City of Federal Way Washington

2021 Annual Comprehensive Financial Report

For the year ended December 31, 2021

CITY OF
Federal Way
Centered on Opportunity

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ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended December 31, 2021

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
Steve Groom, CGFM

ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Year Ended December 31, 2021

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July 26, 2022

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

This 2021 Annual Comprehensive Financial Report (ACFR) of the City of Federal Way, Washington, is published annually and is certified and filed with the Washington State Auditor's Office in compliance with state law (RCW43.09.230). 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 are included with the financial statements.

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 financial systems. The concept of reasonable assurance recognizes that the expected benefits of internal controls should not be exceeded by the costs of the controls.

This transmittal letter contains information complementary to the Management Discussion & Analysis (MD&A), so 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 of Federal Way occupies approximately 22.5 square miles on the eastern shore of Puget Sound, centrally located on the Interstate 5 corridor, 25 miles south of Seattle, 16 miles south of the Seattle-Tacoma International airport, 8 miles north of Tacoma, and 38 miles north of Olympia.

The City operates as a non-charter Optional Code City with a Mayor-Council form of government. The Mayor and the City Council, consisting of seven council members, are all elected at large by citizens of Federal Way to serve staggered four-year terms. The City 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.

City services provided to citizens and taxpayers include: police protection, street construction and maintenance, building inspection, municipal court services, jail services, planning and zoning, park services, emergency management services, surface water management and general administration, including city clerk, finance, IT, human resources, and legal. Services for a land use hearing examiner are contracted. City management is organized with 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.

The city complements several overlapping government agencies. 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, and vocational training.

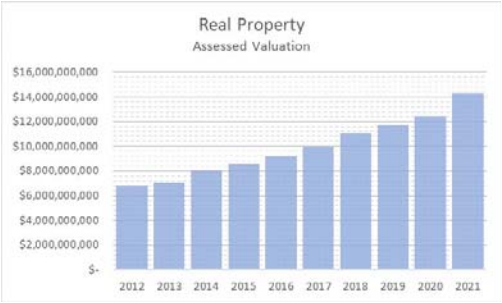
ECONOMIC FACTORS AFFECTING FINANCIAL CONDITION

The current economic condition, during 2021, continued to be materially affected, as have most cities in the United States, by the economic effects of the COVID-19 pandemic. The city was awarded approximately $19.2 million in American Rescue Plan Act (ARPA) grant funding, to help the City restore fiscal strength and sustainability as a result of the economic effects of the pandemic.

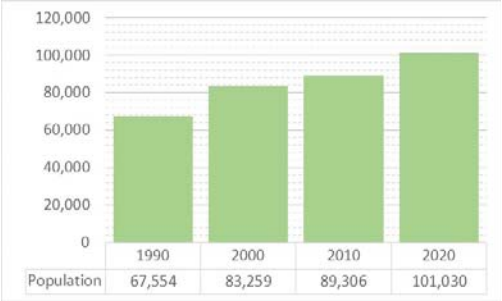
The City is still assessing the impact of this pandemic. This coronavirus shock could be more severe than the Great Financial Crisis of 2007-08, as it will hit households, businesses, financial institutions, and markets all at the same time locally, nationally and globally. In this historical widespread pandemic, the city is carefully considering all the options to adjust its budget as sales tax revenue and economic activity decline. Throughout 2020 and 2021, in navigating the public health crisis, both the State of Washington and King County imposed various levels of restrictions that created varying circumstances beyond the control of the City, and resulted in various economic consequences. The City has worked to maintain service levels as much as possible, and to report revenues and other local economic consequences of the pandemic accurately. The pandemic continued beyond 2021 into 2022, and the City continues to monitor and manage all options to adjust service levels and budgetary responses.

PROPERTY VALUES

Assessed Value is another factor in measuring the local economy. In 2021, the total assessed value of real property in Federal Way was $14.3 billion, which was approximately 15.5% higher than the 2020 assessed valuation of $12.4 billion. In the past ten years, since 2012, the appraised value of real property within Federal Way has more than doubled. Most of the increase has been the result of residential development. Overall assessed values provide a better indication of new development than measuring the tax levy received by the City as revenue, since property tax is capped at 1% for existing property values. For that reasons, the additional value added to Federal Way property owners has been at a pace exceeding the pace of increase in property tax.



In 2021, there were 37,951 housing units in Federal Way, a slight increase over 2020 of 37,677 housing units. Of these units, 54% or 20,567 were single family homes, 42% or 16,066 were multi-family units, and 4% or 1,318 were mobile homes and trailers.



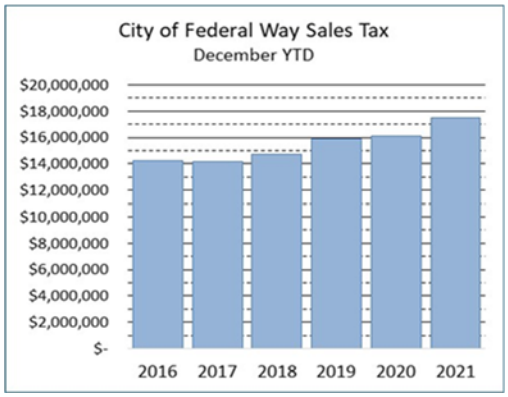
DEMOGRAPHICS

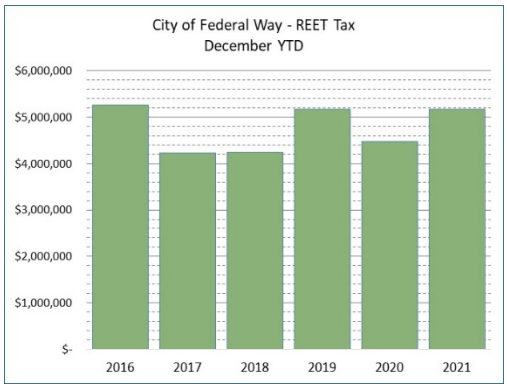
Federal Way continues to grow, currently the tenth most populated city in the state of Washington according to U.S. 2020 Census with 101,030 people after City of Spokane Valley (102,976) and Renton (106,785) and ahead of Yakima (96,968). The graph to the right shows all decades since the City's inception in 1990.

COMMERCE

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, Western Washington Corp of Seventh Day Adventists, U.S. Postal Services, Walmart, City of Federal Way and Community Integrated Services. The top fifteen employers report 8,787 employees in 2021.

Sales tax collected in 2021 totaled $17.5 million, up from $16.1 in 2020. The retail sector of the local economy is anchored by the following areas; the first is South 348th and State Highway 99 anchored by Wal-Mart Super Center, Wholesale Sports, Costco, Lowe's Home Improvement Center, and Home Depot. The second is The Commons; a regional mall anchored by Target, TJ Maxx, Kohls, and Dicks Sporting Goods. 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%.





Real Estate Excise Tax collection, a function of real estate sales transactions in the city, was $5.2 million in 2021, up from $4.5 million in 2020. A total of 734 building permits in 2021 compared to 516 in 2020, and 2,676 in other building related permits compared to 2,522 that were issued in 2020. Estimated market value for permits in 2021 was $136 million and $70 million in 2020. Significant building permits include: Grocery at the Commons, Redondo Heights Senior Living towers, 348th Apartments and retail/office, 39 Sound Transit structural permits, the Lakehaven Administration building, Papé Kenworth NW, Olympic View K-8 School, Smith Brothers Farms, Washington Laser Institute, and the Woodbridge Building B Warehouse.

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 2021, the City of Federal Way completed construction of several hot-mix asphalt overlays totaling over $3.33M.

The city also received approximately $3.0 million in state and federal grant funding for transportation related capital projects in 2021. Projects that received these grant funds included Adaptive Traffic Control System 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, 47th Ave SW & SW Dash Point Rd. Compact Roundabout Project, S 348th Preservation Project, 288th Road Diet, S 314th Street – PVR to 23rd Project, Horizontal Curve Warning Project, and SW 320th Street Preservation Project.

OUTLOOK FOR THE FUTURE

As noted above, several indicators from 2021 combine to contribute to a positive outlook for the City of Federal Way.

- Sales Tax revenue receipts have continued in a positive trend, despite economic effects of COVID, which suggest a positive underlying population contributing to a thriving economy.
- Similarly, Real Estate Excise Tax (REET), also rose in 2021, after falling in 2020, indicating a recovering real estate market, recognizing that REET trend is a function of both valuation and volume.
- Appraised Values in Federal Way have continued to rise steadily, as shown above.
- The ARPA grant allocation of $19.2 million to Federal Way, as with other similar-size cities, provided an opportunity for policy decisions to use the funding for the long-term fiscal health of the City.

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 comprehensive annual financial report (CAFR) for the year ended December 31, 2020. This was the thirty-first consecutive year that the City of Federal Way has received this prestigious award (fiscal years ended 1990 – 2020). In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive 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, 2021 and 2022. 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 to multiple detailed informational requests which are part of each audit. 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 executive and policy support and commitment to the pursuit of excellence in making the City of Federal Way an increasingly well-managed city.

Respectfully submitted,

Steve Groom, CGFM
City of Federal Way Finance Director

Chase Donnelly
City of Federal Way Deputy Finance Director

2021
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

Position	Elected/Appointed*	Term	Elected/ Appointed	Email	Phone
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 was added to 2021 general election for unexpired "short-term" through 12/31/2023.*

JUDICIAL BRANCH

Position	Employee	Elected/ Appointed	Term	Office Date	Contact Information
Presiding Judge	David Larson	Elected	N/A	3/3/2008	David.Larson@cityoffederalway.com (253) 835-3012
Judge	Brad Bales	Appointed	N/A	2/22/2022	Brad.Bales@cityoffederalway.com (253) 835-3025
Court Administrator	Tiziana Giazzi	Appointed	N/A	8/1/2021	Tiziana.Giazzi@cityoffederalway.com (253) 835-3000

CITY ADMINISTRATION (In alphabetical order)

Position	Employee	Appointment	Contact Information
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	Steve Groom	7/19/2021	Steve.Groom@cityoffederalway.com (253) 835-2520
Human Resources Manager	Vanessa Audett	6/21/2021	Vanessa.Audett@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 OPERATIONS SUMMARY

CITIZENS OF FEDERAL WAY

Municipal Court

* Misdemeanors & Gross Misdemeanors
* Traffic & Non-traffic Infractions
* Probation Services
* Civil Impounds
* Code Compliance

MAYOR'S OFFICE

* City-wide Operations and Budget Administration
* Regional Affairs Coordination
* Emergency Management
*Human Resources
*City Clerk

City Council

* Represents the People of FW
* Adopt Ordinances and Resolutions
* Grant Franchises
* Levy Taxes and Appropriate Funds
* Establish Policies & Guidelines

Community Development

* Land Use Management
 --Permit process
* Building Permits & Inspection
* Code Compliance
* Health & Human Services
* Comm. Dev. Block Grnt
* Neighborhood Development
* Passport Services

Finance

* Accounts Payable
* Accounts Receivable
* Audit Preparation and Coordination
* Banking and Investments
* Budget Process and Reporting
* Business License
* Financial Planning andAnalysis
* Financial Reporting
* General Accounting
* Internal Controls
* Payroll
* Purchasing

Police

* Crime Analysis/Prevention
* Traffic Safety Educ. & Enfrc.
* Investigation
* Patrol
* Community Safety and Education Programs
* Field Operation
* Support Services
* Animal Control Services
* Civilian Operation

Public Works

* Development Services
 --Permitting
 --Inspection
* Maint., Operating, & Development of
 --Public Right-of-Way
 --Traffic Systems
 --Surface Water Mgmt.
* Solid Waste/Recycling
* Fleet Management

Economic Development

* Business Recruitment

Law

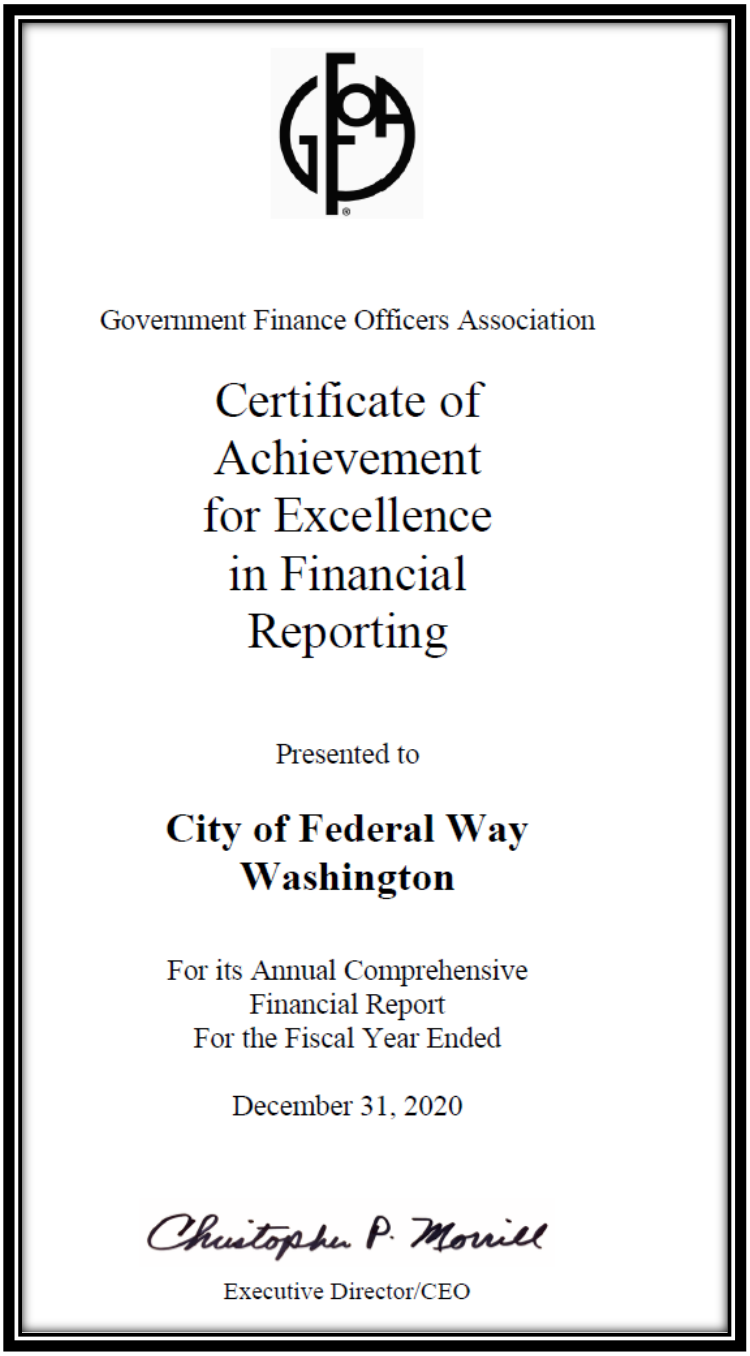
* Civil Legal Services and Litigation
* Legislative Support
* Prosecution
* Provide Legal Counsel
* Draft Contracts and Ordinances
* Negotiate Contracts and Real Estate Transactions
* Risk Management

Parks, Recreation & Cultural Services

* Recr & Athletic Progs
* Park maint/operation & Development
* Comm Events & Arts
* Public Facility Mgt & Development
* Open Space Mgmt
* Performing Arts and Event Center

Information Technology

* Technology Operations
 -- Customer Support
 -- Infrastructure Support
 -- Data and System Security
 -- Communications
 -- Technology Refresh
* Business Application and Integrations
* Geographic Information System Mapping
* Audio/Video & Channel 21
* Web/Internet
* Safe City



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Federal Way Washington

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

December 31, 2020

Christopher P. Morrill

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Federal Way for its annual comprehensive financial report for the fiscal year ended December 2020. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive 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 comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Federal Way as of and for the year then ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Federal Way, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Street, Utility Tax and Performing Arts and Event Center Operations funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements and schedules are presented for the purposes of additional analysis and are 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.

Other Information

The other information comprises the Introductory and Statistical sections but does not include the basic financial statements and our auditor's report thereon. Management is responsible for the other information included in the financial statements. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any assurance thereon.

In connection with the audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated July 26, 2022, 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,

Pat McCarthy, State Auditor

Olympia, WA

July 26, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

We offer readers of our annual financial report this narrative overview and analysis of the financial activities of the City of Federal Way for the fiscal year ended December 31, 2021. The summary information that follows immediately below should be read in conjunction with the preceding letter of transmittal and the financial statements and notes sections that follow.

FINANCIAL HIGHLIGHTS

Details of the financial position of the City of Federal Way are reported comprehensively in this report; the following summarizes the most important financial results, with references to where they are found in context:

- The City's Total Net Position, $604.0 million at year-end, increased by $18.1 million, or 3.1% above prior year. Governmental activities increased by $16.0 million or 3.1% while business-type activities increased by $2.1 million or 2.9%. The increase of $16.0 million in governmental activities is primarily due to $2.3 million increase in utility tax, $1.4 million increase in sales tax, $9.6 million increase in American Rescue Plan Act (ARPA) funding, $0.6 million increase in grant funding for Performing Arts & Event Center, $1.5 million increase in in community development and public works permits and fees. The increase of $2.1 million in business-type activities is primarily due to an increase of surface water management fee revenues (see page 19).

- Of the City's Total Net Position, $513.4 million or 85% represents Net Investment in Capital Assets (net of depreciation and related debt), $36.4 million is restricted and $54.2 million may be used to meet the government's ongoing obligations without legal restriction. (see page 27). Net Investment in Capital Assets, $513.4 million at year-end, decreased by $3.2 million or 0.6% and Unrestricted Net Position, $54.2 million at year-end, increased by $3.2 million or 7.3% above prior year (see page 16).

- Long-term Liabilities, $35.4 million at year-end, decreased by $6.3 million or 15.0% (see page 16) due to the $2.0 million decrease in general obligation debt (see page 71, note 11), and $4.3 million decrease in net pension liability.

- Governmental Total Fund Balances, $55.9 million at year-end, increased $8.2 million or 17% from the prior year. Of the $55.9 million, $15.0 million or 26.9% of the governmental fund balance is unassigned and available to fund ongoing activities. The remaining $40.9 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 pages 30 and 52).

- Unassigned Fund Balance in the General Fund, $15.0 million at year-end, decreased by $1.3 million or 8.9% from the prior year, primarily due to reduced transfer in from utility tax, and increased expenditures due to the city and facilities reopening from COVID-19 pandemic (see page 29).

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, and city administration. The business-type activities of the City include 1) surface water management and 2) operation of Dumas Bay Centre, a multi-use conference and 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 the combining statements section of 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 section of 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***. The city uses fiduciary funds to account for its Auto Theft Task Force Private Purpose Trust Fund and its Custodial Fund. 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), starting the long chain of the City's local responses to a worldwide event with a great deal of on-going uncertainty. Throughout 2020 and 2021, in navigating the public health crisis, both the State of Washington and King County imposed various levels of restrictions that created varying circumstances beyond the control of the City, and resulted in various economic consequences. The pandemic continued beyond 2021 into 2022, the City continues to monitor and manage all options to adjust service levels and budgetary responses.

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, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	$ 138,634,015	$87,285,012	$ 10,146,030	$7,043,648	$ 148,780,045	$ 94,328,660
Capital assets and CIP, net of accum. depreciation	468,188,060	473,125,047	66,407,629	66,321,655	534,595,690	539,446,703
Total assets	606,822,075	560,410,059	76,553,659	73,365,303	683,375,735	633,775,362
Deferred ouflows of resources	3,560,949	3,627,563	187,398	185,088	3,748,347	3,812,651
Total deferred outflows of resource	3,560,949	3,627,563	187,398	185,088	3,748,347	3,812,651
Long-term liabilities	35,079,098	40,894,330	277,837	719,186	35,356,935	41,613,516
Other liabilities	19,810,591	6,270,861	761,108	599,628	20,571,698	6,870,489
Total liabilities	54,889,688	47,165,191	1,038,945	1,318,814	55,928,633	48,484,005
Deferred inflows of resources	25,628,684	3,057,237	1,586,800	183,557	27,215,484	3,240,794
Total deferred inflows of resources	25,628,684	3,057,237	1,586,800	183,557	27,215,484	3,240,794
Net position:						
Net investment in:						
capital assets	446,961,581	450,219,346	66,407,627	66,321,652	513,369,208	516,540,998
Restricted	36,062,409	19,922,486	306,446	35,295	36,368,855	19,957,781
Unrestricted	46,840,662	43,673,363	7,401,240	5,691,073	54,241,902	49,364,436
Total net position	$ 529,864,652	$ 513,815,194	$ 74,115,313	$ 72,048,020	$ 603,979,965	$ 585,863,214

Analysis of Net Position

Total net position of the primary government of $604.0 million at December 31, 2021 increased by $18.1 million or 3.1% compared to December 31, 2020. The increase is due to governmental type activities increase of $16.0 million, and business-type activities increase of $2.1 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, 85% or $513.4 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 2.1% or $12.5 million (pages 27 and 52) 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's primary policy is 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 $23.9 million is for: $0.36 million for police special funds, and court trust, $0.05 million for Steel Lake and North Lake Management Districts, $0.88 million for Public Education Grant (PEG) and franchise fees for educational and governmental access services, $1.62 million for lodging tax, $1.59 million for paths and trails, $0.70 million for arterial street overlay, $0.27 million for affordable and supportive housing, $0.03 million for Community Development Block Grant, $3.67 million for debt service, and $14.7 for pensions.

The unrestricted business-type activities portion of $7.4 million; $5.9 million can only be spent on surface water management and the remaining $1.5 million on improvements to the Dumas Bay Centre. Maintenance of catch basins, pump stations, storm drain flushing, and other capital construction projects such as Cold Creek culvert rehab and S 356th culver rehab 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 $46.8 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 $51.3 million or 58.8% primarily due to $27.7 million increase in net pension asset, $3.2 million increase in revenue from Sound Transit for the light rail project linking to Federal Way, $2.3 million increase in utility tax, $1.4 million increase in sales tax, $9.6 million increase in American Rescue Plan Act (ARPA) funding, $0.6 million increase in grant funding for the Federal Way Performing Arts & Event Center (PAEC), $1.5 million increase in in community development and public works permits and fees, $0.8 million increase in red light traffic enforcement revenue, $1.0 million increase in state Local Infrastructure Financing Tool (LIFT) project funding, $0.7 million increase in Real Estate Excise Tax (REET) revenue, $0.7 million increase in mitigation and traffic impact fees, $0.1 million increase in affordable and supportive housing sales/use tax, $0.1 million increase in hotel/motel lodging tax, $0.1 million increase in paths & trails levy funding, $0.2 million increase in technology fees, due from other governments increase of $0.2 million due to taxes accrued but not yet received, and Valleycomm joint venture increase of $1.1 million.

Capitals assets and CIP, net of accumulated depreciation decreased by $4.9 million or 1.0% primarily due to a prior period reduction of $0.4 million (See Note 15 on page 78), depreciation of $10.0 million, offset by the net addition of assets in the current year of $5.5 million (See Note 8 on page 60). The prior period adjustment is due to construction in progress of $0.4 million classified as governmental-type activity when it should have been business-type activity. The net addition of assets of $5.5 million is primarily due to construction in progress increase of $0.6 million for projects in ongoing construction including City Center Access Phase I, SR509 9th Place S to 11th Place S Pedestrian Improvements, Adaptive Traffic Control Systems, infrastructure addition of $2.8 million due to completion of 21st Ave S Pedestrian Connection project, $1.4 million for IT equipment and vehicle purchases, and donated infrastructure from private development projects of $0.6 million.

Deferred outflows of resources decreased by $0.07 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 $5.8 million or 14.2% due to net pension liability decrease of $3.8 million and long term debt decrease of $2.0 million for General obligation debt. (See Note 11 on pages 71 and 72).

Other liabilities increased by $13.5 million or 215.9% primarily due to $9.9 million addition to unearned revenue for unspent Shuttered Venue Grant and American Rescue Plan Act funding, $3.3 million addition to vouchers payable due to jail cost, body worn camera, fleet and equipment, and street maintenance accruals, and 0.2 million addition of deposit liabilities held for projects in the city.

Deferred inflows of resources increased by $22.6 million for governmental activities due to higher than expected earnings on pension plan investments for GASB 68 state sponsored pension plans (See page 16).

Net investments in capital assets decreased by $3.3 million or 0.7% primarily due to decrease of $4.9 million in capital assets and CIP, net of accumulated depreciation explained in the above capital assets description (See page 16), offset by a decrease in long-term liabilities for capital related debt.

Restricted net position represents amounts that must be used in accordance with external restrictions, and increased by $16.1 million or 81.0% from the prior year primarily due to restricted pension amount of $14.4 million, and increased real estate excise tax that has not been allocated to debt, overlay projects, and road and street capital projects. Other restricted funding is comprised of debt service, PEG fees for government access channel under contracts and studies fund (page 52), paths & trails funding, local infrastructure financing tool funding, and lodging tax.

The remaining Unrestricted net position increased by $3.2 million or 7.3% primarily due to increases in current and other assets described above.

Business-Type Activities:

Current and other assets increased by $3.1 million or 44.0% primarily due to an increase in cash and cash equivalents of $1.5 million from surface water management fees (SWM) increase, $1.5 million net pension asset increase, and $0.1 million increase in accounts receivable for SWM and Dumas Bay Centre activities.

Capitals assets and CIP, net of accumulated depreciation increased by $0.09 million or 0.1% primarily due an increase of $0.9 million in infrastructure additions from the completion of projects such as 21st Ave S Pedestrian Connection project. This was offset by the addition of accumulated depreciation of $0.8 million (See Note 8 on page 60).

Long-term liabilities decreased by $0.44 million or 61.4 % due to current year GASB 68 adjustment to pension liability of $0.45 million, and a small adjustment to compensated absences payable. (See pages 71 and 72).

Other liabilities increased by $0.16 million or 26.9% primarily due to an increase in unearned revenue and vouchers for SWM operations and Dumas Bay Centre rentals at the facility.

Deferred inflows of resources increased by $1.40 million for business-type activities due to higher than expected earnings on pension plan investments for GASB 68 state sponsored pension plans (See page 16).

Net investments in capital assets increased $0.09 million or 0.1% primarily due to capital assets and CIP, net of accumulated depreciation explained in the above capital assets description.

Unrestricted net position increased by $1.71 million or 30.0% primarily due to the decreases in current and other assets described above.

CHANGES IN NET POSITION

For the Years Ended December 31, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Programs revenues:						
Charges for services	$ 19,150,684	$ 13,623,255	$ 6,585,691	$ 4,572,984	$ 25,736,375	$ 18,196,239
Operating grants & contrib.	6,647,794	11,195,427	16,851	42,348	6,664,645	11,237,775
Capital grants & contrib.	3,912,242	2,994,083	308,379	122,032	4,220,621	3,116,115
General revenues:						
Property taxes	11,642,922	11,449,581	-	-	11,642,922	11,449,581
Sales tax	17,543,119	16,099,037	-	-	17,543,119	16,099,037
Local criminal justice sales tax	3,303,412	2,799,244	-	-	3,303,412	2,799,244
Utility tax	16,995,029	14,672,457	-	-	16,995,029	14,672,457
Real estate excise tax	5,185,847	4,467,111	-	-	5,185,847	4,467,111
Other taxes	2,204,656	341,083	-	-	2,204,656	341,083
Other	1,809,665	1,767,417	23,196	54,138	1,832,862	1,821,555
Total Revenue	88,395,370	79,408,695	6,934,117	4,791,502	95,329,487	84,200,196
Expenses:						
General government	8,617,290	8,094,395	-	-	8,617,290	8,094,395
Public Safety	28,506,038	34,792,577	-	-	28,506,038	34,792,577
Transportation	17,013,504	13,469,874	-	-	17,013,504	13,469,874
Utilities	469,053	708,031	-	-	469,053	708,031
Natural and economic environment	6,553,374	6,317,075	-	-	6,553,374	6,317,075
Social services	2,097,856	1,774,097	-	-	2,097,856	1,774,097
Culture and recreation	8,426,616	7,607,707	-	-	8,426,616	7,607,707
Interest on long-term debt	920,869	1,015,414	-	-	920,869	1,015,414
Surface Water Management	-	-	4,550,136	4,989,139	4,550,136	4,989,139
Dumas Bay Centre	-	-	562,093	565,369	562,093	565,369
Total Expenses	72,604,600	73,779,171	5,112,229	5,554,507	77,716,829	79,333,678
Change in net position before transfers	15,790,770	5,629,524	1,821,888	(763,006)	17,612,658	4,866,518
Gain on sale of capital assets	726,414	-	-	-	726,414	-
Transfers	140,824	(183,453)	(140,824)	183,453	-	-
Change in net position	16,658,008	5,446,071	1,681,064	(579,553)	18,339,072	4,866,518
Net position - beginning	513,815,194	519,455,185	72,048,020	68,844,107	585,863,214	588,299,292
Prior period adjustment Note 15	(608,550)	(10,690,600)	386,229	3,783,466	(222,321)	(6,907,134)
Effect of change in accounting principle	-	(395,462)	-	-	-	(395,462)
Adjusted net position - beginning	513,206,644	508,369,123	72,434,249	72,627,573	585,640,893	580,996,696
Net position - ending	$ 529,864,652	$ 513,815,194	$ 74,115,313	$ 72,048,020	$ 603,979,965	$ 585,863,214

Analysis of the change in net position:

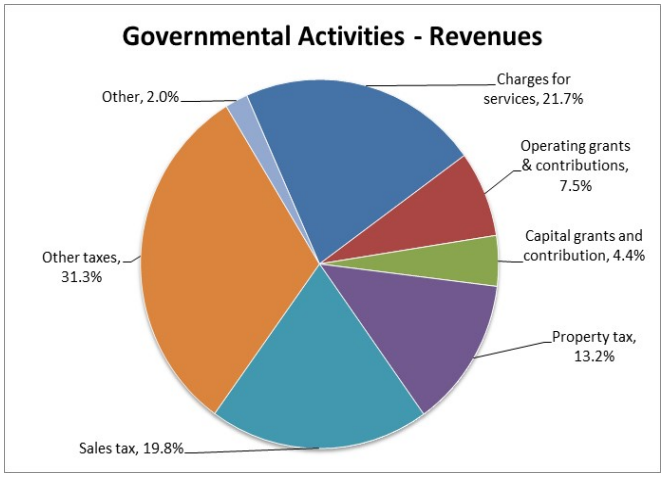
Total government-wide revenues of the primary government increased by $11.1 million or 13.2% and total expenses decreased by $1.6 million or 2.0% under the prior year. These changes are discussed in more detail below.

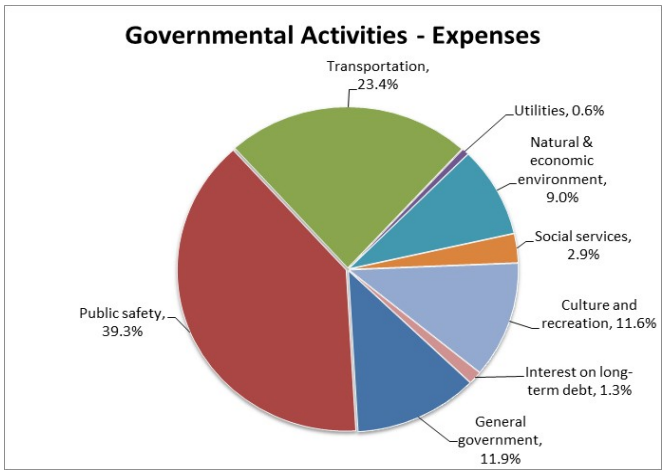
Governmental Activities:

Governmental activities contributed $16.0 million of the total change in net position of $18.1 million. The prior year change in net position was negative $5.6 million. The increase over 2020 is due to the following revenues, and expenses described below. There was also a reduction of $0.61 million for prior period adjustment for capital assets described in note 15.

Total revenues for governmental activities increased by $9.0 million or 11.3% due to charges for services increase of $5.5 million comprised of $3.2 million increase in revenue from Sound Transit for the light rail project linking to Federal Way, $1.5 million increase in in community development and public works permits and fees, $0.8 million increase in red light traffic enforcement revenue, $0.4 million increase in Federal Way Community Center (FWCC) fees, $0.4 million increase in parks and general recreation fees, $0.3 million increase in police contract services revenue, $0.1 million increase in court revenue, $0.09 million increase in Performing Arts & Event Center (PAEC) fees, $1.3 million decrease in arterial street overlay service revenues, Lakehaven franchise fee, and other miscellaneous revenue; due to taxes increase of $7.0 million comprised of $2.3 million in utility tax, $1.4 million in sales tax, $1.0 million in state Local Infrastructure Financing Tool (LIFT), $0.7 million in Real Estate Excise Tax (REET), $0.5 million in criminal justice sales tax, $0.5 million in admissions tax, $0.2 million in property tax, and $0.4 million in hotel/motel lodging tax and affordable & supportive housing sales tax; offset due to grants & contributions decrease by $3.6 million primarily due to $1.0 of LIFT being reclassified as taxes from grants and contributions, and less funding received in COVID-19 grants.

Total expenses for governmental activities decreased by $1.2 million or 1.6%. The net decrease is due to decreases in the following expense categories: A $6.3 million decrease in "Public safety" is due to a $3.4 million decrease in pension expense for LEOFF 2 funded pension plan, $0.5 million decrease in jail service costs due to leaving SCORE and contracting with other jails, $0.5 million decrease in expense attributed to Valleycomm investment in joint venture, and $1.9 million decrease due to Police position vacancies, and reclass of municipal court to general government. A $0.2 million decrease in "Utilities" is due to less operational expenditures for the solid waste and recycling activities due to COVID-19. The decrease is offset by an increase in "Transportation" of $3.5 million due to increased asphalt overlay of streets, and street and traffic maintenance, $0.8 million increase in "Culture and recreation" due to increased Federal Way Community Center and recreation operational expenditures, $0.3 million increase in "Social services" due to increase in Community Development Block Grant and General Fund community service programs, and $0.5 million increase in "General government" is primarily due to reclassifying court expenditures from public safety to general government.





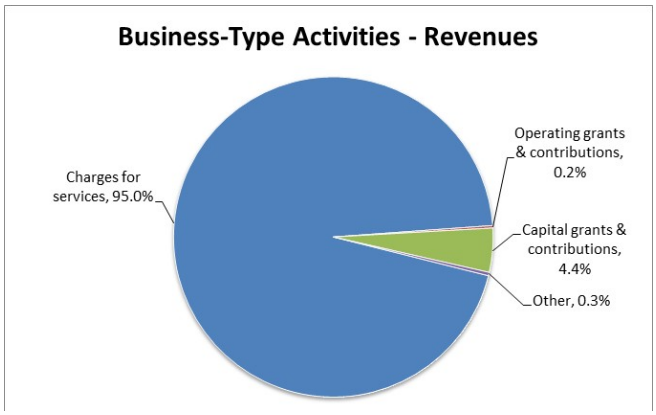
Business-Type Activities:

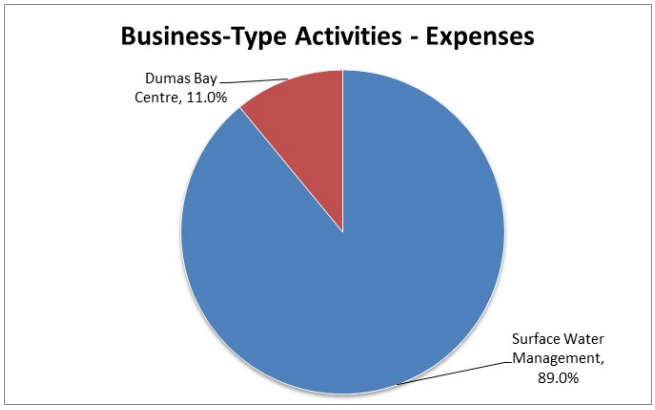
Business-type activities of the City's Surface Water Management system and Dumas Bay Centre increased the City's net position by $2.1 million. An addition of $0.39 million for prior period adjustment for capital assets described in note 15. The primary change compared to 2020 is due to the following revenues and expenses described below.

Total revenues increased by $2.1 million or 44.7% above 2020, primarily due to a $1.9 million increase in surface water management fees resulting from rate structure adjustments, and $0.1 million in revenue for Dumas Bay Centre from the facility reopening in 2021.

Total expenses decreased by $0.4 million or 8.0% due to a $0.4 million decrease in Surface Water Management expenses due to vacancies of positions, and less repair and maintenance activities during the year.

Transfers net change of ($0.3) million is primarily due to an increase in transfers out to Surface Water Management capital projects.





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 2021, the City's governmental funds had a combined ending fund balance of $55.9 million which is an increase of $8.2 million from the prior year. Approximately 27% or $15.0 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 $0.4M is comprised of court trust, prepaid insurance/flex plan, and inventory. Restricted fund balance of $21.3M is comprised of $1.6M in transportation capital project funding sources including real estate excise tax (REET), mitigation impact fees, surface water management fees, and gas tax; $3.7M for future debt service payments; $1.7M in parks capital project funding sources including REET, mitigation impact fees, and paths and trails funding; $3.9M LIFT sales tax for downtown redevelopment infrastructure and parks projects; $1.6M in hotel/motel lodging tax for promotion of tourism; $1.6M in paths & trails parks levy dedicated for paths & trails projects; $0.9M for special contracts/studies, $0.7M in REET for arterial street overlay, $0.03M in REET for city facilities capital projects, $5.2M in REET for future capital projects and debt service payments, $0.03M in Police seizure funds, $0.27M for affordable and supportive housing, and $0.03M for Community Development Block Grant funds. Committed fund balance of $19.2M 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 Note1.

The General Fund is the chief operating fund of the City. Revenues and other sources totaling $52.9M and expenditures and other uses totaling $53.9M, resulted in a total fund balance decrease by $1.07 million or 7.0%. Total ending fund balance of

$15.4M, is $2.30M above the budgeted ending fund balance in the fund of $13.1M. Fund balance policy resolution 18-732 set the General Fund and strategic reserve policy at $12M. The City had a beginning balance adjustment of $0.83M. The remaining $1.47M of $2.30M increase in ending fund balance compared to budget is made up of a decrease of $21.91 million in expenditures/other uses, offset by a $20.44 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, a $0.02 million decrease below 2020 primarily due to increased cost of street and traffic maintenance.

The Utility Tax Fund accounts for utility tax receipts collected by State statute for capital, debt, and other maintenance & operations. Total fund balance of $6.3 million increased by $2.7 million or 78% from $3.5 million in 2020 due to a decrease in transfer out from the fund for operation of other funds such as the General Fund, increased water/sewer and electricity utility tax, and additional 10% utility tax on solid waste services.

The Debt Service Fund has a total fund balance of $3.7 million, a $0.1 million increase above the $3.6 million 2020 fund balance, due to transfer in from general fund and real estate excise tax. 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 $0.49 million in 2021. The general fund contributed $1.1 million in 2021.

The Transportation Fund accounts 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 increased by $3.68 million from $4.79 million in 2020 to $8.47 million in 2021 due to spending on large projects such as the Adaptive Traffic Control System Project, City Center Access Phase I, the State Route 509 9th Place South to 11th Place South Pedestrian Improvements project, and the Pacific Highway Non-motorized Corridor – 16th Avenue South 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 position of the Surface Water Management Fund at the end of the year amounted to $5.9 million, and those for Dumas Bay Centre amounted to $1.5 million. The total changes in net position for both funds were $2.0 million increase and $0.07 million increase, respectively.

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 2021, 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 $21.7 million and $1.2 million respectively between the original adopted budget and the adjusted budget for the 2021 fiscal year. The following are the major changes for the 2021 adjusted budget approved by City Council during the year:

- Added $19.22 million for American Rescue Plan Act (ARPA) funding for supplies, equipment and services.
- Added $1.00 million for the purpose of clearing an easement on city property.
- Added $0.58 million for self-insurance deductibles, and insurance premium increases.
- Added $0.54 million for Parks temporary help, security cameras, roofing of facilities, and supplies.
- Added $0.16 million for body worn cameras.
- Added $0.08 million for salary and cost of living increases.
- Added $0.05 million for election services.
- Added $0.05 million for graffiti technician.
- Added $0.08 million for transfer out to street fund to subsidize operations.
- Added $0.06 million for transfer out to performing arts and event center fund to subsidize operations.
- Added $0.73 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 $0.10 million for transfer out to unemployment fund to pay for unemployment claims.

Budget adjustments to revenues and other sources include: Adjustments to beginning balance of $2.36 million; increase in COVID-19 ARPA federal funding and other state and federal grants of $19.33 million; increase in sales tax revenue of $1.20 million; increase in admissions tax revenue of $0.20 million; increase in community development permits and fees of $0.60 million; offset by decrease in contracted police security services revenue of $0.33 million

The actual General Fund ending fund balance of $15.43 million is $2.30 million above the projected $13.14 million for 2021 year-end. A $0.83 million increase in the beginning fund balance accounts for 36% of this increase in the ending fund balance. The $2.30 million increase in ending fund balance compared to budget is made up of $0.83 million increase in beginning fund balance, a positive variance of $21.91 million in expenditures/other uses, offset by a negative variance of $20.44 million in revenues/other sources.

The $20.44 million negative variance in revenues/other sources is primarily attributed to $18.97 million of ARPA grant funding, and $0.14 million of administrative office of the courts grant, cash received but yet to be recognized as unearned revenue until it is spent. Other components of this variance are less-than-budgeted service charges and fees of $0.30 million, licenses and permits of $0.37 million, interest earnings of $0.18 million, and transfer in from utility tax and other funds of $1.58 million, offset by increases of $0.80 million in taxes, and $0.30 million in grants and other fines and penalties.

The $21.91 million positive variance in expenditures/other uses is primarily attributable to $18.97 million in unspent ARPA funding, $2.94 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 Police.

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, 2021 amounts to $534.6 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 78.

CAPITAL ASSETS AT YEAR-END, NET OF DEPRECIATION

	Governmental Activities	Business-Type Activities	Total 2021	Total 2020
Land	$ 283,719,508	$ 11,340,293	$ 295,059,801	$ 295,047,402
Building and improvements	46,819,769	4,479,370	51,299,139	55,446,240
Machinery and equipment	8,330,291	70,889	8,401,180	7,940,865
Infrastructure	113,903,279	50,301,830	164,205,108	165,752,922
Construction in progress	15,415,214	215,248	15,630,462	15,259,273
Total Capital Assets	$ 468,188,060	$ 66,407,629	$ 534,595,690	$ 539,446,703

Major capital asset events during the current fiscal year included the following amounts: Construction in progress in the amount of $3.8 million was added for expanding and improving the city streets, traffic corridors, surface water management and various park improvements; offset by a $3.4 million reduction due to the completion of various park projects, and street, traffic and surface water management related projects, and prior period adjustment for 21st Ave S Pedestrian Connection project. Additionally, there was land purchased and/or donated of $0.01 million. Other improvements, buildings, infrastructure, and machinery and equipment decrease of $5.2 million is primarily due to current year depreciation of assets, offset by infrastructure addition of $2.8 million for 21st Ave S Pedestrian Connection project, and fleet and equipment purchases. Remaining commitments for capital assets is described in Note 8.

Long-term debt

At the end of 2021, the City of Federal Way had total debt principal balance outstanding of $29.7 million. The future principal and interest payments which are backed by the full faith and credit of the government will be $36.7 million, and average annual debt service of $1.9 million (See Note 11 pages 71 thru 73).

LONG-TERM DEBT (FUTURE PRINCIPAL AND INTEREST PAYMENTS)

	Governmental Activities	Business-Type Activities	Total
General obligation bonds	$ 36,675,619	$ -	$ 36,675,619
Total	$ 36,675,619	$ -	$ 36,675,619

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.

The most recent change in bond rating was in February 2017, when 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 2021 was $14.210 billion and the total amount of debt the City may issue is $1.0 billion. Remaining legal debt capacities as of December 31, 2021 are:

General government (no vote required)	$ 186,660,762 (1.5% X 14.210B) +$3.2M - $29.7M
General government (3/5 majority vote required)	$ 142,102,983 (1.0% X 14.210B)
Parks and open space (3/5 majority vote required)	$ 355,257,458 (2.5% X 14.210B)
Utilities (3/5 majority vote required)	$ 355,257,458 (2.5%X14.210B)
Total Capacity	**$1,039,278,661 (See page 136)**

Additional information on the City of Federal Way's long-term debt can be found in Note 11 on pages 71 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 our 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. Further information is also available on 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, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & cash equivalents	$ 74,287,007	$ 7,361,852	$ 81,648,858
Investments	11,052,189	1,100,567	12,152,756
Receivables (net)	3,728,012	232,931	3,960,943
Internal balances	98,800	(98,800)	-
Due from other governments	6,571,746	18,632	6,590,378
Prepaid items	50,814	-	50,814
Inventories	4,316	-	4,316
Restricted assets:			
Seizure funds/covert funds/municipal trust/retainage	358,641	-	358,641
Investment in joint venture	7,095,885	-	7,095,885
Capital assets not being depreciated:			
Land	283,719,508	11,340,293	295,059,801
Construction in progress	15,415,214	215,248	15,630,462
Capital assets net of accumulated depreciation:			
Buildings/structures	39,340,879	693,073	40,033,952
Improvements other than buildings	7,478,890	3,786,297	11,265,187
Machinery and equipment	8,330,291	70,889	8,401,180
Infrastructure	113,903,279	50,301,830	164,205,108
Net Pension Asset	35,386,605	1,530,849	36,917,454
Total Assets	606,822,075	76,553,659	683,375,735
DEFERRED OUTFLOWS OF RESOURCES RELATED TO PENSIONS	3,560,949	187,398	3,748,347
LIABILITIES			
Accounts payable and accruals	7,624,387	339,785	7,964,172
Unearned revenue	10,423,098	411,424	10,834,522
Retainage payable	103,291	4,612	107,903
Customer deposits	1,659,814	5,287	1,665,101
Noncurrent Liabilities:			
Due within one year	6,804,494	12,279	6,816,773
Due in more than one year	28,274,604	265,558	28,540,161
Net Pension Liability	1,273,735	148,076	1,421,811
Other Long-Term Liabilities	27,000,869	117,482	27,118,350
Total Liabilities	54,889,688	1,038,945	55,928,633
DEFERRED INFLOW OF RESOURCES RELATED TO PENSIONS	25,628,684	1,586,800	27,215,484
NET POSITION			
Net investment in capital assets	446,961,581	66,407,627	513,369,208
Restricted for:			
Debt service	3,672,023	-	3,672,023
Capital projects	12,465,191	-	12,465,191
Steel Lake & North Lake Mgmt District	-	45,913	45,913
Pensions	14,429,251	260,533	14,689,784
Other - See page 52 Fund Bal. Classification	5,467,846	-	5,467,846
Unrestricted	46,868,760	7,401,240	54,270,000
Total Net Position	$ 529,864,652	$ 74,115,313	$ 603,979,965

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

STATEMENT OF ACTIVITIES
For the Year ended December 31, 2021

		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							
Governmental Activities:							
General government	$ 8,617,290	$ 3,295,593	$ 2,019,416	$ -	$ (3,302,281)	$ -	$ (3,302,281)
Public Safety	28,506,038	4,353,065	1,359,523	-	(22,793,450)	-	(22,793,450)
Transportation	17,013,504	6,102,399	1,759,263	3,912,242	(5,239,600)	-	(5,239,600)
Utilities	469,053	515,613	94,315	-	140,875	-	140,875
Natural and economic environment	6,553,374	3,404,121	259,445	-	(2,889,808)	-	(2,889,808)
Social services	2,097,856	14,000	1,115,929	-	(967,927)	-	(967,927)
Culture & recreation	8,426,616	1,465,893	39,903	-	(6,920,820)	-	(6,920,820)
Interest on long-term debt	920,869	-	-	-	(920,869)	-	(920,869)
Total governmental activities	72,604,600	19,150,684	6,647,794	3,912,242	(42,893,880)	-	(42,893,880)
Business-type Activities:							
Surface Water Management	4,550,136	6,358,443	16,851	308,379	-	2,133,536	2,133,536
Dumas Bay Centre	562,093	227,248	-	-	-	(334,845)	(334,845)
Total business-type activities	5,112,229	6,585,691	16,851	308,379	-	1,798,692	1,798,692
Total	$ 77,716,829	$ 25,736,375	$ 6,664,645	$ 4,220,621	(42,893,880)	1,798,692	(41,095,189)
		General revenues:					
		Property tax			11,642,922	-	11,642,922
		Sales tax			17,543,119	-	17,543,119
		Local criminal justice sales tax			3,303,412	-	3,303,412
		Utility tax			16,995,029	-	16,995,029
		Real estate excise tax			5,185,847	-	5,185,847
		Gambling tax			268,398	-	268,398
		Hotel/motel tax			204,303	-	204,303
		Admissions Tax			597,434	-	597,434
		Leasehold excise tax			3,621	-	3,621
		Affordable and supportive housing sales tax			130,940	-	130,940
		Local infrastructure financing tool			999,961	-	999,961
		Other revenue			1,664,707	-	1,664,707
		Investment earnings			144,959	23,196	168,155
		Gain on sale of capital assets			726,414	-	726,414
		Transfers			140,824	(140,824)	-
		Total general revenues (loss) and transfers			59,551,889	(117,628)	59,434,261
		Change in net position			16,658,008	1,681,064	18,339,072
		Net position at beginning of year			513,815,194	72,048,020	585,863,214
		Prior period adjustment (See Note 15)			(608,550)	386,229	(222,321)
		Adjusted beginning net position			513,206,644	72,434,249	585,640,893
		Net position at end of year			$ 529,864,652	$74,115,313	$ 603,979,965

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

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021

	General	Street	Utility Tax	Debt Service
ASSETS				
Cash and Cash Equivalents	$ 19,536,055	$ 1,520,834	$ 3,977,967	$ 3,192,943
Investments	2,968,917	227,214	592,412	477,342
Prepaid items	17,716	-	-	-
Receivables (net):				
Taxes	310,484	-	2,221,012	-
Accounts and contracts	388,288	145,496	2,902	1,738
Restricted cash	358,641	-	-	-
Due from other governments	4,125,922	312,459	2,320	-
Interfund loans receivable	1,681,797	-	-	-
Inventories	-	-	-	-
TOTAL ASSETS	29,387,820	2,206,002	6,796,612	3,672,023
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Vouchers payable	1,854,787	665,355	383,398	-
Accounts/payroll payable	1,154,272	130,613	120,025	-
Retainage payable	-	2,599	15,324	-
Deposits payable	941,850	678,320	-	-
Interfund loans payable	-		-	-
Unearned revenue	9,601,242	73,893	-	-
TOTAL LIABILITIES	13,552,151	1,550,782	518,747	-
DEFERRED INFLOWS OF RESOURCES FOR UNAVAILABLE PROPERTY TAXES	255,925	-	-	-
DEFERRED INFLOWS OF RESOURCES FOR UNAVAILABLE OTHER REVENUE	145,069	88,588	-	-
Fund Balance:				
Nonspendable	349,356	-	-	-
Restricted	27,000	-	-	3,672,023
Committed	8,350	566,633	6,277,866	-
Unassigned	15,049,968	-	-	-
TOTAL FUND BALANCES	15,434,674	566,633	6,277,866	3,672,023
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 29,387,820	$ 2,206,002	$ 6,796,612	$ 3,672,023

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

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021

	Performing Arts & Event Center Operations	Transportation	Nonmajor Governmental	Total
ASSETS				
Cash and Cash Equivalents	$ 978,496	$ 8,043,175	$ 18,817,521	$ 56,066,991
Investments	57,228	1,202,447	2,802,120	8,327,680
Prepaid items	28,098	-	-	45,814
Receivables (net):				
Taxes	-	-	422,755	2,954,251
Accounts and contracts	78,374	4,000	136,249	757,047
Restricted Cash	-	-	-	358,641
Due from other governments	-	1,342,262	788,784	6,571,746
Interfund loans receivable	-	-	-	1,681,797
Inventories	4,316	-	-	4,316
TOTAL ASSETS	1,146,512	10,591,884	22,967,429	76,768,282
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Vouchers payable	93,263	527,157	1,292,624	4,816,585
Accounts/payroll payable	-	33,231	189,681	1,627,822
Retainage payable	-	14,553	70,814	103,291
Deposits payable	-	-	39,643	1,659,814
Interfund loans payable	-	1,523,960	157,837	1,681,797
Unearned revenue	565,548	-	182,415	10,423,098
TOTAL LIABILITIES	658,811	2,098,902	1,933,014	20,312,406
DEFERRED INFLOWS OF RESOURCES FOR UNAVAILABLE PROPERTY TAXES	-	-	-	255,925
DEFERRED INFLOWS OF RESOURCES FOR UNAVAILABLE OTHER REVENUE	-	24,061	9,698	267,416
Fund Balance:				
Nonspendable	32,414	-	-	381,770
Restricted	-	1,600,892	15,951,473	21,251,388
Committed	455,287	6,868,029	5,073,244	19,249,409
Unassigned	-	-	-	15,049,968
TOTAL FUND BALANCES	487,701	8,468,921	21,024,717	55,932,535
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,146,512	$ 10,591,884	$ 22,967,429	

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 $10.78M on page 38	457,408,108
Investment in joint venture is not a financial resource and, therefore, not reported in the funds. See Note 14 $7.10M on page 76.	7,095,885
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 $523K & Note 9 $35.4M (page 27)	35,909,946
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 $30.49M + Adj $98.8K + $63.3K LT Comp Abs - $828.1K Net Pension Asset + $80.1K Net Pension Liability + $857.1K Def Infl Rel to Pensions - $99.7K Def Outfl Rel to Pensions	30,665,011
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 -$29.69M -$2.40M - $1.71M, In Govt Wide - $1.27M NPL - $25.63M Def Infl Rel to Pensions + $3.56M Def Outfl Rel to Pensions	(57,146,833)
Net position of governmental activities	$ 529,864,652

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, 2021

	General	Street	Utility Tax	Debt Service
REVENUES				
Taxes	$ 32,976,302	$ -	$ 16,995,029	$ -
Licenses and permits	3,493,456	248,123	-	-
Intergovernmental	2,494,141	1,244,621	-	-
Charges for goods and services	3,885,864	620,102	-	-
Fines and penalties	871,931	-	-	-
Interest	99,498	226	283	1,418
Miscellaneous	530,801	32,092	-	-
TOTAL REVENUES	44,351,992	2,145,165	16,995,312	1,418
EXPENDITURES				
Current:				
General government	8,920,733	-	1,073,259	-
Public safety	28,463,331	204,237	2,543,491	-
Transportation	1,688,336	4,198,732	994,211	-
Utilities	-	-	-	-
Natural and economic environment	3,771,691	-	96,052	-
Social services	1,047,873	-	-	-
Culture and recreation	5,163,464	-	110,719	-
Debt service:				
Principal	-	-	-	1,948,716
Interest/fiscal charges/admin fees	-	-	-	1,020,443
Capital outlay	17,220	-	-	-
TOTAL EXPENDITURES	49,072,649	4,402,969	4,817,733	2,969,158
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,720,657)	(2,257,803)	12,177,579	(2,967,741)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Transfers in	8,521,219	2,232,825	-	3,070,018
Transfers out	(4,870,926)	-	(9,430,228)	-
TOTAL OTHER FINANCING SOURCES (USES)	3,650,293	2,232,825	(9,430,228)	3,070,018
NET CHANGE IN FUND BALANCES	(1,070,364)	(24,978)	2,747,351	102,277
FUND BALANCES - BEGINNING	16,693,692	591,611	3,530,515	3,569,746
Prior period adjustment	(188,654)	-	-	-
ADJUSTED FUND BALANCES - BEGINNING	16,505,038	591,611	3,530,515	3,569,746
FUND BALANCES - ENDING	$ 15,434,674	$ 566,633	$ 6,277,866	$ 3,672,023

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, 2021

	Performing Arts & Event Center Operations	Transportation	Nonmajor Governmental	Total
REVENUES				
Taxes	$ -	$ -	$ 6,838,778	$ 56,810,109
Licenses and permits	-	-	64,767	3,806,346
Intergovernmental	170,179	3,252,352	2,081,346	9,242,639
Charges for goods and services	212,172	5,039,130	1,710,287	11,467,556
Fines and penalties	-	-	2,909,314	3,781,245
Interest	33,913	355	4,730	140,423
Miscellaneous	640,934	201,427	254,958	1,660,212
TOTAL REVENUES	1,057,199	8,493,264	13,864,180	86,908,530
EXPENDITURES				
Current:				
General government	-	-	58,758	10,052,750
Public safety	-	-	2,604,496	33,815,555
Transportation	-	3,500,453	2,617,254	12,998,986
Utilities	-	-	562,166	562,166
Natural and economic environment	1,653,440	-	34,392	5,555,574
Social services	-	-	1,086,383	2,134,256
Culture and recreation	-	-	2,176,085	7,450,267
Debt service:				
Principal	-	-	-	1,948,716
Interest/fiscal charges/admin fees	-	18,397	2,534	1,041,374
Capital outlay	-	3,612,767	21,300	3,651,288
TOTAL EXPENDITURES	1,653,440	7,131,617	9,163,367	79,210,933
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(596,241)	1,361,647	4,700,812	7,697,596
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	726,414	-	726,414
Transfers in	1,083,942	1,595,525	3,073,906	19,577,435
Transfers out	-	-	(5,218,543)	(19,519,697)
TOTAL OTHER FINANCING SOURCES (USES)	1,083,942	2,321,939	(2,144,637)	784,152
NET CHANGE IN FUND BALANCES	487,701	3,683,586	2,556,176	8,481,749
FUND BALANCES - BEGINNING	-	4,785,335	18,468,541	47,639,440
Prior period adjustment	-	-	-	(188,654)
ADJUSTED FUND BALANCES - BEGINNING	-	4,785,335	18,468,541	47,450,786
FUND BALANCES - ENDING	$ 487,701	$ 8,468,921	$ 21,024,717	$ 55,932,535

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, 2021

Amounts reported for governmental activities in the statement of activities (page 28) are different because:	2021
Net change in fund balances--total governmental funds (page 32)	$ 8,481,749
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)	(3,170,466)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (page 53)	332,292
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)	2,069,222
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) $422K - $19K	402,747
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) $8.58M - $34K	8,542,464
Change in net position of governmental activities (page 28)	$ 16,658,008

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, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	$ 30,780,584	$ 32,180,594	$ 32,976,302	$ 795,708
Licenses and permits	3,567,560	3,867,550	3,493,456	(374,094)
Intergovernmental	2,004,000	21,331,686	2,494,141	(18,837,545)
Charges for goods and services	4,221,584	4,189,701	3,885,864	(303,837)
Fines and penalties	824,984	824,984	871,931	46,947
Interest	275,617	275,619	99,498	(176,121)
Miscellaneous	543,924	543,924	530,801	(13,123)
TOTAL REVENUES	42,218,253	63,214,058	44,351,992	(18,862,066)
EXPENDITURES				
Current:				
General government	8,782,997	30,278,643	8,920,733	21,357,910
Public safety	29,988,127	29,348,525	28,463,331	885,194
Transportation	1,105,746	1,122,746	1,688,336	(565,590)
Natural and economic environment	3,715,830	3,800,991	3,771,691	29,300
Social services	1,161,356	1,125,210	1,047,873	77,337
Culture and recreation	4,552,793	5,285,732	5,163,464	122,268
Capital outlay	10,000	20,000	17,220	2,780
TOTAL EXPENDITURES	49,316,849	70,981,847	49,072,649	21,909,198
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(7,098,596)	(7,767,789)	(4,720,657)	3,047,132
OTHER FINANCING SOURCES (USES)				
Transfers in	9,948,874	10,102,513	8,521,219	(1,581,294)
Transfers out	(3,637,802)	(4,870,926)	(4,870,926)	-
TOTAL OTHER FINANCING SOURCES (USES)	6,311,072	5,231,587	3,650,293	(1,581,294)
NET CHANGE IN FUND BALANCES	(787,524)	(2,536,202)	(1,070,364)	1,465,838
FUND BALANCES - BEGINNING	13,312,968	15,675,615	16,693,692	1,018,077
Prior period adjustment	-	-	(188,654)	(188,654)
ADJUSTED FUND BALANCES - BEGINNING	13,312,968	15,675,615	16,505,038	829,423
FUND BALANCES - ENDING	$ 12,525,444	$ 13,139,413	$ 15,434,674	$ 2,295,261

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, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Licenses and permits	$ 200,000	$ 200,000	$ 248,123	$ 48,123
Intergovernmental	1,300,003	1,300,001	1,244,621	(55,380)
Charges for goods and services	736,572	736,572	620,102	(116,470)
Interest	5,514	5,516	226	(5,290)
Miscellaneous	354,700	354,700	32,092	(322,608)
TOTAL REVENUES	2,596,789	2,596,789	2,145,165	(451,624)
EXPENDITURES				
Current:				
Public safety	208,679	208,679	204,237	4,442
Transportation	4,698,703	4,771,003	4,198,732	572,271
Capital outlay	20,000	80,000	-	80,000
TOTAL EXPENDITURES	4,927,382	5,059,682	4,402,969	656,713
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,330,593)	(2,462,893)	(2,257,803)	205,090
OTHER FINANCING SOURCES (USES)				
Transfers in	2,557,825	2,675,825	2,232,825	(443,000)
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	2,557,825	2,675,825	2,232,825	(443,000)
NET CHANGE IN FUND BALANCES	227,232	212,932	(24,978)	(237,910)
FUND BALANCES - BEGINNING	500,000	500,000	591,611	91,611
FUND BALANCES - ENDING	$ 727,232	$ 712,932	$ 566,633	$ (146,299)

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, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	$ 15,177,606	$ 16,147,606	$ 16,995,029	$ 847,423
Interest	19,999	19,999	283	(19,716)
TOTAL REVENUES	15,197,605	16,167,605	16,995,312	827,707
EXPENDITURES				
Current:				
General government	1,109,073	1,109,073	1,073,259	35,814
Public safety	2,779,468	2,779,468	2,543,491	235,977
Transportation	-	1,100,000	994,211	105,789
Natural and economic environment	103,811	103,811	96,052	7,759
Culture and recreation	104,802	104,802	110,719	(5,917)
TOTAL EXPENDITURES	4,097,154	5,197,154	4,817,733	379,421
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	11,100,451	10,970,451	12,177,579	1,207,128
OTHER FINANCING SOURCES (USES)				
Transfers out	(11,081,804)	(10,193,206)	(9,430,228)	762,978
TOTAL OTHER FINANCING SOURCES (USES)	(11,081,804)	(10,193,206)	(9,430,228)	762,978
NET CHANGE IN FUND BALANCES	18,647	777,245	2,747,351	1,970,106
FUND BALANCES - BEGINNING	2,533,945	3,530,515	3,530,515	-
FUND BALANCES - ENDING	$ 2,552,592	$ 4,307,760	$ 6,277,866	$ 1,970,106

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, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Intergovernmental	$ -	$ 380,396	$ 170,179	$ (210,217)
Charges for goods and services	344,470	344,470	212,172	(132,298)
Interest	45,605	45,605	33,913	(11,692)
Miscellaneous	889,705	889,705	640,934	(248,771)
TOTAL REVENUES	1,279,780	1,660,176	1,057,199	(602,977)
EXPENDITURES				
Current:				
Natural and economic environment	2,299,757	2,506,586	1,653,440	853,146
TOTAL EXPENDITURES	2,299,757	2,506,586	1,653,440	853,146
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,019,977)	(846,410)	(596,241)	250,169
OTHER FINANCING SOURCES (USES)				
Transfers in	1,019,977	1,083,942	1,083,942	-
TOTAL OTHER FINANCING SOURCES (USES)	1,019,977	1,083,942	1,083,942	-
NET CHANGE IN FUND BALANCES	-	237,532	487,701	250,169
FUND BALANCES - BEGINNING	-	-	-	-
FUND BALANCES - ENDING	$ -	$ 237,532	$ 487,701	$ 250,169

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2021

	Business-type Activities - Enterprise Funds			Governmental Activities
	Surface Water Management	Dumas Bay Centre	TOTAL	Internal Service
ASSETS				
Current Assets				
Cash and Cash Equivalents	$ 5,811,237	$ 1,550,615	$ 7,361,852	$ 18,220,016
Investements	868,775	231,793	1,100,568	$ 2,724,509
Prepaid items	-	-	-	5,000
Receivables (net):				
Accounts and contracts	186,181	46,750	232,931	16,714
Due from other governments	18,632	-	18,632	-
TOTAL CURRENT ASSETS	6,884,825	1,829,158	8,713,983	20,966,239
Property, plant and equipment				
Land	9,230,653	2,109,640	11,340,293	-
Building/structures	832,086	3,673,263	4,505,349	16,411,244
Improvements other than buildings	3,915,030	314,901	4,229,931	-
Machinery/furniture/equipment	68,786	154,813	223,599	22,539,418
Infrastructure	68,552,997	-	68,552,997	-
Construction in progress	215,248	-	215,248	-
Less accumulated depreciation	(18,912,135)	(3,747,655)	(22,659,790)	(28,170,709)
Net pension asset	1,332,490	198,359	1,530,849	828,133
TOTAL NONCURRENT ASSETS	65,235,155	2,703,321	67,938,476	11,608,086
TOTAL ASSETS	72,119,980	4,532,479	76,652,459	32,574,325
DEFERRED OUTFLOWS RELATED TO PENSIONS	163,617	23,781	187,398	99,688
LIABILITIES AND FUND EQUITY				
Current Liabilities:				
Vouchers/payroll payable	290,817	48,968	339,785	1,179,981
Unearned revenue	163,808	247,615	411,423	-
Retainage payable	-	4,612	4,612	-
Deposits payable	-	5,287	5,287	-
Compensated absences payable	10,133	2,146	12,279	-
TOTAL CURRENT LIABILITIES	464,758	308,628	773,386	1,179,981
Long-term liabilities:				
Compensated absences payable	96,953	20,529	117,482	63,274
Net Pension Liability	128,889	19,187	148,076	80,105
TOTAL LONG-TERM LIABILITIES	225,842	39,716	265,558	143,379
TOTAL LIABILITIES	690,600	348,344	1,038,944	1,323,360
DEFERRED INFLOWS RELATED TO PENSIONS	1,380,776	206,024	1,586,800	857,065
Net investment in capital assets	63,902,665	2,504,962	66,407,627	10,779,953
Restricted for:				
Pensions	227,691	32,842	260,533	140,587
Steel Lake & North Lake Mgmt District	45,913	-	45,913	-
Unrestricted	6,035,952	1,464,088	7,500,040	19,573,048
TOTAL NET POSITION	$ 70,212,221	$ 4,001,892	74,214,113	$ 30,493,588
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(98,800)	
NET POSITION OF BUSINESS-TYPE ACTIVITIES			$ 74,115,313	

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, 2021

	Business-type Activities - Enterprise Funds			Governmental Activities
	Surface Water Management	Dumas Bay Centre	TOTAL	Internal Service
OPERATING REVENUES:				
Charges for goods and services	$ 6,346,001	$ 227,248	$ 6,573,249	$ 12,771,907
Intergovernmental	16,851	-	16,851	-
Miscellaneous	12,442	-	12,442	184,368
TOTAL OPERATING REVENUES	6,375,294	227,248	6,602,542	12,956,275
OPERATING EXPENSES:				
Personnel services	1,770,549	266,317	2,036,866	1,079,415
Materials and supplies	193,816	88,069	281,885	891,116
Services and charges	921,675	157,105	1,078,780	8,399,519
Depreciation	762,631	14,055	776,686	2,356,132
Interfund charges	919,101	37,299	956,400	-
TOTAL OPERATING EXPENSES	4,567,772	562,844	5,130,616	12,726,182
OPERATING INCOME (LOSS)	1,807,522	(335,596)	1,471,926	230,093
NON-OPERATING REVENUES (EXPENSES):				
Gain (Loss) from disposal of capital assets	-	-	-	81,151
Interest income	22,240	558	22,798	4,930
TOTAL NON-OPERATING REVENUES (EXPENSES)	22,240	558	22,798	86,081
INCOME (LOSS) BEFORE TRANSFERS	1,829,762	(335,038)	1,494,724	316,174
Capital contributions	308,379	-	308,379	22,273
Transfers in	-	404,676	404,676	645,500
Transfers out	(545,500)	-	(545,500)	(562,414)
CHANGE IN NET POSITION	1,592,641	69,638	1,662,279	421,533
NET POSITION - BEGINNING	68,233,351	3,932,254	72,165,605	30,072,055
Prior period adjustment	386,229	-	386,229	-
ADJUSTED NET POSITION - BEGINNING	68,619,580	3,932,254	72,551,834	30,072,055
NET POSITION - ENDING	$ 70,212,221	$ 4,001,892	$ 74,214,113	$ 30,493,588
CHANGE IN NET POSITION			1,662,279	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			18,785	
CHANGES IN NET POSITION OF BUSINESS-TYPE ACTIVITIES			$ 1,681,064	

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For Year Ended December 31, 2021

	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	$ 6,329,742	$ 204,214	$ 6,533,956	$ -
Cash received from users - interfund	-	-	-	12,784,442
Cash payments to claimants	-	-	-	(762,248)
Cash payments to suppliers for goods/services	(684,424)	(210,720)	(895,144)	(6,632,323)
Cash payments to employees	(2,256,761)	(351,370)	(2,608,131)	(1,382,460)
Cash payments to other funds for goods and services	(919,101)	(37,299)	(956,400)	-
Cash payments to other governments for goods and services	(353,851)	(10,499)	(364,351)	(1,152,691)
Other operating receipts	52,312	-	52,312	184,368
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,167,917	(405,674)	1,762,243	3,039,087
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	404,676	404,676	645,500
Transfers out	(545,500)	-	(545,500)	(562,414)
NET CASH PROVIDED BY NONCAPITAL FINANCING	(545,500)	404,676	(140,824)	83,086
CASH FLOWS FROM CAPITAL AND CAPITAL - RELATED FINANCING ACTIVITIES:				
Acquisition of capital asset/construction work in progress	(168,053)	-	(168,053)	(2,143,734)
Proceeds from the sale of capital assets	-	-	-	164,312
NET CASH USED FOR CAPITAL AND CAPITAL-RELATED FINANCING ACTIVITIES	(168,053)	-	(168,053)	(1,979,422)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Receipts of interest	22,239	556	22,796	4,930
Payments for investments	(868,775)	(231,793)	(1,100,568)	(2,724,509)
NET CASH PROVIDED BY INVESTING ACTIVITIES	(846,536)	(231,237)	(1,077,772)	(2,719,579)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	607,829	(232,235)	375,594	(1,576,828)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,203,408	1,782,850	6,986,258	19,796,845
CASH AND CASH EQUIVALENTS AT END OF YEAR	5,811,237	1,550,615	7,361,852	18,220,016
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income/(loss)	1,807,522	(335,596)	1,471,926	230,093
Adjustments to reconcile operating income to net cash provided/(used) by operating activities:				
Increases/(decrease) in depreciation expense	762,631	14,056	776,687	2,356,132
(Increases)/decrease in accounts receivable	(52,857)	(46,750)	(99,606)	20,726
(Increases)/decrease in due from other governments	23,019	-	23,019	(8,190)
(Increases)/decrease in deferred outflows related to pensions	(4,737)	2,427	(2,310)	(7,687)
(Increases)/decrease in net pension asset	(1,332,490)	(198,359)	(1,530,849)	(828,133)
Increases/(decrease) in vouchers/accounts payable	80,777	21,302	102,079	743,371
Increases/(decrease) in retainage payable	(3,561)	-	(3,561)	-
Increases/(decrease) in deposits payable	-	2,650	2,650	-
Increases/(decrease) in deferred revenue	36,598	23,716	60,313	-
Increases/(decrease) in accrued payroll/compensated absences payable	9,172	(1,361)	7,811	(10,230)
Increases/(decrease) in net pension liability	(382,039)	(67,121)	(449,160)	(221,913)
Increases/(decrease) in deferred inflows related to pensions	1,223,882	179,361	1,403,243	764,917
TOTAL ADJUSTMENTS	360,395	(70,079)	290,317	2,808,993
NET CASH PROVIDED/USED BY OPERATING ACTIVITIES	$ 2,167,917	$ (405,674)	$ 1,762,243	$ 3,039,087
Non-cash investing, capital, and financing activities:				
Increase (Decrease) in Fair Value of Investments	(4,733)	(1,087)	(5,819)	(13,584)
Other contributions of capital assets	308,379	-	308,379	22,273

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

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2021

	Auto Theft Task Force Private Purpose Trust Fund	Custodial Fund
ASSETS		
Cash and Cash Equivalents	$ -	$ 1,090,986
Due from other governments	266,940	-
TOTAL ASSETS	266,940	1,090,986
LIABILITIES AND FUND BALANCES		
Liabilities:		
Held for Judgement	-	240,835
Due to other governments	266,940	12,578
TOTAL LIABILITIES	266,940	253,413
NET POSITION		
Restricted for Specific Program Use	-	837,573
TOTAL NET POSITION	$ -	$ 837,573

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, 2021

	Auto Theft Task Force Private Purpose Trust Fund	Custodial Fund
ADDITIONS:		
Intergovernmental	$ 859,916	$ -
Court remittances	-	769,242
Seizure funds	-	57,643
TOTAL ADDITIONS	859,916	826,885
DEDUCTIONS:		
Current:		
Public safety	859,916	97,330
Court remittances	-	769,242
TOTAL DEDUCTIONS	859,916	866,572
CHANGE IN NET POSITION	-	(39,688)
RESTRICTED NET POSITION - BEGINNING	-	877,261
RESTRICTED NET POSITION - ENDING	$ -	$ 837,573

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2021

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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

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 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 describes 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, overlay of streets, 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 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 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.

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 if collected within 60 days.

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; interfund, 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

Biennial appropriated budgets are adopted for the general, 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. Unspent project appropriations are carried over from year to year.

Per City of Federal Way revised code the City establishes a two-year biennium budget. In practice, the City adopts project length budgets for capital project funds, and the General Fund, Debt Service and Special Revenue funds below have legally required supplementary budgetary reporting.

The individual funds within each fund type which are included in the City's biennial operating budget are:

General Fund	Special Revenue Funds	Debt Service Fund	Capital Project Funds
	- Street Fund	*- Debt Fund*	*- Downtown Redevelopment*
	- Arterial Street		*- City Facilities*
	- Utility Tax (including Prop 1 & Solid Waste – 10%)		*- Parks*
	- Solid Waste & Recycling		*- Transportation*
	- Special Contracts / Studies		*- Capital Project Reserve*
	- Hotel/Motel Lodging Tax		*- Surface Water Management*
	- Federal Way Community Center		*- Real Estate Excise Tax*
	- Traffic Safety		
	- Community Development Block Grant		
	- Paths & Trails		
	- Performing Arts & Event Center		
	- Technology		
	- Affordable & Supportive Housing Sales & Use Tax		

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:

- Starting in January, the finance department begins forecasting current and future-year revenues, updating projections with every month's actual revenue receipt.

- Current year actual-to-budget reviews are conducted quarterly by finance with departments, to assess course corrections needed in the current year and identify future budget considerations. By late May, the Finance Department finalized timelines, forms and instructions for submission of 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, expenditure 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 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, allowing for contingencies and probable short-term needs. At year-end, the City had $94,160,257 in cash, cash equivalent and investments. At December 31, 2021, the City had $73,273,566 on deposit in the Local Government Investment Pool (LGIP). 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 2021 were approximately $9.3 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.

See (Note 5 - *Deposits and Investments*). Cash with escrow agent was $82,150.

Investments

The City as of December 31, 2021, retains sufficient cash in depository accounts for safety and invests cash in the LGIP for liquidity, whereas valuation is amortized, and in a laddered portfolio of US treasuries and agencies valued at fair market value for yield, having first assured the safety and liquidity needs of the City are met. 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 interfund 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. The city uses FIFO as it valuation method for inventory.

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:

Asset Class	Life in Years
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 & Other Revenues*) 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 760 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, net pension 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*). For purposes of calculating the restricted net position the City calculates net pension asset, minus the deferred inflows, plus deferred outflows direction related to pension plans that have a net pension asset.

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 a resolution. Commitments may be changed or lifted by the action of the City Council using the same formal action of a 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.

City Council can modify or rescind a fund balance commitment by resolution. 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, 2021 were $49.1 million and Unassigned General fund balance at year-ended 2021 was $15.05 million or 26% of total governmental fund balance.

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 – 17% of operating expenses from prior year, and not less than $0.5 million in SWM Capital Fund.

2021 FUND BALANCE CLASSIFICATION

Fund Balance	General Fund	Street	Utility Tax	Debt Service	Performing Arts & Event Ctr	Transport-ation	Nonmajor Gov't	Total
Nonspendable:								
Court funds	$ 331,640	$ -	$ -	$ -	$ -	$ -	$ -	$ 331,640
Prepaid items/Inventory	17,716	-	-	-	32,414	-	-	50,130
Restricted for:								
Police covert/flash funds	27,000	-	-	-	-	-	-	27,000
Future debt payments	-	-	-	3,672,023	-	-	-	3,672,023
Arterial Street Overlay	-	-	-	-	-	-	701,535	701,535
Affrd. & Supprt. Housing Sales & Use Tax	-	-	-	-	-	-	269,914	269,914
Special Contracts/Studies	-	-	-	-	-	-	882,890	882,890
Hotel/Motel Lodging Tax	-	-	-	-	-	-	1,618,626	1,618,626
Path & Trails Reserves	-	-	-	-	-	-	1,585,940	1,585,940
Downtown Redevelopment	-	-	-	-	-	-	3,900,123	3,900,123
City Facilities CIP	-	-	-	-	-	-	30,581	30,581
Parks CIP	-	-	-	-	-	-	1,706,076	1,706,076
Transportation CIP	-	-	-	-	-	1,600,892	-	1,600,892
Real Estate Excise Tax	-	-	-	-	-	-	5,227,519	5,227,519
Community Development Block Grant	-	-	-	-	-	-	28,269	28,269
Committed to:								
Capital, debt, and operations	-	-	3,595,325	-	-	-	-	3,595,325
Petty cash/advance travel	8,350	-	-	-	-	-	-	8,350
Proposition 1	-	-	1,263,679	-	-	-	-	1,263,679
Transportation CIP	-	-	-	-	-	6,868,029	-	6,868,029
City Facilities CIP	-	-	-	-	-	-	259,604	259,604
Solid Waste/Recycling	-	-	-	-	-	-	251,627	251,627
Federal Way Community Center	-	-	-	-	-	-	1,502,625	1,502,625
Traffic Safety	-	-	-	-	-	-	2,132,495	2,132,495
Snow/ice removal	-	566,633	-	-	-	-	-	566,633
Parks CIP	-	-	-	-	-	-	261,820	261,820
Performing Arts & Event Ctr	-	-	-	-	455,287	-	-	455,287
Capital Project Reserve	-	-	-	-	-	-	369,963	369,963
Technology	-	-	-	-	-	-	295,110	295,110
Solid Waste 10% Utility tax	-	-	1,418,862	-	-	-	-	1,418,862
Unassigned:								
General Fund	15,049,968	-	-	-	-	-	-	15,049,968
Total Fund Balance:	**$ 15,434,674**	**$ 566,633**	**$ 6,277,866**	**$ 3,672,023**	**$ 487,701**	**$ 8,468,921**	**$ 21,024,717**	**$ 55,932,535**

The Government-wide statement of net position reports $604.0 million of net position, of which $36.4 million is restricted by the enabling legislation, and $513.4 is for net investment in capital assets (there are no unspent proceeds of debt).

Interfund Transactions

There are three types of transactions between funds: interfund loans, interfund services provided and used, and interfund 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 interfund 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 $57,146,833 difference are as follows:

Bonds Payable & Premium at beginning of year	$ 33,470,702
Plus: Inclusion of compensated absences	2,403,882
Less: Current year addition/reduction of principal portion of debt & premium	(2,069,222)
Plus: Net Pension Liability	1,273,735
Plus: Deferred Inflows of Resources Related to Pensions	25,628,684
Less: Deferred Outflows of Resources Related to Pensions	(3,560,949)
Net Adjustment to reduce fund balances-*total governmental funds to arrive at net position - governmental activities*	$ 57,146,833

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 $(3,170,466) difference are as follows:

Capital outlay	$ 3,651,288
Plus: Net Increase in investment in joint venture	1,073,341
Plus: Contributed Capital/Donated from Other Funds	633,222
Less: Governmental depreciation expense	(8,528,317)
Net adjustment to increase net changes in fund balances - *Total governmental funds* to arrive at *changes in net position of governmental activities*	$ (3,170,466)

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 and other revenues earned reported as deferred inflow of resources in the fund statements	$ 332,292

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	$ (33,710)
Accrual adjustment for GASB 68 pension reporting	$ 8,576,174

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, with the exception of the Federal Way Community Center which reduced budgeted revenues and expenses for pandemic-impacted usage but exceeded budgeted expenditures by $50,308 due primarily to greater-than-budgeted electricity expense.

NOTE 4 – SUPPLEMENTAL APPROPRIATIONS

Operating Budget Funds

Appropriations established during 2021 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.

2021 Operating Budget Funds			
Fund	**Original Budget**	**Supplemental Appropriations**	**Final Budget**
General Fund	$ 49,316,849	$ 21,664,998	$ 70,981,847
Special Revenue Funds:			
Street Fund	4,927,382	132,300	5,059,682
Arterial Street Fund	2,099,184	(720,000)	1,379,184
Utility Tax Fund	4,097,154	1,100,000	5,197,154
Affrd. & Supprt. Housing Sales & Use Tax	-	125,000	125,000
Solid Waste/Recycling Fund	545,844	-	545,844
Hotel/Motel Lodging Tax	155,000	-	155,000
Federal Way Community Center	2,245,642	(167,300)	2,078,342
Traffic Safety	2,736,857	623,008	3,359,865
Performing Arts & Event Center Oper.	2,299,757	206,825	2,506,582
Community Development Block Grant	1,843,010	(218,523)	1,624,487
Technology	181,000	(120,000)	61,000
Subtotal Special Revenue Funds:	21,130,830	961,310	22,092,140
Debt Service Fund	17,234,632	-	17,234,632
Capital Project Funds:			
Parks	190,000	76,000	266,000
Transportation	10,976,972	2,329,628	13,306,600
Subtotal Capital Project Funds:	11,166,972	2,405,628	13,572,600
Total:	**$ 98,849,283**	**$ 25,031,936**	**$ 123,881,219**

NOTE 5 – DEPOSITS AND INVESTMENTS

All deposits and investments of the City's funds are subject to oversight by State statute and the city council-approved city investment policy.

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, 2021 the equity in pooled cash and investments was $94,160,257.

The City had the following cash and investment.

CASH & INVESTMENT RECONCILIATION OF GOVERNMENT-WIDE STATEMENT OF NET POSITION AS OF DECEMBER 31, 2021		
Key Bank checking account per books	$	8,530,068
US Bank Safekeeping account per books		247,565
Key Bank deposit account		250
Key Bank PAEC checking account & change fund		1,200
Jury Fund checking account		2,400
WA FED Bank PAEC checking account		594,496
Petty cash/change fund/advance travel/investigative fund		35,150
Local Government Investment Pool		73,273,566
US Treasury & Federal Agency Securities		12,152,757
Less: cash & cash equivalents in fiduciary funds		(1,090,986)
Municipal Court Trust on books		331,640
Subtotal cash, cash equivalents, and investments		94,078,107
Cash with escrow agent		82,150
Total Cash and Investments	**$**	**94,160,257**
Total Cash & Investments	**$**	**94,160,257**

At year-end, the City had $94,160,257 in cash, cash equivalents, and investments which consisted of investments with the LGIP of $73,273,566; the City's checking account bank balance prior to outstanding checks was $9,621,056; Investment Safekeeping account was $247,565; deposit account of $250, Performing Arts & Event Center checking account and change fund totaling $595,696, petty cash, change fund, advance travel, and investigative fund totaling $35,150, and Court Trustee Fund of $331,640; excluding fiduciary funds of $1,090,986. Cash held with an escrow agent is $82,150.

The city is a voluntary participant in LGIP, an external investment pool managed by the Washington State Treasurer. The pool is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with RCW 43.20. Investments in the LGIP are reported at amortized cost, in accordance with GASB Statement 79, which is the same as the per-share value of the pool. The City can invest and withdraw funds on deposit with next-day availability, a limit of one transaction per business day, a minimum transaction amount of five thousand dollars and no maximum transaction amount. A copy of the stand-alone financial report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200 or online at www.tre.wa.gov.

Investments

Cash and investments are managed in accordance with the City's Investment Policy, approved by City Council on March 5, 2013. The policy applies to financial assets of the City in all funds.

The City's assessment of risk that investments are subject to, and mitigation of those risks, are as follows.

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's deposits over FDIC-insured amounts (up to $250,000) may not be recovered. The City's risk is reduced because of Public Deposit

Protection Commission (PDPC) regulatory oversight, as required of all municipalities in the State of Washington. 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. For laddered investments, the City investments are held with US Bank, acting as an independent third-party custodian in the form of a Safekeeping Agreement to guard against potential fraud and embezzlement.

Foreign Currency Risk

Foreign currency risk for deposits is the risk that changes in exchange rates will adversely affect the value of City assets. The City has no exposure to foreign currency risk for deposits as of December 31, 2021.

Interest Rate Risk

Interest rate risk is the risk the city may face should interest rate variances affect the fair value of investments. The City mitigates this risk by first assuring safety and liquidity needs are met so that the premature sale of an investment can be avoided. The City purchases all investments with the intent to hold to maturity, therefore fluctuations in principal value are negated by receiving full principal value at maturity. 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."

Reinvestment Risk

Reinvestment risk is the risk that the proceeds of an investment, when it matures, might have to be reinvested at a lower rate. 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." During 2021, the City began managing reinvestment exposure by purchasing investments in $1 million increments each maturing in a different month in the future. The following table shows the distribution of fair values by investment type and remaining maturity.

SCHEDULE OF INVESTMENT BY MATURITY AS OF DECEMBER 31, 2021

		Remaining Maturity				
Investment Type	**Fair Value**	**12 months or**	**12-24 months**	**25-36 months**	**37-48 months**	**49-60 months**
US Treasury Securities	7,053,280	-	-	7,053,280	-	-
Government Sponsored Enterprises (GSE)	5,099,477	-	-	5,099,477	-	-
Total Investment	**$ 12,152,757**	**$ -**	**$ -**	**$ 12,152,757**	**$ -**	**$ -**

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and the City's investment policy limits the instruments in which the City may invest in. As of December 31, 2021, the City had no investments in corporate issuers except for the City's position in the State's LGIP which included approximately 1% of the pool invested in supranational holdings in addition to Treasuries, Agencies and depository bank deposits.

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 City mitigates this risk by limiting the maximum investment per issuer as follows:

INVESTMENTS AUTHORIZED BY CITY INVESTMENT POLICY

Authorized Investment Type	**Maturity**	**Maximum % of Portfolio**	**Maximum Investment Per Issuer**
US Treasury securities	5 years	100%	100%
Government Sponsored Enterprises (GSE)	5 years	-	5%
Local Government Investment Pool (LGIP)	NA	100%	-
Repurchase Agreements	5 years	-	5%
Bankers' Acceptances	5 years	-	5%
Commercial Paper	5 years	-	5%
Insured CDs	5 years	-	5%
Uninsured/Collaeralized CDs	5 years	-	5%

Fair Value and Amortized Cost Measurement

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

The city's investments consist of Treasuries and Agencies, all actively traded instruments and therefore able to be reasonably priced by nationally-known vendors. Fair Value is priced using ICE (Intercontinental Exchange) as the primary source and Bloomberg as a secondary source for monthly valuations on monthly custodial safekeeping reports. At December 31, the city had the following investments measured at fair value:

SCHEDULE OF INVESTMENT BY FAIR VALUE MEASUREMENT AS OF DECEMBER 31, 2021

		Remaining Maturity		
	12/31/2021	Quoted Prices in Active Markets Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
US Treasury Securities	$ 7,053,280	$ -	$ 7,053,280	$ -
Government Sponsored Enterprises (GSE)	5,099,477	-	5,099,477	-
Total investments by fair value level	$ 12,152,757	$ -	$ 12,152,757	$ -
Total Investments	**$ 12,152,757**	**$ -**	**$ 12,152,757**	**$ -**

Carrying Value

Investments are reported at fair value on the Financial Statements. Fair value reflects the market price on a given date, reported independently by the third-party custodian using quoted prices in active markets for identical assets. Securities traded on a national exchange are valued at the last reported sales price or fair value when market quotations are readily available. Changes in fair value may create unrealized gains and losses which are usually not realized due to the City’s intent to hold investments until maturity.

NOTE 6 – PROPERTY TAXES & DEFERRED INFLOWS OF RESOURCES FOR OTHER REVENUES

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 are 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, 2021, the balance of property taxes receivable recorded by the City was $279,490. Of this, $255,925 is recorded as deferred inflow of resources, since it was not collected within the first 60 days of the end of 2021.

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.

The maximum statutory levy (for general governmental services), under State law, is $1.60 per $1,000 of assessed value. Because the City of Federal Way is annexed to a fire district and a library district, the statutory $3.60 maximum levy rate is reduced by $2.00, reserving $1.50 for the fire district and $0.50 for the library district.

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 annual rate of property taxes that may be imposed on an individual parcel or property 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 2021, the City's regular tax levy rate was $0.902610 per $1,000 on a 2020 regular assessed valuation of $12,645,326,014 for a total regular levied tax of $11,413,785.

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, 2021			
Deferred Inflow	**General**	**Other Funds**	**Total General Govt**
Property tax	$ 255,925	$ -	$ 255,925
Other Revenue	-	267,416	267,416
Total by Fund:	**$ 255,925**	**$ 267,416**	**$ 523,341**

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, 2021								
Unearned Revenues	General	Street	PAEC Oper.	Nonmajor Gov't	Total General Govt	Surface Water Mgmt	Dumas Bay Centre	Total Proprietary
SWM fees	$ -	$ -	$ -	$ -	$ -	$ 163,808	$ -	$ 163,808
Commute Trip Reduction Grant	-	73,893	-	-	73,893	-	-	-
PAEC Fees	-	-	179,659	-	179,659	-		-
ARPA Grant	9,495,012	-	-	-	9,495,012	-		-
Shuttered Venue Grant	-	-	385,889	-	385,889	-		-
Recreation programs / facility rentals/ other	106,230	-	-	182,415	288,645	-	247,615	247,615
Total by Fund:	**$ 9,601,242**	**$ 73,893**	**$ 565,548**	**$ 182,415**	**$ 10,423,098**	**$ 163,808**	**$ 247,615**	**$ 411,423**

Receivables & Due from Other Governments

The receivables for the fiscal year ended December 31, 2021 on the government-wide statement of net position are detailed in the following schedule.

RECEIVABLES & DUE FROM OTHER GOVERNMENTS AS OF DECEMBER 31, 2021								
Receivable	General/Debt	Street	Utility Tax	Performing Arts & Event Ctr. Oper.	Transport-ation	Nonmajor Gov't	Proprietary	Total
Property tax	$ 279,490	$ -	$ -	$ -	$ -	$ -	$ -	$ 279,490
Admissions tax	957	-	-	-	-	-	-	957
Real Estate Excise tax	-	-	-	-	-	422,693	-	422,693
Utility tax	-	-	2,219,372	-	-	-	-	2,219,372
Gambling tax	30,036	-	-	-	-	-	-	30,036
Franchise Fee	268,804	-	-	-	-	-	-	268,804
Recreation programs/ Facilities	53,449	-	-	78,084	-	68,508	46,088	246,130
Grants/contributions/utility construction contract receivable/permits	168,365	286,614	-	-	1,291,262	639,570	958	2,386,770
Off Duty security & Other receivable	104,378	-	-	-	-	68,279	-	172,657
State Shared revenue	3,909,161	170,804	3,960	-	24,420	138,338	-	4,246,683
Interest earnings	11,791	536	2,902	290	30,579	27,114	3,542	76,754
Surface Water Management fees	-	-	-	-	-	-	200,975	200,975
Total by Fund:	**$ 4,826,432**	**$ 457,954**	**$ 2,226,234**	**$ 78,374**	**$1,346,262**	**$1,364,502**	**$ 251,563**	**$ 10,551,320**

NOTE 8 – CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2021 is as follows:

At the end of 2021, 22 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, 2021, are as follows:

CAPITAL ASSETS AS OF DECEMBER 31, 2021				
Governmental Activity	**Adjusted Beginning Balance 1/1/2021**	**Additions**	**Deletions**	**Ending Balance 12/31/2021**
Capital Assets, not being depreciated:				
Land	$283,707,109	$12,399	$ -	$283,719,508
Construction in progress	14,777,482	3,634,066	(2,996,334)	15,415,214
Total capital assets, not being depreciated:	$298,484,591	$3,646,465	$ (2,996,334)	$299,134,722
Capital assets, being depreciated:				
Buildings	72,887,441	-	(133,877)	72,753,564
Improvements other than buildings	28,652,906	197,626	-	28,850,532
Infrastructure	200,619,914	3,439,359	(4,118)	204,055,155
Machinery & equipment	21,980,630	2,166,007	(815,027)	23,331,610
Total capital assets, being depreciated:	324,140,891	5,802,992	(953,022)	328,990,861
Less accumulated depreciation for:				
Buildings	(29,952,373)	(3,594,189)	133,877	(33,412,685)
Improvements other than buildings	(20,711,994)	(659,648)	-	(21,371,642)
Infrastructure	(85,137,950)	(5,015,440)	1,514	(90,151,876)
Machinery & equipment	(14,118,014)	(1,615,172)	731,866	(15,001,319)
Total accumulated depreciation:	(149,920,331)	(10,884,448)	867,257	(159,937,522)
Total assets being depreciated, net	174,220,560	(5,081,456)	(85,765)	169,053,339
Governmental activities capital assets, net	**$472,705,152**	**($1,434,991)**	**($3,082,100)**	**$468,188,061**

Business-Type Activities	**Adjusted Beginning Balance 1/1/2021**	**Additions**	**Deletions**	**Ending Balance 12/31/2021**
Capital Assets, not being depreciated:				
Land	$11,340,293	$ -	$ -	$11,340,293
Construction in progress	448,124	168,053	(400,929)	215,248
Total capital assets, not being depreciated:	$11,788,417	168,053	(400,929)	11,555,541
Capital assets, being depreciated:				
Buildings	4,514,313	-	-	4,514,313
Improvements other than buildings	4,229,931	-	-	4,229,931
Infrastructure	67,843,688	709,309	-	68,552,997
Machinery & equipment	214,634	-	-	214,634
Total capital assets, being depreciated:	76,802,565	709,309	-	77,511,874
Less accumulated depreciation for:				
Buildings	(3,772,649)	(48,591)	-	(3,821,240)
Improvements other than buildings	(401,335)	(42,299)	-	(443,634)
Infrastructure	(17,572,729)	(678,437)	-	(18,251,166)
Machinery & equipment	(136,385)	(7,360)	-	(143,745)
Total accumulated depreciation:	(21,883,098)	(776,687)	-	(22,659,785)
Total assets being depreciated, net	54,919,467	(67,379)	-	54,852,089
Business-Type activities capital assets, net	**$66,707,884**	**$100,675**	**($400,929)**	**$66,407,630**

CAPITAL COMMITMENTS AS OF DECEMBER 31, 2021		
Governmental Activities Projects	**Construction in progress**	**Remaining Commitment**
10th Ave SW Improvement: SW Campus Dr - SW 344th St	$ 318,532	$ -
SW 336th Way / SW 340th St - 26th Pl SW - Hoyt Rd	255,948	-
S 344th Way @ Weyerhaeuser Way S	281,685	-
Adaptive Traffic Control System Project Phase I	2,411,783	394,385
City Center Access Project Phase I	3,876,175	750,825
Street Light LED Conversion Project	2,713,369	-
SR 509 9th Pl South to 11th Pl S - Pedestrian Improvement Project	1,484,766	147,516
SR 509 SW 312th Street - 21st Ave SW SRTS Project	391,635	135,840
Adaptive Traffic Control Phase III	797,758	74,294
47th Ave SW & SW Dash Point Rd Compact	675,199	-
Horizontal Curve Warning Signs	200,112	-
Pac Hwy Non-Motorized Corridor - 16th Ave S	782,619	1,471,560
Citywide Greenway Plan	521,739	321,754
S 314th St Improvements	77,816	-
Citywide Variable Lane Use Control Signal	512,082	31,652
SR 99 @ 373rd Roundabout	8,751	1,061,751
21st Ave / S 320th St Signal	16,261	1,018,739
SW 344th St @ 27th SW Compact Roundabout	5,670	111,256
Adaptive City Center Stage 2	24,010	650,990
Citywide Pedestrian Safety System Improvements	9,540	100,000
S 288th St Pacific Hwy S to 34th Ave S Bike & Pedestrian Improvements	43,747	292,417
Fiber Optic Network Loop	6,017	900,000
Total Governmental Activities	**$ 15,415,214**	**$ 7,462,979**

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

CAPITAL ASSETS DEPRECIATION BY TYPE AS OF DECEMBER 31, 2021	
Governmental and Internal Service Activities	
General government	$326,129
Public safety	1,097,041
Transportation	5,438,989
Utilities	18,238
Natural and economic environment	1,822,131
Social services	69,239
Culture & recreation	2,112,680
Total Depreciation - Governmental Activities	**$10,884,448**
Business-Type Activities	
Utilities - Surface Water Management	$762,630
Culture & Recreation - Dumas Bay Centre	14,057
Total Depreciation - Business-Type Activities	**$ 776,687**

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 2021:

Aggregate Pension Amounts – All Plans	
Pension liabilities	($1,421,811)
Pension assets	$36,917,454
Deferred outflows of resources	$3,748,347
Deferred inflows of resources	($27,215,484)
Pension expense/expenditures	($6,153,968)

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) multiplied by 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 2021 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee***
January – June 2021		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	**12.97%**	**6.00%**
July – December 2021		
PERS Plan 1	10.07%	6.00%
Administrative Fee	0.18%	
Total	**10.25%**	**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 $768,068 to PERS Plan 1 for the year ended December 31, 2021.

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) multiplied by 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 2021 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2***
January – June 2021		
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%**
July – December 2021		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**10.25%**	**6.36%**

* For employees participating in Judicial Benefit Multiplier (JBM), the contribution rate was 15.90%.

The City of Federal Way's actual PERS plan contributions were $768,068 to PERS Plan 1 and $1,272,328 to PERS Plan 2/3 for the year ended December 31, 2021.

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 3.41% in 2021.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	**Employer**	**Employee**
January – June 2021		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	
Total	**5.33%**	**8.59%**
July – December 2021		
State and local governments	5.12%	8.53%
Administrative Fee	0.18%	
Total	**5.30%**	**8.53%**

The City of Federal Way's actual contributions to the plan were $761,787 for the year ended December 31, 2021.

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, 2021, the state contributed $78,170,320 to LEOFF Plan 2. The amount recognized by the City of Federal Way as its proportionate share of this amount is $491,917.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. 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 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, 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' Publication H-2010 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 Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

There were no changes in assumptions since the last valuation. There were changes in methods since the last valuation.

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.
- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

Discount Rate

The discount rate for the calculation of 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.

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, 2021, 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	$2,422,133	$1,421,811	$549,425
PERS 2/3	($4,187,474)	($14,699,051)	($23,355,340)
LEOFF 2	($14,010,941)	($22,218,403)	($28,938,678)

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, 2021, the City of Federal Way's reported a total pension liability of $1,421,811 and total pension net asset of $36,917,454 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$1,421,811
PERS 2/3	($14,699,051)
LEOFF 2	($22,218,403)

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	($22,218,403)
LEOFF 2 – State's proportionate share of the net pension liability/(asset) associated with the employer	($14,333,296)
TOTAL	($36,551,699)

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

	Proportionate Share 6/30/20	Proportionate Share 6/30/21	Change in Proportion
PERS 1	0.109137%	0.116424%	0.007287%
PERS 2/3	0.139751%	0.147557%	0.007806%
LEOFF 2	0.374980%	0.382521%	0.007541%

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 2021, 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.

Pension Expense

For the year ended December 31, 2021, the City of Federal Way recognized pension expense as follows:

	Pension Expense
PERS 1	($39,891)
PERS 2/3	($3,388,580)
LEOFF 2	($2,725,496)
TOTAL	($6,153,968)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, 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	($1,577,736)
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	$338,268	$0
TOTAL	$338,268	($1,577,736)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$713,912	($180,196)
Net difference between projected and actual investment earnings on pension plan investments	$0	($12,284,959)
Changes of assumptions	$21,480	($1,043,876)
Changes in proportion and differences between contributions and proportionate share of contributions	$139,331	($140,600)
Contributions subsequent to the measurement date	$579,883	$0
TOTAL	$1,454,606	($13,649,631)

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$1,007,742	($117,423)
Net difference between projected and actual investment earnings on pension plan investments	$0	($10,593,894)
Changes of assumptions	$9,604	($1,056,708)
Changes in proportion and differences between contributions and proportionate share of contributions	$548,888	($220,091)
Contributions subsequent to the measurement date	$389,239	$0
TOTAL	$1,955,473	($11,988,117)

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, 2022. 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
2022	($417,942)
2023	($382,987)
2024	($362,129)
2025	($414,678)
2026	$0
Thereafter	$0
Total	**($1,577,736)**

Year ended December 31:	PERS 2/3
2022	($3,362,467)
2023	($3,141,746)
2024	($3,009,417)
2025	($3,247,692)
2026	($36,819)
Thereafter	$23,232
Total	**($12,774,909)**

Year ended December 31:	LEOFF 2
2022	($2,786,599)
2023	($2,593,910)
2024	($2,448,325)
2025	($2,761,842)
2026	$805
Thereafter	$167,990
Total	**($10,421,881)**

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 2021 there were a total of 370 individuals on average covered by this system. As of the end of the year, there were 346 active employees of the City and five were drawing retirement benefits. Sixty-six employees left the City's employment during the year and 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 2021 was $33,140,266 and excluding PERS, LEOFF, FWRS, deferred comp, flex plan, and section 125 covered payrolls was $26,106,318. Total City payroll was $34,162,793. Actual City contributions for the year were $1,648,818. Actual employee contributions were $1,965,900. All contributions were invested in instruments arranged through independent investment advisors selected by the **Municipal Employees' Benefit Trust** (MEBT) committee comprised of representatives 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. Additional information on MEBT can be found at MEBT.org or 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, 2021 were $1,000,794. 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

City of Federal Way is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 166 members.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices, prior wrongful acts, and employee benefits liability. Limits are $4 million per occurrence in the self-insured layer, and $16 million in limits above the self-insured layer is provided by reinsurance. Total limits are $20 million per occurrence subject to aggregates and sublimits. The Board of Directors determines the limits and terms of coverage annually.

Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

The following is a summary of coverage in force in 2021.

SCHEDULE OF INSURANCE IN FORCE AS OF DECEMBER 31, 2021			
Company	**Policy Period**	**Details of Coverage**	**Liability Limits**
WCIA	1/1/2021 – 12/31/2021	General Liability (auto, general, police, e & o, employment practices, & stop gap)	$20,000,000 per occurrence subject to annual aggregates and sub-limits. Deductible: zero
WCIA	1/1/2021 – 12/31/2021	Property Coverage	Limit $400,000,000 per occurrence. Sub-limits: $150,000,000 Earthquake per Occurrence; $100,000,000 Flood per Occurrence. Deductible: Earthquake 2% of the values involved, subject to $250,000 min per occurrence. Flood $250,000,00 per occurrence. All other perils $25,000 deductible.
WCIA	1/1/2021 – 12/31/2021	Automobile Physical Damage for Scheduled Automobiles	Actual Cash Value, except optional replacement cost coverage. Deductible $1,000 per occurrence for scheduled automobiles
WCIA	1/1/2021 – 12/31/2021	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 Except. Turbine Generator Units, KP Motors, Pumps, and Deep Water Wells, KVA Transformers, HP A/C and Refrigeration Systems and HP ICE's and Generators >=500 HP
WCIA	1/1/2021 – 12/31/2021	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	1/1/2021 – 12/31/2021	Crime/Fidelity (employee theft, forgery or alternation, 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	1/1/2021 – 12/31/2021	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 net position for the Risk Fund as of 12/31/2021 is $1.27 million. The amount of settlements did not exceed insurance coverage for the past three years.

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.

Cyber Security Program

The City of Federal Way employs 1) computer workstation endpoint virus protection on all network connected computers that are updated when new definitions are released, 2) system network "next generation" firewall for perimeter protection, 3) spam, malware, and targeted threat protection for all incoming and outgoing email. 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. In 2021, IT Staff reviewed Endpoint Detection & Response products and will be moving forward with procurement of a managed endpoint security suite to be deployed on all workstation endpoints and servers for 24/7 monitored protection. IT Consultant proposals were received and reviewed in 2021, allowing us to move forward with a comprehensive Backup and Disaster Recovery Project in 2022.

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 72.

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 2021 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 Key Bank Bond Anticipation Note which was scheduled for maturity on 12/01/2017. The City will refinance the balloon payment in 2022. 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 76.

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. Proprietary funds are used to liquidate proprietary net pension liability.

OUTSTANDING GENERAL OBLIGATION DEBT AND LONG-TERM LIABILITIES - BY TYPE
DECEMBER 31, 2021

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	$ 5,416,372	$ -	$ 399,716	$ 5,016,656
B) 2013 Refund Ltd/Community Center [2]	Aa3	Dec 01, 13	Dec 01, 33	2.67	12,415,000	8,850,000	-	550,000	8,300,000
C) 2019A LTGO Bond (SCORE) [4]	Aa2	Dec 11, 19	Dec 01, 38	2.75-5.00	10,945,000	10,565,000	-	390,000	10,175,000
D) 2019B LTGO Tax Bond (PAEC) [5]	Aa2	Dec 11, 19	Dec 01, 29	1.95-2.65	4,840,000	4,410,000	-	450,000	3,960,000
Subtotal GO Bonds:	-	-	-	-	34,200,000	29,241,372	-	1,789,716	27,451,656
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	2,394,000	-	159,000	2,235,000
Subtotal miscellaneous:	-	-	-	-	2,712,000	2,394,000	-	159,000	2,235,000
Subtotal GO Bonds plus Misc.					36,912,000	31,635,372	-	1,948,716	29,686,656
Compensated absences					-	2,380,402	2,092,042	2,068,562	2,403,882
Net Pension Liability (NPL) for Pers 1	-	-	-	-	-	5,043,226	-	3,769,491	1,273,735
Subtotal GO bonds, misc., comp. absences, & NPL	-	-	-	-	36,912,000	39,059,000	2,092,042	7,786,769	33,364,273
Business-Type Activities:									
Compensated absences	-	-	-	-	-	121,950	150,183	142,372	129,761
Net Pension Liability (NPL) for Pers 1	-	-	-	-	-	597,236	-	449,160	148,076
Subtotal PWTFL, comp. absences, & NPL:	-	-	-	-	-	719,186	150,183	591,532	277,837
Grand Total All Long-Term Debt:	**-**	**-**	**-**	**-**	**$ 36,912,000**	**$ 39,778,186**	**$ 2,242,225**	**$ 8,378,301**	**$33,642,110**

[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 $41,616 with current year amortization of $92,582. [3] Contract Loan 2016 Guarantee Assistance via HUD converted with variable rate to 2019-A HUD Certificate of Participation fixed rate. [4] The City has issued 2019A Bond to defease 2009 SCORE Bond. [5] The City has issued 2019B Bond to pay City for portion of PAEC construction on December 11, 2019. The ending 2019A & 2019B Bond premium is $1,673,208, with current year amortization of $27,924.

SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES
PERIOD ENDED DECEMBER 31, 2021

	Beginning Outstanding Debt	Additions	Reductions	Ending Outstanding Debt
Governmental Activities:				
General Obligation Bonds	$ 29,241,372	$ -	$ (1,789,716)	$ 27,451,656
Other-intergovernmental debt	2,394,000	-	(159,000)	2,235,000
Compensated absences	2,380,402	2,092,042	(2,068,562)	2,403,882
Net Pension Liability (NPL) for Pers 1	5,043,226	-	(3,769,491)	1,273,735
Total Governmental Activities	39,059,000	2,092,042	(7,786,769)	33,364,273
Business-Type Activities:				
Enterprise Funds				
Compensated absences	121,950	150,183	(142,372)	129,761
Net Pension Liability (NPL) for Pers 1	597,236	-	(449,160)	148,076
Total Business-Type Activities	719,186	150,183	(591,532)	277,837
Total All Funds	**$ 39,778,186**	**$ 2,242,225**	**$ (8,378,301)**	**$ 33,642,110**

OUTSTANDING GENERAL OBLIGATION DEBT AND LONG-TERM LIABILITIES - BY FUND DECEMBER 31, 2021						
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	$ 5,416,372	$ -	$ 399,716	$ 5,016,656	$ 5,016,656
B) 2013 Refund Ltd/Community Center [2]	12,415,000	8,850,000	-	550,000	8,300,000	575,000
C) 2019A LTGO Bond (SCORE) [4]	10,945,000	10,565,000	-	390,000	10,175,000	410,000
D) 2019B LTGO Tax Bond (PAEC) [5]	4,840,000	4,410,000	-	450,000	3,960,000	460,000
Subtotal GO Bonds:	34,200,000	29,241,372	-	1,789,716	27,451,656	6,461,656
Other Miscellaneous Debt-Intergovernmental:						
F) 2019-A Section 108 HUD CP[3]	2,712,000	2,394,000	-	159,000	2,235,000	159,000
Subtotal miscellaneous:	2,712,000	2,394,000	-	159,000	2,235,000	159,000
Subtotal GO Bonds plus Misc.	36,912,000	31,635,372	-	1,948,716	29,686,656	6,620,656
Compensated absences	-	2,380,402	2,092,042	2,068,562	2,403,882	183,838
Net Pension Liability (NPL) for Pers 1	-	5,043,226	-	3,769,491	1,273,735	na
Subtotal GO bonds, misc., comp. absences, & NPL:	36,912,000	39,059,000	2,092,042	7,786,769	33,364,273	6,804,494
Business-Type Activities:						
Enterprise Funds:						
Compensated absences	-	121,950	150,183	142,372	129,761	12,279
Net Pension Liability (NPL) for Pers 1	-	597,236	-	449,160	148,076	na
Subtotal PWTFL, comp. absences, & NPL:	-	719,186	150,183	591,532	277,837	12,279
Grant Total All Long-Term Debt:	**$ 36,912,000**	**$ 39,778,186**	**$ 2,242,225**	**$ 8,378,301**	**$ 33,642,110**	**$ 6,816,773**

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY AS OF DECEMBER 31, 2021					
	Government Activities General Governmental Debt		**Grand Total**		
Year	**Principal**	**Interest**	**Principal**	**Interest**	**P&I**
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	**$ 29,686,656**	**$ 6,988,964**	**$ 29,686,656**	**$ 6,988,964**	**$ 36,675,620**

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, 2021 are:

Computation of Limitation of Indebtedness		2021
General government (no vote required)	$	186,660,762
General government (3/5 majority vote required)		142,102,983
Parks and open space (3/5 majority vote required)		355,257,458
Utilities (3/5 majority vote required)		355,257,458
Total Capacity	**$**	**1,039,278,661**

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.

Compensated Absences		2021
Governmental Activities:		
Current portion	$	183,838
Noncurrent portion		2,220,044
Business-Type Activities:		
Current portion		12,279
Noncurrent portion		117,482
Total Compensated absences	**$**	**2,533,643**

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 has no estimated rebatable arbitrage amount as of December 31, 2021 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, 2021 were as follows:

Interfund Transfers	In	Out
Governmental Funds:		
General Fund	$ 8,521,219	$ 4,870,926
Street Fund	2,232,825	-
Utility Tax Fund	-	9,430,228
Debt Service	3,070,018	-
Performing Arts & Event Center Operations	1,083,942	-
Transportation	1,595,525	-
Performing Arts & Event Center	-	-
Nonmajor Governmental Funds	3,073,906	5,218,543
Proprietary Funds:		
Surface Water Management	-	545,500
Dumas Bay Centre	404,676	-
Internal Service Funds	645,500	562,414
Total:	**$20,627,611**	**$20,627,611**

The following describes the amounts transferred out during 2021:

General Fund:

- $2,232,825 to Street Fund to fund street maintenance and operations.
- $460,000 to Debt Service Fund to pay for Section 108 debt principal and interest.
- $1,083,942 to Performing Art & Event Center to fund operations.
- $732,700 to Federal Way Community Center to fund operations.
- $261,459 to Dumas Bay Centre to fund operations.
- $100,000 to Unemployment Fund to pay for unemployment claims.

Utility Tax Fund:

- $7,958,805 to General Fund for operation support.
- $370,443 to Federal Way Community Center Fund for operation support.
- $957,763 to Traffic Safety Fund for traffic safety operations support.
- $143,217 to Dumas Bay Centre Fund for operation support.

Non-major Funds:

- $445,525 from Arterial Street Fund to Transportation CIP Fund for construction projects Military Rd. S. Preservation, SW 320th Preservation, and SW 356th St. Preservation.
- $200,000 from Paths & Trails Fund to Transportation CIP Fund for Lakota parking lot project.
- $600,000 from LIFT Funding to Transportation CIP Fund for City Center Access, and 21st Ave and S 320th St Signal and Pedestrian Improvement projects.
- $2,610,018 from Real Estate Excise Tax (REET) Fund to Debt Service Fund for debt payments.
- $1,013,000 from REET Fund to Arterial Street Fund for street overlay.
- $350,000 from REET Fund to Street Construction Projects SR99 HOV Lanes Phase V, SW 356th St. Preservation, Pacific Hwy Non-Motorized Corridor – 16th Ave S., 27th Ave SW at SW 344th St, and Adaptive City Center.

Surface Water Manage Fund:

- $545,500 to Fleet & Equipment Fund for purchase of SWM vehicles and equipment.

Internal Service Funds:

- $562,414 to General Fund for maintenance and operations.

Interfund loans for the year ended December 31, 2021 were as follows:

Interfund Loans	Receivable	Payable
General Fund	$ 1,681,797	$ -
Special Revenue Funds:		
Community Development Block Grant	-	157,837
Capital Project Funds:		
Street	-	1,523,960
Total Interfund Loans	**$ 1,681,797**	**$ 1,681,797**

NOTE 13 – CONTRACTUAL OBLIGATIONS, CONTINGENCIES AND LITIGATION

As of December 31, 2021, there were minimal minor claims for damages and 7 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 filed by a contractor, Graham Construction, Inc., in relation to Phase 5 of the Pacific Highway improvement project. The City prevailed on a motion for summary judgement for all major causes of action alleged, by Graham Construction and the matter is currently pending review in Division I of the Court of Appeals.

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 basis for allocation of prorated financial participation among the member cities is the percentage of dispatched calls attributed to each jurisdiction of the total 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 2021 cost distributions for the member cities are as follows:

City	Dispatchable Calls	Percent of Total
Kent	101,249	26.51%
Renton	80,799	21.15%
Auburn	83,626	21.90%
Tukwila	35,008	9.17%
Federal Way	81,257	21.27%
Total	**381,939**	**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 2021					
	Kent	**Renton**	**Auburn**	**Tukwila**	**Federal Way**	**Total**
Equity @ January 1, 2021	$ 9,564,555	$ 7,037,729	$ 7,234,071	$ 3,416,212	$ 6,022,544	$ 33,275,111
Current year increase	1,337,421	1,067,291	1,104,634	462,424	1,073,341	5,045,111
Equity @ December 31, 2021	$ 10,901,976	$ 8,105,020	$ 8,338,705	$ 3,878,636	$ 7,095,885	$ 38,320,222
Percent of equity	28.45%	21.15%	21.76%	10.12%	18.52%	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 authorized the withdrawal from the SCORE interlocal agreement effective on January 1st, 2020 per city resolution 18-741. 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 a proportionate share of SCORE debt service in the amount of 10,175,000 as of December 31, 2021.

Joint Venture Reconciliation to Government Wide Financial Statements

	Balance 1/1/2021	Additions	Reductions	Balance 12/31/2021
Valley Communications Center	6,022,544	1,073,341	-	7,095,885
Total Joint Venture Capital Assets	**6,022,544**	**1,073,341**	**-**	**7,095,885**
Total Investment in Joint Ventures	**$ 6,022,544**	**$ 1,073,341**	**$ -**	**$ 7,095,885**

NOTE 15 – PRIOR PERIOD ADJUSTMENTS

A prior period adjustment in the General Fund in the amount of $188,654 is due to an adjustment for Lakehaven streetlight invoices charged to 2021, and the invoices were for services provided in 2020.

Governmental-type capital asset activity prior period adjustment of $419,896 for Construction in progress is due to $400,929 being incorrectly classified as governmental-type activity, and should be business-type activity, and $18,967 being a study for Joint Operations & Maintenance facility, and therefore not subject to capitalization.

Governmental Activity	Beg. Bal 1/1/2021	Prior Period Adjustment	Adj. Beg. Balance	Additions	Deletions	Ending Bal. 12/31/2021
Capital assets, not being depreciated:						
Land	$ 283,707,109	$ -	$ 283,707,109	$ 12,399	$ -	$ 283,719,508
Construction in progress	15,197,378	(419,896)	14,777,482	3,634,066	(2,996,334)	15,415,214
Total capital assets, not being depreciated:	**298,904,487**	**(419,896)**	**298,484,591**	**3,646,465**	**(2,996,334)**	**299,134,722**
Capital assets, being depreciated						
Buildings	72,887,441	-	72,887,441	-	(133,877)	72,753,564
Improvements other than buildings	28,652,906	-	28,652,906	197,626	-	28,850,532
Infrastructure	200,619,914	-	200,619,914	3,439,359	(4,118)	204,055,155
Machinery and equipment	21,980,630	-	21,980,630	2,166,007	(815,027)	23,331,610
Total capital assets, being depreciated:	**324,140,891**	**-**	**324,140,891**	**5,802,992**	**(953,022)**	**328,990,861**
Less accumulated depreciation for :						
Buildings	(29,952,373)	-	(29,952,373)	(3,594,189)	133,877	(33,412,685)
Improvements other than buildings	(20,711,994)	-	(20,711,994)	(659,648)	-	(21,371,642)
Infrastructure	(85,137,950)	-	(85,137,950)	(5,015,440)	1,514	(90,151,876)
Machinery and equipment	(14,118,014)	-	(14,118,014)	(1,615,172)	731,866	(15,001,319)
Total accumulated depreciation:	(149,920,331)	-	(149,920,331)	(10,884,448)	867,257	(159,937,522)
Total assets being depreciated, net	**174,220,560**	**-**	**174,220,560**	**(5,081,456)**	**(85,765)**	**169,053,339**
Governmental activities capital assets, net	**$ 473,125,048**	**$ (419,896)**	**$ 472,705,152**	**$ (1,434,991)**	**$ (3,082,100)**	**$ 468,188,061**

Business-type capital asset activity prior period adjustment of $386,229 for Construction in progress is due to $400,929 being incorrectly classified as governmental-type activity, and $14,700 for S 336th St Water Quality Facility being a cancelled project.

Business-Type Activities	Beg. Bal 1/1/2021	Prior Period Adjustment	Adj. Beg. Balance	Additions	Deletions	Ending Bal. 12/31/2021
Capital assets, not being depreciated:						
Land	$11,340,293	$ -	$11,340,293	$ -	$ -	$11,340,293
Construction in progress	61,895	386,229	448,124	168,053	(400,929)	215,248
Total capital assets, not being depreciated:	**11,402,188**	**386,229**	**11,788,417**	**168,053**	**(400,929)**	**11,555,541**
Capital assets, being depreciated						
Buildings	4,514,313	-	4,514,313	-	-	4,514,313
Improvements other than buildings	4,229,931	-	4,229,931	-	-	4,229,931
Infrastructure	67,843,688	-	67,843,688	709,309	-	68,552,997
Machinery and equipment	214,634	-	214,634	-	-	214,634
Total capital assets, being depreciated:	**76,802,565**	**-**	**76,802,565**	**709,309**	**-**	**77,511,874**
Less accumulated depreciation for :						
Buildings	(3,772,649)	-	(3,772,649)	(48,591)	-	(3,821,240)
Improvements other than buildings	(401,335)	-	(401,335)	(42,299)	-	(443,634)
Infrastructure	(17,572,729)	-	(17,572,729)	(678,437)	-	(18,251,166)
Machinery and equipment	(136,385)	-	(136,385)	(7,360)	-	(143,745)
Total accumulated depreciation:	(21,883,098)	-	(21,883,098)	(776,687)	-	(22,659,785)
Total assets being depreciated, net	**54,919,467**	**-**	**54,919,467**	**(67,378)**	**-**	**54,852,089**
Business Type activities capital assets, net	**$ 66,321,655**	**$ 386,229**	**$ 66,707,884**	**$ 100,675**	**$ (400,929)**	**$ 66,407,630**

NOTE 16 – LEASES

Operating Leases

The City started leasing space for the downtown Police substation on February 1, 2014. Total cost of the lease for the year ending December 31, 2021 was $36,000. Current lease of the substation expires December 31, 2022. The future minimum lease payment for the downtown Police substation lease is $36,000. This lease does not automatically renew.

The City started leasing Twin Lakes Police substation starting May 1, 2020. Total cost of the lease for the year ending December 31, 2021 was $7,860. The lease of the substation expires June 30, 2023. This lease does not automatically renew.

NOTE 17 – SELF-INSURANCE

The City elected to be self-insured for unemployment compensation. Related premiums are received into the Unemployment Insurance Fund and are used to reimburse the State Employment Security Department for unemployment benefits paid to eligible individuals, and are used to establish reserves for the payment of estimated future unemployment claims liability. Weekly payments to an employee range from $215 - $929 depending upon the wages earned. At December 31st, 2021 the City had $315,846 in reserve, an increase of 14.7% over previous year.

Unemployment compensation benefits	2020	2021
Unemployment reserve, Jan. 1st	$ 273,701	$ 275,397
Unemployment compensation transfer in	80,000	100,000
Unemployment compensation interest	1,165	76
Claim payments during the year	(79,469)	(59,626)
Unemployment reserve, Dec. 31st	**$ 275,397**	**$ 315,846**

The City also elected to self-insure for medical and pharmacy insurance. Related premiums are received into the Health Insurance Fund and are used to reimburse weekly claims to Group Health Corporation for medical and pharmacy benefits paid on behalf of eligible individuals. The Health Insurance Fund has established reserves for the payment of estimated future medical benefits claims liability. At December 31st, 2021 the City had $3,770,611 in reserve.

Health Insurance benefits	2020	2021
Health Insurance reserve, Jan. 1st	$ 3,657,598	$ 3,189,939
Health Insurance benefits	4,312,445	4,565,611
Health Insurance Employee Contributions	212,627	234,617
Health Insurance COBRA Contributions	113,387	61,479
Health Insurance interest	14,856	901
Health Insurance Recovery-Stop Loss	714,375	106,090
Prescription Claim payments during the year	(1,032,222)	(729,456)
Medical Claim payments during the year	(3,488,607)	(2,255,859)
Insurance-Stop Loss	(699,917)	(793,400)
Other services and charges	(614,601)	(609,312)
Health Insurance reserve, Dec. 31st	**$ 3,189,939**	**$ 3,770,611**

NOTE 18 – ACCOUNTING AND REPORTING CHANGES

The implementation of GASB Guide No. 2019-1, "Implementation Guidance Update – 2019" will take effect for financial statements starting with the fiscal year ending June 30, 2021. This guide provides ongoing guidance that clarifies, explains or elaborates on GASB statements. Requirements of this Implementation Guide applies to the financial statements of all state and local governments.

GASB statement 89, which pertains to the accounting for interest costs incurred before the end of a construction period, and GASB statement 93, which pertains to the replacement of interbank offered rates, were not relevant and/or material to City of Federal Way.

The Government Finance Officers Association (GFOA), in a policy statement issued on March 9, 2021, recommended the name of governments' Comprehensive Annual Financial Report (CAFR) be changed to Annual Comprehensive Financial Report (ACFR). While the City of Federal Way views these terms as interchangeable, recognizes that many years of familiarity since the 2001 issuance of GASB 34, and has a greater desire to maintain accountability, transparency, and to avoid introducing any confusion that could result in making such a change.

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), starting the long chain of the City's local responses to a worldwide event with a great deal of on-going uncertainty. Throughout 2020 and 2021, in navigating the public health crisis, both the State of Washington and King County imposed various levels of restrictions that created varying circumstances beyond the control of the City, and resulted in various economic consequences. The City has worked to maintain service levels as much as possible, and to report revenues and other local economic consequences of the pandemic accurately. The pandemic continued beyond 2021 into 2022, the City continues to monitor and manage all options to adjust service levels and budgetary responses.

REQUIRED SUPPLEMENTARY INFORMATION

City of Federal Way

Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30, 2021
Last 10 Fiscal Years*

		2015	2016	2017	2018	2019	2020	2021
Employer's proportion of the net pension liability (asset)	%	0.110831%	0.114008%	0.114547%	0.115857%	0.113856%	0.109137%	0.116424%
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	1,421,809
TOTAL	**$**	**5,797,492**	**6,122,767**	**5,435,344**	**5,174,213**	**4,378,167**	**3,853,125**	**1,421,809**
Covered payroll	$	12,744,440	13,650,352	14,496,336	15,317,923	15,564,017	16,370,986	17,077,262
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%	8.33%
Plan fiduciary net position as a percentage of the total pension liability	%	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%	88.74%

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, 2021
Last 10 Fiscal Years*

		2015	2016	2017	2018	2019	2020	2021
Employer's proportion of the net pension liability (asset)	%	0.143122%	0.146079%	0.147025%	0.146710%	0.144555%	0.139751%	0.147557%
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	(14,699,051)
TOTAL	**$**	**5,113,831**	**7,354,962**	**5,108,416**	**2,504,943**	**1,404,121**	**1,787,336**	**(14,699,051)**
Covered payroll	$	12,744,440	13,650,352	14,496,336	15,317,923	15,564,017	16,370,986	17,077,262
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%	-86.07%
Plan fiduciary net position as a percentage of the total pension liability	%	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%	120.29%

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, 2021
Last 10 Fiscal Years*

		2015	2016	2017	2018	2019	2020	2021
Employer's proportion of the net pension liability (asset)	%	0.427847%	0.415772%	0.434711%	0.397656%	0.393513%	0.374980%	0.382521%
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)	(22,218,403)
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)	(14,333,296)
TOTAL	**$**	**(7,304,980)**	**(3,994,781)**	**(9,945,472)**	**(13,300,513)**	**(15,086,566)**	**(12,540,029)**	**(36,551,699)**
Covered payroll	$	12,477,707	12,625,740	13,610,662	13,157,989	13,865,920	14,177,786	14,265,168
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%	-155.75%
Plan fiduciary net position as a percentage of the total pension liability	%	111.67%	106.04%	113.36%	118.50%	119.43%	115.83%	142.00%

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, 2021
Last 10 Fiscal Years*

		2015	2016	2017	2018	2019	2020	2021
Statutorily or contractually required contributions	$	584,359	663,133	745,500	792,384	811,218	797,876	768,068
Contributions in relation to the statutorily or contractually required contributions	$	(584,359)	(663,133)	(745,500)	(792,384)	(811,218)	(797,876)	(768,068)
Contribution deficiency (excess)	**$**	-	-	-	-	-	-	-
Covered Payroll	$	13,309,318	13,887,684	15,134,713	15,255,177	16,208,573	16,459,407	17,920,352
Contributions as a percentage of covered payroll	%	4.39%	4.77%	4.93%	5.19%	5.00%	4.85%	4.29%

Notes to Schedule:
* Employer's covered payroll increased by $1.46M. 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, 2021
Last 10 Fiscal Years*

		2015	2016	2017	2018	2019	2020	2021
Statutorily or contractually required contributions	$	750,485	866,073	1,034,441	1,154,906	1,247,242	1,295,038	1,272,328
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)	(1,272,328)
Contribution deficiency (excess)	**$**	-	-	-	-	-	-	-
Covered Payroll	$	13,309,318	13,887,684	15,134,713	15,255,177	16,208,573	16,459,407	17,920,352
Contributions as a percentage of covered payroll	%	5.64%	6.24%	6.83%	7.57%	7.69%	7.87%	7.10%

Notes to Schedule:
* Employer's covered payroll increased by $1.46M. Additional years information will be displayed as it becomes available.

City of Federal Way
Schedule of Employer Contributions
LEOFF 2
As of December 31, 2021
Last 10 Fiscal Years*

		2015	2016	2017	2018	2019	2020	2021
Statutorily or contractually required contributions	$	625,331	669,609	688,577	702,132	735,539	721,881	761,787
Contributions in relation to the statutorily or contractually required contributions	$	(625,331)	(669,609)	(688,577)	(702,132)	(735,539)	(721,881)	(761,787)
Contribution deficiency (excess)	**$**	-	-	-	-	-	-	-
Covered Payroll	$	12,382,722	13,274,725	13,365,190	13,373,925	14,142,286	14,018,688	14,834,518
Contributions as a percentage of covered payroll	%	5.05%	5.04%	5.15%	5.25%	5.20%	5.15%	5.14%

Notes to Schedule:
* Employer's covered payroll increase by $816K Additional years information will be displayed as it becomes available.

Combining Statement – Nonmajor Governmental Funds' Description
For the Year Ended December 31, 2021

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, 2021

	Special Revenue	Capital Projects	Total
ASSETS			
Cash and Cash Equivalents	$ 8,966,317	$ 9,851,204	$ 18,817,521
Investments	1,329,374	1,472,746	2,802,120
Receivables (net):			
Taxes	-	422,755	422,755
Accounts and contracts	131,713	4,536	136,249
Due from other governments	777,837	10,947	788,784
TOTAL ASSETS	11,205,241	11,762,188	22,967,429
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Vouchers payable	1,287,859	4,765	1,292,624
Accounts/payroll payable	189,681	-	189,681
Retainage payable	69,076	1,738	70,814
Deposits payable	39,643	-	39,643
Interfund loans payable	157,837	-	157,837
Unearned revenue	182,415	-	182,415
TOTAL LIABILITIES	1,926,511	6,503	1,933,014
DEFERRED INFLOWS OF RESOURCES FOR UNAVAILABLE OTHER REVENUE	9,698	-	9,698
Fund Balance:			
Restricted	5,087,175	10,864,298	15,951,473
Committed	4,181,857	891,387	5,073,244
TOTAL FUND BALANCES	9,269,032	11,755,685	21,024,717
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 11,205,241	$ 11,762,188	$ 22,967,429

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2021

	Arterial Street	Affrd. & Supprt. Housing Sales & Use Tax	Solid Waste Recycling	Special Contracts/ Studies	Hotel/Motel Lodging Tax
ASSETS					
Cash and Cash Equivalents	$ 568,917	$ 211,605	$ 183,128	$ 754,827	$ 1,381,242
Investments	75,062	31,635	27,378	112,214	206,495
Receivables (net):					
Accounts and contracts	105	97	44,412	15,849	647
Due from other governments	133,298	26,577	43,399	-	30,317
TOTAL ASSETS	777,382	269,914	298,316	882,890	1,618,701
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Vouchers payable	-	-	19,385	-	75
Accounts/payroll payable	9,021	-	17,606	-	-
Retainage payable	66,826	-	-	-	-
Deposits payable	-	-	-	-	-
Interfund loans payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
TOTAL LIABILITIES	75,847	-	36,991	-	75
DEFERRED INFLOWS OF RESOURCES FOR UNAVAILABLE OTHER REVENUE	-	-	9,698	-	-
Fund Balance:					
Restricted	701,535	269,914	-	882,890	1,618,626
Committed	-	-	251,627	-	-
TOTAL FUND BALANCES	701,535	269,914	251,627	882,890	1,618,626
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 777,382	$ 269,914	$ 298,316	$ 882,890	$ 1,618,701

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2021

	Federal way Community Center	Traffic Safety	Community Development Block Grant	Paths and Trails Reserve	Technology	Total
ASSETS						
Cash and Cash Equivalents	$ 1,635,104	$ 2,584,429	$ 2,021	$ 1,377,751	$ 267,293	$ 8,966,317
Investments	244,290	386,370	-	205,970	39,960	1,329,374
Receivables (net):						
Accounts and contracts	68,969	810	-	703	120	131,713
Due from other governments	-	-	542,731	1,516	-	777,837
TOTAL ASSETS	1,948,363	2,971,609	544,752	1,585,940	307,373	11,205,241
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Vouchers payable	157,301	750,356	348,479	-	12,263	1,287,859
Accounts/payroll payable	64,129	88,758	10,167	-	-	189,681
Retainage payable	2,250	-	-	-	-	69,076
Deposits payable	39,643	-	-	-	-	39,643
Interfund loans payable	-	-	157,837	-	-	157,837
Unearned revenue	182,415	-	-	-	-	182,415
TOTAL LIABILITIES	445,738	839,114	516,482	-	12,263	1,926,511
DEFERRED INFLOWS OF RESOURCES FOR UNAVAILABLE OTHER REVENUE	-	-	-	-	-	9,698
Fund Balance:						
Restricted	-	-	28,270	1,585,940	-	5,087,175
Committed	1,502,625	2,132,495	0	-	295,110	4,181,857
TOTAL FUND BALANCES	1,502,625	2,132,495	28,270	1,585,940	295,110	9,269,032
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,948,363	$ 2,971,609	$ 544,752	$ 1,585,940	$ 307,373	$11,205,241

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
December 31, 2021

	Real Estate Excise Tax Fund	Downtown Redevelopment	City Facilities	Parks	Capital Project Reserve	Total
ASSETS						
Cash and Cash Equivalents	$ 4,168,769	$ 3,391,462	$ 252,341	$ 1,716,918	$ 321,715	$ 9,851,204
Investments	623,227	507,020	37,725	256,678	48,096	1,472,746
Receivables (net):						
Taxes	422,693	62	-	-	-	422,755
Accounts and contracts	1,891	1,571	119	804	152	4,536
Due from other governments	10,939	8	-	-	-	10,947
TOTAL ASSETS	5,227,519	3,900,123	290,185	1,974,399	369,963	11,762,188
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Vouchers payable	-	-	-	4,765	-	4,765
Retainage payable	-	-	-	1,738	-	1,738
TOTAL LIABILITIES	-	-	-	6,503	-	6,503
Fund Balance:						
Restricted	5,227,519	3,900,123	30,581	1,706,076	-	10,864,298
Committed	-	-	259,604	261,820	369,963	891,387
TOTAL FUND BALANCES	5,227,519	3,900,123	290,185	1,967,896	369,963	11,755,685
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 5,227,519	$ 3,900,123	$ 290,185	$ 1,974,399	$ 369,963	$ 11,762,188

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For Year Ended December 31, 2021

	Special Revenue	Capital Projects	Total
REVENUES			
Taxes	$ 622,457	$ 6,216,321	$ 6,838,778
Licenses and permits	64,767	-	64,767
Intergovernmental	2,066,347	14,999	2,081,346
Charges for goods and services	1,637,087	73,200	1,710,287
Fines and penalties	2,909,314	-	2,909,314
Interest	2,531	2,199	4,730
Miscellaneous	225,208	29,750	254,958
TOTAL REVENUES	7,527,710	6,336,469	13,864,180
EXPENDITURES			
Current:			
General government	58,758	-	58,758
Public safety	2,604,496	-	2,604,496
Transportation	2,617,254	-	2,617,254
Utilities	562,166	-	562,166
Natural and economic environment	34,392	-	34,392
Social services	1,086,383	-	1,086,383
Culture and recreation	2,128,650	47,434	2,176,085
Debt service:			
Interest/fiscal charges/admin fees	2,534	-	2,534
Capital outlay	-	21,300	21,300
TOTAL EXPENDITURES	9,094,633	68,735	9,163,367
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,566,922)	6,267,735	4,700,812
OTHER FINANCING SOURCES (USES)			
Transfers in	3,073,906	-	3,073,906
Transfers out	(645,525)	(4,573,018)	(5,218,543)
TOTAL OTHER FINANCING SOURCES (USES)	2,428,381	(4,573,018)	(2,144,637)
NET CHANGE IN FUND BALANCES	861,459	1,694,717	2,556,176
FUND BALANCES - BEGINNING	8,407,573	10,060,968	18,468,541
FUND BALANCES - ENDING	$ 9,269,032	$ 11,755,685	$ 21,024,717

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For Year Ended December 31, 2021

	Arterial Street	Affrd. & Supprt. Housing Sales & Use Tax	Solid Waste Recycling	Special Contracts/ Studies	Hotel/Motel Lodging Tax
REVENUES					
Taxes	$ -	$ 130,941	$ -	$ -	$ 204,303
Licenses and permits	-	-	-	64,767	-
Intergovernmental	505,715	-	84,617	-	-
Charges for goods and services	78,219	-	515,613	-	-
Fines and penalties	-	-	-	-	-
Interest	804	2	14	205	352
Miscellaneous	-	-	-	-	-
TOTAL REVENUES	584,739	130,943	600,243	64,972	204,655
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Transportation	1,887,425	-	-	-	-
Utilities	-	-	562,166	-	-
Natural and economic environment	-	-	-	-	34,392
Social services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Debt service:					
Interest/fiscal charges/admin fees	-	-	-	-	-
TOTAL EXPENDITURES	1,887,425	-	562,166	-	34,392
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,302,686)	130,943	38,077	64,972	170,264
OTHER FINANCING SOURCES (USES)					
Transfers in	1,013,000	-	-	-	-
Transfers out	(445,525)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	567,475	-	-	-	-
NET CHANGE IN FUND BALANCES	(735,211)	130,943	38,077	64,972	170,264
FUND BALANCES - BEGINNING	1,436,746	138,971	213,550	817,918	1,448,362
FUND BALANCES - ENDING	$ 701,535	$ 269,914	$ 251,627	$ 882,890	$ 1,618,626

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For Year Ended December 31, 2021

	Federal way Community Center	Traffic Safety	Community Development Block Grant	Paths and Trails Reserve	Technology	Total
REVENUES						
Taxes	$ -	$ -	$ -	$ 287,213	$ -	$ 622,457
Licenses and permits	-	-	-	-	-	64,767
Intergovernmental		393,309	1,072,382	10,324	-	2,066,347
Charges for goods and services	802,234	-	14,000	-	227,022	1,637,087
Fines and penalties	-	2,909,314	-	-	-	2,909,314
Interest	691	121	-	340	2	2,531
Miscellaneous	225,208	-	-	-	-	225,208
TOTAL REVENUES	1,028,132	3,302,744	1,086,382	297,877	227,024	7,527,710
EXPENDITURES						
Current:						
General government	-	9,846	-	-	48,912	58,758
Public safety	-	2,604,496	-	-	-	2,604,496
Transportation	-	729,829	-	-	-	2,617,254
Utilities	-	-	-	-	-	562,166
Natural and economic environment	-	-	-	-	-	34,392
Social services	-	-	1,086,383	-	-	1,086,383
Culture and recreation	2,128,650	-	-	-	-	2,128,650
Debt service:						
Interest/fiscal charges/admin fees	-	-	2,534	-	-	2,534
TOTAL EXPENDITURES	2,128,650	3,344,170	1,088,917	-	48,912	9,094,633
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,100,518)	(41,427)	(2,535)	297,877	178,111	(1,566,922)
OTHER FINANCING SOURCES (USES)						
Transfers in	1,103,143	957,763	-	-	-	3,073,906
Transfers out	-	-	-	(200,000)	-	(645,525)
TOTAL OTHER FINANCING SOURCES (USES)	1,103,143	957,763	-	(200,000)	-	2,428,381
NET CHANGE IN FUND BALANCES	2,625	916,336	(2,535)	97,877	178,111	861,459
FUND BALANCES - BEGINNING	1,500,000	1,216,159	30,805	1,488,063	116,999	8,407,573
FUND BALANCES - ENDING	$ 1,502,625	$ 2,132,495	$ 28,270	$ 1,585,940	$ 295,110	$ 9,269,032

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
For Year Ended December 31, 2021

	Real Estate Excise Tax Fund	Downtown Redevelopment	City Facilities	Parks	Capital Project Reserve	Total
REVENUES						
Taxes	$ 5,185,847	$ 1,030,475	$ -	$ -	$ -	$ 6,216,321
Intergovernmental	-		-	14,999	-	14,999
Charges for goods and services	-	-	-	73,200	-	73,200
Interest	570	934	80	515	101	2,199
Miscellaneous	-	-	-	29,750	-	29,750
TOTAL REVENUES	5,186,417	1,031,409	80	118,463	101	6,336,469
EXPENDITURES						
Current:						
Culture and recreation	-	-	-	47,434	-	47,434
Capital outlay	-	-	-	21,300	-	21,300
TOTAL EXPENDITURES	-	-	-	68,735	-	68,735
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,186,417	1,031,409	80	49,729	101	6,267,735
OTHER FINANCING SOURCES (USES)						
Transfers out	(3,973,018)	(600,000)	-	-	-	(4,573,018)
TOTAL OTHER FINANCING SOURCES (USES)	(3,973,018)	(600,000)	-	-	-	(4,573,018)
NET CHANGE IN FUND BALANCES	1,213,399	431,409	80	49,729	101	1,694,717
FUND BALANCES - BEGINNING	4,014,120	3,468,714	290,105	1,918,167	369,862	10,060,968
FUND BALANCES - ENDING	$ 5,227,519	$ 3,900,123	$ 290,185	$ 1,967,896	$ 369,963	$ 11,755,685

ARTERIAL STREET
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Year Ended December 31, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Intergovernmental	$ 449,999	$ 449,999	$ 505,715	$ 55,716
Charges for goods and services	-	-	78,219	78,219
Interest	5,000	5,000	804	(4,196)
TOTAL REVENUES	454,999	454,999	584,739	129,740
EXPENDITURES				
Current:				
Transportation	2,099,184	1,379,184	1,887,425	(508,241)
TOTAL EXPENDITURES	2,099,184	1,379,184	1,887,425	(508,241)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,644,185)	(924,185)	(1,302,686)	(378,501)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,563,000	1,063,000	1,013,000	(50,000)
Transfers out	(948,000)	(978,000)	(445,525)	532,475
TOTAL OTHER FINANCING SOURCES (USES)	1,615,000	85,000	567,475	482,475
NET CHANGE IN FUND BALANCES	(29,185)	(839,185)	(735,211)	103,974
FUND BALANCES - BEGINNING	502,618	1,398,599	1,436,746	38,147
FUND BALANCES - ENDING	$ 473,433	$ 559,414	$ 701,535	$ 142,121

AFFORDABLE & SUPPORTIVE HOUSING SALES & USE TAX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Year Ended December 31, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	$ -	$ 125,000	$ 130,941	$ 5,941
Interest	-	-	2	2
TOTAL REVENUES	-	125,000	130,943	5,943
EXPENDITURES				
Current:				
Social services	-	125,000	-	125,000
TOTAL EXPENDITURES	-	125,000	-	125,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	130,943	130,943
NET CHANGE IN FUND BALANCES	-	-	130,943	130,943
FUND BALANCES - BEGINNING	-	125,151	138,971	13,820
FUND BALANCES - ENDING	$ -	$ 125,151	$ 269,914	$ 144,763

SOLID WASTE & RECYCLING
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Year Ended December 31, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Intergovernmental	$ 115,570	$ 115,570	$ 84,617	$ (30,953)
Charges for goods and services	437,560	437,560	515,613	78,053
Fines and penalties	2,000	2,000	-	(2,000)
Interest	1,200	1,200	14	(1,186)
TOTAL REVENUES	556,330	556,330	600,243	43,913
EXPENDITURES				
Current:				
Utilities	545,844	545,844	562,166	(16,322)
TOTAL EXPENDITURES	545,844	545,844	562,166	(16,322)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	10,486	10,486	38,077	27,591
NET CHANGE IN FUND BALANCES	10,486	10,486	38,077	27,591
FUND BALANCES - BEGINNING	166,146	213,550	213,550	-
FUND BALANCES - ENDING	$ 176,632	$ 224,036	$ 251,627	$ 27,591

SPECIAL CONTRACTS/STUDIES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Year Ended December 31, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Licenses and permits	$ -	$ -	$ 64,767	$ 64,767
Interest	-	-	205	205
TOTAL REVENUES	-	-	64,972	64,972
EXPENDITURES				
Current:				
General government	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	64,972	64,972
NET CHANGE IN FUND BALANCES	-	-	64,972	64,972
FUND BALANCES - BEGINNING	341,927	817,918	817,918	-
FUND BALANCES - ENDING	$ 341,927	$ 817,918	$ 882,890	$ 64,972

HOTEL/MOTEL LODGING TAX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Year Ended December 31, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	$ 150,000	$ 150,000	$ 204,303	$ 54,303
Interest	5,000	5,000	352	(4,648)
TOTAL REVENUES	155,000	155,000	204,655	49,655
EXPENDITURES				
Current:				
Natural and economic environment	155,000	155,000	34,392	120,609
TOTAL EXPENDITURES	155,000	155,000	34,392	120,609
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	170,264	170,264
NET CHANGE IN FUND BALANCES	-	-	170,264	170,264
FUND BALANCES - BEGINNING	1,335,006	1,441,177	1,448,362	7,185
FUND BALANCES - ENDING	$ 1,335,006	$ 1,441,177	$ 1,618,626	$ 177,449

FEDERAL WAY COMMUNITY CENTER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Year Ended December 31, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Charges for goods and services	$ 1,590,875	$ 845,875	$ 802,234	$ (43,641)
Interest	10,000	10,000	691	(9,309)
Miscellaneous	372,693	217,693	225,208	7,515
TOTAL REVENUES	1,973,568	1,073,568	1,028,132	(45,436)
EXPENDITURES				
Current:				
Culture and recreation	2,245,642	2,078,342	2,128,650	(50,308)
TOTAL EXPENDITURES	2,245,642	2,078,342	2,128,650	(50,308)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(272,074)	(1,004,774)	(1,100,518)	(95,744)
OTHER FINANCING SOURCES (USES)				
Transfers in	279,307	1,012,007	1,103,143	91,136
TOTAL OTHER FINANCING SOURCES (USES)	279,307	1,012,007	1,103,143	91,136
NET CHANGE IN FUND BALANCES	7,233	7,233	2,625	(4,608)
FUND BALANCES - BEGINNING	1,500,000	1,500,000	1,500,000	-
FUND BALANCES - ENDING	$ 1,507,233	$ 1,507,233	$ 1,502,625	$ (4,608)

TRAFFIC SAFETY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Year Ended December 31, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Intergovernmental	$ -	$ -	$ 393,309	$ 393,309
Fines and penalties	2,872,442	2,872,442	2,909,314	36,872
Interest	13,500	13,500	121	(13,379)
TOTAL REVENUES	2,885,942	2,885,942	3,302,744	416,802
EXPENDITURES				
Current:				
General government	61,550	61,550	9,846	51,704
Public safety	1,992,687	2,565,695	2,604,496	(38,801)
Transportation	682,620	682,620	729,829	(47,209)
Capital outlay	-	50,000	-	50,000
TOTAL EXPENDITURES	2,736,857	3,359,865	3,344,170	15,695
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	149,085	(473,923)	(41,427)	432,496
OTHER FINANCING SOURCES (USES)				
Transfers in	-	457,763	957,763	500,000
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	457,763	957,763	500,000
NET CHANGE IN FUND BALANCES	149,085	(16,160)	916,336	932,496
FUND BALANCES - BEGINNING	270,442	1,216,159	1,216,159	-
FUND BALANCES - ENDING	$ 419,527	$ 1,199,999	$ 2,132,495	$ 932,496

COMMUNITY DEVELOPMENT BLOCK GRANT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Year Ended December 31, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Intergovernmental	$ 1,843,010	$ 1,624,487	$ 1,072,382	$ (552,105)
Charges for goods and services	-	-	14,000	14,000
TOTAL REVENUES	1,843,010	1,624,487	1,086,382	(538,105)
EXPENDITURES				
Current:				
Social services	1,843,010	1,624,487	1,086,383	538,104
Debt service:				-
Interest/fiscal charges/admin fees	-	-	2,534	(2,534)
TOTAL EXPENDITURES	1,843,010	1,624,487	1,088,917	535,570
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(2,535)	(2,535)
NET CHANGE IN FUND BALANCES	-	-	(2,535)	(2,535)
FUND BALANCES - BEGINNING	21,251	30,805	30,805	-
FUND BALANCES - ENDING	$ 21,251	$ 30,805	$ 28,270	$ (2,535)

PATH & TRAILS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Year Ended December 31, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	$ 160,000	$ 160,000	$ 287,213	$ 127,213
Intergovernmental	9,000	9,000	10,324	1,324
Interest	-	-	340	340
TOTAL REVENUES	169,000	169,000	297,877	128,877
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(200,000)	(200,000)	(200,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(200,000)	(200,000)	(200,000)	-
NET CHANGE IN FUND BALANCES	(31,000)	(31,000)	97,877	128,877
FUND BALANCES - BEGINNING	1,360,437	1,488,063	1,488,063	-
FUND BALANCES - ENDING	$ 1,329,437	$ 1,457,063	$ 1,585,940	$ 128,877

TECHNOLOGY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For Year Ended December 31, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Charges for goods and services	$ 146,716	$ 146,715	$ 227,022	$ 80,307
Interest	-	-	2	2
TOTAL REVENUES	146,716	146,715	227,024	80,309
EXPENDITURES				
Current:				
General government	181,000	61,000	48,912	12,088
TOTAL EXPENDITURES	181,000	61,000	48,912	12,088
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(34,284)	85,715	178,111	92,396
NET CHANGE IN FUND BALANCES	(34,284)	85,715	178,111	92,396
FUND BALANCES - BEGINNING	91,136	116,999	116,999	-
FUND BALANCES - ENDING	$ 56,852	$ 202,714	$ 295,110	$ 92,396

CITY OF
Federal Way
Centered on Opportunity

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Budget and Actual – Debt Service Fund Description
For the Year Ended December 31, 2021

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 as 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, 2021

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Interest	$ 30,000	$ 30,000	$ 1,418	$ (28,582)
TOTAL REVENUES	30,000	30,000	1,418	(28,582)
EXPENDITURES				
Current:				
Debt service:				
Principal	16,056,088	16,215,088	1,948,716	14,266,372
Interest/fiscal charges/admin fees	1,178,544	1,019,544	1,020,443	(899)
TOTAL EXPENDITURES	17,234,632	17,234,632	2,969,158	14,265,474
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(17,204,632)	(17,204,632)	(2,967,741)	14,236,891
OTHER FINANCING SOURCES (USES)				
Transfers in	3,070,018	3,070,018	3,070,018	(1)
Transfers out	(199,683)	(199,683)	-	199,683
TOTAL OTHER FINANCING SOURCES (USES)	17,136,707	17,136,707	3,070,018	(14,066,690)
NET CHANGE IN FUND BALANCES	(67,925)	(67,925)	102,277	170,202
FUND BALANCES - BEGINNING	3,322,342	3,569,746	3,569,746	-
FUND BALANCES - ENDING	$ 3,254,417	$ 3,501,821	$ 3,672,023	$ 170,202

Combining Statement – Internal Service Fund's Description
For the Year Ended December 31, 2021

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, 2021

	Risk Management	Information Systems	Support Services	Fleet and Equipment
ASSETS				
Current Assets				
Cash and Cash Equivalents	$ 1,150,179	$ 3,891,138	$ 269,835	$ 7,309,286
Investments	171,951	582,354	40,340	1,092,732
Prepaid items	-	-	5,000	-
Receivables (net):				
Accounts and contracts	741	1,845	130	3,219
TOTAL CURRENT ASSETS	1,322,871	4,475,337	315,305	8,405,237
Noncurrent assets				
Capital assets:				
Building/structures	-	-	-	-
Machinery/furniture/equipment	-	6,876,388	277,361	15,385,669
Less accumulated depreciation	-	(5,717,062)	(205,124)	(8,818,102)
Net pension asset	-	668,685	-	56,014
TOTAL NONCURRENT ASSETS	-	1,828,011	72,237	6,623,581
TOTAL ASSETS	1,322,871	6,303,348	387,542	15,028,818
DEFERRED OUTFLOWS RELATED TO PENSIONS	-	81,308	-	6,761
LIABILITIES				
Current Liabilities:				
Vouchers/payroll payable	51,852	175,156	10,326	847,298
TOTAL CURRENT LIABILITIES	51,852	175,156	10,326	847,298
Long-term liabilities:				
Compensated absences payable	-	63,274	-	-
Net Pension Liability	-	64,682	-	5,418
TOTAL LONG-TERM LIABILITIES	-	127,956	-	5,418
TOTAL LIABILITIES	51,852	303,112	10,326	852,716
DEFERRED INFLOWS RELATED TO PENSIONS	-	692,028	-	57,971
NET POSITION				
Net Investment in capital assets	-	1,159,326	72,237	6,567,567
Restricted for:				
Pensions	-	114,351	-	9,527
Unrestricted	1,271,019	4,115,839	304,979	7,547,798
TOTAL NET POSITION	$ 1,271,019	$ 5,389,516	$ 377,216	$ 14,124,892

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2021

	Buildings and Furnishings	Self Health Insurance	Unemployment Insurance	TOTAL
ASSETS				
Current Assets				
Cash and Cash Equivalents	$ 2,025,646	$ 3,293,196	$ 280,736	$ 18,220,016
Investments	302,832	492,330	41,970	2,724,509
Prepaid items	-	-	-	5,000
Receivables (net):				
Accounts and contracts	9,145	1,543	91	16,714
TOTAL CURRENT ASSETS	2,337,623	3,787,069	322,797	20,966,239
Noncurrent assets				
Capital assets:				
Building/structures	16,411,244	-	-	16,411,244
Machinery/furniture/equipment	-	-	-	22,539,418
Less accumulated depreciation	(13,430,421)	-	-	(28,170,709)
Net pension asset	103,434	-	-	828,133
TOTAL NONCURRENT ASSETS	3,084,257	-	-	11,608,086
TOTAL ASSETS	5,421,880	3,787,069	322,797	32,574,325
DEFERRED OUTFLOWS RELATED TO PENSIONS	11,619	-	-	99,688
LIABILITIES				
Current Liabilities:				
Vouchers/payroll payable	71,940	16,458	6,951	1,179,981
TOTAL CURRENT LIABILITIES	71,940	16,458	6,951	1,179,981
Long-term liabilities:				
Compensated absences payable	-	-	-	63,274
Net Pension Liability	10,005	-	-	80,105
TOTAL LONG-TERM LIABILITIES	10,005	-	-	143,379
TOTAL LIABILITIES	81,945	16,458	6,951	1,323,360
DEFERRED INFLOWS RELATED TO PENSIONS	107,066	-	-	857,065
NET POSITION				
Net Investment in capital assets	2,980,823	-	-	10,779,953
Restricted for:				-
Pensions	16,709	-	-	140,587
Unrestricted	2,246,956	3,770,611	315,846	19,573,048
TOTAL NET POSITION	$ 5,244,488	$ 3,770,611	$ 315,846	$ 30,493,588

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
For Year Ended December 31, 2021

	Risk Management	Information Systems	Support Services	Fleet and Equipment
OPERATING REVENUES:				
Charges for goods and services	$ 1,683,787	$ 2,776,969	$ 126,877	$ 2,726,781
Miscellaneous	175,724	455	-	-
TOTAL OPERATING REVENUES	1,859,511	2,777,424	126,877	2,726,781
OPERATING EXPENSES:				
Personnel services	-	859,964	-	72,894
Materials and supplies	-	157,324	14,234	679,971
Services and charges	41,002	1,115,925	65,739	582,890
Insurance	985,074	-	-	-
Claims	762,248	-	-	-
Depreciation	-	368,769	52,920	1,140,670
TOTAL OPERATING EXPENSES	1,788,324	2,501,982	132,893	2,476,425
OPERATING INCOME (LOSS)	71,187	275,442	(6,016)	250,356
NON-OPERATING REVENUES (EXPENSES):				
Gain (Loss) from disposal of capital assets	-	(6,679)	(5,130)	92,960
Interest income	(168)	909	70	1,938
TOTAL NON-OPERATING REVENUES (EXPENSES)	(168)	(5,770)	(5,060)	94,898
INCOME (LOSS) BEFORE TRANSFERS	71,019	269,672	(11,076)	345,254
Capital contributions	-	2,220	-	20,053
Transfers in	-	-	-	545,500
Transfers out	-	-	-	-
CHANGE IN NET POSITION	71,019	271,892	(11,076)	910,807
NET POSITION - BEGINNING	1,200,000	5,117,624	388,292	13,214,085
NET POSITION - ENDING	$ 1,271,019	$ 5,389,516	$ 377,216	$ 14,124,892

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION
For Year Ended December 31, 2021

	Buildings and Furnishings	Self Health Insurance	Unemployment Insurance	TOTAL
OPERATING REVENUES:				
Charges for goods and services	$ 489,696	$ 4,967,797	$ -	$ 12,771,907
Miscellaneous	8,189	-	-	184,368
TOTAL OPERATING REVENUES	497,885	4,967,797	-	12,956,275
OPERATING EXPENSES:				
Personnel services	146,557	-	-	1,079,415
Materials and supplies	39,587	-	-	891,116
Services and charges	398,988	4,388,026	59,627	6,652,197
Insurance	-	-	-	985,074
Claims	-	-	-	762,248
Depreciation	793,773	-	-	2,356,132
TOTAL OPERATING EXPENSES	1,378,905	4,388,026	59,627	12,726,182
OPERATING INCOME (LOSS)	(881,020)	579,771	(59,627)	230,093
NON-OPERATING REVENUES (EXPENSES):				
Gain (Loss) from disposal of capital assets	-	-	-	81,151
Interest income	1,204	901	76	4,930
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,204	901	76	86,081
INCOME (LOSS) BEFORE TRANSFERS	(879,816)	580,672	(59,551)	316,174
Capital contributions	-	-	-	22,273
Transfers in	-	-	100,000	645,500
Transfers out	(562,414)	-	-	(562,414)
CHANGE IN NET POSITION	(1,442,230)	580,672	40,449	421,533
NET POSITION - BEGINNING	6,686,718	3,189,939	275,397	30,072,055
NET POSITION - ENDING	$ 5,244,488	$ 3,770,611	$ 315,846	$ 30,493,588

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For Year Ended December 31, 2021

	Risk Management	Information Systems	Support Services	Fleet and Equipment
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from users - interfund	$ 1,683,196	$ 2,804,224	$ 126,747	$ 2,723,561
Cash payments to claimants	(762,248)	-	-	-
Cash payments to suppliers for goods/services	(57,501)	(1,063,806)	(69,885)	(486,254)
Cash payments to employees	-	(1,104,444)	-	(93,045)
Cash payments to other governments for goods and services	(985,074)	(165,794)	-	-
Other operating receipts	175,724	455	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	54,097	470,634	56,862	2,144,262
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	-	-	545,500
Transfers out	-	-	-	-
NET CASH PROVIDED BY NONCAPITAL FINANCING	-	-	-	545,500
CASH FLOWS FROM CAPITAL AND CAPITAL - RELATED FINANCING ACTIVITIES:				
Acquisition of capital asset/construction work in progress	-	(31,357)	(15,272)	(2,097,105)
Proceeds from the sale of capital assets	-	-	-	164,312
NET CASH USED FOR CAPITAL AND CAPITAL-RELATED FINANCING ACTIVITIES	-	(31,357)	(15,272)	(1,932,793)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Receipts of interest	(168)	909	70	1,937
Payments for investments	(171,951)	(582,354)	(40,340)	(1,092,732)
NET CASH PROVIDED BY INVESTING ACTIVITIES	(172,119)	(581,445)	(40,270)	(1,090,795)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(118,022)	(142,167)	1,319	(333,826)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,268,201	4,033,305	268,516	7,643,112
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,150,179	3,891,138	269,835	7,309,286
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income/(loss)	71,187	275,442	(6,016)	250,356
Adjustments to reconcile operating income to net cash provided/(used) by operating activities:				
Increases/(decrease) in depreciation expense	-	368,769	52,920	1,140,670
(Increases)/decrease in accounts receivable	(591)	27,255	(130)	(3,219)
(Increases)/decrease in due from other governments	-	-	-	-
(Increases)/decrease in net pension asset	-	(668,685)	-	(56,014)
(Increases)/decrease in deferred outflows related to pensions	-	(6,895)	-	(411)
Increases/(decrease) in vouchers/accounts payable	(16,499)	43,649	10,087	776,607
Increases/(decrease) in accrued payroll/compensated absences payable	-	(10,230)	-	-
Increases/(decrease) in net pension liability	-	(176,932)	-	(15,367)
Increases/(decrease) in deferred inflows related to pensions	-	618,262	-	51,640
TOTAL ADJUSTMENTS	(17,090)	195,192	62,877	1,893,906
NET CASH PROVIDED/USED BY OPERATING ACTIVITIES	$ 54,097	$ 470,634	$ 56,862	$ 2,144,262
Non-cash investing, capital, and financing activities:				
Increase (Decrease) in Fair Value of Investments	(848)	(3,032)	(213)	(5,237)
Other contributions of capital assets	-	2,220	-	20,053

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For Year Ended December 31, 2021

	Buildings and Furnishings	Health Insurance	Unemployment Insurance	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from users - interfund	$ 480,551	$ 4,966,254	$ (91)	$ 12,784,442
Cash payments to claimants	-	-	-	(762,248)
Cash payments to suppliers for goods/services	(402,365)	(4,483,109)	(69,403)	(6,632,323)
Cash payments to employees	(184,971)	-	-	(1,382,460)
Cash payments to other governments for goods and services	-	(1,823)	-	(1,152,691)
Other operating receipts	8,189		-	184,368
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(98,596)	481,322	(69,494)	3,039,087
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	-	100,000	645,500
Transfers out	(562,414)	-	-	(562,414)
NET CASH PROVIDED BY NONCAPITAL FINANCING	(562,414)	-	100,000	83,086
CASH FLOWS FROM CAPITAL AND CAPITAL - RELATED FINANCING ACTIVITIES:				
Acquisition of capital asset/construction work in progress	-	-	-	(2,143,734)
Proceeds from the sale of capital assets	-	-	-	164,312
NET CASH USED FOR CAPITAL AND CAPITAL-RELATED FINANCING ACTIVITIES	-	-	-	(1,979,422)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Receipts of interest	1,204	900	77	4,930
Payments for investments	(302,832)	(492,330)	(41,970)	(2,724,509)
NET CASH PROVIDED BY INVESTING ACTIVITIES	(301,628)	(491,430)	(41,893)	(2,719,579)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(962,638)	(10,107)	(11,388)	(1,576,828)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,988,284	3,303,303	292,124	19,796,845
CASH AND CASH EQUIVALENTS AT END OF YEAR	2,025,646	3,293,196	280,736	18,220,016
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income/(loss)	(881,020)	579,771	(59,627)	230,093
Adjustments to reconcile operating income to net cash provided/(used) by operating activities:				
Increases/(decrease) in depreciation expense	793,773	-	-	2,356,132
(Increases)/decrease in accounts receivable	(955)	(1,543)	(91)	20,726
(Increases)/decrease in due from other governments	(8,190)	-	-	(8,190)
(Increases)/decrease in net pension asset	(103,434)	-	-	(828,133)
(Increases)/decrease in deferred outflows related to pensions	(381)	-	-	(7,687)
Increases/(decrease) in vouchers/accounts payable	36,210	(96,906)	(9,776)	743,371
Increases/(decrease) in accrued payroll/compensated absences payable	-	-	-	(10,230)
Increases/(decrease) in net pension liability	(29,614)	-	-	(221,913)
Increases/(decrease) in deferred inflows related to pensions	95,015	-	-	764,917
TOTAL ADJUSTMENTS	782,424	(98,449)	(9,867)	2,808,993
NET CASH PROVIDED/USED BY OPERATING ACTIVITIES	$ (98,596)	$ 481,322	$ (69,494)	$ 3,039,087
Non-cash investing, capital, and financing activities:				
Increase (Decrease) in Fair Value of Investments	(1,569)	(2,535)	(150)	(13,584)
Other contributions of capital assets	-	-	-	22,273

CITY OF
Federal Way
Centered on Opportunity

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SUPPLEMENTAL INFORMATION

MCAG NO. 0711 SCHEDULE 15

CITY OF FEDERAL WAY, WASHINGTON
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For Year Ended December 31, 2021

State Agency *Pass-Thru Agency (if applicable)* Program Title	BARS Account	Other I.D./ Grant #	Current Year Expenditures
Department of Commerce			
FW Emergency Shelter for Homeless Families with Children	001-0000-083-334-04-020	S20-32102-01	43,547
HB 1923 Regional Housing Action Plan Grant	001-0000-073-334-04-020	20-63314-009	30,835
SUBTOTAL DEPARTMENT OF COMMERCE			**74,382**
Washington Office of Sheriffs and Police Chiefs			
WA Auto Theft Prevention Authority Grant	001-0000-090-334-06-090	19-21 WATPA GG-PSATT	27,552
WA Auto Theft Prevention Authority Grant	001-0000-090-334-06-090	21-23 WATPA GG-PSATT	3,714
SUBTOTAL WASHINGTON OFFICE OF SHERIFFS AND POLICE CHIEFS			**31,266**
State Department of Ecology			
Local Solid Waste Funding Assistance	106-0000-000-334-03-010	SWMLSWFA-2019-FedWay-00093	16,447
Local Solid Waste Funding Assistance	106-0000-000-334-03-010	SWMLSWFA-2021-FedWay-00072	20,891
Highway Ramp Clean Up Project	106-0000-000-334-03-010	SWMCLCP-2123-FedWay-00074	12,550
Stormwater Capacity Grant 2019-2021	401-0000-000-334-03-010	WQSWCAP-1921-FedWay-00047	4,134
SUBTOTAL STATE DEPARTMENT OF ECOLOGY			**54,022**
State Department of Transportation			
Commute Trip Reduction	101-0000-000-334-03-060	PTD0120	17,469
SUBTOTAL STATE DEPARTMENT OF TRANSPORTATION			**17,469**
Transportation Improvement Board (TIB)			
SR 509:S Dash Point Road	306-4400-212-334-03-080	P-P-113(P01)-1	21,467
S 288th St Road Diet	306-4400-238-334-03-080	8-1-113(013)-1	24,998
SUBTOTAL TRANSPORTATION IMPROVEMENT BOARD (TIB)			**46,465**
		TOTAL STATE ASSISTANCE:	**223,604**

MCAG NO. 0711

SCHEDULE 16

CITY OF FEDERAL WAY, WASHINGTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended December 31, 2021

Federal Agency *Pass-Thru Agency (if applicable)* Federal Program Name	BARS Account	ALN #	Other I.D. #	COVID-19 Funding	From Pass-Through Awards	From Direct Awards	Total Expenditures	Passed through to 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-21-MC-53-0015		-	9,000	9,000	9,000
Community Development Block Grants/Entitlement Grants	119-7300-809-331-14-218	14.218	B-20-MW-53-0015	yes	-	42,103	42,103	42,103
Community Development Block Grants/Entitlement Grants	119-7300-810-331-14-218	14.218	B-21-MC-53-0015		-	10,000	10,000	10,000
Community Development Block Grants/Entitlement Grants	119-7300-961-331-14-218	14.218	B-21-MC-53-0015		-	100,476	100,476	-
Community Development Block Grants/Entitlement Grants	119-7300-966-331-14-218	14.218	B-21-MC-53-0015		-	30,000	30,000	-
Community Development Block Grants/Entitlement Grants	119-7300-967-331-14-218	14.218	B-19-MC-53-0015			225,866	225,866	225,866
Community Development Block Grants/Entitlement Grants	119-7300-967-331-14-218	14.218	B-20-MW-53-0015	yes	-	126,345	126,345	126,345
Community Development Block Grants/Entitlement Grants	119-7300-987-331-14-218	14.218	B-21-MC-53-0015		-	11,000	11,000	11,000
Community Development Block Grants/Entitlement Grants	119-7300-994-331-14-218	14.218	B-20-MW-53-0015	yes	-	37,500	37,500	37,500
Community Development Block Grants/Entitlement Grants	119-7300-994-331-14-218	14.218	B-21-MC-53-0015		-	39,076	39,076	39,076
Community Development Block Grants/Entitlement Grants	119-7300-996-331-14-218	14.218	B-19-MC-53-0015		-	65,501	65,501	-
Community Development Block Grants/Entitlement Grants	119-7300-996-331-14-218	14.218	Program income from 996		-	10,808	10,808	-
Community Development Block Grants/Entitlement Grants	119-7300-998-331-14-218	14.218	B-21-MC-53-0015		-	20,000	20,000	20,000
Community Development Block Grants/Entitlement Grants	119-7300-997-331-14-218	14.218	B-21-MC-53-0015		-	14,000	14,000	14,000
Community Development Block Grants/Entitlement Grants	119-7300-957-331-14-218	14.218	B-20-MW-53-0015	yes	-	293,034	293,034	293,034
Community Development Block Grants/Entitlement Grants	119-7300-958-331-14-218	14.218	B-20-MW-53-0015	yes	-	37,673	37,673	37,673
SUBTOTAL ALN 14.218 Entitlement Grants Cluster	**REFER TO NOTES 1-3**				**-**	**1,072,382**	**1,072,382**	**865,597**
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	-	86,068	86,068	-
SUBTOTAL ALN 16.034	**REFER TO NOTES 1-3**				**-**	**86,068**	**86,068**	**-**
US Department of Justice Bureau of Justice Assistance								
Bulletproof Vest Partnership Program	001-0000-090-331-16-607	16.607	BPV		-	15,282	15,282	-
SUBTOTAL ALN 16.607	**REFER TO NOTES 1-3**				**-**	**15,282**	**15,282**	**-**
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	2018-DJ-BX-0200		10,500	-	10,500	-
Edward Byrne Memorial Justice Assistance Grant Program	001-0000-090-333-16-738	16.738	2020-DJ-BX-0324		14,791	-	14,791	-
SUBTOTAL ALN 16.738	**REFER TO NOTES 1-3**				**25,291**	**-**	**25,291**	**-**
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		-	58,460	58,460	-
Public Safety Partnership and Community Policing Grants	001-0000-090-331-16-710	16.710	2020UMWX0499		-	211,304	211,304	-
SUBTOTAL ALN 16.710	**REFER TO NOTES 1-3**				**-**	**269,764**	**269,764**	**-**
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	2021-HVE-4123		13,253	-	13,253	-
SUBTOTAL ALN 20.600 Highway Safety Cluster	**REFER TO NOTES 1-3**				**13,253**	**-**	**13,253**	**-**
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)		502,894	-	502,894	-
Highway Planning and Construction	306-4400-204-333-20-050	20.205	SRTS-9917(033)		15,855	-	15,855	-
Highway Planning and Construction	306-4400-213-333-20-050	20.205	AID-0443 (009)		239,536	-	239,536	-
Highway Planning and Construction	306-4400-214-333-20-050	20.205	STPUL-1020 (014)		480,945	-	480,945	-
Highway Planning and Construction	306-4400-215-333-20-050	20.205	STPUL-1000 (005)		820,609	-	820,609	-
Highway Planning and Construction	306-4400-216-333-20-050	20.205	CM-9917 (031)		40,908	-	40,908	-
Highway Planning and Construction	306-4400-217-333-20-050	20.205	HSIP-000S (528)		461,273	-	461,273	-
Highway Planning and Construction	306-4400-218-333-20-050	20.205	HSIP-000S (524)		99,624	-	99,624	-
Highway Planning and Construction	306-4400-219-333-20-050	20.205	STPUL-0099 (145)		208,519	-	208,519	-
Highway Planning and Construction	306-4400-223-333-20-050	20.205	HLP-0443 (010)		39,855	-	39,855	-
Highway Planning and Construction	306-4400-232-333-20-050	20.205	HSIP-1014(002)		1,926	-	1,926	-
Highway Planning and Construction	306-4400-234-333-20-050	20.205	HSIP-000S(605)		659	-	659	-
Highway Planning and Construction	306-4400-237-333-20-050	20.205	STPUL-0443 (011)		3,006	-	3,006	-
Highway Planning and Construction	306-4400-238-333-20-050	20.205	HLP-PB21 (002)		11,165	-	11,165	-
SUBTOTAL ALN 20.205 Highway Planning and Construction Cluster	**REFER TO NOTES 1-3**				**2,926,774**	**-**	**2,926,774**	**-**
US Department of Treasury								
American Rescue Plan	001-1800-990-331-21-019	21.027	N/A	yes	-	249,319	249,319	
SUBTOTAL ALN 21.027	**REFER TO NOTES 1-3**				**-**	**249,319**	**249,319**	**-**
US Department of Homeland Security								
Pass-thru Military Department								
Emergency Management Performance Grants	101-0000-000-333-97-042	97.042	20EMPG E21-183		37,500	-	37,500	-
SUBTOTAL ALN 97.042	**REFER TO NOTES 1-3**				**37,500**	**-**	**37,500**	**-**
U.S. Small Business Administration								
Shuttered Venue Operators Grant	115-0000-000-331-59-075	59.075	SBAHQ21SV006832	yes	-	170,179	170,179	-
SUBTOTAL ALN 59.075	**REFER TO NOTES 1-3**				**-**	**170,179**	**170,179**	**-**
			TOTAL FEDERAL ASSISTANCE:		**3,002,818**	**1,862,994**	**4,865,812**	**865,597**

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, 2021

	2021	2020
GOVERNMENTAL FUNDS CAPITAL ASSETS		
Land	$ 283,719,509	$283,707,110
Buildings	56,342,323	56,342,323
Improvements other than buildings	28,850,532	28,652,906
Machinery and equipment	792,192	792,192
Infrastructure	204,055,154	200,619,913
Construction in progress	15,415,214	15,197,378
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	589,174,924	585,311,822
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	94,027,499	105,130,235
Donations	117,527,159	102,561,321
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 589,174,924	$ 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.

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

December 31, 2021

Function and Activity	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Construction in Progress	Total 2021	Total 2020
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	28,830,559	792,192	94,474,128	-	261,335,281	261,313,981
Total Culture and Recreation:	113,734,037	23,504,365	28,830,559	792,192	94,474,128	-	261,335,281	261,313,981
TRANSPORTATION								
Streets and Traffic	143,030,039	-	-	-	103,442,025	15,415,214	261,887,278	258,045,476
Total Transportation:	143,030,039	-	-	-	103,442,025	15,415,214	261,887,278	258,045,476
Total General Fixed Asset by Function:	$ 283,719,509	$ 56,342,323	$ 28,850,532	$ 792,192	$ 204,055,154	$ 15,415,214	$ 589,174,924	$ 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.

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

For the Year Ended December 31, 2021

	Governmental Funds Capital Assets 1/1/2021	Additions	Deductions	Governmental Funds Capital Assets 12/31/2021
GENERAL GOVERNMENT				
Miscellaneous general government	$65,952,365	$ -	$ -	$65,952,365
TOTAL GENERAL GOVERNMENT	65,952,365	-	-	65,952,365
CULTURE AND RECREATION	261,313,981	218,926	197,626	261,335,281
TOTAL CULTURE AND RECREATION	261,313,981	218,926	197,626	261,335,281
TRANSPORTATION				
Streets and traffic	258,045,476	7,064,524	3,222,722	261,887,278
TOTAL TRANSPORTATION	258,045,476	7,064,524	3,222,722	261,887,278
TOTAL GENERAL FIXED ASSETS	$ 585,311,822	$ 7,283,450	$ 3,420,348	$ 589,174,924

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.

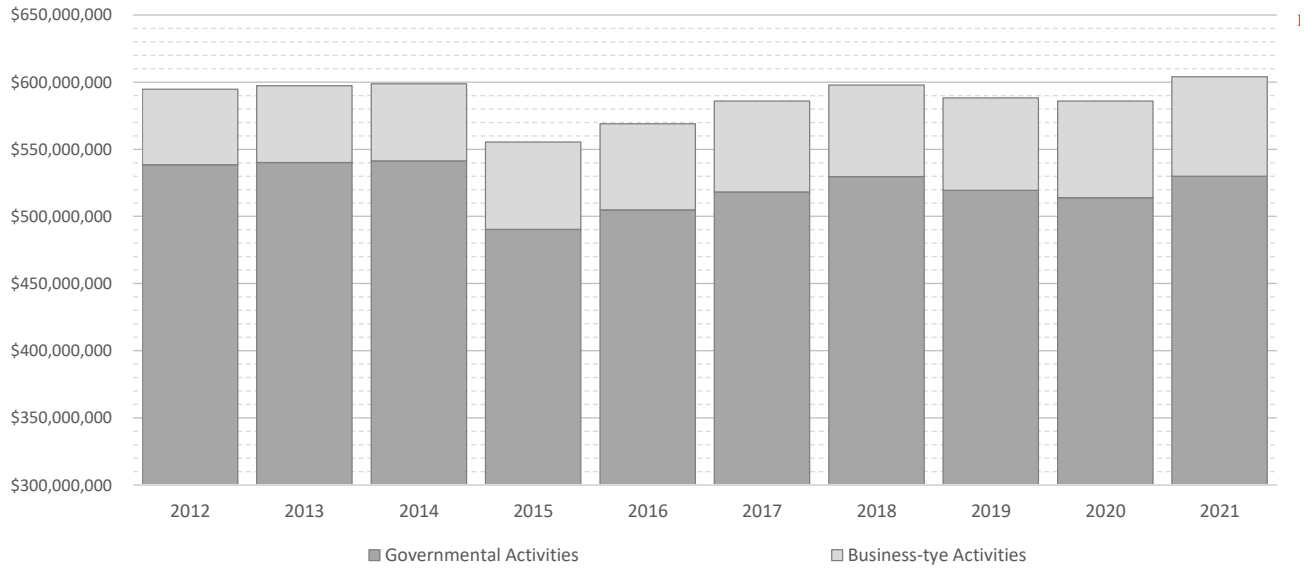
Demographic and Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

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.

NET POSITION BY COMPONENT
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Governmental activities										
Net investment in capital assets	470,597,776	468,628,412	466,078,036	424,245,625	440,815,201	461,491,598	467,610,817	463,177,653	450,219,346	446,961,581
Restricted	22,847,077	22,594,884	17,391,272	20,193,214	21,372,596	20,412,211	20,916,203	18,878,459	19,922,486	36,062,409
Unrestricted	45,027,323	48,829,641	57,837,173	46,012,847	42,575,521	36,393,318	41,205,463	37,399,073	43,673,363	46,840,662
Total governmental activities net positio	**538,472,176**	**540,052,936**	**541,306,481**	**490,451,686**	**504,763,318**	**518,297,127**	**529,732,483**	**519,455,185**	**513,815,194**	**529,864,652**
Business-type activities										
Net investment in capital assets	50,280,880	50,620,091	50,299,229	58,998,176	59,059,646	61,673,201	62,326,054	63,106,022	66,321,652	66,407,627
Restricted	26,496	20,559	20,311	15,906	18,438	33,440	39,867	33,261	35,295	306,446
Unrestricted	5,968,302	6,577,269	7,219,403	5,814,364	5,142,741	5,791,413	5,779,784	5,704,824	5,691,073	7,401,240
Total business-type activities net positio	**56,275,678**	**57,217,919**	**57,538,943**	**64,828,446**	**64,220,825**	**67,498,054**	**68,145,705**	**68,844,107**	**72,048,020**	**74,115,313**
Primary government										
Net investment in capital assets	520,878,656	519,248,503	516,377,265	483,243,801	499,874,847	523,164,799	529,936,871	526,283,675	516,540,998	513,369,208
Restricted	22,873,573	22,615,443	17,411,583	20,209,120	21,391,034	20,445,651	20,956,070	18,911,720	19,957,781	36,368,855
Unrestricted	50,995,625	55,406,910	65,056,576	51,827,211	47,718,262	42,184,731	46,985,247	43,103,897	49,364,436	54,241,902
Total primary government net position	**594,747,853**	**597,270,856**	**598,845,424**	**555,280,132**	**568,984,143**	**585,795,181**	**597,878,188**	**588,299,292**	**585,863,214**	**603,979,965**

Source: City of Federal Way Finance
Note: All amounts are reported on the accrual basis.



CHANGES IN NET POSITION
Last Ten Fiscal Years

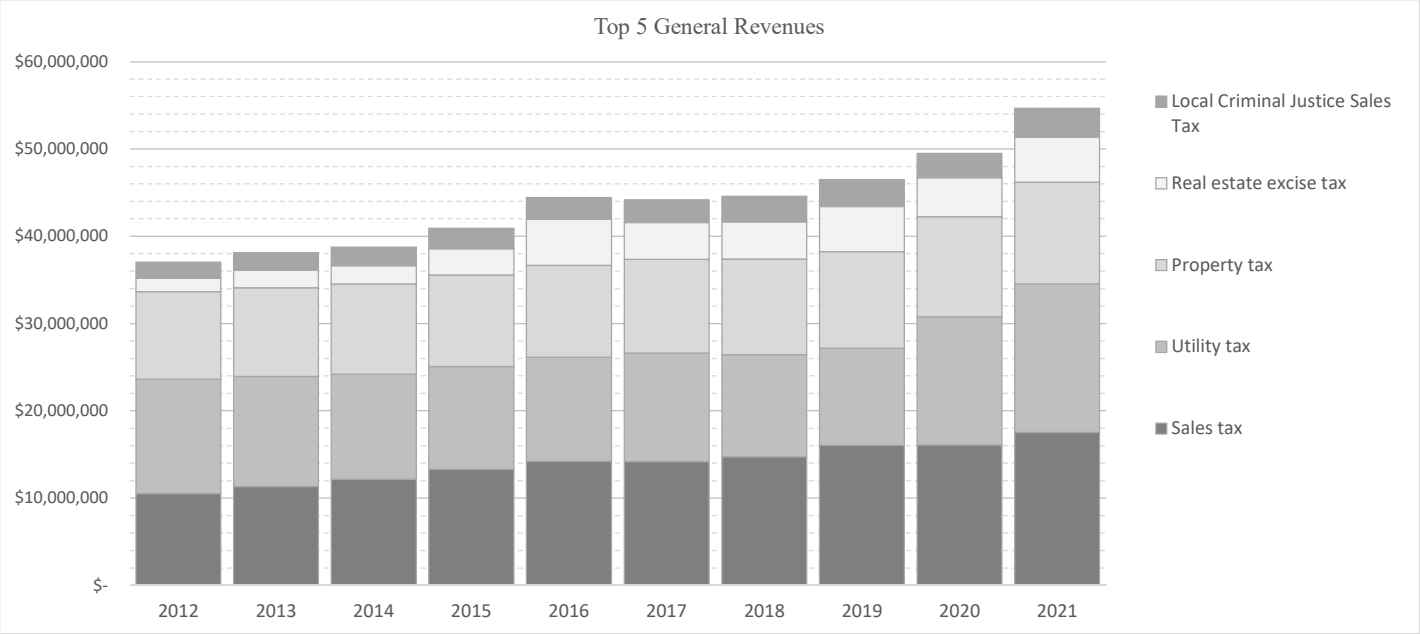
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenses										
Governmental activities:										
General government	$ 4,300,691	$ 4,575,614	$ 4,633,942	$4,743,932	$4,544,037	$4,179,619	$ 4,457,083	$ 4,620,477	$ 8,094,395	$ 8,617,290
Public safety	27,604,936	27,894,695	29,703,386	32,017,617	36,018,643	36,632,272	35,513,749	38,010,778	34,792,577	28,506,038
Transportation	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	17,013,504
Utilities	415,935	490,916	443,127	476,570	469,237	415,771	487,104	519,163	708,031	469,053
Natural and economic environment	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	6,553,374
Social services	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	2,097,856
Culture and recreation	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	8,426,616
Interest on long-term debt	602,572	1,779,833	1,010,406	461,763	433,729	502,721	542,802	347,437	1,015,414	920,869
Total governmental activities expenses	**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**	**72,604,600**
Business-type activities:										
Surface Water Mgmt	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	4,550,136
Dumas Bay Center	873,144	844,623	945,705	1,250,161	1,104,971	1,179,967	921,839	880,135	565,369	562,093
Total business-type activities expenses	**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**	**5,112,229**
Total primary government expenses	**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**	**77,716,829**
Program Revenues										
Governmental activities:										
Charges for services										
General government	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	3,295,593
Public safety	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	4,353,065
Transportation	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	6,102,399
Utilities	89,457	299,337	305,742	302,083	304,294	314,842	319,480	431,901	509,311	515,613
Natural and economic environment	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	3,404,121
Social services	162,322	-	-	-	-	-	-	-	-	14,000
Culture and recreation	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	1,465,893
Operating grants and contributions	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	6,647,794
Capital grants and contributions	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	3,912,242
Total governmental activities program revenue	**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**	**29,710,720**
Business-type activities:										
Charges for services	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	6,585,691
Operating grants and contributions	576,182	774,436	177,518	17,108	68,970	53,282	48,504	31,718	42,348	16,851
Capital grants and contributions	-	-	430,090	328,130	790,033	1,078,904	622,735	144,577	122,032	308,379
Total business-type activities program revenues	**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**	**6,910,921**
	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**	**36,621,641**
Net (Expense)/Revenue										
Governmental activities	(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)	(42,893,880)
Business-type activities	653,250	791,822	182,517	(335,462)	246,337	564,066	164,830	(243,158)	(817,144)	1,798,692
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Sales tax	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	17,543,119
Local Criminal Justice Sales Tax	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	3,303,412
Utility tax	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	16,995,029
Property tax	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	11,642,922
Real estate excise tax	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	5,185,847
Gambling Tax	114,443	178,696	176,068	177,807	190,051	210,029	229,524	232,942	147,533	268,398
Hotel/Motel Tax	193,344	208,839	231,828	266,053	283,220	301,603	291,671	290,601	120,482	204,303
Admissions Tax	-	-	-	-	-	547,229	867,169	827,537	67,732	597,434
Leasehold tax	5,820	5,989	6,693	6,104	3,784	4,218	4,618	5,898	5,336	3,621
Affordable and supportive housing sales ta	-	-	-	-	-	-	-	-	-	130,940
Local infrastructure financing tool	-	-	-	-	-	-	-	-	-	999,961
Other	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	1,809,665
Gain on sale of capital assets	-	-	-	-	-	142,935	-	-	-	726,414
Loss on investment in joint venture	-	-	-	-	-	-	-	(16,377,170)	-	-
Transfers	(140,500)	(137,419)	(116,000)	(17,959)	633,124	(942,000)	(123,502)	225,307	(183,453)	140,824
Total governmental activities	**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**	**59,551,889**
Business-type activities:										
Other	11,424	13,000	22,507	24,917	45,405	60,544	132,692	192,598	54,138	23,196
Transfers	140,500	137,419	116,000	17,959	(633,124)	942,000	123,502	(225,307)	183,453	(140,824)
Total business-type activities	**151,924**	**150,419**	**138,507**	**42,876**	**(587,719)**	**1,002,544**	**256,194**	**(32,709)**	**237,591**	**(117,628)**
Total primary government	**$ 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**	**$ 59,434,261**
Change in Net Position										
Governmental activities	$ 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	$ 16,658,008
Business-type activities	805,174	942,241	321,025	(292,586)	(341,384)	1,566,611	421,024	(275,866)	(579,553)	1,681,064
Prior Period Adjustment	-	(3,358,477)	(4,944,409)	(37,035,737)	(266,237)	(586,155)	2,009,955	(828,029)	(6,907,134)	(222,321)
Net Effect - Change in Accounting for Pensions	-	-	-	(10,485,698)	-	-	-	-	-	-
Effect of Change in Accounting Principle	-	-	-	-	-	-	-	-	(395,462)	-
Total primary government	**$ 6,658,398**	**$ 2,523,001**	**$ 1,574,570**	**$(43,565,293)**	**$ 13,704,011**	**$ 16,811,038**	**$ 12,083,007**	**$ (9,578,896)**	**$ (2,040,616)**	**$ 18,116,751**

Source: City of Federal Way Finance
Note: All amounts are reported on the accrual basis.

GOVERNMENT-WIDE REVENUES BY SOURCE AND EXPENSES BY FUNCTION
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Program Revenues										
Charges for Services	15,782,934	16,612,484	18,576,675	18,792,204	19,110,688	22,110,615	23,480,399	25,944,478	18,196,239	25,736,375
Operating Grants and Contributions	5,943,345	6,782,118	5,587,616	6,561,284	5,707,725	6,291,980	6,148,337	6,114,081	11,237,775	6,664,645
Capital Grants and Contributions	5,225,265	3,892,651	6,062,639	4,836,558	16,653,215	15,943,170	9,172,328	6,345,922	3,116,115	4,220,621
General revenues										
Sales tax	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	17,543,119
Local Criminal Justice Sales Tax	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	3,303,412
Utility tax	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	16,995,029
Property tax	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	11,642,922
Real estate excise tax	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	5,185,847
Gambling Tax	114,443	178,696	176,068	177,807	190,051	210,029	229,524	232,942	147,533	268,398
Hotel/Motel Tax	193,344	208,839	231,828	266,053	283,220	301,603	291,671	290,601	120,482	204,303
Admissions Tax	-	-	-	-	-	547,229	867,169	827,537	67,732	597,434
Leasehold tax	5,820	5,989	6,693	6,104	3,784	4,218	4,618	5,898	5,336	3,621
Affordable and supportive housing sales tax										130,940
Local infrastructure financing tool										999,961
Other revenue	702,833	624,464	883,549	1,820,868	1,159,347	3,149,057	1,932,423	1,581,471	1,269,811	1,664,712
Investment Earnings	146,850	256,797	284,757	256,797	413,052	605,402	605,402	1,479,027	551,744	168,150
Gain on sale of capital assets	-	-	-	-	-	142,935	-	-	-	726,414
Total Revenues	**65,156,573**	**66,671,482**	**70,563,017**	**73,621,730**	**87,950,733**	**93,492,383**	**87,295,438**	**89,298,736**	**84,200,196**	**96,055,901**
Expenses										
General government	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	8,617,290
Public safety	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	28,506,038
Transportation	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	17,013,504
Utilities	415,935	490,916	443,127	476,570	469,237	415,771	487,104	519,163	708,031	469,053
Natural and economic environment	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	6,553,374
Social services	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	2,097,856
Culture and recreation	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	8,426,616
Interest on long-term debt	602,572	1,779,833	1,010,406	461,763	433,729	502,721	542,802	347,437	1,015,414	920,869
Surface Water Management	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	4,550,136
Dumas Bay Centre	873,144	844,623	945,705	1,250,161	1,104,971	1,179,967	921,839	880,135	565,369	562,093
Loss on investment in joint venture	-	-	-	-	-	-	-	16,377,170	-	-
Total Expenses	**$ 58,498,175**	**$ 60,790,005**	**$ 64,044,038**	**$ 69,665,588**	**$ 73,980,484**	**$ 76,095,191**	**$ 77,222,386**	**$ 98,049,603**	**$ 79,333,678**	**$ 77,716,829**

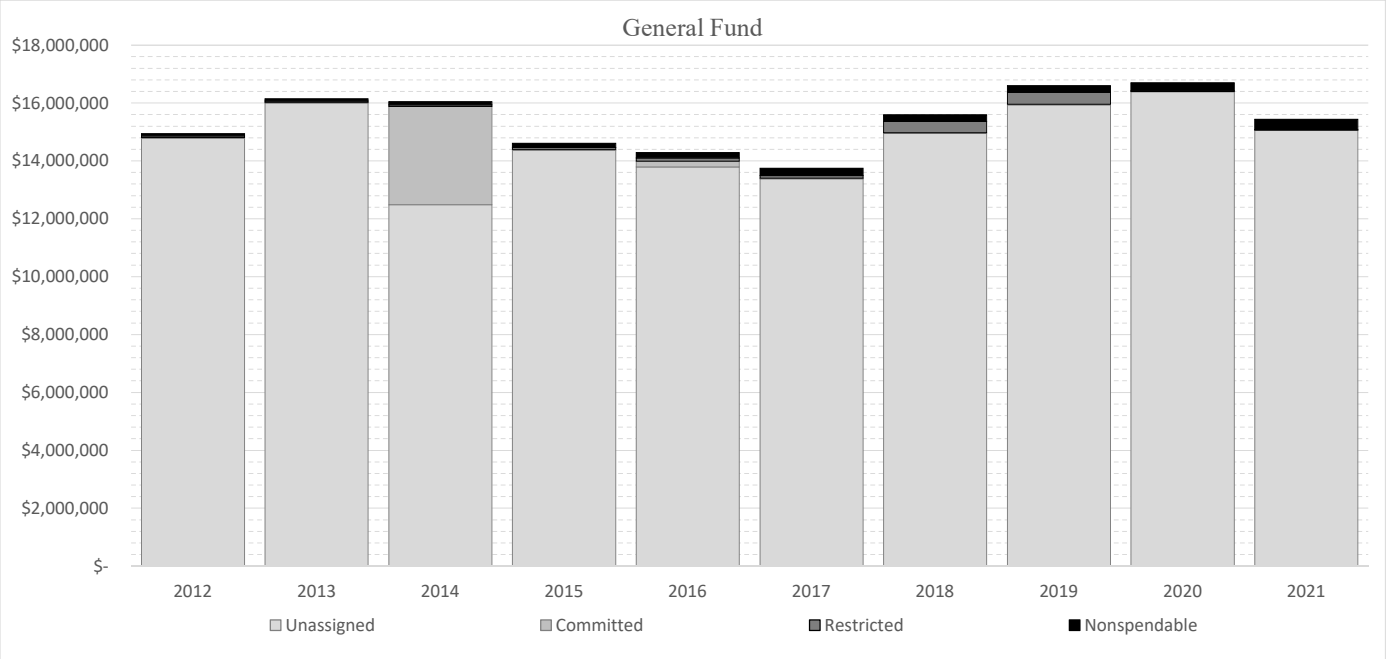
Source: City of Federal Way Finance



FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General fund										
Nonspendable	69,398	76,538	105,417	136,806	187,284	252,550	229,870	232,353	270,772	349,356
Restricted	60,585	39,081	54,526	71,106	108,147	94,452	389,286	413,128	27,000	27,000
Committed	21,893	21,893	3,403,937	34,513	199,013	19,350	19,350	19,350	9,350	8,350
Unassigned	14,783,219	16,003,076	12,480,539	14,362,533	13,794,955	13,380,039	14,954,243	15,936,195	16,386,570	15,049,968
Total general fund	**14,935,095**	**16,140,587**	**16,044,419**	**14,604,958**	**14,289,399**	**13,746,391**	**15,592,749**	**16,601,026**	**16,693,692**	**15,434,674**
All Other Governmental Funds										
Nonspendable	-	-	-	-	-	-	-	-	-	32,414
Restricted	18,079,168	17,478,394	17,231,330	19,985,302	21,077,165	20,065,209	20,297,047	18,232,978	19,624,713	21,224,388
Committed	15,813,105	16,371,292	19,530,016	17,114,881	13,932,351	12,705,135	9,772,048	9,856,449	11,321,035	19,241,059
Unassigned	-	-	-	-	-	(8,124,951)	(7,798,938)	(110,546)	-	-
Total all other governmental funds	**$ 33,892,273**	**$ 33,849,686**	**$ 36,761,346**	**$ 37,100,183**	**$ 35,009,516**	**$ 24,645,393**	**$ 22,270,157**	**$ 27,978,881**	**$ 30,945,748**	**$ 40,497,861**

Source: City of Federal Way Finance
Note: Fund Balance reclassification implementation of GASB 54 for year's 2010 and forward.



CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Taxes	$ 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	$ 56,810,109
Licenses and permits	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	3,806,346
Intergovernmental	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	9,242,639
Charges for goods and services	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	11,467,556
Development Fees	-		-	-	-	-	-	-	-	-
Fines and penalties	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	3,781,245
Investment earnings	122,483	172,049	250,439	210,289	308,643	442,466	761,544	1,042,537	421,062	140,423
Miscellaneous revenues	702,830	678,850	883,549	1,820,867	1,159,348	3,149,057	1,459,061	1,581,467	1,131,036	1,660,212
Total revenues	**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**	**86,908,530**
Expenditures										
General government	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	10,052,750
Public safety	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	33,815,555
Transportation	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	12,998,986
Utilities	409,042	468,220	461,718	478,807	452,720	425,900	486,418	515,766	537,419	562,166
Natural and economic environment	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	5,555,574
Social services	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	2,134,256
Culture and recreation	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	7,450,267
Debt Service							-			
Principal	480,760	1,019,698	963,500	640,482	470,000	8,853,960	659,000	13,041,847	1,890,181	1,948,716
Interest/fiscal charges/admin fees	602,572	1,781,778	1,021,945	491,379	471,738	547,501	592,562	1,114,699	1,078,701	1,041,374
Capital Outlay	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	3,651,288
Total expenditures	**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**	**79,210,933**
Excess of revenues over (under) expenditures	**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**	**7,697,596**
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	-	5,500	-	-	-	2,187,756	-	-	-	726,414
Anticipation note	-	-	8,209,960	-	-	-	-	-	-	-
Bond premium	-	410,660	-	-	-	-	-	1,714,668	-	-
Transfers in	16,228,281	18,972,853	40,440,790	14,422,187	21,043,890	21,606,659	18,245,170	18,814,496	19,279,266	19,577,435
Transfers out	(16,368,781)	(18,731,107)	(38,606,598)	(14,479,146)	(19,524,820)	(22,262,134)	(18,868,672)	(18,590,297)	(20,260,972)	(19,519,697)
Total other financing sources (uses)	**(140,500)**	**1,117,906**	**10,044,152**	**(56,959)**	**4,444,070**	**7,637,281**	**(623,502)**	**17,723,867**	**(981,706)**	**784,152**
Net change in fund balances	**$ 5,215,484**	**$ 1,162,908**	**$ 2,815,492**	**$ (1,100,623)**	**$ (2,406,227)**	**$ (10,907,130)**	**$ (2,545,785)**	**$ 6,717,001**	**$ 3,454,995**	**$ 8,481,749**
Debt service as a percentage of noncapital expenditures	2.3%	5.3%	3.6%	2.0%	1.6%	12.8%	1.8%	17.1%	4.4%	4.0%

Source: City of Federal Way Finance

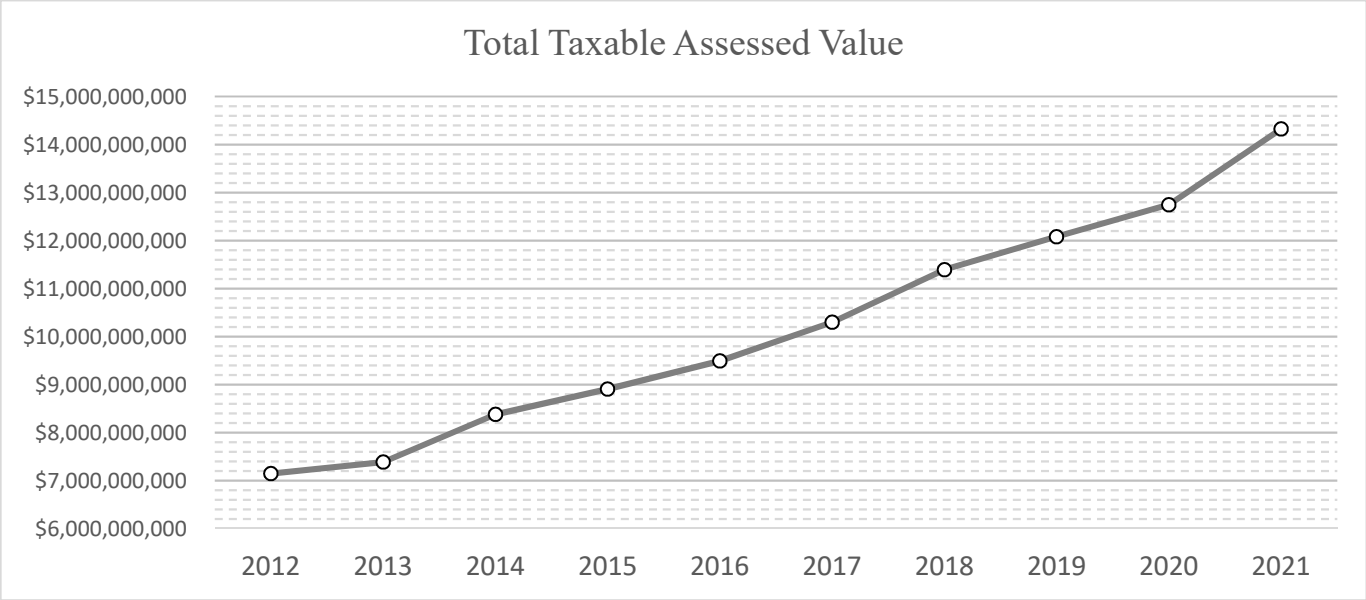
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY*
Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	State Public Service Property	Total	Total City Direct Tax Rate	Percent Increase (Decrease)
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%
2021	13,949,752,780	255,143,371	118,980,306	14,323,876,457	0.82	12.4%

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

Source: King County Assessor's Office.

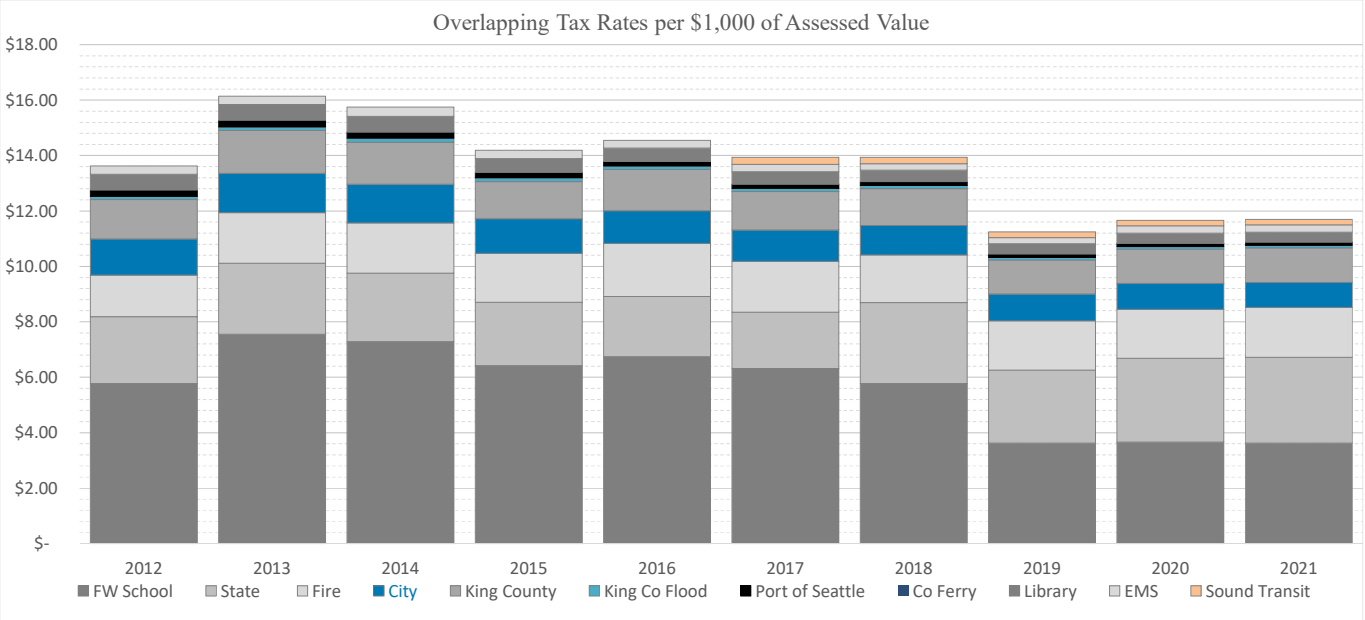
Note: These figures include all final tax adjustments, non-taxable, senior citizen exempted property and omits. The total assessed value was reduced by non-taxable of $113,578,127 yielding a taxable assessed value of of $14,210,298,330. The taxable assessed valuations are the basis for the following year's tax levy amount, expected to be received in the following year.



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												
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	0.94	3.66	1.24	3.03	0.09	0.12	-	1.76	0.36	0.27	0.199	11.70
2021	0.90	3.63	1.25	3.09	0.09	0.12	-	1.80	0.36	0.26	0.197	11.00
DETAIL OF TAX RATES FOR 2021												
Basic Rate	0.90	-	0.78	3.09	0.09	0.12	-	0.00	0.33	-	-	5.31
Voted Rate	-	3.63	0.47	-	-	-	-	1.80	0.02	0.26	0.20	6.39
TAX LEVIES												
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
2021	11,413,786	66,616,227	817,693,701	2,024,310,896	58,483,390	78,668,517		37,409,197	140,212,260	173,904,358	118,157,039	3,526,869,370

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 expense levy.



PRINCIPAL TAXPAYERS
Current Year and Nine Years Ago

Taxpayer	Type of Business	2021 Assessed Valuation	2021 Rank	2021 % of Total (A) Assessed Valuation	2012 Assessed Valuation	2012 Rank	2012 % of Total (A) Assessed Valuation
GEP X Star Lake LLC (Club Palisades)	Real Estate Management	151,000,000	1	1.05%			
Federal Way Campus LLC (formerly part of Weyerhauser)	Real Estate Management	133,249,100	2	0.93%			
Prime Woodley Campus Drive	Real Estate Management	114,253,000	3	0.80%			
Avanath Federal Way LLC	Real Estate Management	88,193,000	4	0.62%			
ATR LLC	Real Estate Management	87,561,000	5	0.61%			
PRCP-Arcadia LLC (aka PrideRock Capital Mgmt)	Real Estate Management	86,718,500	6	0.61%			
RHB Miro Owner LLC	Real Estate Management	78,000,000	7	0.54%			
Merlone Geier Partners	Real Estate Investment Trust	71,341,800	8	0.50%			
Greystone Meadows Apts.	Real Estate Management	65,987,000	9	0.46%			
KNL Vision WA LLC	Real Estate Management	62,562,000	10	0.44%	24,285,000	8	0.34%
Prime Catalina Campus Dr II	Real Estate Management	59,500,000	11	0.42%			
BMF IV WA Retreast Maple Hill	Real Estate Management	59,500,000	12	0.42%			
Prime Catalina Campus Dr (formerly Alliance Tax Advisors)	Real Estate Management	58,000,000	13	0.40%			
Cove Apartments LLC (formerly Forest Cove LLC)	Real Estate Management	57,293,000	14	0.40%	25,876,000	7	0.04%
Thrive Communities LLC	Real Estate Management	55,208,000	15	0.39%			
Federal Way Crossings Owner (formerly Fana Fed Way Crossings LP	Shopping Center	47,665,587	16	0.33%			
Weyerhaeuser	Real Estate Investment Trust			0.00%	113,070,028	1	1.60%
Puget Sound Energy-Elec/Gas	Electric\Gas			0.00%	58,272,997	2	0.82%
Steadfast Commons LLC	Real Estate Management			0.00%	53,877,400	3	0.76%
Harsch Investment Properties	Retailer			0.00%	50,936,000	4	0.72%
LBA Realty	Real Estate Management			0.00%	32,470,300	5	0.46%
Qwest Corporation	Telecommunications			0.00%	27,311,903	6	0.39%
Virginia Mason Clinic	Medical Services			0.00%	17,306,840	11	0.24%
Fred Meyer	Retail/Wholesaler			0.00%	21,087,400	9	0.30%
IA Orchard Hotels Federal Way (formerly Apple Hospitality Five Inc.)	Real Estate Management			0.00%	15,029,200	12	0.21%
Campus Business Parks LLC	Real Estate Management			0.00%	12,027,400	13	0.17%
Costco	Retail / Wholesaler			0.00%	18,788,019	10	0.27%
ANS LLC	Real Estate Management			0.00%	11,899,300	14	0.17%
		$ 1,276,031,987		**8.91%**	**$ 482,237,787**		**6.49%**

Source: King County Assessor's Office.
(A) 2021 and 2012 regular assessed valuation for the City of Federal Way was $14,324,776,457 and $7,087,561,940 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		
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%
2021	11,413,786	11,305,830	99.1%	(276,987)	11,028,843	96.6%	384,943	3.4%

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.

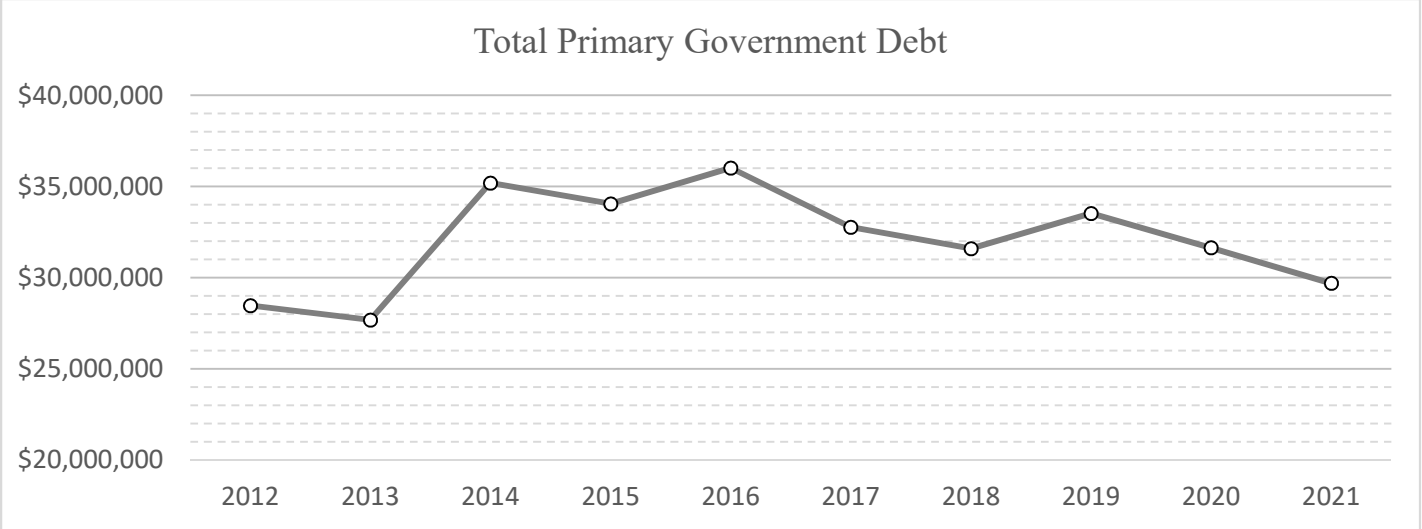
RATIO OF OUTSTANDING DEBT BY TYPE
For the Last Ten Fiscal Years

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			
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
2021	29,686,656	-	-	29,686,656	0.110%	292

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
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
2021	101,700	14,323,876,457	29,686,656	3,192,943	26,493,713	0.0018	260.51

(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 $14,323,876,457 has been reduced by non-taxable of $113,578,127 to arrive at taxable assessed valuation of $14,210,298,330

(C) Includes general obligation debt issued in 2013, 2017, and 2019.
Source: City of Federal Way Finance

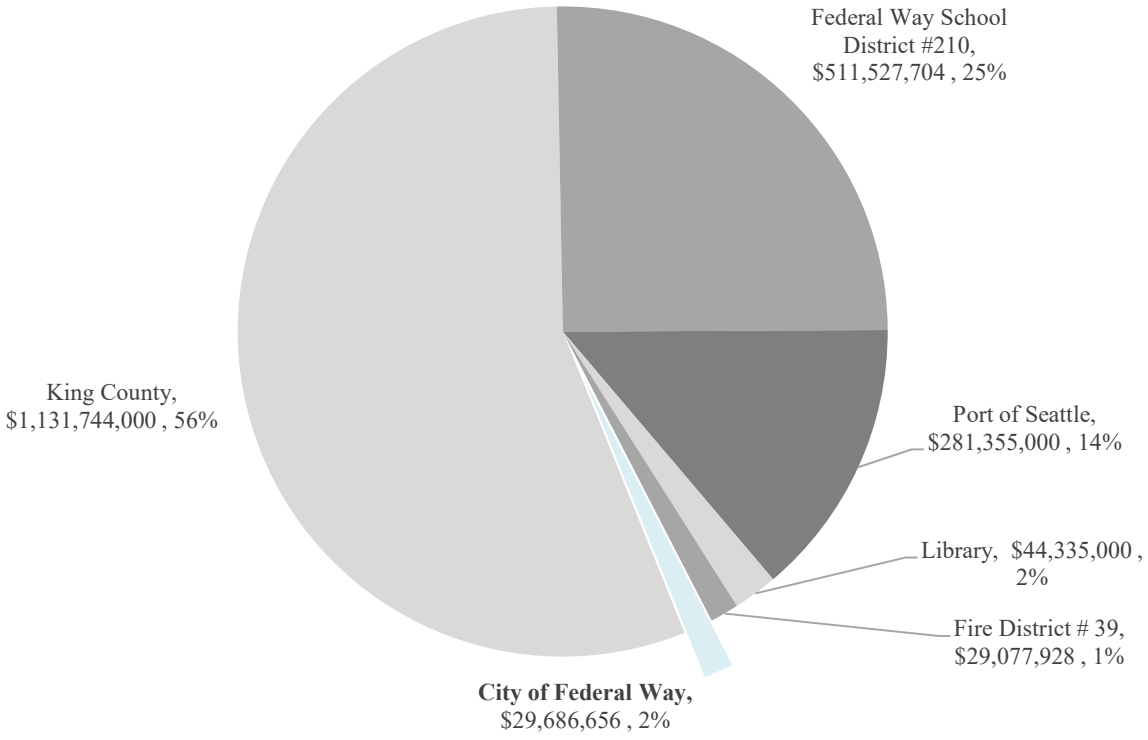
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
December 31, 2021

Jurisdiction	(A) Gross General Obligation Debt Outstanding		(B) Percentage Applicable to Federal Way	Amount Applicable to Federal Way
King County	$ 1,131,744,000		1.93%	$ 21,886,050
Port of Seattle	281,355,000		1.93%	5,440,939
Federal Way School District #210	511,527,704		68.38%	349,794,189
Fire District # 39	29,077,928		79.16%	23,016,775
Library	44,335,000		3.23%	1,432,968
Total Overlapping Debt	**1,998,039,632**			**401,570,920**
CITY OF FEDERAL WAY	29,686,656	(C)	0.73%	216,554
Total Direct and Overlapping Debt	**$ 2,027,726,288**			**$ 401,787,474**

(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, 2021

DESCRIPTION		General Debt Capacity (Limited) Councilmanic	General Debt Capacity (Unlimited) Excess Levy	Excess Levy Open Space and Park	Excess Levy Utility Purposes	Total Debt Capacity
Statutory debt limit:						
(2021 TAV=$14,210,298,330 (A)						
	1.50% AV @ 100%	$ 213,154,475	$ (213,154,475)	$ -	$ -	$ -
	2.50% AV @ 100%	-	355,257,458	355,257,458	355,257,458	1,065,772,375
Add:	Cash reserved for					
	debt redemption (B)	3,192,943	-	-	-	3,192,943
Less:	Bonds and COPs outstanding	(29,686,656)	-	-	-	(29,686,656)
	Remaining Debt Capacity	**$ 186,660,762**	**$ 142,102,983**	**$ 355,257,458**	**$ 355,257,458**	**$ 1,039,278,661**
	Total Remaining "General" Capacity	**$328,763,745**				

(A) This figure represents the City's final total taxable assessed valuation (TAV) for 2021 which was used to determine the 2022 property tax levy.
(B) Reflects debt service fund balance as of 12/31/2021.

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
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%
2021	1,065,772,375	(26,493,713)	1,039,278,662	2.49%

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

Note: Under state 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

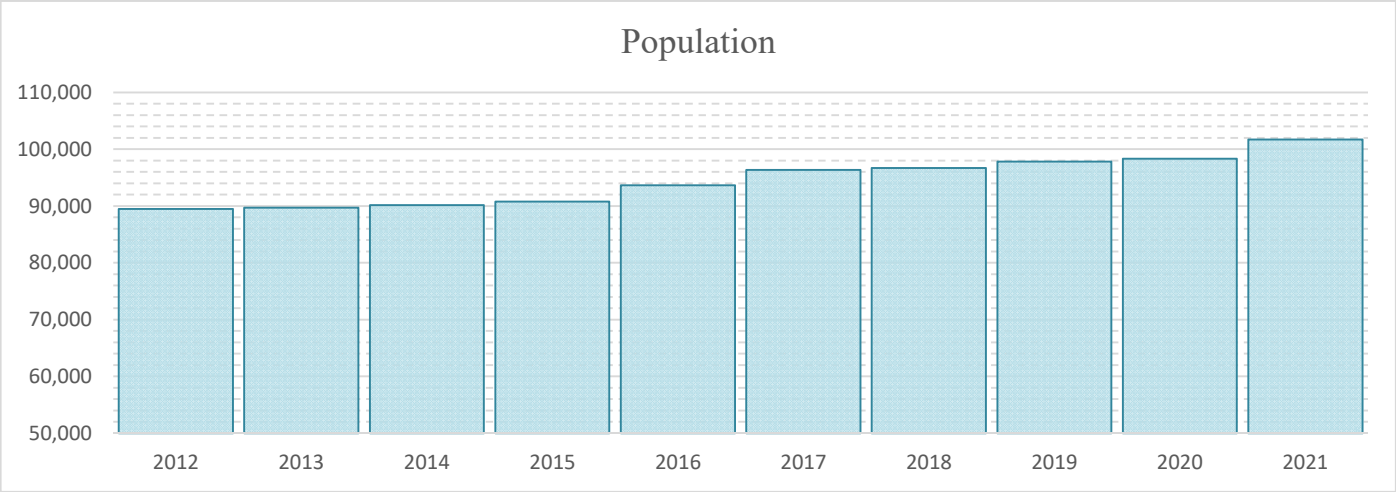
Fiscal Year	Principal	Interest *	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2011	526,000	622,903	1,148,903	49,482,421	2.3%
2012	480,760	1,114,827	1,595,587	47,879,445	3.3%
2013	1,050,430	1,413,862	2,464,292	57,934,989	4.3%
2014	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	58,771,816	4.3%
2021	1,948,716	1,019,543	2,968,258	61,262,509	4.8%

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)
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	323,176,255,000	31,744	35.8	13.0	21,922	6.8%
2021	101,700	N/A	32,788	36.2	13.0	21,552	4.2%



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

(B) Unemployment rates came from ESDWAGOV-Resident Civilian Labor Force & Employment in Federal Way

(C) Per Capital Income for Federal Way came https://censusreporter.org/profiles

(D) Personal income information is for Seattle-Tacoma-Bellevue area provided by the Bureau of Economic Analysis, information for 2021 not available. 2021 data for Personal Income to be published fall of 2022.

Sources: Data was obtained from U. S. Census Bureau
Employment Security Department/DATA; U.S. Bureau of Labor Statistics, Local Area Unemployment 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	2021			2012		
		Number of Employees	Rank	% of Total City Employment	Number of Employees	Rank	% of Total City Employment
Federal Way Public Schools	Educational Services	2,835	1	5.91%	2,584	1	7.89%
St Francis Hospital	Medical Services	1,011	2	2.11%	875	4	2.67%
World Vision Inc	Christian Relief Agency-Nonprofit	775	3	1.62%	852	5	2.60%
Western WA Corp of Seventh Day Ad	Non-Profit Church Organization	650	4	1.36%			
US Postal Service - Bulk Mail	Postal Service	625	5	1.30%	616	6	1.88%
City Of Federal Way	Government Services	443	6	0.92%	476	7	1.45%
Wal-Mart #3794	Retail	366	7	0.76%	386	8	1.18%
Community Integrated Services	Health Services	364	8	0.76%			
Costco Wholesale Corporation	Wholesale	321	9	0.67%	214	12	0.65%
Virginia Mason Federal Way	Medical Services	267	10	0.56%	235	9	0.72%
Korean Women's Association	Professional Services	261	11	0.54%			
Fred Meyer	Retail	232	12	0.48%	220	11	0.67%
Home Depot USA Inc. #4703	Retail	215	13	0.45%			
Wal-Mart #2571	Retail	212	14	0.44%	183	13	0.56%
MAKSU Inc.	Social Services	210	15	0.44%			
Target Store	Retail				178	14	0.54%
Weyerhauser Company	Lumber Products				1,158	3	3.54%
Xerox Commercial Services	Business Services				1,210	2	3.70%
Telecom Labs Inc.	Communications				225	10	0.69%
Garden Terrace Alzheimer's Center	Health Services				163	15	0.50%

Sources: City of Federal Way Business License. City of Federal Way Business Licensing was outsourced to State of Washington DOR, effective October 2019.
Employment Security Department/DATA; U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics
Note: Principal Employers - includes both full-time and part-time employees.

PROPERTY VALUE AND CONSTRUCTION						
	Commercial Construction (A)		Residential Construction (A)		Multi-Family Construction (A)	
Year	Permits	Value (In Thousands)	Permits	Value (In Thousands)	Permits	Value (In Thousands)
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	54,207	310	29,612	45	2821
2019	133	157,502	304	27,267	129	34,940
2020	138	29,230	249	14,837	129	4,241
2021	159	81,122	294	17,239	281	9,502

Sources & Notes:

(A) Federal Way Community Development Department. Construction includes alterations. Other building-related permits (plumbing, electrical, mechanical, fire alarm, etc.) numbering 2,676 and valued at $27,720,085 are excluded.

CAPITAL ASSETS BY FUNCTION
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Transportation										
Street (Center Line Miles)	248	249	249	249	249	254	254	257	257	257
Signals WSDOT-owned and maintained	6	6	6	6	6	6	6	6	6	6
Signals City-owned & County-maintained	77	77	77	77	80	80	81	81	82	82
Street lights City-owned and maintained	1,618	1,705	1,728	1,728	1,785	1,857	1,857	2,098	2,134	2,134
Street lights City-owned and PSE-maintain	644	644	644	644	644	644	644	644	644	644
Street lights PSE-owned and maintained	1,975	1,975	1,978	1,980	1,983	1,986	1,986	2,067	2,067	2,067
Culture & Recreation										
Developed Parks - Acreage	580	580	589	589	589	589	620	853	853	853
Developed Parks - # of Parks	29	29	30	30	32	32	34	34	34	34
Undeveloped Parks - Acreage	539	539	539	539	539	539	444	436	436	436
Undeveloped Parks - # of Parks	22	22	22	22	22	22	23	23	23	23
Tennis Courts City-Owned	9	9	9	9	9	9	9	9	9	9
Tennis Courts - Public	25	25	25	25	22	22	17	17	17	17
Swimming Pools City-Owned	2	2	2	2	2	2	2	2	2	2
Swimming Pools County-Owned	3	3	3	3	3	3	2	2	2	2
Trails - Miles	9	9	9	9	9	9	9	12	12	12
Trails - # of Trails	6	6	6	6	6	6	7	7	7	7
Community Centers/Recreation Facilities	1	1	2	2	3	3	3	3	3	3

Source: City of Federal Way Public Works and Parks Department

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
SECURITY OF PERSONS & PROPERTY										
Offenses:										
Forcible Rape (including attempts)	48	35	70	47	46	34	44	32	50	70
Robbery	107	107	135	152	191	169	234	156	132	168
Criminal Homicide	3	6	4	4	9	7	1	3	6	11
Aggravated Assault	150	133	148	178	209	226	173	175	211	273
Vehicle Theft	800	778	869	762	1,080	963	805	634	763	947
Burglary (commercial & residential)	931	801	816	635	645	664	672	563	745	792
Larceny	3,409	3,571	3,912	3,701	4,225	3,699	3,060	3,106	3,056	3,016
Arson	9	7	13	14	18	10	14	12	34	31
Citations:										
Traffic	13,023	17,558	13,705	15,466	10,602	10,579	7,619	8,186	6,346	5,402
Red Light Photo	13,455	24,454	24,750	29,812	33,626	38,434	35,781	25,175	23,928	20,324
ECONOMIC ENVIRONMENT										
Building Related Permits & Values										
Building Permits	598	662	632	633	544	649	580	391	516	734
Estimated Value (In Millions $)	$ 58	$ 62	$ 128	$ 198	$ 57	$ 62	$ 86	$ 227	$ 48	$ 108
Other Building Related Permits	2,960	3,827	3,722	3,868	3,429	3,425	3,464	2,927	2,522	2,676
Estimated Value (In Millions $)	$ 5	$ 6	$ 7	$ 8	$ 8	$ 10	$ 10	$ 44	$ 22	$ 28

Source: City of Federal Way Police Department and Community Development Department

CITY GOVERNMENT EMPLOYEES FULL-TIME EQUIVALENT - HISTORY

Department	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Mayor's Office	**3.00**	**3.50**	**6.00**	**8.00**	**12.34**	**14.34**	**7.34**	**7.34**	**7.34**	**8.34**
Administration	3.00	3.00	5.00	6.00	6.34	6.34	6.34	6.34	6.34	6.34
Economic Development	-	0.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	2.00
Performing Arts & Event Center	-	-	-	1.00	5.00	7.00	-	-	-	-
City Council	**3.85**	**4.15**	**4.15**	**4.20**	**4.20**	**4.20**	**4.20**	**4.20**	**4.20**	**4.20**
Municipal Court	**13.00**	**13.00**	**13.00**	**13.00**	**16.00**	**16.00**	**16.00**	**16.00**	**16.00**	**16.00**
Human Resources/City Clerk	**4.50**	**4.50**	**5.13**	**5.75**	**6.00**	**6.00**	**6.00**	**6.00**	**6.00**	**6.50**
City Clerk	1.75	1.75	1.88	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Human Resources	2.75	2.75	3.25	3.25	3.50	3.50	3.50	3.50	3.50	4.00
Finance	**7.00**	**6.00**	**7.00**	**8.00**	**8.00**	**8.00**	**8.00**	**8.00**	**10.00**	**10.00**
Finance	7.00	6.00	7.00	8.00	8.00	8.00	8.00	8.00	10.00	10.00
Information System	**7.00**	**7.00**	**6.00**	**7.00**	**7.00**	**7.00**	**7.00**	**7.00**	**8.00**	**9.00**
Law	**11.00**	**12.00**	**12.00**	**12.50**	**12.50**	**12.50**	**13.00**	**13.00**	**12.50**	**12.50**
Civil Legal Services	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80	4.80
Criminal Prosecution Services	6.20	7.20	7.20	7.70	7.70	7.70	8.20	8.20	7.70	7.70
Community & Econ Development	**21.65**	**21.85**	**26.25**	**26.70**	**26.70**	**26.70**	**26.70**	**27.50**	**26.18**	**26.18**
Administration	3.50	3.50	3.90	3.90	3.90	3.90	3.90	3.90	4.58	4.58
Planning	6.00	6.00	7.00	7.00	6.00	6.00	6.00	6.80	6.80	5.80
Building	9.00	10.00	12.00	12.00	13.00	13.00	13.00	13.00	11.00	12.73
Human Services	2.65	2.35	3.35	3.80	3.80	3.80	3.80	3.80	3.80	3.07
Economic Development	0.50	-	-	-	-	-	-	-	-	-
Police	**132.00**	**145.00**	**146.00**	**160.00**	**160.00**	**160.00**	**160.00**	**163.00**	**167.00**	**185.00**
Administration	3.00	3.00	3.00	3.00	2.00	2.00	2.00	2.00	2.00	2.00
Support Services	52.00	55.00	56.00	57.00	55.00	55.00	55.00	58.00	62.00	78.00
Field Operations	77.00	87.00	87.00	100.00	103.00	103.00	103.00	103.00	103.00	105.00
Parks, Rec. & Cultural Svcs.	**36.45**	**35.45**	**35.90**	**34.80**	**37.46**	**37.46**	**38.96**	**38.46**	**39.21**	**39.96**
Administration	1.35	1.35	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80
General Recreation	5.50	5.50	5.50	5.50	5.83	5.83	5.83	5.83	5.83	6.83
Community Center	13.35	13.35	13.35	11.00	11.33	11.33	11.33	11.33	11.33	11.33
Dumas Bay Centre	2.75	2.75	2.75	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Parks Maintenance	13.00	12.50	12.50	13.50	15.50	15.50	16.00	15.50	16.25	17.00
Performing Arts & Event Center	-	-	-	-	-	-	1.00	1.00	1.00	-
Public Works	**38.95**	**39.95**	**38.95**	**44.00**	**43.00**	**44.00**	**45.00**	**49.50**	**56.00**	**60.00**
Administration	2.20	2.25	2.25	2.75	2.75	2.75	2.75	3.61	1.61	1.61
Development Services	4.20	3.70	3.70	2.20	2.20	2.20	2.20	1.85	2.85	2.85
Traffic Services	2.35	3.85	3.85	4.35	4.35	4.35	5.35	5.28	5.28	5.28
Street Services	10.60	10.60	10.60	11.60	11.60	11.60	11.60	15.10	22.00	22.00
Emergency Management	1.00	1.00	-	-	-	-	-	-	-	-
Solid Waste & Recycling	1.70	1.70	1.70	2.20	2.20	2.20	2.20	2.41	2.41	2.41
Surface Water Management	16.40	16.35	16.35	20.40	19.40	20.40	20.40	20.75	20.85	24.85
Fleet & Equipment	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	1.00	1.00
Total	**278.40**	**292.40**	**300.38**	**323.95**	**333.20**	**336.20**	**332.20**	**340.00**	**352.43**	**377.68**

Source: City of Federal Way Finance Division

***table does NOT include 1-time positions or frozen positions**

SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS
DECEMBER 31, 2021

EXECUTIVE BRANCH		
POSITION	**EMPLOYEE**	**ANNUAL SALARY**
MAYOR	JIM FERRELL	$162,908
CITY ATTORNEY	RYAN CALL	$166,380
CITY CLERK	STEPHANIE COURTNEY	$121,404
COMMUNITY DEVELOPMENT DIRECTOR	BRIAN DAVIS	$166,380
ECONOMIC DEVELOPMENT DIRECTOR	TIM JOHNSON	$159,276
FINANCE DIRECTOR	STEVE GROOM	$155,424
INFORMATION TECHNOLOGY DIRECTOR	THOMAS FITCHNER	$163,236
PARKS DIRECTOR	JOHN HUTTON	$156,096
POLICE CHIEF	ANDY HWANG	$190,604
PUBLIC WORKS DIRECTOR	EJ WALSH	$166,380

LEGISLATIVE BRANCH		
POSITION	**EMPLOYEE**	**ANNUAL SALARY**
COUNCIL PRESIDENT	SUSAN HONDA	$15,986
COUNCIL MEMBERS	LYDIA ASSEFA-DAWSON	$15,986
	GREGORY BARUSO	$15,986
	LEANDRA CRAFT	$15,986
	LINDA KOCHMAR	$15,986
	MARTIN MOORE	$15,986
	HOANG TRAN	$15,986

JUDICIAL BRANCH		
POSITION	**EMPLOYEE**	**ANNUAL SALARY**
JUDGE	DAVID LARSON	$183,775
JUDGE	REBECCA ROBERTSON	$183,775

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

LOCAL TAXES ON BUSINESSES

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

Fire and Emergency Medical Response information reflects the greater Federal Way area, which is served by South King Fire & Rescue.

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Fire and Other Responses	1,363	968	999	1,148	1,019	3,213	1,253	4,278	1,093	4,973
	Emergency Medical	12,571	12,950	13,847	14,193	16,144	17,109	15,968	16,422	19,101	18,352

PUBLIC EDUCATION

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
23	Elementary Schools	9,229	9,777	10,054	10,253	10,498	10,493	10,241	10,576	9,953	8,670
8	Middle Schools (Public Academy, TAF)	5,041	5,050	5,034	5,209	5,183	5,238	5,217	4,485	5,309	4,604
4	High Schools	6,018	6,341	6,299	6,166	5,582	6,382	6,389	6,342	6,327	5,789
3	Alternative\Int. Academy, Open Doors)	377	386	385	351	412	409	462	1,915	333	995
	Total	**20,665**	**21,554**	**21,772**	**21,979**	**21,673**	**22,522**	**22,309**	**23,318**	**21,922**	**20,058**

3,171 Staff members

TAXABLE SALES (in millions)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Retail Sales	$1,239	$1,355	$1,432	$1,564	$1,673	$1,671	$1,733	$1,888	$1,897	$2,064
Real Estate Sales	$303	$399	$418	$599	$1,062	$819	$841	$1,044	$895	$1,036

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

2021					2012				
Sales Tax Received	Sector	Location	Rank	% of Total City Sales Taxes Received	Sales Tax Received	Sector	Location	Rank	% of Total City Sales Taxes Received
$ 986,299	General Merchandise Stores	S 348th	1	5.62%	$ 670,476	General Merchandise Stores	S 312th & S 316th	1	6.36%
793,035	General Merchandise Stores	S 312th & S 316th	2	4.52%	616,774	General Merchandise Stores	S 348th	2	5.85%
609,691	Construction	S 348th	3	3.48%	292,417	Building Material and Garden	S 348th	3	2.78%
496,315	Miscellaneous Store Retailers	S 348th	4	2.83%	275,675	General Merchandise Stores	Other	4	2.62%
321,891	Building Material and Garden Equipment and Supplies	S 348th	5	1.83%	254,348	General Merchandise Stores	Commons	5	2.41%
311,185	General Merchandise Stores	Other	6	1.77%	214,428	Motor Vehicle and Parts Dealer	Other	6	2.04%
306,910	Building Material and Garden Equipment and Supplies	Other	7	1.75%	206,699	Electronics and Appliances	Pavillion	7	1.96%
297,784	Construction	Commons	8	1.70%	174,053	Building Material and Garden	S 348th	8	1.65%
262,714	General Merchandise Stores	S 348th	9	1.50%	135,110	General Merchandise Stores	Commons	9	1.28%
243,212	Motor Vehicle and Parts Dealers	Other	10	1.39%	122,977	General Merchandise Stores	Commons	10	1.17%
$ 4,629,036				**26.39%**	**$ 2,962,957**				**28.13%**

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 $17.54M in sales and use tax in 2021, and $10.53M in 2012.