



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of SeaTac

For the period January 1, 2023 through December 31, 2023

Published December 16, 2024

Report No. 1036206



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

December 16, 2024

Council
City of SeaTac
SeaTac, Washington

Report on Financial Statements

Please find attached our report on the City of SeaTac's financial statements.

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

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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, 2023 through December 31, 2023

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, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of SeaTac, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 10, 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, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

December 10, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of SeaTac January 1, 2023 through December 31, 2023

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, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of SeaTac, as of and for the year ended December 31, 2023, 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, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of SeaTac, as of December 31, 2023, 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.

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;

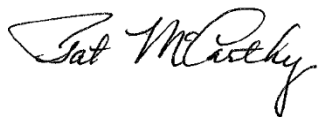
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 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.



Pat McCarthy, State Auditor
Olympia, WA
December 10, 2024

FINANCIAL SECTION

City of SeaTac January 1, 2023 through December 31, 2023

REQUIRED SUPPLEMENTARY INFORMATION

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Statement of Activities – Government-wide – 2023

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Schedule of Proportionate Share of the Net Pension Liability (Asset) – PERS 1, PERS 2/3
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Schedule of Employer Contributions – PERS 1 and PERS 2/3 – 2023

Schedule of Changes in Total OPEB Liability and Related Ratios – LEOFF 1 Retirees –
2023

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, 2023. Since the MD&A was designed to focus on the activities, resulting changes, and currently known facts for the year 2023, 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, 2023, total net position for the City was \$609.8 million. Of this amount, \$444.5 million or 72.9% was classified as investment in capital assets. This classification includes infrastructure, construction in progress, land and other improvements, buildings, equipment, right-to-use and intangibles. Net position in the amount of \$60.2 million or 9.9% 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 \$105.1 million or 17.2% was classified as unrestricted and available for general City operations.
- Governmental funds ended the year with \$142.1 million in total ending fund balance on the modified accrual basis of accounting. This is an increase of \$17.5 million or 12.3% over 2022, which ended the year with a \$124.6 million ending fund balance. Increases in sales tax, leasehold tax, interest earnings, and parking tax produced a favorable ending fund balance.
- Major capital assets added in 2023 include City Hall carpet and cubicle replacement (\$1.4 million), LAMA Permitting Software upgrade (\$274 thousand), North SeaTac bicycle pump track (\$322 thousand), and Community Center Playground Equipment Replacement (\$157 thousand).
- Several capital projects were still in progress at the end of 2023. Design work on several park projects including the Angle Lake Fishing Pier and Boat Ramp (\$3.9 million), SeaTac Des Moines Creek Park Trailhead Improvements (\$4.9 million), and the Riverton Heights Spray Parks project (\$5.8 million) continued. Facilities projects in progress include the build out of the Police Substation at Polaris (\$440 thousand), and design of the Maintenance Facility remodel (\$10.5 million). As well as transportation projects such as the construction of 34th Avenue from S 160th Street to S 166th Street (\$8.8 million) and design of Airport Station Pedestrian Improvements (\$30.5 million).

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 2023, the City of SeaTac maintained fifteen individual governmental funds on a budgetary basis. On a GAAP basis, the City maintained eleven 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 2023, 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.

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

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:	2023	2022	2023	2022	2023	2022
Current & other assets	\$ 163,091,435	\$ 147,905,670	\$ 14,520,515	\$ 12,862,675	\$ 177,611,950	\$ 160,768,345
Net pension asset	3,785,390	3,416,039	339,513	305,743	4,124,903	3,721,782
Capital assets, net	412,499,541	411,473,979	32,380,680	32,430,712	444,880,221	443,904,691
Total Assets	579,376,366	562,795,688	47,240,708	45,599,130	626,617,074	608,394,818
Deferred Outflows	3,455,166	3,862,722	283,528	298,754	3,738,694	4,161,476
Liabilities:						
Long-term liabilities	3,159,841	2,798,087	103,452	80,148	3,263,293	2,878,235
Net pension liability	1,608,707	3,369,031	150,981	-	1,759,688	3,369,031
Other liabilities	9,780,993	13,356,061	62,558	33,186	9,843,551	13,389,247
Total liabilities	14,549,541	19,523,179	316,991	113,334	14,866,532	19,636,513
Deferred Inflows	5,544,465	6,667,124	159,920	261,593	5,704,385	6,928,717
Net Position:						
Net inv in capital assets	412,157,132	411,473,979	32,380,680	32,430,712	444,537,812	443,904,691
Restricted	59,851,977	50,927,616	339,513	305,743	60,191,490	51,233,359
Unrestricted	90,728,417	78,066,512	14,327,132	12,786,502	105,055,549	90,853,014
Total Net Position	\$ 562,737,526	\$ 540,468,107	\$ 47,047,325	\$ 45,522,957	\$ 609,784,851	\$ 585,991,064

In 2023, the City’s total net position increased by \$22.3 million. Net investment in capital increased by \$1 million with the bulk of the expenses going toward transportation improvements (\$3.3 million). Other improvements include new carpet and cubicles in city hall and \$1.5 million in parks investment. The City’s total restricted net position increased by \$8.9 million and unrestricted net position increased by \$12.6 million.

The City’s net position for governmental activities includes \$59.9 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, capital facilities, pension, public safety, and Des Moines Creek Basin ILA projects. The remaining balance of unrestricted net position in the amount of \$90.7 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 (\$339,513). Unrestricted net position is \$14.3 million. \$12.3 million can be used for general surface water utility purposes including capital projects, if desired and \$1.8 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:	2023	2022	2023	2022	2023	2022
Program Revenues:						
Charges for services	\$ 12,038,926	\$ 9,100,565	\$ 4,495,917	\$ 4,536,963	\$ 16,534,843	\$ 13,637,528
Operating grants & contrib	5,044,279	3,970,271	77,589	98,493	5,121,868	4,068,764
Capital grants & contrib	783,194	6,699,563	-	320,000	783,194	7,019,563
General Revenues:						
Property tax	17,639,920	17,548,121	-	-	17,639,920	17,548,121
Sales & Use taxes	23,011,103	21,669,719	-	-	23,011,103	21,669,719
Hotel/Motel taxes	2,122,341	2,028,388	-	-	2,122,341	2,028,388
Parking tax	11,026,439	8,965,490	-	-	11,026,439	8,965,490
Gambling taxes	454,348	491,115	-	-	454,348	491,115
Excise taxes	5,836,103	4,549,557	-	-	5,836,103	4,549,557
Investment interest	3,913,598	(2,075,883)	608,787	(239,047)	4,522,385	(2,314,930)
Gains on asset sales	-	285,536	-	-	-	285,536
Total Revenues	81,870,251	73,232,442	5,182,293	4,716,409	87,052,544	77,948,851
Expenses:	2023	2022	2023	2022	2023	2022
Judicial	1,274,045	1,046,431	-	-	1,274,045	1,046,431
General Government	9,652,725	7,971,444	-	-	9,652,725	7,971,444
Public Safety	27,591,821	28,192,525	-	-	27,591,821	28,192,525
Transportation	8,633,934	9,602,833	-	-	8,633,934	9,602,833
Health & Human Services	979,470	878,623	-	-	979,470	878,623
Physical & Economic Environment	5,311,831	3,709,945	3,369,728	3,088,410	8,681,559	6,798,355
Culture & Recreation	6,443,988	6,059,336	-	-	6,443,988	6,059,336
Interest on long-term debt	1,217	-	-	-	1,217	-
Total Expenses	59,889,031	57,461,137	3,369,728	3,088,410	63,258,759	60,549,547
Inc (Dec) in Net Position Before						
Transfers & Special Items	21,981,220	15,771,305	1,812,565	1,627,999	23,793,785	17,399,304
Transfers	98,950	914,053	(98,950)	(914,053)	-	-
Inc (Dec) in Net Position	22,080,170	16,685,358	1,713,615	713,946	23,793,785	17,399,304
Prior Year Adjustments	189,248	-	(189,248)	-	-	-
Net Position-Beg	540,657,354	523,782,748	45,333,709	44,809,011	585,991,063	568,591,759
Net Position-Ending	\$ 562,737,524	\$ 540,468,106	\$ 47,047,324	\$ 45,522,957	\$ 609,784,848	\$ 585,991,063

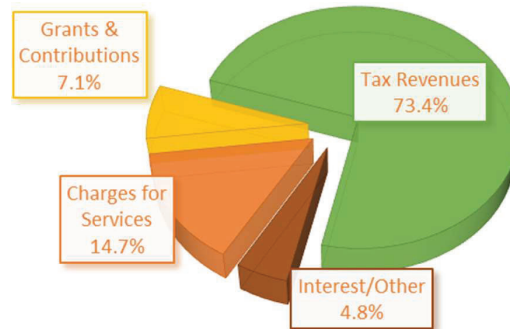
The City continues to apply for and receive various State and Federal grants for infrastructure projects and other smaller scale projects in other areas. In total, the City received \$5.9 million in grant revenues for operating and capital purposes. Capital grants are down \$6.2 million from the prior 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 up 1 million over 2022 from COVID-19 related grants (American Rescue Plan Act State and Local Fiscal Recovery Funds).

In 2023 most tax categories are performing well and exceeding pre-COVID-19 Pandemic numbers. Increases range from 4.6% for Hotel/Motel tax to 28.3 % for Leasehold excise tax. Property tax remained relatively flat, increasing 0.5%. Investment interest increased by 288.5% due to earnings exceeding unrealized losses on investments and gambling tax decreased 7.5%. The Port of Seattle reported 50.8 million passengers were served in 2023 – up 10% from 2022 and down just 1.8% from pre-pandemic 2019 levels. Current forecasts project SEA will exceed record 2019 passenger levels in 2024. The Port of Seattle’s Sea-Tac Airport, a top twelve 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.

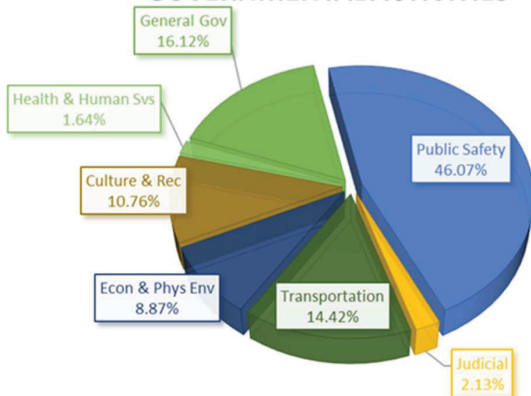
In 2023, the City of SeaTac’s Economic Development division (in the Community and Economic Development Department) continued work with SeaTac business, supporting new business openings and other projects in the development pipeline.

Notable constructions projects include completion of the Adara and Polaris at SeaTac, a combined 585-unit market rate and 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.

REVENUES BY SOURCE FOR GOVERNMENTAL ACTIVITIES



EXPENSES BY FUNCTION FOR GOVERNMENTAL ACTIVITIES



For governmental activities, total expenses increased \$2.5 million or 4.2% from 2022. Most program areas in governmental activities had expense increases in 2023 ranging from 6.3% in Culture and Recreation to 43.2% in Physical and Economic Environment.

Transportation decreased \$1 million from changes in capital projects and Public Safety decreased 2.1% due to vacancies within the King County Police Contract.

General Government increased \$1.6 million from a mid-year COLA catch up, the addition of an ILA with the Port of Seattle for court services, a new Community Court Program, increased audit costs, additional authorized FTEs in the Finance & Systems and Human Resources department, and the Human Services Division.

Business-type Activities: Revenue was up 9.9% and expenditures increased 9.1%. The increase in revenue is primarily from investment interest while charges for services were down 1%. Net position increased by \$1.7 million in 2023 as compared to a \$714 thousand increase in 2022.

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 2023, the City's combined ending governmental fund balance was \$142.1 million versus the 2022 ending fund balance of \$124.6 million. Included in the 2023 ending fund balance is \$1.1 million in non-spendable prepayments, \$55.7 million in restricted fund balances (i.e., transportation, tourism, capital projects, etc.) and \$23 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 \$17.7 million in 2023. The property tax levy has remained flat in recent years due to the council policy to not increase the levy if reserve requirements are met.

In 2023, sales taxes recorded into the General Fund were \$20.3 million compared to \$19.8 million in 2022 and \$13.8 million in 2021. 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 2023 was \$63.4 million, which is a \$7.8 million increase over 2022. 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 - \$12.9 million, Transit Planning - \$634 thousand, Building Management Fund - \$4.1 million, and the ARPA State and Local Fiscal Recovery Fund \$310 thousand for a total of \$18 million. A schedule for the 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,

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

as necessary. The Street Fund ended the year with \$15.7 million in fund balance, which represents a increase of \$6.6 million from 2022. An increase in Parking Tax revenue of \$2.1 million over budget indicates the Street Fund has also fully recovered from the impacts of the COVID-19 pandemic on air travel and parking.

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 2023 for this Fund was \$12.9 million. Lodging tax revenue had been on a steady rise prior to the COVID-19 pandemic and suffered significantly during the shutdown. However, 2023 beat the all-time high set in 2022 reaching \$2.1 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 2023. 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, and major building maintenance. In 2023, the revenue source for this Fund was real estate excise tax and sales tax from Port of Seattle projects. At the end of 2023, the fund balance in the Municipal Capital Improvement Fund was \$21.1 million.

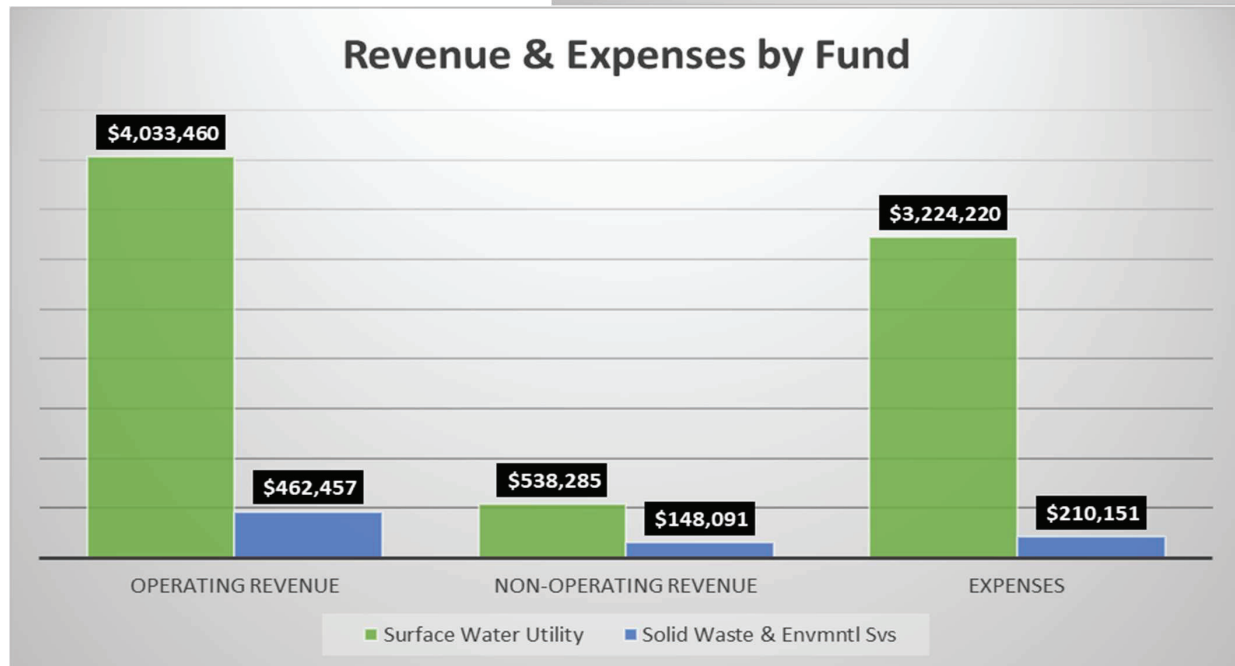
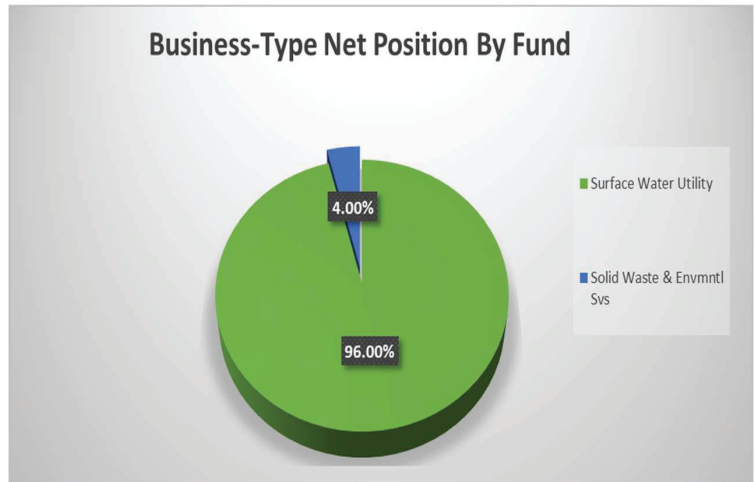
The Facility Construction Capital Improvement Fund is a capital projects fund whose purpose is to account for the expenditures related to major municipal capital projects including the purchase of land and the construction or major renovation of buildings. Although this Fund did not meet the GASB Statement 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 2023, the fund balance in the Municipal Facilities Capital Improvement Fund was \$3.2 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 2023, the major revenue sources for this Fund were project grants, interest earned on investments, and reimbursements from other agencies for services. At the end of 2023, the fund balance in the Transportation Capital Improvement Fund was \$17.1 million.

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 \$46.8 million and of this amount, \$14.0 million or 30% was unrestricted. \$32.4 million was classified as investment in capital assets and the remaining \$339 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 2023. Revenues and Expenses for each fund are depicted in the chart below:



GENERAL FUND BUDGETARY HIGHLIGHTS

On a budgetary basis, the General Fund finished 2023 with \$47.2 million in ending fund balance. The original ending fund balance budgeted for 2023 was \$25.2 million. The actual ending fund balance exceeded the original budget by \$22 million.

The City of SeaTac budgets on a biennial basis. The final adopted budget for 2023 included 5 budget amendments. The following are the budget amendment ordinances and a brief description:

- 23-1006 - Adding 5 Recreation Leader 3 Positions
- 23-1007 - Adding a Human Services Manager Position

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

- 23-1012 - Project Carry forwards, Fund Balance Adjustment, and COLA adjustment
- 23-1020 – Adding an IS Project Manager Position
- 23-1022 – Adding a Community Court Coordinator Position, increasing the amount for the Fire Services Contract, approving the Human Services Strategic Plan Study

Total revenues in 2023 exceeded budget by \$7.8 million primarily due to the following:

- Sales and use tax were \$2.8 million higher than budgeted. The increase is due to increased traffic at the airport and development activity.
- Leasehold Excise Tax was \$2.4 million higher than budgeted. The increase is due to expansion of retail space at Seattle-Tacoma Airport.
- Licenses and Permit revenues were \$1 million higher than budgeted. The increase is due to the high level of development activity.
- Charges for Services revenues were up \$1 million due to increased building activity and increased participation in Recreation programs.
- Investment interest was \$1.2 million higher than budgeted.
- Interlocal revenues were down \$0.6 million from unrealized grant revenue.

Total expenditures in 2023 were under budget by \$2.1 million primarily due to the following:

- Salaries & Benefits were \$1.4 million under budget due to vacancies.
- Professional services were \$700 thousand under budget from services budgeted but not used.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

At the end of 2023, the City had \$412.5 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 \$1.3 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 2023:

Management's Discussion & Analysis - City of SeaTac, WA

City of SeaTac's Capital Assets							
Capital Assets:	Governmental Activities		Business-type Activities		Total		
	2023	2022	2023	2022	2023	2022	
Land	\$ 320,134,706	\$ 319,952,258	\$ 2,203,691	\$ 2,203,691	\$ 322,338,397	\$ 322,155,949	
Intangible Assets-Easements	231,699	231,699	114,945	78,595	\$ 346,644	\$ 310,295	
Constr in Progress (CIP)	11,670,017	7,660,736	954,447	345,000	\$ 12,624,464	\$ 8,005,736	
Buildings/Building Impr	38,136,588	38,022,383	228,561	228,561	\$ 38,365,148	\$ 38,250,943	
Other Improvements	22,318,856	21,840,021	41,992,138	41,992,138	\$ 64,310,994	\$ 63,832,159	
Infrastructure	129,009,208	129,009,208	-	-	\$ 129,009,208	\$ 129,009,208	
Equipment/Vehicles	2,506,347	1,839,884	26,877	26,877	\$ 2,533,224	\$ 1,866,761	
Equipment/Vehicles-Eq Rental	4,774,029	4,683,915	-	-	\$ 4,774,029	\$ 4,683,915	
Intangible Assets-Software	581,387	576,811	156,634	156,634	\$ 738,021	\$ 733,445	
Right-to-use Lease Asset	183,889	-	-	-	\$ 183,889	\$ -	
Right-to-use Subscription Asset	200,556	-	-	-	\$ 200,556	\$ -	
Less: Depreciation	(117,247,742)	(112,342,936)	(13,296,613)	(12,600,784)	\$ (130,544,355)	\$ (124,943,720)	
Total Capital Assets (Net)	\$ 412,499,541	\$ 411,473,979	\$ 32,380,680	\$ 32,430,712	\$ 444,880,220	\$ 443,904,691	

In 2023, the largest increase in capital assets occurred in infrastructure for governmental activities due to the completion of the City Hall Carpet and Cubicle Replacement, Bicycle Pump Track, Community Center Playground, and Permitting Software Upgrade completion. 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, Maintenance Facility Remodel Design and Police Substation at Polaris starting in 2023 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 2023, 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 City has one long-term lease (see Note 14 – Leases). The table below provides a summary of the City's outstanding debt for 2022 and 2023 by type:

City of SeaTac's Outstanding Debt by Type							
	Governmental Activities		Business-type Activities		Total		
	2023	2022	2023	2022	2023	2022	
General Obligation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Special Obligation Bonds	1,574,157	1,646,195	-	-	1,574,157	1,646,195	
Lease Debt	182,498	-	-	-	182,498	-	
Total	\$ 1,756,655	\$ 1,646,195	\$ -	\$ -	\$ 1,756,655	\$ 1,646,195	

General Obligation Debt

According to Washington State law, the City’s debt capacity for general government purposes is limited to 2.5% or \$211.6 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 \$126.9 million. At the end of 2023, the City’s assessed valuation was \$8,466,029,259, which is a 6.75% increase from 2022. The 2023 assessed valuation is used to calculate taxes to be collected in 2024. The City had one long-term lease (\$182,498) and \$1.57 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 2023. 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 \$760.3 million of the City’s assessed valuation.

Additional information on the City’s long-term debt is found in Note 13 Long-Term Debt in the 2023 Notes to the Financial Statements.

ECONOMIC FACTORS AND THE BUDGET

Total revenues (excluding transfers in) in the General Fund were \$7.8 million above target primarily due to an increase in collections for Taxes, Investment Interest, and Licenses & Permits. The area with the highest positive variance was Sales and Use Tax, exceeding the budget by \$2.8 million and Leasehold Tax (\$2.3 million), Licenses and Permits was \$941,000 and Interest was \$807,000 greater than expected. Grants and Entitlements were the biggest underperformer collecting \$701 thousand less than anticipated. The General Fund’s original 2023 appropriation was \$49.9 million while the final budget was \$50.2 million. Actual appropriations were \$48 million (excluding transfers out) resulting in a final budget savings of \$2.2 million from department vacancies and professional services not used.

2023 Property Tax was 32.7% of governmental revenues. Property tax revenue increased 0.8% from 2022. Sales taxes which were severely hit by the COVID-19 shut down in 2020, have exceeded 2019 collections by 11.75%. For the 2023-2024 biennium, the General Fund estimated ending fund balance was \$29.5 million. Of that amount, \$19.5 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 \$47 million.

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 permitting represent more than \$500 million in capital investments.

Public infrastructure investments underway and planned represent approximately \$1 billion per year and include the State Route 509 completion projects. Seattle-Tacoma International Airport recently completed the Central Terminal Renovation (a project valued at \$21.85 million) that added 11,000 square feet of dining and additional shopping options providing a steady flow in construction and retail sales tax. The Port of Seattle’s 2024-2028 CIP budget reflects an additional \$5 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 2023 lodging tax revenues exceeded 2022 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.

	2015-2016 Final	2017-2018 Final	2019-2020 Final	2021-2022 Final	2023-2024 Final
Budget:					
Budgeted Revenues	\$ 68,104,144	\$ 69,288,979	\$ 84,772,096	\$ 79,187,689	\$ 97,275,913
Budgeted Expenditures	\$ 70,168,679	\$ 73,792,587	\$ 81,522,520	\$ 89,365,171	\$ 107,697,689
Budgeted Difference	\$ (2,064,535)	\$ (4,503,608)	\$ 3,249,576	\$ (10,177,482)	\$ (10,421,776)
Actual:					
Actual Revenues	\$ 72,950,304	\$ 83,718,092	\$ 82,579,166	\$ 91,477,213	\$ 54,526,696
Actual Expenditures	\$ 68,185,724	\$ 74,653,435	\$ 77,144,445	\$ 83,224,814	\$ 47,945,105
Actual Difference	\$ 4,764,580	\$ 9,064,657	\$ 5,434,721	\$ 8,252,399	\$ 6,581,591

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 Director, 4800 South 188th Street, SeaTac, WA 98188-8605.



Statement of Net Position
Government-wide
December 31, 2023

	Governmental Activities	Business-type Activities	Total	SSRTA Comp Unit
Assets				
Cash & cash equivalents	\$ 70,383,533	\$ 8,256,794	\$ 78,640,327	\$ 3,112,490
Investments	74,613,959	5,673,493	80,287,453	2,364,124
Receivables (net)				
Taxes	7,056,932	-	7,056,932	-
Customer accounts & contracts	1,812,685	297,721	2,110,406	10,000
Leases	3,519,778	-	3,519,778	-
Due from other governments	231,198	11,897	243,095	574,956
Inventory	-	-	-	16,338
Internal balances	(248,302)	248,302	-	-
Prepaid items	1,120,453	32,308	1,152,761	36,305
Investment in joint venture	4,601,199	-	4,601,199	-
Right to use lease assets, net of amort	182,317	-	182,317	705,714
Right to use subscription asset, net of ar	160,445	-	160,445	141,833
Capital assets not being depreciated:				
Land	320,134,706	2,203,691	322,338,397	-
Intangible assets	231,700	114,945	346,645	9,947
Construction in progress	11,670,017	954,447	12,624,464	-
Capital assets, net of accum deprec (Note 6):				
Buildings	19,642,954	130,801	19,773,755	-
Improvements other than buildings	10,669,181	28,962,399	39,631,581	-
Equipment, vehicles & software	2,923,390	14,397	2,937,787	36,370
Infrastructure	46,884,830	-	46,884,830	-
Net Pension Asset	\$ 3,785,390	\$ 339,513	\$ 4,124,903	\$ 307,237
Total Assets	\$ 579,376,366	\$ 47,240,708	\$ 626,617,074	\$ 7,315,314
Deferred Outflows of Resources				
Deferred Outflow of Resources - Pension	3,021,088	283,528	3,304,616	256,626
Deferred Outflow of Resources - OPEB	26,447	-	26,447	-
Deferred Outflow of Resources - ARO	9,831	-	9,831	-
Deferred Outflow - Delayed Title Transfe	397,800	-	397,800	-
Total Deferred Outflows of Resources	\$ 3,455,166	\$ 283,528	\$ 3,738,694	\$ 256,626
Liabilities				
Accounts payable & accrued expenses	1,515,646	62,558	1,578,204	249,926
Total OPEB liability - current	111,765	-	111,765	-
Other current liabilities	520,080	-	520,080	-
Unearned revenue	7,449,165	-	7,449,165	-
Noncurrent liabilities:				
Due within one year	184,337	5,173	189,510	216,018
Due in more than one year	3,086,346	98,280	3,184,625	716,242
Net Pension Liability	1,608,707	150,981	1,759,688	132,923
Total OPEB liability - noncurrent	73,495	-	73,495	-
Total Liabilities	\$ 14,549,541	\$ 316,991	\$ 14,866,532	\$ 1,315,109
Deferred Inflows of Resources				
Deferred Inflow of Resources - Pensions	2,024,687	159,920	2,184,607	217,171
Deferred Inflow of Resources - Leases	3,519,778	-	3,519,778	-
Total Deferred Inflows	\$ 5,544,465	\$ 159,920	\$ 5,704,385	\$ 217,171
Net Position				
Net investment in capital assets	412,157,132	32,380,680	444,537,812	52,984
Restricted for:				
Tourism promotion & facilities	12,867,703	-	12,867,703	-
Debt service	750,597	-	750,597	-
Capital projects & equipment	4,321,249	-	4,321,249	-
Affordable housing	204,232	-	204,232	-
Public safety	272,275	-	272,275	-
Transportation	32,848,674	-	32,848,674	-
Des Moines Creek Basin ILA projects	4,801,857	-	4,801,857	-
Net Pension Asset	3,785,390	339,513	4,124,903	347,227
Unrestricted	90,728,417	14,327,132	105,055,549	5,639,449
Total Net Position	\$ 562,737,526	\$ 47,047,325	\$ 609,784,851	\$ 6,039,660

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

Statement of Activities
Government-wide
For the Year Ended December 31, 2023

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants & Contributions	& Contributions
Functions/Programs				
Governmental Activities:				
Judicial	\$ 1,274,045	\$ 469,061	\$ 169,706	\$ -
General Government	9,652,725	2,173,932	606,356	1,233
Public Safety	27,591,821	658,366	2,886,323	-
Transportation	8,633,934	2,231,196	746,099	577,170
Health & Human Services	979,470	-	185,138	-
Physical & Economic Environment	5,311,831	4,911,796	450,658	-
Culture & Recreation	6,443,988	1,594,575	-	204,791
Interest on long-term debt	1,217	-	-	-
Total Governmental Activities	59,889,030	12,038,926	5,044,279	783,194
Business-type Activities:				
Solid Waste & Environmental	210,151	462,457	76,014	-
Surface Water Utilities	3,159,577	4,033,460	1,574	-
Total Business-type Activities	3,369,728	4,495,917	77,589	-
Component Unit Activities				
Seattle Southside Regional Tourism Authorit	4,429,820	3,828,130	428,932	-
Total Component Unit Activites	4,429,820	3,828,130	428,932	-
Total Government	\$ 67,688,579	\$ 20,362,973	\$ 5,550,800	\$ 783,194

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	\$ (635,278)	\$ -	\$ (635,278)	\$ -
General Government	(6,871,204)	-	(6,871,204)	-
Public Safety	(24,047,131)	-	(24,047,131)	-
Transportation	(5,079,469)	-	(5,079,469)	-
Health & Human Services	(794,332)	-	(794,332)	-
Physical & Economic Environment	50,623	-	50,623	-
Culture & Recreation	(4,644,621)	-	(4,644,621)	-
Interest on long-term debt	(1,217)	-	(1,217)	-
Total Governmental Activities	(42,022,631)	-	(42,022,631)	-
Business-type Activities:				
Solid Waste & Environmental	-	328,320	328,320	-
Surface Water Utilities	-	875,458	875,458	-
Total Business-type Activities	-	1,203,778	1,203,778	-
Component Unit Activities				
Seattle Southside Regional Tourism Authority	-	-	-	(172,758)
Total Component Unit Activities	-	-	-	(172,758)
Total Government	\$ (42,022,631)	\$ 1,203,778	\$ (40,818,853)	\$ (172,758)
General Revenues				
Property tax	17,639,920	-	17,639,920	-
Retail sales and use taxes	23,011,103	-	23,011,103	-
Hotel/Motel taxes	2,122,341	-	2,122,341	-
Parking tax	11,026,439	-	11,026,439	-
Gambling taxes	454,348	-	454,348	-
Excise taxes	5,836,103	-	5,836,103	-
Unrestricted investment earnings	3,913,598	608,787	4,522,385	234,693
Total General Revenues	64,003,853	608,787	64,612,639	234,693
Transfers	98,950	(98,950)	-	-
Total General Revenues & Transfers	64,102,803	509,837	64,612,639	234,693
Change in Net Position	22,080,172	1,713,615	23,793,787	61,935
Net Position-Beg (as prev reported)	540,468,106	45,522,958	585,991,064	5,977,725
Prior Year Adjustments	189,248	(189,248)	-	-
Net Position-Beginning	540,657,354	45,333,710	585,991,064	5,977,725
Net Position-Ending	\$ 562,737,526	\$ 47,047,325	\$ 609,784,851	\$ 6,039,660

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

Balance Sheet
Governmental Funds
December 31, 2023

		Special Revenue		Capital Improvement
	General	Street	Hotel/Motel Tax	Municipal CIP
Assets				
<i>Current Assets:</i>				
Cash & cash equivalents	\$ 26,726,590	\$ 12,691,618	\$ 8,822,615	\$ 3,133,407
Investments	38,637,288	1,999,724	3,894,626	17,367,236
Receivables (net of allowance for uncollectibles):				
Taxes	4,979,081	1,068,095	237,451	740,445
Customer accounts & contracts	892,916	35,624	10,566	-
Leases	3,519,778	-	-	-
Due from other governments	136,761	84,118	-	7
Prepaid items	1,114,851	248	4,333	1,022
Total Assets	\$ 76,007,266	\$ 15,879,427	\$ 12,969,591	\$ 21,242,116
Deferred Outflows of Resources				
Delayed land title transfer	-	-	-	-
Total Assets and Def Outflows of Res	\$ 76,007,266	\$ 15,879,427	\$ 12,969,591	\$ 21,242,116
Liabilities				
<i>Current Liabilities:</i>				
Accounts & other payable	\$ 674,429	\$ 143,442	\$ 101,888	\$ 152,190
Other current liabilities	179,158	533	-	-
Unearned revenue	7,449,165	-	-	-
Total Liabilities	\$ 8,302,752	\$ 143,976	\$ 101,888	\$ 152,190
Deferred Inflows of Resources				
Unavail revenue-grants/interlocal	\$ 114,013	1,680	-	-
Unavail revenue-taxes	281,726	-	-	-
Unavail revenue-court fines	388,885	-	-	-
Unavail revenue-permits	6,305	2,940	-	-
Deferred inflow related to leases	3,519,778	-	-	-
Unavail revenue-opioid settlement	-	-	-	-
Total Def Inflows of Resources	\$ 4,310,708	\$ 4,620	\$ -	\$ -
Fund Balances (Deficits)				
Nonspendable:				
Prepayments	\$ 1,114,851	\$ 248	\$ 4,333	\$ 1,022
Restricted:				
Transportation	-	15,730,584	-	-
Tourism promotion & facilities	-	-	12,863,370	-
Des Moines Creek Basin ILA	-	-	-	-
Affordable housing	-	-	-	-
Capital projects & equipment	-	-	-	4,320,227
Public safety purposes	-	-	-	-
Debt service	-	-	-	-
Assigned:				
Light Rail Station projects	-	-	-	-
Capital projects & equipment	-	-	-	16,768,676
Unassigned	62,278,955	-	-	-
Total Fund Balances	\$ 63,393,805	\$ 15,730,832	\$ 12,867,703	\$ 21,089,926
Total Liab, Def Inflows of Res & Fund Balances (Deficits)	\$ 76,007,266	\$ 15,879,427	\$ 12,969,591	\$ 21,242,116

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

	Capital Improvement		Other	Total Governmental Funds
	Facility Construction CIP	Transportation CIP	Governmental Funds	
Assets				
Current Assets:				
Cash & cash equivalents	\$ 459,296	\$ 10,361,920	\$ 5,335,259	\$ 67,530,705
Investments	2,807,296	6,435,526	3,472,263	74,613,959
Receivables (net of allowance for uncollectibles):				
Taxes	-	-	363,683	7,056,932
Customer accounts & contracts	-	536,766	-	1,807,695
Leases	-	-	-	3,519,778
Due from other governments	-	-	10,313	231,198
Prepaid items	-	-	-	1,120,453
Total Assets	\$ 3,266,592	\$ 17,334,211	\$ 9,181,518	\$ 155,880,720
Deferred Outflows of Resources				
Delayed land title transfer	-	397,800	-	397,800
Total Assets and Def Outflows of Re	\$ 3,266,592	\$ 17,732,011	\$ 9,181,518	\$ 156,278,520
Liabilities				
Current Liabilities:				
Accounts & other payable	\$ 74,421	\$ 211,810	\$ 91,117	\$ 1,449,298
Other current liabilities	-	-	-	179,691
Unearned revenue	-	-	-	7,449,165
Total Liabilities	\$ 74,421	\$ 211,810	\$ 91,117	\$ 9,078,154
Deferred Inflows of Resources				
Unavail revenue-grants/interlocal	-	402,359	-	518,051
Unavail revenue-taxes	-	-	-	281,726
Unavail revenue-court fines	-	-	-	388,885
Unavail revenue-permits	-	-	-	9,245
Deferred inflow related to leases	-	-	-	3,519,778
Unavail revenue-opioid settlemer	-	-	331,823	331,823
Total Def Inflows of Resources	\$ -	\$ 402,359	\$ 331,823	\$ 5,049,509
Fund Balances (Deficits)				
Nonspendable:				
Prepayments	\$ -	\$ -	\$ -	\$ 1,120,453
Restricted:				
Transportation	-	17,117,843	-	32,848,427
Tourism promotion & facilities	-	-	-	12,863,370
Des Moines Creek Basin ILA	-	-	4,801,857	4,801,857
Affordable housing	-	-	204,232	204,232
Capital projects & equipment	-	-	-	4,320,227
Public safety purposes	-	-	272,275	272,275
Debt service	-	-	408,188	408,188
Assigned:				
Light Rail Station projects	-	-	3,072,027	3,072,027
Capital projects & equipment	3,192,170	-	-	19,960,847
Unassigned	-	-	-	62,278,955
Total Fund Balances	\$ 3,192,170	\$ 17,117,843	\$ 8,758,578	\$ 142,150,857
Total Liab, Def Inflows of Res & Fund Balances (Deficits)	\$ 3,266,592	\$ 17,732,011	\$ 9,181,518	\$ 156,278,520

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

**Reconciliation of Fund Balances of Governmental Funds
to the Net Position of Governmental Activities
December 31, 2023**

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

Governmental funds total fund balance on December 31, 2023 (as shown on the Balance Sheet for Governmental Funds)	\$	142,150,857
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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	\$	320,134,706	
Intangibles - easements		231,699	
Construction in progress		11,670,017	
Buildings & structures		38,136,588	
Other improvements		22,318,856	
Infrastructure		129,009,208	
Equipment		2,506,347	
Right-to-use lease asset		183,889	
Right-to-use subscription asset		200,556	
Intangibles - software		581,387	
Less: accumulated depreciation		<u>(113,806,644)</u>	411,166,610

Investments in joint ventures are not a financial resource and, therefore, are not reported in the governmental funds.		4,601,199
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The net pension asset is not an available resource and, therefore, is not reported in the governmental funds.		3,785,390
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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.		1,529,731
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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	\$	3,021,088	
OPEB		26,447	
Asset retirement obligations		9,831	3,057,366

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	\$	(1,574,157)	
Asset retirement obligations		(16,377)	
Pension liability		(1,608,707)	
Deferred pension inflows		(2,024,687)	
Other post employment benefits obligation		(185,260)	
Lease liability		(182,498)	
Subscription liability		(159,910)	
Compensated absences payable		<u>(1,667,697)</u>	(7,419,292)

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>3,865,665</u>
Net position of governmental activities (as shown on the Government-wide Statement of Net Position)	\$	<u>562,737,526</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2023

	General	Street	Hotel/Motel Tax	Municipal CIP
Revenues				
Taxes	\$ 43,401,441	\$ 11,026,439	\$ 2,122,341	\$ 3,433,792
Licenses & permits	2,976,161	32,992	-	-
Intergovernmental & contributions	4,038,689	671,738	10,566	206,024
Charges for services	3,970,599	158,572	-	787,504
Fines & forfeitures	130,190	2,475	-	87
Investment & other earnings	1,660,591	517,901	419,881	420,667
Net Change in FV of investments	1,153,602	58,847	57,478	322,607
Rent & leases	535,754	-	-	-
Miscellaneous	59,027	12,349	-	-
Total Revenues	\$ 57,926,055	\$ 12,481,313	\$ 2,610,267	\$ 5,170,680
Expenditures				
Current:				
Judicial	\$ 1,266,793	\$ -	\$ -	\$ -
General Government	9,705,659	-	-	197,700
Public Safety	28,383,548	-	-	-
Transportation	87,967	4,154,142	-	-
Health & Human Services	968,971	-	-	-
Economic Environment	4,038,039	64,966	899,350	-
Culture & Recreation	5,077,242	-	-	35,968
Debt Service:				
Principal	42,037	-	-	-
Interest & other costs	1,217	-	-	-
Capital Outlay:				
General Government	508,185	-	-	1,662,119
Public Safety	183,889	-	-	-
Transportation	-	1,600,857	-	-
Economic Environment	-	-	-	143,797
Culture & Recreation	-	-	-	522,337
Total Expenditures	\$ 50,263,545	\$ 5,819,965	\$ 899,350	\$ 2,561,921
Excess (deficiency) of revenues over (under) expenditures	\$ 7,662,510	\$ 6,661,348	\$ 1,710,917	\$ 2,608,759
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ 1,000	\$ -	\$ 28,800
Transfers out	(249,788)	-	-	-
Initiation of leases/SBITA	384,445	-	-	-
Total Other Fin Sources (Uses)	\$ 134,657	\$ 1,000	\$ -	\$ 28,800
Net Change in Fund Balances	\$ 7,797,167	\$ 6,662,348	\$ 1,710,917	\$ 2,637,559
Fund Balances-Beginning	\$ 55,596,639	\$ 9,068,484	\$ 11,156,786	\$ 18,452,367
Fund Balances-Ending	<u>\$ 63,393,805</u>	<u>\$ 15,730,832</u>	<u>\$ 12,867,703</u>	<u>\$ 21,089,926</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	\$ -	\$ -	\$ 154,723	\$ 60,138,736
Licenses & permits	-	-	-	3,009,152
Intergovernmental & contributions	-	577,170	249,475	5,753,663
Charges for services	-	586,668	-	5,503,343
Fines & forfeitures	-	-	10,347	143,099
Investment & other earnings	80,996	722,813	289,685	4,112,534
Net Change in FV of investments	97,198	58,616	99,056	1,847,403
Rent & leases	-	-	-	535,754
Miscellaneous	-	9,281	16,470	97,128
Total Revenues	\$ 178,194	1,954,547	\$ 819,756	\$ 81,140,812
Expenditures				
Current:				
Judicial	\$ -	\$ -	\$ -	\$ 1,266,793
General Government	-	-	-	9,903,358
Public Safety	-	-	18,309	28,401,857
Transportation	-	-	-	4,242,109
Health & Human Services	-	-	-	968,971
Economic Environment	-	-	208,093	5,210,447
Culture & Recreation	-	-	32,539	5,145,750
Debt Service:				
Principal	-	-	-	42,037
Interest & other costs	-	-	-	1,217
Capital Outlay:				
General Government	-	-	-	2,170,304
Public Safety	445,412	-	-	629,301
Transportation	124,195	3,746,190	-	5,471,241
Economic Environment	-	-	-	143,797
Culture & Recreation	-	-	-	522,337
Total Expenditures	\$ 569,607	\$ 3,746,190	\$ 258,941	\$ 64,119,519
Excess (deficiency) of revenues over (under) expenditures	\$ (391,413)	\$ (1,791,643)	\$ 560,815	\$ 17,021,293
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 355,288	\$ 385,088
Transfers out	-	-	-	(249,788)
Initiation of leases/SBITA	-	-	-	384,445
Total Other Fin Sources (Uses)	\$ -	\$ -	\$ 355,288	\$ 519,745
Net Change in Fund Balances	\$ (391,413)	\$ (1,791,643)	\$ 916,103	\$ 17,541,038
Fund Balances-Beginning	\$ 3,583,583	\$ 18,909,485	\$ 7,842,475	\$ 124,609,819
Fund Balances-Ending	\$ 3,192,170	\$ 17,117,843	\$ 8,758,578	\$ 142,150,857

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, 2023**

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)	\$ 17,541,038
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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	6,765,466	
Depreciation expense	(5,459,906)	1,305,560

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.	(85,493)
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Investment in joint ventures are not considered financial resources and are, therefore, not reported in the governmental funds.	214,728
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The issuance of long-term debt is a resource and the repayment of bond principal is an expenditure in governmental funds, but those transactions increase or reduce long-term liabilities in the Statement of Net Assets. These debt related items consist of:

Lease Debt Proceeds	(384,445)	
Debt principal repayments	42,037	(342,408)

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.	1,710,226
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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.	739,068
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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	1,091,672	
Net increase in compensated absences	(395,055)	694,980

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	302,473	
Gain on sale of capital assets	-	
Transfers involving other funds (net)	-	302,473
Change in net position of governmental activities		\$ 22,080,172
(as shown on the Statement of Activities-Governmental Activities)		22,080,172

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

**Statement of Net Position
Proprietary Funds
December 31, 2023**

	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	\$ 7,507,143	\$ 749,650	\$ 8,256,794	\$ 2,852,828
Investments	4,677,930	995,564	5,673,493	-
Customer receivables (net)	197,964	99,757	297,721	4,990
Due from other governments	11,897	-	11,897	-
Prepaid items	32,308	-	32,308	-
Total Current Assets	<u>\$ 12,427,242</u>	<u>\$ 1,844,971</u>	<u>\$ 14,272,213</u>	<u>\$ 2,857,818</u>
Noncurrent Assets:				
Capital assets not being depreciated:				
Land	\$ 2,203,691	-	\$ 2,203,691	-
Intangible assets - easements	114,945	-	114,945	-
Construction in progress	<u>954,447</u>	<u>-</u>	<u>954,447</u>	<u>-</u>
Capital assets, net of accum. Deprec.(Note 6):				
Buildings	\$ 130,801	\$ -	\$ 130,801	\$ -
Other improvements	28,962,399	-	28,962,399	-
Vehicles and equipment	4,263	-	4,263	1,332,931
Intangible assets - software	10,134	-	10,134	-
Net Pension Asset	<u>280,158</u>	<u>59,355</u>	<u>339,513</u>	<u>12,267</u>
Total Noncurrent Assets	<u>\$ 32,660,838</u>	<u>\$ 59,355</u>	<u>\$ 32,720,193</u>	<u>\$ 1,345,198</u>
Total Assets	<u>\$ 45,088,080</u>	<u>\$ 1,904,326</u>	<u>\$ 46,992,406</u>	<u>\$ 4,203,016</u>
Deferred Outflows of Resources				
Deferred Outflows Related to Pensions	\$ 233,959	\$ 49,569	\$ 283,528	\$ 10,254
Liabilities				
Current Liabilities:				
Accounts payable	\$ 43,875	\$ 18,683	\$ 62,558	66,348
Compensated absences	<u>4,727</u>	<u>446</u>	<u>5,173</u>	<u>522</u>
Total Current Liabilities	<u>\$ 48,601</u>	<u>\$ 19,129</u>	<u>\$ 67,731</u>	<u>\$ 66,870</u>
Noncurrent Liabilities:				
Compensated absences	89,810	8,470	98,280	9,911
Net pension liability	<u>124,586</u>	<u>26,395</u>	<u>150,981</u>	<u>5,455</u>
Total Noncurrent Liabilities	<u>\$ 214,396</u>	<u>\$ 34,865</u>	<u>\$ 249,261</u>	<u>\$ 15,366</u>
Total Liabilities	<u>\$ 262,997</u>	<u>\$ 53,994</u>	<u>\$ 316,991</u>	<u>\$ 82,236</u>
Deferred Inflows of Resources				
Deferred Inflows Related to Pensions	\$ 132,216	\$ 27,704	\$ 159,920	\$ 6,753
Net Position				
Investment in capital assets	32,380,680	-	32,380,680	1,332,931
Restricted for:				
Net Pension Asset	280,158	59,355	339,513	12,267
Unrestricted	<u>12,265,988</u>	<u>1,812,842</u>	<u>14,078,830</u>	<u>2,779,082</u>
Total Net Position	<u>\$ 44,926,826</u>	<u>\$ 1,872,197</u>	<u>\$ 46,799,023</u>	<u>\$ 4,124,280</u>
Cumulative adjustment to reflect the consolidation of the Equipment Rental Internal Service Fund activities as related to enterprise funds over time.			<u>248,302</u>	
Net position of business-type activities			<u>\$ 47,047,325</u>	

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

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2023

	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	4,033,460	462,457	4,495,917	1,035,676
Operating Expenses				
Maintenance & operations	1,866,998	191,783	2,058,782	579,866
Administrative & general	661,392	18,368	679,760	-
Depreciation	695,829	-	695,829	284,620
Total Operating Expenses	3,224,220	210,151	3,434,371	864,486
Operating Income (Loss)	809,241	252,306	1,061,546	171,190
Nonoperating Revenues (Exps)				
Intergovernmental revenues	1,574	76,014	77,589	-
Investment earnings	536,711	72,076	608,787	122,035
Total Nonoperating Revs (Exps)	538,285	148,091	686,376	122,035
Income (Loss) Before Contributions & Transfers	1,347,526	400,396	1,747,922	293,225
Capital contributions	36,350	-	36,350	-
Capital grants	-	-	-	73,891
Transfers out	(135,300)	-	(135,300)	-
Change in Net Position	1,248,576	400,396	1,648,972	367,116
Net Position-Beg (as prev repts)	43,834,413	1,504,885	45,339,299	3,764,003
Prior Year Adjustment	(156,163)	(33,085)	(189,248)	(6,838)
Net Position-Beginning	43,678,250	1,471,800	45,150,051	3,757,165
Net Position-Ending	44,926,826	1,872,197	46,799,023	4,124,280
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.			64,643	
Change in net position of business-type activities			\$ 1,713,615	

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, 2023

	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	\$ 4,014,042	\$ 438,022	\$ 4,452,064	\$ 22,555
Receipts from other funds	-	-	-	1,029,914
Payments to suppliers	(986,546)	(110,748)	(1,097,294)	(449,247)
Payments to employees	(1,650,468)	(115,479)	(1,765,947)	(129,094)
Other receipts (payments)	-	1,950	1,950	5,762
Net Cash Provided (Used) by Operating Activities	\$ 1,377,028	\$ 213,745	\$ 1,590,773	\$ 479,891
Cash Flows from Noncapital Financing Activities:				
Intergovernmental revenue	\$ 1,574	\$ 76,014	\$ 77,589	\$ -
Transfers to other funds	(135,300)	-	(135,300)	-
Net Cash Provided (Used) by Noncapital Financing Activities	\$ (133,726)	\$ 76,014	\$ (57,711)	\$ -
Cash Flows from Capital & Related Financing Activities:				
Capital grants	-	-	-	73,891
Purchase of capital assets	(609,447)	-	(609,447)	(90,115)
Net Cash Provided (Used) by Capital & Related Financing Activities	\$ (609,447)	\$ -	\$ (609,447)	\$ (16,224)
Cash Flows from Investing Activities:				
Proceeds from sale of investments	-	-	-	1,000,167
Interest received	413,857	49,204	463,061	96,590
Net Cash Provided (Used) by Investing Activities	\$ 413,857	\$ 49,204	\$ 463,061	\$ 1,096,757
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 1,047,712	\$ 338,963	\$ 1,386,676	\$ 1,560,424
Cash & Cash Equivalents-Beginning*	\$ 6,459,431	\$ 410,687	\$ 6,870,118	\$ 1,292,404
Cash & Cash Equivalents-Ending	\$ 7,507,144	\$ 749,650	\$ 8,256,794	\$ 2,852,828

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

	Business-type Activities-Enterprise Funds	Governmental Activities
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Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2023

	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)	\$ 809,241	\$ 252,306	\$ 1,061,546	\$ 171,190
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	695,829	-	695,829	284,620
Pension Expense	(131,488)	(26,996)	(158,484)	(5,757)
(Incr) decr in accts receivable	159,442	(22,485)	136,957	22,555
(Incr) decr in prepaid expenses	(18,893)	-	(18,893)	-
Incr (decr) in accounts payable	24,715	8,876	33,591	5,401
(Incr) decr in due from other governme	(178,860)	-	(178,860)	-
Incr (decr) in compensated absences	17,042	2,044	19,086	1,881
Total adjustments	567,787	(38,561)	529,226	308,701
Net Cash Provided (Used) by Operating Activities	\$ 1,377,028	213,745	\$ 1,590,773	\$ 479,891
Noncash Activities:				
Contributions of capital assets (other improvements) paid for by the Transportation CIP Fund.	36,350	-	36,350	-
Change in fair value of investments	(264,842)	(3,098)	(267,941)	(22,849)
Total Noncash Activities	\$ (228,492)	\$ (3,098)	\$ (231,591)	\$ (22,849)

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

Statement of Fiduciary Net Position
December 31, 2023

	<u>Custodial Funds</u>
Assets	
Cash & cash equivalents	\$ 11,692
Account Recievable	9,490
Total Assets	\$ 21,182
Liabilities	
Accounts Payable	\$ 20,344
Total Liabilities	\$ 20,513
Deferred Inflows of Resources	170
Net Position Restricted For:	
Other Governments	668
	<u>\$ 668</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, 2023**

	<u>Custodial Funds</u>
Additions	
Court Receipts	115,074
Custodial Receipts	14,228
Total Additions	129,302
Deductions	
Court Remittances	115,074
Custodial Remittances	
Taxes	10,435
WA State Building Permit Fee	2,338
King County Pet Licenses	1,300
Total Deductions	129,147
Change in Net Position	155
Net Position-Beginning	513
Net Position-Ending	668

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 revenue 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 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, ARPA Fund, and Restricted Public Safety 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 five 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, allocations, 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, 2023, the City had holdings of \$78,652,018 (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, 2023, the City's total cash and cash equivalents (including cash restricted for debt) consisted of the following:

US Bank, General Fund Checking Account	\$4,155,108
US Bank, Municipal Court Checking Account.....	22,764
Cash with Renton Foundation.....	74,461
Deposit with Navia Benefits.....	7,367
Deposit with Sunset Management.....	1,558
Cash Equivalents with State Treasurer's Investment Pool.....	74,383,760
City Hall Postage Meter Fund.....	6,000
Petty Cash/Change Funds.....	1,000
Total Cash and Cash Equivalents.....	<u>\$78,652,018</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 \$11.9 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 and related interest and penalties (See Note 5 Property Taxes for additional information). Other taxes receivable consists 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 19 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 2023.

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 is \$339,513 in restricted assets for pension in the proprietary funds. Any specific debt service reserve requirements are described in Note 13 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	Capitalize All	Not Depreciated
Intangible Assets – Easements	\$15,000	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 method 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 effective 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 asset 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 asset 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, leases 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 2023, total compensated absences liability was \$1,441,193 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, 2023, was \$94,536. It is estimated that \$4,727 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, 2023, was \$8,916. It is estimated that \$446 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 \$10,433 and it is estimated that \$522 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 (See Note 13 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 13 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 \$248,302 difference are as follows:

Internal receivable representing charges in excess of cost to business-type activities – prior years	\$183,659
Internal receivable representing charges under cost	

to business-type activities – current year	64,643
Net adjustment to increase net position – total enterprise funds to arrive at net position – business-type activities	\$248,302

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, 2023 was \$4,155,108.

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

It is the city's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

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.

Investment Type	Fair Value	Maturities (in Years)	
		Less Than 1	1 to 5
U.S. Treasury Obligations	5,793,906	3,948,047	1,845,859
U.S. Agencies	70,405,530	12,805,891	57,599,639
Municipal Debt Obligations	4,262,950	1,315,610	2,947,340
Total Investments	\$ 80,462,386	\$ 18,069,548	\$ 62,392,838

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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. At December 31, 2023, city investments had the following credit quality distribution for securities with credit exposure:

Investment Type	Ratings		Fair Value
	Moody's	S&P	
Government Sponsored Enterprises			
United States Treasury Note	Aaa	NR	5,793,906
Federal Home Loan Bank	Aaa	AA+	36,422,668
Federal National Mortgage Association	Aaa	AA+	6,345,628
Federal Home Loan Mortgage Corp	Aaa	NR	9,935,589
Federal Farm Credit	Aaa	AA+	15,686,532
Farmer Mac	Aaa	AA+	2,015,113
Mississippi State	Aa2	AA	2,258,350
State of Hawaii	Aa2	AA+	2,004,600
Total			\$ 80,462,386

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. 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 of loss attributable to the magnitude of an investment in a single issuer. 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 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, 2023, the City had the following investments measured at fair value:

Investments By Fair Value	12/31/2023	Quoted Prices		
		In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Government Sponsored Enterprises	\$ 80,462,386	\$ -	\$ 80,462,386	\$ -
Total By Fair Value Level	\$ 80,462,386	\$ -	\$ 80,462,386	\$ -

C. Summary of Deposit and Investment Balances

Reconciliation of SeaTac's deposits and investment balances as of December 31, 2023, is as follows:

Cash Deposits and Investments	Fair Value	Cost Based Measure	Percent of Total
Government Sponsored Enterprises			
Federal Home Loan Bank	\$ 36,422,668		22.89%
Federal National Mortgage Association	\$ 6,345,628		3.99%
United States Treasury Note	\$ 5,793,906		3.64%
Federal Farm Credit	\$ 15,686,532		9.86%
Federal Home Loan Mortgage Corp	\$ 9,935,589		6.24%
Mississippi State	\$ 2,258,350		1.42%
Farmer Mac	\$ 2,015,113		1.27%
State of Hawaii	\$ 2,004,600		1.26%
Cash on Hand		1,000	0.00%
City Hall Postage Meter Funds		6,000	0.00%
FDIC or PDPC Insured Bank Deposits		4,152,170	2.61%
Washington State Local Government Investment Pool		74,383,760	46.75%
Municipal Court Checking Account		22,764	0.01%
Renton Community Foundation		74,461	0.05%
Navia Benefits Deposit Account		7,367	0.00%
Rental Deposit - Sunset Management		1,558	0.00%
Total	\$ 80,462,386	\$ 78,649,080	100%
Total Cash, Deposits and Investments		\$ 159,111,466	

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)

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 \$3.37 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.

The City’s property tax levy rate was \$2.244 per \$1,000 of assessed value. Based on a City-wide assessed valuation of \$7,930,926,090, the total property tax levy for 2023 was \$17,697,784 (Note: Property taxes collected in 2023 are based on the 2022 assessed valuation).

Washington State Constitution and Washington State law RCW 84.55.010, limit the rate.

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 2023. Please note that \$1332,931 (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 01/01/2023	Increases	Decreases	Transfers In/ (Out)	Ending Balance 12/31/2023
Capital assets not being depreciated/amortized:					
Land	\$ 319,952,258	182,448	-	-	\$ 320,134,706
Intangible Assets– Easements	231,700	-	-	-	231,700
Construction in Progress (CIP)	7,660,735	4,433,332	(424,050)	-	11,670,017
Total assets not being depreciated/amortized	\$ 327,844,693	\$ 4,615,780	\$ (424,050)	-	\$ 332,036,423

City of SeaTac, WA – Notes to the Financial Statements

Capital assets being depreciated/amortized:					
Buildings/Bldg Improvements	38,022,383	272,498	(158,293)	-	38,136,588
Other Improvements	21,840,021	478,835	-	-	22,318,856
Equipment/Vehicles	1,839,884	1,163,602	(497,139)	-	2,506,347
Equipment/Vehicles (Eq Rental)	4,683,914	90,115	-	-	4,774,029
Infrastructure	129,009,208	-	-	-	129,009,208
Intangible Assets-Software	576,811	274,356	(269,780)	-	581,387
Right-to-use Lease Asset	-	183,889	-	-	183,889
Right-to-use Subscription Asset	-	200,556	-	-	200,556
Total assets being depreciated/amortized	195,972,221	2,663,851	(925,212)	-	197,710,860
Total governmental capital assets before depreciation/amortization	523,816,914	7,279,631	(1,349,262)	-	529,747,283
Less accumulated depreciation/amortization for:					
Buildings/Bldg Improvements	(17,542,916)	(1,032,909)	82,191	-	(18,493,634)
Other Improvements	(10,545,169)	(1,104,505)	-	-	(11,649,674)
Equipment/Vehicles	(1,609,751)	(76,621)	497,139	-	(1,189,232)
Equipment/Vehicles (Eq Rental)	(3,156,478)	(284,620)	-	-	(3,441,098)
Infrastructure	(78,927,984)	(3,196,394)	-	-	(82,124,378)
Intangible Assets-Software	(560,637)	(7,794)	260,388	-	(308,043)
Right-to-use Lease Asset	-	(1,572)	-	-	(1,572)
Right-to-use Subscription Asset	-	(40,111)	-	-	(40,111)
Total accumulated depreciation/amortization	(112,342,935)	(5,744,526)	839,718	-	(117,247,742)
Total governmental activities capital assets (net)	\$411,473,979	\$1,535,105	\$(509,544)	-	\$412,499,541

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

Governmental Activities:	
General Government	472,505
Public Safety	320,834
Physical & Economic Environment	29,359
Transportation	3,258,185
Transportation (Equipment Rental – Internal Service Fund)	284,620

Culture & Recreation	1,379,022
Total Depreciation Expense-Governmental Activities	\$5,744,525

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 2023:

Business-Type Activities Capital Assets	Beginning Balance 01/01/2023	Increases	Decreases	Transfers In & (Out)	Ending Balance 12/31/2023
Capital assets not being depreciated:					
Land	\$ 2,203,691	-	-	-	\$ 2,203,691
Construction in Progress	345,000	609,447	-	-	954,447
Intangible Assets-Easements-SWM	78,595	36,350	-	-	114,945
Total assets not being depreciated	\$ 2,627,286	645,797	-	-	\$ 3,273,083
Capital assets being depreciated/amortized:					
Buildings-SWM	\$ 228,560	-	-	-	\$ 228,560
Other Improvements-SWM	41,992,138	-	-	-	41,992,138
Equipment-SWM	26,877	-	-	-	26,877
Intangible Assets-Software-SWM	156,634	-	-	-	156,634
Total assets being depreciated/amortized	\$ 42,404,209	-	-	-	\$ 42,404,209
Total business-type capital assets before depreciation/amortization	\$ 45,031,495	\$ 645,797	-	-	\$ 45,677,292
Less accumulated depreciation for:					
Buildings	(92,599)	(5,160)	-	-	(97,759)
Other Improvements	(12,340,264)	(689,475)	-	-	(13,029,739)
Equipment	(21,420)	(1,194)	-	-	(22,614)
Intangible Assets-Software	(146,500)	-	-	-	(146,500)
Total accumulated depreciation/amortization	(12,600,783)	(695,829)	-	-	(13,296,612)
Total bus-type capital assets (net)	\$32,430,712	\$ (50,032)	-	-	\$32,380,680

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

Business-type Activities:	
Utilities/Physical Environment (Surface Water Utility)	\$695,829
Total Depreciation Expense-Business-type Activities	\$695,829

C. Construction Commitments

The following table describes the active construction projects on December 31, 2023 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	897,448	25,433
Perteet, Inc - 34 th Ave S/S 160 th to S 166 th	717,948	8,130
RL Alia - 34 th Ave S/S 160 th to S 166 th	7,615,112	993,006
PSE – 34 th Ave S/S 160 th to S 166 th	3,608	395,706
Trantech – Airport Station Area Imps.	189,470	23,212
KPG Inc – Airport Station Area Imps.	1,611,595	180,118
Exceltech Consulting – 2023 Overlay	147,731	51,433
Tucci & Sons – 2023 Overlay	847,888	375,756
Perteet, Inc - S 204 th St Improvements	267,850	1,411,503
City of Burien - Miller Creek Stream Realignment	849,437	910,563
Atwell - 2024 Overlay	150,182	265,018
Sitts & Hill Engineers - Des Moines Creek Park Trailhead	39,999	9,761
Bruce Dees and Assoc - Des Moines Creek Park Trailhead	185,131	73,000
Mott MacDonald – Angle Lake Fishing Pier and Boat Ramp	129,074	175,926
Total Outstanding Construction Commitments	\$13,652,473	\$4,898,565

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 6 years at 12/31/2023.

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 2023:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$(1,759,688)
Pension assets	\$4,124,904
Deferred outflows of resources	\$3,304,614
Deferred inflows of resources	\$(2,184,607)
Pension expense/expenditures	\$(465,051)

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 local governments; and higher education employees not participating in higher education retirement programs.

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

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as 2% 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. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). 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%. The employer contribution rate is developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by the legislature. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January - June		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	

Total	10.39%	6.00%
July - August		
PERS Plan 1	6.36%	6%
PERS Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
Total	9.39%	6%
September - December		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
Total	9.53%	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 2% of the member's AFC times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. 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 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. 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. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. 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 rates are adopted by the Pension Funding Council and are subject to change by the Legislature. The employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

The PERS Plan 2/3 defined benefit required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 2/3			
Actual Contribution Rates	Employer 2/3	Employee 2*	Employee 3**
January – June			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	3.85%		
Administrative Fee	0.18%		
Total	10.39%	6.36%	
July - August			Varies
PERS Plan 2/3	6.36%	6.36%	
PERS Plan 1 UAAL	2.85%		
Administrative Fee	0.18%		
Total	9.39%	6.36%	
September – December			Varies
PERS Plan 2/3	6.36%	6.36%	
PERS Plan 1 UAAL	2.97%		
Administrative Fee	0.20%		
Total	9.53%	6.36%	

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

** For employees participating in JBM, the minimum contribution rate was 7.50%.

The City's actual PERS plan contributions were \$498,273 to PERS Plan 1 and \$912,006 to PERS Plan 2/3 for the year ended December 31, 2023.

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

LEOFF was established in 1970, and its retirement benefit provisions are contained in Chapter 41.26 RCW. LEOFF membership includes all of the state's full-time, fully compensated, local law enforcement commissioned officers, fire fighters and, as of July 24, 2005, emergency medical technicians.

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-paid consecutive 24 months 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 a COLA. 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 0%, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2023. Employers paid only the administrative expense of 0.20% 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 2023 with a valuation date of June 30, 2022. 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 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, 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 service-based salary increases.
- **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 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, 2021 Actuarial Valuation Report (AVR). OSA did make an assumption change to adjust TRS Plan 1 assets, LEOFF Plan 1/2 assets, and LEOFF participant data to reflect certain material changes occurring after the June 30, 2022 measurement date.

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, 2021. 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%	5.4%
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	\$2,458,419	\$1,759,690	\$1,149,863
PERS 2/3	4,303,747	(3,957,033)	(10,743,785)
LEOFF 1	(148,853)	(167,871)	(184,364)

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, 2023, the City reported its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$1,759,688
PERS 2/3	(3,957,033)
LEOFF 1	(167,871)

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	(\$167,871)
State's proportionate share of the net pension asset associated with the employer	(1,135,479)
TOTAL	(\$1,303,350)

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

	Proportionate Share 6/30/22	Proportionate Share 6/30/23	Change in Proportion
PERS 1	.075705%	.077087%	.0013820%
PERS 2/3	.096081	.096544	.0004599
LEOFF 1	.005520	.005656	.000136

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023, 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 2023. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12% of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88% 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.

Pension Expense

For the year ended December 31, 2023, the City recognized pension expense as follows:

	Pension Expense
PERS 1	\$26,235
PERS 2/3	(473,122)
LEOFF 1	(18,164)
TOTAL	(465,051)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

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	(\$198,501)
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	\$224,540	\$0
TOTAL	\$224,540	(\$198,501)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$806,043	(\$44,212)
Net difference between projected and actual investment earnings on pension plan investments	\$0	(\$1,491,249)
Changes of assumptions	\$1,661,299	(\$362,098)
Changes in proportion and differences between contributions and proportionate share of contributions	\$140,640	(\$76,556)
Contributions subsequent to the measurement date	\$472,091	\$0
TOTAL	\$3,080,074	(\$1,974,115)

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	(\$11,131)
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	(\$11,131)

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, 2024. 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
2024	(\$135,051)
2025	(\$169,843)
2026	\$104,723
2027	\$1,671
Thereafter	\$0
Total	(\$198,501)

Year ended December 31:	PERS 2/3
2024	(\$673,197)
2025	(\$835,854)
2026	\$1,251,080
2027	\$440,725
2028	\$435,372
Thereafter	\$15,711
Total	(\$633,867)

Year ended December 31:	LEOFF 1
2024	(\$7,632)
2025	(\$9,577)
2026	\$5,941
2027	\$137
Thereafter	\$0
Total	(\$11,131)

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, 2023, there were 159 active members in the City of SeaTac Retirement Trust. Actual employee contributions during the year amounted to \$880,044. Actual employer contributions were \$717,514.

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 2023.

Aggregate OPEB Amounts – All Plans	
OPEB Liabilities	\$185,260
Deferred Outflows of Resources	26,447
Deferred Inflows of Resources	0
OPEB Expenses/Expenditures	(1,091,672)

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. The Plan is closed to new entrants.

At December 31, 2023, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	3
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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 \$46,854 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, 2023.

Actuarial methods and assumptions are consistent with the 2022 LEOFF 1 Medical Benefits Actuarial Valuation Report (AVR). The discount rate is 3.65% and inflation was estimated at 2.35%. Healthcare cost trend rates range from 2% to 16% reaching an ultimate rate of approximately 3.8% in 2075. Mortality rates assumed a 50/50 male/female split. 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 5.6%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.6%) or 1-percentage point higher (6.6%) than the current rate.

	1% Decrease (4.6%)	Current Healthcare Cost Trend Rate (5.6%)	1% Increase (6.6%)
Total OPEB Liability	\$112,601	\$120,349	\$128,960

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.65%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.65%) or 1-percentage point higher (4.65%) than the current rate.

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
Total OPEB Liability	\$129,560	\$120,349	\$112,232

Changes in the Total OPEB Liability

LEOFF 1 Retirees OPEB Plan	
Total OPEB Liability at 01/01/2023	\$1,269,071
Service Cost	0
Interest	42,964
Changes in Benefit Terms	0
Changes in Experience Data and Assumptions	(1,079,921)
Benefit Payments	(48,854)
Other Changes	0
Total OPEB Liability at 12/31/2023	\$185,260

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, 2023.

Insurance benefits are purchased from the Association of Washington Cities Trust. LEOFF 1 retirees are eligible for Regence/Asuris Plan A, the Kaiser \$0 copay plan, and the Regence or Kaiser Medicare Advantage Plan (if enrolled on Medicare). For more information on these plans, see Note 11 – Health and Welfare.

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 \$(1,091,672) of OPEB expense due to the change in experience data and assumptions, however only \$20,407 of actual OPEB expenditures were recorded in the reporting period.

At December 31, 2023, 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	\$26,447	\$0
TOTAL	\$26,447	\$0

Deferred outflows of resources of \$26,447 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, 2024.

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, 2023, 264 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 2023, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$2 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 2023 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 20 - Joint Ventures - South Correctional Entity (SCORE).

General obligation and special obligation bond debt outstanding as of the end of 2023 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	\$1,574,157
Total Special Obligation Bonds (Contractual)		\$1,848,191	\$1,574,157

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
2024	74,934	66,604
2025	78,011	63,607
2026	81,812	59,706
2027	85,975	55,616
2028	90,138	51,317
2029-2033	522,366	185,355
2034-2038	640,921	66,617

Total SCORE Bonds	\$1,574,157	\$548,822
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At December 31, 2023, the city has \$408,188 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.

On 02/28/2023, the City entered a lease for a police substation located in North SeaTac. The lease is paid out of the General Fund. The lease has an initial term of 10 years with two (2) options to extend for five (5) years each. The City is required to make monthly lease payments of \$1,304 in 2023 with a 2% increase annually thereafter. The lease has an interest rate of 8.0%. An initial lease liability of \$183,889 and an intangible right-to-use asset was recorded in the amount of \$183,889.

Governmental Activities	Beg. Bal.	Increases	Decreases	End. Bal.
Leased Buildings	\$0	\$183,889		\$183,889
Total	\$0	\$183,889		\$183,889
Accum. Amor. Leased Buildings	\$0	(\$1,572)		(\$1,572)
Total	\$0	(\$1,572)		(\$1,572)

As of December 31, 2023, the principal and interest requirements to maturity are as follows:

Year ended December 31	Principal	Interest	Total
2024	\$1,300	\$14,556	\$15,856
2025	1,738	14,438	16,176
2026	2,221	14,279	16,500
2027	2,740	14,084	16,824
2028	3,321	13,843	17,164
2029-2033	27,488	63,748	91,236
2034-2038	56,683	47,597	104,280
2039-2043	87,036	16,608	103,644
Total	\$182,527	\$199,153	\$381,680

NOTE 15: LEASES (LESSORS)

The City has four (4) non-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 Hall. 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) lease agreement to house antennas on the roof of the Community Center building. The lease agreement is for 10 years with one (1) automatic renewal for an additional five years.

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)	\$289,272	\$64,404

As of December 31, 2023, future lease receivable principal and interest payments are as follows:

Year ended December 31	Principal	Interest	Total
2024	\$210,364	\$44,030	\$254,394
2025	129,648	41,443	171,091
2026	138,445	39,047	177,492
2027	146,994	36,507	183,501
2028	156,863	33,770	190,633
2029-2033	701,794	140,148	841,842
2034-2038	581,560	110,436	691,996
2039-2043	119,390	96,317	215,707
2044-2048	139,430	87,281	226,711
2049-2053	161,506	76,769	238,275
2054-2058	185,781	64,649	250,430
2059-2063	212,461	50,743	263,204
2064-2068	241,757	34,873	276,630
2069-2073	273,878	16,863	290,741
2074-2075	98,887	1,219	100,106
Total	\$3,498,758	\$873,995	\$4,372,753

NOTE 16: CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2023, the following changes occurred in long-term liabilities:

	Beginning Balance 1/1/2023	Additions	Reductions	Ending Balance 12/31/2023	Due Within One Year
Governmental Activities:					
Bonds payable:					
Special obligation bonds	\$1,646,195	\$0	\$(72,038)	\$1,574,157	\$74,934
Total bonds payable - net	\$1,646,195	\$0	\$(72,038)	\$1,574,157	\$74,934
Compensated absences	1,272,641	89,049	(34,382)	1,327,308	66,365
Compensated absences-ISF	8,552	1,901	(20)	10,433	522
Asset Retirement Obligation	16,377	0	0	16,377	1,636
Total OPEB Liability	1,269,071	42,964	(1,126,775)	185,260	111,765
Net Pension Liability	2,107,904	0	(499,197)	1,608,707	0
Lease Liability	0	183,889	(1,391)	182,498	1,300
SBITA Liability	0	200,556	(40,646)	159,910	39,580
Gov activities long-term liabilities	\$4,674,545	\$518,359	\$(1,702,411)	\$3,490,493	\$221,168
Business-type Activities:					
Compensated absences	\$84,366	\$21,345	\$(2,259)	\$103,452	\$5,173
Net Pension Liability	0	150,981	0	150,981	0
Bus-type activities long-term liabilities	\$84,366	\$172,326	\$(2,259)	\$254,433	\$5,173

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 \$10,433 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. 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 Works 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. The City Attorney had been negotiating with the Church's attorney to settle this matter. Discussions between the City's attorney

and the Church's attorney have diminished in recent months. Although the City is confident in its legal position, the probable outcome of this issue is unknown and the impact on the City's financial condition is also unknown.

2. EEOC Claim. Employee was separated from the City on or about 5/18/2023 for misconduct (specifically dishonesty). This employee filed a claim with the EEOC and mediation was held on 8/8/2023. Resolution was not reached at mediation. The City has filed its response to the employee's claim with the EEOC and is awaiting next steps from the EEOC. Although the City is confident in its legal position, it is unknown at this time whether the employee will pursue a lawsuit against the City. This is being reported in the interest of full disclosure.
3. John Scannel v. SCORE, City of SeaTac et al., King County Cause No. 23-2-10153-7 KNT. On or about July 24, 2023, the City of SeaTac was served with a Petition for Writ of Mandamus, Complaint for Injunctive and Declaratory Judgment, Injunctive Relief Preventing the Defendants from Interfering with Attorney-Client and Business Relationship by refusing Attorney-Client visits; Interference with Attorney Client Relationship with the Wrongful Use of Tortious Conduct, Including False Imprisonment, and Outrage.

This is a lawsuit involving the SCORE JAIL FACILITY. SeaTac, along with the cities of Auburn, Des Moines, Burien, Renton, and Tukwila are all members of SCORE. The underlying claims involve a defendant who was charged by the City of Des Moines.

On 9/8/2023, the defendant cities brought a Motion to Dismiss. After briefings and oral argument, the Court dismissed this lawsuit with prejudice. Plaintiff Scannel subsequently filed a Motion for Reconsideration which was also denied. This matter is currently pending before the Court of Appeals, Division 1, as a result of Plaintiff Scannel filing an appeal of the Superior Court's decision to dismiss the matter.

4. Drowning at Angle Lake. During the evening of July 28, 2023, a three-year-old drowned in Angle Lake. The incident was immediately reported to the City's insurer. Today the City has not received any Tort Claim for damages pertaining to this incident. It is unknown at this time whether a claim will be filed, so the probable outcome and impact to the City's financial condition is unknown. However, the City is confident in its legal position. This incident is being reported in the interest of full disclosure.
5. Melynda Platt. On or about August 8, 2023, the City received a Tort Claim form from Ms. Platt for injuries she sustained on 6/4/2023 while tripping on an uneven sidewalk in the City of SeaTac. This claim has been submitted to the City's insurer. The City is still in the preliminary stages of investigating this claim. The probable outcome and impact to the City's financial condition is unknown.
6. Emiliano Lomeli-Mendez. On or about 9/13/2023, Emiliano Lomeli Mendez (5-6-year-old) was attending the City's after school program at Bow Lake Elementary, located at 18237 – 42nd Ave So., SeaTac, WA 98188. While playing on some playground equipment, he slipped and fell off the equipment and broke his arm. To date the City has not received a Tort Claim form in this matter. This preliminary information has been submitted to the City's insurer. It is unknown at this time whether a claim/subsequent lawsuit will be filed so the probable outcome and impact to the City's financial condition is also unknown. This incident is being reported in the interest of full disclosure.

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 \$60,191,490 in restricted net position. None of the restrictions were from enabling legislation.

NOTE 19: INTERFUND BALANCES & TRANSFERS

During 2023, 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)	Street Fund #102	\$1,000	0	0	0	0	0	\$1,000
	Municipal CIP #301	28,800	0	0	0	0	0	28,800
	Other Non-Major Funds	219,988	0	135,300	0	0	0	355,288
	Total Cash Transfers	249,788	0	135,300	0	0	0	385,088

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

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

Street Fund #102

The General Fund transferred \$1,000 in technology fees for monitor stands.

Municipal CIP Fund #301

The General Fund transferred \$28,800 in technology fees for computer equipment.

Non-Major Fund Transfers

The Surface Water Utility Fund #403 transferred \$135,300 into the Des Moines Creek Basin Fund #111 for maintenance and operations (\$61,500) and to accumulate reserves (\$73,800) for future capital improvements.

The General Fund transferred \$219,988 to the Restricted Public Safety Fund to establish the fund.

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

City of SeaTac, WA – Notes to the Financial Statements

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%	
2024	2,070,000	1,839,900	\$ 3,909,900	\$ 1,366,120	\$ 188,457	\$ 235,376	\$ 1,601,495	\$ 141,538	\$ 376,914	
2025	2,155,000	1,757,100	3,912,100	1,366,889	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	2,490,000	1,417,600	3,907,600	1,365,315	188,346	235,238	1,600,553	141,455	376,693	
2029-2033	14,430,000	5,120,300	19,550,300	6,830,875	942,324	1,176,928	8,007,803	707,721	1,884,649	
2034-2038	17,705,000	1,840,250	19,545,250	6,829,111	942,081	1,176,624	8,005,734	707,538	1,884,162	
Totals	\$ 43,485,000	\$ 15,160,850	\$ 58,645,850	\$ 20,490,863	\$ 2,826,729	\$ 3,530,480	\$ 24,021,340	\$ 2,122,979	\$ 5,653,459	

The City of SeaTac reports its share of equity interest (\$3,027,042), including the outstanding principal bond amounts (\$1,574,157) 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, 2023, related to SCORE:

South Correctional Entity (SCORE)					
Member City	2022 Percent of Equity	2022 Equity Balance	2023 Percent of Equity	2023 Apportionment	2023 Equity Balance
Auburn	41.48%	\$ 14,096,126	41.38%	\$ 1,218,714	\$ 15,314,840
Burien	5.39%	1,831,888	5.68%	268,275	2,100,163
Des Moines	5.02%	1,707,548	5.11%	181,695	1,889,243
Renton	32.11%	10,913,931	32.11%	970,291	11,884,222
SeaTac	8.27%	2,812,314	8.18%	214,728	3,027,042
Tukwila	7.73%	2,627,335	7.54%	163,548	2,790,883
Grand Totals	100.00%	\$ 33,989,142	100.00%	\$ 3,017,251	\$ 37,006,393

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: SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

The City recognizes SBITA liabilities with an initial, individual value of \$100,000 or more.

On 04/05/2023, the City entered a SBITA for a cybersecurity solution. The SBITA is paid out of the General Fund. The SBITA has a five (5) year term. The City is required to make annual payments of \$40,646. The SBITA has an

interest rate of 8.0%. An initial subscription liability of \$200,556 and a subscription asset was recorded in the amount of \$200,556.

Governmental Activities	Beg. Bal.	Increases	Decreases	End. Bal.
Subscription Assets	\$0	\$200,556	\$0	\$200,556
Accumulated Amortization	\$0	(40,111)	\$0	(40,111)
Net Subscription Asset	\$0	\$160,445	\$0	\$160,445

As of December 31, 2023, the principal and interest requirements to maturity are as follows:

Year ended December 31	Principal	Interest	Total
2024	\$39,580	\$1,066	\$40,646
2025	39,844	802	40,646
2026	40,109	537	40,646
2027	40,377	269	40,646
Total	\$159,910	\$2,674	\$162,584

NOTE 22: ACCOUNTING & REPORTING CHANGES

The City implemented Governmental Accounting Standards Board (GASB) Statement 96 – Subscription Based Information Technology Agreements (SBITA), effective January 1, 2023. The objective of this Statement is to improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. This Statement also will enhance the relevance and reliability of financial reporting by requiring a subscription asset and liability for a SBITA be recorded and to disclose essential information about the arrangement. This disclosure will allow financial statement users to understand the scale and important aspects of SBITA activities and evaluate obligations and assets resulting from SBITAs.

Governmental Accounting Standards Board (GASB) Statement 68 - The City began allocating the PERS 1 UAAL across both governmental and proprietary funds resulting in an adjustment to net position and a decrease in pension liabilities for governmental funds and an increase in pension liabilities for proprietary funds. The PERS 1 UAAL is paid by PERS 2 & 3 contributions. Since employees in proprietary funds also paid the PERS 1 UAAL, allocation across both governmental and proprietary funds provides better representation of the liability.

NOTE 23: TERMINATION BENEFITS

On March 26, 2024, the City Council convened an executive session to discuss the performance of the City Manager after which no action nor votes were taken. On March 27, 2024, Mr. Cole tendered his letter of resignation to the City Council. On April 23, 2024, the City Council passed a Resolution accepting Mr. Cole's letter of resignation and agreeing to make a lump sum payment as severance pursuant to Section 13 of the Employment Agreement between the City of SeaTac and Carl C. Cole. The severance, estimated to be \$340,388 will be paid in one lump sum no later than 20 days after separation and is recognized as a liability on the financial statements.

NOTE 23: COVID 19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

The City reported \$7.4 million in ARPA SLFRF in unearned revenue and anticipates recognizing these funds as revenue within the next 3 years.



City of SeaTac, WA – General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual For the Year Ended December 31, 2023

	2023-2024 Biennial Budget Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amount*	
Revenues				
Taxes	\$ 78,060,000	\$ 80,360,000	\$ 43,401,441	\$ (36,958,559)
Licenses & permits	4,124,453	4,124,453	2,976,161	(1,148,292)
Intergovernmental & contributions	2,738,450	3,920,030	1,781,649	(2,138,381)
Charges for services	4,644,605	4,689,605	4,261,289	(428,316)
Fines and forfeitures	418,850	418,850	130,190	(288,660)
Investment & other earnings	1,011,764	1,011,764	1,666,852	655,088
Rent & leases	653,155	653,155	265,502	(387,653)
Miscellaneous	2,098,056	2,098,056	43,611	(2,054,445)
Total Revenues	93,749,333	97,275,913	54,526,696	(42,749,217)
Expenditures				
Current:				
Judicial	2,269,332	3,321,198	1,266,793	2,054,405
General Government	22,126,085	22,933,741	9,653,609	13,280,132
Public Safety	55,799,080	58,086,056	26,921,737	31,164,319
Transportation	187,204	187,204	87,967	99,237
Health & Human Services	2,156,425	2,564,637	866,527	1,698,111
Physical & Economic Environment	7,693,798	8,796,796	3,884,733	4,912,063
Culture & Recreation	11,380,519	11,808,057	5,077,242	6,730,815
Debt Service:				
Principal	-	-	1,391	(1,391)
Interest	-	-	1,217	(1,217)
Capital outlay	-	-	183,889	(183,889)
Total Expenditures	101,612,443	107,697,689	47,945,105	59,752,584
Excess (deficiency) of revenues over (under) expenditures	(7,863,110)	(10,421,776)	6,581,591	17,003,367
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(29,800)	(249,788)	(249,788)	-
Initiation of leases/SBITA	-	-	183,889	183,889
Disposal & ins-capital assets	-	-	-	-
Total Other Fin Sources (Uses)	(29,800)	(249,788)	(65,899)	183,889
Net Change in Fund Balances	(7,892,910)	(10,671,564)	6,515,692	17,187,256
Fund Balances-January 1, 2023	33,057,294	40,874,342	40,874,342	-
Fund Balances-December 31, 2024	\$ 25,164,384	\$ 30,202,778	\$ 47,390,034	\$ 17,187,256

*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, 2023**

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	\$ 43,401,441	\$ -	\$ -	\$ -
Licenses & permits	2,976,161	-	-	-
Intergovernmental	1,781,649	1,400,000	213,210	-
Charges for services	4,261,289	-	-	-
Fines & forfeitures	130,190	-	-	-
Investment & other earnings	1,666,852	207,449	20,508	108,651
Net Change in FV of investments	-	408,694	-	96,039
Rent & leases	265,502	-	-	270,251
Miscellaneous	43,611	-	-	-
Total Revenues	54,526,696	2,016,143	233,718	474,941
Expenditures				
Current:				
Judicial	1,266,793	-	-	-
General Government	9,653,609	12,440	9,514	278,170
Public Safety	26,921,737	1,461,811	-	-
Transportation	87,967	-	-	-
Health & Human Services	866,527	-	-	-
Physical & Economic Env	3,884,733	-	-	5,145
Culture & Recreation	5,077,242	-	-	-
Debt service:				
Principal	1,391	-	-	-
Interest	1,217	-	-	-
Capital outlay	183,889	-	-	-
Total Expenditures	47,945,105	1,474,251	9,514	283,315
Excess (deficiency) of revenues over (under) expenditures	6,581,591	541,892	224,204	191,626
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(249,788)	-	-	-
Initiation of leases/SBITA	183,889	-	-	-
Disposal & ins-capital assets	-	-	-	-
Total Other Fin Sources (Uses)	(65,899)	-	-	-
Net Change in Fund Balances	6,515,692	541,892	224,204	191,626
Fund Balances-Beginning*	39,191,198	12,344,824	410,101	3,662,008
Fund Balances-Ending	\$ 45,706,890	\$ 12,886,715	\$ 634,305	\$ 3,853,634

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

	ARPA Grant	Eliminate Transfers & Spec Item Adj	General Fund GAAP Basis - Actual Amounts	Net Change - Increase (Decrease)
Revenues				
Taxes	\$ -	\$ -	43,401,441	\$ -
Licenses & permits	-	-	2,976,161	-
Intergovernmental	643,830	-	4,038,689	2,257,040
Charges for services	-	(290,690)	3,970,599	(290,690)
Fines & forfeitures	-	-	130,190	-
Investment & other earnings	283,108	-	2,286,568	619,716
Net Change in FV of investment:	38,308	-	543,041	543,041
Rent & leases	-	-	535,753	270,251
Miscellaneous	-	-	43,611	-
Total Revenues	965,246	(290,690)	57,926,054	3,399,358
Expenditures				
Current:				
Judicial	-	-	1,266,793	-
General Government	44,951	(290,690)	9,707,994	54,385
Public Safety	-	-	28,383,548	1,461,811
Transportation	-	-	87,967	-
Health & Human Services	102,444	-	968,971	102,444
Physical & Economic Env	148,160	-	4,038,038	153,305
Culture & Recreation	-	-	5,077,242	-
Debt service:				
Principal	40,646	-	42,037	40,646
Interest	-	-	1,217	-
Capital outlay	508,185	-	692,074	508,185
Total Expenditures	844,386	(290,690)	50,265,881	2,320,776
Excess (deficiency) of revenues over (under) expenditures	120,860	-	7,660,173	1,078,582
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	(249,788)	-
Initiation of leases/SBITA	200,556	-	384,445	200,556
Disposal & ins-capital assets	-	-	-	-
Total Other Fin Sources (Uses)	200,556	-	134,657	200,556
Net Change in Fund Balances	321,416	-	7,794,830	
Fund Balances-Beginning	(11,493)	-	55,596,639	
Fund Balances-Ending	\$ 309,923	\$ -	\$ 63,391,469	

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2023**

	2023-2024 Biennial Budget Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Amounts*	
Revenues				
Taxes	\$ 19,099,500	\$ 19,099,500	\$ 11,026,439	\$ (8,073,061)
Licenses & permits	63,000	63,000	32,992	(30,008)
Intergovernmental	1,379,536	1,598,205	671,738	(926,467)
Charges for services	227,200	227,200	158,572	(68,628)
Fines & forfeitures	-	-	2,475	2,475
Investment & other earnings	188,250	188,250	517,901	329,651
Miscellaneous	70,000	70,000	12,348	(57,652)
Total Revenues	21,027,486	21,246,155	12,422,465	(8,823,690)
Expenditures				
Current:				
Transportation	9,274,201	9,465,477	4,154,142	5,311,335
Physical & Economic Environment	108,322	119,132	64,966	54,166
Capital Outlay:				
Transportation	2,600,000	3,792,651	1,600,857	2,191,794
Total Expenditures	11,982,523	13,377,260	5,819,965	7,557,295
Excess (deficiency) of revenues over (under) expenditures	9,044,963	7,868,895	6,602,500	(1,266,395)
Other Financing Sources (Uses)				
Transfers in	1,000	1,000	1,000	-
Transfers out	-	-	-	-
Total Other Fin Sources (Uses)	1,000	1,000	1,000	-
Net Change in Fund Balances	9,045,963	7,869,895	6,603,500	(1,266,395)
Fund Balances-January 1, 2023	5,394,182	9,127,607	9,127,607	-
Fund Balances-December 31, 2024	\$ 14,440,144	\$ 16,997,502	\$ 15,731,106	\$ (1,266,396)

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

City of SeaTac, WA – Street Fund

**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, 2023**

	Street Fund Budgetary Basis - Actual Amounts	Street Fund GAAP Basis - Actual Amounts	Net Change - Increase (Decrease)
Revenues			
Taxes	\$ 11,026,439	\$ 11,026,439	\$ -
Licenses & permits	32,992	32,992	-
Intergovernmental	671,738	671,738	-
Charges for services	158,572	158,572	-
Fines & forfeitures	2,475	2,475	-
Investment & other earnings	517,901	517,901	-
Net Change in FV of investments	-	58,847	58,847
Miscellaneous	12,349	12,349	-
Total Revenues	12,422,466	12,481,313	58,847
Expenditures			
Current:			
Transportation	4,154,142	4,154,142	-
Physical & Economic Environment	64,966	64,966	-
Capital Outlay:			
Transportation	1,600,857	1,600,857	-
Total Expenditures	5,819,965	5,819,965	-
Excess (deficiency) of revenues over (under) expenditures	6,602,501	6,661,348	58,847
Other Financing Sources (Uses)			
Transfers in	1,000	1,000	-
Transfers out	-	-	-
Total Other Fin Sources (Uses)	1,000	1,000	-
Net Change in Fund Balances	6,603,501	6,662,348	58,847
Fund Balances-Beginning	9,127,607	9,068,484	
Fund Balances-Ending	\$ 15,731,107	\$ 15,730,832	

Hotel/Motel Tax Fund - City of SeaTac, WA

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual For the Year Ended December 31, 2023

	2023-2024 Biennial Budget Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts*	
Revenues				
Taxes	\$ 3,700,000	\$ 3,700,000	\$ 2,122,341	\$ (1,577,659)
Intergovernmental	32,000	32,000	10,566	(21,434)
Investment & other earnings	127,200	127,200	419,881	292,681
Miscellaneous	-	-	-	-
Total Revenues	3,859,200	3,859,200	2,552,788	(1,306,412)
Expenditures				
Current:				
Economic Environment	3,193,790	3,267,846	899,350	2,368,496
Total Expenditures	3,193,790	3,267,846	899,350	2,368,496
Excess (deficiency) of revenues over (under) expenditures	665,410	591,354	1,653,438	1,062,084
Other Financing Sources (Uses)	-	-	-	-
Total Other Fin Sources (Uses)	-	-	-	-
Net Change in Fund Balances	665,410	591,354	1,653,438	1,062,084
Fund Balances-January 1, 2023	10,464,061	11,331,778	11,331,778	-
Fund Balances-December 31, 2024	\$ 11,129,471	\$ 11,923,132	\$ 12,985,216	\$ 1,062,084

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

Hotel/Motel Tax Fund - City of SeaTac, WA

**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, 2023**

	Hotel/Motel Fund Budgetary Basis - Actual Amounts	Hotel/Motel Fund GAAP Basis - Actual Amounts	Net Change - Increase (Decrease)
Revenues			
Taxes	\$ 2,122,341	\$ 2,122,341	-
Intergovernmental	10,566	10,566	-
Investment & other earnings	419,881	419,881	-
Net Change in FV of investments	-	57,478	57,478
Miscellaneous	-	-	-
Total Revenues	2,552,788	2,610,266	57,478
Expenditures			
Current:			
Economic Environment	899,350	899,350	-
Total Expenditures	899,350	899,350	-
Excess (deficiency) of revenues over (under) expenditures	1,653,438	1,710,916	57,478
Other Financing Sources (Uses)	-	-	-
Total Other Fin Sources (Uses)	-	-	-
Net Change in Fund Balances	1,653,438	1,710,916	57,478
Fund Balances-January 1, 2021	11,331,778	11,156,786	
Fund Balances-December 31, 2022	\$ 12,985,216	\$ 12,867,702	

City of SeaTac, WA – Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability (Asset)

PERS 1

As of June 30, 2023

Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.077087%	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)	\$ 1,759,690	\$ 2,107,905	\$ 917,586	\$ 2,693,237	\$ 2,707,130	\$ 3,147,348	\$ 3,212,750	\$ 4,049,765	\$ 4,236,269
TOTAL	\$ 1,759,690	\$ 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	\$ 13,489,481	\$ 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	13.04%	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	80.16%	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.

City of SeaTac, WA – Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability (Asset)

PERS 2/3

As of June 30, 2023

Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.096544%	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)	\$ (3,957,033)	\$ (3,563,434)	\$ (9,509,850)	\$ 1,269,632	\$ 882,870	\$ 1,544,968	\$ 2,961,231	\$ 4,784,685	\$ 3,672,352
TOTAL	\$ (3,957,033)	\$ (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	\$ 13,347,235	\$ 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	-29.65%	-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	107.02%	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.

City of SeaTac, WA – Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability (Asset)

LEOFF 1
As of June 30, 2023
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.005656%	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)	\$ (167,871)	\$ (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	\$ (1,135,479)	\$ (1,071,058)	\$ (1,448,153)	\$ (909,369)	\$ (931,339)	\$ (840,444)	\$ (695,075)	\$ (465,378)	\$ (538,608)
TOTAL	\$ (1,303,350)	\$ (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%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	175.99%	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.

City of SeaTac, WA – Required Supplementary Information

**Schedule of Employer Contributions
PERS 1
As of December 31, 2023
Last 10 Fiscal Years***

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 498,273	\$ 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	\$ (498,273)	\$ (490,907)	\$ (518,717)	\$ (539,975)	\$ (513,419)	\$ (492,576)	\$ (441,631)	\$ (407,177)	\$ (420,763)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 14,365,051	\$ 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	3.47%	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.

City of SeaTac, WA – Required Supplementary Information

Schedule of Employer Contributions
PERS 2/3
As of December 31, 2023
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 912,006	\$ 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	\$ (912,006)	\$ (807,176)	\$ (842,757)	\$ (890,796)	\$ (803,325)	\$ (729,605)	\$ (612,700)	\$ (622,456)	\$ (531,326)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 14,339,691	\$ 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%	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, 2023
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018
Total OPEB liability - beginning	\$ 1,269,071	\$ 145,263	\$ 2,008,712	\$ 1,838,137	\$ 1,910,494	\$ 1,973,496
Service cost	-	-	-	-	-	-
Interest	42,964	3,052	42,970	62,837	72,484	69,307
Changes in benefit terms	-	-	-	-	-	-
Changes in Experience Data and Assumptions	(1,079,921)	1,128,700	(1,776,943)	194,041	(69,059)	(56,554)
Benefit payments	(46,854)	(7,944)	(129,476)	(86,303)	(75,782)	(75,755)
Other changes	-	-	-	-	-	-
Total OPEB liability - ending	<u>\$ 185,260</u>	<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.*

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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