



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

**Financial Statements Audit Report**

**City of SeaTac**

**King County**

**For the period January 1, 2015 through December 31, 2015**

**Published April 20, 2017**

**Report No. 1018943**





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

April 20, 2017

Mayor and City 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 condition.

Sincerely,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy  
State Auditor  
Olympia, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**City of SeaTac  
King County  
January 1, 2015 through December 31, 2015**

Mayor and City Council  
City of SeaTac  
SeaTac, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of SeaTac, King County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 24, 2017. As discussed in Note 19 to the financial statements, during the year ended December 31, 2015, the City implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

**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) to determine the 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 in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## 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 the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.



Pat McCarthy

State Auditor

Olympia, WA

February 24, 2017

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of SeaTac King County January 1, 2015 through December 31, 2015

Mayor and City Council  
City of SeaTac  
SeaTac, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of SeaTac, King County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 9.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of SeaTac, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 19 to the financial statements, in 2015, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 22, budgetary comparison information on pages 76 through 79, information on postemployment benefits other than pension on page 80 and pension plan information on pages 81 through 86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in

the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

February 24, 2017



## **FINANCIAL SECTION**

**City of SeaTac  
King County  
January 1, 2015 through December 31, 2015**

### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2015

### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – Government Wide – 2015

Statement of Activities – Government Wide – 2015

Balance Sheet – Governmental Funds – 2015

Reconciliation of Fund Balances of Governmental Funds to the Net Position of  
Governmental Activities – 2015

Statement of Revenues, Expenditures and Changes in Fund Balance – 2015

Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances  
of the Governmental Funds to the Statement of Activities – Government Wide – 2015

Statement of Net Position – Proprietary Funds – 2015

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds –  
2015

Statement of Cash Flows – Proprietary Funds – 2015

Notes to Financial Statements – 2015

### **REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Information – 2015

Schedule of Funding Progress for LEOFF 1 – 2015

Schedule of Proportionate Share of the Net Pension Liability PERS 1 – 2015

Schedule of Proportionate Share of the Net Pension Liability PERS 2/3 – 2015

Schedule of Proportionate Share of the Net Pension Liability LEOFF 1 – 2015

Schedule of Employer Contributions PERS 1 – 2015

Schedule of Employer Contributions PERS 2/3 – 2015

Schedule of Employer Contributions LEOFF 1 – 2015

## **CITY OF SEATAC**

### **Management Discussion and Analysis For the Year Ended December 31, 2015**

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#### **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, 2015. Since the MD&A was designed to focus on the activities, resulting changes, and currently known facts for the year 2015, 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, 2015, total net position for the City was \$480 million. Of this amount, \$436 million or 91% was classified as investment in capital assets. This classification includes infrastructure, construction in progress, land and other improvements, buildings, equipment and intangibles. Net position in the amount of \$26 million or 5% was restricted for debt service, equipment, capital projects, including Des Moines Creek Basin Interlocal Agreement projects and transportation projects, and tourism promotion and facilities. The remaining net position balance of \$18 million or 4% was classified as unrestricted and available for general City operations.
- Governmental funds ended the year with \$50.4 million in total ending fund balance on the modified accrual basis of accounting. This is an increase of \$7.2 million or 17% over 2014 which ended the year with a \$43.2 million ending fund balance. The City Council passed Ordinance #14-1015 establishing a tax on the gross revenues of certain utilities operating within the City to provide revenues for City services and capital requirements. This tax was levied at 6% (except for solid waste which was set at 5%) on electric, natural or manufactured gas, solid waste, surface water management, telephone and cable businesses. The Ordinance was effective January 1, 2015 and accounts for \$2.7 million of the increase.
- The Governmental Accounting Standards Board (GASB) issued Statement 68 - Accounting and Financial Reporting for Pensions, in 2012 for implementation to be effective with the end of year 2015. The requirements of this Statement will improve and enhance accountability by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense.
- Due to the new GASB 68 Reporting Standards, the City's Net Pension Obligation is reported as \$7,569,079 in Governmental Activities and \$259,913 for Business-type Activities.

**Management Discussion and Analysis (Continued)  
For the Year Ended December 31, 2015**

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**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

Since incorporation in 1990, the City's financial statements have been prepared based on specific types of funds, i.e. capital project funds, debt service funds, etc. Due to the GASB Statement No. 34 reporting model (used since 2003), the previous reporting method was dramatically modified. The City's basic financial statements are now presented in four parts: 1) the Management's Discussion and Analysis (MD&A), 2) the government-wide financial statements, 3) the fund financial statements, and 4) the notes to the financial statements. Other Required Supplementary Information is also provided in addition to the basic financial statements in the City's Annual Financial Report.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide the reader with an overview of the City's financial condition and activities as a whole. This broad overview is similar to the financial reporting for a private-sector business. The government-wide financial statements have separate columns for governmental activities and business-type activities. Governmental activities of the City include the following functions: Judicial, General Government, Public Safety, Transportation, Health & Human Services, Physical & Economic Environment, and Culture & Recreation. Governmental activities are supported largely by taxes and intergovernmental revenues while the City's business-type activities are funded through user fees and charges. The City's only business-type activity is a surface water utility which is funded through surface water management fees.

The Statement of Net Position presents information on the difference between all of the City's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, highlighting the difference as net position. The Statement of Net Position is similar to the balance sheet of a private sector business. Over time, increases or decreases in net position may serve as a useful indicator of improvement or deterioration in the City's overall financial position.

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

All activity on the Statement of Activities is reported on the accrual basis of accounting. This means that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of when cash is received or disbursed. Items such as 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.

## CITY OF SEATAC

### Management Discussion and Analysis (Continued) For the Year Ended December 31, 2015

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#### Fund Financial Statements

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

Governmental funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, the basis of accounting is different between the governmental fund statements and the government-wide financial statements. The governmental fund statements focus on near term revenues and expenditures, while the government-wide financial statements include both near term and long term revenues and expenses. The information in the governmental fund statements can be used to evaluate the City's near term funding requirements and fiscal health. Comparing the governmental fund statements with the government-wide statements can assist the reader in understanding the long term impact of the City's current year financing decisions. To assist in this comparison, reconciliations between the governmental fund statements and the government-wide statements are included on the Reconciliation of the Fund Balances of Governmental Funds to the Net Position of the Governmental Activities and on the Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balances of Governmental Funds to the Statement of Activities.

In 2015, the City of SeaTac maintained nineteen individual governmental funds on a budgetary basis. On a GAAP basis, the City maintained thirteen individual governmental funds. The City's six major governmental funds, as determined by the parameters of GASB Statement No. 34, are the General Fund, the Street Fund, the Hotel/Motel Tax Fund, the Special Assessment Debt Fund, the Municipal Facilities Capital Improvement Fund, and the Transportation Capital Improvement Fund. These funds are presented separately in the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balances. The remaining governmental funds are combined into a single column labeled "Other Governmental Funds."

In 2015, 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 single enterprise fund of the City is a surface water utility which would be used for operations, construction and debt related expenses.

## CITY OF SEATAC

### Management Discussion and Analysis (Continued) For the Year Ended December 31, 2015

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

#### Notes to the Financial Statements

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

#### 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 Net Position

	Governmental Activities		Business-type Activities		Total	
Assets	2015	2014	2015	2014	2015	2014
Current & other assets	54,882,415	51,526,393	5,074,747	4,811,550	59,957,162	56,337,943
Capital assets, net	409,079,399	405,190,200	25,786,738	25,992,352	434,866,137	431,182,552
Total Assets	463,961,814	456,716,593	30,861,485	30,803,902	494,823,299	487,520,495
Deferred Outflows	852,400	-	48,119	-	900,519	-
Liabilities						
Long-term liabilities	4,873,343	5,186,804	22,943	25,892	4,896,286	5,212,696
Net pension liability	7,569,079	-	259,913	-	7,828,992	-
Other liabilities	1,723,427	2,242,928	92,289	52,546	1,815,716	2,295,474
Total Liabilities	14,165,849	7,429,732	375,145	78,438	14,540,994	7,508,170
Deferred Inflows	1,236,566	-	75,507	-	1,312,073	-
Net Position						
Net inv in capital assets	409,079,399	405,190,200	26,423,379	25,992,352	435,502,778	431,182,552
Restricted	26,490,162	23,913,781	-	-	26,490,162	23,913,781
Unrestricted	13,842,238	20,182,880	4,035,573	4,733,112	17,877,811	24,915,992
Total Net Position	449,411,799	449,286,861	30,458,952	30,725,464	479,870,751	480,012,325

In 2015, the City's total net position decreased by \$142,000. In addition, net investment in capital increased by \$4.3 million. The City spent approximately \$8.8 million on capital assets in 2015 with the bulk of the expenses going toward transportation improvements. The City's total restricted net position increased by \$2.6 million while unrestricted net position decreased by \$7 million. Unrestricted net position decreased due to the impacts of the GASB 68 Statement - Accounting and Financial Reporting for Pensions issued in 2012.

## **CITY OF SEATAC**

### **Management Discussion and Analysis (Continued) For the Year Ended December 31, 2015**

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The City's net position for governmental activities includes \$26.5 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, capital projects including transportation projects, tourism promotion and capital facilities, and Des Moines Creek Basin ILA projects. The remaining balance of unrestricted net position in the amount of \$13.8 million may be used to meet the government's ongoing obligations to citizens and creditors.

For business-type activities, there are currently no net position restrictions. Unrestricted net position is \$4 million and can be used for general surface water utility purposes including capital projects, if desired. In 2013, the City Council passed Ordinance #13-1014 (effective January 1, 2014) increasing surface water utility fees to fund the replacement of aging infrastructure, to provide a variety of programs and services mandated under the National Pollutant Discharge Elimination System (NPDES), and to fund future demands on the system. Annual service charges were increased by 20.33% with additional increases being scaled in until 2018.

#### **Changes in Net Position**

Changes in net position, as shown on the Statement of Revenues, Expenditures, and Change in Net Position, 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.

CITY OF SEATAC

Management Discussion and Analysis (Continued)  
For the Year Ended December 31, 2015

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.

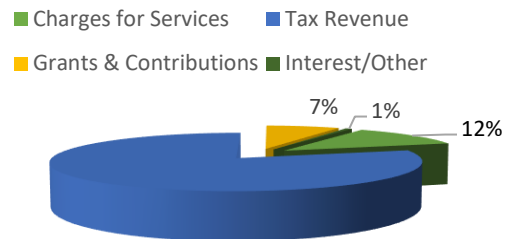
City of SeaTac's Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
Revenues	2015	2014	2015	2014	2015	2014
Program Revenues:						
Charges for services	5,685,878	6,435,499	2,601,911	2,093,154	8,287,789	8,528,653
Operating grants & contributions	2,625,507	1,914,376	-	50,000	2,625,507	1,964,376
Capital grants & contributions	1,326,405	4,127,413	-	-	1,326,405	4,127,413
General Revenue:						
Property taxes	13,205,487	12,330,738	-	-	13,205,487	12,330,738
Sales taxes	12,253,675	12,168,644	-	-	12,253,675	12,168,644
Hotel/motel taxes	1,666,054	-	-	-	1,666,054	-
Parking taxes	7,018,369	6,690,652	-	-	7,018,369	6,690,652
Gambling taxes	723,174	-	-	-	723,174	-
Excise taxes	3,573,537	2,145,957	-	-	3,573,537	2,145,957
Utility Tax	2,705,303	-	-	-	2,705,303	-
Investment interest	-	57,504	6,517	8,304	6,517	65,808
Unrest. grants & contributions	79,534	289,615	-	-	79,534	289,615
Gains on asset sales	-	6,862	-	-	-	6,862
Total Revenues	50,862,923	46,167,260	2,608,428	2,151,458	53,471,351	48,318,718
Expenses						
Judicial	673,628	758,318	-	-	673,628	758,318
General Government	6,944,377	7,129,113	-	-	6,944,377	7,129,113
Public Safety	20,086,285	19,223,541	-	-	20,086,285	19,223,541
Transportation	5,414,910	6,232,620	-	-	5,414,910	6,232,620
Human Services & Health	784,876	735,581	-	-	784,876	735,581
Physical & Economic Environment	4,585,741	4,719,274	2,098,050	1,843,474	6,683,791	6,562,748
Culture & Recreation	4,317,514	4,255,995	-	-	4,317,514	4,255,995
Interest on Long-Term Debt	188,224	174,817	-	-	188,224	174,817
Total Expenses	42,995,555	43,229,259	2,098,050	1,843,474	45,093,605	45,072,733
Inc(Dec) in Net Position Before						
Transfers & Spc Items	7,867,368	5,019,628	510,378	307,984	8,377,746	5,327,612
Transfers	480,904	(24,692)	(260,510)	24,692	220,394	-
Loss on sale of capital assets	-	(184,847)	-	-	-	(184,847)
Proceeds from sale of cap assets	219,941	280,693	-	-	219,941	280,693
Payment of fire accrual leave	-	(1,162,124)	-	-	-	(1,162,124)
Total special items	219,941	(1,066,278)	-	-	219,941	(1,066,278)
Inc(Dec) in Net Position	8,568,213	3,928,658	29,474	332,676	8,597,687	4,261,334
Prior Year Adjustments	(8,443,275)	-	(295,986)	-	(8,739,261)	-
Net Position-Beg (as restated)	449,286,861	445,358,203	30,725,464	30,392,788	480,012,325	475,750,991
Net Position-Ending	449,411,799	449,286,861	30,458,952	30,725,464	479,870,751	480,012,325

**Management Discussion and Analysis (Continued)**  
**For the Year Ended December 31, 2015**

**Governmental Activities** - Net position for governmental activities increased by \$125,000 in 2015. Unrestricted Net Position was adjusted \$8.4 million due to the impacts of the GASB 68 Statement - Accounting and Financial Reporting for Pensions issued in 2012.

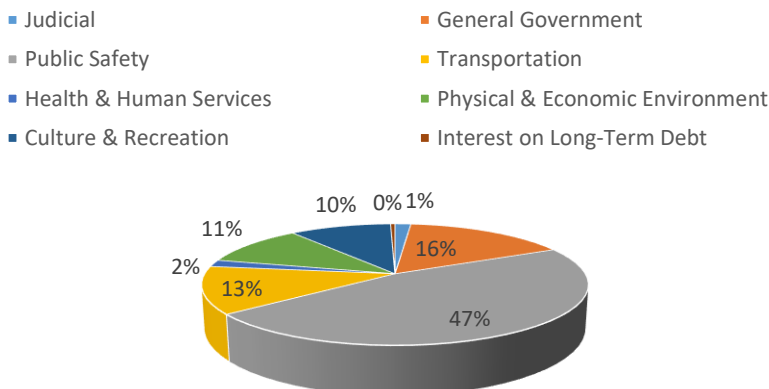
The City continues to apply for and receive various State and Federal grants for infrastructure projects and other smaller scale projects in other areas. In total, the City received \$1.3 million in grant revenues for capital purposes. Capital grants are down \$2.8 million from the prior year; however, transportation project start dates and actual expenses incurred impact the timing of when actual grant revenues are received. In addition to capital grants, operating grants increased by \$711,000 over 2014.

### Revenues by Source for Governmental Activities



In 2015, tax revenues continued to increase for all tax categories ranging from a .7% increase in sales taxes to a 67% increase in excise taxes. Positive economic activity in the travel and tourism industry helped to create positive results for both parking taxes which rose 4.9% and hotel/motel taxes which rose 13.6%. The City of SeaTac's Economic Development Division (in the Community and Economic Development Department) reported the City's economic environment is trending positively due to several hotel expansions, a high hotel occupancy rate with continued high level lodging tax revenue, increasing new development and redevelopment for both commercial and residential purposes, decreasing commercial vacancy rates and growing permit fees.

### Expense by Function for Governmental Activities



For governmental activities, total expenses decreased by \$185,000 or 2.6% from 2014. Three out of the eight program areas in governmental activities had expense decreases in 2015 ranging from 2.8% to 12.7% due to targeted position layoffs within various city departments.

In 2015, Transportation related expenses decreased by 13.1%. The City had a number of infrastructure construction projects that were in various phases of construction or planning. The largest on-going

project was the extension of roadway on the 28<sup>th</sup>/24<sup>th</sup> corridor from South 200<sup>th</sup> Street to the existing intersection of 24<sup>th</sup> Ave South and South 208<sup>th</sup> Street. This extension connects to Des Moines improvements at South 216<sup>th</sup> Street. This project is anticipated to cost over \$20 million and will take an estimated four years to complete. Most of 2015 was spent in the planning phases and construction is anticipated to begin in mid 2016. Funding partners on this project include the Washington State Department of Transportation, the Port of Seattle and Sound Transit.



**Management Discussion and Analysis (Continued)**  
**For the Year Ended December 31, 2015**

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Judicial expenses decreased by 11% or \$85,000 over 2015. Municipal Court expenditures decreased due to position layoffs and elimination of one-time costs from 2014. Public safety expenses increased by \$620,000 or 3.2% over 2014. 2015 was the first year with the Kent RFA Interlocal Agreement in place.

**Business-Type Activities** - Net position decreased by \$267 thousand in 2015 as compared to a \$332 thousand increase in 2014. In 2015, net position decreased due to a direct adjustment to beginning net position of \$296 thousand for the GASB 68 Statement – Accounting and Financial Reporting for Pensions issued in 2012.

**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 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. In particular, unassigned fund balance in the General Fund is a good indicator of the City's resources available for spending at the end of the year. For the other five major funds, the resources are non-spendable, restricted or assigned to other purposes.

At the end of the 2015, the City's combined ending governmental fund balance was \$47.7 million versus the 2014 ending fund balance of \$43.2 million. Included in the 2015 ending fund balance is \$720,000 in non-spendable prepayments, \$26.5 million in restricted fund balance (i.e. transportation, tourism, capital projects, etc.) and \$3.4 million in fund balance which has been assigned to other purposes (i.e. equipment replacement, capital projects, etc.). New fund balance classifications for governmental funds were established in 2011 as per GASB Statement No. 54. In 2010, fund balance for governmental funds was classified as unreserved (designated and undesignated) and reserved only.

The General Fund is the primary operating fund of the City through which most receipts and payments of ordinary City operational expenditures are processed. Property taxes and sales taxes are the primary revenue sources for the General Fund. In 2014 and 2015, property taxes recorded into the General Fund equaled approximately \$12.3 million and \$13.2 million, respectively. The property tax levy increased as result of new development, a promising indicator of an increasing property tax base.

In 2015, sales taxes recorded into the General Fund were \$12.3 million compared to \$12.1 million in 2014. As reported earlier in the MD&A, economic activity has picked up in the City in the areas of development and airport activity which helped to increase sales tax revenue and other related taxes like lodging taxes.

At the end of 2015, the fund balance of the General Fund was \$18 million which is a \$4.5 million increase over 2014. The recently implemented (in 2011) GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions refined the definition of special revenue funds as funds that are used to account for and report the proceeds of specific revenue sources that are restricted or committed to specific purposes other than debt service or capital projects. Governments with special revenue funds not meeting these requirements were to discontinue reporting these funds and report these resources in the General Fund instead. This GASB Statement required the City to report five funds differently in the financial statements (GAAP basis) than in the City's budget (budgetary basis). The five funds and their respective fund balance additions to the General Fund are as follows: Contingency Reserve Fund - \$777,000, Port of Seattle ILA Fund - \$1.5 million, Transit Planning - \$264,000, Building Management Fund - \$2.4 million, and Facility Repair & Replacement - \$318,000 for a total of \$5.2 million. A schedule for General Fund budget versus actual revenues and expenditures can be found in the Required Supplementary Information section of the Annual Report.

## **CITY OF SEATAC**

### **Management Discussion and Analysis (Continued) For the Year Ended December 31, 2015**

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The City's second major fund, the Street Fund, was originally added as a major fund in 2007 due to parking tax revenues. Parking taxes are an important funding source for capital infrastructure projects and are transferred into the Transportation CIP Fund as necessary. The Street Fund ended the year with \$8.4 million in ending fund balance which is a decrease of approximately \$300,000 from 2014. The decline was due to three large infrastructure projects.

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 2015 for this Fund was \$7.3 million and included unexpended restricted bond proceeds of \$5 million to be used for future tourism related capital facilities. Lodging tax revenues have been on a steady rise over the last few years and 2015 brought in a record amount of lodging tax revenue at \$1.3 million. 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 are projected to be about \$3 million annually. This new entity is called the Regional Tourism Authority, and puts the management of these important funds into the hands of professionals who know how best to expend them for the purpose of growing the City's tourism industry.

The Special Assessment Debt Fund is a debt service fund used to make the debt service payments on the City's lone Local Improvement District (LID) bonds. This Fund was originally included as a major fund due to its large special assessment deferred revenues (now inflows of resources) balance. The ending fund balances for 2015 was \$363,000. This Fund carried a relatively small fund balance because all the cash collected from the LID was used to make the principal and interest payments on the bonds issued to pay for some of the initial construction improvement costs for the 28th/24th Avenue South arterial project. In 2014, the LID bonds were paid off in full.

The Municipal Facilities Capital Improvement Fund is a capital projects fund whose purpose is to account for the expenditures related to major municipal capital projects including the purchase of land and the construction or major renovation of buildings. Although this Fund did not meet the GASB Statement No. 34 tests for inclusion as a major governmental fund, it was included in the governmental funds' financial statements as a major fund to provide reporting consistency from year to year. In 2015, the revenue source for this Fund was investment earnings. At the end of 2015, the fund balance in the Municipal Facilities Capital Improvement Fund was \$374,000. It is anticipated that all of these funds will be spent on replacing Fire Station #45 on South 200th Street as planned in the City's 2015 - 2020 Capital Improvement Program.

The Transportation Capital Improvement Fund is a capital projects fund whose purpose is to account for the revenues and expenditures related to transportation improvements. In 2015, the major revenue sources for this Fund included a \$2.7 million State Transportation Improvement Board Grant for the Military Road South project (South 166th - South 176th) and an \$830,000 Department of Ecology Storm Water grant for this same project. The Street Fund transferred \$5 million into this Fund to pay for five projects, including three sidewalk projects and two roadway projects with right-of-way land purchases, and a transportation plan update study.

## CITY OF SEATAC

### Management Discussion and Analysis (Continued) For the Year Ended December 31, 2015

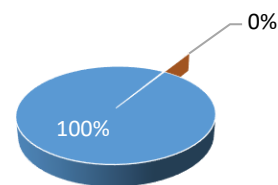
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#### Business-Type Funds

The City's only business-type fund is a Surface Water Utility Fund. This fund is a proprietary fund 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 expenses. On the government-wide Statement of Net Position for business-type activities, the ending net position balance for proprietary funds was \$30.5 million and of this amount, \$4 million or 13% was unrestricted. The other \$26.5 million or 87% was classified as investment in capital assets. The chart to the right shows the major revenue sources (excluding transfers in) for the Surface Water Utility by percentage for 2015.

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

■ Charges for Service ■ Interest Earnings



#### GENERAL FUND BUDGETARY HIGHLIGHTS

On a budgetary basis, the General Fund finished 2015 with \$10 million in ending fund balance reserves. Although the City adopted a two year budget, budget estimates were completed for each year and will be used for comparison purposes against past and future years. The original budgeted ending fund balance amount for 2015 was \$9 million. The actual ending fund balance exceeded the original budget by \$3.1 million or 31%. Actual revenues (excluding transfers in) were \$37.9 million or \$1.7 million over the original estimate. In 2015, the City hit its maximum property tax levy rate amount of \$3.10 per \$1,000 of assessed value due to new development, a promising indicator of an increasing property tax base.

The General Fund's actual expenditures (excluding transfers out) were \$34 million for 2015. The original 2015 appropriation was \$34.6 million. Savings of \$600,000 in the General Fund resulted from overall department efficiencies and program delivery savings.

CITY OF SEATAC

Management Discussion and Analysis (Continued)  
For the Year Ended December 31, 2015

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

At the end of 2015, the City had \$409 million (net of accumulated depreciation) in governmental activities capital assets, including one internal service fund, and \$25.8 million (net) in business-type activities. Total internal service fund capital assets (net) were just over \$1.6 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 2015:

City of SeaTac's Capital Assets

Capital Assets	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	324,408,480	324,408,480	-	-	324,408,480	324,408,480
Intangible Assets-Easements	127,978	127,978	35,442	35,442	163,420	163,420
Constr in Progress (CIP)	19,346,767	13,109,842	-	29,931	19,346,767	13,139,773
Buildings/Building Imp	44,336,405	43,928,595	228,560	228,560	44,564,965	44,157,155
Other Improvements	12,592,164	12,425,363	32,911,167	32,476,815	45,503,331	44,902,178
Infrastructure	85,245,358	83,244,487	12,918	-	85,258,276	83,244,487
Equipment/Vehicles	1,938,377	1,991,593	-	-	1,938,377	1,991,593
Equipment/Vehicles-Eq Rental	3,753,048	3,417,616	-	-	3,753,048	3,417,616
Intangible Assets-Software	635,474	729,751	115,024	101,336	750,498	831,087
Less: Accumulated Depreciation	(83,304,652)	(78,193,504)	(7,516,372)	(6,879,732)	(90,821,024)	(85,073,236)
Total Capital Assets (Net)	409,079,399	405,190,201	25,786,739	25,992,352	434,866,138	431,182,553

In 2015, the largest change in capital assets occurred in construction in progress for governmental activities. The City has various capital projects currently under design and construction including: Military Road South to South 176<sup>th</sup> to South 166<sup>th</sup> Street Improvements, Connecting 28th/24th Avenue South, 37th and 40th Avenue South sidewalks and Fire Station #45 replacement.

## CITY OF SEATAC

### Management Discussion and Analysis (Continued) For the Year Ended December 31, 2015

#### 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 2015, the City had only one type of allowable long-term debt outstanding which was general obligation (councilmanic) debt. No revenue bonds, special assessment debt or voter-approved general obligation debt was outstanding. The table below provides a summary of the City's outstanding debt for 2015 and 2014 by type:

City of SeaTac's Outstanding Debt by Type

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	955,000	1,255,000	-	-	955,000	1,255,000
Special Obligation Bonds	2,411,400	2,471,100	-	-	2,411,400	2,471,100
Total	3,366,400	3,726,100	-	-	3,366,400	3,726,100

#### General Obligation Debt

According to Washington State law, the City's debt capacity for general government purposes is limited to 4% or \$168 million of the City's assessed valuation. Of this 4%, the City Council has the authority to issue bonds and/or approve lease purchase agreements up to 1.5% or \$59 million. At the end of 2015, the City's assessed valuation was \$4,214,701,311 which is a 0.5% increase from 2014. The 2015 assessed valuation is used to calculate taxes to be collected in 2016. The City had \$3.4 million in outstanding councilmanic (non-voted) general obligation debt including the special obligation bonds issued by SCORE (South Correctional Entity) at the end of 2015. 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 \$316.1 million of the City's assessed valuation.

#### **Revenue Debt**

At the end of 2015, the City had no revenue debt outstanding. At this time, the City has no plans to issue new revenue debt.

#### **Special Assessment Debt**

Special assessment debt is created through the formation of a local improvement district (LID). LID debt pays for significant public improvements (roads, sidewalks, utilities, etc.) that benefit specific properties. Following the formation of an LID and the completion of the improvements, the benefiting property owners are assessed their proportional share of the costs with repayment permitted over a period of years. The City sells LID bonds to cover the cost of the improvements and repayment is backed by liens placed on the benefiting properties.

At the end of 2015, the City had no remaining LID bonds outstanding. No new special assessment debt was issued and there are no plans to issue new special assessment debt at this time. Additional information on the City's long term debt can be found in Note 10 Long-Term Debt in the Notes to the Financial Statements.

**Management Discussion and Analysis (Continued)**  
**For the Year Ended December 31, 2015**

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**ECONOMIC FACTORS AND THE BUDGET**

For the 2015-2016 biennium, the General Fund's ending fund balance continues to be estimated at \$10 million. The City continues its biennial based strategy for the current period to assist in maintaining the General Fund's target fund balance of three months of operating expenditures of approximately \$8.8 million. Although there has been a change in four elected Council member positions at the beginning of 2016, at the time this report is being produced, the change in elected leadership has not translated directly into any specific changes in the financial strategies that were employed by the previous elected leadership in setting the 2015-2016 budget limits. It should be noted that 2015 was the first year operating under the reduced expenditure levels that were part of the balancing plan for 2015-2016 which included eliminating 4.8 full-time equivalents (FTE's) and targeted cuts to training and professional services. On the revenue side, the fee schedule was revised in 2015 to increase permit and other related fees, business license fees and a new utility tax was established. The utility tax remained for the 2015 period, but was sunset in February of 2016 and the current Council has not yet indicated that they will re-enact this tax for 2016 as part of their initial 2017-2018 budget creation discussions.

Economic development has been a Council priority and is viewed as a large potential tool for obtaining future financial sustainability. New development opportunities are planned for the Angle Lake Light Rail Station Area at 200<sup>th</sup> Street, which would include office and related commercial uses such as retail and hospitality. Near the Tukwila Boulevard Light Rail Station at S 154<sup>th</sup> Street, the City is also working to redevelop existing commercial property owned by the City (SeaTac Center). Although a joint partnership with the City of Des Moines and the City of Tukwila on the Regional Tourism Authority (RTA) was in place in 2014, the benefits are yet to be seen. The Authority was previously anticipated to put \$3 million back into the area's economy dedicated to the expansion of tourism, but the direct benefits to the SeaTac economy that these additional investments have cost have yet to materialize in real dollars.

The table below shows the City's General Fund budget on a two-year basis since 2013. Although the City prepared annual budgets prior to 2013, historic data was combined to allow comparisons to the 2015-2016 Biennial Budget. As shown in the table, the two year difference between revenues and expenditures typically reflect a debit balance. Much of this difference is covered with interfund transfers including reimbursements of General Fund administrative and maintenance charges, or sales tax revenue from capital projects that were recorded into the Municipal Capital Improvements Fund.

City of SeaTac-General Fund Budget vs Actual

	2013-2014 Final	2015-2016 Final
<b>Budget</b>		
Budgeted Revenues	59,545,908	68,083,845
Budgeted Expenditures	65,450,693	69,984,179
Budgeted Difference	(5,904,785)	(1,900,334)
<b>Actual</b>		
Actual Revenues	59,181,562	59,134,058
Actual Expenditures	64,989,397	58,455,967
Actual Difference	(5,807,835)	678,091

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

**Requests for Information**

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

**CITY OF SEATAC**

**Statement of Net Position - Government Wide  
December 31, 2015**

	Governmental Activities	Business-type Activities	Total	SSRTA Comp Unit
<b>Assets</b>				
Cash & cash equivalents	\$ 45,704,779	\$ 4,738,785	\$ 50,443,564	\$ 1,932,547
Receivables (net)				
Taxes	4,077,734	-	4,077,734	
Customer accounts & contracts	1,244,063	127,147	1,371,210	14,580
Special assessments	-	-	-	
Interest	534	-	534	
Due from other governments	257,881	-	257,881	492,137
Internal balances	(208,370)	208,370	-	
Prepaid items	720,278	442	720,720	16,594
Investment in joint venture	3,085,517	-	3,085,517	
Capital assets not being depreciated:				
Land	324,408,480	-	324,408,480	
Intangible assets - easements	127,977	35,442	163,419	
Construction in progress	17,477,320	-	17,477,320	
Capital assets, net of accum deprec (Note 6):				
Buildings	27,185,048	172,086	27,357,134	
Improvements other than buildings	8,024,537	25,543,720	33,568,257	
Equipment, vehicles & software	2,169,251	35,490	2,204,740	37,447
Infrastructure	29,686,786	-	29,686,786	
<b>Total Assets</b>	<b>\$ 463,961,813</b>	<b>\$ 30,861,484</b>	<b>\$ 494,823,297</b>	<b>\$ 2,493,305</b>
<b>Deferred Outflows of Resources</b>				
Deferred Outflow of Resources Related to Pensions	852,400	48,119	900,519	4,492
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>464,814,213</b>	<b>30,909,603</b>	<b>495,723,816</b>	<b>2,497,797</b>
<b>Liabilities</b>				
Accounts payable & accrued expenses	1,348,326	83,215	1,431,541	86,517
Due to other governments	-	9,074	9,074	
Accrued interest payable	-	-	-	
Custodial accounts & other current liab	330,477	-	330,477	
Unearned revenue	44,624	-	44,624	
Noncurrent liabilities (Note 10):				
Due within one year	378,334	1,147	379,481	
Due in more than one year	4,495,008	21,796	4,516,804	15,419
Net Pension Obligation	7,569,079	259,913	7,828,992	-
<b>Total Liabilities</b>	<b>14,165,848</b>	<b>375,145</b>	<b>14,540,993</b>	<b>101,936</b>
<b>Deferred Inflows of Resources</b>				
Deferred Inflow of Resources Related to Pensions	1,236,566	75,507	1,312,073	-
<b>Total Liabilities &amp; Deferred Inflows of Resources</b>	<b>15,402,414</b>	<b>450,652</b>	<b>15,853,066</b>	
<b>Net Position</b>				
Investment in capital assets	409,079,396	26,423,379	435,502,775	37,447
Restricted for:				
Tourism promotion & facilities	7,258,943	-	7,258,943	
Debt service	536,943	-	536,943	
Capital projects & equipment	2,469,557	-	2,469,557	
Transportation	13,875,320	-	13,875,320	
Des Moines Creek Basin ILA projects	2,349,897	-	2,349,897	
Unrestricted	13,841,742	4,035,573	17,877,315	2,358,414
<b>Total Net Position</b>	<b>\$ 449,411,799</b>	<b>\$ 30,458,951</b>	<b>\$ 479,870,751</b>	<b>\$ 2,395,861</b>

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

CITY OF SEATAC

Statement of Activities - Government Wide  
For the Year Ended December 31, 2015

		Program Revenues		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions
Functions/Programs				
Governmental Activities:				
Judicial	\$ (673,628)	\$ 603,082	\$ 20,042	\$ -
General Government	(6,944,377)	1,690,913	696,734	327,429
Public Safety	(20,086,285)	250,772	437,235	210,000
Transportation	(5,414,910)	167,016	662,333	648,650
Health & Human Services	(784,876)	7,995	439,618	-
Physical & Economic Environment	(4,585,741)	2,177,769	239,868	115,326
Culture & Recreation	(4,317,514)	788,331	129,677	25,000
Interest on long-term debt	(188,224)	-	-	-
Total Governmental Activities	(42,995,554)	5,685,878	2,625,506	1,326,405
Business-type Activities:				
Surface Water Utilities	(2,098,050)	2,601,911	-	-
Total Business-type Activities	(2,098,050)	2,601,911	-	-
Component Unit Activities				
Seattle Southside Regional Tourism Authority	(331,254)	7,220	-	-
Total Component Unit Activities	(331,254)	7,220	-	-
Total Government	\$ (45,424,858)	\$ 8,295,009	\$ 2,625,506	\$ 1,326,405

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



CITY OF SEATAC

Statement of Activities - Government Wide  
For the Year Ended December 31, 2015

	Net (Expense) Revenue & Changes in Net Position			
	Governmental Activities	Business-type Activities	Total	SSRTA Comp Unit
<b>Functions/Programs</b>				
<b>Governmental Activities:</b>				
Judicial	\$ (50,504)	\$ -	\$ (50,504)	\$ -
General Government	(4,229,302)	-	(4,229,302)	-
Public Safety	(19,188,278)	-	(19,188,278)	-
Transportation	(3,936,910)	-	(3,936,910)	-
Health & Human Services	(337,262)	-	(337,262)	-
Physical & Economic Environment	(2,052,778)	-	(2,052,778)	-
Culture & Recreation	(3,374,507)	-	(3,374,507)	-
Interest on long-term debt	(188,224)	-	(188,224)	-
<b>Total Governmental Activities</b>	<b>(33,357,765)</b>	<b>-</b>	<b>(33,357,765)</b>	<b>-</b>
<b>Business-type Activities:</b>				
Surface Water Utilities	-	503,861	503,861	-
<b>Total Business-type Activities</b>	<b>-</b>	<b>503,861</b>	<b>503,861</b>	<b>-</b>
<b>Component Unit Activities</b>				
Seattle Southside Regional Tourism Authority	-	-	-	(324,034)
<b>Total Component Unit Activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(324,034)</b>
<b>Total Government</b>	<b>(33,357,765)</b>	<b>503,861</b>	<b>(32,853,904)</b>	<b>(324,034)</b>
<b>General Revenues</b>				
Property taxes	13,205,489	-	13,205,489	-
Retail sales & use taxes	12,253,675	-	12,253,675	-
Hotel/Motel taxes	1,666,054	-	1,666,054	-
Parking taxes	7,018,369	-	7,018,369	-
Gambling taxes	723,174	-	723,174	-
Excise taxes	3,573,537	-	3,573,537	-
Utility Taxes	2,705,303	-	2,705,303	-
Special Assessments	-	-	-	2,717,423
Unrestricted grants & contributions	-	-	-	1,616
Unrestricted investment earnings	79,534	6,515	86,049	856
Gain on sale of capital assets	219,941	-	219,941	-
<b>Total General Revenues</b>	<b>41,445,075</b>	<b>6,515</b>	<b>41,451,590</b>	<b>2,719,895</b>
Transfers	480,904	(480,904)	-	-
<b>Total General Revenues &amp; Transfers</b>	<b>41,925,978</b>	<b>(474,389)</b>	<b>41,451,590</b>	<b>2,719,895</b>
<b>Change in Net Position</b>	<b>8,568,214</b>	<b>29,472</b>	<b>8,597,686</b>	<b>2,395,861</b>
Net Position-Beg (as prev reported)	449,286,861	30,725,464	480,012,325	-
Prior Year Adjustments	-	-	-	-
<b>Net Position-Beginning</b>	<b>449,286,861</b>	<b>30,725,464</b>	<b>480,012,325</b>	<b>-</b>
Direct Adj for GASB 68	(8,443,275)	(295,986)	(8,739,261)	-
<b>Net Position-Ending</b>	<b>\$ 449,411,800</b>	<b>\$ 30,458,950</b>	<b>\$ 479,870,750</b>	<b>\$ 2,395,861</b>

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

## CITY OF SEATAC

**Balance Sheet- Governmental Funds**  
**December 31, 2015**

	General	Special Revenue		Debt Service	Capital Impr
		Street	Hotel/Motel Tax	Special Assessment Debt	Municipal Facilities CIP
<b>Assets</b>					
Cash & cash equivalents	\$ 14,503,229	\$ 7,803,863	\$ 7,192,120	\$ 363,208	\$ 728,637
Receivables (net of allow- ance for uncollectibles):					
Taxes	3,105,058	653,843	200,247	-	-
Customer accounts & contracts	1,154,361	10,541	3,400	-	-
Special assessments	-	-	-	-	-
Interest & penalties	534	-	-	-	-
Due from other governments	163,869	94,008	-	-	-
Prepaid items	719,779	99	400	-	-
<b>Total Assets</b>	<b>\$ 19,646,830</b>	<b>\$ 8,562,354</b>	<b>\$ 7,396,166</b>	<b>\$ 363,208</b>	<b>\$ 728,637</b>
<b>Liabilities</b>					
Accounts & other payable	387,146	113,217	137,224	-	354,004
Custodial & deposits payable	330,266	210	-	-	-
Unearned revenue	44,224	-	-	-	-
<b>Total Liabilities</b>	<b>761,636</b>	<b>113,428</b>	<b>137,224</b>	<b>-</b>	<b>354,004</b>
<b>Deferred Inflows of Resources</b>					
Unavail revenue-grants/interlocal	-	-	-	-	-
Unavail revenue-property taxes	167,004	-	-	-	-
Unavail revenue-court fines	655,567	-	-	-	-
Unavail revenue-leases/permits	99,602	-	-	-	-
Unavail revenue-sp assess/int/pen	-	-	-	-	-
<b>Total Def Inflows of Resources</b>	<b>922,172</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances (Deficits)</b>					
Nonspendable:					
Prepayments	719,779	99	400	-	-
Restricted:					
Transportation	-	8,448,828	-	-	-
Tourism promotion & facilities	-	-	7,258,543	-	-
Des Moines Creek Basin ILA	-	-	-	-	-
Open space & trails	-	-	-	-	-
Capital projects & equipment	-	-	-	-	-
Debt service	-	-	-	363,208	-
Assigned:					
Fire equipment replacement	-	-	-	-	-
Light Rail Station projects	-	-	-	-	-
Capital projects & equipment	-	-	-	-	374,633
2015-2016 excess budget approp	127,178	-	-	-	-
Unassigned	17,116,065	-	-	-	-
<b>Total Fund Balances</b>	<b>17,963,021</b>	<b>8,448,927</b>	<b>7,258,943</b>	<b>363,208</b>	<b>374,633</b>
<b>Total Liab, Def Inflows of Res &amp; Fund Balances (Deficits)</b>	<b>\$ 19,646,830</b>	<b>\$ 8,562,354</b>	<b>\$ 7,396,166</b>	<b>\$ 363,208</b>	<b>\$ 728,637</b>

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

	Capital Impr		
	Transportation CIP	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash & cash equivalents	\$ 5,760,983	\$ 7,751,229	\$ 44,103,268
Receivables (net of allow- ance for uncollectibles):			
Taxes	-	118,586	4,077,734
Customer accounts & contracts	1,519	74,242	1,244,063
Special assessments	-	-	-
Interest & penalties	-	-	534
Due from other governments	-	4	257,881
Prepaid items	-	-	720,278
<b>Total Assets</b>	<b>\$ 5,762,502</b>	<b>\$ 7,944,061</b>	<b>\$ 50,403,757</b>
<b>Liabilities</b>			
Accounts & other payable	336,108	13,508	1,341,206
Custodial & deposits payable	-	-	330,477
Unearned revenue	-	400	44,624
<b>Total Liabilities</b>	<b>336,108</b>	<b>13,908</b>	<b>1,716,307</b>
<b>Deferred Inflows of Resources</b>			
Unavail revenue-grants/interlocal	-	-	-
Unavail revenue-property taxes	-	-	167,004
Unavail revenue-court fines	-	-	655,567
Unavail revenue-leases/permits	-	4,619	104,221
Unavail revenue-sp assess/int/pen	-	-	-
<b>Total Def Inflows of Resources</b>	<b>-</b>	<b>4,619</b>	<b>926,791</b>
<b>Fund Balances (Deficits)</b>			
Nonspendable:			
Prepayments	-	-	720,278
Restricted:			
Transportation	5,426,394	-	13,875,221
Tourism promotion & facilities	-	-	7,258,543
Des Moines Creek Basin ILA	-	2,349,897	2,349,897
Open space & trails	-	375,961	375,961
Capital projects & equipment	-	2,093,596	2,093,596
Debt service	-	173,735	536,943
Assigned:			
Fire equipment replacement	-	-	-
Light Rail Station projects	-	1,073,701	1,073,701
Capital projects & equipment	-	1,858,644	2,233,277
2015-2016 excess budget approp	-	-	127,178
Unassigned	-	-	17,116,065
<b>Total Fund Balances</b>	<b>5,426,394</b>	<b>7,925,535</b>	<b>47,760,659</b>
<b>Total Liab, Def Inflows of Res &amp; Fund Balances (Deficits)</b>	<b>\$ 5,762,502</b>	<b>\$ 7,944,062</b>	<b>\$ 50,403,758</b>

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

## CITY OF SEATAC

### Reconciliation of Fund Balances of Governmental Funds to the Net Position of Governmental Activities December 31, 2015

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

Governmental funds total fund balance on December 31, 2015 (as shown on the Balance Sheet for Governmental Funds)	47,760,661
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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	324,408,480	
Intangibles - easements	127,978	
Construction in progress	19,346,766	
Buildings & structures	44,336,408	
Other improvements	12,592,166	
Infrastructure	85,245,358	
Equipment	1,938,375	
Intangibles - software	635,476	
Less: accumulated depreciation	<u>(81,194,483)</u>	407,436,523

Investments in joint ventures are not a financial resource and, therefore, are not reported in the governmental funds.	3,085,517
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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, this includes the Deferred Pension Outflow	850,270
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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.	926,792
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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	(3,366,400)	
Internal service fund payable	(208,372)	
Premium on bond issue (amortized over life of debt)	(34,152)	
Pension obligation	(7,557,570)	
Deferred Pension Inflows	(1,233,223)	
Other post employment benefits payable	(571,338)	
Compensated absences payable	<u>(893,375)</u>	(13,864,430)

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

3,216,466

Net position of governmental activities (as shown on the Government-wide Statement of Net Position)	<u><u>449,411,799</u></u>
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The notes to the financial statements are an integral part of this statement.

## CITY OF SEATAC

**Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the Year Ended December 31, 2015**

	General	Street	Hotel/Motel Tax	Special Assessment Debt
<b>Revenues</b>				
Taxes	\$ 30,843,136	\$ 7,018,369	\$ 1,318,554	\$ -
Licenses & permits	1,612,257	-	-	-
Intergovernmental & contributions	1,671,336	633,345	20,743	-
Charges for services	1,290,637	26,041	-	-
Fines & forfeitures	635,121	-	-	3,108
Investment & other earnings	62,710	11,043	9,845	7,890
Special assessments	-	-	-	82,801
Rent & leases	1,439,952	6,900	-	-
Miscellaneous	375,420	2,140	18,610	-
<b>Total Revenues</b>	<b>37,930,569</b>	<b>15,377,733</b>	<b>1,367,752</b>	<b>93,799</b>
<b>Expenditures</b>				
Current:				
Judicial	670,565	-	-	-
General Government	6,862,893	-	-	-
Public Safety	19,550,375	-	-	-
Physical Environment	-	-	-	-
Transportation	890,348	1,839,811	-	-
Health & Human Services	782,079	-	-	-
Economic Environment	1,834,128	70,324	1,242,863	-
Culture & Recreation	3,417,673	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest & other costs	-	-	-	-
Capital Outlay:				
General Government	38,979	-	-	-
Public Safety	-	-	-	-
Transportation	-	611,715	-	-
Economic Environment	-	-	-	-
Culture & Recreation	-	-	-	-
<b>Total Expenditures</b>	<b>34,047,040</b>	<b>2,521,850</b>	<b>1,242,863</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	3,883,529	12,855,883	124,889	93,799
<b>Other Financing Sources (Uses)</b>				
Transfers in	685,736	-	-	-
Transfers out	(51,280)	(5,395,050)	-	-
Disposal & insurance on cap assets	18,762	279	-	-
<b>Total Other Fin Sources (Uses)</b>	<b>653,218</b>	<b>(5,394,771)</b>	<b>-</b>	<b>-</b>
<b>Special Items</b>				
Proceeds from sale of fire assets	-	-	-	-
Payment for fire accrued leave bal	-	-	-	-
<b>Total Special Items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	4,536,747	7,461,112	124,889	93,799
Fund Balances-Beg (as prev repts)	13,426,273	8,667,710	7,134,053	269,408
Prior Year Adjustment	-	-	-	-
<b>Fund Balances-January 1st</b>	<b>13,426,273</b>	<b>8,667,710</b>	<b>7,134,053</b>	<b>269,408</b>
<b>Fund Balances-December 31st</b>	<b>\$ 17,963,021</b>	<b>\$ 8,448,927</b>	<b>\$ 7,258,943</b>	<b>\$ 363,208</b>

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

	Municipal Facilities CIP	Transportation CIP	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 1,958,838	\$ 41,138,897
Licenses & permits	-	-	-	1,612,257
Intergovernmental & contributions	210,000	565,849	729,465	3,869,109
Charges for services	-	67,676	244,035	1,628,389
Fines & forfeitures	-	-	11	638,240
Investment & other earnings	3,236	7,056	9,693	111,471
Special assessments	-	-	-	82,801
Rent & leases	-	-	-	1,446,852
Miscellaneous	-	17	(29,894)	327,923
<b>Total Revenues</b>	<b>213,236</b>	<b>640,598</b>	<b>2,912,149</b>	<b>50,855,941</b>
<b>Expenditures</b>				
Current:				
Judicial	-	-	-	670,565
General Government	-	-	43,044	6,451,458
Public Safety	-	-	-	19,522,276
Physical Environment	-	-	44,281	44,281
Transportation	-	139,624	-	2,879,243
Health & Human Services	-	-	-	782,079
Economic Environment	-	-	-	3,612,617
Culture & Recreation	-	-	-	3,428,378
Debt Service:				
Principal	-	-	359,700	359,700
Interest & other costs	-	-	199,608	199,608
Capital Outlay:				
General Government	-	-	171,603	207,691
Public Safety	3,078,629	-	-	3,078,629
Transportation	-	4,547,453	-	5,159,168
Economic Environment	-	-	479,689	479,689
Culture & Recreation	-	-	-	-
<b>Total Expenditures</b>	<b>3,078,629</b>	<b>4,687,077</b>	<b>1,297,925</b>	<b>46,875,382</b>
Excess (deficiency) of revenues over (under) expenditures	(2,865,393)	(4,046,479)	1,614,224	3,980,559
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	5,000,000	199,107	5,884,843
Transfers out	-	-	(62,180)	(5,508,510)
Disposal & insurance on cap assets	-	-	200,900	219,941
<b>Total Other Fin Sources (Uses)</b>	<b>-</b>	<b>5,000,000</b>	<b>337,827</b>	<b>596,273</b>
<b>Special Items</b>				
Proceeds from sale of fire assets	-	-	-	-
Payment for fire accrued leave bal	-	-	-	-
<b>Total Special Items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(2,865,393)</b>	<b>953,521</b>	<b>1,952,051</b>	<b>4,576,832</b>
Fund Balances-Beg (as prev reptd)	3,240,026	4,472,874	5,973,483	43,183,827
Prior Year Adjustment	-	-	-	-
<b>Fund Balances-Beginning</b>	<b>3,240,026</b>	<b>4,472,874</b>	<b>5,973,483</b>	<b>43,183,827</b>
<b>Fund Balances-Ending</b>	<b>\$ 374,633</b>	<b>\$ 5,426,394</b>	<b>\$ 7,925,534</b>	<b>\$ 47,760,659</b>

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

**CITY OF SEATAC**

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities - Government Wide  
For the Year Ended December 31, 2015**

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

Net change in fund balance for all governmental funds combined		<u>4,576,834</u>
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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 depreciation exceeded capital outlays in the current period:

Capital outlays	8,854,847	
Depreciation expense	<u>(5,159,463)</u>	3,695,384

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

Investment in joint ventures are not considered financial resources and are, therefore, not reported in the governmental funds.	(214,199)
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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 Position. These debt related items consist of:

Premium on debt refunding	11,384	
Debt principal repayments	<u>359,700</u>	371,084

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.	74,370
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Some expenses reported in the Statement of Revenues, Expenditures and Change in Net Position do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These expenses consist of:

Net increase in other post employment benefits	(91,902)	
Net decrease in compensated absences	<u>35,828</u>	(56,074)

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 Revenues, Expenditures and Change in Net Position as governmental activity.

Profit/loss allocation & interest earnings	20,158	
Gain (loss) on sale of capital assets	(3,914)	
Transfers involving other funds (net)	<u>104,571</u>	<u>120,815</u>

Change in net position of governmental activities	<u><u>8,568,213</u></u>
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The notes to the financial statements are an integral part of this statement.

## CITY OF SEATAC

Statement of Net Position - Proprietary Funds  
December 31, 2015

	Business-type Activities		Governmental Activities
	Surface Water Utility	Total Enterprise Funds	Internal Service Fund- Equipment Rental
<b>Assets</b>			
<b>Current Assets</b>			
Cash & cash equivalents and receivables (net)	4,738,787	4,738,787	1,601,511
Interest receivable	127,147	127,147	-
Prepays	442	442	-
<b>Total Current Assets</b>	<b>4,866,376</b>	<b>4,866,376</b>	<b>1,601,511</b>
<b>Noncurrent Assets</b>			
Capital assets (net of accumulated dep)			
Buildings	172,086	172,086	-
Other improvements	25,543,720	25,543,720	-
Vehicles and equipment	11,668	11,668	1,642,876
Intangible assets - software	23,822	23,822	-
Intangible assets - easements	35,442	35,442	-
<b>Total Noncurrent Assets</b>	<b>25,786,738</b>	<b>25,786,738</b>	<b>1,642,876</b>
<b>Total Assets</b>	<b>30,653,114</b>	<b>30,653,114</b>	<b>3,244,387</b>
<b>Deferred Outflow of Resources</b>	<b>48,119</b>	<b>48,119</b>	<b>2,130</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	83,215	83,215	7,120
Due to other governments	9,074	9,074	-
Compensated absences	1,147	1,147	404
<b>Total Current Liabilities</b>	<b>93,436</b>	<b>93,436</b>	<b>7,524</b>
<b>Noncurrent Liabilities</b>			
Compensated absences	21,796	21,796	7,674
Pension liability	259,913	259,913	11,509
<b>Total Noncurrent Liabilities</b>	<b>281,709</b>	<b>281,709</b>	<b>19,183</b>
<b>Total Liabilities</b>	<b>375,145</b>	<b>375,145</b>	<b>26,707</b>
<b>Deferred Inflow of Resources</b>	<b>75,507</b>	<b>75,507</b>	<b>3,343</b>
<b>Net Position</b>			
Investment in capital assets	26,423,379	26,423,379	1,642,876
Unrestricted	3,827,202	3,827,202	1,573,591
<b>Total Net Position</b>	<b>30,250,581</b>	<b>30,250,581</b>	<b>3,216,467</b>
Cumulative adjustment to reflect the consolidation of the Equipment Rental Internal Service Fund activities as related to enterprise funds over time		208,371	
Net position of business-type activities		30,458,952	

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



## CITY OF SEATAC

**Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds**  
**For the Year Ended December 31, 2015**

	Business-Type Activities Enterprise Funds		Governmental Activities
	Surface Water Utility	Total	Internal Service Fund- Equipment Rental
Operating Revenues			
Charges for service	2,601,911	2,601,911	503,449
Total Governmental Activities	2,601,911	2,601,911	503,449
Operating Expenses			
Depreciation	(636,640)	(636,640)	(207,589)
Other operating expenses	(1,480,820)	(1,480,820)	(262,057)
Total Operating Expenses	(2,117,460)	(2,117,460)	(469,646)
Operating Income	484,451	484,451	33,803
Non-operating Revenues (Expenses)			
Interest income	6,517	6,517	2,287
Miscellaneous revenues	3,478	3,478	-
Gain/loss on sale of capital assets	-	-	(3,914)
Total Non-operating Revenues (Expenses)	9,995	9,995	(1,627)
Income (Loss) before contributions, Transfers and Special Items	494,446	494,446	32,176
Capital contributions			
Transfers in	3,140	3,140	220,394
Transfers out	(484,044)	(484,044)	(115,823)
Change in Net Position	13,542	13,542	136,747
Net Position-Beginning	30,533,025		3,092,824
Adjustment to Net Position-Beginning	(295,986)		(13,106)
Net Position-Ending	30,250,581		3,216,467
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			
		15,931	
Change in net position of business-type activities		\$ 29,474	

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

**CITY OF SEATAC**

**Statement of Cash Flows - Proprietary Funds  
For the Year Ended December 31, 2015**

	Business-type Activities		Governmental Activities
	Surface Water Utility	Total Enterprise Funds	Internal Service Fund- Equipment Rental
<b>Cash Flows from Operating Activities:</b>			
Receipts from customers	2,415,163	2,415,163	-
Receipts from other funds	163,329	163,329	503,449
Payments to suppliers	(562,728)	(562,728)	(293,430)
Payments to employees	(890,425)	(890,425)	1,166
<b>Net Cash Provided by Operating Activities</b>	<b>1,125,339</b>	<b>1,125,339</b>	<b>211,185</b>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Intergovernmental revenue	-	-	-
Transfers from other funds	3,140	3,140	-
Transfers to other funds	(484,044)	(484,044)	(115,823)
Nonoperating revenue received	3,479	3,479	-
<b>Net Cash (Used) by Noncapital Financing Activities</b>	<b>(477,425)</b>	<b>(477,425)</b>	<b>(115,823)</b>
<b>Cash Flows from Capital &amp; Related Financing Activities:</b>			
Loss from sale of assets	-	-	(3,914)
Purchase of capital assets	(431,027)	(431,027)	(181,007)
<b>Net Cash (Used) by Capital &amp; Related Financing Activities</b>	<b>(431,027)</b>	<b>(431,027)</b>	<b>(184,921)</b>
<b>Cash Flows from Investing Activities:</b>			
Interest received	11,726	11,726	2,287
<b>Net Cash Provided by Investing Activities</b>	<b>11,726</b>	<b>11,726</b>	<b>2,287</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>228,613</b>	<b>228,613</b>	<b>(87,272)</b>
<b>Cash &amp; Cash Equivalents-Beginning</b>	<b>4,510,173</b>	<b>4,510,173</b>	<b>1,688,783</b>
<b>Cash &amp; Cash Equivalents-Ending</b>	<b>4,738,787</b>	<b>4,738,787</b>	<b>1,601,511</b>

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

CITY OF SEATAC

Statement of Cash Flows - Proprietary Funds (Continued)  
For the Year Ended December 31, 2015

	Business-type Activities		Governmental Activities
	Surface Water Utility	Total Enterprise Funds	Internal Service Fund- Equipment Rental
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income	484,451	484,451	33,803
Adjustments to reconcile operating income to net cash provided (used) by operating Activities			
Depreciation	636,640	636,640	207,589
Pension Expense	(8,685)	(8,685)	(383)
Change in accts receivable	(23,419)	(23,419)	-
Change in prepaid expenses	(442)	(442)	-
Change in accounts payable	39,743	39,743	(31,373)
Change in due to other governments	-	-	-
Change in compensated absences	(2,949)	(2,949)	1,549
Total adjustments	640,888	640,888	177,382
Net Cash Provided by Operating Activities	1,125,339	1,125,339	211,185
Noncash Capital Activities:			
Contributions of capital assets (other improvements) paid for by the Transportation CIP Fund	220,394	220,394	-
Transfer of 2015 capital asset equipment purchase from the Surface Water Utility Fund to the Equipment Rental Fund.	(220,394)	(220,394)	220,394
Total Noncash Capital Activities	-	-	220,394

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

## CITY OF SEATAC

### Notes to the Financial Statements For the Year Ended December 31, 2015

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of SeaTac have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Information on any new GASB Statements implemented can be found in Note 20 - Other Disclosures, Accounting and Reporting Changes.

The City's significant accounting policies are described below:

##### A. Reporting Entity

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

The City of SeaTac is a general purpose government. The City's Financial Statements includes all funds that are controlled by or are dependent on the City of SeaTac. 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 City of SeaTac. The City of SeaTac appoints the voting majority of the Board of Directors for the SSRTA.

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

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

The Statement of Revenues, Expenditures and Change in Net Position demonstrates the degree to which the direct expenses of a given function or a segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City's policy is not to allocate indirect costs to a specific function or segment. Program revenues include the following: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational and capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2015**

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Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. In addition, the City considers property taxes to be available if they are collected within 60 days after year end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, judgments and other post-employment benefits, are recorded only when a payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The City reports the following major governmental funds:

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

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

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

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

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

## CITY OF SEATAC

### Notes to the Financial Statements (Continued) For the Year Ended December 31, 2015

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Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds (enterprise and internal service funds) distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for proprietary funds consist of the cost of sales and services, including maintenance and operations, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports a proprietary fund as follows:

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

The City reports an internal service fund as follows:

The Equipment Rental Fund (#501) accounts for the costs of maintaining and repairing all City vehicles and auxiliary equipment except for fire apparatus and police vehicles. This Fund also accumulates resources for the future replacement of existing vehicles and equipment.

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

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

**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2015**

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**D. Budgetary Information**

**1. Scope of the Budget**

The City of SeaTac budgets in accordance with the provisions of the Revised Code of Washington (RCW) 35A.34. Biennial appropriated budgets are adopted for most of the City funds as follows: the General Fund, Special Revenue Funds (Street, Contingency Reserve Fund, Port of Seattle ILA, Transit Planning, Hotel/Motel Tax, Building Management, Facility Repair and Replacement & Des Moines Creek Basin ILA Fund), Debt Service Funds (Special Assessment Debt, LID Guarantee, 2009 LTGO Refunding Bonds & SCORE Bond Fund), Capital Project Funds (Municipal Capital Improvement, Municipal Facilities CIP, Transportation CIP and Light Rail CIP), Enterprise Fund (Surface Water Utility) 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.

Budgets for the General, special revenue, debt service and capital project funds are adopted on the modified accrual basis of accounting. For governmental funds, there are six funds (General Fund, Contingency Reserve Fund, Port of Seattle ILA Fund, Transit Planning Fund, Building Management Fund and the Facility Repair & Replacement Fund) with differences between the budgetary basis and generally accepted accounting principles (GAAP). Specific details on these differences can be found in the RSI (Required Supplementary Information). Budgetary accounts are integrated into the City's accounting system in all budgeted funds and any unexpended appropriations lapse at the end of the two year biennial period.

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

**2. Amending the Budget**

The City's biennial budget is adopted at the fund level by ordinance. When the City Council determines that it is in the best interest of the City to increase or decrease the total appropriation for a particular fund, it may amend the budget by ordinance. The City Manager is authorized to transfer budgeted amounts below fund level, if necessary.

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

**3. Excess of Expenditures over Appropriations**

There were no City funds in which expenditures exceeded appropriations.

**4. Deficit Fund Net Position**

There were no City funds with deficit fund net positions.

Notes to the Financial Statements (Continued)  
For the Year Ended December 31, 2015

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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, 2015, the City had holdings of \$50,443,564 (as shown in the table below) in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents in various funds. Included in this category are all funds invested in the State Treasurer's Local Government Investment Pool. The interest on these investments is credited to all funds based on ownership of the investments with the exception of the LID Guarantee Fund. The interest on this fund is allocated to the General Fund.

At December 31, 2015, the City's total cash and cash equivalents (including cash restricted for debt) consisted of the following:

Bank of America, General Fund Checking Account .....	\$3,178,192
Bank of America, Municipal Court Checking Account .....	53,036
Cash with Kidder Mathews .....	39,909
Cash Equivalents with State Treasurer's Investment Pool .....	47,162,527
City Hall Postage Meter Fund.....	8,000
Petty Cash/Change Funds .....	1,900
Total Cash and Cash Equivalents .....	<u>\$50,443,564</u>

The amount reported as cash and cash equivalents also includes compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balance maintained was \$7 million.

For purposes of the Statement of Cash Flows, proprietary funds consider all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents include cash on deposit with financial institutions in both demand and time deposit accounts and amounts invested in the Local Government Investment Pool. Additional information is presented in Note 4 Deposits and Investments.

2. Investments (See Deposits and Investments Note 4)

Investments are reported in the financial statements at fair value. Washington State statutes provide for the City to hold investments consisting of obligations of the U.S. Government, repurchase agreements, prime bankers 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.



**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2015**

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**3. Receivables**

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

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Unavailable revenue, classified as a deferred inflow of resources on the fund financial statements, consists of unbilled and delinquent special assessments that can become liens against the property benefited.

Customer accounts receivable consists of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared.

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

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

Advances between funds (long-term interfund loans), as reported in the fund financial statements, are offset by a non-spendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. There were no interfund loans or advances outstanding in 2015.

**5. Inventories**

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

**6. Restricted Assets and Liabilities**

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

**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2015**

**7. Capital Assets**

Capital assets, which include construction in progress, land, buildings, equipment, vehicles, software, easements, other improvements and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and a life greater than four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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. Interest incurred during the construction phase of the capital assets of business-type activities is included as part of the capitalized value of the asset constructed. No interest expense was incurred by the City during the fiscal year. Infrastructure, other improvements, buildings, equipment, etc. are depreciated using the straight line depreciation method. Depreciation for assets reported in business-type columns includes a 10% salvage value. Land and construction in progress are not depreciated.

The following table summarizes asset capitalization thresholds and service life:

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

Additional information is presented in Note 6 Capital Assets.

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

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

**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2015**

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

**9. Pensions**

For purposes of measuring the 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.

**10. Compensated Absences**

The City records an estimated liability for unused vacation, sick leave, floating holiday and compensatory time. 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 vacation and sick leave be based on the employee's last hourly rate of pay. The City's policy for vacation allows for a maximum accumulation and payment equal to the amount of vacation time the employee could have earned over a period of two years at the employee's current rate of accrual. Compensatory time can also be accrued up to a maximum of 80 hours.

At the end of 2015, total compensated absences liability was \$901,924,396,453 and included accumulated unused vacation, sick leave, floating holiday and compensatory time for governmental activities. This liability has been reported in the government-wide Statement of Net Position. No current liability has been recorded for compensated absences in the governmental funds.

Accumulated amounts for compensated absences, including vacation, sick leave, floating holiday and compensatory time benefits, are accrued as expenses as incurred in proprietary funds. The total liability amount in the City's Surface Water Utility Fund at December 31, 2015 was \$22,943. It is estimated that \$1,147 of this liability will be due within one year. Additionally, the Equipment Rental Fund has an estimated total compensated absences liability at year-end of \$8,078 and it is estimated that \$404 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.

**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2015**

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**11. Other Accrued Liabilities**

These accounts consist of accrued employee benefits.

**12. Long-Term Debt**

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

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

**13. Unearned Revenues**

This account includes amounts recognized as receivables but not 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.

**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2015**

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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 particular amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, the City has assigned those amounts to the purposes of the respective funds. At this time, the City has no written policy or procedure on assigning fund balance and no City official has formally been authorized to make assignments.

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

**15. Minimum Fund Balance**

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

**F. Other**

**1. Stabilization Arrangements**

Per Ordinance #90-1027, the City established the Contingency (Reserve) Fund (#103) which is funded with general and unrestricted revenues of the City as the City Council deems appropriate. The Contingency Fund can be used to meet any municipal expenditure, the necessity or extent of which could not have been foreseen or reasonably evaluated at the time the budget was adopted or to provide money for emergencies. The total amount accumulated in the fund at any time shall not exceed the equivalent of thirty-seven and one-half cents per thousand dollars (\$0.375/\$1,000) of assessed valuation of property within the City. Moneys in the Fund shall be withdrawn and transferred to the appropriate operating fund only upon authorization of the City Council, through an ordinance amending the budget adopted by an affirmative vote of the majority of the entire Council, clearly stating the facts constituting the reason for the withdrawal or the emergency as the case may be, and specifying the fund to which the drawn money shall be transferred. At the end of 2015, the Contingency Fund had a cash balance of \$777,493. As per GASB Statement No. 54, the Contingency Fund has been reported with the General Fund in the governmental fund financial statements. A stabilization fund can only be reported as a separate special revenue fund if the resources in the fund are derived from a special restricted or committed revenue source.

CITY OF SEATAC

Notes to the Financial Statements (Continued)  
For the Year Ended December 31, 2015

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**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND PROPRIETARY FINANCIAL STATEMENTS**

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

The proprietary fund Statement of Net Position includes a reconciliation between net position – total enterprise funds and net position - business-type activities as reported in the government-wide Statement of Net Position. The description of the sole element of that reconciliation is “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 \$208,371 difference are as follows:

Internal receivable representing charges in excess of cost to business-type activities – prior years	\$192,439
Internal receivable representing charges in excess of cost to business-type activities – current year	<u>15,932</u>
Net adjustment to increase net position – total enterprise funds to arrive at net position – business-type activities	<u>\$208,371</u>

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

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

**A. Deposits**

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

**B. Investments**

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

CITY OF SEATAC

Notes to the Financial Statements (Continued)  
For the Year Ended December 31, 2015

As of December 31, 2015, the City held Investments in the State Treasurer's Local Government Investment Pool (the Pool) which are classified as cash and cash equivalents on the City's balance sheets and statements of net position. These investments are reported at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Investment	Call Date	Maturity Date	Maturities	Recorded/ Fair Value
State Treasurer's Local Government Investment Pool	N/A	Daily Basis	\$47,162,527	\$47,162,527
Total Investments			\$47,162,527	\$47,162,527

Interest Rate Risk: The City currently does not have a policy governing its exposure to interest rate risk, but historically the majority of the City's investments have been in the Pool which reduces the City's interest rate risk due to the shorter term maturities of the investments in the Pool. At the end of 2015, due to low interest rates, the City had no investments outside of the LGIP. In December 2015, the LGIP's investments had net earnings rate of .25%.

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

Investments in the Pool, which is a 2a7-like unrated pool, are not subject to custodial credit risk because the investments held must be evidenced by securities that exist in physical or book entry form to be exposed to this type of risk. Instead, the investment in the Pool is treated as a type of investment with a fair value equal to the net realizable value of the entity's share of the Pool based on the Pool's valuation method. The City has reported its total investment in the Pool at fair value. The City has received assurances from the State Treasurer's Office that the fair value of the total investment reported on the December 31, 2015 account statements is the same as the value of the pool shares.

Credit Risk: No credit rating is available for the Pool because the Pool has not been rated. Although the City held no other investments during the year, the City typically buys investments rated AAA by both Standard & Poor's and Moody's Investors Services. The City currently does not have a policy related to credit risk.

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

## CITY OF SEATAC

### Notes to the Financial Statements (Continued) For the Year Ended December 31, 2015

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#### NOTE 5 - PROPERTY TAXES

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

##### Property Tax Calendar

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

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

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

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

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

Statutory Maximum Rates for Districts: State law (RCW 84.52.043) establishes maximum levy rates for the various types of taxing districts. In addition, this statute establishes a maximum aggregate rate of \$5.90 per \$1,000 of assessed value for counties, cities, fire districts, library districts and certain other junior taxing districts. The State school levy for support of common schools is not subject to the \$5.90 limit, but is subject to the constitutional \$10.00 limit.



## CITY OF SEATAC

### Notes to the Financial Statements (Continued) For the Year Ended December 31, 2015

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The 101% Percent Limit: Washington State law in RCW 84.55.010 limits the growth of regular property taxes to the lesser of one percent or inflation, defined by the implicit price deflator (IPD), after adjustments for new construction. Any levy by a taxing district in excess of the taxing district's limit requires voter approval. If such a levy is approved, it becomes the base for calculation of future levies, unless approved for a limited time or purpose. The property tax growth limit applies to the regular (non-voter-approved) levies of each property taxing district. The limit does not apply to excess or voter-approved levies, such as local school maintenance and operation levies and levies to retire bond issues.

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

The City's property tax levy rate was \$3.10 per \$1,000 of assessed value. Based on a City-wide assessed valuation of \$4,214,701,311 the total property tax levy for 2015 was \$13,238,154. (Note: Property taxes collected in 2015 are based on the 2014 assessed valuation).

#### NOTE 6 - CAPITAL ASSETS

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

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

Beginning in 2003, the City was required by GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, to start reporting capital assets used in governmental activities in the government-wide Statement of Net Position. Governmental capital assets are not reported in the fund balance sheets but are recorded as expenditures in the year purchased. Capital assets were previously reported in the General Fixed Assets Account Group, which was eliminated by GASB Statement No. 34. In addition, GASB Statement No. 34 required the City to depreciate its governmental capital assets. The depreciation expense for these assets is recorded in the government-wide Statement of Revenues, Expenditures and Change in Net Position 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 2015. Please note that \$1,642,876(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.

**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2015**

<b>Governmental Activities Capital Assets</b>	<b>Beginning Balance 01/01/2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers In/ (Out)</b>	<b>Ending Balance 12/31/2015</b>
<b>Capital assets not being depreciated:</b>					
Land	324,408,480	-	-	-	324,408,480
Intangible Assets-Easements	127,978	-	-	-	127,978
Construction in Progress (CIP)	13,109,842	8,106,372	(1,869,447)	-	19,346,767
Total assets not being deprec.	337,646,300	8,106,372	(1,869,447)	-	343,883,225
<b>Capital assets being depreciated:</b>					
Buildings/Bldg Improvements	43,928,595	407,810	-	-	44,336,405
Other Improvements	12,425,363	166,801	-	-	12,592,164
Infrastructure	83,244,487	2,000,871	-	-	85,245,358
Equipment/Vehicles	1,991,593	42,440	(95,656)	-	1,938,377
Equipment/Vehicles (Eq Rental)	3,417,616	188,336	(73,298)	220,394	3,753,048
Intangible Assets-Software	729,751	-	(94,277)	-	635,474
Total assets being depreciated	145,737,405	2,806,258	(263,231)	220,394	148,500,826
<b>Total governmental capital assets before depreciation</b>	<b>\$ 483,383,705</b>	<b>\$ 10,912,630</b>	<b>\$ (2,132,678)</b>	<b>\$ 220,394</b>	<b>\$ 492,384,051</b>
<b>Less accumulated depreciation for:</b>					
Buildings/Bldg Improvements	(15,340,958)	(1,810,398)	-	-	(17,151,356)
Other Improvements	(5,776,213)	(660,864)	-	-	(6,437,077)
Equipment/Vehicles	(1,555,358)	(109,989)	95,656	-	(1,569,691)
Equipment/Vehicles (Eq Rental)	(1,968,551)	(207,589)	65,969	-	(2,110,171)
Infrastructure	(53,014,506)	(2,544,066)	-	-	(55,558,572)
Intangible Assets-Software	(537,918)	(34,144)	94,277	-	(477,785)
Total accumulated depreciation	(78,193,504)	(5,367,050)	255,902	-	(83,304,652)
<b>Total governmental activities capital assets (net)</b>	<b>\$ 405,190,201</b>	<b>\$ 5,545,580</b>	<b>\$ (1,876,776)</b>	<b>\$ 220,394</b>	<b>\$ 409,079,399</b>

Depreciation expense was charged in the government-wide Statement of Revenues, Expenditures and Changes in Net Position for the following governmental activities by function:

<b>Governmental Activities:</b>	
Judicial	\$2,338
General Government	522,119
Public Safety	254,086
Physical & Economic Environment	934,046
Transportation	2,570,860
Transportation (Equipment Rental - Internal Service Fund)	207,589
Culture & Recreation	876,013
<b>Total Depreciation Expense-Governmental Activities</b>	<b>\$5,367,051</b>

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

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

CITY OF SEATAC

Notes to the Financial Statements (Continued)  
For the Year Ended December 31, 2015

assets.

The following schedule summarizes the capital asset data for business-type proprietary funds for 2015:

Business-Type Activities Capital Assets	Beginning Balance 01/01/2015	Increases	Decreases	Transfers In & (Out)	Ending Balance 12/31/2015
Capital assets not being depreciated:					
Construction in Progress	29,931	-	(29,931)	-	-
Intangible Assets-Easements-SWM	35,442	-	-	-	35,442
Total assets not being depreciated	65,373	-	(29,931)	-	35,442
Capital assets being depreciated:					
Buildings-SWM	228,560	-	-	-	228,560
Other Improvements-SWM	32,476,815	434,352	-	-	32,911,167
Equipment-SWM	-	233,312	-	(220,394)	12,918
Intangible Assets-Software-SWM	101,336	13,688	-	-	115,024
Total assets being depreciated	32,806,711	681,352	-	(220,394)	33,267,669
Total business-type capital assets before depreciation	\$ 32,872,084	\$ 681,352	\$ (29,931)	\$ (220,394)	\$ 33,303,111
Less accumulated depreciation for:					
Buildings	(51,313)	(5,161)	-	-	(56,474)
Other Improvements	(6,737,217)	(630,229)	-	-	(7,367,446)
Equipment	-	(1,250)	-	-	(1,250)
Intangible Assets-Software	(91,202)	-	-	-	(91,202)
Total accumulated depreciation	(6,879,732)	(636,640)	-	-	(7,516,372)
Total bus-type capital assets (net)	\$ 25,992,352	\$ 44,712	\$ (29,931)	\$ (220,394)	\$ 25,786,739

In 2015, the Surface Water Utility Fund purchased a box van and related camera equipment and transferred the equipment into the Equipment Rental Fund in the amount of \$220,394.

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

Business-type Activities:	
Utilities/Physical Environment (Surface Water Utility)	\$636,640
Total Depreciation Expense-Business-type Activities	\$636,640

**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2015**

**C. Construction Commitments**

The following table describes the active construction projects on December 31, 2015 and the City's commitment with the contractors:

Project	Spent to Date	Remaining Commitment
CH2M Hill Engineers, Inc. – Connecting 28th/24th Avenue South – Engineering	\$3,236,561	\$1,253,434
Johansen Excavating, Inc. - Military Road South/South 176th to South 166th – Construction	\$10,330,872	\$94,209
Porter Bothers Construction – Fire station #45 - Construction	\$2,659,659	\$264,193
Parametrix, Inc. – 37th & 40th Ave South Sidewalks – Engineering	\$261,524	\$114,305
<b>Total Outstanding Construction Commitments</b>	<b>\$16,488,616</b>	<b>\$1,726,141</b>

**NOTE 7 - PENSION PLANS**

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2015:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$3,635,086
Deferred outflows of resources	\$900,519
Deferred inflows of resources	\$1,312,073
Pension expense/expenditures	\$498,549

**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 comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2015**

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**Public Employees' Retirement System (PERS)**

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

The City's actual contributions to the plan were \$6,521 for the year ended December 31, 2015.

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

## CITY OF SEATAC

### Notes to the Financial Statements (Continued) For the Year Ended December 31, 2015

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PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

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

#### Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2</b>
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3		varies

The City's actual contributions to the plan were \$928,085 for the year ended December 31, 2015.

#### **Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)**

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

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

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

## CITY OF SEATAC

### Notes to the Financial Statements (Continued) For the Year Ended December 31, 2015

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The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

#### Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2015. Employers paid only the administrative expense of 0.18 percent of covered payroll.

#### **Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.
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## CITY OF SEATAC

### Notes to the Financial Statements (Continued) For the Year Ended December 31, 2015

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#### Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these 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 7.5 percent 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 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

#### Estimated Rates of Return by Asset Class

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, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent 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%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	<b>100%</b>	



**CITY OF SEATAC**

**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2015**

**Sensitivity of NPL**

The table below presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, 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 (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
PERS 1	\$ 5,157,668	\$ 4,236,269	\$ 3,443,949
PERS 2/3	10,738,148	3,672,352	(1,737,663)
LEOFF 1	(50,943)	(79,629)	(104,078)

**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, 2015, the City reported a total pension liability of \$3,635,086 for its proportionate share of the net pension liabilities as follows):

	<b>Liability (or Asset)</b>
PERS 1	\$ 4,236,269
PERS 2/3	3,675,352
LEOFF 1	(79,629)

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

	<b>Proportionate Share 6/30/14</b>	<b>Proportionate Share 6/30/15</b>	<b>Change in Proportion</b>
PERS 1	.084314%	.080985%	.003329%
PERS 2/3	.105480	.102779	.002701
LEOFF 1	.006552	.006607	.000055

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 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 Nonemployer Allocations* for all plans except LEOFF 1.

**CITY OF SEATAC**

**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2015**

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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 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

**Pension Expense**

For the year ended December 31, 2015, the City recognized pension expense as follows:

	<b>Pension Expense</b>
PERS 1	\$ 359,841
PERS 2/3	122,708
LEOFF 1	16,000
TOTAL	498,549

**CITY OF SEATAC**

**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2015**

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$231,770
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	\$220,636	\$0
<b>TOTAL</b>	<b>\$220,636</b>	<b>\$231,770</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$390,372	\$0
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$980,344
Changes of assumptions	\$5,917	\$0
Changes in proportion and differences between contributions and proportionate share of contributions	\$0	\$86,516
Contributions subsequent to the measurement date	\$283,594	\$0
<b>TOTAL</b>	<b>\$679,883</b>	<b>\$1,066,860</b>

**CITY OF SEATAC****Notes to the Financial Statements (Continued)  
For the Year Ended December 31, 2015**

<b>LEOFF 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$13,443
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
<b>TOTAL</b>	<b>\$0</b>	<b>\$13,443</b>

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, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>PERS 2/3</b>
2016	\$25,955
2017	\$25,955
2018	\$25,955
2019	\$8,652

**NOTE 8 - RISK MANAGEMENT**

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

The City is exposed to various risks of loss such as: theft, damage, destruction of assets, errors & omissions, injuries or property damage to others, and natural disasters. The City purchases commercial insurance for potential claims and lawsuits. The City has not had any significant reduction in insurance coverage from the previous year, and insurance settlements have not exceeded insurance coverage for the past three fiscal years (2013, 2014, and 2015).

**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2015**

The City's commercial insurance policies, limits, and deductibles are as follows:

Coverage Type	Limits	Deductible
Property-Blanket Building & Contents	\$53,963,332	\$2,500
Earth Movement	\$2,000,000	5%/\$100,000
Flood	\$1,000,000	\$50,000
Employee Theft	\$1,000,000	\$10,000
General Liability	\$1,000,000 per occurrence/ \$2,000,000 aggregate	\$5,000
Employment Practices Liability	\$1,000,000	\$10,000
Auto Liability	\$1,000,000	\$1,000
Umbrella Excess Liability	\$9,000,000	(Excess of general & auto liability)
Employee Benefit Liability	\$1,000,000	\$1,000
Public Entity E&O	\$1,000,000	\$10,000

The City's industrial insurance is provided by Washington State and is administered by the Department of Labor and Industries. Coverage is purchased by means of standard rates per working hour and is computed by the total number of hours worked by employees multiplied by the basic premium rate assigned to the business risk classification. The following are benefits provided by industrial insurance: medical services, damaged clothing, travel expenses, time-loss payments, vocational rehabilitation, partial disability awards, pension awards and survivor benefits.

The City's unemployment insurance is through the Federal/State system, which provides some compensation to workers who are temporarily and involuntarily unemployed. It is administered in Washington State by the Employment Security Department in accordance with the provisions of the Employment Security Act. The City's employer status for unemployment insurance is as a "taxable" employer.

There were no significant reductions in insurance coverage from 2014 in any of the major categories of risk. Also, the amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

**NOTE 9 - SHORT-TERM DEBT**

As of December 31, 2015, the City had no short term debt outstanding. Additionally, there was no short term debt activity during the year.

**NOTE 10 - LONG-TERM DEBT**

**A. General Obligation Bonds**

General obligation bonds are a direct obligation of the City for which its full faith and credit are pledged. Debt service (principal, interest and fees) is paid out of "debt service funds". Debt service for City Council authorized debt (councilmanic issues) is currently funded with hotel/motel taxes. Outstanding general obligation debt is reported in the government-wide Statement of Net Position and not in the fund financial statements.

**CITY OF SEATAC**

**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2015**

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

**B. Special Obligation Bonds**

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

General obligation and special obligation bond debt outstanding as of the end of 2015 are listed in the table below:

Description/Range of Maturities	Interest Rate	Original Issue Amount	Amount Outstanding
2009 LTGO Refunding (2010 – 2018) Portion that Refunded the 1998 Hotel/Motel Bonds	2.00% - 4.00%	\$2,675,000	\$955,000
Total General Obligation Bonds		\$2,675,000	\$955,000
2009 South Correctional Entity Facility Public Development Authority Bonds Series 2009A Bonds (2015/2016/2017/2021/2022)	4.00% - 5.00%	\$246,150	\$186,450
2009 South Correctional Entity Facility Public Development Authority Bonds Series 2009B Bonds (Taxable Build America Bonds – Direct Payment) (2013/2014/2016/2018-2021/2022-2039)	3.001% - 6.616%	\$2,340,900	\$2,224,950
Total Special Obligation Bonds (Contractual)		\$2,587,050	\$2,411,400
Total Governmental-type Debt		\$5,262,050	\$3,366,400

**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2015**

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

Governmental-type Debt					
2009 LTGO Refunding Bonds (General Obligation)			2009 SCORE Bonds (2009A & 2009B) (Contractual Special Obligation)		
Rating: Standard & Poor's AA+			Ratings: Moody's A1 & S&P AA		
Year Ending Dec 31	Principal	Interest	Year Ending Dec 31	Principal	Interest <sup>1</sup>
2016	305,000	38,200	2016	61,950	147,357
2017	320,000	26,000	2017	64,350	144,607
2018	330,000	13,200	2018	67,200	141,479
2019	0	0	2019	69,300	138,067
2020-2024	0	0	2020-2024	387,150	633,065
2025-2029	0	0	2025-2029	470,250	505,012
2030-2034	0	0	2030-2034	577,950	334,753
2035-2039	0	0	2035-2039	713,250	121,942
Total Ref Bonds	\$955,000	\$77,400	Total SCORE Bonds	\$2,411,400	2,166,282

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

As of the end of 2015, the City has used 4.0% of its Councilmanic (non-voted - up to 1.5% of total taxable property) general purposes debt capacity (includes the contractual obligation for the SCORE bonds) and has \$71 million remaining in available debt capacity. For voted debt (up to 2.5% of total taxable property), the City has \$120 million in remaining debt capacity. There is currently no voted debt outstanding. (Note: If the City issued the full \$71 million of Councilmanic debt, only \$49.9 million in voted debt could be issued for general purposes.)

The City had no arbitrage rebate liability for outstanding tax exempt bonds in 2015.

At December 31, 2015, the City had \$363,208 in cash and cash equivalents in debt service funds to service the general bonded debt. Additionally, all general obligation bond proceeds have been fully expended except the debt issue for the City's 1998 Limited Tax General Obligation Bonds (Hotel/Motel Tax Bonds) in the amount of \$5,001,021 (including the premium) which were refunded in 2009 as stated above. These bond proceeds will be used in the future for the acquisition/construction of tourism related capital facilities per Ordinance #98- 1049.

**C. Revenue Bonds**

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

## CITY OF SEATAC

### Notes to the Financial Statements (Continued) For the Year Ended December 31, 2015

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#### D. Special Assessment Bonds

Special assessment bonds are not a direct responsibility of the City, but are funded from the collection of special assessment installment payments. Neither the full faith and credit nor the taxing power of the City is pledged to the payment of the bonds. The City is obligated for special assessment debt to the extent that it is required to establish an LID Guarantee Fund for the purpose of guaranteeing the payment of local improvement bonds in the event there are insufficient funds in the Special Assessment Debt Fund (#204). This Fund pays the debt service principal and interest costs with installment payments from the assessments of benefiting property owners. In 2014, the LID #1 bonds were paid off in full which allowed for closure of the LID Guarantee Fund in 2015.

Delinquent assessments receivable had a balance of \$0 at the end of the year. The outstanding liability from the special assessment bond issue is reported in the government-wide Statement of Net Position. In 2015, no additional special assessment bonds were issued and the City had no arbitrage rebate liability.

#### NOTE 11 - LEASES

##### A. Operating Lease Receivables

The City has four cancelable lease agreements to lease out portions of the second floor in City Hall. The City also has two lease agreements to house antennas on roofs of City buildings. One antenna is on the roof of City Hall and the other one is on the roof of the SeaTac Community Center.

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

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

On December 31, 2009, the City purchased a retail building (SeaTac Center) near the South 154<sup>th</sup> Street Light Rail Station for \$12.3 million. The City paid \$8.4 million for the building and \$3.9 million for the land. At the end of 2015, accumulated depreciation on the building was \$5.1 million. This building was purchased with economic development in mind and to assist the City in its planning efforts to redevelop this area in the future. The building has 61,641 square feet of retail lease space. In early 2010, the City hired a property manager to handle the leasing transactions and other property management functions for this building. At the end of December 2015, the City had 7 tenants with non-cancelable lease terms in excess of one year. A summary of the terms of the lease contracts are shown in the table below:



CITY OF SEATAC

Notes to the Financial Statements (Continued)  
For the Year Ended December 31, 2015

	Tenant #1	Tenant #2	Tenant #3		Tenant #4	Tenant #5
Square Footage	6,336	4,232	1,427	1,969	8,618	904
Commencement Date	1/1/2014	8/7/2015	9/1/2011	2/1/2011	2/1/2012	7/1/2013
Termination Date	12/31/2017	8/31/2017	1/31/2016	1/31/2016	7/31/2017	6/30/2016
Contract Terms	Lease extension: \$18 sq ft w/3% increase annually + 236 sq ft storage	\$3,526 per month for two years	Lease #1: Mths 1-3 \$0 \$20.00 per sq ft w/3% increase annually	Lease #2: \$20.00 sq ft w/3% increase annually	Lease #2: Mths 1-6 \$0 Mths 7-42 \$5,500 Mths 43- 54 \$5,950; Mths 55- 66 \$6,150	\$1,124 per mth w/2% increase annually
	Tenant #6	Tenant #7	Tenant #8	Tenant #9	Tenant #10	
Square Footage	2,759	2,876	24,500	4,316	1,406	
Commencement Date	12/15/2007	1/1/2012	11/1/2012	6/1/2014	7/1/2014	
Termination Date	4/15/2018	12/31/2016	2/28/2018	5/31/2018	6/30/2018	
Contract Terms	\$19.50 sq ft w/3% increase annually	Lease Extension: \$3,387 per mth w/3% increase annually	Mths 1-4 Free Rent; Mts 5-12 \$8000; Mths 13-24: \$15,000; Mths 25-36: \$15,450; Mths 37-48: \$15,914 Mths 49-60: \$16,391; Mths 61-64: \$16,883	First year \$4,954 per mth; Years 2-4 \$5,078 per mth	\$18.00 sq ft w/2.7% increase annually	

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

2016	710,149
2017	551,940
2018	228,183
Total min lease payments required	<u>\$2,190,596</u>

**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2015**

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

During the year ended December 31, 2015, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/15	Additions	Reductions	Ending Balance 12/31/15	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds	1,255,000	-	(300,000)	955,000	305,000
Special obligation bonds	2,471,100	-	(59,700)	2,411,400	61,950
Special assessment bonds	-	-	-	-	-
Add: Premium on GO bonds	45,537	-	(11,384)	34,153	11,384
Total bonds payable - net	\$ 3,771,637	\$ -	\$ (371,084)	\$ 3,400,553	\$ 378,334
Other post-employment benefits-NOO	479,436	155,810	(63,908)	571,338	N/A
Compensated absences	929,203	3,570	(39,398)	893,375	-
Compensated absences-ISF	6,529	1,548	-	8,077	-
Gov activities long-term liabilities	\$ 1,415,168	\$ 160,928	\$ (103,306)	\$ 1,472,790	\$ -
Business-type Activities:					
Compensated absences	25,892	-	(2,949)	22,943	1,147
Bus-type activities long-term liab	\$ 25,892	\$ -	\$ (2,949)	\$ 22,943	\$ 1,147

The liability for the other post-employment benefits is funded primarily by the General Fund. The internal service fund predominantly serves the governmental funds. Accordingly, long-term liabilities for the internal service fund are included as part of the totals for governmental activities. At year end, internal service funds had \$8,078 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.

**NOTE 13 - CONTINGENCIES AND LITIGATIONS**

The City Attorney reports that as of December 31, 2016, the following tort lawsuits are as follows:

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

K&S Developments commenced a lawsuit against the City on various causes of action including Inverse Condemnation, Substantive Due Process, Procedural Due Process, Equal Protection, Federal Taking, Breach of Contract, and Interference with a Business Expectancy. On July 8, 2016, the trial judge entered judgment against the City in the amount of \$18,306,810. This includes \$7,506,767 in post takings interest. The City is appealing this judgment on various issues to the Court of Appeals, Division 1.

It is unknown what portion of the judgment will be covered by insurance. The City's insurer filed a declaratory judgment action in the United States District Court Western District of Washington (*St. Paul Fire and Marine Insurance Company v. City of SeaTac, et al, Case No.: 2:16-cv-00103*) seeking a determination that they owe no indemnity obligation to the City. This matter is currently being litigated.

The City Attorney has received no information, other than referenced above, and has no knowledge of any other threatened or potential claims or lawsuits which would materially affect the City's financial condition, as of the aforesaid date.

**CITY OF SEATAC**

**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2015**

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

The government-wide Statement of Net Position reports \$26,490,161 in restricted net position. None of the restrictions were from enabling legislation.

**NOTE 15 - INTERFUND BALANCES & TRANSFERS**

During 2015, the City had a number of interfund transfers. Most of the City's interfund transfers are considered nonreciprocal interfund activities and are legally authorized transfers of resources from one fund to another fund. The receiving fund accounts for the transfer in as an "other financing source" while the paying fund accounts for the transfer out as an "other financing use". Transfers are included in the operating statements of the respective funds.

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

	Transfers From (Out)					
	Fund	General Fund <sup>1</sup>	Street Fund	SWM Utility Fund	Equipment Rental Fund <sup>2</sup>	Other Non- Major Funds
Transfers (In)	General Fund #001	\$ -	\$ 395,050	\$ 115,823	\$ 115,823	\$ 371,140
	Transportation CIP Fund #307	-	5,000,000	-	-	-
	Surface Water Utility Fund #403	-	-	-	-	3,140
	Other Non-Major Funds	-	-	147,827	-	151,280
	Total Cash Transfers	\$ -	\$ 5,395,050	\$ 263,650	\$ 115,823	\$ 525,560
	Transfer in of capital assets:					
	To Surface Water Utility Fund #403 from Transportation Capital Improvement Fund #307					
	To Equipment Rental Fund #501 from Surface Water Utility Fund #403					
	Total Interfund Transfers					

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

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

In the proprietary statements, the transfer in of capital assets from the governmental funds is shown as a capital contribution. When assets are purchased by governmental funds, the amounts paid for the assets are recorded as capital expenditures on the governmental Statement of Revenues, Expenditures and Changes in Fund Balance. The capital expenditures are then eliminated as part of the government-wide reconciliation process and are shown as assets on the Statement of Net Position. The Surface Water Utility Fund transferred equipment additions for the box truck into the Equipment Rental Fund in 2015 in the amount of \$220,394.

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

## **CITY OF SEATAC**

### **Notes to the Financial Statements (Continued) For the Year Ended December 31, 2015**

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#### **General Fund #001**

The following interfund transfers were made into the General Fund in 2015:

1. Street Fund #102 - Reimbursement of administrative costs (\$382,000) and Maintenance Facility maintenance costs (\$13,050) for a total amount of \$395,050.
2. Des Moines Creek Basin ILA Fund #111 - Reimbursement for treasury services provided by the City per Interlocal Agreement (\$2,000).
3. Surface Water Utility Fund #403 - Reimbursement of administrative costs and Maintenance Facility maintenance costs (\$115,823).
4. Equipment Rental Fund #501 - Reimbursement of administrative costs and Maintenance Facility maintenance costs (\$115,823).
5. Building Management Fund #108 - Transfer of construction sales taxes to support City Hall Maintenance (\$295,100) and City Clerk Scanning of documents for storage (\$17,000).
6. LID Guarantee Fund #205 - Transfer of remaining funds to General Fund to close fund per Ordinance #15-1019 (\$12,500).
7. Fire Equipment Capital Reserve Fund #303 - Transfer of remaining funds to close fund per Ordinance #15-1019 (\$44,540).

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

#### **Transportation CIP Fund #307**

One interfund transfer totaling \$5,000,000 was made into the Transportation CIP Fund from the Street Fund #102 to assist with the payment of capital infrastructure projects in the City.

#### **Surface Water Utility Fund #403**

One transfer was made into the Surface Water Utility Fund from the Des Moines Creek Basin Fund #111 in the amount of \$3,140 as reimbursement for the City provided berm mowing costs at the Basin.

#### **Non-Major Fund Transfers**

Two non-major fund transfers in were made as follows: 1) The Surface Water Utility Fund #403 transferred \$147,827 to the Des Moines Creek Basin Fund #111 for maintenance and operations (\$67,523) of the basin and to accumulate reserves (80,304) for future capital improvements, and 2) Building Management #108 transferred \$51,280 to Municipal Capital Improvements for City Hall lighting and \$100,000 to Facility Repair and Replacement #110 for repairs and maintenance at City Hall.

CITY OF SEATAC

Notes to the Financial Statements (Continued)  
For the Year Ended December 31, 2015

NOTE 16 - RECEIVABLE AND PAYABLE BALANCES

A. Receivables

The receivable balances for the major funds at December 31, 2015 were as follows:

Fund	Taxes	Customer Accounts (Net) <sup>1</sup> & Contracts	Interest	Due from Other Gov	Total
Governmental Activities:					
General #001 <sup>2</sup>	3,105,058	1,154,361	534	163,869	4,423,822
Street #102	653,843	10,541	-	94,008	758,392
Hotel/Motel Tax #107	200,247	3,400	-	-	203,647
Special Assessment Debt #204	-	-	-	-	-
Transportation CIP #307	-	1,519	-	-	1,519
Other Non-Major Funds	118,586	74,242	-	4	192,832
Subtotal Governmental Activities	\$ 4,077,734	\$ 1,244,063	\$ 534	\$ 257,881	\$ 5,580,212
Reconciliation of balances in fund financial statements to government-wide financial statements:					
Internal service fund adjustment	-	-	-	-	-
Investment interest receivable	-	-	-	-	-
Total Governmental Activities	\$ 4,077,734	\$ 1,244,063	\$ 534	\$ 257,881	\$ 5,580,212
Amounts not scheduled for collection during the subsequent year for:					
Governmental Activities	-	-	-	-	-
Business-type Activities:					
Surface Water Utility #403	-	127,147	-	-	127,147
Total Business-type Activities	\$ -	\$ 127,147	\$ -	\$ -	\$ 127,147

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

<sup>2</sup> Includes special revenue funds merged into the General Fund per GASB Statement

CITY OF SEATAC

Notes to the Financial Statements (Continued)  
For the Year Ended December 31, 2015

**B. Payables**

The City's payable balances for the major funds at December 31, 2015 were as follows

Fund	Accounts	Due to Other Gov	Deposits & Custodial	Interest & Other	Total
Governmental Activities:					
General #001 <sup>1</sup>	387,003	-	330,409	-	717,412
Street #102	113,217	-	210	-	113,427
Hotel/Motel Tax #107	137,224	-	-	-	137,224
Transportation CIP #307	336,108	-	-	-	336,108
Other Non-Major Funds	367,512	-	-	-	367,512
Subtotal Governmental Activities	\$ 1,341,064	\$ -	\$ 330,619	\$ -	\$ 1,671,683
Reconciliation of balances in fund financial statements to government-wide financial statements:					
Internal service fund adjustment	7,120	-	-	-	7,120
Total Governmental Activities	\$ 1,348,184	\$ -	\$ 330,619	\$ -	\$ 1,678,803
Business-type Activities:					
Surface Water Utility #403	83,215	9,074	-	-	92,289
Total Business-type Activities	\$ 83,215	\$ 9,074	\$ -	\$ -	\$ 92,289

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

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

The South Correctional Entity (SCORE) consolidated correctional facility was established February 25, 2009, when an Interlocal Agreement (the "Original Interlocal Agreement") was entered into by seven participating municipal governments, the "Member Cities" of Auburn, Burien, Des Moines, Federal Way, Renton, SeaTac and Tukwila, under the authority of the "Interlocal Cooperation Act" (RCW 39.34). This "Original Interlocal Agreement" was amended and restated October 1, 2009 and named the City of Des Moines as the "Host City" and the remaining Member Cities as "Owner Cities". This Interlocal Agreement is known as the "Formation Interlocal Agreement". Pursuant to a separate "Host City Agreement" dated October 1, 2009, the Host City will not enjoy the same equity position as the Owner Cities until all debts issued are paid and the Host City fulfills all of its obligations as outlined in the Host City Agreement. Pursuant to SCORE financial policies, all unexpected funds or reserve funds shall be distributed based on the percentage of the Member City's average daily population at the SCORE Facility for the last three (3) years regardless of their Owner City or Host City status.

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

# CITY OF SEATAC

## Notes to the Financial Statements (Continued) For the Year Ended December 31, 2015

Financing for the acquisition, construction, equipping, and improvement of the SCORE Facility was provided by bonds issued by the South Correctional Entity Facility Public Development Authority (the "SCORE PDA"), a public development authority chartered by the City of Renton pursuant to RCW 35.21.730 through 35.21.755 and secured by the full faith and credit of the Cities of Auburn, Burien Federal Way, Renton, SeaTac, and Tukwila. The SCORE PDA issued \$86 million in special obligation bonds in 2009 (the "Bonds") to construct, develop, acquire and equip the SCORE Facility. Pursuant to the Formation Interlocal Agreement and the ordinances of each city, each Owner City (which includes the Cities of Auburn, Burien, Federal Way, Renton, SeaTac, and Tukwila) is obligated to budget for and pay its share, and only its share, of the principal of and the interest on the Bonds as the same become due and payable. Each Owner City's obligation to pay its portion is an irrevocable, unconditional full faith and credit obligation of such Owner City, payable from 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 therefore. The following is a summary of the debt service requirements for the Bonds:

Summary of Debt Service Requirements										
Debt Service Schedule					Debt Service Allocation to Owner Cities					
Year	Principal	Interest	BABs Subsidy	Total	Auburn 31%	Burien 4%	Federal Way 18%	Renton 36%	SeaTac 3%	Tukwila 8%
2016	2,065,000	4,911,886	-1,513,594	5,463,292	1,693,621	218,532	961,938	1,966,785	163,899	437,063
2017	2,145,000	4,820,241	-1,503,576	5,461,665	1,693,116	218,467	961,787	1,966,199	163,850	436,933
2018	2,240,000	4,715,979	-1,503,576	5,452,403	1,690,245	218,096	960,120	1,962,865	163,572	436,192
2019	2,310,000	4,602,229	-1,467,237	5,444,992	1,687,948	217,800	980,099	1,960,197	163,350	435,599
2020-2024	12,905,000	21,102,168	-7,183,090	26,824,078	8,315,464	1,072,963	4,792,146	9,656,668	804,722	2,145,926
2025-2029	15,675,000	16,833,706	-6,067,796	26,440,910	8,196,682	1,057,636	4,764,726	9,518,728	793,227	2,115,273
2030-2034	19,265,000	11,158,380	-4,128,483	26,294,897	8,151,418	1,051,796	4,738,412	9,466,163	788,847	2,103,592
2035-2039	23,775,000	4,064,705	-1,697,914	26,141,791	8,103,955	1,045,672	4,711,407	9,411,045	784,254	2,091,343
Totals	\$80,380,000	\$72,209,294	(25,065,266)	\$127,524,028	\$39,532,449	\$5,100,962	\$22,870,635	\$45,908,650	\$3,825,721	\$10,201,921

The City of SeaTac reports its share of equity interest in the Governmental Activities column within the Government- wide financial statements. The following is condensed financial information as of December 31, 2014 related to SCORE:

South Correctional Entity (SCORE) 2015 Member Cities Equity Allocation					
Member City	Percent of Equity	2014 Equity Balance	Prior Period Adjustment	2015 Apportionment	2015 Equity Balance
Auburn	30.00%	\$4,243,235	(1,048,625)	\$137,167	\$3,331,777
Burien	3.00%	515,410	(155,837)	17,268	\$376,841
Des Moines	2.00%	292,160	(113,182)	18,288	\$197,266
Federal Way	24.00%	3,676,725	(1,204,461)	148,312	\$2,620,576
Renton	29.00%	4,220,405	(1,134,356)	136,621	\$3,222,670
SeaTac	5.00%	712,666	(240,723)	26,524	\$498,467
Tukwila	7.00%	1,080,470	(326,032)	34,103	\$788,541
Grand Totals	100.00%	14,741,071	(4,223,216)	518,283	11,036,138

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

**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2015**

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**NOTE 18 - OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS**

**A. LEOFF 1 Retirees**

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

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

**Funding policy:** The City contributes 100% of the cost of medical insurance premiums for all LEOFF 1 retirees (excludes spouses). In addition, the City reimburses LEOFF 1 retirees for all validated claims for medical, dental (\$1,000 annual limit) and hospitalization costs incurred by the retirees. Only those medical services and expenditures which are deemed reasonable and necessary by the LEOFF Board will be paid by the City. State statute provides that the City's responsibility for medical payments of LEOFF 1 retirees is secondary to any other coverage retirees receive or are eligible to receive. LEOFF Board policies and procedures stipulate that medical services payable under this benefit Plan be reduced by any amount received or eligible to be received under worker's compensation, Medicare, insurance provided by another employer, other pension plan, or other similar sources. In the event any such alternative source of payment is available, it shall be incumbent upon the requesting member to apprise the Board of such source, if known to the member, and failure to do so may result in the loss of medical benefits.

A dedicated trust fund has not been established for LEOFF 1 retiree benefits; therefore, the City's current funding policy is based upon pay-as-you-go financing requirements. During the year, the City contributed \$63,908 to the Plan for postemployment health care.

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

Annual required contribution (ARC)	\$179,754
Interest on net OPEB obligation	19,177
Adjustment to annual required contribution	(43,121)
Annual OPEB cost (expense)	155,810
Contributions made	(63,908)
Increase in net OPEB obligation	91,902
Net OPEB Obligation – Beginning of Year	479,436
Net OPEB Obligation – End of Year	\$571,338



**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2015**

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The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2015 and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Contribution as a Percentage of Annual OPEB Cost	OPEB Obligation
2013	\$141,527	51%	\$391,489
2014	\$148,065	41%	\$479,436
2015	\$155,810	41%	\$571,338

Funded status and funding progress: As of June 30, 2015, the most recent actuarial valuation date (valuation report is issued by the Office of the State Actuary (OSA), the actuarial accrued liability (AAL) for benefits was \$1,998,572 all of which was unfunded. There is no covered payroll (annual payroll of active employees covered by the Plan) calculation because there are no active employees covered by the Plan.

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

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

The following simplifying assumptions were made:

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

Mortality: Mortality rates were assumed to follow the LEOFF 1 mortality rates used in the June 30, 2015 actuarial valuation report issued by the Office of the State Actuary (OSA) for Washington State.

Healthcare cost trend rate and inflation rate: The medical inflation trend is the percent that medical costs are expected to increase in future years. The expected medical inflation trend varies by medical plan and Medicare coverage, starting at approximately 7.0% in 2012 (includes the impact of the Patient Protection and Affordable Care Act (PPACA) excise tax starting in 2020) and decreasing to 5.8% in 2015. The expected long-term health care inflation assumption of 4.75% was used based on health care actuaries contracted at Milliman. Healthcare costs and trends were also determined by Milliman and used by OSA in the State-wide LEOFF 1 medical study performed in 2013. The results were based on grouped data with four active groupings and four inactive groupings.

**Notes to the Financial Statements (Continued)**  
**For the Year Ended December 31, 2015**

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

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

Interest discount rate: An expected long-term yield of 4.0% (Annual rate, compounded annually) was chosen because liabilities will be funded on a pay-as-you-go basis and LEOFF 1 accounts are invested in short term investment products.

Inflation rate: The expected long-term inflation assumption of 3.0% was based on the CPI for Urban Wage Earners and Clerical Workers, Seattle-Tacoma-Bremerton, WA - All items.

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

**B. Association of Washington Cities Employer Benefit Trust ("Trust")**

The City of SeaTac 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, 2015, 261 cities/towns/non-city entities participate 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. 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 insurance through Group Health, Regence BlueShield and Asuris Northwest Health, dental insurance through Delta Dental of Washington, and vision insurance through 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. The AWC Trust HCP purchases stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

## CITY OF SEATAC

### Notes to the Financial Statements (Continued) For the Year Ended December 31, 2015

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Participating employers contract to remain in the AWC 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 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 HCP. Similarly, the terminating member forfeits all rights and interest to the 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 and Chapter 200-110WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's Office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board (GASB). 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 19 - OTHER DISCLOSURES

##### A. Accounting and Reporting Changes

The Governmental Accounting Standards Board (GASB) issued Statement 68 - Accounting and Financial Reporting for Pensions, in 2012 for implementation to be effective with the end of year 2015. The requirements of this Statement will improve and enhance accountability by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense.

##### B. Subsequent Events

In December 2014, the City Council passed Ordinance #15-1021 repealing Ordinance #14-1015 establishing a 6% tax on the gross revenues of certain utilities operating within the City effective March 1, 2016. Loss of revenue in 2016 from repealing the Utility Tax is estimated at \$2.7 Million.

## CITY OF SEATAC

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund**  
**For the Year Ended December 31, 2015**

	2015-2016 Biennial Budget Amounts		Actual Amounts*	Variance
	Original	Final		
<b>Revenues</b>				
Taxes	29,100,000	29,100,000	30,843,136	1,743,136
Licenses & permits	1,555,392	1,555,327	1,612,257	56,930
Intergovernmental & contributions	1,009,850	1,551,312	1,709,706	158,394
Charges for services	1,202,697	1,269,697	1,290,637	20,940
Fines & forfeitures	580,275	580,840	635,121	54,281
Investment & other earnings	39,500	41,400	62,710	21,310
Rent & leases	195,400	1,450,400	1,439,952	(10,448)
Miscellaneous	15,000	286,200	337,050	50,850
<b>Total Revenues</b>	<b>33,698,114</b>	<b>35,835,176</b>	<b>37,930,569</b>	<b>2,095,393</b>
<b>Expenditures</b>				
Judicial	662,646	707,646	670,565	37,081
General Government	5,930,642	7,114,914	6,408,415	706,499
Public Safety	20,306,379	20,608,109	19,522,276	1,085,833
Transportation	897,407	1,071,213	899,808	171,405
Health & Human Services	679,340	777,405	782,079	(4,674)
Physical & Economic Environment	2,089,418	1,979,351	2,299,430	(320,079)
Culture & Recreation	4,060,316	3,521,566	3,428,378	93,188
Debt Service				
Interest		-	-	-
Capital outlay	10,000	337,994	36,088	301,906
<b>Total Expenditures</b>	<b>34,636,148</b>	<b>36,118,198</b>	<b>34,047,039</b>	<b>2,071,159</b>
Excess (deficiency) of revenues over (under) expenditures	(938,034)	(283,022)	3,883,530	24,234
<b>Other financing Sources (Uses)</b>				
Transfers in	1,843,796	2,794,836	1,097,836	(1,697,000)
Disposal & ins-capital assets	711,156	711,156	18,762	(692,394)
<b>Total Other Fin Sources (Uses)</b>	<b>2,554,952</b>	<b>3,505,992</b>	<b>1,116,598</b>	<b>(2,389,394)</b>
Net Change in Fund Balances	1,616,918	3,222,970	5,000,128	1,777,158
Fund Balances - January 1, 2015	8,655,839	8,655,839	8,655,839	-
<b>Fund Balances December 31, 2015</b>	<b>10,272,757</b>	<b>11,878,809</b>	<b>13,655,967</b>	<b>1,777,158</b>

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

## CITY OF SEATAC

**Reconciliation of General Fund Budgetary Basis Actual Amounts to GAAP Basis Actual Amounts in the General Fund Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended December 31, 2015**

	General Fund Budgetary Basis - Actual Amounts	Contingency Reserve Fund	Port of Seattle ILA	Transit Planning	Building Management	Facility Repair & Replacement	Eliminate Transfers & Spec Item Adj	General Fund GAAP Basis-Actual Amounts	Net Change- Increase (Decrease)
<b>Revenues</b>									
Taxes	30,843,136	-	-	-	-	-	-	30,843,136	-
Licenses & permits	1,612,257	-	-	-	-	-	-	1,612,257	-
Intergovernmental & Contributions	1,709,706	-	-	333,220	-	-	-	1,709,706	-
Charges for services	1,290,637	-	-	-	-	101,806	-	1,290,638	1
Fines & forfeitures	635,121	-	-	-	19,347	-	-	635,121	-
Investment & other earnings	62,710	1,084	2,173	244	3,151	532	-	62,710	-
Rent & leases	1,439,952	-	-	-	1,246,953	-	-	1,439,952	-
Miscellaneous	337,050	-	-	3	230,985	-	-	337,050	-
<b>Total Revenues</b>	<b>37,930,569</b>	<b>1,084</b>	<b>2,173</b>	<b>333,467</b>	<b>1,500,436</b>	<b>102,338</b>	<b>-</b>	<b>37,930,570</b>	<b>1</b>
<b>Expenditures</b>									
<b>Current</b>									
Judicial	707,646	-	-	-	-	-	-	670,565	(37,081)
General Government	7,114,914	-	-	333,334	537,041	-	-	6,408,415	(706,499)
Public Safety	20,608,109	-	-	-	-	-	-	19,522,276	(1,085,833)
Transportation	1,071,213	-	-	-	-	10,705	-	899,808	(171,405)
Health & Human Services	777,405	-	-	-	-	-	-	782,079	4,674
Physical & Economic Environment	1,979,351	-	-	-	-	-	-	2,299,430	320,079
Culture & Recreation	3,521,566	-	17,688	-	-	57,830	-	3,428,378	(93,188)
Debt Service	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Capital outlay	36,088	-	-	-	36,088	-	-	36,088	-
<b>Total Expenditures</b>	<b>35,816,292</b>	<b>-</b>	<b>17,688</b>	<b>333,334</b>	<b>573,129</b>	<b>68,535</b>	<b>-</b>	<b>34,047,039</b>	<b>(1,769,253)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>2,114,277</b>	<b>1,084</b>	<b>(15,515)</b>	<b>133</b>	<b>927,307</b>	<b>33,803</b>	<b>-</b>	<b>3,883,531</b>	<b>1,769,254</b>
<b>Other financing Sources (Uses)</b>									
Transfers in	1,097,836	-	-	-	-	100,000	412,100	685,736	(412,100)
Transfers out	-	-	-	-	463,380	-	(412,100)	(51,280)	(51,280)
Disposal & ins-capital assets	18,762	-	-	-	-	-	-	18,762	-
<b>Total Other Fin Sources (Uses)</b>	<b>1,116,598</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>463,380</b>	<b>100,000</b>	<b>-</b>	<b>653,218</b>	<b>(463,380)</b>
<b>Net Change in Fund Balances</b>	<b>3,230,875</b>	<b>1,084</b>	<b>(15,515)</b>	<b>133</b>	<b>1,390,687</b>	<b>133,803</b>	<b>-</b>	<b>4,536,749</b>	<b>1,305,874</b>
<b>Fund Balances - January 1, 2015</b>	<b>8,655,839</b>	<b>776,409</b>	<b>1,564,144</b>	<b>263,852</b>	<b>2,406,637</b>	<b>147,017</b>	<b>-</b>	<b>13,426,273</b>	<b>4,770,434</b>
<b>Fund Balances December 31, 2015</b>	<b>11,886,714</b>	<b>777,493</b>	<b>1,548,629</b>	<b>263,985</b>	<b>3,797,324</b>	<b>280,820</b>	<b>-</b>	<b>17,963,022</b>	<b>6,076,308</b>

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

## CITY OF SEATAC

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Street Fund**  
**For the Year Ended December 31, 2015**

	<b>2015-2016 Biennial Budget Amounts</b>		<b>Actual Amounts*</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	6,929,317	6,929,317	7,018,369	89,052
Intergovernmental & Contributions	596,748	596,748	633,345	36,597
Charges for services	6,000	6,000	37,083	31,083
Rent & leases	6,900	6,900	6,900	-
Miscellaneous	20,000	20,000	2,140	(17,860)
<b>Total Revenues</b>	<b>7,558,965</b>	<b>7,558,965</b>	<b>7,697,837</b>	<b>138,872</b>
<b>Expenditures</b>				
Transportation	3,411,017	3,211,017	1,839,811	1,371,206
Physical & Economic Environment	73,618	73,618	70,324	3,294
Capital outlay	966,500	694,188	611,715	82,473
<b>Total Expenditures</b>	<b>4,451,135</b>	<b>3,978,823</b>	<b>2,521,850</b>	<b>1,456,973</b>
Excess (deficiency) of revenues over (under) expenditures	3,107,830	3,580,142	5,175,987	1,595,845
<b>Other financing Sources (Uses)</b>				
Transfers out	(5,395,050)	(5,395,050)		
Disposal & ins-capital assets	-	-	279	279
<b>Total Other Fin Sources (Uses)</b>	<b>(5,395,050)</b>	<b>(5,395,050)</b>	<b>279</b>	<b>5,395,329</b>
Net Change in Fund Balances	(2,287,220)	(1,814,908)	5,176,266	6,991,174
Fund Balances - January 1, 2015	8,667,710	8,667,710	8,667,710	-
<b>Fund Balances December 31, 2015</b>	<b>6,380,490</b>	<b>6,852,802</b>	<b>13,843,976</b>	<b>6,991,174</b>

\*Note: Budgetary basis differs from GAAP basis.

CITY OF SEATAC

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Hotel Fund  
For the Year Ended December 31, 2015**

	<b>2015-2016 Biennial Budget Amounts</b>		<b>Actual Amounts*</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	993,789	993,789	1,318,554	324,765
Intergovernmental & Contributions	-	-	20,743	20,743
Investment & other earnings	4,000	-	-	-
Miscellaneous	-	-	18,610	18,610
<b>Total Revenues</b>	<b>997,789</b>	<b>993,789</b>	<b>1,357,907</b>	<b>364,118</b>
<b>Expenditures</b>				
Economic Environment	1,342,790	1,342,790	1,242,863	99,927
<b>Total Expenditures</b>	<b>1,342,790</b>	<b>1,342,790</b>	<b>1,242,863</b>	<b>99,927</b>
<b>Net Change in Fund Balances</b>	<b>(345,001)</b>	<b>(349,001)</b>	<b>115,044</b>	<b>464,045</b>
Fund Balances - January 1, 2015	7,134,053	7,134,053	7,134,053	-
<b>Fund Balances December 31, 2015</b>	<b>6,789,052</b>	<b>6,785,052</b>	<b>7,249,097</b>	<b>464,045</b>

\*Note: Budgetary basis differs from GAAP basis.

**CITY OF SEATAC**

**Schedule of Funding Progress for LEOFF 1 Retiree Medical Benefits  
December 31, 2015**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Projected Unit Credit (PUC) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a)/c)</b>
6/30/2007	\$ -	\$ 1,325,508	\$ 1,325,508	0.0%	\$ -	0.0%
6/30/2009	\$ -	\$ 1,263,859	\$ 1,263,859	0.0%	\$ -	0.0%
6/30/2011	\$ -	\$ 1,863,614	\$ 1,863,614	0.0%	\$ -	0.0%
7/1/2015	\$ -	\$ 1,998,572	\$ 1,998,572	0.0%	\$ -	0.0%

Notes to the Schedule of Funding Progress:

The City is using the alternative measurement method as permitted under GASB Statement No. 45. The City utilizes actuarial valuation tools provided by the Office of the State Actuary (OSA) for Washington State. Retirement, disablement, termination, and mortality rates were assumed to follow LEOFF 1 rates used in the July 1, 2015 actuarial report issued by OSA

The 6/30/2009 actuarial information was corrected in 2013



**CITY OF SEATAC**

**Schedule of Proportionate Share of the Net Pension Liability - PERS 1  
December 31, 2015  
Last 10 Years\***

		<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Employer's proportion of the net pension liability (asset)	%	0.080985%									
Employer's proportionate share of the net pension liability	\$	4,236,269									
TOTAL	\$	4,236,269									
Employer's covered employee payroll	\$	63,960									
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	6623.31%									
Plan fiduciary net position as a percentage of the total pension liability	%	59.10%									

*See note 2 of DRS Participating Employer Financial  
Information report for these percentages for each plan*

**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**

**Schedule of Proportionate Share of the Net Pension Liability - PERS 2/3**

**December 31, 2015**

**Last 10 Years\***

		<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Employer's proportion of the net pension liability (asset)	%	0.102779%									
Employer's proportionate share of the net pension liability	\$	3,672,352									
TOTAL	\$	3,672,352									
Employer's covered employee payroll	\$	9,104,496									
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	40.34%									
Plan fiduciary net position as a percentage of the total pension liability	%	89.20%									

*See note 2 of DRS Participating Employer Financial Information report for these percentages for each plan*

**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**

**Schedule of Proportionate Share of the Net Pension Liability - LEOFF 1  
December 31, 2015  
Last 10 Years\***

		<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Employer's proportion of the net pension liability (asset)	%	0.006607%									
Employer's proportionate share of the net pension liability	\$	(79,629)									
TOTAL	\$	(79,629)									
Employer's covered employee payroll	\$	0									
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	0.00%									
Plan fiduciary net position as a percentage of the total pension liability	%	127.36%									

*See note 2 of DRS Participating Employer Financial Information report for these percentages for each plan*

**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**

**Schedule of Employer Contributions - PERS 1  
December 31, 2015  
Last 10 Years\***

		<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Statutorily or contractually required contributions	\$	6,406									
Contributions in relation to the statutorily or contractually required contributions	\$	(6,406)									
Contribution deficiency (excess)	\$	0									
Covered employer payroll	\$	63,960									
Contributions as a percentage of covered employee payroll	%	10.02%									

**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**

**Schedule of Employer Contributions - PERS 2/3  
December 31, 2015  
Last 10 Years\***

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Statutorily or contractually required contributions	\$ 911,698									
Contributions in relation to the statutorily or contractually required contributions	\$ (911,698)									
Contribution deficiency (excess)	\$ 0									
Covered employer payroll	\$ 9,104,496									
Contributions as a percentage of covered employee payroll	% 10.01%									

**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**

**Schedule of Employer Contributions - LEOFF 1  
December 31, 2015  
Last 10 Years\***

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Statutorily or contractually required contributions	\$ 0									
Contributions in relation to the statutorily or contractually required contributions	\$ 0									
Contribution deficiency (excess)	\$ 0									
Covered employer payroll	\$ 0									
Contributions as a percentage of covered employee payroll	% 0.00%									

**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.

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>