Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

City of Tumwater

For the period January 1, 2021 through December 31, 2021

Published December 29, 2022

Report No. 1031733

Office of the Washington State Auditor
Pat McCarthy

December 29, 2022

Mayor and City Council
City of Tumwater
Tumwater, Washington

Report on Financial Statements

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

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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City of Tumwater
January 1, 2021 through December 31, 2021

2021-001 The City did not have adequate internal controls ensuring accurate reporting

Background

The City Council, state and federal agencies, and the public rely on the information included in the financial statements and reports to make decisions. City management is responsible for designing, implementing and maintaining internal controls to ensure the financial statements, related schedules, and notes are fairly presented in accordance with generally accepted accounting principles (GAAP), and provide reasonable assurance regarding their reliability.

Our audit found deficiencies in internal controls over financial reporting that affected the City's ability to produce reliable financial statements. *Government Auditing Standards* requires the State Auditor's Office to communicate significant deficiencies as a finding.

Description of Condition

The City prepares multi-fund GAAP financial statements, which are complex and require coordination between many staff across multiple departments. The City relied heavily on their review process for ensuring financial statements were accurate and complete. Our audit found the City lacked an effective review process for ensuring amounts reported in the financial statements and supplementary schedules were consistent with the underlying accounting records, supporting documentation, and tied between financial documents. This represents a significant deficiency in internal controls.

Cause of Condition

The City did not dedicate the time and resources needed to establish effective internal controls over the financial statement review process. The City experienced significant turnover in key positions, resulting in new staff trying to learn existing processes and procedures, and catching up on the backlog of work. Internal controls were less effective during this transition.

Effect of Condition

Because of these deficiencies in internal controls, our audit found the City:

- Overstated the Highway Planning and Construction federal expenditures by $1,591,883 on the Schedule of Expenditures of Federal Awards. This resulted in the City no longer requiring a single audit after our Office had partially completed it.
- Understated the Capital Grants and Contributions Public Works balance by $3,897,840 in Governmental Activities reported on the Government-Wide Statement of Activities.
- Misclassified $421,980 as Unrestricted Net Position instead of Net Pension Asset under the Golf Course Fund in the Statement of Net Position for Proprietary Funds.

We identified other less significant errors during the course of our audit. The City corrected the financial statements for the errors noted above.

Recommendation

We recommend the City dedicate the resources necessary to ensure all staff responsible for preparing financial statements have adequate time for preparing accurate financial statements. We further recommend the City strengthen internal controls by conducting an effective, independent review of the financial statements, notes to the financial statements, and supplementary schedules to ensure they agree to the underlying accounting records, supporting documentation, and tie between financial documents.

City's Response

The City of Tumwater appreciates the feedback, and values our relationship with the State Auditor's Office. All City staff and elected officials take our responsibilities seriously to be good stewards of public funds. It is important to note that no money is missing or unaccounted for. The errors found in the audit are considered "classification" errors, meaning that something was in the wrong column, or it was described incorrectly.

The City of Tumwater has a good tone at the top, a strong control environment, and an excellent culture of accountability. The preparation and review of the City's 2021 financial statements contained unique challenges. During the COVID-19 pandemic, staff turnover increased exponentially. In the Finance Department, more than 50 percent of the team changed for various reasons. And while we have filled *positions as quickly as possible, some key positions took an extended period of time to fill for reasons beyond our control. The labor market has also been incredibly difficult to navigate as a result of the pandemic.*

In addition to losing key Finance staff, many of our experienced staff promoted into new positions within the Department. In effect, nearly the entire Finance team was learning a new job or new responsibilities over the past two years.

Despite these challenges, we acknowledge that it's our responsibility to produce financial statements that are largely free of errors. Our experienced staff are getting up to speed in their new positions, and we have hired new staff in 2022 that will help us excel going forward. We will continue to improve our financial statement review process to ensure accurate financial reporting at the City of Tumwater.

Auditor's Remarks

We thank the City for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the City's corrective action during our next audit.

Applicable Laws and Regulations

RCW 43.09.200 Local government accounting – Uniform system of accounting.

Budgeting, Accounting and Reporting System (BARS) Manual – Accounting, Accounting Principles and General Procedures, Internal Control, Section 3.1.3

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

INDEPENDENT AUDITOR'S REPORT

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

City of Tumwater
January 1, 2021 through December 31, 2021

Mayor and City Council
City of Tumwater
Tumwater, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of the City of Tumwater, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 22, 2022.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2021-001 that we consider to be significant deficiencies.

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

CITY'S RESPONSE TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

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

Pat McCarthy, State Auditor

Olympia, WA

December 22, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Tumwater
January 1, 2021 through December 31, 2021

Mayor and City Council
City of Tumwater
Tumwater, 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 Tumwater, as of and for the year 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 Tumwater, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the 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.

Management has omitted the management's discussion and analysis information that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards,* we have also issued our report dated December 22, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pat McCarthy, State Auditor

Olympia, WA

December 22, 2022

FINANCIAL SECTION

City of Tumwater
January 1, 2021 through December 31, 2021

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CITY OF TUMWATER
Statement of Net Position
December 31, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS:			
Cash & Cash Equivalents	$ 48,567,907	$ 26,081,445	$ 74,649,352
Investments	13,517,017	8,440,349	21,957,366
Receivables:			
Taxes Receivable	4,111,481	-	4,111,481
Accounts Receivable	83,909	1,550,618	1,634,527
Interest Receivable	54,210	11,992	66,202
Interfund Loan Receivable	-	2,394,247	2,394,247
Due from Other Governments	780,858	30,000	810,858
Inventories	19,372	390,445	409,817
Prepaids	57,483	-	57,483
Total Current Assets	67,192,237	38,899,096	106,091,333
NONCURRENT ASSETS:			
Restricted Cash & Investments	$ 19,826	$ 2,027	$ 21,853
Equity Interest in Joint Venture	304,652	-	304,652
Net Pension Asset	19,422,657	2,445,280	21,867,937
Capital Assets:			
Historical Artifacts, Land, and Construction in Progress	99,818,483	7,313,463	107,131,946
Other Capital Assets, Net of Depreciation	79,719,252	62,080,689	141,799,941
Total Noncurrent Assets	199,284,870	71,841,459	271,126,329
Total Assets	**$ 266,477,107**	**$ 110,740,555**	**$ 377,217,662**
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Outflow	$ 1,761,149	$ 323,222	$ 2,084,371
Loss on Refunding	-	22,588	22,588
Total OPEB Liability	66,150	-	66,150
Total Deferred Outflows of Resources	**$ 1,827,299**	**$ 345,810**	**$ 2,173,109**
Total Assets and Deferred Outflows of Resources	**$ 268,304,406**	**$ 111,086,365**	**$ 379,390,771**
LIABILITIES			
CURRENT LIABILITIES:			
Payroll Payable	$ 1,142,237	$ 260,967	$ 1,403,204
Vouchers Payable	895,973	921,214	1,817,187
Other Contracts Payable	147,102	-	147,102
Due to Other Funds	2,394,247	-	2,394,247
Due to other Governments	3,895	-	3,895
Accrued Interest Payable	3,995	13,728	17,723
Deposits Payable	8,580	178,540	187,120
Compensated Absences (Current Portion)	1,112,053	201,161	1,313,214
Total OPEB Liability (Current Portion)	193,000	-	193,000
Due Within One Year	632,610	400,985	1,033,595
Total Current Liabilities	6,533,692	1,976,595	8,510,287
NONCURRENT LIABILITIES:			
Compensated Absences	$ 678,982	$ 122,822	$ 801,804
Total OPEB Liability	7,348,999	-	7,348,999
Net Pension Liability	517,721	233,252	750,973
Due in More Than One Year, Net of Premiums/Discounts	1,037,327	1,204,838	2,242,165
Total Noncurrent Liabilities	9,583,029	1,560,912	11,143,941
Total Liabilities	**$ 16,116,721**	**$ 3,537,507**	**$ 19,654,228**

DEFERRED INFLOWS OF RESOURCES			
Pension Related Inflow	$ 13,116,342	$ 2,572,328	$ 15,688,670
Total Deferred Inflows of Resources	**$ 13,116,342**	**$ 2,572,328**	**$ 15,688,670**
Total Liabilities and Deferred Inflows of Resources	**$ 29,233,063**	**$ 6,109,835**	**$ 35,342,898**
NET POSITION			
Net investment in capital assets	$ 179,537,735	$ 69,394,152	$ 248,931,887
Restricted for:			
Capital Project Development	14,234,422	-	14,234,422
Debt Service	77,319	-	77,319
Public Safety	1,774,871	-	1,774,871
Net Pension Asset	19,422,657	2,445,280	21,867,937
Metropolitan Parks District	2,845,883	-	2,845,883
Transportation Benefit District	3,545,555	-	3,545,555
Other Purposes	824,990	2,027	827,017
Unrestricted	16,807,911	33,135,071	49,942,982
Total Net Position	**$ 239,071,343**	**$ 104,976,530**	**$ 344,047,873**

The notes to financial statements are an integral part of this statement. Small differences are due to rounding.

CITY OF TUMWATER
Statement of Activities
For the Year Ended December 31, 2021

		Program Revenues			Net (Expense) Revenue and Changes in Net Position — Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General Government	$ 5,183,457	$ 1,565,937	$ 1,664,134	$ (2,939)	$ (1,956,325)	$ -	$ (1,956,325)
Public Safety - Police	6,502,068	36,346	212,567	-	(6,253,155)	-	(6,253,155)
Public Safety - Fire	7,321,624	2,786,061	452,088	(90,818)	(4,174,293)	-	(4,174,293)
Public Works	7,338,835	-	295,925	8,795,963	1,753,053	-	1,753,053
Economic Environment	1,666,666	2,630,826	197,797	4,783	1,166,740	-	1,166,740
Culture & History	224,854	-	-	-	(224,854)	-	(224,854)
Parks & Recreations	2,272,046	269,728	10,849	1,220,253	(771,216)	-	(771,216)
Interest on Long-Term Debt	1,019	-	-	-	(1,019)	-	(1,019)
Total Governmental Activities	**$ 30,510,569**	**$ 7,288,898**	**$ 2,833,360**	**$ 9,927,242**	**$ (10,461,069)**	**$ -**	**$ (10,461,069)**
Business-type activities:							
Combined Utilities Fund	18,643,789	20,449,749	253,607	6,864,111	-	8,923,678	8,923,678
Golf Course Fund	1,888,654	1,361,695	73,286	-	-	(453,673)	(453,673)
Total Business-type Activities	**20,532,443**	**21,811,444**	**326,893**	**6,864,111**	**-**	**8,470,005**	8,470,005
Total Primary Government	**$ 51,043,012**	**$ 29,100,342**	**$ 3,160,253**	**$ 16,791,353**	**$ (10,461,069)**	**$ 8,470,005**	**$ (1,991,064)**

	Governmental Activities	Business-type Activities	Total
General revenues:			
Property Taxes, Levied for Metropolitan Parks District	1,775,273	-	1,775,273
Property Taxes, Levied for General Purposes	10,007,080	-	10,007,080
Property Taxes, Levied for Debt Service	428	-	428
Business and Franchise Licenses and Taxes	23,046,097	-	23,046,097
Unrestricted Investment Earnings	(102,369)	(16,249)	(118,618)
Miscellaneous	(821,664)	778,980	(42,684)
Capital Transfers	(520,379)	520,379	-
Transfers	(974,600)	974,600	-
Total general revenues, special items, and transfers	**$ 32,409,866**	**$ 2,257,710**	**$ 34,667,576**
Change in net position	21,948,797	10,727,715	32,676,512
Net Position - Beginning	218,043,869	94,248,815	312,292,684
Prior Period Adjustment Due to Capital Assets (See Note 18)	(921,323)	-	(921,323)
Net Position - Beginning as Restated	217,122,546	94,248,815	311,371,361
Net Position - Ending	**$ 239,071,343**	**$ 104,976,530**	**$ 344,047,873**

The notes to financial statements are an integral part of this statement. Small differences are due to rounding.

City of Tumwater
Balance Sheet
Governmental Funds
December 31, 2021

	General Fund	Development Fees Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash & Cash Equivalents	$ 18,162,781	$ 7,414,068	$ 77,319	$ 14,740,764	$ 3,693,510	$ 44,088,442
Investments	6,195,177	6,334,669	-	-	-	12,529,846
Taxes Receivable	3,491,514	-	-	536,630	83,337	4,111,481
Accounts Receivable	49,527	-	-	29,940	4,442	83,909
Interest	36,819	15,775	-	-	-	52,594
Due from Other Funds	-	480,000	-	-	-	480,000
Due from Other Governments	563,991	-	-	216,867	-	780,858
Restricted Cash & Investments	14,141	-	-	5,685	-	19,826
Total Assets	**$ 28,513,950**	**$ 14,244,512**	**$ 77,319**	**$ 15,529,886**	**$ 3,781,289**	**$ 62,146,956**
LIABILITIES						
Vouchers Payable	$ 522,155	$ -	$ -	$ 267,232	$ 80,268	$ 869,655
Payroll Payable	1,100,065	-	-	23,632	-	1,123,697
Deposits Payable	8,580	-	-	-	-	8,580
Other Contracts Payable	-	-	-	147,102	-	147,102
Due to Other Governments	3,895	-	-	-	-	3,895
Due to Other Funds	-	-	-	2,874,247	-	2,874,247
Total Liabilities	**$ 1,634,695**	**$ -**	**$ -**	**$ 3,312,213**	**$ 80,268**	**$ 5,027,176**
DEFERRED INFLOWS OF RESOURCES						
Taxes	$ 1,464,864	$ -	$ -	$ 25,444	$ 44,289	$ 1,534,597
Fines & Forfeitures	62,163	-	-	-	-	62,163
Investment Interest	36,819	15,775	-	-	-	52,594
Deferred Inflow - Grant Related	12,085	-	-	216,867	-	228,952
Total Deferred Inflows of Resources	**$ 1,575,931**	**$ 15,775**	**$ -**	**$ 242,311**	**$ 44,289**	**$ 1,878,306**
Total Liabilities and Deferred Inflows of Resources	**$ 3,210,626**	**$ 15,775**	**$ -**	**$ 3,554,524**	**$ 124,557**	**$ 6,905,482**
FUND BALANCES (DEFICITS)						
Restricted	$ 5,334,567	$ 14,228,737	$ 77,319	$ 5,685	$ 3,656,732	$ 23,303,040
Committed	1,407,408	-	-	11,969,677	-	13,377,085
Assigned	3,467,977	-	-	-	-	3,467,977
Unassigned	15,093,372	-	-	-	-	15,093,372
Total Fund Balances (Deficits)	**$ 25,303,324**	**$ 14,228,737**	**$ 77,319**	**$ 11,975,362**	**$ 3,656,732**	**$ 55,241,474**
Total Liabilities and Fund Balances (Deficits)	**$ 28,513,950**	**$ 14,244,512**	**$ 77,319**	**$ 15,529,886**	**$ 3,781,289**	**$ 62,146,956**

The notes to financial statements are an integral part of this statement. Small differences are due to rounding.

Amounts reported for governmental activities in the Statement of Net Position differ for the following reasons:

TOTAL OF FUND BALANCES FOR ALL GOVERNMENTAL FUNDS (THIS STATEMENT)	$ 55,241,474
Deferred Taxes and other revenue recognized as earned revenue.	$ 1,622,270
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	$ 175,632,565
Other assets not available to pay for current-period expenditures.	$ 304,652
An internal service fund is used to charge for the use of heavy equipment, vehicles, and electronic equipment to the individual funds. The net assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Assets.	$ 9,604,453
Long-term debt, including bonds and other debt instruments plus accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	$ (1,673,932)
Pension related assets, liabilities, deferred inflows, and deferred outflows do not require financial resources and are only reported on the government-wide financial statements.	$ 7,556,904
Compensated absences are classified as long-term liabilities, do not require financial resources and are only reported on the government-wide statements.	$ (1,741,194)
Other post-employment employee benefits are classified as long-term liabilities, do not require financial resources and are only reported on the government-wide statements.	$ (7,475,849)
	$ 239,071,343

CITY OF TUMWATER
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

	General Fund	Development Fees Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Taxes Revenue	$ 27,627,181	$ -	$ 428	$ 4,799,678	$ 2,121,134	$ 34,548,421
Licenses & Permits	1,982,182	-	-	-	-	1,982,182
Intergovernmental	5,894,894	-	-	6,614,421	8,638	12,517,953
Charges for Services	3,057,771	3,746,631	-	44,612	17,065	6,866,079
Fines & Forefeitures	54,586	-	-	-	230	54,816
Miscellaneous	102,490	123,722	19,886	63,260	2,371	311,729
Total Revenues	**$ 38,719,104**	**$ 3,870,353**	**$ 20,314**	**$ 11,521,971**	**$ 2,149,438**	**$ 56,281,180**
EXPENDITURES						
Current:						
General Government	$ 5,863,056	$ -	$ -	$ 28,291	$ -	5,891,347
Public Safety - Police	7,547,625	-	-	-	15,127	7,562,752
Public Safety - Fire	8,680,039	-	-	-	-	8,680,039
Public Works	4,711,087	-	-	2,510,069	-	7,221,156
Economic Environment	1,907,085	-	-	-	57,550	1,964,635
Culture & History	-	-	-	-	149,510	149,510
Parks & Recreations	2,404,400	-	-	-	336,389	2,740,789
Debt Service:						
Interest & Fiscal Charges	-	-	88,569	16,101	-	104,670
Principal Retirement	-	-	664,969	-	-	664,969
Capital Outlay:						
General Government	8,555	-	-	19,186	-	27,741
Public Safety - Police	54,740	-	-	-	-	54,740
Public Safety - Fire	38,064	-	-	34,754	-	72,818
Public Works	-	-	-	4,553,535	-	4,553,535
Culture & History	-	-	-	81,154	-	81,154
Parks & Recreations	-	-	-	158,944	-	158,944
Total Expenditures	**$ 31,214,651**	**$ -**	**$ 753,538**	**$ 7,402,034**	**$ 558,576**	**$ 39,928,799**
Excess (Deficiency) of Revenues Over Expenditures	**$ 7,504,453**	**$ 3,870,353**	**$ (733,224)**	**$ 4,119,937**	**$ 1,590,862**	**$ 16,352,381**
OTHER FINANCING SOURCES (USES)						
Transfers In	79,968	-	753,539	1,925,003	-	2,758,510
Transfers Out	(1,583,710)	(1,630,184)	-	(693,193)	-	(3,907,087)
Total Other Financing Sources (Uses)	**$ (1,503,742)**	**$ (1,630,184)**	**$ 753,539**	**$ 1,231,810**	**$ -**	**$ (1,148,577)**
Net Change in Fund Balances	**$ 6,000,711**	**$ 2,240,169**	**$ 20,315**	**$ 5,351,747**	**$ 1,590,862**	**$ 15,203,804**
Fund Balances - Beginning	19,302,613	11,988,568	57,004	6,623,615	2,065,870	40,037,670
Fund Balances - Ending	**$ 25,303,324**	**$ 14,228,737**	**$ 77,319**	**$ 11,975,362**	**$ 3,656,732**	**$ 55,241,474**

The notes to financial statements are an integral part of this statement. Small differences are due to rounding.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (THIS STATEMENT)	$ 15,203,804
Revenue earned as an economic resource, but not a financial resource.	$ (2,584,981)
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 exceed depreciation in the current period. In addition, it includes the net effect of miscellaneous transactions involving capital assets as a change in net assets for the current period (i.e. sales, trades, donations, and changes in equity in a joint venture). These changes are reported as Miscellaneous General Government Income in the Statement of Activities.	$ (319,396)
Debt service principal payments are an expenditure in the governmental funds, but reduce long-term liabilities in the Statement of Net Position. Also included are amortization of deferred losses and premiums, as well as the accrual of interest on bonds reported in the Statement of Activity that do not require the use of current resources and therefore are not reported as expenditures in the governmental funds.	$ 768,620
Increases in Other Post-Employment Benefits do not require financial resources and the increase in benefit expense is only reported on the government-wide statements.	$ (105,736)
Increases in Compensated Absence balances do not require financial resources and the increase in benefit expenses is only reported on the government-wide statements.	$ (8,170)
Pension-related assets, liabilities and deferrals are updated at the end of each year resulting in increases or decreases in pension expense. A decrease in pension expense does not release financial resources and is only reported on the government-wide statements.	$ 4,571,822
An internal service fund is used to charge costs for the use of heavy equipment, vehicles, and electronic equipment to individual funds. The net revenue of the internal service fund is included in the governmental activities programs in the Statement of Activities as a reduction of expenses.	$ 524,992
CHANGE IN NET POSITION FOR GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES	**$ 18,050,955**

CITY OF TUMWATER
Statement of Net Position
Proprietary Funds
December 31, 2021

	Business-type Activities			Governmental Activities
	Combined Utilities Fund	Golf Course Fund	Total Enterprise Funds	Internal Service Funds
ASSETS				
Current Assets:				
Cash & Cash Equivalents	$ 25,156,539	$ 924,906	$ 26,081,445	$ 4,496,719
Investments	8,440,349	-	8,440,349	1,243,207
Accounts Receivable	1,550,592	26	1,550,618	-
Interest	11,992	-	11,992	1,616
Interfund Loan Receivable	2,609,979	-	2,609,979	-
Due from Other Governments	30,000	-	30,000	-
Inventories	205,914	184,531	390,445	19,372
Prepaids	-	-	-	57,483
Total Current Assets	38,005,365	1,109,463	39,114,828	5,818,397
Noncurrent Assets:				
Historical Artifacts, Land, and Construction in Progress	7,209,238	104,225	7,313,463	221,193
Other Capital Assets, Net of Depreciation	59,602,487	2,478,202	62,080,689	3,683,978
Restricted Investments	2,027	-	2,027	-
Net Pension Asset	2,023,300	421,980	2,445,280	472,366
Total Noncurrent Assets	68,837,052	3,004,407	71,841,459	4,377,537
Total Assets	**$ 106,842,417**	**$ 4,113,870**	**$ 110,956,287**	**$ 10,195,934**
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Outflow	$ 267,444	$ 55,778	$ 323,222	$ 62,439
Deferred Loss of Refunding	-	22,588	22,588	-
Total Deferred Outflows of Resources	**$ 267,444**	**$ 78,366**	**$ 345,810**	**$ 62,439**
Total Assets and Deferred Outflows of Resources	**$ 107,109,861**	**$ 4,192,236**	**$ 111,302,097**	**$ 10,258,373**
LIABILITIES				
Current Liabilities:				
Vouchers Payable	$ 894,336	$ 26,878	$ 921,214	$ 25,701
Payroll Payable	225,090	35,877	260,967	36,411
Deposits Payable	4,800	173,740	178,540	-
Interfund Loans Payable	-	215,732	215,732	-
Accrued Interest Payable	-	13,728	13,728	-
Compensated Absences Payable	170,532	30,629	201,161	30,946
Current Portion of Long Term Debt	-	400,985	400,985	-
Total Current Liabilities	1,294,758	897,569	2,192,327	93,058
Noncurrent Liabilities:				
Net Pension Liability	193,000	40,252	233,252	45,058
Compensated Absences Payable	104,121	18,701	122,822	18,895
Long Term Liabilities (Net of Amortized Discount)	-	1,204,838	1,204,838	-
Total Noncurrent Liabilities	297,121	1,263,791	1,560,912	63,953
Total Liabilities	**$ 1,591,879**	**$ 2,161,360**	**$ 3,753,239**	**$ 157,011**
DEFERRED INFLOWS OF RESOURCES				
Pension Related Inflow	$ 2,128,424	$ 443,904	$ 2,572,328	$ 496,908
Total Deferred Inflows of Resources	**$ 2,128,424**	**$ 443,904**	**$ 2,572,328**	**$ 496,908**
Total Liabilities and Deferred Inflows of Resources	**$ 3,720,303**	**$ 2,605,264**	**$ 6,325,567**	**$ 653,919**
NET POSITION				
Net Investment in Capital Assets	$ 66,811,725	$ 2,582,427	$ 69,394,152	$ 3,905,171
Restricted for:				
Net Pension Asset	2,023,300	421,980	2,445,280	472,366
Other Purposes	2,027	-	2,027	-
Unrestricted	34,552,506	(1,417,435)	33,135,071	5,226,917
Total Net Position	**$ 103,389,558**	**$ 1,586,972**	**$ 104,976,530**	**$ 9,604,454**

The notes to financial statements are an integral part of this statement. Small differences are due to rounding.

CITY OF TUMWATER
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2021

	Business-type Activities			Governmental Activities
	Combined Utilities Fund	Golf Course Fund	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES				
Charges for Services	$ 20,449,750	$ 1,361,694	$ 21,811,444	$ 2,976,684
Miscellaneous	51,605	-	51,605	-
Other Operating Revenue	253,607	73,286	326,893	89,910
Total Operating Revenues	**$ 20,754,962**	**$ 1,434,980**	**$ 22,189,942**	**$ 3,066,594**
OPERATING EXPENSES				
Operations & Maintenance	12,348,996	1,420,117	13,769,113	749,992
Administration Overhead	2,662,352	114,798	2,777,150	1,282,247
Taxes Expense	1,493,160	6,105	1,499,265	-
Depreciation & Amortization	2,139,281	286,121	2,425,402	727,329
Total Operating Expenses	**$ 18,643,789**	**$ 1,827,141**	**$ 20,470,930**	**$ 2,759,568**
Operating Income (Loss)	**$ 2,111,173**	**$ (392,161)**	**$ 1,719,012**	**$ 307,026**
NONOPERATING REVENUES (EXPENSES)				
Interest Income	(16,379)	130	(16,249)	(2,414)
Interest Expense	-	(61,513)	(61,513)	-
Other Income (Expense)	-	727,375	727,375	46,403
Total Nonoperating Revenues (Expenses)	**$ (16,379)**	**$ 665,992**	**$ 649,613**	**$ 43,989**
Income (Loss) Before Contributions and Transfers	**$ 2,094,794**	**$ 273,831**	**$ 2,368,625**	**$ 351,015**
Capital Contributions	7,384,490	-	7,384,490	-
Transfers In	-	977,315	977,315	173,977
Transfers Out	(2,715)	-	(2,715)	-
Change in Net Position	**$ 9,476,569**	**$ 1,251,146**	**$ 10,727,715**	**$ 524,992**
Total Net Position - Beginning	93,912,989	335,826	94,248,815	9,079,462
Total Net Position - Ending	**$ 103,389,558**	**$ 1,586,972**	**$ 104,976,530**	**$ 9,604,454**

The notes to financial statements are an integral part of this statement. Small differences are due to rounding.

CITY OF TUMWATER
Statement of Cash Flows
Proprietary Funds
For the year Ended December 31, 2021

	Business-type Activities - Enterprise Funds			Governmental Activities
	Combined Utilities Fund	Golf Course Fund	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Receipts from Customers	$ 17,673,810	$ 1,361,692	$ 19,035,502	$ -
Cash from Quasi-External Operating Activities	-	-	-	3,066,595
Cash from Other Operating Activities	270,979	88,662	359,641	-
Payments to Suppliers of Goods and/or Services	(7,251,436)	(779,119)	(8,030,555)	(1,088,046)
Payments to Employees	(3,904,038)	(892,863)	(4,796,901)	(814,578)
Payments to Quasi-External Operating Activities	(1,943,108)	(88,579)	(2,031,687)	(343,821)
Payments for Other Operating Actvities	(1,502,569)	(6,105)	(1,508,674)	-
Net Cash Provided (Used) by Operating Activities	**$ 3,343,638**	**$ (316,312)**	**$ 3,027,326**	**$ 820,150**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund Loan Proceeds	$ 500,740	$ -	$ 500,740	$ -
Repayment of Interfund Loan	-	$ (185,000)	(185,000)	-
Interest Received on Interfund Loan	11,874	-	11,874	-
Interest Paid on Interfund Loan	-	(657)	(657)	-
Transfer from Other Funds	-	977,315	977,315	173,977
Net Cash Provided (Used) by Noncapital Financing Activities	**$ 512,614**	**$ 791,658**	**$ 1,304,272**	**$ 173,977**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments for Capital Acquisitions	$ (953,511)	$ (46,945)	$ (1,000,456)	$ (321,032)
Proceeds from Sale of Assets	51,605	727,375	778,980	80,403
Principal Repayment on Bond	-	(265,000)	(265,000)	-
Interest Paid on Bond	-	(63,473)	(63,473)	-
Principal Payment on Capital Lease	-	(124,919)	(124,919)	-
Interest Paid on Capital Lease	-	(10,426)	(10,426)	-
Transfers to Other Funds	(2,715)	-	(2,715)	-
Contributions in Aid of Construction	2,825,665	-	2,825,665	-
Net Cash Provided (Used) by Capital and Related Financing Activities	**$ 1,921,044**	**$ 216,612**	**$ 2,137,656**	**$ (240,629)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Net (Increase) Decrease in Investments	$ (3,782,692)	$ -	$ (3,782,692)	$ 55,182
Receipts of Investment Interest	(33,593)	130	(33,463)	(1,317)
Net Cash Provided (Used) by Investing Activities	**$ (3,816,285)**	**$ 130**	**$ (3,816,155)**	**53,865**
Net Increase (Decrease) in Cash and Cash Equivalents	**$ 1,961,011**	**$ 692,088**	**$ 2,653,099**	**$ 807,363**
Cash and Cash equivalents - January 1st	23,195,528	232,818	23,428,346	3,689,356
Cach and Cash Equivalents - December 31st	**$ 25,156,539**	**$ 924,906**	**$ 26,081,445**	**$ 4,496,719**
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income	$ 2,059,559	$ (392,159)	$ 1,667,400	$ 307,024
Noncash Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation/Amortization Expense	2,139,281	286,121	2,425,402	727,329
Changes in Assets and Liabilities:				
Customer Receivables	(150,418)	-	(150,418)	-
Other Operating Receivables	20,000	(26)	19,974	16,591
Inventory	(114,900)	(32,799)	(147,699)	(7,021)
Accounts Payable - Supplier	134,224	6,502	140,726	(22,256)
Accounts Payable - Other	600	15,402	16,002	-
Salaries & Benefits Payable	(798,422)	(201,324)	(999,746)	(208,302)
Compensated absences	53,704	1,974	55,678	6,784
Net Cash Provided (Used) by Operating Activities	**$ 3,343,628**	**$ (316,309)**	**$ 3,027,319**	**$ 820,149**
Noncash investing, capital and financing activities				
Contributed Capital	$ 4,558,824	$ -	$ 4,558,824	$ -
Total Noncash Investing, Capital and Financing Activities	**$ 4,558,824**	**$ -**	**$ 4,558,824**	**$ -**

The notes to financial statements are an integral part of this statement. Small differences are due to rounding.

CITY OF TUMWATER
Statement of Fiduciary Net Position
December 31, 2021

		Custodial Funds
ASSETS		
Cash and Cash Equivalents	$	67,134
Total Assets	**$**	**67,134**
NET POSITION		
Restricted for:		
Evidence Funds	$	45,216
Due to Others		21,918
Total Net Position	**$**	**67,134**

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

CITY OF TUMWATER
Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2021

		Custodial Funds
ADDITIONS		
Custodial deposits	$	-
Total additions		-
DEDUCTIONS		
Disbursement of custodial funds	$	1,313
Total deductions		1,313
Net increase (decrease) in fiduciary net position		(1,313)
Net Position -- beginning of the year	$	68,447
Net Position -- end of the year	$	67,134

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

CITY OF TUMWATER, WASHINGTON
Notes to the Financial Statements
December 31, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.A - Reporting Entity

The City of Tumwater was incorporated on November 25, 1869 and operates under the laws of the State of Washington applicable to a Code City Mayor/Council, form of government. The City provides what are considered general governmental services authorized by state law, including public safety, highways and streets, parks and recreation, planning and zoning, permits and inspections, general administration, and water and sewer services.

As required by the generally accepted accounting principles the financial statements present City of Tumwater, the primary government, and its component units. The component units discussed below are included in the City of Tumwater reporting entity because of the significance of their operational or financial relationship with the City.

The Tumwater Transportation Benefits District (TBD) was authorized on September 16, 2014 by the City of Tumwater Ordinance No. 02014-019. It was created in accordance with state law to provide a source of funding for the maintenance and preservation of streets and related infrastructure, ordinarily a general government activity and reported in the General Fund. Voters approved the TBD on April 28, 2015. It is a legal entity separate from the City. It is reported as a blended component unit of the City's General Fund because the City has financial and operational responsibility and because the governing body of the City and of the TBD are the same.

Voters approved the Tumwater Metropolitan Park District (TMPD) and a new property tax per $1,000 of assessed value on November 6, 2018. City Council established a new dedicated fund for it with Ordinance 2019-030 on November 4, 2019. The district allows the City to consider further open space acquisition, the establishment of new parks, expanded recreation programs, and the possibility of a recreation facility in Tumwater. The district was formed according to state law and is a legal entity separate from the City. Its first property tax revenue was realized in 2020, and, beginning with the fiscal year of 2020, it is reported as a general government blended component unit because the City has financial and operational responsibility, and because the governing body of the City and of the TMPD are the same.

1.B – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the City, and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the funds financial statements.

The TBD blended component unit is combined with Governmental Activities on the Statement of Net Position and Statement of Activities. The TMPD blended component unit is combined with special revenue Nonmajor Funds on the Statement of Net Position and Statement of Activities.

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

The government-wide financial statements are reported using *the economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary 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 considered to be fully collectible and are recognized as a receivable and revenues when assessed. Other taxes, such as sales, business and occupational, and utility taxes are recorded when earned. 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 earned, measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. 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.

The City reports the following major governmental funds:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Development Fees Fund* is a special revenue fund that receives and disperses funds (i.e., transportation impact fees, park impact fees) via Interfund transfers for the specific development activities.
- The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- The *Capital Projects Fund* is the City's primary reporting fund for general government acquisition and development projects (i.e., government buildings, city parks) and transportation infrastructure development.

The City reports the following major proprietary funds:

- The *Combined Utilities Fund* provides water, sewer, and storm drain services to most properties within the City and to some areas outside the City limits.

- The *Golf Course Fund* operates the Tumwater Valley Municipal Golf Course, a 7,200 yard 18-hole championship golf course with a pro-shop operated by the fund and restaurant space leased to a private party.

Additionally, the City reports the following fund type:

- An *internal service fund* that accounts for heavy equipment and vehicle fleet management services as well as computer and communication equipment to the general government and enterprise funds.
- A component unit, the Tumwater Transportation Benefit District, a *special revenue* fund. The funding for it is sales tax of two tenths of a percent (0.2%) which was approved by voters for the repair and maintenance of roadways and streets.
- A component unit, the Tumwater Metropolitan Parks District, a *special revenue* fund. The funding for it is property tax of forty five cents ($0.45) per $1,000 of assessed value for the first five years (2020 through 2024), then increasing to seventy five cents ($0.75) per $1,000 of assessed value, which was approved by voters for new open space acquisition, the establishment of new parks, expanded recreation programs, and the possibility of a recreation facility in Tumwater.
- A *custodial fund*, where the City holds assets obtained as evidence during Police work. These funds are held until a Court determines the rightful owner. The City then disburses the funds according to the Court order. The City also holds funds where retired City fire fighters had paid into a health reimbursement plan prior to January 1, 2020 per labor agreement with the International Association of Fire Fighters, Local 2409. The plan is managed by a third party, which determines expense validity and makes the reimbursements to the fire fighters. The City holds the funds and transfers money to the third party at its request.

As a general rule, the effect of Interfund activities has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of property taxes and payments for utility taxes because elimination of these charges would distort the true costs and program revenues of the funds and functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than program revenues, therefore general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services essential services. Operating expenses for the enterprise funds and the internal service fund include 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.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources, as they are needed.

The use of estimates is an inherent part of financial reporting. The City uses estimates for the useful lives and salvage value of depreciable assets and for certain periods benefiting from deferred costs, for example. Estimates may change as more and better information becomes available and to better reflect the current effect of future events. The City was consistent with its application of estimates and did not make changes.

1.D – Assets, Liabilities, and Net Position or Fund Balance

1.D.1 – Deposits and Investments (see Note 4.1 - Deposits and Investments)

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The City considers an investment to be a security or other asset with a maturity of over three months that (a) it holds for the purpose of investment earnings or profit, that (b) can generate cash or be sold to generate cash, and that (c) is not auxiliary to or in support of the City's service capacity or ability.

The City is authorized by state law to invest in certificates of deposit issued by Washington State depositories that participate in the State of Washington Public Deposit Protection Commission Pool, U.S. Treasury and agency securities, state and local government obligations, banker's acceptance and repurchase agreements, and the State of Washington Local Government Investment Pool (LGIP).

As of December 31, 2021 the City held funds in the Local Government Investment Pool. The funds have immediate liquidity and are, therefore, reported as cash equivalent.

The City defines and reports investments according to GASB 72, Fair Value Measurement and Application, and reports its funds held in LGIP according to GASB 79, Certain External Investment Pools and Pool Participants.

See Note 4.1 - Deposits and Investments for investment details as of December 31, 2021.

1.D.2 – Receivables

Taxes receivable consist of earned property taxes (see Note 4.3 - Taxes Receivable), retail sales tax, business and occupations taxes, utility taxes, and other taxes. Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year. Customer accounts receivable consists of amounts owed on municipal court fines, utility customers for services provided, and other situations as they arise. Other significant non-recurring miscellaneous receivables are recognized as needed if measurable and available in governmental funds or recorded in proprietary funds.

1.D.3 – Amount Due To and From Other Funds and Governments, Interfund Loans

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund loans receivable/payable" or "due to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances," if applicable. (A disclosure of interfund loans receivable and payable is included in Note 5 - Interfund Loans and Transfers.)

Items identified as "Due from Other Governments" typically represent expenditures or expenses incurred during the reporting period, and expected to be reimbursed through a grant. Items identified as "Due to Other Governments" represent the amount owed by the City's general fund to other governmental agencies for collections of court and other state and county fees.

1.D.4 – Inventories

All inventories in proprietary funds are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than purchased. However, there are no inventories in governmental activities at this time, except through the consolidation with the Internal Service Fund into governmental activities on the entity-wide Statement of Net Position.

1.D.5 – Restricted Assets and Liabilities

Restricted assets include those amounts reserved for revenue bond debt as stipulated in the covenants of the issue, proceeds provided for debt service, legally restricted lodging tax revenue, fees collected specifically for development purposes (i.e.; impact fees, mitigation fees), money acquired from drug seizures and other felonies restricted to drug enforcement activities, and other purposes as they may occur.

1.D.6 – Capital Assets (see Note 4.4-Capital Assets)

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns of the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Intangible assets are included to the extent they can be identified. The type of intangibles the City may hold that have a definite useful life may include easements, water rights, and computer software. Of the items examined, easements that have been acquired have an indefinite useful life, water rights acquired are used in the production of the water supplied to the customers rather than held for resale. The City has placed value in the purchase of licensing of integrated software used by all departments, the conversion of data, and implementation.

The City may annex certain areas, combine or transfer services, and either acquire or dispose of assets, liabilities, and other deferrals in the process. It applies GASB 69 to those infrequent transactions. In 2021, the City had no such transactions.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the City are depreciated using the straight line method with useful lives of 3 to 50 years depending on the type of asset. The useful lives of Infrastructure normally is 20-50 years, Buildings and components is 5-50 years, Improvements other than buildings is 5-50 years, Motor vehicles useful life is 5-15 years, electronic equipment 3-6 years and other machinery and equipment is 5-15 years.

Transportation infrastructure is reported in G*overnmental Capital Assets Not Being Depreciated* as *Construction in Progress* until each project is completed. At that time it is to be identified as infrastructure assets in the appropriate classifications and depreciated over the useful life of the assets.

1.D.7 – Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits.

Annual leave is accumulated monthly at annual rates ranging from 12 to 23 days depending on tenure and union agreements. Employees may accumulate up to a maximum of 240 to 360 hours inclusive of current year accruals according to union agreements and City ordinances. Vacation leave is payable upon resignation, retirement, or death, to all employees having completed six months of service up to a maximum of 240 hours. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds if they have matured.

The sick leave accrual rate for forty hour per week employees is eight hours per month. Twenty-four hour fire department shift employees are credited with one working day of sick leave for each full month of employment. Some classes of employees are eligible for payment of sick leave at 25 percent of the hourly value upon retirement, voluntary termination, or layoff. Additionally, some employees may cash out a portion of sick leave each year at 25 percent of the hourly value based on criteria that recognizes minimal use of sick leave over a minimum of nine years of employment. The City estimates a current portion of this liability with the percentage of leave taken after the year it was earned.

1.D.8 – Other Accrued Liabilities

Accrued wages and benefits and the cost of goods or service received by all funds not paid by the end of the fiscal year are recognized in the year in which incurred. This includes the cost of services provided by the regional waste water treatment facility and is recognized in the financial statement of the Utilities Fund and in the business-type activities in the government-wide reports.

1.D.9 – Long-Term Debt (see Note 6 – Debt and Other Liabilities)

In the government-wide financial statements, and proprietary fund types in the 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 type statement of net position. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financial source. Premiums received on debt issuances are reported as other financial sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

1.D.10 – 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.

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

1.D.11. Deferred Outflows/Inflows of Resources

The Statement of Net Position can include a separate section below assets that is called Deferred Outflows. Deferred Outflows represent the consumption of net position that applies to a future period and will not be recognized as an expense until then. The most common deferred outflow is related to a loss on refunding of debt, net pension obligations (GASB No. 68), and total OPEB liability, where current actual experience and investment performance might have been different than the actuarially determined assumptions.

Additionally, the Statement of Net Position can include a separate section below liabilities called Deferred Inflows. Deferred Inflows represent the acquisition of net assets that applies to a future period and will not be recognized as revenue or avoidance of an expense until then.

The most common example is the deferred gain on refunding debt or a deferral related to net pension obligations (GASB No 68), where the current retirement experience or investment performance might be better than the actuarially determined assumptions.

The Balance Sheet includes deferred inflows from non-exchange transactions, such as property taxes, sales taxes, business and occupational taxes, utility taxes, and other taxes, which have been earned, but are not available for current year expenditures.

1.D.12 – Fund Balance Classifications

As provided in GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*, the City reports the fund balance classifications in aggregate in the balance sheet of the funds financial statement.

The following is the hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent:

- Non-spendable – Not available for spending in the current year (prepaid items, inventories, long-term portion of loans receivable, non-financial resources held for sale).
- Restricted – Subject to externally enforceable legal restrictions (imposed by creditors, grantors, donors, other governments, etc.) or imposed by law through constitutional or enabling legislation.
- Committed – Constrained by limitations that the City imposes upon itself by a vote on a Resolution or Ordinance of the City Council and that remains binding unless removed in the same manner.
- Assigned – Reflects balances specifically assigned by Council through the budget process with every budget adoption cycle. These balances are called out for Council approval through special approval schedules for specific programs supported by Council and are incorporated into the budget and adopted with the City's overall budget.
- Unassigned – The remaining fund balance after identifying all other classifications of resources.

The following table presents the detail of each fund balance classification reported in the fund level Balance Sheet:

	MAJOR GOVERNMENTAL FUNDS				OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	DEVELOPMENT FEES FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS		
FUND BALANCES						
Restricted for:						
Public Safety Levy	$1,774,871					1,774,871
Restricted Donation	14,141			$5,685		19,826
Transportation Benefit District	3,545,555					3,545,555
Metropolitan Park District					$2,845,883	2,845,883
G.O. Bond Debt Service			$77,319			77,319
Impact & Mitigation Fees		$14,228,737				14,228,737
Lake Management District					46,739	46,739
Lodging Tax Funds					571,725	571,725
Affordable Housing Sales Tax Fund					133,490	133,490
Drug Enforcement					55,257	55,257
Domestic Violence Advocacy					3,638	3,638
Committed to:						
Emergency Preparedness	1,407,408					1,407,408
Capital Facilities Plan				11,969,677		11,969,677
Assigned to:						
Facilities Maintenance	1,960,099					1,960,099
Community Development	503,194					503,194
E-Link & Fiberoptics	728,302					728,302
Tumwater Youth Program	99,614					99,614
Parks Board	94,154					94,154
Historical Commission	59,390					59,390
K-9 Program	23,224					23,224
Unassigned:	15,093,370					15,093,372
TOTAL FUND BALANCE	**$25,303,324**	**$14,228,737**	**$77,319**	**$11,975,362**	**$3,656,732**	**$55,241,474**

Totals of All Funds By Classification:	
Restricted	$ 23,303,040
Committed	$ 13,377,085
Assigned	$ 3,467,977
Unassigned	$ 15,093,372
TOTAL OF ALL FUNDS	**$ 55,241,474**

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

The governmental fund 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 that reconciliation explains, "Liabilities, including bonds and other debt instruments plus interest are not due and payable in the current period and therefore are not reported in the funds." This also applies to pension related items. Details of these and other differences are as follows:

Adjustments to Convert from Fund-wide Balance Sheet to Government-wide Statement of Net Position

Release of Deferred Resource and Recognition of Revenue		
Taxes	1,534,597	
Fines and Forfeitures	62,163	
Grants	228,952	
Investment Market Value Adjustment	(256,036)	
Deferred Investment Income	52,594	
		1,622,270
Pension-Related		
Net Pension Asset - LEOFF 1 and 2	18,950,291	
Deferred Outflows	1,698,710	
Net Pension Liabilities (PERS)	(472,663)	
Deferred Inflows	(12,619,434)	
		7,556,904
Historic Artifacts, Land, Construction in Progress and Other Capital Assets, Net of Accumulated Depreciation		171,734,725
Other Assets		
Equity Interest in Joint Venture		304,652
Internal Service Fund Net Position		9,604,453
Long-term Debt Related		
Accrued Interest	(3,995)	
Due Within One Year	(632,610)	
Due Within More than One Year	(1,037,327)	
		(1,673,932)
Compensated Absence Liability		(1,741,194)
Other Post-employment Employee Benefits		(7,475,849)
Total Conversion Adjustments		**179,932,029**

The governmental fund statement of revenues, expenditures, 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, "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 as reported as depreciation expense." The details of these and other difference are as follows:

Adjustments to Convert from Fund-wide Statement of Revenues, Expenditures and Changes in Fund Balances to Government-wide Statement of Activities

Revenues Earned as Economic, and not Financial, Resource		
Taxes	(210,487)	
Fines and Forfeitures	(23,752)	
Grants	(2,046,612)	
Investment Value Adjustment	(304,130)	
		(2,584,981)
Decrease in Pension Expense		4,571,822
Historic Artifacts, Land, Construction in Progress and Other Capital Assets, Net of Depreciation Related		
Increase in Equity Interest in Joint Venture	24,177	
Decrease in Capital Outlay	4,948,932	
Increase in Depreciation	(3,707,801)	
Transfer of Capital Assets	(520,378)	
Contributed Assets	14,506	
Other (Sales Proceeds in Excess of Gain)	(1,078,832)	
		(319,396)
Internal Service Fund Change in Net Position		524,992
Long-term Debt Related		
Amortization of Premiums and Accrual of Interest	103,651	
Principal debt service payments	664,969	
		768,620
Decrease in Other Post-employment Employee Benefits		(105,736)
Decrease in Compensated Absences		(8,170)
Total Conversion Adjustment		**2,847,151**

The net effect of $4,571,822 pension-related benefit decrease stems from better than anticipated investment returns and retirement experience and is the excess of pension contributions over actuarially determined pension expense.

NOTE 3–STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

3.1 - Budgetary Information

The City budgets its funds in accordance with the Revised Code of Washington (RCW 35A.34). In compliance with the Code, budgets for all funds are established with the exception of the fiduciary funds. Budgets established for proprietary funds are “management budgets”.
The biennial budget, which begins on the odd years, is proposed by the Mayor and adopted by the City Council with legal budgetary control at the fund level (i.e., expenditures may not exceed budget appropriations at the fund level). Transfers or revisions within funds are allowed, but supplemental or additional appropriations must be approved by the City Council. All appropriations lapse at the end of the biennium. Unexpended resources must be re-appropriated in the subsequent biennium. The budgetary basis used in the City is substantially the same as the basis of accounting for the governmental fund types.

Washington State law establishes the biennial budget process and the time limits under which a budget must be developed. The City follows the procedures outlined below to establish its budget.

The budget schedule, listing more specific dates for completing the following items is established in June.

- Department directors provide the City Administrator and Mayor with preliminary estimates of revenues and expenditures by September 1.
- The Mayor's preliminary budget is filed with the City Clerk on or before October 1.
- The City Council will fix by ordinance the amounts to be raised in property taxes on or before the first week of November each year of the budget.
- During the first two weeks of November, the City Clerk publishes notice of the filing of the preliminary budget and publishes notice of public hearings.
- During November and before the public hearing, the City Council meets in a work session to review the preliminary budget. These meetings are open to the public.
- On or before the first Monday of December, final public hearings are commenced and may be continued to no later than the 25th day of December prior to the next fiscal year.
- On or before December 31, the City Council adopts the final budget ordinance. The City Clerk publishes a notice indicating budget adoption has been completed.
- The final budget document is published, distributed, and made available to the public during the first three months of the following year.
- A Mid-biennial Review and Modification must occur no sooner than eight months after the start nor later than the conclusion of the first year of the biennium.

Supplementary information is presented later in this report for the general fund and all major special revenue funds that illustrate budgetary information for the current year of the biennium.

3.2 – Excess of Expenditures over Appropriations and Deficits of Fund Equity

- No funds exceeded the appropriations adopted in the budget.
- The Golf Course Enterprise Fund reports a deficit fund balance every year. This deficit should decline yearly as debt service payments are made. The General Government Capital Construction Fund transfers funds annually to the Golf Course Fund for payment of debt service on the General Obligation bonds. The current principal outstanding of these bonds is $1,170,000 and the final debt service payment was scheduled to be made in 2025. However, in early 2022 the G.O. bonds became callable and were paid off early without penalties or fees, saving the Golf fund approximately $59,000 over the next three and one half years, which will contribute to an improved financial position for the Golf fund.
- There have been no material violations of finance-related, legal or contractual provisions.

NOTE 4 – DETAILED NOTES RELATING TO ALL FUNDS

4.1 – Deposits and Investments

As required by state law and the City's investment policy, all deposits and investments of the City funds consist of deposits in Washington Public Deposit Protection Commission (PDPC) member institutions, obligations of the U.S. Government, state or local governments, federal government sponsored corporations, the Washington State Local Government Investment Pool (LGIP), bankers acceptances, and investment deposits.

At the end of the current reporting period, the City held bank deposits in the amount of $10,814,093, bank-held bond investments of $21,957,366, a bank-held investment of $2,027 in form of a Certificate of Deposit, and an LGIP deposit of $63,849,110. It also held cash-on-hand of $5,975, as well as deposits of $67,134 in fiduciary related cash.

Bank Deposits
The City's bank deposits and certificates of deposit are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The PDPC is a statutory authority established under Chapter 39.58 of the Revised Code of Washington. It constitutes a multiple financial institution collateral pool that insures public deposits. In the case of a loss by any public depository in the state, each public depository is liable for an amount up to ten percent of its public deposits. The PDPC provides protection by maintaining strict standards as to the amount of public deposits financial institutions can accept, and by monitoring the financial condition of all public depositaries and optimizing collateralization requirements.

Deposits in LGIP
The City also maintains deposits in the Washington State Local Government Investment Pool (LGIP) which it reported in the financial statements as cash and cash equivalents.

LGIP is an unrated external investment pool, created by Chapter 294, Laws of 1986 and began operations in July 1986. The LGIP is a short-term investment pool of the State of Washington, available to eligible governmental entities as defined by Revised Code of Washington (RCW) 43.250.020. Participation is voluntary. The LGIP is managed and operated by the Office of the State Treasurer (OST). The State Finance Committee is the administrator of the statute that created the pool and adopts appropriate rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually. Any proposed changes are reviewed by the LGIP Advisory Committee. The terms of the policy are designed to ensure the safety and liquidity of the funds deposited in the LGIP. The State Treasurer and designated investment officers adhere to all restrictions on the investment of funds established by law and policy.

The LGIP portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost which approximates fair value. The funds are limited to high quality obligations with regulated maximum and average maturities. The LGIP does not have legally binding guarantees of share value. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. Participants are offered 100% liquidity and they may contribute and withdraw funds on a daily basis. The LGIP transacts with its participants at a stable net asset value per share of $1.00, the same method used for reporting.

As participant of LGIP, the City's deposit is exposed to the same risks as the holdings of the LGIP. They are disclosed in the stand-alone LGIP financial report, a copy of which is available from the Office of the State Treasurer, PO Box 40200, Olympia, WA 98504-0200, or online at http://www,tre.wa.gov.

As required by state laws, it is the City's policy to limit its investments in debt securities to the obligations of the U.S. Government, U.S. Agency issues, obligations of Washington State municipalities, and the Local Government Investment Pool. The policy of the LGIP is to invest in securities and instruments that are eligible under various state laws. The investment policy of the LGIP is available at www.tre.wa.gov. The City does not have formal risk policies otherwise.

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction the City would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The LGIP Investment policy requires that securities purchased be held by the master custodian, acting as an independent third party,
in its safekeeping or trust department. Securities utilized in repurchase agreements are subject to additional restrictions. These restrictions are designed to limit the LGIP's exposure to risk and insure the safety of the investment. All securities utilized in repurchase agreements were rated AAA by Moody's and AA+ by Standard & Poor's. The fair value of securities utilized in repurchase

agreements must be at least 102 percent of the value of the repurchase agreement. The City does not have a specific Custodial Credit Risk Policy.

Investments Measured at Fair Value

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

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

At the end of the current reporting period the City had the following investments measured at fair value:

		Fair Value Measurements Using		
Investment Type	12/31/2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificate of Deposit	$2,027			$2,027
UST Strips	2,022,716		$2,022,716	
UST Strips	995,312		995,312	
Federal National Mortgage Assoc.	992,930		992,930	
Federal National Mortgage Assoc.	1,487,036		1,487,036	
Federal Home Loan Mortgage Corp	3,106,263		3,106,263	
UST Strips	1,481,993		1,481,993	
Federal Home Loan Bank	2,031,172		2,031,172	
UST Strips	1,987,214		1,987,214	
Federal Home Loan Bank	1,955,390		1,955,390	
Federal Home Loan Bank	1,965,228		1,965,228	
Federal Home Loan Bank	1,968,868		1,968,868	
Federal Home Loan Bank	1,963,246		1,963,246	
Total	$21,959,395	$ -	$21,957,368	$2,027

Investment Type	Market Value	Average Maturity (Months)	1-12 Months	13-24 Months	25-60 Months	60+ Months
Certificate of Deposit	$2,027	12.00	$2,027			
UST Strips	2,022,716	6.00	2,022,716			
UST Strips	995,312	18.00		$995,312		
Federal National Mortgage Assoc.	992,930	21.00		992,930		
Federal National Mortgage Assoc.	1,487,036	23.00		1,487,036		
Federal Home Loan Mortgage Corp	3,106,263	26.00			$3,106,263	
UST Strips	1,481,993	29.00			1,481,993	
Federal Home Loan Bank	2,031,172	33.00			2,031,172	
UST Strips	1,987,214	37.00			1,987,214	
Federal Home Loan Bank	1,955,390	40.00			1,955,390	
Federal Home Loan Bank	1,965,228	44.00			1,965,228	
Federal Home Loan Bank	1,968,868	44.00			1,968,868	
Federal Home Loan Bank	1,963,246	56.00			1,963,246	
Total	$21,959,395	31.81	$2,024,743	$3,475,278	$16,459,374	$ -

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction the City would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Securities purchased by the City are held in a custodial safekeeping account with US Bank. All transactions are evidenced through transaction statements. The City does not have a specific custodial credit risk policy.

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation. The City does not have a formal policy that addresses credit risk. However, RCW Chapter 39.59 Section 040 defines responsible investments for which the use of public funds is allowed. The City adheres to this RCW and the Washington State Investment Board investments policies to minimize its exposure to credit risk.

Concentration of credit risk is the risk of loss attributable to the magnitude of an investment of an investment in a single issuer. The city does not have a formal policy to minimize the exposure to this risk. However, no single investment was made for more than $2 million par value and the portfolio is diversified between at least four different issuers.
Interest rate risk is the risk that the City may face should interest rate variances affect the fair value of investments. The City does not have a specific interest rate risk policy. Capital preservation is the first priority, followed by liquidity and market rate return as a matter of investment policy. The City takes a passive investment approach and intends to hold its investments to maturity.

Summary of Deposits and Investments
The summary of deposits and investments below includes cash on hand, which is usually under $10,000 at any one time, and cash of the Fiduciary Fund.

Deposits and Investments December 31, 2021		
Statement of net position		
Cash and cash equivalents		$ 74,649,352
Restricted cash & investments		21,853
Investments		21,957,366
Statement of fiduciary net position		
Cash and cash equivalents		67,134
	Total Deposits & Investments	$ 96,695,705

4.2 – Property Taxes

The county treasurer acts as an agent to collect property taxes levied in Thurston County for all taxing authorities.

The property tax calendar is as follows:

- January 1 - Property taxes are levied on property values assessed as of the same date and become an enforceable lien against properties.
- February 14 – Tax bills are mailed.
- April 30 - The first of two equal installments is due.
- May 31 – Assessed value of property is established for next year's levy at 100% of market price.
- October 31 – The second installment is due.

Property taxes are recorded as revenue when received or available. Any property taxes collected in advance of the fiscal year to which they apply are recorded as deferred inflow and recognized when earned. No allowance for uncollectible taxes is established at this time because delinquent taxes are considered fully collectible.

The City is permitted by law to levy up to $3.10 per $1,000 of assessed valuation for general governmental services. This amount may be reduced for any of the following reasons:

- The Washington State constitution limits the total regular property taxes to one percent 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 one percent limit.
- In 2001, a referendum was approved which limits the increase in general property taxes to 1 % above the prior year's assessment.
- The City may voluntarily levy taxes below the limits approved by referendum(s).
- Special levies approved by the voters are not subject to the above limitations.

In August 2011, the citizens of Tumwater approved a six-year permanent levy lid lift of general property taxes for the purpose of enhancing existing public safety programs. The levy increased property taxes by 29% in 2012 to collect an additional $1,445,000, increasing by a CPI factor through 2017 and became permanent in 2018. Due to the effect of the levy lid lift and changes in property values, the regular rate per $1,000 on assessed value stands at $2.48 for 2021. Total taxes levied were $10,053,010 based on that rate on a certified assessed valuation of $4,054,473,304.

The Tumwater Metropolitan Park District (TMPD) was authorized on November 4, 2019 by the City of Tumwater Ordinance No. O2019-030. The District is a special purpose local government and provides parks and recreational services. The District is also reported as a blended component unit of the City. The TMPD's property taxes levied for 2021 were $1,766,719 at a rate of $0.44 per $1,000 of assessed valuation of $4,054,473,304. Taxes levied for the TMPD are not included in the regular property tax collections of the City listed in the previous paragraph.

4.3 – Taxes Receivable

Taxes Receivable on the Statement of Net Position and the Balance Sheet consist of the following at the end of the current reporting period:

	General Fund	Capital Projects Fund	Other Govern-mental Funds	Total
Property Taxes	$131,132	-	$20,731	$151,863
Sales Taxes	1,889,885	-	-	1,889,885
Business & Occupational Taxes	736,886	-	-	736,886
Utility Taxes	492,123	303,175	-	795,298
All Other Taxes	241,488	233,455	62,606	537,549
Total	**$3,491,514**	**$536,630**	**$83,337**	**$4,111,481**

4.4 – Capital Assets

Governmental capital asset activity for the ended December 31, 2021 was as follows:

GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE	PRIOR PERIOD ADJUSTMENTS	INCREASES	DECREASES	ENDING BALANCE
Capital Assets not being Depreciated:					
Historic Artifacts	$851,123	$ -	$ -	$ -	$851,123
Land	5,251,589	-	310,324	-	5,561,913
Right of Way	82,363,871	-	498,403	-	82,862,274
Work in Progress	20,004,563	(921,323)	4,903,635	(13,443,700)	10,543,175
Total Capital Assets not being Depreciated	$108,471,146	$(921,323)	$5,712,362	$(13,443,700)	$99,818,485
Other Capital Assets:					
Buildings	$12,567,695	$ -	$ 255,240	$ -	$12,822,935
Improvements	9,776,011	-	5,039,338	-	14,815,349
Machinery and Equipment	12,132,232	-	802,794	(263,940)	12,671,086
Capitalized Integrated Software	529,379	-	-	-	529,379
Roadways	127,156,345	-	10,296,114	(6,570,576)	130,881,883
Total Other Capital Assets at Historical Cost	$162,161,662	$ -	$16,393,486	$(6,834,516)	$171,720,632
Less Accumulated Depreciation					
Buildings	$(8,959,587)	$ -	$(288,350)	$ -	$(9,247,937)
Improvements	(4,280,261)	-	(392,516)	-	(4,672,777)
Machinery and Equipment	(6,926,223)	-	(828,869)	229,725	(7,525,367)
Capitalized Integrated Software	(443,684)	-	(35,522)	-	(479,206)
Roadways	(72,677,963)	-	(2,889,874)	5,491,743	(70,076,094)
Accumulated Depreciation Total	$(93,287,718)	$ -	$(4,435,131)	$5,721,468	$(92,001,381)
Other Capital Assets, Net of Depreciation	$68,873,944	$ -	$11,958,355	$(1,113,048)	$79,719,251
NET GOVERNMENTAL ACTIVITIES CAPITAL ASSETS	$177,345,090	$(921,323)	$17,670,717	$(14,556,748)	$179,537,736

Depreciation was charged to functions as follows:	
Governmental Activities	
General Government	$113,708
Public Safety - Police	$158,021
Public Safety - Fire	$231,930
Public Works - Roadway	$2,890,108
Culture & History	$75,468
Parks & Recreation	$238,567
In addition, depreciation on capital assets held by an internal service fund is charged to various functions based on their usage of the assets owned by the fund.	$727,329
TOTAL GOVERNMENTAL ACTIVITIES DEPRECIATION EXPENSE	**$4,435,131**

Governmental capital assets have been adjusted with a prior period adjustment. See Note 18 – Accounting and Reporting Changes.

Business-type capital asset activity for the year ended December 31, 2021 was as follows:

BUSINESS-TYPE ACTIVITIES	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Capital Assets not being Depreciated:				
Land and Improvements	$4,236,284	$772,287	$ -	$5,008,571
Construction in Process	4,712,350	408,102	(2,815,559)	2,304,893
Total Capital Assets not being Depreciated	$8,948,634	$1,180,389	$(2,815,559)	$7,313,464
Other Capital Assets:				
Buildings	$3,078,027	$ -	$ -	$3,078,027
System Improvements	88,282,077	7,147,505	-	95,429,582
Machinery and Equipment	3,367,773	46,945	-	3,414,718
Total Other Capital Assets at Historical Cost	$94,727,877	$7,194,450	$-	$101,922,327
Total Assets	$103,676,511	$8,374,839	$(2,815,559)	$109,235,791
Less Accumulated Depreciation				
Buildings	$(1,298,140)	$(97,899)	$ -	$(1,396,039)
System Improvements	(34,391,763)	(2,162,660)	-	(36,554,423)
Machinery and Equipment	(1,726,334)	(164,844)	-	(1,891,178)
Total Accumulated Depreciation	$(37,416,237)	$(2,425,403)	$ -	$(39,841,640)
Other Capital Assets, Net of Depreciation	$57,311,640	$4,769,047	$ -	$62,080,687
NET BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS	$66,260,274	$5,949,436	$(2,815,559)	$69,394,151

Depreciation was charged to functions as follows:

Business-Type Activities	
Combined Utility	$2,139,282
Golf Course	286,121
TOTAL BUSINESS-TYPE ACTIVITIES DEPRECIATION EXPENSE	$2,425,403

4.5 – Construction Commitments

The City has active construction projects in progress as of December 31, 2021. City staff charges labor costs for project planning, review time as well as professional services and construction contracts to each project. Transportation projects are often funded from impact and mitigation fees (which are paid by developers) and from local, State or Federal grants. Utility projects are funded from ongoing service fees and some grants.

There were no major construction commitments as of the end of the current reporting period because all major projects were near completion or completed.

NOTE 5 – INTERFUND LOANS AND TRANSFERS

Loans

An interfund loan from the combined utility funds to the golf course fund has been authorized by City ordinance. During the year $185,000 was repaid. The principal balance at the end of the year is $215,732 with an authorized maximum of $2,100,000. As mentioned in Note 3.2, the bond debt for the golf course was called and paid off early in 2022. The golf fund did not have sufficient funds to pay off the entire bond. Therefore, payoff of the existing interfund loan was an additional part of the debt restructuring, and a new interfund loan agreement was authorized by City ordinance in 2022 from the combined utility funds to the golf fund in the amount of $670,000 to be repaid with an annual payment of $167,500 plus interest over the next four years.

An interfund loan from the Development Fund to the Transportation Capital Facilities Fund and associated terms were authorized by Council with Ordinance O2016-027 on November 15, 2016 with a maximum amount of $4,900,000. During the year principal payments were made in the amount of $700,000. The principal balance at the end of the year is $480,000. This interfund loan is reported on the fund-wide Balance Sheet as internal receivable and payable balance, but is eliminated for the government-wide Statement of Net Position and not carried forward.

An interfund loan from the combined utility funds to the General Government Capital Facilities Fund has been authorized by Council with Ordinance O2020-009 effective on November 24, 2020 with a maximum amount of $2,709,987. The principal balance at the end of the year is $2,394.247.

Transfers

The General Fund transferred $660,239 for City Hall expansion project and a fire engine purchase, which were financed through a capital lease (see also debt disclosures) and a general obligation bond, respectively. The transfer is for the related debt service payments. The General Fund also transferred $294,819 to the Capital Project Fund for fire station exhaust system. The Development Fee Fund transferred money totaling $1,630,184, the majority of which represents impact fees collected from new development and utilized in the current year for parks and transportation projects. The Golf Course Fund transfer-in of $519,925 from the Capital Projects Fund is authorized as a component of the capital facilities plan and is for payment of debt service by the Golf Course Fund. The General Fund also funded operations of the Golf Course Fund with a transfer of $457,390. The General Fund transferred $171,262 to Internal Service Fund for equipment purchases. The Internal Service Fund also received $2,715 from the combined Utilities Fund for purchase of new equipment. The Capital Projects Fund also transferred $79,968 to General Fund for park improvements and historical projects, and $93,300 to the Debt Service Fund for energy upgrade project.

	Transfers In					
Transfers Out	**General Fund**	**Debt Service Fund**	**Capital Projects Fund**	**Golf Course Fund**	**Internal Service Fund**	**Total Transfers In**
General Fund		660,239	294,819	457,390	171,262	**1,583,710**
Development Fees Fund			1,630,184			**1,630,184**
Capital Projects Fund	79,968	93,300		519,925		**693,193**
Utilities Fund					2,715	**2,715**
Total Transfers Out	**79,968**	**753,539**	**1,925,003**	**977,315**	**173,977**	**3,909,802**

NOTE 6 – DEBT AND OTHER LIABILITIES

Short Term Debt

The City has not utilized anticipation notes, lines of credit, or similar short-term borrowing instruments during the reporting period.

Leases

The City may enter into lease agreements for financing capital acquisitions. A lease for golf carts has been authorized. These lease agreement types are called capital leases because the underlying security is equipment, and are installment loans in nature and for accounting purposes. They are recorded as long-term debt. All principal and interest payments are made according to the lease agreements. All payments have been made timely.

Long Term Debt

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In past years, general obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds currently outstanding are as follows:

OUTSTANDING GENERAL OBLIGATION BONDS

Purpose	Interest Rate	Amount
Golf Course Acquisition and Upgrade	2.0% - 4.5%	$ 1,170,000

ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY FOR GENERAL OBLIGATION BONDS

Year Ending	Business-Type Activities	
December 31	Principal	Interest
2022	275,000	43,438
2023	290,000	30,725
2024	300,000	18,200
2025	305,000	6,100
TOTAL	1,170,000	98,463

The City can also issue revenue bonds where the City pledges a portion of income derived from the utilities to pay debt service. No revenue bonds were outstanding in this reporting period.

The City entered into bond agreements for the acquisition of equipment and real property and pledged those assets as loan security. Because these loans are secured by equipment they are often referred to as capital leases. These arrangements are facilitated by the Washington State Treasurer's Office and are Certificates of Participation bonds (also known as COPs).

The terms and outstanding payments are as follows:

OUTSTANDING CERTIFICATES OF PARTICIPATION BONDS

Purpose	Interest Rate	Amount
City Hall Expansion	2.394%	$480,000
Fire Pumper Truck	1.580%	$527,895
Golf Maintenance Equipment	1.580%	$317,105
Street Lights & HVAC	2.326%	$505,000
		$1,830,000

ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY FOR CERTIFICATES OF PARTICIPATION BONDS

Year Ending December 31	Principal	Interest
2022	706,182	70,145
2023	238,741	46,522
2024	246,678	34,387
2025	260,012	21,719
2026	184,335	11,511
2027-2031	194,052	3,901
TOTAL	1,830,000	188,185

In 2017 the City purchased fifty-five new electric golf carts under a vendor lease agreement. The lease qualifies as capital lease for accounting purposes and is recorded at the present value of the future lease payments. The capital asset acquired was recorded at a cost of $385,193 with accumulated depreciation of $339,286, and a net book value of $45,907 at the end of this reporting period.

The terms and outstanding payments are as follows:

OUTSTANDING CAPITAL LEASE

Purpose	Interest Rate	Amount
Golf carts	2.390%	$52,413

ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY FOR CAPITAL LEASE

Year Ending December 31	Principal	Interest
2022	52,413	366
TOTAL	52,413	366

If the above tables list fewer than five individual years, then the debt issue is paid off in fewer than five years.

Other long-term debt and other liability activity for the year ended December 31 was as follows:

GOVERNMENTAL ACTIVITIES	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
Bonds and Notes Payable					
Capital Lease & COP Obligations	$2,177,864	$-	$(664,969)	$1,512,895	$632,610
	2,177,864	-	(664,969)	1,512,895	632,610
Plus Premiums / Less Discounts	227,071	-	(70,028)	157,043	23,293
Total Bonds and Notes Payable	2,404,935	-	(734,997)	1,669,938	655,903
Other Liabilities					
Compensated Leave	1,776,082	14,953	-	1,791,035	1,112,054
Net Pension Liability *	2,377,173	-	(1,859,452)	517,721	-
Total OPEB Liability**	7,445,466	96,533	-	7,541,999	193,000
GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES	**$14,003,656**	**$111,486**	**$ (2,594,449)**	**$11,520,693**	**$ 1,960,957**

*** See also separate note for pension-related iabilities**
**** See also separate note for OPEB-related liabilities**

BUSINESS-TYPE ACTIVITIES	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
Bonds and Notes Payable					
General Obligation Bonds (Golf Course)	$1,435,000	$ -	$(265,000)	$1,170,000	$275,000
Other Capital Lease Obligations	494,437	-	(124,920)	369,517	125,985
	1,929,437	-	(389,920)	1,539,517	400,985
Plus Premiums	84,973	-	(19,372)	65,601	-
Total Bonds and Notes Payable	2,014,410	-	(409,292)	1,605,118	400,985
Other Liabilities					
Compensated Leave	268,305	55,678	-	323,983	201,161
Net Pension Liability *	1,097,213	-	(863,961)	233,252	-
BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES	**$3,379,928**	**$ 55,678**	**$(1,273,253)**	**$2,162,353**	**$602,146**

*** See also separate note for pension-related liabilities**

The vast majority of the City's internal service fund serves governmental funds. Accordingly, liabilities for the Equipment Rental and Reserve fund are included as part of the totals for governmental-type activities in the government-wide statements. At the end of the year, the compensated leave balance in this fund is $49,841 and is reported in Governmental Activities. Total interest expense in the current reporting year for long-term debt, other than internal loans, was $45,773. The City had no annual debt service requirements to maturity for debt from direct borrowings and direct placements this reporting period.

Liabilities other than debt, such as compensated absences, pensions and OPEB are liquidated in the general fund, utilities fund, Golf Course Fund, and Internal Service Fund, because they are incurred in those funds.

NOTE 7 – JOINT VENTURE

Joint Animal Services Commission

The City holds an ongoing equity interest in the local Joint Animal Services Commission along with the City of Olympia, City of Lacey, and Thurston County. The Joint animal Services Commission is comprised of an elected board which includes a representative from each of the participating cities, as well as representatives from South Puget Sound Veterinary medical Association and Thurston County Humane Society. The agreement between the parties defines the equity interest based on the percentage of contributions made by all entities. The City of Tumwater holds a 7.90% interest as of December 31, which is reported as a restricted investment of $271,165 in a Joint Venture on the Statement of Net Position.

An ongoing financial interest exists for all cities that participate in the joint venture agreement. The agreement specifies funding using a cost allocation based on serviced animal cases as well as population per jurisdiction in the prior year, unless otherwise adjusted by the Commission. The title of all property is held by the City of Lacey, but is considered to be jointly owned. Upon dissolution and sale of property, all parties will be reimbursed based on their percentage of contribution and ownership. The financial statements for the Commission are included in the annual financial report of the City of Lacey, 420 College Street S.E., Lacey, Washington 98503.

This joint venture benefits the City of Tumwater because it provides animal control services to the region at a much lower cost than the City could provide on its own. In addition, the Commission has a positive net position, meaning that the City's investment is an asset.

Law Enforcement Records Management System (LERMS)

The LERMS is a joint venture providing accurate and timely criminal justice data sharing to the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. The goal of this joint venture is to share public safety information, increase operational efficiency via a reduction in data entry, and ease the process of accessing information. These goals will improve officer and citizen safety, facilitate coordination and information sharing to both internal and external agencies, and improve data quality and timeliness of data accessibility. It is governed through an interlocal agreement by the LERMS Consortium, which is a five member board composed of each City's Chief of Police (or their designee).

An equity interest exists for the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. As of December 31, the City of Tumwater owns a 14% share, or $33,487, of the equity. The City of Tumwater reports its share of equity interest as an investment in joint venture, in the government-wide statement of net position.

An ongoing financial interest exists for the cities of Lacey, Olympia, Tenino, Tumwater, and Yelm. The agreement specifies a funding formula that annually assesses member cities based on current year population as determined by the Thurston Regional Planning Council (unless otherwise adjusted by the Consortium). All property is considered to be jointly owned. Parties will be reimbursed based on their contribution upon sale of property upon the dissolution of LERMS. Any member may withdraw from the agreement at the end of any calendar year, providing a notice to the Consortium no less than six months prior to the date of withdrawal. Withdrawal of a party will not terminate the agreement of the remaining parties.

The City of Olympia accounted for the joint venture in a separate agency fund as of December 31, 2021. Completed Financial Statements can be obtained from the City of Olympia Administrative Services Department, PO Box 1967, Olympia, WA 98507.

NOTE 8 – TRANSPORTATION BENEFIT DISTRICT

The Tumwater Transportation Benefit District (TTBD), as described in Note 1, was established in 2015 and completed its first full year of operations in 2016. The condensed financial information as of December 31, 2021 is as follows:

ASSETS AND LIABILITIES	
Cash and Cash Equivalents	$ 3,375,051
Taxes Receivable	359,964
Deferred Inflows - Taxes	(189,460)
Fund Balance and Net Position	3,545,555
REVENUES AND EXPENDITURES	
Property Taxes	2,268,905
Investment Earnings	3,682
Intergovernmental Contract	(2,322,136)
Change in Fund Balance and Net Position	(49,549)
Beginning Fund Balance and Net Position	3,595,104
Ending Fund Balance and Net Position	3,545,555

The TTBD is a legally separate entity that is reported as a blended component unit in the General Fund in these financial statements.

NOTE 9 – METROPOLITAN PARKS DISTRICT

The Tumwater Metropolitan Parks District (TMPD), as described in Note 1, was established in

2019 and completed its second year of operations as of December 31, 2021. The condensed financial information is as follows:

ASSETS AND LIABILITIES	
Cash and Cash Equivalents	$ 2,840,446
Taxes Receivable	20,731
Deferred Inflows – Taxes	(15,293)
Fund Balance and Net Position	2,845,884
REVENUES AND EXPENDITURES	
Property Taxes	1,759,980
Unrestricted Investment Earnings	1,779
Operating Grants and Contributions	8,638
Intergovernmental Contract	(336,389)
Change in Fund Balance and Net Position	1,434,008
Beginning Fund Balance and Net Position	1,411,876
Ending Fund Balance and Net Position	2,845,884

The TMPD is a legally separate entity that is reported as a special revenue blended component unit in the Total Nonmajor Funds in these financial statements. The TMPD also issues stand-alone financial statements that can be found on the City's web site.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The following table represents the aggregate amounts of the Tumwater Leoff I OPEB plan subject to the requirements of GASB Statement 75 for the end of the current reporting year.

Aggregate OPEB Amounts	
OPEB liabilities 12/31/2021	$7,541,999
OPEB assets	-
Deferred outflows of resources	66,150
Deferred inflows of resources	-
OPEB expenses	249,558

Plan Description

The City of Tumwater provides a single-employer defined post-employment benefit plan to LEOFF Plan 1 eligible retirees. Thirteen retired Fire and Police employees meet those eligibility requirements. There are no active LEOFF Plan 1 employees. There are also no inactive employees entitled to future benefits, and the plan is closed to new entrants. The Plan covers medical services and long-term care according to RCW 41.26.150. Vision benefits are part of the medical benefits.

The City administers the plan. It purchases medical insurance and long-term care insurance for the participants. It reimburses participants for the cost of a Medicare Part B supplement, and for the cost of any eligible expenditures under the plan not covered through insurance.

The City purchases the medical services coverage through the Northwest Fire Fighter's Trust ("Trust"). The Trust does not hold any City assets and does not qualify as the City's benefit trustee, as defined by GASB 75, paragraph 4. Currently the Trust offers a medical plan that fulfills the City's requirements under RCW 41.26.150. The Trust is administered by DiMartino Associates and Benefit Solutions, Inc. Under Article VIII of the Trust document, the Trustees shall have full and exclusive authority to control and administer the Trust Fund and the employee welfare benefit plans which they create, including amendments that expand, restrict, or terminate all or part of the rules relating to eligibility benefits, or to the amount and nature of such benefits, as they may determine.

The Trust's Board of Trustees establishes rates for benefits plans. Monthly premiums for medical services coverage are as follows:

NWFFT Medical Coverage Premiums
- $1848.76 for non-Medicare enrolled retiree-only coverage,
- $613.08 for Medicare-enrolled retiree coverage,
- $613.08 for Medicare enrolled spouse coverage.

Each year the Medicare premiums, deductibles, and copayment rates are adjusted according to the Social Security Act. The standard monthly premium for Medicare Part B enrollees is $148.50 for 2021, and is adjusted up based on income factors. The annual deductible for all Medicare Part B beneficiaries is $203 in 2021.

Employer cost and reimbursements are funded on a pay-as-you-go basis. Expenditures for post-employment health services benefits not covered by insurance, Medicare or Social Security, are recognized as retirees file for reimbursement. During the year, total expenditures of $143,822 were recognized for LEOFF Plan 1 retired employees.

As required by Generally Accepted Accounting Principles, the City reports an actuarially determine total OPEB liability for past and estimated future benefit costs on its Statement of Net Position, as well as any other required deferred inflows and outflows.

Assumptions and Other Inputs

For the determination of the liability and any deferrals, the City used the alternative measurement method (AMM) permitted under GASB Statement No. 75, paragraph 224. to 226. and relied on the Office of the State Actuary's LEOFF 1 tool (AMM Online Tool). The AMM Online Tool is based on the 2020 LEOFF 1 OPEB Actuarial Valuation (AVR) and incorporates the following specific assumptions:

- It is assumed any remaining active members will retire immediately following the measurement date. This means that all liabilities are fully earned and the service cost equals zero. Implicitly, there is no need to project future benefit changes and salaries.
- The members were divided into four age groups, or cohorts, based on the overall distribution of the LEOFF 1 eligible population. The age groups are 55-64, 65-69, 70-74, and 75+ years of age.
- Each cohort of LEOFF 1 members is assumed to be all male. This is deemed reasonable because 98% of all members are currently male and because this assumption does not change any other assumptions, such as mortality, in any significant way.
- Mortality assumptions are based on MP-2017 Long-Term Rates.
- Medical and long-term care costs were projected from June 30, 2020 to the measurement date of June 30, 2021 using the healthcare trend rates detailed in the above-mentioned 2020 LEOFF 1 OPEB AVR.
- The assumed healthcare cost trend rate is a blended rate of medical, long-term care and Medicare Part B estimated future costs and is approximately 5%.

- The assumed discount rate was 2.21% at the beginning and 2.16% at the end of the measurement year. Its source is the Bond Buyer General Obligation 20-bond Municipal Index.

The following represents the total OPEB liability (TOL) of the City calculated using the current healthcare cost trend rate and discount rate, and what the TOL would be if either of the healthcare cost trend or discount rate were one percent higher and lower.

Sensitivity Analysis			
Total OPEB Liability	1% Decrease	Current	1% Increase
Discount Rate	$8,543,988	$7,541,999	$6,704,546
Healthcare Trend	6,744,416	7,541,999	8,471,751

As of December 31, 2021, the plan was 0% funded. The accrued liability for benefits was $7,541,999 and the actuarial value of the assets was $0 resulting in an Unfunded Actuarial Accrued Liability of same amount.

Changes in the Total OPEB Liability

The City measures its OPEB liability using the Alternative Measurement Method. This is a simplified measurement method for employers with fewer than one hundred eligible participants. The City uses a measurement tool provided by the Washington State Actuary's Office.

The following presents the amounts of increases and decreases in the liability between the beginning and the end of the current reporting period.

Total OPEB Liability at 1/1/2021	7,445,466
Interest	161,537
Changes of benefit terms: difference between expected and actual experience, and changes in assumptions	208,726
Benefit payments	(273,730)
Total OPEB Liability at 12/31/2021	7,541,999

At the end of this reporting period, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Payments subsequent to the measurement date	$66,150	-

The deferred outflows of resources resulting from payment subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the following year.

NOTE 11 – GOVERNMENTAL DEFINED BENEFIT 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	$(750,973)
Pension assets	$21,867,937
Deferred outflows of resources	$2,084,371
Deferred inflows of resources	$(15,688,670)
Pension expense	$(3,797,559)

State Sponsored Pension Plans

Substantially all City of Tumwater full-time and qualifying part-time employees participate in one of the statewide retirement systems described in the following paragraphs. All are 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 the DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.
Public Employees' Retirement System (PERS) Plans 1, 2, and 3

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service credit, at age 55 with at least 25 years of service credit, or at age 60 with at least five (5) years of service credit. 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 through June 2021	12.97%	6.00%
July through December 2021	10.25%	6.00%

The city's actual contributions to the plan were $454,950 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) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit, or age 62 with 30 or more years of service. Retirement before age 65 with less than 30 years service credit is considered an early retirement. PERS Plan 2/3 members who have at least 20/10 years of service credit, respectively, 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 can retire under one of two provisions:

- With a benefit that is reduced by three percent (3%) 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 through June 2021	12.97%	7.90%
July through December 2021	10.25%	6.36%
Employee PERS Plan 3		varies

* For employees participating in JBM, the employer contribution rate was 12.97%

The city's actual contributions to the plan were $758,594 for the year ended December 31, 2021.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2

Plan Description

LEOFF is a cost-sharing multiple-employer retirement system established in 1970 by the Legislature comprised of two separate defined benefit plans. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians.

LEOFF Plan 1 provides retirement, disability and death benefits and members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50.

Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) is as follows:

Term of Service	Percent of Final Average Salary
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2021. Employers paid only the administrative expense of 0.18 percent of covered payroll.

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

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. Starting on July 1, 2000, employers and employees contribute zero percent, as long as the plan remains fully funded. 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. 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 through June 2021	5.33%	8.59%
July through December 2021	5.30%	8.53%

The City of Tumwater's actual contributions to the plan were $493,748 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 system-wide, and $318,521 to the City of Tumwater.

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 Demographic Experience Study Report 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; 3.5% salary inflation
- **Salary increases**: In addition to the base 3.5% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were developed using the Society of Actuaries' Pub.H-2010 mortality rates, which vary by member status (eg. Active, retiree, or survivor), as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table.

Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions since the last valuation. For the purposes of the June 30, 2020 Actuarial Valuation Report (AVR), the OSA introduced temporary method changes to produce asset and liability measures as of the valuation date. A summary of the changes is outlined below, and the OSA will revert back to the methods outlined in their 2019 AVR when preparing the 2021 AVR, which will be used as the basis for the 2022 results:

- 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 estimatedJune 30, 2020 assets by relying on the Fiscal Year (FY)-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 aterial changes to our projection assumptions were necessary.
- OSA also considered any material impacts to the plans from 2021 legislation.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members.

Based on the assumptions described in OSA's certification letter within the DRS CAFR, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the Washington State Investment Board (WSIB) provided.

The CMAs contain three pieces of information for each class of assets WSIB currently invest in: 1) expected annual return; 2) standard deviation of the annual return and 3) correlations between the annual returns of each asset class with every other asset class.

The WSIB uses the CMAs 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	20.00%	2.20%
Tangible Assets	7.00%	5.10%
Real Estate	18.00%	5.80%
Global Equity	32.00%	6.30%
Private Equity	23.00%	9.30%
	100.00%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the City of Tumwater's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the city's proportionate share of the net pension liability (asset) 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	$1,279,326	$750,973	$290,196
PERS 2/3	$(2,242,796)	$(7,872,759)	$(12,509,036)
LEOFF 1	$(787,014)	$(874,203)	$(949,637)
LEOFF 2	$(8,274,096)	$(13,120,975)	$(17,089,602)

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 reported a total pension liability of $750,973 and total pension assets of $21,867,937 for its proportionate share of the net pension liabilities as follows:

	Asset	Liability
PERS 1	-	$750,973
PERS 2/3	$7,872,759	-
LEOFF 1	$874,203	-
LEOFF 2	$13,120,975	-
TOTAL	**$21,867,937**	**$750,973**

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

Liability (or Asset)	LEOFF 1	LEOFF 2
Employer's proportionate share	$(874,203)	$(13,120,975)
State's proportionate share of the net pension liability/(asset) associated with the employer	$(5,913,090)	$(8,464,461)
TOTAL	**$(6,787,294)**	**$(21,585,436)**

At June 30, the city's 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	0.066840%	0.061493%	(0.005347%)
PERS 2/3	0.087148%	0.079031%	(0.008117%)
LEOFF 1	0.025145%	0.025520%	0.000375%
LEOFF 2	0.222714%	0.225896%	0.003182%

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.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2021. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2021, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2021, the state of Washington contributed 39.213760 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.786240 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2021, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2020, with updated procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2021 the city recognized pension expense as follows:

Pension	Expense
PERS 1	$(309,977)
PERS 2/3	$(1,770,756)
LEOFF 1	$(137,182)
LEOFF 2	$(1,579,684)
TOTAL	**$(3,797,599)**

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	-	$(833,329)
Contributions subsequent to the measurement date	$215,829	-
TOTAL	**$215,829**	**$(833,329)**

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$382,369	$(96,512)
Net difference between projected and actual investment earnings on pension plan investments	-	$(6,579,780)
Changes of assumptions	$11,505	$(559,096)
Changes in proportion and differences between contributions and proportionate share of contributions	$61,224	$(213,086)
Contributions subsequent to the measurement date	$369,712	-
TOTAL	**$824,809**	**$(7,448,475)**

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	-	$(267,123)
TOTAL		**$(267,123)**

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$595,117	$(69,343)
Net difference between projected and actual investment earnings on pension plan investments	-	$(6,256,175)
Changes of assumptions	$5,672	$(624,034)
Changes in proportion and differences between contributions and proportionate share of contributions	$182,836	$(190,190)
Contributions subsequent to the measurement date	$260,108	-
TOTAL	**$1,043,733**	**$(7,139,743)**
TOTAL DEFERRED OUTFLOW (INFLOW)	**$2,084,371**	**$(15,688,670)**

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

Year ended December 31:	PERS 1
2022	$(220,749)
2023	$(202,286)
2024	$(191,270)
2025	$(219,024)
2026	-
Thereafter	-
Total	**$(833,329)**

Year ended December 31:	PERS 2/3
2022	$(1,817,570)
2023	$(1,699,353)
2024	$(1,634,916)
2025	$(1,766,449)
2026	$(58,816)
Thereafter	$(16,275)
Total	**$(6,993,378)**

Year ended December 31:	LEOFF 1
2022	$(70,957)
2023	$(64,904)
2024	$(61,243)
2025	$(70,019)
2026	-
Thereafter	-
Total	**$(267,123)**

Year ended December 31:	LEOFF 2
2022	$(1,675,869)
2023	$(1,562,077)
2024	$(1,476,102)
2025	$(1,661,248)
2026	$(29,780)
Thereafter	$48,958
Total	**$(6,356,118)**

Allocation of Pension Amounts to Funds and Activities

The City's proportionate share of each plan's pension liability, pension asset, deferred outflows/inflows and pension expense are allocated to governmental and business-type activity and individual funds based on their proportionate share of actual employer contributions. For governmental activities pension expense is further allocated to each function based on the same methodology.

NOTE 12 - NON-GOVERNMENTAL MULTI-EMPLOYER DEFINED BENEFIT PENSION PLAN

Under terms of a collective bargaining agreement (the agreement) between the City and the International Brotherhood of Chauffeurs, Teamsters and Helpers Local Union No. 252 (the Union), the City is required to make employer contributions to the Western Conference of Teamsters Pension Trust Fund (the Pension Trust) based on an agreed upon amount per hour for which compensation is paid. The Pension Trust is the manager of a cost-sharing multi-employer defined-benefit pension plan where funds from more than one employer are pooled and pension assets are held to pay benefits to participating and eligible employees. The Pension Trust does not issue publicly available financial reports.

The agreement stays in force until the end of the current bargaining period of December 31, 2023, unless either party to the agreement requests to re-open the agreement before the end of its term. Neither party to the agreement has made such a request.

During the current reporting period the City paid the Pension Trust a rate of $2.65 per eligible compensated hour with that hourly contribution increasing to $2.90 per eligible compensated hour in 2022, and increasing to $3.15 in 2023. The total required employer contribution and pension expense in the current reporting period was $167,575. This includes the contribution for the last annual pay period, which was paid by January 10th of the following year in the normal course of business and is included with payables at the end of the reporting period. That amount was $34,968. All required contributions were paid timely.

Eligible pension participants are union members who are permanent full-time and regularly scheduled part-time employees of the City's Operations Division of Transportation and Engineering, Water Resources and Sustainability, and/or of the Fleet Maintenance Program maintenance shop. Supervisors are not included. At the end of this reporting period, twenty-nine (29) employees were eligible pension participants.

Once a participant has vested and has earned twenty service years, he or she may retire with normal retirement benefits between ages 65 and 70. Although the agreement is considered a defined benefit pension by the Trust, the City has no future obligations or liabilities for termed employees (retired or otherwise).

The normal retirement monthly benefits for retirees are calculated as a percentage of employer contributions made, where the percentage is specific to each service year. The percentage for each service year can be different and ranges from 1.20% for years 2009 through 2019 at the lowest, and 3.58% for years 2000 through 2002 at the highest. It is set at 1.60% for this reporting period. Each year's percentage is multiplied by that year's employer contribution and added to arrive at the monthly benefit. Early and late retirement benefits are also available, as well as death, survivor and disability benefits, a description of which can be found at www.wctpension.org.

The Pension Trust trustees are authorized to define the pension trust plan benefits, as well as the condition of eligibility for benefits, and terms of payment. They are also authorized to adjust plan benefits based on financial experience of the plan, and are required to take such action when a material funding gain or loss for two consecutive years has occurred. In no event may any adjustment reduce or remove any benefits protected by law.

NOTE 13 – LEASES

During 2021, the City had leases for five copiers under non-cancellable operating leases. Total cost for these leases was $13,392 for the end of the current reporting period. The future minimum lease payments are as follows:

Year Ended December 31	Amount
2022	$ 13,392
2023	$ 13,392
2024	$ 13,392
2025	$ 13,392
2026	$ 13,392
Total	**$ 66,960**

NOTE 14 – CONTINGENCIES AND LITIGATION

As of December 31, a number of claims were pending against the City for damages and legal actions with either monetary claims or issues that could affect the City financially. While the outcome of these actions is uncertain, no losses are clearly anticipated at this time. Any potential adverse judgments against the City would be subject to coverage under the City's comprehensive liability insurance, which includes public official's errors and omissions insurance.

NOTE 15 – RISK MANAGEMENT

Liability and Physical Damage

The City of Tumwater 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.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, errors or omissions, stop gap, employment practices 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. Property coverage is self-funded from the members' deductible to $750,000, for all perils other than flood and earthquake, and insured above that to $400 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to $250,000 and insured above that to $100 million per occurrence subject to aggregates and sublimits.

In-house services include risk management consultation, loss control field services, and claims and litigation administration. WCIA contracts for certain claims investigations, consultants for personnel and land use issues, insurance brokerage, actuarial, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, reinsurance and other administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

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.

Health & Welfare

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

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

As of December 31, 2021, 262 cities/towns/non-city entities participate in the AWC Trust HCP.

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

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

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

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2020, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an individual stop loss (ISL) of $1.5 million through Commencement Bay Risk Management, and Kaiser ISL at $1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

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

AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP account.

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

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

Settlements
The amount of any settlements has not exceeded insurance coverage in each of the past three (3) years.

NOTE 16 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus, COVID-19. In the months following the declaration, precautionary measures to slow the spread of COVID-19 were ordered. These measures included closing schools, colleges and universities, cancelling public events, limiting public and private gatherings, and restricting business operations, travel, and non-essential activities.

The economic impacts of the pandemic have been sudden and unprecedented. In anticipation of declining revenues for 2020, the City took several cost-saving measures and reduced the budget by approximately $10 million to preemptively counteract anticipated revenue loss due to the pandemic. Measures taken by the City to achieve this reduction in costs included three voluntary separations, three involuntary separations, four vacancies due to hiring freeze, greatly reduced seasonal staff, and voluntary unpaid leave, on average of one day per month, by about thirty employees. The City entered into an interagency agreement with Washington State Department of Commerce and received $1,082,700 in federal grant funds through the CARES Act.

In 2021, the City was awarded $2,565,043 for the State and Local Fiscal Recovery Funds (SLFRF) awarded under the American Rescue Plan Act (ARPA). The first half of the funds were received in June 2021, and the second half will be received in June or July 2022. Due to better than expected tax revenues, the City was able to amend the 2021 budget and restore most of the cuts made in 2020 due to the pandemic. Some of the reasons for the better than expected revenues in 2020 and 2021 include:

- One-time, large purchases of goods in Tumwater that increased sales tax revenue
- New construction and commercial development far exceeded expectations, increasing revenue for Permitting and Planning

- As the Governor shut businesses down, online sales were much stronger, which increased sales tax revenue from online retailers due to the state's destination based sales tax rule
- Federal stimulus funds (CARES Act) helped stabilize our financial positon in late 2020
- ARPA funds in 2021 and 2022 further helped improve the City's financial outlook and its ability to help residents in need

Tax revenue continues to be stable year-to-date in 2022. While the Governor has rescinded the emergency orders, we continue to experience uncertainty related to an increase in Coronavirus infections in our state and around the country. There is also concern about the state of the global economy with the war in Ukraine, high fuel and food prices, continued supply chain shortages, the rapid drop in stock market, and inflation at a 40-year high.

Council and the City Administrator continue to work with staff to carefully monitor revenues and expenditures, and make adjustments as needed to sustain the City's financial resources. The full, long-term financial impact on the City is still unknown at this time. The City anticipates that it will be able to continue to provide all essential services.

NOTE 17 – ASSET RETIREMENT OBLIGATIONS

Certain Asset Retirement Obligations (AROs). This statement addresses the accounting and financial reporting for certain asset retirement obligations, a legally enforceable liability associated with the retirement of a tangible capital asset. This statement establishes the criteria to determine the timing and pattern of a liability and corresponding deferred outflow of resources for asset retirement obligations. This statement enhances the comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations, including obligations that may not have been previously reported.

The City has no material AROs to report as of the end of this reporting period.

NOTE 18 – ACCOUNTING AND REPORTING CHANGES

Governmental capital assets have been adjusted with a prior period adjustment to Construction in Progress of ($921,323). This was a result of an account clean-up project expensing projects previously expected to be capital, which decreased net position of Governmental Activities on the Entity-Wide Statement of Net Position and Statement of Activities.

During 2021, the City reviewed GASB statements 87, 91, and 93, Leases, Conduit Debt Obligations, and Replacement of Interbank Offered Rates, respectively.

GASB Statement No. 87 - The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The City has started analyzing all applicable leases that will be impacted by GASB 87 for implementation in fiscal year 2022.

GASB Statement No.91 - The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with

(1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The City has no conduit debt, and does not expect to ever issue conduit debt.

GASB Statement No. 93 – This GASB statement provides guidance regarding agreements in which variable payments made or received depend on an interbank offered rate (IBOR), specifically the London Interbank Offered Rate (LIBOR), as well as derivative instruments. As derivatives are illegal in the state of Washington, the City has none. The City deals strictly with the State Treasurer's Local Government Investment Pool and USA Municipal Bonds for investments. The City has no LIBOR, and no hedgings or derivatives. This GASB statement does not apply to the City.

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual

CITY OF TUMWATER, WA
GENERAL FUND - Budget and Actual
Schedule of Revenues, Expenditures, and Changes in Fund Balance
December 31, 2021
For the *Biennium* Ended December 31, 2022

	2021-2022 BUDGET ORIGINAL	2021-2022 BUDGET AMENDED	2021-2022 ACTUAL
REVENUES			
Taxes	$47,442,400	$49,262,400	$27,627,181
Licenses & Permits	2,246,000	2,246,000	1,982,182
Intergovernmental	8,788,200	11,864,693	5,894,894
Charges for Services	3,649,100	3,739,600	3,057,771
Fines & Forfeitures	177,800	177,800	54,586
Miscellaneous	298,250	298,250	102,490
TOTAL REVENUES	**$62,601,750**	**$67,588,743**	**$38,719,104**
EXPENDITURES			
Current:			
General Government	$10,924,104	$14,897,291	$5,863,056
Public Safety - Police	15,462,331	16,048,410	7,547,625
Public Safety - Fire	15,700,774	16,262,774	8,680,039
Public Works	10,560,569	13,055,896	4,711,087
Economic Environment	3,520,477	4,166,054	1,097,085
Culture & History	-	7,666	-
Parks & Recreation	7,813,330	8,050,875	2,404,400
Capital Outlay:			
General Government	-	32,000	8,555
Public Safety – Police	-	64,500	54,740
Public Safety – Fire	-	37,470	38,064
Parks & Recreations	7,500	89,500	-
TOTAL EXPENDITURES	**$63,989,085**	**$72,712,436**	**$31,214,651**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**($1,387,335)**	**($5,123,693)**	**$7,504,453**
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Assets	5,000	5,000	-
Transfers In	80,000	241,968	79,968
Transfers Out	(2,649,260)	(3,754,303)	(1,583,710)
TOTAL OTHER FINANCING SOURCES (USES)	**$(2,564,650)**	**$(3,507,335)**	**$(1,503,742)**
NET CHANGE IN FUND BALANCES	**$(3,951,595)**	**$(8,631,028)**	**$6,000,711**
PLUS: FUND BALANCES - BEGINNING	10,658,694	15,705,513	19,302,613
FUND BALANCES - ENDING	**$6,707,099**	**$7,074,485**	**$25,303,324**

CITY OF TUMWATER, WA
DEVELOPMENT FEES Special Revenue Fund - Budget and Actual
Schedule of Revenues, Expenditures, and Changes in Fund Balance
December 31, 2021
For the *Biennium* Ended December 31, 2022

	2021-2022 BUDGET		2021-2022
	ORIGINAL	AMENDED	ACTUAL
REVENUES			
Charges for Services	$3,840,000	$3,840,000	$3,746,631
Miscellaneous	100,000	100,000	123,722
TOTAL REVENUES	**$3,940,000**	**$3,940,000**	**$3,870,353**
EXPENDITURES			
Current:			
General Government	-	-	-
Physical Environment	-	-	-
Transportation	-	-	-
Culture & Recreation	-	-	-
Capital Outlay	-	-	-
TOTAL EXPENDITURES	**$-**	**$-**	**$-**
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	**$3,940,000**	**$3,940,000**	**$3,870,353**
OTHER FINANCING SOURCES (USES)			
Interfund Loan Repayment	1,180,000	1,180,000	700,000
Transfers Out	(5,530,300)	(5,472,300)	(1,630,184)
TOTAL OTHER FINANCING SOURCES (USES)	**$(4,350,300)**	**$(4,292,300)**	**$(930,184)**
NET CHANGE IN FUND BALANCES	**$(410,300)**	**$(352,300)**	**$2,940,169**
PLUS: FUND BALANCES - BEGINNING	7,963,631	10,808,568	10,808,568
FUND BALANCES - ENDING*	**$7,553,331**	**$10,456,268**	**$13,748,737**

- The actual ending fund balance does not include an interfund loan receivable balance of $1,180,000 because it is not a financial resource. The above presentation is deemed representative of the budgeted fund balance.

Pension Plans

City of Tumwater, Washington
Schedule of Proportionate Share of Net Pension (Asset)/Liability - PERS 1
As of June 30

	City's Proportion of the Net Pension (Asset)/Liability	City's Proportionate share of the Net Pension (Asset)/Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of Covered payroll	Plan Fiduciary Net Position as a Percentage of Total Pension (Asset)/Liability
2021	0.061493%	$750,973	$9,866,656	7.61%	88.74%
2020	0.066840%	$2,359,813	$10,147,598	23.25%	68.64%
2019	0.070732%	$2,719,896	$10,125,333	26.86%	67.12%
2018	0.069847%	$3,119,391	$9,305,350	33.52%	63.22%
2017	0.069645%	$3,304,710	$8,808,032	37.52%	61.24%
2016	0.068940%	$3,702,403	$8,213,908	45.07%	57.03%
2015	0.071213%	$3,725,102	$8,057,510	46.23%	59.10%
2014-2012	-	-	-	-	-

The last contributing participant in PERS 1 employed by the City was in 2015.

City of Tumwater, Washington
Schedule of Proportionate Share of Net Pension (Asset)/Liability - PERS 2/3
As of June 30

	City's Proportion of the Net Pension (Asset)/Liability	City's Proportionate share of the Net Pension (Asset)/Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of Covered payroll	Plan Fiduciary Net Position as a Percentage of Total Pension (Asset)/Liability
2021	0.079031%	($7,872,759)	$9,866,656	-79.79%	120.29%
2020	0.087148%	$1,114,573	$10,147,598	10.98%	97.22%
2019	0.091326%	$887,086	$10,125,333	8.76%	97.77%
2018	0.089666%	$1,530,967	$9,305,350	16.45%	95.77%
2017	0.089583%	$3,112,581	$8,808,032	35.38%	90.97%
2016	0.087502%	$4,405,657	$8,183,756	53.83%	85.82%
2015	0.089556%	$3,199,887	$7,962,921	40.18%	89.20%
2014-2012	-	-	-	-	-

City of Tumwater, Washington
Schedule of Proportionate Share of Net Pension (Asset)/Liability - LEOFF 1
As of June 30

	City's Proportion of the Net Pension (Asset)/Liability	City's Proportionate share of the Net Pension (Asset)/Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of Covered payroll	Plan Fiduciary Net Position as a Percentage of Total Pension (Asset)/Liability
2021	0.025520%	($874,203)	N/A	N/A	187.45%
2020	0.025145%	($474,866)	N/A	N/A	146.88%
2019	0.024370%	($481,700)	N/A	N/A	148.78%
2018	0.024150%	($438,444)	N/A	N/A	144.42%
2017	0.023694%	($359,490)	N/A	N/A	135.96%
2016	0.023362%	($240,695)	N/A	N/A	123.74%
2015	0.023112%	($278,551)	N/A	N/A	127.36%
2014-2012	-	-	-	-	-

City of Tumwater, Washington
Schedule of Proportionate Share of Net Pension (Asset)/Liability - LEOFF 2
As of June 30

	City's Proportion of the Net Pension (Asset)/Liability	City's Proportionate share of the Net Pension (Asset)/Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of Covered payroll	Plan Fiduciary Net Position as a Percentage of Total Pension (Asset)/Liability
2021	0.225896%	($13,120,975)	$9,068,478	-144.69%	142.00%
2020	0.222714%	($4,543,040)	$8,377,008	-54.23%	115.83%
2019	0.235894%	($5,464,940)	$8,239,380	-66.33%	119.43%
2018	0.228429%	($4,637,607)	$7,554,557	-61.39%	118.50%
2017	0.221303%	($3,070,969)	$6,924,804	-44.35%	113.36%
2016	0.219259%	($1,275,276)	$6,662,892	-19.14%	106.04%
2015	0.219777%	($2,258,868)	$6,393,832	-35.33%	111.67%
2014-2012	-	-	-	-	-

City of Tumwater, Washington
Schedule of Employer Contributions - PERS 1
For the fiscal year ended December 31

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percent of Covered Employee Payroll
2021	$454,950	$454,950	-	$10,705,198	4.25%
2020	$477,137	$477,137	-	$9,952,920	4.79%
2019	$500,137	$500,137	-	$10,121,893	4.94%
2018	$494,137	$494,137	-	$9,758,445	5.06%
2017	$442,377	$442,377	-	$9,047,264	4.89%
2016	$402,436	$402,436	-	$8,436,789	4.77%
2015	$361,833	$361,833	-	$8,156,576	4.44%
2014-2012	-	-	-	-	-

City of Tumwater, Washington
Schedule of Employer Contributions - PERS 2/3
For the fiscal year ended December 31

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percent of Covered Employee Payroll
2021	$758,593	$758,593	-	$10,705,198	7.09%
2020	$788,603	$788,603	-	$9,952,920	7.92%
2019	$781,773	$781,773	-	$10,121,893	7.72%
2018	$731,894	$731,894	-	$9,758,445	7.50%
2017	$616,096	$616,096	-	$9,047,264	6.81%
2016	$525,612	$525,612	-	$8,436,789	6.23%
2015	$454,667	$454,667	-	$8,078,735	5.63%
2014-2012	-	-	-	-	-

City of Tumwater, Washington
Schedule of Employer Contributions - LEOFF 2
For the fiscal year ended December 31

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percent of Covered Employee Payroll
2021	$493,748	$493,748	-	$9,177,534	5.38%
2020	$455,968	$455,968	-	$8,778,744	5.19%
2019	$434,517	$434,517	-	$8,279,998	5.25%
2018	$421,783	$421,783	-	$7,966,062	5.29%
2017	$365,692	$365,692	-	$7,106,558	5.15%
2016	$347,734	$347,734	-	$6,885,787	5.05%
2015	$326,890	$326,890	-	$6,473,064	5.05%
2014-2012	-	-	-	-	-

Notes to Required Supplementary Information

Note 1. – Schedule of Revenues, Expenditures and Changes in Fund Balance–Budget to Actual

The schedules of revenues, expenditures, and change in fund balances – budget to actual - are presented on a budgetary basis which is substantially the same as the modified accrual basis. The City's budget cycle is a biennium, always starting with an uneven year. In the first year of a budget cycle the budget to actual comparison compares one year financial actual information to a two-year budget. In the second year of the budget cycle the budget to actual comparison compares two years of financial actual information to a two-year budget.

Note 2. - Required Supplementary Information – Pension Plans

Under GASB Statement 68, the City's cost-sharing multi-employer plans are the Public Employees' Retirement System Plan (PERS) 1 and 2/3, and the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1 and 2 (LEOFF 1 and 2). As required by GASB 68, a 10-year Schedule of Proportionate Share of Net Pension Liability as of the plans' measurement date, and a 10-year schedule of Employer Contributions for each plan are enclosed for the City's most recent fiscal year. The ten-year information will be completed as each future year's information is available.

Note 3. – Other Post-Employment Benefits (OPEB)

As permitted under GASB Statement 75, the City of Tumwater used the alternative measurement method utilizing the Office of the State Actuary's liability calculation tool. Refer to NOTE 4 – DETAILED NOTES RELATING TO ALL FUNDS in the Notes to the Financial Statements. No assets are accumulated and no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

	2021	2020	2019	2018	2017-2012
Total OPEB Liability - Beginning	$7,445,466	$6,175,053	$7,074,359	$7,322,514	-
Service Cost	-	-	-	-	-
Interest	$161,537	$211,846	$268,537	$257,733	-
Change in Benefit Terms	$208,726	$1,305,319	($894,397)	($257,156)	-
Benefit Payments	($273,730)	($246,752)	($273,446)	($248,732)	-
Other	-	-	-	-	-
Total OPEB Liability - Ending	$7,541,999	$7,445,466	$6,175,053	$7,074,359	-
As a % of Covered Payroll	N/A	N/A	N/A	N/A	N/A

Note 4. – Non-Governmental Multi-Employer Defined Benefit Pension Plan

The City makes contributions under terms of a collective bargaining agreement between the City and the International Brotherhood of Chauffeurs, Teamsters and Helpers Local Union No. 252. Certain employees of the City's Operations Division of Public Works, the Fleet Maintenance Program, and the Meter Reader were eligible during the current reporting period. As required by GASB 78, a 10-year schedule of required contributions is shown. The number of covered employees and eligible work hours has been consistent over the past years.

	2021	2020	2019	2018	2017	2016	2015-2012
Required Contributions	$167,575	$154,272	$142,674	$134,392	$122,419	$104,005	-

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