



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of SeaTac

For the period January 1, 2022 through December 31, 2022

Published March 21, 2024

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**Office of the Washington State Auditor
Pat McCarthy**

March 21, 2024

City Council
City of SeaTac
SeaTac, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of SeaTac's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the City's financial activities and condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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TABLE OF CONTENTS

Schedule of Findings and Questioned Costs.....	4
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	6
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	8
Independent Auditor's Report on the Financial Statements.....	11
Financial Section.....	15
About the State Auditor's Office.....	101

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of SeaTac January 1, 2022 through December 31, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of SeaTac are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City’s compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

City of SeaTac January 1, 2022 through December 31, 2022

City Council
City of SeaTac
SeaTac, Washington

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of SeaTac, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 13, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

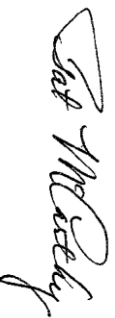
REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Pat McCarthy".

Pat McCarthy, State Auditor

Olympia, WA

March 13, 2024

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

City of SeaTac
January 1, 2022 through December 31, 2022

City Council
City of SeaTac
SeaTac, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of SeaTac, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

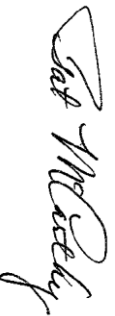
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy, State Auditor

Olympia, WA

March 13, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of SeaTac January 1, 2022 through December 31, 2022

City Council
City of SeaTac
SeaTac, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of SeaTac, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of SeaTac, as of December 31, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matters of Emphasis

As discussed in Note 21 to the financial statements, in 2022, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

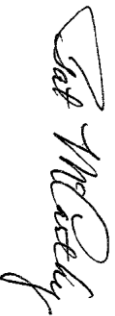
Supplementary Information

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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information 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 basic financial statements. The information has been subjected to the 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 basic financial statements or to the basic 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 as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

A handwritten signature in blue ink, appearing to read "Pat McCarthy".

Pat McCarthy, State Auditor
Olympia, WA

March 13, 2024

FINANCIAL SECTION

City of SeaTac January 1, 2022 through December 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2022

BASIC FINANCIAL STATEMENTS

Statement of Net Position – Government-wide – 2022
Statement of Activities – Government-wide – 2022
Balance Sheet – Governmental Funds – 2022
Reconciliation of Fund Balances of Governmental Funds to the Net Position of
Governmental Activities – 2022
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2022
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities – 2022
Statement of Net Position – Proprietary Funds – 2022
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds –
2022
Statement of Cash Flows – Proprietary Funds – 2022
Statement of Net Position – Fiduciary Funds – 2022
Statement of Changes in Fiduciary Net Position – 2022
Notes to Financial Statements – 2022

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
– General Fund – 2022
Reconciliation of General Fund Budgetary Basis Actual Amounts to GAAP Basis Actual
Amounts in the Statement of Revenues, Expenditures and Changes in Fund Balance –
2022
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
– Street Fund – 2022

Reconciliation of Street Fund Budgetary Basis Actual Amounts to GAAP Basis Actual Amounts in the Statement of Revenues, Expenditures and Changes in Fund Balance – 2022

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Hotel/Motel Tax Fund – 2022

Reconciliation of Hotel/Motel Tax Fund Budgetary Basis Actual Amounts to GAAP Basis Actual Amounts in the Statement of Revenues, Expenditures and Changes in Fund Balance – 2022

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3, LEOFF 1 – 2022

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2022

Schedule of Changes in Total OPEB Liability and Related Ratios – LEOFF 1 Retirees – 2022

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2022

Notes to the Schedule of Expenditures of Federal Awards – 2022

INTRODUCTION

The City of SeaTac's Management Discussion and Analysis (MD&A) provides a narrative overview of the City's financial activities and position for the fiscal year ended December 31, 2022. Since the MD&A was designed to focus on the activities, resulting changes, and currently known facts for the year 2022, 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, 2022, total net position for the City was \$586 million. Of this amount, \$443.9 million or 75.8% was classified as investment in capital assets. This classification includes infrastructure, construction in progress, land and other improvements, buildings, equipment, and intangibles. Net position in the amount of \$51.2 million or 8.7% was restricted for debt service, affordable housing, tourism promotion, pension assets, capital projects and equipment, including Des Moines Creek Basin interlocal agreement projects, transportation, and facilities projects. The remaining net position balance of \$90.8 million or 15.5% was classified as unrestricted and available for general City operations.
- Governmental funds ended the year with \$124.6 million in total ending fund balance on the modified accrual basis of accounting. This is an increase of \$13.6 million or 12.2% over 2021, which ended the year with a \$111 million ending fund balance. Increases in sales tax, leasehold tax and parking tax produced a favorable ending fund balance.
- The City received a total of \$8.1 million in federal funding through the American Rescue Plan Act (ARPA) to aid public health and economic recovery from the COVID-19 pandemic. In September 2022, City Council approved a budget amendment dedicating \$3.5 million to assisting local businesses.
- Major capital assets added in 2022 include the S 188th & Des Moines Memorial Drive Intersection to the Port of Seattle Tunnel overlay (\$1.2 million), the S 180th St Flood Reduction Project (\$1 million) and 200th Street Shared Pathway Project (\$2.2 million). Both transportation projects include traffic signal improvements, sidewalks, bike lanes, surface water management infrastructure and pedestrian improvements.
- Several capital projects were still in progress at the end of 2022. Design work on several park projects including the Angle Lake Fishing Pier and Boat Ramp (\$3.8 million), SeaTac Des Moines Creek Park Trailhead Improvements (\$3 million), and the Riverton Heights Spray Parks project (\$2.2 million) continued. As well as the construction of 34th Avenue from S 160th Street to S 166th Street (\$7 million) and implementation of a new Permitting Software Program (\$320 thousand).

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.

The City’s basic financial statements are 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 provided in addition to the basic financial statements in the 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. Largely taxes and intergovernmental revenues support governmental activities while the City’s business-type activities are funded through user fees and charges. The City has two business-type activities; a surface water utility funded through surface water management fees and the solid waste and environmental fund paid for from franchise fees.

The Statement of Net Position presents information on the difference between all 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 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 uncollected 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 three categories which include governmental, proprietary, and fiduciary 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 2022, the City of SeaTac maintained seventeen 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 Municipal Capital Improvement Fund, the Facility Construction 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."

In 2022, the City maintained budgetary control over its operating funds through the adoption of a biennial budget. Budgets are adopted at the fund level according to Washington State law. Budgetary comparison schedules are presented for the General Fund and the major special revenue funds only in the Required Supplementary Information of the Annual Report.

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 are a surface water utility used for operations, construction and debt related expenses, and a solid waste and environmental fund used for education and improvements related to the environment.

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.

The City maintains one custodial fund used to account for various fiduciary activities including state court and building fee funds, sales and leasehold excise taxes payable, and King County pet licenses.

Notes to the Financial Statements

The notes to the financial statements provide additional information important for a full understanding of the data in the government-wide and fund financial statements. The notes are located immediately following the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 Statement of Net Position						
	Governmental Activities		Business Type Activities		Total	
Assets:	2022	2021	2022	2021	2022	2021
Current & other assets	\$ 147,905,670	\$ 125,845,540	\$ 12,862,675	\$ 11,665,917	\$ 160,768,345	\$ 137,511,457
Net pension asset	3,416,039	8,908,003	305,743	815,945	3,721,782	9,723,948
Capital assets, net	411,473,979	408,761,541	32,430,712	33,152,946	443,904,691	441,914,487
Total Assets	562,795,688	543,515,084	45,599,130	45,634,808	608,394,818	589,149,892
Deferred Outflows	3,862,722	1,672,814	298,754	95,826	4,161,476	1,768,640
Liabilities:						
Long-term liabilities	2,798,087	2,830,190	80,148	80,320	2,878,235	2,910,510
Net pension liability	3,369,031	917,585	-	-	3,369,031	917,585
Other liabilities	13,356,061	8,380,002	33,186	102,165	13,389,247	8,482,167
Total liabilities	19,523,179	12,127,777	113,334	182,485	19,636,513	12,310,262
Deferred Inflows	6,667,124	9,277,918	261,593	739,137	6,928,717	10,017,055
Net Position:						
Net inv in capital assets	411,473,979	408,761,541	32,430,712	33,152,946	443,904,691	441,914,487
Restricted	50,927,616	49,327,487	305,743	-	51,233,359	49,327,487
Unrestricted	78,066,512	65,693,176	12,786,502	11,656,065	90,853,014	77,349,241
Total Net Position	\$ 540,468,107	\$ 523,782,204	\$ 45,522,957	\$ 44,809,011	\$ 585,991,064	\$ 568,591,215

In 2022, the City’s total net position increased by \$16.7 million. Net investment in capital increased by \$2.7 million with the bulk of the expenses going toward transportation improvements. The City’s total restricted net position increased by \$1.6 million and unrestricted net position increased by \$12.4 million.

The City's net position for governmental activities includes \$50.9 million in restricted resources that are subject to external limitations on how the funds may be used. The restricted net position amount is for debt service, affordable housing, capital projects including transportation projects, tourism promotion and capital facilities, pension, and Des Moines Creek Basin ILA projects. The remaining balance of unrestricted net position in the amount of \$78 million may be used to meet the government's ongoing obligations to citizens and creditors.

Restricted net position for business-type activities is for pensions (\$305,743). Unrestricted net position is \$12.7 million. \$11.2 million can be used for general surface water utility purposes including capital projects, if desired and \$1.5 million is available for Solid Waste and Environmental purposes.

Changes in Net Position

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

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

City of SeaTac's Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
Revenues:	2022	2021	2022	2021	2022	2021
Program Revenues:						
Charges for services	\$ 9,100,565	\$ 7,741,206	\$ 4,536,963	\$ 4,360,279	\$ 13,637,528	\$ 12,101,485
Operating grants & contrib	3,970,271	4,095,129	98,493	175,312	4,068,764	4,270,441
Capital grants & contrib	6,699,563	1,390,068	320,000	1,781,354	7,019,563	3,171,422
General Revenues:						
Property tax	17,548,121	17,292,632	-	-	17,548,121	17,292,632
Sales & Use taxes	21,669,719	15,964,090	-	-	21,669,719	15,964,090
Hotel/Motel taxes	2,028,388	1,215,937	-	-	2,028,388	1,215,937
Parking tax	8,965,490	6,701,675	-	-	8,965,490	6,701,675
Gambling taxes	491,115	553,869	-	-	491,115	553,869
Excise taxes	4,549,557	4,046,854	-	-	4,549,557	4,046,854
Investment interest	(2,075,883)	(339,878)	(239,047)	(10,527)	(2,314,930)	(350,405)
Gains on asset sales	285,536	66,453	-	-	285,536	66,453
Total Revenues	73,232,442	58,728,035	4,716,409	6,306,418	77,948,851	65,034,453

City of SeaTac, WA – Management's Discussion and Analysis

Expenses:	2022	2021	2022	2021	2022	2021
Judicial	1,046,431	839,192	-	-	1,046,431	839,192
General Government	7,971,444	5,369,513	-	-	7,971,444	5,369,513
Public Safety	28,192,525	23,532,341	-	-	28,192,525	23,532,341
Transportation	9,602,833	8,440,054	-	-	9,602,833	8,440,054
Health & Human Services	878,623	662,202	-	-	878,623	662,202
Physical & Economic Environment	3,709,945	3,550,412	3,088,410	3,367,898	6,798,355	6,918,310
Culture & Recreation	6,059,336	5,593,849	-	-	6,059,336	5,593,849
Total Expenses	57,461,137	47,987,563	3,088,410	3,367,898	60,549,547	51,355,461
Inc (Dec) in Net Position Before Transfers & Special Items	15,771,305	10,740,472	1,627,999	2,938,520	17,399,304	13,678,992
Transfers	914,053	(2,329,095)	(914,053)	2,329,095	-	-
Special Items:						
Gain on sale of Property	-	2,730,255	-	-	-	2,730,255
Total Special Items	-	2,730,255	-	-	-	2,730,255
Inc (Dec) in Net Position	16,685,358	11,141,632	713,946	5,267,615	17,399,304	16,409,247
Net Position-Beg (as restated)	523,782,748	512,641,116	44,809,011	39,541,396	568,591,759	552,182,512
Net Position-Ending	\$ 540,468,106	\$ 523,782,748	\$ 45,522,957	\$ 44,809,011	\$ 585,991,063	\$ 568,591,759

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 \$11.1 million in grant revenues for operating and capital purposes. Capital grants are up \$3.8 million from the prior year; transportation project start dates and actual expenses incurred impact the timing of when actual grant revenues are received and recorded as revenue. Operating grants are down \$202 thousand over 2021 from COVID-19 related grants and a one-time State Legislative allocation for public safety training due to the impacts of police legislation.

In 2022 most tax categories are fully recovered and exceeding pre-COVID-19 Pandemic numbers. Increases range from 12.4 % for Leasehold excised tax to 66.8% for Hotel/Motel tax. Property tax remained relatively flat, increasing 1.5%. Investment interest decreased by 510.8% due to unrealized losses on investments and gambling tax decreased 11.3% as a result of a rate change in mid-2021 from 20% to 11% based off the number of gambling establishments in the City. The Port of Seattle reported that passengers are returning to the skies with rates down just 11% from 2019 with a forecast to reach pre-pandemic traveler volumes in 2024. The Port of Seattle's Sea-Tac Airport, a top eleven U.S. airport, has a regional economic impact of 87,300 direct jobs, and \$22.5 billion in business revenue and \$442 million in state and local taxes.

In 2022, the City of SeaTac's Economic Development division (in the Community and Economic Development Department) continued work with SeaTac business, supporting new business openings and other projects in the development pipeline. Staff supported the hospitality and tourism related industry and introduced 3 new programs using American Rescue Plan Act (ARPA) money to assist small businesses and workers recover from the global Covid-19 pandemic.

Notable constructions projects include the near completion of the Polaris at SeaTac, a 365 unit affordable workforce housing apartment mixed-use building which includes twelve commercial and retail spaces, most of which are being preleased to local small businesses. More than 1,600 permits and land use approvals were issued during the year. Additionally, a substantial amount of multifamily and commercial development projects is in the pre/permitting process throughout the city.

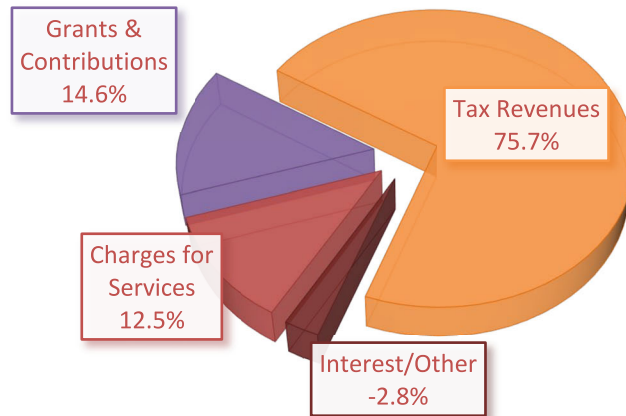
For governmental activities, total expenses increased \$9.5 million or 19.7% from 2021. All seven program areas in governmental activities had expense increases in 2022 ranging from 4.5% in Physical and Economic Environment to 48.5% in General Government.

Transportation increased \$1.2 million from changes in capital projects.

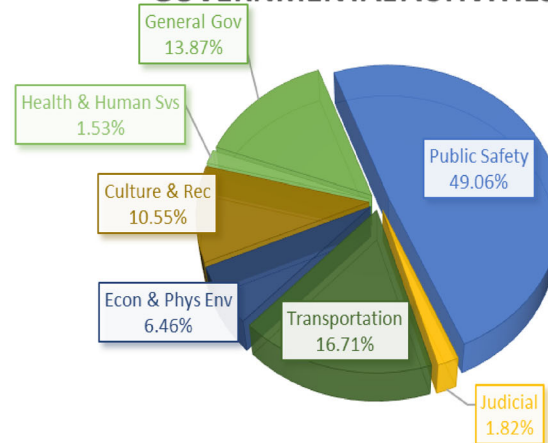
General Government increased \$2.6 million from the increased costs for general insurance, the expansion of the communications division, and a reduction of pension expense in general government programs.

Public Safety expenses increased \$4.5 million due to an increase in Public Safety contracts, Pension expense, and Other Post Employment Benefit expense.

REVENUES BY SOURCE FOR GOVERNMENTAL ACTIVITIES



EXPENSES BY FUNCTION FOR GOVERNMENTAL ACTIVITIES



Business-type Activities: Revenue was down 25.2% and expenditures decreased 8.3%. The decrease in revenue is primarily from a capital grant for the Des Moines Creek land acquisition for SWM education purposes in 2021. Net position increased by \$1.6 million in 2022 as compared to a \$5.3 million increase in 2021, down due to the land acquisition in 2021

and was \$714 thousand after the transfer of capital assets constructed as part of the S 180th St Flood Reduction project (\$978.8 thousand) and the S 200th St Shared Use Pathway project (\$208.3 thousand).

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 Utility Fund and Solid Waste and Environmental Fund is 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. 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 major funds, the resources are non-spendable, restricted or assigned to other purposes.

At the end of 2022, the City’s combined ending governmental fund balance was \$124.6 million versus the 2021 ending fund balance of \$111 million. Included in the 2022 ending fund balance is \$523 thousand in non-spendable prepayments, \$47.5 million in restricted fund balances (i.e., transportation, tourism, capital projects, etc.) and \$21.5 million in fund balances which have been assigned to other purposes (i.e., light rail station areas, capital projects, etc.).

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 tax and sales taxes are the primary revenue sources for the General Fund. Property tax recorded into the General Fund equaled approximately \$17.5 million in 2022. The property tax levy has remained flat in recent years, partially from the slowdown in completed construction projects and the council policy to not increase the levy if reserve requirements are met.

In 2022, sales taxes recorded into the General Fund were \$19.8 million compared to \$13.8 million in 2021 and \$9.3 million in 2020. The increase in sales tax collection is a positive indicator of full recovery from the COVID-19 pandemic shut-down.

The fund balance of the General Fund at the end of 2022 was \$55.6 million, which is a \$4.2 million increase over 2021. In accordance with GAAP reporting, four funds are rolled up into the General Fund. The fund balance additions to the General Fund are as follows: Port of Seattle ILA Fund - \$12.4 million, Transit Planning - \$539 thousand, Building Management Fund - \$3.9 million, and the ARPA State and Local Fiscal Recovery Fund (\$11,500) for a total of \$16.8 million. A schedule for General Fund budget versus actual revenues and expenditures can be found in the Required Supplementary Information section of the Annual Report.

The Street Fund is a special revenue fund, originally added as a major fund in 2007 due to parking tax revenues. Parking tax is an important funding source for capital infrastructure projects and is transferred into the Transportation CIP Fund, as necessary. The Street Fund ended the year with \$9.1 million in fund balance, which represents a decrease of \$2.8 million from 2021. The Street Fund is still recovering from the impacts of the COVID-19 pandemic on air travel and parking and transferred \$6.6 million to support Transportation CIP projects, up from \$1.4 million in 2021.

The Hotel/Motel Tax Fund is a special revenue fund whose purpose is to account for lodging taxes collected and expended for tourism promotion and tourism facilities, including both capital and operating costs. The ending fund balance in 2022 for this Fund was \$11.2 million. Lodging tax revenue had been on a steady rise prior to the COVID-19 pandemic and suffered significantly during the shutdown. However, 2021 bounced back to \$1.2 million and 2022 hit an all time high of \$2 million in lodging tax revenue. 2014 marked the beginning of the Seattle Southside Tourism Promotion Area (or TPA) in partnership with the cities of Des Moines and Tukwila. As part of this new initiative, SeaTac chartered the first ever of its kind public development authority to administer the TPA funds, which were \$3.8 million in 2022. The Seattle Southside Regional Tourism Authority (SSRTA) manages these funds used for tourism promotion services for the purpose of growing the City's tourism industry. The SSRTA is presented as a component unit on the Government-wide Financial Statements.

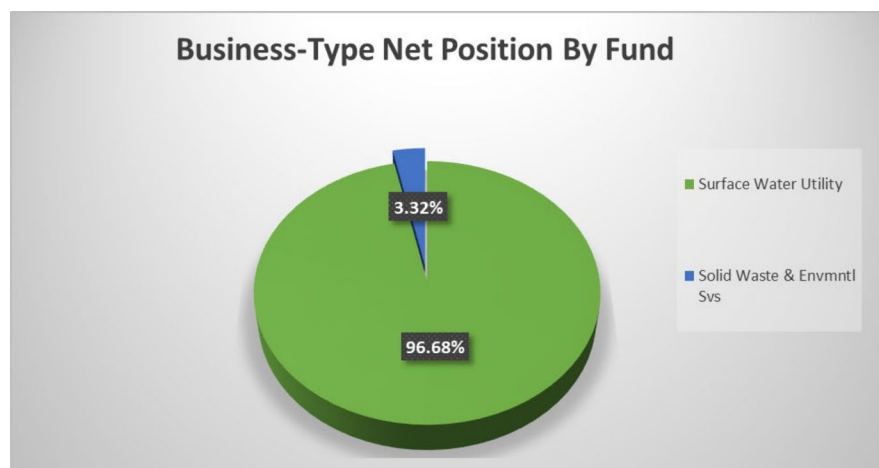
The Municipal Capital Improvement Fund is a capital projects fund whose purpose is to account for the expenditures related to general capital improvements including network information systems projects, parks projects including synthetic turf installation, and major building maintenance. In 2022, the revenue source for this Fund was real estate excise tax and sales tax from Port of Seattle projects. At the end of 2022, the fund balance in the Municipal Capital Improvement Fund was \$18.5 million.

The Facility Construction 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. At the end of 2022, the fund balance in the Municipal Facilities Capital Improvement Fund was \$3.6 million.

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 2022, the major revenue sources for this Fund were project grants and reimbursements from other agencies for services. The Street Fund also transferred \$6.5 million into this Fund to pay for several roadway projects.

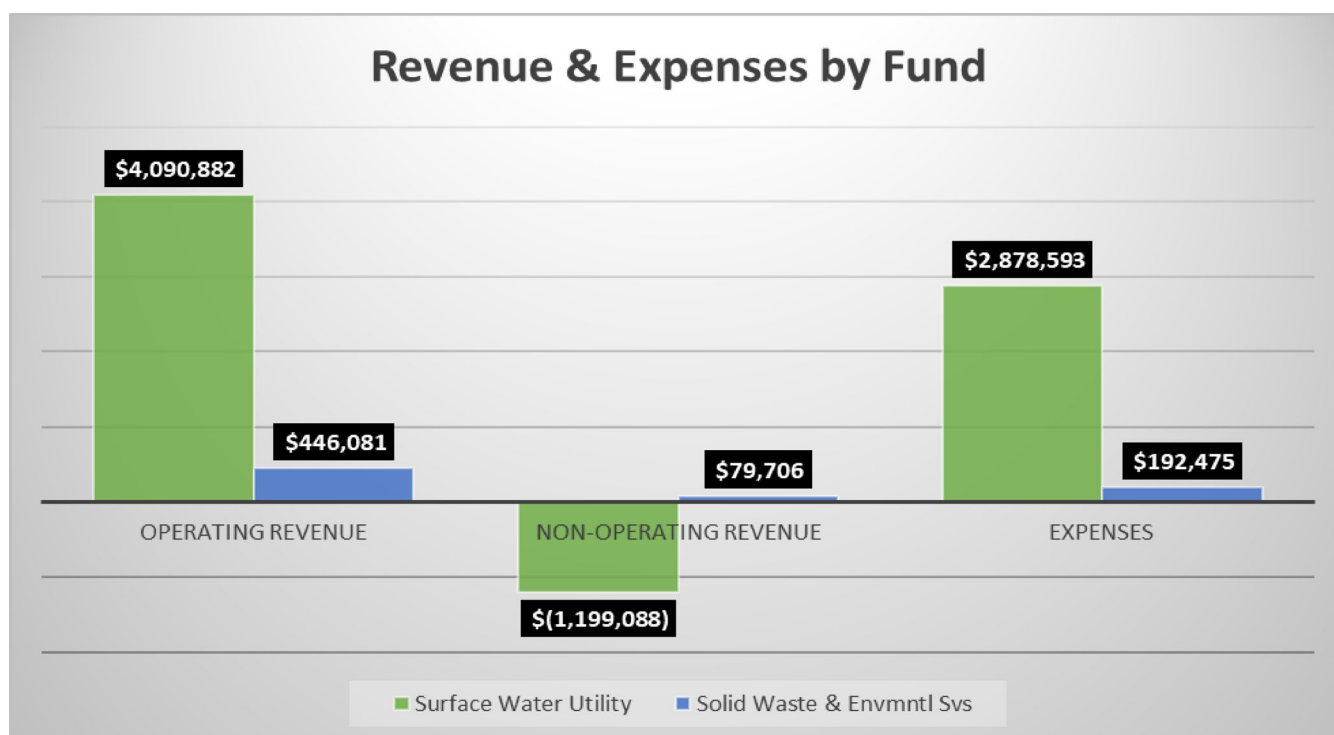
Business-Type Funds

The City has two business-type funds, a Surface Water Utility Fund and Solid Waste & Environmental Services Fund. These funds are proprietary funds with financial statements that provide similar, but sometimes more detailed, information than the government-wide financial statements. The Surface Water Utility Fund accounts for the surface water management fees, the related maintenance and operations costs, capital costs and any debt service expense. The Solid Waste and Environmental Services Fund accounts for franchise fees paid for solid waste services and grants related to solid waste and recycling. All expenses related to the administration of the City's recycling and education program are paid for out of this Fund.



On the government-wide Statement of Net Position for business-type activities, the ending net position balance for proprietary funds was \$45.5 million and of this amount, \$12.8 million or 28% was unrestricted. \$32.4 million was classified as investment in capital assets and the remaining \$305 thousand was restricted Pension Assets. The chart on the left shows the Ending Fund Balance for the Surface Water Utility and Solid Waste & Environmental fund for 2022.

Revenues and Expenses for each fund are depicted in the chart below:



GENERAL FUND BUDGETARY HIGHLIGHTS

On a budgetary basis, the General Fund finished 2022 with \$40.9 million in ending fund balance. The original ending fund balance budgeted for 2022 was \$22.4 million. The actual ending fund balance exceeded the original budget by \$18.4 million.

The City of SeaTac budgets on a biennial basis. The final adopted budget for 2022 includes the following amendments to the originally adopted budget:

- Recognizing the difference between the budgeted and actual beginning fund balances

- Increase to Minor Home Repair – CDBG funding
- Increase to Professional Services for a contract for the SeaTac 2044 Comp Plan Update

Total revenues in 2022 exceeded budget by \$7.1 million primarily due to the following:

- Sales and use tax were \$6.3 million higher than budgeted. The increase is due to increased traffic at the airport and development activity.
- Permit revenues were \$617 thousand higher than budgeted. The increase is due to the high level of development activity.
- Investment interest was \$1.4 million higher than budgeted.

Total expenditures in 2022 were under budget by \$5.3 million primarily due to the following:

- Salaries & Benefits were \$1.1 million under budget due to vacancies.
- Professional services were \$1.9 million under budget from services budgeted but not used.
- The Police Services contract was \$623,000 under budget due to vacancies.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

At the end of 2022, the City had \$411 million (net of accumulated depreciation) in governmental activities capital assets, including one internal service fund, and \$32.4 million (net) in business-type activities. Total internal service fund capital assets (net) were just over \$1.5 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 Notes to the Financial Statements in Note 6 Capital Assets. The following table summarizes the City's capital assets for the year ended 2022:

City of SeaTac's Capital Assets						
Capital Assets:	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 319,952,258	\$ 319,952,258	\$ 2,203,691	\$ 2,203,691	\$ 322,155,949	\$ 322,155,949
Intangible Assets-Easements	231,699	231,699	78,595	78,595	\$ 310,295	\$ 310,295
Constr in Progress (CIP)	7,660,736	5,335,192	345,000	2,310,105	\$ 8,005,736	\$ 7,645,297
Buildings/Building Impr	38,022,383	38,022,383	228,560	228,560	\$ 38,250,943	\$ 38,250,943
Other Improvements	21,840,021	21,840,021	41,992,138	40,085,548	\$ 63,832,159	\$ 61,925,569
Infrastructure	129,009,208	123,121,848	-	-	\$ 129,009,208	\$ 123,121,848
Equipment/Vehicles	1,839,884	1,812,537	26,877	26,877	\$ 1,866,761	\$ 1,839,414
Equipment/Vehicles-Eq Rental	4,683,915	4,582,953	-	-	\$ 4,683,915	\$ 4,582,953
					\$ -	\$ -
Intangible Assets-Software	576,811	576,811	156,634	156,634	\$ 733,445	\$ 733,445
					\$ -	\$ -
Less: Depreciation	(112,342,936)	(106,714,161)	(12,600,784)	(11,937,064)	\$ (124,943,720)	\$ (118,651,226)
Total Capital Assets (Net)	\$ 411,473,979	\$ 408,761,541	\$ 32,430,711	\$ 33,152,946	\$ 443,904,690	\$ 441,914,487

In 2022, the largest increase in capital assets occurred in infrastructure for governmental activities due to the completion of the S 200th Shared Use Pathway project, 2021 Overlay of S 188th St and intersection of Military Rd S and 42nd Ave and transportation components of the S 180th Flood Reduction project. Construction in progress increased due to several

Parks projects started in 2022. Facilities projects including replacing the HVAC in City Hall and the Community center started in 2022 increasing Construction in Progress. The ongoing transportation construction in progress increases are from the engineering of Airport Station Area Improvements and the construction of 34th Ave S from S 160th to S 166th.

Long-Term Debt

The City of SeaTac is authorized to issue long-term debt pursuant to the laws of the State of Washington. At the end of 2022, the City had only one type of allowable long-term debt outstanding, which was general obligation (councilmanic) debt. No revenue bonds, special assessment debt or voter-approved general obligation debt was outstanding. The table below provides a summary of the City’s outstanding debt for 2021 and 2022 by type:

	City of SeaTac’s Outstanding Debt by Type					
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
General Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special Obligation Bonds	1,646,195	1,715,518	-	-	1,646,195	1,715,518
Total	\$ 1,646,195	\$ 1,715,518	\$ -	\$ -	\$ 1,646,195	\$ 1,715,518

General Obligation Debt

According to Washington State law, the City’s debt capacity for general government purposes is limited to 2.5% or \$197.0 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 \$118.2 million. At the end of 2022, the City’s assessed valuation was \$7,883,531,560, which is a 13% increase from 2021. The 2022 assessed valuation is used to calculate taxes to be collected in 2023. The City had \$1.65 million in outstanding councilmanic (non-voted) general obligation debt consisting of the special obligation bonds issued by SCORE (South Correctional Entity) at the end of 2022. 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 \$707.8 million of the City’s assessed valuation.

Additional information on the City’s long-term debt is found in Note 14 Long-Term Debt in the 2022 Notes to the Financial Statements.

ECONOMIC FACTORS AND THE BUDGET

Total revenues (excluding transfers in) in the General Fund were \$8.5 million above target primarily due to an increase in collections for Taxes and Licenses & Permits. The area with the highest positive variance was Sales and Use Tax, exceeding the budget by \$6.2 million and Leasehold Tax (\$1.3 million), Licenses and Permits was \$824,000 and Interest was \$327,000 greater than expected. Grants and Entitlements were the biggest underperformer collecting \$1 million less than anticipated. The General Fund’s original 2022 appropriation was \$45.6 million while the final budget was \$48.4 million. Actual appropriations were \$43.1 million (excluding transfers out) resulting in a final budget savings of \$5.3 million from

department vacancies, professional services not used, and savings from programs still recovering from to COVID-19 Pandemic restrictions.

2022 Property Tax was 23.9% of governmental revenues. Property tax revenue increased 1.5% from 2021. Sales taxes which were severely hit by the COVID-19 shut down in 2020, have exceeded 2019 collections by 5.9%. For the 2021-2022 biennium, the General Fund estimated ending fund balance was \$22.4 million. Of that amount, \$16.1 million was identified as the Council's General Fund target fund balance of four months of operating expenditures. The City ended the first year of the biennium with an ending fund balance of \$40.8 million. The revenue growth in 2022 indicates the City has recovered from the negative impacts of the COVID-19 downturn.

SeaTac has proved to be economically strong and continues to attract new businesses and investments; new real estate development opportunities continue to be realized around the three light rail stations, multifamily apartment and mixed-use projects are leading the way. Other developments include hotels, industrial and manufacturing buildings, and substantial construction projects at the airport. Active private sector projects under construction and in permitting represent more than \$500 million in capital investments.

Public infrastructure investments underway and planned represent approximately \$1 billion per year and include the light rail extension and the State Route 509 completion projects. Seattle-Tacoma International Airport recently completed the new International Arrivals Facility (a project valued at more than \$1 billion) and is working on upgrades to the Main terminal providing a steady flow in construction sales tax and adding new restaurants and retail shops. The Port of Seattle's 2023-2027 CIP budget reflects an additional \$4.6 billion in capital projects for the planning period.

Noteworthy is the robust recovery of the SeaTac hospitality/travel industry and the diversity and resiliency of existing small businesses. The 2022 lodging tax revenues exceeded pre-pandemic 2019 numbers and indicate a strong recovery of the travel-related industries. This economic activity creates housing, generates jobs, sales tax, and acts as a catalyst for additional investments while improving quality of life of the residents, travelers, and workers in SeaTac.

	2013-2014 Final	2015-2016 Final	2017-2018 Final	2019-2020 Final	2021-2022 Final
Budget:					
Budgeted Revenues	\$ 59,545,908	\$ 68,104,144	\$ 69,288,979	\$ 84,772,096	\$ 79,187,689
Budgeted Expenditures	\$ 65,450,693	\$ 70,168,679	\$ 73,792,587	\$ 81,522,520	\$ 89,365,171
Budgeted Difference	\$ (5,904,785)	\$ (2,064,535)	\$ (4,503,608)	\$ 3,249,576	\$ (10,177,482)
Actual:					
Actual Revenues	\$ 59,181,562	\$ 72,950,304	\$ 83,718,092	\$ 82,579,166	\$ 91,477,213
Actual Expenditures	\$ 64,989,397	\$ 68,185,724	\$ 74,653,435	\$ 77,144,445	\$ 83,224,814
Actual Difference	\$ (5,807,835)	\$ 4,764,580	\$ 9,064,657	\$ 5,434,721	\$ 8,252,399

Excludes other financing sources & uses; Budgetary basis differs from GAAP basis

REQUESTS FOR INFORMATION

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

Statement of Net Position
Government-wide
December 31, 2022

	Governmental Activities	Business-type Activities	Total	SSRTA Comp Unit
Assets				
Cash & cash equivalents	\$ 63,392,099	\$ 6,870,118	\$ 70,262,217	\$ 3,168,215
Investments	68,431,426	5,527,768	73,959,194	2,275,128
Receivables (net)				
Taxes	6,483,111	-	6,483,111	-
Customer accounts & contracts	1,416,187	259,112	1,675,299	10,000
Leases	3,191,974	-	3,191,974	-
Due from other governments	193,220	8,604	201,824	555,571
Inventory	-	-	-	4,258
Internal balances	(183,659)	183,659	-	-
Prepaid items	522,802	13,414	536,216	7,009
Investment in joint venture	4,458,509	-	4,458,509	-
Right to use lease assets, net of amort	-	-	-	780,720
Capital assets not being depreciated:				
Land	319,952,258	2,203,691	322,155,949	-
Intangible assets - Easements	231,699	78,595	310,295	-
Intangible assets - Trademarks	-	-	-	9,947
Construction in progress	7,660,736	345,000	8,005,736	-
Capital assets, net of accum deprec (Note 6):				
Buildings	20,479,467	135,961	20,615,428	-
Improvements other than buildings	11,294,852	29,651,874	40,946,726	-
Equipment, vehicles & software	1,773,743	15,591	1,789,333	55,567
Infrastructure	50,081,224	-	50,081,224	-
Net Pension Asset	\$ 3,416,039	\$ 305,743	\$ 3,721,782	\$ 249,304
Total Assets	\$ 562,795,687	\$ 45,599,130	\$ 608,394,817	\$ 7,115,719
Deferred Outflows of Resources				
Deferred Outflow of Resources - Pensior	3,434,868	298,754	3,733,622	311,009
Deferred Outflow of Resources - OPEB	18,586	-	18,586	-
Deferred Outflow of Resources - ARO	11,468	-	11,468	-
Deferred Outflow - Delayed Title Transfe	397,800	-	397,800	-
Total Deferred Outflows of Resources	\$ 3,862,722	\$ 298,754	\$ 4,161,476	\$ 311,009
Liabilities				
Accounts payable & accrued expenses	4,907,213	28,967	4,936,180	193,480
Total OPEB liability - current	7,944	-	7,944	-
Other current liabilities	197,501	-	197,501	-
Unearned revenue	8,097,725	-	8,097,725	-
Noncurrent liabilities:				
Due within one year	145,678	4,219	149,897	114,095
Due in more than one year	2,798,087	80,148	2,878,235	748,053
Net Pension Liability	2,107,904	-	2,107,904	143,117
Total OPEB liability - noncurrent	1,261,127	-	1,261,127	-
Total Liabilities	\$ 19,523,179	\$ 113,334	\$ 19,636,513	\$ 1,198,745
Deferred Inflows of Resources				
Deferred Inflow of Resources - Pensions	3,475,150	261,593	3,736,743	298,042
Deferred Inflow of Resources - Leases	3,191,974	-	3,191,974	-
Total Deferred Inflows	\$ 6,667,124	\$ 261,593	\$ 6,928,717	\$ 298,042
Net Position				
Investment in capital assets	411,473,979	32,430,712	443,904,691	65,514
Restricted for:				
Tourism promotion & facilities	11,156,786	-	11,156,786	-
Debt service	390,871	-	390,871	-
Capital projects & equipment	3,491,703	-	3,491,703	-
Affordable housing	221,408	-	221,408	-
Transportation	27,977,969	-	27,977,969	-
Des Moines Creek Basin ILA projects	4,272,839	-	4,272,839	-
Net Pension Asset	3,416,039	305,743	3,721,782	266,280
Unrestricted	78,066,512	12,786,502	90,853,014	5,598,147
Total Net Position	\$ 540,468,106	\$ 45,522,957	\$ 585,991,063	\$ 5,929,941

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

Statement of Activities
Government-wide
For the Year Ended December 31, 2022

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants & Contributions	& Contributions
Functions/Programs				
Governmental Activities:				
Judicial	\$ 1,046,431	\$ 579,938	\$ 6,466	\$ -
General Government	7,971,444	2,109,152	155,651	1,925
Public Safety	28,192,525	326,365	2,774,134	-
Transportation	9,602,833	1,340,569	668,600	5,166,554
Health & Human Services	878,623	-	4,698	-
Physical & Economic Environment	3,709,945	3,298,587	258,902	-
Culture & Recreation	6,059,336	1,445,954	101,820	1,531,084
Total Governmental Activities	57,461,137	9,100,565	3,970,271	6,699,563
Business-type Activities:				
Solid Waste & Environmental	192,475	446,081	91,337	-
Surface Water Utilities	2,895,935	4,090,882	7,156	320,000
Total Business-type Activities	3,088,410	4,536,963	98,493	320,000
Component Unit Activities				
Seattle Southside Regional Tourism Authorit	3,113,207	3,844,128	91,297	-
Total Component Unit Activites	3,113,207	3,844,128	91,297	-
Total Government	\$ 63,662,753	\$ 17,481,656	\$ 4,160,061	\$ 7,019,563

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	SSRTA Comp Unit
Functions/Programs				
Governmental Activities:				
Judicial	\$ (460,027)	\$ -	\$ (460,027)	\$ -
General Government	(5,704,716)	-	(5,704,716)	-
Public Safety	(25,092,026)	-	(25,092,026)	-
Transportation	(2,427,110)	-	(2,427,110)	-
Health & Human Services	(873,925)	-	(873,925)	-
Physical & Economic Environment	(152,456)	-	(152,456)	-
Culture & Recreation	(2,980,478)	-	(2,980,478)	-
Total Governmental Activities	(37,690,738)	-	(37,690,737)	-
Business-type Activities:				
Solid Waste & Environmental	-	344,943	344,943	-
Surface Water Utilities	-	1,522,103	1,522,103	-
Total Business-type Activities	-	1,867,046	1,867,046	-
Component Unit Activities				
Seattle Southside Regional Tourism Authority	-	-	-	822,218
Total Component Unit Activities	-	-	-	822,218
Total Government	\$ (37,690,738)	\$ 1,867,046	\$ (35,823,692)	\$ 822,218
General Revenues				
Property tax	17,548,121	-	17,548,121	-
Retail sales and use taxes	21,669,719	-	21,669,719	-
Hotel/Motel taxes	2,028,388	-	2,028,388	-
Parking tax	8,965,490	-	8,965,490	-
Gambling taxes	491,115	-	491,115	-
Excise taxes	4,549,557	-	4,549,557	-
Unrestricted investment earnings	(2,075,883)	(239,047)	(2,314,930)	(46,309)
Gain on sale of capital assets	285,536	-	285,536	-
Total General Revenues	53,462,044	(239,047)	53,222,996	(46,309)
Transfers	914,053	(914,053)	-	-
Total General Revenues & Transfers	54,376,096	(1,153,100)	53,222,996	(46,309)
Change in Net Position	16,685,358	713,946	17,399,304	775,909
Net Position-Beginning	523,782,748	44,809,011	568,591,759	5,154,032
Net Position-Ending	\$ 540,468,106	\$ 45,522,957	\$ 585,991,063	\$ 5,929,941

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

Balance Sheet
Governmental Funds
December 31, 2022

	Special Revenue			Capital Improvement
	General	Street	Hotel/Motel Tax	Municipal CIP
Assets				
<i>Current Assets:</i>				
Cash & cash equivalents	\$ 21,423,421	\$ 7,160,684	9,100,472	\$ 5,353,473
Investments	40,376,611	987,251	1,825,008	13,175,878
Receivables (net of allowance for uncollectibles):				
Taxes	4,854,520	944,800	274,819	379,270
Customer accounts & contracts	945,126	58,464	9,405	241,105
Leases	3,191,974	-	-	-
Due from other governments	107,994	85,225	-	1
Prepaid items	522,325	477	-	-
Total Assets	<u>\$ 71,421,971</u>	<u>\$ 9,236,901</u>	<u>11,209,704</u>	<u>19,149,727</u>
Deferred Outflows of Resources				
Delayed land title transfer	-	-	-	-
Total Assets and Def Outflows of Res	<u>\$ 71,421,971</u>	<u>\$ 9,236,901</u>	<u>\$ 11,209,704</u>	<u>\$ 19,149,727</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts & other payable	\$ 3,578,912	\$ 138,001	\$ 52,918	\$ 697,360
Other current liabilities	196,968	533	-	-
Unearned revenue	8,097,002	723	-	-
Total Liabilities	<u>\$ 11,872,882</u>	<u>\$ 139,257</u>	<u>\$ 52,918</u>	<u>\$ 697,360</u>
Deferred Inflows of Resources				
Unavail revenue-grants/interlocal	\$ 65,303	1,536	-	-
Unavail revenue-taxes	304,565	25,643	-	-
Unavail revenue-court fines	386,133	-	-	-
Unavail revenue-permits	4,475	1,982	-	-
Deferred inflow related to leases	\$ 3,191,974	-	-	-
Total Def Inflows of Resources	<u>\$ 3,952,450</u>	<u>\$ 29,161</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances (Deficits)				
Nonspendable:				
Prepayments	\$ 522,325	\$ 477	\$ -	\$ -
Restricted:				
Transportation	-	9,068,006	-	-
Tourism promotion & facilities	-	-	11,156,786	-
Des Moines Creek Basin ILA	-	-	-	-
Affordable housing	-	-	-	-
Capital projects & equipment	-	-	-	3,491,703
Debt service	-	-	-	-
Assigned:				
Light Rail Station projects	-	-	-	-
Capital projects & equipment	-	-	-	14,960,664
Unassigned	55,074,314	-	-	-
Total Fund Balances	<u>\$ 55,596,639</u>	<u>\$ 9,068,483</u>	<u>\$ 11,156,786</u>	<u>\$ 18,452,367</u>
Total Liab, Def Inflows of Res & Fund Balances (Deficits)	<u>\$ 71,421,971</u>	<u>\$ 9,236,901</u>	<u>\$ 11,209,704</u>	<u>\$ 19,149,727</u>

	Capital Improvement		Other	Total Governmental Funds
	Facility Construction CIP	Transportation CIP	Governmental Funds	
Assets				
<i>Current Assets:</i>				
Cash & cash equivalents	\$ 775,852	\$ 14,264,833	\$ 4,020,960	\$ 62,099,695
Investments	2,807,731	4,391,133	3,893,092	67,456,704
Receivables (net of allowance for uncollectibles):				
Taxes	-	-	29,702	6,483,111
Customer accounts & contracts	-	134,542	-	1,388,642
Leases	-	-	-	3,191,974
Due from other governments	-	-	-	193,220
Prepaid items	-	-	-	522,802
Total Assets	<u>3,583,583</u>	<u>18,790,508</u>	<u>7,943,754</u>	<u>141,336,148</u>
Deferred Outflows of Resources				
Delayed land title transfer	-	397,800	-	397,800
Total Assets and Def Outflows of Resources	<u>\$ 3,583,583</u>	<u>\$ 19,188,308</u>	<u>\$ 7,943,754</u>	<u>\$ 141,733,948</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts & other payable	\$ -	\$ 277,797	\$ 101,278	\$ 4,846,266
Other current liabilities	-	-	-	197,501
Unearned revenue	-	-	-	8,097,725
Total Liabilities	<u>\$ -</u>	<u>\$ 277,797</u>	<u>\$ 101,278</u>	<u>\$ 13,141,492</u>
Deferred Inflows of Resources				
Unavail revenue-grants/interlocal	-	-	-	66,839
Unavail revenue-taxes	-	-	-	330,208
Unavail revenue-court fines	-	-	-	386,133
Unavail revenue-permits	-	1,026	-	7,483
Unavail revenue-leases	-	-	-	3,191,974
Total Def Inflows of Resources	<u>\$ -</u>	<u>\$ 1,026</u>	<u>\$ -</u>	<u>\$ 3,982,637</u>
Fund Balances (Deficits)				
Nonspendable:				
Prepayments	\$ -	\$ -	\$ -	\$ 522,802
Restricted:				
Transportation	-	18,909,485	-	27,977,492
Tourism promotion & facilities	-	-	-	11,156,786
Des Moines Creek Basin ILA	-	-	4,272,840	4,272,839
Affordable housing	-	-	221,408	221,408
Capital projects & equipment	-	-	-	3,491,703
Debt service	-	-	390,871	390,871
Assigned:				
Light Rail Station projects	-	-	2,957,357	2,957,357
Capital projects & equipment	3,583,583	-	-	18,544,247
Unassigned	-	-	-	55,074,314
Total Fund Balances	<u>\$ 3,583,583</u>	<u>\$ 18,909,485</u>	<u>\$ 7,842,476</u>	<u>\$ 124,609,819</u>
Total Liab, Def Inflows of Res & Fund Balances (Deficits)	<u>\$ 3,583,583</u>	<u>\$ 19,188,308</u>	<u>\$ 7,943,754</u>	<u>\$ 141,733,948</u>

**Reconciliation of Fund Balances of Governmental Funds
to the Net Position of Governmental Activities
December 31, 2022**

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

Governmental funds total fund balance on December 31, 2022 (as shown on the Balance Sheet for Governmental Funds)	\$	124,609,819
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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	\$	319,952,258	
Intangibles - easements		231,699	
Construction in progress		7,660,736	
Buildings & structures		38,022,383	
Other improvements		21,840,021	
Infrastructure		129,009,208	
Equipment		1,839,884	
Intangibles - software		576,811	
Less: accumulated depreciation		<u>(109,186,457)</u>	409,946,543

Investments in joint ventures are not a financial resource and, therefore, are not reported in the governmental funds.		4,458,509
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The net pension asset is not an available resource and, therefore, is not reported in the governmental funds.		3,416,039
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Other long-term assets are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.		790,663
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Some deferred outflows will not be utilized in the current period and,
therefore, are not reported in the individual governmental funds.

These deferred outflows consist of:

Pensions	\$	3,434,868	
OPEB		18,586	
Asset Retirement Obligations		11,468	3,464,922

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	\$	(1,646,195)	
Asset Retirement Obligation		(16,377)	
Pension Liability		(2,107,904)	
Deferred Pension Inflows		(3,475,150)	
Other Post Employment Benefits Obligation		(1,269,071)	
Compensated absences payable		<u>(1,272,641)</u>	(9,787,338)

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.

		<u>3,568,949</u>
Net position of governmental activities	\$	<u>540,468,106</u>
(as shown on the Government-wide Statement of Net Position)		

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2022

	General	Street	Hotel/Motel Tax	Municipal CIP
Revenues				
Taxes	\$ 41,200,624	\$ 8,939,848	\$ 2,028,387	\$ 2,883,702
Licenses & permits	2,558,603	32,154	-	-
Intergovernmental & contributions	3,228,484	668,110	9,405	1,533,009
Charges for services	2,720,243	151,268	-	761,143
Fines & forfeitures	147,812	31,620	-	2
Investment & other earnings	764,542	157,231	130,166	234,442
Net Change in FV of investments	(2,215,491)	(74,667)	(139,222)	(702,403)
Rent & leases	657,164	-	-	-
Miscellaneous	66,535	7,899	-	-
Total Revenues	\$ 49,128,516	\$ 9,913,463	\$ 2,028,736	\$ 4,709,895
Expenditures				
Current:				
Judicial	\$ 1,043,828	\$ -	\$ -	\$ -
General Government	8,613,602	-	-	28,109
Public Safety	26,552,373	208,634	-	-
Transportation	88,140	4,148,578	-	1,309
Health & Human Services	874,108	-	-	-
Economic Environment	2,816,655	44,414	547,062	-
Culture & Recreation	4,610,548	-	-	22,485
Capital Outlay:				
General Government	-	-	-	524,877
Public Safety	92,603	-	-	-
Transportation	-	1,716,079	-	-
Economic Environment	-	-	-	150,645
Culture & Recreation	-	-	-	588,665
Total Expenditures	\$ 44,691,857	\$ 6,117,705	\$ 547,062	\$ 1,316,090
Excess (deficiency) of revenues over (under) expenditures	\$ 4,436,659	\$ 3,795,758	\$ 1,481,674	\$ 3,393,805
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ -	\$ 181,500
Transfers out	(199,929)	(6,550,000)	-	-
Disposal of Capital Assets	-	-	-	-
Total Other Fin Sources (Uses)	\$ (199,929)	\$ (6,550,000)	\$ -	\$ 181,500
Net Change in Fund Balances	\$ 4,236,730	\$ (2,754,242)	\$ 1,481,674	\$ 3,575,305
Fund Balances-Beginning	\$ 51,359,909	\$ 11,822,725	\$ 9,675,112	\$ 14,877,062
Fund Balances-Ending	<u>\$ 55,596,639</u>	<u>\$ 9,068,483</u>	<u>\$ 11,156,786</u>	<u>\$ 18,452,367</u>

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

	Facility Construction CIP	Transportation CIP	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ -	\$ -	\$ 174,581	\$ 55,227,142
Licenses & permits	-	-	-	2,590,757
Intergovernmental & contributions	-	5,166,554	192,900	10,798,462
Charges for services	-	1,892,984	-	5,525,638
Fines & forfeitures	-	-	-	179,434
Investment & other earnings	26,182	196,912	81,591	1,591,066
Net Change in FV of investments	(154,656)	(87,925)	(113,229)	(3,487,593)
Rent & leases	-	-	-	657,164
Miscellaneous	-	104,568	-	179,003
Total Revenues	\$ (128,473)	7,273,093	\$ 335,843	\$ 73,261,073
Expenditures				
Current:				
Judicial	\$ -	\$ -	\$ -	\$ 1,043,828
General Government	-	-	-	8,641,711
Public Safety	-	-	-	26,761,007
Transportation	-	-	-	4,238,027
Health & Human Services	-	-	-	874,108
Economic Environment	-	-	194,394	3,602,525
Culture & Recreation	-	-	6,958	4,639,991
Capital Outlay:				
General Government	-	-	-	524,877
Public Safety	-	-	-	92,603
Transportation	-	7,146,503	-	8,862,582
Economic Environment	-	-	66,879	217,524
Culture & Recreation	-	-	-	588,665
Total Expenditures	\$ -	\$ 7,146,503	\$ 268,231	\$ 60,087,448
Excess (deficiency) of revenues over (under) expenditures	\$ (128,473)	\$ 126,590	\$ 67,612	\$ 13,173,625
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ 6,550,000	\$ 143,500	\$ 6,875,000
Transfers out	-	-	-	(6,749,929)
Disposal of Capital Assets	-	258,914	-	258,914
Total Other Fin Sources (Uses)	\$ -	\$ 6,808,914	\$ 143,500	\$ 383,985
Net Change in Fund Balances	\$ (128,473)	\$ 6,935,504	\$ 211,113	\$ 13,557,610
Fund Balances-Beginning	\$ 3,712,056	\$ 11,973,981	\$ 7,631,364	\$ 111,052,209
Fund Balances-Ending	\$ 3,583,583	\$ 18,909,485	\$ 7,842,475	\$ 124,609,819

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

**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, 2022**

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

Net change in fund balance for all governmental funds combined (as shown on the Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds)	\$ 13,557,610
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlays	7,534,953	
Depreciation expense	(5,408,119)	2,126,834

In the Statement of Activities, only the gain (loss) on the sale of assets is reported.

In the governmental funds, the proceeds from the sale of the assets increases financial resources. Thus causing a reporting difference when assets are disposed of (sold, traded-in or donated). The net effect of various miscellaneous transactions involving capital assets (i.e. asset sales, transfers, etc) is to increase net position.	770,553
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Investment in joint ventures are not considered financial resources and are, therefore, not reported in the governmental funds.	151,004
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Governmental funds report pension expenditures when due and payable from current financial resources. However, in the Statement of Activities, pension expense is measured by the change in net pension assets, net pension liabilities, and related deferred outflows and inflows. This is the net difference in pension expense.	1,303,471
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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.	(53,651)
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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:

Asset Retirement Obligations	(1,636)	
OPEB Expense	(1,121,402)	
Net increase in compensated absences	(65,163)	(1,188,201)

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 & interest earnings	(27,313)	
Gain on sale of capital assets	26,622	
Transfers involving other funds (net)	18,429	17,738
Change in net position of governmental activities (as shown on the Statement of Activities-Governmental Activities)		\$ 16,685,358

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

Statement of Net Position
Proprietary Funds
December 31, 2022

	Business-type Activities			Governmental Activities
	Surface Water Utility	Solid Waste and Environmental	Total Enterprise Funds	Internal Service Fund-Equipment Rental
Assets				
Current Assets:				
Cash & cash equivalents	\$ 6,459,431	\$ 410,687	\$ 6,870,118	\$ 1,292,404
Investments	4,555,076	972,692	5,527,768	974,722
Customer receivables (net)	181,840	77,272	259,112	27,545
Due from other governments	8,604	-	8,604	-
Prepaid items	13,414	-	13,414	-
Total Current Assets	<u>\$ 11,218,365</u>	<u>\$ 1,460,651</u>	<u>\$ 12,679,016</u>	<u>\$ 2,294,671</u>
Noncurrent Assets:				
Capital assets not being depreciated:				
Land	\$ 2,203,691	-	\$ 2,203,691	-
Intangible assets - easements	78,595	-	78,595	-
Construction in progress	<u>345,000</u>	<u>-</u>	<u>345,000</u>	<u>-</u>
Capital assets, net of accum. Deprec.(Note 6):				
Buildings	\$ 135,961	\$ -	\$ 135,961	\$ -
Other improvements	29,651,874	-	29,651,874	-
Vehicles and equipment	5,457	-	5,457	1,527,436
Intangible assets - software	10,134	-	10,134	-
Net Pension Asset	<u>252,291</u>	<u>53,452</u>	<u>305,743</u>	<u>11,047</u>
Total Noncurrent Assets	<u>\$ 32,683,003</u>	<u>\$ 53,452</u>	<u>\$ 32,736,455</u>	<u>\$ 1,538,483</u>
Total Assets	<u>\$ 43,901,368</u>	<u>\$ 1,514,103</u>	<u>\$ 45,415,471</u>	<u>\$ 3,833,154</u>
Deferred Outflows of Resources				
Deferred Outflows Related to Pensions	\$ 246,522	\$ 52,232	\$ 298,754	\$ 10,805
Liabilities				
Current Liabilities:				
Accounts payable	\$ 19,159	\$ 9,808	\$ 28,967	60,947
Compensated absences	<u>3,875</u>	<u>344</u>	<u>4,219</u>	<u>427</u>
Total Current Liabilities	<u>\$ 23,034</u>	<u>\$ 10,152</u>	<u>\$ 33,186</u>	<u>\$ 61,374</u>
Noncurrent Liabilities:				
Compensated absences	<u>73,620</u>	<u>6,528</u>	<u>80,148</u>	<u>8,124</u>
Total Noncurrent Liabilities	<u>\$ 73,620</u>	<u>\$ 6,528</u>	<u>\$ 80,148</u>	<u>\$ 8,124</u>
Total Liabilities	<u>\$ 96,654</u>	<u>\$ 16,680</u>	<u>\$ 113,334</u>	<u>\$ 69,499</u>
Deferred Inflows of Resources				
Deferred Inflows Related to Pensions	\$ 216,823	\$ 44,770	\$ 261,593	\$ 10,458
Net Position				
Investment in capital assets	32,430,712	-	32,430,712	1,527,436
Restricted for:				
Net Pension Asset	252,291	53,452	305,743	11,047
Unrestricted	<u>11,151,410</u>	<u>1,451,433</u>	<u>12,602,843</u>	<u>2,225,520</u>
Total Net Position	<u>\$ 43,834,413</u>	<u>\$ 1,504,885</u>	<u>\$ 45,339,298</u>	<u>\$ 3,764,003</u>
Cumulative adjustment to reflect the consolidation of the Equipment Rental Internal Service Fund activities as related to enterprise funds over time.			<u>183,659</u>	
Net position of business-type activities			<u>\$ 45,522,957</u>	

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities			Governmental Activities
	Surface Water Utility	Solid Waste and Environmental	Total Enterprise Funds	Internal Service Fund-Equipment Rental
Operating Revenues				
Charges for Services:				
Total Operating Revenues	4,090,882	446,081	4,536,963	900,131
Operating Expenses				
Maintenance & operations	1,636,361	180,414	1,816,775	601,340
Administrative & general	578,513	12,061	590,574	-
Depreciation	663,719	-	663,719	340,810
Total Operating Expenses	2,878,593	192,475	3,071,068	942,150
Operating Income (Loss)	1,212,289	253,606	1,465,895	(42,019)
Nonoperating Revenues (Exps)				
Intergovernmental revenues	7,156	91,337	98,493	-
Investment earnings	(227,416)	(11,631)	(239,047)	(2,636)
Gain (loss) on disposal of assets	(978,828)	-	(978,828)	26,622
Total Nonoperating Revs (Exps)	(1,199,088)	79,706	(1,119,382)	23,986
Income (Loss) Before Contributions & Transfers	13,201	333,312	346,513	(18,033)
Capital contributions	208,275	-	208,275	-
Capital grants	320,000	-	320,000	-
Transfers in	-	-	-	18,429
Transfers out	(143,500)	-	(143,500)	-
Change in Net Position	397,976	333,312	731,288	396
Net Position-Beginning	43,436,437	1,171,573	44,608,010	3,763,607
Net Position-Ending	43,834,413	1,504,885	45,339,298	3,764,003
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.			(17,341)	
Change in net position of business-type activities			\$ 713,946	

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities-Enterprise Funds			Governmental Activities
	Surface Water Utility	Solid Waste and Environmental	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities:				
Receipts from customers	\$ 4,097,266	\$ 428,459	\$ 4,525,725	\$ (27,526)
Receipts from other funds	-	-	-	899,038
Payments to suppliers	(1,040,534)	(91,488)	(1,132,022)	(538,422)
Payments to employees	(1,392,134)	(124,760)	(1,516,894)	(118,403)
Other receipts (payments)	<u>17,362</u>	<u>1,012</u>	<u>18,374</u>	<u>1,093</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,681,960</u>	<u>\$ 213,223</u>	<u>\$ 1,895,183</u>	<u>\$ 215,780</u>
Cash Flows from Noncapital Financing Activities:				
Intergovernmental revenue	\$ (1,454,197)	\$ 91,337	\$ (1,362,860)	\$ -
Transfers from other funds	-	-	-	18,429
Transfers to other funds	<u>(143,500)</u>	<u>-</u>	<u>(143,500)</u>	<u>-</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>\$ (1,597,697)</u>	<u>\$ 91,337</u>	<u>\$ (1,506,360)</u>	<u>\$ 18,429</u>
Cash Flows from Capital & Related Financing Activities:				
Proceeds from sale of assets	\$ -	\$ -	\$ -	\$ 59,219
Capital grants	1,781,353	-	1,781,353	-
Purchase of capital assets	<u>(712,038)</u>	<u>-</u>	<u>(712,038)</u>	<u>(188,457)</u>
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>\$ 1,069,315</u>	<u>\$ -</u>	<u>\$ 1,069,315</u>	<u>\$ (129,238)</u>
Cash Flows from Investing Activities:				
Purchase of investments	\$ (1,495,250)	\$ (497,625)	\$ (1,992,875)	\$ -
Interest received	<u>120,633</u>	<u>8,033</u>	<u>128,666</u>	<u>20,212</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ (1,374,617)</u>	<u>\$ (489,592)</u>	<u>\$ (1,864,209)</u>	<u>\$ 20,212</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (221,039)</u>	<u>\$ (185,032)</u>	<u>\$ (406,071)</u>	<u>\$ 125,183</u>
Cash & Cash Equivalents-Beginning*	<u>\$ 6,680,470</u>	<u>\$ 595,719</u>	<u>\$ 7,276,189</u>	<u>\$ 1,167,221</u>
Cash & Cash Equivalents-Ending	<u><u>\$ 6,459,431</u></u>	<u><u>\$ 410,687</u></u>	<u><u>\$ 6,870,118</u></u>	<u><u>\$ 1,292,404</u></u>

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2022

	Business-type Activities-Enterprise Funds			Governmental Activities
	Surface Water Utility	Solid Waste and Environmental	Total Enterprise Funds	Internal Service Funds
Reconciliation of Operating Income				
(Loss) to Net Cash Provided				
(Used) by Operating Activities:				
Operating Income (Loss)	\$ 1,212,289	\$ 253,606	\$ 1,465,895	\$ (42,019)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	663,719	-	663,719	340,810
Pension Expense	(140,504)	(29,766)	(170,270)	(6,152)
(Incr) decr in accts receivable	(129,823)	(16,609)	(146,432)	(27,526)
(Incr) decr in prepaid expenses	(2,145)	-	(2,145)	1,116
Incr (decr) in accounts payable	(75,441)	6,470	(68,971)	(52,303)
Inc (dec) in payroll payable	-	-	-	-
(Incr) decr in due from other governme	153,569	-	153,569	-
Incr (decr) in compensated absences	296	(478)	(182)	1,854
Total adjustments	469,672	(40,383)	429,289	257,799
Net Cash Provided (Used) by Operating Activities	\$ 1,681,960	\$ 213,223	\$ 1,895,183	\$ 215,780
Noncash Activities:				
Disposal of Transportation assets purchased and constructed by the Surface Water Utility Fund	(978,828)	-	(978,828)	-
Contributions of capital assets (other improvements) paid for by the Transportation CIP Fund.	208,275	-	208,275	-
Change in fair value of investments	(348,050)	(19,664)	(367,714)	(22,849)
Total Noncash Activities	\$ (1,118,602)	\$ (19,664)	\$ (159,439)	\$ (22,849)

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

Statement of Net Position
Fiduciary Funds
December 31, 2022

	<u>Custodial Funds</u>
Assets	
— Cash & cash equivalents	\$ 13,025
Account Recievable	3,696
Total Assets	\$ 16,721
Liabilities	
— Accounts Payable	\$ 16,053
Total Liabilities	\$ 16,208
Deferred Inflows of Resources	155
Net Position Restricted For:	
— Individuals	-
Organizations	-
Other Governments	513
	<u>\$ 513</u>

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

**Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2022**

	<u>Custodial Funds</u>
Additions	
Court Receipts	\$ 128,573
Custodial Receipts	22,339
Total Additions	\$ 150,911
Deductions	
Court Remittances	\$ 128,573
Custodial Remittances	
Taxes	\$ 18,235
WA State Building Permit Fee	\$ 3,139
King County Pet Licenses	\$ 1,610
Other Payments	\$ 55
Total Deductions	\$ 151,612
Change in Net Position	(700)
Net Position-Beginning	<u>1,213</u>
Net Position-Ending	<u><u>\$ 513</u></u>

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of SeaTac have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The 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. A full-time City Manager and a seven-member City Council administer the City, 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. As required by the generally accepted accounting principles the financial statements present the city, the primary government, and its component units. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationships with the component unit.

The Seattle Southside Regional Tourism Authority (SSRTA) was established by an interlocal agreement between the cities of SeaTac, Tukwila, and Des Moines to provide tourism promotion services to the member cities. The City of SeaTac appoints the voting majority of the Board of Directors for the SSRTA. The SSRTA operating budget is subject to approval of the City Council. Financial information for the SSRTA is discretely presented in the Cities financial statements. Complete financial statements for the SSRTA can be obtained at SSRTA, Attn: Finance Director, 3100 S 176th St, SeaTac, WA 98188.

B. Basis of Presentation - 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 and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

As a general rule the effect of the interfund activity has been eliminated for the government-wide financial statements.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter is 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.

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 Municipal Capital Improvement Fund (#301) accounts for general capital improvements. Revenues deposited to the Fund include sales taxes associated with capital projects at the Port of Seattle airport and real estate excise tax.

The Facility Construction 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), traffic impact fees, fuel taxes and federal, state, and local grants.

The City reports the following major enterprise funds:

The Surface Water Utility Fund (#403) accounts for the cost of maintaining the City's storm drainage system. Activities that are primarily supported through user charges include administration, operations, maintenance, repairs and debt service. In addition, the fund accounts for capital improvements to the City's storm drainage system.

The Solid Waste and Environmental Services Fund (#404) accounts for costs related to the administration of the City's recycling and education program. These activities are supported through solid waste services franchise fees and recycling grants.

The City reports the following fund types:

Internal service funds account for the costs of maintaining and repairing all City vehicles and auxiliary equipment except for police vehicles on a cost reimbursement basis. This Fund also accumulates resources for the future replacement of existing vehicles and equipment.

A custodial fund is used to account for various fiduciary activities including state court remittances, sales and

leasehold excise taxes and King County pet license fees.

C. Measurement Focus, Basis of Accounting

1. Government-Wide and Governmental Funds

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the proprietary fund financial 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 in which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current fiscal period. The City considers property taxes as available if they are collected within 60 days after year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when a payment is due.

Property taxes, licenses, and interest 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.

2. Proprietary Funds

The proprietary fund statements (enterprise and internal service funds) are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City are storm drainage fees and franchise fees paid for solid waste services. Operating expenses for the city include the cost of sales and services, including maintenance and operations, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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, Port of Seattle ILA, Transit Planning, Hotel/Motel Tax, Building Management, Des Moines Creek Basin ILA Fund, Affordable Housing Tax Fund, and ARPA Fund), Debt Service Funds (SCORE Bond

Fund), Capital Project Funds (Municipal Capital Improvement, Facility Construction CIP, Transportation CIP, and Light Rail CIP), Enterprise Funds (Surface Water Utility and Solid Waste and Environmental Services) 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. The City's first biennial budget was adopted by Ordinance No. 12-1018 in November 2012.

Biennial 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 four funds (General Fund, Port of Seattle ILA Fund, Transit Planning Fund, Building Management Fund, and the ARPA Grant 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). 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 (except for appropriations for capital outlays, which are carried forward for year to year until fully expended or the purpose of the appropriation has been accomplished or abandoned).

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

2. Amending the Budget

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

When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by Ordinance approved by one more than the majority.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated biennial budget. The final budget is the original biennial budget adjusted by all reserves, transfers, supplemental appropriations, 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, 2022, the City had holdings of \$70,275,242 (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 prorated to the various funds based on ownership of the investments.

At December 31, 2022, the City's total cash and cash equivalents (including cash restricted for debt) consisted of the following:

US Bank, General Fund Checking Account	\$9,045,349
US Bank, Municipal Court Checking Account.....	29,904
Cash with Renton Foundation.....	62,979
Deposit with Navia Benefits.....	7,366
Cash Equivalents with State Treasurer's Investment Pool.....	61,116,344
City Hall Postage Meter Fund.....	12,000
Petty Cash/Change Funds.....	1,300
Total Cash and Cash Equivalents.....	<u>\$70,275,242</u>

The amount reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balance maintained was \$17.2 million.

For purposes of the Statement of Cash Flows, proprietary funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Additional information is presented in Note 4 Deposits and Investments.

2. Investments (See Note 4 Deposits and Investments)

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 consists of property taxes that 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.

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

4. Amounts Due to and from Other Funds, 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 either 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 20 Interfund Balances & Transfers.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve 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 2022.

5. Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are purchased. The amount outstanding at the end of the reporting period is immaterial and is, therefore, not included on the balance sheet. Inventories in the enterprise and internal service funds are recorded in this manner because the majority of the supplies and service-related 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 14 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. Beginning in 2023, capital assets are defined by the City as assets with an initial, individual cost of more than \$15,000 and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Major repairs are capitalized if they result in betterments/improvements. When the costs of improvements are substantial and/or when there is a change in the estimated useful life of an asset, the costs are capitalized. The costs for normal maintenance and repairs are not capitalized but instead are expensed as they are incurred.

Major outlays for capital improvements and infrastructure are capitalized as projects are constructed. Infrastructure, other improvements, buildings, equipment, etc. are depreciated using the straight-line

depreciation method. Depreciation for assets reported in business- type columns prior to 2017 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	\$15,000	Not Depreciated
Intangible Assets – Easements	Capitalize All	Varies Based on Easement
Intangible Assets – Software	\$15,000	4-10 Years
Equipment/Vehicles	\$15,000	4 - 20 Years
Buildings/Building Improvements	\$25,000	10 - 40 Years
Other Improvements	\$25,000	10 - 50 Years
Surface Water Utility Improvements	\$25,000	50 Years
Transportation Infrastructure	\$100,000	10 - 50 Years

Additional information is presented in Note 6 Capital Assets.

8. Leases

Lessee: The City is a lessee for noncancelable leases. The City recognizes lease liability and an intangible right-to-use lease asset in the government-wide and proprietary fund financial statements. The City recognizes lease liabilities with an initial, individual value of \$100,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line basis over its useful life.

Governmental funds recognize a capital outlay and other financing source at the commencement of a new lease. Lease payments in governmental funds are reported as debt service principal and debt service interest expenditures.

Key estimates and judgements related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its incremental borrowing rate as the discount rate for leases. The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor: The City is a lessor for noncancelable leases. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the interest method.

Key estimates and judgements related to lease include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The City uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the non-cancelable period of the lease. Lease receipts included in the measurement of the lease liability are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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 Net 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, permits, and court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

10. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The City records an estimated liability for unused vacation, sick leave, and compensatory time.

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. Vacation pay is based on the employee's last hourly rate of pay and payable upon resignation, retirement, or death.

Generally, upon separation from employment 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 sick leave be based on the employee's last hourly rate of pay.

Compensatory time can be accrued up to a maximum of 80 hours and is payable upon resignation, retirement, or death.

At the end of 2022, total compensated absences liability was \$1,365,559 and included accumulated unused vacation, sick leave, and compensatory time for governmental activities. This liability has been reported in the government-wide Statement of Net Position.

Accumulated amounts for compensated absences are accrued as incurred in proprietary funds. The total liability amount in the City's Surface Water Utility Fund on December 31, 2022, was \$77,494. It is estimated that \$3,875 of this liability will be due within one year. The total liability amount in the City's Solid Waste and Environmental Services Fund on December 31, 2022, was \$6,872. It is estimated that \$344 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 \$8,552 and it is estimated that \$427 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.

11. Pensions

For purposes of measuring the net pension asset, net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of calculating the restricted net position related to the net pension asset the city includes the net pension asset only.

12. Long-Term Debt

All long-term obligations from governmental funds are reported in the government-wide financial statements. All 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 14 Long-Term Debt.

13. Unearned Revenues

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

14. Fund Balance Classification

Fund balance in the governmental funds represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, 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:

Non-spendable: 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 reviews restricted resources to ensure that expenditures meet the requirements of the restricted resources. The City then confirms available restricted balances and utilizes these balances as deemed appropriate. Otherwise, available unrestricted (includes committed, assigned or unassigned) amounts will be utilized.

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 non-spendable 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 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.

15. Minimum Fund Balance

For the General Fund, the City has established a minimum fund balance policy of four months (33%) of General Fund operating expenditures (excluding transfers out) via the adoption of the biennial budget ordinance. City Council can authorize use of reserves for unforeseen, urgent, or emergency needs as deemed necessary by the City Manager or City Council. Capital funds shall maintain a reserve to provide funding for three of the six years in the Capital Improvement Plan, less proprietary fund projects.

Enterprise funds have an operating reserve minimum of 45 days of total budgeted operating expenses for the Surface Water Management Fund and 30 days of total budgeted operating expenses for the Solid Waste & Environmental Fund. For capital reserves the Surface Water Management utility also has a target of 10% of all original asset values. City Council authorization is needed to expend any enterprise fund reserves.

16. Net Position Classification

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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 provides 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 “Cumulative adjustment to reflect the consolidation of the Equipment Rental Internal Service Fund activities as related to enterprise funds over time.” The details of the \$183,659 difference are as follows:

Internal receivable representing charges in excess of cost to business-type activities – prior years	\$201,000
Internal receivable representing charges under cost to business-type activities – current year	<u>(17,341)</u>

Net adjustment to increase net position – total enterprise funds
to arrive at net position – business-type activities

\$183,659

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

Cash on hand at December 31, 2022 was \$9,045,349.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the City would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. 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

Investments are subject to the following risks.

Interest Rate Risk: Interest rate risk is the risk the City may face should interest rate variances affect the fair value of investments. The City does not have a formal policy that addresses interest rate risk. The portfolio weighted maturity at year end was 2.27 years.

Investment Type	Fair Value	Maturities (in Years)	
		Less Than 1	1 to 5
U.S. Treasury Obligations	9,507,188	3,890,392	5,616,796
U.S. Agencies	61,247,446	12,757,556	48,489,890
Municipal Debt Obligations	3,204,560	1,020,837	2,183,723
Total Investments	\$ 73,959,194	\$ 17,668,785	\$ 56,290,409

Credit Risk: Credit risk is the risk that an issuer will fail to pay principal or interest in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause the price of the investment to decline. The City's investment policy applies the prudent person standard; investments will be made with judgment and care, under circumstances then prevailing, which a person of prudence, discretion and intelligence would use in the management of their own affairs, not for speculation, but for investment purposes. The credit ratings on securities held by the City of SeaTac on December 31, 2022, are listed below:

Investment Type	Ratings		Fair Value
	Moody's	S&P	
Government Sponsored Enterprises			
United States Treasury Note	Aaa	NR	9,507,188
Federal Home Loan Bank	Aaa	AA+	30,722,220
Federal National Mortgage Association	Aaa	AA+	8,191,016
Federal Home Loan Mortgage Corp	Aaa	NR	8,943,870
Federal Farm Credit	Aaa	AA+	11,446,760
Farmer Mac	Aaa	AA+	1,943,580
Mississippi State	Aa2	AA	2,183,722
Snohomish County School District	Aaa	AA+	1,020,837
Total			\$ 73,959,193

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 #19-1021 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 securities at year-end were held in safekeeping by a third-party custodian and are not exposed to custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk associated with a lack of diversification or having too much invested in a few individual issues. It is the City's policy to diversify its investments by security type and institution. The City's policy is to assure that no single institution or security is invested to such an extent that a delay of liquidation at maturity is likely to cause a current cash flow emergency. With the exception of U.S. Treasury obligations and authorized pools, no more than 30% of the entity's total investment portfolio will be invested in a single security type, issuer or financial institution.

Investments in Local Government Investment Pool (LGIP)

The City is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with RCW 43.250. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0220, online at www.tre.wa.gov.

Investments Measured at Amortized Cost

As of December 31, 2022, the City of SeaTac held the following investments at amortized cost:

Renton Community Foundation	62,980
Washington State Local Government Investment Pool	61,116,344
Total	\$ 61,179,324

Investments Measured at Fair Value

The City measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities,
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable,
- Level 3: Unobservable inputs for an asset or liability.

At December 31, 2022, the City had the following investments measured at fair value:

		Quoted Prices		
		In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments By Fair Value	12/31/2022			
Government Sponsored Enterprises	\$ 73,959,194	\$ -	\$ 73,959,194	\$ -
Total By Fair Value Level	\$ 73,959,194	\$ -	\$ 73,959,194	\$ -

C. Summary of Deposit and Investment Balances

Reconciliation of SeaTac's deposits and investment balances as of December 31, 2022, is as follows:

Cash Deposits and Investments	Fair Value	Cost Based Measure	Percent of Total
Government Sponsored Enterprises			
Federal Home Loan Bank	\$ 30,722,220		21.30%
Federal National Mortgage Association	\$ 8,191,016		5.68%
United States Treasury Note	\$ 9,507,188		6.59%
Federal Farm Credit	\$ 11,446,760		7.94%
Federal Home Loan Mortgage Corp	\$ 8,943,870		6.20%
Mississippi State	\$ 2,183,722		1.51%
Farmer Mac	\$ 1,943,580		1.35%
Snohomish County School District	\$ 1,020,837		0.71%
Cash on Hand		1,300	0.00%
City Hall Postage Meter Funds		12,000	0.01%
FDIC or PDPC Insured Bank Deposits		9,045,349	6.27%
Washington State Local Government Investment Pool		61,116,344	42.37%
Municipal Court Checking Account		29,904	0.02%
Renton Community Foundation		62,980	0.04%
Navia Benefits Deposit Account		7,367	0.01%
Total	\$ 73,959,193	\$ 70,275,244	100%
Total Cash, Deposits and Investments		\$ 144,234,437	

NOTE 5: PROPERTY TAX

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

Property Tax Calendar

January 1 st	Tax is levied and becomes an enforceable lien against properties.
February 14 th	Tax bills are mailed.
April 30 th	First of two equal installment payments is due.
May 31 st	Assessed value of property established for next year's levy at 100 percent of market value.
October 31 st	Second installment is due. (RCW 84.56.020)

First half tax must be paid or postmarked (U.S. Postal Service postmark) by April 30 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 1, and 8 percent (current year tax only) on amount unpaid on December 1. Second half tax must be paid or postmarked (U.S. Postal Service postmark) by October 31 or they become delinquent on November 1 per RCW 84.56.020.

During the year, property tax revenue is recognized when cash is received. At year end, unpaid property tax is recorded as a receivable. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. The portion of the property tax 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 \$3.31 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 tax 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. 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 tax 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) levies of each property-taxing district. The limit does not apply to excess or voter-approved levies, such as local school maintenance and operation levies and levies to retire bond issues.

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

The City's property tax levy rate was \$2.503 per \$1,000 of assessed value. Based on a City-wide assessed valuation of

\$7,046,635,720, the total property tax levy for 2022 was \$17,536,216 (Note: Property taxes collected in 2022 are based on the 2021 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.

Capital assets used in governmental activities are reported 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. 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.

The table below summarizes the changes in the City's governmental capital assets during 2022. Please note that \$1,527,436 (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 01/01/2022	Increases	Decreases	Transfers In/ (Out)	Ending Balance 12/31/2022
Capital assets not being depreciated:					
Land	\$ 319,952,258	-	-	-	\$ 319,952,258
Intangible Assets– Easements	231,700	-	-	-	231,700
Construction in Progress (CIP)	5,335,192	5,819,799	(3,494,256)	-	7,660,735
Total assets not being deprec.	\$ 325,519,150	\$ 5,819,799	\$(3,494,256)	-	\$ 327,844,693
Capital assets being depreciated:					
Buildings/Bldg Improvements	38,022,383	-	-	-	38,022,383
Other Improvements	21,840,021	-	-	-	21,840,021
Infrastructure	123,121,848	5,116,807	-	770,553	129,009,208
Equipment/Vehicles	1,812,537	92,603	(65,256)	-	1,839,884
Equipment/Vehicles (Eq Rental)	4,582,952	188,457	(87,495)	-	4,683,914
Intangible Assets-Software	576,811	-	-	-	576,811
Total assets being depreciated	189,956,552	6,168,420	(152,751)	-	195,972,221
Total governmental capital assets before depreciation	515,475,702	11,217,666	(3,647,007)	770,553	523,816,914

Less accumulated depreciation for:					
Buildings/Bldg Improvements	(16,508,201)	(1,034,715)	-	-	(17,542,916)
Other Improvements	(9,437,945)	(1,107,224)	-	-	(10,545,169)
Equipment/Vehicles	(1,587,459)	(87,548)	-	-	(1,609,751)
Equipment/Vehicles (Eq Rental)	(2,870,567)	(340,810)	65,256	-	(3,156,478)
Infrastructure	(75,754,860)	(3,173,124)	54,899	-	(78,927,984)
Intangible Assets-Software	(555,129)	(5,508)	-	-	(560,637)
Total accumulated depreciation	(106,714,161)	(5,748,929)	120,155	-	(112,342,935)
Total governmental activities capital assets (net)	\$408,761,541	\$8,039,290	\$(3,526,852)	-	\$411,473,979

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

Governmental Activities:	
Judicial	0
General Government	465,844
Public Safety	297,936
Physical & Economic Environment	27,073
Transportation	3,234,916
Transportation (Equipment Rental – Internal Service Fund)	340,810
Culture & Recreation	1,382,351
Total Depreciation Expense-Governmental Activities	\$5,748,930

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 historical cost when original cost is not available, or acquisition value received in the case of contributions. Depreciation expense is charged to the operations of proprietary funds to allocate the cost of capital assets over their estimated useful lives, using the straight-line method with useful lives of 5 to 50 years. Prior to 2017, a salvage value of 10% was used for the City's proprietary fund capital assets.

The following schedule summarizes the capital asset data for business-type proprietary funds for 2022:

Business-Type Activities Capital Assets	Beginning Balance 01/01/2022	Increases	Decreases	Transfers In & (Out)	Ending Balance 12/31/2022
Capital assets not being depreciated:					
Land	\$ 2,203,691	-	-	-	\$ 2,203,691
Construction in Progress	2,310,105	-	(1,965,105)	-	345,000
Intangible Assets-Easements-SWM	78,595	-	-	-	78,595

City of SeaTac, WA – Notes to the Financial Statements

Total assets not being depreciated	\$ 4,592,391	-	\$(1,965,105)	-	\$ 2,627,286
Capital assets being depreciated:					
Buildings-SWM	\$ 228,560	-	-	-	\$ 228,560
Other Improvements-SWM	40,085,548	2,680,143	-	(773,553)	41,992,138
Equipment-SWM	26,877	-	-	-	26,877
Intangible Assets-Software-SWM	156,634	-	-	-	156,634
Total assets being depreciated	\$ 40,497,619	\$ 2,680,143	-	\$(773,553)	\$ 42,404,209
Total business-type capital assets before depreciation	\$ 45,090,010	\$ 2,680,143	\$(1,965,105)	\$(773,553)	\$ 45,031,495
Less accumulated depreciation for:					
Buildings	\$ (87,438)	\$ (5,161)	-	-	\$ (92,599)
Other Improvements	(11,683,946)	(656,318)	-	-	(12,340,264)
Equipment	(19,180)	(2,240)	-	-	(21,420)
Intangible Assets-Software	(146,500)	-	-	-	(146,500)
Total accumulated depreciation	\$(11,937,064)	\$ (663,719)	-	-	\$ (12,600,783)
Total bus-type capital assets (net)	\$33,152,946	\$2,016,424	\$(1,965,105)	\$(773,553)	\$32,430,712

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

Business-type Activities:	
Utilities/Physical Environment (Surface Water Utility)	\$663,719
Total Depreciation Expense-Business-type Activities	\$663,719

C. Construction Commitments

The following table describes the active construction projects on December 31, 2022 and the City's commitment with the contractors:

Project	Spent to Date	Remaining Commitment
Parametrix – 34 th Ave S/S 160 th to S 166 th	863,507	59,374
Perteet, Inc - 34 th Ave S/S 160 th to S 166 th	533,097	192,981
RL Alia - 34 th Ave S/S 160 th to S 166 th	6,650,747	1,957,371
PSE – 34 th Ave S/S 160 th to S 166 th	0	399,314
KPG Inc – Airport Station Area Imps.	1,479,807	107,747
Trantech – Airport Station Area Imps.	188,600	24,082
Exceltech Consulting – 2023 Overlay	61,061	138,103
Mott MacDonald – Angle Lake Fishing Pier and Boat Ramp	62,011	242,989
American Ramp – Bicycle Pump Track	253,107	25,996
KCDA – Community Center Playground Equipment	0	191,340
KCDA – City Hall HVAC	385,967	1,102,482
KCDA – Community Center HVAC	45,279	105,008
MXM Landscape Architecture – Riverton Spray Park	16,646	217,704

Davenport Group – Permitting Software Upgrade	150,645	212,355
Total Outstanding Construction Commitments	\$10,690,474	\$4,976,846

NOTE 7: ASSET RETIREMENT OBLIGATIONS

The City has two underground fuel storage tanks located at Fire Station 46 that the Department of Ecology regulates and monitors. Disposition requirements can be found in WAS173-360A-0810. Decommission liability was estimated using actual decommission costs from 2017 and inflated over three years using CPI-U June to June. The fuel tanks were put into service in 2009 and have an estimated remaining useful life of 7 years at 12/31/2022.

These liabilities are reported on the Statement of Net Position.

NOTE 8: PENSIONS – STATE SPONSORED (DRS) PLANS

The following table represents the aggregate pension amounts for all plans for the year 2022:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$(2,107,905)
Pension assets	\$3,721,781
Deferred outflows of resources	\$3,733,615
Deferred inflows of resources	\$(3,736,741)
Pension expense/expenditures	\$(181,812)

A. State Sponsored Pension Plans

Substantially all City full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

B. Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is

the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January - August 2022:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	10.25%	6.00%
September - December 2022:		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	10.39%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 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 benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three 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 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially

reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. 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 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 20212 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – August 2022:		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	10.25%	6.36%
July – December 2021:		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	10.39%	6.36%

* For employees participating in JBM, the contribution rate was 15.90%.

The City's actual PERS plan contributions were \$490,907 to PERS Plan 1 and \$807,176 to PERS Plan 2/3 for the year ended December 31, 2022.

C. Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

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 ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2022. Employers paid only the administrative expense of 0.18 percent of covered payroll.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g., active, retiree, or survivor), as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the

June 30, 2020 AVR. There were also the following assumption changes:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

Discount Rate

The Discount rate used to measure the total pension liability for all DRS plans was 7.0%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	55.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the City's proportionate share of the net pension liability calculated using the discount rate of 7%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate.

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
PERS 1	\$2,816,132	\$2,107,905	\$1,489,789
PERS 2/3	4,196,410	(3,563,434)	(9,938,636)
LEOFF 1	(138,766)	(158,347)	(175,328)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the City reported its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$2,107,905
PERS 2/3	(3,563,434)
LEOFF 1	(158,347)

The amount of the asset reported above for LEOFF Plan 1 reflects a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the City were as follows:

	LEOFF 1 Asset
Employer's proportionate share	(\$158,347)
State's proportionate share of the net pension asset associated with the employer	(1,071,058)
TOTAL	(\$1,229,405)

At June 30, the City's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	.075136%	.075705%	.000569%
PERS 2/3	.095465	.096081	.000616
LEOFF 1	.006250	.005520	.00073

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022,

are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Non-employer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2022. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2022, the state of Washington contributed 39% of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61% of employer contributions.

Pension Expense

For the year ended December 31, 2022, the City recognized pension expense as follows:

	Pension Expense
PERS 1	\$985,419
PERS 2/3	(1,177,333)
LEOFF 1	10,102
TOTAL	(181,812)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$349,342)
Changes of assumptions	\$0	\$0
Changes in proportion and differences between contributions and proportionate share of contributions	\$0	\$0
Contributions subsequent to the measurement date	\$251,558	\$0
TOTAL	\$251,558	(\$349,342)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$882,936	(\$80,667)
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$2,634,473)
Changes of assumptions	\$1,986,122	(\$520,038)

Changes in proportion and differences between contributions and proportionate share of contributions	\$204,077	(\$132,449)
Contributions subsequent to the measurement date	\$408,922	\$0
TOTAL	\$3,482,057	(\$3,367,627)

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$19,772)
Changes of assumptions	\$0	\$0
Changes in proportion and differences between contributions and proportionate share of contributions	\$0	\$0
Contributions subsequent to the measurement date	\$0	\$0
TOTAL	\$0	(\$19,772)

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2023	(\$147,834)
2024	(\$134,272)
2025	(\$168,440)
2026	\$101,204
Thereafter	\$0
Total	(\$349,342)

Year ended December 31:	PERS 2/3
2023	(\$817,375)
2024	(\$688,600)
2025	(\$850,540)
2026	\$1,226,349
2027	\$419,769
Thereafter	\$415,905
Total	(\$294,492)

Year ended December 31:	LEOFF 1
2023	(\$8,374)
2024	(\$7,582)
2025	(\$9,481)

2026	\$5,665
Thereafter	\$0
Total	(\$19,772)

NOTE 9: PENSION AND/OR OPEB PLANS - DEFINED CONTRIBUTIONS

City of SeaTac 401 (a) Money Purchase Retirement Trust

The City of SeaTac 401 (a) 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. 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 retirement 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 5.058%) and insurance payments (approximately 1.142%) for disability, accidental death and dismemberment, and life insurance benefit coverage.

As of December 31, 2022, there were 135 active members in the City of SeaTac Retirement Trust. Actual employee contributions during the year amounted to \$780,309. Actual employer contributions were \$636,188.

Actuarial determinations are not required because (1) long-term disability with Standard Insurance, and life and accidental death and dismemberment insurance with The Hartford are provided by a group insurance policy; 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 retirement account 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 retirement 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

Long-term disability benefits provide eligible employees, pending claim approval, 60% of compensation with a \$12,000 per month maximum. Disability benefit premiums are paid 100% by the City's contributions.

2) Life and Accidental Death and Dismemberment Insurance

Life insurance coverage for eligible employees equals two times annual earnings, up to a maximum of \$300,000. Subject to terms and limitations set forth in the group policy. The policy includes equal amount of accidental death and dismemberment insurance, which provides a benefit if an eligible

employee suffers a covered accidental injury or dies from a covered accident. The premiums for these benefits are paid by the City.

3) 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 or personal monthly ACH payments. 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, Mission Square Retirement.

NOTE 10: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2022.

Aggregate OPEB Amounts – All Plans	
OPEB Liabilities	\$1,269,071
Deferred Outflows of Resources	18,586
Deferred Inflows of Resources	0
OPEB Expenses/Expenditures	1,121,402

The City of SeaTac LEOFF 1 Retirees OPEB Plan is administered by the Law Enforcement Officers' and Firefighters' Disability Board (LEOFF Board) and is a single employer defined benefit plan.

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. 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. Currently, the Plan has three (3) retirees that meet the eligibility requirements. The Plan is closed to new entrants.

At December 31, 2022, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	3
---	---

A dedicated trust fund has not been established for LEOFF 1 retiree benefits; therefore, the plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

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. During the year, the City contributed \$42,129 to the Plan for postemployment health care.

Assumptions and Other Inputs

The City has elected to calculate the OPEB Liability and related information using the alternative measurement method permitted by GASB Statement 75 for employers in plans with fewer than one hundred total plan members. The Office of the State Actuary has prepared an online tool that assists employers in determining their OPEB liability using an actuarial valuation and measurement date of June 30, 2022.

Actuarial methods and assumptions are consistent with the 2020 LEOFF 1 Medical Benefits Actuarial Valuation Report (AVR). A discount rate of 2.21% and inflation was estimated at 2.75%. Healthcare cost trend rates range from 4.3% to 5.3% and 4.5% for long-term care. Mortality rates assumed a 100% male population due to 98% of the eligible LEOFF 1 population as of the measurement date is male. This approach inherently assumes all liabilities are fully earned and the Service Cost equals zero. In other words, the Entry Age Normal Total OPEB Liability is by definition equal to the Present Value of Future Benefits. Further, there is no need to make an assumption with respect to Projected Salary Changes.

The following presents the total OPEB liability of the City, calculated using the current healthcare cost trend rate of 5.1%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.1%) or 1-percentage point higher (6.1%) than the current rate.

	1% Decrease (4.1%)	Current Healthcare Cost Trend Rate (5.1%)	1% Increase (6.1%)
Total OPEB Liability	\$1,175,035	\$1,269,071	\$1,374,016

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.21%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.21%) or 1-percentage point higher (3.21%) than the current rate.

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$1,382,094	\$1,269,071	\$1,170,075

Changes in the Total OPEB Liability

LEOFF 1 Retirees OPEB Plan	
Total OPEB Liability at 01/01/2022	\$145,263
Service Cost	0
Interest	3,052
Changes in Benefit Terms	0

Changes in Experience Data and Assumptions	1,128,700
Benefit Payments	(7,944)
Other Changes	0
Total OPEB Liability at 12/31/2022	\$1,269,071

The measurement date of the total OPEB liability and the alternative measurement method calculation on which the total OPEB liability is based is June 30, 2022.

Insurance benefits are purchased from The Hartford. The Hartford Premium Plus Plan has \$0 deductible and 100% coverage on office visits, preventative care, diagnostic labs and x-rays, emergency room and hospital services. Prescription drugs are offered through Express Scripts Medicare Part D. The payment of benefits has been transferred from the employer to The Hartford Insurance company.

There are no known changes that have occurred between the measurement date and the reporting date that would have a significant effect on the total OPEB liability.

The city recognized \$1,121,402 of OPEB expense due to the change in experience data and assumptions, however only \$23,543 of actual OPEB expenditures were recorded in the reporting period.

At December 31, 2022, the City reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Payments subsequent to the measurement date	\$18,586	\$0
TOTAL	\$18,586	\$0

Deferred outflows of resources of \$18,586 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2023.

NOTE 11: HEALTH & WELFARE

The City is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014, when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents, and other beneficiaries through a designated account within the Trust.

As of December 31, 2022, 262 cities/towns/non-city entities participate and have enrollment in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, Willamette Dental Group, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-city entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2022, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$1.5 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

NOTE 12: RISK MANAGEMENT

The City is exposed to various risks of loss including but not limited to tort, theft of, damage to, and destruction of assets; errors & omissions; injuries or property damage to others, and natural disasters. The City purchases commercial insurance as the primary method of managing risk. The City carries a number of policies with varying deductibles depending on risk category, through multiple insurance carriers and producers brokered through Leavitt Group, the commercial insurance broker. The City's General Fund accounts for and expends monies for the procurement of insurance, payments of insurance deductibles, claims settlement, and administration of a risk management and safety program.

There were no significant reductions in insurance coverage from the previous year. The City's 2022 commercial insurance policies limits and deductibles are as follows:

Insurer	Limits	Deductible
CIAW/CHUBB Insurance Program		
General Liability	\$ 5,000,000	\$ 75,000
Employer's Liability (Stop Gap)	\$ 1,000,000	\$ 75,000
Automobile Liability	\$ 5,000,000	\$ 50,000
Wrongful Acts Liability (Public Officials & Employment Practices)	\$ 5,000,000	\$ 125,000
Sexual Abuse Liability	\$ 2,000,000	\$ 75,000
Navigators Specialty Insurance Company		
Excess Liability	\$ 5,000,000	N/A
Travelers		
Crime Policy		
Travelers		
CyberRisk Aggregate Limit	\$ 1,000,000	Variable
Liability		
Breach Response		
Cyber Crime		
Business Loss		
Colony Insurance Company		
Storage Tank Pollution Liability (Fuel Tanks)	\$ 500,000.00	\$ 1,000
Bodily Injury, Property Damage and Corrective Action Costs	Variable	
Travelers		
Deluxe Property		
Inland Marine		
Travelers (The Charter Oak Fire Insurance Co.)		
Automobile Physical Damage		
Comprehensive Deductible	Variable	\$ 5,000
Collision Deductible	Variable	\$ 5,000
Western Surety Company		
Blanket Notary Errors & Omissions	\$ 25,000	\$ -

*Limits subject to the terms, conditions, and exclusions of the policy.

There have been no settlements in the past three (3) years that have exceeded the City's insurance coverage limits.

In order to manage the risk of employee work-related injuries, industrial insurance coverage 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. Industrial Insurance costs are expended/expensed in the corresponding operating department/fund.

The City's unemployment insurance provides compensation to workers who are temporarily and involuntarily unemployed. This coverage is provided by the State of Washington and is administered 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. Unemployment Insurance costs are expended/expensed in the corresponding operating department/fund.

NOTE 13: 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". Outstanding general obligation debt is reported in the government-wide Statement of Net Position and not in the fund financial statements. The City currently has no General Obligation Debt.

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 was contractually obligated for paying \$246,150 and \$2,340,900, respectively, which equated 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 2009 SCORE bonds were secured by the irrevocable full faith and credit obligation of the cities of Auburn, Burien, Federal Way, Renton, SeaTac and Tukwila (the "Owner Cities"). On December 11, 2019, the Authority issued its Refunding Bonds, Series 2019 in the aggregate principal amount of \$51,055,000 (2019 Bonds). SeaTac's obligation is provided in the chart below. Additional information on the City's joint venture with SCORE is presented in Note 21 - Joint Ventures - South Correctional Entity (SCORE).

General obligation and special obligation bond debt outstanding as of the end of 2022 are listed in the table below:

Description/ Range of Maturities	Interest Rate	Original Issue Amount	Amount Outstanding
Special Obligation Bonds (Contractual)			
2019 South Correctional Entity Facility Public Development Authority Refunding Bonds Series 2019 Bonds (2020-2024/2025-2031/2032-2036/2037-2038)	3.00% – 5.00%	\$1,848,191	\$1,646,195
Total Special Obligation Bonds (Contractual)		\$1,848,191	\$1,646,195

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

Governmental-type Debt		
2019 SCORE Bonds (Contractual Special Obligation)		
Ratings: Moody's A1 & S&P AA		
Year Ending Dec 31	Principal	Interest
2023	72,038	69,486
2024	74,934	66,604
2025	78,011	63,607
2026	81,812	59,706
2027	85,975	55,616
2028-2032	498,474	209,182
2033-2037	617,572	89,986
2038	137,379	4,121
Total SCORE Bonds	\$1,646,195	\$618,308

At December 31, 2022, the city has \$390,871 available in debt service funds to service the general bonded debt.

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

The City currently has no outstanding special assessment bonds. At this time, there are no plans to issue any special assessment bonds to fund future projects.

NOTE 14: LEASES (LESSEES)

The City is a lessee for noncancelable leases. The City recognizes lease liabilities with an initial, individual value of \$100,000 or more. The City identified four (4) agreements that do not meet the \$100,000 threshold. These leases are for a postage machine, copiers, the land the community center resides on, and North SeaTac Park.

NOTE 15: LEASES (LESSORS)

The City has one (1) short-term lease agreement to house antennas on the roof of the Community Center buildings.

The City has five (5) cancelable lease agreements to lease out portions of the second floor in City Hall. Lease terms range from three to eight years. The City has one (1) lease agreement to house antennas on the roof of City buildings. The lease agreement is for five years with three automatic renewals for an additional five years. The lease is in its second five year automatic renewal.

The City has one (1) ground lease agreement. The 50-year ground lease agreement is with the YMCA for 6.5 acres through December 31, 2054, with two options to extend for an additional ten-years.

The total amount of inflows of resources from leasing activities is provided below:

Fund	Lease Revenue	Interest Revenue
General Fund (001)	\$265,332	\$42,923

As of December 31, 2022, future lease receivable principal and interest payments are as follows:

Year ended December 31	Principal	Interest	Total
2023	274,691	44,715	319,406
2024	189,543	40,821	230,364
2025	105,537	38,701	144,238
2026	110,773	36,836	147,609
2027	115,463	34,899	150,362
2028-2032	546,675	147,288	693,963
2033-2037	394,584	115,610	510,194
2038-2042	115,612	97,960	213,572
2043-2047	135,265	89,201	224,466
2048-2052	156,921	78,995	235,916
2053-2057	180,739	67,211	247,950
2058-2062	206,923	53,675	260,598
2063-2067	235,679	38,212	273,891
2068-2072	267,215	20,647	287,862
2073-2075	156,376	3,041	159,417
Total	\$3,191,974	\$907,812	\$4,099,786

NOTE 16: CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2022, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2022	Additions	Reductions	Ending Balance 12/31/2022	Due Within One Year
Governmental Activities:					
Bonds payable:					
Special obligation bonds	\$1,715,518	\$0	\$(69,323)	\$1,646,195	\$72,038
Total bonds payable - net	\$1,715,518	\$0	\$(69,323)	\$1,646,195	\$72,038
Compensated absences	1,207,479	66,875	(1,713)	1,272,641	63,632
Compensated absences-ISF	6,698	1,862	(8)	8,552	428
Asset Retirement Obligation	16,377	0	0	16,377	1,636
Total OPEB Liability	145,263	1,131,752	(7,944)	1,269,071	7,944
Net Pension Liability	917,585	1,190,319	(0)	2,107,904	0
Gov activities long-term liabilities	\$2,293,402	\$2,390,808	\$(9,665)	\$4,674,545	\$73,640
Business-type Activities:					
Compensated absences	\$84,548	\$3,789	\$(3,971)	\$84,366	\$4,219
Bus-type activities long-term liabilities	\$84,548	\$3,789	\$(3,971)	\$84,366	\$4,219

The liability for the other post-employment benefits is funded primarily 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 \$8,552 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 Utility Fund and Solid Waste and Environmental Fund.

NOTE 17: CONTINGENCIES AND LITIGATIONS

The City has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the City will have to make payment. In the opinion of management, the City's insurance policies are adequate to pay all known or pending claims. In addition, management reports the following lawsuits and claims that have not been resolved:

1. HB Extra Car, LLC. In April 2022, a City of SeaTac Parks vehicle was involved in a motor vehicle accident with an airport shuttle owned and operated by HB Extra Car, LLC. The City received Extra Car's tort claim form in September 2022. The City paid \$46,561.38 to Extra Car in October, 2022. Extra Car asserted additional claims associated with the damage to the airport shuttle and diminished value of the shuttle, as well as the need for longer use of a rental shuttle. The probable outcome of this issue is unknown and the impact to the City's financial condition is also unknown.
2. EARTHJUSTICE, Attorneys for Puget Soundkeeper Alliance (Claimant). In June 2022, the City review a (60 day) Notice of Intent to Sue for Failure to Comply with Municipal Stormwater General National Pollutant Discharge Elimination Permit, Section S4. The letter was addressed to the City of SeaTac, as well as other surrounding jurisdictions. The Notice states that it is providing notice of the Claimant's intent to file a citizen suit against the Cities of SeaTac, Burien, and Normandy Park for violations of the Clean Water Act. The claimant asserts that the Cities failed to control discharges of stormwater to Miller Creek, which caused and contributed to violations of water quality standards in the creek. To date, a lawsuit has not been filed. The City has submitted the claim to its insurer, CHUBB, however, coverage for the claim was denied. The City maintains that it has not violated the Clear Water Act. The City has hired outside local counsel to manage the impending litigation related to this matter. Although the City is confident in its legal position, the probable outcome of this issue is unknown and the impact to the City's financial condition is also unknown.
3. Emmanuel Reformed Baptist Church (ERBC). In May 2022, the City received a demand in the amount of \$39,777.32, from the Church's attorneys for a claim for damages related to flooding in the Church's parking lot, they claim, is related to the City's So. 180th Flood Reduction Project from 2021. Prior to the receipt of the demand letter, the City's Public Work Director made good faith efforts to resolve the matter with the Church directly. The Church is in the process of hiring an engineer to determine the cause of the flooding and design a drainage system in accordance with the City's code. The City contends that flooding is not caused by the City's construction project. This City has submitted the claim to its insurer, CHUBB, however, coverage for the claim was denied. Currently, the City Attorney is actively negotiating with the Church's attorney to settle this matter. Although the City is confident in its legal position, the probable outcome of this issue is unknown and the impact to the City's financial condition is also unknown.

Management has received no information, other than referenced above, and has no knowledge of any other impending or potential claims or lawsuits, which would materially affect the City's financial condition.

NOTE 18: RESTRICTED COMPONENT OF NET POSITION

The government-wide Statement of Net Position reports \$51,233,359 in restricted net position. None of the restrictions were from enabling legislation.

NOTE 19: INTERFUND BALANCES & TRANSFERS

During 2022, the City recorded interfund transfers. 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 Utility Fund #403	Solid Waste & Enviro. #404	Equipment Rental Fund #501 ²	Other Non-Major Funds	Totals
Transfers To (In)	Municipal CIP #301	181,500	0	0	0	0	0	181,500
	Transportation CIP Fund #307	0	6,550,000	0	0	0	0	6,550,000
	Equipment Rental Fund #501 ²	18,429	0	0	0	0	0	18,429
	Other Non-Major Funds	0	0	143,500	0	0	0	143,500
	Total Cash Transfers	199,929	6,550,000	143,500	0	0	0	6,893,429
	Transfer in of capital assets:							
	To Surface Water Management Fund #403							208,275
	Total Interfund Transfers							6,893,429

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. 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.

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

Municipal CIP Fund #301

The General Fund transferred \$181,500 in technology fees for permit software.

Transportation CIP Fund #307

In 2022, interfund transfers totaling \$6,550,000 was made into the Transportation CIP Fund as follows to assist with the payment of capital infrastructure projects in the City including the 34th Ave S/S 160th - S 166th Street Improvements project, the International Boulevard Safety Improvement Plan, the S 200th St Shared Use Path and Airport Station Area Improvements.

Surface Water Management Fund #403

The Transportation CIP Fund transferred in Surface Water Management Assets constructed as part of the S 200th St Shared Use Path project.

Equipment Rental Fund #501

The General Fund transferred \$18,249 to the Equipment Rental Fund for the purchase of a Police CCTV trailer.

Non-Major Fund Transfers

The Surface Water Utility Fund #403 transferred \$143,500 into the Des Moines Creek Basin Fund #111 for maintenance and operations (\$61,500) and to accumulate reserves (\$82,000) for future capital improvements.

NOTE 20: 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 its 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. The SCORE PDA issued \$86 million in special obligation bonds in 2009 (the “Bonds”) to construct, develop, acquire and equip the SCORE Facility.

Pursuant to the 2009 Interlocal Agreement, on September 5, 2018, the City of Federal Way gave its notice of intent to withdraw from SCORE effective December 31, 2019. The remaining Member Cities (including the cities of Auburn, Burien, Des Moines, Renton, SeaTac and Tukwila) entered into an Amended and Restated SCORE Interlocal Agreement (2019 Interlocal Agreement), which amended and restated the 2009 Interlocal Agreement in its entirety, removed Federal Way as a Member City (effective December 31, 2019) and an Owner City (effective immediately), added the City of Des Moines as an Owner City, terminated the Host City Agreement, and made other revisions to provide for the issuance of bonds to refund the 2009 Bonds.

On December 11, 2019, the Authority issued its Refunding Bonds, Series 2019 in the aggregate principal amount of \$51,055,000 (2019 Bonds). The 2019 Interlocal Agreement became effective on the date of issuance of the 2019 Bonds. Proceeds of the 2019 Bonds were used, together with a contribution from Federal Way to fully pay its 2009 Capital Contribution, to defease and refund all of the outstanding 2009 Bonds.

As a result, Federal Way satisfied its 2009 Capital Contribution and as of December 31, 2019, is no longer considered a Member City of SCORE.

Pursuant to the 2019 Interlocal Agreement and the ordinances of each city, each remaining Owner City (including the Cities of Auburn, Burien, Des Moines, Renton, SeaTac, and Tukwila) is obligated to budget for and pay its share, and only its share, of the principal of and interest on the 2019 Bonds as the same become due and payable (referred to as each Owner City's 2019 Capital Contribution). Each Owner City's obligation to pay its 2019 Capital Contribution is an irrevocable, unconditional full faith and credit obligation of such Owner City, payable from regular property taxes levied within the constitutional and statutory authority provided without a vote of the electors of the Owner City on all of the taxable property within the Owner City and other sources of revenues available therefor.

The following is a summary of the debt service requirements for the 2019 Bonds:

Summary of Debt Service Requirements - Refunding Bonds, 2019 (Ref 2009A & 2009B)										
Debt Service Schedule				Debt Service Allocation to Owner Cities						
Year	Principal	Interest	Total	Auburn 34.94%	Burien 4.82%	Des Moines 6.02%	Renton 40.96%	SeaTac 3.62%	Tukwila 9.64%	
2023	1,990,000	1,919,500	\$ 3,909,500	\$ 1,365,979	\$ 188,438	\$ 235,352	\$ 1,601,331	\$ 141,524	\$ 376,876	
2024	2,070,000	1,839,900	3,909,900	1,366,119	188,457	235,376	1,601,495	141,538	376,914	
2025	2,155,000	1,757,100	3,912,100	1,366,888	188,563	235,508	1,602,396	141,618	377,126	
2026	2,260,000	1,649,350	3,909,350	1,365,927	188,431	235,343	1,601,270	141,518	376,861	
2027	2,375,000	1,536,350	3,911,350	1,366,626	188,527	235,463	1,602,089	141,591	377,054	
2028-2032	13,770,000	5,778,500	19,548,500	6,830,246	942,238	1,176,820	8,007,066	707,656	1,884,475	
2033-2037	17,060,000	2,485,800	19,545,800	6,829,303	942,108	1,176,657	8,005,960	707,558	1,884,215	
2038	3,795,000	113,850	3,908,850	1,365,752	188,407	235,313	1,601,065	141,500	376,813	
Totals	\$ 45,475,000	\$ 17,080,350	\$ 62,555,350	\$ 21,856,840	\$ 3,015,169	\$ 3,765,832	\$ 25,622,672	\$ 2,264,503	\$ 6,030,334	

The City of SeaTac reports its share of equity interest (\$2,812,314), including the outstanding principal bond amounts (\$1,646,195) in the Governmental Activities column within the Government-wide Statement of Net Position as an asset. The following is condensed (unaudited) financial information as of December 31, 2022, related to SCORE:

South Correctional Entity (SCORE)					
Member City	2021 Percent of Equity	2021 Equity Balance	2022 Percent of Equity	2022 Apportionment	2022 Equity Balance
Auburn	41.93%	\$ 13,728,641	41.48%	\$ 367,485	\$ 14,096,126
Burien	5.30%	1,736,041	5.39%	95,847	1,831,888
Des Moines	4.95%	1,619,395	5.02%	88,153	1,707,548
Renton	31.93%	10,449,372	32.11%	464,559	10,913,931
SeaTac	8.13%	2,661,310	8.27%	151,004	2,812,314
Tukwila	7.76%	2,541,785	7.73%	85,550	2,627,335
Grand Totals	100.00%	\$ 32,736,544	100.00%	\$ 1,252,598	\$ 33,989,142

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

NOTE 21: ACCOUNTING & REPORTING CHANGES

The City implemented Governmental Accounting Standards Board (GASB) Statement 87 – Leases, effective January 1, 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. The Statement increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.



**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2022**

	2021-2022 Biennial Budget Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amount	
Revenues				
Taxes	\$ 65,075,100	\$ 65,075,100	\$ 75,426,870	\$ 10,351,770
Licenses & permits	3,441,321	3,441,321	5,117,360	1,676,039
Intergovernmental & contributions	2,445,113	3,727,297	3,089,473	(637,824)
Charges for services	3,562,466	3,579,966	5,775,507	2,195,541
Fines and forfeitures	277,725	277,725	348,123	70,398
Investment & other earnings	441,200	463,109	999,933	536,824
Rent & leases	614,020	592,111	568,809	(23,302)
Miscellaneous	2,158,243	2,031,060	151,137	(1,879,923)
Total Revenues	78,015,188	79,187,689	91,477,213	12,289,524
Expenditures				
Current:				
Judicial	1,804,419	2,701,131	1,883,774	817,357
General Government	17,130,532	18,208,765	16,437,630	1,771,135
Public Safety	48,626,343	49,622,444	48,800,159	822,285
Transportation	206,180	206,180	172,246	33,934
Health & Human Services	1,800,795	1,804,111	1,540,043	264,068
Physical & Economic Environment	6,283,282	7,503,165	5,698,126	1,805,039
Culture & Recreation	9,159,486	9,300,946	8,592,751	708,195
Debt Service:			-	
Interest	-	-	-	-
Capital outlay	-	18,429	100,086	(81,657)
Total Expenditures	85,011,037	89,365,171	83,224,814	6,140,357
Excess (deficiency) of revenues over (under) expenditures	(6,995,849)	(10,177,482)	8,252,398	18,429,880
Other Financing Sources (Uses)				
Transfers in	0	0	0	-
Transfers out	(363,000)	(1,923,000)	(1,941,429)	(18,429)
Disposal & ins-capital assets	-	-	-	-
Total Other Fin Sources (Uses)	(363,000)	(1,923,000)	(1,941,429)	(18,429)
Net Change in Fund Balances	(7,358,849)	(12,100,482)	6,310,969	18,411,451
Fund Balances-Beg (as prev reported)	-	-	-	-
Prior Year Adjustment	-	-	-	-
Fund Balances-January 1, 2021	29,372,543	34,541,589	34,541,589	-
Fund Balances-December 31, 2022	\$ 22,013,694	\$ 22,441,106	\$ 40,852,558	\$ 18,411,452

*Note: Budgetary basis differs from GAAP basis. See reconciliation pages following this schedule.

**Reconciliation of General Fund Budgetary Basis Actual Amounts to
GAAP Basis Actual Amounts in the Statement of Revenues,
Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2022**

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

	General Fund Budgetary Basis - Actual Amounts	Port of Seattle ILA	Transit Planning	Building Management
Revenues				
Taxes	\$ 75,426,870	\$ -	\$ -	\$ -
Licenses & permits	5,117,360	-	-	-
Intergovernmental	3,089,473	2,800,000	351,060	-
Charges for services	5,775,507	-	-	-
Fines & forfeitures	348,123	-	-	-
Investment & other earnings	999,933	159,202	4,220	92,296
Net Change in FV of investments	-	(724,240)	-	(142,680)
Rent & leases	568,809	-	-	654,632
Miscellaneous	151,137	-	141	3,591
Total Revenues	91,477,213	2,234,962	355,421	607,839
Expenditures				
Current:				
Judicial	1,883,774	-	-	-
General Government	16,437,630	-	233,854	7,397
Public Safety	48,800,159	2,662,511	-	-
Transportation	172,246	-	-	-
Health & Human Services	1,540,043	-	-	-
Physical & Economic Env	5,698,126	9,849	-	-
Culture & Recreation	8,592,751	120,863	-	-
Debt service:				
Interest	-	-	-	-
Capital outlay	100,086	-	-	-
Total Expenditures	83,224,814	2,793,223	233,854	7,397
Excess (deficiency) of revenues over (under) expenditures	8,252,398	(558,261)	121,567	600,442
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(1,941,429)	-	-	-
Disposal & ins-capital assets	-	3,988,600	-	-
Total Other Fin Sources (Uses)	(1,941,429)	3,988,600	-	-
Net Change in Fund Balances	6,310,969	3,430,339.38	121,567	600,442
Fund Balances-Beginning*	34,541,589	8,934,463	446,091	3,527,028
Fund Balances-Ending	\$ 40,852,558	\$ 12,364,802	\$ 567,658	\$ 4,127,470

*Note: Beginning fund balance amounts have been adjusted for interfund transfers between these funds.

	ARPA Grant	Eliminate Transfers & Spec Item Adj	Eliminate 2021 Actuals	General Fund GAAP Basis - Actual Amounts	Net Change - Increase (Decrease)
Revenues					
Taxes	\$ -	\$ -	\$ 34,226,246	\$ 41,200,624	\$ (0)
Licenses & permits	-	-	2,558,758	2,558,603	0
Intergovernmental	37,502	-	3,267,050	3,228,484	3,406,061
Charges for services	-	-	2,695,924	2,720,243	(359,340)
Fines & forfeitures	-	-	200,311	147,813	0
Investment & other earnings	68,336	-	551,072	764,542	315,682
Net Change in FV of investmen	(79,829)	-	(170,992)	(2,215,491)	(2,386,483)
Rent & leases	-	-	576,943	657,164	665,297
Miscellaneous	-	-	86,041	66,535	1,439
Total Revenues	26,009	-	43,991,353	49,128,516	1,642,657
Expenditures					
Current:					
Judicial	-	-	839,945	1,043,828	(0)
General Government	-	-	8,282,779	8,613,602	458,751
Public Safety	-	-	24,910,297	26,552,373	2,662,511
Transportation	-	-	84,106	88,140	(0)
Health & Human Services	-	-	665,060	874,108	(875)
Physical & Economic Env	37,502	-	2,928,822	2,816,655	47,351
Culture & Recreation	-	-	4,103,940	4,610,548	121,738
Debt service:					
Interest	-	-	-	-	-
Capital outlay	-	-	7,484	92,603	0
Total Expenditures	37,502	-	41,822,432	44,691,858	3,289,475
Excess (deficiency) of revenues over (under) expenditures	(11,493)	-	2,168,921	4,436,658	(1,646,818)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	(1,741,500)	(199,929)	-
Disposal & ins-capital assets	-	(3,988,600)	-	-	-
Total Other Fin Sources (Uses)	-	(3,988,600)	(1,741,500)	(199,929)	-
Net Change in Fund Balances	(11,493)	(3,988,600)	427,421	4,236,729	
Fund Balances-Beginning	-	-	-	51,359,909	
Fund Balances-Ending	<u>\$ (11,493)</u>	<u>\$ (3,988,600)</u>	<u>N/A</u>	<u>\$ 55,596,639</u>	

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2022**

	2021-2022 Biennial Budget Amounts		Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 13,889,200	\$ 13,889,200	\$ 15,615,436	\$ 1,726,236
Licenses & permits	51,263	51,263	66,551	15,288
Intergovernmental	1,271,829	1,271,829	1,340,523	68,694
Charges for services	202,900	202,900	283,716	80,816
Fines and forfeitures	-	-	84,046	84,046
Investment & other earnings	92,250	92,250	219,350	127,100
Miscellaneous	60,000	60,000	74,549	14,549
Total Revenues	15,567,442	15,567,442	17,684,171	2,116,729
Expenditures				
Current:				
Public Safety	425,020	426,679	417,049	9,630
Transportation	8,395,949	8,778,569	7,799,859	978,710
Physical & Economic Environment	108,000	108,000	92,694	15,306
Capital Outlay:			-	
Transportation	3,070,000	4,273,970	2,707,511	1,566,459
Total Expenditures	11,998,969	13,587,218	11,017,114	2,570,105
Excess (deficiency) of revenues over (under) expenditures	3,568,473	1,980,224	6,667,057	4,686,833
Other Financing Sources (Uses)				
Transfers out	(7,400,000)	(7,977,000)	(7,977,000)	-
Total Other Fin Sources (Uses)	(7,400,000)	(7,977,000)	(7,977,000)	-
Net Change in Fund Balances	(3,831,527)	(5,996,776)	(1,309,943)	4,686,833
Fund Balances-January 1, 2021	9,235,658	10,437,550	10,437,550	-
Fund Balances-December 31, 2022	\$ 5,404,130	\$ 4,440,774	\$ 9,127,606	\$ 4,686,832

**Reconciliation of Street Fund Budgetary Basis Actual Amounts to
GAAP Basis Actual Amounts in the Statement of Revenues,
Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2022**

	Street Fund Budgetary Basis - Actual Amounts	Eliminate 2021 Actuals	Street Fund GAAP Basis - Actual Amounts	Net Change - Increase (Decrease)
Revenues				
Taxes	\$ 15,615,436	\$ 6,675,589	\$ 8,939,848	\$ 0
Licenses & permits	66,551	34,397	32,154	0
Intergovernmental	1,340,523	672,413	668,110	0
Charges for services	283,716	133,548	151,268	1,101
Fines and forfeitures	84,046	52,426	31,620	0
Investment & other earnings	219,350	62,119	157,231	(0)
Net Change in FV of investments			(74,667)	(74,667)
Miscellaneous	74,549	65,549	7,899	(1,101)
Total Revenues	17,684,171	7,696,041	9,913,463	(74,666)
Expenditures				
Current:				
Public Safety	417,049	208,416	208,633	(0)
Transportation	7,799,859	3,651,282	4,148,577	(0)
Physical & Economic Environment	92,694	48,280	44,414	(0)
Capital Outlay:				
Transportation	2,707,511	991,432	1,716,079	0
Total Expenditures	11,017,114	4,899,409	6,117,704	0
Excess (deficiency) of revenues over (under) expenditures	6,667,057	2,796,632	3,795,759	(74,666)
Other Financing Sources (Uses)				
Transfers out	(7,977,000)	(1,427,000)	(6,550,000)	-
Total Other Fin Sources (Uses)	(7,977,000)	(1,427,000)	(6,550,000)	-
Net Change in Fund Balances	(1,309,943)	1,369,632	(2,754,241)	(74,666)
Fund Balances-Beginning	9,235,658	9,235,658	11,822,725	
Fund Balances-Ending	\$ 7,925,714	N/A	\$ 9,068,484	

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2022**

	2021-2022 Biennial Budget Amounts		Actual Amounts*	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,623,229	\$ 1,623,229	\$ 3,244,325	\$ 1,621,096
Intergovernmental		16,000	22,200	6,200
Investment & other earnings	39,600	39,600	151,787	112,187
Miscellaneous	-	-	197	197
Total Revenues	1,662,829	1,678,829	3,418,508	1,739,679
Expenditures				
Current:				
Economic Environment	1,401,665	1,588,534	1,010,118	578,416
Total Expenditures	1,401,665	1,588,534	1,010,118	578,416
Excess (deficiency) of revenues over (under) expenditures	261,164	90,295	2,408,390	2,318,095
Other Financing Sources (Uses)	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
Net Change in Fund Balances	261,164	90,295	2,408,390	2,318,095
Fund Balances-January 1, 2021	8,417,339	8,923,388	8,923,388	-
Fund Balances-December 31, 2022	<u>\$ 8,678,503</u>	<u>\$ 9,013,683</u>	<u>\$ 11,331,778</u>	<u>\$ 2,318,095</u>

**Reconciliation of Hotel/Motel Tax Fund Budgetary Basis Actual Amounts to
GAAP Basis Actual Amounts in the Statement of Revenues,
Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2022**

	Hotel/Motel Fund Budgetary Basis - Actual Amounts	Eliminate 2021 Actuals	Hotel/Motel Fund GAAP Basis - Actual Amounts	Net Change - Increase (Decrease)
Revenues				
Taxes	\$ 3,244,325	\$ 1,215,937	\$ 2,028,388	\$ 0
Intergovernmental	22,200	12,795	9,405	0
Investment & other earnings	151,787	21,621	130,166	0
Net Change in FV of investments	-	-	(139,222)	(139,222)
Miscellaneous	197	197	-	0
Total Revenues	3,418,508	1,250,550	2,028,737	(139,222)
Expenditures				
Current:				
Economic Environment	1,010,118	463,056	547,062	0
Total Expenditures	1,010,118	463,056	547,062	0
Excess (deficiency) of revenues over (under) expenditures	2,408,390	787,494	1,481,675	(139,222)
Other Financing Sources (Uses)	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
Net Change in Fund Balances	2,408,390	787,494	1,481,675	(139,222)
Fund Balances-Beginning	8,923,388	8,923,388	9,675,112	
Fund Balances-Ending	<u>\$ 11,331,778</u>	<u>N/A</u>	<u>\$ 11,156,787</u>	

Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30, 2022
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.075705%	0.075136%	0.762840%	0.070400%	0.070473%	0.067707%	0.075408%	0.080985%
Employer's proportionate share of the net pension liability (asset)	\$ 2,107,905	\$ 917,586	\$ 2,693,237	\$ 2,707,130	\$ 3,147,348	\$ 3,212,750	\$ 4,049,765	\$ 4,236,269
TOTAL	\$ 2,107,905	\$ 917,586	\$ 2,693,237	\$ 2,707,130	\$ 3,147,348	\$ 3,212,750	\$ 4,049,765	\$ 4,236,269
Covered payroll	\$ 12,267,041	\$ 11,462,124	\$ 11,147,231	\$ 9,904,771	\$ 9,012,379	\$ 8,445,108	\$ 8,925,589	\$ 9,180,716
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	17.18%	8.01%	24.16%	27.33%	34.92%	38.04%	45.37%	46.14%
Plan fiduciary net position as a percentage of the total pension liability	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%

Notes to Schedule:

** Until a full 10-year trend is compiled, the City will present information only for those years for which information is available.*

Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30, 2022
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.096081%	0.095465%	0.099272%	0.090892%	0.090486%	0.085227%	0.095030%	0.102779%
Employer's proportionate share of the net pension liability (asset)	\$ (3,563,434)	\$ (9,509,850)	\$ 1,269,632	\$ 882,870	\$ 1,544,968	\$ 2,961,231	\$ 4,784,685	\$ 3,672,352
TOTAL	\$ (3,563,434)	\$ (9,509,850)	\$ 1,269,632	\$ 882,870	\$ 1,544,968	\$ 2,961,231	\$ 4,784,685	\$ 3,672,352
Covered payroll	\$ 12,131,669	\$ 11,418,100	\$ 11,147,231	\$ 9,904,771	\$ 9,012,379	\$ 8,401,217	\$ 8,861,046	\$ 9,120,015
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-29.37%	-83.29%	11.39%	8.91%	17.14%	35.25%	54.00%	40.27%
Plan fiduciary net position as a percentage of the total pension liability	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%

Notes to Schedule:

** Until a full 10-year trend is compiled, the City will present information only for those years for which information is available.*

Schedule of Proportionate Share of the Net Pension Liability
LEOFF 1
As of June 30, 2022
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.005520%	0.006250%	0.007119%	0.006966%	0.006844%	0.006773%	0.006678%	0.006607%
Employer's proportionate share of the net pension liability (asset)	\$ (158,347)	\$ (214,098)	\$ (134,443)	\$ (137,691)	\$ (124,253)	\$ (102,761)	\$ (68,802)	\$ (79,629)
State's proportionate share of the net pension liability (asset) associated with the employer	\$ (1,071,058)	\$ (1,448,153)	\$ (909,369)	\$ (931,339)	\$ (840,444)	\$ (695,075)	\$ (465,378)	\$ (538,608)
TOTAL	\$ (1,229,405)	\$ (1,662,251)	\$ (1,043,812)	\$ (1,069,030)	\$ (964,697)	\$ (797,836)	\$ (534,180)	\$ (618,237)
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	169.62%	187.45%	146.88%	148.78%	144.42%	135.96%	123.74%	127.36%

Notes to Schedule:

* Until a full 10-year trend is compiled, the City will present information only for those years for which information is available.

Schedule of Employer Contributions
PERS 1
As of December 31, 2022
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 490,907	\$ 518,717	\$ 539,975	\$ 513,419	\$ 492,576	\$ 441,631	\$ 407,177	\$ 420,763
Contributions in relation to the statutorily or contractually required contributions	\$ (490,907)	\$ (518,717)	\$ (539,975)	\$ (513,419)	\$ (492,576)	\$ (441,631)	\$ (407,177)	\$ (420,763)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 12,828,166	\$ 11,905,928	\$ 11,258,447	\$ 10,396,318	\$ 9,727,931	\$ 8,951,382	\$ 8,451,107	\$ 9,168,456
Contributions as a percentage of covered employee payroll	3.83%	4.36%	4.80%	4.94%	5.06%	4.93%	4.82%	4.59%

Notes to Schedule:

* Until a full 10-year trend is compiled, the City will present information only for those years for which information is available.

Schedule of Employer Contributions
PERS 2/3
As of December 31, 2022
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 807,176	\$ 842,757	\$ 890,796	\$ 803,325	\$ 729,605	\$ 612,700	\$ 622,456	\$ 531,326
Contributions in relation to the statutorily or contractually required contributions	\$ (807,176)	\$ (842,757)	\$ (890,796)	\$ (803,325)	\$ (729,605)	\$ (612,700)	\$ (622,456)	\$ (531,326)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 12,689,388	\$ 11,795,868	\$ 11,258,447	\$ 10,396,318	\$ 9,727,931	\$ 8,907,491	\$ 8,385,928	\$ 9,104,496
Contributions as a percentage of covered employee payroll	6.36%	7.14%	7.91%	7.73%	7.50%	6.88%	7.42%	5.84%

Notes to Schedule:

* Until a full 10-year trend is compiled, the City will present information only for those years for which information is available.

Schedule of Changes in Total OPEB Liability and Related Ratios
LEOFF 1 Retirees
As of December 31, 2022
Last 10 Fiscal Years*

	2022	2021	2020	2019	2018
Total OPEB liability - beginning	\$ 145,263	\$ 2,008,712	\$ 1,838,137	\$ 1,910,494	\$ 1,973,496
Service cost	-	-	-	-	-
Interest	3,052	42,970	62,837	72,484	69,307
Changes in benefit terms	-	-	-	-	-
Changes in Experience Data and Assumptions	1,128,700	(1,776,943)	194,041	(69,059)	(56,554)
Estimated Benefit payments	(7,944)	(129,476)	(86,303)	(75,782)	(75,755)
Other changes	-	-	-	-	-
Total OPEB liability - ending	<u>\$ 1,269,071</u>	<u>\$ 145,263</u>	<u>\$ 2,008,712</u>	<u>\$ 1,838,137</u>	<u>\$ 1,910,494</u>
Covered-employee payroll	-	-	-	-	-
Total OPEB liability as a % of covered payroll	-	-	-	-	-

Notes to Schedule:

- 1) A dedicated trust fund has not been established for LEOFF 1 retiree benefits; therefore, the plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

** Until a full 10-year trend is compiled, the City will present information only for those years for which information is available.*

City of SeaTac
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
CDBG - Entitlement Grants Cluster								
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via KING COUNTY HCDP)	Community Development Block Grants/Entitlement Grants	14.218	C19623	17,126	-	17,126	-	1
Total CDBG - Entitlement Grants Cluster:				17,126	-	17,126	-	
OJP BUREAU OF JUSTICE ASSISTANCE, JUSTICE, DEPARTMENT OF	COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034		-	47,617	47,617	-	1
COMMUNITY ORIENTED POLICING SERVICE, JUSTICE, DEPARTMENT OF	Public Safety Partnership and Community Policing Grants	16.710		-	44,607	44,607	-	1
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738		-	29,544	29,544	-	1
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WS TRAFFIC SAFETY)	Highway Planning and Construction	20.205	SRTS-1295 (001)	2,831,866	-	2,831,866	-	1
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WS TRAFFIC SAFETY)	National Priority Safety Programs	20.616	TARGET ZERO	19,004	-	19,004	-	
Total Highway Safety Cluster:				19,004	-	19,004	-	

The accompanying notes are an integral part of this schedule.

City of SeaTac
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via WA Dept of Commerce)	COVID-19 - Coronavirus State And Local Fiscal Recovery Funds	21.027	SLFRF	37,502	-	37,502	-	1
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WS MILITARY DEPT)	Emergency Management Performance Grants	97.042	20EMPG-S	18,898	-	18,898	-	1
Total Federal Awards Expended:				2,924,396	121,768	3,046,164	-	

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

NOTE 1 – BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City's government-wide financial statements. The City uses the accrual basis of accounting.

NOTE 2 – FEDERAL INDIRECT COST RATE

The city has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

ABOUT THE STATE AUDITOR'S OFFICE

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