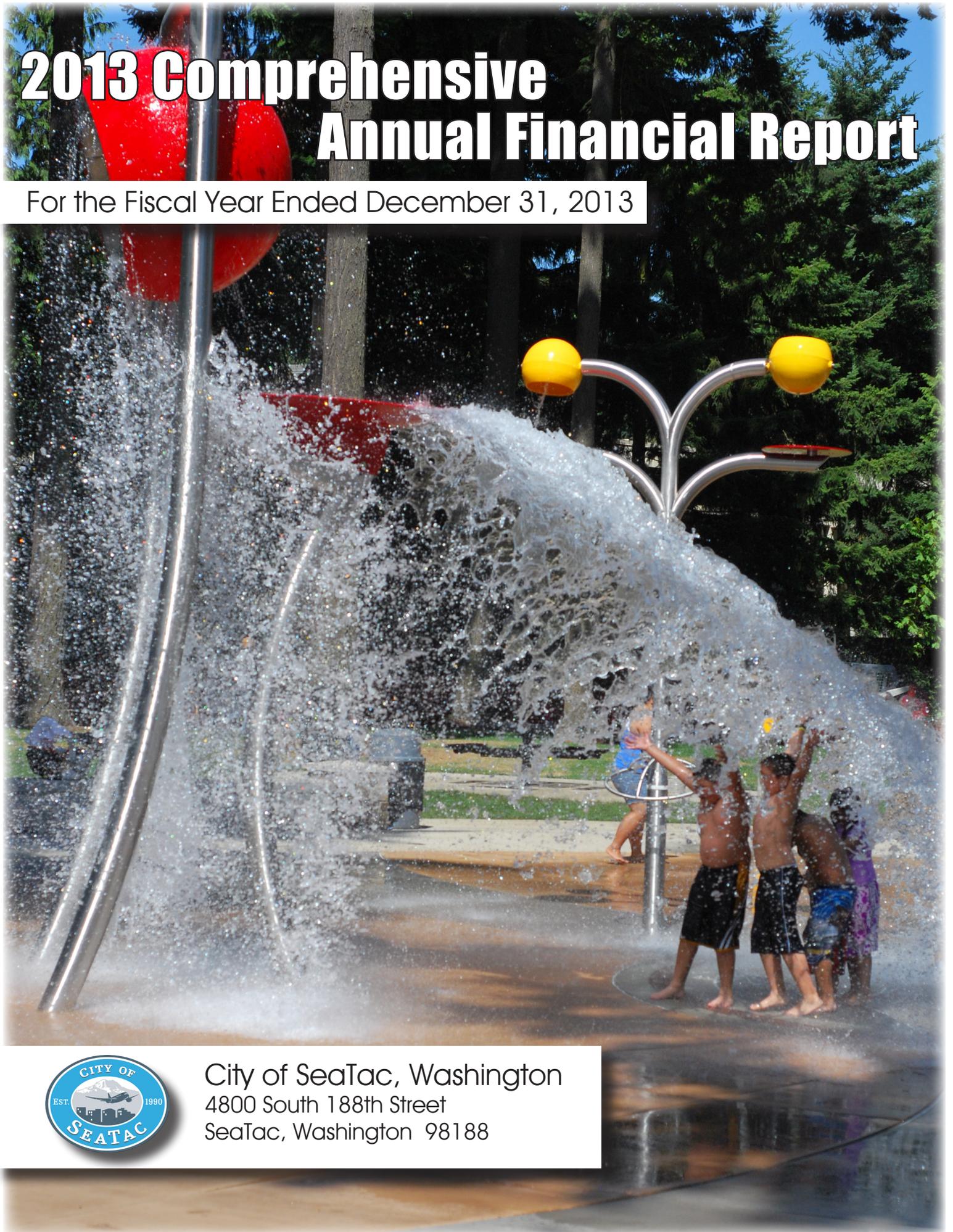


2013 Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2013



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

On the Cover

Water Spray Park at Angle Lake Park

Location: 19408 International Blvd., SeaTac

Total Project Cost: \$450,000

Funding Source: Real Estate Excise Taxes



2013 Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2013

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, 2013

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CITY OF SEATAC, WASHINGTON
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2013

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Introductory Section

Introductory Section



October 20, 2014

4800 South 188th Street
SeaTac, WA 98188-8605

City Hall: 206.973.4800
Fax: 206.973.4809
TDD: 206.973.4808

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, 2013. 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.

As a recipient of federal financial assistance exceeding \$500,000 the City was required to undergo an annual single audit in conformity with the provisions of the Single Audit Act amendments of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. The audit was conducted by the State Auditor's Office in conjunction with the City's annual independent audit. Information related to this single audit includes the Schedule of Expenditures of Federal Awards, findings and recommendations, if applicable, and auditor's reports on internal control and compliance with applicable laws, regulations, contracts and agreements. The results of the City's annual single audit for the fiscal year ended December 31, 2013 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws.

Mayor
Mia Gregerson

Deputy Mayor
Tony Anderson

Councilmembers
Barry Ladenburg
Kathryn Campbell
Terry Anderson
Dave Bush
Pam Fernald

City Manager
Todd Cutts

Assistant City Manager
Gwen Voelpel

City Attorney
Mary Mirante Bartolo

City Clerk
Kristina Gregg

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 2013 financial audit has been completed and, the City has been issued an unmodified 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 (contracted thru Kent RFA beginning in 2013), 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 21% of the total assessed valuation for the City. Delta, United/Continental, Boeing, Southwest Airlines, Doubletree Inn, and Hawaiian Airlines combine to account for an additional 15% 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. During 2013, the City's assessed valuation dropped from the 2012 level and as a result the levy rate hit a second \$3.10/\$1,000 assessed value (AV) cap that the State has put in place for local municipalities. This resulted in a temporary drop in property tax revenue to the City for 2013-2014. Looking ahead into 2015 and beyond, the City's assessed valuation has begun to increase again, and current King County Assessor estimates show that the City will likely be able to levy up to the 2012 amount for 2015. The structural issue of property tax revenue not increasing at the same rate as public safety expenditures remains, and discussions are underway on what other revenue sources and expenditure cuts will be needed to maintain stability in the long term.

Traditionally, sales taxes have been a strong revenue source for the City, accounting for over 30% of total general governmental revenues. Construction sales tax revenue hit a bit of a rough spot in 2013 as new construction projects that were planned were delayed to future periods. A major contributor to local construction sales taxes are construction projects located at the airport. Although these were previously planned to continue, the 2013-2014 period reflected that many of these major planned projects experienced a one to two year delay in getting started, which temporarily dropped new construction sales tax revenue for the City. However, in total, the overall amount of sales taxes received continues to increase although at a moderate rate, 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 revenues 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 176th to S 166th, Military Road South and S 154th (S 150th St to International Boulevard) and the 28th/24th Avenue extension. In 2013, parking tax revenues increased around 2% from 2012, and are on track to increase 6% from 2013 to 2014.

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 14% reflecting increased travel and related activities from 2012 to 2013.

Economic Outlook

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.)

Employment growth has continued to slightly outpace the modest growth expectation, housing construction was stronger than expected and Seattle area home prices have increased over the last year. The downside areas in the economy are that manufacturing expansion has slowed and Washington exports have weakened.

Local housing sources report price gains in the King County area from 2012 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 part of the move to contract for Fire Services, the City has positioned itself to manage growing fire service costs on a regional basis to take advantage of savings from economies of scale. Managing costs and adjusting service levels as needed with both public safety contract service providers continues to remain a key component of balancing the general fund going forward. 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

During the 2013-2014 budget period, the City launched a lean government initiative that is commonly referred to locally as "Align and Improve." This strategic planning process was created to align resources and work programs with the City Council's goals, mission, and vision for the community and to organize and align the specific strategies to drive improvement in processes to achieve growth in strategic areas that will create additional value and results for the community. Implementation of these strategies are planned to become a part of the 2015-2016 budgeting process and will play a regular role in the long term financial forecasting and planning processes that the City continues to employ in the years ahead.

Sound Transit continues the implementation of the 2012 Development and Transit Way Agreement for the South Link Light Rail Project. 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 200th and 28th Ave South providing a package of more than \$10 million in mitigations, improvements, reimbursements and fees to the City.

The City also continues to operate with a biennial budget that was first established for the 2013–2014 budget reporting period. This improvement in longer-term forecast planning has assisted the Council with evaluating the longer term consequences of near term decision making, and continues to provide assistance during their reviews of the long term sustainability of financial operations as they draft the 2015-2016 biennial budget.

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, 2012. 2012 was the 21st 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 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, flowing style.

Aaron Antin
Finance and Systems Director





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

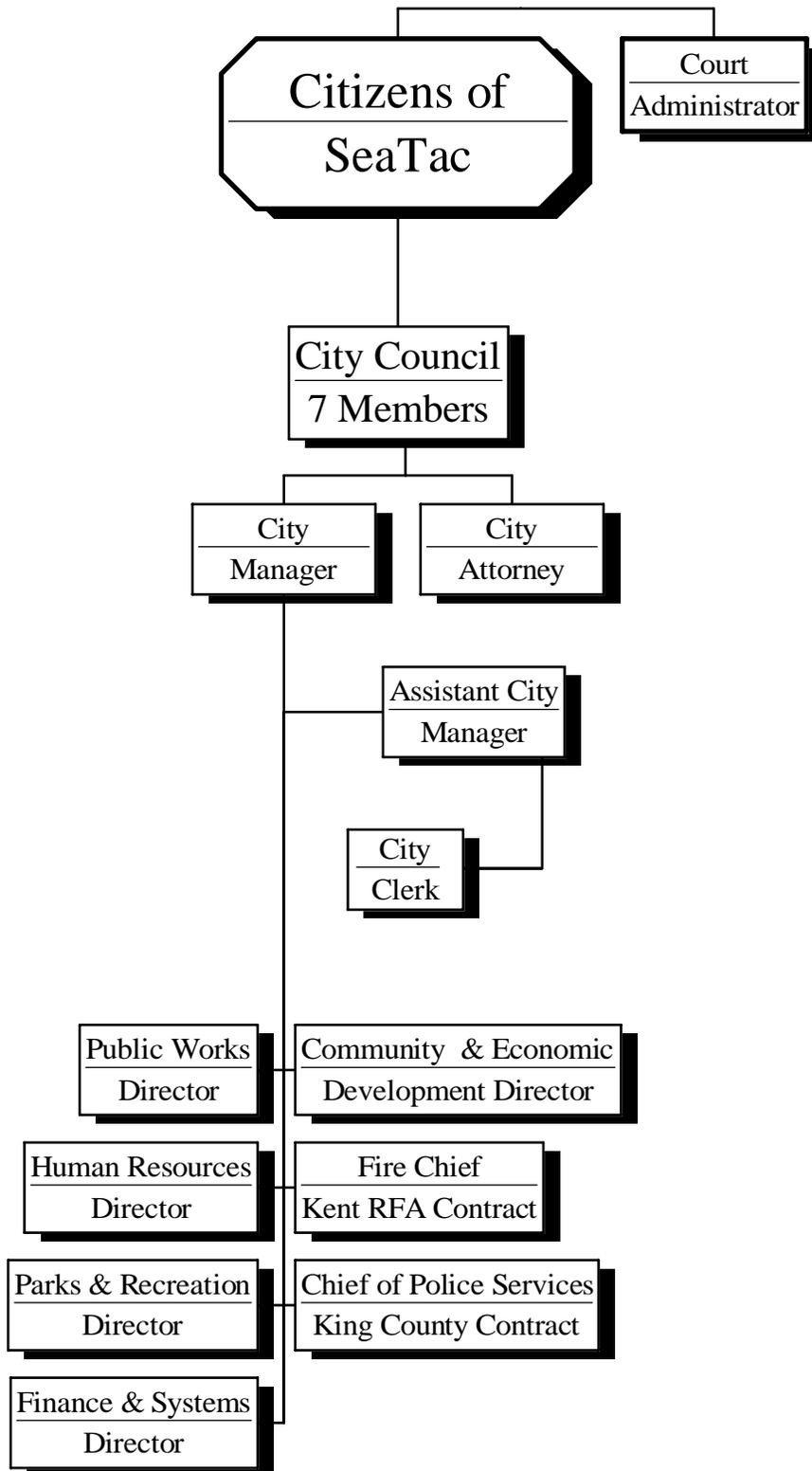
**City of SeaTac
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive, flowing style.

Executive Director/CEO





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	Gwen Voelpel
City Attorney	Mary Mirante Bartolo
City Clerk	Kristina Gregg
Chief of Police Services (Contract)	Lisa Mulligan
Finance and Systems Director	Aaron Antin
Fire Chief (Contract)	Jim Schneider
Human Resources Director	Anh Hoang
Parks and Recreation Director	Kit Ledbetter
Community & Economic Development Director	Joseph Scorcio
Public Works Director	Thomas Gut



Financial Section

Financial Section



Washington State Auditor
Troy Kelley

INDEPENDENT AUDITOR'S REPORT

September 24, 2014

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, 2013, 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, 2013, 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.

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 14 through 26, budgetary comparison information on pages 89 through 94 and information on postemployment benefits other than pensions on pages 88 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 96 through 142 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

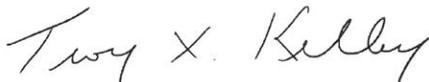
prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial 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 September 24, 2014, 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. That report will be issued under separate cover in the City's Single Audit Report. 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 2013

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, 2013. Since the MD&A was designed to focus on the activities, resulting changes, and currently known facts for the year 2013, 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, 2013, total net position for the City was \$475.8 million. Of this amount, \$424.3 million or 89.2% 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 \$25.4 million or 5.3% 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 \$26 million or 5.5% was classified as unrestricted and available for general City operations.
- Governmental funds ended the year with \$47.4 in total ending fund balance on the modified accrual basis of accounting. This is a decrease of \$2.2 million or 4.4% over 2012 which ended the year with a \$49.6 million ending fund balance. The total ending fund balance for 2013 is approximately \$1 million more than the City's five year ending fund balance average of \$46.1 million.
- The City Council authorized a change to biennial budgeting from annual budgeting and 2013 was the first year of the biennium. This change has been reflected in the *Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual* that can be found in both the *Required Supplementary Information* and the *Other Supplementary Information Sections* of the *Comprehensive Annual Financial Report (CAFR)*. As shown in these schedules, two year budget figures are presented in both the original and final budget columns, but only one year of actual revenues and expenditures are presented.

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*.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with an overview of the City's financial condition and activities as a whole. This broad overview is similar to the financial reporting for a private-sector business. The government-wide financial statements have separate columns for *governmental activities* and *business-type activities*. Governmental activities of the City include the following functions: *Judicial, General Government, Public Safety, Transportation, Health & Human Services, Physical & Economic Environment, and Culture & Recreation*. 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 2013, the City of SeaTac maintained nineteen individual governmental funds on a budgetary basis. On a GAAP basis, the City maintained fourteen individual governmental funds. The City's six major governmental funds, as determined by the parameters of GASB Statement No. 34, are the *General Fund*, the *Street Fund*, the *Hotel/Motel Tax Fund*, the *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 *Required Supplementary Information* and *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	
	2013	2012	2013	2012	2013	2012
Assets:						
Current & other assets	\$ 56,583,426	\$ 57,450,702	\$ 4,152,201	\$ 4,262,961	\$ 60,735,627	\$ 61,713,663
Capital assets, net	398,077,372	395,020,964	26,321,966	26,953,079	424,399,338	421,974,043
Total Assets	454,660,798	452,471,666	30,474,167	31,216,040	485,134,965	483,687,706
Liabilities:						
Long-term liabilities	6,643,361	7,139,614	34,611	33,268	6,677,972	7,172,882
Other liabilities	2,659,234	2,261,845	46,768	57,783	2,706,002	2,319,628
Total Liabilities	9,302,595	9,401,459	81,379	91,051	9,383,974	9,492,510
Net Position:						
Net investment in capital assets	397,987,372	394,326,243	26,321,966	26,953,079	424,309,338	421,279,322
Restricted	25,434,856	24,762,391	-	-	25,434,856	24,762,391
Unrestricted	21,935,975	23,981,573	4,070,822	4,171,910	26,006,797	28,153,483
Total Net Position	\$ 445,358,203	\$ 443,070,207	\$ 30,392,788	\$ 31,124,989	\$ 475,750,991	\$ 474,195,196

The City's total net position increased by \$1.6 million in 2013. *Net investment in capital assets* increased by \$3.0 million. The City spent approximately \$7.9 million on capital assets in 2013 with the bulk of the expenses going toward transportation improvements that were funded by parking and fuel taxes. The City's total restricted net position increased by \$673 thousand while unrestricted net position decreased by \$2.2 million. Most of the increase in restricted net position can be attributed to accumulated parking taxes in the *Street Fund* and intergovernmental revenues in the *Des Moines Creek Basin ILA Fund*.

The City's *net position for governmental activities* includes \$25.4 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 \$22 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 the bonds were redeemed in 2010. Unrestricted net position is \$4.1 million and can be used for general surface water management purposes including capital projects, if desired. In 2013, the City Council passed Ordinance #13-1014 increasing surface water utility fees to fund the replacement of aging infrastructure, to provide a variety of programs and services mandated under the National Pollutant Discharge Elimination System (NPDES), and to fund future demands on the system. Annual service charges were increased by 20.33% with additional increases being scaled in until 2018.

Changes in Net Position

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

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

City of SeaTac's Changes in Net Position

Revenues:	Governmental Activities		Business-type Activities		Total	
	2013	2012*	2013	2012	2013	2012
<i>Program Revenues:</i>						
Charges for services	\$ 5,192,253	\$ 4,566,432	\$ 1,794,355	\$ 1,783,281	\$ 6,986,608	\$ 6,349,713
Operating grants & contrib	1,902,271	1,112,066	-	-	1,902,271	1,112,066
Capital grants & contrib	3,308,418	1,417,945	146,753	10,396	3,455,171	1,428,341
<i>General Revenues:</i>						
Property taxes	12,055,098	13,340,693	-	139	12,055,098	13,340,832
Sales taxes	10,553,024	10,619,956	-	-	10,553,024	10,619,956
Hotel/Motel taxes	1,273,246	814,425	-	-	1,273,246	814,425
Parking taxes	6,196,549	6,164,074	-	-	6,196,549	6,164,074
Gambling taxes	580,478	576,973	-	-	580,478	576,973
Excise taxes	2,104,344	2,098,671	-	-	2,104,344	2,098,671
Investment interest	63,119	129,210	9,685	17,752	72,804	146,962
Unrestrict grants/contrib	280,919	338,354	-	-	280,919	338,354
Gains on Asset Sales	8,800	48	-	-	8,800	48
Total Revenues	43,518,519	41,178,847	1,950,793	1,811,568	45,469,312	42,990,415
Expenses:						
Judicial	694,789	763,447	-	-	694,789	763,447
General Government	6,986,802	6,156,299	-	-	6,986,802	6,156,299
Public Safety	19,033,626	17,732,720	-	-	19,033,626	17,732,720
Transportation	5,923,963	5,655,447	-	-	5,923,963	5,655,447
Health & Human Services	715,639	502,632	-	-	715,639	502,632
Physical & Economic Env	4,514,277	4,542,866	1,843,002	1,694,190	6,357,279	6,237,056
Culture & Recreation	4,074,067	3,921,787	-	-	4,074,067	3,921,787
Interest on long-term debt	282,044	156,522	-	-	282,044	156,522
Total Expenses	42,225,207	39,431,720	1,843,002	1,694,190	44,068,209	41,125,910
Before Transfers	1,293,312	1,747,127	107,791	117,378	1,401,103	1,864,505
Transfers	839,992	(2,030,137)	(839,992)	2,030,137	-	-
Inc (Dec) in Net Position	2,133,304	(283,010)	(732,201)	2,147,515	1,401,103	1,864,505
Net Position-Beg (as prev rptd)	443,070,207	442,189,573	31,124,989	28,879,051	474,195,196	471,068,624
Prior Year Adjustments*	154,692	1,163,644	-	98,423	154,692	1,262,067
Net Position-Beg (as restated)	443,224,899	443,353,217	31,124,989	28,977,474	474,349,888	472,330,691
Net Position-Ending	\$ 445,358,203	\$ 443,070,207	\$ 30,392,788	\$ 31,124,989	\$ 475,750,991	\$ 474,195,196

*For 2012, 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.

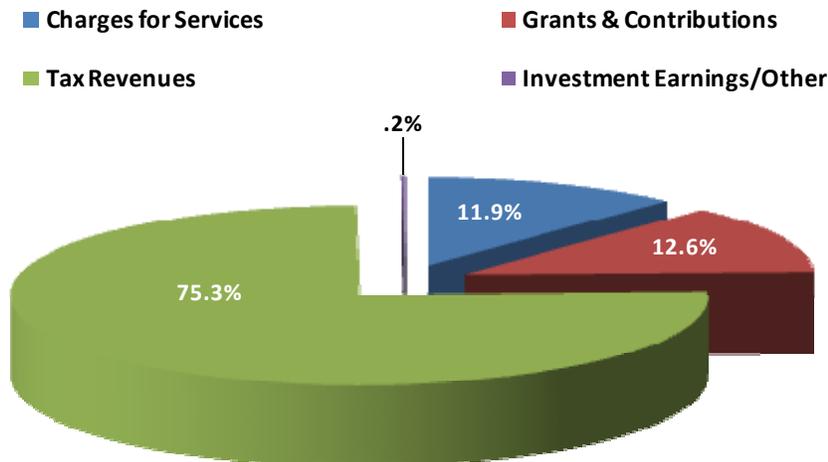
Governmental Activities: Net position for *Governmental Activities* increased by \$2.3 million in 2013. One prior period adjustment in the amount of \$154,692 was added as an increase in beginning net position in 2013 for an overstatement in the City's other post employment benefits obligation liability.

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 \$3.3 million in grant revenues for capital purposes. Capital grants are up \$1.9 million from the prior year; however, transportation project start dates and actual expenses incurred impact the timing of when actual grant revenues are received. In addition to capital grants, operating grants increased by \$800 thousand or by 71% over 2012.

In 2013, property taxes decreased by \$1.3 million over 2012. The City’s assessed value declined by almost \$580 thousand causing the levy rate to max out at \$3.10. While the levy rate increased by 7.7%, the assessed value declined by 12.8% creating a reduction in total property tax receipts in 2013. Real property assessed values decreased in land & improvement values, state public service and new construction, which experienced the largest decline of the three areas.

Permit activity picked up in 2013. The total number of permits issued was 1,187. This is up from 944 permits issued in 2012. Permit revenues are up 54% in 2013 due in part to the Angle Lake Light Rail Station and extension being constructed at South 200th Street.

Revenues by Source for Governmental Activities

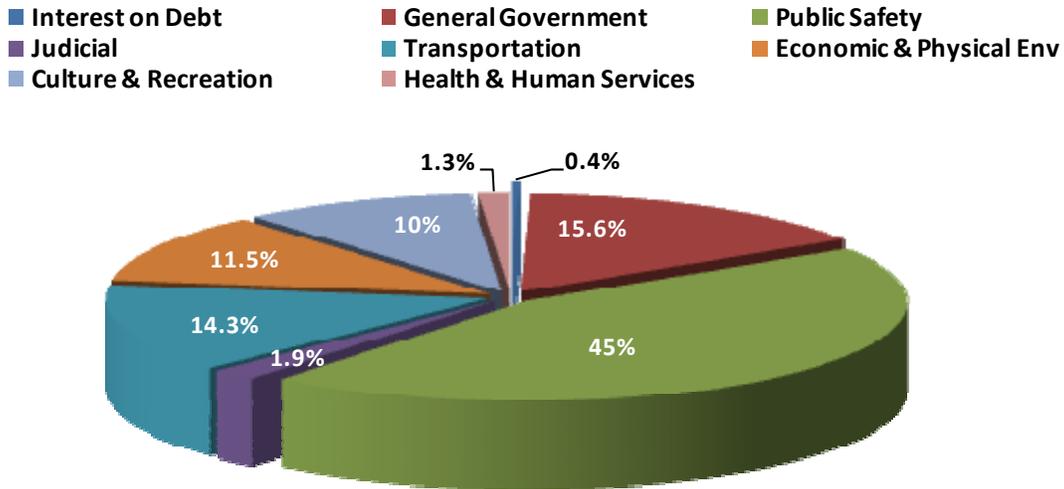


Notes: Tax revenues including property, sales, hotel/motel, parking and excise taxes are a large portion (75.3%) of the City’s income. Please note that transfers in from other funds are not included in this chart.

For governmental activities, total expenses increased by \$2.8 million or 7.1% from 2012. Six out of the eight program areas in governmental activities had expense increases in 2013. Some of the major expense changes are described below:

- ✚ **Public Safety** expenses increased by \$1.3 million or 7.3%. Total police service expenses rose over \$600 thousand or 7%. Fire services also increased by over \$600 thousand or 8.8%. Lastly, jail service costs increased by over \$300 thousand doubling from the prior year for services provided by SCORE (South Correctional Entity).
- ✚ **Transportation** expenses increased by 10% in 2013. The City had eight infrastructure construction projects that were in various phases of construction or planning. The largest project is the extension of roadway on the 28th/24th corridor from South 200th Street to the existing intersection of 24th Ave South and South 208th Street. This extension connects to Des Moines improvements at South 216th Street. This project is anticipated to cost over \$20 million and will take an estimated four years to complete.
- ✚ **General Government** increased by 13.5% or \$831 thousand over 2012. Costs increases occurred across most of the general government programs in various areas. General liability and property insurance costs increased due to a change in the insurance provider.

Expenses by Function for Governmental Activities



Notes: Public Safety expenses were for contracted police services (King County). In 2013, most of the fire services were 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 decreased by \$732 thousand in 2013 as compared to a \$2.2 million increase in 2012. Net position decreased due to equipment asset transfers out to the *Equipment Rental Fund*. The City purchased a street sweeper and a vactor truck totaling \$613 thousand and transferred the equipment to the *Equipment Rental Fund* so that annual maintenance & operations charges and replacement charges could be initiated.

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 2013, the City’s combined ending governmental fund balance was \$47.4 million versus the 2012 ending fund balance of \$49.6 million. Included in the 2013 ending fund balance is \$900 thousand in nonspendable prepayments, \$26.9 million in restricted fund balance (*i.e. transportation, tourism, capital projects, etc.*) and \$9.7 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 2012 and 2013, property taxes recorded into the *General Fund* equaled approximately \$12.5 million and \$11.6 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. After 2013, this debt will be full paid.

In 2013, sales taxes recorded into the *General Fund* were \$10.3 million compared to \$9.8 million in 2012. Seattle Southside Visitor 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 2014*) that spending in the travel area was up approximately 5.0% (*in the Seattle Southside region*) from 2012 to 2013 (preliminary). Additionally, this study reports that earnings, employment and travel-generated receipts also increased.

At the end of 2013, the fund balance of the *General Fund* was \$13.2 million. This was a decrease of \$2.5 million from the \$15.7 million ending fund balance for 2012. 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* - \$776 thousand, *Port of Seattle ILA Fund* - \$2.4 million, *Transit Planning* - \$283 thousand, *Building Management Fund* - \$2.1 million, and *Facility Repair & Replacement* - \$11 thousand for a total of over \$5.6 million. Without the special revenue fund additions, the ending fund balance change for the *General Fund* would be a decrease of \$1.8 million. A schedule for *General Fund* budget versus actual revenues and expenditures can be found in the *Required Supplementary Information* section of the CAFR.

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 \$15.1 million in ending fund balance which is an increase of approximately \$3.6 million from 2012. Transfers out in the amount of \$150 thousand were made to the *Transportation CIP Fund*. Actual parking tax receipts were only slightly higher than 2012.

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 \$7.2 million which is down \$254 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. Since 2010, lodging tax revenues have been on a steady rise increasing on an average of 8.9% per year. The *Southside Travel Impacts Study, 2003-2013p*, reported that lodging sales have recovered to pre-recessionary levels. The City is in the process of creating a Tourism Promotion Area as a joint effort with the cities of Des Moines and Tukwila. It is estimated the TPA will bring in an additional \$3 million for tourism promotion.

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 2013 and 2012 were \$299 thousand and \$236 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 28th/24th Avenue South arterial project. There is only \$90 thousand in outstanding principal balance remaining on the special assessment bonds.

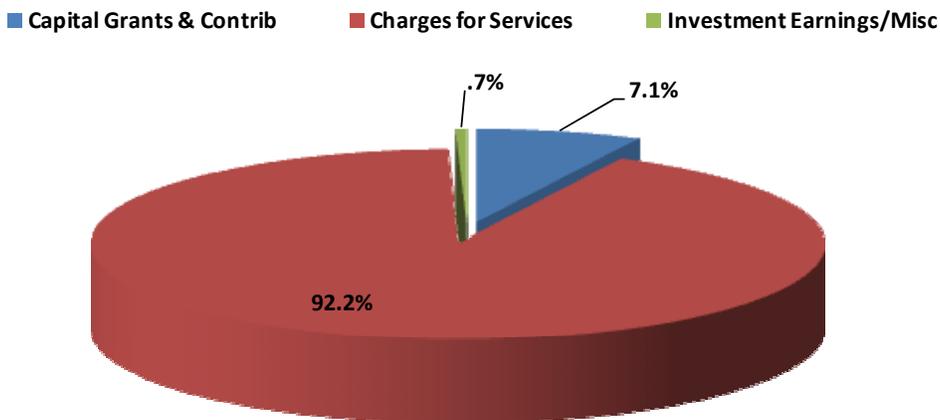
The *Municipal Facilities Capital Improvement Fund* is a capital projects fund whose purpose is to account for the expenditures related to major municipal capital projects including the purchase of land and the construction or major renovation of buildings. Although this Fund did not meet the *GASB Statement 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 2013, the revenue source for this Fund was investment earnings. At the end of 2013, the fund balance in the *Municipal Facilities Capital Improvement Fund* was \$3.5 million. It is anticipated that most of these funds will be spent on replacing Fire Station #45 on South 200th 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 2013, the major revenue sources for this Fund included a State Transportation Improvement Board Grant for the Military Road South project (*South 166th – South 176th*) and a Department of Ecology Storm Water grant for this same project. From Sound Transit, the City received a \$445 thousand contribution to the 28th/24th connection project. Ending fund balance for this Fund was \$1.3 million for 2013 and \$4.0 million for 2012.

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 \$30.4 million and of this amount, \$4.1 million or 13.4% was unrestricted. The other \$26.3 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 2013.

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 2013 with \$7.9 million in ending fund balance reserves. Although the City adopted a two year budget, estimates were completed for each year and will be used for comparison purposes for 2013. The original budgeted ending fund balance amount for 2013 was \$8.3 million. The actual ending fund balance was under the original budget by \$392 thousand or 4.7%. Actual revenues (*excluding transfers in*) were \$28.5 million or \$500 thousand under the original estimate of \$29 million. The area with the highest negative variance was taxes. The City hit its maximum property tax levy rate amount of \$3.10 per \$1,000 of assessed value due to a decline in assessed valuation creating a budget shortfall in this area of \$1.2 million. Increased sales taxes collections made up \$241 thousand of the property tax shortfall.

The *General Fund's* actual expenditures (*excluding transfers out*) were \$31.3 million at the end of 2013. The original 2013 estimate was \$31.7 million which is 1.3% under the original estimate. The savings in the *General Fund* resulted from overall department efficiencies and program delivery savings.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

At the end of 2013, the City had \$398.1 million (*net of accumulated depreciation*) in governmental activities capital assets, including one internal service fund, and \$26.3 million (*net*) in business-type activities. Total internal service fund capital assets (*net*) were just under \$1.4 million. The internal service fund assets were included in the governmental activities column of the government-wide *Statement of Net Position*. Additional information on capital assets can be found in the *Financial Statement Notes*, specifically *Note No. 6 - Capital Assets*. The following table summarizes the City's capital assets for the year ended 2013:

City of SeaTac's Capital Assets

Capital Assets:	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 320,618,253	\$ 320,229,042	\$ -	\$ -	\$ 320,618,253	\$ 320,229,042
Intangible Assets-Easements	91,841	71,226	35,442	35,442	127,283	106,668
Constr in Progress (CIP)	6,746,277	1,084,720	-	-	6,746,277	1,084,720
Buildings/Building Impr	43,714,450	43,285,701	228,560	228,560	43,943,010	43,514,261
Other Improvements	10,256,079	9,933,178	32,180,597	32,154,224	42,436,676	42,087,402
Infrastructure	82,441,994	81,656,993	-	-	82,441,994	81,656,993
Equipment/Vehicles	5,837,188	5,837,811	-	-	5,837,188	5,837,811
Equipment/Vehicles-Eq Rental	3,209,824	2,471,163	-	-	3,209,824	2,471,163
Intangible Assets-Software	922,461	922,460	101,336	101,336	1,023,797	1,023,796
Less: Depreciation	(75,760,996)	(70,471,328)	(6,223,969)	(5,566,483)	(81,984,965)	(76,037,811)
Total Capital Assets (Net)	\$ 398,077,371	\$ 395,020,966	\$ 26,321,966	\$ 26,953,079	\$ 424,399,337	\$ 421,974,045

In 2013, the largest changes in capital assets occurred in the categories of construction in progress and infrastructure in the governmental activities category. The City has capital projects currently under way including: Military Road South (*South 176th to South 166th*), South 168th Street sidewalks (*34th Ave South to Military Road South*), Connecting 28th/24th Avenue South, South 179th sidewalks, Angle Lake Phase III dock and lifeguard building replacement and Fire Station #45 replacement. Recently completed capital projects include the following: Skate Park at the Community Center, Angle Lake Park Phase II improvements including a water park, and the South 188th Street overlay project.

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 2013 and 2012 by type:

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$ 1,550,000	\$ 2,230,000	\$ -	\$ -	\$ 1,550,000	\$ 2,230,000
Special Obligation Bonds	2,529,600	2,587,050	-	-	2,529,600	2,587,050
Special Assessment Debt	90,000	285,000	-	-	90,000	285,000
Revenue Bonds	-	-	-	-	-	-
Total	\$ 4,169,600	\$ 5,102,050	\$ -	\$ -	\$ 4,169,600	\$ 5,102,050

General Obligation Debt

According to Washington State law, the City’s debt capacity for *general government purposes* is limited to 2.5% or \$100.9 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 \$60.6 million. At the end of 2013, the City’s assessed valuation was \$4,037,202,415 which is a 3% increase from 2012. The 2013 assessed valuation is used to calculate taxes to be collected in 2014. The City had \$4.1 million in outstanding councilmanic (non-voted) general obligation debt including the special obligation bonds issued by *SCORE (South Correctional Entity)* at the end of 2013. 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 \$302.8 million of the City’s assessed valuation. Additional information can be found in the *Statistical Section* of the City’s *2013 Comprehensive Annual Financial Report* in the “*Debt Capacity Information*” section.

Revenue Debt

At the end of 2013, 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 2013, the City had LID bonds outstanding totaling \$90,000. 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 *2013 Notes to the Financial Statements*.

ECONOMIC FACTORS AND THE BUDGET

In King County, employment was up by 3.2% in 2013 with job growth in most sectors. Construction employment grew by 6% during this same period and the government sector began expanding. King County employment is growing significantly faster than the nation. The employment forecast is a growth rate of 2.7% in 2014 and 1.9% in 2015. Additionally, real estate prices continue to increase with the Seattle Case Schiller Home Price Index showing a 12% increase over 2012. (Note: Information provided by the King County Office of Economic and Financial Analysis – March 2014, King County Economic and Revenue Forecast).

For the 2013-2014 biennium, the *General Fund’s* ending fund balance (amended budget) is estimated at \$8.6 million. The City continues to utilize various strategies and initiatives to assist in maintaining the *General Fund’s* target fund balance of *three months of operating expenditures*. A major initiative that the City is using to gain efficiencies in operations is the implementation of an align and improve program, also known as “Lean Management.” The align and improve effort is a staff directed effort to better align City resources to community goals. Efficiencies have already been achieved through the streamlining of the business licensing and permit processes. Process reviews continue to streamline the areas of agenda bills and job audits. These efforts will be continued to help ensure that the City is effectively and efficiently delivering services to the community.

The table below shows the City’s *General Fund* budget on a two-year basis since 2009. Although the City was preparing budgets on an annual basis prior to 2013, historic data was combined to allow comparisons to the 2013-2014 biennial budget. As reflected in the table, the two year difference between revenues and expenditures typically reflect a deficit balance. Much of this difference is covered with interfund transfers for reimbursements of *General Fund* administrative and maintenance charges or sales tax revenues recorded in the *Municipal Capital Improvement Fund* from capital project sales taxes that are transferred into the *General Fund*.

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

	2009-2010 Final	2011-2012 Final	2013-2014 Original	Final through 2013
Budget:				
Budgeted Revenues	\$ 55,832,695	\$ 54,488,795	\$ 59,292,408	\$ 59,545,908
Budgeted Expenditures	\$ 58,417,599	\$ 59,328,665	\$ 63,936,940	\$ 65,450,693
Budgeted Difference	\$ (2,584,904)	\$ (4,839,870)	\$ (4,644,532)	\$ (5,904,785)
Actual:				
Actual Revenues	\$ 50,997,002	\$ 55,608,879	N/A	\$ 28,452,354
Actual Expenditures	\$ 56,490,521	\$ 57,336,155	N/A	\$ 31,297,970
Actual Difference	\$ (5,493,519)	\$ (1,727,276)	N/A	\$ (2,845,616)

Note: 1) Figures exclude other financing sources & uses; 2) Budgetary basis differs from GAAP basis; 3) Biennial budget went into effect for 2013-2014. Prior years were combined to show two year results.

REQUESTS FOR INFORMATION

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



Basic Financial Statements

Basic Financial Statements

Statement of Net Position
December 31, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash & cash equivalents	\$ 46,346,784	\$ 3,815,301	\$ 50,162,085
Receivables (net)			
Taxes	3,530,959	-	3,530,959
Customer accts/contracts	2,917,001	126,364	3,043,365
Special assessments with gov commitment	137,662	-	137,662
Interest on investments	7,329	5,869	13,198
Due from other governments	114,440	-	114,440
Internal balances	(204,666)	204,666	-
Prepaid items	815,159	1	815,160
Investment in joint venture	2,918,758	-	2,918,758
Capital assets not being depreciated:			
Land	320,618,253	-	320,618,253
Intangible assets - easements	91,841	35,442	127,283
Construction in progress	6,746,278	-	6,746,278
Capital assets, net of accum deprec (Note 6):			
Buildings	30,183,890	182,408	30,366,298
Improvements other than buildings	5,045,297	26,068,551	31,113,848
Equipment, vehicles & software	3,452,228	35,565	3,487,793
Infrastructure	31,939,585	-	31,939,585
Total Assets	\$ 454,660,798	\$ 30,474,167	\$ 485,134,965
Liabilities			
Accounts payable/accrued expenses	2,233,936	39,935	2,273,871
Due to other governments	14,267	6,833	21,100
Accrued interest payable	7,363	-	7,363
Custodial accounts/other current liab	378,726	-	378,726
Unearned revenue	24,942	-	24,942
Noncurrent liabilities (Note 10):			
Due within one year	1,006,419	1,835	1,008,254
Due in more than one year	5,636,942	32,776	5,669,718
Total Liabilities	9,302,595	81,379	9,383,974
Net Position			
Net investment in capital assets	397,987,372	26,321,966	424,309,338
Restricted for:			
Tourism promo/capital facilities	5,640,583	-	5,640,583
Debt service	427,355	-	427,355
Capital projects/equipment	1,178,669	-	1,178,669
Transportation purposes/projects	16,377,261	-	16,377,261
Des Moines Creek Basin ILA projects	1,810,988	-	1,810,988
Unrestricted	21,935,975	4,070,822	26,006,797
Total Net Position	\$ 445,358,203	\$ 30,392,788	\$ 475,750,991

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

Statement of Activities
For the Year Ended December 31, 2013

	Program Revenues			
	Expenses	Charges for Services	Operating Grants & Contributions	
Functions/Programs				
<i>Governmental Activities:</i>				
Judicial	\$ 694,789	\$ 623,338	\$ 7,684	\$ -
General Government	6,986,802	1,167,449	362,130	15,340
Public Safety	19,033,626	483,945	621,453	600,000
Transportation	5,923,963	296,258	593,629	1,580,473
Health & Human Services	715,639	-	-	-
Economic & Physical Environment	4,514,277	1,818,332	297,681	800,000
Culture & Recreation	4,074,067	802,931	19,694	312,605
Interest on long-term debt	282,044	-	-	-
Total Governmental Activities	42,225,207	5,192,253	1,902,271	3,308,418
<i>Business-type Activities:</i>				
Surface Water Utilities	1,843,002	1,794,355	-	146,753
Total Business-type Activities	1,843,002	1,794,355	-	146,753
Total Government	\$ 44,068,209	\$ 6,986,608	\$ 1,902,271	\$ 3,455,171

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

Net (Expense) Revenue & Changes in Net Position

	Governmental Activities	Business-type Activities	Total
Functions/Programs			
<i>Governmental Activities:</i>			
Judicial	\$ (63,767)	\$ -	\$ (63,767)
General Government	(5,441,883)	-	(5,441,883)
Public Safety	(17,328,228)	-	(17,328,228)
Transportation	(3,453,603)	-	(3,453,603)
Health & Human Services	(715,639)	-	(715,639)
Economic & Physical Environment	(1,598,264)	-	(1,598,264)
Culture & Recreation	(2,938,837)	-	(2,938,837)
Interest on long-term debt	(282,044)	-	(282,044)
Total Governmental Activities	(31,822,265)	-	(31,822,265)
<i>Business-type Activities:</i>			
Surface Water Utilities	-	98,106	98,106
Total Business-type Activities	-	98,106	98,106
Total Government	(31,822,265)	98,106	(31,724,159)
General Revenues			
Property taxes	12,055,098	-	12,055,098
Retail sales & use taxes	10,553,024	-	10,553,024
Hotel/Motel taxes	1,273,246	-	1,273,246
Parking taxes	6,196,549	-	6,196,549
Gambling taxes	580,478	-	580,478
Excise taxes	2,104,344	-	2,104,344
Unrestricted grants	280,919	-	280,919
Unrestricted investment earnings	63,119	9,685	72,804
Gain on sale of capital assets	8,800	-	8,800
Total General Revenues	33,115,577	9,685	33,125,262
Transfers	839,992	(839,992)	-
Total General Revenues & Transfers	33,955,569	(830,307)	33,125,262
Change in Net Position	2,133,304	(732,201)	1,401,103
Net Position-Beg (as prev reported)	443,070,207	31,124,989	474,195,196
Prior Year Adjustments	154,692	-	154,692
Net Position-Beginning (as restated)	443,224,899	31,124,989	474,349,888
Net Position-Ending	\$ 445,358,203	\$ 30,392,788	\$ 475,750,991

Balance Sheet
December 31, 2013

	Special Revenue Funds			Debt Svc Fund	Cap Imp Funds
	General	Street	Hotel/Motel Tax	Special Assessment Debt	Municipal Facilities CIP
Assets					
Cash & cash equivalents	\$ 10,065,140	\$ 14,511,844	\$ 7,225,823	\$ 299,117	\$ 3,500,931
Receivables (net of allowance for uncollectibles):					
Taxes	2,648,100	660,177	157,806	-	-
Customer accts/contracts	1,460,766	594,043	14,275	-	-
Special assessments	-	-	-	137,662	-
Interest/penalties receivable	130	-	-	7,199	-
Due from other governments	69,659	44,781	-	-	-
Prepaid items	779,947	983	401	-	-
Total Assets	\$ 15,023,742	\$ 15,811,828	\$ 7,398,305	\$ 443,978	\$ 3,500,931
Liabilities					
Accounts/other payable	513,214	163,214	150,802	-	420
Due to other governments	14,267	-	-	-	-
Custodial accts/deposits payable	378,726	-	-	-	-
Unearned revenue	24,942	-	-	-	-
Total Liabilities	931,149	163,214	150,802	-	420
Deferred Inflows of Resources					
Unavail rev-grants/interlocal	17,717	580,475	-	-	-
Unavail rev-property taxes	274,576	-	-	-	-
Unavail rev-court fines	615,356	-	-	-	-
Unavail rev-permits	2,058	-	-	-	-
Unavail rev-spec assess int/pen	-	-	-	7,199	-
Unavail rev-spec assess	-	-	-	137,662	-
Total Deferred Inflows of Res	909,707	580,475	-	144,861	-
Fund Balances (Deficits)					
<i>Nonspendable:</i>					
Prepayments	779,947	983	401	-	-
<i>Restricted:</i>					
Transportation purposes/projects	-	15,067,156	-	-	-
Tourism promo/capital facilities	-	-	7,247,102	-	-
DM Creek Basin ILA projects	-	-	-	-	-
Open space & trail projects	-	-	-	-	-
Capital projects/equipment	-	-	-	-	-
Debt service	-	-	-	299,117	-
<i>Assigned:</i>					
Fire Station construction	-	-	-	-	388,993
Fire equipment replacement	-	-	-	-	-
Light Rail Station(s) projects	-	-	-	-	-
2013/14 Budget-excess approp	2,524,192	-	-	-	3,111,518
<i>Unassigned:</i>					
	9,878,747	-	-	-	-
Total Fund Balances	13,182,886	15,068,139	7,247,503	299,117	3,500,511
Total Liab, Def Inflows of Res & Fund Balances (Deficits)	\$ 15,023,742	\$ 15,811,828	\$ 7,398,305	\$ 443,978	\$ 3,500,931

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

	<u>Cap Imp Funds</u>		
	<u>Transportation CIP</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash & cash equivalents	\$ 2,229,311	\$ 6,659,920	\$ 44,492,086
Receivables (net of allowance for uncollectibles):			
Taxes	-	64,876	3,530,959
Customer accts/contracts	824,063	23,854	2,917,001
Special assessments	-	-	137,662
Interest/penalties receivable	-	-	7,329
Due from other governments	-	-	114,440
Prepaid items	-	110,302	891,633
Total Assets	\$ 3,053,374	\$ 6,858,952	\$ 52,091,110
Liabilities			
Accounts/other payable	1,290,001	100,546	2,218,197
Due to other governments	-	-	14,267
Custodial accounts payable	-	-	378,726
Unearned revenue	-	-	24,942
Total Liabilities	1,290,001	100,546	2,636,132
Deferred Inflows of Resources			
Unavail rev-grants/interlocal	454,251	-	1,052,443
Unavail rev-property taxes	-	-	274,576
Unavail rev-court fines	-	-	615,356
Unavail rev-permits	-	-	2,058
Unavail rev-spec assess int/pen	-	-	7,199
Unavail rev-spec assess	-	-	137,662
Total Deferred Inflows of Res	454,251	-	2,089,294
Fund Balances (Deficits)			
Nonspendable:			
Prepayments	-	110,302	891,633
Restricted:			
Transportation purposes/projects	1,309,122	-	16,376,278
Tourism promo/capital facilities	-	-	7,247,102
DM Creek Basin ILA projects	-	1,810,988	1,810,988
Open space & trail projects	-	261,904	261,904
Capital projects/equipment	-	916,765	916,765
Debt service	-	25,299	324,416
Assigned:			
Fire Station construction	-	-	388,993
Fire equipment replacement	-	1,062,166	1,062,166
Light Rail Station(s) projects	-	980,803	980,803
2013/14 Budget-excess approp	-	1,590,179	7,225,889
Unassigned:			
	-	-	9,878,747
Total Fund Balances	1,309,122	6,758,406	47,365,684
Total Liab, Def Inflows of Res & Fund Balances (Deficits)	\$ 3,053,374	\$ 6,858,952	\$ 52,091,110

**Reconciliation of Fund Balances of Governmental Funds
to the Net Position of Governmental Activities
December 31, 2013**

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

Governmental funds total fund balance on December 31, 2013 **\$ 47,365,684**
(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	\$ 320,618,253	
Intangibles - easements	91,841	
Construction in progress	6,746,278	
Buildings & structures	43,714,449	
Other improvements	10,256,077	
Infrastructure	82,441,994	
Equipment	5,837,190	
Intangibles - software	922,461	
Less: accumulated depreciation	<u>(73,945,382)</u>	396,683,161

Investments in joint ventures are not a financial resource and, therefore, are not reported in the governmental funds. 2,918,758

Other long-term assets are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds. 2,089,295

Bond interest not due in the current period was reported as a prepayment in the governmental funds. (76,474)

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	\$ (4,169,600)	
Premium on bond issue (amortized over life of debt)	(56,920)	
Accrued interest payable	(7,363)	
Other post employment benefits payable	(391,489)	
Compensated absences payable	<u>(2,020,067)</u>	(6,645,439)

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. 3,023,218

Net position of governmental activities **\$ 445,358,203**
(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, 2013

	<u>General</u>	<u>Street</u>	<u>Hotel/Motel Tax</u>	<u>Special Assessment Debt</u>
Revenues				
Taxes	\$ 24,252,838	\$ 6,196,549	\$ 929,146	\$ -
Licenses & permits	1,083,719	-	-	-
Intergovernmental & cap contrib	1,344,671	593,411	14,687	-
Charges for services	1,252,811	9,993	-	-
Fines & forfeitures	592,340	-	-	8,771
Investment & other earnings	44,389	12,743	7,152	22,412
Special assessments	-	-	-	244,545
Rents/leases & concessions	1,362,189	6,900	-	-
Miscellaneous	227,849	31,916	500	-
Total Revenues	30,160,806	6,851,512	951,485	275,728
Expenditures				
<i>Current:</i>				
Judicial	705,342	-	-	-
General Government	6,353,750	-	-	-
Public Safety	17,959,058	-	-	-
Transportation	878,102	1,940,168	-	-
Health & Human Services	712,376	-	-	-
Physical & Economic Env	2,148,449	62,865	1,205,717	-
Culture & Recreation	3,310,986	-	-	-
<i>Debt Service:</i>				
Principal	-	-	-	195,000
Interest & other costs	77,336	-	-	17,859
<i>Capital Outlay:</i>				
General Government	-	-	-	-
Public Safety	-	-	-	-
Transportation	-	782,970	-	-
Physical & Economic Env	180,000	-	-	-
Culture & Recreation	-	-	-	-
Total Expenditures	32,325,399	2,786,003	1,205,717	212,859
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(2,164,593)</u>	<u>4,065,509</u>	<u>(254,232)</u>	<u>62,869</u>
Other Financing Sources (Uses)				
Transfers in	623,706	-	-	-
Transfers out	(1,004,500)	(545,050)	-	-
Disposal/insurance-cap assets	16,165	42,152	-	-
Total Other Fin Sources (Uses)	(364,629)	(502,898)	-	-
<i>Net Change in Fund Balances</i>	(2,529,222)	3,562,611	(254,232)	62,869
Fund Balances-Beg	15,712,108	11,505,528	7,501,735	236,248
Fund Balances-Ending	\$ 13,182,886	\$ 15,068,139	\$ 7,247,503	\$ 299,117

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

	<u>Municipal Facilities CIP</u>	<u>Transportation CIP</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ -	\$ -	\$ 1,470,956	\$ 32,849,489
Licenses & permits	-	-	-	1,083,719
Intergovernmental & cap contrib	-	528,030	1,958,366	4,439,165
Charges for services	-	47,325	233,341	1,543,470
Fines & forfeitures	-	-	17	601,128
Investment & other earnings	3,527	3,827	6,967	101,017
Special assessments	-	-	-	244,545
Rents/leases & concessions	-	-	-	1,369,089
Miscellaneous	-	9,485	59,789	329,539
Total Revenues	3,527	588,667	3,729,436	42,561,161
Expenditures				
<i>Current:</i>				
Judicial	-	-	-	705,342
General Government	-	-	114,300	6,468,050
Public Safety	-	-	-	17,959,058
Transportation	-	646,765	-	3,465,035
Health & Human Services	-	-	-	712,376
Physical & Economic Env	-	-	167,711	3,584,742
Culture & Recreation	-	-	3,843	3,314,829
<i>Debt Service:</i>				
Principal	-	-	737,450	932,450
Interest & other costs	-	-	143,174	238,369
<i>Capital Outlay:</i>				
General Government	-	-	773,664	773,664
Public Safety	216,956	-	6,851	223,807
Transportation	-	3,707,113	-	4,490,083
Physical & Economic Env	-	-	27,788	207,788
Culture & Recreation	-	-	2,103,631	2,103,631
Total Expenditures	216,956	4,353,878	4,078,412	45,179,224
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(213,429)</u>	<u>(3,765,211)</u>	<u>(348,976)</u>	<u>(2,618,063)</u>
Other Financing Sources (Uses)				
Transfers in	-	1,054,500	242,872	1,921,078
Transfers out	-	-	(5,171)	(1,554,721)
Disposal/insurance-cap assets	-	-	800	59,117
Total Other Fin Sources (Uses)	-	1,054,500	238,501	425,474
<i>Net Change in Fund Balances</i>	(213,429)	(2,710,711)	(110,475)	(2,192,589)
Fund Balances-Beg	3,713,940	4,019,833	6,868,881	49,558,273
Fund Balances-Ending	\$ 3,500,511	\$ 1,309,122	\$ 6,758,406	\$ 47,365,684

**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, 2013**

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

Net change in fund balance for all governmental funds combined **\$ (2,192,589)**
*(as shown on the Statement of Revenues, Expenditures and
Changes in Fund Balances for Governmental Funds)*

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

Capital outlays	7,798,973	
Depreciation expense	<u>(5,264,351)</u>	2,534,622

The net effect of various miscellaneous transactions involving capital
assets (i.e. asset sales, transfers, etc) is to decrease net position. (26,373)

Investment in joint ventures are not considered financial resources and are,
therefore, not reported in the governmental funds. 199,239

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	26,107	
Debt principal repayments	<u>932,450</u>	958,557

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. 696,346

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	(69,782)	
Net increase in other post employment benefits	(69,612)	
Net increase in compensated absences	<u>(547,593)</u>	(686,987)

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	147,825	
Interest earnings	1,744	
Other miscellaneous revenue	912	
Transfers involving other funds (net)	<u>500,008</u>	<u>650,489</u>

Change in net position of governmental activities **\$ 2,133,304**

(as shown on the Statement of Activities-Governmental Activities)

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

Statement of Net Position
December 31, 2013

	Business-type Activities			Governmental Activities
	Surface Water Management Operating	Surface Water Management Construction	Total Enterprise Funds	Internal Service Fund
Assets				
<i>Current Assets:</i>				
Cash & cash equivalents	\$ 2,377,010	\$ 1,438,291	\$ 3,815,301	\$ 1,854,698
Customer receivables (net)	126,364	-	126,364	-
Interest receivable	5,869	-	5,869	-
Prepaid items	1	-	1	-
Total Current Assets	2,509,244	1,438,291	3,947,535	1,854,698
<i>Noncurrent Assets:</i>				
Capital assets (net of accumulated depreciation):				
Buildings	-	182,408	182,408	-
Other improvements	1,164,526	24,904,025	26,068,551	-
Vehicles and equipment	-	-	-	1,394,210
Intangible assets	35,565	35,442	71,007	-
Total Noncurrent Assets	1,200,091	25,121,875	26,321,966	1,394,210
Total Assets	\$ 3,709,335	\$ 26,560,166	\$ 30,269,501	\$ 3,248,908
Liabilities				
<i>Current Liabilities:</i>				
Accounts payable	39,935	-	39,935	15,739
Due to other governments	6,833	-	6,833	-
Compensated absences	1,835	-	1,835	280
Total Current Liabilities	48,603	-	48,603	16,019
<i>Noncurrent Liabilities:</i>				
Compensated absences	32,776	-	32,776	5,005
Total Noncurrent Liabilities	32,776	-	32,776	5,005
Total Liabilities	81,379	-	81,379	21,024
Net Position				
Investment in capital assets	1,200,091	25,121,875	26,321,966	1,394,210
Unrestricted	2,427,865	1,438,291	3,866,156	1,833,674
Total Net Position	\$ 3,627,956	\$ 26,560,166	\$ 30,188,122	\$ 3,227,884
Cumulative adjustment to reflect the consolidation of the Equipment Rental Internal Service Fund activities as related to enterprise funds over time.			204,666	
Net position of business-type activities			\$ 30,392,788	

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, 2013

	Business-type Activities			Governmental Activities
	Surface Water Management Operating	Surface Water Management Construction	Total Enterprise Funds	Internal Service Fund
Operating Revenues				
<i>Charges for Services:</i>				
Surface water utilities	\$ 1,794,355	\$ -	\$ 1,794,355	\$ -
Equipment rental	-	-	-	647,328
Total Operating Revenues	1,794,355	-	1,794,355	647,328
Operating Expenses				
Maintenance & operations	1,242,907	-	1,242,907	259,270
Depreciation	101,070	556,416	657,486	190,504
Total Operating Expenses	1,343,977	556,416	1,900,393	449,774
Operating Income (Loss)	450,378	(556,416)	(106,038)	197,554
Nonoperating Revenues (Exps)				
Investment earnings	8,280	1,406	9,686	1,744
Misc nonoperating revs (exps)	7,661	-	7,661	912
Total Nonoperating Revs (Exps)	15,941	1,406	17,347	2,656
Income (Loss) Before Contributions & Transfers	466,319	(555,010)	(88,691)	200,210
Capital contributions	-	26,373	26,373	-
Capital grants	146,753	-	146,753	-
Transfers in	3,171	-	3,171	613,336
Transfers out	(869,536)	-	(869,536)	(113,328)
Change in Net Position	(253,293)	(528,637)	(781,930)	700,218
Net Position-Beginning	3,881,249	27,088,803		2,527,666
Net Position-Ending	\$ 3,627,956	\$ 26,560,166		\$ 3,227,884

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.

49,729

Change in net position of business-type activities **\$ (732,201)**

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



Statement of Cash Flows
For the Year Ended December 31, 2013

	Business-type Activities-Enterprise Funds			Governmental Activities
	Surface Water Management Operating	Surface Water Management Construction	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities:				
Receipts from customers	\$ 1,694,148	\$ -	\$ 1,694,148	\$ -
Receipts from other funds	122,000	-	122,000	647,328
Payments to suppliers	(544,992)	-	(544,992)	(76,967)
Payments to employees	(713,414)	-	(713,414)	(39,976)
Payments to other funds	-	-	-	(96,739)
Net Cash Provided (Used) by Operating Activities	557,742	-	557,742	433,646
Cash Flows from Noncapital Financing Activities:				
Transfers from other funds	3,171	-	3,171	-
Transfers to other funds	(256,200)	-	(256,200)	(113,328)
Nonoperating revenue received	7,409	-	7,409	-
Net Cash Provided (Used) by Noncapital Fin Activities	(245,620)	-	(245,620)	(113,328)
Cash Flows from Capital & Related Financing Activities:				
Capital grants	146,753	-	146,753	-
Proceeds from damaged assets	-	-	-	911
Purchase of capital assets	(624,271)	-	(624,271)	(142,875)
Net Cash Provided (Used) by Capital & Related Fin Activities	(477,518)	-	(477,518)	(141,964)
Cash Flows from Investing Activities:				
Interest received	10,219	1,407	11,626	1,744
Net Cash Provided (Used) by Investing Activities	10,219	1,407	11,626	1,744
Net Increase (Decrease) in Cash and Cash Equivalents	(155,177)	1,407	(153,770)	180,098
Cash & Cash Equivalents-Beg	2,532,187	1,436,884	3,969,071	1,674,600
Cash & Cash Equivalents-End	\$ 2,377,010	\$ 1,438,291	\$ 3,815,301	\$ 1,854,698

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

	<u>Business-type Activities-Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Surface Water Management Operating</u>	<u>Surface Water Management Construction</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 450,378	\$ (556,416)	\$ (106,038)	\$ 197,554
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	101,070	556,416	657,486	190,504
(Incr) decr in accts receivable	5,032	-	5,032	-
(Incr) decr in prepaid expenses	(1)	-	(1)	42,053
Incr (decr) in accounts payable	(6,913)	-	(6,913)	3,743
Incr (decr) in due to other governments	6,833	-	6,833	-
Incr (decr) in compensated absences	1,343	-	1,343	(208)
Total adjustments	107,364	556,416	663,780	236,092
Net Cash Provided (Used) by Operating Activities	\$ 557,742	\$ -	\$ 557,742	\$ 433,646
Noncash Capital Activities:				
Contributions of capital assets (other improvements) paid for by the Street Fund.	-	8,771	8,771	-
Transfer of new capital asset equipment from the Surface Water Management Operating Fund to the Equipment Rental Fund.	(613,336)	-	(613,336)	613,336
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.	-	17,602	17,602	-
Total Noncash Capital Activities	\$ (613,336)	\$ 26,373	\$ (586,963)	\$ 613,336



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 any new GASB Statements implemented 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 2013, 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.34. Biennial 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 & SCORE Bond Fund*), 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 the Internal Service Fund (*Equipment Rental*).

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

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 two year biennial period.

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

2. Amending the Budget

The City's biennial 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.

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 two year appropriated budget. The final budget is the original two year budget adjusted by all supplemental appropriations, transfers, allocations and other legally authorized changes applicable to the two fiscal years combined.

3. Excess of Expenditures over Appropriations

There were no City funds in which expenditures exceeded appropriations.

4. Deficit Fund Net Position

There were no City funds with deficit fund net positions.

E. Assets, Liabilities, Fund Balance, Net Position

1. Cash and Cash Equivalents

It is the City's policy to invest all temporary cash surpluses. At December 31, 2013, the City had holdings of \$50,162,085 (*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, 2013, the City's total cash and cash equivalents (*including cash restricted for debt*) consisted of the following:

Bank of America, General Fund Checking Account.....	\$15,394,123
Bank of America, Municipal Court Checking Account	107,671
Cash with Colliers International.....	35,583
Cash with Discovery Benefits, Inc.	10,000
Cash Equivalents with State Treasurer's Investment Pool.....	34,604,808
City Hall Postage Meter Fund	8,000
Petty Cash/Change Funds	1,900
Total Cash and Cash Equivalents.....	<u>\$50,162,085</u>

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 was \$17.7 million.

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 1st. Property tax payments can be paid in two installments due on April 30th and October 31st. Collections are distributed daily to the City. (See Note 5 Property Taxes for additional information). Other taxes receivable consist of sales taxes, hotel/motel taxes, gambling taxes, real estate excise taxes, motor vehicle fuel taxes, leasehold excise taxes and parking taxes. 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, 2013, \$17,131 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 2013.

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 a future period(s) and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the *Statement of 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, grants, Interlocal revenues, operating leases, permits, 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 (excludes International Association of Firefighter (IAFF) employees) employees receive payment equal to 25% of their accrued and unused sick leave up to a 64 hour maximum. The sick leave cash out does not apply to employees who leave during their probationary period or are on the annual Sick Leave Cash-Out Program. It is the City's policy that payment for accumulated 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.

In September 2013, the City Council authorized the City Manager to execute an Interlocal Agreement between the City of SeaTac and the Kent Fire Department Regional Fire Authority (Kent RFA) to establish a contractual fire services consolidation effective January 1, 2014. In March 2014, a Memorandum of Understanding (MOU) was signed between the City and the Kent RFA. The MOU set the amount that the City will pay for accrued leave balances. The amount agreed to for the accrued leave balances was \$1,162,124. This amount was included in the compensated absences liability total for governmental-activities in the government-wide *Statement of Net Position*.

At the end of 2013, the total liability was \$2,020,066 and includes accumulated unused vacation, sick leave, floating holiday and compensatory time for the governmental funds. This liability has been reported in the government-wide *Statement of Net Position*. It is estimated that \$626,533 of this liability will be due within one year. No current liability has been recorded for compensated absences in the governmental funds.

Accumulated amounts for 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 Utility Fund* at December 31, 2013 was \$34,611. It is estimated that \$1,835 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 \$5,285 and it is estimated that \$280 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. Therefore, the flow assumption or order of spending within unrestricted fund balance would be assigned and then unassigned since the City does not have anything reported as committed.

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

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.

F. 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 2013, the *Contingency (Reserve) Fund* had a cash balance of \$775,819. 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 a reconciliation between *net position – total enterprise funds* and *net position - business-type activities* as reported in the government-wide *Statement of Net Position*.

The description of the sole element of that reconciliation is “*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	\$154,937
Internal receivable representing charges in excess of cost to business-type activities – current year	<u>49,729</u>
Net adjustment to increase net position – total enterprise funds to arrive at net position – business-type activities	<u>\$204,666</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, 2013, 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.

Investment	Call Date	Maturity Date	Maturities	Recorded/ Fair Value
State Treasurer's Local Government Investment Pool	N/A	Daily Basis	\$34,604,808	\$34,604,808
Total Investments			\$34,604,808	\$34,604,808

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 2013, due to low interest rates, the City had no investments outside of the LGIP. In December 2013, the LGIP's investments had net earnings rate of .1276%.

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, 2013 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. Although the City held no other investments during the year, the City typically buys investments rated 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

January 1st	Taxes are levied and become an enforceable lien against properties.
February 14th	Tax bills are mailed.
April 30th	First of two equal installment payments is due. If taxes are less than \$50, full payment is due. (RCW 84.56.020)
May 31st	Assessed value of property established for next year's levy at 100 percent of market value.
June 1st	Three percent penalty assessed on the current year’s delinquent taxes. (RCW 84.56.020)
October 31st	Second installment is due. (RCW 84.56.020)
December 1st	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 \$3.10 per \$1,000 of assessed value. Based on a City-wide assessed valuation of \$4,373,228,006 the total property tax levy for 2013 was \$13,338,345. (Note: Property taxes collected in 2013 are based on the 2012 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 2013, the City transferred \$17,602 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, \$8,771 in infrastructure assets from the *South 188th Street Overlay project* was also transferred into this Fund. Governmental capital asset transfers into the *Surface Water Management Construction Fund* totaled \$26,373 in 2013. Finally, the *Surface Water Management Operating Fund* purchased a street sweeper and a vactor truck and transferred them into the *Equipment Rental Fund* in the amount of \$613,336.

The table below summarizes the changes in the City's governmental capital assets during 2013. Please note that \$1,394,210 (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*.

Governmental Activities Capital Assets	Beginning Balance 01/01/2013	Increases	Decreases	Transfers In/ (Out) & Misc Adj	Ending Balance 12/31/2013
Capital assets not being depreciated:					
Land	\$320,229,042	\$389,211	\$0	\$0	\$320,618,253
Intangible Assets–Easements	71,226	20,615	0	0	91,841
Construction in Progress (CIP)	1,084,720	5,690,770	0	(29,212)	6,746,278
Total assets not being deprec.	321,384,988	6,100,596	0	(29,212)	327,456,372
Capital assets being depreciated:					
Buildings/Bldg Improvements	43,285,701	428,748	0	0	43,714,449
Other Improvements	9,933,178	311,289	0	(17,602) 29,212	10,256,077
Infrastructure	81,656,993	793,772	0	(8,771)	82,441,994
Equipment/Vehicles	5,837,811	164,568	(165,189)	0	5,837,190
Equipment/Vehicles (Eq Rental)	2,471,163	125,325	0	613,336	3,209,824
Intangible Assets-Software	922,460	0	0	0	922,460
Total assets being depreciated	144,107,306	1,823,702	(165,189)	616,175	146,381,994
Total governmental capital assets before depreciation	\$465,492,294	\$7,924,298	\$(165,189)	\$586,963	\$473,838,366
Less accumulated depreciation for:					
Buildings/Bldg Improvements	(11,716,038)	(1,814,521)	0	0	(13,530,559)
Other Improvements	(4,597,351)	(613,429)	0	0	(5,210,780)
Equipment/Vehicles	(3,832,563)	(277,447)	165,189	(19,858)	(3,964,679)
Equipment/Vehicles (Eq Rental)	(1,625,108)	(190,505)	0	0	(1,815,613)
Infrastructure	(48,008,117)	(2,494,292)	0	0	(50,502,409)
Intangible Assets-Software	(692,151)	(44,804)	0	0	(736,955)
Total accumulated depreciation	(70,471,328)	(5,434,998)	165,189	(19,858)	(75,760,995)
Total governmental activities capital assets (net)	\$395,020,966	\$2,489,300	\$0	\$567,105	\$398,077,371

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

Governmental Activities:	
Judicial	\$2,338
General Government	514,929
Public Safety	437,586
Physical & Economic Environment	925,899
Transportation	2,521,086
Transportation (Equipment Rental – Internal Service Fund)	190,505
Culture & Recreation	842,655
Total Depreciation Expense-Governmental Activities	\$5,434,998

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 2013:

Business-Type Activities Capital Assets	Beginning Balance 01/01/2013	Increases	Decreases	Transfers In & (Out)	Ending Balance 12/31/2013
Capital assets not being depreciated:					
Intangible Assets-Easements-SWM	\$35,442	\$0	\$0	\$0	\$35,442
Total assets not being depreciated	35,442	0	0	0	35,442
Capital assets being depreciated:					
Buildings-SWM	228,560	0	0	0	228,560
Other Improvements-SWM	32,154,224	26,373	0	0	32,180,597
Equipment-SWM	0	613,336	0	(613,336)	0
Intangible Assets-Software- SWM	101,336	0	0	0	101,336
Total assets being depreciated	32,484,120	639,709	0	(613,336)	32,510,493
Total business-type capital assets before depreciation	\$32,519,562	\$639,709	\$0	\$(613,336)	\$32,545,935
Less accumulated depreciation for:					
Buildings	(40,991)	(5,161)	0	0	(46,152)
Other Improvements	(5,487,464)	(624,582)	0	0	(6,112,046)
Intangible Assets-Software	(38,028)	(27,743)	0	0	(65,771)
Total accumulated depreciation	(5,566,483)	(657,486)	0	0	(6,223,969)
Total bus-type capital assets (net)	\$26,953,079	\$(17,777)	\$0	\$(613,336)	\$26,321,966

In 2013, the *Surface Water Management Operating Fund* purchased a street sweeper and a vactor truck and transferred them into the *Equipment Rental Fund* in the amount of \$613,336.

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

Business-type Activities:	
Utilities/Physical Environment (Surface Water Management Utility)	\$657,486
Total Depreciation Expense-Business-type Activities	\$657,486

C. Construction Commitments

The following table describes the active construction projects on December 31, 2013 and the City's commitment with the contractors:

Project	Spent to Date	Remaining Commitment
CH2M Hill Engineers, Inc – Connecting 28 th /24 th Avenue South – Engineering	\$983,424	\$1,262,576
Military Road South/South 176 th to South 166 th – Johansen Excavating Inc – Construction	1,634,997	6,355,994
R.W. Scott Construction Co. – South 168 th Sidewalk Project – Construction	1,042,681	323,521
Parametrix, Inc. – South 179 th Street Sidewalk Project – Engineering	100,617	103,916
Total Outstanding Construction Commitments	\$3,761,719	\$8,046,007

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 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. The following disclosures are made pursuant to GASB Statement 27, *Accounting for Pensions by State and Local Government Employers* and 50, *Pension Disclosures, an Amendment of GASB Statements 25 and 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; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education programs. Approximately 49 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.

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 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 2013, 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, in lieu of any retirement benefit, 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 from active status at any age with at least 30 years of service, or at the age of 60 with five years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

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.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

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 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, if hired prior to May 1, 2013:

- 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 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before the age of 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

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. Members who do not choose a contribution rate default to a 5 percent rate. 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 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 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, and were hired before May 1, 2013, 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. If they have at least ten service credit years and are 55.

- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are 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 members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies 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.

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.

There are 1,176 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, 2012:

PERS Membership	
Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to but not yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Non-vested	44,273
Total PERS Members	263,347

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.

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 current-year covered payroll, as of December 31, 2013 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>
Employer ¹	9.21% ²	9.21% ²	9.21% ³
Employee	6.00% ⁴	4.92% ⁴	Varies ⁵

¹The employer rates include the employer administrative expense fee currently set at 0.18%.

²The employer rate for State elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.

³The Plan 3 defined benefit portion only.

⁴The employee rate for State elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.

⁵Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members participating in JBM:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer-State Agency ¹	11.71%	11.71%	9.71% ²
Employer-Local Gov ¹	9.21%	9.21%	7.21% ²
Employee-State Agency	9.76%	9.80%	7.50% ³
Employee-Local Gov	12.26%	12.30%	7.50% ³

¹The employer rates include the employer administrative expense fee currently set at 0.18%.

²Defined benefit portion only.

³Minimum rate.

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

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
2013	\$9,512	\$678,282	\$56,948
2012	\$7,746	\$512,077	\$35,832
2011	\$6,528	\$459,715	\$28,302

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 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 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 2013, 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 in lieu of any retirement benefit, 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:

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

The 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 there is an eligible spouse, 50 percent of the FAS, plus 5 percent of the FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If there is no eligible spouse, eligible children receive 30 percent of the FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of the FAS, divided equally.

A one-time duty-related death benefit is provided to the beneficiary or the estate 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 benefit 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 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.

A one-time duty-related death benefit is provided to the beneficiary or the estate 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.

Benefits to eligible surviving spouses and dependent children of LEOFF 2 members killed in the course of employment include the payment of eligible health care insurance premiums.

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.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

LEOFF Membership	
Retirees and Beneficiaries Receiving Benefits	10,189
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	689
Active Plan Members Vested	14,273
Active Plan Members Nonvested	2,633
Total LEOFF Members	27,784

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. This special funding situation is not mandated by the state constitution and this could be changed by statute. For DRS' Fiscal Year 2013, the state contributed \$54.2 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 current-year covered payroll, as of December 31, 2013, are as follows:

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
Employer¹	0.18%	5.23% ²
Employee	0.00%	8.41%
State	N/A	3.36%

¹The employer rates include the employer administrative expense fee currently set at 0.18%.

²The employer rate for ports and universities is 8.59%.

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

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
2013	\$0	\$259,939
2012	\$0	\$235,266
2011	\$0	\$229,324

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, 2013, there were 158 active members in the City of SeaTac Retirement Trust. Actual employee contributions during the year amounted to \$832,918. Actual employer contributions were \$660,205.

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

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 was effective December 31, 2012.

The City is exposed to various risks of loss such as: theft, damage, destruction of assets, errors & omissions, injuries or property damage to others, and natural disasters. The City purchases commercial insurance for potential claims and lawsuits. The City has not had any significant reduction in insurance coverage from the previous year, and insurance settlements have not exceeded insurance coverage for the past three fiscal years (2011, 2012, and 2013).

The City's broker/consultant is Bannon Carlson & Kessel, Inc. Bannon Carlson & Kessel, Inc. conducted a search for appropriate insurance to meet the City's needs. This resulted in the City selecting Travelers Insurance for property and liability coverage. The commercial insurance policies, limits, and deductibles are as follows:

Coverage Type	Limits	Deductible
Property	\$54,963,332	\$2,500
Earth Movement	\$2,000,000	5%/\$100,000
Flood	\$1,000,000	\$50,000
Employee Theft/Blanket Fidelity	\$1,000,000	\$25,000
General Liability	\$1,000,000 per occurrence/ \$2,000,000 aggregate	\$5,000
Employment practices liability	\$1,000,000	\$10,000
Auto Liability	\$1,000,000	\$5,000
Umbrella Excess Liability	\$9,000,000	(Excess of general & auto liability)
Employee Benefit Liability	\$1,000,000	\$5,000
Public Entity E&O	\$1,000,000	\$10,000

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 2012 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, 2013, the City had no short term debt outstanding. Additionally, there was no short term debt activity during the year.

NOTE 10 – LONG-TERM DEBT

A. General Obligation Bonds

General obligation bonds are a direct obligation of the City for which its full faith and credit are pledged. Debt service (principal, interest and fees) is paid out of "debt service funds". 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").

B. Special Obligation Bonds

In November 2009, the South Correctional Entity Facility Public Development Authority (the "SCORE PDA") issued \$86 million in special obligation bonds to carry out the facility development project. SCORE issued Series 2009A (tax exempt) bonds in the amount of \$8,205,000 and Series 2009B (taxable Build America Bonds) bonds in the amount of \$78,030,000. The City of SeaTac 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 a 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 2013 are listed in the table below:

Description/ Range of Maturities	Interest Rate	Original Issue Amount	Amount Outstanding
2009 LTGO Refunding (2010 – 2018) <i>Portion that Refunded the 1998 Hotel/Motel Bonds</i>	2.00% - 4.00%	\$2,675,000	\$1,550,000
2009 LTGO Refunding (2010 – 2013) <i>Portion that Refunded the 1998 LTGO Bonds</i>	2.00%	\$1,540,000	\$0
Total General Obligation Bonds		\$4,215,000	\$1,550,000
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	\$2,283,450
Total Special Obligation Bonds (Contractual)		\$2,587,050	\$2,529,600
Total Governmental-type Debt		\$6,802,050	\$4,079,600

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 ¹
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	330,000	13,200	2018	67,200	141,479
2019-2023	0	0	2019-2023	373,050	653,160
2024-2028	0	0	2024-2028	451,800	534,291
2029-2033	0	0	2029-2033	554,250	372,104
2034-2038	0	0	2034-2038	683,850	168,158
2039-2043	0	0	2039-2043	154,950	5,126
Total Ref Bonds	\$1,550,000	\$177,700	Total SCORE Bonds	\$2,529,600	\$2,468,131

¹Note: 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.

As of the end of 2013, the City has used 6.7% 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 \$57 million remaining in available debt capacity. For voted debt (up to 2.5% of total taxable property), the City has \$97 million in remaining debt capacity. There is currently no voted debt outstanding. (Note: If the City

issued the full \$57 million of Councilmanic debt, only \$40 million in voted debt could be issued for general purposes.)

The City had no arbitrage rebate liability for outstanding tax exempt bonds in 2013.

At December 31, 2013, the City had \$12,798 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 in the future for the acquisition/construction of tourism related capital facilities per Ordinance #98-1049.

C. Revenue Bonds

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

D. Special Assessment Bonds

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 \$17,131 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 2013, no additional special assessment bonds were issued and the City had no arbitrage rebate liability.

Special assessment bonds outstanding at the end of 2013 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	\$90,000
Total Special Assessment Bonds with Governmental Commitment		\$2,871,819	\$90,000

The estimated annual debt service requirements (as per BNY Mellon) to maturity for the special assessment bonds are listed in the table below (*Note: Estimated debt maturities are June 1st 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
2014	\$0	\$17,625
2015	0	17,625
2016	0	17,625
2017	90,000	17,625
Total SA Bonds with Gov Commitment	\$90,000	\$70,500

On December 31, 2013, the *Special Assessment Debt Fund* had \$299,117 in cash and the *LID Guarantee Fund* had \$12,500.

NOTE 11 - LEASES

A. Operating Lease Obligations

The City leases copier equipment under a four year cancelable operating lease. This lease became effective on July 1, 2012. The operating lease includes a per copy fee for repair and maintenance which includes all supplies except paper.

B. Operating Lease Receivables

The City has five cancelable lease agreements to lease out portions of the second floor in City Hall. 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. 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 two parking and one land lease agreement. The first parking lease is for the use of parking spaces at the old Riverton Heights School property and the second one is with Sound Transit to lease parking spaces at SeaTac Center for the South 154th Light Rail Station. The City also has a 50 year land lease agreement with the YMCA for 6.5 acres through December 31, 2054.

For the other buildings, the City has a month-to-month lease agreement for the use of 3,750 square feet of outdoor space at the Maintenance Facility with the City of Burien and a month-to-month residential lease agreement for real property located near the SeaTac Center which will be included in a redevelopment project in the future. Lastly, the City has a lease agreement for 1,800 square feet of land behind Fire Station #47 and one bay in the Station with King County Medic One.

On December 31, 2009, the City purchased a retail building (*SeaTac Center*) near the South 154th 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 2013, accumulated depreciation on the building was \$3.4 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 2013, 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	
Square Footage	6,336	3,204	1,427	1,969	5,424	7,426
Commencement Date	1/1/2014	5/1/2011	9/1/2011	2/1/2011	7/1/2008	2/1/2012
Termination Date	12/31/2017	4/30/2016	1/31/2016	1/31/2016	1/31/2016	7/31/2017
Contract Terms	Lease extension: \$18 sq ft w/3% increase annually + 236 sq ft storage	Lease Extension: \$7,141 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
	Tenant #5	Tenant #6	Tenant #7		Tenant #8	
Square Footage	904	2,759	24,500		2,876	
Commencement Date	3/1/2008	12/15/2007	11/1/2012		1/1/2012	
Termination Date	6/30/2016	4/15/2018	9/30/2017		12/31/2016	
Contract Terms	Lease extension: \$1,645 mth w/2% increase annually	\$19.50 sq ft w/3% increase annually	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		Lease Extension: \$3,387 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 31st:

2014	\$704,820
2015	735,236
2016	550,401
2017	435,556
2018	53,870
2019 - 2022	0
Total min lease payments required	<u>\$2,479,883</u>

NOTE 12 - CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2013, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/13	Additions	Reductions	Ending Balance 12/31/13	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$2,230,000	\$0	\$(680,000)	\$1,550,000	\$295,000
Special obligation bonds	2,587,050	0	(57,450)	2,529,600	58,500
Special assessment bonds	285,000	0	(195,000)	90,000	0
Add: Premium on GO bonds	83,027	0	(26,106)	56,921	26,106
Total bonds payable - net	\$5,185,077	\$0	\$(958,556)	\$4,226,521	\$379,606
Other post-employment benefits-NOO ¹	321,877	69,612	0	391,489	N/A
Compensated absences	1,472,474	566,203	(18,611)	2,020,066	626,533
Compensated absences-ISF	5,494	0	(208)	5,286	280
Gov activities long-term liabilities	\$6,984,922	\$635,815	\$(977,375)	\$6,643,362	\$1,006,419
Business-type Activities:					
Compensated absences	\$33,268	\$3,850	\$(2,507)	\$34,611	\$1,835
Bus-type activities long-term liab	\$33,268	\$3,850	\$(2,507)	\$34,611	\$1,835

¹Beginning balance adjusted due to a prior period adjustment made in 2013 in the amount of (\$154,692).

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, 2013, a small number of tort claims and lawsuits had been filed against the City. These tort 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.

As of December, 31, 2013, it was unknown if this lawsuit would have any significant probability of resulting in a Plaintiff’s award, and it was believed that the payment of any valid claims or adverse judgments resulting from this lawsuit would be covered by insurance. This case was resolved through a settlement agreement in January 2014.

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.

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.

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 \$25,434,856 in restricted net assets. None of the restrictions were from enabling legislation.

NOTE 15 - INTERFUND BALANCES & TRANSFERS

During 2013, 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:

Transfers From (Out)						
Fund	General Fund #001 ¹	Street Fund #102	SWM Operating Fund #403	Equipment Rental Fund #501 ²	Other Non-Major Funds	Totals
General Fund #001 ¹	\$0	\$395,050	\$113,328	\$113,328	\$2,000	\$623,706
Street Fund #102	0	0	0	0	0	\$0
Special Assessment Debt Fund #204	0	0	0	0	0	\$0
Transportation CIP Fund #307	904,500	150,000	0	0	0	\$1,054,500
SWM Utility Fund #403	0	0	0	0	3,171	\$3,171
Other Non-Major Funds	100,000	0	142,872	0	0	\$242,872
Total Cash Transfers	\$1,004,500	\$545,050	\$256,200	\$113,328	\$5,171	\$1,924,249
Transfer in of capital assets:						
To Surface Water Management Construction Fund #406 from Des Moines Creek Basin ILA Fund #111						\$17,602
To Surface Water Management Construction Fund #406 from Street Fund #102						\$8,771
To Equipment Rental Fund #501 from Surface Water Management Operating Fund #403						\$613,336
Total Interfund Transfers						\$2,563,958

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

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

In the proprietary statements, the transfer in of capital assets from the governmental funds is shown as a capital contribution. During the year, capital improvements were funded by a governmental fund, the *Des Moines Creek Basin ILA Fund*, in the amount of \$17,602 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 *Street Fund*, were transferred out in the amount of \$8,771 to the *Surface Water Management Construction Fund* for improvements made on the South 188th Street Overlay Project. Finally, the *Surface Water Management Operating Fund* transferred a street sweeper and a vactor truck into the *Equipment Rental Fund* in 2013 in the amount of \$613,336.

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

General Fund #001

The following interfund transfers were made into the *General Fund* in 2013:

1. *Street Fund #102* – Reimbursement of administrative costs (\$382,000) and Maintenance Facility maintenance costs (\$13,050) for a total amount of \$395,050.
2. *Des Moines Creek Basin ILA Fund #111* - Reimbursement for treasury services provided by the City per Interlocal Agreement (\$2,000).
3. *Surface Water Management Utility Fund #403* – Reimbursement of administrative costs (\$99,778) and Maintenance Facility maintenance costs (\$13,550) for a total of \$113,328.
4. *Equipment Rental Fund #501* – Reimbursement of administrative costs (\$99,778) and Maintenance Facility maintenance costs (\$13,550) for a total of \$113,328.

Note: In the government-wide statements, the *Equipment Rental Fund* is shown in the governmental activities column.

Transportation CIP Fund #307

In 2013, two interfund transfers totaling \$1,054,500 were made into the *Transportation CIP Fund* as follows:

1. *General Fund #001* – Transferred community relief monies for the South 168th Street sidewalk improvements (\$904,500).
2. *Street Fund #102* – Transferred parking taxes (\$150,000) to assist with the payment of capital infrastructure projects in the City.

Surface Water Management Utility Fund #403

One transfer was made into the *Surface Water Management Utility Fund* from the *Des Moines Creek Basin Fund* in the amount of \$3,171 as reimbursement for the City provided berm mowing costs at the Basin. Two transfers out from the *Surface Water Management Utility Fund* were made into the *Des Moines Creek Basin Fund* for maintenance and operations (\$64,915) and future capital replacement improvements at the Basin (\$77,957) for a total amount of \$142,872.

NOTE 16 - RECEIVABLE AND PAYABLE BALANCES

A. Receivables

The receivable balances for the major funds at December 31, 2013 were as follows:

Fund	Taxes	Customer Accounts (Net) ¹ & Contracts	Special Assessments/ Interest & Penalties	Due from Other Gov	Total
Governmental Activities:					
General #001	\$2,648,100	\$1,460,766	\$130	\$69,659	\$4,178,655
Street #102	660,177	594,043	0	44,781	1,299,001
Hotel/Motel Tax #107	157,806	14,275	0	0	172,081
Special Assessment Debt #204	0	0	144,861	0	144,861
Transportation CIP #307	0	824,063	0	0	824,063
Other Non-Major Funds	64,876	23,854	0	0	88,730
Subtotal Governmental Activities	\$3,530,959	\$2,917,001	\$144,991	\$114,440	\$6,707,391
<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
Total Governmental Activities	\$3,530,959	\$2,917,001	\$144,991	\$114,440	\$6,707,391
<i>Amounts not scheduled for collection during the subsequent year for governmental activities</i>	0	0	76,929	0	76,929
Business-type Activities:					
Surface Water Mgt Operations #403	\$0	\$126,364	\$5,869	\$0	\$132,233
Surface Water Mgt Constr #406	0	0	0	0	0
Total Business-type Activities	\$0	\$126,364	\$5,869	\$0	\$132,233

¹ 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, 2013 were as follows:

Fund	Accounts	Due to Other Gov	Deposits & Custodial	Interest & Other	Total
Governmental Activities:					
General #001	\$513,214	\$14,267	\$378,726	\$0	\$906,207
Street #102	163,214	0	0	0	163,214
Hotel/Motel Tax #107	150,802	0	0	0	150,802
Municipal Facilities CIP #306	420	0	0	0	420
Transportation CIP #307	1,290,001	0	0	0	1,290,001
Other Non-Major	100,546	0	0	0	100,546
Subtotal Governmental Activities	\$2,218,197	\$14,267	\$378,726	\$0	\$2,611,190
<i>Reconciliation of balances in fund financial statements to government-wide financial statements:</i>					
Internal service fund adjustment	15,739	0	0	0	15,739
Bond interest payable	0	0	0	7,363	7,363
Total Governmental Activities	\$2,233,936	\$14,267	\$378,726	\$7,363	\$2,634,292
Business-type Activities:					
Surface Water Management #403	\$39,935	\$6,833	\$0	\$0	\$46,768
Surface Water Management Const #406	0	0	0	0	0
Total Business-type Activities	\$39,935	\$6,833	\$0	\$0	\$46,768

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 Host City Agreement. Pursuant to SCORE financial policies, all unexpected funds or reserve funds shall be distributed based on the percentage of the Member City’s average daily population at the SCORE Facility for the last three (3) years regardless of their Owner City or Host City status.

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

Financing for the acquisition, construction, equipping, and improvement of the SCORE Facility was provided by bonds issued by the South Correctional Entity Facility Public Development Authority (the “SCORE PDA”), a public development authority chartered by the City of Renton pursuant to RCW 35.21.730 through 35.21.755 and secured by the full faith and credit of the Cities of Auburn, Burien Federal Way, Renton, SeaTac, and Tukwila. 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%
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	2,240,000	4,715,979	(1,621,980)	5,333,999	1,653,540	213,360	960,120	1,920,240	160,020	426,720
2019-2023	12,435,000	21,771,988	(7,583,953)	26,623,035	8,253,141	1,064,921	4,792,146	9,584,293	798,691	2,129,843
2024-2028	15,060,000	17,809,677	(6,398,978)	26,470,699	8,205,917	1,058,828	4,764,726	9,529,452	794,121	2,117,656
2029-2033	18,475,000	12,403,424	(4,553,914)	26,324,510	8,160,598	1,052,980	4,738,412	9,476,824	789,735	2,105,961
2034-2038	22,795,000	5,605,241	(2,225,755)	26,174,486	8,114,091	1,046,979	4,711,407	9,422,815	785,235	2,093,959
2039	5,165,000	170,858	(119,601)	5,216,257	1,617,040	208,650	938,926	1,877,853	156,488	417,301
Totals	\$84,320,000	\$82,270,929	(29,046,710)	137,544,219	42,638,709	5,501,767	24,757,959	49,515,922	4,126,327	11,003,539

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 under non-current assets. The following is condensed (unaudited) financial information as of December 31, 2013 related to SCORE:

South Correctional Entity (SCORE) 2013 Owner Cities Equity Allocation				
Member City	Percent of Equity	2012 Equity Balance	2013 Distribution	2013 Equity Balance
Auburn	31.00%	\$1,368,859	\$1,148,378	\$2,517,237
Burien	4.00%	176,627	117,696	294,323
Des Moines	1.00%	0	107,970	107,970
Federal Way	22.00%	794,820	1,026,120	1,820,940
Renton	31.00%	1,589,644	958,575	2,548,219
SeaTac	4.00%	132,469	199,239	331,708
Tukwila	7.00%	353,254	248,680	601,934
Grand Totals	100.00%	\$4,415,673	\$3,806,658	\$8,222,331

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

NOTE 18 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

A. LEOFF 1 Retirees

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 \$71,915 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)	\$157,602
Interest on net OPEB obligation	12,875
Adjustment to annual required contribution	<u>(28,950)</u>
Annual OPEB cost (expense)	141,527
Contributions made	<u>(71,915)</u>
Increase in net OPEB obligation	69,612
Net OPEB Obligation – Beginning of Year (Corrected)	<u>321,877</u>
Net OPEB Obligation – End of Year	<u>\$391,489</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 2013 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Contribution as a Percentage of Annual OPEB Cost	OPEB Obligation
2011	\$92,141	57%	\$276,744
2012 (Corrected)	\$104,368	57%	\$321,877
2013	\$141,527	51%	\$391,489

Funded status and funding progress: As of June 30, 2011, 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 \$1,752,280 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 whether 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, 2011 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 (excludes the impact of the excise tax enacted by the federal Patient Protection and Affordable Care Act (PPACA) in 2018) starts at 7.00% in 2012 and decreases to 5.8% in 2015. It remains at 5.7% from 2016-2023. The expected long-term health care inflation assumption of 4.75% was used based on health care actuaries contracted at Milliman. Healthcare costs and trends were also determined by Milliman and used by OSA in the State-wide LEOFF 1 medical study performed in 2013. 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 4.0% (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 3.0% was based on the CPI for Urban Wage Earners and Clerical Workers, Seattle-Tacoma-Bremerton, WA – 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, incidence rate, length of stay and inflation rate. Various tables involving these assumptions were established based on age.

B. Association of Washington Cities Employer Benefit Trust (“Trust”)

Trust Description: The City is a Participating Employer in the Association of Washington Cities Employee Benefit Trust (“Trust”), a cost-sharing multiple-employer welfare benefit plan administered by the Association of Washington Cities. The Trust provides medical benefits to certain eligible retired employees of Participating Employers and their eligible family members. Under Article VII of the Trust document, the Trustees have the authority and power to amend the amount and the nature of the medical and other benefits provided by the Trust. The Trust issues a publicly available financial report that includes financial statements and requires supplementary information for the Trust. That report, along with a copy of the Trust document, may be obtained by writing to the Trust at 1076 Franklin Street SE, Olympia, WA 98501-1346 or by calling 1-800-562-8981.

Funding Policy: The Trust provides that contribution requirements of Participating Employers and of participating employees, retirees and other beneficiaries, if any, are established and may be amended by the Board of Trustees of the Trust. Retirees of the City receiving medical benefits from the Trust contribute the following monthly amounts:

Health First-1000

\$830.01 for non-Medicare enrolled retiree coverage
 \$837.26 for non-Medicare enrolled spouse coverage
 \$443.30 for Medicare enrolled retiree coverage
 \$456.13 for Medicare enrolled spouse coverage

Health First-2500

\$724.72 for non-Medicare enrolled retiree coverage
 \$729.99 for non-Medicare enrolled spouse coverage
 \$388.08 for Medicare enrolled spouse coverage
 \$398.04 for Medicare enrolled spouse coverage

Participating Employers are not contractually required to contribute an assessed rate each year by the Trust for non-LEOFF 1 retirees. The retiree pays for 100% of the premium.

NOTE 19 – OTHER DISCLOSURES**A. Prior Period Adjustments**

In 2013, one prior period adjustment was made in the *governmental activities* column of the government-wide *Statement of Net Position* and *Statement of Activities*. The purpose of the adjustment was to correct an overstatement of the City's LEOFF I OPEB liability in the amount of \$154,692. This overstatement caused the change in net position in the government-wide *Statement of Activities* to be understated by this same amount.

B. Accounting and Reporting Changes

No new GASB statements were implemented in 2013.

C. Subsequent Events

On March 25, 2014, the City Council approved Resolution #14-007 authorizing the City Manager to execute an Interlocal Agreement with the City of Des Moines and the City of Tukwila for the establishment of a Tourism Promotion Area (TPA). The TPA will provide positive impacts to the communities with the increase in tourism related spending. A special assessment will be imposed on the furnishing of lodging to be expended exclusively on tourism promotion. The SeaTac City Council will serve as the legislative authority for the Seattle Southside TPA.

On May 13, 2014, the City Council passed Resolution #14-009 declaring real property located at 19608 International Boulevard (approximately 3 acres) as surplus, and authorized the City Manager to execute a purchase and sale agreement for approximately \$5.6 million with TMI Hospitality, Inc. Proposed development for the property is a 140 room hotel with an estimated development cost of \$20 million.



Required Supplementary Information

Required Supplementary
Information

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (PUC) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
6/30/2007	\$0	\$1,325,508	\$1,325,508	0.0%	\$0	0.0%
6/30/2009	\$0	\$1,263,859	\$1,263,859	0.0%	\$0	0.0%
6/30/2011	\$0	\$1,752,280	\$1,752,280	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, 2011 actuarial report issued by OSA.

The 6/30/09 actuarial information was corrected in 2013.

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013

	2013-2014 Biennial Budget Amounts		2013 Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 51,517,393	\$ 51,692,393	\$ 24,252,838	\$ (27,439,555)
Licenses & permits	2,473,980	2,473,980	1,083,719	(1,390,261)
Intergovernmental	1,388,930	1,388,930	986,594	(402,336)
Charges for services	2,440,305	2,518,805	1,252,811	(1,265,994)
Fines and forfeitures	958,200	958,200	589,780	(368,420)
Investment & other earnings	57,000	57,000	39,087	(17,913)
Rents/leases & concessions	416,150	416,150	222,049	(194,101)
Miscellaneous	40,450	40,450	25,476	(14,974)
Total Revenues	59,292,408	59,545,908	28,452,354	(31,093,554)
Expenditures				
<i>Current:</i>				
Judicial	1,589,540	1,589,540	705,342	884,198
General Government	12,741,870	12,738,304	6,028,189	6,710,115
Public Safety	36,666,857	38,009,476	17,959,058	20,050,418
Transportation	1,641,845	1,641,845	878,102	763,743
Health & Human Services	1,315,544	1,485,544	712,376	773,168
Physical & Economic Environment	3,519,753	3,514,453	1,730,547	1,783,906
Culture & Recreation	6,461,531	6,461,531	3,207,020	3,254,511
<i>Debt Service:</i>				
Interest	-	-	77,336	(77,336)
Capital outlay	-	10,000	-	10,000
Total Expenditures	63,936,940	65,450,693	31,297,970	34,152,723
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(4,644,532)</i>	<i>(5,904,785)</i>	<i>(2,845,616)</i>	<i>3,059,169</i>
Other Financing Sources (Uses)				
Transfers in	3,861,825	4,761,825	1,005,503	(3,756,322)
Disposal/insurance-cap assets	-	-	16,165	16,165
Total Other Fin Sources (Uses)	3,861,825	4,761,825	1,021,668	(3,740,157)
<i>Net Change in Fund Balances</i>	<i>(782,707)</i>	<i>(1,142,960)</i>	<i>(1,823,948)</i>	<i>(680,988)</i>
Fund Balances-Beginning	9,112,074	9,762,227	9,762,227	-
Fund Balances-Ending	\$ 8,329,367	\$ 8,619,267	\$ 7,938,279	\$ (680,988)

*Budgetary basis differs from GAAP basis. See reconciliation on pages immediately following this schedule (after logo page). Final amended budget as of 12/31/13.



**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, 2013**

	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
Revenues				
Taxes	\$ 24,252,838	\$ -	\$ -	\$ -
Licenses & permits	1,083,719	-	-	-
Intergovernmental	986,594	-	-	358,077
Charges for services	1,252,811	-	-	-
Fines and forfeitures	589,780	-	-	-
Investment & other earnings	39,087	759	2,839	125
Rents/leases & concessions	222,049	-	-	-
Miscellaneous	25,476	-	-	(2,337)
Total Revenues	28,452,354	759	2,839	355,865
Expenditures				
<i>Current:</i>				
Judicial	705,342	-	-	-
General Government	6,028,189	-	-	311,291
Public Safety	17,959,058	-	-	-
Transportation	878,102	-	-	-
Health & Human Services	712,376	-	-	-
Physical & Economic Env	1,730,547	-	-	-
Culture & Recreation	3,207,020	-	20,000	-
<i>Debt service:</i>				
Interest	77,336	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	31,297,970	-	20,000	311,291
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(2,845,616)</i>	<i>759</i>	<i>(17,161)</i>	<i>44,574</i>
Other Financing Sources (Uses)				
Transfers in	1,005,503	-	-	-
Transfers out	-	-	(1,004,500)	-
Disposal/insurance-cap assets	16,165	-	-	-
Total Other Fin Sources (Uses)	1,021,668	-	(1,004,500)	-
<i>Net Change in Fund Balances</i>	<i>(1,823,948)</i>	<i>759</i>	<i>(1,021,661)</i>	<i>44,574</i>
Fund Balances-Beginning*	9,467,127	775,060	3,459,024	238,324
Fund Balances-Ending	\$ 7,643,179	\$ 775,819	\$ 2,437,363	\$ 282,898

*Note: Beg fund balances adjusted by 2012 interfund transfer eliminations; Total beg fund balance did not change.

	Special Revenue Funds merged with General Fund as req by GASB Statement No. 54				
	Building Management	Facility Repair & Replacement	Eliminate Transfers Between Funds	General Fund GAAP Basis - Actual Amounts	Net Change - Increase (Decrease)
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ 24,252,838	\$ -
Licenses & permits	-	-	-	1,083,719	-
Intergovernmental	-	-	-	1,344,671	358,077
Charges for services	-	-	-	1,252,811	-
Fines and forfeitures	2,560	-	-	592,340	2,560
Investment & other earnings	1,409	170	-	44,389	5,302
Rents/leases & concessions	1,140,140	-	-	1,362,189	1,140,140
Miscellaneous	204,710	-	-	227,849	202,373
Total Revenues	1,348,819	170	-	30,160,806	1,708,452
Expenditures					
<i>Current:</i>					
Judicial	-	-	-	705,342	-
General Government	1,487	12,783	-	6,353,750	325,561
Public Safety	-	-	-	17,959,058	-
Transportation	-	-	-	878,102	-
Health & Human Services	-	-	-	712,376	-
Physical & Economic Env	417,902	-	-	2,148,449	417,902
Culture & Recreation	-	83,966	-	3,310,986	103,966
<i>Debt service:</i>					
Interest	-	-	-	77,336	-
Capital outlay	180,000	-	-	180,000	180,000
Total Expenditures	599,389	96,749	-	32,325,399	1,027,429
<i>Excess (deficiency) of revenues over (under) expenditures</i>	749,430	(96,579)	-	(2,164,593)	681,023
Other Financing Sources (Uses)					
Transfers in	-	229,598	(561,797)	623,706	(381,797)
Transfers out	(524,698)	-	561,797	(1,004,500)	(1,004,500)
Disposal/insurance-cap assets	-	-	-	16,165	-
Total Other Fin Sources (Uses)	(524,698)	229,598	-	(364,629)	(1,386,297)
<i>Net Change in Fund Balances</i>	224,732	133,019	-	(2,529,222)	(705,274)
Fund Balances-Beginning	1,894,204	(121,631)	-	15,712,108	6,244,981
Fund Balances-Ending	\$ 2,118,936	\$ 11,388	\$ -	\$ 13,182,886	\$ 5,539,707

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013**

	2013-2014 Biennial Budget Amounts		2013 Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 10,751,738	\$ 10,751,738	\$ 6,196,549	\$ (4,555,189)
Intergovernmental	2,114,536	2,114,536	593,411	(1,521,125)
Charges for services	-	-	9,993	9,993
Investment & other earnings	-	-	12,743	12,743
Rents/leases & concessions	13,800	13,800	6,900	(6,900)
Miscellaneous	31,400	31,400	31,916	516
Total Revenues	12,911,474	12,911,474	6,851,512	(6,059,962)
Expenditures				
<i>Current:</i>				
Transportation	4,859,072	6,059,072	1,940,168	4,118,904
Physical & Economic Env	154,500	154,500	62,865	91,635
<i>Capital Outlay:</i>				
Transportation	1,613,500	5,613,500	782,970	4,830,530
Total Expenditures	6,627,072	11,827,072	2,786,003	9,041,069
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>6,284,402</i>	<i>1,084,402</i>	<i>4,065,509</i>	<i>2,981,107</i>
Other Financing Sources (Uses)				
Transfers out	(8,790,100)	(8,790,100)	(545,050)	8,245,050
Disposal/insurance-cap assets	-	-	42,152	42,152
Total Other Fin Sources (Uses)	(8,790,100)	(8,790,100)	(502,898)	8,287,202
<i>Net Change in Fund Balances</i>	<i>(2,505,698)</i>	<i>(7,705,698)</i>	<i>3,562,611</i>	<i>11,268,309</i>
Fund Balances-Beginning	10,034,736	11,505,528	11,505,528	-
Fund Balances-Ending	\$ 7,529,038	\$ 3,799,830	\$ 15,068,139	\$ 11,268,309

*Budgetary basis is the same as GAAP basis; Final budget is the amended amount as of 12/31/13.

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013

	2013-2014 Biennial Budget Amounts		2013 Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,694,370	\$ 1,694,370	\$ 929,146	\$ (765,224)
Intergovernmental	-	-	14,687	14,687
Investment & other earnings	14,000	14,000	7,152	(6,848)
Miscellaneous	-	-	500	500
Total Revenues	1,708,370	1,708,370	951,485	(756,885)
Expenditures				
<i>Current:</i>				
Physical & Economic Env	2,592,217	2,626,717	1,205,717	1,421,000
Total Expenditures	2,592,217	2,626,717	1,205,717	1,421,000
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(883,847)</i>	<i>(918,347)</i>	<i>(254,232)</i>	<i>664,115</i>
Other Financing Sources (Uses)	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
<i>Net Change in Fund Balances</i>	<i>(883,847)</i>	<i>(918,347)</i>	<i>(254,232)</i>	<i>664,115</i>
Fund Balances-Beginning	7,380,704	7,501,735	7,501,735	-
Fund Balances-Ending	\$ 6,496,857	\$ 6,583,388	\$ 7,247,503	\$ 664,115

*Budgetary basis is the same as GAAP basis; Final budget is the amended amount as of 12/31/13. Final budget amount as of 12/31/13.



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 three 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.
3. The *2009 SCORE Bond Fund* was established to service the debt on the South Correctional Entity Facility Development Authority Public Development Authority Bonds Series 2009A and 2009B (Taxable Build America Bonds).

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, 2013

	Special Revenue Funds		Debt Service Funds			
	Des Moines Creek Basin ILA Fund	Total Special Rev Funds	LID Guarantee	2009 LTGO Bond Refunding	SCORE Bond	Total Debt Service Funds
Assets						
Cash & cash equivalents	\$1,893,103	\$1,893,103	\$ 12,500	\$ 12,728	\$ 71	\$ 25,299
Receivables (net of allowance for uncollectibles):						
Taxes	-	-	-	-	-	-
Customer accts/contracts	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Prepaid items	-	-	-	-	110,302	110,302
Total Assets	\$1,893,103	\$1,893,103	\$ 12,500	\$ 12,728	\$ 110,373	\$ 135,601
Liabilities						
Accounts/other payable	82,115	82,115	-	-	-	-
Total Liabilities	82,115	82,115	-	-	-	-
Fund Balances (Deficits)						
<i>Nonspendable:</i>						
Prepayments	-	-	-	-	110,302	110,302
<i>Restricted:</i>						
DM Creek Basin ILA projects	1,810,988	1,810,988	-	-	-	-
Open space & trail projects	-	-	-	-	-	-
Capital projects/equipment	-	-	-	-	-	-
Debt service	-	-	12,500	12,728	71	25,299
<i>Assigned:</i>						
Fire equipment replacement	-	-	-	-	-	-
Light Rail Station(s) projects	-	-	-	-	-	-
2013/14 Budget-excess approp	-	-	-	-	-	-
Total Fund Balances	1,810,988	1,810,988	12,500	12,728	110,373	135,601
Total Liab & Fund Balances	\$1,893,103	\$1,893,103	\$ 12,500	\$ 12,728	\$ 110,373	\$ 135,601

	Capital Improvement Funds				Total Nonmajor Governmental Funds
	Municipal Capital Imp Fund	Fire Equipment Cap Resv	Light Rail Station Areas CIP	Total Capital Project Funds	
Assets					
Cash & cash equivalents	\$ 1,108,370	\$ 2,003,845	\$ 1,629,303	\$ 4,741,518	\$ 6,659,920
Receivables (net of allowance for uncollectibles):					
Taxes	64,876	-	-	64,876	64,876
Customer accts/contracts	23,854	-	-	23,854	23,854
Due from other governments	-	-	-	-	-
Prepaid items	-	-	-	-	110,302
Total Assets	\$ 1,197,100	\$ 2,003,845	\$ 1,629,303	\$ 4,830,248	\$ 6,858,952
Liabilities					
Accounts/other payable	18,431	-	-	18,431	100,546
Total Liabilities	18,431	-	-	18,431	100,546
Fund Balances (Deficits)					
<i>Nonspendable:</i>					
Prepayments	-	-	-	-	110,302
<i>Restricted:</i>					
DM Creek Basin ILA projects	-	-	-	-	1,810,988
Open space & trail projects	261,904	-	-	261,904	261,904
Capital projects/equipment	916,765	-	-	916,765	916,765
Debt service	-	-	-	-	25,299
<i>Assigned:</i>					
Fire equipment replacement	-	1,062,166	-	1,062,166	1,062,166
Light Rail Station(s) projects	-	-	980,803	980,803	980,803
2013/14 Budget-excess approp	-	941,679	648,500	1,590,179	1,590,179
Total Fund Balances	1,178,669	2,003,845	1,629,303	4,811,817	6,758,406
Total Liab & Fund Balances	\$ 1,197,100	\$ 2,003,845	\$ 1,629,303	\$ 4,830,248	\$ 6,858,952

Combining Statement of Revenues, Expenditures & Changes in Fund Balance
For the Year Ended December 31, 2013

	Special Revenue Funds		Debt Service Funds			
	Des Moines Creek Basin ILA	Total Special Revenue Funds	LID Guarantee	2009 LTGO Bond Refunding	2009 SCORE Bond Fund	Total Debt Service Funds
	Revenues					
Taxes	\$ -	\$ -	\$ -	\$ 747,300	\$ 161,999	\$ 909,299
Licenses & permits	-	-	-	-	-	-
Intergovernmental	205,596	205,596	-	-	24,825	24,825
Charges for services	-	-	-	-	-	-
Fines & forfeitures	-	-	-	-	-	-
Investment earnings	1,800	1,800	-	321	23	344
Rents & leases	-	-	-	-	-	-
Miscellaneous	-	-	-	-	57,450	57,450
Total Revenues	207,396	207,396	-	747,621	244,297	991,918
Expenditures						
<i>Current:</i>						
Judicial	-	-	-	-	-	-
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Physical & Economic Env	167,711	167,711	-	-	-	-
Culture & Recreation	-	-	-	-	-	-
<i>Debt Service:</i>						
Principal	-	-	-	680,000	57,450	737,450
Interest	-	-	-	66,700	76,474	143,174
<i>Capital Outlay:</i>						
General Government	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Physical Environment	17,602	17,602	-	-	-	-
Economic Environment	-	-	-	-	-	-
Culture & Recreation	-	-	-	-	-	-
Total Expenditures	185,313	185,313	-	746,700	133,924	880,624
Excess (deficiency) of revenues over (under) expenditures	22,083	22,083	-	921	110,373	111,294
Other Financing Sources (Uses)						
Transfers in	142,872	142,872	-	-	-	-
Transfers out	(5,171)	(5,171)	-	-	-	-
Disposal/insurance-cap assets	-	-	-	-	-	-
Total Other Fin Sources (Uses)	137,701	137,701	-	-	-	-
Net Change in Fund Balances	159,784	159,784	-	921	110,373	111,294
Fund Balances-Beginning	1,651,204	1,651,204	12,500	11,807	-	24,307
Fund Balances-Ending	\$ 1,810,988	\$ 1,810,988	\$ 12,500	\$ 12,728	\$ 110,373	\$ 135,601

	Capital Project Funds				Total Nonmajor Governmental Funds
	Municipal Capital Imp	Fire Equip Capital Res	Light Rail Station Areas CIP	Total Capital Project Funds	
Revenues					
Taxes	\$ 561,657	\$ -	\$ -	\$ 561,657	\$ 1,470,956
Licenses & permits	-	-	-	-	-
Intergovernmental & cap contr	327,945	600,000	800,000	1,727,945	1,958,366
Charges for services	233,341	-	-	233,341	233,341
Fines & forfeitures	17	-	-	17	17
Investment earnings	1,768	1,682	1,373	4,823	6,967
Rents & leases	-	-	-	-	-
Miscellaneous	2,339	-	-	2,339	59,789
Total Revenues	1,127,067	601,682	801,373	2,530,122	3,729,436
Expenditures					
<i>Current:</i>					
Judicial	-	-	-	-	-
General Government	114,300	-	-	114,300	114,300
Public Safety	-	-	-	-	-
Economic Environment	-	-	-	-	167,711
Culture & Recreation	3,843	-	-	3,843	3,843
<i>Debt Service:</i>					
Principal	-	-	-	-	737,450
Interest	-	-	-	-	143,174
<i>Capital Outlay:</i>					
General Government	773,664	-	-	773,664	773,664
Judicial	-	-	-	-	-
Public Safety	-	6,851	-	6,851	6,851
Physical Environment	-	-	-	-	17,602
Economic Environment	-	-	10,186	10,186	10,186
Culture & Recreation	2,103,631	-	-	2,103,631	2,103,631
Total Expenditures	2,995,438	6,851	10,186	3,012,475	4,078,412
Excess (deficiency) of revenues over (under) expenditures	(1,868,371)	594,831	791,187	(482,353)	(348,976)
Other Financing Sources (Uses)					
Transfers in	-	-	100,000	100,000	242,872
Transfers out	-	-	-	-	(5,171)
Disposal/insurance-cap assets	800	-	-	800	800
Total Other Fin Sources (Uses)	800	-	100,000	100,800	238,501
Net Change in Fund Balances	(1,867,571)	594,831	891,187	(381,553)	(110,475)
Fund Balances-Beginning	3,046,240	1,409,014	738,116	5,193,370	6,868,881
Fund Balances-Ending	\$ 1,178,669	\$ 2,003,845	\$ 1,629,303	\$ 4,811,817	\$ 6,758,406

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013

	2013-2014 Biennial Budget Amounts		2013 Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Investment & other earnings	\$ 1,550	\$ 1,550	\$ 759	\$ (791)
Total Revenues	1,550	1,550	759	(791)
Expenditures	-	-	-	-
<i>Excess (deficiency) of revenues over (under) expenditures</i>	1,550	1,550	759	(791)
Other Financing Sources (Uses)	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
<i>Net Change in Fund Balances</i>	1,550	1,550	759	(791)
Fund Balances-Beginning	774,420	775,060	775,060	-
Fund Balances-Ending	\$ 775,970	\$ 776,610	\$ 775,819	\$ (791)

*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. Final budget is the amended amount as of 12/31/13.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013**

	2013-2014 Biennial Budget Amounts		2013 Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Investment & other earnings	\$ 7,000	\$ 7,000	\$ 2,839	\$ (4,161)
Total Revenues	7,000	7,000	2,839	(4,161)
Expenditures				
Current:				
Culture & Recreation	-	40,000	20,000	20,000
Total Expenditures	-	40,000	20,000	20,000
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>7,000</i>	<i>(33,000)</i>	<i>(17,161)</i>	<i>15,839</i>
Other Financing Sources (Uses)				
Transfers out	(1,708,417)	(1,859,500)	(1,004,500)	855,000
Total Other Fin Sources (Uses)	(1,708,417)	(1,859,500)	(1,004,500)	855,000
<i>Net Change in Fund Balances</i>	<i>(1,701,417)</i>	<i>(1,892,500)</i>	<i>(1,021,661)</i>	<i>870,839</i>
Fund Balances-Beginning	2,775,357	3,459,024	3,459,024	-
Fund Balances-Ending	\$ 1,073,940	\$ 1,566,524	\$ 2,437,363	\$ 870,839

*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. Final budget is the amended amount as of 12/31/13.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013**

	2013-2014 Biennial Budget Amounts		2013 Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 500,000	\$ 738,000	\$ 358,077	\$ (379,923)
Investment & other earnings	200	200	125	(75)
Miscellaneous	-	-	(2,337)	(2,337)
Total Revenues	500,200	738,200	355,865	(382,335)
Expenditures				
<i>Current:</i>				
General Government	575,000	813,000	311,291	501,709
Total Expenditures	575,000	813,000	311,291	501,709
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(74,800)</i>	<i>(74,800)</i>	<i>44,574</i>	<i>119,374</i>
Other Financing Sources (Uses)	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
<i>Net Change in Fund Balances</i>	<i>(74,800)</i>	<i>(74,800)</i>	<i>44,574</i>	<i>119,374</i>
Fund Balances-Beginning	93,775	238,324	238,324	-
Fund Balances-Ending	\$ 18,975	\$ 163,524	\$ 282,898	\$ 119,374

*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. Final budget amount is the amended amount as of 12/31/13.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013**

	2013-2014 Biennial Budget Amounts		2013 Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Fines and forfeitures	\$ 600	\$ 600	\$ 2,560	\$ 1,960
Investment & other earnings	3,000	3,000	1,409	(1,591)
Rents/leases & concessions	2,464,240	2,464,240	1,140,140	(1,324,100)
Miscellaneous	488,365	488,365	204,710	(283,655)
Total Revenues	2,956,205	2,956,205	1,348,819	(1,607,386)
Expenditures				
<i>Current:</i>				
General Government	33,000	33,000	1,487	31,513
Economic Environment	809,815	809,815	417,902	391,913
<i>Capital Outlay:</i>				
Economic Environment	430,676	430,676	180,000	250,676
Total Expenditures	1,273,491	1,273,491	599,389	674,102
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>1,682,714</i>	<i>1,682,714</i>	<i>749,430</i>	<i>(933,284)</i>
Other Financing Sources (Uses)				
Transfers out	(1,069,422)	(1,069,422)	(561,797)	507,625
Total Other Fin Sources (Uses)	(1,069,422)	(1,069,422)	(561,797)	507,625
<i>Net Change in Fund Balances</i>	<i>613,292</i>	<i>613,292</i>	<i>187,633</i>	<i>(425,659)</i>
Fund Balances-Beginning	1,341,000	1,369,506	1,369,506	-
Fund Balances-Ending	\$ 1,954,292	\$ 1,982,798	\$ 1,557,139	\$ (425,659)

*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. Final budget amount is as of 12/31/13.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013**

	2013-2014 Biennial Budget Amounts		2013 Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Investment & other earnings	\$ 100	\$ 100	\$ 170	\$ 70
Total Revenues	100	100	170	70
Expenditures				
<i>Current:</i>				
General Government	65,760	65,760	12,783	52,977
Public Safety	9,187	9,185	-	9,185
Culture & Recreation	221,027	242,529	83,966	158,563
Total Expenditures	295,974	317,474	96,749	220,725
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(295,874)</i>	<i>(317,374)</i>	<i>(96,579)</i>	<i>220,795</i>
Other Financing Sources (Uses)				
Transfers in	300,000	300,000	180,000	(120,000)
Total Other Fin Sources (Uses)	300,000	300,000	180,000	(120,000)
<i>Net Change in Fund Balances</i>	<i>4,126</i>	<i>(17,374)</i>	<i>83,421</i>	<i>100,795</i>
Fund Balances-Beginning	4,426	107,967	107,967	-
Fund Balances-Ending	\$ 8,552	\$ 90,593	\$ 191,388	\$ 100,795

*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. Final budget amount as of 12/31/13.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013**

	2013-2014 Biennial Budget Amounts		2013 Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 417,265	\$ 417,265	\$ 205,596	\$ (211,669)
Investment & other earnings	3,000	3,000	1,800	(1,200)
Total Revenues	420,265	420,265	207,396	(212,869)
Expenditures				
<i>Current:</i>				
Physical & Economic Environment	755,600	755,600	167,711	587,889
<i>Capital Outlay:</i>				
Physical & Economic Environment	61,000	61,000	17,602	43,398
Total Expenditures	816,600	816,600	185,313	631,287
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(396,335)</i>	<i>(396,335)</i>	<i>22,083</i>	<i>418,418</i>
Other Financing Sources (Uses)				
Transfers in	289,964	289,964	142,872	(147,092)
Transfers out	(7,000)	(10,400)	(5,171)	5,229
Total Other Fin Sources (Uses)	282,964	279,564	137,701	(141,863)
<i>Net Change in Fund Balances</i>	<i>(113,371)</i>	<i>(116,771)</i>	<i>159,784</i>	<i>276,555</i>
Fund Balances-Beginning	1,198,022	1,651,204	1,651,204	-
Fund Balances-Ending	\$ 1,084,651	\$ 1,534,433	\$ 1,810,988	\$ 276,555

*Budgetary basis is the same as GAAP basis. Final budget amount as of 12/31/13.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013**

	2013-2014 Biennial Budget Amounts		2013 Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Fines and forfeitures	\$ -	\$ -	\$ 8,771	\$ 8,771
Investment & other earnings	44,500	44,500	22,412	(22,088)
Special assessments	275,584	476,972	244,545	(232,427)
Total Revenues	320,084	521,472	275,728	(245,744)
Expenditures				
<i>Debt Service:</i>				
Principal	90,000	282,000	195,000	87,000
Interest	17,625	17,625	17,625	-
Other	-	-	234	(234)
Total Expenditures	107,625	299,625	212,859	86,766
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>212,459</i>	<i>221,847</i>	<i>62,869</i>	<i>(158,978)</i>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
<i>Net Change in Fund Balances</i>	<i>212,459</i>	<i>221,847</i>	<i>62,869</i>	<i>(158,978)</i>
Fund Balances-Beginning	7,201	236,248	236,248	-
Fund Balances-Ending	\$ 219,660	\$ 458,095	\$ 299,117	\$ (158,978)

*Budgetary basis is the same as GAAP basis. Final budget amount as of 12/31/13.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013**

	2013-2014 Biennial Budget Amounts		2013 Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures	-	-	-	-
Total Expenditures	-	-	-	-
<i>Excess (deficiency) of revenues over (under) expenditures</i>	-	-	-	-
Other Financing Sources (Uses)				
Transfers out	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
<i>Net Change in Fund Balances</i>	-	-	-	-
Fund Balances-Beginning	32,000	12,500	12,500	-
Fund Balances-Ending	\$ 32,000	\$ 12,500	\$ 12,500	\$ -

*Budgetary basis is the same as GAAP basis. Final budget amount as of 12/31/13.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013**

	2013-2014 Biennial Budget Amounts		2013 Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,095,700	\$ 1,095,700	\$ 747,300	\$ (348,400)
Investment & other earnings	20	20	321	301
Total Revenues	1,095,720	1,095,720	747,621	(348,099)
Expenditures				
<i>Debt Service:</i>				
Principal	975,000	975,000	680,000	295,000
Interest	119,800	119,800	66,700	53,100
Other	900	900	-	900
Total Expenditures	1,095,700	1,095,700	746,700	349,000
<i>Excess (deficiency) of revenues over (under) expenditures</i>	20	20	921	901
Other Financing Sources (Uses)	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
<i>Net Change in Fund Balances</i>	20	20	921	901
Fund Balances-Beginning	9,977	11,807	11,807	-
Fund Balances-Ending	\$ 9,997	\$ 11,827	\$ 12,728	\$ 901

*Budgetary basis is the same as GAAP basis. Final budget amount as of 12/31/13.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013**

	2013-2014 Biennial Budget Amounts		2013 Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 323,549	\$ 323,549	\$ 161,999	\$ (161,550)
Intergovernmental	-	25,000	24,825	(175)
Investment & other earnings	20	20	23	3
Miscellaneous	-	-	57,450	57,450
Total Revenues	323,569	348,569	244,297	(104,272)
Expenditures				
<i>Debt Service:</i>				
Principal	99,334	99,334	57,450	41,884
Interest	224,227	249,235	76,474	172,761
Total Expenditures	323,561	348,569	133,924	214,645
<i>Excess (deficiency) of revenues over (under) expenditures</i>	8	-	110,373	110,373
Other Financing Sources (Uses)	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
<i>Net Change in Fund Balances</i>	8	-	110,373	110,373
Fund Balances-Beginning	10	-	-	-
Fund Balances-Ending	\$ 18	\$ -	\$ 110,373	\$ 110,373

*Budgetary basis is the same as GAAP basis. Final budget amount as of 12/31/13.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013**

	2013-2014 Biennial Budget Amounts		2013 Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 2,560,000	\$ 2,560,000	\$ 561,657	\$ (1,998,343)
Intergov & capital contributions	75,000	75,000	327,945	252,945
Charges for services	420,000	420,000	233,341	(186,659)
Fines and forfeitures	100	100	17	(83)
Investment & other earnings	10,750	10,750	1,768	(8,982)
Miscellaneous	-	-	2,339	2,339
Total Revenues	3,065,850	3,065,850	1,127,067	(1,938,783)
Expenditures				
<i>Current:</i>				
General Government	114,000	245,069	114,300	130,769
Culture & Recreation	7,600	7,600	3,843	3,757
<i>Capital Outlay:</i>				
Judicial	-	60,500	-	60,500
General Government	1,045,773	1,006,204	773,664	232,540
Culture & Recreation	2,345,356	2,656,656	2,103,631	553,025
Total Expenditures	3,512,729	3,976,029	2,995,438	980,591
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(446,879)</i>	<i>(910,179)</i>	<i>(1,868,371)</i>	<i>(958,192)</i>
Other Financing Sources (Uses)				
Transfers out	(1,840,000)	(1,840,000)	-	1,840,000
Disposal/insurance-cap assets	-	-	800	800
Total Other Fin Sources (Uses)	(1,840,000)	(1,840,000)	800	1,840,800
<i>Net Change in Fund Balances</i>	<i>(2,286,879)</i>	<i>(2,750,179)</i>	<i>(1,867,571)</i>	<i>882,608</i>
Fund Balances-Beginning	2,689,687	3,046,240	3,046,240	-
Fund Balances-Ending	\$ 402,808	\$ 296,061	\$ 1,178,669	\$ 882,608

*Budgetary basis is the same as GAAP basis. Final budget amount as of 12/31/13.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013**

	2013-2014 Biennial Budget Amounts		2013 Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 600,000	\$ 600,000	\$ 600,000	\$ -
Investment & other earnings	3,000	3,000	1,682	(1,318)
Total Revenues	603,000	603,000	601,682	(1,318)
Expenditures				
<i>Capital Outlay:</i>				
Public Safety	1,544,679	1,102,500	6,851	1,095,649
Total Expenditures	1,544,679	1,102,500	6,851	1,095,649
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(941,679)</i>	<i>(499,500)</i>	<i>594,831</i>	<i>1,094,331</i>
Other Financing Sources (Uses)				
Transfers out	-	(900,000)	-	900,000
Total Other Fin Sources (Uses)	-	(900,000)	-	900,000
<i>Net Change in Fund Balances</i>	<i>(941,679)</i>	<i>(1,399,500)</i>	<i>594,831</i>	<i>1,994,331</i>
Fund Balances-Beginning	1,383,454	1,409,014	1,409,014	-
Fund Balances-Ending	\$ 441,775	\$ 9,514	\$ 2,003,845	\$ 1,994,331

*Budgetary basis is the same as GAAP basis. Final budget amount as of 12/31/13.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013**

	2013-2014 Biennial Budget Amounts		2013 Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Investment & other earnings	\$ 8,600	\$ 8,600	\$ 3,527	\$ (5,073)
Total Revenues	8,600	8,600	3,527	(5,073)
Expenditures				
<i>Capital Outlay:</i>				
Public Safety	3,120,118	3,120,118	216,956	2,903,162
Total Expenditures	3,120,118	3,120,118	216,956	2,903,162
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(3,111,518)</i>	<i>(3,111,518)</i>	<i>(213,429)</i>	<i>2,898,089</i>
Other Financing Sources (Uses)	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
<i>Net Change in Fund Balances</i>	<i>(3,111,518)</i>	<i>(3,111,518)</i>	<i>(213,429)</i>	<i>2,898,089</i>
Fund Balances-Beginning	3,734,119	3,713,940	3,713,940	-
Fund Balances-Ending	\$ 622,601	\$ 602,422	\$ 3,500,511	\$ 2,898,089

*Budgetary basis is the same as GAAP basis. Final budget amount as of 12/31/13.

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013

	2013-2014 Biennial Budget Amounts		2013 Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 4,388,530	\$ 3,538,530	\$ 528,030	\$ (3,010,500)
Charges for services	300,000	1,150,000	47,325	(1,102,675)
Investment earnings	8,000	8,000	3,827	(4,173)
Miscellaneous revenues	-	-	9,485	9,485
Total Revenues	4,696,530	4,696,530	588,667	(4,107,863)
Expenditures				
<i>Current:</i>				
Transportation	2,314,200	2,314,200	646,765	1,667,435
<i>Capital Outlay:</i>				
Transportation	13,873,000	21,053,400	3,707,113	17,346,287
Total Expenditures	16,187,200	23,367,600	4,353,878	19,013,722
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(11,490,670)</i>	<i>(18,671,070)</i>	<i>(3,765,211)</i>	<i>14,905,859</i>
Other Financing Sources (Uses)				
Transfers in	9,358,417	13,509,500	1,054,500	(12,455,000)
Total Other Fin Sources (Uses)	9,358,417	13,509,500	1,054,500	(12,455,000)
<i>Net Change in Fund Balances</i>	<i>(2,132,253)</i>	<i>(5,161,570)</i>	<i>(2,710,711)</i>	<i>2,450,859</i>
Fund Balances-Beginning	4,391,059	4,019,833	4,019,833	-
Fund Balances-Ending	\$ 2,258,806	\$ (1,141,737)	\$ 1,309,122	\$ 2,450,859

*Budgetary basis is the same as GAAP basis. Final budget amount as of 12/31/13.

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2013**

	2013-2014 Biennial Budget Amounts		2013 Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergov & capital contributions	\$ -	\$ -	\$ 800,000	\$ 800,000
Investment earnings	1,500	1,500	1,373	(127)
Total Revenues	1,500	1,500	801,373	799,873
Expenditures				
<i>Capital Outlay:</i>				
Physical & Economic Env	1,000,000	1,000,000	10,186	989,814
Total Expenditures	1,000,000	1,000,000	10,186	989,814
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<i>(998,500)</i>	<i>(998,500)</i>	<i>791,187</i>	<i>1,789,687</i>
Other Financing Sources (Uses)				
Transfers in	350,000	350,000	100,000	(250,000)
Total Other Fin Sources (Uses)	350,000	350,000	100,000	(250,000)
<i>Net Change in Fund Balances</i>	<i>(648,500)</i>	<i>(648,500)</i>	<i>891,187</i>	<i>1,539,687</i>
Fund Balances-Beginning	737,578	738,116	738,116	-
Fund Balances-Ending	\$ 89,078	\$ 89,616	\$ 1,629,303	\$ 1,539,687

*Budgetary basis is the same as GAAP basis. Final budget amount as of 12/31/13.

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, 2013
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				
	2004	2005	2006	2007*	2008
Governmental activities					
Inv in cap assets, net of related debt	\$ 39,581,220	\$ 45,785,324	\$373,017,719	\$ 380,357,873	\$ 385,271,287
Restricted	9,209,645	26,616,872	19,086,567	18,622,703	20,023,570
Unrestricted	36,073,375	23,348,206	43,460,578	42,099,914	40,093,004
Total gov activities net position	\$ 84,864,240	\$ 95,750,402	\$435,564,864	\$ 441,080,490	\$ 445,387,861
Business-type activities					
Inv in cap assets, net of related debt	\$ 4,928,839	\$ 6,715,444	\$ 10,850,179	\$ 20,534,520	\$ 20,754,285
Restricted	403,925	3,243,495	5,268,708	2,438,673	3,117,385
Unrestricted	3,973,619	3,662,936	3,915,867	4,871,471	4,247,709
Total bus-type activities net position	\$ 9,306,383	\$ 13,621,875	\$ 20,034,754	\$ 27,844,664	\$ 28,119,379
Primary government					
Inv in cap assets, net of related debt	\$ 44,510,059	\$ 52,500,768	\$383,867,898	\$ 400,892,393	\$ 406,025,572
Restricted	9,613,570	29,860,367	24,355,275	21,061,376	23,140,955
Unrestricted	40,046,994	27,011,142	47,376,445	46,971,385	44,340,713
Total primary gov net position	\$ 94,170,623	\$109,372,277	\$455,599,618	\$ 468,925,154	\$ 473,507,240
	2009	2010**	2011***	2012	2013
Governmental activities					
Inv in cap assets, net of related debt	\$ 394,579,043	\$ 393,110,576	\$ 396,529,097	\$ 394,326,243	\$ 397,987,372
Restricted	19,652,419	20,451,319	22,175,724	24,762,391	25,434,856
Unrestricted	27,401,166	26,589,815	23,457,633	23,981,573	21,935,975
Total gov activities net position	\$ 441,632,628	\$ 440,151,710	\$ 442,162,454	\$ 443,070,207	\$ 445,358,203
Business-type activities					
Inv in cap assets, net of related debt	\$ 23,726,821	\$ 25,111,088	\$ 25,185,790	\$ 26,953,079	\$ 26,321,966
Restricted	403,925	-	-	-	-
Unrestricted	3,788,187	3,483,254	3,693,261	4,171,910	4,070,822
Total bus-type activities net position	\$ 27,918,933	\$ 28,594,342	\$ 28,879,051	\$ 31,124,989	\$ 30,392,788
Primary government					
Inv in cap assets, net of related debt	\$418,305,864	\$418,221,664	\$421,714,887	\$ 421,279,322	\$ 424,309,338
Restricted	20,056,344	20,451,319	22,175,724	24,762,391	25,434,856
Unrestricted	31,189,353	30,073,069	27,150,894	28,153,483	26,006,797
Total primary gov net position	\$469,551,561	\$468,746,052	\$471,041,505	\$ 474,195,196	\$ 475,750,991

*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)

	Fiscal Year				
	2004*	2005*	2006*	2007*	2008*
Expenses					
Governmental activities					
Judicial	\$ 471,716	\$ 500,529	\$ 539,224	\$ 663,284	\$ 790,110
General Government	3,875,440	4,369,176	4,760,874	5,251,875	5,883,153
Public Safety	11,355,501	12,664,279	13,196,630	14,728,009	15,377,077
Transportation	2,745,371	2,869,393	3,216,778	6,914,777	8,270,710
Health & Human Services	342,036	397,254	363,081	410,998	404,361
Economic & Physical Environment	2,177,232	2,100,406	2,400,587	2,799,310	2,910,651
Culture & Recreation	2,400,643	4,092,060	2,962,271	3,451,861	3,385,174
Interest on long-term debt	844,362	310,396	1,019,827	963,371	681,048
Total governmental activities	24,212,301	27,303,493	28,459,272	35,183,485	37,702,284
Business-type activities					
Surface Water Management	925,997	6,813,067	7,106,549	3,485,317	1,789,481
Total business-type activities	925,997	6,813,067	7,106,549	3,485,317	1,789,481
Total Expenses	\$ 25,138,298	\$ 34,116,560	\$ 35,565,821	\$ 38,668,802	\$ 39,491,765
Program Revenues					
Governmental activities					
Charges for Services:					
Judicial	\$ 545,983	\$ 317,358	\$ 292,672	560,796	1,012,630
General Government	1,481,767	1,127,189	1,283,816	1,429,436	1,389,270
Public Safety	160,473	146,145	207,016	245,149	147,121
Transportation	71,059	1,167,970	1,529,485	28,513	40,989
Economic & Physical Environment	829,482	1,499,473	2,033,315	1,624,022	1,589,635
Culture & Recreation	247,894	283,617	501,447	336,334	550,050
Operating grants and contributions	972,119	951,684	777,941	1,001,092	988,867
Capital grants and contributions	2,901,572	3,677,303	5,049,620	2,401,562	1,730,588
Total governmental activities	7,210,349	9,170,739	11,675,312	7,626,904	7,449,150
Business-type activities					
Charges for Services:					
Surface Water Management	1,672,548	1,653,498	1,672,540	1,677,607	1,724,552
Operating grants and contributions	3,148,414	4,475,740	6,437,829	998,049	267,032
Capital grants and contributions	-	4,963,088	5,170,446	8,411,990	59,646
Total business-type activities	4,820,962	11,092,326	13,280,815	11,087,646	2,051,230
Total Program Revenues	\$ 12,031,311	\$ 20,263,065	\$ 24,956,127	\$ 18,714,550	\$ 9,500,380

*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				
	2009	2010	2011	2012	2013
Expenses					
Governmental activities					
Judicial	\$ 811,733	\$ 814,460	\$ 748,695	\$ 763,447	\$ 694,789
General Government	5,890,170	6,362,137	5,832,736	6,156,299	6,986,802
Public Safety	16,674,605	16,804,828	17,992,619	17,732,720	19,033,626
Transportation	9,865,967	5,576,255	5,946,470	5,655,447	5,923,963
Health & Human Services	524,796	498,174	492,728	502,632	715,639
Economic & Physical Environment	3,656,463	4,340,772	4,327,279	4,542,866	4,514,277
Culture & Recreation	3,865,811	3,709,548	3,788,168	3,921,787	4,074,067
Interest on long-term debt	481,848	172,989	103,678	156,522	282,044
Total governmental activities	41,771,393	38,279,163	39,232,373	39,431,720	42,225,207
Business-type activities					
Surface Water Management	1,400,529	1,671,812	1,954,815	1,694,190	1,843,002
Total business-type activities	1,400,529	1,671,812	1,954,815	1,694,190	1,843,002
Total Expenses	\$ 43,171,922	\$ 39,950,975	\$ 41,187,188	\$ 41,125,910	\$ 44,068,209
Program Revenues					
Governmental activities					
Charges for Services:					
Judicial	640,646	486,944	727,324	432,571	623,338
General Government	1,220,039	1,344,675	1,406,003	1,348,671	1,167,449
Public Safety	190,020	141,749	342,847	193,944	483,945
Transportation	126,149	-	71,017	127,951	296,258
Economic & Physical Environment	1,705,885	2,273,634	1,593,221	1,735,981	1,818,332
Culture & Recreation	765,774	744,909	739,413	727,314	802,931
Operating grants and contributions	1,037,018	1,139,908	1,108,325	1,112,066	1,902,271
Capital grants and contributions	658,640	282,154	2,739,593	1,417,945	3,308,418
Total governmental activities	6,344,171	6,413,973	8,727,743	7,096,443	10,402,942
Business-type activities					
Charges for Services:					
Surface Water Management	1,823,406	1,886,756	1,705,993	1,783,281	1,794,355
Operating grants and contributions	-	1,090	-	10,396	-
Capital grants and contributions	2,011,024	292,302	50,000	-	146,753
Total business-type activities	3,834,430	2,180,148	1,755,993	1,793,677	1,941,108
Total Program Revenues	\$ 10,178,601	\$ 8,594,121	\$ 10,483,736	\$ 8,890,120	\$ 12,344,050

*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				
	2004*	2005*	2006*	2007*	2008*
Net (Expense)/Revenue					
Governmental activities	\$ (17,001,952)	\$ (18,132,754)	\$ (16,783,960)	\$ (27,556,581)	\$ (30,253,134)
Business-type activities	3,894,965	4,279,259	6,174,266	7,602,329	261,749
Total Net Expense	\$ (13,106,987)	\$ (13,853,495)	\$ (10,609,694)	\$ (19,954,252)	\$ (29,991,385)

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 & Hotel/Motel	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 & Gambling	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
Total gov activities gen & other revs	27,507,393	27,094,120	29,272,459	33,017,751	35,246,127

Business-type activities

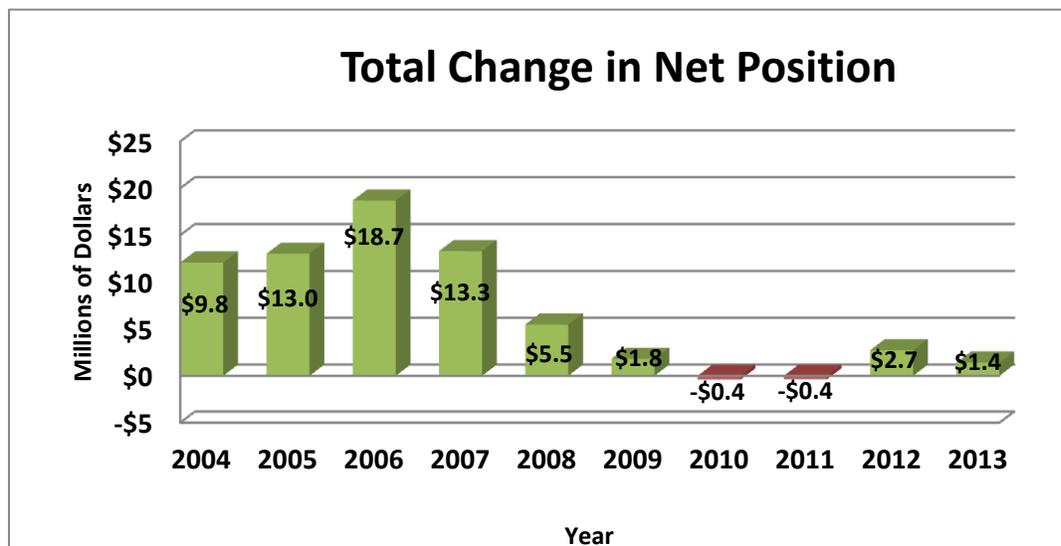
Property taxes	-	-	-	-	-
Investment earnings	61,077	58,613	212,483	409,863	385,131
Transfers	(2,382,290)	(276,250)	(176,250)	(176,250)	(177,550)
Total business-type other revenues	(2,321,213)	(217,637)	36,233	233,613	207,581

Total primary government general revs and other changes in net position

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

Governmental activities	\$ 10,505,441	\$ 8,961,366	\$ 12,488,499	\$ 5,461,170	\$ 4,992,993
Business-type activities	1,573,752	4,061,622	6,210,499	7,835,942	469,330
Total primary government	\$ 12,079,193	\$ 13,022,988	\$ 18,698,998	\$ 13,297,112	\$ 5,462,323



	Fiscal Year				
	2009	2010	2011	2012	2013
Net (Expense)/Revenue					
Governmental activities	\$ (35,427,222)	\$ (31,865,190)	\$ (31,865,190)	\$ (30,504,630)	\$ (31,822,265)
Business-type activities	2,433,901	508,336	508,336	(198,822)	98,106
Total Net Expense	\$ (32,993,321)	\$ (31,356,854)	\$ (31,356,854)	\$ (30,703,452)	\$ (31,724,159)
Gen Revs & Other Changes in Net Position					
Governmental activities					
Taxes					
Property	11,474,343	11,844,007	11,825,379	12,108,630	12,055,098
Sales & Hotel/Motel	12,009,313	10,099,388	10,493,139	11,543,555	11,826,270
Parking	5,742,441	5,425,041	5,865,013	5,920,220	6,196,549
Excise & Gambling	1,599,482	2,535,324	2,425,077	3,272,898	2,684,822
Unrestricted grants and contributions	172,550	176,980	205,817	187,560	280,919
Investment earnings	3,321,916	801,719	129,366	360,208	63,119
Gain on sale of capital assets	286,947	11,160	22,321	29,604	8,800
Transfers	177,450	2,703,970	(146,648)	(283,398)	839,992
Total gov activities gen & other revs	34,784,442	33,597,589	30,819,464	33,139,277	33,955,569
Business-type activities					
Property taxes	-	-	381	1,369	-
Investment earnings	190,416	69,623	20,044	10,977	9,685
Transfers	(177,450)	(2,703,970)	146,648	283,398	(839,992)
Total business-type other revenues	12,966	(2,634,347)	167,073	295,744	(830,307)
Total primary government general revs and other changes in net position	\$ 34,797,408	\$ 30,963,242	\$ 30,986,537	\$ 33,435,021	\$ 33,125,262
Change in Net Position					
Governmental activities	\$ (642,780)	\$ 1,732,399	\$ (1,045,726)	\$ 2,634,647	\$ 2,133,304
Business-type activities	2,446,867	(2,126,011)	675,409	96,922	(732,201)
Total primary government	\$ 1,804,087	\$ (393,612)	\$ (370,317)	\$ 2,731,569	\$ 1,401,103

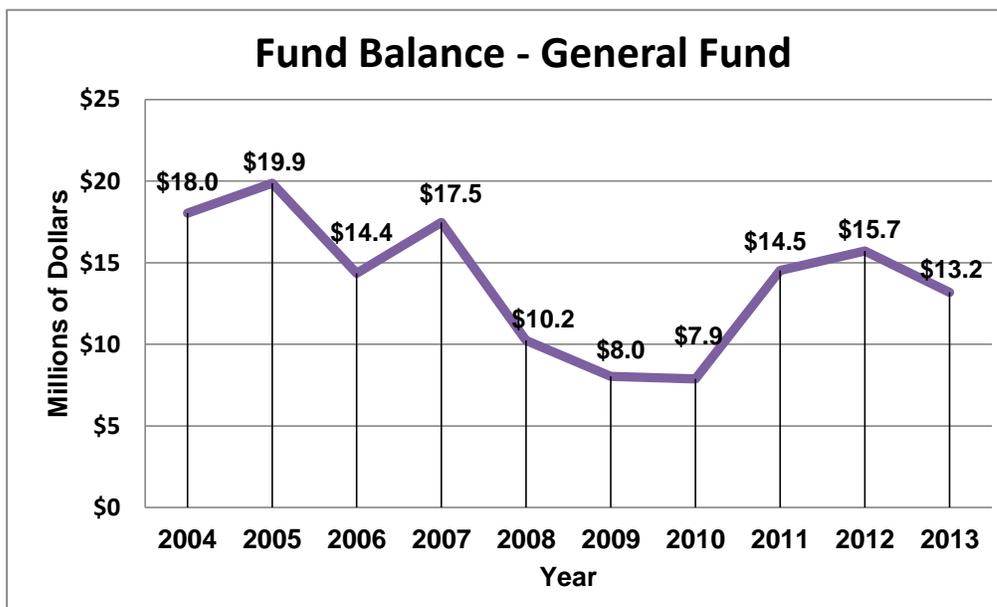
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2004	2005	2006	2007	2008*
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	18,041,692	19,869,496	14,359,762	17,464,249	10,231,364
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
Total General Fund	\$ 18,041,692	\$ 19,869,496	\$ 14,359,762	\$ 17,464,249	\$ 10,231,364
All Other Governmental Funds					
Reserved	13,769,964	13,467,737	12,874,174	12,716,413	5,001,021
Unreserved, reported in:					
Special revenue funds	11,872,393	12,575,212	15,563,694	15,621,687	27,494,657
Debt service funds	1,323,878	1,260,669	1,246,860	1,058,482	1,023,232
Capital project funds	2,452,746	3,808,100	19,515,144	14,941,824	17,432,401
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
Total All Other Gov Funds	\$ 29,418,981	\$ 31,111,718	\$ 49,199,872	\$ 44,338,406	\$ 50,951,311
Total All Governmental Funds	\$ 47,460,673	\$ 50,981,214	\$ 63,559,634	\$ 61,802,655	\$ 61,182,675

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

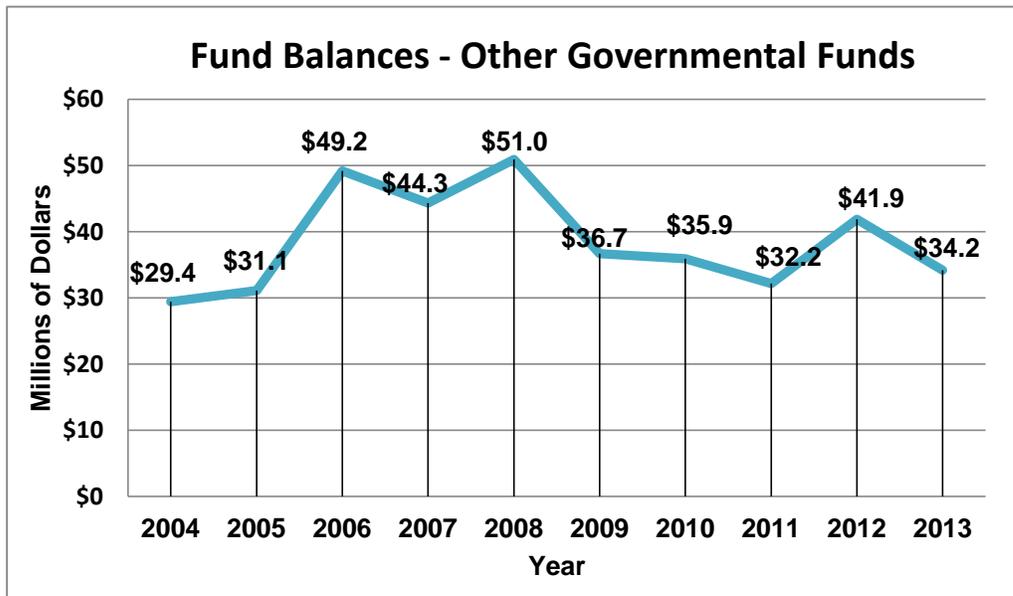
**In 2011, GASB Statement No. 54 was implemented causing a change in fund balance reporting classifications and the merger of special revenue funds (Contingency Reserve, Port of Seattle ILA, Transit Planning, Building Management and Facility Repair & Replacement) into the General Fund.

***In 2013, 2011 & 2012 assigned fund balances were reduced by \$7,371,976 & \$8,060,111, respectively, while unassigned fund balance was increased by the same amount for a change in classification of a budgetary reserve.



Source: City of SeaTac Finance Department

	Fiscal Year				
	2009	2010	2011**	2012	2013***
General Fund					
Reserved	\$ -	\$ -	N/A	N/A	N/A
Unreserved	8,036,276	7,870,200	N/A	N/A	N/A
Nonspendable	N/A	N/A	\$ 999,328	\$ 970,270	\$ 779,947
Restricted	N/A	N/A	-	-	-
Assigned	N/A	N/A	1,108,181	2,229,092	2,524,192
Unassigned	N/A	N/A	12,414,761	12,512,746	9,878,747
Total General Fund	\$ 8,036,276	\$ 7,870,200	\$ 14,522,270	\$ 15,712,108	\$ 13,182,886
All Other Governmental Funds					
Reserved	5,001,021	5,001,021	N/A	N/A	N/A
Unreserved, reported in:					
Special revenue funds	16,134,298	15,997,614	N/A	N/A	N/A
Debt service funds	1,007,939	121,601	N/A	N/A	N/A
Capital project funds	14,561,074	14,820,727	N/A	N/A	N/A
Nonspendable	N/A	N/A	-	592	111,686
Restricted	N/A	N/A	24,361,817	26,679,159	26,937,453
Assigned	N/A	N/A	7,831,690	15,226,525	7,133,659
Unassigned	N/A	N/A	-	-	-
Total All Other Gov Funds	\$ 36,704,332	\$ 35,940,963	\$ 32,193,507	\$ 41,906,276	\$ 34,182,798
Total All Governmental Funds	\$ 44,740,608	\$ 43,811,163	\$ 46,715,777	\$ 57,618,384	\$ 47,365,684



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

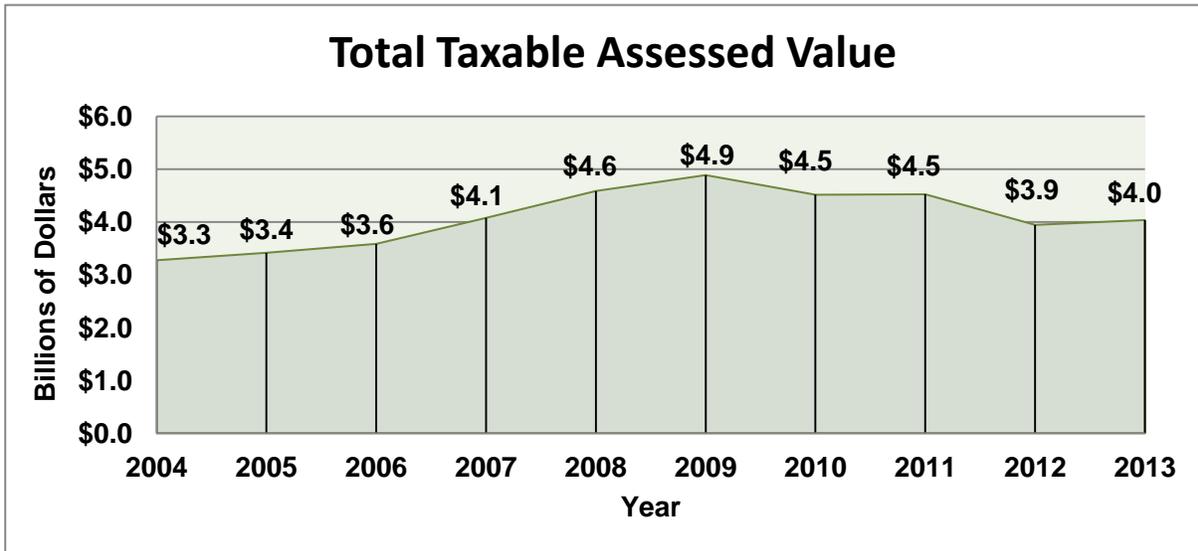
	Fiscal Year				
	2004	2005	2006	2007	2008
Revenues					
Taxes	\$ 24,940,541	\$ 26,654,825	\$ 29,551,984	\$ 31,445,697	\$ 30,852,914
Licenses & permits	762,453	813,990	2,652,621	1,315,308	1,129,405
Intergovernmental & cap contrib	4,238,139	6,095,964	6,548,241	3,789,681	3,065,715
Charges for services	893,189	1,520,777	1,626,207	1,292,725	1,619,448
Fines & forfeitures	309,979	288,338	253,705	529,630	847,886
Investments & other earnings	776,325	1,814,921	3,240,316	3,595,449	3,473,818
Special assessments	318,017	171,795	251,633	152,366	152,366
Rents/leases & concessions	409,438	399,558	430,635	539,607	629,795
Miscellaneous	248,988	41,224	55,271	173,410	35,807
Total Revenues	32,897,069	37,801,392	44,610,613	42,833,873	41,807,154
Expenditures					
Judicial	311,322	326,118	358,576	399,029	488,848
General Government	3,534,106	4,029,965	4,365,134	4,928,824	5,598,626
Public Safety	11,430,548	12,021,721	12,793,339	14,053,771	14,893,442
Transportation	2,749,962	2,684,377	3,165,853	4,839,106	4,921,651
Health & Human Services	341,478	397,728	363,812	409,408	402,771
Physical & Economic Env	2,166,098	2,125,372	2,372,043	2,768,611	2,880,963
Culture & Recreation	2,072,165	2,091,595	2,413,454	3,036,033	2,834,052
Debt service					
Principal	1,345,000	1,275,000	1,425,000	1,385,000	1,425,000
Interest & other costs	875,891	951,946	1,023,841	967,557	685,409
Capital outlay	6,570,591	8,324,953	3,934,043	11,981,558	9,133,556
Total Expenditures	31,397,161	34,228,775	32,215,095	44,768,897	43,264,318
Excess of Revs Over (Under) Exp	1,499,908	3,572,617	12,395,518	(1,935,024)	(1,457,164)
Other Financing Sources (Uses)					
Transfers in	3,714,944	4,717,556	14,341,409	4,277,846	11,598,317
Transfers out	(3,438,694)	(4,541,306)	(14,165,159)	(4,100,296)	(11,420,867)
Proceeds from refund bonds	-	-	-	-	-
Pymt to ref bond escr agent	-	-	-	-	-
Disposition of capital assets	2,957	775	6,653	495	659,734
Total Other Fin Sources (Uses)	279,207	177,025	182,903	178,045	837,184
Net Change in Fund Balances	\$ 1,779,115	\$ 3,749,642	\$ 12,578,421	\$ (1,756,979)	\$ (619,980)
Debt Service as Percentage of Noncapital Expenditures	8.95%	8.60%	8.66%	7.18%	6.18%

Source: City of SeaTac Finance Department

	Fiscal Year				
	2009	2010	2011	2012	2013
Revenues					
Taxes	\$ 29,938,844	\$ 30,685,462	\$ 32,806,485	\$ 33,560,730	\$ 32,849,489
Licenses & permits	1,233,108	955,253	860,035	756,207	1,083,719
Intergovernmental & cap contrib	2,171,325	1,903,653	4,389,310	3,351,336	4,439,165
Charges for services	1,476,573	1,504,270	1,140,325	1,384,882	1,543,470
Fines & forfeitures	585,825	505,430	491,945	485,053	601,128
Investment & other earnings	745,680	130,882	392,915	136,797	101,017
Special assessments	190,445	183,459	138,532	171,920	244,545
Rents/leases & concessions	609,558	1,346,725	1,162,204	1,157,496	1,369,089
Miscellaneous	46,723	231,999	241,965	246,907	329,539
Total Revenues	36,998,081	37,447,133	41,623,716	41,251,328	42,561,161
Expenditures					
Judicial	809,236	806,452	763,935	767,185	705,342
General Government	5,473,181	5,152,286	5,229,972	5,568,524	6,468,050
Public Safety	16,329,864	16,300,966	16,913,007	16,867,963	17,959,058
Transportation	6,626,282	3,178,024	3,572,101	3,212,255	3,465,035
Health & Human Services	523,242	497,145	493,098	500,008	712,376
Physical & Economic Env	3,627,119	3,476,581	3,292,237	3,650,370	3,584,742
Culture & Recreation	3,094,462	2,935,597	2,921,954	3,092,093	3,314,829
Debt service					
Principal	1,480,000	3,910,000	850,000	670,000	932,450
Interest & other costs	439,844	211,593	122,705	175,248	238,369
Capital outlay	17,957,911	2,640,209	4,758,485	4,837,893	7,798,973
Total Expenditures	56,361,141	39,108,853	38,917,494	39,341,539	45,179,224
Excess of Revs Over (Under) Exp	(19,363,060)	(1,661,720)	2,706,222	1,909,789	(2,618,063)
Other Financing Sources (Uses)					
Transfers in	17,861,433	5,746,732	3,371,477	4,608,016	1,921,078
Transfers out	(14,951,600)	(5,014,958)	(2,594,778)	(3,870,153)	(1,554,721)
Proceeds from refund bonds	4,376,345	-	-	-	-
Pymt to ref bond escr agent	(4,376,345)	-	-	-	-
Disposition of capital assets	11,160	500	18,477	-	59,117
Total Other Fin Sources (Uses)	2,920,993	732,274	795,176	737,863	425,474
Net Change in Fund Balances	\$(16,442,067)	\$ (929,446)	\$ 3,501,398	\$ 2,647,652	\$ (2,192,589)
Debt Service as Percentage of Noncapital Expenditures	5.00%	11.30%	2.85%	2.45%	3.13%

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

Fiscal Year	Real Property Locally Assessed	Personal Property Locally Assessed	State Public Svc Prop Real & Personal	Total Assessed Value	Total Direct Tax Rate
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
2013	2,306,427,573	131,697,404	1,599,077,438	4,037,202,415	3.10



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 ¹			Overlapping Rates ²								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	
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
2013	3.02	0.08	3.10	2.57	1.54	0.23	0.30	5.71	0.57	0.13	0.004	14.15



¹ 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 2013, the City's maximum statutory levy rate calculated by the King County Assessor's Office is \$3.10.

² 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>	2013			2004		
	Taxable Assessed Value ²	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value ¹	Rank	Percentage of Total City Taxable Assessed Value
Alaska Airlines/Horizon	\$ 850,915,710	1	21.08%	\$ -	-	-
Delta Airlines ³	184,542,110	2	4.57%	74,611,695	5	2.28%
United/Continental Airlines	154,056,224	3	3.82%	-	-	-
Boeing	84,228,500	4	2.09%	74,152,307	6	2.26%
Southwest Airlines	66,171,241	5	1.64%	62,867,868	7	1.92%
DoubleTree Inn (Red Lion)	59,337,000	6	1.47%	52,915,841	9	1.62%
Hawaiian Airlines Inc.	56,123,203	7	1.39%	51,228,610	10	1.56%
US Air	45,491,195	8	1.13%	-	-	-
AMB Property	45,330,200	9	1.12%	-	-	-
American Airlines	45,124,096	10	1.12%	62,295,138	8	1.90%
United Airlines	-	-	-	171,300,053	2	5.23%
Federal Express Corp.	-	-	-	-	-	-
Continental Airlines	-	-	-	-	-	-
Alaska Airlines	-	-	-	434,275,317	1	13.26%
Horizon Air	-	-	-	134,348,597	3	4.10%
Northwest Airlines ³	-	-	-	99,945,249	4	3.05%
United Parcel Service	-	-	-	-	-	-
Total	\$ 1,591,319,479		39.42%	\$ 1,217,940,675		37.19%

Notes:

¹2003 year end assessed valuations used for taxes collected in 2004. Total assessed valuation for the City at the end of 2003 was \$3,275,213,279.

²2013 year end assessed valuations used for taxes collected in 2014. Total assessed valuation for the City at the end of 2013 was \$4,037,202,415.

³Delta 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.

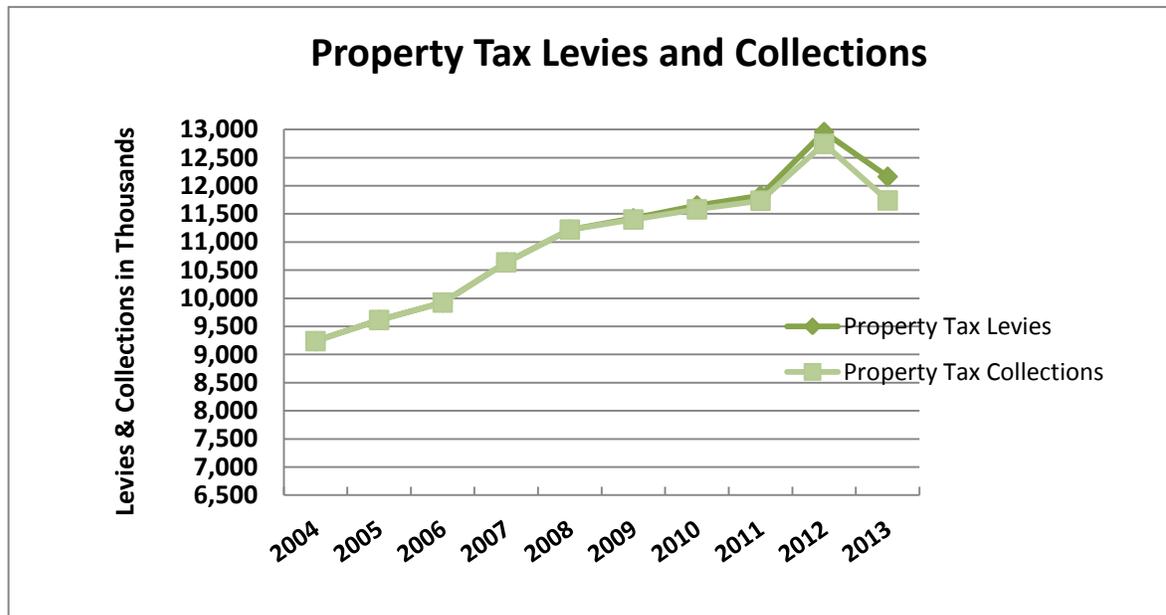
Source: King County Assessor's Office

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
2004	9,237,735	8,970,107	97.10%	267,530	9,237,735	100.000%
2005	9,614,187	8,978,062	93.38%	635,973	9,614,035	100.000%
2006	9,924,728	9,377,695	94.49%	545,856	9,923,551	99.988%
2007	10,638,128	10,464,038	98.36%	173,723	10,637,761	99.997%
2008	11,221,572	10,958,794	97.66%	261,813	11,220,607	99.991%
2009	11,420,586	11,188,597	97.97%	211,689	11,400,286	99.822%
2010	11,650,109	11,319,372	97.16%	260,607	11,579,979	99.398%
2011	11,826,941	11,635,106	98.38%	99,165	11,734,271	99.216%
2012	12,954,824	12,732,153	98.28%	12,018	12,744,171	98.374%
2013	12,161,401	11,738,649	96.52%	-	11,738,649	96.524%

*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

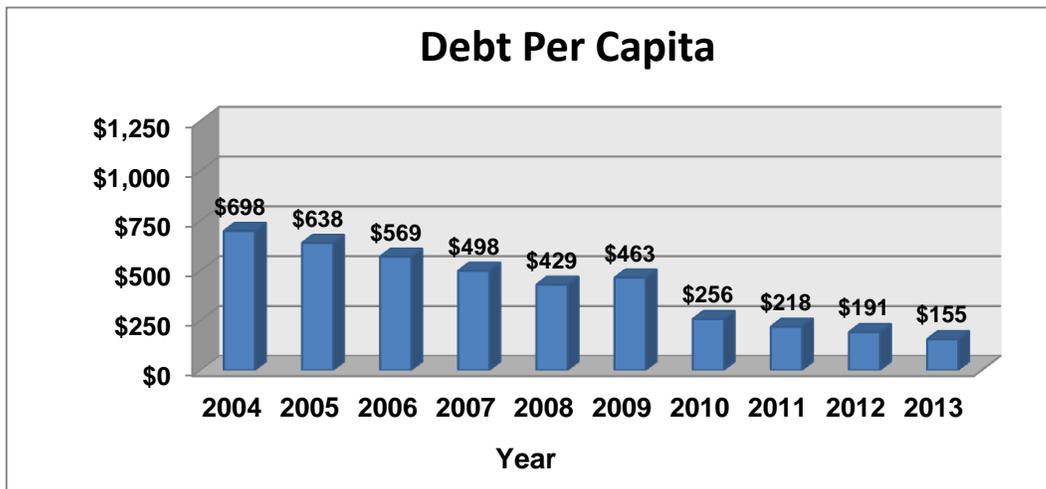
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

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
2004	7,060,000	0.22%	281	1,715,000	-	-	6,245,000
2005	6,545,000	0.19%	260	1,525,000	-	-	5,675,000
2006	6,015,000	0.17%	238	1,240,000	-	-	5,065,000
2007	5,465,000	0.13%	214	1,040,000	-	-	4,430,000
2008	4,895,000	0.11%	190	845,000	-	-	3,770,000
2009	6,963,395	0.14%	271	650,000	-	-	3,080,000
2010	6,290,468	0.14%	243	475,000	-	-	-
2011	5,612,541	0.12%	207	285,000	-	-	-
2012	4,900,077	0.12%	180	285,000	-	-	-
2013	4,136,521	0.10%	151	90,000	-	-	-

Fiscal Year	Business-type Activities	Total Primary Government	Per Capita	% of Personal Income
	Storm Sewer Rev & Ref Bonds			
2004	2,519,432	17,539,432	698	1.42%
2005	2,284,741	16,029,741	638	1.32%
2006	2,040,050	14,360,050	569	1.08%
2007	1,785,360	12,720,360	498	0.86%
2008	1,515,669	11,025,669	429	0.74%
2009	1,230,979	11,924,374	463	0.81%
2010	-	6,622,050	256	0.46%
2011	-	5,897,541	218	0.38%
2012	-	5,185,077	191	0.33%
2013	-	4,226,521	155	0.27%

*General obligation bonds include special obligation SCORE jail bonds.

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

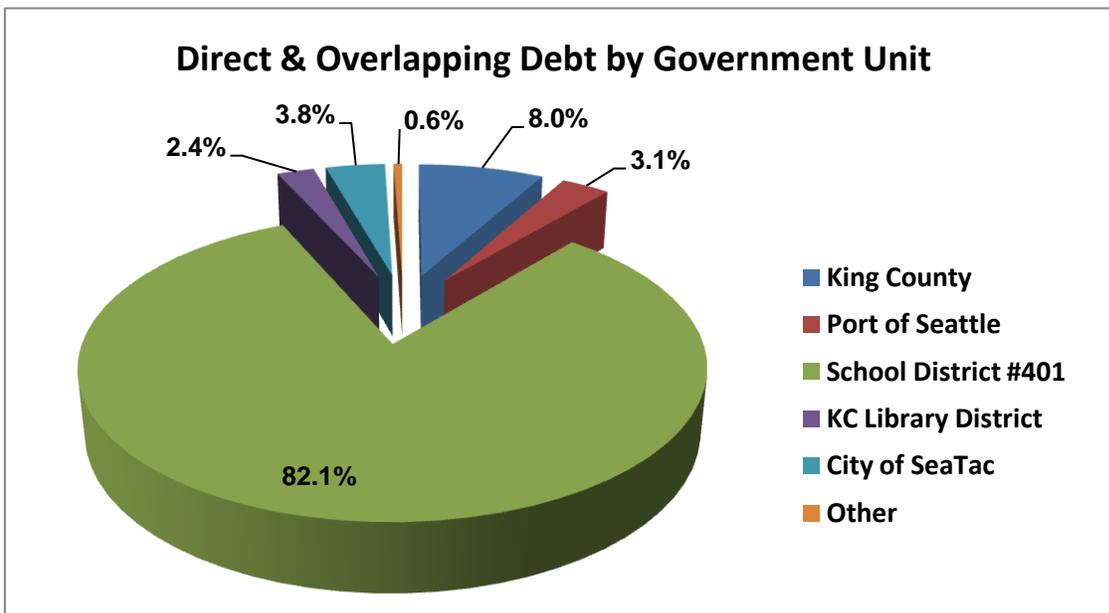


Source: City of SeaTac Finance Department

Direct and Overlapping Governmental Activities Debt
As of December 31, 2013

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable to SeaTac*	Estimated Share of Direct and Overlapping Debt
King County	\$734,828,000	1.19%	\$8,744,453
Port of Seattle	283,815,000	1.19%	3,377,399
Highline School District #401	273,708,391	32.68%	89,447,902
Renton School District #403	308,465,000	0.01%	30,847
Tukwila School District #406	20,250,000	0.06%	12,150
Kent School District #415	182,259,696	0.31%	565,005
Hospital District #1	-	0.15%	-
King County Library District	128,300,000	2.02%	2,591,660
Subtotal Overlapping Debt			104,769,415
SeaTac Direct Debt			4,136,521
Total Direct and Overlapping Debt			\$108,905,936

*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				
	2004	2005	2006	2007	2008
Debt Limit	\$245,640,996	\$256,282,296	\$268,911,505	\$305,848,074	\$344,025,519
Total net debt applicable to limit	7,516,322	7,025,358	6,542,694	6,012,361	5,463,198
Legal debt margin	\$238,124,674	\$249,256,938	\$262,368,811	\$299,835,713	\$338,562,321
Total net debt applicable to the limit as a % of debt limit	3.06%	2.74%	2.43%	1.97%	1.59%

	Fiscal Year				
	2009	2010	2011	2012	2013
Debt Limit	\$366,573,630	\$338,721,915	\$339,342,723	\$295,876,473	302,790,180
Total net debt applicable to limit	4,885,324	6,794,203	5,476,258	4,805,243	4,136,521
Legal debt margin	\$361,688,306	\$331,927,712	\$333,866,465	\$291,071,230	\$298,653,659
Total net debt applicable to the limit as a % of debt limit	1.33%	2.01%	1.61%	1.62%	1.37%

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed Value	\$4,037,202,415
<i>Debt Limit:</i>	
2.5% of general purpose limit, voted and non-voted	100,930,060
2.5% of utility purpose limit, voted	100,930,060
2.5% of open space, voted	100,930,060
Total Debt Limit	302,790,180
<i>Debt Applicable to Limit:</i>	
General/Special Obligation Bonds (Net)	4,136,521
Legal Debt Margin	\$298,653,659



Source: City of SeaTac Finance Department

Pledged-Revenue Coverage
Last Ten Fiscal Years

Storm Water Utility Revenue Bonds						
Fiscal Year	Gross Revenue¹	Less:	Net	Debt Service³		Coverage
		Operating Expenses	Available Revenue	Principal	Interest	
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
2013	N/A	N/A	N/A	0	0	N/A

Local Option Transportation Tax Revenue Bonds						
Fiscal Year	Gross Revenue²	Less:	Net	Debt Service³		Coverage
		Operating Expenses	Available Revenue	Principal	Interest	
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
2013	N/A	N/A	N/A	0	0	N/A

Local Improvement District No. 1 Special Assessment Bonds				
Fiscal Year	Special Assessment Collections	Debt Service		Coverage
		Principal	Interest	
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
2013	266,957	195,000	17,625	1.26

¹Includes storm drainage utility charges, interest and miscellaneous revenue.

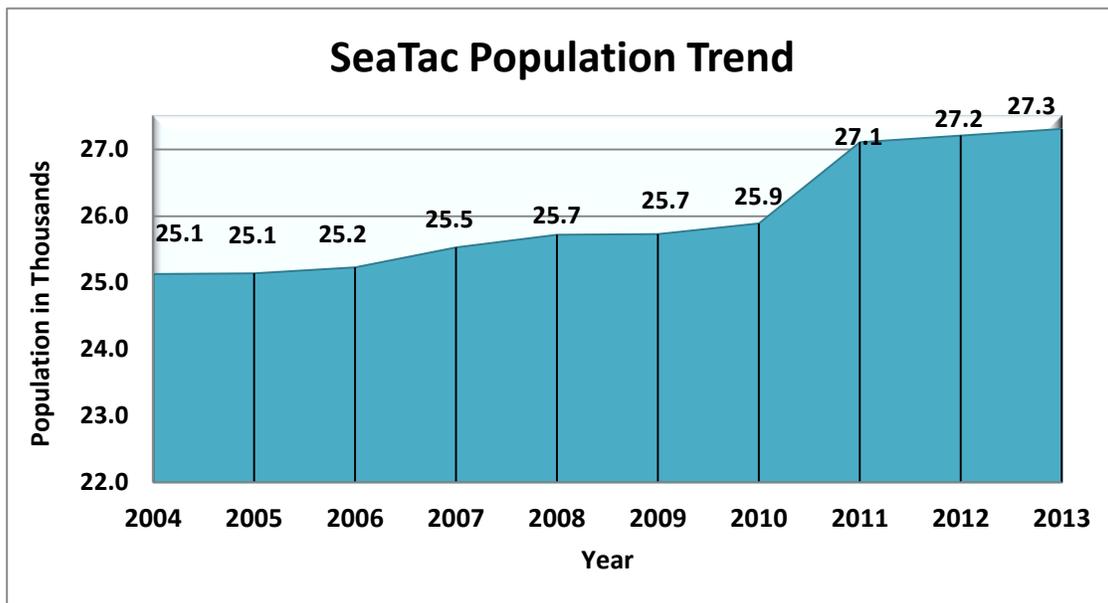
²Includes City portion of the local option transportation tax revenues (parking taxes) only; This revenue was pledged to secure the payment of the local option transportation tax revenue bonds. Table updated for all years in 2011.

³All revenue bonds were fully redeemed in 2010.

Source: City of SeaTac Finance Department

Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (A)	Total Personal Income (B)	Personal Income Per Capita (C)	Median Age (D)	Public School Enrollment (E)	Unemployment Rate King County (F)
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	1,635,048,900	60,090	37.72	2,639	6.8%
2013	27,310	(G)	(G)	37.10	2,787	4.7%



- (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.

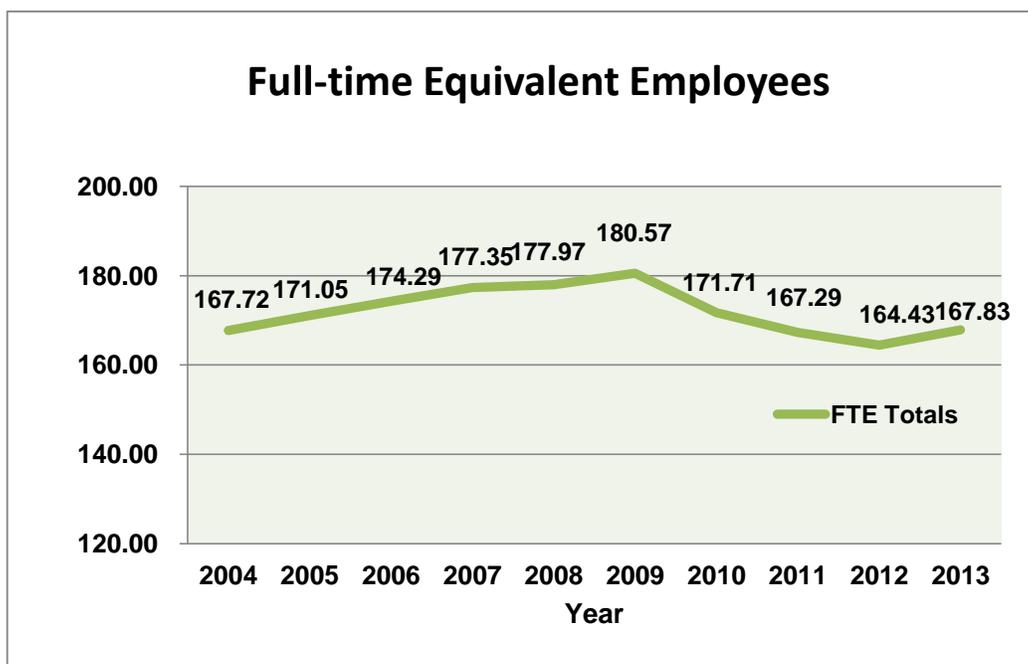
Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	<u>2013</u>			<u>2004</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Port of Seattle	1,600	1	3.91%	N/A	-	-
SeaTac Transportation	1,200	2	2.93%	N/A	-	-
HMS Host	600	3	1.47%	N/A	-	-
Doubletree Hotel	400	4	0.98%	N/A	-	-
Marriott Hotel	350	5	0.86%	N/A	-	-
TIMCO Aviation Services Inc.	330	6	0.81%	N/A	-	-
Amicable Healthcare Inc.	300	7	0.73%	N/A	-	-
Lynden Inc.	300	8	0.73%	N/A	-	-
Hilton	200	9	0.49%	N/A	-	-
Safeway	200	10	0.49%	N/A	-	-
Total	5,480		13.40%	-		-

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 2004.

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

Function/Program	Fiscal Year				
	2004	2005	2006	2007	2008
Judicial	5.40	5.40	5.40	6.00	6.50
General Government					
City Manager's Office	5.75	4.75	4.50	4.65	5.05
Finance/IS	8.50	9.50	9.17	9.50	10.00
GIS	0.50	2.38	2.00	2.50	3.25
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	3.10	3.60	3.60	3.60
Transit Planning	-	-	-	-	-
Facilities/Property Mgt Services	4.50	4.50	4.50	4.80	4.80
Public Safety					
Police Administration/Other	1.69	1.69	1.69	1.69	1.54
Fire	50.00	53.00	53.00	53.00	52.19
Transportation	20.43	19.94	20.44	21.13	19.94
Health & Human Services	0.50	1.00	1.00	1.00	1.00
Economic Environment					
Building	11.00	11.00	11.00	10.08	11.00
Planning	10.00	8.00	10.96	10.96	10.09
Development Review	-	-	-	-	-
Resource Conservation	1.00	1.00	1.00	1.00	1.00
Tourism	0.75	0.75	0.75	1.50	1.25
Culture and Recreation	26.29	26.90	27.45	28.11	28.93
Surface Water Management	7.81	8.14	7.83	7.83	7.83
Equipment Rental	-	-	-	-	-
Total	167.72	171.05	174.29	177.35	177.97



Source: City of SeaTac Finance Department

Function/Program	Fiscal Year				
	2009	2010	2011	2012	2013
Judicial	7.00	7.00	6.33	6.61	6.36
General Government					
City Manager's Office	5.06	4.09	4.36	4.92	5.60
Finance/IS	10.00	9.12	9.38	9.42	9.50
GIS	2.46	2.48	2.00	2.02	2.01
City Clerk's Office	3.00	3.00	3.00	3.00	3.00
Legal Services	7.00	7.19	7.00	7.00	7.00
Human Resources	3.55	4.00	4.00	4.00	4.00
Transit Planning	-	-	-	-	2.00
Facilities/Property Mgt Services	4.80	4.91	5.00	5.78	5.82
Public Safety					
Police Administration/Other	1.53	1.49	1.44	1.36	1.00
Fire	51.92	51.21	50.00	49.00	49.00
Transportation	20.88	18.45	19.51	16.61	16.02
Health & Human Services	1.00	1.00	1.00	1.00	1.00
Economic Environment					
Building	11.00	8.25	7.16	8.00	8.71
Planning	10.80	7.65	5.76	4.65	5.55
Engineering Development Review	-	-	2.58	3.00	3.00
Resource Conservation	1.00	1.00	1.00	1.00	1.00
Tourism	1.50	1.50	1.00	1.33	1.44
Culture and Recreation	29.97	29.83	27.38	28.18	28.82
Surface Water Management	8.10	9.54	9.09	7.25	6.75
Equipment Rental	-	-	0.30	0.30	0.25
Total	180.57	171.71	167.29	164.43	167.83

Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2004	2005	2006	2007	2008
Judicial					
Traffic & non-traffic filings	3,938	2,139	2,752	2,993	2,592
Criminal traffic/non-traffic filings	1,100	422	1,262	1,364	1,635
Parking filings	283	309	298	347	396
Number of in custody hearings	244	261	239	367	284
Orders for protection filed	3	7	30	45	34
Anti-Harassment orders	N/A	2	7	13	4
Red light camera photo enforcement	N/A	N/A	N/A	5,124	7,009
General Government					
Business licenses issued	1,879	1,850	1,910	1,911	1,912
Ordinances/Resolutions/Motions passed	98	102	128	133	138
Number of employment applications	624	1,104	1,098	933	1,021
Public Safety - Fire					
Number of emergency fire calls	1,254	1,223	1,320	1,173	1,169
Number of medical emergency calls	2,805	3,106	2,966	3,064	3,224
Number of fire inspections	2,787	2,691	2,809	2,800	1,876
Number of permits issued	470	533	411	411	421
Total staff training hours	10,084	9,442	7,283	9,100	7,966
Public Safety - Police					
Dispatched calls for service	9,933	10,955	11,297	11,038	10,023
Part 1 crimes*	1,865	2,346	2,179	1,917	1,676
Part 2 crimes**	1,835	1,838	1,906	1,949	1,942
Total cases cleared	545	517	523	482	413
Traffic citations	5,102	4,144	3,818	3,907	2,592
Adult & juvenile arrests	1,569	1,344	1,650	1,528	1,393
Response times (in progress)***					
Priority X - Critical Disp (min)	3.27	3.76	5.10	3.97	4.03
Priority 1 - Immediate Disp (min)	7.77	9.15	8.17	8.24	8.83
Priority 2 - Prompt Dis (min)	13.32	16.09	14.33	15.22	15.18
Economic Environment					
Valuation of permitted bldg apps	\$42.5m	\$30.0m	\$128.9m	\$88.1m	\$42.4m
Number of short plat applications	13	16	16	25	10
Number of bldg permits issued	270	291	296	341	290

*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

Fiscal Year

Function/Program	Fiscal Year				
	2009	2010	2011	2012	2013
Judicial					
Traffic & non-traffic filings	1,827	2,018	2,090	1,766	1,915
Criminal traffic/non-traffic filings	1,066	1,016	855	872	858
Parking filings	278	327	183	96	358
Number of in custody hearings	302	297	297	242	346
Orders for protection filed	21	15	20	19	56
Anti-Harassment orders	11	8	16	6	16
Red light camera photo enforcement	4,040	3,135	3,388	3,606	4,561
General Government					
Business licenses issued	1,944	1,886	1,883	1,907	1,971
Ordinances/Resolutions/Motions passed	137	105	97	79	83
Number of employment applications	1,103	1,177	595	1,499	2,271
Public Safety - Fire					
Number of emergency fire calls	1,002	1,080	959	1,344	203
Number of medical emergency calls	3,097	2,935	2,920	2,829	3,141
Number of fire inspections	2,023	1,778	1,725	1,753	1,584
Number of permits issued	399	398	362	346	373
Total staff training hours	7,117	5,141	5,073	7,017	7,265
Public Safety - Police					
Dispatched calls for service	9,100	9,056	9,541	10,230	10,811
Part 1 crimes*	1,656	1,460	1,644	1,957	1,765
Part 2 crimes**	2,079	1,905	1,978	1,923	1,970
Total cases cleared	439	243	369	584	474
Traffic citations	1,827	1,998	2,273	2,101	1,887
Adult & Juvenile arrests	1,378	1,256	1,137	1,306	1,277
Response times (in progress)***					
Priority X - Critical Disp (min)	4.78	4.17	3.64	3.56	4.12
Priority 1 - Immediate Disp (min)	8.67	8.33	8.12	7.54	7.39
Priority 2 - Prompt Dis (min)	13.89	12.75	13.15	12.41	11.44
Economic Environment					
Valuation of permitted bldg apps	\$75.2m	\$36.0m	\$7.8m	\$21.0m	\$64.4m
Number of short plat applications	3	2	3	2	2
Number of bldg permits issued	238	198	174	200	227

*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>	Fiscal Year				
	2004	2005	2006	2007	2008
General Government					
City Hall (sq feet)	81,000	81,000	81,000	81,000	81,000
Public Safety - Fire					
Fire Stations	3	3	3	3	3
Fire/Aid Units in Service	3	3	3	3	3
Transportation - Public Works					
Streets (miles)	82	79	81	76	78
Culture and Recreation					
Community Center					
Quantity	2	2	2	2	2
Square Footage	25,809	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)	0.5	0.5	0.5	0.5	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					
Developed (sq ft)	58,548	58,548	58,548	58,548	58,548
Trails/Linear Parks					
Developed (lineal ft)	15,430	15,430	15,430	15,430	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	1	1	1	1
Basketball Courts, Outdoor	10	10	10	11	11
BMX Track	1	1	1	1	1
Boat Launch	1	1	1	1	1
Botanical Gardens	1	1	1	1	1
Cricket Field	-	-	-	-	-
Fishing Pier	1	1	1	1	1
Football/Soccer Fields	7	7	7	7	7
Japanese Garden	-	-	1	1	1
Pickleball Courts, Indoor	3	3	3	3	3
Pickleball Courts, Outdoor	-	-	-	-	-
Picnic Shelters (# of Parks)	2	2	2	2	2
Picnic Table Areas (# of Parks)	1	1	1	2	2
Playgrounds	6	6	7	7	7
Roller Hockey	1	1	1	1	1
Skateboard Parks	1	1	1	1	1
Swimming Pool	0	0	0	0	0
Tennis Courts	10	10	10	10	10
Theater, Outdoor (Performance Area)	1	1	1	1	1
Volleyball Courts	3	3	3	3	3
Water Spray Feature/Park	-	-	-	-	-
Weight/Fitness Room	1	1	1	1	1

Source: City of SeaTac Comprehensive Plans 2004 - 2013
City of SeaTac Parks Maintenance Division

Function/Program	Fiscal Year				
	2009	2010	2011	2012	2013
General Government					
City Hall (sq feet)	81,000	81,000	81,000	81,000	81,000
Public Safety - Fire					
Fire Stations	3	3	3	3	3
Fire/Aid Units in Service	3	3	3	3	3
Transportation - Public Works					
Streets (miles)	78	78	78	78	78
Culture and Recreation					
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	73,548	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	2	2	2	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
Cricket Field	-	-	-	-	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
Pickleball Courts, Outdoor	-	-	1	1	1
Picnic Shelters (# of Parks)	2	2	2	2	2
Picnic Table Areas (# of Parks)	2	2	3	3	3
Playgrounds	7	7	7	7	7
Roller Hockey	1	1	1	1	1
Skateboard Parks	1	1	1	2	2
Swimming Pool	1	1	1	1	1
Tennis Courts	10	10	9	9	9
Theater, Outdoor (Performance Area)	1	1	1	1	2
Volleyball Courts	5	3	5	5	5
Water Spray Feature/Park	-	-	-	-	1
Weight/Fitness Room	2	2	2	2	2



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City of SeaTac, Washington
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