



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of SeaTac

For the period January 1, 2019 through December 31, 2019

Published December 21, 2020

Report No. 1027441





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

December 21, 2020

City Council
City of SeaTac
SeaTac, Washington

Report on Financial Statements

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

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy
State Auditor
Olympia, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**City of SeaTac
January 1, 2019 through December 31, 2019**

City Council
City of SeaTac
SeaTac, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of SeaTac, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 10, 2020.

As discussed in Note 21 to the financial statements, in February 2020, a state of emergency was declared which could have a negative effect on the City. Our opinion is not modified with respect to this matter.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this

report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized initial "P".

Pat McCarthy

State Auditor

Olympia, WA

December 10, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of SeaTac January 1, 2019 through December 31, 2019

City Council
City of SeaTac
SeaTac, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of SeaTac, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 10.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment,

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

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

Opinions

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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of SeaTac, as of December 31, 2019, 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 21 to the financial statements, in February 2020, a state of emergency was declared which could have a negative effect on the City. 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 on page 10 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy
State Auditor
Olympia, WA

December 10, 2020

FINANCIAL SECTION

City of SeaTac January 1, 2019 through December 31, 2019

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2019

BASIC FINANCIAL STATEMENTS

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Statement of Activities – Government-wide – 2019

Balance Sheet – Governmental Funds – 2019

Reconciliation of Fund Balances of Governmental Funds to the Net Position of
Governmental Activities – 2019

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2019

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities – 2019

Statement of Net Position – Proprietary Funds – 2019

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2019

Statement of Cash Flows – Proprietary Funds – 2019

Notes to the Financial Statements – 2019

REQUIRED SUPPLEMENTARY INFORMATION

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– General Fund – 2019

Reconciliation of General Fund Budgetary Basis Actual Amounts to GAAP Basis Actual
Amounts in the General Fund Statement of Revenues, Expenditures and Changes in
Fund Balance – 2019

Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
– Street Fund – 2019

Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
– Hotel/Motel Tax Fund – 2019

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3,
LEOFF 1 – 2019

Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 1 – 2019

Schedule of Changes in Total OPEB Liability and Related Ratios – LEOFF 1 Retirees –
2019

INTRODUCTION

The City of SeaTac's Management Discussion and Analysis (MD&A) provides a narrative overview of the City's financial activities and position for the fiscal year ended December 31, 2019. Since the MD&A was designed to focus on the activities, resulting changes, and currently known facts for the year 2019, this information should be read in conjunction with both the financial statements and the notes to the financial statements.

BASIS OF FINANCIAL INFORMATION

The City's government-wide financial statements have been prepared on the full accrual basis of accounting in conformity with Generally Accepted Accounting Principles (GAAP). The City's fund financial statements for governmental funds (general, special revenue, debt service, and capital projects) have been prepared on the modified accrual basis of accounting in conformity with GAAP. The City's proprietary funds (enterprise and internal service) are accounted for on the accrual basis, again in conformity with GAAP. A detailed discussion of the government-wide and fund financial statements can be found in later sections of this document.

FINANCIAL HIGHLIGHTS

- For the year ended December 31, 2019, total net position for the City was \$544 million. Of this amount, \$437 million or 80% was classified as investment in capital assets. This classification includes infrastructure, construction in progress, land and other improvements, buildings, equipment and intangibles. Net position in the amount of \$46 million or 9% was restricted for debt service, equipment, tourism promotion, and capital projects; including Des Moines Creek Basin Inter-local Agreement projects, transportation and facilities projects. The remaining net position balance of \$61 million or 11% was classified as unrestricted and available for general City operations.
- Governmental funds ended the year with \$100.5 million in total ending fund balance on the modified accrual basis of accounting. This is an increase of \$15.6 million or 18% over 2018, which ended the year with a \$84.9 million ending fund balance. Growth at SeaTac Airport, including increased passengers and cargo, and a rise in economic development have combined to produce a favorable ending fund balance.
- A Development Agreement was signed with Inland Group for a multifamily housing project that includes 417 units of work force housing and 30,000 square feet of ground floor retail space in the S 152nd Street Station Area.
- Four new hotels with approximately 650 rooms opened in 2019.
- Major capital projects started in 2019 include the Military Road South and South 152nd Street Project (\$4.7 million) and Des Moines Memorial Drive and South 200th Street Intersection Project (\$3.2 million). Both include traffic signal improvements, sidewalks, bike lanes, and other pedestrian improvements.
- Major capital projects completed in 2019 include the overlay of Military Road South from 200th to 209th, the Des Moines Memorial Drive overlay from 128th to 136th, the Valley Ridge Park Improvements, replacement of the Angle Lake Park Playground Equipment, and the Veterans War Memorial.
- Phase One of the Business Synergy Program (2018) laid the foundation for the analysis of the extensive business ecosystem in the City. With the objective of facilitating in-city collaboration and economic development, valuable connections and new and expanded partnerships of local businesses have been created. Phase Two was completed in 2019 focusing on retail, service, and main street businesses located primarily along International Boulevard. Key

takeaways from Phase Two show SeaTac’s economy is in a strong position and employers are investing back into their businesses.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City’s financial statements are prepared on both a government-wide and an individual fund basis. Both perspectives allow for annual comparisons against other governments, improve the City’s accountability and provide a comprehensive user-friendly reporting format to use in understanding the City’s financial condition.

Since incorporation in 1990, the City’s financial statements have been prepared based on specific types of funds, i.e. capital project funds, debt service funds, etc. Due to the GASB Statement No. 34 reporting model (used since 2003), the previous reporting method was dramatically modified. The City’s basic financial statements are now presented in four parts: 1) the Management’s Discussion and Analysis (MD&A), 2) the government-wide financial statements, 3) the fund financial statements, and 4) the notes to the financial statements. Other Required Supplementary Information is provided in addition to the basic financial statements in the City’s Annual Financial Report.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with an overview of the City’s financial condition and activities as a whole. This broad overview is similar to the financial reporting for a private-sector business. The government-wide financial statements have separate columns for governmental activities and business-type activities. Governmental activities of the City include the following functions: Judicial, General Government, Public Safety, Transportation, Health & Human Services, Physical & Economic Environment, and Culture & Recreation. Governmental activities are supported largely by taxes and intergovernmental revenues while the City’s business-type activities are funded through user fees and charges. The City has two business-type activities; a surface water utility funded through surface water management fees and the solid waste and environmental fund paid for from franchise fees.

The Statement of Net Position presents information on the difference between all of the City’s assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, highlighting the difference as net position. The Statement of Net Position is similar to the balance sheet of a private-sector business. Over time, increases or decreases in net position may serve as a useful indicator of improvement or deterioration in the City’s overall financial position.

The Statement of Revenues, Expenditures, and Change in Net Position was designed to show how the City’s net position changed during the year. This financial statement separates the City’s programs into governmental activities and business-type activities. Revenues in the areas of charges for services, operating grants and capital grants are matched to the proper program. The revenues generated by the program are then compared to the expenses for the program. The end result is the net expense or net revenue by program. The net expense or net revenue shows if the program is self-supporting or if it relies on the general taxing authority of the City.

All activity on the Statement of Activities is reported on the accrual basis of accounting. This means 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 uncollected taxes, unpaid vendor invoices, and earned but unused vacation leave are included in the Statement of Activities as revenue and expenses even though no cash has changed hands. The government-wide financial statements are located immediately following Management’s Discussion and Analysis.

Fund Financial Statements

The City's annual financial report also 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 (governmental or business-type), the fund financial statements are presented in columns by major governmental fund and by major proprietary fund. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities that meet certain common objectives. Funds are often established to comply with special regulations, restrictions, or limitations. The City of SeaTac, 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 two categories which include governmental and proprietary funds.

Governmental funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, the basis of accounting is different between the governmental fund statements and the government-wide financial statements. The governmental fund statements focus on near term revenues and expenditures, while the government-wide financial statements include both near term and long term revenues and expenses. The information in the governmental fund statements can be used to evaluate the City's near term funding requirements and fiscal health. Comparing the governmental fund statements with the government-wide statements can assist the reader in understanding 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 statements are included on the Reconciliation of the Fund Balances of Governmental Funds to the Net Position of the Governmental Activities and on the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

In 2019, the City of SeaTac maintained fifteen individual governmental funds on a budgetary basis. On a GAAP basis, the City maintained twelve individual governmental funds. The City's six major governmental funds, as determined by the parameters of GASB Statement No. 34, are the General Fund, the Street Fund, the Hotel/Motel Tax Fund, the Municipal Capital Improvement Fund, the Facility Construction Capital Improvement Fund, and the Transportation Capital Improvement Fund. These funds are presented separately in the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances. The remaining governmental funds are combined into a single column labeled "Other Governmental Funds."

In 2019, the City maintained budgetary control over its operating funds through the adoption of a biennial budget. Budgets are adopted at the fund level according to Washington State law. Budgetary comparison schedules are presented for the General Fund and the major special revenue funds only in the Required Supplementary Information of the Annual Report.

Proprietary funds are used by the City to account for its business-type activities. Business-type activities provide goods and services to a group of customers. These services are paid for by fees charged to those customers. There is a direct relationship between the fees paid and the services provided.

The City of SeaTac utilizes two types of proprietary funds, including enterprise funds and an internal service fund. Enterprise funds are used to account for goods and services provided to citizens. Internal service funds are used to account for goods and services provided internally to various City departments.

Enterprise fund financial statements report the same functions that are presented as "business-type activities" in the government-wide statements. The enterprise funds of the City are a surface water utility used for operations, construction and debt related expenses, and a solid waste and environmental fund used for education and improvements related to the environment.

City of SeaTac, WA – Management’s Discussion and Analysis

Internal service funds are used to account for and distribute costs for a business-type function. These costs are distributed internally among the City’s funds based on services used. The City uses an internal service fund to account for the repair and replacement of the City’s vehicles and other large types of equipment. Internal service fund customers include both governmental and business-type activities. Although profits or losses are prorated in the government-wide Statement of Activities, the internal service fund’s assets and liabilities are predominately governmental in nature, so they have all been included in the governmental activities column of the government-wide Statement of Net Position.

Notes to the Financial Statements

The notes to the financial statements provide additional information 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over a period of time, net position can be a useful indicator of the City’s financial position. The table below is a condensed version of the City’s Statement of Net Position.

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current & other assets	\$ 111,800,083	\$ 95,392,756	\$ 10,609,580	\$ 8,795,155	\$ 122,409,663	\$ 104,187,911
Net pension asset	137,691	124,253	-	-	137,691	124,253
Capital assets, net	408,829,823	413,940,960	27,910,211	24,064,629	436,740,034	438,005,589
Total Assets	520,767,597	509,457,969	38,519,791	32,859,784	559,287,388	542,317,753
Deferred Outflows	1,076,460	1,017,084	74,640	67,966	1,151,100	1,085,050
Liabilities:						
Long-term liabilities	2,748,197	2,966,204	60,426	62,213	2,808,623	3,028,417
Net pension liability	5,352,386	6,528,135	75,750	132,559	5,428,136	6,660,694
Other liabilities	4,941,347	5,041,733	83,119	29,110	5,024,466	5,070,843
Total liabilities	13,041,930	14,536,072	219,295	223,882	13,261,225	14,759,954
Deferred Inflows	2,148,601	2,047,711	154,586	150,746	2,303,187	2,198,457
Net Position:						
Net inv in capital assets	408,829,823	413,940,960	27,910,211	24,064,629	436,740,034	438,005,589
Restricted	46,560,811	42,756,414	-	-	46,560,811	42,756,414
Unrestricted	51,262,892	37,193,895	10,310,339	8,488,494	61,573,231	45,682,389
Total Net Position	\$ 506,653,526	\$ 493,891,269	\$ 38,220,550	\$ 32,553,123	\$ 544,874,076	\$ 526,444,392

In 2019, the City’s total net position increased by \$18.4 million. Net investment in capital decreased by \$1.3 million. The City spent approximately \$10.5 million on capital assets in 2019 with the bulk of the expenses going toward transportation improvements. The City’s total restricted net position increased by \$3.8 million and unrestricted net position increased by \$15.8 million.

The City's net position for governmental activities includes \$46.5 million in restricted resources that are subject to external limitations on how the funds may be used. The restricted net position amount is for debt service, capital projects including transportation projects, tourism promotion and capital facilities, and Des Moines Creek Basin ILA projects. The remaining balance of unrestricted net position in the amount of \$51.2 million may be used to meet the government's ongoing obligations to citizens and creditors.

There are currently no net position restrictions for business-type activities. Unrestricted net position is \$10.3 million. \$9.6 million can be used for general surface water utility purposes including capital projects, if desired and \$675 thousand is available for Solid Waste and Environmental purposes.

Changes in Net Position

Changes in net position as shown on the government-wide Statement of Activities, shows the net change or the difference between the total revenue activity and the total expense activity that took place during the current reporting period. The change in net position figure is added to the beginning net position figure to derive an accumulated ending net position figure for the City since incorporation. This figure is a quick way to view the City's financial condition based on historic financial transactions.

The table below represents a condensed version of the City's changes in net position. The table designates revenues as either program revenues or as general revenues. Program revenues are revenues generated by specific functions of the City. The expenses are listed by program or specific function. The change in net position is derived from netting the revenues against the expenses.

City of SeaTac's Changes in Net Position

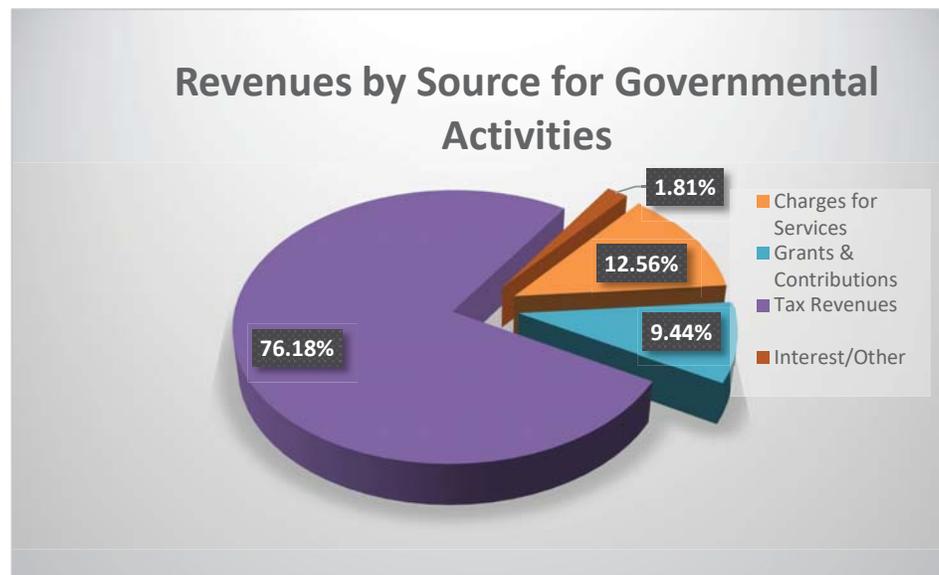
Revenues:	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Program Revenues:						
Charges for services	\$ 8,691,391	\$ 10,993,171	\$ 4,350,455	\$ 4,337,782	\$ 13,041,846	\$ 15,330,953
Operating grants & contrib	4,031,777	3,724,132	176,362	120,140	4,208,139	3,844,272
Capital grants & contrib	2,820,156	2,657,612	50,000	-	2,870,156	2,657,612
General Revenues:						
Property taxes	17,089,360	16,882,125	-	-	17,089,360	16,882,125
Sales taxes	20,453,817	18,318,741	-	-	20,453,817	18,318,741
Hotel/motel taxes	1,887,475	1,868,327	-	-	1,887,475	1,868,327
Parking taxes	10,089,106	10,297,959	-	-	10,089,106	10,297,959
Gambling taxes	1,050,857	529,601	-	-	1,050,857	529,601
Excise Tax	4,698,953	4,424,779	-	-	4,698,953	4,424,779
Investment interest	1,031,560	694,121	164,890	106,911	1,196,450	801,032
Misc revenues	-	-	11,426	17,081	11,426	17,081
Gains on asset sales	281,584	57,257	-	-	281,584	57,257
Total Revenues	72,126,036	70,447,825	4,753,133	4,581,914	76,879,169	75,029,739

City of SeaTac, WA – Management’s Discussion and Analysis

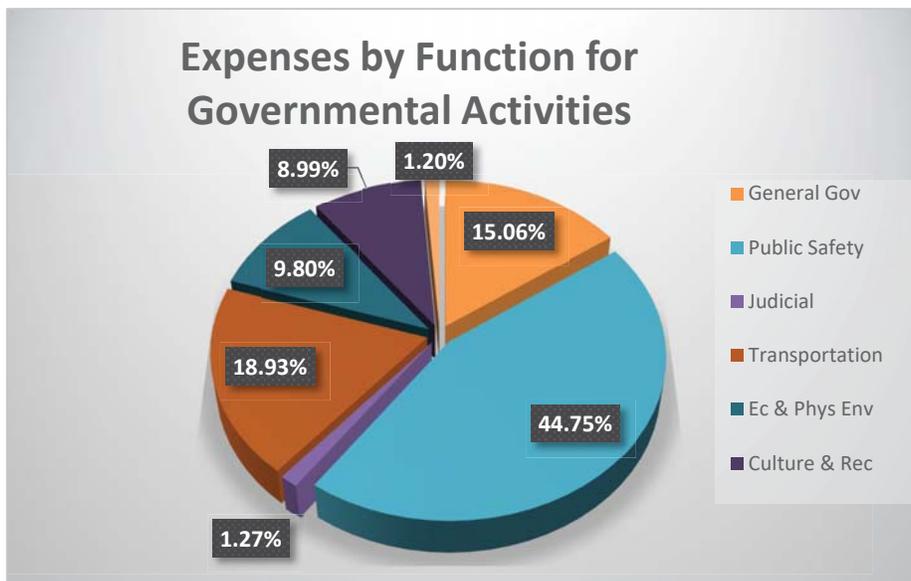
Expenses:	2019	2018	2019	2018	2019	2018
Judicial	689,818	649,043	-	-	689,818	649,043
General Government	7,968,501	7,421,291	-	-	7,968,501	7,421,291
Public Safety	24,262,195	23,548,361	-	-	24,262,195	23,548,361
Transportation	10,285,755	8,093,845	-	-	10,285,755	8,093,845
Health & Human Services	650,911	693,661	-	-	650,911	693,661
Physical & Economic Environment	5,122,578	4,222,464	2,982,926	2,779,974	8,105,504	7,002,438
Culture & Recreation	4,884,058	4,631,156	-	-	4,884,058	4,631,156
Interest on long-term debt	-	1,821	-	-	-	1,821
Total Expenses	53,863,816	49,261,642	2,982,926	2,779,974	56,846,742	52,041,616
Inc (Dec) in Net Position Before Transfers & Special Items	18,262,220	21,186,183	1,770,207	1,801,940	20,032,427	22,988,123
Transfers	(1,240,427)	459,069	1,054,975	(519,120)	(185,452)	(60,051)
Inc (Dec) in Net Position	17,021,793	21,645,252	2,825,182	1,282,820	19,846,975	22,928,072
Prior Year Adjustments	(4,259,536)	(4,776,342)	2,842,245	9,074	(1,417,291)	(4,767,268)
Net Position-Beg (as restated)	489,631,733	472,246,019	35,395,368	31,270,303	525,027,101	503,516,322
Net Position-Ending	\$ 506,653,526	\$ 493,891,271	\$ 38,220,550	\$ 32,553,123	\$ 544,874,076	\$ 526,444,394

The City continues to apply for and receive various State and Federal grants for infrastructure projects and other smaller scale projects in other areas. In total, the City received \$7 million in grant revenues for operating and capital purposes. Capital grants are up \$0.2 million from the prior year; transportation project start dates and actual expenses incurred impact the timing of when actual grant revenues are received. In addition to capital grants, operating grants increased by \$0.3 million over 2018.

In 2019, tax revenues continue to rise for most tax categories ranging from a 1.2% increase in property taxes to an 11.7% increase in sales taxes. Positive economic activity continued in the travel and tourism industry and helped to create positive results for hotel/motel taxes, which rose 1%. Parking taxes were the only category to decline and saw a 2% decrease. The Port of Seattle’s “2019 Service Highlights” reported that passenger levels increased 4% in 2019 and air cargo increased by 5.8% from 2018 levels. The Port of Seattle’s SeaTac Airport is a top ten U.S airport, with a regional economic impact of 87,300 direct jobs, and \$3.6 billion in direct earnings and \$442 million in state and local taxes. The City of SeaTac’s Economic Development division (in the Community and Economic Development Department) also reported that the City’s economic environment is trending positively due to several hotel expansions, a high hotel occupancy rate with steady lodging tax revenues, new development and redevelopment for both commercial and residential purposes, decreasing commercial vacancy rates and steady permit fees.



For governmental activities, total expenses increased \$4.6 million or 9.3% from 2018. Six out of the eight program areas in governmental activities had expense increases in 2019 ranging from 3.0% in Public Safety to 26.2% in Physical & Economic Environment and 27.1% in Transportation. These increases were due to the reorganization of the two departments and expanding programs.



General Government related expenses increased 10% due to an increase in capital outlay for technology, improvements at city hall, and repaving the parking lot.

Public Safety expenses experienced an increase of \$713 thousand or 3% over 2018. This is due solely to an increase in Police, Fire, Jail, and Animal Control contracts.

Business-type Activities: Net position increased by \$4.6 million in 2019 as compared to a \$1.3 million increase in 2018. An adjustment for an asset transfer of assets capitalized as governmental infrastructure required a direct increase of \$2.8 million in net position to add the assets. The remaining increase in net position was due to an increase in investment interest (54%), an increase in grants and contributions (46.8%), and a 7.3% increase in spending.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As previously discussed, the City of SeaTac uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following analysis is provided for select governmental funds including the General Fund and the five other major funds as listed below. The City's Surface Water Utility Fund and Solid Waste and Environmental Fund is also described below.

Governmental Funds

The purpose of the City's governmental fund financial statements is to report on short-term revenues/financial resources and expenditures. This information helps determine the City's financial requirements for the near future. Unassigned fund balance in the General Fund is a good indicator of the City's resources available for spending at the end of the year. For the other major funds, the resources are non-spendable, restricted or assigned to other purposes.

At the end of 2019, the City's combined ending governmental fund balance was \$100.5 million versus the 2018 ending fund balance of \$84.9 million. Included in the 2019 ending fund balance is \$921 thousand in non-spendable prepayments, \$46 million in restricted fund balances (i.e. transportation, tourism, capital projects, etc.) and \$11.6 million in fund balances which has been assigned to other purposes (i.e. light rail station areas, capital projects, etc.).

City of SeaTac, WA – Management’s Discussion and Analysis

The General Fund is the primary operating fund of the City through which most receipts and payments of ordinary City operational expenditures are processed. Property taxes and sales taxes are the primary revenue sources for the General Fund. In 2018 and 2019, property taxes recorded into the General Fund equaled approximately \$16.8 million and \$17 million, respectively. The property tax levy continues to increase as result of new development, a promising indicator of an increasing property tax base.

In 2019, sales taxes recorded into the General Fund were \$16.8 million compared to \$16.1 million in 2018. As reported earlier in the MD&A, economic activity has picked up in the City in the areas of development and airport activity, which helped to increases sales tax revenue and other related taxes like lodging taxes.

The fund balance of the General Fund at the end of 2019 was \$36.4 million, which is a \$7.4 million increase over 2018. In 2011, GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions refined the definition of special revenue funds as funds that are used to account for and report the proceeds of specific revenue sources that are restricted or committed to specific purposes other than debt service or capital projects. Governments with special revenue funds not meeting these requirements were to discontinue reporting these funds and report these resources in the General Fund instead. This GASB Statement required the City to report four funds differently in the financial statements (GAAP basis) than in the City’s budget (budgetary basis). The three funds and their respective fund balance additions to the General Fund are as follows: Port of Seattle ILA Fund - \$2 million, Transit Planning - \$430 thousand, and Building Management Fund - \$3.6 million for a total of \$6 million. A schedule for General Fund budget versus actual revenues and expenditures can be found in the Required Supplementary Information section of the Annual Report.

The City’s second major fund, the Street Fund, originally added as a major fund in 2007 due to parking tax revenues. Parking taxes are an important funding source for capital infrastructure projects and are transferred into the Transportation CIP Fund as necessary. The Street Fund ended the year with \$14.2 million in fund balance, which represents a decrease of \$1.4 million from 2018. The Street Fund continues to maintain the overlay program (\$1.6 million) and transferred \$6.7 million to the Transportation CIP fund in 2019.

The Hotel/Motel Tax Fund is a special revenue fund whose purpose is to account for lodging taxes collected and expended for tourism promotion and tourism facilities, including both capital and operating costs. The ending fund balance in 2019 for this Fund was \$9.4 million. Lodging tax revenues have been on a steady rise over the last few years and 2019 brought in a record amount of lodging tax revenue at \$1.89 million. 2014 marked the beginning of the Seattle Southside Tourism Promotion Area (or TPA) in partnership with the cities of Des Moines and Tukwila. As part of this new initiative, SeaTac chartered the first ever of its kind public development authority to administer the TPA funds, which were \$3.1 million in 2019. The Seattle Southside Regional Tourism Authority (SSRTA) manages these funds used for tourism promotion services for the purpose of growing the City’s tourism industry. The SSRTA is presented as a component unit on the Government-wide Financial Statements.

The Municipal Capital Improvement Fund is a capital projects fund whose purpose is to account for the expenditures related to general capital improvements including network information systems projects, parks projects, and major building maintenance including parking lot repaving and HVAC upgrades. In 2019, the revenue source for this Fund was real estate excise tax and sales tax from Port of Seattle projects. At the end of 2019, the fund balance in the Municipal Capital Improvement Fund was \$11.9 million.

The Facility Construction Capital Improvement Fund is a capital projects fund whose purpose is to account for the expenditures related to major municipal capital projects including the purchase of land and the construction or major renovation of buildings. Although this Fund did not meet the GASB Statement No. 34 tests for inclusion as a major governmental fund, it was included in the governmental funds’ financial statements as a major fund to provide reporting

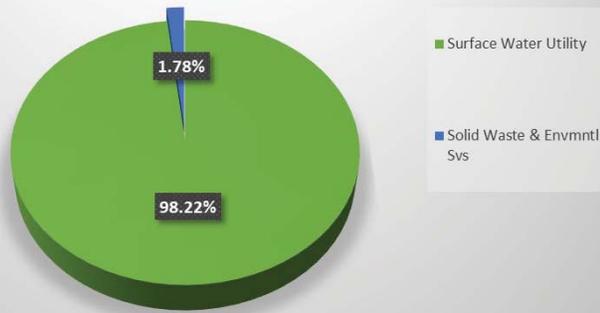
consistency from year to year. In 2019, the revenue source for this Fund was investment earnings. At the end of 2019, the fund balance in the Municipal Facilities Capital Improvement Fund was \$1.5 million.

The Transportation Capital Improvement Fund is a capital projects fund whose purpose is to account for the revenues and expenditures related to transportation improvements. In 2019, the major revenue sources for this Fund were project grants and reimbursements from other agencies for services. The Street Fund transferred \$6.7 million into this Fund to pay for several projects, including a sidewalk project and several roadway projects.

Business-Type Funds

The City has two business-type funds, a Surface Water Utility Fund and Solid Waste & Environmental Services Fund. These funds are proprietary funds with financial statements that provide similar, but sometimes more detailed, information than the government-wide financial statements. The Surface Water Utility Fund accounts for the surface water management fees, the related maintenance and operations costs, capital costs and any debt service expenses. The Solid Waste and Environmental Services Fund accounts for franchise fees paid for solid waste services and grants related to solid waste and recycling. All expenses related to the administration of the City's recycling and education program are paid for out of this Fund.

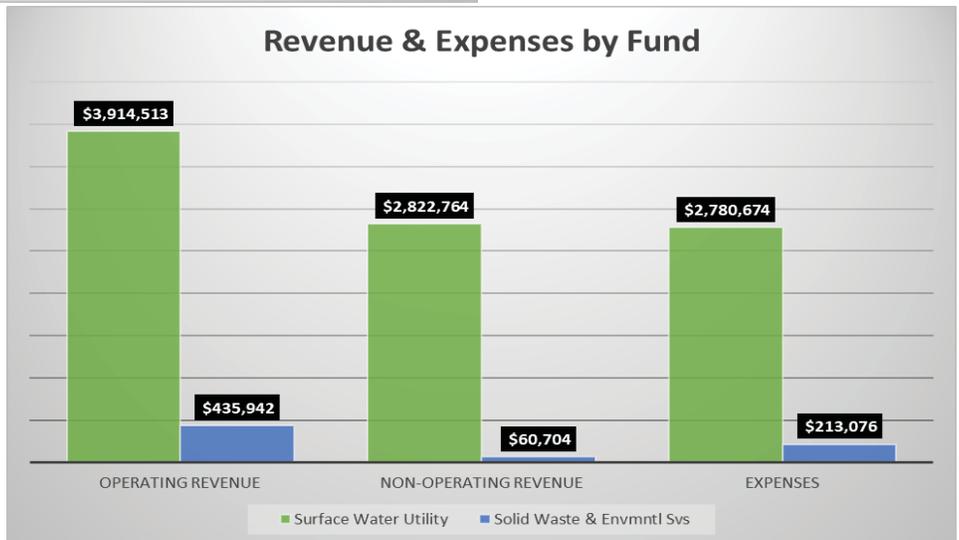
Business-Type Net Position By Fund



On the government-wide Statement of Net Position for business-type activities, the ending net position balance for proprietary funds was \$38 million and of this amount, \$10.3 million or 27% was unrestricted. The other \$27.9 million or 73% was classified as investment in capital assets. The chart on the left shows the Ending Fund Balance for the Surface Water Utility and Solid Waste & Environmental fund for 2019.

Revenues and Expenses for each fund are depicted in the chart below:

Revenue & Expenses by Fund



GENERAL FUND BUDGETARY HIGHLIGHTS

On a budgetary basis, the General Fund finished 2019 with \$36.5 million in ending fund balance. The original ending fund balance budgeted for 2019 was \$31 million. The actual ending fund balance exceeded the original budget by \$5.5 million. Actual revenues (excluding transfers in) for the biennium were \$45.2 million or \$5.1 million over the original estimate. The area with the highest positive variance was taxes. Sales tax collected was \$2.9 million over budget and leasehold tax was \$1 million greater than anticipated. Licenses and permits exceeded budget by \$0.5 million and interest was \$350,000 greater than expected.

The General Fund’s original 2019 appropriation was \$39.2 million while the final budget was \$39.8 million. Actual appropriations were \$37.8 million (excluding transfers out) resulting in a final budget savings of \$2.0 million from department efficiencies and program delivery savings.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

At the end of 2019, the City had \$408.8 million (net of accumulated depreciation) in governmental activities capital assets, including one internal service fund, and \$27.9 million (net) in business-type activities. Total internal service fund capital assets (net) were just over \$1.9 million. The internal service fund assets were included in the governmental activities column of the government-wide Statement of Net Position. Additional information on capital assets can be found in the Notes to the Financial Statements in Note 6 Capital Assets. The following table summarizes the City’s capital assets for the year ended 2019:

Capital Assets:	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 322,084,374	\$ 322,166,669	\$ -	\$ -	\$ 322,084,374	\$ 322,166,669
Intangible Assets-Easements	158,067	127,978	35,442	35,442	\$ 193,509	\$ 163,420
Constr in Progress (CIP)	4,655,544	9,701,860	89,327	-	\$ 4,744,871	\$ 9,701,860
Buildings/Building Impr	46,675,350	46,234,688	228,560	228,560	\$ 46,903,910	\$ 46,463,248
Other Improvements	17,125,419	13,614,467	37,617,054	33,129,702	\$ 54,742,473	\$ 46,744,169
Infrastructure	114,809,809	114,002,707	-	-	\$ 114,809,809	\$ 114,002,707
Equipment/Vehicles	1,846,055	1,856,013	26,877	12,918	\$ 1,872,932	\$ 1,868,931
Equipment/Vehicles-Eq Rental	4,458,994	4,006,900	-	-	\$ 4,458,994	\$ 4,006,900
					\$ -	\$ -
Intangible Assets-Software	564,579	615,454	156,634	156,634	\$ 721,213	\$ 772,088
					\$ -	\$ -
Less: Depreciation	(103,548,368)	(98,385,778)	(10,243,684)	(9,498,627)	\$ (113,792,052)	\$ (107,884,405)
Total Capital Assets (Net)	\$ 408,829,823	\$ 413,940,958	\$ 27,910,210	\$ 24,064,629	\$ 436,740,033	\$ 438,005,587

In 2019, the largest change in capital assets occurred in Other Improvements for governmental activities due to the completion of the Valley Ridge Park improvements, Angle Lake Playground, and Veteran’s Memorial. Construction in Progress added one new recreation project and progress on four transportation projects. Two transportation projects were completed in 2019, the overlay of Military Rd S from S 209th to I-5 and pedestrian improvements on S 166th St.

Long-Term Debt

The City of SeaTac is authorized to issue long-term debt pursuant to the laws of the State of Washington. At the end of 2019, the City had only one type of allowable long-term debt outstanding, which was general obligation (councilmanic) debt. No revenue bonds, special assessment debt or voter-approved general obligation debt was outstanding. The table below provides a summary of the City's outstanding debt for 2018 and 2019 by type:

	City of SeaTac's Outstanding Debt by Type					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Obligation Bonds	1,848,191	2,217,900	-	-	1,848,191	2,217,900
Total	\$ 1,848,191	\$ 2,217,900	\$ -	\$ -	\$ 1,848,191	\$ 2,217,900

General Obligation Debt

According to Washington State law, the City's debt capacity for general government purposes is limited to 4% or \$267.5 million of the City's assessed valuation. Of this 4%, the City Council has the authority to issue bonds and/or approve lease purchase agreements up to 1.5% or \$100.3 million. At the end of 2019, the City's assessed valuation was \$6,689,160,535, which is a 9% increase from 2018. The 2019 assessed valuation is used to calculate taxes to be collected in 2020. The City had \$1.8 million in outstanding councilmanic (non-voted) general obligation debt including the special obligation bonds issued by SCORE (South Correctional Entity) at the end of 2019. Repayment of this debt is guaranteed through the general taxing authority of the City. At this time, the City has no plans to issue additional general obligation debt.

In addition to the debt capacity limits for general government purposes (described above), there are other statutory limits of 2.5% for parks and open space and 2.5% for utilities for a combined total debt capacity of 7.5% or \$600 million of the City's assessed valuation.

Revenue Debt

At the end of 2019, the City had no revenue debt outstanding. At this time, the City has no plans to issue new revenue debt.

Special Assessment Debt

Special assessment debt is created through the formation of a local improvement district (LID). LID debt pays for significant public improvements (roads, sidewalks, utilities, etc.) that benefit specific properties. Following the formation of an LID and the completion of the improvements, the benefiting property owners are assessed their proportional share of the costs with repayment permitted over a period of years. The City sells LID bonds to cover the cost of the improvements and repayment is backed by liens placed on the benefiting properties.

At the end of 2019, the City had no LID bonds outstanding. No new special assessment debt was issued and there are no plans to issue new special assessment debt at this time. Additional information on the City's long-term debt is found in Note 10 Long-Term Debt in the 2019 Notes to the Financial Statements.

ECONOMIC FACTORS AND THE BUDGET

City of SeaTac, WA – Management’s Discussion and Analysis

For the past ten years, economic development has been a Council priority and viewed as a significant strategy for reaching and maintaining the City’s financial sustainability. The economy continues to improve; new development opportunities continue to be realized along the 24th Ave S corridor with the Alaska Airlines Copper River HUB Building and Trammel Crow’s IAC Commerce facility leading the way. Eleven commercial properties sold in the City and real estate sales totaled \$305 million, the second highest year in the last 10 years.

SeaTac Airport continues work on the International Arrivals Facility and upgrade to the North Satellite providing an increase in construction sales tax and adding new restaurants and shops. Plans are moving forward for an Airfield Pavement project and a new passenger loading bridge in the C gates.

2019 Property Taxes were 23.5% of governmental revenues. Property tax revenue increased 1.6% from 2018 and sales taxes are at an all-time high. For the 2019-2020 biennium, the General Fund estimated ending fund balance was \$30.6 million. Of that amount, \$1.2 million was identified as the Council’s General Fund target fund balance of four months of operating expenditures. The City ended the first year of the biennium with an ending fund balance of \$36.5 million. The growth in revenue positions the City to minimize the impacts of a future downturn without slashing service levels.

	2011-2012 Final	2013-2014 Final	2015-2016 Final	2017-2018 Final	2019-2020 Final
Budget:					
Budgeted Revenues	\$ 54,488,795	\$ 59,545,908	\$ 68,104,144	\$ 69,288,979	\$ 82,352,131
Budgeted Expenditures	\$ 59,328,665	\$ 65,450,693	\$ 70,168,679	\$ 73,792,587	\$ 80,842,520
Budgeted Difference	\$ (4,839,870)	\$ (5,904,785)	\$ (2,064,535)	\$ (4,503,608)	\$ 1,509,611
Actual:					
Actual Revenues	\$ 55,608,879	\$ 59,181,562	\$ 72,950,304	\$ 83,718,092	\$ 87,475,635
Actual Expenditures	\$ 57,336,155	\$ 64,989,397	\$ 68,185,724	\$ 74,653,435	\$ 79,409,120
Actual Difference	\$ (1,727,276)	\$ (5,807,835)	\$ 4,764,580	\$ 9,064,657	\$ 8,066,515

Excludes other financing sources & uses; Budgetary basis differs from GAAP basis

REQUESTS FOR INFORMATION

This financial report was designed to provide a general overview of the City of SeaTac’s finances for readers with an interest in the City’s finances. Questions regarding any of the information in this report, or requests for additional information should be addressed to the City of SeaTac, Finance and Systems Director, 4800 South 188th Street, SeaTac, WA 98188-8605.



Statement of Net Position
December 31, 2019

	Governmental Activities	Business-type Activities	Total	SSRTA Comp Unit
Assets				
Cash & cash equivalents	\$ 73,235,317	\$ 8,740,300	\$ 81,975,617	\$ 3,743,568
Investments	\$ 26,493,965	\$ 1,494,420	\$ 27,988,385	-
Receivables (net)				
Taxes	\$ 5,644,780	\$ -	\$ 5,644,780	-
Customer accounts & contracts	\$ 1,175,469	\$ 65,830	\$ 1,241,299	10,475
Due from other governments	\$ 283,923	\$ 108,973	\$ 392,896	694,244
Inventory	\$ -	\$ -	\$ -	7,585
Internal balances	\$ (199,658)	\$ 199,658	\$ -	-
Prepaid items	\$ 922,686	\$ 399	\$ 923,085	135,412
Investment in joint venture	\$ 4,243,602	\$ -	\$ 4,243,602	-
Capital assets not being depreciated:				
Land	\$ 322,084,374	\$ -	\$ 322,084,374	-
Intangible assets - Easements	\$ 158,067	\$ 35,442	\$ 193,509	-
Intangible assets - Trademarks	\$ -	\$ -	\$ -	9,947
Construction in progress	\$ 4,655,544	\$ 89,327	\$ 4,744,871	-
Capital assets, net of accum deprec (Note 6):				
Buildings	\$ 23,556,694	\$ 151,444	\$ 23,708,138	-
Improvements other than buildings	\$ 9,624,619	\$ 27,606,722	\$ 37,231,341	-
Equipment, vehicles & software	\$ 2,203,495	\$ 27,276	\$ 2,230,771	229,375
Infrastructure	\$ 46,547,030	\$ -	\$ 46,547,030	-
Net Pension Asset	\$ 137,691	\$ -	\$ 137,691	-
Total Assets	\$ 520,767,597	\$ 38,519,791	\$ 559,287,388	\$ 4,830,606
Deferred Outflows of Resources				
Deferred Outflow of Resources - Pensior	1,051,649	74,640	1,126,289	263,019
Deferred Outflow of Resources - OPEB	24,811	-	24,811	-
Total Assets & Deferred Outflows	521,844,057	38,594,431	560,438,488	5,093,625
Liabilities				
Accounts payable & accrued expenses	4,587,730	79,939	4,667,669	144,864
Due to other governments	19,224	-	19,224	-
Custodial accounts & other current liab	248,124	-	248,124	-
Unearned revenue	38,900	-	38,900	-
Noncurrent liabilities (Note 10):				
Due within one year	47,369	3,180	50,549	48,797
Due in more than one year	2,748,197	60,426	2,808,623	394,068
Net Pension Obligation	3,514,249	75,750	3,589,999	-
Total OPEB Liability	1,838,137	-	1,838,137	-
Total Liabilities	\$ 13,041,930	\$ 219,295	13,261,225	\$ 587,729
Deferred Inflows of Resources				
Deferred Inflow of Resources - Pensions	2,148,601	154,586	2,303,187	258,966
Total Liabilities & Deferred Inflows	15,190,531	373,881	15,564,412	846,695
Net Position				
Investment in capital assets	408,829,823	27,910,211	436,740,034	239,322
Restricted for:				
Tourism promotion & facilities	9,403,964	-	9,403,964	-
Debt service	383,261	-	383,261	-
Capital projects & equipment	3,759,839	-	3,759,839	-
Transportation	29,243,451	-	29,243,451	-
Des Moines Creek Basin ILA projects	3,632,605	-	3,632,605	-
Net Pension Asset	137,691	-	137,691	-
Unrestricted	51,262,892	10,310,339	61,573,231	4,007,608
Total Net Position	\$ 506,653,526	\$ 38,220,550	\$ 544,874,076	\$ 4,246,930

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

Statement of Activities
For the Year Ended December 31, 2019

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>
Functions/Programs				
Governmental Activities:				
Judicial	\$ 689,818	\$ 239,968	\$ 11,435	\$ -
General Government	7,968,501	2,316,065	844,270	4,351
Public Safety	24,262,195	1,880,269	2,124,083	-
Transportation	10,285,755	617,538	690,361	2,675,779
Health & Human Services	650,911	-	17,852	-
Physical & Economic Environment	5,122,578	2,517,525	305,736	-
Culture & Recreation	4,884,058	1,120,026	38,040	140,026
Total Governmental Activities	<u>53,863,816</u>	<u>8,691,391</u>	<u>4,031,777</u>	<u>2,820,156</u>
Business-type Activities:				
Solid Waste & Environmental	213,076	435,942	47,470	-
Surface Water Utilities	<u>2,769,850</u>	<u>3,914,513</u>	<u>128,892</u>	<u>50,000</u>
Total Business-type Activities	<u>2,982,926</u>	<u>4,350,455</u>	<u>176,362</u>	<u>50,000</u>
Component Unit Activities				
Seattle Southside Regional Tourism Authorit	<u>4,325,719</u>	<u>50,902</u>	<u>1,084,998</u>	<u>-</u>
Total Component Unit Activities	<u>4,325,719</u>	<u>50,902</u>	<u>1,084,998</u>	<u>-</u>
Total Government	<u>\$ 61,172,461</u>	<u>\$ 13,092,748</u>	<u>\$ 5,293,137</u>	<u>\$ 2,870,156</u>

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

Government-wide - City of SeaTac, WA

	Net (Expense) Revenue & Changes in Net Position			
	Governmental Activities	Business-type Activities	Total	SSRTA Comp Unit
Functions/Programs				
Governmental Activities:				
Judicial	\$ (438,414)	\$ -	\$ (438,414)	\$ -
General Government	(4,803,815)	-	(4,803,815)	-
Public Safety	(20,257,844)	-	(20,257,844)	-
Transportation	(6,302,076)	-	(6,302,076)	-
Health & Human Services	(633,060)	-	(633,060)	-
Physical & Economic Environment	(2,299,317)	-	(2,299,317)	-
Culture & Recreation	(3,585,966)	-	(3,585,966)	-
Total Governmental Activities	<u>(38,320,492)</u>	<u>-</u>	<u>(38,320,492)</u>	<u>-</u>
Business-type Activities:				
Garbage & Solid Waste	-	270,336	270,336	-
Surface Water Utilities	-	1,323,555	1,323,555	-
Total Business-type Activities	<u>-</u>	<u>1,593,891</u>	<u>1,593,891</u>	<u>-</u>
Component Unit Activities				
Seattle Southside Regional Tourism Authority	-	-	-	(3,189,819)
Total Component Unit Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,189,819)</u>
Total Government	<u>\$ (38,320,492)</u>	<u>\$ 1,593,891</u>	<u>\$ (36,726,601)</u>	<u>\$ (3,189,819)</u>
General Revenues				
Property taxes	17,089,360	-	17,089,360	-
Retail sales & use taxes	20,453,817	-	20,453,817	-
Hotel/Motel taxes	1,887,475	-	1,887,475	-
Parking taxes	10,089,106	-	10,089,106	-
Gambling taxes	1,050,857	-	1,050,857	-
Excise taxes	4,698,953	-	4,698,953	-
Misc Nonoperating	-	11,426	11,426	3,963,260
Unrestricted investment earnings	1,031,560	164,890	1,196,450	71,829
Gain on sale of capital assets	281,584	-	281,584	-
Total General Revenues	<u>56,582,712</u>	<u>176,316</u>	<u>56,759,028</u>	<u>4,035,089</u>
Transfers	(1,240,427)	1,054,975	(185,452)	-
Total General Revenues & Transfers	<u>55,342,285</u>	<u>1,231,291</u>	<u>56,573,576</u>	<u>4,035,089</u>
Change in Net Position	<u>17,021,793</u>	<u>2,825,182</u>	<u>19,846,975</u>	<u>845,270</u>
Net Position-Beg (as prev reported)	493,891,269	32,553,123	526,444,392	3,434,773
Prior Year Adjustments	(4,259,536)	2,842,245	(1,417,291)	(33,113)
Net Position-Beginning	<u>489,631,733</u>	<u>35,395,368</u>	<u>525,027,101</u>	<u>3,401,660</u>
Net Position-Ending	<u>\$ 506,653,526</u>	<u>\$ 38,220,550</u>	<u>\$ 544,874,076</u>	<u>\$ 4,246,930</u>

City of SeaTac, WA – Governmental Funds

Balance Sheet
December 31, 2019

	Special Revenue			Capital Improvement
	General	Street	Hotel/Motel Tax	Municipal CIP
Assets				
<i>Current Assets:</i>				
Cash & cash equivalents	\$ 23,844,465	\$ 10,322,433	9,249,485	\$ 6,971,864
Investments	\$ 17,328,275	\$ 3,030,351	-	4,606,542
Receivables (net of allowance for uncollectibles):				
Taxes	\$ 3,882,377	\$ 914,403	231,552	616,448
Customer accounts & contracts	\$ 739,667	\$ 38,382	-	809
Due from other governments	\$ 190,876	\$ 93,047	-	-
Prepaid items	\$ 920,588	\$ -	865	-
Total Assets	\$ 46,906,248	\$ 14,398,616	9,481,902	\$ 12,195,663
Liabilities				
<i>Current Liabilities:</i>				
Accounts & other payable	3,489,024	187,142	77,938	258,791
Due to other governments	19,224	-	-	-
Custodial & deposits payable	247,590	533	-	-
Unearned revenue	38,900	-	-	-
Total Liabilities	3,794,738	187,675	77,938	258,791
Deferred Inflows of Resources				
Unavail revenue-grants/interlocal	74,319	-	-	-
Unavail revenue-property taxes	170,658	-	-	-
Unavail revenue-court fines	359,924	-	-	-
Unavail revenue-leases/permits	61,300	7,905	-	-
Unavail revenue-sp assess/int/pen	-	-	-	-
Total Def Inflows of Resources	666,200	7,905	-	-
Fund Balances (Deficits)				
<i>Nonspendable:</i>				
Prepayments	920,588	-	865	-
Property held for resale	-	-	-	-
<i>Restricted:</i>				
Transportation	-	14,203,036	-	-
Tourism promotion & facilities	-	-	9,403,099	-
Des Moines Creek Basin ILA	-	-	-	-
Capital projects & equipment	-	-	-	3,759,839
Debt service	-	-	-	-
<i>Assigned:</i>				
Light Rail Station projects	-	-	-	-
Capital projects & equipment	-	-	-	8,177,033
Unassigned	41,524,722	-	-	-
Total Fund Balances	42,445,310	14,203,036	9,403,964	11,936,872
Total Liab, Def Inflows of Res & Fund Balances (Deficits)	\$ 46,906,249	\$ 14,398,616	9,481,902	\$ 12,195,663

Governmental Funds - City of SeaTac, WA

	Capital Improvement		Other Governmental Funds	Total Governmental Funds
	Facility Construction CIP	Transportation CIP		
Assets				
<i>Current Assets:</i>				
Cash & cash equivalents	\$ 1,530,423	\$ 15,324,128	\$ 4,420,492	\$ 71,663,290
Investments	-	-	1,528,797	26,493,965
Receivables (net of allow- ance for uncollectibles):				
Taxes	-	-	-	5,644,780
Customer accounts & contracts	-	396,610	-	1,175,469
Due from other governments	-	-	-	283,923
Prepaid items	-	-	-	921,453
Total Assets	<u>\$ 1,530,423</u>	<u>\$ 15,720,738</u>	<u>\$ 5,949,289</u>	<u>\$ 106,182,879</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts & other payable	-	559,542	1,125	4,573,560
Due to other governments	-	-	-	19,224
Custodial & deposits payable	-	-	-	248,124
Unearned revenue	-	-	-	38,900
Total Liabilities	-	559,542	1,125	4,879,809
Deferred Inflows of Resources				
Unavail revenue-grants/interlocal	-	100,337	-	174,656
Unavail revenue-property taxes	-	-	-	170,658
Unavail revenue-court fines	-	-	-	359,924
Unavail revenue-leases/permits	-	20,444	-	89,649
Unavail revenue-sp assess/int/per	-	-	-	-
Total Def Inflows of Resources	-	120,781	-	794,886
Fund Balances (Deficits)				
<i>Nonspendable:</i>				
Prepayments	-	-	-	921,453
Property held for resale	-	-	-	-
<i>Restricted:</i>				
Transportation	-	15,040,415	-	29,243,451
Tourism promotion & facilities	-	-	-	9,403,099
Des Moines Creek Basin ILA	-	-	3,632,605	3,632,605
Capital projects & equipment	-	-	-	3,759,839
Debt service	-	-	383,261	383,261
<i>Assigned:</i>				
Light Rail Station projects	-	-	1,932,298	1,932,298
Capital projects & equipment	1,530,423	-	-	9,707,457
Unassigned	-	-	-	41,524,722
Total Fund Balances	<u>1,530,423</u>	<u>15,040,415</u>	<u>5,948,164</u>	<u>100,508,184</u>
Total Liab, Def Inflows of Res & Fund Balances (Deficits)	<u>\$ 1,530,423</u>	<u>\$ 15,720,738</u>	<u>\$ 5,949,289</u>	<u>\$ 106,182,879</u>

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

City of SeaTac, WA – Net Position Reconciliation

Reconciliation of Fund Balances of Governmental Funds to the Net Position of Governmental Activities December 31, 2019

Amounts reported for governmental activities in the Statement of Net Position are different because:

Governmental funds total fund balance on December 31, 2019 (as shown on the Balance Sheet for Governmental Funds)	\$	100,508,184
Capital assets used in governmental activities are not financial resources and are not reported in the individual governmental funds.		
These capital assets consist of:		
Land	\$	322,084,374
Intangibles - easements		158,067
Construction in progress		4,531,958
Buildings & structures		46,675,350
Other improvements		17,125,419
Infrastructure		114,809,809
Equipment		1,846,055
Intangibles - software		564,579
Less: accumulated depreciation		<u>(100,937,273)</u>
		406,858,338
Investments in joint ventures are not a financial resource and, therefore, are not reported in the governmental funds.		4,243,602
The net pension asset is not an available resource and, therefore, is not reported in the governmental funds.		137,691
Other long-term assets are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		794,886
Some deferred outflows will not be utilized in the current period and, therefore, are not reported in the individual governmental funds, this includes the Deferred Pension Outflow and Deferred OPEB Outflow.		1,076,460
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the individual governmental funds.		
These long-term liabilities consist of:		
Bonds payable	\$	(1,848,191)
Pension Obligation		(3,514,249)
Deferred Pension Inflows		(2,148,601)
Other Post Employment Benefits Obligation		(1,838,137)
Compensated absences payable		<u>(943,343)</u>
		(10,292,521)
An Equipment Rental Internal Service Fund is used by management to charge the costs of repairing and replacing equipment to individual governmental funds. These assets and liabilities are included in governmental activities in the Statement of Net Position.		<u>3,326,886</u>
Net position of governmental activities (as shown on the Government-wide Statement of Net Position)	\$	<u>506,653,526</u>

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

City of SeaTac, WA – Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2019**

	General	Street	Hotel/Motel Tax	Municipal CIP
Revenues				
Taxes	\$ 38,147,743	\$ 10,089,106	\$ 1,887,475	5,129,977
Licenses & permits	\$ 1,882,696	\$ 35,451	\$ -	-
Intergovernmental & contributions	\$ 2,909,108	\$ 690,361	\$ 20,108	112,297
Charges for services	\$ 2,577,885	\$ 131,538	\$ -	359,602
Fines & forfeitures	\$ 289,119	\$ -	\$ -	-
Investment & other earnings	\$ 654,494	\$ 242,886	\$ 148,505	112,413
Net Change in FV of investments	\$ 130,306	\$ (4,697)	-	82,127
Rent & leases	\$ 992,924	\$ 6,900	-	-
Miscellaneous	\$ 231,691	\$ 13,731	-	-
Total Revenues	47,815,966	\$ 11,205,276	2,056,088	5,796,416
Expenditures				
Current:				
Judicial	685,361	-	-	-
General Government	7,638,679	-	-	108,201
Public Safety	23,888,728	206,546	-	-
Transportation	71,017	3,177,611	-	-
Health & Human Services	649,263	-	-	-
Economic Environment	2,933,487	48,905	1,273,578	-
Culture & Recreation	4,086,179	-	-	5,388
Debt Service:				
Principal	-	-	-	-
Interest & other costs	-	-	-	-
Capital Outlay:				
General Government	87,204	-	-	456,901
Judicial	-	-	-	-
Public Safety	-	-	-	3,934
Transportation	-	2,424,934	-	21,836
Economic Environment	-	-	-	3,190
Culture & Recreation	-	-	-	632,813
Total Expenditures	40,039,918	5,857,995	1,273,578	1,232,263
Excess (deficiency) of revenues over (under) expenditures	7,776,048	5,347,281	782,510	4,564,153
Other Financing Sources (Uses)				
Transfers in	-	-	16,226	-
Transfers out	(56,000)	(6,733,709)	-	-
Disposal of Capital Assets	-	-	-	89,896
Total Other Fin Sources (Uses)	(56,000)	(6,733,709)	16,226	89,896
Net Change in Fund Balances	7,720,048	(1,386,428)	798,736	4,654,049
Fund Balances-January 1st	34,725,262	15,589,464	8,605,228	7,282,823
Fund Balances-December 31st	\$ 42,445,310	\$ 14,203,036	\$ 9,403,964	\$ 11,936,872

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

Governmental Funds - City of SeaTac, WA

	Facility Construction CIP	Transportation CIP	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ 55,254,300
Licenses & permits	-	-	-	1,918,147
Intergovernmental & contributions	-	2,657,608	\$ 194,700	6,584,182
Charges for services	-	90,260	\$ -	3,159,285
Fines & forfeitures	-	-	\$ -	289,119
Investment & other earnings	25,687	205,653	\$ 90,136	1,479,774
Net Change in FV of investments	-	-	\$ -	207,737
Rent & leases	-	9,089	\$ -	1,008,913
Miscellaneous	-	-	\$ -	245,421
Total Revenues	25,687	2,962,610	\$ 284,836	70,146,878
Expenditures				
Current:				
Judicial	-	-	\$ -	685,361
General Government	-	-	\$ -	7,746,879
Public Safety	-	-	\$ -	24,095,274
Transportation	-	-	\$ -	3,248,628
Health & Human Services	-	-	\$ -	649,263
Economic Environment	-	-	\$ 21,713	4,277,683
Culture & Recreation	-	-	\$ -	4,091,567
Debt Service:				
Principal	-	-	\$ -	-
Interest & other costs	-	-	\$ -	-
Capital Outlay:				
General Government	-	-	\$ -	544,104
Judicial	-	-	\$ -	-
Public Safety	-	-	\$ -	3,934
Transportation	-	6,958,604	\$ -	9,405,373
Economic Environment	-	-	\$ -	3,190
Culture & Recreation	-	-	\$ -	632,813
Total Expenditures	-	6,958,604	\$ 21,713	55,384,070
Excess (deficiency) of revenues over (under) expenditures	25,687	(3,995,994)	\$ 263,123	14,762,808
Other Financing Sources (Uses)				
Transfers in	-	6,690,709	\$ 135,300	6,842,235
Transfers out	-	-	\$ (16,226)	(6,805,935)
Disposal of Capital Assets	-	737,980	\$ -	827,876
Total Other Fin Sources (Uses)	-	7,428,689	\$ 119,074	864,176
Net Change in Fund Balances	25,687	3,432,695	\$ 382,197	15,626,984
Fund Balances-Beginning	1,504,736	11,607,720	\$ 5,565,967	84,881,200
Fund Balances-Ending	\$ 1,530,423	\$ 15,040,415	\$ 5,948,164	\$ 100,508,184

City of SeaTac, WA – Reconciliation

**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, 2019**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balance for all governmental funds combined (as shown on the Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds)	\$ 15,626,984
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

Capital outlays	5,357,045	
Depreciation expense	<u>(6,225,680)</u>	(868,635)

In the Statement of Activities, only the gain (loss) on the sale of assets is reported.

In the governmental funds, the proceeds from the sale of the assets increases financial resources. Thus causing a reporting difference when assets are disposed of (sold, traded-in or donated). The net effect of various miscellaneous transactions involving capital assets (i.e. asset sales, transfers, etc) is to decrease net position.	(671,479)
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Investment in joint ventures are not considered financial resources and are, therefore, not reported in the governmental funds.	1,675,971
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Governmental funds report pension expenditures when due and payable from current financial resources. However, in the Statement of Activities, pension expense is measured by the change in net pension assets, net pension liabilities, and related deferred outflows and inflows. This is the net difference in pension expense.	1,315,222
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Some revenues will not be collected for several months after the City's fiscal year ends and are not considered available revenues in the governmental funds. Unavailable revenues changed by this amount for the current year.	(28,648)
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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 the governmental funds. These expenses consist of: Net increase in compensated absences	<u>(87,353)</u>	(87,353)
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An Equipment Rental Internal Service Fund is used by management to charge the costs of equipment repairs and replacements to individual funds. Adjustments related to this Fund are reported on the Statement of Activities as governmental activity.

Profit/Loss allocation & interest earnings	57,105	
Gain on sale of capital assets	2,626	
Transfers involving other funds (net)	<u>-</u>	<u>59,731</u>
Change in net position of governmental activities (as shown on the Statement of Activities-Governmental Activities)		<u>\$ 17,021,793</u>

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

Statement of Net Position
December 31, 2019

	Business-type Activities			Governmental Activities
	Surface Water Utility	Solid Waste and Environmental	Total Enterprise Funds	Internal Service Fund- Equipment Rental
Assets				
Current Assets:				
Cash & cash equivalents	\$ 8,069,277	\$ 671,023	\$ 8,740,300	1,572,028
Investments	\$ 1,494,420	\$ -	1,494,420	-
Customer receivables (net)	\$ 136,243	\$ 5,521	141,764	-
Other receivables	\$ -	\$ 33,039	33,039	-
Prepaid items	\$ 399	\$ -	399	1,233
Total Current Assets	<u>\$ 9,700,339</u>	<u>709,583</u>	<u>10,409,922</u>	<u>1,573,261</u>
Noncurrent Assets:				
Capital assets (net of accumulated depreciation):				
Buildings	\$ 151,444	-	\$ 151,444	-
Other improvements	\$ 27,606,722	-	27,606,722	-
Vehicles and equipment	\$ 13,674	-	\$ 13,674	1,847,899
Intangible assets - software	\$ 13,602	-	\$ 13,602	-
Intangible assets - easements	\$ 35,442	-	\$ 35,442	-
Construction in progress	\$ 89,327	-	\$ 89,327	123,587
Total Noncurrent Assets	<u>\$ 27,910,211</u>	<u>-</u>	<u>\$ 27,910,211</u>	<u>1,971,486</u>
Total Assets	<u>\$ 37,610,550</u>	<u>\$ 709,583</u>	<u>\$ 38,320,133</u>	<u>3,544,747</u>
Deferred Outflows of Resources				
Deferred Outflows Related to Pensions	\$ 61,588.00	\$ 13,052	\$ 74,640	2,708
Liabilities				
Current Liabilities:				
Accounts payable	79,904	35	79,939	14,170
Due to other governments	-	-	-	-
Compensated absences	2,845	335	3,180	202
Total Current Liabilities	<u>82,749</u>	<u>370</u>	<u>83,119</u>	<u>14,372</u>
Noncurrent Liabilities:				
Compensated absences	54,054	6,372	60,426	3,830
Net pension liability	62,507	13,243	75,750	2,737
Total Noncurrent Liabilities	<u>116,561</u>	<u>19,615</u>	<u>136,176</u>	<u>6,567</u>
Total Liabilities	<u>199,310</u>	<u>19,985</u>	<u>219,295</u>	<u>20,939</u>
Deferred Inflows of Resources				
Deferred Inflows Related to Pensions	127,563	27,023	154,586	6,551
Net Position				
Investment in capital assets	27,910,211	-	27,910,211	1,971,486
Unrestricted	<u>9,435,054</u>	<u>675,627</u>	<u>10,110,681</u>	<u>1,548,478</u>
Total Net Position	<u>\$ 37,345,265</u>	<u>\$ 675,627</u>	<u>\$ 38,020,892</u>	<u>3,519,965</u>
Cumulative adjustment to reflect the consolidation of the Equipment Rental Internal Service Fund activities as related to enterprise funds over time.			<u>199,658</u>	
Net position of business-type activities			<u>\$ 38,220,550</u>	

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

City of SeaTac, WA – Proprietary Funds

**Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2019**

	Business-type Activities			Governmental Activities
	Surface Water Utility	Solid Waste and Environmental	Total Enterprise Funds	Internal Service Fund- Equipment Rental
Operating Revenues				
Charges for Services:				
Total Operating Revenues	3,914,513	435,942	4,350,455	646,589
Operating Expenses				
Maintenance & operations	1,438,910	186,400	1,625,310	318,799
Administrative & general	596,708	26,676	623,384	-
Depreciation	745,056	-	745,056	298,967
Total Operating Expenses	2,780,674	213,076	2,993,750	617,766
Operating Income (Loss)	1,133,839	222,866	1,356,705	28,823
Nonoperating Revenues (Exps)				
Intergovernmental revenues	128,892	47,470	176,362	-
Investment earnings	155,863	9,027	164,890	35,525
Gain (loss) on disposal of assets	-	-	-	2,626
Misc nonoperating revs (exps)	7,220	4,207	11,427	1,791
Total Nonoperating Revs (Exps)	291,975	60,704	352,679	39,942
Income (Loss) Before Contributions & Transfers	1,425,814	283,570	1,709,384	68,765
Capital contributions	1,276,727	-	1,276,727	-
Capital grants	50,000	-	50,000	-
Transfers in	-	-	-	185,452
Transfers out	(221,752)	-	(221,752)	-
Change in Net Position	2,530,789	283,570	2,814,359	254,217
Net Position-Beg (as prev reptd)	31,972,231	392,057		3,279,707
Prior Year Adjustment	2,842,245			(13,959)
Net Position-Beginning	34,814,476	392,057	35,206,533	3,265,748
Net Position-Ending	\$ 37,345,265	\$ 675,627	\$ 38,020,892	\$ 3,519,965
An Equipment Rental Internal Service Fund is used to charge the cost of equipment repairs & replacements to individual funds. This is the current year adjustment for this internal service fund that is reported with the business-type activities in the Statement of Activities.			10,824	
Change in net position of business-type activities			\$ 2,825,183	

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

City of SeaTac, WA – Proprietary Funds

Statement of Cash Flows
For the Year Ended December 31, 2019

	Business-type Activities-Enterprise Funds			Governmental Activities
	Surface Water Utility	Solid Waste and Environmental	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities:				
Receipts from customers	\$ 3,892,985	\$ 467,991	\$ 4,360,976	\$ 37
Receipts from other funds	\$ -	-	-	646,588
Payments to suppliers	\$ (730,844)	(62,346)	(793,190)	(319,742)
Payments to employees	\$ (1,293,401)	(160,065)	(1,453,466)	(2,768)
Net Cash Provided (Used) by Operating Activities	\$ 1,868,740	245,580	2,114,320	324,114
Cash Flows from Noncapital Financing Activities:				
Intergovernmental revenue	\$ 128,892	47,469	176,361	-
Transfers from other funds	\$ -	-	-	185,452
Transfers to other funds	\$ (221,752)	-	(221,752)	-
Nonoperating revenue received	\$ 7,219	4,207	11,426	1,791
Net Cash Provided (Used) by Noncapital Financing Activities	\$ (85,641)	51,676	(33,965)	187,243
Cash Flows from Capital & Related Financing Activities:				
Capital contributions	50,000	-	50,000	-
Proceeds from sale of assets	-	-	-	7,365
Purchase of capital assets	(471,665)	-	(471,665)	(637,028)
Net Cash Provided (Used) by Capital & Related Financing Activities	(421,665)	-	(421,665)	(629,663)
Cash Flows from Investing Activities:				
Proceeds from sale of investments	-	-	-	496,029
Interest received	155,863	9,027	164,890	35,525
Net Cash Provided (Used) by Investing Activities	155,863	9,027	164,890	531,554
Net Increase (Decrease) in Cash and Cash Equivalents	1,517,297	306,283	1,823,580	413,247
Cash & Cash Equivalents-Beginning*	8,046,400	364,740	8,411,140	1,158,780
Cash & Cash Equivalents-Ending	\$ 9,563,697	\$ 671,023	\$ 10,234,720	\$ 1,572,028

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

Proprietary Funds - City of SeaTac, WA

	Business-type Activities-Enterprise Funds			Governmental Activities
	Surface Water Utility	Solid Waste and Environmental	Total Enterprise Funds	Internal Service Funds
Reconciliation of Operating Income				
(Loss) to Net Cash Provided				
(Used) by Operating Activities:				
Operating Income (Loss)	\$ 1,133,840	\$ 222,866	\$ 1,356,706	\$ 28,823
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	745,056	-	745,056	298,967
Pension Expense	(49,215)	(10,428)	(59,643)	(2,154)
(Incr) decr in accts receivable	(11,815)	32,049	20,234	37
(Incr) decr in prepaid expenses	(257)	-	(257)	(1,233)
Incr (decr) in accounts payable	63,783	35	63,818	290
Incr (decr) in due to other government	(9,713)	-	(9,713)	-
Incr (decr) in compensated absences	(2,939)	1,057	(1,881)	(614)
Total adjustments	<u>734,900</u>	<u>22,713</u>	<u>757,614</u>	<u>295,292</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,868,740</u>	<u>\$ 245,580</u>	<u>\$ 2,114,320</u>	<u>\$ 324,115</u>

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of SeaTac have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The City's significant accounting policies are described below:

A. Reporting Entity

The City of SeaTac, Washington was incorporated on February 28, 1990 and operates under the laws of the State of Washington applicable to a Non-Charter Code City with a Council-Manager form of government. A full-time City Manager and a seven-member City Council administer the City, with one of its members serving as Mayor. Councilmember terms are for a period of four years.

The City of SeaTac is a general purpose government. As required by the generally accepted accounting principles the financial statements present city, the primary government, and its component units. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationships with the component unit.

The Seattle Southside Regional Tourism Authority (SSRTA) was established by an interlocal agreement between the cities of SeaTac, Tukwila, and Des Moines to provide tourism promotion services to the City of SeaTac. The City of SeaTac appoints the voting majority of the Board of Directors for the SSRTA.

B. Basis of Presentation - Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City's policy is to not allocate indirect costs to 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. Internally dedicated resources are reported as general revenues rather than program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule the effect of the inter-fund activity has been eliminated for the government-wide financial statements.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund (#001) is the City's primary operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund. The primary revenue sources in the General Fund are property taxes and sales taxes.

The Street Fund (Special Revenue Fund #102) accounts for restricted parking tax and fuel tax revenues which are used to fund various transportation programs and capital projects. The parking tax revenues also cover inter-fund transfers to the Transportation Capital Improvement Fund (#307).

The Hotel/Motel Tax Fund (Special Revenue Fund #107) is used to account for a restricted 1% lodging tax collected for tourism promotion and the acquisition and operation of tourism-related facilities.

The Municipal Capital Improvement Fund (#301) accounts for general capital improvements. Revenues deposited to the Fund include sales taxes associated with capital projects at the Port of Seattle airport and real estate excise tax.

The Facility Construction CIP Fund (Capital Improvement Fund #306) accounts for the expenditures related to the construction of City buildings and major land acquisitions. There are no major revenue sources for this Fund. Transfers in from other funds pay for the capital improvements, as needed.

The Transportation Capital Improvement Fund (Capital Improvement Fund #307) accounts for transportation related infrastructure projects. The major revenue sources in this Fund include parking taxes (inter-fund transfers in from the Street Fund), traffic impact fees, fuel taxes and federal, state and local grants.

The City reports the following major enterprise funds:

The Surface Water Utility Fund (#403) accounts for the cost of maintaining the City's storm drainage system. Activities that are primarily supported through user charges include administration, operations, maintenance, repairs and debt service. In addition, the fund accounts for capital improvements to the City's storm drainage system.

The Solid Waste and Environmental Services Fund (#404) accounts for costs related to the administration of the City's recycling and education program. These activities are supported through solid waste services franchise fees and recycling grants.

The City reports the following fund types:

Internal service funds account for the costs of maintaining and repairing all City vehicles and auxiliary equipment except for police vehicles on a cost reimbursement basis. This Fund also accumulates resources for the future replacement of existing vehicles and equipment.

C. Measurement Focus, Basis of Accounting

1. Government-Wide and Governmental Funds

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the proprietary 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 in which they are levied. Grants and similar items are recognized as revenue as soon as 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 available if they are collected within 60 days of the end of the current fiscal period. The City considers property taxes as available if they are collected within 60 days after year-end. 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 a payment is due.

Property taxes, licenses, 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 fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

2. Proprietary Funds

The proprietary fund statements (enterprise and internal service funds) are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

Proprietary funds 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 are storm drainage fees and franchise fees paid for solid waste services. Operating expenses for the city include the cost of sales and services, including maintenance and operations, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Budgetary Information

1. Scope of the Budget

The City of SeaTac budgets in accordance with the provisions of the Revised Code of Washington (RCW) 35A.34. Biennial appropriated budgets are adopted for most of the City funds as follows: the General Fund, Special Revenue Funds (Street, Port of Seattle ILA, Transit Planning, Hotel/Motel Tax, Building Management, and Des Moines Creek Basin ILA Fund), Debt Service Funds (2009 LTGO Refunding Bonds and SCORE Bond Fund), Capital Project Funds (Municipal Capital Improvement, Facility Construction CIP, Transportation CIP and Light Rail CIP), Enterprise Fund (Surface Water Utility and Solid Waste and Environmental Services) and the Internal Service Fund (Equipment Rental).

In June 2012, the City Council passed Ordinance No. 12-1010 authorizing the change to biennial budgeting effective for the budget years of 2013 – 2014. The City's first biennial budget was adopted by Ordinance No. 12-1018 in November 2012.

Biennial budgets for the general, special revenue, debt service and capital project funds are adopted on the modified accrual basis of accounting. For governmental funds, there are five funds (General Fund, Port of Seattle ILA Fund, Transit Planning Fund and the Building Management Fund) with differences between the budgetary basis and generally accepted accounting principles (GAAP). Specific details on these differences can be found in the RSI (Required Supplementary Information). Budgetary accounts are integrated into the City's accounting system in all budgeted funds and any unexpended appropriations lapse at the end of the two-year biennial period (except for appropriations for capital outlays, which are carried forward for year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned).

Encumbrances accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

2. Amending the Budget

The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City Council.

When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by Ordinance approved by one more than the majority.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated biennial budget. The final budget is the original biennial budget adjusted by all reserves, transfers, supplemental appropriations, and other legally authorized changes applicable to the two fiscal years combined.

3. Excess of Expenditures over Appropriations

There were no City funds in which expenditures exceeded appropriations.

4. Deficit Fund Net Position

There were no City funds with deficit fund net positions.

E. Assets, Liabilities, Fund Balance, Net Position

1. Cash and Cash Equivalents

It is the City's policy to invest all temporary cash surpluses. At December 31, 2019, the City had holdings of \$82,639,965 (as shown in the table below) in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. Included in this category are all funds invested in the State Treasurer's Local Government Investment Pool. The interest on these investments is prorated to the various funds based on ownership of the investments.

At December 31, 2019, the City's total cash and cash equivalents (including cash restricted for debt) consisted of the following:

US Bank, General Fund Checking Account	\$7,853,235
US Bank, Municipal Court Checking Account.....	60,836
Cash with Renton Foundation.....	62,695
Cash Equivalents with State Treasurer's Investment Pool.....	74,655,299
City Hall Postage Meter Fund.....	6,000
Petty Cash/Change Funds.....	1,900
Total Cash and Cash Equivalents.....	<u>\$82,639,965</u>

The amount reported as cash and cash equivalents also includes compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balance maintained was \$22 million.

For purposes of the Statement of Cash Flows, proprietary funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Additional information is presented in Note 4 Deposits and Investments.

2. Investments (See Note 4 Deposits and Investments)

Investments are reported in the financial statements at fair value. Washington State statutes provide for the City to hold investments consisting of obligations of the U.S. Government, repurchase agreements, prime banker’s acceptances, and time certificates of deposit issued by Washington State depositories that participate in the Washington State Public Depository Protection Pool (PDPC). The PDPC is a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission. Additional information is presented in Note 4 Deposits and Investments.

3. Receivables

Taxes receivable consists of property taxes that are levied and become an enforceable legal claim/lien on January 1st. Property tax payments can be paid in two installments due on April 30th and October 31st. Collections are distributed daily to the City. (See Note 5 Property Taxes for additional information). Other taxes receivable consist of sales taxes, hotel/motel taxes, gambling taxes, real estate excise taxes, motor vehicle fuel taxes, leasehold excise taxes and parking taxes.

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Unavailable revenue, classified as a deferred inflow of resources on the fund financial statements, consists of unbilled and delinquent special assessments that can become liens against the property benefited.

Customer accounts receivable consists of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared.

4. Amounts Due to and from Other Funds, Inter-fund Loans and Advances Receivable

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either inter-fund loans receivable/payable or advances to/from other funds. All other outstanding balances between funds are reported as due to/from other funds. Any residual balances

outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances. A separate schedule of inter-fund loans receivable and payable is furnished in Note 15 Inter-fund Balances & Transfers.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. There were no inter-fund loans or advances outstanding in 2019.

5. Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are purchased. The amount outstanding at the end of the reporting period is immaterial and is, therefore, not included on the balance sheet. Inventories in the enterprise and internal service funds are recorded in this manner because the majority of the supplies and service related expenses of these funds are purchased and consumed at the time of purchase.

6. Restricted Assets and Liabilities

There are no restricted assets in the proprietary funds. Any specific debt service reserve requirements are described in Note 10 Long-Term Debt.

7. Capital Assets

Capital assets, which include construction in progress, land, buildings, equipment, vehicles, software, easements, other improvements and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and a life greater than four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major repairs are capitalized if they result in betterments/improvements. When the costs of improvements are substantial and/or when there is a change in the estimated useful life of an asset, the costs are capitalized. The costs for normal maintenance and repairs are not capitalized but instead are expensed as they are incurred.

Major outlays for capital improvements and infrastructure are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is included as part of the capitalized value of the asset constructed. No interest expense was incurred by the City during the fiscal year. Infrastructure, other improvements, buildings, equipment, etc. are depreciated using the straight line depreciation method. Depreciation for assets reported in business-type columns prior to 2017 includes a 10% salvage value. Land and construction in progress are not depreciated.

The following table summarizes asset capitalization thresholds and service life:

Capital Asset Classes	Capitalization Threshold	Estimated Service Life
Construction in Progress	Capitalize All	Not Depreciated
Land & Land Improvements	Capitalize All	Not Depreciated
Intangible Assets – Perpetual Easements	\$5,000	Not Depreciated
Intangible Assets – Easements	\$5,000	Varies Based on Easement
Intangible Assets – Software	\$5,000	4 Years
Equipment/Vehicles	\$5,000	4 - 20 Years
Buildings/Building Improvements	\$25,000	10 - 40 Years
Other Improvements	\$25,000	20 - 50 Years
Surface Water Utility Improvements	\$25,000	50 Years
Transportation Infrastructure	\$100,000	10 - 50 Years

Additional information is presented in Note 6 Capital Assets.

8. 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 represents a consumption of net position that applies to a future period(s) and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until then.

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 represents an acquisition of net position that applies to a future period(s) and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item, unavailable revenue, which arises only under a modified accrual basis of accounting and qualifies for reporting in this category. Accordingly, unavailable revenue is only reported on the governmental funds' Balance Sheet. The governmental funds reported unavailable revenues from the following sources: property taxes, grants, Interlocal revenues, operating leases, permits, special assessments (current & delinquent), special assessment interest & penalties and court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

9. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The City records an estimated liability for unused vacation, sick leave, floating holiday and compensatory time.

The City's policy for vacation allows for a maximum accumulation and payment equal to the amount of vacation time the employee could have earned over a period of two years at the employee's current rate of accrual. Vacation pay is based on the employee's last hourly rate of pay and payable upon resignation, retirement, or death.

Generally, upon separation from employment employees receive payment equal to 25% of their accrued and unused sick leave up to a 64-hour maximum. The sick leave cash out does not apply to employees who leave during their probationary period or are on the annual Sick Leave Cash-Out Program. It is the City's policy that payment for accumulated sick leave be based on the employee's last hourly rate of pay.

Compensatory time can be accrued up to a maximum of 80 hours and is payable upon resignation, retirement, or death.

At the end of 2019, total compensated absences liability was \$943,343 and included accumulated unused vacation, sick leave, floating holiday and compensatory time for governmental activities. This liability has been reported in the government-wide Statement of Net Position. No current liability has been recorded for compensated absences in the governmental funds.

Accumulated amounts for compensated absences are accrued as incurred in proprietary funds. The total liability amount in the City's Surface Water Utility Fund at December 31, 2019 was \$56,837. It is estimated that \$2,845 of this liability will be due within one year. The total liability amount in the City's Solid Waste and Environmental Services Fund at December 31, 2019 was \$6,707. It is estimated that \$335 of this liability will be due within one year. Additionally, the Equipment Rental Fund has an estimated total compensated absences liability at year-end of \$4,032 and it is estimated that \$202 of this liability will be due within one year. The Equipment Rental compensated absence liability has been included in the governmental activities column of the government-wide Statement of Net Position.

10. 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.

11. Other Accrued Liabilities

These accounts consist of accrued wages and employee benefits.

12. Long-Term Debt

All long-term obligations from governmental funds are reported in the government-wide financial statements. All long-term obligations payable from proprietary funds are reported in the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Bonds, capital leases and long-term loans are recognized as liabilities of the governmental fund when due. Additional information and debt schedules are presented in Note 10 Long-Term Debt.

13. Unearned Revenues

This account includes amounts received but not recognized as revenues because the revenue recognition criteria have not been met.

14. Fund Balance Classification

Fund balance in the governmental funds represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, states that governmental funds should report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. Governments, such as the City of SeaTac, that do not have policies or procedures comparable to the GASB Statement No. 54 policies that underlie the classifications, would not report amounts in all possible fund balance classifications. Since the City does not have fund balance classification policies or procedures, no amounts were reported as committed. Therefore, the flow assumption or order of spending within unrestricted fund balance would be assigned and then unassigned since the City does not have anything reported as committed.

The following are the fund balance classifications as defined by GASB Statement No. 54:

Non-spendable: Amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. “Not in spendable form” includes items that are not expected to be converted to cash like inventories and prepaid amounts. It may also include long-term amounts of loans and notes receivable, as well as property acquired for resale, depending on how the proceeds from the collection of the receivables or sale of those properties would be classified.

Restricted: Fund balance should be reported as restricted when 1) constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation. For purposes of determining the composition of ending fund balance, the City reviews restricted resources to ensure that expenditures meet the requirements of the restricted resources. The City then confirms available restricted balances and utilizes these balances as deemed appropriate. Otherwise, available unrestricted (includes committed, assigned or unassigned) amounts will be utilized.

Committed: Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action (passage of an ordinance) to establish (and modify or rescind) the commitments of the government’s highest level of decision-making authority (the City Council). At this time, the City has no written policy or procedure on committing fund balance.

Assigned: Amounts that are restrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. Intent should be expressed by the governing body itself (the City Council) or a body or official to which the governing body has delegated the authority (authority has not been delegated) to assign amounts to be used for specific purposes. Assigned fund balance includes: a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed and b) amounts in the General Fund that are intended to be used for a specific purpose. By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, the City has assigned those amounts to the purposes of the respective funds. At this time, the City has no written policy or procedure on assigning fund balance and no City official has formally been authorized to make assignments.

Unassigned: Residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund.

15. Minimum Fund Balance

For the General Fund, the City has established a minimum fund balance policy of four months (33%) of General Fund operating expenditures (excluding transfers out) via the adoption of the biennial budget ordinance. City Council can authorize use of reserves for unforeseen, urgent or emergency needs as deemed necessary by the City Manager or City Council. Capital funds shall maintain a reserve to provide funding for three of the six years in the Capital Improvement Plan, less proprietary fund projects.

Enterprise funds have an operating reserve minimum of 45 days of total budgeted operating expenses for the Surface Water Management Fund and 30 days of total budgeted operating expenses. For capital reserves the Surface Water Management utility also has a target of 10% of all original asset values. City Council authorization is needed to expend any enterprise fund reserves.

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Proprietary Fund Statement of Net Position and the Government-Wide Statement of Net Position

The proprietary fund Statement of Net Position provides a reconciliation between net position – total enterprise funds and net position - business-type activities as reported in the government-wide Statement of Net Position. The description of the sole element of that reconciliation is “Cumulative adjustment to reflect the consolidation of the Equipment Rental Internal Service Fund activities as related to enterprise funds over time.” The details of the \$199,658 difference are as follows:

Internal receivable representing charges in excess of cost to business-type activities – prior years	\$188,834
Internal receivable representing charges under cost to business-type activities – current year	<u>10,824</u>
Net adjustment to increase net position – total enterprise funds to arrive at net position – business-type activities	<u>\$199,658</u>

NOTE 3: VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS

There have been no material violations of finance-related legal or contractual provisions.

NOTE 4: DEPOSITS AND INVESTMENTS

A. Deposits

Cash on hand at December 31, 2019 was \$7,188,888.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the City would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The City’s deposits are covered entirely by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public

Deposit Protection Commission (PDPC)

B. Investments

Investments are subject to the following risks.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal policy that addresses interest rate risk. The portfolio weighted maturity at year end was 2.47 years.

Investment Type	Fair Value	Maturities (in Years)	
		Less Than 1	1 to 5
U.S. Treasury Strips	7,218,611	2,605,536	4,613,075
U.S. Agencies	20,769,774	2,505,530	18,264,244
Total Investments	\$ 27,988,385	\$ 5,111,066	\$ 22,877,319

Credit Risk: Credit risk is the risk that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause the price of the investment to decline. The City's investment policy applies the prudent person standard; investments will be made with judgment and care, under circumstances then prevailing, which a person of prudence, discretion and intelligence would use in the management of their own affairs, not for speculation, but for investment purposes. The credit ratings on securities held by the City of SeaTac on December 31, 2019, are listed below:

Investment Type	Ratings		Fair Value
	Moody's	S&P	
Government Sponsored Enterprises			
Federal National Mortgage Association	Aaa	AA+	8,079,692
Federal Home Loan Bank	Aaa	AA+	6,614,482
Federal Farm Credit	Aaa	AA+	2,000,118
Freddie Mac	Aaa	AA+	2,077,420
Farmer Mac	Aaa	AA+	1,998,062
Resolution Funding Corporation Strips	NR	NR	7,218,611
Total			\$ 27,988,385

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, the City would not be able to recover the value of the investment in collateral securities. The City's investment policy established by Resolution #19-1021 states that all security transactions entered into by the City shall be conducted on a delivery versus payment basis whereby the securities are delivered to a third party, such as a safekeeping bank acting as an agent for the City, before payment is released. All of the City's securities at year-end were held in safekeeping by a third party custodian and are not exposed to custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual issues. It is the City's policy to diversify its investments by security type and institution. The City's policy is to assure that no single institution or security is invested to such an extent that a delay of liquidation at maturity is likely to cause a current cash flow emergency. With the exception of U.S. Treasury obligations and authorized pools, no more than 30% of the entity's total investment portfolio will be invested in a single security type, issuer or financial institution.

Investments in Local Government Investment Pool (LGIP)

The City is a participant in the Local Government Investment Pool, authorized by Chapter 294, Laws of 1986, and managed and operated by the Office of the State Treasurer (OST). The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP Advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

Investments Measured at Amortized Cost

As of December 31, 2019, the City of SeaTac held the following investments at amortized cost:

Renton Community Foundation	62,695
Washington State Local Government Investment Pool	74,655,299
	Total \$ 74,717,994

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

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: Quoted prices in active markets for identical assets or liabilities;
- Level 2: These are 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.

At December 31, 2019, the City had the following investments measured at fair value:

Investments By Fair Value	12/31/2018	Quoted Prices		
		In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Government Sponsored Enterprises	\$ 27,988,385	\$ -	\$ 27,988,385	\$ -
Total By Fair Value Level	\$ 27,988,385	\$ -	\$ 27,988,385	\$ -

C. Summary of Deposit and Investment Balances

Reconciliation of SeaTac’s deposits and investment balances as of December 31, 2019 is as follows:

Cash Deposits and Investments	Fair Value	Cost Based Measure	Percent of Total
Government Sponsored Enterprises			
Federal National Mortgage Association	\$ 8,079,692		7.31%
Federal Home Loan Bank	6,614,482		5.98%
Federal Farm Credit	2,000,118		
Freddie Mac	2,077,420		
Farmer Mac	1,998,062		
Resolution Funding Corporation Strips	7,218,611		6.53%
Cash on Hand		1,900	0.00%
FDIC or PDPC Insured Bank Deposits		7,853,235	7.10%
Washington State Local Government Investment Pool		74,655,299	67.52%
Renton Community Foundation		62,695	0.06%
Total	\$ 27,988,385	\$ 82,573,129	
Total Cash, Deposits and Investments		\$ 110,561,514	

NOTE 5: 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 daily via wire transfer.

Property Tax Calendar

January 1 st	Taxes are levied and become an enforceable lien against properties.
February 14 th	Tax bills are mailed.
April 30 th	First of two equal installment payments is due.
May 31 st	Assessed value of property established for next year's levy at 100 percent of market value.
June 1 st	Three percent penalty assessed on the current year's delinquent taxes. (RCW 84.56.020)
October 31 st	Second installment is due. (RCW 84.56.020)
December 1 st	Eight percent penalty assessed on the current year's delinquent taxes. (RCW 84.56.020)

Property taxes are levied by the King County Assessor. Property taxes are billed and collected by King County Treasury Operations. First half taxes must be paid or postmarked (U.S. Postal Service postmark) by April 30 or the full year tax becomes delinquent on May 1. Interest is 1 percent per month on the full amount due (from month of delinquency to month of payment). The penalty is 3 percent (current year tax only) on amount unpaid on June 1, and 8 percent (current

City of SeaTac, WA – Notes to the Financial Statements

year tax only) on amount unpaid on December 1. Second half taxes must be paid or postmarked (U.S. Postal Service postmark) by October 31 or they become delinquent on November 1 per RCW 84.56.020.

During the year, property tax revenues are recognized when cash is received. At year end, unpaid property taxes are recorded as a receivable. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. The portion of the property taxes that is not expected to be collected within 60 days is classified as unavailable revenue under “Deferred Inflows of Resources” in the governmental fund balance sheet.

The City may levy up to \$3.26 per \$1,000 of assessed valuation (assumes that the King County Library District is levying its statutory maximum of \$.50 per \$1,000 of assessed valuation) for general governmental services subject to the limitations below:

1% Constitutional Limit: The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation or \$10 per \$1,000 of the market value. Levies for ports and public utility districts are excluded from this \$10 limit.

Statutory Maximum Rates for Districts: State law (RCW 84.52.043) establishes maximum levy rates for the various types of taxing districts. In addition, this statute establishes a maximum aggregate rate of \$5.90 per \$1,000 of assessed value for counties, cities, fire districts, library districts and certain other junior taxing districts. The State school levy for support of common schools is not subject to the \$5.90 limit, but is subject to the constitutional \$10.00 limit.

The 101% Percent Limit: Washington State law in RCW 84.55.010 limits the growth of regular property taxes to the lesser of one percent or inflation, defined by the implicit price deflator (IPD), after adjustments for new construction. Any levy by a taxing district in excess of the taxing district’s limit requires voter approval. If such a levy is approved, it becomes the base for calculation of future levies, unless approved for a limited time or purpose. The property tax growth limit applies to the regular (non-voted) levies of each property taxing district. The limit does not apply to excess or voter-approved levies, such as local school maintenance and operation levies and levies to retire bond issues.

When Rates are Exceeded: The statutes establish a district hierarchy for rate reductions if the aggregate limits are exceeded and rates are reduced accordingly.

The City’s property tax levy rate was \$2.566 per \$1,000 of assessed value. Based on a City-wide assessed valuation of \$6,689,160,535 the total property tax levy for 2019 was \$17,162,917 (Note: Property taxes collected in 2019 are based on the 2018 assessed valuation).

NOTE 6: CAPITAL ASSETS

A. Capital Assets for Governmental Activities

Capital assets are long-lived assets obtained or controlled as a result of past transactions, events or circumstances. Capital assets include buildings, equipment and software, improvements other than buildings, infrastructure, land, capital easements and construction in progress.

Beginning in 2003, the City was required by GASB Statement No. 34, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments, to start reporting capital assets used in governmental activities in the government-wide Statement of Net Position. Governmental capital assets are not reported in the fund balance sheets but are recorded as expenditures in the year purchased. In addition, GASB Statement No. 34 required the City to depreciate its governmental capital assets. The depreciation expense for

Notes to the Financial Statements – City of SeaTac, WA

these assets is recorded in the government-wide Statement of Activities and not in the fund financial statements. The City uses the straight-line method of depreciation with no salvage value for its governmental capital assets.

The table below summarizes the changes in the City's governmental capital assets during 2019. Please note that \$1,971,486 (net) of internal service fund depreciated capital assets from the Equipment Rental Fund (#501) are shown in the table below and are not shown in the proprietary capital assets table. Under GASB Statement No. 34, internal service fund assets and liabilities that are not eliminated are generally included in the governmental activities column of the government-wide Statement of Net Position.

Governmental Activities Capital Assets	Beginning Balance 01/01/2019	Increases	Decreases	Transfers In/ (Out)	Ending Balance 12/31/2019
Capital assets not being depreciated:					
Land	\$322,166,669	\$466,623	\$(548,918)	\$0	\$322,084,374
Intangible Assets–Easements	127,977	30,090	0	0	158,067
Construction in Progress (CIP)	9,701,859	3,589,538	(8,635,853)	0	4,655,544
Total assets not being deprec.	\$331,996,505	\$4,086,251	\$(9,184,771)	\$0	\$326,897,985
Capital assets being depreciated:					
Buildings/Bldg Improvements	\$46,234,688	\$665,536	\$(224,874)	\$0	\$46,675,350
Other Improvements	13,614,467	4,560,088	(1,049,136)	0	17,125,419
Infrastructure	114,002,708	4,713,787	(1,078,400)	(2,828,287)	114,809,808
Equipment/Vehicles	1,856,013	139,203	(149,161)	0	1,846,055
Equipment/Vehicles (Eq Rental)	4,006,900	513,441	(47,389)	(13,959)	4,458,993
Intangible Assets-Software	615,454	0	(50,875)	0	564,579
Total assets being depreciated	\$180,330,230	\$10,592,055	\$(2,599,835)	\$(2,842,246)	\$185,480,204
Total governmental capital assets before depreciation	\$512,326,735	\$14,678,306	\$(11,784,606)	\$(2,842,246)	\$512,378,189
Less accumulated depreciation for:					
Buildings/Bldg Improvements	\$(21,441,274)	\$(1,769,298)	\$91,916	\$0	\$(23,118,656)
Other Improvements	(8,045,200)	(500,185)	1,044,585	0	(7,500,800)
Equipment/Vehicles	(1,564,615)	(108,957)	132,029	0	(1,541,543)
Equipment/Vehicles (Eq Rental)	(2,354,777)	(298,967)	42,650	0	(2,611,094)
Infrastructure	(64,445,324)	(3,817,454)	0	0	(68,262,778)
Intangible Assets-Software	(534,584)	(29,786)	50,875	0	(513,495)
Total accumulated depreciation	\$(98,385,774)	\$(6,524,647)	\$1,362,055	\$0	\$(103,548,366)
Total governmental activities capital assets (net)	\$413,940,961	\$8,153,659	\$(10,422,551)	\$(2,842,246)	\$408,829,823

Depreciation expense was charged in the government-wide Statement of Activities for the following governmental activities by function:

Governmental Activities:	
Judicial	0
General Government	489,861
Public Safety	297,172

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Physical & Economic Environment	822,167
Transportation	3,856,865
Transportation (Equipment Rental – Internal Service Fund)	298,967
Culture & Recreation	759,615
Total Depreciation Expense-Governmental Activities	\$6,524,647

B. Capital Assets for Business-type Activities

Capital assets for the business-type proprietary funds are capitalized in their respective Statement of Net Position. These assets are stated at cost, estimated historical cost when original cost is not available, or fair market at the time received in the case of contributions. Depreciation expense is charged to the operations of proprietary funds to allocate the cost of capital assets over their estimated useful lives, using the straight-line method with useful lives of 5 to 50 years. Prior to 2017, a salvage value of 10% was used for the City’s proprietary fund capital assets.

The following schedule summarizes the capital asset data for business-type proprietary funds for 2019:

Business-Type Activities Capital Assets	Beginning Balance 01/01/2019	Increases	Decreases	Transfers In & (Out)	Ending Balance 12/31/2019
Capital assets not being depreciated:					
Construction in Progress	\$0	\$89,327	\$0	\$0	\$89,327
Intangible Assets-Easements-SWM	35,442	0	0	0	35,442
Total assets not being depreciated	\$35,442	\$89,327	\$0	\$0	\$124,769
Capital assets being depreciated:					
Buildings-SWM	\$228,560	\$0	\$0	\$0	\$228,560
Other Improvements-SWM	33,129,703	382,338	0	4,105,013	37,617,054
Equipment-SWM	12,918	0	0	13,959	26,877
Intangible Assets-Software-SWM	156,634	0	0	0	156,634
Total assets being depreciated	\$33,527,815	\$382,338	\$0	\$4,118,972	\$38,029,125
Total business-type capital assets before depreciation	\$33,563,257	\$471,665	\$0	\$4,118,972	\$38,153,894
Less accumulated depreciation for:					
Buildings	\$(71,955)	\$(5,161)	0	0	(77,116)
Other Improvements	(9,285,538)	(724,794)	0	0	(10,010,332)
Equipment	(10,215)	(2,988)	0	0	(13,203)
Intangible Assets-Software	(130,919)	(12,113)	0	0	(143,032)
Total accumulated depreciation	\$(9,498,627)	\$(745,056)	\$0	\$0	\$(10,243,683)
Total bus-type capital assets (net)	\$24,064,630	\$(273,391)	\$0	\$4,118,972	\$27,910,211

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-type Activities:	
Utilities/Physical Environment (Surface Water Utility)	\$745,056
Total Depreciation Expense-Business-type Activities	\$746,046

C. Construction Commitments

The following table describes the active construction projects on December 31, 2019 and the City’s commitment with the contractors:

Project	Spent to Date	Remaining Commitment
Parametrix – 34 th Ave S/S 160 th to S 166 th	378,378	272,391
Johansen Construction – Military Rd S & S 152 nd St	2,140,558	2,122,073
Parametrix – Military Rd S & S 152 nd St	659,496	40,504
Perteet – Military Rd S & S 152 nd St	334,761	114,701
Gray & Osborne – Des Moines Dr & 200 th Improvements	572,740	356,043
Rodarte Construction – Des Moines Dr & S 200 th Improv.	473,607	4,356,290
PBS Eng & Enviro – S 200 th St Ped & Bicycle Pathway	160,011	81,892
The BlueLine Group- Small Works Drainage Project	4,179	91,621
Pace Engineers – S 221 st St Drainage Imp.	17,221	66,451
Otak Inc – S 180 th St Flood Reduction	44,062	25,544
Bruce Dees & Associates – North SeaTac Park Soccer Fields	148,788	58,223
Migizi Group – North SeaTac Park Soccer Fields	4,897	5,103
Total Outstanding Construction Commitments	\$4,938,698	\$7,590,836

NOTE 7: PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2019:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$(3,589,999)
Pension assets	\$ 137,691
Deferred outflows of resources	\$1,126,289
Deferred inflows of resources	\$ 2,303,187
Pension expense/expenditures	\$241,521

A. 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.

B. 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 2019 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January - June 2019:		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.83%	6.00%
July - December 2019:		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%.

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 2019 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – June 2019:		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	12.83%	7.41%
July – December 2019:		

PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.86%	7.90%

* For employees participating in JBM, the contribution rate was 18.53% to 19.75%.

The City’s actual PERS plan contributions were \$513,419 to PERS Plan 1 and \$803,325 to PERS Plan 2/3 for the year ended December 31, 2019.

C. 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 2019. Employers paid only the administrative expense of 0.18 percent of covered payroll.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. 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 *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019. Plan liabilities were rolled forward from June 30, 2018 to June 30, 2019, reflecting each plan’s normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

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 changes in methods and assumptions since the last valuation.

- OSA updated modeling to reflect providing benefit payments to the date of the initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- OSA updated COLA programming to reflect legislation signed during the 2018 legislative session that provides PERS and TRS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5% increase to their monthly retirement benefit, not to exceed a maximum of \$62.50 per month.

Discount Rate

The Discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 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 7.4 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 7.4 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, 2019, 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%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	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 7.4 percent, as well as what the City proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$3,390,189	\$2,707,130	\$2,114,487
PERS 2/3	6,771,265	882,870	(3,948,947)
LEOFF 1	(112,638)	(137,691)	(159,321)

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, 2019, the City reported a total pension liability of \$3,590,000 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$2,707,130
PERS 2/3	882,870
LEOFF 1	(137,691)

The amount of the asset reported above for LEOFF Plan 1 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
Employer’s proportionate share	(\$137,691)
State’s proportionate share of the net pension asset associated with the employer	(931,339)
TOTAL	(\$1,069,030)

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

	Proportionate Share 6/30/18	Proportionate Share 6/30/19	Change in Proportion
PERS 1	.070473%	.070400%	.000073%
PERS 2/3	.090486	.090892	.000406%
LEOFF 1	.006844	.006966	.000122%

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 Non-employer 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 2019. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2019, 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.

The collective net pension liability (asset) was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2019, the City recognized pension expense as follows:

	Pension Expense
PERS 1	\$142,564
PERS 2/3	\$108,208
LEOFF 1	(\$9,251)
TOTAL	\$241,521

Deferred Outflows of Resources and Deferred Inflows of Resources

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At December 31, 2019, 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	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$180,859)
Changes of assumptions	\$0	\$0
Changes in proportion and differences between contributions and proportionate share of contributions	\$0	\$0
Contributions subsequent to the measurement date	\$256,269	\$0
TOTAL	\$256,269	(\$180,859)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$252,944	(\$189,812)
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$1,285,100)
Changes of assumptions	\$22,607	(\$370,423)
Changes in proportion and differences between contributions and proportionate share of contributions	\$168,260	(\$261,551)
Contributions subsequent to the measurement date	\$426,203	\$0
TOTAL	\$870,015	(\$2,106,886)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$14,274)
Changes of assumptions	\$0	\$0
Changes in proportion and differences between contributions and proportionate share of contributions	\$0	\$0
Contributions subsequent to the measurement date	\$0	\$0
TOTAL	\$0	(\$14,274)

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, 2019. 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
2020	(\$39,926)
2021	(\$94,572)
2022	(\$33,749)
2023	(\$12,612)
Thereafter	\$0
Total	(\$180,859)

Year ended December 31:	PERS 2/3
2020	(\$434,734)
2021	(\$684,865)
2022	(\$317,813)
2023	(\$181,854)
2024	(\$57,869)
Thereafter	14,062
Total	(\$1,663,074)

Year ended December 31:	LEOFF 1
2020	(\$3,316)
2021	(\$7,308)
2022	(\$2,652)
2023	(\$999)
Thereafter	\$0
Total	(\$14,274)

D. City of SeaTac 401 (a) Money Purchase Retirement Trust

The City of SeaTac 401 (a) Money Purchase Retirement Trust is a defined contribution plan which was established as an alternative to the federal Social Security System. By unanimous vote of City employees, and with an effective date of September 1, 1990, this alternative plan was designed to provide the employees with benefits that equal or exceed the present Social Security system including inflation. Contributions into the plan are not subject to federal income taxation as is the case with Social Security contributions.

All full-time employees are required to participate. Under this program, employees contribute 6.2% of their salary into a deferred retirement account. The City contributes, on behalf of each employee, an amount equal to what the City would have paid to Social Security. This amount is a composite of a cash match (approximately 5.058%) and insurance payments (approximately 1.142%) for disability, accidental death and dismemberment, and life insurance benefit coverage.

As of December 31, 2019, there were 128 active members in the City of SeaTac Retirement Trust. Actual employee contributions during the year amounted to \$629,729. Actual employer contributions were \$513,569.

Actuarial determinations are not required because (1) short-term and long-term disability, and life and accidental death and dismemberment insurance are provided by a group insurance policy with the Hartford; and (2) benefits paid to participants upon retirement are limited to (a) a non-forfeitable, non-transferable annuity contract purchased by the plan's trustee, (b) retirement benefits paid from the employee's deferred retirement account to which no contributions by the City or the participants can be added after retirement, or (c) a single lump-sum payment equal to the accumulated balance in the employee's deferred retirement account as of his or her retirement date.

The City's retirement plan provisions or contribution requirements can be changed by amending the adoption agreement through approval by the City Council.

The following are the major benefits provided by the City's benefit plan:

1) Disability

Short and long-term disability benefits provide eligible employees, pending claim approval, 60% of compensation with a \$1,800 per week maximum for short-term disability and a \$7,800 per month maximum for long-term disability. Disability benefit premiums are paid 100% by the City's contributions.

2) Life and Accidental Death and Dismemberment Insurance

Life insurance coverage for eligible employees equals two times annual earnings, up to a maximum of \$300,000. Subject to terms and limitations set forth in the group policy. The policy includes equal amount of accidental death and dismemberment insurance, which provides a benefit if an eligible employee suffers a covered accidental injury or dies from a covered accident. The premium for these benefits are paid by the City.

3) Retirement Benefits

Employee and employer contributions for retirement benefits are 100% vested.

Each employee may direct his/her investment among various investment options for both employee and employer contributions. In addition, participants may borrow up to 50% of their vested (employee and employer contributions) account balance to a maximum outstanding balance of \$50,000, repayable through payroll deductions or personal monthly ACH payments. Upon separation of service prior to retirement, all employee contributions may be withdrawn without regard to age, net of any outstanding loans. Employer contributions must be left in the plan and distributed when the participant attains age 55.

Plan assets are not the property of the City and are not subject to the claims of the City's general creditors. The program is administered by a private consulting firm, the International City Management Association (ICMA).

NOTE 8: RISK MANAGEMENT

The City is exposed to various risks of loss including but not limited to: tort, theft of, damage to, and destruction of assets; errors & omissions; injuries or property damage to others, and natural disasters. The City purchases commercial insurance as the primary method of managing risk. The City carries a number of policies with varying deductibles depending on risk category, through multiple insurance carriers and producers brokered through Leavitt Group, the

commercial insurance broker. The City’s General Fund accounts for and expends monies for the procurement of insurance, payments of insurance deductibles, claims settlement, and administration of a risk management and safety program.

There were no significant reductions in insurance coverage from the previous year. The City’s 2019 commercial insurance policies limits and deductibles are as follows:

CIAW/CHUBB Insurance Program	Limits*	2019 Deductible
*General Liability	\$5,000,000	\$50,000
*Employers Liability (Stop Gap)	\$1,000,000	\$50,000
*Auto Liability	\$5,000,000	\$25,000
*Public Officials & EPL Liability	\$5,000,000	\$100,000
*Miscellaneous Professional Liability	Not Covered	Not Covered
*Sexual Abuse Liability	\$2,000,000	\$50,000
Navigators Specialty Insurance Company		
*Umbrella Policy	\$ 5,000,000	N/A
Travelers		
*Crime	Variable	\$ 25,000
Colony Insurance Company		
*Pollution Liability (Fuel Storage Tanks)	\$ 500,000	\$ 1,000
Travelers		
*Property	Variable	10,000
Includes Auto Physical Damage	Variable	5000
Includes Inland Marine	Variable	1,000

*Limits subject to the terms, conditions and exclusions of the policy.

In order to manage risk of employee work-related injuries, industrial insurance coverage is provided by Washington State and is administered by the Department of Labor and Industries. Coverage is purchased by means of standard rates per working hour and is computed by the total number of hours worked by employees multiplied by the basic premium rate assigned to the business risk classification. The following are benefits provided by industrial insurance: medical services, damaged clothing, travel expenses, time-loss payments, vocational rehabilitation, partial disability awards, pension awards and survivor benefits. Industrial Insurance costs are expended/expensed in the corresponding operating department/fund.

The City's unemployment insurance provides compensation to workers who are temporarily and involuntarily unemployed. This coverage is provided by the State of Washington and is administered by the Employment Security Department in accordance with the provisions of the Employment Security Act. The City's employer status for unemployment insurance is as a "taxable" employer. Unemployment Insurance costs are expended/expensed in the corresponding operating department/fund.

NOTE 9: SHORT-TERM DEBT

As of December 31, 2019, the City had no short term debt outstanding. Additionally, there was no short term debt activity during the year.

NOTE 10: LONG-TERM DEBT

A. General Obligation Bonds

General obligation bonds are a direct obligation of the City for which its full faith and credit are pledged. Debt service (principal, interest and fees) is paid out of “debt service funds”. Outstanding general obligation debt is reported in the government-wide Statement of Net Position and not in the fund financial statements. The City currently has no General Obligation Debt.

B. Special Obligation Bonds

In November 2009, the South Correctional Entity Facility Public Development Authority (the “SCORE PDA”) issued \$86 million in special obligation bonds to carry out the facility development project. SCORE issued Series 2009A (tax exempt) bonds in the amount of \$8,205,000 and Series 2009B (taxable Build America Bonds) bonds in the amount of \$78,030,000. The City of SeaTac was contractually obligated for paying \$246,150 and \$2,340,900, respectively, which equated to 3% of the outstanding bonds. These bonds were issued for the purpose of providing money to pay part of the costs of construction and acquisition of certain improvements to a jail facility. The 2009 SCORE bonds were secured by the irrevocable full faith and credit obligation of the cities of Auburn, Burien, Federal Way, Renton, SeaTac and Tukwila (the “Owner Cities”). On December 11, 2019, the Authority issued its Refunding Bonds, Series 2019 in the aggregate principal amount of \$51,055,000 (2019 Bonds). SeaTac’s obligation is provided in the chart below. Additional information on the City’s joint venture with SCORE is presented in Note 17 - Joint Ventures - South Correctional Entity (SCORE).

General obligation and special obligation bond debt outstanding as of the end of 2019 are listed in the table below:

Description/ Range of Maturities	Interest Rate	Original Issue Amount	Amount Outstanding
Special Obligation Bonds (Contractual)			
2009 South Correctional Entity Facility Public Development Authority Bonds Series 2009A Bonds (2015/2016/2017/2021/2022)	4.00% - 5.00%	\$246,150	\$0
2009 South Correctional Entity Facility Public Development Authority Bonds Series 2009B Bonds (Taxable Build America Bonds – Direct Payment) (2013/2014/2016/2018-2021/2022-2039)	3.001% - 6.616%	\$2,340,900	\$0
2019 South Correctional Entity Facility Public Development Authority Refunding Bonds Series 2019 Bonds (2020-2024/2025-2031/2032-2036/2037-2038)	3.00% – 5.00%	\$1,848,191	\$1,848,191
Total Special Obligation Bonds (Contractual)		\$4,435,241	\$1,848,191

The annual debt service requirements to maturity for general obligation bonds and other governmental-type debt follows below:

Governmental-type Debt		
2019 SCORE Bonds (Contractual Special Obligation)		
Ratings: Moody's A1 & S&P AA		
Year Ending Dec 31	Principal	Interest ¹
2020	66,065	75,411
2021	66,608	74,923
2022	69,323	72,259
2023	72,038	69,486
2024	74,934	66,604
2025-2029	430,599	277,057
2030-2034	546,258	161,474
2035-2038	522,366	43,688
Total SCORE Bonds	\$1,848,191	\$840,902

C. Revenue Bonds

The City currently has no outstanding revenue bonds. At this time, there are no plans to issue new revenue bonds to fund future capital projects.

D. Special Assessment Bonds

The City currently has no outstanding special assessment bonds. At this time, there are no plans to issue any special assessment bonds to fund future projects.

NOTE 11: LEASES

A. Operating Lease Receivables

The City has four cancelable lease agreements to lease out portions of the second floor in City Hall and two lease agreements to house antennas on roofs of City buildings. One antenna is on the roof of City Hall and one is on the roof of the SeaTac Community Center.

The City has one parking and one land lease agreement. The parking lease is with Sound Transit to lease parking spaces at SeaTac Center for the South 154th Light Rail Station. The City also has a 50 year land lease agreement with the YMCA for 6.5 acres through December 31, 2054.

For the other buildings, the City has a month-to-month lease agreement for the use of 3,750 square feet of outdoor space at the Maintenance Facility with the City of Burien.

On December 31, 2009, the City purchased a retail building (SeaTac Center) near the South 154th Street Light Rail Station for \$12.3 million. The City paid \$8.4 million for the building and \$3.9 million for the land. At the end of 2019, the building was fully depreciated. This building was purchased with economic development in mind and to assist the City in its planning efforts to redevelop this area in the future. The City also acquired a month to month lease with MP Triangle LLC in 2018, as part of the redevelopment plan. The City entered into negotiations for the purchase and development of the property and anticipates the sale will close by the end of 2020. At the end of

December 2019, all tenant month-to-month leases have been terminated.

NOTE 12: CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2019, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/19	Additions	Reductions	Ending Balance 12/31/19	Due Within One Year
Governmental Activities:					
Bonds payable:					
Special obligation bonds	\$2,217,900	\$1,848,191	\$(2,217,900)	\$1,848,191	\$66,065
Total bonds payable - net	\$2,217,900	\$1,848,191	\$(2,217,900)	\$1,848,191	\$66,065
Compensated absences	855,990	87,353	(0)	943,343	47,167
Compensated absences-ISF	4,646	0	(614)	4,032	201
Gov activities long-term liabilities	\$3,078,536	\$1,935,544	\$(2,218,514)	\$2,795,566	\$113,433
Business-type Activities:					
Compensated absences	\$65,487	\$1,057	\$(2,938)	\$63,306	\$3,180
Bus-type activities long-term liab	\$65,487	\$1,057	\$(2,938)	\$63,306	\$3,180

The liability for the other post-employment benefits is funded primarily by the General Fund. The internal service fund predominantly serves the governmental funds. Accordingly, long-term liabilities for the internal service fund are included as part of the totals for governmental activities. At year end, internal service funds had \$4,032 in estimated compensated absence liabilities. The chart above includes the City’s estimate of compensated absences due within one year for both types of activities. Typically, the governmental activities estimated amount is funded out of the General Fund while the business-type activities estimated amount is funded out of the Surface Water Utility Fund and Solid Waste and Environmental Fund.

NOTE 13: CONTINGENCIES AND LITIGATIONS

The City has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the City will have to make payment. In the opinion of management, the City’s insurance policies are adequate to pay all known or pending claims. In addition, management reports the following lawsuits and claims that have not been resolved:

1. Hein Nguyen. In January, 2019, Mr. Nguyen, a former City employee, filed a lawsuit against the City alleging violations of the Washington Law Against Discrimination and the Washington Family Leave Act. Mr. Nguyen claimed damages between \$25,000 and \$1,000,000. This case was settled in February, 2020, for \$190,000.00, with the cost of settlement and all defense costs borne by the City’s insurance, after payment of the City’s \$10,000 deductible.
2. Margarita Flores. In October, 2018, Ms. Flores, a current City employee, submitted a claim seeking \$200,000 damages related to alleged workplace retaliation. The case was settled in May 2020, for \$3,074.09, and was paid by the City.
3. Benjamin Mendez. In November, 2018, Mr. Mendez filed a claim seeking \$250,000 in damages for damages incurred as the result of a traffic collision. Mr. Mendez asserts that the collision was the result of a malfunctioning traffic light. The City has denied this claim. In May 2020, Mr. Mendez filed a lawsuit against the City for negligence. The City has tendered this claim to King County, pursuant to the terms of an Interlocal

Agreement. Should litigation occur, it is anticipated that the City will receive a favorable outcome. If King County does not accept the tender, this claim will be covered by insurance after the City's payment of a \$50,000 deductible.

4. Erna Brittain. This claim is related to the Benjamin Mendez claim. In August, 2019, Ms. Brittain filed a claim seeking \$1,000,000 in damages. Ms. Brittain is the other party involved in the traffic collision with Mr. Mendez. Ms. Brittain's attorney submitted a claim in August, 2019, and, subsequently, a settlement demand letter in September, 2019 for \$66,933.20. The City has denied this claim. Should litigation occur, it is anticipated that the City will receive a favorable outcome. This claim has also been tendered to King County. If the tender is not accepted, this claim will be covered by insurance after the City's payment of a \$50,000 deductible.
5. Estate of Diane Allard. This claim arises from a traffic collision that occurred in June, 2016. Ms. Allard was struck and killed by a vehicle while crossing a City street. This claim was tendered to the Puget Sound Transit Authority (Sound Transit). Sound Transit accepted the tender with no reservation rights. Although this claim should not have any material effect on the City's financial condition due to Sound Transit's acceptance of the tender, this claim is being reported in the interest of disclosure.
6. Firs Home Owners Association. In February, 2019, the Firs Homeowners Association filed a claim for \$10.0 million, alleging violations of the Washington Laws Against Discrimination, the Fair Housing Act, and the Civil Rights Act, related to the closure of a mobile home park located in the City. In July, 2019, a lawsuit was filed that contains the same allegations as their claim. The City has denied the allegations. The City's risk pool (Cities Insurance Association of Washington) has agreed to pay up to \$50,000 towards this claim in excess of the City's \$100,000 deductible. However, the insurance company providing coverage above the City's deductible and the amount paid by the risk pool has denied coverage. Currently, the probable outcome of this lawsuit is unknown, and the impact to the City's financial condition is also unknown.

Management has received no information, other than referenced above, and has no knowledge of any other impending or potential claims or lawsuits which would materially affect the City's financial condition.

NOTE 14: RESTRICTED COMPONENT OF NET POSITION

The government-wide Statement of Net Position reports \$46,560,810 in restricted net position. None of the restrictions were from enabling legislation.

NOTE 15: INTER-FUND BALANCES & TRANSFERS

During 2019, the City had a number of inter-fund transfers. The City's inter-fund transfers are considered nonreciprocal inter-fund activities and are legally authorized transfers of resources from one fund to another fund. The receiving fund accounts for the transfer in as an "other financing source" while the paying fund accounts for the transfer out as an "other financing use". Transfers are included in the operating statements of the respective funds.

The City adopted a Cost Allocation Plan thereby eliminating the transfers between funds for services provided. See Section 19 Accounting and Reporting Changes for more information.

The following table summarizes the inter-fund transfer activity for both the governmental and the proprietary funds by major fund:

		Transfers From (Out)							
Fund		General Fund #001 ¹	Street Fund #102	SWM Utility Fund #403	Solid Waste & Enviro. #404	Equipment Rental Fund #501 ²	Other Non-Major Funds	Totals	
Transfers (In)	General Fund #001	0	0	0	0	0	0	0	
	Municipal CIP #301	0	0	0	0	0	0	0	
	Transportation CIP Fund #307	0	6,690,709	0	0	0	0	6,690,709	
	Surface Water Util. Fund #403	0	0	0	0	0	0	0	
	Other Non-Major Funds	0	0	135,300	0	0	16,226	151,526	
	Equipment Rental Fund #501 ²	56,000	43,000	86,452				185,452	
	Total Cash Transfers	56,000	6,733,709	221,752	0	0	16,226	7,027,687	
	Transfer in of capital assets:								
	To Surface Water Util. Fund #403 from Street #102 and Transportation CIP #307								1,276,727
	Total Inter-fund Transfers								8,304,414

¹Includes special revenue funds merged into the General Fund per GASB Statement No. 54.

²Included with the governmental activities in the government-wide statements; Disclosed separately for clarity.

In the proprietary statements, the transfer in of capital assets from the governmental funds is shown as a capital contribution. When assets are purchased by governmental funds, the amounts paid for the assets are recorded as capital expenditures on the governmental Statement of Revenues, Expenditures and Changes in Fund Balance. The capital expenditures are then eliminated as part of the government-wide reconciliation process and are shown as assets on the Statement of Net Position. There was inter-fund transfer of capital assets totaling \$1,276,727 to the Surface Water Utility fund.

The following provides a description of the City’s inter-fund transfers:

Transportation CIP Fund #307

In 2019, inter-fund transfers totaling \$6,690,709 was made into the Transportation CIP Fund as follows to assist with the payment of capital infrastructure projects in the City including the S 166th Pedestrian Improvements project, Military Road South Improvement project from Military Road South to South 152nd Street, and the South Des Moines Memorial Drive and South 200th intersection project.

Non-Major Fund Transfers

Two non-major fund transfers in were made as follows: 1) Surface Water Utility Fund #403 transferred \$135,300 into the Des Moines Creek Basin Fund #111 for maintenance and operations (\$61,500) and to accumulate reserves (\$73,800) for future capital improvements, 2) the 2009 LTGO Refunding Bond Fund #206 transferred \$16,226 to the Hotel/Motel Tax Fund. The bonds were paid off in 2018 and the balance remaining in the bond fund was returned to the originating fund.

Equipment Rental Fund #501

Three transfers in to the Equipment Rental Fund were made as follows: 1) General Fund #001 transferred in \$56,000 for

the purchase of a used police vehicle (\$10,000) for motorcycle officers to use during foul weather and a new parks maintenance vehicle (\$46,000), 2) Street Fund #102 transferred \$43,000 for the purchase of a new Public Works Inspector vehicle, and 3) Surface Water Utility Fund #403 transferred \$86,452 for a Public Works Inspector vehicle (\$43,000) and a push camera for pipe inspections (\$43,452).

Surface Water Management Utility Fund #403

As part of the 2018 street overlay of Military Road S from S 209th Street to S 200th Street, assets for surface water management were constructed and transferred as assets from the Street Fund #102 in the amount of \$494,253. Pedestrian improvements were constructed along S 166th Street out of the Transportation Capital Fund #307 and resulted in \$782,474 of assets transferred to the Surface Water Management Utility Fund.

NOTE 16: RECEIVABLE AND PAYABLE BALANCES

A. Receivables

The receivable balances for the major funds at December 31, 2019 were as follows:

Fund	Taxes	Customer Accounts (Net) ¹ & Contracts	Special Assessments/ Interest & Penalties	Due from Other Gov	Total
Governmental Activities:					
General #001 ²	\$3,882,377	\$739,667	\$0	\$190,876	\$4,812,921
Street #102	914,403	38,382	0	93,047	1,045,832
Hotel/Motel Tax #107	231,552	0	0	0	231,552
Municipal Capital Imp. #301	616,448	809	0	0	617,257
Facility Construction CIP #306	0	0	0	0	0
Transportation CIP #307	0	396,610	0	0	396,610
Total Governmental Activities	\$5,644,780	\$1,175,468	\$0	\$283,923	\$7,104,171
Amounts not scheduled for collection during the subsequent year for governmental activities	0	0	0	0	0
Business-Type Activities:					
Surface Water Utility #403	\$0	\$27,270	\$0	\$108,973	\$136,243
Solid Waste & Environmental #404		38,560	0	0	38,560
Total Business-Type Activities	\$0	\$65,830	\$0	\$108,973	\$174,803

¹ Allowance for uncollectible customer accounts has been included in the amounts above.

² Includes special revenue funds merged into the General Fund per GASB Statement No. 54.

B. Payables

The City’s payable balances for the major funds at December 31, 2019 were as follows:

Fund	Accounts	Due to Other Gov	Deposits & Custodial	Interest & Other	Total
Governmental Activities:					
General #001 ¹	\$3,489,024	\$19,224	\$247,590	\$0	\$3,755,838
Street #102	187,142	0	533	0	187,675
Hotel/Motel Tax #107	77,938	0	0	0	77,938

Des Moines Creek Basin ILA#111	1,125				1,125
Municipal Capital Imp. #301	258,791	0	0	0	258,791
Facility Construction CIP #306	0	0	0	0	0
Transportation CIP #307	559,542	0	0	0	559,542
Subtotal Governmental Activities	\$4,573,562	\$19,224	\$248,123	\$0	\$4,840,909
Reconciliation of balances in fund financial statements to government-wide financial statements:					
Internal service fund adjustment	14,170	0	0	0	14,170
Total Governmental Activities	\$4,587,732	\$19,224	\$248,123	\$0	\$4,855,079
Business-type Activities:					
Surface Water Utility #403	\$79,904	\$0	\$0	\$0	\$79,904
Solid Waste & Environmental #404	35	0	0	0	35
Total Business-type Activities	\$79,939	\$0	\$0	\$0	\$79,939

¹Includes special revenue funds merged into the General Fund per GASB Statement No. 54.

NOTE 17: JOINT VENTURES - SOUTH CORRECTIONAL ENTITY (SCORE)

The South Correctional Entity (SCORE) consolidated correctional facility was established February 25, 2009, when an Interlocal Agreement (the “Original Interlocal Agreement”) was entered into by seven participating municipal governments, the “Member Cities” of Auburn, Burien, Des Moines, Federal Way, Renton, SeaTac and Tukwila, under the authority of the “Interlocal Cooperation Act” (RCW 39.34). This “Original Interlocal Agreement” was amended and restated October 1, 2009 and named the City of Des Moines as the “Host City” and the remaining Member Cities as “Owner Cities”. This interlocal agreement is known as the “Formation Interlocal Agreement”. Pursuant to a separate “Host City Agreement” dated October 1, 2009, the Host City will not enjoy the same equity position as the Owner Cities until all debts issued are paid and the Host City fulfills all of its obligations as outlined in the Host City Agreement. Pursuant to SCORE financial policies, all unexpected funds or reserve funds shall be distributed based on the percentage of the Member City’s average daily population at the SCORE Facility for the last three (3) years regardless of its Owner City or Host City status.

SCORE, a governmental administrative agency pursuant to RCW 39.34.030(3), has the power to acquire, construct, own, operate, maintain, equip, and improve a correctional facility known as the “SCORE Facility” and to provide correctional services and functions incidental thereto, for the purpose of detaining arrestees and sentenced offenders in the furtherance of public safety and emergencies within the jurisdiction of the Member Cities. The SCORE Facility may serve the Member Cities and Subscribing Agencies which are in need of correctional facilities. Any agreement with a Subscribing Agency shall be in writing and approved by SCORE as provided within the SCORE Formation Interlocal Agreement.

Financing for the acquisition, construction, equipping, and improvement of the SCORE Facility was provided by bonds issued by the South Correctional Entity Facility Public Development Authority (the “SCORE PDA”), a public development authority chartered by the City of Renton pursuant to RCW 35.21.730 through 35.21.755. The SCORE PDA issued \$86 million in special obligation bonds in 2009 (the “Bonds”) to construct, develop, acquire and equip the SCORE Facility.

Pursuant to the 2009 Interlocal Agreement, on September 5, 2018, the City of Federal Way gave its notice of intent to withdraw from SCORE effective December 31, 2019. The remaining Member Cities (including the cities of Auburn, Burien, Des Moines, Renton, SeaTac and Tukwila) entered into an Amended and Restated SCORE Interlocal Agreement (2019 Interlocal Agreement), which amended and restated the 2009 Interlocal Agreement in its entirety, removed Federal Way as a Member City (effective December 31, 2019) and an Owner City (effective immediately), added the City of Des Moines as an Owner City, terminated the Host City Agreement,

and made other revisions to provide for the issuance of bonds to refund the 2009 Bonds.

On December 11, 2019, the Authority issued its Refunding Bonds, Series 2019 in the aggregate principal amount of \$51,055,000 (2019 Bonds). The 2019 Interlocal Agreement became effective on the date of issuance of the 2019 Bonds. Proceeds of the 2019 Bonds were used, together with a contribution from Federal Way to fully pay its 2009 Capital Contribution, to defease and refund all of the outstanding 2009 Bonds.

As a result, Federal Way has satisfied its 2009 Capital Contribution and as of December 31, 2019, will no longer be considered a Member City of SCORE.

Pursuant to the 2019 Interlocal Agreement and the ordinances of each city, each remaining Owner City (including the Cities of Auburn, Burien, Des Moines, Renton, SeaTac, and Tukwila) is obligated to budget for and pay its share, and only its share, of the principal of and interest on the 2019 Bonds as the same become due and payable (referred to as each Owner City’s 2019 Capital Contribution). Each Owner City’s obligation to pay its 2019 Capital Contribution is an irrevocable, unconditional full faith and credit obligation of such Owner City, payable from regular property taxes levied within the constitutional and statutory authority provided without a vote of the electors of the Owner City on all of the taxable property within the Owner City and other sources of revenues available therefor.

The following is a summary of the debt service requirements and the 2019 Capital Contributions for the 2019 Bonds:

Summary of Debt Service Requirements - Refunding Bonds, 2019 (Ref 2009A & 2009B)									
Debt Service Schedule				Debt Service Allocation to Owner Cities					
Year	Principal	Interest	Total	Auburn 34.94%	Burien 4.82%	Des Moines 6.02%	Renton 40.96%	SeaTac 3.62%	Tukwila 9.64%
2020	1,825,000	2,083,180	3,908,180	1,365,518	188,374	235,272	1,600,791	141,476	376,749
2021	1,840,000	2,069,700	3,909,700	1,366,049	188,448	235,364	1,601,413	141,531	376,895
2022	1,915,000	1,996,100	3,911,100	1,366,538	188,515	235,448	1,601,987	141,582	377,030
2023	1,990,000	1,919,500	3,909,500	1,365,979	188,438	235,352	1,601,331	141,524	376,876
2024	2,070,000	1,839,900	3,909,900	1,366,119	188,457	235,376	1,601,495	141,538	376,914
2025-2029	11,895,000	7,653,500	19,548,500	6,830,246	942,238	1,176,820	8,007,066	707,656	1,884,475
2030-2034	15,090,000	4,460,600	19,550,600	6,830,980	942,339	1,176,946	8,007,926	707,732	1,884,678
2035-2038	14,430,000	1,206,850	15,636,850	5,463,515	753,696	941,338	6,404,854	566,054	1,507,392
Totals	\$ 51,055,000	\$ 23,229,330	\$ 74,284,330	\$ 25,954,944	\$ 3,580,505	\$ 4,471,916	\$ 30,426,863	\$ 2,689,093	\$ 7,161,009

The City of SeaTac reports its share of equity interest in the Governmental Activities column within the Government-wide financial statements under non-current assets. The following is condensed (unaudited) financial information as of December 31, 2019 related to SCORE:

South Correctional Entity (SCORE)					
Member City	2018 Percent of Equity	2018 Equity Balance	2019 Percent of Equity	2019 Apportionment	2019 Equity Balance
Auburn	29.00%	\$ 4,097,405	42.75%	\$ 9,388,551	\$ 13,485,956
Burien	4.00%	526,262	5.21%	1,116,489	1,642,751
Des Moines	2.00%	341,845	4.65%	1,123,593	1,465,438
Federal Way	24.00%	3,485,570	0.00%	(3,485,570)	-
Renton	29.00%	4,157,539	31.93%	5,913,244	10,070,783
SeaTac	5.00%	719,440	7.59%	1,675,971	2,395,411
Tukwila	7.00%	1,031,108	7.87%	1,450,471	2,481,579
Grand Totals	100.00%	\$ 14,359,169	100.00%	\$ 17,182,749	\$ 31,541,918

Completed financial statements for SCORE and SCORE PDA can be obtained at SCORE, Attn: Finance Director, 20817 17th Avenue South, Des Moines, WA 98198.

NOTE 18: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2019.

Aggregate OPEB Amounts – All Plans	
OPEB Liabilities	\$1,838,137
Deferred Outflows of Resources	24,811
Deferred Inflows of Resources	0
OPEB Expenditures	132,091

The City of SeaTac LEOFF 1 Retirees OPEB Plan is administered by the Law Enforcement Officers’ and Firefighters’ Disability Board (LEOFF Board) and is a single-employer defined benefit plan.

In accordance with the Revised Code of Washington (RCW) Chapter 41.26, the City of SeaTac provides lifetime postemployment healthcare benefits to all LEOFF 1 (Law Enforcement Officers and Fire Fighters hired prior to September 1, 1977) retirees. The City contributes 100% of the cost of medical insurance premiums for all LEOFF 1 retirees (excludes spouses). In addition, the City reimburses LEOFF 1 retirees for all validated claims for medical, dental (\$1,000 annual limit) and hospitalization costs incurred by the retirees. Only those medical services and expenditures which are deemed reasonable and necessary by the LEOFF Board will be paid by the City. Currently, the Plan has four retirees that meet the eligibility requirements. The Plan is closed to new entrants.

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	4
---	---

A dedicated trust fund has not been established for LEOFF 1 retiree benefits; therefore, the plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

State statute provides that the City's responsibility for medical payments of LEOFF 1 retirees is secondary to any other coverage retirees receive or are eligible to receive. LEOFF Board policies and procedures stipulate that medical services payable under this benefit Plan be reduced by any amount received or eligible to be received under worker's compensation, Medicare, insurance provided by another employer, other pension plan, or other similar sources. In the event any such alternative source of payment is available, it shall be incumbent upon the requesting member to apprise the Board of such source, if known to the member, and failure to do so may result in the loss of medical benefits. During the year, the City contributed \$47,003 to the Plan for postemployment health care.

Assumptions and Other Inputs

The City has elected to calculate the OPEB Liability and related information using the alternative measurement method permitted by GASB Statement 75 for employers in plans with fewer than one hundred total plan members. The Office of the State Actuary has prepared an online tool that assists employers in determining their OPEB liability using an actuarial valuation and measurement date of June 30, 2019.

Actuarial methods and assumptions are consistent with the 2018 LEOFF 1 Medical Benefits Actuarial Valuation Report (AVR). A discount rate of 3.87% and inflation was estimated at 3.87%. Healthcare cost trend rates range from 4.7% to 12.3% with excise tax, and 4.5% for long-term care. Mortality rates assumed a 100% male population due to 98% of the eligible LEOFF 1 population as of the measurement date is male. This approach inherently assumes all liabilities are fully earned and the Service Cost equals zero. In other words, the Entry Age Normal Total OPEB Liability is by definition equal to the Present Value of Future Benefits. Further, there is no need to make an assumption with respect to Projected Salary Changes.

The following presents the total OPEB liability of the City, calculated using the current healthcare cost trend rate of 6.8%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8%) or 1-percentage point higher (7.8%) than the current rate.

	1% Decrease (5.8%)	Current Healthcare Cost Trend Rate (6.8%)	1% Increase (7.8%)
Total OPEB Liability	\$1,567,823	\$1,838,137	\$2,108,451

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.87%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.87%) or 1-percentage point higher (4.87%) than the current rate.

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$1,363,166	\$1,838,137	\$2,313,108

Changes in the Total OPEB Liability

LEOFF 1 Retirees OPEB Plan	
Total OPEB Liability at 01/01/2019	\$1,910,494
Service Cost	0
Interest	72,484
Changes in Benefit Terms	0

Changes in Experience Data and Assumptions	(69,059)
Benefit Payments	(75,782)
Other Changes	0
Total OPEB Liability at 12/31/2019	\$1,838,137

The measurement date of the total OPEB liability and the alternative measurement method calculation on which the total OPEB liability is based is June 30, 2019.

Insurance benefits are purchased from The Hartford. The Hartford Premium Plus Plan has \$0 deductible and 100% coverage on office visits, preventative care, diagnostic labs and x-rays, emergency room and hospital services. Prescription drugs are offered through Express Scripts Medicare Part D. The payment of benefits has been transferred from the employer to The Hartford Insurance company.

There are no known changes that have occurred between the measurement date and the reporting date that would have a significant effect on the total OPEB liability.

The city recognized \$22,192 of OPEB expense in the reporting period.

At December 31, 2019, the City reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Payments subsequent to the measurement date	\$24,811	\$0
TOTAL	\$24,811	\$0

Deferred outflows of resources of \$24,811 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2020.

NOTE 19: ACCOUNTING AND REPORTING CHANGES

Certain departments incur costs for support that they provide to other departments/funds (e.g., legal, finance, maintenance, technology), these internal costs are then charged back to the department receiving the service. Prior to 2019, these internal charges were recorded as an inter-fund transfer and reported as “other financing uses” and “other financing sources” on the financial statements. In 2019, the city adopted a Cost Allocation Plan to allow for more accurate accounting of the cost services provides and better transparency.

NOTE 20: PRIOR PERIOD ADJUSTMENTS

The prior period adjustment on the Statement of Activities is the result of a few corrections. While reviewing the Connecting 28th/24th Avenue South project it was found that portions of the project were charged to other agencies (\$1,095,119) as service provided and work performed and the resulting assets did not belong to the City. Therefore, the asset should not have been capitalized as infrastructure and instead should have been charged to the period in which the work was performed. An additional \$16,719 of project cost overhead should have been capitalized and added to the associated assets. Additionally, assets capitalized as governmental infrastructure were found to be Surface Water Utility assets (\$2,828,287) and were transferred to the appropriate fund. When the City sold a parcel of land to Sound Transit, it was discovered the land acquisition of four parcels (\$16,300) from King County, in 1994, was never recorded. These parcel have been added land assets.

The net result of the restatement reduces the Investment in Capital Assets on the Statement of Net Position for Governmental Activities.

Other prior year adjustments consist of a reduction (\$369,150) in investment in the cities joint venture, SCORE jail. This difference is the cumulative reduction in debt from 2013-2018. The result of the restatement decreases the Unrestricted Net Position on the Statement of Net Position for Governmental Activities.

In the Surface Water Management Fund, the adjustment is for the asset transfer above from the governmental funds and includes of a piece of equipment from the Equipment Replacement Fund (\$13,959) that has been depreciated by the Surface Water Fund. The result of the restatement increases capital assets and increases Investment in Capital Assets on the Statement of Net Position for Business-Type Activities.

NOTE 21: SUBSEQUENT EVENTS

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

To comply with the “Stay Home, Stay Healthy” order, the City ceased all non-essential functions and closed city facilities to the public; essential functions continued. The city began actively looking at reductions in expenditures and forecasting lost revenue and its impact to city programs. At the end of 2019, the City met its General Fund financial policy target of 4 months of expenditures in reserves and had an additional 6 months above that. The City believes its financial position at the end of 2019 will assist in sustaining essential programs through the closure. Because the length of time these measures will be in place, the full extent of the financial impact on the City is unknown at this time.



City of SeaTac, WA – General Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2019**

	2019-2020 Biennial Budget Amounts		Actual Amount	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 67,922,000	\$ 69,722,000	\$ 38,147,743	\$ (31,574,257)
Licenses & permits	2,822,309	2,822,309	1,882,697	(939,612)
Intergovernmental & contributions	2,529,380	2,529,380	1,230,325	(1,299,055)
Charges for services	3,878,006	3,883,006	1,804,117	(2,078,889)
Fines and forfeitures	303,600	303,600	289,119	(14,481)
Investment & other earnings	389,200	389,200	558,590	169,390
Rent & leases	600,000	600,000	295,368	(304,632)
Miscellaneous	2,008,636	2,012,636	1,051,234	(961,402)
Total Revenues	80,453,131	82,262,131	45,259,193	(37,002,938)
Expenditures				
Current:				
Judicial	1,345,740	1,833,771	685,413	1,148,358
General Government	16,200,861	16,593,294	7,327,826	9,265,468
Public Safety	46,407,781	45,620,332	22,639,363	22,980,969
Transportation	486,679	284,274	71,017	213,257
Health & Human Services	1,664,348	1,640,867	634,033	1,006,834
Physical & Economic Environment	5,351,780	5,853,190	2,337,275	3,515,915
Culture & Recreation	7,994,519	8,727,869	4,047,218	4,680,651
Debt Service:				
Interest	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	79,451,708	80,553,597	37,742,145	42,811,452
Excess (deficiency) of revenues over (under) expenditures	1,001,423	1,708,534	7,517,048	5,808,514
Other Financing Sources (Uses)				
Transfers in	4,000	0	0	-
Transfers out	(10,000)	(56,000)	(56,000)	-
Disposal & ins-capital assets	-	-	-	-
Total Other Fin Sources (Uses)	(6,000)	(56,000)	(56,000)	-
Net Change in Fund Balances	995,423	1,652,534	7,461,048	5,808,513.54
Fund Balances-January 1, 2019	24,087,825	29,090,983	29,090,983	-
Fund Balances-December 31, 2019	<u>\$ 25,083,248</u>	<u>\$ 30,743,517</u>	<u>\$ 36,552,031</u>	<u>\$ 5,808,514</u>

*Note: Budgetary basis differs from GAAP basis. See reconciliation pages following this schedule.

City of SeaTac, WA – General Fund Reconciliation

**Reconciliation of General Fund Budgetary Basis Actual Amounts to
GAAP Basis Actual Amounts in the General Fund Statement of Revenues,
Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2019**

	General Fund Budgetary Basis - Actual Amounts	Special Revenue Funds merged with General Fund as required by GASB Statement No. 54		
		Port of Seattle ILA	Transit Planning	Building Management
Revenues				
Taxes	\$ 38,147,743	\$ -	\$ -	\$ -
Licenses & permits	1,882,697	-	-	-
Intergovernmental	1,230,325	1,458,073	430,710	-
Charges for services	1,804,117	-	-	-
Fines & forfeitures	289,119	-	-	-
Investment & other earnings	558,590	58,638	7,714	77,232
Rent & leases	295,368	-	-	697,556
Miscellaneous	1,051,234	-	-	151,953
Total Revenues	45,259,193	1,516,711	438,424	926,741
Expenditures				
Current:				
Judicial	685,413	-	-	-
General Government	7,327,826	105,861	376,193	61,478
Public Safety	22,639,363	1,249,366	-	-
Transportation	71,017	-	-	-
Health & Human Services	634,033	-	-	-
Physical & Economic Env	2,337,275	-	-	596,212
Culture & Recreation	4,047,218	38,961	-	-
Debt service:				
Interest	-	-	-	-
Capital outlay	-	-	-	87,204
Total Expenditures	37,742,145	1,394,188	376,193	744,894
Excess (deficiency) of revenues over (under) expenditures	7,517,048	122,523	62,231	181,847
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(56,000)	-	-	-
Disposal & ins-capital assets	-	-	-	-
Total Other Fin Sources (Uses)	(56,000)	-	-	-
Net Change in Fund Balances	7,461,048	122,523	62,231	181,847
Fund Balances-Beginning*	29,090,983	1,861,401	367,000	3,461,878
Fund Balances-Ending	\$ 36,552,031	\$ 1,983,924	\$ 429,231	\$ 3,643,725

*Note: Beginning fund balance amounts have been adjusted for interfund transfers between these funds.

	Eliminate Transfers & Spec Item Adj	General Fund GAAP Basis - Actual Amounts	Net Change - Increase (Decrease)
Revenues			
Taxes	\$ -	\$ 38,147,743	\$ -
Licenses & permits	-	1,882,697	-
Intergovernmental	-	3,119,108	1,888,783
Charges for services	-	1,804,117	-
Fines & forfeitures	-	289,119	-
Investment & other earnings	-	702,174	143,584
Rent & leases	-	992,924	697,556
Miscellaneous	-	1,203,187	151,953
Total Revenues	-	48,141,069	2,881,876
Expenditures			
Current:			
Judicial	-	685,413	-
General Government	-	7,871,358	543,532
Public Safety	-	23,888,729	1,249,366
Transportation	-	71,017	-
Health & Human Services	-	634,033	-
Physical & Economic Env	-	2,933,487	596,212
Culture & Recreation	-	4,086,179	38,961
Debt service:			
Interest	-	-	-
Capital outlay	-	87,204	87,204
Total Expenditures	-	40,257,420	2,515,275
Excess (deficiency) of revenues over (under) expenditures	-	7,883,649	366,601
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	(56,000)	-
Disposal & ins-capital assets	-	-	-
Total Other Fin Sources (Uses)	-	(56,000)	-
Net Change in Fund Balances	-	7,827,649	
Fund Balances-Beginning	-	17,963,022	
Fund Balances-Ending	\$ -	\$ 25,790,671	

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2019**

	2019-2020 Biennial Budget Amounts		Amounts*	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 19,651,208	\$ 19,651,208	\$ 10,089,106	\$ (9,562,102)
Licenses & permits	17,500	17,500	35,450	17,950
Intergovernmental	1,576,536	1,576,536	690,361	(886,175)
Charges for services	153,000	158,000	131,538	(26,462)
Investment & other earnings	200,000	200,000	242,886	42,886
Rents & leases	13,800	13,800	6,900	(6,900)
Miscellaneous	30,000	30,000	13,731	(16,269)
Total Revenues	21,642,044	21,647,044	11,209,972	(10,437,072)
Expenditures				
Current:				
Public Safety	438,068	550,746	206,546	344,200
Transportation	7,355,016	7,762,710	3,177,611	4,585,099
Physical & Economic Environment	1,053,800	1,053,800	48,904	1,004,896
Capital Outlay:				
Transportation	2,873,000	4,482,790	2,424,934	2,057,856
Total Expenditures	11,719,884	13,850,046	5,857,994	7,992,052
Excess (deficiency) of revenues over (under) expenditures	9,922,160	7,796,998	5,351,977	(2,445,021)
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(5,000,000)	(9,236,209)	(6,733,709)	2,502,500
Disposal & ins-capital assets	-	-	-	-
Total Other Fin Sources (Uses)	(5,000,000)	(9,236,209)	(6,733,709)	2,502,500
Net Change in Fund Balances	4,922,160	(1,439,211)	(1,381,732)	57,479.47
Fund Balances-January 1, 2019	16,827,087	15,681,557	15,681,557	-
Fund Balances-December 31, 2019	<u>\$ 21,749,247</u>	<u>\$ 14,242,346</u>	<u>\$ 14,299,825</u>	<u>\$ 57,479</u>

*Note: Budgetary basis is the same as GAAP basis.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2019**

	2019-2020 Biennial Budget Amounts		Actual Amounts*	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 3,600,000	\$ 3,600,000	\$ 1,887,475	\$ (1,712,525)
Intergovernmental	-	-	20,108	20,108
Investment & other earnings	100,000	100,000	148,505	48,505
Miscellaneous	-	-	-	-
Total Revenues	3,700,000	3,700,000	2,056,088	(1,643,912)
Expenditures				
Current:				
Economic Environment	2,581,738	2,634,992	1,273,599	1,361,393
Total Expenditures	2,581,738	2,634,992	1,273,599	1,361,393
Excess (deficiency) of revenues over (under) expenditures	1,118,262	1,065,008	782,488	(282,520)
Other Financing Sources (Uses)				
Transfers In	-	16,226	16,226	-
Total Other Fin Sources (Uses)	-	16,226	16,226	-
Net Change in Fund Balances	1,118,262	1,081,234	798,714	(282,520)
Fund Balances-January 1, 2019	8,260,414	8,359,594	8,359,594	-
Fund Balances-December 31, 2019	<u>\$ 9,378,676</u>	<u>\$ 9,440,828</u>	<u>\$ 9,158,308</u>	<u>\$ (282,520)</u>

*Note: Budgetary basis is the same as GAAP basis.

Schedule of Proportionate Share of the Net Pension Liability

PERS 1

As of June 30, 2019

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
<u>Employer's proportion of the net pension liability (asset)</u>	0.070400%	0.070473%	0.067707%	0.075408%	0.080985%
<u>Employer's proportionate share of the net pension liability (asset)</u>	\$ 2,707,130	\$ 3,147,348	\$ 3,212,750	\$ 4,049,765	\$ 4,236,269
TOTAL	\$ 2,707,130	\$ 3,147,348	\$ 3,212,750	\$ 4,049,765	\$ 4,236,269
<u>Employer's covered employee payroll</u>	\$ 9,904,771	\$ 9,012,379	\$ 8,445,108	\$ 8,925,589	\$ 9,180,716
<u>Employer's proportionate share of the net pension liability as a percentage of covered employee payroll</u>	27.33%	34.92%	38.04%	45.37%	46.14%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	67.12%	63.22%	61.24%	57.03%	59.10%

Notes to Schedule:

** Until a full 10-year trend is compiled, the City will present information only for those years for which information is available.*

Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30, 2019
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
<u>Employer's proportion of the net pension liability (asset)</u>	0.090892%	0.090486%	0.085227%	0.095030%	0.102779%
<u>Employer's proportionate share of the net pension liability (asset)</u>	\$ 882,870	\$ 1,544,968	\$ 2,961,231	\$ 4,784,685	\$ 3,672,352
TOTAL	\$ 882,870	\$ 1,544,968	\$ 2,961,231	\$ 4,784,685	\$ 3,672,352
<u>Employer's covered employee payroll</u>	\$ 9,904,771	\$ 9,012,379	\$ 8,401,217	\$ 8,861,046	\$ 9,120,015
<u>Employer's proportionate share of the net pension liability as a percentage of covered employee payroll</u>	8.91%	17.14%	35.25%	54.00%	40.27%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	97.77%	95.77%	90.97%	85.82%	89.20%

Notes to Schedule:

** Until a full 10-year trend is compiled, the City will present information only for those years for which information is available.*

Schedule of Proportionate Share of the Net Pension Liability

LEOFF 1

As of June 30, 2019

Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Employer's proportion of the net pension liability (asset)</u>	0.006966%	0.006844%	0.006773%	0.006678%	0.006607%
<u>Employer's proportionate share of the net pension liability (asset)</u>	\$ (137,691)	\$ (124,253)	\$ (102,761)	\$ (68,802)	\$ (79,629)
TOTAL	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Employer's covered employee payroll</u>	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Employer's proportionate share of the net pension liability as a percentage of covered employee payroll</u>	0.00%	0.00%	0.00%	0.00%	0.00%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	148.78%	144.42%	135.96%	123.74%	127.36%

Notes to Schedule:

** Until a full 10-year trend is compiled, the City will present information only for those years for which information is available.*

**Schedule of Employer Contributions
PERS 1
As of December 31, 2019
Last 10 Fiscal Years***

	2019	2018	2017	2016	2015
<u>Statutorily or contractually required contributions</u>	\$ 513,419	\$ 492,576	\$ 441,631	\$ 407,177	\$ 420,763
<u>Contributions in relation to the statutorily or contractually required contributions</u>	\$ (513,419)	\$ (492,576)	\$ (441,631)	\$ (407,177)	\$ (420,763)
<u>Contribution deficiency (excess)</u>	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Covered employer payroll</u>	\$ 10,396,318	\$ 9,727,931	\$ 8,951,382	\$ 8,451,107	\$ 9,168,456
<u>Contributions as a percentage of covered employee payroll</u>	4.94%	5.06%	4.93%	4.82%	4.59%

Notes to Schedule:

** Until a full 10-year trend is compiled, the City will present information only for those years for which information is available.*

Schedule of Employer Contributions
PERS 2/3
As of December 31, 2019
Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Statutorily or contractually required contributions</u>	\$ 803,325	\$ 729,605	\$ 612,700	\$ 622,456	\$ 531,326
<u>Contributions in relation to the statutorily or contractually required contributions</u>	\$ (803,325)	\$ (729,605)	\$ (612,700)	\$ (622,456)	\$ (531,326)
<u>Contribution deficiency (excess)</u>	<u>\$ -</u>				
<u>Covered employer payroll</u>	\$10,396,318	\$ 9,727,931	\$ 8,907,491	\$ 8,385,928	\$ 9,104,496
<u>Contributions as a percentage of covered employee payroll</u>	7.73%	7.50%	6.88%	7.42%	5.84%

Notes to Schedule:

** Until a full 10-year trend is compiled, the City will present information only for those years for which information is available.*

Schedule of Employer Contributions
LEOFF 1
As of December 31, 2019
Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Statutorily or contractually required contributions</u>	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Contributions in relation to the statutorily or contractually required contributions</u>	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Contribution deficiency (excess)</u>	<u>\$ -</u>				
<u>Covered employer payroll</u>	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Contributions as a percentage of covered employee payroll</u>	0.00%	0.00%	0.00%	0.00%	0.00%

Notes to Schedule:

** Until a full 10-year trend is compiled, the City will present information only for those years for which information is available.*

Schedule of Changes in Total OPEB Liability and Related Ratios
LEOFF 1 Retirees
As of December 31, 2019
Last 10 Fiscal Years*

	2019	2018
Total OPEB liability - beginning	\$ 1,910,494	\$ 1,973,496
Service cost	-	-
Interest	72,484	69,307
Changes in benefit terms	-	-
Changes in Experience Data and Assumptions	(69,059)	(56,554)
Estimated Benefit payments	(75,782)	(75,755)
Other changes		
Total OPEB liability - ending	<u>\$ 1,838,137</u>	<u>\$ 1,910,494</u>
Covered-employee payroll	-	-
Total OPEB liability as a % of covered payroll	-	-

Notes to Schedule:

** Until a full 10-year trend is compiled, the City will present information only for those years for which information is available.*

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov