



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of SeaTac

For the period January 1, 2020 through December 31, 2020

Published January 13, 2022

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

January 13, 2022

City Council
City of SeaTac
SeaTac, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of SeaTac January 1, 2020 through December 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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

Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

We issued an unmodified opinion on the City’s compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
21.019	COVID-19 – Coronavirus Relief Fund

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

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, 2020 through December 31, 2020

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, 2020, 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 9, 2021.

As discussed in Note 22 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Management's plans in response to this matter are also described in Note 22.

As discussed in Note 20 to the financial statements, in 2020, the City adopted new accounting guidance, *Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities*.

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.



Pat McCarthy, State Auditor

Olympia, WA

December 9, 2021

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

City of SeaTac January 1, 2020 through December 31, 2020

City Council
City of SeaTac
SeaTac, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the City of SeaTac, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2020. The City's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

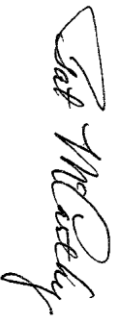
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of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

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

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in blue ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

December 9, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

City of SeaTac January 1, 2020 through December 31, 2020

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 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 14.

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of SeaTac, as of December 31, 2020, 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 22 to the 2020 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. Management's plans in response to this matter are also described in Note 22.

As discussed in Note 20 to the financial statements, in 2020, the City adopted new accounting guidance, *Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities*.

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 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express

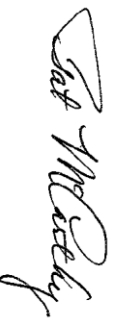
an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2021 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 9, 2021

**City of SeaTac
January 1, 2020 through December 31, 2020**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2020

BASIC FINANCIAL STATEMENTS

Statement of Net Position – Government-wide – 2020
Statement of Activities – Government-wide – 2020
Balance Sheet – Governmental Funds – 2020
Reconciliation of Fund Balances of Governmental Funds to the Net Position of Governmental Activities – 2020
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2020
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities – 2020
Statement of Net Position – Proprietary Funds – 2020
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2020
Statement of Cash Flows – Proprietary Funds – 2020
Statement of Net Position – Fiduciary Funds – 2020
Statement of Changes in Fiduciary Net Position – 2020
Notes to Financial Statements – 2020

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund – 2020
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 – 2020
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Street Fund – 2020
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Hotel/Motel Tax Fund – 2020
Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3, LEOFF 1 – 2020

Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 1 – 2020
Schedule of Changes in Total OPEB Liability and Related Ratios – LEOFF 1 Retirees
– 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2020
Notes to the Schedule of Expenditures of Federal Awards – 2020

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, 2020. Since the MD&A was designed to focus on the activities, resulting changes, and currently known facts for the year 2020, 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, 2020, total net position for the City was \$552.2 million. Of this amount, \$438.7 million or 79.4% 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 \$39.1 million or 7.1% was restricted for debt service, affordable housing, equipment, tourism promotion, and capital projects, including Des Moines Creek Basin Interlocal Agreement projects, transportation and facilities projects. The remaining net position balance of \$74.5 million or 13.5% was classified as unrestricted and available for general City operations.
- Governmental funds ended the year with \$103.6 million in total ending fund balance on the modified accrual basis of accounting. This is an increase of \$3.1 million or 3.1% over 2019, which ended the year with a \$100.5 million ending fund balance. Sale of capital assets including the former Fire Station #45 land, SeaTac Center property and surplus right-of-way from the Connecting 28th/24th project combined to produce a favorable ending fund balance.
- In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. The Hospitality industry was hit hard, and the City saw a steep decline in sales tax, parking tax, and lodging tax revenue. While the impact of the pandemic will linger over the next few years, the City's overall financial forecast remains positive.
- Work continued on major capital projects started in 2019 including the Military Road South and South 152nd Street Project (\$5.9 million) and Des Moines Memorial Drive and South 200th Street Intersection Project (\$6 million). Both include traffic signal improvements, sidewalks, bike lanes, and other pedestrian improvements. As well as the construction of a shared use pathway on S 200th Street (\$1 million).
- Major capital projects in 2020 include the completion of the North SeaTac Park Soccer Fields (\$4.2 million) and Valley Ridge Park Entryway Improvements (\$250 thousand). Design work continued on several transportation projects including 34th Avenue from S 160th Street to S 166th Street (\$712 thousand) and the Airport Station Area Pedestrian Improvements project (\$283 thousand). Several surface water utility capital projects are also in progress including S 180th Street Flood Reduction (\$193 thousand), S 221st Street Drainage Improvements (\$65 thousand) and surface water component to the S 200th Pathway project (\$168 thousand).

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. Largely taxes and intergovernmental revenues support governmental activities 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 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 Activities 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 2020, the City of SeaTac maintained sixteen individual governmental funds on a budgetary basis. On a GAAP basis, the City maintained thirteen 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 2020, 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.

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.

City of SeaTac's Statement of Net Position						
	Governmental Activities		Business Type Activities		Total	
Assets:	2020	2019	2020	2019	2020	2019
Current & other assets	\$ 112,402,644	\$ 111,800,083	\$ 12,031,787	\$ 10,609,580	\$ 124,434,431	\$ 122,409,663
Net pension asset	134,443	137,691	-	-	134,443	137,691
Capital assets, net	410,965,899	408,829,823	27,697,925	27,910,211	438,663,824	436,740,034
Total Assets	523,502,986	520,767,597	39,729,712	38,519,791	563,232,698	559,287,388
Deferred Outflows	1,831,963	1,076,460	106,278	74,640	1,938,241	1,151,100
Liabilities:						
Long-term liabilities	2,878,110	2,748,197	75,347	60,426	2,953,457	2,808,623
Net pension liability	5,862,646	5,352,386	108,934	75,750	5,971,580	5,428,136
Other liabilities	2,739,275	4,941,347	26,686	83,119	2,765,961	5,024,466
Total liabilities	11,480,031	13,041,930	210,967	219,295	11,690,998	13,261,225
Deferred Inflows	1,213,802	2,148,601	83,627	154,586	1,297,429	2,303,187
Net Position:						
Net inv in capital assets	410,965,899	408,829,823	27,697,925	27,910,211	438,663,824	436,740,034
Restricted	39,066,218	46,560,811	-	-	39,066,218	46,560,811
Unrestricted	62,608,999	51,262,892	11,843,471	10,310,339	74,452,470	61,573,231
Total Net Position	\$ 512,641,116	\$ 506,653,526	\$ 39,541,396	\$ 38,220,550	\$ 552,182,512	\$ 544,874,076

In 2020, the City's total net position increased by \$7.3 million. Net investment in capital increase by \$1.9 million. The City spent approximately \$12.4 million on capital assets in 2020 with the bulk of the expenses going toward transportation and soccer field improvements. The City's total restricted net position decreased by \$7.5 million and unrestricted net position increased by \$12.9 million.

The City's net position for governmental activities includes \$39.1 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, affordable housing, 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 \$62.6 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 \$11.8 million. \$10.9 million can be used for general surface water utility purposes including capital projects, if desired and \$933 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.

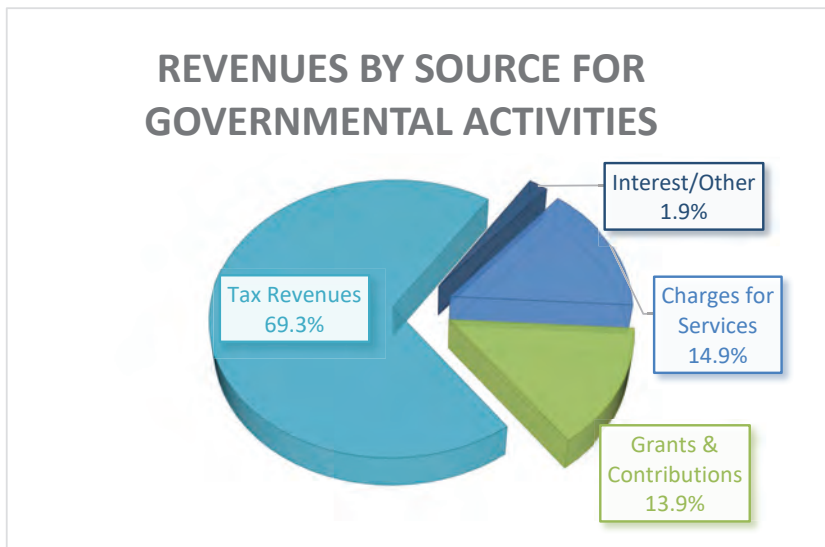
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for services	\$ 8,086,807	\$ 8,691,391	\$ 4,236,956	\$ 4,350,455	\$ 12,323,763	\$ 13,041,846
Operating grants & contrib	3,828,599	4,031,777	228,878	176,362	4,057,477	4,208,139
Capital grants & contrib	3,755,395	2,820,156	-	50,000	3,755,395	2,870,156
General Revenues:						
Property tax	17,273,582	17,089,360	-	-	17,273,582	17,089,360
Sales & Use taxes	12,541,338	20,453,817	-	-	12,541,338	20,453,817
Hotel/Motel taxes	685,687	1,887,475	-	-	685,687	1,887,475
Parking tax	3,942,498	10,089,106	-	-	3,942,498	10,089,106
Gambling taxes	584,054	1,050,857	-	-	584,054	1,050,857
Excise taxes	2,694,117	4,698,953	-	-	2,694,117	4,698,953
Investment interest	1,014,095	1,031,560	94,403	164,890	1,108,498	1,196,450
Misc revenues	-	-	8,884	11,426	8,884	11,426
Gains on asset sales	-	281,584	-	-	-	281,584
Total Revenues	54,406,172	72,126,036	4,569,121	4,753,133	58,975,293	76,879,169

Expenses:	2020	2019	2020	2019	2020	2019
Judicial	795,775	689,818	-	-	795,775	689,818
General Government	8,666,956	7,968,501	-	-	8,666,956	7,968,501
Public Safety	25,102,245	24,262,195	-	-	25,102,245	24,262,195
Transportation	11,911,559	10,285,755	-	-	11,911,559	10,285,755
Health & Human Services	741,182	650,911	-	-	741,182	650,911
Physical & Economic Environment	4,504,184	5,122,578	3,112,975	2,982,926	7,617,159	8,105,504
Culture & Recreation	5,037,297	4,884,058	-	-	5,037,297	4,884,058
Total Expenses	56,759,198	53,863,816	3,112,975	2,982,926	59,872,173	56,846,742
Inc (Dec) in Net Position Before						
Transfers & Special Items	(2,353,026)	18,262,220	1,456,146	1,770,207	(896,880)	20,032,427
Transfers	135,300	(1,240,427)	(135,300)	1,054,975	-	(185,452)
Special Items:						
Gain on sale of Property	8,205,316	-	-	-	8,205,316	-
Total Special Items	8,205,316	-	-	-	8,205,316	-
Inc (Dec) in Net Position	5,987,590	17,021,793	1,320,846	2,825,182	7,308,436	19,846,975
Prior Year Adjustments	-	(4,259,536)	-	2,842,245	-	(1,417,291)
Net Position-Beg (as restated)	506,653,526	489,631,733	38,220,550	35,395,368	544,874,076	525,027,101
Net Position-Ending	\$ 512,641,116	\$ 506,653,526	\$ 39,541,396	\$ 38,220,550	\$ 552,182,512	\$ 544,874,076

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 \$7.6 million in grant revenues for operating and capital purposes. Capital grants are up \$0.9 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 decreased by \$0.2 million over 2019.

In 2020 most tax categories saw steep declines from the COVID-19 Pandemic, ranging from a 38.6% decrease in sales tax to a 64% decrease in Hotel/Motel tax; the exception being property tax which increased 1.1%. The year started out positive but by March activity ceased in the travel and tourism industry and parking tax declined 60.9% by the end of the year. The Port of Seattle reported that passenger levels dropped 80% in 2020 while air cargo increased by 0.24% from 2019 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.

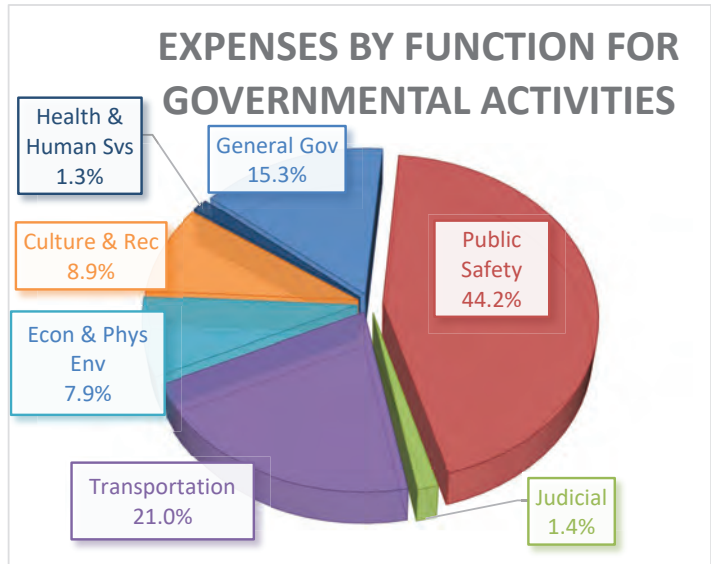
In 2020, the City of SeaTac's Economic Development division (in the Community and Economic Development Department) continued the work to improve City's image and recognition as an investment market and attractive place to do business. Amazon opened a 350,000 square-foot distribution and fulfillment facility, Alaska Airlines grew their corporate campus with the Copper River HUB building, and 1,600 permits and land use approvals were issued.



For governmental activities, total expenses increased \$2.9 million or 5.5% from 2019. Six out of the seven program areas in governmental activities had expense increases in 2020 ranging from 3.1% in Culture and Recreation to 15.4% in Judicial. These increases were due to additional FTE's added during the budget process and expanding programs.

General Government related expenses increased 8.8% due to an increase in FTE's, property and liability insurance increases, and capital outlay for technology.

Public Safety expenses experienced an increase of \$840 thousand or 3.5% over 2019. This is due solely to an increase in Police, Fire, and Jail contracts.



Business-type Activities: While revenue was down overall and expenditures increased 4%, net position increased by \$1.3 million in 2020 as compared to a \$2.9 million increase in 2019. Decreases in revenue are due to WSDOT no longer subject to SWM fees, a reduction in capital grants and a decline in investment interest. Capital expenses not realized include the Des Moines Creek land acquisition and the Miller Creek Basin Project.

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 2020, the City's combined ending governmental fund balance was \$103.6 million versus the 2019 ending fund balance of \$100.5 million. Included in the 2020 ending fund balance is \$1 million in non-spendable prepayments, \$38.9 million in restricted fund balances (i.e. transportation, tourism, capital projects, etc.) and \$16.9 million in fund balances which have been assigned to other purposes (i.e. light rail station areas, capital projects, etc.).

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 tax and sales taxes are the primary revenue sources for the General Fund. In 2019 and 2020, property tax recorded into the General Fund equaled approximately \$17.1 million and \$17.3

million, respectively. The property tax levy continues to increase as result of new development, a promising indicator of an increasing property tax base.

In 2020, sales taxes recorded into the General Fund were \$9.3 million compared to \$16.8 million in 2019. As reported earlier in the MD&A, the COVID-19 pandemic had a devastating impact to economic activity in the City in the areas of airport activity and lodging, which negatively impacted sales tax revenue and other related taxes like lodging taxes.

The fund balance of the General Fund at the end of 2020 was \$47.8 million, which is a \$5.4 million increase over 2019. 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 - \$8.9 million, Transit Planning - \$446 thousand, and Building Management Fund - \$3.5 million for a total of \$12.9 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 Street Fund is a special revenue fund, originally added as a major fund in 2007 due to parking tax revenues. Parking tax is an important funding source for capital infrastructure projects and is transferred into the Transportation CIP Fund, as necessary. The Street Fund ended the year with \$10.5 million in fund balance, which represents a decrease of \$3.7 million from 2019 due to the impacts of the COVID-19 pandemic on air travel and parking. However, the Street Fund continued to support Transportation projects and transferred \$2.8 million to the Transportation CIP fund in 2020.

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 2020 for this Fund was \$8.9 million. Lodging tax revenue had been on a steady rise over the last few years and while 2019 brought in a record amount of lodging tax revenue (\$1.89 million), 2020 saw a steep decline to \$685 thousand due to the COVID-19 pandemic. 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 \$2 million in 2020. 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.

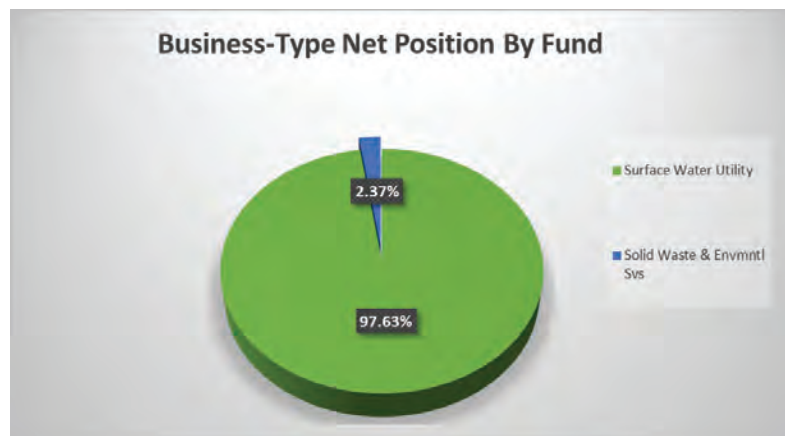
The Municipal Capital Improvement Fund is a capital projects fund whose purpose is to account for the expenditures related to general capital improvements including network information systems projects, parks projects including synthetic turf installation, and major building maintenance. In 2020, the revenue source for this Fund was real estate excise tax and sales tax from Port of Seattle projects. At the end of 2020, 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 2020, the revenue source for this Fund was from the sale of Fire Station #45 property and investment earnings. At the end of 2020, the fund balance in the Municipal Facilities Capital Improvement Fund was \$3.7 million.

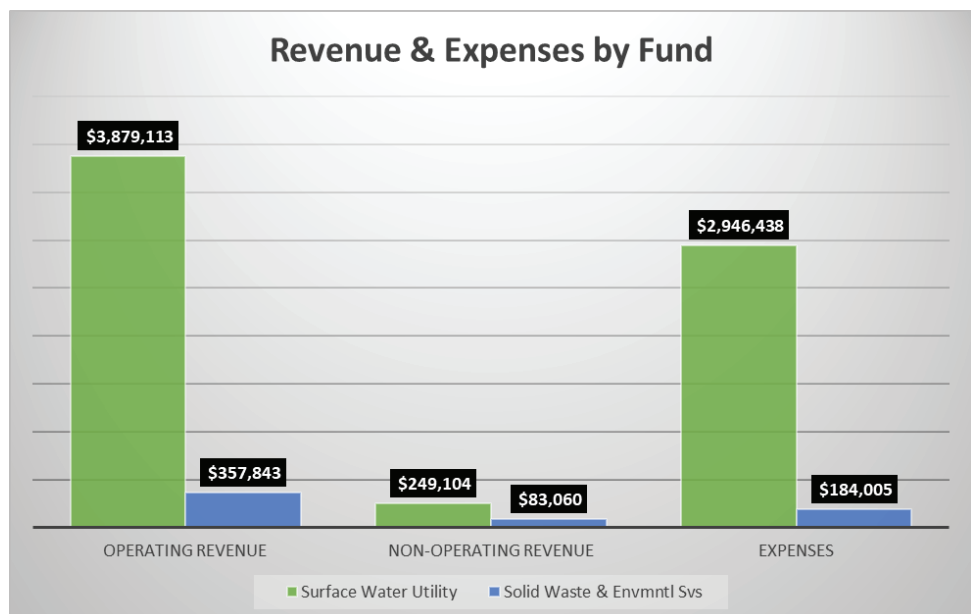
The Transportation Capital Improvement Fund is a capital projects fund whose purpose is to account for the revenues and expenditures related to transportation improvements. In 2020, the major revenue sources for this Fund were project grants and reimbursements from other agencies for services as well as the sale of surplus land to WSDOT. The Street Fund transferred \$2.8 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.



On the government-wide Statement of Net Position for business-type activities, the ending net position balance for proprietary funds was \$39.5 million and of this amount, \$11.8 million or 30% was unrestricted. The other \$27.7 million or 70% 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 2020. Revenues and Expenses for each fund are depicted in the chart below:



GENERAL FUND BUDGETARY HIGHLIGHTS

On a budgetary basis, the General Fund finished 2020 with \$34.5 million in ending fund balance. The original ending fund balance budgeted for 2020 was \$30.7 million. The actual ending fund balance exceeded the original budget by \$3.8 million. Actual revenues (excluding transfers in) for the biennium were \$82.6 million or \$0.3 million under the original estimate. The area with the highest positive variance was licenses and permits, exceeding the budget by \$1.0 million. Interest was \$181,000 greater than expected. Sales tax collected was \$6.0 million under budget and leasehold tax was \$0.7 million less than anticipated.

The General Fund's original 2020 appropriation was \$40.7 million while the final budget was \$43.4 million. Actual appropriations were \$39.3 million (excluding transfers out) resulting in a final budget savings of \$4.1 million from department efficiencies and program delivery savings.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

At the end of 2020, the City had \$411 million (net of accumulated depreciation) in governmental activities capital assets, including one internal service fund, and \$27.7 million (net) in business-type activities. Total internal service fund capital assets (net) were just under \$1.8 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 2020:

Capital Assets:	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 317,967,653	\$ 322,084,374	\$ -	\$ -	\$ 317,967,653	\$ 322,084,374
Intangible Assets-Easements	227,058	158,067	35,442	35,442	\$ 262,500	\$ 193,509
Constr in Progress (CIP)	12,288,097	4,655,544	771,073	89,327	\$ 13,059,170	\$ 4,744,871
Buildings/Building Impr	38,022,383	46,675,350	228,560	228,560	\$ 38,250,943	\$ 46,903,910
Other Improvements	21,514,006	17,125,419	37,617,054	37,617,054	\$ 59,131,060	\$ 54,742,473
Infrastructure	114,809,809	114,809,809	-	-	\$ 114,809,809	\$ 114,809,809
Equipment/Vehicles	1,786,466	1,846,055	26,877	26,877	\$ 1,813,343	\$ 1,872,932
Equipment/Vehicles-Eq Rental	4,711,298	4,458,994	-	-	\$ 4,711,298	\$ 4,458,994
					\$ -	\$ -
Intangible Assets-Software	567,811	564,579	156,634	156,634	\$ 724,445	\$ 721,213
					\$ -	\$ -
Less: Depreciation	(100,937,682)	(103,548,368)	(11,137,714)	(10,243,684)	\$ (112,075,396)	\$ (113,792,052)
Total Capital Assets (Net)	\$ 410,956,899	\$ 408,829,823	\$ 27,697,926	\$ 27,910,210	\$ 438,654,825	\$ 436,740,033

In 2020, the largest increase in capital assets occurred in construction in progress for governmental activities due to the ongoing Military Rd S/S 152nd Improvements and Des Moines Memorial Dr/S 200th Intersection projects. Other Improvements had a large increase from the completion of the North SeaTac Park Soccer Fields Project. The largest decreases were in Buildings and Land from the sale of a portion of the SeaTac Center property, the former Fire Station #45 land, and land to WSDOT for the State Route 509 completion project.

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 2020, 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 2019 and 2020 by type:

	City of SeaTac's Outstanding Debt by Type					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Obligation Bonds	1,782,126	1,848,191	-	-	1,782,126	1,848,191
Total	\$ 1,782,126	\$ 1,848,191	\$ -	\$ -	\$ 1,782,126	\$ 1,848,191

General Obligation Debt

According to Washington State law, the City's debt capacity for general government purposes is limited to 4% or \$290.3 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 \$108.8 million. At the end of 2020, the City's assessed valuation was \$7,259,165,603, which is a 4% increase from 2019. The 2020 assessed valuation is used to calculate taxes to be collected in 2021. The City had \$1.78 million in outstanding councilmanic (non-voted) general obligation debt including the special obligation bonds issued by SCORE (South Correctional Entity) at the end of 2020. 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 \$651 million of the City's assessed valuation.

Revenue Debt

At the end of 2020, 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 2020, 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 11 Long-Term Debt in the 2020 Notes to the Financial Statements.

ECONOMIC FACTORS AND THE BUDGET

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. Since March of 2020, the COVID-19 pandemic and the impact of the economic downturn tested the resiliency of the City's economy.

SeaTac proved economically strong and continues to attract new businesses and investments; new real estate development opportunities continue to be realized around the three light rail stations, multifamily apartment and mixed-use projects are leading the way. Other developments include hotels, industrial and manufacturing buildings, and substantial construction projects at the airport. Active private sector projects under construction and in permitting represent more than \$500 million in capital investments. Other public infrastructure investments include the light rail extension and the State Route 509 completion projects. This economic activity generates jobs, sales tax, and acts as a catalyst for additional investments.

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

2020 Property Tax was 31.7% of governmental revenues. Property tax revenue increased 0.7% from 2019, but sales taxes were severely hit by the COVID-19 shut down and are at the lowest they have been since 2010. For the 2019-2020 biennium, the General Fund estimated ending fund balance was \$29.4 million. Of that amount, \$13.7 million was identified as the Council's General Fund target fund balance of four months of operating expenditures. The City ended the biennium with an ending fund balance of \$34.5 million. The prior year's growth in revenue positioned the City to weather the storm and minimized the impacts of the COVID-19 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	\$ 84,772,096
Budgeted Expenditures	\$ 59,328,665	\$ 65,450,693	\$ 70,168,679	\$ 73,792,587	\$ 81,522,520
Budgeted Difference	\$ (4,839,870)	\$ (5,904,785)	\$ (2,064,535)	\$ (4,503,608)	\$ 3,249,576
Actual:					
Actual Revenues	\$55,608,879	\$59,181,562	\$72,950,304	\$83,718,092	\$82,579,166
Actual Expenditures	\$57,336,155	\$64,989,397	\$68,185,724	\$74,653,435	\$77,144,445
Actual Difference	\$ (1,727,276)	\$ (5,807,835)	\$ 4,764,580	\$ 9,064,657	\$ 5,434,721

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, 2020

	Governmental Activities	Business-type Activities	Total	SSRTA Comp Unit
Assets				
Cash & cash equivalents	\$ 72,335,898	\$ 9,307,176	\$ 81,643,074	\$ 3,315,611
Investments	29,825,972	1,514,664	31,340,636	499,165
Receivables (net)				
Taxes	3,666,384	-	3,666,384	-
Customer accounts & contracts	1,584,275	929,283	2,513,558	10,000
Due from other governments	115,676	35,637	151,313	728,750
Inventory	-	-	-	5,005
Internal balances	(217,126)	217,126	-	-
Prepaid items	1,002,881	27,901	1,030,782	210,501
Investment in joint venture	4,088,684	-	4,088,684	-
Capital assets not being depreciated:				
Land	317,967,653	-	317,967,653	-
Intangible assets - Easements	227,058	35,442	262,500	-
Intangible assets - Trademarks	-	-	-	9,947
Construction in progress	12,288,097	771,073	13,059,170	-
Capital assets, net of accum deprec (Note 6):				
Buildings	22,548,897	146,283	22,695,180	-
Improvements other than buildings	13,189,570	26,724,307	39,913,877	-
Equipment, vehicles & software	2,128,785	20,820	2,149,605	144,705
Infrastructure	42,615,839	-	42,615,839	-
Net Pension Asset	\$ 134,443	\$ -	\$ 134,443	-
Total Assets	\$ 523,502,986	\$ 39,729,712	\$ 563,232,698	\$ 4,923,684
Deferred Outflows of Resources				
Deferred Outflow of Resources - Pension	1,398,053	106,278	1,504,331	217,029
Deferred Outflow of Resources - OPEB	21,370	-	21,370	-
Deferred Outflow of Resources - ARO	14,740	-	14,740	-
Deferred Outflow - Delayed Title Transfe	397,800	-	397,800	-
Total Assets & Deferred Outflows	\$ 525,334,949	\$ 39,835,990	\$ 565,170,939	\$ 5,140,713
Liabilities				
Accounts payable & accrued expenses	2,374,792	22,721	2,397,512	61,022
Due to other governments	174	-	174	-
Total OPEB Liability current	86,303	-	86,303	-
Other current liabilities	204,741	-	204,741	-
Unearned revenue	32,633	-	32,633	-
Noncurrent liabilities:				
Due within one year	126,935	3,966	130,901	61,834
Due in more than one year	2,878,110	75,347	2,953,457	25,056
Net Pension Obligation	3,853,934	108,934	3,962,868	356,233
Total OPEB Liability-non current	1,922,409	-	1,922,409	-
Total Liabilities	\$ 11,480,031	\$ 210,967	\$ 11,690,998	\$ 504,145
Deferred Inflows of Resources				
Deferred Inflow of Resources - Pensions	1,213,802	83,627	1,297,429	151,140
Total Liabilities & Deferred Inflows	\$ 12,693,833	\$ 294,594	\$ 12,988,427	\$ 655,285
Net Position				
Investment in capital assets	410,965,899	27,697,925	438,663,824	154,652
Restricted for:				
Tourism promotion & facilities	8,925,100	-	8,925,100	-
Debt service	385,407	-	385,407	-
Capital projects & equipment	1,744,647	-	1,744,647	-
Affordable housing	69,792	-	69,792	-
Transportation	24,063,070	-	24,063,070	-
Des Moines Creek Basin ILA projects	3,743,759	-	3,743,759	-
Net Pension Asset	134,443	-	134,443	-
Unrestricted	62,608,999	11,843,471	74,452,470	4,330,776
Total Net Position	\$ 512,641,116	\$ 39,541,396	\$ 552,182,512	\$ 4,485,428

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

Statement of Activities
For the Year Ended December 31, 2020

	Expenses	Program Revenues		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions
Functions/Programs				
Governmental Activities:				
Judicial	\$ 795,775	\$ 246,045	\$ 9,445	\$ -
General Government	8,666,956	2,375,511	701,476	2,225,221
Public Safety	25,102,245	124,311	2,036,417	-
Transportation	11,911,559	1,177,718	643,667	1,342,801
Health & Human Services	741,182	-	15,105	-
Physical & Economic Environment	4,504,184	3,729,668	313,615	-
Culture & Recreation	5,037,297	433,554	108,874	187,373
Total Governmental Activities	56,759,198	8,086,807	3,828,599	3,755,395
Business-type Activities:				
Solid Waste & Environmental	184,005	359,224	77,384	-
Surface Water Utilities	2,928,970	3,886,616	151,494	-
Total Business-type Activities	3,112,975	4,245,839	228,878	-
Component Unit Activities				
Seattle Southside Regional Tourism Authorit	4,744,282	25,534	2,864,800	-
Total Component Unit Activites	4,744,282	25,534	2,864,800	-
Total Government	\$64,616,455	\$ 12,358,180	\$ 6,922,277	\$ 3,755,395

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

	Net (Expense) Revenue & Changes in Net Position			
	Governmental Activities	Business-type Activities	Total	SSRTA Comp Unit
Functions/Programs				
Governmental Activities:				
Judicial	\$ (540,285)	\$ -	\$ (540,285)	\$ -
General Government	(3,364,748)	-	(3,364,748)	-
Public Safety	(22,941,517)	-	(22,941,517)	-
Transportation	(8,747,373)	-	(8,747,373)	-
Health & Human Services	(726,077)	-	(726,077)	-
Physical & Economic Environment	(460,901)	-	(460,901)	-
Culture & Recreation	(4,307,497)	-	(4,307,497)	-
Total Governmental Activities	<u>(41,088,397)</u>	<u>-</u>	<u>(41,088,397)</u>	<u>-</u>
Business-type Activities:				
Solid Waste & Environmental	-	252,603	252,603	-
Surface Water Utilities	-	1,109,140	1,109,140	-
Total Business-type Activities	<u>-</u>	<u>1,361,743</u>	<u>1,361,743</u>	<u>-</u>
Component Unit Activities				
Seattle Southside Regional Tourism Authority	-	-	-	(1,853,948)
Total Component Unit Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,853,948)</u>
Total Government	<u>\$ (41,088,397)</u>	<u>\$ 1,361,743</u>	<u>\$ (39,726,654)</u>	<u>\$ (1,853,948)</u>
General Revenues				
Property tax	17,273,582	-	17,273,582	-
Retail sales and use taxes	12,541,338	-	12,541,338	-
Hotel/Motel taxes	685,687	-	685,687	-
Parking tax	3,942,498	-	3,942,498	-
Gambling taxes	584,054	-	584,054	-
Excise taxes	2,694,117	-	2,694,117	-
Misc Nonoperating	-	-	-	2,068,020
Unrestricted investment earnings	1,014,095	94,403	1,108,498	24,425
Total General Revenues	<u>38,735,371</u>	<u>94,403</u>	<u>38,829,775</u>	<u>2,092,445</u>
Transfers	135,300	(135,300)	-	-
Total General Revenues & Transfers	<u>38,870,671</u>	<u>(40,897)</u>	<u>38,829,775</u>	<u>2,092,445</u>
Special Items				
Gain on sale of assets	8,205,316	-	8,205,316	-
Total Special Items	<u>8,205,316</u>	<u>-</u>	<u>8,205,316</u>	<u>-</u>
Change in Net Position	<u>5,987,590</u>	<u>1,320,846</u>	<u>7,308,436</u>	<u>238,497</u>
Net Position-Beginning	<u>506,653,526</u>	<u>38,220,550</u>	<u>544,874,076</u>	<u>4,246,931</u>
Net Position-Ending	<u>\$512,641,116</u>	<u>\$ 39,541,396</u>	<u>\$ 552,182,512</u>	<u>\$ 4,485,428</u>

Balance Sheet
December 31, 2020

	Special Revenue			Capital Improvement
	General	Street	Hotel/Motel Tax	Municipal CIP
Assets				
<i>Current Assets:</i>				
Cash & cash equivalents	\$ 26,452,470	\$ 7,106,952	6,934,963	\$ 6,868,903
Investments	18,476,056	3,114,929	2,001,712	4,663,884
Receivables (net of allow- ance for uncollectibles):				
Taxes	2,579,289	345,728	74,085	651,147
Customer accounts & contracts	927,041	25,084	101	7,381
Due from other governments	79,973	35,703	-	-
Prepaid items	995,437	110	6,350	-
Total Assets	49,510,266	10,628,506	9,017,211	12,191,315
Deferred Outflows of Resources				
Delayed land title transfer	-	-	-	-
Total Assets and Def Outflows of Res	\$ 49,510,266	\$ 10,628,506	\$ 9,017,211	\$ 12,191,315
Liabilities				
<i>Current Liabilities:</i>				
Accounts & other payable	\$ 723,323	\$ 102,707	\$ 92,111	\$ 243,781
Due to other governments	174	-	-	-
Other current liabilities	204,208	533	-	-
Unearned revenue	32,633	-	-	-
Total Liabilities	\$ 960,338	\$ 103,240	\$ 92,111	\$ 243,781
Deferred Inflows of Resources				
Unavail revenue-grants/interlocal	137,654	1,297	-	-
Unavail revenue-property taxes	242,921	-	-	-
Unavail revenue-court fines	364,562	-	-	-
Unavail revenue-leases/permits	21,380	6,539	-	-
Total Def Inflows of Resources	\$ 766,517	\$ 7,836	\$ -	\$ -
Fund Balances (Deficits)				
Nonspendable:				
Prepayments	\$ 995,437	\$ 110	\$ 6,350	\$ -
Restricted:				
Transportation	-	10,517,320	-	-
Tourism promotion & facilities	-	-	8,918,750	-
Des Moines Creek Basin ILA	-	-	-	-
Affordable housing	-	-	-	-
Capital projects & equipment	-	-	-	1,744,647
Debt service	-	-	-	-
Assigned:				
Light Rail Station projects	-	-	-	-
Capital projects & equipment	-	-	-	10,202,887
Unassigned	46,787,974	-	-	-
Total Fund Balances	\$ 47,783,411	\$ 10,517,430	\$ 8,925,100	\$ 11,947,534
Total Liab, Def Inflows of Res & Fund Balances (Deficits)	\$ 49,510,266	\$ 10,628,506	\$ 9,017,211	\$ 12,191,315

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

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	\$ 3,719,869	\$ 13,685,084	\$ 5,622,679	\$ 70,390,920
Investments	-	-	1,569,391	29,825,972
Receivables (net of allow- ance for uncollectibles):				
Taxes	-	-	16,135	3,666,384
Customer accounts & contracts	-	624,614	-	1,584,221
Due from other governments	-	-	-	115,676
Prepaid items	-	-	-	1,001,897
Total Assets	<u>3,719,869</u>	<u>14,309,698</u>	<u>7,208,205</u>	<u>106,585,070</u>
Deferred Outflows of Resources				
Delayed land title transfer	-	397,800	-	397,800
Total Assets and Def Outflows of Re	<u>\$ 3,719,869</u>	<u>\$ 14,707,498</u>	<u>\$ 7,208,205</u>	<u>\$ 106,982,870</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts & other payable	\$ 604	\$ 1,056,763	\$ -	\$ 2,219,289
Due to other governments	-	-	-	174
Other current liabilities	-	-	-	204,741
Unearned revenue	-	-	-	32,633
Total Liabilities	<u>\$ 604</u>	<u>\$ 1,056,763</u>	<u>\$ -</u>	<u>\$ 2,456,837</u>
Deferred Inflows of Resources				
Unavail revenue-grants/interlocal	-	82,559	-	221,510
Unavail revenue-property taxes	-	-	-	242,921
Unavail revenue-court fines	-	-	-	364,562
Unavail revenue-leases/permits	-	22,537	-	50,456
Total Def Inflows of Resources	<u>\$ -</u>	<u>\$ 105,096</u>	<u>\$ -</u>	<u>\$ 879,449</u>
Fund Balances (Deficits)				
Nonspendable:				
Prepayments	\$ -	\$ -	\$ -	\$ 1,001,897
Restricted:				
Transportation	-	13,545,639	-	24,062,959
Tourism promotion & facilities	-	-	-	8,918,750
Des Moines Creek Basin ILA	-	-	3,743,759	3,743,759
Affordable housing	-	-	69,792	69,792
Capital projects & equipment	-	-	-	1,744,647
Debt service	-	-	385,407	385,407
Assigned:				
Light Rail Station projects	-	-	3,009,247	3,009,247
Capital projects & equipment	3,719,265	-	-	13,922,152
Unassigned	-	-	-	46,787,974
Total Fund Balances	<u>\$ 3,719,265</u>	<u>\$ 13,545,639</u>	<u>\$ 7,208,205</u>	<u>\$ 103,646,584</u>
Total Liab, Def Inflows of Res & Fund Balances (Deficits)	<u>\$ 3,719,869</u>	<u>\$ 14,707,498</u>	<u>\$ 7,208,205</u>	<u>\$ 106,982,870</u>

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

**Reconciliation of Fund Balances of Governmental Funds
to the Net Position of Governmental Activities
December 31, 2020**

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

Governmental funds total fund balance on December 31, 2020 (as shown on the Balance Sheet for Governmental Funds)	\$	103,646,584
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	\$	317,967,653
Intangibles - easements		227,057
Construction in progress		12,288,097
Buildings & structures		38,022,383
Other improvements		21,514,006
Infrastructure		114,809,809
Equipment		1,786,466
Intangibles - software		576,811
Less: accumulated depreciation		<u>(98,023,076)</u>
		409,169,206
Investments in joint ventures are not a financial resource and, therefore, are not reported in the governmental funds.		4,088,684
The net pension asset is not an available resource and, therefore, is not reported in the governmental funds.		134,443
Other long-term assets are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		879,449
Some deferred outflows will not be utilized in the current period and, therefore, are not reported in the individual governmental funds.		
These deferred outflows consist of:		
Pensions	\$	1,398,053
OPEB		21,370
Asset Retirement Obligations		14,740
		1,434,163
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	\$	(1,782,126)
Asset Retirement Obligation		(16,377)
Pension Obligation		(3,853,934)
Deferred Pension Inflows		(1,213,802)
Other Post Employment Benefits Obligation		(1,922,409)
Compensated absences payable		<u>(1,198,037)</u>
		(9,986,685)
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>3,361,575</u>
Net position of governmental activities (as shown on the Government-wide Statement of Net Position)	\$	<u><u>512,727,419</u></u>

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

**Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2020**

	General	Street	Hotel/Motel Tax	Municipal CIP
Revenues				
Taxes	\$ 28,994,054	\$ 3,942,498	\$ 685,687	\$ 3,957,011
Licenses & permits	2,434,637	39,308	-	-
Intergovernmental & contributions	3,973,563	661,665	13,953	416,211
Charges for services	2,681,913	147,392	-	223,770
Fines & forfeitures	218,902	15,265	-	0
Investment & other earnings	472,839	108,900	59,205	171,239
Net Change in FV of investments	353,783	84,578	1,712	(71,710)
Rent & leases	437,204	4,025	-	-
Miscellaneous	68,991	32,654	436	2,000
Total Revenues	\$ 39,635,886	\$ 5,036,285	\$ 760,993	\$ 4,698,521
Expenditures				
Current:				
Judicial	\$ 785,312	\$ -	\$ -	\$ -
General Government	8,239,906	-	-	393,689
Public Safety	24,522,520	176,008	-	-
Transportation	78,998	3,450,862	-	-
Health & Human Services	735,164	-	-	-
Economic Environment	2,796,304	48,185	1,239,857	270
Culture & Recreation	3,850,626	-	-	7,072
Capital Outlay:				
General Government	41,755	-	-	150,794
Transportation	-	2,244,335	-	2,426
Culture & Recreation	38,600	-	-	4,400,507
Total Expenditures	\$ 41,089,185	\$ 5,919,390	\$ 1,239,857	\$ 4,954,759
Excess (deficiency) of revenues over (under) expenditures	\$ (1,453,299)	\$ (883,105)	\$ (478,864)	\$ (256,238)
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	(2,802,500)	-	-
Total Other Fin Sources (Uses)	\$ -	\$ (2,802,500)	\$ -	\$ -
Special Items				
Proceeds from sale of assets	\$ 6,791,400	\$ -	\$ -	\$ 266,900
Total Special Items	\$ 6,791,400	\$ -	\$ -	\$ 266,900
Net Change in Fund Balances	\$ 5,338,101	\$ (3,685,605)	\$ (478,864)	\$ 10,662
Fund Balances-Beginning	\$ 42,445,310	\$ 14,203,035	\$ 9,403,964	\$ 11,936,872
Fund Balances-Ending	\$ 47,783,411	\$ 10,517,430	\$ 8,925,100	\$ 11,947,534

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	\$ -	\$ -	\$ 69,763	\$ 37,649,013
Licenses & permits	-	-	-	2,473,945
Intergovernmental & contributions	-	1,323,901	1,194,700	7,583,993
Charges for services	-	1,154,849	-	4,207,924
Fines & forfeitures	-	-	-	234,167
Investment & other earnings	8,821	88,660	99,810	1,009,474
Net Change in FV of investments	-	-	-	368,363
Rent & leases	-	-	-	441,229
Miscellaneous	-	239,262	-	343,343
Total Revenues	\$ 8,821	\$ 2,806,672	\$ 1,364,273	\$ 54,311,451
Expenditures				
Current:				
Judicial	\$ -	\$ -	\$ -	\$ 785,312
General Government	15,079	-	-	8,648,674
Public Safety	-	-	-	24,698,528
Transportation	-	-	-	3,529,860
Health & Human Services	-	-	-	735,164
Economic Environment	4,900	-	239,532	4,329,048
Culture & Recreation	-	-	-	3,857,698
Capital Outlay:				
General Government	-	-	-	192,549
Transportation	-	10,042,074	-	12,288,835
Culture & Recreation	-	-	-	4,439,107
Total Expenditures	\$ 19,979	\$ 10,042,074	\$ 239,532	\$ 63,504,776
Excess (deficiency) of revenues over (under) expenditures	\$ (11,158)	\$ (7,235,402)	\$ 1,124,741	\$ (9,193,325)
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ 2,802,500	\$ 135,300	\$ 2,937,800
Transfers out	-	-	-	(2,802,500)
Total Other Fin Sources (Uses)	\$ -	\$ 2,802,500	\$ 135,300	\$ 135,300
Special Items				
Proceeds from sale of assets	\$ 2,200,000	\$ 2,938,126	\$ -	\$ 12,196,426
Total Special Items	\$ 2,200,000	\$ 2,938,126	\$ -	\$ 12,196,426
Net Change in Fund Balances	\$ 2,188,842	\$ (1,494,776)	\$ 1,260,041	\$ 3,138,401
Fund Balances-Beginning	\$ 1,530,423	\$ 15,040,415	\$ 5,948,164	\$ 100,508,183
Fund Balances-Ending	\$ 3,719,265	\$ 13,545,639	\$ 7,208,205	\$ 103,646,584

Statement of Revenues, Expenditures and Changes in Fund Balance Reconciliation - City of SeaTac, WA

**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, 2020**

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)	\$	3,138,401
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	12,427,069	
Depreciation expense	<u>(5,962,626)</u>	6,464,443
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.		
		(4,153,575)
Investment in joint ventures are not considered financial resources and are, therefore, not reported in the governmental funds.		
		(88,853)
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.		
		935,762
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.		
		84,563
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:		
Asset Retirement Obligations	(1,636)	
OPEB Expense	(174,016)	
Net increase in compensated absences	<u>(254,694)</u>	(430,346)
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	40,611	
Loss on sale of capital assets	(3,415)	<u>37,196</u>
Change in net position of governmental activities (as shown on the Statement of Activities-Governmental Activities)		<u>\$ 5,987,590</u>

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

Statement of Net Position
December 31, 2020

	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	\$ 8,401,085	\$ 906,091	\$ 9,307,176	\$ 1,944,978
Investments	1,514,664	-	1,514,664	-
Customer receivables (net)	906,794	22,489	929,283	53
Due from other governments	-	35,637	35,637	-
Prepaid items	27,901	-	27,901	984
Total Current Assets	<u>\$ 10,850,444</u>	<u>\$ 964,217</u>	<u>\$ 11,814,661</u>	<u>\$ 1,946,015</u>
Noncurrent Assets:				
Capital assets (net of accumulated depreciation):				
Buildings	\$ 146,283	\$ -	\$ 146,283	\$ -
Other improvements	26,724,307	-	26,724,307	-
Vehicles and equipment	10,686	-	10,686	1,796,693
Intangible assets - software	10,134	-	10,134	-
Intangible assets - easements	35,442	-	35,442	-
Construction in progress	771,073	-	771,073	-
Total Noncurrent Assets	<u>\$ 27,697,925</u>	<u>\$ -</u>	<u>\$ 27,697,925</u>	<u>\$ 1,796,693</u>
Total Assets	<u>\$ 38,548,369</u>	<u>\$ 964,217</u>	<u>\$ 39,512,587</u>	<u>\$ 3,742,708</u>
Deferred Outflows of Resources				
Deferred Outflows Related to Pensions	\$ 87,695	\$ 18,583	\$ 106,278	\$ 3,851
Liabilities				
Current Liabilities:				
Accounts payable	\$ 13,482	\$ 9,239	\$ 22,721	\$ 155,502
Compensated absences	3,597	369	3,966	425
Total Current Liabilities	<u>\$ 17,079</u>	<u>\$ 9,607</u>	<u>\$ 26,687</u>	<u>\$ 155,927</u>
Noncurrent Liabilities:				
Compensated absences	68,342	7,005	75,347	8,080
Net pension liability	89,890	19,044	108,934	3,936
Total Noncurrent Liabilities	<u>\$ 158,232</u>	<u>\$ 26,049</u>	<u>\$ 184,281</u>	<u>\$ 12,016</u>
Total Liabilities	<u>\$ 175,311</u>	<u>\$ 35,656</u>	<u>\$ 210,968</u>	<u>\$ 167,943</u>
Deferred Inflows of Resources				
Deferred Inflows Related to Pensions	\$ 69,009	\$ 14,618	\$ 83,627	\$ 3,987
Net Position				
Investment in capital assets	27,697,925	-	27,697,925	1,796,693
Unrestricted	10,693,819	932,526	11,626,345	1,777,936
Total Net Position	<u>\$ 38,391,744</u>	<u>\$ 932,526</u>	<u>\$ 39,324,270</u>	<u>\$ 3,574,628</u>
Cumulative adjustment to reflect the consolidation of the Equipment Rental Internal Service Fund activities as related to enterprise funds over time.			<u>217,126</u>	
Net position of business-type activities			<u>\$ 39,541,396</u>	

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

**Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2020**

	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	\$ 3,886,616	\$ 359,224	\$ 4,245,839	\$ 735,658
Operating Expenses				
Maintenance & operations	1,490,570	170,892	1,661,462	336,448
Administrative & general	561,836	13,113	574,949	-
Depreciation	894,032	-	894,032	351,289
Total Operating Expenses	2,946,438	184,005	3,130,443	687,737
Operating Income (Loss)	\$ 940,178	\$ 175,219	\$ 1,115,397	\$ 47,921
Nonoperating Revenues (Exps)				
Intergovernmental revenues	151,494	77,384	228,878	-
Investment earnings	90,108	4,295	94,403	9,403
Gain (loss) on disposal of assets	-	-	-	(3,415)
Misc nonoperating revs (exps)	-	-	-	755
Total Nonoperating Revs (Exps)	241,602	81,679	323,281	6,742
Income (Loss) Before Contributions & Transfers	1,181,780	256,898	1,438,678	54,663
Capital contributions	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(135,300)	-	(135,300)	-
Change in Net Position	1,046,480	256,898	1,303,378	54,663
Net Position-Beginning	\$ 37,345,264	\$ 675,627	\$ 38,020,892	\$ 3,519,965
Net Position-Ending	\$ 38,391,744	\$ 932,526	\$ 39,324,270	\$ 3,574,628
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.			17,468	
Change in net position of business-type activities			\$ 1,320,846	

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

Statement of Cash Flows
For the Year Ended December 31, 2020

	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	\$ 3,116,064	\$ 339,658	\$ 3,455,722	\$ (53)
Receipts from other funds	-	-	-	735,658
Payments to suppliers	(846,029)	(82,364)	(928,393)	(81,028)
Payments to employees	<u>(1,342,538)</u>	<u>(103,906)</u>	<u>(1,446,444)</u>	<u>(111,874)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 927,496</u>	<u>\$ 153,388</u>	<u>\$ 1,080,884</u>	<u>\$ 542,703</u>
Cash Flows from Noncapital Financing Activities:				
Intergovernmental revenue	\$ 151,494	\$ 77,384	\$ 228,878	\$ 527
Transfers to other funds	(135,300)	-	(135,300)	-
Nonoperating revenue received	<u>-</u>	<u>-</u>	<u>-</u>	<u>228</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ 16,194</u>	<u>\$ 77,384</u>	<u>\$ 93,578</u>	<u>\$ 755</u>
Cash Flows from Capital & Related Financing Activities:				
Proceeds from sale of assets	-	-	-	1,893
Purchase of capital assets	<u>(681,746)</u>	<u>-</u>	<u>(681,746)</u>	<u>(181,804)</u>
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(681,746)</u>	<u>-</u>	<u>(681,746)</u>	<u>(179,911)</u>
Cash Flows from Investing Activities:				
Interest received	<u>69,864</u>	<u>4,296</u>	<u>74,160</u>	<u>9,403</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 69,864</u>	<u>\$ 4,296</u>	<u>\$ 74,160</u>	<u>\$ 9,403</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>331,808</u>	<u>235,068</u>	<u>566,876</u>	<u>372,950</u>
Cash & Cash Equivalents-Beginning*	<u>8,069,277</u>	<u>671,023</u>	<u>8,740,301</u>	<u>1,572,028</u>
Cash & Cash Equivalents-Ending	<u>\$ 8,401,085</u>	<u>\$ 906,091</u>	<u>\$ 9,307,176</u>	<u>\$ 1,944,978</u>

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

	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)	\$ 940,178	\$ 175,219	\$ 1,115,397	\$ 47,921
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	894,032	-	894,032	351,289
Pension Expense	(57,278)	(12,135)	(69,413)	(2,508)
(Incr) decr in accts receivable	(657,499)	(19,566)	(677,065)	(53)
(Incr) decr in prepaid expenses	(27,502)	-	(27,502)	249
Incr (decr) in accounts payable	(66,423)	9,203	(57,219)	141,332
Incr (decr) in due to other government	(113,052)	-	(113,052)	-
Incr (decr) in compensated absences	15,040	667	15,707	4,473
Total adjustments	(12,682)	(21,831)	(34,513)	494,782
Net Cash Provided (Used) by Operating Activities	\$ 927,496	\$ 153,388	\$ 1,080,884	\$ 542,703

Statement of Net Position
Fiduciary Funds
December 31, 2020

		Custodial Funds
Assets		
Cash & cash equivalents	\$	17,884
Account Recievable		-
Deferred Outflows of Resources		1,398
Total Assets	\$	19,282
<hr/>		
Liabilities		
Accounts Payable	\$	15,969
Deferred Inflows of Resources		1,915
Total Liabilities	\$	17,884
<hr/>		
Net Position Restricted For:		
Individuals		-
Organizations		-
Other Governments		1,398
	\$	1,398

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

**Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2020**

		Custodial Funds
Additions		
Court Receipts	\$	229,610
Custodial Receipts		18,132
Total Additions	\$	247,742
<hr/>		
Deductions		
Court Remittances	\$	229,610
Custodial Remittances		
Taxes		11,431
WA State Building Permit Fee		3,661
King County Pet Licenses		1,545
Other Payments		97
Total Deductions	\$	246,344
<hr/>		
Change in Net Position		1,398
Net Position-Beginning		-
Net Position-Ending	\$	1,398

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

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 member cities. The City of SeaTac appoints the voting majority of the Board of Directors for the SSRTA. The SSRTA operating budget is subject to approval of the City Council. The City contributed \$830 thousand in 2020 for tourism promotion. Financial information for the SSRTA is discretely presented in the Cities financial statements. Complete financial statements for the SSRTA can be obtained at SSRTA, Attn: Finance Director, 3100 S 176th St, SeaTac, WA 98188.

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 nonfiduciary 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 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 interfund activity has been eliminated for the government-wide financial statements.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary 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 interfund 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 (interfund 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. A custodial fund is used to account for various fiduciary activities including state court remittances, sales and leasehold excise taxes and King County pet license fees.

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 nonoperating 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 (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 four 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).

Encumbrance 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, 2020, the City had holdings of \$81,660,958 (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, 2020, the City's total cash and cash equivalents (including cash restricted for debt) consisted of the following:

US Bank, General Fund Checking Account	\$8,433,480
US Bank, Municipal Court Checking Account.....	21,742
Cash with Renton Foundation.....	72,038
Cash Equivalents with State Treasurer's Investment Pool.....	73,126,098
City Hall Postage Meter Fund.....	6,000
Petty Cash/Change Funds.....	1,600
Total Cash and Cash Equivalents.....	<u>\$81,660,958</u>

The amount reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balance maintained was \$12.4 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. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

4. Amounts Due to and from Other Funds, Interfund 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 interfund 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 interfund loans receivable and payable is furnished in Note 16 Interfund 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 interfund loans or advances outstanding in 2020.

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 11 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 an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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. 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	10 - 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, permits, 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, 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 2020, total compensated absences liability was \$1,285,855 and included accumulated unused vacation, sick leave, and compensatory time for governmental activities. This liability has been reported in the government-wide Statement of Net Position.

Accumulated amounts for compensated absences are accrued as incurred in proprietary funds. The total liability amount in the City's Surface Water Utility Fund on December 31, 2020 was \$71,939. It is estimated that \$3,597 of this liability will be due within one year. The total liability amount in the City's Solid Waste and Environmental Services Fund on December 31, 2020 was \$7,374. It is estimated that \$369 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 \$8,505 and it is estimated that \$425 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 11 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 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 \$217,126 difference are as follows:

Internal receivable representing charges in excess of cost to business-type activities – prior years	\$199,658
Internal receivable representing charges under cost to business-type activities – current year	<u>17,468</u>
Net adjustment to increase net position – total enterprise funds to arrive at net position – business-type activities	<u>\$217,126</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, 2020 was \$12,015,710.

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 2.41 years.

Investment Type	Fair Value	Maturities (in Years)	
		Less Than 1	1 to 5
U.S. Treasury Strips	4,699,621	4,699,621	-
U.S. Agencies	25,518,592	2,019,552	23,499,040
Municipal Debt Obligations	1,122,423	-	1,122,423
Total Investments	\$ 31,340,636	\$ 6,719,173	\$ 24,621,463

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, 2020, are listed below:

Investment Type	Ratings		Fair Value
	Moody's	S&P	
Government Sponsored Enterprises			
Federal National Mortgage Association	Aaa	AA+	13,052,258
Federal Home Loan Bank	Aaa	AA+	4,257,258
Federal Farm Credit	Aaa	AA+	2,001,712
Freddie Mac	Aaa	AA+	4,127,612
Farmer Mac	Aaa	AA+	2,079,752
Resolution Funding Corporation Strips	NR	NR	4,699,621
Snohomish County School District	Aaa	AA+	1,122,423
Total			\$ 31,340,636

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 voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with RCW 43.250. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0220, online at www.tre.wa.gov.

Investments Measured at Amortized Cost

As of December 31, 2020, the City of SeaTac held the following investments at amortized cost:

Renton Community Foundation	72,038
Washington State Local Government Investment Pool	73,126,098
	Total
	\$ 73,198,136

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, 2020, the City had the following investments measured at fair value:

Cash Deposits and Investments	Fair Value	Cost Based Measure	Percent of Total
Government Sponsored Enterprises			
Federal National Mortgage Association	\$ 13,052,258		11.20%
Federal Home Loan Bank	4,257,258		3.65%
Federal Farm Credit	2,001,712		
Freddie Mac	4,127,612		
Farmer Mac	2,079,752		
Resolution Funding Corporation Strips	4,699,621		4.03%
Snohomish County School District	1,122,423		0.96%
Cash on Hand		1,600	0.00%
FDIC or PDPC Insured Bank Deposits		12,015,710	10.31%
Washington State Local Government Investment Pool		73,126,098	62.74%
Renton Community Foundation		72,038	0.06%
Total	\$ 31,340,636	\$ 85,215,446	
Total Cash, Deposits and Investments		\$ 116,556,082	

Investments By Fair Value	12/31/2020	Quoted Prices		
		In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Government Sponsored Enterprises	\$ 31,340,636	\$ -	\$ 31,340,363	\$ -
Total By Fair Value Level	\$ 31,340,636	\$ -	\$ 31,340,363	\$ -

C. Summary of Deposit and Investment Balances

Reconciliation of SeaTac's deposits and investment balances as of December 31, 2020 is as follows:

NOTE 5: PROPERTY TAX

The King County Treasurer acts as an agent to collect property tax levied in the County for all taxing authorities. Collections are distributed daily via wire transfer.

Property Tax Calendar

January 1 st	Tax is 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)

First half tax 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 year tax only) on amount unpaid on December 1. Second half tax 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 revenue is recognized when cash is received. At year end, unpaid property tax is recorded as a receivable. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. The portion of the property tax 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 tax 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 tax 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 \$2.493 per \$1,000 of assessed value. Based on a City-wide assessed valuation of \$6,966,765,744, the total property tax levy for 2020 was \$17,369,087 (Note: Property taxes collected in 2020 are based on the 2019 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 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 2020. Please note that \$1,796,693 (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 01/01/2020	Increases	Decreases	Transfers In/ (Out)	Ending Balance 12/31/2020
Capital assets not being depreciated:					
Land	\$322,084,374	\$6,678	\$(4,123,399)	\$0	\$317,967,653
Intangible Assets–Easements	158,068	68,990	0	0	227,058
Construction in Progress (CIP)	4,655,545	7,914,495	(281,943)	0	12,288,097
Total assets not being deprec.	\$326,897,987	\$7,990,163	\$(4,405,342)	\$0	\$330,482,808
Capital assets being depreciated:					
Buildings/Bldg Improvements	\$46,675,350	\$26,368	\$(8,679,335)	\$0	\$38,022,383
Other Improvements	17,125,419	4,468,133	(79,546)	0	21,514,006
Infrastructure	114,809,809	0	0	0	114,809,809
Equipment/Vehicles	1,846,055	88,529	(148,118)	0	1,786,466
Equipment/Vehicles (Eq Rental)	4,458,994	305,480	(53,176)	0	4,711,298
Intangible Assets-Software	564,579	12,232	0	0	576,811
Total assets being depreciated	\$185,480,206	\$4,900,742	\$(8,960,175)	\$0	\$181,420,773
Total governmental capital assets before depreciation	\$512,378,191	\$12,890,905	\$(13,365,517)	\$0	\$511,903,581
Less accumulated depreciation for:					
Buildings/Bldg Improvements	\$(23,118,656)	\$(1,034,165)	\$8,679,335	\$0	\$(15,473,486)
Other Improvements	(7,500,800)	(873,006)	49,370	0	(8,324,436)
Equipment/Vehicles	(1,541,543)	(92,694)	148,118	0	(1,486,119)
Equipment/Vehicles (Eq Rental)	(2,611,094)	(351,289)	47,777	0	(2,914,606)
Infrastructure	(68,262,779)	(3,931,191)	0	0	(72,193,970)
Intangible Assets-Software	(513,495)	(31,570)	0	0	(545,065)
Total accumulated depreciation	\$(103,548,367)	\$(6,313,915)	\$8,924,600	\$0	\$(100,937,682)
Total governmental activities capital assets (net)	\$408,829,824	\$6,576,990	\$(4,440,917)	\$0	\$410,965,899

Depreciation expense was charged in the government-wide Statement of Activities for the following

governmental activities by function:

Governmental Activities:	
Judicial	0
General Government	472,072
Public Safety	297,172
Physical & Economic Environment	54,409
Transportation	3,992,982
Transportation (Equipment Rental – Internal Service Fund)	351,289
Culture & Recreation	1,145,991
Total Depreciation Expense-Governmental Activities	\$6,313,915

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 acquisition value 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 2020:

Business-Type Activities Capital Assets	Beginning Balance 01/01/2020	Increases	Decreases	Transfers In & (Out)	Ending Balance 12/31/2020
Capital assets not being depreciated:					
Construction in Progress	\$89,327	\$681,746	\$0	\$0	\$771,073
Intangible Assets-Easements-SWM	35,442	0	0	0	35,442
Total assets not being depreciated	\$124,769	\$681,746	\$0	\$0	\$806,515
Capital assets being depreciated:					
Buildings-SWM	\$228,560	\$0	\$0	\$0	\$228,560
Other Improvements-SWM	37,617,054	0	0	0	37,617,054
Equipment-SWM	26,877	0	0	0	26,877
Intangible Assets-Software-SWM	156,634	0	0	0	156,634
Total assets being depreciated	\$38,029,125	\$0	\$0	\$0	\$38,029,125
Total business-type capital assets before depreciation	\$38,153,894	\$681,746	\$0	\$0	\$38,835,640
Less accumulated depreciation for:					
Buildings	\$(77,116)	\$(5,161)	\$0	\$0	\$(82,277)
Other Improvements	(10,010,331)	(882,415)	0	0	(10,892,746)
Equipment	(13,203)	(2,988)	0	0	(16,191)
Intangible Assets-Software	(143,032)	(3,468)	0	0	(146,500)
Total accumulated depreciation	\$(10,243,682)	\$(894,032)	\$0	\$0	\$(11,137,714)
Total bus-type capital assets (net)	\$27,910,212	\$(212,286)	\$0	\$0	\$27,697,926

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

Business-type Activities:	
Utilities/Physical Environment (Surface Water Utility)	\$894,032
Total Depreciation Expense-Business-type Activities	\$894,032

C. Construction Commitments

The following table describes the active construction projects on December 31, 2020 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	631,638	79,702
Johansen Construction – Military Rd S & S 152 nd St	4,520,939	277,490
Parametrix – Military Rd S & S 152 nd St	679,002	20,998
Perteet – Military Rd S & S 152 nd St	329,191	6,270
Gray & Osborne – Des Moines Dr & 200 th Improvements	870,462	71,052
Rodarte Construction – Des Moines Dr & S 200 th Improv.	4,586,116	917,968
Fehr & Peers – S 200 th Corridor Study	52,368	112,632
DKS & Assoc. – Military Rd/S 164 th /42 nd Ave Study	27,925	97,075
Toole Design Group – International Blvd Safety	58,536	273,180
PBS Eng & Enviro – S 200 th St Ped & Bicycle Pathway	263,289	8,424
Perteet – S 200 th St Ped & Bicycle Pathway	84,344	162,066
Ceccanti – S 200 th St Ped & Bicycle Pathway	710,114	1,738,706
KPG Inc – Airport Station Area Imps.	203,229	1,224,971
The BlueLine Group- Small Works Drainage Project	67,648	48,245
Pace Engineers – S 221 st St Drainage Imp.	55,714	31,458
Otak Inc – S 180 th St Flood Reduction	163,684	192,166
The Blue Line Group – Riverton Heights Park	17,403	12,597
NW Cascade – Riverton Heights PHII	0	271,507
Total Outstanding Construction Commitments	\$13,321,602	\$5,546,507

NOTE 7: ASSET RETIREMENT OBLIGATIONS

The City has two underground fuel storage tanks located at Fire Station 46 that the Department of Ecology regulates and monitors. Decommission liability was estimated using actual decommission costs from 2017 and inflated over three years using CPI-U June to June. The fuel tanks were put into service in 2009 and have an estimated remaining useful life of 9 years at 12/31/2020. Disposition requirements can be found in WAS173-360A-0810.

NOTE 8: PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2020:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$(3,962,869)
Pension assets	\$ 134,443
Deferred outflows of resources	\$1,504,331
Deferred inflows of resources	\$(1,297,429)
Pension expense/expenditures	\$423,090

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 2020 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January - August 2020:		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	6.00%
September - December 2020:		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	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 2020 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – August 2020:		
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%
September – December 2020:		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.97%	7.90%

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

The City’s actual PERS plan contributions were \$539,975 to PERS Plan 1 and \$890,796 to PERS Plan 2/3 for the year ended December 31, 2020.

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 2020. 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 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019 to June 30, 2020, 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 developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. 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 its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/osa.
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.

- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

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 was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's 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 (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

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, 2020, 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	\$3,373,433	\$2,693,237	\$2,100,037
PERS 2/3	7,899,992	1,269,632	(4,190,473)
LEOFF 1	(109,430)	(134,443)	(156,084)

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, 2020, the City reported a total pension liability of \$3,962,869 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$2,693,237
PERS 2/3	1,269,632
LEOFF 1	(134,443)

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	(\$134,443)
State’s proportionate share of the net pension asset associated with the employer	(909,369)
TOTAL	(\$1,043,812)

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

	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
PERS 1	.070400%	.076284%	.005884%
PERS 2/3	.090892	.099272	.008380%
LEOFF 1	.006966	.007119	.000153%

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 2020. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2020, 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, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2020, the City recognized pension expense as follows:

	Pension Expense
PERS 1	\$350,901
PERS 2/3	\$ 81,809
LEOFF 1	(\$9,620)
TOTAL	\$423,090

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, 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	(\$14,995)
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	\$265,586	\$0
TOTAL	\$265,586	(\$14,995)

PERS 2/3	Deferred Outflows	Deferred Inflows of
----------	-------------------	---------------------

	of Resources	Resources
Differences between expected and actual experience	\$454,510	(\$159,115)
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$64,479)
Changes of assumptions	\$18,083	(\$867,269)
Changes in proportion and differences between contributions and proportionate share of contributions	\$330,950	(\$188,998)
Contributions subsequent to the measurement date	\$435,194	\$0
TOTAL	\$1,238,738	(\$1,279,861)

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	(\$1,406)
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	(\$1,406)

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, 2020. 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
2021	(\$68,047)
2022	(\$2,140)
2023	\$20,763
2024	\$34,429
2025	\$0
Thereafter	\$0
Total	(\$14,995)

Year ended December 31:	PERS 2/3
2021	(\$520,542)
2022	(\$119,649)
2023	\$28,845

2024	\$160,566
2025	(\$6,523)
Thereafter	(\$19,015)
Total	(\$476,318)

Year ended December 31:	LEOFF 1
2021	(\$5,020)
2022	(\$262)
2023	\$1,427
2024	\$2,448
2025	\$0
Thereafter	\$0
Total	(\$1,407)

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, 2020, there were 132 active members in the City of SeaTac Retirement Trust. Actual employee contributions during the year amounted to \$689,752. Actual employer contributions were \$562,323.

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 9: 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 2020 commercial insurance policies limits and deductibles are as follows:

CIAW/CHUBB Insurance Program	Limits*	2020 Deductible
General Liability*	\$ 5,000,000	\$ 75,000
Employers Liability (Stop Gap)*	\$ 1,000,000	\$ 75,000
Auto Liability*	\$ 5,000,000	\$ 50,000
Public Officials & EPL Liability*	\$ 5,000,000	\$ 125,000
Miscellaneous Professional Liability*	Not Covered	Not Covered
Sexual Abuse Liability*	\$ 2,000,000	\$ 75,000
Navigators Specialty Insurance Company		
Umbrella Policy*	\$ 5,000,000	N/A
Travelers		
CyberRisk*	Variable	\$ 50,000
Social Engineering Fraud, Telecom Fraud & Reputation Harm	Variable	\$ 5,000
Crime*	Variable	\$ 25,000
Colony Insurance Company		
Pollution Liability (Fuel Storage Tanks)*	\$ 500,000	\$ 1,000
Travelers (Charter Oak Fire)		
Property*		
(Earthquake & Flood each have \$50,000 deductibles.)	Variable	\$ 10,000
includes Auto Physical Damage	Variable	\$ 5,000
includes Inland Marine	Variable	\$ 1,000
includes Crime	Variable	\$ 1,000

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

The following case (2016-2017) exceeded insurance coverage in the past three (3) fiscal years:

K&S Developments v. City of SeaTac. K&S Developments filed a lawsuit against the City related to the City's acquisition of property in December 2009. On July 8, 2016, the trial court entered a judgment against the City for \$18,306,810.02, which included \$7,506,766.96, in post taking interest. While this case was under appeal, the parties reached a settlement and release of all claims. The settlement provided that K&S would receive payment of \$13,000,000, with the City's insurance paying \$8,750,000. The remaining \$4,250,000, was paid by the City in October, 2017, and was reflected in the City's 2017 Financial Statements.

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 10: SHORT-TERM DEBT

As of December 31, 2020, the City had no short term debt outstanding. Additionally, there was no short term debt activity during the year.

NOTE 11: 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 2020 are listed in the table below:

Description/ Range of Maturities	Interest Rate	Original Issue Amount	Amount Outstanding
Special Obligation Bonds (Contractual)			
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	\$1,782,126
Total Special Obligation Bonds (Contractual)		\$1,848,191	\$1,782,126

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
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	\$1,782,126	\$765,491

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 12: LEASES

A. Operating Lease Receivables

The City has five 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 two ground lease agreements. The City has a 50-year ground lease agreement with the YMCA for 6.5 acres through December 31, 2054, and a 1-year ground lease agreement with Adara at SeaTac, LLC, for property west of the Polaris at SeaTac construction site in the 154th Station Area.

NOTE 13: CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2020, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/20	Additions	Reductions	Ending Balance 12/31/20	Due Within One Year
Governmental Activities:					
Bonds payable:					
Special obligation bonds	\$1,848,191	\$0	\$(66,065)	\$1,782,126	\$66,608
Total bonds payable - net	\$1,848,191	\$0	\$(66,065)	\$1,782,126	\$66,608
Compensated absences	943,343	264,803	(10,109)	1,198,037	59,902
Compensated absences-ISF	4,032	4,569	(96)	8,505	425
Asset Retirement Obligation	0	16,377	0	16,377	0
Total OPEB Liability	1,838,137	170,575	0	2,008,712	86,303
Net Pension Liability	3,514,249	339,685	0	3,853,934	0

Gov activities long-term liabilities	\$2,795,566	\$285,749	\$(76,270)	\$3,005,045	\$126,935
Business-type Activities:					
Compensated absences	\$63,606	\$16,149	\$(442)	\$79,313	\$3,966
Net pension Liability	75,750	33,184	0	108,934	0
Bus-type activities long-term liabilities	\$63,606	\$16,149	\$(442)	\$79,313	\$3,966

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 \$8,505 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 14: 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. 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. This claim was tendered to King County, and they accepted the tender with no reservation of rights. Although this claim should not have any material effect on the City's financial condition due to King County's acceptance of the tender, this claim is being reported in the interest of disclosure.
2. Erna Brittain. This claim is related to the Benjamin Mendez claim. Ms. Brittain is the other party involved in the traffic collision with Mr. Mendez. This claim was tendered to King County, and they accepted the tender with no reservation of rights. Although this claim should not have any material effect on the City's financial condition due to King County's acceptance of the tender, this claim is being reported in the interest of disclosure.
3. 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 of 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.
4. 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. To date, the City has paid its \$100,000 deductible, which is reflected in the City's financial statements. Additionally, the City's risk pool (Cities Insurance Association of Washington) paid \$50,000 towards this claim in excess of the City's \$100,000 deductible, which is their maximum obligation under our risk pool agreement. However, the insurance company providing coverage above the City's deductible and the amount paid by the risk pool has denied coverage. The City has been working diligently to resolve this insurance coverage issue. At this time, the probable outcome of this lawsuit is unknown, and the impact to the City's financial condition is 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 15: RESTRICTED COMPONENT OF NET POSITION

The government-wide Statement of Net Position reports \$39,066,218 in restricted net position. None of the restrictions were from enabling legislation.

NOTE 16: INTERFUND BALANCES & TRANSFERS

During 2020, the City recorded interfund transfers. The City's interfund transfers are considered nonreciprocal interfund 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 following table summarizes the interfund 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	2,802,500	0	0	0	0	2,802,500
	Surface Water Util. Fund #403	0	0	0	0	0	0	0
	Other Non-Major Funds	0	0	135,300	0	0	0	135,300
	Equipment Rental Fund #501 ²	0	0	0	0	0	0	0
	Total Cash Transfers	0	2,802,500	135,300	0	0	0	2,937,800
	Transfer in of capital assets:							0
							Total Interfund Transfers	2,937,800

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 were no interfund transfers of capital assets.

The following provides a description of the City's interfund transfers:

Transportation CIP Fund #307

In 2020, interfund transfers totaling \$2,802,500 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

The 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.

NOTE 17: RECEIVABLE AND PAYABLE BALANCES

A. Receivables

The receivable balances for the major funds at December 31, 2020 were as follows:

Fund	Taxes	Customer Accounts (Net) ¹ & Contracts	Special Assessments/ Interest & Penalties	Due from Other Gov	Total
Governmental Activities:					
General #001 ²	\$2,579,289	\$927,041	\$0	\$79,973	\$3,586,303
Street #102	345,728	25,084	0	35,703	406,515
Hotel/Motel Tax #107	74,085	101	0	0	74,186
Municipal Capital Imp. #301	651,147	7,381	0	0	658,528
Facility Construction CIP #306	0	0	0	0	0
Transportation CIP #307	0	624,614	0	0	624,614
Other Governmental Funds	16,135	0	0	0	16,135
Total Governmental Activities	\$3,666,384	\$1,584,221	\$0	\$115,676	\$5,366,281
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	\$906,794	\$0	\$0	\$906,794
Solid Waste & Environmental #404	0	22,489	0	35,637	58,126
Total Business-Type Activities	\$0	\$929,283	\$0	\$35,637	\$964,920

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, 2020 were as follows:

Fund	Accounts	Due to Other Gov	Deposits & Custodial	Interest & Other	Total
Governmental Activities:					
General #001 ¹	\$723,323	\$174	\$204,208	0	\$927,705
Street #102	102,707	0	533	0	103,240
Hotel/Motel Tax #107	92,111	0	0	0	92,111
Municipal Capital Imp. #301	243,781	0	0	0	243,781
Facility Construction CIP #306	604	0	0	0	604
Transportation CIP #307	1,056,763	0	0	0	1,056,763

Subtotal Governmental Activities	\$2,219,289	\$174	\$204,741	\$0	\$2,424,204
Reconciliation of balances in fund financial statements to government-wide financial statements:					
Internal service fund adjustment	17,468	0	0	0	17,468
Total Governmental Activities	\$2,236,758	\$174	\$204,741	\$0	\$2,441,672
Business-type Activities:					
Surface Water Utility #403	\$13,482	\$0	\$0	\$0	\$13,482
Solid Waste & Environmental #404	9,239	0	0	0	9,239
Total Business-type Activities	\$22,721	\$0	\$0	\$0	\$22,721

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

NOTE 18: 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 satisfied its 2009 Capital Contribution and as of December 31, 2019, is longer 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 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%
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	2,155,000	1,757,100	3,912,100	1,366,888	188,563	235,508	1,602,396	141,618	377,126
2026-2030	12,490,000	7,058,750	19,548,750	6,830,333	942,250	1,176,835	8,007,168	707,665	1,884,500
2031-2035	15,745,000	3,800,650	19,545,650	6,829,250	942,100	1,176,648	8,005,898	707,553	1,884,201
2036-2038	11,025,000	704,450	11,729,450	4,098,270	565,359	706,113	4,804,384	424,606	1,130,719
Totals	\$ 49,230,000	\$ 21,146,150	\$ 70,376,150	24,589,426	3,392,130	4,236,644	28,826,072	2,547,617	6,784,261

The City of SeaTac reports its share of equity interest, including outstanding bond amounts 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, 2020 related to SCORE:

South Correctional Entity (SCORE)					
Member City	2019 Percent of Equity	2019 Equity Balance	2020 Percent of Equity	2020 Apportionment	2020 Equity Balance
Auburn	42.75%	\$ 13,485,956	43.05%	\$ (518,256)	\$ 12,967,700
Burien	5.21%	1,642,751	5.14%	(94,368)	\$ 1,548,383
Des Moines	4.65%	1,465,438	4.62%	(72,731)	\$ 1,392,707
Renton	31.93%	10,070,783	31.70%	(524,445)	\$ 9,546,337
SeaTac	7.59%	2,395,411	7.66%	(88,853)	\$ 2,306,559
Tukwila	7.87%	2,481,579	7.83%	(123,602)	\$ 2,357,977
Grand Totals	100.00%	\$ 31,541,918	100.00%	\$ (1,422,255)	\$ 30,119,663

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 19: 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 2020.

Aggregate OPEB Amounts – All Plans	
OPEB Liabilities	\$2,008,712
Deferred Outflows of Resources	21,370
Deferred Inflows of Resources	0
OPEB Expenditures	174,016

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, 2020, 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 \$35,849 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, 2020.

Actuarial methods and assumptions are consistent with the 2018 LEOFF 1 Medical Benefits Actuarial Valuation Report (AVR). A discount rate of 3.50% and inflation was estimated at 2.75%. Healthcare cost trend rates range from 4.6% to 11.3% 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	\$1,820,325	\$2,008,712	\$2,223,970

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.50%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.50%) or 1-percentage point higher (4.50%) than the current rate.

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	\$2,241,545	\$2,008,712	\$1,810,061

Changes in the Total OPEB Liability

LEOFF 1 Retirees OPEB Plan	
Total OPEB Liability at 01/01/2020	\$1,838,137
Service Cost	0
Interest	62,837

Changes in Benefit Terms	0
Changes in Experience Data and Assumptions	194,041
Benefit Payments	(86,303)
Other Changes	0
Total OPEB Liability at 12/31/2020	\$2,008,712

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, 2020.

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 \$14,478 of actual OPEB expense in the reporting period.

At December 31, 2020, 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	\$21,370	\$0
TOTAL	\$21,370	\$0

Deferred outflows of resources of \$21,370 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, 2021.

NOTE 20: ACCOUNTING AND REPORTING CHANGES

The City implemented two Governmental Accounting Standards Board (GASB) accounting standards in 2020; GASB 83 Certain Asset Retirement Obligations (see Note 7) and GASB 84 Fiduciary Activities.

GASB 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations (ARO's). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Governments are required to recognize an ARO when the liability is incurred and record a deferred outflow of resources associated with the ARO upon initial measurement.

GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The City added a statement of fiduciary net position and a statement of changes in fiduciary net position for custodial activities related to court activities, sales and leasehold tax collected, Washington State building permit fees and King County pet licenses.

NOTE 21: SPECIAL ITEMS

As shown on the government-wide Statement of Activities, the City reported a gain on the sale of property in the amount of \$8,205,316. Additionally, the City reported a special item on the Statement of Revenues, Expenditures and Changes in Fund Balance in the governmental fund financial statements for proceeds from the sale of land in the amount of \$12,196,426. These numbers represent the sale of a portion of the former SeaTac Center Site (\$6,930,000) and the sale of the former site of Fire Station #45 (\$2,200,000), for the development of multi-family residential projects, the sale of an easement to the Kent School District (\$128,300), and the WSDOT 509 land swap and Connecting 28th/24th Street Properties (\$2,938,126). These items are reported as special items due to the significance and infrequency of this type of transaction occurring.

NOTE 22: COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel, and non-essential activities.

These precautionary measures devastated the City's hospitality industry. The Seattle-Tacoma International Airport saw passenger levels drop more than 80% and hotel occupancy went from 90% to zero resulting in a loss of 47% of sales tax revenue, a 64% decrease in lodging tax revenue, and a 61% reduction in parking tax from the prior year.

The City used \$2.0 million of Reserves to maintain operations in 2020. The City anticipates using \$4.2 million of Reserves in 2021 to offset the revenue losses in the General Fund and is extending the timeline for transportation projects in the Capital Improvement Plan.

The length of time these measures will continue to be in place, and the full extent of the financial impact on the City is unknown at this time.



**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2020**

	2019-2020 Biennial Budget Amounts		Actual Amount	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 69,722,000	\$ 69,722,000	\$ 67,141,796	\$ (2,580,204)
Licenses & permits	2,822,309	2,822,309	4,317,334	1,495,025
Intergovernmental & contributions	2,529,380	3,639,345	3,471,628	(167,717)
Charges for services	3,883,006	3,883,006	3,802,821	(80,185)
Fines and forfeitures	303,600	303,600	508,021	204,421
Investment & other earnings	389,200	389,200	929,537	540,337
Rent & leases	600,000	600,000	397,007	(202,993)
Miscellaneous	2,012,636	2,012,636	2,019,048	6,412
Total Revenues	82,262,131	83,372,096	82,587,192	(784,905)
Expenditures				
Current:				
Judicial	1,833,771	1,533,886	1,470,725	63,161
General Government	16,593,294	16,691,217	15,290,779	1,400,438
Public Safety	45,620,332	46,150,217	45,866,100	284,117
Transportation	284,274	284,274	150,015	134,259
Health & Human Services	1,640,867	1,640,867	1,369,197	271,670
Physical & Economic Environment	5,853,190	6,303,190	5,045,186	1,258,004
Culture & Recreation	8,727,869	8,862,869	7,857,844	1,005,025
Debt Service:				
Interest	-	-	-	-
Capital outlay	-	-	38,600	(38,600)
Total Expenditures	80,553,597	81,466,520	77,088,446	4,378,075
Excess (deficiency) of revenues over (under) expenditures	1,708,534	1,905,576	5,498,746	3,593,170
Other Financing Sources (Uses)				
Transfers in	-	1,400,000	-	(1,400,000)
Transfers out	(56,000)	(56,000)	(56,000)	-
Disposal & ins-capital assets	-	-	-	-
Total Other Fin Sources (Uses)	(56,000)	1,344,000	(56,000)	(1,400,000)
Net Change in Fund Balances	1,652,534	3,249,576	5,442,746	2,193,170
Fund Balances-January 1, 2020	29,090,983	29,090,983	29,090,983	-
Fund Balances-December 31, 2020	<u>\$ 30,743,517</u>	<u>\$ 32,340,559</u>	<u>\$ 34,533,729</u>	<u>\$ 2,193,170</u>

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

**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, 2020**

	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	\$ 67,141,796	\$ -	\$ -	\$ -
Licenses & permits	4,317,334	-	-	-
Intergovernmental	3,471,628	2,893,470	1,154,063	-
Charges for services	3,802,821	-	-	-
Fines & forfeitures	508,021	-	-	-
Investment & other earnings	929,537	131,014	10,549	168,914
Rent & leases	397,007	-	-	1,014,260
Miscellaneous	2,019,048	360	313	173,844
Total Revenues	82,587,192	3,024,844	1,164,925	1,357,018
Expenditures				
Current:				
Judicial	1,470,725	-	-	-
General Government	15,290,779	105,861	1,085,833	1,162,911
Public Safety	45,866,100	2,545,149	-	-
Transportation	150,015	-	-	-
Health & Human Services	1,369,197	-	-	-
Physical & Economic Env	5,045,186	13,212	-	-
Culture & Recreation	7,857,844	78,961	-	-
Debt service:				
Interest	-	-	-	-
Capital outlay	38,600	-	-	128,959
Total Expenditures	77,088,446	2,743,182	1,085,833	1,291,869
Excess (deficiency) of revenues over (under) expenditures	5,498,746	281,662	79,091	65,149
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(56,000)	-	-	-
Disposal & ins-capital assets	-	6,791,400	-	-
Total Other Fin Sources (Uses)	(56,000)	6,791,400	-	-
Net Change in Fund Balances	5,442,746	7,073,062.20	79,091	65,149
Fund Balances-Beg (as prev rptd)	9,374,602	1,609,124	367,000	3,453,957
Prior Year Adjustment	-	-	-	-
Fund Balances-Beginning*	29,090,983	1,609,124	367,000	3,453,957
Fund Balances-Ending	<u>\$ 34,533,729</u>	<u>\$ 8,682,186</u>	<u>\$ 446,091</u>	<u>\$ 3,519,106</u>

*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	\$ -	\$ 67,141,796	\$ -
Licenses & permits	-	4,317,334	-
Intergovernmental	-	7,519,161	4,047,533
Charges for services	-	3,802,821	-
Fines & forfeitures	-	508,021	-
Investment & other earnings	-	1,240,013	310,476
Rent & leases	-	1,411,268	1,014,260
Miscellaneous	-	2,193,565	174,517
Total Revenues	-	88,133,979	5,546,787
Expenditures			
Current:			
Judicial	-	1,470,725	-
General Government	-	17,645,383	2,354,604
Public Safety	-	48,411,249	2,545,149
Transportation	-	150,015	-
Health & Human Services	-	1,369,197	-
Physical & Economic Env	-	5,058,398	13,212
Culture & Recreation	-	7,936,805	78,961
Debt service:	-	-	-
Interest	-	-	-
Capital outlay	-	167,559	128,959
Total Expenditures	-	82,209,330	5,120,884
Excess (deficiency) of revenues over (under) expenditures	-	5,924,649	425,903
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	-	(56,000)	-
Disposal & ins-capital assets	-	6,791,400	6,791,400
Total Other Fin Sources (Uses)	-	6,735,400	6,791,400
Net Change in Fund Balances	-	12,660,049	
Fund Balances-Beg (as prev rptd)	-	12,980,735	
Prior Year Adjustment	-	-	
Fund Balances-Beginning	-	17,963,022	
Fund Balances-Ending	\$ -	\$ 30,623,071	

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2020**

	2019-2020 Biennial Budget Amounts			Variance with
	Original	Final	Amounts*	Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 19,651,208	\$ 19,651,208	\$ 14,031,604	\$ (5,619,604)
Licenses & permits	17,500	17,500	74,758	57,258
Intergovernmental	1,576,536	1,576,536	1,352,027	(224,509)
Charges for services	158,000	158,000	278,930	120,930
Fines and forfeitures	-	-	15,265	15,265
Investment & other earnings	200,000	200,000	351,786	151,786
Rents & leases	13,800	13,800	10,925	(2,875)
Miscellaneous	30,000	30,000	46,384	16,384
Total Revenues	21,647,044	21,647,044	16,161,679	(5,485,365)
Expenditures				
Current:				
Public Safety	550,746	550,746	382,554	168,192
Transportation	7,762,710	8,706,511	6,628,473	2,078,038
Physical & Economic Environment	1,053,800	110,000	97,089	12,911
Capital Outlay:				
Transportation	4,482,790	6,482,790	4,669,268	1,813,522
Total Expenditures	13,850,046	15,850,047	11,777,384	4,072,663
Excess (deficiency) of revenues over (under) expenditures	7,796,998	5,796,997	4,384,295	(1,412,702)
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(9,536,209)	(9,536,209)	(9,536,209)	-
Disposal & ins-capital assets	-	-	-	-
Total Other Fin Sources (Uses)	(9,536,209)	(9,536,209)	(9,536,209)	-
Net Change in Fund Balances	(1,739,211)	(3,739,212)	(5,151,914)	(1,412,702)
Fund Balances-January 1, 2020	15,681,557	15,681,557	15,681,557	-
Fund Balances-December 31, 2020	<u>\$ 13,942,346</u>	<u>\$ 11,942,345</u>	<u>\$ 10,529,643</u>	<u>\$ (1,412,702)</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, 2020**

	2019-2020 Biennial Budget Amounts		Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 3,600,000	\$ 3,600,000	\$ 2,573,161	\$ (1,026,839)
Intergovernmental	-	-	34,061	34,061
Investment & other earnings	100,000	100,000	207,710	107,710
Miscellaneous	-	-	436	436
Total Revenues	3,700,000	3,700,000	2,815,369	(884,631)
Expenditures				
Current:				
Economic Environment	2,634,992	3,089,992	2,513,457	576,535
Total Expenditures	2,634,992	3,089,992	2,513,457	576,535
Excess (deficiency) of revenues over (under) expenditures	1,065,008	610,008	301,912	(308,096)
Other Financing Sources (Uses)				
Transfers In	16,226	16,226	16,226	-
Total Other Fin Sources (Uses)	16,226	16,226	16,226	-
Net Change in Fund Balances	1,081,234	626,234	318,138	(308,096)
Fund Balances-January 1, 2020	8,359,594	8,359,594	8,359,594	-
Fund Balances-December 31, 2020	\$ 9,440,828	\$ 8,985,828	\$ 8,677,732	\$ (308,096)

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

Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30, 2020
Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
<u>Employer's proportion of the net pension liability (asset)</u>	0.762840%	0.070400%	0.070473%	0.067707%	0.075408%	0.080985%
<u>Employer's proportionate share of the net pension liability (asset)</u>	\$ 2,693,237	\$ 2,707,130	\$ 3,147,348	\$ 3,212,750	\$ 4,049,765	\$ 4,236,269
TOTAL	\$ 2,693,237	\$ 2,707,130	\$ 3,147,348	\$ 3,212,750	\$ 4,049,765	\$ 4,236,269
<u>Employer's covered employee payroll</u>	\$ 11,147,231	\$ 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>	24.16%	27.33%	34.92%	38.04%	45.37%	46.14%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	68.64%	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, 2020
Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
<u>Employer's proportion of the net pension liability (asset)</u>	0.099272%	0.090892%	0.090486%	0.085227%	0.095030%	0.102779%
<u>Employer's proportionate share of the net pension liability (asset)</u>	\$ 1,269,632	\$ 882,870	\$ 1,544,968	\$ 2,961,231	\$ 4,784,685	\$ 3,672,352
TOTAL	\$ 1,269,632	\$ 882,870	\$ 1,544,968	\$ 2,961,231	\$ 4,784,685	\$ 3,672,352
<u>Employer's covered employee payroll</u>	\$ 11,147,231	\$ 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>	11.39%	8.91%	17.14%	35.25%	54.00%	40.27%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	97.22%	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, 2020
Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
<u>Employer's proportion of the net pension liability (asset)</u>	0.007119%	0.006966%	0.006844%	0.006773%	0.006678%	0.006607%
<u>Employer's proportionate share of the net pension liability (asset)</u>	\$ (134,443)	\$ (137,691)	\$ (124,253)	\$ (102,761)	\$ (68,802)	\$ (79,629)
<u>State's proportionate share of the net pension liability (asset) associated with the employer</u>	\$ (909,369)	\$ (931,339)	\$ (840,444)	\$ (695,075)	\$ (465,378)	\$ (538,608)
<u>TOTAL</u>	\$ (1,043,812)	\$ (1,069,030)	\$ (964,697)	\$ (797,836)	\$ (534,180)	\$ (618,237)
<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%	0.00%
<u>Plan fiduciary net position as a percentage of the total pension liability</u>	146.88%	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, 2020
Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
<u>Statutorily or contractually required contributions</u>	\$ 539,975	\$ 513,419	\$ 492,576	\$ 441,631	\$ 407,177	\$ 420,763
<u>Contributions in relation to the statutorily or contractually required contributions</u>	\$ (539,975)	\$ (513,419)	\$ (492,576)	\$ (441,631)	\$ (407,177)	\$ (420,763)
<u>Contribution deficiency (excess)</u>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Covered employer payroll</u>	\$ 11,258,447	\$ 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>	4.80%	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, 2020
Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
<u>Statutorily or contractually required contributions</u>	\$ 891,796	\$ 803,325	\$ 729,605	\$ 612,700	\$ 622,456	\$ 531,326
Contributions in relation to the statutorily or contractually required contributions	\$ (891,796)	\$ (803,325)	\$ (729,605)	\$ (612,700)	\$ (622,456)	\$ (531,326)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Covered employer payroll</u>	\$ 11,258,447	\$ 10,396,318	\$ 9,727,931	\$ 8,907,491	\$ 8,385,928	\$ 9,104,496
Contributions as a percentage of covered employee payroll	7.92%	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, 2020
Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
<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>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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%	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, 2020
Last 10 Fiscal Years*

	2020	2019	2018
Total OPEB liability - beginning	\$ 1,838,137	\$ 1,910,494	\$ 1,973,496
Service cost	-	-	-
Interest	62,837	72,484	69,307
Changes in benefit terms	-	-	-
Changes in Experience Data and Assumptions	194,041	(69,059)	(56,554)
Estimated Benefit payments	(86,303)	(75,782)	(75,755)
Other changes	-	-	-
Total OPEB liability - ending	<u>\$ 2,008,712</u>	<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.*

City of SeaTac
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
CDBG - Entitlement Grants Cluster								
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via KING COUNTY HOUSING AND COMMUNITY DEVELOPMENT PROGRAM)	Community Development Block Grants/Entitlement Grants	14.218	C19623	15,105	-	15,105	-	1
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via KING COUNTY HOUSING AND COMMUNITY DEVELOPMENT PROGRAM)	Community Development Block Grants/Entitlement Grants	14.218	6118624	7,381	-	7,381	-	1
				Total CDBG - Entitlement Grants Cluster:	-	22,486	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017 DJ BX 00496	-	13,150	13,150	-	1
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WA STATE TRAFFIC SAFETY COMMISSION)	National Priority Safety Programs	20.616	TARGET ZERO	11,754	-	11,754	-	1
				Total Highway Safety Cluster:	-	11,754	-	

The accompanying notes are an integral part of this schedule.

City of SeaTac
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA STATE DEPT OF COMMERCE)	COVID 19 - Coronavirus Relief Fund	21.019	20-6541C-314	1,313,100	-	1,313,100	456,000	1
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA STATE MILITARY DEPT)	COVID 19 - Emergency Management Performance Grants	97.042	REMA-4481-DT -WA	8,468	-	8,468	-	1
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WA STATE MILITARY DEPT)	Emergency Management Performance Grants	97.042	20EMPG-S	21,714	-	21,714	-	1
Total CFDA 97.042:				30,182	-	30,182	-	
Total Federal Awards Expended:				1,377,522	13,150	1,390,672	456,000	

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2020

NOTE 1 – BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City's government-wide financial statements. The City uses the accrual basis of accounting.

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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