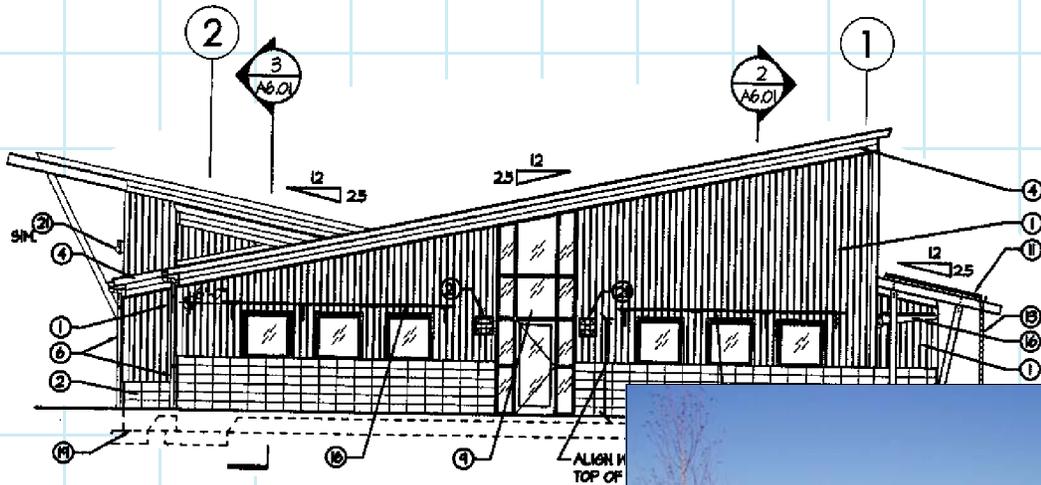


2004 Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2004



SeaTac Maintenance Facility • February 2004
Facilities, Parks & Public Works



City of SeaTac, Washington
4800 South 188th Street
SeaTac, Washington 98188

About the Project

The City of SeaTac Maintenance Facility.

Site: 5-acre at 2000 S. 136th St., SeaTac

Building Construction: Metal/ wood frame construction total of 39,000 sq. ft.

Administration Building: 7,000 sq. ft.

Maintenance Shop: 22,700 sq. ft.

Vehicle Storage: 8,100 sq. ft.

Wash Bay: 1,200 sq. ft.

Construction Cost: \$3.8 million

Total Project Cost: \$4.2 million

Project Manager: Pat Patterson, Facilities Director, City of SeaTac, 206.973.4674

Architects: Thomas Cook Reed Reinald Architects, Randy Cook, 253.572.3993

Contractor: Commercial Structures, Inc., Rocky McNeil, 206.246.3939

Public Art: Michele Van Slyke, 206.842.5308

The project was started in 1997 by retaining the services of Architect Randy Cook to complete a program study to determine the size of the buildings needed for the new maintenance facility. The City then put a financial savings plan together to save the money needed for the design and construction over a four year period. The City worked with the Port of Seattle on a land lease transfer in North SeaTac Park that allowed the maintenance facility to be constructed on Port property.

Construction started in early March 2003 and was completed in February 2004. Thomas Cook Reed Reinald Architects of Tacoma designed the facility to reflect a "Northwest Industrial" image. The buildings combine colorful metal siding and roofing with a masonry base and painted steel canopies. The landscaping scheme includes large boulders that are also incorporated into the building entrance plaza and lobby.

2004 Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2004

Prepared by the City of SeaTac Finance Department



City of SeaTac, Washington
4800 South 188th Street
SeaTac, Washington 98188

CITY OF SEATAC, WASHINGTON
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2004

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CITY OF SEATAC, WASHINGTON
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2004

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Introductory Section



Mayor
Frank Hansen

Deputy Mayor
Terry Anderson

Councilmembers
Gene Fisher
Chris Wythe
Ralph Shape
Joe Brennan
Don DeHan



City Manager
Craig R. Ward
City Attorney
Mary E. Mirante Bartolo
City Clerk
Judith L. Cary

"The Hospitality City"

September 15, 2005

Honorable Mayor, Councilmembers, City Manager and SeaTac Residents:

We are pleased to transmit to you the City of SeaTac's *Comprehensive Annual Financial Report (CAFR)* for the fiscal year ended December 31, 2004. This transmittal letter discusses the City's audit, provides a profile of the City and looks at the economic conditions affecting the City.

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.

This CAFR is presented for the second time in conformity with Governmental Accounting Standards Board (GASB) Statement 34. This statement dramatically modified the presentation of financial information for the City of SeaTac. The format and purpose of these changes are addressed in more detail in the *Management's Discussion and Analysis (MD&A)*, which can be found immediately following the Independent Auditor's Report. Additionally, the notes to the financial statements are designed to discuss the change and explain the effects and results of these changes. We believe this new presentation will provide better information to the users of the CAFR.

INTRODUCTION

The introduction section of the transmittal letter describes management's representations relating to the responsibilities for drafting the document, reviews the *Comprehensive Annual Financial Report's* structure, and provides a profile of the City.

Management Representation

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. This report has been prepared in conformance with generally accepted accounting principles (GAAP) and in conformance with financial reporting standards issued by the Governmental Accounting Standards Board.

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, 2004, provided no instances of material weakness in the internal control structure or significant violations of applicable laws.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of *Management's Discussion and Analysis*. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

CAFR Structure

The City's CAFR is divided into three sections. The *Introductory Section* includes the table of contents, the City's organizational chart, a list of elected and appointed officials, and this letter of transmittal. The *Financial Section* includes the Washington State Auditor's Report and the basic financial statements with the accompanying note disclosures. The *Statistical Section* contains a range of statistical tables and graphs that present various financial, economic, social and demographic data about the City. This information depicts various trends that have affected the fiscal condition of the City over the past ten years.

Entity Profile

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 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 approximately 25,130 residents within its incorporated limits and has a work force of more than 35,000 employees.

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 2004, the Airport handled 28.8 million passengers, surpassing the 28.4 million passengers in 2000, the year prior to the terrorist attacks of September 11, 2001.

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 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 under GASB Statement 39, so their operations are not included in the City's CAFR.

ECONOMIC CONDITIONS

The economic conditions section of the transmittal letter briefly reviews the status of the local economy, the operation of major industries, and the City's future economic outlook.

Local Economy

The City of SeaTac's economy is based on a strong air travel sector coupled with diversified industries, trades and services. The largest employer and taxpayer in the City is Alaska Airlines, which represents 12.7% of the total assessed valuation for the City. United, Horizon Air, Northwest, Delta, Southwest, American and Hawaiian Airlines combine to account for an additional 19.2% of the City's property tax base.

With more than 5,400 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, the main entrance to the airport. In the past few years, several new hotels and motels have been constructed, providing additional traveler accommodation space in the City.

Table 9 of the Statistical Section lists the ten largest taxpayers in the City. This list includes eight airlines, one hotel, and one airplane manufacturer. 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.

Due to the terrorist attacks of September 11, 2001, the City of SeaTac has experienced considerable declines in certain travel related revenues, demonstrating the importance of the air travel industry on City operations. Parking tax revenue for 2004 totaled \$3.9 million, a \$900,000 annual decline from 2000 levels when the City received \$4.8 million in revenue. The parking tax is a \$1.00 per transaction tax and is used to fund transportation improvements. The City received approximately \$884,000 in hotel/motel tax revenue during 2004, a \$46,000 annual decline when compared to the \$930,000 received in 2000. The City's hotel/motel tax rate is 1% and is dedicated to tourism promotion.

Property tax and sales tax revenues are also dependent upon air travel. More than 40% of the City's total property tax levy is paid by airline companies. Additionally, property tax revenues account for 30% 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. Although the City's assessed valuation has continued to grow steadily, as shown in Table 7 *Assessed Value of Taxable Property by Type* in the CAFR Statistical Section, it is not anticipated that property tax revenue will increase at the same rate as the tax base in future years.

Traditionally, sales taxes have been a strong revenue source for the City, accounting for approximately 29% of general governmental tax revenues. 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.

Economic Outlook

The Puget Sound Region, which was hit particularly hard by the high tech downturn and cutbacks at the Boeing Company following the plunge in air travel following the September 11 terrorist attacks, has endured a much deeper and longer recession than most of the country. However, the region finally began to recover in 2004, in part due to a turnaround at Boeing. Boeing, which reduced its Washington employment by 27,200 between September 2001 and June 2004, has added 2,400 jobs between June and December 2004.

The region lost 96,600 jobs, or 6.8% of its employment, during the downturn. The manufacturing sector accounted for 41,900 (43.4%) of the lost jobs. Since September 2003, employment has rebounded in the construction, wholesale trade and service industries, adding 32,500 jobs in the region, recouping one-third of its loss. Local economists are generally upbeat about the prospects for the region's economy now that the national expansion has strengthened and Boeing has begun to hire. In addition, the State's software sector is expected to expand its employment by 5% per year according to the Washington Office of the Forecast Council, and the weaker U.S. dollar will boost exports and help attract foreign tourists.

The Puget Sound Economic Forecaster expects the region's employment to increase by 2.6% in 2005. Personal income is forecasted to grow at a healthy pace and inflation is expected to accelerate but remain under control. One component of the economy that is expected to slow is the housing market, which will face rising mortgage rates in the coming years.

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 concern are health care costs and public safety costs related to increased staffing and labor contracts. 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.

OTHER INFORMATION

Independent Audit

Washington State law requires an annual audit of the City's financial statements and records by the State Auditor's Office. The Auditor's Office conducts audits in accordance with generally accepted auditing standards (GAAS). These standards have been established by the Auditing Standards Board of the American Institute of Certified Public Accountants (AICPA). Under GAAS, the auditor prepares a report that expresses an opinion (or declines to express an opinion) on the fair presentation of the financial statements, including the notes. Required supplementary information is not audited but is subject to certain limited procedures by the auditor.

The State Auditor's Office has broad legal authority to inquire into all financial and legal compliance matters contained in the State constitution, Washington Administrative Codes (WAC), the Revised Codes of Washington (RCW), court cases, bond covenants, contract provisions, etc. Compliance audits are performed to obtain reasonable assurance that governments have complied with State and local laws.

In addition, the State Auditor's Office performs a Single Audit on financial assistance received from the federal government. These audits are subject to the requirements of the Office of Management and Budget's (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These audits require special testing and reporting responsibilities by the auditor to obtain reasonable compliance assurance.

The City's 2004 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.

Awards

The Government Finance Officers Association (GFOA) of the United States and Canada awarded the *Certificate of Achievement for Excellence in Financial Reporting* to the City of SeaTac for its Comprehensive Annual Financial Report for the year ended December 31, 2003. 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. The City of SeaTac has received a Certificate of Achievement for the last thirteen consecutive years (fiscal years ended 1991 through 2003). We believe our current report continues to conform to the Certificate of Achievement program requirements and are submitting it to GFOA for review.

Acknowledgments

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, Jason Hale, Mike Butay, Mary Ann Brown, Robin Lenear and Jamie Kerin. 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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sea Tac, Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

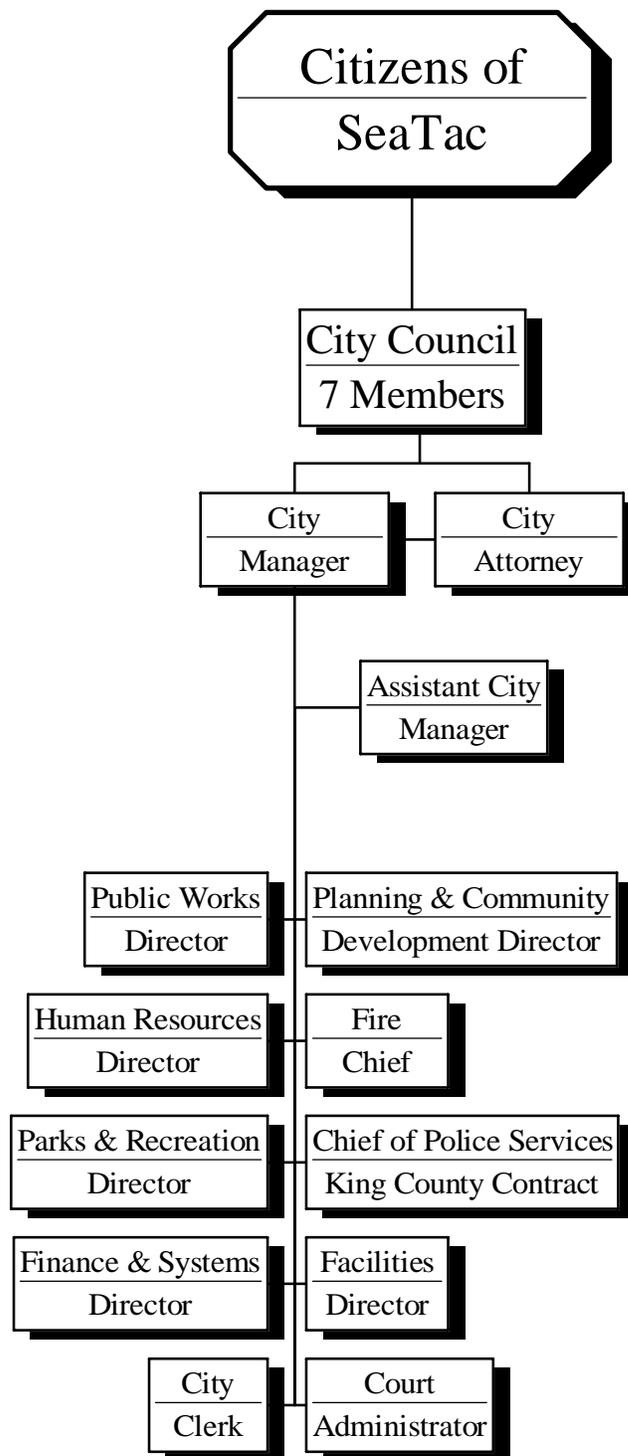
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President



Executive Director



Elected Officials

City Councilmembers

Position #1	Gene Fisher, Councilmember.....	12/31/07
Position #2.....	Chris Wythe, Councilmember.....	12/31/05
Position #3.....	Terry Anderson, Deputy Mayor.....	12/31/07
Position #4.....	Frank Hansen, Mayor.....	12/31/05
Position #5.....	Ralph Shape, Councilmember	12/31/07
Position #6.....	Joe Brennan, Councilmember	12/31/05
Position #7	Don DeHan, Councilmember	12/31/07

Appointed Officials

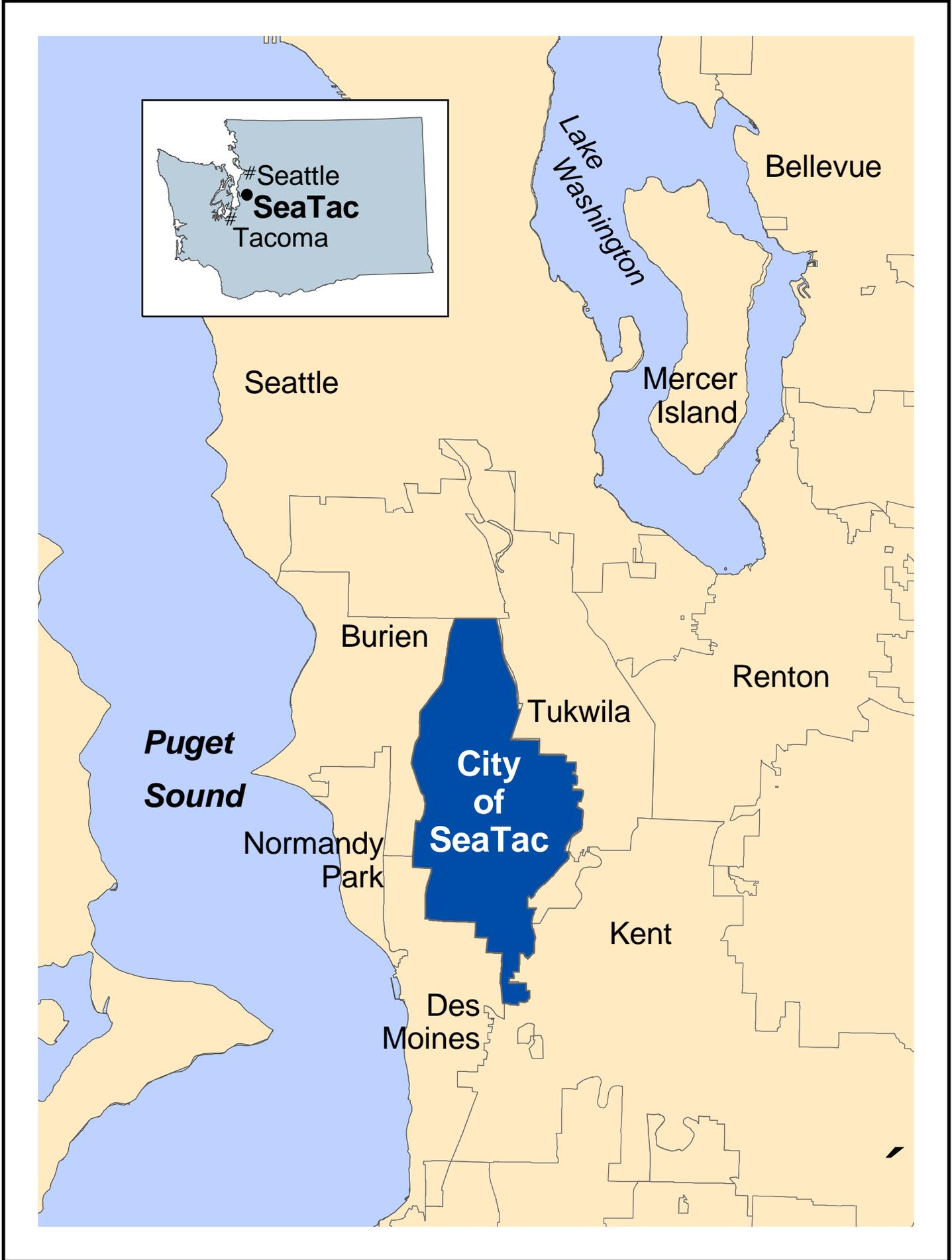
City Administration

City Manager	Bruce A. Rayburn
Assistant City Manager.....	Craig Ward

Department Directors

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

Vicinity Map





Financial Section





Sunset Building
PO Box 40021
Olympia, Washington 98504-0021

Washington State Auditor
Brian Sonntag

(360) 902-0370
FAX (360) 753-0646
TDD Relay 1-800-833-6388
<http://www.sao.wa.gov>

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of SeaTac
SeaTac, Washington

August 26, 2005

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of SeaTac, King County, Washington, as of and for the year ended December 31, 2004, 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of SeaTac, King County, Washington, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, 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 13 through 27 and budgetary comparison information on pages 75 through 77 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 inquires 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 combining financial statements and supplemental information on pages 79 through 99 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining financial statements and supplemental 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 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR





**CITY OF SEATAC, WASHINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED 2004**

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, 2004. Since the MD&A was designed to focus on the activities, resulting changes, and currently known facts for the year 2004, this information should be read in conjunction with both the financial statements and the notes to the financial statements. *All amounts, unless otherwise indicated, are expressed in thousands of dollars.*

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, 2004, net assets of the governmental activities were \$84,864. Of this amount, \$39,581 or 46% represented assets invested in capital assets, net of depreciation and reduced by outstanding spent bond debt. Net assets for business-type proprietary funds were \$9,306 with investments in capital assets, net of related debt, equaling \$4,929 or 53%.
- Capital asset reporting includes City infrastructure such as streets, sidewalks, other improvements, etc. for the years 2003 and 2004 only. The City is required to retroactively capitalize infrastructure back to 1981 by the year 2007. It is anticipated that the City will implement this retroactive infrastructure capitalization requirement early.
- At the end of 2004, unreserved fund balance for the *General Fund* was \$18,042 or 89% of total *General Fund* expenditures, excluding transfers out and other financing sources.
- In 2004, the City's overall financial position improved by \$10,092 or 13% 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 \$3,677 or 65%.
- In 2003, the City reported six major governmental funds. The number of major governmental funds has increased to seven in 2004 due to the addition of the *Municipal Capital Improvement Fund*.

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 eighteen 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.

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 with 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

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets:						
Current and other assets	\$52,278	\$50,587	\$5,061	\$2,960	\$57,339	\$53,547
Noncurrent assets	1,795	2,113	427	430	2,222	2,543
Capital assets, net	50,691	45,198	7,425	5,200	58,116	50,398
Total Assets	\$104,764	\$97,898	\$12,913	\$8,590	\$117,677	\$106,488
Liabilities:						
Long-term liabilities	14,551	16,376	2,289	2,521	16,840	18,897
Other liabilities	5,349	4,009	1,318	440	6,666	4,449
Total Liabilities	\$19,900	\$20,385	\$3,607	\$2,961	\$23,506	\$23,346
Net Assets:						
Invested in capital assets, net of related debt	39,581	33,833	4,929	2,481	44,510	36,314
Restricted	9,210	-	404	404	9,614	404
Unrestricted	36,073	43,680	3,973	2,744	40,046	46,424
Total Net Assets	\$84,864	\$77,513	\$9,306	\$5,629	\$94,170	\$83,142

The following are the five basic types of transactions that impact the *Statement of Net Assets*:

- Net Results of Activities** – As shown on the City's government-wide *Statement of Activities*, the net results of the City's activities can increase or decrease current assets and unrestricted net assets. For 2004, the City's net assets increased by \$10,092 to \$84,864. This represents a 13% increase from the prior year. The largest increase in net assets is reflected in the invested in capital assets, net of related debt which increased 17% over 2003 while unrestricted net assets actually declined by 17% due to a shift of \$9,210 to the restricted assets category.
- Borrowing of Capital** – If the City issues long-term debt or borrows money, both the current assets and the long-term debt account will increase. In 2004, no new debt was issued by the City.
- Spending Borrowed Proceeds on New Capital Assets** – When the City spends the proceeds of borrowed funds, current assets are reduced and capital assets are increased. There is also an increase in debt which will not change the invested in capital assets, net of related debt account. In 2004, no bond proceeds were spent on new capital assets. In addition, \$5,001 in hotel/motel tax bonds remains unspent from 1998. These bond proceeds will be spent on future tourism related capital facilities.
- Principal Payment on Debt** – When the City pays the principal on outstanding debt both current assets and long-term debt are reduced. Additionally, unrestricted net assets are reduced and investment in capital assets, net of related debt, is increased. In 2004 for governmental activities, the City paid \$490 in general obligation debt principal, \$545 in revenue bond principal and \$310 in special assessment bond principal for a total of \$1,345. In addition, the City paid \$255 in principal for business-type revenue bonds related to surface water management.
- Reduction of Capital Assets through Depreciation** – The City depreciates its assets over their estimated lives. When assets are depreciated, the capital assets account is reduced along with invested in capital assets, net of related debt. Per GASB Statement 34, the City began depreciating its governmental assets in 2003. The City incurred \$1,093 (net) in depreciation expense for governmental activities, excluding \$162 for the internal service fund. The City incurred \$124 (net) in depreciation expense for the business-type activities for the year. At the end of 2004, accumulated depreciation for

governmental assets equaled 12% of total asset cost, excluding the internal service fund. For business-type assets, accumulated depreciation equaled 29% of total asset cost.

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 expenditure 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 before adding the interfund transfers.

City of SeaTac's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
<i>Program Revenues:</i>						
Charges for services	\$3,337	\$2,901	\$1,672	\$1,656	\$5,009	\$4,557
Operating grants & contributions	972	1,080	3,148	36	4,120	1,116
Capital grants & contributions	2,902	4,113	-	-	2,902	4,113
<i>General Revenues:</i>						
Property taxes	10,309	9,180	-	-	10,309	9,180
Sales taxes	9,728	9,257	-	-	9,728	9,257
B&O taxes	3,954	3,813	-	-	3,954	3,813
Other taxes	1,844	1,557	-	-	1,844	1,557
Investment interest	801	964	59	61	860	1,025
Miscellaneous	182	308	-	-	182	308
Total Revenues	34,029	33,173	4,879	1,753	38,908	34,926
Expenses:						
Judicial	317	302	-	-	317	302
General Government	4,030	4,019	-	-	4,030	4,019
Public Safety	11,356	11,204	-	-	11,356	11,204
Physical Environment	12	12	-	-	12	12
Transportation	2,745	2,213	-	-	2,745	2,213
Human Services/Health	342	263	-	-	342	263
Economic Environment	2,165	2,190	-	-	2,165	2,190
Culture & Recreation	2,401	2,409	-	-	2,401	2,409
Interest on long-term debt	845	1,647	-	-	845	1,647
Surface Water	-	-	926	930	926	930
Total Expenses	24,213	24,259	926	930	25,139	25,189
Increase in Net Assets Before Transfers						
Transfers	9,816	8,914	3,953	823	13,769	9,737
Transfers	276	2,428	(276)	(2,382)	-	46
Increase in Net Assets	10,092	11,342	3,677	(1,559)	13,769	9,783
Net Assets-Beg (as prev reported)	77,513	66,171	5,629	7,188	83,142	73,359
Prior Year Adjustments	(2,741)	-	-	-	(2,741)	-
Net Assets-Beg (as restated)	74,772	66,171	5,629	7,188	80,401	73,359
Net Assets-Ending	\$84,864	\$77,513	\$9,306	\$5,629	\$94,170	\$83,142

The following are general areas that can impact or change the City's net assets:

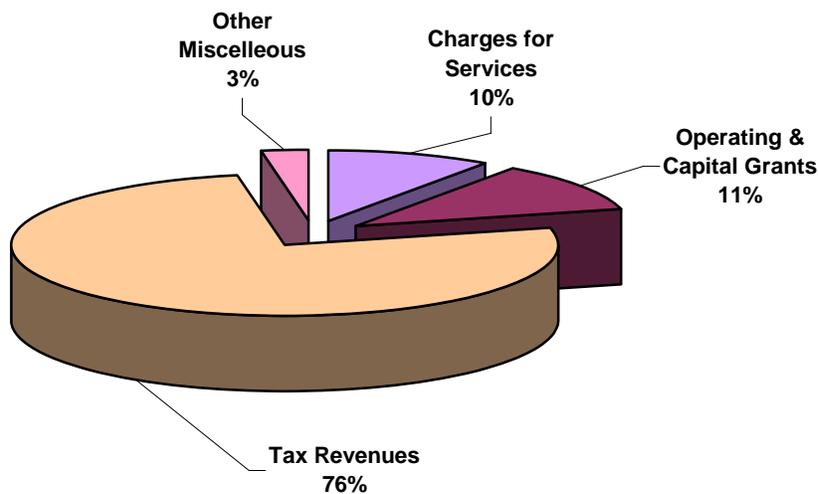
Revenue Impacts

- Economic Conditions** – The state of the economy has a large impact on the City's property, sales, gas, and other general tax revenues. During the last few years, the economy has been in a downturn with high unemployment. In King County, unemployment ranged from a high of 5.8% in February 2004 to a low of 4.6% in December 2004. The average unemployment rate for 2004 was 5.1% as reported by Washington State Employment Security.
- Increase/Decrease in Council Approved Rates** – While certain tax rates are set by statute, the City Council has significant authority to impose and periodically increase/decrease certain taxes, rates, fees

and other charges. City Council increases or decreases to revenues, such as property taxes, can have a large impact on the City operations because they are a major funding source (over 40%) of the *General Fund*.

3. **Increase/Decrease in Voter Approved Rates and Voter Initiatives** – Over the last five years, Washington State voters have approved a series of referendums and initiatives that have reduced taxes and limited tax growth. For instance, Washington State voters passed Initiative #747 in November of 2001. This initiative limits property tax levy increases to the lesser of 1% of the prior year's levy or inflation, defined by the implicit price deflator (IPD), excluding adjustments for new construction. Voter approval is required to exceed the 1% cap increase. This limitation became effective with property tax levies for the year 2002.
4. **Changing Patterns in Intergovernmental and Grant Revenues (both reoccurring and non-reoccurring)** – While certain reoccurring revenues, such as State shared revenues and block grants, periodically experience changes, non-reoccurring or one-time grants are frequently unpredictable and often distort year to year comparisons. The nature of these revenues can erratically affect the City's change in net assets from year to year.
5. **Market Impact on Investment Income** – In 2004, the majority of the City's investment portfolio was dependent on the performance of the Local Government Investment Pool (LGIP) managed by the Washington State Treasurer's Office. During this period, the City earned a monthly net earnings rate ranging from 1.07% in January to 2.07% in December. Interest rates declined dramatically in 2001 from 6.23% to 2.31% and have remained fairly low since that time. Pool interest rates began increasing in mid-2005 and were 3.01% in May 2005.

Revenues by Source - Governmental Activities



Notes: Tax revenues include property and sales 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.

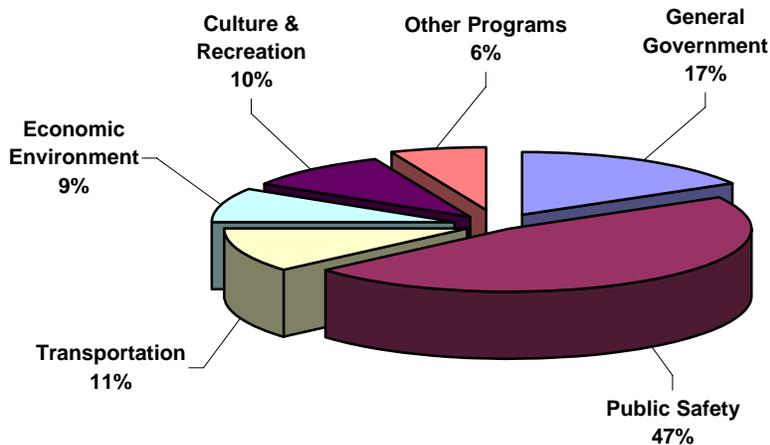
Expense Impacts

1. **Changes in Services** – Within the functional expense categories (general government, security of persons, transportation, etc.), individual programs may be added or deleted to meet changing community needs and financial constraints. In 2004, three additional firefighters were added to the budget increasing the total numbers of employees in the Fire Department to 50 while increasing the level of

services provided. Additionally, a part-time position was added in the SeaTac Municipal Court to review delinquent accounts, tracking reports, inactive probation reports, etc. This position increases Court revenues collected by the City.

- 2. **Changes in Personnel** – Changes in service demand and financial constraints may cause the City Council to increase or decrease staffing. In 2004, staffing costs, including salary and benefits, exceeded 25% of the City’s total expenses. In 2004, budgeted full time equivalent (FTE) positions increased from 160.6 to 166.4.
- 3. **Salary Increases (cost of living adjustments, step increases, and market adjustments)** - The City’s ability to attract and retain qualified individuals requires that the City offer competitive market rate salary ranges. In 2004, the City provided a cost of living adjustment for most employees of .81%. In addition, the City has a six step salary schedule which provides annual 5% increases to qualifying employees. Firefighters received a negotiated increase of 1.81% over 2003.
- 4. **Inflation** – The Consumer Price Index (CPI) for all urban consumers measures the percentage changes in prices paid by urban consumers and covers approximately 81% of the population. The cost of goods and services provided to the City frequently increases due to this rising inflation. In 2004, the CPI-U for the Seattle area was 1.2% versus 2.7% for the United States.

Expenses by Function - Governmental Activities



Notes: Public Safety expenses are for contracted police services and in-house fire services. Transfers out to other funds are not included in this chart.

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 selected 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 2004, the City's combined ending governmental fund balance was \$47,461 versus the 2003 ending balance of \$45,693. Of the total ending fund balance, \$5,001 was reserved for capital projects due to unspent debt proceeds and \$432 was reserved for debt service for funds being held in a special revenue fund. At the end of the current year, total unreserved fund balance for all governmental funds equaled \$42,460.

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 2004, property taxes recorded into the *General Fund* equaled \$8,984 while in 2003 they were \$8,347. Please note that property taxes of approximately \$429 were also recorded directly into the *Long-term General Obligation Debt Service Fund* for both years. In 2004, sales taxes recorded into the *General Fund* were \$6,448 compared to \$6,277 in 2003. At the end of 2004, the fund balance of the *General Fund* was \$18,042, an increase of \$503. The overall fund balance increase can be attributed to both conservative spending practices and an improving economy. As a measure of the fund's liquidity, the ending fund balance was 89% of the fund's 2004 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 2004, no additional relief payments were received. Interest earnings were the only revenue source in this Fund. The 2004 ending fund balance for this Fund was \$14,160 which includes \$8,337 in interfund loans receivable. The Fund's 2003 ending fund balance was \$13,979 and also includes interfund loans receivable in the amount of \$8,782.

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 2004, the *Hotel/Motel Fund* collected \$499 in hotel/motel taxes which is an increase of \$59 over 2003. At the end of 2004, the fund balance of the *Hotel/Motel Tax Fund* was \$7,363 versus \$7,337 for the prior year. Both years included unexpended restricted bond proceeds of \$5,001 to be used for capital facilities or improvements. Debt service payments on the bonds were paid from collected hotel/motel taxes receipted into a separate debt service fund. An additional \$386 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 pay the debt service payments on the City's single Local Improvement District (LID). This was included as a major fund due to its \$1,863 special assessments receivables balance. The ending fund balances for 2004 and 2003 were \$88 and \$61, 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 *Municipal Capital Improvements Fund* is a new addition to the City's major governmental funds. The major revenue sources for this Fund are 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 2004, sales taxes in this Fund were \$1,902 versus \$1,617 in the prior year. Ending 2004 fund balance was \$6,090, an increase of \$1,987 over the 2003 balance of \$4,103. The City is developing comprehensive Six Year Capital Improvement Plans to better plan for long term capital needs in its capital funds.

The *Municipal Facilities Capital Improvement Fund* is a capital projects fund whose purpose is to account for the expenditures related to municipal capital projects. In 2004, the only revenue sources included in this Fund were transfers from other funds. At the end of 2004, the fund balance in the *Municipal Facilities Construction Fund* was a negative balance of \$8,325 versus a negative \$8,477 for 2003. The negative fund balances are due to 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 as the loan is repaid.

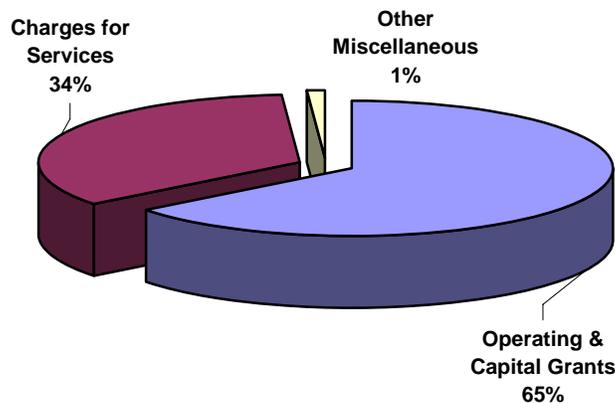
The *Transportation Capital Improvement Fund* is a capital projects fund whose purpose is to account for the revenues and expenditures related to transportation improvements. In 2004, the major revenue sources for this Fund included various indirect federal and State transportation grants and a transfer of \$1,800 from the *Arterial Street Fund*. Ending fund balance for this Fund was \$3,479 for 2004 and \$4,159 for 2003. 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.

Listed on the City's proprietary statements is a column for the City's only internal service fund, the *Equipment Rental Fund*. This Fund operates in a manner similar to a business-type fund, but is shown under the governmental activities column because it provides most of its services to the programs that are listed as City governmental activities.

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 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 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 \$9,306 and of this amount, \$3,973 (including the internal service fund adjustment) or 42% was unrestricted.

Revenues by Source - 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 (shown under grants) for the Des Moines Creek Basin project. This is a change from 2003 which reflected charges for services as the largest category at 95%. All expenses are 100% SWM so no chart is being provided for expenses.

BUDGETARY HIGHLIGHTS

The following table provides a budgetary review of the City's operating fund, the *General Fund*, and includes the original adopted 2004 budget, the final amended 2004 budget and the actual inflows and outflows for the year:

**General Fund
Original, Amended & Actual Inflows/Outflows**

	Original Budget	Final Budget	Actual Inflows & Outflows	Variance from Final Budget
Fund Balance, January 1	\$16,092	\$17,539	\$17,539	-
Resources (Inflows)				
Taxes	16,101	16,101	17,201	1,100
Licenses & permits	725	725	762	37
Grants	330	493	535	42
State shared revenues	313	313	343	30
Intergovernmental services	9	9	10	1
General government charges	35	35	45	10
Security of persons & property fees	47	47	150	103
Physical environment fees	155	155	321	166
Economic development fees	48	48	133	85
Culture & recreation fees	311	311	243	(68)
Fines & forfeitures	215	215	310	95
Miscellaneous revenues	521	520	448	(72)
Transfers in	758	758	758	-
Amts Available for Appropriation	19,568	19,730	21,259	1,529
Charges to Appropriations (Outflows)				
Legislative (General Gov)	165	165	147	18
Judicial	343	343	313	30
Executive (General Gov)	606	576	469	107
Finance (General Gov)	798	808	767	41
City Clerk (General Gov)	279	279	279	-
Legal (General Gov)	855	855	739	116
Human Resources (General Gov)	332	334	270	64
Non-Departmental (General Gov)	1,263	1,092	953	139
Police (Public Safety)	6,599	6,723	6,495	228
Fire/Emergency Svs (Public Safety)	4,897	5,273	5,058	215
Physical Environment	12	12	12	-
Public Works (Transportation)	500	500	490	10
Planning/CD/Bldg (Econ Environmnt)	1,627	1,664	1,580	84
Health & Human Services	271	311	341	(30)
Parks & Recreation	2,156	2,197	2,133	64
Debt Service	180	180	115	65
Transfers Out	530	530	595	(65)
Total Charges to Appropriations	21,413	21,842	20,756	1,086
Fund Balance, December 31	\$14,247	\$15,427	\$18,042	\$2,615

The major budget amendments made during 2004 were for capital projects outside of the General Fund and included revenue and expense adjustments for the Des Moines Creek Restoration project in the 406 Fund and the expenses related to three facilities, including the Senior Center addition at the Community Center funded by the *Municipal Facilities Capital Improvement Fund*.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of the end of 2004, the City had invested \$49,863 (net) in governmental activities capital assets, excluding the internal service fund, and \$7,426 (net) in business-type activities. Total internal service fund capital assets (net) for 2004 were \$828. These assets were included in the governmental activities column of the government-wide *Statement of Net Assets*. The following table presents the City's capital assets for the year ended 2004:

City of SeaTac's Capital Assets

Capital Assets:	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 11,125	\$ 11,125	\$ -	\$ -	\$ 11,125	\$ 11,125
Construction in Progress (CIP)	11,095	6,161	3,283	1,204	14,378	7,365
Buildings/Building Improvements	24,874	24,156	229		25,103	24,156
Other Improvements	3,847	3,770	6,984	6,942	10,831	10,712
Infrastructure	153	-	-	-	153	70
Equipment/Vehicles/Machinery	5,437	5,029	2	2	5,439	5,031
Intangible Assets-Software	282	155	-	-	282	155
Less: Depreciation	(6,950)	(6,080)	(3,072)	(2,948)	(10,022)	(9,028)
Total Capital Assets (Net)	\$ 49,863	\$ 44,386	\$ 7,426	\$ 5,200	\$ 57,289	\$ 49,586

For 2004, the major changes in governmental capital assets included the following: 1) The City increased construction in progress for major infrastructure by approximately \$5 million, 2) The City recorded most of its asset additions in the areas of equipment and buildings, and 3) governmental activities capital assets increased by \$5.5 million (net asset reductions). The major changes in the business-type capital assets were as follows: 1) The portion of the City's maintenance facility that was funded by surface water management was added under buildings and 2) Construction in progress increased by \$2 million for surface water management construction projects. Supplementary information on the City's capital assets can also be found in *Note 6 Capital Assets and Depreciation* in the *2004 Notes to the Financial Statements*.

The City expanded its level of planning for long-term capital asset acquisition and construction in its 2005 Operating Budget. Future facilities may include 3 new fire stations totaling \$8.7 million over a 3 year period. These facilities may be funded through voter approved bonds. Additionally, the City is anticipating spending an average of \$4 million per year on a wide array of transportation projects including the completion of Phase IV of International Boulevard. The City's available debt capacity for any Councilmanic non-voted debt is sufficient to meet the City's capital needs should any changes arise in capital improvement plans.

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 2003 and 2004 by type:

City of SeaTac's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
General Obligation Bonds	\$ 7,060	\$ 7,550	\$ -	\$ -	\$ 7,060	\$ 7,550
Special Assessment Debt	1,715	2,025	-	-	1,715	2,025
Revenue Bonds	6,245	6,790	2,820	3,075	9,065	9,865
Total	\$ 15,020	\$ 16,365	\$ 2,820	\$ 3,075	\$ 17,840	\$ 19,440

General Obligation Debt

According to Washington State law, the City's debt capacity for *general government purposes* is limited to 2.5% or \$85,427 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 \$51,256. The City's assessed valuation was \$3,417,097 in 2004. The 2004 assessed valuation is used to calculate the taxes to be collected in 2005. At the end of 2004, the City had \$7,060 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 2004.

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 \$249,257 of the City's assessed valuation. Additional information can be found in the Statistical Section of the City's 2004 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 2004, the City had \$9,065 in outstanding revenue debt. No new revenue debt was issued in 2004.

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 2004, the City had LID bonds outstanding totaling \$1,715. No new special assessment debt was issued. Additional information on the City's long term debt can be found in *Note 10 Long Term Debt and Leases* in the *2004 Notes to the Financial Statements*.

ECONOMIC FACTORS AND THE 2005 BUDGET

The State of Washington, by constitution, does not have a personal income tax, so it operates primarily on property, sales, business & occupation, and gasoline taxes. Washington cities rely primarily on property taxes and a limited array of other taxes and fees for their governmental activities. The City of SeaTac's major revenue sources include property taxes, sales taxes, parking taxes, and hotel/motel taxes for its governmental activities. For its business-type activities, the City relies on user fees to fund operations.

Several factors that affect the economic climate in SeaTac were considered in preparing the 2004 *Management’s Discussion and Analysis* and the City’s 2005 *Operating Budget*. The outlook for the nation, state, and region were weighed in relation to their expected impact on the City. The character of the City, including its current and future business activity and its attraction as a place to live, was evaluated. The City’s current financial position and its ability to thrive under its adopted fiscal policies were also given due consideration. In prior years there were some financial challenges that the City continues to work through now, but as the budget analysis shows, the future looks promising.

The City of SeaTac is geographically located in southern King County with the City surrounding the Seattle-Tacoma International Airport. With this location, the City of SeaTac’s economy is highly impacted by international, national and regional events that affect air travel and the tourism/business travel industry. This has been highlighted by the events of September 11, 2001 with its rippling effects on the travel sector in general and the City of SeaTac in particular.

With the City’s reliance on sales taxes, and to a lesser degree, parking taxes and hotel/motel taxes, the downturn in business and personal travel has affected the City’s budget. To highlight this affect, the following table compares property taxes (as a baseline), sales taxes, parking taxes, and hotel/motel taxes from 2001 to 2005 (budgetary figures presented for 2005):

City of SeaTac’s Major Revenue Sources – Governmental Activities

	2001 Actual	2002 Actual	2003 Actual	2004 Actual	% Change 2001-2004	2005 Budget
Revenue Category:						
Property Taxes	\$ 8,248	\$ 8,536	\$ 8,776	\$ 9,414	14.1%	\$ 9,593
Sales Taxes*	8,526	9,160	8,375	8,844	3.7%	8,490
Parking Taxes	4,603	3,700	3,813	3,954	-14.1%	4,029
Hotel/Motel Taxes	902	814	824	884	-2.0%	844

*Note: Includes both General Fund and Capital Improvement Fund sales taxes; Also includes criminal justice funding sales taxes.

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

The City’s base sales tax revenues in the General Fund have averaged around \$6.4 million annually and have remained at a fairly consistent flow since 2001. The City’s sales taxes recorded in the *Municipal Capital Improvement Fund* have varied over the last four years ranging from a low of \$1.6 million to a high \$2.2 million. In is anticipated that the sales taxes in this Fund will continue to vary and even decline when major construction projects like the Port of Seattle third runway and other related improvements are complete.

As shown in the chart above, the City has seen a 14% reduction in its parking tax revenues when compared to 2001. Although parking tax revenues are used solely for capital transportation projects, the bulk of the City’s major transportation projects are funded through a combination of Federal and State grants. The decline in parking tax revenues may impact long-term transportation capital projects in terms of both scale and timing, but current short-term projects have been largely unaffected by the downturn in parking taxes since these projects were fully funded through grants and parking tax revenues already received.

The prior softening of the City's collection of hotel/motel taxes is declining annually. As of 2004, the City's revenues are down only 2% from 2001 levels. In 2002, the decline was steeper at 10%. This revenue source has less of an immediate affect on City operations when compared to sales and parking taxes. Per State law, hotel/motel taxes can only be spent on activities that increase tourism and visitation to the City. With the downturn in this revenue source, the City has the ability to modify program expenditures without affecting the core services delivered to the citizens of SeaTac. With this said, the City of SeaTac is committed to expending resources whose affect is to increase the number of visitors to the City. The City has and will continue to expend hotel/motel funds towards this purpose.

The City continues to work to expand economic opportunities and to identify targeted markets for economic development. The City has hired a consultant to assist with the economic development process. Through this process, the City strives to grow the SeaTac economy while increasing business-related revenue to the City.

The City continues to utilize conservative budgeting, spending and forecasting practices to ensure stability and to minimize the effects of future negative economic impacts. The following chart highlights these practices:

City of SeaTac's General Fund Revenues/Expenditures

	2002 Final	2003 Final	2004 Final	2005 Original
Budget:				
Budgeted Revenues	21,304	19,335	19,730	21,532
Budgeted Expenditures	21,520	22,613	21,842	22,557
Budgeted Difference	(216)	(3,278)	(2,112)	(1,025)
Actual:				
Actual Revenues	20,674	20,826	21,259	N/A
Actual Expenditures	19,565	20,238	20,757	N/A
Actual Difference	1,109	588	502	N/A

Note: Figures include other financing sources & uses.

OTHER IMPORTANT ITEMS

Effective August 9, 2005, the City appointed Craig Ward to the position of City Manager. Mr. Ward replaced Bruce Rayburn who retired after working for the City for fifteen years in both Public Works and as the City Manager.

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, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Cash & cash equivalents	\$ 37,389,777	\$ 4,961,943	\$ 42,351,720
Investments	9,964,222	-	9,964,222
Receivables (net)	4,939,996	74,272	5,014,268
Due from other governments	1,689,140	-	1,689,140
Internal balances	(24,455)	24,455	-
Prepaid items	114,092	-	114,092
Deferred charges	-	23,391	23,391
Restricted assets, temporary:			
Bond covenant accounts	-	403,925	403,925
Capital assets not being depreciated:			
Land	11,125,389	-	11,125,389
Construction in progress	11,094,604	3,282,876	14,377,480
Capital assets, net of accumulated depreciation:			
Buildings	21,778,160	228,561	22,006,721
Improvements other than buildings	2,792,840	3,913,253	6,706,093
Machinery and equipment	3,752,510	190	3,752,700
Infrastructure	147,717	-	147,717
Total Assets	\$ 104,763,992	\$ 12,912,866	\$ 117,676,858
Liabilities			
Accounts payable & accrued expenses	2,218,721	1,052,455	3,271,176
Unearned revenue	1,824,828	-	1,824,828
Other current liabilities	64,709	-	64,709
Noncurrent liabilities:			
Due within one year	1,240,000	265,000	1,505,000
Due in more than one year	14,551,494	2,289,028	16,840,522
Total Liabilities	19,899,752	3,606,483	23,506,235
Net Assets			
Invested in capital assets, net of related debt	39,581,220	4,928,839	44,510,059
Restricted for:			
Debt service	1,755,878	403,925	2,159,803
Capital projects	7,453,767	-	7,453,767
Unrestricted	36,073,375	3,973,619	40,046,994
Total Net Assets	\$ 84,864,240	\$ 9,306,383	\$ 94,170,623

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

Statement of Activities
December 31, 2004

	Expenses	Program Revenues		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions
Functions/Programs				
<i>Governmental Activities:</i>				
Judicial	\$ 317,068	\$ 545,983	\$ -	\$ -
General Government	4,030,088	1,481,767	-	-
Public Safety	11,355,501	160,473	89,696	168,986
Physical Environment	12,217	321,488	9,351	-
Transportation	2,745,371	71,059	634,512	2,636,572
Health & Human Services	342,036	-	163,767	-
Economic Environment	2,165,015	507,994	66,720	-
Culture & Recreation	2,400,643	247,894	8,073	96,014
Interest on long-term debt	844,362	-	-	-
Total Governmental Activities	24,212,301	3,336,658	972,119	2,901,572
<i>Business-type Activities:</i>				
Surface Water Utilities	925,997	1,672,548	3,148,414	-
Total Business-type Activities	925,997	1,672,548	3,148,414	-
Total Government	\$ 25,138,298	\$ 5,009,206	\$ 4,120,533	\$ 2,901,572

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	\$ 228,915	\$ -	\$ 228,915
General Government	(2,548,321)	-	(2,548,321)
Public Safety	(10,936,346)	-	(10,936,346)
Physical Environment	318,622	-	318,622
Transportation	596,772	-	596,772
Human Services	(178,269)	-	(178,269)
Economic Environment	(1,590,301)	-	(1,590,301)
Culture & Recreation	(2,048,662)	-	(2,048,662)
Interest on long-term debt	(844,362)	-	(844,362)
Total Governmental Activities	(17,001,952)	-	(17,001,952)
<i>Business-type Activities:</i>			
Surface Water Utilities	-	3,894,965	3,894,965
Total Business-type Activities	-	3,894,965	3,894,965
Total Government	(17,001,952)	3,894,965	(13,106,987)
General Revenues			
Property taxes	10,308,745	-	10,308,745
Sales taxes	9,727,717	-	9,727,717
B&O taxes	3,954,493	-	3,954,493
Other taxes	1,844,478	-	1,844,478
Unrestricted grants & contributions	181,935	-	181,935
Investment earnings	800,502	58,613	859,115
Total General Revenues	26,817,870	58,613	26,876,483
Transfers	276,250	(276,250)	-
Total General Revenues & Transfers	27,094,120	(217,637)	26,876,483
Change in Net Assets	10,092,168	3,677,328	13,769,496
Net Assets-Beg (as prev reported)	77,512,899	5,629,055	83,141,954
Prior Year Adjustment	(2,740,827)	-	(2,740,827)
Net Assets-Beginning (as restated)	74,772,072	5,629,055	80,401,127
Net Assets-Ending	\$ 84,864,240	\$ 9,306,383	\$ 94,170,623

Balance Sheet
December 31, 2004

	<u>General</u>	<u>Port of Seattle ILA</u>	<u>Hotel/Motel Tax</u>	<u>Special Assessment Debt</u>
Assets				
Cash & cash equivalents	\$ 7,053,014	\$ 5,823,161	\$ 7,366,745	\$ 19,627
Investments	9,964,222	-	-	-
Receivables (net)	2,427,770	-	56,820	1,862,953
Due from other funds	-	8,336,943	-	-
Due from other governments	273,620	-	-	-
Prepaid items	94,034	-	-	-
Total Assets	\$ 19,812,660	\$ 14,160,104	\$ 7,423,565	\$ 1,882,580
Liabilities				
Accounts payable	402,546	-	60,207	-
Due to other governments	166,635	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	1,106,973	-	-	-
Unearned revenue	30,105	-	-	1,794,723
Other current liabilities	64,709	-	-	-
Total Liabilities	1,770,968	-	60,207	1,794,723
Fund Balances				
<i>Reserved for:</i>				
Debt service	-	-	-	-
Capital improvements	-	-	5,001,021	-
<i>Unreserved, reported in:</i>				
General Fund	18,041,692	-	-	-
Special revenue funds	-	14,160,104	2,362,337	-
Debt service	-	-	-	87,857
Capital project funds	-	-	-	-
Total Fund Balances	18,041,692	14,160,104	7,363,358	87,857
Total Liab & Fund Balances	\$ 19,812,660	\$ 14,160,104	\$ 7,423,565	\$ 1,882,580

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
Assets					
Cash & cash equivalents	\$ 5,790,720	\$ 64,087	\$ 2,829,083	\$ 6,348,390	\$ 35,294,827
Investments	-	-	-	-	9,964,222
Receivables (net)	299,469	-	-	292,984	4,939,996
Due from other funds	-	-	-	-	8,336,943
Due from other governments	-	-	1,412,072	3,448	1,689,140
Prepaid items	-	-	-	-	94,034
Total Assets	\$ 6,090,189	\$ 64,087	\$ 4,241,155	\$ 6,644,822	\$ 60,319,162
Liabilities					
Accounts payable	764	51,994	761,819	81,071	1,358,401
Due to other governments	-	-	-	-	166,635
Due to other funds	-	8,336,943	-	-	8,336,943
Deferred revenue	-	-	-	-	1,106,973
Unearned revenue	-	-	-	-	1,824,828
Other current liabilities	-	-	-	-	64,709
Total Liabilities	764	8,388,937	761,819	81,071	12,858,489
Fund Balances					
<i>Reserved for:</i>					
Debt service	-	-	-	432,000	432,000
Capital improvements	-	-	-	-	5,001,021
<i>Unreserved, reported in:</i>					
General Fund	-	-	-	-	18,041,692
Special revenue funds	-	-	-	3,686,895	20,209,336
Debt service	-	-	-	1,236,021	1,323,878
Capital project funds	6,089,425	(8,324,850)	3,479,336	1,208,835	2,452,746
Total Fund Balances	6,089,425	(8,324,850)	3,479,336	6,563,751	47,460,673
Total Liab & Fund Balances	\$ 6,090,189	\$ 64,087	\$ 4,241,155	\$ 6,644,822	\$ 60,319,162

**Reconciliation of Fund Balances of Governmental Funds
to the Net Assets of Governmental Activities
December 31, 2004**

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

Governmental funds total fund balance on December 31, 2004 **\$ 47,460,673**
(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	\$ 11,125,389	
Construction in progress	11,094,604	
Buildings & structures	24,874,018	
Other improvements	3,847,040	
Infrastructure	153,333	
Equipment	5,718,883	
Less: accumulated depreciation	<u>(6,949,869)</u>	49,863,398

The focus of governmental funds is on short-term financing; long-term assets are deferred in the individual funds. 1,106,973

Long-term liabilities are not due and payable in the current period and therefore are not reported in the individual funds.

These long-term liabilities consist of:

Bonds payable	\$ (15,020,000)	
Accrued interest payable	(686,396)	
Compensated absences payable	<u>(771,494)</u>	(16,477,890)

An Equipment Rental Internal Service Fund is used by management to charge the costs of repairing and replacing equipment to individual funds. These assets and liabilities are included in governmental activities in the Statement of Net Assets. 2,911,086

<i>Net assets of governmental activities</i>	<u><u>\$ 84,864,240</u></u>
<i>(as shown on the 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, 2004

	<u>General</u>	<u>Port of Seattle ILA</u>	<u>Hotel/Motel Tax</u>	<u>Special Assessment Debt</u>
Revenues				
Taxes	\$ 17,200,856	\$ -	\$ 498,593	\$ -
Licenses & permits	762,453	-	-	-
Intergovernmental	892,041	-	5,000	-
Charges for services	892,144	-	-	-
Fines & forfeitures	309,979	-	-	-
Investment earnings	302,464	181,401	101,096	136,174
Rents & leases	101,337	-	-	-
Miscellaneous	36,937	-	-	318,017
Total Revenues	20,498,211	181,401	604,689	454,191
Expenditures				
<i>Current operations:</i>				
Judicial	311,322	-	-	-
General Government	3,608,169	-	-	-
Public Safety	11,430,548	-	-	-
Physical Environment	12,217	-	-	-
Transportation	460,800	-	-	-
Health & Human Services	341,478	-	-	-
Economic Environment	1,579,765	-	574,116	-
Culture & Recreation	1,999,857	-	-	-
Debt service	114,956	-	-	427,520
Capital outlay	302,805	-	3,730	-
Total Expenditures	20,161,917	-	577,846	427,520
Excess (deficiency) of revenues over (under) expenditures	336,294	181,401	26,843	26,671
Other Financing Sources (Uses)				
Transfers in	758,250	-	-	-
Transfers out	(595,044)	-	-	-
Disposition of capital assets	2,957	-	-	-
Total Other Fin Sources (Uses)	166,163	-	-	-
Net Change in Fund Balances	502,457	181,401	26,843	26,671
Fund Balances-Beg (as previously reported)	17,539,235	13,978,703	7,336,515	61,186
Prior Year Adjustment	-	-	-	-
Fund Balances-Beginning	17,539,235	13,978,703	7,336,515	61,186
Fund Balances-Ending	\$ 18,041,692	\$ 14,160,104	\$ 7,363,358	\$ 87,857

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	\$ 2,471,569	\$ -	\$ -	\$ 4,769,523	\$ 24,940,541
Licenses & permits	-	-	-	-	762,453
Intergovernmental	47,295	-	2,754,900	538,903	4,238,139
Charges for services	-	-	-	1,045	893,189
Fines & forfeitures	-	-	-	-	309,979
Investment earnings	-	-	55,190	-	776,325
Rents & leases	-	-	-	308,101	409,438
Miscellaneous	-	-	165,000	47,051	567,005
Total Revenues	2,518,864	-	2,975,090	5,664,623	32,897,069
Expenditures					
<i>Current operations:</i>					
Judicial	-	-	-	-	311,322
General Government	(74,028)	(35)	-	-	3,534,106
Public Safety	-	-	-	-	11,430,548
Physical Environment	-	-	-	-	12,217
Transportation	-	-	450,996	1,838,166	2,749,962
Health & Human Services	-	-	-	-	341,478
Economic Environment	-	-	-	-	2,153,881
Culture & Recreation	72,308	-	-	-	2,072,165
Debt service	-	-	-	1,678,415	2,220,891
Capital outlay	287,031	639,380	4,992,107	345,538	6,570,591
Total Expenditures	285,311	639,345	5,443,103	3,862,119	31,397,161
Excess (deficiency) of revs over expenditures	2,233,553	(639,345)	(2,468,013)	1,802,504	1,499,908
Other Financing Sources (Uses)					
Transfers in	-	791,694	1,800,000	365,000	3,714,944
Transfers out	(246,650)	-	-	(2,597,000)	(3,438,694)
Disposition of capital assets	-	-	-	-	2,957
Total Other Fin Sources (Uses)	(246,650)	791,694	1,800,000	(2,232,000)	279,207
Net Change in Fund Balances	1,986,903	152,349	(668,013)	(429,496)	1,779,115
Fund Balances-Beg (as prev repts)	4,102,522	(8,477,199)	4,158,732	6,993,247	45,692,941
Prior Year Adjustment	-	-	(11,383)	-	(11,383)
Fund Balances-Beginning	4,102,522	(8,477,199)	4,147,349	6,993,247	45,681,558
Fund Balances-Ending	\$ 6,089,425	\$ (8,324,850)	\$ 3,479,336	\$ 6,563,751	\$ 47,460,673

**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, 2004

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

Net change in fund balance for all governmental funds combined **\$ 1,779,115**
*(as shown on the Statement of Revenues, Expenditures and
Changes in Fund Balances for Governmental Funds)*

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	\$ 6,570,591	
Depreciation expense	<u>(1,093,265)</u>	5,477,326

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
payments because no bond debt was issued in 2004. 1,345,000

Some revenues reported in the Statement of Activities are not
yet available and therefore are not reported as revenues in
the governmental funds. 1,106,973

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. 380,988

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. 2,766

Change in net assets of governmental activities **\$ 10,092,168**
(as shown on the Statement of Activities-Governmental Activities)

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

Statement of Net Assets
December 31, 2004

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Surface Water Management Operating	Surface Water Management Construction	Other Enterprise Funds	Total Enterprise Funds	
Assets					
<i>Current Assets:</i>					
Cash & cash equivalents	\$ 1,932,355	\$ 3,029,588	\$ -	\$ 4,961,943	\$ 2,094,950
Receivables (net)	74,272	-	-	74,272	-
Prepaid items	-	-	-	-	20,058
Total Current Assets	2,006,627	3,029,588	-	5,036,215	2,115,008
<i>Noncurrent Assets:</i>					
Restricted cash & investments:					
Bond covenant accounts	-	-	403,925	403,925	-
Deferred charges & other assets:					
Deferred charges	23,391	-	-	23,391	-
Capital assets:					
Depreciable assets (net)	1,273,565	2,868,439	-	4,142,004	827,822
Construction in progress	-	3,282,876	-	3,282,876	-
Total Noncurrent Assets	1,296,956	6,151,315	403,925	7,852,196	827,822
Total Assets	\$ 3,303,583	\$ 9,180,903	\$ 403,925	\$ 12,888,411	\$ 2,942,830
Liabilities					
<i>Current Liabilities:</i>					
Accounts payable	34,259	1,007,702	-	1,041,961	7,289
Accrued interest payable	10,494	-	-	10,494	-
Revenue bonds payable	265,000	-	-	265,000	-
Total Current Liabilities	309,753	1,007,702	-	1,317,455	7,289
<i>Noncurrent Liabilities:</i>					
Compensated absences	34,596	-	-	34,596	-
Revenue bonds pay (net)	2,254,432	-	-	2,254,432	-
Total Noncurrent Liabilities	2,289,028	-	-	2,289,028	-
Total Liabilities	2,598,781	1,007,702	-	3,606,483	7,289
Net Assets					
Invested in capital assets, net of related debt	(1,222,476)	6,151,315	-	4,928,839	827,822
Restricted for debt service	-	-	403,925	403,925	-
Unrestricted	1,927,278	2,021,886	-	3,949,164	2,107,719
Total Net Assets	\$ 704,802	\$ 8,173,201	\$ 403,925	\$ 9,281,928	\$ 2,935,541
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				24,455	
Net assets of business-type activities				\$ 9,306,383	

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, 2004

	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	\$ 1,672,402	\$ -	\$ -	\$ 1,672,402	\$ -
Equipment rental	-	-	-	-	298,473
Total Operating Revenues	1,672,402	-	-	1,672,402	298,473
Operating Expenses					
Maintenance & operations	592,260	37,255	-	629,515	149,148
Depreciation	66,887	57,221	-	124,108	162,038
Total Operating Expenses	659,147	94,476	-	753,623	311,186
Operating Income (Loss)	1,013,255	(94,476)	-	918,779	(12,713)
Nonoperating Revenues (Exps)					
Intergovernmental	-	3,148,414	-	3,148,414	-
Investment earnings	27,457	31,156	-	58,613	24,177
Interest expense	(136,713)	-	-	(136,713)	-
Debt issuance costs	(32,972)	-	-	(32,972)	-
Gain (loss) on disp of assets	-	-	-	-	(11,241)
Total Nonop Revs (Exps)	(142,228)	3,179,570	-	3,037,342	12,936
Income (Loss) Before Contributions & Transfers	871,027	3,085,094	-	3,956,121	223
Capital contributions - assets	-	-	-	-	21,632
Transfers out	(276,250)	-	-	(276,250)	-
Change in Net Assets	594,777	3,085,094	-	3,679,871	21,855
Net Assets-Beg (as prev reprtd)	110,025	5,088,107	403,925		2,915,054
Prior Year Adjustment	-	-	-		(1,368)
Net Assets-Beginning	110,025	5,088,107	403,925		2,913,686
Net Assets-Ending	\$ 704,802	\$ 8,173,201	\$ 403,925		\$ 2,935,541

An Equipment Rental Internal Service Fund is used to charge the cost of equipment repairs & replacements to individual funds. This is the total adjustment for the internal service fund that is reported with the business-type activities in the *Statement of Activities*.

(2,543)

Change in net assets of business-type activities **\$ 3,677,328**

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



Statement of Cash Flows
For the Year Ended December 31, 2004

Business-type Activities-Enterprise Funds

	Surface Water Management Operating	Surface Water Management Construction	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Cash Flows from Operating Activities					
Receipts from customers	\$ 1,576,504	\$ -	\$ -	\$ 1,576,504	\$ -
Receipts from other funds	121,085	-	-	121,085	297,820
Payments to suppliers	(203,924)	(28,363)	-	(232,287)	(150,488)
Payments to employees	(358,215)	(8,892)	-	(367,107)	-
Payments to other funds	(59,288)	-	-	(59,288)	-
Other receipts (payments)	-	-	-	-	1,247
Net Cash Provided (Used) by Operating Activities	1,076,162	(37,255)	-	1,038,907	148,579
Cash Flows from Noncapital Financing Activities					
Operating transfers to other funds	(276,250)	-	-	(276,250)	-
Net Cash Provided (Used) by Noncapital Fin Activities	(276,250)	-	-	(276,250)	-
Cash Flows from Capital & Related Financing Activities					
Proceeds from sale of assets	-	-	-	-	6,750
Capital contributions	-	3,159,283	-	3,159,283	-
Purchase of capital assets	-	(1,343,465)	-	(1,343,465)	(175,747)
Principal paid on capital debt	(386,606)	-	-	(386,606)	-
Interest paid on capital debt	(137,574)	-	-	(137,574)	-
Debt cost paid on capital debt	(303)	-	-	(303)	-
Net Cash Provided (Used) by Capital & Related Fin Activities	(524,483)	1,815,818	-	1,291,335	(168,997)
Cash Flows from Investing Activities					
Interest received	27,457	31,156	-	58,613	24,177
Net Cash Provided (Used) by Investing Activities	27,457	31,156	-	58,613	24,177
Net Increase (Decrease) in Cash and Cash Equivalents	302,886	1,809,719	-	2,112,605	3,759
Cash & Cash Equivalents-Beg	1,629,469	1,219,869	403,925	3,253,263	2,091,191
Cash & Cash Equivalents-End	\$ 1,932,355	\$ 3,029,588	\$ 403,925	\$ 5,365,868	\$ 2,094,950

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)	\$ 1,013,255	\$ (94,476)	\$ -	\$ 918,779	\$ (12,713)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	66,887	57,221	-	124,108	162,038
(Increase) decrease in accounts receivable pertaining to operating activities	(1,126)	-	-	(1,126)	-
(Increase) decrease in prepaid insurance	-	-	-	-	(2,083)
Increase (decrease) in vouchers payable pertaining to operating activities	(5,379)	-	-	(5,379)	1,337
Increase (decrease) in compensated balances	2,525	-	-	2,525	-
Total adjustments	62,907	57,221	-	120,128	161,292
Net Cash Provided (Used) by Operating Activities	\$ 1,076,162	\$ (37,255)	\$ -	\$ 1,038,907	\$ 148,579
Noncash investing, capital, and financing activities					
Contributions of capital assets from other funds	-	-	-	-	21,632



CITY OF SEATAC, WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

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. In conformance with GASB Statement 14, the primary basis of determining whether outside agencies should be considered component units of the City is financial accountability. Financial accountability is defined as appointment of a voting majority of an agency's or organization's board, and either the City's ability to impose its will on the agency or organization or the possibility that the agency or organization will provide a financial benefit to or impose a financial burden on the City.

Control by or dependence on the City was determined on the basis of the budget's adoption, taxing authority, outstanding debt service secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur, or receipt of significant subsidies from the City. There were no component units meeting any of these criteria in 2004.

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 the 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 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.

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 for the first time in 2003. This change resulted in new government-wide financial reporting instead of the previous fund based financial reporting. Due to this change in 2003, audited government-wide comparisons were not available for 2002.

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. 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)* accounts for the accumulation of monies to fund general capital improvements.

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

The *Transportation Facilities Capital Improvement Fund (#307)* accounts for street improvement projects throughout the City.

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 primary funding source for the improvements is revenue bonds and intergovernmental revenues.

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 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.

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.

C. 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 are adopted for the General, Special Revenue, Debt Service, Capital Project, Enterprise and Internal Service Funds. 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 16 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 budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Governmental fund schedules in the CAFR contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, 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.

4. Deficit Fund Equity

On December 31, 2004, the *Municipal Facilities Capital Improvement Fund (#306)* had a deficit fund balance of \$8,324,850. This deficit is due to the purchase of a building to accommodate City Hall operations and is offset by an interfund loan from the *Port of Seattle ILA Fund (#105)*.

On September 11, 2001, the City Council approved a resolution authorizing the purchase of an office building that would be used to house City Hall operations. On that date, the Council also approved a resolution authorizing an interfund loan in the amount necessary to complete the property purchase. This resolution stated that the loan would be repaid from bond issue proceeds and that the interfund loan would be temporary. However, the terrorist activities that took place earlier that day set in motion a chain of events that had a significant impact on the City's revenues. Due to the City's reliance on airlines for much of its property tax revenues, the City has been reluctant to issue bonds backed by property taxes for the City Hall project. In turn, the City has decided to retain the interfund loan and repay it over time instead of issuing bonds. Annual payments on the loan will be made in the amount of \$560,000. Interest payments are included in the \$560,000 payment. The amount of the interest on the loan is calculated monthly with a variable interest rate based on the interest rate earned on funds deposited with the Local Government Investment Pool (LGIP).

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, 2004, the City had holdings of \$42,755,645 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 2004 were approximately \$5,336,313.

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 4 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 Federal 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 4 Deposits and Investments*.

3. Receivables

Taxes receivable consists of property taxes and related interest and penalties (See *Note 5 Property Taxes*). Accrued interest receivable consists of amounts earned on investments, notes and contracts 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, 2004, \$36,122 of special assessments receivable were delinquent.

Customer accounts receivable consists of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Notes and contracts receivable consist of amounts owed on open account from private individuals or organizations for goods and services rendered.

4. Amounts Due to and from Other Funds and Governments, Interfund Loans and Avances 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." A separate schedule of interfund loan receivables and payables is furnished in *Note 12 Interfund Balances and Transfers*.

5. Inventories

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

6. Restricted Assets

The City's *Surface Water Management Bonds Reserve Fund (#410)* contains restricted resources for debt service. Specific debt service reserve requirements are described in *Note 10 Long-term Debt and Leases*.

The restricted assets of this enterprise fund are composed of the following:

Cash and Investments – Debt Service	<u>\$403,925</u>
Total Restricted Assets	<u>\$403,925</u>

7. Capital Assets (See Note 6)

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. 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 of the primary government is 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
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 noncurrent liability for accumulated unused vacation and sick leave for governmental funds is reported in the government-wide *Statement of Net Assets*. This long-term liability is \$771,494 at December 31, 2004. 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 noncurrent liability amount in the City's *Surface Water Management Fund* at December 31, 2004 is \$34,596.

9. 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 10 Long-term Debt and Leases*.

10. Deferred Revenues

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

11. 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 15 Reservations and Designations of Fund Equity*.

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

A. Explanation of Certain Differences Between the Government Funds Balance Sheet and the Government-Wide Statement of Net Assets

In the financial statements, following the *Balance Sheet for Governmental Funds*, is a reconciliation statement of fund balances of total governmental funds to the net assets of the governmental activities as reported in the government-wide *Statement of Net Assets*. This statement describes the details of the differences in amounts between these two statements.

B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

In the financial statements, following the *Revenues, Expenditures and Changes in Fund Balances for Governmental Funds*, is a reconciliation statement of net changes in fund balances of total governmental funds and changes in net assets of the governmental activities as reported in the government-wide *Statement of Net Assets*. This statement describes the details of the differences in amounts between these two statements.

NOTE 3 - 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 4 - DEPOSITS AND INVESTMENTS

At December 31, 2004, the City's total cash and cash equivalents (including cash restricted for debt) consisted of the following:

Bank of America, Checking Accounts.....	\$ 4,663,641
Cash Equivalents with State Treasurer's Pool.....	37,655,304
Deposit with External Fiscal Agent	432,000
EBS/Neopost, Postage Meter Account.....	3,000
Petty Cash/Change Funds.....	1,700
Total Cash and Cash Equivalents.....	<u>\$42,755,645</u>

When positive balances are held by Bank of America, \$100,000 is covered by Federal Depository Insurance. The remaining balance is uninsured and uncollateralized. In accordance with State law, all investments of the City's funds must be obligations of the U.S. Government and the State Treasurer's Local Government Investment Pool.

As of December 31, 2004, the City held the investments listed below, including Investments in the State Treasurer's Investment Pool which are classified cash and cash equivalents on City Balance Sheets and Statements of Net Assets.

Investment Type	Fair Value	Maturity (in Years)
State Treasurer's Local Government Investment Pool	\$37,655,304	.09
Federal Home Loan Bank Step Up Bonds	3,992,500	1.16
Federal Home Loan Bank Bonds	2,987,912	1.26
Federal Home Loan Mortgage Corp Note	2,983,809	1.88
Total Fair Value	\$47,619,525	N/A
Portfolio Weighted Average Maturity	N/A	.37

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 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. In accordance with GASB Statement 31, the City has reported its total investment in the State Treasurer's Local Government Investment Pool at fair value, which is defined as 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. The City has received assurances from the State Treasurer's Office that the fair value of the total investment reported on the December 31, 2004 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 three investments have been rated as follows: 1) Federal Home Loan Bank Step Up Bonds – AAA by both Standard & Poor's and Moody's Investors Services, 2) Federal Home Loan Bank Bonds – AAA by both Standard & Poor's and Moody's Investor's Service and 3) Federal Home Loan Mortgage Corporation Notes - Aaa by Moody's Investors Service and AAA by Standard & Poor's.

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 5 - PROPERTY TAXES

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

Property Tax Calendar

January 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. 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 \$2.82 per \$1,000 of assessed value. Based on a city-wide assessed valuation of \$3,275,213,279, the total property tax levy for 2004 was \$9,227,119. (Note: Property taxes collected in 2004 are based on the 2003 assessed valuation).

NOTE 6 – 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, 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 and 2004. Infrastructure is a new reporting class of capital assets for governmental activities and was not previously reported by the City in the General Fixed Asset 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. It is anticipated that the City will implement this infrastructure reporting requirement prior to 2007.

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 2004. Please note that \$827,822 of internal service fund depreciated capital assets for the *Equipment Rental Fund (#501)* are not shown in the table below and will be 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 01/01/2004	Increases	Decreases	Ending Balance 12/31/2004
Capital assets not being depreciated:				
Land	\$11,125,389	\$ 0	\$ 0	\$11,125,389
Construction in Progress (CIP)	6,160,766	5,073,607	139,769	11,094,604
Total assets not depreciated	17,286,155	5,073,607	139,769	22,219,993
Capital assets being depreciated:				
Buildings/Bldg Improvements	24,156,435	717,583	0	24,874,018
Other Improvements	3,744,706	102,334	0	3,847,040
Infrastructure	95,064	58,269	0	153,333
Equipment/Vehicles/Machinery	5,029,466	630,695	223,697	5,436,464
Intangible Assets-Software	154,548	127,871	0	282,419
Total assets being depreciated	33,180,219	1,636,752	223,697	34,593,274
Total governmental capital assets before depreciation	\$50,466,374	\$6,710,359	\$363,466	\$56,813,267
Less accum depreciation for:				
Buildings/Bldg Improvements	2,506,833	589,025	0	3,095,858
Other Improvements	912,445	141,755	0	1,054,200
Equipment/Vehicles/Machinery	2,537,534	352,004	223,697	2,665,841
Infrastructure	3,462	2,153	0	5,615
Intangible Assets-Software	120,027	8,328	0	128,355
Total accumulated depreciation	6,080,301	1,093,265	223,697	6,949,869
Total governmental capital assets after depreciation	\$44,386,073	\$5,617,094	\$139,769	\$49,863,398

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

Governmental Activities:	
Judicial	\$ 4,291
General Government	447,013
Public Safety	308,408
Transportation	15,277
Economic Environment	3,286
Culture and Recreation	314,990
Total Depreciation Expense-Governmental Activities	\$1,093,265

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, including \$827,822 of internal service fund assets, for 2004:

Business-Type Activities Capital Assets	Beginning Balance 01/01/2004	Increases	Decreases	Ending Balance 12/31/2004
Capital assets not being depreciated:				
Construction in Progress-SWM	\$1,203,991	\$2,348,826	\$269,941	\$3,282,876
Total assets not depreciated	1,203,991	2,348,826	269,941	3,282,876
Capital assets being depreciated:				
Buildings-SWM	0	228,560	0	228,560
Other Improvements-SWM	6,942,771	41,381	0	6,984,152
Equipment-SWM	1,565	0	0	1,565
Equipment/Vehicles-ERR	1,652,213	222,059	86,140	1,788,133
Total assets being depreciated	8,596,549	492,000	86,140	9,002,409
Total business-type capital assets before depreciation	\$9,800,540	\$2,840,826	\$356,081	\$12,285,285
Less accum depreciation for:				
Buildings	0	0	0	0
Other Improvements	2,946,891	124,007	0	3,070,898
Equipment/Vehicles	841,648	163,514	43,461	961,701
Total accumulated depreciation	3,788,539	287,521	43,461	4,032,599
Total business-type capital assets after depreciation	\$6,012,001	\$2,553,305	\$312,620	\$8,252,686

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

Business-type Activities:	
Equipment Rental-Internal Service Fund	\$162,038
Surface Water Management Utility-Proprietary Fund	66,887
Surface Water Management Construction-Proprietary Fund	57,221
Total Depreciation Expense-Business-type Activities	\$286,146

C. Construction Commitments

The City has two active construction projects at December 31, 2004. The following list details the active construction projects and the City's commitment with the contractor:

Project	Spent to Date	Remaining Commitment
International Boulevard Phase III (Contract #ST-021 with SCI Infrastructure)	\$ 8,564,032	\$ 352,114
International Boulevard Phase IV (Contract #ST-042 with Gary Merlino Construction)	2,509,769	7,268,022
Total Outstanding Construction Commitments	\$11,073,801	\$7,620,136

NOTE 7 - 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 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. Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years of service, including twelve months that were earned after the age of 54; or five service credit years earned in PERS 2 prior to June 1, 2003. Plan 3 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 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 Retirement Benefits Board.

There are 1,164 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2003:

PERS Membership	
Retirees and beneficiaries receiving benefits	65,362
Terminated plan members entitled to but not yet receiving benefits	20,001
Active plan members vested	100,469
Active plan members non-vested	54,081
Total PERS Members	239,913

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, 2004 were as follows:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer*	1.38%	1.38%	1.38%**
Employee	6.00%	1.18%	***

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

**Plan 3 defined benefit portion only.

***Variable from 5.0% minimum to 15.0% maximum based on rate selected by the 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>
2004	\$5,554	\$70,005	\$4,879
2003	\$5,834	\$69,322	\$2,929
2002	\$6,291	\$65,428	\$ 0

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 composed 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 composed primarily of non-state employees. 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. LEOFF retirement 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 368 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2003:

LEOFF Membership	
Retirees and beneficiaries receiving benefits	8,370
Terminated plan members entitled to but not yet receiving benefits	453
Active plan members vested	11,548
Active plan members non-vested	4,003
Total LEOFF Members	24,374

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 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 Plan 1 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, 2004, were as follows:

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
Employer*	0.19%	3.25%
Employee	0.00%	5.09%
State	N/A	2.03%

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

**The employer rate for ports and universities is 5.28%.

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>
2004	\$0	\$102,730
2003	\$0	\$93,781
2002	\$0	\$84,935

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, 2004, there were 153 active members in the City of SeaTac Retirement Trust. Actual employee contributions during the year amounted to \$538,793. Actual employer contributions were \$435,322.

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 fully 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 8 - 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 2003 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 9 – SHORT TERM DEBT

As of December 31, 2004, the City had no short term debt outstanding.

NOTE 10 – 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 2004 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	\$3,910,000
1998 LTGO Refunding (1999-2013)	3.35% - 4.40%	3,645,000	3,150,000
Total General Obligation Bonds		\$8,645,000	\$7,060,000

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
2005	515,000	303,728	2012	\$ 675,000	\$ 136,210
2006	530,000	282,860	2013	700,000	106,848
2007	550,000	261,230	2014	305,000	76,048
2008	570,000	238,622	2015	315,000	62,475
2009	595,000	215,327	2016	330,000	48,143
2010	620,000	190,510	2017	345,000	32,963
2011	650,000	164,160	2018	360,000	16,920
Total GO Bonds				\$7,060,000	\$2,136,044

At December 31, 2004, the City has \$34,642 in cash and cash equivalents (excluding \$280,000 in the *LID Guarantee Fund*) 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 2004 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
1994 Local Option Transportation (1994 – 2005)	3.25% - 6.50%	\$10,000,000	\$ 115,000
1999 Transportation Refunding (1999 – 2013)	3.25% - 4.70%	6,675,000	6,130,000
1999 Storm Water Refunding (1999 – 2013)	3.25% - 4.70%	3,320,000	2,820,000
Total Revenue Bonds		\$19,995,000	\$9,065,000

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
2005	\$ 570,000	\$ 282,103	2005	\$ 265,000	\$ 125,930
2006	610,000	255,290	2006	275,000	114,800
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	\$6,245,000	\$1,502,607	Subtotal-SWM	\$2,820,000	\$ 674,935
Total Revenue Bonds				\$9,065,000	\$2,177,542

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, 2004, 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. Outstanding liability in this issue is reported in the government-wide *Statement of Net Assets*. In 2004, 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	\$1,715,000
Total Special Assessment Bonds		\$2,871,819	\$1,715,000

The annual debt service requirements to maturity for special assessments bonds are below:

Special Assessment Bonds					
Year Ending Dec 31	Principal	Interest	Year Ending Dec 31	Principal	Interest
2005	\$ 0	\$100,565	2010	\$ 195,000	\$ 58,890
2006	155,000	90,080	2011	195,000	47,483
2007	195,000	92,040	2012	195,000	35,880
2008	195,000	81,120	2013	195,000	24,083
2009	195,000	70,103	2014	195,000	12,090
			Total SA Bonds	\$1,715,000	\$612,334

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 \$2,970,000 at year-end. Refunded revenue bonds payable totaled \$8,710,000 at year end.

Public Works Trust Fund Loan

The City applied for and was offered a Public Works Trust Fund preconstruction loan from the Washington State Department of Community Trade and Economic Development. The proceeds of this loan were used to fund the final design of the Des Moines Creek Basin Improvements Phase I Project. The full loan amount offered to the City was \$526,426. The City received the first draw in 2001 in the amount of \$394,819, which represented 75% of the loan amount. The remaining 25%

was not disbursed upon project closeout because it was not needed. The interest rate on this loan was one percent (1%) per annum. The City made the final payment of \$131,606 on this loan in 2004.

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, 2004 was as follows:

	Balance 01/01/04	Additions	Reductions	Balance 12/31/04	Due Within One Year
Governmental Activities:					
General obligation bonds	\$7,550,000	\$ 0	\$ 490,000	\$ 7,060,000	\$ 490,000
Revenue bonds	6,790,000	0	545,000	6,245,000	570,000
Special assessment	2,025,000	0	310,000	1,715,000	0
Compensated absences	1,120,953	62,158	411,617	771,494	84,864
Governmental activities long-term liabilities	\$17,485,953	\$62,158	\$1,756,617	\$15,791,494	\$1,144,864
Business-type Activities:					
Revenue bonds	\$3,075,000	\$ 0	\$255,000	\$2,820,000	\$265,000
<i>Less deferred amounts:</i>					
<i>Unamortized discount</i>	(14,693)		(1,346)	(13,347)	(1,346)
<i>Def Amt on Refunding</i>	(316,185)	0	(28,964)	(287,221)	(28,964)
Total bonds payable-net	2,744,122	0	224,690	2,519,432	234,690
Compensated absences	32,071	7,812	5,287	34,596	3,460
Pub Works Trust Fund loan	131,607	0	131,607	0	0
Business-type activities long-term liabilities	\$2,907,800	\$7,812	\$361,584	\$2,554,028	\$238,150

The chart above reflects the City’s estimate of compensated absences payable within one year. Typically, the governmental activities estimated amount is mostly paid by the General Fund while the business-type activities estimated amount paid will be funded by the Surface Water Management Fund.

B. LEASES

Operating Leases

The City leases equipment under non-cancelable operating leases. The cost for such leases was \$53,750 for the year ended December 31, 2004. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2005	48,556
2006	48,456
2007	40,380
Total	\$137,392

The City has two agreements to lease out portions of the second floor in City Hall. The first lease agreement is for a non-cancelable lease of approximately 8,921 square feet. This agreement is effective for the period of June 17, 2002 through June 17, 2007. The lease amount for this agreement is \$17,842 per month for the term of the contract. The second lease non-cancelable agreement is for approximately 3,030 square feet with a term of September 2003 through August 2006. This lease amount for this agreement is \$5,429 for the first twelve months, \$5,555 for the next twelve months and \$5,681 for the final twelve months. The City also has a cancelable lease agreement to place on antennae on the roof of City Hall. This agreement is for the term of March 27, 2002 through October 2, 2007. The amount of the lease is \$1,500 per month for the first twelve months and will be adjusted annually at 3% per year.

Capital Leases

The City has entered into no capital leases as of December 31, 2004.

NOTE 11 – CONTINGENCIES AND LITIGATION

The City Attorney reports that, as of December 31, 2004, 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. Payment of any valid claims or adverse judgments resulting from the lawsuits should be covered by insurance. It is believed, at this point, that none of the claims or suits have any significant probability of resulting in a plaintiff's award.

Eminent Domain actions have been commenced by the City in connection with a Public Works road improvement project. However, the anticipated condemnation awards have been budgeted within project costs.

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 12 - INTERFUND BALANCES AND TRANSFERS

A. Interfund Balances

On December 31, 2004, 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 2004, principal payments in the amount of \$445,044 and \$114,956 in interest were repaid on the interfund loan. The loan balance at December 31, 2004 was \$8,336,943.

The table below shows the interfund balances/loans at December 31, 2004:

		Due From	
Due To		Municipal Capital Improvement Fund #306	Total
	Port of Seattle Interlocal Agreement Fund #105		\$8,336,943

B. Interfund Transfers

During 2004, the City had a number of interfund transfers. The majority 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 2004:

		Transfers From			
Transfers To		General Fund #001	Surface Water Mgt #403	Other Non-Major Funds	Total
	General Fund #001		\$ 0	\$176,250	\$ 582,000
Municipal CIP Fac #306		445,044	100,000	246,650	791,694
Transportation CIP #307		0	0	1,800,000	1,800,000
Other Non-Major Funds		150,000	0	215,000	365,000
Total Transfers		\$595,044	\$276,250	\$2,843,650	\$3,714,944

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

General Fund #001

There were four interfund transfers into the General Fund in 2004. 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 \$185,000. 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 expenses for City Hall maintenance, which is budgeted in the Facilities Maintenance Program 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 \$758,250.

Municipal Facilities CIP Fund #306

Three transfers were completed into this Fund totaling \$791,694. The first one was from the General Fund in the amount of \$445,044. The purpose of this transfer was 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 two transfers in the amount of \$346,650 were all made to provide final funding for the construction of the City's maintenance and storage facility and to design the Senior Center as follows: 1) *Capital Improvement Fund #301*-\$246,650 and 2) *Surface Water Management Fund #403*-\$100,000.

Transportation CIP Fund #307

A transfer was made from the *Arterial Street Fund #102* into the *Transportation CIP Fund #307* in the amount of \$1,800,000 for transportation projects listed in the City's transportation capital improvement plan. Parking tax revenues were used to fund this transfer. This transfer is a reoccurring annual transfer, but the amount will vary from year to year depending on the projects in the annual budget.

Other Non-Major Funds

A transfer was made from the *Arterial Street Fund #102* into the *Street Fund #101* in the amount of \$215,000. This transfer is 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 \$150,000. 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*.

NOTE 13 - RECEIVABLE AND PAYABLE BALANCES

A. Receivables

The receivable balances for the major funds at December 31, 2004 were as follows:

Fund	Accounts	Taxes	Special Assessments	Due from other Governments	Total
Governmental Activities:					
General Fund #001	\$424,982	\$2,002,788	\$ 0	\$ 273,620	\$2,701,390
POS ILA #105	0	0	0	0	0
Hotel/Motel Tax #107	0	56,820	0	0	56,820
Special Assessment Debt #204	0	0	68,231	0	68,231
Capital Improvement #301	0	299,469	0	0	299,469
Municipal Facilities CIP #306	0	0	0	0	0
Transportation CIP #307	0	0	0	1,412,072	1,412,072
Other Non-Major Funds	0	292,984	0	3,448	296,432
Total Governmental	\$424,982	\$2,652,061	\$68,231	\$1,689,140	\$4,834,414
<i>Amounts not scheduled for collection during the subsequent year for governmental activities</i>	0	0	1,794,723	0	1,794,723
Business-type Activities:					
Surface Water Management #403	\$74,272	\$0	\$0	\$0	\$74,272
SWM Construction #406	0	0	0	0	0
Equipment Rental #501	0	0	0	0	0
Total Business-type	\$74,272	\$0	\$0	\$0	\$74,272

B. Payables

The City's payable balances for the major funds at December 31, 2004 were as follows:

Fund	Accounts	Due to Other Governments	Deposits	Interest	Total
Governmental Activities:					
General Fund #001	\$ 402,546	\$166,635	\$65,809	\$ 0	\$ 634,990
POS ILA #105	0	0	0	0	0
Hotel/Motel Tax #107	60,207	0	0	0	60,207
Special Assessment Debt #204	0	0	0	0	0
Cap Improvement #301	764	0	0	0	764
Municipal Facilities CIP #306	51,994	0	0	0	51,994
Transportation CIP #307	761,819	0	0	0	761,819
Other Non-Major	81,071	0	0	0	81,071
Subtotal Governmental	1,358,401	166,635	65,809	0	1,590,845
<i>Reconciliation of balances in fund financial statements to government-wide financial statements:</i>					
Internal service fund adjustment	7,289	0	0	0	7,289
Current bond interest payable	0	0	0	686,396	686,396
Total Governmental	\$1,365,690	\$166,635	\$65,809	\$686,396	\$2,284,530
Business-type Activities:					
Surface Water Management #403	\$ 34,259	\$0	\$0	\$10,494	\$ 44,753
SWM Construction #406	1,007,702	0	0	0	1,007,702
Total Business-type	\$1,041,961	\$0	\$0	\$10,494	\$1,052,455

NOTE 14 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Note 7, 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 \$49,202 were recognized for post-employment health care. This represents a \$9,202 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 15 - 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.

Under GASB 34, the equity section of proprietary funds has significantly changed. Equity is no longer classified as retained earnings and is now reported in three categories as follows: 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted. Therefore, designations of unrestricted net assets are not reported on the financial statements and there are no retained earnings to report as reserved. In addition, capital contributions are no longer shown separately on the statement of net assets in the equity section.

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

	Unreserved Designated for LEOFF 1 Benefits	Reserved for Capital Improvements	Reserved for Debt Service
General Fund #001	\$225,000	\$ 0	\$ 0
Arterial Street Fund #102	0	0	432,000
Hotel/Motel Tax Fund #107	0	5,001,021	0
Total	\$225,000	\$5,001,021	\$432,000

NOTE 16 – 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 12 Interfund Balances and Transfers*. The restatement is in the amount of \$8,781,986 which is the balance on the interfund loan on January 1, 2004.

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.

NOTE 17 – OTHER DISCLOSURES**A. Prior Period Adjustments**

In 2004, a prior period adjustment was made in the *Transportation Capital Improvement Project Fund (#307)* in the amount of \$11,383. This prior period adjustment was for a refund of a grant overpayment from the Washington State Improvement Board for TIB Project # 8-1-121 (003)-1 related to the construction of South 170th Street Phase II. Another prior period adjustment was made in the *Equipment Rental Fund (#501)* in the amount of \$1,368 to reconcile total capitalized assets to the detailed capital asset records. One final prior period adjustment was made only to the government-wide *Statement of Net Assets* and not to the City's governmental financial statements. This adjustment was in the amount of \$2,729,444 and can be attributed to first year GASB 34 conversion issues involving software related calculation problems.



Required Supplementary Information



**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues				
Taxes	\$ 16,100,826	\$ 16,100,826	\$ 17,200,855	\$ 1,100,029
Licenses & permits	724,725	724,725	762,452	37,727
Intergovernmental	652,215	814,813	887,970	73,157
Charges for services	596,395	596,395	892,144	295,749
Fines and forfeitures	214,700	214,700	309,979	95,279
Investment earnings	423,000	423,000	302,464	(120,536)
Miscellaneous	97,700	97,700	142,347	44,647
Total Revenues	18,809,561	18,972,159	20,498,211	1,526,052
Expenditures				
<i>Current operations:</i>				
Judicial	342,735	340,335	311,322	29,013
General government	4,298,398	4,105,292	3,608,169	497,123
Public safety	11,468,208	11,788,361	11,430,548	357,813
Physical environment	12,220	12,220	12,217	3
Transportation	500,389	500,389	460,800	39,589
Health & human services	271,358	311,138	341,478	(30,340)
Economic environment	1,627,165	1,663,732	1,579,765	83,967
Culture & recreation	2,020,495	2,013,324	1,999,857	13,467
Debt service	180,000	180,000	114,956	65,044
Capital outlay	162,221	397,337	302,805	94,532
Total Expenditures	20,883,189	21,312,128	20,161,917	1,150,211
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(2,073,628)</i>	<i>(2,339,969)</i>	<i>336,294</i>	<i>2,676,263</i>
Other Financing Sources (Uses)				
Transfers in	758,250	758,250	758,250	-
Transfers out	(530,000)	(530,000)	(595,044)	(65,044)
Disposition of capital assets	-	-	2,957	2,957
Total Other Fin Sources (Uses)	228,250	228,250	166,163	(62,087)
<i>Net Change in Fund Balances</i>	<i>(1,845,378)</i>	<i>(2,111,719)</i>	<i>502,457</i>	<i>2,614,176</i>
Fund Balances-Beginning	16,092,219	17,539,235	17,539,235	-
Fund Balances-Ending	\$ 14,246,841	\$ 15,427,516	\$ 18,041,692	\$ 2,614,176

*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, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues				
Investment earnings	\$ 264,000	\$ 264,000	\$ 181,401	\$ (82,599)
Total Revenues	264,000	264,000	181,401	(82,599)
Expenditures	-	-	-	-
Total Expenditures	-	-	-	-
<i>Excess (deficiency) of revenues over (under) expenditures</i>	264,000	264,000	181,401	(82,599)
Other Financing Sources (Uses)	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
<i>Net Change in Fund Balances</i>	264,000	264,000	181,401	(82,599)
Fund Balances-Beg (as prev reported)	12,867,986	13,978,703	13,978,703	-
Change in budgetary basis of acctg	(8,781,986)	(8,781,986)	(8,781,986)	-
Fund Balances-Beg (as restated)	4,086,000	5,196,717	5,196,717	-
Fund Balances-Ending	\$ 4,350,000	\$ 5,460,717	\$ 5,378,118	\$ (82,599)

*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, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues				
Taxes	\$ 455,000	\$ 455,000	\$ 498,593	\$ 43,593
Intergovernmental	-	-	5,000	5,000
Investment earnings	80,000	80,000	101,096	21,096
Total Revenues	535,000	535,000	604,689	69,689
Expenditures				
<i>Current operations:</i>				
Health & human services	697,530	697,530	574,116	123,414
Capital outlay	-	-	3,730	(3,730)
Total Expenditures	697,530	697,530	577,846	119,684
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(162,530)	(162,530)	26,843	189,373
Other Financing Sources (Uses)	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
<i>Net Change in Fund Balances</i>	(162,530)	(162,530)	26,843	189,373
Fund Balances-Beginning	7,015,792	7,336,515	7,336,515	-
Fund Balances-Ending	\$ 6,853,262	\$ 7,173,985	\$ 7,363,358	\$ 189,373

*Budgetary basis is the same as GAAP basis.



The City currently has eleven 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.

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, 2004

Special Revenue Funds

	<u>City Street</u>	<u>Arterial Street</u>	<u>Contingency Reserve</u>	<u>Transit Planning</u>
Assets				
Cash & cash equivalents	\$ 148,577	\$ 2,410,507	\$ 755,000	\$ 124,004
Receivables (net)	-	292,984	-	-
Due from other governments	-	3,448	-	-
Total Assets	\$ 148,577	\$ 2,706,939	\$ 755,000	\$ 124,004
Liabilities				
<i>Current Liabilities:</i>				
Accounts payable	19,069	56,669	-	-
Total Liabilities	19,069	56,669	-	-
Fund Balances				
<i>Reserved for:</i>				
Debt service	-	432,000	-	-
<i>Unreserved, reported in:</i>				
Special revenue funds	129,508	2,218,270	755,000	124,004
Debt service funds	-	-	-	-
Capital project funds	-	-	-	-
Total Fund Balances	129,508	2,650,270	755,000	124,004
Total Liab & Fund Balances	\$ 148,577	\$ 2,706,939	\$ 755,000	\$ 124,004

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

	Special Revenue Funds		Debt Service Funds	
	Building Management	Total Special Revenue Funds	LTGO City Hall Bonds	Transportation Bonds
Assets				
Cash & cash equivalents	\$ 462,253	\$ 3,900,341	\$ 11,398	\$ 27,318
Receivables (net)	-	292,984	-	-
Due from other governments	-	3,448	-	-
Total Assets	\$ 462,253	\$ 4,196,773	\$ 11,398	\$ 27,318
Liabilities				
<i>Current Liabilities:</i>				
Accounts payable	2,140	77,878	-	-
Total Liabilities	2,140	77,878	-	-
Fund Balances				
<i>Reserved for:</i>				
Debt service	-	432,000	-	-
<i>Unreserved, reported in:</i>				
Special revenue funds	460,113	3,686,895	-	-
Debt service funds	-	-	11,398	27,318
Capital project funds	-	-	-	-
Total Fund Balances	460,113	4,118,895	11,398	27,318
Total Liab & Fund Balances	\$ 462,253	\$ 4,196,773	\$ 11,398	\$ 27,318

Combining Balance Sheet
December 31, 2004

Debt Service Funds

	<u>Hotel/Motel Bonds</u>	<u>LID Guarantee</u>	<u>Transportation Bonds Reserve</u>	<u>Total Debt Service Funds</u>
Assets				
Cash & cash equivalents	\$ 23,243	\$ 280,000	\$ 894,062	\$ 1,236,021
Receivables (net)	-	-	-	-
Due from other governments	-	-	-	-
Total Assets	\$ 23,243	\$ 280,000	\$ 894,062	\$ 1,236,021
Liabilities				
<i>Current Liabilities:</i>				
Accounts payable	-	-	-	-
Total Liabilities	-	-	-	-
Fund Balances				
<i>Reserved for:</i>				
Debt service	-	-	-	-
<i>Unreserved, reported in:</i>				
Special revenue funds	-	-	-	-
Debt service funds	23,243	280,000	894,062	1,236,021
Capital project funds	-	-	-	-
Total Fund Balances	23,243	280,000	894,062	1,236,021
Total Liab & Fund Balances	\$ 23,243	\$ 280,000	\$ 894,062	\$ 1,236,021

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

	<u>Capital Project Funds</u>		
	<u>Fire Equipment Capital Reserve</u>	<u>Total Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash & cash equivalents	\$ 1,212,028	\$ 1,212,028	\$ 6,348,390
Receivables (net)	-	-	292,984
Due from other governments	-	-	3,448
Total Assets	\$ 1,212,028	\$ 1,212,028	\$ 6,644,822
Liabilities			
<i>Current Liabilities:</i>			
Accounts payable	3,193	3,193	81,071
Total Liabilities	3,193	3,193	81,071
Fund Balances			
<i>Reserved for:</i>			
Debt service	-	-	432,000
<i>Unreserved, reported in:</i>			
Special revenue funds	-	-	3,686,895
Debt service funds	-	-	1,236,021
Capital project funds	1,208,835	1,208,835	1,208,835
Total Fund Balances	1,208,835	1,208,835	6,563,751
Total Liab & Fund Balances	\$ 1,212,028	\$ 1,212,028	\$ 6,644,822

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended December 31, 2004**

Special Revenue Funds

	<u>City Street</u>	<u>Arterial Street</u>	<u>Contingency Reserve</u>	<u>Transit Planning</u>
Revenues				
Taxes	\$ -	\$ 3,089,493	\$ -	\$ -
Licenses & permits	-	-	-	-
Intergovernmental	352,219	179,092	-	7,592
Charges for services	1,045	-	-	-
Rents & leases	-	-	-	-
Miscellaneous	5,216	(15,031)	-	-
Total Revenues	358,480	3,253,554	-	7,592
Expenditures				
<i>Current operations:</i>				
General Government	-	-	-	-
Transportation	557,374	1,280,769	-	23
Health & Human Services	-	-	-	-
Economic Environment	-	-	-	-
Culture & Recreation	-	-	-	-
Debt service	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	557,374	1,280,769	-	23
Excess (deficiency) of revenues over (under) expenditures	(198,894)	1,972,785	-	7,569
Other Financing Sources (Uses)				
Transfers in	215,000	-	-	-
Transfers out	(60,490)	(2,351,510)	-	-
Disposition of capital assets	-	-	-	-
Total Other Fin Sources (Uses)	154,510	(2,351,510)	-	-
Net Change in Fund Balances	(44,384)	(378,725)	-	7,569
Fund Balances-Beginning	173,891	3,028,994	755,000	116,435
Fund Balances-Ending	\$ 129,507	\$ 2,650,269	\$ 755,000	\$ 124,004

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

	Special Revenue Funds		Debt Service Funds	
	Building Management	Total Special Revenue Funds	LTGO City Hall Bonds	Transportation Bonds
Revenues				
Taxes	\$ -	\$ 3,089,493	\$ 429,530	\$ 865,000
Licenses & permits	-	-	-	-
Intergovernmental	-	538,903	-	-
Charges for services	-	1,045	-	-
Rents & leases	308,101	308,101	-	-
Miscellaneous	56,866	47,051	-	-
Total Revenues	364,967	3,984,593	429,530	865,000
Expenditures				
<i>Current operations:</i>				
General Government	-	-	-	-
Transportation	-	1,838,166	-	-
Health & Human Services	-	-	-	-
Economic Environment	-	-	-	-
Culture & Recreation	-	-	-	-
Debt service	-	-	429,128	864,348
Capital outlay	-	-	-	-
Total Expenditures	-	1,838,166	429,128	864,348
Excess (deficiency) of revenues over (under) expenditures	364,967	2,146,427	402	652
Other Financing Sources (Uses)				
Transfers in	-	215,000	-	-
Transfers out	(185,000)	(2,597,000)	-	-
Disposition of capital assets	-	-	-	-
Total Other Fin Sources (Uses)	(185,000)	(2,382,000)	-	-
Net Change in Fund Balances	179,967	(235,573)	402	652
Fund Balances-Beginning	280,146	4,354,466	10,996	26,666
Fund Balances-Ending	\$ 460,113	\$ 4,118,893	\$ 11,398	\$ 27,318

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended December 31, 2004**

Debt Service Funds

	<u>Hotel/Motel Tax Bonds</u>	<u>LID Guarantee</u>	<u>Transp Bonds Reserve</u>	<u>Total Debt Service Funds</u>
Revenues				
Taxes	\$ 385,500	\$ -	\$ -	\$ 1,680,030
Licenses & permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Rents & leases	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	385,500	-	-	1,680,030
Expenditures				
<i>Current operations:</i>				
General Government	-	-	-	-
Transportation	-	-	-	-
Health & Human Services	-	-	-	-
Economic Environment	-	-	-	-
Culture & Recreation	-	-	-	-
Debt service	384,939	-	-	1,678,415
Capital outlay	-	-	-	-
Total Expenditures	384,939	-	-	1,678,415
Excess (deficiency) of revenues over expenditures	561	-	-	1,615
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Disposition of capital assets	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
Net Change in Fund Balances	561	-	-	1,615
Fund Balances-Beginning	22,682	280,000	894,063	1,234,407
Fund Balances-Ending	\$ 23,243	\$ 280,000	\$ 894,063	\$ 1,236,022

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

	<u>Capital Project Funds</u>		
	<u>Fire Equipment Capital Reserve</u>	<u>Total Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Taxes	\$ -	\$ -	\$ 4,769,523
Licenses & permits	-	-	-
Intergovernmental	-	-	538,903
Charges for services	-	-	1,045
Rents & leases	-	-	308,101
Miscellaneous	-	-	47,051
	<u>-</u>	<u>-</u>	<u>5,664,623</u>
Expenditures			
<i>Current operations:</i>			
General Government	-	-	-
Transportation	-	-	1,838,166
Health & Human Services	-	-	-
Economic Environment	-	-	-
Culture & Recreation	-	-	-
Debt service	-	-	1,678,415
Capital outlay	345,538	345,538	345,538
Total Expenditures	<u>345,538</u>	<u>345,538</u>	<u>3,862,119</u>
Excess (deficiency) of revenues over expenditures	<u>(345,538)</u>	<u>(345,538)</u>	<u>1,802,504</u>
Other Financing Sources (Uses)			
Transfers in	150,000	150,000	365,000
Transfers out	-	-	(2,597,000)
Disposition of capital assets	-	-	-
Total Other Fin Sources (Uses)	<u>150,000</u>	<u>150,000</u>	<u>(2,232,000)</u>
Net Change in Fund Balances	(195,538)	(195,538)	(429,496)
Fund Balances-Beginning	<u>1,404,372</u>	<u>1,404,372</u>	<u>6,993,245</u>
Fund Balances-Ending	<u>\$ 1,208,834</u>	<u>\$ 1,208,834</u>	<u>\$ 6,563,749</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues				
Intergovernmental	\$ 354,600	\$ 354,600	\$ 352,219	\$ (2,381)
Charges for services	500	500	1,045	545
Miscellaneous	-	-	5,216	5,216
Total Revenues	355,100	355,100	358,480	3,380
Expenditures				
<i>Current operations:</i>				
Transportation	572,490	590,499	557,374	33,125
Total Expenditures	572,490	590,499	557,374	33,125
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(217,390)	(235,399)	(198,894)	36,505
Other Financing Sources (Uses)				
Transfers in	215,000	215,000	215,000	-
Transfers out	(60,490)	(60,490)	(60,490)	-
Total Other Fin Sources (Uses)	154,510	154,510	154,510	-
<i>Net Change in Fund Balances</i>	(62,880)	(80,889)	(44,384)	36,505
Fund Balances-Beginning	78,604	173,891	173,891	-
Fund Balances-Ending	\$ 15,724	\$ 93,002	\$ 129,507	\$ 36,505

*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, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues				
Taxes	\$ 2,932,000	\$ 2,932,000	\$ 3,089,493	\$ 157,493
Intergovernmental	196,640	196,640	179,092	(17,548)
Miscellaneous	-	-	(15,031)	(15,031)
Total Revenues	3,128,640	3,128,640	3,253,554	124,914
Expenditures				
<i>Current operations:</i>				
Transportation	1,593,250	1,593,250	1,280,769	312,481
Total Expenditures	1,593,250	1,593,250	1,280,769	312,481
<i>Excess (deficiency) of revenues over (under) expenditures</i>	1,535,390	1,535,390	1,972,785	437,395
Other Financing Sources (Uses)				
Transfers out	(2,351,510)	(2,351,510)	(2,351,510)	-
Total Other Fin Sources (Uses)	(2,351,510)	(2,351,510)	(2,351,510)	-
<i>Net Change in Fund Balances</i>	(816,120)	(816,120)	(378,725)	437,395
Fund Balances-Beginning	2,266,001	3,028,994	3,028,994	-
Fund Balances-Ending	\$ 1,449,881	\$ 2,212,874	\$ 2,650,269	\$ 437,395

*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, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues				
Intergovernmental	\$ 11,180	\$ 11,180	\$ 7,592	\$ (3,588)
Total Revenues	11,180	11,180	7,592	(3,588)
Expenditures				
<i>Current operations:</i>				
Transportation	8,200	8,200	23	8,177
Total Expenditures	8,200	8,200	23	8,177
<i>Excess (deficiency) of revenues over (under) expenditures</i>	2,980	2,980	7,569	4,589
Other Financing Sources (Uses)	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
<i>Net Change in Fund Balances</i>	2,980	2,980	7,569	4,589
Fund Balances-Beginning	130,334	116,435	116,435	-
Fund Balances-Ending	\$ 133,314	\$ 119,415	\$ 124,004	\$ 4,589

*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, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues				
Miscellaneous	\$ 340,000	\$ 340,000	\$ 364,967	\$ 24,967
Total Revenues	340,000	340,000	364,967	24,967
Expenditures	-	-	-	-
Total Expenditures	-	-	-	-
<i>Excess (deficiency) of revenues over (under) expenditures</i>	340,000	340,000	364,967	24,967
Other Financing Sources (Uses)				
Transfers out	(185,000)	(185,000)	(185,000)	-
Total Other Fin Sources (Uses)	(185,000)	(185,000)	(185,000)	-
<i>Net Change in Fund Balances</i>	155,000	155,000	179,967	24,967
Fund Balances-Beginning	294,131	280,146	280,146	-
Fund Balances-Ending	\$ 449,131	\$ 435,146	\$ 460,113	\$ 24,967

*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, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues				
Taxes	\$ 429,530	\$ 429,530	\$ 429,530	\$ -
Total Revenues	429,530	429,530	429,530	-
Expenditures				
Debt service	429,530	429,530	429,128	402
Total Expenditures	429,530	429,530	429,128	402
<i>Excess (deficiency) of revenues over (under) expenditures</i>	-	-	402	402
Other Financing Sources (Uses)	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
<i>Net Change in Fund Balances</i>	-	-	402	402
Fund Balances-Beginning	14,595	10,996	10,996	-
Fund Balances-Ending	\$ 14,595	\$ 10,996	\$ 11,398	\$ 402

*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, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues				
Taxes	\$ 865,000	\$ 865,000	\$ 865,000	\$ -
Total Revenues	865,000	865,000	865,000	-
Expenditures				
Debt service	864,850	864,850	864,348	502
Total Expenditures	864,850	864,850	864,348	502
<i>Excess (deficiency) of revenues over (under) expenditures</i>	150	150	652	502
Other Financing Sources (Uses)	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
<i>Net Change in Fund Balances</i>	150	150	652	502
Fund Balances-Beginning	26,665	26,666	26,666	-
Fund Balances-Ending	\$ 26,815	\$ 26,816	\$ 27,318	\$ 502

*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, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)*
	Original	Final		
Revenues				
Taxes	\$ 385,500	\$ 385,500	\$ 385,500	\$ -
Total Revenues	385,500	385,500	385,500	-
Expenditures				
Debt service	385,135	385,135	384,939	196
Total Expenditures	385,135	385,135	384,939	196
<i>Excess (deficiency) of revenues over (under) expenditures</i>	365	365	561	196
Other Financing Sources (Uses)	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
<i>Net Change in Fund Balances</i>	365	365	561	196
Fund Balances-Beginning	22,480	22,682	22,682	-
Fund Balances-Ending	\$ 22,845	\$ 23,047	\$ 23,243	\$ 196

*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, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues				
Miscellaneous	\$ 316,000	\$ 431,000	\$ 454,191	\$ 23,191
Total Revenues	316,000	431,000	454,191	23,191
Expenditures				
Debt service	316,000	431,000	427,520	3,480
Total Expenditures	316,000	431,000	427,520	3,480
Excess (deficiency) of revenues over (under) expenditures	-	-	26,671	26,671
Other Financing Sources (Uses)	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
<i>Net Change in Fund Balances</i>	-	-	26,671	26,671
Fund Balances-Beginning	36,644	61,186	61,186	-
Fund Balances-Ending	\$ 36,644	\$ 61,186	\$ 87,857	\$ 26,671

*Budgetary basis is the same as GAAP basis.

CITY OF SEATAC, WASHINGTON

2004 COMPREHENSIVE ANNUAL FINANCIAL REPORT Municipal Capital Improvement Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues				
Taxes	\$ 1,225,000	\$ 1,225,000	\$ 2,471,569	\$ 1,246,569
Intergovernmental	-	50,000	47,295	(2,705)
Total Revenues	1,225,000	1,275,000	2,518,864	1,243,864
Expenditures				
<i>Current operations:</i>				
Culture & recreation	25,000	75,000	72,308	2,692
Capital outlay	305,786	305,786	213,003	92,783
Total Expenditures	330,786	380,786	285,311	95,475
<i>Excess (deficiency) of revenues over (under) expenditures</i>	894,214	894,214	2,233,553	1,339,339
Other Financing Sources (Uses)				
Transfers out	-	(246,650)	(246,650)	-
Total Other Fin Sources (Uses)	-	(246,650)	(246,650)	-
<i>Net Change in Fund Balances</i>	894,214	647,564	1,986,903	1,339,339
Fund Balances-Beginning	3,690,466	4,102,522	4,102,522	-
Fund Balances-Ending	\$ 4,584,680	\$ 4,750,086	\$ 6,089,425	\$ 1,339,339

*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, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Capital outlay	363,720	363,720	345,538	18,182
Total Expenditures	363,720	363,720	345,538	18,182
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(363,720)</i>	<i>(363,720)</i>	<i>(345,538)</i>	<i>18,182</i>
Other Financing Sources (Uses)				
Transfers in	150,000	150,000	150,000	-
Total Other Fin Sources (Uses)	150,000	150,000	150,000	-
<i>Net Change in Fund Balances</i>	<i>(213,720)</i>	<i>(213,720)</i>	<i>(195,538)</i>	<i>18,182</i>
Fund Balances-Beginning	1,404,366	1,404,372	1,404,372	-
Fund Balances-Ending	\$ 1,190,646	\$ 1,190,652	\$ 1,208,834	\$ 18,182

*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, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)*
	Original	Final		
Revenues	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Debt service	-	-	-	-
Capital outlay	250,000	644,987	639,345	5,642
Total Expenditures	250,000	644,987	639,345	5,642
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(250,000)</i>	<i>(644,987)</i>	<i>(639,345)</i>	<i>5,642</i>
Other Financing Sources (Uses)				
Transfers in	480,000	726,650	791,694	65,044
Total Other Fin Sources (Uses)	480,000	726,650	791,694	65,044
<i>Net Change in Fund Balances</i>	<i>230,000</i>	<i>81,663</i>	<i>152,349</i>	<i>70,686</i>
Fund Balances-Beg (as prev reported)	(7,603,136)	(8,477,199)	(8,477,199)	-
Change in budgetary basis of acctg	8,781,986	8,781,986	8,781,986	-
Fund Balances-Beg (as restated)	1,178,850	304,787	304,787	-
Fund Balances-Ending	\$ 1,408,850	\$ 386,450	\$ 457,136	\$ 70,686

*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, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)*
	Original	Final		
Revenues				
Taxes	\$ 110,000	\$ 110,000	\$ 103,201	\$ (6,799)
Intergovernmental	4,548,208	4,912,708	2,651,699	(2,261,009)
Investment earnings	30,000	30,000	55,190	25,190
Miscellaneous	-	-	165,000	165,000
Total Revenues	4,688,208	5,052,708	2,975,090	(2,077,618)
Expenditures				
<i>Current operations:</i>				
Transportation	526,090	526,090	450,996	75,094
Capital outlay	9,251,802	9,921,802	4,992,107	4,929,695
Total Expenditures	9,777,892	10,447,892	5,443,103	5,004,789
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(5,089,684)</i>	<i>(5,395,184)</i>	<i>(2,468,013)</i>	<i>2,927,171</i>
Other Financing Sources (Uses)				
Transfers in	1,800,000	1,800,000	1,800,000	-
Total Other Fin Sources (Uses)	1,800,000	1,800,000	1,800,000	-
<i>Net Change in Fund Balances</i>	<i>(3,289,684)</i>	<i>(3,595,184)</i>	<i>(668,013)</i>	<i>2,927,171</i>
Fund Balances-Beg (as prev reported)	4,066,997	4,158,732	4,158,732	-
Prior Year Adjustment	-	-	(11,383)	(11,383)
Fund Balances-Beg (as restated)	4,066,997	4,158,732	4,147,349	11,383
Fund Balances-Ending	\$ 777,313	\$ 563,548	\$ 3,479,336	\$ 2,915,788

*Budgetary basis is the same as GAAP basis.



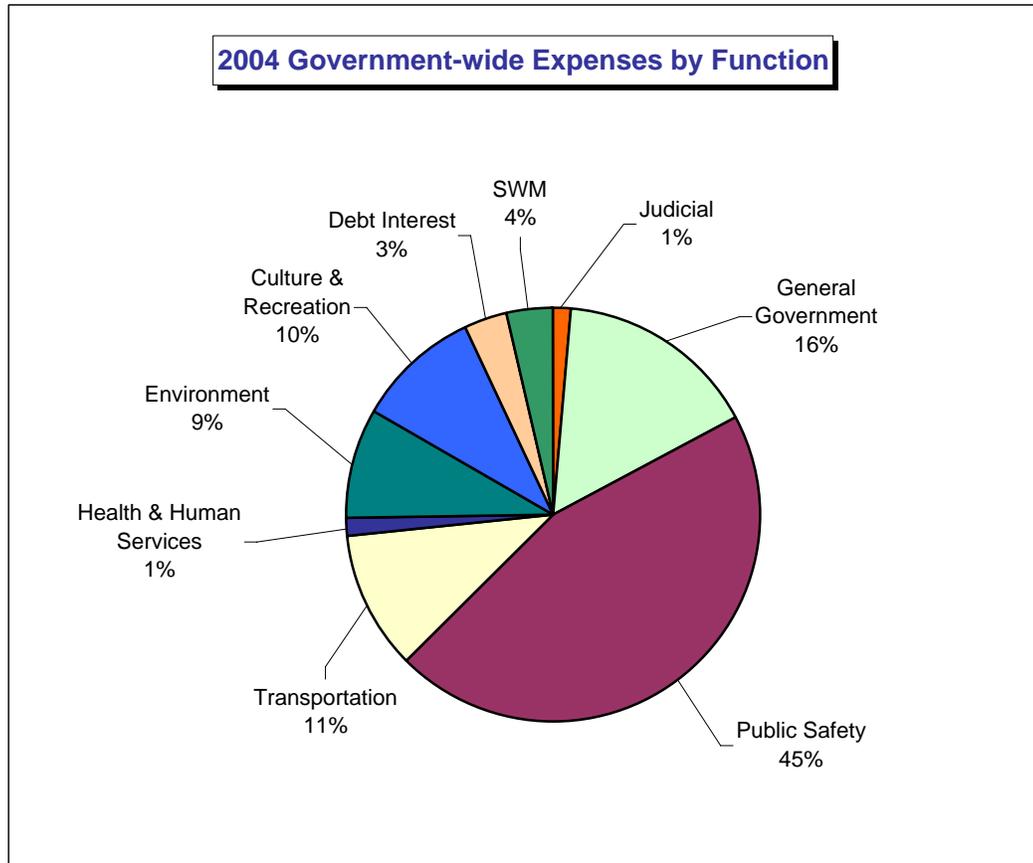
Statistical Section



Table 1

GOVERNMENT-WIDE EXPENSES BY FUNCTION (In Thousands)

Last Ten Fiscal Years¹

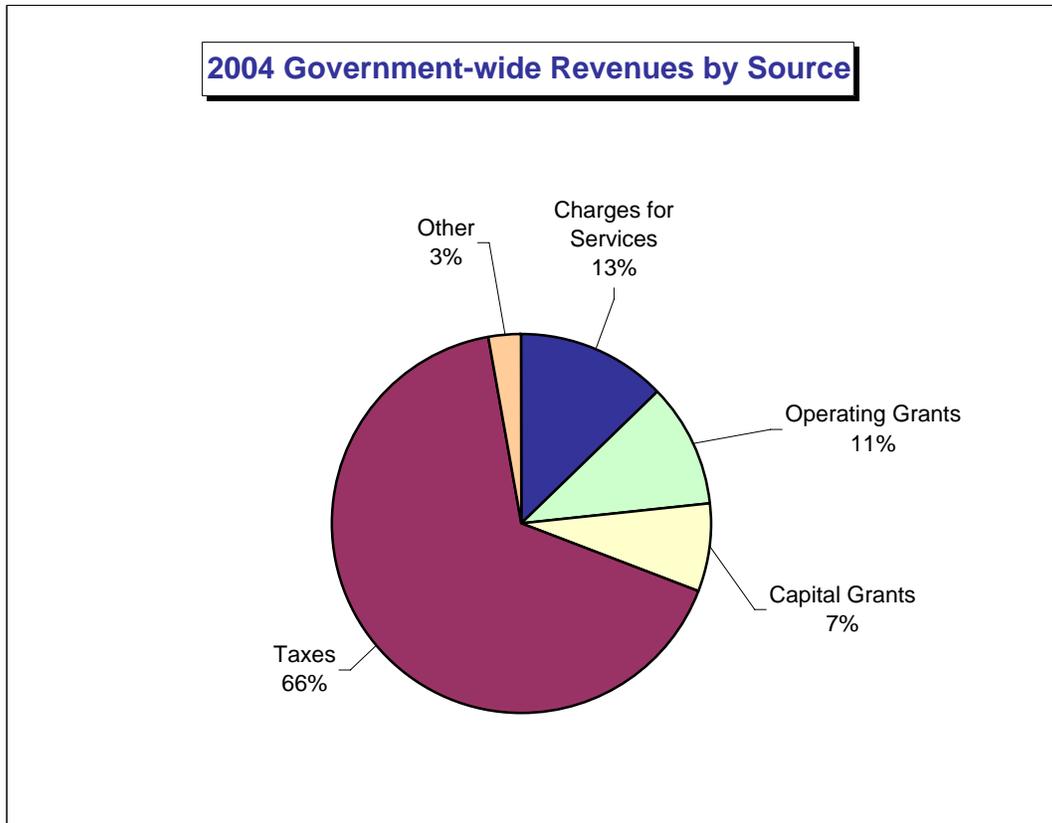


Fiscal Year	Judicial	General Govmnt	Public Safety	Transpor-tation	Health & Human Services	Physical & Economic Environ	Culture & Recreation	Interest on Long-term Debt	Surface Water Mgt	Total Exp
2003	\$302	\$4,019	\$11,204	\$2,213	\$263	\$2,203	\$2,409	\$1,647	\$930	\$ 25,190
2004	317	4,030	11,356	2,745	342	2,177	2,401	844	926	25,138

¹This government-wide schedule only includes two years because the City implemented GASB Statement 34 government-wide reporting in 2003. Additionally, transfers from one fund to another have been excluded from this schedule.

GOVERNMENT-WIDE REVENUES BY SOURCE (In Thousands)

Last Ten Fiscal Years¹



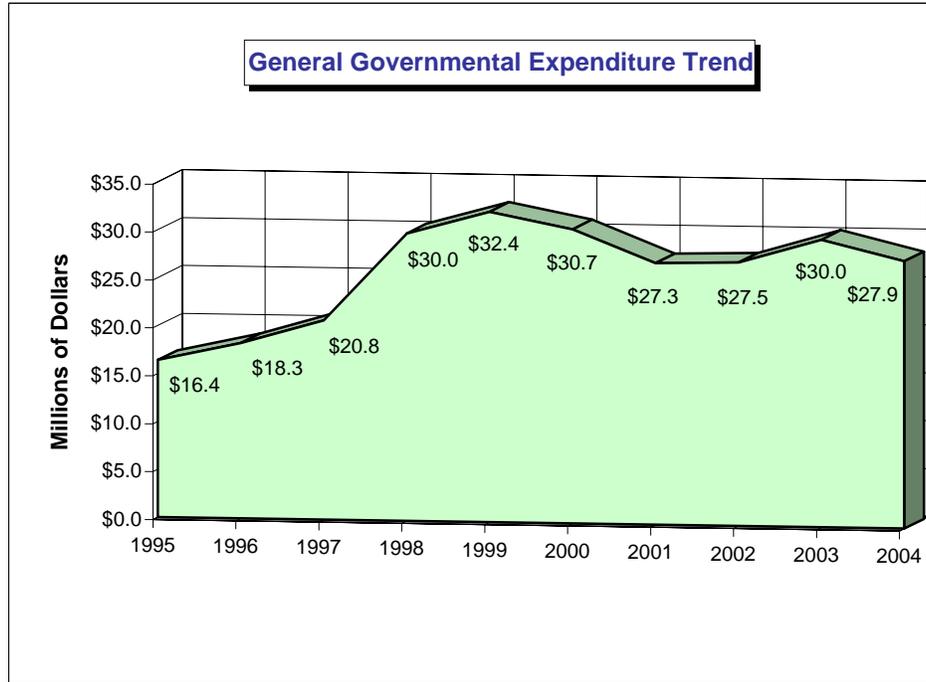
Fiscal Year	Program Revenues			General Revenues				Total Revenues
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Grants & Contributions Not Restricted to Specific Programs	Unrestricted Investment Earnings	Misc	
2003	\$4,557	\$1,116	\$4,113	\$23,807	\$159	\$1,025	\$148	\$34,926
2004	5,009	4,121	2,902	25,835	182	859	0	38,908

¹This government-wide schedule only includes two years because the City implemented GASB Statement 34 government-wide reporting in 2003. Additionally, transfers from one fund to another have been excluded from this schedule.

Table 3

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

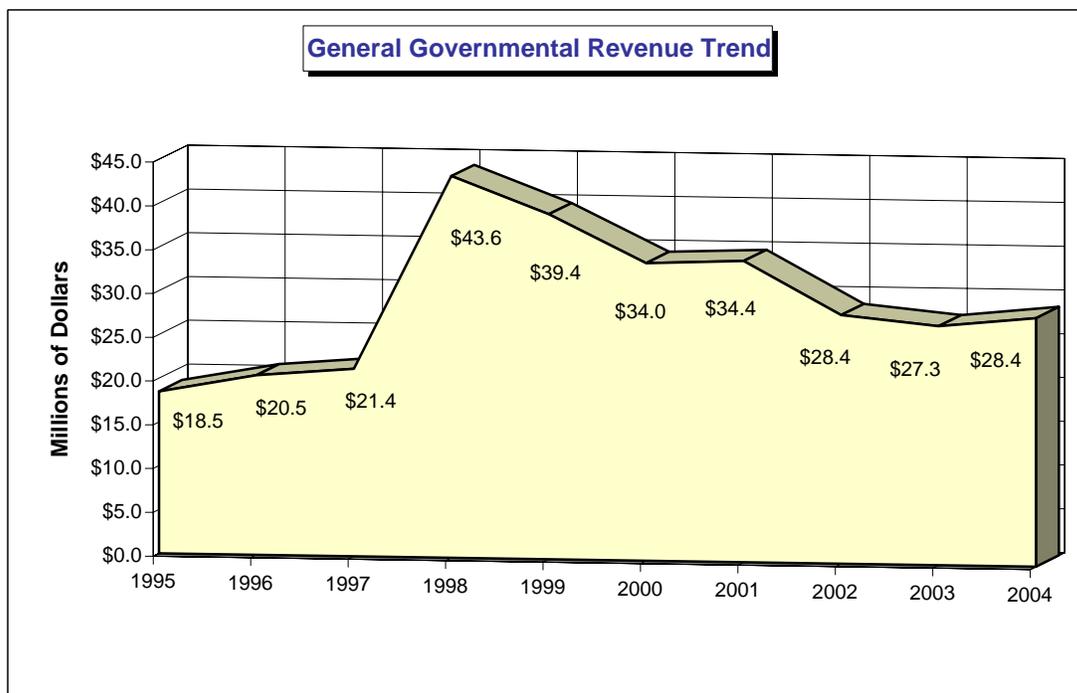
GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUNDS



Fiscal Year	General Government	Public Safety	Physical Envrmt	Highways and Streets	Economic Envrmt	Health	Culture and Recreation	Debt Service	Other Financing Uses	Capital Outlay	Total Expenditures
1995	\$2,630,507	\$7,494,316	\$625,157	\$753,260	\$1,194,997	\$283,451	\$874,877	\$1,335,365	\$404,720	\$801,255	\$16,397,905
1996	2,812,566	8,394,801	409,393	798,323	1,255,786	2,936	1,146,602	1,339,723	514,861	1,655,972	18,330,963
1997	3,324,935	8,927,689	407,841	765,375	1,513,248	3,869	1,732,312	1,343,083	1,082,000	1,679,068	20,779,420
1998	3,718,813	9,340,335	446,430	1,437,903	1,678,074	5,578	1,592,105	1,461,020	8,199,334	2,113,897	29,993,489
1999	3,824,033	9,819,081	440,561	1,411,192	1,999,023	4,315	1,793,136	1,829,724	9,161,238	2,166,490	32,448,793
2000	3,633,618	9,933,913	516,118	1,125,881	2,208,441	5,325	1,813,989	1,688,572	8,939,150	826,693	30,691,700
2001	3,819,361	10,070,439	496,411	1,195,781	2,211,144	4,542	2,014,601	1,963,615	4,355,819	1,152,748	27,284,461
2002	4,045,376	10,600,382	506,414	1,358,756	2,454,417	4,459	1,976,723	2,315,569	2,737,250	1,454,490	27,453,836
2003	3,959,898	10,616,064	12,352	2,117,369	2,162,814	4,903	1,953,123	2,099,285	5,833,410	239,618	28,998,836
2004	4,829,707	11,430,548	12,217	2,298,966	1,579,765	5,378	1,999,857	2,220,891	3,192,044	306,535	27,875,908

GENERAL GOVERNMENTAL REVENUES BY SOURCE

GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUNDS

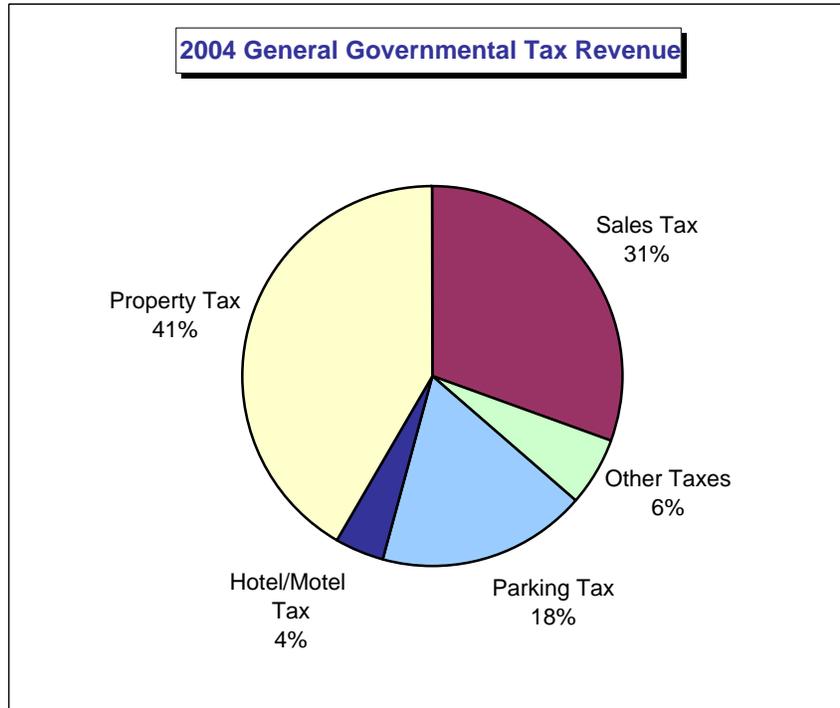


Fiscal Year	Taxes	Licenses and Permits	Intergov Revenue	Charges for Services	Fines and Forfeits	Special Assessments	Interest Earnings	Misc Revenue	Other Financing Sources	Total Revenue
1995	\$14,007,540	\$434,148	\$1,817,329	\$285,975	\$322,068	\$ -	\$643,322	\$58,994	\$880,800	\$18,450,176
1996	15,421,914	468,042	2,371,667	361,812	354,057	-	738,208	66,177	715,801	20,497,678
1997	16,316,824	624,669	2,201,011	502,592	294,021	-	838,753	94,790	550,390	21,423,050
1998	19,614,002	2,935,027	8,669,347	882,968	288,974	-	1,186,135	100,112	9,920,128	43,596,693
1999	21,105,159	982,434	6,073,821	1,210,919	314,817	-	1,842,234	259,298	7,592,452	39,381,134
2000	23,325,269	3,739,957	1,587,963	987,134	367,737	-	2,371,318	162,498	1,470,400	34,012,276
2001	23,916,666	3,468,581	1,658,125	906,220	226,778	313,441	2,060,153	428,168	1,441,069	34,419,201
2002	21,571,429	1,106,849	1,626,846	666,738	317,395	269,578	1,054,199	653,914	1,099,157	28,366,105
2003	21,338,907	801,551	1,362,214	934,877	328,061	325,248	760,148	561,802	978,250	27,391,058
2004	22,468,971	762,452	1,431,873	893,189	309,979	454,191	584,961	497,499	976,207	28,379,322

Table 5

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE

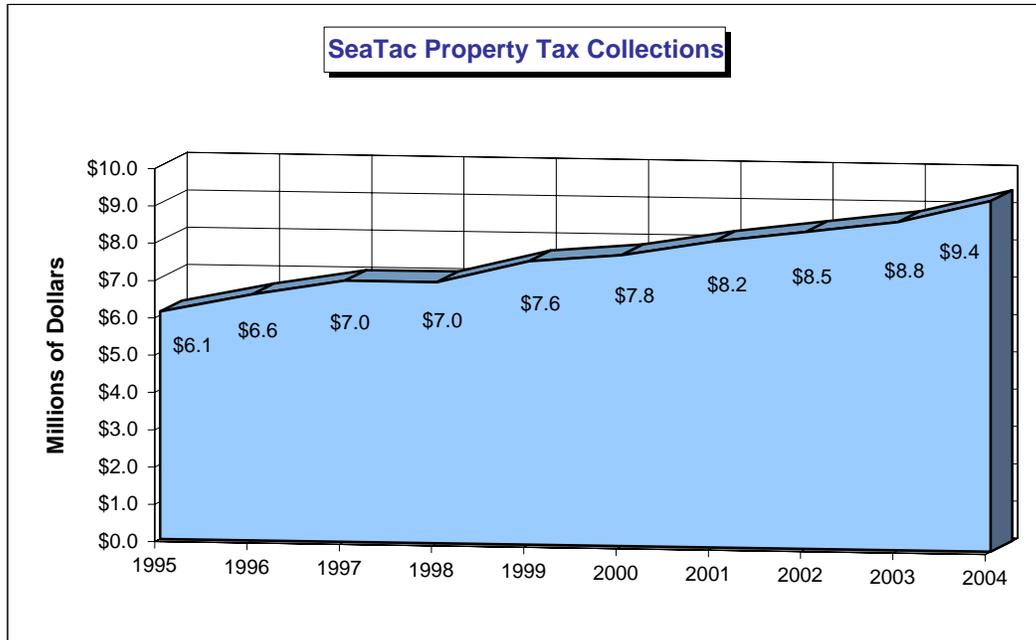
GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUNDS



Fiscal Year	Property Tax	Sales Tax	Parking Tax	Hotel/Motel Tax	Miscellaneous Other Taxes (A)	Total Tax Revenue
1995	\$6,128,770	\$5,268,368	\$2,001,335	\$ -	\$609,067	\$14,007,540
1996	6,555,291	5,918,551	2,262,915	-	685,157	15,421,914
1997	6,951,575	6,085,340	2,408,806	-	871,103	16,316,824
1998	7,002,694	6,847,596	4,324,804	538,300	900,608	19,614,002
1999	7,589,148	7,415,194	4,230,468	946,629	923,720	21,105,159
2000	7,803,800	8,338,973	4,754,787	929,564	1,498,145	23,325,269
2001	8,247,672	8,526,275	4,603,140	902,423	1,637,156	23,916,666
2002	8,536,343	6,917,428	3,700,252	813,568	1,603,838	21,571,429
2003	8,775,957	6,758,944	3,813,041	824,013	1,166,952	21,338,907
2004	9,413,853	6,941,206	3,954,493	884,093	1,275,326	22,468,971

(A) Includes leasehold, real estate and gambling excise taxes.

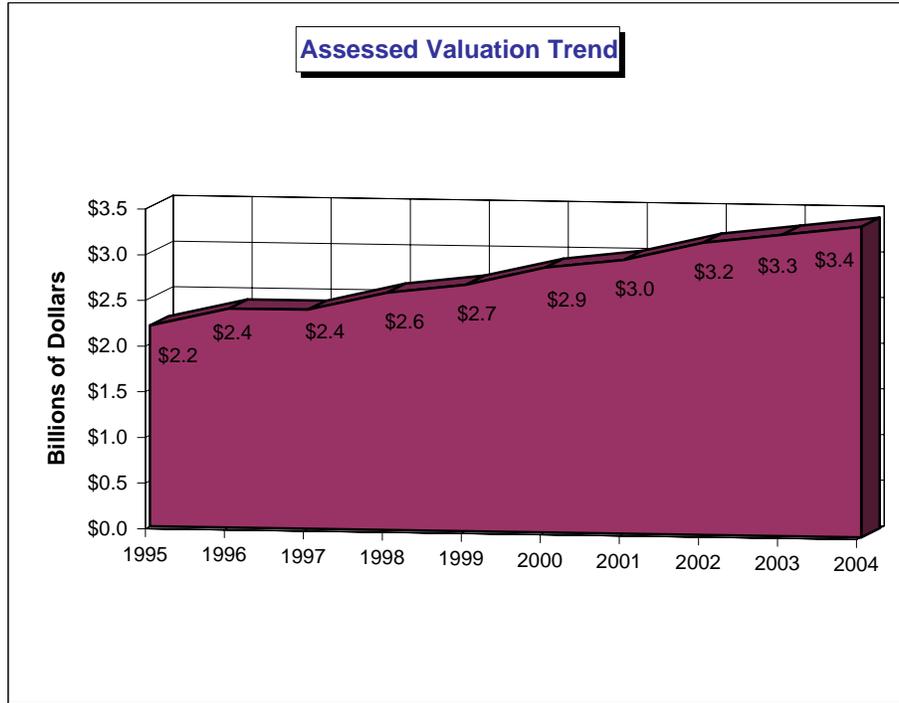
PROPERTY TAX LEVIES AND COLLECTIONS



Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Total Collections as % of Current Levy	Total Outstanding Delinquent Taxes	Outstanding Taxes as % of Current Levy
1995	\$6,221,095	\$6,029,851	96.93%	\$98,919	\$6,128,770	98.52%	\$312,101	5.02%
1996	6,523,490	6,369,692	97.64%	185,599	6,555,291	100.49%	259,005	3.97%
1997	7,062,957	6,847,952	96.96%	103,623	6,951,575	98.42%	259,999	3.68%
1998	7,112,050	6,903,638	97.07%	99,056	7,002,694	98.46%	290,118	4.08%
1999	7,739,193	7,497,959	96.88%	91,189	7,589,148	98.06%	342,329	4.42%
2000	8,006,413	7,713,579	96.34%	90,221	7,803,800	97.47%	386,672	4.83%
2001	8,446,329	8,125,249	96.20%	122,423	8,247,672	97.65%	497,691	5.89%
2002	8,705,946	8,419,092	96.71%	117,251	8,536,343	98.05%	661,680	7.60%
2003	9,272,729	8,597,077	92.71%	178,880	8,775,957	94.64%	1,065,558	11.49%
2004	9,439,561	9,171,933	97.16%	241,920	9,413,853	99.73%	894,893	9.48%

Table 7

ASSESSED VALUE OF PROPERTY BY TYPE

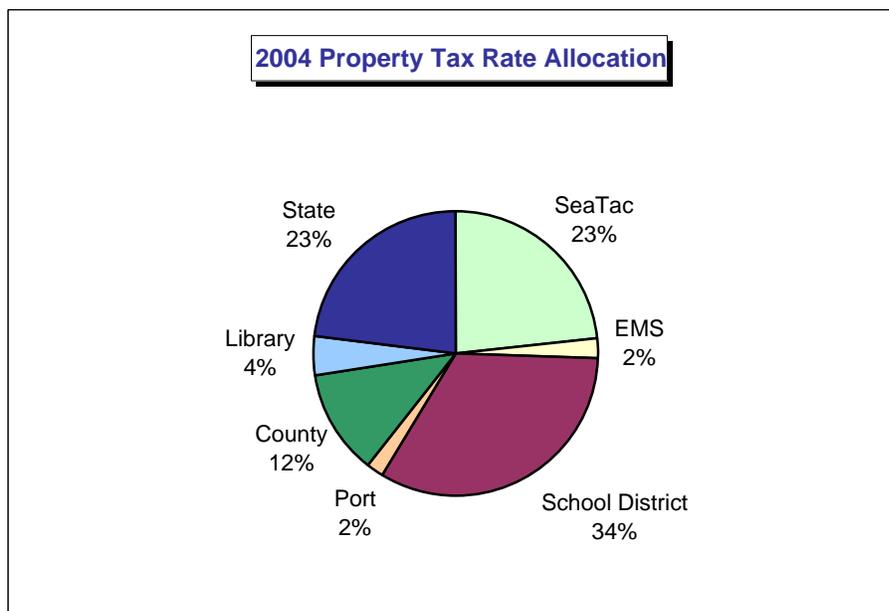


Fiscal Year	Real Property	Personal Property	State Public Service Property	Total Assessed Value	% Increase/Decrease
1995	\$1,193,731,053	\$103,182,687	\$893,452,031	\$2,190,365,771	4.22%
1996	1,220,758,855	99,835,131	1,049,779,789	2,370,373,775	8.22%
1997	1,282,293,573	104,647,015	983,149,588	2,370,090,176	(0.01)%
1998	1,336,245,559	108,932,732	1,158,380,318	2,603,558,609	9.85%
1999	1,418,205,605	107,631,209	1,169,867,151	2,695,703,965	3.54%
2000	1,548,111,715	112,651,309	1,238,983,652	2,899,746,676	7.57%
2001	1,689,747,755	117,031,629	1,235,866,231	3,042,645,615	4.93%
2002	1,754,591,387	121,512,022	1,277,160,193	3,153,263,602	3.64%
2003	1,848,206,257	154,766,946	1,272,240,076	3,275,213,279	3.87%
2004	1,986,077,835	137,381,893	1,293,637,561	3,417,097,289	4.33%

Source: King County Assessor's Office.

PROPERTY TAX RATES - DIRECT & OVERLAPPING GOVERNMENTS

TAX RATES PER \$1,000 OF ASSESSED VALUATION



Fiscal Year	City of SeaTac	State of Washington	King County	Port of Seattle	Emergency Medical Services	School District #401	Library District	Total Tax Rate
1995	\$2.96	\$3.42	\$2.25	\$0.29	\$0.25	\$4.11	\$0.62	\$13.90
1996	2.90	3.50	2.21	0.29	0.25	3.76	0.62	13.53
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

Source: King County Assessor's Office and King County Department of Finance.

Table 9

PRINCIPAL TAXPAYERS

DECEMBER 31, 2004

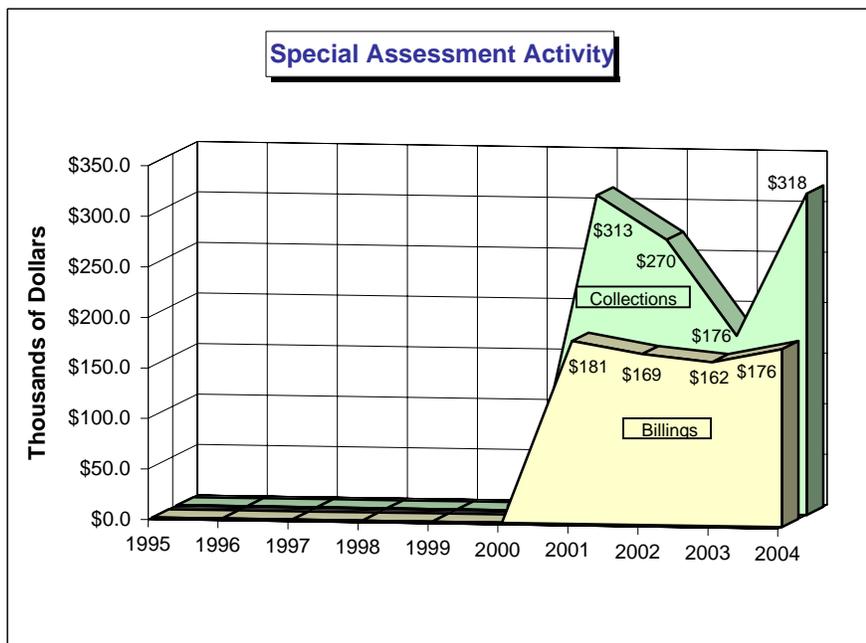
<u>Taxpayer</u>	<u>Type of Business</u>	<u>2004 Assessed Valuation (A)</u>	<u>Percentage of Total Assessed Valuation</u>
Alaska Airlines	Airline	\$ 434,275,317	12.71%
United Airlines	Airline	171,300,053	5.01%
Horizon Air	Airline	134,348,597	3.93%
Northwest Airlines	Airline	99,945,249	2.92%
Delta Airlines	Airline	74,611,695	2.18%
Boeing	Airplane Manufacturer	74,152,307	2.17%
Southwest Airlines	Airline	62,867,868	1.84%
American Airlines	Airline	62,295,138	1.82%
Doubletree Hotel	Hotel	52,915,841	1.55%
Hawaiian Airlines	Airline	<u>51,228,610</u>	<u>1.50%</u>
TOTAL		<u>\$ 1,217,940,675</u>	<u>35.64%</u>

(A) 2004 assessed valuations for taxes collected in 2005. Total assessed valuation of the City is \$3,417,097,289.

Source: King County Assessor's Office.

SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS

LAST TEN FISCAL YEARS



Fiscal Year	Special Assessment Billings	Special Assessment Collections (A)
2000	N/A	\$4,011,814
2001	\$181,291	313,441
2002	169,487	269,578
2003	162,016	176,062
2004	176,062	318,017

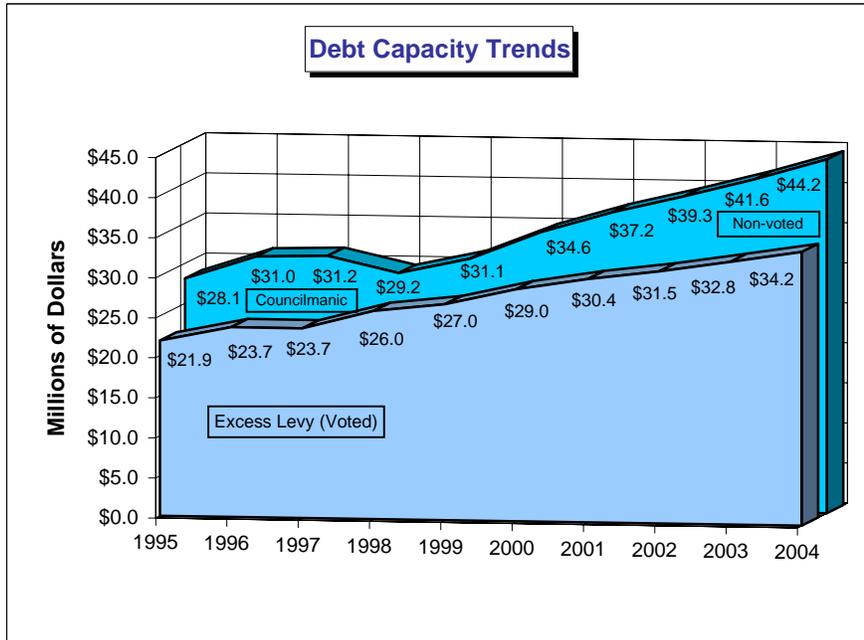
Source: City of SeaTac Finance Department.

(A) Includes prepayments on L.I.D.

Table 11

COMPUTATION OF LEGAL DEBT MARGIN

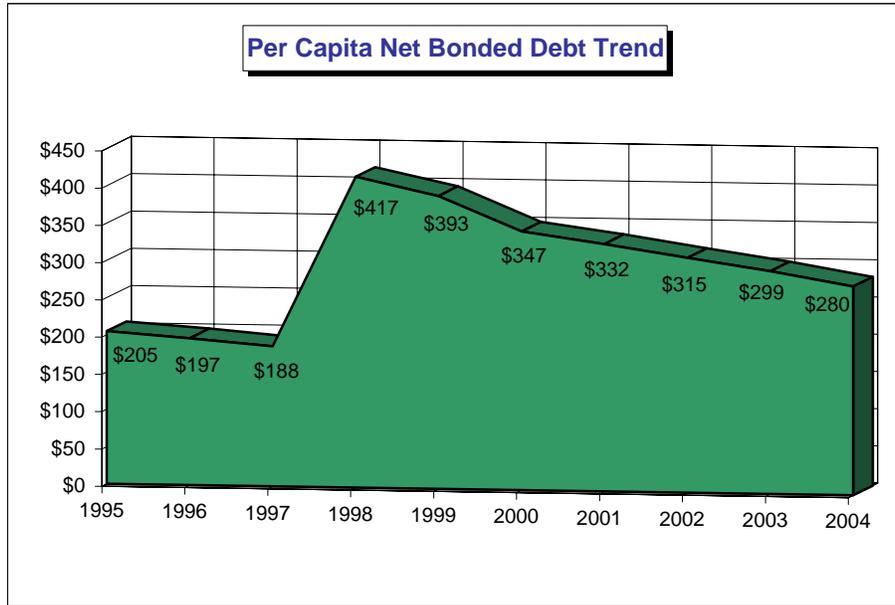
AS OF DECEMBER 31, 2004



Description	General Capacity		Special Purpose Capacity		
	Councilmanic	Excess Levy	Parks & Open Space	Utility Purposes	Total Capacity
Assessed Valuation of the City of SeaTac = \$3,417,097,289					
2.50 % of Assessed Value	\$	\$ 85,427,432	\$ 85,427,432	\$ 85,427,432	\$ 256,282,296
1.50 % of Assessed Value	<u>51,256,459</u>	<u>(51,256,459)</u>			<u>0</u>
STATUTORY DEBT LIMIT	51,256,459	34,170,973	85,427,432	85,427,432	256,282,296
Net Debt Outstanding	7,025,358	0	0	0	7,025,358
REMAINING DEBT CAPACITY	<u>\$ 44,231,101</u>	<u>\$ 34,170,973</u>	<u>\$ 85,427,432</u>	<u>\$ 85,427,432</u>	<u>\$ 249,256,938</u>

Source: City of SeaTac Finance Department.

RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA

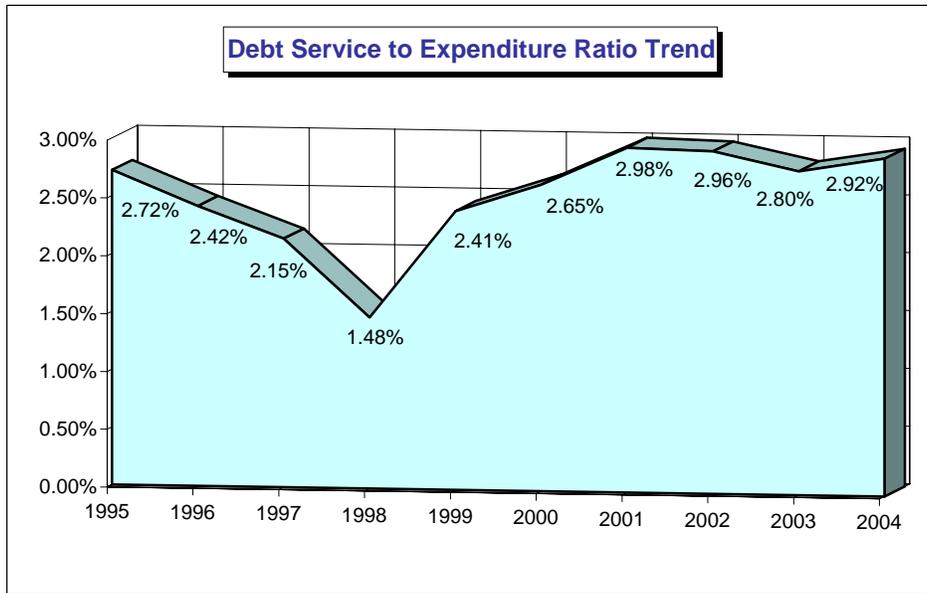


Fiscal Year	Population	Assessed Value	Gross Bonded Debt	Debt Service Funds Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1995	22,910	\$2,190,365,771	\$4,705,000	\$101	\$4,704,899	0.21%	\$205
1996	23,110	2,370,373,775	4,550,000	101	4,549,899	0.19%	197
1997	23,320	2,370,090,176	4,385,000	41	4,384,959	0.19%	188
1998	23,540	2,603,558,609	9,820,000	1,286	9,818,714	0.38%	417
1999	23,570	2,695,703,965	9,290,000	31,226	9,258,774	0.34%	393
2000	25,496	2,899,746,676	8,885,000	31,950	8,853,050	0.31%	347
2001	25,380	3,042,645,615	8,460,000	32,101	8,427,899	0.28%	332
2002	25,320	3,153,263,602	8,015,000	32,707	7,982,293	0.25%	315
2003	25,100	3,275,213,279	7,550,000	33,678	7,516,322	0.23%	299
2004	25,130	3,417,097,289	7,060,000	34,642	7,025,358	0.21%	280

Source: City of SeaTac Finance Department and King County Assessor's Office.

Table 13

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES



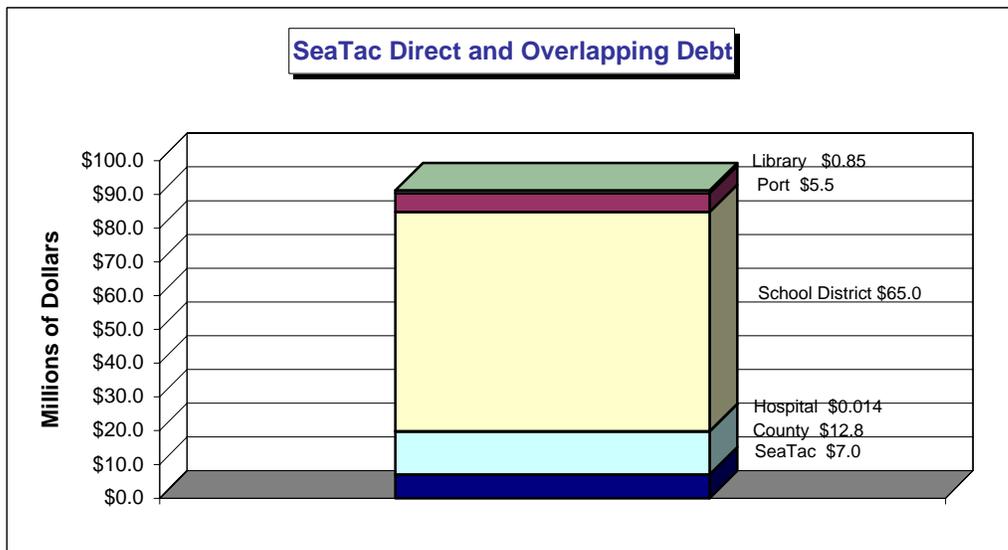
Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures (A)	Ratio of Debt Service to Expenditures
1995	\$150,000	\$295,638	\$445,638	\$16,397,905	2.72%
1996	155,000	288,888	443,888	18,330,963	2.42%
1997	165,000	281,913	446,913	20,779,420	2.15%
1998	170,000	274,323	444,323	29,993,489	1.48%
1999	360,000	420,628	780,628	32,448,793	2.41%
2000	405,000	407,543	812,543	30,691,700	2.65%
2001	425,000	388,532	813,532	27,284,461	2.98%
2002	445,000	367,783	812,783	27,453,836	2.96%
2003	465,000	346,018	811,018	28,998,836	2.80%
2004	490,000	323,157	813,157	27,875,908	2.92%

(A) General Government Expenditures include General, Special Revenue and Debt Service Funds.

Source: City of SeaTac Finance Department.

**COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS**

DECEMBER 31, 2004



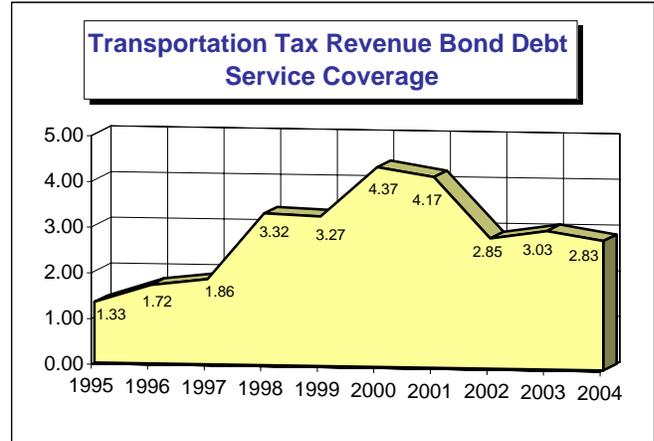
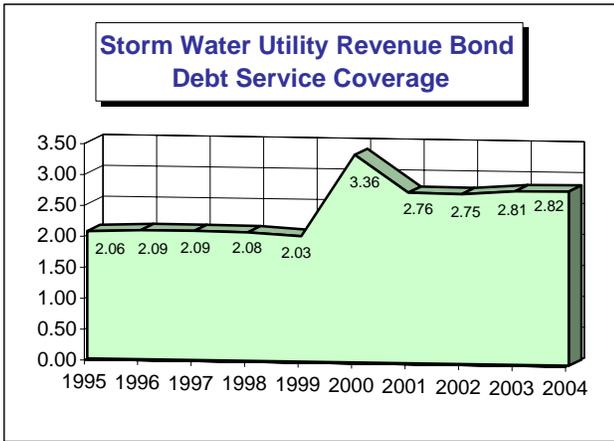
Jurisdiction	Net General Obligation Debt Outstanding (A)	Percentage Applicable to SeaTac (B)	Amount Applicable to SeaTac
NET DIRECT DEBT:			
City of SeaTac	\$7,025,358	100.00%	\$7,025,358
Total Net Direct Debt	\$7,025,358		\$7,025,358
NET OVERLAPPING DEBT:			
King County	925,169,965	1.38%	12,767,346
Port of Seattle	397,285,000	1.38%	5,482,533
School District #401	208,814,000	31.02%	64,774,103
School District #403	229,470,000	0.01%	22,947
School District #406	48,385,000	0.11%	53,224
School District #415	238,530,000	0.07%	166,971
Hospital District #1	45,315,000	0.03%	13,595
Library	26,820,000	3.18%	852,876
Total Net Overlapping Debt	2,119,788,965		84,133,593
Total Direct and Overlapping Debt	\$2,126,814,323		\$91,158,951

(A) Total general obligation bonds outstanding on December 31, 2004 exclusive of refunded bonds.
Source: King County Department of Finance.

(B) Determined by ratio of 2004 assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in reporting unit.

Table 15

REVENUE BOND COVERAGE FOR STORM WATER UTILITY AND LOCAL
OPTION TRANSPORTATION TAX REVENUE BONDS

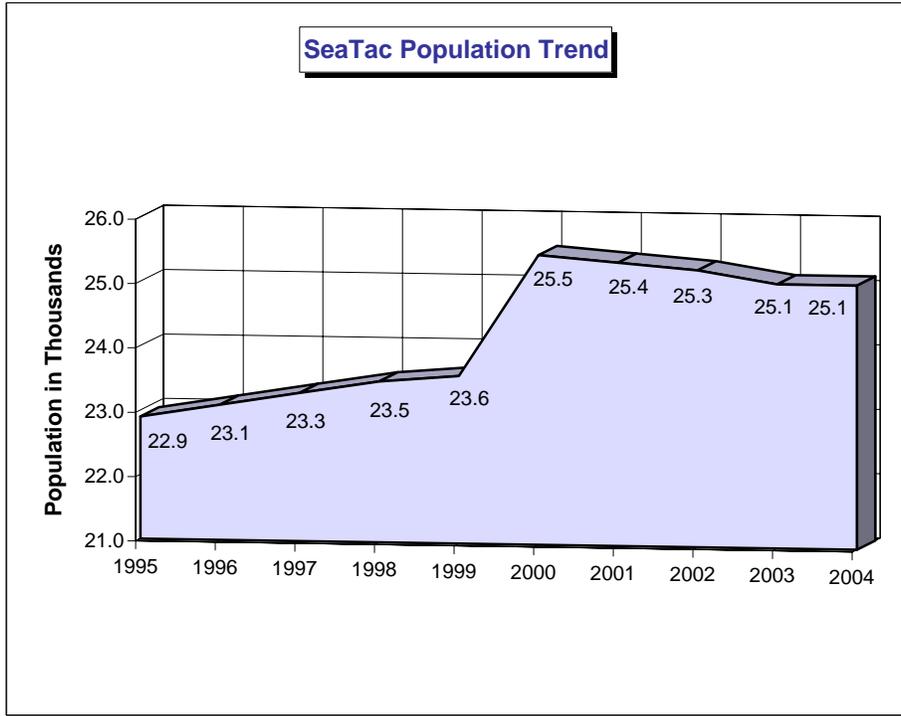


Fiscal Year	Gross Revenue	Operating Expenses w/o Depreciation	Net Revenue Available for Debt Service	Annual Debt Service Requirements			Coverage (A)
				Principal	Interest	Total	
STORM WATER UTILITY BONDS:							
1995	\$1,532,290	\$706,375	\$825,915	\$135,000	\$266,348	\$401,348	2.06
1996	1,579,147	742,194	836,953	140,000	260,273	400,273	2.09
1997	1,554,507	720,003	834,504	145,000	253,973	398,973	2.09
1998	1,549,711	714,461	835,250	155,000	247,085	402,085	2.08
1999	1,526,931	696,336	830,595	265,000	143,845	408,845	2.03
2000	2,161,617	854,470	1,307,147	205,000	183,750	388,750	3.36
2001	1,931,993	860,881	1,071,112	215,000	173,327	388,327	2.76
2002	1,746,270	682,842	1,063,428	225,000	161,647	386,647	2.75
2003	1,753,028	657,459	1,095,569	240,000	149,357	389,357	2.81
2004	1,731,015	629,515	1,101,500	255,000	136,257	391,257	2.82
LOCAL OPTION TRANSPORTATION TAX REVENUE BONDS:							
1995	\$1,612,683	\$428,825	\$1,183,858	\$300,000	\$589,323	\$889,323	1.33
1996	2,102,651	569,400	1,533,251	315,000	577,923	892,923	1.72
1997	2,070,863	411,139	1,659,724	330,000	564,063	894,063	1.86
1998	3,927,742	964,827	2,962,915	345,000	548,553	893,553	3.32
1999	3,760,811	779,114	2,981,697	570,000	342,006	912,006	3.27
2000	4,294,521	511,791	3,782,730	445,000	419,793	864,793	4.37
2001	4,167,348	572,751	3,594,597	465,000	396,965	861,965	4.17
2002	3,260,767	802,280	2,458,487	490,000	371,495	861,495	2.85
2003	3,449,765	832,634	2,617,131	520,000	344,522	864,522	3.03
2004	3,253,554	814,720	2,438,834	545,000	315,847	860,847	2.83

(A) Bond financing requires that the average annual coverage is at least 1.25 times the average annual debt service.

Source: City of SeaTac Finance Department.

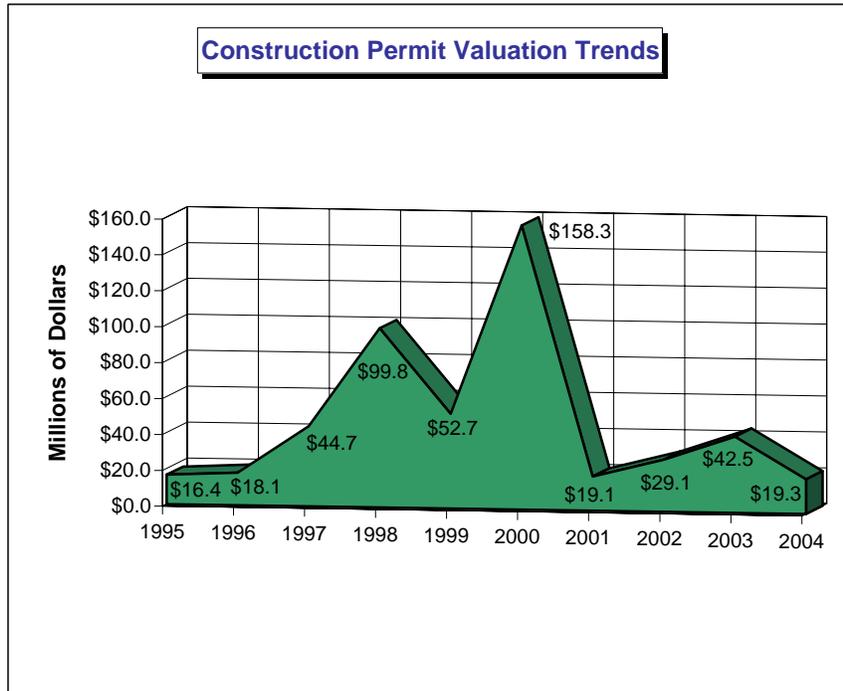
DEMOGRAPHIC STATISTICS



Fiscal Year	Population (A)	Median Age (B)	Personal Income Per Capita (C)	Public School Enrollment (D)	Unemployment Rate (E)
1995	22,910	33.7	\$16,645	3,302	5.2%
1996	23,110	34.2	17,144	3,492	5.0%
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%

(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

PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS



Fiscal Year	Construction Permits (A)		Bank Deposits King County (B)	Assessed Value (C)
	Units	Value		
1995	500	\$16,392,549	\$19,034,515,000	\$2,190,365,771
1996	606	18,070,051	21,602,083,000	2,370,373,775
1997	558	44,687,086	25,390,527,000	2,370,090,176
1998	619	99,847,553	27,581,709,000	2,603,558,609
1999	526	52,712,153	27,035,907,000	2,695,703,965
2000	406	158,274,864	27,381,000,000	2,899,746,676
2001	322	19,195,940	30,346,000,000	3,042,645,615
2002	308	29,090,134	32,574,000,000	3,153,263,602
2003	289	42,457,647	40,179,371,000	3,275,213,279
2004	270	19,303,040	43,839,240,000	3,417,097,289

(A) Source: City of SeaTac Building Division.
 (B) Source: Federal Deposit Insurance Corporation
 (C) Source: King County Assessor's Office. See Table 7 for further assessed value information.

MISCELLANEOUS STATISTICS

DECEMBER 31, 2004

Date of Incorporation	1990
Form of Government	Council/Manager
Legal Status	Non-Charter Code City
Congressional District	Washington's Ninth
Legislative District	Thirty-Third
County Population	1,788,300
City Population	25,130
Area in Square Miles	8.35
Assessed Valuation	\$3,417,097,289
Number of Voter Precincts	31
Number of Registered Voters	11,332
Recreation Facilities:	
Parks	8
Developed Park Acres	174
Community Centers	2
Business Licenses Issued	1,879
Permits Issued:	
Building Permits	270
Other Permits	<u>907</u>
Total Permits Issued	1,177
Fire Protection:	
Number of Stations	3
Fire Fighters and Officers	48
Fire Responses	1,254
Medic Aid Responses	2,683
City Employees (Full-Time Equivalents)	157
Highline School District No. 401:	
Elementary Schools	4
Enrollment	1,678
Middle Schools	1
Enrollment	657
High Schools	1
Enrollment	1,164

Note: Statistics for services provided are all for the year 2004.