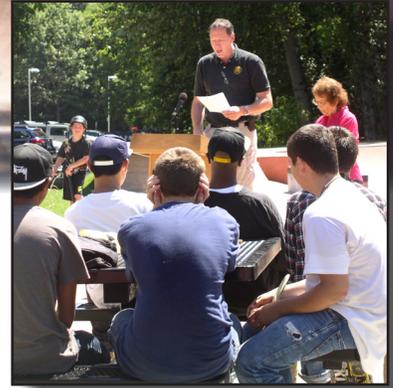


# 2012 Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2012



Skate Park at SeaTac Community Center  
Neighborhood Park



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

## **On the Cover**

Skate Park at SeaTac Community Center

**Location:** 13735 24th Avenue South, SeaTac

**Size of Project:** 2,700 feet

**Total Project Cost:** \$278,900

**Funding Source:** King County Community Development Block Grant

**Project Manager:** Lawrence Ellis, Assistant Parks & Recreation Director

**Design Firm:** Grindline Skateparks, Inc.



# 2012 Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2012

*Prepared by the Finance Department*



City of SeaTac, Washington  
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, 2012*

**TABLE OF CONTENTS**

<b>INTRODUCTORY SECTION</b>	<b>PAGE</b>
Letter of Transmittal.....	1
GFOA Certificate of Achievement for Excellence in Financial Reporting .....	9
City Organization Chart .....	10
City Officials.....	11
 <b>FINANCIAL SECTION</b>	
Independent Auditor's Report.....	12
Management's Discussion and Analysis .....	15
<b>Basic Financial Statements</b>	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position .....	29
Statement of Activities .....	30
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds.....	32
Reconciliation of Fund Balance of Governmental Funds to Net Position of Governmental Activities .....	34
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	36
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	38
Statement of Net Position – Proprietary Funds .....	39
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds .....	40
Statement of Cash Flows – Proprietary Funds .....	42
Notes to the Financial Statements.....	45
<b>Required Supplementary Information</b>	
Schedule of Funding Progress for LEOFF 1 Retiree Medical Benefits.....	89
<i>Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:</i>	
General Fund #001 .....	90
Reconciliation of General Fund Budgetary Basis Actual Amounts to GAAP Basis Actual Amounts in the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance .....	92
Street Fund #102 .....	94
Hotel/Motel Tax Fund #107.....	95
<b>Other Supplementary Information</b>	
<i>Combining and Individual Fund Statements and Schedules:</i>	
Overview of Nonmajor Governmental Funds.....	97
Combining Balance Sheet – Nonmajor Governmental Funds .....	98
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	100

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

*For the Fiscal Year Ended December 31, 2012*

**TABLE OF CONTENTS**

<b>FINANCIAL SECTION CONTINUED</b>	<b>PAGE</b>
<i>Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:</i>	
Contingency Reserve Fund #103 .....	102
Port of Seattle ILA Fund #105 .....	103
Transit Planning Fund #106.....	104
Building Management Fund #108.....	105
Facility Repair and Replacement Fund #110.....	106
Des Moines Creek Basin ILA Fund #111.....	107
Special Assessment Debt Fund #204.....	108
LID Guarantee Fund #205.....	109
2009 LTGO Refunding Bond Fund #206.....	110
Municipal Capital Improvement Fund #301 .....	111
Fire Equipment Capital Reserve Fund #303.....	112
Municipal Facilities Capital Improvement Fund #306 .....	113
Transportation Capital Improvement Fund #307 .....	114
Light Rail Station Areas CIP #308 .....	115
 <b>STATISTICAL SECTION</b>	
Statistical Section Overview .....	117
<i>Financial Trends Information:</i>	
Schedule 01: Net Position by Component, Last Nine Fiscal Years.....	118
Schedule 02: Changes in Net Position, Last Nine Fiscal Years .....	119
Schedule 03: Fund Balances, Governmental Funds, Last Ten Years .....	124
Schedule 04: Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Yrs..	126
<i>Revenue Capacity Information:</i>	
Schedule 05: Assessed/Actual Value of Taxable Property, Last Ten Fiscal Years .....	128
Schedule 06: Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years.....	129
Schedule 07: Principal Property Tax Payers, Current Year and Nine Years Ago .....	130
Schedule 08: Property Tax Levies and Collections, Last Ten Fiscal Years .....	131
<i>Debt Capacity Information:</i>	
Schedule 09: Ratios of Outstanding Debt by Type, Last Ten Fiscal Years.....	132
Schedule 10: Direct and Overlapping Activities Debt, as of December 31, 2012 .....	133
Schedule 11: Legal Debt Margin Information, Last Ten Fiscal Years .....	134
Schedule 12: Pledged-Revenue Coverage, Last Ten Fiscal Years .....	135
<i>Demographic and Economic Information:</i>	
Schedule 13: Demographic and Economic Statistics, Last Ten Calendar Years.....	136
Schedule 14: Principal Employers, Current Year and Nine Years Ago.....	137
<i>Operating Information:</i>	
Schedule 15: Full-time Equivalent Government Employees by Function/Program.....	138
Schedule 16: Operating Indicators by Function/Program, Last Ten Fiscal Years.....	140
Schedule 17: Capital Asset Statistics by Function/Program, Last Ten Fiscal Years.....	142

# Introductory Section

# Introductory Section



December 24, 2013

4800 South 188<sup>th</sup> Street  
SeaTac, WA 98188-8605

City Hall: 206.973.4800  
Fax: 206.973.4809  
TDD: 206.973.4808

**Mayor**  
Tony Anderson

**Deputy Mayor**  
Mia Gregerson

**Councilmembers**  
Barry Ladenburg  
Rick Forschler  
Terry Anderson  
Dave Bush  
Pam Fernald

**City Manager**  
Todd Cutts

**Assistant City Manager**  
Gwen Voelpel

**City Attorney**  
Mary Mirante Bartolo

**City Clerk**  
Kristina Gregg

Honorable Mayor, Councilmembers, City Manager and SeaTac Residents:

We are pleased to present the City of SeaTac's *Comprehensive Annual Financial Report* (CAFR) for the fiscal year ended December 31, 2012. These financial statements were prepared in conformity with generally accepted accounting principles (GAAP) and they have been audited in accordance with generally accepted auditing standards (GAAS) by the Washington State Auditor's Office. This transmittal letter provides an overview of the report and the financial condition of the City. It also provides insight into the history of the City and the economic conditions affecting it.

The Comprehensive Annual Financial Report has several significant uses. First, it provides a general overview of the City's finances to the general public and taxpayers. Second, it is referenced by bond buyers and rating agencies to evaluate the City's fiscal stability and creditworthiness. Finally, the CAFR is a series of financial statements that have been audited by the State Auditor's Office in accordance with generally accepted auditing standards. These auditing standards require that the audit be planned and performed to obtain reasonable assurance that the financial statements are free of material misstatement. The auditors also assess, on a test basis, accounting principles used, significant estimates made by management and evaluate overall financial statement presentation.

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

The City did not receive federal financial assistance exceeding \$500,000, so is not required to undergo an annual single audit as part of the provisions of the Single Audit Act Amendments of 1996 and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

This Comprehensive Annual Financial Report is presented in conformity with Governmental Accounting Standards Board (GASB) Statement 34. The implementation of GASB 34 modified the presentation of financial information for the City of SeaTac effective with financial statements ending December 31, 2003. GAAP requires that management provide narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This transmittal letter was designed

to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report.

The City's 2012 financial audit has been completed and, the City has been issued an unqualified opinion on its financial statements. The Independent Auditor's Report is included in the Financial Section of this document.

### **THE CITY OF SEATAC AND ITS SERVICES**

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

The City is located in King County, the most populous county in the State of Washington. SeaTac is strategically located between the labor and consumer markets of the two largest cities in the area, Seattle and Tacoma. SeaTac currently serves 27,310 residents within its incorporated limits and has a work force of approximately 37,000 employees. It also accommodates over 89,000 people traveling through Seattle-Tacoma International Airport daily. Population and employment figures are expected to increase to 33,505 and 41,000, respectively, by the year 2020.

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 and estimates reflect that nearly 3 million international passengers pass through the airport annually. This large number of passengers increases job growth contributing to the nearly 90,000 jobs being generated by airport activities.

The City's boundaries surround the Airport resulting in a significant number of employers who are connected to the air travel industry. This group includes airlines, hotels, car rental agencies and park-and-fly operations. Additionally, the Boeing Company houses its regional Spares Division facility in the City. The City is a general-purpose governmental entity and provides the full range of municipal services allowed by statute or charter. The City provides a wide range of services to its residents as well as to the adjacent area. These services include police protection (contracted through King County), fire protection, parks, land use management, development regulation, street construction and maintenance, and storm drainage management. Other governmental agencies also provide services to the City of SeaTac and the surrounding area. They include the Highline School District, King County Metropolitan Services (a regional agency that provides transportation and sewage treatment services), Sound Transit (another regional agency providing transportation services), the King County Library System, and a number of water and sanitary sewer

districts. The City is not financially accountable for these legally separate entities, nor do they meet the component unit criteria, so their operations are not included in the City's CAFR.

**FACTORS AFFECTING FINANCIAL CONDITION**

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

**Local Economy**

The City of SeaTac's economy is based on a strong air travel sector coupled with diversified industries, trades and services. The three largest local economic sectors are airlines, lodging and rental cars. Alaska Airlines is the largest taxpayer in the City, representing 20.3% of the total assessed valuation for the City. Delta, United, Hawaiian, Continental and US Air combine to account for an additional 11.76% of the City's property tax base.

With approximately 5,500 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 and Marriott Hotels. A number of other hotels and motels also service the traveling public, with the majority located along International Boulevard near Sea-Tac Airport. Several additional hotels have been constructed over the past few years, providing additional traveler accommodation space in the City.

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

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

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

Property tax revenues account for over 40% of total governmental fund revenues, and the City Council has elected to levy property taxes less than the limit allowed under state law since 1994 through 2012. 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 limited the annual growth in the tax levy to the lower of 1% or inflation, defined by the implicit price deflator (IPD). On November 8, 2007, the Washington State Supreme Court ruled that Initiative 747 is unconstitutional. In a special legislative session held on November 29, 2007, the 1% property tax increase limitation was reinstated by the Washington State Legislature. Although the City's assessed valuation has increased for most years, as shown in Schedule 5 of the Statistical Section, property tax revenue has not increased at the same rate as the tax base due to the 1% property tax increase limitation.

Traditionally, sales taxes have been a strong revenue source for the City, accounting for over 30% of total general governmental revenues. Sales tax revenue continued to increase over the prior year at above 4% as the local economy showed signs of recovery. Sales Taxes related to new construction did taper off for 2012, but the overall amount of sales taxes received continued to increase reflecting a sentiment that consumer spending still remains resilient for the near term. The City continues to work to expand economic opportunities and has identified targeted markets for economic development. Through this activity, the City strives to grow the local economy while increasing business-related revenue to the City.

Parking tax revenue, derived primarily from airport-related parking throughout the City, is dedicated to funding transportation improvements. A portion of the parking tax revenue stream is dedicated to certain transportation projects identified in an Interlocal Agreement with the Port. Along with a variety of transportation grants, parking taxes will fund a number of important capital projects over the next few years including Military Road South from S 176<sup>th</sup> to S 166<sup>th</sup>, Military Road South and S 154<sup>th</sup> (S 150<sup>th</sup> St to International Boulevard) and the 28<sup>th</sup>/24<sup>th</sup> Avenue extension. In 2012, parking tax revenues increased around 4% from 2011.

The 1% Lodging Tax approved by the City Council in 1998 is deposited into a dedicated special revenue fund and used to fund tourism-related activities. In accordance with State law, lodging taxes can only be spent on activities that increase tourism and visitation to the City. The City is committed to expending resources whose affect is to increase the number of tourists to the City. The City has and will continue to expend hotel/motel funds towards this purpose. Lodging tax revenue increased over 5% reflecting increased travel and related activities in 2012.

### **Economic Outlook**

According to the Washington State Economic and Revenue Forecast Council in September 2012, recent developments at the State level have been a bit stronger. Employment growth has slightly outpaced the modest growth expectation, personal income growth is tracking higher than expected due to strong wage growth in the first quarter, housing construction was stronger than expected and Seattle area home prices have increased over last year. The downside areas in the economy are that manufacturing expansion is slowing and Washington exports have weakened considerably.

In the area of employment growth, the State Economic and Revenue Forecast Council reported that they expect aerospace employment to peak at the end of 2012 and then begin a gradual decline in mid-2013. Construction employment is expected to remain moderate through the remainder of the year with growth gradually picking up in 2013. Government employment is expected to decline through 2013 with only modest growth thereafter.

For personal income growth, the first quarter of 2012 was \$4.4 billion or 1.4% higher than was forecasted in June 2012. The figures were revised up because wages and salary disbursements were \$3.5 billion higher than originally estimated and non-wage income was \$0.9 billion higher due to higher proprietor's income and higher employee benefits. The new forecast for Washington is 2.0% per year for 2012 through 2015. This is .3% higher than the previous forecast.

Local housing sources report price gains in the King County area from 2011 signaling improvement in the housing market as demand begins to outpace local supply. Building companies are again hiring and housing permit related activities are increasing as additional supply is entering the market to meet the demand. Although home prices are reflecting an increase, sales activity is on pace with last year, which is expected due to shrinking inventories and the delay of constructing new housing supply. The outlook, however, remains positive.

For cities, economic trends at all levels of government impact fiscal conditions, creating budget pressures on the revenue and the expenditure side of the equation. Cities continue to deal with the effects of the worst economic turmoil the country has seen since the Great Depression of the 1930's, the burst of a nation-wide housing bubble, and sky-rocketing infrastructure material costs, health insurance costs and volatile energy prices. Over the past couple of years, the nation's economy has seen uncertainty in the financial markets, the State's deficit has ballooned, and the headlines of job losses continue.

Competition for dwindling operating budget resources requires legislative bodies to make tough choices. Particularly as the continuing uncertainty in the national economic recovery continues to impact Washington, cities will be forced to prioritize services. Choosing between police officers on the street, recreational programs for teens, or street maintenance and preservation won't be an easy task. City budget shortfalls jeopardize Washington's economic vitality. City streets, parks and utility systems provide a foundation for businesses and residents. Cities will need continued state investment and new tools to emerge from this budget crisis.

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.

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

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

### **MAJOR INITIATIVES**

After extensive meetings with Sound Transit and numerous Council briefings, the City Council authorized the City Manager to enter into a Development and Transit Way Agreement for the South Link Light Rail Project with Sound Transit. This Agreement was designed to mitigate project impacts, enhance public benefits resulting from the project and provide Sound Transit with greater certainty in managing the South Link Project. The project will extend light rail 1.6 miles south from the SeaTac/Airport Station to a new station at South 200<sup>th</sup> and 28<sup>th</sup> Ave South providing a package of more than \$10 million in mitigations, improvements, reimbursements and fees to the City.

At the end of 2012, the City adopted a biennial budget effective for the first time covering the 2013 – 2014 budget period. A mid-biennial review must be completed no sooner than eight months after the start of the first year and no later than the end of the first year. The creation of a two year budget spending plan has been a key part of a renewed effort to focus on a longer term strategic financial plan for the City.

### **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of SeaTac for its Comprehensive Annual Financial Report for fiscal year ended December 31, 2011. 2011 was the 20<sup>th</sup> year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

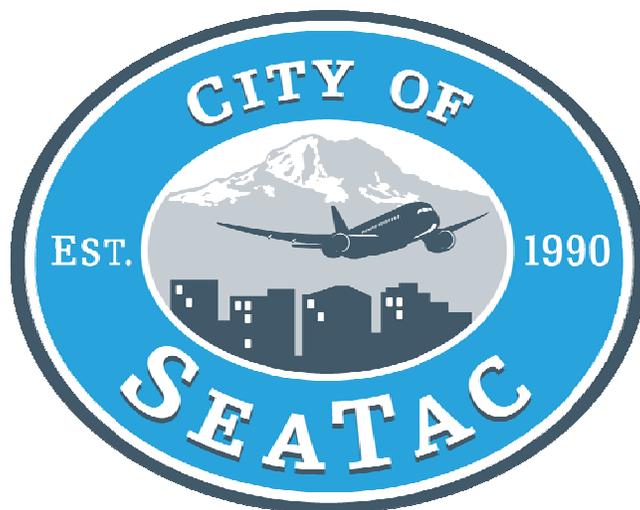
I would like to thank the Finance and Systems Department staff, a team of professionals that play an integral part in the preparation of the City's CAFR and also in the successful daily operations of the City. I would also like to specifically thank Brenda Rolph, the Assistant Finance Director for her central role in the creation and coordination of this annual reporting process. Credit for the design of this year's CAFR cover goes to Gwen Rathe of the Parks & Recreation Department. Further appreciation is extended to the Mayor, the City Council and the City Manager for their

encouragement, interest and support in conducting the financial operations of the City in a sound and progressive manner. The assistance of the auditors from the State Auditor's Office is also greatly appreciated.

Sincerely,

A handwritten signature in black ink that reads "Aaron Antin". The signature is written in a cursive style with a large, sweeping initial "A".

Aaron Antin  
Finance and Systems Director



Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

City of Sea Tac  
Washington

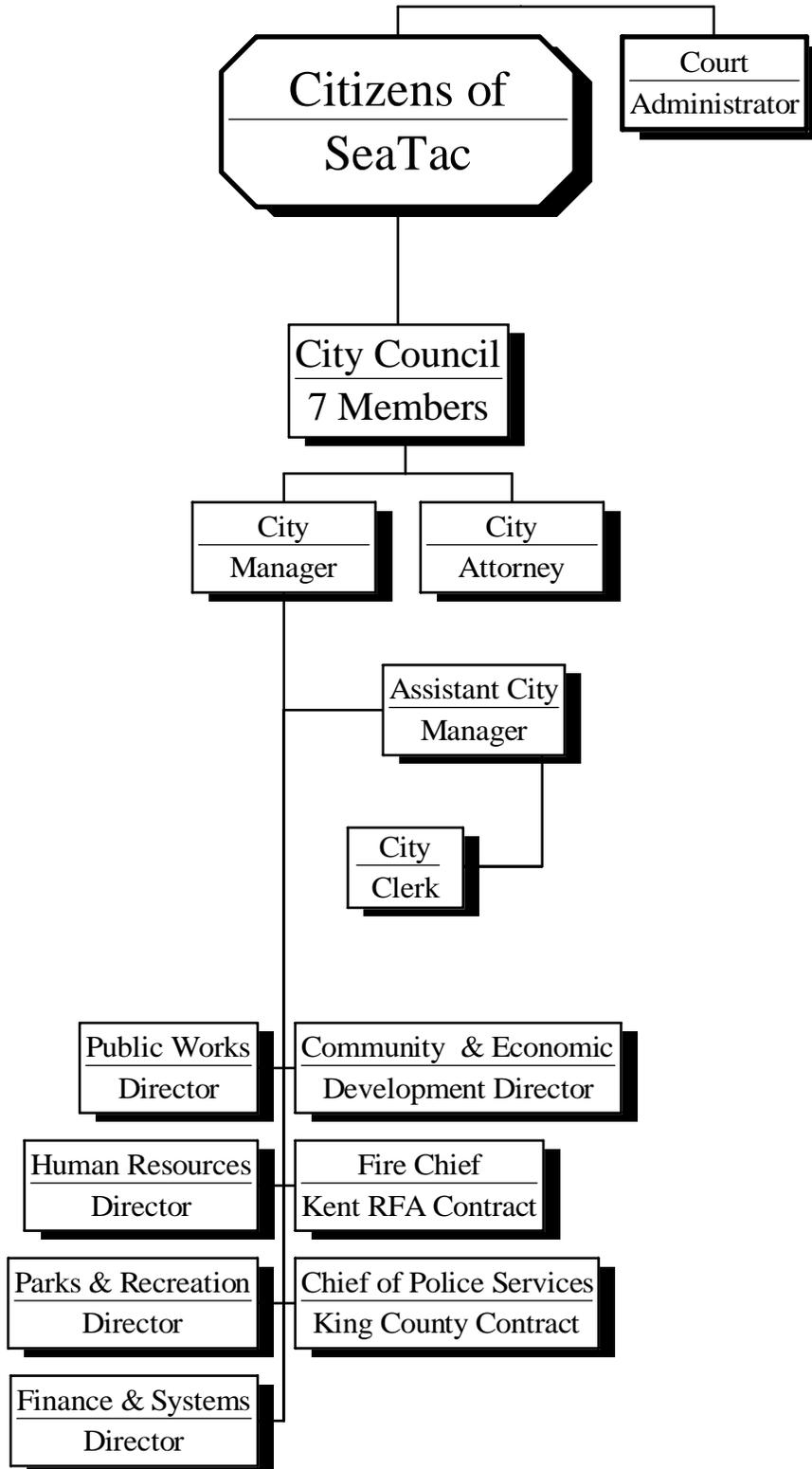
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2011

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.



*Christopher P. Morrell*  
President

*Jeffrey R. Emer*  
Executive Director





Top Row from Left to Right: Barry Ladenburg, Rick Forschler, Dave Bush & Pam Fernald

Bottom Row from Left to Right: Mia Gregerson (Deputy Mayor), Tony Anderson (Mayor) & Terry Anderson

<u>Position No.</u>	<u>Elected Official</u>	<u>Term Expiration</u>
#1.....	Barry Ladenburg, Councilmember .....	December 31, 2015
#2.....	Rick Forschler, Councilmember .....	December 31, 2013
#3.....	Terry Anderson, Councilmember .....	December 31, 2015
#4.....	Anthony (Tony) Anderson, Mayor .....	December 31, 2013
#5.....	Dave Bush, Councilmember .....	December 31, 2015
#6.....	Pam Fernald, Councilmember.....	December 31, 2013
#7.....	Mia Gregerson, Deputy Mayor .....	December 31, 2015

<u>Position</u>	<u>Appointed Official</u>
City Manager .....	Todd Cutts
Assistant City Manager (Effective 6/11/12).....	Gwen Voelpel
City Attorney .....	Mary Mirante Bartolo
City Clerk .....	Kristina Gregg
Court Administrator.....	Paulette Revoir
Chief of Police Services (Contract).....	Jim Graddon
Finance and Systems Director (Effective 3/23/12) .....	Aaron Antin
Fire Chief (Contract) .....	Jim Schneider
Human Resources Director .....	Anh Hoang
Parks and Recreation Director.....	Kit Ledbetter
Community & Economic Development Director (2/17/11 through 8/08/12) .....	Cynthia Baker
Acting Community & Economic Development Director (Effective 08/09/12 through 02/18/13) ...	Gary Schenk
Public Works Director .....	Thomas Gut

# Financial Section

# Financial Section



**Washington State Auditor**  
**Troy Kelley**

**INDEPENDENT AUDITOR'S REPORT**

December 23, 2013

Council  
City of SeaTac  
SeaTac, Washington

**REPORT ON FINANCIAL STATEMENTS**

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the



appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of SeaTac, King County, Washington, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Matters of Emphasis**

As described in Note 19, during the year ended December 31, 2012, the City has implemented the Governmental Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 28, budgetary comparison information on pages 90 through 95 and information on postemployment benefits other than pensions on page 89 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining financial statements and supplementary information on pages 97 through 115 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and

reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Section 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 do not express an opinion or provide any assurance on it.

**OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we will also issue our report dated December 23, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,



**TROY KELLEY**  
STATE AUDITOR

**CITY OF SEATAC, WASHINGTON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED 2012**

**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, 2012. Since the MD&A was designed to focus on the activities, resulting changes, and currently known facts for the year 2012, this information should be read in conjunction with both the financial statements and the notes to the financial statements.

**BASIS OF FINANCIAL INFORMATION**

The City's government-wide financial statements have been prepared on the full accrual basis of accounting in conformity with Generally Accepted Accounting Principles (GAAP). The City's fund financial statements for governmental funds (*general, special revenue, debt service, and capital projects*) have been prepared on the modified accrual basis of accounting in conformity with GAAP. The City's proprietary funds (*enterprise and internal service*) are accounted for on the accrual basis, again in conformity with GAAP. A detailed discussion of the government-wide and fund financial statements can be found in later sections of this document.

**FINANCIAL HIGHLIGHTS**

- For the year ended December 31, 2012, total net position for the City was \$474.2 million. Of this amount, \$421.3 million or 88.9% was classified as *net investment in capital assets*. This classification includes infrastructure, construction in progress, land, other improvements, buildings, equipment, and intangibles. Net position in the amount of \$24.7 million or 5.2% was restricted for debt service, capital projects, including Des Moines Creek Basin Interlocal Agreement projects and transportation purposes/projects, and tourism promotion/facilities. The remaining net position balance of \$28.2 million or 5.9% was classified as unrestricted and available for general City operations.
- Governmental funds ended the year with \$49.6 in total ending fund balance on the modified accrual basis of accounting. This is an increase of \$2.6 million or 5.6% over 2011 which ended the year with \$46.9 million (*restated*) ending fund balance. This is an admirable increase considering the economic climate and fiscal issues that many governmental entities continue to experience in this post-recession environment.
- In 2012, the City implemented *GASB Statement No. 62 Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, GASB Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and *GASB Statement No. 65 Items Previously Reported as Assets and Liabilities*. The most noticeable change attributable to the implementation of these GASB statements are the changes on the face of the Governmental Funds *Balance Sheet* with the addition of "*Deferred Inflows of Resources*" which details certain revenues as "unavailable" under the modified accrual basis of accounting.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The City's financial statements are prepared on both a government-wide and an individual fund basis. Both perspectives allow for annual comparisons against other governments, improve the City's accountability and provide a comprehensive user friendly reporting format to use in understanding the City's financial condition.

Since incorporation in 1990, the City's financial statements have been prepared based on specific types of funds, i.e. capital project funds, debt service funds, etc. Due to the *GASB Statement No. 34* reporting model (used since 2003), the previous reporting method was dramatically modified. The City's basic financial statements are now presented in

four parts: 1) the *Management's Discussion and Analysis (MD&A)*, 2) the government-wide financial statements, 3) the fund financial statements, and 4) the notes to the financial statements. Other *required supplementary information* is also provided in addition to the basic financial statements in the City's *Comprehensive Annual Financial Report (CAFR)*.

### **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, Health & Human Services, Economic Environment, and Culture & Recreation*. Governmental activities are supported largely 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 Position* presents information on the difference between all of the City's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, highlighting the difference as *net position*. The *Statement of Net Position* is similar to the balance sheet of a private sector business. Over time, increases or decreases in net position may serve as a useful indicator of improvement or deterioration in the City's overall financial position.

The *Statement of Activities* was designed to show how the City's net position changed during the year. This financial statement separates the City's programs into governmental activities and business-type activities. Revenues in the areas of charges for services, operating grants and capital grants are matched to the proper program. The revenues generated by the program are then compared to the expenses for the program. The end result is the net expense or net revenue by program. The net expense or net revenue shows if the program is self-supporting or if it relies on the general taxing authority of the City.

All activity on the *Statement of Activities* is reported on the accrual basis of accounting. This means 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 *Management's Discussion and Analysis*.

### **Fund Financial Statements**

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

**Governmental funds** are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, the basis of accounting is different between the governmental fund statements and the government-wide financial statements. The governmental fund statements focus on near term revenues and expenditures, while the government-wide financial statements include both near term and long term revenues and expenses. The information in the governmental fund statements can be used to

evaluate the City's near term funding requirements and fiscal health. Comparing the governmental fund statements with the government-wide statements can assist the reader in understanding the long term impact of the City's current year financing decisions. To assist in this comparison, reconciliations between the governmental fund statements and the government-wide statements are included on the *Reconciliation of the Fund Balances of Governmental Funds to the Net Position of the Governmental Activities* and on the *Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities*.

In 2012, the City of SeaTac maintained eighteen individual governmental funds on a budgetary basis. On a GAAP basis, the City maintained thirteen individual governmental funds. The City's six major governmental funds, as determined by the parameters of GASB Statement No. 34, are the *General Fund*, the *Street Fund*, the *Hotel/Motel Tax Fund*, the *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".

Through 2012, the City maintained budgetary control over its operating funds through the adoption of an annual budget. The City switched to biennial budgeting for the fiscal years 2013 and 2014. Budgets are adopted at the fund level according to Washington State law. Budgetary comparison schedules are presented in the *Financial Section* under *Other Supplementary Information* in the CAFR for all governmental funds.

**Proprietary funds** are used by the City to account for its business-type activities. Business-type activities provide goods and services to a group of customers. These services are paid for by fees charged to those customers. There is a direct relationship between the fees paid and the services provided.

The City of SeaTac utilizes two types of proprietary funds, including enterprise funds and an internal service fund. Enterprise funds are used to account for goods and services provided to citizens. Internal service funds are used to account for goods and services provided internally to various City departments.

Enterprise fund financial statements report the same functions that are presented as "business-type activities" in the government-wide statements. The enterprise funds of the City all relate to the City's surface water management utility for operations and construction.

Internal service funds are used to account for and distribute costs for a business-type function. These costs are distributed internally among the City's funds based on services used. The City uses an internal service fund to account for the repair and replacement of the City's vehicles and other large types of equipment. Internal service fund customers include both governmental and business-type activities. Although profits or losses are prorated in the government-wide *Statement of Activities*, the internal service fund's assets and liabilities are predominately governmental in nature, so they have all been included in the governmental activities column of the government-wide *Statement of Net Position*.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information 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 in the *Financial Section*.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Position**

Over a period of time, net position can be a useful indicator of the City's financial position. The table below is a condensed version of the City's *Statement of Net Position*.

**City of SeaTac's Net Position**

	Governmental Activities		Business-type Activities		Total	
	2012	2011*	2012	2011	2012	2011
<b>Assets:</b>						
Current & other assets*	\$ 57,450,702	\$ 55,509,002	\$ 4,262,961	\$ 3,790,645	\$ 61,713,663	\$ 59,299,647
Capital assets, net	395,020,964	397,663,359	26,953,079	25,185,790	421,974,043	422,849,149
<b>Total Assets</b>	<b>452,471,666</b>	<b>453,172,361</b>	<b>31,216,040</b>	<b>28,976,435</b>	<b>483,687,706</b>	<b>482,148,796</b>
<b>Liabilities:</b>						
Long-term liabilities	7,139,614	8,124,515	33,268	67,208	7,172,882	8,191,723
Other liabilities	2,261,845	2,885,392	57,783	30,176	2,319,628	2,915,568
<b>Total Liabilities</b>	<b>9,401,459</b>	<b>11,009,907</b>	<b>91,051</b>	<b>97,384</b>	<b>9,492,510</b>	<b>11,107,291</b>
<b>Net Position:</b>						
Net investment in capital assets *	394,326,243	396,529,097	26,953,079	25,185,790	421,279,322	421,714,887
Restricted	24,762,391	22,175,724	-	-	24,762,391	22,175,724
Unrestricted	23,981,573	23,457,633	4,171,910	3,693,261	28,153,483	27,150,894
<b>Total Net Position</b>	<b>\$ 443,070,207</b>	<b>\$ 442,162,454</b>	<b>\$ 31,124,989</b>	<b>\$ 28,879,051</b>	<b>\$ 474,195,196</b>	<b>\$ 471,041,505</b>

\*2011 restated for a prior year adjustment in the amount of (\$27,119) for debt issuance costs related to GASB Statement No. 65 implementation.

The City's total net position increased by \$3.2 million in 2012. *Net investment in capital assets* decreased by \$436 thousand. The City spent \$5.0 million on capital assets in 2012 with the bulk of the expenses going toward transportation improvements which were funded by parking and fuel taxes. The City's total restricted net position increased by \$2.6 million while unrestricted net position increased by \$1.0 million. Most of the increase in restricted net position can also be attributed to accumulated parking taxes in the *Street Fund*.

The City's *net position for governmental activities* includes \$24.8 million in restricted resources that are subject to external limitations on how the funds may be used. The restricted net position is for debt service, capital projects including transportation projects, tourism promotion/facilities and Des Moines Creek Basin ILA projects. The remaining balance of unrestricted net position in the amount of \$24 million may be used to meet the government's ongoing obligations to citizens and creditors.

For business-type activities, there are currently no net position restrictions. In 2009, net position was restricted for debt service but these bonds were redeemed in 2010. Unrestricted net position is \$4.2 million and can be used for general surface water management purposes including capital projects, if desired. The City is currently developing a new Surface Water Comprehensive Plan which will provide a needed update and strategic guidance for the Surface Water Utility and its programs. The Plan will primarily evaluate existing programs and identify programs and services which may need to be expanded to meet community and regulatory demands. The Plan will also include a section where storm water issues will be identified, evaluated and ranked to develop a storm water capital improvement list.

**Changes in Net Position**

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

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

**City of SeaTac's Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2012*	2011*	2012	2011	2012	2011
<b>Revenues:</b>						
<i>Program Revenues:</i>						
Charges for services	\$ 4,566,432	\$ 4,879,825	\$ 1,783,281	\$ 1,705,993	\$ 6,349,713	\$ 6,585,818
Operating grants & contrib	1,112,066	1,108,325	-	-	1,112,066	1,108,325
Capital grants & contrib	1,417,945	2,739,593	10,396	50,000	1,428,341	2,789,593
<i>General Revenues:</i>						
Property taxes	13,340,693	12,108,630	139	1,369	13,340,832	12,109,999
Sales taxes	11,434,381	11,543,555	-	-	11,434,381	11,543,555
Parking taxes	6,164,074	5,920,220	-	-	6,164,074	5,920,220
Excise taxes	2,675,644	3,272,898	-	-	2,675,644	3,272,898
Investment interest	129,210	360,208	17,752	10,977	146,962	371,185
Unrestrict grants/contrib	338,354	187,560	-	-	338,354	187,560
Gains on Asset Sales	48	29,604	-	-	48	29,604
<b>Total Revenues</b>	<b>41,178,847</b>	<b>42,150,418</b>	<b>1,811,568</b>	<b>1,768,339</b>	<b>42,990,415</b>	<b>43,918,757</b>
<b>Expenses:</b>						
Judicial	763,447	748,695	-	-	763,447	748,695
General Government	6,156,299	5,832,736	-	-	6,156,299	5,832,736
Public Safety	17,732,720	17,992,619	-	-	17,732,720	17,992,619
Physical Environment	355,461	297,118	1,694,190	1,954,815	2,049,651	2,251,933
Transportation	5,655,447	5,946,470	-	-	5,655,447	5,946,470
Human Services/Health	502,632	492,728	-	-	502,632	492,728
Economic Environment	4,187,405	4,030,161	-	-	4,187,405	4,030,161
Culture & Recreation	3,921,787	3,788,168	-	-	3,921,787	3,788,168
Interest on long-term debt	156,522	103,678	-	-	156,522	103,678
<b>Total Expenses</b>	<b>39,431,720</b>	<b>39,232,373</b>	<b>1,694,190</b>	<b>1,954,815</b>	<b>41,125,910</b>	<b>41,187,188</b>
<b>Inc (Dec) in Net Position Before Transfers</b>	<b>1,747,127</b>	<b>2,918,045</b>	<b>117,378</b>	<b>(186,476)</b>	<b>1,864,505</b>	<b>2,731,569</b>
Transfers	(2,030,137)	(283,398)	2,030,137	283,398	-	-
<b>Inc (Dec) in Net Position</b>	<b>(283,010)</b>	<b>2,634,647</b>	<b>2,147,515</b>	<b>96,922</b>	<b>1,864,505</b>	<b>2,731,569</b>
<b>Net Position-Beg (as prev rptd)</b>	<b>442,189,573</b>	<b>440,339,497</b>	<b>28,879,051</b>	<b>28,594,342</b>	<b>471,068,624</b>	<b>468,933,839</b>
Prior Year Adjustments*	1,163,644	(784,571)	98,423	187,787	1,262,067	(596,784)
<b>Net Position-Beg (as restated)</b>	<b>443,353,217</b>	<b>439,554,926</b>	<b>28,977,474</b>	<b>28,782,129</b>	<b>472,330,691</b>	<b>468,337,055</b>
<b>Net Position-Ending</b>	<b>\$ 443,070,207</b>	<b>\$ 442,189,573</b>	<b>\$ 31,124,989</b>	<b>\$ 28,879,051</b>	<b>\$ 474,195,196</b>	<b>\$ 471,068,624</b>

\*GASB Statement No. 65 requires retroactively restating financial statements for all periods presented or the cumulative effective of applying the Statement should be reported as a restatement of beginning net position. To report consistently with the Statement of Net Position, the entire adjustment for the change in accounting for the debt issuance costs in the amount of \$23,730 has been included in the 2012 prior period adjustment. Had the adjustment been made in 2011, the increase in net position would have been \$27,119. The difference between the years in the amount of \$3,389 is the annual amortization of the debt issuance costs.

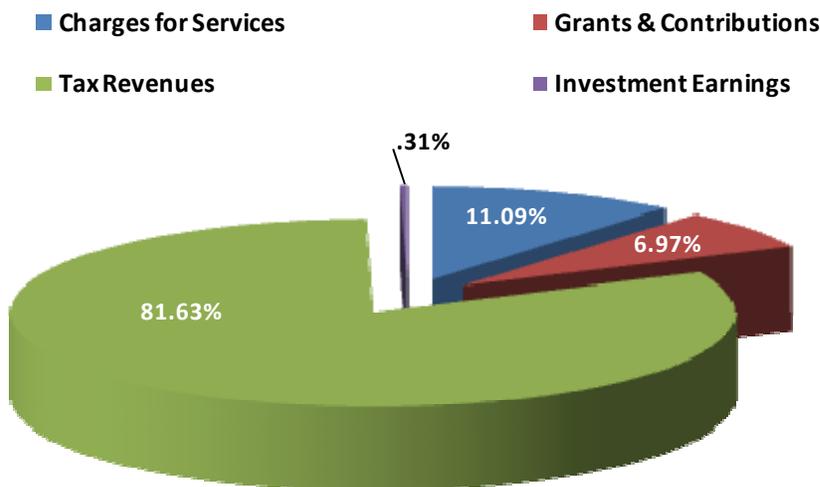
**Governmental Activities:** Net position for *Governmental Activities* decreased by \$283 thousand in 2012. Various prior period adjustments (*error corrections and a change in accounting principle*) in the amount of \$1.2 million all added to the increase in net position.

The City continues to apply for and receive various State and Federal grants for infrastructure projects and other smaller scale projects in other areas. In total the City received \$1.4 million in grant revenues for capital purposes. Although this amount is down \$1.3 million from the prior year, transportation project start dates and actual expenditures incurred impact the timing of when actual grant revenues are received.

Although the City Council did not approve the maximum allowed 1% property tax increase for 2012, the City receives increases in property tax revenues from new construction and improvements to property and from any increases in the value of State-assessed property. At the end of 2011, the City received notice of an unexpected increase in State-assessed utility value in the amount of \$363 thousand which contributed an additional \$1.0 million to the City's property taxes. This made up most of the 10.2% increase in overall property tax revenues.

Interest earnings continue to decline bringing in only \$129 thousand in revenues down from \$360 thousand in 2011. Interest rates in the State Investment Pool closed the year out at .24 percent and with few investment alternatives available, this trend is expected to continue.

### Revenues by Source for Governmental Activities



*Notes: Tax revenues including property, sales, hotel/motel, parking and excise taxes are a large portion (81.7%) of the City's income. Please note that transfers in from other funds are not included in this chart.*

For governmental activities, total expenses increased just under \$200 thousand or less than 1% from 2011. Seven out of the nine program areas in governmental activities had expense increases in 2012. Some of the major expense changes are described below:

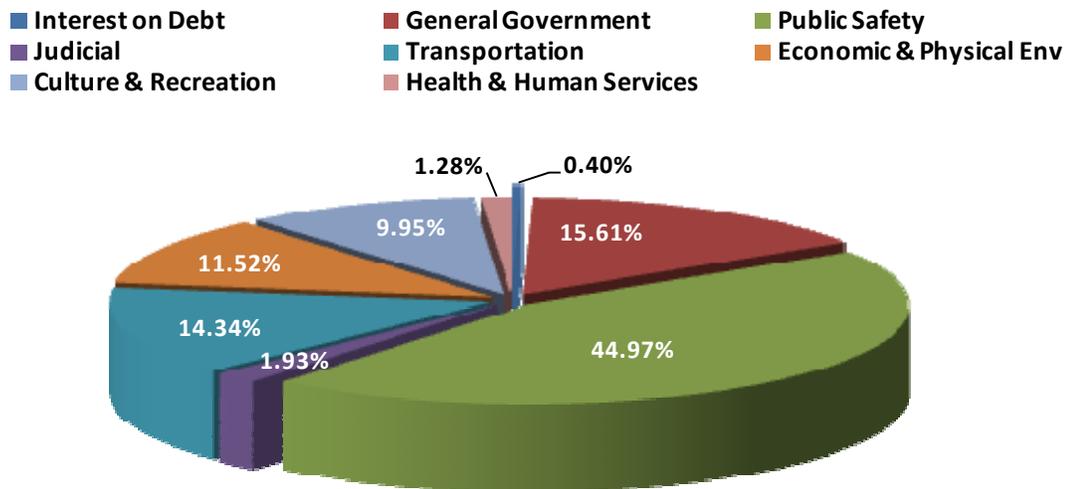
- ✚ *Transportation* expenses declined by \$291 thousand or 4.9%. Transportation expenses vary depending on the number and size of capital projects in the planning stage or under construction. Other factors include the type and size of grants received.
- ✚ *General Government* increased by 5.6% or \$324 thousand over 2011. Various programs within *General Government* increased or decreased by more than 5% in 2012 as follows: City Manager's Office increased by

approximately 24%. Most of this increase was due to the hiring of an Assistant City Manager for vacant position which had not been filled since 2008. Finance expenditures increased by almost 7% due to two positions being reclassified to higher ranges. Expenditures for the City Clerk's Office declined just under 13%. This decline was due to lower election costs. Legal Service expenditures rose by slightly more than 13% due to an increase in the need for outside legal services. Lastly, Human Resources increased by more than 7% due to salary and benefit adjustments.

**Economic Environment** increased by 3.9% or \$157 thousand in 2012. Reorganization of the Community and Economic Development Department which includes Planning Services, Building Services, Development Review Engineering and Economic Development, shifted some costs into *Economic Environment*, causing the increase.

**Interest on Long-Term Debt** increased by 51% in 2012. The increase is due to the City paying interest on the SCORE (*South Correctional Entity*) jail facility debt service for the first time. Previous interest payments were made out of the bond proceeds by SCORE.

### Expenses by Function for Governmental Activities



Notes: Public Safety expenses are for contracted police services (King County). Most of the fire services are provided by City employees, with a few services being contracted out to the Kent RFA. Transfers out to other funds are not included in this chart.

**Business-type Activities:** Net position increased by \$2.2 million in 2012 as compared to a \$97 thousand increase in 2011. Net position increased by such a large amount due to infrastructure asset transfers in from governmental activities. For instance, governmental activities transferred \$1.9 million in assets from the South 154<sup>th</sup> Street Improvements which were funded out the *Transportation CIP Fund* with parking taxes and grants. Additionally, the South 188<sup>th</sup> Street Overlay Project transferred \$148 thousand in storm drainage related assets like catch basins, manholes, and piping to the business-type activities.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As previously discussed, the City of SeaTac uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following analysis is provided for select governmental funds including the *General Fund* and the five other major funds as listed below. The City's Surface Water Management proprietary funds are also described below.

**Governmental Funds**

The purpose of the City's governmental fund financial statements is to report on short term revenues/financial resources and expenditures. This information helps determine the City's financial requirements for the near future. In particular, unassigned fund balance in the *General Fund* is a good indicator of the City's resources available for spending at the end of the year. For the other five major funds, the resources are nonspendable, restricted or assigned to other purposes.

At the end of the 2012, the City's combined ending governmental fund balance was \$49.6 million versus the 2011 restated ending fund balance of \$46.9 million. Included in the 2012 ending fund balance is \$1 million in nonspendable prepayments, \$26.7 million in restricted fund balance (*i.e. transportation, tourism, capital projects, etc.*) and \$17.8 million in fund balance which has been assigned to other purposes (*i.e. equipment replacement, capital projects, etc.*). New fund balance classifications for governmental funds were established in 2011 as per *GASB Statement No. 54*. In 2010, fund balance for governmental funds was classified as unreserved (*designated and undesignated*) and reserved only.

The *General Fund* is the primary operating fund of the City through which most receipts and payments of ordinary City operational expenditures are processed. Property taxes and sales taxes are the primary revenue sources for the *General Fund*. In 2011 and 2012, property taxes recorded into the *General Fund* equaled approximately \$11.3 million and \$12.8 million, respectively. Please note that for both years just over \$400 thousand in property taxes were deposited directly into the *2009 LTGO Refunding Bond Fund*. This Fund was established to service the refunded debt on bonds that were originally issued in 1994 to acquire a City Hall.

In 2012, sales taxes recorded into the *General Fund* were \$9.2 million compared to \$9.0 million in 2011. Although the slow economy continues to affect retail sales, the City's \$200 thousand sales tax climb was beneficial to maintaining the City Council's ending fund balance policy of 3 months in operating expenditures. Since the City's sales taxes are largely tied to the travel industry, improving travel trends continue to contribute to the sales tax rise. Seattle Southside Visitors Services (*the tourism and marketing organization for the cities of SeaTac, Kent, Des Moines and Tukwila*) reports (*study completed by Dean Runyan Associates in February 2013*) that spending in the travel area was up approximately 5.8% (*in the Seattle Southside region*) over 2011. Additionally, this study reports that employment grew by 4.6% and visitor air arrivals (domestic only) to SeaTac Airport have also increased for a third year in a row.

At the end of 2012, the fund balance of the *General Fund* was \$15.7 million. This was an increase of \$1.2 million from the \$14.5 million ending fund balance for 2011. The recently implemented (in 2011) *GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions* refined the definition of special revenue funds as funds that are used to account for and report the proceeds of specific revenue sources that are restricted or committed to specific purposes other than debt service or capital projects. Governments with special revenue funds not meeting these requirements were to discontinue reporting these funds and report these resources in the *General Fund* instead. This GASB Statement required the City to report five funds differently in the financial statements (GAAP basis) than in the City's budget (budgetary basis). The five funds and their respective fund balance additions to the *General Fund* are as follows: *Contingency Reserve Fund* - \$775 thousand, *Port of Seattle ILA Fund* - \$3.5 million, *Transit Planning* - \$238 thousand, *Building Management Fund* - \$1.4 million, and *Facility Repair & Replacement* - \$108 thousand for a total of over \$6.2 million.

The City's second major fund, the *Street Fund*, was originally added as a major fund in 2007 due to parking tax revenues. Parking taxes are an important funding source for capital infrastructure projects and are transferred into the *Transportation CIP Fund* as necessary. The *Street Fund* ended the year with \$11.5 million in ending fund balance which is an increase of approximately \$2.6 million from 2011 (as restated). Transfers out in the amount of \$2 million were made to the *Transportation CIP Fund* in 2012. Parking tax revenues exceeded budget estimates by 1.9% due to the improving travel industry trends.

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. Fund balance in this Fund is \$7.5 million which is down \$221 thousand from last year. The Fund's ending fund balance includes unexpended restricted bond proceeds of \$5 million to be used for capital facilities or improvements related to tourism. The largest expenditure in the *Hotel/Motel Tax Fund* is for cooperative tourism promotion for joint services with the City of Tukwila and payments to the Seattle Southside Visitor Service for tourism marketing services.

The *Special Assessment Debt Fund* is a debt service fund used to make the debt service payments on the City's single Local Improvement District (LID). This Fund was originally included as a major fund due to its large special assessment deferred revenues (now inflows of resources) balance. The ending fund balances for 2012 and 2011 were \$236 thousand and \$11 thousand, respectively. This Fund carries a relatively small fund balance because the cash collected from the LID is used to make the principal and interest payments on the bonds issued to pay for some of the initial construction improvement costs for the 28<sup>th</sup>/24<sup>th</sup> Avenue South arterial project.

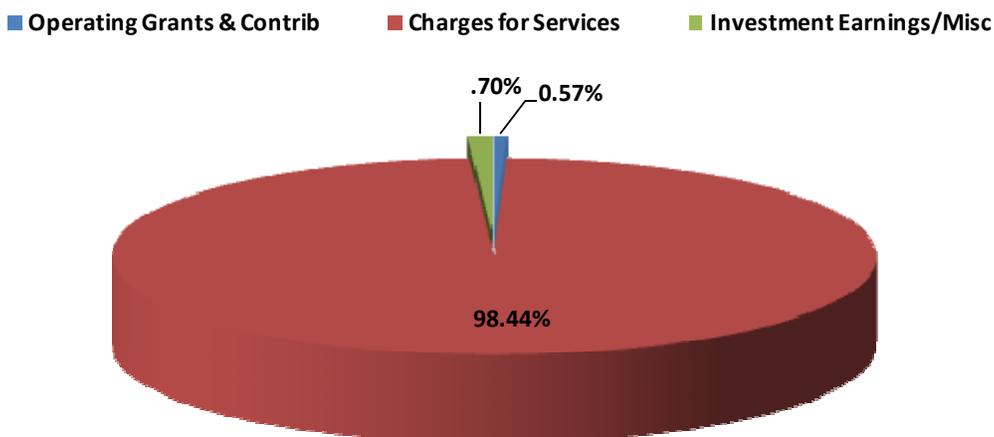
The *Municipal Facilities Capital Improvement Fund* is a capital projects fund whose purpose is to account for the expenditures related to major municipal capital projects including the purchase of land and the construction or major renovation of buildings. Although this Fund did not meet the *GASB Statement No. 34* tests for inclusion as a major governmental fund, it was included in the governmental funds' financial statements as a major fund to provide reporting consistency from year to year. In 2012, the revenue source for this Fund was investment earnings. At the end of 2012, the fund balance in the *Municipal Facilities Capital Improvement Fund* was \$3.7 million. It is anticipated that most of these funds will be spent on replacing Fire Station #45 on South 200<sup>th</sup> Street as planned in the City's 2013 – 2018 Capital Improvement Program.

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 2012, the major revenue sources for this Fund included State Transportation Improvement Board Grants for South 154<sup>th</sup> Street (*South 24<sup>th</sup> to South 32<sup>nd</sup>*) and (*South 166<sup>th</sup> – South 176<sup>th</sup>*). Additionally, the City received a U.S. Department of Transportation grant through the Washington State Department of Transportation for the South 154<sup>th</sup> Street project. Ending fund balance for this Fund was \$4.0 million for 2012 and \$4.8 million for 2011. It is expected that the levels of revenues, expenditures and the ending fund balance for this Fund will vary from year to year depending on the size and number of capital projects and the amount of grant funding.

### **Business-Type Funds**

The City's only business-type funds are the two surface water management funds. These funds are proprietary funds whose financial statements provide similar, but sometimes more detailed, information than the government-wide financial statements. The *Surface Water Management Operating Fund* accounts for the surface water management fees and the related maintenance and operations costs of the utility, including depreciation. The *Surface Water Management Construction Fund* accounts for the capital costs incurred related to surface water capital improvements. On the government-wide *Statement of Net Position* for business-type activities, the ending net position balance for proprietary funds was \$31.1 million and of this amount, \$4.2 million or 13.4% was unrestricted. The other \$27 million or 86.6% was classified as invested in capital assets. The chart below shows the major revenue sources (*excluding transfers in*) for the surface water management business-type activities by percentage for 2012.

**Revenues by Source for Business-type Activities**



*Notes: The chart above reflects the resources provided by the City's surface water management utility, excluding transfers in. As shown, the majority of the revenues come from charges for services, specifically storm drainage fees. Note: All expenses are 100% surface water management related, under the Physical Environment function, so no chart is being provided for the expenses.*

**GENERAL FUND BUDGETARY HIGHLIGHTS**

On a budgetary basis, the *General Fund* finished 2012 with \$9.8 million in ending fund balance reserves. The original budgeted ending fund balance amount was \$7.6 million. The ending fund balance came in over the original budget by \$2.1 million or 28.1%. Actual revenues (*excluding transfers in*) were \$526 thousand over the original estimate. The area with the highest positive variance was taxes. Actual property taxes exceeded budget by \$923 thousand. The additional revenue was received from an unexpected increase in the State-assessed utilities. The area with the largest negative variance was licenses and permits. Construction and permit issuance remained stagnant in 2012, thereby, causing the 38.9% difference in actual permit and licensing revenues versus the final budget.

The *General Fund's* actual expenditures (*excluding transfers out*) were \$1.5 million less than the 2012 final budget. The largest savings were in Public Safety in the amount of \$671 thousand. Savings were incurred in Police Services (\$227 thousand less than appropriated) in most line items including services with King County. For Fire Services, capital expenditures were delayed until the next year providing for a spending deference in the amount of \$336 thousand. Economic Environment had a savings of \$405 thousand in 2012. Community and Economic Development were short a Community and Economic Development Director and a Planning Manager for most of the year, creating much of the savings in this area.

**CAPITAL ASSETS AND LONG-TERM DEBT**

**Capital Assets**

At the end of 2012, the City had \$395 million (*net of accumulated depreciation*) in governmental activities capital assets, including one internal service fund, and \$27 million (*net*) in business-type activities. Total internal service fund capital assets (*net*) were just over \$846 thousand. The internal service fund assets were included in the governmental activities column of the government-wide *Statement of Net Position*. Additional information on capital assets can be found in the *Financial Statement Notes*, specifically *Note No. 6 - Capital Assets*. The following table summarizes the City's capital assets for the year ended 2012:

**City of SeaTac's Capital Assets**

Capital Assets:	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 320,229,042	\$ 320,217,657	\$ -	\$ -	\$ 320,229,042	\$ 320,217,657
Intangible Assets-Easements	71,226	71,226	35,442	35,442	106,668	106,668
Constr in Progress (CIP)	1,084,720	3,650,853	-	-	1,084,720	3,650,853
Buildings/Building Impr	43,285,701	43,206,439	228,560	228,560	43,514,261	43,434,999
Other Improvements	9,933,178	9,879,864	32,154,224	29,794,550	42,087,402	39,674,414
Infrastructure	81,656,993	76,827,841	-	-	81,656,993	76,827,841
Equipment/Vehicles	5,837,811	5,729,439	-	-	5,837,811	5,729,439
Equipment/Vehicles-Eq Rental	2,471,163	2,400,104	-	-	2,471,163	2,400,104
Intangible Assets-Software	922,460	822,833	101,336	75,292	1,023,796	898,125
Less: Depreciation	(70,471,328)	(65,142,895)	(5,566,483)	(4,948,054)	(76,037,811)	(70,090,949)
<b>Total Capital Assets (Net)</b>	<b>\$ 395,020,966</b>	<b>\$ 397,663,361</b>	<b>\$ 26,953,079</b>	<b>\$ 25,185,790</b>	<b>\$ 421,974,045</b>	<b>\$ 422,849,151</b>

In 2012, the largest changes in capital assets occurred in the categories of construction in progress and infrastructure in the governmental activities category. The City has six capital projects currently under way including: Military Road South (South 176<sup>th</sup> to South 166<sup>th</sup>), South 164<sup>th</sup> Street sidewalks (34<sup>th</sup> Ave South to Military Road South), Connecting 28<sup>th</sup>/24<sup>th</sup> Avenue South, Angle Lake Park Phase II, a skate park at the SeaTac Community Center and replacement of Fire Station #45. Recently completed infrastructure projects include the following: South 154<sup>th</sup> Street (South 24<sup>th</sup> to South 32<sup>nd</sup>) and South 164<sup>th</sup> sidewalk project (34<sup>th</sup> Ave South to Military Road).

**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 two types of allowable long-term debt outstanding including general obligation debt (councilmanic) and special assessment debt. No voter-approved general obligation debt is outstanding. The table below provides a summary of the City's outstanding debt for 2012 and 2011 by type:

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$ 2,230,000	\$ 2,900,000	\$ -	\$ -	\$ 2,230,000	\$ 2,900,000
Special Obligation Bonds	2,587,050	2,587,050	-	-	2,587,050	2,587,050
Special Assessment Debt	285,000	285,000	-	-	285,000	285,000
Revenue Bonds	-	-	-	-	-	-
<b>Total</b>	<b>\$ 5,102,050</b>	<b>\$ 5,772,050</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,102,050</b>	<b>\$ 5,772,050</b>

**General Obligation Debt**

According to Washington State law, the City's debt capacity for *general government purposes* is limited to 2.5% or \$98.1 million of the City's assessed valuation. Of this 2.5%, the City Council has the authority to issue bonds and/or approve lease purchase agreements up to 1.5% or \$58.8 million. At the end of 2012, the City's assessed valuation was \$3,923,037,913 which is a 12.8% decline from 2011. The 2012 assessed valuation is used to calculate taxes to be collected in 2013. The City had \$4.8 million in outstanding councilmanic (non-voted) general obligation debt including the special obligation bonds issued by SCORE (South Correctional Entity) at the end of 2012. Repayment of this debt is guaranteed through the general taxing authority of the City. At this time, the City has no plans to issue additional general obligation debt.

In addition to the debt capacity limits for *general government purposes* (described above), there are other statutory limits of 2.5% for *parks and open space* and 2.5% for *utilities* for a combined total debt capacity of 7.5% or \$294.2

million of the City's assessed valuation. Additional information can be found in the *Statistical Section* of the City's *2012 Comprehensive Annual Financial Report* in the "Debt Capacity Information" section.

**Revenue Debt**

At the end of 2012, the City had no revenue debt outstanding. At this time, the City has no plans to issue new revenue debt.

**Special Assessment Debt**

Special assessment debt is created through the formation of a local improvement district (LID). LID debt pays for significant public improvements (roads, sidewalks, utilities, etc.) that benefit specific properties. Following the formation of an LID and the completion of the improvements, the benefiting property owners are assessed their proportional share of the costs with repayment permitted over a period of years. The City sells LID bonds to cover the cost of the improvements and repayment is backed by liens placed on the benefiting properties. The City's current outstanding LID debt is only an obligation of the *Special Assessment Debt Fund* and the *LID Guarantee Fund* and are not a general obligation of the City.

At the end of 2012, the City had LID bonds outstanding totaling \$285,000. 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* in the *2012 Notes to the Financial Statements*.

**ECONOMIC FACTORS AND THE BUDGET**

How does unemployment in King County compare to the rest of the Washington State? Washington's unemployment rate was at 7.5% (*preliminary figure – not seasonally adjusted*) in March 2013 while King County's unemployment rate was just above 5% (*also not seasonally adjusted*). The unemployment rate for the U.S. was at 7.6% for this same period. In 2012, employment was up 2.6% in King County with job growth occurring in most areas. Construction jobs were up almost 15% from December 2011 to December 2012. (*Note: Information provided by the King County Office of Economic and Financial Analysis, the Employment Security Department of Washington State, and the U.S. Bureau of Labor Statistics.*)

Although SeaTac's taxable retail sales have historically increased an average of 5% over the last few years, 2013 sales taxes are showing a year-to-date decrease of 3.1% over 2012. Although this is a further decline from the 1% year over year decrease from 2012, it is anticipated that construction work related to the 1.6 mile Sound Transit link extension to South 200<sup>th</sup> (*Angle Lake Station*) will provide a much needed addition to the City's sales tax revenue. Construction began in May 2013 and service is expected to begin in late 2016. Per Sound Transit, the budget for this project is \$383 million.

For 2013-2014 biennium, the City's original budgeted *General Fund* ending fund balance is estimated at \$8.3 million. The City continues to utilize various strategies to assist in maintaining the *General Fund's* target fund balance of *three months of operating expenditures* including the following: 1) Reassigned \$920,000 in construction sales taxes to the *General Fund* from the *Municipal Capital Improvement Fund* for both 2013 and 2014, respectively. Sales taxes are a flexible unrestricted revenue source that can be spent for operating or capital purposes; 2) Due to projections of only moderately increasing revenues, utilized fund balance, as necessary, in the capital project funds; 3) Continued to shift payment for non-capital facility related repairs from the *General Fund* to the *Building Management Fund*, specifically revenues from SeaTac Center operations; and 4) Various other financial planning measures are under way which include a task force review of health care, a fire consolidation analysis, pursuing grants for major transportation initiatives, and the undertaking of a city-wide alignment and improvement process. These efforts will help to ensure that the City is effectively and efficiently delivering services to the community.

Although the City of SeaTac's operating budget continues to follow the historic practice of conservative budgeting, spending and forecasting, 2012 followed 2011's and 2010's lead and ended up being another one of the City's more difficult years due to actual expenditures exceeding actual revenues by \$651 thousand (*excluding other financing sources & uses*). On a positive note, the amount of the negative difference is declining in conjunction with the economy which is slowly improving.

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

	<b>2010 Final</b>	<b>2011 Final</b>	<b>2012 Original</b>	<b>2012 Final</b>
<b>Budget:</b>				
Budgeted Revenues	\$ 26,963,820	\$ 26,729,676	\$ 27,759,119	\$ 27,759,119
Budgeted Expenditures	\$ 29,404,764	\$ 28,927,621	\$ 30,295,576	\$ 30,401,044
<b>Budgeted Difference</b>	<b>\$ (2,440,944)</b>	<b>\$ (2,197,945)</b>	<b>\$ (2,536,457)</b>	<b>\$ (2,641,925)</b>
<b>Actual:</b>				
Actual Revenues	\$ 25,438,107	\$ 27,323,814	<b>N/A</b>	\$ 28,285,065
Actual Expenditures	\$ 27,858,888	\$ 28,399,927	<b>N/A</b>	\$ 28,936,228
<b>Actual Difference</b>	<b>\$ (2,420,781)</b>	<b>\$ (1,076,113)</b>	<b>N/A</b>	<b>\$ (651,163)</b>

Note: 1) Figures exclude other financing sources & uses. 2) Budgetary basis differs from GAAP basis.

**REQUESTS FOR INFORMATION**

This financial report was designed to provide a general overview of the City of SeaTac's finances for readers with an interest in the City's finances. Questions regarding any of the information in this report, or requests for additional information should be addressed to the *City of SeaTac, Finance and Systems Director, 4800 South 188<sup>th</sup> Street, SeaTac, WA 98188-8605*.



# Basic Financial Statements

## Basic Financial Statements

Statement of Net Position  
December 31, 2012

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash & cash equivalents	\$ 48,431,753	\$ 3,969,071	\$ 52,400,824
Receivables (net)			
Taxes	3,329,094	-	3,329,094
Customer accts/contracts	1,505,315	131,145	1,636,460
Special assessments	382,207	-	382,207
Interest on investments	3,033	7,808	10,841
Due from other governments	221,803	-	221,803
Internal balances	(154,937)	154,937	-
Prepaid items	1,012,915	-	1,012,915
Investment in joint venture	2,719,519	-	2,719,519
Capital assets not being depreciated:			
Land	320,229,042	-	320,229,042
Intangible assets - easements	71,226	98,750	169,976
Construction in progress	1,084,720	-	1,084,720
Capital assets, net of accum deprec (Note 6):			
Buildings	31,569,662	187,569	31,757,231
Improvements other than buildings	5,335,827	26,666,760	32,002,587
Equipment, vehicles & software	3,081,611	-	3,081,611
Infrastructure	33,648,876	-	33,648,876
<b>Total Assets</b>	<b>\$ 452,471,666</b>	<b>\$ 31,216,040</b>	<b>\$ 483,687,706</b>
<b>Liabilities</b>			
Accounts payable/accrued expenses	1,905,082	57,783	1,962,865
Accrued interest payable	14,055	-	14,055
Custodial accounts/other current liab	300,613	-	300,613
Unearned revenue	42,095	-	42,095
Noncurrent liabilities (Note 10):			
Due within one year	897,455	1,663	899,118
Due in more than one year	6,242,159	31,605	6,273,764
<b>Total Liabilities</b>	<b>9,401,459</b>	<b>91,051</b>	<b>9,492,510</b>
<b>Net Position</b>			
Net investment in capital assets	394,326,243	26,953,079	421,279,322
Restricted for:			
Tourism promo/capital facilities	5,598,431	-	5,598,431
Debt service	246,499	-	246,499
Capital projects/equipment	1,740,896	-	1,740,896
Transportation purposes/projects	15,525,361	-	15,525,361
Des Moines Creek Basin ILA projects	1,651,204	-	1,651,204
Unrestricted	23,981,573	4,171,910	28,153,483
<b>Total Net Position</b>	<b>\$ 443,070,207</b>	<b>\$ 31,124,989</b>	<b>\$ 474,195,196</b>

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

**Statement of Activities**  
**For the Year Ended December 31, 2012**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants &amp; Contributions</u>	<u>Capital Grants &amp; Contributions</u>
<b>Functions/Programs</b>				
<i>Governmental Activities:</i>				
Judicial	\$ 763,447	\$ 432,571	\$ 10,132	\$ 15,884
General Government	6,156,299	1,348,671	10,000	14,244
Public Safety	17,732,720	193,944	378,071	25,126
Physical Environment	355,461	621,952	67,632	-
Transportation	5,655,447	127,951	584,664	1,309,719
Health & Human Services	502,632	-	16,752	-
Economic Environment	4,187,405	1,114,029	37,315	-
Culture & Recreation	3,921,787	727,314	7,500	52,972
Interest on long-term debt	156,522	-	-	-
<b>Total Governmental Activities</b>	<b>39,431,720</b>	<b>4,566,432</b>	<b>1,112,066</b>	<b>1,417,945</b>
<i>Business-type Activities:</i>				
Surface Water Utilities	1,694,190	1,783,281	10,396	-
<b>Total Business-type Activities</b>	<b>1,694,190</b>	<b>1,783,281</b>	<b>10,396</b>	<b>-</b>
<b>Total Government</b>	<b>\$ 41,125,910</b>	<b>\$ 6,349,713</b>	<b>\$ 1,122,462</b>	<b>\$ 1,417,945</b>

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

## Net (Expense) Revenue &amp; Changes in Net Position

	Governmental Activities	Business-type Activities	Total
<b>Functions/Programs</b>			
<i>Governmental Activities:</i>			
Judicial	\$ (304,860)	\$ -	\$ (304,860)
General Government	(4,783,384)	-	(4,783,384)
Public Safety	(17,135,579)	-	(17,135,579)
Physical Environment	334,123	-	334,123
Transportation	(3,633,113)	-	(3,633,113)
Health & Human Services	(485,880)	-	(485,880)
Economic Environment	(3,036,061)	-	(3,036,061)
Culture & Recreation	(3,134,001)	-	(3,134,001)
Interest on long-term debt	(156,522)	-	(156,522)
<b>Total Governmental Activities</b>	<b>(32,335,277)</b>	<b>-</b>	<b>(32,335,277)</b>
<i>Business-type Activities:</i>			
Surface Water Utilities	-	99,487	99,487
<b>Total Business-type Activities</b>	<b>-</b>	<b>99,487</b>	<b>99,487</b>
<b>Total Government</b>	<b>(32,335,277)</b>	<b>99,487</b>	<b>(32,235,790)</b>
<b>General Revenues</b>			
Property taxes	13,340,693	139	13,340,832
Sales taxes	11,434,381	-	11,434,381
Parking taxes	6,164,074	-	6,164,074
Excise taxes	2,675,644	-	2,675,644
Unrestricted grants & contributions	338,354	-	338,354
Investment earnings	129,210	17,752	146,962
Gain on sale of capital assets	48	-	48
<b>Total General Revenues</b>	<b>34,082,404</b>	<b>17,891</b>	<b>34,100,295</b>
Transfers	(2,030,137)	2,030,137	-
<b>Total General Revenues &amp; Transfers</b>	<b>32,052,267</b>	<b>2,048,028</b>	<b>34,100,295</b>
Change in Net Position	(283,010)	2,147,515	1,864,505
Net Position-Beg (as prev reported)	442,189,573	28,879,051	471,068,624
Prior Year Adjustments	1,163,644	98,423	1,262,067
<b>Net Position-Beginning (as restated)</b>	<b>443,353,217</b>	<b>28,977,474</b>	<b>472,330,691</b>
<b>Net Position-Ending</b>	<b>\$ 443,070,207</b>	<b>\$ 31,124,989</b>	<b>\$ 474,195,196</b>

**Balance Sheet**  
**December 31, 2012**

	Special Revenue Funds			Debt Svc Fund	Cap Imp Funds
	General	Street	Hotel/Motel Tax	Special Assessment Debt	Municipal Facilities CIP
<b>Assets</b>					
Cash & cash equivalents	\$ 13,149,765	\$ 10,743,551	\$ 7,628,676	\$ 236,248	\$ 3,714,190
Receivables (net of allowance for uncollectibles):					
Taxes	2,432,055	672,871	160,438	-	-
Customer accts/contracts	1,017,737	41,905	5,298	-	-
Special assessments	-	-	-	382,207	-
Interest receivable	298	-	-	2,735	-
Due from other governments	1,447	194,844	-	-	-
Prepaid items	970,270	192	400	-	-
<b>Total Assets</b>	<b>\$ 17,571,572</b>	<b>\$ 11,653,363</b>	<b>\$ 7,794,812</b>	<b>\$ 621,190</b>	<b>\$ 3,714,190</b>
<b>Liabilities</b>					
Accounts/other payable	513,087	147,835	293,077	-	250
Custodial accounts payable	161,975	-	-	-	-
Deposits payable	138,638	-	-	-	-
Unearned revenue	37,755	-	-	-	-
<b>Total Liabilities</b>	<b>851,455</b>	<b>147,835</b>	<b>293,077</b>	<b>-</b>	<b>250</b>
<b>Deferred Inflows of Resources</b>					
Unavail rev-property taxes	361,328	-	-	-	-
Unavail rev-court fines	587,752	-	-	-	-
Unavail rev-operating leases	58,929	-	-	-	-
Unavail rev-spec assess int/pen	-	-	-	2,735	-
Unavail rev-spec assess	-	-	-	382,207	-
<b>Total Deferred Inflows of Res</b>	<b>1,008,009</b>	<b>-</b>	<b>-</b>	<b>384,942</b>	<b>-</b>
<b>Fund Balances (Deficits)</b>					
<b><i>Nonspendable:</i></b>					
Prepayments	970,270	192	400	-	-
<b><i>Restricted:</i></b>					
Transportation purposes/projects	-	11,505,336	-	-	-
Tourism promo/capital facilities	-	-	7,501,335	-	-
DM Creek Basin ILA projects	-	-	-	-	-
Open space & trail projects	-	-	-	-	-
Capital projects/equipment	-	-	-	-	-
Debt service	-	-	-	236,248	-
<b><i>Assigned:</i></b>					
Fire Station construction	-	-	-	-	602,422
Fire equipment replacement	-	-	-	-	-
Light Rail Station(s) projects	-	-	-	-	-
Budgetary reserve	8,060,111	-	-	-	-
2013/14 Budget-excess approp	2,229,092	-	-	-	3,111,518
<b><i>Unassigned:</i></b>	<b>4,452,635</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>15,712,108</b>	<b>11,505,528</b>	<b>7,501,735</b>	<b>236,248</b>	<b>3,713,940</b>
<b>Total Liab, Def Inflows of Res &amp; Fund Balances (Deficits)</b>	<b>\$ 17,571,572</b>	<b>\$ 11,653,363</b>	<b>\$ 7,794,812</b>	<b>\$ 621,190</b>	<b>\$ 3,714,190</b>

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

	Cap Imp Funds		Total Governmental Funds	
	Transportation CIP	Other Governmental Funds		
<b>Assets</b>				
Cash & cash equivalents	\$ 4,277,653	\$ 7,007,070	\$ 46,757,153	
Receivables (net of allowance for uncollectibles):				
Taxes	-	63,730	3,329,094	
Customer accts/contracts	410,693	29,682	1,505,315	
Special assessments	-	-	382,207	
Interest receivable	-	-	3,033	
Due from other governments	-	25,512	221,803	
Prepaid items	-	-	970,862	
<b>Total Assets</b>	<b>\$ 4,688,346</b>	<b>\$ 7,125,994</b>	<b>\$ 53,169,467</b>	
<b>Liabilities</b>				
Accounts/other payable	668,513	252,773	1,875,535	
Custodial accounts payable	-	-	161,975	
Deposits payable	-	-	138,638	
Unearned revenue	-	4,340	42,095	
<b>Total Liabilities</b>	<b>668,513</b>	<b>257,113</b>	<b>2,218,243</b>	
<b>Deferred Inflows of Resources</b>				
Unavail rev-property taxes	-	-	361,328	
Unavail rev-court fines	-	-	587,752	
Unavail rev-operating leases	-	-	58,929	
Unavail rev-spec assess int/pen	-	-	2,735	
Unavail rev-spec assess	-	-	382,207	
<b>Total Deferred Inflows of Res</b>	<b>-</b>	<b>-</b>	<b>1,392,951</b>	
<b>Fund Balances (Deficits)</b>				
<b><i>Nonspendable:</i></b>				
Prepayments	-	-	970,862	
<b><i>Restricted:</i></b>				
Transportation purposes/projects	4,019,833	-	15,525,169	
Tourism promo/capital facilities	-	-	7,501,335	
DM Creek Basin ILA projects	-	1,651,204	1,651,204	
Open space & trail projects	-	254,875	254,875	
Capital projects/equipment	-	1,486,021	1,486,021	
Debt service	-	24,307	260,555	26,679,159
<b><i>Assigned:</i></b>				
Fire Station construction	-	-	602,422	
Fire equipment replacement	-	467,335	467,335	
Light Rail Station(s) projects	-	89,616	89,616	
Budgetary reserve	-	-	8,060,111	
2013/14 Budget-excess approp	-	2,895,523	8,531,233	17,750,717
<b><i>Unassigned:</i></b>				
	-	-	4,157,535	
<b>Total Fund Balances</b>	<b>4,019,833</b>	<b>6,868,881</b>	<b>49,558,273</b>	
<b>Total Liab, Def Inflows of Res &amp; Fund Balances (Deficits)</b>	<b>\$ 4,688,346</b>	<b>\$ 7,125,994</b>	<b>\$ 53,169,467</b>	

**Reconciliation of Fund Balances of Governmental Funds  
to the Net Position of Governmental Activities  
December 31, 2012**

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

**Governmental funds total fund balance on December 31, 2012** **\$ 49,558,273**  
*(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	\$ 320,229,042	
Intangibles - easements	71,226	
Construction in progress	1,084,720	
Buildings & structures	43,285,701	
Other improvements	9,933,178	
Infrastructure	81,656,993	
Equipment	5,837,810	
Intangibles - software	922,460	
Less: accumulated depreciation	<u>(68,846,220)</u>	394,174,910

Investments in joint ventures are not a financial resource and, therefore, are not reported in the governmental funds. 2,719,519

Other long-term assets are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds. 1,392,951

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

*These long-term liabilities consist of:*

Bonds payable	\$ (5,102,050)	
Premium on bond issue (amortized over life of debt)	(83,027)	
Accrued interest payable	(14,055)	
Other post employment benefits payable	(476,569)	
Compensated absences payable	<u>(1,472,474)</u>	(7,148,175)

An Equipment Rental Internal Service Fund is used by management to charge the costs of repairing and replacing equipment to individual governmental funds. These assets and liabilities are included in governmental activities in the Statement of Net Position. 2,372,729

**Net position of governmental activities** **\$ 443,070,207**  
*(as shown on the Government-wide Statement of Net Position)*

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



**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended December 31, 2012**

	<u>General</u>	<u>Street</u>	<u>Hotel/Motel Tax</u>	<u>Special Assessment Debt</u>
<b>Revenues</b>				
Taxes	\$ 24,778,291	\$ 6,164,074	\$ 814,425	\$ -
Licenses & permits	756,207	-	-	-
Intergovernmental	1,152,846	604,921	-	-
Charges for services	1,024,385	1,937	5,298	-
Fines & forfeitures	485,053	-	-	-
Investment & other earnings	48,792	13,100	10,177	36,559
Special assessments	-	-	-	171,920
Rents/leases & concessions	1,150,596	6,900	-	-
Miscellaneous	192,811	54,096	-	-
<b>Total Revenues</b>	<b>29,588,981</b>	<b>6,845,028</b>	<b>829,900</b>	<b>208,479</b>
<b>Expenditures</b>				
<i>Current:</i>				
Judicial	764,634	-	-	-
General Government	5,503,943	-	-	-
Public Safety	16,865,904	-	-	-
Physical Environment	15,632	-	-	-
Transportation	600,952	2,010,173	-	-
Health & Human Services	500,008	-	-	-
Economic Environment	2,253,260	-	1,051,080	-
Culture & Recreation	3,079,620	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest & other costs	77,336	-	-	17,812
<i>Capital Outlay:</i>				
General Government	-	-	-	-
Judicial	-	-	-	-
Public Safety	-	-	-	-
Physical Environment	-	-	-	-
Transportation	-	386,774	-	-
Economic Environment	-	-	-	-
Culture & Recreation	-	-	-	-
<b>Total Expenditures</b>	<b>29,661,289</b>	<b>2,396,947</b>	<b>1,051,080</b>	<b>17,812</b>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(72,308)</i>	<i>4,448,081</i>	<i>(221,180)</i>	<i>190,667</i>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,761,270	158,016	-	35,000
Transfers out	(498,924)	(1,986,692)	-	-
<b>Total Other Fin Sources (Uses)</b>	<b>1,262,346</b>	<b>(1,828,676)</b>	<b>-</b>	<b>35,000</b>
<i>Net Change in Fund Balances</i>	<i>1,190,038</i>	<i>2,619,405</i>	<i>(221,180)</i>	<i>225,667</i>
Fund Balances-Beg (as prev repts)	14,522,070	8,691,279	7,722,915	10,581
Prior Year Adjustment	-	194,844	-	-
<b>Fund Balances-Beg (as restated)</b>	<b>14,522,070</b>	<b>8,886,123</b>	<b>7,722,915</b>	<b>10,581</b>
<b>Fund Balances-Ending</b>	<b>\$ 15,712,108</b>	<b>\$ 11,505,528</b>	<b>\$ 7,501,735</b>	<b>\$ 236,248</b>

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

	Municipal Facilities CIP	Transportation CIP	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ -	\$ 1,072	\$ 1,802,868	\$ 33,560,730
Licenses & permits	-	-	-	756,207
Intergovernmental	-	1,313,999	279,570	3,351,336
Charges for services	-	149,460	203,802	1,384,882
Fines & forfeitures	-	-	-	485,053
Investment & other earnings	9,724	8,349	10,096	136,797
Special assessments	-	-	-	171,920
Rents/leases & concessions	-	-	-	1,157,496
Miscellaneous	-	-	-	246,907
<b>Total Revenues</b>	<b>9,724</b>	<b>1,472,880</b>	<b>2,296,336</b>	<b>41,251,328</b>
<b>Expenditures</b>				
<i>Current:</i>				
Judicial	-	-	2,551	767,185
General Government	-	-	64,581	5,568,524
Public Safety	-	-	2,059	16,867,963
Physical Environment	-	-	315,206	330,838
Transportation	-	601,130	-	3,212,255
Health & Human Services	-	-	-	500,008
Economic Environment	-	-	15,192	3,319,532
Culture & Recreation	-	-	12,473	3,092,093
<i>Debt Service:</i>				
Principal	-	-	670,000	670,000
Interest & other costs	-	-	80,100	175,248
<i>Capital Outlay:</i>				
General Government	-	-	97,844	97,844
Judicial	-	-	14,024	14,024
Public Safety	12,369	-	48,073	60,442
Physical Environment	-	-	94,821	94,821
Transportation	-	3,788,330	-	4,175,104
Economic Environment	-	-	99,628	99,628
Culture & Recreation	-	-	296,030	296,030
<b>Total Expenditures</b>	<b>12,369</b>	<b>4,389,460</b>	<b>1,812,582</b>	<b>39,341,539</b>
<i>Excess (deficiency) of revenues over (under) expenditures</i>				
	<u>(2,645)</u>	<u>(2,916,580)</u>	<u>483,754</u>	<u>1,909,789</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	2,131,589	522,141	4,608,016
Transfers out	-	-	(1,384,537)	(3,870,153)
<b>Total Other Fin Sources (Uses)</b>	<b>-</b>	<b>2,131,589</b>	<b>(862,396)</b>	<b>737,863</b>
<i>Net Change in Fund Balances</i>				
	<u>(2,645)</u>	<u>(784,991)</u>	<u>(378,642)</u>	<u>2,647,652</u>
Fund Balances-Beg (as prev repts)	3,716,585	4,804,824	7,247,523	46,715,777
Prior Year Adjustment	-	-	-	194,844
<b>Fund Balances-Beg (as restated)</b>	<b>3,716,585</b>	<b>4,804,824</b>	<b>7,247,523</b>	<b>46,910,621</b>
<b>Fund Balances-Ending</b>	<b>\$ 3,713,940</b>	<b>\$ 4,019,833</b>	<b>\$ 6,868,881</b>	<b>\$ 49,558,273</b>

**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, 2012**

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

<b>Net change in fund balance for all governmental funds combined</b>		<b>\$ 2,647,652</b>
<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 depreciation exceeded capital outlays in the current period:		
Capital outlays	4,837,893	
Depreciation expense	<u>(5,165,850)</u>	(327,957)
The net effect of various miscellaneous transactions involving capital assets (i.e. asset sales, transfers, etc) is to decrease net position.		(2,212,120)
Investment in joint ventures are not considered financial resources and are, therefore, not reported in the governmental funds.		(176,174)
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. These debt related items consist of:		
Premium on debt refunding	26,106	
Debt principal repayments	<u>670,000</u>	696,106
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. Change in investment interest receivable due beyond the City's 60 day measurable and available period.		(10,112)
Some revenues will not be collected for several months after the City's fiscal year ends and are not considered available revenues in the governmental funds. Unavailable revenues changed by this amount for the current year.		(64,942)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These expenses consist of:		
Net increase in accrued interest expense	(7,382)	
Net increase in other post employment benefits	(199,825)	
Net increase in compensated absences	<u>(121,988)</u>	(329,195)
An Equipment Rental Internal Service Fund is used by management to charge the costs of equipment repairs and replacements to individual funds. Adjustments related to this Fund are reported on the Statement of Activities as governmental activity.		
Profit/Loss allocation	47,037	
Interest earnings	2,527	
Gain on sale of capital assets	48	
Transfers involving other funds (net)	<u>(555,880)</u>	<u>(506,268)</u>
<b>Change in net position of governmental activities</b>		<b>\$ (283,010)</b>
<i>(as shown on the Statement of Activities-Governmental Activities)</i>		

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

**Statement of Net Position**  
**December 31, 2012**

	<b>Business-type Activities</b>			<b>Governmental Activities</b>
	<b>Surface Water Management Operating</b>	<b>Surface Water Management Construction</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Fund</b>
<b>Assets</b>				
<i>Current Assets:</i>				
Cash & cash equivalents	\$ 2,532,187	\$ 1,436,884	\$ 3,969,071	\$ 1,674,600
Customer receivables (net)	131,145	-	131,145	-
Interest receivable	7,808	-	7,808	-
Prepaid items	-	-	-	42,053
<b>Total Current Assets</b>	<b>2,671,140</b>	<b>1,436,884</b>	<b>4,108,024</b>	<b>1,716,653</b>
<i>Noncurrent Assets:</i>				
Capital assets (net of accumulated depreciation):				
Buildings	-	187,569	187,569	-
Other improvements	1,237,852	25,428,908	26,666,760	-
Vehicles and equipment	-	-	-	846,054
Intangible assets	63,308	35,442	98,750	-
<b>Total Noncurrent Assets</b>	<b>1,301,160</b>	<b>25,651,919</b>	<b>26,953,079</b>	<b>846,054</b>
<b>Total Assets</b>	<b>\$ 3,972,300</b>	<b>\$ 27,088,803</b>	<b>\$ 31,061,103</b>	<b>\$ 2,562,707</b>
<b>Liabilities</b>				
<i>Current Liabilities:</i>				
Accounts payable	57,783	-	57,783	29,547
Compensated absences	1,663	-	1,663	275
<b>Total Current Liabilities</b>	<b>59,446</b>	<b>-</b>	<b>59,446</b>	<b>29,822</b>
<i>Noncurrent Liabilities:</i>				
Compensated absences	31,605	-	31,605	5,219
<b>Total Noncurrent Liabilities</b>	<b>31,605</b>	<b>-</b>	<b>31,605</b>	<b>5,219</b>
<b>Total Liabilities</b>	<b>91,051</b>	<b>-</b>	<b>91,051</b>	<b>35,041</b>
<b>Net Position</b>				
Net investment in capital assets	1,301,160	25,651,919	26,953,079	846,054
Unrestricted	2,580,089	1,436,884	4,016,973	1,681,612
<b>Total Net Position</b>	<b>\$ 3,881,249</b>	<b>\$ 27,088,803</b>	<b>\$ 30,970,052</b>	<b>\$ 2,527,666</b>
Cumulative adjustment to reflect the consolidation of the Equipment Rental Internal Service Fund activities as related to enterprise funds over time.			154,937	
<b>Net position of business-type activities</b>			<b>\$ 31,124,989</b>	

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

**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2012**

	<b>Business-type Activities</b>			<b>Governmental Activities</b>
	<b>Surface Water Management Operating</b>	<b>Surface Water Management Construction</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Fund</b>
<b>Operating Revenues</b>				
<i>Charges for Services:</i>				
Surface water utilities	\$ 1,783,281	\$ -	\$ 1,783,281	\$ -
Equipment rental	-	-	-	555,900
<b>Total Operating Revenues</b>	<b>1,783,281</b>	<b>-</b>	<b>1,783,281</b>	<b>555,900</b>
<b>Operating Expenses</b>				
Maintenance & operations	1,091,902	-	1,091,902	316,011
Depreciation	99,077	519,353	618,430	178,789
<b>Total Operating Expenses</b>	<b>1,190,979</b>	<b>519,353</b>	<b>1,710,332</b>	<b>494,800</b>
<b>Operating Income (Loss)</b>	<b>592,302</b>	<b>(519,353)</b>	<b>72,949</b>	<b>61,100</b>
<b>Nonoperating Revenues (Exps)</b>				
Taxes	139	-	139	-
Intergovernmental revenues	10,396	-	10,396	-
Investment earnings	15,820	1,933	17,752	2,527
Gain (loss) on disposal of assets	-	-	-	48
Misc nonoperating revs (exps)	2,078	-	2,078	-
<b>Total Nonoperating Revs (Exps)</b>	<b>28,433</b>	<b>1,933</b>	<b>30,365</b>	<b>2,575</b>
<b>Income (Loss) Before Contributions &amp; Transfers</b>	<b>620,735</b>	<b>(517,420)</b>	<b>103,314</b>	<b>63,675</b>
Capital contributions	-	2,212,120	2,212,120	-
Transfers in	128,847	-	128,847	-
Transfers out	(310,830)	-	(310,830)	(555,880)
<b>Change in Net Assets</b>	<b>438,752</b>	<b>1,694,700</b>	<b>2,133,451</b>	<b>(492,205)</b>
Net Position-Beg (as prev repts)	3,344,074	25,394,103		3,019,871
Prior Year Adjustment	98,423	-		-
<b>Net Position-Beg (as restated)</b>	<b>3,442,497</b>	<b>25,394,103</b>		<b>3,019,871</b>
<b>Net Position-Ending</b>	<b>\$ 3,881,249</b>	<b>\$ 27,088,803</b>		<b>\$ 2,527,666</b>

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

14,063

**Change in net position of business-type activities** **\$ 2,147,514**

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

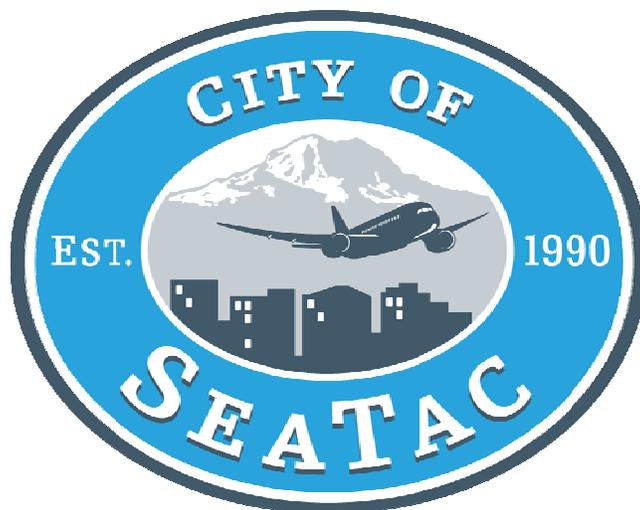


**Statement of Cash Flows**  
**For the Year Ended December 31, 2012**

	<b>Business-type Activities-Enterprise Funds</b>			<b>Governmental Activities</b>
	<b>Surface Water Management Operating</b>	<b>Surface Water Management Construction</b>	<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
<b>Cash Flows from Operating Activities:</b>				
Receipts from customers	\$ 1,679,948	\$ -	\$ 1,679,948	\$ -
Receipts from other funds	122,000	-	122,000	555,900
Payments to suppliers	(378,482)	-	(378,482)	(191,508)
Payments to employees	(706,622)	-	(706,622)	(38,183)
Payments to other funds	-	-	-	(96,028)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>716,844</b>	<b>-</b>	<b>716,844</b>	<b>230,180</b>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers from other funds	128,847	-	128,847	-
Transfers to other funds	(310,830)	-	(310,830)	(555,880)
Non-operating revenue received	2,217	-	2,217	-
<b>Net Cash Provided (Used) by Noncapital Fin Activities</b>	<b>(179,766)</b>	<b>-</b>	<b>(179,766)</b>	<b>(555,880)</b>
<b>Cash Flows from Capital &amp; Related Financing Activities:</b>				
Proceeds from sale of assets	-	-	-	650
Purchase of capital assets	(164,984)	-	(164,984)	(53,594)
<b>Net Cash Provided (Used) by Capital &amp; Related Fin Activities</b>	<b>(164,984)</b>	<b>-</b>	<b>(164,984)</b>	<b>(52,944)</b>
<b>Cash Flows from Investing Activities:</b>				
Interest received	8,012	1,932	9,944	2,527
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>8,012</b>	<b>1,932</b>	<b>9,944</b>	<b>2,527</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>380,106</b>	<b>1,932</b>	<b>382,038</b>	<b>(376,117)</b>
<b>Cash &amp; Cash Equivalents-Beg</b>	<b>2,152,081</b>	<b>1,434,952</b>	<b>3,587,033</b>	<b>2,050,717</b>
<b>Cash &amp; Cash Equivalents-End</b>	<b>\$ 2,532,187</b>	<b>\$ 1,436,884</b>	<b>\$ 3,969,071</b>	<b>\$ 1,674,600</b>

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

	Business-type Activities-Enterprise Funds			Governmental Activities
	Surface Water Management Operating	Surface Water Management Construction	Total Enterprise Funds	Internal Service Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ 592,302	\$ (519,353)	\$ 72,949	\$ 61,100
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	99,077	519,353	618,430	178,789
(Incr) decr in accts receivable	18,668	-	18,668	-
(Incr) decr in prepaid expenses	743	-	743	(10,723)
Incr (decr) in accounts payable	24,034	-	24,034	1,302
Incr (decr) in retainage/interest payable	(5,042)	-	(5,042)	-
Incr (decr) in compensated absences	(12,938)	-	(12,938)	(288)
<b>Total adjustments</b>	<b>124,542</b>	<b>519,353</b>	<b>643,895</b>	<b>169,080</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 716,844</b>	<b>\$ -</b>	<b>\$ 716,844</b>	<b>\$ 230,180</b>
<b>Noncash Capital Activities:</b>				
Contributions of capital assets (other improvements) paid for by the Transportation CIP Fund.	\$ -	\$ 2,117,299	\$ 2,117,299	\$ -
Contributions of capital assets (other improvements) as defined by the Des Moines Creek Basin Interlocal Agreement by percentage of maintenance responsibility (41% for SeaTac) from the Des Moines Creek Basin Fund.	-	94,821	94,821	-
<b>Total Noncash Capital Activities</b>	<b>\$ -</b>	<b>\$ 2,212,120</b>	<b>\$ 2,212,120</b>	<b>\$ -</b>



**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. Information on new GASB Statements implemented in 2012 can be found in *Note 19 – Other Disclosures, Section B – Accounting and Reporting Changes*.

The City's significant accounting policies are described below.

**A. Reporting Entity**

The City of SeaTac, Washington was incorporated on February 28, 1990 and operates under the laws of the State of Washington applicable to a Non-Charter Code City with a Council-Manager form of government. The City is administered by a full-time City Manager and a seven member City Council, with one of its members serving as Mayor. Councilmember terms are for a period of four years.

The City of SeaTac is a general purpose government. The City's Comprehensive Annual Financial Report (CAFR) includes all funds that are controlled by or are dependent on the City of SeaTac. In 2012, the City had no component units to present.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the *Statement of Net Position* and the *Statement of Activities*) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. The effect of interfund activity has been removed from the government-wide statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or a segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City's policy is not to 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

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. In addition, the City considers property taxes to be available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, judgments and other post-employment benefits, are recorded only when a payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Taxes (includes property, sales, hotel/motel, leasehold excise, real estate excise and parking), licenses and interest earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund (#001)* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund. The primary revenue sources in the *General Fund* are property taxes and sales taxes.

The *Street Fund (Special Revenue Fund #102)* accounts for restricted parking tax and fuel tax revenues which are used to fund various transportation programs and capital projects. The parking tax revenues also cover interfund transfers to the *Transportation Capital Improvement Fund (#307)*.

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

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

The *Municipal Facilities CIP Fund (Capital Improvement Fund #306)* accounts for the expenditures related to the construction of City buildings and major land acquisitions. There are no major revenue sources for this Fund. Transfers in from other funds pay for the capital improvements, as needed.

The *Transportation Capital Improvement Fund (Capital Improvement Fund #307)* accounts for transportation related infrastructure projects. The major revenue sources in this Fund include parking taxes (interfund transfers in from the *Street Fund*), fuel taxes and federal, state and local grants.

Government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary 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 all eligibility requirements imposed by the provider have been met.

Proprietary funds (*enterprise and internal service 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. Operating expenses for proprietary funds consist of the cost of sales and services, including maintenance and operations, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major proprietary funds:

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

The *Surface Water Management Construction Fund (#406)* accounts for capital improvements to the City's storm drainage system.

The City reports an internal service fund as follows:

The *Equipment Rental Fund (#501)* accounts for the costs of maintaining and repairing 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.

During the course of operations, the City has activity between funds for various purposes. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (*i.e. the governmental and internal service funds*) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in the business-type activities (*i.e. enterprise funds*) are eliminated so that only the net amount is included as internal balances in the business-type activities column. The interfund activities for the City's *Equipment Rental Fund* have been eliminated in the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in the governmental activities column are eliminated so that only the net amount of the transfers is included. Similarly, balances between the funds included in business-type activities column are eliminated so that only the net amount is included as transfers.

**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 most of the City funds as follows: the *General Fund*, Special Revenue Funds (*Street*, *Contingency Reserve Fund*, *Port of Seattle ILA*, *Transit Planning*, *Hotel/Motel Tax*, *Building Management*, *Facility Repair and Replacement & Des Moines Creek Basin ILA Fund*), Debt Service Funds (*Special Assessment Debt*, *LID Guarantee*, & *2009 LTGO Refunding Bonds*), Capital Project Funds (*Municipal Capital Improvement*, *Fire Equipment Capital Reserve*, *Municipal Facilities CIP*, *Transportation CIP* and *Light Rail CIP*), Enterprise Funds (*Surface Water Management Utility &*, *Surface Water Management Construction*) and Internal Service Fund (*Equipment Rental*).

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 six funds (*the General Fund*, *Contingency Reserve Fund*, *Port of Seattle ILA Fund*, *Transit Planning Fund*, *Building Management Fund* and *the Facility Repair & Replacement Fund*) with differences between the budgetary basis and generally accepted accounting principles (GAAP). Specific details on these differences can be found in the RSI (*Required Supplementary Information*) and OSI (*Other Supplementary Information*) sections of the CAFR. Budgetary accounts are integrated into the City's accounting system in all budgeted funds and any unexpended appropriations lapse at the end of the fiscal year.

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

In June 2012, the City Council passed Ordinance No. 12-1010 authorizing the change to biennial budgeting effective for the budget years of 2013 – 2014. A biennial budget was adopted by Ordinance No. 12-1018 in November 2012.

**2. Amending the Budget**

The City's annual budget is adopted at the fund level by ordinance. When the City Council determines that it is in the best interest of the City to increase or decrease the total appropriation for a particular fund, it may amend the budget by ordinance. The City Manager is authorized to transfer budgeted amounts below fund level, if necessary. Revisions that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City Council but may not require a budget amendment if it is anticipated that total expenditures will not exceed the total budget for a fund.

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

**3. Excess of Expenditures over Appropriations**

There were no City funds in which expenditures exceeded appropriations.

**4. Deficit Fund Net Position**

There were no City funds with deficit fund net positions.

**E. Assets, Liabilities, Fund Balance, Net Position**

**1. Cash and Cash Equivalents**

It is the City's policy to invest all temporary cash surpluses. At December 31, 2012, the City had holdings of \$52,400,824 (*as shown in the table below*) in short-term residual investments of surplus cash. This amount is classified on the balance sheet as *cash and cash equivalents* in various funds. Included in this category are all funds invested in the State Treasurer's Local Government Investment Pool. The interest on these investments is credited to all funds based on ownership of the investments with the exception of the *LID Guarantee Fund*. The interest on this fund is allocated to the *General Fund*.

At December 31, 2012, the City's total cash and cash equivalents (*including cash restricted for debt*) consisted of the following:

Bank of America, General Fund Checking Account .....	\$ 19,722,766
Bank of America, Municipal Court Checking Account .....	88,545
Cash with Colliers International .....	16,758
Cash with Discovery Benefits, Inc. ....	10,000
Cash Equivalents with State Treasurer's Investment Pool .....	32,552,555
City Hall Postage Meter Fund .....	8,000
Petty Cash/Change Funds .....	<u>2,200</u>
<b>Total Cash and Cash Equivalents.....</b>	<b><u>\$52,400,824</u></b>

The amount reported as cash and cash equivalents also includes compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balance maintained during 2012 was \$21,615,667.

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 (See Deposits & Investments Note 4)**

Investments are reported in the financial statements at fair value. Washington State statutes provide for the City to hold investments consisting of obligations of the U.S. Government, repurchase agreements, prime banker's acceptances, and time certificates of deposit issued by Washington State depositories that participate in the Washington State Public Depository Protection Pool (PDPC). The PDPC is a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission. Additional information is presented in *Note 4 Deposits and Investments*.

**3. Receivables**

Taxes receivable includes property taxes which are levied and become an enforceable legal claim/lien on January 1<sup>st</sup>. Property tax payments can be paid in two installments due on April 30<sup>th</sup> and October 31<sup>st</sup>. Collections are distributed daily to the City. (See Note 5 Property Taxes for additional information). Other taxes receivable consist of sales taxes, hotel/motel taxes, gambling taxes, real estate excise taxes, motor vehicle fuel taxes, leasehold excise taxes and parking taxes. Accrued interest receivable consists of amounts earned on investments at the end of the year.

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments on the fund financial statements consist of unbilled special assessments that become liens against the property benefited. As of December 31, 2012, \$6,702 in 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.

**4. Amounts Due to and from Other Funds and Governments, Interfund Loans and Advances Receivable**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as *interfund loans receivable/payable* or *advances to/from other funds*. All other outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as *internal balances*. A separate schedule of interfund loans receivable and payable is furnished in Note 15 *Interfund Balances and Transfers*.

Advances between funds (long-term interfund loans), as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. There were no interfund loans or advances outstanding in 2012.

**5. Inventories**

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

**6. Restricted Assets and Liabilities**

There are no restricted assets in the proprietary funds. Any specific debt service reserve requirements are described in Note 10 *Long-term Debt*.

**7. Capital Assets**

Capital assets, which include construction in progress, land, buildings, equipment, vehicles, software, easements, other improvements and infrastructure assets (*e.g. roads, bridges, sidewalks, and similar items*), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of

more than \$5,000 and a life greater than four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset. The costs for normal maintenance and repairs are not capitalized.

Major outlays for capital improvements and infrastructure 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. Infrastructure, other improvements, buildings, equipment, etc. are depreciated using the straight line depreciation method. Depreciation for assets reported in business-type columns includes a 10% salvage value. Land and construction in progress are not depreciated.

The following table summarizes asset capitalization thresholds and service life:

Capital Asset Classes	Capitalization Threshold	Estimated Service Life
Construction in Progress	Capitalize All	Not Depreciated
Land & Land Improvements	Capitalize All	Not Depreciated
Intangible Assets – Perpetual Easements	\$5,000	Not Depreciated
Intangible Assets – Easements	\$5,000	Varies Based on Easement
Intangible Assets – Software	\$5,000	4 Years
Equipment/Vehicles	\$5,000	4 - 20 Years
Buildings/Building Improvements	\$25,000	10 - 40 Years
Other Improvements	\$25,000	20 - 50 Years
Surface Water Management Improvements	\$25,000	50 Years
Transportation Infrastructure	\$100,000	10 - 50 Years

Additional information is presented in *Note 6 Capital Assets*.

**8. Deferred Outflows/Inflows of Resources**

In addition to assets, the *Statement of Financial Position* will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net position that applies to future period(s) and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the *Statement of Financial Position* will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item, *unavailable revenue*, which arises only under a modified accrual basis of accounting and qualifies for reporting in this category. Accordingly, *unavailable revenue* is only reported on the governmental funds *Balance Sheet*. The governmental funds reported unavailable revenues from the following sources: property taxes, operating leases, special assessments (current & delinquent), special assessment interest & penalties and court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**9. Compensated Absences**

The City records an estimated liability for unused vacation, sick leave, floating holiday and compensatory time. Generally, upon separation from employment, employees not represented under the International Association of Firefighters (IAFF) contract, 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 or are on the annual Sick Leave Cash-Out Program. 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.

Fire Fighters represented by the IAFF can accrue a maximum sick leave balance of 1,000 hours. Upon retirement, termination or resignation, Fire Fighters receive payment equal to 25% of the of the employee's unused, accrued sick leave at the employee's current rate of salary, provided that the total amount of such pay off shall not exceed the maximum of 180 times the employee's hourly rate of salary. Probationary Fire Fighters do not receive sick leave pay off upon termination or resignation.

The liability for accumulated unused vacation, sick leave, floating holiday and compensatory time for governmental funds is reported in the government-wide *Statement of Net Position*. This total liability is \$1,472,474 at December 31, 2012. It is estimated that \$73,624 of this liability will be due within one year. No current liability has been recorded for compensated absences in the governmental funds.

Accumulated amounts of compensated absences, including vacation, sick leave, floating holiday and compensatory time benefits, are accrued as expenses as incurred in proprietary funds. The total liability amount in the City's *Surface Water Management Fund* at December 31, 2012 is \$33,268. It is estimated that \$1,663 of this liability will be due within one year. Additionally, the *Equipment Rental Fund* has an estimated total compensated absences liability at year end of \$5,494 and it is estimated that \$275 of this liability will be due within one year. The *Equipment Rental* compensated absence liability has been included in the governmental activities column of the government-wide *Statement of Net Position*.

**10. Other Accrued Liabilities**

These accounts consist of accrued employee benefits.

**11. Long-Term Debt (See Long-Term Debt Note 10)**

All payables, accrued liabilities and long-term obligations from governmental funds are reported in the government-wide financial statements. All payables, accrued liabilities and long-term obligations payable from proprietary funds are reported in the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Bonds, capital leases and long-term loans are recognized as liabilities of the governmental fund when due. Additional information and debt schedules are presented in *Note 10 Long-term Debt*.

**12. Unearned Revenues**

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

**13. Fund Balance Classification**

Fund balance in the governmental funds represents the difference between assets + deferred outflows of resources and liabilities + deferred inflows of resources. GASB Statement No. 54 states that governmental funds should report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. Governments, such as the City of SeaTac, that do not have policies or procedures comparable to the GASB Statement No. 54 policies that underlie the classifications, would not report amounts in all possible fund balance classifications. Since the City does not have fund balance classification policies or procedures, no amounts were reported as committed.

The following are the fund balance classifications as defined by GASB Statement No. 54:

Nonspendable – Amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. “Not in spendable form” includes items that are not expected to be converted to cash like inventories and prepaid amounts. It may also include long-term amounts of loans and notes receivable, as well as property acquired for resale, depending on how the proceeds from the collection of the receivables or sale of those properties would be classified.

Restricted – Fund balance should be reported as restricted when 1) constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors or laws or regulations of other governments or 2) Imposed by law through constitutional provisions or enabling legislation. For purposes of determining the composition of ending fund balance, the City considers restricted funds to be spent first when an expenditure is incurred for purposes in which both restricted and unrestricted (*includes committed, assigned or unassigned*) amounts are available.

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action (*passage of an ordinance*) to establish (*and modify or rescind*) the commitments of the government’s highest level of decision-making authority (*the City Council*). At this time, the City has no written policy or procedure on committing fund balance.

Assigned – Amounts that are restrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. Intent should be expressed by the governing body itself (*the City Council*) or a body or official to which the governing body has delegated the authority (*authority has not been delegated*) to assign amounts to be used for specific purposes. Assigned fund balance includes: a) all remaining amounts (*except for negative balances*) that are reported in governmental funds, other than the *General Fund*, that are not classified as nonspendable and are neither restricted nor committed and b) amounts in the *General Fund* that are intended to be used for a specific purpose. By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, the City has *assigned* those amounts to the purposes of the respective funds. At this time, the City has no written policy or procedure on assigning fund balance and no City official has formally been authorized to make assignments.

Unassigned – Residual classification for the *General Fund*. This classification represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to

specific purposes within the *General Fund*.

**14. Minimum Fund Balance**

For the *General Fund*, the City has established a minimum fund balance policy of three months (25%) of *General Fund* operating expenditures (*excluding transfers out*) via the adoption of the annual budget ordinance. No other funds have a formally adopted minimum fund balance policy.

**E. Other**

**1. Stabilization Arrangements**

Per Ordinance #90-1027, the City established the *Contingency (Reserve) Fund (#103)* which is funded with general and unrestricted revenues of the City as the City Council deems appropriate. The *Contingency (Reserve) Fund* can be used to meet any municipal expenditure, the necessity or extent of which could not have been foreseen or reasonably evaluated at the time the budget was adopted or to provide money for emergencies. The total amount accumulated in the fund at any time shall not exceed the equivalent of thirty-seven and one-half cents per thousand dollars (\$0.375/\$1,000) of assessed valuation of property within the City. Moneys in the Fund shall be withdrawn and transferred to the appropriate operating fund only upon authorization of the City Council, through an ordinance amending the budget adopted by an affirmative vote of the majority of the entire Council, clearly stating the facts constituting the reason for the withdrawal or the emergency as the case may be, and specifying the fund to which the drawn money shall be transferred. At the end of 2012, the *Contingency (Reserve) Fund* had a cash balance of \$775,060. As per *GASB Statement No. 54*, the *Contingency (Reserve) Fund* has been reported with the *General Fund* in the governmental fund financial statements. A stabilization fund can only be reported as a separate special revenue fund if the resources in the fund are derived from a special restricted or committed revenue source.

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

**A. Explanation of Certain Differences Between the Proprietary Fund Statement of Net Position and the Government-Wide Statement of Net Position**

The proprietary fund statement of net position includes reconciliation between *net position – total enterprise funds* and *net-position of business-type activities* as reported in the government-wide *Statement of Net Position*. The description of the sole element of that reconciliation is “*An Equipment Rental Internal Service Fund is used to charge the cost of equipment repairs & replacements to individual funds. This is the current year adjustment for this internal service fund that is reported with the business-type activities in the Statement of Activities.*” The details of the \$154,937 difference are as follows:

Internal receivable representing charges in excess of cost to business-type activities – prior years	\$140,874
Internal receivable representing charges in excess of cost to business-type activities – current year	<u>14,063</u>
Net adjustment to increase net position – total enterprise funds to arrive at net position – business-type activities	<u>\$154,937</u>

**NOTE 3 – VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS**

There have been no material violations of finance-related legal or contractual provisions.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

**A. Deposits**

The City’s deposits are covered entirely by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

**B. Investments**

In accordance with State law, all investments of the City's funds must be obligations of the U.S. Government, repurchase agreements, prime banker’s acceptances, and time certificates of deposit issued by Washington State depositories that participate in the Washington State Public Depository Protection Pool (PDPC).

As of December 31, 2012, the City held the investments listed below, including Investments in the State Treasurer's Local Government Investment Pool which are classified as cash and cash equivalents on City balance sheets and statements of net position. These investments are reported at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

<b>Investment</b>	<b>Call Date</b>	<b>Maturity Date</b>	<b>Maturities</b>	<b>Recorded/ Fair Value</b>
State Treasurer’s Local Government Investment Pool	N/A	Daily Basis	\$32,552,555	\$32,552,555
<b>Total Investments</b>			<b>\$32,552,555</b>	<b>\$32,552,555</b>

**Interest Rate Risk.** The City currently does not have a policy governing its exposure to interest rate risk, but historically the majority of the City’s investments have been in the State Treasurer’s Local Government Investment Pool which reduces the City’s interest rate risk due to the shorter term maturities of the investments in the Pool. At the end of 2012, due to the low interest rates and investment calls, the City had no investments outside of the LGIP. In December 2012, the LGIP’s investments had net earnings rate of .235%.

**Custodial Credit Risk.** Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, the City would not be able to recover the value of the investment in collateral securities. The City’s investment policy established by Resolution #95-017 states that all security transactions entered into by the City shall be conducted on a delivery versus payment basis whereby the securities are delivered to a third party, such as a safekeeping bank acting as an agent for the City, before payment is released. All of the City's investments, excluding the State Treasurer’s Local Government Investment Pool, are held by the City’s custodial agent in the City’s name, thereby, reducing the City’s custodial credit risk.

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

that the fair value of the total investment reported on the December 31, 2012 account statements is the same as the value of the pool shares.

Credit Risk. No credit rating is available for the State Treasurer’s Local Government Investment Pool because the Pool has not been rated. The City’s other investments held during the year were rated as AAA by both Standard & Poor’s and Moody’s Investors Services. The City currently does not have a policy related to credit risk.

Concentration of Credit Risk. The City’s investment policy states that the City will diversify its investments by security type and institution. No more than 30% of the City’s total investment portfolio will be invested in a single security type or deposited with a single financial institution with the exception of U.S. Treasury securities and the State investment Pool. At year end, the City has no investment positions outside of the LGIP.

**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**

<b>January 1<sup>st</sup></b>	Taxes are levied and become an enforceable lien against properties.
<b>February 14<sup>th</sup></b>	Tax bills are mailed.
<b>April 30<sup>th</sup></b>	First of two equal installment payments is due. If taxes are less than \$50, full payment is due. (RCW 84.56.020)
<b>May 31<sup>st</sup></b>	Assessed value of property established for next year's levy at 100 percent of market value.
<b>June 1<sup>st</sup></b>	Three percent penalty assessed on the current year’s delinquent taxes. (RCW 84.56.020)
<b>October 31<sup>st</sup></b>	Second installment is due. (RCW 84.56.020)
<b>December 1<sup>st</sup></b>	Eight percent penalty assessed on the current year’s delinquent taxes. (RCW 84.56.020)

Property taxes are levied by the King County Assessor. Property taxes are billed and collected by King County Treasury Operations. First half taxes must be paid or postmarked (U.S. Postal Service postmark) by April 30th or the full year tax becomes delinquent on May 1. Interest is 1 percent per month on the full amount due (from month of delinquency to month of payment). The penalty is 3 percent (current year tax only) on amount unpaid on June 1st, and 8 percent (current year tax only) on amount unpaid on December 1st. Second half taxes must be paid or postmarked (U.S. Postal Service postmark) by October 31st or they become delinquent on November 1st per RCW 84.56.020.

During the year, property tax revenues are recognized when cash is received. At year-end, unpaid property taxes are recorded as a receivable. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. The portion of the property taxes that is not expected to be collected within 60 days is classified as unavailable revenue under “*Deferred Inflows of Resources*” in the governmental fund balance sheet.

The City may levy up to \$3.10 per \$1,000 of assessed valuation (assumes that the King County Library District is levying its statutory maximum of \$.50 per \$1,000 of assessed valuation) for general governmental services subject to the limitations below:

*1% Constitutional Limit:* The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation or \$10 per \$1,000 of the market value. Levies for ports and public utility districts are excluded from this \$10 limit.

*Statutory Maximum Rates for Districts:* State law (RCW 84.52.043) establishes maximum levy rates for the various types of taxing districts (the State, counties, cities and towns, fire districts, etc). In addition, this statute establishes a

maximum aggregate rate of \$5.90 per \$1,000 of assessed value for counties, cities, fire districts, library districts and certain other junior taxing districts. The State school levy for support of common schools is not subject to the \$5.90 limit, but is subject to the constitutional \$10.00 limit.

*The 101% Percent Limit:* Washington State law in RCW 84.55.010 limits the growth of regular property 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.

*When Rates are Exceeded:* The statutes establish a district hierarchy for rate reductions if the aggregate limits are exceeded and rates are reduced accordingly.

The City's property tax levy rate was \$2.878 per \$1,000 of assessed value. Based on a City-wide assessed valuation of \$4,500,240,659 the total property tax levy for 2012 was \$12,951,693. (*Note: Property taxes collected in 2012 are based on the 2011 assessed valuation.*)

#### **NOTE 6 – CAPITAL ASSETS**

##### **A. Capital Assets for Governmental Activities**

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

Beginning in 2003, the City was required by GASB Statement No. 34 to start reporting capital assets used in governmental activities in the government-wide *Statement of Net Position*. Governmental capital assets are not reported in the fund balance sheets but are recorded as expenditures in the year purchased. Capital assets were previously reported in the *General Fixed Assets Account Group*, which was eliminated by GASB Statement No. 34. In addition, GASB Statement No. 34 required the City to depreciate its governmental capital assets. The depreciation expense for these assets is recorded in the government-wide *Statement of Activities* and not in the fund financial statements. The City uses the straight-line method of depreciation with no salvage value for its governmental capital assets.

In 2012, the City transferred \$94,821 in surface water management assets out of governmental-activities into the *Surface Water Management Construction Fund #406* from work completed at the Des Moines Creek Basin. In addition, \$201,951 in infrastructure assets for the *South 164th Street (34th Ave South – Military Road South)* and \$1,915,348 in infrastructure assets for the *South 154th Street (South 24th to South 32nd)* were also transferred into this Fund. Governmental capital asset transfers into the *Surface Water Management Construction Fund* totaled \$2,212,120 in 2012.

The table below summarizes the changes in the City's governmental capital assets during 2012. Please note that \$846,054 (net) of internal service fund depreciated capital assets from the *Equipment Rental Fund (#501)* are shown in the table below and are not shown in the proprietary capital assets table. Under GASB Statement No. 34, internal service fund assets and liabilities that are not eliminated are generally included in the governmental activities column of the government-wide *Statement of Net Position*.

<b>Governmental Activities Capital Assets</b>	<b>Beginning Balance 01/01/2012</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers In &amp; (Out)</b>	<b>Ending Balance 12/31/2012</b>
<b>Capital assets not being depreciated:</b>					
Land	\$320,217,657	\$11,385	\$0	\$0	\$320,229,042
Intangible Assets–Easements	71,226	0	0	0	71,226
Construction in Progress (CIP)	3,650,853	958,130	0	(3,524,263)	1,084,720
<b>Total assets not being deprec.</b>	<b>323,939,736</b>	<b>969,515</b>	<b>0</b>	<b>(3,524,263)</b>	<b>321,384,988</b>
<b>Capital assets being depreciated:</b>					
Buildings/Bldg Improvements	43,206,439	79,262	0	0	43,285,701
Other Improvements	9,879,864	148,135	0	(94,821)	9,933,178
Infrastructure	76,827,841	3,422,188	0	3,524,263 (2,117,299)	81,656,993
Equipment/Vehicles	5,729,439	119,165	(10,793)	0	5,837,811
Equipment/Vehicles (Eq Rental)	2,400,104	77,073	(6,014)	0	2,471,163
Intangible Assets-Software	822,833	99,627	0	0	922,460
<b>Total assets being depreciated</b>	<b>138,866,520</b>	<b>3,945,450</b>	<b>(16,807)</b>	<b>1,312,143</b>	<b>144,107,306</b>
<b>Total governmental capital assets before depreciation</b>	<b>\$462,806,256</b>	<b>\$4,914,965</b>	<b>\$(16,807)</b>	<b>\$(2,212,120)</b>	<b>\$465,492,294</b>
<b>Less accumulated depreciation for:</b>					
Buildings/Bldg Improvements	(9,939,888)	(1,776,150)	0	0	(11,716,038)
Other Improvements	(3,985,821)	(611,530)	0	0	(4,597,351)
Equipment/Vehicles	(3,547,972)	(295,384)	10,793	0	(3,832,563)
Equipment/Vehicles (Eq Rental)	(1,451,732)	(178,789)	5,413	0	(1,625,108)
Infrastructure	(45,577,847)	(2,430,270)	0	0	(48,008,117)
Intangible Assets-Software	(639,635)	(52,516)	0	0	(692,151)
<b>Total accumulated depreciation</b>	<b>(65,142,895)</b>	<b>(5,344,639)</b>	<b>16,206</b>	<b>0</b>	<b>(70,471,328)</b>
<b>Total governmental activities capital assets (net)</b>	<b>\$397,663,361</b>	<b>\$(429,674)</b>	<b>\$(601)</b>	<b>\$(2,212,120)</b>	<b>\$395,020,966</b>

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

<b>Governmental Activities:</b>	
Judicial	\$1,084
General Government	531,460
Public Safety	441,481
Physical Environment	24,623
Transportation	2,457,065
Transportation (Equipment Rental – Internal Service Fund)	178,789
Economic Environment	868,457
Culture & Recreation	841,680
<b>Total Depreciation Expense-Governmental Activities</b>	<b>\$5,344,639</b>

**B. Capital Assets for Business-type Activities**

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

The following schedule summarizes the capital asset data for business-type proprietary funds for 2012:

Business-Type Activities Capital Assets	Beginning Balance 01/01/2012	Increases	Decreases	Transfers In & (Out)	Ending Balance 12/31/2012
<b>Capital assets not being depreciated:</b>					
Intangible Assets-Easements-SWM	\$35,442	\$0	\$0	\$0	\$35,442
<b>Total assets not being depreciated</b>	<b>35,442</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>35,442</b>
<b>Capital assets being depreciated:</b>					
Buildings-SWM	228,560	0	0	0	228,560
Other Improvements-SWM	29,794,549	147,555	0	2,212,120	32,154,224
Intangible Assets-Software- SWM	75,292	26,044	0	0	101,336
<b>Total assets being depreciated</b>	<b>30,098,401</b>	<b>173,599</b>	<b>0</b>	<b>2,212,120</b>	<b>32,484,120</b>
<b>Total business-type capital assets before depreciation</b>	<b>\$30,133,843</b>	<b>\$173,599</b>	<b>\$0</b>	<b>\$2,212,120</b>	<b>\$32,519,562</b>
<b>Less accumulated depreciation for:</b>					
Buildings	(35,831)	(5,160)	0	0	(40,991)
Other Improvements	(4,901,936)	(585,528)	0	0	(5,487,464)
Intangible Assets-Software	(10,285)	(27,743)	0	0	(38,028)
<b>Total accumulated depreciation</b>	<b>(4,948,052)</b>	<b>(618,431)</b>	<b>0</b>	<b>0</b>	<b>(5,566,483)</b>
<b>Total bus-type capital assets (net)</b>	<b>\$25,185,791</b>	<b>\$(444,832)</b>	<b>\$0</b>	<b>\$2,212,120</b>	<b>\$26,953,079</b>

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

<b>Business-type Activities:</b>	
Utilities/Physical Environment (Surface Water Management Utility)	\$618,431
<b>Total Depreciation Expense-Business-type Activities</b>	<b>\$618,431</b>

**C. Construction Commitments**

The following table describes the active construction projects on December 31, 2012 and the City's commitment with the contractor:

<b>Project</b>	<b>Spent to Date</b>	<b>Remaining Commitment</b>
CH2MHill – Connecting 28 <sup>th</sup> /24 <sup>th</sup> Ave South – Engineering	\$94,735	\$2,076,675
Grindline Skateparks, Inc. – Community Center Skate Park – Design Services	22,312	5,578
MacLeod Reckord, PLLC – Angle Lake Park Phase II - Architect	184,057	56,592
R.W. Scott Construction – South 154 <sup>th</sup> (South 24 <sup>th</sup> – South 32 <sup>nd</sup> ) Improvements - Construction	4,543,568	14,029
R.W. Scott Construction – S 164 <sup>th</sup> (34 <sup>th</sup> Ave South - Military Road) Street Sidewalk Project – Construction	696,098	187,882
Reid Middleton – Military Road (South 176 <sup>th</sup> - South 166 <sup>th</sup> ) Improvements – Engineering	608,294	80,505
Reid Middleton – South 168 <sup>th</sup> Street Sidewalk Project – Engineering	77,937	139,954
TCA Architecture – Fire Station #45 Construction - Architect	59,256	262,481
<b>Total Outstanding Construction Commitments</b>	<b>\$6,286,257</b>	<b>\$2,823,696</b>

**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*; or it may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov). The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

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

**Plan Description**

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; employees of district and municipal courts; and employees of local governments.

Approximately 50 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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 defined benefit plan with a defined contribution component.

PERS members 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 exercised an option to transfer their membership to Plan 3. PERS members 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 irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2012, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement 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 monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

The monthly benefit is subject to a minimum for retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. If a survivor option is chosen, the benefit is reduced. Plan 1 members retiring from inactive status prior to the age of 65 may also receive actuarially reduced benefits. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2

percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service while actively serving in the military if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

The survivor of a PERS Plan 1 member who dies after having earned ten years of service credit has the option, upon the member's death, of either a monthly survivor benefit or the lump sum of contributions plus interest.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65; or.
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. The surviving spouse or eligible child(ren) of a PERS Plan 2 member who dies after having earned ten years of service credit has the option of either a monthly benefit or a lump sum payment of the member's contributions plus interest.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 investments are made in the same portfolio as that of the PERS 2/3 defined benefit plan.

For DRS' fiscal year 2012, PERS Plan 3 employee contributions were \$95.2 million, and plan refunds paid out were \$66.2 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

PERS Plan 3 benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions.

PERS Plan 2 and Plan 3 members who become totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible child(ren), may request interruptive military service credit.

PERS Plan 2 and Plan 3 members can purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Director of the Department of Labor and Industries.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Members who chose to participate would: accrue service credit at the higher multiplier beginning with the date of their election; be subject to the benefit cap of 75 percent of AFC; stop contributing to the Judicial Retirement Account (JRA); pay higher contributions; and be given the option to increase the multiplier on past judicial service. Members who did not choose to participate would: continue to accrue service credit at the regular multiplier; not be subject to a benefit cap; continue to participate in JRA, if applicable; continue to pay contributions at the regular PERS rate; and never be a participant in the JBM Program.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program. Members required into the JBM program would: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

There are 1,184 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans as of June 30, 2011:

<b>PERS Membership</b>	
Retirees and Beneficiaries Receiving Benefits	79,363
Terminated Plan Members Entitled to but not yet Receiving Benefits	29,925
Active Plan Members Vested	105,578
Active Plan Members Non-vested	46,839
<b>Total PERS Members</b>	<b>261,705</b>

**Funding Policy**

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. 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. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent, based on member choice. Two of the options are graduated rates dependent on the employee’s age.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of the current-year covered payroll, as of December 31, 2012 were as follows:

Members not participating in JBM (includes the City of SeaTac):

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
<b>Employer<sup>1</sup></b>	7.21% <sup>2</sup>	7.21% <sup>2</sup>	7.21% <sup>3</sup>
<b>Employee</b>	6.00% <sup>4</sup>	4.64% <sup>4</sup>	Varies <sup>5</sup>

<sup>1</sup>The employer rates include the employer administrative expense fee currently set at 0.16%.

<sup>2</sup>The employer rate for State elected officials is 10.74% for Plan 1 and 7.21% for Plan 2 and Plan 3.

<sup>3</sup>The Plan 3 defined benefit portion only.

<sup>4</sup>The employee rate for State elected officials is 7.5% for Plan 1 and 4.64% for Plan 2.

<sup>5</sup>Variable from 5.0% minimum to 15.0% maximum based on rate selected by PERS 3 member.

Members participating in JBM:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
<b>Employer-State Agency<sup>1</sup></b>	9.71%	9.71%	9.71% <sup>2</sup>
<b>Employer-Local Gov<sup>1</sup></b>	7.21%	7.21%	7.21% <sup>2</sup>
<b>Employee-State Agency</b>	9.76%	9.10%	7.50% <sup>3</sup>
<b>Employee-Local Gov</b>	12.26%	11.60%	7.50% <sup>3</sup>

<sup>1</sup>The employer rates include the employer administrative expense fee currently set at 0.16%.

<sup>2</sup>Plan 3 defined benefit portion only.

<sup>3</sup>Minimum rate.

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>
<b>2012</b>	\$7,746	\$512,077	\$35,832
<b>2011</b>	\$6,528	\$459,715	\$28,302
<b>2010</b>	\$5,335	\$385,319	\$23,444

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

**Plan Description**

LEOFF was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature.

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 through state legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS’ fiscal year 2012, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings upon separation from LEOFF-covered employment.

LEOFF Plan 1 members are vested after the completion of 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 (FAS) is as follows:

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months’ salary within the last 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If no eligible spouse, eligible children receive 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of FAS, divided equally.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member’s covered employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability allowance is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member’s disability benefit or service retirement benefit.

LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member’s benefit.

LEOFF Plan 2 members are vested after the completion of five years of eligible service.

Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

A disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement benefit of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

LEOFF Plan 2 members who apply for retirement may purchase up to five years of additional service credit. The cost of this credit is the actuarial equivalent of the resulting increase in the member's benefit. LEOFF Plan 2 members can receive service credit for military service that interrupts employment. Additionally, LEOFF Plan 2 members who become totally incapacitated for continued employment while serving in the uniformed services, or a surviving spouse or eligible child(ren), may request interruptive military service credit.

LEOFF Plan 2 members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a LEOFF Plan 2 member who is killed in the course of employment receive retirement benefits without actuarial reduction, if found eligible by the Director of the Department of Labor and Industries. Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of on-going health care insurance premiums paid to the Washington state Health Care Authority.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries. Legislation passed in 2009 provides to the Washington-state-registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

There are 373 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2011:

<b>LEOFF Membership</b>	
Retirees and Beneficiaries Receiving Benefits	9,947
Terminated Plan Members Entitled to but not yet Receiving Benefits	656
Active Plan Members Vested	13,942
Active Plan Members Non-vested	3,113
<b>Total LEOFF Members</b>	<b>27,658</b>

**Funding Policy**

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. 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. For DRS' fiscal year 2012, the state contributed \$52.8 million to LEOFF Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of the current-year covered payroll, as of December 31, 2012, were as follows:

	<u><b>LEOFF Plan 1</b></u>	<u><b>LEOFF Plan 2</b></u>
<b>Employer<sup>1</sup></b>	0.16%	5.24% <sup>2</sup>
<b>Employee</b>	0.00%	8.46%
<b>State</b>	N/A	3.38%

<sup>1</sup>The employer rates include the employer administrative expense fee currently set at 0.16%.

<sup>2</sup>The employer rate for ports and universities is 8.62%.

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><b>LEOFF Plan 1</b></u>	<u><b>LEOFF Plan 2</b></u>
<b>2012</b>	\$0	\$235,266
<b>2011</b>	\$0	\$229,324
<b>2010</b>	\$0	\$219,002

**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 was designed to provide the employees with benefits that equal or exceed the present Social Security system including inflation. The Trust 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, 2012, there were 165 active members in the City of SeaTac Retirement Trust. Actual employee contributions during the year amounted to \$758,838. Actual employer contributions were \$601,565.

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, non-transferable 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 through approval by the City Council.

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

**1) Disability**

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

**2) Survivor**

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

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

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

**3) Lump Sum Death Benefits**

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

**4) Retirement Benefits**

Employee and employer contributions for retirement benefits are 100% vested.

Each employee may direct his/her investment among various investment options for both employee and employer contributions. In addition, participants may borrow up to 50% of their vested (employee and employer contributions) account balance to a maximum outstanding balance of \$50,000, repayable through payroll deductions. 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 of SeaTac is a member of the Cities Insurance Association of Washington (CIAW). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a program or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The program was formed on September 1, 1988 when 34 cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to pool their self-insured losses and joint purchase insurance and administrative services. As of September 1, 2012, there are 240 members in program.

The program provides the following forms of joint self-insurance and excess coverage for its members: Property, including automobile comprehensive, and collision, equipment breakdown and crime protection, and liability, including general, automobile, and wrongful acts, are included to fit members' various needs.

The program acquires liability insurance through their Administrator, Canfield, that is subject to a per-occurrence self insured retention of \$100,000. Members are responsible for a \$1,000 deductible for each claim, while the program is responsible for the \$100,000. Insurance carriers cover insured losses over \$101,000 to the limits of each policy. Since the program is a cooperative program, there is a joint liability among the participating members towards the sharing of the \$100,000 of the self insured retention. The program also purchases a Stop Loss Policy with an attachment point of \$2,815,000 to cap the total claims paid by the program in any one year.

Property insurance is subject to a per-occurrence self insured retention of \$25,000. Members are responsible for a \$1,000 deductible for each claim. The program bears the \$25,000 self insured retention, in addition to the deductible.

Equipment breakdown insurance is subject to a per-occurrence deductible of \$2,500. Members are responsible for the deductible amount of each claim. There is no program self insured retention on this coverage.

Members contract to remain in the program for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. In the event of termination, a member is still responsible for contributions to the program for any unresolved,

unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

A board of ten members is selected by the membership from three geographic areas of the state on a staggered term basis and is responsible for conducting the business affairs of the program. The program has no employees. Claims are filed by members with Canfield, which has been contracted to perform program administration, claims adjustment and administration, and loss prevention for the program. Fees paid to the third party administrator under this arrangement for the year ended August 31, 2012 were \$1,099,472.

On November 26, 2012, the City Council passed Resolution #12-011 authorizing the termination of City's membership in the Cities Insurance Association of Washington (CIAW), and authorizing the City Manager to acquire liability and property insurance with a private insurance carrier. Termination in CIAW is effective December 31, 2012.

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 2011 in any of the major categories of risk. Also, the amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

#### **NOTE 9 – SHORT-TERM DEBT**

As of December 31, 2012, the City had no short term debt outstanding. Additionally, there was no short term debt activity during the year.

#### **NOTE 10 – 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 (principal, interest and fees) is paid out of "debt service funds". Debt service for City Council authorized (councilmanic issues) are currently funded by property taxes and hotel/motel taxes. Outstanding general obligation debt is reported in the government-wide *Statement of Net Position* and not in the fund financial statements.

On December 22, 2009, the City issued par value *Limited Tax General Obligation Refunding Bonds*, in the amount of \$4,215,000. The proceeds from the sale were used to refund (current refunding) the following bonds totaling \$4,300,000: 1) \$2,755,000 of the City's *Limited Tax General Obligation (Hotel/Motel Tax) Bonds, 1998* maturing on December 1 in years 2010 through 2018 (the "1998 Refunded Bonds") and 2) \$1,545,000 of the City's *Limited Tax General Obligation Refunding Bonds, 1998* maturing on December 1 in years 2010 through 2013 (the "1998 Refunding Refunded Bonds").

**Special Obligation Bonds**

In November 2009, the South Correctional Entity Facility Public Development Authority (the "SCORE PDA") issued \$86 million in special obligation bonds to carry out the facility development project. SCORE issued Series 2009A (tax exempt) bonds in the amount of \$8,205,000 and Series 2009B (taxable Build America Bonds) bonds in the amount of \$78,030,000. The City of SeaTac is contractually obligated for paying \$246,150 and \$2,340,900, respectively, which equates to 3% of the outstanding bonds. These bonds were issued for the purpose of providing money to pay part of the costs of construction and acquisition of certain improvements to the jail facility. The Series 2009A bonds are payable semi-annually with interest-only payments until January 1, 2015, when annual principal payments will be required. The final payment will be January 1, 2022. The Series 2009B bonds are payable semi-annually with interest-only payments until January 1, 2013 when annual principal payments will also be required. The final payment will be January 1, 2039. The SCORE bonds are secured by the irrevocable full faith and credit obligation of the Cities of Auburn, Burien, Federal Way, Renton, SeaTac and Tukwila (the "Owner Cities"). Additional information on the City's joint venture with SCORE is presented in *Note 17 - Joint Ventures – South Correctional Entity (SCORE)*.

General obligation and special obligation bond debt outstanding as of the end of 2012 are listed in the table below:

<b>Description/ Range of Maturities</b>	<b>Interest Rate</b>	<b>Original Issue Amount</b>	<b>Amount Outstanding</b>
2009 LTGO Refunding (2010 – 2018) <i>Portion that Refunded the 1998 Hotel/Motel Bonds</i>	2.00% - 4.00%	\$2,675,000	\$1,835,000
2009 LTGO Refunding (2010 – 2013) <i>Portion that Refunded the 1998 LTGO Bonds</i>	2.00%	\$1,540,000	\$395,000
<b>Total General Obligation Bonds</b>		<b>\$4,215,000</b>	<b>\$2,230,000</b>
2009 South Correctional Entity Facility Public Development Authority Bonds Series 2009A Bonds (2015/2016/2017/2021/2022)	4.00% - 5.00%	\$246,150	\$246,150
2009 South Correctional Entity Facility Public Development Authority Bonds Series 2009B Bonds (Taxable Build America Bonds – Direct Payment) (2013/2014/2016/2018-2021/2022-2039)	3.001% - 6.616%	\$2,340,900	\$2,340,900
<b>Total Special Obligation Bonds (Contractual)</b>		<b>\$2,587,050</b>	<b>\$2,587,050</b>
<b>Total Governmental-type Debt</b>		<b>\$6,802,050</b>	<b>\$4,817,050</b>

The annual debt service requirements to maturity for general obligation bonds and other governmental-type debt follows below:

Governmental-type Debt					
2009 LTGO Refunding Bonds (General Obligation)			2009 SCORE Bonds (2009A & 2009B) (Contractual Special Obligation)		
Rating: Standard & Poor's AA+			Ratings: Moody's A1 & S&P AA		
Year Ending Dec 31	Principal	Interest	Year Ending Dec 31	Principal	Interest <sup>1</sup>
2013	\$680,000	\$66,700	2013	\$57,450	\$153,810
2014	295,000	53,100	2014	58,500	151,997
2015	300,000	47,200	2015	59,700	149,852
2016	305,000	38,200	2016	61,950	147,357
2017	320,000	26,000	2017	64,350	144,607
2018-2022	330,000	13,200	2018-2022	359,700	671,997
2023-2027	0	0	2023-2027	434,550	561,835
2028-2032	0	0	2028-2032	531,750	407,727
2033-2037	0	0	2033-2037	655,650	212,469
2038-2042	0	0	2038-2042	303,450	20,290
<b>Total Ref Bonds</b>	<b>\$2,230,000</b>	<b>\$244,400</b>	<b>Total SCORE Bonds</b>	<b>\$2,587,050</b>	<b>\$2,621,941</b>

<sup>1</sup>Note: A portion of the SCORE Bonds were issued as Build America Bonds; the interest shown is the gross interest and does not net out the 35% subsidy payment SCORE expects to receive from the federal government to pay a portion of the interest payment due on the 2009 SCORE Bonds. See Note 17 – Joint Ventures – South Correctional Entity for additional information.

The City has used 8.1% of its Councilmanic (*non-voted – up to 1.5% of total taxable property*) general purposes debt capacity (*includes the contractual obligation for the SCORE bonds*) and has \$62 million left in available debt capacity. For voted debt (*up to 2.5% of total taxable property*), the City has \$107 million in remaining debt capacity. There is currently no voted debt outstanding. (*Note: If the City issued the full \$62 million of Councilmanic debt, only \$45 million in voted debt could be issued for general purposes.*)

The City had no arbitrage rebate liability for outstanding tax exempt bonds in 2012.

At December 31, 2012, the City had \$11,807 in cash and cash equivalents in debt service funds to service the general bonded debt. Additionally, all general obligation bond proceeds have been fully expended except the debt issue for the City's 1998 Limited Tax General Obligation Bonds (Hotel/Motel Tax Bonds) in the amount of \$5,001,021 (including the premium) which were refunded in 2009 as stated above. These bond proceeds will be used for the acquisition/construction of tourism related capital facilities per Ordinance #98-1049.

**Revenue Bonds**

The City currently has no outstanding revenue bonds. At this time, no are no plans at to issue new revenue bonds to fund capital projects.

**Special Assessment Bonds**

Special assessment bonds are not a direct responsibility of the City, but are funded from the collection of special assessment installment 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). This Fund pays the debt service principal and interest costs with installment payments from the assessments of benefiting property owners.

Delinquent assessments receivable had a balance of \$6,702 at the end of the year. The outstanding liability from the special assessment bond issue is reported in the government-wide *Statement of Net Position*. In 2012, no additional special assessment bonds were issued and the City had no arbitrage rebate liability.

Special assessment bonds outstanding at the end of 2012 are as follows:

Description/Range of Maturities	Interest Rate	Original Issue Amount	Amount Outstanding
Local Improvement District #1 (2001-2015)	5.00% - 6.20%	\$2,871,819	\$285,000
<b>Total Special Assessment Bonds with Governmental Commitment</b>		<b>\$2,871,819</b>	<b>\$285,000</b>

The estimated annual debt service requirements (as per BNY Mellon) to maturity for special assessments bonds are listed in the table below (*Note: Estimated debt maturities are June 1<sup>st</sup> of each year and the bonds may be redeemed earlier than indicated below depending on the rate at which property assessments are paid, which could also affect the yield on the bonds*):

Year Ending Dec 31	Principal	Interest
2013	\$0	\$17,625
2014	0	17,625
2015	0	17,625
2016	0	17,625
2017	285,000	17,625
<b>Total SA Bonds with Gov Commitment</b>	<b>\$285,000</b>	<b>\$88,125</b>

On December 31, 2012, the *Special Assessment Debt Fund* had \$236,248 in cash and the *LID Guarantee Fund* had \$12,500.

**NOTE 11 - LEASES**

**Operating Lease Obligations**

The City leases copier equipment under a four year cancelable operating lease. This lease became effective on July 1, 2012. The City pays \$2,160 per month for the term of the lease. The operating lease includes a per copy fee for repair and maintenance which includes all supplies except paper.

**Operating Lease Receivables**

The City has five cancelable agreements to lease out portions of the second floor in City Hall as follows: 1) The first lease agreement is a seven year lease for 8,921 square feet and was renewed through September 30, 2019. The lease amount is \$14,868 per month; 2) The second lease is for 3,030 square feet and was renewed through November 30, 2015. This lease amount is \$5,176 per month for a thirty-six month period; 3) The third lease agreement is for 708 square feet in the amount of \$1,033 month with a 50 cents annual rent increase through June 30, 2014. This agreement may be terminated by either party with 90 days written notice; 4) The fourth lease agreement is for 3,765 sq feet in the amount of \$5,790 per month. This lease agreement is for 36 months ending April 30, 2014 and can be terminated by either party with 90 days written notice; and 5) Fifth lease is for 3,779 square feet and is for 36 months commencing May 1, 2012. Lease amounts increase by varying amounts over this three year period starting at zero for

the first three months and ending at \$5,432 for the last six months. If the lessee terminates prior to the end of lease term the lessee will be responsible for paying a prorated share of lease transactions costs.

The City also has two lease agreements to house antennas on roofs of City buildings. One antenna is on the roof of City Hall and the other one is on the roof of the SeaTac Community Center. The first agreement was extended in 2007 for a term of five years until August 21, 2012. The lessee can extend for one additional five year term. The current amount of the lease is \$2,827 per month with an annual increase of 3% per year. The second lease agreement is for a term of five years through April 25, 2012. The current lease payment is \$1,739 per month and includes an annual increase of 3%. In addition, the City has an agreement for an extension of right and option to lease rooftop space for a possible additional antenna on City Hall.

The City has one parking and one land lease agreement as follows: 1) Parking lease for use of parking space at Riverton Heights School at \$100 week with a termination clause of 30 days written notice by either party and 2) A 50 year land lease for 6.5 acres through December 31, 2054 with the ability to extend the lease for two additional periods of ten years each. The lease payment is \$29,879 annually and includes a standard 1% payment escalation. Additionally, the City has a month-to-month lease agreement for the use of 3,750 square feet of outdoor space at the Maintenance Facility in the amount of \$575 and a month-to-month residential lease agreement in the amount of \$700 for real property the City owns which is scheduled to be torn down in the future for economic development.

The City has one lease agreement for 1,800 square feet of land behind Fire Station #47 and one bay in the Station. This lease is effective for a period of four years, expiring on December 31, 2017. The lease is subject to termination with 90 days written notice by either party for cause. The monthly lease amount for the term of the agreement is \$929 per month.

On December 31, 2009, the City purchased a retail building (*SeaTac Center*) near the South 154<sup>th</sup> Street Light Rail Station for \$12.3 million. The City paid \$8.4 million for the building and \$3.9 million for the land. At the end of 2012, accumulated depreciation on the building was \$2.6 million. This building was purchased with economic development in mind and to assist the City in its planning efforts to redevelop this area in the future. The building has 61,641 square feet of retail lease space. In early 2010, the City hired a property manager to handle the leasing transactions and other property management functions for this building. At the end of December 2012, the City had 9 tenants with non-cancelable lease terms in excess of one year. A summary of the terms of the lease contracts are shown in the table below:

	Tenant #1		Tenant #2		Tenant #3		Tenant #4
<b>Square Footage</b>	4,490	1,846	1,427	1,969	5,424	7,426	1,360
<b>Commencement Date</b>	5/15/2009	9/19/2009	9/1/2011	2/1/2011	7/1/2008	2/1/2012	7/1/2004
<b>Termination Date</b>	5/14/2014	5/31/2014	1/31/2016	1/31/2016	1/31/2016	7/31/2017	6/30/2014
<b>Contract Terms</b>	Lease #1: Years 1-3 \$6,735 mth; Yrs 4- 5 \$7,109	Lease #2: \$20.00 sq ft w/3% increase annually	Lease #1: Mths 1-3 \$0; \$20.00 sq ft w/3% increase annually	Lease #2: \$20.00 sq ft w/3% increase annually	Lease #1: \$6,328 month for five years	Lease #2: Mths 1-6 \$0; Mths 7-42 \$5500; Mths 43-54 \$5,950; Mths 55-66 \$6,150	Yrs 1-2 \$2,380 mth w/5% inc every other year
	<b>Tenant #5</b>	<b>Tenant #6</b>	<b>Tenant #7</b>		<b>Tenant #8</b>	<b>Tenant #9</b>	
<b>Square Footage</b>	3,204	3,413	24,500		2,759	2,876	
<b>Commencement Date</b>	5/1/2011	8/15/2009	11/1/2012		12/15/2007	1/1/2012	
<b>Termination Date</b>	4/30/2016	11/30/2014	9/30/2017		4/15/2018	12/31/2016	
<b>Contract Terms</b>	Lease extension starting at \$7,140.65 mth w/3% increase annually	\$3,750 month with no increase	Mths 1-4 Free Rent; Mths 5-12 \$8,000; Mths 13-24 \$15,000; Mths 25-36 \$15,450; Mths 37-48 \$15,914; Mths 49-60 \$16,391; Mths 61-64 \$16,883		\$19.50 sq ft w/3% increase annually	Renewed Contract: \$3,387.25 mth w/3% increase annually	

The following is a schedule by years of future minimum lease payments required under the operating leases shown in the table above. (Note: there are no contingent leases included in the minimum lease payments schedule.) Year ending December 31<sup>st</sup>:

2013	\$592,925
2014	590,477
2015	506,509
2016	388,365
2017	309,073
2018 - 2022	<u>53,870</u>
Total min lease payments req'd	<b><u>\$2,441,219</u></b>

**NOTE 12 - CHANGES IN LONG-TERM LIABILITIES**

During the year ended December 31, 2012, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/12	Additions	Reductions	Ending Balance 12/31/12	Due Within One Year
<b>Governmental Activities:</b>					
<b>Bonds payable:</b>					
General obligation bonds	\$2,900,000	\$0	\$(670,000)	\$2,230,000	\$680,000
Special obligation bonds	2,587,050	0	0	2,587,050	57,450
Special assessment bonds	285,000	0	0	285,000	0
Add: Premium on GO bonds <sup>1</sup>	109,133	0	(26,106)	83,027	26,106
<b>Total bonds payable - net</b>	<b>\$5,881,183</b>	<b>\$0</b>	<b>\$(696,106)</b>	<b>\$5,185,077</b>	<b>\$763,556</b>
Other post-employ benefits-NOO	276,744	199,825	0	476,569	60,000
Compensated absences <sup>2</sup>	1,350,486	126,811	(4,823)	1,472,474	73,624
Compensated absences-ISF	5,781	0	(287)	5,494	275
<b>Gov activities long-term liabilities</b>	<b>\$7,514,194</b>	<b>\$326,636</b>	<b>\$(701,216)</b>	<b>\$7,139,614</b>	<b>\$897,455</b>
<b>Business-type Activities:</b>					
Compensated absences <sup>3</sup>	\$46,206	\$2,542	\$(15,480)	\$33,268	\$1,663
<b>Bus-type activities long-term liab</b>	<b>\$46,206</b>	<b>\$2,542</b>	<b>\$(15,480)</b>	<b>\$33,268</b>	<b>\$1,663</b>

<sup>1</sup>Beginning balance adjusted due to a prior period adjustment made in 2012 in the amount of (\$16,358).

<sup>2</sup>Beginning balance adjusted due to a prior period adjustment made in 2012 in the amount of (\$593,963).

<sup>3</sup>Beginning balance adjusted due to a prior period adjustment made in 2012 in the amount of (\$21,002).

The liability for the other post-employment benefits is funded by the *General Fund*. The internal service fund predominantly serves the governmental funds. Accordingly, long-term liabilities for the internal service fund are included as part of the totals for governmental activities. At year end, internal service funds had \$5,494 in estimated compensated absence liabilities. The chart above includes the City's estimate of compensated absences due within one year for both types of activities. Typically, the governmental activities estimated amount is funded out of the *General Fund* while the business-type activities estimated amount is funded out of the *Surface Water Management Operating Fund*.

**NOTE 13 – CONTINGENCIES AND LITIGATIONS**

The City Attorney reports that as of December 31, 2012, a small number of tort claims and lawsuits had been filed against the City. These lawsuits are itemized as follows:

1. *Cynthia Baker v. City of SeaTac, Case No.: 2:12-CV-01985, United States District Court of Washington at Seattle*

Former employee Cynthia L. Baker commenced a lawsuit against the City for injunctive relief and damages for violation of due process under the fourteenth Amendment to the United States Constitution and Art. 1, section 3 of the Washington State Constitution for violation of 42 U.S.C. section 1983 (The Civil Rights Act of 1871) and Wrongful Discharge.

It is believed that the payment of any valid claims or adverse judgments resulting from this lawsuit should be covered by insurance. It is unknown at this point whether this lawsuit has any significant probability of resulting in a Plaintiff's award.

2. *K&S Developments, LLC v. City of SeaTac, Case No.: 12-2-40564-6KNT, King County Superior Court*

K&S Developments commenced a lawsuit against the City on various causes of action including Inverse Condemnation, Substantive Due Process, Procedural Due Process, Equal Protection, Federal Taking, Breach of Contract, and Interference with a Business Expectancy.

It is believed that the payment of any valid claims or adverse judgments resulting from this lawsuit should be covered by insurance. It is unknown at this point whether this lawsuit has any significant probability of resulting in a Plaintiff's award.

3. *Valley View Sewer District v. Youth and Outreach Services and City of SeaTac, Case No.: 12-2-40868-8 KNT, King County Superior Court*

Plaintiff commenced this action as a Complaint to Foreclose Sewer Lien. SeaTac was named as a defendant in this case because it recorded a Notice that a building and plumbing permit had expired. This was SeaTac's only involvement. On or about April 9, 2013, this matter was dismissed.

The City Attorney has received no information, other than referenced above, 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 as of the current date.

The City participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grants. City management believes that such disallowances, if any, will be immaterial.

**NOTE 14 – RESTRICTED COMPONENT OF NET POSITION**

The government-wide *Statement of Net Position* reports \$24,762,391 in restricted net assets. None of the restrictions are from enabling legislation.

**NOTE 15 - INTERFUND BALANCES & TRANSFERS**

During 2012, the City had a number of interfund transfers. Most of the City’s interfund transfers are considered nonreciprocal interfund activities and are legally authorized transfers of resources from one fund to another fund. The receiving fund accounts for the transfer in as an “other financing source” while the paying fund accounts for the transfer out as an “other financing use”. Transfers are included in the operating statements of the respective funds.

The following table summarizes the interfund transfer activity for both the governmental and the proprietary funds by major fund for 2012:

		Transfers From (Out)					
Transfers To (In)		General Fund #001 <sup>1</sup>	Street Fund #102	SWM Operating Fund #403	Equipment Rental #501 <sup>2</sup>	Other Non-Major Funds	Totals
	General Fund #001 <sup>1</sup>	\$0	\$395,050	\$174,300	\$269,920	\$922,000	\$1,761,270
	Street Fund #102	0	0	0	158,016	0	158,016
	Special Assessment Debt Fund #204	0	0	0	0	35,000	35,000
	Transportation CIP Fund #307	488,312	1,591,642	0	0	51,634	2,131,588
	SWM Utility Fund #403	0	0	0	127,944	903	128,847
	Other Non-Major Funds	10,611	0	136,530	0	375,000	522,141
	<b>Total Cash Transfers</b>	<b>\$498,923</b>	<b>\$1,986,692</b>	<b>\$310,830</b>	<b>\$555,880</b>	<b>\$1,384,537</b>	<b>\$4,736,862</b>
	<b>Transfer in of capital assets:</b>						
	To Surface Water Management Construction Fund #406 from Des Moines Creek Basin ILA Fund #111						94,821
To Surface Water Management Construction Fund #406 from Transportation CIP Fund #307						2,117,299	
<b>Total Interfund Transfers</b>						<b>\$6,948,982</b>	

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

<sup>2</sup>Included with the governmental activities in the government-wide statements; Disclosed separately for clarity.

In the proprietary statements, the transfer in of capital assets from the governmental funds is shown as a capital contribution. During the year, capital improvements were funded by a governmental fund, the *Des Moines Creek Basin ILA Fund*, in the amount of \$94,821 and were transferred into the *Surface Water Management Construction Fund*. When assets are purchased by governmental funds, the amounts paid for the assets are recorded as capital expenditures on the governmental *Statement of Revenues, Expenditures and Changes in Fund Balance*. The capital expenditures are then eliminated as part of the government-wide reconciliation process and are shown as assets on the *Statement of Net Position*. Additionally, capital infrastructure assets paid for by a governmental fund, the *Transportation CIP Fund*, were transferred out in the amount of \$2,117,299 to the *Surface Water Management Construction Fund* for improvements made during construction on South 154<sup>th</sup> Street, South 188<sup>th</sup> Street and 164<sup>th</sup> Street.

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

**General Fund #001**

There were seven interfund transfers made into the *General Fund* in 2012 as follows:

1. *Street Fund #102* – Reimbursement of administrative costs (\$382,000).
2. *Street Fund #102* - Reimbursement of Maintenance Facility maintenance costs (\$13,050).
3. *Des Moines Creek Basin ILA Fund #111* - Reimbursement for treasury services provided by the City per Interlocal Agreement (\$2,000).

4. *Municipal Capital Improvement Fund #301* – Transfer out construction related sales taxes to use for general operating expenditures (\$920,000).
5. *Surface Water Management Utility Fund #403* – Reimbursement of Maintenance Facility maintenance costs (\$13,050).
6. *Surface Water Management Utility Fund #403* – Reimbursement of administrative costs (\$161,250).
7. *Equipment Rental Fund #501* – Rebate excess net position reserves accumulated over the last few years (\$269,920).

Total 2012 interfund transfers made into the *General Fund* were \$1,761,270.

**Street Fund #102**

There was one interfund transfer made into the *Street Fund #102* in 2012. The *Equipment Rental Fund #501* rebated excess net position reserves accumulated over the last few years back to the *Street Fund* (\$158,016).

**Special Assessment Debt Fund #204**

One transfer was made into the *Special Assessment Debt Fund* from the *LID Guarantee Fund* in the amount of \$35,000 to service outstanding special assessment debt.

**Transportation CIP Fund #307**

In 2012, three interfund transfers totaling \$2,131,588 were made into the *Transportation CIP Fund* as follows:

1. *General Fund #001* – Transferred community relief monies for the South 164<sup>th</sup> Street sidewalk improvements (\$488,312).
2. *Municipal Capital Improvement Fund #301* – Transferred sales taxes for the South 164<sup>th</sup> Street sidewalk improvements (\$51,634).
3. *Street Fund #102* – Transferred parking taxes (\$1,591,642) to assist with the payment of capital infrastructure projects in the City.

**Surface Water Management Utility Fund #403**

In 2012, two interfund transfers totaling \$128,847 were made as follows:

1. *Des Moines Creek Basin ILA Fund #111* – Reimbursed for City provided berm mowing costs for work related to the Basin (\$903).
2. *Equipment Rental Fund #501* – Rebated excess net position reserves accumulated over the last few years (\$127,944).

**Other Non-Major Funds**

The following four other non-major interfund transfers were made in 2012:

1. *General Fund #001* - Transferred \$10,611 to the *Municipal Capital Improvement Fund #301* for City Hall capital improvements.
2. *Municipal Capital Improvement Fund #301* - Transferred \$375,000 to the *Fire Equipment Replacement Fund #303* for the replacement of fire equipment.

3. Surface Water Management Utility Fund #403 - Transferred \$60,475 to the Des Moines Creek Basin Fund #111 for maintenance and operations.
4. Surface Water Management Utility Fund #403 - Transferred \$76,055 to the Des Moines Creek Basin Fund #111 for future capital replacements.

**NOTE 16 - RECEIVABLE AND PAYABLE BALANCES**

**A. Receivables**

The receivable balances for the major funds at December 31, 2012 were as follows:

Fund	Taxes	Customer Accounts (Net) <sup>1</sup> & Contracts	Special Assessments & Interest	Due from other Gov	Total
<b>Governmental Activities:</b>					
General #001	\$2,432,055	\$1,017,737	\$298	\$1,447	\$3,451,537
Street #102	672,871	41,905	0	194,844	909,620
Hotel/Motel Tax #107	160,438	5,298	0	0	165,736
Special Assessment Debt #204	0	0	384,942	0	384,942
Transportation CIP #307	0	410,693	0	0	410,693
Other Non-Major Funds	63,730	29,682	0	25,512	118,924
<b>Subtotal Governmental Activities</b>	<b>\$3,329,094</b>	<b>\$1,505,315</b>	<b>\$385,240</b>	<b>\$221,803</b>	<b>\$5,441,452</b>
<i>Reconciliation of balances in fund financial statements to government-wide financial statements:</i>					
Internal service fund adjustment	0	0	0	0	0
Investment interest receivable	0	0	0	0	0
<b>Total Governmental Activities</b>	<b>\$3,329,904</b>	<b>\$1,505,315</b>	<b>\$385,240</b>	<b>\$221,803</b>	<b>\$5,441,452</b>
<i>Amounts not scheduled for collection during the subsequent year for governmental activities</i>	0	0	257,039	0	257,039
<b>Business-type Activities:</b>					
Surface Water Mgt Operations #403	\$0	\$131,145	\$7,808	\$0	\$138,953
Surface Water Mgt Constr #406	0	0	0	0	0
<b>Total Business-type Activities</b>	<b>\$0</b>	<b>\$131,145</b>	<b>\$7,808</b>	<b>\$0</b>	<b>\$138,953</b>

<sup>1</sup> Allowance for uncollectible customer accounts has been included in the amounts above.

**B. Payables**

The City's payable balances for the major funds at December 31, 2012 were as follows:

Fund	Accounts	Due to Other Gov	Deposits & Custodial	Interest & Other	Total
<b>Governmental Activities:</b>					
General #001	\$513,073	\$0	\$300,613	\$14	<b>\$813,700</b>
Street #102	147,835	0	0	0	<b>147,835</b>
Hotel/Motel Tax #107	293,077	0	0	0	<b>293,077</b>
Municipal Facilities CIP #306	250	0	0	0	<b>250</b>
Transportation CIP #307	668,513	0	0	0	<b>668,513</b>
Other Non-Major	252,773	0	0	0	<b>252,773</b>
<b>Subtotal Governmental Activities</b>	<b>\$1,875,521</b>	<b>\$0</b>	<b>\$300,613</b>	<b>\$14</b>	<b>\$2,176,148</b>
<i>Reconciliation of balances in fund financial statements to government-wide financial statements:</i>					
Internal service fund adjustment	29,547	0	0	0	<b>29,547</b>
Bond interest payable	0	0	0	14,055	<b>14,055</b>
<b>Total Governmental Activities</b>	<b>\$1,905,068</b>	<b>\$0</b>	<b>\$300,613</b>	<b>\$14,069</b>	<b>\$2,219,750</b>
<b>Business-type Activities:</b>					
Surface Water Management #403	\$57,783	\$0	\$0	\$0	<b>\$57,783</b>
Surface Water Mgt Construc #406	0	0	0	0	<b>0</b>
<b>Total Business-type Activities</b>	<b>\$57,783</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$57,783</b>

**NOTE 17 – JOINT VENTURES – SOUTH CORRECTIONAL ENTITY (SCORE)**

The South Correctional Entity (SCORE) consolidated correctional facility was established February 25, 2009, when an Interlocal Agreement (the "Original Interlocal Agreement") was entered into by seven participating municipal governments, the "Member Cities" of Auburn, Burien, Des Moines, Federal Way, Renton, SeaTac and Tukwila, under the authority of the "Interlocal Cooperation Act" (RCW 39.34). This "Original Interlocal Agreement" was amended and restated October 1, 2009 and named the City of Des Moines as the "Host City" and the remaining Member Cities as "Owner Cities". This Interlocal agreement is known as the "Formation Interlocal Agreement". Pursuant to a separate "Host City Agreement" dated October 1, 2009, the Host City will not enjoy the same equity position as the Owner Cities until all debts issued are paid and the Host City fulfills all of its obligations as outlined in the Agreement.

SCORE, a governmental administrative agency pursuant to RCW 39.34.030 (3), has the power to acquire, construct, own, operate, maintain, equip, and improve a correctional facility known as the "SCORE Facility" and to provide correctional services and functions incidental thereto, for the purpose of detaining arrestees and sentenced offenders in the furtherance of public safety and emergencies within the jurisdiction of the Member Cities. The SCORE Facility may serve the Member Cities and Subscribing Agencies which are in need of correctional facilities. Any agreement with a Subscribing Agency shall be in writing and approved by SCORE as provided within the SCORE Formation Interlocal Agreement.

Financing for the acquisition, construction, equipping, and improvement of the SCORE Facility will be provided by bonds issued by the South Correctional Entity Facility Public Development Authority (the "SCORE PDA"), a public development authority chartered by the City of Renton pursuant to RCW 35.21.730 through 35.21.755 and secured by the full faith and credit of the Cities of Auburn, Burien Federal Way, Renton, SeaTac, and Tukwila (the "Owner Cities"). The SCORE PDA issued \$86 million in special obligation bonds in 2009 to carry out the facility development project. The following is a summary of the debt service requirements for the bond issue:

Summary of Debt Service Requirements										
Debt Service Schedule					Debt Service Allocation to Owner Cities					
Year	Principal	Interest	35% BABs Subsidy	Total	Auburn 31%	Burien 4%	Federal Way 18%	Renton 36%	SeaTac 3%	Tukwila 8%
2013	1,915,000	5,126,998	(1,675,089)	5,366,909	1,663,742	214,676	966,044	1,932,087	161,007	429,353
2014	1,950,000	5,066,566	(1,654,975)	5,361,591	1,662,093	214,464	965,086	1,930,173	160,848	428,927
2015	1,990,000	4,995,069	(1,632,787)	5,352,282	1,659,207	214,091	963,411	1,926,822	160,568	428,183
2016	2,065,000	4,911,886	(1,632,787)	5,344,099	1,656,671	213,764	961,938	1,923,876	160,323	427,528
2017	2,145,000	4,820,241	(1,621,980)	5,343,261	1,656,411	213,730	961,787	1,923,574	160,298	427,461
2018-2022	11,990,000	22,399,915	(7,748,350)	26,641,565	8,258,885	1,065,663	4,795,482	9,590,963	799,247	2,131,325
2023-2027	14,485,000	18,727,798	(6,710,481)	26,502,317	8,215,718	1,060,093	4,770,417	9,540,834	795,070	2,120,185
2028-2032	17,725,000	13,590,870	(4,959,695)	26,356,175	8,170,414	1,054,247	4,744,112	9,488,223	790,685	2,108,494
2033-2037	21,855,000	7,082,263	(2,731,829)	26,205,434	8,123,685	1,048,217	4,716,978	9,433,956	786,163	2,096,435
2038-2039	10,115,000	676,321	(353,824)	10,437,497	3,235,624	417,500	1,878,749	3,757,499	313,125	835,000
<b>Totals</b>	<b>\$86,235,000</b>	<b>\$87,397,927</b>	<b>\$(30,721,797)</b>	<b>\$142,911,130</b>	<b>44,302,450</b>	<b>5,716,445</b>	<b>25,724,004</b>	<b>51,448,007</b>	<b>4,287,334</b>	<b>11,432,891</b>

Note: Interest was paid from bond proceeds during the construction period (2010 - 2011).

The City of SeaTac reports its share of equity interest in the governmental activities column within the government-wide financial statements as a noncurrent asset. The following is condensed (unaudited) financial information as of December 31, 2012 related to SCORE:

South Correctional Entity (SCORE) 2012 Owner Cities Equity Allocation				
Member City	Percent of Equity	2011 Equity Balance	2012 Distribution	2012 Equity Balance
Auburn	31.00%	\$3,189,320	\$(1,820,461)	\$1,368,859
Burien	4.00%	411,525	(234,898)	176,627
Federal Way	18.00%	1,851,863	(1,057,043)	794,820
Renton	36.00%	3,703,728	(2,114,084)	1,589,644
SeaTac	3.00%	308,643	(176,174)	132,469
Tukwila	8.00%	823,050	(469,796)	353,254
<b>Grand Totals</b>	<b>100.00%</b>	<b>\$10,288,129</b>	<b>\$(5,872,456)</b>	<b>\$4,415,673</b>

Completed financial statements for SCORE and SCORE PDA can be obtained at SCORE, 20817 17<sup>th</sup> Avenue South, Des Moines, WA 98198.

**NOTE 18 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS**

In 2007, the City of SeaTac implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*. The following describes the details of the Plan for these benefits:

*Plan Description:* In accordance with the Revised Code of Washington (RCW) Chapter 41.26, the City of SeaTac provides lifetime postemployment healthcare benefits to all LEOFF 1 (Law Enforcement Officers and Fire Fighters hired prior to September 1, 1977) retirees. Currently, four retirees meet those eligibility requirements.

*Funding Policy:* The City contributes 100% of the cost of medical insurance premiums for all LEOFF 1 retirees (excludes spouses). In addition, the City reimburses LEOFF 1 retirees for all validated claims for medical, dental (\$1,000 annual limit) and hospitalization costs incurred by the retirees. Only those medical services and expenditures which are deemed reasonable and necessary by the LEOFF Board will be paid by the City. 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.

A dedicated trust fund has not been established for LEOFF 1 retiree benefits; therefore, the City's current funding policy is based upon pay-as-you-go financing requirements. During the year, the City contributed \$59,235 to the Plan for postemployment health care.

*Annual OPEB Cost and Net OPEB Obligation:* The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period of fifteen years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation:

Annual required contribution (ARC)	\$272,375
Interest on net OPEB obligation	12,454
Adjustment to annual required contribution	<u>(25,769)</u>
Annual OPEB cost (expense)	259,060
Contributions made	<u>(59,235)</u>
Increase in net OPEB obligation	199,825
Net OPEB Obligation – Beginning of Year	<u>276,744</u>
Net OPEB Obligation – End of Year	<u>\$476,569</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2012 and the two preceding fiscal years were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Contribution as a Percentage of Annual OPEB Cost</b>	<b>OPEB Obligation</b>
2010	\$93,945	60%	\$237,421
2011	\$92,141	57%	\$276,744
2012	\$259,060	23%	\$476,569

*Funded Status and Funding Progress:* As of June 30, 2009, the most recent actuarial valuation date (valuation report is issued by the Office of the State Actuary (OSA), the actuarial accrued liability (AAL) for benefits was \$2,925,184 all of which was unfunded. There is no covered payroll (annual payroll of active employees covered by the Plan) calculation because there are no active employees covered by the Plan.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about where the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions:* The actuarial cost method used to determine the actuarial accrued liability (AAL) was the projected unit credit method. The actuarial accrued liability and the net OPEB obligation are amortized on an open basis as a level dollar over 15 years. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations. These assumptions are individually and collectively reasonable for purposes of this valuation.

The following simplifying assumptions were made:

*Retirement age for active employees:* The City has no active LEOFF 1 employees. Therefore, this did not affect the actuarial accrued liability calculation.

*Mortality:* Mortality rates were assumed to follow the LEOFF 1 mortality rates used in the June 30, 2009 actuarial valuation report issued by the Office of the State Actuary (OSA) for Washington State.

*Healthcare cost trend rate and inflation rate:* The medical inflation trend is the percent that medical costs are expected to increase in future years. The expected medical inflation trend starts at 7.625% in 2010 and decreases to 5.125% in 2015; it remains at 5.0% starting in 2016. The expected long-term health care inflation assumption of 4.5% was used based on health care actuaries contracted at Milliman. Healthcare costs were also determined by Milliman and used by OSA in the State-wide LEOFF 1 medical study performed in 2007. The 2007 assumptions were rolled into the June 2011 Actuarial Valuation of LEOFF 1 medical benefits. The results were based on grouped data with four active groupings and four inactive groupings.

*Healthcare costs:* Milliman health care actuaries determined medical claim costs.

*Demographic assumptions:* It is assumed that participation will be at 100% and Medicare coverage will also be at 100%.

*Interest discount rate:* An expected long-term yield of 4.5% (Annual rate, compounded annually) was chosen because liabilities will be funded on a pay-as-you-go basis and LEOFF 1 accounts are invested in short term investment products.

*Inflation Rate:* The expected long-term inflation assumption of 3.5% was based on the CPI for Urban Wage Earners and Clerical Workers for Washington – All items.

*Long-term care assumptions:* Milliman health care actuaries developed long-term care assumptions for two types of long-term care including institutional and non-institutional. Four assumptions were developed dealing with long-term care including: annual cost, the incidence rate, length of stay and the inflation rate. Various tables involving these assumptions were established based on age.

## **NOTE 19 – OTHER DISCLOSURES**

### **A. Prior Period Adjustments**

In 2012, prior period adjustments totaled \$98,423 in the *business-type activities* column of the government-wide *Statement of Activities* and the *Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds*. The first correction was due to an understatement of \$77,421 in 2011 surface water management fees receivable and revenues as collected by King County. In 2011, this understatement caused the change in net position and unrestricted net position to be understated by \$77,421.

A second prior period adjustment was made in the *business-type activities* column of the government-wide

*Statement of Activities* and the *Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds* in the amount of \$21,002. This adjustment was for the overstatement of the 2011 compensated absences liability and related expenses which were created when some of the employee sick leave liabilities were calculated at the incorrect cash out percentage. In 2011, this overstatement caused the change in net position and unrestricted net position to both be understated by \$21,002. The beginning balance for the compensated absences liability was restated in 2012 to \$46,206 from \$67,208.

The following prior period adjustments were made in 2012 for governmental activities:

In 2011, the compensated absences liability and related expenses were overstated due to some incorrect sick leave cash out percentages being used in the calculation. The amount of this overstatement was \$593,963. In 2011, this overstatement caused both the change in net position and net position to be understated by \$593,963. The beginning balance for the compensated absences liability was restated in 2012 from \$1,944,449 to \$1,350,486 (*Equipment Rental Internal Service Fund excluded in both figures*).

The second prior period adjustment was in the area of special assessment deferred revenues. In previous years' financial statements, special assessment deferred revenues were recognized as unearned revenues and they were actually earned revenues when the assessments were levied in the year 2000. In 2012, this prior period adjustment was in the amount of \$382,209 creating an increase in net position and a decrease in liabilities. Had this prior period adjustment been made in 2011, the adjustment would have been in the amount of \$554,127 and would have reduced liabilities and increased net position in this same amount.

The third prior period adjustment for governmental activities was to correct the understatement of the annual amortization of the premium on the 2009 LTGO Refunding Bonds. In 2010 and 2011, the City reported an annual premium amortization amount of \$17,927 based on a remaining life of the debt of nine years. Since the 2009 LTGO refunding bonds combined both the 1998 Hotel/Motel LTGO bonds (life of 9 years remaining) and the 1998 LTGO refunding bonds (life of 4 years remaining) and retained these same number of years remaining in the new refunding bonds, it was determined that the annual amortization expense was understated by a total of \$16,358 for the two years (\$8,179 for each year separately). Accordingly, liabilities on the *Statement of Net Position* were reduced by \$16,358 from a beginning balance of \$125,491 to a restated beginning balance of \$109,133; thereby, increasing net position by this same amount. Had this prior period adjustment been made in 2011, the adjustment would have been in the amount of \$8,179. Changes in net position and net position would have both been lower by \$8,179.

The fourth prior period adjustment is for a receivable recorded in the *Street Fund* due from the Port of Seattle for parking taxes incorrectly reported to the City for the years 2006 through 2009. The reporting shortage was caused by equipment malfunctions related to credit card transaction tracking. This adjustment increased net position for the governmental financial statements, as well as the government-wide financial statements in the governmental activities column, in the amount of \$194,844.

In addition to the adjustments above, a prior period adjustment was made related to GASB Statement No. 65. Please see the *Section B – Accounting and Reporting Changes* below for additional information on this adjustment.

**B. Accounting and Reporting Changes**

In 2012, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* became effective. As disclosed in previous years, the City was generally following private sector standards of accounting and financial reporting issued prior to December 1, 1989 in the government-wide and enterprise fund financial statements to the extent that those standards did not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB).

The City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4 *Elements of Financial Statements* introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

The City also implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

In 2012, deferred charges for debt issuance costs were restated from \$23,730 to zero on the *Statement of Net Position* for governmental activities. GASB Statement No. 65 requires that debt issuance costs be recognized as an expense in the period incurred which would have been in 2009 for the City's outstanding general obligation bonds. The effect of this change is a decrease in 2011 net position by \$23,730. The annual deferred charge expense amount was \$3,389 in prior years.

In the City's 2011 Comprehensive Annual Finance Report in *Note 13 – Restricted Net Assets*, the City reported that net assets restricted by enabling legislation totaled \$14,234,576. For 2012, no net position resources were reported as restricted by enabling legislation. Although ordinances were adopted by the City Council establishing parking and hotel/motel taxes, it is actually State law that provides cities with the authority to implement these taxes; thereby, changing this figure to zero for 2011.

**C. Subsequent Events**

In April 2013, the City Council authorized the City Manager to execute a purchase and sale agreement for property located at 15201 through 15215 Military Road South in the amount of \$1,500,000. The acquisition of this property adds to the current land assemblage that includes the SeaTac Center and increases the City's ability to guide future transit-oriented redevelopment of this portion of the South 154<sup>th</sup> Street Station Area.

In September 2013, the City Council authorized the City Manager to execute an Interlocal Agreement between the City of SeaTac and the Kent Regional Fire Authority to establish a contractual fire services consolidation effective January 1, 2014. The Interlocal Agreement provides that the Kent Regional Fire Authority will provide the following services: Fire Suppression, Emergency Medical Services, Fire Prevention (includes Code Enforcement and Public Education) and Fire Investigation. Total cost for the Interlocal Agreement is projected to be \$9.7 million in 2014.



# Required Supplementary Information



**Required Supplementary Information**  
**Schedule of Funding Progress**  
**for LEOFF 1 Retiree Medical Benefits**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Projected Unit Credit (PUC) (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a)/c)</b>
9/30/2006	\$0	\$1,384,278	\$1,384,278	0.0%	\$0	0.0%
6/30/2007	\$0	\$1,325,508	\$1,325,508	0.0%	\$0	0.0%
9/30/2009	\$0	\$2,925,184	\$2,925,184	0.0%	\$0	0.0%

**Notes to the Schedule of Funding Progress**

The City is using the alternative measurement method as permitted under GASB Statement No. 45. The City utilizes actuarial valuation tools provided by the Office of the State Actuary (OSA) for Washington State. Retirement, disablement, termination, and mortality rates were assumed to follow LEOFF 1 rates used in the June 30, 2009 actuarial report issued by OSA.

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts*</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 23,982,084	\$ 23,982,084	\$ 24,778,291	\$ 796,207
Licenses & permits	1,168,658	1,237,658	756,207	(481,451)
Intergovernmental	670,894	670,894	976,695	305,801
Charges for services	1,139,041	1,070,041	1,024,385	(45,656)
Fines and forfeitures	513,221	513,221	481,383	(31,838)
Investment & other earnings	28,000	28,000	40,562	12,562
Rents/leases & concessions	238,800	238,800	189,756	(49,044)
Miscellaneous	18,421	18,421	37,786	19,365
<b>Total Revenues</b>	<b>27,759,119</b>	<b>27,759,119</b>	<b>28,285,065</b>	<b>525,946</b>
<b>Expenditures</b>				
<i>Current:</i>				
Judicial	887,073	831,658	764,634	67,024
General Government	5,715,753	5,748,900	5,477,786	271,114
Public Safety	17,469,585	17,537,349	16,865,904	671,445
Physical Environment	16,075	16,075	15,632	443
Transportation	580,918	591,763	565,731	26,032
Health & Human Services	543,808	544,699	500,008	44,691
Economic Environment	2,105,897	2,140,457	1,735,281	405,176
Culture & Recreation	2,976,467	2,990,143	2,933,916	56,227
<i>Debt service:</i>				
Interest	-	-	77,336	(77,336)
<b>Total Expenditures</b>	<b>30,295,576</b>	<b>30,401,044</b>	<b>28,936,228</b>	<b>1,464,816</b>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(2,536,457)</i>	<i>(2,641,925)</i>	<i>(651,163)</i>	<i>1,990,762</i>
<b>Other Financing Sources (Uses)</b>				
Transfers in	2,056,372	2,056,372	2,056,370	(2)
<b>Total Other Fin Sources (Uses)</b>	<b>2,056,372</b>	<b>2,056,372</b>	<b>2,056,370</b>	<b>(2)</b>
<i>Net Change in Fund Balances</i>	<i>(480,085)</i>	<i>(585,553)</i>	<i>1,405,207</i>	<i>1,990,760</i>
<b>Fund Balances-Beginning</b>	<b>8,103,079</b>	<b>8,357,020</b>	<b>8,357,020</b>	<b>-</b>
<b>Fund Balances-Ending</b>	<b>\$ 7,622,994</b>	<b>\$ 7,771,467</b>	<b>\$ 9,762,227</b>	<b>\$ 1,990,760</b>

\*Budgetary basis differs from GAAP basis. See reconciliation on pages immediately following this schedule (after logo page).



**Reconciliation of General Fund Budgetary Basis Actual Amounts to  
GAAP Basis Actual Amounts in the General Fund Statement of Revenues,  
Expenditures and Changes in Fund Balance  
For the Year Ended December 31, 2012**

**Special Revenue Funds merged with General Fund as  
required by GASB Statement No. 54**

	General Fund Budgetary Basis - Actual Amounts	Contingency Reserve Fund	Port of Seattle ILA	Transit Planning
<b>Revenues</b>				
Taxes	\$ 24,778,291	\$ -	\$ -	\$ -
Licenses & permits	756,207	-	-	-
Intergovernmental	976,695	-	-	176,151
Charges for services	1,024,385	-	-	-
Fines and forfeitures	481,383	-	-	-
Investment & other earnings	40,562	1,042	5,140	113
Rents/leases & concessions	189,756	-	-	-
Miscellaneous	37,786	-	-	-
<b>Total Revenues</b>	<b>28,285,065</b>	<b>1,042</b>	<b>5,140</b>	<b>176,264</b>
<b>Expenditures</b>				
<i>Current:</i>				
Judicial	764,634	-	-	-
General Government	5,477,786	-	-	-
Public Safety	16,865,904	-	-	-
Physical Environment	15,632	-	-	-
Transportation	565,731	-	-	35,221
Health & Human Services	500,008	-	-	-
Economic Environment	1,735,281	-	-	-
Culture & Recreation	2,933,916	-	20,000	-
<i>Debt service:</i>				
Interest	77,336	-	-	-
<b>Total Expenditures</b>	<b>28,936,228</b>	<b>-</b>	<b>20,000</b>	<b>35,221</b>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(651,163)</i>	<i>1,042</i>	<i>(14,860)</i>	<i>141,043</i>
<b>Other Financing Sources (Uses)</b>				
Transfers in	2,056,370	-	-	-
Transfers out	-	-	(488,313)	-
<b>Total Other Fin Sources (Uses)</b>	<b>2,056,370</b>	<b>-</b>	<b>(488,313)</b>	<b>-</b>
<i>Net Change in Fund Balances</i>	<i>1,405,207</i>	<i>1,042</i>	<i>(503,173)</i>	<i>141,043</i>
<b>Fund Balances-Beginning</b>	<b>8,357,020</b>	<b>774,018</b>	<b>3,962,197</b>	<b>97,281</b>
<b>Fund Balances-Ending</b>	<b>\$ 9,762,227</b>	<b>\$ 775,060</b>	<b>\$ 3,459,024</b>	<b>\$ 238,324</b>

	Special Revenue Funds merged with General Fund as req by GASB Statement No. 54			General Fund GAAP Basis - Actual Amounts	Net Change - Increase (Decrease)
	Building Management	Facility Repair & Replacement	Eliminate Transfers between funds		
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ -	\$24,778,291	\$ -
Licenses & permits	-	-	-	756,207	-
Intergovernmental	-	-	-	1,152,846	176,151
Charges for services	-	-	-	1,024,385	-
Fines and forfeitures	3,670	-	-	485,053	3,670
Investment & other earnings	1,851	84	-	48,792	8,230
Rents/leases & concessions	960,840	-	-	1,150,596	960,840
Miscellaneous	155,025	-	-	192,811	155,025
<b>Total Revenues</b>	<b>1,121,386</b>	<b>84</b>	<b>-</b>	<b>29,588,981</b>	<b>1,303,916</b>
<b>Expenditures</b>					
<i>Current:</i>					
Judicial	-	-	-	764,634	-
General Government	22,708	3,449	-	5,503,943	26,157
Public Safety	-	-	-	16,865,904	-
Physical Environment	-	-	-	15,632	-
Transportation	-	-	-	600,952	35,221
Health & Human Services	-	-	-	500,008	-
Economic Environment	517,979	-	-	2,253,260	517,979
Culture & Recreation	-	125,704	-	3,079,620	145,704
<i>Debt service:</i>					
Interest	-	-	-	77,336	-
<b>Total Expenditures</b>	<b>540,687</b>	<b>129,153</b>	<b>-</b>	<b>29,661,289</b>	<b>725,061</b>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>580,699</i>	<i>(129,069)</i>	<i>-</i>	<i>(72,308)</i>	<i>578,855</i>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	229,598	(524,698)	1,761,270	(295,100)
Transfers out	(535,309)	-	524,698	(498,924)	(498,924)
<b>Total Other Fin Sources (Uses)</b>	<b>(535,309)</b>	<b>229,598</b>	<b>-</b>	<b>1,262,346</b>	<b>(794,024)</b>
<i>Net Change in Fund Balances</i>	<i>45,390</i>	<i>100,529</i>	<i>-</i>	<i>1,190,038</i>	<i>(215,169)</i>
<b>Fund Balances-Beginning</b>	<b>1,324,116</b>	<b>7,438</b>	<b>-</b>	<b>14,522,070</b>	<b>6,165,050</b>
<b>Fund Balances-Ending</b>	<b>\$ 1,369,506</b>	<b>\$ 107,967</b>	<b>\$ -</b>	<b>\$15,712,108</b>	<b>\$ 5,949,881</b>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts*</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 6,050,100	\$ 6,050,100	\$ 6,164,074	\$ 113,974
Intergovernmental	601,645	601,645	604,921	3,276
Charges for services	700	700	1,937	1,237
Investment & other earnings	8,500	8,500	13,100	4,600
Rents/leases & concessions	6,900	6,900	6,900	-
Miscellaneous	1,100	1,100	54,096	52,996
<b>Total Revenues</b>	<b>6,668,945</b>	<b>6,668,945</b>	<b>6,845,028</b>	<b>176,083</b>
<b>Expenditures</b>				
<i>Current:</i>				
Transportation	2,737,319	2,243,923	2,010,173	233,750
<i>Capital Outlay:</i>				
Transportation	-	500,000	386,774	113,226
<b>Total Expenditures</b>	<b>2,737,319</b>	<b>2,743,923</b>	<b>2,396,947</b>	<b>346,976</b>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	3,931,626	3,925,022	4,448,081	523,059
<b>Other Financing Sources (Uses)</b>				
Transfers in	158,016	158,016	158,016	-
Transfers out	(1,986,692)	(1,986,692)	(1,986,692)	-
<b>Total Other Fin Sources (Uses)</b>	<b>(1,828,676)</b>	<b>(1,828,676)</b>	<b>(1,828,676)</b>	<b>-</b>
<i>Net Change in Fund Balances</i>	2,102,950	2,096,346	2,619,405	523,059
Fund Balances-Beg (as prev rept'd)	8,458,247	8,691,279	8,691,279	-
Prior Year Adjustment	-	-	194,844	194,844
<b>Fund Balances-Beg (as restated)</b>	<b>8,458,247</b>	<b>8,691,279</b>	<b>8,886,123</b>	<b>194,844</b>
<b>Fund Balances-Ending</b>	<b>\$ 10,561,197</b>	<b>\$ 10,787,625</b>	<b>\$ 11,505,528</b>	<b>\$ 717,903</b>

\*Budgetary basis is the same as GAAP basis.

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 725,000	\$ 725,000	\$ 814,425	\$ 89,425
Charges for services	-	-	5,298	5,298
Investment & other earnings	7,500	7,500	10,177	2,677
<b>Total Revenues</b>	<b>732,500</b>	<b>732,500</b>	<b>829,900</b>	<b>97,400</b>
<b>Expenditures</b>				
<i>Current:</i>				
Economic Environment	1,153,618	1,186,319	1,051,080	135,239
<b>Total Expenditures</b>	<b>1,153,618</b>	<b>1,186,319</b>	<b>1,051,080</b>	<b>135,239</b>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(421,118)</i>	<i>(453,819)</i>	<i>(221,180)</i>	<i>232,639</i>
<b>Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Other Fin Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Net Change in Fund Balances</i>	<i>(421,118)</i>	<i>(453,819)</i>	<i>(221,180)</i>	<i>232,639</i>
<b>Fund Balances-Beginning</b>	<b>7,477,282</b>	<b>7,722,915</b>	<b>7,722,915</b>	<b>-</b>
<b>Fund Balances-Ending</b>	<b>\$ 7,056,164</b>	<b>\$ 7,269,096</b>	<b>\$ 7,501,735</b>	<b>\$ 232,639</b>

\*Budgetary basis is the same as GAAP basis.



# Other Supplementary Information



The City currently has six *major governmental funds* (*General, Street, Hotel/Motel Tax, Special Assessment Debt, Municipal Facilities CIP, and Transportation CIP*). These funds are reported separately in the financial statements for the governmental funds.

The City has six funds that are considered to be *nonmajor governmental funds* (*Des Moines Creek Basin ILA, LID Guarantee, 2009 LTGO Bond Refunding, Municipal Capital Improvement, Fire Equipment Capital Reserve, and Light Rail Station Areas CIP*) under GASB Statement No. 34. These funds fall within three fund types including special revenue funds, debt service funds and capital project funds. These funds are combined and are included in the “*Other Governmental Funds*” column of the governmental funds financial statements. Additionally, the City has five special revenue funds that were *merged into the General Fund* (*Contingency Reserve, Port of Seattle ILA, Transit Planning, Building Management and Facilities Repair & Replacement*) in the financial statements as required under GASB Statement No. 54.

The following descriptions provide an overview of the purpose of the 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 following funds are the City’s special revenue funds that fall under the nonmajor governmental funds category:

1. The *Des Moines Creek Basin ILA Fund* was established in 2009 to account for the revenues and expenditures related to the Des Moines Creek Basin. The City serves as Treasurer for this Committee.

### Debt Service Funds

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

1. The *Local Improvement District Guarantee Bond Fund* provides financial security for outstanding LID bonds and special assessment debt.
2. The *2009 Limited Tax General Obligation Bond Refunding Fund* was established to service the debt on the *LTGO City Hall Bonds* and the *Hotel/Motel Tax Bonds* that were refunded in 2009.

### 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 *Municipal Capital Improvements Fund* accounts for capital expenditures for non-transportation capital improvements, including park improvements, facility improvements, and computer equipment and hardware.
2. The *Fire Equipment Capital Reserve Fund* accounts for the replacement of major Fire Department capital equipment including pumper trucks, vehicles and equipment.
3. The *Light Rail Station Areas CIP Fund* is used to account for infrastructure improvements and property acquisitions in the City’s two light rail station areas.

**Combining Balance Sheet  
December 31, 2012**

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>		
	<u>Des Moines Creek Basin ILA Fund</u>	<u>Total Special Revenue Funds</u>	<u>LID Guarantee</u>	<u>2009 LTGO Bond Refunding</u>	<u>Total Debt Service Funds</u>
<b>Assets</b>					
Cash & cash equivalents	\$ 1,832,428	\$ 1,832,428	\$ 12,500	\$ 11,807	\$ 24,307
Receivables (net of allowance for uncollectibles):					
Taxes	-	-	-	-	-
Customer accts/contracts	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 1,832,428</b>	<b>\$ 1,832,428</b>	<b>\$ 12,500</b>	<b>\$ 11,807</b>	<b>\$ 24,307</b>
<b>Liabilities</b>					
Accounts/other payable	181,224	181,224	-	-	-
Unearned revenue	-	-	-	-	-
<b>Total Liabilities</b>	<b>181,224</b>	<b>181,224</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances (Deficits)</b>					
<b>Restricted:</b>					
DM Creek Basin ILA projects	1,651,204	1,651,204	-	-	-
Open space & trail projects	-	-	-	-	-
Capital projects/equipment	-	-	-	-	-
Debt service	-	-	12,500	11,807	24,307
<b>Assigned:</b>					
Fire equipment replacement	-	-	-	-	-
Light Rail Station(s) projects	-	-	-	-	-
2013/14 Budget-excess approp	-	-	-	-	-
<b>Total Fund Balances</b>	<b>1,651,204</b>	<b>1,651,204</b>	<b>12,500</b>	<b>11,807</b>	<b>24,307</b>
<b>Total Liab &amp; Fund Balances</b>	<b>\$ 1,832,428</b>	<b>\$ 1,832,428</b>	<b>\$ 12,500</b>	<b>\$ 11,807</b>	<b>\$ 24,307</b>

	Capital Improvement Funds				Total Nonmajor Governmental Funds
	Municipal Capital Imp Fund	Fire Equipment Cap Resv	Light Rail Station Areas CIP	Total Capital Project Funds	
<b>Assets</b>					
Cash & cash equivalents	\$ 3,003,205	\$ 1,409,014	\$ 738,116	\$ 5,150,335	\$ 7,007,070
Receivables (net of allowance for uncollectibles):					
Taxes	63,730	-	-	63,730	63,730
Customer accts/contracts	29,682	-	-	29,682	29,682
Due from other governments	25,512	-	-	25,512	25,512
<b>Total Assets</b>	<b>\$ 3,122,129</b>	<b>\$ 1,409,014</b>	<b>\$ 738,116</b>	<b>\$ 5,269,259</b>	<b>\$ 7,125,994</b>
<b>Liabilities</b>					
Accounts/other payable	71,549	-	-	71,549	252,773
Unearned revenue	4,340	-	-	4,340	4,340
<b>Total Liabilities</b>	<b>75,889</b>	<b>-</b>	<b>-</b>	<b>75,889</b>	<b>257,113</b>
<b>Fund Balances (Deficits)</b>					
<b>Restricted:</b>					
DM Creek Basin ILA projects	-	-	-	-	1,651,204
Open space & trail projects	254,875	-	-	254,875	254,875
Capital projects/equipment	1,486,021	-	-	1,486,021	1,486,021
Debt service	-	-	-	-	24,307
<b>Assigned:</b>					
Fire equipment replacement	-	467,335	-	467,335	467,335
Light Rail Station(s) projects	-	-	89,616	89,616	89,616
2013/14 Budget-excess approp	1,305,344	941,679	648,500	2,895,523	2,895,523
<b>Total Fund Balances</b>	<b>3,046,240</b>	<b>1,409,014</b>	<b>738,116</b>	<b>5,193,370</b>	<b>6,868,881</b>
<b>Total Liab &amp; Fund Balances</b>	<b>\$ 3,122,129</b>	<b>\$ 1,409,014</b>	<b>\$ 738,116</b>	<b>\$ 5,269,259</b>	<b>\$ 7,125,994</b>

**Combining Statement of Revenues, Expenditures & Changes in Fund Balance  
For the Year Ended December 31, 2012**

	Special Revenue Funds		Debt Service Funds		
	Des Moines Creek Basin ILA	Total Special Revenue Funds	LID Guarantee	2009 LTGO Bond Refunding	Total Debt Service Funds
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ -	\$ 750,720	\$ 750,720
Intergovernmental	196,470	196,470	-	-	-
Charges for services	-	-	-	-	-
Investment earnings	2,654	2,654	-	395	395
<b>Total Revenues</b>	<b>199,124</b>	<b>199,124</b>	<b>-</b>	<b>751,115</b>	<b>751,115</b>
<b>Expenditures</b>					
<i>Current:</i>					
Judicial	-	-	-	-	-
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Physical Environment	315,206	315,206	-	-	-
Economic Environment	-	-	-	-	-
Culture & Recreation	-	-	-	-	-
<i>Debt Service:</i>					
Principal	-	-	-	670,000	670,000
Interest	-	-	-	80,100	80,100
<i>Capital Outlay:</i>					
General Government	-	-	-	-	-
Judicial	-	-	-	-	-
Public Safety	-	-	-	-	-
Physical Environment	94,821	94,821	-	-	-
Economic Environment	-	-	-	-	-
Culture & Recreation	-	-	-	-	-
<b>Total Expenditures</b>	<b>410,027</b>	<b>410,027</b>	<b>-</b>	<b>750,100</b>	<b>750,100</b>
Excess (deficiency) of revenues over (under) expenditures	(210,903)	(210,903)	-	1,015	1,015
<b>Other Financing Sources (Uses)</b>					
Transfers in	136,530	136,530	-	-	-
Transfers out	(2,903)	(2,903)	(35,000)	-	(35,000)
<b>Total Other Fin Sources (Uses)</b>	<b>133,627</b>	<b>133,627</b>	<b>(35,000)</b>	<b>-</b>	<b>(35,000)</b>
Net Change in Fund Balances	(77,276)	(77,276)	(35,000)	1,015	(33,985)
<b>Fund Balances-Beginning</b>	<b>1,728,480</b>	<b>1,728,480</b>	<b>47,500</b>	<b>10,792</b>	<b>58,292</b>
<b>Fund Balances-Ending</b>	<b>\$ 1,651,204</b>	<b>\$ 1,651,204</b>	<b>\$ 12,500</b>	<b>\$ 11,807</b>	<b>\$ 24,307</b>

	Capital Project Funds			Total Capital Project Funds	Total Nonmajor Governmental Funds
	Municipal Capital Imp	Fire Equip Capital Res	Light Rail Station Areas CIP		
<b>Revenues</b>					
Taxes	\$ 1,052,148	\$ -	\$ -	\$ 1,052,148	\$ 1,802,868
Intergovernmental	83,100	-	-	83,100	279,570
Charges for services	203,802	-	-	203,802	203,802
Investment earnings	4,335	1,720	992	7,047	10,096
<b>Total Revenues</b>	<b>1,343,385</b>	<b>1,720</b>	<b>992</b>	<b>1,346,097</b>	<b>2,296,336</b>
<b>Expenditures</b>					
<i>Current:</i>					
Judicial	2,551	-	-	2,551	2,551
General Government	64,581	-	-	64,581	64,581
Public Safety	-	2,059	-	2,059	2,059
Physical Environment	-	-	-	-	315,206
Economic Environment	15,192	-	-	15,192	15,192
Culture & Recreation	12,473	-	-	12,473	12,473
<i>Debt Service:</i>					
Principal	-	-	-	-	670,000
Interest	-	-	-	-	80,100
<i>Capital Outlay:</i>					
General Government	97,844	-	-	97,844	97,844
Judicial	14,024	-	-	14,024	14,024
Public Safety	-	48,073	-	48,073	48,073
Physical Environment	-	-	-	-	94,821
Economic Environment	99,628	-	-	99,628	99,628
Culture & Recreation	296,030	-	-	296,030	296,030
<b>Total Expenditures</b>	<b>602,323</b>	<b>50,132</b>	<b>-</b>	<b>652,455</b>	<b>1,812,582</b>
Excess (deficiency) of revenues over (under) expenditures	741,062	(48,412)	992	693,642	483,754
<b>Other Financing Sources (Uses)</b>					
Transfers in	10,611	375,000	-	385,611	522,141
Transfers out	(1,346,634)	-	-	(1,346,634)	(1,384,537)
<b>Total Other Fin Sources (Uses)</b>	<b>(1,336,023)</b>	<b>375,000</b>	<b>-</b>	<b>(961,023)</b>	<b>(862,396)</b>
Net Change in Fund Balances	(594,961)	326,588	992	(267,381)	(378,642)
<b>Fund Balances-Beginning</b>	<b>3,641,201</b>	<b>1,082,426</b>	<b>737,124</b>	<b>5,460,751</b>	<b>7,247,523</b>
<b>Fund Balances-Ending</b>	<b>\$ 3,046,240</b>	<b>\$ 1,409,014</b>	<b>\$ 738,116</b>	<b>\$ 5,193,370</b>	<b>\$ 6,868,881</b>

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment & other earnings	\$ 775	\$ 775	\$ 1,042	\$ 267
<b>Total Revenues</b>	<b>775</b>	<b>775</b>	<b>1,042</b>	<b>267</b>
<b>Expenditures</b>	-	-	-	-
<i>Excess (deficiency) of revenues over (under) expenditures</i>	775	775	1,042	267
<b>Other Financing Sources (Uses)</b>	-	-	-	-
<b>Total Other Fin Sources (Uses)</b>	-	-	-	-
<i>Net Change in Fund Balances</i>	775	775	1,042	267
<b>Fund Balances-Beginning</b>	<b>773,645</b>	<b>774,018</b>	<b>774,018</b>	-
<b>Fund Balances-Ending</b>	<b>\$ 774,420</b>	<b>\$ 774,793</b>	<b>\$ 775,060</b>	<b>\$ 267</b>

\*Note: Budgetary basis differs from GAAP basis; As per GASB Statement No. 54, this Fund was merged with the General Fund. See General Fund budget to GAAP reconciliation in the Required Supplementary Information (RSI) Section of the CAFR.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2012**

	Budgeted Amounts		Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment & other earnings	\$ 3,675	\$ 3,675	\$ 5,140	\$ 1,465
<b>Total Revenues</b>	<b>3,675</b>	<b>3,675</b>	<b>5,140</b>	<b>1,465</b>
<b>Expenditures</b>				
<i>Current:</i>				
Culture & Recreation	20,000	20,000	20,000	-
<b>Total Expenditures</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>-</b>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(16,325)	(16,325)	(14,860)	1,465
<b>Other Financing Sources (Uses)</b>				
Transfers out	(904,500)	(904,500)	(488,313)	416,187
<b>Total Other Fin Sources (Uses)</b>	<b>(904,500)</b>	<b>(904,500)</b>	<b>(488,313)</b>	<b>416,187</b>
<i>Net Change in Fund Balances</i>	(920,825)	(920,825)	(503,173)	417,652
<b>Fund Balances-Beginning</b>	<b>3,696,182</b>	<b>3,962,197</b>	<b>3,962,197</b>	<b>-</b>
<b>Fund Balances-Ending</b>	<b>\$ 2,775,357</b>	<b>\$ 3,041,372</b>	<b>\$ 3,459,024</b>	<b>\$ 417,652</b>

\*Note: Budgetary basis differs from GAAP basis; As per GASB Statement No. 54, this Fund was merged with the General Fund. See General Fund budget to GAAP reconciliation in the Required Supplementary Information (RSI) Section of the CAFR.

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 175,400	\$ 175,400	\$ 176,151	\$ 751
Investment & other earnings	95	95	113	18
<b>Total Revenues</b>	<b>175,495</b>	<b>175,495</b>	<b>176,264</b>	<b>769</b>
<b>Expenditures</b>				
<i>Current:</i>				
Transportation	64,123	127,207	35,221	91,986
<b>Total Expenditures</b>	<b>64,123</b>	<b>127,207</b>	<b>35,221</b>	<b>91,986</b>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	111,372	48,288	141,043	92,755
<b>Other Financing Sources (Uses)</b>	-	-	-	-
<b>Total Other Fin Sources (Uses)</b>	-	-	-	-
<i>Net Change in Fund Balances</i>	111,372	48,288	141,043	92,755
<b>Fund Balances-Beginning</b>	<b>93,524</b>	<b>97,281</b>	<b>97,281</b>	-
<b>Fund Balances-Ending</b>	<b>\$ 204,896</b>	<b>\$ 145,569</b>	<b>\$ 238,324</b>	<b>\$ 92,755</b>

\*Note: Budgetary basis differs from GAAP basis; As per GASB Statement No. 54, this Fund was merged with the General Fund. See General Fund budget to GAAP reconciliation in the Required Supplementary Information (RSI) Section of the CAFR.

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Fines and forfeitures	\$ 300	\$ 300	\$ 3,670	\$ 3,370
Investment & other earnings	1,500	1,500	1,851	351
Rents/leases & concessions	1,132,270	1,132,270	960,840	(171,430)
Miscellaneous	269,453	269,453	155,025	(114,428)
<b>Total Revenues</b>	<b>1,403,523</b>	<b>1,403,523</b>	<b>1,121,386</b>	<b>(282,137)</b>
<b>Expenditures</b>				
<i>Current:</i>				
General Government	16,550	16,550	22,708	(6,158)
Economic Environment	521,662	521,662	517,979	3,683
<i>Capital Outlay:</i>				
Economic Environment	501,315	501,315	-	501,315
<b>Total Expenditures</b>	<b>1,039,527</b>	<b>1,039,527</b>	<b>540,687</b>	<b>498,840</b>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	363,996	363,996	580,699	216,703
<b>Other Financing Sources (Uses)</b>				
Transfers out	(551,352)	(551,352)	(535,309)	16,043
<b>Total Other Fin Sources (Uses)</b>	<b>(551,352)</b>	<b>(551,352)</b>	<b>(535,309)</b>	<b>16,043</b>
<i>Net Change in Fund Balances</i>	(187,356)	(187,356)	45,390	232,746
<b>Fund Balances-Beginning</b>	<b>1,455,565</b>	<b>1,324,116</b>	<b>1,324,116</b>	<b>-</b>
<b>Fund Balances-Ending</b>	<b>\$ 1,268,209</b>	<b>\$ 1,136,760</b>	<b>\$ 1,369,506</b>	<b>\$ 232,746</b>

\*Note: Budgetary basis differs from GAAP basis; As per GASB Statement No. 54, this Fund was merged with the General Fund. See General Fund budget to GAAP reconciliation in the Required Supplementary Information (RSI) Section of the CAFR.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2012**

	Budgeted Amounts		Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment & other earnings	\$ 5	\$ 5	\$ 84	\$ 79
<b>Total Revenues</b>	<b>5</b>	<b>5</b>	<b>84</b>	<b>79</b>
<b>Expenditures</b>				
<i>Current:</i>				
General Government	45,432	45,432	3,449	41,983
Public Safety	4,990	4,990	-	4,990
Culture & Recreation	179,176	179,176	125,704	53,472
<b>Total Expenditures</b>	<b>229,598</b>	<b>229,598</b>	<b>129,153</b>	<b>100,445</b>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(229,593)</i>	<i>(229,593)</i>	<i>(129,069)</i>	<i>100,524</i>
<b>Other Financing Sources (Uses)</b>				
Transfers in	229,598	229,598	229,598	-
<b>Total Other Fin Sources (Uses)</b>	<b>229,598</b>	<b>229,598</b>	<b>229,598</b>	<b>-</b>
<i>Net Change in Fund Balances</i>	<i>5</i>	<i>5</i>	<i>100,529</i>	<i>100,524</i>
Fund Balances-Beginning	4,376	7,438	7,438	-
<b>Fund Balances-Ending</b>	<b>\$ 4,381</b>	<b>\$ 7,443</b>	<b>\$ 107,967</b>	<b>\$ 100,524</b>

\*Note: Budgetary basis differs from GAAP basis; As per GASB Statement No. 54, this Fund was merged with the General Fund. See General Fund budget to GAAP reconciliation in the Required Supplementary Information (RSI) Section of the CAFR.

**CITY OF SEATAC, WASHINGTON**

**Des Moines Creek Basin ILA Fund 2012 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2012**

	Budgeted Amounts		Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 196,470	\$ 196,470	\$ 196,470	\$ -
Investment & other earnings	1,585	1,585	2,654	1,069
<b>Total Revenues</b>	<b>198,055</b>	<b>198,055</b>	<b>199,124</b>	<b>1,069</b>
<b>Expenditures</b>				
<i>Current:</i>				
Physical Environment	380,300	390,150	315,206	74,944
<i>Capital Outlay:</i>				
Physical Environment	185,000	341,000	94,821	246,179
<b>Total Expenditures</b>	<b>565,300</b>	<b>731,150</b>	<b>410,027</b>	<b>321,123</b>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(367,245)</i>	<i>(533,095)</i>	<i>(210,903)</i>	<i>322,192</i>
<b>Other Financing Sources (Uses)</b>				
Transfers in	136,530	136,530	136,530	-
Transfers out	(2,000)	(6,000)	(2,903)	3,097
<b>Total Other Fin Sources (Uses)</b>	<b>134,530</b>	<b>130,530</b>	<b>133,627</b>	<b>3,097</b>
<i>Net Change in Fund Balances</i>	<i>(232,715)</i>	<i>(402,565)</i>	<i>(77,276)</i>	<i>325,289</i>
<b>Fund Balances-Beginning</b>	<b>1,600,587</b>	<b>1,728,480</b>	<b>1,728,480</b>	<b>-</b>
<b>Fund Balances-Ending</b>	<b>\$ 1,367,872</b>	<b>\$ 1,325,915</b>	<b>\$ 1,651,204</b>	<b>\$ 325,289</b>

\*Budgetary basis is the same as GAAP basis.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts*</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment & other earnings	\$ 35,640	\$ 35,640	\$ 36,559	\$ 919
Special assessments	138,532	138,532	171,920	33,388
<b>Total Revenues</b>	<b>174,172</b>	<b>174,172</b>	<b>208,479</b>	<b>34,307</b>
<b>Expenditures</b>				
<i>Debt Service:</i>				
Principal	195,000	195,000	-	195,000
Interest	17,625	17,625	17,625	-
Other	180	180	187	(7)
<b>Total Expenditures</b>	<b>212,805</b>	<b>212,805</b>	<b>17,812</b>	<b>194,993</b>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(38,633)</i>	<i>(38,633)</i>	<i>190,667</i>	<i>229,300</i>
<b>Other Financing Sources (Uses)</b>				
Transfers in	35,000	35,000	35,000	-
<b>Total Other Fin Sources (Uses)</b>	<b>35,000</b>	<b>35,000</b>	<b>35,000</b>	<b>-</b>
<i>Net Change in Fund Balances</i>	<i>(3,633)</i>	<i>(3,633)</i>	<i>225,667</i>	<i>229,300</i>
<b>Fund Balances-Beginning</b>	<b>10,564</b>	<b>10,581</b>	<b>10,581</b>	<b>-</b>
<b>Fund Balances-Ending</b>	<b>\$ 6,931</b>	<b>\$ 6,948</b>	<b>\$ 236,248</b>	<b>\$ 229,300</b>

\*Budgetary basis is the same as GAAP basis.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2012**

	Budgeted Amounts		Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues	\$ -	\$ -	\$ -	\$ -
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Expenditures	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	-	-	-	-
<b>Other Financing Sources (Uses)</b>				
Transfers out	(35,000)	(35,000)	(35,000)	-
<b>Total Other Fin Sources (Uses)</b>	<b>(35,000)</b>	<b>(35,000)</b>	<b>(35,000)</b>	<b>-</b>
<i>Net Change in Fund Balances</i>	<i>(35,000)</i>	<i>(35,000)</i>	<i>(35,000)</i>	<i>-</i>
<b>Fund Balances-Beginning</b>	<b>67,000</b>	<b>47,500</b>	<b>47,500</b>	<b>-</b>
<b>Fund Balances-Ending</b>	<b>\$ 32,000</b>	<b>\$ 12,500</b>	<b>\$ 12,500</b>	<b>\$ -</b>

\*Budgetary basis is the same as GAAP basis.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts*</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 750,720	\$ 750,720	\$ 750,720	\$ -
Investment & other earnings	10	10	395	385
<b>Total Revenues</b>	<b>750,730</b>	<b>750,730</b>	<b>751,115</b>	<b>385</b>
<b>Expenditures</b>				
<i>Debt Service:</i>				
Principal	670,000	670,000	670,000	-
Interest	80,100	80,100	80,100	-
Other	620	620	-	620
<b>Total Expenditures</b>	<b>750,720</b>	<b>750,720</b>	<b>750,100</b>	<b>620</b>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	10	10	1,015	1,005
<b>Other Financing Sources (Uses)</b>	-	-	-	-
<b>Total Other Fin Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Net Change in Fund Balances</i>	10	10	1,015	1,005
<b>Fund Balances-Beginning</b>	<b>9,967</b>	<b>10,792</b>	<b>10,792</b>	<b>-</b>
<b>Fund Balances-Ending</b>	<b>\$ 9,977</b>	<b>\$ 10,802</b>	<b>\$ 11,807</b>	<b>\$ 1,005</b>

\*Budgetary basis is the same as GAAP basis.

**CITY OF SEATAC, WASHINGTON**

**Municipal Capital Impr Fund 2012 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2012**

	Budgeted Amounts		Actual Amounts*	Variance with Final Budget-
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 1,551,768	\$ 1,551,768	\$ 1,052,148	\$ (499,620)
Intergovernmental	321,800	321,800	83,100	(238,700)
Charges for services	217,327	217,327	203,802	(13,525)
Investment & other earnings	5,202	5,202	4,335	(867)
<b>Total Revenues</b>	<b>2,096,097</b>	<b>2,096,097</b>	<b>1,343,385</b>	<b>(752,712)</b>
<b>Expenditures</b>				
<i>Current:</i>				
Judicial	-	-	2,551	(2,551)
General Government	63,200	63,200	64,581	(1,381)
Transportation	27,463	27,463	-	27,463
Economic Environment	14,500	14,500	15,192	(692)
Culture & Recreation	-	-	12,473	(12,473)
<i>Capital Outlay:</i>				
Judicial	75,000	75,000	14,024	60,976
General Government	307,170	307,170	97,844	209,326
Economic Environment	105,734	105,734	99,628	6,106
Culture & Recreation	535,114	639,527	296,030	343,497
<b>Total Expenditures</b>	<b>1,128,181</b>	<b>1,232,594</b>	<b>602,323</b>	<b>630,271</b>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>967,916</i>	<i>863,503</i>	<i>741,062</i>	<i>(122,441)</i>
<b>Other Financing Sources (Uses)</b>				
Transfers in	26,654	26,654	10,611	(16,043)
Transfers out	(1,495,000)	(1,495,000)	(1,346,634)	148,366
<b>Total Other Fin Sources (Uses)</b>	<b>(1,468,346)</b>	<b>(1,468,346)</b>	<b>(1,336,023)</b>	<b>132,323</b>
<i>Net Change in Fund Balances</i>	<i>(500,430)</i>	<i>(604,843)</i>	<i>(594,961)</i>	<i>9,882</i>
<b>Fund Balances-Beginning</b>	<b>3,642,600</b>	<b>3,641,201</b>	<b>3,641,201</b>	<b>-</b>
<b>Fund Balances-Ending</b>	<b>\$ 3,142,170</b>	<b>\$ 3,036,358</b>	<b>\$ 3,046,240</b>	<b>\$ 9,882</b>

\*Budgetary basis is the same as GAAP basis.

**CITY OF SEATAC, WASHINGTON**

**2012 COMPREHENSIVE ANNUAL FINANCIAL REPORT Fire Equip Capital Reserve Fund**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2012**

	Budgeted Amounts		Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment & other earnings	\$ 1,586	\$ 1,586	\$ 1,720	\$ 134
<b>Total Revenues</b>	<b>1,586</b>	<b>1,586</b>	<b>1,720</b>	<b>134</b>
<b>Expenditures</b>				
<i>Current:</i>				
Public Safety	-	-	2,059	(2,059)
<i>Capital Outlay:</i>				
Public Safety	424,234	424,234	48,073	376,161
<b>Total Expenditures</b>	<b>424,234</b>	<b>424,234</b>	<b>50,132</b>	<b>374,102</b>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(422,648)	(422,648)	(48,412)	374,236
<b>Other Financing Sources (Uses)</b>				
Transfers in	375,000	375,000	375,000	-
<b>Total Other Fin Sources (Uses)</b>	<b>375,000</b>	<b>375,000</b>	<b>375,000</b>	<b>-</b>
<i>Net Change in Fund Balances</i>	(47,648)	(47,648)	326,588	374,236
<b>Fund Balances-Beginning</b>	<b>1,081,102</b>	<b>1,082,426</b>	<b>1,082,426</b>	<b>-</b>
<b>Fund Balances-Ending</b>	<b>\$ 1,033,454</b>	<b>\$ 1,034,778</b>	<b>\$ 1,409,014</b>	<b>\$ 374,236</b>

\*Budgetary basis is the same as GAAP basis.

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment & other earnings	\$ 4,393	\$ 4,393	\$ 9,724	\$ 5,331
<b>Total Revenues</b>	<b>4,393</b>	<b>4,393</b>	<b>9,724</b>	<b>5,331</b>
<b>Expenditures</b>				
<i>Capital Outlay:</i>				
Public Safety	1,659,870	1,659,870	12,369	1,647,501
<b>Total Expenditures</b>	<b>1,659,870</b>	<b>1,659,870</b>	<b>12,369</b>	<b>1,647,501</b>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(1,655,477)	(1,655,477)	(2,645)	1,652,832
<b>Other Financing Sources (Uses)</b>	-	-	-	-
<b>Total Other Fin Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Net Change in Fund Balances</i>	(1,655,477)	(1,655,477)	(2,645)	1,652,832
<b>Fund Balances-Beginning</b>	<b>3,729,726</b>	<b>3,716,585</b>	<b>3,716,585</b>	-
<b>Fund Balances-Ending</b>	<b>\$ 2,074,249</b>	<b>\$ 2,061,108</b>	<b>\$ 3,713,940</b>	<b>\$ 1,652,832</b>

\*Budgetary basis is the same as GAAP basis.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts*</u>	<u>Variance with Final Budget-Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 4,000	\$ 4,000	\$ 1,072	\$ (2,928)
Intergovernmental	1,262,233	1,262,233	1,313,999	51,766
Charges for services	125,000	125,000	149,460	24,460
Investment earnings	4,000	4,000	8,349	4,349
<b>Total Revenues</b>	<b>1,395,233</b>	<b>1,395,233</b>	<b>1,472,880</b>	<b>77,647</b>
<b>Expenditures</b>				
<i>Current:</i>				
Transportation	1,087,079	1,091,916	601,130	490,786
<i>Capital Outlay:</i>				
Transportation	5,216,000	6,719,000	3,788,330	2,930,670
<b>Total Expenditures</b>	<b>6,303,079</b>	<b>7,810,916</b>	<b>4,389,460</b>	<b>3,421,456</b>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(4,907,846)</i>	<i>(6,415,683)</i>	<i>(2,916,580)</i>	<i>3,499,103</i>
<b>Other Financing Sources (Uses)</b>				
Transfers in	2,696,142	2,696,142	2,131,589	(564,553)
<b>Total Other Fin Sources (Uses)</b>	<b>2,696,142</b>	<b>2,696,142</b>	<b>2,131,589</b>	<b>(564,553)</b>
<i>Net Change in Fund Balances</i>	<i>(2,211,704)</i>	<i>(3,719,541)</i>	<i>(784,991)</i>	<i>2,934,550</i>
<b>Fund Balances-Beginning</b>	<b>4,192,521</b>	<b>4,804,824</b>	<b>4,804,824</b>	<b>-</b>
<b>Fund Balances-Ending</b>	<b>\$ 1,980,817</b>	<b>\$ 1,085,283</b>	<b>\$ 4,019,833</b>	<b>\$ 2,934,550</b>

\*Budgetary basis is the same as GAAP basis.

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts*</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment earnings	\$ 735	\$ 735	\$ 992	\$ 257
<b>Total Revenues</b>	<b>735</b>	<b>735</b>	<b>992</b>	<b>257</b>
<b>Expenditures</b>				
Capital Outlay:				
Transportation	500,000	500,000	-	500,000
<b>Total Expenditures</b>	<b>500,000</b>	<b>500,000</b>	<b>-</b>	<b>500,000</b>
Excess (deficiency) of revenues over (under) expenditures	(499,265)	(499,265)	992	500,257
<b>Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Other Fin Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	(499,265)	(499,265)	992	500,257
<b>Fund Balances-Beginning</b>	<b>736,843</b>	<b>737,124</b>	<b>737,124</b>	<b>-</b>
<b>Fund Balances-Ending</b>	<b>\$ 237,578</b>	<b>\$ 237,859</b>	<b>\$ 738,116</b>	<b>\$ 500,257</b>

\*Budgetary basis is the same as GAAP basis.



# Statistical Section

## Statistical Section

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

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

Schedule 01	Net Position by Component, Last Ten Fiscal Years
Schedule 02	Changes in Net Position, Last Ten Fiscal Years
Schedule 03	Fund Balances, Governmental Funds, Last Ten Fiscal Years
Schedule 04	Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years

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

Schedule 05	Assessed/Actual Value of Taxable Property, Last Ten Fiscal Years
Schedule 06	Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years
Schedule 07	Principal Property Tax Payers, Current Year and Nine Years Ago
Schedule 08	Property Tax Levies and Collections, Last Ten Fiscal Years

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

Schedule 09	Ratios of Outstanding Debt by Type, Last Ten Fiscal Years
Schedule 10	Direct and Overlapping Activities Debt, as of December 31, 2012
Schedule 11	Legal Debt Margin Information, Last Ten Fiscal Years
Schedule 12	Pledged-Revenue Coverage, Last Ten Fiscal Years

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

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

**Operating Information:** *These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.*

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

**Net Position by Component**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*

	Fiscal Year				
	2003	2004	2005	2006	2007*
<b>Governmental activities</b>					
Net Investment in Capital Assets	\$ 33,832,913	\$ 39,581,220	\$ 45,785,324	\$ 373,017,719	\$ 380,357,873
Restricted	-	9,209,645	26,616,872	19,086,567	18,622,703
Unrestricted	43,679,986	36,073,375	23,348,206	43,460,578	42,099,914
<b>Total gov activities net position</b>	<b>\$ 77,512,899</b>	<b>\$ 84,864,240</b>	<b>\$ 95,750,402</b>	<b>\$ 435,564,864</b>	<b>\$ 441,080,490</b>
<b>Business-type activities</b>					
Net Investment in Capital Assets	\$ 2,481,789	\$ 4,928,839	\$ 6,715,444	\$ 10,850,179	\$ 20,534,520
Restricted	403,925	403,925	3,243,495	5,268,708	2,438,673
Unrestricted	2,743,341	3,973,619	3,662,936	3,915,867	4,871,471
<b>Total bus-type activities net position</b>	<b>\$ 5,629,055</b>	<b>\$ 9,306,383</b>	<b>\$ 13,621,875</b>	<b>\$ 20,034,754</b>	<b>\$ 27,844,664</b>
<b>Primary government</b>					
Net Investment in Capital Assets	\$ 36,314,702	\$ 44,510,059	\$ 52,500,768	\$ 383,867,898	\$ 400,892,393
Restricted	403,925	9,613,570	29,860,367	24,355,275	21,061,376
Unrestricted	46,423,327	40,046,994	27,011,142	47,376,445	46,971,385
<b>Total primary gov net position</b>	<b>\$ 83,141,954</b>	<b>\$ 94,170,623</b>	<b>\$ 109,372,277</b>	<b>\$ 455,599,618</b>	<b>\$ 468,925,154</b>
	<b>2008</b>	<b>2009</b>	<b>2010**</b>	<b>2011***</b>	<b>2012</b>
<b>Governmental activities</b>					
Net Investment in Capital Assets	\$385,271,287	\$394,579,043	\$393,110,576	\$ 396,529,097	\$ 394,326,243
Restricted	20,023,570	19,652,419	20,451,319	22,175,724	24,762,391
Unrestricted	40,093,004	27,401,166	26,589,815	23,457,633	23,981,573
<b>Total gov activities net position</b>	<b>\$445,387,861</b>	<b>\$441,632,628</b>	<b>\$440,151,710</b>	<b>\$ 442,162,454</b>	<b>\$ 443,070,207</b>
<b>Business-type activities</b>					
Net Investment in Capital Assets	\$ 20,754,285	\$ 23,726,821	\$ 25,111,088	\$ 25,185,790	\$ 26,953,079
Restricted	3,117,385	403,925	-	-	-
Unrestricted	4,247,709	3,788,187	3,483,254	3,693,261	4,171,910
<b>Total bus-type activities net position</b>	<b>\$ 28,119,379</b>	<b>\$ 27,918,933</b>	<b>\$ 28,594,342</b>	<b>\$ 28,879,051</b>	<b>\$ 31,124,989</b>
<b>Primary government</b>					
Net Investment in Capital Assets	\$406,025,572	\$418,305,864	\$418,221,664	\$ 421,714,887	\$421,279,322
Restricted	23,140,955	20,056,344	20,451,319	22,175,724	24,762,391
Unrestricted	44,340,713	31,189,353	30,073,069	27,150,894	28,153,483
<b>Total primary gov net position</b>	<b>\$473,507,240</b>	<b>\$469,551,561</b>	<b>\$468,746,052</b>	<b>\$ 471,041,505</b>	<b>\$474,195,196</b>

\*In 2007, the City added \$321,318,823 (net of accumulated depreciation) in retroactive infrastructure assets per GASB Statement No. 34. 2006 was restated in the 2007 annual report to include the retroactive infrastructure.

\*\*In 2010, restated investment in capital assets, net of related debt for a prior year adjustment in the amount of (\$187,787) for surface water management assets transferred in from governmental activities.

\*\*\*In 2011, restated investment in capital assets, net of related debt for a prior year adjustment in the amount of (\$27,119) for debt issuance costs related to GASB Statement No. 65 implementation.

Source: City of SeaTac Finance Department

**Changes in Net Position**  
**Last Ten Fiscal Years\***  
*(accrual basis of accounting)*

	<b>Fiscal Year</b>				
	<b>2003*</b>	<b>2004*</b>	<b>2005*</b>	<b>2006*</b>	<b>2007*</b>
<b>Expenses</b>					
<b>Governmental activities</b>					
Judicial	\$ 476,308	\$ 471,716	\$ 500,529	\$ 539,224	\$ 663,284
General Government	3,844,837	3,875,440	4,369,176	4,760,874	5,251,875
Public Safety	11,203,830	11,355,501	12,664,279	13,196,630	14,728,009
Physical Environment	12,352	12,217	36,668	37,192	37,406
Transportation	2,213,416	2,745,371	2,869,393	3,216,778	6,914,777
Health & Human Services	262,789	342,036	397,254	363,081	410,998
Economic Environment	2,190,283	2,165,015	2,063,738	2,363,395	2,761,904
Culture & Recreation	2,408,821	2,400,643	4,092,060	2,962,271	3,451,861
Interest on long-term debt	1,647,210	844,362	310,396	1,019,827	963,371
<b>Total governmental activities</b>	<b>24,259,846</b>	<b>24,212,301</b>	<b>27,303,493</b>	<b>28,459,272</b>	<b>35,183,485</b>
<b>Business-type activities</b>					
Surface Water Management	929,998	925,997	6,813,067	7,106,549	3,485,317
<b>Total business-type activities</b>	<b>929,998</b>	<b>925,997</b>	<b>6,813,067</b>	<b>7,106,549</b>	<b>3,485,317</b>
<b>Total Expenses</b>	<b>\$ 25,189,844</b>	<b>\$ 25,138,298</b>	<b>\$ 34,116,560</b>	<b>\$ 35,565,821</b>	<b>\$ 38,668,802</b>
<b>Program Revenues</b>					
<b>Governmental activities</b>					
Charges for Services:					
Judicial	\$ 338,556	\$ 545,983	\$ 317,358	\$ 292,672	560,796
General Government	964,091	1,481,767	1,127,189	1,283,816	1,429,436
Public Safety	133,122	160,473	146,145	207,016	245,149
Physical Environment	354,513	321,488	774,611	548,649	459,855
Transportation	278,896	71,059	1,167,970	1,529,485	28,513
Economic Environment	525,246	507,994	724,862	1,484,666	1,164,167
Culture & Recreation	307,023	247,894	283,617	501,447	336,334
Operating grants and contributions	1,079,594	972,119	951,684	777,941	1,001,092
Capital grants and contributions	4,113,007	2,901,572	3,677,303	5,049,620	2,401,562
<b>Total governmental activities</b>	<b>8,094,048</b>	<b>7,210,349</b>	<b>9,170,739</b>	<b>11,675,312</b>	<b>7,626,904</b>
<b>Business-type activities</b>					
Charges for Services:					
Surface Water Management	1,655,503	1,672,548	1,653,498	1,672,540	1,677,607
Operating grants and contributions	36,448	3,148,414	4,475,740	6,437,829	998,049
Capital grants and contributions	-	-	4,963,088	5,170,446	8,411,990
<b>Total business-type activities</b>	<b>1,691,951</b>	<b>4,820,962</b>	<b>11,092,326</b>	<b>13,280,815</b>	<b>11,087,646</b>
<b>Total Program Revenues</b>	<b>\$ 9,785,999</b>	<b>\$ 12,031,311</b>	<b>\$ 20,263,065</b>	<b>\$ 24,956,127</b>	<b>\$ 18,714,550</b>

\*Expenses were increased in Judicial and reduced in General Government due to a function misclassification:  
2003 - \$174,302, 2004 - \$154,648, 2005 - \$168,068, 2006 - \$167,302, 2007 - \$250,753, 2008 - \$290,664

Source: City of SeaTac Finance Department

	Fiscal Year				
	2008*	2009	2010	2011	2012
<b>Expenses</b>					
<b>Governmental activities</b>					
Judicial	\$ 790,110	\$ 811,733	\$ 814,460	\$ 748,695	\$ 763,447
General Government	5,883,153	5,890,170	6,362,137	5,832,736	6,156,299
Public Safety	15,377,077	16,674,605	16,804,828	17,992,619	17,732,720
Physical Environment	38,850	569,509	380,997	297,118	355,461
Transportation	8,270,710	9,865,967	5,576,255	5,946,470	5,655,447
Health & Human Services	404,361	524,796	498,174	492,728	502,632
Economic Environment	2,871,801	3,086,954	3,959,775	4,030,161	4,187,405
Culture & Recreation	3,385,174	3,865,811	3,709,548	3,788,168	3,921,787
Interest on long-term debt	681,048	481,848	172,989	103,678	156,522
<b>Total governmental activities</b>	<b>37,702,284</b>	<b>41,771,393</b>	<b>38,279,163</b>	<b>39,232,373</b>	<b>39,431,720</b>
<b>Business-type activities</b>					
Surface Water Management	1,789,481	1,400,529	1,671,812	1,954,815	1,694,190
<b>Total business-type activities</b>	<b>1,789,481</b>	<b>1,400,529</b>	<b>1,671,812</b>	<b>1,954,815</b>	<b>1,694,190</b>
<b>Total Expenses</b>	<b>\$ 39,491,765</b>	<b>\$ 43,171,922</b>	<b>\$ 39,950,975</b>	<b>\$ 41,187,188</b>	<b>\$ 41,125,910</b>
<b>Program Revenues</b>					
<b>Governmental activities</b>					
Charges for Services:					
Judicial	1,012,630	640,646	486,944	727,324	432,571
General Government	1,389,270	1,220,039	1,344,675	1,406,003	1,348,671
Public Safety	147,121	190,020	141,749	342,847	193,944
Physical Environment	651,552	576,201	616,724	429,097	621,952
Transportation	40,989	126,149	-	71,017	127,951
Economic Environment	938,083	1,129,684	1,656,910	1,164,124	1,114,029
Culture & Recreation	550,050	765,774	744,909	739,413	727,314
Operating grants and contributions	988,867	1,037,018	1,139,908	1,108,325	1,112,066
Capital grants and contributions	1,730,588	658,640	282,154	2,739,593	1,417,945
<b>Total governmental activities</b>	<b>7,449,150</b>	<b>6,344,171</b>	<b>6,413,973</b>	<b>8,727,743</b>	<b>7,096,443</b>
<b>Business-type activities</b>					
Charges for Services:					
Surface Water Management	1,724,552	1,823,406	1,886,756	1,705,993	1,783,281
Operating grants and contributions	267,032	-	1,090	-	10,396
Capital grants and contributions	59,646	2,011,024	292,302	50,000	-
<b>Total business-type activities</b>	<b>2,051,230</b>	<b>3,834,430</b>	<b>2,180,148</b>	<b>1,755,993</b>	<b>1,793,677</b>
<b>Total Program Revenues</b>	<b>\$ 9,500,380</b>	<b>\$ 10,178,601</b>	<b>\$ 8,594,121</b>	<b>\$ 10,483,736</b>	<b>\$ 8,890,120</b>

\*Expenses were increased in Judicial and reduced in General Government due to a function misclassification:  
2003 - \$174,302, 2004 - \$154,648, 2005 - \$168,068, 2006 - \$167,302, 2007 - \$250,753, 2008 - \$290,664

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (16,165,798)	\$ (17,001,952)	\$ (18,132,754)	\$ (16,783,960)	\$ (27,556,581)
Business-type activities	761,953	3,894,965	4,279,259	6,174,266	7,602,329
<b>Total Net Expense</b>	<b>\$ (15,403,845)</b>	<b>\$ (13,106,987)</b>	<b>\$ (13,853,495)</b>	<b>\$ (10,609,694)</b>	<b>\$ (19,954,252)</b>

**Gen Revs & Other Changes in Net Position**

**Governmental activities**

Taxes					
Property	\$ 9,179,835	\$ 10,308,745	\$ 9,658,466	\$ 9,981,978	10,907,678
Sales	9,257,043	9,727,717	10,724,177	11,529,925	11,650,579
Parking	3,813,041	3,954,493	3,668,067	4,842,438	5,278,931
Excise Taxes	1,557,403	1,844,478	2,918,680	2,992,277	3,012,141
Unrestricted grants and contributions	159,288	181,935	178,237	163,111	184,564
Investment earnings	963,865	800,502	1,920,309	3,292,149	4,034,684
Gain on sale of capital assets	148,418	-	28,273	39,623	-
Transfers	2,428,500	276,250	176,250	176,250	177,550
<b>Total gov activities gen &amp; other revs</b>	<b>27,507,393</b>	<b>27,094,120</b>	<b>29,272,459</b>	<b>33,017,751</b>	<b>35,246,127</b>

**Business-type activities**

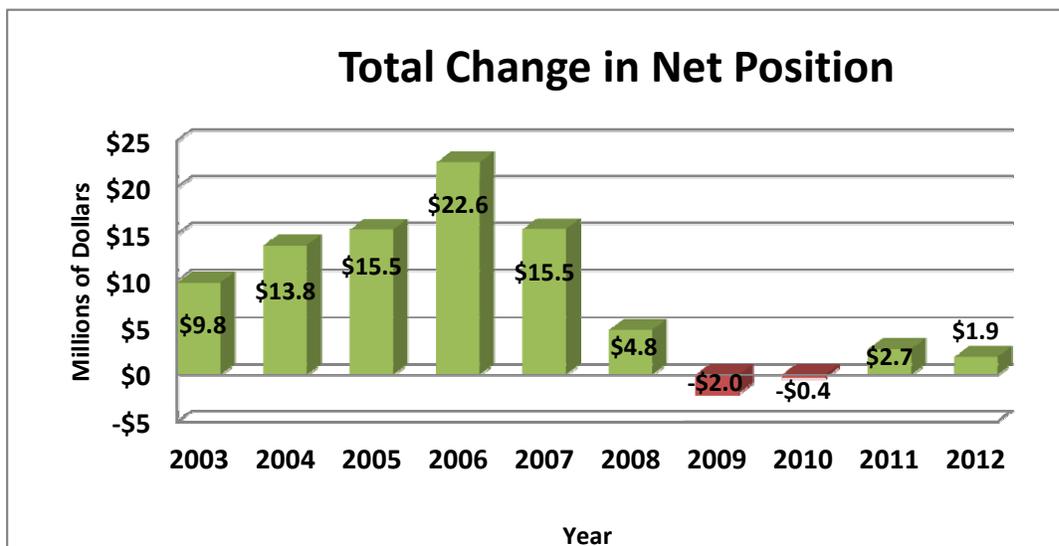
Property taxes	-	-	-	-	-
Investment earnings	61,077	58,613	212,483	409,863	385,131
Transfers	(2,382,290)	(276,250)	(176,250)	(176,250)	(177,550)
<b>Total business-type other revenues</b>	<b>(2,321,213)</b>	<b>(217,637)</b>	<b>36,233</b>	<b>233,613</b>	<b>207,581</b>

**Total primary government general revs and other changes in net position**

	<b>\$ 25,186,180</b>	<b>\$ 26,876,483</b>	<b>\$ 29,308,692</b>	<b>\$ 33,251,364</b>	<b>\$ 35,453,708</b>
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**Change in Net Position**

Governmental activities	\$ 11,341,595	\$ 10,092,168	\$ 11,139,705	\$ 16,233,791	\$ 7,689,546
Business-type activities	(1,559,260)	3,677,328	4,315,492	6,407,879	7,809,910
<b>Total primary government</b>	<b>\$ 9,782,335</b>	<b>\$ 13,769,496</b>	<b>\$ 15,455,197</b>	<b>\$ 22,641,670</b>	<b>\$ 15,499,456</b>



	Fiscal Year				
	2008	2009	2010	2011	2012
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (30,253,134)	\$ (35,427,222)	\$ (31,865,190)	\$ (30,504,630)	\$ (32,335,277)
Business-type activities	261,749	2,433,901	508,336	(198,822)	99,487
<b>Total Net Expense</b>	<b>\$ (29,991,385)</b>	<b>\$ (32,993,321)</b>	<b>\$ (31,356,854)</b>	<b>\$ (30,703,452)</b>	<b>\$ (32,235,790)</b>
<b>Gen Revs &amp; Other Changes in Net Position</b>					
<b>Governmental activities</b>					
Taxes					
Property	11,474,343	11,844,007	11,825,379	12,108,630	13,340,693
Sales	12,009,313	10,099,388	10,493,139	11,543,555	11,434,381
Parking	5,742,441	5,425,041	5,865,013	5,920,220	6,164,074
Excise Taxes	1,599,482	2,535,324	2,425,077	3,272,898	2,675,644
Unrestricted grants and contributions	172,550	176,980	205,817	187,560	338,354
Investment earnings	3,321,916	801,719	129,366	360,208	129,210
Gain on sale of capital assets	286,947	11,160	22,321	29,604	48
Transfers	177,450	2,703,970	(146,648)	(283,398)	(2,030,137)
<b>Total gov activities gen &amp; other revs</b>	<b>34,784,442</b>	<b>33,597,589</b>	<b>30,819,464</b>	<b>33,139,277</b>	<b>32,052,267</b>
<b>Business-type activities</b>					
Property taxes	-	-	381	1,369	139
Investment earnings	190,416	69,623	20,044	10,977	17,752
Transfers	(177,450)	(2,703,970)	146,648	283,398	2,030,137
<b>Total business-type other revenues</b>	<b>12,966</b>	<b>(2,634,347)</b>	<b>167,073</b>	<b>295,744</b>	<b>2,048,028</b>
<b>Total primary government general revs and other changes in net position</b>	<b>\$ 34,797,408</b>	<b>\$ 30,963,242</b>	<b>\$ 30,986,537</b>	<b>\$ 33,435,021</b>	<b>\$ 34,100,295</b>
<b>Change in Net Position</b>					
Governmental activities	\$ 4,531,308	\$ (1,829,633)	\$ (1,045,726)	\$ 2,634,647	\$ (283,010)
Business-type activities	274,715	(200,446)	675,409	96,922	2,147,515
<b>Total primary government</b>	<b>\$ 4,806,023</b>	<b>\$ (2,030,079)</b>	<b>\$ (370,317)</b>	<b>\$ 2,731,569</b>	<b>\$ 1,864,505</b>

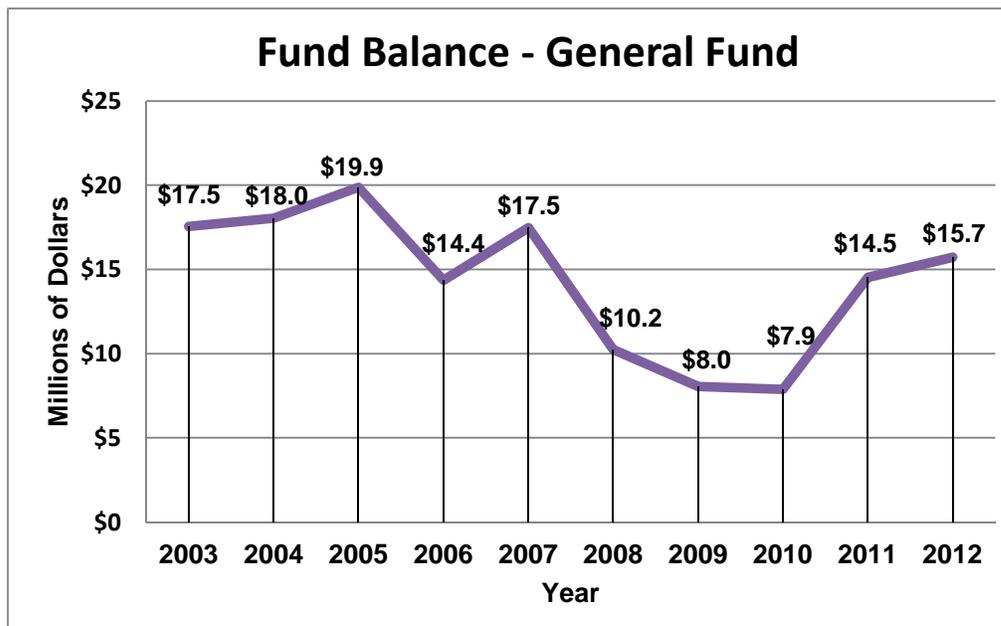
	Fiscal Year				
	2008	2009	2010	2011	2012
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (30,253,134)	\$ (35,427,222)	\$ (31,865,190)	\$ (30,504,630)	\$ (32,335,277)
Business-type activities	261,749	2,433,901	508,336	(198,822)	99,487
<b>Total Net Expense</b>	<b>\$ (29,991,385)</b>	<b>\$ (32,993,321)</b>	<b>\$ (31,356,854)</b>	<b>\$ (30,703,452)</b>	<b>\$ (32,235,790)</b>
<b>Gen Revs &amp; Other Changes in Net Position</b>					
<b>Governmental activities</b>					
Taxes					
Property	11,474,343	11,844,007	11,825,379	12,108,630	13,340,693
Sales	12,009,313	10,099,388	10,493,139	11,543,555	11,434,381
Parking	5,742,441	5,425,041	5,865,013	5,920,220	6,164,074
Excise Taxes	1,599,482	2,535,324	2,425,077	3,272,898	2,675,644
Unrestricted grants and contributions	172,550	176,980	205,817	187,560	338,354
Investment earnings	3,321,916	801,719	129,366	360,208	129,210
Gain on sale of capital assets	286,947	11,160	22,321	29,604	48
Transfers	177,450	2,703,970	(146,648)	(283,398)	(2,030,137)
<b>Total gov activities gen &amp; other revs</b>	<b>34,784,442</b>	<b>33,597,589</b>	<b>30,819,464</b>	<b>33,139,277</b>	<b>32,052,267</b>
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<b>Total business-type other revenues</b>	<b>12,966</b>	<b>(2,634,347)</b>	<b>167,073</b>	<b>295,744</b>	<b>2,048,028</b>
<b>Total primary government general revs and other changes in net position</b>	<b>\$ 34,797,408</b>	<b>\$ 30,963,242</b>	<b>\$ 30,986,537</b>	<b>\$ 33,435,021</b>	<b>\$ 34,100,295</b>
<b>Change in Net Position</b>					
Governmental activities	\$ 4,531,308	\$ (1,829,633)	\$ (1,045,726)	\$ 2,634,647	\$ (283,010)
Business-type activities	274,715	(200,446)	675,409	96,922	2,147,515
<b>Total primary government</b>	<b>\$ 4,806,023</b>	<b>\$ (2,030,079)</b>	<b>\$ (370,317)</b>	<b>\$ 2,731,569</b>	<b>\$ 1,864,505</b>

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

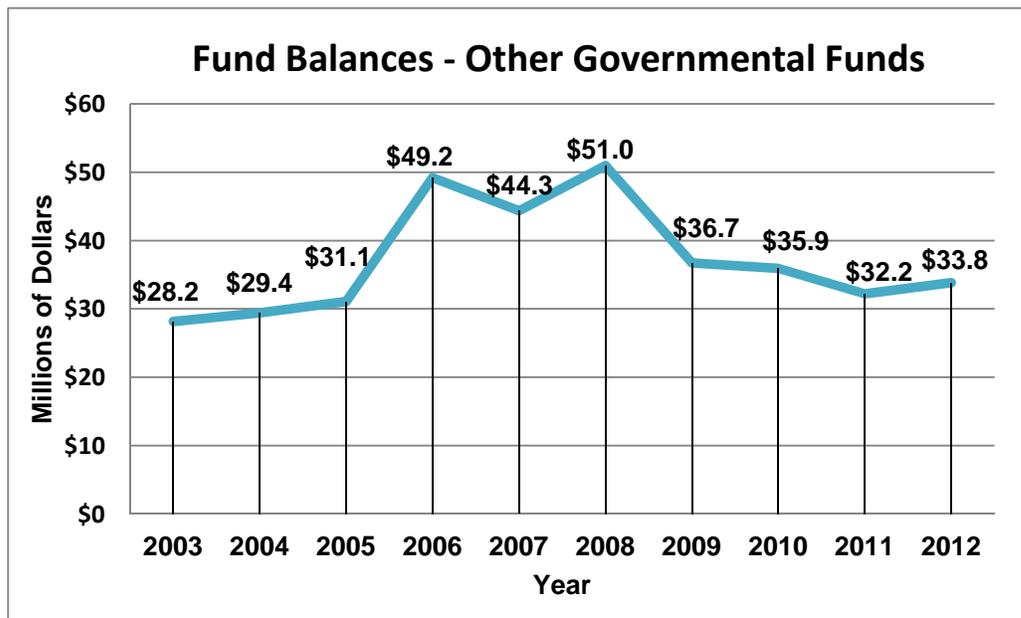
	<b>Fiscal Year</b>				
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>General Fund</b>					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	17,539,235	18,041,692	19,869,496	14,359,762	17,464,249
Nonspendable	N/A	N/A	N/A	N/A	N/A
Restricted	N/A	N/A	N/A	N/A	N/A
Assigned	N/A	N/A	N/A	N/A	N/A
Unassigned	N/A	N/A	N/A	N/A	N/A
<b>Total General Fund</b>	<b>\$ 17,539,235</b>	<b>\$ 18,041,692</b>	<b>\$ 19,869,496</b>	<b>\$ 14,359,762</b>	<b>\$ 17,464,249</b>
<b>All Other Governmental Funds</b>					
Reserved	14,230,038	13,769,964	13,467,737	12,874,174	12,716,413
Unreserved, reported in:					
Special revenue funds	10,992,616	11,872,393	12,575,212	15,563,694	15,621,687
Debt service funds	848,561	1,323,878	1,260,669	1,246,860	1,058,482
Capital project funds	2,082,490	2,452,746	3,808,100	19,515,144	14,941,824
Nonspendable	N/A	N/A	N/A	N/A	N/A
Restricted	N/A	N/A	N/A	N/A	N/A
Assigned	N/A	N/A	N/A	N/A	N/A
Unassigned	N/A	N/A	N/A	N/A	N/A
<b>Total All Other Gov Funds</b>	<b>\$ 28,153,705</b>	<b>\$ 29,418,981</b>	<b>\$ 31,111,718</b>	<b>\$ 49,199,872</b>	<b>\$ 44,338,406</b>
<b>Total All Governmental Funds</b>	<b>\$ 45,692,940</b>	<b>\$ 47,460,673</b>	<b>\$ 50,981,214</b>	<b>\$ 63,559,634</b>	<b>\$ 61,802,655</b>

\*In 2008, the General Fund paid off an interfund loan in the amount of \$7,715,392.

\*\*In 2011, GASB Statement No. 54 was implemented causing a change in fund balance reporting classifications and the merger of special revenue funds (Contingency Reserve, Port of Seattle ILA, Transit Planning, Building Management and Facility Repair & Replacement) into the General Fund.



	Fiscal Year				
	2008*	2009	2010	2011**	2012
<b>General Fund</b>					
Reserved	\$ -	\$ -	\$ -	N/A	N/A
Unreserved	10,231,364	8,036,276	7,870,200	N/A	N/A
Nonspendable	N/A	N/A	N/A	\$ 999,328	\$ 970,270
Restricted	N/A	N/A	N/A	-	-
Assigned	N/A	N/A	N/A	8,480,157	10,289,203
Unassigned	N/A	N/A	N/A	5,042,785	4,452,635
<b>Total General Fund</b>	<b>\$ 10,231,364</b>	<b>\$ 8,036,276</b>	<b>\$ 7,870,200</b>	<b>\$ 14,522,270</b>	<b>\$ 15,712,108</b>
<b>All Other Governmental Funds</b>					
Reserved	5,001,021	5,001,021	5,001,021	N/A	N/A
Unreserved, reported in:					
Special revenue funds	27,494,657	16,134,298	15,997,614	N/A	N/A
Debt service funds	1,023,232	1,007,939	121,601	N/A	N/A
Capital project funds	17,432,401	14,561,074	14,820,727	N/A	N/A
Nonspendable	N/A	N/A	N/A	-	592
Restricted	N/A	N/A	N/A	24,361,817	26,679,159
Assigned	N/A	N/A	N/A	7,831,690	7,166,414
Unassigned	N/A	N/A	N/A	-	-
<b>Total All Other Gov Funds</b>	<b>\$ 50,951,311</b>	<b>\$ 36,704,332</b>	<b>\$ 35,940,963</b>	<b>\$ 32,193,507</b>	<b>\$ 33,846,165</b>
<b>Total All Governmental Funds</b>	<b>\$ 61,182,675</b>	<b>\$ 44,740,608</b>	<b>\$ 43,811,163</b>	<b>\$ 46,715,777</b>	<b>\$ 49,558,273</b>



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

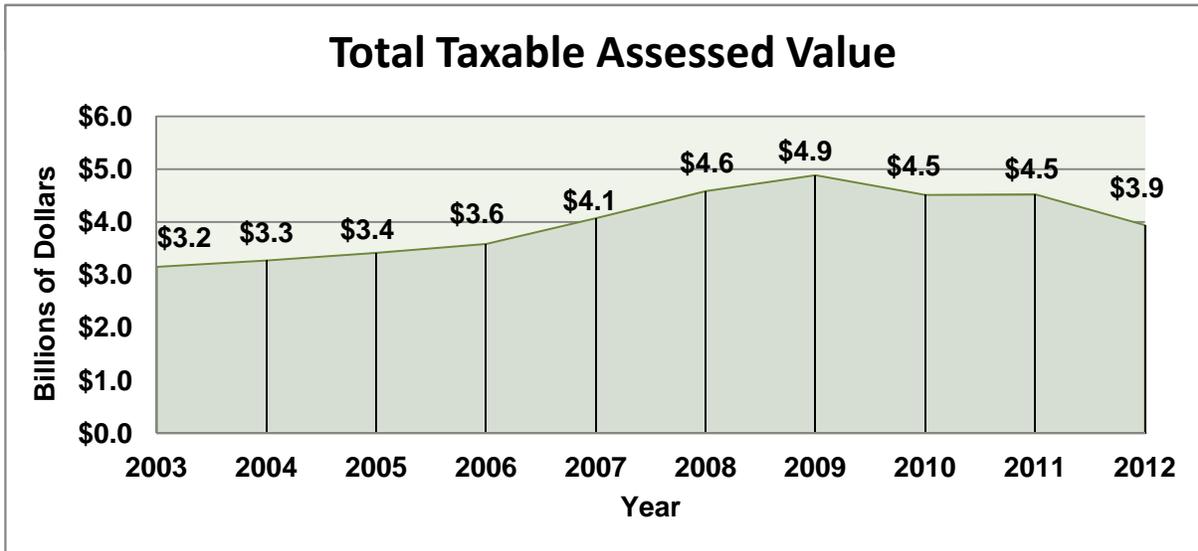
	<b>Fiscal Year</b>				
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Revenues</b>					
Taxes	\$ 23,249,738	\$ 24,940,541	\$ 26,654,825	\$ 29,551,984	\$ 31,445,697
Licenses & permits	961,481	762,453	813,990	2,652,621	1,315,308
Intergovernmental	5,399,203	4,238,139	6,095,964	6,548,241	3,789,681
Charges for services	934,877	893,189	1,520,777	1,626,207	1,292,725
Fines & forfeitures	328,061	309,979	288,338	253,705	529,630
Investments & other earnings	941,487	776,325	1,814,921	3,240,316	3,595,449
Special assessments	176,062	318,017	171,795	251,633	152,366
Rents/leases & concessions	492,620	409,438	399,558	430,635	539,607
Miscellaneous	69,182	248,988	41,224	55,271	173,410
<b>Total Revenues</b>	<b>32,552,711</b>	<b>32,897,069</b>	<b>37,801,392</b>	<b>44,610,613</b>	<b>42,833,873</b>
<b>Expenditures</b>					
Judicial	295,566	311,322	326,118	358,576	399,029
General Government	3,407,377	3,534,106	4,029,965	4,365,134	4,928,824
Public Safety	10,616,064	11,430,548	12,021,721	12,793,339	14,053,771
Physical Environment	12,352	12,217	12,110	12,623	12,783
Transportation	2,185,616	2,749,962	2,684,377	3,165,853	4,839,106
Health & Human Services	261,858	341,478	397,728	363,812	409,408
Economic Environment	2,162,814	2,153,881	2,113,262	2,359,420	2,755,828
Culture & Recreation	1,979,991	2,072,165	2,091,595	2,413,454	3,036,033
Debt service					
Principal	1,170,000	1,345,000	1,275,000	1,425,000	1,385,000
Interest & other costs	929,285	875,891	951,946	1,023,841	967,557
Capital outlay	11,862,504	6,570,591	8,324,953	3,934,043	11,981,558
<b>Total Expenditures</b>	<b>34,883,427</b>	<b>31,397,161</b>	<b>34,228,775</b>	<b>32,215,095</b>	<b>44,768,897</b>
<b>Excess of Revs Over (Under) Exp</b>	<b>(2,330,716)</b>	<b>1,499,908</b>	<b>3,572,617</b>	<b>12,395,518</b>	<b>(1,935,024)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	8,373,188	3,714,944	4,717,556	14,341,409	4,277,846
Transfers out	(5,990,898)	(3,438,694)	(4,541,306)	(14,165,159)	(4,100,296)
Proceeds from refund bonds	-	-	-	-	-
Pymt to ref bond escr agent	-	-	-	-	-
Disposition of capital assets	160,180	2,957	775	6,653	495
<b>Total Other Fin Sources (Uses)</b>	<b>2,542,470</b>	<b>279,207</b>	<b>177,025</b>	<b>182,903</b>	<b>178,045</b>
<b>Net Change in Fund Balances</b>	<b>\$ 211,754</b>	<b>\$ 1,779,115</b>	<b>\$ 3,749,642</b>	<b>\$ 12,578,421</b>	<b>\$ (1,756,979)</b>
<b>Debt Service as Percentage of Noncapital Expenditures</b>	<b>9.12%</b>	<b>8.95%</b>	<b>8.60%</b>	<b>8.66%</b>	<b>7.18%</b>

Source: City of SeaTac Finance Department

	Fiscal Year				
	2008	2009	2010	2011	2012
<b>Revenues</b>					
Taxes	\$ 30,852,914	\$ 29,938,844	\$ 30,685,462	\$ 32,806,485	\$ 33,560,730
Licenses & permits	1,129,405	1,233,108	955,253	860,035	756,207
Intergovernmental	3,065,715	2,171,325	1,903,653	4,389,310	3,351,336
Charges for services	1,619,448	1,476,573	1,504,270	1,140,325	1,384,882
Fines & forfeitures	847,886	585,825	505,430	491,945	485,053
Investment & other earnings	3,473,818	745,680	130,882	392,915	136,797
Special assessments	152,366	190,445	183,459	138,532	171,920
Rents/leases & concessions	629,795	609,558	1,346,725	1,162,204	1,157,496
Miscellaneous	35,807	46,723	231,999	241,965	246,907
<b>Total Revenues</b>	<b>41,807,154</b>	<b>36,998,081</b>	<b>37,447,133</b>	<b>41,623,716</b>	<b>41,251,328</b>
<b>Expenditures</b>					
Judicial	488,848	809,236	806,452	763,935	767,185
General Government	5,598,626	5,473,181	5,152,286	5,229,972	5,568,524
Public Safety	14,893,442	16,329,864	16,300,966	16,913,007	16,867,963
Physical Environment	14,227	544,885	356,374	272,495	330,838
Transportation	4,921,651	6,626,282	3,178,024	3,572,101	3,212,255
Health & Human Services	402,771	523,242	497,145	493,098	500,008
Economic Environment	2,866,736	3,082,234	3,120,207	3,019,742	3,319,532
Culture & Recreation	2,834,052	3,094,462	2,935,597	2,921,954	3,092,093
Debt service					
Principal	1,425,000	1,480,000	3,910,000	850,000	670,000
Interest & other costs	685,409	439,844	211,593	122,705	175,248
Capital outlay	9,133,556	17,957,911	2,640,209	4,758,485	4,837,893
<b>Total Expenditures</b>	<b>43,264,318</b>	<b>56,361,141</b>	<b>39,108,853</b>	<b>38,917,494</b>	<b>39,341,539</b>
<b>Excess of Revs Over (Under) Exp</b>	<b>(1,457,164)</b>	<b>(19,363,060)</b>	<b>(1,661,720)</b>	<b>2,706,222</b>	<b>1,909,789</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	11,598,317	17,861,433	5,746,732	3,371,477	4,608,016
Transfers out	(11,420,867)	(14,951,600)	(5,014,958)	(2,594,778)	(3,870,153)
Proceeds from refund bonds	-	4,376,345	-	-	-
Pymt to ref bond escr agent	-	(4,376,345)	-	-	-
Disposition of capital assets	659,734	11,160	500	18,477	-
<b>Total Other Fin Sources (Uses)</b>	<b>837,184</b>	<b>2,920,993</b>	<b>732,274</b>	<b>795,176</b>	<b>737,863</b>
<b>Net Change in Fund Balances</b>	<b>\$ (619,980)</b>	<b>\$ (16,442,067)</b>	<b>\$ (929,446)</b>	<b>\$ 3,501,398</b>	<b>\$ 2,647,652</b>
<b>Debt Service as Percentage of Noncapital Expenditures</b>	<b>6.18%</b>	<b>5.00%</b>	<b>11.30%</b>	<b>2.85%</b>	<b>2.45%</b>

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

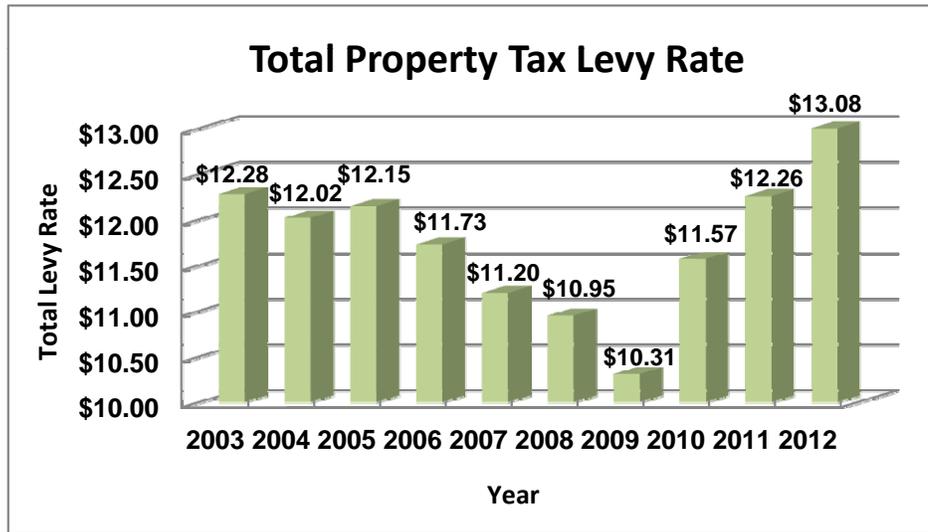
<b>Fiscal Year</b>	<b>Real Property Locally Assessed</b>	<b>Personal Property Locally Assessed</b>	<b>State Public Svc Prop Real &amp; Personal</b>	<b>Total Assessed Value</b>	<b>Total Direct Tax Rate</b>
2003	1,754,591,387	121,512,022	1,277,160,193	3,153,263,602	2.87
2004	1,848,206,257	154,766,946	1,272,240,076	3,275,213,279	2.82
2005	1,986,077,835	137,381,893	1,293,637,561	3,417,097,289	2.80
2006	2,057,833,738	136,008,552	1,391,644,445	3,585,486,735	2.77
2007	2,361,159,577	149,422,892	1,567,391,836	4,077,974,305	2.61
2008	2,677,634,353	155,236,682	1,754,135,899	4,587,006,934	2.45
2009	2,983,973,300	154,673,157	1,749,001,930	4,887,648,387	2.34
2010	2,589,827,281	161,788,004	1,764,676,900	4,516,292,185	2.58
2011	2,407,620,873	144,166,635	1,972,782,125	4,524,569,633	2.80
2012	2,298,981,728	126,586,729	1,519,451,163	3,945,019,620	2.88



Source: King County Assessor's Office

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

Fiscal Year	City Direct Rates <sup>1</sup>			Overlapping Rates <sup>2</sup>								Total Tax Rate
	Gnl Ops	Debt Svc	Total Direct Rate	State of WA	King County	Port of Seattle	Emerg Medical Svcs	School District #401	Library District	Flood Control Zone District	Ferry District	
2003	2.73	0.14	2.87	2.90	1.35	0.26	0.24	4.11	0.55	N/A	N/A	12.28
2004	2.69	0.13	2.82	2.76	1.43	0.25	0.24	3.98	0.54	N/A	N/A	12.02
2005	2.68	0.12	2.80	2.69	1.38	0.25	0.23	4.27	0.53	N/A	N/A	12.15
2006	2.65	0.12	2.77	2.50	1.33	0.23	0.22	4.15	0.53	N/A	N/A	11.73
2007	2.50	0.11	2.61	2.33	1.29	0.23	0.21	4.03	0.50	N/A	N/A	11.20
2008	2.36	0.09	2.45	2.13	1.21	0.22	0.30	4.03	0.45	0.10	0.060	10.95
2009	2.25	0.09	2.34	1.96	1.10	0.20	0.27	3.88	0.42	0.09	0.050	10.31
2010	2.49	0.09	2.58	2.22	1.28	0.22	0.30	4.37	0.49	0.11	0.003	11.57
2011	2.72	0.08	2.80	2.28	1.34	0.22	0.30	4.64	0.57	0.11	0.003	12.26
2012	2.80	0.08	2.88	2.42	1.42	0.23	0.30	5.15	0.57	0.11	0.004	13.08



<sup>1</sup> Increases to the City's basic property tax rate is limited by State law to annual increases of the lower of 1% or inflation, defined by the implicit price deflator (IPD), plus new construction and state-assessed property valuation increases. For 2012, the City's maximum statutory levy rate calculated by the King County Assessor's Office is \$3.10.

<sup>2</sup> Overlapping rates are those of State, County and local public agencies that apply to property owners within the City of SeaTac. Not all overlapping rates apply to all SeaTac property owners. For example, although the State of Washington property tax rate applies to all City property owners, the Flood Control Zone District applies only to the City property owners whose property is located within that district's geographic boundaries.

Source: King County Assessor's Office

**Principal Property Tax Payers**  
**Current Year and Nine Years Ago**

<u>Employer</u>	<u>2012</u>			<u>2003</u>		
	<u>Taxable Assessed Value<sup>2</sup></u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value<sup>1</sup></u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Alaska Airlines/Horizon	\$ 800,793,455	1	20.30%	\$ -	-	-
Delta Airlines <sup>3</sup>	195,204,832	2	4.95%	54,292,876	7	1.72%
United Airlines	98,320,606	3	2.49%	187,961,690	2	5.96%
Boeing	93,291,590	4	2.36%	73,707,030	5	2.34%
Hawaiian Airlines Inc.	70,388,580	5	1.78%	-	-	-
DoubleTree Inn (Red Lion)	59,605,628	6	1.51%	50,722,485	8	1.61%
Federal Express Corp.	58,945,127	7	1.49%	-	-	-
Continental Airlines	58,750,713	8	1.49%	-	-	-
AMB Property	53,473,100	9	1.36%	-	-	-
US Air	41,548,800	10	1.05%	-	-	-
Alaska Airlines	-	-	-	378,877,252	1	12.02%
Horizon Air	-	-	-	132,204,078	3	4.19%
Northwest Airlines <sup>3</sup>	-	-	-	111,038,014	4	3.52%
Southwest Airlines	-	-	-	66,792,677	6	2.12%
United Parcel Service	-	-	-	49,012,804	9	1.55%
American Airlines	-	-	-	47,710,082	10	1.51%
<b>Total</b>	<b>\$ 1,530,322,431</b>		<b>38.79%</b>	<b>\$ 1,152,318,988</b>		<b>36.54%</b>

**Notes:**

<sup>1</sup>2002 year end assessed valuations used for taxes collected in 2003. Total assessed valuation for the City at the end of 2002 was \$3,153,263,602.

<sup>2</sup>2012 year end assessed valuations used for taxes collected in 2013. Total assessed valuation for the City at the end of 2012 was \$3,945,019,620.

<sup>3</sup>Delta Airlines acquired Northwest Airlines on October 29, 2008. On December 31, 2009, Delta received a single operating certificate for the merged airline from the Federal Aviation Administration. The combined airline uses the Delta name and branding.

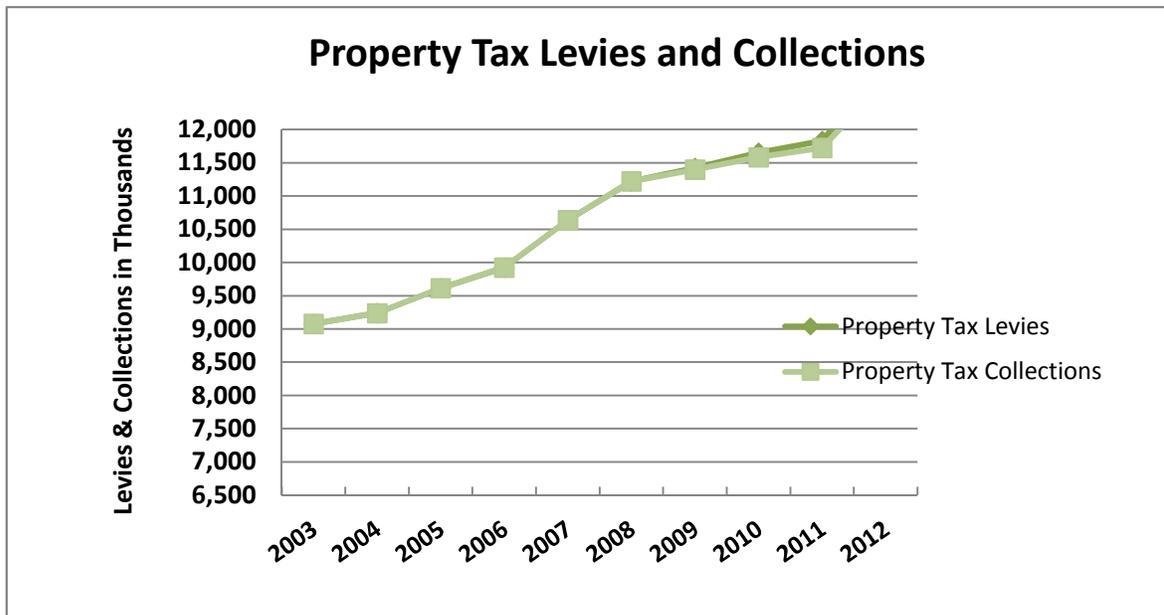
**Source: King County Assessor's Office**

Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy*	Collected within the Fiscal Year of the Levy**		Collections in Subsequent Years**	Total Collections to Date**	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	9,075,811	8,400,159	92.56%	675,652	9,075,811	100.00%
2004	9,237,735	8,970,107	97.10%	267,530	9,237,637	99.999%
2005	9,614,187	8,978,062	93.38%	636,125	9,614,187	100.000%
2006	9,924,728	9,377,695	94.49%	545,852	9,923,547	99.988%
2007	10,638,128	10,464,038	98.36%	173,375	10,637,413	99.993%
2008	11,221,572	10,958,794	97.66%	262,176	11,220,970	99.995%
2009	11,420,586	11,188,597	97.97%	209,606	11,398,203	99.804%
2010	11,650,109	11,319,372	97.16%	263,306	11,582,678	99.421%
2011	11,826,941	11,635,106	98.38%	87,519	11,722,625	99.118%
2012	12,954,824	12,732,153	98.28%	-	12,732,153	98.281%

\*Table revised in 2011 to remove King County EMS levy from figures above.

\*\*Includes levy cancellations.



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

**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

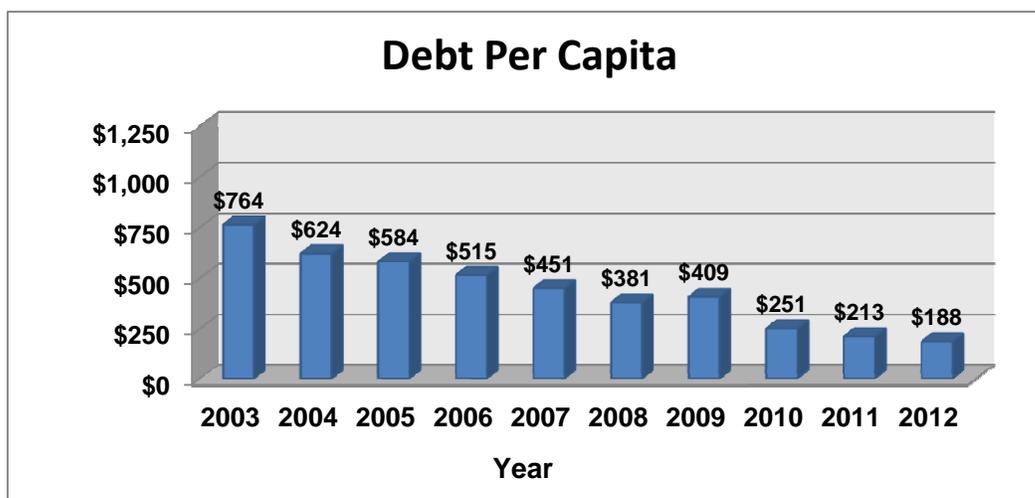
Fiscal Year	General Bonded Debt	% of Actual Taxable Value of Property	Per Capita**	Other Governmental Activities Debt			
	General Obligation Bonds*			Special Assessment Debt	Public Works Trust Fund Loan	Installment Contracts	Transportation Revenue & Ref Bonds
2003	7,550,000	0.24%	301	2,025,000	131,607	-	6,790,000
2004	7,060,000	0.22%	211	1,715,000	-	-	6,245,000
2005	6,545,000	0.19%	212	1,525,000	-	-	5,675,000
2006	6,015,000	0.17%	191	1,240,000	-	-	5,065,000
2007	5,465,000	0.13%	174	1,040,000	-	-	4,430,000
2008	4,895,000	0.11%	152	845,000	-	-	3,770,000
2009	6,802,050	0.14%	226	650,000	-	-	3,080,000
2010	6,147,050	0.14%	233	475,000	-	-	-
2011	5,487,050	0.12%	202	285,000	-	-	-
2012	4,817,050	0.12%	177	285,000	-	-	-

Fiscal Year	Business-type Activities	Total Primary Government	Per Capita**	% of Personal Income
	Storm Sewer Rev & Ref Bonds			
2003	3,075,000	19,571,607	764	1.72%
2004	2,820,000	17,840,000	624	1.27%
2005	2,555,000	16,300,000	584	1.21%
2006	2,280,000	14,600,000	515	0.98%
2007	1,995,000	12,930,000	451	0.78%
2008	1,695,000	11,205,000	381	0.66%
2009	1,380,000	11,912,050	409	0.72%
2010	-	6,622,050	251	0.46%
2011	-	5,772,050	213	0.37%
2012	-	5,102,050	188	0.32%

\*General obligation bonds include special obligation SCORE jail bonds.

\*\*Calculation based on net bonded debt (excludes restricted resources); 2003-2011 recalculated in 2012.

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

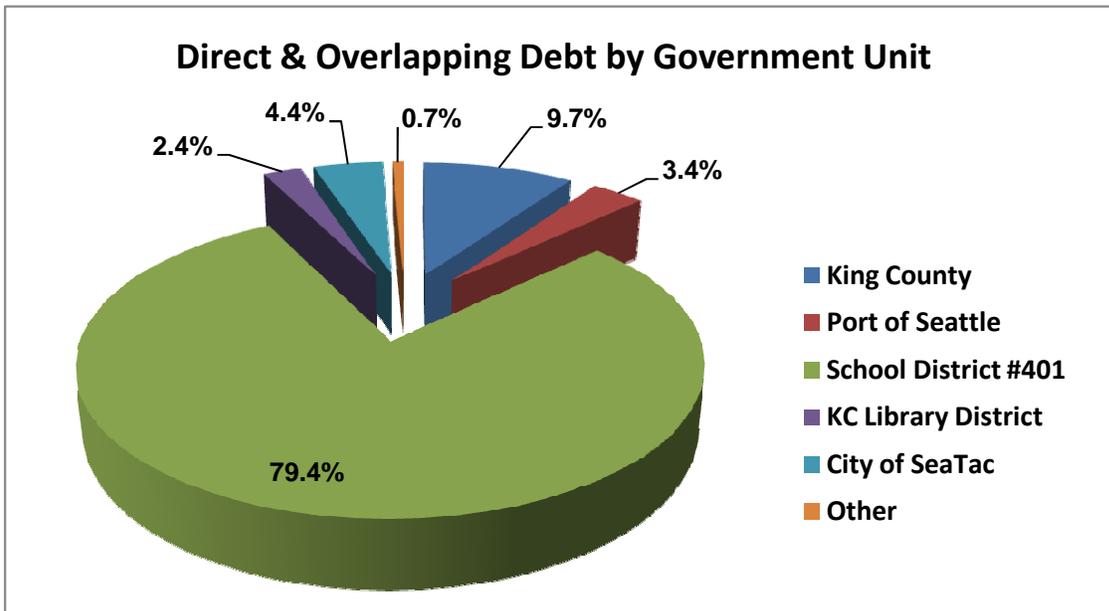


Source: City of SeaTac Finance Department

Direct and Overlapping Governmental Activities Debt  
As of December 31, 2012

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable to SeaTac*	Estimated Share of Direct and Overlapping Debt
King County	\$894,656,000	1.25%	\$11,183,200
Port of Seattle	312,005,000	1.25%	3,900,063
Highline School District #401	283,278,391	32.22%	91,272,298
Renton School District #403	325,110,000	0.01%	32,511
Tukwila School District #406	24,835,000	0.06%	14,901
Kent School District #415	187,977,699	0.38%	714,315
Hospital District #1	-	0.18%	-
King County Library District	137,405,000	2.02%	2,775,581
Subtotal Overlapping Debt			109,892,868
SeaTac Direct Debt			5,102,050
<b>Total Direct and Overlapping Debt</b>			<b>\$114,994,918</b>

\*Percentage is based on each governmental units assessed value of property in the City of SeaTac divided by the total assessed value of the property for each governmental unit.



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

**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

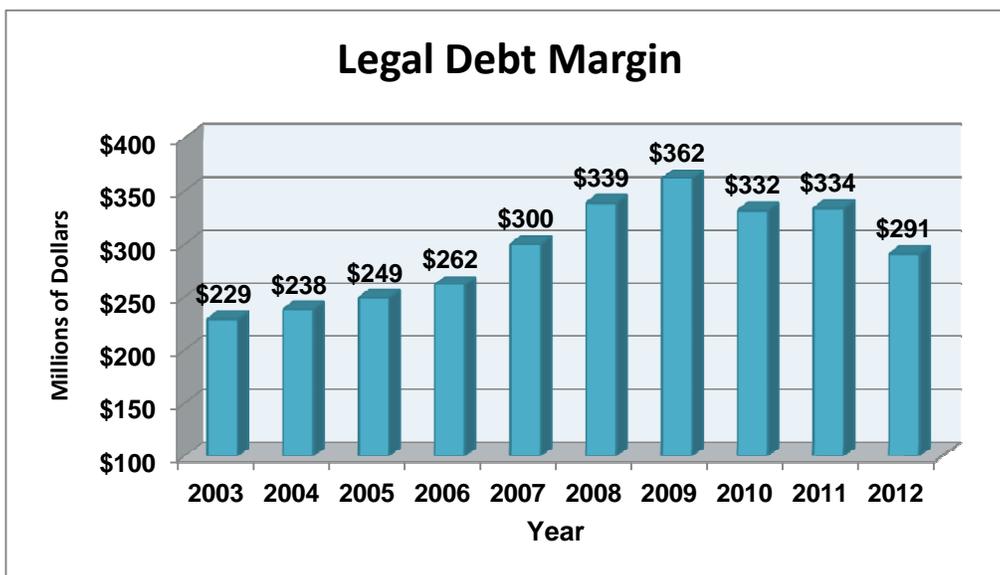
	Fiscal Year				
	2003	2004	2005	2006	2007
Debt Limit	\$236,494,770	\$245,640,996	\$256,282,296	\$268,911,505	\$305,848,074
Total net debt applicable to limit	7,982,293	7,516,322	7,025,358	6,542,694	6,012,361
<b>Legal debt margin</b>	<b>\$228,512,477</b>	<b>\$238,124,674</b>	<b>\$249,256,938</b>	<b>\$262,368,811</b>	<b>\$299,835,713</b>
Total net debt applicable to the limit as a % of debt limit	3.38%	3.06%	2.74%	2.43%	1.97%

	Fiscal Year				
	2008	2009	2010	2011	2012
Debt Limit	\$344,025,519	\$366,573,630	\$338,721,915	\$339,342,723	\$295,876,473
Total net debt applicable to limit	5,463,198	4,885,324	6,794,203	5,476,258	4,805,243
<b>Legal debt margin</b>	<b>\$338,562,321</b>	<b>\$361,688,306</b>	<b>\$331,927,712</b>	<b>\$333,866,465</b>	<b>\$291,071,230</b>
Total net debt applicable to the limit as a % of debt limit	1.59%	1.33%	2.01%	1.61%	1.62%

**Legal Debt Margin Calculation for Fiscal Year 2012**

Assessed Value	\$3,945,019,620
<i>Debt Limit:</i>	
2.5% of general purpose limit, voted and non-voted	98,625,491
2.5% of utility purpose limit, voted	98,625,491
2.5% of open space, voted	98,625,491
<b>Total debt limit</b>	<b>295,876,473</b>
<i>Debt Applicable to Limit:</i>	
General/Special Obligation Bonds (Net)	4,805,243
<b>Legal Debt Margin</b>	<b>\$291,071,230</b>



Source: City of SeaTac Finance Department

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

<b>Storm Water Utility Revenue Bonds</b>						
<b>Fiscal Year</b>	<b>Gross Revenue<sup>1</sup></b>	<b>Less:</b>	<b>Net</b>	<b>Debt Service<sup>3</sup></b>		<b>Coverage</b>
		<b>Operating Expenses</b>	<b>Available Revenue</b>	<b>Principal</b>	<b>Interest</b>	
2003	1,753,028	657,459	1,095,569	240,000	149,357	2.81
2004	1,731,015	629,515	1,101,500	255,000	136,257	2.82
2005	1,865,981	746,187	1,119,794	265,000	125,930	2.86
2006	2,082,403	953,737	1,128,666	275,000	114,800	2.90
2007	2,061,994	868,798	1,193,196	285,000	102,975	3.08
2008	1,914,968	1,001,452	913,516	300,000	90,577	2.34
2009	1,893,029	992,950	900,079	315,000	76,196	2.30
2010	1,908,271	1,142,371	765,900	1,380,000	175,356	0.49
2011	N/A	N/A	N/A	0	0	N/A
2012	N/A	N/A	N/A	0	0	N/A

<b>Local Option Transportation Tax Revenue Bonds</b>						
<b>Fiscal Year</b>	<b>Gross Revenue<sup>2</sup></b>	<b>Less:</b>	<b>Net</b>	<b>Debt Service<sup>3</sup></b>		<b>Coverage</b>
		<b>Operating Expenses</b>	<b>Available Revenue</b>	<b>Principal</b>	<b>Interest</b>	
2003	3,813,041	832,634	2,980,407	520,000	344,522	3.45
2004	3,954,493	814,720	3,139,773	545,000	315,847	3.65
2005	3,668,067	823,963	2,844,104	570,000	282,102	3.34
2006	3,880,956	1,051,311	2,829,645	610,000	255,290	3.27
2007	4,117,919	1,401,777	2,716,142	635,000	228,755	3.14
2008	4,477,003	1,570,713	2,906,290	660,000	201,132	3.37
2009	4,231,466	2,115,221	2,116,245	690,000	172,092	2.45
2010	4,606,505	1,747,391	2,859,114	3,080,000	70,521	0.91
2011	N/A	N/A	N/A	0	0	N/A
2012	N/A	N/A	N/A	0	0	N/A

<b>Local Improvement District No. 1 Special Assessment Bonds</b>				
<b>Fiscal Year</b>	<b>Special Assessment Collections</b>	<b>Debt Service</b>		<b>Coverage</b>
		<b>Principal</b>	<b>Interest</b>	
2003	325,248	185,000	127,010	1.04
2004	454,191	310,000	117,270	1.06
2005	285,543	190,000	100,565	0.98
2006	357,716	285,000	90,080	0.95
2007	240,540	200,000	74,057	0.88
2008	233,350	195,000	62,627	0.91
2009	259,401	195,000	51,285	1.05
2010	242,326	175,000	39,747	1.13
2011	183,177	190,000	29,225	0.84
2012	208,479	0	17,625	11.83

<sup>1</sup>Includes storm drainage utility charges, interest and miscellaneous revenue.

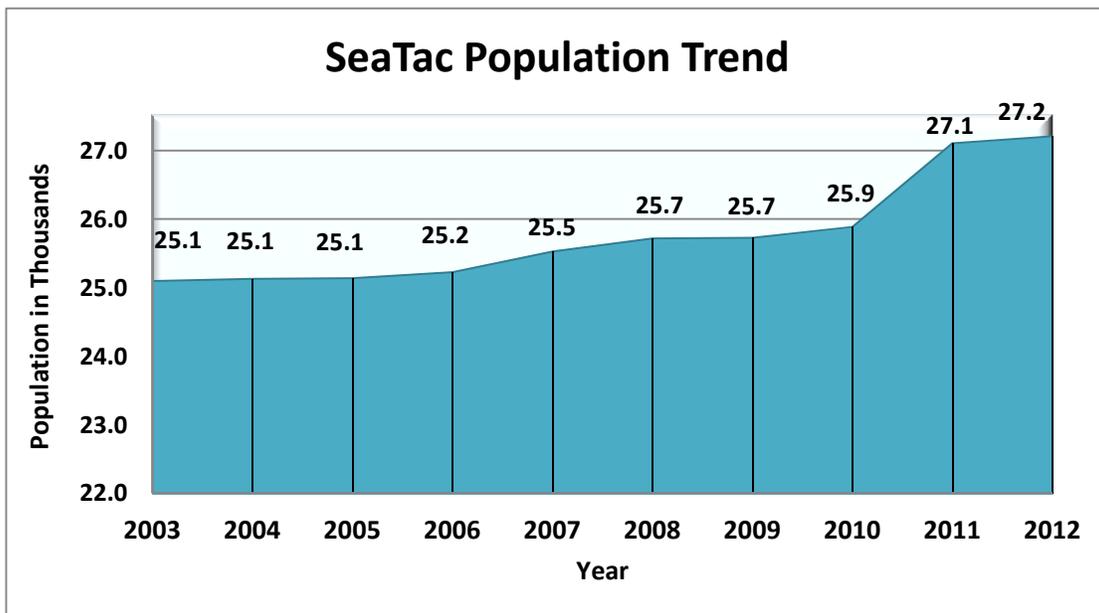
<sup>2</sup>Includes City portion of the local option transportation tax revenues (parking taxes) only; This revenue was pledged to secure the payment of the local option transportation tax revenue bonds. Table updated for all years in 2011.

<sup>3</sup>All revenue bonds were fully redeemed in 2010.

**Source: City of SeaTac Finance Department**

**Demographic and Economic Statistics**  
**Last Ten Calendar Years**

<b>Calendar Year</b>	<b>Population (A)</b>	<b>Total Personal Income (B)</b>	<b>Personal Income Per Capita (C)</b>	<b>Median Age (D)</b>	<b>Public School Enrollment (E)</b>	<b>Unemployment Rate King County (F)</b>
2003	25,100	1,116,498,200	44,482	36.38	3,396	6.2%
2004	25,130	1,238,557,180	49,286	36.60	3,499	5.2%
2005	25,140	1,212,150,240	48,216	36.83	3,192	4.7%
2006	25,230	1,328,485,650	52,655	36.94	3,182	4.2%
2007	25,530	1,473,336,300	57,710	36.98	3,098	3.9%
2008	25,720	1,495,386,520	58,141	37.01	3,073	4.7%
2009	25,730	1,464,139,920	56,904	37.08	2,858	8.5%
2010	25,890	1,427,471,040	55,136	37.05	2,846	8.8%
2011	27,110	1,567,961,070	57,837	37.28	2,506	8.4%
2012	27,210	(G)	(G)	37.72	2,639	6.8%



- (A) Washington State Office of Financial Management
- (B) King County per capita personal income applied to SeaTac population.
- (C) Per capita personal income is provided by the U.S. Bureau of Economic Analysis. Estimates are for King County, in which SeaTac is located. SeaTac data is not available.
- (D) Washington State Office of Financial Management
- (E) Highline School District #401
- (F) Washington State Employment Security Department
- (G) Data not available at time of publication.

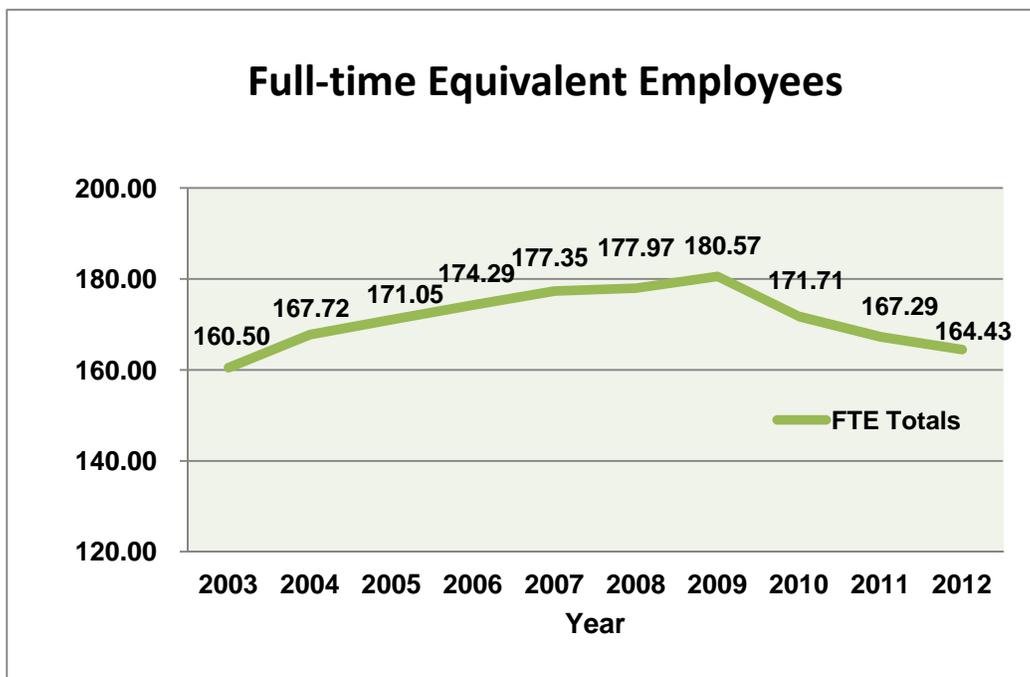
Principal Employers  
Current Year and Nine Years Ago

Employer	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Port of Seattle	1,600	1	4.31%	N/A	-	-
SeaTac Transportation	1,200	2	3.23%	N/A	-	-
HMS Host	600	3	1.62%	N/A	-	-
Doubletree Hotel	400	4	1.08%	N/A	-	-
Marriott Hotel	350	5	0.94%	N/A	-	-
TIMCO Aviation Service Inc.	330	6	0.89%	N/A	-	-
Lynden Inc.	300	7	0.81%	N/A	-	-
Hilton-Seattle Airport & Conf	200	8	0.54%	N/A	-	-
Highline School District	200	9	0.54%	N/A	-	-
Safeway	200	10	0.54%	N/A	-	-
<b>Total</b>	<b>5,380</b>		<b>14.48%</b>	<b>-</b>		<b>-</b>

Source: Original information was generated from ESRI; Information was modified for the Port of Seattle which was listed as "Seattle Tacoma International Airport" by ESRI with an employee count of 21,000. Information is not available for 2003.

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

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Judicial</b>	5.00	5.40	5.40	5.40	6.00
<b>General Government</b>					
City Manager's Office	5.50	5.75	4.75	4.50	4.65
Finance/IS	7.00	8.50	9.50	9.17	9.50
GIS	0.50	0.50	2.38	2.00	2.50
City Clerk's Office	3.00	3.00	3.00	3.00	3.00
Legal Services	7.00	7.00	7.00	7.00	7.00
Human Resources	3.60	3.60	3.10	3.60	3.60
Facilities/Property Mgt Services	3.50	4.50	4.50	4.50	4.80
<b>Public Safety</b>					
Police Administration/Other	1.69	1.69	1.69	1.69	1.69
Fire	47.00	50.00	53.00	53.00	53.00
<b>Transportation</b>	21.93	21.43	20.94	21.44	22.13
<b>Health &amp; Human Services</b>	0.50	0.50	1.00	1.00	1.00
<b>Economic Environment</b>					
Building	11.00	11.00	11.00	11.00	10.08
Planning	9.00	10.00	8.00	10.96	10.96
Development Review	-	-	-	-	-
Tourism	1.00	0.75	0.75	0.75	1.50
<b>Culture and Recreation</b>	25.83	26.29	26.90	27.45	28.11
<b>Surface Water Management</b>	7.45	7.81	8.14	7.83	7.83
<b>Equipment Rental</b>	-	-	-	-	-
<b>Total</b>	<b>160.50</b>	<b>167.72</b>	<b>171.05</b>	<b>174.29</b>	<b>177.35</b>



Source: City of SeaTac Finance Department

<u>Function/Program</u>	Fiscal Year				
	2008	2009	2010	2011	2012
<b>Judicial</b>	6.50	7.00	7.00	6.33	6.61
<b>General Government</b>					
City Manager's Office	5.05	5.06	4.09	4.36	4.92
Finance/IS	10.00	10.00	9.12	9.38	9.42
GIS	3.25	2.46	2.48	2.00	2.02
City Clerk's Office	3.00	3.00	3.00	3.00	3.00
Legal Services	7.00	7.00	7.19	7.00	7.00
Human Resources	3.60	3.55	4.00	4.00	4.00
Facilities/Property Mgt Services	4.80	4.80	4.91	5.00	5.78
<b>Public Safety</b>					
Police Administration/Other	1.54	1.53	1.49	1.44	1.36
Fire	52.19	51.92	51.21	50.00	49.00
<b>Transportation</b>	20.94	21.88	19.45	20.51	17.61
<b>Health &amp; Human Services</b>	1.00	1.00	1.00	1.00	1.00
<b>Economic Environment</b>					
Building	11.00	11.00	8.25	7.16	8.00
Planning	10.09	10.80	7.65	5.76	4.65
Engineering Development Review	-	-	-	2.58	3.00
Tourism	1.25	1.50	1.50	1.00	1.33
<b>Culture and Recreation</b>	28.93	29.97	29.83	27.38	28.18
<b>Surface Water Management</b>	7.83	8.10	9.54	9.09	7.25
<b>Equipment Rental</b>	-	-	-	0.30	0.30
<b>Total</b>	<b>177.97</b>	<b>180.57</b>	<b>171.71</b>	<b>167.29</b>	<b>164.43</b>

**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year</u>				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Judicial</b>					
Traffic & non-traffic filings	2,861	3,938	2,139	2,752	2,993
Criminal traffic/non-traffic filings	1,335	1,100	422	1,262	1,364
Parking filings	645	283	309	298	347
Number of in custody hearings	218	244	261	239	367
Orders for protection filed	3	3	7	30	45
Anti-Harassment orders	N/A	N/A	2	7	13
Red light camera photo enforcement	N/A	N/A	N/A	N/A	5,124
<b>General Government</b>					
Business licenses issued	1,921	1,879	1,850	1,910	1,911
Ordinances/Resolutions/Motions passed	136	98	102	128	133
Number of employment applications	417	624	1,104	1,098	933
<b>Public Safety - Fire</b>					
Number of emergency fire calls	1,221	1,254	1,223	1,320	1,173
Number of medical emergency calls	2,683	2,805	3,106	2,966	3,064
Number of fire inspections	2,433	2,787	2,691	2,809	2,800
Number of permits issued	368	470	533	411	411
Total staff training hours	4,033	10,084	9,442	7,283	9,100
<b>Public Safety - Police</b>					
Dispatched calls for service	9,916	9,933	10,955	11,297	11,038
Part 1 crimes*	1,691	1,865	2,346	2,179	1,917
Part 2 crimes**	1,676	1,835	1,838	1,906	1,949
Total cases cleared	479	545	517	523	482
Traffic citations	5,832	5,102	4,144	3,818	3,907
Adult & juvenile arrests	1,497	1,569	1,344	1,650	1,528
Response times (in progress)***					
Priority X - Critical Disp (min)	4.37	3.27	3.76	5.10	3.97
Priority 1 - Immediate Disp (min)	8.34	7.77	9.15	8.17	8.24
Priority 2 - Prompt Dis (min)	14.01	13.32	16.09	14.33	15.22
<b>Economic Environment</b>					
Valuation of permitted bldg apps	\$29.1m	\$42.5m	\$30.0m	\$128.9m	\$88.1m
Number of short plat applications	5	13	16	16	25
Number of bldg permits issued	289	270	291	296	341

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

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

\*\*\*Data no longer available

**Source: City of SeaTac Finance Department**

Function/Program	Fiscal Year				
	2008	2009	2010	2011	2012
<b>Judicial</b>					
Traffic & non-traffic filings	2,592	1,827	2,018	2,090	1,766
Criminal traffic/non-traffic filings	1,635	1,066	1,016	855	872
Parking filings	396	278	327	183	96
Number of in custody hearings	284	302	297	297	242
Orders for protection filed	34	21	15	20	19
Anti-Harassment orders	4	11	8	16	6
Red light camera photo enforcement	7,009	4,040	3,135	3,388	3,606
<b>General Government</b>					
Business licenses issued	1,912	1,944	1,886	1,883	1,907
Ordinances/Resolutions/Motions passed	138	137	105	97	79
Number of employment applications	1,021	1,103	1,177	595	-
<b>Public Safety - Fire</b>					
Number of emergency fire calls	1,169	1,002	1,080	959	1,344
Number of medical emergency calls	3,224	3,097	2,935	2,920	2,829
Number of fire inspections	1,876	2,023	1,778	1,725	1,753
Number of permits issued	421	399	398	362	346
Total staff training hours	7,966	7,117	5,141	5,073	7,017
<b>Public Safety - Police</b>					
Dispatched calls for service	10,023	9,100	9,056	9,541	10,230
Part 1 crimes*	1,676	1,656	1,460	1,644	1,957
Part 2 crimes**	1,942	2,079	1,905	1,978	1,923
Total cases cleared	413	439	243	369	584
Traffic citations	2,592	1,827	1,998	2,273	2,101
Adult & Juvenile arrests	1,393	1,378	1,256	1,137	1,306
Response times (in progress)***					
Priority X - Critical Disp (min)	4.03	4.78	4.17	3.64	N/A
Priority 1 - Immediate Disp (min)	8.83	8.67	8.33	8.12	N/A
Priority 2 - Prompt Dis (min)	15.18	13.89	12.75	13.15	N/A
<b>Economic Environment</b>					
Valuation of permitted bldg apps	\$42.4m	\$75.2m	\$36.0m	\$7.8m	\$ 21.0
Number of short plat applications	10	3	2	3	2
Number of bldg permits issued	290	238	198	174	200

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

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

\*\*\*Data no longer available

**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

<u>Function/Program</u>	<b>Fiscal Year</b>				
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>General Government</b>					
City Hall (sq feet)	81,000	81,000	81,000	81,000	81,000
<b>Public Safety - Fire</b>					
Fire Stations	3	3	3	3	3
Fire/Aid Units in Service	3	3	3	3	3
<b>Transportation - Public Works</b>					
Streets (miles)	82	82	79	81	76
<b>Culture and Recreation</b>					
Community Center					
Quantity	2	2	2	2	2
Square Footage	25,809	25,809	28,809	28,809	28,809
Community Parks					
Developed (acres)	63.0	63.0	63.0	63.0	63.0
Undeveloped (acres)	35.0	35.0	35.0	35.0	35.0
Neighborhoods Parks					
Developed (acres)	10.0	10.0	10.0	10.0	10.0
Undeveloped (acres)	0.5	0.5	0.5	0.5	0.5
Regional Parks					
Developed (acres)	80.0	80.0	80.0	80.0	80.0
Undeveloped (acres)	211.4	211.4	211.4	211.4	211.4
Pocket Parks/Mini Parks					
Developed (sq ft)	58,548	58,548	58,548	58,548	58,548
Trails/Linear Parks					
Developed (lineal ft)	15,100	15,430	15,430	15,430	15,430
Badminton Courts	3	3	3	3	3
Baseball/Softball Fields, Adult	4	4	4	4	4
Baseball/Softball Fields, Youth	6	6	6	6	6
Basketball Courts, Indoor	1	1	1	1	1
Basketball Courts, Outdoor	10	10	10	10	11
BMX Track	1	1	1	1	1
Boat Launch	1	1	1	1	1
Botanical Gardens	1	1	1	1	1
Fishing Pier	1	1	1	1	1
Football/Soccer Fields	7	7	7	7	7
Japanese Garden	-	-	-	1	1
Pickleball Courts, Indoor	3	3	3	3	3
Picnic Shelters	2	2	2	2	2
Picnic Table Areas	1	1	1	1	2
Playgrounds	6	6	6	7	7
Roller Hockey	1	1	1	1	1
Skateboard Parks	1	1	1	1	1
Swimming Pool	-	-	-	-	-
Tennis Courts	10	10	10	10	10
Theater, Outdoor	1	1	1	1	1
Volleyball Courts	3	3	3	3	3
Weight/Fitness Room	1	1	1	1	1

Source: City of SeaTac Comprehensive Plans 2003 - 2012

Function/Program	Fiscal Year				
	2008	2009	2010	2011	2012
<b>General Government</b>					
City Hall (sq feet)	81,000	81,000	81,000	81,000	81,000
<b>Public Safety - Fire</b>					
Fire Stations	3	3	3	3	3
Fire/Aid Units in Service	3	3	3	3	3
<b>Transportation - Public Works</b>					
Streets (miles)	78	78	78	78	78
<b>Culture and Recreation</b>					
Community Center					
Quantity	2	2	2	2	2
Square Footage	28,809	28,809	28,809	28,809	28,809
Community Parks					
Developed (acres)	63.0	63.0	63.0	63.0	63.0
Undeveloped (acres)	35.0	35.0	35.0	35.0	35.0
Neighborhoods Parks					
Developed (acres)	10.0	10.0	10.0	10.0	10.0
Undeveloped (acres)	8.3	8.3	8.3	8.3	8.3
Regional Parks					
Developed (acres)	80.0	80.0	80.0	80.0	80.0
Undeveloped (acres)	211.4	211.4	211.4	211.4	211.4
Pocket Parks/Mini Parks (sq ft)					
Developed	58,548	58,548	58,548	73,548	73,548
Trails/Linear Parks					
Developed (lineal ft)	22,630	22,630	22,630	22,630	22,630
Badminton Courts	3	3	3	3	3
Baseball/Softball Fields, Adult	4	4	4	4	4
Baseball/Softball Fields, Youth	6	6	6	6	6
Basketball Courts, Indoor	1	2	1	2	2
Basketball Courts, Outdoor	11	11	11	11	11
BMX Track	1	1	1	1	1
Boat Launch	1	1	1	1	1
Botanical Gardens	1	1	1	1	1
Fishing Pier	1	1	1	1	1
Football/Soccer Fields	7	7	7	7	7
Japanese Garden	1	1	1	1	1
Pickleball Courts, Indoor	3	3	3	3	3
Picnic Shelters	2	2	2	2	2
Picnic Table Areas	2	2	2	2	2
Playgrounds	7	7	7	7	7
Roller Hockey	1	1	1	1	1
Skateboard Parks	1	1	1	1	2
Swimming Pool	-	1	1	1	1
Tennis Courts	10	10	10	10	10
Theater, Outdoor	1	1	1	1	1
Volleyball Courts	3	5	3	5	5
Weight/Fitness Room	1	2	2	2	2





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