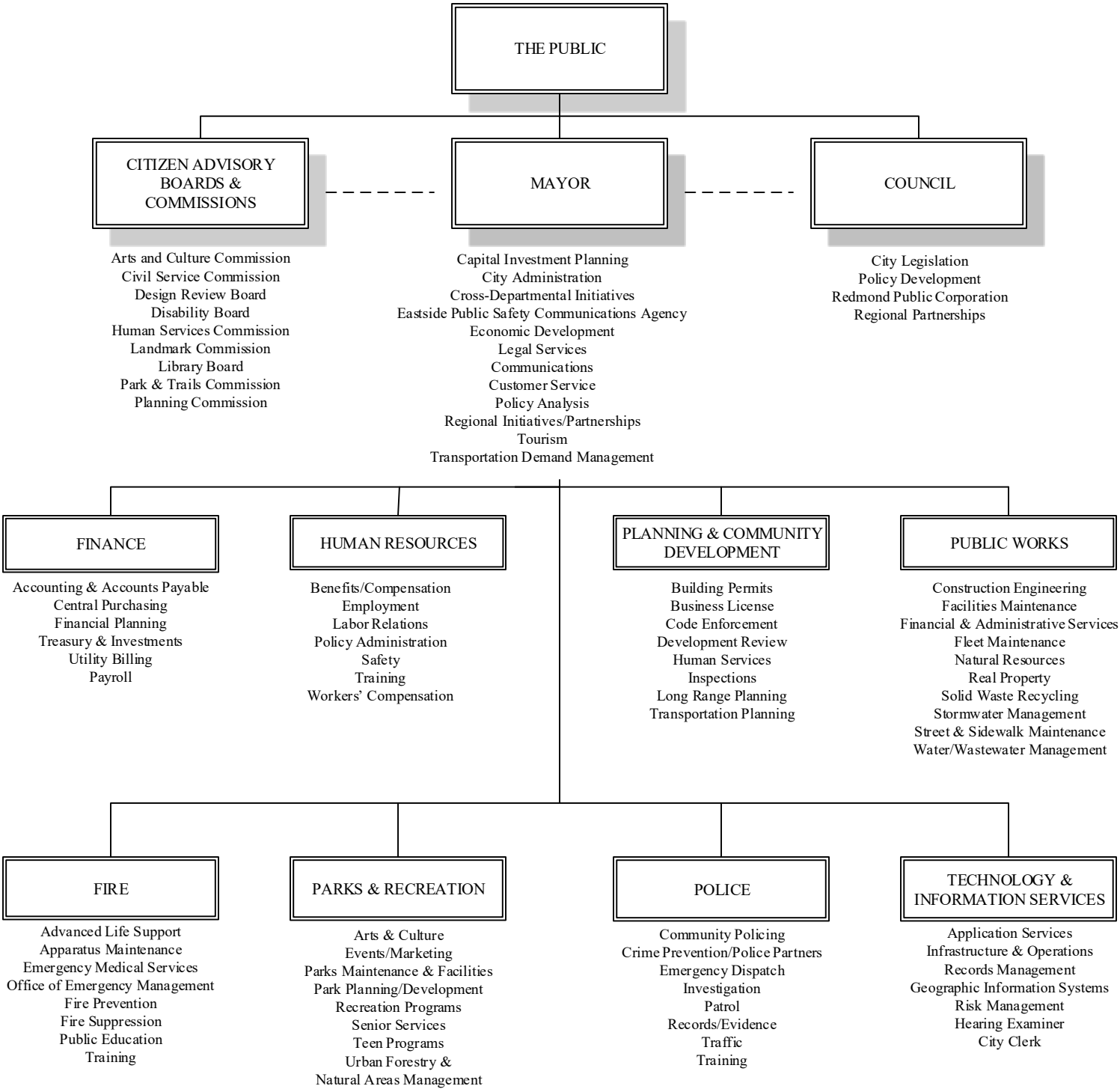
JOHN STILIN
VICE PRESIDENT

EXECUTIVE STAFF & LEGAL COUNSEL

DEPUTY CITY ADMINISTRATOR	JANE CHRISTENSON
DEPUTY CITY ADMINISTRATOR	ERIKA VANDENBRANDE
FINANCE DIRECTOR	MALISA FILES
FIRE CHIEF	TOMMY SMITH
HUMAN RESOURCES DIRECTOR	MELLODY MATTHES
PARKS & RECREATION DIRECTOR	MAXINE WHATTAM
PLANNING & COMMUNITY DEVELOPMENT DIRECTOR	KAREN ANDERSON
POLICE CHIEF	KRISTI WILSON
PUBLIC WORKS DIRECTOR (INTERIM)	MAXINE WHATTAM
TECHNOLOGY & INFORMATION SERVICES DIRECTOR	MICHAEL E. BAILEY
CITY ATTORNEY	OGDEN MURPHY WALLACE
BOND ATTORNEY	PACIFICA LAW GROUP
PROSECUTOR	LARRY MITCHELL

ORGANIZATIONAL STRUCTURE

CITY OF REDMOND



June 26, 2018

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, 2017. 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 17.17 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 2017 population of 62,292.

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.

City Hall • 15670 NE 85th Street • PO Box 97010 • Redmond, WA 98073-9710

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 as well as the 40th Street Trunk Line project. 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 38 thousand employees located in the City. Other significant employers in our city include Terex (formerly Genie Industries) (2,136 employees), Eurest Dining Services @ Microsoft (1,241 employees), Nintendo of America (953 employees), AT&T Mobility (941 employees), Honeywell (867 employees) and United Parcel Service (797 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 2017 continues to recover from lackluster performance and is projected to grow through the 2018-2022 timeframe. The recovery reflects the City's focus on economic development and successful partnerships with regional organizations while creating a City that is a place to live and invest.

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 it comprehensive land use plan through the year 2030. The most recent Capital Investment Strategy looked out to 2040 in preparation for the upcoming update to the Comprehensive Plan.

Major Initiatives

Many of Redmond's long-range plans are coming to fruition with the help of our community and regional partners. Through the Community Facilities Districts, Redmond, Sound Transit and Microsoft are joining together to construct a pedestrian bridge at the Redmond Technology Center, mobility improvements on City streets and improved stormwater outflow through the 40th Street Trunk Line. In addition, construction has begun on the light rail lines that will run through Overlake and terminate in downtown Redmond to improve mobility for the approximately 117,000 people who work in the City daily.

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 2017 included major work on the Downtown Park, scheduled to open in 2018 as a part of the revitalization of Downtown. In addition, Redmond opened its new Customer Service Center in City Hall as a part of the City's customer service initiative along with a conferencing center that will be completed in 2018. Maintaining the rarely seen, but of vital community importance, utility infrastructure was a focus for 2017 including upgrading water telemetry systems and replacing/upgrading wastewater pump stations along with improvements to our natural areas.

Affordable housing continues to be a major focus as the City grows and changes. Affordable housing is supported by contributions to A Regional Coalition for Housing (ARCH) which allows Redmond to pool resources with other consortium members to promote affordable housing in the region. Beyond contributions to ARCH, Redmond has leased land to the John Gabriel Providence House to provide affordable housing to seniors and to Hopelink for their new headquarters to support needed human services in the area. Affordable housing is also aided by the Council approved multi-family tax exemptions for new housing developments.

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 addition, the City conducts "So-Bazaar" a multi-day 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 around. 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, 2016. 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 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,

Malisa Files
Finance Director

Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 26, 2018

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, 2017, 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

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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, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 18 to the financial statements, in 2017, the City adopted new accounting guidance, Governmental Accounting Standards Board 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*. 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 and required supplementary information listed in the table of contents 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 combining financial statements and schedules are presented for the 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.

Our audit was conducted for the sole purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory, Capital Assets Used in the Operation of Governmental Funds, and Statistical Sections are 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 26, 2018, 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,

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, 2017, and resulting changes in the financial position as of December 31, 2017. 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 2017, 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 and deferred inflows at fiscal year-end by $945.8 million (net position), an increase of $54.6 million or 6.1% over 2016. Of this amount, a majority ($725.4 million) is a net investment in capital assets. The unrestricted net position totals $115.3 million and may be used to meet the city's ongoing obligations to citizens and creditors. In addition, the restricted net position totals $105.1 million and is earmarked for debt service, capital projects and special revenue funds.
- Net position increased $1.7 million due to a change in reporting entity. Per GASB Statement No. 73, the Firefighters Pension Fund is now reported in the City's general fund instead of as a fiduciary fund. For additional information, see Note 18 Accounting and Reporting Changes.
- At December 31, 2017, the City's governmental activities reported combined ending net position of $527.4 million, an increase of $34.0 million over 2016. Approximately 6.6% of this amount ($35.0 million) is available for spending at the City's discretion (*unrestricted net position*).
- The City of Redmond's net investment in capital assets increased by $45.9 million during the fiscal year. The increase is primarily due to the development of the urban centers, including Downtown Park ($9.2 million), transitioning the two Downtown one-way streets to two-way ($10.7 million) and construction of the Overlake Station Stormwater Vault ($9.2 million). In addition to the more significant projects, the City made progress on the Redmond Central Connector Phase II, improvements to the Trinity Building at the Maintenance and Operations Center and encouraging a greener Redmond through LED street light replacement and solar paneling.

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), economic environment, transportation, 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 thirteen 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 2017, the fund balance of the General Fund was $39.3 million, which represents an increase from the prior year of $0.7 million.

General Fund revenues increased by $4.2 million (4.4%) in 2017. The key elements of this increase are as follows:

- Taxes increased by $1.2 million including growth in property taxes by $1.3 million due to a rise in new construction and the 1% levy increase allowed by law. In contrast, Redmond experienced a decrease in sales tax of $0.7 million due to a one-time audit conducted by the State's Department of Revenue on telecommunications companies which had the effect of shifting approximately $1.4 million of sales tax to other jurisdictions.
- Electric, garbage and gas utility taxes increased by $421,000 while cable and telephone utility taxes decreased by $255,000.
- Intergovernmental revenues increased by $1.3 million mostly due to additional money granted under the King County contract for basic life support services.
- In response to the development surge the City is experiencing, licenses and permits grew by $1.3 million.

General Fund expenditures increased $8.9 million (10.1%) over 2016, due to an increase in staffing costs as a result of a process improvement effort in the prosecutors office, retroactive payments from a new Police contract, investments in information technology and one-time expenses for capital equipment replacement, increased grants to support affordable housing and consultant work for planning studies.

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 2017, the fund balance of the Capital Investments Program Fund was $29.3 million, which represents a decrease from the prior year of $4.1 million.

- Capital Investment Program Fund revenues increased by $2.6 million (15.4%) in 2017, primarily due to an increase of $5.6 million in intergovernmental grant revenues, and an increase of $3.3 million in miscellaneous revenue related to special assessment revenues. Some of these revenues were offset by a reduction in impact fee revenues of $6.1 million.
- Capital Investment Program Fund expenditures increased by $4.5 million (18.6%) in 2017, due to the continuing construction of Downtown Park, converting the Downtown one-way streets to two-way, facility improvements and expansion of the Redmond Central Connector.
- Capital Investments Program Fund net transfers between other funds decreased by $10.0 million primarily due to transfers from the CIP Fund to the utility funds for projects funded by Community Facilities District 2016-1 and between the capital construction funds and the major maintanence funds in the general fund.

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 one type of fiduciary fund, called agency funds. 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, 2016 and 2017 total $891.2 million and $945.8 million, respectively. The City's overall net position increased $54.6 million (6.1%) 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 ($725.4 million; 76.7%) 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 ($105.1 million or 11.1%) 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 ($68.7 million), net pension asset ($14.5 million), and police, fire and advance life support ($7.0 million). The remaining balance of $115.3 million (12.2%) 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 2017 compared to 2016.

City of Redmond's Net Position (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	$ 168,558	$ 166,873	$ 104,392	$ 94,272	$ 272,950	$ 261,145
Net pension asset	14,539	6,655	-	-	14,539	6,655
Capital assets, net of accumulated depreciation	454,761	425,963	362,042	347,628	816,803	773,591
Total assets	$ 637,858	$ 599,491	$ 466,434	$ 441,900	$ 1,104,292	$ 1,041,391
Deferred outflows:						
Debt refunding	3,289	3,501	-	-	3,289	3,501
Pensions	4,836	8,499	693	1,062	5,529	9,561
Total assets and deferred outflows	$ 645,983	$ 611,491	$ 467,127	$ 442,962	$ 1,113,110	$ 1,054,453
Long-term liabilities	$ 72,589	$ 75,599	$ 32,890	$ 34,847	$ 105,479	$ 110,446
Net pension liability	20,735	26,931	4,761	6,145	25,496	33,076
Other liabilities	18,015	14,974	10,287	4,009	28,302	18,983
Total liabilities	$ 111,339	$ 117,504	$ 47,938	$ 45,001	$ 159,277	$ 162,505
Deferred inflows - Pensions	7,218	582	856	185	8,074	767
Total liabilities and deferred inflows	$ 118,557	$ 118,086	$ 48,794	$ 45,186	$ 167,351	$ 163,272
Net investment in capital assets	$ 396,280	$ 366,768	$ 329,089	$ 312,718	$ 725,369	$ 679,486
Restricted	96,149	85,499	8,917	8,917	105,066	94,416
Unrestricted	34,997	41,138	80,326	76,141	115,323	117,279
Total net position	$ 527,426	$ 493,405	$ 418,332	$ 397,776	$ 945,758	$ 891,181

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 2017 and 2016.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	$ 43,284	$ 47,229	$ 59,764	$ 54,486	$ 103,048	$ 101,715
Operating grants and contributions	5,360	3,841	1,342	787	6,702	4,628
Capital grants and contributions	10,624	5,003	6,677	13,779	17,301	18,782
General revenues:						
Property taxes	25,304	23,967	-	-	25,304	23,967
Sales taxes	27,398	27,979	-	-	27,398	27,979
Other taxes	22,807	24,490	-	-	22,807	24,490
Investment interest	1,303	1,896	722	612	2,025	2,508
Miscellaneous	16,790	32,992	3,543	175	20,333	33,167
Total revenues	$ 152,870	$ 167,397	$ 72,048	$ 69,839	$ 224,918	$ 237,236
Expenses:						
General government	$ 24,849	$ 22,766	$ -	$ -	$ 24,849	$ 22,766
Security	55,314	53,615	-	-	55,314	53,615
Economic environment	8,099	6,509	-	-	8,099	6,509
Transportation	14,882	13,327	-	-	14,882	13,327
Culture and recreation	14,920	12,065	-	-	14,920	12,065
Interest on long term debt	2,531	2,615	1,207	1,302	3,738	3,917
Water/Wastewater	-	-	33,790	34,227	33,790	34,227
UPD Water/Wastewater	-	-	6,474	5,887	6,474	5,887
Stormwater	-	-	10,021	9,216	10,021	9,216
Total expenses	$ 120,595	$ 110,897	$ 51,492	$ 50,632	$ 172,087	$ 161,529
Increase/(Decrease) in net position	32,275	56,500	20,556	19,207	52,831	75,707
Net position - beginning	493,405	405,361	397,776	378,569	891,181	783,930
Prior period adjustments	-	31,544	-	-	-	31,544
Changes in accounting principles	1,746	-	-	-	1,746	-
Net position - ending	$ 527,426	$ 493,405	$ 418,332	$ 397,776	$ 945,758	$ 891,181

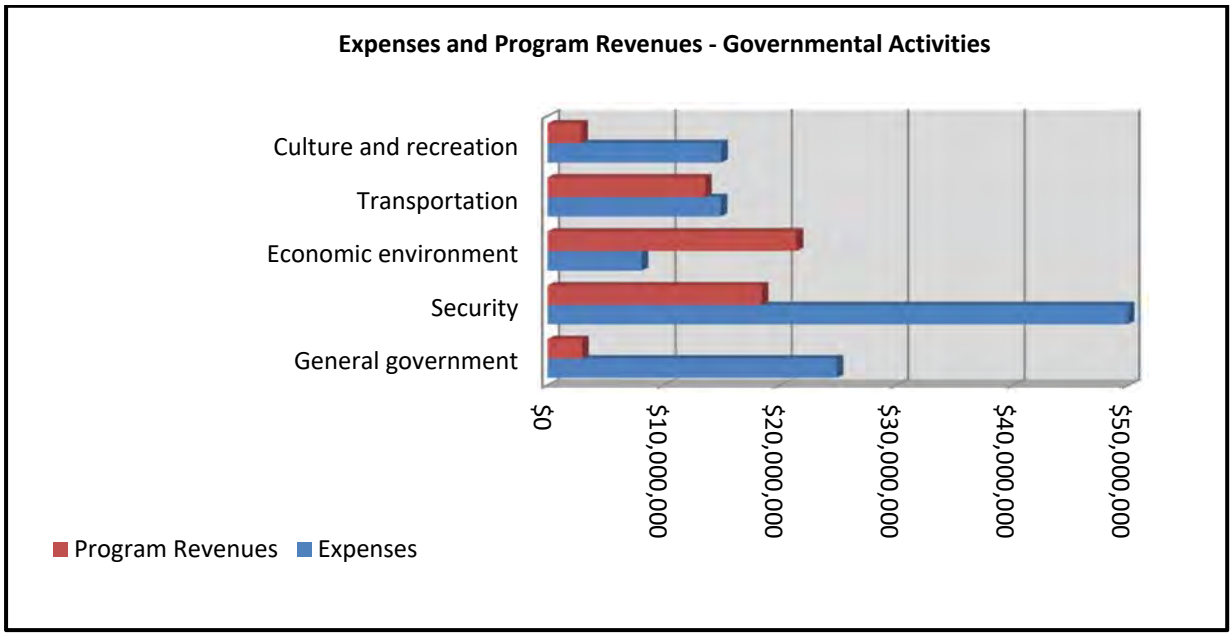
Governmental activities

During the 2017 fiscal year, net position for governmental activities increased $34.0 million (6.9%), compared to $88.0 million (21.7%) in 2016. Key elements of the increase are as follows:

- Total assets and deferred outflows from Governmental activities increased by $34.5 million (5.6%).
  - Cash and investments increased $3.6 million from 2016 to 2017 (2.7%). Changes in reporting entity per GASB 73 which required that the Firefighters Pension Fund be reported with the City's general fund resulted in a $1.7 million increase.
  - Special assessments receivable decreased $7.8 million due to payments received, and due from other governments increased $3.7 million (83.3%) due to grants dedicated to capital projects such as Downtown Park.
  - Investment in capital assets increased by $30.0 million (6.8%), 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 increased $7.9 million, and deferred outlows for pensions decreased $3.7 million. See Note 7 – Pensions for additional information.

- Total liabilities and deferred inflows from Governmental activities increased by $0.5 million (0.4%).
    - Debt decreased by $4.2 million due to principal payments on debt previously held by the City. See Note 11 to the financial statements for more information.
    - Net pension liability decreased by $6.2 million and deferred inflows for pensions increased $6.6 million. See Note 7 – Pensions for additional information.
    - Other current liabilities increased by $3.0 million, primarily due to year-end accounts payable related to capital projects and wages payable.
- Total revenue decreased between 2016 and 2017 by $14.5 million or 8.7%.
    - Total tax revenues decreased by $0.9 million (1.2%) compared to 2016, due to a decrease in sales tax offset by growth in property taxes related to new construction and excise taxes in 2016 as compared to 2017.
    - Program revenues increased by $3.2 million (5.7%) due to increased grant revenues related to capital projects.
    - Miscellaneous revenue decreases of $16.2 million are primarily due to higher special assessments revenues in 2016 as compared to 2017 for Redmond Community Facilities District 2016-1.
    - Total expenses increased by $9.7 million (8.7%), primarily attributable to capital construction to further the goals of the City's Capital Investment Strategy. Investments in Downtown Park and the Couplet conversion projects as well as facility improvements to the Public Safety Building all contributed to the increase in expenditures.

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 2017.



General Fund Budgetary Highlights

The City of Redmond budgets on a biennial basis and in comparing the original budget to the final budget for 2017-2018, several changes took place including:

- Recognizing the difference between budgeted and actual beginning fund balances.
- Establishing two new capital funds for the City's Community Facilities Districts (CFD 2014-1 and CFD 2016-1) and recognizing revenue and expenses related to the capital investments in those funds. A total of $31.6 million was budgeted in Fund CFD 2014-1 to support the design and construction of the Technology Center Pedestrian Bridge and $15.6 million in Fund CFD 2016-1 to fund various mobility and stormwater improvements.
- Recognizing revenue and expenses related to departmental reorganizations.
- Recognizing additional personnel related to lean process improvement efforts in the Prosecutors Office, a project manager to support capital investments funded by King County and additional development services employees to support light rail design and construction.
- Recognizing additional Real Estate Excise Tax collections to be invested in lease payments for the City's new community center and construction of the Customer Service Center at City Hall.
- Other miscellaneous adjustments for recognition of grants and increasing transfers between the City's major maintenance and capital investment funds.

Total actual revenues came in over budget by $0.3 million (4.5%) including fund balances. When comparing budget to actuals, some notable differences occurred, including:

- The City ended 2017 with $3 million over projected beginning fund balance. The increase in fund balance accounted for most of the net change in comparison to budgeted levels.
- Sales and use tax came in $0.6 million or 0.3% under budgeted levels. The decrease is primarily due to an audit adjustment by the Department of Revenue that corrected sales tax collections for goods and services that should not have been disbursed to Redmond.
- Permit revenue also slightly declined by $0.3 million in comparison to budget over the prior year. However, collections were forecasted to grow about 8.5% over 2016 collections and the numbers came in just slightly under the more robust forecast due to the development surge being experienced by the City. After several years of declining interest earnings, interest revenue increased from a budgeted $0.23 million in 2017 to end the year at approximately $0.44 million, a 32% increase. This growth is important as it marks a turning point toward a more robust economy.
- State entitlement revenue made up the remaining differences in the increases between budget and actuals in 2017. Liquor board profits, liquor excise and criminal justice entitlements made up the bulk of the $326,000 revenue over the projected budget. Other smaller increases included additional funds from state public safety grants,

Total actual expenditures were $3.4 million (3.7%) under budget, excluding ending fund balances, in the General Fund due to:

- Approximately $2.1 million of the underexpenditures is due to regular salary savings in the general government and security of persons and property categories including approximately $413,000 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 $850,000 was underspent compared to budget due to savings in the professional services categories including one-time money allocated to the North/South Corridor and the Leary Way Phase II studies. Approximately $1 million in

various expenditures remained unspent at the end of the year, including travel ($103,000), supplemental salaries ($142,000), electricity ($448,000), contributions to the medical self-inurance fund ($169,000) and miscellaneous expenses ($171,000).

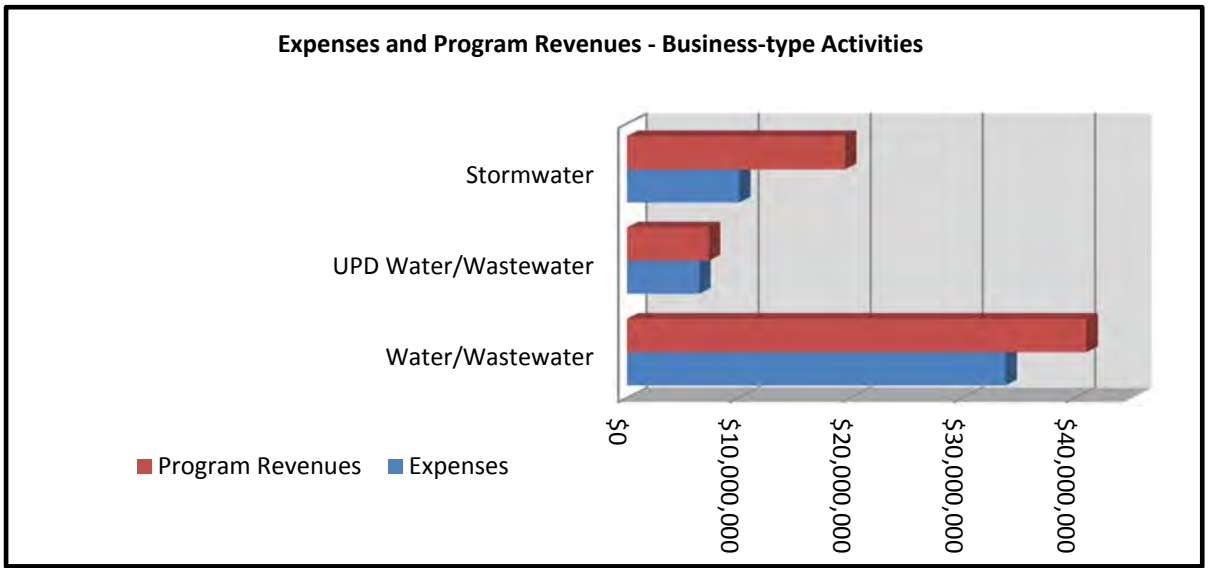
Business-type Activities

Business-type activities account for 44.2% of the City's net position. Business-type activities of the City's utilities increased the City of Redmond's net position by $20.6 million (2.3%).

Key elements of this increase are as follows:

- Net investment in capital assets increased $16.4 million or 5.2% between 2016 and 2017.
- The Water/Wastewater utility showed operating income of $5.0 million in 2017 compared to $1.4 million in 2016, while the Novelty Hill Water/Wastewater utilities showed an operating income of $0.8 million compared to $0.5 million in 2016. This is primarily related to a higher level of development activities as well as the continued build out of the Novelty Hill infrastructure. When non-operating income and capital contributions are included, the change in net position is $7.2 million for the Water/Wastewater utility and $1.1 million for the UPD Water/Wastewater utility.
- The Storm water utility showed operating income of $3.9 million in 2017 compared to $3.2 million in 2016, primarily due to a $1.5 million increase in operating revenues, offset by a $0.7 million increase in operating expenses, primarily due to delivery of significant capital projects. When non-operating income and capital contributions are included, the change in net position is $12.3 million, compared to $10.5 million in 2016. This is primarily due to increases in grant revenues and transfers in from the CIP Fund for projects funded by the Community Facilities District 2016-1. The City continues to do significant work in the Overlake and Downtown urban centers most notably the construction of the Station Vault in the Overlake area.
- In 2017 the City's business-type activities invested $816,762 in the Groundwater Protection Incentive Program, which is included as an intangible asset with an indefinite useful life. The program provides funds for retrofitting existing private infiltration facilities that are determined to pose a significant groundwater hazard in wellhead protection zones 1 and 2, to ensure a safe supply of drinking water for the City.

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 2017:



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, 2017, amounts to $818.2 million (net of accumulated depreciation) an increase of $44.6 million from 2016. 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 $456.1 million in 2017, an increase of $30.2 million from 2016. Business-type capital assets (net of depreciation) totaled $362.0 million, an increase of $14.4 million from 2016. 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	
	2017	2016	2017	2016	2017	2016
Land & Land Rights	$ 141,815	$ 134,330	$ 27,590	$ 27,224	$ 169,405	$ 161,554
Intangibles	-	-	817	-	817	-
Buildings/ Bldg. Improvements	62,207	53,536	28,808	29,567	91,015	83,103
Improvements other than Buildings	19,735	20,070	283,810	280,169	303,545	300,239
Machinery and Equipment	13,984	14,257	831	901	14,815	15,158
Construction in Progress	21,246	29,625	20,186	9,767	41,432	39,392
Infrastructure	195,226	173,595	-	-	195,226	173,595
Art	549	549	-	-	549	549
Total	$ 454,762	$ 425,962	$ 362,042	$ 347,628	$ 816,804	$ 773,590

City of Redmond's Outstanding Debt

At the end of 2017, the City of Redmond had total bonded debt outstanding of $82.1 million. Of this amount, $60.4 million is general obligation bonds (City Hall, Bear Creek Parkway, transportation and parks); and $26.0 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	
	2017	2016	2017	2016	2017	2016
General obligation bonds	$ 56,190	$ 60,380	$ -	$ -	$ 56,190	$ 60,380
G.O. bond premiums	4,259	4,626	-	-	4,259	4,626
Revenue bonds	-	-	26,040	27,630	26,040	27,630
Revenue bond issuance premiums	-	-	2,823	3,009	2,823	3,009
Public Works Trust Fund loans	1,322	1,417	4,090	4,272	5,412	5,689
Other post-employment benefits	5,512	4,648	-	-	5,512	4,648
Compensated absences	5,305	4,528	623	591	5,928	5,119
Net pension liability	20,735	26,931	4,761	6,145	25,496	33,076
Total	$ 93,323	$ 102,530	$ 38,337	$ 41,647	$ 131,660	$ 144,177

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 $3.3 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 decreased $6.2 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 Redmond's vision to realize the future as a City with two vibrant urban centers with connected neighbors and provide high quality responsive services in partnership with an engaged community.

The City's infrastructure investments reinforce the urban centers, Downtown and Overlake, as the primary growth areas and preserve the character of Redmond's residential neighborhoods. Light rail will be arriving at stations in the Overlake and Downtown Urban Centers in 2023 and 2024, respectively, generating additional growth. Also anchored by a new light rail station, the new Marymoor Village is further anticipated to add over 1,400 dwelling units and one million square feet of new office space by 2030.

Development of the Downtown urban center is progressing, with thousands of new housing units having come online and many hundreds more programmed over the next several years, complemented by strategic investments in new parks and reconfiguration of Redmond Way and Cleveland Street. Planning efforts are currently underway to refine design standards, zoning district regulations, parking management, and wellhead protection in the Downtown. Overlake is thoughtfully evolving into the envisioned urban center. Major proposed redevelopment of the Microsoft campus will generate new opportunities and new challenges for the city's infrastructure and services as more than 8,000 new jobs are located in the area. Other large projects like Esterra Park, for example, have seen this largely suburban area start to take on a more urban feel, replete with needs for large-scale infrastructure investments much like the recently-completed regional stormwater vaults and a the proposed pedestrian bridge over State Route 520. These improvements are in addition to major infrastructure investments by other entities, like Microsoft and Sound Transit.

Consistent with the Comprehensive Plan that articulates the vision for growth in the City centers, 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 2017, General Fund revenue ended the year slightly over expectations mostly due to growth in development review and permitting as a result of a more robust economy and a development surge in the region. Departments successfully managed their expenditures, and as a result, General Fund expenditures were approximately 3.4% below the authorized budget (excluding ending fund balances). 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 2020. In future years, Redmond anticipates making progress on its capital improvement goals by continuing the work in downtown Redmond on the new Downtown Park (anticipated opening in September 2018) and converting the Redmond Way and Cleveland one-way streets into two-way thoroughfares (construction finalized in 2018). Redmond will welcome four light rail stations into the City in 2023 and 2024. Currently, construction is underway for the Technology Center Station along with underground improvements and pedestrian friendly amenities. Light rail coupled with the recently announced refresh of the Microsoft Campus will help Redmond realize its vision.

Like many governments in the region, Redmond is investing resources to meet other challenges, such as affordable housing and homelessness. The City has hired a homelessness advocate who works hand in hand with public safety and social service providers to connect the City's homeless community with needed services. As the area becomes a more popular place to live housing becomes less and less affordable. The City partners with A Regional Coalition for Housing (ARCH) to build affordable units and looks for opportunities to directly invest in affordable housing through transit oriented developments (TOD) and unique buildings such as the recently opened John Gabriel House dedicated to affordable senior housing.

The City will continue to rely on its Comprehensive Plan to articulate the vision for growth in the urban centers that is supported by state law, regional planning approaches, several functional area plans, and numerous project-specific efforts that implement Redmond's vision.

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, City of Redmond, PO Box 97010, Redmond, WA 98073-9710.

CITY OF REDMOND
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 23,077,403	$ 15,845,456	$ 38,922,859
Investments (Note 3)	111,545,930	69,235,733	180,781,663
Receivables:			
Taxes	7,044,999	-	7,044,999
Accounts	1,017,013	8,728,880	9,745,893
Interest	377,092	246,255	623,347
Special assessments	10,000,000	-	10,000,000
Due from other governments	8,149,030	1,229,330	9,378,360
Inventory	39,700	116,870	156,570
Prepaid insurance	511,835	-	511,835
Net pension asset	14,539,022	-	14,539,022
Restricted assets:			
Deposit cash	797,622	58,473	856,095
Deposit investments	5,996,855	-	5,996,855
Revenue bond reserve	-	2,809,909	2,809,909
Rate stabilization fund	-	6,107,077	6,107,077
Advance on service contract	-	14,039	14,039
Capital assets (Note 6):			
Capital assets not being depreciated	163,609,679	48,593,132	212,202,811
Depreciable capital assets, net	291,151,798	313,448,605	604,600,403
Total assets	637,857,978	466,433,759	1,104,291,737
Deferred outflow of resources:			
Debt refunding	3,289,016	-	3,289,016
Pensions	4,835,597	692,659	5,528,256
Total deferred outflows	8,124,613	692,659	8,817,272
Total assets and deferred outflows	645,982,591	467,126,418	1,113,109,009
LIABILITIES			
Payables:			
Accounts/claims	9,118,986	2,024,924	11,143,910
Employee wages	3,210,385	378,221	3,588,606
Interest	184,930	102,019	286,949
Due to other governments	1,056,690	7,038,232	8,094,922
Unearned revenues	134,092	-	134,092
Customer deposits	4,310,347	58,473	4,368,820
Noncurrent liabilities (Note 11):			
Due within one year	8,658,789	2,335,613	10,994,402
Due in more than one year	63,929,997	31,240,296	95,170,293
Net pension liability	20,734,844	4,760,778	25,495,622
Total liabilities	111,339,060	47,938,556	159,277,616
Deferred inflow of resources:			
Pensions	7,217,933	855,993	8,073,926
Total deferred inflows	7,217,933	855,993	8,073,926
Total liabilities and deferred inflows	118,556,993	48,794,549	167,351,542
NET POSITION			
Net investment in capital assets (Note 6)	396,279,675	329,089,088	725,368,763
Restricted for:			
Net pension asset	14,539,022		14,539,022
Advance life support	1,033,246	-	1,033,246
Cable access	871,483	-	871,483
Parks	693,603	-	693,603
Police	4,739,343	-	4,739,343
Fire	1,249,091	-	1,249,091
Debt service	2,207,132	2,809,909	5,017,041
Capital projects	68,710,212	-	68,710,212
Tourism	690,778	-	690,778
Planning-Transportation	597,202	-	597,202
Recycling	838,435	-	838,435
Rate stabilization fund	-	6,107,077	6,107,077
Unrestricted	34,976,376	80,325,795	115,302,171
Total Net Position	$ 527,425,598	$ 418,331,869	$ 945,757,467

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, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Function/Program	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	$ 24,770,766	$ 2,981,592	$ -	$ -	$ (21,789,174)	$ -	$ (21,789,174)
Security	55,313,620	16,999,338	1,411,651	-	(36,902,631)	-	(36,902,631)
Economic environment	8,098,566	20,049,870	1,021,621	350,000	13,322,925	-	13,322,925
Transportation	14,882,212	582,582	2,683,393	10,273,719	(1,342,518)	-	(1,342,518)
Culture and recreation	14,997,984	2,670,734	242,908	-	(12,084,342)	-	(12,084,342)
Interest on long-term debt	2,531,394	-	-	-	(2,531,394)	-	(2,531,394)
Total governmental activities	120,594,542	43,284,116	5,359,573	10,623,719	(61,327,134)	-	(61,327,134)
Business-type activities							
Water/Wastewater	33,789,673	38,562,476	90,780	2,338,035	-	7,201,618	7,201,618
UPD Water/Wastewater	6,474,225	7,264,411	-	55,344	-	845,530	845,530
Stormwater	10,021,080	13,937,069	1,250,978	4,283,947	-	9,450,914	9,450,914
Total business-type activities	50,284,978	59,763,956	1,341,758	6,677,326	-	17,498,062	17,498,062
Total government	$ 170,879,520	$ 103,048,072	$ 6,701,331	$ 17,301,045	(61,327,134)	17,498,062	(43,829,072)
General revenues:							
Taxes							
Property					25,303,582	-	25,303,582
Sales					27,397,643	-	27,397,643
Business and Occupation					16,249,444	-	16,249,444
Excise					6,557,597	-	6,557,597
Investment interest					1,624,468	986,210	2,610,678
Gain (loss) in change of fair value					(321,670)	(264,315)	(585,985)
Miscellaneous					11,524,042	196,605	11,720,647
Interest expense					-	(1,206,727)	(1,206,727)
Contributions/Disposal of capital assets					8,612,773	-	8,612,773
Transfers, internal activities					(3,346,017)	3,346,017	-
Total general revenues					93,601,862	3,057,790	96,659,652
Change in net position					32,274,728	20,555,852	52,830,580
Net position-beginning					493,404,660	397,776,017	891,180,677
Change in accounting principle - GASB 73					1,746,210	-	1,746,210
Net position-ending					$ 527,425,598	$ 418,331,869	$ 945,757,467

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

CITY OF REDMOND
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017

	General	Capital Improvements Program Fund	Other Governmental Funds	Governmental Funds Total
ASSETS				
Cash and cash equivalents	$ 6,115,470	$ 11,960,147	$ 1,952,663	$ 20,028,280
Investments	27,752,949	58,836,897	9,955,382	96,545,228
Receivables:				
Taxes	6,611,289	-	433,710	7,044,999
Accounts	89,697	183,755	243,562	517,014
Interest	103,570	194,039	31,724	329,333
Special assessments	-	10,000,000	-	10,000,000
Due from other funds	555,429	-	-	555,429
Due from other governments	926,864	4,964,611	2,257,555	8,149,030
Restricted assets:				
Deposit investments	5,983,667	3,188	10,000	5,996,855
Cash	797,622	-	-	797,622
Total Assets	$ 48,936,557	$ 86,142,637	$ 14,884,596	$ 149,963,790
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts/claims payable	$ 2,111,399	$ 4,842,964	$ 182,398	$ 7,136,761
Employee wages payable	2,648,837	23,891	353,502	3,026,230
Due to other funds	-	-	555,430	555,430
Due to other governments	535,935	277,976	198,316	1,012,227
Payable from restricted assets:				
Deposits payable	4,297,159	3,188	10,000	4,310,347
Unearned revenues	16,283	-	117,809	134,092
Total Liabilities	9,609,613	5,148,019	1,417,455	16,175,087
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-special assessments		51,682,928		51,682,928
Total deferred inflows	-	51,682,928	-	51,682,928
FUND BALANCES (DEFICITS)				
Spendable:				
Restricted	7,423,610	12,878,183	10,793,090	31,094,883
Committed	8,158,789	-	2,674,051	10,832,840
Assigned	11,434,944	16,433,507	-	27,868,451
Unassigned	12,309,601	-	-	12,309,601
Total Fund Balances	39,326,944	29,311,690	13,467,141	82,105,775
Total Liabilities, Deferred Inflows, and Fund Balance	$ 48,936,557	$ 86,142,637	$ 14,884,596	

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.	448,482,104
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.	20,660,707
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)	(69,149,661)
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. (Note 2)	(6,356,255)
Special assessments are susceptible to full accrual in the government-wide statements, but are reported as deferred inflows in the governmental funds.	51,682,928
Net position of governmental activities	$ 527,425,598

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

CITY OF REDMOND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Capital Improvements Program Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 67,714,516	$ -	$ 7,793,751	$ 75,508,267
Licenses and permits	11,783,559	-	1,549,720	13,333,279
Contributions	139,343	-	33,196	172,539
Intergovernmental	4,662,643	10,623,719	524,391	15,810,753
Charges for services	14,334,027	4,342,456	10,591,821	29,268,304
Fines and forfeitures	641,771	-	40,763	682,534
Investment income	470,252	384,438	207,440	1,062,130
Net change in fair value of investment	(70,775)	(182,464)	(24,636)	(277,875)
Miscellaneous	374,140	4,545,992	451,820	5,371,952
Total Revenues	100,049,476	19,714,141	21,168,266	140,931,883
EXPENDITURES				
Current:				
General government	19,409,879	1,737	-	19,411,616
Security of persons and property	47,052,263	-	7,005,013	54,057,276
Transportation	10,394,170	-	1,751,187	12,145,357
Economic environment	6,624,617	-	1,470,093	8,094,710
Social Services	838,486	-	268,148	1,106,634
Culture and recreation	11,227,039	-	2,375,863	13,602,902
Capital outlay	2,099,991	27,418,223	43,916	29,562,130
Debt service:				
Principal	94,451	735,000	3,455,000	4,284,451
Interest and debt issue costs	3,542	162,788	2,163,731	2,330,061
Total Expenditures	97,744,438	28,317,748	18,532,951	144,595,137
Excess (deficiency) of revenues Over (under) expenditures	2,305,038	(8,603,607)	2,635,315	(3,663,254)
OTHER FINANCING SOURCES (USES)				
Disposition of capital assets	4,500	-	-	4,500
Transfers in (Note 10)	6,884,762	13,197,635	4,913,894	24,996,291
Transfers out (Note 10)	(10,172,954)	(8,637,905)	(9,690,929)	(28,501,788)
Total other financing sources and uses	(3,283,692)	4,559,730	(4,777,035)	(3,500,997)
Net change in fund balances	(978,654)	(4,043,877)	(2,141,720)	(7,164,251)
Fund balances-beginning	38,559,388	33,355,567	15,608,861	87,523,816
Change in accounting principle - GASB 73	1,746,210	-	-	1,746,210
Fund balances-ending	$ 39,326,944	$ 29,311,690	$ 13,467,141	$ 82,105,775

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, 2017

Net change in fund balances-total governmental funds.	$	(7,164,251)
Amounts reported for governmental funds in the statement of activities are different because:		
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 $29,562,130 and contributions of $6,484,882 exceed depreciation expense of $9,964,384 and disposals of $734,844 in the current period.		25,347,784
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (Note 2)		7,659,387
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. (Note 2)		4,439,356
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.		(41,404)
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)		(1,570,732)
Pension expenses reported in the governmental fund statements are not reported as expenditures in the statement of activities.		3,604,588
Change in net position of governmental activities	$	32,274,728

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

CITY OF REDMOND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2017

	Business-type Activities Enterprise Funds				Governmental Activities
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management	Totals	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	$ 6,546,370	$ 3,927,603	$ 5,371,483	$ 15,845,456	$ 3,049,123
Investments	27,253,582	17,277,440	24,704,711	69,235,733	15,000,702
Accounts and contracts receivable	5,271,680	587,339	2,869,861	8,728,880	500,000
Interest receivable	103,728	61,136	81,391	246,255	47,759
Due from other Governments	23,544	1,714	1,204,072	1,229,330	-
Inventory	116,870	-	-	116,870	39,700
Prepaid insurance	-	-	-	-	511,835
Restricted assets:					
Customer deposits:					
Cash and cash equivalents	16,373	32,000	10,100	58,473	-
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	44,685,458	23,816,498	35,876,027	104,377,983	19,149,119
Noncurrent assets:					
Advance on service contract	11,135	2,904	-	14,039	-
Capital assets:					
Land and land rights	4,622,689	3,274,106	19,693,444	27,590,239	584,292
Buildings	25,377,864	11,031,564	1,549,496	37,958,924	715,786
Improvements other than buildings	181,455,491	64,643,661	129,656,086	375,755,238	356,198
Intangible Assets	816,762	-	-	816,762	-
Equipment	628,859	262,471	603,947	1,495,277	13,915,072
Construction in progress	2,777,992	223,332	17,184,807	20,186,131	218,152
Less accumulated depreciation	(61,636,759)	(18,526,960)	(21,597,115)	(101,760,834)	(9,510,127)
Total capital assets (net of depreciation)	154,042,898	60,908,174	147,090,665	362,041,737	6,279,373
Total noncurrent assets	154,054,033	60,911,078	147,090,665	362,055,776	6,279,373
Total assets	198,739,491	84,727,576	182,966,692	466,433,759	25,428,492
Deferred outflow of resources:					
Pensions	311,263	159	381,237	692,659	306,715
Total deferred outflows	311,263	159	381,237	692,659	306,715
Total assets and deferred outflows	$ 199,050,754	$ 84,727,735	$ 183,347,929	$ 467,126,418	$ 25,735,207

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

CITY OF REDMOND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2017

	Business-type Activities Enterprise Funds				Governmental Activities
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management	Totals	Internal Service Funds
LIABILITIES					
Current liabilities:					
Accounts payable	$ 1,050,409	$ 80,393	$ 894,122	$ 2,024,924	$ 1,982,225
Employee wages payable	223,276	1,259	153,686	378,221	184,155
Compensated absences	283,582	-	215,026	498,608	268,031
Due to other governments	1,528,897	208,543	5,300,792	7,038,232	44,463
Current portion of loans payable	-	-	187,005	187,005	-
Current portion of revenue bonds payable	830,000	-	820,000	1,650,000	-
Accrued interest payable	22,870	-	79,149	102,019	-
Current liabilities payable from restricted assets:					
Customer deposits payable	16,373	32,000	10,100	58,473	-
Total current liabilities	3,955,407	322,195	7,659,880	11,937,482	2,478,874
Noncurrent liabilities:					
Revenue bonds payable, net	5,022,685	-	22,190,512	27,213,197	-
Loans payable	-	-	3,902,447	3,902,447	-
Compensated absences	70,895	-	53,757	124,652	67,007
Net pension liability	2,360,479	1,297	2,399,002	4,760,778	2,118,872
Total noncurrent liabilities	7,454,059	1,297	28,545,718	36,001,074	2,185,879
Total liabilities	11,409,466	323,492	36,205,598	47,938,556	4,664,753
Deferred inflow of resources:					
Pensions	530,081	198	325,714	855,993	409,747
Total deferred inflows	530,081	198	325,714	855,993	409,747
Total liabilities and deferred inflows	11,939,547	323,690	36,531,312	48,794,549	5,074,500
NET POSITION					
Net investment in capital assets	148,190,213	60,908,174	119,990,701	329,089,088	6,279,373
				-	
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	33,567,683	21,566,605	25,191,507	80,325,795	14,381,334
Total net position	$ 187,111,207	$ 84,404,045	$ 146,816,617	$ 418,331,869	$ 20,660,707

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, 2017

	Business-type Activities- Enterprise Funds				Governmental Activities- Internal Service Funds
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management	Totals	
Operating revenues:					
Charges for services	$ 22,653,437	$ 5,137,940	$ 13,937,069	$ 41,728,446	$ 19,083,479
Metro service	15,909,039	2,126,471	-	18,035,510	-
Charges for replacement	-	-	-	-	2,225,023
Charges for insurance	-	-	-	-	931,681
Total operating revenues	38,562,476	7,264,411	13,937,069	59,763,956	22,240,183
Operating expenses:					
Administrative and general	3,349,735	526,756	2,983,540	6,860,031	-
Purchased water	6,016,563	1,238,167	-	7,254,730	-
Metro service	14,938,067	2,139,629	-	17,077,696	-
Supplies	-	-	-	-	653,058
Maintenance and operations	4,425,164	1,014,420	4,064,364	9,503,948	22,435,146
Taxes	757,411	173,178	235,236	1,165,825	-
Depreciation and amortization	4,082,368	1,382,075	2,710,683	8,175,126	855,215
Total operating expenses	33,569,308	6,474,225	9,993,823	50,037,356	23,943,419
Operating income (loss)	4,993,168	790,186	3,943,246	9,726,600	(1,703,236)
Nonoperating revenues (expenses):					
Interest and investment revenue	402,319	237,574	346,317	986,210	195,211
Net change in fair value of the investment	(108,369)	(67,902)	(88,044)	(264,315)	(43,790)
Grant income	90,780	-	1,250,978	1,341,758	-
Interest expense	(285,822)	-	(920,905)	(1,206,727)	-
Gain (Loss) on disposal of capital assets	(220,365)	-	(27,257)	(247,622)	14,725
Insurance recovery	-	-	-	-	937,900
Lease and other revenue	104,665	83,440	8,500	196,605	398,306
Total nonoperating revenues (expenses)	(16,792)	253,112	569,589	805,909	1,502,352
Income before contributions and transfers	4,976,376	1,043,298	4,512,835	10,532,509	(200,884)
Capital contributions	2,338,035	55,344	4,283,947	6,677,326	-
Transfers in	-	-	6,093,928	6,093,928	159,480
Transfers out	(90,944)	(22,736)	(2,634,231)	(2,747,911)	-
Change in net position	7,223,467	1,075,906	12,256,479	20,555,852	(41,404)
Total net position - beginning	179,887,740	83,328,139	134,560,138	397,776,017	20,702,111
Total net position - ending	$ 187,111,207	$ 84,404,045	$ 146,816,617	$ 418,331,869	$ 20,660,707

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, 2017

	Business-type Activities-Enterprise Funds				Governmental Activities-
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	$ 36,637,506	$ 7,218,204	$ 13,260,679	$ 57,116,389	$ 19,515,160
Cash received for replacement	-	-	-	-	2,225,023
Cash payments to suppliers	(23,720,128)	(3,586,811)	(3,211,284)	(30,518,223)	(4,498,029)
Cash payments to employees	(3,596,759)	153	(2,710,229)	(6,306,835)	(17,487,880)
Cash payments to other governments	747,121	35,360	(152,328)	630,153	(5,536)
Internal activity - payments to other funds	(1,372,872)	(1,320,777)	(1,019,576)	(3,713,225)	(599,399)
Other operating receipts	(195,051)	-	(149,806)	(344,857)	1,008,332
Net cash provided (used) by operating activities	8,499,817	2,346,129	6,017,456	16,863,402	157,671
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in/transfers out	(90,944)	(22,736)	3,459,697	3,346,017	159,480
Grant proceeds	85,835	(1,714)	(7,520)	76,601	-
Net cash provided by noncapital financing activities	(5,109)	(24,450)	3,452,177	3,422,618	159,480
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(6,898,894)	(242,487)	(12,353,457)	(19,494,838)	(1,449,032)
Proceeds from sale of other assets	104,667	83,439	8,500	196,606	152,770
Cash payments to suppliers	9,009	32,401	206,660	248,070	-
Cash payments to other governments	-	-	4,062,488	4,062,488	-
Cash received from customers	-	-	(937,918)	(937,918)	-
Capital contributions	1,018,488	1,350	2,317,625	3,337,463	-
Grant Proceeds	-	-	655,250	655,250	-
Interest paid on other debt	-	-	(110,483)	(110,483)	-
Principal paid on other debt	-	-	(182,210)	(182,210)	-
Interest paid on revenue bonds	(313,138)	-	(974,058)	(1,287,196)	-
Principal paid on revenue bonds	(790,000)	-	(800,000)	(1,590,000)	-
Net cash provided (used) for capital and related financing activities	(6,869,868)	(125,297)	(8,107,603)	(15,102,768)	(1,296,262)
CASH FLOWS FROM INVESTING ACTIVITIES					
Internal activity, net investment purchases	(2,455,307)	(2,386,338)	(1,986,518)	(6,828,163)	266,662
Interest on investments	277,220	157,074	247,138	681,432	147,713
Net cash provided (used) in investing activities	(2,178,087)	(2,229,264)	(1,739,380)	(6,146,731)	414,375
Net increase (decrease) in cash and cash equivalents	(553,247)	(32,882)	(377,350)	(963,479)	(564,736)
Cash and cash equivalents-beginning of year	7,115,990	3,992,485	5,758,933	16,867,408	3,613,859
Cash and cash equivalents-end of year	$ 6,562,743	$ 3,959,603	$ 5,381,583	$ 15,903,929	$ 3,049,123

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, 2017

	Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Funds
	Water/ Wastewater	UPD Water/ Wastewater	Stormwater Management	Totals	
Cash and cash equivalents					
Operating fund cash	$ 6,546,370	$ 3,927,603	$ 5,371,483	$ 15,845,456	$ 3,049,123
Customer deposits	16,373	32,000	10,100	58,473	-
Cash and cash equivalents-end of year	$ 6,562,743	$ 3,959,603	$ 5,381,583	$ 15,903,929	$ 3,049,123
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	$ 4,993,168	$ 790,186	$ 3,943,246	$ 9,726,600	$ (1,703,236)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	4,082,368	1,382,075	2,710,683	8,175,126	855,215
Decrease (increase) in accounts receivable	(1,924,970)	(46,207)	(679,180)	(2,650,357)	(500,000)
Decrease (increase) in inventory	(18,313)	-	-	(18,313)	(3,815)
Decrease (increase) in prepaid expenses	-	-	-	-	(33,427)
Increase (decrease) in accounts payable	7,989	11,384	36,470	55,843	449,133
Increase (decrease) due to other governments	1,504,532	208,538	82,908	1,795,978	(5,536)
Increase (decrease) in employee wages payable	55,708	153	32,349	88,210	31,282
Increase (decrease) in compensated absences payable	(5,614)	-	37,994	32,380	59,723
Increase (decrease) in customer deposits payable	-	-	2,792	2,792	-
Increase (decrease) in GASB 68 adjustment	(195,051)	-	(149,806)	(344,857)	(175,104)
Reclassify other income	-	-	-	-	1,183,436
Net cash provided (used) by operating activities	$ 8,499,817	$ 2,346,129	$ 6,017,456	$ 16,863,402	$ 157,671
Noncash investing, capital and financing activities:					
Developers contributed infrastructure valued at	$ 1,319,547	$ 53,994	$ 1,966,322	$ 3,339,863	$ -
Fair value of investments decreased by	(260,374)	(153,370)	(210,324)	(624,068)	(119,784)

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, 2017

		Agency Funds
ASSETS		
Cash and cash equivalents	$	717,762
Investments:		
U.S. Government Securities		469,195
Money Market Funds		17,404
Local Government Investment Pool		38,866
Receivables:		
Accounts Receivable		114
Total Assets		1,243,341
LIABILITIES		
Due to other governments	$	104,165
Custodial		423,457
Trust account		715,719
Total Liabilities		1,243,341
NET POSITION		
Total Net Position	$	-

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

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, wastewater and stormwater 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 14 - Component Units for additional information.)

Beginning in 2017, the Firefighters Pension Fund is included in the City's general fund, as a result of GASB Statement No. 73. In prior years it was reported in the fiduciary funds statements.

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 **Firefighters Pension Fund** is now reported in the General Fund, as reported in Note 7: Pensions.

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.

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 interfund 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 outcomes that the City should support to pursue the given priority. These outcomes 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 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:

Asset	Years
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. See Note 7: Pensions for additional detail.

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, and deferred outflows related to debt is discussed in detail in Note 11: Long-Term Obligations.

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	$	(56,190,000)
Unamortized bond premiums		(4,258,508)
Deferred outflows on refunding		3,289,016
Loans payable		(1,322,311)
Accrued interest payable		(184,930)
Compensated absences		(4,970,384)
Other post-employment benefits		(5,512,545)
Net adjustment to reduce fund balance - total governmental funds		
To arrive at net position – governmental activities	$	(69,149,661)

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	$	14,539,022
Deferred outflows of resources		4,528,882
Net pension liability		(18,615,972)
Deferred inflows of resources		(6,808,186)
	$	(6,356,255)

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	$	2,843,508
Unavailable revenue – special assessments		4,815,879
Net adjustment to increase net change in fund balances - governmental funds to arrive at change in net position- governmental activities	$	7,659,387

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	$	4,190,000
Public Works Trust Fund Loans repayment		94,451
Amortization/(addition) of debt premiums		367,126
Amortization of deferred outflows on refunding		(212,221)
Net adjustment to decrease net change in fund balances- governmental funds to arrive at change in net position- governmental activities	$	4,439,356

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	$	10,888
Change in compensated absences payable		(717,569)
Change in other post-employment benefits payable		(864,051)
Net adjustment to decrease net change in fund balances- governmental funds to arrive at change in net position- governmental activities	$	(1,570,732)

NOTE 3:
Deposits and Investments

Deposits

As of December 31, 2017 the carrying amount of the City's cash demand deposits with KeyBank was $16,809,755 and the in-transit items were $431,806. In addition, $7,278,630 was held in public funds money market accounts at Opus and Wells Fargo Banks. A total of $611,800 retained from contractors pending acceptance of City construction projects was held in escrow or savings accounts at various banks. Another $194,009 was held in a City of Redmond Client Trust Account at Wells Fargo. Petty cash totaled $48,500, of which $35,820 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, 2017 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. One hundred percent of the City's portfolio may be invested in US Treasury Notes, Bonds or Certificates, US Government Sponsored Corporations, or the State Investment Pool. Fifty percent 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. Twenty five percent 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). Ten percent of the portfolio may be invested in Commercial Paper and other authorized investments. On December 31, 2017 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:

	Amortized Cost	Less Than 1 Year
Money Market	$ 7,278,630	$ 7,278,630
Local Government Investment Pool	16,253,946	16,253,946
Total	$ 23,532,576	$ 23,532,576

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, 2017, the City had the following investments measured at fair value:

	Fair Value Measurement Using			
Investment Type	**Quoted Prices Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
U.S. Agency Securities	$ -	$ 191,235,330	$ -	$ 191,235,330
U.S. Treasury Securities	4,985,640			4,985,640
Total	$ 4,985,640	$ 191,235,330	$ -	$ 196,220,970

The following table identifies the types of investments, concentration of investments in any one issuer, and maturities of the City's investment portfolio as of December 31, 2017:

		Maturities		
Investment Type	**Fair Value**	**Less Than 1 Year**	**1 to 5 Years**	**% of Total Portfolio**
Federal Farm Credit Bank	$ 40,095,218	$ 15,364,708	$ 24,730,510	18.87%
Federal Home Loan Bank	38,338,125	12,960,130	25,377,995	18.04%
Federal Home Loan Mortgage Corporation	56,815,015	26,092,763	30,722,252	26.74%
Federal National Mortgage Association	55,986,972	11,946,100	44,040,872	26.35%
Treasury Notes	4,985,640	4,985,640	-	2.35%
Subtotal	196,220,970	71,349,341	124,871,629	92.35%
Local Government Investment Pools*	16,253,946	16,253,946	-	7.65%
Total	212,474,916	87,603,287	124,871,629	100.00%
Percentage of Total Portfolio		41.23%	58.77%	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 following table identifies the credit risk of the City's investment portfolio as of December 31, 2017:

		Ratings	
Investment Type	**Fair Value**	**S&P**	**Moody's**
Federal Farm Credit Bank	$ 40,095,218	AA+	AAA
Federal Home Loan Bank	38,338,125	AA+	AAA
Federal Home Loan Mortgage Corporation	56,815,015	AA+	AAA
Federal National Mortgage Association	55,986,972	AA+	AAA
Subtotal	191,235,330		
U.S. Treasury Securities			
U.S. Treasury Notes	4,985,640	AA+	AAA
Total	$196,220,970		

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

Cash & Investments by Type	
Opus Bank-money market	$ 7,158,671
Wells Sweep-money market	119,959
State Investment Pool (LGIP)	16,253,946
KeyBank public checking	16,809,755
Deposits/Debits in transit at 12/31/2017	431,809
Checks/Credits in transit at 12/31/2017	(1,119,054)
Petty Cash/Advance Travel	35,820
Wells Fargo Wright Runstad trust account	194,009
Contractors' Retainage Money Market	611,800
Federal Home Loan Bank	38,338,125
Federal Farm Credit Bank	40,095,218
Federal Home Loan Mortgage Corporation	56,815,015
Federal National Mortgage Association	55,986,972
US Treasury Notes	4,985,640
Grand Total Cash & Investments by Type	$236,717,685

Cash & Investments by Statements	**Cash & Equivalents***	**Restricted Cash**	**Rate Stabilization Fund**	**Investments**	**Restricted Investments**
Governmental Funds					
General Fund	$ 6,115,470	$ 797,622	$ -	$ 27,752,949	$ 5,983,667
Capital Improvements Program Fund	11,960,147	-	-	58,836,897	3,188
Other Governmental Funds	1,952,663	-	-	9,955,382	10,000
Proprietary Funds					
Water/Wastewater	6,546,370	16,373	4,177,811	27,253,582	1,175,500
UPD Water/Wastewater	3,927,603	32,000	1,929,266	17,277,440	-
Stormwater Management	5,371,483	10,100	-	24,704,711	1,634,409
Interal Service Funds	3,049,123	-	-	15,000,702	-
Fiduciary Funds					
Agency Funds	717,762	-	-	525,465	-
	$ 39,640,621	$ 856,095	$ 6,107,077	$ 181,307,128	$ 8,806,764
				Grand Total Cash & Investments by Statements	$ 236,717,685

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	$	1,033,246
Cable access		871,483
Capital projects		17,027,284
Debt service		2,207,132
Fire		649,883
Parks		693,603
Planning-transportation		597,202
Police		4,140,135
Reserves		454,814
Solid waste recycling		838,435
Tourism		690,778
Pensions		1,890,888
Total	$	31,094,883
Committed For:		
Arts	$	357,215
Capital equipment replacement		4,390,198
Development Review		2,001,907
Fire equipment		2,265,980
Parks maintenance		1,116,896
Police		8,500
Recreation activities		672,144
Travel		20,000
Total	$	10,832,840
Assigned For:		
Capital projects	$	16,433,507
Community events		24,783
Maintenance		1,203,209
Human services fund		19,838
Parks		388,104
Real Property Fund		422,045
Reserves		7,060,786
Transportation		1,036,125
Business tax		1,280,054
Total	$	27,868,451

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 $18,631,080,894 for the City in 2017.

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 $1.36 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, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government				
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated:				
Land	$ 134,329,679	$ 7,488,294	$ (2,898)	$ 141,815,075
Construction in Progress	29,625,337	27,495,607	(35,875,218)	21,245,726
Art	548,878	-	-	548,878
Total capital assets, not being depreciated	$ 164,503,894	$ 34,983,901	$ (35,878,116)	$ 163,609,679
Capital Assets, Being Depreciated:				
Buildings/Building Improvements	$ 76,301,877	$ 11,004,341	$ (1,113,400)	$ 86,192,818
Improvements Other than Buildings	34,624,646	999,239	-	35,623,885
Machinery and Equipment	32,491,003	2,206,585	(1,433,107)	33,264,481
Infrastructure	273,895,893	27,182,954	-	301,078,847
Total capital assets, being depreciated	$ 417,313,419	$ 41,393,119	$ (2,546,507)	$ 456,160,031
Less Accumulated Depreciation for:				
Buildings/Building Improvements	$ (22,765,717)	$ (1,599,069)	$ 378,556	$ (23,986,230)
Improvements Other than Buildings	(14,554,743)	(1,333,112)	-	(15,887,855)
Machinery and Equipment	(18,234,391)	(2,335,477)	1,288,484	(19,281,384)
Infrastructure	(100,300,823)	(5,551,941)	-	(105,852,764)
Total accumulated depreciation	$ (155,855,674)	$ (10,819,599)	$ 1,667,040	$ (165,008,233)
Total capital assets, being depreciated, net	$ 261,457,745	$ 30,573,520	$ (879,467)	$ 291,151,798
Governmental activities capital assets, net	$ 425,961,639	$ 65,557,421	$ (36,757,583)	$ 454,761,477

NET INVESTMENT IN CAPITAL ASSETS

Governmental Activities	
Capital assets not being depreciated	$ 163,609,679
Capital assets being depreciated	456,160,031
Less accumulated depreciation	(165,008,233)
Less GO Bonds	(56,190,000)
Less bond premium	(4,258,508)
Less Public Works Trust Fund loans	(1,322,310)
Plus deferred outflow on refunding bonds	3,289,016
Governmental Activities, net investment in capital assets	$ 396,279,675

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

Governmental Activities		
General Government	$	1,251,488
Security		1,504,128
Physical Environment		30,653
Transportation, Including Depreciation of General Infrastructure Assets		6,465,826
Economic Environment		61,494
Culture and Recreation		1,506,010
Total Depreciation Expense – Governmental Activities	$	10,819,599

	Beginning Balance	Increases	Decreases	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital assets, not Being depreciated:				
Land	$ 27,224,303	$ 365,936	$ -	$ 27,590,239
Construction In Progress	9,766,467	19,373,046	(8,953,382)	20,186,131
Intangible Assets	-	816,762	-	816,762
Total capital assets, not being depreciated	$ 36,990,770	$ 20,555,744	$ (8,953,382)	$ 48,593,132
Capital Assets, Being Depreciated:				
Buildings/Building Improvements	$ 37,958,924	$ -	$ -	$ 37,958,924
Improvements Other Than Buildings	364,831,021	11,972,097	(1,047,880)	375,755,238
Machinery and Equipment	1,505,330	104,759	(114,812)	1,495,277
Total capital assets, being depreciated	$ 404,295,275	$ 12,076,856	$ (1,162,692)	$ 415,209,439
Less Accumulated Depreciation for:				
Buildings/Building Improvements	$ (8,391,788)	$ (759,179)	$ -	$ (9,150,967)
Improvements Other than Buildings	(84,662,167)	(7,293,979)	10,748	(91,945,398)
Machinery and Equipment	(603,707)	(120,564)	59,802	(664,469)
Total accumulated depreciation	$ (93,657,662)	$ (8,173,722)	$ 70,550	$ (101,760,834)
Total capital assets, being depreciated, net	$ 310,637,613	$ 3,903,134	$ (1,092,142)	$ 313,448,605
Business-Type activities capital assets, net	$ 347,628,383	$ 24,458,878	$ (10,045,524)	$ 362,041,737

NET INVESTMENT IN CAPITAL ASSETS

Business-Type Activities		
Capital assets not being depreciated	$	48,593,132
Capital assets being depreciated		415,209,439
Less accumulated depreciation		(101,760,834)
Less Revenue bonds		(26,040,000)
Less bond premium		(2,823,197)
Less PWTF loan		(4,089,452)
Business-Type Activities, net investment in capital assets	$	329,089,088

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

DEPRECIATION EXPENSE BY FUNCTION

Business-Type Activities		
Water/Wastewater	$	4,081,255
UPD Water/Wastewater		1,381,784
Stormwater		2,710,683
Total Depreciation Expense – Business-type Activities	$	8,173,722

The Business-Type Activities also had $1,404 in amortization expense that is included with depreciation expense in the financial statements.

In 2017 the City's business-type activities invested $816,762 in the Groundwater Protection Incentive Program, which is included as an intangible asset with an indefinite useful life. The program provides funds for retrofitting existing private infiltration facilities that are determined through the City's assessment process to pose a significant groundwater hazard in wellhead protection zones 1 and 2, to meet State and City regulations for groundwater protection, to ensure a safe supply of drinking water for the City.

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 2017:

Aggregate Pension Amounts – All Plans	
Pension liabilities	$ (25,495,623)
Pension assets	$ 13,340,607
Deferred outflows of resources	$ 5,528,259
Deferred inflows of resources	$ (8,073,931)
Pension expense/expenditures	$ 2,637,784

State Sponsored Pension Plans

Substantially all City 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***
January – June 2017:		
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Total	**11.18%**	**6.00%**
July – December 2017:		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	**12.70%**	**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 2017 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2**
January – June 2017:		
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%**
July – December 2017:		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**12.70%**	**7.38%**

The City's actual PERS plan contributions were $1,783,983 to PERS Plan 1 and $2,461,861 to PERS Plan 2/3 for the year ended December 31, 2017.

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. In addition to the regular change in contribution rates on July 1, 2017, PSERS contribution rates changed again September 1, 2017 due to HB 1709, which allows PERS members meeting specific criteria to transfer service credit into PSERS as long as they and their employer pay the difference between the PERS and PSERS contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2017 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	**Employer**	**Employee**
January – June 2017:		
PSERS Plan 2	6.59%	6.59%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Total	**11.54%**	**6.59%**
July – August 2017:		
PSERS Plan 2	6.73%	6.73%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	**11.94%**	**6.73%**
September - December 2017:		
PSERS Plan 2	6.74%	6.74%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	**11.95%**	**6.74%**

The City's actual plan contributions were $7,514 to PSERS Plan 2 and $5,517 to PERS Plan 1 for the year ended December 31, 2017.

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.

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 2017 were as follows:

LEOFF Plan 2		
Actual Contribution Rates:	**Employer**	**Employee**
January – June 2017:		
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%**
July – December 2017:		
State and local governments	5.25%	8.75%
Administrative Fee	0.18%	
Total	**5.43%**	**8.75%**
Ports and Universities	8.75%	8.75%
Administrative Fee	0.18%	
Total	**8.93%**	**8.75%**

The City's actual contributions to the plan were $1,455,369 for the year ended December 31, 2017.

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, 2017, the state contributed $62,155,262 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is $910,160.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. 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* and the *2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, 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 plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the base minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

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. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

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, 2017, 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%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
	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	$ 16,143,997	$ 13,252,433	$ 10,747,720
PERS 2/3	32,952,751	12,231,429	(4,746,620)
PSERS 2	78,963	11,760	(40,931)
LEOFF 1	(753,256)	(1,015,491)	(1,240,691)
LEOFF 2	2,667,137	(12,325,116)	(24,540,178)

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, 2017, the City reported a total pension liability of $25,495,622 for its proportionate share of the net pension liabilities, and a total pension asset of $13,340,607 for its proportionate share of the net pension assets as follows:

	Liability (or Asset)
PERS 1	$ 13,252,433
PERS 2/3	12,231,429
PSERS 2	11,760
LEOFF 1	(1,015,491)
LEOFF 2	(12,325,116)

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	1,015,491	12,325,116
State's proportionate share of the net pension asset associated with the employer	6,868,753	7,995,073
TOTAL	7,884,243	20,320,189

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

	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
PERS 1	0.282854%	0.279288%	-0.003566%
PERS 2/3	0.354613%	0.352032%	-0.002581%
PSERS 2	0.073365%	0.060021%	-0.013344%
LEOFF 1	0.066346%	0.066931%	0.000585%
LEOFF 2	0.844407%	0.888184%	0.043777%

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 2017. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2017, 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 2017, the state of Washington contributed 39.35 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.65 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2017, the City recognized pension expense as follows:

	Pension Expense
PERS 1	$ 620,722
PERS 2/3	1,747,023
PSERS 2	15,176
LEOFF 1	(168,092)
LEOFF 2	422,955
TOTAL	$ 2,637,784

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, 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	$ -	$ 494,544
Changes of assumptions	$ -	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ -
Contributions subsequent to the measurement date	$ 941,484	$ -
TOTAL	$ 941,484	$ 494,544

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,239,332	$ 402,270
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ 3,260,605
Changes of assumptions	$ 129,921	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ 177,307	$ 94,997
Contributions subsequent to the measurement date	$ 1,373,839	$ -
TOTAL	$ 2,920,399	$ 3,757,872

PSERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,955	$ 835
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ 8,248
Changes of assumptions	$ 100	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ 3,736
Contributions subsequent to the measurement date	$ 3,410	$ -
TOTAL	$ 10,465	$ 12,819

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	$ -	$ 94,363
Changes of assumptions	$ -	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ -	$ -
Contributions subsequent to the measurement date	$ -	$ -
TOTAL	$ -	$ 94,363

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 541,712	$ 467,389
Net difference between projected and actual investment earnings on pension plan investments	$ -	$ 2,767,075
Changes of assumptions	$ 14,842	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ 329,260	$ 479,869
Contributions subsequent to the measurement date	$ 770,097	$ -
TOTAL	$ 1,655,911	$ 3,714,333

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, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	PERS 1	PERS 2/3	PSERS 2	LEOFF 1	LEOFF 2
2018	(334,280)	(1,216,670)	(2,235)	(59,221)	(1,274,311)
2019	105,537	401,466	1,006	15,972	284,772
2020	(24,505)	(288,376)	(67)	(6,378)	(193,036)
2021	(241,296)	(1,326,504)	(2,198)	(44,736)	(1,171,488)
2022	-	95,118	(482)	-	(84,725)
Therafter	-	123,654	(1,788)	-	(389,731)
Total Deferred (Inflows)/Outflows	(494,544)	(2,211,312)	(5,764)	(94,363)	(2,828,519)

Firefighters' Pension Plan

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68* for the year 2017:

Aggregate Pension Amounts – All Plans		
Total pension liability	$	692,473
Pension assets	$	1,198,415
Deferred outflows of resources	$	-
Deferred inflows of resources	$	-
Pension expense/expenditures	$	30,721

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, 2017, there are three inactive plan members currently receiving benefits, and no active plan members. The pension plan is closed to new entrants.

Under State law, the FPP is provided an allocation of 25% of the taxes the state receives 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. The City's fire insurance premium contribution for 2017 was $156,156, and interest earnings were $19,243, which was sufficient to pay the 2017 Firefighter's Pension Plan expenses of $30,721. The financial activity of the Firefighters' Pension Plan is reported within the City's General Fund. No separate stand-alone financial report is issued for the Firefighters' Pension Plan.

The pension standards in GASB Statement No. 68 are applicable only to pension plans that are administered through trusts or equivalent arrangements in which:

a. Contributions from employers to the pension plan and earnings on those contributions are irrevocable.
b. Pension plan assets are dedicated to providing pensions to plan members in accordance with benefit terms.
c. Pension plan assets are legally protected from the creditors of employers, the plan administrator and plan members.

The Firefighter's Pension Plan does not meet the requirement "c" that assets be legally protected from the creditors of employers, the plan administrator and plan members. Therefore, the assets are not accumulated in a qualifying trust or equivalent arrangement as required for GASB 68 reporting purposes.

For purposes of measuring the total pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the net position of the Firefighters' Pension Plan and additions to/deductions from the plan's net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments 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 – Governmental Activities - 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 are stated at fair value, based on quoted market prices in accordance with GASB Statement No. 72, Fair Value Measurement and Application.

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.

Changes in the Total Pension Liability

Firefighters' Pension Plan	Total Pension Liability (a)
Balances at 1/1/2017	$ 685,451
Changes for the year:	
Service Cost	-
Interest	21,443
Changes in benefit terms	-
Differences between expected and actual experience	16,300
Changes of assumptions	-
Contributions – employer	-
Contributions – employees	-
Net investment income	-
Benefit payments, including refunds of contributions	(30,721)
Administrative expense	-
Other changes	-
Net changes	7,022
Balance at 12/31/2017	692,473

The Schedule of Changes in Total Pension Liability and Related Ratios presented in Required Supplementary Information following the notes to the financial statements presents ten-year trend information about whether the total pension liability is increasing or decreasing over time and the factors affecting the changes.

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 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 Total Pension Liability to Changes in the Discount Rate

The following presents the total pension liability of the Firefighters' Pension Plan, calculated using the discount rate of 3.2%, as well as what the total 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:

	1% Decrease (2.2%)	Current Discount Rate (3.2%)	1% Increase (4.2%)
Total Pension Liability	$ 764,973	692,473	$ 625,433

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2018, 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 859 permanent and 327 temporary participants with account balances at December 31, 2017.

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 2017 was $60,885,488. Employee contributions were $3,769,819. City contributions were $3,769,819. The City's total payroll was $65,986,154.

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
The City provides post-retirement health care benefits 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, as required by the Revised Code of Washington (RCW Chapter 41.26). At the end of 2017 there were thirty LEOFF 1 retirees receiving these benefits and no active members. 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 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 fifteen years. The following table presents the components of the City's annual OPEB cost for the reporting year, the amount actually contributed to the plan and changes in the City's net OPEB.

The net OPEB obligation of $5,512,545 is included as a noncurrent liability on the Statement of Net Position.

	Fiscal Year Ending 12/31/2015	Fiscal Year Ending 12/31/2016	Fiscal Year Ending 12/31/2017**
Determination of Annual Required Contribution:			
Normal Cost at Year End	$ 40,376	$ -	$ -
Amortization of UAAL*	1,024,563	1,067,289	1,457,052
Annual Required Contribution (ARC)	1,064,939	1,067,289	1,457,052
Determination of Net OPEB Obligation:			
Annual Required Contribution	$ 1,064,939	$ 1,067,289	$ 1,457,052
Interest on Prior Year Net OPEB Obligation	159,379	178,483	185,940
Adjustments to ARC	(209,907)	(249,409)	(418,091)
Annual OPEB Cost	1,014,411	996,363	1,224,901
Contributions Made	470,928	380,091	360,852
Increase in Net OPEB Obligation	543,483	616,272	864,049
Net OPEB Obligation - beginning of year	$ 3,488,741	$ 4,032,224	$ 4,648,496
Net OPEB Obligation - end of year	$ 4,032,224	$ 4,648,496	$ 5,512,545

*Unfunded Actuarial Accrued Liability (UAAL)
**For the year ending December 31, 2017, the alternative measurement method permitted under GASB Statement No. 45 was used. Previous years were determined through an actuarial valuation.

The City's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

Fiscal Year Ended		Annual OPEB Cost	Contribution as a Percentage of OPEB Cost		Net OPEB Obligation
12/31/2015	$	1,014,411	46%	$	4,032,224
12/31/2016	$	996,363	38%	$	4,648,496
12/31/2017	$	1,224,901	42%	$	5,512,545

Funding Status and Funding Progress

As of December 31, 2017, the plan was 0% funded. The accrued liability for benefits was $16,200,071 and the value of assets was $0, resulting in a UAAL of $16,200,071.

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, 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
Dec. 31, 2017*	-	16,200,071	16,200,071	0%	-	N/A

**For the year ending December 31, 2017, the alternative measurement method permitted under GASB Statement No. 45 was used. Previous years were determined through an actuarial valuation.*

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included 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 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 accrued liabilities for benefits.

Actuarial Methods and Assumptions

Beginning in 2017, the City used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 55.3 was assumed for all active members for the purpose of determining the AAL and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the LEOFF 1 rates used in the June 30, 2014, actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF 1 medical study performed in 2013. The results were based on grouped data with four active groupings and four inactive groupings. The actuarial cost method used to determine the AAL was the Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

Note 9:
Construction Commitments

At December 31, 2017 the City had significant contractual obligations on construction projects:

(In thousands)	
Transportation Projects	$404
Transportation Maintenance	14
General Government	611
Parks	3,871
Utilities Projects	1,468
Total	$6,368

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, 2017 were as follows:

		Transfer from				
		General Fund	Capital Improvements Program Fund	Other Governmental Funds	Proprietary Funds	Total
Transfer to	General Fund	$ -	$ 5,110,000	$ 1,592,874	$ 181,888	$ 6,884,762
	Capital Improvements Program Fund	5,099,580	-	8,098,055	-	13,197,635
	Other Governmental Funds	4,913,894	-	-	-	4,913,894
	Proprietary Funds	-	3,527,905	-	-	3,527,905
	Internal Service Funds	159,480	-	-	-	159,480
	Total	$ 10,172,954	$ 8,637,905	$ 9,690,929	$ 181,888	$ 28,683,676

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 $1,235,691 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 $802,713 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 $1,250,612 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, 2017 are as follows:

	Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/2017
2008 LTGO Bonds	9/4/2008	12/1/2028	3.5% - 5.0%	$ 33,935,000	$ 32,350,000	$ 1,585,000
2011 LTGO Bonds	3/16/2011	12/1/2021	2.0% - 4.5%	8,035,000	4,785,000	3,250,000
2013 LTGO Refunding Bonds	9/12/2013	12/1/2035	1.75% - 5.0%	33,085,000	7,915,000	25,170,000
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	320,000	11,310,000
2016 LTGO Bonds	1/21/2016	12/1/2035	2.0% - 5.0%	6,000,000	405,000	5,595,000
Total General Obligation Bonds				$ 101,965,000	$ 45,775,000	$ 56,190,000

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

	Governmental Activities	
Year Ending December 31	Principal	Interest
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	3,175,000	1,593,481
2023-2027	17,905,000	5,995,306
2028-2032	11,375,000	2,788,200
2033-2037	6,420,000	599,300
	$ 56,190,000	$ 18,855,988

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:

	Issue Date	Maturity Date	Interest Rate	Amount Issued	Redemptions to Date	Outstanding 12/31/2017
2008 Water/ Wastewater Bonds	12/3/2008	12/1/2023	4.0% - 5.0%	$ 11,755,000	$ 6,045,000	$ 5,710,000
2014 Stormwater Bonds	7/24/2014	12/1/2034	3.26% - 4.25%	$ 22,950,000	$ 2,620,000	$ 20,330,000
Total Revenue Bonds				$ 34,705,000	$ 8,665,000	$ 26,040,000

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

Year Ending December 31	Principal	Interest
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	2,055,000	927,060
2023-2027	6,580,000	3,385,550
2028-2032	7,045,000	1,806,300
2033-2034	3,340,000	204,620
	$ 26,040,000	$ 10,804,521

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 $1,322,310. 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, 2017 are as follows:

	Governmental Activities		Business Type Activities	
Year Ending	Principal	Interest	Principal	Interest
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	94,451	2,361	207,477	85,217
2023-2027	472,254	8,264	1,122,202	341,266
2028-2032	377,801	2,361	1,277,816	185,652
2033-2037	-	-	703,894	27,840
	$ 1,322,310	$ 24,793	$ 4,089,452	$ 1,032,688

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
G.O. Bonds	$ 60,380,000	$ -	$ (4,190,000)	$ 56,190,000	$ 4,320,000
Premiums	4,625,635	-	(367,127)	4,258,508	-
Total bonds payable	65,005,635	-	(4,557,127)	60,448,508	4,320,000
PWTF loans	1,416,761	-	(94,451)	1,322,310	94,451
Other post-employment benefits payable	4,648,494	864,051	-	5,512,545	-
Compensated absences	4,528,131	5,208,897	(4,431,606)	5,305,422	4,244,339
Net pension liability	26,931,149	-	(6,196,305)	20,734,844	-
Governmental activity long-term liabilities	$ 102,530,170	$ 6,072,948	$ (15,279,491)	$ 93,323,629	$ 8,658,790

Business-Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
Revenue Bonds	$ 27,630,000	$ -	$ (1,590,000)	$ 26,040,000	$ 1,650,000
For issuance premiums	3,008,951	-	(185,755)	2,823,196	-
Total Bonds Payable	30,638,951	-	(1,775,755)	28,863,196	1,650,000
PWTF loans	4,271,662	-	(182,210)	4,089,452	187,005
Compensated absences	590,880	416,531	(384,151)	623,260	498,608
Net pension liability	6,145,104	-	(1,384,325)	4,760,779	-
Business-type activity long-term liabilities	$ 41,646,597	$ 416,531	$ (3,726,441)	$ 38,336,687	$ 2,335,613

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 $2,118,872 of internal service funds net pension liability and $335,038 compensated absences are included in the above amounts. Pension liabilities and compensated absences are liquidated from the fund from which the employee's salary is paid. Governmental funds used to liquidate compensated absences in prior years 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 2017.

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 $60,573 for the year ended December 31, 2017.

The future minimum lease payments are as follows:

Year Ending December 31		Amount
2018		62,579
2019		59,680
2020		50,983
2021		50,983
2022		-
Total	$	224,225

Note 13:
Tax Abatement

The State of Washington enters into various tax abatement agreements that have the effect of reducing the amount of tax revenue that flows through to the local jurisdictions. The reported figures are provided by the Department of Revenue and are estimates based upon calendar year 2016 as a proxy for fiscal year 2017. There are two state tax abatement programs that reduced the 2017 tax revenues of the City of Redmond, as follows:

High-Technology Sales and Use Tax Deferral Program
Chapter 82.63 RCW provides a deferral and ultimate waiver of sales and use tax to encourage the creation of high-wage, high-skilled jobs in Washington. The deferral applies to sales and use tax arising from the construction or expansion of a qualified research and development facility or a pilot scale manufacturing facility used in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, or environmental technology.

Businesses must apply for a deferral certificate prior to being issued a building permit for the project(s) or before taking possession of machinery and equipment. Eligible projects will receive a sales and use tax deferral certificate issued by the Department of Revenue, which allows vendors and contractors to sell to the approved business without charging sales tax. An annual survey must be filed with DOR by April 30 of the year in which the project is certified and for the following seven years. If the investment project is used for any other purpose at any time during the calendar year in which the investment is certified as operationally complete, or during the next seven calendar years, a portion of the deferred taxes must be repaid immediately. The portion due is determined by a sliding scale ranging from 100 percent recapture in the year the project is operationally complete to 12.5 percent recapture in year eight.

The estimated reduction in 2017 sales and use tax revenues for the City of Redmond as a result of this abatement program is $6,409,921.

Biotechnology Product and Medical Device Manufacturers Sales and Use Tax Deferral Program

Chapter 82.75 RCW provides a deferral and ultimate waiver of sales and use tax to encourage the creation of high-wage, high-skilled jobs in Washington. The deferral applies to sales and use tax arising from investments in construction or renovation of structures, or machinery and equipment used for biotechnology product or medical device manufacturing.

Applications for the deferral/waiver program must be received and approved by the Department of Revenue prior to starting construction or possessing machinery or equipment in Washington. Eligible projects will receive a sales and use tax deferral certificate issued by the Department of Revenue, which allows vendors and contractors to sell to the approved business without charging sales tax.

Sales and use tax may be deferred on three kinds of expenditures:

1. Qualified buildings;
2. Qualified machinery and equipment; and
3. Labor and services rendered in the planning, installation and construction of the project.

An annual survey must be filed with DOR by March 31 of the year in which the project is operationally complete and for the following seven years. The project must remain an eligible investment project for an eight year period in order for all deferred taxes to be waived. If the investment project is used for any other purpose at any time during the calendar year in which the investment is certified as operationally complete, or during the next seven calendar years, a portion of the deferred taxes must be repaid immediately. The portion due is determined by a sliding scale ranging from 100 percent recapture in the year the project is operationally complete to 12.5 percent recapture in year eight.

Because the Department of Revenue cannot disclose tax information for less than three taxpayers for either state or local estimates, the estimated reduction in 2017 sales and use tax revenues for the City of Redmond as a result of this abatement program is not available.

Note 14:
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 is due in fifteen equal annual installments, with the first installment due in November, 2015. The project was to be advance-funded by Microsoft in annual installments between December 2014 and December 2017. However, the final installment for 2017 has been delayed while the project is in review. 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 $24,618,000 levied against specific Microsoft Corporation properties. The assessment is due in fifteen equal annual installments, with the first installment due in November, 2017. The project has been 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, 2017.

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 15:
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 $1,700,244 with a net book value of $378,295. The city reimbursed the City of Bellevue $10,898 for its share of operating costs in 2017.

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 2017 were $635,220. The City of Redmond also paid the Alliance $555,463 in 2017 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.

Financial statement information can be obtained from Cascade Water Alliance, c/o Chris Paulucci, Finance and Administration Manager, 520 - 112th Avenue NE, Suite 400, Bellevue, WA 98004.

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 2017 the city contributed $74,039 for operations or 11.024% of the total contributions for operations by all members. The City has accumulated $727,584 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.

Eastside Public Safety Communications Agency (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 $118,226 to EPSCA in 2017 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, 2017, the weighted vote percentage was shown as follows**:**

Redmond	23.385%
Bellevue	47.292%
Kirkland	17.917%
Mercer Island	5.990%
Issaquah	5.417%

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 Kale Fong, 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. Member agencies have no equitable interest in the holdings of the consortium as stated in the agreement.
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.

The agreement may be terminated at any time upon the mutual agreement of all the members. A decision to withdraw will not relieve the withdrawing member of liability incurred prior to withdrawal. 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 2017. 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 $16,506 for 2017's contract fee.

The budget for 2018 has not yet been approved. The reserve equipment costs may increase as two vehicles were recently voted on for purchase. This will be subject to a vote of the policy board before any purchase takes place.

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 2017. . 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 $547,717 to NORCOM for calls for services and $11,977 for Code 3 Simulator License and first year maintenance fees in 2017. Redmond has become a principal agency on January 1, 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 December 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 Buff Brown, 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 $5,049 for 2017. 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 16:
Contingencies and Litigation

As of December 31, 2017, 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 17:
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 were no claims in 2017 which exceeded the city's self-insurance limit; 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. 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 were no claims in 2017 which exceeded the deductible amounts; in 2016, there was one (1) claim which settled in excess of deductible; in 2015, there were no claims which exceeded the deductible amounts.

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

Medical Self Insurance Program:

For 2017, the Medical Self-Insurance Fund provided coverage up to a maximum of $175,000 per person per calendar year with the Excess Insurance covering an Unlimited Major Medical Maximum. There were four (4) claimants who exceeded the per-person limit in 2017; 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. 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 2017, the city self-insures $500,000 of each accident or illness and purchases excess insurance above that, up to the statutory requirements. There was one (1) claim exceeded the excess insurance amount of 500,000; no reported claim for 2016 or 2015 exceeded the city's self-insurance coverage. Claims handling is currently contracted to an independent, qualified third party administrator (TPA).

As of December 31, 2017, the city had reserves of $1,165,094 in the Insurance Fund, $9,259,251 in the Medical Self-Insurance Fund, and $990 in the Workers' Compensation Fund to provide against risk of future loss. Claims liabilities of $3,016 have been reported in the Insurance Fund, $1,380,000 in the Medical Self-Insurance Fund, and $171,036 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 2016 and 2017 were:

	Insurance Fund	Medical Insurance Fund	Workers' Compensation Fund
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:	$ 35,586	$ 929,111	$ 163,574
December 31, 2017:			
Unpaid claims, beginning of fiscal year	$ 35,586	$ 929,111	$ 163,574
Claims incurred (including IBNRs)	388,161	9,312,098	1,806,802
Claims payments	(420,731)	(8,861,209)	(1,799,340)
Unpaid claims-December 31, 2017:	$ 3,016	$ 1,380,000	$ 171,036

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	$20,000,000	$10,000
(excess of general liability, auto, law enforcement liability)		
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 18:
Accounting and Reporting Changes

Change in accounting principle

Beginning in 2017 the Firefighters' Pension Fund is reported in the City's general fund in the governmental statements, as a result of GASB Statement No. 73. An adjustment of $1,746,210 is reflected as an adjustment for a change in accounting principle in the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. Prior to 2017 this fund was reported in the fiduciary funds statements.

Implementation of new Governmental Accounting Standards Board (GASB) pronouncements

Effective for fiscal year 2017 reporting, the City adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

REQUIRED SUPPLEMENTARY INFORMATION

City of Redmond
Schedule of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual - General Fund
For the year ended December 31, 2017

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual	Actual 2017-2018 Biennium	Variance with Final Budget Positive (Negative)
REVENUES					
Taxes	$ 135,292,662	$ 135,259,584	$ 67,714,516	$ 67,714,516	$ (67,545,068)
Licenses and permits	21,459,794	21,459,794	11,783,559	11,783,559	(9,676,235)
Contributions	214,782	239,782	139,343	139,343	(100,439)
Intergovernmental	5,762,464	5,762,102	4,662,643	4,662,643	(1,099,459)
Charges for services	29,661,578	29,661,940	14,334,027	14,334,027	(15,327,913)
Fines and forfeitures	1,182,000	1,182,000	641,771	641,771	(540,229)
Investment income	583,238	616,316	470,252	470,252	(146,064)
Net change in fair value of investment	-	-	(70,775)	(70,775)	(70,775)
Miscellaneous	944,404	955,404	374,140	374,140	(581,264)
Total Revenues	195,100,922	195,136,922	100,049,476	100,049,476	(95,087,446)
EXPENDITURES					
Current					
General government	38,827,658	38,628,180.00	19,409,879	19,409,879	19,218,301
Security of persons and property	96,406,444	93,836,532	47,052,263	47,052,263	46,784,269
Physical environment	13,938	13,938	-	-	13,938
Transportation	19,232,507	19,032,343	10,394,170	10,394,170	8,638,173
Economic development	12,097,478	12,666,673	6,624,617	6,624,617	6,042,056
Social Services	2,269,178	2,269,178	838,486	838,486	1,430,692
Culture and recreation	17,713,174	22,090,520	11,227,039	11,227,039	10,863,481
Capital outlay	3,628,281	3,666,548	2,099,991	2,099,991	1,566,557
Debt service					
Principal	195,750	195,750	94,451	94,451	101,299
Interest and Issuance Costs	-	-	3,542	3,542	(3,542)
Total Expenditures	190,384,408	192,399,662	97,744,438	97,744,438	94,655,224
Excess (deficiency) of revenues over (under) expenditures	4,716,514	2,737,260	2,305,038	2,305,038	(432,222)
OTHER FINANCING SOURCES (USES)					
Disposition of capital assets	260,000	260,000	4,500	4,500	(255,500)
Transfers in	18,377,576	7,039,309	6,884,762	6,884,762	(154,547)
Transfers out	(32,683,147)	(1,840,009)	(10,172,954)	(10,172,954)	(8,332,945)
Total other financing sources and uses	(14,045,571)	5,459,300	(3,283,692)	(3,283,692)	(8,742,992)
Net change in fund balance	(9,329,057)	8,196,560	(978,654)	(978,654)	(9,175,214)
Fund balance-beginning	33,040,680	35,287,663	38,559,388	38,559,388	3,271,725
Changes in Accounting Principles - GASB 73	-	-	1,746,210	1,746,210	1,746,210
Fund balance-ending	$ 23,711,623	$ 43,484,223	$ 39,326,944	$ 39,326,944	$ (4,157,279)

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

REQUIRED SUPPLEMENTARY INFORMATION

City of Redmond
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30, 2017
Last 10 Fiscal Years*

		2014	2015	2016	2017
Employer's proportion of the net pension liability (asset)	%	0.279429%	0.277269%	0.282854%	0.279288%
Employer's proportionate share of the net pension liability (asset)	$	14,076,367	14,503,747	15,190,592	13,252,433
TOTAL	$	14,076,367	14,503,747	15,190,592	13,252,433
Employer's covered employee payroll **	$	30,276,307	31,572,345	33,640,475	34,727,464
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	46.49%	45.94%	45.16%	38.16%
Plan fiduciary net position as a percentage of the total pension liability	%	61.19	59.10%	57.03%	61.24%

** 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
PERS 2, 3
As of June 30, 2017
Last 10 Fiscal Years*

		2014	2015	2016	2017
Employer's proportion of the net pension liability (asset)	%	0.344517%	0.349456%	0.354613%	0.352032%
Employer's proportionate share of the net pension liability (asset)	$	6,963,932	12,486,262	17,854,484	12,231,429
TOTAL	$	6,963,932	12,486,262	17,854,484	12,231,429
Employer's covered employee payroll	$	29,576,019	31,081,296	33,183,481	34,513,096
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	23.55%	40.17%	53.81%	35.44%
Plan fiduciary net position as a percentage of the total pension liability	%	93.29	89.20%	85.82%	90.97%

** 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, 2017
Last 10 Fiscal Years*

		2014	2015	2016	2017
Employer's proportion of the net pension liability (asset)	%	0.090607%	0.092909%	0.073365%	0.060021%
Employer's proportionate share of the net pension liability (asset)	$	(13,121)	16,958	31,179	11,760
TOTAL	$	(13,121)	16,958	31,179	11,760
Employer's covered employee payroll	$	246,193	268,804	242,743	212,505
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	-5.33%	6.31%	12.84%	5.53%
Plan fiduciary net position as a percentage of the total pension liability	%	105.01	95.08%	90.41%	96.26%

** 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, 2017
Last 10 Fiscal Years*

		2014	2015	2016	2017
Employer's proportion of the net pension liability (asset)	%	0.058235%	0.061310%	0.066346%	0.066931%
Employer's proportionate share of the net pension liability (asset)	$	(706,269)	(738,921)	(683,554)	(1,015,491)
State's proportionate share of the net pension liability (asset) associated with the employer	$	(4,777,186)	(4,998,043)	(4,623,539)	(6,868,753)
TOTAL	$	(5,483,455)	(5,736,964)	(5,307,093)	(7,884,244)
Employer's covered employee payroll	$	245,905	182,331	-	-
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	-287.21%	-405.26%	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	%	126.91%	127.36%	123.74%	135.96%

** 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, 2017
Last 10 Fiscal Years*

		2014	2015	2016	2017
Employer's proportion of the net pension liability (asset)	%	0.863922%	0.905449%	0.844407%	0.888184%
Employer's proportionate share of the net pension liability (asset)	$	(11,464,616)	(9,306,205)	(4,911,324)	(12,325,116)
State's proportionate share of the net pension liability (asset) associated with the employer	$	(7,414,046)	(6,153,272)	(3,201,826)	(7,995,073)
TOTAL	$	(18,878,662)	(15,459,477)	(8,113,150)	(20,320,189)
Employer's covered employee payroll	$	24,071,949	26,361,527	25,582,420	27,783,905
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	-47.63%	-35.30%	-19.20%	-44.36%
Plan fiduciary net position as a percentage of the total pension liability	%	116.75	111.67%	106.04%	113.36%

** 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, 2017
Last 10 Fiscal Years*

		2014	2015	2016	2017
Statutorily or contractually required contributions	$	1,261,298	1,444,684	1,653,434	1,789,500
Contributions in relation to the statutorily or contractually required contributions	$	(1,261,298)	(1,444,684)	(1,653,434)	(1,789,500)
Contribution deficiency (excess)	$	-	-	-	-
Covered employer payroll **	$	30,895,042	32,615,637	34,388,717	36,162,379
Contributions as a percentage of covered employee payroll	%	4.08%	4.43%	4.81%	4.95%

** 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 2, 3
As of December 31, 2017
Last 10 Fiscal Years*

		2014	2015	2016	2017
Statutorily or contractually required contributions	$	1,515,304	1,814,140	2,112,355	2,461,861
Contributions in relation to the statutorily or contractually required contributions	$	(1,515,304)	(1,814,140)	(2,112,355)	(2,461,861)
Contribution deficiency (excess)	$	-	-	-	-
Covered employer payroll	$	30,326,719	32,160,083	33,906,036	35,809,117
Contributions as a percentage of covered employee payroll	%	5.00%	5.64%	6.23%	6.87%

** 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, 2017
Last 10 Fiscal Years*

		2014	2015	2016	2017
Statutorily or contractually required contributions	$	16,737	15,367	17,958	7,514
Contributions in relation to the statutorily or contractually required contributions	$	(16,737)	(15,367)	(17,958)	(7,514)
Contribution deficiency (excess)	$	-	-	-	-
Covered employer payroll	$	263,961	237,629	272,507	112,895
Contributions as a percentage of covered employee payroll	%	6.34%	6.47%	6.59%	6.66%

** 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, 2017
Last 10 Fiscal Years*

		2014	2015	2016	2017
Statutorily or contractually required contributions	$	-	-	-	-
Contributions in relation to the statutorily or contractually required contributions	$	-	-	-	-
Contribution deficiency (excess)	$	-	-	-	-
Covered employer payroll	$	242,276	57,888	-	-
Contributions as a percentage of covered employee payroll	%	0.00%	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, 2017
Last 10 Fiscal Years*

		2014	2015	2016	2017
Statutorily or contractually required contributions	$	1,243,996	1,350,946	1,339,697	1,455,369
Contributions in relation to the statutorily or contractually required contributions	$	(1,243,996)	(1,350,946)	(1,339,697)	(1,455,369)
Contribution deficiency (excess)	$	-	-	-	-
Covered employer payroll	$	24,634,822	26,751,402	26,528,575	28,238,790
Contributions as a percentage of covered employee payroll	%	5.05%	5.05%	5.05%	5.15%

** 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 Changes in Total Pension Liability and Related Ratios
Firefighter's Pension Plan
Last 10 Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total pension liability - beginning	$ 685,451	$ 567,121	$ 483,433	$ 331,168	$ 557,526	$ 557,526	$ 654,000	$ 654,000	$ 413,308	$ 413,308
Service cost	-	-	-	-	-	-	-	-	-	-
Interest	21,443	17,704	15,014	10,399	17,645	17,590	20,627	20,705	28,542	28,580
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	16,300	128,397	97,140	154,238	(231,779)	(1,918)	(98,267)	(6,793)	223,274	(18,525)
Changes of assumptions	-	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds of contributions	(30,721)	(27,771)	(28,466)	(12,372)	(12,224)	(15,672)	(18,834)	(13,912)	(11,124)	(10,055)
Other changes										
Net change in total pension liability	7,022	118,330	83,688	152,265	(226,358)	-	(96,474)	-	240,692	-
Total pension liability - ending	$ 692,473	$ 685,451	$ 567,121	$ 483,433	$ 331,168	$ 557,526	$ 557,526	$ 654,000	$ 654,000	$ 413,308
Covered payroll	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 91,040	$ 91,040	$ 85,323
Total pension liability as a % of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	718.37%	718.37%	484.40%

Notes to Schedule:

There are no assets accumulated in a trust that meets the criteria of a qualified plan under GASB Statements 67/68.

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
Dec. 31, 2017	$ -	$ 16,200,071	$ 16,200,071	0%	$ -	N/A

Source: 2007 through 2016 actuarial valuations for the Retiree Medical and Long-Term Care Benefits for LEOFF 1 employers were prepared for the City of Redmond by Milliman.

2017 valuation calculations for the Medical and Long-Term Care Benefits were done using the Alternative Measurement Method for GASB 45 as directed by the Office of the State Actuary.

Notes to the Required Supplementary Information

Pensions

Change in Assumptions and Methods: Actuarial results that the Office of the State Actuary provided within the Department of Retirement Systems Participating Employer Financial Information report reflect the following changes in assumptions and methods:

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- The average expected remaining service lives calculation was revised. It is used to recognize the changes in pension expense to no longer discount future years of service back to the present day.

Other Postemployment Benefits

Change in Methods: 2017 valuation calculations for the Medical and Long-Term Care Benefits were done using the Alternative Measurement Method for GASB 45 as directed by the Office of the State Actuary. Actuarial valuations for prior years were prepared for the City of Redmond by Milliman.

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, 2017

	Special Revenue Funds			
	Recreation Activities	Development Review	Cable Access	Operating Grants
ASSETS				
Cash and cash equivalents	$ 80,521	$ 287,999	$ 148,015	$ 114,517
Cash with outside agency	-	-	-	-
Investments	745,050	1,416,863	728,184	563,388
Receivables:				
Taxes	-	-	-	-
Accounts	52,130	167,312	-	24,120
Interest	2,404	4,510	2,318	1,793
Due from other funds	-	-	-	-
Due from other governments	-	151,715	-	177,172
Restricted assets:				
Deposit investment	10,000	-	-	-
Cash	-	-	-	-
Total Assets	$ 890,105	$ 2,028,399	$ 878,517	$ 880,990
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 43,134	$ 1,340	$ 7,034	$ 59,534
Employee wages payable	47,018	25,152	-	27,128
Due to other funds	-	-	-	-
Due to other governments	-	-	-	197,126
Payable from restricted assets:				
Deposits payable	10,000	-	-	-
Deferred-unearned revenue	117,809	-	-	-
Total Liabilities	217,961	26,492	7,034	283,788
Fund balances				
Nonspendable	-	-	-	-
Spendable:				
Restricted	-	-	871,483	597,202
Committed	672,144	2,001,907	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	672,144	2,001,907	871,483	597,202
Total Liabilities and Fund Balances	$ 890,105	$ 2,028,399	$ 878,517	$ 880,990

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

CITY OF REDMOND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2017

	Special Revenue Funds		
	Advanced Life Support	Aid Car/ Dispatch Donation	Real Estate Excise Tax
ASSETS			
Cash and cash equivalents	$ -	$ 46,844	$ 638,361
Cash with outside agency	-	-	-
Investments	-	230,457	3,140,532
Receivables:			
Taxes	-	-	360,210
Accounts	-	-	-
Interest	-	734	9,998
Due from other funds	-	-	-
Due from other governments	1,842,502	-	-
Restricted assets:			
Deposit investment	-	-	-
Cash	-	-	-
Total Assets	$ 1,842,502	$ 278,035	$ 4,149,101
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 13,228	$ -	$ -
Employee wages payable	239,903	-	-
Due to other funds	555,430	-	-
Due to other governments	695	-	-
Payable from restricted assets:			
Deposits payable	-	-	-
Deferred-unearned revenue	-	-	-
Total Liabilities	809,256	-	-
Fund balances			
Nonspendable	-	-	-
Spendable:			
Restricted	1,033,246	278,035	4,149,101
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total Fund Balances	1,033,246	278,035	4,149,101
Total Liabilities and Fund Balances	$ 1,842,502	$ 278,035	$ 4,149,101

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

CITY OF REDMOND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2017

	Special Revenue Funds			
	Felony Seizure	Tourism	Solid Waste Recycling	Total
ASSETS				
Cash and cash equivalents	$ 21,595	$ 123,353	$ 119,595	$ 1,580,800
Cash with outside agency	-	-	-	-
Investments	106,240	606,856	588,367	8,125,937
Receivables:				
Taxes	-	-	73,500	433,710
Accounts	-	-	-	243,562
Interest	338	1,932	1,873	25,900
Due from other funds	-	-	-	-
Due from other governments	-	-	86,166	2,257,555
Restricted assets:				
Deposit investment	-	-	-	10,000
Cash	-	-	-	-
Total Assets	$ 128,173	$ 732,141	$ 869,501	$ 12,677,464
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ -	$ 40,770	$ 17,358	$ 182,398
Employee wages payable	-	593	13,708	353,502
Due to other funds	-	-	-	555,430
Due to other governments	495	-	-	198,316
Payable from restricted assets:				
Deposits payable	-	-	-	10,000
Deferred-unearned revenue	-	-	-	117,809
Total Liabilities	495	41,363	31,066	1,417,455
Fund balances				
Nonspendable	-	-	-	-
Spendable:				-
Restricted	127,678	690,778	838,435	8,585,958
Committed	-	-	-	2,674,051
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	127,678	690,778	838,435	11,260,009
Total Liabilities and Fund Balances	$ 128,173	$ 732,141	$ 869,501	$ 12,677,464

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

CITY OF REDMOND
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2017

	Debt Service Fund		
	Regular Levy GO Bonds	Total	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ 371,863	$ 371,863	$ 1,952,663
Cash with outside agency	-	-	-
Investments	1,829,445	1,829,445	9,955,382
Receivables:			
Taxes	-	-	433,710
Accounts	-	-	243,562
Interest	5,824	5,824	31,724
Due from other funds	-	-	-
Due from other governments	-	-	2,257,555
Restricted assets:			
Deposit investment	-	-	10,000
Cash	-	-	-
Total Assets	$ 2,207,132	$ 2,207,132	14,884,596
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ -	$ -	$ 182,398
Employee wages payable	-	-	353,502
Due to other funds	-	-	555,430
Due to other governments	-	-	198,316
Payable from restricted assets:			
Deposits payable	-	-	10,000
Deferred-unearned revenue	-	-	117,809
Total Liabilities	-	-	1,417,455
Fund balances			
Nonspendable	-	-	-
Spendable:			
Restricted	2,207,132	2,207,132	10,793,090
Committed	-	-	2,674,051
Assigned	-	-	-
Unassigned	-	-	-
Total Fund Balances	2,207,132	2,207,132	13,467,141
Total Liabilities and Fund Balances	$ 2,207,132	$ 2,207,132	$ 14,884,596

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

CITY OF REDMOND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	Special Revenue Funds			
	Recreation Activities	Development Review	Cable Access	Operating Grants
REVENUES				
Taxes	$ -	$ -	$ -	$ -
Licenses and Permits	8,440	1,436,251	-	105,029
Contributions	32,471	-	-	-
Intergovernmental	-	-	-	418,018
Charges for services	2,291,266	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	11,918	16,923	9,451	6,081
Net change in fair value of investment	(2,551)	(6,938)	(2,157)	(1,448)
Miscellaneous	318,486	-	-	80,000
Total Revenues	2,660,030	1,446,236	7,294	607,680
EXPENDITURES				
Current				
Security of persons and property	-	152,758	-	-
Transportation	-	-	-	1,751,187
Economic environment	208	401,795	42,937	-
Social Services	268,148	-	-	-
Culture and recreation	2,375,863	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and debt issue costs	-	-	-	-
Total Expenditures	2,644,219	554,553	42,937	1,751,187
Excess (deficiency) of revenues over (under) expenditures	15,811	891,683	(35,643)	(1,143,507)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	985,000
Transfers out	-	-	-	(250)
Total other financing sources (uses)	-	-	-	984,750
Net change in fund balances	15,811	891,683	(35,643)	(158,757)
Fund balances-beginning	656,333	1,110,224	907,126	755,959
Fund balances-ending	$ 672,144	$ 2,001,907	$ 871,483	$ 597,202

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

CITY OF REDMOND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	Special Revenue Funds		
	Advanced Life Support	Aid Car/ Dispatch Donations	Real Estate Excise Tax
REVENUES			
Taxes	$ -	$ -	$ 6,048,227
Licenses and Permits	-	-	-
Contributions	-	725	-
Intergovernmental	1,270	-	-
Charges for services	7,066,621	-	-
Fines and forfeitures	-	12,900	-
Investment income	-	2,807	111,890
Net change in fair value of investment	-	(943)	(254)
Miscellaneous	-	53,234	-
Total Revenues	7,067,891	68,723	6,159,863
EXPENDITURES			
Current			
Security of persons and property	6,813,392	4,147	-
Transportation	-	-	-
Economic environment	-	-	-
Social Services	-	-	-
Culture and recreation	-	-	-
Capital outlay	43,916	-	-
Debt service:			
Principal	-	-	-
Interest and debt issue costs	-	-	-
Total Expenditures	6,857,308	4,147	-
Excess (deficiency) of revenues over (under) expenditures	210,583	64,576	6,159,863
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	(9,529,805)
Total other financing sources (uses)	-	-	(9,529,805)
Net change in fund balances	210,583	64,576	(3,369,942)
Fund balances-beginning	822,663	213,459	7,519,043
Fund balances-ending	$ 1,033,246	$ 278,035	$ 4,149,101

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

CITY OF REDMOND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	Special Revenue Funds			
	Felony Seizure	Tourism	Solid Waste Recycling	Total
REVENUES				
Taxes	$ -	$ 443,111	$ -	$ 6,491,338
Licenses and Permits	-	-	-	1,549,720
Contributions	-	-	-	33,196
Intergovernmental	-	-	105,103	524,391
Charges for services	-	-	848,010	10,205,897
Fines and forfeitures	27,863	-	-	40,763
Investment income	1,377	7,904	7,242	175,593
Net change in fair value of investment	(284)	(1,923)	(2,359)	(18,857)
Miscellaneous	-	-	100	451,820
Total Revenues	28,956	449,092	958,096	19,453,861
EXPENDITURES				
Current				
Security of persons and property	34,716	-	-	7,005,013
Transportation	-	-	-	1,751,187
Economic environment	-	267,252	757,901	1,470,093
Social Services	-	-	-	268,148
Culture and recreation	-	-	-	2,375,863
Capital outlay	-	-	-	43,916
Debt service:				
Principal	-	-	-	-
Interest and debt issue costs	-	-	-	-
Total Expenditures	34,716	267,252	757,901	12,914,220
Excess (deficiency) of revenues over (under) expenditures	(5,760)	181,840	200,195	6,539,641
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	985,000
Transfers out	-	(131,256)	(29,618)	(9,690,929)
Total other financing sources (uses)	-	(131,256)	(29,618)	(8,705,929)
Net change in fund balances	(5,760)	50,584	170,577	(2,166,288)
Fund balances-beginning	133,438	640,194	667,858	13,426,297
Fund balances-ending	$ 127,678	$ 690,778	$ 838,435	$ 11,260,009

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

CITY OF REDMOND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	Debt Service Fund		Total Nonmajor Governmental Funds
	Regular Levy GO Bonds	Total	
REVENUES			
Taxes	$ 1,302,413	$ 1,302,413	$ 7,793,751
Licenses and Permits	-	-	1,549,720
Contributions	-	-	33,196
Intergovernmental	-	-	524,391
Charges for services	385,924	385,924	10,591,821
Fines and forfeitures	-	-	40,763
Investment income	31,847	31,847	207,440
Net change in fair value of investment	(5,779)	(5,779)	(24,636)
Miscellaneous	-	-	451,820
Total Revenues	1,714,405	1,714,405	21,168,266
EXPENDITURES			
Current			
Security of persons and property	-	-	7,005,013
Transportation	-	-	1,751,187
Economic environment	-	-	1,470,093
Social Services	-	-	268,148
Culture and recreation	-	-	2,375,863
Capital outlay	-	-	43,916
Debt service:			
Principal	3,455,000	3,455,000	3,455,000
Interest and debt issue costs	2,163,731	2,163,731	2,163,731
Total Expenditures	5,618,731	5,618,731	18,532,951
Excess (deficiency) of revenues over (under) expenditures	(3,904,326)	(3,904,326)	2,635,315
OTHER FINANCING SOURCES (USES)			
Transfers in	3,928,894	3,928,894	4,913,894
Transfers out	-	-	(9,690,929)
Total other financing sources (uses)	3,928,894	3,928,894	(4,777,035)
Net change in fund balances	24,568	24,568	(2,141,720)
Fund balances-beginning	2,182,564	2,182,564	15,608,861
Fund balances-ending	$ 2,207,132	$ 2,207,132	$ 13,467,141

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

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, 2017

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual	Actual 2017-2018 Biennium	Variance with Final Budget Positive (Negative)
REVENUES					
Licenses and permits	$ 101,214	$ 101,214	$ 8,440	$ 8,440	$ (92,774)
Contributions	59,490	59,490	32,471	32,471	(27,019)
Charges for services	5,053,801	5,053,801	2,291,266	2,291,266	$ (2,762,535)
Investment income	12,642	1,642	11,918	11,918	10,276
Net change in fair value of investment	-	-	(2,551)	(2,551)	(2,551)
Miscellaneous	752,010	752,010	318,486	318,486	(433,524)
Total Revenues	5,979,157	5,968,157	2,660,030	2,660,030	(3,308,127)
EXPENDITURES					
Economic Environment	-	-	208	208	(208)
Social Services	550,460	550,460	268,148	268,148	282,312
Culture and recreation	5,616,801	5,605,801	2,375,863	2,375,863	3,229,938
Total Expenditures	6,167,261	6,156,261	2,644,219	2,644,219	3,512,042
Excess (deficiency) of revenues over (under) expenditures	(188,104)	(188,104)	15,811	15,811	203,915
Net change in fund balance	(188,104)	(188,104)	15,811	15,811	203,915
Fund balance-beginning	603,292	659,318	656,333	656,333	(2,985)
Fund balance-ending	$ 415,188	$ 471,214	$ 672,144	$ 672,144	$ 200,930

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

CITY OF REDMOND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEVELOPMENT REVIEW FUND
For the year ended December 31, 2017

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual	Actual 2017-2018 Biennium	Variance with Final Budget Positive (Negative)
REVENUES					
Licenses and permits	$ 2,535,174	$ 2,535,174	$ 1,436,251	$ 1,436,251	$ (1,098,923)
Investment income	-	-	16,923	16,923	16,923
Net change in fair value of investment	-	-	(6,938)	(6,938)	(6,938)
Total Revenues	2,535,174	2,535,174	1,446,236	1,446,236	(1,088,938)
EXPENDITURES					
Security of persons and property	3,005,953	3,005,953	152,758	152,758	2,853,195
Economic Environment	271,799	271,799	401,795	401,795	(129,996)
Total Expenditures	3,277,752	3,277,752	554,553	554,553	2,723,199
Excess (deficiency) of revenues over (under) expenditures	(742,578)	(742,578)	891,683	891,683	1,634,261
Net change in fund balance	(742,578)	(742,578)	891,683	891,683	1,634,261
Fund balance-beginning	742,578	1,113,675	1,110,224	1,110,224	3,451
Fund balance-ending	$ -	$ 371,097	$ 2,001,907	$ 2,001,907	$ 1,637,712

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

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, 2017

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual	Actual 2017-2018 Biennium	Variance with Final Budget Positive (Negative)
REVENUES					
Investment income	$ -	$ -	$ 9,451	$ 9,451	$ 9,451
Net change in fair value of investment	-	-	(2,157)	(2,157)	(2,157)
Total Revenues	-	-	7,294	7,294	7,294
EXPENDITURES					
Economic Environment	341,500	341,500	42,937	42,937	298,563
Capital outlay	140,000	140,000	-	-	140,000
Total Expenditures	481,500	481,500	42,937	42,937	438,563
Excess (deficiency) of revenues over (under) expenditures	(481,500)	(481,500)	(35,643)	(35,643)	445,857
Net change in fund balance	(481,500)	(481,500)	(35,643)	(35,643)	445,857
Fund balance-beginning	820,447	910,308	907,126	907,126	(3,182)
Fund balance-ending	$ 338,947	$ 428,808	$ 871,483	$ 871,483	$ 442,675

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

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, 2017

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual	Actual 2017-2018 Biennium	Variance with Final Budget Positive (Negative)
REVENUES					
Licenses and Permits	$ 208,000	$ 208,000	$ 105,029	$ 105,029	$ (102,971)
Intergovernmental	1,119,473	1,119,473	418,018	418,018	(701,455)
Investment income	7,541	7,541	6,081	6,081	(1,460)
Net change in fair value of investment	-	-	(1,448)	(1,448)	(1,448)
Miscellaneous	-	-	80,000	80,000	80,000
Total Revenues	1,335,014	1,335,014	607,680	607,680	(727,334)
EXPENDITURES					
Transportation	3,952,523	3,959,125	1,751,187	1,751,187	2,207,938
Total Expenditures	3,952,523	3,959,125	1,751,187	1,751,187	2,207,938
Excess (deficiency) of revenues over (under) expenditures	(2,617,509)	(2,624,111)	(1,143,507)	(1,143,507)	1,480,604
OTHER FINANCING SOURCES (USES)					
Transfers in	1,980,800	1,980,800	985,000	985,000	(995,800)
Transfers out	-	-	(250)	(250)	(250)
Total other financing sources (uses)	1,980,800	1,980,800	984,750	984,750	(996,050)
Net change in fund balance	(636,709)	(643,311)	(158,757)	(158,757)	484,554
Fund balance-beginning	744,312	758,641	755,959	755,959	(2,682)
Fund balance-ending	$ 107,603	$ 115,330	$ 597,202	$ 597,202	$ 481,872

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

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, 2017

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual	Actual 2017-2018 Biennium	Variance with Final Budget Positive (Negative)
REVENUES					
Intergovernmental	$ -	$ -	$ 1,270	$ 1,270	$ 1,270
Charges for services	13,819,017	14,325,628	7,066,621	7,066,621	(7,259,007)
Total Revenues	13,819,017	14,325,628	7,067,891	7,067,891	(7,257,737)
EXPENDITURES					
Security of persons and property	13,111,646	13,599,146	6,813,392	6,813,392	6,785,754
Capital outlay	-	-	43,916	43,916	(43,916)
Total Expenditures	13,111,646	13,599,146	6,857,308	6,857,308	6,741,838
Excess (deficiency) of revenues over (under) expenditures	707,371	726,482	210,583	210,583	(515,899)
Net change in fund balance	707,371	726,482	210,583	210,583	(515,899)
Fund balance-beginning	586,138	822,663	822,663	822,663	-
Fund balance-ending	$ 1,293,509	$ 1,549,145	$ 1,033,246	$ 1,033,246	$ (515,899)

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

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, 2017

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual	Actual 2017-2018 Biennium	Variance with Final Budget Positive (Negative)
REVENUES					
Contributions	$ 8,504	$ 8,504	$ 725	$ 725	$ (7,779)
Fines and forfeitures	-	-	12,900	12,900	12,900
Investment income	3,103	3,103	2,807	2,807	(296)
Net change in fair value of investment	-	-	(943)	(943)	(943)
Miscellaneous	119,579	119,579	53,234	53,234	(66,345)
Total Revenues	131,186	131,186	68,723	68,723	(62,463)
EXPENDITURES					
Security of persons and property	40,000	40,000	4,147	4,147	35,853
Capital outlay	120,000	120,000	-	-	120,000
Total Expenditures	160,000	160,000	4,147	4,147	155,853
Excess (deficiency) of revenues over (under) expenditures	(28,814)	(28,814)	64,576	64,576	93,390
Net change in fund balance	(28,814)	(28,814)	64,576	64,576	93,390
Fund balance-beginning	242,503	214,206	213,459	213,459	(747)
Fund balance-ending	$ 213,689	$ 185,392	$ 278,035	$ 278,035	$ 92,643

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

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, 2017

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual	Actual 2017-2018 Biennium	Variance with Final Budget Positive (Negative)
REVENUES					
Taxes	$ 9,400,000	$ 9,400,000	$ 6,048,227	$ 6,048,227	$ (3,351,773)
Investment income	30,000	30,000	111,890	111,890	81,890
Net change in fair value of investment	-	-	(254)	(254)	(254)
Total Revenues	9,430,000	9,430,000	6,159,863	6,159,863	(3,270,137)
OTHER FINANCING SOURCES (USES)					
Transfers out	(12,330,000)	(15,380,000)	(9,529,805)	(9,529,805)	5,850,195
Total other financing sources (uses)	(12,330,000)	(15,380,000)	(9,529,805)	(9,529,805)	5,850,195
Net change in fund balance	(2,900,000)	(5,950,000)	(3,369,942)	(3,369,942)	2,580,058
Fund balance-beginning	4,372,308	7,541,816	7,519,043	7,519,043	(22,773)
Fund balance-ending	$ 1,472,308	$ 1,591,816	$ 4,149,101	$ 4,149,101	$ 2,557,285

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

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, 2017

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual	Actual 2017-2018 Biennium	Variance with Final Budget Positive (Negative)
REVENUES					
Fines and forfeitures	$ 6,000	$ 6,000	$ 27,863	$ 27,863	$ 21,863
Investment income	1,200	1,200	1,377	1,377	177
Net change in fair value of investment	-	-	(284)	(284)	(284)
Total Revenues	7,200	7,200	28,956	28,956	21,756
EXPENDITURES					
Security of persons and property	-	-	34,716	34,716	(34,716)
Total Expenditures	-	-	34,716	34,716	(34,716)
Excess (deficiency) of revenues over (under) expenditures	7,200	7,200	(5,760)	(5,760)	(12,960)
Net change in fund balance	7,200	7,200	(5,760)	(5,760)	(12,960)
Fund balance-beginning	44,265	133,933	133,438	133,438	(495)
Fund balance-ending	$ 51,465	$ 141,133	$ 127,678	$ 127,678	$ (13,455)

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

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, 2017

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual	Actual 2017-2018 Biennium	Variance with Final Budget Positive (Negative)
REVENUES					
Taxes	$ 1,009,221	$ 1,009,221	$ 443,111	$ 443,111	$ (566,110)
Investment income	6,031	6,031	7,904	7,904	1,873
Net change in fair value of investment	-	-	(1,923)	(1,923)	(1,923)
Total Revenues	1,015,252	1,015,252	449,092	449,092	(566,160)
EXPENDITURES					
Economic development	444,980	444,980	267,252	267,252	177,728
Capital Outlay	-	-	-	-	-
Total Expenditures	444,980	444,980	267,252	267,252	177,728
Excess (deficiency) of revenues over (under) expenditures	570,272	570,272	181,840	181,840	(388,432)
OTHER FINANCING SOURCES (USES)					
Transfers out	(309,309)	(309,309)	(131,256)	(131,256)	178,053
Total other financing sources (uses)	(309,309)	(309,309)	(131,256)	(131,256)	178,053
Net change in fund balance	260,963	260,963	50,584	50,584	(210,379)
Fund balance-beginning	672,491	642,720	640,194	640,194	(2,526)
Fund balance-ending	$ 933,454	$ 903,683	$ 690,778	$ 690,778	$ (212,905)

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

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, 2017

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual	Actual 2017-2018 Biennium	Variance with Final Budget Positive (Negative)
REVENUES					
Intergovernmental	$ 230,390	$ 230,390	$ 105,103	$ 105,103	$ (125,287)
Charges for services	1,679,730	1,679,730	848,010	848,010	(831,720)
Investment income	5,575	5,575	7,242	7,242	1,667
Net change in fair value of investment	-	-	(2,359)	(2,359)	(2,359)
Miscellaneous	-	-	100	100	100
Total Revenues	1,915,695	1,915,695	958,096	958,096	(957,599)
EXPENDITURES					
Economic environment	1,925,697	1,925,697	757,901	757,901	1,167,796
Capital outlay	18,250	18,250	-	-	18,250
Total Expenditures	1,943,947	1,943,947	757,901	757,901	1,186,046
Excess (deficiency) of revenues over (under) expenditures	(28,252)	(28,252)	200,195	200,195	228,447
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	(29,618)	(29,618)	(29,618)
Total other financing sources (uses)	-	-	(29,618)	(29,618)	(29,618)
Net change in fund balance	(28,252)	(28,252)	170,577	170,577	198,829
Fund balance-beginning	650,086	667,858	667,858	667,858	-
Fund balance-ending	$ 621,834	$ 639,606	$ 838,435	$ 838,435	$ 198,829

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

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, 2017

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual	Actual 2017-2018 Biennium	Variance with Final Budget Positive (Negative)
REVENUES					
Taxes	$ 2,636,084	$ 2,636,084	$ 1,302,413	$ 1,302,413	$ (1,333,671)
Charges for services	771,465	771,465	385,924	385,924	(385,541)
Investment income	20,824	20,824	31,847	31,847	11,023
Net change in fair value of investment	-	-	(5,779)	(5,779)	(5,779)
Miscellaneous	-	-	-	-	-
Total Revenues	3,428,373	3,428,373	1,714,405	1,714,405	(1,713,968)
EXPENDITURES					
Principal	8,053,100	8,053,100	3,455,000	3,455,000	4,598,100
Interest	3,183,592	3,183,592	2,163,731	2,163,731	1,019,861
Total Expenditures	11,236,692	11,236,692	5,618,731	5,618,731	5,617,961
Excess (deficiency) of revenues over (under) expenditures	(7,808,319)	(7,808,319)	(3,904,326)	(3,904,326)	3,903,993
OTHER FINANCING SOURCES (USES)					
Transfers in	7,827,312	7,827,312	3,928,894	3,928,894	(3,898,418)
Total other financing sources (uses)	7,827,312	7,827,312	3,928,894	3,928,894	(3,898,418)
Net change in fund balance	18,993	18,993	24,568	24,568	5,575
Fund balance-beginning	226,109	2,190,199	2,182,564	2,182,564	(7,635)
Fund balance-ending	$ 245,102	$ 2,209,192	$ 2,207,132	$ 2,207,132	$ (2,060)

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

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, 2017

	Original Budget 2017-2018	Final Budget 2017-2018	2017 Actual	Actual 2017-2018 Biennium	Variance with Final Budget Positive (Negative)
REVENUES					
Intergovernmental	$ 27,971,972	$ 27,971,972	$ 10,623,719	$ 10,623,719	$ (17,348,253)
Contributions	15,379,004	15,379,004	-	-	(15,379,004)
Charges for services	6,200,000	6,200,000	4,342,456	4,342,456	(1,857,544)
Investment income	458,379	458,379	384,438	384,438	(73,941)
Net change in fair value of investment	-	-	(182,464)	(182,464)	(182,464)
Miscellaneous	334,156	6,856,556	4,545,992	4,545,992	(2,310,564)
Total Revenues	50,343,511	56,865,911	19,714,141	19,714,141	(37,151,770)
EXPENDITURES					
Current					
General government	6,209,180	7,809,180	1,737	1,737	7,807,443
Culture and recreation	15,916,176	15,916,176	-	-	15,916,176
Capital outlay	-	84,964,782	27,418,223	27,418,223	57,546,559
Debt service					
Principal	-	-	735,000	735,000	(735,000)
Interest	-	-	162,788	162,788	(162,788)
Total Expenditures	22,125,356	108,690,138	28,317,748	28,317,748	80,372,390
Excess (deficiency) of revenues over (under) expenditures	28,218,155	(51,824,227)	(8,603,607)	(8,603,607)	43,220,620
OTHER FINANCING SOURCES (USES)					
Transfers in	22,727,018	24,327,018	13,197,635	13,197,635	(11,129,383)
Transfers out	(5,200,000)	(20,818,000)	(8,637,905)	(8,637,905)	12,180,095
Total other financing sources and uses	17,527,018	3,509,018	4,559,730	4,559,730	1,050,712
Net change in fund balance	45,745,173	(48,315,209)	(4,043,877)	(4,043,877)	44,271,332
Fund balance-beginning	15,985,789	74,200,983	33,355,567	33,355,567	(40,845,416)
Fund balance-ending	$ 61,730,962	$ 25,885,774	$ 29,311,690	$ 29,311,690	$ 3,425,916

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

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, 2017

	Fleet Maintenance	Insurance	Medical Self-Insurance
ASSETS			
Current assets:			
Cash and cash equivalents	$ 851,303	$ 125,466	$ 1,794,238
Investments	4,187,309	617,251	8,827,075
Receivables:			
Accounts and contracts	-	-	-
Interest	13,336	1,965	28,100
Inventory	39,700	-	-
Prepaid Insurance	-	511,835	-
Total current assets	5,091,648	1,256,517	10,649,413
Noncurrent assets:			
Land and land rights	584,292	-	-
Construction in progress	104,633	-	-
Buildings	510,196	-	-
Improvements other than buildings	248,876	-	-
Equipment	13,071,938	-	-
Less accumulated depreciation	(9,045,362)	-	-
Total capital assets (net of depreciation)	5,474,573	-	-
Total noncurrent assets	5,474,573	-	-
Total Assets	10,566,221	1,256,517	10,649,413
Deferred outflow of resources:			
Pension GASB 68	49,169	4,764	60
Total deferred outflows	49,169	4,764	60
Total assets and deferred outflows	10,615,390	1,261,281	10,649,473
LIABILITIES			
Current liabilities:			
Accounts payable	41,130	44,082	1,388,924
Employee wages payable	33,671	3,218	122
Compensated absences	48,864	7,529	-
Due to other governments	149	-	-
Total current liabilities	123,814	54,829	1,389,046
Noncurrent liabilities:			
Compensated absences	12,216	1,882	-
Net Pension Liability	315,137	32,714	850
Total noncurrent liabilities	327,353	34,596	850
Total Liabilities	451,167	89,425	1,389,896
Deferred inflow of resources:			
Pension GASB 68	57,170	6,762	326
Total deferred inflows	57,170	6,762	326
Total liabilities and deferred inflows	508,337	96,187	1,390,222
NET POSITION			
Net investment in capital assets	5,474,573	-	
Unrestricted	4,632,480	1,165,094	9,259,251
Total net position	$ 10,107,053	$ 1,165,094	$ 9,259,251

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, 2017

	Workers' Compensation	Information Technology	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 894	$ 277,222	$ 3,049,123
Investments	4,398	1,364,669	15,000,702
Receivables:			
Accounts and contracts	500,000	-	500,000
Interest	14	4,344	47,759
Inventory	-	-	39,700
Prepaid Insurance	-	-	511,835
Total current assets	505,306	1,646,235	19,149,119
Noncurrent assets:			
Land and land rights	-	-	584,292
Construction in progress	-	113,519	218,152
Buildings	-	205,590	715,786
Improvements other than buildings	-	107,322	356,198
Equipment	-	843,134	13,915,072
Less accumulated depreciation	-	(464,765)	(9,510,127)
Total capital assets (net of depreciation)	-	804,800	6,279,373
Total noncurrent assets	-	804,800	6,279,373
Total Assets	505,306	2,451,035	25,428,492
Deferred outflow of resources:			
Pension GASB 68	14,623	238,099	306,715
Total deferred outflows	14,623	238,099	306,715
Total assets and deferred outflows	519,929	2,689,134	25,735,207
LIABILITIES			
Current liabilities:			
Accounts payable	383,818	124,271	1,982,225
Employee wages payable	5,320	141,824	184,155
Compensated absences	7,306	204,332	268,031
Due to other governments	44,314	-	44,463
Total current liabilities	440,758	470,427	2,478,874
Noncurrent liabilities:			
Compensated absences	1,826	51,083	67,007
Net Pension Liability	73,576	1,696,595	2,118,872
Total noncurrent liabilities	75,402	1,747,678	2,185,879
Total Liabilities	516,160	2,218,105	4,664,753
Deferred inflow of resources:			
Pension GASB 68	2,779	342,710	409,747
Total deferred inflows	2,779	342,710	409,747
Total liabilities and deferred inflows	518,939	2,560,815	5,074,500
NET POSITION			
Net investment in capital assets	-	804,800	6,279,373
Unrestricted	990	(676,481)	14,381,334
Total net position	$ 990	$ 128,319	$ 20,660,707

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, 2017

	Fleet Maintenance	Insurance	Medical Self-Insurance
Operating revenues:			
Charges for services	$ 71,346	$ 1,052,622	$ 11,538,894
Charges for replacement	2,225,023	-	-
Charges for insurance	-	-	-
Total operating revenues	2,296,369	1,052,622	11,538,894
Operating expenses:			
Supplies	526,797	-	-
Maintenance and operations	992,186	1,230,602	12,299,353
Depreciation and amortization	745,502	-	-
Total Operating Expenses	2,264,485	1,230,602	12,299,353
Operating income (loss)	31,884	(177,980)	(760,459)
Nonoperating revenues (expenses):			
Interest and investment revenue	54,698	9,919	114,150
Net change in fair value of the investment	(11,576)	(1,290)	(29,043)
Gain (loss) on disposal of capital assets	20,688	-	-
Insurance recovery	-	15,203	422,697
Lease and other revenue	153,383	-	244,923
Total nonoperating revenues (expenses)	217,193	23,832	752,727
Income (loss) before contributions and transfers	249,077	(154,148)	(7,732)
Transfers in	-	-	-
Change in net position	249,077	(154,148)	(7,732)
Total net position - beginning, as previously reported	9,857,976	1,319,242	9,266,983
Total net position - ending	$ 10,107,053	$ 1,165,094	$ 9,259,251

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, 2017

	Workers' Compensation	Information Technology	Total
Operating revenues:			
Charges for services	$ -	$ 6,420,617	$ 19,083,479
Charges for replacement	-	-	2,225,023
Charges for insurance	931,681	-	931,681
Total operating revenues	931,681	6,420,617	22,240,183
Operating expenses:			
Supplies	950	125,311	653,058
Maintenance and operations	2,218,903	5,694,102	22,435,146
Depreciation and amortization	-	109,713	855,215
Total Operating Expenses	2,219,853	5,929,126	23,943,419
Operating income (loss)	(1,288,172)	491,491	(1,703,236)
Nonoperating revenues (expenses):			
Interest and investment revenue	989	15,455	195,211
Net change in fair value of the investment	3,368	(5,249)	(43,790)
Gain (loss) on disposal of capital assets	-	(5,963)	14,725
Insurance recovery	500,000	-	937,900
Lease and other revenue	-	-	398,306
Total nonoperating revenues (expenses)	504,357	4,243	1,502,352
Income (loss) before contributions and transfers	(783,815)	495,734	(200,884)
Transfers in	159,480	-	159,480
Change in net position	(624,335)	495,734	(41,404)
Total net position - beginning, as previously reported	625,325	(367,415)	20,702,111
Total net position - ending	$ 990	$ 128,319	$ 20,660,707

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, 2017

	Fleet Maintenance	Insurance	Medical Self-Insurance
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 71,346	$ 1,052,622	$ 11,538,894
Cash received for replacement	2,225,023	-	-
Cash payments to suppliers	(667,781)	(1,166,831)	(62,891)
Cash payments to employees	(662,933)	(68,018)	(11,778,262)
Cash payments to other governments	149	-	-
Internal activity - payments to other funds	(192,685)	(18,627)	-
Other operating receipts	(29,606)	12,060	667,544
Net cash provided (used) by operating activities	743,513	(188,794)	365,285
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in/transfers out	-	-	-
Net cash provided by noncapital financing activities	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(1,357,880)	-	-
Proceeds from sale of other assets	152,770	-	-
Net cash provided (used) for capital and related financing activities	(1,205,110)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Internal activity, net investment purchases	223,433	128,975	(597,857)
Interest on investments	42,510	8,817	80,753
Net cash provided (used) in investing activities	265,943	137,792	(517,104)
Net increase (decrease) in cash and cash equivalents	(195,654)	(51,002)	(151,819)
Cash and cash equivalents-beginning of year	1,046,957	176,468	1,946,057
Cash and cash equivalents-end of year	$ 851,303	$ 125,466	$ 1,794,238
Cash and cash equivalents			
Operating fund cash	851,303	125,466	1,794,238
Cash and cash equivalents-end of year	$ 851,303	$ 125,466	$ 1,794,238
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	$ 31,884	$ (177,980)	$ (760,459)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	745,502	-	-
Decrease (increase) in accounts receivable	-	-	-
Decrease (increase) in inventory	(3,815)	-	-
Decrease (increase) in prepaid expenses	-	(33,427)	-
Increase (decrease) in accounts payable	(7,652)	6,161	458,078
Increase (decrease) due to other governments	149	-	-
Increase (decrease) in employee wages payable	7,901	1,022	122
Increase (decrease) in compensated absences payable	(850)	3,370	-
Increase (decrease) in GASB 68 pension adjustment	(30,219)	(3,143)	(76)
Reclassify other income	613	15,203	667,620
Net cash provided (used) by operating activities	$ 743,513	$ (188,794)	$ 365,285
Noncash investing, capital and financing activities:			
Fair value of investments decreased by	(33,437)	(4,929)	(70,486)

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, 2017

	Worker's Compensation	Information Technology	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 431,681	$ 6,420,617	$ 19,515,160
Cash received for replacement	-	-	2,225,023
Cash payments to suppliers	(69,716)	(2,530,810)	(4,498,029)
Cash payments to employees	(1,964,227)	(3,014,440)	(17,487,880)
Cash payments to other governments	(5,685)	-	(5,536)
Internal activity - payments to other funds	(18,031)	(370,056)	(599,399)
Other operating receipts	495,510	(137,176)	1,008,332
Net cash provided (used) by operating activities	(1,130,468)	368,135	157,671
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Nonoperating transfers in/transfers out	159,480	-	159,480
Net cash provided by noncapital financing activities	159,480	-	159,480
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(91,152)	(1,449,032)
Proceeds from sale of other assets	-	-	152,770
Net cash provided (used) for capital and related financing activities	-	(91,152)	(1,296,262)
CASH FLOWS FROM INVESTING ACTIVITIES			
Internal activity, net investment purchases	779,823	(267,712)	266,662
Interest on investments	6,606	9,027	147,713
Net cash provided (used) in investing activities	786,429	(258,685)	414,375
Net increase (decrease) in cash and cash equivalents	(184,559)	18,298	(564,736)
Cash and cash equivalents-beginning of year	185,453	258,924	3,613,859
Cash and cash equivalents-end of year	$ 894	$ 277,222	$ 3,049,123
Cash and cash equivalents			
Operating fund cash	894	277,222	3,049,123
Cash and cash equivalents-end of year	$ 894	$ 277,222	$ 3,049,123
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	$ (1,288,172)	$ 491,491	$ (1,703,236)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	-	109,713	855,215
Decrease (increase) in accounts receivable	(500,000)	-	(500,000)
Decrease (increase) in inventory	-	-	(3,815)
Decrease (increase) in prepaid expenses	-	-	(33,427)
Increase (decrease) in accounts payable	165,435	(172,889)	449,133
Increase (decrease) due to other governments	(5,685)	-	(5,536)
Increase (decrease) in employee wages payable	1,067	21,170	31,282
Increase (decrease) in compensated absences payable	1,377	55,826	59,723
Increase (decrease) in GASB 68 pension adjustment	(4,490)	(137,176)	(175,104)
Other non-operating revenues (expenses)	500,000	-	1,183,436
Net cash provided (used) by operating activities	$ (1,130,468)	$ 368,135	$ 157,671
Noncash investing, capital and financing activities:			
Fair value of investments decreased by	(35)	(10,897)	(119,784)

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, 2017

	Inter-Governmental Custodial	MEBT	Contractor's Deposits	Total
ASSETS				
Cash and cash equivalents	$ 17,461	$ 71,062	$ 629,239	$ 717,762
Accounts receivable	114	-	-	114
Investments	86,590	352,395	86,480	525,465
Total assets	$ 104,165	$ 423,457	$ 715,719	$ 1,243,341
LIABILITIES				
Due to other governments	$ 104,165	$ -	$ -	$ 104,165
Custodial	-	423,457	-	423,457
Trust account	-	-	715,719	715,719
Total liabilities	$ 104,165	$ 423,457	$ 715,719	$ 1,243,341

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

CITY OF REDMOND
COMBINING STATEMENT OF CHANGES
IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended December 31, 2017

	1/1/17 BALANCE	ADDITIONS	DELETIONS	12/31/17 BALANCE
INTERGOVERNMENTAL CUSTODIAL				
ASSETS				
Cash and cash equivalents	$ 135,975	$ 1,937,646	$ 2,056,160	$ 17,461
Investments	576,964	86,590	576,964	86,590
Accounts receivable	5,608	13,752	19,246	114
Total Assets	$ 718,547	$ 2,037,988	$ 2,652,370	$ 104,165
LIABILITIES				
Accounts payable	$ -	$ -	$ -	$ -
Due to other governments	718,547	2,553,710	3,168,092	104,165
Total Liabilities	$ 718,547	$ 2,553,710	$ 3,168,092	$ 104,165
MEBT				
ASSETS				
Cash and cash equivalents	$ 80,791	$ 9,324,786	$ 9,334,515	$ 71,062
Investments	342,809	352,395	342,809	352,395
Total Assets	$ 423,600	$ 9,677,181	$ 9,677,324	$ 423,457
LIABILITIES				
Custodial	$ 423,600	$ 9,801,078	$ 9,801,221	$ 423,457
Total Liabilities	$ 423,600	$ 9,801,078	$ 9,801,221	$ 423,457
CONTRACTORS DEPOSIT				
ASSETS				
Cash and cash equivalents	$ 1,205,915	$ 212,053	$ 788,729	$ 629,239
Investments	63,808	86,480	63,808	86,480
Total Assets	$ 1,269,723	$ 298,533	$ 852,537	$ 715,719
LIABILITIES				
Trust account	$ 1,269,723	$ 338,829	$ 892,833	$ 715,719
Accounts payable	-	-	-	-
Total Liabilities	$ 1,269,723	$ 338,829	$ 892,833	$ 715,719
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	$ 1,422,681	$ 11,474,485	$ 12,179,404	$ 717,762
Investments	983,581	525,465	983,581	525,465
Accounts receivable	5,608	13,752	19,246	114
Total Assets	$ 2,411,870	$ 12,013,702	$ 13,182,231	$ 1,243,341
LIABILITIES				
Accounts payable	$ -	$ -	$ -	$ -
Due to other governments	718,547	2,553,710	3,168,092	104,165
Custodial	423,600	9,801,078	9,801,221	423,457
Trust accounts	1,269,723	338,829	892,833	715,719
Total Liabilities	$ 2,411,870	$ 12,693,617	$ 13,862,146	$ 1,243,341

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

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, 2017 and 2016

	2017	2016
Governmental funds capital assets:		
Land	$ 141,230,782	$ 133,745,387
Buildings	85,541,996	75,586,091
Improvements other than buildings	35,202,723	34,268,448
Machinery and equipment	19,349,410	19,019,422
Artwork	548,878	548,878
Infrastructure	301,078,847	273,895,893
Construction in progress	21,027,575	29,484,570
Total governmental funds capital assets	$ 603,980,211	$ 566,548,689
Investments in governmental funds capital assets by source:		
General fund	$ 357,363,670	$ 333,601,295
Special revenue funds	9,379,537	9,345,121
Impact fees	60,372,375	50,123,406
Federal grants	34,229,809	26,684,657
General obligation bonds	73,669,373	80,669,373
Private gifts	68,965,447	66,124,837
Total governmental funds capital assets	$ 603,980,211	$ 566,548,689

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, 2017

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment
General government				
Finance	$ -	$ -	$ -	$ 3,934,808
Planning	-	-	999,239	1,296,411
General government	51,533,626	37,993,140	8,075,876	(1,432,582)
Public works/general	2,619,673	2,592,361	319,688	291,495
Total general government	54,153,299	40,585,501	9,394,803	4,090,132
Security				
Police	-	17,182,112	92,458	2,245,499
Fire	3,263,488	17,930,731	287,807	11,934,840
Total security	3,263,488	35,112,843	380,265	14,180,339
Transportation	45,460,834	-	-	394,883
Culture and recreation				
Parks and recreation	38,246,348	8,021,127	25,227,655	650,397
Senior center	106,814	1,822,525	200,000	33,660
Total culture and recreation	38,353,162	9,843,652	25,427,655	684,057
Total governmental funds capital assets	$ 141,230,783	$ 85,541,996	$ 35,202,723	$ 19,349,411

CITY OF REDMOND
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
December 31, 2017

Function and Activity	Artwork	Infrastructure	Construction in Progress	Total
General government				
Finance	$ -	$ -	$ -	$ 3,934,808
Planning	-	-	1,465,164	3,760,814
General government	92,998	15,154,300	(17,221,514)	94,195,844
Public works/general	-	-	(13,194,867)	(7,371,650)
Total general government	92,998	15,154,300	(28,951,217)	94,519,816
Security				
Police	-	-	10,638,930	30,158,999
Fire	-	-	165,157	33,582,023
Total security	-	-	10,804,087	63,741,022
Transportation	-	277,436,021	24,605,130	347,896,868
Culture and recreation				
Parks and recreation	455,879	8,488,525	14,569,575	95,659,506
Senior center	-	-	-	2,162,999
Total culture and recreation	455,879	8,488,525	14,569,575	97,822,505
Total governmental funds capital assets	$ 548,877	$ 301,078,846	$ 21,027,575	$ 603,980,211

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, 2017

Function and Activity	Governmental Funds Capital Assets 1-1-2017	Additions	Deductions	Governmental Funds Capital Assets 12-31-2017
General government				
Finance	$ 3,749,428	$ 185,380	$ -	$ 3,934,808
Planning	1,639,394	2,121,420	-	3,760,814
General government	85,748,798	7,390,574	297,629	92,841,743
Public works/general	4,646,926	1,403,474	12,067,949	(6,017,549)
Total general government	95,784,546	11,100,848	12,365,578	94,519,816
Security				
Police	20,344,678	9,814,321	-	30,158,999
Fire	33,444,137	167,242	29,356	33,582,023
Total security	53,788,815	9,981,563	29,356	63,741,022
Transportation	327,431,629	45,782,575	25,317,337	347,896,867
Culture and recreation				
Parks and recreation	87,380,700	9,508,543	1,229,736	95,659,507
Senior center	2,162,999	-	-	2,162,999
Total culture and recreation	89,543,699	9,508,543	1,229,736	97,822,506
Total governmental funds capital assets	$ 566,548,689	$ 76,373,529	$ 38,942,007	$ 603,980,211

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 **119**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity **125**

These schedules contain information to help the reader assess the City's tax revenue sources.

Debt Capacity **130**

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.

Demographic and Economic Information **137**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information **139**

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.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Schedule 1

Net Position by Component (in thousands)
Last Ten Fiscal Years
Accrual Basis of Accounting

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	$ 238,895	$ 256,114	$ 257,663	$ 266,802	$ 276,636	$ 281,614	$ 292,662	$ 334,538	$ 366,768	$ 396,280
Restricted	24,203	25,938	29,689	24,278	23,862	32,721	33,146	42,938	85,499	96,170
Unrestricted	77,758	83,798	57,264	60,788	59,691	55,938	56,107	27,885	41,138	34,976
Total governmental activities net position	$ 340,856	$ 365,850	$ 344,616	$ 351,868	$ 360,189	$ 370,273	$ 381,915	$ 405,361	$ 493,405	$ 527,426
Business-type activities										
Net investment in capital assets	$ 228,193	$ 234,272	$ 242,798	$ 256,195	$ 264,018	$ 282,586	$ 287,209	$ 304,494	$ 312,718	$ 329,089
Restricted	7,686	1,372	2,221	2,221	3,367	3,851	6,917	6,917	8,917	8,917
Unrestricted	37,126	48,280	51,970	50,415	57,802	58,123	70,999	67,158	76,141	80,326
Total business-type activities net position	$ 273,005	$ 283,924	$ 296,989	$ 308,831	$ 325,187	$ 344,560	$ 365,125	$ 378,569	$ 397,776	$ 418,332
Primary government										
Net investment in capital assets	$ 467,088	$ 490,386	$ 500,461	$ 522,997	$ 540,654	$ 564,200	$ 579,871	$ 639,032	$ 679,486	$ 725,369
Restricted	31,889	27,310	31,910	49,458	27,229	36,572	40,063	49,855	94,416	105,087
Unrestricted	114,884	132,078	109,234	88,244	117,493	114,061	127,106	95,043	117,279	115,302
Total primary government net position	$ 613,861	$ 649,774	$ 641,605	$ 660,699	$ 685,376	$ 714,833	$ 747,040	$ 783,930	$ 891,181	$ 945,758

Schedule 2

Changes in Net Position (in thousands)
Last Ten Fiscal Years
Accrual Basis of Accounting

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	$ 14,823	$ 18,222	$ 19,571	$ 22,195	$ 16,791	$ 18,474	$ 16,852	$ 21,021	$ 22,767	$ 24,771
Security	40,940	40,319	36,764	37,563	45,901	46,494	46,622	49,832	53,615	55,314
Physical Environment	3,962	3,763	5,283	4,382	3,197	2,991	2,950	286	-	-
Economic environment	3,689	4,664	5,719	5,155	4,979	4,738	4,984	5,851	6,509	8,099
Transportation	16,502	16,530	42,052	13,093	14,695	12,240	12,645	13,339	13,327	14,882
Mental/physical health	97	12	13	890	-	-	-	-	-	-
Culture and Recreation	11,104	11,103	14,457	12,819	12,080	12,677	12,754	12,358	12,065	14,998
Interest on long-term debt	2,045	1,891	1,813	3,506	3,310	2,433	2,837	2,731	2,615	2,531
Total governmental activities expenses	93,162	96,504	125,672	99,603	100,953	100,047	99,644	105,418	110,898	120,595
Business-type activities:										
Water/wastewater	26,467	27,085	25,191	27,519	28,397	30,505	31,032	32,592	34,227	33,790
UPD Water/wastewater	5,908	4,963	5,542	5,752	6,121	5,988	5,981	5,900	5,887	6,474
Stormwater	6,580	6,746	6,407	7,061	7,249	6,935	7,581	7,989	9,216	10,021
Total business-type activities net position	38,955	38,794	37,140	40,332	41,767	43,428	44,594	46,481	49,330	50,285
Total primary government expenses	$ 132,117	$ 135,298	$ 162,812	$ 139,935	$ 142,720	$ 143,475	$ 144,238	$ 151,899	$ 160,228	$ 170,880
Program Revenues										
Governmental activities:										
Charges for services:										
General government	$ 3,066	$ 3,198	$ 3,355	$ 8,640	$ 3,738	$ 3,416	$ 3,331	$ 3,114	$ 3,122	$ 2,982
Security	13,881	15,764	13,776	15,825	16,450	15,566	15,140	17,993	16,442	16,999
Physical Environment	379	421	468		590	1,032	1,025	553	-	-
Economic environment	14,256	16,573	9,132	3,491	13,487	14,649	14,857	15,142	24,642	20,050
Transportation	433	13	11	2,971	1,129	1,203	1,242	392	372	583
Culture and Recreation	1,793	2,050	2,171	3,351	2,555	2,284	2,587	2,713	2,651	2,671
Operating grants and contributions	7,383	2,830	8,334	760	4,571	1,350	1,718	1,898	3,841	5,360
Capital grants and contributions	5,240	19,834	3,419	2,513	1,648	3,180	4,147	3,913	5,003	10,623
Total governmental activities program revenues	46,431	60,683	40,666	37,551	44,168	42,680	44,047	45,718	56,073	59,268

Schedule 2 (continued)

Changes in Net Position (in thousands)
Last Ten Fiscal Years
Accrual Basis of Accounting

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-type activities:										
Charges for services:										
Water/wastewater	24,960	26,577	25,451	27,977	29,688	32,747	33,055	35,637	35,665	38,563
UPD Water/wastewater	5,098	4,829	5,362	5,850	6,600	6,682	6,798	6,947	6,428	7,264
Stormwater	10,715	10,656	11,002	11,154	11,117	11,494	11,737	11,961	12,393	13,937
Operating grants and contributions	19	58	602	599	1,194	5,013	5,678	2,671	787	1,342
Capital grants and contributions	20,735	6,681	7,060	6,403	9,449	6,900	8,442	8,433	13,779	6,677
Total business-type activities program revenues	61,527	48,801	49,477	51,983	58,048	62,836	65,710	65,649	69,052	67,783
Total primary government program revenues	$ 107,958	$ 109,484	$ 90,143	$ 89,534	$ 102,216	$ 105,516	$ 109,757	$ 111,367	$ 125,125	$ 127,051
Net (Expense)/Revenue										
Governmental activities	$ (46,733)	$ (35,821)	$ (85,007)	$ (62,080)	$ (56,786)	$ (57,368)	$ (55,597)	$ (59,700)	$ (54,825)	$ (61,327)
Business-type activities	22,571	10,007	12,337	11,180	16,280	19,408	21,116	19,168	19,722	17,498
Total primary government net expense	(24,162)	(25,814)	(72,670)	(50,900)	(40,506)	(37,960)	(34,481)	(40,532)	(35,103)	(43,829)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property taxes	18,589	19,446	20,930	21,978	22,611	22,234	22,817	23,564	23,967	25,303
Sales taxes	20,675	18,996	19,038	24,895	20,722	22,584	22,131	25,385	27,979	27,398
Other	19,578	19,263	18,664	19,338	20,221	20,473	19,396	23,170	24,490	22,807
Investment interest	4,087	2,087	1,114	937	632	162	836	765	1,896	1,303
Miscellaneous	1,121	1,008	4,103	2,063	1,049	1,991	1,136	1,682	18,217	11,524
Contribution/disposal of capital assets	121	14	(76)	88	118	7	922	3,198	14,775	8,613
Transfers	-	-	-	-	-	-	-	-	-	(3,346)
Total governmental activities	64,171	60,814	63,773	69,299	65,353	67,451	67,238	77,764	111,324	93,602
Business-type activities:										
Investment interest	1,740	737	623	519	(9)	227	400	434	(690)	(485)
Miscellaneous	140	176	105	143	177	(262)	(950)	(694)	175	197
Transfers	-	-	-	-	-	-	-	-	-	3,346
Total business-type activities	1,880	913	728	662	168	(35)	(550)	(260)	(515)	3,058
Total primary government	$ 66,051	$ 61,727	$ 64,501	$ 69,961	$ 65,521	$ 67,416	$ 66,688	$ 77,504	$ 110,809	$ 96,660
Change in Net Position										
Governmental activities	$ 17,439	$ 24,994	$ (21,234)	$ 7,252	$ 8,566	$ 10,084	$ 11,641	$ 18,064	$ 56,499	$ 32,275
Business-type activities	24,452	10,919	13,065	11,842	16,449	19,373	20,566	18,908	19,207	20,556
Total primary government	$ 41,891	$ 35,913	$ (8,169)	$ 19,094	$ 25,015	$ 29,457	$ 32,207	$ 36,972	$ 75,706	$ 52,831

Schedule 3

Fund Balances, Governmental Funds (in thousands)
Last Ten Fiscal Years
Modified Accrual Basis of Accounting

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved	16,177	6,489	4,504	-	-	-	-	-	-	-
Nonspendable**	-	-	-	-	-	-	-	-	-	-
Spendable**:										
Restricted	-	-	-	6,139	7,087	7,083	7,380	7,106	6,379	7,424
Committed	-	-	-	16,689	8,266	8,997	8,947	9,442	6,462	8,159
Assigned	-	-	-	-	11,472	12,364	10,166	11,019	11,937	11,435
Unassigned	-	-	-	11,105	11,977	8,792	8,324	9,601	13,781	12,309
Total*	$ 16,177	$ 6,489	$ 4,504	$ 33,933	$ 38,802	$ 37,236	$ 34,817	$ 37,168	$ 38,559	$ 39,327
All Other Governmental Funds										
Reserved	$ 1,526	$ 1,244	$ 273	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved, reported in:										
Special revenue funds	38,603	31,914	27,499	-	-	-	-	-	-	-
Capital projects funds	47,384	61,866	47,277	-	-	-	-	-	-	-
Nonspendable**	-	-	-	-	-	-	-	-	-	-
Spendable**:										
Restricted	-	-	-	20,752	16,775	25,638	25,220	24,163	24,696	23,671
Committed	-	-	-	23,029	-	1,222	1,014	1,437	1,767	2,674
Assigned	-	-	-	-	20,542	16,929	18,777	12,109	22,502	16,434
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds*:	$ 87,513	$ 95,024	$ 75,049	$ 43,781	$ 37,317	$ 43,789	$ 45,011	$ 37,709	$ 48,965	$ 42,779

*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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	$ 58,256	$ 57,101	$ 57,958	$ 66,211	$ 63,555	$ 65,291	$ 64,344	$ 72,119	$ 76,436	$ 75,508
Licenses and permits	8,297	7,057	6,523	6,510	7,509	8,871	9,168	10,924	11,693	13,333
Contributions from property owners	2,629	10,554	6,474	270	987	518	470	173	169	173
Intergovernmental	18,077	26,569	18,465	18,404	19,999	19,907	21,669	7,361	8,675	15,811
Charges for services	12,325	15,448	8,880	9,860	13,046	12,571	12,102	26,631	34,891	29,268
Fines and forfeitures	864	1,053	1,038	2,204	1,952	812	637	629	645	683
Investment income	3,752	2,237	1,238	856	514	(18)	525	466	757	784
Miscellaneous	1,298	1,045	601	972	917	611	1,463	915	2,063	5,372
Total revenues	105,498	121,064	101,177	105,287	108,479	108,563	110,378	119,218	135,329	140,932
Expenditures										
General government	13,785	18,087	15,132	12,943	14,948	15,391	14,621	16,414	16,277	19,412
Security (persons/property)	39,775	43,229	41,858	42,191	44,126	44,583	47,251	51,181	51,947	54,057
Physical environment	3,817	3,728	3,475	4,405	3,098	3,038	3,249	657	-	-
Transportation	6,685	9,260	6,552	8,200	8,958	8,097	8,063	10,045	10,642	12,145
Economic environment	3,907	4,343	4,649	4,864	4,830	4,624	5,293	5,620	6,418	8,095
Social Services	97	12	13	890	-	-	-	1,156	1,172	1,107
Culture and Recreation	9,901	10,060	10,913	10,642	11,159	11,606	11,869	11,220	10,697	13,603
Capital outlay	39,832	28,016	34,282	24,591	17,470	10,472	15,108	21,007	28,198	29,562
Debt service:										
Principal	2,448	3,109	3,008	3,584	4,955	4,262	3,666	3,756	4,199	4,284
Interest and debt issue costs	2,565	3,420	3,298	3,575	1,925	2,337	2,776	2,686	2,507	2,330
Total expenditures	122,812	123,264	123,180	115,885	111,469	104,410	111,896	123,742	132,057	144,595
Excess of revenues over (under) expenditures	$ (17,314)	$ (2,200)	$ (22,003)	$ (10,598)	$ (2,990)	$ 4,153	$ (1,518)	$ (4,524)	$ 3,272	$ (3,663)

Schedule 4 (continued)

Changes in Fund Balances, Governmental Funds
(in thousands)
Last Ten Fiscal Years
Modified Accrual Basis of Accounting

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	-	49	45	18	53	26	84	-	2,057	5
Transfers in	12,929	27,681	19,536	25,071	18,091	24,853	14,263	19,425	22,214	24,996
Transfers out	(12,966)	(27,707)	(19,547)	(24,976)	(18,544)	(24,357)	(14,070)	(19,289)	(22,046)	(28,502)
Total other financing sources (uses)	35,306	23	42	8,759	1,394	753	322	143	9,374	(3,501)
Net change in fund balances	$ 17,992	$ (2,177)	$ (21,961)	$ (1,839)	$ (1,596)	$ 4,906	$ (1,196)	$ (4,381)	$ 12,646	$ (7,164)
Debt service as a percentage of noncapital expenditures	6.04%	6.85%	7.09%	7.84%	7.32%	7.02%	6.66%	6.27%	6.46%	5.75%

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*
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
2017	$ 16,814,441,234	$ 1,858,395,290	$ 18,672,836,524	$ 1.35

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											
	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	Sound Transit	Total Direct and Overlapping Rate
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
2017	1.35	-	1.35	2.03	1.37	0.15	3.16	0.36	0.45	0.26	0.03	0.012	0.12	0.25	9.54

Source: King County Accounting Divison.

*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

	2017			2008		
Taxpayer	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)	$ 2,912,233,173	1	15.60%	$ 2,213,412,006	1	15.73%
AvalonBay Communities Inc	318,128,215	2	1.70%	-		-
Essex Property Trust Inc	300,393,000	3	1.61%			
BRE Properties	207,730,981	4	1.11%	92,118,000	5	0.65%
BRE WA Office Owner LLC	206,892,042	5	1.11%	-		-
Puget Sound Energy-Gas/Electric	196,173,539	6	1.05%	129,036,373	3	0.92%
SRI Ten RTC LLC	165,006,000	7	0.88%	-		-
AT&T Mobility LLC	149,102,514	8	0.80%	-		-
Bear Creek Associates	117,840,000	9	0.63%	-		-
Avalon Overlake LLC	117,760,510	10	0.63%	-		-
PPR Redmond Retail LLC (Redmond Town Center)	-		-	189,283,260	2	1.35%
ASN-Washington Holdings	-		-	105,560,000	4	0.75%
Tishman Speyer Archstone (formerly Archstone-Smith)	-		-	91,699,000	6	0.65%
PS Business Parks LP (formerly Yett Family Partnership)	-		-	62,226,400	7	0.44%
Nintendo	-		-	80,661,176	8	0.57%
Verizon	-		-	28,318,640	9	0.20%
Hines Reit Laguna Campus LL (formerly Allied Signal)	-		-	26,214,800	10	0.19%
TOTAL	$ 4,691,259,974		25.12%	$ 3,018,529,655		21.45%

Source: King County Accounting Division.

* In 2017 the estimated value of real and personal property in the City of Redmond was $18,672,836,524.

* * In 2008 the estimated value of real and personal property in the City of Redmond was $14,072,271,880.

Schedule 8

Property Tax Levies and Collections

Last Ten Calendar Years

		Collected within the Fiscal Year of the Levy			Total Collections to Date	
Fiscal Year	**Taxes Levied for the Fiscal Year***	**Amount**	**Percentage of Levy**	**Collections in Subsequent Years**	**Amount**	**Percentage of Levy**
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%
2017	25,061,925	24,912,458	99.4036%	83	24,912,541	99.404%

Source: King County Assessor and City of Redmond Finance Department

Schedule 9

Summary of Sales Tax Revenues
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Retail Trade Sales Tax										
Electronics and Appliances	$ 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	$ 153,599
Furniture	436,382	266,049	288,418	266,049	338,453	361,114	396,235	431,383	437,312	29,684
General Merchandise	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	137,726
Miscellaneous Retail Trade	470,973	612,515	683,478	612,515	692,829	661,752	682,805	647,039	796,026	70,026
Other	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	247,946
Total - Retail Trade	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	638,981
Other Sectors Sales Tax										
Accommodation & Food Services	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	2,837,909
Construction	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	5,144,526
Information	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	148,171
Miscellaneous	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	2,036,321
Service	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	3,761,665
Wholesale	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	3,078,976
Total - Other Sectors Sales Tax	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	17,007,568
Adjustments *	118,361	-	-	-	-	-	-	-	-	-
Total - Retail Trade & Other Sectors	$ 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	$ 17,646,549
Sales Taxes - Miscellaneous **	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	2,172,726
Total Sales Tax	$ 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	$ 19,819,275

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

	Governmental Activities					Business-Type Activities				
Fiscal Year	General Obligation Bonds ɵ	Special Assessment Bonds	Public Works Trust Fund Loans	Capital Leases	Private Contract	Revenue Bonds ɵ	Loans	Total Primary Government ɵ	Percentage Of Per Capita Personal Income*ɵ	Debt Per Capita**ɵ
2008	$ 73,747,432	$ 530,000	$ 1,495,340	$ -	$ -	$ 12,114,727	$ 85,356	$ 87,972,855	2.97%	1,714
2009	71,262,496	170,000	1,161,728	-	-	11,525,612	-	84,119,836	2.79%	1,624
2010	68,692,560	-	828,118	-	-	10,911,497	-	80,432,175	2.63%	1,498
2011	73,915,292	-	548,686	-	-	10,272,380	-	84,736,358	2.79%	1,536
2012	70,434,527	-	2,140,792	-	-	9,608,264	-	82,183,583	2.57%	1,485
2013	68,084,209	-	1,843,885	-	-	8,919,149	-	78,847,243	2.35%	1,412
2014	64,394,621	-	1,677,549	-	-	34,040,462	-	100,112,632	2.76%	1,735
2015	61,669,732	-	1,511,212	-	-	32,364,706	4,412,000	99,957,650	2.45%	1,689
2016	65,005,635	-	1,416,763	-	-	30,638,951	4,271,663	101,333,012	2.31%	1,673
2017	60,448,508	-	1,322,310	-	-	28,863,196	4,089,452	94,723,466	1.97%	1,521

* 2017 per capita income of $77,213 from US Bureau of Economic Analysis.

** 2017 population total of 62,292 from State of Washington Office of Financial Management.

ɵ The balances are restated retroactively in accordance with GFOA guidelines.

Schedule 11

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds**	Percentage of Actual Taxable Value of Property*	Per Capita**
2008	$ 73,747,432	0.52%	$ 1,437
2009	$ 71,262,496	0.49%	$ 1,373
2010	$ 68,692,560	0.52%	$ 1,280
2011	$ 73,915,292	0.58%	$ 1,340
2012	$ 70,434,527	0.56%	$ 1,272
2013	$ 68,084,209	0.52%	$ 1,219
2014	$ 64,394,620	0.46%	$ 1,116
2015	$ 61,669,732	0.39%	$ 1,042
2016	$ 65,005,635	0.38%	$ 1,073
2017	$ 60,448,508	0.32%	$ 970

Source: King County Accounting Division.

* In 2017 the estimated value of real and personal property in the City of Redmond was $18,672,836,524

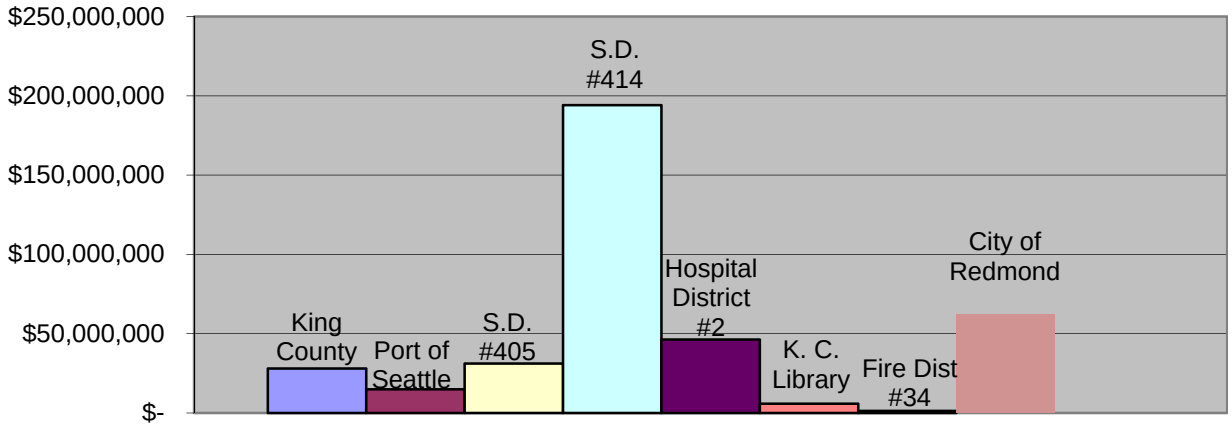
** The balances are restated retroactively in accordance with GFOA's guidelines.

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, 2017

	Net Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Overlapping Debt:			
King County	$ 724,994,000	3.86%	$ 27,984,768
Port of Seattle	388,360,000	3.86%	14,990,696
School District #405	710,675,421	4.38%	31,127,583
School District #414	630,671,790	30.79%	194,183,844
Hospital District #2	196,421,141	23.56%	46,276,821
King CountyRural Library	87,869,746	6.75%	5,931,208
Fire District #34	29,287,216	4.45%	1,303,281
Total Overlapping Debt	2,768,279,314		321,798,202
Direct Debt: City of Redmond**	61,770,818	100.00%	61,770,818
Total Direct and Overlapping Debt	$ 2,830,050,132		$ 383,569,020



*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									
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Debt limit	$ 955,493	$ 990,408	$ 998,139	$ 934,746	$ 970,751	$ 1,055,921	$ 1,190,433	$ 1,191,557	$ 1,397,331	$ 1,554,537
Total net debt applicable to limit	72,182	69,767	67,267	71,996	70,785	67,124	63,458	60,041	61,797	57,512
Legal debt margin	$ 883,311	$ 920,641	$ 930,872	$ 862,750	$ 899,966	$ 988,797	$ 1,126,975	$ 1,131,516	$ 1,335,534	$ 1,497,025
Total net debt applicable to limit as a percentage of debt limit	4.80%	7.04%	6.74%	7.70%	7.29%	6.36%	5.33%	5.04%	4.42%	3.70%

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, 2017 Assessed Value: $20,727,172,765					
2.50% of Assessed Value	$ -	$ 518,179,319	$ 518,179,319	$ 518,179,319	$ 1,554,537,957
1.50% of Assessed Value	310,907,591	(310,907,591)	-	-	-
Statutory Debt Limit	$ 310,907,591	$ 207,271,728	$ 518,179,319	$ 518,179,319	$ 1,554,537,957
Debt Outstanding:					
Bonds	57,512,311	-	-	-	57,512,311
Total Debt Outstanding	$ 57,512,311	$ -	$ -	$ -	$ 57,512,311
Less amount available in Debt Service Fund	-	-	-	-	-
Net Debt Outstanding	$ 57,512,311	$ -	$ -	$ -	$ 57,512,311
Remaining Debt Capacity	$ 253,395,280	$ 207,271,728	$ 518,179,319	$ 518,179,319	$ 1,497,025,646

*Property assessed at 100% of the estimated value.

Schedule 14

Pledged-Revenue Coverage
Last Ten Fiscal Years

	Water/Wastewater Revenue Bonds						Special Assessment Bonds			
Fiscal Year	Gross Revenue *	Less: Operating Expenses **	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage ***	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage
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	-	-	-	-
2014ϕ	47,944,999	33,038,457	14,906,542	970,000	762,950	8.60	-	-	-	-
2015	50,884,102	34,943,803	15,940,299	1,490,000	1,383,348	5.60	-	-	-	-
2016	53,242,460	36,965,009	16,277,451	1,680,338 #	1,491,404 #	5.13	-	-	-	-
2017	56,753,725	36,770,880	19,982,845	1,772,210 #	1,397,381 #	6.31	-	-	-	-

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.

* 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	2017
Income (loss) before contributions and transfers	$ 6,377,286	$ 11,669,167	$ 11,781,117	$ 9,256,897	$ 4,667,095	$ 9,489,211
Adjustments:						
Interest and Fiscal Charges	438,741	412,866	669,491	916,981	1,301,877	1,206,727
Depreciation Expense	4,838,721	5,093,496	5,575,052	5,637,461	6,477,812	6,793,051
Grants (related to capital expenditures)	(1,071,419)	(4,810,737)	(5,266,408)	(2,364,078)	(350,933)	(842,257)
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	3,336,113
Net Revenue Available for Debt Services	$ 15,196,626	$ 14,870,124	$ 15,498,238	$ 15,940,299	$ 16,277,451	$ 19,982,845
Outstanding Parity Bonds Annual Debt Service	$ 1,104,688	$ 1,104,088	$ 1,732,950	$ 2,873,348	$ 3,171,742	$ 3,169,591
Debt Service Coverage	$ 13.8	$ 13.5	$ 8.9	$ 5.6	$ 5.1	$ 6.3
Net Revenues Available for Other Purposes	$ 14,091,938	$ 13,766,036	$ 13,765,288	$ 13,066,951	$ 13,105,709	$ 16,813,254

Schedule 14

Pledged-Revenue Coverage

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

	2012	2013	2014	2015	2016	2017
Single Family	11,203	11,372	11,524	11,688	11,890	11,980
Multifamily	210	208	208	209	210	212
Commercial	937	893 (	897 (1)	891	885	876
Irrigation	191	199	209	217	221	225
Other (2)	10	12	13	15	19	20
Total	12,551	12,684	12,851	13,020	13,225	13,313

(1) Transfer of accounts to the City of Kirkland from an earlier annexation.
(2) Multi-use (commercial, multifamily, irrigation.)

NUMBER OF WASTEWATER CUSTOMERS

	2012	2013	2014	2015	2016	2017
Single Family	10,665	10,830	11,000	11,175	11,378	11,464
Multifamily	211	233	209	210	213	215
Commercial	887	880 (	881 (1)	877	869	859
Irrigation	1	1	1	1	1	1
Other (2)	10	18	14	16	19	20
Total	11,774	11,962	12,105	12,279	12,480	12,559

(1) Transfer of accounts to the City of Kirkland from an earlier annexation.
(2) Multi-use (commercial, multifamily, irrigation.)

NUMBER OF STORMWATER CUSTOMERS

Stormwater	2012	2013	2014	2015	2016	2017
Residential	10,790	10,932	11,087	11,244	11,428	11,580
Other (1)	1,161	1,154	1,211	1,223	1,220	1,244
Total	11,951	12,086	12,298	12,467	12,648	12,824

(1) Commercial and multifamily

Schedule 14

Pledged-Revenue Coverage

LARGEST CUSTOMERS OF THE SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2017 (1)

Customer	Water Consumption (000'S)	Water Billings	Wastewater Billings	King County (2)	Stormwater Billings	Total Revenue	% of Total Gross Revenue
MICROSOFT	32,774	$ 1,847,399	$ 335,494	$ 1,117,916	$ 1,337,981	$ 4,638,789	8.37%
CITY OF REDMOND	4,769	364,156	19,623	55,609	1,250,655	1,690,042	3.05%
UNISEA INC	4,885	154,739	82,148	369,290	62,298	668,475	1.21%
SIXTY-01 APARTMENT COMPLEX	4,596	220,014	68,219	222,138	139,926	650,296	1.17%
ESSEX REDMOND HILL NE LP	3,632	153,360	56,100	185,049	94,618	489,127	0.88%
DIG-KW REDMOND, LLC	3,466	148,119	50,883	175,878	55,167	430,046	0.78%
ESSEX REDMOND HILL CWLP	3,104	134,246	51,172	169,781	56,274	411,473	0.74%
CAMBRIAN APARTMENTS 04WA009	3,468	161,591	54,083	172,119	-	387,793	0.70%
EASTSIDE RETIREMENT ASSN	3,027	140,788	38,388	130,003	74,059	383,239	0.69%
KING COUNTY PARKS/MARYMOOR	2,972	197,172	-	-	-	197,172	0.36%
	66,693	$ 3,521,585	$ 756,110	$ 2,597,782	$ 3,070,976	$ 9,946,452	17.95%

(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##
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	$ -	$ -	9,879	26,141	4.0
2016	60,560	$ 4,392,417	$ 72,530	10,402	26,509	3.2
2017	62,292	$ 4,809,752	$ 77,213	10,694	27,169	4.7

* 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

	2017			2008		
Employer	Employees	Rank	Percentage of Total City Employment**	Employees	Rank	Percentage of Total City Employment***
Microsoft Corporation (includes Microsoft Open Tech., Payments & Tech. Licensing)	38,657	1	43.07%	34,406	1	43.36%
Terex (Washington and USA-formerly Genie Industries)	2,136	2	2.38%	2,427	2	3.06%
Eurest Dining Services @ Microsoft	1,241	4	1.38%	722	8	0.91%
Nintendo of America Inc. (includes Nintendo Software Technology & Technology Development)	953	5	1.06%	1,034	6	1.30%
AT&T Mobility (includes retail stores)	941	6	1.05%	1,392	4	1.75%
United Parcel Service	797	8	0.89%	648	10	0.82%
Lake Washington School District *	1,512	3	1.68%	1,129	5	1.42%
Honeywell	867	7	0.97%	731	7	0.92%
Stryker (includes Sales Corp.) Formerly Physio-Control	704	9	0.78%	669	9	0.84%
Mindtree Ltd	637	10	0.71%	-		-
Volt Technical Resources, LLC (includes VMC Consulting)	-		-	1,832	3	2.31%
TOTAL	48,445		53.97%	44,990		56.70%

Source: City of Redmond Finance Dept., Business License Division
*Employer exempt from business license requirement
**Total city employment including exempt businesses listed is 89,746 for 2016.
The data for 2017 is to be available in May 2018.
***Total city employment including exempt businesses listed was 79,349 for 2008.

Schedule 17

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

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Executive	11.00	14.00	13.00	13.00	12.00	12.00	15.00	19.00	20.00	23.00
Finance and Information Services	63.60	59.97	55.81	56.81	54.50	54.50	53.50	56.00	57.00	60.00
Human Resources	9.63	13.43	11.50	11.50	11.50	11.50	11.50	11.54	11.54	11.54
Legal	4.25	4.25	4.25	4.25	3.75	3.75	3.75	3.75	3.75	4.25
Planning and Community Development	58.31	50.72	43.65	43.65	61.91	61.91	73.89	71.89	77.89	82.33
Security										
Police	127.50	128.40	127.30	127.10	129.10	128.10	129.30	130.41	129.41	128.41
Fire	171.20	168.50	164.50	160.50	160.25	160.25	160.50	163.50	164.50	167.00
Culture and Recreation	62.22	62.67	61.55	61.54	60.56	60.56	60.69	61.02	61.02	62.02
Public Works	77.75	79.05	72.71	72.76	66.23	66.23	66.23	72.02	75.98	77.31
Water/Wastewater	39.60	40.60	39.29	39.25	34.16	34.16	37.53	38.44	34.95	35.24
UPD Water/Wastewater	5.94	5.94	-	-	-	-	-	-	-	-
Stormwater Management	29.77	28.77	31.67	31.67	30.85	30.85	27.60	26.90	26.93	27.01
Total	660.77	656.30	625.23	622.03	624.81	623.81	639.49	654.47	662.97	678.11

Source: City Budget Office

Schedule 18

Operating Indicators by Function/Program
Last Ten Fiscal Years*

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fire prevention										
maintenance inspections	1,500	2,587	1,606	1,690	1,452	1,658	841*	2,127	1,442	1,721
Operations inspections **	495	-	256	1,353	-	-	-	598	246	792
Culture and Recreation										
Preschool registrations	21,412	19,456	20,093	19,540	19,186	22,569	24,874	24,990	5,958	5,442
Youth registrations	26,415	18,046	19,118	23,244	21,651	27,525	21,344	23,092	16,105	16,939
Teen program registrations	25,097	18,722	19,512	15,764	13,329	16,272	16,048	17,027	17,739	20,314
Adult program registrations	59,959	43,151	41,920	45,313	43,945	43,180	39,379	38,633	47,408	54,044
Senior Center participants	45,807	37,443	41,785	45,050	44,742	46,279	46,241	44,771	48,544	69,275
Utility Services #										
Residential units served	13,563	13,669	13,972	14,236	14,473	14,773	15,033	15,240	15,428	15,502
Commercial units served	1,474	1,482	1,429	1,434	1,439	1,407	1,428	1,437	1,431	1,448
Water										
Average daily demand (gallons)	6,506,569	6,754,372	5,900,305	5,877,325	6,132,129	6,441,596	6,594,716	7,095,464	6,937,290	unavailable[e]

* 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.

** Data is no longer seperated for maintenance inspections

\# Sewage treatment provided by King County Wastewater Treatment Division

[e] The data for average daily demand on water for 2017 will be reported in the 2018's CAFR.

Schedule 19

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of police vehicles	50	45	59	59	59	59	61	59	53	59
Fire										
Number of stations	6	6	6	6	7	7	7	7	7	7
Number of fire engines	11	9	9	8	8	8	8	8	8	8
Number of aid vehicles	15	16	15	16	16	16	16	16	16	16
Transportation										
Center lane miles of paved roads	138	138	142	143	143	146	146	148	149	151
Traffic signals	91	95	98	102	103	104	104	105	106	107
Street lights	1,290	1,286	1,279	1,343	1,456	1,512	1,554	1,604	1,638	25
Bridges	9	9	9	18	18	18	18	18	18	
Culture and Recreation										
Number of developed parks	30	30	30	30	31	31	36	35	36	36
Number of undeveloped parks	7	8	8	8	11	11	15	13	15	15
Acres of developed parks	1,172	1,203	1,204	1,205	1,205	1,205	1,232	1,217	1,232	1,232
Acres of undeveloped parks	105	106	106	106	114	114	155	105	155	155
Miles of developed trails	44	44	36	37	37	37	36	45	36	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	32
Number of wells	5	5	5	5	5	5	5	5	5	5
Miles of main	315	327	328	331	332	329	333	328	336	337.75
Sewer										
Number of manholes	6,937	6,645	6,651	6,716	6,760	6,801	6,901	6,977	7,050	7,103
Miles of main	219	211	212	214	215	216	219	221	229	224
Number of pumplift stations	23	23	23	23	24	23	23	23	23	
Stormwater										
# of manholes/catch basins	10,327	10,475	10,529	10,578	10,674	10,830	11,050	11,169	11,444	11,550
Miles of pipe	172	173	174	175	178	179	183	185	189	189
Oil water separators	24	24	24	24	24	24	24	24	24	24