

City of SeaTac, Washington 2003 Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2003



Celebrating the Past, Embracing the Future

SeaTac City Hall
4800 South 188th Street
SeaTac, Washington 98188
(206) 973-4800

City of SeaTac, Washington
2003 Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2003

Prepared by the City of SeaTac Finance Department

SeaTac City Hall
4800 South 188th Street
SeaTac, Washington 98188
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**CITY OF SEATAC, WASHINGTON
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003**

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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
Bruce A. Rayburn

Assistant City Manager
Craig R. Ward

City Attorney
Mary E. Mirante Bartolo

City Clerk
Judith L. Cary

"The Hospitality City"

November 29, 2004

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, 2003. This transmittal letter discusses the City's audit, provides a profile of the City and looks at the economic conditions affecting the City.

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 department warrants that, to the best of our knowledge and ability, the data and disclosures reported are both accurate in all material aspects, and that they fairly represent SeaTac's financial position and results of operations. This report has been prepared in conformance with generally accepted accounting principles (GAAP) and the requirements of Washington State RCW 43.09.230.

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* presents financial, economic, social and demographic data about the City. The statistical section 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 25,100 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 2003, the Airport handled 26.7 million passengers versus 28.4 million in 2000, the year prior to the terrorist attacks of September 11th.

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 11.6% of the total assessed valuation for the City. United, Horizon Air, Northwest, Southwest, Delta and American Airlines combine to account for an additional 18.3% 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, and in 2000, the Hilton Hotel completed a \$20 million renovation and expansion.

Table 9 of the Statistical Section lists the ten largest taxpayers in the City. This list includes

seven airlines, one hotel, one airplane manufacturer and one air freight/package express company. 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.

Economic Outlook

Despite the overall upward trend of the SeaTac economy, it has been cyclical to some extent, following the general cycles that affect the entire area and Boeing in particular, which has by far the biggest influence on the Puget Sound region. The present growth cycle started in the mid-1970's as Boeing recovered from a devastating downward trend when an employment reduction of up to 75% was necessary. Economic growth was dramatic through the early 1980's, slowed down during the middle of the decade, then picked up again in the late 1980's. The economy has generally been strong since that time, although recessionary conditions prevailed in 1991 and 1992. However, the City operated conservatively during that period and was able to maintain high levels of service without tax increases or significant erosion of surplus.

Since the terrorist attacks of September 11, 2001, the City has experienced considerable declines in certain travel related revenues, demonstrating the importance of the air travel industry on City operations. Parking tax revenue², which are used to fund transportation improvements, continue to maintain a \$1 million annual decline from 2000 levels when the City received \$4.8 million in revenue. The parking tax is a \$1.00 per transaction tax. Hotel/motel tax revenues, which are dedicated to tourism promotion, have maintained an average decline of 12% over the past three years when compared to the \$930,000 received in 2000. The City's hotel/motel tax rate is 1%.

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 38% 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, property tax revenue will likely not 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 36% 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.

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.

In addition to the air travel impact on City revenues, other economic factors affect City operations. For instance, King County's top employer, the Boeing Company, has reduced its workforce in Washington by almost 1/3 since the end of 2001. Boeing had over 78,000 employees at the end of 2001 and only 54,000 at the end of 2003. In 2004, Boeing's workforce continued to decline and currently stands at approximately 53,000. The unemployment rate for King County continues to be quite high, just under 6%. The regional forecast for employment is an increase of 2.3% for 2005. The median home price at the end of 2003 was \$304,700 in King County. This was almost a 25% increase over the median home price of \$244,000 in 2001. Puget Sound housing permits rose over 1% in 2003 for both single-family and multi-family permits.

OTHER INFORMATION

Independent Audit

Washington State law requires an annual audit of the City's financial statements and records by the Washington 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. The City's notes to the financial statements and the *Management's Discussion and Analysis (MD&A)* are also included within the audit of the financial statements.

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 2003 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 (CAFR) for the year ended December 31, 2002. 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 twelve consecutive years (fiscal years ended 1991 through 2002). 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, who did an outstanding job of preparing the City's first CAFR using the new GASB 34 government-wide financial reporting model. 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, 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 provided by the Washington State Auditor's Office is also very much appreciated.

Sincerely,



Michael J. McCarty
Finance and Systems Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of SeaTac,
Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

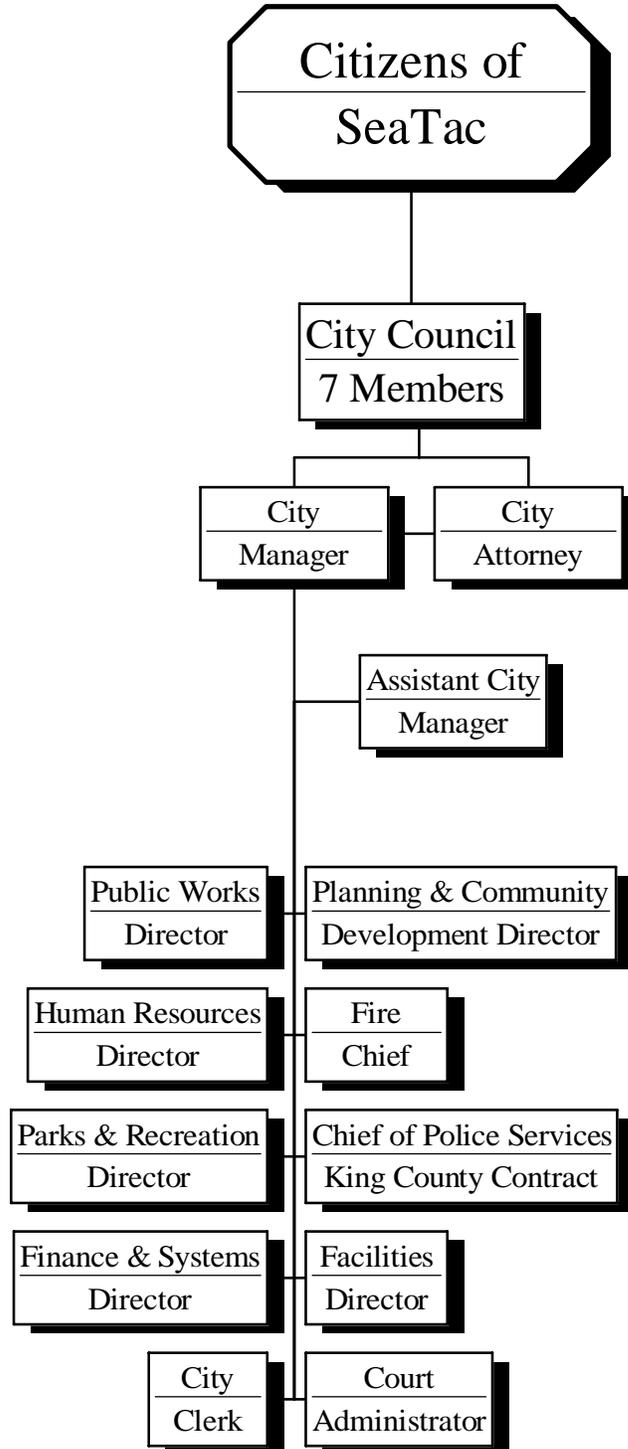
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

City Organization



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 Cary
Court Administrator	Mary Pederson
Chief of Police Services	Scott Somers
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.....	Donald Monaghan





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Financial Section





Sunset Building
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Washington State Auditor
Brian Sonntag

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INDEPENDENT AUDITOR'S REPORT

September 24, 2004

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

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, 2003, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our financial 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 financial position of the governmental activities, the business-type, each major fund, and the aggregate remaining fund information of the City of SeaTac, King County, Washington, as of December 31, 2003, 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.

As described in Note 1 to the financial statements, during the year ended December 31, 2003, the City has implemented Governmental Accounting Standard's Board Statement 34, Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments.

The Management's Discussion and Analysis on pages 13 through 30 is not a required part of the basic financial statements but is 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 of SeaTac's basic financial statements. The accompanying financial information listed as combining financial statements and supplemental information on pages 80 through 88 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, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR





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**CITY OF SEATAC, WASHINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED 2003**

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, 2003. Since the MD&A was designed to focus on the activities, resulting changes, and currently known facts for the year 2003, 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

- The City implemented the new reporting requirements of the Governmental Accounting Standards Board (GASB) Statement 34 for fiscal year 2003. Since 2003 was the first year the City reported under GASB 34, audited government-wide comparisons were not available for 2002.
- For the year ended December 31, 2003, net assets of the governmental activities were \$77,513. Of this amount, \$33,833 or 44% represented assets invested in capital assets, net of depreciation and reduced by outstanding spent bond debt. Net assets for business-type proprietary funds were \$5,629 with investments in capital assets, net of related debt, equaling \$2,482 or 44%.
- Capital asset reporting was modified to include City infrastructure such as streets, sidewalks, other improvements, etc. for the year 2003 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. In addition to reporting infrastructure, the funds reporting as governmental activities began depreciating their capital assets which was not a previous reporting requirement.
- At the end of 2003, unreserved fund balance for the *General Fund* was \$17,539 or 93% of total *General Fund* expenditures, excluding transfers out.
- In 2003, the City's overall financial position increased by \$11,342 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 deteriorated by 22% as shown by the decline in the Change in Net Assets in the amount of \$1,559. This decline was due to \$2,382 in transfers to other funds in large part for the construction of a new maintenance facility.

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 new 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*, 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 seventeen individual governmental funds. The City's six 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 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. A budgetary comparison statement is presented for the *General Fund* and the two major special revenue funds which include the *Port of Seattle Interlocal Agreement Fund* and the *Hotel/Motel Tax Fund*.

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 following table is a condensed version of the City's *Statement of Net Assets*:

City of SeaTac's Net Assets

	Governmental Activities	Business-type Activities	Total
Assets:			
Current and other assets	\$50,587	\$2,960	\$53,547
Noncurrent assets	2,113	430	2,543
Capital assets, net	45,198	5,200	50,398
Total Assets	\$97,898	\$8,590	\$106,488
Liabilities:			
Current liabilities	4,009	440	4,449
Long-term liabilities	16,376	2,521	18,897
Total Liabilities	\$20,385	\$2,961	\$23,346
Net Assets:			
Invested in capital assets, net of debt	33,833	2,481	36,314
Restricted	-	404	404
Unrestricted	43,680	2,744	46,424
Total Net Assets	\$77,513	\$5,629	\$83,142

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

- 1. 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 2003, the City's net assets increased by \$10,310 to \$83,142. This represents a 15% increase from the prior year. The increase in net assets came from governmental activities because the business-type activities had a decline in net assets of \$1,559.
- 2. 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 2003, no new debt was issued by the City for both governmental activities and business-type activities.
- 3. 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. Additionally, there is an increase in debt which will not change the investment in capital, net of debt account. In 2003, no bond proceeds were spent on new capital assets. In addition, \$5,000,000 in hotel/motel tax bonds remains unspent from 1998. These bond proceeds will be spent on future tourism related facilities.
- 4. 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 debt, is increased. In 2003, the City paid \$465,000 in general obligation debt principal, \$760,000 in revenue bond principal and \$185,000 in special assessment bond principal.
- 5. 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 debt. Per GASB Statement 34, the City began

depreciating its governmental assets in 2003. The City incurred \$1,387 (net) in depreciation expense for governmental activities and \$46 (net) in depreciation expense for the business-type activities for the year. At the end of 2003, accumulated depreciation for governmental assets equaled 12% of total asset cost. For business-type assets, accumulated depreciation equaled 39% 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. Please note that 2003 is the first year that the City of SeaTac has prepared its financial reports in compliance with GASB 34. As a result, no information for the prior year 2002 is presented.

City of SeaTac's Changes in Net Assets

	Governmental Activities	Business-type Activities	Total
Revenues:			
<i>Program Revenues:</i>			
Charges for services	\$2,901	\$1,656	\$4,557
Operating grants & contributions	1,080	36	1,116
Capital grants & contributions	4,113	-	4,113
<i>General Revenues:</i>			
Property taxes	9,180	-	9,180
Sales taxes	9,257	-	9,257
B&O taxes	3,813	-	3,813
Other taxes	1,557	-	1,557
Investment interest	964	61	1,025
Miscellaneous	308	-	308
Total Revenues	33,173	1,753	34,926
Expenses:			
Judicial	302	-	302
General Government	4,019	-	4,019
Public Safety	11,204	-	11,204
Physical Environment	12	-	12
Transportation	2,213	-	2,213
Human Services	258	-	258
Economic Environment	2,190	-	2,190
Health	5	-	5
Culture & Recreation	2,409	-	2,409
Interest on long-term debt	1,647	-	1,647
Surface Water	-	930	930
Total Expenses	24,259	930	25,189
Increase in Net Assets Before Transfers	8,914	823	9,737
Transfers	2,428	(2,382)	46
Increase in Net Assets	11,342	(1,559)	9,783
Net Assets-Beginning	66,171	7,188	73,359
Net Assets-Ending	\$77,513	\$5,629	\$83,142

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

Revenue Impacts

- 1. 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 a high Washington State Unemployment Rate of over 7% at the end of 2003. This has negatively impacted City revenues in many areas including sales taxes and investment earnings.

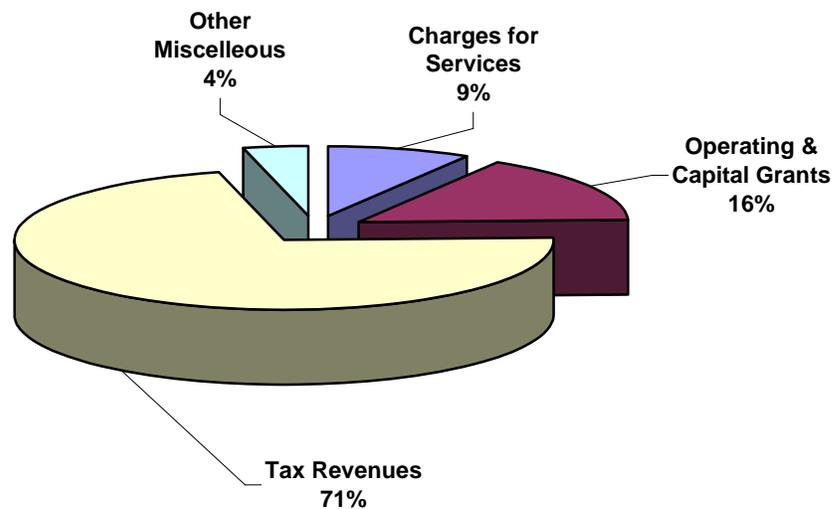
2. **Increase/Decrease in Council Approved Rates** – While certain tax rates are set by statute, the City Council has significant authority to impose and periodically increase/decrease certain taxes, rates, fees and other charges. City Council increases or decreases to revenues, such as property taxes, 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 2003, the City’s investment portfolio was solely 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 1.37% in January to 1.07% in December. Rates declined dramatically in 2001 from 6.23% to 2.31% and have remained low since that time.

Revenues by Source - Governmental Activities

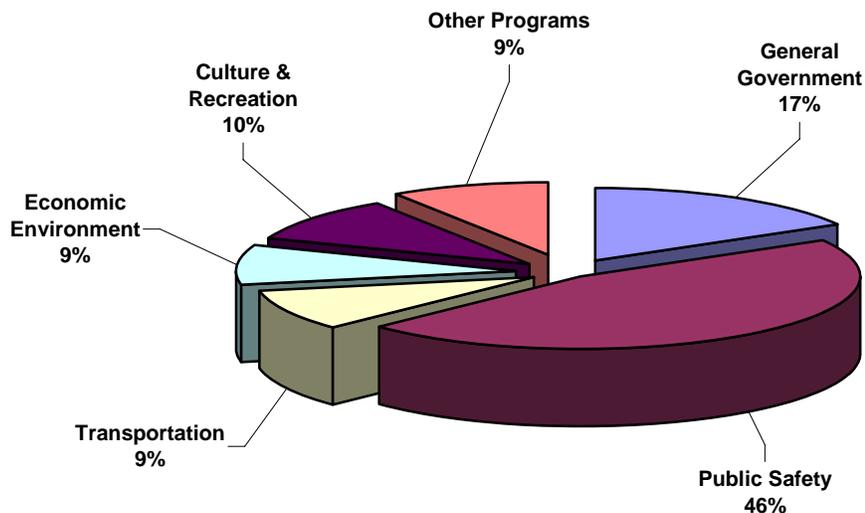


Notes: Tax revenues include property and sales taxes and are a large portion of the City’s operating income. Please note that transfers in from other funds are not included in this chart.

Expenditure 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 2003, a facilities program budget was added to the *General Fund* to provide in-house facilities management. This added 3.5 positions to the budget. This service was previously contracted out as professional services under the *Building Management* special revenue fund. In addition, the *Municipal Capital Improvements Fund* was added to account for general capital improvements. Funding sources include one time Port of Seattle sales taxes and real estate excise taxes.
2. **Changes in Personnel** – Changes in service demand and financial constraints may cause the City Council to increase or decrease staffing. In 2003, staffing costs including salary and benefits exceeded 25% of the City's total expenditures. In 2003, budgeted full time equivalent (FTE) positions declined from 156.3 to 154.9.
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 strive to approach competitive salary ranges in the marketplace. In 2003, the City provided a cost of living adjustment for most employees of 90% of the CPI-W which was 1.35%. In addition, the City has a six step salary schedule which provides annual 5% increases to qualifying employees.
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 2003, the CPI-U for the Seattle area was 1.6% versus 2.3% for the United States.

Expenditures by Type - Governmental Activities



Notes: Public Safety expenditures are for contracted police services and in-house fire services. Please note that 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 five 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 2003, the City's combined ending governmental fund balance was \$45,693 which includes an increase of \$1 million or 2% over the prior year. Of the total ending fund balance, \$8,782 was reserved for interfund loans receivable. At the end of the current year, total unreserved fund balance for all governmental funds equaled \$36,062.

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 2003, property taxes recorded into the *General Fund* equaled \$8,347 while in 2002 they were \$8,109. Please note that property taxes of approximately \$425,000 were also recorded directly into the *Long-term General Obligation Debt Service Fund* for both years. In 2003, sales taxes equaled \$6,277 and \$6,433 in 2002. At

the end of 2003, the fund balance of the *General Fund* was \$17,539. As a measure of the fund's liquidity, the ending fund balance was 93% of the fund's 2003 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 2003, no additional relief payments were received. Interest earnings were the only revenue source in this Fund. The ending fund balance for this Fund was \$13,979 which includes \$8,782 in interfund loans receivable.

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 2003, the *Hotel/Motel Fund* collected \$440 in hotel/motel taxes which is an increase of \$13 over 2002. At the end of 2003, the fund balance of the *Hotel/Motel Tax Fund* was \$7,337 and included unexpended bond proceeds. Debt service payments on the bonds were paid from collected hotel/motel taxes.

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 \$2,153 special assessments receivables balance. 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.

The *Municipal Facilities Capital Improvement Fund* is a capital projects fund whose purpose is to account for the expenditures related to municipal capital projects, including the renovation of SeaTac City Hall and the construction of the City's new Parks and Public Works Maintenance Facility. In 2003, the only revenue sources included in this Fund were transfers from other funds. At the end of 2003, the fund balance in the *Municipal Facilities Construction Fund* was a negative balance of \$8,477 due to an interfund loan from the *Port of Seattle Interlocal Agreement Fund*. This loan was used to purchase and renovate City Hall.

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 2003, the major revenue sources for this Fund included transportation grants and a transfer from the *Arterial Street Fund*. Ending fund balance for this Fund was \$4,159.

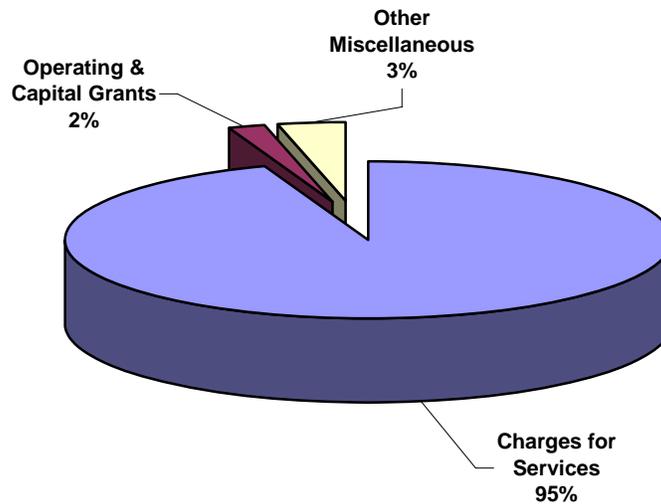
Listed on the City's proprietary statements is a column for the City's only internal service fund, the *Equipment Rental Fund*. This Fund operates in a manner similar to a business-type fund, but is shown under the governmental activities column because it provides most of its services to the programs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

Business-Type Funds

The City's only business-type funds are the *Surface Water Management Funds*. The *Surface Water Management Funds* are three inter-related 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 \$5,602 at the end of 2003. Of this amount, \$2,716 was unrestricted.

Revenues by Source - Business-type Activities



Notes: This chart reflects the resources provided by the City's only business-type activity which is a surface water management utility, excluding transfers in. As shown in the chart, the majority of the revenues come from the surface water management fee which is listed as charges for services in the chart. A chart for expenditures has not been provided because 100% of all expenditures are related to surface water management.

BUDGETARY HIGHLIGHTS

The table on the next page provides a budgetary review of the City's operating fund, the *General Fund*, and includes the original adopted 2003 budget, the final amended 2003 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	\$16,079	\$16,951	\$16,951	-
Prior Year Correction	-	269	269	-
Fund Balance-Beginning (Restated)	16,079	17,220	17,220	-
Resources (Inflows)				
Taxes	15,774	15,774	16,273	499
Licenses & permits	685	685	802	117
Grants	440	529	413	(116)
State shared revenue	292	292	328	36
Intergovernmental services	4	4	15	11
General government charges	33	33	46	13
Security of persons & property fees	46	46	118	72
Physical environment fees	109	109	354	245
Economic development fees	50	50	108	58
Culture & recreation fees	332	332	307	(25)
Fines & forfeitures	193	193	328	135
Miscellaneous revenues	611	611	630	19
Operating transfers in	678	678	678	-
Amts Available for Appropriation	19,247	19,336	20,400	1,064
Charges to Appropriations (Outflows)				
<i>General Government:</i>				
Legislative	142	147	122	25
Executive	580	595	569	26
Finance	772	795	640	155
City Clerk	251	256	230	26
Legal	726	741	603	138
Human Resources	321	328	221	107
Judicial	475	501	478	23
<i>Public Safety:</i>				
Police	6,314	6,413	5,817	596
Fire & Emergency Services	4,315	4,761	4,515	246
Parks & Recreation	2,181	2,274	1,965	309
Health & Human Services	265	271	257	14
Public Works	1,299	1,328	1,212	116
Facilities	667	704	692	12
Planning & Community Development	1,022	1,043	820	223
Non-Departmental	1,799	1,177	743	434
Operating Transfers Out	560	1,122	1,195	(73)
Total Charges to Appropriations	21,689	22,456	20,079	2,377
Fund Balance, December 31	\$13,637	\$14,100	\$17,541	\$3,441

The following are the major amendments made to the City's 2003 Operating Budget: 1) Federal Emergency Management (FEMA) Grant for the Fire Department for mobile data computers and software (\$76), 2) Project funding increase for the new Parks and Public Works Maintenance Facility allocated as follows: 30% from the *General Fund*, 30% from the *Surface Water Management Fund* and 30% from the *Arterial Street Fund* (\$921 total); 3) Allocation of 1% of total *General Fund* revenues for human service contracts (\$190), 4) Carryover appropriations were made in various funds for projects that were not completed and items that were not purchased as budgeted in 2002 (\$3,087), and 5) City Hall tenant improvements for leased office space (\$21).

During the 2003 budget process, it was anticipated that budget cuts and hiring freezes would be necessary to balance the City's operating budget and reduce the \$2.4 million current year budget deficit that was originally anticipated. As the year progressed, carefully managing expenditures and better than anticipated *General Fund* revenues eliminated the projected deficit for 2003.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of the end of 2003, the City had invested \$44,386 (net) in governmental activities capital assets and \$6,011 (net) in business-type activities. The following table presents the City's capital assets for the year 2003:

City of SeaTac's Capital Assets

	Governmental Activities	Business-type Activities	Total
Capital Assets:			
Land	\$11,125	\$0	\$11,125
Construction in Progress (CIP)	6,161	1,204	7,365
Buildings/Building Improvements	24,156	-	24,156
Other Improvements/Infrastructure	3,840	6,942	10,782
Equipment/Vehicles/Machinery	5,029	1,654	6,683
Intangible Assets-Software	155	-	155
Less: Depreciation	(6,080)	(3,789)	(9,869)
Total Capital Assets (Net)	\$44,386	\$6,011	\$50,397

For 2003, the major changes in governmental capital assets included the following: 1) The City capitalized one year of infrastructure activity which included completed capital infrastructure projects and construction in progress, 2) The City began to depreciate its governmental assets for the first time, and 3) Governmental activities capital assets increased by \$11,851 (net asset reductions). The only major change in the business-type capital assets was a correction for prior years in the amount of \$528. Additional information on the correction can be found in the *2003 Financial Statement Notes* in Note 17(A) *Other Disclosures – Prior Period Adjustments*. Supplementary information on the City's capital assets can also be found in *Note 6 Capital Assets* in the *2003 Notes to the Financial Statements*.

Long-term Debt

The City of SeaTac is authorized to issue long-term debt pursuant to the laws of the State of Washington. The City has three types of allowable long-term debt outstanding including general obligation debt (councilmanic), revenue debt, and special assessment debt. No voter-approved general obligation debt is outstanding.

General Obligation Debt

Councilmanic (without a vote) general obligation debt is limited to 1.5% or \$47,298 of the City's total tax assessed valuation. The limit for voter approved debt is 2.5% or \$78,832 of the City's total tax assessed valuation. The City's assessed value was \$3,153,263 in 2003. As of the end of 2003, the City had \$7,550,000 in outstanding councilmanic 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 2003.

In addition to the general debt limitations, there are other statutory limitations on total City debt and specified limits on debt issued for open space and other uses. This information can be found in the statistical section of the City's 2003 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 2003, the City had \$9,865,000 in outstanding revenue debt. No new revenue debt was issued in 2003.

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.

As of the end of 2003, the City had LID bonds outstanding totaling \$2,025,000. 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 *2003 Notes to the Financial Statements*.

ECONOMIC FACTORS AND THE 2004 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 primarily rely on property taxes and a limited array of other taxes and fees for their governmental activities. The City of SeaTac's major revenue operating 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 2003 *Management’s Discussion and Analysis* and the City’s 2004 *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. Based on the budget analysis, the City’s future is promising amid some short-term challenges.

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 to fund general operations, 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 2000 to 2004 (budgetary figures presented for 2004):

City of SeaTac’s Major Revenues Sources- Governmental Activities

Revenue Category:	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Budget
Property Taxes	7,804	8,248	8,536	8,755	8,450
Sales Taxes	7,842	8,023	8,433	6,088	6,300
Parking Taxes	4,755	4,603	3,700	3,832	3,797
Hotel/Motel Taxes	930	902	814	819	841

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 the 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 downturn in sales tax revenues beginning in 2002 has caused the City of SeaTac to use more conservative budgeting and spending practices. In addition, to deal with this downturn in retail sales, the City continues to work to expand economic opportunities and has identified targeted markets for economic development. Through this activity, the City strives to grow the SeaTac economy while increasing business-related revenue to the City. The table below demonstrates the conservative effort being utilized by the City in its *General Fund*.

City of SeaTac's General Fund Revenues/Expenditures

	2001	2002	2003	2004
Budget:				
Budgeted Revenues	22,036	21,304	19,335	19,568
Budgeted Expenditures	22,655	21,520	22,455	21,413
Budgeted Difference	(619)	(216)	(3,120)	(1,845)
Actual:				
Actual Revenues	22,764	20,674	20,401	N/A
Actual Expenditures	19,783	19,565	20,081	N/A
Actual Difference	2,981	1,109	320	N/A

In addition to the reduction in sales taxes, the City has seen declines in its parking tax revenues. This decline may have an adverse affect on the City's long-term capital transportation projects. The bulk of the City's major transportation projects are funded through a combination of Federal and State grants and a local match funded through parking taxes. The decline in parking tax revenues from 2002 and 2003 reduced long-term transportation capital projects in terms of both scale and timing. However, 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 softening of the City's collection of hotel/motel taxes 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.

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. 9*



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City of SeaTac, Washington
Statement of Net Assets

December 31, 2003

	Governmental Activities	Business-type Activities	Total
Assets			
<i>Current Assets:</i>			
Cash & cash equivalents	\$ 45,282,336	\$ 2,849,338	\$ 48,131,674
Receivables (net)	5,229,397	84,015	5,313,412
Internal balances	(26,998)	26,998	(0)
Prepaid items	102,278	-	102,278
Total Current Assets	50,587,013	2,960,351	53,547,364
<i>Noncurrent Assets:</i>			
Restricted cash & investments:			
Bond covenant accounts	-	403,925	403,925
Deferred charges & other assets:			
Deferred charges	-	25,750	25,750
Noncurrent receivables	2,112,740	-	2,112,740
Capital Assets:			
Land	11,125,389	-	11,125,389
Depreciable assets (net)	27,841,136	3,996,170	31,837,306
Infrastructure	70,622	-	70,622
Construction in progress	6,160,766	1,203,991	7,364,757
Total Noncurrent Assets	47,310,653	5,629,836	52,940,489
Total Assets	\$ 97,897,666	\$ 8,590,187	\$ 106,487,853
Liabilities			
<i>Current Liabilities:</i>			
Vouchers payable & accrued expenses	2,227,549	184,939	2,412,488
Unearned revenue	593,733	-	593,733
Current portion of long-term obligations	1,035,000	255,000	1,290,000
Special assessment debt with gov commitment	75,000	-	75,000
Other current liabilities	77,532	-	77,532
Total Current Liabilities	4,008,814	439,939	4,448,753
<i>Noncurrent Liabilities:</i>			
Noncurrent portion of long-term obligations	14,425,953	2,521,193	16,947,146
Special assessment debt with gov commitment	1,950,000	-	1,950,000
Total Long-term Liabilities	16,375,953	2,521,193	18,897,146
Total Liabilities	20,384,767	2,961,132	23,345,899
Net Assets			
Invested in capital assets, net of related debt	33,832,913	2,481,789	36,314,702
Restricted for debt service		403,925	403,925
Unrestricted	43,679,986	2,743,341	46,423,327
Total Net Assets	\$ 77,512,899	\$ 5,629,055	\$ 83,141,954

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

Basic Financial Statements



City of SeaTac, Washington
Statement of Activities

For the Year Ended December 31, 2003

Page 1 of 2

	Expenses	Program Revenues		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions
Functions/Programs				
<i>Governmental Activities:</i>				
Judicial	\$ 302,006	\$ 338,556	\$ -	\$ -
General Government	4,019,139	964,091	-	-
Public Safety	11,203,830	133,122	216,503	-
Physical Environment	12,352	354,513	68,605	-
Transportation	2,213,416	278,896	583,219	4,113,007
Human Services	257,886	-	107,567	-
Economic Environment	2,190,283	525,246	99,500	-
Health	4,903	-	-	-
Culture & Recreation	2,408,821	307,023	4,200	-
Interest on long-term debt	1,647,210	-	-	-
Total Governmental Activities	24,259,846	2,901,447	1,079,594	4,113,007
<i>Business-type Activities:</i>				
Surface Water Utilities	929,998	1,655,503	36,448	-
Total Business-type Activities	929,998	1,655,503	36,448	-
Total Government	\$ 25,189,844	\$ 4,556,950	\$ 1,116,042	\$ 4,113,007

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	\$ 36,550	\$ -	\$ 36,550
General Government	(3,055,048)	-	(3,055,048)
Public Safety	(10,854,205)	-	(10,854,205)
Physical Environment	410,766	-	410,766
Transportation	2,761,706	-	2,761,706
Human Services	(150,319)	-	(150,319)
Economic Environment	(1,565,537)	-	(1,565,537)
Health	(4,903)	-	(4,903)
Culture & Recreation	(2,097,598)	-	(2,097,598)
Interest on long-term debt	(1,647,210)	-	(1,647,210)
Total Governmental Activities	(16,165,798)	-	(16,165,798)
<i>Business-type Activities:</i>			
Surface Water Utilities	-	761,953	761,953
Total Business-type Activities	-	761,953	761,953
Total Government	(16,165,798)	761,953	(15,403,845)
General Revenues			
Property taxes	9,179,835	-	9,179,835
Sales taxes	9,257,043	-	9,257,043
B&O taxes	3,813,041	-	3,813,041
Other taxes	1,557,403	-	1,557,403
Unrestricted grants & contributions	159,288	-	159,288
Investment earnings	963,865	61,077	1,024,942
Disposition of capital assets	148,418	-	148,418
Total General Revenues	25,078,893	61,077	25,139,970
Transfers	2,428,500	(2,382,290)	46,210
Total General Revenues & Transfers	27,507,393	(2,321,213)	25,186,180
Change in Net Assets	11,341,595	(1,559,260)	9,782,335
Net Assets-Beginning	66,171,304	7,188,315	73,359,619
Net Assets-Ending	\$ 77,512,899	\$ 5,629,055	\$ 83,141,954

City of SeaTac, Washington
Balance Sheet
Governmental Funds

December 31, 2003

Page 1 of 2

	General	Port of Seattle ILA	Hotel/Motel Tax	Special Assessment Debt
Assets				
<i>Current Assets:</i>				
Cash & cash equivalents	\$ 16,601,511	\$ 5,196,717	\$ 7,428,895	\$ 20,780
Receivables (net)	2,612,850	-	47,435	2,153,146
Due from other funds	-	8,781,986	-	-
Prepaid items	84,303	-	-	-
Total Assets	\$ 19,298,664	\$ 13,978,703	\$ 7,476,330	\$ 2,173,926
Liabilities				
<i>Current Liabilities:</i>				
Vouchers payable & accrued expenses	293,061	-	139,814	-
Due to other governments	168,080	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	1,230,701	-	-	2,112,740
Other current liabilities	67,587	-	-	-
Total Liabilities	1,759,429	0	139,814	2,112,740
Fund Balances				
<i>Reserved for:</i>				
Debt service	-	-	-	61,186
<i>Unreserved, reported in:</i>				
General Fund	17,539,235	-	-	-
Special revenue funds	-	13,978,703	7,336,516	-
Capital project funds	-	-	-	-
Total Fund Balances	17,539,235	13,978,703	7,336,516	61,186
Total Liabilities and Fund Balances	\$ 19,298,664	\$ 13,978,703	\$ 7,476,330	\$ 2,173,926

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

	Municipal Facilities CIP	Transportation CIP	Other Governmental Funds	Total Governmental Funds
Assets				
<i>Current Assets:</i>				
Cash & cash equivalents	\$ 692,370	\$ 2,473,520	\$ 10,777,352	\$ 43,191,145
Receivables (net)	-	2,084,533	444,173	7,342,137
Due from other funds	-	-	-	8,781,986
Prepaid items	-	-	-	84,303
Total Assets	\$ 692,370	\$ 4,558,053	\$ 11,221,525	\$ 59,399,571
Liabilities				
<i>Current Liabilities:</i>				
Vouchers payable & accrued expenses	387,583	399,321	115,813	1,335,592
Due to other governments	-	-	-	168,080
Due to other funds	8,781,986	-	-	8,781,986
Deferred revenue	-	-	-	3,343,441
Other current liabilities	-	-	9,945	77,532
Total Liabilities	9,169,569	399,321	125,758	13,706,631
Fund Balances				
<i>Reserved for:</i>				
Debt service	-	-	787,375	848,561
<i>Unreserved, reported in:</i>				
General Fund	-	-	-	17,539,235
Special revenue funds	-	-	3,907,435	25,222,654
Capital project funds	(8,477,199)	4,158,732	6,400,957	2,082,490
Total Fund Balances	(8,477,199)	4,158,732	11,095,767	45,692,940
Total Liabilities and Fund Balances	\$ 692,370	\$ 4,558,053	\$ 11,221,525	\$ 59,399,571

City of SeaTac, Washington
**Reconciliation of Fund Balances of Governmental
Funds to the Net Assets of Governmental Activities**

December 31, 2003

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

Governmental funds total fund balance on December 31, 2003 **\$ 45,692,940**
(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	
Buildings & structures	24,156,435	
Other improvements	3,839,770	
Equipment	5,029,466	
Intangible assets	154,548	
Construction in progress	6,160,766	
Less: accumulated depreciation	<u>(6,080,301)</u>	44,386,073

The focus of governmental funds is on short-term financing; long-term assets are deferred in the individual funds. 2,749,708

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	\$ (16,365,000)	
Accrued interest payable	(717,925)	
Compensated absences payable	<u>(1,120,953)</u>	(18,203,878)

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 the governmental activities Statement of Net Assets. 2,888,056

Net assets of governmental activities	<u>\$ 77,512,899</u>
<i>(as shown on the Statement of Net Assets)</i>	

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



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City of SeaTac, Washington
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Year Ended December 31, 2003

Page 1 of 2

	General	Port of Seattle ILA	Hotel/Motel Tax	Special Assessment Debt
Revenues				
Taxes	\$ 16,272,653	\$ -	\$ 440,013	\$ -
Licenses & permits	801,551	-	-	-
Intergovernmental	761,488	-	-	176,062
Charges for services	933,462	-	-	-
Fines & forfeitures	328,061	-	-	-
Investment earnings	325,434	186,588	248,126	149,186
Rents & leases	94,055	-	-	-
Miscellaneous	45,393	-	-	-
Total Revenues	19,562,097	186,588	688,139	325,248
Expenditures				
<i>Current operations:</i>				
Judicial	295,566	-	-	-
General Government	3,396,718	-	-	-
Public Safety	10,616,064	-	-	-
Physical Environment	12,352	-	-	-
Transportation	418,589	-	-	-
Health & Human Services	261,858	-	-	-
Economic Environment	1,613,844	-	548,970	-
Culture & Recreation	1,953,123	-	-	-
Debt service	106,479	-	-	312,251
Capital outlay	210,785	-	-	-
Total Expenditures	18,885,378	-	548,970	312,251
Excess (deficiency) of revenues over (under) expenditures	676,719	186,588	139,169	12,997
Other Financing Sources (Uses)				
Transfers in	678,250	-	-	-
Transfers out	(1,195,337)	-	-	-
Disposition of capital assets	160,180	-	-	-
Total Other Financing Sources (Uses)	(356,907)	-	-	-
Net Change in Fund Balances	319,812	186,588	139,169	12,997
Fund Balances-Beg (as previously reported)	16,950,636	13,792,115	7,155,402	48,189
Prior Year Correction	268,787	-	41,945	-
Fund Balances-Beginning (as restated)	17,219,423	13,792,115	7,197,347	48,189
Fund Balances-Ending	\$ 17,539,235	\$ 13,978,703	\$ 7,336,516	\$ 61,186

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

	Municipal Facilities CIP	Transportation CIP	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ -	\$ -	\$ 6,537,072	\$ 23,249,738
Licenses & permits	-	159,930	-	961,481
Intergovernmental	-	4,036,989	600,726	5,575,265
Charges for services	-	-	1,415	934,877
Fines & forfeitures	-	-	-	328,061
Investment earnings	-	32,153	-	941,487
Rents & leases	-	-	398,565	492,620
Miscellaneous	-	-	23,789	69,182
Total Revenues	-	4,229,072	7,561,567	32,552,711
Expenditures				
<i>Current operations:</i>				
Judicial	-	-	-	295,566
General Government	-	-	10,659	3,407,377
Public Safety	-	-	-	10,616,064
Physical Environment	-	-	-	12,352
Transportation	-	68,247	1,698,780	2,185,616
Health & Human Services	-	-	-	261,858
Economic Environment	-	-	-	2,162,814
Culture & Recreation	-	-	26,868	1,979,991
Debt service	-	-	1,680,555	2,099,285
Capital outlay	5,076,459	6,231,387	343,873	11,862,504
Total Expenditures	5,076,459	6,299,634	3,760,735	34,883,427
Excess (deficiency) of revenues over expenditures	(5,076,459)	(2,070,562)	3,800,832	(2,330,716)
Other Financing Sources (Uses)				
Transfers in	4,294,938	2,800,000	600,000	8,373,188
Transfers out	-	-	(4,795,561)	(5,990,898)
Disposition of capital assets	-	-	-	160,180
Total Other Financing Sources (Uses)	4,294,938	2,800,000	(4,195,561)	2,542,470
Net Change in Fund Balances	(781,521)	729,438	(394,729)	211,754
Fund Balances-Beg (as previously reported)	(7,695,678)	3,429,294	10,968,074	44,648,032
Prior Year Correction	-	-	522,422	833,154
Fund Balances-Beginning (as restated)	(7,695,678)	3,429,294	11,490,496	45,481,186
Fund Balances-Ending	\$ (8,477,199)	\$ 4,158,732	\$ 11,095,767	\$ 45,692,940

City of SeaTac, Washington
**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, 2003

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

Net change in fund balance for all governmental funds combined	\$ 211,754
<i>(as shown on the Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds)</i>	

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

Capital outlay	\$ 11,862,504	
Depreciation expense	<u>(1,387,374)</u>	10,475,130

In the Statement of Activities, only the gain on the sale of assets is reported. In the governmental funds, the proceeds from the sale of assets increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets. (11,057)

The issuance of long-term debt is a resource and the repayment of bond principal is an expenditure in governmental funds, but those transactions increase or reduce long-term liabilities in the Statement of Net Assets. This amount is for principal repayments because no bond debt was issued in 2003. 1,170,000

Some revenues reported in the Statement of Activities are not yet available and therefore are not reported as revenues in the governmental funds. 449,434

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. (1,129,542)

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. 175,876

Change in net assets of governmental activities	\$ 11,341,595
<i>(as shown on the Statement of Activities-Governmental Activities)</i>	

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

City of SeaTac, Washington
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund

For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 15,774,278	\$ 15,774,278	\$ 16,272,653	\$ 498,375
Licenses & permits	684,625	684,625	801,551	116,926
Intergovernmental	735,579	824,546	761,488	(63,058)
Charges for services	570,273	570,273	933,462	363,189
Fines and forfeitures	192,550	192,550	328,061	135,511
Investment earnings	526,000	526,000	325,434	(200,566)
Miscellaneous	84,500	84,500	139,448	54,948
Total Revenues	18,567,805	18,656,772	19,562,097	905,325
Expenditures				
<i>Current operations:</i>				
Judicial	307,430	333,110	295,566	37,544
General government	4,616,979	4,192,844	3,396,718	796,126
Public safety	11,010,892	11,427,830	10,616,064	811,766
Physical environment	12,352	12,352	12,352	-
Transportation	490,213	498,868	418,589	80,279
Health & human services	269,530	275,485	261,858	13,627
Economic environment	1,830,246	1,872,686	1,613,844	258,842
Culture & recreation	2,050,138	2,071,229	1,953,123	118,106
Debt service	-	180,000	106,479	73,521
Capital outlay	240,590	469,269	210,785	258,484
Total Expenditures	20,828,370	21,333,673	18,885,378	2,448,295
Excess (deficiency) of revenues over (under) expenditures	(2,260,565)	(2,676,901)	676,719	3,353,620
Other Financing Sources (Uses)				
Transfers in	678,250	678,250	678,250	-
Transfers out	(860,000)	(1,121,816)	(1,195,337)	(73,521)
Disposition of capital assets	-	-	160,180	160,180
Total Other Financing Sources (Uses)	(181,750)	(443,566)	(356,907)	86,659
<i>Net Change in Fund Balances</i>	<i>(2,442,315)</i>	<i>(3,120,467)</i>	<i>319,812</i>	<i>3,440,279</i>
Fund Balances-Beg (as previously reported)	16,078,701	16,950,636	16,950,636	-
Prior Year Correction	-	268,787	268,787	-
Fund Balances-Beginning (as restated)	16,078,701	17,219,423	17,219,423	-
Fund Balances-Ending	\$ 13,636,386	\$ 14,098,956	\$ 17,539,235	\$ (3,440,279)

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

City of SeaTac, Washington
Statement of Net Assets
Proprietary Funds

December 31, 2003

	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	\$ 1,629,469	\$ 1,219,869	\$ -	\$ 2,849,338	\$ 2,091,191
Receivables (net)	73,146	10,869	-	84,015	-
Prepaid items	-	-	-	-	17,975
Total Current Assets	1,702,615	1,230,738	-	2,933,353	2,109,166
<i>Noncurrent Assets:</i>					
Restricted cash & investments:					
Bond covenant accounts	-	-	403,925	403,925	-
Deferred charges & other assets:					
Deferred charges	25,750	-	-	25,750	-
Capital assets:					
Depreciable assets (net)	1,340,452	2,655,718	-	3,996,170	811,840
Construction in progress	-	1,203,991	-	1,203,991	-
Total Noncurrent Assets	1,366,202	3,859,709	403,925	5,629,836	811,840
Total Assets	\$ 3,068,817	\$ 5,090,447	\$ 403,925	\$ 8,563,189	\$ 2,921,006
Liabilities					
<i>Current Liabilities:</i>					
Vouchers payable	39,638	2,340	-	41,978	5,952
Due to other governments	131,606	-	-	131,606	-
Accrued interest payable	11,355	-	-	11,355	-
Bonds payable	255,000	-	-	255,000	-
Total Current Liabilities	437,599	2,340	-	439,939	5,952
<i>Noncurrent Liabilities:</i>					
Compensated absences	32,071	-	-	32,071	-
Bonds payable	2,805,307	-	-	2,805,307	-
Other noncurrent liabilities	(316,185)	-	-	(316,185)	-
Total Noncurrent Liab	2,521,193	-	-	2,521,193	-
Total Liabilities	2,958,792	2,340	-	2,961,132	5,952
Net Assets					
Invested in capital assets, net					
of related debt	(1,377,920)	3,859,709	-	2,481,789	811,840
Restricted for debt service	-	-	403,925	403,925	-
Unrestricted	1,487,945	1,228,398	-	2,716,343	2,103,214
Total Net Assets	\$ 110,025	\$ 5,088,107	\$ 403,925	\$ 5,602,057	\$ 2,915,054

An Equipment Rental Internal Service Fund is used by management to charge the costs of equipment repairs and replacements to individual funds. This is the total adjustment for the Internal Service Funds that are reported with business-type activities in the *Statement of Activities*.

26,998

Net assets of business-type activities **\$ 5,629,055**

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

City of SeaTac, Washington
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

For the Year Ended December 31, 2003

	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	\$ 1,654,634	\$ -	\$ -	\$ 1,654,634	\$ -
Equipment Rental	-	-	-	-	395,392
Total Operating Revenues	1,654,634	-	-	1,654,634	395,392
Operating Expenses					
Maintenance & operations	626,623	30,836	-	657,459	115,716
Depreciation	61,742	52,820	-	114,562	144,684
Total Operating Expenses	688,365	83,656	-	772,021	260,400
Operating Income (Loss)	966,269	(83,656)	-	882,613	134,992
Nonoperating Revenues (Exps)					
Intergovernmental	-	36,448	-	36,448	-
Investment earnings	23,464	37,613	-	61,077	22,378
Interest expense	(150,898)	-	-	(150,898)	-
Debt issuance costs	(34,077)	-	-	(34,077)	-
Gain (loss) on disposition of assets	-	-	-	-	(705)
Misc nonoperating revs (exps)	869	-	-	869	-
Total Nonoperating Revs (Exps)	(160,642)	74,061	-	(86,581)	21,673
Income (Loss) Before Contributions & Transfers	805,627	(9,595)	-	796,032	156,665
Transfers in	-	-	-	-	46,210
Transfers out	(401,404)	(1,980,886)	-	(2,382,290)	-
Change in Net Assets	404,223	(1,990,481)	-	(1,586,258)	202,875
Net Assets-Beg (as prev reported)	(822,526)	7,078,588	403,925		2,712,179
Prior Years' Correction	528,328	-	-		-
Net Assets-Beginning (as restated)	(294,198)	7,078,588	403,925		2,712,179
Net Assets-Ending	\$ 110,025	\$ 5,088,107	\$ 403,925		\$ 2,915,054

An Equipment Rental Internal Service Fund is used by management to charge the costs of equipment repairs and replacements to individual funds. This is the total adjustment for the Internal Service Funds that are reported with business-type activities in the *Statement of Activities*.

26,998

Change in net assets of business-type activities	\$ (1,559,260)
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The notes to the financial statements are an integral part of this statement.

City of SeaTac, Washington
Statement of Cash Flows
Proprietary Funds

For the Year Ended December 31, 2003

Page 1 of 2

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Surface Water Management Operating	Surface Water Management Construction	Other Enterprise Funds	Total Enterprise Funds	
Cash Flows from Operating Activities					
Receipts from customers	\$ 1,591,802	\$ -	\$ -	\$ 1,591,802	\$ -
Receipts from other funds	121,083	-	-	121,083	393,472
Payments to suppliers	(244,540)	(36,181)	-	(280,721)	(131,095)
Payments to employees	(336,156)	-	-	(336,156)	-
Payments to other funds	(79,476)	-	-	(79,476)	-
Other receipts (payments)	-	-	-	-	1,920
Net Cash Provided (Used) by Operating Activities	1,052,713	(36,181)	-	1,016,532	264,297
Cash Flows from Noncapital Financing Activities					
Subsidy from other agencies	-	25,579	-	25,579	-
Operating transfers to other funds	(401,404)	(1,980,886)	-	(2,382,290)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(401,404)	(1,955,307)	-	(2,356,711)	-
Cash Flows from Capital Financing Activities					
Capital contributions	-	-	-	-	-
Proceeds from sale of assets	-	-	-	-	23,790
Purchase of capital assets	-	(207,024)	-	(207,024)	(252,322)
Principal paid on capital debt	(371,606)	-	-	(371,606)	-
Interest paid on capital debt	(151,990)	-	-	(151,990)	-
Net Cash Provided (Used) by Capital Financing Activities	(523,596)	(207,024)	-	(730,620)	(228,532)
Cash Flows from Investing Activities					
Interest received	23,464	37,613	-	61,077	22,378
Net Cash Provided (Used) by Investing Activities	23,464	37,613	-	61,077	22,378
Net Increase (Decrease) in Cash and Cash Equivalents	151,177	(2,160,899)	-	(2,009,722)	58,143
Cash and Cash Equivalents-Beg	1,478,292	3,380,768	403,925	5,262,985	2,033,048
Cash and Cash Equivalents-End	\$ 1,629,469	\$ 1,219,869	\$ 403,925	\$ 3,253,263	\$ 2,091,191

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

City of SeaTac, Washington
Statement of Cash Flows
Proprietary Funds

For the Year Ended December 31, 2003

Page 2 of 2

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Surface Water Management Operating	Surface Water Management Construction	Other Enterprise Funds	Total Enterprise Funds	
Reconciliation of Operating Income					
(Loss) to Net Cash Provided					
(Used) by Operating Activities					
Operating Income (Loss)	\$ 966,269	\$ (83,656)	\$ -	\$ 882,613	\$ 134,992
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	61,742	52,820	-	114,562	144,684
(Increase) decrease in accounts receivable pertaining to operating activities	25,711	-	-	25,711	-
(Increase) decrease in prepaid insurance	-	-	-	-	(17,975)
Increase (decrease) in vouchers payable pertaining to operating activities	(6,296)	(5,345)	-	(11,641)	2,596
Increase (decrease) in compensated balances	5,287	-	-	5,287	-
Total adjustments	86,444	47,475	-	133,919	129,305
Net Cash Provided (Used) by Operating Activities	\$ 1,052,713	\$ (36,181)	\$ -	\$ 1,016,532	\$ 264,297
Noncash investing, capital, and financing activities					
Contributions of capital assets from other funds	-	-	-	-	46,210

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



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CITY OF SEATAC, WASHINGTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

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. All 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 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 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 2003.

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.

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

The City implemented the new reporting requirements of the Governmental Accounting Standards Board (GASB) Statement 34 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 *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.

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.

D. Budgetary Information

1. Scope of the Budget

The City of SeaTac budgets in accordance with the provisions of the Revised Code of Washington (RCW) 35A.33. Annual appropriated budgets 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 in the accounting system in all budgeted governmental funds. Any unexpended appropriations lapse at the end of the fiscal year. GASB Statement 1 does not require, and the financial statements do not present, budgetary comparisons for proprietary fund types.

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 transfer budget amounts between departments, 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.

The financial statements 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, 2003, the *Municipal Facilities Capital Improvement Fund (#306)* had a deficit fund balance of \$8,477,199. 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. In 2003, an additional one time payment in the amount of \$689,282 was made. 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, 2003, the City had holdings of \$48,088,567 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 various funds based upon ownership of investments.

The amounts 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 2003 were approximately \$2,324,771.

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 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, 2003, \$20,175 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

Activity 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	\$403,925
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 as of December 31, 2003 for governmental funds is reported in the government-wide *Statement of Net Assets*. This long-term liability is \$1,120,953 at December 31, 2003. 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 are incurred in proprietary funds. The noncurrent liability amount in the City's *Surface Water Management Fund* at December 31, 2003 is \$32,071.

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 a liability 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 the revenue recognition criteria has 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, 2003, the City's total cash and cash equivalents consisted of the following:

Bank of America, Checking Accounts	\$ 2,192,532
Cash Equivalents with State Treasurer's Pool	45,891,335
EBS/Neopost, Postage Meter Account	3,000
Petty Cash/Change Funds	<u>1,700</u>
Total Cash and Cash Equivalents.....	<u>\$48,088,567</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 are obligations of the U.S. Government and the State Treasurer's Local Government Investment Pool.

The City's investments are categorized to give an indication of the risk assumed at year-end. Category 1 includes investments that are either insured, registered or held by the City or its

agent in the City's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or its trust department or agent, but not in the City's name.

Investments in the State Treasurer's Local Government Investment Pool, however, are not normally subject to risk categorization pursuant to GASB Statement 3 (Cod. Sec. 150.165). In general, investments in pools managed by other governments or in mutual funds should be disclosed but not categorized because they are not evidenced by securities that exist in physical or book entry form. 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 all 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 investment reported on the December 31, 2003 account statements is the same as the value of the pool shares.

The following schedule classifies the City's investments at year-end:

	Carrying Amount	Fair Value
<i>Investments not subject to categorization:</i>		
Investment in State Treasurer's Investment Pool	<u>\$ 45,891,335</u>	<u>\$ 45,891,335</u>
Total Investments	<u>\$ 45,891,335</u>	<u>\$ 45,891,335</u>

Investments in the State Treasurer's Investment Pool are classified cash and cash equivalents on City Balance Sheets and Statements of Net Assets.

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 are not expected to be collected within 30 days are classified as deferred revenue.

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 regular levy for 2003 was \$2.88 per \$1,000, based on an assessed valuation of \$3,153,263,602 for a total levy of \$9,075,811.

NOTE 6 – CAPITAL ASSETS

A. Capital Assets for Governmental Activities

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

Beginning in 2003, the City is 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 has been eliminated by GASB 34.

For 2003, the government-wide *Statement of Net Assets* only includes major general infrastructure additions for the current year. 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 is 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 2003. Please note that \$811,840 of internal service fund depreciated capital assets for the *Equipment Replacement Fund (#501)* are not shown in the table below and will be shown in the proprietary capital asset 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 01/01/2003	Increases	Decreases	Ending Balance 12/31/2003
Capital assets not being depreciated:				
Land	\$11,931,331	\$ 0	\$ 805,942	\$11,125,389
Construction in Progress (CIP)	0	6,160,766	0	6,160,766
Total assets not being depreciated	11,931,331	6,160,766	805,942	17,286,155
Capital assets being depreciated:				
Buildings/Bldg Improvements	21,594,946	2,561,489	0	24,156,435
Other Improvements/Infrastructure	0	3,839,770	0	3,839,770
Equipment/Vehicles/Machinery	5,088,650	611,549	670,733	5,029,466
Intangible Assets-Software	0	154,548	0	154,548
Total assets being depreciated	26,683,596	7,167,356	670,733	33,180,219
Total governmental capital assets before depreciation	\$38,614,927	\$13,328,122	\$1,476,675	\$50,466,374
Less:				
<i>Accumulated depreciation for capital assets being depreciated</i>	4,692,928	1,398,431	11,057	6,080,302
Total governmental capital assets after depreciation	\$33,921,999	\$11,929,691	\$1,465,618	\$44,386,072

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 \$811,840 of internal service fund assets, during 2003:

Business-Type Activities Capital Assets	Beginning Balance 01/01/2003	Increases	Decreases	Ending Balance 12/31/2003
Capital assets not being depreciated:				
Construction in Progress-SWM	\$1,035,971	\$168,020	\$0	\$1,203,991
Total assets not being depreciated	1,035,971	168,020	0	1,203,991
Capital assets being depreciated:				
Other Improvements-SWM	6,942,771	0	0	6,942,771
Equipment-SWM	1,565	0	0	1,565
Equipment-ERR	1,591,751	307,409	246,947	1,652,213
Total assets being depreciated	8,536,087	307,409	246,947	8,596,549
Total business-type capital assets before depreciation	\$9,572,058	\$475,429	\$246,947	\$9,800,540
Less:				
<i>Accumulated depreciation for capital assets being depreciated</i>	3,742,869	260,418	214,748	3,788,539
Total business-type capital assets after depreciation	\$5,829,189	\$215,011	\$32,199	\$6,012,001

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

Business-type Activities:	
Equipment Rental-Internal Service Fund	\$144,684
Surface Water Management Utilities-Proprietary Fund	61,742
Surface Water Management Construction-Proprietary Fund	52,820
Total Depreciation Expense-Business-type Activities	\$259,246

C. Construction Commitments

The City has one active construction project at December 31, 2003. The following list details the active construction project and the City's commitment with the contractor:

Project	Spent to Date	Remaining Commitment
International Boulevard Phase III (Contract #ST-021 with SEI Infrastructure)	\$7,245,435	\$1,372,429
Total Outstanding Construction Commitments	\$7,245,435	\$1,372,429

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 comprised 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 1,167 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2002:

PERS Membership	
Retirees and beneficiaries receiving benefits	63,676
Terminated plan members entitled to but not yet receiving benefits	19,152
Active plan members vested	98,994
Active plan members non-vested	55,191
Total PERS Members	237,013

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 current-year covered payroll, as of December 31, 2003 were as follows:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer	1.40%	1.40%	1.40%**
Employee	6.00%	1.18%	***

*The employer rates include the employer administrative expense fee currently set at 0.22%.

**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>
2003	\$5,834	\$69,322	\$2,929
2002	\$6,291	\$65,428	\$ 0
2001	\$9,160	\$87,679	\$ 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 comprised of two separate defined benefit plans. Membership in the system includes all full-time, fully compensated, local law enforcement officers and fire fighters. LEOFF is comprised primarily of non-state employees. 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 359 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2001:

LEOFF Membership	
Retirees and beneficiaries receiving benefits	8,231
Terminated plan members entitled to but not yet receiving benefits	398
Active plan members vested	11,222
Active plan members non-vested	3,936
Total LEOFF Members	23,787

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 current-year covered payroll, as of December 31, 2003, were as follows:

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
Employer*	0.22%	3.25%
Employee	0.00%	5.05%
State	N/A	2.02%

*The employer rates include the employer administrative expense fee currently set at 0.22%.

**The employer rate for ports and universities is 5.27%.

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>
2003	\$0	\$93,781
2002	\$0	\$84,935
2001	\$0	\$79,384

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, 2003, there were 150 active members in the City of SeaTac Retirement Trust. Actual employee contributions during the year amounted to \$521,399. Actual employer contributions were \$542,151.

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 coverage in 2002 in any of the major categories of risk. Also, the amount of settlements have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 9 – SHORT TERM DEBT

As of December 31, 2003, 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 2003 and had no arbitrage rebate liability for existing bonds.

General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Original Issue Amount	Amount Outstanding
1998 LTGO Hotel/Motel Tax	4.20% - 4.70%	\$5,000,000	\$4,115,000
1998 LTGO Refunding	3.35% - 4.40%	3,645,000	3,435,000
Total General Obligation Bonds		\$8,645,000	\$7,550,000

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
2004	\$ 490,000	\$ 323,157	2012	\$ 675,000	\$ 136,210
2005	515,000	303,729	2013	700,000	106,848
2006	530,000	282,860	2014	305,000	76,048
2007	550,000	261,230	2015	315,000	62,475
2008	570,000	238,623	2016	330,000	48,143
2009	595,000	215,328	2017	345,000	32,963
2010	620,000	190,510	2018	360,000	16,920
2011	650,000	164,160	Total GO Bonds	\$7,550,000	\$2,459,204

At December 31, 2003, the City has \$81,125 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 \$5,000,000. These bond proceeds will be used for the acquisition/construction of tourism related capital facilities.

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 are 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 or 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 2003 and had no arbitrage rebate liability for existing bonds. Revenue bonds currently outstanding are as follows:

Description	Interest Rate	Original Issue Amount	Amount Outstanding
1994 Local Option Transportation	3.25% - 6.50%	\$10,000,000	\$ 590,000
1999 Transportation Refunding	3.25% - 4.70%	6,675,000	6,200,000
1999 Storm Water Refunding	3.25% - 4.70%	3,320,000	3,075,000
Total Revenue Bonds		\$19,995,000	\$9,865,000

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
2004	\$ 545,000	\$ 315,847	2004	\$ 255,000	\$ 136,258
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	201,132	2008	300,000	90,577
2009	690,000	172,092	2009	315,000	77,378
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	\$6,790,000	\$1,818,453	Subtotal-SWM	\$3,075,000	\$ 811,194
Total Revenue Bonds			\$9,865,000 \$2,629,647		

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, 2003, the proprietary funds contain 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 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 2003 no additional special assessment bonds were issued and the City had no arbitrage rebate liability.

Special assessment bonds currently outstanding are as follows:

Description	Interest Rate	Original Issue Amount	Amount Outstanding
LID #1	5.00% - 6.20%	\$2,871,819	\$2,025,000
Total Special Assessment Bonds		\$2,025,000	\$2,025,000

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
2004	75,000	117,270	2010	195,000	58,890
2005	195,000	113,295	2011	195,000	47,483
2006	195,000	102,765	2012	195,000	35,880
2007	195,000	92,040	2013	195,000	24,083
2008	195,000	81,120	2014	195,000	12,090
2009	195,000	70,103	Total SA Bonds	\$2,025,000	\$755,019

Advance Refundings

In 1998, the City refunded one general obligation bond issue by placing the proceeds of 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 bonds payable were \$11,920,000 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 was \$526,426. The City received the first draw in 2001 in the amount of \$394,819, which represents 75% of the loan amount. The remaining 25% will be disbursed upon project closeout if necessary. The interest rate on this loan is one percent (1%) per annum, with the final payment due July 1, 2004. Outstanding liability on the loan is reported in the *Surface Water Management Fund (#403)*.

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 Compensated Absences*.

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2003 was as follows:

	Balance 01/01/03	Additions	Reductions	Balance 12/31/03	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 8,015,000	\$ 0	\$465,000	\$ 7,550,000	\$ 490,000
Revenue bonds	7,310,000	0	520,000	6,790,000	545,000
Special assessment	2,210,000		185,000	2,025,000	75,000
Capital leases	0	0	0	0	0
Claims & judgments	0	0	0	0	0
Compensated absences	709,336	411,617	0	1,120,953	0
Governmental activity long-term liabilities	\$18,244,336	\$411,617	\$1,170,000	\$17,485,953	\$1,110,000
Business-type Activities:					
Revenue Bonds	\$3,315,000	\$ 0	\$240,000	\$3,075,000	\$255,000
<i>Less deferred amounts:</i>					
<i>Unamortized discount</i>	(16,039)	0	(1,346)	(14,693)	(1,346)
Total bonds payable-net	3,298,961	0	238,654	3,060,307	253,654
Capital leases	0	0	0	0	0
Compensated absences	26,784	5,287	0	32,071	0
Pub Works Trust Fund loan	263,214	0	131,607	131,607	131,607
Business-type activity long-term liabilities	\$3,588,959	\$5,287	\$370,261	\$3,223,985	\$385,261

B. LEASES**Operating Leases**

The City leases equipment under non-cancelable operating leases. The cost for such leases was \$9,036 for the year ended December 31, 2003. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2004	\$ 49,656
2005	48,556
2006	48,456
2007	40,380
Total	\$187,048

Capital Leases

The City has entered into no capital leases as of December 31, 2003.

NOTE 11 – CONTINGENCIES AND LITIGATION

The City Attorney reports that, as of December 31, 2003, a small number of employment-related and 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 that none of the claims or suits have any significant probability of resulting in a plaintiff's award.

Eminent Domain actions are currently being prosecuted in connection with Public Works street improvement projects, but 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, 2003, 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 fund's 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 2003, principal payments in the amount of \$1,111,129 and \$106,479 in interest were repaid on the interfund loan. The loan balance at December 31, 2003 was \$8,781,986.

The table below shows the interfund balances/loans at December 31, 2003:

Due To	Due From	
	Port of Seattle Interlocal Agreement Fund #105	Municipal Capital Improvement Fund #306
		Total
	\$8,781,986	\$8,781,986

B. Interfund Transfers

During 2003, 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 2003:

Transfers To	Transfers From					Total
	General Fund	Surface Water Management	Surface Water Construction	Other Non-Major Funds		
General Fund	\$ 0	\$161,250	\$ 0	\$ 517,000	\$ 678,250	
Municipal CIP Facilities	895,337	240,154	1,980,886	1,178,561	4,294,938	
Transportation CIP	0	0	0	2,800,000	2,800,000	
Other Non-Major Funds	300,000	0	0	300,000	600,000	
Total Transfers	\$1,195,337	\$401,404	\$1,980,886	\$4,795,561	\$8,373,188	
Transfer in of general capital assets:						
To internal service funds from existing capital assets					46,210	
Total Transfers In					\$8,419,398	

The following provides a description of the City's \$8,373,188 in interfund transfers by major fund:

General Fund #001

There were four interfund transfers into the General Fund in 2003. Three of the transfers were established to cover some of the administrative costs of the funds below. The administrative costs were paid for by the General Fund included costs such as the City Manager's Office, legal and financial services. The three funds transferring the fund out were as follows: 1) *Street Fund #101*- \$60,490, 2) *Arterial Street Fund #102*- \$321,510 and 3) *Surface Water Management Fund #403* - \$161,250.

The fourth transfer into the General Fund was from the *Building Management Fund #108* in the amount of \$135,000. 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 \$678,250.

Municipal Facilities CIP Fund #306

Six transfers were completed into this Fund totaling \$4,294,938. The first one was from the General Fund in the amount of \$453,521. 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 five transfers in the amount of \$3,841,417 were all made to provide funding for the construction of the City's maintenance and storage facility as follows: 1) *General Fund #001*-\$441,816, 2) *Capital Improvement Fund #301*-\$157,488, 3) *Arterial Street Fund #102*-\$1,021,073, 4) *Surface Water Management Fund #403*-\$240,154 and 5) *Surface Water Construction Fund #406*-\$1,980,886.

Transportation CIP Fund #307

A transfer was made from the *Arterial Street Fund #102* into the *Transportation CIP Fund* in the amount of \$2,800,000 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 \$300,000. 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 \$300,000. This transfer was used to replace fire department capital assets including a command vehicle and a pumper truck. Transfers from the General Fund are the only revenue source for the *Fire Equipment Capital Reserve Fund*.

In the fund financial statements, total transfers in of \$8,419,398 are greater than total transfers out of \$8,373,188 because of the treatment of transfers of capital assets to the internal service fund. During the year, existing capital assets related to governmental funds, with a book value of \$46,210 were transferred to internal service funds. No amounts were reported in the governmental funds as the amount did not involve the transfer of financial resources. However, the internal service funds did report a transfer in for the capital resources received.

NOTE 13 - RECEIVABLE AND PAYABLE BALANCES

A. Receivables

The receivable balances for the major funds at December 31, 2003 were as follows:

Fund	Accounts	Taxes	Special Assessments	Due from Other Governments	Total
Governmental Activities:					
General Fund	\$442,365	\$2,049,678	\$ 0	\$ 120,807	\$2,612,850
POS ILA	0	0	0	0	0
Hotel/Motel Tax	0	47,435	0	0	47,435
Special Assessment	0	0	40,405	0	40,405
Municipal CIP Facilities	0	0	0	0	0
Transportation CIP	0	0	0	2,084,533	2,084,533
Other Non-Major		438,675	0	5,498	444,173
Total Governmental	\$442,365	\$2,535,788	\$40,405	\$2,210,838	\$5,229,396
<i>Amounts not scheduled for collection during the subsequent year</i>	0	0	2,112,740	0	2,112,740
Business-type Activities:					
Surface Water Mngt	\$73,146	\$0	\$0	\$ 0	\$73,146
SWM Construction	0	0	0	10,869	10,869
Equipment Rental	0	0	0	0	0
Total Business-type	\$73,146	\$0	\$0	\$10,869	\$84,015

B. Payables

The City's payable balances for the major funds at December 31, 2003 were as follows:

Fund	Vouchers	Due to Other Governments	Deposits	Interest	Total
Governmental Activities:					
General Fund	\$ 293,061	\$168,080	\$67,587	\$ 0	\$ 528,728
POS ILA	0	0	0	0	0
Hotel/Motel Tax	139,814	0	0	0	139,814
Special Assessment	0	0	0	0	0
Municipal CIP Facilities	387,583	0	0	0	387,583
Transportation CIP	399,321	0	0	0	399,321
Other Non-Major	115,813	0	9,945	0	125,758
Total Governmental	\$1,335,592	\$168,080	\$77,532	0	\$1,581,204
<i>Reconciliation of balances in fund financial statements to government-wide financial statements:</i>					
Internal service fund adjustment	5,952				5,952
Current bond interest payable				717,925	717,925
Total Governmental Adj	\$1,341,544	\$168,080	\$77,532	\$717,925	\$2,305,081
Business-type Activities:					
Surface Water Mgt	\$39,638	\$131,606	\$0	\$11,355	\$182,599
SWM Construction	2,340	0	0	0	2,340
Total Business-type	\$41,978	\$131,606	\$0	\$11,355	\$184,939

NOTE 14 - POSTEMPLOYMENT 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 \$40,000 were recognized for post-employment health care. This represents an \$11,684 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 is 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 Debt Service
General Fund #001	\$225,000	\$ 0
Arterial Street Fund #102	0	447,031
Debt Service Funds (Combined)	0	401,530
Total	\$225,000	\$848,561

NOTE 16 – RESTATEMENT OF BEGINNING FUND BALANCE/BUDGETARY BASIS OF ACCOUNTING

On the *Port of Seattle ILA Fund 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 \$9,893,115 which is the original loan amount.

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* for the interfund loan. 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 2003, two prior period adjustments for refunds were made totaling \$157,185. The first adjustment was for a refund of Community Development Block Grant (CDBG) funds in the amount of \$33,955 from 2000-2001 grant contacts. The City did not have and could not submit required personnel activity reports. The City has implemented a corrective action plan regarding timekeeping policies to avoid this reoccurring in future contracts. The second adjustment was a refund to the Port of Seattle for various building/electrical permits that they did not receive in the amount of \$123,230. These 2 prior period adjustments were both in the General Fund. Additionally, a prior period expenditure adjustment was made in the amount of \$528,328. This adjustment was a correction for nine years of recording duplicate depreciation on assets transferred from King County in the *Surface Water Management Fund*.

B. Changes in Accounting Principle

In 2003, the City changed its accounting practices of accruing certain revenues to comply with GASB Statement 33. The following are the adjustments made and are shown as adjustments to beginning fund balances in the *Statement of Revenues, Expenditures, and Changes in Fund Balances for Governmental Funds*: 1) In both the *General Fund* and the *Capital Improvement Fund #301* sales taxes were accrued for 60 days, sales taxes in prior periods were accrued for 30 days, 2) In the General Fund, all property taxes receivable were previously recorded as deferred revenues. The City now accrues 60 days of property taxes as revenues available to fund liabilities of the current period as per GASB Interpretation 5, and 3) Both hotel/motel taxes and parking taxes were accrued for a period of 60 days. In prior periods, these taxes were not accrued.

The hotel/motel taxes are accrued in the *Hotel/Motel Tax Fund #107* while parking taxes are accrued in the *Arterial Street Fund #102* which is being reported as a nonmajor governmental fund in the financial statements.

B. Subsequent Events

On July 13, 2004 the City Council adopted Ordinance #04-1012 which amended Chapter 3.20 of the SeaTac Municipal Code, subtitled Real Estate Excise Tax, and imposed an additional one-quarter of one percent real estate excise tax. The Ordinance became effective July 24, 2004.



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Required Supplementary Information



Nonmajor Governmental Funds**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 three nonmajor capital project funds as follows:

1. The *Capital Improvement Fund* was re-created in 2002 to account for the accumulation of monies to fund general capital improvements.
2. The *Fire Equipment Capital Reserve Fund* was established to account for the replacement of Fire Department capital equipment.
3. 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.

**City of SeaTac, Washington
Combining Balance Sheet
Nonmajor Governmental Funds**

December 31, 2003

Page 1 of 2

	Special Revenue Funds						Debt Service Funds	
	City Street	Arterial Street	Contingency Reserve	Transit Planning	Building Management	Total Special Revenue Funds	LTGO City Hall Bonds	Transportation Bonds
Assets								
<i>Current Assets:</i>								
Cash & cash equivalents	\$ 186,244	\$ 2,841,026	\$ 755,000	\$ 114,775	\$ 306,075	\$ 4,203,120	\$ 10,996	\$ 26,666
Receivables (net)	-	258,649	-	1,660	-	260,309	-	-
Due from other funds	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-
Total Assets	\$ 186,244	\$ 3,099,675	\$ 755,000	\$ 116,435	\$ 306,075	\$ 4,463,429	\$ 10,996	\$ 26,666
Liabilities								
<i>Current Liabilities:</i>								
Vouchers payable & accrued expenses	12,352	70,681	-	-	15,985	99,018	-	-
Other current liabilities	-	-	-	-	9,945	9,945	-	-
Total Liabilities	12,352	70,681	0	0	25,930	108,963	0	0
Fund Balances								
<i>Reserved for:</i>								
Debt service	-	447,031	-	-	-	447,031	10,996	26,666
<i>Unreserved, reported in:</i>								
Special revenue funds	173,892	2,581,963	755,000	116,435	280,145	3,907,435	-	-
Capital project funds	-	-	-	-	-	-	-	-
Total Fund Balances	173,892	3,028,994	755,000	116,435	280,145	4,354,466	10,996	26,666
Total Liab & Fund Balances	\$ 186,244	\$ 3,099,675	\$ 755,000	\$ 116,435	\$ 306,075	\$ 4,463,429	\$ 10,996	\$ 26,666

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

**City of SeaTac, Washington
Combining Balance Sheet
Nonmajor Governmental Funds**

December 31, 2003

Page 2 of 2

	Debt Service Funds			Capital Project Funds			Total Nonmajor Governmental Funds	
	Hotel/Motel Bonds	LID Guarantee	Total Debt Service Funds	Capital Improvement	Fire Equipment Capital Reserve	Transportation Bonds Reserve		Total Capital Project Funds
Assets								
<i>Current Assets:</i>								
Cash & cash equivalents	\$ 22,682	\$ 280,000	\$ 340,344	\$ 3,935,452	\$ 1,404,373	\$ 894,063	\$ 6,233,888	\$ 10,777,352
Receivables (net)	-	-	-	183,864	-	-	183,864	444,173
Due from other funds	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-
Total Assets	\$ 22,682	\$ 280,000	\$ 340,344	\$ 4,119,316	\$ 1,404,373	\$ 894,063	\$ 6,417,752	\$ 11,221,525
Liabilities								
<i>Current Liabilities:</i>								
Vouchers payable & accrued expenses	-	-	-	16,795	-	-	16,795	115,813
Other current liabilities	-	-	-	-	-	-	-	9,945
Total Liabilities	0	0	0	16,795	0	0	16,795	125,758
Fund Balances								
<i>Reserved for:</i>								
Debt service	22,682	280,000	340,344	-	-	-	-	787,375
<i>Unreserved, reported in:</i>								
Special revenue funds	-	-	-	-	-	-	-	3,907,435
Capital project funds	-	-	-	4,102,521	1,404,373	894,063	6,400,957	6,400,957
Total Fund Balances	22,682	280,000	340,344	4,102,521	1,404,373	894,063	6,400,957	11,095,767
Total Liab & Fund Balances	\$ 22,682	\$ 280,000	\$ 340,344	\$ 4,119,316	\$ 1,404,373	\$ 894,063	\$ 6,417,752	\$ 11,221,525

City of SeaTac, Washington
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

For the Year Ended December 31, 2003

Page 1 of 2

	Special Revenue Funds					Debt Service Funds		
	City Street	Arterial Street	Contingency Reserve	Transit Planning	Building Management	Total Special Revenue Funds	LTGO City Hall Bonds	Transportation Bonds
Revenues								
Taxes	\$ -	\$ 2,943,041	\$ -	\$ -	\$ -	\$ 2,943,041	\$ 429,200	\$ 870,000
Licenses & permits	-	-	-	-	-	-	-	-
Intergovernmental	360,316	232,466	-	7,944	-	600,726	-	-
Charges for services	1,415	-	-	-	-	1,415	-	-
Rents & leases	-	-	-	-	398,565	398,565	-	-
Miscellaneous	20,668	-	-	-	3,121	23,789	-	-
Total Revenues	382,399	3,175,507	-	7,944	401,686	3,967,536	429,200	870,000
Expenditures								
<i>Current operations:</i>								
General Government	-	-	-	-	10,659	10,659	-	-
Transportation	500,640	1,181,554	-	16,586	-	1,698,780	-	-
Health & Human Services	-	-	-	-	-	-	-	-
Economic Environment	-	-	-	-	-	-	-	-
Culture & Recreation	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	429,101	868,325
Capital outlay	10,000	-	-	-	18,833	28,833	-	-
Total Expenditures	510,640	1,181,554	-	16,586	29,492	1,738,272	429,101	868,325
Excess (deficiency) of revenues over (under) expenditures	(128,241)	1,993,953	-	(8,642)	372,194	2,229,264	99	1,675
Other Financing Sources (Uses)								
Transfers in	300,000	-	-	-	-	300,000	-	-
Transfers out	(60,490)	(4,442,583)	-	-	(135,000)	(4,638,073)	-	-
Disposition of capital assets	-	-	-	-	-	-	-	-
Total Other Fin Sources (Uses)	239,510	(4,442,583)	-	-	(135,000)	(4,338,073)	-	-
Net Change in Fund Balances	111,269	(2,448,630)	-	(8,642)	237,194	(2,108,809)	99	1,675
Fund Balances-Beg (as prev reported)	62,622	5,203,366	755,000	125,077	42,952	6,126,395	10,897	24,991
Prior Year Correction	-	274,258	-	-	-	274,258	-	-
Fund Balances-Beginning (as restated)	62,622	5,477,624	755,000	125,077	42,952	6,400,653	10,897	24,991
Fund Balances-Ending	\$ 173,891	\$ 3,028,994	\$ 755,000	\$ 116,435	\$ 280,146	\$ 4,291,844	\$ 10,996	\$ 26,666

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

City of SeaTac, Washington
Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

For the Year Ended December 31, 2003

Page 2 of 2

	Debt Service Funds			Capital Project Funds			Total Nonmajor Governmental Funds
	Hotel/Motel Tax Bonds	LID Guarantee	Total Debt Service Funds	Capital Improvement	Fire Equipment Capital Reserve	Transportation Bonds Reserve	
Revenues							
Taxes	\$ 384,000	\$ -	\$ 1,683,200	\$ 1,910,831	\$ -	\$ -	\$ 6,537,072
Licenses & permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	600,726
Charges for services	-	-	-	-	-	-	1,415
Rents & leases	-	-	-	-	-	-	398,565
Miscellaneous	-	-	-	-	-	-	23,789
Total Revenues	384,000	-	1,683,200	1,910,831	-	-	7,561,567
Expenditures							
<i>Current operations:</i>							
General Government	-	-	-	-	-	-	10,659
Transportation	-	-	-	-	-	-	1,698,780
Health & Human Services	-	-	-	-	-	-	-
Economic Environment	-	-	-	-	-	-	-
Culture & Recreation	-	-	-	26,868	-	-	26,868
Debt service	383,129	-	1,680,555	-	-	-	1,680,555
Capital outlay	-	-	-	115,136	199,904	-	343,873
Total Expenditures	383,129	-	1,680,555	142,004	199,904	-	3,760,735
Excess (deficiency) of revenues over expenditures	871	-	2,645	1,768,827	(199,904)	-	3,800,832
Other Financing Sources (Uses)							
Transfers in	-	-	-	-	300,000	-	600,000
Transfers out	-	-	-	(157,488)	-	-	(4,795,561)
Disposition of capital assets	-	-	-	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	(157,488)	300,000	-	(4,195,561)
Net Change in Fund Balances	871	-	2,645	1,611,339	100,096	-	(394,729)
Fund Balances-Beg (as prev reported)	21,811	280,000	337,699	2,243,019	1,304,276	894,063	10,905,452
Prior Year Correction	-	-	-	248,164	-	-	522,422
Fund Balances-Beginning (as restated)	21,811	280,000	337,699	2,491,183	1,304,276	894,063	11,427,874
Fund Balances-Ending	\$ 22,682	\$ 280,000	\$ 340,344	\$ 4,102,522	\$ 1,404,372	\$ 894,063	\$ 11,033,145

City of SeaTac, Washington
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Port of Seattle ILA Fund

For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	\$ 260,000	\$ 260,000	\$ 186,588	\$ (73,412)
Total Revenues	260,000	260,000	186,588	(73,412)
Expenditures	-	-	-	-
Total Expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	260,000	260,000	186,588	(73,412)
Other Financing Sources (Uses)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
<i>Net Change in Fund Balances</i>	<i>260,000</i>	<i>260,000</i>	<i>186,588</i>	<i>(73,412)</i>
Fund Balances-Beg (as previously reported)	13,815,487	13,792,115	13,792,115	-
Change in budgetary basis of accounting	(9,893,115)	(9,893,115)	(9,893,115)	-
Fund Balances-Beginning (as restated)	3,922,372	3,899,000	3,899,000	-
Fund Balances-Ending	\$ 4,182,372	\$ 4,159,000	\$ 4,085,588	\$ (73,412)

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

City of SeaTac, Washington
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Hotel/Motel Tax Fund

For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 395,000	\$ 395,000	\$ 440,013	\$ 45,013
Investment earnings	125,000	125,000	248,126	123,126
Total Revenues	520,000	520,000	688,139	168,139
Expenditures				
<i>Current operations:</i>				
Health & human services	736,371	767,704	548,970	218,734
Capital outlay	30,000	30,000	0	30,000
Total Expenditures	766,371	797,704	548,970	248,734
Excess (deficiency) of revenues over (under) expenditures	(246,371)	(277,704)	139,169	416,873
Other Financing Sources (Uses)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
<i>Net Change in Fund Balances</i>	<i>(246,371)</i>	<i>(277,704)</i>	<i>139,169</i>	<i>416,873</i>
Fund Balances-Beg (as previously reported)	7,076,665	7,155,402	7,155,402	-
Prior Year Correction	0	41,945	41,945	-
Fund Balances-Beginning (as restated)	7,076,665	7,197,347	7,197,347	-
Fund Balances-Ending	\$ 6,830,294	\$ 6,919,643	\$ 7,336,516	\$ 416,873

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

City of SeaTac, Washington
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules by Source¹

December 31, 2003 and 2002

	2003	2002
<i>Governmental funds capital assets:</i>		
Land	\$ 11,125,389	\$ 11,931,331
Buildings	24,156,435	21,594,946
Improvements other than buildings/Infrastructure	3,839,770	N/A
Machinery and equipment	5,029,466	5,088,650
Intangibles - Software	154,548	N/A
Construction in progress	6,160,766	N/A
Total governmental funds capital assets	\$ 50,466,374	\$ 38,614,927
<i>Investments in governmental funds capital assets by source:</i>		
General revenues	\$ 36,093,120	\$ 24,241,673
Donations	14,373,254	14,373,254
Total governmental funds capital assets	\$ 50,466,374	\$ 38,614,927

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of the internal service funds are included as governmental activities in the Statement of Net Assets. Additionally, the City began reporting infrastructure in 2003, so new capital asset accounts were created including improvements other than buildings and construction in progress.

City of SeaTac, Washington
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity¹

December 31, 2003

Function and Activity	Land	Buildings	Other Improve- ments and Infrastructure	Machinery and Equipment	Intangibles Software	Construction in Progress	Total
<i>General Government:</i>							
Mayor/City Council	\$ -	\$ -	\$ -	\$ 19,115	\$ -	\$ -	\$ 19,115
City Manager's Office	-	-	-	22,038	-	-	22,038
Finance & Systems	-	-	-	156,049	-	-	156,049
City Clerk's Office	-	-	-	20,033	-	-	20,033
Legal	-	-	-	13,193	-	-	13,193
Human Resources	-	-	-	13,190	-	-	13,190
Facilities	-	-	-	1,239	-	-	1,239
Unclassified General Government	1,251,456	14,208,618	-	621,188	83,533	-	16,164,795
Total General Government	1,251,456	14,208,618	-	866,045	83,533	-	16,409,652
<i>Judicial/Municipal Court</i>	-	-	-	43,736	-	-	43,736
<i>Public Safety:</i>							-
Police	-	-	-	254,103	-	-	254,103
Fire	336,100	2,623,191	81,100	3,402,735	-	-	6,443,126
Unclassified Public Safety	-	-	54,686	-	33,577	-	88,263
Total Public Safety	336,100	2,623,191	135,786	3,656,838	33,577	-	6,785,492
<i>Economic Environment/Planning</i>	-	-	-	22,243	19,016	-	41,259
<i>Public Works/Transportation</i>	-	-	95,064	181,047	14,637	6,160,766	6,451,514
<i>Culture/Parks/Recreation</i>	9,537,833	7,324,626	3,608,920	259,557	3,785	-	20,734,721
Total Governmental Funds							
Capital Assets	\$ 11,125,389	\$ 24,156,435	\$ 3,839,770	\$ 5,029,466	\$ 154,548	\$ 6,160,766	\$ 50,466,374

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of the internal service funds are included as governmental activities in the Statement of Net Assets.

City of SeaTac, Washington
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity¹

For the Year Ended December 31, 2003

Function and Activity	Governmental Funds Capital Assets 1/1/2003	Additions	Deductions	Governmental Funds Capital Assets 12/31/2003
<i>General Government:</i>				
Mayor/City Council	\$ 20,279	\$ 1,851	\$ 3,015	\$ 19,115
City Manager's Office	18,528	5,531	2,021	22,038
Finance & Systems	224,549	21,536	90,036	156,049
City Clerk's Office	20,514	1,239	1,720	20,033
Legal	15,593	7,156	9,556	13,193
Human Resources	17,274	3,715	7,799	13,190
Facilities	-	1,239	-	1,239
Unclassified General Government	17,040,655	5,812,399	6,688,259	16,164,795
Total General Government	<u>17,357,392</u>	<u>5,854,666</u>	<u>6,802,406</u>	<u>16,409,652</u>
<i>Judicial/Municipal Court</i>	<u>164,356</u>	<u>1,834</u>	<u>122,454</u>	<u>43,736</u>
<i>Public Safety:</i>				
Police	197,930	198,795	142,623	254,102
Fire	6,281,906	380,469	219,249	6,443,126
Unclassified Public Safety	-	88,263	-	88,263
Total Public Safety	<u>6,479,836</u>	<u>667,527</u>	<u>361,872</u>	<u>6,785,491</u>
<i>Economic Environment/Planning</i>	<u>39,802</u>	<u>25,784</u>	<u>24,327</u>	<u>41,259</u>
<i>Public Works/Transportation</i>	<u>197,727</u>	<u>6,313,641</u>	<u>59,853</u>	<u>6,451,515</u>
<i>Culture/Parks/Recreation</i>	<u>14,375,814</u>	<u>6,850,040</u>	<u>491,133</u>	<u>20,734,721</u>
Total Governmental Funds Capital Assets	<u>\$ 38,614,927</u>	<u>\$ 19,713,492</u>	<u>\$ 7,862,045</u>	<u>\$ 50,466,374</u>

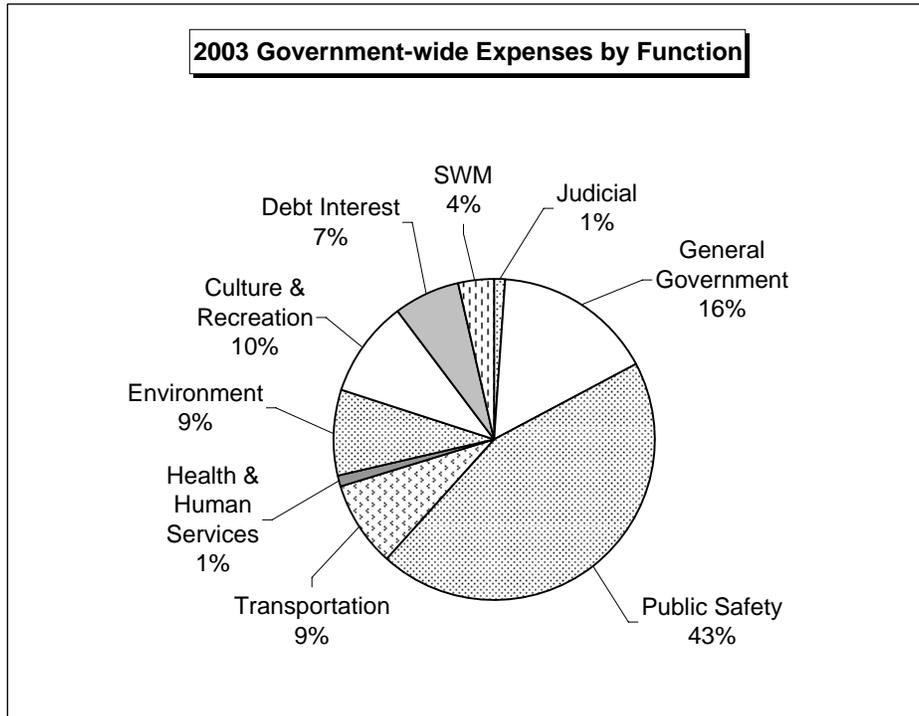
¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of the internal service funds are included as governmental activities in the Statement of Net Assets.

Statistical Section



TABLE 1: GOVERNMENT-WIDE EXPENSES BY FUNCTION

Last Ten Fiscal Years¹
(amounts expressed in thousands)

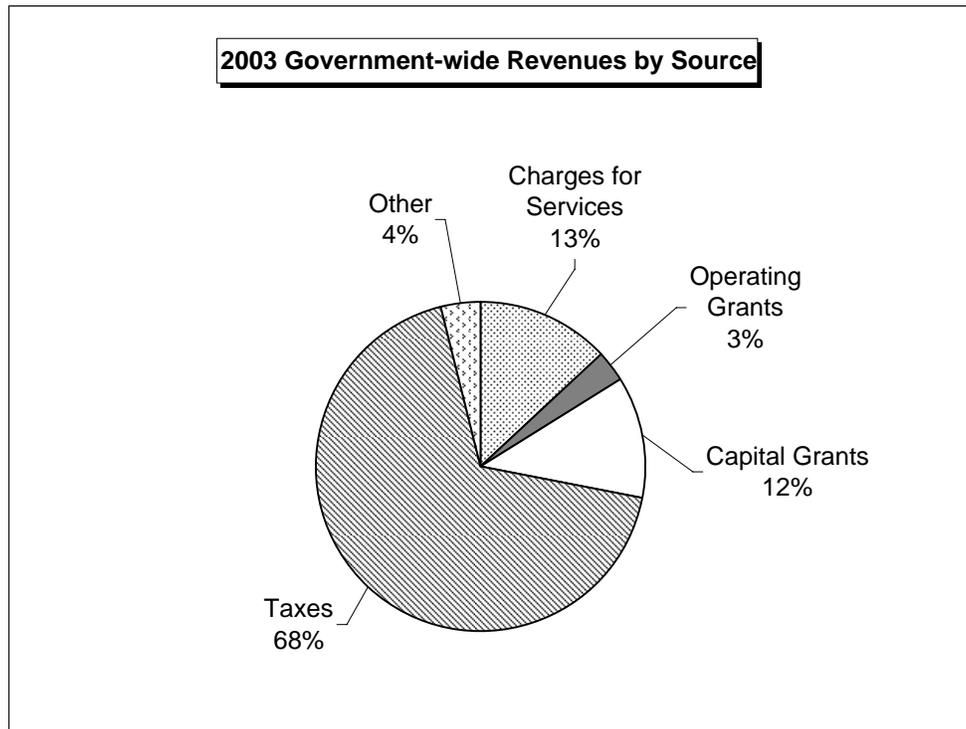


Fiscal Year	Judicial	General Government	Public Safety	Transportation	Health & Human Services	Physical & Economic Environment	Culture & Recreation	Interest on Long-term Debt	Surface Water Management	Total Expenditures
2003	\$302	\$4,019	\$11,204	\$2,213	\$263	\$2,190	\$2,409	\$1,647	\$930	\$25,178

¹This government-wide schedule only includes one year 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 2: GOVERNMENT-WIDE REVENUES BY SOURCE

Last Ten Fiscal Years¹
(amounts expressed in thousands)

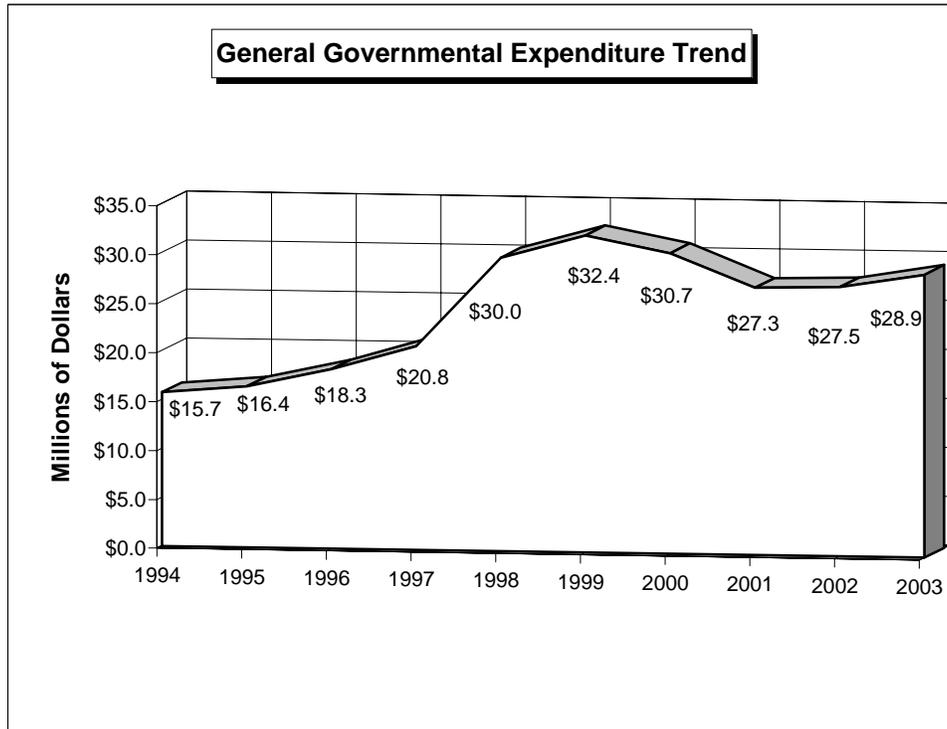


Fiscal Year	Program Revenues			General Revenues				Total Revenues
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Grants & Contributions Not Restricted to Specific Programs	Unrestricted Investment Earnings	Miscellaneous	
2003	\$4,557	\$1,116	\$4,113	\$23,807	\$159	\$1,025	\$148	\$34,926

¹This government-wide schedule only includes one year 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.

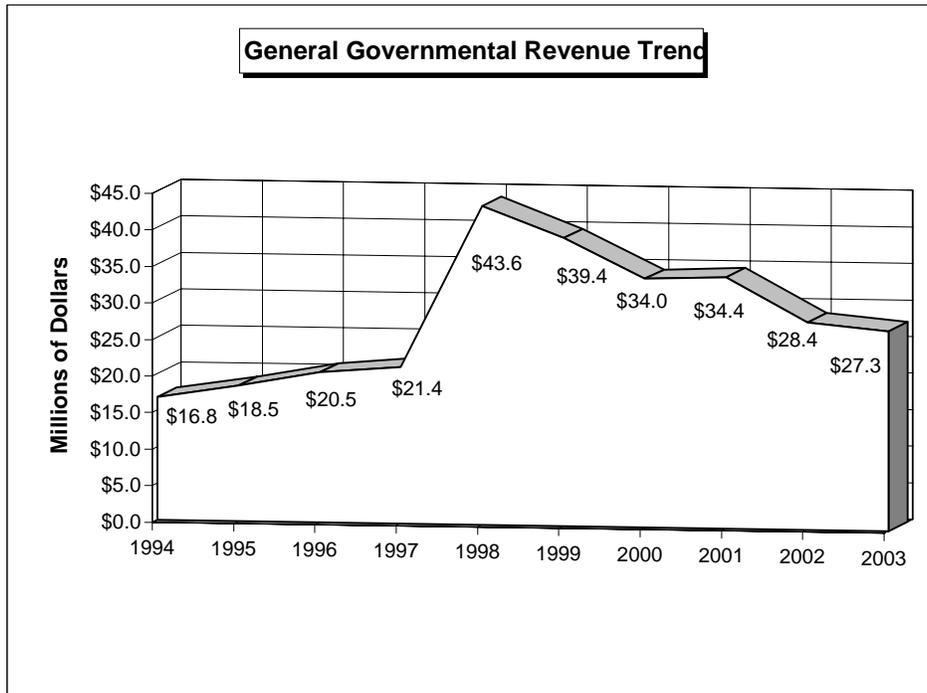
TABLE 3: GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

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
1994	\$2,772,400	\$7,382,604	\$636,746	\$874,553	\$829,560	\$279,744	\$830,863	\$902,458	\$450,000	\$781,642	\$15,740,570
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

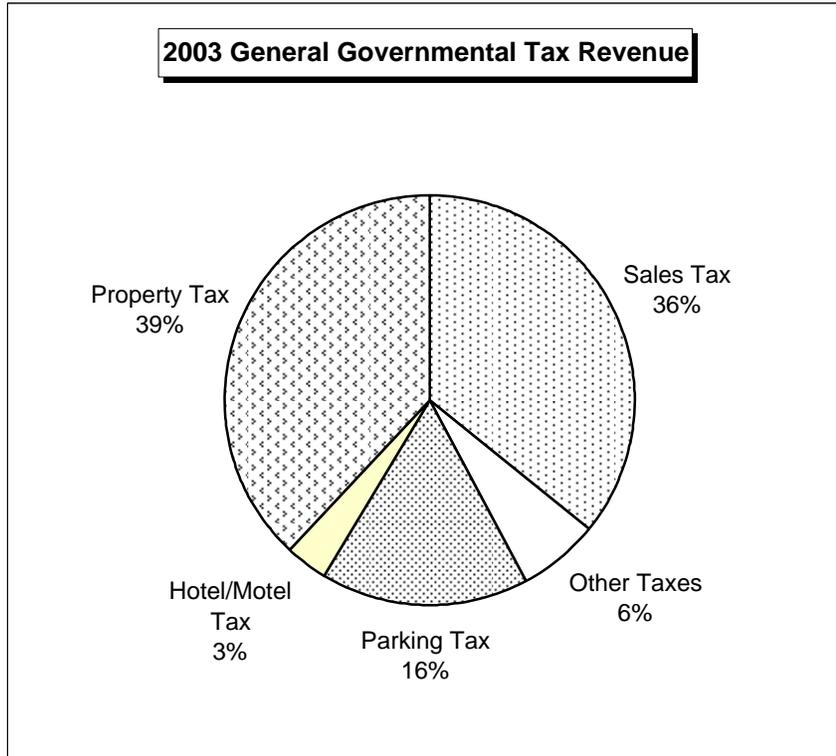
TABLE 4: GENERAL GOVERNMENTAL REVENUES BY SOURCE
 GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUNDS



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
1994	\$12,821,662	\$ 416,498	\$1,948,912	\$ 261,895	\$403,151	\$ -	\$ 405,244	\$50,765	\$ 525,000	\$ 16,833,127
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

TABLE 5: GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE

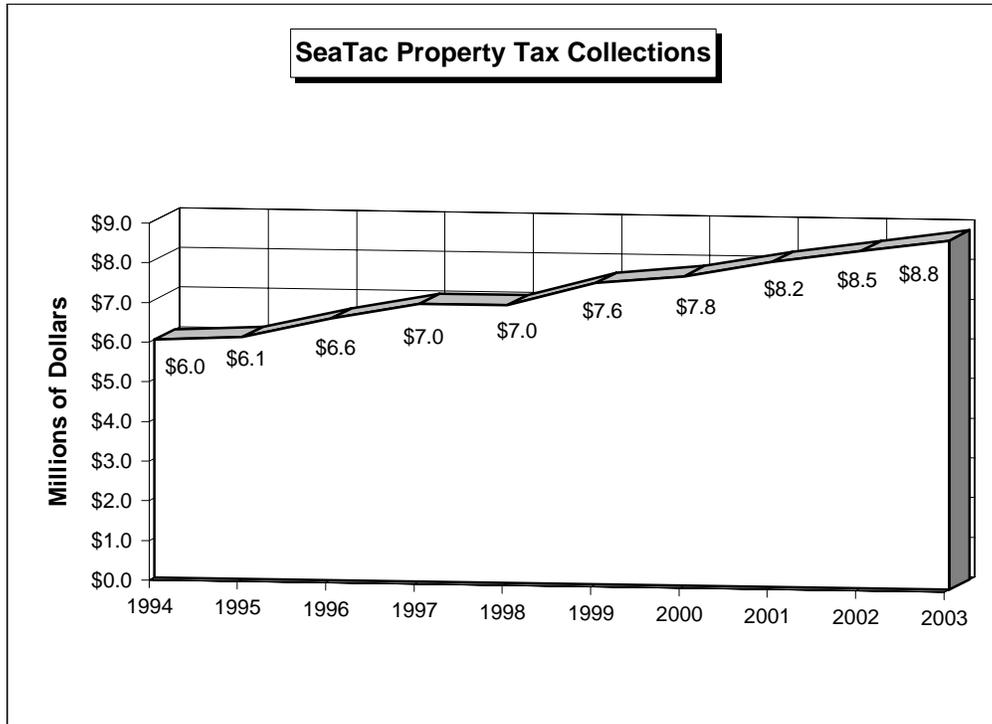
GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUNDS



Fiscal Year	Property Tax	Sales Tax	Parking Tax	Hotel/Motel Tax	Miscellaneous Other Taxes (A)	Total Tax Revenue
1994	\$5,980,141	\$4,792,993	\$1,399,170	\$-	\$649,358	\$12,821,662
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	8,375,468	3,813,041	824,013	1,461,259	23,249,738

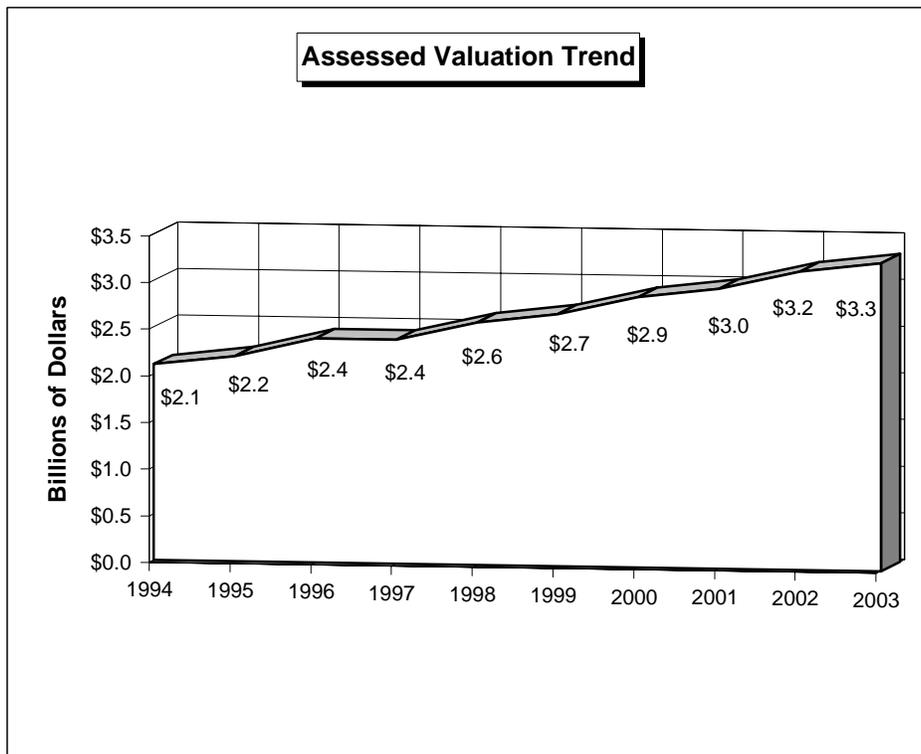
(A) Includes leasehold, real estate and gambling excise taxes.

TABLE 6: 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
1994	5,990,068	5,841,173	97.51%	138,968	5,980,141	99.83%	272,678	4.55%
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%

TABLE 7: ASSESSED VALUE OF TAXABLE PROPERTY BY TYPE

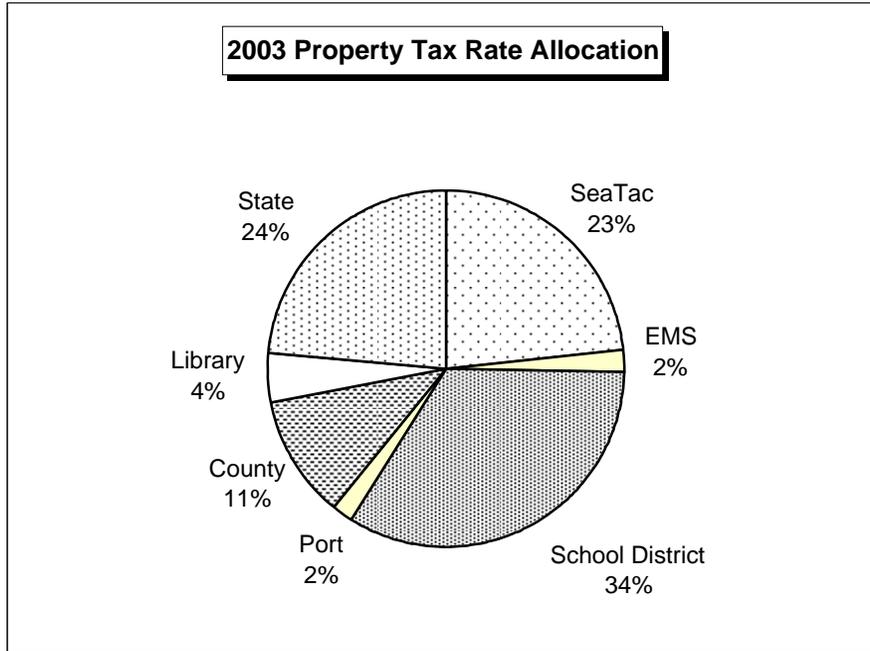


Fiscal Year	Real Property	Personal Property	State Public Service Property	Total Assessed Value	% Increase/Decrease
1994	\$1,218,541,264	\$107,078,271	\$ 776,101,471	\$2,101,721,006	5.63%
1995	1,193,731,053	103,182,687	893,452,031	2,190,365,771	4.22%
1996	1,220,758,855	99,835,131	1,049,779,789	2,370,373,775	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%

Source: King County Assessor's Office.

TABLE 8: PROPERTY TAX RATES - DIRECT AND 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	Fire District #24	Total Tax Rate
1994	3.03	3.40	2.22	0.30	0.25	3.38	0.58	0.00	13.16
1995	2.96	3.42	2.25	0.29	0.25	4.11	0.62	0.00	13.90
1996	2.90	3.50	2.21	0.29	0.25	3.76	0.62	0.00	13.53
1997	2.90	3.52	2.13	0.28	0.25	3.77	0.62	0.00	13.47
1998	2.96	3.51	1.85	0.26	0.00	3.29	0.60	0.00	12.47
1999	2.90	3.36	1.77	0.24	0.29	3.66	0.59	0.00	12.81
2000	2.90	3.30	1.69	0.22	0.27	3.63	0.59	0.00	12.60
2001	2.85	3.15	1.55	0.19	0.25	3.43	0.56	0.00	11.98
2002	2.80	2.99	1.45	0.19	0.25	3.23	0.53	0.00	11.44
2003	2.87	2.90	1.35	0.26	0.24	4.11	0.55	0.00	12.28

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

TABLE 9: PRINCIPAL TAXPAYERS

DECEMBER 31, 2003

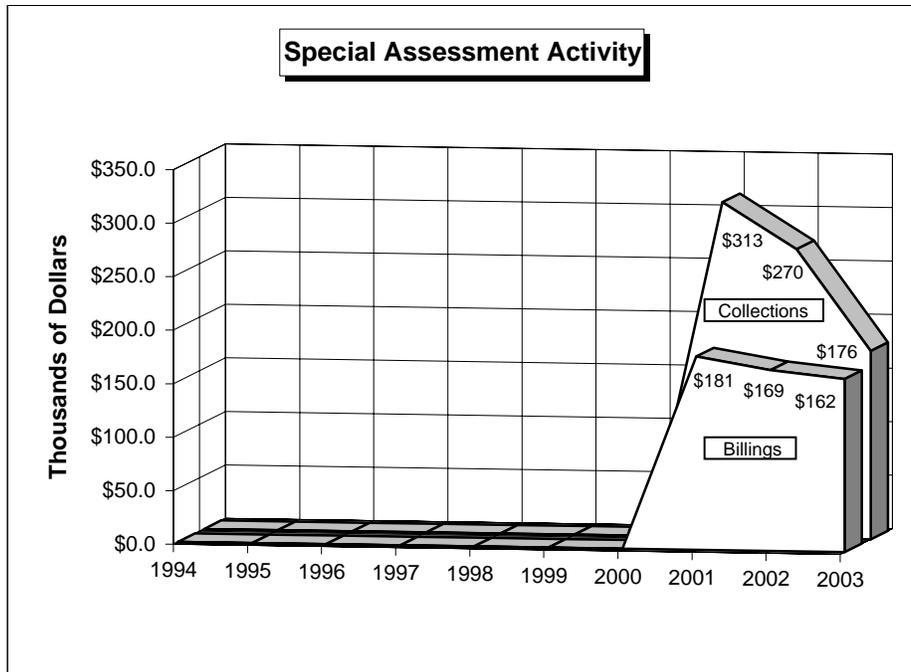
<u>Taxpayer</u>	<u>Type of Business</u>	<u>2003 Assessed Valuation (A)</u>	<u>Percentage Of Total Assessed Valuation</u>
Alaska Airlines	Airline	\$ 378,877,252	11.57%
United Airlines	Airline	187,961,690	5.74%
Horizon Air	Airline	132,204,078	4.04%
Northwest Airlines	Airline	111,038,014	3.39%
Boeing	Airplane Manufacturer	73,707,030	2.25%
Southwest Airlines	Airline	66,792,677	2.04%
Delta Airlines	Airline	54,292,876	1.66%
DoubleTree Hotel	Hotel	50,722,485	1.55%
United Parcel Service	Air Freight/Package Express	49,012,804	1.50%
American Airlines	Airline	<u>47,710,082</u>	<u>1.46%</u>
TOTAL		<u>\$ 1,152,318,988</u>	<u>35.18%</u>

(A) 2003 assessed valuations for taxes collected in 2004. Total assessed valuation of the City is \$3,275,213,279.

Source: King County Assessor's Office.

TABLE 10: SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS

LAST TEN FISCAL YEARS



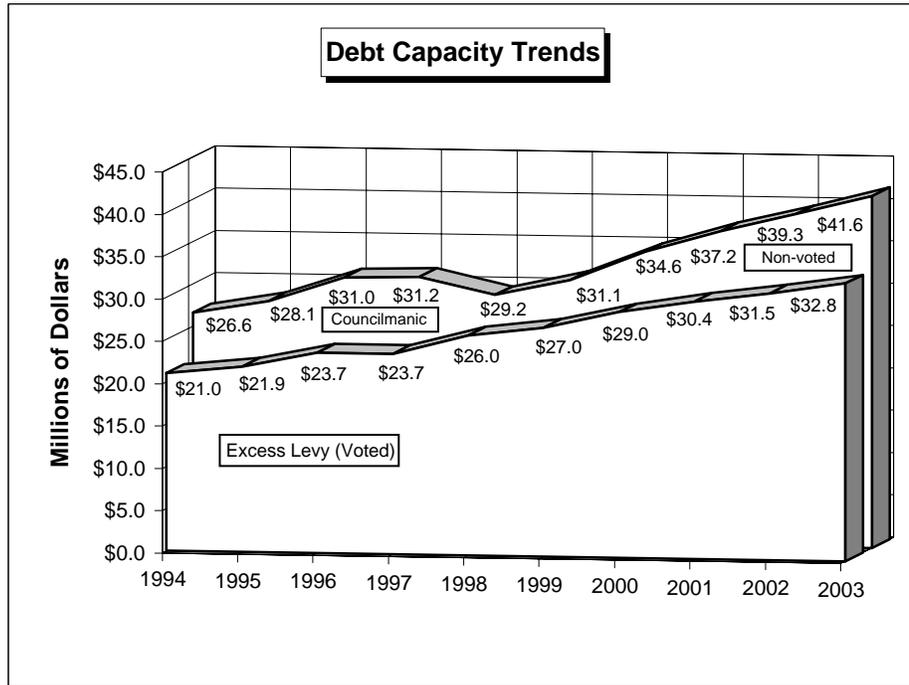
Fiscal Year	Special Assessment Billings	Special Assessment Collections
2000	N/A	\$4,011,814 (A)
2001	\$181,291	313,441
2002	169,487	269,578
2003	162,016	176,062

Source: City of SeaTac Finance Department.

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

TABLE 11: COMPUTATION OF LEGAL DEBT MARGIN

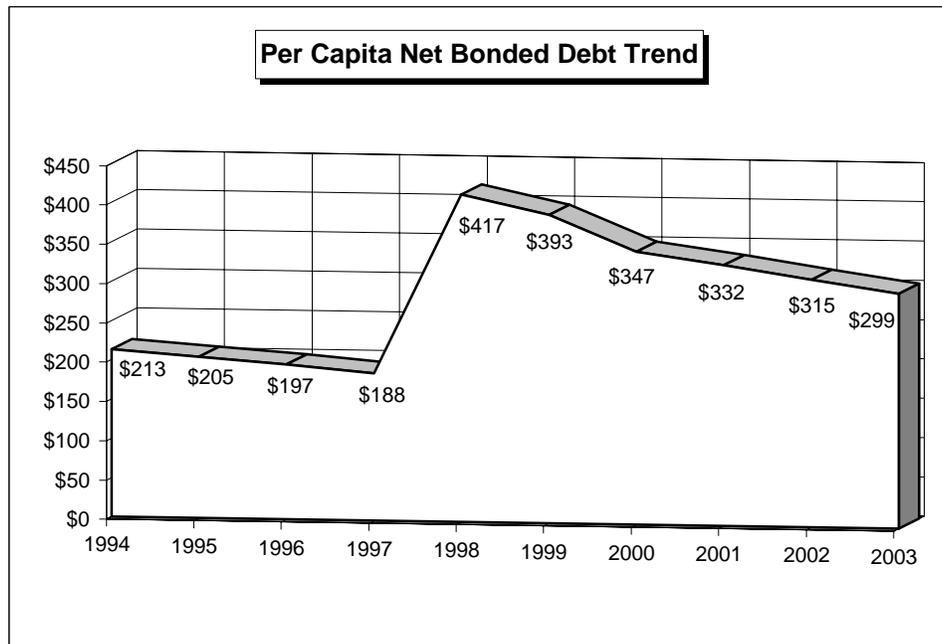
AS OF DECEMBER 31, 2003



Description	General Capacity		Special Purpose Capacity		Total Capacity
	Councilmanic	Excess Levy	Parks & Open Space	Utility Purposes	
Assessed Valuation of the City of SeaTac = \$3,275,213,279					
2.50 % of Assessed Value	\$	\$ 81,880,332	\$ 81,880,332	\$ 81,880,332	\$ 245,640,996
1.50 % of Assessed Value	<u>49,128,199</u>	<u>(49,128,199)</u>			<u>0</u>
STATUTORY DEBT LIMIT	49,128,199	32,752,133	81,880,332	81,880,332	245,640,996
Net Debt Outstanding	7,516,322	0	0	0	7,516,322
REMAINING DEBT CAPACITY	<u>\$ 41,611,877</u>	<u>\$ 32,752,133</u>	<u>\$ 81,880,332</u>	<u>\$ 81,880,332</u>	<u>\$ 238,124,674</u>

Source: City of SeaTac Finance Department.

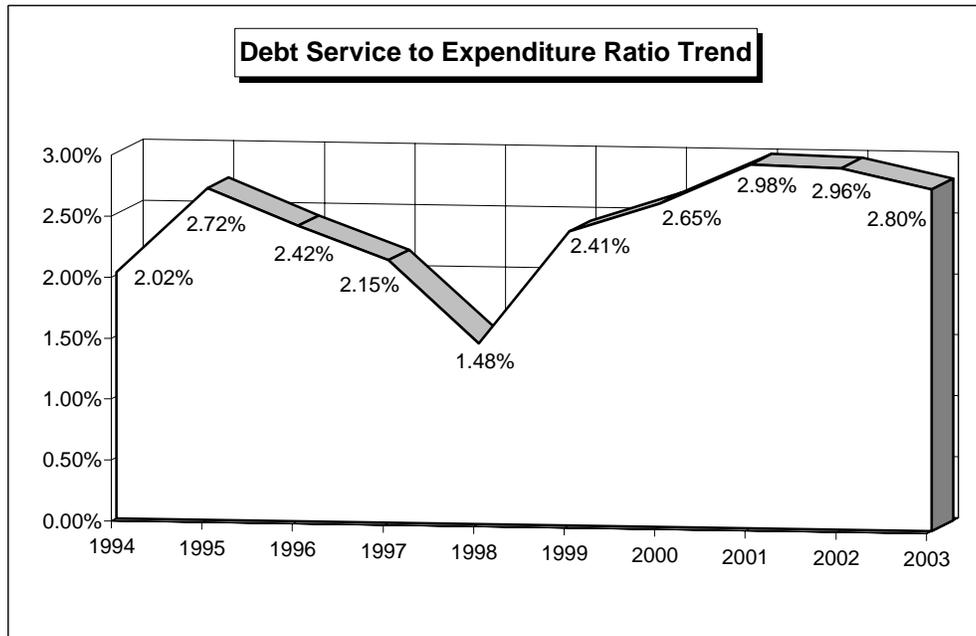
TABLE 12: RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA



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
1994	22,840	\$2,101,721,006	\$4,855,000	\$101	\$4,854,899	0.23%	\$213
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

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



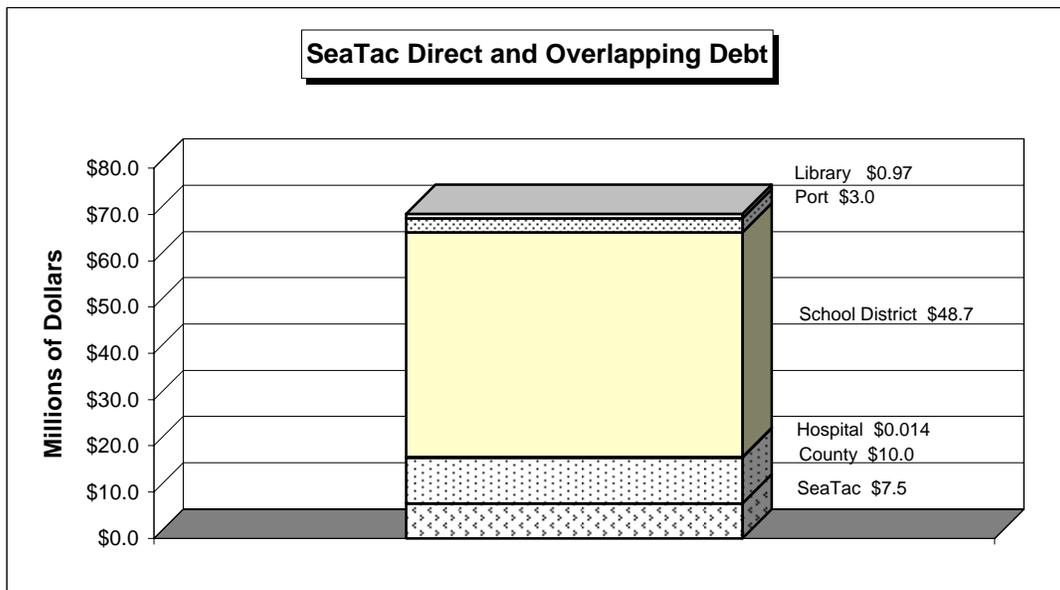
Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures (A)	Ratio of Debt Service to Expenditures
1994	\$145,000	\$172,904	\$317,904	\$15,740,570	2.02%
1995	150,000	295,638	445,638	16,397,905	2.72%
1996	155,000	288,888	443,888	18,330,963	2.42%
1997	165,000	281,913	446,913	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%

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

Source: City of SeaTac Finance Department.

**TABLE 14: COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS**

DECEMBER 31, 2003

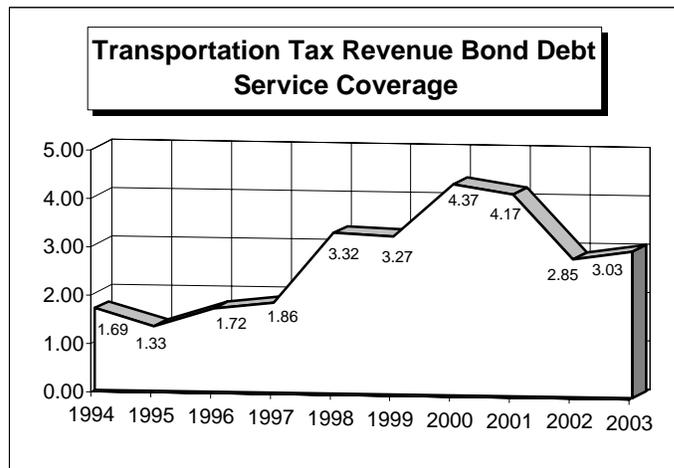
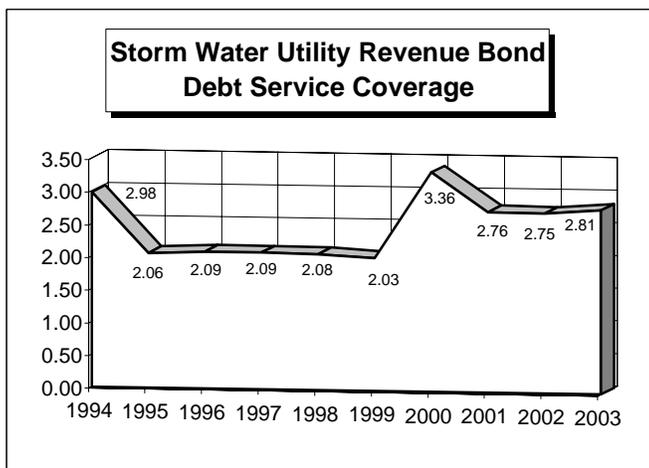


Jurisdiction	Net General Obligation Debt Outstanding (A)	Percentage Applicable to SeaTac (B)	Amount Applicable to SeaTac
NET DIRECT DEBT:			
City of SeaTac	\$7,516,322	100.00%	\$7,516,322
Total Net Direct Debt	\$7,516,322		\$7,516,322
NET OVERLAPPING DEBT:			
King County	715,919,359	1.39%	9,951,279
Port of Seattle	217,285,000	1.39%	3,020,262
School District #401	155,458,853	31.20%	48,503,162
School District #403	240,460,260	0.01%	24,046
School District #406	49,657,863	0.12%	59,589
School District #415	225,111,354	0.06%	135,067
Hospital District #1	45,695,000	0.03%	13,709
Library	29,863,072	3.25%	970,550
Total Net Overlapping Debt	1,679,450,761		62,677,663
Total Direct and Overlapping Debt	\$1,686,967,083		\$70,193,985

(A) Total general obligation bonds outstanding on December 31, 2003 exclusive of refunded bonds.
Source: King County Department of Finance.

(B) Determined by ratio of 2003 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

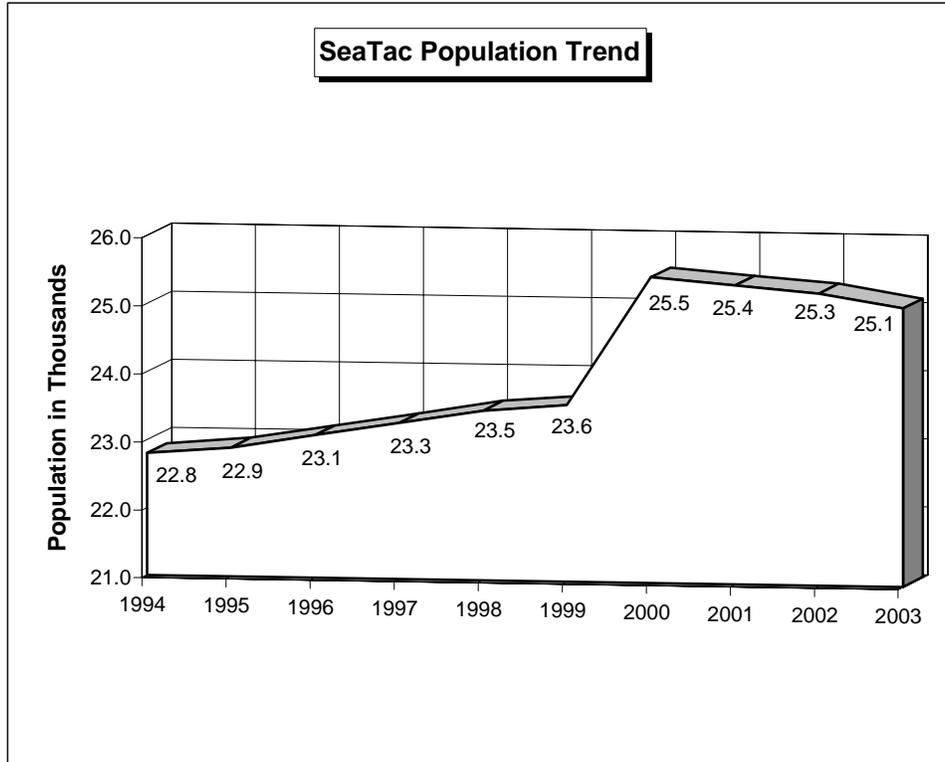


Fiscal Year	Gross Revenue	Operating Expenses w/o Depreciation	Net Revenue Available for Debt Service	Annual Debt Service Requirements			Coverage (A)
				Principal	Interest	Total	
STORM WATER UTILITY BONDS:							
1994	\$1,486,805	\$635,594	\$851,211	\$130,000	\$155,757	\$285,757	2.98
1995	1,532,290	706,375	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
LOCAL OPTION TRANSPORTATION TAX REVENUE BONDS:							
1994	\$1,286,890	\$301,471	\$985,419	\$285,000	\$299,150	\$584,150	1.69
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

(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.

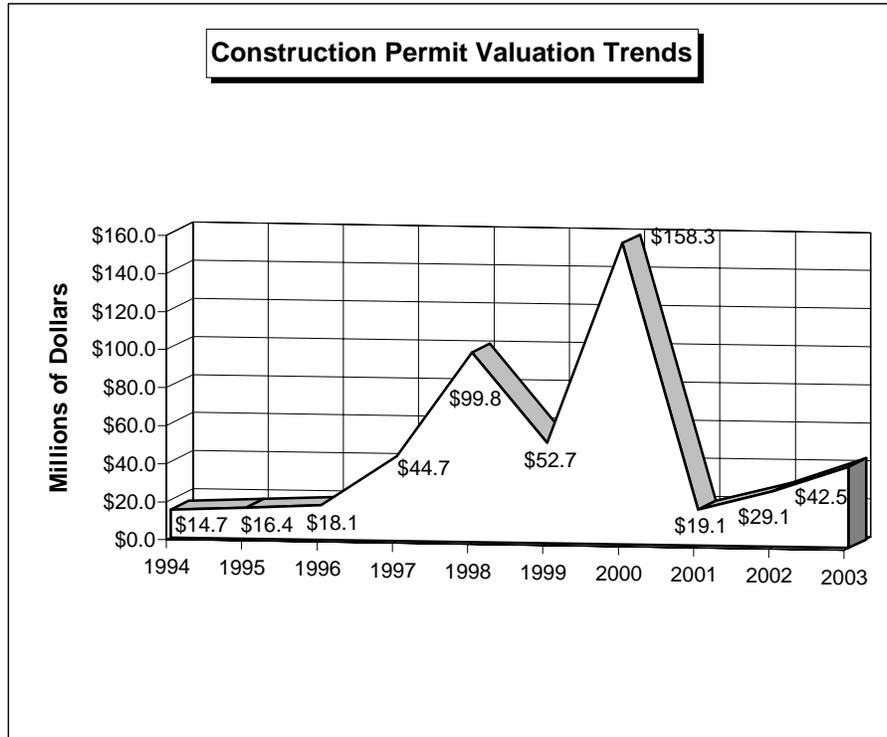
TABLE 16: DEMOGRAPHIC STATISTICS



Fiscal Year	Population (A)	Median Age (B)	Personal Income Per Capita (C)	Public School Enrollment (D)	Unemployment Rate (E)
1994	22,840	33.9	\$16,429	3,085	5.0%
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%

(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

TABLE 17: PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS



Fiscal Year	Construction Permits (A)		Bank Deposits King County (B)	Assessed Value (C)
	Units	Value		
1994	353	\$14,684,586	\$18,763,680,000	\$2,101,721,006
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

(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.

TABLE 18: MISCELLANEOUS STATISTICS

DECEMBER 31, 2003

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	1,779,300
City Population	25,100
Area in Square Miles	8.35
Assessed Valuation	\$3,275,213,279
Number of Voter Precincts	31
Number of Registered Voters	11,135
Recreation Facilities:	
Parks	8
Developed Park Acres	174
Community Centers	2
Business Licenses Issued - 2003	1,921
Building Permits Issued - 2003	289
Total Permits Issued - 2003	977
Fire Protection:	
Number of Stations	3
Fire Fighters and Officers	45
Fire Responses - 2003	1,221
Medic Aid Responses - 2003	2,683
Number of Employees	157
Highline School District No. 401:	
Elementary Schools	4
Enrollment	1,642
Middle Schools	1
Enrollment	599
High Schools	1
Enrollment	1,155