



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of SeaTac

For the period January 1, 2021 through December 31, 2021

Published August 10, 2023

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

August 10, 2023

City Council
City of SeaTac
SeaTac, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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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, 2021 through December 31, 2021

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 3, 2023.

REPORT ON 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) as a basis for designing 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

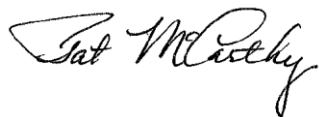
REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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

August 3, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of SeaTac January 1, 2021 through December 31, 2021

City Council
City of SeaTac
SeaTac, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying 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, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2023 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 the effectiveness of the City's 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

August 3, 2023

**City of SeaTac
January 1, 2021 through December 31, 2021**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2021

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REQUIRED SUPPLEMENTARY INFORMATION

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Schedule of Employer Contributions – PERS 1, PERS 2/3, LEOFF 1 – 2021

Schedule of Changes in Total OPEB Liability and Related Ratios – LEOFF 1 Retirees –
2021

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, 2021. Since the MD&A was designed to focus on the activities, resulting changes, and currently known facts for the year 2021, 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, 2021, total net position for the City was \$568.6 million. Of this amount, \$441.9 million or 77.7% 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 \$49.3 million or 8.7% was restricted for debt service, affordable housing, equipment, tourism promotion, pension assets and capital projects, including Des Moines Creek Basin interlocal agreement projects, transportation, and facilities projects. The remaining net position balance of \$77.4 million or 13.6% was classified as unrestricted and available for general City operations.
- Governmental funds ended the year with \$111.1 million in total ending fund balance on the modified accrual basis of accounting. This is an increase of \$7.4 million or 7.1% over 2020, which ended the year with a \$103.6 million ending fund balance. Increases in sales tax, leasehold tax and parking tax and the sale of the second parcel at the SeaTac Center property produced 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 virus known as COVID-19 and precautionary measures to slow the spread remained in place in 2021. The City continued to operate all major functions and meet its public mandates and has remained economically stable. While the impact of the pandemic will linger over the next few years, the City's overall financial forecast remains positive.
- Major capital assets added in 2021 include the Riverton Heights Park Phase II Improvements (\$326 thousand) Des Moines Creek Park Land purchase (\$5.5 million). The Military Road South and South 152nd Street Project (\$5.2 million) and Des Moines Memorial Drive and South 200th Street Intersection Project (\$5.6 million) were completed. Both transportation projects include traffic signal improvements, sidewalks, bike lanes, surface water management infrastructure and pedestrian improvements.
- Several capital projects were still in progress in 2021. Design work on several transportation projects including 34th Avenue from S 160th Street to S 166th Street (\$924 thousand), the Airport Station Area Pedestrian Improvements project (\$643 thousand) continued. As well as the construction of a shared use pathway including surface water improvements on S 200th Street (\$2.8 million). Several surface water utility capital projects are also in progress

including S 180th Street Flood Reduction (\$1 million), S 221st Street Drainage Improvements (\$677 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 three categories which include governmental, proprietary, and fiduciary 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 2021, the City of SeaTac maintained seventeen individual governmental funds on a budgetary basis. On a GAAP basis, the City maintained fourteen 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 2021, 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,

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

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.

The City maintains one custodial fund used to account for various fiduciary activities including state court and building fee funds, sales and leasehold excise taxes payable, and King County pet licenses.

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	
	2021	2020	2021	2020	2021	2020
Assets:						
Current & other assets	\$ 125,845,541	\$ 112,402,644	\$ 11,665,916	\$ 12,031,787	\$ 137,511,457	\$ 124,434,431
Net pension asset	8,908,003	134,443	815,945	-	9,723,948	134,443
Capital assets, net	408,761,541	410,965,899	33,152,946	27,697,925	441,914,487	438,663,824
Total Assets	543,515,085	523,502,986	45,634,807	39,729,712	589,149,892	563,232,698
Deferred Outflows	1,672,814	1,831,963	95,826	106,278	1,768,640	1,938,241
Liabilities:						
Long-term liabilities	2,830,190	2,878,110	80,320	75,347	2,910,510	2,953,457
Net pension liability	917,585	5,862,646	-	108,934	917,585	5,971,580
Other liabilities	8,380,002	2,739,275	102,165	26,686	8,482,167	2,765,961
Total liabilities	12,127,777	11,480,031	182,485	210,967	12,310,262	11,690,998
Deferred Inflows	9,277,918	1,213,802	739,137	83,627	10,017,055	1,297,429
Net Position:						
Net inv in capital assets	408,761,541	410,965,899	33,152,946	27,697,925	441,914,487	438,663,824
Restricted	49,327,487	39,066,218	-	-	49,327,487	39,066,218
Unrestricted	65,693,176	62,608,999	11,656,065	11,843,471	77,349,241	74,452,470
Total Net Position	\$ 523,782,204	\$ 512,641,116	\$ 44,809,011	\$ 39,541,396	\$ 568,591,215	\$ 552,182,512

In 2021, the City’s total net position increased by \$16.4 million. Net investment in capital increased by \$3.3 million. The City spent approximately \$11.5 million on capital assets in 2021 with the bulk of the expenses going toward land

acquisition and transportation improvements. The City's total restricted net position increased by \$10.3 million and unrestricted net position increased by \$2.9 million.

The City's net position for governmental activities includes \$49.3 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, pension, and Des Moines Creek Basin ILA projects. The remaining balance of unrestricted net position in the amount of \$65.7 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 \$11.7 million. \$10.5 million can be used for general surface water utility purposes including capital projects, if desired and \$1.2 million is available for Solid Waste and Environmental purposes.

Changes in Net Position

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

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

City of SeaTac's Changes in Net Position

Revenues:	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program Revenues:						
Charges for services	\$ 7,741,206	\$ 8,086,807	\$ 4,360,279	\$ 4,236,956	\$ 12,101,485	\$ 12,323,763
Operating grants & contrib	4,095,130	3,828,599	175,312	228,878	4,270,442	4,057,477
Capital grants & contrib	1,390,068	3,755,395	1,781,354	-	3,171,422	3,755,395
General Revenues:						
Property tax	17,292,632	17,273,582	-	-	17,292,632	17,273,582
Sales & Use taxes	15,964,090	12,541,338	-	-	15,964,090	12,541,338
Hotel/Motel taxes	1,215,937	685,687	-	-	1,215,937	685,687
Parking tax	6,701,675	3,942,498	-	-	6,701,675	3,942,498
Gambling taxes	553,869	584,054	-	-	553,869	584,054
Excise taxes	4,046,854	2,694,117	-	-	4,046,854	2,694,117
Investment interest	(339,878)	1,014,095	(10,527)	94,403	(350,405)	1,108,498
Misc revenues	-	-	-	8,884	-	8,884
Gains on asset sales	66,453	-	-	-	66,453	-
Total Revenues	58,728,036	54,406,172	6,306,418	4,569,121	65,034,454	58,975,293

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

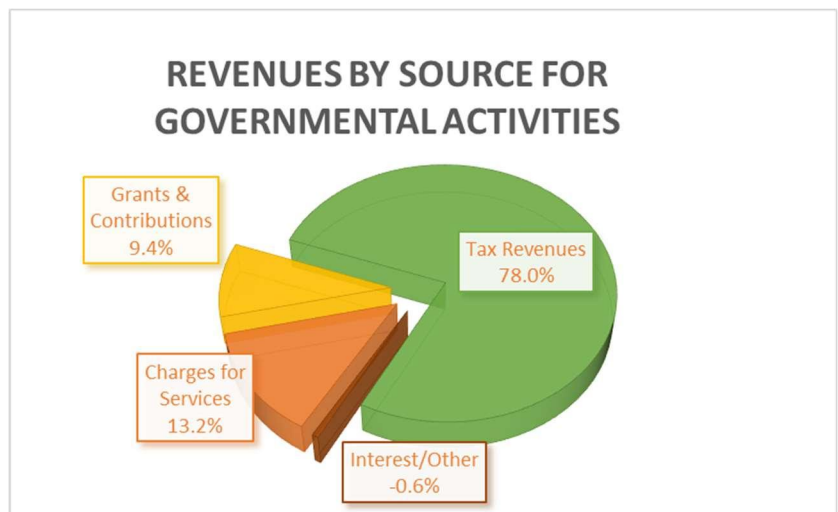
Expenses:	2021	2020	2021	2020	2021	2020
Judicial	839,192	795,775	-	-	839,192	795,775
General Government	5,370,058	8,666,956	-	-	5,370,058	8,666,956
Public Safety	23,532,341	25,102,245	-	-	23,532,341	25,102,245
Transportation	8,440,054	11,911,559	-	-	8,440,054	11,911,559
Health & Human Services	662,202	741,182	-	-	662,202	741,182
Physical & Economic Environment	3,550,412	4,504,184	3,367,898	3,112,975	6,918,310	7,617,159
Culture & Recreation	5,593,849	5,037,297	-	-	5,593,849	5,037,297
Total Expenses	47,988,108	56,759,198	3,367,898	3,112,975	51,356,006	59,872,173
Inc (Dec) in Net Position Before Transfers & Special Items	10,739,928	(2,353,026)	2,938,520	1,456,146	13,678,448	(896,880)
Transfers	(2,329,095)	135,300	2,329,095	(135,300)	-	-
Special Items:						
Gain on sale of Property	2,730,255	8,205,316	-	-	2,730,255	8,205,316
Total Special Items	2,730,255	8,205,316	-	-	2,730,255	8,205,316
Inc (Dec) in Net Position	11,141,088	5,987,590	5,267,615	1,320,846	16,408,703	7,308,436
Net Position-Beg (as restated)	512,641,116	506,653,526	39,541,396	38,220,550	552,182,512	544,874,076
Net Position-Ending	\$ 523,782,204	\$ 512,641,116	\$ 44,809,011	\$ 39,541,396	\$ 568,591,215	\$ 552,182,512

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 \$7.4 million in grant revenues for operating and capital purposes. Capital grants are down \$584 thousand from the prior year; transportation project start dates and actual expenses incurred impact the timing of when actual grant revenues are received. Operating grants increased by \$213 thousand over 2020 from COVID-19 related grants and a one-time State Legislative allocation for public safety training due to the impacts of police legislation.

In 2021 most tax categories started the recovery from the COVID-19 Pandemic, ranging from a 5.2% decrease in gambling taxes collected to a 77% increase in Hotel/Motel tax. Property tax remained relatively flat, increasing 0.3%. The Port of Seattle reported that passengers are returning to the skies with rates approaching pre-pandemic levels. Total passenger volume increased 80% over 2020 and down 30% over 2019. 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 \$22.5 billion in business revenue and \$442 million in state and local taxes.

In 2021, the City of SeaTac’s Economic Development division (in the Community and Economic Development Department) continued work with SeaTac business recovery from the global Covid-19 pandemic while supporting new business openings and other projects in the development pipeline. Staff supported the hospitality and tourism related industry, and the opening of two ethnic malls with over 50 new SeaTac small businesses opening doors in 2021.

Notable constructions projects include the ground-breaking of the Polaris at SeaTac, a



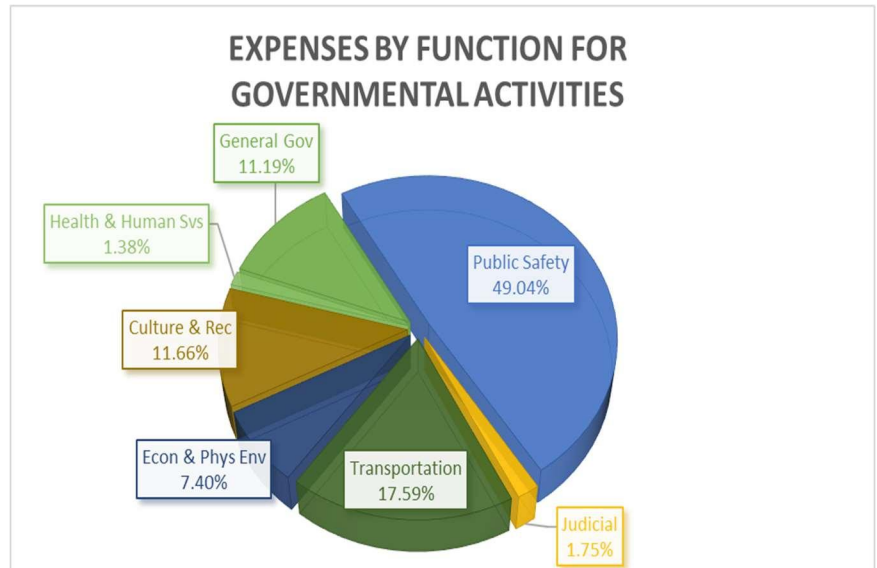
365 unit affordable workforce housing apartment mixed-use building which includes twelve commercial and retail spaces, most of which are being preleased to local small businesses. More than 1,600 permits and land use approvals were issued during the year. Additionally, a substantial amount of multifamily and commercial development projects are in the pre/permitting process throughout the city.

For governmental activities, total expenses decreased \$8.8 million or 15.5% from 2020. Five out of the seven program areas in governmental activities had expense decreases in 2021 ranging from 6.3% in Public Safety to 38% in General Government.

Transportation decreased \$3.4 million from changes in regional capital projects.

General Government decreased \$3.3 million from a reduction of pension expense in general government programs.

Public Safety expenses decreased \$1.5 million due to vacancies in the Police contract and a reduction in Other Post Employment Benefit expense.



Business-type Activities: Revenue was up 38% and expenditures increased 8.2%. Increases are primarily from a capital grant for the Des Moines Creek land acquisition for SWM education purposes. Net position increased by \$5.3 million in 2021 as compared to a \$1.3 million increase in 2020. Net position increases include the transfer of capital assets constructed as part of the Des Moines Memorial Drive and S 200th St Intersection project (\$1.2 million) and the Military Rd S, S 152nd St project (\$1.2 million). as well as the Des Moines Creek land acquisition (\$2.2 million).

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 2021, the City’s combined ending governmental fund balance was \$111 million versus the 2020 ending fund balance of \$103.6 million. Included in the 2021 ending fund balance is \$560 thousand in non-spendable prepayments, \$40.4 million in restricted fund balances (i.e. transportation, tourism, capital projects, etc.) and \$19.3 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. Property tax recorded into the General Fund equaled approximately \$17.3 million in both 2020 and 2021. The property tax levy has remained flat in recent years, partially from the slow down in completed construction projects and the council policy to not increase the levy if reserve requirements are met.

In 2021, sales taxes recorded into the General Fund were \$13.8 million compared to \$9.3 million in 2020 and \$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. However, the increase in sales tax collection is a positive indicator of recovery from the pandemic shut-down.

The fund balance of the General Fund at the end of 2021 was \$51.4 million, which is a \$3.6 million increase over 2020. 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 requires the City to report four funds differently in the financial statements (GAAP basis) than in the City’s budget (budgetary basis). The four funds and their respective fund balance additions to the General Fund are as follows: Port of Seattle ILA Fund - \$12.9 million, Transit Planning - \$382 thousand, Building Management Fund - \$3.8 million, and the ARPA State and Local Fiscal Recovery Fund (\$0) for a total of \$17.1 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 \$11.8 million in fund balance, which represents an increase of \$1.3 million from 2020. The Street Fund is still recovering from the impacts of the COVID-19 pandemic on air travel and parking and transferred \$1.4 million to support Transportation CIP projects, down from \$2.8 million 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 2021 for this Fund was \$9.7 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 due to the COVID-19 pandemic (\$685 thousand) and 2021 bounced back to \$1.2 million. 2014 marked the beginning of the Seattle Southside Tourism Promotion Area (or TPA) in partnership with the cities of Des Moines and Tukwila. As part of this new initiative, SeaTac chartered the first ever of its kind public development authority to administer the TPA funds, which were \$3.6 million in 2021. 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.

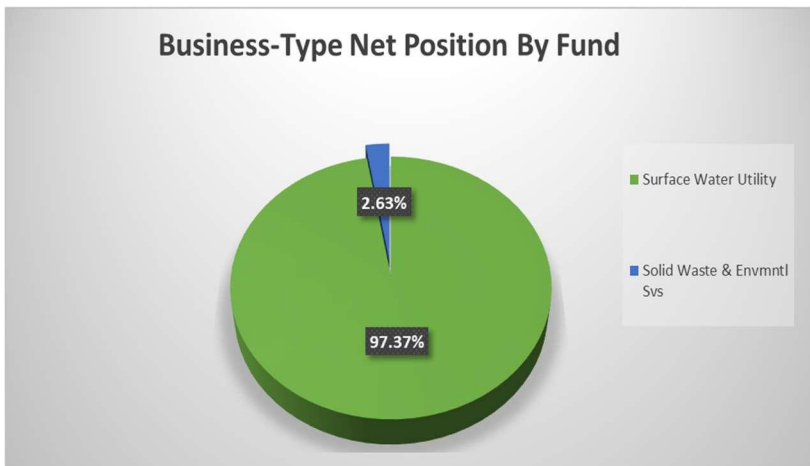
The Municipal Capital Improvement Fund is a capital projects fund whose purpose is to account for the expenditures related to general capital improvements including network information systems projects, parks projects including synthetic turf installation, and major building maintenance. In 2021, the revenue source for this Fund was real estate excise tax and sales tax from Port of Seattle projects. At the end of 2021, the fund balance in the Municipal Capital Improvement Fund was \$14.9 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. At the end of 2021, 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 2021, the major revenue sources for this Fund were project grants and reimbursements from other agencies for services. The Street Fund transferred \$1.4 million into this Fund to pay for several roadway projects.

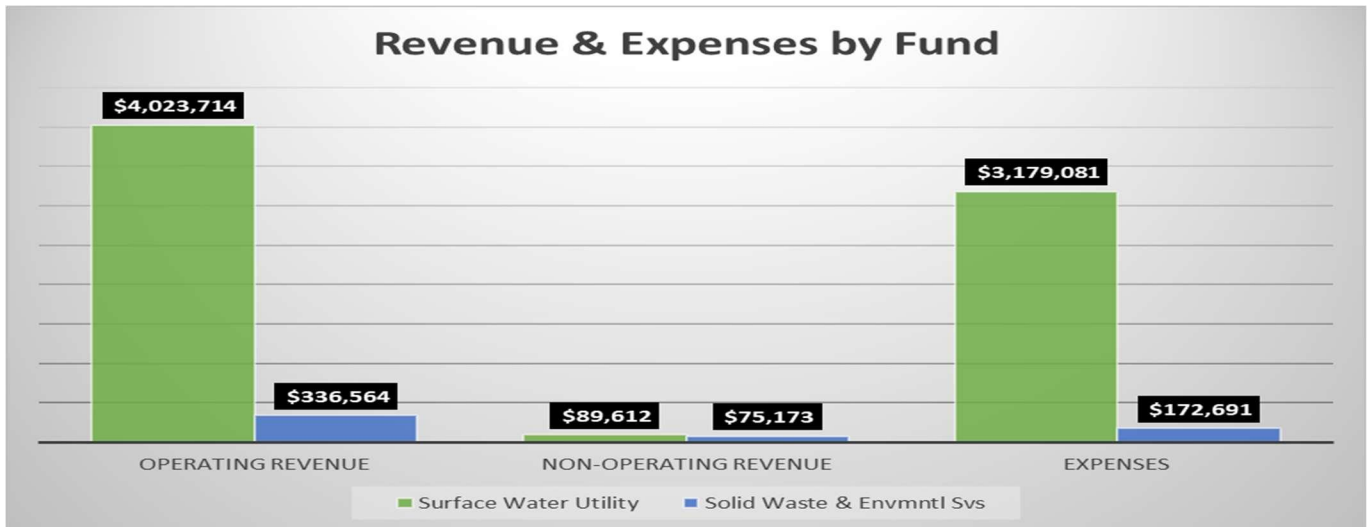
Business-Type Funds

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 expense. 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 \$44.8 million and of this amount, \$11.7 million or 26% was unrestricted. The other \$33.2 million or 74% 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 2021.

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



GENERAL FUND BUDGETARY HIGHLIGHTS

On a budgetary basis, the General Fund finished 2021 with \$34.7 million in ending fund balance. The original ending fund balance budgeted for 2021 was \$25.3 million. The actual ending fund balance exceeded the original budget by \$9.4 million. Actual revenues (excluding transfers in) for the first half of the biennium were \$42 million or \$3.7 million over the original estimate. The area with the highest positive variance was Sales and Use Tax, exceeding the budget by \$2.1 million. Licenses and Permits was \$850,000 and Interest was \$230,000 greater than expected. Recreation fees were the biggest underperformer collecting \$177,000 less than anticipated.

The General Fund’s original 2021 appropriation was \$42.2 million while the final budget was \$43.7 million. Actual appropriations were \$40 million (excluding transfers out) resulting in a final budget savings of \$1.9 million from department vacancies and savings from programs not provided due to COVID-19 Pandemic restrictions.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

At the end of 2021, the City had \$409 million (net of accumulated depreciation) in governmental activities capital assets, including one internal service fund, and \$33.1 million (net) in business-type activities. Total internal service fund capital assets (net) were just under \$1.7 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 2021:

City of SeaTac’s Capital Assets

Capital Assets:	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 319,952,258	\$ 317,967,653	\$ 2,203,691	\$ -	\$ 322,155,949	\$ 317,967,653
Intangible Assets-Easements	231,700	227,058	78,595	35,442	\$ 310,295	\$ 262,500
Constr in Progress (CIP)	5,335,192	12,288,097	2,310,105	771,073	\$ 7,645,297	\$ 13,059,170
Buildings/Building Impr	38,022,383	38,022,383	228,560	228,560	\$ 38,250,943	\$ 38,250,943
Other Improvements	21,840,021	21,514,006	40,085,548	37,617,054	\$ 61,925,569	\$ 59,131,060
Infrastructure	123,121,848	114,809,809	-	-	\$ 123,121,848	\$ 114,809,809
Equipment/Vehicles	1,812,537	1,786,466	26,877	26,877	\$ 1,839,414	\$ 1,813,343
Equipment/Vehicles-Eq Rental	4,582,953	4,711,298	-	-	\$ 4,582,953	\$ 4,711,298
					\$ -	\$ -
Intangible Assets-Software	576,811	576,811	156,634	156,634	\$ 733,445	\$ 733,445
					\$ -	\$ -
Less: Depreciation	(106,714,161)	(100,937,682)	(11,937,064)	(11,137,714)	\$ (118,651,226)	\$ (112,075,396)
Total Capital Assets (Net)	\$ 408,761,541	\$ 410,965,899	\$ 33,152,946	\$ 27,697,926	\$ 441,914,487	\$ 438,663,825

In 2021, the largest increase in capital assets occurred in infrastructure for governmental activities due to the completion of the Military Rd S/S 152nd Improvements and Des Moines Memorial Dr/S 200th Intersection projects and Construction in progress decreased correspondingly. Land increased from the purchase of an 8-acre parcel of Des Moines Creek Park and decreased from the sale of the second parcel at the former SeaTac Center site.

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 2021, 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 2020 and 2021 by type:

**City of SeaTac's
Outstanding Debt by Type**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Obligation Bonds	1,715,518	1,782,126	-	-	1,715,518	1,782,126
Total	\$ 1,715,518	\$ 1,782,126	\$ -	\$ -	\$ 1,715,518	\$ 1,782,126

General Obligation Debt

According to Washington State law, the City's debt capacity for general government purposes is limited to 4% or \$280.2 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 \$105.0 million. At the end of 2021, the City's assessed valuation was \$7,046,635,720, which is a 3% decrease from 2020. The 2021 assessed valuation is used to calculate taxes to be collected in 2022. The City had \$1.71 million in outstanding councilmanic (non-voted) general obligation debt including the special obligation bonds issued by SCORE (South Correctional Entity) at the end of 2021. 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 \$628 million of the City’s assessed valuation.

Revenue Debt

At the end of 2021, the City had no revenue debt outstanding. Currently, 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 2021, 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 2021 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.

Public infrastructure investments underway and planned represent approximately \$1 billion per year and include the light rail extension and the State Route 509 completion projects. Seattle-Tacoma International Airport is finalizing work on the International Arrivals Facility (a project valued at more than \$1 billion dollar) and doing upgrades to the Main terminal and North Satellite providing an increase in construction sales tax and adding new restaurants and retail shops.

Noteworthy is the robust recovery of the SeaTac hospitality/travel industry and the diversity and resiliency of existing small businesses. Over 50 new SeaTac small businesses opened doors in 2021; all during the global pandemic. This economic activity creates housing, generates jobs, sales tax, and acts as a catalyst for additional investments while improving quality of life of the residents, travelers, and workers in SeaTac.

2021 Property Tax was 29.3% of governmental revenues. Property tax revenue increased 0.26% from 2020. Sales taxes which were severely hit by the COVID-19 shut down in 2020, are recovering slowly and increased 27.3% over 2020, but are still down 22% from 2019. For the 2021-2022 biennium, the General Fund estimated ending fund balance was \$22

million. Of that amount, \$15.3 million was identified as the Council's General Fund target fund balance of four months of operating expenditures. The City ended the first year of the biennium with an ending fund balance of \$34.7 million. The revenue growth in 2019 positioned the City to minimize the impacts of the COVID-19 downturn without slashing service levels.

	2013-2014 Final	2015-2016 Final	2017-2018 Final	2019-2020 Final	2021-2022 Final
Budget:					
Budgeted Revenues	\$ 59,545,908	\$ 68,104,144	\$ 69,288,979	\$ 84,772,096	\$ 78,096,449
Budgeted Expenditures	\$ 65,450,693	\$ 70,168,679	\$ 73,792,587	\$ 81,522,520	\$ 87,933,671
Budgeted Difference	\$ (5,904,785)	\$ (2,064,535)	\$ (4,503,608)	\$ 3,249,576	\$ (9,837,222)
Actual:					
Actual Revenues	\$ 59,181,562	\$ 72,950,304	\$ 83,718,092	\$ 82,579,166	\$ 81,965,766
Actual Expenditures	\$ 64,989,397	\$ 68,185,724	\$ 74,653,435	\$ 77,144,445	\$ 83,713,559
Actual Difference	\$ (5,807,835)	\$ 4,764,580	\$ 9,064,657	\$ 5,434,721	\$ (1,747,793)

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
Government-wide
December 31, 2021

	Governmental Activities	Business-type Activities	Total	SSRTA Comp Unit
Assets				
Cash & cash equivalents	\$ 55,481,423	\$ 7,276,189	\$ 62,757,612	\$ 2,281,976
Investments	59,057,154	3,902,605	62,959,759	2,372,977
Receivables (net)				
Taxes	5,313,912	-	5,313,912	-
Customer accounts & contracts	1,068,033	246,657	1,314,690	33,279
Due from other governments	188,558	28,196	216,754	520,612
Inventory	-	-	-	4,875
Internal balances	(201,000)	201,000	-	-
Prepaid items	561,177	11,269	572,446	-
Investment in joint venture	4,376,828	-	4,376,828	-
Capital assets not being depreciated:				
Land	319,952,258	2,203,691	322,155,949	-
Intangible assets - Easements	231,700	78,595	310,295	-
Intangible assets - Trademarks	-	-	-	9,947
Construction in progress	5,335,192	2,310,105	7,645,297	-
Capital assets, net of accum deprec (Note 6):				
Buildings	21,514,182	141,122	21,655,304	-
Improvements other than buildings	12,402,076	28,401,602	40,803,678	-
Equipment, vehicles & software	1,959,145	17,831	1,976,976	85,385
Infrastructure	47,366,988	-	47,366,988	-
Net Pension Asset	\$ 8,908,003	\$ 815,945	\$ 9,723,948	\$ 749,213
Total Assets	\$ 543,515,629	\$ 45,634,807	\$ 589,150,436	\$ 6,058,264
Deferred Outflows of Resources				
Deferred Outflow of Resources - Pensior	1,245,730	95,826	1,341,556	167,582
Deferred Outflow of Resources - OPEB	16,180	-	16,180	-
Deferred Outflow of Resources - ARO	13,104	-	13,104	-
Deferred Outflow - Delayed Title Transfe	397,800	-	397,800	-
Total Assets & Deferred Outflows	\$ 545,188,443	\$ 45,730,633	\$ 590,919,076	\$ 6,225,846
Liabilities				
Accounts payable & accrued expenses	3,817,126	81,260	3,898,386	115,262
Total OPEB Liability-current	129,476	-	129,476	-
Other current liabilities	229,165	16,678	245,843	-
Unearned revenue	4,072,567	-	4,072,567	-
Noncurrent liabilities:				
Due within one year	131,668	4,227	135,895	35,068
Due in more than one year	2,814,403	80,320	2,894,723	18,882
Net Pension Liability	917,585	-	917,585	71,528
Total OPEB Liability-non current	15,787	-	15,787	-
Total Liabilities	\$ 12,127,777	\$ 182,486	\$ 12,310,262	\$ 240,740
Deferred Inflows of Resources				
Deferred Inflow of Resources - Pensions	9,277,918	739,137	10,017,055	831,074
Total Liabilities & Deferred Inflows	\$ 21,405,695	\$ 921,623	\$ 22,327,317	\$ 1,071,814
Net Position				
Investment in capital assets	408,761,541	33,152,946	441,914,487	95,332
Restricted for:				
Tourism promotion & facilities	9,675,112	-	9,675,112	148,693
Debt service	385,734	-	385,734	-
Capital projects & equipment	2,317,799	-	2,317,799	-
Affordable housing	197,859	-	197,859	-
Transportation	23,796,706	-	23,796,706	-
Des Moines Creek Basin ILA projects	4,046,274	-	4,046,274	-
Net Pension Asset	8,908,003	815,945	9,723,948	749,213
Unrestricted	65,693,720	10,840,120	76,533,840	4,160,794
Total Net Position	\$ 523,782,748	\$ 44,809,011	\$ 568,591,758	\$ 5,154,032

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

Statement of Activities
Government-wide
For the Year Ended December 31, 2021

	Program Revenues			
	Expenses	Charges for Services	Operating Grants & Contributions	
Functions/Programs				
Governmental Activities:				
Judicial	\$ 839,192	\$ 221,677	\$ 6,306	\$ -
General Government	5,369,514	2,047,384	700,990	20,988
Public Safety	23,532,341	513,854	2,392,332	-
Transportation	8,440,054	112,687	644,063	427,466
Health & Human Services	662,202	-	24,292	-
Physical & Economic Environment	3,550,412	3,643,206	296,190	-
Culture & Recreation	5,593,849	1,202,398	30,957	941,614
Total Governmental Activities	<u>47,987,565</u>	<u>7,741,206</u>	<u>4,095,130</u>	<u>1,390,068</u>
Business-type Activities:				
Solid Waste & Environmental	172,691	336,564	79,489	-
Surface Water Utilities	3,195,207	4,023,714	95,824	1,781,354
Total Business-type Activities	<u>3,367,898</u>	<u>4,360,279</u>	<u>175,312</u>	<u>1,781,354</u>
Component Unit Activities				
Seattle Southside Regional Tourism Authorit	2,851,832	2,969,362	566,081	-
Total Component Unit Activites	<u>2,851,832</u>	<u>2,969,362</u>	<u>566,081</u>	<u>-</u>
Total Government	<u>\$54,207,295</u>	<u>\$ 15,070,847</u>	<u>\$ 4,836,523</u>	<u>\$ 3,171,422</u>

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	\$ (611,209)	\$ -	\$ (611,209)	\$ -
General Government	(2,600,152)	-	(2,600,152)	-
Public Safety	(20,626,155)	-	(20,626,155)	-
Transportation	(7,255,838)	-	(7,255,838)	-
Health & Human Services	(637,910)	-	(637,910)	-
Physical & Economic Environment	388,984	-	388,984	-
Culture & Recreation	(3,418,880)	-	(3,418,880)	-
Total Governmental Activities	<u>(34,761,160)</u>	<u>-</u>	<u>(34,761,161)</u>	<u>-</u>
Business-type Activities:				
Solid Waste & Environmental	-	243,362	243,362	-
Surface Water Utilities	-	2,705,685	2,705,685	-
Total Business-type Activities	<u>-</u>	<u>2,949,047</u>	<u>2,949,047</u>	<u>-</u>
Component Unit Activities				
Seattle Southside Regional Tourism Authority	-	-	-	683,611
Total Component Unit Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>683,611</u>
Total Government	<u>\$ (34,761,160)</u>	<u>\$ 2,949,047</u>	<u>\$ (31,812,115)</u>	<u>\$ 683,611</u>
General Revenues				
Property tax	17,292,632	-	17,292,632	-
Retail sales and use taxes	15,964,090	-	15,964,090	-
Hotel/Motel taxes	1,215,937	-	1,215,937	-
Parking tax	6,701,675	-	6,701,675	-
Gambling taxes	553,869	-	553,869	-
Excise taxes	4,046,854	-	4,046,854	-
Unrestricted investment earnings	(339,878)	(10,527)	(350,405)	(15,007)
Gain on sale of capital assets	66,453	-	66,453	-
Total General Revenues	<u>45,501,632</u>	<u>(10,527)</u>	<u>45,491,105</u>	<u>(15,007)</u>
Transfers	(2,329,095)	2,329,095	-	-
Total General Revenues & Transfers	<u>43,172,537</u>	<u>2,318,568</u>	<u>45,491,105</u>	<u>(15,007)</u>
Special Items				
Gain on sale of assets	2,730,255	-	2,730,255	-
Total Special Items	<u>2,730,255</u>	<u>-</u>	<u>2,730,255</u>	<u>-</u>
Change in Net Position	<u>11,141,632</u>	<u>5,267,615</u>	<u>16,409,247</u>	<u>668,604</u>
Net Position-Beginning	<u>512,641,116</u>	<u>39,541,396</u>	<u>552,182,512</u>	<u>4,485,428</u>
Net Position-Ending	<u>\$523,782,748</u>	<u>\$ 44,809,011</u>	<u>\$ 568,591,759</u>	<u>\$ 5,154,032</u>

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

Balance Sheet
Governmental Funds
December 31, 2021

	Special Revenue			Capital Improvement
	General	Street	Hotel/Motel Tax	Municipal CIP
Assets				
<i>Current Assets:</i>				
Cash & cash equivalents	\$ 18,356,406	\$ 6,516,558	7,496,565	\$ 6,856,247
Investments	35,674,103	4,550,378	1,964,230	7,895,139
Receivables (net of allow- ance for uncollectibles):				
Taxes	3,976,927	794,427	208,129	311,170
Customer accounts & contracts	880,037	47,849	-	303
Due from other governments	93,246	95,312	-	-
Prepaid items	552,988	654	6,420	-
Total Assets	<u>59,533,707</u>	<u>12,005,178</u>	<u>9,675,344</u>	<u>15,062,859</u>
Deferred Outflows of Resources				
Delayed land title transfer	-	-	-	-
Total Assets and Def Outflows of Res	<u>\$ 59,533,707</u>	<u>\$ 12,005,178</u>	<u>\$ 9,675,344</u>	<u>\$ 15,062,859</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts & other payable	\$ 3,193,787	\$ 127,839	\$ 232	\$ 185,797
Other current liabilities	228,632	533	-	-
Unearned revenue	4,072,567	-	-	-
Total Liabilities	<u>\$ 7,494,986</u>	<u>\$ 128,372</u>	<u>\$ 232</u>	<u>\$ 185,797</u>
Deferred Inflows of Resources				
Unavail revenue-grants/interlocal	\$ 21,110	23,440	-	-
Unavail revenue-taxes	\$ 278,875	26,086	-	-
Unavail revenue-court fines	\$ 369,651	-	-	-
Unavail revenue-leases/permits	\$ 9,176	4,555	-	-
Total Def Inflows of Resources	<u>\$ 678,812</u>	<u>\$ 54,081</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances (Deficits)				
Nonspendable:				
Prepayments	\$ 552,988	\$ 654	\$ 6,420	\$ -
Restricted:				
Transportation	\$ -	11,822,071	-	-
Tourism promotion & facilities	\$ -	-	9,668,692	-
Des Moines Creek Basin ILA	\$ -	-	-	-
Affordable housing	\$ -	-	-	-
Capital projects & equipment	\$ -	-	-	2,317,799
Debt service	\$ -	-	-	-
Assigned:				
Light Rail Station projects	\$ -	-	-	-
Capital projects & equipment	\$ -	-	-	12,559,263
Unassigned	\$ 50,806,921	-	-	-
Total Fund Balances	<u>\$ 51,359,909</u>	<u>\$ 11,822,725</u>	<u>\$ 9,675,112</u>	<u>\$ 14,877,062</u>
Total Liab, Def Inflows of Res & Fund Balances (Deficits)	<u>\$ 59,533,707</u>	<u>\$ 12,005,178</u>	<u>\$ 9,675,344</u>	<u>\$ 15,062,859</u>

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

	Capital Improvement		Other Governmental Funds	Total Governmental Funds
	Facility Construction CIP	Transportation CIP		
Assets				
<i>Current Assets:</i>				
Cash & cash equivalents	\$ 749,875	\$ 9,726,891	4,611,660	\$ 54,314,202
Investments	2,962,386	1,996,298	3,017,048	58,059,582
Receivables (net of allow- ance for uncollectibles):				
Taxes	-	-	23,259	5,313,912
Customer accounts & contracts	-	139,825	-	1,068,014
Due from other governments	-	-	-	188,558
Prepaid items	-	-	-	560,061
Total Assets	<u>3,712,261</u>	<u>11,863,014</u>	<u>7,651,967</u>	<u>119,504,330</u>
Deferred Outflows of Resources				
Delayed land title transfer	-	397,800	-	397,800
Total Assets and Def Outflows of Re	<u>\$ 3,712,261</u>	<u>\$ 12,260,814</u>	<u>\$ 7,651,967</u>	<u>\$ 119,902,130</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts & other payable	\$ 205	\$ 175,412	\$ 20,603	\$ 3,703,875
Other current liabilities	-	-	(0)	229,165
Unearned revenue	-	-	-	4,072,567
Total Liabilities	<u>\$ 205</u>	<u>\$ 175,412</u>	<u>\$ 20,603</u>	<u>\$ 8,005,607</u>
Deferred Inflows of Resources				
Unavail revenue-grants/interlocal	-	-	-	44,550
Unavail revenue-taxes	-	-	-	304,960
Unavail revenue-court fines	-	-	-	369,651
Unavail revenue-leases/permits	-	111,421	-	125,152
Total Def Inflows of Resources	<u>\$ -</u>	<u>\$ 111,421</u>	<u>\$ -</u>	<u>\$ 844,314</u>
Fund Balances (Deficits)				
Nonspendable:				
Prepayments	\$ -	\$ -	\$ -	\$ 560,062
Restricted:				
Transportation	-	11,973,981	-	23,796,052
Tourism promotion & facilities	-	-	-	9,668,692
Des Moines Creek Basin ILA	-	-	4,046,274	4,046,274
Affordable housing	-	-	197,859	197,859
Capital projects & equipment	-	-	-	2,317,799
Debt service	-	-	385,734	385,734
Assigned:				
Light Rail Station projects	-	-	3,001,497	3,001,497
Capital projects & equipment	3,712,056	-	-	16,271,319
Unassigned	-	-	-	50,806,921
Total Fund Balances	<u>\$ 3,712,056</u>	<u>\$ 11,973,981</u>	<u>\$ 7,631,364</u>	<u>\$ 111,052,209</u>
Total Liab, Def Inflows of Res & Fund Balances (Deficits)	<u>\$ 3,712,261</u>	<u>\$ 12,260,814</u>	<u>\$ 7,651,967</u>	<u>\$ 119,902,130</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, 2021**

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

Governmental funds total fund balance on December 31, 2021 (as shown on the Balance Sheet for Governmental Funds)	\$	111,052,209
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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	\$	319,952,258
Intangibles - easements		231,700
Construction in progress		5,335,192
Buildings & structures		38,022,383
Other improvements		21,840,021
Infrastructure		123,121,848
Equipment		1,812,537
Intangibles - software		576,811
Less: accumulated depreciation		<u>(103,843,593)</u>
		407,049,157

Investments in joint ventures are not a financial resource and, therefore, are not reported in the governmental funds.		4,376,828
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The net pension asset is not an available resource and, therefore, is not reported in the governmental funds.		8,908,003
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Other long-term assets are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		844,314
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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	\$	1,245,730
OPEB		16,180
Asset Retirement Obligations		13,104
		1,275,014

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	\$	(1,715,518)
Asset Retirement Obligation		(16,377)
Pension Liability		(917,585)
Deferred Pension Inflows		(9,277,918)
Other Post Employment Benefits Obligation		(145,263)
Compensated absences payable		<u>(1,207,480)</u>
		(13,280,141)

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>3,557,364</u>
Net position of governmental activities	\$	<u>523,782,748</u>
(as shown on the Government-wide Statement of Net Position)		

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

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2021

	General	Street	Hotel/Motel Tax	Municipal CIP
Revenues				
Taxes	\$ 34,226,246	\$ 6,675,589	\$ 1,215,937	\$ 3,467,269
Licenses & permits	2,558,758	\$ 34,397	-	\$ -
Intergovernmental & contributions	3,267,050	\$ 672,413	12,795	\$ 962,602
Charges for services	2,415,527	\$ 133,548	-	\$ 675,483
Fines & forfeitures	200,311	\$ 52,426	-	\$ -
Investment & other earnings	537,852	\$ 62,119	21,621	\$ 105,258
Net Change in FV of investments	(741,706)	\$ (64,337)	(37,482)	\$ (226,740)
Rent & leases	337,611	\$ -	-	\$ -
Miscellaneous	342,698	\$ 65,549	197	\$ 500
Total Revenues	\$ 43,144,347	\$ 7,631,704	\$ 1,213,068	\$ 4,984,372
Expenditures				
Current:				
Judicial	\$ 839,945	\$ -	\$ -	\$ -
General Government	\$ 8,282,779	\$ -	-	74,816
Public Safety	\$ 24,902,813	\$ 208,416	-	-
Transportation	\$ 84,106	\$ 3,651,282	-	766
Health & Human Services	\$ 665,060	\$ -	-	-
Economic Environment	\$ 2,928,822	\$ 48,280	463,056	201
Culture & Recreation	\$ 4,103,940	\$ -	-	125,668
Capital Outlay:				
General Government	\$ -	\$ -	-	18,588
Public Safety	\$ 7,484	\$ -	-	-
Transportation	\$ -	\$ 991,432	-	-
Culture & Recreation	\$ -	\$ -	-	3,597,705
Total Expenditures	\$ 41,814,949	\$ 4,899,410	\$ 463,056	\$ 3,817,744
Excess (deficiency) of revenues over (under) expenditures	\$ 1,329,398	\$ 2,732,294	\$ 750,012	\$ 1,166,628
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ -	\$ 1,681,500
Transfers out	(1,741,500)	(1,427,000)	-	-
Total Other Fin Sources (Uses)	\$ (1,741,500)	\$ (1,427,000)	\$ -	\$ 1,681,500
Special Items				
Proceeds from sale of assets	\$ 3,988,600	\$ -	\$ -	\$ 81,400
Total Special Items	\$ 3,988,600	\$ -	\$ -	\$ 81,400
Net Change in Fund Balances	\$ 3,576,498	\$ 1,305,294	\$ 750,012	\$ 2,929,528
Fund Balances-Beginning	\$ 47,783,411	\$ 10,517,431	\$ 8,925,100	\$ 11,947,534
Fund Balances-Ending	<u>\$ 51,359,909</u>	<u>\$ 11,822,725</u>	<u>\$ 9,675,112</u>	<u>\$ 14,877,062</u>

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

	Facility Construction CIP	Transportation CIP	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ -	\$ -	\$ 127,977	\$ 45,713,018
Licenses & permits	-	\$ -	\$ -	2,593,155
Intergovernmental & contributions	-	\$ 398,666	\$ 200,600	5,514,126
Charges for services	-	\$ 1,057,232	\$ -	4,281,790
Fines & forfeitures	-	\$ -	\$ -	252,737
Investment & other earnings	4,920	\$ 10,424	\$ 37,908	780,102
Net Change in FV of investments	(12,129)	\$ (3,238)	\$ (46,150)	(1,131,782)
Rent & leases	-	\$ -	\$ -	337,611
Miscellaneous	-	\$ 10,385	\$ -	419,329
Total Revenues	\$ (7,209)	\$ 1,473,468	\$ 320,335	\$ 58,760,086
Expenditures				
Current:				
Judicial	\$ -	\$ -	\$ -	\$ 839,945
General Government	-	-	-	8,357,595
Public Safety	-	-	-	25,111,229
Transportation	-	-	-	3,736,155
Health & Human Services	-	-	-	665,060
Economic Environment	-	-	36,576	3,476,934
Culture & Recreation	-	-	-	4,229,608
Capital Outlay:				
General Government	-	-	-	18,588
Public Safety	-	-	-	7,484
Transportation	-	4,445,127	-	5,436,559
Culture & Recreation	-	-	-	3,597,705
Total Expenditures	\$ -	\$ 4,445,127	\$ 36,576	\$ 55,476,862
Excess (deficiency) of revenues over (under) expenditures	\$ (7,209)	\$ (2,971,659)	\$ 283,759	\$ 3,283,224
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ 1,400,000	\$ 139,400	\$ 3,220,900
Transfers out	-	-	-	(3,168,500)
Total Other Fin Sources (Uses)	\$ -	\$ 1,400,000	\$ 139,400	\$ 52,400
Special Items				
Proceeds from sale of assets	\$ -	\$ -	\$ -	\$ 4,070,000
Total Special Items	\$ -	\$ -	\$ -	\$ 4,070,000
Net Change in Fund Balances	\$ (7,209)	\$ (1,571,659)	\$ 423,159	\$ 7,405,624
Fund Balances-Beginning	\$ 3,719,265	\$ 13,545,639	\$ 7,208,205	\$ 103,646,585
Fund Balances-Ending	\$ 3,712,056	\$ 11,973,981	\$ 7,631,364	\$ 111,052,209

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

**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, 2021**

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)	\$ 7,405,624
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlays	7,508,708	
Depreciation expense	<u>(5,820,517)</u>	1,688,191

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.	(3,808,239)
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Investment in joint ventures are not considered financial resources and are, therefore, not reported in the governmental funds.	354,751
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Governmental funds report pension expenditures when due and payable from current financial resources. However, in the Statement of Activities, pension expense is measured by the change in net pension assets, net pension liabilities, and related deferred outflows and inflows. This is the net difference in pension expense.	3,484,156
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Some revenues will not be collected for several months after the City's fiscal year ends and are not considered available revenues in the governmental funds. Unavailable revenues changed by this amount for the current year.	(35,135)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These expenses consist of:

Asset Retirement Obligations	(1,636)	
OPEB Expense	1,858,259	
Net increase in compensated absences	<u>(9,442)</u>	1,847,181

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	(28,350)	
Gain on sale of capital assets	66,453	
Transfers involving other funds (net)	<u>167,000</u>	<u>205,103</u>
Change in net position of governmental activities (as shown on the Statement of Activities-Governmental Activities)		<u>\$ 11,141,632</u>

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

**Statement of Net Position
Proprietary Funds
December 31, 2021**

	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	\$ 6,680,470	\$ 595,719	\$ 7,276,189	\$ 1,167,221
Investments	3,407,875	494,730	3,902,605	997,571
Customer receivables (net)	214,190	32,467	246,657	19
Due from other governments	-	28,196	28,196	-
Prepaid items	11,269	-	11,269	1,116
Total Current Assets	<u>\$ 10,313,804</u>	<u>\$ 1,151,112</u>	<u>\$ 11,464,916</u>	<u>\$ 2,165,927</u>
Noncurrent Assets:				
Capital assets not being depreciated:				
Land	\$ 2,203,691	-	2,203,691	-
Intangible assets - easements	\$ 78,595	-	78,595	-
Construction in progress	<u>\$ 2,310,105</u>	<u>-</u>	<u>2,310,105</u>	<u>-</u>
Capital assets, net of accum. Deprec.(Note 6):				
Buildings	\$ 141,122	\$ -	\$ 141,122	\$ -
Other improvements	\$ 28,401,602	-	28,401,602	-
Vehicles and equipment	\$ 7,697	-	7,697	1,712,385
Intangible assets - software	\$ 10,134	-	10,134	-
Net Pension Asset	<u>\$ 673,297</u>	<u>\$ 142,648</u>	<u>\$ 815,945</u>	<u>\$ 29,481</u>
Total Noncurrent Assets	<u>\$ 33,826,243</u>	<u>\$ 142,648</u>	<u>\$ 33,968,891</u>	<u>\$ 1,741,866</u>
Total Assets	<u>\$ 44,140,047</u>	<u>\$ 1,293,760</u>	<u>\$ 45,433,807</u>	<u>\$ 3,907,793</u>
Deferred Outflows of Resources				
Deferred Outflows Related to Pensions	\$ 79,070	\$ 16,756	\$ 95,826	\$ 3,473
Liabilities				
Current Liabilities:				
Accounts payable	\$ 77,922	\$ 3,338	\$ 81,260	\$ 113,250
Compensated absences	3,860	367	4,227	335
Retainage Payable	<u>16,678</u>	<u>-</u>	<u>16,678</u>	<u>-</u>
Total Current Liabilities	<u>\$ 98,460</u>	<u>\$ 3,705</u>	<u>\$ 102,165</u>	<u>\$ 113,585</u>
Noncurrent Liabilities:				
Compensated absences	<u>73,338</u>	<u>6,982</u>	<u>80,320</u>	<u>6,363</u>
Total Noncurrent Liabilities	<u>\$ 73,338</u>	<u>\$ 6,982</u>	<u>\$ 80,320</u>	<u>\$ 6,363</u>
Total Liabilities	<u>\$ 171,798</u>	<u>\$ 10,687</u>	<u>\$ 182,486</u>	<u>\$ 119,948</u>
Deferred Inflows of Resources				
Deferred Inflows Related to Pensions	\$ 610,881	\$ 128,256	\$ 739,137	\$ 27,712
Net Position				
Investment in capital assets	33,152,946	-	33,152,946	1,712,385
Restricted for:				
Net Pension Asset	673,297	142,648	815,945	-
Unrestricted	<u>9,610,195</u>	<u>1,028,925</u>	<u>10,639,120</u>	<u>2,051,221</u>
Total Net Position	<u>\$ 43,436,438</u>	<u>\$ 1,171,573</u>	<u>\$ 44,608,011</u>	<u>\$ 3,763,606</u>
Cumulative adjustment to reflect the consolidation of the Equipment Rental Internal Service Fund activities as related to enterprise funds over time.			<u>201,000</u>	
Net position of business-type activities			<u>\$ 44,809,011</u>	

**Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2021**

	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	4,023,714	336,564	4,360,278	840,374
Operating Expenses				
Maintenance & operations	1,790,862	160,126	1,950,988	558,468
Administrative & general	588,870	12,565	601,435	-
Depreciation	799,349	-	799,349	325,368
Total Operating Expenses	3,179,081	172,691	3,351,772	883,836
Operating Income (Loss)	844,633	163,873	1,008,506	(43,462)
Nonoperating Revenues (Exps)				
Intergovernmental revenues	95,824	79,489	175,313	-
Investment earnings	(6,212)	(4,315)	(10,527)	(1,013)
Gain (loss) on disposal of assets	-	-	-	66,453
Total Nonoperating Revs (Exps)	89,612	75,174	164,786	65,440
Income (Loss) Before Contributions & Transfers	934,245	239,047	1,173,292	21,978
Capital contributions	2,468,495	-	2,468,495	80,000
Capital grants	1,781,354	-	1,781,354	-
Transfers in	-	-	-	87,000
Transfers out	(139,400)	-	(139,400)	-
Change in Net Position	5,044,694	239,047	5,283,741	188,978
Net Position-Beginning	38,391,744	932,526	39,324,270	3,574,628
Net Position-Ending	43,436,438	1,171,573	44,608,011	3,763,606
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.			(16,126)	
Change in net position of business-type activities			<u>\$ 5,267,615</u>	

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2021

	Business-type Activities-Enterprise Funds			Governmental
	Surface Water Utility	Solid Waste and Environmental	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities:				
Receipts from customers	\$ 4,732,997	\$ 334,027	\$ 5,067,024	\$ 34
Receipts from other funds	-	\$ -	-	840,374
Payments to suppliers	(1,095,011)	\$ (106,354)	(1,201,365)	(502,564)
Payments to employees	(1,411,080)	\$ (118,489)	(1,529,569)	(109,409)
Net Cash Provided (Used) by Operating Activities	\$ 2,226,906	\$ 109,184	\$ 2,336,090	\$ 228,435
Cash Flows from Noncapital Financing Activities:				
Intergovernmental revenue	\$ 95,824	\$ 79,489	\$ 175,313	\$ -
Transfers from other funds	-	-	-	87,000
Transfers to other funds	(139,400)	-	(139,400)	-
Net Cash Provided (Used) by Noncapital Financing Activities	\$ (43,576)	\$ 79,489	\$ 35,913	\$ 87,000
Cash Flows from Capital & Related Financing Activities:				
Proceeds from sale of assets	-	-	-	108,489
Capital grants	1,781,354	-	1,781,354	-
Purchase of capital assets	(3,785,875)	-	(3,785,875)	(203,096)
Net Cash Provided (Used) by Capital & Related Financing Activities	(2,004,521)	-	(2,004,521)	(94,607)
Cash Flows from Investing Activities:				
Proceeds from sale of investments	2,035,325	-	2,035,325	-
Purchase of investments	(3,986,360)	(500,135)	(4,486,495)	(1,000,167)
Interest received	51,612	1,090	52,702	1,582
Net Cash Provided (Used) by Investing Activities	\$ (1,899,423)	\$ (499,045)	\$ (2,398,468)	\$ (998,585)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,720,615)	(310,372)	(2,030,987)	(777,757)
Cash & Cash Equivalents-Beginning*	8,401,085	906,091	9,307,176	1,944,978
Cash & Cash Equivalents-Ending	\$ 6,680,470	\$ 595,719	\$ 7,276,189	\$ 1,167,221

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2021

	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)	\$ 844,633	\$ 163,873	\$ 1,008,507	\$ (43,462)
Adjustments to reconcile operating				
income to net cash provided				
(used) by operating activities:				
Depreciation	799,349	-	799,349	325,368
Pension Expense	(212,690)	(46,227)	(258,917)	(9,314)
(Incr) decr in accts receivable	741,725	(2,537)	739,188	34
(Incr) decr in prepaid expenses	16,632	-	16,632	(132)
Incr (decr) in accounts payable	81,118	(5,901)	75,218	(42,252)
Incr (decr) in due to other government	(49,120)	-	(49,120)	-
Incr (decr) in compensated absences	5,259	(24)	5,235	(1,807)
Total adjustments	<u>1,382,273</u>	<u>(54,689)</u>	<u>1,327,584</u>	<u>271,897</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,226,906</u>	<u>109,184</u>	<u>\$ 2,336,090</u>	<u>\$ 228,435</u>
Noncash Activities:				
Contributions of capital assets (other improvements) paid for by the Transportation CIP Fund.	2,468,495	-	2,468,495	80,000
Change in fair value of investments	<u>(37,580)</u>	<u>(5,405)</u>	<u>(42,985)</u>	<u>2,596</u>
Total Noncash Capital Activities	<u>\$ 2,430,915</u>	<u>\$ (5,405)</u>	<u>\$ 2,425,510</u>	<u>\$ 82,596</u>

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

Statement of Fiduciary Net Position
December 31, 2021

		Custodial Funds
Assets		
Cash & cash equivalents	\$	16,929
Account Recievable		1,229
Total Assets	\$	18,158
Liabilities		
Accounts Payable	\$	16,945
Total Liabilities	\$	16,945
Net Position Restricted For:		
Individuals		-
Organizations		-
Other Governments		1,213
	\$	1,213

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, 2021**

		Custodial Funds
Additions		
Court Receipts	\$	183,206
Custodial Receipts		28,820
Total Additions	\$	212,026
Deductions		
Court Remittances	\$	183,206
Custodial Remittances		
Taxes	\$	14,455
WA State Building Permit Fee	\$	3,339
King County Pet Licenses	\$	975
Other Payments	\$	10,236
Total Deductions	\$	212,211
Change in Net Position		(185)
Net Position-Beginning		1,398
Net Position-Ending	\$	1,213

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

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, Des Moines Creek Basin ILA Fund, Affordable Housing Tax Fund, and ARPA fund), Debt Service Funds (SCORE Bond

Fund), Capital Project Funds (Municipal Capital Improvement, Facility Construction CIP, Transportation CIP and Light Rail CIP), Enterprise Funds (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, 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, 2021, the City had holdings of \$62,774,539 (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, 2021, the City's total cash and cash equivalents (including cash restricted for debt) consisted of the following:

US Bank, General Fund Checking Account	\$14,430,990
US Bank, Municipal Court Checking Account.....	63,468
Cash with Renton Foundation.....	80,169
Cash Equivalents with State Treasurer's Investment Pool.....	48,192,612
City Hall Postage Meter Fund.....	6,000
Petty Cash/Change Funds.....	1,300
Total Cash and Cash Equivalents.....	<u>\$62,774,539</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 \$17.8 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 2021.

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	Capitalize All	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 2021, total compensated absences liability was \$1,298,724 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, 2021, was \$77,198. It is estimated that \$3,860 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, 2021, was \$7,349. It is estimated that \$367 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 \$6,698 and it is estimated that \$335 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 asset, 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.

For purposes of calculating the restricted net position related to the net pension asset the city includes the net pension asset only.

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 the Solid Waste & Environmental Fund. 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.

16. Net Position Classification

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted. Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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 \$201,000 difference are as follows:

Internal receivable representing charges in excess of cost to business-type activities – prior years	\$217,126
Internal receivable representing charges under cost to business-type activities – current year	<u>16,126</u>
Net adjustment to increase net position – total enterprise funds to arrive at net position – business-type activities	<u>\$201,000</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, 2021 was \$14,430,990.

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 the City may face should interest rate variances affect the fair value of investments. The City does not have a formal policy that addresses interest rate risk. The portfolio weighted maturity at year end was 2.67 years.

Investment Type	Fair Value	Maturities (in Years)	
		Less Than 1	1 to 5
U.S. Treasury Obligations	8,895,314	2,995,548	5,899,766
U.S. Agencies	50,639,280	6,051,306	44,587,974
Municipal Debt Obligations	3,425,165	-	3,425,165
Total Investments	\$ 62,959,759	\$ 9,046,854	\$ 53,912,905

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, 2021, are listed below:

Investment Type	Ratings		Fair Value
	Moody's	S&P	
Government Sponsored Enterprises			
Federal Home Loan Bank	Aaa	AA+	22,888,256
Federal National Mortgage Association	Aaa	AA+	12,772,297
United States Treasury Note	Aaa	NR	8,895,314
Federal Farm Credit	Aaa	AA+	7,900,986
Federal Home Loan Mortgage Corp	Aaa	NR	5,043,597
Mississippi State	Aa2	AA	2,342,990
Farmer Mac	Aaa	AA+	2,034,144
Snohomish County School District	Aaa	AA+	1,082,175
	Total		\$ 62,959,759

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, 2021, the City of SeaTac held the following investments at amortized cost:

Renton Community Foundation	80,169
Washington State Local Government Investment Pool	48,192,612
Total	\$ 48,272,781

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, 2021, the City had the following investments measured at fair value:

Investments By Fair Value	12/31/2021	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Government Sponsored Enterprises	\$ 62,959,759	\$ -	\$ 62,959,759	\$ -
Total By Fair Value Level	\$ 62,959,759	\$ -	\$ 62,959,759	\$ -

C. Summary of Deposit and Investment Balances

Reconciliation of SeaTac’s deposits and investment balances as of December 31, 2021 is as follows:

Cash Deposits and Investments	Fair Value	Cost Based Measure	Percent of Total
Government Sponsored Enterprises			
Federal Home Loan Bank	\$ 22,888,256		18.20%
Federal National Mortgage Association	\$ 12,772,297		10.16%
United States Treasury Note	\$ 8,895,314		7.07%
Federal Farm Credit	\$ 7,900,986		6.28%
Federal Home Loan Mortgage Corp	\$ 5,043,597		4.01%
Mississippi State	\$ 2,342,990		1.86%
Farmer Mac	\$ 2,034,144		1.62%
Snohomish County School District	\$ 1,082,175		0.86%
Cash on Hand		1,300	0.00%
City Hall Postage Meter Funds		6,000	0.00%
FDIC or PDPC Insured Bank Deposits		14,430,990	11.48%
Washington State Local Government Investment Pool		48,192,612	38.33%
Municipal Court Checking Account		63,468	0.05%
Renton Community Foundation		80,169	0.06%
Total	\$ 62,959,759	\$ 62,774,539	100%
Total Cash, Deposits and Investments		\$ 125,734,298	

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 becomes 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 \$3.31 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 \$2.404 per \$1,000 of assessed value. Based on a City-wide assessed valuation of \$7,259,165,603, the total property tax levy for 2021 was \$17,458,538 (Note: Property taxes collected in 2021 are based on the 2020 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 2021. Please note that \$1,712,385 (net) of internal service fund depreciated capital assets from the Equipment Rental Fund (#501)

City of SeaTac, WA – Notes to the Financial Statements

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 01/01/2021	Increases	Decreases	Transfers In/ (Out)	Ending Balance 12/31/2021
Capital assets not being depreciated:					
Land	\$317,967,652	\$3,333,142	\$(1,348,536)	\$0	\$319,952,258
Intangible Assets–Easements	227,058	4,642	0	0	231,700
Construction in Progress (CIP)	12,288,096	3,278,229	(10,231,133)	0	5,335,192
Total assets not being deprec.	\$330,482,805	\$6,616,013	\$(11,579,669)	\$0	\$325,519,150
Capital assets being depreciated:					
Buildings/Bldg Improvements	\$38,022,383	\$0	\$(0)	\$0	\$38,022,383
Other Improvements	21,514,006	326,015	0	0	21,840,021
Infrastructure	114,809,809	10,780,534	0	(2,468,495)	123,121,848
Equipment/Vehicles	1,786,466	26,071	0	0	1,812,537
Equipment/Vehicles (Eq Rental)	4,711,298	203,096	(411,442)	80,000	4,582,952
Intangible Assets-Software	576,811	0	0	0	576,811
Total assets being depreciated	\$181,420,773	\$11,335,716	\$(411,442)	\$(2,388,495)	\$189,956,552
Total governmental capital assets before depreciation	\$511,903,578	\$17,951,729	\$(11,991,111)	\$(2,388,495)	\$515,475,702
Less accumulated depreciation for:					
Buildings/Bldg Improvements	\$(15,473,486)	\$(1,034,715)	\$0	\$0	\$(16,508,201)
Other Improvements	(8,324,436)	(1,113,509)	0	0	(9,437,945)
Equipment/Vehicles	(1,486,119)	(101,340)	0	0	(1,587,459)
Equipment/Vehicles (Eq Rental)	(2,914,606)	(325,368)	369,407	0	(2,870,567)
Infrastructure	(72,193,970)	(3,560,890)	0	0	(75,754,860)
Intangible Assets-Software	(545,065)	(10,064)	0	0	(555,129)
Total accumulated depreciation	\$(100,937,682)	\$(6,145,886)	\$369,407	\$0	\$(106,714,161)
Total governmental activities capital assets (net)	\$410,965,896	\$11,805,843	\$(11,621,704)	\$(2,388,495)	\$408,761,541

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

Governmental Activities:	
Judicial	0
General Government	478,843
Public Safety	296,221

Physical & Economic Environment	31,629
Transportation	3,622,682
Transportation (Equipment Rental – Internal Service Fund)	325,368
Culture & Recreation	1,391,143
Total Depreciation Expense-Governmental Activities	\$6,145,886

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 2021:

Business-Type Activities Capital Assets	Beginning Balance 01/01/2021	Increases	Decreases	Transfers In & (Out)	Ending Balance 12/31/2021
Capital assets not being depreciated:					
Land	\$0	\$2,203,691	\$0	\$0	2,203,691
Construction in Progress	771,073	1,539,032	0	0	2,310,105
Intangible Assets-Easements-SWM	35,442	43,153	0	0	78,595
Total assets not being depreciated	\$806,515	\$3,785,876	\$0	\$0	\$4,592,391
Capital assets being depreciated:					
Buildings-SWM	\$228,560	\$0	\$0	\$0	\$228,560
Other Improvements-SWM	37,617,053	0	0	2,468,495	40,085,548
Equipment-SWM	26,877	0	0	0	26,877
Intangible Assets-Software-SWM	156,634	0	0	0	156,634
Total assets being depreciated	\$38,029,124	\$0	\$0	\$2,468,495	\$40,497,619
Total business-type capital assets before depreciation	\$38,835,639	\$3,785,876	\$0	\$2,468,495	\$45,090,010
Less accumulated depreciation for:					
Buildings	\$(82,277)	\$(5,161)	\$0	\$0	\$(87,438)
Other Improvements	(10,892,746)	(791,200)	0	0	(11,683,946)
Equipment	(16,192)	(2,988)	0	0	(19,180)
Intangible Assets-Software	(146,500)	0	0	0	(146,500)
Total accumulated depreciation	\$(11,137,715)	\$(799,349)	\$0	\$0	\$(11,937,064)
Total bus-type capital assets (net)	\$27,697,924	\$2,986,527	\$0	\$2,468,495	\$33,152,946

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

Business-type Activities:

Utilities/Physical Environment (Surface Water Utility)	\$799,349
Total Depreciation Expense-Business-type Activities	\$799,349

C. Construction Commitments

The following table describes the active construction projects on December 31, 2021 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	750,779	54,724
Perteet, Inc - 34 th Ave S/S 160 th to S 166 th	36,117	496,980
RL Alia - 34 th Ave S/S 160 th to S 166 th	1,241	6,673,205
The BlueLine Group - S 188th St/DMMDS and MRS/S 164th St/42nd Ave S Intersections	183,779	161,421
Icon Materials - S 188th St/DMMDS and MRS/S 164th St/42nd Ave S Intersections	727,844	231,193
The BlueLine Group - S 188th St from DMMDS to Intl Blvd	68,208	157,072
Fehr & Peers – S 200 th Corridor Study	149,958	15,043
DKS & Assoc. – Military Rd/S 164 th /42 nd Ave Study	124,995	5
Toole Design Group – International Blvd Safety	158,553	173,163
Perteet – S 200 th St Ped & Bicycle Pathway	214,022	32,388
Ceccanti – S 200 th St Ped & Bicycle Pathway	1,995,720	477,097
PSE – S 200 th St Ped & Bicycle Pathway	30,057	46,966
KPG Inc – Airport Station Area Imps.	842,978	635,174
The BlueLine Group- Small Works Drainage Project	90,137	10,503
Pace Engineers – S 221 st St Drainage Imp.	55,714	31,458
WSDOT – S 221 st St Drainage Imp.	9,701	5,299
HCON Inc – S 221 st St Drainage Imp.	568,899	125,265
Otak Inc – S 180 th St Flood Reduction	319,289	51,561
Road Construction NW – S 180 th St Flood Reduction	550,536	544,400
Total Outstanding Construction Commitments	\$6,878,527	\$9,922,917

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. Disposition requirements can be found in WAS173-360A-0810. 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 8 years at 12/31/2021.

These liabilities are reported on the Statement of Net Position.

NOTE 8: PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2021:

Aggregate Pension Amounts – All Plans
--

Pension liabilities	\$(917,585)
Pension assets	\$9,723,948
Deferred outflows of resources	\$1,341,556
Deferred inflows of resources	\$(10,017,055)
Pension expense/expenditures	\$(2,389,747)

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 annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

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

Or the DRS ACFR 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 2021 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January - June 2021:		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	6.00%
July - December 2021:		
PERS Plan 1	10.07%	6.00%
Administrative Fee	0.18%	
Total	10.25%	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 2021 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – June 2021:		
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%
July – December 2021:		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	10.25%	6.36%

* For employees participating in JBM, the contribution rate was 15.90%.

The City’s actual PERS plan contributions were \$518,717 to PERS Plan 1 and \$842,757 to PERS Plan 2/3 for the year ended December 31, 2021.

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 2021. 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 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, 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 no changes in assumptions since the last valuation. There were changes in methods since the last valuation.

- For purposes of the June 30, 2020, Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.
- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019, AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA

reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

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 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, 2021, 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	\$1,563,160	\$917,586	\$354,580
PERS 2/3	(2,709,172)	(9,509,850)	(15,110,212)
LEOFF 1	(192,744)	(214,098)	(232,572)

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, 2021, the City reported its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$917,586
PERS 2/3	(9,509,850)
LEOFF 1	(214,098)

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	(\$214,098)
State’s proportionate share of the net pension asset associated with the employer	(1,448,153)
TOTAL	(\$1,662,251)

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

	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportion
PERS 1	.076284%	.075136%	.001148%
PERS 2/3	.099272	.095465	.003807%
LEOFF 1	.007119	.006250	.000869%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021, 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 2021. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The

allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2021, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

Pension Expense

For the year ended December 31, 2021, the City recognized pension expense as follows:

	Pension Expense
PERS 1	(\$212,753)
PERS 2/3	(\$2,161,353)
LEOFF 1	(\$15,641)
TOTAL	(\$2,389,747)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, 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	(\$1,018,214)
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	\$224,624	\$0
TOTAL	\$224,624	(\$1,018,214)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$461,880	(\$116,582)
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$7,948,004)
Changes of assumptions	\$13,897	(\$675,357)
Changes in proportion and differences between contributions and proportionate share of contributions	\$267,514	(\$193,479)
Contributions subsequent to the measurement date	\$373,635	\$0
TOTAL	\$1,116,926	(\$8,933,422)

LEOFF 1	Deferred	Deferred
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	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$65,420)
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	(\$65,420)

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, 2022. 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
2022	(\$269,725)
2023	(\$247,166)
2024	(\$233,706)
2025	(\$267,617)
2026	\$0
Thereafter	\$0
Total	(\$1,018,214)

Year ended December 31:	PERS 2/3
2022	(\$2,178,281)
2023	(\$2,035,481)
2024	(\$1,907,275)
2025	(\$2,068,221)
2026	(\$4,697)
Thereafter	\$3,825
Total	(\$8,190,130)

Year ended December 31:	LEOFF 1
2022	(\$17,378)
2023	(\$15,895)
2024	(\$14,999)
2025	(\$17,148)
2026	\$0
Thereafter	\$0

Total	(\$65,420)

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, 2021, there were 131 active members in the City of SeaTac Retirement Trust. Actual employee contributions during the year amounted to \$720,558. Actual employer contributions were \$587,452.

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, Mission Square Retirement.

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 2021 commercial insurance policies limits and deductibles are as follows:

Insurer	Limits	Deductible
CIAW/CHUBB Insurance Program		
General Liability	\$ 5,000,000	\$ 75,000
Employer's Liability (Stop Gap)	\$ 1,000,000	\$ 75,000
Automobile Liability	\$ 5,000,000	\$ 50,000
Wrongful Acts Liability (Public Officials & Employment Practices)	\$ 5,000,000	\$ 125,000
Sexual Abuse Liability	\$ 2,000,000	\$ 75,000
Navigators Specialty Insurance Company		
Excess Liability	\$ 5,000,000	N/A
Travelers		
Crime Policy		
Fidelity (Employee Theft)	\$ 1,000,000	\$ 25,000
Forgery or Alteration	\$ 1,000,000	\$ 25,000
On Premises	\$ 50,000	\$ 10,000
In Transit	\$ 50,000	\$ 10,000
Money Orders & Conterfeit Money	\$ 1,000,000	\$ 10,000
Computer Crime: Computer Fraud	\$ 100,000	\$ 10,000
Computer Crime: Computer Program & Electronic Data Restoration Expense	\$ 50,000	\$ 10,000
Funds Transfer Fraud	\$ 100,000	\$ 10,000
Crime Expense	\$ 5,000	\$ -
Travelers		
CyberRisk Aggregate Limit	\$ 1,000,000	Variable
Colony Insurance Company		
Storage Tank Pollution Liability (Fuel Tanks)	\$ 500,000.00	\$ 1,000
Travelers		
Deluxe Property		
Buildings and Your Business Personal Property	\$ 48,193,012	Variable
Cause of Loss: Earthquake	\$ 2,500,000	\$ 50,000
Cause of Loss: Broad Form Flood	\$ 10,000,000	\$ 50,000
Inland Marine		
Listed Items (See schedule.)	\$ 641,504	
Basic Deductible		\$ 1,000
Windstorm Deductible		\$ 1,000
Travelers (The Charter Oak Fire Insurance Co.)		
Automobile Physical Damage		
Comprehensive Deductible	Variable	\$ 5,000
Collision Deductible	Variable	\$ 5,000
Western Surety Company		
Blanket Notary Errors & Omissions	\$ 25,000	\$ -

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

There have been no settlements in the past three (3) years that have exceeded the City's insurance coverage limits.

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, 2021, 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 18 - Joint Ventures - South Correctional Entity (SCORE).

General obligation and special obligation bond debt outstanding as of the end of 2021 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	\$1,715,518
Total Special Obligation Bonds (Contractual)		\$1,848,191	\$1,715,518

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
2022	69,323	72,259
2023	72,038	69,486
2024	74,934	66,604
2025	78,011	63,607
2026	81,812	59,706
2027-2031	474,763	232,920
2032-2036	593,861	113,740
2037-2038	270,776	12,245
Total SCORE Bonds	\$1,715,518	\$690,567

At December 31, 2021, the city has \$385,734 available in debt service funds to service the general bonded debt.

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 one ground lease agreement. The City has a 50-year ground lease agreement with the YMCA for 6.5 acres through December 31, 2054.

NOTE 13: CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2021, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/21	Additions	Reductions	Ending Balance 12/31/21	Due Within One Year
Governmental Activities:					
Bonds payable:					
Special obligation bonds	\$1,782,126	\$0	\$(66,608)	\$1,715,518	\$69,323
Total bonds payable - net	\$1,782,126	\$0	\$(66,608)	\$1,715,518	\$69,323
Compensated absences	1,198,037	43,734	(34,292)	1,207,479	60,374
Compensated absences-ISF	8,505	573	(2,380)	6,698	335
Asset Retirement Obligation	16,377	0	(0)	16,377	1,636
Total OPEB Liability	2,008,712	42,970	(1,906,419)	145,263	129,476
Net Pension Liability	3,853,934	0	(2,936,349)	917,585	0
Gov activities long-term liabilities	\$7,085,565	\$87,277	\$(4,879,440)	\$2,293,402	\$191,821
Business-type Activities:					
Compensated absences	\$79,313	\$6,557	\$(1,322)	\$84,548	\$4,227
Net pension Liability	108,934	0	(108,934)	0	0
Bus-type activities long-term liabilities	\$188,247	\$6,557	\$(110,256)	\$84,548	\$4,227

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 \$6,698 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. 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, and her estate alleges that the City was negligent because a pedestrian signal was not working. This claim was tendered to the Puget Sound Transit Authority (Sound Transit) because work affecting the signal was being performed by Sound Transit’s contractor. Sound Transit accepted the tender without reservation. Litigation is ongoing. 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 full disclosure.

The parties participated in mediation which took place on October 27, 2021, but did not reach an agreement. Settlement discussions/negotiations are ongoing.

2. *Firs Home-Owners Association*. In February 2019, the Firs Home-Owners 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 by the Homeowner’s Association. The City denied the allegations and outside legal counsel has been obtained. The City’s risk pool (CIAW - Cities Insurance Association of Washington) paid \$50,000 (CIAW limits) towards this claim in excess of the City’s \$100,000 deductible. Initially, the insurance company providing excess coverage above the City’s deductible and CIAW’s limits denied coverage. However, CHUBB Insurance is now paying defense attorneys’ fees and costs, and reimbursed the City for fees and costs it paid over the \$100,000 deductible. Although the City is confident in its legal position, the probable outcome of this lawsuit is unknown and the impact to the City’s financial condition is also unknown.

In May 2021, the City engaged in mediation which has not yet yielded positive results. In addition, the City filed a Motion for Summary Judgement in March 2021, and motions to exclude Plaintiffs’ expert witnesses. The City is still awaiting the rulings in these matters.

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 \$49,327,487 in restricted net position. None of the restrictions were from enabling legislation.

NOTE 16: INTERFUND BALANCES & TRANSFERS

During 2021, 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)	Municipal CIP #301	1,681,500	0	0	0	0	0	1,681,500	
	Transportation CIP Fund #307	0	1,400,000	0	0	0	0	1,400,000	
	Equipment Rental Fund #501 ²	60,000	27,000	0	0	0	0	87,000	
	Other Non-Major Funds	0	0	139,400	0	0	0	139,400	
	Total Cash Transfers	1,741,500	1,427,000	139,400	0	0	0	3,307,900	
	Transfer in of capital assets:								
	To Equipment Rental Fund #501 from Transportation CIP Fund #307								80,000
	Total Interfund Transfers								3,387,900

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. The Transportation CIP Fund purchased four portable message board trailers and transferred them to the Equipment Rental Fund.

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

Municipal CIP Fund #301

The General Fund transferred \$181,500 in technology fees for permit software and \$1,500,000 for upgrades to the City Hall HVAC system.

Transportation CIP Fund #307

In 2021, interfund transfers totaling \$1,400,000 was made into the Transportation CIP Fund as follows to assist with the payment of capital infrastructure projects in the City including the 34th Ave S/S 160th - S 166th Street Improvements project, the International Boulevard Safety Improvement Plan, the 200th Shared Use Path and Airport Station Area Improvements.

Equipment Rental Fund #501

The General Fund transferred \$60,000 to the Equipment Rental Fund for the purchase of a turf machine and the Street Fund transferred \$27,000 for crash attenuator board. The Transportation CIP Fund transferred \$80,000 of capital equipment.

Non-Major Fund Transfers

The Surface Water Utility Fund #403 transferred \$139,400 into the Des Moines Creek Basin Fund #111 for maintenance and operations (\$61,500) and to accumulate reserves (\$77,900) for future capital improvements.

NOTE 17: RECEIVABLE AND PAYABLE BALANCES**A. Receivables**

The receivable balances for the major funds at December 31, 2021 were as follows:

Fund	Taxes	Customer Accounts (Net) ¹ & Contracts	Special Assessments/ Interest & Penalties	Due from Other Gov	Total
Governmental Activities:					
General #001 ²	\$3,976,927	\$880,038	\$0	\$93,246	\$4,950,211
Street #102	794,427	47,849	0	95,312	937,588
Hotel/Motel Tax #107	208,129	0	0	0	208,129
Municipal Capital Imp. #301	311,170	303	0	0	311,473
Facility Construction CIP #306	0	0	0	0	0
Transportation CIP #307	0	139,826	0	0	139,826
Other Governmental Funds	23,260	0	0	0	23,260
Total Governmental Activities	\$5,313,913	\$1,068,016	\$0	\$188,558	\$6,570,487
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	\$214,190	\$0	\$0	\$214,190
Solid Waste & Environmental #404	0	32,467	0	28,196	60,663
Total Business-Type Activities	\$0	\$246,657	\$0	\$28,196	\$274,853

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, 2021 were as follows:

Fund	Accounts	Due to Other Gov	Deposits & Custodial	Interest & Other	Total
Governmental Activities:					
General #001 ¹	\$3,193,787	\$0	\$228,632	0	\$3,422,419
Street #102	127,839	0	533	0	128,372
Hotel/Motel Tax #107	232	0	0	0	232
Municipal Capital Imp. #301	185,797	0	0	0	185,797
Facility Construction CIP #306	205	0	0	0	205
Transportation CIP #307	175,412	0	0	0	175,412
Other Governmental Funds	20,604	0	0	0	20,604
Subtotal Governmental Activities	\$3,703,876	\$0	\$229,165	\$0	\$3,933,041
Reconciliation of balances in fund financial statements to government-wide financial statements:					
Internal service fund adjustment	113,250	0	0	0	113,250
Total Governmental Activities	\$3,817,126	\$0	\$229,165	\$0	\$4,046,291
Business-type Activities:					
Surface Water Utility #403	\$77,922	\$0	\$0	\$16,678	\$94,600
Solid Waste & Environmental #404	3,338	0	0	0	3,338
Total Business-type Activities	\$81,260	\$0	\$0	\$16,678	\$97,938

¹ Includes 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 no 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%
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	2,260,000	1,649,350	3,909,350	1,365,927	188,431	235,343	1,601,270	141,518	376,861
2027-2031	13,115,000	6,434,250	19,549,250	6,830,508	942,274	1,176,865	8,007,373	707,683	1,884,548
2032-2036	16,405,000	3,142,000	19,547,000	6,829,722	942,165	1,176,729	8,006,451	707,601	1,884,331
2037-2038	7,480,000	338,250	7,818,250	2,731,697	376,840	470,659	3,202,356	283,021	753,679
Totals	\$ 47,390,000	\$ 19,076,450	\$ 66,466,450	\$ 23,223,378	\$ 3,203,683	\$ 4,001,280	\$ 27,224,659	\$ 2,406,085	\$ 6,407,365

The City of SeaTac reports its share of equity interest (\$2,661,310), including outstanding bond amounts (\$1,715,518) 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, 2021, related to SCORE:

South Correctional Entity (SCORE)					
Member City	2020 Percent of Equity	2020 Equity Balance	2021 Percent of Equity	2021 Apportionment	2021 Equity Balance
Auburn	43.05%	\$ 12,967,700	41.93%	\$ 760,941	\$ 13,728,641
Burien	5.14%	1,548,383	5.30%	187,658	1,736,041
Des Moines	4.62%	1,392,707	4.95%	226,688	1,619,395
Renton	31.70%	9,546,337	31.93%	903,035	10,449,372
SeaTac	7.66%	2,306,559	8.13%	354,751	2,661,310
Tukwila	7.83%	2,357,977	7.76%	183,808	2,541,785
Grand Totals	100.00%	\$ 30,119,663	100.00%	\$ 2,616,881	\$ 32,736,544

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 2021.

Aggregate OPEB Amounts – All Plans	
OPEB Liabilities	\$145,263
Deferred Outflows of Resources	16,180
Deferred Inflows of Resources	0
OPEB Expenses/Expenditures	(1,858,259)

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 three (3) retirees that meet the eligibility requirements. This is a reduction of one (1) since the previously reported period. The Plan is closed to new entrants.

At December 31, 2021, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	3
---	---

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 \$30,928 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, 2021.

Actuarial methods and assumptions are consistent with the 2020 LEOFF 1 Medical Benefits Actuarial Valuation

Report (AVR). A discount rate of 2.21% and inflation was estimated at 2.75%. Healthcare cost trend rates range from 4.3% to 5.3% 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 5.1%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.1%) or 1-percentage point higher (6.1%) than the current rate.

	1% Decrease (4.1%)	Current Healthcare Cost Trend Rate (5.1%)	1% Increase (6.1%)
Total OPEB Liability	\$134,371	\$145,263	\$157,484

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.21%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.21%) or 1-percentage point higher (3.21%) than the current rate.

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$158,521	\$145,263	\$133,729

Changes in the Total OPEB Liability

LEOFF 1 Retirees OPEB Plan	
Total OPEB Liability at 01/01/2021	\$2,008,712
Service Cost	0
Interest	42,970
Changes in Benefit Terms	0
Changes in Experience Data and Assumptions	(1,776,943)
Benefit Payments	(129,476)
Other Changes	0
Total OPEB Liability at 12/31/2021	\$145,263

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, 2021.

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 \$1,858,259 of OPEB expense due to the change in experience data and assumptions, however only \$14,478 of actual OPEB expenditures were recorded in the reporting period.

At December 31, 2021, 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	\$16,180	\$0
TOTAL	\$16,180	\$0

Deferred outflows of resources of \$16,180 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, 2022.

NOTE 20: 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 \$2,730,255. 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 \$4,070,000. These numbers represent the sale of the remaining portion of the former SeaTac Center Site (\$4,070,000) This item is reported as a special item due to the significance and infrequency of this type of transaction occurring.

NOTE 21: COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued through 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

In response to the pandemic, most city facilities have limited public access and interactions for over a year, many city employees worked remotely, and new procedures have been put in place to accommodate the new remote work environment. While some activities have been limited or temporarily curtailed, the City continues to operate all major functions and meet its public mandates. The City has remained economically stable and continues to adapt to the changing conditions.

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



Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2021

	2021-2022 Biennial Budget Amounts		Actual Amount	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 65,075,100	\$ 65,075,100	\$ 34,226,246	\$ (30,848,854)
Licenses & permits	3,441,321	3,441,321	2,558,758	(882,563)
Intergovernmental & contributions	2,445,113	2,653,557	1,582,770	(1,070,787)
Charges for services	3,562,466	3,562,466	2,415,527	(1,146,939)
Fines and forfeitures	277,725	277,725	200,311	(77,414)
Investment & other earnings	441,200	441,200	444,863	3,663
Rent & leases	614,020	614,020	-	(614,020)
Miscellaneous	2,158,243	2,031,060	338,966	(1,692,094)
Total Revenues	78,015,188	78,096,449	41,767,441	(36,329,008)
Expenditures				
Current:				
Judicial	1,804,419	1,931,131	839,945	1,091,186
General Government	17,130,532	18,136,265	7,926,133	10,210,132
Public Safety	48,626,343	49,575,873	23,569,162	26,006,711
Transportation	206,180	206,180	84,106	122,074
Health & Human Services	1,800,795	1,804,111	665,060	1,139,051
Physical & Economic Environment	6,283,282	6,978,165	2,918,973	4,059,192
Culture & Recreation	9,159,486	9,301,946	4,065,840	5,236,106
Capital outlay	-	-	7,484	(7,484)
Total Expenditures	85,011,037	87,933,671	40,076,703	47,856,968
Excess (deficiency) of revenues over (under) expenditures	(6,995,849)	(9,837,222)	1,690,738	11,527,960
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(363,000)	(1,923,000)	(1,741,500)	181,500
Disposal & ins-capital assets	-	-	-	-
Total Other Fin Sources (Uses)	(363,000)	(1,923,000)	(1,741,500)	181,500
Net Change in Fund Balances	(7,358,849)	(11,760,222)	(50,762)	11,709,460
Fund Balances-January 1, 2021	29,372,543	34,541,589	34,533,729	(7,860)
Fund Balances-December 31, 2021	<u>\$ 22,013,694</u>	<u>\$ 22,781,367</u>	<u>\$ 34,482,967</u>	<u>\$ 11,701,600</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, 2021**

	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	\$ 34,226,246	\$ -	\$ -	\$ -
Licenses & permits	2,558,758	-	-	-
Intergovernmental	1,582,770	1,400,000	284,280	-
Charges for services	2,415,527	-	-	-
Fines & forfeitures	200,311	-	-	-
Investment & other earnings	444,863	56,076	373	35,247
Net Change in FV of investments	(570,714)	(118,211)	-	(47,766)
Rent & leases	-	-	-	337,611
Miscellaneous	338,966	-	-	3,591
Total Revenues	41,196,727	1,337,865	284,653	328,684
Expenditures				
Current:				
Judicial	839,945	-	-	-
General Government	7,926,133	10,720	595,678	251,406
Public Safety	23,569,162	1,333,651	-	-
Transportation	84,106	-	-	-
Health & Human Services	665,060	-	-	-
Physical & Economic Env	2,918,973	9,849	-	-
Culture & Recreation	4,065,840	38,100	-	-
Capital outlay	7,484	-	-	-
Total Expenditures	40,076,703	1,392,320	595,678	251,406
Excess (deficiency) of revenues over (under) expenditures	1,120,024	(54,456)	(311,024)	77,278
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(1,741,500)	-	-	-
Disposal & ins-capital assets	-	3,988,600	-	-
Total Other Fin Sources (Uses)	(1,741,500)	3,988,600	-	-
Net Change in Fund Balances	(621,476)	3,934,144.35	(311,024)	77,278
Fund Balances-Beg (as prev rptd)	34,533,729	8,682,186	446,091	3,519,106
Prior Year Adjustment	-	-	-	-
Fund Balances-Beginning*	34,533,729	8,682,186	446,091	3,519,106
Fund Balances-Ending	<u>\$ 33,912,253</u>	<u>\$ 12,616,330</u>	<u>\$ 135,067</u>	<u>\$ 3,596,384</u>

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

	ARPA Grant	Eliminate Transfers & Spec Item Adj	General Fund GAAP Basis - Actual Amounts	Net Change - Increase (Decrease)
Revenues				
Taxes	\$ -	\$ -	\$ 34,226,246	\$ -
Licenses & permits	-	-	2,558,758	-
Intergovernmental	-	-	3,267,050	1,684,280
Charges for services	-	-	2,415,527	-
Fines & forfeitures	-	-	200,311	-
Investment & other earnings	1,292	-	537,852	92,989
Net Change in FV of investmen	(5,015)	-	(741,706)	(170,992)
Rent & leases	-	-	337,611	337,611
Miscellaneous	-	-	342,557	3,591
Total Revenues	(3,723)	-	43,144,205	1,947,479
Expenditures				
Current:				
Judicial	-	-	839,945	-
General Government	-	-	8,783,936	857,804
Public Safety	-	-	24,902,813	1,333,651
Transportation	-	-	84,106	-
Health & Human Services	-	-	665,060	-
Physical & Economic Env	-	-	2,928,822	9,849
Culture & Recreation	-	-	4,103,940	38,100
Capital outlay	-	-	7,484	-
Total Expenditures	-	-	42,316,107	2,239,404
Excess (deficiency) of revenues over (under) expenditures	(3,723)	-	828,099	(291,925)
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	(1,741,500)	-
Disposal & ins-capital assets	-	-	3,988,600	3,988,600
Total Other Fin Sources (Uses)	-	-	2,247,100	3,988,600
Net Change in Fund Balances	(3,723)	-	3,075,199	
Fund Balances-Beg (as prev rptd)	-	-	45,357,164	
Prior Year Adjustment	-	-	-	
Fund Balances-Beginning	-	-	17,963,022	
Fund Balances-Ending	\$ (3,723)	\$ -	\$ 21,038,221	

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Street Fund
For the Year Ended December 31, 2021**

	2021-2022 Biennial Budget Amounts		Amounts*	Variance with
	Original	Final		Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 13,889,200	\$ 13,889,200	\$ 6,675,589	\$ (7,213,611)
Licenses & permits	51,263	51,263	34,397	(16,866)
Intergovernmental	1,301,829	1,271,829	672,413	(599,416)
Charges for services	202,900	202,900	133,548	(69,352)
Fines and forfeitures	-	-	52,426	52,426
Investment & other earnings	92,250	92,250	62,119	(30,131)
Rents & leases	-	-	-	-
Miscellaneous	30,000	60,000	63,462	3,462
Total Revenues	15,567,442	15,567,442	7,693,954	(7,873,488)
Expenditures				
Current:				
Public Safety	425,020	426,679	208,416	218,263
Transportation	8,395,949	8,763,469	3,667,680	5,095,789
Physical & Economic Environment	108,000	108,000	48,280	59,720
Capital Outlay:				
Transportation	3,070,000	3,077,000	982,407	2,094,593
Total Expenditures	11,998,969	12,375,148	4,906,782	7,468,366
Excess (deficiency) of revenues over (under) expenditures	3,568,473	3,192,294	2,787,171	(405,123)
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	7,400,000	7,977,000	1,427,000	(6,550,000)
Disposal & ins-capital assets	-	-	-	-
Total Other Fin Sources (Uses)	7,400,000	7,977,000	1,427,000	(6,550,000)
Net Change in Fund Balances	10,968,473	11,169,294	4,214,171	(6,955,123)
Fund Balances-January 1, 2021	9,235,658	10,529,643	10,529,643	-
Fund Balances-December 31, 2021	\$ 20,204,130	\$ 21,698,937	\$ 14,743,814	\$ (6,955,122)

*Note: Budgetary basis differs from GAAP basis.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Hotel/Motel Tax Fund
For the Year Ended December 31, 2021**

	2021-2022 Biennial Budget Amounts		Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,623,229	\$ 1,623,229	\$ 1,215,937	\$ (407,292)
Intergovernmental	-	-	12,795	12,795
Investment & other earnings	39,600	39,600	21,621	(17,979)
Miscellaneous	-	-	197	197
Total Revenues	<u>1,662,829</u>	<u>1,662,829</u>	<u>1,250,550</u>	<u>(412,279)</u>
Expenditures				
Current:				
Economic Environment	1,401,665	1,544,174	463,056	1,081,118
Total Expenditures	<u>1,401,665</u>	<u>1,544,174</u>	<u>463,056</u>	<u>1,081,118</u>
Excess (deficiency) of revenues over (under) expenditures	261,164	118,655	787,494	668,839
Other Financing Sources (Uses)				
Transfers In	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
Net Change in Fund Balances	261,164	118,655	787,494	668,839
Fund Balances-January 1, 2021	<u>8,417,339</u>	<u>8,923,388</u>	<u>8,677,732</u>	<u>-</u>
Fund Balances-December 31, 2021	<u>\$ 8,678,503</u>	<u>\$ 9,042,043</u>	<u>\$ 9,465,226</u>	<u>\$ 423,183</u>

*Note: Budgetary basis differs from GAAP basis.

Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30, 2021
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
<u>Employer's proportion of the net pension liability (asset)</u>	0.075136%	0.762840%	0.070400%	0.070473%	0.067707%	0.075408%	0.080985%
<u>Employer's proportionate share of the net pension liability (asset)</u>	\$ 917,586	\$ 2,693,237	\$ 2,707,130	\$ 3,147,348	\$ 3,212,750	\$ 4,049,765	\$ 4,236,269
TOTAL	\$ 917,586	\$ 2,693,237	\$ 2,707,130	\$ 3,147,348	\$ 3,212,750	\$ 4,049,765	\$ 4,236,269
<u>Covered payroll</u>	\$ 11,462,124	\$ 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>	8.01%	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>	88.74%	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, 2021
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
<u>Employer's proportion of the net pension liability (asset)</u>	0.095465%	0.099272%	0.090892%	0.090486%	0.085227%	0.095030%	0.102779%
<u>Employer's proportionate share of the net pension liability (asset)</u>	\$ (9,509,850)	\$ 1,269,632	\$ 882,870	\$ 1,544,968	\$ 2,961,231	\$ 4,784,685	\$ 3,672,352
TOTAL	\$ (9,509,850)	\$ 1,269,632	\$ 882,870	\$ 1,544,968	\$ 2,961,231	\$ 4,784,685	\$ 3,672,352
<u>Covered payroll</u>	\$ 11,418,100	\$ 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>	-83.29%	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>	120.29%	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, 2021
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.006250%	0.007119%	0.006966%	0.006844%	0.006773%	0.006678%	0.006607%
Employer's proportionate share of the net pension liability (asset)	\$ (214,098)	\$ (134,443)	\$ (137,691)	\$ (124,253)	\$ (102,761)	\$ (68,802)	\$ (79,629)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (1,448,153)	\$ (909,369)	\$ (931,339)	\$ (840,444)	\$ (695,075)	\$ (465,378)	\$ (538,608)
TOTAL	\$ (1,662,251)	\$ (1,043,812)	\$ (1,069,030)	\$ (964,697)	\$ (797,836)	\$ (534,180)	\$ (618,237)
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	187.45%	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, 2021
Last 10 Fiscal Years***

	2021	2020	2019	2018	2017	2016	2015
<u>Statutorily or contractually required contributions</u>	\$ 518,717	\$ 539,975	\$ 513,419	\$ 492,576	\$ 441,631	\$ 407,177	\$ 420,763
<u>Contributions in relation to the statutorily or contractually required contributions</u>	\$ (518,717)	\$ (539,975)	\$ (513,419)	\$ (492,576)	\$ (441,631)	\$ (407,177)	\$ (420,763)
<u>Contribution deficiency (excess)</u>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Covered payroll</u>	\$ 11,905,928	\$ 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>	4.36%	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, 2021
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
<u>Statutorily or contractually required contributions</u>	\$ 842,757	\$ 890,796	\$ 803,325	\$ 729,605	\$ 612,700	\$ 622,456	\$ 531,326
<u>Contributions in relation to the statutorily or contractually required contributions</u>	\$ (842,757)	\$ (890,796)	\$ (803,325)	\$ (729,605)	\$ (612,700)	\$ (622,456)	\$ (531,326)
<u>Contribution deficiency (excess)</u>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Covered payroll</u>	\$ 11,795,868	\$ 11,258,447	\$ 10,396,318	\$ 9,727,931	\$ 8,907,491	\$ 8,385,928	\$ 9,104,496
<u>Contributions as a percentage of covered employee payroll</u>	7.14%	7.91%	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, 2021
Last 10 Fiscal Years*

	2021	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>\$ -</u>
<u>Covered payroll</u>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Contributions as a percentage of covered employee payroll</u>	0.00%	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, 2021
Last 10 Fiscal Years*

	2021	2020	2019	2018
Total OPEB liability - beginning	\$ 2,008,712	\$ 1,838,137	\$ 1,910,494	\$ 1,973,496
Service cost	-	-	-	-
Interest	42,970	62,837	72,484	69,307
Changes in benefit terms	-	-	-	-
Changes in Experience Data and Assumptions	(1,776,943)	194,041	(69,059)	(56,554)
Estimated Benefit payments	(129,476)	(86,303)	(75,782)	(75,755)
Other changes	-	-	-	-
Total OPEB liability - ending	<u>\$ 145,263</u>	<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:

- 1) 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.
- 2) The size of the population covered by the benefit terms decreased by one (1) in 2021.

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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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