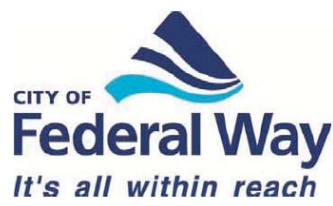


City of Federal Way, WA



ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR YEAR ENDED DECEMBER 31, 2020



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~City of Federal Way History~

The earliest recorded accounts of the Federal Way area tell of Native American families who resided in the area of the Muckleshoot Reservation on the east side of the Green River Valley and traveled west to the shores of Puget Sound for the plentiful fisheries resources. Generations of Muckleshoot Indians wore a westward trail across the heavily forested plateau to the area which is now Saltwater State Park. The arrival of the white man in the nineteenth century resulted in a steady decline in the Indian population and by 1890, nearly the entire population had disappeared from the area. Isolated on a triangular shaped plateau rising steeply from Puget Sound, the Federal Way area had little waterfront access or roadways and accordingly, was sparingly developed compared to Tacoma and Seattle. As late as the turn of the century, the original settlers at Dash Point and Dumas Bay had to row to Tacoma for supplies and mail. Old Military Road, constructed around 1856 and extending north from Fort Steilacoom, past Star Lake to Seattle and Fort Lawton, was the first road through the area.

Over time, narrow dirt roads were added to provide east/west access and by 1900, a road was constructed between Star Lake and Redondo. The second crossroad, the "Seattle Road," connected old Military Road and Kent. The Seattle-Tacoma Interurban Line, completed in 1901, provided a fast and easy way to reach these urban cities. Improved access brought many visitors to the area and Star Lake became a popular summer recreation site.

By the 1920s, Federal Highway 99, the interstate that linked the western states from north to south, was complete. At this time, Federal Way was still primarily forest and farmland. Fred Hoyt had a cabin on Dumas Bay and started a road to Tacoma (still called Hoyt Road). The timber companies, which had a major logging operation going, built an early railroad line and were instrumental in getting Marine View Highway (now Dash Point Road) built in the early 1920s. This roadway spurred development along the coastline. Soon thereafter, Peasley Canyon Road was built to connect Military Road with the Auburn Valley. This road later became known as South 320th Street. In these early days, roadways set the stage for development in the area and they still play an important role in the City today.

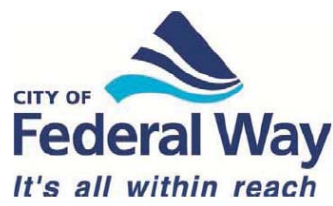
By the start of World War II, a number of small, thriving communities made up the area that is now Federal Way. Some communities were clustered around lakes, such as Steel Lake, Star Lake, and Lake Geneva. Others were sited to take advantage of the view of Puget Sound, like Adelaide and Buenna. As each of these communities grew, residents built small schoolhouses for their children. By the late 1940s, King County consolidated the many individual red schoolhouses into the Federal Way School District, from which the City gets its name. During this same period, a library was built along the edge of Highway 99, and between 308th Street and 320th Street, a small "downtown" developed with a general store, lumber yard, realty office, beauty parlor, feed store, and gas station. By the end of the 1950s, the ten blocks between 308th and 320th Streets became the first roadside commercial district. One of the more unique developments was Santa Faire, a family oriented theme park. New shopping areas were added around the park, helping to create a "community focus" for the residents of the area.

As this commercial area developed, the rest of Federal Way was changing as well. The Boeing Company expanded their operations in Renton and the Kent Valley and began advertising nationally for engineers. Those engineers in turn began roaming the wooded acreage in Federal Way in search of housing. One of the earliest residential developments was Marine Hills, built in 1958 overlooking Puget Sound. Weyerhaeuser, one of the early timber companies, had large land holdings in the area and began to develop their land into high quality housing with amenities like golf courses.

Weyerhaeuser's development company also began developing commercial property, creating the West Campus business park. The plan was to integrate offices and businesses with lush landscaping. Though initially the corporate office market was not strong, West Campus has grown almost to capacity, providing space for many civic buildings such as City Hall, the police station, the area's major health care centers, and higher density housing.

Another major landmark in the area is SeaTac Mall (now The Commons), built in the mid-1970s on what was farmland south of 320th Street. The Mall is one of the largest in South King County and is the anchor for retail development in the area. The Mall was a result of population growth in the region and its location was determined by the 320th Street intersection with Interstate 5. The Interstate supplanted Highway 99 as the main artery for commuter traffic in the County.

By the mid 1980s, South King County was growing quickly. Retail growth occurred along Highway 99, especially at the 320th Street intersection. Roads and office space were developed to accommodate the increased growth. Residential growth was also prominent, following plans developed by King County, with a large number of apartment homes. The changes to the community, with increased housing and traffic, created a movement for greater self-determination. In 1989, the citizens of this area voted for incorporation and the City of Federal Way was born, incorporating on February 28, 1990 with 58,000 residents.



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ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended December 31, 2020

City of Federal Way
33325 8th Avenue South
Federal Way, Washington 98003
(253) 835-2520

www.cityoffederalway.com

Prepared by the Finance Department

Finance Director
Ade' Ariwoola, MBA, CGFM

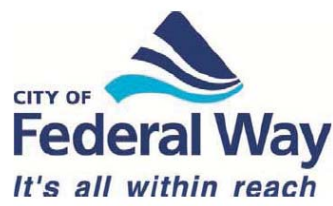
ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended December 31, 2020

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June 29, 2021

People of the City of Federal Way
Honorable Mayor and City Council

I am pleased to submit to you the 2020 Annual Financial Report (AFR) of the City of Federal Way, Washington. This report is published annually as the official annual financial report and complies with state law (RCW43.09.230) requiring annual report for Washington municipal governments to be certified and filed with the Washington State Auditor's Office in a timely manner. The accuracy of the data, completeness and fairness of the presentation, including all disclosures rests with the City management. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City operates under a system of accounting and internal controls that are concerned with safeguarding of assets and the reliability of financial records. The definition of accounting control assumes reasonable, but not absolute assurance that the objectives expressed in it will be accomplished by the system. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits expected to be derived.

This transmittal letter is designed to complement the Management Discussion & Analysis (MD&A) and should be read in conjunction with it. The City's MD&A can be found immediately following the Independent Auditor's Report.

REPORTING ENTITY

The City is a noncharter Optional Code City with a Mayor-Council form of government. It was incorporated on February 28, 1990, and is governed under the provisions of the Optional Municipal Code of the Revised Code of Washington. Optional Code City status increases the City's operating authority by extending it to the powers of all four city classifications which exist in Washington Law.

The City Council consists of seven council members, all of whom are elected at large by citizens of Federal Way to serve four-year terms. In November 2009, the citizens of Federal Way approved Proposition 1 to change the form of government from a City Manager-Council run government to an elected Mayor-Council government. Federal Way voters elected former City Councilmember and King County Senior Deputy Prosecuting Attorney Jim Ferrell as Mayor on November 5, 2013 and was reelected November 7, 2017.

City services provided include: police protection, construction and maintenance of streets, building inspection, municipal court services, jail services, planning and zoning, park services, emergency management services, surface water management and general administration, including finance. Services for a land use hearing examiner are contracted. The City has ten major departments consisting of (1) Mayor's Office; (2) City Council; (3) Law; (4) Finance; (5) Municipal Court, (6) Parks and Recreation; (7) Public Works; (8) Police; (9) Community Development; (10) and Information Technology. Fire protection and emergency medical services are provided by South King Fire & Rescue. Lakehaven Utility District delivers water and sewer services. King County Metro provides public transportation services. Public housing services are the primary focus of the King County Housing Authority. The King County Library System engages City residents through its library and reference services. School District No. 210 offers educational programs for kindergarten through high school students, in addition to vocational training.

ECONOMIC FACTORS AFFECTING FINANCIAL CONDITION

The current economic condition has made considerable strides since the post Great Recession era as employment and inflation levels are consistent with the Federal Reserve's mandate for maximum sustainable employment and price stability. Consumer confidence levels are at its best since pre-Great Recession levels. Although the economic condition is still holding steady in the City of Federal Way due to the economic stability of retail, grocery, and construction material businesses in Federal Way, it is still unknown the impact that the Covid-19 impact could have on the city.

Nationally, according to Bureau of Labor Statistics, the CPI rose 1.4 percent in 2020, the lowest since 2016. It was less than the 1.7 percent average annual increase over the past 10 years.

The food index increased 3.9 percent in 2020, a larger increase than the 2019 rise of 1.8 percent. The index for food at home also increased 3.9 percent in 2020, a larger increase than the 0.7 percent increase reported for 2019. All six major grocery store food group indexes rose in 2020. The index for meats, poultry, fish, and eggs rose 4.6 percent in 2020 after rising 2.3 percent in 2019. Similarly, the dairy and related products index increased 4.4 percent in 2020 after increasing 2.4 percent in 2019. The index for nonalcoholic beverages also increased by 4.4 percent in 2020, while the index for other food at home rose 3.9 percent over the year. The cereals and bakery products and the fruits and vegetables indexes both increased 3.2 percent in 2020. The index for food away from home rose 3.9 percent in 2020, a somewhat larger increase than the 3.1 percent increase in 2019 and the largest December-to-December rise since 2008.

The energy index decreased 7.0 percent in 2020 after increasing 3.4 percent in 2019. The index for gasoline fell 15.2 percent in 2020 after rising 7.9 percent the previous year. The index for fuel oil fell 20.0 percent in 2020, after rising 4.6 percent in 2019. These declines more than offset increases in the other energy component indexes. The index for natural gas rose 4.1 percent in 2020 after falling 3.5 percent in 2019, while the index for electricity increased 2.2 percent over the year after declining 0.4 percent in the previous year. The medical care index increased 1.8 percent in 2020, a smaller increase than the 4.6-percent increase reported for 2019. The index for prescription drugs, in contrast, fell 2.4 percent in 2020 after rising 3.0 percent in 2019.

The Seattle-Tacoma-Bellevue, WA's CPI for Urban Wage Earners and Clerical Workers (CPI-W) increased 1.6% in December 2020 compared to increase of 2.0% in December 2019. The national CPI-W increased 1.4% for 2020. The Seattle-Tacoma-Bellevue, WA annual unemployment rate for 2020 was 8.1% compared to 3.2% in 2019. This is primarily due to the Covid-19 pandemic. The last time Seattle-Tacoma-Bellevue annual unemployment rate was below 4.0% was 2007 which was at 3.7% just before the "mortgage market" crash in 2008.

On March 9, 2020 Mayor Ferrell issued a Proclamation of Emergency in order to prevent the spread of coronavirus disease (COVID-19). Then, on March 23, 2020, Governor Jay Inslee issued a statewide two week stay at home order and closed all businesses except essential services. On April 3, 2020 the stay at home order was extended through May 4th.

The City is still assessing the impact of this pandemic. This coronavirus shock could be more severe than the Great Financial Crisis of 2007-08, as it will hit households, businesses, financial institutions, and markets all at the same time locally, nationally and globally. In this historical widespread pandemic, the city is carefully considering all the options to adjust its budget as sales tax revenue and economic activity decline.

ECONOMIC TRENDS

Federal Way is the ninth most populated city in the state of Washington according to U.S. Census.gov with 98,340 people after City of Renton with 105,500 and closely followed by Spokane Valley at 97,490 then Yakima at 95,490. In 2020, King County median household income was \$94,974; Federal Way \$67,347, Renton \$77,739, Spokane Valley \$51,961, and Yakima \$44,950. The City of Federal Way is located on a plateau adjacent to Puget Sound in King County, eight miles north of downtown Tacoma and 25 miles south of downtown Seattle. The City occupies approximately 22.5 square miles and is served by Interstate 5 and state highways 18, 99 and 509.

In 2020, there were 37,356 housing units in Federal Way, a slight increase over 2019 of 37,257 housing units. Of these units, 54% or 20,348 were single family homes, 42% or 15,678 were multi-family units, and 4% or 1,330 were mobile homes and trailers.

The community is residential and commercial, with the populace employed locally and in the neighboring cities such as SeaTac, Kent, Tacoma, Bellevue, and Seattle. Employment in Federal Way is highly concentrated in retail and services sectors which respond primarily to the needs of the local market area population. Major employers are; Federal Way Public Schools, St. Francis Community Hospital, World Vision, Wild Waves, U.S. Postal Services, and DaVita. The top fifteen employers report 8,110 employees in 2020.

Sales tax collected in 2020 total \$16.1 million which was equivalent to 2019. The retail sector of the local economy is anchored by the following areas; the first is South 348th and State Highway 99 including Wal-Mart Super Center, Wholesale Sports, Costco,

Lowe's Home Improvement Center, and Home Depot. The second is The Commons; a regional mall including Target, TJ Maxx, Kohls, Dicks Sporting Goods and many other small businesses adjacent to the area. According to a listing of businesses registered with the City of Federal Way and sorted by the Standard Industrial Classification, the business economy appears to be configured as follows: retail trade 51%; services 19%; construction 18%; information 4%; wholesale trade 4%, manufacturing 1%, and other 4%.

In 2020, the total assessed value of property in Federal Way was \$12.7 billion, which was approximately 5.6% higher than the 2019 assessed valuation of \$12.1 billion.

Real Estate sales were \$895 million in 2020, a decrease of 14%, compared to \$1,043 million in 2019. A total of 516 building permits in 2020 compared to 566 in 2019, and 2,522 other building related permits compared to 2,927 that were issued in 2019. Estimated market value for permits in 2020 was \$70 million and \$271 million in 2019. Significant building permits include: DaVita Healthcare office park, King County Aquatic Center improvements, Woodbridge Building A apartments, and Grocery at the Commons.

Washington State Supreme Court decided in favor of the city's right to levy excise tax on provider of water/sewer utility services within the city limit. This judgement allowed the City of Federal Way to generate about one million dollars annually in new revenue which will help in the years ahead with revenue shortfall due to COVID-19. In addition, the City passed an additional 10% utility tax on solid waste activities to be used on arterial street overlay of residential streets.

LONG-TERM PLANNING

The City's fiscal policy requires the City to prepare long-range projections for six years beyond the current budget period. The projection extends current operations to the future to see if the services are sustainable and determine the magnitude of future financing gaps, if any. This glimpse into the future allows the City to proactively plan and implement corrective measures over time to avoid sudden drastic changes in service levels or in revenue/tax policies. In addition, the City's fiscal policy requires the City to balance its ongoing services with ongoing revenues.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

During 2020, the City of Federal Way completed construction of several hot-mix asphalt overlays totaling over \$1.9M.

The city also received approximately \$2.2 million in state and federal grant funding for transportation related capital projects in 2020. Projects that received these grant funds included Adaptive Traffic Control System Project, SR 509 SW 312th Street to 21st Project, SR 509 9th Pl. S. to 11th Pl. S Pedestrian Improvement Project, Citywide Variable Lane Use Control Signal Project, SW 356th Street Preservation Project, and 47th Ave SW & SW Dash Point Rd. Compact Roundabout Project.

The city also managed approximately \$5 million in Covid-19 grant funding supporting businesses, citizens, and the City during the pandemic.

Completion of construction of Downtown Staircase Project connecting the Performing Arts & Event Center to the downtown city center was completed in 2020.

Eyes on Federal Way, the city's new service request application was launched in December 2020 for citizens to be able to submit any non-emergency request to the City. City Department's follow up on these requests on a daily basis.

OUTLOOK FOR THE FUTURE

Council identified the following set of goals for the City which was adopted on March 7, 2006.

1. Integrate the public safety strategy in all facets of City operations, building on a strong community-based approach.
2. Create a multi-use urban city center that is pedestrian friendly, linked to neighborhoods and parks, and services as the social and economic hub of the City.
3. Establish Federal Way as an economic leader and job center in South King County by attracting regional market for high quality office and retail businesses.

4. Maintain the capital facilities plan and provide financing options for transportation and surface water improvements, parks, recreation, and cultural arts and public facilities.
5. Ensure a responsive service culture within the City organization where employees listen carefully, treat citizens and each other respectfully and solve problems creatively, efficiently, and proactively.
6. Position Federal Way as a regional leader by working collaboratively with other local and regional jurisdictions in order to leverage resources.

INDEPENDENT AUDIT

State law requires an annual audit of all City books of account, financial records, and transactions by the State Auditor, an independently elected state official. In addition to meeting the requirements set forth under state law, the audit was also designed to meet the requirements of the Federal Single Audit Act of 1984 and related OMB Circular A-133. The 2020 audit of the City has been completed in conformance with generally accepted auditing standards. The financial statement of all City funds has been included in this audit. The city has been given an unmodified opinion in 2020; which is the 31st consecutive year receiving a clean audit. The State Auditor's report on the basic financial statements is included in the financial section of this report.

AWARDS

The Government Financial Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Federal Way for its annual financial report (AFR) for the year ended December 31, 2019. The City of Federal Way has received a Certificate of Achievement for the last thirty years (fiscal years ended 1990 – 2019). In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The City of Federal Way also received the Government Financial Officers Association Distinguished Budget Presentation Award for its biennial budget for the years beginning January 1, 2019 and 2020. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, a financial plan, an operations guide, and a communications medium.

ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff off the finance department. In addition, staff in all City departments should be recognized for responding so positively to the requests for detailed information which accompany each audit. A special note of thanks is given to Chase Donnelly, Deputy Finance Director who served as the coordinator for the AFR preparation. The role of the State Auditor's Office should also be acknowledged as a significant contribution to a fine product. Finally, we wish to express our appreciation to the Mayor and City Council for their ongoing support and for providing the firm foundation for the pursuit of excellence in all realms of professional endeavors.

Respectfully submitted,



Ademola A. Ariwoola, MBA, CGFM
Finance Director

**2020
CITY OFFICIALS
EXECUTIVE & LEGISLATIVE BODY**



JIM FERRELL
Mayor



SUSAN HONDA
Council President



LYDIA ASSEFA-DAWSON
Councilmember #1



GREGORY A. BARUSO
Councilmember #2*



HOANG V. TRAN
Councilmember #4



LEANDRA CRAFT
Councilmember #5**



MARTIN A. MOORE
Councilmember #6



LINDA KOCHMAR
Councilmember #7

<u>Position</u>	<u>Elected/Appointed*</u>	<u>Term</u>	<u>Elected/ Appointed</u>	<u>Email</u>	<u>Phone</u>
Mayor	Jim Ferrell	1/1/18-12/31/21	11/28/17	Jim.Ferrell@cityoffederalway.com	(253) 835-2402
Position #1	Lydia Assefa-Dawson	1/1/20-12/31/23	11/26/19	Lydia.Assefa-Dawson@cityoffederalway.com	(253) 835-2401
Position #2	Gregory A. Baruso	3/7/20-12/31/21	3/7/20	Greg.Baruso@cityoffederalway.com	(253) 835-2401
Position #3	Susan Honda	1/1/20-12/31/23	11/26/19	Susan.Honda@cityoffederalway.com	(253) 835-2401
Position #4	Hoang V. Tran	1/1/18-12/31/21	11/28/17	Hoang.Tran@cityoffederalway.com	(253) 835-2401
Position #5	Leandra Craft	10/15/20-12/31/23***	10/15/2020	Leandra.Craft@cityoffederalway.com	(253) 835-2401
Position #6	Martin A. Moore	1/1/18-12/31/21	11/28/17	Martin.Moore@cityoffederalway.com	(253) 835-2401
Position #7	Linda Kochmar	1/1/20-12/31/23	11/26/19	Linda.Kochmar@cityoffederalway.com	(253) 835-2401

*Councilmember Gregory Baruso was elected to fill appointed position #2 that was filled by Councilmember Jesse Johnson on 3/7/2020.

**Councilmember Leandra Craft was appointed on 10/15/20 to fill unexpired term vacated on 07/31/20 by Councilmember Koppang.

***Councilmember position will be added to 2021 general election for unexpired "short-term" through 12/31/2023.

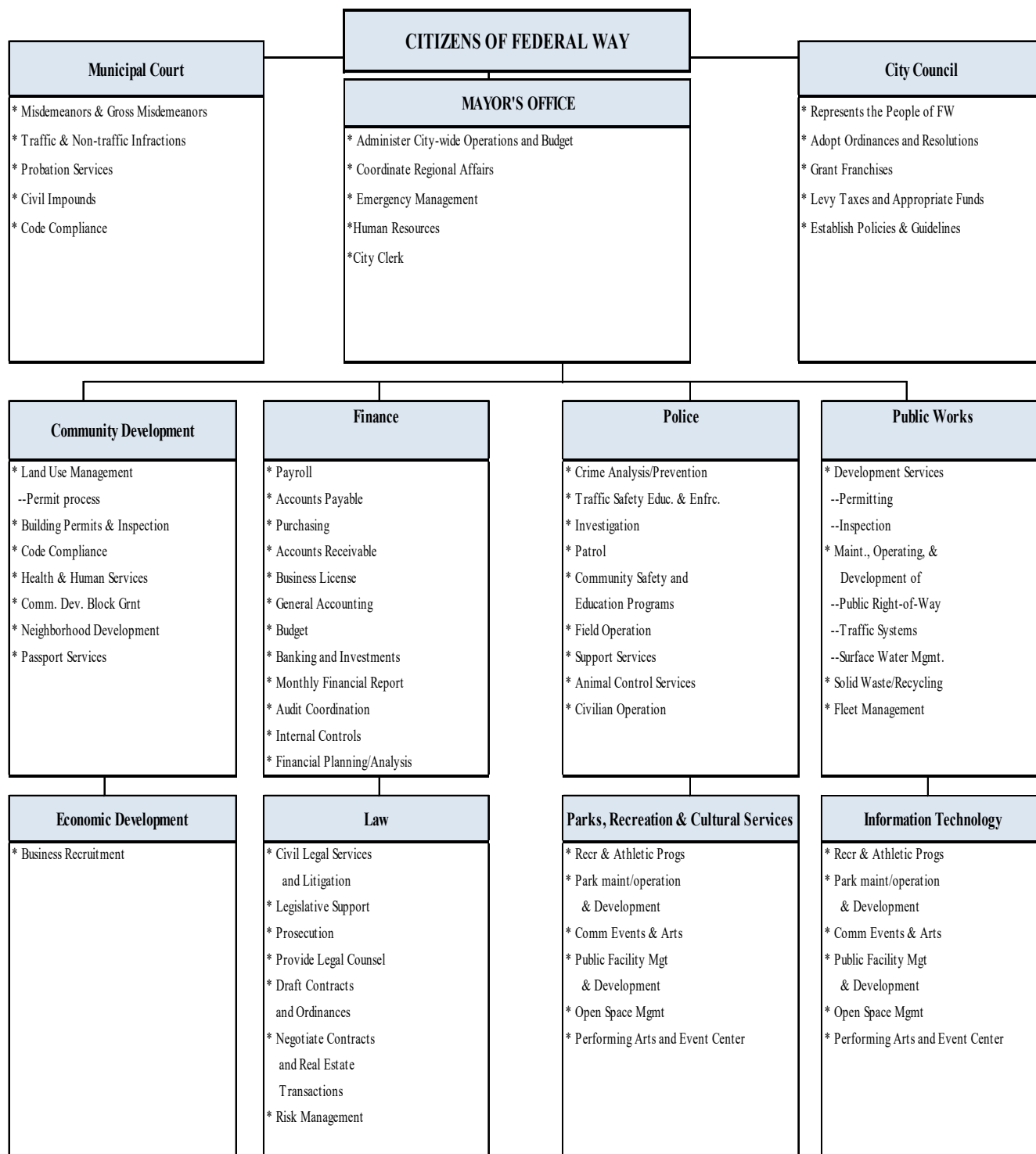
JUDICIAL BRANCH

<u>Position</u>	<u>Employee</u>	<u>Elected/ Appointed</u>	<u>Term</u>	<u>Office Date</u>	<u>Contact Information</u>
Presiding Judge	David Larson	Elected	N/A	3/3/2008	David.Larson@cityoffederalway.com (253) 835-3012
Judge	Rebecca Robertson	Elected	N/A	1/1/2010	Rebecca.Robertson@cityoffederalway.com (253) 835-3025
Court Administrator	Susanne White	Appointed	N/A	2/22/2010	Susanne.White@cityoffederalway.com (253) 835-3000

CITY ADMINISTRATION (In alphabetical order)

<u>Position</u>	<u>Employee</u>	<u>Appointment</u>	<u>Contact Information</u>
City Attorney	Ryan Call	3/9/2017	Ryan.Call@cityoffederalway.com (253) 835-2572
City Clerk	Stephanie Courtney	10/7/2014	Stephanie.Courtney@cityoffederalway.com (253) 835-2540
Community Development Director	Brian Davis	11/1/2016	Brian.Davis@cityoffederalway.com (253) 835-2612
Economic Development Director	Tim Johnson	9/15/2014	Tim.Johnson@cityoffederalway.com (253) 835-2412
Finance Director	Ade Ariwoola	4/1/2014	Ade.Ariwoola@cityoffederalway.com (253) 835-2520
Human Resources Manager	Jean Stanley	1/1/2011	Jean.Stanley@cityoffederalway.com (253) 835-2532
IT Director	Thomas Fichtner	3/23/2020	Thomas.Fichtner@cityoffederalway.com (253) 835-2547
Parks Director	John Hutton	7/23/2014	John.Hutton@cityoffederalway.com (253) 835-6910
Police Chief	Andy Hwang	3/18/2014	Andy.Hwang@cityoffederalway.com (253) 835-6716
Public Works Director	EJ Walsh	8/18/2018	EJ.Walsh@cityoffederalway.com (253) 835-2713

CITY OF FEDERAL WAY ORGANIZATION CHART AND OPERATION SUMMARY





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Federal Way
Washington**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

Christopher P. Morill

Executive Director/CEO



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

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Mayor and City Council
City of Federal Way
Federal Way, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of basic, the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Federal Way, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of basic, the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Federal Way, as of December 31, 2020, and the respective changes in financial position and cash flows thereof, and the respective budgetary comparison for the General, Street, Utility Tax, and Performing Arts and Events Center Operations funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matter of Emphasis

As discussed in Note 19 to the financial Statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the City is unknown. 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 and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The combining financial statements and schedules are presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and

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

The Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 29, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

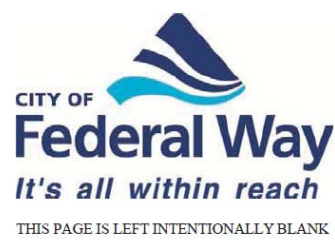
Sincerely,

A handwritten signature in black ink, appearing to read "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

June 29, 2021



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Federal Way, we offer readers of our annual financial report a narrative overview, and an analysis of the financial activities of the City of Federal Way for the fiscal year ended December 31, 2020. We encourage readers to consider the information in conjunction with the preceding letter of transmittal, the financial statements and notes to the financial statements that follow.

FINANCIAL HIGHLIGHTS

- The total assets plus deferred outflows of the City of Federal Way exceeded its liabilities plus deferred inflows at December 31, 2020 by \$585.9 million (Net Position). Capital Assets (net of depreciation and related debt) account for 88.2% of this amount with a value of \$516.5 million. Of the remaining net position of \$69.3 million, \$49.4 million may be used to meet the government's ongoing obligations to citizens and creditors, without legal restriction while the \$19.9 million are restricted for specific use. (See page 27).
- The City's total net position decreased by \$2.4 million, or 0.4% below 2019 as referenced on page 28. Governmental activities decreased by \$5.6 million or 1.1% while business-type activities increased by \$3.2 million or 4.7%. The decrease of \$5.6 million in governmental activities is primarily due to a \$6.9 million prior period adjustment for SR99 HOV Lanes Phase V (see note 15), \$2.9 million decrease in community development and public works permits and fees, offset by \$3.6 million increase in utility tax primarily due to receiving \$2.9 million in water and sewer utility tax due to Supreme Court deciding in favor of the city on taxing water and sewer providers, and \$0.8 million in solid waste utility tax due to the addition of 10% utility tax on solid waste services for arterial street overlay of residential streets. In addition, Valleycomm joint venture increased by \$0.6 million. The increase of \$3.2 million in business-type activities is primarily due to an increase of \$3.9 million in infrastructure additions from the completion of projects such as SRR HOV Lanes Phase V and Millitary and 298th Compact Roundabout. This was offset by the addition of accumulated depreciation of \$0.7 million (See Note 8 on page 60). More detail is described in the analysis below.
- Net investment in capital assets decreased by \$9.7 million (See page 16), but unrestricted net position increased by \$6.3 million respectively compared to 2019 as referenced on page 16.
- Restricted Net Position of \$19.96 million increased by \$1.0 million or 5.5% primarily due to increased real estate excise tax in arterial street overlay and transportation projects for the city's streets and roads. Restricted Net Position is for funding of capital projects and debt service. (See page 16 & 52).
- Long term liabilities decreased by \$1.7 million or 4.1% due to the long term debt decrease of \$1.7 million for payment of General obligation debt (see note 11 on page 71).
- Governmental fund balances at year-end were \$47.6 million, a \$3.1 million or 7% increase from the prior year. Of the \$47.6 million, \$16.4 million or 34.4% of the governmental fund balance is unassigned and available to fund ongoing activities. The remaining \$31.2 million is earmarked for debt service, paths & trails reserve, hotel/motel lodging tax, police special funds, petty cash/change funds, court trust fund, advance travel, strategic opportunities reserve, streets maintenance and capital projects. (See page 30 and page 52).
- Unrestricted or Unassigned fund balance in the General Fund was \$16.4 million, which increased by \$0.5 million or 2.8% from the prior year, primarily due to lower jail service expenditures, while maintaining adequate tax revenue.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Federal Way's *basic financial statements*. The basic financial statements are comprised of three components:

- 1) government-wide financial statements,
- 2) fund financial statements, and
- 3) notes to the financial statements.

In addition to the required components, the City's annual report also includes other supplementary information. The first set of supplementary information is the Combining Statements. These provide Balance Sheets, Statement of Revenues, Expenditures, and Changes in Fund Balances with Budget to Actual Comparisons, Statement of Net Position, and Cash Flows for all proprietary and internal service funds. The other set of supplementary information is the Statistical Section.

The statistical section provides a one to ten-year view of the City's revenues, expenditures, debt obligations and capacity, the City's largest taxpayers, and those entities with the largest employment within the City of Federal Way. This section provides a long-term perspective on the City's economy.

Government-wide Financial Statements

The **government-wide financial statements** are designed to provide readers with a broad overview of the City of Federal Way's finances, in a manner similar to a private-sector business.

- A) The **statement of net position** presents information on all of the City of Federal Way's assets plus deferred outflows and liabilities plus deferred inflows, with the difference between the two reported as *net position*. This statement serves a purpose similar to that of a balance sheet in private business. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- B) The **statement of activities** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Federal Way that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Federal Way include law enforcement and public safety, construction and maintenance of streets, building inspection, municipal court services, jail services, community planning and development services, parks and recreation facilities, other community services and general administration. The business-type activities of the City include surface water management and the control and operation of Dumas Bay Centre, a multi-use facility that offers business and retreat accommodations, recreation and cultural arts classes, and a performing arts facility.

The City has no separately identified component units included in the government-wide financial statements. The City has reported its investment in one governmental joint venture: Valley Communications Center. A description of the joint venture can be found in Note 14 of the notes to the financial statements.

The government-wide financial statements can be found immediately following this MD&A.

Fund Financial Statements

The annual financial report 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, general government versus business-type, the fund financial statements are presented by fund type such as the general fund, special revenue funds, proprietary funds, and fiduciary funds. A fund is a specific fiscal and accounting entity with a self-balancing set of accounts used to account for specific activities or to meet certain objectives. Funds are often set up in accordance with special regulations, restriction or limitations. The City of Federal Way uses fund accounting to ensure and show compliance with finance-related legal requirements. The City's funds are divided into three categories: governmental fund, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions as are reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Federal Way maintains twenty-one individual governmental funds. The City's six major governmental funds, the general fund, street fund, utility tax fund, debt service fund, performing arts and event center operations fund, and transportation fund are presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances. The remaining governmental funds are combined into a single column

labeled non-major governmental funds. Individual fund data for each of the non-major governmental funds can be found in combining statements later on in this report.

The City maintains control over its operating funds through the adoption of the biennial budget. Budgets are adopted at the fund level and according to state law. A budgetary comparison statement is presented for the General, Street, Utility Tax, and Performing Arts & Event Center Funds as a basic financial statement. The basic governmental fund financial statements can be found on pages after the government-wide statements of this report.

Proprietary Funds

The City of Federal Way maintains two types of *proprietary funds*. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide statements. The City uses enterprise funds to account for its Surface Water Management and the Dumas Bay Centre. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its risk management, information systems, mail and duplication services, fleet of vehicles and motorized equipment, facilities management, health insurance, and unemployment services.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Surface Water Management fund and for the Dumas Bay Centre. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data is provided in the form of combining statements elsewhere in this report.

The proprietary fund financial statements can be found following the governmental fund statements in this report.

Fiduciary Funds

The City of Federal Way maintains two *fiduciary funds*. Resources in this fund are held for the benefit of parties outside the government. These funds are not available to support City programs so are not reflected in the government-wide financial statements. The accounting for fiduciary funds is similar to that of proprietary funds. (see pages 41 and 42).

Notes to the Financial Statements

The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents the combining statements for non-major governmental funds, internal service funds, and capital assets of governmental funds.

On March 9, 2020 the City Mayor issued a Proclamation of Emergency in order to prevent the spread of coronavirus disease (COVID-19). Then, on March 23, 2020, State Gov. Jay Inslee issued a statewide two week stay at home order and closed all businesses except essential services. On April 3, 2020 the stay at home order was extended through May 4th.

The City is still assessing the impact of this pandemic. This coronavirus shock could be more severe than the Great Financial Crisis of 2007-08, as it will hit households, businesses, financial institutions, and markets all at the same time locally, nationally and globally. In this historical widespread pandemic the city is carefully considering all the options to adjust its budget as sales tax revenue and economic activity decline.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This section provides analysis of the government-wide financial statements including long-term and short-term information about the City's overall financial condition. The following tables address the financial results of the City as a whole.

CONDENSED STATEMENT OF NET POSITION As of December 31, 2020 and 2019

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 87,285,012	\$87,153,689	\$ 7,043,648	\$7,421,932	\$ 94,328,660	\$ 94,575,621
Capital assets and CIP, net of accum. depreciation	473,125,047	485,942,156	66,321,655	63,106,023	539,446,703	549,048,180
Total assets	560,410,059	573,095,845	73,365,303	70,527,956	633,775,362	643,623,801
Deferred outflows of resources	3,627,563	2,790,503	185,088	172,610	3,812,651	2,963,113
Total deferred outflows of resource	3,627,563	2,790,503	185,088	172,610	3,812,651	2,963,113
Long-term liabilities	40,894,330	42,582,328	719,186	754,671	41,613,516	43,336,999
Other liabilities	6,270,861	7,719,810	599,628	725,376	6,870,489	8,445,186
Total liabilities	47,165,191	50,302,138	1,318,814	1,480,047	48,484,005	51,782,185
Deferred inflows of resources	3,057,237	6,129,025	183,557	376,412	3,240,794	6,505,437
Total deferred inflows of resources	3,057,237	6,129,025	183,557	376,412	3,240,794	6,505,437
Net position:						
Net investment in:						
capital assets	450,219,346	463,177,653	66,321,652	63,106,022	516,540,998	526,283,675
Restricted	19,922,486	18,878,459	35,295	33,261	19,957,781	18,911,720
Unrestricted	43,673,363	37,399,073	5,691,073	5,704,824	49,364,436	43,103,897
Total net position	\$ 513,815,194	\$ 519,455,185	\$ 72,048,020	\$ 68,844,107	\$ 585,863,214	\$ 588,299,292

Analysis of Net Position

Total net position of the primary government of \$585.9 million at December 31, 2020 decreased by \$2.4 million or 0.4% compared to December 31, 2019. The decrease is due to governmental type activities decrease of \$5.6 million, offset by business-type activities increase of \$3.2 million. More detail on the changes in net position are described below under Governmental and Business-Type activities.

The largest component of the City's net position, 88% or \$516.5 million, is net investment in capital assets. These capital assets such as land, streets, trails, parks, police vehicles, and parks equipment are used to provide services to the citizens. Consequently, these assets are not available to sell and convert to cash for future spending.

Approximately 1.9% or \$11.1 million (page 27) of the total net position of the city are restricted for use on capital projects or are earmarked for current approved capital projects. Some of the major capital projects the funds are being used for include Adaptive Traffic Control System Project, City Center Access Phase I, and SR509 9th Pl South to 11th Pl S Pedestrian Improvements project. The City attempts to fund capital construction projects on a pay-as-you-go basis, aggressively pursuing grant funding and cost sharing with developers to construct large projects in the City that impact the economy and transportation systems.

The remaining balance of restricted net position of \$8.9 million are for: \$0.30 million for police special funds, and court trust, \$0.03 million for steel lake and north lake management district, \$0.82 million for peg and franchise fees for educational and governmental access services, \$1.45 million for lodging tax, \$1.49 million for paths and trails, \$1.06 million for arterial street overlay, \$0.14 million for affordable and supportive housing, \$0.03 million for Community Development Block Grant, and \$3.57 million for debt service.

The unrestricted business-type activities portion of \$5.7 million; \$4.3 million can only be spent on surface water management and the remaining \$1.4 million on improvements to Dumas Bay Centre and Knutzen Family Theatre. Maintenance of catch basins, pump stations, storm drain flushing, and other capital construction projects such as Cold Creek culvert rehab and Outfall 256 erosion prevention are examples of utility activities. The unrestricted net position can only be spent within the fund it is in, and cannot benefit another fund within the city.

Other functions of the City may access the remaining \$43.7 million in governmental activities unrestricted net position to meet ongoing obligation to citizens and creditors. Examples of other City obligations which net position may be used for are public safety, economic development, parks maintenance, ongoing street maintenance, and committed funds for capital projects.

At the end of the fiscal year, the City of Federal Way reported positive balances in all three categories of net position, for the government as a whole, as well as for the separate governmental and business-type activities.

Governmental Activities:

Current and other assets increased by \$0.1 million or 0.2% primarily due to \$3.6 million increase in utility tax, \$0.2 million increase in sales tax, Valleycomm joint venture increase of \$0.6 million, receivables increase of \$0.8 million due to taxes accrued but not yet received, offset by \$0.7 million decrease in real estate excise tax, \$2.9 million decrease in community development and public works permits and fees, and a net pension asset decrease of \$1.5 million.

Capitals assets and CIP, net of accumulated depreciation decreased by \$12.8 million or 2.6% primarily due to a prior period reduction of \$10.7 million (See Note 15 on page 77), depreciation of \$9.7 million, offset by the net addition of assets in the current year of \$7.6 million (See Note 8 on page 60). The prior period adjustment is due to construction in progress of \$3.78 million classified as governmental-type activity when it should have been business-type activity, and \$6.91 million in maintenance for SR99 HOV Lanes Phase V that was classified as construction in progress. The net addition of assets of \$7.6 million is primarily due to construction in progress increase of \$5.8 million for projects in ongoing construction including City Center Access Ph I, SR509 9th Pl S to 11th Pl S Pedestrian Improvements, Adaptive Traffic Control Systems, addition of \$1.5 million for IT equipment and vehicle purchases, and donated infrastructure from private development projects of \$0.3 million.

Deferred outflows of resources increased by \$0.8 million for governmental activities due to changes in actuarial assumptions for GASB 68 state sponsored pension plans including 2.75% total economic inflation, 3.50% salary inflation, salary increases, 7.4% investment rate of return, and updated modeling changes. (See page 16).

Long-term liabilities decreased by \$1.7 million or 4.0% due to long term debt decrease of \$1.7 million for General obligation debt. (See Note 11 on page 71).

Other liabilities decreased by \$1.4 million or 18.8% primarily due to 0.21 million of liabilities held for judgement being moved to a fiduciary custodial fund, retainage payable decrease of \$0.33 million from the completion of street capital projects, and accounts payable decrease of \$0.82 million primarily due to less street capital projects occurring within the city.

Deferred inflows of resources decreased by \$3.1 million for governmental activities due to lower than expected earnings on pension plan investments for GASB 68 state sponsored pension plans (See page 16).

Net investments in capital assets decreased by \$13.0 million or 2.8% primarily due to decrease of \$12.8 million in capital assets and CIP, net of accumulated depreciation explained in the above capital assets description (See page 16), and an increase in other long-term liabilities for capital related debt.

Restricted net position represents amounts that must be used in accordance with external restrictions, and increased by \$1.0 million or 5.5% from the prior year primarily due to real estate excise tax not being spent on overlay projects for the city's streets and roads. Other restricted funding is comprised of debt service, peg fees for government access channel under contracts and studies fund (page 52), paths & trails funding, and lodging tax.

The remaining Unrestricted net position increased by \$6.3 million or 16.8% primarily due to \$3.6 million increase in utility tax from receiving \$2.9 million in water and sewer utility tax due to Supreme Court deciding in favor of the city on taxing water and sewer providers, and \$0.8 million increase in solid waste utility tax due to the addition of 10% utility tax on solid waste services for arterial street overlay of residential streets. The remaining \$2.7 million is primarily due to the reduction in liabilities described above.

Business-Type Activities:

Current and other assets decreased by \$0.4 million or 5.1% primarily due to a decrease in cash and cash equivalents of \$0.4 million from Dumas Bay Centre operations.

Capitals assets and CIP, net of accumulated depreciation increased by \$3.2 million or 5.1% primarily due an increase of \$3.9 million in infrastructure additions from the completion of projects such as SRR HOV Lanes Phase V and Military and 298th Compact Roundabout. This was offset by the addition of accumulated depreciation of \$0.7 million (See Note 8 on page 60).

Deferred outflows of resources increased by \$0.01 million for business-type activities due to changes in actuarial assumptions for GASB 68 state sponsored pension plans including 2.75% total economic inflation, 3.50% salary inflation, salary increases, 7.4% investment rate of return, and updated modeling changes. (See page 16).

Long-term liabilities decreased by \$0.04 million due to current year GASB 68 adjustment to pension liability of \$0.04 million. (See page 71).

Other liabilities decreased by \$0.13 million or 17.3% primarily due to a decrease in unearned revenue and vouchers for Dumas Bay Centre rentals at the facility.

Deferred inflows of resources decreased by \$0.19 million for business-type activities due to lower than expected earnings on pension plan investments for GASB 68 state sponsored pension plans (See page 16).

Net investments in capital assets increased \$3.2 million or 5.1% primarily due to capital assets and CIP, net of accumulated depreciation explained in the above capital assets description.

Unrestricted net position decreased by \$0.01 million or 0.2% primarily due to the decreases in current and other assets described above.

CHANGES IN NET POSITION
For the Years Ended December 31, 2020 and 2019

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Programs revenues:						
Charges for services	\$ 13,623,255	\$ 20,618,894	\$ 4,572,984	\$ 5,325,584	\$ 18,196,239	\$ 25,944,478
Operating grants & contrib.	11,195,427	6,082,363	42,348	31,718	11,237,775	6,114,081
Capital grants & contrib.	2,994,083	6,201,345	122,032	144,577	3,116,115	6,345,922
General revenues:						
Property taxes	11,449,581	11,095,263	-	-	11,449,581	11,095,263
Sales tax	16,099,037	16,051,779	-	-	16,099,037	16,051,779
Local criminal justice sales tax	2,799,244	3,056,010	-	-	2,799,244	3,056,010
Utility tax	14,672,457	11,102,083	-	-	14,672,457	11,102,083
Real estate excise tax	4,467,111	5,171,643	-	-	4,467,111	5,171,643
Other taxes	341,083	1,356,978	-	-	341,083	1,356,978
Other	1,767,417	2,867,900	54,138	192,598	1,821,555	3,060,498
Total Revenue	79,408,695	83,604,258	4,791,502	5,694,478	84,200,196	89,298,736
Expenses:						
General government	8,094,395	4,620,477	-	-	8,094,395	4,620,477
Security of persons & property	34,792,577	38,010,778	-	-	34,792,577	38,010,778
Transportation	13,469,874	14,145,856	-	-	13,469,874	14,145,856
Physical environment	708,031	519,163	-	-	708,031	519,163
Economic environment	6,317,075	7,304,691	-	-	6,317,075	7,304,691
Health and human services	1,774,097	1,540,723	-	-	1,774,097	1,540,723
Culture and recreation	7,607,707	9,438,271	-	-	7,607,707	9,438,271
Interest on long-term debt	1,015,414	347,437	-	-	1,015,414	347,437
Surface Water Management	-	-	4,989,139	4,864,902	4,989,139	4,864,902
Dumas Bay Centre	-	-	565,369	880,135	565,369	880,135
Total Expenses	73,779,171	75,927,396	5,554,507	5,745,037	79,333,678	81,672,433
Change in net position before transfers	5,629,524	7,676,862	(763,006)	(50,559)	4,866,518	7,626,303
Loss on investment in joint venture	-	(16,377,170)	-	-	(0)	-
Transfers	(183,453)	225,307	183,453	(225,307)	-	-
Change in net position	5,446,071	(8,475,001)	(579,553)	(275,866)	4,866,518	(8,750,867)
Net position - beginning	519,455,185	529,732,483	68,844,107	68,145,705	588,299,292	597,878,188
Prior period adjustment Note 15	(10,690,600)	(1,802,297)	3,783,466	974,268	(6,907,134)	(828,029)
Effect of change in accounting principle	(395,462)	-	-	-	(395,462)	-
Adjusted net position - beginning	508,369,123	527,930,186	72,627,573	69,119,973	580,996,696	597,050,159
Net position - ending	\$ 513,815,194	\$ 519,455,185	\$ 72,048,020	\$ 68,844,107	\$ 585,863,214	\$ 588,299,292

Analysis of the change in net position:

Total government-wide revenues of the primary government decreased by \$5.1 million or 5.7% and total expenses decreased by \$2.3 million or 2.9% under the prior year. These changes are discussed in more detail below.

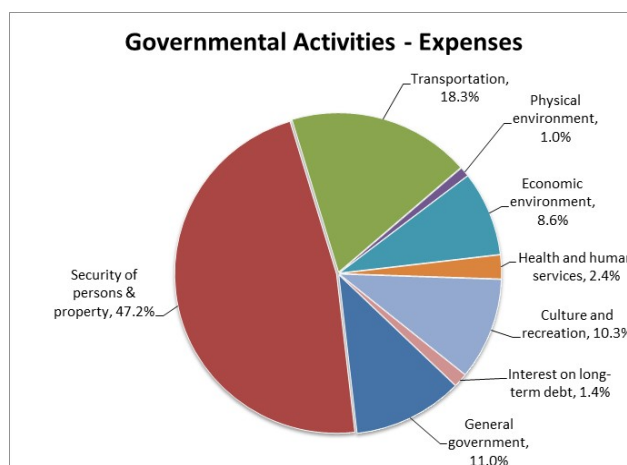
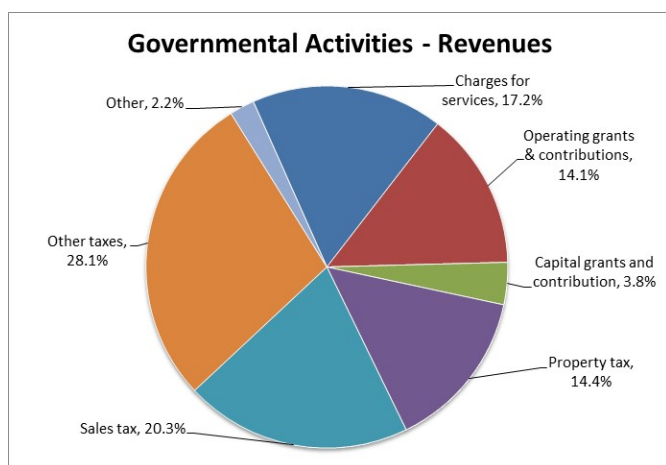
Governmental Activities:

Governmental activities contributed \$5.4 million of the total change in net position of positive \$4.9 million. The prior year change in net position was negative \$8.8 million. The increase over 2019 is due to the following revenues, and expenses described below. There was a reduction of \$10.69 million for prior period adjustment for capital assets described in note 15, and \$0.40 million effect of change in accounting principle described in note 18.

Total revenues for governmental activities decreased by \$4.2 million or 5.0% due to charges for services decrease of \$7.0 million comprised of \$2.9 million decrease in in community development and public works permits and fees, \$1.4 million decrease in red light photo revenue, \$0.9 million decrease in Federal Way Community Center (FWCC) fees, \$0.8 million decrease in parks and general recreation fees, \$0.6 million decrease in Performing Arts & Event Center (PAEC) fees, \$0.2 million decrease in court revenue, \$0.2 million decrease in arterial street mitigation impact fee revenue; offset by taxes and general revenue increase of \$0.9 million comprised of increases in property tax of \$0.4 million, and utility tax of \$3.6 million, and reductions in real estate excise tax of \$0.7 million, admissions and other taxes of \$1.0 million, local criminal justice sales tax of \$0.3 million, investment earnings of \$0.6 million, and miscellaneous revenue for FWCC & PAEC of \$0.5 million. In addition grants & contributions increased by \$1.9 million from received COVID-19 grants, offset by transportation capital projects receiving less reimbursement from state and federal grants.

Total expenses for governmental activities decreased by \$2.1 million or 2.8%. The net decrease is due to decreases in the following expense categories: A \$3.2 million decrease in “Security of persons & property” is due to a decrease in jail service costs due to leaving SCORE and contracting with other jails. A \$1.0 million decrease in “Economic Environment” is due to less operational expenditures for the Performing Arts and Event Center due to COVID-19 closure of the facility. A \$1.8 million decrease in “Culture and recreation” is due to \$1.8 million decrease in Federal Way Community Center and recreation operational expenditures due to COVID-19 closure of the facility. A \$0.7 million decrease in “Transportation” due to \$0.7 million decrease in asphalt overlay of streets, and street and traffic maintenance. The decrease is offset by a \$0.2 million increase in “Health and human services” is due to \$0.2 million increase in COVID-19 Community Development Block Grant programs. A \$3.5 million increase in “General government” is primarily due to the grant funding spent on COVID-19 business grants for Federal Way businesses. Interest on long-term debt increase of \$0.7 million is primarily due to interest payments for SCORE and Performing Arts and Event Center bonds.

There was no loss on investment in joint venture in the current year, because the city left SCORE in 2019, and is now contracting with various agencies for jail services.

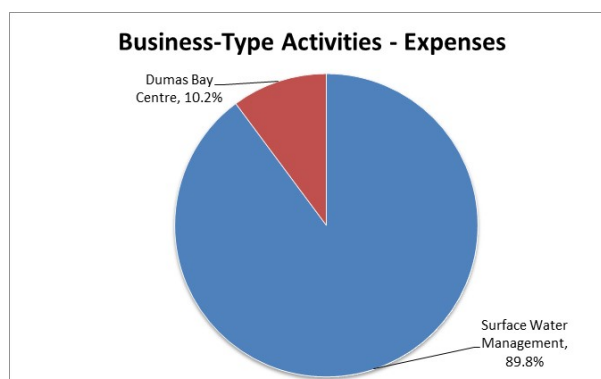
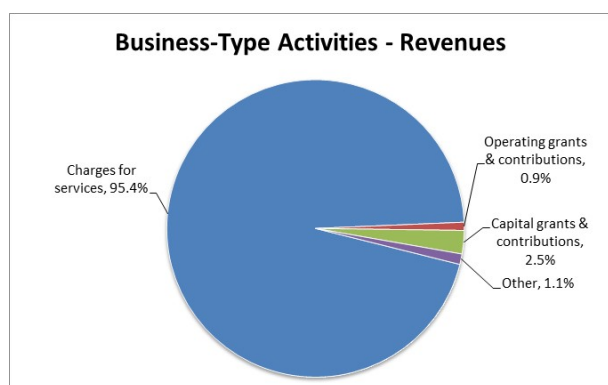


Business-Type Activities:

Business-type activities of the City's Surface Water Management system and Dumas Bay Centre decreased the City's net position by \$0.6 million. There was an addition of \$3.78 million for prior period adjustment for capital assets described in note 15. The primary change compared to 2020 is due to the following revenues and expenses described below.

Total revenues decreased by \$0.9 million or 15.9% under 2019, due to a decrease in revenue for Dumas Bay Centre from the facility being closed during the COVID-19 pandemic. Transfers net change of \$0.4 million is primarily due to an increase in transfers in to Dumas Bay Centre of \$0.4 million.

Total expenses decreased by \$0.2 million or 3.3% due to a \$0.2 million decrease in Dumas Bay Centre expenses due to facility being closed during the COVID-19 pandemic.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Federal Way uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the City of Federal Way's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of 2020, the City's governmental funds had a combined ending fund balance of \$47.6 million which is an increase of \$3.1 million from the prior year. Approximately 34% or \$16.4 million of the fund balance amount is unrestricted General Fund balance, which is available for spending at the City Council's discretion. Non-spendable fund balance of \$0.3M is comprised of court trust and prepaid insurance/flex plan. Restricted fund balance of \$19.7M is comprised of \$1.9M in transportation capital project funding sources including real estate excise tax (REET), mitigation impact fees, surface water management fees, and gas tax; \$3.6M for future debt service payments; \$1.7M in parks capital project funding sources including REET, mitigation impact fees, and paths and trails funding; \$3.5M LIFT sales tax for downtown redevelopment infrastructure and parks projects; \$1.4M in hotel/motel lodging tax for promotion of tourism; \$1.5M in paths & trails parks levy dedicated for paths & trails projects; \$1.1M in REET for arterial street overlay, \$0.8M for special contracts/studies, \$0.03M in REET for city facilities capital projects, \$4.0M in REET for future capital projects and debt service payments, \$0.03M in Police seizure funds, \$0.14M for affordable and supportive housing, and \$0.03M for Community Development Block Grant funds. Committed fund balance of \$11.3M includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The committed fund balance is detailed by fund under the fund balance classification in Note 1.

The General Fund is the chief operating fund of the City. Revenues and other sources totaling \$53.2M and expenditures and other uses totaling \$52.7M, resulted in a total fund balance increase by \$0.49 million or 3.0%. Total ending fund balance of \$16.7M, is \$4.07M above the budgeted ending fund balance in the fund of \$12.6M. Fund balance policy resolution 18-732 set the General Fund and strategic reserve policy at \$12M. The City had a beginning balance adjustment of \$1.93M. The remaining \$2.14M of \$4.07M increase in ending fund balance compared to budget is made up of a decrease of \$6.34 million in

expenditures/other uses, offset by a \$3.81 million decrease in revenues/other sources. The detail of these increases/decreases is explained under General Fund budgetary and actual highlights below.

The Street Fund has a total fund balance of \$0.6 million which minimally decreased from 2019 primarily due to increased cost of street and traffic maintenance.

The Utility Tax Fund was established to account for the 6% utility tax receipts collected by State statute for capital, debt, and other maintenance & operations as determined by Council, and 1.75% is for Voter Approved enhanced Police and Community Safety in 2007. An additional 10% utility tax per City ordinance 19-874 was added on solid waste services effective September 1, 2020. Total fund balance of \$3.5 million increased by \$0.8 million or 30% from \$2.7 million in 2019 due to a decrease in transfer out from the fund for operation of other funds such as the General Fund, adding water/sewer utility tax, and additional 10% utility tax on solid waste services.

The Debt Service Fund has a total fund balance of \$3.6 million, a \$0.4 million decrease below the \$3.9 million 2019 fund balance, due to servicing its annual debt payments. The City has adequate funds to service its annual debt payments.

The Performing Arts and Event Center Operations Fund was established to account for receipts and disbursements of the operation of the Performing Arts & Event Center facility. The ending fund balance was \$0. Operations were subsidized by general and utility tax funds in the amount of \$1.0 million in 2020.

The Transportation Fund is used to account for the City's expenditures incurred to improve existing traffic signals, install new signalization, improve major roadways and arterials involving the design and construction of new sections of streets, the widening of roadways to provide additional vehicle lanes, and the installation of sidewalks and landscaping. The major source of revenue for this fund is grants from other agencies and contributions from other funds. Total ending fund balance decreased by \$0.05 million from \$4.84 million in 2019 to \$4.79 million in 2020 due to spending on large projects such as Adaptive Traffic Control System Project, City Center Access Phase I, and SR509 9th Pl South to 11th Pl S Pedestrian Improvements project.

Proprietary funds

The City of Federal Way's proprietary funds provide the same type of information found in the government-wide, but in more detail. Unrestricted net assets of the Surface Water Management Fund at the end of the year amounted to \$4.3 million, and those for Dumas Bay Centre amounted to \$1.4 million. The total changes in net position for both funds were \$0.3 million decrease and \$0.05 million increase, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Federal Way's business-type activities.

GENERAL FUND BUDGETARY AND ACTUAL HIGHLIGHTS

The City of Federal Way budgets on a biennial basis with each budget beginning in an odd numbered year. Appropriations for operating funds are authorized for two years, but must be reviewed and reauthorized by the City Council in the middle of the biennial period. In 2020, the City made budget adjustments. The following discussion is reflective only of the current year of the biennium.

The General Fund operating expenditure and other financing use budgets increased by \$3.6 million and \$3.0 million respectively between the original adopted budget and the adjusted budget for the 2020 fiscal year. The following is the major changes for the 2020 budget:

- Added \$4.47 million for COVID-19 supplies, equipment and services.
- Added \$0.85 million for condemnation of property services.
- Added \$0.47 million for contracted police security services.
- Added \$0.33 million in Finance, IT, and Community Development positions and temporary help.
- Reduced \$2.30 million in jail services.
- Added \$1.00 million for transfer out to debt fund to for SCORE debt service.
- Added \$0.96 million for transfer out to performing arts and event center fund to subsidize operations.
- Added \$0.57 million for transfer out to federal way community center fund to subsidize operations.
- Added \$0.26 million for transfer out to dumas bay centre fund to subsidize operations.
- Added \$0.18 million for transfer out to traffic fund to subsidize operations.

Budget adjustments to revenues and other sources include: Adjustments to beginning balance of \$4.65 million; increase in COVID-19 grants of \$4.54 million; increase in police contracted revenue of \$0.47 million; increase in criminal justice sales tax of \$0.21 million; increase in community development grants of \$0.21 million; increase in property tax revenue of \$0.20 million; increase in state shared revenue of \$0.13 million; increase in admissions tax revenue of \$0.12 million; increase in cell tower rental of \$0.10 million; increase in gambling tax of \$0.04 million; increase in interest earnings \$0.09 million; increase in utility tax transfer in of \$0.32 million; decrease in sales tax of \$1.39 million; decrease in court revenue of \$0.27 million; and decrease in community development permits and fees of \$0.18 million.

The General Fund ending fund balance of \$16.69 million is \$4.07 million above the projected \$12.62 million for 2020 year-end. A \$1.54 million increase in the beginning fund balance accounts for 38% of this increase in the ending fund balance.

The \$4.07 million increase in ending fund balance compared to budget is made up of \$1.54 million increase in beginning fund balance, a decrease of \$6.34 million in expenditures/other uses, offset by a decrease of \$3.81 million in revenues/other sources.

The \$3.81 million decrease in revenues/other sources is primarily attributed to a decrease in utility tax and traffic safety fund transfer in of \$2.29 million, decrease of \$1.55 million in service charges and fees, decrease of licenses and permits of \$0.73 million, decrease of \$0.20 million in fines and forfeitures and interest, offset by an increase of \$0.44 million in taxes, \$0.33 million in intergovernmental revenue, and \$0.19 million in other revenues.

The \$6.34 million unspent expenditures/other uses are primarily attributable to: \$6.34 million in various savings and timing of payments in General Fund departments such as Economic Development, Finance, Information Technology, Community Development, Public Works, Jail Services, and the hiring delay of Police Officers.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Federal Way's investment in capital assets for its governmental and business-type activities as of December 31, 2020 amounts to \$539.4 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, park facilities and construction in progress. For more details, please see Note 8, and prior period adjustment Note 15, pages 60 and 77.

CAPITAL ASSETS AT YEAR-END, NET OF DEPRECIATION

	Governmental Activities	Business-Type Activities	Total 2020	2019
Land	\$ 283,707,109	\$ 11,340,293	\$ 295,047,402	\$ 295,027,015
Building and improvements	50,875,980	4,570,260	55,446,240	58,312,962
Machinery and equipment	7,862,617	78,249	7,940,865	6,869,316
Infrastructure	115,481,964	50,270,959	165,752,922	154,329,256
Construction in progress	15,197,378	61,895	15,259,273	34,509,631
Total Capital Assets	\$ 473,125,047	\$ 66,321,655	\$ 539,446,703	\$ 549,048,180

Major capital asset events during the current fiscal year included the following amounts: Construction in progress added for expanding and improving the city streets, traffic corridors, and surface water management totaled \$5.6 million and various park improvements for \$0.2 million; offset by a \$25.0 million reduction due to the completion of various park projects, and street, traffic and surface water management related projects, and prior period adjustment for SR99 Phase V project. Additionally, there was land purchased and donated of \$0.02 million. Other improvements, buildings, infrastructure, and machinery and equipment increase of \$9.6 million is primarily due to infrastructure for SR99 Phase V project, offset current year depreciation on assets. Remaining commitments for capital assets is described in Note 8.

Long-term debt

At the end of 2020, the City of Federal Way had total debt principal balance outstanding of \$31.6 million. The future principal and interest payments which are backed by the full faith and credit of the government will be \$39.6 million, and average annual debt service of \$1.9 million (See Note 11 pages 70 thru 73).

LONG-TERM DEBT (FUTURE PRINCIPAL AND INTEREST PAYMENTS)

	Governmental Activities	Business-Type Activities	Total
General obligation bonds	\$ 39,643,878	\$ -	\$ 39,643,878
Total	\$ 39,643,878	\$ -	\$ 39,643,878

The City's principal debt decreased by \$1.9 million due to annual debt service payments of \$1.9 million for 2017 Target Property Bond, 2013 Refunded Community Center Bond, 2019 SCORE Bond, 2019 PAEC Bond, and 2019 Section 108 loan.

In February 2017, Moody's Investors Service upgraded from Aa3 to Aa2 rating for the City's 2013 Limited Tax General Obligation Refunding Bonds.

Washington State statutes limit the amount of debt a government entity may issue to 7.5% of its total assessed valuation, subject to 60% majority vote of qualified electors. Of the 7.5% limit, 2.5% is for general purposes, 2.5% for open space/park facilities, and 2.5% for utilities. Non-voted general purpose indebtedness is limited to 1.5% of assessed valuation and the combination of voted and non-voted general purpose indebtedness cannot exceed 2.5% of assessed valuation.

The City's taxable assessed valuation for 2020 was \$12.645 billion and the total amount of debt the City may issue is \$920.3 million. Remaining legal debt capacities as of December 31, 2020 are:

General government (no vote required)	\$161,614,264 (1.5% X 12.645B) +\$3.6M - \$31.6M
General government (3/5 majority vote required)	\$126,453,260 (1.0% X 12.645B)
Parks and open space (3/5 majority vote required)	\$316,133,150 (2.5% X 12.645B)
Utilities (3/5 majority vote required)	<u>\$316,133,150</u> (2.5% X 12.645B)
Total Capacity	\$920,333,825 (See page 136)

Additional information on the City of Federal Way's long-term debt can be found in Note 11 on pages 70 thru 73 and in the Statistical Section of this report.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Federal Way's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Department, City of Federal Way, 33325 8th Avenue South, Federal Way, Washington 98003, telephone 253-835-2527, or visit the City's website at www.cityoffederalway.com.

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

Statement of Net Position

This statement provides information on all city assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position.

Statement of Activities

This statement is focused on both the gross and net costs of various functions, including both governmental and business-type activities, which are supported by the City's general tax and other revenues.

STATEMENT OF NET POSITION

December 31, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & cash equivalents	\$ 63,023,121	\$ 6,868,673	\$ 69,891,794
Receivables (net)	3,931,639	133,324	4,064,963
Due from other governments	6,326,882	41,651	6,368,533
Prepaid items	33,987	-	33,987
Inventories	8,480	-	8,480
Restricted assets:			
Seizure funds/covert funds/municipal trust/retainage	289,314	-	289,314
Investment in joint venture	6,022,544	-	6,022,544
Capital assets not being depreciated:			
Land	283,707,109	11,340,293	295,047,402
Construction in progress	15,197,378	61,895	15,259,273
Capital assets net of accumulated depreciation:			
Buildings/structures	42,935,068	741,664	43,676,732
Improvements other than buildings	7,940,912	3,828,596	11,769,508
Machinery and equipment	7,862,617	78,249	7,940,865
Infrastructure	115,481,964	50,270,959	165,752,922
Net Pension Asset	7,649,045	-	7,649,045
Total Assets	<u>560,410,059</u>	<u>73,365,303</u>	<u>633,775,362</u>
DEFERRED OUTFLOWS OF RESOURCES RELATED TO PENSIONS			
	3,627,563	185,088	3,812,651
LIABILITIES			
Accounts payable and accruals	4,336,471	237,507	4,573,979
Unearned revenue	351,637	351,109	702,746
Retainage payable	107,488	8,173	115,661
Customer deposits	1,475,264	2,838	1,478,103
Noncurrent Liabilities:			
Due within one year	2,127,529	9,206	2,136,735
Due in more than one year	38,766,801	709,980	39,476,781
Net Pension Liability	5,043,226	597,236	5,640,462
Other Long-Term Liabilities	33,723,575	112,744	33,836,319
Total Liabilities	<u>47,165,191</u>	<u>1,318,814</u>	<u>48,484,005</u>
DEFERRED INFLOW OF RESOURCES RELATED TO PENSIONS			
	<u>3,057,237</u>	<u>183,557</u>	<u>3,240,794</u>
NET POSITION			
Net investment in capital assets	450,219,346	66,321,652	516,540,998
Restricted for:			
Debt service	3,569,746	-	3,569,746
Capital projects	11,069,922	-	11,069,922
Steel Lake & North Lake Mgmt District	-	35,295	35,295
Other	5,282,818	-	5,282,818
Unrestricted	<u>43,673,363</u>	<u>5,691,073</u>	<u>49,364,436</u>
Total Net Position	<u>\$ 513,815,194</u>	<u>\$ 72,048,020</u>	<u>\$ 585,863,214</u>

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

STATEMENT OF ACTIVITIES
For the Year ended December 31, 2020

	Program Revenues				Net (Expense) Revenue & Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
<i>Governmental Activities:</i>							
General government	\$ 8,094,395	\$ 2,956,619	\$ 7,305,858	\$ -	\$ 2,168,082	\$ -	\$ 2,168,082
Security of persons & property	34,792,577	4,019,723	946,650	-	(29,826,204)	-	(29,826,204)
Transportation	13,469,874	3,192,519	1,641,565	1,994,083	(6,641,706)	-	(6,641,706)
Physical environment	708,031	509,311	89,277	-	(109,443)	-	(109,443)
Economic environment	6,317,075	2,215,856	125,126	1,000,000	(2,976,093)	-	(2,976,093)
Health	1,774,097	-	1,029,126	-	(744,971)	-	(744,971)
Culture & recreation	7,607,707	729,227	57,825	-	(6,820,655)	-	(6,820,655)
Interest on long-term debt	1,015,414	-	-	-	(1,015,414)	-	(1,015,414)
Total governmental activities	73,779,171	13,623,255	11,195,427	2,994,083	(45,966,406)	-	(45,966,406)
<i>Business-type Activities:</i>							
Surface Water Management	4,989,139	4,454,422	42,348	122,032	-	(370,337)	(370,337)
Dumas Bay Centre	565,369	118,562	-	-	-	(446,807)	(446,807)
Total business-type activities	5,554,507	4,572,984	42,348	122,032	-	(817,144)	(817,144)
Total	\$ 79,333,678	\$ 18,196,239	\$ 11,237,775	\$ 3,116,115	(45,966,406)	(817,144)	(46,783,549)
General revenues:							
Property tax					11,449,581	-	11,449,581
Sales tax					16,099,037	-	16,099,037
Local criminal justice sales tax					2,799,244	-	2,799,244
Utility tax					14,672,457	-	14,672,457
Real estate excise tax					4,467,111	-	4,467,111
Gambling tax					147,533	-	147,533
Hotel/motel tax					120,482	-	120,482
Admissions Tax					67,732	-	67,732
Leasehold excise tax					5,336	-	5,336
Other revenue					1,269,811	-	1,269,811
Investment earnings					497,606	54,138	551,744
Transfers					(183,453)	183,453	-
Total general revenues (loss) and transfers					51,412,477	237,591	51,650,068
Change in net position					5,446,071	(579,553)	4,866,518
Net position at beginning of year					519,455,185	68,844,107	588,299,292
Prior period adjustment (See Note 15)					(10,690,600)	3,783,466	(6,907,134)
Effect of change in accounting principle					(395,462)	-	(395,462)
Adjusted beginning net position					508,369,123	72,627,573	580,996,696
Net position at end of year					<u>\$ 513,815,194</u>	<u>\$ 72,048,020</u>	<u>\$ 585,863,214</u>

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

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020

	General	Street	Utility Tax	Debt Service
ASSETS				
Cash and Cash Equivalents	\$ 13,100,152	\$ 1,221,359	\$ 2,015,209	\$ 3,569,746
Prepaid items	8,458	-	-	-
Receivables (net):				
Taxes	227,381	-	1,693,470	-
Accounts and contracts	370,395	24,796	-	-
Restricted cash	289,314	-	-	-
Due from other governments	4,531,268	223,159	-	-
Interfund loans receivable	1,620,568	-	-	-
Inventories	-	-	-	-
TOTAL ASSETS	20,147,536	1,469,314	3,708,679	3,569,746
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Vouchers payable	1,132,594	106,407	56,546	-
Accounts/payroll payable	1,192,888	122,867	121,618	-
Retainage payable	-	7,969	-	-
Deposits payable	872,033	566,567	-	-
Interfund loans payable	-	-	-	-
Unearned revenue	65,280	73,893	-	-
TOTAL LIABILITIES	3,262,795	877,703	178,164	-
DEFERRED INFLOWS OF RESOURCES FOR UNAVAILABLE PROPERTY TAXES				
	191,049	-	-	-
Fund Balance:				
Nonspendable	270,772	-	-	-
Restricted	27,000	-	-	3,569,746
Committed	9,350	591,611	3,530,515	-
Unassigned	16,386,570	-	-	-
TOTAL FUND BALANCES	16,693,692	591,611	3,530,515	3,569,746
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 20,147,536	\$ 1,469,314	\$ 3,708,679	\$ 3,569,746

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

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2020

	Performing Arts & Event Center Operations	Transportation	Nonmajor Governmental	Total
ASSETS				
Cash and Cash Equivalents	\$ 94,919	\$ 6,131,803	\$ 16,975,502	\$ 43,108,690
Prepaid items	20,529	-	-	28,987
Receivables (net):				
Taxes	-	-	1,477,478	3,398,329
Accounts and contracts	27,460	24,673	85,986	533,310
Restricted Cash	-	-	-	289,314
Due from other governments	-	720,019	823,186	6,297,632
Interfund loans receivable	-	-	-	1,620,568
Inventories	8,480	-	-	8,480
TOTAL ASSETS	151,388	6,876,495	19,362,152	55,285,310
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Vouchers payable	84,012	431,096	462,821	2,273,476
Accounts/payroll payable	-	38,323	150,693	1,626,389
Retainage payable	-	97,781	1,738	107,488
Deposits payable	-	-	36,663	1,475,263
Interfund loans payable	-	1,523,960	96,608	1,620,568
Unearned revenue	67,376	-	145,088	351,637
TOTAL LIABILITIES	151,388	2,091,160	893,611	7,454,821
DEFERRED INFLOWS OF RESOURCES FOR UNAVAILABLE PROPERTY TAXES	-	-	-	191,049
Fund Balance:				
Nonspendable	-	-	-	270,772
Restricted	-	1,900,240	14,154,727	19,651,713
Committed	-	2,885,095	4,313,814	11,330,385
Unassigned	-	-	-	16,386,570
TOTAL FUND BALANCES	-	4,785,335	18,468,541	47,639,440

**TOTAL LIABILITIES, DEFERRED INFLOWS OF
RESOURCES AND FUND BALANCES**

\$ 151,388 \$ 6,876,495 \$ 19,362,152

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. See Note 8, difference is the Internal Service fund amount of \$11.05M on page 38	462,071,809
Investment in joint venture is not a financial resource and, therefore, not reported in the funds. See Note 14 \$6.02M on page 76.	6,022,544
Other long-term and non-current assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds: includes deferred inflows, and net pension asset. See Note 6 \$191K & Note 9 \$7.65M (page 62)	7,840,094
Internal service funds are used to charge the costs of insurance, unemployment, information systems, mail and duplication, fleet, and building to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. Page 38 Internal Svc Net Position \$30.07M + Adj \$117.6K + \$73.5K LT Comp Abs + \$302.0K Net Pension Liability (NPL) + \$92.1K Def Infl Rel to Pensions - \$92.0K Def Outfl Rel to Pensions	30,565,309
Long-term liabilities, including bonds payable, pension liability, and inflows/outflows related to pensions are not due and payable in the current period and, therefore, are not reported in the funds. See Note 11 -\$31.64M -\$2.38M - \$0.13M -\$1.70M, In Govt Wide - \$5.04M NPL - \$3.06M Def Infl Rel to Pensions + \$3.63M Def Outfl Rel to Pensions	(40,324,003)
Net position of governmental activities	<u>\$ 513,815,194</u>

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

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**
For Year Ended December 31, 2020

	General	Street	Utility Tax	Debt Service
REVENUES				
Taxes	\$ 30,211,040	\$ -	\$ 14,672,456	\$ -
Licenses and permits	3,611,569	233,347	-	-
Intergovernmental	7,168,788	1,179,181	-	-
Service charges and fees	2,441,947	514,053	-	-
Fines and forfeitures	737,582	-	-	-
Interest	174,232	5,939	56,982	22,909
Other	730,901	23,489	-	-
TOTAL REVENUES	45,076,059	1,956,009	14,729,438	22,909
EXPENDITURES				
Current:				
General government	8,045,568	-	-	-
Security of persons and property	29,583,142	188,786	3,527,394	-
Transportation	863,865	4,027,939	-	-
Physical environment	-	-	-	-
Economic environment	3,307,711	-	101,472	-
Health	1,067,575	-	-	-
Culture and recreation	4,360,635	-	111,084	-
Debt service:				
Principal	-	-	-	1,731,181
Interest/fiscal charges/admin fees	-	-	-	984,281
Capital outlay	838,006	33,177	-	-
TOTAL EXPENDITURES	48,066,502	4,249,902	3,739,950	2,715,462
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,990,443)	(2,293,893)	10,989,488	(2,692,553)
OTHER FINANCING SOURCES (USES)				
Transfers in	8,146,895	2,287,779	-	2,328,567
Transfers out	(4,668,324)	-	(10,173,601)	-
TOTAL OTHER FINANCING SOURCES (USES)	3,478,571	2,287,779	(10,173,601)	2,328,567
NET CHANGE IN FUND BALANCES	488,128	(6,114)	815,887	(363,986)
FUND BALANCES - BEGINNING	16,601,026	597,725	2,714,628	3,933,732
Effect of Change in Accounting Principle	(395,462)	-	-	-
ADJUSTED FUND BALANCES - BEGINNING	16,205,564	597,725	2,714,628	3,933,732
FUND BALANCES - ENDING	\$ 16,693,692	\$ 591,611	\$ 3,530,515	\$ 3,569,746

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

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**
For Year Ended December 31, 2020

	Performing Arts & Event Center Operations	Transportation	Nonmajor Governmental	Total
REVENUES				
Taxes	\$ -	\$ -	\$ 5,035,041	\$ 49,918,537
Licenses and permits	-	-	-	3,844,916
Intergovernmental	-	2,541,805	2,501,092	13,390,866
Service charges and fees	251,031	1,882,417	1,795,104	6,884,552
Fines and forfeitures	-	-	2,156,205	2,893,787
Interest	45,605	30,492	84,903	421,062
Other	294,516	3,199	78,931	1,131,036
TOTAL REVENUES	591,152	4,457,913	11,651,276	78,484,756
EXPENDITURES				
Current:				
General government	-	-	44,831	8,090,399
Security of persons and property	-	-	1,481,068	34,780,390
Transportation	-	1,105,096	2,493,701	8,490,601
Physical environment	-	-	537,419	537,419
Economic environment	1,452,916	-	28,785	4,890,884
Health	-	-	709,868	1,777,443
Culture and recreation	-	-	1,396,521	5,868,240
Debt service:				
Principal	-	-	159,000	1,890,181
Interest/fiscal charges/admin fees	-	18,204	76,216	1,078,701
Capital outlay	-	5,578,248	194,366	6,643,797
TOTAL EXPENDITURES	1,452,916	6,701,548	7,121,775	74,048,055
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(861,764)	(2,243,635)	4,529,501	4,436,701
OTHER FINANCING SOURCES (USES)				
Transfers in	972,310	2,238,000	3,305,715	19,279,266
Transfers out	-	(45,000)	(5,374,047)	(20,260,972)
TOTAL OTHER FINANCING SOURCES (USES)	972,310	2,193,000	(2,068,332)	(981,706)
NET CHANGE IN FUND BALANCES	110,546	(50,635)	2,461,169	3,454,995
FUND BALANCES - BEGINNING	(110,546)	4,835,970	16,007,372	44,579,907
Effect of Change in Accounting Principle	-	-	-	(395,462)
ADJUSTED FUND BALANCES - BEGINNING	(110,546)	4,835,970	16,007,372	44,184,445
FUND BALANCES - ENDING	\$ -	\$ 4,785,335	\$ 18,468,541	\$ 47,639,440

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2020

Amounts reported for governmental activities in the statement of activities (page 28) are different because:	<u>2020</u>
Net change in fund balances--total governmental funds (page 32)	\$ 3,454,995
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (page 53)	(1,874,332)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (page 53)	48,752
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the issuance proceeds of new debt as current financial resources and payment as the use of current resources, whereas these amounts reduce the net position. (page 53)	1,953,468
Internal service funds are used by management to charge costs of risk management, information systems, mail & duplication, fleet, and building systems to the funds. (page 39) -\$451K + \$182K	(268,562)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds. Includes adjustment for GASB 68 pension reporting. (page 53) \$2.46M - \$327K	<u>2,131,749</u>
Change in net position of governmental activities (page 28)	<u><u>\$ 5,446,071</u></u>

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

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 30,594,693	\$ 29,768,093	\$ 30,211,040	\$ 442,947
Licenses and permits	4,292,914	4,340,001	3,611,569	(728,432)
Intergovernmental	2,009,500	6,840,601	7,168,788	328,187
Service charges and fees	3,834,514	3,994,400	2,441,947	(1,552,453)
Fines and forfeitures	943,401	815,189	737,582	(77,607)
Interest	185,617	299,619	174,232	(125,387)
Other	440,246	540,246	730,901	190,655
TOTAL REVENUES	42,300,885	46,598,149	45,076,059	(1,522,090)
EXPENDITURES				
Current:				
General government	4,600,292	10,011,966	8,045,568	1,966,398
Security of persons and property	35,038,028	31,859,132	29,583,142	2,275,990
Transportation	1,105,746	1,105,746	863,865	241,881
Economic environment	3,321,076	3,638,708	3,307,711	330,997
Health	2,155,774	2,549,813	1,067,575	1,482,238
Culture and recreation	4,637,681	4,874,511	4,360,635	513,876
Capital outlay	-	369,065	838,006	(468,941)
TOTAL EXPENDITURES	50,858,597	54,408,941	48,066,502	6,342,439
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(8,557,712)	(7,810,792)	(2,990,443)	4,820,349
OTHER FINANCING SOURCES (USES)				
Transfers in	10,111,732	10,433,709	8,146,895	(2,286,814)
Transfers out	(1,695,849)	(4,668,324)	(4,668,324)	-
TOTAL OTHER FINANCING SOURCES (USES)	8,415,883	5,765,385	3,478,571	(2,286,814)
NET CHANGE IN FUND BALANCES	(141,829)	(2,045,407)	488,128	2,533,535
FUND BALANCES - BEGINNING	10,015,036	14,667,137	16,601,026	1,933,889
Effect of change in accounting principle	-	-	(395,462)	(395,462)
ADJUSTED FUND BALANCES - BEGINNING	10,015,036	14,667,137	16,205,564	1,538,427
FUND BALANCES - ENDING	\$ 9,873,207	\$ 12,621,730	\$ 16,693,692	\$ 4,071,962

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

STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Year Ended December 31, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Licenses and permits	\$ 200,000	\$ 200,000	\$ 233,347	\$ 33,347
Intergovernmental	1,300,003	1,305,001	1,179,181	(125,820)
Service charges and fees	500,752	736,571	514,053	(222,518)
Interest	5,514	5,516	5,939	423
Other	211,500	235,400	23,489	(211,911)
TOTAL REVENUES	2,217,769	2,482,488	1,956,009	(526,479)
EXPENDITURES				
Current:				
Security of persons and property	202,353	202,353	188,786	13,567
Transportation	4,111,347	4,485,464	4,027,939	457,525
Capital outlay	-	23,900	33,177	(9,277)
TOTAL EXPENDITURES	4,313,700	4,711,717	4,249,902	461,815
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,095,931)	(2,229,229)	(2,293,893)	(64,664)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,095,849	2,218,520	2,287,779	69,259
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	2,095,849	2,218,520	2,287,779	69,259
NET CHANGE IN FUND BALANCES	(82)	(10,709)	(6,114)	4,595
FUND BALANCES - BEGINNING	500,676	510,709	597,725	87,016
FUND BALANCES - ENDING	\$ 500,594	\$ 500,000	\$ 591,611	\$ 91,611

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

UTILITY TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Year Ended December 31, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ 12,352,891	\$ 14,297,547	\$ 14,672,456	\$ 374,909
Interest	19,999	19,999	56,982	36,983
TOTAL REVENUES	12,372,890	14,317,546	14,729,438	411,892
EXPENDITURES				
Current:				
Security of persons and property	3,276,590	3,876,590	3,527,394	349,196
Economic environment	95,218	95,218	101,472	(6,254)
Culture and recreation	103,437	103,437	111,084	(7,647)
TOTAL EXPENDITURES	3,475,245	4,075,245	3,739,950	335,295
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	8,897,645	10,242,301	10,989,488	747,187
OTHER FINANCING SOURCES (USES)				
Transfers out	(8,897,645)	(10,422,985)	(10,173,601)	249,384
TOTAL OTHER FINANCING SOURCES (USES)	(8,897,645)	(10,422,985)	(10,173,601)	249,384
NET CHANGE IN FUND BALANCES	-	(180,684)	815,887	996,571
FUND BALANCES - BEGINNING	2,500,000	2,714,628	2,714,628	-
FUND BALANCES - ENDING	\$ 2,500,000	\$ 2,533,944	\$ 3,530,515	\$ 996,571

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

PERFORMING ARTS & EVENT CENTER OPERATIONS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Year Ended December 31, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Service charges and fees	\$ 1,537,972	\$ 143,526	\$ 251,031	\$ 107,505
Interest	45,605	45,605	45,605	-
Other	290,746	297,746	294,516	(3,230)
TOTAL REVENUES	1,874,323	486,877	591,152	104,275
EXPENDITURES				
Current:				
Economic environment	1,874,323	1,331,690	1,452,916	(121,226)
TOTAL EXPENDITURES	1,874,323	1,331,690	1,452,916	(121,226)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(844,813)	(861,764)	(16,951)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	955,359	972,310	16,951
TOTAL OTHER FINANCING SOURCES (USES)	-	955,359	972,310	16,951
NET CHANGE IN FUND BALANCES	-	110,546	110,546	-
FUND BALANCES - BEGINNING	-	(110,546)	(110,546)	-
FUND BALANCES - ENDING	\$ -	\$ -	\$ -	\$ -

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2020

	Business-type Activities - Enterprise Funds			Governmental Activities
	Surface Water Management	Dumas Bay Centre	TOTAL	Internal Service
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 5,203,408	\$ 1,782,850	\$ 6,986,258	\$ 19,796,845
Prepaid items	-	-	-	5,000
Receivables (net):				
Accounts and contracts	133,324	-	133,324	29,250
Due from other governments	41,651	-	41,651	-
TOTAL CURRENT ASSETS	5,378,383	1,782,850	7,161,233	19,831,095
Property, plant and equipment				
Land	9,230,653	2,109,640	11,340,293	-
Building/structures	832,086	3,682,227	4,514,313	16,545,121
Improvements other than buildings	3,915,030	314,901	4,229,931	-
Machinery/furniture/equipment	68,786	145,848	214,634	21,188,438
Infrastructure	67,843,689	-	67,843,689	-
Construction in progress	61,895	-	61,895	-
Less accumulated depreciation	(18,149,504)	(3,733,599)	(21,883,103)	(26,680,321)
TOTAL NONCURRENT ASSETS	63,802,635	2,519,017	66,321,652	11,053,238
TOTAL ASSETS	69,181,018	4,301,867	73,482,885	30,884,333
DEFERRED OUTFLOWS RELATED TO PENSIONS	158,880	26,208	185,088	92,001
LIABILITIES AND FUND EQUITY				
Current Liabilities:				
Vouchers/payroll payable	209,840	27,666	237,506	436,609
Unearned revenue	127,210	223,899	351,109	-
Retainage payable	3,561	4,612	8,173	-
Deposits payable	200	2,637	2,837	-
Compensated absences payable	7,392	1,814	9,206	-
TOTAL CURRENT LIABILITIES	348,203	260,628	608,831	436,609
Long-term liabilities:				
Compensated absences payable	90,522	22,222	112,744	73,504
Net Pension Liability	510,928	86,308	597,236	302,018
TOTAL LONG-TERM LIABILITIES	601,450	108,530	709,980	375,522
TOTAL LIABILITIES	949,653	369,158	1,318,811	812,131
DEFERRED INFLOWS RELATED TO PENSIONS	156,894	26,663	183,557	92,148
Net investment in capital assets	63,802,635	2,519,017	66,321,652	11,053,238
Restricted for:				
Steel Lake & North Lake Mgmt District	35,295	-	35,295	-
Unrestricted	4,395,421	1,413,237	5,808,658	19,018,817
TOTAL NET POSITION	\$ 68,233,351	\$ 3,932,254	72,165,605	\$ 30,072,055
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(117,585)	
NET POSITION OF BUSINESS-TYPE ACTIVITIES			\$ 72,048,020	

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

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS**
For Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds			Governmental Activities
	Surface Water Management	Dumas Bay Centre	TOTAL	Internal Service
OPERATING REVENUES:				
Service charges and fees	\$ 4,452,601	\$ 118,562	\$ 4,571,163	\$ 11,734,264
Intergovernmental	42,348	-	42,348	-
Miscellaneous	1,821	-	1,821	149,211
TOTAL OPERATING REVENUES	4,496,770	118,562	4,615,332	11,883,475
OPERATING EXPENSES:				
Personnel services	1,909,772	313,085	2,222,857	1,182,407
Materials and supplies	138,982	50,982	189,964	870,333
Services and charges	1,219,597	145,159	1,364,756	10,048,861
Depreciation	722,784	15,393	738,177	2,146,710
Interfund charges	816,751	33,005	849,756	-
TOTAL OPERATING EXPENSES	4,807,886	557,624	5,365,510	14,248,311
OPERATING INCOME (LOSS)	(311,116)	(439,062)	(750,178)	(2,364,836)
NON-OPERATING REVENUES (EXPENSES):				
Gain (Loss) from disposal of capital assets	-	-	-	155,158
Interest income	37,880	9,611	47,491	83,187
Interest expense	-	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	37,880	9,611	47,491	238,345
INCOME (LOSS) BEFORE TRANSFERS	(273,236)	(429,451)	(702,687)	(2,126,491)
Capital contributions	122,032	-	122,032	877,325
Transfers in	-	373,453	373,453	948,253
Transfers out	(190,000)	-	(190,000)	(150,000)
CHANGE IN NET POSITION	(341,204)	(55,998)	(397,202)	(450,913)
NET POSITION - BEGINNING	64,791,089	3,988,252	68,779,341	30,522,968
Prior period adjustment	3,783,466	-	3,783,466	-
ADJUSTED NET POSITION - BEGINNING	68,574,555	3,988,252	72,562,807	30,522,968
NET POSITION - ENDING	\$ 68,233,351	\$ 3,932,254	\$ 72,165,605	\$ 30,072,055
CHANGE IN NET POSITION			(397,202)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(182,351)	
CHANGES IN NET POSITION OF BUSINESS-TYPE ACTIVITIES			\$ (579,553)	

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For Year Ended December 31, 2020

	Business-type Activities - Enterprise Funds			Governmental Activities
	Surface Water Management	Dumas Bay Centre	TOTAL	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from users - outside	\$ 4,451,330	\$ 82,990	\$ 4,534,319	\$ -
Cash received from users - interfund	-	-	-	11,734,264
Cash payments to claimants	-	-	-	(1,306,941)
Cash payments to suppliers for goods/services	(1,074,224)	(249,699)	(1,323,923)	(8,668,414)
Cash payments to employees	(2,101,151)	(362,524)	(2,463,675)	(1,226,594)
Cash payments to other funds for goods and services	(816,751)	(33,005)	(849,756)	-
Cash payments to other governments for goods and services	(312,638)	(1,119)	(313,756)	(997,990)
Other operating receipts	22,685	-	22,685	149,061
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>169,252</u>	<u>(563,357)</u>	<u>(394,105)</u>	<u>(316,614)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	373,453	373,453	948,253
Transfers out	(190,000)	-	(190,000)	(150,000)
NET CASH PROVIDED BY NONCAPITAL FINANCING	<u>(190,000)</u>	<u>373,453</u>	<u>183,453</u>	<u>798,253</u>
CASH FLOWS FROM CAPITAL AND CAPITAL - RELATED FINANCING ACTIVITIES:				
Acquisition of capital asset/construction work in progress	(39,344)	(8,965)	(48,309)	(1,597,227)
Advances (to)/from other funds	-	-	-	(28,207)
Proceeds from the sale of capital assets	-	-	-	164,227
NET CASH USED FOR CAPITAL AND CAPITAL- RELATED FINANCING ACTIVITIES	<u>(39,344)</u>	<u>(8,965)</u>	<u>(48,309)</u>	<u>(1,461,207)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Receipts of interest	37,879	9,611	47,490	83,187
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>37,879</u>	<u>9,611</u>	<u>47,490</u>	<u>83,187</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(22,213)</u>	<u>(189,258)</u>	<u>(211,471)</u>	<u>(896,381)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>5,225,621</u>	<u>1,972,108</u>	<u>7,197,729</u>	<u>20,693,226</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>5,203,408</u></u>	<u><u>1,782,850</u></u>	<u><u>6,986,258</u></u>	<u><u>19,796,845</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income/(loss)	(311,115)	(439,062)	(750,176)	(2,364,836)
Adjustments to reconcile operating income to net cash provided/(used) by operating activities:				
Increases/(decrease) in depreciation expense	722,784	15,393	738,177	2,146,710
(Increases)/decrease in accounts receivable	(33,693)	39,640	5,947	(150)
(Increases)/decrease in due from other governments	(21,484)	-	(21,484)	-
(Increases)/decrease in deferred outflows related to pensions	(13,183)	705	(12,478)	(20,833)
Increases/(decrease) in vouchers/accounts payable	(14,221)	(50,727)	(64,948)	(54,151)
Increases/(decrease) in retainage payable	(14,062)	-	(14,062)	-
Increases/(decrease) in deposits payable	-	(3,950)	(3,950)	-
Increases/(decrease) in deferred revenue	32,421	(75,212)	(42,791)	-
Increases/(decrease) in accrued payroll/compensated absences payable	25,090	2,048	27,138	17,397
Increases/(decrease) in net pension liability	(43,771)	(18,852)	(62,623)	25,092
Increases/(decrease) in deferred inflows related to pensions	(159,515)	(33,340)	(192,855)	(65,843)
TOTAL ADJUSTMENTS	<u>480,366</u>	<u>(124,295)</u>	<u>356,071</u>	<u>2,048,222</u>
NET CASH PROVIDED/USED BY OPERATING ACTIVITIES	<u><u>\$ 169,252</u></u>	<u><u>\$ (563,357)</u></u>	<u><u>\$ (394,105)</u></u>	<u><u>\$ (316,614)</u></u>
Non-cash investing, capital, and financing activities:				
Other contributions of capital assets	<u><u>\$ 122,032</u></u>			<u><u>\$ 877,325</u></u>

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

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2020

	Auto Theft Task Force Private Purpose Trust Fund	Custodial Fund
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 1,090,766
Due from other governments	290,702	-
TOTAL ASSETS	<u>290,702</u>	<u>1,090,766</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Held for Judgement	-	210,256
Due to other governments	290,702	3,249
TOTAL LIABILITIES	<u>290,702</u>	<u>213,505</u>
NET POSITION		
Reserved for Specific Program Use	-	877,261
TOTAL NET POSITION	<u>\$ -</u>	<u>\$ 877,261</u>

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

**STATEMENT OF CHANGES
IN FIDUCIARY NET POSITION**
For Year Ended December 31, 2020

	Auto Theft Task Force Private Purpose Trust Fund	Custodial Fund
ADDITIONS:		
Intergovernmental	\$ 716,224	\$ -
Court Remittances	-	700,001
Seizure Funds	-	625,651
TOTAL ADDITIONS	<u>716,224</u>	<u>1,325,652</u>
DEDUCTIONS:		
Current:		
Security of persons & property	716,224	143,852
Court Remittances	-	700,001
TOTAL DEDUCTIONS	<u>716,224</u>	<u>843,853</u>
CHANGE IN NET POSITION	-	481,799
RESTRICTED NET POSITION - BEGINNING	-	-
Effect of change in accounting principle	-	395,462
ADJUSTED RESTRICTED NET POSITION - BEGINNING	<u>-</u>	<u>395,462</u>
NET POSITION - ENDING	<u>\$ -</u>	<u>\$ 877,261</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2020

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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

The City of Federal Way was incorporated on February 28, 1990. Federal Way is a non-charter code city, operating under Section 35A.03 of the Revised Code of Washington. It has a Mayor/Council form of government. The Council is composed of seven councilmembers elected to four-year terms on a non-partisan ballot and are elected at-large. Members of the City Council are responsible for establishing the general direction and policies for the City and for providing the resources necessary to carry out those policies. As the City's chief administrator, the City Mayor is responsible for carrying out the policy and direction set by the City Council. This includes the enforcement of laws and ordinances, the execution of contracts and agreements, and maintenance of peace and order in the City. The City of Federal Way provides a full range of municipal services, including policing, planning and zoning, street maintenance and construction, parks and recreation, and general administrative services. The City operates enterprise funds for Storm Water Management and Dumas Bay Centre.

The City's Annual Comprehensive Financial Report (ACFR) includes the funds, agencies and boards controlled by or dependent on the City. In conformance with Governmental Accounting Standards Board (GASB) Statement 14, "The Financial Reporting Entity", the primary basis of determining whether outside agencies and organizations should be considered component units of the City is Financial Accountability. Financial Accountability is dependent on the City's obligation to redeem the organization's debts, to finance the organization's deficits, and the extent to which subsidies from the City constitute a major portion of the organization's total resources. Applying these criteria, as outlined in GASB Statement 14, the City has no relationships that qualify as component units.

Financial Accountability

Financial accountability is defined as an appointment of a voting majority of an agency's or organization's board, and either the City's ability to impose its will on the agency or organization or the possibility that the agency or organization will provide a financial benefit to or impose a financial burden on the City.

Joint Ventures

A joint venture is a legal entity or organization which results from a contractual arrangement that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which participants retain an ongoing financial interest or an ongoing financial responsibility. The City participates in one joint venture: Valley Communications Center. On September 4th, 2018 the City Council decided to withdraw from the SCORE interlocal agreement effective on January 1st, 2020 per city resolution 18-741 in 2019. See Note 14, Joint Venture, which more fully describe these organizations.

BASIS OF PRESENTATION - GOVERNMENTAL-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

As a general rule the effect of the interfund activity has been eliminated for the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund – This is the City’s general operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Street Fund – This fund accounts for the receipt and disbursement of State-levied motor vehicle fuel taxes which must be accounted for in a separate fund and expended for street-oriented engineering, maintenance and operations.

Utility Tax Fund – This fund was established to account for all utility tax receipts. These receipts will subsequently be distributed to various funds to provide for debt service, capital projects, maintenance and operations expenditures, etc. as determined by the City Council.

Debt Service Fund – This fund accounts for the accumulation of resources for the payment of general obligation and assessment bond principal, interest and related costs.

Performing Arts & Event Center Operations Fund – This fund was established to account for receipts and disbursements related to the operation of the Performing Arts & Event Center facility.

Transportation CIP Fund – This fund accounts for receipts and disbursements related to acquisition, design, construction and any other related street project expenditures.

The City reports the following fund groups as non-major funds:

Special Revenue Funds – These funds are to be used to account for the proceeds of revenues and sources (other than special assessments, expendable trust or major capital projects) that are committed or legally restricted to expenditures for specified purposes.

Capital Project Funds – These funds account for the acquisition or construction of major capital facilities with the exception of those facilities financed by the proprietary fund. The major sources of revenues for these funds are general obligation bond proceeds, grants from other agencies, local taxes, contributions from other funds, utility tax, and real estate excise tax.

The City reports the following major enterprise funds:

Surface Water Management Fund – This fund was established to administer and account for all receipts and expenditures related to the City’s surface and storm water management system.

Dumas Bay Centre Fund – This fund was established to account for revenues and expenses related to the acquisition, capital improvements maintenance and operations of the City-owned Dumas Bay Centre and Knutzen Family Theatre. The Dumas Bay Centre is primarily used for meetings, events, lodging, and catering services.

Additionally, the City reports following internal service funds:

Risk Management Fund – This fund accounts for the City’s risk financing activities established to minimize adverse effects of losses associated with property and casualty, and worker’s compensation claims. Both risk control (to minimize the losses that strike an organization) and risk financing (to obtain finances to provide for or restore the economic damages of those losses) are involved. The City is also currently recovering costs and building reserves for general liability including property, casualty, errors and omissions and fidelity coverage.

Information Systems Fund – This fund was established to account for all costs associated with data processing, telecommunications and the Geographical Information System (GIS). This fund owns and depreciates all non-proprietary fund assets related to these functions, and charges equipment/software users for both maintenance and operating costs and equipment replacement charges based on depreciation schedules.

Mail & Duplication Fund – This fund accounts for duplication, graphics and other general support services provided to departments and funds throughout the City.

Fleet and Equipment Fund – This fund accounts for the cost of maintaining City vehicles and other motorized equipment. Rates charged to user departments are based on the full cost of maintaining equipment items, including the recovery of related depreciation expense.

Buildings and Furnishings Fund – This fund accounts for all costs associated with the operation and maintenance of specified City buildings. City building facilities and furnishings are owned by this Fund. Both maintenance/operating costs and depreciation recovery are charged to City departments and funds.

Health Insurance Fund – The City is currently self-insuring for medical insurance. The premiums paid by the City and employees are deposited into this fund. Medical service for medical coverage and pharmaceutical reimbursement are paid out of this fund. Also, the fund has established reserves for the payment of estimated future claims.

Unemployment Insurance Fund - The City is currently self-insuring State Unemployment Compensation. Related premiums received by the fund are used to reimburse the unemployment benefits paid to eligible individuals and to establish reserves for the payment of estimated future unemployment claims liability.

Internal Service Funds account for goods and services provided to other departments or agencies of City of Federal Way, or to other governments, on a cost-reimbursement basis.

The City reports the following fiduciary funds:

Auto Theft Task Force Fund – This fund is a private-purpose trust fund that acts as an agent on behalf of other governments. This fund accounts for contributions held in a fiduciary capacity for the Puget Sound Auto Theft Task-Force.

Custodial Fund – This fund was added in accordance with the implementation of GASB Statement No. 84. This fund accounts for items held for judgement, seizure funds, court remittances, and due to other governments originally reported in the General Fund, but now reported in a custodial fund.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING

Government-Wide and Governmental Funds

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year 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.

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 of Federal Way considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The City considers property tax as available if they are collected within 60 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated within the current period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of property tax 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.

Major revenues recorded on the modified accrual basis are:

Property Taxes - King County acts as the City's collection agent for these taxes. Upon receipt, the County electronically transmits to the City the taxes which it has collected on the City's behalf in the prior day. On this basis, property taxes received in January are considered both measurable and available and are therefore recognized as revenue in the current year.

Other Locally Levied Taxes - King County also acts as the City's collection agent for the 0.25% and optional 0.25% real estate excise taxes. Although a time lag occurs in payment of these taxes to the City, since the taxes are actually collected by King County in December and receipted to the City within 10 days after the end of the year, they are considered to be both measurable and available, and are, therefore, accrued as revenue at year end. The State of Washington acts as the City's collection agency for the locally levied sales tax. The sales tax is distributed monthly and remitted to the City in the following month. The Sales Tax remittance in January is considered both measurable and available and is therefore accrued as revenue at year-end.

Grant Revenues - Under Section G60.109 of the Codification of Governmental Accounting and Financial Reporting Standards, revenues for cost reimbursement grants are determined to be earned and, therefore, available at the time related expenditures are incurred. For this reason, grant revenues to be received as reimbursement for expenditures incurred in the current year are also recognized as revenue in that year.

Shared Revenues - Revenues that have been collected by the State, but not remitted by an intermediary collection agency to the City, are considered measurable and available.

Other Revenue Sources - Other items recognized as revenue in the current year on the modified accrual basis include investment interest earned but not received at year end; inter-fund, and intergovernmental service billings related to services provided in the current year which are outstanding at year end; and any other material revenue amounts determined to be both measurable and available under current modified accrual accounting practices. Revenues not considered to meet the criteria for recognition on the modified accrual basis include licenses and permits, fines and forfeitures, and other miscellaneous revenues which are generally not measurable until received.

Proprietary Funds

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

Proprietary funds distinguish operating revenues and expenses from 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. The principal operating revenues of the City are primarily user charges, and the cost of providing goods or services to the general public on a continuing basis. Operating expenses for enterprise and internal service funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Other Disclosure

The City was neither the lessor nor lessee in capital leases; has not been the recipient of an endowment; did not engage in short-term debt activity during the year; has not issued special assessment debt; does not benefit from on-behalf payment; has not pledged future revenues; has not incurred an obligation for pollution remediation; had no hedging derivatives; is not the transferor or operator in a service concession arrangement; and does not provide other post-employment benefits (OPEB), and was not the transferor or continuing government in a merger, transfer of operation, etc.

BUDGETARY INFORMATION

Scope of Budget

Annual appropriated budgets are adopted for the general, some special revenue, and debt service funds on the modified accrual basis of accounting. For governmental funds, there are no differences between the budgetary basis and generally accepted accounting principles. Budgets for debts service and capital project funds are adopted at the level of the individual debt issue or project and for fiscal periods that correspond to the lives of debt issues or projects.

Legal budgetary control is established at the fund level, i.e., expenditures for a fund may not exceed the total appropriation amount. Any unexpended appropriation balances for annually budgeted funds lapse at the end of the year. Appropriations for other special purpose funds that are non-operating in nature are adopted on a "project-length" basis and, therefore, are carried forward from year to year without re-appropriation until authorized amounts are fully expended or the designated purpose of the fund has been accomplished.

The individual funds within each fund type which are included in the City's biennial operating budget (funds budgeted on an annual basis) are:

General Fund	Special Revenue Funds	Debt Service Fund	Capital Project Funds
	- <i>Street Fund</i>	- <i>Debt Fund</i>	- <i>Downtown Redevelopment</i>
	- <i>Arterial Street</i>		- <i>City Facilities</i>
	- <i>Utility Tax (including Prop 1)</i>		- <i>Parks</i>
	- <i>Solid Waste & Recycling</i>		- <i>Transportation</i>
	- <i>Special Contracts / Studies</i>		- <i>Capital Project Reserve</i>
	- <i>Hotel/Motel Lodging Tax</i>		- <i>Surface Water Management</i>
	- <i>Federal Way Community Center</i>		- <i>Real Estate Excise Tax</i>
	- <i>Traffic Safety</i>		
	- <i>Community Development Block Grant</i>		
	- <i>Paths & Trails</i>		
	- <i>Performing Arts & Event Center</i>		
	- <i>Technology</i>		
	- <i>Affordable & Supportive Housing Sales & Use Tax</i>		

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

Procedures for Adopting the Biennial Budget

The City's budget process and the time limits under which the budget must be prepared are defined by the Revised Code of Washington (RCW) 35A.33. The procedures followed in establishing the biennial budget are described below:

- By late May the official budget call is made by the Finance Director for current level service budgets and a preliminary financial forecast.
- By late June, departments submit their preliminary expenditure estimates and the Finance department updates the preliminary revenue estimates to define resources available to finance coming year expenditure programs.
- By the first Tuesday in September, the Mayor submits a proposed budget to the City Council. This budget is based on priorities established by the Council and estimates provided by City departments during the preceding months, and balanced with revenue estimates made by the Finance Director. Copies of the preliminary budget are provided to the City Council and made available to staff and the public.
- City Council conducts workshops and public hearings on the proposed budget between mid-September and mid-October.
- No later than the third Monday in November, the City Council must adopt an ordinance to establish the amount of property taxes to be levied in the coming year.
- No later than the first two weeks of November, the City Clerk publishes a notice of the filing of the preliminary budget and notices of public hearings to be held during preliminary budget deliberations.
- Two public hearings on the proposed budget are also held during October and November. Final hearings on the budget must begin on or before the first Monday of December, and may continue until the 25th day prior to beginning of the next fiscal year.
- By December 31, the City Council makes its adjustments to the proposed budget and adopts a final budget by ordinance.
- The final operating budget, as adopted, is published and distributed within the first three months of the following year. Copies of the adopted budget are made available to the public.

Amending the Budget

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

When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance approved by one or more than the majority after holding public hearing(s).

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

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

ASSETS, LIABILITIES, FUND BALANCE, NET POSITION

Cash and Cash Equivalents

The City follows the practice of pooling cash and investments of all funds for investment purposes, except for cash held in escrow, which is disclosed separately on the balance sheet. Each fund's portion of total cash and investments is summarized by fund type in the combined balance sheet as cash and cash equivalents and investments.

It is the City's policy to invest all cash not immediately required for disbursement. At December 31, 2020, the State Treasurer was holding \$69,776,176 in the Local Government Investment Pool. The amount is classified on the balance sheet as cash and cash equivalents in various funds. The interest on these investments is prorated to the various funds based on the average monthly balance for each fund.

The amounts reported as cash and cash equivalents also include compensating balances maintained with certain banks in lieu of payments for services rendered. The average compensating balances maintained during the 2020 were approximately \$4.3 million.

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents. At December 31, 2020, the total cash and cash equivalents were \$70,181,107. In accordance with GASB Statement 79, LGIP investments are measured at amortized cost. See (Note 5 - *Deposits and Investments*). Cash with escrow agent was \$-0-.

Investments

The City as of December 31, 2020, had no investments, outside of LGIP. See (Note 5 - *Deposits and Investments*).

Receivables

Taxes receivable consists of property taxes and related interest and penalties (see Note 6 - *Property Tax*). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

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

Amounts Due to and from Other Funds; Interfund Loans

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*. A separate schedule of inter-fund loans receivable and payable is furnished in Note 12, *Interfund Transactions*.

Inventories and Prepaids

Inventories in the governmental funds are recorded as expendable supplies held for consumption. The cost is typically recorded as expenditure at the time individual inventory items are purchased. Amounts remaining at year-end are immaterial and, therefore, are not reflected on the balance sheets of those funds except for the Performing Arts & Event Center. There were no material inventories at year-end in the Internal Service or Enterprise Funds. The City currently uses the consumption method of accounting for prepaids.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City of Federal Way as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one or more years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. See Note 8, *Capital Assets*.

Cost of normal maintenance and repairs are not capitalized. However, cost for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset, or capital asset's estimated useful life.

Depreciation on all capital assets is recorded as an allocated expense in the government-wide Statement of Activities and in the proprietary fund statements. Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Life in Years</u>
Computers.....	5-6
Printers & Faxes.....	7
Telecommunications Equipment.....	7
Police Radio Equipment.....	11
Other Office Equipment.....	4-10
Office Furniture and Fixtures.....	10
Recreation Equipment.....	10
Parks Equipment.....	6-10
Police Equipment.....	9-11
Shop/Miscellaneous Equipment.....	10-12
Heavy Work Equipment.....	10-16
Non-Police Vehicles.....	7
Police Patrol Vehicles.....	5-7
Police Non-Patrol Vehicles.....	7-10
Heavy Trucks.....	8-10
Land Improvements.....	20
Buildings.....	20
Infrastructure.....	15-100

Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. See (Note 6 – *Property Tax*) and (Note 9 – *Pension Plans*)

Compensated Absences Payable

The City records a liability for all outstanding vacation pay and accrued compensatory time. In governmental funds, vacation pay and compensatory time is recorded as expenditures when paid which occurs when used or upon termination. In the entity-wide statements and the proprietary fund statements, vacation pay and compensatory time is recorded as a liability and expense in the year earned.

Employee vacation leave is accumulated monthly at rates ranging from 12 to 27 days per year depending on term of employment. Employees may accumulate up to a maximum of 240 hours of vacation leave, except the Commissioned staff, who can accrue up to a maximum of 440 hours. Outstanding vacation leave is payable upon termination of employment at the following rate: City Employees up to 240 hours and Commissioned staff members will be paid out up to two times their annual accrual rate.

A non-exempt employee may request compensatory time off in lieu of overtime payment. Compensatory time is accrued at a rate of one and one-half hours for each hour of overtime worked, to a maximum of eighty hours for all non-exempt employees.

Sick leave may be accumulated up to a maximum of 740 hours for regular City employees per City policy and 1,080 hours for Commissioned staff. The monthly accrual rate for City employees is 8 hours per month. Accumulated sick leave is not payable upon termination of employment for City employees. For Commissioned staff upon retirement into LEOFF II, twenty-five percent of unused sick leave will be cashed out up to a maximum of 270 hours; 100% will be cashed out if death occurs in the line of duty. Outstanding sick leave at year-end is not accrued due to the difficulty in estimating the portion of existing balances likely to result in expenditures in future periods. Compensated Absences Payable outstanding at year-end is outlined in Note 11.

Pensions

For purposes of measuring the net pension liability or asset, 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. See (Note 9 – *Pension Plans*).

Long-Term Liabilities

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. See (Note 11 – *Long-Term Debt*).

Unearned Revenues

Unearned revenue is a liability account that reports amounts received in advance of providing goods or services. For detailed information, See (Note 7 – *Unearned Revenues and Receivables*).

Fund Balance Classification

Fund balance is a measurement of available financial resources and is the difference between total assets and total liabilities in each fund.

Beginning with the most restrictive constraints, fund balance amounts will be reported in the following categories:

Nonspendable – amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation.

Committed – amounts that can be used only for the specific purposes determined by formal action of the City Council through an ordinance or resolution. Commitments may be changed or lifted by the action of the City Council using the same formal action of ordinance or resolution that was used to create the commitment.

Assigned – amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the City Council or the Mayor. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other government funds, at a minimum, are intended to be used for the purpose of that fund.

Unassigned – includes all amounts not contained in other classifications and is the residual classification of the general fund only. Unassigned amounts are available for any legal purpose.

The council can use a resolution to modify or rescind a fund balance commitment. When an expenditure is incurred for which both restricted and unrestricted resources are available, it is the City's policy to use restricted resources first. When unrestricted (committed, unassigned) resources are available, it is the City's policy to spend committed resources first, and then unassigned, in that order. The minimum fund balance established by the Reserve Policy, and passed by resolution from the City Council, states "The City shall have an operating cash flow reserve of seventeen percent of the City's General Fund operating expenditures or \$9 million. In addition, the City shall have a contingency for unanticipated cost of \$1 million to cover revenue shortfalls resulting from unexpected economic change or recessionary periods, or to provide funds in the event of major unplanned expenditures the City could face as a result of natural disasters. The policy shall also include a strategic opportunities reserve of \$2 million to provide liquidity to respond to economic opportunity that is not budgeted for that may provide a long term economic benefit to the City. In the event that any of the Contingency or Strategic Opportunities Reserve is used, such

appropriation shall be repaid to the fund annually over the next three years. The purpose of the ending fund balance is to provide financial stability, cash flow for operations and the assurance that the City will be able to respond to revenue shortfalls with fiscal strength.” General fund expenditures on December 31, 2020 were \$48.1 million and Unassigned General fund balance at year-ended 2020 was \$16.4 million or (34%).

Other funds that have a significant minimum fund balance policy are: Street Fund - \$0.5 million; Arterial Street Fund - \$0.1 million; Utility Tax Fund - \$2.5 million, REET Fund – one year revenue reserve; Park Equipment and Infrastructure Reserve Fund - \$1.125 million; Hotel/Motel Lodging Tax Fund - \$0.2 million; Community Center Fund - \$1.5 million; Traffic Safety Fund - \$1.2 million; Debt Service Fund – adequate reserve in accordance with bond ordinance or minimum of one year debt service amount; Dumas Bay Centre Fund - \$1.5 million; and Surface Water Management Fund – \$0.5 million.

The Government-wide statement of net position reports \$585.9 million of net position, of which \$15.9 million is restricted by the enabling legislation, and \$516.5 is for net investment in capital assets (there are no unspent proceeds of debt).

2020 FUND BALANCE CLASSIFICATION								
Fund Balance	General Fund	Street	Utility Tax	Debt Service	Performing Arts & Event Ctr Oper.	Transportation	Nonmajor Gov't	Total
Nonspendable:								
Court trust	\$ 262,314	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	262,314
Prepaid items/Inventory	8,458	-	-	-	-	-	-	8,458
Restricted for:								
Police covert/seizure	27,000	-	-	-	-	-	-	27,000
Future debt payments	-	-	-	3,569,746	-	-	-	3,569,746
Arterial Street Overlay	-	-	-	-	-	-	1,061,746	1,061,746
Affrd. & Supprt. Housing Sales & Use Tax	-	-	-	-	-	-	138,971	138,971
Special Contracts/Studies	-	-	-	-	-	-	817,918	817,918
Hotel/Motel Lodging Tax	-	-	-	-	-	-	1,448,362	1,448,362
Path & Trails Reserves	-	-	-	-	-	-	1,488,063	1,488,063
Downtown Redevelopment	-	-	-	-	-	-	3,468,714	3,468,714
City Facilities CIP	-	-	-	-	-	-	30,501	30,501
Parks CIP	-	-	-	-	-	-	1,656,347	1,656,347
Transportation CIP	-	-	-	-	-	1,900,240	-	1,900,240
Performing Arts & Event Ctr	-	-	-	-	-	-	-	-
Real Estate Excise Tax	-	-	-	-	-	-	4,014,120	4,014,120
Community Development Block Grant	-	-	-	-	-	-	29,985	29,985
Committed to:								
Capital, debt, and operations	-	-	2,198,214	-	-	-	-	2,198,214
Petty cash/advance travel	9,350	-	-	-	-	-	-	9,350
Community Development Block Grant	-	-	-	-	-	-	820	820
Proposition 1	-	-	1,332,301	-	-	-	-	1,332,301
Transportation CIP	-	-	-	-	-	2,885,095	-	2,885,095
Downtown Redevelopment	-	-	-	-	-	-	-	-
City Facilities CIP	-	-	-	-	-	-	259,604	259,604
Arterial Street	-	-	-	-	-	-	375,000	375,000
Solid Waste/Recycling	-	-	-	-	-	-	213,550	213,550
Federal Way Community Center	-	-	-	-	-	-	1,499,999	1,499,999
Traffic Safety	-	-	-	-	-	-	1,216,159	1,216,159
Snow/ice removal	-	591,611	-	-	-	-	-	591,611
Parks CIP	-	-	-	-	-	-	261,820	261,820
Performing Arts & Event Ctr	-	-	-	-	-	-	-	-
Capital Project Reserve	-	-	-	-	-	-	369,862	369,862
Technology	-	-	-	-	-	-	116,999	116,999
Unassigned:								
General Fund	16,386,570	-	-	-	-	-	-	16,386,570
Performing Arts & Event Center	-	-	-	-	-	-	-	-
Total Fund Balance:	\$ 16,693,692	\$ 591,611	\$ 3,530,515	\$ 3,569,746	\$ -	\$ 4,785,335	\$ 18,468,540	\$ 47,639,440

Interfund Transactions

There are three types of transactions between funds: inter-fund loans, inter-fund services provided and used, and inter-fund transfers. Interfund loans are temporary borrowings of cash which do not affect operating statements, but which may incur interest expense or expenditure to the borrowing fund. Interfund services provided and used are equivalent to buying goods or services from an outside vendor, and are accounted for by the related funds as revenues, expenditures or expenses. The inter-fund transfers are accounted for as "other financing sources and uses" and are therefore included in the operating statements (see Note 12).

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE & FUND FINANCIAL STATEMENTS

Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position

The governmental funds' balance sheet includes reconciliation between *fund balance – total governmental funds and net position – governmental activities* as reported in the government-wide statement of net position. One element of the reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore, are not reported in the funds." The details of this \$40,324,004 difference are as follows:

Bonds Payable & Premium at beginning of year	\$ 35,424,170
Plus: Inclusion of compensated absences	2,380,402
Plus: Current year addition/reduction of principal portion of debt & premium	(1,953,468)
Plus: Net Pension Liability	5,043,226
Plus: Deferred Inflows of Resources Related to Pensions	3,057,236
Less: Deferred Outflows of Resources Related to Pensions	(3,627,563)
Net Adjustment to reduce fund balances- <i>total governmental funds to arrive at net position - governmental activities</i>	<u>\$ 40,324,004</u>

Explanation of Certain Differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental funds' statement of revenues, expenditure, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds and changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$(1,874,332) difference are as follows:

Capital outlay	\$ 6,643,797
Plus: Net Increase in investment in joint venture	570,949
Less: Contributed Capital/Donated from Other Funds	(551,969)
Less: Governmental depreciation expense	(8,537,110)
Net adjustment to increase net changes in fund balances - <i>Total governmental funds to arrive at changes in net position of governmental activities</i>	<u>\$ (1,874,332)</u>

Another element of the reconciliation states that "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." This item presents:

Property taxes earned reported as deferred inflow of resources in the fund statements	<u>\$ 48,752</u>
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Another element of the reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds." This item represents:

Compensated absences	<u>\$ (327,277)</u>
Accrual adjustment for GASB 68 pension reporting	<u>\$ 2,459,026</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions, and there have been no expenditures exceeding legal appropriations in any of the funds of the City.

NOTE 4 – SUPPLEMENTAL APPROPRIATIONS**Operating Budget Funds**

Appropriations established during 2020 for the City's operating budget funds are provided below. As explained in Note 1, both original and supplemental appropriations are adopted by the City Council by ordinance. Both original and final budget appropriations are shown on the accompanying financial statements. The final budget values include all adopted adjustments to original budget amounts. This table does not include transfers out or Proprietary Funds.

2020 Operating Budget Funds			
Fund	Original Budget	Supplemental Appropriations	Final Budget
<i>General Fund</i>	\$ 50,858,597	\$ 3,550,344	\$ 54,408,941
<i>Special Revenue Funds:</i>			
Street Fund	4,313,700	398,017	4,711,717
Arterial Street Fund	1,515,064	1,177,056	2,692,120
Utility Tax Fund	3,475,245	600,000	4,075,245
Affrd. & Supprt. Housing Sales & Use Tax	-	41,020	41,020
Solid Waste/Recycling Fund	494,800	59,000	553,800
Special Contracts / Studies	7,000	400,000	407,000
Hotel/Motel Lodging Tax	224,700	75,300	300,000
Federal Way Community Center	2,331,150	(564,535)	1,766,615
Traffic Safety	2,640,639	-	2,640,639
Performing Arts & Event Center Oper.	1,874,323	(542,633)	1,331,690
Community Development Block Grant	685,263	1,165,400	1,850,663
Technology	-	67,100	67,100
<i>Subtotal Special Revenue Funds:</i>	17,561,884	2,875,725	20,437,609
<i>Debt Service Fund</i>	2,344,957	625,000	2,969,957
<i>Capital Project Funds:</i>			
Parks	300,000	100,000	400,000
Transportation	4,666,000	2,649,149	7,315,149
<i>Subtotal Capital Project Funds:</i>	4,966,000	2,749,149	7,715,149
Total:	\$ 75,731,438	\$ 9,800,218	\$ 85,531,656

NOTE 5 – DEPOSITS AND INVESTMENTS

As required by state law, all deposits and investments of the City's funds are obligations of the U.S. Government, the Local Government Investment Pool (LGIP), bankers' acceptances, or deposits with Washington State banks and savings and loan institutions. In 2020 the City utilized all the above with the exception of bankers' acceptances as legal authorized investment instruments. The City's investment policies are described in Note 1.

Cash and Deposits

The City follows the practice of pooling cash and investments of all funds, except restricted funds and funds held with a trustee or in escrow, for investment purposes as disclosed in Note 1. At December 31, 2020, the equity in pooled cash and investments was \$70,181,107.

At year-end, the City had \$70,181,107 in cash, cash equivalents, and investments which consisted of investments with the LGIP of \$69,776,176; the City's checking account bank balance prior to outstanding checks was \$1,019,979; deposit account of \$250, Performing Arts & Event Center checking account and change fund totaling \$174,603, petty cash, change fund, advance travel, and investigative fund totaling \$38,550, and Court Trustee Fund of \$262,314; excluding fiduciary funds of \$1,090,766. Cash held with an escrow agent is \$-0-. No deposits were uninsured or uncollateralized. Insurance coverage up to \$250,000 is through federal depository insurance and the Washington Public Deposit Protection Commission (WPDPC) covers amounts over \$250,000. Under State statute, members of WPDPC, a multiple-financial institution collateral pool, may be assessed on a prorated basis if the pool's collateral is insufficient to cover a loss. Investments are presented on balance sheet in the basic financial statements at fair value.

In accordance with GASB Statement 79, LGIP is reported on amortized cost basis. Furthermore, the City can invest and withdraw their investments on a daily basis with a limit of one transaction per business day and minimum transaction amount of five thousand dollars. There is no maximum transaction amount, but an investment or withdrawal of ten million dollars or more, a one-day notification prior to the transfer date is requested, but not required.

The State Treasurer's Office administers the Washington State LGIP authorized under Chapter 43.250 RCW. In its management of LGIP, the State Treasurer adheres to the principles appropriate for the prudent investment of public funds. In priority order, they are the safety of principal, the assurance of sufficient liquidity to meet cash flow demands.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the City would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. As of December 31, 2020, the City is not exposed to custodial credit risk as there are not investments held with a brokerage firm or counterparty. City resolution number 13-633 directs that the assets of the City shall be secured through a third party custodian in the form of a Safekeeping Agreement to guard against potential fraud and embezzlement. The City has investments safekeeping and custody with Key Bank National.

Foreign Currency Risk

Foreign currency risk for deposits is the risk that changes in exchange rates that will adversely affect the deposit. The exposure to foreign currency risk for deposits as of December 31, 2020 does not exist for the city.

Investments

Investments are subject to the following risks.

Interest Rate Risk

Interest rate risk is the risk the city may face should interest rate variances affect the fair value of investments. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy states that "no more than 20% of the portfolio may be invested beyond 12 months, and average maturity of the portfolio may not exceed 2 years."

As of December 31, 2020 the City had the following investments and maturities:

**SCHEDULE OF INVESTMENTS BY MATURITIES
AS OF DECEMBER 31, 2020**

Investment Type	Fair Value	Investment maturities		
		Less than 1 year	1 to 2 years	Greater than 3 years
State Investment Pool	\$ 69,776,176	\$ 69,776,176	\$ -	\$ -
	\$ 69,776,176	\$ 69,776,176	\$ -	\$ -
Reconciliation of Government-Wide Statement of Net Position:				
Key Bank checking account per books		\$ 1,019,979		
Key Bank deposit account		250		
Key Bank PAEC checking account & change fund		1,200		
Bank of America PAEC checking account		173,403		
Petty cash/change fund/advance travel/investigative fund		38,550		
Local Government Investment Pool		69,776,176		
Less: cash & cash equivalents in fiduciary funds		(1,090,766)		
Municipal Court Trust on books		262,314		
Subtotal cash, cash equivalents, and investments		70,181,107		
Cash with escrow agent		-		
Total cash and investments, Government-Wide				
Statement of Net Position		\$ 70,181,107		
Total Cash & Investments		\$ 70,181,107		

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law and the City's investment policy limits the instruments in which the City may invest. The following are categories of investments authorized under the City's policy, in general order of safety and liquidity: Local Government Investment Pool (LGIP); repurchase agreements; U.S. treasury obligations; U.S. government agencies; U.S. government-sponsored corporations/instrumentalities; bankers' acceptances (secondary market domestic and foreign); commercial paper (secondary market); insured certificates of deposit (banks and savings & loans); and uninsured/collateralized certificates of deposit (banks and savings & loans).

The credit risk of the State Investment Pool is limited to obligations of the US Government, government sponsored enterprises, or insured demand deposit accounts and certificates of deposit.

The LGIP is unrated.

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 of collateral securities. As of December 31, 2020, the City is not exposed to custodial credit risk as there are not investments held with a brokerage firm or counterparty. City resolution number 13-633 directs that the assets of the City shall be secured through a third party custodian in the form of a Safekeeping Agreement to guard against potential fraud and embezzlement. The City has investments safekeeping and custody with Key Bank National.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The investment policy states: "no more than 5% of the portfolio may be invested in the securities of a single issuer, except for the U.S. Treasury, to which no limits apply, and commercial paper, which is limited to 3% of the portfolio in accordance with state law. No more than 30% of the portfolio may be invested in bankers' acceptances and certificates of deposit."

As of December 31, 2020 City investments were 100% in LGIP.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair market value of an investment. The city does not have a formal policy for foreign currency risk, and does not invest in foreign currency.

Investments Measured at Amortized Cost

As of December 31, 2020, the City had the following investments at amortized cost:

**SCHEDULE OF INVESTMENTS AT AMORTIZED COST
AS OF DECEMBER 31, 2020**

Investment Type	Weighed Average Maturities (Days)	Investments	Total
State Treasurer's Investment Pool	46 Days	\$ 69,776,176	\$ 69,776,176
		\$ 69,776,176	\$ 69,776,176

Investments Measured at Fair Value

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

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

At December 31, 2020, the City had no investments measured at fair value.

Other Information

Below is a schedule of investments by fund type:

SCHEDULE OF INVESTMENTS BY FUND CATEGORY AND INVESTMENT TYPE AS OF DECEMBER 31, 2020			
Fund Type	SIP	Total	
General Fund	\$ 12,901,952	\$	12,901,952
Other Major Funds	12,674,212		12,674,212
Special Revenue Funds	8,303,714		8,303,714
Capital Projects Funds	8,426,182		8,426,182
Enterprise Funds	6,883,439		6,883,439
Internal Services Funds	19,511,626		19,511,626
Fiduciary Funds	1,075,051		1,075,051
Total:	\$ 69,776,176	\$	69,776,176

NOTE 6 – PROPERTY TAXES

The King County Treasurer is responsible for collecting property taxes levied in the County by all taxing districts. Amounts collected by the County on the City's behalf are remitted daily.

PROPERTY TAX CALENDAR:

January 1	Taxes are levied and become an enforceable lien against properties
February 14	Tax bills are mailed
April 30	First of two equal installment payments is due
May 31	Assessed value of property established for next year's levy at 100% of market value
October 31	Second installment is due

As described in Note 1, taxes are levied and become an enforceable lien against properties as of January 1. Annual tax billings may be paid in two equal installments, due April 30 and October 31. At December 31, 2020, the balance of property taxes receivable recorded by the City was \$211,555. Of this, \$191,048 is recorded as deferred inflow of resources, since it was not collected within the first 60 days of the end of 2020.

Property taxes are recorded as a receivable when levied, offset by deferred inflow of resources. During the year, property tax revenues are recognized when cash is collected. At year-end, property tax revenues are recognized for collections expected to occur within 60 days. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

Under State law, the maximum levy (for general governmental services) is up to \$3.60 per \$1,000 of assessed valuation, subject to two limitations, set forth below. Since the City of Federal Way is not a full service city, the City is only allowed \$1.60. The remaining \$2.00 is for the fire district (\$1.50) and library district (\$0.50).

1. Chapter 84.55 of the State RCW was amended by Initiative No. 747 (which was passed by voters on November 6, 2001), limits the total dollar amount of regular property taxes levied by the City to the amount of such taxes levied in the three most recent years multiplied by a limit factor, plus an adjustment to account for taxes on new construction, improvements and state-assessed property at the previous year's rate. As amended by Initiative No. 747, the limit factor is the lesser of 101% or 100% plus the percent change in the Implicit Price Deflator, unless a greater amount is approved by a simple majority of the voters; and
2. The Washington State Constitution limits the total regular property taxes to 1% of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1% limit.

For levy year received in 2020, the City's regular tax levy was \$0.90261 per \$1,000 on a 2019 assessed valuation of \$12,075,445,354 for a total regular levy of \$11,224,365.

Deferred Inflow of Resources

The table below provides details of the deferred inflow of resources as reported on the fund financial statements.

DEFERRED INFLOW OF RESOURCES			
AS OF DECEMBER 31, 2020			
Deferred Inflow	General		Total General Govt
Property tax	\$	191,048	\$ 191,048
Total by Fund:	\$	191,048	\$ 191,048

NOTE 7 – UNEARNED REVENUES AND RECEIVABLES**Unearned Revenues**

The table below provides details of the unearned revenues as reported on the statement of net position.

UNEARNED REVENUES AS OF DECEMBER 31, 2020									
Unearned Revenues	General	Street	PAEC Oper.	Transportation	Nonmajor Gov't	Total General Govt	Surface Water Mgmt	Dumas Bay Centre	Total Proprietary
SWM fees	-	-	-	-	-	-	127,210	-	127,210
Commute Trip Reduction Grant	-	73,893	-	-	-	73,893	-	-	-
PAEC Fees	-	-	67,376	-	-	67,376	-	-	-
Recreation programs / facility rentals/ other	65,280	-	-	-	145,088	210,368	-	223,899	223,899
Total by Fund:	\$ 65,280	\$ 73,893	\$ 67,376	\$ -	\$ 145,088	\$ 351,637	\$ 127,210	\$ 223,899	\$ 351,109

Receivables & Due from Other Governments

The receivables for the fiscal year ended December 31, 2020 on the government-wide statement of net position are detailed in the following schedule.

RECEIVABLES & DUE FROM OTHER GOVERNMENTS AS OF DECEMBER 31, 2020									
Receivable	General	Street	Utility Tax	Performing Arts & Event Ctr. Oper.	Transport- ation	Nonmajor Gov't	Proprietary	Total	
Property tax	\$ 211,555	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 211,555	
Admissions tax	16	-	-	-	-	-	-	16	
Real Estate Excise tax	-	-	-	-	-	1,477,409	-	1,477,409	
Utility tax	-	-	1,693,068	-	-	-	-	1,693,068	
Gambling tax	15,811	-	-	-	-	-	-	15,811	
Franchise Fee	281,950	-	-	-	-	-	-	281,950	
Recreation programs/ Facilities	5,269	-	-	27,460	-	25,750	-	58,479	
Grants/contributions/utility construction contract receivable	475,676	166,362	-	-	720,329	568,670	41,651	1,972,689	
Off Duty security & Other receivable	259,108	-	-	-	-	89,485	-	348,593	
State Shared revenue	3,879,660	81,593	402	-	24,362	254,585	-	4,240,603	
Surface Water Management fees	-	-	-	-	-	-	133,324	133,324	
Total by Fund:	\$ 5,129,044	\$ 247,955	\$ 1,693,470	\$ 27,460	\$ 744,692	\$ 2,415,899	\$ 174,975	\$ 10,433,495	

NOTE 8 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2020 is as follows:

CAPITAL ASSETS AS OF DECEMBER 31, 2020				
Governmental Activity	Adjusted Beginning Balance 1/1/2020	Additions	Deletions	Ending Balance 12/31/2020
Capital Assets, not being depreciated:				
Land	\$283,686,722	\$20,387	\$ -	\$283,707,109
Construction in progress	23,780,639	5,766,474	(14,349,735)	15,197,378
Total capital assets, not being depreciated:	\$307,467,361	\$5,786,861	\$ (14,349,735)	\$298,904,487
Capital assets, being depreciated:				
Buildings	72,887,441	-	-	72,887,441
Improvements other than buildings	27,229,887	1,423,019	-	28,652,906
Infrastructure	187,390,546	13,235,932	(6,564)	200,619,914
Machinery & equipment	20,452,506	2,474,552	(946,428)	21,980,630
Total capital assets, being depreciated:	307,960,380	17,133,503	(952,992)	324,140,891
Less accumulated depreciation for:				
Buildings	(26,355,575)	(3,596,799)	-	(29,952,373)
Improvements other than buildings	(20,102,247)	(609,747)	-	(20,711,994)
Infrastructure	(80,066,132)	(5,074,134)	2,316	(85,137,950)
Machinery & equipment	(13,652,236)	(1,403,137)	937,359	(14,118,014)
Total accumulated depreciation:	(140,176,190)	(10,683,816)	939,675	(149,920,331)
Total assets being depreciated, net	167,784,190	6,449,687	(13,317)	174,220,560
Governmental activities capital assets, net	\$475,251,552	\$12,236,548	(\$14,363,052)	\$473,125,048
Business-Type Activities	Adjusted Beginning Balance 1/1/2020	Additions	Deletions	Ending Balance 12/31/2020
Capital Assets, not being depreciated:				
Land	\$11,340,293	\$ -	\$ -	\$11,340,293
Construction in progress	3,821,857	23,504	(3,783,466)	61,895
Total capital assets, not being depreciated:	\$15,162,150	23,504	(3,783,466)	11,402,188
Capital assets, being depreciated:				
Buildings	4,505,348	8,965	-	4,514,313
Improvements other than buildings	4,229,931	-	-	4,229,931
Infrastructure	63,938,190	3,905,498	-	67,843,688
Machinery & equipment	198,794	15,840	-	214,634
Total capital assets, being depreciated:	72,872,262	3,930,303	-	76,802,565
Less accumulated depreciation for:				
Buildings	(3,722,791)	(49,858)	-	(3,772,649)
Improvements other than buildings	(359,036)	(42,299)	-	(401,335)
Infrastructure	(16,933,347)	(639,382)	-	(17,572,729)
Machinery & equipment	(129,749)	(6,636)	-	(136,385)
Total accumulated depreciation:	(21,144,923)	(738,175)	-	(21,883,098)
Total assets being depreciated, net	51,727,339	3,192,128	-	54,919,467
Business-Type activities capital assets, net	\$66,889,489	\$3,215,632	(\$3,783,466)	\$66,321,655

At the end of 2020, 19 projects comprise the Construction in Progress for Governmental Activities. Upon completion, the projects will be capitalized in the Government-wide statements in their appropriate categories. Construction commitments for Governmental Activities as of December 31, 2020, are as follows:

AS OF DECEMBER 31, 2020		
Governmental Activities Projects	Construction in progress	Remaining Commitment
Mirror Lake Park - Playgrounds	\$ 134,778	\$ -
Gates for Celebration and Town Square Park	41,548	-
10th Avenue SW / SW 344th St: SW Campus Drive - 21st Ave SW	318,532	-
SW 336th Way / SW 340th St: 26th Pl SW - Hoyt Rd	255,948	-
S 344th Way @ Weyerhaeuser Way S	281,685	-
21st Ave S Pedestrian Connection Project	3,199,637	-
Adaptive Traffic Control System Project Ph I	1,711,224	-
City Center Access Ph I Project	3,083,221	500,000
Street Light LED Conversion Project	2,657,310	160,000
SR509 9th Pl South to 11th Pl S Pedestrian Improvement Project	1,390,082	-
SR509 SW 312th Street - 21st	234,619	1,800,000
Adaptive Traffic Control Ph III	708,320	-
47th Ave SW & SW Dash Point Rd Compact	172,821	550,000
Horizontal Curve Warning Signs	99,468	400,000
Pac Hwy Non-Motorized Corr - 16th Ave S	419,731	865,000
Citywide Greenway Plan	222,355	200,000
S 314th St Improvements	37,961	125,000
Citywide Variable Lane Use Control Signal	209,168	202,000
Joint Operations and Maintenance Facility	18,970	250,000
Total Governmental Activities	\$ 15,197,378	\$ 5,052,000

Depreciation expense was charged to functions/programs of the primary government as follows:

CAPITAL ASSETS DEPRECIATION BY TYPE AS OF DECEMBER 31, 2020	
Governmental and Internal Service Activities	
General Government	\$147,058
Security of Persons & Property	1,262,891
Transportation	5,358,195
Physical Environment	14,266
Economic Environment	1,782,416
Health	57,624
Culture & Recreation	2,061,367
Total Depreciation - Governmental Activities	\$10,683,816
Business-Type Activities	
Utilities - Surface Water Management	\$722,783
Culture & Recreation - Dumas Bay Centre	15,392
Total Depreciation - Business-Type Activities	\$ 738,175

NOTE 9 – 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 2020:

Aggregate Pension Amounts – All Plans	
Pension liabilities	(\$5,640,462)
Pension assets	\$7,649,045
Deferred outflows of resources	\$3,812,651
Deferred inflows of resources	(\$3,240,794)
Pension expense/expenditures	\$495,269

State Sponsored Pension Plans

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

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

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

downloaded from the DRS website at www.drs.wa.gov.

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 2020 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – August 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	6.00%
September – December 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	6.00%

* For employees participating in Judicial Benefit Multiplier (JBM), the contribution rate was 12.26%.

The City of Federal Way's actual PERS plan contributions were \$797,876 to PERS Plan 1 for the year ended December 31, 2020.

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

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

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – August 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.86%	7.90%
September – December 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.97%	7.90%

* For employees participating in Judicial Benefit Multiplier (JBM), the contribution rate was 19.75%.

The City of Federal Way's actual PERS plan contributions were \$797,876 to PERS Plan 1 and \$1,295,038 to PERS Plan 2/3 for the year ended December 31, 2020.

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 City of Federal Way does not have LEOFF Plan 1.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other 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. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate includes an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.44% in 2020.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
January – December 2020		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	
Total	5.33%	8.59%

The City of Federal Way's actual contributions to the plan were \$721,881 for the year ended December 31, 2020.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2020, the state contributed \$76,297,643 to LEOFF Plan 2. The amount recognized by the City of Federal Way as its proportionate share of this amount is \$469,041.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

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

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/osa.
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 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 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

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, 2020, 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%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the City of Federal Way's proportionate share* of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the City of Federal Way's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$4,826,259	\$3,853,125	\$3,004,453
PERS 2/3	\$11,121,281	\$1,787,336	\$(5,899,173)
LEOFF 2	\$(151,428)	\$(7,649,045)	\$(13,788,097)

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, 2020, the City of Federal Way's reported a total pension liability of \$5,640,461 and total pension net asset of \$7,649,045 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$3,853,125
PERS 2/3	\$1,787,337
LEOFF 2	\$(7,649,045)

The amount of the asset reported above for LEOFF Plan 2 reflects a reduction for State pension support provided to the City of Federal Way. The amount recognized by the City of Federal Way as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the City of Federal Way were as follows:

	LEOFF 2 Asset
LEOFF 2 – employer’s proportionate share	\$(7,649,045)
LEOFF 2 – State’s proportionate share of the net pension liability/(asset) associated with the employer	\$(4,890,984)
TOTAL	\$(12,540,029)

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

	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
PERS 1	0.113856%	0.109137%	(0.004719)%
PERS 2/3	0.144555%	0.139751%	(0.004804)%
LEOFF 2	0.393513%	0.374980%	(0.018533)%

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.

In fiscal year 2020, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2020, the City of Federal Way recognized pension expense as follows:

	Pension Expense
PERS 1	\$(8,654)
PERS 2/3	\$156,424
LEOFF 2	\$347,499
TOTAL	\$495,269

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, the City of Federal Way reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$0
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(21,458)
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	\$405,345	\$0
TOTAL	\$405,345	\$(21,458)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$639,840	\$(233,996)
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(90,771)
Changes of assumptions	\$25,457	\$(1,220,905)
Changes in proportion and differences between contributions and proportionate share of contributions	\$18,239	\$(170,458)
Contributions subsequent to the measurement date	\$653,048	\$
TOTAL	\$1,336,584	\$(1,706,129)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$1,058,372	\$(135,663)
Net difference between projected and actual investment earnings on pension plan investments	\$0	\$(85,255)
Changes of assumptions	\$11,081	\$(1,184,411)
Changes in proportion and differences between contributions and proportionate share of contributions	\$639,159	\$(107,878)
Contributions subsequent to the measurement date	\$362,110	\$0
TOTAL	\$2,070,722	\$(1,513,207)

Deferred outflows of resources related to pensions resulting from the City of Federal Way's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2021	\$(97,353)
2022	\$(3,062)
2023	\$29,705
2024	\$49,257
2025	\$0
Thereafter	\$0
Total	\$(21,453)

Year ended December 31:	PERS 2/3
2021	\$(765,807)
2022	\$(201,446)
2023	\$7,598
2024	\$132,722
2025	\$(92,959)
Thereafter	\$(102,701)
Total	\$(1,002,594)

Year ended December 31:	LEOFF 2
2021	\$(494,179)
2022	\$(15,429)
2023	\$173,461
2024	\$316,177
2025	\$8,841
Thereafter	\$206,535
Total	\$195,406

Other Local Government Pension Systems - City of Federal Way Employees' Retirement System

Effective June 1, 1990, the Federal Way City Council established the Federal Way Employees' Retirement System, per City Ordinance 90-74 and as authorized by the Federal Social Security Act (42 USCA, Section 418 (g)). The Retirement System is a defined contribution pension plan established as an alternative to the Federal Social Security System.

During 2020 on average, there were a total of 358 individuals covered by this system. As of the end of the year, there were 339 active employees of the City and two were drawing retirement benefits. During the year 36 employees left the City's employment and either had been reimbursed their contributions, reimbursement was pending, or they elected to have their contributions remain in the plan if the balance was \$1,000 or greater.

All regular employees of the City of Federal Way are required to participate in the system, with the City matching the employee's required contribution. The employee pays 6.2% and this is matched by the composite of a cash match (approximately 5.2%) and insurance payments (1%) for disability, survivor, accidental death and dismemberment, and lump sum death benefit coverage. Contributions into the plan are tax deferred.

Employees are entitled to make voluntary contributions to the plan, assuming that highly compensated and non-highly compensated employees are treated equally. Each payroll period, employees may make a voluntary contribution equal to a minimum of 1% of the participant's compensation, not to exceed 10% of the participant's compensation.

Covered payroll for 2020 was \$30,771,249 and excluding PERS, LEOFF, FWRS, deferred comp, flex plan, and section 125 covered payrolls was \$26,105,713. Total City payroll was \$31,811,522. Actual City contributions for the year were \$1,548,643. Actual employee contributions were \$1,846,461. All contributions were invested in instruments arranged through independent investment advisors selected by the Municipal Employers Benefit Trust (MEBT) committee comprised of the entities of Bellevue, Kirkland, Redmond, Edmonds, Mill Creek, Woodinville, Federal Way, and North East King County Regional Public Safety Communication Agency (NORCOM) but administered by Northwest Plan Services (NWPS). Retirement System assets are not the property of the City and are not subject to the claims of the City's general creditors. The Federal Way Retirement System assets are with Security Trust Company, N.A. who invests Plan assets. MEBT can be contacted for additional information at (877)-690-5410.

In July 1995, the City implemented the hardship withdrawal and loan provision program that allow participants to have limited access to their contributions while still employed by the City. Hardship withdrawals are available in the event of financial necessity resulting from uninsured medical expenses, tuition expenses, purchasing one's primary residence, or to prevent foreclosure on one's primary residence. Loans receivable as of December 31, 2020 were \$1,157,764. After 5 years an employee becomes 100% vested in their employer contributions. Also an employee becomes 100% vested when they reach their normal retirement date (the earlier of age 65 or the earliest service retirement date under any other retirement benefit program to which the City contributes on the employees behalf).

The consulting actuary firm of Northwest Plan Services (NWPS) has been contracted to provide record keeping, administrative and consulting services related to the Plan Actuarial determinations are not required because accidental death and dismemberment insurance, long-term disability, survivor income insurance and the lump sum death benefit are provided by a group insurance policy with Standard Insurance Company; and benefits paid to participants upon retirement are limited to: (a) a nonforfeitable, nontransferable annuity contract purchased by the plan's trustee, (b) retirement benefits payable from the employee's account to which no contributions by the City or the participant can be added after retirement, or a single lump-sum payment equal to the accumulated balance in the employee's account as of his retirement date.

NOTE 10 – RISK MANAGEMENT

The City uses the Risk Management Internal Service Fund to account for its risk financing activities. The City maintains insurance against most normal hazards. The City faces most of the risks faced by similar sized cities including general liability for bodily injury, law enforcement, and property liability.

Through its Risk Management Fund, the City records insurance premium costs for general liability coverage and builds reserves for future claims, self-insured retention, and a future general liability self-insurance program.

There were no settlements in excess of insurance for commercially insured activities for 1996 through 2020. The fund balance for the Risk Fund as of 12/31/2020 is \$1.20 million.

Cyber Security Program

The City of Federal Way employs 1) computer workstation endpoint virus protection on all network connected PC's that is updated as soon as new definitions are released, 2) system network "next generation" firewall for perimeter protection. In addition the City has cyber liability insurance of \$1 million with a \$25K deductible per type of breach. An audit and review of systems was completed in 2019 and a report was produced and presented to City Council in 2020. Through this process the Mayor and City Council approved several security enhancement projects for biennial budget 2021/2022.

The following is a summary of coverage in force in 2020.

SCHEDULE OF INSURANCE IN FORCE AS OF DECEMBER 31, 2020			
Company	Policy Period	Details of Coverage	Liability Limits
WCIA	1/1/2019 – 12/31/2020	General Liability (auto, general, police, e & o, employment practices, & stop gap)	\$25,000,000 per occurrence subject to annual aggregates and sub-limits. Deductible: zero
WCIA	1/1/2020 – 12/31/2020	Property Coverage	Limit \$400,000,000 per occurrence. Sub-limits: \$150,000,000 Earthquake per Occurrence; \$150,000,000 Flood per Occurrence. Deductible: Earthquake 2% of the values involved, subject to \$250,000 min per occurrence. Flood \$100,000,00 per occurrence. All other perils \$25,000 deductible.
WCIA	1/1/2020 – 12/31/2020	Automobile Physical Damage for Scheduled Automobiles	Actual Cash Value, except optional replacement cost coverage. Deductible \$1,000 per occurrence for scheduled automobiles
WCIA	1/1/2020 – 12/31/2020	Equipment Breakdown Coverage	\$100,000,000 Maximum Limit; Sub-limits: \$10,000,000 Business Interruption; \$1,000,000 Extra Expense; \$500,000 Hazardous Waste. Deductible \$10,000 Combined All Coverage Expect. Turbine Generator Unites, KP Motors, Pumps, and Deep Water Wells, KVA Transformers, HP A/C and Refrigeration Systems and HP ICE's and Generators >=500 HP
WCIA	1/1/2020 – 12/31/2020	Pollution Liability	Limit \$2,000,000 per condition; \$10,000,000 total policy & aggregate limits; sub-limit \$250,000. Deductible: \$100,000; 5 days
WCIA	1/1/2020 – 12/31/2020	Crime/Fidelity (employee theft, forgery or alteration, on premises, in transit, money orders and counterfeit money, computer crime, fund transfer fraud and claims expense)	Deductible ranges from \$10,000 to \$50,000 with single limits coverage of \$2,500,000.
WCIA	1/1/2020 – 12/31/2020	Cyber Insurance	Limits \$1,000,000 per member with \$10,000,000 aggregate pool policy limit subject to sub-limits. Deductible: \$25,000 per type of breach.

The City's industrial insurance is provided by the Association of Washington Cities and is administered by the Workers' Comp Retro Program. 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.

NOTE 11 – LONG-TERM LIABILITIES

The various categories of long-term debt reflected on the City's financial statements are briefly described in the following paragraphs. Ratings are issued on the bond at the time of issuance. The ratings issued on City bonds are shown on page 71.

General obligation bonds are backed by the City's full faith and credit. Proceeds are typically used for the acquisition or construction of major capital facilities or equipment. "Councilmanic Bonds" are general obligation bonds issued by City Council without voter approval. Under State law, repayment of these bonds must be financed from general City revenues because no additional property taxes can be levied to support related debt service payments. General Obligation bonds approved by the voters are typically repaid through an annual "excess" property tax levy authorized for this purpose by State statute. At year-end 2020 the City had no voter-approved bonds outstanding. All principal and interest payments on general obligation debts are recorded as expenditures by the City's Debt Service Fund.

- A) On November 17, 2017, the City issued \$6,000,000 of limited tax general obligation bond with an interest rate of 2.17 percent, maturity due date of 11/27/2037 which contains mandatory tender option date of 11/17/2022. Proceeds were used to pay off the 2014 KeyBank Bond Anticipation Note which was scheduled for maturity on 12/01/2017. There was no significant economic gain or loss on the transaction.
- B) On March 4, 2013 the City issued \$12,415,000 of general obligation refunding bonds with an average interest rate of 2.67 percent to provide resources to purchase U.S. Government and State and Local Government Series security that were placed in an irrevocable trust for the purpose of generating resources to advance refund on \$12,310,000 of outstanding 2003 GO Federal Way Community Center debt on December 1, 2013. As a result the 2003 GO FWCC bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. This advance refunding was undertaken to reduce total debt service payments over the next twenty one years by \$2,322,943 and resulted in an economic gain of \$1,740,458. (Economic gain is the net present value of future savings between old and the new debt).

- C) On December 11, 2019, the City issued \$10,945,000 of limited tax general obligation bond with interest rates ranging from 2.75 percent to 5.00 percent, and a maturity due date of December 1, 2038. Proceeds were used to pay off the outstanding 2009 SCORE Bond of \$12,891,600. As a result, the 2009 SCORE Bond is considered defeased and the liability was removed from governmental activities column of statement of net position. This payoff was undertaken to reduce the total debt service payments over the next twenty years by \$2,309,077 and resulted in economic gain of \$1,992,140 (Economic gain is the present value of future savings between old and new debt).
- D) On December 11, 2019, the City issued \$4,840,000 of limited tax general obligation bond with interest rates ranging from 1.95 to 2.65 percent, and a maturity due date of December 1, 2029. Proceeds were used to pay for a portion of the Performing Arts and Events Center and to pay costs of issuing 2019B Bonds. There was no significant economic gain or loss on the transaction.
- E) On June 28, 2016 the City entered into a Contract Loan Guarantee with Housing Urban Development for development of the Federal Way Performing Arts and Events Center. This loan, referred to as Section 108 Loan is authorized up to \$3,030,000 with advances of \$3,030,000 with a variable rate of 3M LIBOR plus 20 basis points. The Section 108 Loan contains a 20 year term with provisions to convert to a fixed rate loan at a future date. This loan converted to a fixed rate on March 28, 2019 with outstanding balance of \$2,712,000.
- F) On March 28, 2019 the City converted Contract Loan Guarantee with Housing Urban Development to a fixed rate, ranging from 2.54 to 3.49 percent, and a maturity due date of August 1, 2035. The conversion resulted into an issuance of \$2,712,000 of U.S. Department of HUD Section 108 Government Guaranteed Participation Certificates, Series HUD 2019-A.
- G) The City in conjunction with several other South King County cities (Auburn, Burien, Renton, SeaTac, Tukwila,) agreed to build a facility to hold its inmates. The total bond in 2009 was \$86.325 million and the City of Federal Way's portion at that time was \$15.522 million. In 2019 the facility was able to use its excess revenue from excess space rented to non-member cities to pay the bond in 2019. The City Council decided to withdraw from the SCORE interlocal agreement on September 4th, 2018 effective on the year following the date of notice. At the April 16, 2019 council meeting the City Council decided to bond the City portion of the SCORE debt separately from the SCORE entity. On December 11, 2019, the City issued a \$10,945,000 of general obligation bond and used the proceeds to pay off the outstanding 2009 SCORE bond of \$12,891,600. Valley Communications joint venture information can be found on page 75.

The following schedules detail the long-term debt activity and balances of the City for GO Bonds, SCORE Bond, and Section 108 HUD Loan, Compensated Absences, and Net Pension Liability. Typically we have used the governmental funds on pages 29 and 30 to liquidate the net pension liability, with the General Fund being the primary fund.

OUTSTANDING GENERAL OBLIGATION DEBT AND LONG-TERM LIABILITIES - BY TYPE DECEMBER 31, 2020									
Description	Bond Rating at Issuance	Issue Date	Maturity Date	Interest Rate	Amount Originally Issued	Beginning Outstanding Debt	Amount Issued	Amount Redeemed	Ending Outstanding Debt
Governmental Activities:									
General Obligation Bonds:									
A) 2017 Ltd Tax GO Bond ¹	-	Nov 17, 17	Nov 27, 37	2.17	\$ 6,000,000	\$ 5,807,553	\$ -	\$ 391,181	\$ 5,416,372
B) 2013 Refund Ltd/Community Center ²	Aa3	Dec 01, 13	Dec 01, 33	2.67	12,415,000	9,380,000	-	530,000	8,850,000
C) 2019A LTGO Bond (SCORE) ⁴	Aa2	Dec 11, 19	Dec 01, 38	2.75-5.00	10,945,000	10,945,000	-	380,000	10,565,000
D) 2019B LTGO Tax Bond (PAEC) ⁵	Aa2	Dec 11, 19	Dec 01, 29	1.95-2.65	4,840,000	4,840,000	-	430,000	4,410,000
Subtotal GO Bonds:	-	-	-	-	34,200,000	30,972,553	-	1,731,181	29,241,372
Other Miscellaneous Debt-Intergovernmental:									
F) 2019-A Section 108 HUD CP ³	-	Mar 28, 19	Aug 01, 35	2.54 - 3.49	2,712,000	2,553,000	-	159,000	2,394,000
Subtotal miscellaneous:	-	-	-	-	2,712,000	2,553,000	-	159,000	2,394,000
Subtotal GO Bonds plus Misc.					36,912,000	33,525,553	-	1,890,181	31,635,372
Compensated absences					-	2,035,728	2,150,637	1,805,963	2,380,402
Net Pension Liability (NPL) for Pers 1,2, & 3	-	-	-	-	-	5,122,430	-	79,204	5,043,226
Subtotal GO bonds, misc., comp. absences, & NPL:	-	-	-	-	36,912,000	40,683,711	2,150,637	3,775,348	39,059,000
Business-Type Activities:									
Compensated absences	-	-	-	-	-	94,812	117,170	90,032	121,950
Net Pension Liability (NPL) for Pers 1,2, & 3	-	-	-	-	-	659,859	-	62,623	597,236
Subtotal PWTFLL, comp. absences, & NPL:	-	-	-	-	-	754,671	117,170	152,655	719,186
Grand Total All Long-Term Debt:	-	-	-	-	\$ 36,912,000	\$ 41,438,382	\$ 2,267,807	\$ 3,928,003	\$ 39,778,186

¹ On November 17, 2017 the City issued \$6,000,000 of Ltd Tax GO Bond with an interest rate of 2.17 percent, maturity date of 11/27/2037, mandatory tender option date of 11/17/2022. Proceeds used to pay off the 2014 KeyBank Bond Anticipation Note. ² The ending 2017 refunding Community bond premium is \$134,197.70 with current year amortization of \$49,751.10. ³ Contract Loan 2016 Guarantee Assistance via HUD converted with variable rate to 2019-A HUD Certificate of Participation fixed rate. ⁴ The City issued 2019A Bond to defease 2009 SCORE Bond. ⁵ The City issued 2019B Bond to pay City for portion of PAEC construction on December 11, 2019. The ending SCORE and PAEC bond premium is \$1,701,132.10 with current year amortization of \$13,535.60.

SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES PERIOD ENDED DECEMBER 31, 2020				
	Beginning Outstanding Debt	Additions	Reductions	Ending Outstanding Debt
Governmental Activities:				
General Obligation Bonds	\$ 30,972,553	\$ -	\$ (1,731,181)	\$ 29,241,372
Other-intergovernmental debt	2,553,000	-	(159,000)	2,394,000
Compensated absences	2,035,728	2,150,637	(1,805,963)	2,380,402
Net Pension Liability (NPL) for Pers 1,2, & 3	5,122,430	-	(79,204)	5,043,226
Total Governmental Activities	40,683,711	2,150,637	(3,775,348)	39,059,000
Business-Type Activities:				
<i>Enterprise Funds</i>				
Compensated absences	94,812	117,170	(90,032)	121,950
Net Pension Liability (NPL) for Pers 1,2, & 3	659,859	-	(62,623)	597,236
Total Business-Type Activities	754,671	117,170	(152,655)	719,186
Total All Funds	\$ 41,438,382	\$ 2,267,807	\$ (3,928,003)	\$ 39,778,186

OUTSTANDING GENERAL OBLIGATION DEBT AND LONG-TERM LIABILITIES - BY FUND DECEMBER 31, 2020						
Description	Amount Originally Issued	Beginning Outstanding Debt	Amount Issued	Amount Redeemed	Ending Outstanding Debt	Due within one year
Governmental Long-Term Debt:						
General Obligation Bonds:						
A) 2017 Ltd Tax GO Bond ¹	\$ 6,000,000	\$ 5,807,553	\$ -	\$ 391,181	\$ 5,416,372	\$ 399,716
B) 2013 Refund Ltd/Community Center ²	12,415,000	9,380,000	-	530,000	8,850,000	550,000
C) 2019A LTGO Bond (SCORE) ⁴	10,945,000	10,945,000	-	380,000	10,565,000	390,000
D) 2019B LTGO Tax Bond (PAEC) ⁵	4,840,000	4,840,000	-	430,000	4,410,000	450,000
Subtotal GO Bonds:	34,200,000	30,972,553	-	1,731,181	29,241,372	1,789,716
Other Miscellaneous Debt-Intergovernmental:						
F) 2019-A Section 108 HUD CP ³	2,712,000	2,553,000	-	159,000	2,394,000	159,000
Subtotal miscellaneous:	2,712,000	2,553,000	-	159,000	2,394,000	159,000
Subtotal GO Bonds plus Misc.	36,912,000	33,525,553	-	1,890,181	31,635,372	1,948,716
Compensated absences	-	2,035,728	2,150,637	1,805,963	2,380,402	178,813
Net Pension Liability (NPL) for Pers 1,2, & 3	-	5,122,430	-	79,204	5,043,226	na
Subtotal GO bonds, misc., comp. absences, & NPL:	36,912,000	40,683,711	2,150,637	3,775,348	39,059,000	2,127,529
Business-Type Activities:						
<i>Enterprise Funds:</i>						
Compensated absences	-	94,812	117,170	90,032	121,950	9,206
Net Pension Liability (NPL) for Pers 1,2, & 3	-	659,859	-	62,623	597,236	na
Subtotal PWTF, comp. absences, & NPL:	-	754,671	117,170	152,655	719,186	9,206
Grant Total All Long-Term Debt:	\$ 36,912,000	\$ 41,438,382	\$ 2,267,807	\$ 3,928,003	\$ 39,778,186	\$ 2,136,735

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY AS OF DECEMBER 31, 2020					
Year	Government Activities		Grand Total		
	General Governmental Debt		Principal	Interest	P&I
	Principal	Interest			
2021	1,948,716	1,019,543	1,948,716	1,019,543	2,968,258
2022	6,620,656	952,173	6,620,656	952,173	7,572,829
2023	1,654,000	792,368	1,654,000	792,368	2,446,368
2024	1,704,000	742,458	1,704,000	742,458	2,446,458
2025-2029	9,318,000	2,867,108	9,318,000	2,867,108	12,185,108
2030-2034	7,155,000	1,356,905	7,155,001	1,356,905	8,511,906
2035-2038	3,235,000	277,951	3,235,000	277,951	3,512,951
Total	\$ 31,635,372	\$ 8,008,506	\$ 31,635,372	\$ 8,008,506	\$ 39,643,878

Computation of Legal Debt Margin

Under Washington State law (RCW 39.36.020), a City may incur general obligation debt for general city purposes in an amount not to exceed 2½ percent of the value of all taxable property within the City. State law requires all property to be assessed at 100 percent of its true and fair value. Unlimited tax general obligation debt requires an approving vote of the people, and any election to validate such general obligation debt must have a voter turnout of at least 40 percent of those who voted in the last State general election and of those voting; 60 percent must be in the affirmative. The City Council may, by ordinance, authorize the issuance of limited tax general obligation debt in an amount up to 1.5% of the valuation within the City without a vote of the people. No combination of limited or unlimited tax debt may exceed 7½ percent of the valuation. The debt service on unlimited tax debt is secured by excess property tax levies, whereas the debt service on limited tax debt is secured by property taxes collected with the City's councilmanic levy. See page 136 for a detailed calculation of the valuation.

The City's legally remaining debt capacities as of December 31, 2020 are:

Computation of Limitation of Indebtedness	2020
General government (no vote required)	\$ 161,614,264
General government (3/5 majority vote required)	126,453,260
Parks and open space (3/5 majority vote required)	316,133,150
Utilities (3/5 majority vote required)	316,133,150
Total Capacity	\$ 920,333,825

Compensated Absences

The City's liability for accrued vacation and compensatory time balances is recorded in the schedule below. Accrued compensated absences for proprietary fund employees are recorded as liabilities in those funds expected to incur the related future expense. Typically the General Fund has been used to liquidate compensated absences for the General Government.

Governmental Activities:	
Current portion	\$ 178,813
Noncurrent portion	2,201,589
Business-Type Activities:	
Current portion	9,206
Noncurrent portion	112,744
Total Compensated absences	\$ 2,502,352

Estimated Arbitrage Rebate

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt of over \$5 million to make payments to the United States Treasury of investment interest received at yields that exceed the issuer's tax-exempt borrowing rates. Payments of arbitrage rebate amounts due under these regulations must be made to the U.S. Treasury every five years. The City's estimated rebatable arbitrage amount as of December 31, 2020 is \$-0- for its tax-exempt general obligation bond issues subject to the Tax Reform Act issued through that date. No arbitrage applies to any of City of Federal Way bonds.

NOTE 12 – INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2020 were as follows:

Interfund Transfers	In	Out
Governmental Funds:		
General Fund	\$ 8,146,895	\$ 4,668,324
Street Fund	2,287,779	-
Utility Tax Fund	-	10,173,601
Debt Service	2,328,567	-
Performing Arts & Event Center Operations	972,310	-
Transportation	2,238,000	45,000
Performing Arts & Event Center	-	-
Nonmajor Governmental Funds	3,305,715	5,374,047
Proprietary Funds:		
Surface Water Management	-	190,000
Dumas Bay Centre	373,453	-
Internal Service Funds	948,253	150,000
Total:	\$20,600,972	\$20,600,972

The following describes the amounts transferred out during 2020:

General Fund:

- \$1,695,849 to Street Fund to subsidize street maintenance and operations.
- \$1,000,000 to Debt Service Fund to pay for SCORE debt principal and interest.
- \$955,359 to Performing Art & Event Center to subsidize operations.
- \$571,987 to Federal Way Community Center to subsidize operations.
- \$260,371 to Dumas Bay Centre to subsidize operations.
- \$184,758 to Traffic Safety Fund to subsidize operations.

Utility Tax Fund:

- \$7,689,489 to General Fund for operation support.
- \$823,253 to Risk Fund for claims.
- \$591,896 to Federal Way Community Center Fund for operation support.
- \$483,930 to Street Fund for operation support.
- \$375,000 to Arterial Street Fund for overlay of residential streets.
- \$113,082 to Dumas Bay Centre Fund for operation support.
- \$80,000 to Unemployment Insurance Fund for to pay for claims of temporary laid off employees.
- \$16,951 to Performing Art & Event Center to subsidize operations.

Transportation CIP Fund:

- \$45,000 to Fleet & Equipment internal service fund for Community Development Inspector vehicle.

Nonmajor Funds:

- \$457,406 from Traffic Safety Fund to General Fund for Police related services.
- \$43,000 from Solid Waste & Recycling Fund to Street Fund for litter services.
- \$100,000 from LIFT Funding to Transportation CIP Fund for Complete Street ADA Improvements.
- \$1,328,567 from Real Estate Excise Tax (REET) Fund to Debt Service Fund for debt payments.
- \$1,282,074 from REET Fund to Arterial Street for street overlay.
- \$300,000 from REET Fund to Parks CIP Fund for major maintenance of parks facilities, playground equipment, and Lakota soccer field.
- \$1,863,000 from REET Fund to Street Construction Projects City Center Access, Pacific Hwy. Non-Motorized Corridor – 16th Ave. S., SW 356th Street Preservation, and Joint Operations & Maintenance Facility.

Surface Water Manage Fund:

- \$190,000 to Street Fund & Transportation CIP Fund for landslide restoration and operational services.

Internal Service Funds:

- \$150,000 to Transportation CIP Fund for flagpole repair.

Interfund loans for the year ended December 31, 2020 were as follows:

Interfund Loans	Receivable	Payable
General Fund	\$ 1,620,568	\$ -
Special Revenue Funds:		
Community Development Block Grant	-	96,608
Capital Project Funds:		
Street	-	1,523,960
Total Interfund Loans	\$ 1,620,568	\$ 1,620,568

NOTE 13 – CONTRACTUAL OBLIGATIONS, CONTINGENCIES AND LITIGATION

As of December 31, 2020 there were minimal minor claims for damages and 4 lawsuits pending against the City. With one exception noted below, in the opinion of the City Attorney, none of these lawsuits or claims exposes the City to potential liability, either singly or in the aggregate, that materially affect the financial condition of the City. One exception to this statement is a claim for \$10,777,440.22 filed by a contractor, Graham Construction, Inc., in relation to Phase 5 of the Pacific Highway improvement project. While the City disputes this claimed amount and is vigorously defending the City's position, it is possible that the liability for the City may exceed the original contract budget by a significant amount.

NOTE 14 – JOINT VENTURES

Valley Communication Center

The "Valley Communications Center" was established August 20, 1976, when an Interlocal Agreement was entered into by the four original participating municipal corporations, including the cities of Renton, Kent, Auburn, and Tukwila. Federal Way was formally admitted as an addition in 2000. The agreement is sanctioned by the provisions and terms of the Interlocal Cooperation Act pursuant to RCW 39.34. The initial duration of the agreement was five years, and thereafter was automatically extended for a consecutive five year-period.

The purpose of the joint operation, hereafter referred to as Valley Com, is to provide improved consolidated emergency communications (dispatch) services for police, fire, and medical aid, to the five participating cities and to several subscribing agencies, which include King County Fire Districts 2, 20, 26, 40, 43, 44, and 47; City of Pacific Police and Fire Departments, City of Algona Police Department, City of Des Moines Police Department, City of Black Diamond Police and Fire Department; SeaTac Fire Department; North Highline Fire Department; King County EMS Units; and Vashon Island Fire Department. Separate agreements between Valley Com and the subscribing agencies have been executed, which set forth conditions of services and rates charged.

The allocation of prorated financial participation among the five member cities is the percentage of dispatched calls attributed to each jurisdiction compared to the total estimated dispatched calls, for the current twelve month period ending December 31. The percentages are applied to the current approved budget, less revenue from all other sources. Distribution of the current year net income is based on the same percentages. The 2020 cost distributions for the five member cities are as follows:

City	Dispatchable Calls	Percent of Total
Kent	108,282	27.46%
Renton	85,717	21.74%
Auburn	84,806	21.51%
Tukwila	34,870	8.84%
Federal Way	80,647	20.45%
Total	394,322	100.00%

Valley Com is governed by an Administration Board, composed of the Mayors or designated representatives from the five participating cities of Renton, Kent, Auburn, Tukwila, and Federal Way. The Administration Board is authorized to establish bylaws that govern procedures of the Board and Valley Com's general operations for the following functions: 1) Budget review and recommendations to the legislative bodies of the member cities, and budget adoption after each legislative body has approved the required financial participation for the ensuing year; 2) Approve appointment and/or discharge of the Director; 3) Approve personnel policy and make final decisions on all major policy changes; and 4) Review and approves all contracts.

In addition, an Operating Board was established and consists of two members of each participating City's Public Safety Departments, including the heads of such departments or their designees. The Operating Board performs the following functions: 1) Oversees the general operation of Valley Com, and advises and makes recommendations to the Administration Board; 2) Make recommendations on Director selection; 3) Presents proposed policies and budgets to the Administration Board; and 4) Reviews disbursements of funds by the Director.

The Director presents a proposed budget to the Operating Board on or before August 15 of each year. Said budget is then presented to the Administrative Board by September 1 of each year. The Administration Board can make changes to the proposed Valley Com budget as it finds necessary, but final approval falls to the legislative body of each member city, in accordance with the provisions of the interlocal agreement.

In May 1993 Valley Com entered into an agreement with King County to provide joint project management for the acquisition and installation of 800-MHz emergency radio communications system approved by the voters of King County in conjunction with a \$57 million levy. In August 1993 Valley Com also entered into an Interlocal Cooperation Agreement with the sub-regions of King County, Seattle, and Eastside Public Safety Communications, which governs the development and installation of the new 800-MHz emergency radio system. Valley Com now provides emergency communication dispatch services to a population of approximately 570,000.

Valley Com operates as an enterprise fund and is totally self-supporting through the implementation of user fees, and the primary source of revenue is provided by charges for calls for service. The 800-MHz emergency radio communications system operated by the agreement with King County is operated as a separate enterprise fund, and the Member Cities have no equity interest in the contributed capital from this system.

The share of equity belonging to the five participating cities is shown below. Liabilities are the responsibility of the five participating cities in direct proportion to their equity position.

	Balances in 2020					
	Kent	Renton	Auburn	Tukwila	Federal Way	Total
Equity @ January 1, 2020	\$ 8,797,965	\$ 6,430,886	\$ 6,633,681	\$ 3,169,346	\$ 5,451,595	\$ 30,483,473
Current year increase	766,590	606,843	600,390	246,866	570,949	2,791,638
Equity @ December 31, 2020	\$ 9,564,555	\$ 7,037,729	\$ 7,234,071	\$ 3,416,212	\$ 6,022,544	\$ 33,275,111
Percent of equity	28.74%	21.15%	21.74%	10.27%	18.10%	100.00%
Prior year's percent of equity	28.86%	21.10%	21.76%	10.40%	17.88%	100.00%

A complete set of financial statements is available from:
Valley Communications Center, 27519 108th Avenue SE, Kent, WA 98030.

South Correction Entity

On September 4th, 2018 the City Council decided to withdraw from the SCORE interlocal agreement effective on January 1st, 2020 per city resolution 18-741 in 2019. At the April 16, 2019 council meeting the City Council decided to bond the City portion of the SCORE debt separately from the SCORE entity. Although the city will not maintain ownership of the facility, the City of Federal Way is still responsible for paying their proportionate share of SCORE debt service in the amount of 10,565,000 as of 12/31/2020.

Joint Venture Reconciliation to Government Wide Financial Statements

	Balance 1/1/2020	Additions	Reductions	Balance 12/31/2020
Valley Communications Center	5,451,595	570,949	-	6,022,544
Total Joint Venture Capital Assets	5,451,595	570,949	-	6,022,544
Total Investment in Joint Ventures	\$ 5,451,595	\$ 570,949	\$ -	\$ 6,022,544

NOTE 15 – PRIOR PERIOD ADJUSTMENTS

Governmental-type capital asset activity prior period adjustment of \$10.69M for **Construction in progress** is due to \$3.78M being incorrectly classified as governmental-type activity, and should be business-type activity, and \$6.91M being maintenance for SR99 Phase V project, and therefore not subject to capitalization.

Governmental Activity	Beg. Bal 1/1/2020	Prior Period Adjustment	Adj. Beg. Balance	Additions	Deletions	Ending Bal. 12/31/2020
Capital assets, not being depreciated:						
Land	\$ 283,686,722	\$ -	\$ 283,686,722	\$ 20,387	\$ -	\$ 283,707,109
Construction in progress	34,471,239	(10,690,600)	23,780,639	5,766,474	(14,349,735)	15,197,378
Total capital assets, not being depreciated:	318,157,961	(10,690,600)	307,467,361	5,786,861	(14,349,735)	298,904,487
Capital assets, being depreciated						
Buildings	72,887,441	-	72,887,441	-	-	72,887,441
Improvements other than buildings	27,229,887	-	27,229,887	1,423,019	-	28,652,906
Infrastructure	187,390,546	-	187,390,546	13,235,932	(6,564)	200,619,914
Machinery and equipment	20,452,506	-	20,452,506	2,474,552	(946,428)	21,980,630
Total capital assets, being depreciated:	307,960,380	-	307,960,380	17,133,503	(952,992)	324,140,891
Less accumulated depreciation for :						
Buildings	(26,355,575)	-	(26,355,575)	(3,596,799)	-	(29,952,373)
Improvements other than buildings	(20,102,247)	-	(20,102,247)	(609,747)	-	(20,711,994)
Infrastructure	(80,066,132)	-	(80,066,132)	(5,074,134)	2,316	(85,137,950)
Machinery and equipment	(13,652,236)	-	(13,652,236)	(1,403,137)	937,359	(14,118,014)
Total accumulated depreciation:	(140,176,190)	-	(140,176,190)	(10,683,816)	939,675	(149,920,331)
Total assets being depreciated, net	167,784,190	-	167,784,190	6,449,687	(13,317)	174,220,560
Governmental activities capital assets, net	\$ 485,942,152	\$ (10,690,600)	\$ 475,251,552	\$ 12,236,548	\$ (14,363,052)	\$ 473,125,048

Business-type capital asset activity prior period adjustment of \$3.78M is for **Construction in progress** that was incorrectly classified as governmental-type activity.

Business-Type Activities	Beg. Bal 1/1/2020	Prior Period Adjustment	Adj. Beg. Balance	Additions	Deletions	Ending Bal. 12/31/2020
Capital assets, not being depreciated:						
Land	\$11,340,293	\$ -	\$11,340,293	\$ -	\$ -	\$11,340,293
Construction in progress	38,391	3,783,466	3,821,857	23,504	(3,783,466)	61,895
Total capital assets, not being depreciated:	11,378,684	3,783,466	15,162,150	23,504	(3,783,466)	11,402,188
Capital assets, being depreciated						
Buildings	4,505,348	-	4,505,348	8,965	-	4,514,313
Improvements other than buildings	4,229,931	-	4,229,931	-	-	4,229,931
Infrastructure	63,938,190	-	63,938,190	3,905,498	-	67,843,688
Machinery and equipment	198,794	-	198,794	15,840	-	214,634
Total capital assets, being depreciated:	72,872,262	-	72,872,262	3,930,303	-	76,802,565
Less accumulated depreciation for :						
Buildings	(3,722,791)	-	(3,722,791)	(49,858)	-	(3,772,649)
Improvements other than buildings	(359,036)	-	(359,036)	(42,299)	-	(401,335)
Infrastructure	(16,933,347)	-	(16,933,347)	(639,382)	-	(17,572,729)
Machinery and equipment	(129,749)	-	(129,749)	(6,636)	-	(136,385)
Total accumulated depreciation:	(21,144,923)	-	(21,144,923)	(738,175)	-	(21,883,098)
Total assets being depreciated, net	51,727,339	-	51,727,339	3,192,128	-	54,919,467
Business Type activities capital assets, net	\$ 63,106,023	\$ 3,783,466	\$ 66,889,489	\$ 3,215,632	\$ (3,783,466)	\$ 66,321,655

NOTE 16 – LEASES**Operating Leases**

Starting February 1, 2014, the City of Federal Way started leasing the office buildings for the downtown Police substation. Total cost for the leases was \$36,000 for the year ended December 31, 2020. The lease of the substation expires December 31, 2020. The future minimum lease payment for the downtown Police substation lease is \$36,000. This lease does not automatically renew.

Starting May 1, 2020, the City of Federal Way started leasing Twin Lakes Police substation. Total cost for the lease was \$5,240 for the year ended December 31, 2020. The lease of the substation expires April 30, 2021. This lease does not automatically renew.

NOTE 17 – SELF-INSURANCE

The City's unemployment insurance, where it has elected to become fully self-insured. Related premiums received by the Unemployment Insurance Fund is used to reimburse the State Employment Security Department for unemployment benefits paid to eligible individuals, and to establish reserves for the payment of estimated future unemployment claims liability. The City is self-insured for unemployment compensation. The weekly payments to an employee range from \$201 - \$844 depending upon the wages earned. At December 31st, 2020 the City had \$195,397 in reserve.

Unemployment compensation benefits	2019	2020
Unemployment reserve, Jan. 1st	\$ 279,116	\$ 273,701
Unemployment compensation interest	4,219	1,165
Claim payments during the year	(9,634)	(79,469)
Unemployment reserve, Dec. 31st	\$ 273,701	\$ 195,397

The City's also elected to self-insure for medical. Related premiums are received by the Health Insurance Fund and are used to reimburse weekly claims to the Group Health Corporation for medical benefits paid the eligible individuals, and establish reserves for the payment of estimated future medical benefits claims liability. At December 31st, 2020 the City had \$3,189,938 in reserve.

Health Insurance benefits	2019	2020
Health Insurance reserve, Jan. 1st	\$ 2,940,232	\$ 3,657,598
Health Insurance benefits	4,392,860	4,312,444
Health Insurance Employee Contributions	222,779	212,627
Health Insurance COBRA Contributions	34,319	113,387
Health Insurance interest	50,753	14,856
Health Insurance Recovery-Stop Loss	281,299	714,375
Prescription Claim payments during the year	(772,307)	(1,032,222)
Medical Claim payments during the year	(2,518,705)	(3,488,607)
Insurance-Stop Loss	(567,344)	(699,917)
Other services and charges	(406,288)	(614,601)
Health Insurance reserve, Dec. 31st	\$ 3,657,598	\$ 3,189,938

NOTE 18 – ACCOUNTING AND REPORTING CHANGES

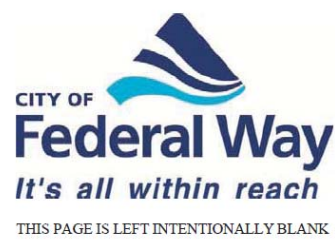
The implementation of GASB Statement 84 for Fiduciary Activities resulted in amounts previously reported in the General Fund, now being reported in a custodial fund. This statement gave guidance regarding the identification of fiduciary activities for financial reporting purposes. This resulted in an effect of change in accounting principle of \$395,462 due to moving items held for judgement, seizure funds, court remittances, and due to other governments from the General Fund to a custodial fund. GASB statement 83, GASB statement 88 and GASB statement 90 were not relevant and/or material to City of Federal Way.

NOTE 19 – COVID-19 Pandemic

On March 9, 2020 the City Mayor issued a Proclamation of Emergency in order to prevent the spread of coronavirus disease (COVID-19). Then, on March 23, 2020, State Gov. Jay Inslee issued a statewide two week stay at home order and closed all businesses except essential services. On April 3, 2020 the stay at home order was extended through May 4th.

The City is still assessing the impact of this pandemic. This coronavirus shock could be more severe than the Great Financial Crisis of 2007-08, as it will hit households, businesses, financial institutions, and markets all at the same time locally, nationally and globally. In this historical widespread pandemic the city is carefully considering all the options to adjust its budget as sales tax revenue and economic activity decline.

In addition, in response to COVID-19 the council committees and the regular council meetings are being held remotely rather than in- person meetings. Virtual meetings could be a new normal for the city in the future to do necessary municipal business.



REQUIRED SUPPLEMENTARY INFORMATION

City of Federal Way						
Schedule of Proportionate Share of the Net Pension Liability						
PERS 1						
As of June 30, 2020						
Last 10 Fiscal Years*						
	2015	2016	2017	2018	2019	2020
Employer's proportion of the net pension liability (asset) %	0.110831%	0.114008%	0.114547%	0.115857%	0.113856%	0.109137%
Employer's proportionate share of the net pension liability	\$ 5,797,492	6,122,767	5,435,344	5,174,213	4,378,167	3,853,125
TOTAL	\$ 5,797,492	6,122,767	5,435,344	5,174,213	4,378,167	3,853,125
Covered payroll	\$ 12,744,440	13,650,352	14,496,336	15,317,923	15,564,017	16,370,986
Employer's proportionate share of the net pension liability as a percentage of covered payroll	% 45.49%	44.85%	37.49%	33.78%	28.13%	23.54%
Plan fiduciary net position as a percentage of the total pension liability	% 59.10%	57.03%	61.24%	63.22%	67.12%	68.64%
Notes to Schedule:						
* Employer's covered payroll increased by \$807K, but net pension liability decreased by \$0.53 million. Additional years information will be displayed as it becomes available.						

City of Federal Way						
Schedule of Proportionate Share of the Net Pension Liability						
PERS 2 - 3						
As of June 30, 2020						
Last 10 Fiscal Years*						
	2015	2016	2017	2018	2019	2020
Employer's proportion of the net pension liability (asset) %	0.143122%	0.146079%	0.147025%	0.146710%	0.144555%	0.139751%
Employer's proportionate share of the net pension liability	\$ 5,113,831	7,354,962	5,108,416	2,504,943	1,404,121	1,787,336
TOTAL	\$ 5,113,831	7,354,962	5,108,416	2,504,943	1,404,121	1,787,336
Covered payroll	\$ 12,744,440	13,650,352	14,496,336	15,317,923	15,564,017	16,370,986
Employer's proportionate share of the net pension liability as a percentage of covered payroll	% 40.13%	53.88%	35.24%	16.35%	9.02%	10.92%
Plan fiduciary net position as a percentage of the total pension liability	% 89.20%	85.82%	90.97%	95.77%	97.77%	97.22%
Notes to Schedule:						
* Employer's covered payroll increased by \$807K, and net pension liability increased by \$0.38 million. Additional years information will be displayed as it becomes available.						

City of Federal Way							
Schedule of Proportionate Share of the Net Pension Liability (Asset)							
LEOFF 2							
As of June 30, 2020							
Last 10 Fiscal Years*							
		2015	2016	2017	2018	2019	2020
Employer's proportion of the net pension liability (asset)	%	0.427847%	0.415772%	0.434711%	0.397656%	0.393513%	0.374980%
Employer's proportionate share of the net pension liability (asset)	\$	(4,397,411)	(2,418,255)	(6,032,380)	(8,073,284)	(9,116,488)	(7,649,045)
LEOFF 2 - State's proportionate share of the net pension liability (asset) associated with the employer	\$	(2,907,569)	(1,576,526)	(3,913,092)	(5,227,229)	(5,970,078)	(4,890,984)
TOTAL	\$	(7,304,980)	(3,994,781)	(9,945,472)	(13,300,513)	(15,086,566)	(12,540,029)
Covered payroll	\$	12,477,707	12,625,740	13,610,662	13,157,989	13,865,920	14,177,786
Employer's proportionate share of the net pension liability as a percentage of covered payroll	%	-35.24%	-19.15%	-44.32%	-61.36%	-65.75%	-53.95%
Plan fiduciary net position as a percentage of the total pension liability	%	111.67%	106.04%	113.36%	118.50%	119.43%	115.83%
Notes to Schedule:							
* Employer's covered payroll increased by \$312K and net pension asset decreased by \$1.5M. Additional years information will be displayed as it becomes available.							

City of Federal Way						
Schedule of Employer Contributions						
PERS 1						
As of December 31, 2020						
Last 10 Fiscal Years*						
	2015	2016	2017	2018	2019	2020
Statutorily or contractually required contributions	\$ 584,359	663,133	745,500	792,384	811,218	797,876
Contributions in relation to the statutorily or contractually required contributions	\$ (584,359)	(663,133)	(745,500)	(792,384)	(811,218)	(797,876)
Contribution deficiency (excess)	\$ -	-	-	-	-	-
Covered Payroll	\$ 13,309,318	13,887,684	15,134,713	15,255,177	16,208,573	16,459,407
Contributions as a percentage of covered payroll	% 4.39%	4.77%	4.93%	5.19%	5.00%	4.85%

Notes to Schedule:
 * Employer's covered payroll increased by \$251K. Additional years information will be displayed as it becomes available.

City of Federal Way						
Schedule of Employer Contributions						
PERS 2-3						
As of December 31, 2020						
Last 10 Fiscal Years*						
	2015	2016	2017	2018	2019	2020
Statutorily or contractually required contributions	\$ 750,485	866,073	1,034,441	1,154,906	1,247,242	1,295,038
Contributions in relation to the statutorily or contractually required contributions	\$ (750,485)	(866,073)	(1,034,441)	(1,154,906)	(1,247,242)	(1,295,038)
Contribution deficiency (excess)	\$ -	-	-	-	-	-
Covered Payroll	\$ 13,309,318	13,887,684	15,134,713	15,255,177	16,208,573	16,459,407
Contributions as a percentage of covered payroll	% 5.64%	6.24%	6.83%	7.57%	7.69%	7.87%
Notes to Schedule:						
* Employer's covered payroll increased by \$251K. Additional years information will be displayed as it becomes available.						

City of Federal Way						
Schedule of Employer Contributions						
LEOFF 2						
As of December 31, 2020						
Last 10 Fiscal Years*						
	2015	2016	2017	2018	2019	2020
Statutorily or contractually required contributions	\$ 625,331	669,609	688,577	702,132	735,539	721,881
Contributions in relation to the statutorily or contractually required contributions	\$ (625,331)	(669,609)	(688,577)	(702,132)	(735,539)	(721,881)
Contribution deficiency (excess)	\$ -	-	-	-	-	-
Covered Payroll	\$ 12,382,722	13,274,725	13,365,190	13,373,925	14,142,286	14,018,688
Contributions as a percentage of covered payroll	% 5.05%	5.04%	5.15%	5.25%	5.20%	5.15%

Notes to Schedule:
 * Employer's covered payroll decreased by \$124K. Additional years information will be displayed as it becomes available.

Combining Statement – Nonmajor Governmental Funds’ Description For the Year Ended December 31, 2020

Special Revenue Funds

Special Revenue funds are used to account for the proceeds of revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

The **Arterial Street Fund** accounts for the receipt and expenditure of the State-levied motor vehicle fuel tax distributed to the City in accordance with State R.C.W. 82.36.020. These revenues are to be used for the construction, improvement, chip sealing, seal-coating, and repair of arterial highways and city streets, or for the payment of related municipal indebtedness.

The **Affordable and Supportive Housing Sales and Use Tax Fund** accounts for the receipt of sales tax passed in Senate House Bill 1406 RCW 82.14.540. This sale tax is a credit against the state sales tax rate of 6.5%, therefore it will not increase the tax rate for consumers. This is a restricted revenue source that can be used by local governments for investments in affordable and supportive housing.

The **Solid Waste/Recycling Fund** was established to account for special refuse collection fees used to manage the Solid Waste and Recycling program.

The **Special Contracts/Studies Fund** accounts for receipts and disbursements related to special contracts and special projects where completion will extend beyond the calendar year.

The **Hotel/Motel Lodging Tax Fund** was established to account for all lodging tax receipts and disbursements related to tourism promotion and acquisition and/or operation of tourism-related facilities.

The **Federal Way Community Center Fund** was established to account for the operation of the community center. The fund is supported by user fees and designated utility tax transfers.

The **Traffic Safety Fund** was established to account for the penalties and fines collected in criminal traffic violations and those related to the operation of the Red Light Photo Enforcement Program. Funds collected for traffic safety shall be used for, but not limited to prevention, education, and enforcement effectors related to traffic safety and compliance with traffic control devices within the city, including maintenance and operation costs.

The **Community Development Block Grant Fund** accounts for the receipt and disbursement of federal grant revenue received through the Department of Housing and Urban Development's Community Development Block Grant Program. Separate subsidiary records are maintained to administer the individual projects accounted for in this fund.

The **Path and Trails Reserve Fund** was established in accordance with State law to accumulate unexpended proceeds of the City's ½% motor vehicle fuel tax receipts which are restricted in use to the construction and maintenance of paths and trails within City right-of-way. In August 2013, King County voters approved a new \$0.1877, six-year, inflation adjusted property tax lid lift to expand park and recreation opportunities. Seven percent of the County levy proceeds will be distributed to cities for acquisition and development of open space and natural lands and city trail projects that support connections to the regional trail system.

The **Technology Fund** was established to account for a technology fee collected on business license fees, and parks and recreation fees to accommodate the high cost and need to continually replace telecommunications, data, network, hardware, and software systems caused by a continuous and rapidly changing technology environment.

Capital Projects Funds

The Capital Project Funds account for the acquisition or construction of major capital facilities with the exception of those facilities financed by proprietary and trust funds. The major sources of revenue for this fund are general obligation bond proceeds, grants from other agencies, local taxes and contributions from other funds.

The **Real Estate Excise Tax Fund** was established to account for the City's real estate excise tax and the transfers to pay for debt and capital projects.

The **Downtown Redevelopment CIP Fund** accounts for receipts of Local Infrastructure Financing Tool (LIFT), and downtown redevelopment projects.

The **City Facilities CIP Fund** accounts for receipts and disbursements related to acquisition, design, construction and any other related municipal facility and community/senior capital project expenditures.

The **Parks CIP Fund** was established to account for receipts and disbursements related to acquisition, design, construction and any other related parks capital project expenditures.

The **Capital Project Reserve Fund** accounts for receipts and disbursements related to acquisition, design, construction and any other related municipal facility and community/senior capital project expenditures.

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2020

	Special Revenue	Capital Projects	Total
ASSETS			
Cash and Cash Equivalents	\$ 8,426,146	\$ 8,549,356	\$ 16,975,502
Receivables (net):			
Taxes	-	1,477,478	1,477,478
Accounts and contracts	85,986	-	85,986
Due from other governments	787,064	36,122	823,186
TOTAL ASSETS	<u>9,299,196</u>	<u>10,062,956</u>	<u>19,362,152</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND			
Liabilities:			
Vouchers payable	462,571	250	462,821
Accounts/payroll payable	150,693	-	150,693
Retainage payable	-	1,738	1,738
Deposits payable	36,663	-	36,663
Interfund loans payable	96,608	-	96,608
Unearned revenue	<u>145,088</u>	<u>-</u>	<u>145,088</u>
TOTAL LIABILITIES	<u>891,623</u>	<u>1,988</u>	<u>893,611</u>
 Fund Balance:			
Restricted	4,985,045	9,169,682	14,154,727
Committed	<u>3,422,528</u>	<u>891,286</u>	<u>4,313,814</u>
TOTAL FUND BALANCES	<u>8,407,573</u>	<u>10,060,968</u>	<u>18,468,541</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 9,299,196</u></u>	<u><u>\$ 10,062,956</u></u>	<u><u>\$ 19,362,152</u></u>

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2020

	Arterial Street	Affrd. & Supprt. Housing Sales & Use Tax	Solid Waste Recycling	Special Contracts/ Studies	Hotel/Motel Lodging Tax
ASSETS					
Cash and Cash Equivalents	\$ 1,289,077	\$ 113,661	\$ 125,704	\$ 800,559	\$ 1,434,867
Receivables (net):					
Accounts and contracts	-	-	42,875	17,359	-
Due from other governments	178,987	25,310	89,277	-	13,495
	<u>1,468,064</u>	<u>138,971</u>	<u>257,856</u>	<u>817,918</u>	<u>1,448,362</u>
TOTAL ASSETS					
	<u>1,468,064</u>	<u>138,971</u>	<u>257,856</u>	<u>817,918</u>	<u>1,448,362</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Vouchers payable	21,969	-	32,200	-	-
Accounts/payroll payable	9,349	-	12,106	-	-
Deposits payable	-	-	-	-	-
Interfund loans payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
	<u>31,318</u>	<u>-</u>	<u>44,306</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES					
	<u>31,318</u>	<u>-</u>	<u>44,306</u>	<u>-</u>	<u>-</u>
Fund Balance:					
Restricted	1,061,746	138,971	-	817,918	1,448,362
Committed	375,000	-	213,550	-	-
	<u>1,436,746</u>	<u>138,971</u>	<u>213,550</u>	<u>817,918</u>	<u>1,448,362</u>
TOTAL FUND BALANCES					
	<u>1,436,746</u>	<u>138,971</u>	<u>213,550</u>	<u>817,918</u>	<u>1,448,362</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,468,064</u>	<u>\$ 138,971</u>	<u>\$ 257,856</u>	<u>\$ 817,918</u>	<u>\$ 1,448,362</u>

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2020

	Federal way Community Center	Traffic Safety	Community Development Block Grant	Paths and Trails Reserve	Technology	Total
ASSETS						
Cash and Cash Equivalents	\$ 1,709,027	\$ 1,341,748	\$ 6,869	\$ 1,487,461	\$ 117,173	\$ 8,426,146
Receivables (net):						
Accounts and contracts	25,752	-	-	-	-	85,986
Due from other governments	-	-	479,393	602	-	787,064
TOTAL ASSETS	1,734,779	1,341,748	486,262	1,488,063	117,173	9,299,196
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Vouchers payable	16,292	43,052	348,884	-	174	462,571
Accounts/payroll payable	36,736	82,537	9,965	-	-	150,693
Deposits payable	36,663	-	-	-	-	36,663
Interfund loans payable	-	-	96,608	-	-	96,608
Unearned revenue	145,088	-	-	-	-	145,088
TOTAL LIABILITIES	234,779	125,589	455,457	-	174	891,623
Fund Balance:						
Restricted	-	-	29,985	1,488,063	-	4,985,045
Committed	1,500,000	1,216,159	820	-	116,999	3,422,528
TOTAL FUND BALANCES	1,500,000	1,216,159	30,805	1,488,063	116,999	8,407,573
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,734,779	\$ 1,341,748	\$ 486,262	\$ 1,488,063	\$ 117,173	\$ 9,299,196

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS

December 31, 2020

	Real Estate Excise Tax Fund	Downtown Redevelopment	City Facilities	Parks	Capital Project Reserve	Total
ASSETS						
Cash and Cash Equivalents	\$ 2,536,711	\$ 3,432,523	\$ 290,105	\$ 1,920,155	\$ 369,862	\$ 8,549,356
Receivables (net):						
Taxes	1,477,409	69	-	-	-	1,477,478
Due from other governments	-	36,122	-	-	-	36,122
TOTAL ASSETS	4,014,120	3,468,714	290,105	1,920,155	369,862	10,062,956
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Vouchers payable	-	-	-	250	-	250
Retainage payable	-	-	-	1,738	-	1,738
TOTAL LIABILITIES	-	-	-	1,988	-	1,988
Fund Balance:						
Restricted	4,014,120	3,468,714	30,501	1,656,347	-	9,169,682
Committed	-	-	259,604	261,820	369,862	891,286
TOTAL FUND BALANCES	4,014,120	3,468,714	290,105	1,918,167	369,862	10,060,968
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,014,120	\$ 3,468,714	\$ 290,105	\$ 1,920,155	\$ 369,862	\$ 10,062,956

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For Year Ended December 31, 2020**

	Special Revenue	Capital Projects	Total
REVENUES			
Taxes	\$ 540,389	\$ 4,494,652	\$ 5,035,041
Intergovernmental	1,501,092	1,000,000	2,501,092
Service charges and fees	1,710,359	84,745	1,795,104
Fines and forfeitures	2,156,205	-	2,156,205
Interest	37,015	47,888	84,903
Other	78,931	-	78,931
	<u>6,023,991</u>	<u>5,627,285</u>	<u>11,651,276</u>
TOTAL REVENUES			
	<u>6,023,991</u>	<u>5,627,285</u>	<u>11,651,276</u>
EXPENDITURES			
Current:			
General government	44,831	-	44,831
Security of persons and property	1,481,068	-	1,481,068
Transportation	2,493,701	-	2,493,701
Physical environment	537,419	-	537,419
Economic environment	28,785	-	28,785
Health	709,868	-	709,868
Culture and recreation	1,367,316	29,205	1,396,521
Debt service:			
Principal	159,000	-	159,000
Interest/fiscal charges/admin fees	76,216	-	76,216
Capital outlay	6,141	188,225	194,366
	<u>6,904,345</u>	<u>217,430</u>	<u>7,121,775</u>
TOTAL EXPENDITURES			
	<u>6,904,345</u>	<u>217,430</u>	<u>7,121,775</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(880,354)</u>	<u>5,409,855</u>	<u>4,529,501</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	3,005,715	300,000	3,305,715
Transfers out	(500,406)	(4,873,641)	(5,374,047)
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,505,309</u>	<u>(4,573,641)</u>	<u>(2,068,332)</u>
NET CHANGE IN FUND BALANCES	1,624,955	836,214	2,461,169
FUND BALANCES - BEGINNING	6,782,618	9,224,754	16,007,372
FUND BALANCES - ENDING	<u>\$ 8,407,573</u>	<u>\$ 10,060,968</u>	<u>\$ 18,468,541</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For Year Ended December 31, 2020**

	Arterial Street	Affrd. & Supprt. Housing Sales & Use Tax	Solid Waste Recycling	Special Contracts/ Studies	Hotel/Motel Lodging Tax
REVENUES					
Taxes	\$ -	\$ 138,778	\$ -	\$ -	\$ 120,482
Intergovernmental	462,384	-	89,277	-	-
Service charges and fees	562,703	-	509,311	71,496	-
Fines and forfeitures	-	-	-	-	-
Interest	2,786	193	910	3,979	7,182
Other	-	-	-	-	-
TOTAL REVENUES	1,027,873	138,971	599,498	75,475	127,664
EXPENDITURES					
Current:					
General government	-	-	-	343	-
Security of persons and property	-	-	-	-	-
Transportation	1,910,468	-	-	-	-
Physical environment	-	-	537,419	-	-
Economic environment	-	-	-	-	28,785
Health	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest/fiscal charges/admin fees	-	-	-	-	-
Capital outlay	-	-	-	6,141	-
TOTAL EXPENDITURES	1,910,468	-	537,419	6,484	28,785
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(882,595)	138,971	62,079	68,991	98,879
OTHER FINANCING SOURCES (USES)					
Transfers in	1,657,074	-	-	-	-
Transfers out	-	-	(43,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,657,074	-	(43,000)	-	-
NET CHANGE IN FUND BALANCES	774,479	138,971	19,079	68,991	98,879
FUND BALANCES - BEGINNING	662,267	-	194,471	748,927	1,349,483
FUND BALANCES - ENDING	\$ 1,436,746	\$ 138,971	\$ 213,550	\$ 817,918	\$ 1,448,362

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For Year Ended December 31, 2020**

	Federal way Community Center	Traffic Safety	Community Development Block Grant	Paths and Trails Reserve	Technology	Total
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 281,129	\$ -	\$ 540,389
Intergovernmental	-	-	940,606	8,825	-	1,501,092
Service charges and fees	408,623	-	-	-	158,226	1,710,359
Fines and forfeitures	-	2,156,205	-	-	-	2,156,205
Interest	7,611	7,434	-	6,672	248	37,015
Other	78,931	-	-	-	-	78,931
TOTAL REVENUES	495,165	2,163,639	940,606	296,626	158,474	6,023,991
EXPENDITURES						
Current:						
General government	-	-	-	-	44,488	44,831
Security of persons and property	-	1,481,068	-	-	-	1,481,068
Transportation	-	583,233	-	-	-	2,493,701
Physical environment	-	-	-	-	-	537,419
Economic environment	-	-	-	-	-	28,785
Health	-	-	709,868	-	-	709,868
Culture and recreation	1,367,316	-	-	-	-	1,367,316
Debt service:						
Principal	-	-	159,000	-	-	159,000
Interest/fiscal charges/admin fees	-	-	76,216	-	-	76,216
Capital outlay	-	-	-	-	-	6,141
TOTAL EXPENDITURES	1,367,316	2,064,301	945,084	-	44,488	6,904,345
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(872,151)	99,338	(4,478)	296,626	113,986	(880,354)
OTHER FINANCING SOURCES (USES)						
Transfers in	1,163,883	184,758	-	-	-	3,005,715
Transfers out	-	(457,406)	-	-	-	(500,406)
TOTAL OTHER FINANCING SOURCES (USES)	1,163,883	(272,648)	-	-	-	2,505,309
NET CHANGE IN FUND BALANCES	291,732	(173,310)	(4,478)	296,626	113,986	1,624,955
FUND BALANCES - BEGINNING	1,208,268	1,389,469	35,283	1,191,437	3,013	6,782,618
FUND BALANCES - ENDING	\$ 1,500,000	\$ 1,216,159	\$ 30,805	\$ 1,488,063	\$ 116,999	\$ 8,407,573

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
For Year Ended December 31, 2020**

	Real Estate Excise Tax Fund	Downtown Redevelopment	City Facilities	Parks	Capital Project Reserve	Total
REVENUES						
Taxes	\$ 4,467,111	\$ 27,541	\$ -	\$ -	\$ -	\$ 4,494,652
Intergovernmental	-	1,000,000	-	-	-	1,000,000
Service charges and fees	-	-	-	84,745	-	84,745
Interest	20,772	14,419	1,510	9,261	1,926	47,888
Other	-	-	-	-	-	-
TOTAL REVENUES	<u>4,487,883</u>	<u>1,041,960</u>	<u>1,510</u>	<u>94,006</u>	<u>1,926</u>	<u>5,627,285</u>
EXPENDITURES						
Current:						
Culture and recreation	-	-	-	29,205	-	29,205
Capital outlay	-	-	-	188,225	-	188,225
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>217,430</u>	<u>-</u>	<u>217,430</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,487,883</u>	<u>1,041,960</u>	<u>1,510</u>	<u>(123,424)</u>	<u>1,926</u>	<u>5,409,855</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	300,000	-	300,000
Transfers out	<u>(4,773,641)</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,873,641)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,773,641)</u>	<u>(100,000)</u>	<u>-</u>	<u>300,000</u>	<u>-</u>	<u>(4,573,641)</u>
NET CHANGE IN FUND BALANCES	(285,758)	941,960	1,510	176,576	1,926	836,214
FUND BALANCES - BEGINNING	<u>4,299,878</u>	<u>2,526,754</u>	<u>288,595</u>	<u>1,741,591</u>	<u>367,936</u>	<u>9,224,754</u>
FUND BALANCES - ENDING	<u>\$ 4,014,120</u>	<u>\$ 3,468,714</u>	<u>\$ 290,105</u>	<u>\$ 1,918,167</u>	<u>\$ 369,862</u>	<u>\$ 10,060,968</u>

ARTERIAL STREET
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Year Ended December 31, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Intergovernmental	\$ 529,999	\$ 529,999	\$ 462,384	\$ (67,615)
Service charges and fees	-	381,081	562,703	181,622
Interest	5,000	5,000	2,786	(2,214)
TOTAL REVENUES	534,999	916,080	1,027,873	111,793
EXPENDITURES				
Current:				
Transportation	1,515,064	2,692,120	1,910,468	781,652
TOTAL EXPENDITURES	1,515,064	2,692,120	1,910,468	781,652
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(980,065)	(1,776,040)	(882,595)	893,445
OTHER FINANCING SOURCES (USES)				
Transfers in	1,013,000	1,657,074	1,657,074	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,013,000	1,657,074	1,657,074	-
NET CHANGE IN FUND BALANCES	32,935	(118,966)	774,479	893,445
FUND BALANCES - BEGINNING	132,937	621,584	662,267	40,683
FUND BALANCES - ENDING	\$ 165,872	\$ 502,618	\$ 1,436,746	\$ 934,128

AFFRD. & SUPPRT. HOUSING SALES & USE TAX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Year Ended December 31, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ -	\$ 41,000	\$ 138,778	\$ 97,778
Interest	-	20	193	173
TOTAL REVENUES	-	41,020	138,971	97,951
EXPENDITURES				
Current:				
Health	-	41,020	-	41,020
TOTAL EXPENDITURES	-	41,020	-	41,020
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	138,971	138,971
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	138,971	138,971
FUND BALANCES - BEGINNING	-	-	-	-
FUND BALANCES - ENDING	\$ -	\$ -	\$ 138,971	\$ 138,971

SOLID WASTE & RECYCLING
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Year Ended December 31, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Intergovernmental	\$ 138,900	\$ 127,714	\$ 89,277	\$ (38,437)
Service charges and fees	312,000	439,560	509,311	69,751
Interest	1,200	1,200	910	(290)
TOTAL REVENUES	452,100	568,474	599,498	31,024
EXPENDITURES				
Current:				
Physical environment	494,800	553,800	537,419	16,381
TOTAL EXPENDITURES	494,800	553,800	537,419	16,381
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(42,700)	14,674	62,079	47,405
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(43,000)	(43,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(43,000)	(43,000)	-
NET CHANGE IN FUND BALANCES	(42,700)	(28,326)	19,079	47,405
FUND BALANCES - BEGINNING	60,431	194,472	194,471	(1)
FUND BALANCES - ENDING	\$ 17,731	\$ 166,146	\$ 213,550	\$ 47,404

SPECIAL CONTRACTS/STUDIES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Service charges and fees	\$ -	\$ -	\$ 71,496	\$ 71,496
Interest	-	-	3,979	3,979
TOTAL REVENUES	-	-	75,475	75,475
EXPENDITURES				
Current:				
General government	-	-	343	(343)
Capital outlay	7,000	407,000	6,141	400,859
TOTAL EXPENDITURES	7,000	407,000	6,484	400,516
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(7,000)	(407,000)	68,991	475,991
NET CHANGE IN FUND BALANCES	(7,000)	(407,000)	68,991	475,991
FUND BALANCES - BEGINNING	127,729	748,927	748,927	-
FUND BALANCES - ENDING	\$ 120,729	\$ 341,927	\$ 817,918	\$ 475,991

HOTEL/MOTEL LODGING TAX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Year Ended December 31, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ 300,000	\$ 300,000	\$ 120,482	\$ (179,518)
Interest	6,000	6,000	7,182	1,182
TOTAL REVENUES	306,000	306,000	127,664	(178,336)
EXPENDITURES				
Current:				
Economic environment	224,700	300,000	28,785	271,215
TOTAL EXPENDITURES	224,700	300,000	28,785	271,215
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	81,300	6,000	98,879	92,879
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	81,300	6,000	98,879	92,879
FUND BALANCES - BEGINNING	1,059,546	1,329,006	1,349,483	20,477
FUND BALANCES - ENDING	\$ 1,140,846	\$ 1,335,006	\$ 1,448,362	\$ 113,356

FEDERAL WAY COMMUNITY CENTER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Year Ended December 31, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Service charges and fees	\$ 1,590,875	\$ 928,875	\$ 408,623	\$ (520,252)
Interest	10,000	10,000	7,611	(2,389)
Other	340,000	235,485	78,931	(156,554)
TOTAL REVENUES	1,940,875	1,174,360	495,165	(679,195)
EXPENDITURES				
Current:				
Culture and recreation	2,331,150	1,766,615	1,367,316	399,299
TOTAL EXPENDITURES	2,331,150	1,766,615	1,367,316	399,299
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(390,275)	(592,255)	(872,151)	(279,896)
OTHER FINANCING SOURCES (USES)				
Transfers in	312,000	883,987	1,163,883	279,896
TOTAL OTHER FINANCING SOURCES (USES)	312,000	883,987	1,163,883	279,896
NET CHANGE IN FUND BALANCES	(78,275)	291,732	291,732	-
FUND BALANCES - BEGINNING	1,578,926	1,208,268	1,208,268	-
FUND BALANCES - ENDING	\$ 1,500,651	\$ 1,500,000	\$ 1,500,000	\$ -

TRAFFIC SAFETY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL

For Year Ended December 31, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Fines and forfeitures	\$ 3,802,000	\$ 2,872,442	\$ 2,156,205	\$ (716,237)
Interest	13,500	13,500	7,434	(6,066)
TOTAL REVENUES	3,815,500	2,885,942	2,163,639	(722,303)
EXPENDITURES				
Current:				
Security of persons and property	1,960,415	1,960,415	1,481,068	479,347
Transportation	680,224	680,224	583,233	96,991
TOTAL EXPENDITURES	2,640,639	2,640,639	2,064,301	576,338
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,174,861	245,303	99,338	(145,965)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	184,758	184,758	-
Transfers out	(1,549,087)	(1,549,087)	(457,406)	1,091,681
TOTAL OTHER FINANCING SOURCES (USES)	(1,549,087)	(1,364,329)	(272,648)	1,091,681
NET CHANGE IN FUND BALANCES	(374,226)	(1,119,026)	(173,310)	945,716
FUND BALANCES - BEGINNING	1,575,001	1,389,468	1,389,469	1
FUND BALANCES - ENDING	\$ 1,200,775	\$ 270,442	\$ 1,216,159	\$ 945,717

COMMUNITY DEVELOPMENT BLOCK GRANT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Year Ended December 31, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Intergovernmental	\$ 668,900	\$ 1,836,630	\$ 940,606	\$ (896,024)
TOTAL REVENUES	668,900	1,836,630	940,606	(896,024)
EXPENDITURES				
Current:				
Health	485,263	1,652,993	709,868	943,125
Debt service:				-
Principal	150,000	150,000	159,000	(9,000)
Interest/fiscal charges/admin fees	50,000	47,670	76,216	(28,546)
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	685,263	1,850,663	945,084	905,579
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(16,363)	(14,033)	(4,478)	9,555
NET CHANGE IN FUND BALANCES	(16,363)	(14,033)	(4,478)	9,555
FUND BALANCES - BEGINNING	16,363	35,284	35,283	(1)
FUND BALANCES - ENDING	\$ -	\$ 21,251	\$ 30,805	\$ 9,554

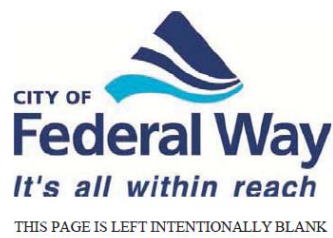
PATH & TRAILS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL

For Year Ended December 31, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ 160,000	\$ 160,000	\$ 281,129	\$ 121,129
Intergovernmental	9,000	9,000	8,825	(175)
Interest	-	-	6,672	6,672
TOTAL REVENUES	169,000	169,000	296,626	127,626
EXPENDITURES				
Current:				
Culture and recreation	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	169,000	169,000	296,626	127,626
NET CHANGE IN FUND BALANCES	169,000	169,000	296,626	127,626
FUND BALANCES - BEGINNING	1,099,546	1,191,437	1,191,437	-
FUND BALANCES - ENDING	\$ 1,268,546	\$ 1,360,437	\$ 1,488,063	\$ 127,626

TECHNOLOGY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Service charges and fees	\$ 20,000	\$ 155,222	\$ 158,226	\$ 3,004
Interest	-	-	248	248
TOTAL REVENUES	20,000	155,222	158,474	3,252
EXPENDITURES				
Current:				
General government	-	67,100	44,488	22,612
TOTAL EXPENDITURES	-	67,100	44,488	22,612
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	20,000	88,122	113,986	25,864
NET CHANGE IN FUND BALANCES	20,000	88,122	113,986	25,864
FUND BALANCES - BEGINNING	20,000	3,013	3,013	-
FUND BALANCES - ENDING	\$ 40,000	\$ 91,135	\$ 116,999	\$ 25,864



**Budget and Actual – Debt Service Fund Description
For the Year Ended December 31, 2020**

The ***Debt Service Fund*** accounts for the accumulation of resources for the payment of general obligation and special assessment bond principal, interest and related costs. Revenues for this fund consist of transfers from Real Estate Excise Tax Fund, transfers from the Utility Tax Fund, and/or other revenues designated by the City Council.

DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL

For Year Ended December 31, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Interest	\$ 30,000	\$ 30,000	\$ 22,909	\$ (7,091)
TOTAL REVENUES	30,000	30,000	22,909	(7,091)
EXPENDITURES				
Current:				
Debt service:				
Principal	1,253,881	1,878,881	1,731,181	147,700
Interest/fiscal charges/admin fees	1,091,076	1,091,076	984,281	106,795
TOTAL EXPENDITURES	2,344,957	2,969,957	2,715,462	254,495
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,314,957)	(2,939,957)	(2,692,553)	247,404
OTHER FINANCING SOURCES (USES)				
Transfers in	1,328,567	2,328,567	2,328,567	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,328,567	2,328,567	2,328,567	-
NET CHANGE IN FUND BALANCES	(986,390)	(611,390)	(363,986)	247,404
FUND BALANCES - BEGINNING	2,526,375	3,933,732	3,933,732	-
FUND BALANCES - ENDING	\$ 1,539,985	\$ 3,322,342	\$ 3,569,746	\$ 247,404

**Combining Statement – Internal Service Fund’s Description
For the Year Ended December 31, 2020**

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

The ***Risk Management Fund*** accounts for the City’s risk financing activities established to minimize adverse effects of losses associated with property and casualty, and worker’s compensation claims. Both risk control (to minimize the losses that strike an organization) and risk financing (to obtain finances to provide for or restore the economic damages of those losses) are involved. The City is also currently recovering costs and building reserves for general liability including property, casualty, errors and omissions and fidelity coverage.

The ***Information Systems Fund*** was established to account for all costs associated with data processing, telecommunications and the Geographical Information System (GIS). This fund will own and depreciate all non-proprietary fund assets related to these functions, and will charge equipment/software users for both maintenance/operating costs and equipment replacement charges based on depreciation schedules.

The ***Support Services Fund*** will account for duplication, graphics and other general support services provided to departments and funds throughout the City.

The ***Fleet and Equipment Fund*** accounts for the cost of maintaining City vehicles and other motorized equipment. Rates charged to user departments are based on the full cost of maintaining equipment items, including the recovery of related depreciation expense.

The ***Buildings and Furnishings Fund*** accounts for all costs associated with the operation and maintenance of specified City buildings. City building facilities and furnishings will be owned by this Fund, and both maintenance/operating costs and depreciation recovery will be charged to City departments and funds.

The ***Health Insurance Fund*** accounts for all self-insuring for medical insurance. The premiums paid by the City’s medical benefit contributions and employee medical deductions pay for the medical and pharmaceutical claims. Also, this fund establishes reserves for the payment of estimated future claims.

The ***Unemployment Insurance Fund*** is currently self-insuring State Unemployment Compensation. Related premiums received by the fund are used to reimburse the unemployment benefits paid to eligible individuals and to establish reserves for the payment of estimated future unemployment claims liability.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2020

	Risk Management	Information Systems	Support Services	Fleet and Equipment
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 1,268,201	\$ 4,033,305	\$ 268,516	\$ 7,643,112
Prepaid items	-	-	5,000	-
Receivables (net):				
Accounts and contracts	150	29,100	-	-
TOTAL CURRENT ASSETS	<u>1,268,351</u>	<u>4,062,405</u>	<u>273,516</u>	<u>7,643,112</u>
Noncurrent assets				
Capital assets:				
Building/structures	-	-	-	-
Machinery/furniture/equipment	-	6,946,872	309,617	13,931,949
Less accumulated depreciation	-	<u>(5,445,675)</u>	<u>(194,602)</u>	<u>(8,269,519)</u>
TOTAL NONCURRENT ASSETS	<u>-</u>	<u>1,501,197</u>	<u>115,015</u>	<u>5,662,430</u>
TOTAL ASSETS	<u>1,268,351</u>	<u>5,563,602</u>	<u>388,531</u>	<u>13,305,542</u>
DEFERRED OUTFLOWS RELATED TO PENSIONS	<u>-</u>	<u>74,413</u>	<u>-</u>	<u>6,350</u>
LIABILITIES				
Current Liabilities:				
Vouchers/payroll payable	<u>68,351</u>	<u>131,507</u>	<u>239</u>	<u>70,691</u>
TOTAL CURRENT LIABILITIES	<u>68,351</u>	<u>131,507</u>	<u>239</u>	<u>70,691</u>
Long-term liabilities:				
Compensated absences payable	-	73,504	-	-
Net Pension Liability	-	<u>241,614</u>	-	<u>20,785</u>
TOTAL LONG-TERM LIABILITIES	<u>-</u>	<u>315,118</u>	<u>-</u>	<u>20,785</u>
TOTAL LIABILITIES	<u>68,351</u>	<u>446,625</u>	<u>239</u>	<u>91,476</u>
DEFERRED INFLOWS RELATED TO PENSIONS	<u>-</u>	<u>73,766</u>	<u>-</u>	<u>6,331</u>
NET POSITION				
Net Investment in capital assets	-	1,501,197	115,015	5,662,430
Unrestricted	<u>1,200,000</u>	<u>3,616,427</u>	<u>273,277</u>	<u>7,551,655</u>
TOTAL NET POSITION	<u>\$ 1,200,000</u>	<u>\$ 5,117,624</u>	<u>\$ 388,292</u>	<u>\$ 13,214,085</u>

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2020

	Buildings and Furnishings	Self Health Insurance	Unemployment Insurance	TOTAL
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 2,988,284	\$ 3,303,303	\$ 292,124	\$ 19,796,845
Prepaid items	-	-	-	5,000
Receivables (net):				
Accounts and contracts	-	-	-	29,250
TOTAL CURRENT ASSETS	<u>2,988,284</u>	<u>3,303,303</u>	<u>292,124</u>	<u>19,831,095</u>
Noncurrent assets				
Capital assets:				
Building/structures	16,545,121	-	-	16,545,121
Machinery/furniture/equipment	-	-	-	21,188,438
Less accumulated depreciation	<u>(12,770,525)</u>	<u>-</u>	<u>-</u>	<u>(26,680,321)</u>
TOTAL NONCURRENT ASSETS	<u>3,774,596</u>	<u>-</u>	<u>-</u>	<u>11,053,238</u>
TOTAL ASSETS	<u>6,762,880</u>	<u>3,303,303</u>	<u>292,124</u>	<u>30,884,333</u>
DEFERRED OUTFLOWS RELATED TO PENSIONS	<u>11,238</u>	<u>-</u>	<u>-</u>	<u>92,001</u>
LIABILITIES				
Current Liabilities:				
Vouchers/payroll payable	<u>35,730</u>	<u>113,364</u>	<u>16,727</u>	<u>436,609</u>
TOTAL CURRENT LIABILITIES	<u>35,730</u>	<u>113,364</u>	<u>16,727</u>	<u>436,609</u>
Long-term liabilities:				
Compensated absences payable	-	-	-	73,504
Net Pension Liability	<u>39,619</u>	<u>-</u>	<u>-</u>	<u>302,018</u>
TOTAL LONG-TERM LIABILITIES	<u>39,619</u>	<u>-</u>	<u>-</u>	<u>375,522</u>
TOTAL LIABILITIES	<u>75,349</u>	<u>113,364</u>	<u>16,727</u>	<u>812,131</u>
DEFERRED INFLOWS RELATED TO PENSIONS	<u>12,051</u>	<u>-</u>	<u>-</u>	<u>92,148</u>
NET POSITION				
Net Investment in capital assets	3,774,596	-	-	11,053,238
Unrestricted	<u>2,912,122</u>	<u>3,189,939</u>	<u>275,397</u>	<u>19,018,817</u>
TOTAL NET POSITION	<u>\$ 6,686,718</u>	<u>\$ 3,189,939</u>	<u>\$ 275,397</u>	<u>\$ 30,072,055</u>

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION

For Year Ended December 31, 2020

	Risk Management	Information Systems	Support Services	Fleet and Equipment
OPERATING REVENUES:				
Service charges and fees	\$ 1,103,040	\$ 2,478,070	\$ 121,211	\$ 2,189,415
Miscellaneous	116,767	354	-	-
TOTAL OPERATING REVENUES	1,219,807	2,478,424	121,211	2,189,415
OPERATING EXPENSES:				
Personnel services	-	926,885	-	84,970
Materials and supplies	-	352,322	12,095	452,619
Services and charges	45,352	1,023,326	54,237	529,521
Insurance	846,538	-	-	-
Claims	1,306,941	-	-	-
Depreciation	-	356,370	34,719	959,235
TOTAL OPERATING EXPENSES	2,198,831	2,658,903	101,051	2,026,345
OPERATING INCOME (LOSS)	(979,024)	(180,479)	20,160	163,070
NON-OPERATING REVENUES (EXPENSES):				
Gain (Loss) from disposal of capital assets	-	-	-	155,158
Interest income	3,241	16,520	1,030	33,551
TOTAL NON-OPERATING REVENUES (EXPENSES)	3,241	16,520	1,030	188,709
INCOME (LOSS) BEFORE TRANSFERS	(975,783)	(163,959)	21,190	351,779
Capital contributions	-	301,541	-	575,784
Transfers in	823,253	-	-	45,000
Transfers out	(150,000)	-	-	-
CHANGE IN NET POSITION	(302,530)	137,582	21,190	972,563
NET POSITION - BEGINNING	1,502,530	4,980,042	367,102	12,241,522
NET POSITION - ENDING	\$ 1,200,000	\$ 5,117,624	\$ 388,292	\$ 13,214,085

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
For Year Ended December 31, 2020

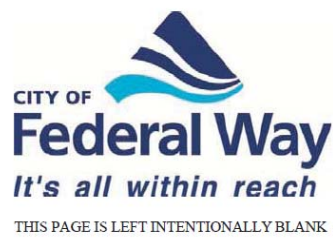
	Buildings and Furnishings	Self Health Insurance	Unemployment Insurance	TOTAL
OPERATING REVENUES:				
Service charges and fees	\$ 489,696	\$ 5,352,832	\$ -	\$ 11,734,264
Miscellaneous	32,090	-	-	149,211
TOTAL OPERATING REVENUES	521,786	5,352,832	-	11,883,475
OPERATING EXPENSES:				
Personnel services	170,552	-	-	1,182,407
Materials and supplies	49,122	4,175	-	870,333
Services and charges	332,305	5,831,172	79,469	7,895,382
Insurance	-	-	-	846,538
Claims	-	-	-	1,306,941
Depreciation	796,386	-	-	2,146,710
TOTAL OPERATING EXPENSES	1,348,365	5,835,347	79,469	14,248,311
OPERATING INCOME (LOSS)	(826,579)	(482,515)	(79,469)	(2,364,836)
NON-OPERATING REVENUES (EXPENSES):				
Gain (Loss) from disposal of capital assets	-	-	-	155,158
Interest income	12,824	14,856	1,165	83,187
TOTAL NON-OPERATING REVENUES (EXPENSES)	12,824	14,856	1,165	238,345
INCOME (LOSS) BEFORE TRANSFERS	(813,755)	(467,659)	(78,304)	(2,126,491)
Capital contributions	-	-	-	877,325
Transfers in	-	-	80,000	948,253
Transfers out	-	-	-	(150,000)
CHANGE IN NET POSITION	(813,755)	(467,659)	1,696	(450,913)
NET POSITION - BEGINNING	7,500,473	3,657,598	273,701	30,522,968
NET POSITION - ENDING	\$ 6,686,718	\$ 3,189,939	\$ 275,397	\$ 30,072,055

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For Year Ended December 31, 2020

	Risk Management	Information Systems	Support Services	Fleet and Equipment
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from users - interfund	\$ 1,103,040	\$ 2,478,070	\$ 121,211	\$ 2,189,415
Cash payments to claimants	(1,306,941)	-	-	-
Cash payments to suppliers for goods/services	(41,690)	(1,232,106)	(72,538)	(1,063,010)
Cash payments to employees	-	(961,670)	-	(91,036)
Cash payments to other governments for goods and services	(846,538)	(149,749)	-	-
Other operating receipts	116,617	354	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(975,512)	134,899	48,673	1,035,369
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	823,253	-	-	45,000
NET CASH PROVIDED BY NONCAPITAL FINANCING	673,253	-	-	45,000
CASH FLOWS FROM CAPITAL AND CAPITAL - RELATED FINANCING ACTIVITIES:				
Acquisition of capital asset/construction work in progress	-	(1,807)	-	(1,595,420)
Advances (to)/from other funds	-	(29,100)	-	893
Proceeds from the sale of capital assets	-	-	-	164,227
NET CASH USED FOR CAPITAL AND CAPITAL- RELATED FINANCING ACTIVITIES	-	(30,907)	-	(1,430,300)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Receipts of interest	3,241	16,519	1,030	33,551
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,241	16,519	1,030	33,551
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(299,018)	120,511	49,703	(316,380)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,567,219	3,912,794	218,813	7,959,492
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,268,201	4,033,305	268,516	7,643,112
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income/(loss)	(979,024)	(180,479)	20,160	163,070
Adjustments to reconcile operating income to net cash provided/(used) by operating activities:				
Increases/(decrease) in depreciation expense	-	356,370	34,719	959,235
(Increases)/decrease in accounts receivable	(150)	-	-	-
(Increases)/decrease in deferred outflows related to pensions	-	(16,093)	-	(1,075)
Increases/(decrease) in vouchers/accounts payable	3,662	(6,208)	(6,206)	(80,870)
Increases/(decrease) in accrued payroll/compensated absences payable	-	17,397	-	-
Increases/(decrease) in net pension liability	-	17,835	-	323
Increases/(decrease) in deferred inflows related to pensions	-	(53,924)	-	(5,314)
TOTAL ADJUSTMENTS	3,512	315,378	28,513	872,299
NET CASH PROVIDED/USED BY OPERATING ACTIVITIES	\$ (975,512)	\$ 134,899	\$ 48,673	\$ 1,035,369
Non-cash investing, capital, and financing activities:				
Other contributions of capital assets	\$ -	\$ 301,541	\$ -	\$ 575,784

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For Year Ended December 31, 2020

	Buildings and Furnishings	Health Insurance	Unemployment Insurance	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from users - interfund	\$ 489,696	\$ 5,352,832	\$ -	\$ 11,734,264
Cash payments to claimants	-	-	-	(1,306,941)
Cash payments to suppliers for goods/services	(391,349)	(5,798,753)	(68,967)	(8,668,414)
Cash payments to employees	(173,888)	-	-	(1,226,594)
Cash payments to other governments for goods and services	-	(1,703)	-	(997,990)
Other operating receipts	32,090	-	-	149,061
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(43,451)</u>	<u>(447,624)</u>	<u>(68,967)</u>	<u>(316,614)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	-	80,000	948,253
NET CASH PROVIDED BY NONCAPITAL FINANCING	<u>-</u>	<u>-</u>	<u>80,000</u>	<u>798,253</u>
CASH FLOWS FROM CAPITAL AND CAPITAL - RELATED FINANCING ACTIVITIES:				
Acquisition of capital asset/construction work in progress	-	-	-	(1,597,227)
Advances (to)/from other funds	-	-	-	(28,207)
Proceeds from the sale of capital assets	-	-	-	164,227
NET CASH USED FOR CAPITAL AND CAPITAL- RELATED FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,461,207)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Receipts of interest	12,824	14,856	1,165	83,187
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>12,824</u>	<u>14,856</u>	<u>1,165</u>	<u>83,187</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(30,627)	(432,768)	12,198	(896,381)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,018,911	3,736,071	279,926	20,693,226
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>2,988,284</u>	<u>3,303,303</u>	<u>292,124</u>	<u>19,796,845</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income/(loss)	(826,579)	(482,515)	(79,469)	(2,364,836)
Adjustments to reconcile operating income to net cash provided/(used) by operating activities:				
Increases/(decrease) in depreciation expense	796,386	-	-	2,146,710
(Increases)/decrease in accounts receivable	-	-	-	(150)
(Increases)/decrease in deferred outflows related to pensions	(3,665)	-	-	(20,833)
Increases/(decrease) in vouchers/accounts payable	(9,922)	34,891	10,502	(54,151)
Increases/(decrease) in accrued payroll/compensated absences payable	-	-	-	17,397
Increases/(decrease) in net pension liability	6,934	-	-	25,092
Increases/(decrease) in deferred inflows related to pensions	(6,605)	-	-	(65,843)
TOTAL ADJUSTMENTS	<u>783,128</u>	<u>34,891</u>	<u>10,502</u>	<u>2,048,222</u>
NET CASH PROVIDED/USED BY OPERATING ACTIVITIES	<u>\$ (43,451)</u>	<u>\$ (447,624)</u>	<u>\$ (68,967)</u>	<u>\$ (316,614)</u>
Non-cash investing, capital, and financing activities:				
Other contributions of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 877,325</u>



SUPPLEMENTAL INFORMATION

MCAG NO. 0711			SCHEDULE 15
CITY OF FEDERAL WAY, WASHINGTON SCHEDULE OF STATE FINANCIAL ASSISTANCE For Year Ended December 31, 2020			
State Agency Pass-Thru Agency (if applicable)		Other I.D./ Grant #	Current Year Expenditures
Program Title	BARS Account		
Department of Commerce			
FW Emergency Shelter for Homeless Families with Children	001-0000-083-334-04-020	S20-32102-01	88,521
HB 1923 Regional Housing Action Plan Grant	001-0000-073-334-04-020	20-63314-009	65,832
SUBTOTAL DEPARTMENT OF COMMERCE			154,353
Washington Office of Sheriffs and Police Chiefs			
WA Auto Theft Prevention Authority Grant	001-0000-090-334-06-090	19-21 WATPA GG-PSATT	20,316
SUBTOTAL WASHINGTON OFFICE OF SHERIFFS AND POLICE CHIEFS			20,316
State Department of Ecology			
Stormwater Capacity Grant 2019-2021	401-0000-000-334-03-010	WQSWCAP-1921-FedWay-00047	32,492
SUBTOTAL STATE DEPARTMENT OF ECOLOGY			32,492
State Department of Transportation			
Commute Trip Reduction	101-0000-000-334-03-060	PTD0120	18,945
SR509: SW 312th St - 21st Ave SW SRTS Project	306-4400-204-334-03-080	P-P-113(P02)-1	57,557
SR 509 - 9th PI to 11th PI S Pedestrian Improvement	306-4400-212-334-03-080	P-P-113(P01)-1	302,771
Complete Street ADA Improvements	306-4400-222-334-03-080	C-P-113(001)-1	75,712
SUBTOTAL STATE DEPARTMENT OF TRANSPORTATION			454,985
TOTAL STATE ASSISTANCE:			662,146

MCAG NO. 0711				SCHEDULE 16				
CITY OF FEDERAL WAY, WASHINGTON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For Year Ended December 31, 2020								
Federal Agency Pass-Thru Agency (if applicable)	CFDA	Other	COVID-19	From	From	Total	Passed	
Federal Program Name	#	I.D. #	Funding	Pass-Through	Direct	Expenditures	through to	
BARS Account				Awards	Awards		Subrecipients	
US Department of Housing and Urban Development Office of Community Planning and Development								
Community Development Block Grants/Entitlement Grants	119-7300-801-331-14-218	14.218	B-20-MC-53-0015	-	8,670	8,670	8,670	
Community Development Block Grants/Entitlement Grants	119-7300-805-331-14-218	14.218	B-17-MC-53-0015	-	124,470	124,470	124,470	
Community Development Block Grants/Entitlement Grants	119-7300-805-331-14-218	14.218	B-18-MC-53-0015	-	20,661	20,661	20,661	
Community Development Block Grants/Entitlement Grants	119-7300-805-331-14-218	14.218	Program Income from 996	-	3,461	3,461	3,461	
Community Development Block Grants/Entitlement Grants	119-7300-805-331-14-218	14.218	Program Income from 803	-	4,192	4,192	4,192	
Community Development Block Grants/Entitlement Grants	119-7300-900-331-14-218	14.218	B-20-MC-53-0015	-	235,216	235,216	-	
Community Development Block Grants/Entitlement Grants	119-7300-951-331-14-218	14.218	B-20-MC-53-0015	-	35,000	35,000	-	
Community Development Block Grants/Entitlement Grants	119-7300-956-331-14-218	14.218	B-20-MC-53-0015	-	10,000	10,000	10,000	
Community Development Block Grants/Entitlement Grants	119-7300-961-331-14-218	14.218	B-20-MC-53-0015	-	90,437	90,437	-	
Community Development Block Grants/Entitlement Grants	119-7300-961-331-14-218	14.218	Program Income from 996	-	20,619	20,619	-	
Community Development Block Grants/Entitlement Grants	119-7300-966-331-14-218	14.218	B-20-MC-53-0015	-	35,000	35,000	-	
Community Development Block Grants/Entitlement Grants	119-7300-967-331-14-218	14.218	B-20-MC-53-0015	-	32,695	32,695	32,695	
Community Development Block Grants/Entitlement Grants	119-7300-987-331-14-218	14.218	B-20-MC-53-0015	-	10,000	10,000	10,000	
Community Development Block Grants/Entitlement Grants	119-7300-994-331-14-218	14.218	B-20-MC-53-0015	-	60,000	60,000	60,000	
Community Development Block Grants/Entitlement Grants	119-7300-996-331-14-218	14.218	B-20-MC-53-0015	-	1,748	1,748	-	
Community Development Block Grants/Entitlement Grants	119-7300-996-331-14-218	14.218	B-15-MC-53-0015	-	14,916	14,916	-	
Community Development Block Grants/Entitlement Grants	119-7300-997-331-14-218	14.218	B-20-MC-53-0015	-	9,420	9,420	9,420	
Community Development Block Grants/Entitlement Grants	119-7300-957-331-14-218	14.218	B-20-MW-53-0015	yes	180,693	180,693	180,693	
Community Development Block Grants/Entitlement Grants	119-7300-958-331-14-218	14.218	B-20-MW-53-0015	yes	43,407	43,407	43,407	
SUBTOTAL CFDA 14.218 Entitlement Grants Cluster	REFER TO NOTES 1-3			-	940,604	940,604	507,669	
US Department of Justice Bureau of Justice Assistance								
Coronavirus Emergency Supplemental Funding Program	001-0000-090-331-16-034	16.034	2020-VD-BX-1823	yes	-	44,362	-	
SUBTOTAL CFDA 16.034	REFER TO NOTES 1-3			-	44,362	44,362	-	
US Department of Justice Bureau of Justice Assistance								
Bulletproof Vest Partnership Program	001-0000-090-331-16-607	16.607	BPV	-	23,848	23,848	-	
SUBTOTAL CFDA 16.607	REFER TO NOTES 1-3			-	23,848	23,848	-	
US Department of Justice Bureau of Justice Assistance								
Pass-thru City of Seattle								
Edward Byrne Memorial Justice Assistance Grant Program	001-0000-090-333-16-738	16.738	2019-DJ-BX-0906		38,589	38,589	-	
Pass-thru Washington State Patrol								
Marijuana Eradication	001-0000-090-333-16-000	16.U01	2020-122		5,000	5,000	-	
SUBTOTAL CFDA 16.738	REFER TO NOTES 1-3				43,589	43,589	-	
US Department of Justice Office of Community Oriented Policing Services								
Public Safety Partnership and Community Policing Grants	001-0000-090-331-16-710	16.710	2017UMWX0104	-	186,645	186,645	-	
Public Safety Partnership and Community Policing Grants	001-0000-090-331-16-710	16.710	2020UMWX0499	-	68,909	68,909	-	
SUBTOTAL CFDA 16.710	REFER TO NOTES 1-3			-	255,554	255,554	-	
US Department of Transportation National Highway Traffic Safety Administration								
Pass-thru Washington Traffic Safety Commission								
State and Community Highway Safety	001-0000-090-333-20-600	20.600	2020-HVE-3870		9,338	9,338	-	
State and Community Highway Safety	001-0000-090-333-20-600	20.600	2021-HVE-4123		518	518	-	
SUBTOTAL CFDA 20.600 Highway Safety Cluster	REFER TO NOTES 1-3				9,856	9,856	-	
US Department of Transportation Federal Highway Administration								
Pass-thru Washington State DOT								
Highway Planning and Construction	306-4400-202-333-20-050	20.205	HSIP-000S(464)		524,389	524,389	-	
Highway Planning and Construction	306-4400-204-333-20-050	20.205	SRTS-9917(033)		129,257	129,257	-	
Highway Planning and Construction	306-4400-213-333-20-050	20.205	AID-0443 (009)		102,643	102,643	-	
Highway Planning and Construction	306-4400-214-333-20-050	20.205	STPUL-1020 (014)		1,087	1,087	-	
Highway Planning and Construction	306-4400-215-333-20-050	20.205	STPUL-1000 (005)		31,034	31,034	-	
Highway Planning and Construction	306-4400-216-333-20-050	20.205	CM-9917 (031)		467,465	467,465	-	
Highway Planning and Construction	306-4400-217-333-20-050	20.205	HSIP-000S (528)		123,382	123,382	-	
Highway Planning and Construction	306-4400-218-333-20-050	20.205	HSIP-000S (524)		59,862	59,862	-	
Highway Planning and Construction	306-4400-219-333-20-050	20.205	STPUL-0099 (145)		355,421	355,421	-	
Highway Planning and Construction	306-4400-223-333-20-050	20.205	HLP-0443 (010)		15,861	15,861	-	
SUBTOTAL CFDA 20.205 Highway Planning and Construction Cluster	REFER TO NOTES 1-3				1,810,401	1,810,401	-	
US Department of Treasury								
Pass-thru Washington State Department of Commerce								
Coronavirus Relief Fund	xxx-xxxx-xxx-333-00-000	21.019	CV20180	yes	4,402,800	4,402,800	563,000	
Pass-thru King County								
Coronavirus Relief Fund	001-1800-020-337-07-001	21.019	SLT0181	yes	144,187	144,187	-	
Pass-thru King County Department of Community and Human Services								
Coronavirus Relief Fund	001-0000-351-337-07-000	21.019	SLT0181	yes	20,000	20,000	-	
SUBTOTAL CFDA 21.019	REFER TO NOTES 1-3				4,566,987	4,566,987	563,000	
US Department of Homeland Security								
Pass-thru Military Department								
Emergency Management Performance Grants	101-0000-000-333-97-042	97.042	19EMPG E20-194		37,500	37,500	-	
SUBTOTAL CFDA 97.042	REFER TO NOTES 1-3				37,500	37,500	-	
TOTAL FEDERAL ASSISTANCE:					6,468,333	1,264,368	7,732,701	1,070,669

Note 1.-Basis of Accounting

The Schedule of Financial Assistance is prepared on the same basis of accounting as the City of Federal Way's financial statements. The City uses the modified accrual basis of accounting, which is the basis adapted to governmental fund-type measurement focus. All grants reported on this schedule have been accounted for in governmental fund types. Grant revenues are determined to be earned and available at the time related expenditures are incurred. For this reason, grant revenues to be received as reimbursement for expenditures incurred in the current year are also recognized as revenue in that year.

Note 2.- Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City of Federal Way's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3.- Indirect Cost Rate

The City of Federal Way did not use the new 10% de minimis indirect cost rate as covered in 200.414 Indirect (F&A) costs, and is currently only charging direct costs to grants received.

Note 4.- Federal Loans

The City of Federal Way was approved by the US Department of Housing and Urban Development Office of Community Planning and Development to receive a loan totaling \$3,030,000 to finance the Performing Arts& Event Center economic development project. The loan was refinanced down to \$2,712,000 in 2019. Both the current and prior year loans are reported on the City of Federal Way's Schedule of Liabilities.

**CAPITAL ASSETS USED IN THE
OPERATION
OF GOVERNMENTAL FUNDS**

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE**

December 31, 2020

	2020	2019
GOVERNMENTAL FUNDS CAPITAL ASSETS		
Land	\$ 283,707,110	\$283,686,723
Buildings	56,342,323	56,342,323
Improvements other than buildings	28,652,906	27,229,887
Machinery and equipment	792,192	792,192
Infrastructure	200,619,913	187,390,545
Construction in progress	15,197,378	34,471,239
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	585,311,822	589,912,909
INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:		
General Fund	125,244,871	125,244,871
Special Revenue Funds	252,375,395	252,375,395
Capital Project Funds	105,130,235	124,044,111
Donations	102,561,321	88,248,532
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 585,311,822	\$ 589,912,909

This schedule presents only the historical cost of capital asset balances (no depreciation expenses) related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of the internal service funds are included as governmental activities in the statement of net assets.

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY

December 31, 2020

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Construction in Progress	Total 2020	Total 2019
GENERAL GOVERNMENT								
Miscellaneous general government	\$ 26,955,433	\$ 32,837,958	\$ 19,973	\$ -	\$ 6,139,001	\$ -	\$ 65,952,365	\$65,952,365
Total General Government:	26,955,433	32,837,958	19,973	-	6,139,001	-	65,952,365	65,952,365
CULTURE AND RECREATION								
Culture and Recreation	113,734,037	23,504,365	28,632,933	792,192	94,474,128	176,326	261,313,981	261,125,757
Total Culture and Recreation:	113,734,037	23,504,365	28,632,933	792,192	94,474,128	176,326	261,313,981	261,125,757
TRANSPORTATION								
Streets and Traffic	143,017,640	-	-	-	100,006,784	15,021,052	258,045,476	262,834,787
Total Transportation:	143,017,640	-	-	-	100,006,784	15,021,052	258,045,476	262,834,787
Total General Fixed Asset by Function:	\$ 283,707,110	\$ 56,342,323	\$ 28,652,906	\$ 792,192	\$ 200,619,913	\$ 15,197,378	\$ 585,311,822	\$ 589,912,909

This schedule presents only the historical cost of capital asset balances (no depreciation expenses) related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of the internal service funds are included as governmental activities in the statement of net assets.

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**

For the Year Ended December 31, 2020

	Governmental Funds Capital Assets 1/1/2020	Additions	Deductions	Governmental Funds Capital Assets 12/31/2020
GENERAL GOVERNMENT				
Miscellaneous general government	\$65,952,365	\$ -	\$ -	\$65,952,365
TOTAL GENERAL GOVERNMENT	65,952,365	-	-	65,952,365
CULTURE AND RECREATION	261,125,757	1,423,019	1,234,795	261,313,981
TOTAL CULTURE AND RECREATION	261,125,757	1,423,019	1,234,795	261,313,981
TRANSPORTATION				
Streets and traffic	262,834,787	19,022,793	23,812,104	258,045,476
TOTAL TRANSPORTATION	262,834,787	19,022,793	23,812,104	258,045,476
 TOTAL GENERAL FIXED ASSETS	 \$ 589,912,909	 \$ 20,445,812	 \$ 25,046,899	 \$ 585,311,822

This schedule presents only the historical cost of capital asset balances (no depreciation expenses) related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of the internal service funds are included as governmental activities in the statement of net assets.

Statistical Section

The statistical section presents detailed information as a context for understanding what the information in the financial statements and note disclosures say about the City's overall financial health. The following are the five categories of information presented in this section.

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

Revenue Capacity – These schedules contain information to help the reader assess the City's most significant local revenue sources, property tax and sales tax.

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

Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

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

CHANGES IN NET POSITION										
Last Ten Fiscal Years										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
General government	\$ 4,448,449	\$ 4,300,691	\$ 4,575,614	\$ 4,633,942	\$ 4,743,932	\$ 4,544,037	\$ 4,179,619	\$ 4,457,083	\$ 4,620,477	\$ 8,094,395
Security of persons and property	27,222,584	27,604,936	27,894,695	29,703,386	32,017,617	36,018,643	36,632,272	35,513,749	38,010,778	34,792,577
Transportation	13,539,598	9,946,776	9,675,727	11,434,659	13,070,260	12,920,893	13,681,482	15,227,484	14,145,856	13,469,874
Physical environment	424,466	415,935	490,916	443,127	476,570	469,237	415,771	487,104	519,163	708,031
Economic environment	2,782,435	2,645,478	2,191,487	2,785,807	2,973,437	3,206,414	4,074,379	4,739,077	7,304,691	6,317,075
Health and human svcs	690,643	754,727	1,683,449	1,056,802	1,618,759	1,501,057	1,714,311	1,432,259	1,540,723	1,774,097
Culture and recreation	8,105,578	8,081,401	8,418,920	8,376,205	8,959,555	9,373,278	9,329,314	9,280,828	9,438,271	7,607,707
Interest on long-term debt	614,571	602,572	1,779,833	1,010,406	461,763	433,729	502,721	542,802	347,437	1,015,414
Total governmental activities expenses	57,828,324	54,352,517	56,710,640	59,444,335	64,321,893	68,467,288	70,529,869	71,680,386	75,927,396	73,779,171
Business-type activities:										
Surface Water Mgmt	3,527,590	3,272,514	3,234,742	3,653,999	4,093,534	4,408,225	4,385,355	4,620,161	4,864,902	4,989,139
Dumas Bay Center	890,738	873,144	844,623	945,705	1,250,161	1,104,971	1,179,967	921,839	880,135	565,369
Total business-type activities expenses	4,418,328	4,145,658	4,079,365	4,599,703	5,343,695	5,513,196	5,565,322	5,542,000	5,745,037	5,554,507
Total primary government expenses	62,246,652	58,498,175	60,790,005	64,044,038	69,665,588	73,980,484	76,095,191	77,222,386	81,672,433	79,333,678
Program Revenues										
Governmental activities:										
Charges for services										
General Government	816,140	924,966	1,983,033	2,118,896	1,994,674	2,449,406	3,155,863	3,429,034	3,005,077	2,956,619
Security of Persons & Property	4,985,320	5,937,100	5,022,896	4,637,071	5,295,641	5,701,083	6,014,477	5,897,781	6,142,776	4,019,723
Transportation	2,484,058	2,139,292	577,489	1,804,199	1,362,118	1,565,140	2,886,690	3,322,357	3,440,597	3,192,519
Physical Environment	77,875	89,457	299,337	305,742	302,083	304,294	314,842	319,480	431,901	509,311
Economic Environment	510,483	568,973	2,201,375	3,059,772	2,698,841	1,766,106	2,171,579	2,806,982	5,385,727	2,215,856
Health	126,710	162,322	-	-	-	-	-	-	-	-
Culture & Recreation	1,487,099	1,738,098	2,431,603	2,476,383	2,475,852	2,424,129	2,569,962	2,669,174	2,212,816	729,227
Operating grants and contributions	4,597,981	5,367,163	6,007,682	5,410,098	6,544,176	5,638,756	6,238,698	6,099,833	6,082,363	11,195,427
Capital grants and contributions	9,716,551	5,225,265	3,892,651	5,632,549	4,508,428	15,863,183	14,864,266	8,549,593	6,201,345	2,994,083
Total governmental activities program revenue	24,802,216	22,152,636	22,416,065	25,444,710	25,181,813	35,712,097	38,216,377	33,094,234	32,902,602	27,812,765
Business-type activities:										
Charges for services	4,020,144	4,222,726	4,096,751	4,174,613	4,662,995	4,900,530	4,997,202	5,035,591	5,325,584	4,572,984
Operating grants and contributions	265,660	576,182	774,436	177,518	17,108	68,970	53,282	48,504	31,718	42,348
Capital grants and contributions	-	-	-	430,090	328,130	790,033	1,078,904	622,735	144,577	122,032
Total business-type activities program revenues	4,285,804	4,798,908	4,871,187	4,782,221	5,008,233	5,759,533	6,129,388	5,706,830	5,501,879	4,737,364
Total primary government revenues	29,088,020	26,951,544	27,287,252	30,226,931	30,190,046	41,471,630	44,345,765	38,801,064	38,404,481	32,550,129
Net (Expense)/Revenue										
Governmental activities	(33,026,108)	(32,199,881)	(34,294,574)	(33,999,625)	(39,140,080)	(32,755,191)	(32,313,492)	(38,586,152)	(43,024,794)	(45,966,406)
Business-type activities	(132,524)	653,250	791,822	182,517	(335,462)	246,337	564,066	164,830	(243,158)	(817,144)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Sales tax	10,858,381	10,534,147	11,346,338	12,173,281	13,297,086	14,222,497	14,199,460	14,731,318	16,051,779	16,099,037
Local Criminal Justice Sales Tax	1,795,971	1,864,991	1,992,667	2,138,406	2,319,124	2,499,527	2,616,306	2,934,354	3,056,010	2,799,244
Utility tax	13,068,510	13,083,179	12,584,293	12,028,878	11,796,550	11,902,866	12,425,975	11,719,589	11,102,083	14,672,457
Property tax	9,867,614	10,052,109	10,152,114	10,349,905	10,460,136	10,539,623	10,718,060	10,937,481	11,095,263	11,449,581
Real estate excise tax	1,560,395	1,507,313	2,034,033	2,062,722	3,031,159	5,265,138	4,226,344	4,240,825	5,171,643	4,467,111
Gambling Tax	511,005	114,443	178,696	176,068	177,807	190,051	210,029	229,524	232,942	147,533
Hotel/Motel Tax	185,289	193,344	208,839	231,828	266,053	283,220	301,603	291,671	290,601	120,482
Admissions Tax	-	-	-	-	-	-	547,229	867,169	827,537	67,732
Leasehold tax	6,259	5,820	5,989	6,693	6,104	3,784	4,218	4,618	5,898	5,336
Other	1,061,026	838,259	868,261	1,145,798	2,052,748	1,526,995	3,693,915	2,405,133	2,867,900	1,767,417
Gain on sale of capital assets	-	-	-	-	-	-	142,935	-	-	-
Loss on investment in joint venture	-	-	-	-	-	-	-	-	(16,377,170)	-
Transfers	(113,000)	(140,500)	(137,419)	(116,000)	(17,959)	633,124	(942,000)	(123,502)	225,307	(183,453)
Total governmental activities	38,801,450	38,053,106	39,233,811	40,197,580	43,388,808	47,066,825	48,144,074	48,238,180	34,549,793	51,412,477
Business-type activities:										
Other	12,405	11,424	13,000	22,507	24,917	45,405	60,544	132,692	192,598	54,138
Transfers	113,000	140,500	137,419	116,000	17,959	(633,124)	942,000	123,502	(225,307)	183,453
Total business-type activities	125,405	151,924	150,419	138,507	42,876	(587,719)	1,002,544	256,194	(32,709)	237,591
Total primary government	\$ 38,926,855	\$ 38,205,030	\$ 39,384,230	\$ 40,336,087	\$ 43,431,684	\$ 46,479,106	\$ 49,146,618	\$ 48,494,374	\$ 34,517,085	\$ 51,650,068
Change in Net Position										
Governmental activities	\$ 5,775,342	\$ 5,853,224	\$ 4,939,237	\$ 6,197,955	\$ 4,248,728	\$ 14,311,632	\$ 15,830,582	\$ 9,652,028	\$ (8,475,001)	\$ 5,446,071
Business-type activities	(7,119)	805,174	942,241	321,025	(292,586)	(341,384)	1,566,611	421,024	(275,866)	(579,553)
Prior Period Adjustment	-	-	(3,358,477)	(4,944,409)	(37,035,737)	(266,237)	(586,155)	2,009,955	(828,029)	(6,907,134)
Net Effect - Change in Accounting for Pensions	-	-	-	-	(10,485,698)	-	-	-	-	-
Effect of Change in Accounting Principle	-	-	-	-	-	-	-	-	-	(395,462)
Total primary government	\$ 5,768,223	\$ 6,658,398	\$ 2,523,001	\$ 1,574,570	\$(43,565,293)	\$ 13,704,011	\$ 16,811,038	\$ 12,083,007	\$ (9,578,896)	\$ (2,436,078)

Source: City of Federal Way Finance

Note: All amounts are reported on the accrual basis.

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS											
Last Ten Fiscal Years											
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
Revenues											
Taxes	\$ 37,831,045	\$ 37,450,059	\$ 38,505,413	\$ 39,241,915	\$41,387,894	\$44,898,868	\$45,217,429	\$ 46,010,789	\$ 47,873,895	\$ 49,918,537	
Licenses, fees and permits	2,209,873	2,501,368	2,638,017	3,311,671	3,574,648	3,140,133	4,125,619	4,615,508	5,709,234	3,844,916	
Intergovernmental	11,713,248	7,631,014	9,682,511	9,929,833	8,910,603	19,783,107	18,184,915	11,181,594	11,198,229	13,390,866	
Charges for services	6,131,287	5,686,962	5,965,726	7,591,795	6,467,528	6,934,789	8,523,064	9,580,273	10,432,547	6,884,552	
Development Fees	-	-	-	-	-	-	-	-	-	-	
Fines and Forfeitures	2,146,524	3,371,878	3,911,990	3,498,596	4,087,033	4,135,236	4,464,730	4,249,027	4,477,112	2,893,787	
Investment earnings	89,338	122,483	172,049	250,439	210,289	308,643	442,466	761,544	1,042,537	421,062	
Other revenues	960,012	702,830	678,850	883,549	1,820,867	1,159,348	3,149,057	1,459,061	1,581,467	1,131,036	
Total revenues	61,081,327	57,466,594	61,554,556	64,707,798	66,458,862	80,360,124	84,107,280	77,857,796	82,315,021	78,484,756	
Expenditures											
General government	4,234,327	4,402,129	4,495,029	4,444,772	4,707,145	4,541,228	4,390,464	4,680,000	4,854,271	8,090,399	
Security of persons and property	28,332,237	26,562,270	29,028,242	31,235,230	32,471,782	35,655,951	37,702,987	38,033,215	39,253,042	34,780,390	
Transportation	7,427,408	6,039,183	5,672,769	6,209,000	7,109,395	7,162,201	8,480,485	9,991,409	9,091,521	8,490,601	
Physical Environment	427,315	409,042	468,220	461,718	478,807	452,720	425,900	486,418	515,766	537,419	
Economic Environment	2,782,537	2,645,215	2,190,502	2,786,542	2,960,841	3,180,808	4,195,093	4,893,032	5,845,587	4,890,884	
Health	690,824	754,311	1,681,986	1,057,841	1,617,818	1,497,793	1,720,324	1,439,522	1,550,027	1,777,443	
Culture and Recreation	5,821,160	5,877,370	6,183,381	6,246,952	6,787,491	7,032,133	7,173,699	7,197,424	7,442,656	5,868,240	
Debt Service								-			
Principal	457,520	480,760	1,019,698	963,500	640,482	470,000	8,853,960	659,000	13,041,847	1,890,181	
Interest/fiscal charges/admin fees	614,571	602,572	1,781,778	1,021,945	491,379	471,738	547,501	592,562	1,114,699	1,078,701	
Capital Outlay	11,560,205	4,337,758	8,987,949	17,508,958	10,237,386	26,745,849	29,161,278	11,807,497	10,612,471	6,643,797	
Total expenditures	62,348,104	52,110,610	61,509,554	71,936,458	67,502,526	87,210,421	102,651,691	79,780,079	93,321,887	74,048,055	
Excess of revenues over (under) expenditures	(1,266,777)	5,355,984	45,002	(7,228,660)	(1,043,664)	(6,850,297)	(18,544,411)	(1,922,283)	(11,006,866)	4,436,701	
Other Financing Sources (Uses)											
GO bond proceeds	-	-	12,415,000	-	-	2,925,000	6,105,000	-	15,785,000	-	
Bond principal payoff	-	-	(11,955,000)	-	-	-	-	-	-	-	
Sale of capital assets	9,162	-	5,500	-	-	-	2,187,756	-	-	-	

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY***Last Ten Fiscal Years**

Fiscal Year	Real Property	Personal Property	State Public Service Property	Total	Total City Direct Tax Rate	Percent Increase (Decrease)
2011	7,410,324,237	219,890,581	92,768,984	7,722,983,802	1.20	-6.6%
2012	6,832,615,312	213,389,519	96,827,145	7,142,831,976	1.30	-7.5%
2013	7,076,203,165	212,126,219	97,686,143	7,386,015,527	1.42	3.4%
2014	8,043,211,679	223,362,313	109,128,234	8,375,702,226	1.40	13.4%
2015	8,550,055,199	233,032,732	122,206,127	8,905,294,058	1.25	6.3%
2016	9,148,479,809	228,742,814	112,214,847	9,489,437,470	1.19	6.6%
2017	9,969,974,857	214,620,795	114,210,407	10,298,806,059	1.13	8.5%
2018	11,055,217,680	217,489,810	120,431,238	11,393,138,728	1.06	10.6%
2019	11,742,528,500	220,795,517	112,121,337	12,075,445,354	0.97	6.0%
2020	12,401,741,077	234,678,332	111,582,064	12,748,001,473	0.90	5.6%

* Real, personal, and state public service property has been assessed at 100% of the estimated value.

Source: King County Assessor's Office.

Note: These figures include all final tax adjustments, non-taxable, senior citizen exempted property and omits. The total assessed value was reduced by non-taxable of \$108,983,529 yielding a taxable assessed value of \$12,748,001,473. The taxable assessed valuations are the basis for the following year's tax levy.

PROPERTY TAX RATES AND LEVIES, DIRECT AND OVERLAPPING GOVERNMENTS												
Last Ten Fiscal Years												
City Direct Rates*		Overlapping Rates										
Fiscal Year	City of Federal Way	Federal Way School District #210	King County	Washington State	King County Flood Zone	Port of Seattle	County Ferry District	Fire District #39	Library	Emergency Medical Services	Sound Transit	Total
TAX RATES PER \$1,000 OF ASSESSED VALUATION												
2011	1.20	5.36	1.34	2.28	0.11	0.22	0.004	1.39	0.57	0.30	-	12.77
2012	1.30	5.77	1.42	2.42	0.12	0.23	0.004	1.50	0.57	0.30	-	13.63
2013	1.42	7.55	1.54	2.57	0.13	0.23	0.004	1.82	0.57	0.30	-	16.14
2014	1.40	7.28	1.52	2.47	0.15	0.22	0.003	1.81	0.56	0.34	-	15.75
2015	1.25	6.42	1.35	2.29	0.14	0.19	-	1.77	0.50	0.30	-	14.20
2016	1.19	6.75	1.48	2.17	0.13	0.17	-	1.91	0.48	0.28	-	14.55
2017	1.13	6.32	1.38	2.03	0.12	0.15	-	1.83	0.45	0.26	0.250	13.93
2018	1.06	5.77	1.33	2.92	0.11	0.14	-	1.73	0.41	0.24	0.230	13.94
2019	0.97	3.63	1.22	2.63	0.10	0.12	-	1.77	0.37	0.22	0.207	11.24
2020	0.90	3.63	1.25	3.09	0.09	0.12	-	1.80	0.36	0.26	0.197	11.70
DETAIL OF TAX RATES FOR 2020												
Basic Rate	0.90	-	0.75	3.09	0.09	0.12	-	0.00	0.33	-	-	5.28
Voted Rate	-	3.63	0.47	-	-	-	-	1.80	0.04	0.26	0.20	6.40
TAX LEVIES												
2011	9,827,398	61,622,347	439,635,095	749,341,420	36,076,405	73,512,887	1,184,924	18,234,001	115,495,462	98,604,471	98,604,471	1,702,138,881
2012	9,967,650	61,493,504	449,642,988	769,672,818	36,904,878	73,014,552	1,182,466	18,291,481	112,332,714	95,287,781	95,287,781	1,723,078,613
2013	10,081,231	74,591,150	482,114,428	803,686,293	41,355,065	73,020,604	1,183,773	20,431,912	109,665,815	93,899,062	93,899,062	1,803,928,395
2014	10,240,148	74,592,913	482,114,428	837,694,800	52,112,348	73,018,695	1,183,251	20,866,842	116,790,442	113,565,682	113,565,682	1,895,745,231
2015	10,379,941	75,700,006	519,943,107	883,333,788	53,576,135	73,003,848	-	23,587,509	120,007,126	116,779,587	116,779,587	1,993,090,634
2016	10,487,319	85,094,113	626,660,985	921,288,805	55,134,677	72,015,418	-	26,636,830	123,025,026	119,904,362	119,904,362	2,160,151,897
2017	10,657,115	85,155,041	649,375,369	954,266,653	55,133,687	72,010,667	-	27,439,155	126,375,001	123,505,903	106,640,644	2,210,559,235
2018	10,859,759	85,330,454	707,011,071	1,552,188,670	57,041,494	72,012,219	-	28,961,832	129,764,539	127,502,843	110,339,112	2,881,011,993
2019	11,016,216	59,625,680	736,756,333	1,587,836,640	58,405,697	74,161,765	-	33,104,461	133,159,796	131,551,555	114,223,905	2,939,842,048
2020	11,224,365	63,784,140	792,250,971	1,934,626,486	58,839,186	76,396,431	-	34,924,871	136,837,494	169,447,875	116,448,205	3,394,780,025

Source: King County Assessor's Office and King County Department of Finance

*The City of Federal Way's Direct Rate has only one component which is the general lev.

PRINCIPAL TAXPAYERS
Current Year and Nine Years Ago

Taxpayer	Type of Business	2020			2011		
		Assessed Valuation	Rank	% of Total (A) Assessed Valuation	Assessed Valuation	Rank	% of Total (A) Assessed Valuation
KW Club Palisades LLC	Real Estate Management	137,774,000	1	1.08%			
Prime Woodley Campus Drive	Real Estate Management	104,177,000	2	0.82%			
Avanath Federal Way LLC	Real Estate Management	82,924,000	3	0.65%			
PRCP-Arcadia LLC (formerly Campus Drive Fee Owner LLC)	Real Estate Management	78,759,500	4	0.62%			
ATR LLC		76,851,000	5	0.60%			
Merlone Geier Partners	Real Estate Investment Trust	74,826,300	6	0.59%			
Harsch Invest Properties LLC	Real Estate Management	71,196,700	7	0.56%			
Federal Way Campus LLC (formerly part of Weyerhaeuser)	Real Estate Management	70,684,500	8	0.55%			
RHB Miro Owner LLC	Real Estate Management	70,130,000	9	0.55%			
IRGRA (formerly part of Weyerhaeuser)	Real Estate Management	69,764,100	10	0.55%			
Greystone Meadows Apts.	Real Estate Management	66,450,000	11	0.52%			
KNL Vision WA LLC	Real Estate Management	58,057,000	12	0.46%	24,285,000	8	0.32%
Prime Catalina Campus Dr II	Real Estate Management	54,342,000	13	0.43%			
Prime Catalina Campus Dr (formerly Alliance Tax Advisors)	Real Estate Management	53,693,000	14	0.42%			
BMF IV WA Retreat Maple Hill	Real Estate Management	53,495,000	15	0.42%			
Cove Apartments LLC (formerly Forest Cove LLC)	Real Estate Management	52,366,000	16	0.41%	25,876,000	7	0.34%
Weyerhaeuser	Real Estate Investment Trust			0.00%	120,022,792	1	1.57%
Puget Sound Energy-Elec/Gas	Electric/Gas			0.00%	52,071,616	2	0.68%
Steadfast Commons LLC	Real Estate Management			0.00%	51,489,701	3	0.67%
Harsch Investment Properties	Retailer			0.00%	50,847,527	4	0.66%
LBA Realty	Real Estate Management			0.00%	33,305,500	5	0.43%
Qwest Corporation	Telecommunications			0.00%	27,597,020	6	0.36%
Virginia Mason Clinic	Medical Services			0.00%	17,414,137	9	0.23%
Fred Meyer	Retail/Wholesaler			0.00%	16,963,100	10	0.22%
IA Orchard Hotels Federal Way (formerly Apple Hospitality Five Inc.)	Real Estate Management			0.00%	14,641,900	11	0.19%
Campus Business Parks LLC	Real Estate Management			0.00%	12,474,100	12	0.16%
Costco	Retail / Wholesaler			0.00%	12,191,200	13	0.16%
ANS LLC	Real Estate Management			0.00%	12,002,700	14	0.16%
		\$ 1,175,490,100		9.22%	\$ 471,182,293		6.15%

Source: King County Assessor's Office.

(A) 2020 and 2011 regular assessed valuation for the City of Federal Way was \$12,748,001,473 and \$7,659,569,844, respectively.

PROPERTY TAX LEVIES AND COLLECTIONS								
Last Ten Fiscal Years								
Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Total Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
		Current Tax Amount	Percentage of Levy		Total Tax Amount	Percentage of Levy		
2011	9,755,022	9,506,527	97.5%	186,036	9,692,563	99.4%	62,459	0.6%
2012	9,919,406	9,739,696	98.2%	(0)	9,739,696	98.2%	179,710	1.8%
2013	10,081,231	9,848,925	97.7%	37,272	10,029,029	99.5%	195,033	1.9%
2014	10,240,148	10,035,433	98.0%	56,371	10,091,805	98.6%	148,343	1.4%
2015	10,379,941	10,188,421	98.2%	39,138	10,227,559	98.5%	152,382	1.5%
2016	10,487,319	10,254,720	97.8%	72,477	10,327,198	98.5%	160,121	1.5%
2017	10,657,115	10,433,533	97.9%	22,380	10,455,913	98.1%	201,202	1.9%
2018	10,859,759	10,651,535	98.1%	9,171	10,660,706	98.2%	199,053	1.8%
2019	11,016,216	10,749,642	97.6%	104,877	10,854,519	98.5%	161,697	1.5%
2020	11,224,365	11,099,025	98.9%	(161,864)	10,937,161	97.4%	287,204	2.6%
Source: Data has been derived from the "Annual Tax Receivable Summary" prepared by the King County Finance. Note: These figures include tax adjustments such as omits, refunds, and senior citizen exempted property.								

RATIO OF OUTSTANDING DEBT BY TYPE For the Last Ten Fiscal Years						
Fiscal Year	Governmental Activities		Business Type Activities	Total Primary Government	% of Personal Income (b)	Per Capita (b)
	General Obligation Bonds	Certificates of Participation	Public Works Trust Fund Loan			
2011	28,157,950	-	1,027,676	29,185,626	0.091%	327
2012	27,616,950	-	845,317	28,462,267	0.093%	318
2013	27,016,400	-	662,958	27,679,358	0.097%	309
2014	34,703,360	-	480,600	35,183,960	0.058%	390
2015	33,656,660	-	384,481	34,041,141	0.080%	375
2016	35,725,560	-	288,361	36,013,921	0.076%	384
2017	32,573,400	-	192,241	32,765,641	0.088%	340
2018	31,498,600	-	96,120	31,594,720	0.096%	327
2019	33,525,553	-	-	33,525,553	0.094%	343
2020	31,635,372	-	-	31,635,372	0.098%	322

Source: City of Federal Way Finance Division

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

See Demographic Statistics schedule for personal income and population data. These ratios are calculated using personal income for the prior calendar year.

(b) Per capita income information for Federal Way based on US Census Bureau - Quickfacts.

RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA For the Last Ten Fiscal Years							
Fiscal Year	(A) Population	(B) Assessed Value	(C) Gross Bonded Debt	Less Restricted for Debt	Net Bonded Debt	Ratio of Net Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
2011	89,370	7,659,569,844	29,185,626	3,866,184	25,319,442	0.0033	283.31
2012	89,460	7,142,831,976	28,462,267	4,182,345	24,279,922	0.0034	271.41
2013	89,718	7,386,015,527	27,679,358	5,248,336	22,431,022	0.0030	250.02
2014	90,147	8,375,702,226	35,183,960	2,136,390	33,047,570	0.0039	366.60
2015	90,764	8,905,294,058	34,041,141	2,283,702	31,757,439	0.0036	349.89
2016	93,670	9,489,437,470	36,013,921	2,508,514	33,505,407	0.0035	357.70
2017	96,350	10,298,806,059	32,765,641	3,492,598	29,273,043	0.0028	303.82
2018	96,690	11,393,138,728	31,594,720	2,335,532	29,259,188	0.0026	302.61
2019	97,840	12,075,445,354	33,525,553	3,698,800	29,826,753	0.0025	304.85
2020	98,340	12,748,001,473	31,635,372	3,569,746	28,065,626	0.0022	285.39
(A) Sources: State of Washington Office of Financial Management Population Estimates. (B) The final certified Regular Levy assessed valuation of all taxable property by the King County Assessor's Office for use in calculating levy rates for the following year's tax roll. The total assessed valuation of \$12,748,001,473 has been reduced by non-taxable of \$108,983,529 to arrive at taxable assessed valuation of \$12,639,017,944. (C) Includes general obligation debt issued in 2013, 2017, and 2019. Source: City of Federal Way Finance							

COMPUTATION OF DIRECT AND OVERLAPPING DEBT				
December 31, 2020				
Jurisdiction	(A) Gross General Obligation Debt Outstanding		(B) Percentage Applicable to Federal Way	Amount Applicable to Federal Way
King County	\$ 663,157,000		1.93%	\$ 12,824,355
Port of Seattle	311,175,000		1.93%	6,017,608
Federal Way School District #210	426,525,000		68.38%	291,667,421
Fire District # 39	30,450,000		79.16%	24,102,846
Library	56,875,000		3.23%	1,838,278
Total Overlapping Debt	1,488,182,000			336,450,508
CITY OF FEDERAL WAY	31,635,372	(C)	0.73%	230,769
Total Direct and Overlapping Debt	\$ 1,519,817,372			\$ 336,681,277
(A) Total general obligation bonds outstanding at the year end, exclusive of available cash in debt service funds, proprietary-type debt, credit enhancement and hotel/motel debt. Source: King County Financial Accounting Unit. (B) Determined by ratio of assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in reporting unit. Source: King County Assessor's Office (C) Includes general obligation debt issued in 2013, 2017, and 2019. Source: City of Federal Way Finance				

COMPUTATION OF LIMITATION OF INDEBTEDNESS						
December 31, 2020						
DESCRIPTION	General Debt Capacity		Excess Levy Open Space and Park	Excess Levy Utility Purposes	Total Debt Capacity	
	(Limited) Councilmanic	(Unlimited) Excess Levy				
Statutory debt limit: (2020 TAV=\$12,645,326,014 (A))						
1.50% AV @ 100%	\$ 189,679,890	\$ (189,679,890)	\$ -	\$ -	\$ -	
2.50% AV @ 100%	-	316,133,150	316,133,150	316,133,150	948,399,451	
Add: Cash reserved for						
debt redemption (B)	3,569,746	-	-	-	3,569,746	
Less: Bonds and COPs outstanding	(31,635,372)	-	-	-	(31,635,372)	
Remaining Debt Capacity	\$ 161,614,264	\$ 126,453,260	\$ 316,133,150	\$ 316,133,150	\$ 920,333,825	
Total Remaining "General" Capacity	\$288,067,524					
(A) This figure represents the City's final total taxable assessed valuation (TAV) for 2020 which was used to determine the 2021 property tax levy.						
(B) Reflects debt service fund balance as of 12/31/2020.						

Fiscal Year	Debt limit	Total net debt applicable to limit	Legal debt margin	Total net debt applicable to the limit as a % of debt limit
2011	579,223,785	(20,964,944)	558,258,841	3.62%
2012	535,712,398	(25,612,462)	510,099,936	4.78%
2013	550,022,093	(25,064,092)	524,958,001	4.56%
2014	623,929,441	(32,566,971)	591,362,470	5.22%
2015	663,674,591	(31,372,958)	632,301,633	4.73%
2016	706,516,822	(33,217,046)	673,299,776	4.70%
2017	767,010,483	(29,080,802)	737,929,681	3.79%
2018	848,706,079	(29,163,068)	819,543,011	3.44%
2019	897,930,693	(29,826,753)	868,103,940	3.32%
2020	948,399,451	(28,065,626)	920,333,825	2.96%

Source: City of Federal Way Finance
(A) King County Department of Finance

Note: Under state finance law, the city's outstanding general obligation debt should not exceed 15 percent of total assessor's property value.

By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES NET OF DEBT SERVICE EXPENSE					
Fiscal Year	Principal	Interest *	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2011	526,000	622,903	1,148,903	49,482,421	2.3%
2012	480,760	1,114,827	1,595,587	47,879,445	3.3%
2013	1,050,430	1,413,862	2,464,292	57,934,989	4.3%
2014	995,300	985,475	1,980,775	48,877,840	4.1%
2015	771,120	495,359	1,266,479	48,845,021	2.6%
2016	566,120	475,073	1,041,193	52,159,793	2.0%
2017	8,950,080	491,866	9,441,946	62,791,020	15.0%
2018	755,120	510,355	1,265,475	57,745,591	2.2%
2019	13,137,967	875,332	14,013,298	70,531,852	19.9%
2020	1,063,445	1,460,181	2,523,626	70,531,852	3.6%
Source: City of Federal Way Finance Note: * Interest excludes bond issuance and debt registration costs.					

DEMOGRAPHIC STATISTICS							
Fiscal Year	Population	Personal Income Sea-Tac-Bel [D]	Per Capita Income [C]	Median Age [C]	Education Level in Years of Formal Schooling	School Enrollment (A)	Unemployment Rate (B)
2011	89,370	178,306,642,000	26,668	35.2	13.0	21,608	8.9%
2012	89,460	189,431,079,000	26,514	34.9	13.0	20,665	8.1%
2013	89,718	199,243,414,000	26,740	34.9	13.0	21,554	7.4%
2014	90,147	213,700,152,000	20,481	35.1	13.0	21,772	6.2%
2015	90,764	227,827,122,000	27,145	35.7	13.0	21,979	5.3%
2016	93,670	245,230,664,000	27,483	35.7	13.0	21,673	4.9%
2017	96,350	267,653,500,000	28,947	35.9	13.0	22,522	4.4%
2018	96,690	293,954,143,000	30,288	36.9	13.0	22,309	4.1%
2019	97,840	310,717,787,000	31,438	35.9	13.0	21,922	4.0%
2020	98,340	N/A	31,744	35.8	13.0	21,922	6.8%

(A) Includes public school enrollment. Kindergarten is included though not State mandated.

(B) Unemployment rates came from ESDWAGOV-King County Labor Market

(C) Per Capital Income for Federal Way came from U.S. Census Bureau - Quickfacts.

(D) Personal income information is for Seattle-Tacoma-Bellevue area provided by the Bureau of Economic Analysis, information for 2019 not available. 2020 data for Personal Income to be published fall of 2021.

Sources: Data was obtained from U. S. Census Bureau
 US Department of Labor, Bureau of Labor Statistics
 US Department of Commerce, Bureau of Economic Analysis
 School data was provided by the Federal Way School District.

PRINCIPAL EMPLOYERS Current Year and Nine Years Ago							
Taxpayer	Type of Business	2020			2011		
		Number of Employees	Rank	% of Total City Employment	Number of Employees	Rank	% of Total City Employment
Federal Way Public Schools	Educational Services	1,663	1	5.88%	1,951	1	6.77%
St Francis Hospital	Medical Services	1,026	2	3.63%	875	4	3.04%
World Vision Inc	Christian Relief Agency-Nonprofit	745	3	2.64%	852	5	2.96%
US Postal Service - Bulk Mail	Postal Service	654	4	2.31%	616	7	2.14%
Western WA Corp of Seventh Day Ad	Non-Profit Church Organization	612	5	2.16%	-	-	0.00%
Wal-Mart #3794	Retail	560	6	1.98%	386	9	1.34%
Total Renal Care Inc. aka Davita	Health Services	512	7	1.81%	-	-	0.00%
Fred Meyer	Retail	360	8	1.27%	220	11	0.76%
City Of Federal Way	Government Services	353	9	1.25%	476	8	1.65%
Costco Wholesale Corporation	Wholesale	350	10	1.24%	214	12	0.74%
Avalon Care Center	Health Services	303	11	1.07%	-	-	0.00%
Virginia Mason Federal Way	Medical Services	282	12	1.00%	235	10	0.82%
Real Greek LLC DBA Ellenos	Manufacturing	240	13	0.85%	-	-	0.00%
Franciscan Medical Group	Medical Services	225	14	0.80%	-	-	0.00%
Community Integrated Services	Health Services	225	15	0.80%	-	-	0.00%
Target Store	Retail				178	14	0.62%
Wal-Mart #2571	Retail				183	13	0.64%
Devry University	Educational Services				167	15	0.58%
Weyerhaeuser Company	Lumber Products				1,263	2	4.38%
LifeBridge Inc	Business Services				1,210	3	4.20%
Wild Waves Theme Park	Amusement Center				632	6	2.19%

Source: (1) City of Federal Way Business License. City of Federal Way Business Licensing was outsourced to State of Washington DOR, effective October 2019.

Note: Principal Employers - includes both full-time and part-time employees.

PROPERTY VALUE AND CONSTRUCTION						
Year	Commercial Construction (A)		Residential Construction (A)		Multi-Family Construction (A)	
	Permits	Value (In Thousands)	Permits	Value (In Thousands)	Permits	Value (In Thousands)
2011	134	12,724	301	19,455	47	847
2012	160	27,989	346	29,115	92	974
2013	162	22,891	369	33,260	131	5,442
2014	220	35,923	359	30,923	53	61,511
2015	181	73,654	343	20,341	109	104,115
2016	172	18,547	292	19,804	80	18,667
2017	210	26,817	320	24,455	119	10,992
2018	158	54027	310	29612	45	2821
2019	133	157,502	304	27,267	129	34,940
2020	138	29,230	249	14,837	129	4,241

Sources & Notes:

(A) Federal Way Community Development Department. Construction includes alterations.
Other building-related permits (plumbing, electrical, mechanical, fire alarm, etc.) numbering 2,522 and valued at \$22,015,946 have been excluded.

CAPITAL ASSETS BY FUNCTION										
Last Ten Fiscal Years										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Transportation										
Street (Center Line Miles)	248.23	248.23	249.25	249.25	249.25	249.25	253.8	253.8	256.52	256.52
Signals WSDOT-owned and maintained	5	6	6	6	6	6	6	6	6	6
Signals City-owned & County-maintained	76	77	77	77	77	80	80	81	81	82
Street lights City-owned and maintained	1,554	1,618	1,705	1,728	1,728	1,785	1,857	1,857	2,098	2,134
Street lights City-owned and PSE-maintained	644	644	644	644	644	644	644	644	644	644
Street lights PSE-owned and maintained	1,975	1,975	1,975	1,978	1,980	1,983	1,986	1,986	2,067	2,067
Culture & Recreation										
Developed Parks - Acreage	524.49	579.86	579.86	588.99	588.99	588.99	588.99	620.33	853.03	853.03
Developed Parks - # of Parks	32	29	29	30	30	32	32	34	34	34
Undeveloped Parks - Acreage	551.12	539.43	539.43	539.43	539.43	539.43	539.43	443.76	436.16	436.16
Undeveloped Parks - # of Parks	22	22	22	22	22	22	22	23	23	23
Tennis Courts City-Owned	11	9	9	9	9	9	9	9	9	9
Tennis Courts - Public	22	25	25	25	25	22	22	17	17	17
Swimming Pools City-Owned	1	2	2	2	2	2	2	2	2	2
Swimming Pools County-Owned	1	3	3	3	3	3	3	2	2	2
Trails - Miles	6	9	9	9	9	9	9	9.44	12.07	12
Trails - # of Trails	3	6	6	6	6	6	6	7	7	7
Community Centers/Recreation Facilities	1	1	1	2	2	3	3	3	3	3

Source: City of Federal Way Public Works and Parks Department

OPERATING INDICATORS BY FUNCTION											
Last Ten Fiscal Years											
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
SECURITY OF PERSONS & PROPERTY											
Offenses:											
Forcible Rape (including attempts)	38	48	35	70	47	46	34	44	32	50	
Robbery	119	107	107	135	152	191	169	234	156	132	
Criminal Homicide	4	3	6	4	4	9	7	1	3	6	
Aggravated Assault	99	150	133	148	178	209	226	173	175	211	
Vehicle Theft	694	800	778	869	762	1,080	963	805	634	763	
Burglary (commercial & residential)	752	931	801	816	635	645	664	672	563	745	
Larceny	3,067	3,409	3,571	3,912	3,701	4,225	3,699	3,060	3,106	3,056	
Arson	11	9	7	13	14	18	10	14	12	34	
Citations:											
Traffic	17,226	13,023	17,558	13,705	15,466	10,602	10,579	7,619	8,186	6,346	
Red Light Photo	15,340	13,455	24,454	24,750	29,812	33,626	38,434	35,781	25,175	23,928	
ECONOMIC ENVIRONMENT											
Building Related Permits & Values											
Building Permits	482	598	662	632	633	544	649	580	391	516	
Estimated Value (In Millions \$)	\$ 33	\$ 58	\$ 62	\$ 128	\$ 198	\$ 57	\$ 62	\$ 86	\$ 227	\$ 48	
Other Building Related Permits	2,385	2,960	3,827	3,722	3,868	3,429	3,425	3,464	2,927	2,522	
Estimated Value (In Millions \$)	\$ 6	\$ 5	\$ 6	\$ 7	\$ 8	\$ 8	\$ 10	\$ 10	\$ 44	\$ 22	
Source: City of Federal Way Police Department and Community Development Department											

SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS DECEMBER 31, 2020		
EXECUTIVE BRANCH		
POSITION	EMPLOYEE	ANNUAL SALARY
MAYOR	JIM FERRELL	\$149,732
FINANCE DIRECTOR	ADE ARIWOOLA	\$160,128
CITY ATTORNEY	RYAN CALL	\$160,128
CITY CLERK	STEPHANIE COURTNEY	\$117,840
ECONOMIC DEVELOPMENT DIRECTOR	TIM JOHNSON	\$153,072
PARKS DIRECTOR	JOHN HUTTON	\$148,704
INFORMATION TECHNOLOGY DIRECTOR	THOMAS FITCHNER	\$155,472
COMMUNITY DEVELOPMENT DIRECTOR	BRIAN DAVIS	\$159,192
PUBLIC WORKS DIRECTOR	EJ WALSH IV	\$157,968
POLICE CHIEF	ANDY HWANG	\$179,628
LEGISLATIVE BRANCH		
POSITION	EMPLOYEE	ANNUAL SALARY
DEPUTY MAYOR	SUSAN HONDA	\$15,225
COUNCIL MEMBERS	LYDIA ASSEFA-DAWSON	\$15,225
	GREGORY BARUSO	\$15,225
	LEANDRA CRAFT	\$15,225
	LINDA KOCHMAR	\$15,225
	MARTIN MOORE	\$15,225
	HOANG TRAN	\$15,225
JUDICIAL BRANCH		
POSITION	EMPLOYEE	ANNUAL SALARY
JUDGE	DAVID LARSON	\$180,614
JUDGE	REBECCA ROBERTSON	\$180,614
Source: City of Federal Way Finance Department		
NOTE: In accordance with Ordinance 90-016, individual fidelity coverage of not less than \$50,000 exists for the Mayor, Finance Director, City Clerk, Police Chief, and Judge.		

MISCELLANEOUS STATISTICAL INFORMATION
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LOCAL TAXES ON BUSINESSES

Franchise Tax - Cable TV.....	5.00%
Utility Tax - (6% + 1.75% Prop 1).....	7.75%
Utility Tax - Solid Waste (6% + 10% + 1.75% Prop 1).....	
Admission Tax.....	5.00%
Gambling Taxes:	
Bingo/Raffles.....	5.00%
Amusement/Games.....	2.00%
Punchboard/Pull Tabs.....	3.00%
Cardrooms.....	10.00%
Local Sales Tax (Collected by the State).....	10.10%

FIRE AND EMERGENCY MEDICAL RESPONSE INFORMATION
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Fire and Emergency Medical Response information reflects the greater Federal Way area, which is served by South King Fire & Rescue.

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Fire and Other Responses	934	1,363	968	999	1,148	1,019	3,213	1,253	4,278	1,093
	Emergency Medical	11,914	12,571	12,950	13,847	14,193	16,144	17,109	15,968	16,422	19,101

PUBLIC EDUCATION

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
23	Elementary Schools	9,673	9,229	9,777	10,054	10,253	10,498	10,493	10,241	10,576	9,953
6	Middle Schools (Public Academy, TAF)	5,205	5,041	5,050	5,034	5,209	5,183	5,238	5,217	4,485	5,309
4	High Schools	6,409	6,018	6,341	6,299	6,166	5,582	6,382	6,389	6,342	6,327
4	Alternative\Int. Academy, Open Doors)	321	377	386	385	351	412	409	462	1,915	333
Total		21,608	20,665	21,554	21,772	21,979	21,673	22,522	22,309	23,318	21,922

2,941 Staff members

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	TAXABLE SALES (in millions)										
	Retail Sales	\$1,277	\$1,239	\$1,355	\$1,432	\$1,564	\$1,673	\$1,671	\$1,733	\$1,888	\$1,897
	Real Estate Sales	\$315	\$303	\$399	\$418	\$599	\$1,062	\$819	\$841	\$1,044	\$895

Source: South King County Fire and Rescue
Federal Way Public School
WA Office of Superintendent of Public Instruction
City of Federal Way Finance Division

PRINCIPAL TAXPAYERS-SALES TAXES									
Current Year and Nine Years Ago									
2020					2011				
Sales Tax Received	Sector	Location	Rank	% of Total City Sales Taxes Received	Sales Tax Received	Sector	Location	Rank	% of Total City Sales Taxes Received
\$ 841,571	General Merchandise Stores	S 348th	1	5.23%	\$ 680,265	General Merchandise Stores - Grocery & Other	S 312th & S 316th	1	6.26%
777,348	General Merchandise Stores	S 312th & S 316th	2	4.83%	583,680	General Merchandise Stores - Wholesale Grocery & Other	S 348th St	2	5.38%
606,912	Construction	Other	3	3.77%	299,518	Construction	Other	3	2.76%
584,688	Miscellaneous Store Retailers	S 348th	4	3.63%	272,970	General Merchandise Stores - Grocery & Other	Twin Lakes	4	2.51%
558,811	Building Material and Garden Equipment and Supplie	Other	5	3.47%	272,258	Building Material and Garden Equipment and Supplie	S 348th	5	2.51%
311,404	General Merchandise Stores	Other	6	1.93%	262,074	General Merchandise Stores - Clothing, Household, & Other	Commons	6	2.41%
310,178	Building Material and Garden Equipment and Supplie	S 348th	7	1.93%	241,018	Electronics and Appliance Stores	Pavillion	7	2.22%
293,331	Construction	Other	8	1.82%	168,939	Building Material & Garden Equipment & Supplies	S 348th St	8	1.56%
274,877	General Merchandise Stores	S 348th	9	1.71%	159,093	Motor Vehicle and Parts Dealers	S 348th St	9	1.47%
270,774	Motor Vehicle and Parts Dealers	Pavillion	10	1.68%	139,064	General Merchandise Stores - Tools, Equipment, Clothing & Other	Commons	10	1.28%
\$ 4,829,894				30.00%	\$ 3,078,879				28.35%

Source: Washington State Department of Revenue

Note: It is illegal to disclose specific taxpayer sales tax information. The above information is being provided without identification. The City received \$16.1M in sales and use tax in 2020, and \$10.86M in 2011.