

2006 Comprehensive Annual Financial Report

For the Fiscal Year Ended
December 31, 2006



City of SeaT ac, Washington

4800 South 188th Street
SeaT ac, Washington 98188

About the Japanese Garden

Shinichi Seike immigrated from Ehime, a southern Japanese island, in 1919. In 1929 he purchased 13 acres near Des Moines Memorial Drive and moved into a farmhouse with wife Kameno, daughter Ruth, and sons Ben, Toll, and Hal. The family was interned during World War II, along with over 100,000 other Japanese Americans.

All three sons served in the military. Middle son Toll was killed in action while serving with the distinguished 442nd Regimental Combat Team, the most decorated military unit in U.S. History. Many Japanese American families lost their property during the internment, but the Seikes were fortunate that community members saved the property in the families absence. Upon their return, Shinichi Seike started a nursery. The nursery store was opened in 1953 after sons Hal and Ben earned Horticulture degrees from WSU.

In 1961 the family began construction of a classic "pond-and-mountain" style garden as a memorial to their brother. The family hired Hiroshima designer Shintaro Okada to assist in planning and construction. Construction began in January of 1961 and was complete by June 25. A gala opening was held to promote the garden, with the twenty-five cent admission fee benefiting Children's Hospital. Anyone wearing a kimono was admitted free. The garden's massive stonework and meticulously pruned pines remained a Highline "best kept secret" for nearly two additional decades.

Given the complexity of the project and the tight budget, today's garden perhaps more closely resembles Opening Day 1961 than when the garden was purchased by the Port of Seattle in 2002. Modifications were also necessary to turn what was primarily a residential garden into a public facility. The ultimate goal always remained a faithful re-creation of Mr. Okada's intent, and the result is the preservation of a magnificent horticultural, cultural, and historical amenity.



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For the Fiscal Year Ended
December 31, 2006

Prepared by the
City of SeaTac Finance Department



City of SeaTac, Washington

4800 South 188th Street
SeaTac, Washington 98188

**CITY OF SEATAC, WASHINGTON
ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended December 31, 2006

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ANNUAL FINANCIAL REPORT**

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Mayor
Gene Fisher

Deputy Mayor
Ralph Shape

Councilmembers
Chris Wythe
Terry Anderson
Tony Anderson
Joe Brennan
Don DeHan



City Manager
Craig R. Ward

Assistant City Manager
Tina J. Rogers

City Attorney
Mary E. Mirante Bartolo

City Clerk
Kristina Gregg

"The Hospitality City"

September 10, 2007

Honorable Mayor, Councilmembers, City Manager and SeaTac Residents:

We are pleased to present the City of SeaTac's *Comprehensive Annual Financial Report (CAFR)* for the fiscal year ended December 31, 2006. We prepare these financial statements in conformity with generally accepted accounting principles (GAAP) and they have been audited in accordance with generally accepted auditing standards by the Washington State Auditor's Office. This transmittal letter provides an overview of the report and the financial condition of the City. It also provides insight into the history of the City and the economic conditions affecting it.

The Comprehensive Annual Financial Report has several significant uses. First, it provides a general overview of the City's finances to the general public and taxpayers. Second, it is referenced by bond buyers and rating agencies to evaluate the City's fiscal stability and creditworthiness. Finally, the CAFR is a series of financial statements that have been audited by the State Auditor's Office and provides assurances that assets have been safeguarded and funds are expended as they were legally appropriated in the annual budget.

The City of SeaTac Finance Department is responsible for the accuracy, completeness and fairness of the presentation of the information contained in this report. The data and disclosures are believed to be accurate in all material respects and fairly represent SeaTac's financial position and results of operations. All significant information necessary for an understanding of the affairs and financial condition of the City has been disclosed. City management has developed an internal control structure that is designed to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh the benefits, the City's internal control structure is designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we attest that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

As a recipient of federal, state and county financial assistance, the City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The audit is conducted by the State Auditor's Office in conjunction with the City's annual independent audit. The results of the City's annual single audit for the fiscal year ended December 31, 2006, provided no instances of material weakness in the internal control structure or significant violations of applicable laws. The City's Single Audit Report is issued separately and is available upon request or directly from the Washington State Auditor's Office.

This Comprehensive Annual Financial Report is presented in conformity with Governmental Accounting Standards Board (GASB) Statement 34. The implementation of GASB 34 modified the presentation of financial information for the City of SeaTac effective with financial statements ending December 31, 2003.

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

The City's 2006 financial audit has been completed and the City has been issued an unqualified opinion. The Independent Auditor's Report is included in the Financial Section of this document.

THE CITY OF SEATAC AND ITS SERVICES

The City of SeaTac operates as a Non-Charter Code City under the laws of the State of Washington. The City has a Council-Manager form of government with daily operations administered by a full-time City Manager and a seven member City Council, with one of its members serving as Mayor. The Council establishes policies, provides the necessary resources to operate the City through the budget process and adopts local laws through ordinances. The seven-member City Council is elected at-large rather than by district, and serve a four-year term. Elections are staggered on a two-year cycle.

The City is located in King County, the most populous county in the State of Washington. SeaTac is strategically located between the labor and consumer markets of the two largest cities in the area, Seattle and Tacoma. SeaTac currently serves 25,230 residents within its incorporated limits and has a work force of approximately 36,800 employees. It also accommodates over 82,000 people traveling through Seattle-Tacoma International Airport daily.

The area that became the incorporated City of SeaTac was originally a community that was predominately rural. World War II and the sudden growth of defense activities nearly tripled the population of the area. In 1942, the Port of Seattle began the development of a new airport called Seattle-Tacoma International Airport in South King County. Within two decades, the Airport had expanded to 1,400 acres and had a thriving suburban community around it. Seattle-Tacoma International Airport is the key international air hub for the Pacific Northwest. In 2006, the Airport handled 30 million passengers.

The City's boundaries surround the airport resulting in a significant number of employers who are connected to the air travel industry. This group includes airlines, hotels, car rental agencies and park-and-fly operations. Additionally, the Boeing Company houses its regional Spares Division facility in the City.

The City is a general-purpose governmental entity and provides the full range of municipal services allowed by statute or charter. The City provides a wide range of services to its residents as well as to the adjacent area. These services include police protection (contracted through King County), fire protection, parks, land use management, development regulation, street construction and maintenance, and storm drainage management. Other governmental agencies also provide services to the City of SeaTac and the surrounding area. They include the Highline School District, King County Metropolitan Services (a regional agency that provides transportation and sewage treatment services), the King County Library System, and a number of water and sanitary sewer districts. The City is not financially accountable for these legally separate entities, nor do they meet the component unit criteria, so their operations are not included in the City's CAFR.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is a perspective of past activities that influence the City's financial condition. The following information is presented to place that information in context with the general economy.

Local Economy

The City of SeaTac's economy is based on a strong air travel sector coupled with diversified industries, trades and services. The three largest local economic sectors are airlines, lodging and rental cars. Alaska Airlines is the largest employer and taxpayer in the City, representing 14.2% of the total assessed valuation for the City. United, Horizon Air, Northwest, Southwest, Delta, American, Hawaiian and Continental Airlines combine to account for an additional 22.9% of the City's property tax base.

With approximately 5,350 rooms located in the City, a strong hotel/motel sector provides a number of jobs in SeaTac. The largest facilities operating in the City are the Doubletree Hotel and the Marriott Corporation. A number of other hotels and motels also service the traveling public, with the majority located along International Boulevard near Sea-Tac Airport. In the past few years several new hotels and motels have been constructed, providing additional traveler accommodation space in the City.

Schedule 7 in the Statistical Section lists the twelve property largest taxpayers in the City. This list includes nine airlines, one airplane manufacturer and two hotels. In addition, there is a wide range of other firms located in the community, including car rental agencies, automobile sales and manufacturing facilities, as well as distribution, wholesaling and retailing operations, illustrating the diversified character of the economy. The City, in partnership with the business community, continues its efforts to attract new business to the area.

As noted earlier, the City is geographically located in southern King County with the City's borders surrounding the Seattle-Tacoma International Airport. With this location, the City's economy is highly impacted by international, national and regional events that affect air travel and the tourism/business travel industry. This was highlighted by the events of September 11, 2001 with its rippling effects on the travel sector in general and our City in particular. With the City's reliance on property and sales taxes, and, to a lesser degree parking taxes and hotel/motel taxes, the downturn in business and personal travel had an impact on the City's financial condition.

For most cities, property taxes represent the most stable element of their revenue stream. However, SeaTac is unique with a large component of its property tax base centered in the assets of airline companies, with almost 40% of the City's total property tax levy paid by the airlines. In this area, there exists a potential for decreases in collections stemming from changes in the economy and its effect on the travel sector and the financial stability of particular airlines. The City recognizes this and continues to monitor the payment streams from these taxpayers. The City believes that the continued improvements in the personal and business travel environment will translate into continued timely collection of these revenues.

Property tax revenues account for 34.5% of total general governmental tax revenue, and the City Council has elected to levy property taxes less than the limit allowed under state law since 1994. A number of recent changes, however, have limited the City's future property tax revenue generating abilities. The most significant impact is Initiative 747, approved by Washington voters in November 2001. This initiative limits the annual growth in the tax levy to 1% unless approved by voters. A June 2006 ruling in King County Superior Court declared Initiative 747 was unconstitutional. The State of Washington appealed the ruling to the Washington State Supreme Court and also sought and was granted a "stay", which means that the 1% limit of Initiative 747 remains in effect until and unless the court rules differently. The State Supreme Court heard the appeal on May 8, 2007, and a decision is expected to be announced toward the end of 2007. Although the City's assessed valuation has continued to grow steadily as shown in Schedule 5 in the Statistical Section, it is not anticipated that property tax revenue will increase at the same rate as the tax base in future years.

The downturn in sales tax revenues beginning in 2002 caused the City to use more conservative budgeting and spending practices. In addition to having dealt with this downturn in retail sales, the City continues to work to expand economic opportunities and has identified targeted markets for economic development. Through this activity, the City strives to grow the local economy while increasing business-related revenue to the City. Traditionally, sales taxes have been a strong revenue source for the City, accounting for approximately 33.6% of general governmental tax revenues in 2006. Sales tax revenues that are generated by Port of Seattle airport capital improvements are accounted for in a capital projects fund and are dedicated to specific capital expenditures because they are not an ongoing, operating revenue source.

In addition to the reduction in sales taxes in 2002, the City experienced declines in its parking tax revenues. Parking tax revenue, derived primarily from airport-related parking throughout the City, is dedicated to funding transportation improvements. The continuing decline in parking tax revenues during 2002 and 2003 reduced funding for long-term transportation capital projects in terms of both scale and timing. However, short-term projects were largely unaffected by the downturn in parking taxes since these projects were fully funded through grants and parking tax revenues already received. The commercial parking tax rate was increased effective January 1, 2006, and provides for incremental changes to the parking tax rate on a yearly basis through 2010. A portion of the additional parking tax revenue stream is dedicated to certain transportation projects identified in an Interlocal Agreement with the Port.

The 1% Lodging Tax approved by the City Council in 1998 is deposited into a dedicated special revenue fund and used to fund tourism-related activities. In accordance with State law, lodging taxes can only be spent on activities that increase tourism and visitation to the City. The City is committed to expending resources whose affect is to increase the number of tourists to the City. The City has and will continue to expend hotel/motel funds towards this purpose.

Economic Outlook

The Economic and Revenue Forecast Council predicts that Washington's economy will stay strong. Washington's housing outlook, employment and income levels are performing better than the national level. 90,000 new jobs have been added in the past twelve months, with much of the growth occurring in high wage sectors such as aerospace and software. Propelled by continued strength in construction, aerospace and software, Washington nonfarm payroll employment growth increased to 2.9 percent in 2006 from 2.8 percent in 2005. Growth in these key industries is expected to slow during the next three years and the state will also be affected by the slowdown in the national economy. Washington State's seasonally adjusted unemployment rate decreased to 4.5 percent in June 2007, down .5 percent from the June 2006 level.

The long-term future of the air travel industry remains positive. This is important because it impacts so many sectors which are vital to SeaTac's economy. It should also be noted that Sea-Tac Airport is in the midst of a multi-year capital improvement program that includes significant expansion to accommodate anticipated increases in air operations. The plan includes construction of a third runway, airfield pavement and infrastructure improvements, main terminal upgrade and expansion, and replacement of the satellite transit system.

SeaTac is in a continuous process of both short-term and long-term financial planning. Short term financial planning is inherent in the development of the City's annual budget. Concurrent with the annual budget is the City's long-term capital needs and potential funding is assessed with the development of the six-year capital facilities plan. The capital facilities plan is a component of the Comprehensive Master Plan, which outlines how the City should look and function in twenty years and creates a vision that can be realistically implemented. An integral part of this vision is determining how to allocate the City's financial resources to achieve the desired goals.

The challenge is to control costs that grow at a faster rate than revenue. Areas of particular concern are health care and public safety costs. Continuing to fund these sectors will draw valuable resources from other areas. As SeaTac moves forward, economic conditions will be continually monitored and adjustments to City spending and services made to maintain the City's financial health. Long-term plans will be focused on ensuring that SeaTac continues to be an economically strong and viable city.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) of the United States and Canada has awarded the *Certificate of Achievement for Excellence in Financial Reporting* to the City of SeaTac for its Comprehensive Annual Financial Report for the years 1991 through 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements.

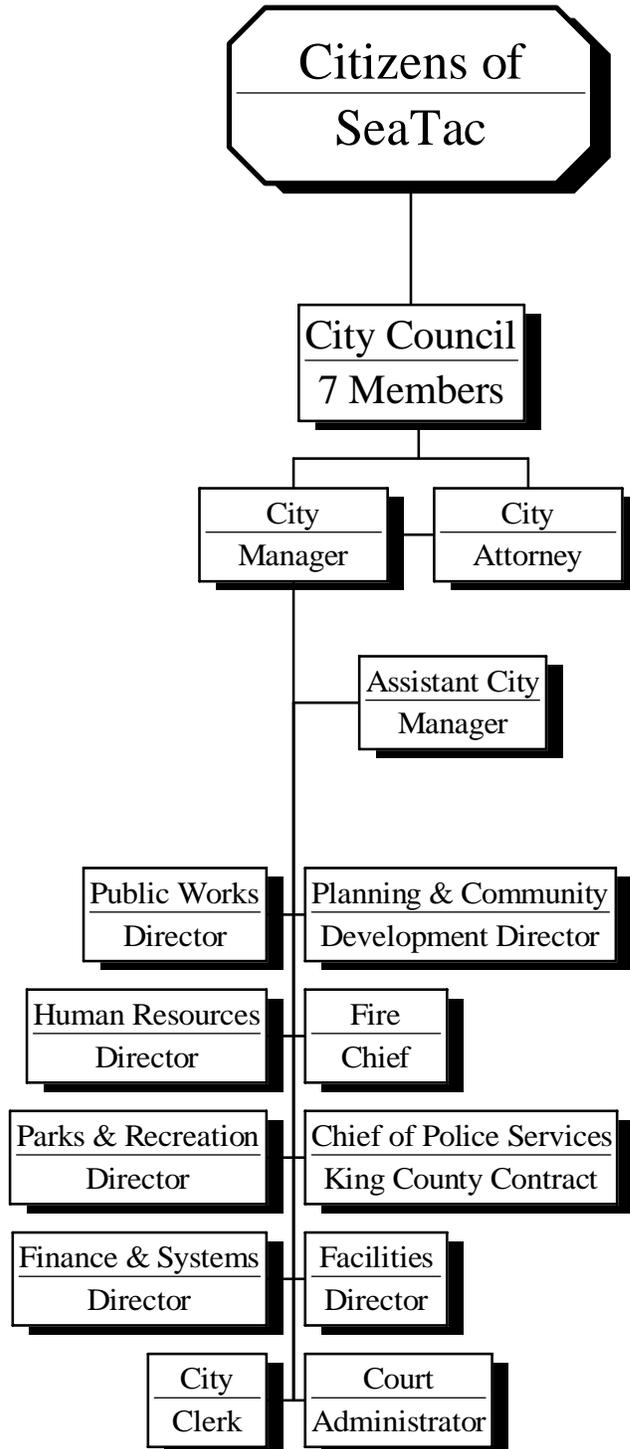
A Certificate of Achievement is valid for a period of one year only. We believe our current report conforms to the Certificate of Achievement program requirements and are submitting it to GFOA for review.

Preparation of this report could not have been accomplished without the professional, efficient and dedicated efforts of Brenda Rolph, Assistant Finance Director. I would also like to thank the rest of the Finance and Systems Department staff, a team of professionals that play an integral part in the successful daily operations of the City. This team includes Bart Perman, Ruth Black, Melinda King, Mary Ann Brown, Jamie Kerin, Marcos Rubalcaba, Mike Butay, Zinta Smidchens, Chiaki Sakuma and Scott Wong. Credit for the design of this year's CAFR goes to Gwen Rathe of the Parks & Recreation Department. Further appreciation is extended to the Mayor, the City Council and the City Manager for their encouragement, interest and support in conducting the financial operations of the City in a sound and progressive manner. The assistance of the auditors from the State Auditor's Office is also greatly appreciated.

Sincerely,



Michael J. McCarty
Finance and Systems Director



2006 City Council



Back row (left to right): Chris Wythe, Deputy Mayor Ralph Shape, Joe Brennan and Don DeHan
Front row (left to right): Terry Anderson, Mayor Gene Fisher and Tony Anderson

<u>Position No.</u>	<u>Elected Official</u>	<u>Term Expiration</u>
#1	Gene Fisher, Mayor.....	12/31/07
#2	Chris Wythe, Councilmember	12/31/09
#3	Terry Anderson, Councilmember	12/31/07
#4	Anthony (Tony) Anderson, Councilmember	12/31/09
#5	Ralph Shape, Deputy Mayor	12/31/07
#6	Joe Brennan, Councilmember.....	12/31/09
#7	Don DeHan, Councilmember	12/31/07

<u>Position</u>	<u>Appointed Official</u>
City Manager	Craig Ward
Assistant City Manager	Tina J. Rogers
City Attorney	Mary Mirante Bartolo
City Clerk	Judith L. Cary
Court Administrator	Mary Pederson
Chief of Police Services	Greg Dymerski
Facilities Director	Patrick Patterson
Finance and Systems Director.....	Michael J. McCarty
Fire Chief	Robert Meyer
Human Resources Director.....	Stephen Mahaffey
Parks and Recreation Director.....	Kit Ledbetter
Planning and Community Development Director	Stephen Butler
Public Works Director	Dale Schroeder



Finacial Section

Finacial Section





**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

September 7, 2007

Mayor and City Council
City of SeaTac
SeaTac, Washington

We have audited the accompanying financial statements of the the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of SeaTac, King County, Washington, as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of SeaTac, King County, Washington, as of December 31, 2006, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 11 through 22 and budgetary comparison information on pages 69 through 71 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as Other Supplementary Information on pages 73 through 94 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

**BRIAN SONNTAG, CGFM
STATE AUDITOR**





**CITY OF SEATAC, WASHINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED 2006**

INTRODUCTION

The City of SeaTac's *Management's Discussion and Analysis* (MD&A) provides a narrative overview of the City's financial activities and position for the fiscal year ended December 31, 2006. Since the MD&A was designed to focus on the activities, resulting changes, and currently known facts for the year 2006, 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, 2006, total net assets equaled \$132 million. Of this amount, \$60.3 million or 45.7% was invested in capital assets (net of related debt) including infrastructure, construction in progress, land, buildings, equipment and other improvements. Net assets in the amount of \$50 million were restricted for debt service, capital projects, including Des Moines Creek Basin projects, and special revenue purposes. The remaining net asset balance of \$21.7 million was unrestricted and available for general City operations.
- Net assets for the City's governmental activities were \$112 million. Of this amount, \$49.4 million or 44.1% represented assets invested in capital assets, net of depreciation and reduced by outstanding spent bond debt. Net assets for business-type proprietary activities were \$20 million with investments in capital assets, net of related debt, equaling \$10.9 million or 54.1%.
- In 2006, the City's overall financial position improved by \$16.2 million or 17% for governmental activities as noted by the Change in Net Assets on the *Statement of Activities*. For the business-type activities, the City's overall financial position improved by \$6.4 million or 47%.
- At the end of 2006, unreserved fund balance for the *General Fund* was \$14.1 million or 62.2% of total *General Fund* expenditures, excluding transfers out and other financing uses.
- Capital asset reporting includes City infrastructure such as streets, sidewalks, other improvements, etc. for the years 2003 through 2006 only. The City is required to retroactively capitalize infrastructure back to 1990 (year of incorporation) by the year 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's financial statements are prepared on both a government-wide and on 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. Under the GASB 34 reporting model, the previous reporting method has been 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 also provided in addition to the basic financial statements in the City's Comprehensive 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, Physical Environment, Transportation, Human Services, Economic Environment, Health, and Culture and Recreation. Governmental activities are supported by taxes and intergovernmental revenues while the City's business-type activities are funded through user fees and charges. The City's only business-type activity is a surface water management utility which is funded through surface water management fees.

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, highlighting the difference between the two as *net assets*. The *Statement of Net Assets* is similar to the balance sheet of a private sector business. Over time, increases or decreases in net assets 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 assets 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 that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of when cash is received or disbursed. Items such as uncollectible 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 the *Management's Discussion and Analysis*.

Fund Financial Statements

The City's annual financial report also includes fund financial statements in addition to the government-wide financial statements. While the government-wide statements present the City's finances based on the type of activity (governmental or business-type), the fund financial statements are presented in columns by major governmental fund and by major proprietary fund. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities that meet certain common objectives. Funds are often established to comply with special regulations, restrictions, or limitations. The City of SeaTac, like other state and local governments, uses fund accounting to ensure and show compliance with finance-related legal requirements. The City's funds are divided into two categories which include governmental and proprietary funds.

Governmental funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, the basis of accounting is different between the governmental fund statements and the government-wide financial statements.

The governmental fund statements focus on near term revenues and expenditures, while the government-wide financial statements include both near term and long term revenues and expenses. The information in the governmental fund statements can be used to evaluate the City's near term funding requirements and fiscal health. Comparing the governmental fund statements with the government-wide statements can assist the reader in understanding the long term impact of the City's current year financing decisions. To assist in this comparison, reconciliations between the governmental fund statements and the government-wide statements are included on the *Reconciliation of the Fund Balances of Governmental Funds to the Net Assets 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*.

The City of SeaTac maintains nineteen individual governmental funds. The City's seven major governmental funds, as determined by the parameters of GASB 34, are the *General Fund*, the *Port of Seattle Interlocal Agreement Fund*, the *Hotel/Motel Tax Fund*, the *Special Assessment Debt Fund*, the *Municipal Capital Improvement Fund*, the *Municipal Facilities 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".

The City maintains budgetary control over its operating funds through the adoption of an annual budget. Budgets are adopted at the fund level according to Washington State law. Budgetary comparison schedules are presented in the Financial Section of the CAFR for all governmental funds, except the *Contingency Reserve Fund*, the *LID Guarantee Fund* and the *Transportation Bond Reserve Fund* which did not have appropriated expenditure budgets for 2006.

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, but may provide more detail than is provided in the government-wide statements. The enterprise funds of the City all relate to the City's surface water management utility for operations, construction and related debt service.

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 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 Assets*.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is important to 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

Statement of Net Assets

Over a period of time, net assets 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 Assets*.

City of SeaTac's Net Assets

Assets:	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current & other assets	\$ 69,498,544	\$ 57,120,744	\$ 10,554,730	\$ 8,245,898	\$ 80,053,274	\$ 65,366,642
Capital assets, net	58,282,048	55,835,324	12,866,556	8,979,153	71,148,604	\$ 64,814,477
Total Assets	127,780,592	112,956,068	23,421,286	17,225,051	151,201,878	130,181,119
Liabilities:						
Long-term liabilities	13,147,378	14,484,416	2,072,430	2,315,247	15,219,808	16,799,663
Other liabilities	2,649,021	2,721,250	1,319,102	1,287,929	3,968,123	4,009,179
Total Liabilities	15,796,399	17,205,666	3,391,532	3,603,176	19,187,931	20,808,842
Net Assets:						
Invested in capital assets, net of related debt	49,437,048	45,785,324	10,845,179	6,715,444	60,282,227	52,500,768
Restricted	44,775,111	26,616,872	5,268,708	3,243,495	50,043,819	29,860,367
Unrestricted	17,772,034	23,348,206	3,915,867	3,662,936	21,687,901	27,011,142
Total Net Assets	\$ 111,984,193	\$ 95,750,402	\$ 20,029,754	\$ 13,621,875	\$ 132,013,947	\$ 109,372,277

The City's total net assets increased by \$22.6 million over 2005. Investments in capital assets, less any related outstanding debt used to acquire the assets, increased by 14.8%. For the governmental-activities, this increase was due in large part to the addition of \$1.5 million in infrastructure assets (International Boulevard Phase 4 and other streets) and \$1.3 million for land acquisitions to start construction of a new fire station. For the business-type activities, \$4.0 million in construction in progress was added from the Des Moines Creek Basin Restoration projects. The City records 41% of the Des Moines Creek Basin capital expenditures as capital assets due to its 41% maintenance responsibility following completion of the five restoration projects.

An additional portion (\$44.8 million) of the City's governmental activities net assets represents resources that are subject to external restrictions on how they may be used. The restricted net assets are for debt service, capital projects and other special revenue purposes. The remaining balance of unrestricted net assets (\$17.8 million) may be used to meet the government's ongoing obligations to citizens and creditors.

For business-type activities, \$5.3 million in net assets are restricted for debt service and the Des Moines Creek Basin interlocal agreement projects including restoration, maintenance and operations and a future facility replacement fund. Unrestricted net assets are \$3.9 million and can be used for general surface water management purposes.

Changes in Net Assets

Changes in net assets, 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 changes in net assets figure is added to the beginning net assets figure to derive an accumulated ending net assets figure for the City since incorporation. This figure is a quick method 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 assets. 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. Net assets are

derived from netting the revenues against the expenses. As shown in the table, both governmental activities and business-type activities had positive changes in net assets.

City of SeaTac's Changes in Net Assets

Revenues:	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<i>Program Revenues:</i>						
Charges for services	\$ 5,847,751	\$ 4,541,752	\$ 1,672,540	\$ 1,653,498	\$ 7,520,291	\$ 6,195,250
Operating grants & contrib	777,941	951,684	6,437,829	4,475,740	7,215,770	5,427,424
Capital grants & contrib	5,049,620	3,677,303	5,170,446	4,963,088	10,220,066	8,640,391
<i>General Revenues:</i>						
Property taxes	9,981,978	9,658,466	-	-	9,981,978	9,658,466
Sales taxes	11,529,925	10,724,177	-	-	11,529,925	10,724,177
Parking taxes	4,842,438	3,668,067	-	-	4,842,438	3,668,067
Other taxes	2,992,277	2,918,680	-	-	2,992,277	2,918,680
Investment interest	3,292,149	1,920,309	409,863	212,483	3,702,012	2,132,792
Miscellaneous	202,734	206,510	-	-	202,734	206,510
Total Revenues	44,516,813	38,266,948	13,690,678	11,304,809	58,207,491	49,571,757
Expenses:						
Judicial	371,922	332,461	-	-	371,922	332,461
General Government	4,928,176	4,537,244	-	-	4,928,176	4,537,244
Public Safety	13,196,630	12,664,279	-	-	13,196,630	12,664,279
Physical Environment	37,192	36,668	7,106,549	6,813,067	7,143,741	6,849,735
Transportation	3,216,778	2,869,393	-	-	3,216,778	2,869,393
Human Services/Health	363,081	397,254	-	-	363,081	397,254
Economic Environment	2,363,395	2,063,738	-	-	2,363,395	2,063,738
Culture & Recreation	2,962,271	4,092,060	-	-	2,962,271	4,092,060
Interest on long-term debt	1,019,827	310,396	-	-	1,019,827	310,396
Total Expenses	28,459,272	27,303,493	7,106,549	6,813,067	35,565,821	34,116,560
Inc (Dec) in Net Assets						
Before Transfers	16,057,541	10,963,455	6,584,129	4,491,742	22,641,670	15,455,197
Transfers	176,250	176,250	(176,250)	(176,250)	-	-
Inc (Dec) in Net Assets	16,233,791	11,139,705	6,407,879	4,315,492	22,641,670	15,455,197
Net Assets-Beg (as prev reported)						
	95,750,402	84,864,240	13,621,875	9,306,383	109,372,277	94,170,623
Prior Year Adjustments	-	(253,543)	-	-	-	(253,543)
Net Assets-Beg (as restated)	95,750,402	84,610,697	13,621,875	9,306,383	109,372,277	93,917,080
Net Assets-Ending	\$ 111,984,193	\$ 95,750,402	\$ 20,029,754	\$ 13,621,875	\$ 132,013,947	\$ 109,372,277

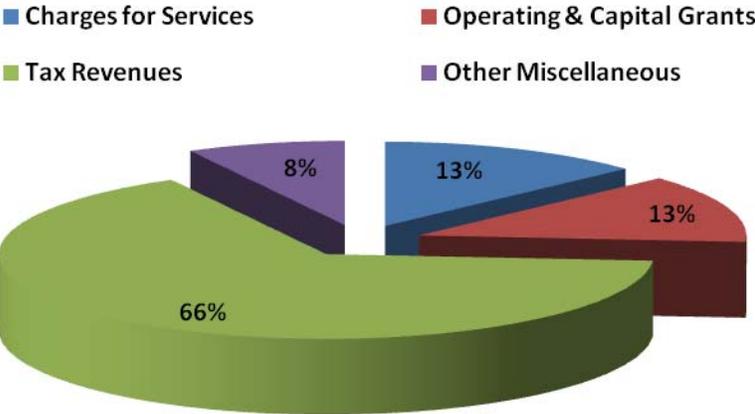
Governmental Activities: Net assets increased by \$16.2 million, representing 71.7% of the total growth in net assets for the City of SeaTac. In addition, total revenues were \$6.3 million higher in 2006 than in 2005. The following are the key elements of this increase:

- Charges for services were \$1.3 million higher than 2005 due to a large payment received for street vacation fees;
- Capital grants and contributions increased by \$1.4 million. The majority of these funds were received from Sound Transit as a capital contributions toward two light rail station area capital improvements as per a developer agreement with Sound Transit;
- Parking taxes increased by \$1.2 million. The City increased the commercial parking tax rate from \$1.00 per transaction to \$1.75 per transaction for vehicles parked over 2 hours. The \$1.00 per

transaction fee was not changed for vehicles parking less than 2 hours. A five year rate increase phase in plan was adopted in November 2005 and 2006 was the first year affected; and

- Investment interest increased by \$1.4 million due to rising interest rates in the Washington State Local Government Investment Pool.
-

Revenues by Source for Governmental Activities

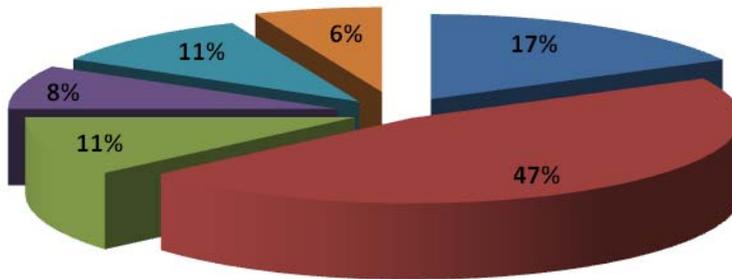


Notes: Tax revenues include property, sales, parking and other taxes and are a large portion of the City's income. Please note that transfers in from other funds are not included in this chart.

For governmental activities, total expenses increased by \$1.2 million. Although this is a 4.2% increase in expenses, the \$6.3 million increase in revenues completely offsets the rise in expenses. Most of the programs in governmental activities show increased expenses over 2005. The largest increase of 14.5% is in *Economic Environment* and is related to tourism expenses in the *Hotel/Motel Tax Fund*. The City added an Economic Development Manager to administer tourism/economic programs providing for an increased level of services. *Judicial Services* reflects a rise in expenses of 11.9% for 2006. This increase can be attributed to general operational expenses (salaries, benefits, etc.). *Transportation* expenses increased by 12% in 2006. *Transportation* expenses can vary greatly depending on the projects budgeted for in the current year. *Culture and Recreation Services* show a large expense decline due to the completion of the Senior Center addition at the Community Center.

Expenses by Function for Governmental Activities

■ General Government ■ Public Safety ■ Transportation
■ Economic Environment ■ Culture & Recreation ■ Other Programs



Notes: Public Safety expenses are for contracted police services and in-house fire services. Other programs include Judicial, Physical Environment, Human Services and Interest on long-term debt. Transfers out to other funds are not included in this chart.

Business-type Activities: Net assets increased by \$6.4 million, representing 28.3% of the total growth in net assets for the City of SeaTac. Total revenues increased by \$2.4 million. This large revenue increase is from intergovernmental revenues and capital contributions from the City of Des Moines, the Port of Seattle and the Washington State Department of Transportation. These funds are dedicated to the Des Moines Creek Basin projects established by an interlocal agreement. Total expenses increased by \$293,000. Many of the expenses are related to the joint Des Moines Creek Basin Interlocal Agreement projects.

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 six other major funds as listed below. The City's surface water management proprietary funds are also described below.

Governmental Funds

The purpose of the City's governmental funds is to report on short term revenues/financial resources and expenditures. This information helps determine the City's financial requirements for the near future. In particular, unreserved fund balance is a good indicator of the City's resources available for spending at the end of the year.

At the end of the 2006, the City's combined ending governmental fund balance was \$63.6 million versus the 2005 ending fund balance of \$51 million. Included in the ending fund balance is \$7.9 million reserved for an interfund loan and \$5 million reserved for tourism related capital projects due to unspent debt proceeds. At the end of the current year, total unreserved fund balance for all governmental funds equaled \$50.5 million.

The *General Fund* is the primary operating fund of the City through which most receipts and payments of ordinary City operations are processed. Property taxes and sales taxes are the primary revenue sources for

the *General Fund*. In 2006, property taxes recorded into the *General Fund* equaled \$9.8 million while in 2005 they were \$9.3 million. Please note that property taxes of approximately \$430 thousand were also recorded directly into the *Long-term General Obligation Debt Service Fund* for both years. In 2006, sales taxes recorded into the *General Fund* were \$8.5 million compared to \$7.6 million in 2005. At the end of 2006, the fund balance of the *General Fund* was \$14.4 million, a decrease of \$5.5 million. The decline can be attributed to \$9.2 million in transfers out to other funds for the purchase of land and to start the construction of a fire station. As a measure of the fund's liquidity, the ending fund balance was 63% of the Fund's 2006 expenditures, excluding transfers out.

The *Port of Seattle Interlocal Agreement Fund* is a special revenue fund which accounts for community relief payments from the Port of Seattle. These revenues are used for improvements to the community. In 2006, no additional relief payments were received. Interest earnings were the only revenue source in this Fund. The 2006 ending fund balance for this Fund was \$15.3 million which includes a reservation of \$7.9 million for interfund loans receivable. The Fund's 2005 ending fund balance was \$14.6 million and also included interfund loans receivable in the amount of \$8.0 million.

The *Hotel/Motel Tax Fund* is a special revenue fund whose purpose is to account for hotel/motel taxes collected and expended for tourism promotion and tourism facilities, including both capital and operating costs. In 2006, the *Hotel/Motel Fund* collected \$708 thousand in hotel/motel taxes which is an increase of \$103 thousand over 2005. At the end of 2006, the fund balance of the *Hotel/Motel Tax Fund* was \$8.0 million versus \$7.6 million for the prior year. Both years included unexpended restricted bond proceeds of \$5 million to be used for capital facilities or improvements related to tourism. Debt service payments on the bonds were paid from collected hotel/motel taxes receipted into a separate debt service fund. An additional \$383 thousand in hotel/motel taxes were collected and dedicated to paying the debt.

The *Special Assessment Debt Service Fund* is a debt service fund used to make the debt service payments on the City's single Local Improvement District (LID). This was included as a major fund due to its \$1.4 million special assessments receivables balance. The ending fund balances for 2006 and 2005 were \$65 thousand and \$83 thousand, respectively. This Fund carries a small fund balance because the cash collected from the LID is used to make the principal and interest payments on the bonds issued to pay for some of the initial construction improvement costs for the 28th/24th Avenue South arterial project.

The *Capital Improvements Fund* has two major revenue sources which include sales taxes and real estate excise taxes. The City has implemented an informal policy of using sales tax revenues from major construction projects for its own capital purchases and projects. In 2006, sales taxes in this Fund were \$2.0 million versus \$2.1 million in the prior year. Ending 2006 fund balance was \$7.2 million, a decrease of \$.3 million over the 2005 balance of \$7.5 million.

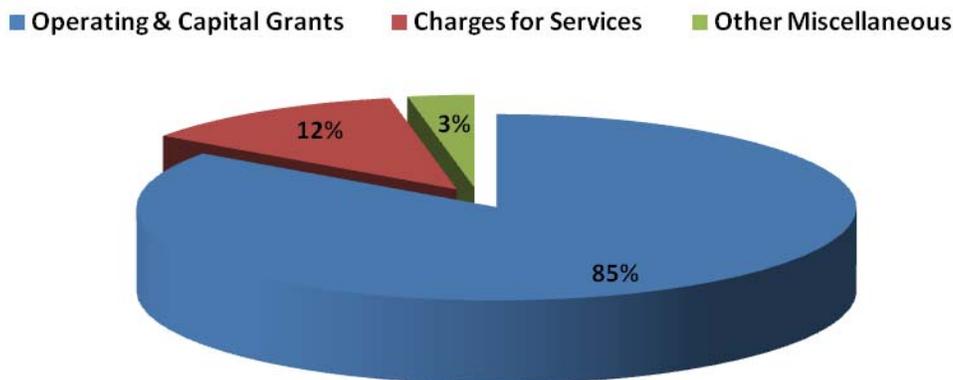
The *Municipal Facilities Capital Improvement Fund* is a capital projects fund whose purpose is to account for the expenditures related to major municipal capital projects including the purchase of land and construction or major renovation of buildings. In 2006, the only major revenue source in this Fund was transfers from other funds. At the end of 2006, the fund balance in the *Municipal Facilities Capital Improvement Fund* was a balance of \$2.6 million versus a negative fund balance of \$8 million in 2005. It is anticipated that this Fund will resume the negative fund balance in 2007 because in 2006 capital funds were transferred in that were not spent in 2006. The original negative fund balance was created by an interfund loan from the *Port of Seattle Interlocal Agreement Fund*. This loan was used to purchase and renovate City Hall. The negative fund balance will diminish over time as the loan is repaid.

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 2006, the major revenue sources for this Fund included various indirect federal and State transportation grants and a transfer of \$1 million from the *Arterial Street Fund*. Ending fund balance for this Fund was \$ 8.4 million for 2006 and \$3.2 million for 2005. It is expected that the levels of revenues, expenditures and the ending fund balance for this Fund will vary from year to year depending on the size of the capital projects and the level of grant funding.

Business-Type Funds

The City's only business-type funds are the three *Surface Water Management Funds*. These funds are proprietary funds whose financial statements provide similar, but sometimes more detailed, information than the government-wide financial statements. The *Surface Water Management Operating Fund* accounts for the surface water management fees and the related maintenance and operations costs of the utility, including depreciation. The *Surface Water Management Construction Fund* accounts for the capital costs incurred related to surface water capital improvements. The third fund is non-major fund listed under "Other Enterprise Funds". This Fund is used to pay the principal and interest payments on related bonds. The combined ending net asset balance for these three funds was \$20 million and of this amount, \$3.9 million or 19.4% was unrestricted. There is \$4.9 million in restricted funds for Des Moines Creek Basin Interlocal Agreement related projects for restoration, maintenance and operations and a replacement fund.

Revenues by Source for Business-type Activities



Notes: This chart reflects the resources provided by the City's surface water management utility, excluding transfers in. As shown, the majority of the revenues came from intergovernmental service revenues & capital contributions (shown under operating and capital grants) for the joint Des Moines Creek Basin projects with four other governmental agencies. All expenses are 100% SWM so no chart is being provided for the expenses.

GENERAL FUND BUDGETARY HIGHLIGHTS

The *General Fund* finished 2006 with just under \$14.4 million in ending fund balance. The original budgeted ending fund balance amount was \$8.3 million. Through higher revenues (\$3.2 million more than anticipated), lower expenditures (over \$1.5 million less than budgeted), and a higher beginning fund balance (\$1.2 million additional), the City improved its anticipated ending financial position in the General Fund by 73%.

General Fund actual revenues exceeded revenue estimates in five of seven revenue categories including taxes, licenses and permits, charges for services, investment earnings and miscellaneous. Taxes were 6.5% or \$1.2 million over budget. Sales taxes and leasehold excise taxes were the two taxes creating the additional revenues. Investment earnings were 113% over estimate due to increases in interest rates paid by the Washington State Local Government Investment Pool (LGIP). Licenses and permits exceeded estimates by 70% due in large part to street vacation fees received for vacating portions of South 172nd Street, 31st Place South and 31st Avenue South right-of-ways.

The *General Fund's* final expenditure budget was 2% higher (\$495 thousand) than the 2006 original budget. Over half of the 2006 budget increases (\$278 thousand) were related to 2005 budget appropriations that

were not spent in 2005 and needed to be carried over into 2006. In addition, budget amendments were made to pay for excess compensation retirement benefits for a former City Manager (\$48 thousand), a department of revenue tax liability (\$100,000), a startup payment to Tyee High School for a Health Clinic (\$50,000) and oil removal at a retention pond at the Community Center (\$19,000). The oil removal costs were reimbursed by federal government National Pollution Funds.

Three programs in the *General Fund* exceeded their expenditure budgets. The first program is Debt Service. This program was over budget by \$106 thousand due to the higher than anticipated interest costs on the City's interfund loan. The General Fund pays the interest on the interfund loan and the amount is based on the interest rate paid by the Washington State Local Government Investment Pool (LGIP). The interest rate in the LGIP started the year at 4.23% and ended the year at 5.21%. The other two programs that exceeded their budgets are *Judicial* and *Culture and Recreation*. Both programs were over by less than half of a percent. The other seven programs in the *General Fund* were all under budget.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

At the end of 2006, the City had \$58.3 million (net of depreciation) in governmental activities capital assets, including the internal service fund, and \$12.9 million (net) in business-type activities. Total internal service fund capital assets (net) were just over \$1.1 million. These assets were included in the governmental activities column of the government-wide *Statement of Net Assets*. The following table summarizes the City's capital assets for the year ended 2006:

City of SeaTac's Capital Assets

Capital Assets:	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 12,285,426	\$ 11,125,389	\$ -	\$ -	\$ 12,285,426	\$ 11,125,389
Constr in Progress (CIP)	12,255,709	16,381,626	8,897,035	4,928,859	21,152,744	21,310,485
Buildings/Building Impr	26,628,029	26,364,633	228,560	228,560	26,856,589	26,593,193
Other Improvements	4,209,998	3,893,829	6,984,152	6,984,152	11,194,150	10,877,981
Infrastructure	7,208,128	1,155,849	-	-	7,208,128	1,155,849
Equipment/Vehicles/Mach	7,349,564	7,262,767	1,565	1,565	7,351,129	7,264,332
Intangible Assets-Software	448,721	391,663	-	-	448,721	391,663
Less: Depreciation	(12,103,527)	(10,740,432)	(3,244,756)	(3,163,983)	(15,348,283)	(13,904,415)
Total Capital Assets (Net)	\$ 58,282,048	\$ 55,835,324	\$ 12,866,556	\$ 8,979,153	\$ 71,148,604	\$ 64,814,477

For 2006, the major changes in governmental capital assets included the following: 1) The City increased construction in progress for major infrastructure, fire station construction and park construction/improvement projects by approximately \$1.7 million, 2) The City purchased four parcels of land (\$1.1 million) next to the old Fire Station #46 to construct a new fire station headquarters, and 3) Approximately \$6.1 million in street improvements were completed and moved out of construction in progress into infrastructure.

There was only one major change in the business-type capital assets. The City continued to work with the City of Des Moines, the Port of Seattle, King County, and the Washington State Department of Transportation on the Des Moines Creek Basin Restoration Interlocal Agreement projects. There are five major construction restoration projects related to the Des Moines Creek Basin that will be completed by 2007. The City is capitalizing 41% of the infrastructure expenses based on its responsibility to fund 41% of the maintenance and operation costs. The City added \$4 million in construction in progress from the Des Moines Creek Basin project in 2006. Supplementary information on the City's capital assets can also be found in *Note 5 Capital Assets and Depreciation* in the *2006 Notes to the Financial Statements*.

Long-term Debt

The City of SeaTac is authorized to issue long-term debt pursuant to the laws of the State of Washington. The City has three types of allowable long-term debt outstanding including general obligation debt (councilmanic), revenue debt and special assessment debt. No voter-approved general obligation debt is outstanding. The table below provides a summary of the City's outstanding debt for 2006 and 2005 by type:

City of SeaTac's Outstanding Debt by Type

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General Obligation Bonds	\$ 6,015,000	\$ 6,545,000	\$ -	\$ -	\$ 6,015,000	\$ 6,545,000
Special Assessment Debt	1,240,000	1,525,000	-	-	1,240,000	1,525,000
Revenue Bonds	5,065,000	5,675,000	2,280,000	2,555,000	7,345,000	8,230,000
Total	\$ 12,320,000	\$ 13,745,000	\$ 2,280,000	\$ 2,555,000	\$ 14,600,000	\$ 16,300,000

General Obligation Debt

According to Washington State law, the City's debt capacity for *general government purposes* is limited to 2.5% or \$89.6 million of the City's assessed valuation. Of this 2.5%, the City Council has the authority to issue bonds and/or lease purchase agreements up to 1.5% or \$53.8 million. The City's 2005 assessed valuation was \$3,585,486,735. The 2005 assessed valuation is used to calculate the taxes to be collected in 2006. At the end of 2006, the City had \$6.0 million in outstanding councilmanic (non-voted) general obligation debt. Repayment of this debt is guaranteed through the general taxing authority of the City. No new general obligation debt was issued in 2006.

In addition to the debt capacity limits for *general government purposes*, 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 \$268.9 million of the City's assessed valuation. Additional information can be found in the *Statistical Section* of the City's 2006 Comprehensive Annual Financial Report.

Revenue Debt

Enterprise funds are permitted to issue revenue debt without limitation. Repayment of the debt is through user fees of the issuing fund. This debt is issued following a majority vote of the City Council. As of the end of 2006, the City had \$2.3 million in outstanding revenue debt issued for surface water management purposes. The City also had \$5.1 million in governmental activities revenue debt for transportation purposes. No new revenue debt was issued in 2006.

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 a 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. The City's current outstanding LID debt is only an obligation of the Special Assessment Debt Fund and the LID Guarantee Fund and are not a general obligation of the City.

At the end of 2006, the City had LID bonds outstanding totaling \$1.2 million. No new special assessment debt was issued. Additional information on the City's long term debt can be found in *Note 09 Long Term Debt and Leases* in the 2006 Notes to the Financial Statements.

ECONOMIC FACTORS AND THE 2007 BUDGET

Washington State's seasonally adjusted unemployment rate decreased to 4.5 percent in June 2007. This is down .5 percentage points from the June 2006 level. This unemployment rate remains near historical lows per Washington State Employment Security Department. King County continues to buck the national trend with the median price of housing increases. In June 2007, the median price of a single family residence was \$470,000. This is 8.06% above the median price of \$434,950 from June of 2006 per the Northwest Multiple Listing Service. Taxable retail sales totals have increased approximately 7 – 8% over the last few years. It is anticipated that the retail sales figures will continue to remain strong. Additionally, with the passage of the streamlined sales tax legislation in March 2007, the City of SeaTac stands to gain additional sales tax revenues in future years. These positive economic factors have and continue to impact both revenue and expenditure decisions made during the budget process.

For 2007, the City's budgeted General Fund unreserved/undesignated fund balance is estimated to end at \$13.7 million. Since 2006 ended with a fund balance that was \$2.6 million higher than estimated, it is anticipated that 2007 will also end higher by a similar amount. The City was able to maintain its unreserved/undesignated target fund balance (4 months of operating expenditures) of \$8.4 million, without incurring additional debt. With the continuing positive economic environment, the City's revenues are expected to at a minimum remain stable with the hopes that the moderate rate of growth will continue.

The City of SeaTac's Operating Budget continues to follow its historic practice of conservative budgeting, spending and forecasting to ensure stability and to minimize the effects of future negative economic impacts.

The following chart highlights these conservative budgeting practices:

**City of SeaTac's General Fund
Budget versus Actual**

	2004 Final	2005 Final	2006 Original	2006 Final
Budget:				
Budgeted Revenues	18,972,159	20,741,614	23,765,234	23,846,342
Budgeted Expenditures	21,312,128	22,170,430	34,126,245	34,621,544
Budgeted Difference	(2,339,969)	(1,428,816)	(10,361,011)	(10,775,202)
Actual:				
Actual Revenues	20,498,211	22,666,255	N/A	26,988,209
Actual Expenditures	20,161,917	21,200,695	N/A	34,497,944
Actual Difference	336,294	1,465,560	N/A	(7,509,735)

Note: Figures include other financing sources & uses.

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.*

Basic Financial Statements



Statement of Net Assets
December 31, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash & cash equivalents	\$ 57,361,077	\$ 4,545,644	\$ 61,906,721
Investments	6,989,410	-	6,989,410
Receivables (net)			
Taxes	3,016,857	-	3,016,857
Customer accounts	607,593	694,231	1,301,824
Special assessments	1,373,062	-	1,373,062
Interest on investments	77,277	-	77,277
Internal balances	(27,474)	27,474	-
Prepaid items	100,742	-	100,742
Deferred charges	-	18,673	18,673
Restricted assets, temporary:			
Cash and cash equivalents	-	5,268,708	5,268,708
Capital assets not being depreciated:			
Land	12,285,426	-	12,285,426
Construction in progress	12,255,709	8,897,035	21,152,744
Capital assets, net of accumulated depreciation:			
Buildings	20,589,694	218,533	20,808,227
Improvements other than buildings	2,584,950	3,750,832	6,335,782
Machinery, equipment & intangibles	3,464,449	156	3,464,605
Infrastructure	7,101,820	-	7,101,820
Total Assets	\$ 127,780,592	\$ 23,421,286	\$ 151,201,878
Liabilities			
Accounts payable & accrued expenses	860,643	1,310,521	2,171,164
Due to other governments	196,052	-	196,052
Accrued interest payable	40,832	8,581	49,413
Other current liabilities	180,200	-	180,200
Unearned revenue	1,371,294	-	1,371,294
Noncurrent liabilities:			
Due within one year	1,276,051	258,251	1,534,302
Due in more than one year	11,871,327	1,814,179	13,685,506
Total Liabilities	15,796,399	3,391,532	19,187,931
Net Assets			
Invested in capital assets, net of related debt	49,437,048	10,845,179	60,282,227
Restricted for:			
Special revenue	24,053,939	-	24,053,939
Debt service	1,206,028	403,925	1,609,953
Capital projects	19,515,144	-	19,515,144
Des Moines Creek Basin ILA projects	-	4,864,783	4,864,783
Unrestricted	17,772,034	3,915,867	21,687,901
Total Net Assets	\$ 111,984,193	\$ 20,029,754	\$ 132,013,947

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

Statement of Activities
For the Year Ended December 31, 2006

	Expenses	Program Revenues		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions
Functions/Programs				
<i>Governmental Activities:</i>				
Judicial	\$ 371,922	\$ 292,672	\$ -	\$ -
General Government	4,928,176	1,283,816	-	-
Public Safety	13,196,630	207,016	92,985	-
Physical Environment	37,192	548,649	60,827	-
Transportation	3,216,778	1,529,485	598,418	4,803,370
Health & Human Services	363,081	-	-	-
Economic Environment	2,363,395	1,484,666	20,711	-
Culture & Recreation	2,962,271	501,447	5,000	246,250
Interest on long-term debt	1,019,827	-	-	-
Total Governmental Activities	28,459,272	5,847,751	777,941	5,049,620
<i>Business-type Activities:</i>				
Surface Water Utilities	7,106,549	1,672,540	6,437,829	5,170,446
Total Business-type Activities	7,106,549	1,672,540	6,437,829	5,170,446
Total Government	\$ 35,565,821	\$ 7,520,291	\$ 7,215,770	\$ 10,220,066

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

Net (Expense) Revenue & Changes in Net Assets

	Governmental Activities	Business-type Activities	Total
Functions/Programs			
<i>Governmental Activities:</i>			
Judicial	\$ (79,250)	\$ -	\$ (79,250)
General Government	(3,644,360)	-	(3,644,360)
Public Safety	(12,896,629)	-	(12,896,629)
Physical Environment	572,284	-	572,284
Transportation	3,714,495	-	3,714,495
Health & Human Services	(363,081)	-	(363,081)
Economic Environment	(858,018)	-	(858,018)
Culture & Recreation	(2,209,574)	-	(2,209,574)
Interest on long-term debt	(1,019,827)	-	(1,019,827)
Total Governmental Activities	(16,783,960)	-	(16,783,960)
<i>Business-type Activities:</i>			
Surface Water Utilities	-	6,174,266	6,174,266
Total Business-type Activities	-	6,174,266	6,174,266
Total Government	(16,783,960)	6,174,266	(10,609,694)
General Revenues			
Property taxes	9,981,978	-	9,981,978
Sales taxes	11,578,868	-	11,578,868
Parking taxes	4,842,438	-	4,842,438
Other taxes	2,943,334	-	2,943,334
Unrestricted grants & contributions	163,111	-	163,111
Investment earnings	3,292,149	409,863	3,702,012
Gain on sale of capital assets	39,623	-	39,623
Total General Revenues	32,841,501	409,863	33,251,364
Transfers	176,250	(176,250)	-
Total General Revenues & Transfers	33,017,751	233,613	33,251,364
Change in Net Assets	16,233,791	6,407,879	22,641,670
Net Assets-Beginning	95,750,402	13,621,875	109,372,277
Net Assets-Ending	\$ 111,984,193	\$ 20,029,754	\$ 132,013,947

Balance Sheet
December 31, 2006

	<u>General</u>	<u>Port of Seattle ILA</u>	<u>Hotel/Motel Tax</u>	<u>Special Assessment Debt</u>
Assets				
Cash & cash equivalents	\$ 10,268,491	\$ 3,383,954	\$ 7,910,088	\$ 63,269
Investments	2,996,910	3,992,500	-	-
Receivables (net of allowance for uncollectibles):				
Taxes	2,472,259	-	97,954	-
Customer accounts	501,736	-	67,894	-
Special assessments	-	-	-	1,373,062
Interest receivable	5,055	72,222	-	-
Interfund loans receivable	-	7,873,153	-	-
Prepaid items	78,208	-	-	-
Total Assets	\$ 16,322,659	\$ 15,321,829	\$ 8,075,936	\$ 1,436,331
Liabilities				
Accounts/empl benefits pay	420,072	-	104,664	-
Interfund loans payable	-	-	-	-
Due to other governments	196,052	-	-	-
Other current liabilities	93,163	-	-	-
Deferred revenue	1,253,610	-	-	-
Unearned revenue	-	-	-	1,371,294
Total Liabilities	1,962,897	-	104,664	1,371,294
Fund Balances				
<i>Reserved for:</i>				
Interfund loans receivable	-	7,873,153	-	-
Capital improvements	-	-	5,001,021	-
<i>Unreserved, designated for:</i>				
LEOFF I retiree benefits	225,000	-	-	-
<i>Unreserved, undesig reported in:</i>				
General Fund	14,134,762	-	-	-
Special revenue funds	-	7,448,676	2,970,251	-
Debt service funds	-	-	-	65,037
Capital project funds	-	-	-	-
Total Fund Balances	14,359,762	15,321,829	7,971,272	65,037
Total Liab & Fund Balances	\$ 16,322,659	\$ 15,321,829	\$ 8,075,936	\$ 1,436,331

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

	Capital Improvement Fund	Municipal Facilities CIP	Transportation CIP	Other Governmentl Funds	Total Governmental Funds
Assets					
Cash & cash equivalents	\$ 7,113,958	\$ 10,578,865	\$ 8,455,317	\$ 7,490,764	\$ 55,264,706
Investments	-	-	-	-	6,989,410
Receivables (net of allowance for uncollectibles):					
Taxes	88,989	-	-	357,655	3,016,857
Customer accounts	-	2,499	-	35,464	607,593
Special assessments	-	-	-	-	1,373,062
Interest receivable	-	-	-	-	77,277
Interfund loans receivable	-	-	-	-	7,873,153
Prepaid items	-	-	-	-	78,208
Total Assets	\$ 7,202,947	\$ 10,581,364	\$ 8,455,317	\$ 7,883,883	\$ 75,280,266
Liabilities					
Accounts/empl benefits pay	20,962	111,981	74,687	113,957	846,323
Interfund loans payable	-	7,873,153	-	-	7,873,153
Due to other governments	-	-	-	-	196,052
Other current liabilities	-	-	-	87,037	180,200
Deferred revenue	-	-	-	-	1,253,610
Unearned revenue	-	-	-	-	1,371,294
Total Liabilities	20,962	7,985,134	74,687	200,994	11,720,632
Fund Balances					
<i>Reserved for:</i>					
Interfund loans receivable	-	-	-	-	7,873,153
Capital improvements	-	-	-	-	5,001,021
<i>Unreserved, designated for:</i>					
LEOFF I Retiree Benefits	-	-	-	-	225,000
<i>Unreserved, reported in:</i>					
General Fund	-	-	-	-	14,134,762
Special revenue funds	-	-	-	5,144,767	15,563,694
Debt service funds	-	-	-	1,181,823	1,246,860
Capital project funds	7,181,985	2,596,230	8,380,630	1,356,299	19,515,144
Total Fund Balances	7,181,985	2,596,230	8,380,630	7,682,889	63,559,634
Total Liab & Fund Balances	\$ 7,202,947	\$ 10,581,364	\$ 8,455,317	\$ 7,883,883	\$ 75,280,266

**Reconciliation of Fund Balances of Governmental Funds
to the Net Assets of Governmental Activities
December 31, 2006**

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

Governmental funds total fund balance on December 31, 2006 **\$ 63,559,634**
(as shown on the Balance Sheet for Governmental Funds)

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	\$	12,285,426	
Construction in progress		12,255,709	
Buildings & structures		26,628,029	
Other improvements		4,209,998	
Infrastructure		7,208,128	
Equipment		5,269,612	
Intangibles		448,721	
Less: accumulated depreciation		<u>(11,177,706)</u>	57,127,917

The focus of governmental funds is on short-term financing; assets are deferred in the individual governmental funds and are not included in fund balances. 1,253,610

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	\$	(12,320,000)	
Accrued interest payable		(40,832)	
Compensated absences payable		<u>(827,378)</u>	(13,188,210)

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 Assets. 3,231,242

Net assets of governmental activities	<u>\$ 111,984,193</u>
<i>(as shown on the Government-wide Statement of Net Assets)</i>	

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



Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2006

	<u>General</u>	<u>Port of Seattle ILA</u>	<u>Hotel/Motel Tax</u>	<u>Special Assessment Debt</u>
Revenues				
Taxes	\$ 20,267,631	\$ -	\$ 707,758	\$ -
Licenses & permits	1,968,220	-	-	-
Intergovernmental	511,888	-	5,000	-
Charges for services	1,126,003	-	-	-
Fines & forfeitures	253,705	-	-	-
Special assessments	-	-	-	251,633
Investment & other earnings	1,877,633	716,781	365,533	106,083
Rents & leases	118,538	-	-	-
Miscellaneous	50,417	-	-	-
Total Revenues	26,174,035	716,781	1,078,291	357,716
Expenditures				
<i>Current operations:</i>				
Judicial	358,576	-	-	-
General Government	4,278,209	-	-	-
Public Safety	12,788,883	-	-	-
Physical Environment	12,623	-	-	-
Transportation	529,728	-	-	-
Health & Human Services	363,812	-	-	-
Economic Environment	1,654,235	-	705,185	-
Culture & Recreation	2,280,616	-	-	-
Debt service				
Principal	-	-	-	285,000
Interest & other costs	394,516	-	-	90,265
Capital outlay	60,887	-	11,614	-
Total Expenditures	22,722,085	-	716,799	375,265
Excess (deficiency) of revenues over (under) expenditures	3,451,950	716,781	361,492	(17,549)
Other Financing Sources (Uses)				
Transfers in	810,550	-	-	-
Transfers out	(9,775,859)	-	-	-
Disposition of capital assets	3,625	-	-	-
Total Other Fin Sources (Uses)	(8,961,684)	-	-	-
Net Change in Fund Balances	(5,509,734)	716,781	361,492	(17,549)
Fund Balances-Beginning	19,869,496	14,605,048	7,609,780	82,586
Fund Balances-Ending	\$ 14,359,762	\$ 15,321,829	\$ 7,971,272	\$ 65,037

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

	Capital Improvement Fund	Municipal Facilities CIP	Transportation CIP	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 2,920,357	\$ -	\$ -	\$ 5,656,238	\$ 29,551,984
Licenses & permits	-	-	684,401	-	2,652,621
Intergovernmental	519,164	2,499	4,825,199	684,491	6,548,241
Charges for services	-	-	499,419	785	1,626,207
Fines & forfeitures	-	-	-	-	253,705
Special assessments	-	-	-	-	251,633
Investment & other earnings	-	-	171,497	2,789	3,240,316
Rents & leases	-	-	-	312,097	430,635
Miscellaneous	636	-	-	4,218	55,271
Total Revenues	3,440,157	2,499	6,180,516	6,660,618	44,610,613
Expenditures					
<i>Current operations:</i>					
Judicial	-	-	-	-	358,576
General Government	77,029	-	-	9,896	4,365,134
Public Safety	-	-	-	4,456	12,793,339
Physical Environment	-	-	-	-	12,623
Transportation	24,312	-	484,396	2,127,417	3,165,853
Health & Human Services	-	-	-	-	363,812
Economic Environment	-	-	-	-	2,359,420
Culture & Recreation	25,000	5,848	-	101,990	2,413,454
Debt service					
Principal	-	-	-	1,140,000	1,425,000
Interest	-	-	-	539,060	1,023,841
Capital outlay	865,791	1,449,717	1,462,267	83,767	3,934,043
Total Expenditures	992,132	1,455,565	1,946,663	4,006,586	32,215,095
Excess (deficiency) of revs over expenditures	2,448,025	(1,453,066)	4,233,853	2,654,032	12,395,518
Other Financing Sources (Uses)					
Transfers in	-	12,075,484	1,000,000	455,375	14,341,409
Transfers out	(2,735,000)	-	-	(1,654,300)	(14,165,159)
Disposition of capital assets	-	-	-	3,028	6,653
Total Other Fin Sources (Uses)	(2,735,000)	12,075,484	1,000,000	(1,195,897)	182,903
Net Change in Fund Balances	(286,975)	10,622,418	5,233,853	1,458,135	12,578,421
Fund Balances-Beginning	7,468,960	(8,026,188)	3,146,777	6,224,754	50,981,213
Fund Balances-Ending	\$ 7,181,985	\$ 2,596,230	\$ 8,380,630	\$ 7,682,889	\$ 63,559,634

**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, 2006

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

Net change in fund balance for all governmental funds combined		\$ 12,578,421
<i>(as shown on the Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds)</i>		
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 outlay	\$ 3,881,000	
Depreciation expense	<u>(1,564,695)</u>	2,316,305
The issuance of long-term debt is a resource and the repayment of bond principal is an expenditure in governmental funds, but those transactions increase or reduce long-term liabilities in the Statement of Net Assets. This amount is for principal repayments.		
		1,425,000
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. Change in investment interest receivable due beyond the City's 60 day measurable and available period.		
		(47,193)
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. Deferred revenues decreased by this amount for the current year.		
		(185,258)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These expenses consist of:		
Net decrease in accrued interest	\$ 4,014	
Net increase in compensated absences	<u>(87,962)</u>	(83,948)
An Equipment Rental Internal Service Fund is used by management to charge the costs of equipment repairs and replacements to individual funds. The profit (loss) of this Fund is reported on the Statement of Activities as governmental activity.		
		<u>230,464</u>
Change in net assets of governmental activities		\$ 16,233,791
<i>(as shown on the Statement of Activities-Governmental Activities)</i>		

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

Statement of Net Assets
December 31, 2006

Business-type Activities-Enterprise Funds

	<u>Surface Water Management Operating</u>	<u>Surface Water Management Construction</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities- Internal Service Funds</u>
Assets					
<i>Current Assets:</i>					
Cash & cash equivalents	\$ 2,673,680	\$ 1,871,964	\$ -	\$ 4,545,644	\$ 2,096,371
Customer receivables (net)	92,728	601,503	-	694,231	-
Prepaid items	-	-	-	-	22,534
<i>Restricted cash & investments:</i>					
DMC Basin restoration	-	4,559,436	-	4,559,436	-
DMC Basin mtc & ops	-	167,143	-	167,143	-
Total Current Assets	2,766,408	7,200,046	-	9,966,454	2,118,905
<i>Noncurrent Assets:</i>					
<i>Restricted cash & investments:</i>					
DMC Basin replacement	-	138,204	-	138,204	-
Bond covenant accounts	-	-	403,925	403,925	-
<i>Deferred charges & other assets:</i>					
Deferred charges	18,673	-	-	18,673	-
<i>Capital assets:</i>					
Depreciable assets (net)	1,216,628	2,752,893	-	3,969,521	1,154,130
Construction in progress	-	8,897,035	-	8,897,035	-
Total Noncurrent Assets	1,235,301	11,788,132	403,925	13,427,358	1,154,130
Total Assets	\$ 4,001,709	\$ 18,988,178	\$ 403,925	\$ 23,393,812	\$ 3,273,035
Liabilities					
<i>Current Liabilities:</i>					
Accounts/payroll payable	49,435	1,261,086	-	1,310,521	14,320
Accrued interest payable	8,581	-	-	8,581	-
Compensated absences	3,561	-	-	3,561	-
Revenue bonds pay (net)	254,690	-	-	254,690	-
Total Current Liabilities	316,267	1,261,086	-	1,577,353	14,320
<i>Noncurrent Liabilities:</i>					
Compensated absences	28,819	-	-	28,819	-
Revenue bonds pay (net)	1,785,360	-	-	1,785,360	-
Total Noncurrent Liabilities	1,814,179	-	-	1,814,179	-
Total Liabilities	2,130,446	1,261,086	-	3,391,532	14,320
Net Assets					
Invested in capital assets, net of related debt	(804,749)	11,649,928	-	10,845,179	1,154,130
<i>Restricted for:</i>					
DMC Basin ILA projects	-	4,864,783	-	4,864,783	-
Debt service	-	-	403,925	403,925	-
Unrestricted	2,676,012	1,212,381	-	3,888,393	2,104,585
Total Net Assets	\$ 1,871,263	\$ 17,727,092	\$ 403,925	\$ 20,002,280	\$ 3,258,715
Cumulative adjustment to reflect the consolidation of the Equipment Rental Internal Service Fund activities as related to enterprise funds.				27,474	
Net assets of business-type activities				\$ 20,029,754	

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

Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended December 31, 2006

	Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Funds
	Surface Water Management Operating	Surface Water Management Construction	Other Enterprise Funds	Total Enterprise Funds	
Operating Revenues					
Surface water utilities	\$ 1,672,300	\$ -	\$ -	\$ 1,672,300	\$ -
Equipment rental	-	-	-	-	424,858
Total Operating Revenues	1,672,300	-	-	1,672,300	424,858
Operating Expenses					
Maintenance & operations	879,932	73,805	-	953,737	178,460
Depreciation	21,778	58,995	-	80,773	189,618
Total Operating Expenses	901,710	132,800	-	1,034,510	368,078
Operating Income (Loss)	770,590	(132,800)	-	637,790	56,780
Nonoperating Revenues (Exps)					
Intergovernmental Revs	-	6,437,829	-	6,437,829	-
Intergovernmental Exp	-	(5,936,609)	-	(5,936,609)	-
Investment earnings	130,987	278,876	-	409,863	99,026
Interest expense	(113,814)	-	-	(113,814)	-
Debt issuance costs	(32,972)	-	-	(32,972)	-
Gain (loss) on disp of assets	-	-	-	-	32,970
Misc nonoperat revs (exps)	240	-	-	240	-
Total Nonop Revs (Exps)	(15,559)	780,096	-	764,537	131,996
Income (Loss) Before Contributions & Transfers	755,031	647,296	-	1,402,327	188,776
Capital contributions	-	5,170,446	-	5,170,446	53,045
Transfers in	-	79,950	-	79,950	-
Transfers out	(256,200)	-	-	(256,200)	-
Change in Net Assets	498,831	5,897,692	-	6,396,523	241,821
Net Assets-Beginning	1,372,432	11,829,400	403,925		3,016,894
Net Assets-Ending	\$ 1,871,263	\$ 17,727,092	\$ 403,925		\$ 3,258,715

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 the internal service fund that is reported with the business-type activities in the *Statement of Activities*.

11,356

Change in net assets of business-type activities **\$ 6,407,879**

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



Statement of Cash Flows
For the Year Ended December 31, 2006

	Business-type Activities-Enterprise Funds				Governmental
	Surface Water	Surface Water	Other	Total	Activities-
	Management	Management	Enterprise	Enterprise	Internal
	Operating	Construction	Funds	Funds	Service Funds
Cash Flows from Operating Activities					
Receipts from customers	\$ 1,575,870	\$ -	\$ -	\$ 1,575,870	\$ -
Receipts from other funds	122,000	-	-	122,000	424,638
Payments to suppliers	(403,462)	(46,255)	-	(449,717)	(177,189)
Payments to employees	(425,479)	-	-	(425,479)	-
Payments to other funds	(83,044)	-	-	(83,044)	-
Other receipts (payments)	-	-	-	-	220
Net Cash Provided (Used) by Operating Activities	785,885	(46,255)	-	739,630	247,669
Cash Flows from Noncapital Financing Activities					
Intergovernmental revenue for DMC Basin projects	-	9,271,137	-	9,271,137	-
Intergovernmental payments for DMC Basin projects	-	(7,103,293)	-	(7,103,293)	-
Transfers from other funds	-	79,950	-	79,950	-
Transfers to other funds	(256,200)	-	-	(256,200)	-
Net Cash Provided (Used) by Noncapital Fin Activities	(256,200)	2,247,794	-	1,991,594	-
Cash Flows from Capital & Related Financing Activities					
Proceeds from sale of assets	-	-	-	-	51,910
Capital contributions	-	4,173,829	-	4,173,829	-
Purchase of capital assets	-	(3,968,176)	-	(3,968,176)	(285,932)
Principal paid on capital debt	(275,000)	-	-	(275,000)	-
Interest paid on capital debt	(114,800)	-	-	(114,800)	-
Debt cost paid on capital debt	(303)	-	-	(303)	-
Net Cash Provided (Used) by Capital & Related Fin Activities	(390,103)	205,653	-	(184,450)	(234,022)
Cash Flows from Investing Activities					
Interest received	126,736	278,876	-	405,612	99,026
Net Cash Provided (Used) by Investing Activities	126,736	278,876	-	405,612	99,026
Net Increase (Decrease) in Cash and Cash Equivalents	266,318	2,686,068	-	2,952,386	112,673
Cash & Cash Equivalents-Beg	2,407,362	4,050,679	403,925	6,861,966	1,983,698
Cash & Cash Equivalents-End	\$ 2,673,680	\$ 6,736,747	\$ 403,925	\$ 9,814,352	\$ 2,096,371

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

Business-type Activities-Enterprise Funds

	Surface Water Management Operating	Surface Water Management Construction	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Reconciliation of Operating Income					
(Loss) to Net Cash Provided					
(Used) by Operating Activities					
Operating Income (Loss)	\$ 770,590	\$ (132,800)	\$ -	\$ 637,790	\$ 56,780
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	21,778	58,995	-	80,773	189,618
(Increase) decrease in accounts receivable pertaining to operating activities	(10,022)	-	-	(10,022)	-
(Increase) decrease in prepaid insurance	-	-	-	-	(1)
Increase (decrease) in vouchers payable pertaining to operating activities	1,665	27,550	-	29,215	1,272
Increase (decrease) in compensated balances	1,874	-	-	1,874	-
Total adjustments	15,295	86,545	-	101,840	190,889
Net Cash Provided (Used) by Operating Activities	\$ 785,885	\$ (46,255)	\$ -	\$ 739,630	\$ 247,669
Noncash investing, capital, and financing activities					
Contributions of capital assets from other funds	-	-	-	-	53,043



CITY OF SEATAC, WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006

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 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. The City is administered by a full-time City Manager and a seven member City Council, 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. The City's Comprehensive Annual Financial Report (CAFR) includes all funds that are controlled by or are dependent on the City of SeaTac. There are three separate tests for determining whether a legally separate entity is a component of a primary government's financial reporting entity. These tests involve: 1) appointment of the voting majority of the potential component unit's governing board, along with evidence that the appointment process creates an ongoing relationship between the primary government and the potential component unit; 2) the potential component unit's fiscal dependence on the primary government; or 3) the likelihood that exclusion of the potential component unit from the primary government's financial reporting entity would result in misleading financial reporting. There were no component units meeting any of these three tests in 2006.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the *Statement of Net Assets* and the *Statement of Activities*) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or a segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City's policy is to not allocate indirect costs to a specific function or segment. Program revenues include the following: 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 and capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The City implemented the new reporting requirements of the Governmental Accounting Standards Board (GASB) Statement 34 in 2003. This change resulted in new government-wide financial reporting instead of the previous fund based financial reporting.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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 payment is due.

Property taxes, licenses, and interest associated within the current 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.

The City reports the following major governmental funds:

The *General Fund (#001)* is the City's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Port of Seattle Interlocal Agreement Fund (#105)* accounts for community relief payments received from the Port of Seattle to be expended at the City's discretion for community improvements.

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

The *Special Assessment Debt Fund (#204)* accounts for special assessment collections and debt service payments for all local improvement districts (LID's) located within the City. The City currently has one local improvement district.

The *Capital Improvements Fund (#301)* funds the purchase of both capital equipment and capital improvement projects paid for by real estate excise taxes and sales taxes from major infrastructure projects in the City.

The *Municipal Facilities Capital Improvement Fund (#306)* accounts for the acquisition or construction of municipal facilities, including land.

The *Transportation Facilities Capital Improvement Fund* (#307) accounts for street improvement projects throughout the City. The major revenue sources for this Fund include parking taxes and grants.

The City reports the following major proprietary funds:

The *Surface Water Management Fund* (#403) accounts for the cost of maintaining the City's storm drainage system. Activities which are primarily supported through user charges include administration, operations, maintenance, repairs and debt service.

The *Surface Water Management Construction Fund* (#406) accounts for capital improvements to the City's storm drainage system. The City is currently working jointly with four other agencies to fund major improvements to the Des Moines Creek Basin.

The City has one additional surface water management fund, the *Surface Water Management Reserve Fund*, which is reported as a non-major fund.

Additionally, the City reports one internal service fund as follows:

The *Equipment Rental Fund* (#501) accounts for the costs of maintaining and replacing all City vehicles and auxiliary equipment except for fire apparatus and police vehicles. This Fund also accumulates resources for the future replacement of existing vehicles.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

The majority of the effects of interfund activity for the City's *Equipment Rental Fund* have been eliminated in the government-wide financial statements.

Amounts reported as program revenues include the following: 1) charges to customers, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes.

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 *Surface Water Management Fund* are surface water management fees and charges. Operating expenses for enterprise funds and internal service funds 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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first then unrestricted resources as needed.

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.33. Annual appropriated budgets have been adopted for most of the City funds including the following: the *General Fund*, Special Revenue Funds (*City Street, Arterial Street, Transit Planning, Hotel/Motel Tax, Building Management and Facility Repair and Replacement Fund*), Debt Service Funds (*City Hall Limited Tax Bond, Transportation, Hotel/Motel Tax Bond, and Special Assessment Debt*), Capital Project Funds (*Capital Improvement, Fire Equipment Reserve, Municipal Facilities CIP, and Transportation CIP*), Enterprise Funds (*Surface Water Management Utility and Surface Water Management Construction*) and Internal Service Fund (*Equipment Rental*). Annual appropriated budgets have not been prepared for the *Contingency Reserve Fund*, the *LID Guarantee Fund*, the *Transportation Bonds Reserve Fund* and the *Surface Water Management Bonds Reserve Fund* because these are reserve funds in which it is anticipated that no expenditures will be required.

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 no differences between the budgetary basis and generally accepted accounting principles (GAAP), with the exception of interfund loan proceeds and disbursements, which are recognized as other financing sources and other financing uses for budgetary purposes. A reconciliation of fund balance reported on a budgetary basis with fund balance reported on a GAAP basis is presented in *Note 15 Restatement of Beginning Fund Balance/Budgetary Basis of Accounting*.

Budgetary accounts are integrated into the City's accounting system in all budgeted funds and any unexpended appropriations lapse at the end of the fiscal year.

Annual appropriated budgets are adopted at the fund level. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers track expenditures for individual functions and activities by object class.

2. Amending the Budget

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

When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance.

The budgetary comparison schedules located in the *Required Supplementary Information* and the *Other Supplementary Information* sections include original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

3. Excess of Expenditures Over Appropriations

There were no City funds in which expenditures exceeded appropriations.

E. Assets, Liabilities and Fund Equity**1. Cash and Cash Equivalents**

It is the City's policy to invest all temporary cash surpluses. At December 31, 2006, the City had holdings of \$67,175,428 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 credited to seven funds including the *General Fund*, the *Port of Seattle ILA Fund*, the *Hotel/Motel Tax Fund*, the *Transportation CIP Fund*, the *Surface Water Management Utility Fund*, the *Surface Water Management Construction Fund*, and the *Equipment Rental Fund* based upon ownership of investments. The interest from the other funds is allocated to the *General Fund*.

The amount reported as cash and cash equivalents also includes compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during 2006 were \$2,069,699.

For purposes of the *Statement of Cash Flows*, proprietary funds consider all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents include cash on deposit with financial institutions in both demand and time deposit accounts and amounts invested in the Local Government Investment Pool. Additional information is presented in *Note 3 Deposits and Investments*.

2. Investments

Investments are reported on 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 investment information is presented in *Note 3 Deposits and Investments*.

3. Receivables

Taxes receivable consists of property taxes and related interest and penalties (See *Note 4 Property Taxes*), sales taxes, hotel/motel taxes and parking taxes. Accrued interest receivable consists of amounts earned on investments at the end of the year.

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that are liens against the property benefited. As of December 31, 2006, \$998 of special assessments receivable were delinquent. In addition, \$771 in interest was due on the delinquent assessments.

Accounts receivable consists of amounts owed from private individuals, organizations and other governmental agencies for goods, services and interlocal agreements including amounts owed for which billings have not been prepared.

4. Amounts Due to and from Other Funds and Governments, 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 “interfund loans receivable/payable”. All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” The City’s interfund loan in the governmental funds has been eliminated on the government-wide *Statement of Net Assets*. A separate schedule of interfund loan receivables and payables is furnished in *Note 11 Interfund Balances and Transfers*.

5. Inventories

All inventories of the City consist of expendable supplies held for consumption. These costs are recorded as expenditures 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

The City’s *Surface Water Management Construction Fund (#406)* contains resources for Des Moines Creek Basin restoration construction projects, maintenance and operation, and future infrastructure replacement as defined by interlocal agreements. The *Surface Water Bonds Reserve Fund (#410)* contains restricted resources for debt service. Specific debt service reserve requirements are described in *Note 9 Long-term Debt and Leases*.

The restricted assets of these Surface Water Management enterprise funds are as follows:

Cash and Investments – Des Moines Creek Basin ILA Projects	\$4,864,783
Cash and Investments – Debt Service	<u>403,925</u>
Total Restricted Assets	<u>\$5,268,708</u>

7. Capital Assets (See Note 5)

Capital assets, which include property, plant, equipment 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 \$1,000 and a life greater than four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is included as part of the capitalized value of the asset constructed. No interest expense was incurred by the City during the fiscal year. Property, plant and equipment are depreciated using the straight line depreciation method over the following estimated useful lives:

Assets	Capitalization Threshold	Estimated Service Life
Construction in Progress	Capitalize All	Not Depreciated
Land & Land Improvements	Capitalize All	Not Depreciated
Equipment/Machinery/Vehicles	\$1,000	4 - 20 Years
Buildings & Bldg Improvements	\$25,000	20 - 40 Years
Intangible Assets - Software	\$1,000	4 Years
Other Improvements	\$25,000	20 - 50 Years
Infrastructure	\$100,000	20 - 40 Years
Utility Plant	\$25,000	25 - 50 Years

8. Compensated Absences

The City records an estimated liability for unused vacation and sick leave. Upon separation from employment, employees receive payment equal to 25% of their accrued and unused sick leave. The maximum sick leave cash-out is 64 hours. This cash-out does not apply to employees who leave during their probationary period. It is the City's policy that payment for accumulated vacation and sick leave be based on the employee's last hourly rate of pay. 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. Compensatory time can also be accrued up to a maximum of 80 hours.

The liability for accumulated unused vacation and sick leave for governmental funds is reported in the government-wide *Statement of Net Assets*. This total liability is \$827,378 at December 31, 2006. It is estimated that \$91,051 of this liability will be due within one year. No current liability has been recorded for compensated absences in the governmental funds.

Accumulated amounts of compensated absences, including vacation and sick leave benefits, are accrued as expenses as incurred in proprietary funds. The total liability amount in the City's *Surface Water Management Fund* at December 31, 2006 is \$32,380. It is estimated that \$3,561 of this liability will be due within one year.

9. Other Accrued Liabilities

This account includes accrued employee benefits payable.

10. Long-Term Debt

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In addition, all payables, accrued liabilities and 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 9 Long-term Debt and Leases*.

11. Deferred Revenues

This account includes amounts recognized as receivables but not revenues in governmental funds because revenue recognition criteria have not been met.

12. Fund Equity - Reserves and Designations

The City recognizes in its reporting that assets are sometimes not "available spendable resources" or at times legally available for appropriations, because they are contractually or legally restricted for some specific future use. When this is the case, as for example with debt service, fund equity is "reserved". However, when management sets aside portions of fund equity based upon tentative future plans or for administrative convenience, these restrictions are reported as "designations" of unreserved fund equity. Designations are not used in proprietary funds. Additional information and schedules are presented in *Note 14 Reservations and Designations of Fund Equity*.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions, and there have been no expenditures exceeding legal appropriations at the fund level in any funds of the City.

NOTE 3 - DEPOSITS AND INVESTMENTS

At December 31, 2006, the City's total cash and cash equivalents (including cash restricted for debt) consisted of the following:

Bank of America, Checking Accounts.....	\$ 573,254
Cash Equivalents with State Treasurer's Pool.....	66,597,475
EBS/Neopost, Postage Meter Account.....	3,000
Petty Cash/Change Funds.....	1,700
Total Cash and Cash Equivalents.....	<u>\$67,175,429</u>

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).

In accordance with State law, all investments of the City's funds must be 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).

As of December 31, 2006, the City held the investments listed below, including Investments in the State Treasurer's Local Government Investment Pool which are classified as cash and cash equivalents on City Balance Sheets and Statements of Net Assets. These investments are reported at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Investment	Call Date	Maturity Date	Maturities	Recorded/ Fair Value
Federal Home Loan Bank Bonds	N/A	10/17/2007	\$3,015,000	\$2,996,910
Federal Home Loan Bank Bonds	05/24/06	08/24/2007	4,000,000	3,992,500
Subtotal			\$7,015,000	\$6,989,410
State Treasurer's Local Government Investment Pool	N/A	Daily Basis	66,597,475	66,597,475
Total Investments			\$73,612,475	\$73,586,885

Interest Rate Risk. The City currently does not have a policy governing its exposure to interest rate risk, but as shown above, the majority of the City's investments are in the State Treasurer's Local Government Investment Pool which reduces the City's interest rate risk.

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. All of the City's investments, excluding the State Treasurer's Local Government Investment Pool, are held by the City's custodial agent in the City's name, thereby, reducing the City's custodial credit risk.

Investments in the State Treasurer's Local Government Investment Pool, which is a 2a7-like unrated pool, are not subject to custodial credit risk because the investments held must be evidenced by securities that exist in physical or book entry form to be exposed to this type of risk. Instead, the investment in the Pool is treated as a type of investment with a fair value equal to the net realizable value of the entity's share of the Pool based on the Pool's valuation method. The City has reported its total investment in the State Treasurer's Local Government Investment Pool at fair value. The City has received assurances from the State Treasurer's Office that the fair value of the total investment reported on the December 31, 2006 account statements is the same as the value of the pool shares.

Credit Risk. No credit rating is available for the State Treasurer's Local Government Investment Pool because the Pool has not been rated. The City's other two investments have been rated as follows: 1) Federal Home Loan Bank Bonds – AAA by both Standard & Poor's and Moody's Investors Services and 2) Federal Home Loan Bank Bonds – AAA by Standard & Poor's and no rating was made by Moody's Investors Services. The City currently does not have a policy related to credit risk.

Concentration of Credit Risk. The City does not have investment positions of more than 5% from a single issuer outside of U.S. government obligations.

NOTE 4 - PROPERTY TAXES

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

Property Tax Calendar

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

Property taxes levied by the County Assessor and collected by the County Finance Director become a lien on the first day of the levy year and may be paid in two equal installments if the total amount exceeds \$30. Delinquent taxes bear interest at the rate of 12% and are subject to additional penalties if not paid as scheduled.

During the year, property tax revenues are recognized when cash is received. At year-end, property taxes are recorded as a receivable. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. The portion of the property taxes that is not expected to be collected within 60 days is classified as deferred revenue in the governmental fund statements.

The City may levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services, subject to two limitations:

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

Washington State law in RCW 84.55.010 limits the growth of regular property taxes to the lesser of one percent or inflation, defined by the implicit price deflator (IPD), after adjustments for new construction. Any levy by a taxing district in excess of the taxing district's limit requires voter approval. If such a levy is approved, it becomes the base for calculation of future levies, unless approved for a limited time or purpose. The property tax growth limit applies to the regular (non-voted-approved) 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.

The City's property tax levy rate was \$2.77 per \$1,000 of assessed value. Based on a city-wide assessed valuation of \$3,585,486,735, the total property tax levy for 2006 was \$9,922,670. (Note: Property taxes collected in 2006 are based on the 2005 assessed valuation).

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

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 and construction in progress.

Beginning in 2003, the City was required by GASB Statement 34 to start reporting capital assets used in governmental activities in the government-wide *Statement of Net Assets*. Governmental capital assets are not reported in the fund financial statements. These assets were previously reported in the General Fixed Assets Account Group, which was eliminated by GASB 34.

The government-wide *Statement of Net Assets* only includes major general infrastructure additions for the years 2003 through 2006. Infrastructure is a new reporting class of capital assets for governmental activities and was not previously reported by the City in the General Fixed Assets Account Group. Additionally, the City is not required under GASB 34 to retroactively report infrastructure capital assets until 2007. The retroactive infrastructure reporting requires the City to capitalize assets that were acquired, received major renovations, restorations or improvements after June 15, 1980.

In 2003, the City also began depreciating governmental capital assets. This was also a new requirement under GASB Statement 34. The depreciation expense for these assets is recorded in the government-wide *Statement of Activities* only 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 2006. Please note that \$1,154,130 of internal service fund depreciated capital assets for the *Equipment Rental Fund (#501)* are shown in the table below and are not shown in the proprietary capital assets table. Under GASB 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 Assets*.

Governmental Activities Capital Assets	Beginning Balance 01/01/2006	Increases	Decreases	Ending Balance 12/31/2006
Capital assets not being depreciated:				
Land	\$11,125,389	\$1,160,037	\$ 0	\$12,285,426
Construction in Progress (CIP)	16,381,626	1,926,362	6,052,279	12,255,709
Total assets not depreciated	27,507,015	3,086,399	6,052,279	24,541,135
Capital assets being depreciated:				
Buildings/Bldg Improvements	26,364,633	263,396	0	26,628,029
Other Improvements	3,893,829	319,899	3,730	4,209,998
Infrastructure	1,155,849	6,052,279	0	7,208,128
Equipment/Vehicles/Machinery	5,332,395	157,978	220,760	5,269,613
Equipment/Vehicles/Machinery (E/R)	1,930,372	338,978	189,398	2,079,952
Intangible Assets-Software	391,663	57,058	0	448,721
Total assets being depreciated	39,068,741	7,189,588	413,888	45,844,441
Total governmental capital assets before depreciation	\$66,575,756	\$10,275,987	\$6,466,167	\$70,385,576
Less accumulated depreciation for:				
Buildings/Bldg Improvements	5,273,681	764,654	0	6,038,335
Other Improvements	1,377,691	247,357	0	1,625,048
Equipment/Vehicles/Machinery	2,917,028	436,532	220,760	3,132,800
Equipment/Vehicles/Machinery (E/R)	906,661	189,618	170,458	925,821
Infrastructure	75,478	30,830	0	106,308
Intangible Assets-Software	189,893	85,322	0	275,215
Total accumulated depreciation	10,740,432	1,754,313	391,218	12,103,527
Total governmental capital assets after depreciation	\$55,835,324	\$8,521,674	\$6,074,949	\$58,282,049

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

Governmental Activities:	
Judicial	\$ 6,441
General Government	517,912
Public Safety	387,432
Physical Environment	24,569
Transportation	73,704
Transportation (Equipment Rental – Internal Service Fund)	189,618
Economic Environment	6,627
Culture and Recreation	548,010
Total Depreciation Expense-Governmental Activities	\$1,754,313

B. Capital Assets for Business-type Activities

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

The following schedule summarizes the capital asset data for business-type proprietary funds for 2006:

Business-Type Activities Capital Assets	Beginning Balance 01/01/2006	Increases	Decreases	Ending Balance 12/31/2006
Capital assets not being depreciated:				
Construction in Progress-SWM	\$4,928,859	\$3,968,176	0	\$8,897,035
Total assets not depreciated	4,928,859	\$3,968,176	0	8,897,035
Capital assets being depreciated:				
Buildings-SWM	228,560	0	0	228,560
Other Improvements-SWM	6,984,152	0	0	6,984,152
Equipment-SWM	1,565	0	0	1,565
Total assets being depreciated	7,214,277	0	0	7,214,277
Total business-type capital assets before depreciation	\$12,143,136	3,968,176	0	16,111,312
Less accumulated depreciation for:				
Buildings	4,869	5,159	0	10,028
Other Improvements	3,157,706	75,614	0	3,233,320
Equipment/Vehicles	1,408	0	0	1,408
Total accumulated depreciation	3,163,983	80,773	0	3,244,756
Total business-type capital assets after depreciation	\$8,979,153	3,887,403	0	\$12,866,556

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

Business-type Activities:	
Utilities/Physical Environment (Surface Water Management Utility)	\$80,773
Total Depreciation Expense-Business-type Activities	\$80,773

C. Construction Commitments

The City has two active construction projects at December 31, 2006. The following describes the active construction projects and the City's commitment with the contractor:

Project	Spent to Date	Remaining Commitment
International Boulevard Phase IV (Contract #ST-042 with Gary Merlino Construction)	\$8,986,825	\$41,717
156 th Des Moines Memorial Drive Intersection (Contract #ST-120 with Dennis R. Craig Construction)	222,394	41,817
Total Outstanding Construction Commitments	\$9,209,219	\$83,534

NOTE 6 - 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

Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

A. Public Employees' Retirement System (PERS) Plans 1, 2 and 3

Plan Description

PERS is a cost-sharing multiple employer retirement system composed of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Membership in the system includes elected officials, state employees, employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system), employees of legislative committees, community and technical colleges, college and university employees (not in national higher education retirement programs), judges of district and municipal courts, and employees of local governments. The PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977, and by either February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members, unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees, have the option of choosing membership in either PERS Plans 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual pension is two percent of the average final compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. If qualified, after reaching the age of 66, a cost-of-living allowance is granted based on years of service credit and is capped at three percent annually.

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of two percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at the age of 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit, and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at three percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at one percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years if twelve months of that

service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or at age 55 with 10 years of service. Retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirements Benefits Board.

There are 1,181 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2005:

PERS Membership	
Retirees and beneficiaries receiving benefits	68,609
Terminated plan members entitled to but not yet receiving benefits	22,567
Active plan members vested	104,574
Active plan members non-vested	51,004
Total PERS Members	246,754

Funding Policy

Each biennium, the State Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent and do not vary from year to year. The employer and employee contribution rates for Plan 2, and the employer contribution rate for Plan 3, are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. PERS Plan 3 defined contribution is a non-contributing plan for employers. Employees who participate in the defined contribution portion of PERS Plan 3 do not contribute to the defined benefit portion of PERS Plan 3. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee’s age. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of the current-year covered payroll, as of December 31, 2005 were as follows:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer*	3.69%	3.69%	3.69%**
Employee	6.00%	3.50%	***

*The employer rates include the employer administrative expense fee currently set at 0.18%.

**The employer rate for state elected officials is 5.44%

***The employee rate for state elected officials is 7.5%.

****Plan 3 defined benefit portion only.

*****Variable from 5.0% minimum to 15.0% maximum based on rate selected by PERS 3 member.

Both the City and the employees made the required contributions. The City’s required contributions for the years ended December 31 were as follows:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
2006	\$10,237	\$182,999	\$9,865
2005	\$6,753	\$103,415	\$6,910
2004	\$5,554	\$70,005	\$4,879

B. Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) - Plans 1 and 2

Plan Description

LEOFF is a cost-sharing multiple employer retirement system comprised of two separate defined benefit plans. Membership in the system includes all full-time, fully compensated, local law enforcement officers and fire fighters. LEOFF is comprised primarily of non-state employees, with the Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003 being an exception. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates established to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan. Effective January 1, 2003 firefighter emergency medical technicians (EMT's) may transfer PERS Plan 1 or Plan 2 service credit to LEOFF Plan 2 if while employed for the city, town, county or district, the EMT's job was relocated to a fire department from another city, town, county or district. LEOFF defined benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays the remainder through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary is as follows:

Term of Service	Percent of Final Average Salary
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

The final average salary 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 10 years of service. If membership was established in LEOFF after February 18, 1974, the service retirement benefit is capped at 60 percent of final average salary. A cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index).

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of two percent of the final average salary per year of service. The final average salary is based on the highest consecutive 60 months. Plan 2 retirements prior to the age of 53 are reduced three percent for each year that the benefit commences prior to age 53. There is no cap on years of service credit, and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at three percent annually.

There are 376 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2005:

LEOFF Membership	
Retirees and beneficiaries receiving benefits	8,723
Terminated plan members entitled to but not yet receiving benefits	577
Active plan members vested	12,348
Active plan members nonvested	3,543
Total LEOFF Members	25,191

Funding Policy

Starting on July 1, 2000, Plan 1 employers and employees will contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. Plan 2 employers and employees are required to pay at the level adopted by the Department of Retirement Systems in accordance with Chapter 41.45 RCW. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of Plans 1 and 2 in accordance with the requirements of the Pension Funding Council. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute. The methods used to determine the contribution rates are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of the current-year covered payroll, as of December 31, 2006, were as follows:

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
Employer*	0.18%	4.90%
Employee	0.00%	7.85%
State	N/A	3.13%

*The employer rates include the employer administrative expense fee currently set at 0.19%.

**The employer rate for ports and universities is 7.18%.

Both the City and the employees made the required contributions. The City's required contributions for the years ended December 31 were as follows:

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
2006	\$0	\$157,716
2005	\$0	\$128,622
2004	\$0	\$102,730

Public Safety Employees' Retirement System (PSERS) Plan 2

PSERS was created by the 2004 legislature and became effective July 1, 2006. PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

PSERS Plan 2 membership includes full-time employees of a covered employer on or before July 1, 2006, who met at least one of the PSERS eligibility criteria, and elected membership during the election period of July 1, 2006 to September 20, 2006; and those full-time employees, hired on or after July 1, 2006 by a covered employer, that meet at least of the one PSERS eligibility criteria.

A *covered employer* is one that participates in PSERS. Covered employers include State of Washington agencies: Department of Corrections; Parks and Recreation Commission, Gambling Commission, Washington State Patrol and Liquor Control Board; Washington State counties; and Washington State cities except for Seattle, Tacoma and Spokane.

To be eligible for PSERS, an employee must work on a full-time basis and:

- have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington and carry a firearm as part of the job; OR
- have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; OR
- function as a limited authority Washington peace officer, as defined in RCW 10.93.030; OR
- have primary responsibility to supervise eligible members who meet the above criteria.

PSERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PSERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 2 retirement benefits are vested after an employee completes five years of eligible service and attains the age of 65. PSERS Plan 2 members may retire at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, with an allowance of 2 percent of the average final compensation per year of service. The average final compensation is the monthly average of the member's 60 consecutive highest-paid service credit months, excluding any severance pay such as lump-sum payments for deferred sick leave, vacation or annual leave. Plan 2 retirees prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a 3 percent per year reduction for each year between the age at retirement and age 60 applies. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

The first actuarial valuation of the PSERS system will be effective as of September 2006 and reported in the year 2007.

Funding Policy

Each biennium, the State Pension Funding Council adopts Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. All employers are required to contribute at the level established by the Legislative. The methods used to determine the contribution requirements are established under statute in accordance with Chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2006, were as follows:

PSERS Plan 2	
Employer*	6.76%
Employee	6.57%

*The employer rate includes an administrative expense fee of 0.18%.

Both City and the employees made the required contributions. The City's required contributions for the year ended December 31, 2006 were as follows:

PSERS Plan 2	
2006	\$0

C. City of SeaTac Money Purchase Retirement Trust

The City of SeaTac 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 is designed to provide the employees with benefits that equal or exceed the present Social Security system. Further, it has been designed to keep pace with or exceed future benefits of Social Security due to inflation. The benefit plan includes the following benefits: disability benefits, survivor benefits for spouse and children, lump sum death benefits, and retirement and investment benefit options. 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 savings 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 4.915%) and insurance payments (approximately 1.285%) for disability, survivor, accidental death and dismemberment, and lump sum death benefit coverages.

As of December 31, 2006, there were 162 active members in the City of SeaTac Retirement Trust. Actual employee contributions during the year amounted to \$586,698. Actual employer contributions were \$481,999.

Actuarial determinations are not required because (1) long-term disability and survivor income insurance are provided by a group insurance policy with Standard Insurance Company; and (2) benefits paid to participants upon retirement are limited to (a) a non-forfeitable, nontransferable annuity contract purchased by the plan's trustee, (b) retirement benefits paid from the employee's deferred savings 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 savings 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. An amendment is approved by the City Council.

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

1) Disability

Disability benefits provide 60% of compensation with a \$5,000 per month maximum. Disability benefit premiums are paid 100% by the City's contributions.

2) Survivor

Survivor benefits cease for spouse upon decree of divorce. Eligible child benefits cease on the date an unmarried child reaches age 19. If a registered student in full-time attendance at an accredited educational institution, benefits cease on the date the child reaches 25 years of age. Survivor benefit premiums are paid 100% by the City's contributions.

- a) Surviving children **or** spouse - Benefits will include 30% of the first \$3,000 of monthly earnings, with a monthly minimum benefit amount of \$100.
- b) Surviving children **and** spouse - Benefits will include 60% of the first \$3,000 of monthly earnings, with a monthly minimum benefit of \$200.

3) Lump Sum Death Benefits

These benefits equal 100% of annual earnings to a maximum of \$100,000, rounded to the next higher multiple of \$1,000 salary amount. The premium for this benefit is paid by the City.

4) 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 deduction. Upon separation of service prior to retirement, all employee contributions may be withdrawn without regard to age, net of any outstanding loans. Employer contributions must be left in the plan and distributed when the participant attains age 55.

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

NOTE 7 - RISK MANAGEMENT

The City maintains insurance against most normal hazards and general liability claims against the City. The policies include coverage for property, liability, auto, and errors and omissions. An additional excess liability policy to provide additional limits over and above that provided by the commercial general liability policy is carried. Public official performance bonds were obtained for the City Manager, City Treasurer, Court Administrator and City Clerk to provide public officials liability protection.

The City's industrial insurance 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.

The City's unemployment insurance is through the Federal/State system, which provides some compensation to workers who are temporarily and involuntarily unemployed. It is administered in Washington State 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. There were no significant reductions in insurance coverage from 2005 in any of the major categories of risk. Also, the amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 8 – SHORT TERM DEBT

As of December 31, 2006, the City had no short term debt outstanding.

NOTE 9 – LONG-TERM DEBT AND LEASES

A. LONG TERM DEBT

General Obligation Bonds

General obligation bonds are a direct obligation of the City for which its full faith and credit are pledged. Debt service is paid from debt service funds. Debt service for City Council authorized or councilmanic issues are funded from regular property taxes and hotel/motel tax revenue. Outstanding general obligation debt is reported in the government-wide *Statement of Net Assets* and not in the fund financial statements. The City issued no additional general obligation bonds in 2006 and had no arbitrage liability for existing bonds.

General obligation bonds currently outstanding are as follows:

Description/ Range of Maturities	Interest Rate	Original Issue Amount	Amount Outstanding
1998 LTGO Hotel/Motel Tax (1999 – 2018)	4.20% - 4.70%	\$5,000,000	\$3,475,000
1998 LTGO Refunding (1999 - 2013)	3.35% - 4.40%	3,645,000	2,540,000
Total General Obligation Bonds		\$8,645,000	\$6,015,000

The annual debt service requirements to maturity for general obligation bonds are below:

General Obligation Bonds – Governmental Activities					
Year Ending Dec 31	Principal	Interest	Year Ending Dec 31	Principal	Interest
2007	\$550,000	\$261,230	2013	\$700,000	\$106,848
2008	570,000	238,622	2014	305,000	76,048
2009	595,000	215,327	2015	315,000	62,475
2010	620,000	190,510	2016	330,000	48,143
2011	650,000	164,160	2017	345,000	32,963
2012	675,000	136,210	2018	360,000	16,920
			Total GO Bonds	\$6,015,000	\$1,549,456

The City has used only 9.8% of its Councilmanic (non-voted) general purpose debt capacity and has \$55.2 million left in available debt capacity. For voted debt, the City has over \$40.8 million in remaining debt capacity with no voted debt outstanding.

At December 31, 2006, the City has \$2,638 in cash and cash equivalents in debt service funds to service the general bonded debt. Additionally, all general obligation bond proceeds have been fully expended except the debt issue for the City's Hotel/Motel Tax Bonds in the amount of \$5,001,021 (including the premium). These bond proceeds will be used for the acquisition/construction of tourism related capital facilities per Ordinance #98-1049.

Revenue Bonds

Revenue bonds are paid from service revenues generated from the surface water management utility charge and parking tax revenues. Both the liability and debt service payment for the Storm Water Revenue Bonds are reported in the *Surface Water Management Fund (#403)*. In addition, debt service on the Local Option Transportation Tax Revenue Bonds is paid out of the *Transportation Bond Debt Service Fund (#202)*. Outstanding liability for this issue is reported in the government-wide *Statement of Net Assets* in the governmental activities column. Neither the full faith and credit of the City nor the taxing power of the City, other than to the extent of the pledge of the revenues, is pledged to the payment of the bonds. The City issued no additional revenue bonds in 2006 and had no arbitrage rebate liability for existing bonds. Revenue bonds currently outstanding are as follows:

Description/ Range of Maturities	Interest Rate	Original Issue Amount	Amount Outstanding
1999 Transportation Refunding (1999 – 2013)	3.25% - 4.70%	\$6,675,000	\$5,065,000
1999 Storm Water Refunding (1999 – 2013)	3.25% - 4.70%	3,320,000	2,280,000
Total Revenue Bonds		\$9,995,000	\$7,345,000

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

Revenue Bonds					
Governmental Activities-Transportation			Business-type Activities-SWM		
Year Ending Dec 31	Principal	Interest	Year Ending Dec 31	Principal	Interest
2007	\$635,000	\$228,755	2007	\$285,000	\$102,975
2008	660,000	201,133	2008	300,000	90,577
2009	690,000	172,092	2009	315,000	77,377
2010	720,000	141,042	2010	320,000	63,203
2011	755,000	109,002	2011	335,000	48,963
2012	785,000	74,650	2012	355,000	33,720
2013	820,000	38,540	2013	370,000	17,390
Subtotal-Trans	\$5,065,000	\$965,214	Subtotal-SWM	\$2,280,000	\$434,205
Total Revenue Bonds				\$7,345,000	\$1,399,419

In proprietary funds, unamortized debt issue costs are recorded as deferred charges and bonds are displayed net of premium or discount. Annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issues costs and discount.

At December 31, 2006, the proprietary funds contained restricted assets in the amount of \$403,925 in sinking funds and reserves as required by bond indentures. Additionally, all revenue bond proceeds have been fully expended.

Special Assessment Bonds

Special assessment bonds are not a direct responsibility of the City, but are funded from the collection of installment special assessment payments. Neither the full faith and credit nor the taxing power of the City is pledged to the payment of the bonds. The City is obligated for special assessment debt to the extent that it is required to establish an LID guarantee fund for the purpose of guaranteeing the payment of local improvement bonds in the event there are insufficient funds in the *Special Assessment Debt Fund (#204)*. Debt service principal and interest costs are paid from the *Special Assessment Debt Fund* and are funded with installment payments from assessments of benefiting property owners.

Delinquent assessments receivable totaled \$998 at the end of the year. The outstanding liability from the special assessment bond issue is reported in the government-wide *Statement of Net Assets*. In 2006, no additional special assessment bonds were issued and the City had no arbitrage rebate liability.

Special assessment bonds currently outstanding are as follows:

Description/Range of Maturities	Interest Rate	Original Issue Amount	Amount Outstanding
LID #1 (2001-2015)	5.00% - 6.20%	\$2,871,819	\$1,240,000
Total Special Assessment Bonds		\$2,871,819	\$1,240,000

The annual debt service requirements to maturity for special assessments bonds are listed in the table below (Note: Estimated debt maturities are June 1st of each year):

Special Assessment Bonds					
Year Ending Dec 31	Principal	Interest	Year Ending Dec 31	Principal	Interest
2009	\$ 70,000	\$74,058	2013	\$195,000	\$35,880
2010	195,000	70,103	2014	195,000	24,083
2011	195,000	58,890	2015	195,000	12,090
2012	195,000	47,483	Total SA Bonds	\$1,240,000	\$322,587

On December 31, 2006, the *Special Assessment Debt Fund* had \$63,269 in cash and the *LID Guarantee Fund* had \$280,000.

Advance Refundings

In 1998, the City refunded one general obligation bond issue by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. In 1999, the City refunded two revenue bond issues in the same manner. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the City's financial statements. Refunded general obligation bonds payable were \$2,445,000 at year end. Refunded revenue bonds payable totaled \$7,070,000 at year end.

Compensated Absences

The City's liability for governmental fund compensated absences is reported in the government-wide *Statement of Net Assets*. The compensated absences liability for proprietary funds is accounted for in the *Surface Water Management Fund (#403)*. Additional information on compensated absences can be found in *Note 1 Section 8 Compensated Absences*.

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2006 was as follows:

	Balance 01/01/06	Additions	Reductions	Balance 12/31/06	Due Within One Year
Governmental Activities:					
General obligation bonds	\$6,545,000	\$ 0	\$ 530,000	\$ 6,015,000	\$550,000
Revenue bonds	5,675,000	0	610,000	5,065,000	635,000
Special assessment	1,525,000	0	285,000	1,240,000	0
Compensated absences	739,416	95,006	7,044	827,378	91,051
Governmental activities long-term liabilities	\$14,484,416	\$95,006	\$1,432,044	\$13,147,378	\$1,276,051
Business-type Activities:					
Revenue bonds	\$2,555,000	\$ 0	\$275,000	\$2,280,000	\$285,000
<i>Less deferred amounts:</i>					
<i>Unamortized discount</i>	(12,001)	0	(1,346)	(10,655)	(1,346)
<i>Def Amt on Refunding</i>	(258,258)	0	(28,963)	(229,295)	(28,964)
Total bonds payable-net	2,284,741	0	244,691	2,040,050	254,690
Compensated absences	30,506	4,090	2,216	32,380	3,561
Business-type activities long-term liabilities	\$2,315,247	\$4,090	\$246,907	\$2,072,430	\$258,251

The chart above reflects the City's estimate of compensated absences payable within one year. 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 Management Fund*.

B. LEASES

Operating Leases

The City leases equipment under non-cancelable operating leases. The cost for such leases was \$49,786 for the year ended December 31, 2006. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2007	\$40,380
Total	\$40,380

The City has five agreements to lease out portions of the second floor in City Hall as follows: 1) The first lease agreement is a lease for 8,921 square feet and was renewed through October 1, 2012. The current lease amount is \$17,842 per month but will change to \$17,162 per month effective October 1, 2007; 2) The second lease is for 3,030 square feet and was renewed through November 30, 2009. The lease amount is \$5,808 per month for the first twelve months, \$5,871 for the next twelve months and \$5,934 for the final twelve months; 3) The third lease agreement is for 1,980 square feet effective through July 31, 2012 in the amount of \$2,550 per month. The lease amount increases by 2% to 3% annually; 4) The fourth lease agreement is for 3,300 square feet and is effective through March 31, 2011. The current monthly lease payment is \$4,813 and will increase by 2% annually; and 5) The final lease agreement is for 500 square feet and has a termination date of March 31, 2011. The current monthly lease payment is \$729 and will increase 2% annually.

The City also has a lease agreement to house an antennae on the roof of City Hall. This agreement ends on August 21, 2007 but may be extended by the lessee for two additional five year terms. The current amount of the lease is \$2,438 per month with an annual increase of 3% per year.

Capital Leases

The City has entered into no capital leases as of December 31, 2006.

NOTE 10 – CONTINGENCIES AND LITIGATION

The City Attorney reports that, as of December 31, 2006, a small number of tort claims and lawsuits had been filed against the City, none of which involve monetary damages or issues sufficient to materially affect the financial position of the City as set forth in these financial statements with one exception noted herein. Payment of any valid claims or adverse judgments resulting from the lawsuits should be covered by insurance. It is believed, at this point, that only one of the claims or suits could potentially result in a plaintiff's award. It is the matter of Burns, et al. vs. SeaTac, et al. Plaintiffs claimed that the franchise agreements between the Seattle City Light and the City are invalid and that any payments received under the terms of the franchise are also invalid. Therefore, Plaintiffs sought reimbursement of approximately \$400,000 of payments that the City has received. In February, 2006, the King County Superior Court dismissed the Plaintiffs' lawsuit in favor of the City in a Summary Judgment proceeding. Plaintiffs appealed the dismissal of their lawsuit, and a decision from the Washington State Supreme Court is pending, and it is unknown when a final decision will be rendered. In the event the Supreme Court reverses the Superior Court ruling, then the City may be ordered to repay the monies to Seattle City Light.

A lawsuit was filed by T-Mobile against the City in Federal Court, alleging the City's Wireless Communications Facilities Zoning Ordinance violated Federal law. In February, 2007, the City amended its Zoning Code to address the issues raised in the lawsuit. As a result, T-Mobile dismissed their lawsuit in May, 2007.

Simon Josowitz v. City, Case No. 06-2-20750-5KNT: Plaintiff filed writ of mandamus asking the Superior Court to order the City to issue the Certificate of Sufficiency as to the initiative petition (so that it may be forwarded to the King County Elections Division for further processing). City's position that the petition was insufficient because it did not fully and fairly notify the public of the ordinance the petition sought to repeal. Plaintiff filed suit under state law, RCW 7.17.160 and federal law, U.S.C. § 1983. Court ruled in favor of Plaintiff under authority of state law only. Thus, City was ordered to issue a Certificate of Sufficiency as to the petition and then forward the petition to King County Elections.

Initiative was placed on the ballot at Special Election on February 6, 2007. Voters of SeaTac rejected the initiative.

Sharpless v. City, Case No. 06-2-20750-5KNT: Plaintiff filed quiet title action under Road Laws of 1890, BALL. Code No. 3803, P.C. No. 7854. Plaintiffs sought unencumbered title to an undeveloped strip of land next to their property by establishing its longstanding closure, undevelopment and abandonment under the Road Laws of 1890. City signed stipulation and order quieting title on March 23, 2007.

The City Attorney has received no information, and has no knowledge of, any other threatened or potential claims or lawsuits which would materially affect the City's financial condition, as of the aforesaid date, or the current date.

NOTE 11 - INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

On December 31, 2006, the City had one interfund loan outstanding. Interfund loans receivable and interfund loans payable are considered reciprocal interfund activity and are shown on the respective funds' balance sheets. Interfund loans do not affect total fund equity.

In 2001, the City Council approved an interfund loan from the *Port of Seattle ILA Fund (#105)* to the *Municipal Facilities Construction Fund (#306)* to purchase an office building for a new City Hall. The original loan was in the amount of \$9,893,115. Interfund loans receivable was recorded on the balance sheet of the *Port of Seattle ILA Fund* and interfund loans payable was recorded on the balance sheet of the *Municipal Facilities Construction Fund*. As stated in the loan resolution, the original intent of the City Council was to loan the funds for a short period of time until councilmanic general obligation bonds could be issued to repay the loan.

In 2002, the Council approved a long-term plan to repay this interfund loan back to the *Port of Seattle ILA Fund* in lieu of issuing bonds. The interest rate applied to the loan adjusts monthly based on the net interest rate earned by the City for funds deposited in the State Treasurer's Local Government Investment Pool (LGIP).

In 2006, principal payments on the interfund loan were made in the amount of \$165,484 and interest payments totaled \$394,516.

The table below shows the interfund balances/loans at December 31, 2006:

Due To	Due From		
		Municipal Capital Improvement Fund #306	Total
	Port of Seattle Interlocal Agreement Fund #105	\$7,873,153	\$7,873,153

B. Interfund Transfers

During 2006, the City had a number of interfund transfers. Most of 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 for 2006:

Transfers In	Transfers Out					Total
	General Fund #001	Municipal CIP #301	SWM Operating #403	Other Non-Major Funds		
General Fund #001	\$ 0	\$ 0	\$176,250	\$ 634,300		\$ 810,550
Municipal CIP Fac #306	9,340,484	2,735,000	0	0		12,075,484
Transportation CIP #307	0	0	0	1,000,000		1,000,000
Other Non-Major Funds	435,375	0	79,950	20,000		535,325
Total Transfers	\$9,775,859	\$2,735,000	\$256,200	\$1,654,300		\$14,421,359
Transfer in of general capital assets:						
To Equipment Rental Internal Service Fund from Municipal CIP Fund #301						53,043
Total transfers in of general capital assets						53,043
					Total Interfund Transfers	\$14,474,402

In the proprietary statements, the transfer in of capital assets from the governmental funds is shown as a capital contribution to the “internal service funds” in the amount of \$53,043. During the year, capital assets were purchased by governmental funds and transferred into the *Equipment Rental Internal Service Fund*. The amounts paid for the assets were recorded as capital expenditures on the governmental *Statement of Revenues, Expenditures and Changes in Fund* statement. The capital expenditures were eliminated as part of the government-wide reconciliation process and are shown as assets on the *Statement of Net Assets* in the governmental activities column with the other *Equipment Rental Internal Service Fund* assets.

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

General Fund #001

There were four interfund transfers made into the General Fund in 2006. Three of the transfers were made to cover some of the administrative costs incurred by programs funded in the General Fund. The three administrative transfers were as follows: 1) *Street Fund #101*- \$60,490, 2) *Arterial Street Fund #102*- \$336,510 and 3) *Surface Water Management Fund #403* - \$176,250.

The fourth transfer into the *General Fund* was from the *Building Management Fund #108* in the amount of \$237,300. This is an annual transfer made to the *General Fund* from the lease of office space in City Hall. This transfer covers approximately 33% of the expenditures for City Hall maintenance, which is budgeted in the Facilities Department in the *General Fund*. It represents the estimated cost to provide maintenance to the leased areas on the second floor of City Hall. Total transfers into the *General Fund* were \$810,550.

Municipal Facilities CIP Fund #306

Two transfers were completed into this Fund totaling \$12,075,484. The first one was from the *General Fund* in the amount of \$9,340,484. The purpose of this transfer was two-fold. Part of the transfer (\$165,484) was used to provide funds to make the annual interfund loan principal payment. The original loan was from the *Port of Seattle ILA Fund #105* to the *Municipal Facilities CIP Fund #306* for the purchase and remodel of a City Hall building. The other part of the transfer (\$9,175,000) was made to purchase various pieces of land in the City. The second transfer in the amount of \$2,735,000 was made to finish the Senior Center addition at the Community Center (\$110,000), to purchase land for a new fire station (\$800,000), to start construction of a new fire station (\$1.2 million) and to purchase property in the City Center (\$625,000).

Transportation CIP Fund #307

A transfer was made from the *Arterial Street Fund #102* into the *Transportation CIP Fund #307* in the amount of \$1,000,000 for transportation projects in the City's transportation capital improvement plan. Parking tax revenues were used to fund this transfer. This transfer is a recurring annual transfer, but the amount varies from year to year depending on the projects in the annual capital budget.

Surface Water Management Fund #403

Two transfers were made out of the Surface Water Management Fund as follows: 1) \$79,970 was transferred to the Surface Water Management Construction Fund #406 for the Des Moines Creek Basin Replacement project and for Des Moines Creek Basin maintenance and operations and 2) \$176,250 was transferred to the General Fund to reimburse for administrative costs.

Other Non-Major Funds

A transfer was made from the *Arterial Street Fund #102* into the *Street Fund #101* in the amount of \$20,000. This transfer was for the maintenance of City streets and related infrastructure. This annual transfer is paid for with parking taxes. The amount of the transfer will vary depending on the needs in the current year budget.

The *Fire Equipment Capital Reserve Fund #303* received a transfer from the *General Fund* in the amount of \$175,000. This transfer was used to replace fire department capital assets. Transfers from the *General Fund* are the only revenue source for the *Fire Equipment Capital Reserve Fund*.

The *Facility Repair and Replacement Fund #110* received a transfer from the *General Fund* to set up the Fund. Annual transfers will be made to this Fund to pay for the scheduled repairs and replacements on buildings and in parks.

NOTE 12 - RECEIVABLE AND PAYABLE BALANCES

A. Receivables

The receivable balances for the major funds at December 31, 2006 were as follows:

Fund	Customer Accounts	Taxes	Special Assessments	Total
Governmental Activities:				
General Fund #001	\$ 85,860	\$2,472,259	\$ 0	\$2,558,119
Hotel/Motel Tax #107	67,894	97,954	0	165,848
Special Assessment Debt #204	0	0	1,373,062	1,373,062
Capital Improvement #301	0	88,989	0	88,989
Municipal Facilities #306	2,499	0	0	2,499
Other Non-Major Funds	35,463	357,655	0	393,118
Total Governmental Activities	\$191,716	\$3,016,857	\$1,373,062	\$4,581,635
<i>Amounts not scheduled for collection during the subsequent year for governmental activities</i>	29,697	0	1,218,928	1,248,625
Business-type Activities:				
Surface Water Management #403	\$ 92,728	\$0	\$0	\$ 92,728
Surface Water Mgt Construct #406	601,503	0	0	601,503
Total Business-type Activities	\$694,231	\$0	\$0	\$694,231

B. Payables

The City's payable balances for the major funds at December 31, 2006 were as follows:

Fund	Accounts	Due to Other Gov	Employee Benefits	Deposits/Custodial	Interest	Total
Governmental-type Activities						
General Fund #001	\$406,117	\$196,052	\$13,955	\$93,163	\$ 0	709,287
Hotel/Motel Tax #107	104,625	0	39	0	0	104,664
Cap Improvement #301	20,962	0	0	0	0	20,962
Municipal Facilities CIP #306	111,981	0	0	0	0	111,981
Transportation CIP #307	73,933	0	754	0	0	74,687
Other Non-Major	112,843	0	1,114	87,037	0	200,994
Subtotal Governmental Act	\$830,461	\$196,052	\$15,862	\$180,200	\$ 0	1,222,575
<i>Reconciliation of balances in fund financial statements to government-wide financial statements:</i>						
Internal service fund adjustment	14,320	0	0	0	0	14,320
Bond interest payable	0	0	0	0	40,832	40,832
Total Governmental Activities	\$844,781	\$196,052	\$15,862	\$180,200	\$40,832	\$1,277,727
Business-type Activities:						
Surface Water Management #403	\$ 48,681	\$0	\$754	\$0	\$8,581	\$ 58,016
Surface Water Mgt Construc #406	1,261,074	0	12	0	0	1,261,086
Total Business-type Activities	\$1,309,755	\$0	\$766	\$0	\$8,581	\$1,319,102

NOTE 13 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Note 6, the City of SeaTac provides post-retirement benefits in accordance with State statute to all LEOFF 1 (law enforcement officers and fire fighters hired prior to 10/1/77) retirees. Currently 5 retirees meet those eligibility requirements. The City provides medical insurance and reimburses for all validated claims for medical, dental and hospitalization costs incurred by the retirees. Only those medical services and expenses which are deemed reasonable and necessary by the LEOFF Board will be paid by the City. Expenditures for post-retirement health care benefits are recognized as retirees report claims. The City has designated \$225,000 of its fund balance in the General Fund as an administrative convenience for this purpose. During the year, expenditures of \$60,400 were recognized for post-employment health care. This represents a \$6,868 increase from the previous year.

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.

NOTE 14 - RESERVATIONS AND DESIGNATIONS OF FUND EQUITY

In governmental funds, reservations of fund balance represent amounts that are not subject to appropriation or are legally segregated for a specific purpose. Designations of fund balance reflect management’s intended use of resources and reflect actual plans approved by either the government’s legislative body or chief executive officer.

The following is an analysis of fund equity reservations and designations by fund for the City’s governmental funds:

Fund	Unreserved Designated for LEOFF 1 Benefits	Reserved for Interfund Receivables	Reserved for Capital Improvements (Bond Proceeds)
General Fund #001	\$225,000	\$ 0	\$ 0
Port of Seattle ILA Fund #105	0	7,873,153	0
Hotel/Motel Tax Fund #107	0	0	5,001,021
Total	\$225,000	\$7,873,153	\$5,001,021

NOTE 15 – RESTATEMENT OF BEGINNING FUND BALANCE/BUDGETARY BASIS OF ACCOUNTING

On both the *Port of Seattle ILA Fund (#105)* and the *Municipal Facilities Capital Improvement Fund (#306) Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis)* a change in budgetary basis was recorded as a restatement of beginning fund balance. This restatement is due to the 2001 interfund loan made by the *Port of Seattle ILA Fund* to the *Municipal Facilities Construction Fund*, previously addressed in *Note 1 Summary of Significant Accounting Policies* and *Note 11 Interfund Balances and Transfers*. The restatement is in the amount of \$8,038,637 which is the balance on the interfund loan on January 1, 2006.

In 2001, the City budgeted bond proceeds to pay for the City Hall building purchase, but an interfund loan was utilized instead. Washington State law RCW 35A.33.120 requires that the City not budget a negative fund balance, thus requiring the City to recognize the interfund loan proceeds, on a budgetary basis, as an other financing source similar to bond proceeds. To ensure that the City’s total fund balance is not overstated, on a budgetary basis, other financing uses have been recorded in the *Port of Seattle ILA Fund*. The resulting restatements in beginning fund balances of these two funds offset each other and have no net effect on the total beginning fund balances of the City.



Required Supplementary Information



**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues				
Taxes	\$ 19,026,806	\$ 19,026,806	\$ 20,267,631	\$ 1,240,825
Licenses & permits	1,157,250	1,157,250	1,968,220	810,970
Intergovernmental	463,659	544,767	511,888	(32,879)
Charges for services	1,032,294	1,032,294	1,126,003	93,709
Fines and forfeitures	265,025	265,025	253,705	(11,320)
Investment earnings	880,000	880,000	1,877,633	997,633
Miscellaneous	129,650	129,650	168,955	39,305
Total Revenues	22,954,684	23,035,792	26,174,035	3,138,243
Expenditures				
<i>Current operations:</i>				
Judicial	357,195	357,195	358,576	(1,381)
General Government	5,479,076	5,626,861	4,278,209	1,348,652
Public Safety	13,061,926	13,234,425	12,788,883	445,542
Physical Environment	12,623	12,623	12,623	-
Transportation	541,729	541,729	529,728	12,001
Health & Human Services	399,460	454,460	363,812	90,648
Economic Environment	1,817,761	1,842,424	1,654,235	188,189
Culture & Recreation	2,245,470	2,261,448	2,280,616	(19,168)
Debt service				
Interest	288,000	288,000	394,516	(106,516)
Capital outlay	40,630	120,004	60,887	59,117
Total Expenditures	24,243,870	24,739,169	22,722,085	2,017,084
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(1,289,186)</i>	<i>(1,703,377)</i>	<i>3,451,950</i>	<i>5,155,327</i>
Other Financing Sources (Uses)				
Transfers in	810,550	810,550	810,550	-
Transfers out	(9,882,375)	(9,882,375)	(9,775,859)	106,516
Disposition of capital assets	-	-	3,625	3,625
Total Other Fin Sources (Uses)	(9,071,825)	(9,071,825)	(8,961,684)	110,141
<i>Net Change in Fund Balances</i>	<i>(10,361,011)</i>	<i>(10,775,202)</i>	<i>(5,509,734)</i>	<i>5,265,468</i>
Fund Balances-Beginning	18,681,587	19,869,496	19,869,496	-
Fund Balances-Ending	\$ 8,320,576	\$ 9,094,294	\$ 14,359,762	\$ 5,265,468

*Budgetary basis is the same as GAAP basis.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues				
Investment earnings	\$ 538,000	\$ 538,000	\$ 716,781	\$ 178,781
Total Revenues	538,000	538,000	716,781	178,781
Expenditures	-	-	-	-
Total Expenditures	-	-	-	-
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>538,000</i>	<i>538,000</i>	<i>716,781</i>	<i>178,781</i>
Other Financing Sources (Uses)	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
<i>Net Change in Fund Balances</i>	<i>538,000</i>	<i>538,000</i>	<i>716,781</i>	<i>178,781</i>
Fund Balances-Beg (as prev reported)	14,606,799	14,605,048	14,605,048	-
Change in budgetary basis of acctg	(8,038,637)	(8,038,637)	(8,038,637)	-
Fund Balances-Beg (as restated)	6,568,162	6,566,411	6,566,411	-
Fund Balances-Ending	\$ 7,106,162	\$ 7,104,411	\$ 7,283,192	\$ 178,781

*Budgetary basis is the same as GAAP basis.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues				
Taxes	\$ 575,000	\$ 575,000	\$ 707,758	\$ 132,758
Intergovernmental	-	-	5,000	5,000
Investment earnings	260,000	260,000	365,533	105,533
Total Revenues	835,000	835,000	1,078,291	243,291
Expenditures				
<i>Current operations:</i>				
Economic Environment	799,637	885,415	705,185	180,230
Capital outlay	30,000	58,553	11,614	46,939
Total Expenditures	829,637	943,968	716,799	227,169
<i>Excess (deficiency) of revenues over (under) expenditures</i>	5,363	(108,968)	361,492	470,460
Other Financing Sources (Uses)	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
<i>Net Change in Fund Balances</i>	5,363	(108,968)	361,492	470,460
Fund Balances-Beginning	7,454,153	7,609,780	7,609,780	-
Fund Balances-Ending	\$ 7,459,516	\$ 7,500,812	\$ 7,971,272	\$ 470,460

*Budgetary basis is the same as GAAP basis.



Other Supplementary Information



The City currently has twelve funds that are considered to be nonmajor governmental funds under GASB Statement 34. These funds fall within three fund types including special revenue funds, debt service funds and capital project funds and are described and categorized below.

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The City has five special revenue funds that are nonmajor governmental funds as follows:

1. The *City Street Fund* accounts for the maintenance and improvements of the City's street system.
2. The *Arterial Street Fund*, supported by the City's parking tax and the State's motor vehicle fuel tax, is used for capital improvements to the City streets.
3. The *Contingency Reserve Fund* provides funding to meet any municipal expenses, the necessity or extent of which could not have been foreseen or reasonably evaluated at the time of adopting the annual budget.
4. The *Transit Planning Fund* accounts for interlocal revenue the City receives from the regional transit authority and expends on efforts to facilitate the development of a central light rail transit system through the City.
5. The *Building Management Fund* accounts for rental revenues and operating costs for building maintenance, tenant improvements and management services associated with the lease of office space within City Hall.
6. The *Facility Repair and Replacement Fund* was established to provide for on-going renovation and major maintenance for City buildings and park related facilities under \$25,000.

Debt Service Funds

Debt service funds account for the payment of principal and interest on general government debt. The City has four nonmajor debt service funds as follows:

1. The *Limited Tax General Obligation City Hall Bond Fund* is used to account for the debt service on bonds issued to acquire a new City Hall facility.
2. The *Transportation Bond Fund* is used to account for the debt service on bonds issued to develop and construct new road projects throughout the City.
3. The *Hotel/Motel Bond Fund* is used to account for the debt service on bonds issued to finance the acquisition of tourism-related facilities.
4. The *Local Improvement District Guarantee Bond Fund* provides financial security for outstanding LID bonds and special assessment debt.

Capital Project Funds

Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. The City has two nonmajor capital project funds as follows:

1. The *Fire Equipment Capital Reserve Fund* accounts for the replacement of major Fire Department capital equipment including pumper trucks and other vehicles.
2. The *Transportation Bonds Reserve Fund* segregates an amount equal to the highest annual debt payment in accordance with a requirement of the transportation bond issue.

Combining Balance Sheet
December 31, 2006

Special Revenue Funds

	<u>City Street</u>	<u>Arterial Street</u>	<u>Contingency Reserve</u>	<u>Transit Planning</u>
Assets				
<i>Current Assets:</i>				
Cash & cash equivalents	\$ 70,671	\$ 3,285,071	\$ 755,000	\$ 164,134
Receivables (net):				
Taxes	-	357,655	-	-
Customer accounts	61	-	-	8,464
Total Assets	\$ 70,732	\$ 3,642,726	\$ 755,000	\$ 172,598
Liabilities				
<i>Current Liabilities:</i>				
Accounts/empl benefits pay	20,833	73,901	-	13,935
Other current liabilities	-	85,037	-	-
Total Liabilities	20,833	158,938	-	13,935
Fund Balances				
<i>Unreserved, reported in:</i>				
Special revenue funds	49,899	3,483,788	755,000	158,663
Debt service funds	-	-	-	-
Capital project funds	-	-	-	-
Total Fund Balances	49,899	3,483,788	755,000	158,663
Total Liab & Fund Balances	\$ 70,732	\$ 3,642,726	\$ 755,000	\$ 172,598

	Special Revenue Funds			Debt Service
	Building Management	Facility Reserve and Replacement	Total Special Revenue Funds	LTGO City Hall Bonds
Assets				
<i>Current Assets:</i>				
Cash & cash equivalents	\$ 521,392	\$ 156,374	\$ 4,952,642	\$ 1,691
Receivables (net)				
Taxes	-	-	357,655	-
Customer accounts	26,939	-	35,464	-
Total Assets	\$ 548,331	\$ 156,374	\$ 5,345,761	\$ 1,691
Liabilities				
<i>Current Liabilities:</i>				
Accounts/empl benefits pay	2,843	2,445	113,957	-
Other current liabilities	2,000	-	87,037	-
Total Liabilities	4,843	2,445	200,994	-
Fund Balances				
<i>Unreserved, reported in:</i>				
Special revenue funds	543,488	153,929	5,144,767	-
Debt service funds	-	-	-	1,691
Capital project funds	-	-	-	-
Total Fund Balances	543,488	153,929	5,144,767	1,691
Total Liab & Fund Balances	\$ 548,331	\$ 156,374	\$ 5,345,761	\$ 1,691

Combining Balance Sheet
December 31, 2006

Debt Service Funds

	Transportation Bonds	Hotel/Motel Bonds	LID Guarantee	Transportation Bonds Reserve
Assets				
<i>Current Assets:</i>				
Cash & cash equivalents	\$ 5,122	\$ 948	\$ 280,000	\$ 894,062
Receivables (net)				
Taxes	-	-	-	-
Customer accounts	-	-	-	-
Total Assets	\$ 5,122	\$ 948	\$ 280,000	\$ 894,062
Liabilities				
<i>Current Liabilities:</i>				
Accounts/empl benefits pay	-	-	-	-
Other current liabilities	-	-	-	-
Total Liabilities	-	-	-	-
Fund Balances				
<i>Unreserved, reported in:</i>				
Special revenue funds	-	-	-	-
Debt service funds	5,122	948	280,000	894,062
Capital project funds	-	-	-	-
Total Fund Balances	5,122	948	280,000	894,062
Total Liab & Fund Balances	\$ 5,122	\$ 948	\$ 280,000	\$ 894,062

	<u>Debt Service</u>	<u>Capital Project Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Total Debt Service Funds</u>	<u>Fire Equipment Capital Reserve</u>	<u>Total Capital Project Funds</u>	
Assets				
<i>Current Assets:</i>				
Cash & cash equivalents	\$ 1,181,823	\$ 1,356,299	\$ 1,356,299	\$ 7,490,764
Receivables (net)				
Taxes	-	-	-	357,655
Customer accounts	-	-	-	35,464
Total Assets	\$ 1,181,823	\$ 1,356,299	\$ 1,356,299	\$ 7,883,883
Liabilities				
<i>Current Liabilities:</i>				
Accounts/empl benefits pay	-	-	-	113,957
Other current liabilities	-	-	-	87,037
Total Liabilities	-	-	-	200,994
Fund Balances				
<i>Unreserved, reported in:</i>				
Special revenue funds	-	-	-	5,144,767
Debt service funds	1,181,823	-	-	1,181,823
Capital project funds	-	1,356,299	1,356,299	1,356,299
Total Fund Balances	1,181,823	1,356,299	1,356,299	7,682,889
Total Liab & Fund Balances	\$ 1,181,823	\$ 1,356,299	\$ 1,356,299	\$ 7,883,883

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended December 31, 2006**

Special Revenue Funds

	<u>City Street</u>	<u>Arterial Street</u>	<u>Contingency Reserve</u>	<u>Transit Planning</u>
Revenues				
Taxes	\$ -	\$ 3,973,438	\$ -	\$ -
Intergovernmental	584,308	14,110	-	86,073
Charges for services	785	-	-	-
Fines & forfeitures	-	-	-	-
Investment earnings	-	2,789	-	-
Rents & leases	-	-	-	-
Miscellaneous	3,481	-	-	-
Total Revenues	588,574	3,990,337	-	86,073
Expenditures				
<i>Current operations:</i>				
General Government	-	-	-	-
Public Safety	-	-	-	-
Other Utilities	N/A	N/A	N/A	N/A
Physical Environment	-	-	-	-
Transportation	623,497	1,407,232	-	96,688
Health & Human Services	-	-	-	-
Economic Environment	-	-	-	-
Culture & Recreation	-	-	-	-
Debt service	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	623,497	1,407,232	-	96,688
Excess (deficiency) of revenues over (under) expenditures	(34,923)	2,583,105	-	(10,615)
Other Financing Sources (Uses)				
Transfers in	20,000	-	-	-
Transfers out	(60,490)	(1,356,510)	-	-
Disposition of capital assets	-	-	-	-
Total Other Fin Sources (Uses)	(40,490)	(1,356,510)	-	-
Net Change in Fund Balances	(75,413)	1,226,595	-	(10,615)
Fund Balances-Beginning	125,312	2,257,193	755,000	169,278
Fund Balances-Ending	\$ 49,899	\$ 3,483,788	\$ 755,000	\$ 158,663

	Special Revenue Funds			Debt Service
	Building Management	Facility Repair and Replacement	Total Special Revenue Funds	LTGO City Hall Bonds
Revenues				
Taxes	\$ -	\$ -	\$ 3,973,438	\$ 431,000
Intergovernmental	-	-	684,491	-
Charges for services	-	-	785	-
Fines & forfeitures	-	-	-	-
Investment earnings	-	-	2,789	-
Rents & leases	312,097	-	312,097	-
Miscellaneous	737	-	4,218	-
Total Revenues	312,834	-	4,977,818	431,000
			4,977,818	
Expenditures				
<i>Current operations:</i>				
General Government	9,896	-	9,896	-
Public Safety	-	4,456	4,456	-
Other Utilities	N/A	N/A	-	N/A
Physical Environment	-	-	-	-
Transportation	-	-	2,127,417	-
Health & Human Services	-	-	-	-
Economic Environment	-	-	-	-
Culture & Recreation	-	101,990	101,990	-
Debt service	-	-	-	430,854
Capital outlay	43,487	-	43,487	-
Total Expenditures	53,383	106,446	2,287,246	430,854
Excess (deficiency) of revenues over (under) expenditures	259,451	(106,446)	2,690,572	146
Other Financing Sources (Uses)				
Transfers in	-	260,375	280,375	-
Transfers out	(237,300)	-	(1,654,300)	-
Disposition of capital assets	-	-	-	-
Total Other Fin Sources (Uses)	(237,300)	260,375	(1,373,925)	-
Net Change in Fund Balances	22,151	153,929	1,316,647	146
Fund Balances-Beginning	521,337	-	3,828,120	1,545
Fund Balances-Ending	\$ 543,488	\$ 153,929	\$ 5,144,767	\$ 1,691

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended December 31, 2006

	Debt Service Funds			
	Transportation Bonds	Hotel/Motel Tax Bonds	LID Guarantee	Transp Bonds Reserve
Revenues				
Taxes	\$ 869,000	\$ 382,800	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines & forfeitures	-	-	-	-
Investment earnings	-	-	-	-
Rents & leases	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	869,000	382,800	-	-
Expenditures				
<i>Current operations:</i>				
General Government	-	-	-	-
Public Safety	-	-	-	-
Other Utilities	N/A	N/A	N/A	N/A
Physical Environment	-	-	-	-
Transportation	-	-	-	-
Health & Human Services	-	-	-	-
Economic Environment	-	-	-	-
Culture & Recreation	-	-	-	-
Debt service	865,593	382,613	-	-
Capital outlay	-	-	-	-
Total Expenditures	865,593	382,613	-	-
Excess (deficiency) of revenues over expenditures	3,407	187	-	-
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Disposition of capital assets	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
Net Change in Fund Balances	3,407	187	-	-
Fund Balances-Beginning	1,715	761	280,000	894,062
Fund Balances-Ending	\$ 5,122	\$ 948	\$ 280,000	\$ 894,062

	Capital Project Funds			Total Nonmajor Governmental Funds
	Total Debt Service Funds	Fire Equipment Capital Reserve	Total Capital Project Funds	
Revenues				
Taxes	\$ 1,682,800	\$ -	\$ -	\$ 5,656,238
Intergovernmental	-	-	-	684,491
Charges for services	-	-	-	785
Fines & forfeitures	-	-	-	-
Investment earnings	-	-	-	2,789
Rents & leases	-	-	-	312,097
Miscellaneous	-	-	-	4,218
	1,682,800	-	-	6,660,618
Expenditures				
<i>Current operations:</i>				
General Government	-	-	-	9,896
Public Safety	-	-	-	4,456
Other Utilities	N/A	N/A	-	N/A
Physical Environment	-	-	-	-
Transportation	-	-	-	2,127,417
Health & Human Services	-	-	-	-
Economic Environment	-	-	-	-
Culture & Recreation	-	-	-	101,990
Debt service	1,679,060	-	-	1,679,060
Capital outlay	-	40,280	40,280	83,767
Total Expenditures	1,679,060	40,280	40,280	4,006,586
Excess (deficiency) of revenues over expenditures	3,740	(40,280)	(40,280)	2,654,032
Other Financing Sources (Uses)				
Transfers in	-	175,000	175,000	455,375
Transfers out	-	-	-	(1,654,300)
Disposition of capital assets	-	3,028	3,028	3,028
Total Other Fin Sources (Uses)	-	178,028	178,028	(1,195,897)
Net Change in Fund Balances	3,740	137,748	137,748	1,458,135
Fund Balances-Beginning	1,178,083	1,218,551	1,218,551	6,224,754
Fund Balances-Ending	\$ 1,181,823	\$ 1,356,299	\$ 1,356,299	\$ 7,682,889

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues				
Intergovernmental	\$ 595,500	\$ 595,500	\$ 584,308	\$ (11,192)
Charges for services	-	-	785	785
Miscellaneous	6,000	6,000	3,481	(2,519)
Total Revenues	601,500	601,500	588,574	(12,926)
Expenditures				
<i>Current operations:</i>				
Transportation	624,440	624,990	623,497	1,493
Total Expenditures	624,440	624,990	623,497	1,493
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(22,940)	(23,490)	(34,923)	(11,433)
Other Financing Sources (Uses)				
Transfers in	20,000	20,000	20,000	-
Transfers out	(60,490)	(60,490)	(60,490)	-
Total Other Fin Sources (Uses)	(40,490)	(40,490)	(40,490)	-
<i>Net Change in Fund Balances</i>	(63,430)	(63,980)	(75,413)	(11,433)
Fund Balances-Beginning	78,209	125,312	125,312	-
Fund Balances-Ending	\$ 14,779	\$ 61,332	\$ 49,899	\$ (11,433)

*Budgetary basis is the same as GAAP basis.

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues				
Taxes	\$ 3,000,000	\$ 3,000,000	\$ 3,973,438	\$ 973,438
Intergovernmental	14,642	14,642	14,110	(532)
Investment earnings	-	-	2,789	2,789
Total Revenues	3,014,642	3,014,642	3,990,337	975,695
Expenditures				
<i>Current operations:</i>				
Transportation	1,663,232	1,714,732	1,407,232	307,500
Total Expenditures	1,663,232	1,714,732	1,407,232	307,500
<i>Excess (deficiency) of revenues over (under) expenditures</i>	1,351,410	1,299,910	2,583,105	1,283,195
Other Financing Sources (Uses)				
Transfers out	(1,356,510)	(1,356,510)	(1,356,510)	-
Total Other Fin Sources (Uses)	(1,356,510)	(1,356,510)	(1,356,510)	-
<i>Net Change in Fund Balances</i>	(5,100)	(56,600)	1,226,595	1,283,195
Fund Balances-Beginning	2,070,954	2,257,193	2,257,193	-
Fund Balances-Ending	\$ 2,065,854	\$ 2,200,593	\$ 3,483,788	\$ 1,283,195

*Budgetary basis is the same as GAAP basis.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues				
Intergovernmental	\$ 93,700	\$ 93,700	\$ 86,073	\$ (7,627)
Total Revenues	93,700	93,700	86,073	(7,627)
Expenditures				
<i>Current operations:</i>				
Transportation	146,830	199,153	96,688	102,465
Total Expenditures	146,830	199,153	96,688	102,465
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(53,130)	(105,453)	(10,615)	94,838
Other Financing Sources (Uses)	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
<i>Net Change in Fund Balances</i>	(53,130)	(105,453)	(10,615)	94,838
Fund Balances-Beginning	152,804	169,278	169,278	-
Fund Balances-Ending	\$ 99,674	\$ 63,825	\$ 158,663	\$ 94,838

*Budgetary basis is the same as GAAP basis.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues				
Rents & leases	\$ 301,500	\$ 325,100	\$ 312,097	\$ (13,003)
Miscellaneous	720	720	737	17
Total Revenues	302,220	325,820	312,834	(12,986)
Expenditures				
<i>Current operations:</i>				
General Government	-	9,900	9,896	4
Capital outlay	-	45,000	43,487	1,513
Total Expenditures	-	54,900	53,383	1,517
<i>Excess (deficiency) of revenues over (under) expenditures</i>	302,220	270,920	259,451	(11,469)
Other Financing Sources (Uses)				
Transfers out	(237,300)	(237,300)	(237,300)	-
Total Other Fin Sources (Uses)	(237,300)	(237,300)	(237,300)	-
<i>Net Change in Fund Balances</i>	64,920	33,620	22,151	(11,469)
Fund Balances-Beginning	519,483	521,337	521,337	-
Fund Balances-Ending	\$ 584,403	\$ 554,957	\$ 543,488	\$ (11,469)

*Budgetary basis is the same as GAAP basis.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				-
<i>Current operations:</i>				
General Government	1,093	1,093	-	1,093
Public Safety	86,523	63,433	4,456	58,977
Culture & Recreation	172,759	195,849	101,990	93,859
Total Expenditures	260,375	260,375	106,446	153,929
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(260,375)</i>	<i>(260,375)</i>	<i>(106,446)</i>	<i>153,929</i>
Other Financing Sources (Uses)				
Transfers in	260,375	260,375	260,375	-
Total Other Fin Sources (Uses)	260,375	260,375	260,375	-
<i>Net Change in Fund Balances</i>	<i>-</i>	<i>-</i>	<i>153,929</i>	<i>153,929</i>
Fund Balances-Beginning	-	-	-	-
Fund Balances-Ending	\$ -	\$ -	\$ 153,929	\$ 153,929

*Budgetary basis is the same as GAAP basis.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues				
Taxes	\$ 431,000	\$ 431,000	\$ 431,000	\$ -
Total Revenues	431,000	431,000	431,000	-
Expenditures				
Debt Service	431,160	431,160	430,854	306
Total Expenditures	431,160	431,160	430,854	306
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(160)	(160)	146	306
Other Financing Sources (Uses)	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
<i>Net Change in Fund Balances</i>	(160)	(160)	146	306
Fund Balances-Beginning	1,238	1,545	1,545	-
Fund Balances-Ending	\$ 1,078	\$ 1,385	\$ 1,691	\$ 306

*Budgetary basis is the same as GAAP basis.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues				
Taxes	\$ 869,000	\$ 869,000	\$ 869,000	\$ -
Total Revenues	869,000	869,000	869,000	-
Expenditures				
Debt service	869,290	869,290	865,593	3,697
Total Expenditures	869,290	869,290	865,593	3,697
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(290)	(290)	3,407	3,697
Other Financing Sources (Uses)	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
<i>Net Change in Fund Balances</i>	(290)	(290)	3,407	3,697
Fund Balances-Beginning	1,214	1,715	1,715	-
Fund Balances-Ending	\$ 924	\$ 1,425	\$ 5,122	\$ 3,697

*Budgetary basis is the same as GAAP basis.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues				
Taxes	\$ 382,800	\$ 382,800	\$ 382,800	\$ -
Total Revenues	382,800	382,800	382,800	-
Expenditures				
Debt service	382,810	382,810	382,613	197
Total Expenditures	382,810	382,810	382,613	197
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(10)	(10)	187	197
Other Financing Sources (Uses)	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
<i>Net Change in Fund Balances</i>	(10)	(10)	187	197
Fund Balances-Beginning	760	761	761	-
Fund Balances-Ending	\$ 750	\$ 751	\$ 948	\$ 197

*Budgetary basis is the same as GAAP basis.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues				
Special assessments	\$ 162,300	\$ 212,300	\$ 251,633	\$ 39,333
Investment & other earnings	104,350	104,350	106,083	1,733
Total Revenues	266,650	316,650	357,716	41,066
Expenditures				
Debt service	325,330	375,330	375,265	65
Total Expenditures	325,330	375,330	375,265	65
Excess (deficiency) of revenues over (under) expenditures	(58,680)	(58,680)	(17,549)	41,131
Other Financing Sources (Uses)	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
<i>Net Change in Fund Balances</i>	<i>(58,680)</i>	<i>(58,680)</i>	<i>(17,549)</i>	<i>41,131</i>
Fund Balances-Beginning	62,239	82,586	82,586	-
Fund Balances-Ending	\$ 3,559	\$ 23,906	\$ 65,037	\$ 41,131

*Budgetary basis is the same as GAAP basis.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues				
Taxes	\$ 2,900,000	\$ 2,900,000	\$ 2,920,357	\$ 20,357
Intergovernmental	150,000	419,250	519,164	99,914
Miscellaneous	-	-	636	636
Total Revenues	3,050,000	3,319,250	3,440,157	120,907
Expenditures				
<i>Current operations:</i>				
General Government	31,200	104,780	77,029	27,751
Transportation	-	23,000	24,312	(1,312)
Culture & Recreation	50,000	50,000	25,000	25,000
Capital outlay	1,202,363	1,508,973	865,791	643,182
Total Expenditures	1,283,563	1,686,753	992,132	694,621
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>1,766,437</i>	<i>1,632,497</i>	<i>2,448,025</i>	<i>815,528</i>
Other Financing Sources (Uses)				
Transfers out	(2,735,000)	(2,735,000)	(2,735,000)	-
Total Other Fin Sources (Uses)	(2,735,000)	(2,735,000)	(2,735,000)	-
<i>Net Change in Fund Balances</i>	<i>(968,563)</i>	<i>(1,102,503)</i>	<i>(286,975)</i>	<i>815,528</i>
Fund Balances-Beginning	7,460,647	7,468,960	7,468,960	-
Fund Balances-Ending	\$ 6,492,084	\$ 6,366,457	\$ 7,181,985	\$ 815,528

*Budgetary basis is the same as GAAP basis.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Capital outlay	41,160	41,160	40,280	880
Total Expenditures	41,160	41,160	40,280	880
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(41,160)</i>	<i>(41,160)</i>	<i>(40,280)</i>	<i>880</i>
Other Financing Sources (Uses)				
Transfers in	175,000	175,000	175,000	-
Disposition of capital assets	-	-	3,028	3,028
Total Other Fin Sources (Uses)	175,000	175,000	178,028	3,028
<i>Net Change in Fund Balances</i>	<i>133,840</i>	<i>133,840</i>	<i>137,748</i>	<i>3,908</i>
Fund Balances-Beginning	1,210,720	1,218,551	1,218,551	-
Fund Balances-Ending	\$ 1,344,560	\$ 1,352,391	\$ 1,356,299	\$ 3,908

*Budgetary basis is the same as GAAP basis.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 2,499	\$ 2,499
Total Revenues	-	-	2,499	2,499
Expenditures				
Culture & Recreation	-	-	5,848	(5,848)
Capital outlay	11,910,000	1,439,301	1,449,717	(10,416)
Total Expenditures	11,910,000	1,439,301	1,455,565	(16,264)
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(11,910,000)</i>	<i>(1,439,301)</i>	<i>(1,453,066)</i>	<i>(13,765)</i>
Other Financing Sources (Uses)				
Transfers in	12,182,000	12,182,000	12,075,484	(106,516)
Total Other Fin Sources (Uses)	12,182,000	12,182,000	12,075,484	(106,516)
<i>Net Change in Fund Balances</i>	<i>272,000</i>	<i>10,742,699</i>	<i>10,622,418</i>	<i>(120,281)</i>
Fund Balances-Beg (as prev reported)	(8,032,146)	(8,026,188)	(8,026,188)	-
Change in budgetary basis of acctg	8,038,637	8,038,637	8,038,637	-
Fund Balances-Beg (as restated)	6,491	12,449	12,449	-
Fund Balances-Ending	\$ 278,491	\$ 10,755,148	\$ 10,634,867	\$ (120,281)

*Budgetary basis is the same as GAAP basis.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues				
Licenses & permits	\$ -	\$ -	\$ 684,401	\$ 684,401
Intergovernmental	715,794	715,794	4,825,199	4,109,405
Charges for services	40,000	40,000	499,419	459,419
Investment earnings	60,000	60,000	171,497	111,497
Total Revenues	815,794	815,794	6,180,516	5,364,722
Expenditures				
<i>Current operations:</i>				
Transportation	514,650	514,650	484,396	30,254
Capital outlay	3,514,000	4,449,746	1,462,267	2,987,479
Total Expenditures	4,028,650	4,964,396	1,946,663	3,017,733
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(3,212,856)</i>	<i>(4,148,602)</i>	<i>4,233,853</i>	<i>8,382,455</i>
Other Financing Sources (Uses)				
Transfers in	1,000,000	1,000,000	1,000,000	-
Total Other Fin Sources (Uses)	1,000,000	1,000,000	1,000,000	-
<i>Net Change in Fund Balances</i>	<i>(2,212,856)</i>	<i>(3,148,602)</i>	<i>5,233,853</i>	<i>8,382,455</i>
Fund Balances-Beginning	2,733,463	3,146,777	3,146,777	-
Fund Balances-Ending	\$ 520,607	\$ (1,825)	\$ 8,380,630	\$ 8,382,455

*Budgetary basis is the same as GAAP basis.

This part of the City of SeaTac's Comprehensive Annual Financial Report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

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

Schedule 1	Net Assets by Component, Last Four Fiscal Years
Schedule 2	Changes in Net Assets, Last Four Fiscal Years
Schedule 3	Fund Balances, Governmental Funds, Last Ten Years
Schedule 4	Changes in Fund Balances, Governmental Funds, Last Ten Years

Revenue Capacity Information: *These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.*

Schedule 5	Assessed/Actual Value of Taxable Property, Last Ten Fiscal Years
Schedule 6	Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years
Schedule 7	Principal Property Tax Payers, Current Year and Nine Years Ago
Schedule 8	Property Tax Levies and Collections, Last Ten Fiscal Years

Debt Capacity Information: *These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.*

Schedule 9	Ratios of Outstanding Debt by Type, Last Ten Fiscal Years
Schedule 10	Direct and Overlapping Activities Debt, as of December 31, 2006
Schedule 11	Legal Debt Margin Information, Last Ten Fiscal Years
Schedule 12	Pledged-Revenue Coverage, Last Ten Fiscal Years

Demographic and Economic Information: *These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities takes place and to help make comparisons over time and with other governments.*

Schedule 13	Demographic and Economic Statistics, Last Ten Calendar Years
Schedule 14	Principal Employers, Current Year and Nine Years Ago

Operating Information: *These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.*

Schedule 15	Full-time Equivalent City Government Employees by Function/Program
Schedule 16	Operating Indicators by Function/Program, Last Ten Fiscal Years
Schedule 17	Capital Asset Statistics by Function/Program, Last Ten Fiscal Years



Statistical Section

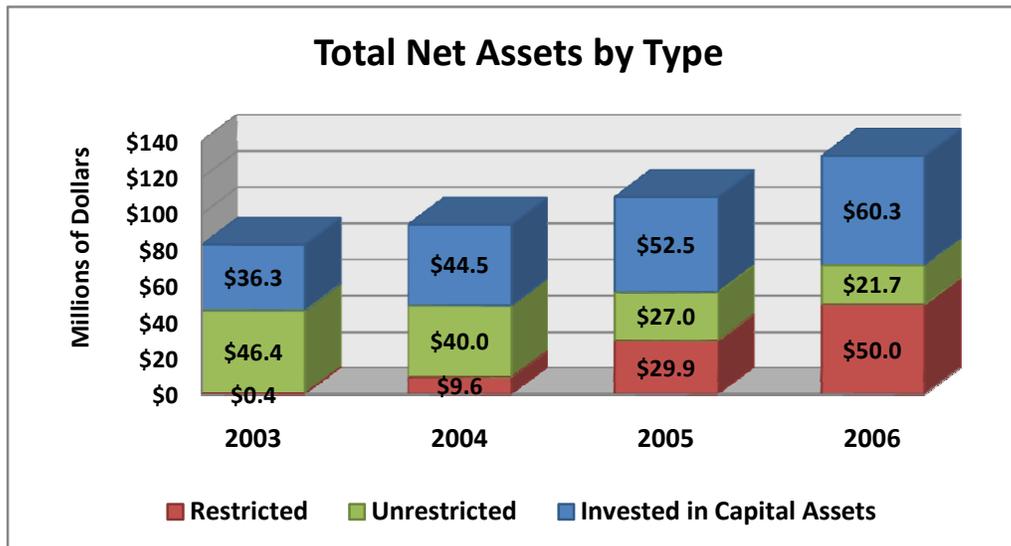


Net Assets by Component

Last Four Fiscal Years¹

(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Inv in capital assets, net of related debt	\$ 33,832,913	\$ 39,581,220	\$ 45,785,324	\$ 49,437,048
Restricted	-	9,209,645	26,616,872	44,775,111
Unrestricted	43,679,986	36,073,375	23,348,206	17,772,034
Total governmental activities net assets	\$ 77,512,899	\$ 84,864,240	\$ 95,750,402	\$ 111,984,193
Business-type activities				
Inv in capital assets, net of related debt	\$ 2,481,789	\$ 4,928,839	\$ 6,715,444	\$ 10,845,179
Restricted	403,925	403,925	3,243,495	5,268,708
Unrestricted	2,743,341	3,973,619	3,662,936	3,915,867
Total business-type activities net assets	\$ 5,629,055	\$ 9,306,383	\$ 13,621,875	\$ 20,029,754
Primary government				
Inv in capital assets, net of related debt	\$ 36,314,702	\$ 44,510,059	\$ 52,500,768	\$ 60,282,227
Restricted	403,925	9,613,570	29,860,367	50,043,819
Unrestricted	46,423,327	40,046,994	27,011,142	21,687,901
Total primary government net assets	\$ 83,141,954	\$ 94,170,623	\$ 109,372,277	\$ 132,013,947



¹The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

Source: City of SeaTac Finance Department

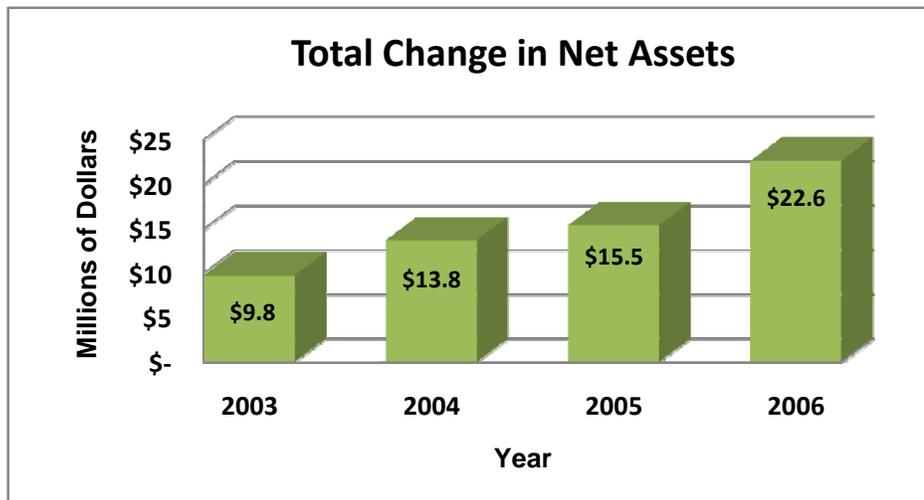
Changes in Net Assets
Last Four Fiscal Years¹
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities				
Judicial	\$ 302,006	\$ 317,068	\$ 332,461	\$ 371,922
General Government	4,019,139	4,030,088	4,537,244	4,928,176
Public Safety	11,203,830	11,355,501	12,664,279	13,196,630
Physical Environment	12,352	12,217	36,668	37,192
Transportation	2,213,416	2,745,371	2,869,393	3,216,778
Health & Human Services	262,789	342,036	397,254	363,081
Economic Environment	2,190,283	2,165,015	2,063,738	2,363,395
Culture & Recreation	2,408,821	2,400,643	4,092,060	2,962,271
Interest on long-term debt	1,647,210	844,362	310,396	1,019,827
Total governmental activities expenses	24,259,846	24,212,301	27,303,493	28,459,272
Business-type activities				
Surface Water Management	929,998	925,997	6,813,067	7,106,549
Total business-type activities expenses	929,998	925,997	6,813,067	7,106,549
Total primary government expenses	\$ 25,189,844	\$ 25,138,298	\$ 34,116,560	\$ 35,565,821
Program Revenues				
Governmental activities				
Charges for Services:				
Judicial	\$ 338,556	\$ 545,983	\$ 317,358	\$ 292,672
General Government	964,091	1,481,767	1,127,189	1,283,816
Public Safety	133,122	160,473	146,145	207,016
Physical Environment	354,513	321,488	774,611	548,649
Transportation	278,896	71,059	1,167,970	1,529,485
Economic Environment	525,246	507,994	724,862	1,484,666
Culture & Recreation	307,023	247,894	283,617	501,447
Operating grants and contributions	1,079,594	972,119	951,684	777,941
Capital grants and contributions	4,113,007	2,901,572	3,677,303	5,049,620
Total governmental activities revenues	8,094,048	7,210,349	9,170,739	11,675,312
Business-type activities				
Charges for Services:				
Surface Water Management	1,655,503	1,672,548	1,653,498	1,672,540
Operating grants and contributions	36,448	3,148,414	4,475,740	6,437,829
Capital grants and contributions	-	-	4,963,088	5,170,446
Total business-type activities revenues	1,691,951	4,820,962	11,092,326	13,280,815
Total primary government revenues	\$ 9,785,999	\$ 12,031,311	\$ 20,263,065	\$ 24,956,127

¹The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

Source: City of SeaTac Finance Department

	Fiscal Year			
	2003	2004	2005	2006
Net (Expense)/Revenue				
Governmental activities	\$ (16,165,798)	\$ (17,001,952)	\$ (18,132,754)	\$ (16,783,960)
Business-type activities	761,953	3,894,965	4,279,259	6,174,266
Total primary government net expense	<u>\$ (15,403,845)</u>	<u>\$ (13,106,987)</u>	<u>\$ (13,853,495)</u>	<u>\$ (10,609,694)</u>
Gen Revs & Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property	\$ 9,179,835	\$ 10,308,745	\$ 9,658,466	\$ 9,981,978
Sales	9,257,043	9,727,717	10,724,177	11,529,925
Parking	3,813,041	3,954,493	3,668,067	4,842,438
Other	1,557,403	1,844,478	2,918,680	2,992,277
Unrestricted grants and contributions	159,288	181,935	178,237	163,111
Investment earnings	963,865	800,502	1,920,309	3,292,149
Gain on sale of capital assets	148,418	-	28,273	39,623
Transfers	2,428,500	276,250	176,250	176,250
Total governmental activities revenues	<u>27,507,393</u>	<u>27,094,120</u>	<u>29,272,459</u>	<u>33,017,751</u>
Business-type activities				
Investment earnings	61,077	58,613	212,483	409,863
Transfers	(2,382,290)	(276,250)	(176,250)	(176,250)
Total business-type activities revenues	<u>(2,321,213)</u>	<u>(217,637)</u>	<u>36,233</u>	<u>233,613</u>
Total primary government general revs and other changes in net assets	<u>\$ 25,186,180</u>	<u>\$ 26,876,483</u>	<u>\$ 29,308,692</u>	<u>\$ 33,251,364</u>
Change in Net Assets				
Governmental activities	\$ 11,341,595	\$ 10,092,168	\$ 11,139,705	\$ 16,233,791
Business-type activities	(1,559,260)	3,677,328	4,315,492	6,407,879
Total primary government	<u>\$ 9,782,335</u>	<u>\$ 13,769,496</u>	<u>\$ 15,455,197</u>	<u>\$ 22,641,670</u>

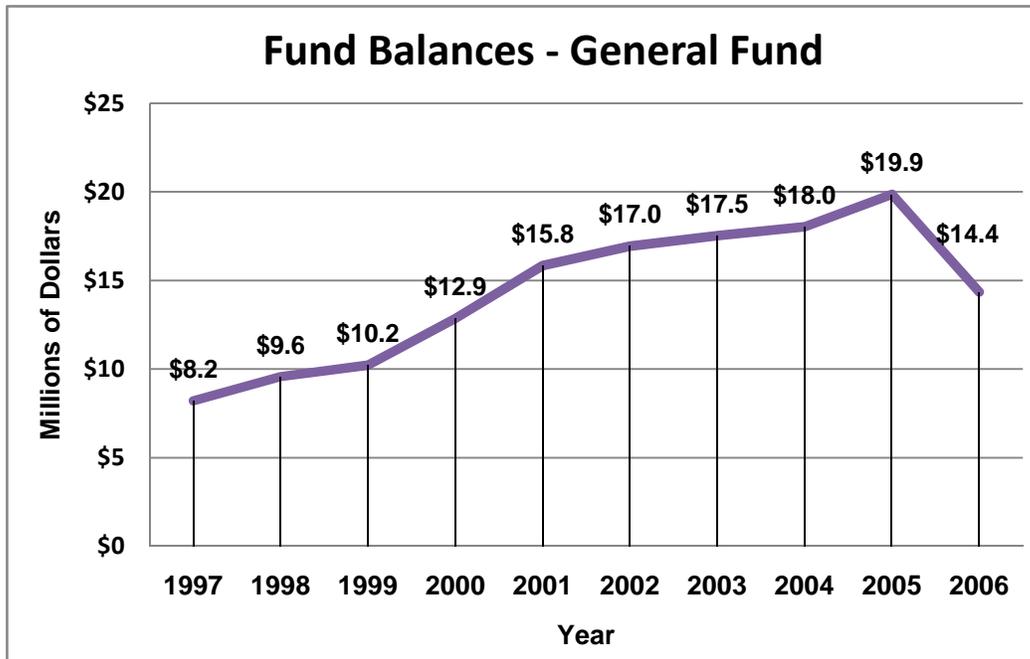


Fund Balances, Governmental Funds

Last Ten Fiscal Years

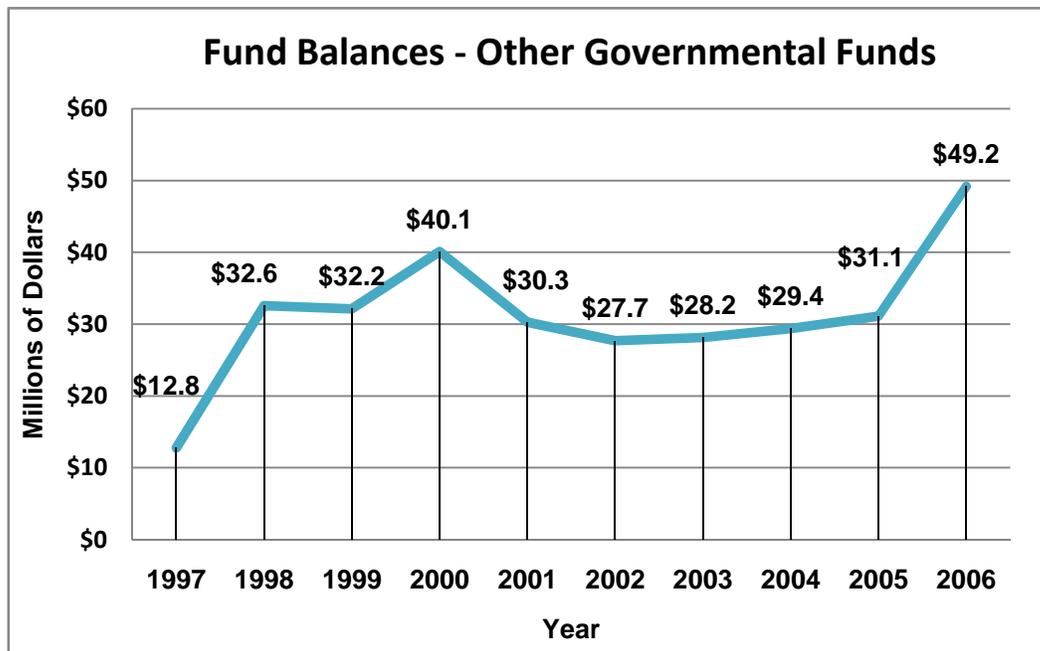
(modified accrual basis of accounting)

	Fiscal Year				
	1997	1998	1999	2000	2001
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	8,212,108	9,579,365	10,221,400	12,860,657	15,841,399
Total General Fund	\$ 8,212,108	\$ 9,579,365	\$ 10,221,400	\$ 12,860,657	\$ 15,841,399
All Other Governmental Funds					
Reserved	-	5,001,021	-	-	9,893,115
Unreserved, reported in:					
Special revenue funds	4,357,819	16,592,480	22,828,017	23,221,032	17,251,606
Debt service funds	-	1,286	56,055	344,359	574,668
Capital project funds	8,433,607	10,977,789	9,284,150	16,543,019	2,546,763
Total All Other Gov Funds	\$ 12,791,426	\$ 32,572,576	\$ 32,168,222	\$ 40,108,410	\$ 30,266,152
Total All Governmental Funds	\$ 21,003,534	\$ 42,151,941	\$ 42,389,622	\$ 52,969,067	\$ 46,107,551



Source: City of SeaTac Finance Department

	Fiscal Year				
	2002	2003	2004	2005	2006
General Fund					
<i>Reserved</i>		\$ -		\$ -	\$ -
Unreserved	16,950,636	17,539,235	18,041,692	19,869,496	14,359,762
Total General Fund	\$ 16,950,636	\$ 17,539,235	\$ 18,041,692	\$ 19,869,496	\$ 14,359,762
All Other Governmental Funds					
Reserved	9,893,115	14,230,038	13,769,964	13,467,737	12,874,174
Unreserved, reported in:					
Special revenue funds	17,243,419	10,992,616	11,872,393	12,575,212	15,563,694
Debt service funds	385,887	848,561	1,323,878	1,260,669	1,246,860
Capital project funds	174,974	2,082,490	2,452,746	3,808,100	19,515,144
Total All Other Gov Funds	\$ 27,697,395	\$ 28,153,705	\$ 29,418,981	\$ 31,111,718	\$ 49,199,872
	\$ 44,648,031	\$ 45,692,940	\$ 47,460,673	\$ 50,981,214	\$ 63,559,634



Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

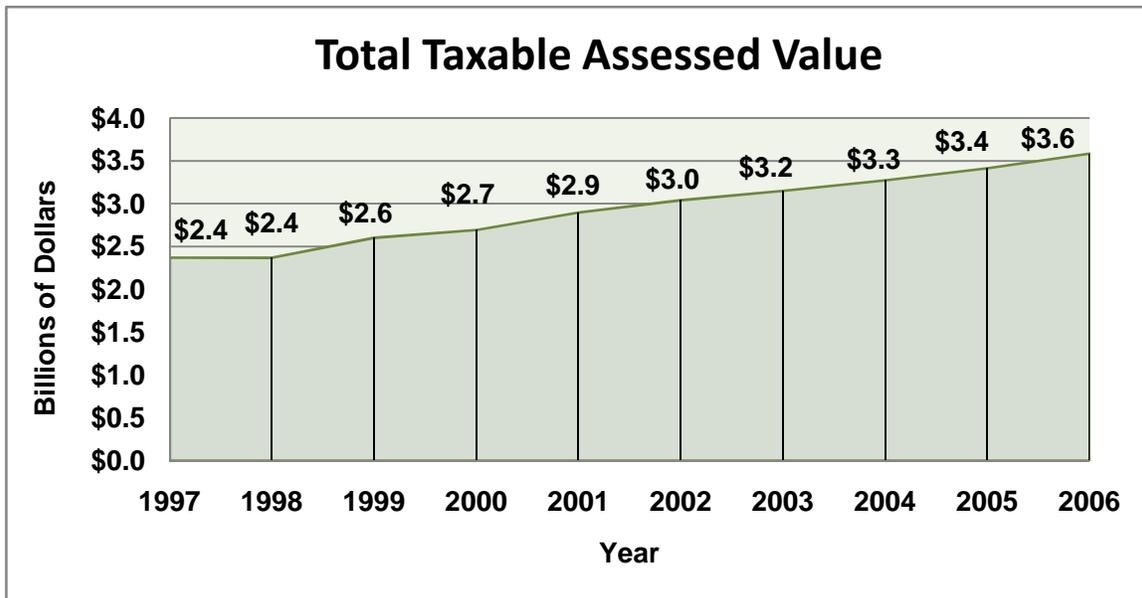
	Fiscal Year				
	1997	1998	1999	2000	2001
Revenues					
Taxes	\$ 16,509,888	\$ 19,925,011	\$ 21,394,482	\$ 23,487,893	\$ 23,993,745
Licenses & permits	624,669	2,935,027	982,434	3,739,957	3,468,581
Intergovernmental	4,032,520	11,372,321	10,167,136	7,713,254	3,859,174
Charges for services	502,592	882,968	1,210,919	987,134	906,220
Fines & forfeitures	294,021	288,974	314,817	367,737	226,778
Special assessments	-	-	-	4,011,814	313,441
Investments & other earnings	1,438,809	1,519,731	2,156,258	2,817,935	2,624,043
Rents & leases	-	-	-	162,498	-
Miscellaneous	94,790	102,703	263,071	-	428,168
Total Revenues	\$ 23,497,289	\$ 37,026,735	\$ 36,489,117	\$ 43,288,222	\$ 35,820,150
Expenditures					
Judicial	287,356	271,097	280,834	306,971	302,459
General Government	3,037,579	3,447,716	3,731,699	3,908,782	4,688,744
Public Safety	8,927,689	9,340,335	9,819,081	9,933,913	10,070,439
Physical Environment	407,841	446,430	440,561	516,118	496,411
Transportation	765,375	1,437,903	1,411,192	1,125,881	1,195,781
Health & Human Services	3,869	5,578	4,315	5,325	4,542
Economic Environment	1,513,248	1,678,074	1,999,023	2,208,441	2,211,144
Culture & Recreation	1,732,312	1,592,105	1,793,136	1,813,989	2,014,601
Debt Service					
Principal	495,000	515,000	930,000	850,000	1,066,819
Interest	848,083	946,020	899,724	838,572	965,286
Capital Outlay	11,137,321	6,416,555	10,072,064	13,246,854	20,632,693
Total Expenditures	\$ 29,155,673	\$ 26,096,813	\$ 31,381,629	\$ 34,754,846	\$ 43,648,919
Excess of Revs Over (Under) Exp	\$ (5,658,384)	\$ 10,929,922	\$ 5,107,488	\$ 8,533,376	\$ (7,828,769)
Other Financing Sources (Uses)					
Transfers in	1,243,250	4,780,127	2,604,740	10,110,400	5,323,072
Transfers out	(1,082,000)	(4,618,877)	(2,609,490)	(10,139,150)	(4,355,819)
Proceeds from issuance bonds	-	5,001,021	-	2,871,819	-
Proceeds from ref bonds	-	3,635,650	6,675,000	-	-
Paymt to ref bond escr agent	-	(3,580,457)	(6,551,748)	-	-
Disposition of capital assets	4,140	-	12,712	3,000	-
Total Other Fin Sources (Uses)	165,390	5,217,464	131,214	2,846,069	967,253
Net Change in Fund Balances	\$ (5,492,994)	\$ 16,147,386	\$ 5,238,702	\$ 11,379,445	\$ (6,861,516)
Debt Service as Percentage of Noncapital Expenditures	7.45%	7.42%	8.59%	7.85%	8.83%

Source: City of SeaTac Finance Department

	Fiscal Year				
	2002	2003	2004	2005	2006
Revenues					
Taxes	\$ 23,953,012	\$ 23,249,738	\$ 24,940,541	\$ 26,654,825	\$ 29,551,984
Licenses & permits	1,106,849	961,481	762,453	813,990	2,652,621
Intergovernmental	5,800,892	5,399,203	4,238,139	6,095,964	6,548,241
Charges for services	666,738	934,877	893,189	1,520,777	1,626,207
Fines & forfeitures	317,395	328,061	309,979	288,338	253,705
Special assessments	269,578	176,062	318,017	171,795	251,633
Investment & other earnings	1,234,270	941,487	776,325	1,814,921	3,240,316
Rents & leases	481,071	492,620	409,438	399,558	430,635
Miscellaneous	185,571	69,182	248,988	41,224	55,271
Total Revenues	\$ 34,015,376	\$ 32,552,711	\$ 32,897,069	\$ 37,801,392	\$ 44,610,613
Expenditures					
Judicial	274,968	295,566	311,322	326,118	358,576
General Government	4,275,482	3,407,377	3,534,106	4,029,965	4,365,134
Public Safety	10,600,382	10,616,064	11,430,548	12,021,721	12,793,339
Physical Environment	506,414	12,352	12,217	12,110	12,623
Transportation	2,211,144	2,185,616	2,749,962	2,684,377	3,165,853
Health & Human Services	1,358,756	261,858	341,478	397,728	363,812
Economic Environment	2,454,417	2,162,814	2,153,881	2,113,262	2,359,420
Culture & Recreation	1,976,723	1,979,991	2,072,165	2,091,595	2,413,454
Debt Service					
Principal	1,420,000	1,170,000	1,345,000	1,275,000	1,425,000
Interest	1,075,063	929,285	875,891	951,946	1,023,841
Capital Outlay	11,700,139	11,862,504	6,570,591	8,324,953	3,934,043
Total Expenditures	37,853,488	34,883,427	31,397,161	34,228,775	32,215,095
Excess of Revs Over (Under) Exp	(3,838,112)	(2,330,716)	1,499,908	3,572,617	12,395,518
Other Financing Sources (Uses)					
Transfers in	-	8,373,188	3,714,944	4,717,556	14,341,409
Transfers out	-	(5,990,898)	(3,438,694)	(4,541,306)	(14,165,159)
Proceeds from issuance bonds	-	-	-	-	-
Proceeds from ref bonds	-	-	-	-	-
Paymt to ref bond escr agent	-	-	-	-	-
Disposition of capital assets	-	160,180	2,957	775	6,653
Total Other Fin Sources (Uses)		2,542,470	279,207	177,025	182,903
Net Change in Fund Balances	\$ (3,838,112)	\$ 211,754	\$ 1,779,115	\$ 3,749,642	\$ 12,578,421
Debt Service as Percentage of Noncapital Expenditures	9.54%	9.12%	8.95%	8.60%	8.66%

**Assessed/Actual Value of Taxable Property
 Last Ten Fiscal Years**

Fiscal Year	Real Property	Personal Property	State Public Service Property	Total Assessed Value	Total Direct Tax Rate
1997	\$1,220,758,855	\$99,835,131	\$1,049,779,789	\$2,370,373,775	2.90
1998	1,282,293,573	104,647,015	983,149,588	2,370,090,176	2.96
1999	1,336,245,559	108,932,732	1,158,380,318	2,603,558,609	2.90
2000	1,418,205,605	107,631,209	1,169,867,151	2,695,703,965	2.90
2001	1,548,111,715	112,651,309	1,238,983,652	2,899,746,676	2.85
2002	1,689,747,755	117,031,629	1,235,866,231	3,042,645,615	2.80
2003	1,754,591,387	121,512,022	1,277,160,193	3,153,263,602	2.87
2004	1,848,206,257	154,766,946	1,272,240,076	3,275,213,279	2.82
2005	1,986,077,835	137,381,893	1,293,637,561	3,417,097,289	2.80
2006	2,057,833,738	136,008,552	1,391,644,445	3,585,486,735	2.77



Source: King County Assessor's Office

**Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)**

<u>Fiscal Year</u>	<u>City of SeaTac</u>	<u>State of Washington</u>	<u>King County</u>	<u>Port of Seattle</u>	<u>Emergency Medical Services</u>	<u>School District #401</u>	<u>Library District</u>	<u>Total Tax Rate</u>
1997	2.90	3.52	2.13	0.28	0.25	3.77	0.62	13.47
1998	2.96	3.51	1.85	0.26	0.00	3.29	0.60	12.47
1999	2.90	3.36	1.77	0.24	0.29	3.66	0.59	12.81
2000	2.90	3.30	1.69	0.22	0.27	3.63	0.59	12.60
2001	2.85	3.15	1.55	0.19	0.25	3.43	0.56	11.98
2002	2.80	2.99	1.45	0.19	0.25	3.23	0.53	11.44
2003	2.87	2.90	1.35	0.26	0.24	4.11	0.55	12.28
2004	2.82	2.76	1.43	0.25	0.24	3.98	0.54	12.02
2005	2.80	2.69	1.38	0.25	0.23	4.27	0.53	12.15
2006	2.77	2.50	1.33	0.23	0.22	4.15	0.53	11.73



Source: King County Assessor's Office

Principal Property Tax Payers
Current Year and Nine Years Ago

<u>Employer</u>	2006			1997		
	Taxable Assessed Value¹	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value²	Rank	Percentage of Total City Taxable Assessed Value
Alaska Airlines	509,651,380	1	14.21%	297,956,435	1	12.57%
United Airlines	179,317,921	2	5.00%	159,800,954	2	6.74%
Horizon Air	148,336,514	3	4.14%	63,532,738	7	2.68%
Northwest Airlines	137,666,651	4	3.84%	96,743,891	3	4.08%
Southwest Airlines	109,541,627	5	3.06%	64,162,103	6	2.71%
Boeing	82,629,400	6	2.30%	90,988,530	4	3.84%
Delta Airlines	67,148,505	7	1.87%	49,926,104	8	2.11%
Continental Airlines	64,708,893	8	1.80%	-	-	0.00%
American Airlines	63,376,542	9	1.77%	80,590,718	5	3.40%
Hawaiian Airlines, Inc.	52,711,846	10	1.47%	-	-	0.00%
Doubletree Hotel	-		-	47,057,400	9	1.99%
Marriott Corporation	-		-	35,380,803	10	1.49%
Total	<u>1,415,089,279</u>		<u>39.47%</u>	<u>986,139,676</u>		<u>38.12%</u>

Notes:

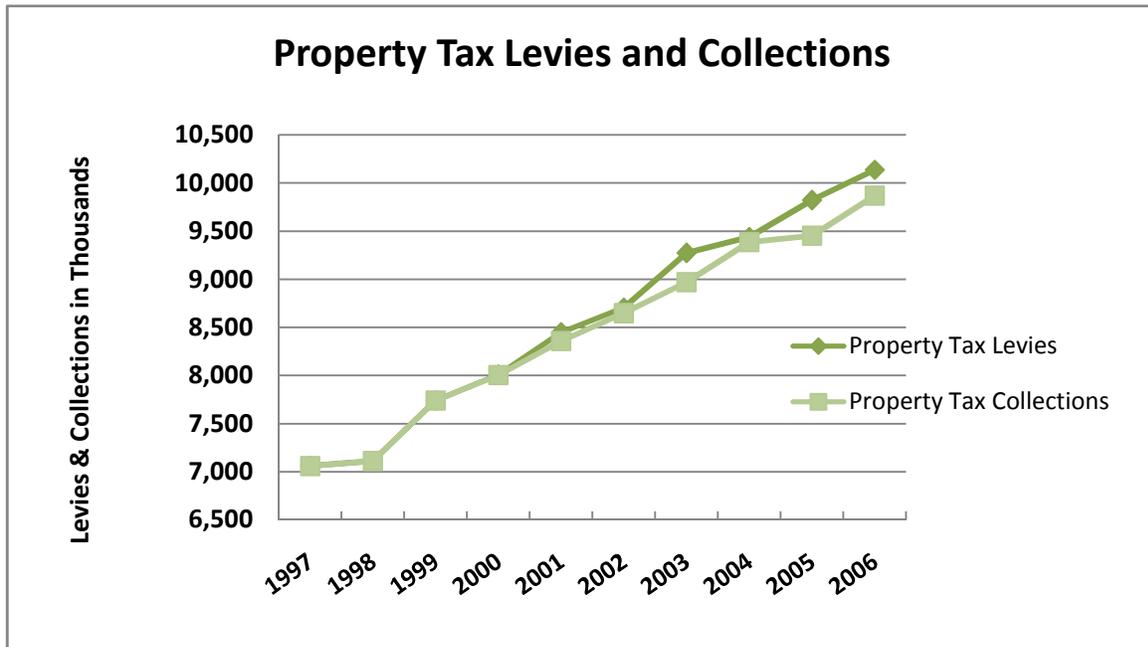
¹1996 year end assessed valuations used for taxes collected in 1997. Total assessed valuation for the City at the end of 1996 was \$2,370,373,775.

²2006 year end assessed valuations used for taxes collected in 2007. Total assessed valuation for the City at the end of 2006 was \$3,585,486,735.

Source: King County Assessor's Office

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$7,062,957	\$6,847,952	96.96%	\$210,075	\$7,058,027	99.93%
1998	7,112,050	6,903,638	97.07%	208,412	7,112,050	100.00%
1999	7,739,193	7,497,959	96.88%	241,234	7,739,193	100.00%
2000	8,006,413	7,713,579	96.34%	290,330	8,003,909	99.97%
2001	8,446,329	8,125,249	96.20%	232,912	8,358,161	98.96%
2002	8,705,946	8,419,092	96.71%	228,808	8,647,900	99.33%
2003	9,272,729	8,597,077	92.71%	373,708	8,970,785	96.74%
2004	9,439,561	9,171,933	97.16%	213,680	9,385,613	99.43%
2005	9,820,965	9,184,840	93.52%	267,966	9,452,806	96.25%
2006	10,138,114	9,869,619	97.35%	-	9,869,619	97.35%

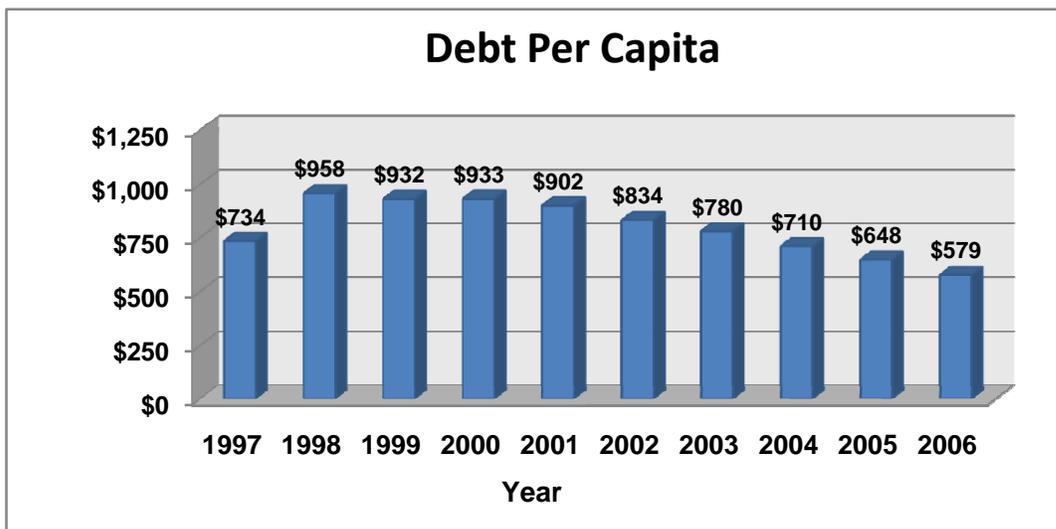


Source: King County Department of Finance and City of SeaTac Finance Department

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt	% of Actual Taxable Value of Property	Per Capita	Other Governmental Activities Debt			
	General Obligation Bonds			Special Assessment Debt	Public Works Trust Fund Loan	Installment Contracts	Transportation Revenue & Ref Bonds
1997	4,385,000	0.19%	\$188	-	-	11,229	8,770,000
1998	9,820,000	0.38%	417	-	-	-	8,770,000
1999	9,290,000	0.34%	394	-	-	-	8,710,000
2000	8,885,000	0.31%	348	2,871,819	-	-	8,265,000
2001	8,460,000	0.28%	333	2,695,000	394,819	-	7,800,000
2002	8,015,000	0.25%	317	2,210,000	263,214	-	7,310,000
2003	7,550,000	0.23%	301	2,025,000	131,607	-	6,790,000
2004	7,060,000	0.21%	281	1,715,000	-	-	6,245,000
2005	6,545,000	0.18%	260	1,525,000	-	-	5,675,000
2006	6,015,000	0.15%	238	1,240,000	-	-	5,065,000

Fiscal Year	Business-type Activities	Total Primary Government	Per Capita	% of Personal Income
	Storm Sewer Rev & Ref Bonds			
1997	3,950,000	17,116,229	\$734	4.14%
1998	3,950,000	22,540,000	958	5.24%
1999	3,960,000	21,960,000	932	4.93%
2000	3,755,000	23,776,819	933	4.74%
2001	3,540,000	22,889,819	902	4.44%
2002	3,315,000	21,113,214	834	3.96%
2003	3,075,000	19,571,607	780	3.43%
2004	2,820,000	17,840,000	710	3.05%
2005	2,555,000	16,300,000	648	2.73%
2006	2,280,000	14,600,000	579	2.33%

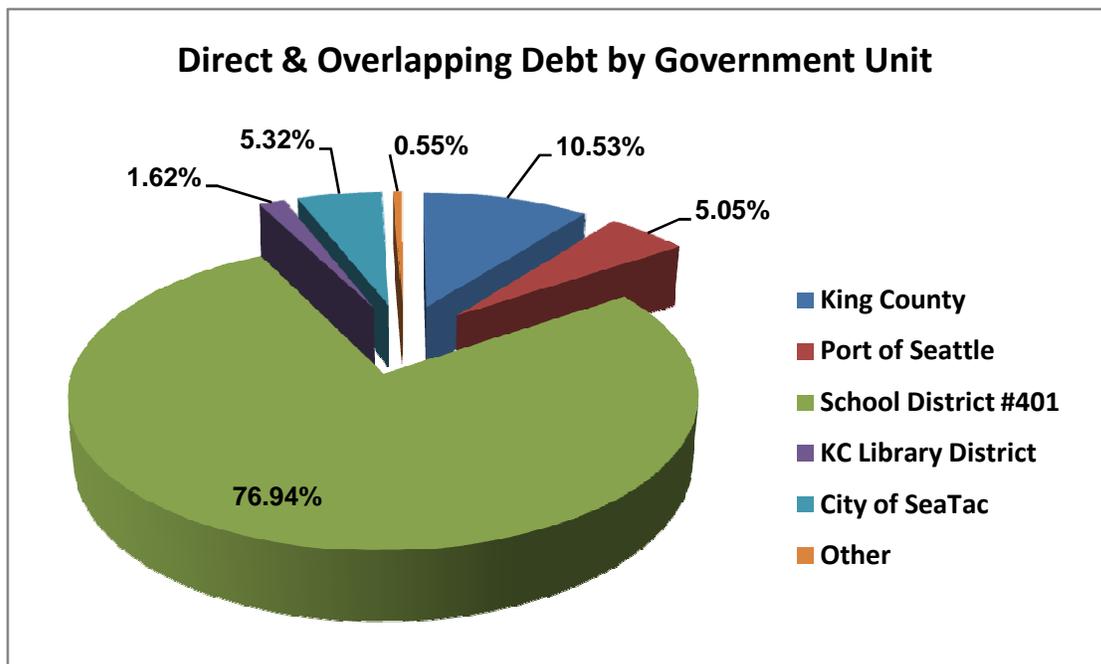


Source: City of SeaTac Finance Department

Note: Please refer to Schedule 13, Demographic and Economic Statistics, for population and personal income per capita figures.

Direct and Overlapping Governmental Activities Debt
As of December 31, 2006

Governmental Unit	Debt Outstanding	Percentage Applicable to SeaTac	Estimated Amount Applicable to SeaTac
King County	\$868,922,461	1.37%	\$11,904,238
Port of Seattle	416,645,000	1.37%	5,708,037
School District #401	280,119,000	31.05%	86,976,950
School District #403	241,735,000	0.01%	24,174
School District #406	42,640,000	0.15%	63,960
School District #415	242,174,508	0.20%	484,349
Hospital District #1	43,855,000	0.10%	43,855
King County Library District	81,255,000	2.25%	1,828,238
Subtotal Overlapping Debt			107,033,799
SeaTac Direct Debt			6,015,000
Total Direct and Overlapping Debt			\$113,048,799



Source: King County Department of Finance and City of SeaTac Finance Department

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year				
	1997	1998	1999	2000	2001
Debt Limit	\$177,778,033	\$177,756,762	\$195,266,895	\$202,177,797	\$217,481,001
Total net debt applicable to limit	4,564,458	4,396,229	9,820,000	9,290,000	8,885,000
Legal debt margin	\$173,213,575	\$173,360,533	\$185,446,895	\$192,887,797	\$208,596,001
Total net debt applicable to the limit as a % of debt limit	2.57%	2.47%	5.03%	4.59%	4.09%

	Fiscal Year				
	2002	2003	2004	2005	2006
Debt Limit	\$228,198,420	\$236,494,770	\$245,640,996	\$256,282,296	\$268,911,505
Total net debt applicable to limit	8,427,899	7,982,293	7,516,322	7,025,358	6,542,694
Legal debt margin	\$219,770,521	\$228,512,477	\$238,124,674	\$249,256,938	\$262,368,811
Total net debt applicable to the limit as a % of debt limit	3.69%	3.38%	3.06%	2.74%	2.43%

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed Value	\$3,585,486,735
Debt Limit:	
2.5% of general purpose limit, voted and non-voted	89,637,168
2.5% of utility purpose limit, voted	89,637,168
2.5% of open space, voted	89,637,168
Total debt limit	268,911,505
Debt applicable to limit:	
General Obligation Bonds (Net)	6,542,694
Legal Debt Margin	\$262,368,811



Source: City of SeaTac Finance Department

**Pledged-Revenue Coverage
Last Ten Fiscal Years**

Storm Water Utility Revenue Bonds						
Fiscal Year	Gross Revenue¹	Less:	Net	Debt Service		Coverage
		Operating Expenses	Available Revenue	Principal	Interest	
1997	\$1,554,507	\$720,003	\$834,504	\$145,000	\$253,973	2.09
1998	1,549,711	714,461	835,250	155,000	247,085	2.08
1999	1,526,931	696,336	830,595	265,000	143,845	2.03
2000	2,161,617	854,470	1,307,147	205,000	183,750	3.36
2001	1,931,993	860,881	1,071,112	215,000	173,327	2.76
2002	1,746,270	682,842	1,063,428	225,000	161,647	2.75
2003	1,753,028	657,459	1,095,569	240,000	149,357	2.81
2004	1,731,015	629,515	1,101,500	255,000	136,257	2.82
2005	1,865,981	746,187	1,119,794	265,000	125,930	2.86
2006	2,082,403	953,737	1,128,666	275,000	114,800	2.90

Local Option Transportation Tax Revenue Bonds						
Fiscal Year	Gross Revenue²	Less:	Net	Debt Service		Coverage
		Operating Expenses	Available Revenue	Principal	Interest	
1997	\$2,070,863	\$411,139	\$1,659,724	\$330,000	\$564,063	1.86
1998	3,927,742	964,827	2,962,915	345,000	548,553	3.32
1999	3,760,811	779,114	2,981,697	570,000	342,006	3.27
2000	4,294,521	511,791	3,782,730	445,000	419,793	4.37
2001	4,167,348	572,751	3,594,597	465,000	396,965	4.17
2002	3,260,767	802,280	2,458,487	490,000	371,495	2.85
2003	3,449,765	832,634	2,617,131	520,000	344,522	3.03
2004	3,253,554	814,720	2,438,834	545,000	315,847	2.83
2005	3,076,030	823,963	2,252,067	570,000	282,102	2.64
2006	3,990,335	1,051,309	2,939,026	610,000	255,290	3.40

Local Improvement District No. 1 Special Assessment Bonds				
Fiscal Year	Special Assessment Collections	Debt Service		Coverage
	Principal	Interest		
1997	\$ -	\$ -	\$ -	-
1998	-	-	-	-
1999	-	-	-	-
2000	-	-	-	-
2001	512,625	176,819	107,232	1.80
2002	446,788	485,000	151,972	0.70
2003	325,248	185,000	127,010	1.04
2004	454,191	310,000	117,270	1.06
2005	285,543	190,000	100,565	0.98
2006	357,716	285,000	90,080	0.95

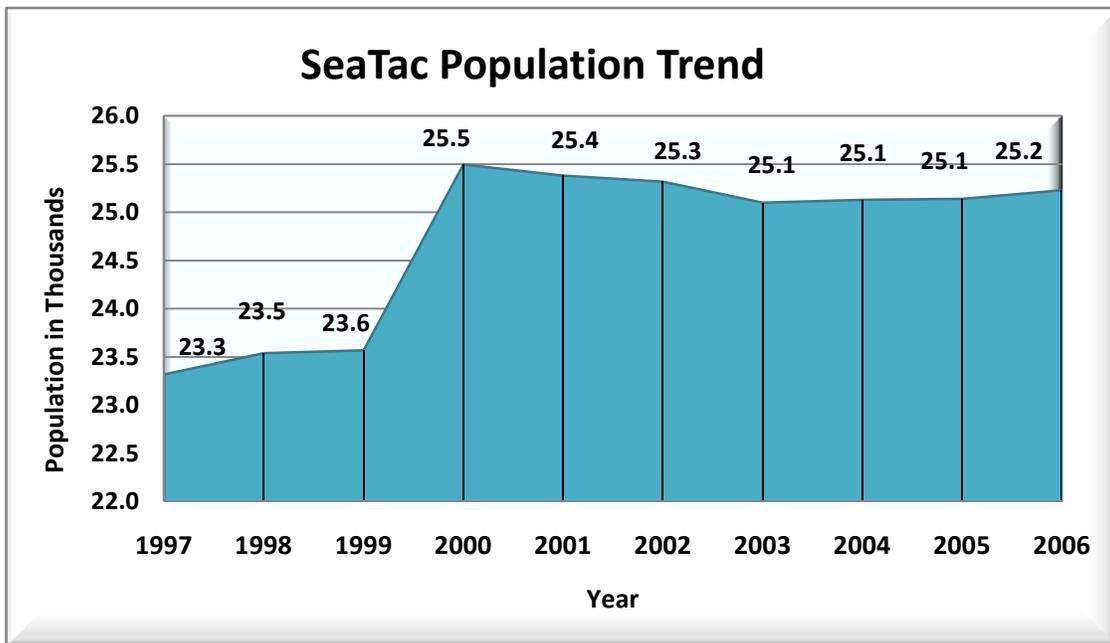
¹Includes storm drainage utility charges and interest revenue.

²Includes parking tax, intergovernmental and miscellaneous revenue.

Source: City of SeaTac Finance Department

Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (A)	Median Age (B)	Personal Income Per Capita (C)	Public School Enrollment (D)	Unemployment Rate (E)
1997	23,320	34.5	\$17,710	3,563	4.8%
1998	23,540	34.9	18,276	3,425	3.3%
1999	23,570	34.6	18,885	3,403	2.7%
2000	25,496	33.9	19,659	3,301	3.2%
2001	25,380	34.2	20,320	3,341	6.1%
2002	25,320	34.0	21,033	3,498	6.0%
2003	25,100	34.4	22,737	3,396	5.8%
2004	25,130	34.1	23,249	3,499	4.6%
2005	25,140	35.7	23,730	3,192	4.5%
2006	25,230	35.2	24,822	3,182	4.2%



- (A) Source: U.S. Census Bureau
- (B) Source: U.S. Census Bureau
- (C) Source: U.S. Census Bureau
- (D) Source: Highline School District #401
- (E) Source: Washington State Employment Security Department (Seattle-Bellevue-Everett)

**Principal Employers
Current Year and Nine Years Ago**

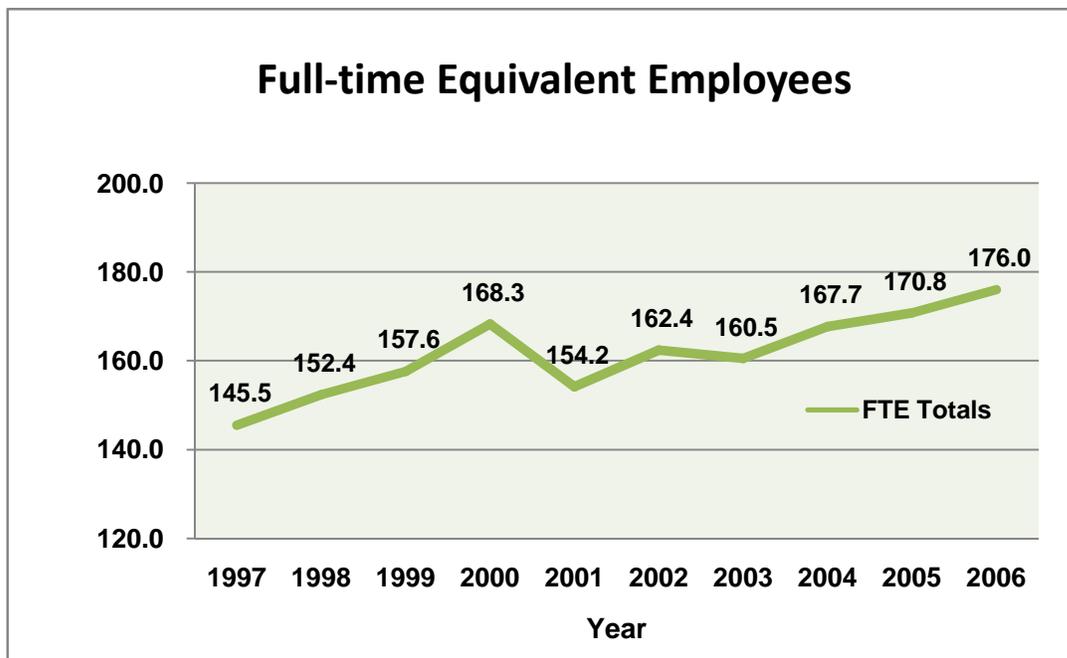
<u>Employer</u>	2006			1997		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Port of Seattle ¹	1,019	1	2.77%	N/A	-	-
Alaska/Horizon Airlines (all ops)	777	2	2.11%	N/A	-	-
HMS Host	600	3	1.63%	N/A	-	-
US Airways	525	4	1.43%	N/A	-	-
Doubletree Hotel	400	5	1.09%	N/A	-	-
SeaTac Marriott	270	6	0.73%	N/A	-	-
Safeway Stores	200	7	0.54%	N/A	-	-
Hilton Hotel	200	8	0.54%	N/A	-	-
Southwest Airlines	200	9	0.54%	N/A	-	-
LSG Sky Chef's	190	10	0.52%	N/A	-	-
Total	36,793		11.91%	-		-

¹Data provided by the Port of Seattle; The Port of Seattle employed 1,516 regular full-time/part-time employees in 2006 including 1,019 in the City of SeaTac, 496 in the City of Seattle and 1 in Tokyo. These numbers do not include temporary employees employed in SeaTac or Seattle.

Source: Original information was generated from Claritas Business Point; Information was modified for the Port of Seattle which was listed as "SeaTac International Airport" by Claritas with an employee count of 21,000. Information is not available for 1997.

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

<u>Function/Program</u>	Fiscal Year				
	1997	1998	1999	2000	2001
Judicial	7.0	6.0	6.0	6.0	6.0
General Government					
City Manager's Office	5.0	8.0	10.0	10.0	7.0
Finance/IS	11.0	8.5	8.5	8.0	8.5
GIS	N/A	2.0	0.5	1.5	1.0
City Clerk's Office	3.0	3.0	3.0	3.0	3.0
Legal Services	6.0	6.0	6.5	7.0	7.0
Human Resources	3.0	3.0	3.5	3.5	3.6
Facilities/Property Mgt Services	-	-	-	-	-
Public Safety					
Police Administration/Other	-	-	-	-	-
Fire	47.0	47.5	48.0	48.0	47.0
Transportation	15.3	17.9	17.9	18.6	17.9
Health & Human Services	1.0	1.0	1.0	1.0	1.0
Economic Environment					
Building	10.5	10.5	12.0	17.5	12.0
Planning	9.0	10.0	10.0	11.0	8.0
Tourism	-	-	-	-	-
Culture and Recreation	19.0	20.3	21.0	23.0	22.0
Surface Water Management	8.7	8.7	9.7	10.2	10.2
Total	145.50	152.40	157.60	168.30	154.20



Source: City of SeaTac Finance Department

<u>Function/Program</u>	Fiscal Year				
	2002	2003	2004	2005	2006
Judicial	6.00	5.00	5.40	5.40	5.40
General Government					
City Manager's Office	5.00	5.50	5.75	4.75	4.50
Finance/IS	8.50	7.00	8.50	9.50	9.50
GIS	0.50	0.50	0.50	2.38	2.50
City Clerk's Office	3.00	3.00	3.00	3.00	3.00
Legal Services	7.00	7.00	7.00	7.00	7.00
Human Resources	3.60	3.60	3.60	3.10	3.60
Facilities/Property Mgt Services	0.50	3.50	4.50	4.50	4.50
Public Safety					
Police Administration/Other	-	1.70	1.70	1.70	1.70
Fire	47.00	47.00	50.00	53.00	53.00
Transportation	23.46	21.93	21.43	20.94	21.56
Health & Human Services	1.00	0.50	0.50	1.00	1.00
Economic Environment					
Building	11.00	11.00	11.00	11.00	11.00
Planning	9.00	9.00	10.00	8.00	10.96
Tourism	1.00	1.00	0.75	0.75	1.50
Culture and Recreation	28.62	25.83	26.29	26.64	27.48
Surface Water Management	7.20	7.45	7.81	8.14	7.83
Total	162.38	160.51	167.73	170.80	176.03

Operating Indicators by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	Fiscal Year				
	1997	1998	1999	2000	2001
Judicial					
Traffic & non-traffic filings	3,661	4,035	3,989	3,421	2,934
Criminal traffic/non-traffic filings	1,439	1,271	1,252	1,265	1,271
Parking filings	321	533	368	478	278
Number of in custody hearings	796	805	773	936	891
Number of video arraignments	N/A	N/A	70	788	712
Orders for protection filed	N/A	N/A	N/A	16	15
Code Enforcement citations	N/A	N/A	N/A	N/A	68
Anti-Harassment orders	N/A	N/A	N/A	N/A	N/A
General Government					
Business licenses Issued	1,558	1,665	1,698	1,807	1,839
Ordinances/Resolutions/Motions passed	111	155	175	147	130
Number of employment applications	N/A	N/A	N/A	N/A	N/A
Number of registered voters	12,008	12,026	11,410	11,901	11,706
Public Safety - Fire					
Number of emergency fire calls	1,143	999	882	1,002	1,009
Number of medical emergency calls	2,295	2,414	2,376	2,370	2,325
Number of fire inspections	1,033	835	987	997	2,210
Number of permits issued	416	383	381	383	340
Total staff training hours	5,614	3,688	4,030	3,965	6,031
Public Safety - Police					
Dispatched calls for service	11,808	11,881	10,654	10,238	10,340
Part 1 crimes*	2,152	2,109	1,605	1,691	1,865
Part 2 crimes**	1,601	1,872	1,626	1,676	1,835
Total cases cleared	1,213	809	599	522	310
Traffic citations	4,705	7,112	8,085	7,510	4,321
Adult & juvenile arrests	1,772	949	755	988	1,053
Response times (in progress)					
Priority X - Critical Dispatch	N/A	2.89	3.27	4.18	3.74
Priority 1 - Immediate Dispatch	N/A	7.54	7.76	8.25	8.22
Priority 2 - Prompt Dispatch	N/A	14.95	14.61	14.60	16.38
Health & Human Services					
Number of Human Svcs clients served	4,675	4,598	4,475	5,782	7,766
Economic Environment					
Valuation of permitted bldg apps	\$44.7m	\$99.8m	\$52.7m	\$158m	\$19.2m
Number of short plat applications	8	14	14	10	9
Number of bldg permits issued	1,686	1,911	1,717	406	322
Culture and Recreation					
Number of special event participants	5,215	7,200	8,695	9,500	8,255
Number of adult league participants	616	576	686	620	544
Number of Meals on Wheels served	9,925	9,165	9,033	10,756	9,424

*Part 1 crimes include arson, criminal homicide, robbery, aggravated assault, forcible rape, etc.

**Part 2 crimes include simple assaults, vandalism, prostitution, drug violations, forgery, fraud, etc.

Source: City of SeaTac Finance Department Budget Documents; N/A = Information not available

Function/Program	Fiscal Year				
	2002	2003	2004	2005	2006
Judicial					
Traffic & non-traffic filings	3,566	2,861	3,938	2,139	2,752
Criminal traffic/non-traffic filings	1,075	1,335	1,100	422	1,262
Parking filings	520	645	283	309	298
Number of in custody hearings	955	218	244	261	239
Number of video arraignments	754	774	746	772	913
Orders for protection filed	15	3	3	7	30
Code Enforcement citations	57	57	16	42	25
Anti-Harassment orders	N/A	N/A	N/A	2	7
General Government					
Business licenses Issued	1,780	1,921	1,879	1,850	1,910
Ordinances/Resolutions/Motions passed	148	136	98	102	128
Number of employment applications	N/A	417	624	1,104	1,098
Number of registered voters	11,458	11,135	11,332	12,523	9,770
Public Safety - Fire					
Number of emergency fire calls	1,125	1,221	1,254	1,223	1,320
Number of medical emergency calls	2,575	2,683	2,805	3,106	2,966
Number of fire inspections	2,158	2,433	2,787	2,691	2,809
Number of permits issued	365	368	470	533	411
Total staff training hours	4,125	4,033	10,084	9,442	7,283
Public Safety - Police					
Dispatched calls for service	9,896	9,916	9,933	10,955	11,297
Part 1 crimes	1,605	1,691	1,865	2,346	2,179
Part 2 crimes	1,626	1,676	1,835	1,838	1,906
Total cases cleared	398	479	545	517	523
Traffic citations	6,380	5,832	5,102	4,144	3,818
Adult & Juvenile arrests	1,243	1,497	1,569	1,344	1,650
Response times (in progress)					
Priority X - Critical Dispatch	3.95	4.37	3.27	3.76	5.10
Priority 1 - Immediate Dispatch	7.70	8.34	7.77	9.15	8.17
Priority 2 - Prompt Dispatch	13.62	14.01	13.32	16.09	14.33
Health & Human Services					
Number of Human Svcs clients served	7,767	6,980	7,609	8,183	9,671
Economic Environment					
Valuation of permitted bldg apps	\$29m	\$29.1m	\$42.5m	\$30.0m	\$128.9m
Number of short plat applications	9	5	13	16	16
Number of bldg permits issued	308	289	270	291	296
Culture and Recreation					
Number of special event participants	8,860	9,080	9,260	11,715	12,100
Number of adult league participants	220	112	60	80	-
Number of Meals on Wheels served	9,053	11,117	12,870	13,800	13,520

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	Fiscal Year				
	1997	1998	1999	2000	2001
General Government					
City Hall (sq feet)	-	-	-	-	-
Public Safety - Fire					
Fire Stations	3	3	3	3	3
Fire/Aid Units in Service	3	3	3	3	3
Transportation - Public Works					
Streets (miles)	84	82	82	79	81
Culture and Recreation					
Community Center					
Quantity	2	2	2	2	2
Square Footage	25,809	25,809	25,809	25,809	25,809
Community Parks					
Developed (acres)	59.5	59.9	59.9	59.9	59.9
Undeveloped (acres)	24.5	24.0	24.0	24.0	24.0
Neighborhoods Parks					
Developed (acres)	6.0	6.0	6.0	6.0	6.0
Undeveloped (acres)	0.5	0.5	0.5	0.5	0.5
Regional Parks					
Developed (acres)	80.0	80.0	80.0	80.0	80.0
Undeveloped (acres)	223.0	223.0	223.0	223.0	223.0
Pocket Parks/Mini Parks					
Developed (sq ft)	58,440	58,440	58,440	58,440	58,440
Trails/Linear Parks					
Developed (lineal ft)	11,850	11,850	11,850	11,850	11,850
Badminton Courts	N/A	N/A	N/A	N/A	N/A
Baseball/Softball Fields, Adult	N/A	N/A	N/A	N/A	N/A
Baseball/Softball Fields, Youth	N/A	N/A	N/A	N/A	N/A
Basketball Courts, Indoor	N/A	N/A	N/A	N/A	N/A
Basketball Courts, Outdoor	N/A	N/A	N/A	N/A	N/A
BMX Track	N/A	N/A	N/A	N/A	N/A
Boat Launch	N/A	N/A	N/A	N/A	N/A
Botanical Gardens	N/A	N/A	N/A	N/A	N/A
Fishing Pier	N/A	N/A	N/A	N/A	N/A
Football/Soccer Fields	N/A	N/A	N/A	N/A	N/A
Japanese Garden	N/A	N/A	N/A	N/A	N/A
Pickleball Courts, Indoor	N/A	N/A	N/A	N/A	N/A
Picnic Shelters	N/A	N/A	N/A	N/A	N/A
Picnic Table Areas	N/A	N/A	N/A	N/A	N/A
Playgrounds	N/A	N/A	N/A	N/A	N/A
Roller Hockey	N/A	N/A	N/A	N/A	N/A
Skateboard Parks	N/A	N/A	N/A	N/A	N/A
Tennis Courts	N/A	N/A	N/A	N/A	N/A
Theater, Outdoor	N/A	N/A	N/A	N/A	N/A
Volleyball Courts	N/A	N/A	N/A	N/A	N/A
Weight/Fitness Room	N/A	N/A	N/A	N/A	N/A

Source: City of SeaTac Comprehensive Plans 1997 - 2006

Function/Program	Fiscal Year				
	2002	2003	2004	2005	2006
General Government					
City Hall (sq feet)	81,000	81,000	81,000	81,000	81,000
Public Safety - Fire					
Fire Stations	3	3	3	3	3
Fire/Aid Units in Service	3	3	3	3	3
Transportation - Public Works					
Streets (miles)	84	82	82	79	81
Culture and Recreation					
Community Center					
Quantity	2	2	2	2	2
Square Footage	25,809	25,809	25,809	28,809	28,809
Community Parks					
Developed (acres)	49.0	63.0	63.0	63.0	63.0
Undeveloped (acres)	11.0	35.0	35.0	35.0	35.0
Neighborhoods Parks					
Developed (acres)	10.0	10.0	10.0	10.0	10.0
Undeveloped (acres)	0.5	0.5	0.5	0.5	0.5
Regional Parks					
Developed (acres)	80.0	80.0	80.0	80.0	80.0
Undeveloped (acres)	211.4	211.4	211.4	211.4	211.4
Pocket Parks/Mini Parks (sq ft)					
Developed	58,548.0	58,548.0	58,548.0	58,548.0	58,548
Trails/Linear Parks					
Developed (lineal ft)	15,100	15,100	15,430	15,430	15,430
Badminton Courts	3	3	3	3	3
Baseball/Softball Fields, Adult	4	4	4	4	4
Baseball/Softball Fields, Youth	6	6	6	6	6
Basketball Courts, Indoor	1	1	1	1	1
Basketball Courts, Outdoor	10	10	10	10	10
BMX Track	1	1	1	1	1
Boat Launch	1	1	1	1	1
Botanical Gardens	1	1	1	1	1
Fishing Pier	1	1	1	1	1
Football/Soccer Fields	7	7	7	7	7
Japanese Garden	-	-	-	-	1
Pickleball Courts, Indoor	3	3	3	3	1
Picnic Shelters	2	2	2	2	2
Picnic Table Areas	N/A	1	1	1	1
Playgrounds	6	6	6	6	7
Roller Hockey	1	1	1	1	1
Skateboard Parks	1	1	1	1	1
Tennis Courts	10	10	10	10	10
Theater, Outdoor	1	1	1	1	1
Volleyball Courts	3	3	3	3	3
Weight/Fitness Room	1	1	1	1	1





City of SeaTac, Washington

4800 South 188th Street
SeaTac, Washington 98188